



# Financial Strategies

A lifestyle report prepared for  
**William Ellison and Yvette Ellison**

**Current Situation**

**Presented by:**  
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PLEASE READ CAREFULLY

## Important Notes

This report illustrates your financial lifestyle, or your hypothetical cash flow and its effects on your net worth. This analysis provides only broad, general guidelines, which may be helpful in shaping your thinking about your planning needs. It can serve as a guide for discussions with your professional advisers. The quality of this analysis is dependent upon the accuracy of data provided by you. Calculations contained in this analysis are estimates only.

Actual results may vary substantially from the figures shown. All rates of return are hypothetical and are not a guarantee of future performance of any asset, including insurance or other financial products. All inflation rates are estimates provided by you.

This analysis contains very specific computations concerning the value of your assets today. These computations are based on assumptions you provided concerning the value of your assets today and the rate at which the assets will appreciate. These assumptions must be carefully reviewed for their reasonableness. These assumptions are only a "best guess". The actual values, rates of growth, and tax rates may be significantly different from those illustrated. The actual taxes due may be significantly greater or smaller than those illustrated. No guarantee can be made regarding values and taxes when actual appreciation rates and tax rates cannot be known at this time.

For illustrative purposes, many assumptions must be made concerning the sale of properties or the change of property ownership. These are for illustrative purposes and not to be considered as legal advice; only your solicitor should provide such advice. No legal or accounting advice is being rendered either by this report or through any other oral or written communications. Please discuss legal and accounting matters directly with your advisers in each of those areas. Because your planning concerns and goals may change in the future, periodically monitoring actual results and making appropriate adjustments are essential components of your program. Annual updating allows a year of estimated values to be replaced with actual results and can be very helpful in your determining whether your plans are on your desired course. Strategies may be proposed during the course of planning, including the acquisition of insurance and other financial products. When this occurs, additional information about the specific product (including a key features document, if required) will be provided for your review.



# 1

## Confirmation of Facts

*The right plan must start with the right facts.*

A financial plan must be dynamic; that is, able to change as quickly as your situation changes. Your plan is based on your facts and assumptions. You should be sure that all of the assumptions and facts listed here correctly reflect your situation and desires.

CONFIRMATION OF FACTS

# Your Facts

**William Ellison**

**Yvette Ellison**

**Age: 47 Male Born: 23 Jan., 1962**

**Age: 45 Female Born: 09 Dec., 1963**

William and Yvette are married.

## Children and Dependents

Name	Date of Birth	Gender	Relationship	Dependent of
Peter	23 Aug., 1992	Male	Child	Yvette, William
Simon	17 Mar., 1995	Male	Child	Yvette, William

## Salaries

Employer	Employee	Current Salary	Frequency	Inflation Rate
Williams Salary	William	£5,000	Monthly	3.000%
Yvette Salary	Yvette	£1,250	Monthly	3.000%

## Current Bank Accounts, Savings, Deposit

Account Name	Owner	Current Balance	Balance As Of	Interest Rate	
Cash Account	Yvette, William	£0	14 Jul., 2009	0.000%	This asset is the Cash Account
On Line Savings Account	William	£34,290	12 Apr., 2009	5.750%	

## Tax-Efficient Investments

Account Name	Owner	Current Balance	Balance As Of	Interest Rate
William's ISAs	William	£23,420	23 Jun., 2009	6.000%
Yvette's ISAs	Yvette	£19,840	21 Jun., 2009	6.000%

## Investment Trust

Name/Symbol	Owner	Current Value	Balance As Of	Basis	Rates	
					Div. Rate	App. Rate
Yvette's Unit Trust	Yvette	£26,250	06 Nov., 2008	£18,750	3.000% <sup>1</sup>	5.000%

## Stocks

Name/Symbol	Owner	Current Value	Balance As Of	Basis	Rates	
					Div. Rate	App. Rate
William's Portfolio	William	£54,360	12 May, 2009	£34,250	4.000% <sup>1</sup>	4.000%

## Investment Bonds

Name/Symbol	Owner	Market Value	Balance As Of	Face Amount	Growth Rate
Investment Bond	William	£50,000	14 Jul., 2009	£27,500	7.000%

## Bonds

Name/Symbol	Owner	Market Value	Face Amount	Coupon Interest	Frequency	Maturity Date
Government Bond	William	£25,000	£25,000	5.500%	Semiannual	12 Sep., 2016

## Retirement Plans

Name	Owner	Current Balance	Balance As Of	Growth Rate	Owner Contrib.	Employer Contrib.
	William	£47,350	06 May, 2009	6.000%	£250	£250

<sup>1</sup> Received in Cash

CONFIRMATION OF FACTS

# Your Facts (Continued)

## Retirement Plans (Continued)

Name	Owner	Current Balance	Balance As Of	Growth Rate	Owner Contrib.	Employer Contrib.
William's Money Purchase						
Yvette's Personal Pension	Yvette	£26,350	23 Apr., 2009	6.500%	£100	£0

## Rental Property

### Buy to Let

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate
Yvette, William	£275,000	12 Apr., 2009	£195,000	3.000%

Rental Income	Frequency	Monthly Expenses	Annual Expenses	Rental Inflation
£650	Monthly	£0	£1,000	3.00%

Personal Loan Secured by this Asset

Balance as of	Mortgage Balance	Payment	Frequency	Interest Rate
06 Nov., 2008	£125,000	Interest		5.500%

## Residences

### Main Residence

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate
Yvette, William	£450,000	12 May, 2009	£185,000	4.000%

Personal Loan Secured by this Asset

Balance as of	Mortgage Balance	Payment	Frequency	Interest Rate
12 Jun., 2009	£75,000	£720	Monthly	5.500%

## Life Insurance-Individual

Name	Insured	Owner	Beneficiary	Face Amount	Premium	Frequency	Cash Value
Life Insurance	First To Die	William	William	£250,000	£125	Monthly	£0

## Disability Insurance-Individual

Name	Insured	Owner	Monthly Benefit	Waiting Period	Benefit Period	Premium	Frequency
William's Personal PHI	William	William	£2,500	90 Days	Age 65	£150	Monthly

## Essential Living Expenses

Description	Amount	Frequency	Percent Continuing after First Death	Percent Continuing after First Disability	Percent Continuing after First Retirement
Living Expenses	£2,000	Monthly	100%	100%	100%

## Business Expenses

Description	Amount	Frequency
Annual Expense for Buy to Let	£1,000	Annual

CONFIRMATION OF FACTS

# Your Facts (Continued)

## Education Expenses

Description	Amount	Frequency	Percent of Estimated Aid
University	£7,000	Annual	0%
University	£7,000	Annual	0%

## Debt

Liability Name	Owner	Current Balance	Balance As Of	Interest Rate
Loan for Main Residence	Yvette, William	£75,000	12 Jun., 2009	5.500%
Loan for Buy to Let	Yvette, William	£125,000	06 Nov., 2008	5.500%

## Future Purchase

Description	Future Owners	Anticipated Cost	Inflation	Start
Retirement Villa	Yvette, William	£175,000	3.000%	Starting when William retires

## Distribute Income to Specific Assets

Description	From	To	Amount	Apply Inflation
William's ISA contribution <i>Already started and ending when William retires.</i>	Williams Salary	William's ISAs	£250	no
Yvette's ISA Contribution <i>Already started and ending when Yvette retires.</i>	Yvette Salary	Yvette's ISAs	£250	no

## Reposition Assets

Description	From	To	Frequency	Amount	Apply Inflation
Sell Buy to Let <i>Starting when William retires.</i>	Buy to Let	On Line Savings Account	n/a	n/a	n/a

## Sweep Transaction

Description	From	To	Thres-hold	Min, Trans.	Frequency	Amount	Apply Inflation
Sweep Lump Sums	Cash Account	On Line Savings Account	£7,000	£0	Monthly	100%	n/a
<i>Already started and ending after the illustration.</i>							



# 2

## Financial Statements

*What is your financial situation today? If everything goes as planned, what will it be like in a few years?*

Estimated balance sheets and other financial reports are included in this section.

# Your Current Situation—Balance Sheet View

	William	Yvette	Joint	Total
<b>Assets</b>				
<b>Liquid Assets</b>				
Cash Account				£0
On Line Savings Account	£34,290			£34,290
William's Portfolio	£54,360			£54,360
William's ISAs	£23,420			£23,420
Yvette's ISAs		£19,840		£19,840
Yvette's Unit Trust		£26,250		£26,250
Investment Bond	£50,000			£50,000
<b>Retirement Plans</b>				
William's Money Purchase	£47,350			£47,350
Yvette's Personal Pension		£26,350		£26,350
<b>Fixed Assets</b>				
Government Bond	£25,000			£25,000
Buy to Let			£275,000	£275,000
<b>Residence</b>				
Main Residence			£450,000	£450,000
<b>Total Assets Today</b>	<b>£234,420</b>	<b>£72,440</b>	<b>£725,000</b>	<b>£1,031,860</b>
<b>Liabilities</b>				
<b>Mortgages</b>				
Loan for Main Residence			£75,000	£75,000
Loan for Buy to Let			£125,000	£125,000
<b>Total Liabilities Today</b>			<b>£200,000</b>	<b>£200,000</b>
<b>Net Worth</b>				
Your Assets				£1,031,860
Less Your Liabilities				£200,000
<b>Total Net Worth Today</b>				<b>£831,860</b>



## FINANCIAL STATEMENTS

**Balance Sheet****Values at End of Year**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Assets</b>					
<b>Liquid Assets</b>					
Cash Account	£1,000	£1,000	£1,000	£1,000	£318
On Line Savings Account	£35,627	£37,730	£38,439	£39,156	£39,881
William's Portfolio	£55,574	£57,719	£59,946	£62,259	£64,662
William's ISAs	£25,650	£30,316	£35,270	£40,529	£46,113
Yvette's ISAs	£21,962	£26,400	£31,112	£36,115	£41,426
Yvette's Unit Trust	£27,048	£27,805	£28,584	£29,385	£30,208
Investment Bond	£50,721	£52,224	£53,814	£55,496	£57,274
<b>Retirement Plans</b>					
William's Money Purchase	£52,320	£62,434	£73,334	£85,070	£97,696
Yvette's Personal Pension	£28,002	£30,976	£34,102	£37,388	£40,842
<b>Fixed Assets</b>					
Government Bond	£25,000	£25,000	£25,000	£25,000	£25,000
Buy to Let	£280,473	£288,887	£297,554	£306,480	£315,675
<b>Residence</b>					
Main Residence	£460,414	£478,831	£497,984	£517,903	£538,619
<b>Totals</b>	<b>£1,063,790</b>	<b>£1,119,323</b>	<b>£1,176,140</b>	<b>£1,235,782</b>	<b>£1,297,715</b>
<b>Liabilities</b>					
<b>Mortgages</b>					
Loan for Main Residence	£72,716	£67,957	£62,929	£57,618	£52,007
Loan for Buy to Let	£129,066	£129,066	£129,066	£129,066	£129,066
<b>Totals</b>	<b>£201,782</b>	<b>£197,023</b>	<b>£191,995</b>	<b>£186,684</b>	<b>£181,073</b>
<b>Net Worth</b>	<b>£862,008</b>	<b>£922,300</b>	<b>£984,144</b>	<b>£1,049,098</b>	<b>£1,116,642</b>



# 3

## Cash Flow Analysis—Funding Your Lifestyle

*This analysis of the cash flow process illustrates your needs between now and retirement.*

In order to help you clearly see both the opportunities and obstacles within your current financial situation, this section of the analysis of your cash flow answers the following questions:

- What does "maintaining your lifestyle" mean?
- How does your cash flow process work?
- What incoming cash can you expect to receive?
- What outgoing payments can you expect?
- How will your cash flow handle unexpected payments and fluctuations?
- How will your cash flow affect your assets?
- How will your net worth (the result of your cash flow) change?

# Funding Your Lifestyle

This cash flow analysis examines all of the financial items that are part of your lifestyle. It simulates your typical spending and saving habits in order to determine (a) how you would meet your financial obligations and (b) what you would have left over for savings or investment.

## Maintaining Your Lifestyle

In financial terms, *maintaining your lifestyle* means being able to meet your expected outgoing payments so that you can live in the manner to which you are accustomed. Expenses typically increase with the general cost of living or inflation.

## Cash Flow Analysis

Examining your cash flow on a detailed monthly basis helps answer two essential questions: One, will I have enough money? And, two, if there is a problem, how severe is the shortfall?

While it's not a likely scenario, this section of your analysis assumes that everything goes as planned, which is helpful in evaluating your present situation. This section assumes that both of you live until retirement.

### **The following payments are necessary for you to maintain your lifestyle:**

- Basic lifestyle expenses
- Retirement Villa for Yvette and William costing £175,000 (value today) (starting when William retires)
- Education for Peter
- Education for Simon
- Make payments on all loans

## Assumptions

You have defined retirement as the date when William reaches age 55.

General inflation rate for analysis: 3%.

Some assets are essential for your lifestyle. Successfully maintaining your lifestyle means not using any portion of the assets you designated as "Do Not Use" when defining your priorities.

- Main Residence
- Retirement Villa
- Buy to Let

# Your Cash Flow Process

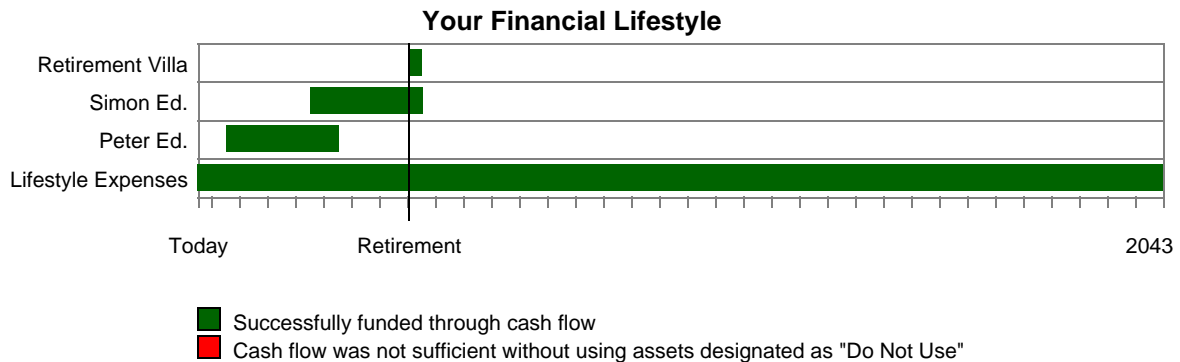
Cash flow is a simple, monthly process. You receive money from outside sources and deposit that money into your bank account. You use that account to pay your expenses and cover your lifestyle expenses. What you do not spend you save, invest, or use to purchase other assets. If your expenses exceed your income one month, you take some money out of the savings, sell an asset, or borrow the funds to pay the expenses. Cash flow analysis is the detailed study of this monthly process.

## Your monthly cash flow process involves the following steps:

- Determine your expected incoming cash
- Determine your expected outgoing payments
- Compare incoming and outgoing cash: if outgoing payments exceed incoming cash, use an asset or borrow money to cover the shortage
- Adjust asset values as necessary

## Discretionary Spending

Some of your expenditures fluctuate based on the funds available to you. When your incoming cash exceeds your outgoing payments, a portion of the excess cash may be used for discretionary spending. Cash flow analysis helps you identify and understand your discretionary spending, which can improve your financial situation.



**Your cash flow is sufficient.**

# Assets Used for Cash Flow

## Priority and Sources of Funds

You have indicated your priorities and desired uses of certain assets. If there is not sufficient cash flow to pay your outgoing payments during a particular month, then these assets will be considered in the order shown below.

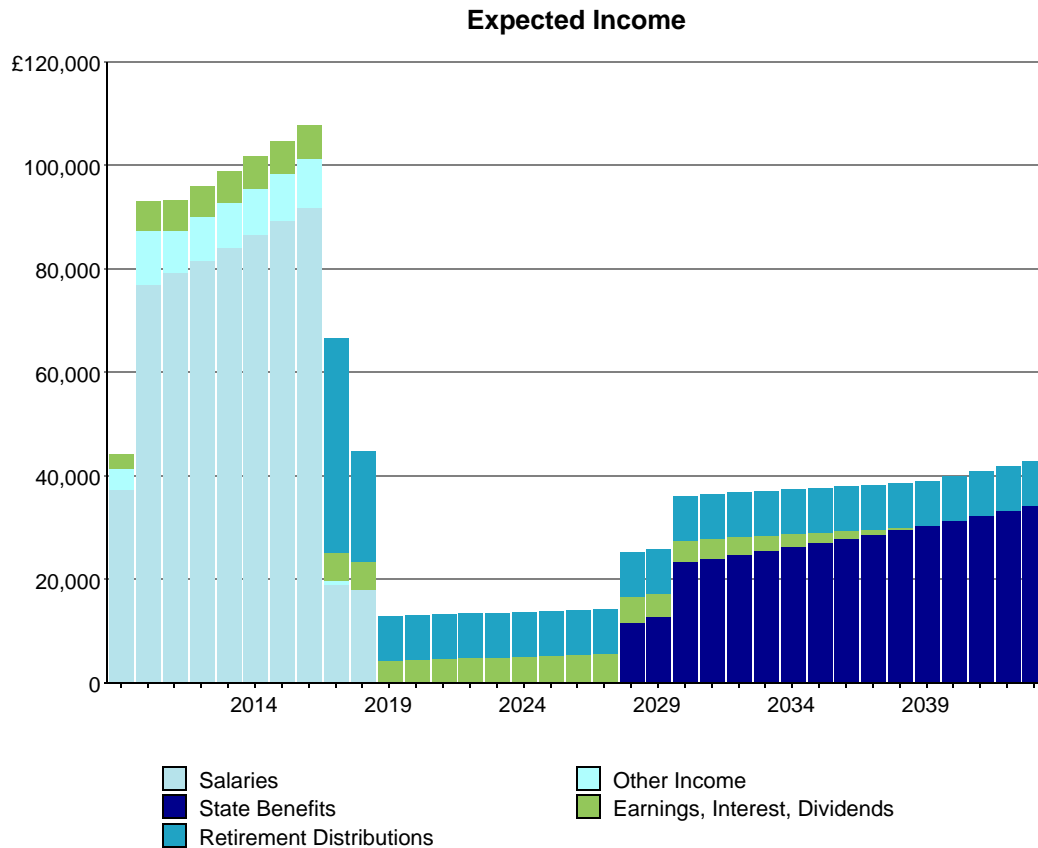
The use of some assets would cause a significant change in your lifestyle: such assets are marked "Do Not Use" or the desired use is indicated

<b>Asset</b>	<b>Limit Uses to</b>
Cash Account	Unrestricted
On Line Savings Account	Unrestricted
William's ISAs	Unrestricted
Yvette's ISAs	Unrestricted
William's Portfolio	Unrestricted
Yvette's Unit Trust	Unrestricted
Investment Bond	Unrestricted
Government Bond	Unrestricted
Main Residence	Do Not Use
Buy to Let	Do Not Use
William's Money Purchase	Retirement
Yvette's Personal Pension	Retirement
Retirement Villa	Do Not Use

## Value of Assets

The cumulative effects of your cash flow change the value of your assets. The effects of cash flow include the addition of new assets or savings, the use of all or a portion of some assets to pay expenses, and appreciation or changes in the value of your assets.

# Incoming Cash Expected



The illustration assumes everything goes as anticipated. It does not reflect (a) liquidations or unplanned withdrawals from your assets or (b) new loan proceeds that may be necessary during any month that expenses exceed income.

# Incoming Cash Expected

## Incoming Cash Flow

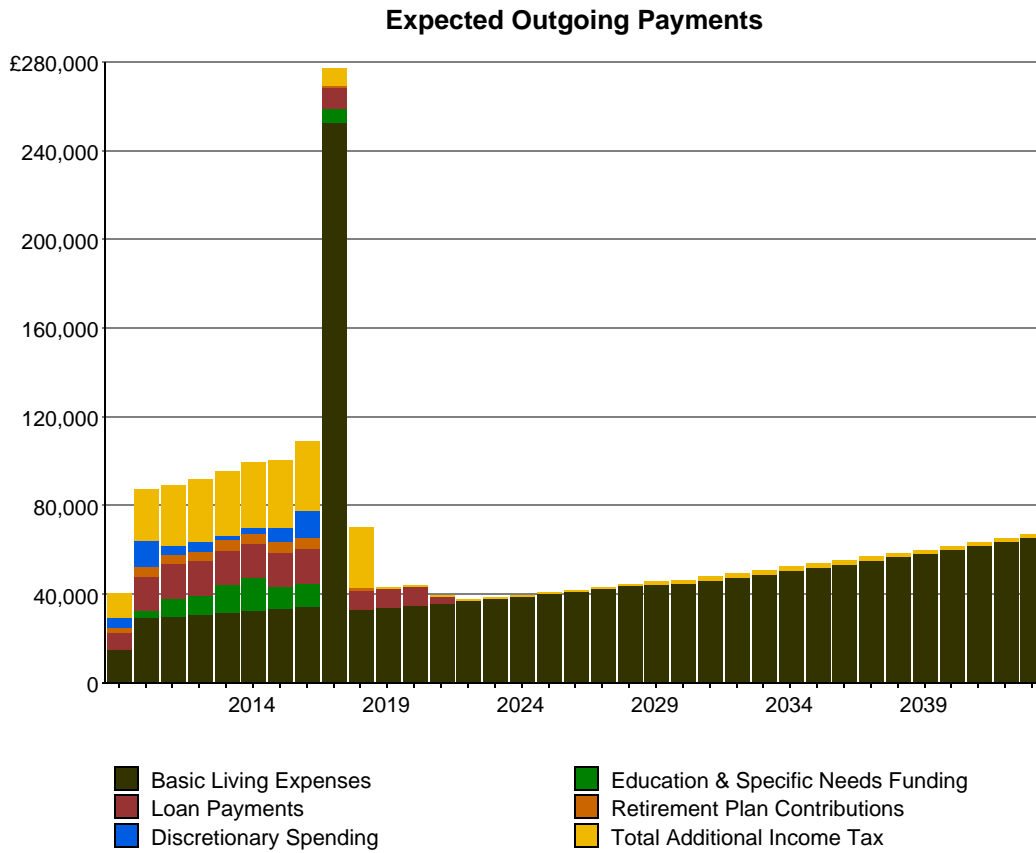
Year	Salary	Other Income <sup>1</sup>	State Benefits <sup>2</sup>	Earnings (Cash, Dividends)	Retirement Plan Distributions	Total Expected Income
2009	£37,500	£3,900	£0	£2,851	£0	£44,251
2010	77,250	10,483	0	5,781	0	93,514
2011	79,568	8,275	0	5,889	0	93,732
2012	81,955	8,523	0	6,002	0	96,479
2013	84,413	8,779	0	6,118	0	99,310
2014	86,946	9,042	0	6,239	0	102,227
2015	89,554	9,314	0	6,364	0	105,231
2016	92,241	9,593	0	6,493	0	108,327
R 2017	19,002	823	0	5,253	41,668	66,746
2018	17,941	0	0	5,392	21,546	44,879
2019	0	0	0	4,161	8,639	12,801
2020	0	0	0	4,311	8,639	12,950
2021	0	0	0	4,466	8,639	13,105
2022	0	0	0	4,627	8,639	13,266
2023	0	0	0	4,794	8,639	13,433
2024	0	0	0	4,966	8,639	13,606
2025	0	0	0	5,145	8,639	13,785
2026	0	0	0	5,331	8,639	13,970
2027	0	0	0	5,512	8,639	14,151
2028	0	0	11,468	5,161	8,639	25,268
2029	0	0	12,715	4,526	8,639	25,880
2030	0	0	23,328	4,086	8,639	36,053
2031	0	0	24,028	3,784	8,639	36,452
2032	0	0	24,749	3,432	8,639	36,820
2033	0	0	25,491	3,025	8,639	37,156
2034	0	0	26,256	2,559	8,639	37,454
2035	0	0	27,044	2,028	8,639	37,711
2036	0	0	27,855	1,488	8,639	37,982
2037	0	0	28,691	996	8,639	38,326
2038	0	0	29,551	458	8,639	38,648
2039	0	0	30,438	23	8,639	39,100
2040	0	0	31,351	0	8,639	39,990
2041	0	0	32,292	0	8,639	40,931
2042	0	0	33,260	0	8,639	41,900
2043	0	0	34,258	0	8,639	42,897

The illustration assumes everything goes as anticipated. It does not reflect (a) liquidations or unplanned withdrawals from your assets or (b) new loan proceeds that may be necessary during any month that expenses exceed income.

<sup>1</sup> Other Income includes any estimated tax refunds for the prior year.

<sup>2</sup> State retirement benefits start at age listed in Planning Assumptions.  
R-Retirement assumed to begin in this year.

# Expected Outgoing Payments



Outgoing payments begin with compulsory expenses (such as taxation) and continue through your discretionary spending.



# Expected Outgoing Payments

## Outgoing Payments

Year	Basic Expenses	Education & Specific Needs	Loan Payments	Retirement Plan Contributions	Discretionary Spending	Tax Payments and Deductions <sup>1</sup>	Total Outgoing Payments
2009	£14,650	£0	£7,869	£2,100	£4,391	£11,241	£40,251
2010	29,050	3,092	15,739	4,290	12,187	23,156	87,514
2011	29,822	7,865	15,739	4,383	3,909	27,455	89,173
2012	30,618	8,337	15,739	4,478	4,519	28,261	91,953
2013	31,438	12,520	15,739	4,577	2,136	29,089	95,497
2014	32,282	14,832	15,739	4,678	2,299	29,942	99,771
2015	33,151	9,930	15,739	4,782	6,385	30,772	100,759
2016	34,047	10,525	15,739	4,890	12,237	31,659	109,096
R 2017	253,587	6,508	9,232	1,200	0	7,784	278,311
2018	32,815	0	8,640	1,100	0	27,546	70,100
2019	33,754	0	8,640	0	0	831	43,225
2020	34,722	0	8,640	0	0	756	44,118
2021	35,718	0	2,825	0	0	481	39,024
2022	36,745	0	0	0	0	459	37,204
2023	37,802	0	0	0	0	468	38,270
2024	38,891	0	0	0	0	479	39,371
2025	40,013	0	0	0	0	497	40,510
2026	41,168	0	0	0	0	515	41,683
2027	42,358	0	0	0	0	533	42,891
2028	43,584	0	0	0	0	551	44,135
2029	44,097	0	0	0	0	1,765	45,862
2030	44,647	0	0	0	0	1,739	46,386
2031	45,986	0	0	0	0	2,125	48,111
2032	47,366	0	0	0	0	2,094	49,460
2033	48,787	0	0	0	0	2,058	50,845
2034	50,251	0	0	0	0	2,016	52,267
2035	51,758	0	0	0	0	1,969	53,727
2036	53,311	0	0	0	0	1,915	55,226
2037	54,910	0	0	0	0	1,842	56,753
2038	56,558	0	0	0	0	1,739	58,297
2039	58,254	0	0	0	0	1,626	59,880
2040	60,002	0	0	0	0	1,533	61,535
2041	61,802	0	0	0	0	1,523	63,325
2042	63,656	0	0	0	0	1,517	65,173
2043	65,566	0	0	0	0	1,510	67,076

Outgoing payments begin with compulsory expenses (such as taxation) and continue through your discretionary spending.

<sup>1</sup> All PAYE tax deductions plus additional tax payments (other income and capital gains tax). Refunds are shown as other income in the year received.

R-Retirement assumed to begin in this year.

# Net Adjustments for Cash Flow

## Net Adjustments for Year Based on Monthly Cash Flow

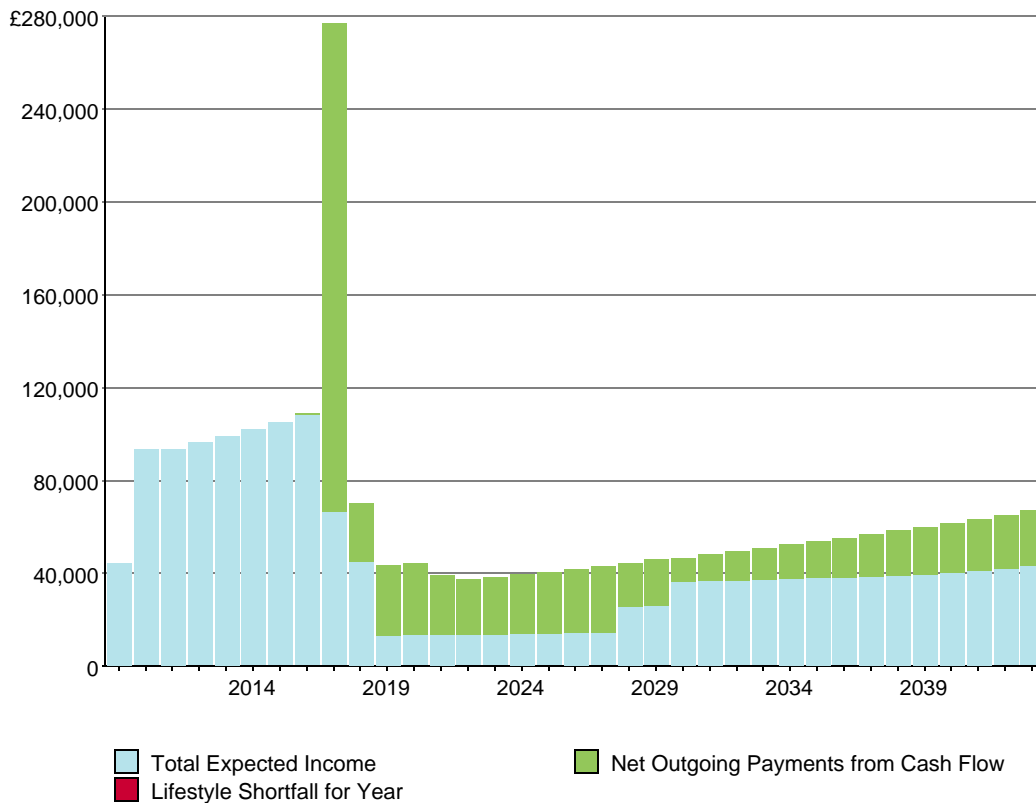
Year	Expected Income	New Loan Proceeds	Net Assets Used for Cash Flow	Annual Shortfall	Total Outgoing Payments
2009	£44,251	£0	£0	---	£40,251
2010	93,514	0	0	---	87,514
2011	93,732	0	0	---	89,173
2012	96,479	0	0	---	91,953
2013	99,310	0	0	---	95,497
2014	102,227	0	0	---	99,771
2015	105,231	0	0	---	100,759
2016	108,327	0	769	---	109,096
R 2017	66,746	0	211,565	---	278,311
2018	44,879	0	25,222	---	70,100
2019	12,801	0	30,424	---	43,225
2020	12,950	0	31,167	---	44,118
2021	13,105	0	25,919	---	39,024
2022	13,266	0	23,938	---	37,204
2023	13,433	0	24,837	---	38,270
2024	13,606	0	25,765	---	39,371
2025	13,785	0	26,725	---	40,510
2026	13,970	0	27,713	---	41,683
2027	14,151	0	28,740	---	42,891
2028	25,268	0	18,867	---	44,135
2029	25,880	0	19,982	---	45,862
2030	36,053	0	10,334	---	46,386
2031	36,452	0	11,660	---	48,111
2032	36,820	0	12,640	---	49,460
2033	37,156	0	13,689	---	50,845
2034	37,454	0	14,813	---	52,267
2035	37,711	0	16,016	---	53,727
2036	37,982	0	17,244	---	55,226
2037	38,326	0	18,427	---	56,753
2038	38,648	0	19,649	---	58,297
2039	39,100	0	20,780	---	59,880
2040	39,990	0	21,545	---	61,535
2041	40,931	0	22,394	---	63,325
2042	41,900	0	23,273	---	65,173
2043	42,897	0	24,179	---	67,076

R-Retirement assumed to begin in this year.

# Will Cash Flow Provide Needed Outgoing Payments?

By combining the information from the previous graphs, it is easy to see how your cash flow process works. Expected income is shown on top of the total outgoing payments. Any portion of payments remaining is paid by the cash flow process—using assets you have designated. When the cash flow process cannot provide the needed payments without using assets you designated as “Do Not Use,” then you have failure with the needed amount shown as a shortfall.

**Summary of Cash Flow Process**



**Expected Income**—the sum of all income items before the cash flow process is applied to use any assets or new loans to meet outgoing payments

**Outgoing Payments from Cash Flow Process**—the portion of outgoing payments that were required to be paid from using various assets or new loans

**Shortfall**—the amount needed in a year to pay all desired outgoing payments to maintain your lifestyle, but without using any assets you designated as “Do Not Use”

# Cash Flow & Net Worth

## Cash Flow & Net Worth

Year	Expected Income	Total Outgoing Payments	Net Paid from Cash Flow <sup>1</sup> Process	End of Year Assets <sup>2</sup>	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2009	£44,251	£40,251	£0	£1,063,790	£201,782	---	£862,008
2010	93,514	87,514	0	1,119,323	197,023	---	922,300
2011	93,732	89,173	0	1,176,140	191,995	---	984,144
2012	96,479	91,953	0	1,235,782	186,684	---	1,049,098
2013	99,310	95,497	0	1,297,715	181,073	---	1,116,642
2014	102,227	99,771	0	1,361,331	175,145	---	1,186,186
2015	105,231	100,759	0	1,430,241	168,883	---	1,261,358
2016	108,327	109,096	769	1,497,684	162,268	---	1,335,415
R 2017	66,746	278,311	211,565	1,293,348	26,214	---	1,267,134
2018	44,879	70,100	25,222	1,262,789	18,831	---	1,243,958
2019	12,801	43,225	30,424	1,286,645	11,032	---	1,275,613
2020	12,950	44,118	31,167	1,310,379	2,793	---	1,307,585
2021	13,105	39,024	25,919	1,339,997	0	---	1,339,997
2022	13,266	37,204	23,938	1,372,569	0	---	1,372,569
2023	13,433	38,270	24,837	1,405,220	0	---	1,405,220
2024	13,606	39,371	25,765	1,437,885	0	---	1,437,885
2025	13,785	40,510	26,725	1,470,489	0	---	1,470,489
2026	13,970	41,683	27,713	1,502,958	0	---	1,502,958
2027	14,151	42,891	28,740	1,535,202	0	---	1,535,202
2028	25,268	44,135	18,867	1,578,681	0	---	1,578,681
2029	25,880	45,862	19,982	1,622,839	0	---	1,622,839
2030	36,053	46,386	10,334	1,678,732	0	---	1,678,732
2031	36,452	48,111	11,660	1,735,624	0	---	1,735,624
2032	36,820	49,460	12,640	1,793,926	0	---	1,793,926
2033	37,156	50,845	13,689	1,853,632	0	---	1,853,632
2034	37,454	52,267	14,813	1,914,732	0	---	1,914,732
2035	37,711	53,727	16,016	1,977,213	0	---	1,977,213
2036	37,982	55,226	17,244	2,041,177	0	---	2,041,177
2037	38,326	56,753	18,427	2,106,868	0	---	2,106,868
2038	38,648	58,297	19,649	2,174,344	0	---	2,174,344
2039	39,100	59,880	20,780	2,243,651	0	---	2,243,651
2040	39,990	61,535	21,545	2,314,811	0	---	2,314,811
2041	40,931	63,325	22,394	2,387,764	0	---	2,387,764
2042	41,900	65,173	23,273	2,462,526	0	---	2,462,526
2043	42,897	67,076	24,179	2,539,114	0	---	2,539,114

### Cash Flow Affects the Value of Assets

When Outgoing Payments exceed the Expected Income, existing assets must be used. If Expected Income exceeds Outgoing Payments then the surplus creates additional assets. These cash flow transactions are reflected in your assets. Net Worth is the difference in Assets and Liabilities.

<sup>1</sup> Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes.

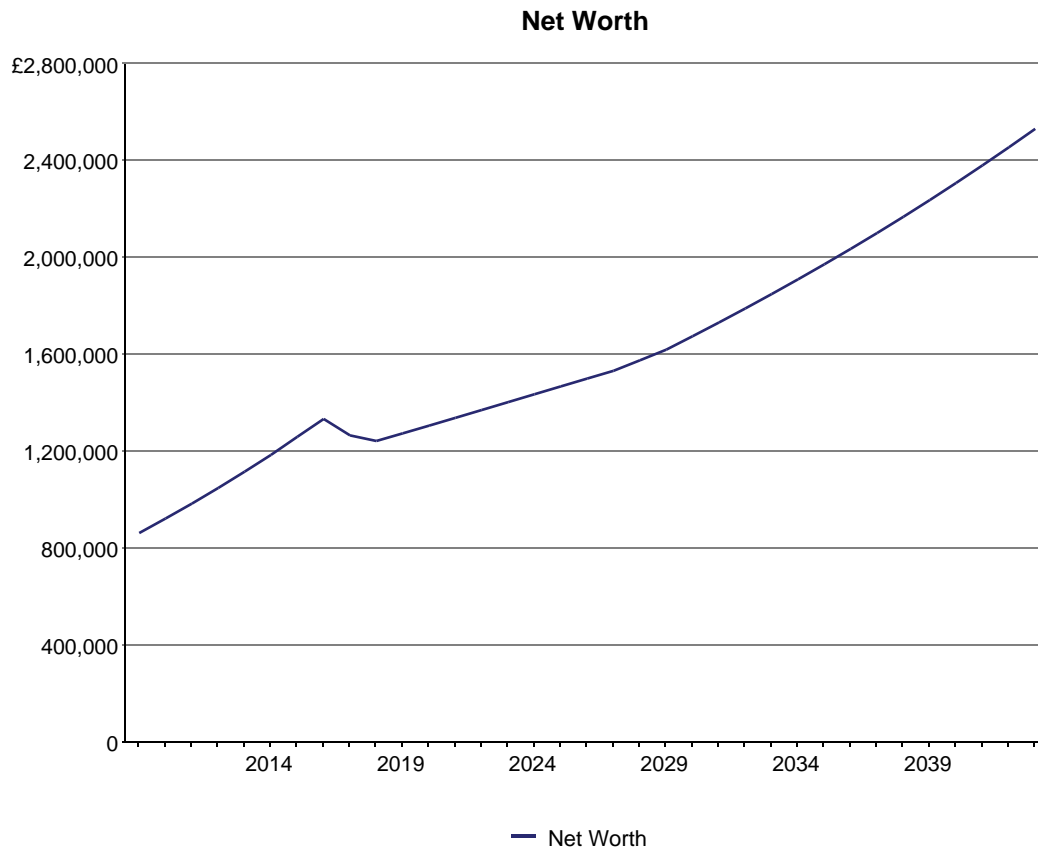
<sup>2</sup> Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.

R-Retirement assumed to begin in this year.

# Net Worth

## Net Worth Equals Assets Less Liabilities

- Net worth reflects the ongoing cash flow process
- Examining cash flow focuses on the monthly finances
- Examining net worth focuses on the long-term overall effects



# Conclusions

Based on the expenses that you specified, your present plans would be sufficient to maintain your lifestyle. The following options may help you optimize your cash flow:

## Reduce Expenses

- Determine whether you can comfortably reduce your expenses by reexamining each individual expense
- Consider reducing your discretionary spending and increasing your savings
- Are you claiming all the tax allowances to which you are entitled? Invest in one of the many inexpensive tax guides at your local book shop before you complete your next tax return.

## Refinance Loans

- You may reduce your monthly expenses by (a) refinancing a loan to obtain a lower rate or (b) extending the terms of a loan
- Consider the fees and any points associated with individual loans when comparing payments

## Pay Off Loans

- Reduce your monthly expenses by selling a slow growing asset and using the proceeds to pay off your loans

## Downsize

- Sell your current home and buy a home or apartment of lesser value
- Reduce or eliminate your mortgage payment
- Reduce other monthly expenses, such as home maintenance, insurance, and property taxes

## Change Some Investments

- Examine your investment portfolio and consider options that might increase your yields
- Consider differences in risk, returns, and your time horizons before making changes
- Consider all taxation, fees and other important investment characteristics

## Reexamine Your Sensitivity to Life's Major Uncertainties

- Is it possible that you will outlive your wealth during retirement?
- How would the unexpected death of you or your spouse affect the lifestyle of the survivors?
- What would happen to your plans if you or your spouse became disabled?
- Are you financially prepared for an extended nursing home stay during retirement?



# 4

## Probabilities—Planning for Uncertainties

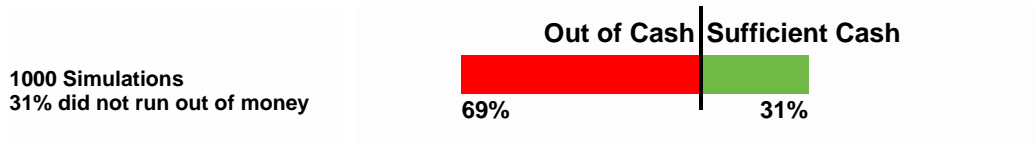
*Life's uncertainties may prevent the success of your planning.*

There are a number of factors that you cannot directly control, yet these uncertainties must be considered, especially the uncertainty of economic conditions. Although historical averages of investment yields can be good indicators of a plan's success over time and represent many years, some years will be better and some years will not be as good. Will your plan still work if several bad years are experienced early? What if several bad years precede your expected retirement? Could your plan succeed if several bad years occurred during your retirement? Is your plan likely to be successful regardless of the changes and uncertainties of the economic conditions?

# Maintaining Your Lifestyle

Success means not running out of money or using any of your assets you designated as "Do Not Use". If your plan runs out of money, it is considered a cash flow failure. In addition to basic lifestyle expenses, your plan considers your other specific needs. Your plan has a 69% chance of running out of money based on 1000 simulations for the next 35 years. The Cash Flow Analysis section shows details to help with further planning.

## What Are The Chances Of Running Out Of Money?



## Specific Needs Considered

Success for a specific need means that its funding was completed prior to running out of money. The funding of these specific needs is considered in the overall success of maintaining your lifestyle. The Cash Flow Analysis section and the Education Funding Section show details to help with further planning.

## When Will You Run Out of Money?





# Expected Values

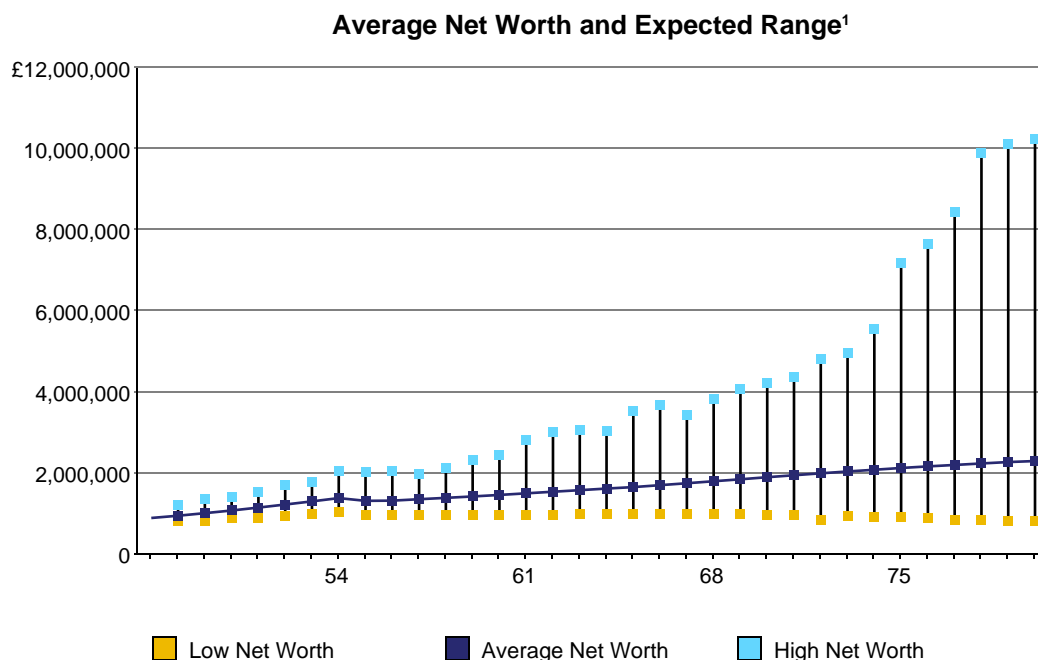
Financial events seldom, if ever go exactly as planned due to a number of uncertainties beyond your control. By using the probabilities of these uncertainties and making numerous simulations of your facts, it is possible to determine likely results and a range of those results. This provides you with a more realistic expectation.

## Uncertainties Considered

- Changes in the economy such as ups and downs of the stock market
- Cost of living changes
- Education inflation rate

## 1,000 Simulations

Your information was calculated 1,000 times exposing each year to the probability of these uncertainties, and the affects on the continuing calculations. As values varied, significant effects on cash flow could result. Each simulation was a realistic, possible result of your financial situation. Analysis of these simulations shows your expected results within a likely range.



**The average net worth of £2,326,174 based on 1000 simulations has a relative error of 4.08%.<sup>2</sup>**

<sup>1</sup> For the 1000 simulations, 70% of the results were between the High Net Worth and the Low Net Worth. Eighty-five percent of the results were above the Low Net Worth.

<sup>2</sup> Average result equals the means of all results; high net worth result is the 85th percentile (85% of the results were less than this value); and low net worth is the 15th percentile (15% of the results were less than this value). Supported by standard statistical theory, the relative error indicates a probability of greater than 99% that these values represent the true average result. Results cannot be guaranteed but are statistical measures applied to the results of a large number of simulations. The relative error of the average net worth for an event relates to the number of simulations in which the event occurs. Increasing the number of simulations will reduce the relative error.