Wealth Management Process:
The Investment Plan

Prepared for Ana and Robert Johnston
Friday, January 24th, 2017

Francis Financial, Inc.
39 Broadway, Suite 1730
New York, NY 10006
(212) 374-9008

TABLE OF CONTENTS

INTRODUCTION

As with any investment made in life—a family, a home, a college education—the best results are achieved by carefully constructing a plan and then following that plan consistently over time. A well-crafted investment plan and investment policy statement provides a broad context for making important financial decisions and then prescribes a prudent investment philosophy and set of investment management procedures for achieving your long-term financial goals.

This document will clearly describe a range of critical factors that affect your financial decisions, including your investment goals and time horizons, your tolerance for risk (as measured by returns in bear markets and historic volatility), and the prudence and diversification standards you wish to maintain. Taking these critical factors into account, this document will also set forth an investment structure that details permitted asset classes and the desired allocation among those asset classes.

Clearly articulating your critical factors and our recommendations for achieving your financial goals in an investment plan and an investment policy statement has a number of important benefits:

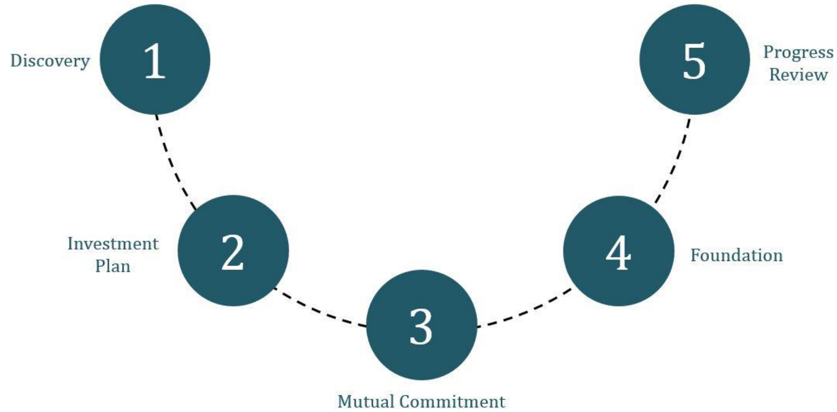
1. **It helps provide long-term discipline to your investment decision-making.** A well-conceived plan helps assure that rational analysis is the basis for your investment decisions, making you less likely to act on emotional responses to short-term or one-time events.
2. **It encourages our effective communication.** Because it clarifies both the issues that are most important to you and the investment approach and strategy that will be used, it minimizes any misunderstandings that may arise.
3. **It allows both of us to accurately review your critical factors as they may change over time.** Such evaluations may indicate that corresponding changes to your investment plan are called for.

In addition, this investment plan and investment policy statement will provide the foundation for *wealth management*—our ability to address the range of your financial challenges beyond your investments. Having a comprehensive wealth management plan in place allows us to systematically manage each of your major financial issues, which in turn maximizes our ability to help you achieve your most important financial goals.

39 Broadway Suite 1730 | New York, NY 10006
Office | 212.374.9008 | FrancisFinancial.com

OUR 5-STEP PLAN•GROW•PROTECT® APPROACH

At Francis Financial, we use the following systematic consulting process for uncovering your most important goals and for designing and implementing appropriate solutions.



Discovery (Learn • Listen • Research) - We begin by establishing a relationship with you. During our first meeting, we conduct a discovery interview where we listen and learn about your interests, values, goals, personal and professional relationships, as well as assets. This enables us to create financial solutions uniquely tailored to you.

Investment Plan (Strategize • Recommend • Communicate) – Using proprietary technology, experience and your financial objectives to guide us, we present you with the first draft of your investment plan, discussing potential risks and rewards that this plan entails. This plan forms the foundation of your investment strategy, and all of our work together.

Mutual Commitment (Present • Discuss • Confirm) – When we have come to a mutual decision about whether the strategy we presented to you makes sense, we proceed by signing an agreement and your finalized strategy becomes our roadmap for coordinated action. We then execute the documents necessary to put your investment plan into motion. Welcome to our family of clients!

Foundation (Execute • Oversee • Implement) – This is your first meeting as our client. We deliver your comprehensive financial plan, which includes advance planning pieces such as college savings, estate planning, insurance, retirement planning, taxes and more. We make adjustments at this stage to make sure you leave with a clear picture of your financial affairs.

Progress Review (Return • Review • Reconnect) - Through our regularly scheduled progress reviews, we enhance your wealth and your life. We address all life changes that impact your financial plan and monitor that you are on track to achieving your goals. We find ways to simplify your life and handle the legwork needed. This is simple and elegant ongoing wealth management.

39 Broadway Suite 1730 | New York, NY 10006
Office | 212.374.9008 | FrancisFinancial.com

CLIENT PROFILE

No two investors are alike. Each has different circumstances and aspires to different dreams. As financial advisors, we can meet your needs well only when we know you and your unique life situation well. As we discussed during our Discovery Meeting, we believe it is important for us to deeply comprehend not only your investments and other assets, but your most important values, goals, relationships and interests.

This level of insight provides several important benefits:

1. It allows us to construct an investment plan that will maximize the probability of achieving all that is most important to you and your family.
2. It sets the foundation for our long-term relationship.
3. It enables us to work with you in precisely the ways which you prefer.

SUMMARY OF YOUR PROFILE

In our Discovery Meeting, you shared with us many important insights into your financial situation, the challenges you face and the goals you seek to accomplish. The summary below reflects our understanding of these issues.

Financial Values

You described the importance of money to you as follows:

1. Investments
    a. Risk averse
    b. Do not put much thought into investments
2. Finances
    a. You want to feel secure
        i. Have enough in an emergency reserve
        ii. Have enough cash on hand in case you decide to not work for a while
    b. You have a lot of flexibility
3. Retirement
    a. 401K
        i. You are maximizing contributions
            1. Disciplined about making 401K and 529 contributions
        ii. Your account value has grown in value beyond your contributions
            1. You need a strategic investment approach

Goals

You described your key goals (life and/or financial) as follows:

1. Vacations
    a. Want to know if you have enough money to take big vacations each year
2. Education
    a. Fund your children's college educations
3. Personal
    a. Become independently wealthy
        i. Be able to do what you want

4. Finances
    a. You don't want to worry about money
    b. Would like to have a better grasp on retirement
    c. You want to better understand your finances
5. Budget
    a. You want to make sure you are saving and spending wisely and efficiently

Relationships

You described your most important relationships as follows:

1. Children
    a. Your daughter, Sophie
        i. Age seventeen
        ii. Freshman in college
            a) Attends NYU
            b) Travels a lot with the varsity basketball team
    b. Two sons
        i. Victor - Age twelve
        ii. Charles – Age ten
2. Robert's parents
    a. Father, Adam
        i. Age seventy-seven
        ii. Retired
    b. Mother, Megan
        i. Age seventy-three
        ii. Currently working and is considering retirement
    c. Care
        i. Want to explore options for care
            1. Reasonably good health
            2. May need some financial help

Assets

You identified the following major assets:

1. Cash
    a. Chase
        i. Premier Checking – $59,651
        ii. Chase Plus Savings – $345,692
        iii. Private Checking – $5,520
2. Non-retirement
    a. Robert – Long term investments through Morgan Stanley
        i. Not much you can do with this
3. Retirement
    a. Ana
        i. Liberty Mutual – 401k
    b. Robert
        i. Goldman Sachs – 401K
            1. $965,564
        ii. Vanguard – Intel 401k Plus Plan
            1. $63,615

4. Real Estate
    a. Your home
        i. Purchased for $650,000
        ii. Has increased in value to $930,000
        iii. $370,000 mortgage
    b. Net $390,000 from home sale
5. Education
    a. 529 Plans
        i. Charles
            1. $50,632
            2. $79,110
        ii. Sophie
            1. $39,163
            2. $86,651
        iii. Victor
            1. $31,411
            2. $96,619

Advisors

1. Attorney
    a. Revising your wills in December 2016
    b. May need trusts
2. Insurance
    a. No insurance agents
    b. Term policies through work
3. Taxes
    a. Do your own taxes
        i. Use Turbo Tax

Process

1. Communication
    a. Prefer not to micromanage
    b. You want to be informed at a reasonable frequency

Interests

You described the following personal interests as being most important to you:

1. Travel
    a. Would like to take the kids to Australia
    b. Just returned from a getaway to Ireland for 15 days without the children
    c. You usually travel to rural areas
        i. Enjoy walking around
    d. You rent a ski house in December in Vail
2. Community
    a. Very involved with your children's schools
        i. Donate to the schools
    b. You belong to a charity
        i. Ana serves on the board
        ii. Donate about $3,000 every year

3. Music
    a. Robert plays the piano
    b. Sophie is learning how to play the acoustic guitar
4. Books – Ana enjoys reading and writing books

Background

1. Ana – Grew up in France
2. Both U.S. citizens
3. Comfortable, middle class upbringing

OUR ROLE AS YOUR PERSONAL CHIEF FINANCIAL OFFICER

This consulting process serves as our framework, but it is only the beginning. To ensure that your family's most important financial issues are addressed as needed, we serve as your personal chief financial officer.

As your personal chief financial officer, we set the foundation of your financial house through this investment plan. Once this is in place, we address additional components of your financial picture as needed. With your wealth management plan to guide us, we focus on four broad areas of your financial life:

1. **Wealth enhancement** aims to produce the best possible investment returns consistent with your level of risk tolerance and to minimize the tax impact on those returns.
2. **Wealth transfer** intends to find and facilitate the most tax-efficient way to pass assets to succeeding generations, and to do so in a way that meets your wishes.
3. **Wealth protection** is aimed at protecting your wealth against potential creditors, litigants, children's spouses and potential ex-spouses.
4. **Charitable giving** helps fulfill your charitable goals. It is most effective when coordinated with the three services above.

In accordance with your stated priorities, we will raise these issues and make our recommendations to you during our Regular Progress Meetings. Over time, this allows us to address all of your advanced planning needs.

The Investment Plan

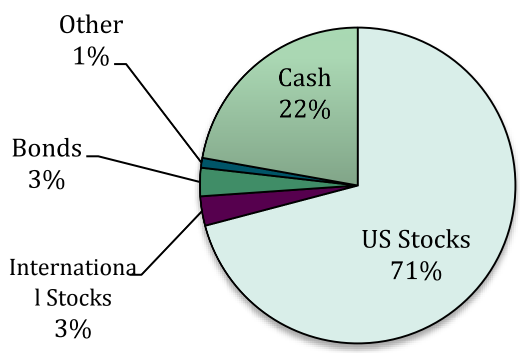
Your investment plan consists of three key parts:

1. An analysis of your current situation
2. A detailed description of your most important financial goals
3. Our recommendations for achieving those goals

Current Situation

All figures as of December 31, 2015

Portfolio Analysis



Current Investment Style - Stocks

	Value	Blend	Growth
Large Cap	37%	8%	18%
Mid Cap	5%	17%	5%
Small Cap	2%	6%	2%

Current Investment Style - Bonds

	Short Term	Intermediate Term	Long Term
High Quality	5%	30%	10%
Medium Quality	0%	50%	0%
Low Quality	0%	5%	0%

Developed International, Emerging Markets, US - Stocks

	Portfolio	Recommended
Developed International	4.3%	31.1%
Emerging Markets	2.7%	17.6%
U.S.	93.0%	51.3%

Industries

Industries	Portfolio	Recommended
Cons Defensive	1.07%	7.85%
Healthcare	10.76%	11.41%
Utilities	1.69%	1.82%
Comm Services	1.39%	4.11%
Energy	2.96%	6.99%
Industrials	9.63%	7.44%
Technology	15.18%	15.73%
Basic Materials	2.35%	5.39%
Cons Cyclical	9.85%	15.89%
Financial Services	43.11%	21.44%
Real Estate	2.01%	1.93%
Total	100.00%	100.00

Standard Deviation

3 Years	5 Years	10 Years
12.28%	16.46%	18.74%

Key Findings

1. **Growth Potential** – Your portfolio has high US stock exposure. We recommend increasing International exposure in order to maximize growth potential.

2. **Increase Diversification** – Your largest aggregate holding is in Morgan Stanley. You have approximately 21% of your assets in this holding. We recommend diversifying away from such a large holding in any single stock, especially employer stock.

3. **Rebalance Equity Exposure –** The way your portfolio is currently constructed, you are overexposed to the Financial Services sector, and underexposed to the Consumer Cyclical, Energy, and Consumer Defensive sectors.

4. **Invest Cash –** Over 20% of your portfolio is held in cash/money market funds. We recommend investing some of this cash to get your money working harder for you.

5. **Risk** – You mentioned that you are risk averse. Your current portfolio has a 3 year standard deviation of 12.28%, 5 year standard deviation of 16.46% and 10 year standard deviation of 18.74%. Standard deviation is a measure of risk. Your portfolio has high risk assessment in the 3 year, 5 year, and 10 year time frames, which may result in large losses in any one year.

6. **Re-allocate Bond Holdings**– Over 40% of your bond portfolio is allocated to bonds with a credit quality of BB or lower, otherwise known as "junk bonds". We recommend rebalancing your bond allocation to higher quality bonds.

FINANCIAL GOALS

Short Term

Goal: Having enough money to take big vacations every year
Time horizon: One year
Importance: Medium

Goal: Better understand your finances
Time horizon: By end of 2016
Importance: High

Goal: Create a budget so that you know you are saving and spending wisely and efficiently
Time horizon: By end of 2015
Importance: Medium

Intermediate Term

Goal: Fund your children's college education
Time horizon: Two to six years
Importance: High

Long Term

Goal: Become independently wealthy so you are able to do what you want
Time horizon: Five to ten years
Importance: High

Goal: Develop retirement strategy
Time horizon: Five to ten years
Importance: High

OUR RECOMMENDATIONS

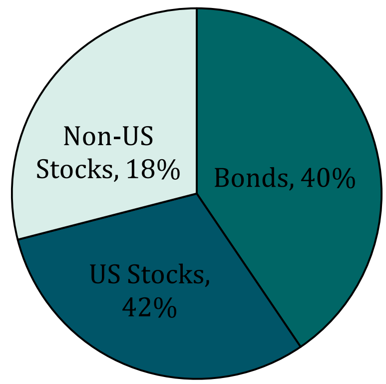
We used four steps to develop our recommendations for your investment plan:

1. Assess your goals and circumstances.
2. Plan your asset allocation.
3. Select your investment approach.
4. Build your portfolio.

Please refer to Part Two of the wealth management plan, the investment policy statement, for a comprehensive description of this four-step process.

Target Asset Allocation

To meet your goals, we recommend investing in a broadly diversified portfolio with approximately 60 percent allocated in stocks. We recommend allocating 70 percent of the portfolio to U.S. stocks and 30 percent to international stocks with the objective of providing additional global portfolio diversification.



To provide for long-term growth consistent with your risk portfolio, as well as to meet current liquidity needs, we would recommend the following target asset allocation for your investment portfolio:

Recommended Repositioning of Portfolio

We believe that a significant restructuring of your portfolio will maximize the probability of you reaching your goals, as outlined to us in our Discovery Meeting. Given your investment objectives and using the available asset classes, the following portfolio repositioning has been calculated as optimal for you.

Asset Class	Recommended
Bonds	
Investment-Grade Bond Funds	15.0%
Multisector Bond Funds	6.0%
Absolute-Return-Oriented Bond Funds	14.5%
Floating Rate Bond Funds	5.0%
US Stocks	
US Large Cap Stocks	29.5%
US Small Cap Stocks	1.0%
International Stocks	
International Developed Stocks	12.5%
Global Stock Funds	6.0%
Emerging-Markets Stocks	10.5%
Total	**100.00%**

Factors Considered in Portfolio Construction

1. Investment Objective

The investment objective for the Balanced strategy is to maximize long-term total return while minimizing the frequency and magnitude of a 12-month decline in portfolio value in excess of 10%. Although this is the stated goal of the risk-management strategy, declines in excess of 10% can occur during periods of high volatility, such as an extreme bear market. As a result, the portfolio will consist of a combination of growth and income oriented investments, with a slight emphasis on growth oriented assets.

2. Strategic Portfolio Allocation

The strategic portfolio allocation is based on Francis Financial's extensive proprietary investment research and resulting expectations about market and asset class performance. This strategic portfolio allocation is the mix of asset classes we believe will achieve the portfolio's investment objective. It reflects the specific target weightings to broad, highly liquid asset classes (primarily stocks and bonds) that we believe offer the best risk-adjusted long-term return consistent with the investment objective.

On an ongoing basis, we assess the suitability of the strategic portfolio allocation based on our proprietary investment research and analysis. We expect to make changes to the strategic portfolio allocation from time to time based on this assessment.

The strategic portfolio allocation is the foundation for our tactical asset allocation process. Francis Financial, Inc. will only deviate from the strategic portfolio allocation if we are highly confident that we have a compelling opportunity to increase return and/or reduce risk. The strategic portfolio allocation also serves as a benchmark for measuring the impact of our tactical asset allocation decisions and the performance of our active managers.

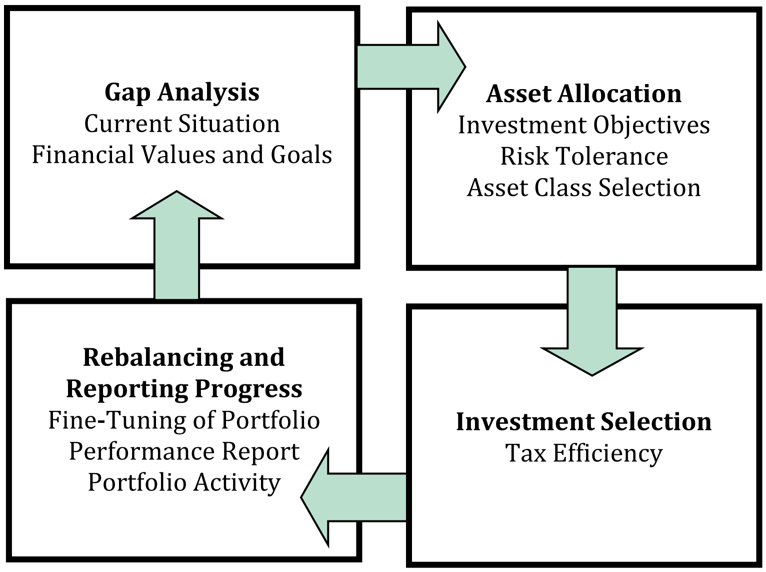
Below are historical returns for the Balanced strategic portfolio allocation as of December 31, 2016, as well as the best and worst returns for the strategic portfolio allocation over various historical periods.

Period	Strategic Portfolio Allocation Returns as of 12/31/16	Best Return	Worst Return
1-Year	7.68%	45.26% *(period ending 4/30/86)*	-30.43% *(for the period ended 2/28/09)*
3-Year	4.10%	31.61% *(for the period ended 7/31/87)*	-6.66% *(for the period ended 2/28/09)*
5-Year	7.34%	26.61% *(for the period ended 7/31/87)*	-0.29% *(for the period ended 2/28/09)*
10-Year	5.16%	18.86% *(for the period ended 7/31/92)*	2.65% *(for the period ended 2/28/09)*

The returns above are based upon rolling 12-month periods which offers a much larger data set than calendar year returns. Additionally, please refer to the performance disclosures for more important information about the strategic portfolio allocation.

STRATEGIC PORTFOLIO MANAGEMENT PROCESS

The financial goals and values you shared with us at our Discovery Meeting have become the basis for your investment plan, as well as our Strategic Portfolio Management Process. This is not a one-time event, however. The Strategic Portfolio Management Process that we use is constantly ongoing to ensure that we are on track to achieve those goals and values. It is vital in managing the investment component of your overall wealth management plan. The process has four distinct parts, as illustrated below.



Gap Analysis

This is an ongoing evaluation of your current situation. We reassess where you are now, where you want to go, and consider any actions or changes that may be necessary to maximize the probability of achieving all that is important to you.

Asset Allocation

As we have discussed, we determine that your account has the proper asset class selection to meet your financial goals. Change is one thing of which we are certain, and because proper asset allocation is so important, we periodically review each asset class to determine if it is still appropriate to your overall plan.

Manager Selection

While decisions about asset allocation are the most important decisions to be made about your portfolio, we also evaluate the investments on an ongoing basis. In particular, we look for their ability to deliver consistent returns within their asset class in a cost-effective and tax-efficient manner.

Rebalancing and Reporting Progress

During our Regular Progress Meetings, we will ask you about any specific events in your life that may call for a change in your portfolio. These events might include, for example, the birth of a child or grandchild, the death of a parent or a change in your marital status. When changes in your situation indicate that changes and rebalancing in your portfolio are warranted, we make these as needed. Additionally, we will perform periodic rebalancing operations within your portfolio as economic and market conditions dictate.

We will also report on how your portfolio has performed, as well as specific activity in the portfolio, at our Regular Progress Meetings.

INVESTMENT ADVISORY FEES

Our investment advisory fees are deducted quarterly in advance from your account, as follows.

Value of All Managed Accounts with Firm	Per Quarter	Annualized
Up to $3,000,000	0.313%	1.25%
$3,000,001 to $5,000,000	0.250%	1.00%
$5,000,001 to $10,000,000	0.225%	0.90%
$10,000,001 to $15,000,000	0.200%	0.80%
Above $15,000,001	0.175%	0.70%

Our minimum portfolio size is $1,000,000