

PERSONAL FINANCIAL PLAN

John and Jane Client

June 2015



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About This Plan

The First Step

Your financial plan represents the first and most important step in your holistic wealth management process. A well constructed financial plan serves as an audit of your current financial position, an assessment of the feasibility of your personal goals, and an opportunity to uncover potential options and opportunities.

Your financial plan will serve not only as the first step in the process, but also the key to subsequent steps. All of the following steps will be designed to support the goals outlined within this plan.

Plan Composition

When reviewing this plan it is important to note that the goals, recommendations, charts and numerical data presented within are specifically customized to your personal situation. The main body of the text is composed in more general terms.

Summary vs. Full Plan

This document is an executive summary of your complete plan. It seeks to summarize the salient points of the complete plan, which typically totals between 80-150 pages depending on the complexity of your personal situation. Should you wish to review the plan in its entirety we will provide you with a digital copy upon request.

Disclaimer

While great care has been taken to ensure the accuracy of all aspects of the document, it should be kept in mind that the projections are based on numerous assumptions, and as such it is unlikely that the future will unfold exactly as illustrated. The investment and/or life insurance values projected within this plan should not be construed as a prediction or guarantee of future performance. This document is designed to help you chart the appropriate course of action, and should be reviewed and revised when major life events occur and/or no less than every 3 years, to ensure its timeliness and relevance to your changing financial position.



Assumptions

The following are details of the key assumptions made with regard to your plan.

Inflation

Inflation is the rate at which the cost of living increases each year. It not only impacts expenses but also your income, pension benefits and market returns. For the plan, in keeping with the Bank of Canada target range, we assume an inflation rate of 3%.

Tuition Inflation

Over the last decade the tuition rates at Canadian post secondary institutions have increased between 6-8%/year. We utilize a return of 8% in our projections.

Investment Returns

We utilize conservative long-term average rates of return for each of the 3 main asset classes: Cash, Bonds & Stocks. These numbers will at times not reflect recent/present/projected economic circumstances. However, given that this plan addresses a time period that spans the rest of your life, we assume these long-term averages in order to better reflect an average outcome over several market cycles. At present we use the following rate assumptions:

- Cash: 3%
- Bond/Fixed Income: 5%
- Stock/Equity: 9%

In order to address what should happen if these assumptions are incorrect, we conduct several stress tests and sensitivity analyses to determine how sensitive your plan is to these assumptions.

Canada Pension Plan

Unless we have been provided with your CPP statement of contributions we will make the assumption that you will be entitled to 80% of the maximum benefit relative to income.

Spending in Retirement

Statistics Canada studies have shown that the average 65 year old spends 25% more than the average 80 year old. Unless otherwise noted, your plan will assume a conservative 15% decline in spending at age 80.

Life Expectancy

We project our plans to age 95. Although it is estimated that less than 5% of the population will see that age, it is important to project to this point just in case you are one of the 5%.

Spend vs. Save

For the sake of this plan we make the assumption that whatever you have told us you do not spend in a given year is **available to be saved in said year**.

About You

The first step in the plan is to confirm some very basic information about you and your family.

Title	Mr.	Mrs.
First Name	John	Jane
Middle Name		
Last Name	Client	Client
Date of Birth	Nov 15, 1968	Feb 28, 1966
Anticipated Retirement Age	60	47
Date of Retirement	Dec 31, 2028	Dec 31, 2013
Occupation	President	Homemaker
Employer / Company	n/a	n/a
Address	123 Fake St.	
	Toronto	
	Ontario	M1M 1M1

Dependants:	Date of Birth	Relationship
James	Mar 17, 2000	Son
Joan	Nov 4, 2002	Daughter

Your Goals & Objectives

Your goals and objectives are the primary reason for the composition of this plan. In order to test the feasibility of these goals we first need to break them down into specific, measureable, realistic and time-bound targets. Based on information provided by you we have identified the following list of your individual goals. Please note that all totals are in current year dollars.

- Retirement: When John turns 60 in 2029 (\$81,200/year)
Car Purchases: Purchase a new car for John (\$60,000) every 5 years starting in and every 7 years for Jane (\$40,000) starting in 2014. After John turns 65, only one car will be replaced until age his 76.
- Education: Finance your children's post-secondary education (\$20,000/year/child).
- Travel: \$10,000/year now and \$30,000/year in retirement.

Opportunities, Concerns & Notes

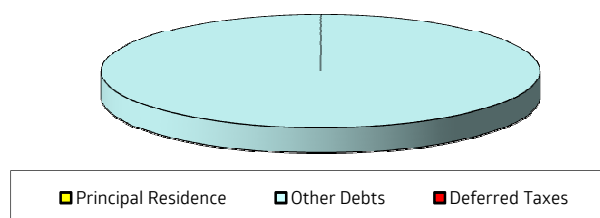
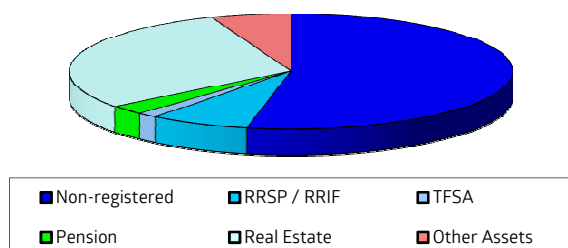
This section details any opportunities or concerns of which we want to make you aware. We also note any specific assumptions that we have made in regards to your situation & plan.

Assumptions:

- Bonus: Assumed to equal 40% of John's base salary.
- Initial RSU Grant: John's initial RSU grant of 17,500 shares assumed to be held until age 66 and then sold off between ages 66 and 71.
- RSU & LTPI Program: Shares granted under the RSU and LTPI programs are assumed to be sold as soon as they are issued.
- Downsize: As discussed, it is assumed you will downsize your home at John's age 65. Purchase price of downsized home expected to be half the value of current home (moving cost of 7%).

Personal Balance Sheet

Our analysis begins by first taking account of your current financial position. The following details all of your assets (what you own) and liabilities (what you owe). This net worth statement not only represents your current financial standing but also your starting point for future wealth development.



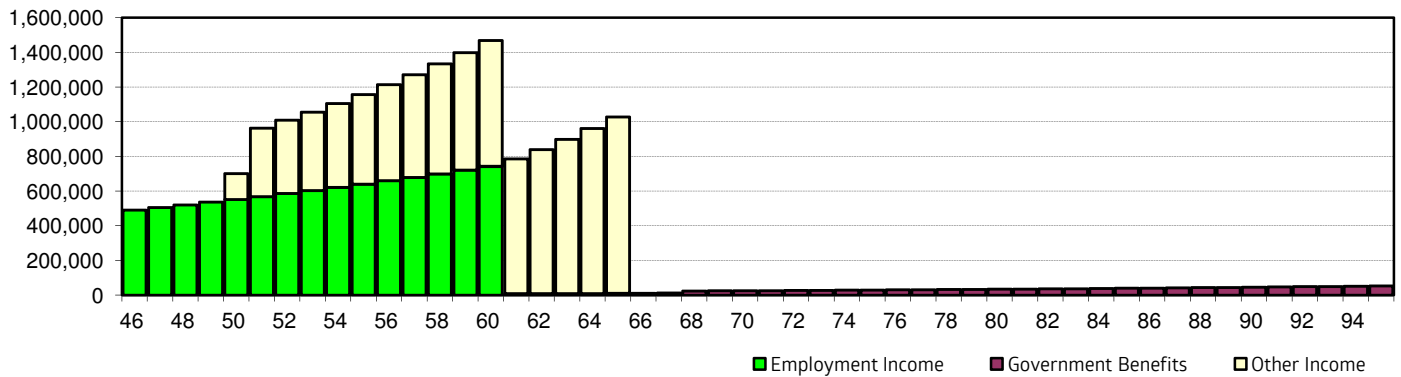
Assets	John	Jane	Total
Investment and Insurance Values			
Non-registered	1,451,100	700,000	2,151,100
RRSP / RRIF	78,533	215,958	294,491
Tax Free Savings Account	29,450	29,450	58,900
Pension Plans	92,400	14,451	106,851
Education & Trust Assets	47,250	47,250	94,500
Life & Disability Cash Values	72,340	0	72,340
Total Investment and Insurance Values			2,778,181
Real Estate			
Principal Residence	600,000	600,000	1,200,000
Recreational Property	0	0	0
Other Real Estate	0	0	0
Total Real Estate			1,200,000
Other Assets			
Business Interests	0	0	0
Business Interests - Trust Assets			0
Personal Use Assets	55,500	12,500	68,000
Other Assets	0	0	0
Total Other Assets			68,000
Total Assets			4,046,181
Liabilities			
Mortgages and Debts			
Principal Residence	0	0	0
Recreational property	0	0	0
Other Real Estate	0	0	0
Other Assets	0	0	0
Total Deferred Taxes			0
Total Liabilities			700,000
Net Worth			3,346,181

Sources of Income

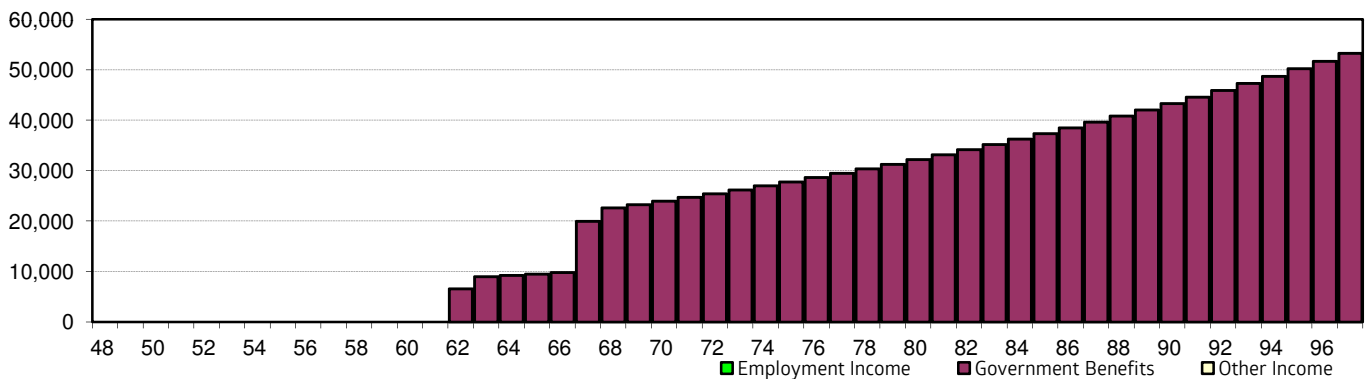
The next step is to assess your projected earned income over the course of your life. In doing so we start with your current employment income and assume (unless otherwise noted) that your income keeps pace with inflation. Other forms of income such as spousal and child support, government benefits and pensions (CPP & OAS) are included in this analysis. We have not included any investment or private pension income which you may be generating or entitled to. These represent assets and incomes that have been accumulated through savings and will be added to the analysis at a later point.

The following charts represent a graphical projection of your future income.

John



Jane



Lifestyle Needs

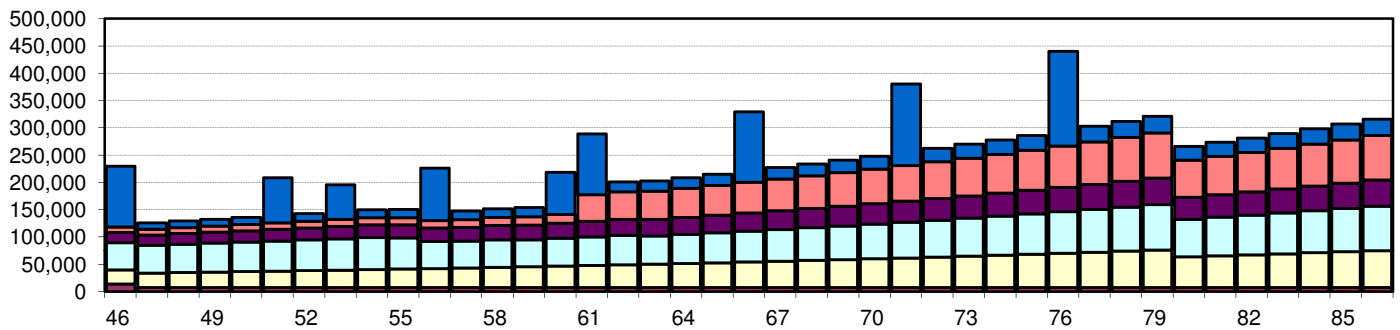
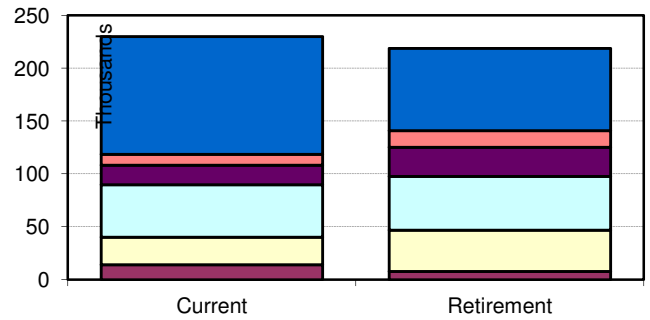
A detailed breakdown of your expenses is as follows.

Detailed Lifestyle Needs					
Beginning in:	2014	2028	2014	2028	
Shelter		Travel & Vacation			
Rent/Condo Fees	0	0	Travel & Vacation	10,000	30,000
Property Taxes	6,600	6,600	Travel Insurance	300	1,200
Property Insurance	2,400	2,400	Recreational Property Property T	0	0
Maintenance & Improvements	12,000	12,000	Recreational Property Insurance	0	0
Utilities	4,848	4,848	Rec. Prop. Maintenance & Improv	0	0
Misc. Shelter 1	0	0	Recreational Property Utilities	0	0
Misc. Shelter 2	0	0	Misc. Travel & Vacation	0	0
Total	25,848	25,848	Total	10,300	31,200
% of Total	11.98%	14.18%	% of Total	4.77%	17.12%
Basic Personal		Transportation			
Food	18,720	18,720	Vehicle Payments	0	0
Clothing	4,992	4,992	Auto Insurance	3,108	3,108
Personal Care	1,800	1,800	Maintenance	804	804
Medical & Dental	396	396	Fuel & Oil	7,284	7,284
Life & Disability	18,485	3,535	Parking	0	0
Cleaning & Supplies	5,400	5,400	Public Transit & Taxi's	300	300
Misc. Personal	0	0	Misc. Transportation 1	100,000	60,516
Total	49,793	34,843	Total	111,496	72,012
% of Total	23.07%	19.12%	% of Total	51.67%	39.51%
Discretionary Personal		Summary of Total Lifestyle Needs			
Entertainment & Restaurants	4,800	4,800	Shelter	25,848	25,848
Self Improvements	3,960	3,960	Basic Personal	49,793	34,843
Clubs & Memberships	3,456	3,456	Discretionary Personal	18,360	18,360
Hobbies	504	504	Travel & Vacation	10,300	31,200
Gifts	1,200	1,200	Transportation	111,496	72,012
Charitable Contributions	1,440	1,440			
Misc. Discretionary	3,000	3,000			
Total	18,360	18,360	Total Lifestyle Needs	215,797	182,263
% of Total	8.51%	10.07%			

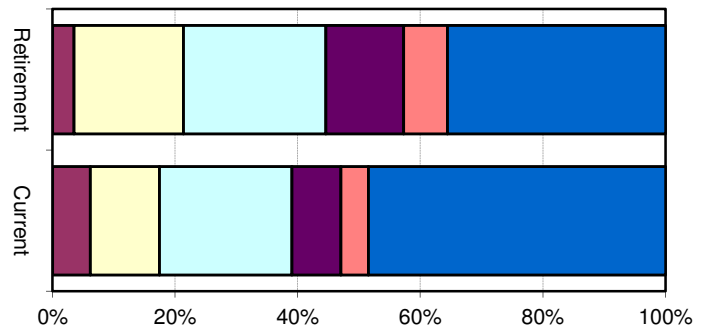
Lifestyle Needs

Your expenses change over time. Subsequently, your financial plan needs to account for how these expenses or costs are expected to change. The graph below projects your expenses (adjusted for inflation) in addition to other short and long-term goals. Certain expense “spikes” represent car purchases or other one off needs. Real estate purchases, asset sales, renovations and education goals are not included in the summary below.

Lifestyle Allocation	Current	Retirement
Employment Expense	0	0
Debt Service	14,175	7,600
Shelter	25,848	39,097
Basic Personal	49,793	50,891
Discretionary Personal	18,360	27,771
Travel & Vacation	10,300	15,580
Transportation	111,496	77,905
Total Lifestyle Needs:	229,972	218,844



The various projections contained in this document have all been adjusted for inflation. The graph to the right illustrates your lifestyle needs now and at retirement with each category expressed as a percentage of the total needed.



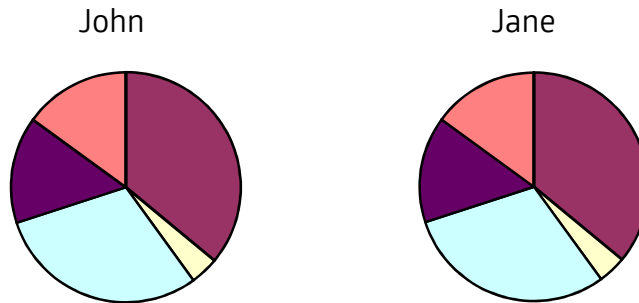
Portfolio Assumptions

Current Optimal Allocation

Based on the information provided and content of our conversations with you, we have determined your optimal allocation for you is as follows:

Recommended Asset Mix

- Cash & Equivalents
- Bonds: Canadian
- Bonds: Foreign
- Equity: Canadian
- Equity: Foreign
- US Equity
- CC Portfolio



	Cash & Equivalent	Bonds		Equity		
		Canadian	Foreign	Canadian	Foreign	U.S.
John	0	36%	4%	30%	15%	15%
Jane	0	36%	4%	30%	15%	15%

Our recommendations with regard to your investments will be discussed in the Investment Management Review.

Your Portfolio & Your Life Stage

As you progress through life, your portfolio should become more conservative in order to reflect your life stage. As such, we assume that your portfolio will change according to the following schedule. This may not be the case for you specifically; the chart below is simply meant to provide a model for your plan.

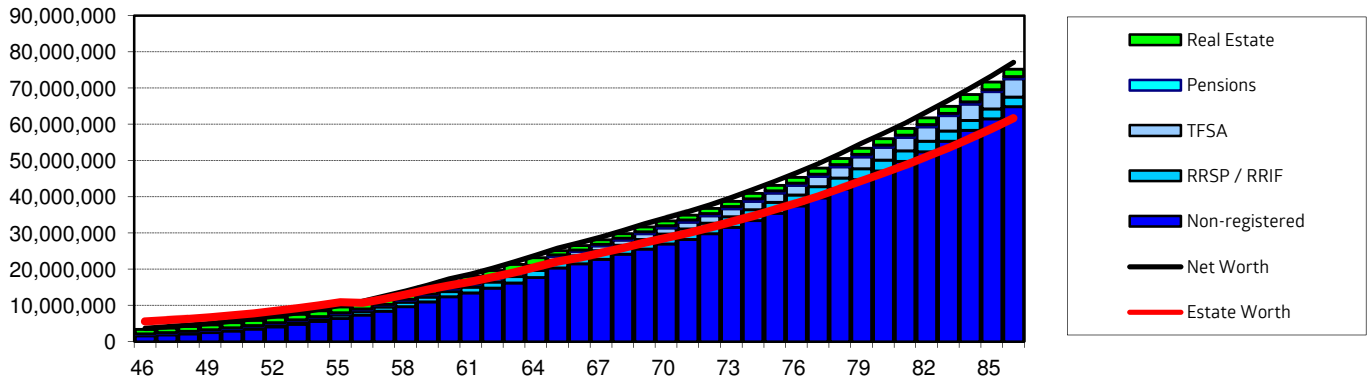
Age	Bond Allocation	Stock Allocation
Prior to 65	Current Optimal Allocation	
65	40%	60%
70	60%	40%
80	80%	20%

Your Portfolio & Your Near Term Goals

Other goals, such as a real estate purchase or a child's education, have their own specific timelines. We limit the risk in the investments allocated to meet these goals such that there is no risk to these assets for at least 2 years prior to the time they are needed.

Projected Net Worth

Up to this point, we have established your income, expenses, assets, liabilities and how you might save your free cash flow. Assuming that you save your free cash flow effectively, the following is a projection of how your net worth may evolve over time.



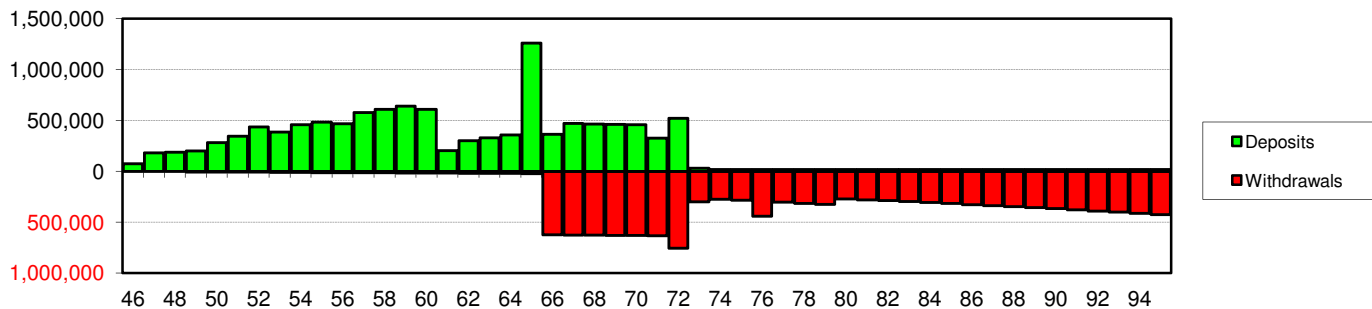
Ideally, we hope to see this chart demonstrate the following:

- **A flat or upward slope over your lifetime.** This means that you are able to at least preserve your nest egg if not increase it over time.
- **A healthy investment value over your lifetime** (represented by blue bars). Investment value represents liquid net worth that can be accessed in case of unexpected health issues and/or to provide a margin for error.

Should your chart not demonstrate the above two points, we will discuss with you the implications of this and how to potentially compensate.

The chart above also illustrates the impact of taxes and other expenses in the event of death at any given point in time. The red Estate Worth line equals your total assets plus life insurance proceeds less taxes, debts, probate and other fees as well as any other adjustments at death.

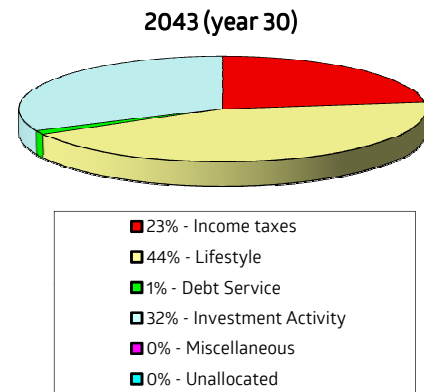
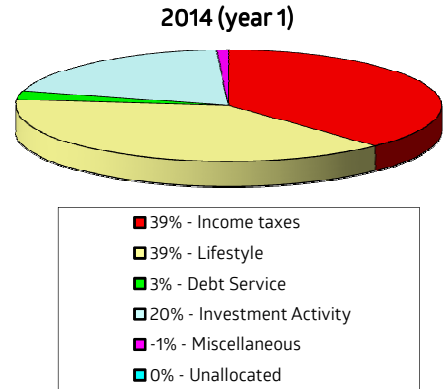
The table below demonstrates how this will come to fruition by summarizing the investment deposits and withdrawals you will make over time.



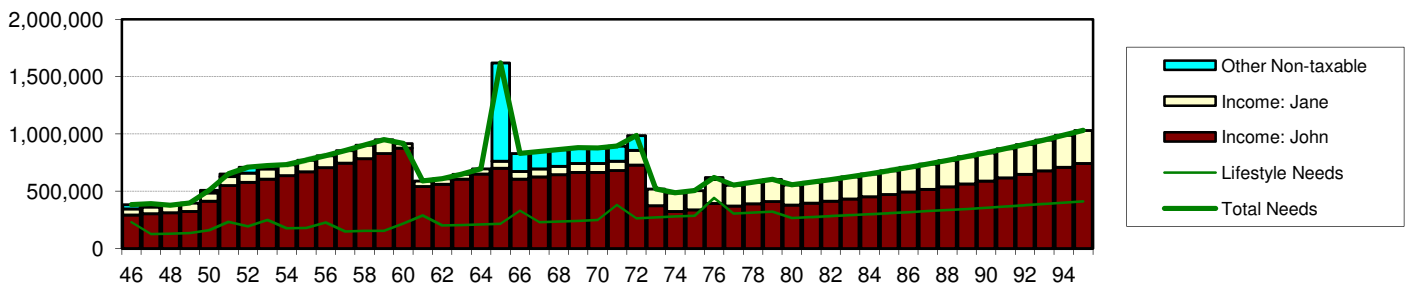
Projected Cash Flow

In order to make sense of the previous table, let us consider how the average year prior to and after retirement will look. The table below summarizes your projected income, cash flow, taxes, expenses and investments.

Sources of Income	2014 (year 1)	2043 (year 30)
Employment Income	491,100	0
Pensions & Government Benefits	0	96,720
RRSP / RRIF Withdrawals	0	169,213
TFSA Withdrawals	0	0
Investment Income	68,062	386,578
Non-registered Principal & Other Income	0	0
Total Income	559,162	652,511
After-tax Income		
Income Tax	208,444	124,202
CPP / EI Premiums	3,411	0
OAS Clawback	0	21,355
Net After-tax	347,307	506,953
Disposable Income		
Reinvested Investment Income	46,428	200,779
Debt Service	14,175	7,600
Lifestyle Needs	215,797	278,574
Available for Investment	70,907	20,000
Investment Savings		
RRSP Contributions	24,270	0
TFSA Contributions	11,000	20,000
Pension Contributions	0	0
Non-registered Savings	40,637	0
Annual Savings	75,907	20,000
Miscellaneous		
Real Estate	0	0
Life / Disability Insurance	0	0
Other Assets, Debts & Caring Charges	-5,000	0
Unallocated Surplus (Shortfall)	0	0



The following chart goes one step further and summarizes how your cash flow changes every year during the course of your lifetime.



Sensitivity Analysis

What happens if you do not experience the investment returns projected in this plan?

To address this concern, we run up to four different analyses to determine how sensitive your plan is to these return assumptions. The tables below detail the findings of one of those analyses.

The following summarizes how much capital you are projected to have invested at retirement (in blue) vs. how much you will need, assuming three different rates of return.

Available Capital		13,969,911	
Return		Required Capital	Excess (Shortfall)
Cash	3.00%	2,225,329	11,744,582
Bond	5.00%	1,049,317	12,920,594
Conservative	6.20%	576,329	13,393,582

The ideal situation is to have a substantial excess of capital even at the lowest rate of return (cash). If this is the case, this plan is as secure as one could possibly hope. Any “excess” represents a “cushion” or nest egg to be accessed in the event of unforeseen events.

Should you have a shortfall, this number represents how much more capital would be needed at the given level of return in order to meet your goals.

The following table summarizes how much each of these excesses or shortfalls at each level of return will affect your lifestyle goals.

Lifestyle Goal		218,844	
Return		Lifestyle Goal	Excess (Shortfall)
Cash	3.00%	520,371	301,527
Bond	5.00%	658,418	439,574
Conservative	6.20%	758,713	539,869

The above table tells us just how sensitive your retirement lifestyle is to returns. The shortfall amount details how much your lifestyle would be compromised every given year if your returns were at said level. If you spent that much less each year, this plan would still work at that level of return.

Alternatively, excesses show how much of a margin for error one has with their retirement spending; essentially, how much more you could spend each year.

Recommendations & Strategies

This personal financial plan has been developed to offer suggestions as to how you might achieve your stated goals based on your current situation, needs, and priorities. Those recommendations are outlined below.

It is important that you understand the advantages, disadvantages, costs, risks and time sensitivity associated with each of the strategies outlined. It is also important that you realize the consequences of not taking action. Don't hesitate to ask should you have any questions.

- The greatest risk to this plan is John losing his job. As discussed, you will look to keep your lifestyle at the current level for the next five years and focus on savings.
- Maintain an emergency fund of \$45,000, invested in a corporate class money market or short term bond fund.
- Continue to maximize John's RRSP until retired (\$24,270/year indexed to inflation).
- Continue to maximize your TFSAs annually both during working and retirement years (\$5,500 in 2014 and \$10,000 thereafter).
- Assuming no change to the prescribed rate, you should continue to increase the spousal loan every year. The plan assumes an increase to the loan of \$30,000/year for the next two years.
- Any investments outside your RRSPs, TFSAs or insurance policies should be made within a tax efficient corporate class structure.
- In years of where Jane's portfolio experiences growth, capital gains should be triggered to take advantage of Jane's low tax rate.

Next Steps

Now that you have received this plan, we recommend that you review it in order to ensure it's accuracy. Should anything appear incorrect please contact us to discuss and so that we might provide you with a more accurate version of this plan.

Once you are comfortable with this plan we can move forward with the rest of the process. The next step will be to address the structure of your investment in your Investment Management Review.





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