

Sample Financial Plan (Planning Toolkit 5)

Prepared For: Jalen & Mila Smith

Prepared By: Anne Expert
Chartered Financial Planner

Date Prepared: March 15, 2004

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Disclaimer

Figures stated in the attached report are derived based on assumptions and information provided by you, the client. These assumptions and information will change over time. Some of the information presented is based on current tax and legislation which are subject to change. Hence, it is imperative that you review your financial plan regularly to ensure it is up-to-date and addresses your current needs. It is also important to look at a few different scenarios to get an idea of the impact of various assumptions on your planning objectives.

Information provided in the attached report is general in nature and should NOT be construed as providing legal, accounting and/or tax advice. Should you have any specific questions and/or issues in these areas, please consult your legal, tax and/or accounting advisor.

Letter of Engagement

This document is meant to give you a better understanding of what you may expect from the financial planning process, and what our respective obligations are within that process.

I provide comprehensive financial planning services through ABC Financial Services. We do not charge a fee for the financial planning services. If you decide to implement our recommendations, we ask that you make your investments through our firm. We are paid a commission by the various financial institutions that we place our investments with.

Since I offer both mutual funds and insurance products, I work in an agent-principal relationship with different companies. All mutual funds are offered through my mutual fund dealer [ABC Financial Services] and I place my insurance business with [ABC Insurance Agency]. If, subsequent to our initial engagement, there are any changes to my business affiliations or agency relationships that may have an affect on our relationship, I will inform you.

I am required to declare any interest that may prevent me from offering objective advice. I am unaware of any current conflicts of interest and, should any conflicts appear in the future, you may rest assured that I will bring them to your attention immediately.

I am bound by professional secrecy and may not disclose any of your confidential information without your written consent unless required to do so by law.

It has been agreed by all parties that Jalen Smith and Mila Smith must be present at all meetings and that decisions can only be made subject to their unanimous approval.

It is agreed by both the advisor and you that telephone orders will not be accepted, and that the you must provide your signature as authorization for every transaction.

Before making any recommendation, I must first have a complete picture of your current financial situation. The information I need deals with, but isn't necessarily limited to, your: assets, liabilities, income, expenses, tax position/returns, investment statements, will and power of attorney, insurance coverage, pension plans and group benefits. If I am unable to obtain the information I require, you should understand that it could prevent me from giving you appropriate advice.

When considering the various financial strategies available in your particular situation, I may be required to make one or more assumptions. These assumptions may include, but are not limited to, your anticipated retirement age, life expectancy, retirement income requirements, government benefits, time horizons, special needs, rates of return and inflation and income tax rates. Any assumptions made will be reasonable and realistic, and will be disclosed to you in writing in the financial plan.

Having reviewed your financial situation, I will prepare a written financial plan for you to review. When discussing this report with you, I will do so in such a way so that you are able to understand: advantages, disadvantages, costs and risks of the various alternatives, the time sensitivity of the recommendations, the consequences of taking no action and the impact of a change in the assumptions on the projected results.

Letter of Engagement

It is agreed that the advisor will conduct a review with you in person every 12 months. In the event of changes that may affect the your personal circumstances (ie. a change to the Income Tax Act announced in a federal budget), the advisor will contact you by telephone or e-mail. Should your financial circumstances change (ie. as a result of marriage, birth of a child, inheritance, etc.), you are responsible for contacting the advisor as soon as possible.

The services outlined previous are in accordance with my requirements. The terms set out are acceptable to me, and are hereby agreed to:

Jalen Smith

Date: _____

Mila Smith

Anne Expert, CFP
Certified Financial Planner
ABC Financial Ltd. Inc.

Plan Summary

Net Worth

Assets	\$470,000
Liabilities	\$130,000
Your Net Worth	\$340,000

Cash Flow

Family Income (after taxes)	\$92,400
Total Expenses	\$78,300
Your Net Cash Flow	\$14,100

Asset Allocation Profile

	Current	Questionnaire	Recommended
Cash	14%	5%	6%
Bonds	5%	5%	3%
Stocks	67%	80%	86%
Balanced	14%	10%	5%

Retirement Plan

You do not have enough capital to sustain you through retirement:

Additional capital required to fund your retirement	\$202,982
Annual investment required to make up the above capital shortage	\$2,129

Life Insurance Needs

	Jalen	Mila
Total capital required	\$1,178,882	\$1,367,911
Less current capital	\$587,500	\$497,500
Life insurance need	<u>\$591,382</u>	<u>\$870,411</u>

Disability Insurance Needs

	Jalen Disabled	Mila Disabled
Total annual income sources	\$84,000	\$69,000
Less annual expenses	\$78,300	\$78,300
Annual income surplus/shortage	<u>\$5,700</u>	<u>\$-9,300</u>

Estate Planning

Do you have:	Jalen	Mila
A signed will?	Yes	Yes
A signed power of attorney for financial affairs?	No	No
A signed power of attorney for personal care?	No	No

Education Planning

	Monthly Investment	Amount to be Funded
Hannah	\$198	\$-53,133
Jackson	\$162	\$-56,830

Personal Information

personal

First Name	Jalen	Mila
Last Name	Smith	Smith
Birthdate	01/10/1960	16/05/1964
Age	41	37
SIN	123 123 123	234 234 234
Marital Status	Married	Married
Employer	Dofasco Inc.	VP Marketing
Occupation	Engineer	Acme.com

address

Street	76 Henison Blvd
City	Winnipeg
Province	Maintoba
Postal Code /Country	R9A 3L5 Canada
Contact Information	
Home Phone	204.456.7895
Client Work Phone	204.768.3425
Spouse Work Phone	204.324.2345
Email Address	jalen@dofasco.ca
Email Address	mila_smith@acme.com
Notes	

know your client

Investment Knowledge	Moderate
Risk Tolerance	High

dependents

First Name	Last Name	Birthdate	Age	SIN
Hannah	Smith	07/08/1994	6	234 345 456
Jackson	Smith	27/12/1996	4	345 456 567

wills

you

spouse

Active Will	Yes	Yes
Date of last update	01/01/1999	01/01/1999
Location of Will	Safety Deposit Box	Safety Deposit Box
Notes		

Personal Information

life insurance	company	insured	coverage amount
Term Life Policy	Transamerica	Client	\$500,000
Term Life Policy	Transamerica	Spouse	\$400,000

disability insurance	company	insured	monthly coverage
Long Term Disability	Dofasco Inc.	Client	\$1,000
Long Term Disability	London Life	Spouse	\$750

other policies	company	insured	coverage amount
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notes

advisors	name	telephone
Financial Advisor	Terry Bradshaw	204.567.8970
Lawyer	Kyle McLachlan	204.567.8345
Accountant	Adam Kennedy	204.345.3456
Insurance Agent	Sandra Robinson	204.345.5778

Financial Planning Process

The Six Step Process of Personal Financial Planning

Personal financial planning focuses on the individual. In order to best serve an individual's needs, the professional financial planning practitioner employs The Total Financial Planning Process comprising these six distinct steps:

Step 1

Clarify Your Present Situation

The financial planner clarifies the your present situation by collecting and assessing all relevant financial data such as lists of assets and liabilities, tax returns, records of securities transactions, insurance policies, will, pension plans, etc.

Step 2

Identify Goals and Objectives

The financial planner helps you identify both financial and personal goals and objectives as well as clarify your financial and personal values and attitudes. These may include providing for children's education, supporting elderly parents or relieving immediate financial pressures which would help maintain your current lifestyle and provide for retirement. These considerations are important in determining the best financial planning strategy for you.

Step 3

Identify Financial Problems

The financial planner identifies financial problems that create barriers to achieving financial independence. Problem areas can include too little or too much insurance coverage, or a high tax burden. Your cash flow may be inadequate, or the current investments may not be winning the battle with changing economic times. These possible problem areas must be identified before solutions can be found.

Step 4

Recommendations

The financial planner provides written recommendations and alternative solutions. The length of the recommendations will vary with the complexity of your situation, but they should always be structured to meet the your needs without undue emphasis on purchasing certain investment products.

Step 5

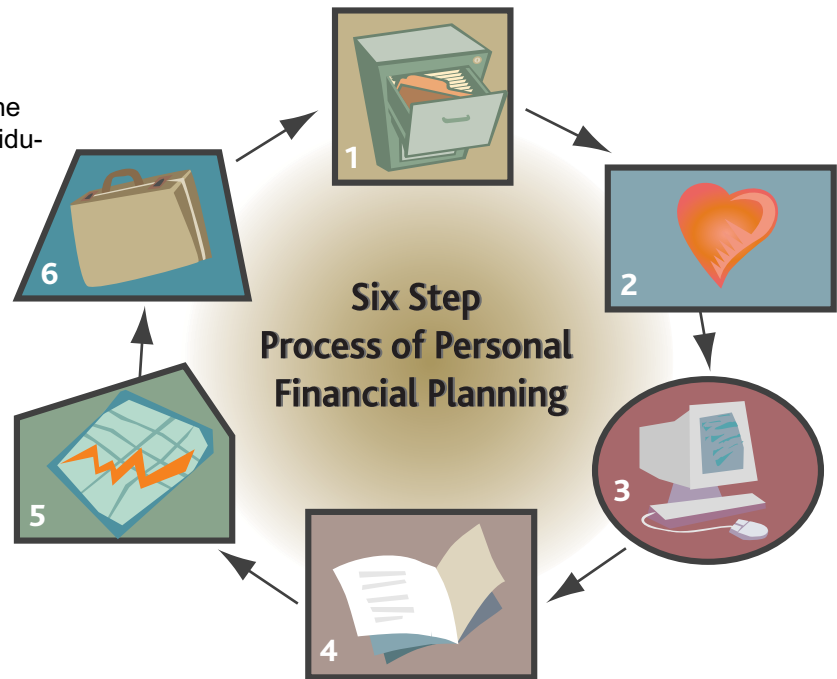
Implement Strategies

A financial plan is only helpful if the recommendations are put into action. Implementing the right strategy will help you reach the desired goals and objectives. The financial planner should assist you in either actually executing the recommendations, or in coordinating their execution with other knowledgeable professionals.

Step 6

Monitor and Review

The financial planner provides periodic review and revision your financial plan to assure that the goals are achieved. Your financial situation should be re-assessed at least once a year to account for changes in your life and current economic conditions.



Your Goals and Objectives

- Maintain your standard of living during retirement.
- Pay less tax.
- Maintain your family's standard of living in the event of your death or disability.
- Become financially independent.
- Preserve your estate for your heirs.
- Provide for your children's education.
- Pay off your mortgage and other debts.
- Stay ahead of inflation.
- Earn a higher rate of return.
- Buy a home or recreational property.
- Learn to invest and manage money more wisely.
- Start your own business.

Cash Flow Statement

Why Prepare a Cash Flow Statement?

Controlling your financial affairs requires a budget or cash flow statement. Budgeting and tracking your expenses gives you a strong sense of where your money goes and can help you reach your financial goals, whether they are saving for a down payment on a house, starting a college or university fund for your children, buying a new car, paying off the credit cards or planning for retirement. A cash flow statement provides you with the following benefits:

Know where you stand

A cash flow statement allows you to know exactly how much money you have. The statement shows you how your funds are allocated, how they are working for you, what your plans are for them, and how far along you are toward reaching your goals.

The statement will also:

- Indicate your ability to save and invest
- Let you analyze your standard of living
- Indicate if you're living within or beyond your means
- Highlight any problem areas

Control

A budget is the key to enabling you to take charge of your finances. With a budget, you have the tools to decide exactly what is going to happen to your hard-earned money—and when.

Communication

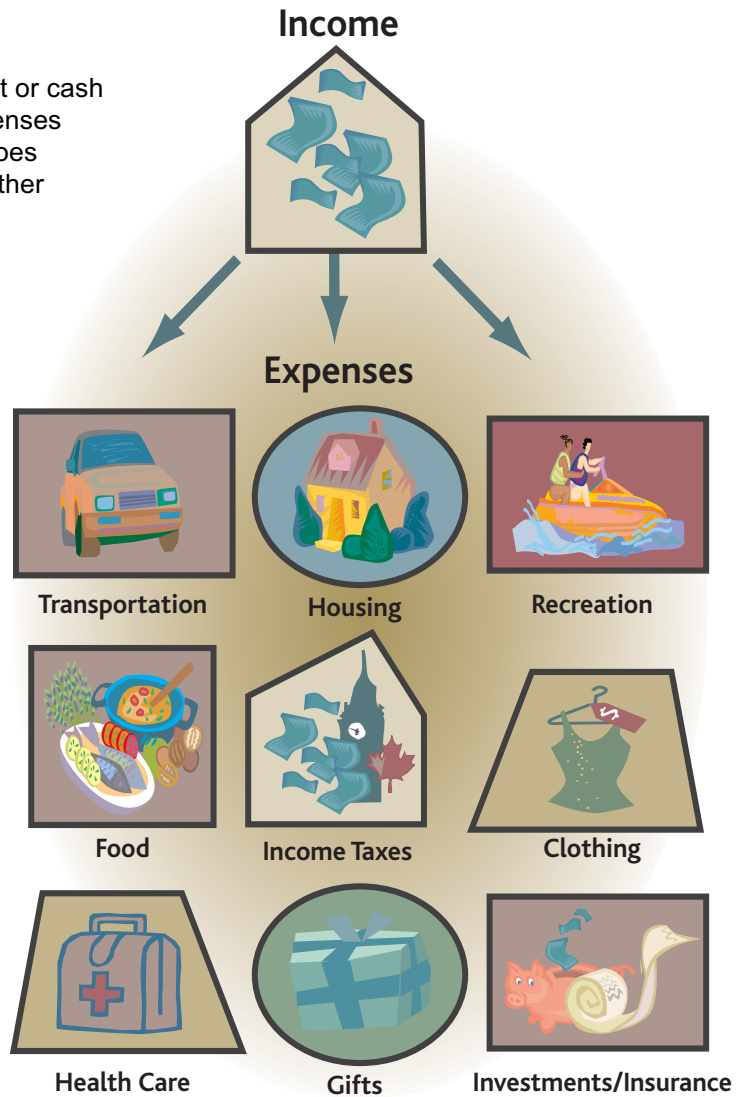
A budget is a communication tool with other family members to discuss the priorities for where your money should be spent.

Identify opportunities

Knowing the exact state of your personal monetary affairs, and being in control of them, allows you to take advantage of opportunities that you might otherwise miss.

Extra money

A budget may produce extra money for you to do with as you wish. Hidden fees and lost interest paid to outsiders may be eliminated. Unnecessary expenditures, once identified, can be stripped out. Savings, even small ones, can be invested and made to work for you.



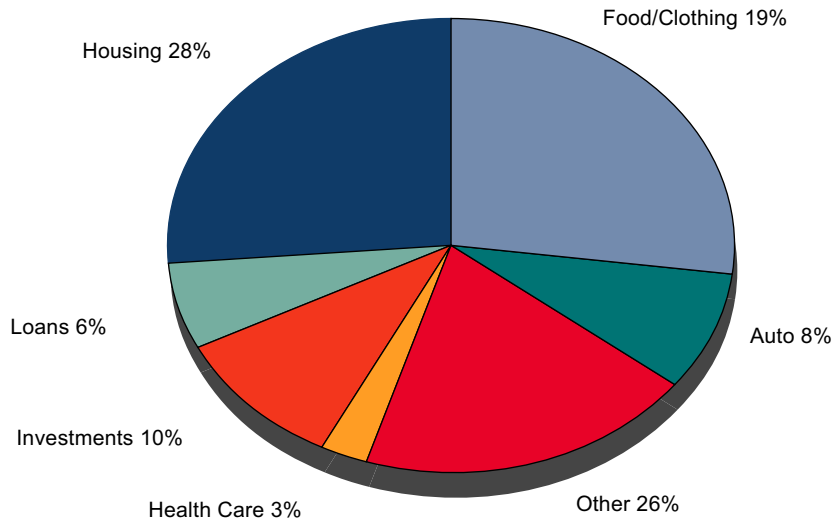
Cash Flow Summary

income	annual amount	percent amount
Family Income (Before-Tax)	\$132,000	100%
Income Taxes & Source Deductions	\$39,600	30%
Family Income (After-Tax)	\$92,400	70%

expenses	annual amount	percent amount
Housing	\$21,000	28%
Auto	\$6,600	8%
Food/Clothing	\$15,000	19%
Health Care	\$2,100	3%
Investments	\$7,800	10%
Loans	\$4,800	6%
Other	\$20,400	26%
Total Expenses	\$78,300	100%
NET INCOME	\$14,100	11%*

* Net income as a percentage of Family Income (Before-Tax)

Expenses



Cash Flow Detail

income		
Jalen	Monthly	Annually
Employment	\$5,000	\$60,000
Self-employment		
Investment		
CPP/QPP		
OAS		
Pension		
RRSP/RRIF		
Other		
Other		
Before-tax income	\$5,000	\$60,000
Income taxes	\$1,500	\$18,000
Source deductions	\$100	\$12,000
After-tax income	\$3,500	\$42,000

Mila	Monthly	Annually
Employment	\$6,000	\$72,000
Self-employment		
Investment		
CPP/QPP		
OAS		
Pension		
RRSP/RRIF		
Other		
Other		
Before-tax income	\$6,000	\$72,000
Income taxes	\$1,800	\$21,600
Source deductions	\$100	\$1200
After-tax income	\$4,200	\$50,400

expenses		
Housing	Monthly	Annually
Rent/Mortgage	\$1,100	\$13,200
Property Taxes	\$300	\$3,600
Maintenance	\$100	\$1,200
Insurance	\$50	\$600
Utilities	\$150	\$1,800
Phone/Cable	\$100	\$1,200
Totals	\$1,800	\$21,600

Food/Clothing	Monthly	Annually
Food	\$1,000	\$12,000
Clothing	\$250	\$3,000
Other		
Other		
Other		
Totals	\$1,250	\$15,000

Automobile	Monthly	Annually
Fuel	\$100	\$1,200
Maintenance	\$100	\$1,200
Insurance	\$100	\$1,200
Loan/Lease payments	\$100	\$1,200
Other	\$250	\$3,000
Totals	\$550	\$6,600

Health Care	Monthly	Annually
Plan Premiums	\$175	\$2,100
Prescriptions		
Medical		
Other		
Other		
Totals	\$175	\$2,100

Cash Flow Detail continued ...

investments	monthly	annually
RRSPs/RPPs	\$500	\$6,000
Non-registered		
Life insurance	\$100	\$1,200
Disability insurance	\$50	\$600
Other		
Other		
<hr/>		
Totals	\$650	\$7,800

loans	monthly	annually
Credit cards	\$200	\$2,400
Personal loans	\$200	\$2,400
Other		
Other		
Other		
<hr/>		
Totals	\$400	\$4,800

other expense	monthly	annually
Day care	\$1,000	\$12,000
Charities	\$50	\$600
Gifts	\$50	\$600
Entertainment	\$100	\$1,200
Vacations	\$500	\$6,000
Other		
Other		
Other		
Other		
Other		
Other		
<hr/>		
Totals	\$1,700	\$20,400

The Net Worth Statement

Why Prepare a Net Worth Statement?

Your net worth is the difference between all the things of value that you own, and all the debts you owe. In financial terms, your net worth is your assets minus your liabilities. Before you can reach a financial goal, you need to know where you stand now. Your net worth is a reference point on your financial road map. Once you know your net worth, you can set a budget to reach your goals. There are several good practical reasons for knowing your financial worth:

Money Management

You can make better use of your income and maintain better control of your expenditures if you have a clear idea of what you own and what you owe. A net worth statement will show how much liquidity you have and identify the best sources for cash, should you need it.

Saving

Knowing precisely how much is left over after deducting current liabilities provides a strong incentive to save. As you see your net worth increase, you will be encouraged to help it grow.

Financial Planning

Net worth is an essential component of all financial planning. It helps you make appropriate decisions about your investments and lets you judge how much to set aside for buying a home, paying your children's education, establishing a new career or business of your own or providing for retirement.

Estate Planning

Everyone needs to make a will, and almost everyone needs to know how much he or she is worth before deciding how the estate is to be divided up.

Insurance Planning

You'll be better able to protect assets. Determining the worth of your valuables is not only necessary to figure out your net worth, it also helps you get the proper insurance coverage.

Borrowing

If you need to borrow cash or arrange a mortgage loan, you will be required to provide the lender with an accurate and up-to-date account of your existing assets and liabilities. Your net worth will determine the credit limit that the lender is prepared to offer.

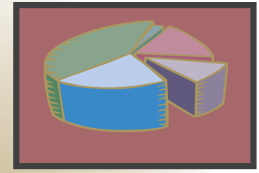
Add What You Own



Your Home



Bank Accounts



Investments

Subtract What You Owe



Loans



Mortgage



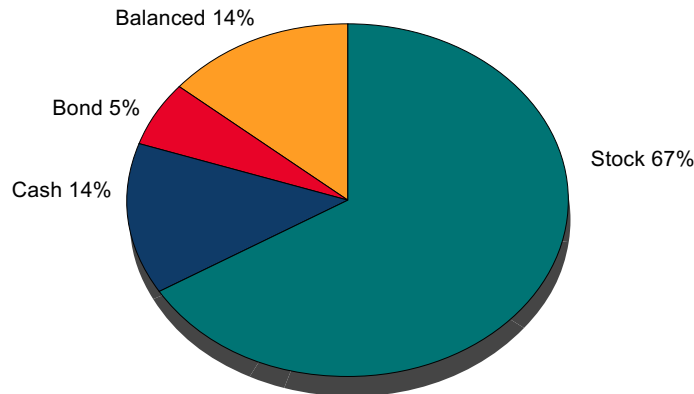
Credit Card Debt

NET WORTH

Net Worth Statement as of March 15, 2004

all assets and liabilities		total	Jalen	Mila
Cash Assets	14%	\$25,000		\$25,000
Bond Assets	5%	\$10,000	\$10,000	
Stock Assets	67%	\$120,000	\$50,000	\$70,000
Balanced Assets	14%	\$25,000	\$25,000	
Total Investment Assets		\$180,000	\$85,000	\$95,000
Personal Assets		\$290,000	\$145,000	\$145,000
Total Assets		\$470,000	\$230,000	\$240,000
Liabilities		\$130,000	\$67,500	\$62,500
NET WORTH		\$340,000	\$162,500	\$177,500

Investment Assets



investment assets		total	Jalen	Mila
RRSPs		\$80,000	\$35,000	\$45,000
RRIFs				
LIFs/LRIFs				
LIRA				
Money Purchase/DPSPs				
Other				
Total Registered		\$80,000	\$35,000	\$45,000
Non-Registered		\$100,000	\$50,000	\$50,000
Total Investment Assets		\$180,000	\$85,000	\$95,000

Net Worth Statement as of March 15, 2004

registered assets	amount	owner	type	registered
Industrial Cash Management	\$25,000	Spouse	Cash	RRSP
CI Equity Fund	\$20,000	Spouse	Stocks	RRSP
Trimark Balanced Fund	\$25,000	Client	Balanced	RRSP
AGF Bond Fund	\$10,000	Client	Bonds	RRSP
Total Registered Assets	\$80,000			

non-registered assets	amount	ACB	owner	type
Nortel Common	\$50,000	\$10,000	Joint	Stocks
BCE Inc. Preferred	\$50,000	\$20,000	Joint	Stocks
Total Non-Registered Assets	\$100,000	\$30,000		

personal assets	amount	ACB	owner	taxable?
Artwork and Jewellery	\$20,000		Joint	No
Vehicles	\$20,000		Joint	No
House	\$250,000	\$100,000	Joint	No
Total Personal Assets	\$290,000	\$100,000		

liabilities	amount	owner
Mortgage on Home	\$100,000	Joint
Line of Credit	\$25,000	Joint
Credit Cards	5,000	Client
Total Liabilities	\$130,000	

net worth summary	
Total Registered Assets	\$80,000
Total Non-Registered Assets	\$100,000
Total Personal Assets	\$290,000
Total Assets	\$470,000
Muinus Total Liabilities	\$130,000
Equals Net Worth	\$340,000

Your Investment Profile

Your Investment Profile

Before embarking on an investment strategy, you need to choose an investment style that best suits your circumstances. Factors affecting your individual risk profile include:

Your willingness to take risk

Investments and risk go hand in hand, and the relationship between potential return and amount of risk is called the risk/return ratio. The smaller the risk, the smaller the potential return; the greater the risk, the greater the potential for profit. For your financial plan to be successful it must take into account your willingness - or unwillingness - to accept risk. Generally, there are three distinct investment objectives, with correspondingly different risk factors:

1. Safety

You want minimal risk and are willing to trade off lower returns. You want to protect your capital typically because your time horizon is relatively short or you are uncomfortable with risk.

2. Income

You are willing to accept a moderate degree of risk in exchange for the potential of having regular income added to your plan.

3. Growth

You are willing to accept higher risk to maximize the potential returns. Typically you will have a longer time horizon or sufficient assets to accommodate the increased risk.

Your time horizon

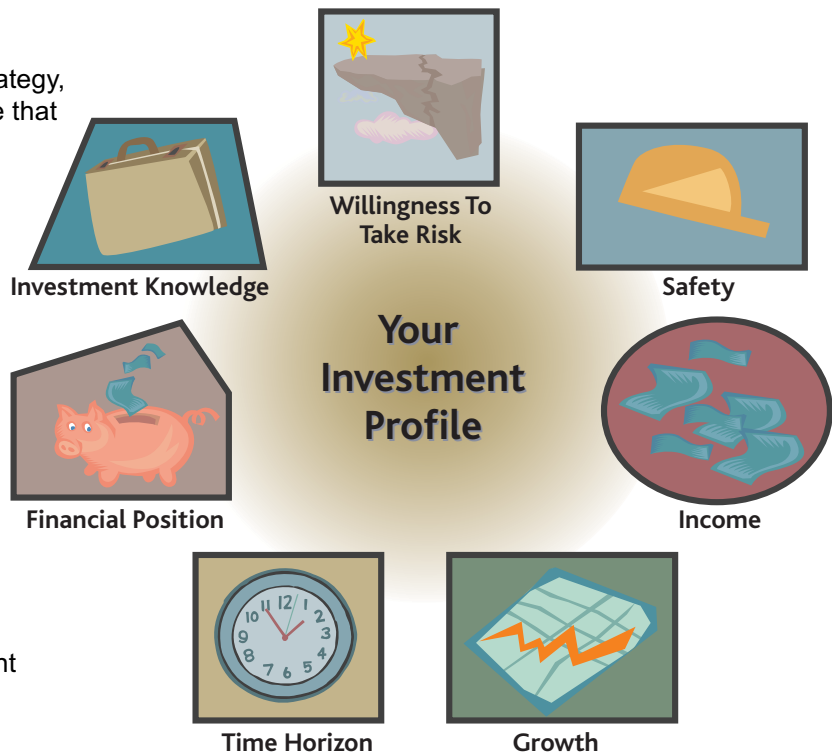
The younger you are, the more time you have for your investments to grow. Typically, this means the more risk you may be willing to accept in exchange for the potential of higher returns. The older you are, the less time you have to weather the ups and downs. As a result, you may be more comfortable with predictable investments as opposed to more volatile, potentially higher growth opportunities.

Your financial position

The higher your income and net worth, the more risk you may be willing to accept since potential losses from riskier investments in your portfolio are more easily absorbed if you have other cash and asset reserves.

Your level of investment knowledge

Generally, the higher your knowledge about investments and financial planning, the more willing you may be to include higher risk investments in your portfolio.



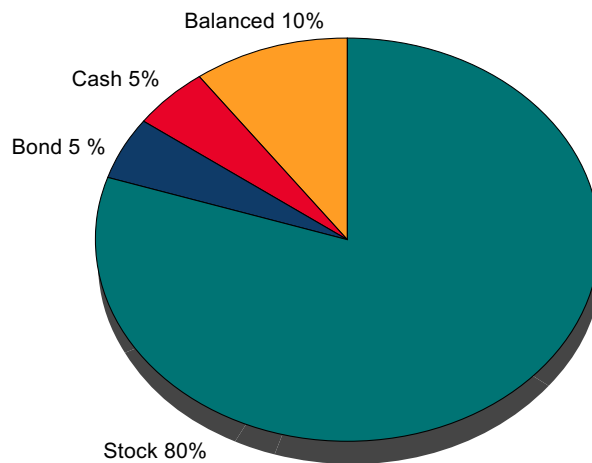
Asset Allocation Profile

Asset Allocation is a tool designed to maximize the return on your portfolio while minimizing risk. It involves structuring a diversified portfolio from four broad asset classes - Stocks, Bonds, Balanced and Cash - based on your income and growth needs and your risk tolerance.

The results of the attached Asset Allocation Questionnaire indicates the following for your investment portfolio:

Very Aggressive

This portfolio provides maximum long-term growth for the investor who can accept regular price fluctuations for maximum return potential. The volatility and growth potential are very high while the income potential is very low. The asset mix for this portfolio is Cash 5%, Bonds 5%, Balanced 10% and Stocks 80%.



Asset Allocation Questionnaire Results

1. **When will you need your money?**

Less than 2 years

2 to 5 years

6 - 10 years

11 - 15 years

Over 15 years

2. **How old are you?**

Under 30

31 - 45

46 - 55

56 - 65

Over 65

3. **What is your current net worth?**

Under \$50,000

\$50,001 - \$100,000

\$100,001 - \$250,000

\$250,001 - \$500,000

Over \$500,000

4. **What is your current family income?**

Under \$25,000

\$25,001 - \$50,000

\$50,001 - \$85,000

\$85,001 - \$125,000

Over \$125,000

5. **If the value of my portfolio declines, I change my investment strategy.**

Strongly agree

Agree

More or less agree

Disagree

Strongly disagree

Asset Allocation Questionnaire Results

6. **I prefer keeping my capital safe and intact to staying well ahead of inflation.**
- Strongly agree
 - Agree
 - More or less agree
 - Disagree
 - Strongly disagree**
7. **Which 10,000 investment would you choose given the range of returns after 1 year?**
- Investment A: 2% or 5% gain (\$10,200 to \$10,500)
 - Investment B: 5% loss or 10% gain (\$9,500 to \$11,000)
 - Investment C: 15% loss or 20% gain (\$8,500 to \$12,000)
 - Investment D: 20% loss or 30% gain (\$8,000 to \$13,000)
 - Investment E: 25% loss or 40% gain (\$7,500 to \$14,000)**
8. **The ups and downs of the stock market make me feel nervous.**
- Strongly agree
 - Agree
 - More or less agree
 - Disagree
 - Strongly disagree**
9. **I think that GICs and Term Deposits are the best long term investments.**
- Strongly agree
 - Agree
 - More or less agree
 - Disagree
 - Strongly disagree**
10. **I manage my finances and investments according to a clear financial plan with well-defined objectives.**
- Strongly agree**
 - Agree
 - More or less agree
 - Disagree
 - Strongly disagree

Asset Allocation

Asset allocation is a tool designed to maximize the return on your portfolio while minimizing the risk. It involves structuring a diversified portfolio from these broad asset classes – Growth, Income, Balanced and Cash – based on your income and growth needs and your risk tolerance.

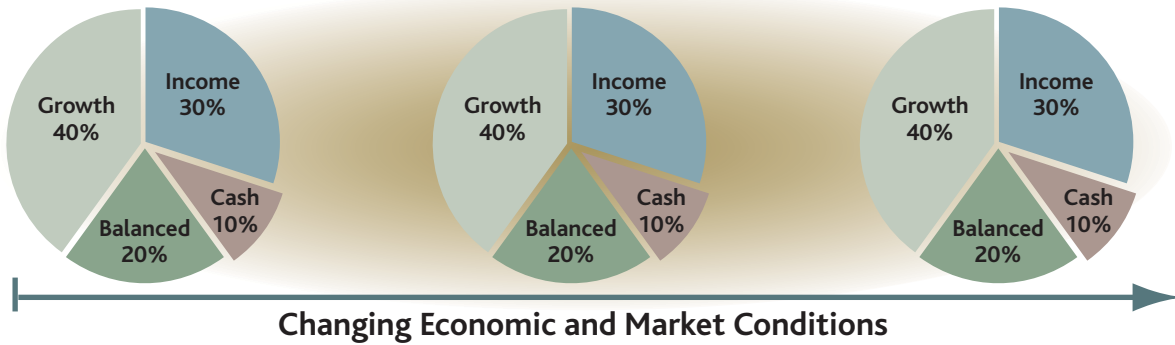
Research has shown that choosing among asset classes has a greater impact on your investment returns than the specific investments you select or how well you time the market. The study, cited below, concluded that asset allocation accounted for 91.6% of a portfolio’s investment return. Other factors such as investment selection and market timing only accounted for 8.4% of the return.

Brinson, Singer, Beebower, “Determinants of Portfolio Performance II: An Update”, Financial Analysts Journal, May-June 1991

Strategic Asset Allocation

A balanced portfolio with fixed percentages for each asset class is selected based on the investor’s growth and income needs and risk tolerance. Since each asset class will grow at different rates over time, the portfolio percentages will change from the initial allocation. The portfolio is then rebalanced to bring the asset holdings back in line with the original fixed percentages. The same allocation is maintained over time despite changing economic and market conditions.

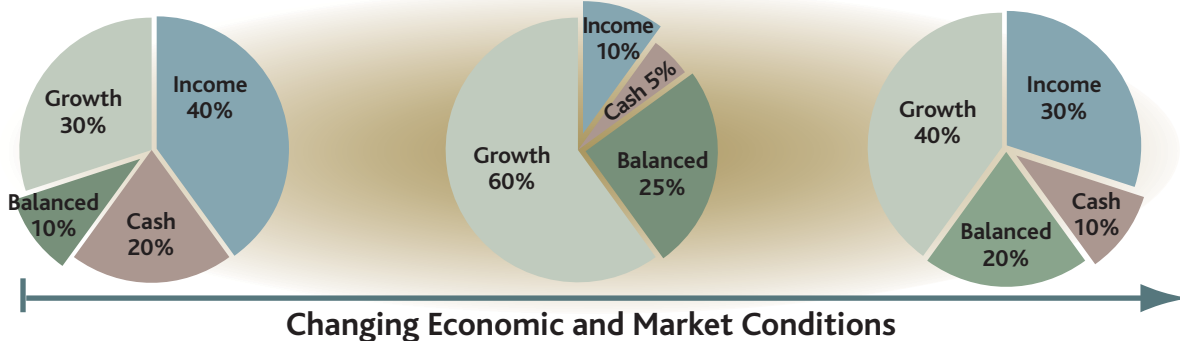
Maintain the Same Asset Allocation Over Time



Tactical Asset Allocation

A balanced portfolio is selected based on the investor’s growth and income needs and risk tolerance. Under tactical asset allocation, the percentages for each asset class are altered over time based on the changing economic and market conditions.

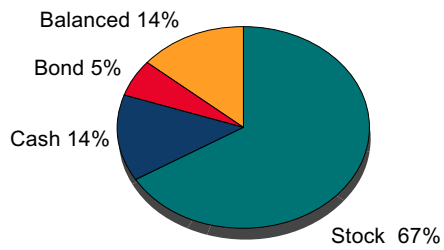
Asset Allocation Changes Over Time



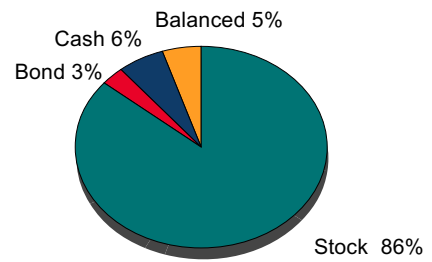
Recommended Portfolio

assets		total	Jalen	Mila
Cash	6%	\$ 10,000		\$10,000
Bonds	3%	\$5,000	\$5,000	
Stock	86%	\$155,000	\$85,000	\$70,000
Balanced	5%	\$10,000	\$10,000	
Total Investment Assets		\$180,000	\$100,000	\$80,000

**Current
Asset Allocation**



**Recommended
Asset Allocation**



Recommended Portfolio

registered assets	amount	owner	type	registered
Ivy Equity Fund	\$35,000	Client	Stocks	RRSP
Trimark Balanced Fund	\$10,000	Client	Balanced	RRSP
AGF Bond Fund	\$5,000	Client	Bonds	RRSP
Industrial Cash Management	\$10,000	Spouse	Cash	RRSP
CI Equity Fund	\$20,000	Spouse	Stocks	RRSP
Total Registered Assets	\$80,000			

non-registered assets	amount	ACB	owner	type
BCE Inc. Preferred	\$40,000	\$16,000	Joint	Stocks
Nortel Common	\$40,000	\$8,000	Joint	Stocks
Mitel	\$20,000	\$10,000	Joint	Stocks
Total Non-Registered Assets	\$100,000	\$34,000		

Retirement Planning

Retirement Tradeoffs

Planning for retirement involves tradeoffs. The amount of retirement capital you need will often depend on when you start investing, when you retire, the return on your investments, your income expectations, income indexing, your current saving levels and the amount of government pension income you expect to receive.



How much income will you **NEED?** \$50,000

How much income will you **HAVE?** \$30,000

Income shortage per year* **\$20,000**



Will you have enough capital to make up the shortage?

** These numbers are for illustration purposes only and do not reflect your financial situation.*

More capital required if

- You start investing later in your life
- You retire early and increase the length of your retirement
- You earn a low rate of return on your investments
- The amount of income you need at retirement is higher
- Your retirement income is indexed to inflation
- Your current retirement savings levels are low
- Government pension sources are expected to be lower

Less capital required if

- You start investing early in your life
- You retire later and decrease the length of your retirement
- You earn a higher rate of return on your investments
- You lower your income expectations at retirement
- You don't index your retirement income to inflation
- Your current retirement savings levels are higher
- Government pension sources are expected to be higher

Retirement Plan Summary

An important aspect of your financial plan is to ensure that you are financially secure during your retirement years.

In this retirement plan, we compare your income needs to your income sources during retirement to determine if you have enough capital to sustain your desired lifestyle.

The amount of assets you will need during retirement will depend on:

- The length of your retirement
- Your income expectations
- Rate of return on your investment
- Your RRSP and non-RRSP saving levels
- The amount of income you receive from government and employer pensions
- The amount of income you receive from other sources

Based on the information you provided and the assumptions outlined on the attached page, the results of your retirement plan are summarized below:

results

You do not have enough funds to sustain you through retirement.

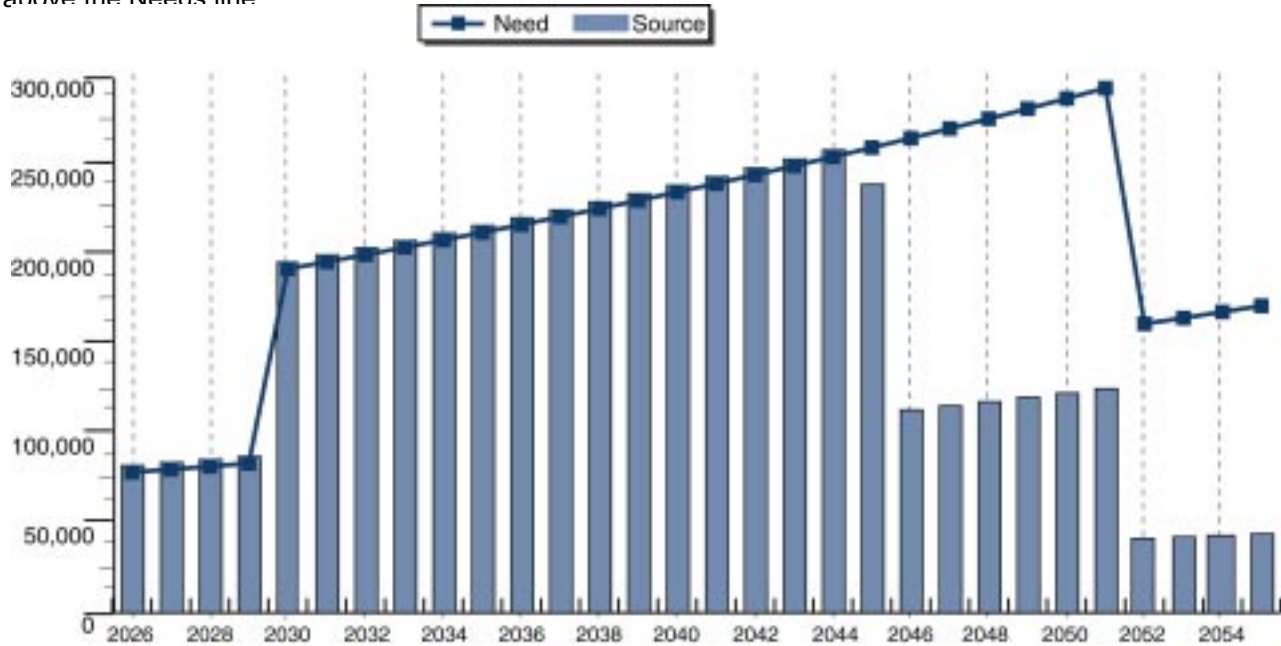
Additional assets required to fund your retirement: \$202,982

Annual investment require to make up the above capital shortage: \$2,129

Retirement Plan Summary

income needs versus sources

This graph compares your income needs to your sources during retirement. An income shortage is indicated if the Needs line is above the Sources bar and a surplus is indicated if the Sources bar is above the Needs line



investment assets

This graph shows the value of your investment assets (registered and non-registered) during retirement.

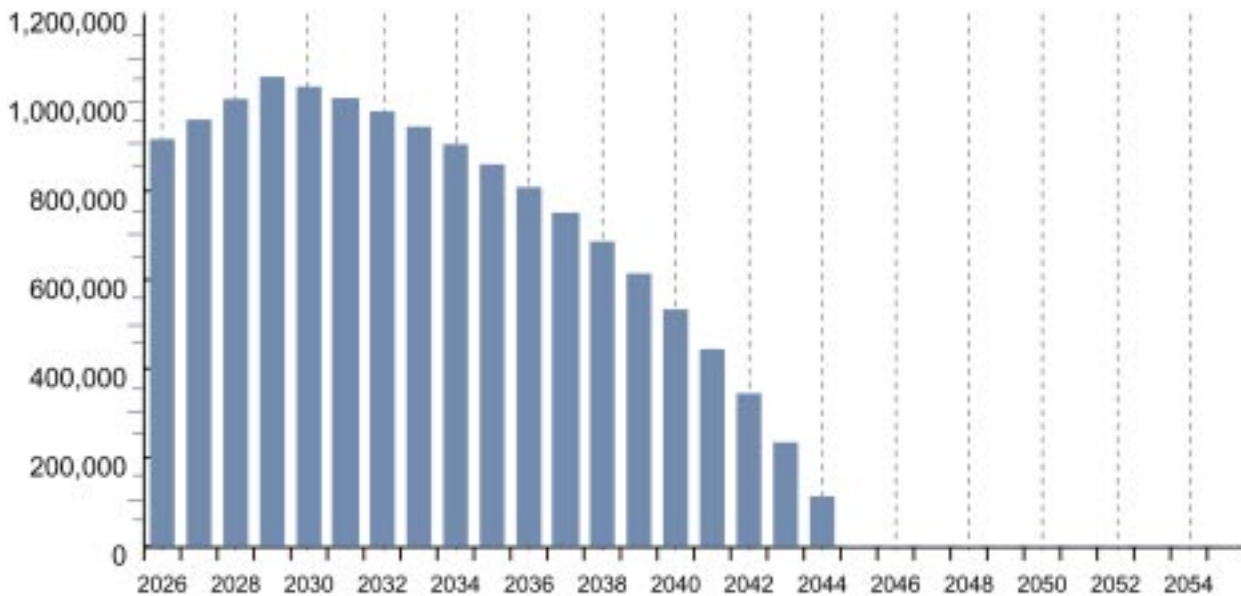


Table 1A Retirement Income Needs: Accumulation						
Year	Client Age	Spouse Age	Income Need	Assets		
				Reg'd	Non Reg'd	Total Assets
2002	41	37	132,000	80,000	100,000	180,000
2003	42	38	134,640	86,400	108,000	194,400
2004	43	39	137,333	93,312	116,640	209,952
2005	44	40	140,080	100,777	125,971	226,748
2006	45	41	142,881	108,839	136,049	244,888
2007	46	42	145,739	117,546	146,933	264,479
2008	47	43	148,653	126,950	158,687	285,637
2009	48	44	151,627	137,106	171,382	308,488
2010	49	45	154,659	148,074	185,093	333,167
2011	50	46	157,752	159,920	199,901	359,821
2012	51	47	160,907	172,714	215,893	388,607
2013	52	48	164,125	186,531	233,164	419,695
2014	53	49	167,408	201,454	251,817	453,271
2015	54	50	170,756	217,570	271,962	489,532
2016	55	51	174,171	234,976	273,719	508,695
2017	56	52	177,655	253,774	275,017	528,790
2018	57	53	181,208	274,075	275,800	549,876
2019	58	54	184,832	296,001	276,010	572,011
2020	59	55	188,529	319,682	275,580	595,262
2021	60	56	192,299	345,256	297,627	642,883
2022	61	57	196,145	372,877	321,437	694,314
2023	62	58	200,068	402,707	347,152	749,859
2024	63	59	204,069	434,923	374,924	809,847
2025	64	60	208,151	469,717	404,918	874,635
2026	65	61	193,013	507,295	408,391	915,685

Table 1B Retirement Income Needs: Distribution									
Year	Client Age	Spouse Age	Income Need	Income Sources				Inv't Balance	Annual Shortage
				CPP & OAS	Pensions & Other	Minimum RRIF	Inv't Assets		
2026	65	61	77,205	23,284	25,000	-	28,921	915,685	-
2027	66	62	78,749	23,750	25,500	-	29,499	959,441	-
2028	67	63	80,324	24,225	26,010	-	30,089	1,006,107	-
2029	68	64	81,931	24,709	26,530	-	30,691	1,055,905	-
2030	69	65	183,852	50,407	27,061	-	106,384	1,033,993	-
2031	70	66	187,529	51,415	27,602	16,305	92,207	1,008,200	-
2032	71	67	191,280	52,444	28,154	24,692	85,990	978,174	-
2033	72	68	195,105	53,493	28,717	25,034	87,861	943,533	-
2034	73	69	199,008	54,562	29,292	25,383	89,771	903,862	-
2035	74	70	202,988	55,654	29,877	54,254	63,203	858,714	-
2036	75	71	207,047	56,767	30,475	69,306	50,500	807,605	-
2037	76	72	211,188	57,902	31,084	66,704	55,498	750,012	-
2038	77	73	215,412	59,060	31,706	62,740	61,906	685,367	-
2039	78	74	219,720	60,241	32,340	58,039	69,100	613,057	-
2040	79	75	224,115	61,446	32,987	52,520	77,161	532,420	-
2041	80	76	228,597	62,675	33,647	45,944	86,332	442,739	-
2042	81	77	233,169	63,929	34,320	38,970	95,951	343,237	-
2043	82	78	237,832	65,207	35,006	30,879	106,740	233,077	-
2044	83	79	242,589	66,511	35,706	21,472	118,900	111,352	-
2045	84	80	247,441	67,842	36,420	10,523	109,737	-	-22,919
2046	85	81	252,390	69,198	37,149	-	-	-	-146,043
2047	86	82	257,437	70,582	37,892	-	-	-	-148,963
2048	87	83	262,586	71,994	38,650	-	-	-	-151,943
2049	88	84	267,838	73,434	39,423	-	-	-	-154,982
2050	89	85	273,195	74,903	40,211	-	-	-	-158,081
2051	90	86	278,659	76,401	41,015	-	-	-	-161,243
2052	0	87	155,036	38,964	-	-	-	-	-116,071
2053	0	88	158,136	39,744	-	-	-	-	-118,393
2054	0	89	161,299	40,538	-	-	-	-	-120,761
2055	0	90	164,525	41,349	-	-	-	-	-123,176

Retirement Plan Assumptions

income needs	Jalen	Mila
Retirement starts at age	65	65
Retirement ends at age	90	90
Current income need	\$60,000	\$72,000
Percentage of above needed at retirement	80.00%	80.00%
Index pre-retirement income at	2.00%	2.00%
Index post-retirement income at	2.00%	2.00%
Change income need again?	Yes	Yes
Change income need at age	75	75
Percentage of new income need required	80.00%	80.00%
Index new income at	2.00%	2.00%
Additional amount to be left to your estate	\$0	\$0

rates of return*	pre-retirement	post-retirement
Registered Funds	10.00%	10.00%
Tax Rate	25.00%	25.00%
Non-Registered Funds	7.50%	7.50%

* The same rates of return apply to you and your spouse.

Canada Pension Plan benefits	Jalen	Mila
Are you currently receiving CPP benefits?	No	No
If you are currently receiving CPP benefits:		
Is this the first year of receiving CPP benefits?	—	-
Current annual CPP amount being received	—	-
If you are currently not receiving CPP benefits?		
Start receiving CPP at age	60	60
What percentage of maximum CPP do you qualify for?	100.00%	80.00%

Old Age Security payments	Jalen	Mila
Do you qualify for OAS benefits?	Yes	Yes
Index CPP and OAS and benefits at	2.00%	2.00%

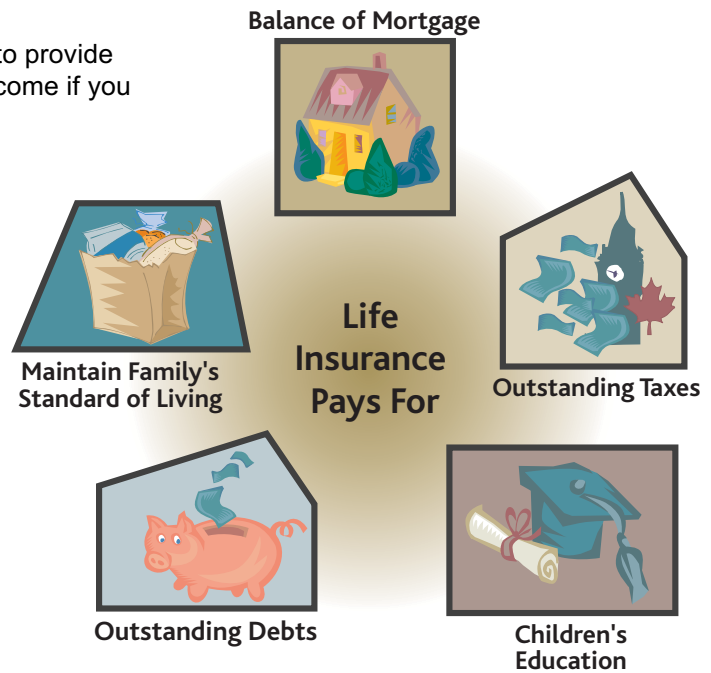
- RRSP funds are converted to a RRIF at age 69. The minimum RRIF payment is withdrawn annually and is based on withdrawal rates for new RRIF funds (post 1992).
- Funds to cover income shortages are first drawn from Non-Registered Assets. Once the Non-Registered Assets are depleted, funds are withdrawn from Registered Assets.
- The OAS clawback is not factored into the calculations

Life Insurance

What Insurance Pays For

Although the basic purpose of life insurance is to provide your dependents with a continuing source of income if you die, it also provides for other financial needs.

- Pay off the mortgage on your home
- Pay off any outstanding taxes
- Provide for your children's education
- Pay off any outstanding debts
- Maintain your family's standard of living

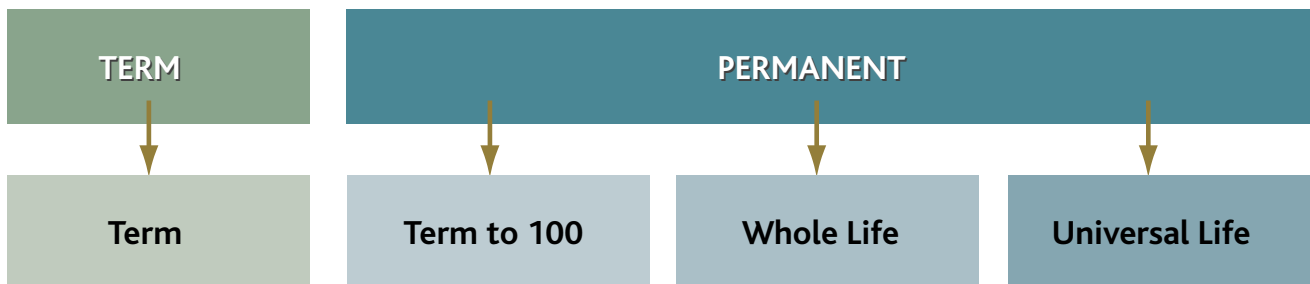


Types of Life Insurance

The two major categories of life insurance products are Term and Permanent. Term insurance is designed to address temporary needs and buys you protection for a specified period of time or “term.”

Permanent insurance is generally used for permanent needs, such as providing an income for survivors, funeral expenses, capital gains taxes on investments, real estate and RRSPs at death, charitable gifts or passing a business to the next generation.

Most permanent policies can be split into two categories: those that have cash value and those that do not. The cash value reflects the money that a policy holder puts into the policy in excess of the actual cost of the insurance. Whole and Universal Life policies have cash values while Term to 100 policies generally do not.



Life Insurance

Life insurance is one of the most important investments you can make to protect your family’s financial security.

It is used to guarantee that your family will have a lump sum to pay off large financial obligations, a source of income to meet daily living expenses and be able to meet future expenses such as your children’s education.

Life insurance benefits payable to a designated beneficiary are non-taxable and are not subject to probate fees.

summary of life insurance needs	Jalen	Mila
Cash Needs	\$312,500	\$312,500
Income Needs	\$866,382	\$1,055,411
Total Capital Required	\$1,178,882	\$1,367,911
Less Current Capital	\$587,500	\$497,500
Life Insurance Need*	\$591,382	\$870,411

* A positive amount indicates an insurance need, a negative amount indicates an insurance surplus.

Life Insurance

cash needs			
Jalen	Amount	Mila	Amount
Funeral expenses	\$10,000	Funeral expenses	\$10,000
Bills, accounts payable, loans	\$10,000	Bills, accounts payable, loans	\$10,000
Income taxes	\$5,000	Income taxes	\$5,000
Tax preparation fees	\$2,500	Tax preparation fees	\$2,500
Probate, legal, executor fees	\$10,000	Probate, legal, executor fees	\$10,000
Mortgage redemption	\$150,000	Mortgage redemption	\$150,000
Emergency fund	\$50,000	Emergency fund	\$50,000
Education fund	\$50,000	Education fund	\$50,000
Gifts & bequests	\$25,000	Gifts & bequests	\$25,000
Other		Other	
Total	\$312,500	Total	\$312,500
income needs			
Jalen	Amount	Mila	Amount
Annual income need	\$132,000	Annual income need	\$132,000
Less		Less	
Surviving spouse's income	\$72,000	Surviving spouse's income	\$60,000
CPP survivor benefits	\$5,000	CPP survivor benefits	\$5,000
Other		Other	
Other		Other	
Equals annual income need	\$55,000	Equals annual income need	\$67,000
Rate of return (before tax)	10.00%	Rate of return (before tax)	10.00%
Tax rate	40.00%	Tax rate	40.00%
Rate of return (after tax)	6.00%	Rate of return (after tax)	6.00%
Index income to inflation of	2.00%	Index income to inflation of	2.00%
Inflation adjusted return	4.00%	Inflation adjusted return	4.00%
Deplete capital?	Yes	Deplete capital?	Yes
Capital to last for (years)	25	Capital to last for (years)	25
Capital to generate income	\$866,382	Capital to generate income	\$1,055,411
current capital			
Jalen	Amount	Mila	Amount
CPP death benefit	\$2,500	CPP death benefit	\$2,500
Existing life insurance	\$500,000	Existing life insurance	\$400,000
Non-registered assets	\$50,000	Non-registered assets	\$50,000
Registered assets	\$35,000	Registered assets	\$45,000
Other		Other	
Other		Other	
Other		Other	
Other		Other	
Total	\$587,500	Total	\$497,500

Disability Insurance

How Will You Pay for Your Disability?

Disability insurance offers you protection against the possibility that you may not be able to meet your financial obligations due to accident or illness. It protects one of your most valuable assets, your earning power.

Without disability insurance, you have to find other sources of income to replace your lost earnings due to a disability. Most of the alternative options, if they are available to you at all, may be quickly exhausted. That leaves disability insurance as the most viable solution for a long-term disability.

INCOME SOURCE	WHY THE SOURCE MAY BE INSUFFICIENT
Spouse's Income	Is the income enough to maintain your lifestyle?
Government Programs	You may not qualify for certain programs & benefits
Emergency Savings	Limited cash flow, not a long term solution
Investments	You may not get true value when you sell
RRSP Withdrawals	Fully taxable, erodes your retirement fund
Loan	With no income, bank is unlikely to lend money
Friends & Family	Are you comfortable asking them for help?
Downsize Your Lifestyle	Will your children be adversely affected?

Disability Insurance

Disability insurance offers you protection against the possibility that you may not be able to meet your financial obligations - both family and business- due to accident or illness.

If you are like most people, you've probably given little thought to what you would do if you were to become disabled. If you have a group insurance plan at work, you may not have even looked at it, confident it will support you if something happens. If you're self-employed, you may have thought about it a little more - but probably not as much as you should.

That's because the chances that you will become disabled are greater than you think. Almost a third of all people now aged 35 will be disabled for at least six months before they reach 65. The chances that you will be disabled rather than die before you retire are almost three to one. Experience shows that if a disability lasts at least 90 days, it is likely to continue, on average, three years or more in the case of a 35 year old and four years or more in the case of a 45 year old.

summary of your income needs in the case of disability

Annual Amounts	Jalen Disabled	Mila Disabled
Total income sources	\$84,000	\$69,000
Less: Expenses	\$78,300	\$78,300
Income surplus/shortage*	\$5,700	\$-9,300

* A negative amount indicates a disability insurance shortage, a positive amount indicates a surplus.

Details of Your Income Needs in Case of Disability

Jalen	
Income Source	Annual Amount
Spouse's Income	\$72,000
Government sources	
Current disability coverage	\$12,000
Investments	
Emergency savings	
RRSP withdrawals	
<hr/>	
Total Sources	\$84,000
Less: expenses	\$78,300
Equals: Surplus/Shortage	\$5,700

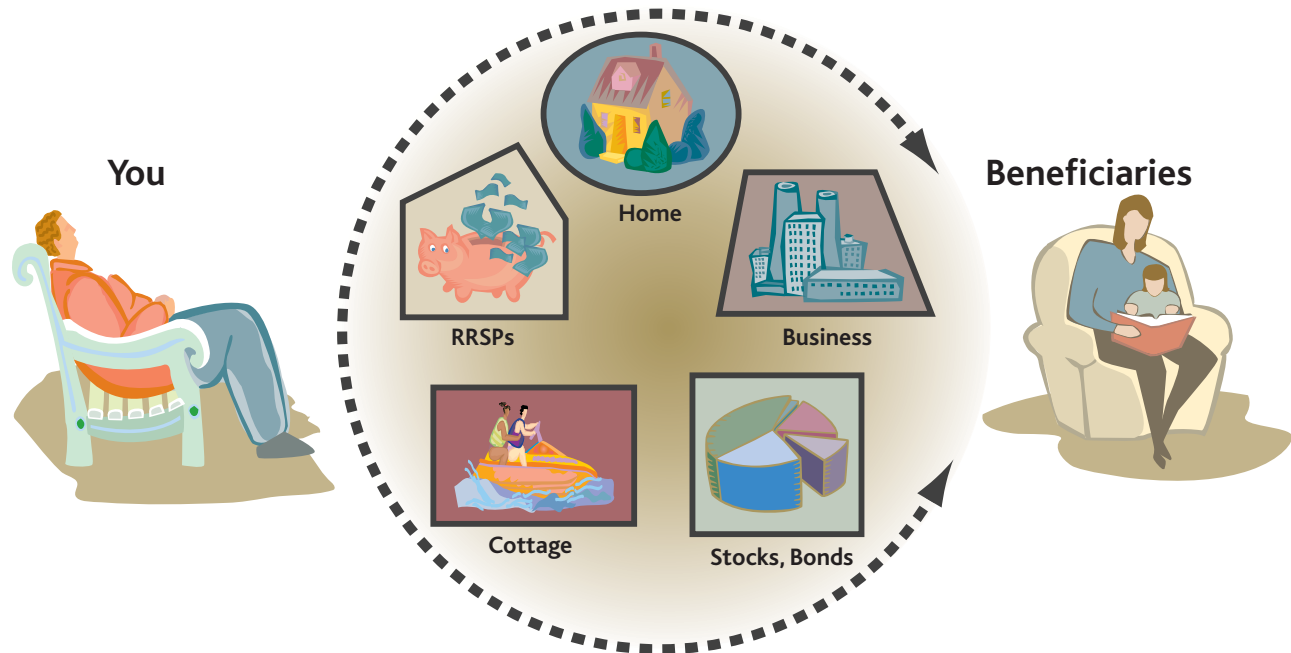
Mila	
Income Source	Annual Amount
Spouse's Income	\$60,000
Government sources	
Current disability coverage	\$9,000
Investments	
Emergency savings	
RRSP withdrawals	
<hr/>	
Total Sources	\$69,000
Less: expenses	\$78,300
Equals: Surplus/Shortage	\$-9,300

Expenses	
Categories	Annual Amount
Housing	\$21,000
Automobile	\$6,600
Food/Clothing	\$15,000
Health Care	\$2,100
Investments	\$7,800
Loans	\$4,800
Other	\$20,400
<hr/>	
Total Expenses	\$78,300

Estate Planning Checklist

What is Estate Planning?

Estate planning is the process of structuring your personal and financial affairs so that, upon death, your assets are distributed according to your wishes. A properly prepared estate plan will help minimize income taxes and probate costs, provide for charitable donations and other gifts, ensure that your family does not face financial hardship and, in order to avoid any future conflicts, clearly define your wishes regarding the final distribution of your assets.



10 Reasons to Have an Estate Plan

- Provide adequately for your spouse and dependents
- Distribute assets according to your wishes, not the courts
- You choose the guardian for your minor children, not the courts
- Appoint your own power of attorney to manage your affairs
- Reduce or defer taxes
- Reduce probate, legal and executor fees
- Provide funds for all final expenses and liabilities
- Decrease the time and potential problems to settle your estate
- Pass your business to your spouse, children or other party
- Gift money or assets to a charity of your choice

Estate Planning Checklist

	Jalen	Mila
1. Do you have a signed will?	Yes	Yes
2. Do you have a signed power of attorney for your financial affairs?	No	No
3. Do you have a signed power of attorney for your personal care?	No	No
4. Have you reviewed your will and powers of attorney in the last two years?	No	No
5. Do you have an up-to-date net worth statement listing your assets and liabilities?	Yes	Yes
6. Have you named beneficiaries for all of your registered investments (RRSPs, RRIFs, LIFs, LRIFs, annuities, pension plans, DPSPs) and life insurance policies?	Yes	Yes
7. Have you reviewed all the pros and cons of jointly registering non-RRSP assets in your name and your spouse's name?	Yes	Yes
8. Do you have enough capital or life insurance to cover immediate cash needs at death (funeral expenses, income taxes, legal fees, executor fees, probate fees)?	No	No
9. Do you have enough capital or life insurance to replace your income and maintain your family's current lifestyle?	No	No
10. Do your family members know where to locate your financial records (investment accounts, bank accounts, tax returns, insurance policies, safety deposit box)?	No	No
11. Do you have a succession plan for your business?	N/A	N/A
12. Do you have a buy/sell agreement in place with your business partner(s)?	N/A	N/A

Education Planning

Investing for Education

Your children will need high levels of training and education to secure employment in a world that is becoming increasingly competitive and technology driven. Obtaining a post-secondary education to meet these demands is also becoming more expensive as governments continue to cut spending to reduce deficits and balance budgets.

The current cost for four years of university education is approximately \$48,000. This includes tuition rent, food, books and additional fees. In eighteen years in 2022, the total cost of a four-year university education will be \$82,000, assuming costs increase by 3% per year. If you start now and invest \$140 per month in an RESP that earns 8.5% per year, you will be able to pay for your child's university education.

Two ways you can save for your child's post-secondary education are by using Registered Education Savings Plan (RESPs) and in-trust accounts.

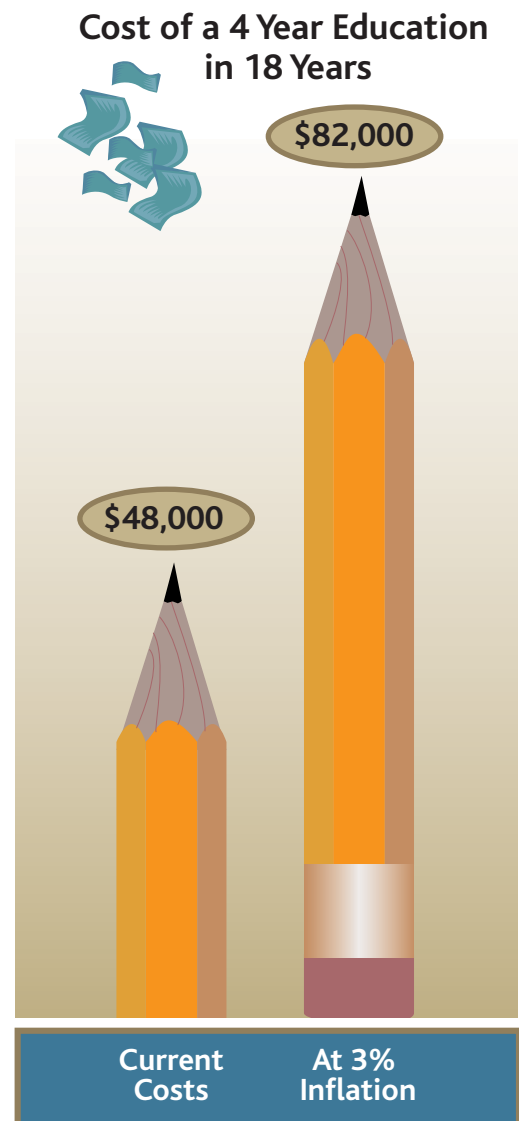
RESPs

An RESP is a government-approved plan for the purpose of providing post-secondary education funding for a beneficiary. Income earned within the plan is not taxed until it is withdrawn. Up to \$4,000 annually may be contributed per child up to a maximum lifetime total of \$42,000. RESP holders also receive a Canada Education Savings Grant (CESG) of up to \$400 (\$800 if catching up) per year for each child under the age 18. The maximum lifetime total of CESGs from the federal government is \$7,200 (for a maximum lifetime total of \$49,200 in RESP contributions and CESGs per child).

In-Trust Accounts

You can save for your child's education with an informal in-trust account. This is an investment account you open on behalf of your child. The money is held in trust until he or she reaches 18. Any capital gains earned on an informal in-trust account will be included in your child's income, so it will probably be taxed at a rate lower than yours. In-trust accounts differ from RESPs in several ways:

- You can invest as much as you like in an in-trust account
- The money does not have to be used specifically for education
- Your contribution will not qualify for the CESG grant



Education Funding Plan Summary

Your children will need high levels of training and education to secure employment in a world that is becoming increasingly competitive and technology driven. Obtaining a post-secondary education to meet these demands is also becoming more expensive as governments continue to cut spending to reduce deficits and balance budgets.

This page summarizes the education plans for your children and how much you should invest on a monthly basis in order to meet their post-secondary funding needs.

Please see the attached pages for details on the education plan for each child.

education funding plan				
Name	Funds Needed	Future Value of Savings	Surplus/ Shortage*	Monthly Investment
Hannah	\$56,271	\$3,138	\$-53,133	\$198
Jackson	\$60,627	\$3,797	\$-56,830	\$162
Totals	\$116,898	\$6,935	\$-109,963	\$360

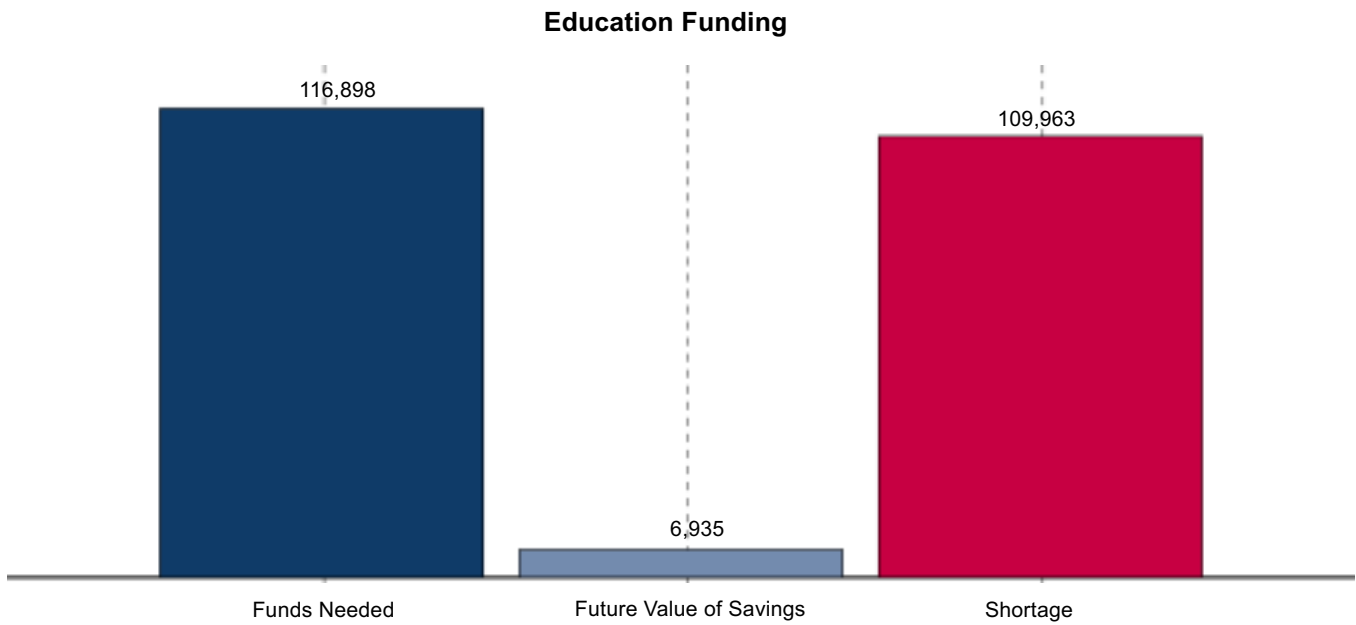
* A negative amount indicates an education fund shortage, a positive amount indicates a surplus.

Education Funding Plan Results

education funding plan

Name	Funds Needed	Future Value of Savings	Surplus/Shortage*	Monthly Investment
Hannah	\$56,271	\$3,138	\$-53,133	\$198
Jackson	\$60,627	\$3,797	\$-56,830	\$162
Totals	\$116,898	\$6,935	\$-109,963	\$360

* A negative amount indicates an education fund shortage, a positive amount indicates a surplus.



Education Funding Plan for Hannah

monthly contributions required to fund education

RESP contribution		\$	165
CESG grant		\$	33
Total RESP contribution	A	\$	198
Total Non-RESP contribution	B	\$	
Total monthly contribution (A plus B)		\$	198

education costs

Total post-secondary education costs		\$	64,838
Present value of the above costs at the start of 1st year of school	A	\$	56,271
Percentage of above education costs to be covered by this plan	B	\$	100.00%
Funds needed at the start of the 1st year of school (A x B)	C	\$	56,271
Future value of current savings at the start of the 1st year of school	D	\$	3,138
Shortage (D minus C)		\$	-53,133

education cost table

Year#	Year	Age	Total Annual Education Costs	Tuition Costs	Annual Room & Board Costs
1	2012	18	15,320	8,979	6,341
2	2013	19	15,896	9,428	6,468
3	2014	20	16,497	9,900	6,597
4	2015	21	17,124	10,395	6,729
Totals			\$ 64,838	\$ 38,702	\$ 26,136

assumptions

Current age			6
Start school at age			18
Years in school			4
Fund education using RESPs			Yes
Current RESP savings		\$	
Annual RESP contribution		\$	1,000
RESP rate of return			10.00%
Current non-RESP savings		\$	
Annual non-RESP savings		\$	
Non-RESP rate of return			5.00%
Current annual tuition costs		\$	5,000
Current annual room & board costs		\$	5,000
Tuition inflation rate			5.00%
Room & board inflation rate			2.00%

Education Funding Plan for Jackson

monthly contributions required to fund education

RESP contribution		\$	135
CESG grant		\$	27
Total RESP contribution	A	\$	162
Total Non-RESP contribution	B	\$	
Total monthly contribution (A plus B)		\$	162

education costs

Total post-secondary education costs		\$	69,861
Present value of the above costs at the start of 1st year of school	A	\$	60,627
Percentage of above education costs to be covered by this plan	B	\$	100.00%
Funds needed at the start of the 1st year of school (A x B)	C	\$	60,627
Future value of current savings at the start of the 1st year of school	D	\$	3,797
Shortage (D minus C)		\$	-56,830

education cost table

Year#	Year	Age	Total Annual Education Costs	Tuition Costs	Annual Room & Board Costs
1	2014	18	16,497	9,900	6,597
2	2015	19	17,124	10,395	6,729
3	2016	20	17,778	10,914	6,864
4	2017	21	18,461	11,460	7,001
Totals			\$ 69,861	\$ 42,669	\$ 27,192

assumptions

Current age			4
Start school at age			18
Years in school			4
Fund education using RESPs			Yes
Current RESP savings		\$	
Annual RESP contribution		\$	1,000
RESP rate of return			10.00%
Current non-RESP savings		\$	
Annual non-RESP savings		\$	
Non-RESP rate of return			5.00%
Current annual tuition costs		\$	5,000
Current annual room & board costs		\$	5,000
Tuition inflation rate			5.00%
Room & board inflation rate			2.00%

Education Funding Plan - Additional Assumptions

- The value of Current RESP savings is used as the amount of principal contributed to the RESP. This number is used to calculate the amount still available to contribute to the RESP based on the \$42,000 lifetime limit.
- If RESPs are used to fund education, the maximum RESP and CESG contributions (maximum monthly CESG contribution is \$33.33 or \$400.00 per year) are calculated. If these amounts are insufficient to meet the funding requirements, then the monthly Non-RESP contribution amount needed to meet the shortfall is calculated.
- If Non-RESPs are used to fund education, no RESP or CESG calculations are performed.
- All monthly contributions are made at the end of the month.
- The rate of return on monthly contributions is compounded annually.
- The calculation of the present value of annual education costs at the start of the first year of school uses the RESP rate of return as the discount rate.

Recommendations

- Rebalance your current portfolio allocation from Cash 14%, Bonds 6%, Stocks 67%, Balanced 13% to the following allocation: Cash 6%, Bonds 3%, Stocks 86%, Balanced 5%.
- You will require \$ 202,982 in additional capital at retirement to fund your retirement based on the assumptions used in your plan. To achieve this requirement, you need to make annual investments of \$2,129 between now and retirement with an average rate of return of 8.75%. You should review your retirement plan annually to account for any changes in the assumptions of your plan and your financial situation.
- Jalen requires an additional \$591,382 in life insurance coverage while Mila requires an additional \$870,411 of coverage. You should review your insurance needs annually to ensure that you have adequate coverage.
- Mila requires an additional \$9,300 in annual disability insurance coverage. Jalen has enough disability insurance coverage with a current annual surplus of \$5,700. You should review your disability insurance needs annually to ensure that you have adequate coverage.
- This is a summary of Jalen's essential estate planning documents: will (already prepared), power of attorney for your financial affairs (to be prepared), power of attorney for personal care (to be prepared). This is a summary of Mila's essential estate planning documents: will (already prepared), power of attorney for your financial affairs (to be prepared), power of attorney for personal care (to be prepared). These documents should be reviewed annually to ensure that changes in your personal or financial circumstances are accounted for.
- In order to fund your family's post-secondary education needs, you need to begin investing an additional \$360 per month. You should review your education plan annually to ensure that you are on track to meet your goals.