
Planning & Insurance - Summary from Meeting

2 messages

Thu, Nov 14, 2019 at 3:46 PM

Hi Kathryn,

Thanks again for taking the time to speak with me yesterday afternoon. I enjoyed our conversation.

The purpose of this email is to summarize (in detail) our conversation. For me, this email is essentially my notes from the meeting and what I will refer back to in future conversations. I apologize for the length, but I hope you find great value in the message.

A. Retirement Planning

It's tough to think about retirement when you're about to have your first child. The purpose of this exercise is to better understand the overall health of your financial situation to help best identify risk and understand your financial path moving forward.

As a household, you are earning approximately \$8,000 per month after-tax. More than half of that income is paying down your mortgage (\$2,500) and savings (\$2,000 TFSA's). A key assumption when we build retirement models is to best approximate the same after-tax lifestyle that you enjoyed before retirement. We agreed that we would assume a \$5,000 per month after-tax retirement income goal (today's dollars) indexed at 2.50%. Below are some other assumptions:

Retirement Age: Your age 60 (Eric 66)

CPP: We assumed 75% participation in CPP for Kathryn & 100% for Eric

Real Estate Growth: 3.0%

Rate of Return on Investments: 5.0%

RRSP Savings: \$0/yr

TFSA Savings: \$24,000/yr

Not included in Plan

Equity from real estate (or sale of your home for retirement)

To accomplish this goal you need ~\$1,300,000 of retirement assets (see below). Based on the projections, your retirement savings will grow to \$1,677,000. In other words, your retirement plan looks well funded (+\$350,000). Remember, this does not include any inheritance nor does it include the value of your home (valued \$1,260,000 by age 60 assuming a 3% growth rate).

Kathryn, you've done such a great job of savings to-date that if you never saved another dollar and your if your current investments grew at 7.16% (instead of 5.0%), you would achieve your desired retirement target.

Option #3: Take Less Risk

Estimated amount you can reduce portfolio rate of return: 0.01 %

Portfolio Rate of Return: 7.16 %

Required Rate of Return: 7.15 %

Option #4: Asset Allocation

Based on the assumptions, you are projected to have sufficient retirement capital.

Projected Capital at Retirement: \$1,130,300.00

Required Capital at Retirement: \$1,130,000.00

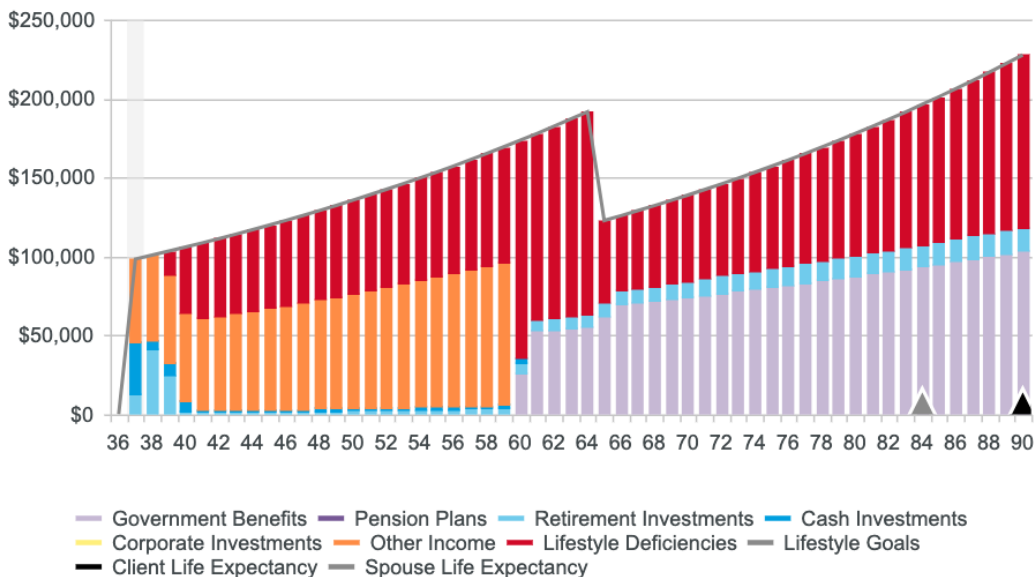
Current value of Retirement Capital: \$215,000.00

Stress Test

The purpose of a stress test is to mimic the financial impact of a catastrophic health event. In the event of a permanent disability (caused by illness or injury), you are effectively 'retired' immediately. Here is a list of immediate changes to your retirement plan:

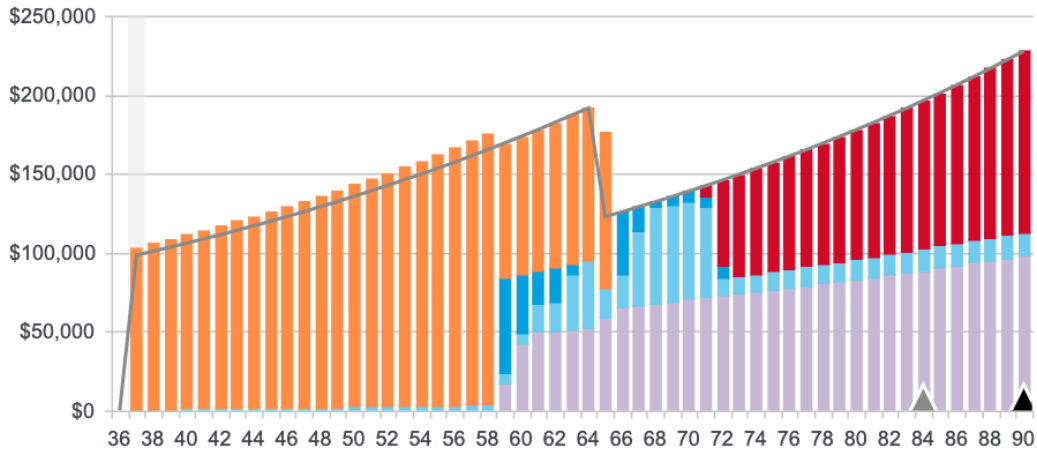
- "Retire" immediately
- No more savings
- No more contributions to CPP (I will reduce your participation rate to 25% from 75%)
- Income will come from existing RRSP savings & Eric's earnings

Using the graph below, notice that your savings will be eroded to \$0 by age 40. The orange represents Eric's income.



B. Long Term Disability Insurance

Long term disability insurance provides an after-tax monthly income if you're unable to work due to a disability. Essentially, it's insurance for your ability to earn an income. In my opinion, this is the most important type of coverage for you given your circumstances. You told me that you have long term disability through your employer (please provide me the details). Below is an example of how a long term disability policy (assuming it pays \$4,000/mth after-tax) would impact the stress-test scenario. Notice that the orange bars are larger (that's Eric's income plus the disability insurance).



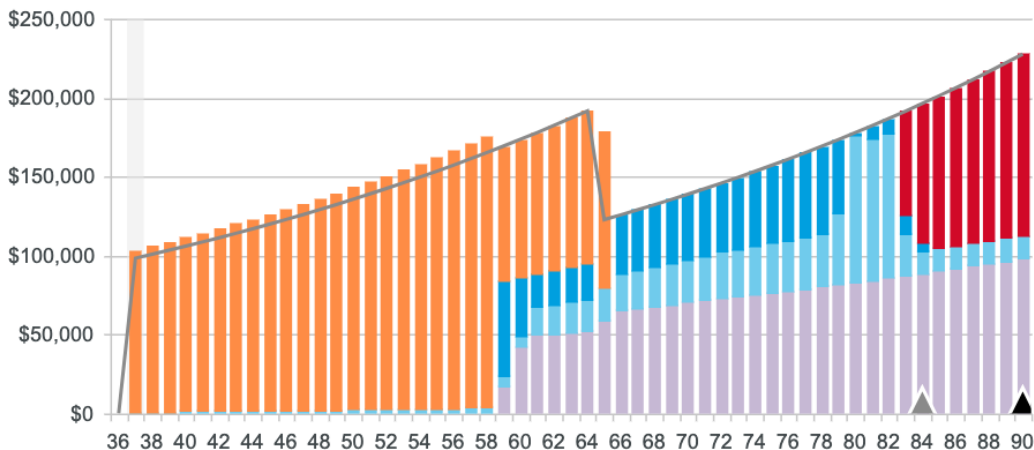
Please provide me details of your current plan.

C. Critical Illness Insurance

This type of insurance provides a tax-free lump sum if you are diagnosed with Cancer, Heart Attack or Stroke (or any of the 25 covered conditions). This coverage provides an injection of capital to use for any purpose you wish (ie. medical expenses/treatment, debt elimination, lost savings, etc.).

In my professional experience, I've managed more claims for critical illness insurance than any other insurance product (life insurance included). Critical illness insurance is often the most difficult coverage to acquire. Coverage cannot be purchased for any pre-existing conditions or illnesses (family history also plays a role in getting approval).

Continuing with the same graphs from above, let's assume a \$125,000 lump sum was paid by a critical illness policy (in addition to the long term disability):



Although there is still some 'red' in the plan, your financial future is much more secure when insured appropriately.

D. Life Insurance

This email is already pretty long so I'll be concise. You and Eric need term life insurance to pay off the mortgage (~\$470,000) and have money set aside for your child's education (\$100,000). You should also have some additional coverage to provide replacement income to the surviving spouse. We agreed that a \$1,000,000 life insurance policy makes the most sense for each of you.

E. Insurance Recommendation(s)

I spoke to Nancy after our meeting yesterday and I came up with a couple of options:

Option #1 - Term Life Insurance Only.

Eric: 10 Year Term Life (\$1,000,000) - \$62/mth (increasing to \$427/mth in 10 years), or;

Eric: 20 Year Term Life (\$1,000,000) - \$116/mth

Kathryn: 10 Year Term Life (\$1,000,000) - \$30/mth (increasing to \$247/mth in 10 years), or;

Kathryn: 20 Year Term Life (\$1,000,000) - \$50/mth

Option #2 - Synergy Option for Kathryn (Life Only for Eric).

Eric: 10 Year Term Life (\$1,000,000) - \$62/mth (increasing to \$427/mth in 10 years), or;

Eric: 20 Year Term Life (\$1,000,000) - \$116/mth

I'm introducing a product to you that I own personally. It's called Synergy and it combines Life, Disability and Critical Illness into one contract. See attached/below:

Kathryn: 10 Year Term Synergy Life (\$500,000)

Kathryn: 10 Year Term Synergy Disability (\$2,500/mth)

Kathryn: 10 Year Term Synergy Critical Illness (\$125,000)

Kathryn: Synergy Total \$254/mth

Kathryn: 20 Year Term Life (\$500,000) - \$27/mth

TOTAL for Kathryn: \$281/mth

I like this option because it guarantees that you always have life, disability (in addition to the group) and critical illness. Costs are locked in for life. The extra 20-year term life provides the 'bump' of life insurance needed to get to \$1,000,000

F. Next Steps

The only decision that we should make today is to apply for coverage. Nancy will provide me your details to pre-populate the application. I'll also require a picture of Eric's driver's license (text to 905-330-2366).

I suggest we book another call to discuss this email in more detail and figure out what insurance solution makes sense. Are you available to speak next week?

Whew! Call, text or email me anytime.

PS. You need a will asap. Go to <https://app.willful.co/get-started>. It takes 15 minutes and costs about \$250 (for wills and power of attorney). Use the promo code "laundry" for a 10% discount.

--

Brian Laundry

Industry Leading Insurance & Planning Expert

Direct Line: 1-(289) 644-2345

Cell Phone: 1-(905) 330-2366 (text to this number)

Email: brian@brianlaundry.ca

LinkedIn profile: ca.linkedin.com/in/brianlaundry

Website: www.brianlaundry.ca

Recommend me at <https://www.facebook.com/blinsurancesolutions/>

If you do not wish to receive emails from me, please respond to this email and notify me. I will remove your name from my address book (I do not send mass emails)

3 attachments