



NaviPlan

Comparative Analysis

PREPARED EXCLUSIVELY FOR

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Table of Contents

Introduction	3
Net Worth Comparison	4
Cash Flow Comparison	5
Income Tax Comparison	6
Asset Allocation Comparison	8
Retirement Goal Comparison	9
Emergency Fund Goal Comparison	11
Education Goal Comparison	12
Major Purchase Goal Comparison	14
Monte Carlo Analysis Comparison	16
Disability Insurance Comparison	20
Life Insurance Comparison	22
Conclusion	24
Delivery Acknowledgement	25

Introduction

Steven and Heather, now that you have completed the first step in the financial planning process, you are ready to move on to the second step. Before we continue, let's summarize our activity to date. So far we have:

- collected all of your relevant personal and financial data
- identified your financial goals and established priorities
- identified the strengths and weaknesses of your current financial situation

In the next phase, we will:

- examine strategies that may enhance your current financial position
- compare the strengths and weaknesses of alternatives
- revise your goals, if necessary
- help you select the scenario that is best for you

The significance of this report is that it compares the differences between two plan scenarios from many aspects (listed below). The plan scenarios are identified as Alternative 1 and Alternative 2. Alternative 1 is based on the proposed plan named Reduced travel expenses. Alternative 2 is based on the proposed plan named Increased travel expenses.

Some of the key factors that should be considered in this process are the following:

- **Net Worth** – The total of all your assets (less your liabilities) is a key measure of your financial position and may be measured at various times over your lifetime. Your investment strategies may affect this part of the analysis.
- **Cash Flow** – The ability to have sufficient income to meet all your cash outflows over your lifetime is an important consideration. Analyze any excess cash flows to determine whether there is an opportunity to invest or whether the excess represents expenses that have been overlooked.
- **Income Tax** – Managing the tax you pay is an important consideration in the planning process. Reduced taxes means there are more funds available to meet other objectives.
- **Achieving Goals** – It is important to set realistic goals and prioritize them. We need to determine if your current savings pattern and growth objective meet the goals you have identified within the time frame you have selected.
- **Estate Planning** – At the end of your expected lifetime, all assets that have not been used to fund other objectives become part of your estate. In the estate planning process you want to ensure that this residual is effectively passed on as you choose. Without proper planning, as much as 50% of your assets could pass to the government in taxes and fees. Estate planning is a delicate balance of tax reduction strategies, funding your financial goals and maintaining control of your assets.

Net Worth Comparison

Over and above Canadian Pension Plans (CPP), Old Age Security (OAS) and company pensions, your accumulated wealth or net worth will fund much of your retirement years. Once you have retired, your goals will likely shift to preserving net worth in order to carry you through retirement and possibly leave a legacy for loved ones.

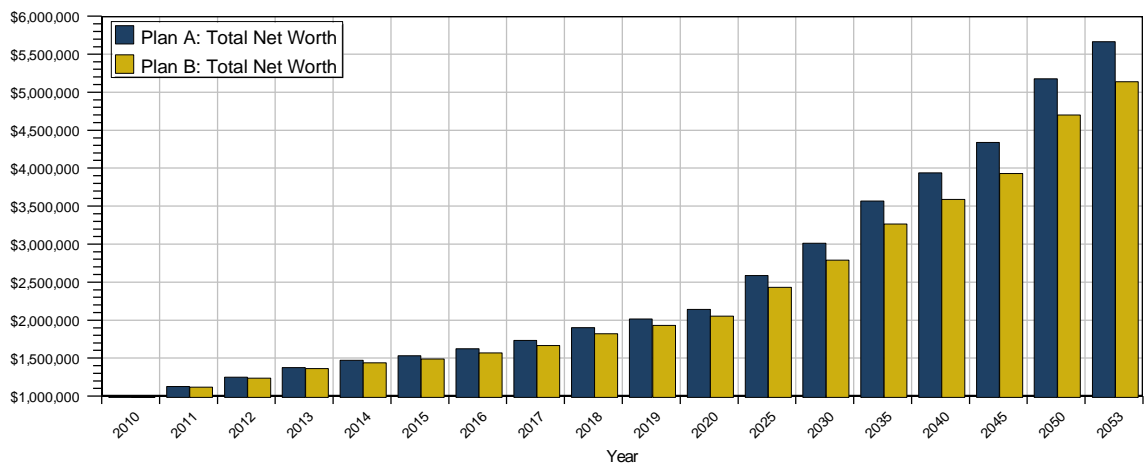
There are several strategies that can be implemented immediately to enhance your net worth. These strategies include

- analyzing and implementing the proper asset allocation
- making effective use of your current income and channelling excess funds to appropriate savings plans

The following graph compares the net worth between Alternative 1 and 2.

Plan A: Alternative 1

Plan B: Alternative 2



In Alternative 1, your net worth at retirement, in the year 2019, is **\$2,033,358**, and at the end of the plan, in the year 2053, it is **\$5,681,398**.

In Alternative 2, your net worth at retirement, in the year 2019, is **\$1,950,264**, and at the end of the plan, in the year 2053, it is **\$5,155,969**.

Cash Flow Comparison

Analyzing your cash flow will help you develop a plan to manage your income more effectively.

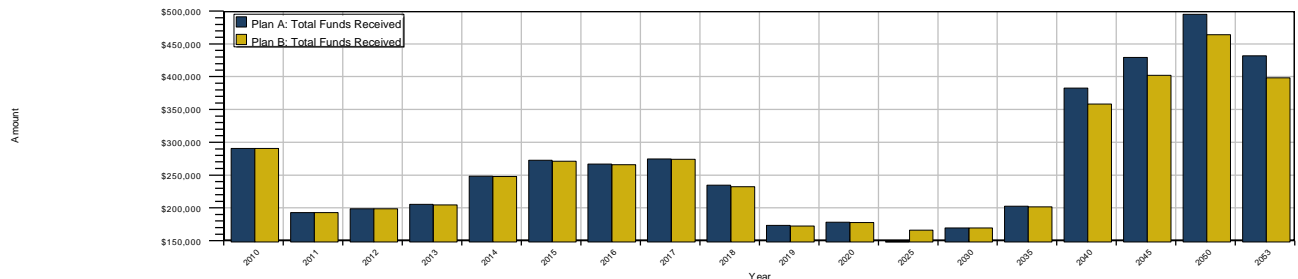
There are a number of cash flow management techniques you can use, including the following:

- Make a list of all your current expenses. If you find this difficult, start with your chequing account statement or other bill-paying system. Save receipts and/or keep a written record of your spending. The review of the receipts is often very enlightening at the end of the month.
- Determine which expenses are discretionary and which expenses are not. For example, your mortgage or rent payment is not discretionary, but the amount you spend on entertainment is discretionary.
- Prioritize your discretionary expenses, including savings. You and your family must decide which of the discretionary expenses can be adjusted.
- Consider paying yourself first! An automatic savings program that deducts your savings and investment contributions is an effective way to save. Saving what is left over at the end of the month or year is rarely as successful.

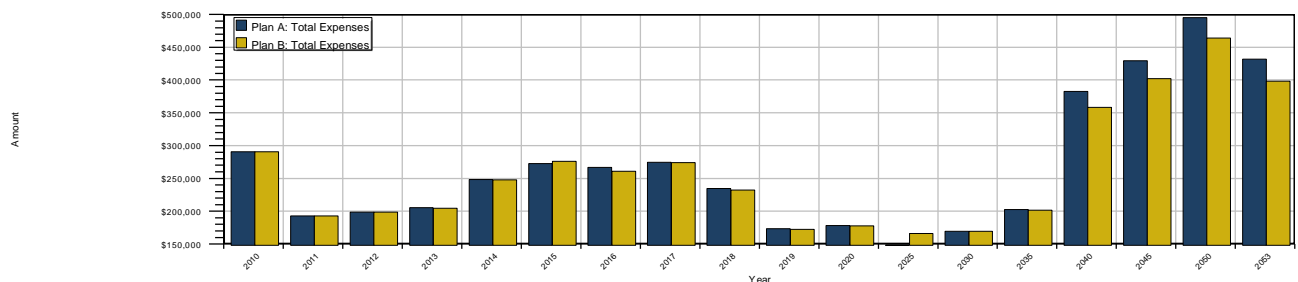
Plan A: Alternative 1

Plan B: Alternative 2

The following graph compares the total funds received between Alternative 1 and 2.



The following graph compares the total expenses between Alternative 1 and 2.



In Alternative 1, the analysis indicates that you will not experience any significant cash flow shortfalls throughout your lifetime.

In Alternative 2, the analysis indicates that you will not experience any significant cash flow shortfalls throughout your lifetime.

Income Tax Comparison

Income tax planning involves strategies for minimizing your taxable income. In particular, the timing and the method by which your income is reported are key factors.

Examples of tax planning strategies include the following:

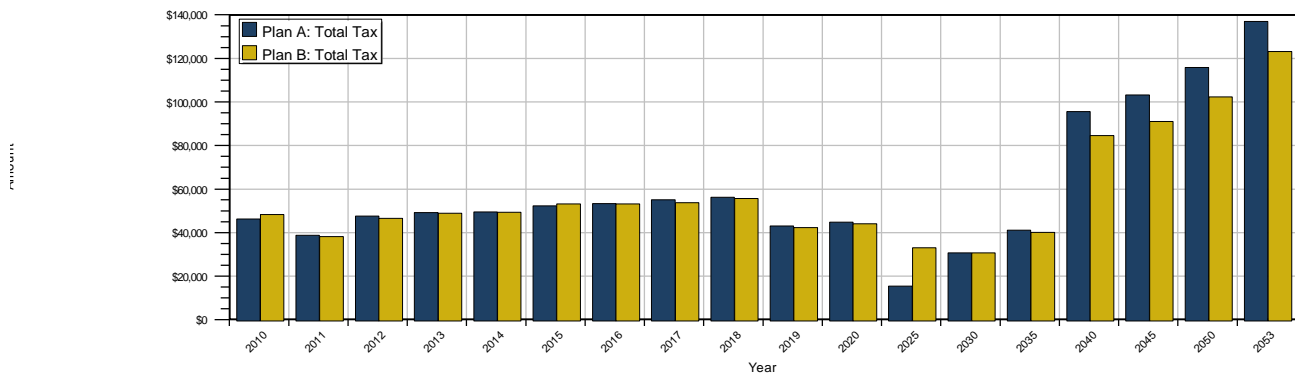
- Saving to a Registered Retirement Savings Plan (RRSP) to defer taxes.
- Contribute to your company's defined contribution pension plan (if available).
- Investment planning should also take advantage of the tax rules to ensure you maximize the after-tax return on your investments. In other words, your goal is to select tax-favourable investments that are consistent with your overall investment plan.
- Permanent life insurance can offer a number of tax advantages.
- Donations to charity, debt structure and wealth transfers (funding of an RESP for children, for example) can also defer income taxes.
- Consider altering the mix of salary, dividend, and benefits paid to you by your small business.
- Consider crystallizing accrued capital gains and losses to minimize taxes payable in the long run.
- Contributions to TFSAs are not tax deductible, but the resulting income generated by them (in the form of investment income or capital gains, for example), are tax free, including funds withdrawn from the TFSA.

We should discuss which, if any of these strategies would be most appropriate for your situation.

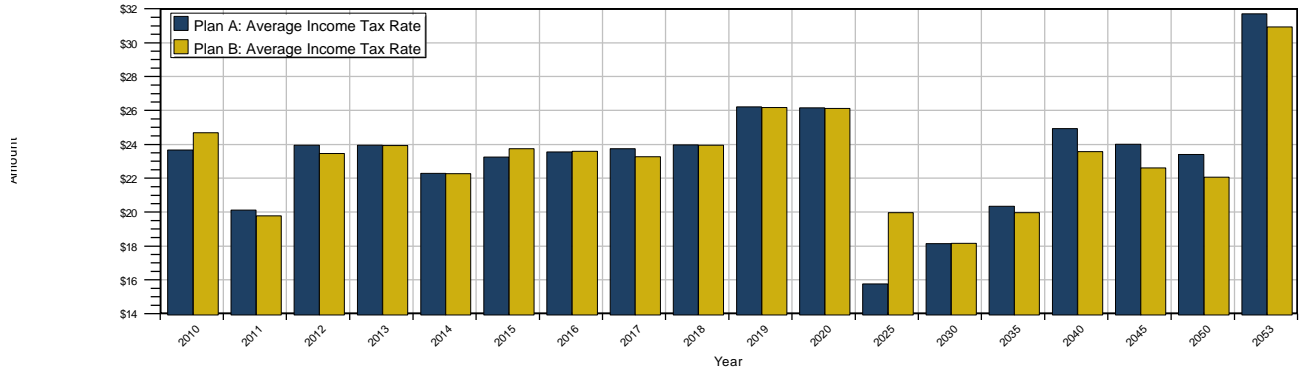
Plan A: Alternative 1

Plan B: Alternative 2

The following graph compares the total tax between Alternative 1 and 2.



The following graph compares average tax rates between Alternative 1 and 2.



We should discuss potential tax savings strategies that might be available to you.

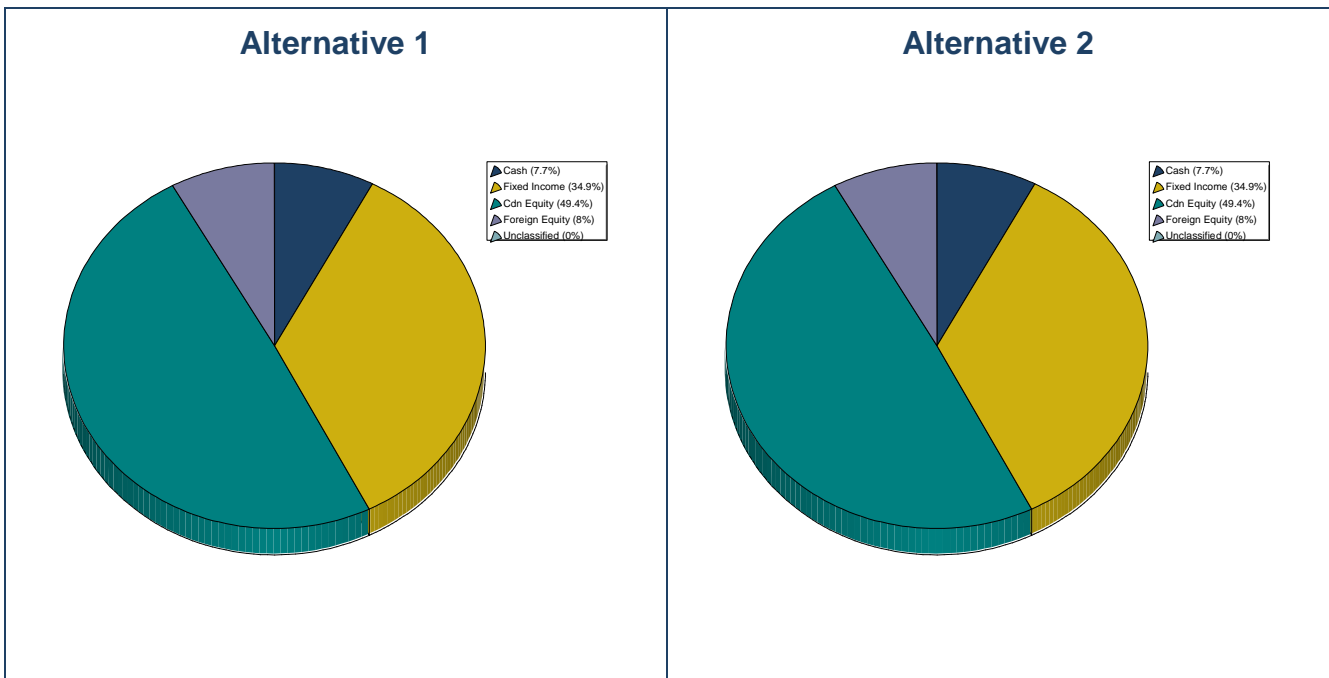
Asset Allocation Comparison

Asset allocation is the next major consideration after defining your objectives. It will assist you in determining the appropriate expected rate of return for your investments.

Consider the following:

- Your time horizon and tolerance for risk is key in determining your asset allocation for each objective.
- Asset allocation and return rate expectations affect the amount you need to save to meet your objectives.
- Managing your asset allocation also means avoiding unnecessary risk in the selection of your portfolios if you can comfortably meet your objectives with a lower risk portfolio.
- Monte Carlo simulations will further assist you in analyzing the risk/return trade-off.

The following graphs illustrate the asset allocation for Alternative 1 and 2.



Retirement Goal Comparison

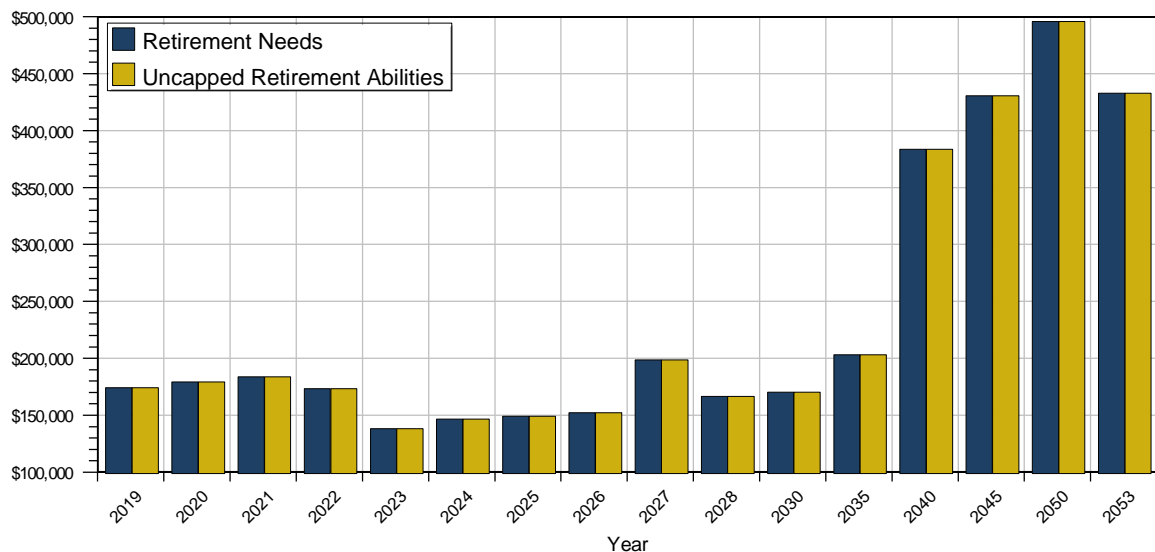
Retirement planning involves ensuring retirement income sources and assets provide sufficient cash flow to meet your retirement spending goals.

Consider the following:

- Determine changes to your planned spending in retirement. To simplify this task, begin with your expenses today.
 - Which are likely to continue?
 - Which are likely to disappear (employment-related expenses, for example)?
 - Which are likely to increase (vacation, hobbies and medical expenses)?
 - Will income needs for early retirement increase to allow for travel and increased recreation?
 - Will income needs for later retirement increase to meet needs for increased health care costs?
- Develop an effective savings strategy that takes into consideration asset allocation and tax favourable retirement plans available to you, such as RRSPs.
- Prioritize your retirement objective to balance it with your other goals such as insurance needs, children's education, major purchase and current income needs.
- Contributions to TFSAs are not tax deductible, but the resulting income generated by them (in the form of investment income or capital gains, for example), are tax free, including funds withdrawn from the TFSA.

The following graphs illustrate the relationship between your projected retirement needs and your ability to cover those needs, for Alternative 1 and 2.

Alternative 1



Retirement Income Needs ¹	Current Retirement Assets	Amount (Under Funded) Over Funded ²	Current Monthly Savings	Additional Monthly Savings ³
\$76,640	\$534,385	\$4,826,774	\$10,741	\$0

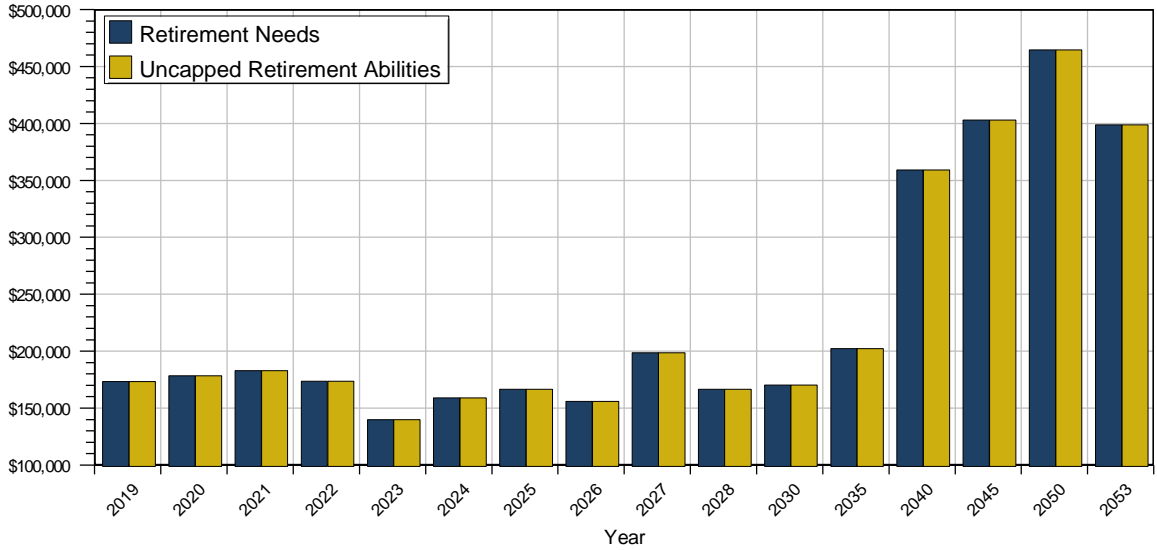
¹ Projected annual needs (in today's dollars) in the first full year of retirement, after tax.

² Amount represents the ending retirement surplus/deficit.

³ Estimated amount based on saving to Suggested Asset Mix. This field will be empty for goals that don't have a Suggested Asset Mix.

The average expected rate of return for assets linked to your retirement goal in Alternative 1 is **6.68%**.

Alternative 2



Retirement Income Needs ¹	Current Retirement Assets	Amount (Under Funded) Over Funded ²	Current Monthly Savings	Additional Monthly Savings ³
\$76,640	\$534,385	\$4,283,623	\$4,408	\$0

¹ Projected annual needs (in today's dollars) in the first full year of retirement, after tax.

² Amount represents the ending retirement surplus/deficit.

³ Estimated amount based on saving to Suggested Asset Mix. This field will be empty for goals that don't have a Suggested Asset Mix.

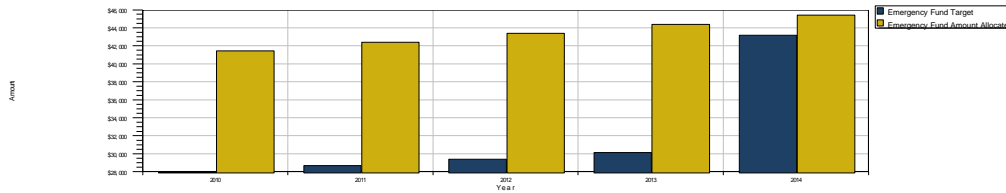
The average expected rate of return for assets linked to your retirement goal in Alternative 2 is **6.68%**.

Emergency Fund Goal Comparison

A general guideline for emergency funds is to maintain a fund of liquid assets, which can be easily converted into cash, to cover emergency expenses. Your emergency fund target is currently **\$28,133**.

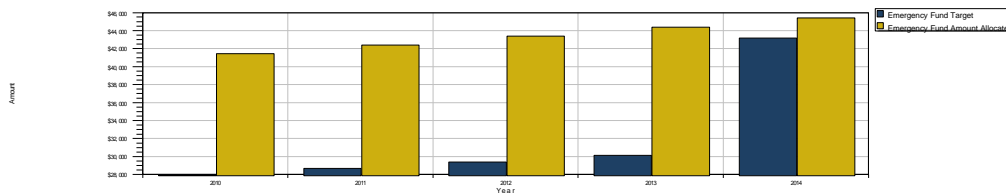
The following tables illustrate the amounts needed to meet potential emergency financial situations for the next five-year period and those funds that you have currently allocated. Your emergency fund is **over-funded by \$13,472**, in Alternative 1 and in Alternative 2.

Alternative 1



Year	Age(s)	Emergency Fund Target	Amount Allocated	Amount Over/(Under)	Percent Over/(Under)
2010	46/48	28,133	41,604	13,472	48
2011	47/49	28,827	42,554	13,726	48
2012	48/50	29,543	43,532	13,989	47
2013	49/51	30,280	44,539	14,259	47
2014	50/52	43,340	45,577	2,236	5

Alternative 2



Year	Age(s)	Emergency Fund Target	Amount Allocated	Amount Over/(Under)	Percent Over/(Under)
2010	46/48	28,133	41,604	13,472	48
2011	47/49	28,827	42,554	13,726	48
2012	48/50	29,543	43,532	13,989	47
2013	49/51	30,280	44,539	14,259	47
2014	50/52	43,340	45,577	2,236	5

Consider the following:

- A general rule is for this fund to equal at least three months of your expected expenses.
- Investments that are well suited for an emergency fund include savings accounts, money market accounts, short-term Guaranteed Investment Certificates (GICs), and TFSA's.

Education Goal Comparison

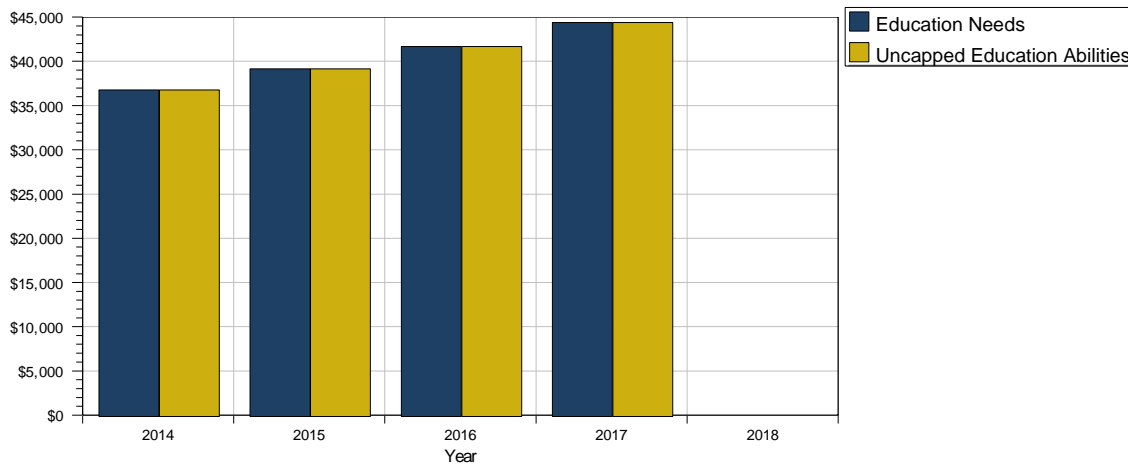
Education planning for your family can be a major consideration. Planning early allows you to take advantage of the time value of money and minimize the savings requirement.

Consider the following:

- Ensure post-secondary education expenses are properly planned: include tuition, room and board and living expenses. Is the cost of tuition expected to increase at a rate greater than the general level of inflation? Do you want to consider planning for post-graduate studies? Do you expect your children to receive scholarships or financial aid?
- Develop an effective savings strategy that considers asset allocation and takes advantage of education plans.
- Prioritize your education objective with your insurance needs, retirement, major purchase and current income needs.
- Where possible, take advantage of Registered Education Savings Plans (RESP). The government will match up to 20% of the contribution within certain limits.
- Consider using a TFSA to complement an RESP.

The following graphs illustrate the relationship between your projected education needs and your ability to cover those needs, for Alternative 1 and 2.

Alternative 1



Family Member	Start Date	Years	Average Educational Cost ¹	Education Assets	Amount (Under Funded) Over Funded ³	Current Monthly Savings	Additional Monthly Savings ²
Paige	Sep 1 2014	5	\$27,586	\$134,327	\$196,127 ³	\$200	\$0
Total				\$134,327		\$200	\$0

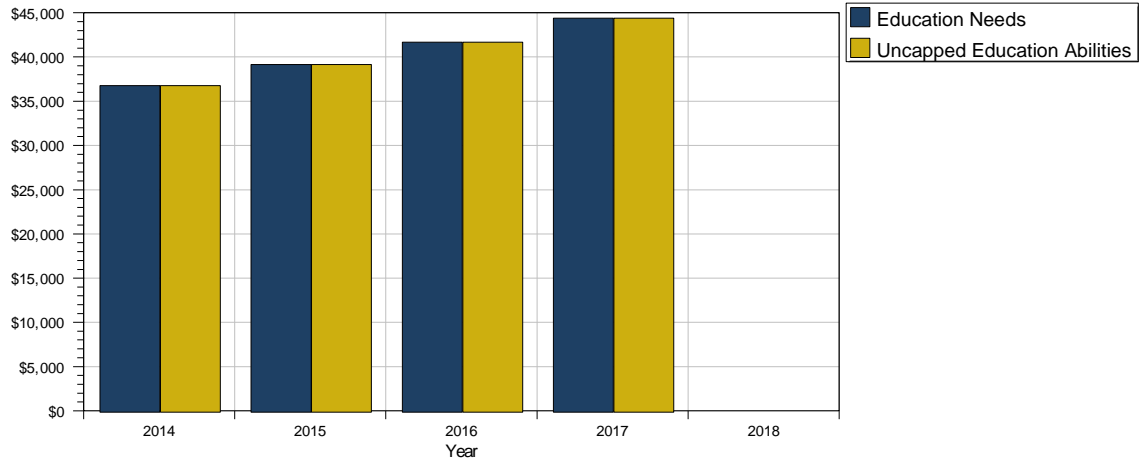
¹ The total of all the expenses (in today's dollars) in all years divided by the number of years this goal is active.

² Estimated amount based on saving to Suggested Asset Mix for education goal. This field will be empty for goals that don't have a Suggested Asset Mix.

³ Amount reflects assets being reallocated to Suggested Asset Mix.

The average expected rate of return for assets linked to your education goal in Alternative 1 is **6.17%**.

Alternative 2



Family Member	Start Date	Years	Average Educational Cost ¹	Education Assets	Amount (Under Funded) Over Funded	Current Monthly Savings	Additional Monthly Savings ²
Paige	Sep 1 2014	5	\$27,586	\$134,327	\$132,066 ³	\$200	\$0
Total				\$134,327		\$200	\$0

¹ The total of all the expenses (in today's dollars) in all years divided by the number of years this goal is active.

² Estimated amount based on saving to Suggested Asset Mix for education goal. This field will be empty for goals that don't have a Suggested Asset Mix.

³ Amount reflects assets being reallocated to Suggested Asset Mix.

The average expected rate of return for assets linked to your education goal in Alternative 2 is **6.17%**.

Major Purchase Goal Comparison

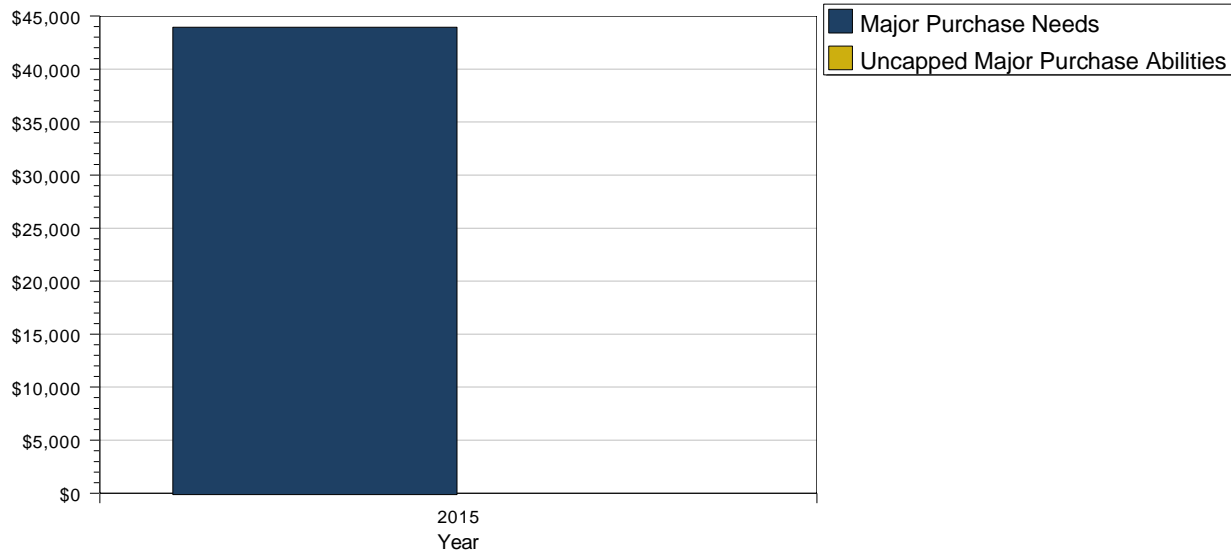
Major purchase planning may involve a vacation home, recreational vehicle, travel or a child's wedding expense. Planning early can take advantage of the time value of money and minimize the savings requirement.

Consider the following:

- Make an adequate allowance for the cost and expected inflation.
- Plan a realistic purchase date. Is this date flexible?
- Prioritize your major purchase objectives with your insurance needs, retirement, education and current income needs.
- Consider the benefits of using a TFSA to fund a major purchase goal.

The following graphs illustrate the relationship between your projected major purchase needs and your ability to cover those needs, for Alternative 1 and 2.

Alternative 1



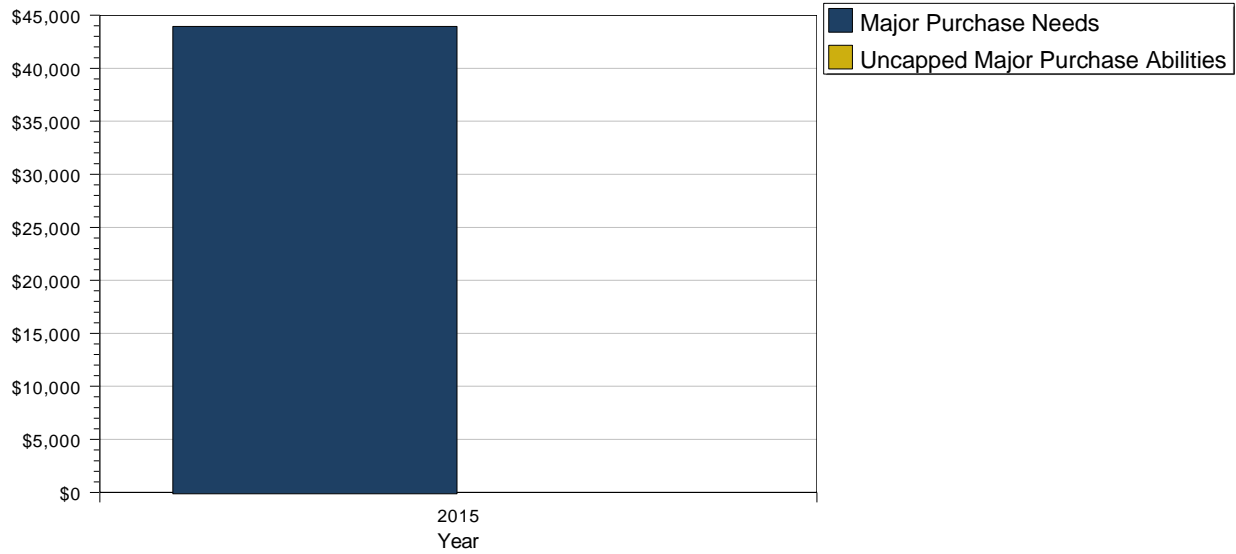
Major Purchase	Purchase Date	Amount ¹	Major Purchase Assets	Amount (Under Funded) Over Funded	Current Monthly Savings	Additional Monthly Savings ²
Trip to Australia and Far East	Dec 18 2015	\$38,003	\$0	(\$44,056) ³	\$0	\$519
Total			\$0		\$0	\$519

¹ In today's dollars.

² Estimated amount based on saving to Suggested Asset Mix for major purchase goal. This field will be empty for goals that don't have a Suggested Asset Mix.

³ Amount reflects assets being reallocated to Suggested Asset Mix.

Alternative 2



Major Purchase	Purchase Date	Amount ¹	Major Purchase Assets	Amount (Under Funded) Over Funded	Current Monthly Savings	Additional Monthly Savings ²
Trip to Australia and Far East	Dec 18 2015	\$38,003	\$0	(\$44,056) ³	\$0	\$519
Total			\$0		\$0	\$519

¹ In today's dollars.

² Estimated amount based on saving to Suggested Asset Mix for major purchase goal. This field will be empty for goals that don't have a Suggested Asset Mix.

³ Amount reflects assets being reallocated to Suggested Asset Mix.

Monte Carlo Analysis Comparison

Monte Carlo Analysis expands the traditional financial planning model by considering the uncertainty factor in the plan. This analysis takes into consideration that it is difficult to accurately predict annual return rate expectations. While return rate expectations over the long term can be reasonably predicted, the actual pattern over the short term is difficult to predict and may often appear random. Monte Carlo Analysis analyzes your financial plan by randomizing the return rates with the normal expected range each year and performing this analysis multiple times to simulate a number of possible financial outcomes.

For example, an account with a projected average return rate of 8% may vary to some degree. Monte Carlo Analysis allows us to randomly project an account's returns forward, assuming that in some years the account will return a rate lower than the average (say, 4%), and in other years the account will return a rate higher than the average (say, 12%), for an overall average of 8%. Allowing for this variability in returns does have an effect on the overall plan and the probability for success.

Another element to consider is the uncertainty of your life expectancy. What if you die tomorrow or live to be 110? Monte Carlo Analysis can add this parameter by simulating a different possible life expectancy for each projection.

The outcomes that satisfy all your financial objectives are considered successes and those that do not are considered failures. Overall, a probability of success is determined.

Consider the following:

- Do your investments provide you with sufficient cash flow over the entire planning horizon?
- Do large holdings of non-income-producing real estate need to be liquidated at some point during your lifetime?
- Do you have adequate investments to cover shorter-term objectives such as education, major purchase or expense items?
- Is the level of risk for your investments appropriate? Could you satisfy your financial objectives with a lower level of risk?
- Comparing plans with two different risk profiles allows you and your advisor to analyze the relative success of the two plans.

Analyzing the Results

The two graphs in this analysis display a number of projections. The top graph illustrates cash flow and the bottom graph illustrates net worth. In each projection, the return rate expectations have been randomized each year within a range to simulate the expected ups and downs that many investments, such as stocks, exhibit. The line in each graph represents the traditional projection, based on the rates of return that were specified in the plan, without any fluctuations from year to year.

Each projection may either be a success or a failure. A success is represented by a series of square points. A failure is represented by a series of "X"s. A success is defined as a projection that is able to meet the cash flow needs in every year of the plan, without experiencing an accumulated deficit greater than defined in the table at the bottom of the graph (*Accumulated Surplus/Deficit Success Tolerance*).

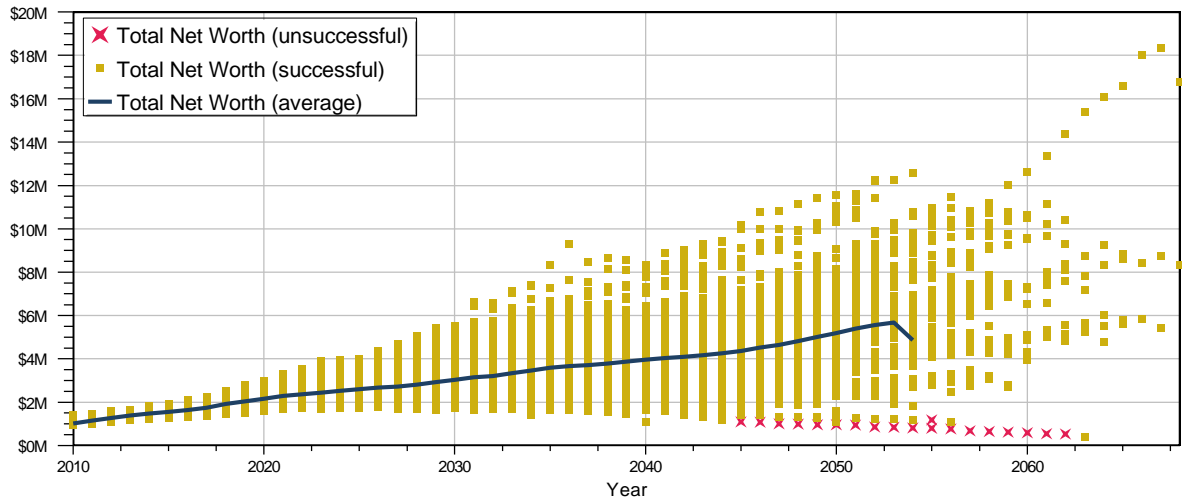
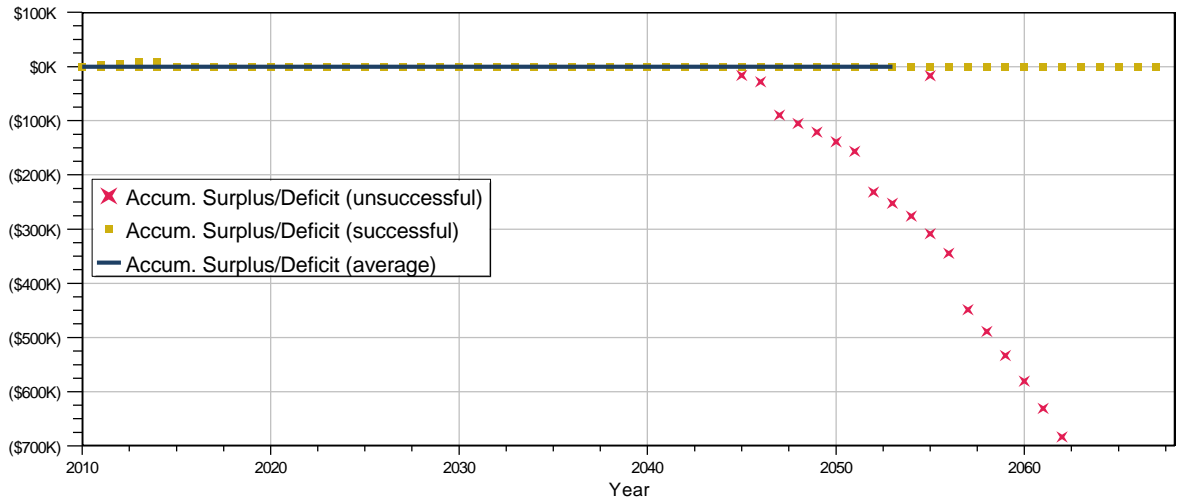
The overall *Success Rate* is the probability that you will successfully meet all your financial objectives over your lifetime.

In addition to the success of each goal, the table below also illustrates the 90th, 50th and 10th percentile value of the assets associated with each goal. The 90th percentile illustrates the projection where 90% of the results are below this value. The 50th percentile is the median projection where half the projections fall above and half fall below this value. The 10th percentile illustrates the projection where 10% of the results are below this value.

The significance of this graph is that the element of uncertainty will cause the results of each projection to vary. From a financial planning perspective, it is important for your plan to withstand the expected changes in the value of your investments and be able to meet your income needs throughout your lifetime. The greater the risk in your investments, the greater the cushion of assets you will need to withstand the ups and the downs. When selecting an investment portfolio you should try to select a portfolio with a risk level that is consistent with meeting all your financial objectives and avoiding any unnecessary risk.

The following is a Monte Carlo Sensitivity Analysis for Alternative 1.

Alternative 1

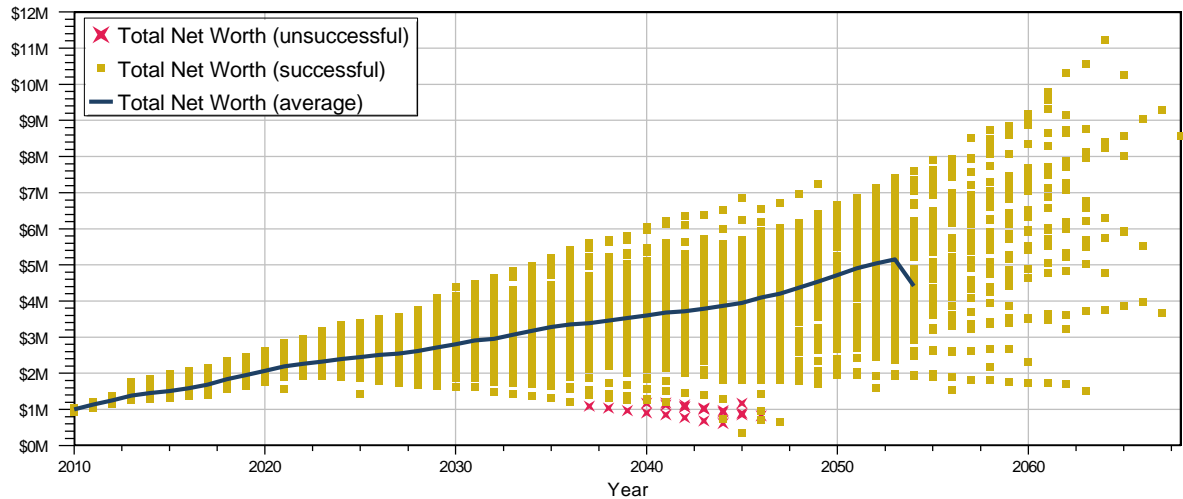
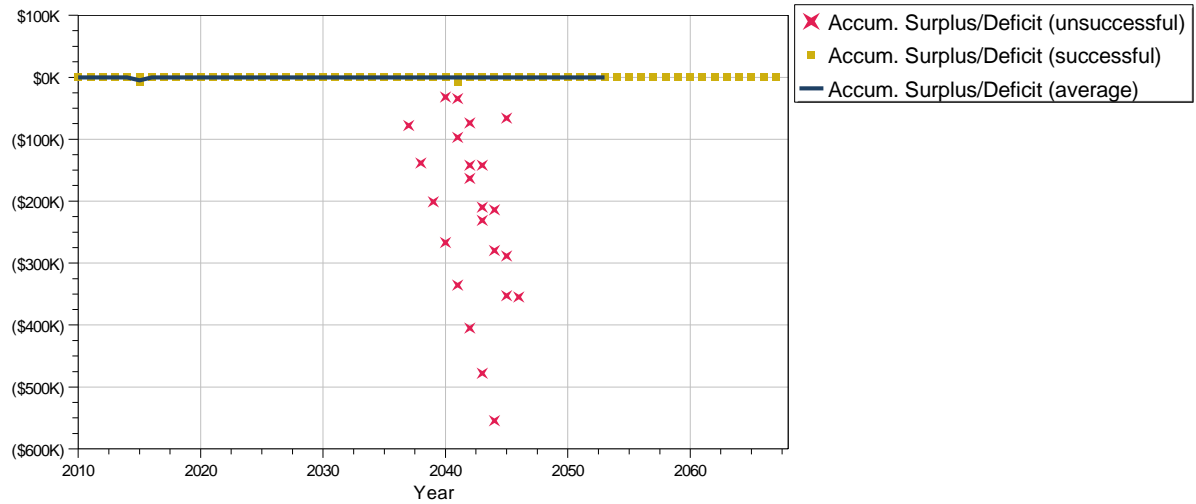


Goal	Success Rate	10th Percentile	50th Percentile	90th Percentile
All Goals	0.00%			
Retirement Goal	98.67%	\$2,134,349	\$4,320,247	\$8,307,822
Paige's Post-Secondary Education	100.00%	\$323,129	\$359,734	\$412,186
Trip to Australia and Far East	0.00%	\$0	\$0	\$0

Assumptions	
Life Expectancy Randomized	Yes
Force Full Deficit Coverage	Yes
Annual Cashflow Deficit Tolerance	-\$10,000
Education Goals Success Tolerance	-\$1,000
Major Purchase Goals Success Tolerance	-\$500
Number of Projections	150

The following is a Monte Carlo Sensitivity Analysis for Alternative 2.

Alternative 2



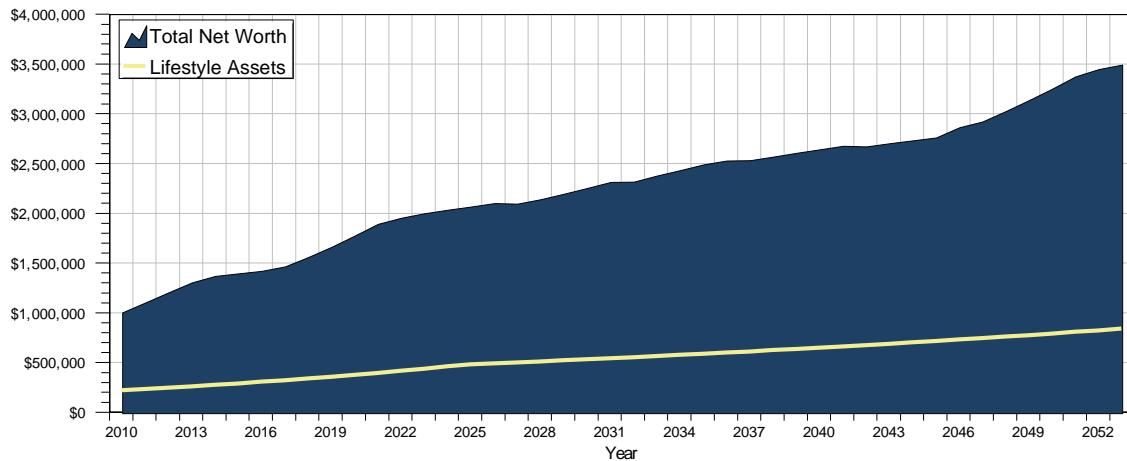
Goal	Success Rate	10th Percentile	50th Percentile	90th Percentile
All Goals	0.00%			
Retirement Goal	96.67%	\$1,776,697	\$3,357,158	\$6,199,637
Paige's Post-Secondary Education	100.00%	\$272,165	\$297,681	\$322,302
Trip to Australia and Far East	0.00%	\$0	\$0	\$0

Assumptions	
Life Expectancy Randomized	Yes
Force Full Deficit Coverage	Yes
Annual Cashflow Deficit Tolerance	-\$10,000
Education Goals Success Tolerance	-\$1,000
Major Purchase Goals Success Tolerance	-\$500
Number of Projections	150

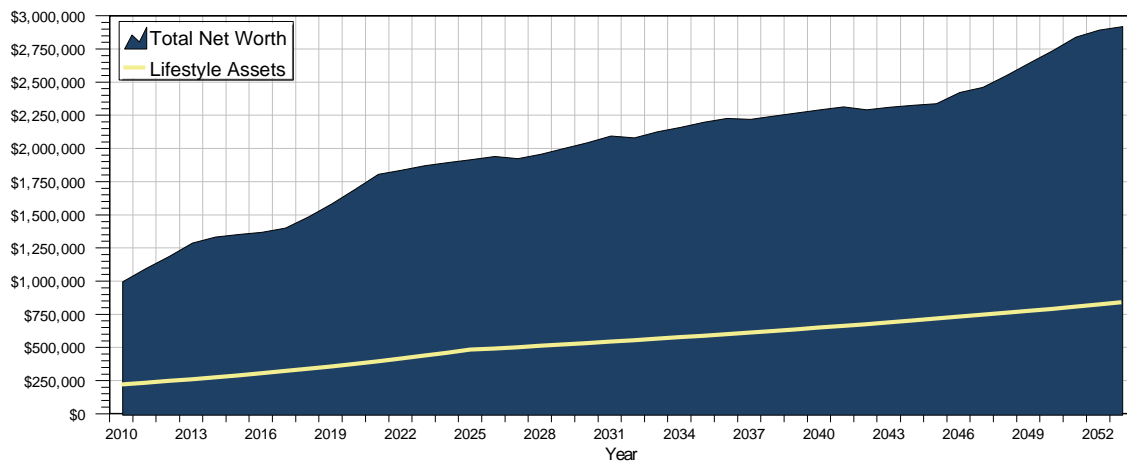
Disability Insurance Comparison

Steven and Heather, the following graphs illustrate the effect on your net worth if one of you were to become disabled at the beginning of next year.

Alternative 1 – If Steven Is Disabled



Alternative 2 – If Steven Is Disabled

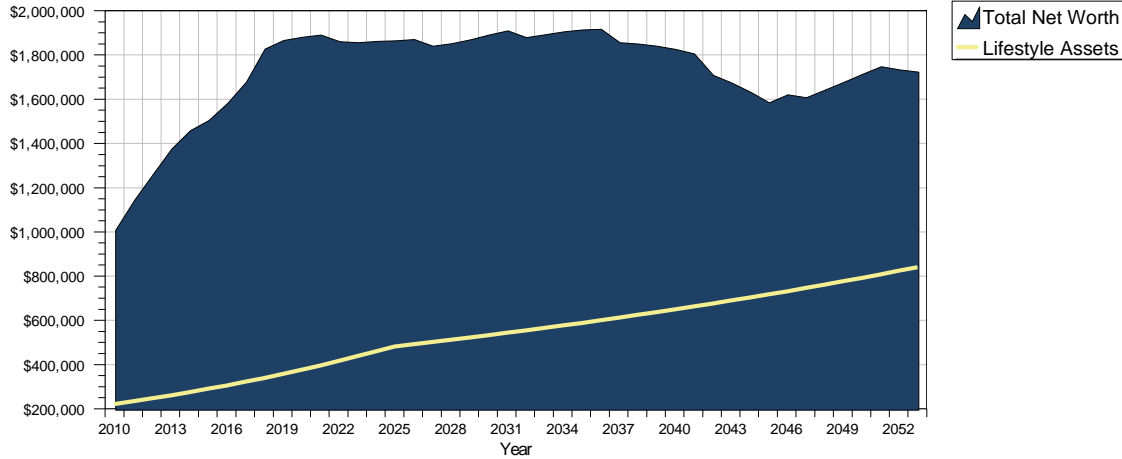


Steven currently has **\$32,806** of disability insurance coverage.

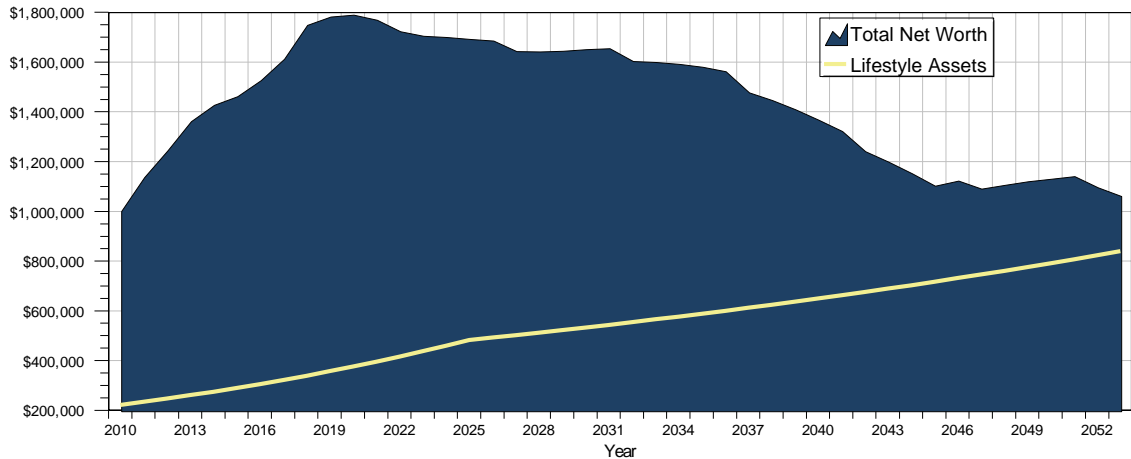
In the event of Steven's disability next year, it appears you will not be able to meet your goals in Alternative 1. You could purchase an **additional \$2,734 per month**, of disability insurance, to replace your existing monthly income. It appears you will not be able to meet your goals in Alternative 2. You could purchase an **additional \$2,734 per month**, of disability insurance, to replace your existing monthly income.

The additional insurance amount indicated above represents the amount of disability insurance that would need to be purchased in order to completely replace your current income, in the event of your disability. This amount of insurance may not actually be required, or it may not be sufficient, to ensure that your goals are met. Depending on the circumstances, you may or may not be able to purchase this amount of disability insurance. We should further discuss your disability insurance needs to clarify these issues.

Alternative 1 – If Heather Is Disabled



Alternative 2 – If Heather Is Disabled



Heather currently has **\$60,000** of disability insurance coverage.

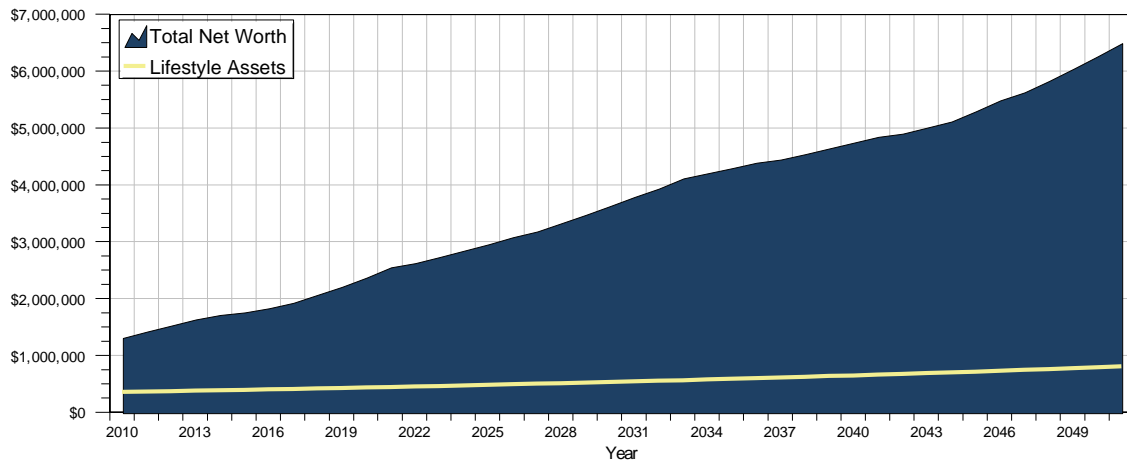
In the event of Heather's disability next year, it appears you will not be able to meet your goals in Alternative 1. You could purchase an **additional \$5,029 per month**, of disability insurance, to replace your existing monthly income. It appears you will not be able to meet your goals in Alternative 2. You could purchase an **additional \$5,029 per month**, of disability insurance, to replace your existing monthly income.

The additional insurance amount indicated above represents the amount of disability insurance that would need to be purchased in order to completely replace your current income, in the event of your disability. This amount of insurance may not actually be required, or it may not be sufficient, to ensure that your goals are met. Depending on the circumstances, you may or may not be able to purchase this amount of disability insurance. We should further discuss your disability insurance needs to clarify these issues.

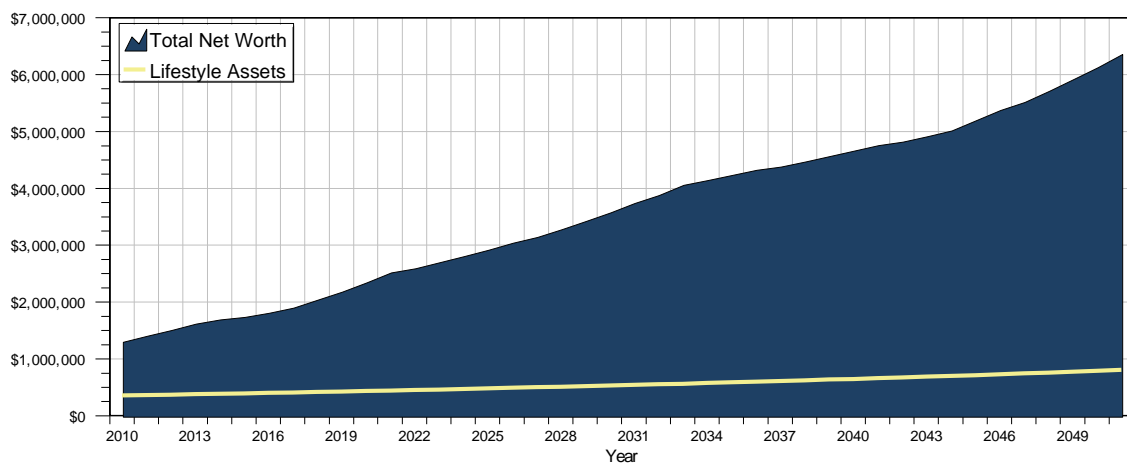
Life Insurance Comparison

Steven and Heather, the following graphs illustrate the effect on your net worth if one of you were to die this year.

Alternative 1 – If Steven Dies



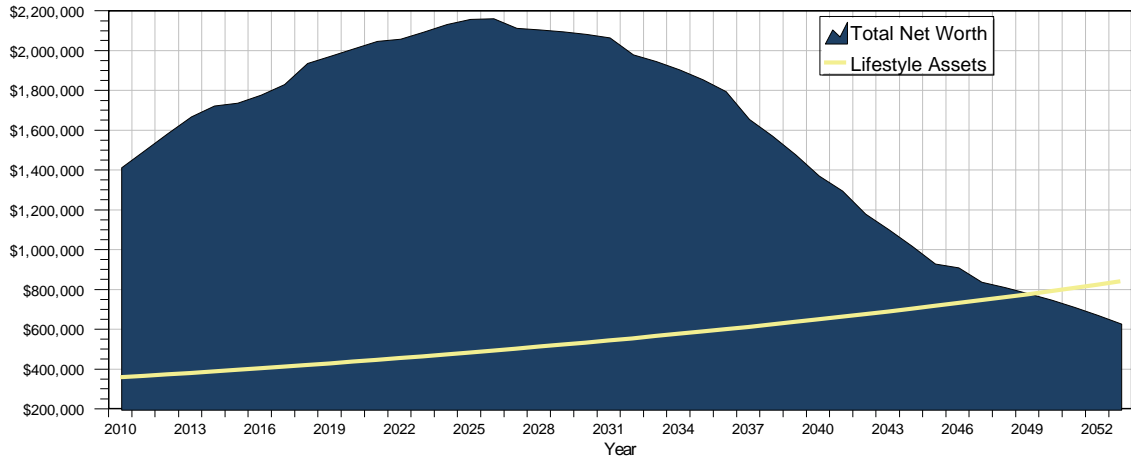
Alternative 2 – If Steven Dies



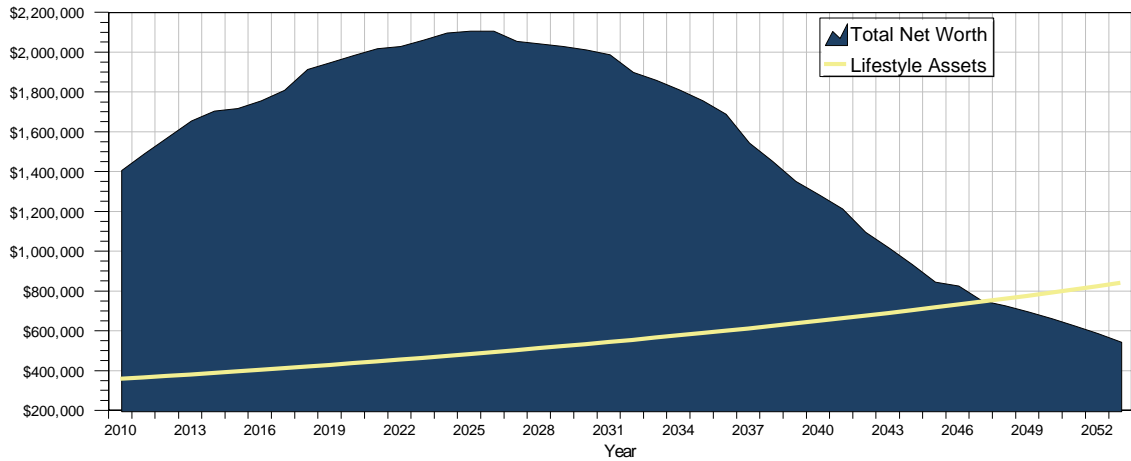
Steven currently has **\$348,099** of life insurance coverage.

In the event of Steven's death this year, you **do not need any additional** life insurance in Alternative 1 or Alternative 2.

Alternative 1 – If Heather Dies



Alternative 2 – If Heather Dies



Heather currently has **\$427,099** of life insurance coverage.

In the event of Heather's death this year, you would need an **additional \$90,000** of life insurance in Alternative 1, while in Alternative 2, you would need an **additional \$110,000** of life insurance.

Conclusion

Now that you have analyzed the alternative financial strategies available to you, where do you go from here? Our recommendations are as follows:

- **Review** this document to make sure you understand the information included in the report. Be sure you understand and are comfortable with the data and the assumptions. Ask questions on areas that need clarification.
- **Consider** the strengths and weaknesses of the alternatives based on your personal and financial objectives. Request any necessary changes to the alternatives.
- **Determine** which alternative you prefer and would like to have presented in your final comprehensive analysis. This analysis will detail the many assumptions you have made and allow you to review the details of your proposed plan.

Congratulations, Steven and Heather!

You have taken another important step towards achieving your financial goals.

Delivery Acknowledgement

We have reviewed and accept the information contained within this plan and understand the assumptions associated with it. We believe that all information provided by us is complete and accurate to the best of our knowledge. We recognize that performance is not guaranteed and that all future projections are included simply as a tool for decision-making and do not represent a forecast of our financial future. This plan should be reviewed periodically to ensure that decisions made continue to be appropriate, particularly if there are changes in family circumstances, such as an inheritance, birth of a child, death of a family member, or material change in incomes or expenses.

Steven Field

Heather Field

Date: _____

Please note...

We have prepared this plan based on information provided by you. We have not attempted to verify the accuracy or completeness of this information. As the future cannot be forecast with certainty, actual results will vary from these projections. It is possible that these variations may be material. The degree of uncertainty normally increases with the length of the future period covered.