CANADIAN INVESTMENT POLICY GUIDANCE REPORT

Preparing for the unexpected

As you move through life, we want to help you develop a strategy to achieve your financial goals. But our goal isn't only to get you on track — it's to keep you on track, taking steps so the unexpected doesn't derail your plans. We believe there are three phases to preparing for the unexpected: providing, protecting and passing it on.

1 Providing for your family
When you are starting or growing your family, you'll want to take steps so that if something happens to you, your loved ones will have the life you want for them.

2 Protecting what you've worked for
As you approach retirement, your focus may begin to shift to protecting the financial security you have created for yourself and your family.

3 Passing on your legacy
At this stage in your life, you may already have strategies in place to transfer assets to your spouse, your children or a favorite charity. If not, we can assist you with this. In any event, you'll want to ensure your plans are still aligned with your current thoughts, and that those plans are documented to ensure they are followed.

Ultimately, your financial strategy may not be complete until you've prepared for the unexpected.

Providing for your family's future

Help ensure your loved ones have the financial resources to live the life you want for them.

Providing for your family's future is all about developing a proactive strategy to help ensure they have the necessary financial resources if something happens to you. Insurance is designed to help address these risks by providing added protection for what is too expensive to replace on your own.

The table below highlights potential solutions to help you prepare if you are:

- Early or mid-career
- Caring for dependent children
- Paying a mortgage or other loans
- Saving for retirement

Key points

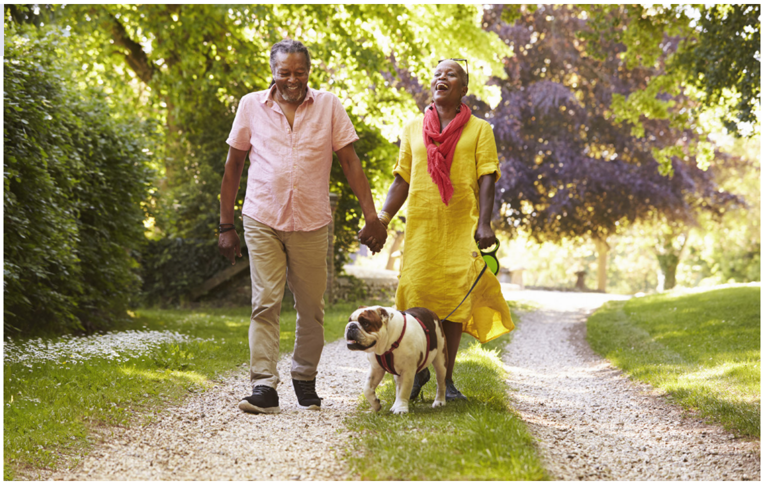
- Your death, a serious illness or injury could leave your family unable to cover financial obligations.
- Life, disability and critical illness insurance are potential solutions to replace income, pay financial obligations and protect assets for your loved ones.
- Insurance coverage should be reviewed annually, as well as after any big life events (marriage, birth of a child, etc.).

Prepare for:	Potential solutions to help you prepare:
Untimely death	**Life insurance:** Depending on your situation, term insurance, permanent insurance, or a combination of the two may be appropriate. To determine how much insurance may be appropriate, begin by calculating your family's potential needs. First, consider your immediate cash needs in the event of death, such as final expenses, debt repayment, legacies or bequests. Second, think about the current cost and duration of your family's expenses – the cost of running and maintaining your home, day care, your children's activities and other living expenses. Finally, consider any existing life insurance you have. Finally, consider any existing life insurance you have.
Disability	**Disability insurance:** Consider purchasing an individual plan or supplementing your existing employer plan to cover as much of your after-tax income as possible to last until you reach age 65.
Serious illness	**Critical illness insurance:** Provides a tax-free lump sum of money paid on the diagnosis of a covered condition. It's designed to support the financial costs of your recovery, including just to ease, or remove the financial pressures, without your having to use your own savings.

Protecting what you've worked for

Help ensure the financial security you've created is protected from the unexpected.

You've worked hard to be able to live the life you want — whether that includes volunteering, spending more time with your family or working at something you enjoy. Don't get caught unprepared by common risks that could derail what you have worked so hard to achieve.



The table below highlights potential solutions to help you prepare if you are:

- Nearing retirement
- Living in retirement
- A business owner

Key points

- Living longer than you expect or an extended illness or injury could put a severe strain on your financial resources.
- Annuities and other solutions with lifetime income benefits, long term care insurance may help protect against these risks as well as long term care insurance.

Prepare for:	Potential solutions to help you prepare:
Living longer than expected (outliving your money)	**Create and stick to a sustainable withdrawal rate strategy:** In general, we suggest an initial annual withdrawal rate of about 4% from your portfolio during retirement. As a general rule, the longer you expect to live, the lower your rate should be. **Annuities and other solutions with lifetime income benefits:** Depending on how much you rely on your portfolio for income and your spending flexibility, you may want to consider annuities that guarantee an income payment for as long as you live. All contract and rider guarantees are subject to the claims paying ability of the issuing company.
A need for long-term care or an incapacity	**Budgeting for long-term care costs:** Even if you don't anticipate needing nursing home care, you should still consider planning for some type of assisted living or home health care costs within your strategy. You can either budget for this expense or insure against it by purchasing long-term care insurance. **Long-term care solutions:** Provincial health care plans may not cover all the costs associated with long-term care needs. "Several options could help pay for long-term care costs, including traditional long-term care insurance, as well as potentially using critical illness insurance to help offset costs of a long-term care event." **Create appropriate legal documents with your team of tax and legal professionals:** Powers of attorney (for property and personal care)* can help you outline your wishes for your future care.

*Provincial terms for POAs:
MB/SK – Health Care Directive
AB – Personal Directive
BC – Representation Agreement

Passing on your legacy

Help ensure your plans for your legacy are followed as you intend.

One of your primary goals may be to pass on a financial legacy. Unexpected events and the potential costs associated with them can have an impact on these goals as well.

While Edward Jones can assist with certain items, such as insurance strategies and beneficiary reviews, we do not provide legal or tax advice. It takes a team approach — you, your advisor and your insurance specialist, accountant and lawyer — to build a strategy to pass on the legacy you intend.

The table below highlights potential solutions to help you prepare if you are:

- Planning to leave a financial legacy to loved ones or charitable organizations
- A business owner
- Caring for dependent family members

Key points

- Passing on a financial legacy can be derailed by unexpected events, such as changes in wealth, tax laws and/or regulations, or even a life event (birth, death), which could render your current strategies ineffective or obsolete.
- Insurance strategies (such as wealth transfer and estate preservation strategies) are designed to help you achieve your legacy goals.
- It's important to review your estate strategy, including beneficiary designations and existing life insurance policies, after major life events to help evaluate whether your legacy wishes can withstand the unexpected.

Prepare for:	Potential solutions to help you prepare:
Changes in wealth due to unexpected expenses or untimely death	**Life insurance:** Life insurance can help ensure a specific amount is passed on to your beneficiaries in a tax-efficient manner. **Business succession planning:** If you are a business owner, you should address the impact to the liquidity and success of the business, if as a result of a serious injury, illness or death, you, a partner, or a key employee were unable to work.
Changes in tax law or regulations	**Periodic estate reviews:** You should review your estate strategies at least every three to five years or after any tax law or regulatory changes. You may want to consider a trust for efficient distribution of wealth.
Document and strategy inconsistencies (due to life events, improper beneficiary designations, etc.)	**Beneficiary/legal document review:** There are many moving parts to your estate strategy. Your advisor can work with you, your accountant and your lawyer to align your documents, beneficiary designations and asset ownership to help you pursue your estate goals.

Building your foundation

Regardless of where you are in life — whether you're laying the groundwork for your financial future or finally enjoying the outcome of your careful investing and planning — there are some "foundational" risks that can affect these plans. A successful strategy begins by considering the risks mentioned and by also addressing the items below.

Prepare for:	Potential solutions to help you prepare:
Unexpected expenses or events, such as: • Job loss or early retirement • Home/auto repairs • Expenses related to child care or aging parents	**Emergency savings:** • Consider saving between three and six months' worth of living expenses, depending on whether or not you're still working, your income needs and your outside sources of income. If you are retired, we recommend saving 12 months' worth of living expenses. • Consider using savings and chequing accounts, money market funds and/or short-term GICs that are easily accessible. **Line of credit:** • Lines of credit can be used as sources of liquidity for short-term financing and working capital needs. That's why it is important to have spare capacity in your lines of credit — to provide additional flexibility to supplement your emergency savings should the unexpected occur.
Property loss or liability, such as repairing or replacing your home, auto or boat, or unexpected personal liability issues.	**Home and auto insurance:** • This may cover the cost to replace lost, damaged or stolen property. Most policies also include limited liability protection. Remember to review your existing policies to ensure appropriate protection for your needs.
Investment risk and volatility, such as having investments or investment allocations that are not in line with your current goals and risk tolerance. While market volatility attracts the most attention, your reaction to these declines can be the biggest risk to your strategy.	**Diversification, quality and a long-term focus:** No one can predict how financial markets will behave, but a properly constructed portfolio should generally include: • Diversifying your investments among stocks, bonds and cash so success isn't tied to one company or one type of investment • Sticking with quality investments with proven track records • Keeping your focus on your long-term goals, not on short-term fluctuations **Personal risk assessment:** Determine how much risk you are willing and able to take, so you can be better prepared to stay on track during the inevitable short-term declines.
Medical expenses, if not covered by provincial and employer health plans, can pose a substantial risk to your income, assets and overall financial situation. These can include: • Emergency care services • Hospital visits • Preventive care • Medical costs • Dental costs • Vision costs • Therapeutic treatment and more	**Health insurance** **Before age 65:** • Understand your employer group benefits by reviewing your booklet and asking questions. • If you don't have group coverage through your work or through your spouse, consider purchasing personal health insurance. **Age 65 and older:** • Understand what happens to your group benefits after age 65, or whenever you retire. • Consider insurance for your long-term care needs to provide flexibility and choice in your later care years.

A tailored strategy based on your goals

There are certain risks that will always need to be addressed. But depending on your life stage and current goals, there may be additional risks that require your attention. For instance, if you are saving for retirement, "Preparing for the Unexpected" will look considerably different from when you are living in retirement. You and your advisor can discuss your financial goals to determine what additional actions may be needed to provide, protect and/or pass on your financial strategy, based on your specific goals and financial situation.

Take the first step

In order to determine how to prepare for the unexpected, you should first outline where you are today and define your goals for tomorrow. To get started, we generally recommend the following:

- ☐ Detail your current financial situation, including your income, living expenses, assets and debt, including any money set aside for emergencies
- ☐ Take inventory of your current insurance coverage (including life, critical illness, disability and health insurance) held both through and outside your employer
- ☐ Outline your expected lifetime sources of income, such as Canada Pension Plan (CPP)/Quebec Pension Plan (QPP), Old Age Security (OAS), pensions and annuities if you are near or already living in retirement
- ☐ Review current plans for covering future health care and potential long-term care costs
- ☐ Document beneficiaries on all insurance policies and retirement and investment accounts
- ☐ Determine when you last updated your important legal documents and estate-planning strategies, including your will, powers of attorney, living trust, etc.
- ☐ Ensure your investment portfolio is properly aligned with your risk tolerance and documented financial goals

Completing the above items can help you determine what you need to address in order to better prepare yourself in the case of an unanticipated event. The good news is you don't have to do it alone. Your Edward Jones advisor can work with you to review your current situation, define your goals and then outline a strategy to help you prepare for the unexpected.

Insurance and annuities are offered by Edward Jones Insurance Agency (except in Quebec). In Quebec, insurance and annuities are offered by Edward Jones Insurance Agency (Quebec) Inc.

