

# **RETIREMENT PROJECTION**

**Prepared for**  
**Wife and Husband Lname**

Clients of:  
**Investment Advisor**

Prepared by:  
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November 2007



## The Scope of this Review

Wife and Husband, this financial review is intended to provide you with projections of possible outcomes for your financial situation. It is highly dependent on the assumptions of return rate and spending. We hope it provides you with a level of comfort and direction for your financial future. As your financial situation changes in terms of spending amounts or market conditions, you can return to this report to compare your actual situation versus these projections.

## Your Goals

Your main goal is to assess an affordable spending level for retirement.

This data is the core data. It will help evaluate;

1. Retirement: To confirm sufficiency of assets to support your desired retirement spending when Wife is at the age of 60, and Husband at the age of 65, assuming life expectancy to age 90, with after-tax spending of \$80,000 indexed at 3%. This includes;
  - i. Wife and Husband's gross incomes of \$175,000 and \$113,000 per year respectively indexed at 3%.
  - ii. CPP and OAS at age 65
  - iii. Wife's pension, if she takes an unreduced early retirement at 60 \$67,830 (\$5,652/ month) for 5 years, then \$60,995 (\$5,080/ month) at age 65 and onward. To be conservative, we have assumed that the pension will be a flat annual amount of \$5,080/month for retirement in its entirety. We have assumed no indexing.
  - iv. Husband's pension, \$43,000 (\$3,583/ month) at age 65. We have assumed no indexing.
  - v. Annual non-registered savings of \$50,000 for Wife.
  - vi. RRSP contribution of \$8,000/year for Husband.
2. Specifically we will answer the questions:
  - How much of an estate will you leave for your daughter with your existing plan?
  - What if return rates are lower than anticipated, at 5%?
  - What is your maximum affordable after-tax spending that is supportable during retirement until Age 90?
  - What if you live until age 100?
  - What if Wife only saves \$25,000/year rather than \$50,000.

## Key Findings

Our review of your current situation suggests the following:

- You will have sufficient assets to support your desired \$80,000/year after tax spending level upon your retirement.
- We estimate that you will be able to leave an estate for your daughter of \$3.6 million before taxes, not including the value of your home.
- You can still afford to retire if return rates are lower than anticipated, at 5%.
- A maximum after-tax spending level of \$104,000/year will be possible to age 90, although your daughter would only inherit your home valued at approximately \$3 million by the time you retire in the year 2051; all other assets would be depleted.
- You can afford to live to 100 with your current retirement spending requirement.
- If Wife only saves \$25,000/year, you can still afford to have your desired retirement spending level; however your estate will be significantly reduced.

## Next Steps

It is important to review your situation regularly. Please consider the following:

- We recommend that you both have a will drawn up this month. Dying intestate (Dying without a will) leads to the government making your estate decisions for you.
- Review your current allocation with Investment Advisor to ensure that you are optimally allocated to match both your personal risk tolerance and income needs.
- Your current plan should grant your daughter a significant inheritance, although she will not receive the entire amount of your estate. Significant tax liabilities upon death have not been covered in the scope of this plan; in particular unrealized capital gains as well as the tax implications of your registered accounts.
- We recommend that you speak with Investment Advisor about your opportunity to maximize estate planning opportunities using insurance as a tool, for the benefit of Sofia's inheritance.
- Consider either paying off your line of credit, or making the interest on the credit line income tax deductible (Assuming that this is not already the case). If the interest is not income tax deductible, you have sufficient non-registered assets to pay off this debt. You could then re-borrow the same amount of money to purchase securities and deduct the interest on your income tax.
- You may want to consider gifting to a Canadian Registered Charity during your lifetime. This appears to be affordable for you. Gifting can be done to avoid capital gains tax, and receive tax credits for tax savings.

## Major Assumptions

Key assumptions used within the report are listed in the Appendix.

Important Note: The figures used are estimates. You may find some figures higher or lower than actual. In instances, such as income tax, the amounts are estimated. If they are higher than actual, this will make the plan more conservative. If upon filing your income taxes you actually pay less income tax, then your situation is better than we have projected.

**Multiple outcomes are possible, based on changing the assumptions. A very important assumption that is used in this plan is that the annual rate of return is constant in each year. If in fact you are redeeming investment income or capital in any year of low or negative returns, this would significantly reduce the projected net worth and your ability to support your retirement goals.**

**Net Worth Summary as of November 2007**

	Wife	Husband	Joint	Total
<b>Non-Registered Assets</b>				
Investment Portfolio			\$260,000	\$260,000
<b>Registered Assets</b>				
RRSPs/ Spousal RRSPs	\$142,820	\$152,000		\$294,820
RESP			\$29,000	\$29,000
<b>Total Registered Assets</b>				\$323,820
<b>Lifestyle Assets</b>				
House			\$800,000	\$800,000
<b>Total Lifestyle Assets</b>				
<b>Total Assets</b>	\$142,820	\$152,000	\$289,000	\$583,820
<b>Liabilities</b>				
Line of Credit			(\$60,000)	(\$60,000)
<b>Total Net Worth</b>	<b>\$142,820</b>	<b>\$152,000</b>	<b>\$1,089,000</b>	<b>\$1,323,820</b>

Please note that your daughter's RESP account shown above, was not included in the scope of this Retirement Plan since those RESP assets are not earmarked for retirement. We have also assumed a net non-registered investment asset figure of \$200,000 for the purposes of this plan. The \$60,000 line of credit has been netted out as per page 12, but it is shown above in your net worth statement.

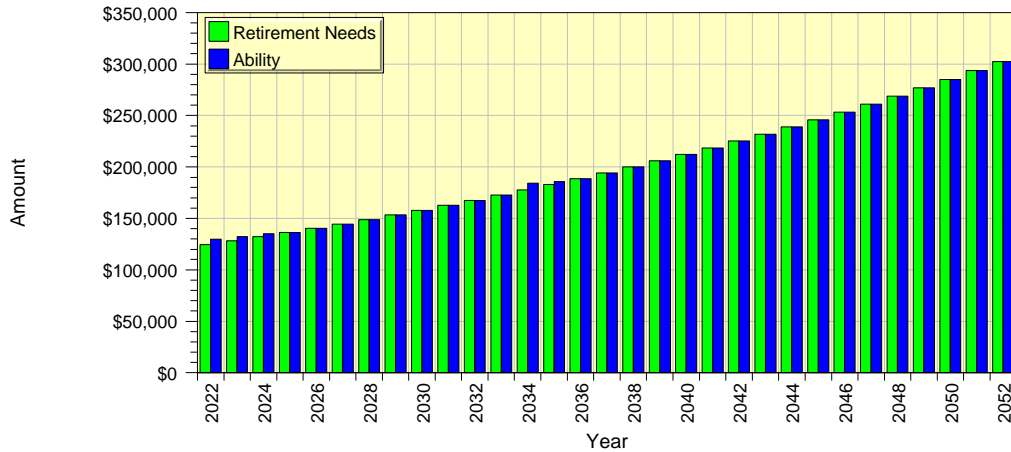
## RETIREMENT PROJECTION

### RETIREMENT OBJECTIVES

Wife's goal is to retire in 2022 at the age of 60, and Husband's goal is to retire in 2025 at the age of 65. You have indicated a desired annual after-tax income of \$80,000 to fund your retirement needs. Total rate of return is estimated at 6.5%. See the Appendix for details.

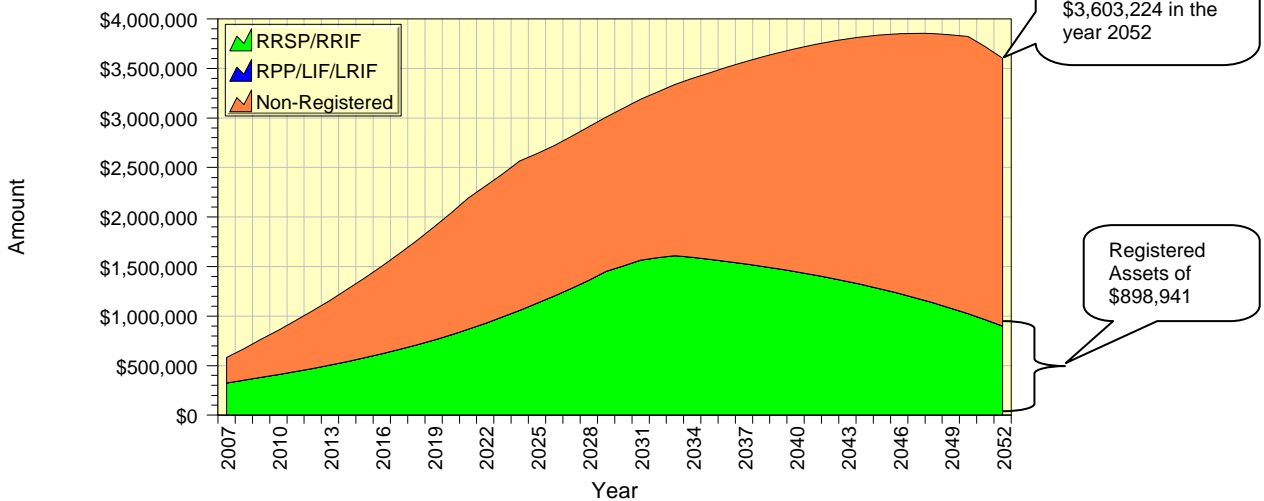
### CURRENT SITUATION

### NEEDS VERSUS ABILITIES



The above graph illustrates your desired retirement goals and your ability to meet these goals over time with your **current** savings and investment plan. This graph is based on your projected goals, rates of return, investment strategies and inflation assumptions. You have the ability to meet your retirement needs.

### CAPITAL ACCUMULATION AND REDEMPTION



The above graph illustrates how your capital is projected to accumulate until retirement and then how it will be redeemed during retirement to cover your goals with your **current** savings and investment plan. The registered asset portion of your estate will be subject to the highest marginal tax rate.

**CAPITAL ACCUMULATION AND REDEMPTION**

Year	Wife's Age	Husband's Age	RRSP/RRIF	Non-Registered	Total Capital
2007	45	47	\$322,503	\$258,554	\$581,057
2008	46	48	\$351,986	\$319,111	\$671,097
2009	47	49	\$382,871	\$381,741	\$764,612
2010	48	50	\$410,432	\$446,513	\$856,946
2011	49	51	\$439,846	\$513,502	\$953,348
2012	50	52	\$471,235	\$582,783	\$1,054,018
2013	51	53	\$504,728	\$654,434	\$1,159,163
2014	52	54	\$540,466	\$728,537	\$1,269,003
2015	53	55	\$578,595	\$805,176	\$1,383,770
2016	54	56	\$619,273	\$884,436	\$1,503,709
2017	55	57	\$662,668	\$966,409	\$1,629,077
2018	56	58	\$708,959	\$1,051,186	\$1,760,146
2019	57	59	\$758,337	\$1,138,865	\$1,897,201
2020	58	60	\$811,003	\$1,229,543	\$2,040,546
2021	59	61	\$867,175	\$1,323,324	\$2,190,499
2022	60	62	\$927,083	\$1,382,770	\$2,309,853
2023	61	63	\$990,972	\$1,443,666	\$2,434,638
2024	62	64	\$1,059,103	\$1,506,040	\$2,565,143
2025	63	65	\$1,127,945	\$1,512,382	\$2,640,327
2026	64	66	\$1,201,261	\$1,520,149	\$2,721,411
2027	65	67	\$1,279,343	\$1,534,494	\$2,813,838
2028	66	68	\$1,362,501	\$1,547,960	\$2,910,460
2029	67	69	\$1,451,063	\$1,558,412	\$3,009,475
2030	68	70	\$1,507,457	\$1,590,939	\$3,098,396
2031	69	71	\$1,564,999	\$1,622,701	\$3,187,700
2032	70	72	\$1,589,626	\$1,674,932	\$3,264,558
2033	71	73	\$1,610,726	\$1,728,628	\$3,339,354
2034	72	74	\$1,592,447	\$1,806,369	\$3,398,816
2035	73	75	\$1,572,728	\$1,883,584	\$3,456,312
2036	74	76	\$1,551,463	\$1,959,880	\$3,511,344
2037	75	77	\$1,528,560	\$2,034,967	\$3,563,527
2038	76	78	\$1,503,781	\$2,108,743	\$3,612,524
2039	77	79	\$1,477,226	\$2,180,871	\$3,658,096
2040	78	80	\$1,448,694	\$2,251,192	\$3,699,886
2041	79	81	\$1,418,016	\$2,319,512	\$3,737,528
2042	80	82	\$1,385,054	\$2,385,595	\$3,770,649
2043	81	83	\$1,349,705	\$2,449,160	\$3,798,865
2044	82	84	\$1,311,907	\$2,509,883	\$3,821,791
2045	83	85	\$1,271,368	\$2,567,566	\$3,838,934
2046	84	86	\$1,228,004	\$2,621,850	\$3,849,854
2047	85	87	\$1,181,673	\$2,672,392	\$3,854,065
2048	86	88	\$1,132,200	\$2,718,843	\$3,851,043
2049	87	89	\$1,079,410	\$2,760,828	\$3,840,238
2050	88	90	\$1,023,051	\$2,797,994	\$3,821,046
2051	89	91	\$962,968	\$2,756,127	\$3,719,095
2052	90	92	\$898,941	\$2,704,283	\$3,603,224

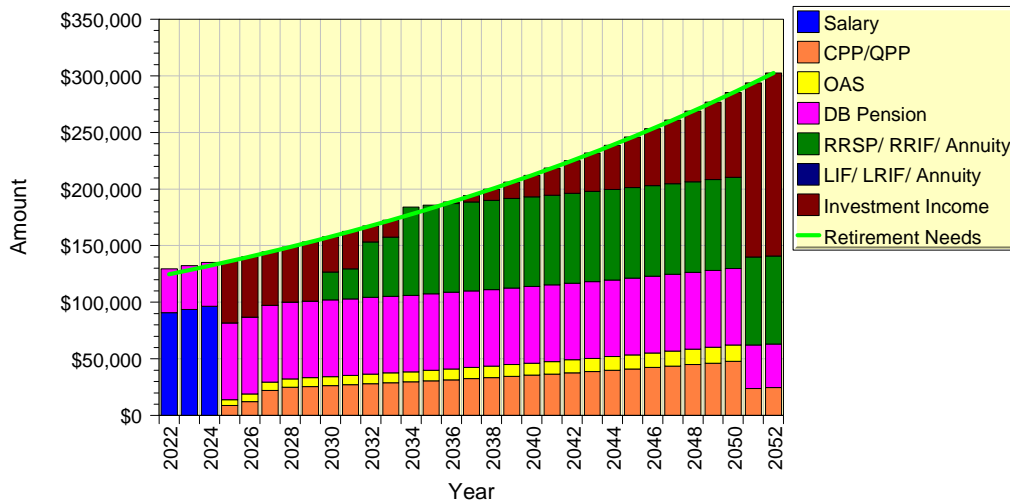
Total Capital Growth of \$3,022,167 From 2007 to 2052

The above table shows how your capital is projected to accumulate until retirement and then how it will be redeemed during retirement to cover your goals with your **current** savings and investment plan. Notice how the non-registered assets grow continually up until the end of your projected lifespan, while the registered assets experience depletion. Overall, your Total Capital grows. As a side note, your home is estimated to be worth approximately \$3 million dollars in 2052 (and is not included in this figure), although that amount would only give you the same amount of buying power as your \$800,000 home today. Homes tend to keep pace with inflation over long time periods of time.



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**RETIREMENT INCOME SOURCES**



The above graph shows your projected sources of retirement income. Notice how Husband is still receiving a salary for the first three years of Wife's retirement. Note how your investment income provides a less significant source of retirement income than the combination of government pensions and your individual pensions throughout the majority of your retirement. This allows your non-registered assets to grow for your estate.

**RETIREMENT INCOME SOURCES**

Husband is still contributing for the first 3

Year	Wife's Age	Burno's Age	Salary	Less RRSP	CPP/QPP & OAS	RRSP/ RRIF/ Annuity	Investment Income	DB Pension	LIF/ LRIF/ Annuity	Taxes	Total After Tax	Retirement Needs	Capital Reinvested/ (Withdrawn)
2022	60	62	\$176,050	\$3,325	\$0	\$0	\$86,016	\$60,996	\$0	\$135,653	\$184,084	\$124,637	\$59,447
2023	61	63	\$181,332	\$3,407	\$0	\$0	\$89,917	\$60,996	\$0	\$139,566	\$189,272	\$128,377	\$60,896
2024	62	64	\$186,772	\$3,491	\$0	\$0	\$93,906	\$60,996	\$0	\$143,581	\$194,602	\$132,228	\$62,374
2025	63	65	\$0	\$0	\$20,707	\$0	\$95,995	\$103,992	\$0	\$78,157	\$142,537	\$136,195	\$6,342
2026	64	66	\$0	\$0	\$28,437	\$0	\$96,450	\$103,992	\$0	\$80,831	\$148,048	\$140,280	\$7,767
2027	65	67	\$0	\$0	\$44,684	\$0	\$97,167	\$103,992	\$0	\$87,009	\$158,834	\$144,489	\$14,345
2028	66	68	\$0	\$0	\$49,195	\$0	\$98,050	\$103,992	\$0	\$88,948	\$162,289	\$148,824	\$13,465
2029	67	69	\$0	\$0	\$50,671	\$0	\$98,804	\$103,992	\$0	\$89,726	\$163,740	\$153,288	\$10,452
2030	68	70	\$0	\$0	\$52,191	\$36,659	\$100,219	\$103,992	\$0	\$102,648	\$190,414	\$157,887	\$32,527
2031	69	71	\$0	\$0	\$53,757	\$39,093	\$102,262	\$103,992	\$0	\$104,718	\$194,386	\$162,624	\$31,762
2032	70	72	\$0	\$0	\$55,370	\$74,524	\$104,979	\$103,992	\$0	\$119,131	\$219,733	\$167,502	\$52,231
2033	71	73	\$0	\$0	\$57,031	\$79,481	\$108,350	\$103,992	\$0	\$122,631	\$226,223	\$172,527	\$53,696
2034	72	74	\$0	\$0	\$58,241	\$118,872	\$112,361	\$103,992	\$0	\$138,021	\$255,444	\$177,703	\$77,741
2035	73	75	\$0	\$0	\$60,421	\$119,115	\$117,398	\$103,992	\$0	\$140,677	\$260,249	\$183,034	\$77,215
2036	74	76	\$0	\$0	\$62,319	\$119,370	\$122,367	\$103,992	\$0	\$143,226	\$264,822	\$188,525	\$76,296
2037	75	77	\$0	\$0	\$64,188	\$119,618	\$127,186	\$103,992	\$0	\$145,717	\$269,267	\$194,181	\$75,086
2038	76	78	\$0	\$0	\$66,114	\$119,992	\$131,930	\$103,992	\$0	\$148,245	\$273,783	\$200,006	\$73,776
2039	77	79	\$0	\$0	\$68,098	\$120,152	\$136,567	\$103,992	\$0	\$150,675	\$278,134	\$206,007	\$72,128
2040	78	80	\$0	\$0	\$70,141	\$120,394	\$141,093	\$103,992	\$0	\$153,111	\$282,508	\$212,187	\$70,322
2041	79	81	\$0	\$0	\$72,245	\$120,676	\$145,497	\$103,992	\$0	\$155,537	\$286,873	\$218,552	\$68,320
2042	80	82	\$0	\$0	\$74,412	\$120,957	\$149,766	\$103,992	\$0	\$157,935	\$291,192	\$225,109	\$66,083
2043	81	83	\$0	\$0	\$76,644	\$121,192	\$153,883	\$103,992	\$0	\$160,284	\$295,428	\$231,862	\$63,565
2044	82	84	\$0	\$0	\$78,944	\$121,338	\$157,829	\$103,992	\$0	\$162,562	\$299,541	\$238,818	\$60,723
2045	83	85	\$0	\$0	\$81,312	\$121,614	\$161,587	\$103,992	\$0	\$164,840	\$303,665	\$245,983	\$57,683
2046	84	86	\$0	\$0	\$83,751	\$121,797	\$165,140	\$103,992	\$0	\$167,035	\$307,646	\$253,362	\$54,284
2047	85	87	\$0	\$0	\$86,264	\$121,941	\$168,465	\$103,992	\$0	\$169,157	\$311,505	\$260,963	\$50,542
2048	86	88	\$0	\$0	\$88,852	\$122,067	\$171,541	\$103,992	\$0	\$171,208	\$315,243	\$268,792	\$46,451
2049	87	89	\$0	\$0	\$91,517	\$122,164	\$174,343	\$103,992	\$0	\$173,176	\$318,841	\$276,856	\$41,985
2050	88	90	\$0	\$0	\$94,263	\$122,297	\$176,849	\$103,992	\$0	\$175,074	\$322,327	\$285,161	\$37,166
2051	89	91	\$0	\$0	\$37,549	\$122,357	\$176,524	\$60,996	\$0	\$145,577	\$251,849	\$293,716	(\$41,867)
2052	90	92	\$0	\$0	\$38,676	\$122,393	\$173,522	\$60,996	\$0	\$144,903	\$250,683	\$302,528	(\$51,844)



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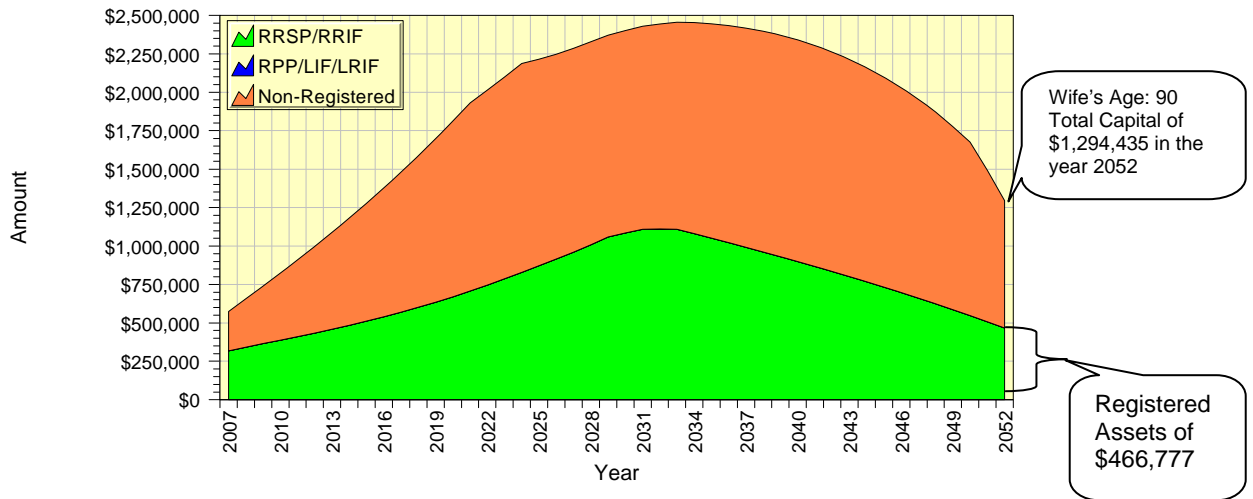
This table matches the previous graph. This table shows your sources of income in retirement starting at the first full year in 2022, when Wife is retired and Husband is still contributing to his RSP. Also notice how your retirement needs begin at \$124,673/year in 2022, the equivalent of \$80,000/year today, adjusted for inflation.

**Planning Scenarios**

There are a number of factors that could affect your retirement plans. We have explored various outcomes for you based on possible **What-if** situations. Small changes can have a meaningful impact, both favorably and not.

**1. What-if:**

- What if return rates are lower than anticipated, at 5% instead of 6.5%.



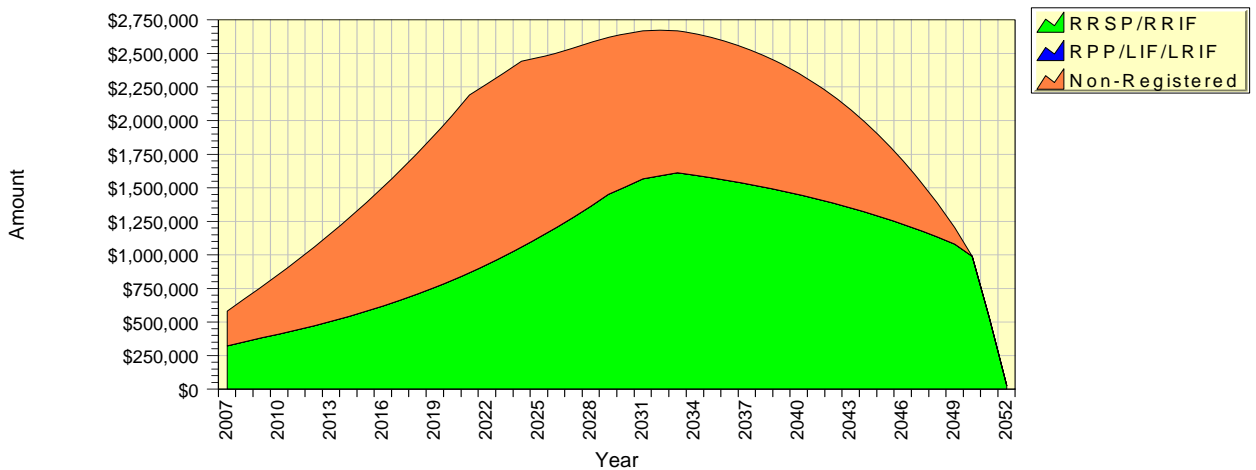
In this scenario, your total net worth is reduced but still more than adequate for your lifetime. This emphasizes the need for an asset allocation that includes deferred growth and tax efficient investment income, particularly if you would like to reasonably maximize the estate that you will pass on to Sofia.

**Key Findings**

- You still have sufficient assets to finance your desired retirement income.
- Estate assets are \$2.3 million less; \$1.29 million compared to \$3.6 million in your existing plan.

**2. What- If:**

- What is your maximum affordable after-tax spending that is supportable during retirement until Age 90.



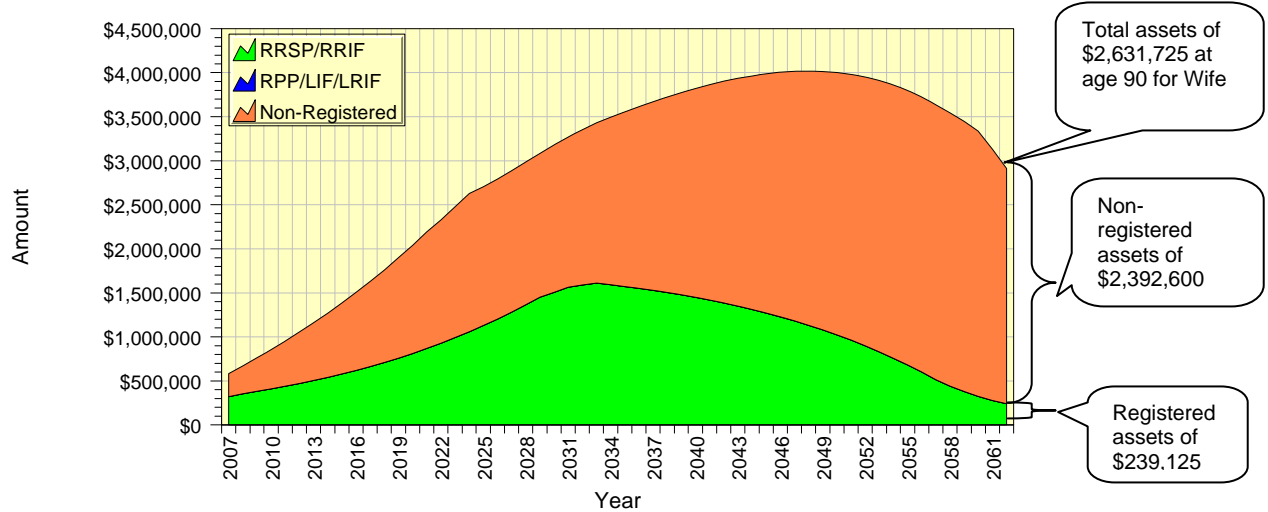
The above graph illustrates how your capital is projected to accumulate until retirement and then how it will be redeemed during retirement to cover your goals with your **what if** savings and investment plan. Notice that all assets are virtually depleted by 2052.

**Key Findings**

- In this scenario, maximum level of after tax spending that you can afford is \$104,000/year after tax, versus \$80,000/year after tax under your current plan.
- Virtually no capital is remaining for your daughter Sofia upon Wife's projected lifespan of 90.

**3. What- If:**

- What if you both live to age 100.



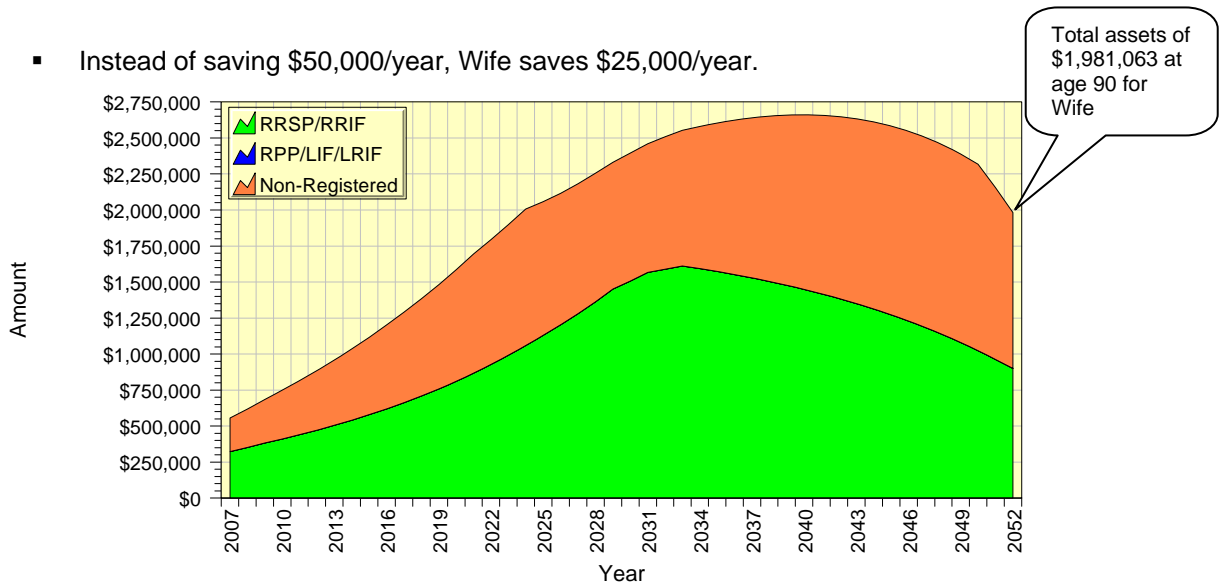
The above graph illustrates how your capital would be projected to accumulate until retirement and then how it would be redeemed during retirement to cover your goals with your **what if** savings and investment plan. Note how the majority of your total investment capital would consist of non-registered assets.

**Key Findings**

- In this scenario, you have sufficient assets to support yourselves should you live to age 100.
- You will have \$2,631,725 in pre-tax capital assets to pass to your daughter Sofia versus \$3,603,224 under your current plan. Your home is not included in this figure.
- Your registered account makes up a relatively small portion of your estate. This is beneficial, since registered accounts are taxed in the highest marginal rate.

**4. What- If:**

- Instead of saving \$50,000/year, Wife saves \$25,000/year.



**Key Findings**

- The value of the estate ends up being significantly less at \$1,981,063, versus \$3,603,224 under your current plan. Your estate would be reduced by \$1,622,161 before taxes.



- You would still have sufficient assets to finance your retirement at a spending level of \$80,000/year.
- With this lower savings level you would be able to afford an after tax spending level of \$92,000; although this would cause your estate to be virtually depleted. (Apart from your home which would be worth approximately \$3 million in 2052.)

**Please Remember...**

We have prepared this projection based on information that you have provided. We have neither reviewed nor otherwise attempted to verify the accuracy or completeness of this information. As the future cannot be forecast, actual results will vary from these hypothetical illustrations. It is possible that these variations may be material. The degree of uncertainty normally increases with the length of the future period covered.

Although every reasonable effort has been made to ensure accurate calculations, they cannot be guaranteed. This report and the financial advice process are designed to assist you in making personal financial decisions and may not be appropriate for other purposes. Final decisions relating to tax and investment strategies and cash flow management are yours.

I accept the information contained within this projection and understand the assumptions associated with it.

\_\_\_\_\_  
Wife Lname

\_\_\_\_\_  
Husband Lname

Date: \_\_\_\_\_

The output of this calculation tool including any analyses, tables, guidelines, discussions, charts or scenarios are based on the information you have provided to us regarding your personal financial circumstances or objectives. In deriving or calculating its output, this calculation tool may make use of assumptions in respect of the following factors: interest rates, inflation rates, rates of return, taxation rules or other related assumptions. These assumptions are subject to rapid change over time. The assumptions, calculation methods or output of this calculation tool may differ substantially from the assumptions, calculation methods or opinions of taxation or other regulatory authorities or your own accountant, lawyer or other professional advisor.

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## SYNOPSIS

The following is a review of the information and assumptions used in preparing the recommendations provided herein. Please ensure that this information is correct and complete.

### General Information

Desired after-tax retirement income	\$80,000
Inflation rate	3.00%

	<b>Wife</b>	<b>Husband</b>
Birth date	Feb 21 1962	Mar 22 1960
Proposed retirement date	January 1, 2022	January 1, 2025
Life expectancy	90	90
Current salary	\$175,000	\$113,000
Indexed at	3.00%	3.00%

### Pension Information (Government)

Canada/Quebec Pension Plan Eligibility	100.00%	100.00%
Starting age of CPP/QPP	65	65
Old Age Security Plan Eligibility	100.00%	100.00%

### Pension Information (Defined Benefits)

Receive benefits at age	60	65
Estimated monthly pension amount	\$5,083	\$3,583
Integrated with CPP	No	No

### Savings Information (RRSP)

Current value	\$142,820	\$152,000
Frequency	Monthly	Annual
Contributions	\$0	\$8,000
Rate of Return	6.50%	6.50%
Convert to RRIF at	Age 69	Age 69

### Savings Information (Non-registered)

Current value (Net of \$60,000 Line of Credit)	\$200,000
Frequency	Annual
Contributions	\$50,000
Rate of Return	6.50%