

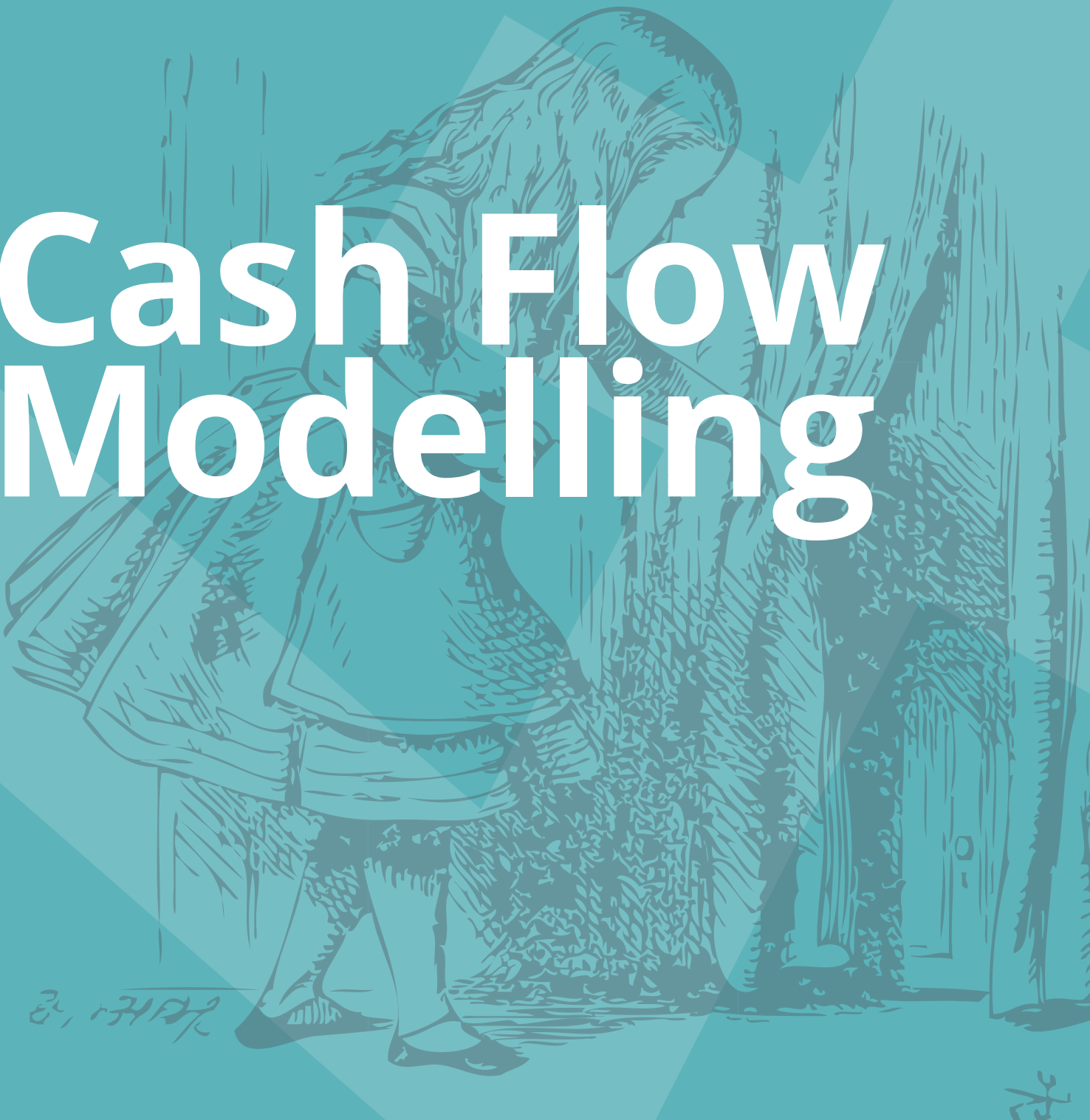


CLWOMEN

Financial Planning designed *by women for women*

The investment and retirement specialists for women

Cash Flow Modelling



Cash Flow Modelling

What is cash flow modelling used for?

Cash flow modelling helps people with all kinds of different goals to find out what their finances could look like in the future and whether they will have enough money to live off, particularly in retirement. In short, it allows us to forecast your wealth up to age 100 and helps us to formulate your financial plan with the ultimate aim of ensuring that you don't run out of money before you run out of breath!

How does it work?

The first step is to collect information about your current finances. How much income do you receive each month? What are your outgoings? How much do you have saved in cash deposits or other accounts outside of your portfolio?

Using specialist computer software, your Financial Planner will analyse this information along with your future goals and income requirements. They can consider life events - such as your retirement, large one-off expenses or even your death - and market events - such as a crash in financial markets - to show how these may affect you or your family's financial situation.

Your financial planner will then crunch the numbers to create a long-term projection of your finances up to age 100. The projections may show that your assets and income requirements will comfortably sustain you up to this age. Conversely, they may show that you will run out of money earlier than anticipated and changes are needed to your financial plan.

How accurate are the cash flow projections?

Cash flow modelling helps your financial planner make sensible assumptions about your future finances. Like any forecast it will never be an exact science, but it can identify trends and show you how stable your financial plan is.

What assumptions do you use?

Clearly, using assumptions means that any cash flow analysis is unlikely to be 100% accurate. However, we try to use reasonable and realistic assumptions to ensure safe financial outcomes for you.

The assumptions we use are:

- Annual growth rates of your investments (in line with your agreed risk mandate)
- Your income and expenditure will increase each year in line with inflation
- Long-term inflation rate of 3%
- All cash flow analyses will be run up to age 100, unless agreed otherwise

These assumptions could be changed to provide various 'What if?' scenarios such as a market set back or life event, such as loss of a loved one, divorce or loss of employment. We all know that life can throw up unexpected challenges and we are here to help plan for those key life stages and ensure we provide you with the safest outcome possible.

How often will you run cash projections for me?

We will run new projections for you on at least an annual basis in line with your regular reviews, taking into account any changes to your assets, income and expenditure over the previous 12-months.

However, should you request a large capital withdrawal or increases to your regular income levels in the interim then we will provide you with a new cash flow projection to show how these might affect the longevity of your assets.

What is a Traffic Light Analysis?

We provide a Traffic Light Analysis for individuals who are in 'drawdown', i.e. they are in retirement and taking regular withdrawals from their investments.

“Whatever the outcome of your Traffic Light Analysis, your Financial Planner will discuss this with you at your review meetings and advise of any changes to your retirement income strategy.”

We have set a maximum Sustainable Withdrawal Rate of 3.75% of the value of a drawdown client's investments, as industry research suggests this is the maximum level of income which does not risk a retiree's fund being depleted before they die. If you are taking withdrawals up to 3.75% then your traffic light analysis will be **GREEN**.

If you are taking withdrawals of between 3.76% and 5% of your fund value then your traffic light analysis will be **AMBER**. This suggests that you may wish to consider reducing your level of withdrawals to ensure that your retirement income remains sustainable.

If your withdrawals are above 5% then your traffic light analysis will be **RED**. This indicates that there could be a serious issue with the longevity of your retirement income and you may be at risk of running out of money before you die.

Whatever the outcome of your Traffic Light Analysis, your Financial Planner will discuss this with you at your review meetings and advise of any changes to your retirement income strategy, if required.

Case Study

Below is an example of a cash flow analysis we have produced for our client, Christine, who is aged 56 and has recently retired with a personal pension valued at £175,000 and a Cash ISA valued at £50,000. She wants to start drawing an annual income of £5,000 from her pension fund, increasing each year with inflation, to support her lifestyle in retirement.

Our cash flow analysis for Christine is shown below:

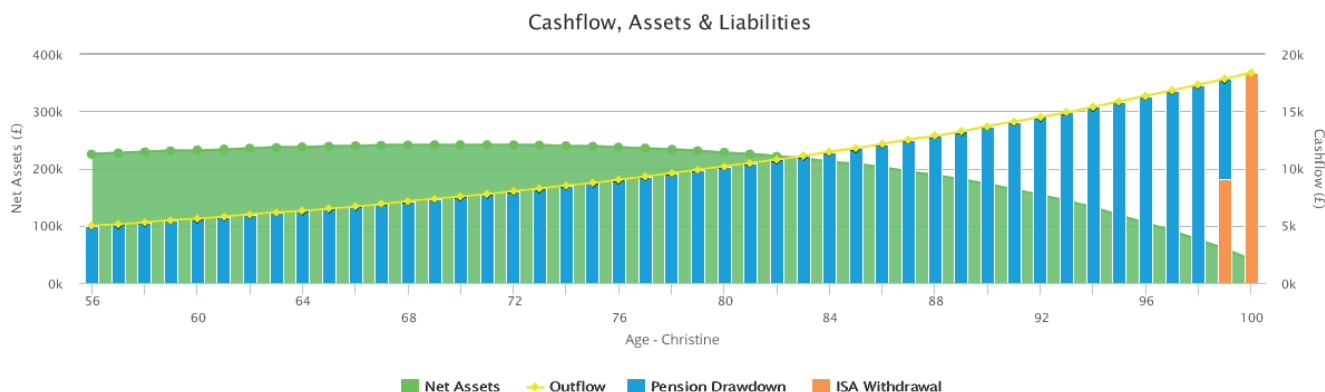
- The yellow line shows how her expenditure will increase year-on-year in line with inflation.
- The bars show the amount of income Christine will receive each year throughout retirement and the different sources they come from. In this instance, the blue bars represent the income from her personal pension and the orange bars represent withdrawals from her Cash ISA.
- The green line shows how the value of Christine's overall assets will change each year throughout retirement.

In Christine's case we can see that her personal pension will be able to provide her with an income up until age 99, after which point the fund will be fully depleted. From age 99 she will need to begin drawing on his Cash ISA to meet her income needs.

The cash flow forecast indicates that Christine's income will be sustainable until she reaches age 100, at which point she will have around £40,000 remaining in her Cash ISA.

As Christine's financial planners we would present this cash flow analysis to her, talk her through it and agree on any changes to her retirement income strategy if necessary at our regular annual meetings or on demand.

If you would like more information on how Cash Flow Modelling could help you in planning your financial journey, please contact us today on 0115 981 9529 or email us at enquiries@cl4women.co.uk



Let's talk T: 0115 981 9529
enquiries@cl4women.co.uk



CLWxOMEN

Financial Planning designed by women for women

The investment and retirement specialists for women

Holland House, 45 Loughborough Road, West Bridgford, Nottingham NG2 7LA
Cockburn Lucas Independent Financial Consulting Ltd Registered in England & Wales. Registered No. 3365186

CL4Women is a trading style of Cockburn Lucas Independent Financial Consulting Ltd. which is authorised and regulated by the
Financial Conduct Authority.

The contents of this document do not constitute advice and should not be taken as a recommendation to purchase or invest in any financial product. The value of a market investment can go down as well as up and you may not get back the full amount, particularly in the short term. Before taking any decisions, we suggest you seek advice from a qualified financial adviser.