

Financial Needs Analysis in the event of death (FNA)

Projet #1

Prepared for: Mr. Albert Client
December 17, 2010

Ms. Mary Client



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Mr. Albert Client
Ms. Mary Client

Strategic Validation

Creativity to enhance your wellbeing

This document is the result of a reliable and effective strategic validation applied to your personal situation. It was prepared with information you provided during our meeting.

Clients have their own objectives in regard to personal finances and each client is unique.

The financial needs analysis is designed specifically for those interested in the financial wellbeing of their close ones in the event of premature death.

In the following analysis, three different aspects are studied: short term needs (liabilities), long term needs (standard of living replacement) and finally, lump sum for future projects. The validation offers great calculation flexibility: rate of return on investment, inflation rate, standard of living replacement duration with or without depletion of capital.

Depending on the results of the analysis, your advisor will be in a position to recommend efficient strategies to secure your present situation in order for you to reach financial protection for your heirs.

Since your financial security comprises a number of interrelated elements, such as taxation, savings management, risk management, estate planning and retirement planning, it is strongly recommended that you obtain a complete picture of your financial position by requesting a comprehensive and integrated financial strategy simulation.

Jean Le Conseiller
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Attention: The results of this strategic validation are based on assumptions. Planist Ltd. ensures that any tax advice provided is lawful and that the mathematical calculations used to illustrate this strategy are accurate, but it is not in a position to verify the specific data appearing in this document.



Mr. Albert Client and Ms. Mary Client Financial Needs Analysis in the event of death

| Assumptions | <u>Albert</u> | <u>Mary</u> |
|---|-------------------------------|-----------------------------|
| Age | 39 | 41 |
| Duration of standard of living retention for the survivor (number of years) | 25 | 25 |
| Inflation rate | 2.0% | 2.0% |
| Effective income tax rate | 26.9% | 23.2% |
| Value / rate of return on savings | \$15,000 6.0% | \$5,000 6.0% |
| Value / rate of return on RRSP | \$68,000 6.0% | \$36,000 6.0% |
| Pension plans value / rate of return | \$0 0.0% | \$0 0.0% |
| Short term needs | | |
| 1 Short term | <u>Death of Albert</u> | <u>Death of Mary</u> |
| Current debts | | |
| Mortgage | \$175,000 | \$175,000 |
| Personal loans | \$25,000 | \$15,000 |
| Credit margin, credit cards | \$8,000 | \$3,000 |
| Final expenses | \$15,000 | \$15,000 |
| Tax upon death | \$0 | \$0 |
| Home-based care/child care | \$5,000 | \$5,000 |
| Specific bequests | \$0 | \$0 |
| Emergency fund | \$10,000 | \$10,000 |
| Major short term expenses | \$0 | \$0 |
| Other short term cash requirements | \$0 | \$0 |
| Total short term debt | \$238,000 | \$223,000 |
| 2 Liquid assets used for immediate needs | | |
| Cash (savings, T-bills, Canada saving bonds) | \$8,000 | \$5,000 |
| CPP/QPP death benefit | \$2,500 | \$2,500 |
| Other | \$0 | \$0 |
| Total liquid assets for immediate needs | \$10,500 | \$7,500 |
| 3 Short term needs | \$227,500 | \$215,500 |



Mr. Albert Client and Ms. Mary Client
Financial Needs Analysis in the event of death

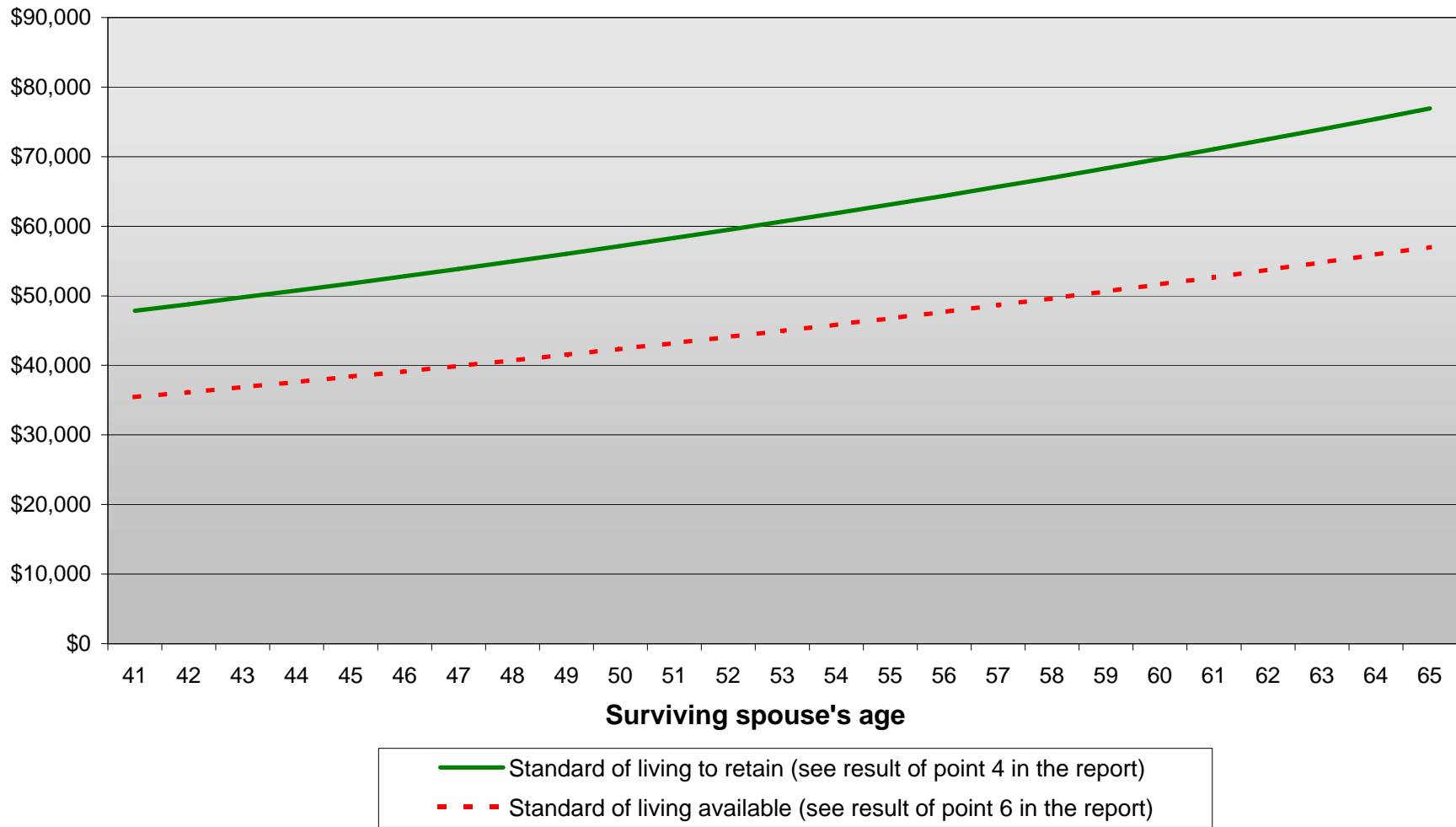
| Long term needs | | Death of Albert | | Death of Mary |
|---|---------------------------|--------------------|-------|------------------|
| 4 Annual standard of living for the family or the spouse | | | | |
| Annual income | | \$75,000 | | \$55,000 |
| less RRSP contributions | | -\$10,000 | | -\$5,000 |
| less contributions to CPP/QPP, E.I. and union dues | | -\$3,000 | | -\$3,000 |
| Taxable income | | \$62,000 | | \$47,000 |
| less income tax | Effective tax rate: 26.9% | -\$16,679 | 23.2% | -\$10,919 |
| Net income | | \$45,321 | | \$36,081 |
| less non-registered annual savings | | -\$3,000 | | -\$1,200 |
| less annual debt payments | | -\$13,000 | | -\$10,500 |
| Standard of living (after tax) | | \$29,321 | | \$24,381 |
| Percent of deceased's standard of living to retain | 80% | \$23,457 | 80% | \$19,505 |
| Spouse's current standard of living (after tax) | | \$24,381 | | \$29,321 |
| Survivor's standard of living (after tax) to retain | Effective tax rate: 27.6% | \$47,838 | 27.8% | \$48,826 |
| 5 Duration of survivor's standard of living retention (in years) | | | | |
| | | 25 | | 25 |
| 6 Sources of additional income for the survivor | | | | |
| Personal assets used to sustain the standard of living | | | | |
| RRSP, pension plans, savings (long term) | | \$4,587 | | \$2,288 |
| Survivor's additional income | | | | |
| Rental income | | \$0 | | \$0 |
| Surviving spouse pension | | \$8,951 | | \$8,951 |
| Other taxable income | | \$0 | | \$0 |
| Total additional income | | \$8,951 | | \$8,951 |
| less: income tax | Effective tax rate: 27.6% | -\$2,470 | 27.8% | -\$2,485 |
| Additional income (after tax) | | \$6,481 | | \$6,466 |
| Income (after tax) generated by personal assets | | \$4,587 | | \$2,288 |
| Spouse's current standard of living (after tax) | | \$24,381 | | \$29,321 |
| Standard of living (after tax) available to the survivor | | \$35,449 | | \$38,076 |



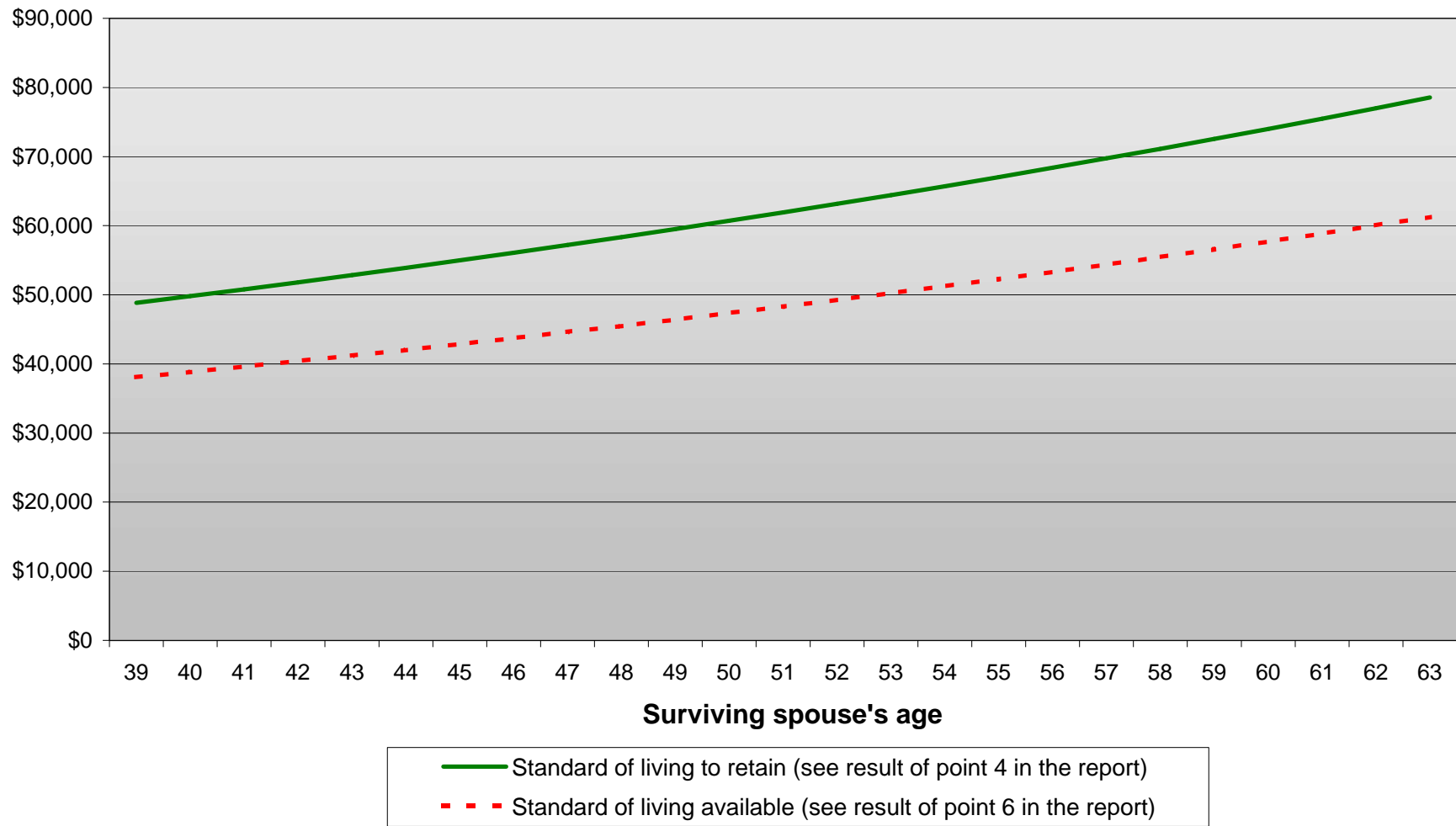
Mr. Albert Client and Ms. Mary Client
Financial Needs Analysis in the event of death

| Long term needs | Death of Albert | Death of Mary |
|--|--------------------|------------------|
| 7 Annual shortfall (4 - 6) | \$12,389 | \$10,750 |
| 8 Required financial resources to eliminate shortfall | | |
| With protection against inflation | \$258,016 | \$224,087 |
| Without protection against inflation | \$208,848 | \$181,370 |
| 9 Major future lump sum expenses (present value) | | |
| Home renovations | \$10,000 | \$10,000 |
| Automobile | \$0 | \$0 |
| Secondary residence | \$0 | \$0 |
| Children's post secondary education | \$50,000 | \$50,000 |
| | \$60,000 | \$60,000 |
| Summary | | |
| 10 Additional needs | | |
| Short term (3) | \$227,500 | \$215,500 |
| Long term (8+9) | \$318,016 | \$284,087 |
| Total needs | \$545,516 | \$499,587 |
| 11 Available capital | | |
| Current life insurance | \$150,000 | \$105,000 |
| Disposal of assets or other (business assets) | \$0 | \$0 |
| Total | \$150,000 | \$105,000 |
| 12 Additional life insurance required | | |
| With protection against inflation | \$395,516 | \$394,587 |
| Without protection against inflation | \$346,348 | \$351,870 |

Mr. Albert Client
Survivor's standard of living simulation



Ms. Mary Client
Survivor's standard of living simulation





**Ms. Mary Client
Disclaimer and Signatures**

We have read and we accept the data contained in this financial needs analysis in case of death and we understand the associated assumptions. We assert that the details which we provided are complete and exact to the best of our knowledge. We acknowledge that the results correspond to our reality.

We accept the conclusions of this analysis:

Signatures: _____

Witness: _____ (advisor)

Signed at: _____ Date: _____

We have read and we accept the data contained in this financial needs analysis in case of death and we understand the associated assumptions. We assert that the details which we provided are complete and exact to the best of our knowledge. We acknowledge that the results correspond to our reality.

Regardless of the assertions in the preceding paragraph, and for personal reasons, we will not follow the recommendations of this analysis.

Signatures: _____

Witness: _____ (advisor)

Signed at: _____ Date: _____