

Practice Development Series

Module 6: Needs Analysis / Activity 1 – A Case Study in Needs Analysis

Aligned with the PFA™ Designation Program

Instructions: After reading the case study shown below, prepare a net worth and monthly cash flow for the client to help you analyze her current situation.

Note: You can create section headings in your completed activity to represent

Case Study: Alexis Tremblay

Alexis Tremblay, 39 years old, has worked as a radiology technician at a local hospital for the last ten years, earning an annual gross salary of \$102,000. She pays \$25,080 annually in income taxes, as well as \$2,760 in CPP Premiums, \$864 in EI Premiums and \$2,232 in employment source deductions for her group health and insurance plan.

Alexis would like to retire at age 65 with an annual after-tax income of \$50,000 (in today's dollars) at the beginning of each year. She would also like to pay for her son, Zacharia's, four-year post-secondary education, which he will likely start 16 years from now. The annual cost of education today is \$10,000 per year and payments are due at the beginning of the school year.

Alexis lives in a detached home, worth \$400,000, which she owns. She has lived there for eight months, since moving from her parents' home. Her fixed-rate mortgage has \$200,942 owing on it, is accruing interest at a rate of 5%, compounded semi-annually, and has 28 months remaining in its contractual term. Her minimum monthly mortgage payment is \$2,000. She has \$3,000 in her chequing account, \$189,992 in a Registered Retirement Savings (RRSP) that is earmarked for her retirement, and owns a car worth \$4,000.

Alexis' pays property taxes of \$3,900 per year and goes on vacation once a year at a cost of \$1,800. Her monthly living expenses include \$300 each for heat, hydro and water and \$800 for food and personal items. Her parents watch Zacharia while she is at work. Alexis provides them with \$125 per month to pay for food and activities related to his care. She also pays \$150 per month for the internet and her cell phone, as well as \$250 to run her car in addition to the \$150 she pays for her transit pass. She spends \$100 per month on entertainment and another \$50 for miscellaneous items.

Alexis owes \$15,000 on an unsecured line of credit that has a credit limit of \$20,000. The current interest rate charged on the line of credit is 7%. She pays \$450 per month towards the debt. She also has a \$10,000 student loan that is accruing at 6% and has a minimum payment of \$100 per month. Finally, she owes \$5,000 on a credit card that is accruing interest at 20%. She pays \$100 per month towards her credit card, which has a \$10,000 credit limit.



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Her group insurance plan provides life insurance coverage with a death benefit of double her annual salary. Her estate is named as the beneficiary of this policy. She currently has no will or power of attorney in place.

Alexis is comfortable investing for both her son's education and her retirement in a portfolio that is projected to earn 6.00% after fees (compounded annually). Inflation is projected to be 2.1% going forward and the most conservative estimate of Alexis' life expectancy is age 100. Alexis is expected to be in a 30% tax bracket in retirement. The maximum CPP Retirement Pension and OAS pension that an individual can currently receive is \$1,155 and \$601 per month, respectively.

Activities

1. What are Alexis' goals in SMART format?
2. Create a net worth statement for Alexis.
3. Create a monthly cash flow statement for Alexis.
4. Determine if Alexis can meet her goals based on her current financial situation.

Discussion

Based on your review of Alexis' current financial situation and her goals, what potential opportunities are there to help her reach her goals?

