

# Financial Illustration

Prepared for:

Mr & Mrs X Ample

Prepared by:

**Independent Financial Adviser**

**PPOL**

Caradoc House  
Abbey Foregate  
Shrewsbury  
Shropshire  
SY2 6AP

## 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, investments, loans and assets. 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, realising assets, or protecting your estate.

### The Status Quo is Maintained

You both currently have full time jobs and your joint incomes comfortably exceed your expenditure. This allows you to enjoy your lifestyle and provide for your 2 young children aged 1 and 3. Whilst your current finances are secure, we agreed to review what would happen to these should (Mr) the main earner die prematurely.

#### Events modelled in this illustration:

- Reflect everything planned where no unforeseen events occur

#### Basic Information

|                   |              |
|-------------------|--------------|
| Illustration      | 35 to 85     |
| Retirement Age    | 68           |
| State Pension Age | 68           |
| Inflation Rate    | 2% per annum |
| Initial Cash      | £25000       |
| Interest Rate     | 1% 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 (Mr)      | 35   | 67 | £56625 | Annually  | By Inflation |
| Job Income (Mrs)     | 35   | 68 | £25000 | Annually  | By Inflation |
| State Pension (Mr)   | 68   | 85 | £7800  | Annually  | By Inflation |
| State Pension (Mrs)  | 68   | 85 | £7800  | Annually  | By Inflation |
| Final Salary Pension | 65   | 85 | £15000 | Annually  | By Inflation |

Income assumptions:

- The only state benefit entitlement included is for pensions at age 68

## Spending

|                 | From | To | Amount | Frequency | Adjust       |
|-----------------|------|----|--------|-----------|--------------|
| Living Expenses | 35   | 67 | £35000 | Annually  | By Inflation |
|                 | Then | 85 | £25000 | Annually  |              |
| Annual Holiday  | 35   | 67 | £6000  | Annually  | By Inflation |

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
- Mortgage payments are not included within living expenses and are accounted within loans

## Loans

| Mortgage           |                        |    |                     |                            |  |
|--------------------|------------------------|----|---------------------|----------------------------|--|
| Initial Value      | £338000                |    |                     |                            |  |
| Interest           | 2.75% pa Added to Loan |    |                     |                            |  |
|                    | From                   | To | Activity            |                            |  |
| Regular Repayments | 35                     | 55 | Repay £1800 Monthly | Amount eroded by inflation |  |

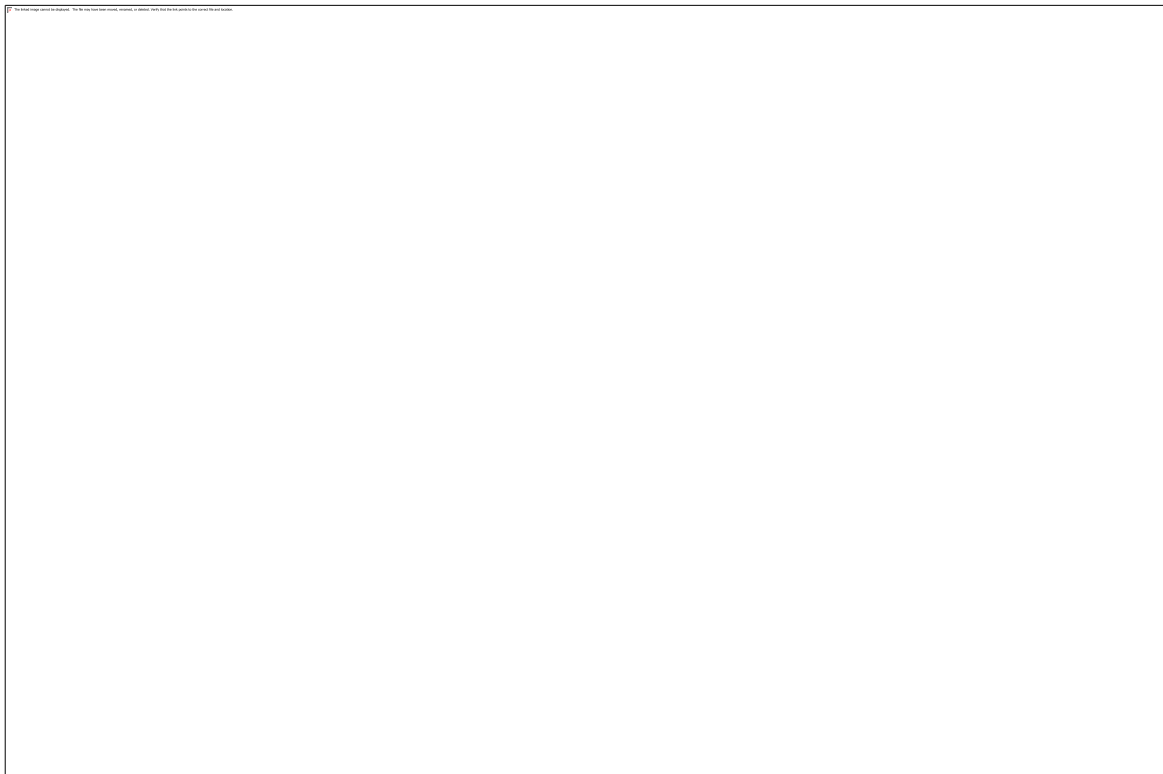
## Assets

|      | Value                         | Buy & Sell |
|------|-------------------------------|------------|
| Home | £500000 rising with inflation |            |

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

| Age | Opening | Incomes | Spending | Investments | Loans  | Assets | Closing |
|-----|---------|---------|----------|-------------|--------|--------|---------|
| 35  | 25000   | +81625  | -41000   | +250        | -21600 | +0     | =44275  |
| 36  | 44275   | +81625  | -41000   | +443        | -21168 | +0     | =64175  |
| 37  | 64175   | +81625  | -41000   | +642        | -20745 | +0     | =84697  |
| 38  | 84697   | +81625  | -41000   | +847        | -20330 | +0     | =105839 |
| 39  | 105839  | +81625  | -41000   | +1058       | -19923 | +0     | =127599 |
| 40  | 127599  | +81625  | -41000   | +1276       | -19525 | +0     | =149976 |
| 41  | 149976  | +81625  | -41000   | +1500       | -19134 | +0     | =172966 |
| 42  | 172966  | +81625  | -41000   | +1730       | -18752 | +0     | =196569 |
| 43  | 196569  | +81625  | -41000   | +1966       | -18376 | +0     | =220784 |
| 44  | 220784  | +81625  | -41000   | +2208       | -18009 | +0     | =245607 |
| 45  | 245607  | +81625  | -41000   | +2456       | -17649 | +0     | =271040 |
| 46  | 271040  | +81625  | -41000   | +2710       | -17296 | +0     | =297079 |
| 47  | 297079  | +81625  | -41000   | +2971       | -16950 | +0     | =323725 |
| 48  | 323725  | +81625  | -41000   | +3237       | -16611 | +0     | =350977 |
| 49  | 350977  | +81625  | -41000   | +3510       | -16279 | +0     | =378833 |
| 50  | 378833  | +81625  | -41000   | +3788       | -15953 | +0     | =407293 |
| 51  | 407293  | +81625  | -41000   | +4073       | -15634 | +0     | =436357 |
| 52  | 436357  | +81625  | -41000   | +4364       | -15321 | +0     | =466024 |
| 53  | 466024  | +81625  | -41000   | +4660       | -15015 | +0     | =496294 |
| 54  | 496294  | +81625  | -41000   | +4963       | -14715 | +0     | =527168 |
| 55  | 527168  | +81625  | -41000   | +5272       | -10729 | +0     | =562335 |
| 56  | 562335  | +81625  | -41000   | +5623       | +0     | +0     | =608583 |

|    |         |        |        |        |    |    |          |
|----|---------|--------|--------|--------|----|----|----------|
| 57 | 608583  | +81625 | -41000 | +6086  | +0 | +0 | =655294  |
| 58 | 655294  | +81625 | -41000 | +6553  | +0 | +0 | =702472  |
| 59 | 702472  | +81625 | -41000 | +7025  | +0 | +0 | =750122  |
| 60 | 750122  | +81625 | -41000 | +7501  | +0 | +0 | =798248  |
| 61 | 798248  | +81625 | -41000 | +7982  | +0 | +0 | =846856  |
| 62 | 846856  | +81625 | -41000 | +8469  | +0 | +0 | =895949  |
| 63 | 895949  | +81625 | -41000 | +8959  | +0 | +0 | =945534  |
| 64 | 945534  | +81625 | -41000 | +9455  | +0 | +0 | =995614  |
| 65 | 995614  | +96625 | -41000 | +9956  | +0 | +0 | =1061195 |
| 66 | 1061195 | +96625 | -41000 | +10612 | +0 | +0 | =1127432 |
| 67 | 1127432 | +96625 | -41000 | +11274 | +0 | +0 | =1194332 |
| 68 | 1194332 | +55600 | -25000 | +11943 | +0 | +0 | =1236875 |
| 69 | 1236875 | +30600 | -25000 | +12369 | +0 | +0 | =1254844 |
| 70 | 1254844 | +30600 | -25000 | +12548 | +0 | +0 | =1272992 |
| 71 | 1272992 | +30600 | -25000 | +12730 | +0 | +0 | =1291322 |
| 72 | 1291322 | +30600 | -25000 | +12913 | +0 | +0 | =1309835 |
| 73 | 1309835 | +30600 | -25000 | +13098 | +0 | +0 | =1328533 |
| 74 | 1328533 | +30600 | -25000 | +13285 | +0 | +0 | =1347419 |
| 75 | 1347419 | +30600 | -25000 | +13474 | +0 | +0 | =1366493 |
| 76 | 1366493 | +30600 | -25000 | +13665 | +0 | +0 | =1385758 |
| 77 | 1385758 | +30600 | -25000 | +13858 | +0 | +0 | =1405216 |
| 78 | 1405216 | +30600 | -25000 | +14052 | +0 | +0 | =1424868 |
| 79 | 1424868 | +30600 | -25000 | +14249 | +0 | +0 | =1444716 |
| 80 | 1444716 | +30600 | -25000 | +14447 | +0 | +0 | =1464764 |
| 81 | 1464764 | +30600 | -25000 | +14648 | +0 | +0 | =1485011 |
| 82 | 1485011 | +30600 | -25000 | +14850 | +0 | +0 | =1505461 |
| 83 | 1505461 | +30600 | -25000 | +15055 | +0 | +0 | =1526116 |
| 84 | 1526116 | +30600 | -25000 | +15261 | +0 | +0 | =1546977 |
| 85 | 1546977 | +30600 | -25000 | +15470 | +0 | +0 | =1568047 |



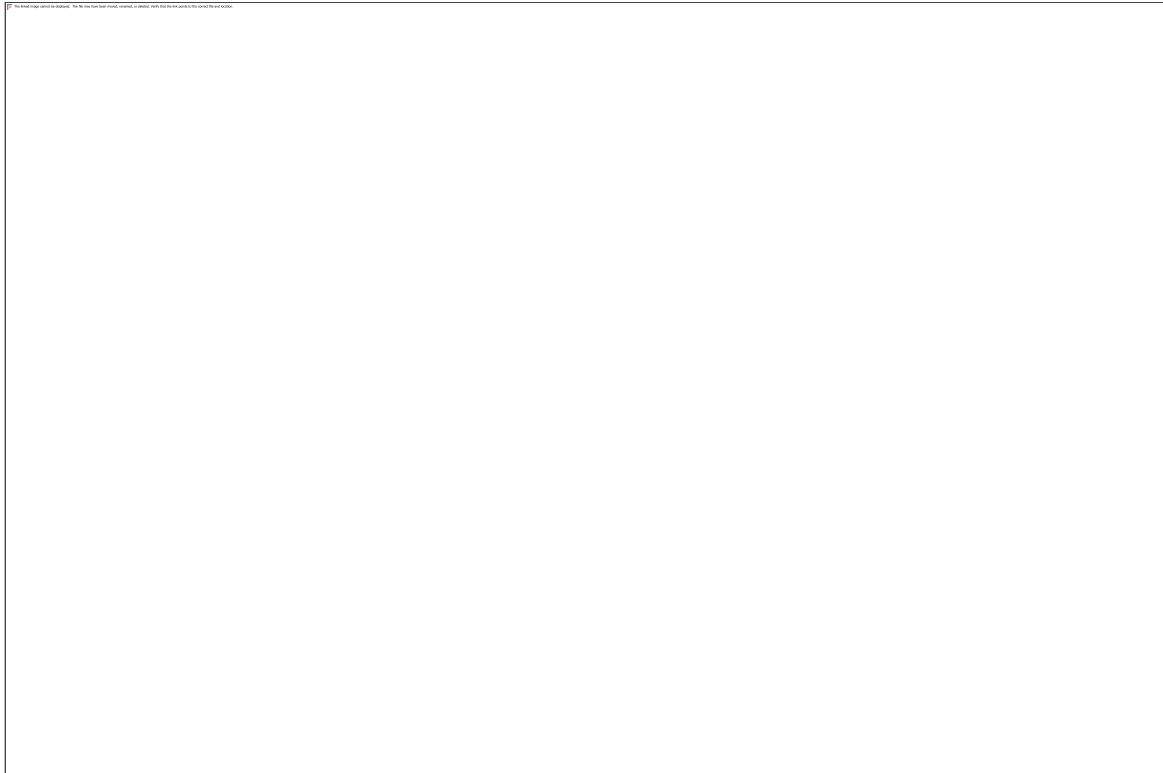
**Wealth** - A summary of your total wealth is split between cash, investment and values taking into account any loan debt.

| Age | Cash    | Loans   | Assets | Total   |
|-----|---------|---------|--------|---------|
| 35  | 25000   | -347295 | 500000 | 177705  |
| 36  | 44275   | -327959 | 500000 | 216316  |
| 37  | 64175   | -308923 | 500000 | 255252  |
| 38  | 84697   | -290181 | 500000 | 294516  |
| 39  | 105839  | -271727 | 500000 | 334112  |
| 40  | 127599  | -253554 | 500000 | 374045  |
| 41  | 149976  | -235655 | 500000 | 414321  |
| 42  | 172966  | -218026 | 500000 | 454940  |
| 43  | 196569  | -200659 | 500000 | 495910  |
| 44  | 220784  | -183550 | 500000 | 537234  |
| 45  | 245607  | -166691 | 500000 | 578916  |
| 46  | 271040  | -150078 | 500000 | 620962  |
| 47  | 297079  | -133706 | 500000 | 663373  |
| 48  | 323725  | -117567 | 500000 | 706158  |
| 49  | 350977  | -101658 | 500000 | 749319  |
| 50  | 378833  | -85973  | 500000 | 792860  |
| 51  | 407293  | -70506  | 500000 | 836787  |
| 52  | 436357  | -55253  | 500000 | 881104  |
| 53  | 466024  | -40210  | 500000 | 925814  |
| 54  | 496294  | -25370  | 500000 | 970924  |
| 55  | 527168  | -10729  | 500000 | 1016439 |
| 56  | 562335  | 0       | 500000 | 1062335 |
| 57  | 608583  | 0       | 500000 | 1108583 |
| 58  | 655294  | 0       | 500000 | 1155294 |
| 59  | 702472  | 0       | 500000 | 1202472 |
| 60  | 750122  | 0       | 500000 | 1250122 |
| 61  | 798248  | 0       | 500000 | 1298248 |
| 62  | 846856  | 0       | 500000 | 1346856 |
| 63  | 895949  | 0       | 500000 | 1395949 |
| 64  | 945534  | 0       | 500000 | 1445534 |
| 65  | 995614  | 0       | 500000 | 1495614 |
| 66  | 1061195 | 0       | 500000 | 1561195 |
| 67  | 1127432 | 0       | 500000 | 1627432 |
| 68  | 1194332 | 0       | 500000 | 1694332 |
| 69  | 1236875 | 0       | 500000 | 1736875 |
| 70  | 1254844 | 0       | 500000 | 1754844 |
| 71  | 1272992 | 0       | 500000 | 1772992 |
| 72  | 1291322 | 0       | 500000 | 1791322 |
| 73  | 1309835 | 0       | 500000 | 1809835 |
| 74  | 1328533 | 0       | 500000 | 1828533 |
| 75  | 1347419 | 0       | 500000 | 1847419 |
| 76  | 1366493 | 0       | 500000 | 1866493 |
| 77  | 1385758 | 0       | 500000 | 1885758 |
| 78  | 1405216 | 0       | 500000 | 1905216 |
| 79  | 1424868 | 0       | 500000 | 1924868 |
| 80  | 1444716 | 0       | 500000 | 1944716 |
| 81  | 1464764 | 0       | 500000 | 1964764 |
| 82  | 1485011 | 0       | 500000 | 1985011 |
| 83  | 1505461 | 0       | 500000 | 2005461 |
| 84  | 1526116 | 0       | 500000 | 2026116 |
| 85  | 1546977 | 0       | 500000 | 2046977 |



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

| Age | Job Income (Mr)        | Job Income (Mrs) | State Pension (Mr) | State Pension (Mrs) | Final Salary Pension | Total |
|-----|------------------------|------------------|--------------------|---------------------|----------------------|-------|
| 35  | 56625                  | 25000            | 0                  | 0                   | 0                    | 81625 |
|     | Values repeating until |                  |                    |                     |                      |       |
| 65  | 56625                  | 25000            | 0                  | 0                   | 15000                | 96625 |
|     | Values repeating until |                  |                    |                     |                      |       |
| 68  | 0                      | 25000            | 7800               | 7800                | 15000                | 55600 |
| 69  | 0                      | 0                | 7800               | 7800                | 15000                | 30600 |
|     | Values repeating until |                  |                    |                     |                      |       |
| 85  | 0                      | 0                | 7800               | 7800                | 15000                | 30600 |



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

| Age | Living Expenses        | Annual Holiday | Total |
|-----|------------------------|----------------|-------|
| 35  | 35000                  | 6000           | 41000 |
|     | Values repeating until |                |       |
| 68  | 25000                  | 0              | 25000 |
|     | Values repeating until |                |       |
| 85  | 25000                  | 0              | 25000 |



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

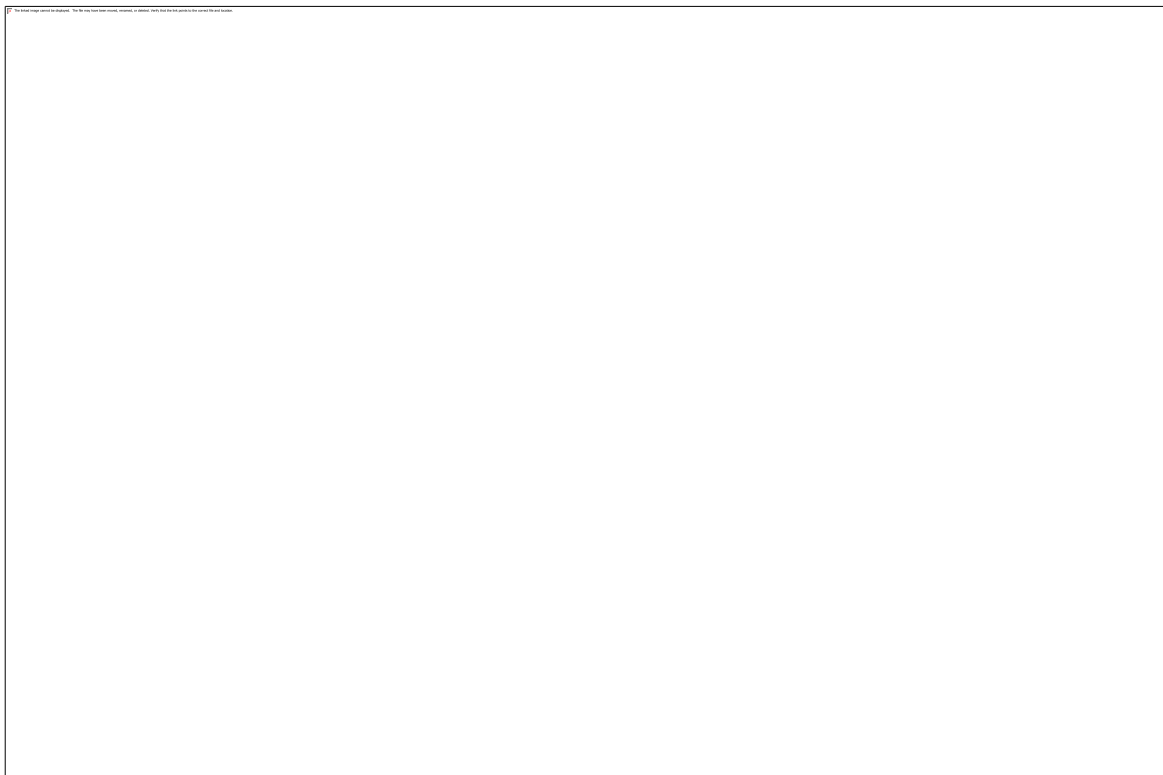


**Loans -**

| Age | Mortgage | Total  |
|-----|----------|--------|
| 35  | 347295   | 347295 |
| 36  | 327959   | 327959 |

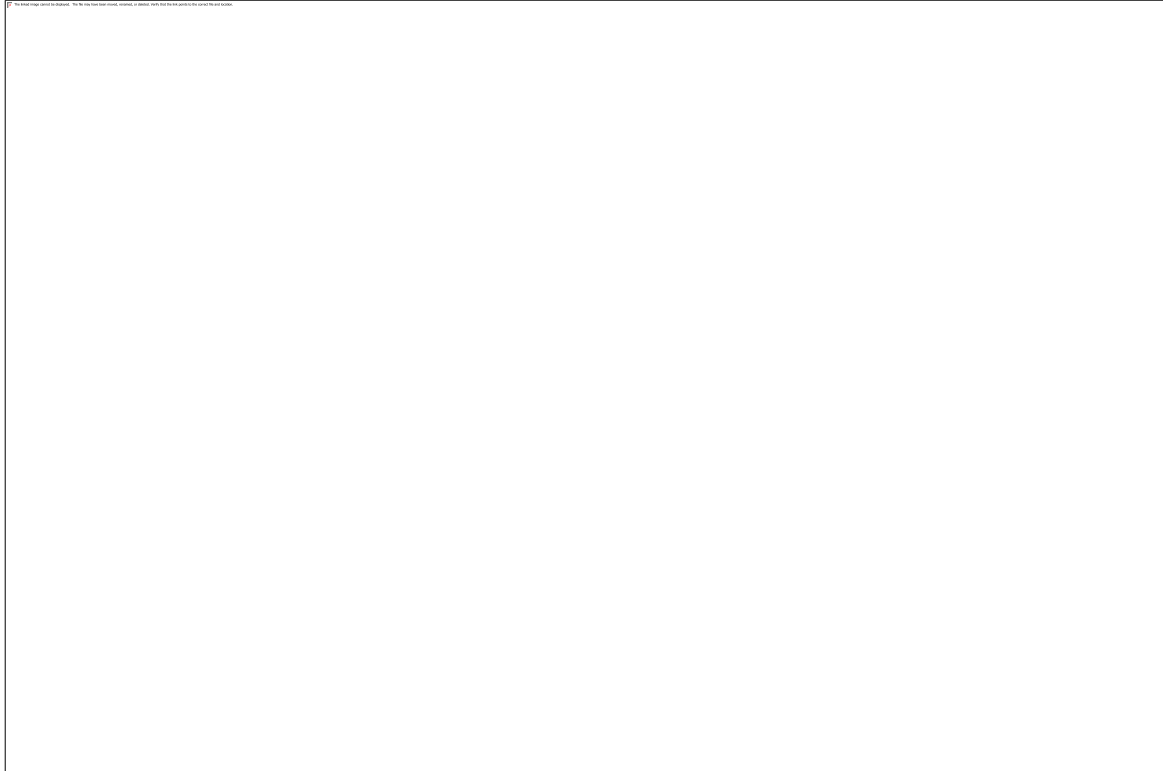


|    |                        |        |
|----|------------------------|--------|
| 37 | 308923                 | 308923 |
| 38 | 290181                 | 290181 |
| 39 | 271727                 | 271727 |
| 40 | 253554                 | 253554 |
| 41 | 235655                 | 235655 |
| 42 | 218026                 | 218026 |
| 43 | 200659                 | 200659 |
| 44 | 183550                 | 183550 |
| 45 | 166691                 | 166691 |
| 46 | 150078                 | 150078 |
| 47 | 133706                 | 133706 |
| 48 | 117567                 | 117567 |
| 49 | 101658                 | 101658 |
| 50 | 85973                  | 85973  |
| 51 | 70506                  | 70506  |
| 52 | 55253                  | 55253  |
| 53 | 40210                  | 40210  |
| 54 | 25370                  | 25370  |
| 55 | 10729                  | 10729  |
| 56 | 0                      | 0      |
|    | Values repeating until |        |
| 85 | 0                      | 0      |



**Assets** - A summary of your current asset values and the projected changes to these as a result of future sales and acquisitions is shown below.

| Age | Home                   | Total  |
|-----|------------------------|--------|
| 35  | 500000                 | 500000 |
|     | Values repeating until |        |
| 85  | 500000                 | 500000 |



## **Conclusion**

This cashflow analysis shows that your current income exceeds expenditure comfortably and therefore your cash position and overall wealth increase nicely throughout the illustrated term. The following scenario will cover premature death of Mr X Ample and how your existing protection planning copes with this eventuality and the resultant effects to your cash and wealth positions.

## Cashflow Model

### (Mr) Dies Tomorrow – DIS Lump Sum and Spouses Pension is Received

Events modelled in this illustration:

- All Basic Information shown in the initial scenario remains unchanged
- Job income for (Mr) ceases immediately
- £340k Death in Service (DIS) lump sum is paid to (Mrs) on the death of (Mr) and a spouses pension of £2k p.a.is also paid
- Mortgage is repaid in full using the DIS lump sum
- Family Home is owned outright and not sold or used to generate an income
- Holiday spending stops but living expenses are unchanged due to increased child care costs

### Income

|                     | From | To | Amount  | Frequency | Adjust       |
|---------------------|------|----|---------|-----------|--------------|
| Job Income (Mrs)    | 35   | 67 | £25000  | Annually  | By Inflation |
| DIS Lump Sum        | At   | 35 | £340000 | Single    |              |
| Spouses Pension     | 35   | 85 | £2000   | Annually  | By Inflation |
| State Pension (Mrs) | 68   | 85 | £7800   | Annually  | By Inflation |

### Spending

|                 | From | To | Amount | Frequency | Adjust       |
|-----------------|------|----|--------|-----------|--------------|
| Living Expenses | 35   | 67 | £35000 | Annually  | By Inflation |
|                 | Then | 85 | £25000 | Annually  |              |

Assumptions about spending:

- Expenditure may reduce due to loss of husband's income as such holiday spending is not included in this scenario.

### Loans

|                          |                        |    |               |        |                            |
|--------------------------|------------------------|----|---------------|--------|----------------------------|
| <b>Mortgage</b>          |                        |    |               |        |                            |
| Initial Value            | £338000                |    |               |        |                            |
| Interest                 | 2.75% pa Added to Loan |    |               |        |                            |
|                          | From                   | To | Activity      |        |                            |
| Clear Mortgage using DIS | 35                     | 35 | Repay £347295 | Single | Amount eroded by inflation |

### Assets

|      | Value                         | Buy & Sell |
|------|-------------------------------|------------|
| Home | £500000 rising with inflation |            |

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

| Age | Opening | Incomes | Spending | Investments | Loans   | Assets | Closing |
|-----|---------|---------|----------|-------------|---------|--------|---------|
| 35  | 25000   | +367000 | -35000   | +250        | -347295 | +0     | =9955   |
| 36  | 9955    | +27000  | -35000   | +100        | +0      | +0     | =2055   |
| 37  | 2055    | +27000  | -35000   | +21         | +0      | +0     | =-5925  |
| 38  | -5925   | +27000  | -35000   | -59         | +0      | +0     | =-13984 |

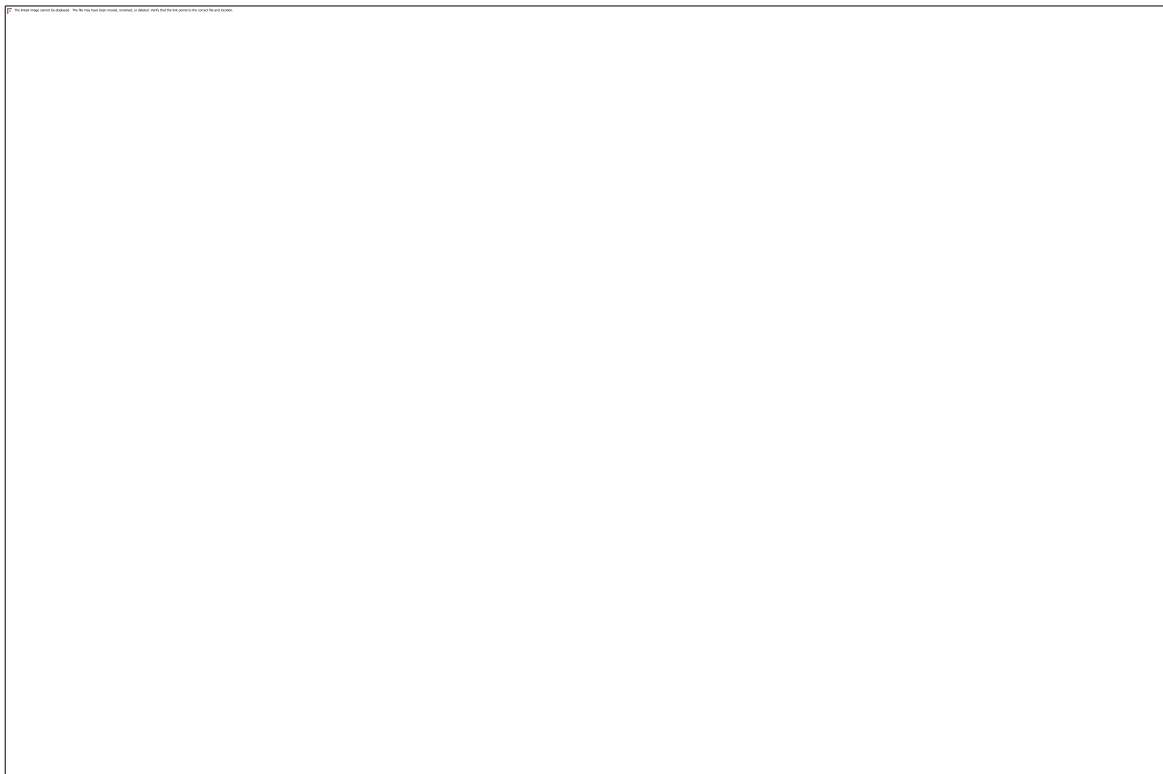
|    |         |        |        |       |    |    |          |
|----|---------|--------|--------|-------|----|----|----------|
| 39 | -13984  | +27000 | -35000 | -140  | +0 | +0 | =-22124  |
| 40 | -22124  | +27000 | -35000 | -221  | +0 | +0 | =-30345  |
| 41 | -30345  | +27000 | -35000 | -303  | +0 | +0 | =-38649  |
| 42 | -38649  | +27000 | -35000 | -386  | +0 | +0 | =-47035  |
| 43 | -47035  | +27000 | -35000 | -470  | +0 | +0 | =-55506  |
| 44 | -55506  | +27000 | -35000 | -555  | +0 | +0 | =-64061  |
| 45 | -64061  | +27000 | -35000 | -641  | +0 | +0 | =-72701  |
| 46 | -72701  | +27000 | -35000 | -727  | +0 | +0 | =-81428  |
| 47 | -81428  | +27000 | -35000 | -814  | +0 | +0 | =-90242  |
| 48 | -90242  | +27000 | -35000 | -902  | +0 | +0 | =-99145  |
| 49 | -99145  | +27000 | -35000 | -991  | +0 | +0 | =-108136 |
| 50 | -108136 | +27000 | -35000 | -1081 | +0 | +0 | =-117218 |
| 51 | -117218 | +27000 | -35000 | -1172 | +0 | +0 | =-126390 |
| 52 | -126390 | +27000 | -35000 | -1264 | +0 | +0 | =-135654 |
| 53 | -135654 | +27000 | -35000 | -1357 | +0 | +0 | =-145010 |
| 54 | -145010 | +27000 | -35000 | -1450 | +0 | +0 | =-154460 |
| 55 | -154460 | +27000 | -35000 | -1545 | +0 | +0 | =-164005 |
| 56 | -164005 | +27000 | -35000 | -1640 | +0 | +0 | =-173645 |
| 57 | -173645 | +27000 | -35000 | -1736 | +0 | +0 | =-183382 |
| 58 | -183382 | +27000 | -35000 | -1834 | +0 | +0 | =-193215 |
| 59 | -193215 | +27000 | -35000 | -1932 | +0 | +0 | =-203148 |
| 60 | -203148 | +27000 | -35000 | -2031 | +0 | +0 | =-213179 |
| 61 | -213179 | +27000 | -35000 | -2132 | +0 | +0 | =-223311 |
| 62 | -223311 | +27000 | -35000 | -2233 | +0 | +0 | =-233544 |
| 63 | -233544 | +27000 | -35000 | -2335 | +0 | +0 | =-243879 |
| 64 | -243879 | +27000 | -35000 | -2439 | +0 | +0 | =-254318 |
| 65 | -254318 | +27000 | -35000 | -2543 | +0 | +0 | =-264861 |
| 66 | -264861 | +27000 | -35000 | -2649 | +0 | +0 | =-275510 |
| 67 | -275510 | +27000 | -35000 | -2755 | +0 | +0 | =-286265 |
| 68 | -286265 | +9800  | -25000 | -2863 | +0 | +0 | =-304328 |
| 69 | -304328 | +9800  | -25000 | -3043 | +0 | +0 | =-322571 |
| 70 | -322571 | +9800  | -25000 | -3226 | +0 | +0 | =-340997 |
| 71 | -340997 | +9800  | -25000 | -3410 | +0 | +0 | =-359607 |
| 72 | -359607 | +9800  | -25000 | -3596 | +0 | +0 | =-378403 |
| 73 | -378403 | +9800  | -25000 | -3784 | +0 | +0 | =-397387 |
| 74 | -397387 | +9800  | -25000 | -3974 | +0 | +0 | =-416561 |
| 75 | -416561 | +9800  | -25000 | -4166 | +0 | +0 | =-435926 |
| 76 | -435926 | +9800  | -25000 | -4359 | +0 | +0 | =-455485 |
| 77 | -455485 | +9800  | -25000 | -4555 | +0 | +0 | =-475240 |
| 78 | -475240 | +9800  | -25000 | -4752 | +0 | +0 | =-495193 |
| 79 | -495193 | +9800  | -25000 | -4952 | +0 | +0 | =-515345 |
| 80 | -515345 | +9800  | -25000 | -5153 | +0 | +0 | =-535698 |
| 81 | -535698 | +9800  | -25000 | -5357 | +0 | +0 | =-556255 |
| 82 | -556255 | +9800  | -25000 | -5563 | +0 | +0 | =-577018 |
| 83 | -577018 | +9800  | -25000 | -5770 | +0 | +0 | =-597988 |
| 84 | -597988 | +9800  | -25000 | -5980 | +0 | +0 | =-619168 |
| 85 | -619168 | +9800  | -25000 | -6192 | +0 | +0 | =-640559 |



**Wealth** - A summary of your total wealth is split between cash, investment and values taking into account any loan debt.

| Age | Cash    | Loans   | Assets | Total  |
|-----|---------|---------|--------|--------|
| 35  | 25000   | -347295 | 500000 | 177705 |
| 36  | 9955    | 0       | 500000 | 509955 |
| 37  | 2055    | 0       | 500000 | 502055 |
| 38  | -5925   | 0       | 500000 | 494075 |
| 39  | -13984  | 0       | 500000 | 486016 |
| 40  | -22124  | 0       | 500000 | 477876 |
| 41  | -30345  | 0       | 500000 | 469655 |
| 42  | -38649  | 0       | 500000 | 461351 |
| 43  | -47035  | 0       | 500000 | 452965 |
| 44  | -55506  | 0       | 500000 | 444494 |
| 45  | -64061  | 0       | 500000 | 435939 |
| 46  | -72701  | 0       | 500000 | 427299 |
| 47  | -81428  | 0       | 500000 | 418572 |
| 48  | -90242  | 0       | 500000 | 409758 |
| 49  | -99145  | 0       | 500000 | 400855 |
| 50  | -108136 | 0       | 500000 | 391864 |
| 51  | -117218 | 0       | 500000 | 382782 |
| 52  | -126390 | 0       | 500000 | 373610 |
| 53  | -135654 | 0       | 500000 | 364346 |
| 54  | -145010 | 0       | 500000 | 354990 |
| 55  | -154460 | 0       | 500000 | 345540 |
| 56  | -164005 | 0       | 500000 | 335995 |
| 57  | -173645 | 0       | 500000 | 326355 |
| 58  | -183382 | 0       | 500000 | 316618 |
| 59  | -193215 | 0       | 500000 | 306785 |
| 60  | -203148 | 0       | 500000 | 296852 |
| 61  | -213179 | 0       | 500000 | 286821 |
| 62  | -223311 | 0       | 500000 | 276689 |

|    |         |   |        |         |
|----|---------|---|--------|---------|
| 63 | -233544 | 0 | 500000 | 266456  |
| 64 | -243879 | 0 | 500000 | 256121  |
| 65 | -254318 | 0 | 500000 | 245682  |
| 66 | -264861 | 0 | 500000 | 235139  |
| 67 | -275510 | 0 | 500000 | 224490  |
| 68 | -286265 | 0 | 500000 | 213735  |
| 69 | -304328 | 0 | 500000 | 195672  |
| 70 | -322571 | 0 | 500000 | 177429  |
| 71 | -340997 | 0 | 500000 | 159003  |
| 72 | -359607 | 0 | 500000 | 140393  |
| 73 | -378403 | 0 | 500000 | 121597  |
| 74 | -397387 | 0 | 500000 | 102613  |
| 75 | -416561 | 0 | 500000 | 83439   |
| 76 | -435926 | 0 | 500000 | 64074   |
| 77 | -455485 | 0 | 500000 | 44515   |
| 78 | -475240 | 0 | 500000 | 24760   |
| 79 | -495193 | 0 | 500000 | 4807    |
| 80 | -515345 | 0 | 500000 | -15345  |
| 81 | -535698 | 0 | 500000 | -35698  |
| 82 | -556255 | 0 | 500000 | -56255  |
| 83 | -577018 | 0 | 500000 | -77018  |
| 84 | -597988 | 0 | 500000 | -97988  |
| 85 | -619168 | 0 | 500000 | -119168 |



**Conclusion**

This cashflow analysis demonstrates that should Mr X Ample die tomorrow and Mrs X Ample wants to continue the family’s current living expenses (but cease all holiday spending) there is still a real risk of running out of money by age 39. The lump sum DIS payment will be sufficient in size to clear the mortgage in full but not sufficient to provide any kind of replacement income and the spouse’s

pension is already taken into account in the shortfall calculations. The following scenario will therefore set out the benefits to the cash position as a result of taking out additional life cover.

## Cashflow Model

### (Mr) Dies Tomorrow – DIS Lump Sum, Spouses Pension + Family Income Benefit is Received

Events modelled in this illustration:

- All Basic Information shown in the initial scenario remains unchanged
- Job income for (Mr) ceases immediately
- £340k Death in Service (DIS) lump sum is paid to (Mrs) on the death of (Mr) and a spouses pension of £2k p.a. is also paid
- £15k p.a. inflation linked income is paid on death of (Mr) for a term of 20 years until youngest child dependency ends
- Mortgage is repaid in full using the DIS lump sum
- Family Home is owned outright and not sold or used to generate an income
- Holiday spending stops but living expenses are unchanged due to increased child care costs

### Income

|                       | From | To | Amount  | Frequency | Adjust       |
|-----------------------|------|----|---------|-----------|--------------|
| Job Income (Mrs)      | 35   | 67 | £25000  | Annually  | By Inflation |
| DIS Lump Sum          | At   | 35 | £340000 | Single    |              |
| Spouses Pension       | 35   | 85 | £2000   | Annually  | By Inflation |
| Family Income Benefit | 35   | 54 | £15000  | Annually  | By Inflation |
| State Pension         | 68   | 85 | £7800   | Annually  | By Inflation |

### Spending

|                 | From | To | Amount | Frequency | Adjust       |
|-----------------|------|----|--------|-----------|--------------|
| Living Expenses | 35   | 67 | £35000 | Annually  | By Inflation |
|                 | Then | 85 | £25000 | Annually  |              |

### Loans

|                          |                            |
|--------------------------|----------------------------|
| <b>Mortgage</b>          |                            |
| Initial Value            | £338000                    |
| Interest                 | 2.75% pa Added to Loan     |
|                          | <b>From To Activity</b>    |
| Clear Mortgage using DIS | At 35 Repay £347295 Single |

### Assets

|      | Value                         | Buy & Sell |
|------|-------------------------------|------------|
| Home | £500000 rising with inflation |            |

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

| Age | Opening | Incomes | Spending | Investments | Loans   | Assets | Closing |
|-----|---------|---------|----------|-------------|---------|--------|---------|
| 35  | 25000   | +382000 | -35000   | +250        | -347295 | +0     | =24955  |
| 36  | 24955   | +42000  | -35000   | +250        | +0      | +0     | =32205  |
| 37  | 32205   | +42000  | -35000   | +322        | +0      | +0     | =39527  |
| 38  | 39527   | +42000  | -35000   | +395        | +0      | +0     | =46922  |
| 39  | 46922   | +42000  | -35000   | +469        | +0      | +0     | =54391  |
| 40  | 54391   | +42000  | -35000   | +544        | +0      | +0     | =61935  |



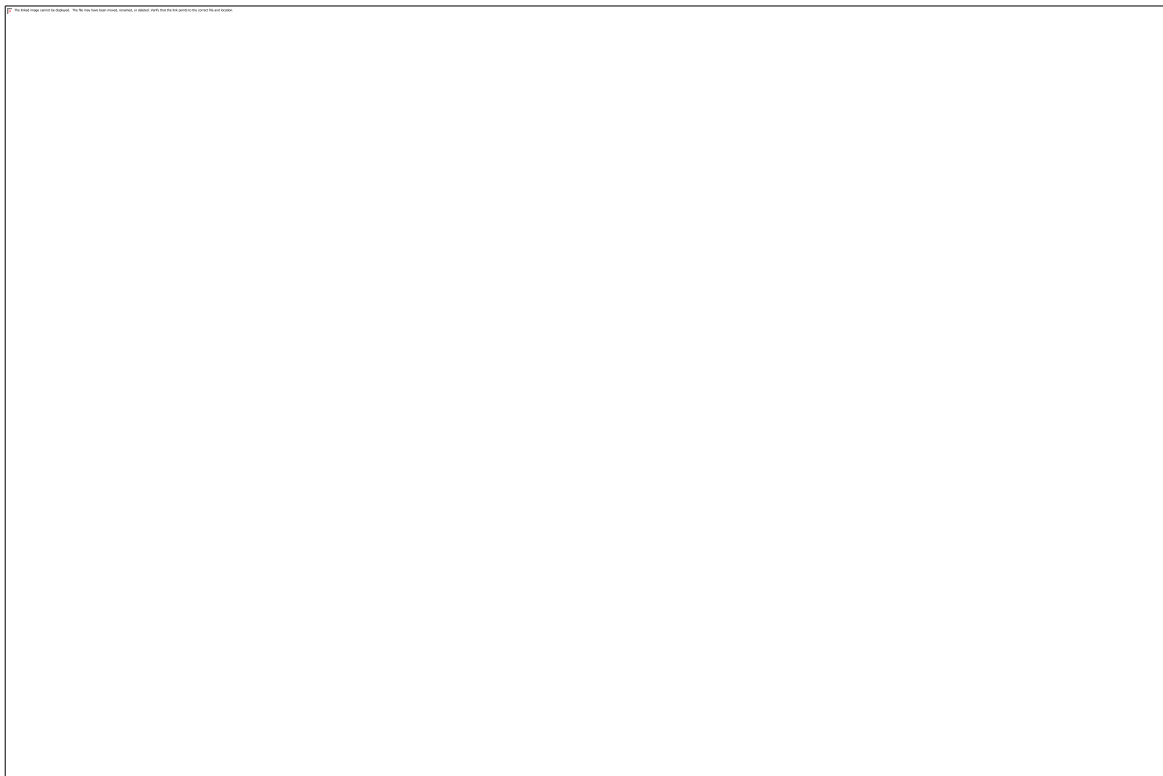
|    |         |        |        |       |    |    |          |
|----|---------|--------|--------|-------|----|----|----------|
| 41 | 61935   | +42000 | -35000 | +619  | +0 | +0 | =69554   |
| 42 | 69554   | +42000 | -35000 | +696  | +0 | +0 | =77250   |
| 43 | 77250   | +42000 | -35000 | +772  | +0 | +0 | =85022   |
| 44 | 85022   | +42000 | -35000 | +850  | +0 | +0 | =92873   |
| 45 | 92873   | +42000 | -35000 | +929  | +0 | +0 | =100801  |
| 46 | 100801  | +42000 | -35000 | +1008 | +0 | +0 | =108809  |
| 47 | 108809  | +42000 | -35000 | +1088 | +0 | +0 | =116897  |
| 48 | 116897  | +42000 | -35000 | +1169 | +0 | +0 | =125066  |
| 49 | 125066  | +42000 | -35000 | +1251 | +0 | +0 | =133317  |
| 50 | 133317  | +42000 | -35000 | +1333 | +0 | +0 | =141650  |
| 51 | 141650  | +42000 | -35000 | +1417 | +0 | +0 | =150067  |
| 52 | 150067  | +42000 | -35000 | +1501 | +0 | +0 | =158567  |
| 53 | 158567  | +42000 | -35000 | +1586 | +0 | +0 | =167153  |
| 54 | 167153  | +42000 | -35000 | +1672 | +0 | +0 | =175825  |
| 55 | 175825  | +27000 | -35000 | +1758 | +0 | +0 | =169583  |
| 56 | 169583  | +27000 | -35000 | +1696 | +0 | +0 | =163279  |
| 57 | 163279  | +27000 | -35000 | +1633 | +0 | +0 | =156911  |
| 58 | 156911  | +27000 | -35000 | +1569 | +0 | +0 | =150481  |
| 59 | 150481  | +27000 | -35000 | +1505 | +0 | +0 | =143985  |
| 60 | 143985  | +27000 | -35000 | +1440 | +0 | +0 | =137425  |
| 61 | 137425  | +27000 | -35000 | +1374 | +0 | +0 | =130800  |
| 62 | 130800  | +27000 | -35000 | +1308 | +0 | +0 | =124108  |
| 63 | 124108  | +27000 | -35000 | +1241 | +0 | +0 | =117349  |
| 64 | 117349  | +27000 | -35000 | +1173 | +0 | +0 | =110522  |
| 65 | 110522  | +27000 | -35000 | +1105 | +0 | +0 | =103627  |
| 66 | 103627  | +27000 | -35000 | +1036 | +0 | +0 | =96664   |
| 67 | 96664   | +27000 | -35000 | +967  | +0 | +0 | =89630   |
| 68 | 89630   | +9800  | -25000 | +896  | +0 | +0 | =75327   |
| 69 | 75327   | +9800  | -25000 | +753  | +0 | +0 | =60880   |
| 70 | 60880   | +9800  | -25000 | +609  | +0 | +0 | =46289   |
| 71 | 46289   | +9800  | -25000 | +463  | +0 | +0 | =31551   |
| 72 | 31551   | +9800  | -25000 | +316  | +0 | +0 | =16667   |
| 73 | 16667   | +9800  | -25000 | +167  | +0 | +0 | =1634    |
| 74 | 1634    | +9800  | -25000 | +16   | +0 | +0 | =-13550  |
| 75 | -13550  | +9800  | -25000 | -136  | +0 | +0 | =-28886  |
| 76 | -28886  | +9800  | -25000 | -289  | +0 | +0 | =-44374  |
| 77 | -44374  | +9800  | -25000 | -444  | +0 | +0 | =-60018  |
| 78 | -60018  | +9800  | -25000 | -600  | +0 | +0 | =-75818  |
| 79 | -75818  | +9800  | -25000 | -758  | +0 | +0 | =-91776  |
| 80 | -91776  | +9800  | -25000 | -918  | +0 | +0 | =-107894 |
| 81 | -107894 | +9800  | -25000 | -1079 | +0 | +0 | =-124173 |
| 82 | -124173 | +9800  | -25000 | -1242 | +0 | +0 | =-140615 |
| 83 | -140615 | +9800  | -25000 | -1406 | +0 | +0 | =-157221 |
| 84 | -157221 | +9800  | -25000 | -1572 | +0 | +0 | =-173993 |
| 85 | -173993 | +9800  | -25000 | -1740 | +0 | +0 | =-190933 |



**Wealth** - A summary of your total wealth is split between cash, investment and values taking into account any loan debt.

| Age | Cash   | Loans   | Assets | Total  |
|-----|--------|---------|--------|--------|
| 35  | 25000  | -347295 | 500000 | 177705 |
| 36  | 24955  | 0       | 500000 | 524955 |
| 37  | 32205  | 0       | 500000 | 532205 |
| 38  | 39527  | 0       | 500000 | 539527 |
| 39  | 46922  | 0       | 500000 | 546922 |
| 40  | 54391  | 0       | 500000 | 554391 |
| 41  | 61935  | 0       | 500000 | 561935 |
| 42  | 69554  | 0       | 500000 | 569554 |
| 43  | 77250  | 0       | 500000 | 577250 |
| 44  | 85022  | 0       | 500000 | 585022 |
| 45  | 92873  | 0       | 500000 | 592873 |
| 46  | 100801 | 0       | 500000 | 600801 |
| 47  | 108809 | 0       | 500000 | 608809 |
| 48  | 116897 | 0       | 500000 | 616897 |
| 49  | 125066 | 0       | 500000 | 625066 |
| 50  | 133317 | 0       | 500000 | 633317 |
| 51  | 141650 | 0       | 500000 | 641650 |
| 52  | 150067 | 0       | 500000 | 650067 |
| 53  | 158567 | 0       | 500000 | 658567 |
| 54  | 167153 | 0       | 500000 | 667153 |
| 55  | 175825 | 0       | 500000 | 675825 |
| 56  | 169583 | 0       | 500000 | 669583 |
| 57  | 163279 | 0       | 500000 | 663279 |
| 58  | 156911 | 0       | 500000 | 656911 |
| 59  | 150481 | 0       | 500000 | 650481 |
| 60  | 143985 | 0       | 500000 | 643985 |
| 61  | 137425 | 0       | 500000 | 637425 |
| 62  | 130800 | 0       | 500000 | 630800 |

|    |         |   |        |        |
|----|---------|---|--------|--------|
| 63 | 124108  | 0 | 500000 | 624108 |
| 64 | 117349  | 0 | 500000 | 617349 |
| 65 | 110522  | 0 | 500000 | 610522 |
| 66 | 103627  | 0 | 500000 | 603627 |
| 67 | 96664   | 0 | 500000 | 596664 |
| 68 | 89630   | 0 | 500000 | 589630 |
| 69 | 75327   | 0 | 500000 | 575327 |
| 70 | 60880   | 0 | 500000 | 560880 |
| 71 | 46289   | 0 | 500000 | 546289 |
| 72 | 31551   | 0 | 500000 | 531551 |
| 73 | 16667   | 0 | 500000 | 516667 |
| 74 | 1634    | 0 | 500000 | 501634 |
| 75 | -13550  | 0 | 500000 | 486450 |
| 76 | -28886  | 0 | 500000 | 471114 |
| 77 | -44374  | 0 | 500000 | 455626 |
| 78 | -60018  | 0 | 500000 | 439982 |
| 79 | -75818  | 0 | 500000 | 424182 |
| 80 | -91776  | 0 | 500000 | 408224 |
| 81 | -107894 | 0 | 500000 | 392106 |
| 82 | -124173 | 0 | 500000 | 375827 |
| 83 | -140615 | 0 | 500000 | 359385 |
| 84 | -157221 | 0 | 500000 | 342779 |
| 85 | -173993 | 0 | 500000 | 326007 |



**Conclusion**

This cashflow analysis confirms the need for additional insurance should Mr X Ample die prematurely. On receipt of the annual insured lump sum shown of £15,000 for each of the next 20 years, you can maintain your planned levels expenditure. No shortfalls in cash occur until age 75 at which point you may consider a further reduction to your living expenses or alternatively, a release of equity from your home.

## **Appendix**

### **Personal Details**

Client 1 is Mr AAA date of birth 01 / 05 / 1980.

Client 2 is Mrs BBB date of birth 30 / 08 / 1981.

### **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