

Financial Plan

for

John and Jane Doe

as at Monday, May 19, 2003

Prepared by

Andre Choquette

Choquette and Company Group Inc.

Monday, May 19, 2003

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Andre Choquette
Choquette and Company Group Inc.
10662-240A St
Maple Ridge, British Columbia
V2W 2B1

John and Jane Doe
123 West Street
Burnaby, British Columbia
V3M 6M6

Dear John and Jane:

We are pleased to provide the enclosed personal financial plan for your review. We have prepared this plan based on information you have provided as well as the basic financial assumptions agreed upon. To achieve your financial goals, you must act on this plan. We have attached a list of recommendations in the implementation checklist.

The plan is presented in the following order:

- 1) **Financial goals, objectives and assumptions** We have taken into consideration these financial goals and objectives where applicable throughout the planning process. As well, we have made several assumptions about financial indices, interest rates and inflation that you should review on the enclosed Assumptions form. These assumptions are based on historical data and represent an educated guess about future events. Since the projections in the Financial Plan are based on these assumptions, actual results may vary.
- 2) **Current cash flow and net worth position** These are a 'snapshot' of your current financial position.
- 3) **Proposed asset allocation portfolio** This is the mix of assets which we propose that match your investments with your risk tolerance. It also diversifies your portfolio so that a financial decline in a single area of the economy is potentially offset by gains in another area. This proposed portfolio is compared to your current investment model.
- 4) **Financial Plan** This form shows the growth of your savings until retirement and the use of these savings combined with pensions and Government benefits to ensure the retirement lifestyle you expect. For John, this assumes regular RRSP contributions of \$30,636.81 as a lump sum at the end of the each year. This also assumes that John will increase the amount of contribution by 2.8% every year. For Jane, this assumes RRSP contributions of \$2,500.00 as a lump sum at the end of each year. The savings growth also assumes that Jane increases the amount of contribution by 2.8% every year.
- 5) **Implementation checklist** We have outlined the steps that are required in order to implement your Financial Plan. Once you sign the attached Letter of Engagement, we will move ahead with the implementation.

Future performance of investments cannot be predicted so it is important that you update your portfolio and the overall financial plan on a yearly basis. If you have any questions about the enclosed, please contact me at 604-463-8202.

Sincerely yours,

Choquette and Company Group Inc.

Andre Choquette

Enclosure

Executive Summary Choquette and Company Group Inc.

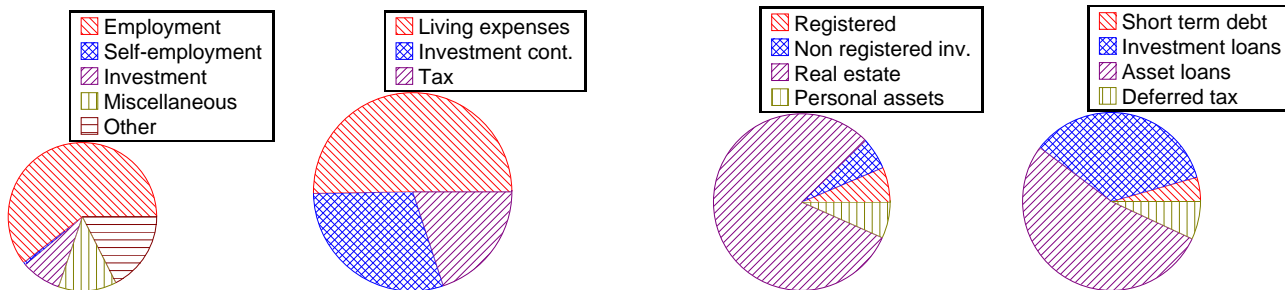
John and Jane Doe
123 West Street
Burnaby, British Columbia
V3M 6M6

Prepared by Andre Choquette, Phone: 604-463-8202
using financial data available as of Monday, May 19, 2003.
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Dear John and Jane:

Thank you for allowing us to review your financial situation and help you manage your financial future. This is a summary of your current financial snapshot based on the data you have provided. Where applicable, we have taken into consideration your financial goals and objectives throughout the planning process. As well, we have made several assumptions about financial indices, interest rates and inflation. These assumptions are based on historical data and represent an educated guess about future events. Since the projections in the following recommendations are based on these assumptions, actual results may vary from the results proposed in this plan.

Combined Cash flow and Net worth



Cash flow income sources and uses

Sources of income	
Employment income	108,170.80
Self-employment income	591.25
Investment income	15,510.07
Pension income	0.00
Miscellaneous	22,921.20
Business & other income	30,626.81
Total sources of cash	177,820.13
Uses of cash	
Living expenses	67,644.00
Investment contributions	39,681.71
Estimated tax	26,724.07
Total uses of cash	134,049.78
Unallocated cash	43,770.35

Net worth assets and liabilities

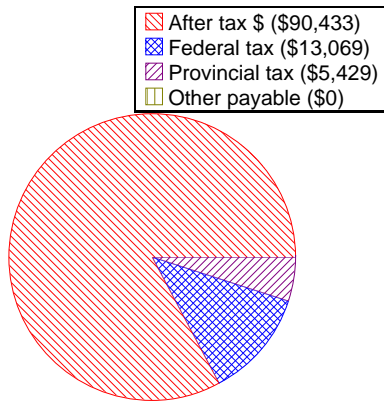
Assets	
Registered investments	47,500.00
Non-registered investments	42,317.70
Real estate	583,000.00
Personal assets	46,000.00
Business assets	0.00
Other	0.00
Total assets	718,817.70
Liabilities	
Short term obligations	19,175.00
Investment & business loans	144,616.76
Personal asset loans	219,481.86
Other debts	0.00
Total liabilities	383,273.62
Deferred income tax	27,393.00
Net worth	308,151.08

The unallocated cash amount of \$ 43,770.35 is the difference between the amount you are making and the amount you are spending. This represents an opportunity to increase your wealth by investing a portion of this amount without reducing your lifestyle.

The deferred income tax amount of \$ 27,393.00 is the amount of tax you would pay today if all your assets were sold. Your net worth of \$ 308,151.08 is your total assets LESS your total liabilities and this deferred tax amount.

Your gross debt service ratio (GDSR) is 21.7 %. This ratio is your ability to service your residence-related debt with your gross income. It is below the normal 30% level generally accepted at most financial institutions. Your total debt service ratio (TDSR) is 52.4 %. This ratio compares all of your outstanding debt with your gross income. It is above the normal 40% level generally accepted at most financial institutions. You may be overcommitting yourself to debt and we therefore recommend a restructuring of your debt situation.

Tax position

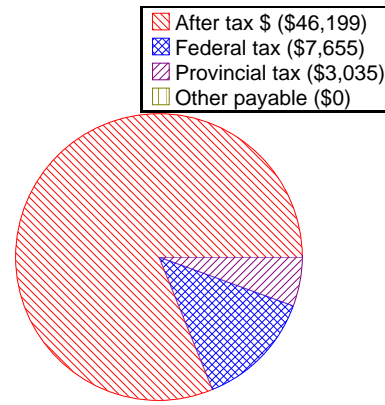


John's tax situation

Gross income	108,930.74
Total income for tax	108,930.74
Net income	97,005.67
Taxable income	74,084.47
Non-refundable tax credits	1,687.49
Federal tax	13,068.77
Other payable	0.00
Provincial tax	5,428.86

Total payable	18,497.63
Less: other credits	11,006.10

Balance owing (refund)	7,491.53
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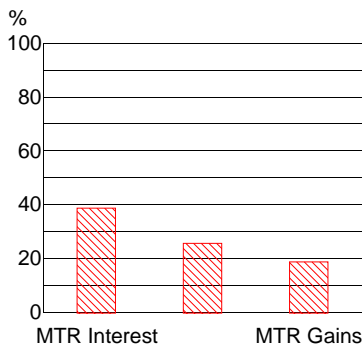


Jane's tax situation

Gross income	56,889.39
Total income for tax	56,889.39
Net income	51,120.00
Taxable income	51,120.00
Non-refundable tax credits	1,660.29
Federal tax	7,655.13
Other payable	0.00
Provincial tax	3,035.11

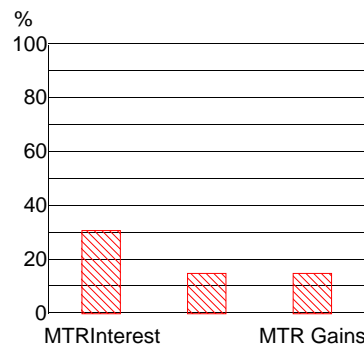
Total payable	10,690.24
Less: other credits	11,005.92

Balance owing (refund)	(315.68)
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John's Marginal Tax Rates

Interest (non-deductible) income	39.70 %
Dividend income	26.58 %
Capital gains	19.85 %



Jane's Marginal Tax Rates

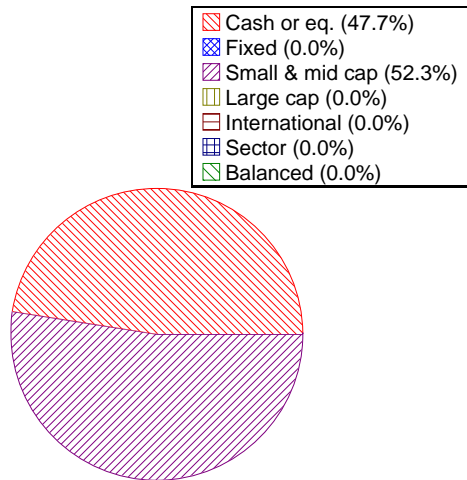
Interest (non-deductible) income	31.15 %
Dividend income	15.90 %
Capital gains	15.58 %

A marginal tax rate is the percentage of tax you will pay if you make another dollar of any of the three types of income (interest, dividends or capital gains). Since each of these types is handled differently by the tax act, your three marginal tax rates are also different. For example, if John earned \$800 capital gain income, you would pay an additional \$158.80 in tax (leaving you with \$641.20). The same \$800 earned as interest would require an additional \$317.60 in tax (leaving you with \$482.40). Knowing these rates helps in tax planning.

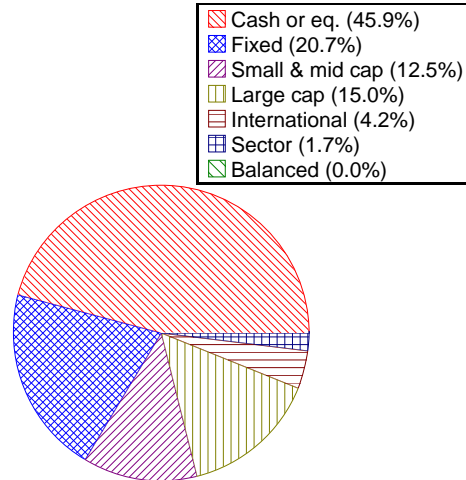
Asset allocation

Asset allocation refers to the diversity of your portfolio and the concept of "not putting all your eggs in one basket." The ebb and flow of the investment markets is a natural process -- investment performance fluctuates over time. The idea with asset allocation is that you spread your money around in a number of different types of asset categories so that if one asset loses money, the others still continue to grow (diversification). This way, your diversified portfolio shares the risk of losing money between all the different asset categories. You should experience better than average returns while increasing the security of your money.

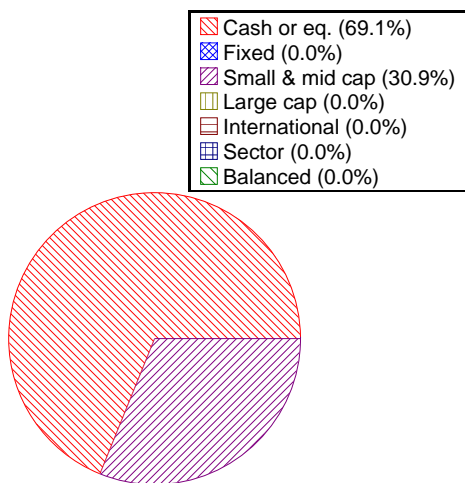
As part of our financial review, we propose that you diversify your portfolio(s) as shown.



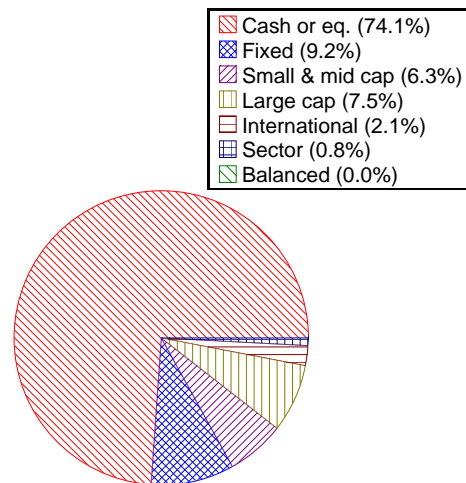
John's current portfolio



John's proposed portfolio



Jane's current portfolio



Jane's proposed portfolio

John's RRSP has an overall projected return of 7.53% per year. Jane's RRSP has a projected return of 7.54%. While we cannot predict future performance, these projected rates are based on the historical performance of these asset classes.

You can further protect your portfolio by dollar cost averaging your investments. This means to make regular monthly investments of equal amounts to take advantage of the fluctuations in market price. At times when your investments waiver, your regular payment purchases more. When your investments increase in price, you benefit from the increased holdings. Therefore, your portfolio strategy serves you well in both bear and bull markets.

Wealth accumulation

You have indicated that you require \$52,646.24 (in today's dollars) per year after tax to meet your expected retirement lifestyle. At an inflation rate of 2.80%, the amount you need will increase to \$81,894.96 when you retire in 2022.

John:

You'll need an annual RRSP contribution of \$30,636.81 to start your savings plan (2,553.07 per month). These contributions should be increased every year by 2.8% to keep up with inflation. You can anticipate that your RRSP will grow to approximately \$1,181,734 by retirement. Your non-registered portfolio should grow to approximately \$34,186 by retirement.

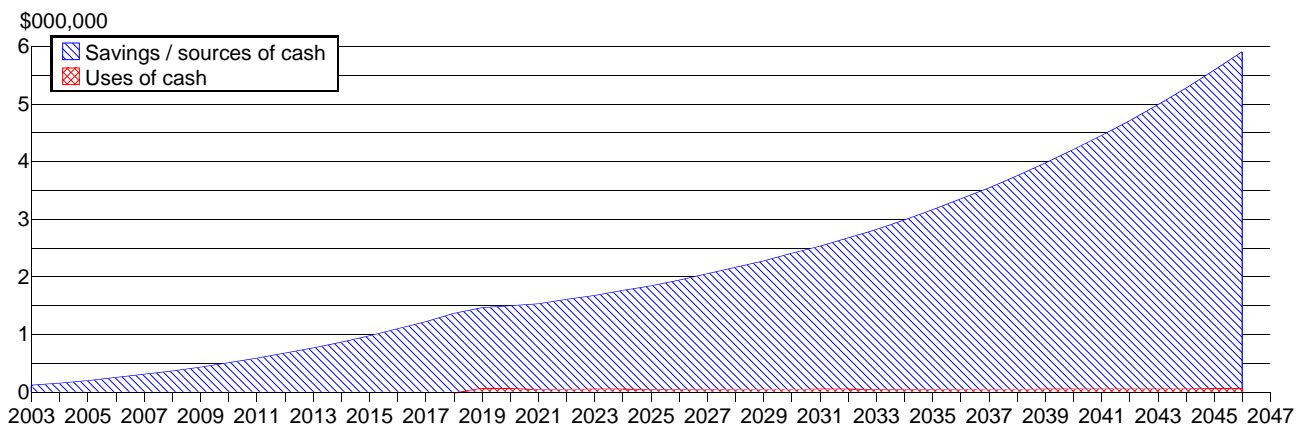
Based on your current marginal tax rate of 39.70%, your tax savings this year from your RRSP contribution(s) will be approximately \$12,162.81.

Jane:

You'll need an RRSP contribution of \$2,500.00 to start your savings plan (208.33 per month). These contributions should be increased every year by 2.8% to keep up with inflation. You can anticipate that your RRSP will grow to approximately \$160,542 by retirement. Your non-registered portfolio should grow to approximately \$46,563 by retirement.

Based on your current marginal tax rate of 31.15%, your tax savings this year from your RRSP contribution(s) will be approximately \$778.75.

Income splitting strategy to reduce taxes: At the rate the current RRSP and non-registered portfolios are growing, it is estimated that John will receive 71.5% of the total retirement income (including pensions) and that Jane will receive 28.5%. It is suggested that amounts contributed to savings be adjusted to allow for a more equitable income split at retirement in order to reduce overall taxes.



This graph shows the growth of your RRSP and non-registered portfolios and the subsequent withdrawal during your retirement period (16 years away). These withdrawals are combined with Government CPP benefits (\$9,615.00 per year in today's dollars). The OAS benefit (current max. \$5,440.32) is included in the retirement income stream. Your combined estate in 2047 will be approximately \$5,845,052 (in future dollars).

Remember ...

These are our best projections based on the data available. You need to review the performance of your portfolio(s) on a yearly basis to determine if any adjustments to your wealth accumulation strategy are required.

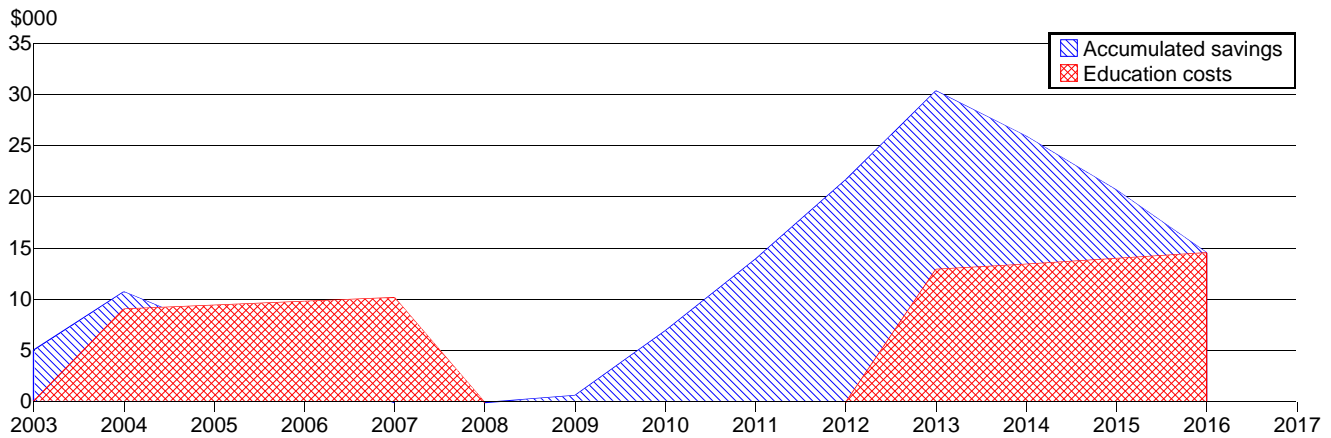
Education strategy

The total education costs for your dependent(s) to attend a post-secondary institution is approximately \$93,881.86. We've used national averages for tuition (index of 5.1%) and room and board (index of 2.8%) to determine this amount.

You will need to contribute \$407.15 per month to an education savings plan to meet his goal. To keep pace with inflation, you need to increase your contributions by 2.8% per year.

These projections assume a rate of return on your investments of 9.0% per year.

This graph shows the growth of the investments and subsequent drawdown of those savings as your dependent(s) pursue post-secondary education:

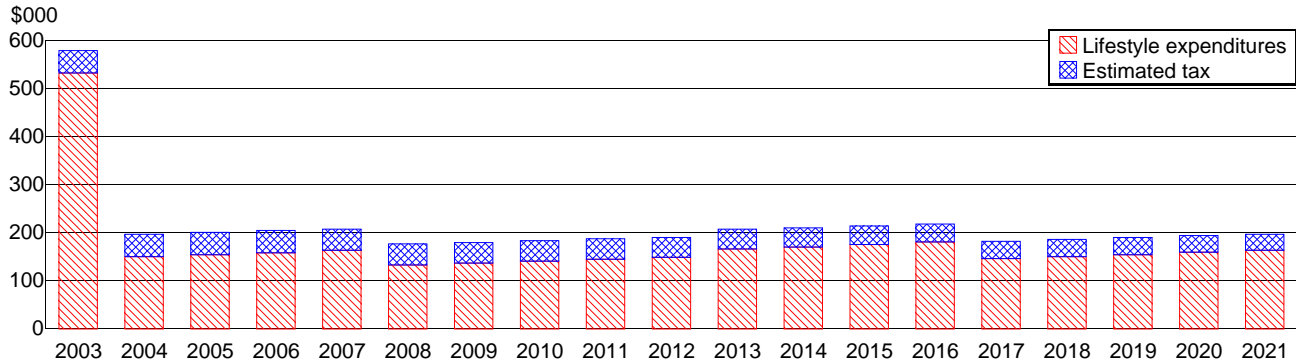


Your contributions should be made in the child's / children's names and be invested in non-interest bearing assets to:

- Reduce the amount of tax paid on the investment (in fact, there should be little to no tax since the growth will be in your child's / children's names).
- Make sure the growth is not attributed back to you (interest income investments, such as GICs, would be taxed under YOUR name).

Insurance strategy

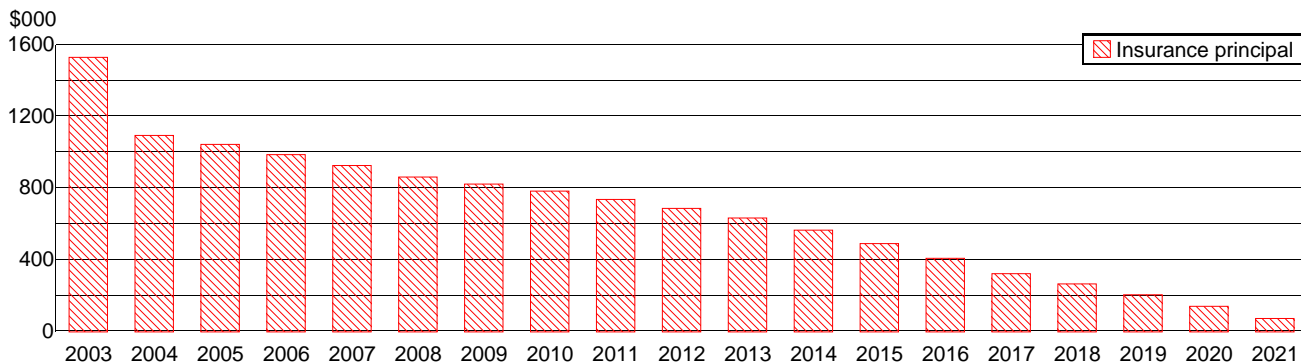
The following graph shows the estimated lifestyle expenditures (and tax) for the survivors in the event of John's death. We have considered the education costs in this insurance strategy to ensure your dependant(s) post-secondary education. This amount includes a lump sum of \$395,319 required at the time of death to pay off potential outstanding debt, funeral expenses and to settle the estate.



Based upon the above needs, you will need insurance in the amount of \$1,282,168, calculated as follows:

Total lifestyle expenditures (over time as shown above)	2,851,133
Lump sum requirement at time of death	395,319
Education needs	93,883
Estimated tax	778,179
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Less: Investment income	0
Survivor(s) employment income	1,692,504
Other income	0
Survivors benefits	161,145
Interest income on insurance	733,896
Plus: Excess income reinvested	1,199
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Insurance required	1,532,168
Less: Existing insurance	250,000
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Insurance to purchase	1,282,168
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This graph shows the drawdown of the insurance principal over time (in the event of death):



Disability insurance strategy

What is a disability?

"... any restriction or lack of ability (resulting from impairment) to perform an activity in the manner or within the range considered normal for a human being."

- World Health Organization

In 1996, the total number of Canadians with disabilities was 4,200,000 or 17.7% of the total population. In fact, the chances of suffering a disability lasting at least three months is almost **three times** as likely as death (Statistics Canada, September 1996).

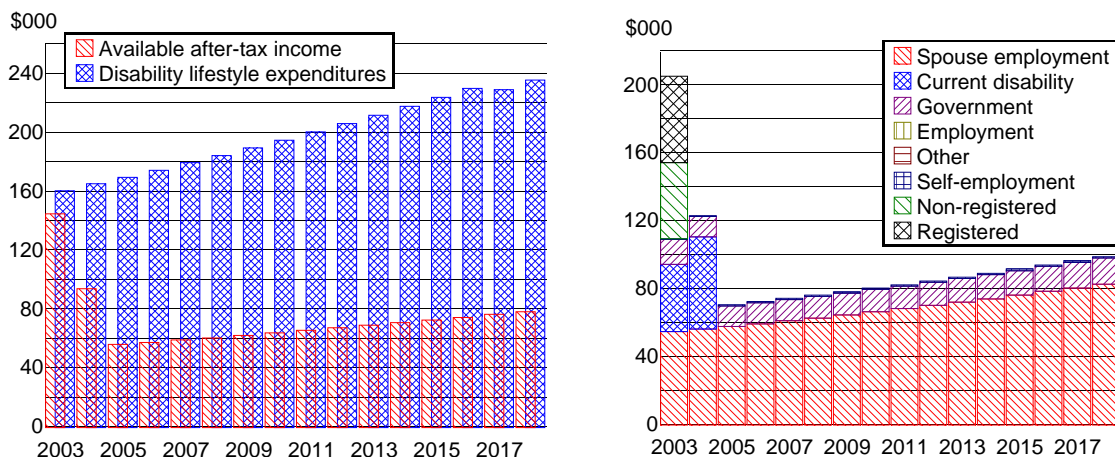
Based on your current income of \$116,232.74, you will earn approximately \$2,306,270 between now and retirement (indexed at 2.8%). If you become disabled, how will you replace that income? Your income will stop, but your expenses will not!

To determine your disability insurance needs, first we need to look at your living expenses in the event of a disability. Your after-tax lifestyle needs are approximately \$160,982 per year (indexed at 2.8%). This includes an additional \$5,000 to cover extra medical expenses as well as \$4,886 annually to save for your children's education.

You have a group disability policy with BDC (policy number: 1234)

The coverage period is an important factor when evaluating insurance. Your policy is Commercially renewable: At renewal date, the insurance company may raise the level of premiums, attach riders to the policy, cancel or decline to renew, for whatever reason. The definition of disability determines under what circumstances you will receive benefits. Your policy's disability definition is: Own occupation: If you cannot perform your current job due to injuries or sickness, you are eligible for disability benefits.

Your premiums for this policy are \$960.00 annually. If needed, the disability benefits will be \$53,000 per year starting after 0.25 years and ending in 2.00 years. These benefits will be indexed on a yearly basis by 2.8% (COLA).



As you can see, based on the incomes that will be available to you in the event of a disability, you will have an average annual shortfall of \$125,009. In today's dollars, this means your expenses will exceed your income by an average of \$99,345. The shortfall first occurs in 2003. This analysis includes the draw-down of your non-registered assets (\$42,318). It also includes using your savings (\$47,500) for retirement.