

Financial Illustration

Prepared for:

Mr X Ample

Prepared by:

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PPOL

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Cashflow Model

This plan has been prepared using your current financial position as a starting point which is then projected forward into the future using the planned income, expenditure, savings and investments. A number of different outcomes can be considered as part of the cashflow planning process representing different assumptions, expectations or choices you make in your planning.

Cashflow modelling is designed to illustrate the financial outcome(s) resulting from a specific set of choices and demonstrate if you have insufficient wealth to meet all of your objectives or that you have surplus wealth which continues to increase throughout your life. This information will help you make informed decisions about your future including reducing or increasing expenditure, changing your investment strategy or protecting your estate.

Retire Early - Age 60

You would like to retire early at age 60 but you are unsure as to whether you can afford to do so. If not, you would like to know when you can afford to finish work.

Your current financial circumstances are as follows:

- You are in full time employment as a delivery driver
- You don't currently contribute to any pension plans
- You have a deferred final salary pension scheme and a paid up personal pension
- You qualify for a full state pension at age 67
- Your savings amount to £30k
- Your mortgage costs £400 per month and is due to be repaid at age 65
- You want to take a nice holiday for each of your first 10 retirement years costing £2k p.a.

Events modelled in this illustration:

- You take pensions at age **60** and clear your debts using your savings and or your pension tax free cash
- Reflect everything planned where no unforeseen events occur
- You live for 40 more years until age 94

Basic Information

Illustration	54 to 94
Retirement Age	60
State Pension Age	67
Inflation Rate	1.5% per annum
Initial Cash	£30000
Interest Rate	1.5% per annum

General assumptions:

- The validity of any projection or plan is only as good as the input assumptions and values used to create it
- Figures shown may fluctuate in reality and could have a significant positive or negative effect on your finances
- Regularly reviewing the cashflow reports and the assumptions used will increase the accuracy of the forecasted outcomes

Income

	From	To	Amount	Frequency	Adjust
Job Income	54	59	£23000	Annually	By Inflation
Personal Pension	60	94	£1995	Annually	By Inflation
Final Salary Pension	60	94	£3000	Annually	By Inflation
State Pension	67	94	£7488	Annually	By Inflation
PPP Tax Free Cash	At	60	£6000	Single	
DB Tax Free Cash	At	60	£9000	Single	

Spending

	From	To	Amount	Frequency	Adjust
Living Expenses	54	59	£15000	Annually	By Inflation
	Then	94	£12000	Annually	
Mortgage Repayments	54	59	£4800	Annually	By Inflation
Holiday Expenses	60	69	£2000	Annually	By Inflation
Clear Mortgage	At	60	£22000	Single	

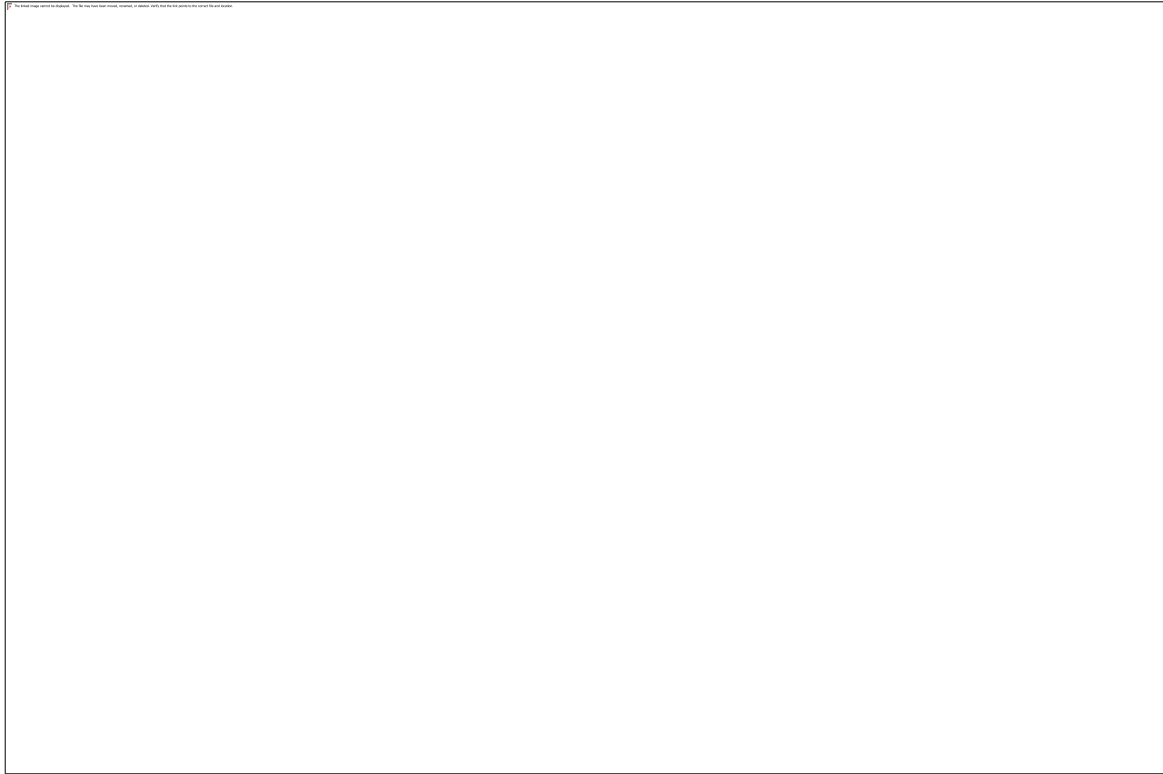
Assumptions about spending:

- The spending figures shown are based on your current spending habits today and cannot predict what you will actually spend at retirement

Cash - A summary of your opening and closing cash balances for each year is shown below.

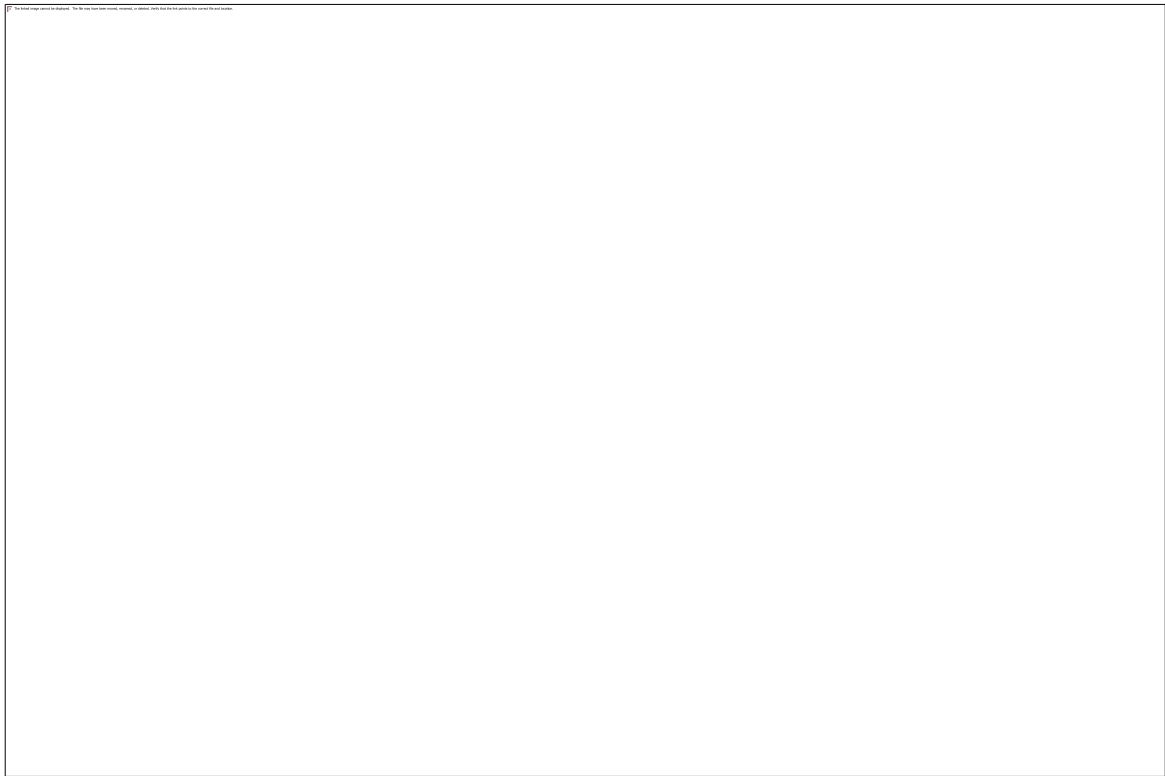
Age	Opening	Incomes	Spending	Investments	Closing
54	30000	+23000	-19800	+450	=33650
55	33650	+23000	-19800	+505	=37355
56	37355	+23000	-19800	+560	=41115
57	41115	+23000	-19800	+617	=44932
58	44932	+23000	-19800	+674	=48806
59	48806	+23000	-19800	+732	=52738
60	52738	+19995	-36000	+791	=37524
61	37524	+4995	-14000	+563	=29082
62	29082	+4995	-14000	+436	=20513
63	20513	+4995	-14000	+308	=11816
64	11816	+4995	-14000	+177	=2988
65	2988	+4995	-14000	+45	=-5972
66	-5972	+4995	-14000	-90	=-15067
67	-15067	+12483	-14000	-226	=-16810
68	-16810	+12483	-14000	-252	=-18579
69	-18579	+12483	-14000	-279	=-20375
70	-20375	+12483	-12000	-306	=-20197
71	-20197	+12483	-12000	-303	=-20017
72	-20017	+12483	-12000	-300	=-19834
73	-19834	+12483	-12000	-298	=-19649
74	-19649	+12483	-12000	-295	=-19461
75	-19461	+12483	-12000	-292	=-19270
76	-19270	+12483	-12000	-289	=-19076
77	-19076	+12483	-12000	-286	=-18879
78	-18879	+12483	-12000	-283	=-18679
79	-18679	+12483	-12000	-280	=-18476
80	-18476	+12483	-12000	-277	=-18270
81	-18270	+12483	-12000	-274	=-18061
82	-18061	+12483	-12000	-271	=-17849
83	-17849	+12483	-12000	-268	=-17634
84	-17634	+12483	-12000	-265	=-17416

85	-17416	+12483	-12000	-261	=-17194
86	-17194	+12483	-12000	-258	=-16969
87	-16969	+12483	-12000	-255	=-16740
88	-16740	+12483	-12000	-251	=-16508
89	-16508	+12483	-12000	-248	=-16273
90	-16273	+12483	-12000	-244	=-16034
91	-16034	+12483	-12000	-241	=-15792
92	-15792	+12483	-12000	-237	=-15545
93	-15545	+12483	-12000	-233	=-15296
94	-15296	+12483	-12000	-229	=-15042



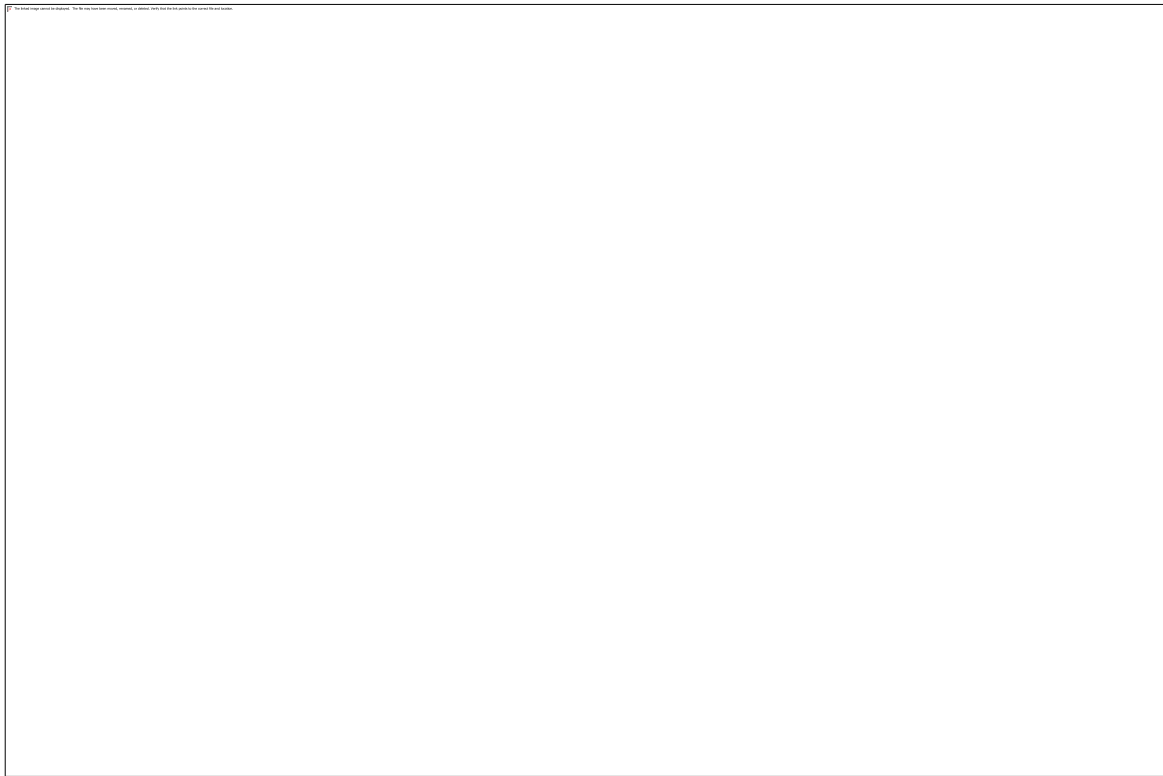
Incomes - A summary of your current income streams and future estimated income streams is shown below.

Age	Job Income	Personal Pension	Final Salary Pension	State Pension	PPP Tax Free Cash	DB Tax Free Cash	Total
54	23000	0	0	0	0	0	23000
	Values repeating until						
60	0	1995	3000	0	6000	9000	19995
61	0	1995	3000	0	0	0	4995
	Values repeating until						
67	0	1995	3000	7488	0	0	12483
	Values repeating until						
94	0	1995	3000	7488	0	0	12483

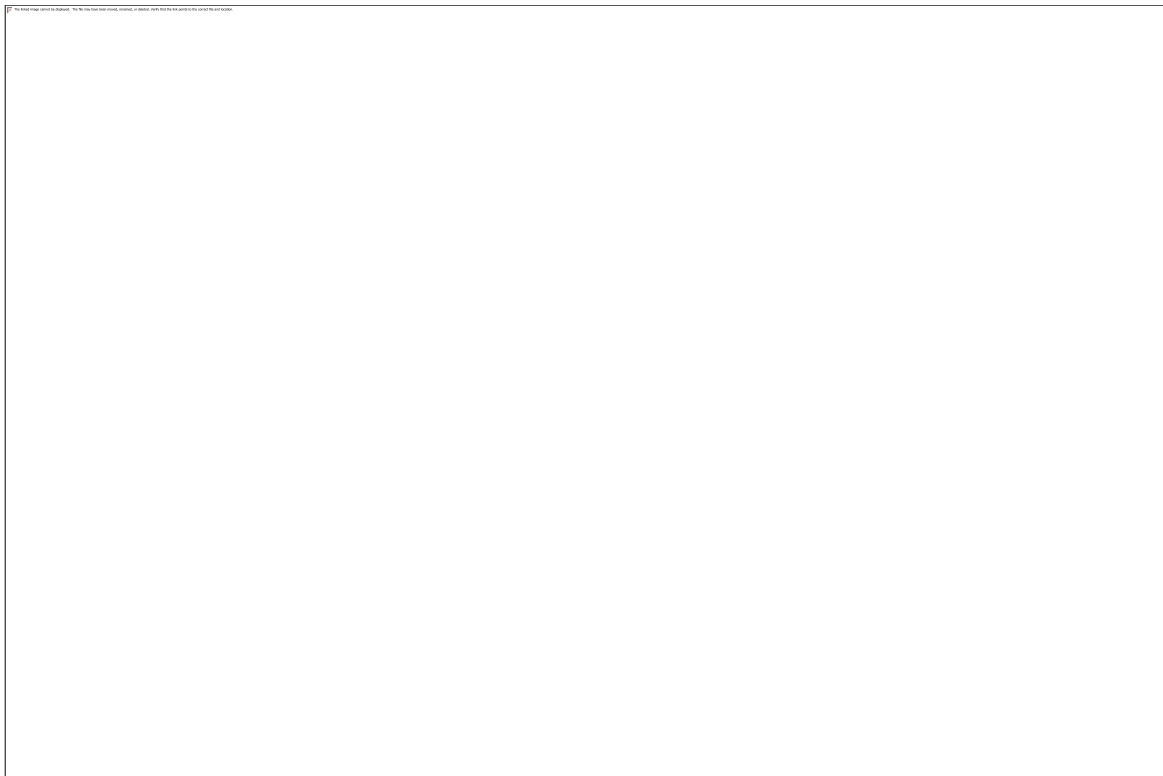


Spending - A summary of your current spending and future estimated spending is shown below.

Age	Living Expenses	Mortgage Repayments	Holiday Expenses	Clear Mortgage	Total
54	15000	4800	0	0	19800
	Values repeating until				
60	12000	0	2000	22000	36000
61	12000	0	2000	0	14000
	Values repeating until				
70	12000	0	0	0	12000
	Values repeating until				
94	12000	0	0	0	12000



Spending v Income - A comparison of spending versus income is shown below.



Conclusion

This cashflow analysis confirms that by retiring early at age 60 you will have insufficient cash to sustain your planned expenditure from age 65. This is as a direct result of using your tax free cash lump sums and savings to repay your mortgage early and because your pension incomes have been reduced as a result of bringing them into payment sooner than originally planned. Even with a state pension payable at age 67, there remains insufficient income to cover your expenditure. You have

stated that you do not wish to give up your holidays and that your livings expenses cannot be altered therefore, the suggested action would be to delay your retirement.

Cashflow Model

Retire Early - Age 61

You would like to retire early but will only do so if you can afford it. Age 60 has been confirmed as too early to retire due to a cash shortfall. You therefore want to consider the effects of working for one more year and retire at age 61.

Your current financial circumstances are unchanged from those set out in the initial scenario.

Events modelled in this illustration:

- You take pensions at age **61** and clear your debts using your pension tax free cash and savings.
- Reflect everything planned where no unforeseen events occur
- You live for 40 more years until age 94

Basic Information

Illustration	54 to 94
Retirement Age	61
State Pension Age	67
Inflation Rate	1.5% per annum
Initial Cash	£30000
Interest Rate	1.5% per annum

General assumptions:

- The validity of any projection or plan is only as good as the input assumptions and values used to create it
- Figures shown may fluctuate in reality and could have a significant positive or negative effect on your finances
- Regularly reviewing the cashflow reports and the assumptions used will increase the accuracy of the forecasted outcomes

Income

	From	To	Amount	Frequency	Adjust
Job Income	54	60	£23000	Annually	By Inflation
Personal Pension	61	94	£2250	Annually	By Inflation
Final Salary Pension	61	94	£3200	Annually	By Inflation
State Pension	67	94	£7488	Annually	By Inflation
PPP Tax Free Cash	61	63	£6500	Annually	No
DB Tax Free Cash	At	60	£10600	Single	

Spending

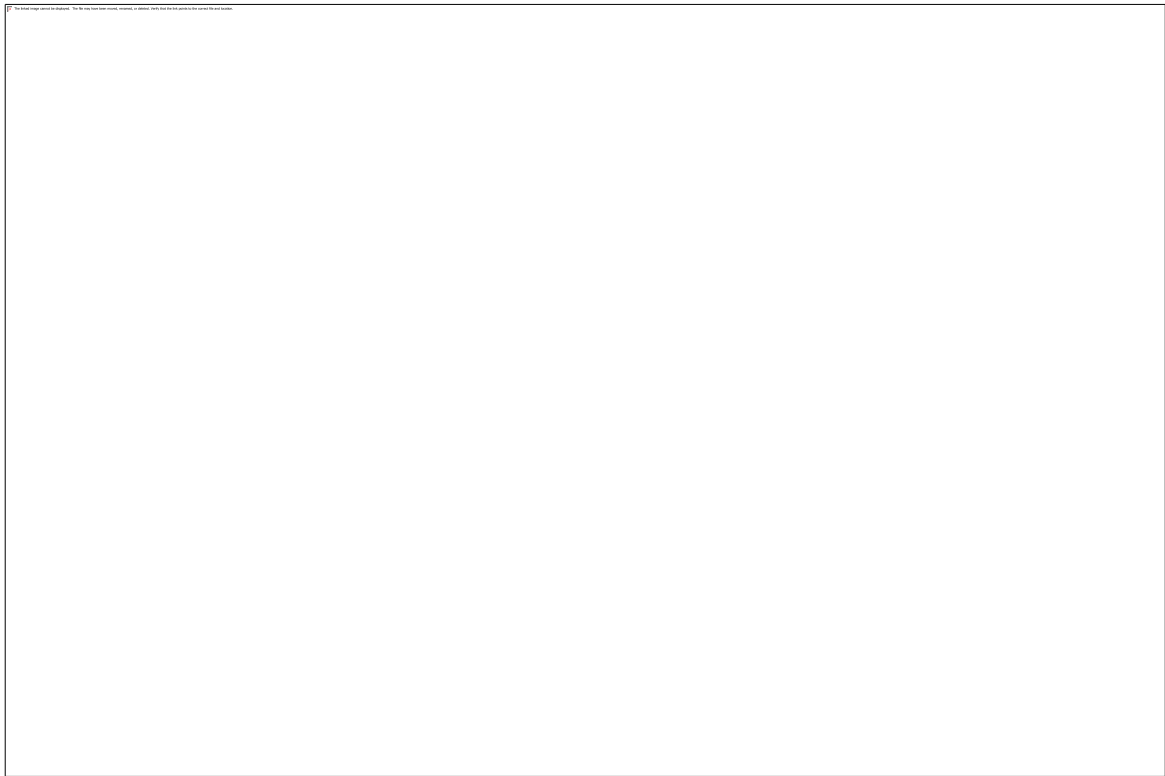
	From	To	Amount	Frequency	Adjust
Living Expenses	54	60	£15000	Annually	By Inflation
	Then	94	£12000	Annually	
Mortgage Repayments	54	60	£4800	Annually	By Inflation
Holiday Expenses	61	70	£2000	Annually	By Inflation
Clear Mortgage	At	61	£17500	Single	

Assumptions about spending:

- The spending figures shown are based on your current spending habits today and cannot predict what you will actually spend at retirement

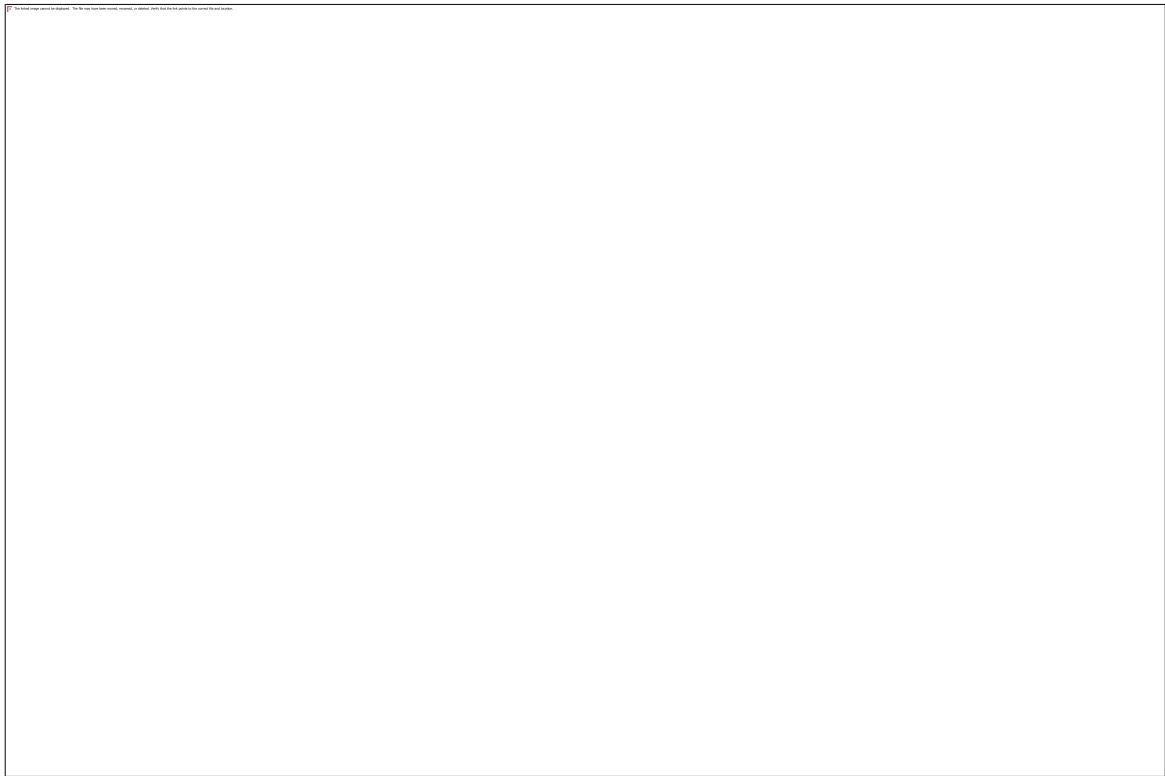
Cash - A summary of your opening and closing cash balances for each year is shown below.

Age	Opening	Incomes	Spending	Investments	Closing
54	30000	+23000	-19800	+450	=33650
55	33650	+23000	-19800	+505	=37355
56	37355	+23000	-19800	+560	=41115
57	41115	+23000	-19800	+617	=44932
58	44932	+23000	-19800	+674	=48806
59	48806	+23000	-19800	+732	=52738
60	52738	+33600	-19800	+791	=67329
61	67329	+11950	-31500	+1010	=48789
62	48789	+11853	-14000	+732	=47373
63	47373	+11756	-14000	+711	=45840
64	45840	+5450	-14000	+688	=37978
65	37978	+5450	-14000	+570	=29998
66	29998	+5450	-14000	+450	=21897
67	21897	+12938	-14000	+328	=21164
68	21164	+12938	-14000	+317	=20419
69	20419	+12938	-14000	+306	=19664
70	19664	+12938	-14000	+295	=18897
71	18897	+12938	-12000	+283	=20118
72	20118	+12938	-12000	+302	=21358
73	21358	+12938	-12000	+320	=22616
74	22616	+12938	-12000	+339	=23893
75	23893	+12938	-12000	+358	=25190
76	25190	+12938	-12000	+378	=26506
77	26506	+12938	-12000	+398	=27841
78	27841	+12938	-12000	+418	=29197
79	29197	+12938	-12000	+438	=30573
80	30573	+12938	-12000	+459	=31969
81	31969	+12938	-12000	+480	=33387
82	33387	+12938	-12000	+501	=34826
83	34826	+12938	-12000	+522	=36286
84	36286	+12938	-12000	+544	=37769
85	37769	+12938	-12000	+567	=39273
86	39273	+12938	-12000	+589	=40800
87	40800	+12938	-12000	+612	=42350
88	42350	+12938	-12000	+635	=43923
89	43923	+12938	-12000	+659	=45520
90	45520	+12938	-12000	+683	=47141
91	47141	+12938	-12000	+707	=48786
92	48786	+12938	-12000	+732	=50456
93	50456	+12938	-12000	+757	=52151
94	52151	+12938	-12000	+782	=53871



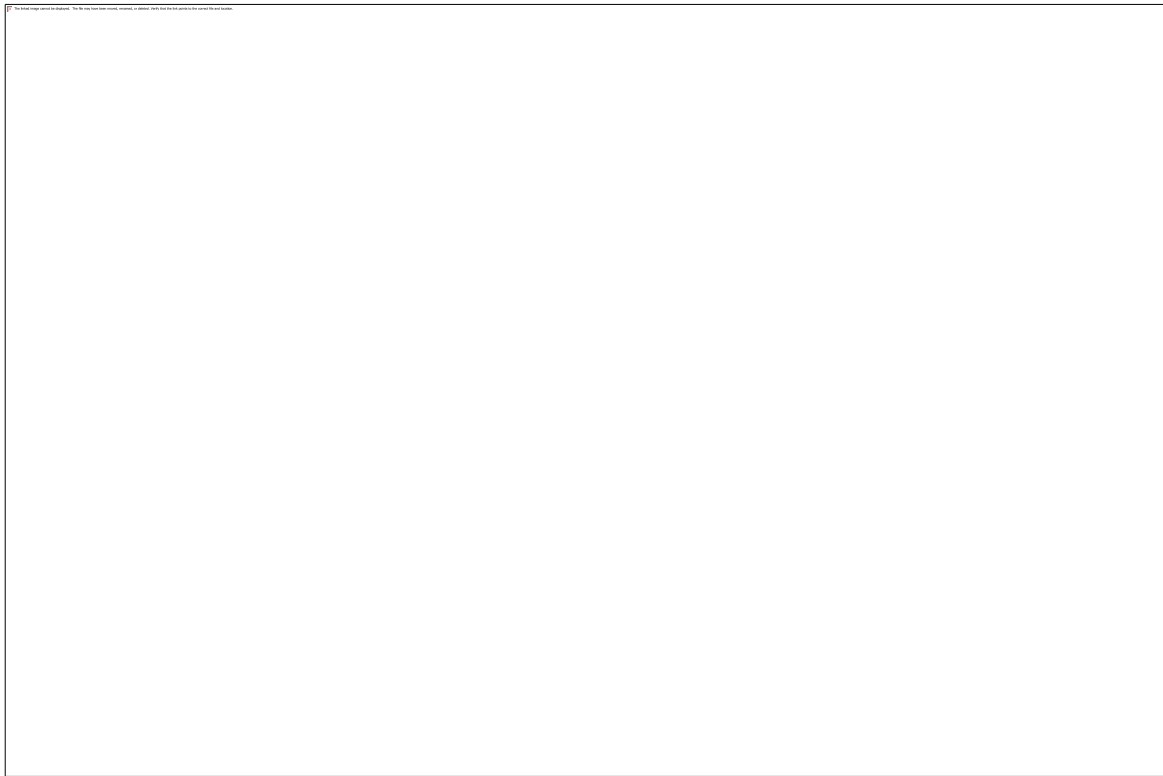
Incomes - A summary of your current income streams and future estimated income streams is shown below.

Age	Job Income	Personal Pension	Final Salary Pension	State Pension	PPP Tax Free Cash	DB Tax Free Cash	Total
54	23000	0	0	0	0	0	23000
	Values repeating until						
60	23000	0	0	0	0	10600	33600
61	0	2250	3200	0	6500	0	11950
62	0	2250	3200	0	6403	0	11853
63	0	2250	3200	0	6306	0	11756
64	0	2250	3200	0	0	0	5450
	Values repeating until						
67	0	2250	3200	7488	0	0	12938
	Values repeating until						
94	0	2250	3200	7488	0	0	12938

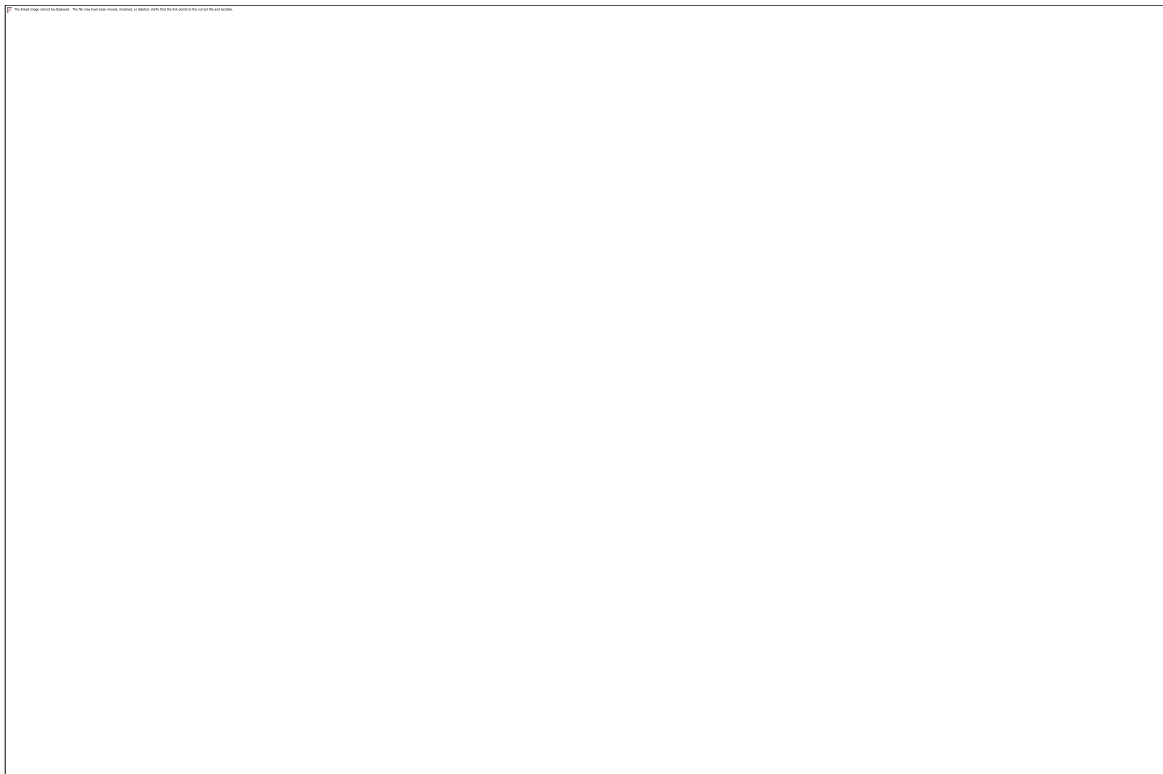


Spending - A summary of your current spending and future estimated spending is shown below.

Age	Living Expenses	Mortgage Repayments	Holiday Expenses	Clear Mortgage	Total
54	15000	4800	0	0	19800
	Values repeating until				
61	12000	0	2000	17500	31500
62	12000	0	2000	0	14000
	Values repeating until				
71	12000	0	0	0	12000
	Values repeating until				
94	12000	0	0	0	12000



Spending v Income - A comparison of spending versus income is shown below.



Conclusion

This cashflow analysis confirms that by working for one more year and delaying your retirement to age 61, there will be no shortfalls of cash. Your pension income and lump sums increase following deferment and your mortgage debt when cleared is lower on account of making further repayments. Your planned holidays in retirement are also affordable and do not distress your cash position.

Appendix

Personal Details

Client 1 is Mr X Ample date of birth 18 / 08 / 1961.

Today's Money

Where values are described as being in *today's money* that means that, whilst the nominal (actual) amounts in future years may have increased by inflation, the values shown have been discounted by inflation to show their real value in today's terms.

For example whilst loan repayments or level annuity income might be a fixed sum each year the actual value of that amount (its buying power) will be eroded by inflation and so in future years its value is smaller in today's money.

This is useful as it allows for valid comparison of values at different times. Often nominal amounts far in the future may seem to be very large because of the compounding effect of inflation, but when seen in today's money its real value can be better appreciated