

The *Financial Needs Assessment* is a quick and effective report used to entice prospective clients to engage in a planning relationship or existing clients to enhance their current relationship.

The report summarizes the clients' **current** financial position and emphasizes the need for financial planning and further analysis.



Financial Needs Assessment

Stuart and Kate Blake

Toronto, Ontario

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July 23, 2010

The report offers a professional and personalized cover page which can also be branded to include your company's logo.

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Disclaimer

This assessment is hypothetical in nature and is intended to help you in making decisions on your financial future based on information that you have provided and reviewed.

IMPORTANT: *The projections or other information generated by NaviPlan® regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.*

Criteria, Assumptions, Methodology, and Limitations of Assessment

The assumptions used in this assessment are based on information provided and reviewed by you. Those assumptions must be reconsidered on a frequent basis to ensure the results are adjusted accordingly. The smallest of changes in assumptions can have a dramatic impact on the outcome of this assessment. Any inaccurate representation by you of any facts or assumptions used in this assessment invalidates the results.

We have made no attempt to review your property and liability insurance policies (auto and homeowners, for example). We strongly recommend that in conjunction with this assessment, you consult with your property and liability agent to review your current coverage to ensure it continues to be appropriate. In doing so, you may wish to review the dollar amount of your coverage, the deductibles, the liability coverage (including an umbrella policy), and the premium amounts.

This assessment does not constitute advice in the areas of legal, accounting or tax. It is your responsibility to consult with the appropriate professionals in those areas either independently or in conjunction with this assessment process.

Results May Vary With Each Use and Over Time

The results presented in this assessment are not predictions of actual results. Actual results may vary to a material degree due to external factors beyond the scope and control of this assessment. Historical data is used to produce future assumptions used in the assessment, such as rates of return. Past performance is not a guarantee or predictor of future performance.

Actual return rates and performance may vary to a significant degree from that represented in this assessment.

Investments Considered

This assessment does not consider the selection of individual securities; the assessment provides model portfolios. The results contained herein do not constitute an actual offer to buy, sell or recommend a particular investment or product. All investments are inherently risky. The return rates used in the assessment are broad in nature. The illustrations are not indicative of the future performance of actual investments, which will fluctuate over time and may lose value.

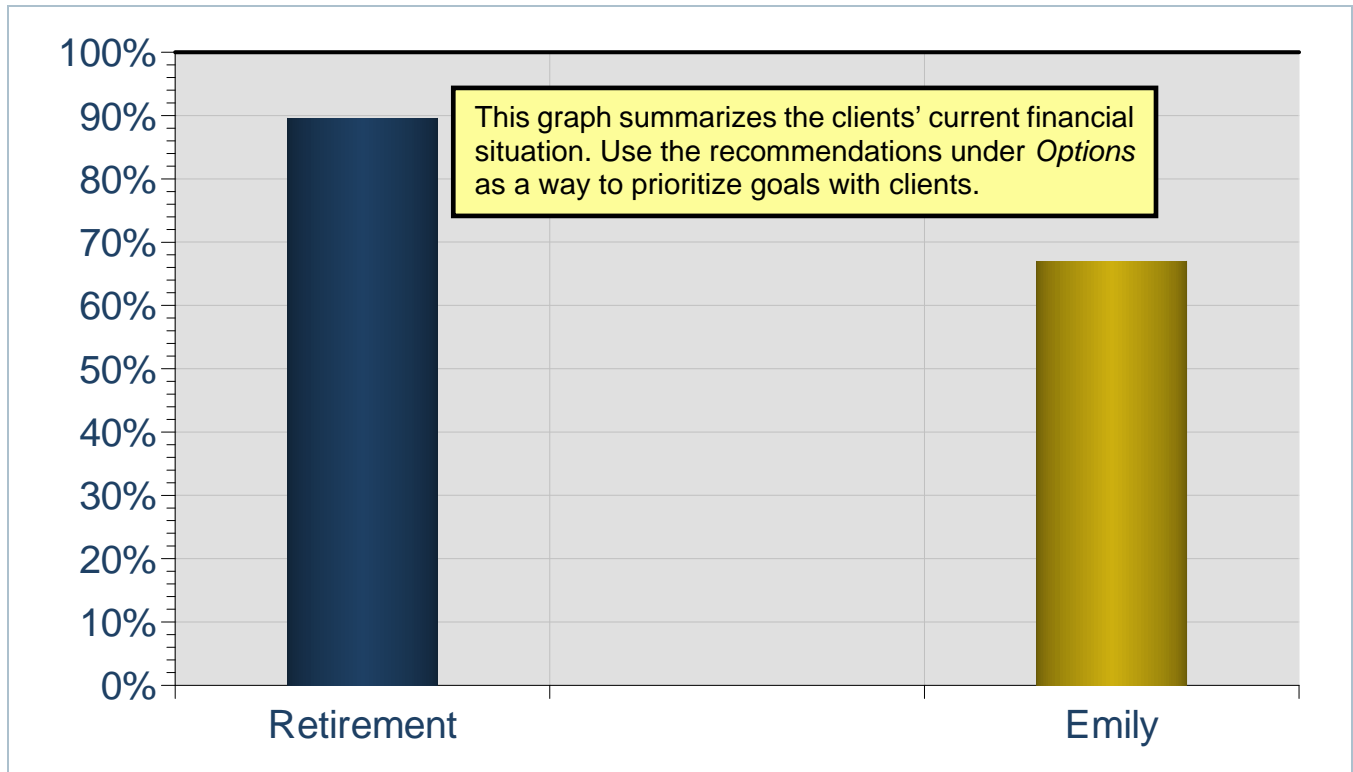
There are risks associated with investing, including the risk of losing a portion or all of your initial investment.

Fees and charges were not taken into account and will impact results.

Overview

The Goal Achievement graph illustrates the percentage of each goal that may be covered based on the projection of the current capital and savings for each goal.

Alternative strategies that may assist in goal achievement are listed in the tables following the Goal Achievement graph.



Retirement

Unfortunately, your current projected retirement strategies fall short of the desired retirement goal.

The following table provides alternative strategies that may assist you in achieving the desired retirement goal.

Options			
<u>Expect Retirement Expenses to be covered at (\$/year)</u>	OR <u>Save an Additional</u>	OR <u>Invest a Lump Sum Today of</u>	OR <u>Retire in the year (at age)</u>
89% (\$66,750)	\$928/Month	\$133,686	2029/2029 (64/62)

Use this value, along with the *Average Monthly Surplus/Deficit* amount on the *Goal Attainability* page, to present opportunities to help achieve the clients' goals.

Using this value to suggest to clients that they can meet their goal by investing a lump sum today allows you to open up a discussion on assets being managed elsewhere.

Are the clients willing to delay retirement and work longer?

Education

Unfortunately, your current projected education strategies may not allow you to achieve the desired education goal.

The following table provides alternative strategies that may assist you in achieving the desired education goal.

Options					
	<u>Expect to Support Education Costs at (\$/year)</u>	OR	<u>Save an Additional</u>	OR	<u>Invest a Lump Sum Today of</u>
Emily's Education Goal	67% (\$6,775)		\$131 /Month		\$14,336

Stuart and Kate have a **cash flow surplus** in the current year (see page 9) that could be used to help meet Emily's education goal.

Wake up call for clients! Do the clients have an RESP or TFSA at another institution?

Use the *Options* tables to bring to light any funding shortfalls and highlight strategies to achieve the clients' goals.

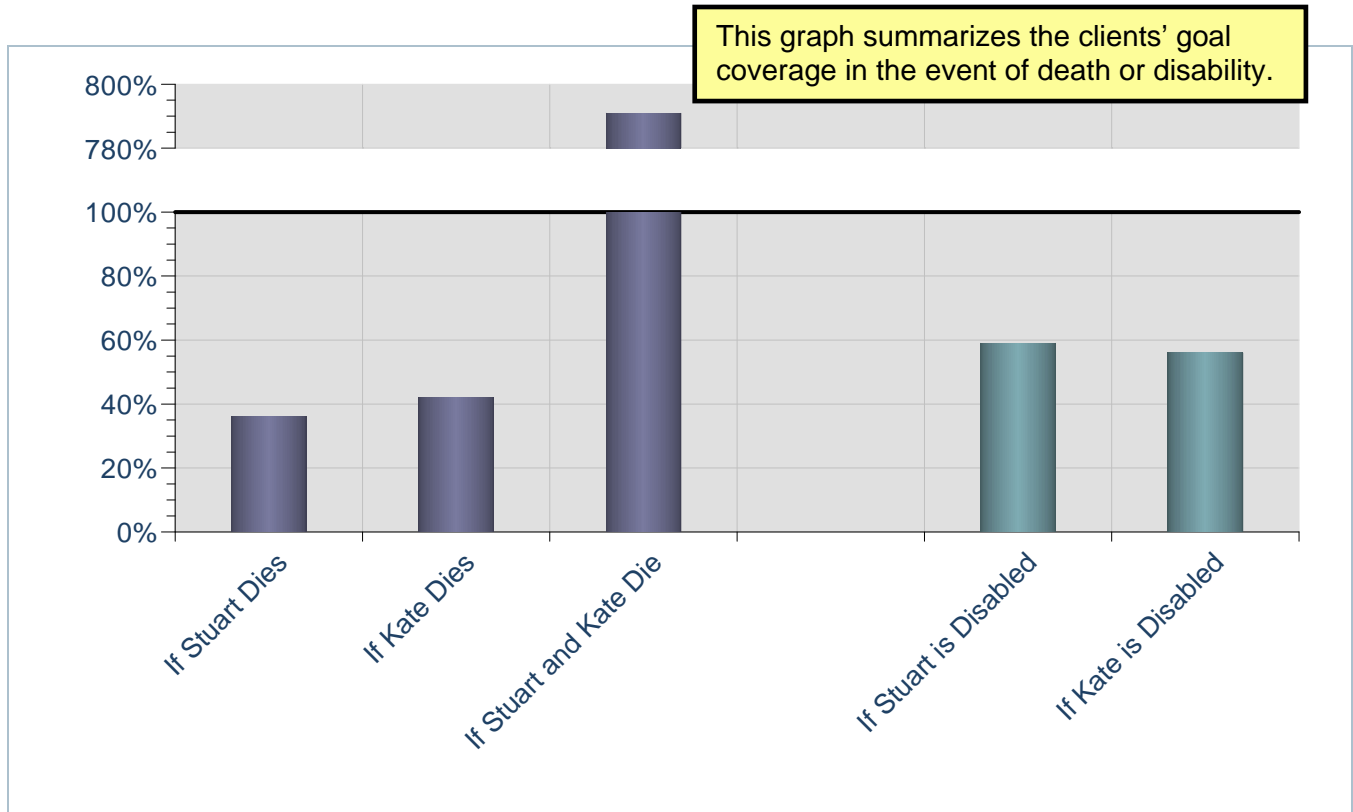
Present alternatives to your clients. Reconsider the goal amount to fund:

- Full
- Partial
- Finance a portion of the goal
- Reduce the goal
- Increase savings
- Contribute a lump sum

Refer to the *Current Financial Position* page, as these clients may be able to put aside additional funds towards their goals.

The Goal Achievement graph illustrates the percentage of each goal that may be covered based on the projection of the current capital and savings for each goal.

Alternative strategies that may assist in goal achievement are listed in the tables following the Goal Achievement graph.



Life Insurance

Your current life insurance coverage falls short of the necessary life insurance coverage for Stuart and Kate. However, your current life insurance coverage provides the Stuart and Kate die analysis with the necessary amount of life insurance coverage.

The following table provides alternative strategies that may assist you in achieving your life insurance goals.

Options	<u>Expect to Cover Total Life Insurance Need at (\$)</u>	OR	<u>Purchase an Additional Life Insurance of</u>
If Stuart Dies	36% (\$300,000)		\$532,000
If Kate Dies	42% (\$300,000)		\$398,000
If Stuart and Kate Die	791% (\$1,186,868)*		\$0

*Calculated based on the use of the net estate to cover needs.

The percentage indicates the needs that can be covered in the event of death(s) by existing resources including life insurance policies.

Clearly identifies the additional life insurance needed.

Disability Insurance

Unfortunately, your current disability insurance coverage falls short of the necessary disability insurance coverage for Stuart and Kate.

The following table provides alternative strategies that may assist you in achieving the disability insurance goals.

Options		
	<u>Expect to Cover Total Disability Insurance Need at (\$)</u>	OR <u>Increase Disability Insurance by</u>
If Stuart is Disabled	59% (\$3,900)	\$2,670/Month
If Kate is Disabled	56% (\$3,500)	\$2,716/Month

The percentage indicates the needs in the event of disability that can be covered by existing disability resources including disability insurance policies.

Clearly identifies the additional disability insurance needed.

Current Financial Position

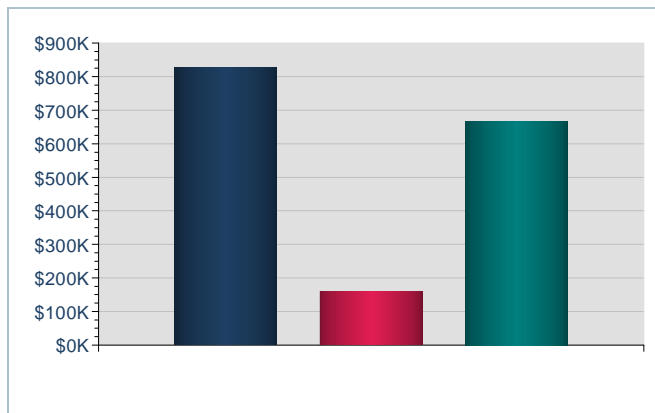
Use the text items in bold and the colour graphs to draw attention to opportunities or concerns in the clients' current financial position. Highlight key components of planning, such as net worth and surplus cash usage. Move clients to action!

Analysis

To determine your Net Worth we take the current value of all of your assets, and then subtract the current value of all of your liabilities. Based on the information you have provided, you currently have a **Net Worth of \$668,000**.

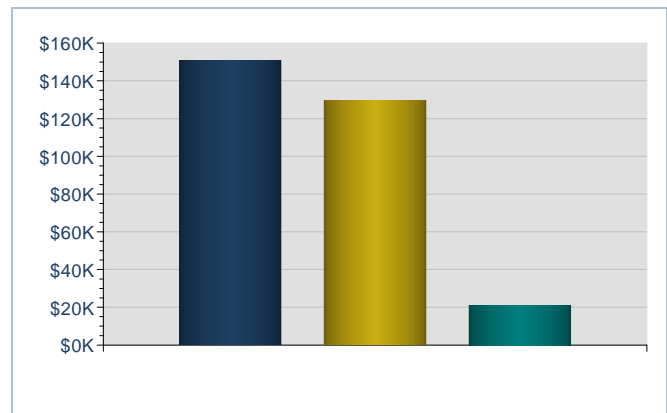
We have also evaluated your current Cash Flow position. We determine your cash flow surplus or deficit by adding together all of your cash inflows, then subtracting all of your cash outflows, which include lifestyle expenses, savings, and taxes. Based on the information you have provided, you currently have a **cash flow surplus of \$21,232** in 2010.

Net Worth



■ Assets ■ Liabilities ■ Net Worth

Cash Flow



■ Incomes ■ Outflows ■ Surplus

Net Worth

Registered Assets	\$345,000
Non-Registered Assets	\$148,000
Lifestyle Assets	\$335,000
Liabilities	(\$160,000)
Net Worth	\$668,000

Cash Flow

Income	\$150,909
Lifestyle Expenses	\$73,108
Savings	\$19,543
Taxes	\$37,025
Surplus	\$21,232

Consider the Following

- Review your current expenses to determine which items are discretionary.
- Decide on the sacrifices you are currently willing to make to achieve your financial goals.

This table indicates the clients' current year net worth and cash flow position and is based primarily on data entered for the clients' *Retirement, Education, and Major Purchase* goals and *Financial Picture*.

Retirement

Stuart and Kate plan to retire in 2027.

Objectives

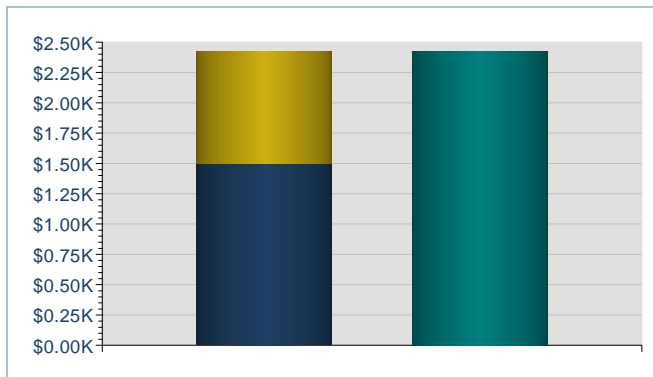
Stuart plans to retire in the year 2027 at age 62. Kate plans to retire in the year 2027 at age 60. Your retirement income goal in the year 2027 is \$75,000, in today's dollars.

Analysis

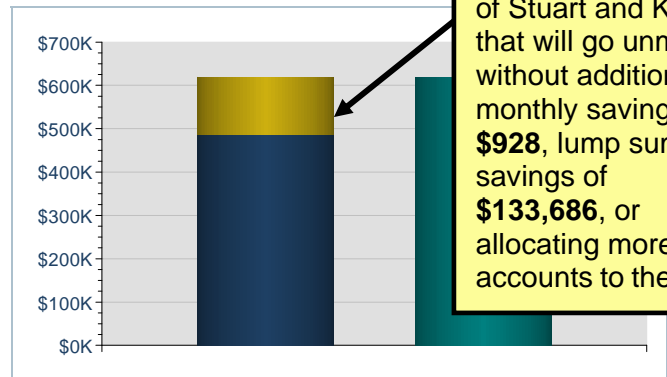
Based on our assessment, you may not have sufficient savings strategies in place, or sufficient capital allocated, to meet your retirement goal.

Based on your current assumptions, to meet your retirement goal you would need to save an **additional \$928 per month** or allocate an **additional \$133,686 today**.

Monthly Savings for Retirement



Capital for Retirement



The gold bar reflects the retirement needs of Stuart and Kate that will go unmet without additional monthly savings of **\$928**, lump sum savings of **\$133,686**, or allocating more accounts to the goal.

■ Current Savings/Capital ■ Additional Required Savings/Capital ■ Total Required Savings/Capital

Current Savings	\$1,500 /month*
Assets Currently Allocated	\$485,000
Rate of Return	6.93%
Additional Savings Required	\$928 /Month
Joint	
Non-Registered	\$928
or	
Additional Capital Required	\$133,686

*May include surplus savings.
These projections are based on the average weighted return rate assigned to your current portfolio.

Consider the Following

- The additional required monthly savings amount is based on savings to non-registered assets.
- Maximize contributions to tax-advantaged registered savings plans.
- If you have not already done so, begin investing on a regular basis.
- Consider a TFSA as part of your overall saving strategy.

Using this value to suggest to clients that they can meet their goal by investing a lump sum today allows you to open up a discussion on assets being managed elsewhere.

Stuart and Kate could meet this additional savings need because they have an average monthly surplus of \$2,415 (see *Goal Attainability* on page 16).

Attainable Retirement

This page summarizes what the clients can achieve without increasing savings. Are the clients' retirement expenses realistic?

Objectives

Stuart plans to retire in the year 2027 at age 62. Kate plans to retire in the year 2027 at age 60.

Without any changes to Stuart and Kate's retirement objectives, Stuart could retire at age 64 and Kate at age 62.

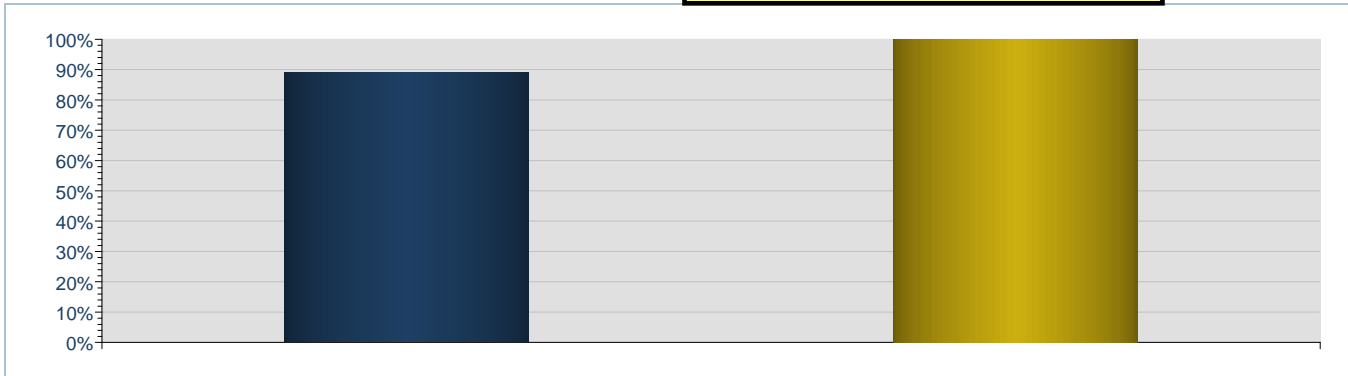
Analysis

Based on our assessment, it appears Stuart may not be able to retire until the year 2029 at age 64 and Kate may not be able to retire until the year 2029 at age 62.

If Stuart were to retire in the year 2027, at age 62 and Kate were to retire in the year 2027, at age 60, it appears your current savings strategies and retirement capital may provide you with the ability to cover 89% of your planned retirement expenses.

Attainable Retirement Expenses Retire At 62/60

If Stuart and Kate still want to retire in 2027, they can cover only 89% of their retirement goal.



■ Attainable Income

■ Planned Income

Attainable Retirement Age

	Retirement Goal	Attainable Retirement
Stuart	62 (2027)	64 (2029)
Kate	60 (2027)	62 (2029)

Attainable Retirement Expenses

Retirement Age	% of Retirement Expenses*
62/60	89%

* This value indicates the percentage of your stated annual retirement needs that can be funded by your available retirement resources throughout your entire retirement time period.

Consider the Following

- If the amount of required savings is unmanageable, we should review your goals to find a solution.
- If your projected savings exceed your need, you may be able to spend more in retirement.

If the clients' resources do not allow for any additional savings, they may want to re-evaluate their retirement objectives (e.g., less travel, downsize their home) in order to be able to retire in 2027.

Emily's Education Goal

Objectives

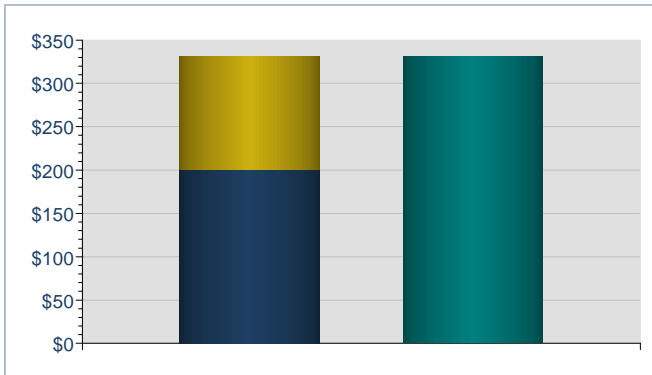
You want to accumulate sufficient assets to fund Emily's education goals for 4 years at a total cost of \$10,000 per year, in today's dollars, beginning in the year 2019.

Analysis

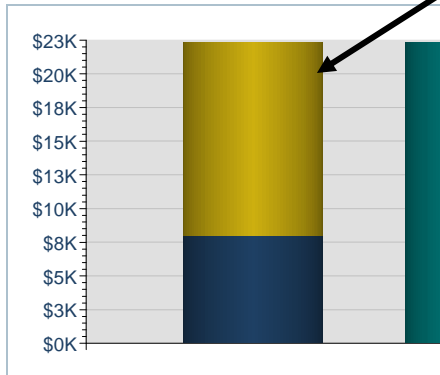
Based on our assessment you currently may not have sufficient savings strategies in place or sufficient capital, allocated to meet your goal.

Based on your assumptions, to meet your goal you would need to save an **additional \$131 per month** or allocate an **additional \$14,336 today**.

Monthly Savings



Capital Allocated



The gold bar shows that without allocating additional accounts or increasing savings (**\$131 per month or \$14,336 as a lump sum**), Stuart and Kate's goal of providing Emily with a four year university education will have to be reduced.

■ Current Savings/Capital ■ Additional Required Savings/Capital ■ Total Required Savings/Capital

Current Savings	\$200 /month
Assets Currently Allocated	\$8,000
Rate of Return	7.00%
Additional Savings Required	\$131 /month
or	
Additional Capital Required	\$14,336
These projections are based on the return rate assigned to your current portfolio.	

Key numbers to achieve 100% goal success.

Consider the Following

- Determine realistic values for tuition and related college expenses. Factor in the effects of inflation. College costs have historically increased at a significantly higher rate than inflation.
- Invest regularly for your family member's education, starting as early as possible.
- Where possible, take advantage of educational savings vehicles such as RESPs or TFSA's.

Use this informational text to let the clients know about tax-advantageous methods to help achieve the education goal.

Disability Insurance - Stuart

Objectives

To ensure there is sufficient income replacement to maintain your desired lifestyle, should Stuart become disabled.

Analysis

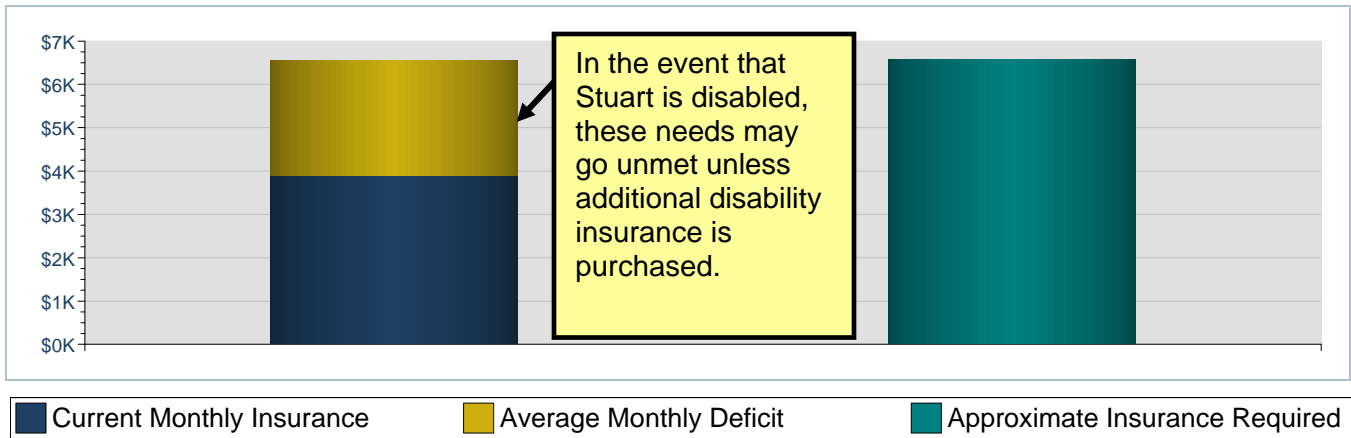
Based on our assessment from now until you retire in the year 2027, you may experience deficits that average \$2,670 per month, with the largest annual deficit being \$58,458.

The average monthly deficit if Stuart is disabled.

Increasing your coverage by \$2,670 per month can help eliminate these deficits.

Depending on the circumstances, you may or may not be able to purchase this amount of disability insurance.

If Stuart becomes Disabled



If Stuart becomes Disabled

Current Monthly Disability Insurance	\$3,900
Average Monthly Deficit	\$2,670
Approximate Monthly Disability Insurance Required*	\$6,570

*The recommended amount of disability insurance coverage is calculated based on long-term disability insurance coverage. You may or may not be able to purchase this amount of disability insurance.

These projections are based on the average weighted return rate assigned to your current portfolio.

Consider the Following

- You may not want to rely solely on group policies at work. Should you change jobs or your employer change to another insurer, you may no longer be eligible for group benefits.
- Review your existing policy's monthly disability benefit, definition of disability, waiting period, and duration of benefits.
- Review the coverage periodically and adjust it according to changes in your income and expenses.

The monthly disability insurance required.

Talk to the clients about the different types of disability policies and their benefits.

Life Insurance - Stuart

For a list of assumptions used to analyze the life insurance needs, see the *Assumptions* pages at the end of this client report.

Objectives

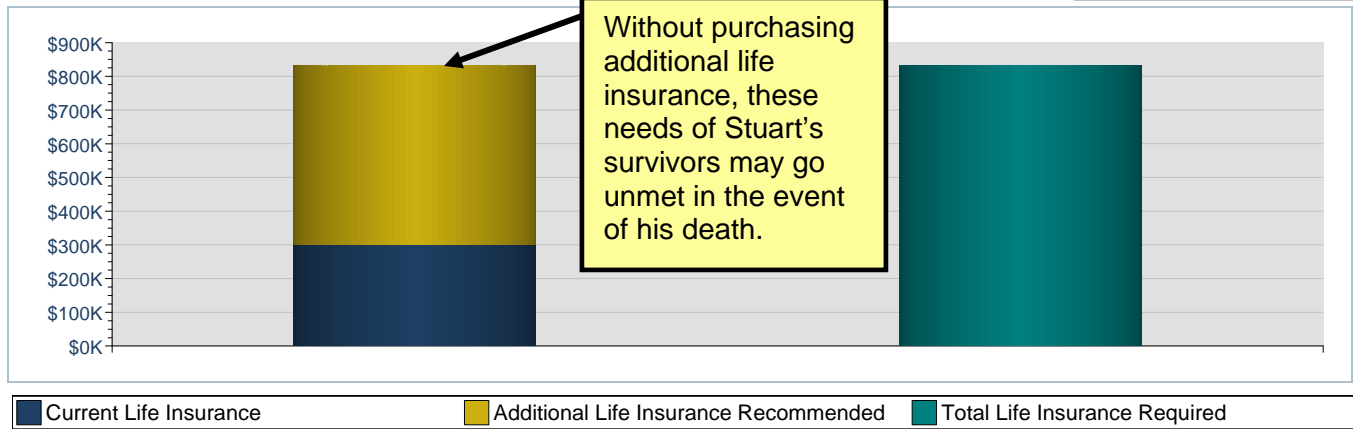
In the event of Stuart's death you want to ensure that Kate has enough income and capital to cover the family's expenses and to fund your education and major purchase goals.

Analysis

Based on our assessment, you currently may not have sufficient life insurance to meet Kate's ongoing needs. Increasing your **Life Insurance coverage by \$532,000** can help reduce this shortfall.

The additional amount of insurance needed.

If Stuart Dies



If Stuart Dies

Total Coverage Needed	\$832,000
Current Life Insurance Owned	\$300,000
Additional Life Insurance Required	\$532,000

These projections are based on the average weighted return rate assigned to your current portfolio.

Stuart and Kate may have hidden assets or income streams that might lower this insurance need.

Consider the Following

- You may not want to rely only on group policies, as you may change jobs or your employer could change to another insurer where you may no longer be eligible.
- Review your coverage periodically to ensure it continues to meet your family's changing needs.
- It is also important to consider continued savings to fund other financial goals.

Life Insurance - Stuart and Kate

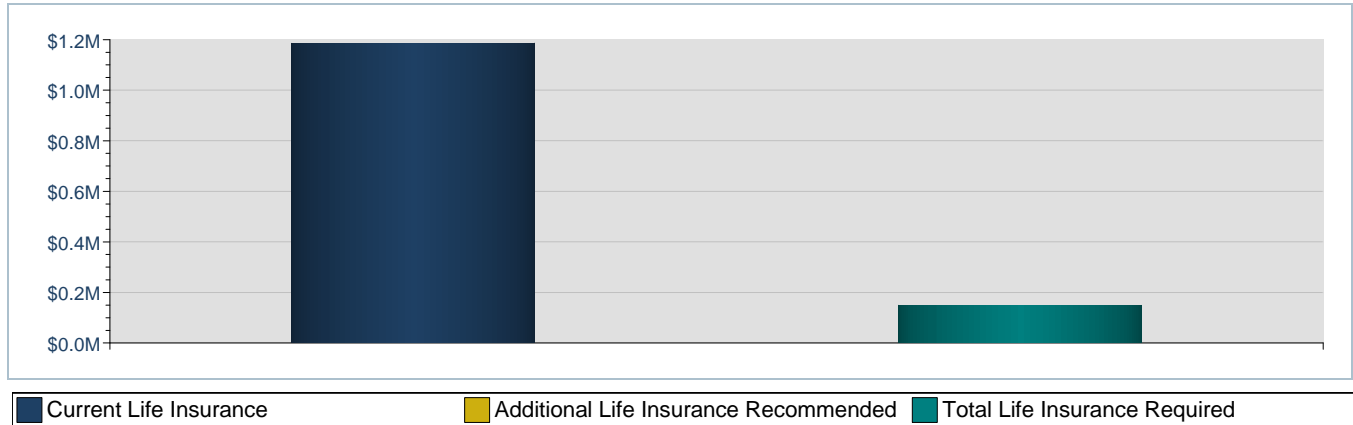
Objectives

In the event of Stuart's and Kate's deaths you want to ensure that your dependent has enough income and capital to cover lifestyle needs and education goals.

Analysis

Based on our assessment, you currently have sufficient capital and life insurance to meet your estate objectives.

If Stuart and Kate Die



If Stuart and Kate Die

Require Net Estate	\$150,000
Current Net Estate	\$1,186,868
Additional Life Insurance Required	\$0

These projections are based on the average weighted return rate assigned to your current portfolio.

The recommended additional life insurance coverage if both Stuart and Kate were to die.

Reviewing Stuart and Kate's insurance coverage annually helps ensure that their coverage meets their family's changing needs.

Consider the Following

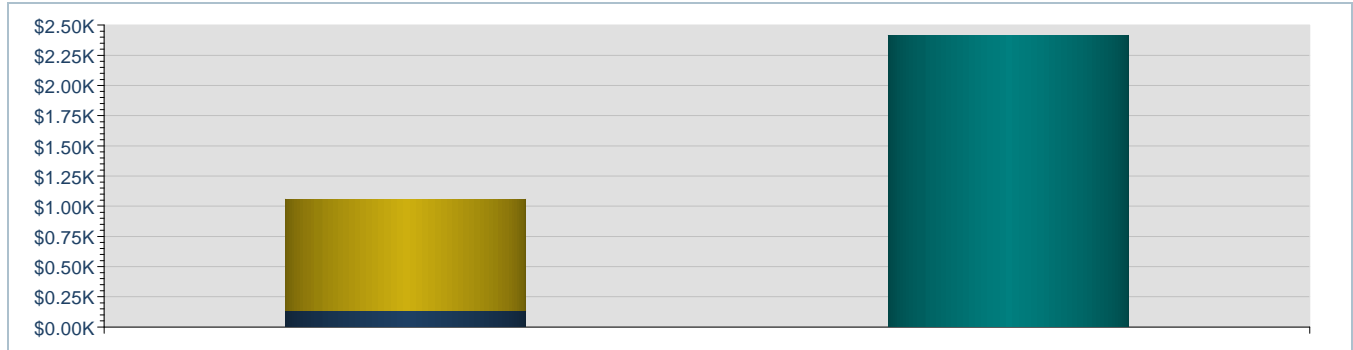
- You may not want to rely only on group policies, as you may change jobs or your employer could change to another insurer where you may no longer be eligible.
- Review your coverage periodically to ensure it continues to meet your family's changing needs.
- It is also important to consider continued savings to fund other financial goals.

Goal Attainability

The *Goal Attainability* page is an ideal place to wrap up the discussion. This page can lead to additional planning opportunities, or perhaps a revision of the clients' objectives.

Analysis

Based on our assessment, it appears you currently have sufficient cash flow resources to meet the additional savings requirements for your goals.



Additional Savings Education /mth
 Average Monthly Surplus
 Additional Savings Retirement /mth

Additional Savings for:	
Retirement	\$928/month
Education:	
"Emily's Education Goal"	\$131/month
Average Monthly Surplus/Deficit*	\$2,415
*Represents your average surplus/deficit over the next 5 years.	
These projections do not take into consideration potential premium increases for additional Life Insurance, Disability Insurance and Critical Illness Insurance.	
These projections are based on the average weighted return rate assigned to your current portfolio.	

Consider the Following

- It is important to balance future goals with current lifestyle needs.
- Assess the priority of future goals based on available cash flow.

A summary of the additional savings needed to achieve the clients' goals.

The table and graph above can be used to address clients' concerns about the affordability of the monthly savings needed to meet their goals by showing both the monthly savings required for each goal as well as their average monthly surplus/deficit amount. In the case of Stuart and Kate, their average monthly surplus of **\$2,415** is more than enough to implement the monthly savings required for all goals.

In plans where the average monthly surplus is less than the amount required to meet the goals or the clients have an average monthly deficit, the table can be used to open up a discussion regarding cash flow planning which could be addressed in a higher level plan.

Conclusion

Now that you have an overview of your current financial situation, where do you go from here? Our recommendations are as follows:

- **Review this document** and ensure you understand the information contained in the report. Be sure to ask us questions on areas that need clarification.
- **Assess the original objectives.** Are they realistic? Can you afford to implement all of your objectives? What are your priorities? If you are unable to fund all of your objectives, consider alternative goal dates, revised goal amounts, and alternative investment strategies. We will work together in the process.
- **Review various strategies** that will help you to achieve your goals and determine a time frame for these strategies.
- **Decide on a course of action.** Together, we will evaluate the alternative that is consistent with your objectives and your financial ability.

Prepare next steps and set up next meeting.

Assumptions

In performing this assessment, we have made the following assumptions:

Tax Rates

	Stuart	Kate
Pre-Retirement Tax Rates		
Average Tax Rate	24.68%	24.68%
Marginal Tax Rate	40.32%	40.32%
Retirement Tax Rates		
Average Tax Rate	24.68%	24.68%
Marginal Tax Rate	40.32%	40.32%
Death Tax Rates		
Average Tax Rate	35.44%	35.44%
Marginal Tax Rate	47.32%	47.32%

For dependants, your assessment assumed an average tax rate of 0.00% and a marginal federal rate of 20.05%.

Lifestyle Assets Growth Rate

A 2% growth rate was applied to lifestyle assets.

Lifestyle assets are jointly owned.

Lifestyle assets were purchased on Dec. 31 of the year prior to the assessment year.

Incomes and Expenses

An inflation rate of 3.00% was applied to pre-retirement incomes and expenses.

Pre-retirement incomes are salaries that commence on Jan. 1 of the assessment year and end on retirement.

Liabilities

All liabilities are jointly owned.

All liabilities assume monthly compounding. Amortization is automatically calculated based on the values entered, using a principal and interest loan payment schedule.

Upon death all liabilities were transferred to the survivor.

Retirement Goal

An annual inflation rate of 3.00% has been applied to the "Retirement goal expense".

Registered Assets

Registered accounts were assumed to be RRSP plans.

Savings Strategies

Saving strategies for the retirement goal began Jan. 1 of 2010 and end on Dec. 31 of the year prior to retirement.

Saving strategies for education goal began on the Jan. 1 of 2010 and end on Dec. 31 of the last year of the education goal.

Education Goal

The education goal was funded by jointly owned non-registered accounts.

An annual inflation rate of 5.00% has been applied to "Emily's Education Goal".

Life Insurance Needs

In the event of Stuart or Kate's death, we assume that 100% of your goals will continue.

In the event of Stuart and Kate's death, we assume that 100% of your education goals will continue.

The life insurance policy type was assumed to be a 10-year term policy which does not lapse.

The insured owns the policy and pays the premium.

The beneficiary was assumed to be the non-insured client.

The goal-and-expense analysis method was used.

An expense coverage of 85% was applied to your lifestyle expenses.

The return on life insurance proceeds, surpluses, and liquidations was 6.00%.

Cash flow surpluses were assumed to be saved.

Outstanding liabilities are funded at death for purposes of the life insurance assessment.

Disability Insurance Needs

In the event of Stuart or Kate's disability, we assume that 100% of your stated expenses, liabilities, and goals will continue.

In the event of Stuart or Kate's disability, we assume that there is a two week waiting period before receipt of your short-term disability benefits and a three month waiting period before receipt of your long-term disability benefits.

The coverage is a group LTD policy.

The benefit type is a flat dollar amount.

Benefits are not taxable.

The insured member owns the policy and pays the premium.

Benefits will not be offset by CPP/QPP & OAS.

The return on disability insurance surpluses and liquidations was 6.00%