

INFLATION	3.00%
LUMP SUM	\$500,000
INITIAL PAYOUT	\$20,000
TIPS COUPON	2.375%

For simplicity, imagine the TIPS are issued and mature on Decemeber 31 of each year.

At end of 2006, five TIPS of 1-5 year maturities are purchased by equally dividing the lump-sum minus the year-2007 payout.

At the end of each subsequent year (starting with 2007), one of the five TIPS will mature. Take the proceeds, plus the year's accumulated interest from all five TIPS. Set aside the next year's payout and buy a new 5-year TIPS with the remaining amount.

YEAR	PAYOUT	INTEREST	YEAR-BEGIN ADJUSTED PRINCIPAL ON STAGGERED 5-YEAR TIPS				
			0	1	2	3	4
2007	\$20,000	\$11,400	\$96,000 *	\$96,000 *	\$96,000 *	\$96,000 *	\$96,000 *
2008	\$20,600	\$11,524	\$98,880	\$98,880	\$98,880	\$98,880	\$89,680 *
2009	\$21,218	\$11,639	\$101,846	\$101,846	\$101,846	\$92,152 *	\$92,370
2010	\$21,855	\$11,746	\$104,902	\$104,902	\$94,686 *	\$94,916	\$95,142
2011	\$22,510	\$11,842	\$108,049	\$97,284 *	\$97,527	\$97,764	\$97,996
2012	\$23,185	\$11,928	\$99,947 *	\$100,203	\$100,453	\$100,697	\$100,936
2013	\$23,881	\$12,002	\$102,945	\$103,209	\$103,466	\$103,718	\$92,011 *
2014	\$24,597	\$12,063	\$106,034	\$106,305	\$106,570	\$94,234 *	\$94,771
2015	\$25,335	\$12,110	\$109,215	\$109,494	\$96,495 *	\$97,061	\$97,614
2016	\$26,095	\$12,141	\$112,491	\$98,793 *	\$99,390	\$99,973	\$100,543
2017	\$26,878	\$12,155	\$101,128 *	\$101,757	\$102,371	\$102,972	\$103,559
2018	\$27,685	\$12,151	\$104,162	\$104,810	\$105,443	\$106,061	\$91,136 *
2019	\$28,515	\$12,127	\$107,287	\$107,954	\$108,606	\$92,878 *	\$93,870
2020	\$29,371	\$12,081	\$110,506	\$111,193	\$94,620 *	\$95,665	\$96,686
2021	\$30,252	\$12,012	\$113,821	\$96,357 *	\$97,459	\$98,535	\$99,587
2022	\$31,159	\$11,917	\$98,088 *	\$99,248	\$100,382	\$101,491	\$102,574
2023	\$32,094	\$11,796	\$101,031	\$102,226	\$103,394	\$104,535	\$85,475 *
2024	\$33,057	\$11,645	\$104,062	\$105,292	\$106,496	\$86,410 *	\$88,039
2025	\$34,049	\$11,462	\$107,183	\$108,451	\$87,286 *	\$89,003	\$90,680
2026	\$35,070	\$11,245	\$110,399	\$88,096 *	\$89,905	\$91,673	\$93,401
2027	\$36,122	\$10,992	\$88,834 *	\$90,739	\$92,602	\$94,423	\$96,203
2028	\$37,206	\$10,699	\$91,499	\$93,462	\$95,380	\$97,256	\$72,874 *
2029	\$38,322	\$10,364	\$94,244	\$96,265	\$98,242	\$72,550 *	\$75,061
2030	\$39,472	\$9,983	\$97,071	\$99,153	\$72,081 *	\$74,726	\$77,312
2031	\$40,656	\$9,554	\$99,983	\$71,455 *	\$74,243	\$76,968	\$79,632
2032	\$41,876	\$9,073	\$70,661 *	\$73,599	\$76,470	\$79,277	\$82,021
2033	\$43,132	\$8,536	\$72,781	\$75,807	\$78,764	\$81,655	\$50,423 *
2034	\$44,426	\$7,940	\$74,964	\$78,081	\$81,127	\$48,216 *	\$51,935
2035	\$45,759	\$7,280	\$77,213	\$80,423	\$45,743 *	\$49,662	\$53,493
2036	\$47,131	\$6,552	\$79,530	\$42,985 *	\$47,115	\$51,152	\$55,098
2037	\$48,545	\$5,751	\$39,923 *	\$44,275	\$48,529	\$52,687	\$56,751
2038	\$50,002	\$4,873	\$41,120	\$45,603	\$49,984	\$54,267	\$14,203 *
2039	\$51,502	\$3,912	\$42,354	\$46,971	\$51,484	\$9,267 *	\$14,630
2040	\$53,047	\$2,862	\$43,624	\$48,380	\$3,894 *	\$9,545	\$15,068
2041	\$54,638	\$1,718	\$44,933	(\$1,944) *	\$4,010	\$9,831	\$15,520
2042	\$56,277	\$474	(\$8,278) *	(\$2,003)	\$4,131	\$10,126	\$15,986
2043	\$57,966	-\$877	(\$8,526)	(\$2,063)	\$4,255	\$10,430	(\$41,026) *
2044	\$59,705	-\$2,342	(\$8,782)	(\$2,125)	\$4,382	(\$49,839) *	(\$42,257)
2045	\$61,496	-\$3,929	(\$9,045)	(\$2,189)	(\$59,324) *	(\$51,334)	(\$43,524)
2046	\$63,341	-\$5,644	(\$9,317)	(\$69,523) *	(\$61,104)	(\$52,874)	(\$44,830)
2047	\$65,241	-\$7,497	(\$80,481) *	(\$71,609)	(\$62,937)	(\$54,460)	(\$46,175)
2048	\$67,198	-\$9,496	(\$82,896)	(\$73,757)	(\$64,825)	(\$56,094)	(\$122,255) *

2049	\$69,214	-\$11,650	(\$85,382)	(\$75,970)	(\$66,770)	(\$136,487) *	(\$125,923)
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