

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 insurance strategy for your review. We have prepared this strategy based on information you have provided as well as the basic financial assumptions agreed upon.

Based on your estimated annual lifestyle expenditures of \$100,199 (indexed at 2.8%), we have calculated that you require insurance in the amount of \$1,282,168. This includes the \$250,000 of insurance you already have.

Your insurance also covers the future costs of education for your children.

We should review your insurance situation at least once every two years, especially if your family experiences a major lifestyle change such as the birth of a child or the purchase of property. 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

Monday, May 19, 2003

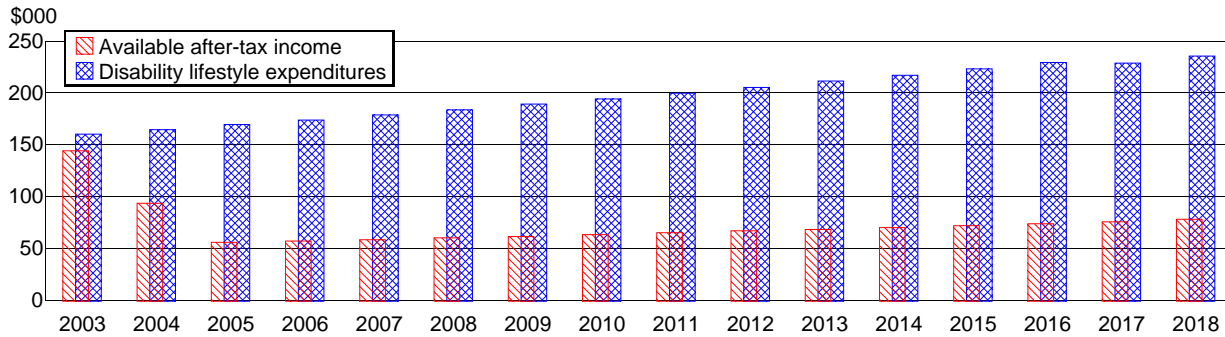
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Choquette and Company Group Inc.
10662-240A St
Maple Ridge, British Columbia
V2W 2B1

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

Dear John and Jane:

We are pleased to provide the enclosed disability insurance strategy for your review. We've prepared this strategy based on information you've provided as well as the basic financial assumptions agreed upon.

As you can see from the following graph, 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.



We should review your insurance situation at least once every two years, especially if your family experiences a major lifestyle change such as the birth of a child or the purchase of property. If you have any questions about the enclosed, please contact me at 604-463-8202.

Sincerely yours,

Choquette and Company Group Inc.

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Know Your Client

General Information

Type of plan : _____ Date of Plan: Monday, May 19, 2003
Reference #: _____ KYC Type: ___ New Client ___ Update

John's Information:

Name : Doe, John
Age: 49
Occupation:
Employer: From T1 tax return
Gross Income: \$116,232.74
SIN #: 000-000-000
Number of dependants : 2

Jane's Information

Doe, Jane
46
From T1 tax return
\$61,587.39
999-999-999

Combined financial Information

Registered investments: \$ 47,500.00 Non-registered investments: \$ 42,317.70
Net fixed assets: \$ 245,726.38 Deferred taxes: \$ 27,393.00

Combined net worth: \$ 308,151.08

Financial objectives

Save for retirement: *Important,* Rank = 6
Reduce income taxes: *Extremely important,* Rank = 1
Dependant's post-secondary education: *Very important,* Rank = 2
Travel/vacations: *Important,* Rank = 5

Investment objectives

Safety of principal: Extremely important, Rank = 1
Liquidity: Important, Rank = 2
Need for income: Important, Rank = 3
Capital growth: Important, Rank = 4

Risk tolerance: John - Average Jane - Average

Combined investment knowledge: *Poor*

Insurance: ___ Yes **Disability insurance:** ___ Yes **Critical illness:** _____

Dated at _____ this _____ day of _____

Plan holder signature: _____ Planner name: _____

Secondary signature: _____ Planner Signature: _____

Dates and ages

Date of plan May 19, 2003 Current date May 19, 2003

	Age as of Plan Date (above)	Active retirement age *	Years until retirement	Active retirement year	Passive retirement age *	Passive % of active *	Life expectancy	Year of turning 90
John	49	65	16	2019	79	80	78.2	2044
Jane	46	65	19	2022			80.3	2047

* **The concept of active and passive retirement** is used in the retirement strategy to show the reduction of lifestyle expenses as people grow older and their lifestyle naturally slows down. This results in a reduction in required savings and income stream during retirement. If you do not wish to consider passive retirement in the strategy, change the 'Passive % of active' above to 100%, otherwise, set it to a percentage of active retirement lifestyle expenses required during passive retirement.

Calculate **financial plan** from year 2003 to 2022 19 years until both spouses retire
 Calculate **retirement plan** from year 2019 to 2047 28 years from the time the first spouse retires
 until the youngest spouse reaches 90

Indexing assumptions and constant figures - As Of Jan 01 / 2003

Since these index rates and figures are used throughout the software, changing the values here will affect all related forms. If you wish a rate change to only affect a specific form, override the amount on that form.

Default % of assets to share with spouse	50.0 %
C.P.I.	1.8 %
C.C.R.A. tax bracket index	2.3 %
Average industrial wage	2.8 %
Inflation	2.8 %
Real estate index	2.0 %
Before tax equity investment return . .	9.0 %
Before tax interest investment return . .	6.0 %
Long term, Gov't of Canada bond rate .	5.5 %
Government benefit?	<input checked="" type="radio"/> OAS <input type="radio"/> Do not use OAS
Current maximum OAS benefits	5,440.32
Current threshold for OAS clawback . .	57,879.00
General annual maximum you can claim per child for child care expenses on CLE form	7,000.00

Government benefits

Consider CPP in retirement plan?	<input checked="" type="radio"/> Yes <input type="radio"/> No
Current CPP basic exemption	3,500.00
Current employee contribution rate (%)	4.950
Maximum CPP contribution	1,801.80
Maximum CPP benefits	9,615.00
Maximum CPP death benefit	2,500.00
Maximum survivor benefits (under 65) .	5,339.52
Maximum survivor benefits (65+) . . .	5,769.00
Maximum orphan benefits	2,240.52
Max. CPP disability benefit (monthly) .	974.26
Max. EI disability benefit (weekly) . . .	413.00
Current YMPE	39,900.00
Max. pension % per year of service . .	2.000
Max. pension \$ per year of service . . .	1,722.22
Maximum pensionable earnings	86,111.00

Post-secondary tuition cost index (%) - Last 5 years average thru to 2002/2003

Current index	BC	AB	SK	MB	ON	QC	NB	NS	PE	NF	Average
5.1	5.1	5.7	7.9	2.2	8.1	0.5	7.7	6.8	4.6		6.1

ProFile asset category defaults and estimated income return - as of December 31

Name of asset class	Historical ROR: 15 year Avg. (2002)			Estimated annual income blend			
	Historical source	Historical return %	Historical risk	Interest	% Capital gains	% Dividends	Total %
Cash or eq.	Avg Cdn Money Market (15 yr)	5.7	1.0	100.0			100.0
Fixed	Avg Cdn Bond (15 yr)	8.3	5.5	80.0	20.0		100.0
Small & mid cap	Avg U.S Small & Mid Cap (15 yr)	8.0	20.4		80.0	20.0	100.0
Large cap	Avg U.S Large Cap (15 yr)	8.1	14.9		60.0	40.0	100.0
International	Avg Global Balanced T.A.A. (15 yr)	5.8	12.1	40.0	50.0	10.0	100.0
Sector	Avg Sector (15 yr)	6.2	18.7		80.0	20.0	100.0
Balanced	Avg Cdn. Balanced (15 yr)	7.2	8.8	40.0	40.0	20.0	100.0

ProFile asset category descriptions

Name of asset class	Description
Cash or eq.	The income from these investments is generally 100% interest.
Fixed	These investments bear primarily interest income and a little capital gains (such as most bond mutual funds).
Small & mid cap	Equity investments in small North American companies that are growth-oriented. The income is mostly capital gains and some dividends (little to no interest).
Large cap	Equity investments in large North American capitalized firms (eg. blue-chips). The income comes from some capital gains and some dividends (little to no interest).
International	Equity or fixed investments outside of North America which can bear interest, capital gain or dividend income.
Sector	These are high-risk specialized investments such resources or science and technology. The income is mostly capital gains, some dividends (little to no interest).
Balanced	Investments that maintain a balance of the three different types of income.

IFSC category mapping to ProFile asset groups

Name of standard IFSC mutual fund category	Maps to this ProFile asset group
Canadian Money Market	Cash or eq.
U.S. Money Market	Cash or eq.
Canadian Bond	Fixed
Canadian Short Term Bond	Fixed
Canadian Mortgage	Fixed
Foreign Bond	International
Canadian Small Capital	Small & mid cap
Canadian Balanced	Balanced
Global Balanced and Asset Allocation	International
Healthcare	Sector
Canadian Asset Allocation	Balanced
Canadian Income Trusts	Balanced
Canadian Equity	Small & mid cap
Canadian Large Cap Equity	Large cap
Canadian Dividend	Large cap
Canadian Small Cap Equity	Small & mid cap
Labour Sponsored Venture Capital	Small & mid cap
U.S. Equity	Large cap
U.S. Small to Mid Cap Equity	Small & mid cap
North American Equity	Small & mid cap
International Equity	International
European Equity	International
Japanese Equity	International
Asia ex-Japan Equity	International
Asia/Pacific Rim Equity	International
Emerging Markets Equity	International
Latin American Equity	International
Global Equity	International
Specialty/Miscellaneous	Sector
Science and Technology	Sector
Natural Resources	Sector
Precious Metals	Sector
Real Estate	Sector
Financial Services	Sector
Alternative Strategies	Sector

Objectives, Risk and Investor Profile

Financial objectives

Description	Importance	Rank
Save for retirement	Important	6
Reduce income taxes	Extremely important	1
Dependant's post-secondary education	Very important	2
Travel/vacations	Important	5
Preserving estate for heirs	Important	4
Paydown mortgage	Very important	3

Investment objectives

Objective	Description	Importance	Rank
Safety of principal	I do not want to lose the amount I invest. Therefore, the initial amount invested is not at risk. I understand that such investments offer lower rates of return.	Extremely important	1
Liquidity	I need to be able to easily convert investments at any time into cash with minimal loss of capital.	Important	2
Need for income	I need to have the return on investments paid to me on a regular basis, usually in the form of dividends or interest.	Important	3
Capital growth	I like investments that have a higher rate of return which are considered suitable for long term investments or aggressive investors. I understand investments like these have higher volatility (fluctuations in return) and are therefore generally considered riskier investments.	Important	4

Investment knowledge / level of service

Select one	Description
X	I don't have any investments right now. I need help with the planning, implementation and management of my investment portfolio.
	I don't have the time, inclination or knowledge to manage my investments. I need help with the planning, implementation and management of my investment portfolio.
	I don't have the time or knowledge to manage my investments. I am interested in learning more. I need help with the planning, implementation and management of my investment portfolio.
	I don't have the inclination or knowledge to manage my investments. I would like you to explain financial planning concepts in detail. I need help with the planning, implementation and management of my investment portfolio.
	I don't have the time to manage my investments. I am comfortable discussing relatively complex financial planning concepts. I need help with the planning, implementation and management of my investment portfolio.
	I am able to acquire suitable investment products myself. I am comfortable discussing relatively complex financial planning concepts. I need help with the planning of my investment portfolio.
	I spend a considerable amount of time looking at my investment portfolio. I am comfortable discussing relatively complex financial planning concepts. Therefore, I need help only with the implementation of my investment portfolio.

Notes

Date

Signature

John's Life Expectancy

Average life expectancy 76.2
 Modifier used 2
 Modified life expectancy 78.2

By default, the software assumes an average life expectancy based on the age, sex and the province of residence of the individual. You can modify

Family health history

- How many grandparents lived beyond the age of 80? . 0 1 2 3 4
- Has a parent or sibling suffered from cardiovascular disease, cancer or diabetes? Yes No
- Has either parent lived past the age of 70 without incurring a debilitating disease? Yes No

Individual health history

- Do you visit a doctor on an annual basis? Yes No
- Do you suffer from high blood pressure? Yes No
- Are you currently under a physician's care for cardiovascular disease, cancer or diabetes? Yes No
- Doctors advise that obesity is a major health concern for North Americans. What is your present weight?
1. Healthy weight
2. Between 10 to 20 pounds overweight
3. Over 20 pounds above your healthy weight

Lifestyle factors

- Do you follow a diet that is 1. Low in saturated fats
2. High in saturated fats
3. Average
- Do you follow an exercise regime? 1. Three or more times per week
2. Less than three times per week
3. Never exercise
- An alcoholic beverage equals either a glass of wine, a 12 ounce bottle of beer, or a mixed drink containing one ounce of alcohol. How much alcohol do you consume?
1. Six or more drinks, more than once a week
2. Three or four drinks, less than three times per week
3. Never more than two drinks in a day
4. Do not drink
- Select the following statement that best describes you. 1. I have never smoked
2. I have quit smoking for two years
3. I smoke less than two packs of cigarettes per day
4. I smoke two or more packs of cigarettes per day
- Stress affects all our lives. Which statement best describes the way you cope with stress?
1. I experience high levels of stress
2. I experience low levels of stress
3. I experience positive levels of stress
- Motor vehicle accidents is the leading killer of young people today. Preventative measures can help reduce the risk of driver misfortune. Select the statements that best describe you.
 I always wear my seat-belt
 I possess a clean driving record
 I've been convicted of a DWI in the last three years
 I've had one to two traffic violations in the last three years
 I've had over two traffic violations in the last three years

Jane's Life Expectancy

Average life expectancy 78.3
 Modifier used 2
 Modified life expectancy 80.3

By default, the software assumes an average life expectancy based on the age, sex and the province of residence of the individual. You can modify

Family health history

- How many grandparents lived beyond the age of 80? . 0 1 2 3 4
- Has a parent or sibling suffered from cardiovascular disease, cancer or diabetes? Yes No
- Has either parent lived past the age of 70 without incurring a debilitating disease? Yes No

Individual health history

- Do you visit a doctor on an annual basis? Yes No
- Do you suffer from high blood pressure? Yes No
- Are you currently under a physician's care for cardiovascular disease, cancer or diabetes? Yes No
- Doctors advise that obesity is a major health concern for North Americans. What is your present weight?
1. Healthy weight
2. Between 10 to 20 pounds overweight
3. Over 20 pounds above your healthy weight

Lifestyle factors

- Do you follow a diet that is 1. Low in saturated fats
2. High in saturated fats
3. Average
- Do you follow an exercise regime? 1. Three or more times per week
2. Less than three times per week
3. Never exercise
- An alcoholic beverage equals either a glass of wine, a 12 ounce bottle of beer, or a mixed drink containing one ounce of alcohol. How much alcohol do you consume?
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2. I have quit smoking for two years
3. I smoke less than two packs of cigarettes per day
4. I smoke two or more packs of cigarettes per day
- Stress affects all our lives. Which statement best describes the way you cope with stress?
1. I experience high levels of stress
2. I experience low levels of stress
3. I experience positive levels of stress
- Motor vehicle accidents is the leading killer of young people today. Preventative measures can help reduce the risk of driver misfortune. Select the statements that best describe you.
 I always wear my seat-belt
 I possess a clean driving record
 I've had one to two traffic violations in the last three years
 I've had over two traffic violations in the last three years
 I've been convicted of a DWI in the last three years

Cash Flow Statement

Sources of cash

	John	Jane	Annual total	%
Employment	53,189.55	54,981.25	108,170.80	60.9
Net self-employment income		591.25	591.25	0.3
Dividends from private incorporated business				
Investment				
Interest	1,125.75	1,268.25	2,394.00	
Dividends				
Capital gains				
Rental income	8,369.43	4,746.64	13,116.07	
Trust income				
Other				
Total investment income	9,495.18	6,014.89	15,510.07	8.7
Pension				
C.P.P. (Canada Pension Plan)				
O.A.S. (Old Age Security)				
R.P.P. income				
R.R.S.P. income				
R.R.I.F. income				
Other				
Total pension income				
Miscellaneous				
Employment insurance				
Net limited partnership income				
Taxable support payments				
Workers' compensation and social assistance	22,921.20		22,921.20	
Non-taxable income				
Total miscellaneous income	22,921.20		22,921.20	12.9
Other	30,626.81		30,626.81	
	30,626.81		30,626.81	17.2
Total sources of cash	116,232.74	61,587.39	177,820.13	100.0

Uses of cash

	John	Jane	Annual total	%
Total lifestyle expenditures			67,644.00	50.5
Investments				
R.R.S.P. contributions	30,636.81	2,500.00	33,136.81	
R.R.S.P. contributions deducted at source				
R.P.P. contributions deducted at source	1,819.69	2,331.21	4,150.90	
Contributions to non-registered investments				
Reinvestment of non-registered investment income	1,125.75	1,268.25	2,394.00	
Investment for education				
Total investments	33,582.25	6,099.46	39,681.71	29.6
Tax				
Taxes deducted at source	8,542.30	11,005.92	19,548.22	
Estimated additional tax on income	7,491.53	(315.68)	7,175.85	

Total estimated tax	<u>16,033.83</u>	<u>10,690.24</u>	<u>26,724.07</u>	19.9
Total uses of cash			<u>134,049.78</u>	100.0
Unallocated cash (sources of cash less uses of cash)			<u>43,770.35</u>	

Net Worth Statement

Assets

	John	Jane	Total	%
Registered (tax deferred) investments				
Bank accounts				
Term deposits / G.I.C.'s				
Treasury bills				
Canada Savings Bonds				
Bonds				
Mutual funds	37,500.00	10,000.00	47,500.00	
Stocks				
Stock options				
Specialty investments				
Commuted value of defined benefit pensions				
Current savings in defined contribution pensions				
Current savings in deferred profit sharing plans				
Other:				
Total registered investments	<u>37,500.00</u>	<u>10,000.00</u>	<u>47,500.00</u>	6.6
Non-registered (non tax deferred) investments				
Bank accounts	12,250.00	12,250.00	24,500.00	
Term deposits / G.I.C.'s	7,658.85	7,658.85	15,317.70	
Treasury bills				
Canada Savings Bonds				
Bonds				
Mutual funds		2,500.00	2,500.00	
Stocks				
Stock options				
Specialty investments				
Other:				
Total non-registered investments	<u>19,908.85</u>	<u>22,408.85</u>	<u>42,317.70</u>	5.9
Real estate				
Primary residence	157,500.00	157,500.00	315,000.00	
Recreational property				
Rental property	199,500.00	68,500.00	268,000.00	
Other:				
Total real estate	<u>357,000.00</u>	<u>226,000.00</u>	<u>583,000.00</u>	81.1
Personal assets				
Vehicles	23,000.00	23,000.00	46,000.00	
Furnishings				
Art, antiques, collectibles				
Other:				
Total personal assets	<u>23,000.00</u>	<u>23,000.00</u>	<u>46,000.00</u>	6.4
Business interests				
Incorporated business interests				
Unincorporated business interests				
Total business interests				
Other assets				
Total assets	<u>437,408.85</u>	<u>281,408.85</u>	<u>718,817.70</u>	<u>100.0</u>

Liabilities

	John	Jane	Total	%
Short term obligations				
Credit cards and other short term debt	9,587.50	9,587.50	19,175.00	
Unpaid bills				
Other:				
Total short term obligations	<u>9,587.50</u>	<u>9,587.50</u>	<u>19,175.00</u>	5.0
Investment and business loans				
Investment loans				
Business loans				
Rental property mortgage	91,981.46	52,635.30	144,616.76	
RRSP Loans				
Total investment and business loans	<u>91,981.46</u>	<u>52,635.30</u>	<u>144,616.76</u>	37.7
Personal asset loans				
Mortgage(s)	106,736.73	106,736.73	213,473.46	
Vehicle loan(s)	3,004.20	3,004.20	6,008.40	
Personal loan(s)				
Other:				
Total personal asset loans	<u>109,740.93</u>	<u>109,740.93</u>	<u>219,481.86</u>	57.3
Other debts				
Total liabilities	<u>211,309.89</u>	<u>171,963.73</u>	<u>383,273.62</u>	100.0

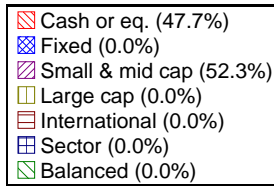
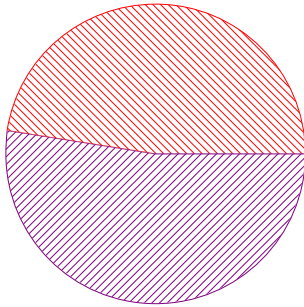
Net worth

	John	Jane	Total	%
Total assets	437,408.85	281,408.85	718,817.70	
Less: Total liabilities	211,309.89	171,963.73	383,273.62	
Less: Estimated deferred taxes	23,720.75	3,672.25	27,393.00	
Net worth	<u>202,378.21</u>	<u>105,772.87</u>	<u>308,151.08</u>	

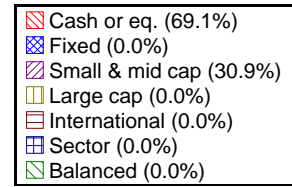
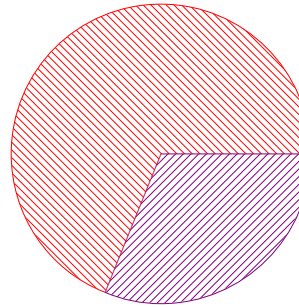
Investment Summary

Current asset allocation / investment summary

John \$57409



Jane \$32409



Portfolio	Asset Category	Total market value	Annual Rate of Return	Estimated Annual Income		
				Dividends	Capital Gains	Interest
John						
Registered	Cash or eq.	7,500.00	5.70			427.50
	Fixed					
	Small & mid cap	30,000.00	8.00	480.00	1,920.00	
	Large cap					
	International					
	Sector					
	Balanced					
	Subtotal	37,500.00	7.54	480.00	1,920.00	427.50
Non-registered	Cash or eq.	19,908.85	5.69			1,125.75
	Fixed					
	Small & mid cap					
	Large cap					
	International					
	Sector					
	Balanced					
	Subtotal	19,908.85	5.69			1,125.75
	TOTAL	57,408.85	6.90	480.00	1,920.00	1,553.25
Jane						
Registered	Cash or eq.					
	Fixed					
	Small & mid cap	10,000.00	8.00	160.00	640.00	
	Large cap					
	International					
	Sector					
	Balanced					
	Subtotal	10,000.00	8.00	160.00	640.00	
Non-registered	Cash or eq.	22,408.85	5.69			1,268.25
	Fixed					
	Small & mid cap					
	Large cap					
	International					
	Sector					
	Balanced					
	Subtotal	22,408.85	5.69			1,268.25
	TOTAL	32,408.85	6.40	160.00	640.00	1,268.25
Total for couple		89,817.70	6.72	640.00	2,560.00	2,821.50

Will, Powers and Insurance

Will and powers information

	John	Jane
Do you have a will?	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No
When did you last review your will?	Jan 01, 1995	Jan 01, 1995
Who is the executor of the will?	Jane Doe	John Doe
What is the address of the executor?	same	same
Where are copies of your will located?	Lawyers office	Lawyers office
Have you selected a guardian for your children?	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> No
What is the name of the guardian?		
What is the address of the guardian?		
Do you have Power of Attorney for Property?	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> No
When was it drawn up?		
Do you have Power of Attorney for Personal Care?	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> No
When was it drawn up?		
Comments		

Life insurance

	#1	#2	#3	Total John	Total Jane
Type of insurance	Term	Term	Term		
Insurance company	West Coast	West Coast			
Policy name	West Coast	West Coast			
Policy number	12345	12345			
Policy holder	West Coast	West Coast			
Insured	<input checked="" type="radio"/> 1 John <input type="radio"/> 2 Jane	<input type="radio"/> 1 John <input checked="" type="radio"/> 2 Jane	<input type="radio"/> 1 John <input type="radio"/> 2 Jane		
Beneficiary	Jane Doe	John Doe			
Premium	55.00	45.00		660.00	540.00
Premium frequency	<input checked="" type="radio"/> Monthly <input type="radio"/> Annual	<input checked="" type="radio"/> Monthly <input type="radio"/> Annual	<input type="radio"/> Monthly <input type="radio"/> Annual		
Face amount	250,000.00	250,000.00		250,000.00	250,000.00

Disability Insurance Information

Disability insurance					
Policy holder		John		Jane	
Disability insurance type		Group	N/A	Group	N/A
Insurance company		BDC		ADC	
Policy name		BDC		ADC	
Policy number		1234		1234	
Period of coverage	Type	Commercially renewable	Unknown	Commercially renewable	Unknown
	Notes	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.		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.	
Disability definition	Type	Own occupation	N/A	Any occupation	N/A
	Notes	Own occupation: If you cannot perform your current job due to injuries or sickness, you are eligible for disability benefits.		Any occupation: Total disability requires that you cannot perform ANY job, not just your current job.	
Premiums	Amount	45.00		35.00	
	Frequency	<input checked="" type="radio"/> Monthly <input type="radio"/> Annual	<input checked="" type="radio"/> Monthly <input type="radio"/> Annual	<input checked="" type="radio"/> Monthly <input type="radio"/> Annual	<input checked="" type="radio"/> Monthly <input type="radio"/> Annual
	Paid by	<input checked="" type="radio"/> Employer <input type="radio"/> Individual	<input checked="" type="radio"/> Employer <input type="radio"/> Individual	<input checked="" type="radio"/> Employer <input type="radio"/> Individual	<input checked="" type="radio"/> Employer <input type="radio"/> Individual
Benefits	Amount	53,000.00		54,000.00	
	Frequency	<input type="radio"/> Monthly <input checked="" type="radio"/> Annual	<input checked="" type="radio"/> Monthly <input type="radio"/> Annual	<input type="radio"/> Monthly <input checked="" type="radio"/> Annual	<input checked="" type="radio"/> Monthly <input type="radio"/> Annual
	Indexed (COLA)?	<input checked="" type="radio"/> Yes <input type="radio"/> No 2.8 %	<input checked="" type="radio"/> Yes <input type="radio"/> No 2.8 %	<input checked="" type="radio"/> Yes <input type="radio"/> No 2.8 %	<input checked="" type="radio"/> Yes <input type="radio"/> No 2.8 %
	Taxable?	Yes	Yes	Yes	Yes
	Waiting period	3 <input checked="" type="radio"/> Mon. <input type="radio"/> Yrs	<input checked="" type="radio"/> Mon. <input type="radio"/> Yrs	6 <input checked="" type="radio"/> Mon. <input type="radio"/> Yrs	<input checked="" type="radio"/> Mon. <input type="radio"/> Yrs
	Max. benefit period	2 <input type="radio"/> Mon. <input checked="" type="radio"/> Yrs	<input type="radio"/> Mon. <input checked="" type="radio"/> Yrs	2 <input type="radio"/> Mon. <input checked="" type="radio"/> Yrs	<input type="radio"/> Mon. <input checked="" type="radio"/> Yrs
Comments about policy					

CPP Survivor Benefits

Death benefit

	John	Jane
Does the person qualify for the death benefit?	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No
A) Current maximum CPP benefit	9,615	9,615
B) % benefit payable in year of death	100.0	100.0
C) CPP benefit payable in year of death	9,615	9,615
D) Half of pension payable (1/2 * C)	<u>4,807</u>	<u>4,807</u>
E) Maximum pensionable earning	86,111	86,111
F) 10% of pensionable earnings (0.10 * E)	<u>8,611</u>	<u>8,611</u>
Death benefit payable (lesser of D and F) - maximum \$2500	<u><u>2,500</u></u>	<u><u>2,500</u></u>

Estimated survivor and orphan benefits

This table calculates estimated survivor and orphan benefits until retirement. The CPP survivor benefits program is very complex and therefore, it is recommended that survivors contact the Government of Canada to confirm eligibility for benefits.

Name	Current age	Duration of benefits (# of years)	Calculation of benefit				% reduction	Total benefit Index? Rate: 1.8
			i Flat amount benefit	ii % of benefit (C above)	iii Earnings benefit	iv Possible benefit (i + iii)		
John	49	16	1,497	37.5	3,605	5,102	5,102	
Jane	46	19	1,497	37.5	3,605	5,102	5,102	
Tammy Doe	8	17	2,241			2,241	2,241	
Ricki Doe	17	8	2,241			2,241	2,241	

Future benefits

Year	John	Jane	Tammy Doe	Ricki Doe					
2003	5,102	5,102	2,241	2,241					
2004	5,193	5,193	2,281	2,281					
2005	5,286	5,286	2,322	2,322					
2006	5,381	5,381	2,363	2,363					
2007	5,477	5,477	2,405	2,405					
2008	5,575	5,575	2,448	2,448					
2009	5,675	5,675	2,492	2,492					
2010	5,777	5,777	2,536	2,536					
2011	5,880	5,880	2,581						
2012	5,985	5,985	2,627						
2013	6,092	6,092	2,674						
2014	6,201	6,201	2,722						
2015	6,312	6,312	2,770						
2016	6,425	6,425	2,819						
2017	6,540	6,540	2,869						
2018	6,657	6,657	2,920						
2019		6,776	2,972						
2020		6,897							
2021		7,021							

Net Worth and Cash Flow

Net worth

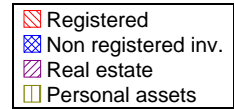
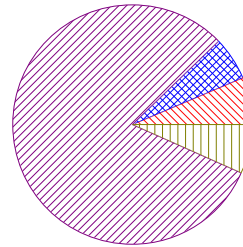
Assets

Registered investments	47,500.00
Non-registered investments	42,317.70
Real estate	583,000.00
Personal assets	46,000.00
Incorporated business assets	
Unincorporated Business assets	
Other	
Total assets	718,817.70

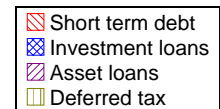
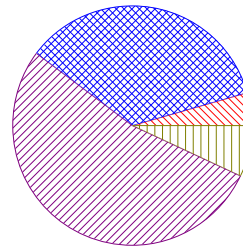
Liabilities

Short term obligations	19,175.00
Investment and business loans	144,616.76
Personal asset loans	219,481.86
Other debts	
Total liabilities	383,273.62
Estimated deferred income tax	27,393.00
Net worth	308,151.08

Assets



Liabilities



Cash flow

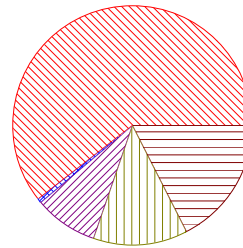
Sources of cash

Employment income	108,170.80
Self-employment income	591.25
Business income	
Investment income	15,510.07
Pension income	
Miscellaneous income	22,921.20
Other	30,626.81
Total sources of cash	177,820.13

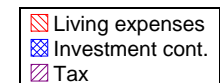
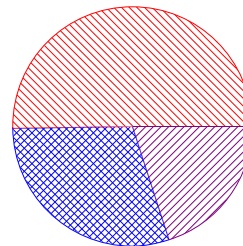
Uses of cash

Living expenses	67,644.00
Investment contributions	39,681.71
Tax	26,724.07
Total uses of cash	134,049.78
Unallocated cash	43,770.35

Sources

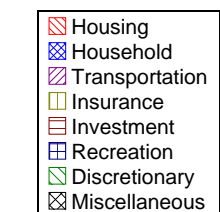
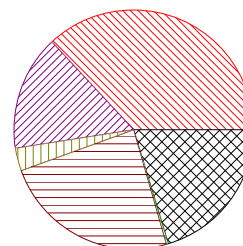


Uses

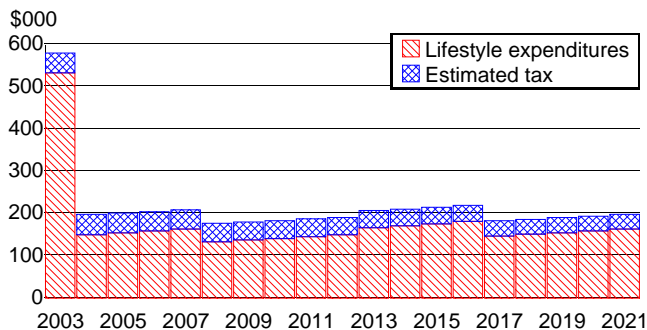


Living Expenses

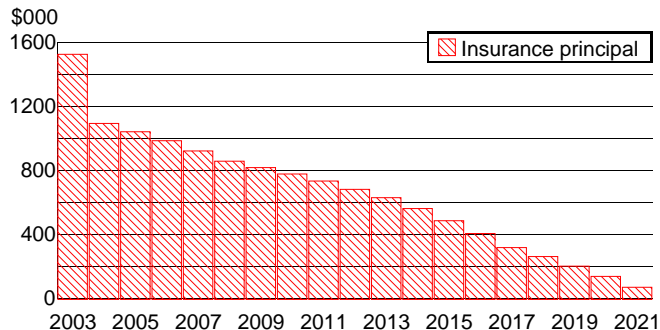
	Monthly	Yearly
Housing	2,083.86	25,006.32
Household		
Transportation	876.51	10,518.12
Insurance	180.00	2,160.00
Investment	1,350.59	16,207.08
Recreation		
Discretionary	14.17	170.00
Miscellaneous	1,131.86	13,582.32
Total annual living expenses		67,644.00



Lifestyle expenditures and estimated tax



Savings throughout insurance period



Insurance requirements

Description

Life insured John
 Jane

After tax lifestyle needs

First year requirements

- Transfer from ILE Annual
- Use this amount
Index annually? Yes No % 2.8
- Replace insured's after tax income . 100,199
Index annually? Yes No % 2.8

Include costs from education strategy? . Yes No

Include investing for retirement? Yes No

Capital lump sum required in event of death

To pay off mortgage(s)	358,090
To pay off outstanding loan(s)	6,008
To settle estate (current deferred taxes) .	23,721
To settle future estate	
To pay final expenses (funeral, etc.) . .	10,000
Other:	
Subtotal	397,819
Less: CPP Death Benefit	2,500
Less:	
Total lump sum required	395,319

Notes

Insurance calculation

Calculation of insurance funds

Investment rate of return % 6.00
Reinvest yearly lifestyle exp. excess? . . Yes No
 Automatically calculate 1,532,168
 Use this amount Existing insurance
Additional insurance _____
Use this amount _____

Calculation of non-registered investment portfolio

Use income from investment portfolio? Yes No
Current investment assets 42,318
Investment rate of return % 5.69
Usage of investment assets:
 Use investment return *only*
 Drawdown capital in addition to investment return
 Leave this amount at end (current \$)

Insurance strategy summary

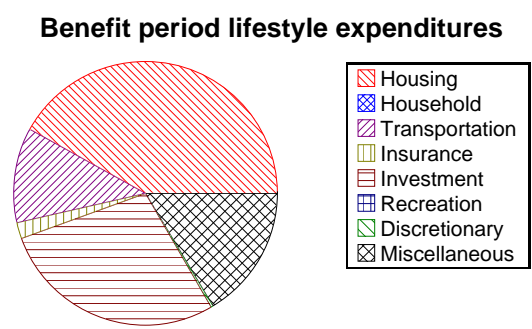
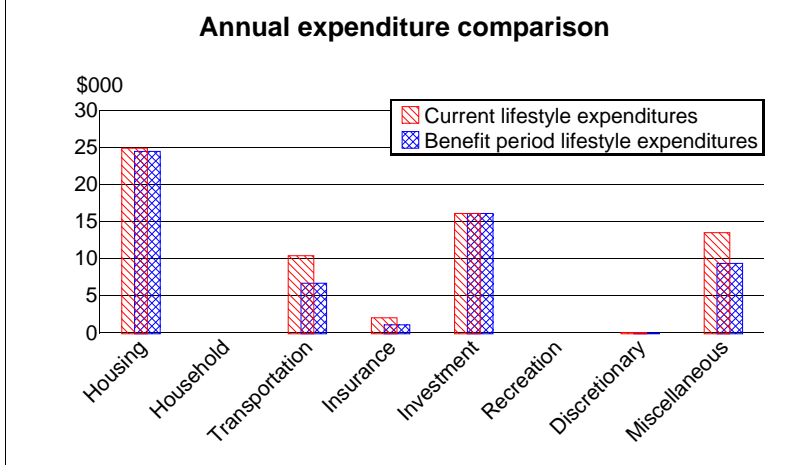
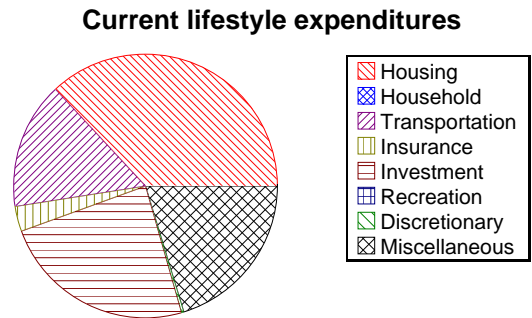
Lifestyle expenditures	2,851,133
Lump sum requirement	395,319
Education needs	93,883
Estimated tax	778,179
Less: Investment income	
Employment income	1,692,504
Other income	
Survivors benefits	161,145
Interest income on insurance . .	733,896
Plus: Excess income reinvested	1,199
Insurance required	1,532,168
Less: Existing insurance	250,000
Insurance to purchase	1,282,168

Beneficiary detail										
Name	Current age	Duration of insurance (# of years)	% reduction in needs after duration	Non-insurance income during benefit period						CPP survivors benefits
				Employment			Other			
				Index?	Rate:	2.8	Index?	Rate:	2.8	
	\$ Amount	Begin	Duration	\$ Amount	Begin	Duration				
Jane	46	19	32.00	68,689		19			5,102	
Tammy Doe	8	14	21.00			14			2,241	
Ricki Doe	17	5	21.00			5			2,241	

Insurance strategy detail									
Year	Start balance of insurance pool	Sources of income				Total before tax income	Estimated tax	After tax income	Lifestyle expenditures
		Interest income from insurance	Drawdown of insurance principal	Investment portfolio income	Employment, Other and Survivors benefits				
2003	1,532,168	68,211	434,056		78,273	580,540	47,734	532,806	532,806
2004	1,098,111	65,887	51,496		80,367	197,749	47,269	150,480	150,480
2005	1,046,616	62,797	55,966		82,519	201,282	46,487	154,795	154,795
2006	990,650	59,439	60,672		84,728	204,839	45,604	159,235	159,235
2007	929,978	55,799	65,627		86,997	208,423	44,616	163,807	163,807
2008	864,351	51,861	38,460		86,881	177,202	43,516	133,687	133,687
2009	825,891	49,553	41,789		89,233	180,576	43,147	137,429	137,429
2010	784,101	47,046	45,292		91,649	183,987	42,710	141,277	141,277
2011	738,810	44,329	48,975		94,130	187,434	42,201	145,233	145,233
2012	689,834	41,390	52,845		96,680	190,915	41,616	149,299	149,299
2013	636,990	38,219	69,881		99,300	207,400	40,950	166,450	166,450
2014	567,108	34,027	75,143		101,992	211,162	39,893	171,269	171,269
2015	491,965	29,518	80,791		104,757	215,065	38,833	176,232	176,232
2016	411,175	24,670	86,732		107,598	219,000	37,659	181,341	181,341
2017	324,443	19,467	56,185		107,648	183,299	36,363	146,936	146,936
2018	268,258	16,095	60,197		110,596	186,888	35,837	151,051	151,051
2019	208,061	12,484	64,420		113,625	190,528	35,247	155,281	155,281
2020	143,642	8,619	68,880		116,738	194,237	34,608	159,629	159,629
2021	74,761	4,486	73,563		119,938	197,987	33,889	164,098	164,098

Monthly Insurance Expenditures

Summary of lifestyle expenditures (in todays dollars)				
Category	Monthly		Yearly	
	Current	Benefit period	Current	Benefit period
Housing	2,083.86	2,043.96	25,006.32	24,527.52
Household				
Transportation	876.51	569.73	10,518.12	6,836.76
Insurance	180.00	97.20	2,160.00	1,166.40
Investment	1,350.59	1,350.59	16,207.08	16,207.08
Recreation				
Discretionary	14.17	10.63	170.00	127.56
Miscellaneous	1,131.86	792.30	13,582.32	9,507.60
Total	5,637.00	4,864.41	67,644.00	58,372.92



Monthly lifestyle expenditures detail

Monthly expenditures	Current	Insurance benefit period
<i>In todays dollars</i>		
How to calculate the reduction on mortgage payments?	<input type="radio"/> Use reduction %	<input type="radio"/> Pay off with life insurance
	<input checked="" type="radio"/> From REALESTATE form(s)	<input type="radio"/> Pay off with mortgage insurance
Housing costs	Reduction %	21.0
Mortgage payment	1,587.19	1,587.19
Rent		
Condo fees		
Property taxes	266.67	266.67
Insurance	40.00	40.00
Utilities (water, gas and electric)	140.00	110.60
Maintenance and repairs	50.00	39.50
Other:		
Total housing costs	<u>2,083.86</u>	<u>2,043.96</u>
Transportation expenses	Reduction %	35.0
Car payments	876.51	569.73
Car insurance		
Gas/oil		
Maintenance and repairs		
Public transportation		
Other:		
Total transportation expenses	<u>876.51</u>	<u>569.73</u>

Monthly lifestyle expenditures detail

Monthly expenditures	Current	Insurance benefit period
	<i>In today's dollars</i>	
Household and living expenses	Reduction %	25.0
Food		
Telephone		
Personal care		
Clothing		
Medical/dental (direct costs)		
Child care		
Education		
Other:		
Total household and living costs		
Insurance expenses	Reduction %	46.0
Life insurance	100.00	54.00
Disability insurance	80.00	43.20
Public health care		
Private health/dental care		
Other:		
Total insurance expenses	180.00	97.20
Investment expenses	Reduction %	47.0
Professional fees, accounting, etc		
Business loan payment		
RRSP loan payment		
Investment loan payment		
Rental mortgage payment	1,350.59	1,350.59
Other:		
Total investment expenses	1,350.59	1,350.59
Recreation expenses	Reduction %	37.0
Travel		
Cable/satellite		
Recreational mortgage payment		
Recreational property expenses		
Recreation / sports equipment		
Recreation / sports facility fees		
Recreational vehicle loan payments		
Other:		
Total recreation expenses		
Discretionary	Reduction %	25.0
Gifts		
Charitable donations	14.17	10.63
Dining out		
Tobacco and alcohol		
Entertainment		
Other:		
Total discretionary expenses	14.17	10.63

Monthly lifestyle expenditures detail

Monthly expenditures	Current	Insurance benefit period
	<i>In today's dollars</i>	
Miscellaneous	Reduction %	30.0
C.P.P. contributions deducted at source	278.87	195.21
E.I. contributions deducted at source	143.00	100.10
Personal loan payments		
Credit card and other short term debt payments	575.26	402.68
Professional / union dues	134.73	94.31
Other deductions from income at source		
Other:		
Total miscellaneous expenses	1,131.86	792.30

Annual Insurance Expenditures

Annual lifestyle expenditures during insurance benefit period (in future dollars)

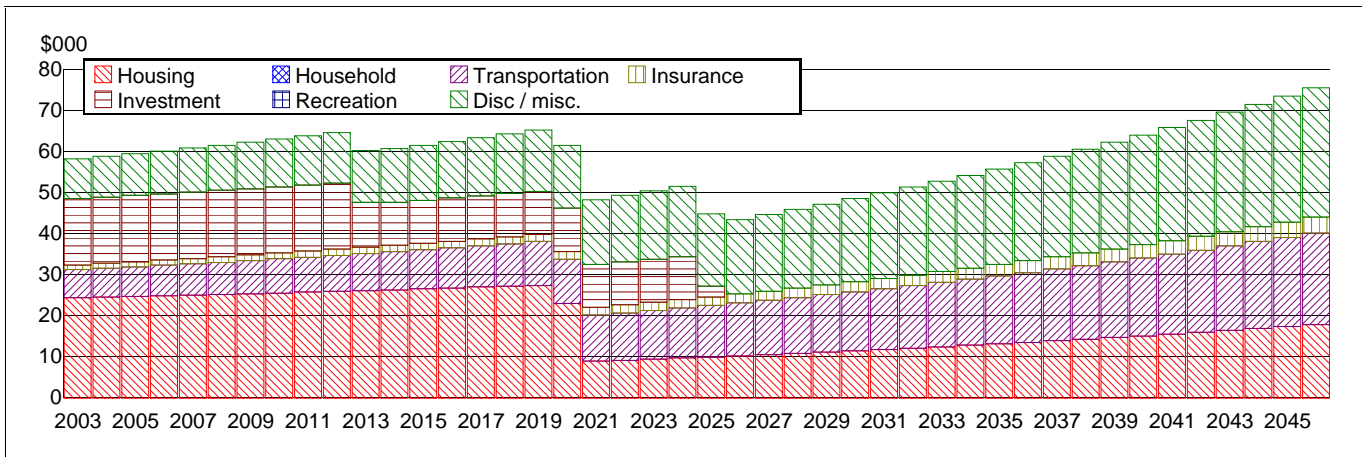
Summary of lifestyle expenditures (in todays dollars)

Category	Current	Benefit period Index? Rate: 2.8
Housing	25,006.32	24,527.52
Household		
Transportation	10,518.12	6,836.76
Insurance	2,160.00	1,166.40
Investment	16,207.08	16,207.08
Recreation		
Discretionary	170.00	127.56
Miscellaneous	13,582.32	9,507.60
Annual total	67,644.00	58,372.92

It's important to understand how much after tax money you will need to live in the event of a spouse's death. This form shows the annual lifestyle expenses throughout the insurance benefit period.

From this information, you can plan for any excess or shortfall of income you may have.

Note: These lifestyle expenditures will be reduced on the main IS form according to the number of years (duration) each beneficiary needs money during the insurance benefit period.



Notes

Lifestyle expenditures during insurance benefit period

Year	Housing	Household	Transport.	Insurance	Investment	Recreation	Disc. / Misc.	Other lump sum requirement	Annual total
2003	24,527		6,837	1,166	16,207		9,635		58,372
2004	24,680		7,028	1,199	16,207		9,905		59,019
2005	24,838		7,225	1,233	16,207		10,182		59,685
2006	25,000		7,427	1,268	16,207		10,467		60,369
2007	25,167		7,635	1,304	16,207		10,760		61,073
2008	25,338		7,849	1,341	16,207		11,061		61,796
2009	25,514		8,069	1,379	16,207		11,371		62,540
2010	25,695		8,295	1,418	16,207		11,689		63,304
2011	25,881		8,527	1,458	16,207		12,016		64,089
2012	26,072		8,766	1,499	16,207		12,352		64,896
2013	26,269		9,011	1,541	10,978		12,698		60,497
2014	26,471		9,263	1,584	10,500		13,054		60,872
2015	26,679		9,522	1,628	10,500		13,420		61,749
2016	26,893		9,789	1,674	10,500		13,796		62,652

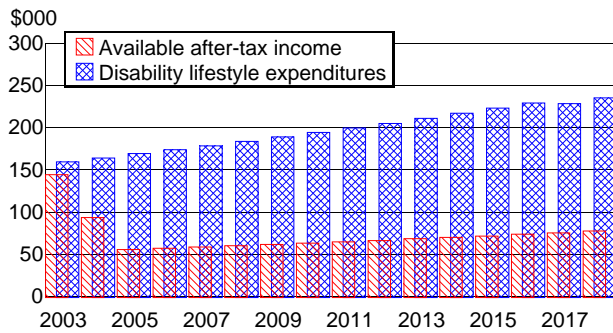
Lifestyle expenditures during insurance benefit period

Year	Housing	Household	Transport.	Insurance	Investment	Recreation	Disc. / Misc.	Other lump sum requirement	Annual total
2017	27,113		10,063	1,721	10,500		14,182		63,579
2018	27,339		10,345	1,769	10,500		14,579		64,532
2019	27,571		10,635	1,819	10,500		14,987		65,512
2020	23,047		10,933	1,870	10,500		15,407		61,757
2021	9,009		11,239	1,922	10,500		15,838		48,508
2022	9,261		11,554	1,976	10,500		16,281		49,572
2023	9,520		11,878	2,031	10,500		16,737		50,666
2024	9,787		12,211	2,088	10,500		17,206		51,792
2025	10,061		12,553	2,146	2,629		17,688		45,077
2026	10,343		12,904	2,206			18,183		43,636
2027	10,633		13,265	2,268			18,692		44,858
2028	10,931		13,636	2,332			19,215		46,114
2029	11,237		14,018	2,397			19,753		47,405
2030	11,552		14,411	2,464			20,306		48,733
2031	11,875		14,815	2,533			20,875		50,098
2032	12,208		15,230	2,604			21,460		51,502
2033	12,550		15,656	2,677			22,061		52,944
2034	12,901		16,094	2,752			22,679		54,426
2035	13,262		16,545	2,829			23,314		55,950
2036	13,633		17,008	2,908			23,967		57,516
2037	14,015		17,484	2,989			24,638		59,126
2038	14,407		17,974	3,073			25,328		60,782
2039	14,810		18,477	3,159			26,037		62,483
2040	15,225		18,994	3,247			26,766		64,232
2041	15,651		19,526	3,338			27,515		66,030
2042	16,089		20,073	3,431			28,285		67,878
2043	16,539		20,635	3,527			29,077		69,778
2044	17,002		21,213	3,626			29,891		71,732
2045	17,478		21,807	3,728			30,728		73,741
2046	17,967		22,418	3,832			31,588		75,805

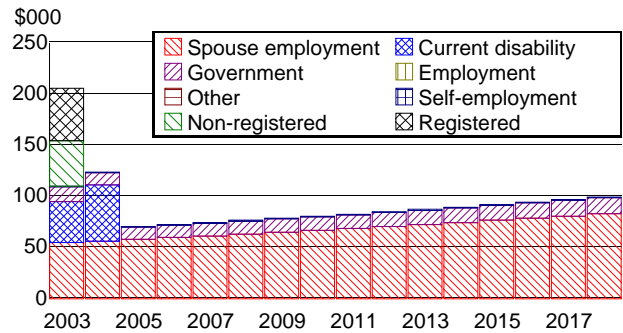
Disability Insurance Strategy

Disability insurance needs

Income vs. disability lifestyle expenditures



Income breakdown 5 yrs 15 yrs All



Disability insurance requirements

Description . . . (Group)

Insured John
 Jane

From the current year 2003

To the beginning of retirement 2019

If not disabled, what would you earn? 2,306,270

After tax lifestyle needs (annual)

Transfer from CLE on CashFlow 0

Use this amount 0

Replace current after tax income 151,096

Annual \$ for ongoing medical expenses 5,000

Index annually? Yes No % 2.8

Include saving for education? Yes No

Insurance strategy summary

Disability insurance income claimed	94,234
Government disability claimed	217,496
Employment income	1,090,928
Self-employment income	11,731
Registered income	51,127
Non-registered income	44,726
Other income	0
Less: Estimated tax	330,789
After tax lifestyle expenditures	3,179,598
Cumulative excess or (shortfall)	(2,000,145)
<hr/>	
Average annual shortfall	125,009
Average in today's (nominal) dollars	99,345
Year when shortfall first occurs	2003

Income detail

Include income?	Income type	Annual income \$	Start year	Stop year	Indexed?	Index %	Taxable?
Yes	Disability insurance policy 1 (Group)	53,000	0.25	2.00	Yes	2.8	Yes
No	Disability insurance policy 2	0	0.00	0.00	Yes	0.0	Yes
Yes	CPP disability	11,691	0.30	16.00	Yes	1.8	Yes
Yes	EI disability	21,476	0.00	0.30	Yes	1.8	Yes
No	Workers compensation	0	0.00	0.00	Yes	0.0	No
No	Employment income	0	0.00	0.00	Yes	0.0	Yes
No	Other:	0	0.00	0.00	Yes	0.0	Yes
Yes	Spouse's employment income	54,981	0.00	16.00	Yes	2.8	Yes
Yes	Spouse's self-employment income	591	0.00	16.00	Yes	2.8	Yes

Investment income detail

Include income?	Investment description	Current investments	% of inv. taxable	Rate of return	Defer tax on return?	Split of investment assets for tax purposes		Value of investments at end of period
Yes	Non-registered	42,318	100.0	5.7	Yes	John: 47.0	Jane: 53.0	0
Yes	Registered	47,500		7.6		John: 79.0	Jane: 21.0	0

Disability insurance strategy detail

		1	2	3	4	5	6	
Year		2003	2004	2005	2006	2007	2008	
After tax needs	Lifestyle expenditures	151,096	155,327	159,676	164,147	168,743	173,468	
	Extra \$ for medical	5,000	5,140	5,284	5,432	5,584	5,740	
	Savings for education	4,886	5,023	5,163	5,308	5,456	5,609	
	Total lifestyle expenditures	160,982	165,490	170,123	174,887	179,783	184,817	
Annual income	Disability policy 1	39,750	54,484	0	0	0	0	
	Disability policy 2	0	0	0	0	0	0	
	CPP Disability	8,184	11,901	12,116	12,334	12,556	12,782	
	EI Disability	6,443	0	0	0	0	0	
	Workers compensation	0	0	0	0	0	0	
	Employment	0	0	0	0	0	0	
	Other	0	0	0	0	0	0	
	Spouse employment	54,981	56,521	58,103	59,730	61,403	63,122	
	Self-employment	591	608	625	642	660	679	
	Non-reg.	Beg. balance	42,318	0	0	0	0	0
		Return \$	2,408	0	0	0	0	0
		Income	44,726	0	0	0	0	0
		End balance	0	0	0	0	0	0
	RRSP	Beg. balance	47,500	0	0	0	0	0
		Return \$	3,627	0	0	0	0	0
		Income	51,127	0	0	0	0	0
		End balance	0	0	0	0	0	0
	Total income		205,802	123,514	70,844	72,706	74,619	76,583
	Estimated Tax		60,446	29,012	14,268	14,674	15,093	15,523
	After tax income available		145,356	94,502	56,576	58,032	59,526	61,060
Excess or (shortfall)		(15,626)	(70,988)	(113,547)	(116,855)	(120,257)	(123,757)	
Proposed disability insurance income required to meet shortfall		15,626	70,988	113,547	116,855	120,257	123,757	

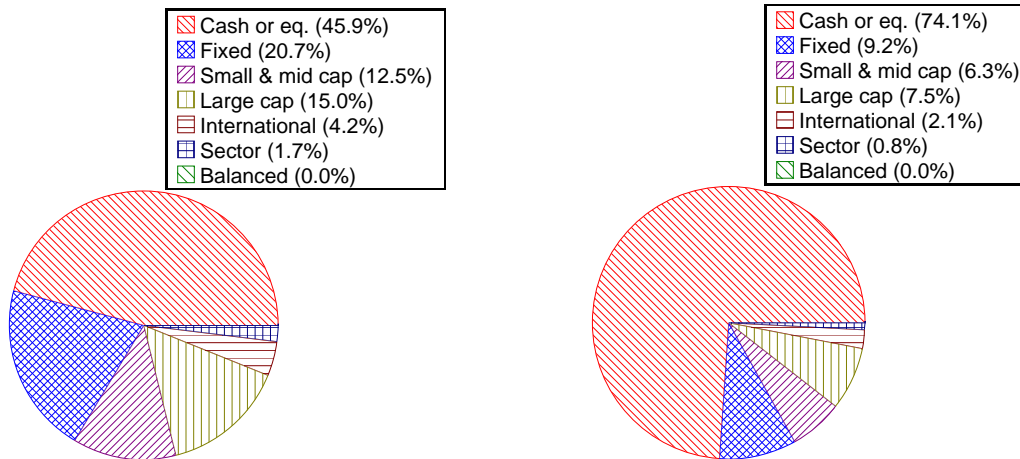
Disability insurance strategy detail

		7	8	9	10	11	12	
Year		2009	2010	2011	2012	2013	2014	
After tax needs	Lifestyle expenditures	178,325	183,318	188,451	193,728	199,152	204,728	
	Extra \$ for medical	5,901	6,066	6,236	6,411	6,591	6,776	
	Savings for education	5,766	5,928	6,094	6,264	6,440	6,620	
	Total lifestyle expenditures	189,992	195,312	200,781	206,403	212,183	218,124	
Annual income	Disability policy 1	0	0	0	0	0	0	
	Disability policy 2	0	0	0	0	0	0	
	CPP Disability	13,012	13,246	13,484	13,727	13,974	14,226	
	EI Disability	0	0	0	0	0	0	
	Workers compensation	0	0	0	0	0	0	
	Employment	0	0	0	0	0	0	
	Other	0	0	0	0	0	0	
	Spouse employment	64,889	66,706	68,574	70,494	72,468	74,497	
	Self-employment	698	717	737	758	779	801	
	Non-reg.	Beg. balance	0	0	0	0	0	0
		Return \$	0	0	0	0	0	0
		Income	0	0	0	0	0	0
		End balance	0	0	0	0	0	0
	RRSP	Beg. balance	0	0	0	0	0	0
		Return \$	0	0	0	0	0	0
		Income	0	0	0	0	0	0
		End balance	0	0	0	0	0	0
	Total income		78,599	80,669	82,795	84,979	87,221	89,524
	Estimated Tax		15,965	16,420	16,888	17,369	17,865	18,374
	After tax income available		62,634	64,249	65,907	67,610	69,356	71,150
Excess or (shortfall)		(127,358)	(131,063)	(134,874)	(138,793)	(142,827)	(146,974)	
Proposed disability insurance income required to meet shortfall		127,358	131,063	134,874	138,793	142,827	146,974	

Disability insurance strategy detail

		13	14	15	16	17	18	
Year		2015	2016	2017	2018	0	0	
After tax needs	Lifestyle expenditures	210,460	216,353	222,411	228,639	0	0	
	Extra \$ for medical	6,966	7,161	7,362	7,568	0	0	
	Savings for education	6,805	6,996	0	0	0	0	
	Total lifestyle expenditures	224,231	230,510	229,773	236,207	0	0	
Annual income	Disability policy 1	0	0	0	0	0	0	
	Disability policy 2	0	0	0	0	0	0	
	CPP Disability	14,482	14,743	15,008	15,278	0	0	
	EI Disability	0	0	0	0	0	0	
	Workers compensation	0	0	0	0	0	0	
	Employment	0	0	0	0	0	0	
	Other	0	0	0	0	0	0	
	Spouse employment	76,583	78,727	80,932	83,198	0	0	
	Self-employment	824	847	870	895	0	0	
	Non-reg.	Beg. balance	0	0	0	0	0	0
		Return \$	0	0	0	0	0	0
		Income	0	0	0	0	0	0
		End balance	0	0	0	0	0	0
	RRSP	Beg. balance	0	0	0	0	0	0
		Return \$	0	0	0	0	0	0
		Income	0	0	0	0	0	0
		End balance	0	0	0	0	0	0
	Total income		91,889	94,317	96,810	99,371	0	0
	Estimated Tax		18,899	19,438	19,992	20,563	0	0
	After tax income available		72,990	74,879	76,818	78,808	0	0
Excess or (shortfall)		(151,241)	(155,631)	(152,955)	(157,399)	0	0	
Proposed disability insurance income required to meet shortfall		151,241	155,631	152,955	157,399	0	0	

What is asset allocation?



Our proposed asset allocation for John and Jane's portfolios

Don't put all your eggs in one basket.

Asset allocation is also known as "not putting all your eggs in one basket." The ebb and flow of the investment markets is a natural process which sometimes means investments of one type have good growth potential while investments of another type do not. If you have your money in only one asset, you can take advantage of higher growth but you'll also lose money quicker if you don't pick the right one. For example, equities (eg. stocks) have been doing very well lately while bonds have been offering less than spectacular returns.

It can go a few steps further. In the past several years, technology and resource stocks have done well which are generally riskier categories (Growth equities). However, they have recently seen a drop in performance while blue-chip stocks (Value equities) have picked up.

Reduce your risk without giving up growth.

The idea with asset allocation is that you spread your money around in a number of different types of asset categories so that when one asset loses money, the others still continue to grow. This way, your diversified portfolio shares the risk of losing money between all the different asset categories. Unless the whole financial market plummets (we'd ALL be in big trouble!), you should experience better than average returns while increasing the security of your money.

In recent years, if you had money in Growth equities, Value equities and Bond (fixed income) asset categories, your overall performance would have been quite healthy -- even though the categories themselves fluctuated.

What's right for you? Risk vs. performance!

Part of the process of financial planning is a risk assessment. How much risk do you wish to take in your asset allocation? If you have a large chunk of the asset pie allocated to Growth equities, then your portfolio (your collection of investments) will be very risky but could outperform other asset allocation mixes. However, if you have a large chunk allocated to Cash (G.I.C.s, Term deposits etc...) then your portfolio would be very safe but wouldn't have a very good return. You have to decide what the right mix is for yourself and then try to stick to that asset allocation strategy -- no matter how tempting it is to put all your money into a company called Bre-X!