plan$well

How the world's best financial plans are made

When you come to Planswell, you answer several questions and then see your plan. What you don't see are the millions of calculations we make in the background to optimize your investments, insurance and borrowing for your goals.

These calculations are based on two types of variables:

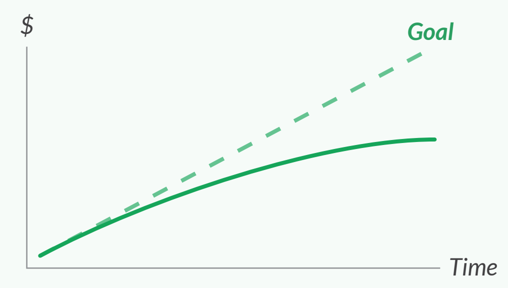
1. Facts that we know, such as your age and income.

2. Estimates that we must make, such as how much the cost of living will rise in the future and what the tax rates will be when you retire.

Until recently, financial planners would take a mix of facts and estimates and build a plan for the rest of your life. The problem with this approach is that the facts will change and at least some of the estimates will turn out to be wrong.

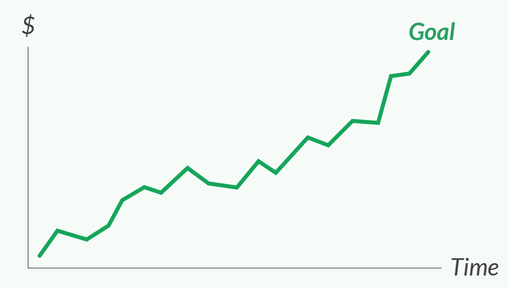
The difference with Planswell is that we enable you to quickly update your plan whenever you want. We recommend twice a year. These small but regular adjustments greatly improve the chance of reaching your goals.

No adjustments



Missed your goal

Regular adjustments



Hit your goal

This document will give you insight into the facts and estimates that we use to create your financial plan. If you have any questions - or even ideas to make your financial plan better - we would love to hear from you.

The basics

Every plan is unique but there are certain basic assumptions that apply to just about everyone. Here the major ones.

	Variable	Reference / rationale
Annual return on investment	**Conservative investor:** 3.91% **Conservative growth investor:** 4.34% **Moderate growth investor:** 4.67% **Growth investor:** 5.24% **Maximum Growth Investor:** 5.63%	Your investor profile determines the rate of return you can expect. More risk generally means more return. We use estimated rates of return based on FPSC guidelines for return rates subtracting the MER our maximum fee of 0.50%.
Annual inflation rate	1.83%	25 Year Historical Average for Canada's CPI
Wage growth rate	Equal to inflation (1.83%)	Industry standard
Savings rate	Equal to inflation (1.83%)	We expect that you can increase your savings along with your income.
Income tax brackets	Indexed to inflation	Government of Canada
Living expenses	Indexed to inflation	We expect that your living expenses will increase with the cost of living.
Life expectancy	90 years old	Industry standard
Emergency fund	3 months of income	Industry standard
CPP and OAS contribution and benefit amounts	Based on 2017 figures	Government of Canada
OAS limit growth	Indexed to inflation	Government of Canada

	Variable	Reference / rationale
OAS clawback threshold	Indexed to inflation	Government of Canada
OAS timing and eligibility	61.5% of maximum	Conservative estimate
Yearly maximum pensionable earnings limit	Based on Canadian aggregate wage growth data	Statistics Canada
CPP payment amount	61.5% of maximum	2017 Canadian average via Stats Canada
CPP payment amount growth	Indexed to inflation	Government of Canada
CPP timing	Payments start at retirement (between ages 60 and 70)	Government of Canada
Early CPP reduction or late CPP enhancement	Remains constant over time	Government of Canada
Payroll deductions	CPP and EI deducted	We assume that you are an employee with standard payroll deductions based on current rates.
Home value appreciation	3% per year	Conservative estimate
Home equity	Ability to access up to 50% in retirement	We assume that you can use a line of credit or other means to access your home equity in retirement.
Home sale costs	6% in commissions and other costs	You may have a home that will be sold as part of your estate value calculation.

Investing for retirement

Your investor profile sets your overall limits for risk and return. However, it is important to understand that we will optimize your overall return potential by investing each dollar according to the job it will do in your plan. In general, that means investing money you will need sooner in a more conservative portfolio and money you will need later in a more aggressive one.

We also do our best to minimize your overall tax bill. One of the ways we can do that is by determining the best timing and amount when you invest in a Registered Retirement Savings Plan (RRSP), Tax-Free Savings Plan (TFSA), or taxable (non-registered) account. We make these determinations based on your current tax rate and estimated future tax rate.

	Variable	Reference / rationale
RRSP contribution limit	$25,370 or 18% of income, increasing annually	Government of Canada
RRSP contribution limit growth rate	Indexed to inflation	Government of Canada
RRSP First Time Homebuyer's Plan allowance	$25,000	Government of Canada
RRSP withholding tax rate	30%	Government of Canada
TFSA contribution limit	$5,500	Government of Canada
RRIF minimum withdrawal	Based on current rates	Government of Canada
Order of withdrawal in retirement	RRIF minimum first, then TFSA, then non-registered account	Designed for tax minimization
Target retirement income	70% of current living expenses	Living expenses tend to fall in retirement as you will generally have less debt and fewer dependents.
Retirement income amount displayed in plan	Estimated monthly after-tax income expressed in today's dollars	Monthly after-tax income is the most intuitive way to compare your income today to your income in retirement.

Investing for a child's education

Whether you're investing for school or retirement, the main principles remain the same. However, when saving for a child's education, we will help you maximize available government grants and automatically apply them to your Registered Education Savings Plan (RESP) in addition to maximizing return potential and minimizing taxes.

	Variable	Reference / rationale
Post-secondary education timing	Age 18	Industry standard
Annual RESP contribution	$2,500	This amount maximizes the Canada Education Savings Grant (CESG).
Maximum Canada Education Savings Grant	20% of contributions up to $500 per beneficiary annually and $7,200 per beneficiary lifetime	Government of Canada
Maximum lifetime RESP contribution	$36,000	Although the legal limit is $50,000, you get the maximum CESG when you reach $36,000 in total contributions.
Canada Learning Bond	Not included in RESP calculation	This benefit is available only to certain lower-income families.

Protecting your income

The role of insurance is to replace the income that would be lost if you or someone in your family were no longer able to work. The goal is to make sure that, even if there is a negative health event, you and your family will not suffer a lower standard of living now or in retirement.

Your plan may include three types of insurance:

- Term Life Insurance pays a tax-free lump sum if the insured person passes away. We design your plan with the expectation that this amount will be invested according to the risk tolerance of the surviving spouse in order to produce ongoing income.

- Critical Illness Insurance pays a tax-free lump sum if you are diagnosed with one of several common illnesses including cancer and heart disease. This amount is designed to cover lost income as well as a variety of medical expenses that are not covered by public health plans.

- Disability Insurance pays a monthly tax-free benefit if you become temporarily or permanently disabled and cannot work at your current occupation. Studies show that an accident or illness will cause about one person in three to be disabled for 90 days or more in their lifetime.

	Variable	Reference / rationale
Life insurance income replacement	100% of after tax income + all outstanding liabilities	We recommend enough coverage to maintain a certain percentage of your current household income up until the retirement of the surviving spouse. We expect that the survivor will continue to work and earn the same income they do today.
Life insurance debt coverage	Coverage amount designed to pay off all outstanding debts	Industry standard
Critical illness insurance	100% of annual after-tax Income	Industry standard
Disability insurance	65% of pre-tax income replacement until age 65	Industry standard

Managing your debt

At Planswell, our goal is to prevent you from paying unnecessary interest costs. That's why we'll recommend ways to minimize your debt costs while you invest, or even before you can start investing.

Here are the three main debt solutions that may be included in your plan:

1. Refinance your debt. If you have credit cards, loans, lines of credit, or other debts and also have home equity of 20% or more, we may advise you to pay off your debts with a new home mortgage in order to free up free up cash flow for investing and insurance.

2. Pay down your debt and invest at the same time. If you have debt with an interest rate lower than your expected investment returns, we may advise you to work on paying it off while also adding to your investments.

3. Pay down your debt before investing. If you have high-interest debts that cannot be refinanced, we will advise you to work on paying them off, starting with the highest interest rate first. Once this is done, we'll get your investment plan started.

	Variable	Reference / rationale
Credit card interest rate	19.99% per year compounded monthly	Financial Planning Standards Council Guidelines
Car loan interest rate	5% per year compounded monthly	Financial Planning Standards Council Guidelines
Line of credit interest rate	5% per year compounded monthly	Financial Planning Standards Council Guidelines
Other debt interest rate	5% per year compounded monthly	Financial Planning Standards Council Guidelines
Mortgage interest rate	3% per year compounded semi-annually	Industry Standard
Maximum debt to service ratio	44%	Industry Standard

	Variable	Reference / rationale
Maximum home loan to value (LTV)	80%	Industry Standard
Amortization period	Up to 30 years	Industry Standard
Fee to break existing mortgage	Three months' interest for variable rate mortgages	Industry Standard

Reaching your goals

The world's best financial plan is the one that actually gets you to your goals. That's why we'll ask you to log in to your Planswell dashboard every six months and spend a few minutes updating your plan. This will help make sure that your plan reflects the most up-to-date facts and estimates ,and that you have the best possible picture of where you're heading financially.

	Variable	Reference / rationale
Plan update interval	Every six months	This is the key to reaching your goals!

This document is regularly revised in response to many factors - from changing market conditions to tax law updates and the real-life situations of clients like you.

If you have any questions or would like to suggest ways to improve your plan, please let us know.

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