



# **Retirement Assessment**

**for**

**Bob Smith  
Jill Smith**

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January 7, 2015**

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## **Disclaimer**

The financial projections in your Retirement Assessment are for illustration purposes only and are not guaranteed. The projections are based on various assumptions, such as your savings / contribution amounts, the rate of return earned on your investment portfolios, and the inflation assumption. As a consequence, your actual results will vary from the financial projections provided.

Your Retirement Assessment was prepared using personal and financial data that was provided by you. It is important that the data was accurate. Inaccurate data can have a significant impact over time on the financial projections.

Your Retirement Assessment was prepared as a guide only and is not intended to replace professional legal or tax advice. Please consult with your own legal and tax advisors.

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## Introduction

**A Retirement Assessment plan has one main objective:** To discover if you will have sufficient assets to maintain the lifestyle that you desire during your retirement years. Could you act more effectively in order to achieve your objective?

Planning is about learning, decision making, and action. The Initial Assessment report provided you with an initial overview. Based on the financial forecast, you made some decisions and changes were made. This report summarizes those decisions and provides a "To Do" list and Financial Summary table that displays your financial benchmarks.

A Retirement Assessment plan is only a guide. As life unfolds, you will face new choices. You will be able to model them and discover their long-term implications. You will make mistakes on the software's practise field, rather than making costly and irreversible mistakes in real life. You will have a greater sense of control. You will be more satisfied with your new decisions and feel more fulfilled. **These are the lasting benefits.**

## Plan Parties

The main parties in a plan are referred to as the Principal Parties. There can be up to two Principal Parties. They are usually partners, such as spouses and common-law partners.

**The Principal Parties in your plan are Bob Smith and Jill Smith.**

### Bob Smith

<b>Date of Birth</b>	1/10/1963
<b>Age</b>	52
<b>Tax/Estate Status</b>	Spouse
<b>Disabled</b>	No
<b>Smoker</b>	No
<b>Life Expectancy</b>	78
<b>Residence</b>	Ontario

### Jill Smith

<b>Date of Birth</b>	8/28/1962
<b>Age</b>	52
<b>Tax/Estate Status</b>	Spouse
<b>Disabled</b>	No
<b>Smoker</b>	No
<b>Life Expectancy</b>	83
<b>Residence</b>	Ontario

## Goals

The following is a summary of your main goals.

### Initial Goals

Your desired retirement expenses are \$60,900.

Bob's desired retirement age is 64.

Jill's desired retirement age is 65.

Based on your life expectancy assumption, Bob's years of retirement are 14.

Based on your life expectancy assumption, Jill's years of retirement are 18.

For other assumptions, such as OAS and CPP benefits, please see the Appendix.

### Decisions

Based on the Initial Assessment, you have made the following decisions.

#### Decision 1:

Bob will retire at age	64
Jill will retire at age	65

#### Decision 2:

Bob's investment portfolios will target an average annual rate of return of	6%
Jill's investment portfolios will target an average annual rate of return of	6%

#### Decision 3:

Bob's average annual additional savings will be	\$0
Jill's average annual additional savings will be	\$0

Additional savings do not include non-registered portfolio savings, and TFSA, RRSP, and DCP contributions that you intend to make. For details, see the To Do List, Financial Summary table.

#### Decision 4:

Your desired annual general, home, and vehicle expenses during retirement are	\$60,900 (today's \$)
	\$86,829 (inflated-adjusted \$)

For details, see the Net Cash Flow Forecast graphs and table.

#### Decision 5:

You did not make any other major decisions.

## Goals

### Other "Wants"

The following are some of the other "wants" that you expressed during the planning process.

1. The initial retirement assessment based our retirement income needs to our life expectancy, Bob 78 and Jill 83. We would like to have a retirement income that lasts to Bob's age 88 and Jill's age 90.
2. When Bob turns 75 we would like to sell our home and rent an apartment.

## To Do List

**The only purpose of planning is to clarify your goals and discover how to act effectively to achieve them.** The following Actions list displays your savings / contributions targets for the next two years. The list highlights who will perform each action and when it will be performed. As you implement your plan, you should complete the checklist. It will give you a sense of progress and accomplishment.

The Financial Summary table displays your additional savings and asset targets for the next five years.

Actions	Amount	Taken By	When	Done
1. RRSP contributions	\$3,000	Bob	1/1/2016	<input type="checkbox"/>



## To Do List

### Financial Summary for Total

Sources and Uses	2015	2016	2017	2018	2019
<b>Sources</b>					
Career	\$120,000	\$123,600	\$127,308	\$131,127	\$135,061
Bank Acc'ts / Non-Reg. Port. / GMWE	\$0	\$0	\$109	\$262	\$360
Other Sources / Asset Sales	\$0	\$12,996	\$11,244	\$0	\$0
<i>Sources Subtotal</i>	\$120,000	\$136,596	\$138,661	\$131,389	\$135,421
<b>Uses</b>					
Home Expenses	\$12,500	\$12,876	\$13,262	\$13,660	\$14,068
Lifestyle Expenses	\$78,614	\$77,938	\$80,456	\$82,933	\$85,589
Career Expenses	\$6,680	\$6,920	\$7,125	\$7,336	\$7,556
Pension Plan Contributions	\$0	\$3,000	\$3,000	\$3,000	\$3,000
Income Taxes	\$22,207	\$22,867	\$23,575	\$24,461	\$25,207
<i>Uses Subtotal</i>	\$120,001	\$123,601	\$127,418	\$131,390	\$135,420
<b>Additional Savings Target</b>	\$0	\$12,995	\$11,243	\$0	\$0
<b>Assets Target Values</b>					
<i>Personal Assets Subtotal</i>	\$553,500	\$562,650	\$579,614	\$586,030	\$595,930
Non-Reg. / Seg. Fund Port.	\$0	\$12,996	\$24,911	\$26,143	\$27,352
RRSPs/ RRIFs	\$246,980	\$264,979	\$284,057	\$304,281	\$325,718
<b>Net Worth</b>	\$800,479	\$853,620	\$899,825	\$916,453	\$949,001

## Planning Tactics

### Income Taxes

**One of the most effective planning tactics is to reduce the incomes taxes that you pay.** By reducing them, you reduce cash uses and thereby increase net cash flow. For couples, examples of tax tactics include splitting CPP/QPP benefits and qualifying pension income. By reducing income taxes, you should have more money to invest and your portfolios should grow more in value. And as a result, you may even be able to assume a less aggressive asset allocation.

For the benefit of capital gains returns, as compared with interest and dividend income, see the Asset Allocation section.

The planning tactics that would be beneficial for you are summarized below.

### Split Pension Income Amount Income

Split Pension Income Amount Income for Start Year		Start Year
\$2,794	✓	2027

## Planning Tactics

### Retirement

**Retirement tactics include when you will receive CPP/QPP payments and RRSP tactics.** For couples, they also include basing RRIF, LIF, and LRIF withdrawals on the age of a younger spouse.

The retirement tactics that would be beneficial to you are summarized below.

### OAS / GIS Payments

Factors	Bob	Jill
OAS Start Age	67	67
OAS Payment Amount - First Year	\$9,661	\$3,411
OAS Payment Amount - Second Year	\$10,856	\$10,540

### CPP/QPP Payments

CPP Factors	Bob	Jill
CPP/QPP Start Age	64	65
Split CPP/QPP	✓	✓
CPP/QPP Payment Amount - First Year	\$13,809	\$4,282
CPP/QPP Payment Amount - Second Year	\$15,517	\$13,230

## Net Cash Flow Forecast

### Retirement Sources and Uses

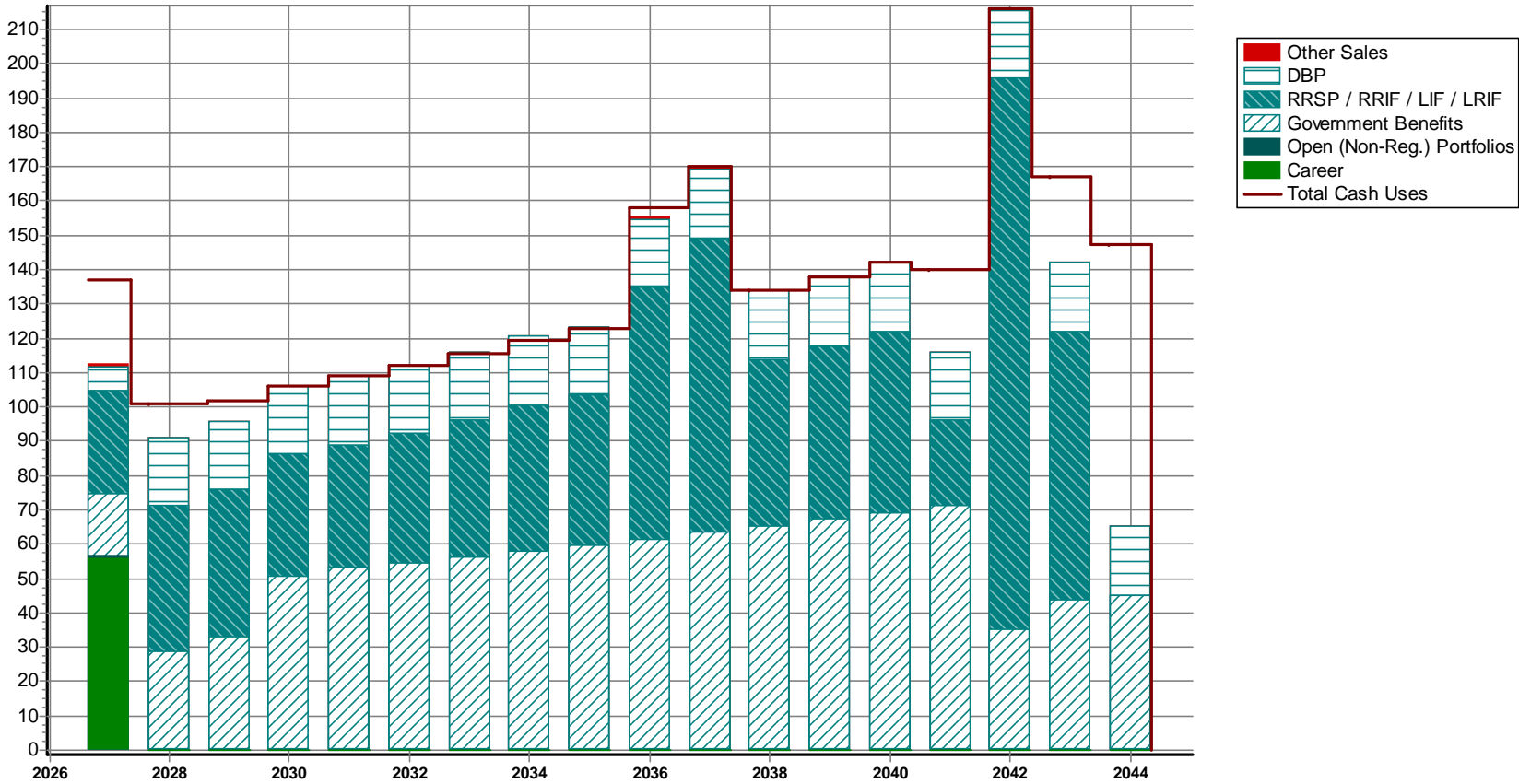
**During retirement, net cash flow includes cash sources such as government benefits that are not available at other times.** Your retirement years may be a time of deficits (cash uses exceed cash sources) that may cause a decline in the value of your income-producing assets such as TFSAs and RRIFs. In the Retirement Table, the row labelled Capital Drawdowns displays years when you are expected to erode the capital value of your investment portfolios. In the Retirement Sources and Uses table, the Surplus / (Deficit) column displays the years (marked in red) when you are expected to run cash flow negative and erode the capital value of your investment portfolios.

Should your income-producing assets become negative, you will have to sell your possessions such as your house or cottage.

The following graphs show your Total Cash Uses (red line) and your forecasted sources during your retirement years.

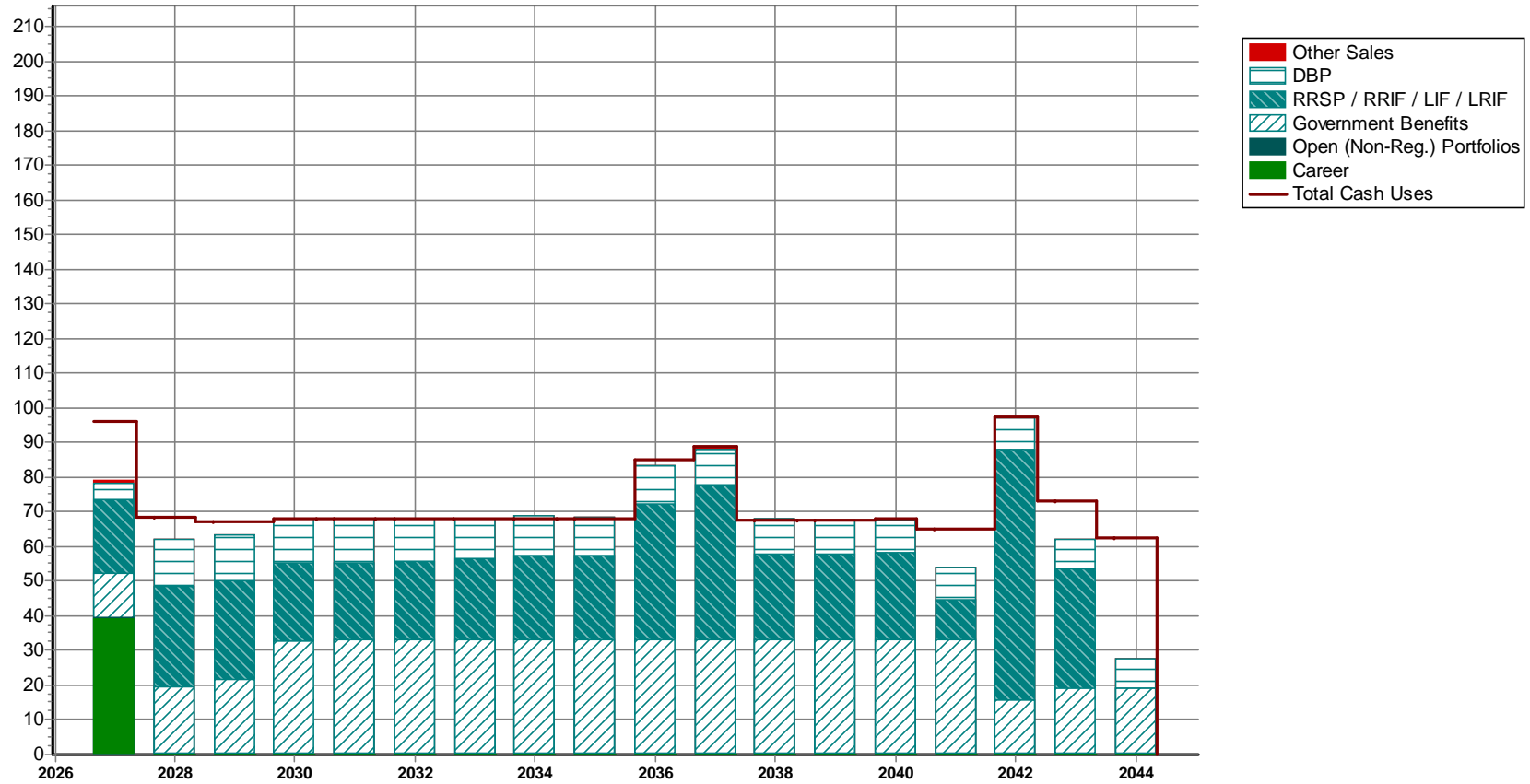
# Net Cash Flow Forecast

**Retirement Stacked Bar Graph (Actual / Inflated Dollars, \$000)**



# Net Cash Flow Forecast

**Retirement Stacked Bar Graph (Today's / Constant Dollars, \$000)**



## Net Cash Flow Forecast

### Retirement Table (Actual / Inflated Dollars): Total

Category	2027	2028	2029	2030	2031	2040	2045
Career	\$55,842	\$0	\$0	\$0	\$0	\$0	
Open (Non-Reg.) Portfolios	\$704	\$0	\$0	\$0	\$0	\$1	
Pension Plans							
Government Benefits	\$18,091	\$28,747	\$33,019	\$50,697	\$53,124	\$69,314	
RRSP / RRIF / LIF / LRIF	\$30,358	\$42,429	\$42,927	\$35,513	\$35,789	\$52,658	
DBP	\$6,667	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	
Other Sales	\$821	\$0	\$0	\$0	\$0	\$0	
<b>Total Cash Sources</b>	<b>\$112,482</b>	<b>\$91,176</b>	<b>\$95,947</b>	<b>\$106,211</b>	<b>\$108,912</b>	<b>\$141,973</b>	<b>\$0</b>
<b>Total Cash Uses</b>	<b>\$136,884</b>	<b>\$100,739</b>	<b>\$101,836</b>	<b>\$106,169</b>	<b>\$108,923</b>	<b>\$142,060</b>	<b>\$151,860</b>
<b>Capital Drawdowns</b>	<b>(\$24,402)</b>	<b>(\$9,563)</b>	<b>(\$5,889)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$151,860)</b>

## Net Cash Flow Forecast

### Retirement Sources and Uses (Actual / Inflated Dollars)

### Total

Year	Age	Sources				Uses	Surplus/ (Deficit)	Income Assets
		OAS/CPP	Pensions	Portfolios	Other			
2027	64/65	18,091	37,024	704	56,664	136,884	(24,402)	534,394
2028	65/66	28,747	62,429	0	0	100,739	(9,563)	517,646
2029	66/67	33,020	62,927	0	0	101,836	(5,888)	499,890
2030	67/68	50,698	55,513	0	1	106,169	0	494,421
2031	68/69	53,124	55,788	0	0	108,923	0	488,294
2032	69/70	54,719	57,491	0	0	112,179	0	480,137
2033	70/71	56,359	59,640	0	0	115,611	388	469,698
2034	71/72	58,049	62,641	1	0	119,317	1,373	456,614
2035	72/73	59,790	63,650	1	0	122,694	748	441,111
2036	73/74	61,585	93,060	1	684	158,129	(2,798)	391,721
2037	74/75	63,432	105,571	1	821	169,898	0	329,586
2038	75/76	65,335	68,596	0	0	133,821	109	300,886
2039	76/77	67,296	70,478	1	0	137,782	0	268,457
2040	77/78	69,314	72,659	1	0	142,060	0	231,823
2041	78/79	71,394	44,642	0	0	140,096	(24,060)	197,040
2042	79/80	35,154	180,821	0	0	216,030	0	73,593
2043	80/81	43,986	98,125	0	0	167,109	(24,998)	(25,108)
2044	81/82	45,305	20,000	0	0	147,511	(82,206)	(107,314)
2045	82/83	46,664	20,000	0	2,529	151,860	(82,667)	1,060,059



## Income Assets Forecast

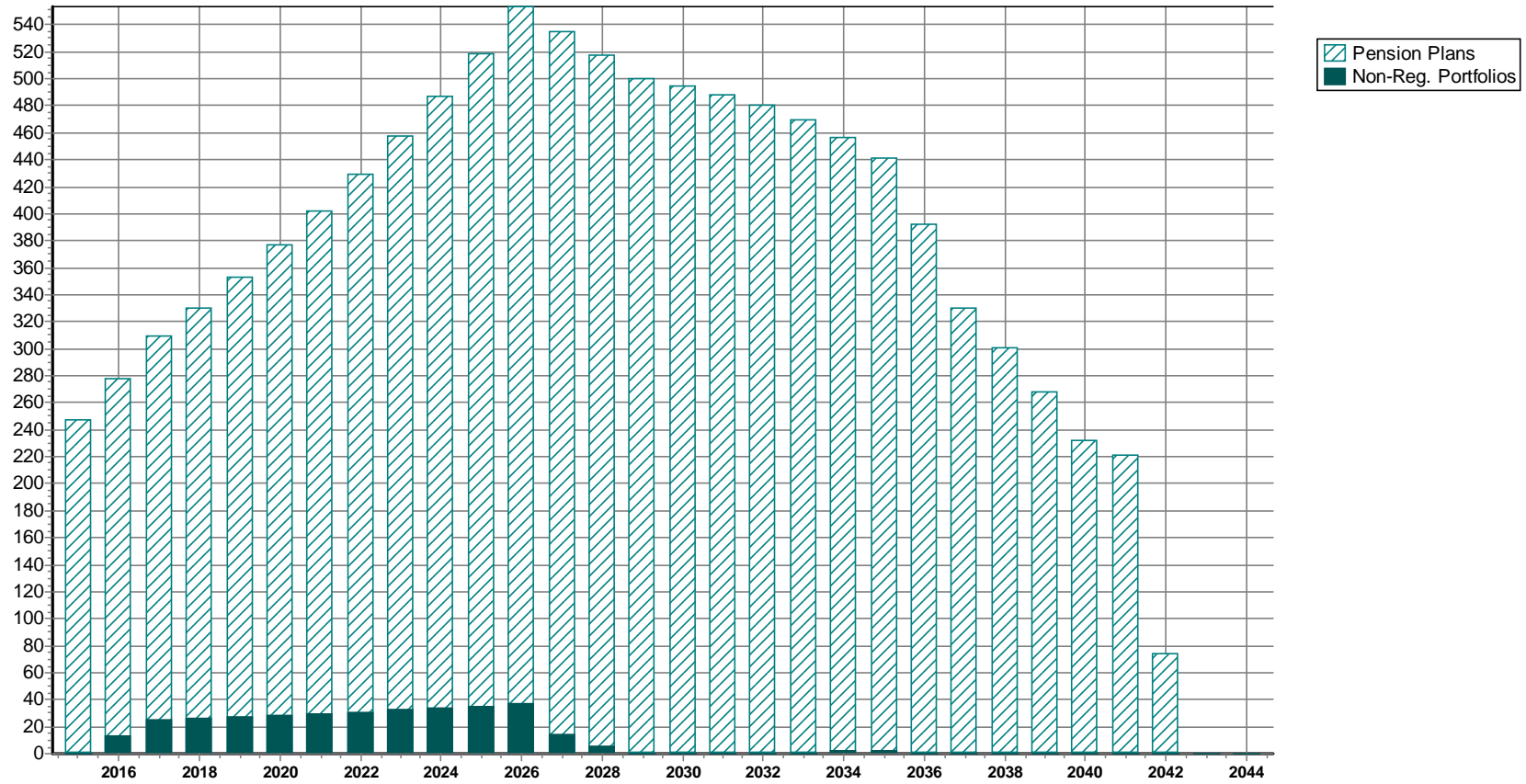
### Income Assets Forecast

**The part of your net worth that you will live off of during your retirement years are your income assets.** They include non-registered portfolios, TFSAs, rental properties, and RRSPs. Income assets should be positive throughout your lifetime. Positive net worth, but negative income assets in retirement, means that eventually you will have to sell your possessions such as your cottage or house.

The graph below shows the forecasted value of your income assets through your expected lifetime. The table shows five-year targets. For more detail on the forecasted values of your income assets, see the Appendix.

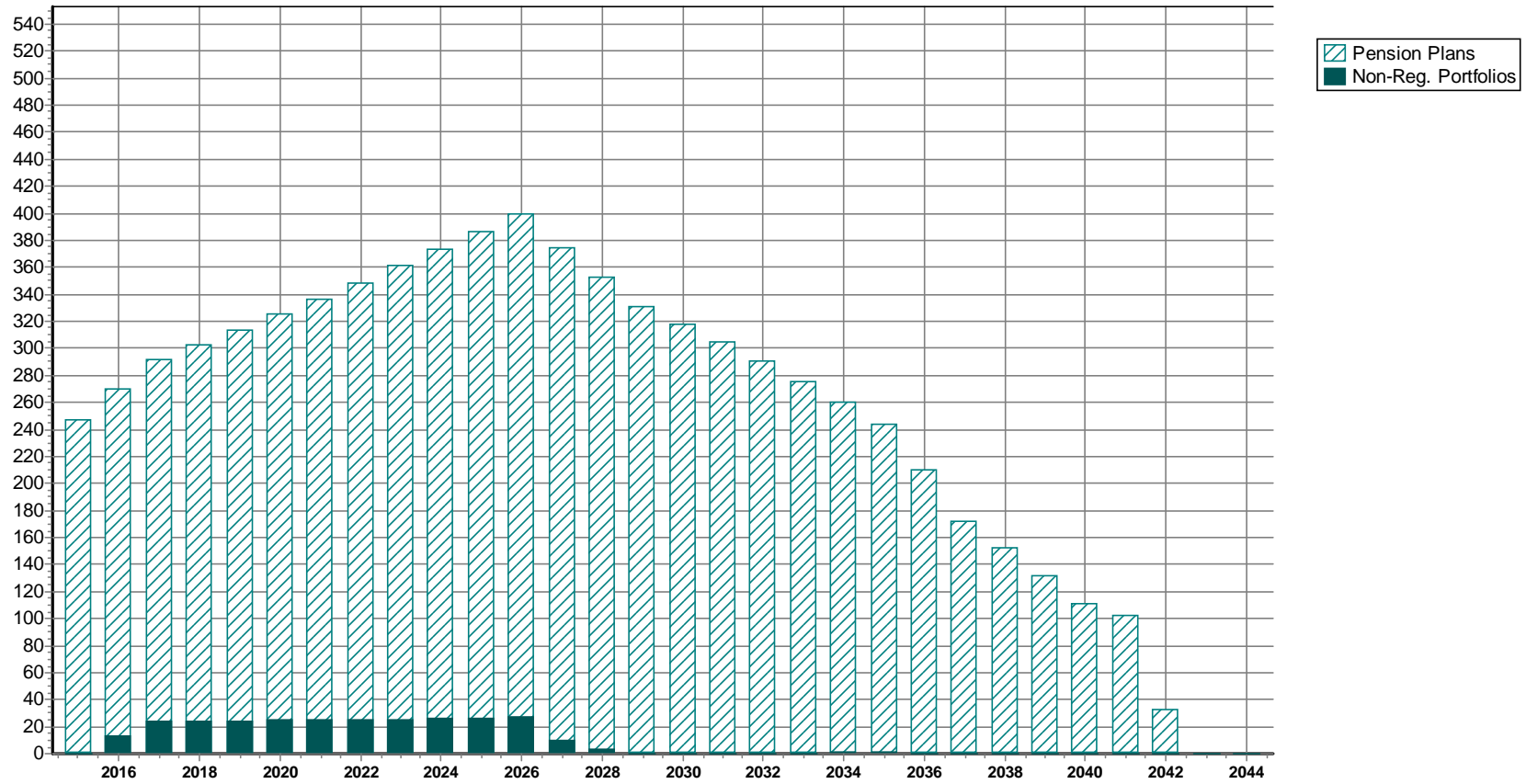
## Income Assets Forecast

**Income Assets Stacked Bar Graph (Actual / Inflated Dollars, \$000)**



## Income Assets Forecast

**Income Assets Stacked Bar Graph (Today's / Constant Dollars, \$000)**



## Income Assets Forecast

### Income Assets Table (Actual / Inflated Dollars): Total

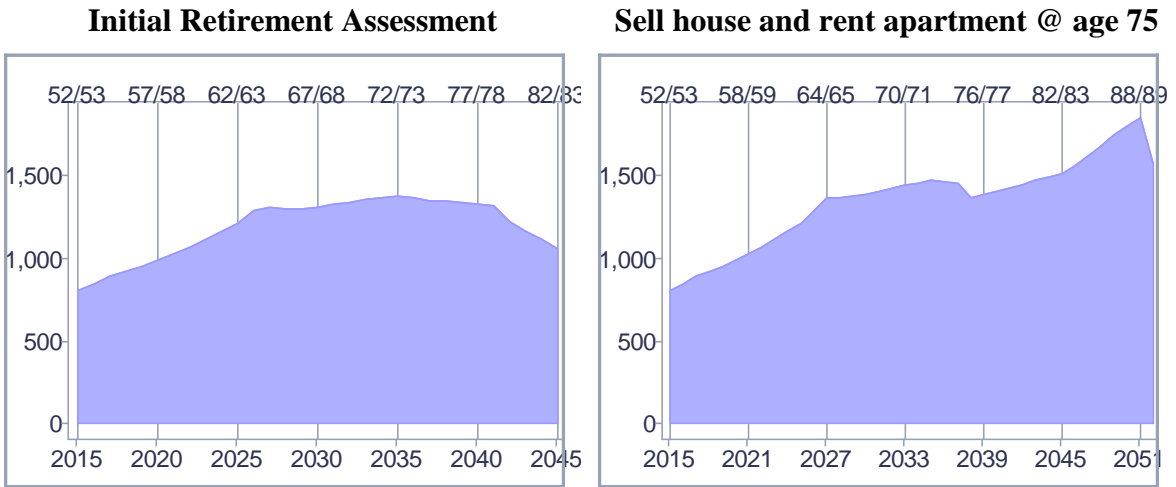
Category	2015	2016	2017	2020	2025	2030	2035	2040
<b>Portfolio Investments</b>								
Non-Reg. Portfolios								
Open Portfolio	\$0	\$6,498	\$12,401	\$13,655	\$14,980	\$0	\$0	\$0
Open Portfolio	\$0	\$6,498	\$12,510	\$14,899	\$19,939	\$0	\$2,578	\$0
Pension Plans								
RRSP/LIRA	\$215,180	\$231,271	\$248,327	\$305,885	\$427,270	\$422,028	\$363,596	\$193,852
RRSP	\$31,800	\$33,708	\$35,730	\$42,556	\$56,949	\$72,495	\$74,963	\$38,121
<i>Portfolio Investments Subtotal</i>	\$246,980	\$277,975	\$308,968	\$376,995	\$519,138	\$494,523	\$441,137	\$231,973
<b>Other Investments</b>								
<i>Other Investments Subtotal</i>								
<b>Total Income Assets</b>	\$246,980	\$277,975	\$308,968	\$376,995	\$519,138	\$494,523	\$441,137	\$231,973

# Compare

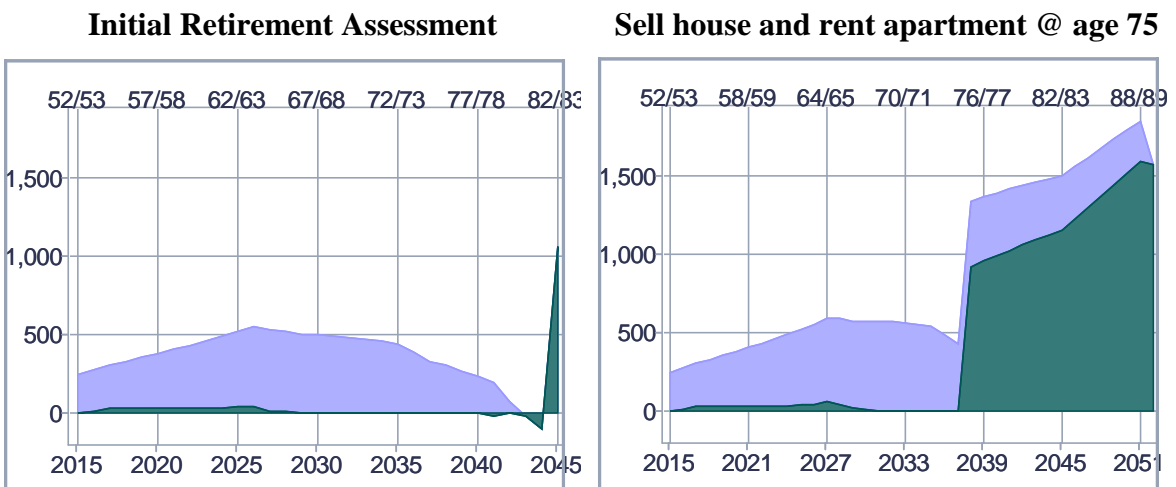
The main differences between your current path and your Retirement Assessment plan are as follows.

1.

## Total Net Worth



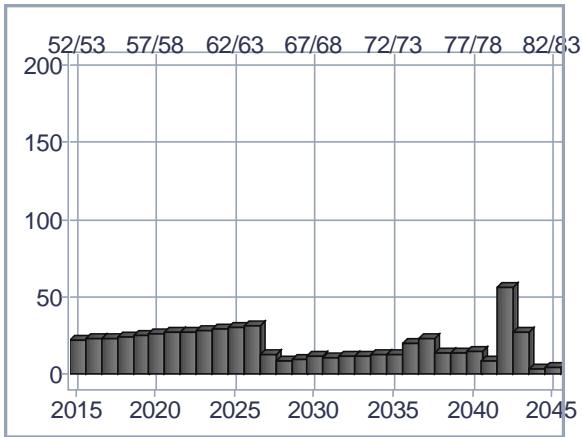
## Total Income Assets



# Compare

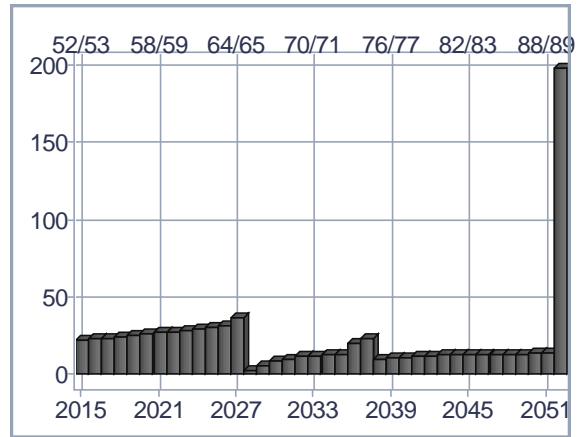
## Total Income Taxes

**Initial Retirement Assessment**



**Total Income Taxes Paid - \$606,136**

**Sell house and rent apartment @ age 75**



**Total Income Taxes Paid - \$842,173**

## Appendix

### General Assumptions

Your plan is based on certain assumptions: a long-term inflation rate, a growth rate for real estate, and average annual rates of return for your portfolio investments.

### General Assumptions

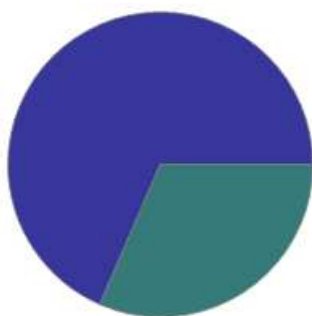
<b>Inflation-Rate Assumption</b>	3%	
<b>Average Real Estate Growth Rate</b>	3%	
<b>Pre-Retirement Spending</b>	Except for home, vehicle, and other itemized expenses, and savings / contributions, all excess cash flow is spent.	
<b>Post Retirement Spending</b>	Except for home, vehicle, and other itemized expenses, your annual spending will be \$40,000 a year.	
<b>Income Taxes</b>	Today's income tax rates apply.	
	<b>Bob</b>	<b>Jill</b>
<b>Start Year and OAS Benefit</b>	2030 / \$9,661	2029 / \$3,411
<b>Second Year Benefit</b>	\$10,856	\$10,540
<b>Start Year and CPP/QPP Benefit</b>	2027 / \$13,809	2027 / \$4,282
<b>Second Year Benefit</b>	\$15,517	\$13,230
<b>Start Year and DBP Income</b>		2027 / \$6,667
<b>Second Year Benefit</b>		\$20,000
<b>Average Annual Portfolio Returns</b>	6%	6%

## Appendix

### Assets

The following table displays the current value of your assets.

Asset	Bob	Jill	Joint
<b>Personal Assets</b>			
Home			\$500,000
<b>Portfolio Investments Assets</b>			
RRSP	\$200,000	\$30,000	



Asset Category	Value	Percent
Personal Assets	\$500,000	68%
Portfolio Investments Assets	\$230,000	32%