

Strategies

A lifestyle report prepared for Anthony Rush and Sheila Rush

Current Situation

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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.



Executive Summary

This is an overview of the Financial Analysis prepared just for you.

This Executive Summary condenses numerous calculations into condensed, one-page summaries of the financial objectives. A one-page summary can never be complete, but it helps you determine areas of your finances that need further considerations. Before taking actions based on any item in this summary, you should examine the detailed analysis contained in the complete *Financial Analysis* that has been prepared for you.

EXECUTIVE SUMMARY Your Defined Goals

Maintaining Lifestyle

Make all outgoing payments without using assets you specified as your lifestyle assets. Some assets represent crucial elements of your lifestyle. If a financial plan requires you to use or sell your lifestyle assets, it is unacceptable. You designated these assets as "Do Not Use":

- Main Residence
- **Practice Partnership**

- 23 Jutland Avenue •
- Italian Villa

Retirement

Maintain your defined lifestyle, including adjustments specified for retirement. You have defined retirement as the date when Anthony reaches, or would have reached, age 60.

Future Purchases

Italian Villa for Anthony and Sheila costing £165,000 (value today) (starting when Anthony retires)

Education Needs

Education for	Annual Education Cost (Today's Money)	Portion Funded from Other Sources ¹	Start in Year	For Years	Total Cost for Education ²	Institution
Jonathan	£15,460	0%	2014	7	£134,959	Prep School Jonathan
Jonathan	£26,400	0%	2021	5	£232,720	Public School Jonathan
Jonathan	£10,000	0%	2026	3	£66,943	University Jonathan
Chloe	£15,000	0%	2017	7	£155,956	Prep School Chloe
Chloe	£22,500	0%	2024	5	£236,227	Public School Chloe
Chloe	£10,000	0%	2029	3	£79,730	University Chloe

This analysis examines the effects of these goals on your overall finances.

¹ Other sources may include scholarships, grants, student loans, or student work. ² Total Cost for Education is the total for the entire education need, assuming an annual inflation rate of 6%. This total does not reflect the portion of education costs funded from other sources.

EXECUTIVE SUMMARY

Cash Flow Used to Maintain Your Lifestyle

You can answer your most important financial questions by analyzing your monthly cash flow. Will you have sufficient cash flow to maintain your lifestyle? Will your assets continue to grow, or will they decrease or become depleted? You must know answers to these questions before you can make proper financial plans.

Cash Flow Objective

- Pay all lifestyle expenses and outgoing payments
- After applying education funds, pay any remaining education costs
- Make future purchases on the designated dates
- Make payments on all loans
- Under no circumstances use assets designated "Do Not Use" for cash flow



Will you maintain your lifestyle?

It appears your cash flow would be insufficient due in part to your education needs.

EXECUTIVE SUMMARY Putting Your Retirement First

If your financial objectives were changed to include only basic lifestyle expenses—in other words, no specific needs, future purchases, or additional education funding, would these changes allow you to maintain your lifestyle longer?

Alternative Cash Flow Objective

- Pay all lifestyle expenses
- Use only assets designated for education to fund education needs
- Under no circumstance use assets designated "Do Not Use" for cash flow



Would there be Sufficient Cash Flow for Your Retirement?

Changing objectives extended the time before you had a cash flow failure.

Note: A cash flow failure occurred in August of 2060 with assets designated as "Do Not Use" equal to £2,083,261.

EXECUTIVE SUMMARY

Effects of Uncertainties—Premature Death of Anthony

Premature death can have dramatic effects that are difficult to even imagine. However, proper financial planning involves carefully considering the possibility of premature death and its effects on your finances.

In order to analyse the lifestyle of the survivor in the event of a premature death, this portion of the analysis assumes that Anthony dies tomorrow, and that Sheila survives to the end of the illustration.

Cash Flow Objective

- Pay all lifestyle expenses and outgoing payments
- After applying education funds, pay any remaining education costs
- Make future purchases on the designated dates
- Make payments on all loans
- Under no circumstances use assets designated "Do Not Use" for cash flow

Will you maintain your lifestyle?



Sheila's Financial Lifestyle if Anthony Dies

Successfully funded through cash flow or using funds designated for this purpose Cash flow was not sufficient without using assets designated as "Do Not Use"

It appears your cash flow would be insufficient following Anthony's premature death. This is due in part to your education needs.

Effects of Uncertainties—Premature Death of Sheila

If the situation were reversed, would Anthony have sufficient cash flow if Sheila died?

In order to analyse the lifestyle of the survivor in the event of a premature death, this portion of the analysis assumes that Sheila dies tomorrow, and that Anthony survives to the end of the illustration.

Cash Flow Objective

- Pay all lifestyle expenses and outgoing payments
- After applying education funds, pay any remaining education costs
- Make future purchases on the designated dates
- Make payments on all loans
- Under no circumstances use assets designated "Do Not Use" for cash flow

Will you maintain your lifestyle?



Successfully funded through cash flow or using funds designated for this purpose Cash flow was not sufficient without using assets designated as "Do Not Use"

It appears your cash flow would be insufficient following Sheila's premature death. This is due in part to your education needs.

Anthony's Disability—A Pre-Retirement Uncertainty

Long-term disability is another life uncertainty that prevents the accumulation of wealth.

- Salary stops
- Living expenses increase (especially medical care)
- Retirement contributions stop

Disability eliminates the income you need in order to build your wealth.

This illustration assumes Anthony becomes disabled today and remains disabled for the duration of the analysis.

Before age 65, it is 2.82 times more likely that Anthony will suffer a long-term disability than die!¹

Cash Flow Objective

- Pay all lifestyle expenses and outgoing payments
- After applying education funds, pay any remaining education costs
- Make future purchases on the designated dates
- Make payments on all loans
- Under no circumstances use assets designated "Do Not Use" for cash flow



Will you maintain your lifestyle?

Successfully funded through cash flow or using funds designated for this purpose Cash flow was not sufficient without using assets designated as "Do Not Use"

It appears that your cash flow would be insufficient if Anthony became disabled. This is due in part to your education needs.

Note: A cash flow failure occurred in February of 2015 with assets designated as "Do Not Use" equal to £1,359,595.

¹ Office of National Statistics.

EXECUTIVE SUMMARY Sheila's Disability—A Pre-Retirement Uncertainty

This illustration assumes Sheila becomes disabled today and remains disabled for the duration of the analysis.

Before age 65, it is 5.31 times more likely that Sheila will suffer a long-term disability than die!¹

Cash Flow Objective

- Pay all lifestyle expenses and outgoing payments
- After applying education funds, pay any remaining education costs
- Make future purchases on the designated dates
- Make payments on all loans
- Under no circumstances use assets designated "Do Not Use" for cash flow

Will you maintain your lifestyle?



Effects if Sheila Becomes Disabled

Successfully funded through cash flow or using funds designated for this purpose Cash flow was not sufficient without using assets designated as "Do Not Use"

It appears that your cash flow would be insufficient if Sheila became disabled. This is due in part to your education needs.

Note: A cash flow failure occurred in January of 2027 with assets designated as "Do Not Use" equal to £1,498,260.

¹ Office of National Statistics.

EXECUTIVE SUMMARY Special Funding—Education Costs

Education costs have been rising at 6.3%, or more than twice the rate of inflation.¹ Putting one child through private school and funding three years of university is likely to cost around £150,000—as much as buying the average UK house.²

The annual education cost estimates shown here are expressed in today's money. Education costs consider an education inflation rate of 6%.

Education Funding

Assets indicated as available for education total £342,800.

Education Assets	Current Value
Anthony Portfolio	£34,520
Sheila Portfolio	£25,420
Anthony ISAs	£52,340
Sheila ISAs	£42,980
Education Bond	£187,540

Education Needs

Education For	Annual Education Cost (Today's Money) ³	Portion Funded from Other Sources⁴	Start in Year	For Years	Additional Funds Needed Today⁵	Additional Monthly Savings Required⁵	Time Monthly Savings Required
Jonathan	£15,460	0%	2014	7	£0	£0	4 mo.
Jonathan	£26,400	0%	2021	5	£13,887	£189	7 yrs 4 mo.
Jonathan	£10,000	0%	2026	3	£26,204	£236	12 yrs 5 mo.
Chloe	£15,000	0%	2017	7	£0	£0	3 yrs 4 mo.
Chloe	£22,500	0%	2024	5	£76,573	£792	10 yrs 4 mo.
Chloe	£10,000	0%	2029	3	£23,709	£184	15 yrs 5 mo.
Total					£140,374	£1,401	



How will you pay for education?

- Hope for scholarships
- Use student loans
- Pay as you go
- Begin a saving and investment strategy today

- ² Financial Mail. March 2005
- ³ Annual costs are assumed paid in 12 monthly payments.
- ⁴ Other sources may include scholarships, grants, student loans, or student work.

[°] Values assume that interest is earned at the rate of 5% each year until needed.

¹ Independent Schools Information Council

Investment Profiles & Asset Allocation

Your investment portfolio must be viewed from several perspectives:

- **Asset Allocation** What you have based on investment categories
- **Investment Style** • How your investments work based on cash, income and growth
- **Volatility Class** What is expected based on the relationship of risk and return for similar investments in the past

Investment Profiles

Often it is helpful to compare your investment portfolio with the portfolios of people with similar risk tolerances, investment objectives, and time frames. These typical portfolios are referred to as investment profiles. Your profile should reflect your objectives, your risk tolerance, and your time horizon. Profile III has been selected based on your desires and similarities with typical investors in that profile.

Investments By Investment Style

Profile III is the typical investment style of people seeking a balanced portfolio between income and growth. Cash assets are maintained for emergencies. Equal emphasis is on growth and income.



Allocation of your assets should consider not just what you have (investment category), but its cash flow (investment style) and its risks and returns (volatility).

reach their goals.



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.

Anthony Rush

Sheila Rush

Age: 41 Male Born: 23 Aug., 1972

Age: 38 Female Born: 18 Jul., 1975

Anthony and Sheila are married.

Home Phone: 01743 248515

Mailing Address

23 Tree Hill Avenue Shrewsbury, Shropshire, SY1 2AJ

Children and Dependents

Name Jonathan	Date of Birth 08 Oct., 2008	Gender Male	Relationship Child	Dependent of Anthony, Sheila	
Chloe	23 Apr., 2011	Female	Child	Anthony, Sheila	
Salaries					
		Current		Inflation	
Employer	Employee	Salary	Frequency	Rate	
Greenhill Medical Practice	Anthony	£4,200	Monthly	3.000%	
St Giles Hospital	Anthony	£2,650	Monthly	3.000%	
County Council	Sheila	£850	Monthly	3.000%	
Current Bank Acco	ounts, Savings, Dep	osit			
Account		Current		Interest	
Name	Owner	Balance	Balance As Of	Rate	
Cash Account	Anthony, Sheila	£0	26 Sep., 2013	0.000%	This asset is the Cash Account
Savings Account	Anthony, Sheila	£22,100	26 Sep., 2013	3.000%	
Tax-Efficient Inves	tments				
Account		Current		Interest	
Name	Owner	Balance	Balance As Of	Rate	
Anthony ISAs	Anthony	£52,340	26 Sep., 2013	4.000%	
Sheila ISAs	Sheila	£42,980	26 Sep., 2013	4.000%	

Stocks

Name/ Symbol	Owner	Current Value	Balance As Of	Basis	Div. Rate	App. Rate
Anthony Portfolio	Anthony	£34,520	26 Sep., 2013	£30,000	$4.000\%^{1}$	0.000%
Sheila Portfolio	Sheila	£25,420	26 Sep., 2013	£20,000	$2.500\%^{1}$	3.000%

Investment Bonds

Marke				Face	Growth
Name/Symbol	Owner	Value	Balance As Of	Amount	Rate
Education Bond	Anthony, Sheila	£187,540	26 Sep., 2013	£150,000	4.000%

Retirement Plans

		Current		Growth	Owner	Owner Employer	
Name	Owner	Balance	Balance As Of	Rate	Contrib.	Contrib.	
Sheila Personal	Sheila	£34,250	26 Sep., 2013	6.000%	n/a	n/a	
Anthony SIPP	Anthony	£145,360	26 Sep., 2013	5.000%	n/a	n/a	
¹ Dividends are assu	med to be reinvested in	similar investments					

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Rates

CONFIRMATION OF FACTS Your Facts (Continued)

Retirement Plans (Continued)

Name Sheila Cour Council	ity	Owner Sheila	Curre Balar £3,5	ent nce Balan 540 26 Se	ce As Of p., 2013	Growt Rat 6.0009	h Owr e Contr % 5.000	her Employerib.Contrib.0%5.000%
Final Sala	ry Scheme							
Name NHS Define	o ed A	wner nthony	Benefit £24,540	Lump Sum £102.450	Death In Service Lump Sum £43,560	Inflati Ra 3.000	on ate Start 9% Starting v	vhen
Benefit		j.	,				Anthony	retires
Business	Property							
Practice Pa	rtnership							
Owner Anthony		Current Value £50,000	Balance A 26 Sep., 2	s Of 013	Cos Basis £5,000	t Appro S	eciation Rate 5.000%	
Business Form Private Lim Company	ited	% of Total Bus. Value 0%	Income n/a	Income Frequenc n/a	y Ex	fonthly penses n/a	Annual Expenses n/a	Inflation Rate n/a
Rental Pro	operty							
23 Jutland	Avenue	Current			Cas	4	alation	
Owner Sheila		Value £245,000	Balance A 26 Sep., 2	s Of 013	£150,000	s)	Rate 2.000%	
Rental Income £650	Frequency Monthly	Monthly Expenses £150	A Expe	nnual enses li £0	Rental nflation 3.00%			
Residence	ence							
Iviani Kesie	lence	Current			Cos	t Appro	eciation	
Owner Anthony, Sl	neila	Value £465,000	Balance A 26 Sep., 2	s Of 013	Basis £350,000	s	Rate 2.000%	
Personal Lo	an Secured b	y this Asset						
Balance as 26 Sep., 201	of 13	Mortgage Balance £18,870	Payment £890	Frequency Monthly	Interest Rate 3.500%	5		
Essential	Livina Expe	enses						
	····3 –··Þ				Percent Continuing (after First	Percent Continuing after First	Percent Continuing after First	
Description Current Liv	ing Expenses	Am f2	ount Fre	equency Monthly	Death 75%	Disability 100%	Retirement 100%	
Retirement	Living Exper	ises £3	s,500 i	Monthly	75%	100%	100%	

CONFIRMATION OF FACTS Your Facts (Continued)

Business Expens	ses							
Description		Amount	Frequency	/				
Monthly Expense fo Avenue	r 23 Jutland	£150	Monthly	ý				
Education Expen	ses							
				Perc	ent of			
Description		Amount	Frequen	cy Estimate	ed Aid			
Prep School Jonatha	n	£15,460	Annu	al	0%			
Public School Jonat	han	£26,400	Annu	al	0%			
University Jonathan		£10,000	Annu	al	0%			
Prep School Chioe		£15,000 £22,500	Annu	al	0%			
University Chloe	5	£22,300 £10,000	Annu	al	0%			
Debt		210,000	Annu	ai	070			
Dept			Payment		с	urrent		Interest
Liability Name	Owner		Amount	Frequency	Ba	alance	Balance As Of	Rate
Loan for Main Residence	Anthony, Sheila		£890	Monthly	£1	8,870	26 Sep., 2013	3.500%
Future Purchase								
Description	Fut	ture Owners	Antic	ipated Cost	Growth	Start	i i	
Italian Villa	An	thony, Sheila		£165,000	3.000%	Start	ing when Anthor	ny retires
Distribute Income	e to Specific As	sets						
Description	F	rom		То			Amount	Apply Inflation
NHS Defined Benef	it to Savings N and ending after the	HS Defined he illustration	Benefit 1.	Savings Acco	ount		100%	n/a
Reposition Asset	S							
Description Anthony ISA	From Cash Acco	ount	To Anthony	y ISAs	Frequ Aı	ency nnual	Amount £11,200	Apply Inflation no
Started on Apr ()	7 2014 and endiv	o when Chlo	e turns 21					
Sheila ISA Contribu Started on Apr 0	tions Cash Acco	ount ount when Chlor	Sheila Is sturns 21.	SAs	Aı	nnual	£11,200	no
Regular Savings Already started a	Cash Acco and ending when A	ount Anthony retire	Savings	Account	Мо	nthly	£900	yes
Sell Practice Partner Starting when An	ship Practice Pathony retires.	artnership	Savings	Account		n/a	n/a	n/a
Practice Buy Sell Be Starting when An	enefits Practice Pathony dies.	artnership	Savings	Account		n/a	n/a	n/a
Sell Jutland Avenue Starting when Ar	23 Jutland athony retires.	Avenue	Savings	Account		n/a	n/a	n/a

Sweep Transaction

			Thres-	Min,			Apply
Description	From	То	hold	Trans.	Frequency	Amount	Inflation
Sweep lump sums	Cash Account	Savings Account	£10,000	£0	Monthly	100%	n/a
Already started ar	nd ending after the i	llustration.					

n/a

no

no

yes

n/a

n/a

n/a

Rate

CONFIRMATION OF FACTS Your Facts (Continued)

Pension Distribution

Description	From	То	Tax Free Option	Drawdown Method	GAD Rate	Frequency	Convert To Annuity
Anthony SIPP Tax-	Anthony SIPP	Savings Account	25%	Maximum	0.00	Annual	no
free cash	-	-					
Starting when An	thony retires and e	ending after a one tii	ne occurre.	nce.			
Anthony SIPP	Anthony SIPP	Savings Account		Maximum 5	600.00	Annual	no
Drawdown	·	C					
Stanting when An	thomas turne 65 and	I anding after the ill	atuation				

Starting when Anthony turns 65 and ending after the illustration.



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.

FINANCIAL STATEMENTS				
Your Current	Situation-	-Balai	nce Sheet	View
Assets	Antiony	Onena	John	- Ota
Liquid Assets				
Cash Account				£0
Savings Account			£22,100	£22,100
Anthony Portfolio	£34,520			£34,520
Sheila Portfolio		£25,420		£25,420
Anthony ISAs	£52,340			£52,340
Sheila ISAs		£42,980		£42,980
Education Bond			£187,540	£187,540
Retirement Plans				
Sheila Personal Pension		£34,250		£34,250
Anthony SIPP	£145,360			£145,360
Sheila County Council		£3,540		£3,540
Fixed Assets				
23 Jutland Avenue		£245,000		£245,000
Practice Partnership	£50,000			£50,000
Residence				
Main Residence			£465.000	£465.000
Total Assets Today	£282 220	£351 190	£674 640	£1 308 050
Total Assets Totay	202,220	2331,170	2074,040	21,500,050
Liabilities				
Mortgages				
Loan for Main Residence			£18,870	£18,870
Total Liabilities Today			£18.870	£18.870
10tul Elubilities 10tug				
Net Worth				
Your Assets				£1,308,050
Less Your Liabilities				£18,870

Total Net Worth Today

£1,289,180

FINANCIAL STATEMENTS Balance Sheet

Values at End of Year

	2014	2015	2016	2017	2018
Assets					
Liquid Assets					
Cash Account	£0	£0	£0	£0	£0
Savings Account	£30,207	£37,345	£40,326	£43,594	£47,154
Anthony Portfolio	£32,000	£17,616	£1,041	£0	£0
Sheila Portfolio	£27,179	£28,674	£30,251	£8,732	£0
Anthony ISAs	£55,019	£63,988	£73,524	£83,657	£64,391
Sheila ISAs	£45,180	£47,021	£48,936	£50,930	£53,005
Education Bond	£195,183	£201,522	£208,066	£214,822	£221,798
Retirement Plans					
Sheila Personal Pension	£36,454	£38,319	£40,280	£42,341	£44,507
Anthony SIPP	£156,847	£169,532	£182,922	£197,053	£211,959
Sheila County Council	£4,547	£5,994	£7,552	£9,227	£11,026
Fixed Assets					
23 Jutland Avenue	£251,140	£256,163	£261,286	£266,512	£271,842
Practice Partnership	£53,144	£55,802	£58,592	£61,521	£64,597
Residence					
Main Residence	£476,654	£486,187	£495,911	£505,829	£515,946
Totals	£1,363,555	£1,408,162	£1,448,687	£1,484,217	£1,506,226
Liabilities					
Mortgages					
Loan for Main Residence	£6,087	£0	£0	£0	£0
Totals	£6,087	£0	£0	£0	£0
Net Worth	£1,357,469	£1,408,162	£1,448,687	£1,484,217	£1,506,226



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?

cash flow—your lifestyle prior to retirement 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
- Italian Villa for Anthony and Sheila costing £165,000 (value today) (starting when Anthony retires)
- Education for Jonathan
- Education for Jonathan
- Education for Jonathan
- Education for Chloe
- Education for Chloe
- Education for Chloe
- Make payments on all loans

Assumptions

You have defined retirement as the date when Anthony reaches age 60.

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
- Practice Partnership

- 23 Jutland Avenue
- Italian Villa

CASH FLOW—YOUR LIFESTYLE PRIOR TO RETIREMENT

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.



A cash flow failure occurred in December of 2027 with assets designated as "Do Not Use" equal to $\pounds 1,532,744$.

Your cash flow is insufficient. The value of the shortfall today invested at 5% is £59,188.

CASH FLOW—YOUR LIFESTYLE PRIOR TO RETIREMENT

Evaluating Shortfall

The cash flow process determined that your plan was likely to experience a cash flow failure in year 2027. This analysis can help you determine the severity of the failure and identify the solutions best suited for you.

Annual Shortfall

Annual shortfall is the portion of expenses that cannot be covered without using assets designated as "Do Not Use." Shortfalls are shown as negative values.

• Discretionary Spending

After all outgoing payments have been met each month, discretionary spending is the portion of the money left over that is used for unspecified expenses. Adjusting these amounts may reduce the annual shortfalls.

• "Do Not Use" Assets

The value of assets you designated as "Do Not Use" was $\pounds 1,532,744$ in the year of the initial cash flow failure. You may want to re-consider the use of some of these assets.

• "Red" Numbers

All values after the initial cash flow failure are printed in red to indicate these values are only possible if the shortfall amounts were provided.



Effects of Cash Flow

What adjustments should you make to your financial lifestyle?

Note: Cash flow is calculated monthly with the net values for the year shown; therefore, discretionary spending may occur one month and an income shortage occur in another month all in the same calendar year.

CASH FLOW—YOUR LIFESTYLE PRIOR TO RETIREMENT 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

Asset	Limit Uses to
Cash Account	Unrestricted
Savings Account	Unrestricted
Anthony Portfolio	Education
Sheila Portfolio	Education
Main Residence	Do Not Use
23 Jutland Avenue	Do Not Use
Practice Partnership	Do Not Use
Anthony ISAs	Education
Sheila ISAs	Education
Education Bond	Education
Sheila Personal Pension	Retirement
Anthony SIPP	Retirement
Sheila County Council	Retirement
Italian 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.

cash flow—your lifestyle prior to retirement Incoming Cash Expected



Expected Income

A cash flow failure occurred in December of 2027 with assets designated as "Do Not Use" equal to $\pounds 1,532,744$. 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.

cash flow—your lifestyle prior to retirement Expected Outgoing Payments



Expected Outgoing Payments

A cash flow failure occurred in December of 2027 with assets designated as "Do Not Use" equal to $\pounds 1,532,744$. Outgoing payments begin with compulsory expenses (such as taxation) and continue through your discretionary spending.

CASH FLOW—YOUR LIFESTYLE PRIOR TO RETIREMENT 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—YOUR LIFESTYLE PRIOR TO RETIREMENT **Cash Flow & Net Worth**

Cash Flow & Net Worth

Year	Expected To	otal Outgoing Payments	Net Paid from Cash Flow Process	End of Year Assets ²	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2014	f67 717	f 64 753	fO	f1 363 555	f6 087		f1 357 469
2014	104 208	106 877	2 670	1 408 162	20,007		1 408 162
2015	106,200	115,006	8 306	1 448 687	Ő		1 448 687
2017	110.063	124.796	14,733	1.484.217	Ő		1.484.217
2018	112,810	141,767	28,957	1,506,226	0		1,506,226
2019	116,159	147,055	30,896	1,527,036	0		1,527,036
2020	119,644	152,702	33,058	1,546,391	0		1,546,391
2021	123,233	164,085	40,852	1,558,572	0		1,558,572
2022	134,430	182,193	47,763	1,556,507	0		1,556,507
2023	138,238	195,382	57,144	1,545,132	0		1,545,132
2024	142,160	213,502	71,342	1,519,354	0		1,519,354
2025	138,700	221,809	83,109	1,488,920	0		1,488,920
2026	142,861	182,396	39,534	1,502,018	0		1,502,018
2027	147,147	169,713	22,483	1,532,744	0	83	1,532,661
2028	151,561	170,424	16	1,581,002	0	18,929	1,562,073
2029	156,108	174,153	0	1,639,818	0	42,567	1,597,251
2030	160,792	162,720	0	1,704,407	0	50,329	1,654,079
2031	165,615	166,705	0	1,766,075	0	51,557	1,714,518
R 2032	346,305	418,777	72,332	1,912,471	0	51,697	1,860,774
2033	48,422	134,240	85,817	1,884,544	0	51,697	1,832,847
2034	49,875	82,126	32,251	1,911,108	0	51,697	1,859,411
2035	87,344	83,607	0	1,801,450	0	51,697	1,749,753
2036	39,712	84,007	44,295	1,808,021	0	51,697	1,756,324
2037	53,380	86,134	32,754	1,813,657	0	51,697	1,761,960
2038	71,562	91,123	19,561	1,815,195	0	51,697	1,763,498
2039	76,691	97,447	20,756	1,816,009	0	51,697	1,764,312
2040	84,174	101,401	17,226	1,820,966	0	51,697	1,769,269
2041	84,898	105,406	20,508	1,823,221	0	51,697	1,771,523
2042	92,079	108,129	16,051	1,830,488	0	51,697	1,778,791
2043	99,709	110,938	11,229	1,843,364	0	51,697	1,791,667
2044	101,027	114,445	13,419	1,854,836	0	51,697	1,803,139
2045	102,424	117,431	15,007	1,865,456	0	51,697	1,813,759
2046	103,902	120,238	16,337	1,875,447	0	51,697	1,823,750
2047	105,462	123,105	17,643	1,884,794	0	51,697	1,833,097
2048	107,106	126,342	19,235	1,893,164	0	51,697	1,841,467
2049	108,836	129,717	20,881	1,900,454	0	51,697	1,848,757
2050	110,652	133,191	22,539	1,906,602	0	51,697	1,854,905
2051	112,557	136,766	24,209	1,911,542	0	51,697	1,859,845
2052	114,552	140,548	25,996	1,915,099	0	51,697	1,863,402
2053	116,640	144,450	27,811	1,917,186	0	51,697	1,865,489

¹ Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes.
 ³ Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.
 ³ Cash Flow Failure-Incoming cash flow plus any available assets remaining were insufficient to pay outgoing payments. Any assets remaining are those assets that you marked "Do Not Use".
 R-Retirement assumed to begin in this year.

CASH FLOW—YOUR LIFESTYLE PRIOR TO RETIREMENT **Cash Flow & Net Worth (Continued)**

Cash Flow & Net Worth

Year	Expected To Income	otal Outgoing Payments	Net Paid from Cash Flow Process	End of Year Assets ²	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2054	118,821	148,471	29,650	1,917,717	0	51,697	1,866,019
2055	121,098	152,612	31,514	1,916,600	0	51,697	1,864,903
2056	123,474	156,878	8,645	1,938,886	0	76,456	1,862,429
2057	125,949	161,311	0	1,970,930	0	111,818	1,859,111
2058	128,527	165,940	0	2,004,127	0	149,232	1,854,895
2059	131,210	170,717	0	2,038,497	0	188,738	1,849,758
2060	134,000	175,642	0	2,074,058	0	230,380	1,843,678
2061	136,899	180,725	0	2,110,833	0	274,206	1,836,627
2062	139,910	186,167	0	2,148,842	0	320,463	1,828,379
2063	143,037	191,781	0	2,188,108	0	369,207	1,818,901

A cash flow failure occurred in December of 2027 with assets designated as "Do Not Use" equal to £1,532,744.

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.

¹ Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes. ² Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.

CASH FLOW—YOUR LIFESTYLE PRIOR TO RETIREMENT

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



A cash flow failure occurred in December of 2027 with assets designated as "Do Not Use" equal to $\pounds 1,532,744$.

Conclusions

Based on the expenses that you specified, your present plans would not be sufficient to maintain your lifestyle. The value of this shortfall today is $\pm 59,188$. 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?

Consider:

Shortfall occurred in December of 2027.

The value of the shortfall today invested at 5%: £59,188 The value of this shortfall represents a very small adjustment to your outgoing payments each month.

5

The Survivors' Lifestyle if Anthony or Sheila Dies

It's hard for most people to even imagine the death of a loved one. However, proper financial planning involves careful consideration of the possibility.

Examining the effects of death is an important step in determining both your current and future financial situations. In order to illustrate how your finances might satisfy the lifestyle needs of the survivors, this portion of your analysis considers the possible effects of each of your deaths on cash flow.

Following death, all assumptions about expenses and income must be adjusted; the calculations used in this portion of your analysis reflect those adjustments. This section of the analysis of the survivor's cash flow answers the following questions:

- What does "maintaining the lifestyle of the survivors" mean?
- How does your cash flow 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 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 the Lifestyle of Your Survivors

This section assumes that Anthony dies today and Sheila continues to live.

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?

Adjustments in Lifestyle

Major life events directly influence your lifestyle expenses. An unexpected death or disability, for example, could have a profound effect on your overall expenses and incoming cash flow. Some of your expenses may be reduced when you retire; expenses associated with traveling to and from work, for example. At the same time, money spent on recreation, vacations, or health care may increase your expenses during retirement.¹

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

- Basic lifestyle expenses
- Italian Villa for Anthony and Sheila costing £165,000 (value today) (starting when Anthony retires)
- Education for Jonathan
- Education for Jonathan
- Education for Jonathan
- Education for Chloe
- Education for Chloe
- Education for Chloe
- Make payments on all loans

¹ Expenses and the adjustments for death and retirement are shown in the "Confirmation of Facts" section.

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.



Effects of your cash flow process—will you run out of money?

A cash flow failure occurred in January of 2030 with assets designated as "Do Not Use" equal to

 \pounds 1,125,620.

Your cash flow is not sufficient to support your lifestyle expenses. The value of the shortfall today invested at 5% is £125,644.
Incoming Cash Expected



Expected Income

A cash flow failure occurred in January of 2030 with assets designated as "Do Not Use" equal to $\pounds 1,125,620$. This illustration assumes Anthony dies today. Life Insurance proceeds of $\pounds 0$ from Anthony's death have been considered.

This illustration 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. However, the cash flow analysis considers income from all sources.

CASH FLOW—LIFESTYLE OF THE SURVIVORS FOLLOWING ANTHONY'S DEATH

Expected Outgoing Payments



Expected Outgoing Payments

A cash flow failure occurred in January of 2030 with assets designated as "Do Not Use" equal to $\pm 1,125,620$. Outgoing payments begin with compulsory expenses (such as taxation) and continue through your discretionary spending.

CASH FLOW—LIFESTYLE OF THE SURVIVORS FOLLOWING ANTHONY'S DEATH **Additional Needs if Anthony Dies**

Education Needs

Education for	Annual Education Cost (Today's Money	Portion Funded from Other Sources ¹	Start in Year	For Years	Total Cost for Education ²	Institution
Jonathan	£15,460	0%	2014	7	£134,959	Prep School Jonathan
Jonathan	£26,400	0%	2021	5	£232,720	Public School Jonathan
Jonathan	£10,000	0%	2026	3	£66,943	University Jonathan
Chloe	£15,000	0%	2017	7	£155,956	Prep School Chloe
Chloe	£22,500	0%	2024	5	£236,227	Public School Chloe
Chloe	£10,000	0%	2029	3	£79,730	University Chloe

To just fund the education needs:

Life Insurance to provide for the entire education need of £906,535, or provide £203,431 for • additional funds needed today.

¹ Other sources may include scholarships, grants, student loans, or student work. ² Total Cost for Education is the total for the entire education need, assuming an annual inflation rate of 6%. This total does not reflect the portion of education costs funded from other sources.

cash flow—lifestyle of the survivors following anthony's death 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

Voor	Expected To	otal Outgoing	Net Paid from Cash Flow	End of Year	End of Year	Cumulative Annual	Not Worth
2014	C221 114		FICESS	ASSELS		Shortian	
2014	£221,114 25.425	10 721	14 286	L1,383,099	10,087		1,37,012
2015	33,433 25,864	49,721	14,280	1,408,071	0		1,408,071
2010	33,004	50.062	13,337	1,451,972	0		1,451,972
2017	37,101	74.046	21,900	1,449,747	0		1,449,747
2018	57,000	74,040	50,565	1,432,789	0		1,432,789
2019	38,755	77,287	38,532	1,453,356	0		1,453,356
2020	39,917	80,826	40,909	1,451,124	0		1,451,124
2021	48,615	90,037	41,423	1,440,357	0		1,440,357
2022	49,848	112,400	62,552	1,407,519	0		1,407,519
2023	50,358	129,761	79,403	1,357,045	0		1,357,045
2024	44,927	121,505	76,577	1,314,871	0		1,314,871
2025	46,275	136,526	90,251	1,257,377	0		1,257,377
2026	47,663	130,034	82,371	1,205,991	0		1,205,991
2027	49,093	113,876	64,783	1,171,000	0		1,171,000
2028	50,566	118,522	67,956	1,131,735	0		1,131,735
2029	52,083	105,506	53,423	1,105,840	0		1,105,840
2030	53,645	71,548	7,787	1,125,620	0	10,115	1,115,505
2031	55,255	74,133	0	1,154,024	0	28,993	1,125,031
2032	54,189	356,923	287,849	1,178,197	0	43,878	1,134,319
2033	50,203	97,603	47,400	1,163,246	0	43,878	1,119,368
2034	51,709	64,485	12,776	1,183,544	0	43,878	1,139,666
2035	89,233	65,562	0	1,067,728	0	43,878	1,023,850
2036	41,657	65,539	23,882	1,068,264	0	43,878	1,024,386
2037	42,721	66,222	11,352	1,081,312	0	56,026	1,025,287
2038	43,820	68,049	0	1,106,235	0	80,255	1,025,980
2039	44,944	70,040	0	1,131,756	0	105,352	1,026,404
2040	46,101	72,103	0	1,157,889	0	131,354	1,026,535
2041	47,294	74,228	0	1,184,649	0	158,288	1,026,361
2042	54,914	76,417	0	1,212,052	0	179,792	1,032,261
2043	62,954	79,950	0	1,240,115	0	196,788	1,043,328
2044	64,652	83,627	0	1,268,854	0	215,763	1,053,091
2045	66,401	86,098	0	1,298,286	0	235,460	1,062,826
2046	68,202	88,643	0	1,328,428	0	255,900	1,072,527
2047	70,058	91,264	0	1,359,298	0	277,107	1,082,191
2048	71,969	93,964	0	1,390,914	0	299,102	1,091,813
2049	73,937	96,745	0	1,423,296	0	321,909	1,101,387
2050	75,965	99,609	0	1,456,462	0	345,554	1,110,909
2051	78,053	102,559	0	1,490,433	0	370,060	1,120,373
2052	80,204	105,598	0	1,525,228	0	395,454	1,129,774
2053	82,419	108,728	0	1,560,869	0	421,762	1,139,107

 ¹ Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes.
² Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.
³ Cash Flow Failure-Incoming cash flow plus any available assets remaining were insufficient to pay outgoing payments. Any assets remaining are those assets that you marked "Do Not Use".

CASH FLOW—LIFESTYLE OF THE SURVIVORS FOLLOWING ANTHONY'S DEATH **Cash Flow & Net Worth (Continued)**

Cash Flow & Net Worth

Year	Expected T Income	otal Outgoing Payments	Net Paid from Cash Flow Process	End of Year Assets ²	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2054	84,701	111,951	0	1,597,377	0	449,013	1,148,364
2055	87,051	115,272	0	1,634,774	0	477,233	1,157,540
2056	89,472	118,692	0	1,673,082	0	506,453	1,166,629
2057	91,966	122,215	0	1,712,324	0	536,702	1,175,622
2058	94,534	125,843	0	1,752,525	0	568,011	1,184,514
2059	97,180	129,580	0	1,793,708	0	600,412	1,193,297

A cash flow failure occurred in January of 2030 with assets designated as "Do Not Use" equal to £1,125,620.

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.

¹ Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes. ² Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.

Conclusions

Based on the expenses that you specified, your present plans would not be sufficient to maintain your lifestyle. The value of this shortfall today is $\pounds 125,644$. This is the equivalent of reducing your spending by $\pounds 954$ every month. 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

- Will Sheila outlive your wealth during retirement?
- How would the unexpected death of you or your spouse affect the lifestyle of the survivors?
- Are you financially prepared for an extended nursing home stay during retirement?

Consider:

Shortfall occurred in January of 2030.£125,644The value of the shortfall today invested at 5%:£125,644You need to reduce your monthly outgoing payments by 5% beginning today.£125,644

Funding Your Lifestyle

This cash flow analysis examines all of the financial items that are part of your lifestyle. It simulates 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 the Lifestyle of Your Survivors

This section assumes that Sheila dies today and Anthony continues to live.

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?

Adjustments in Lifestyle

Major life events directly influence your lifestyle expenses. An unexpected death or disability, for example, could have a profound effect on your overall expenses and incoming cash flow. Some of your expenses may be reduced when you retire; expenses associated with traveling to and from work, for example. At the same time, money spent on recreation, vacations, or health care may increase your expenses during retirement.¹

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

- Basic lifestyle expenses
- Italian Villa for Anthony and Sheila costing £165,000 (value today) (starting when Anthony retires)
- Education for Jonathan
- Education for Jonathan
- Education for Jonathan
- Education for Chloe
- Education for Chloe
- Education for Chloe
- Make payments on all loans

¹ Expenses and the adjustments for death and retirement are shown in the "Confirmation of Facts" section.

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.



Effects of your cash flow process—will you run out of money?

A cash flow failure occurred in April of 2029 with assets designated as "Do Not Use" equal to £1,531,689.

Your cash flow is not sufficient to support your lifestyle expenses. The value of the shortfall today invested at 5% is £4,167.

CASH FLOW—LIFESTYLE OF THE SURVIVORS FOLLOWING SHEILA'S DEATH

Incoming Cash Expected



Expected Income

A cash flow failure occurred in April of 2029 with assets designated as "Do Not Use" equal to $\pounds 1,531,689$. This illustration assumes Sheila dies today. Life Insurance proceeds of $\pounds 0$ from Sheila's death have been considered.

This illustration 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. However, the cash flow analysis considers income from all sources.

CASH FLOW—LIFESTYLE OF THE SURVIVORS FOLLOWING SHEILA'S DEATH

Expected Outgoing Payments



Expected Outgoing Payments

A cash flow failure occurred in April of 2029 with assets designated as "Do Not Use" equal to $\pounds 1,531,689$. Outgoing payments begin with compulsory expenses (such as taxation) and continue through your discretionary spending.

cash flow—lifestyle of the survivors following sheila's death 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

Veer	Expected To	otal Outgoing	Net Paid from Cash Flow	End of Year	End of Year	Cumulative Annual	Not Morth
2014		rayments	FICCESS	ASSELS		Shortian	
2014	£100,709	107,285 06 550	10 2 857	1 205 650	10,087		1 205 650
2015	95,702	103 620	2,037	1,393,039	0		1,393,039
2010	93,879	113 100	1/ 183	1,454,192	0		1,454,192
2017	101,330	129,743	28,413	1,487,175	0		1,487,175
2010	104 335	134 605	30,360	1 505 205	0		1 505 205
2019	104,335	134,095	30,300	1,505,595	0		1,505,595
2020	110 680	151,023	40 334	1,521,955	0		1,521,955
2021	121 500	168 765	40,334	1,551,054	0		1,551,054
2022	124,930	190,381	65,451	1,525,725	0		1,501,782
2024	120.052	200,880	70.028	1 470 310	0		1 470 310
2024	120,932	200,880	75,928	1,470,519	0		1,470,519
2025	124,301	201,009	/0,400	1,441,038	0		1,441,038
2020	120,510	170,540	42,029	1,447,229	0		1,447,229
2027	132,100	150,557	24,169	1,471,575	0		1,4/1,3/3
2028	150,155	105,177	27,044	1,494,177	0		1,494,177
2029	140,217	155,216	10,204	1,531,689	0	4,795	1,526,894
2030	144,424	142,614	0	1,588,746	0	8,836	1,579,910
2031	148,756	148,274	0	1,644,144	0	8,836	1,635,308
2032	332,408	398,742	66,333	1,785,610	0	8,836	1,776,774
2033	30,537	97,557	67,020	1,768,174	0	8,836	1,759,338
2034	31,453	61,295	29,842	1,788,450	0	8,836	1,779,614
2035	32,396	62,936	30,540	1,808,658	0	8,836	1,799,822
2036	33,368	64,642	31,273	1,828,762	0	8,836	1,819,926
2037	47,391	66,394	19,003	1,848,725	0	8,836	1,839,889
2038	66,052	70,812	4,760	1,865,601	0	8,836	1,856,765
2039	71,158	77,807	6,649	1,881,519	0	8,836	1,872,683
2040	78,620	81,019	2,399	1,902,788	0	8,836	1,893,952
2041	79,322	84,469	5,147	1,922,410	0	8,836	1,913,574
2042	80,091	86,621	6,531	1,941,714	0	8,836	1,932,879
2043	80,926	88,828	7,903	1,960,682	0	8,836	1,951,846
2044	81,828	91,094	9,266	1,979,292	0	8,836	1,970,456
2045	82,799	93,420	10,620	1,997,520	0	8,836	1,988,684
2046	83,839	95,683	11,844	2,015,470	0	8,836	2,006,635
2047	84,950	97,842	12,892	2,033,294	0	8,836	2,024,458
2048	86,132	100,069	13,937	2,050,972	0	8,836	2,042,136
2049	87,386	102,365	14,979	2,068,484	0	8,836	2,059,648
2050	88,714	104,732	16,018	2,085,809	0	8,836	2,076,973
2051	90,117	107,172	17,054	2,102,925	0	8,836	2,094,089
2052	91,596	109,798	18,202	2,119,694	0	8,836	2,110,858
2053	93,153	112,741	19,589	2,135,841	0	8,836	2,127,006

 ¹ Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes.
² Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.
³ Cash Flow Failure-Incoming cash flow plus any available assets remaining were insufficient to pay outgoing payments. Any assets remaining are those assets that you marked "Do Not Use".

CASH FLOW—LIFESTYLE OF THE SURVIVORS FOLLOWING SHEILA'S DEATH **Cash Flow & Net Worth (Continued)**

Cash Flow & Net Worth

Year	Expected To Income	otal Outgoing Payments	Net Paid from Cash Flow Process	End of Year Assets ²	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2054	94,788	115,771	20,983	2,151,324	0	8,836	2,142,488
2055	96,504	118,890	22,386	2,166,094	0	8,836	2,157,259
2056	98,302	122,101	23,798	2,180,106	0	8,836	2,171,270

A cash flow failure occurred in April of 2029 with assets designated as "Do Not Use" equal to £1.531.689.

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.

¹ Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes. ² Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.

Conclusions

Based on the expenses that you specified, your present plans would not be sufficient to maintain your lifestyle. The value of this shortfall today is £4,167. 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

- Will Anthony outlive your wealth during retirement?
- How would the unexpected death of you or your spouse affect the lifestyle of the survivors?
- Are you financially prepared for an extended nursing home stay during retirement?

Consider:

Shortfall occurred in April of 2029. The value of the shortfall today invested at 5%: £4,167 The value of this shortfall represents a very small adjustment to your outgoing payments each month.

6

Disability—A Pre-Retirement Uncertainty

Before age 65, it is 2.82 times more likely that Anthony will suffer a long-term disability than die and 5.31 times more likely that Sheila will suffer a long-term disability than die!¹

Examining the effects of disability is an important step in determining both your current and future financial situations. This portion of your analysis shows how your cash flow would be affected if one of you become disabled today. It illustrates how your finances might work to satisfy your lifestyle needs.

Following disability, all assumptions about expenses and income must be adjusted; the calculations used in this portion of your analysis reflect those adjustments. This section of the analysis of your cash flow during disability answers the following questions:

- What does "maintaining your lifestyle during disability" mean?
- How does your cash flow 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?

¹ Office of National Statistics.

CASH FLOW—LIFESTYLE FOLLOWING ANTHONY'S DISABILITY

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

Although your incoming cash can often exceed your outgoing payments, you might notice that there never seems to be much money left over at the end of the month. The reason for this might be that the excess money is being used for *discretionary spending*.



Effects of your cash flow process—will you run out of money?

A cash flow failure occurred in February of 2015 with assets designated as "Do Not Use" equal to £1,359,595.

Your cash flow is not sufficient to support your lifestyle expenses. The value of the shortfall today invested at 5% is £536,208.

cash Flow—Lifestyle Following Anthony's disability 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—LIFESTYLE FOLLOWING ANTHONY'S DISABILITY **Cash Flow & Net Worth**

Cash Flow & Net Worth

Voar	Expected To	otal Outgoing	Net Paid from Cash Flow	End of Year Assets ²	End of Year	Cumulative Annual Shortfall	Net Worth
2014	f12 017	f 37 220	f 24 302	f1 336 0/0	£6.087	onortian	f1 320 063
2014	19 542	55 572	16 619	1 350 505	20,087	19/112	1340183^{3}
2015	19,542	52 298	15 454	1 384 828	0	36 762	1 348 067
2010	20 241	60 347	22 232	1 403 923	0	54 635	1 349 288
2017	20,294	75,468	36,809	1,408,302	0	73,000	1,335,302
2019	20,867	78,748	39,103	1,410,235	0	91,778	1,318,456
2020	21,493	82,324	41,499	1,409,535	0	111,111	1,298,424
2021	29,638	91,573	42,023	1,400,487	0	131,024	1,269,464
2022	30,302	107,484	56,672	1,376,240	0	151,534	1,224,706
2023	30,986	121,297	60,576	1,347,308	0	181,268	1,166,040
2024	24,190	122,644	76,694	1,308,815	0	203,028	1,105,788
2025	24,916	138,173	15,973	1,330,500	0	300,312	1,030,189
2026	25,664	132,426	0	1,369,407	0	407,074	962,333
2027	26,434	117,428	0	1,409,683	0	498,069	911,614
2028	27,227	123,030	0	1,451,382	0	593,872	857,509
2029	28,043	110,952	0	1,494,563	0	676,781	817,783
2030	28,885	77,972	1	1,539,288	0	725,868	813,420
2031	29,751	81,073	0	1,585,619	0	777,189	808,430
R 2032	220,132	366,421	114,031	1,722,704	0	809,447	913,257
2033	48,422	132,933	84,511	1,688,949	0	809,447	879,502
2034	49,875	81,803	31,928	1,708,441	0	809,447	898,994
2035	87,344	83,277	0	1,591,445	0	809,447	781,998
2036	39,712	83,668	43,956	1,590,400	0	809,447	780,953
2037	48,833	85,961	37,128	1,587,962	0	809,447	778,515
2038	60,858	90,033	29,175	1,582,146	0	809,447	772,699
2039	66,276	94,787	28,511	1,577,039	0	809,447	767,592
2040	74,042	98,293	24,250	1,576,398	0	809,447	766,951
2041	75,040	102,357	27,317	1,572,866	0	809,447	763,419
2042	82,488	105,142	22,654	1,574,146	0	809,447	764,699
2043	90,379	108,014	17,635	1,580,829	0	809,447	771,382
2044	91,948	111,201	19,252	1,586,285	0	809,447	776,838
2045	93,591	114,197	20,605	1,590,733	0	809,447	781,286
2046	95,308	117,279	21,970	1,594,118	0	809,447	784,671
2047	97,102	120,536	23,435	1,596,290	0	809,447	786,843
2048	98,972	123,908	18,973	1,603,153	0	815,410	787,743
2049	100,922	127,384	0	1,629,787	0	841,873	787,914
2050	102,953	131,027	0	1,657,361	0	869,948	787,414
2051	105,066	134,797	0	1,685,891	0	899,678	786,213
2052	107,264	138,683	0	1,715,393	0	931,097	784,296
2053	109,549	142,691	0	1,745,884	0	964,240	781,644

¹ Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes.
³ Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.
³ Cash Flow Failure-Incoming cash flow plus any available assets remaining were insufficient to pay outgoing payments. Any assets remaining are those assets that you marked "Do Not Use".
R-Retirement assumed to begin in this year.

CASH FLOW—LIFESTYLE FOLLOWING ANTHONY'S DISABILITY **Cash Flow & Net Worth (Continued)**

Cash Flow & Net Worth

Year	Expected To Income	otal Outgoing Payments	Net Paid from Cash Flow Process	End of Year Assets ²	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2054	111,922	146,823	0	1,777,381	0	999,141	778,240
2055	114,386	151,084	0	1,809,903	0	1,035,838	774,065
2056	116,944	155,475	0	1,843,468	0	1,074,370	769,098
2057	119,596	160,003	0	1,878,096	0	1,114,777	763,320
2058	122,346	164,670	0	1,913,808	0	1,157,101	756,707
2059	125,196	169,480	0	1,950,623	0	1,201,385	749,238
2060	128,149	174,439	0	1,988,565	0	1,247,675	740,890
2061	131,206	179,549	0	2,027,655	0	1,296,018	731,637
2062	134,372	184,817	0	2,067,916	0	1,346,462	721,454
2063	137,648	190,245	0	2,109,374	0	1,399,059	710,315

A cash flow failure occurred in February of 2015 with assets designated as "Do Not Use" equal to £1,359,595.

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.

¹ Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes. ² Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.

Conclusions

Based on the expenses that you specified, your present plans would not be sufficient to maintain your lifestyle. This scenario had an early shortfall occurring February of 2015. 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 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?

Consider:

Through year 2015, income should decrease 59%. If disability continued until retirement, expected income would decrease 73%. Outgoing payments between now and retirement are expected to decrease 25%.

CASH FLOW—LIFESTYLE FOLLOWING SHEILA'S DISABILITY

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.



Effects of your cash flow process—will you run out of money?

A cash flow failure occurred in January of 2027 with assets designated as "Do Not Use" equal to $\pounds1.498.260$.

Your cash flow is not sufficient to support your lifestyle expenses. The value of the shortfall today invested at 5% is £102,873.

cash Flow—Lifestyle Following Sheila's disability 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—LIFESTYLE FOLLOWING SHEILA'S DISABILITY **Cash Flow & Net Worth**

Cash Flow & Net Worth

Vear	Expected To	otal Outgoing	Net Paid from Cash Flow Process	End of Year Assets ²	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2014	f60.017	£57.053	f0	£1 362 776	£6.087	onorman	£1 356 680
2014	03 702	07 177	3 175	1 405 302	20,087		1 405 302
2015	95,702	104 153	3,473 8 274	1,405,502	0		1,405,502
2010	95,679	113 611	14 605	1,444,472	0		1,444,472
2017	101 220	120,011	28.061	1,478,557	0		1,470,557
2010	101,550	150,291	20,901	1,490,914	0		1,490,914
2019	104,335	135,372	31,037	1,517,820	0		1,517,820
2020	107,465	140,675	33,210	1,535,114	0		1,535,114
2021	110,689	151,694	41,005	1,545,077	0		1,545,077
2022	121,509	169,428	47,918	1,540,680	0		1,540,680
2023	124,930	184,931	60,001	1,524,046	0		1,524,046
2024	128,452	200,017	71,564	1,495,461	0		1,495,461
2025	124,581	203,085	78,504	1,466,896	0		1,466,896
2026	128,318	179,196	50,877	1,465,729	0		1,465,729
2027	132,168	157,717	10,064	1,498,260	0	15,485	1,482,774
2028	136,133	169,710	8	1,542,277	0	49,054	1,493,223
2029	140,217	164,553	0	1,596,217	0	78,991	1,517,225
2030	144,424	146,110	0	1,656,788	0	86,528	1,570,260
2031	148,756	149,393	0	1,714,697	0	87,317	1,627,380
R 2032	326,492	407,654	81,162	1,851,049	0	87,317	1,763,732
2033	30,537	132,012	101,475	1,802,310	0	87,317	1,714,992
2034	31,453	78,978	47,525	1,807,674	0	87,317	1,720,356
2035	62,585	81,191	18,606	1,727,902	0	87,317	1,640,585
2036	37,581	83,518	45,937	1,730,491	0	87,317	1,643,174
2037	51,000	85,934	34,935	1,731,724	0	87,317	1,644,407
2038	68,842	90,861	22,018	1,728,790	0	87,317	1,641,473
2039	73,987	96,794	22,807	1,725,400	0	87,317	1,638,083
2040	81,486	100,792	19,306	1,725,982	0	87,317	1,638,665
2041	82,225	104,791	22,565	1,723,739	0	87,317	1,636,422
2042	89,421	107,489	18,068	1,726,399	0	87,317	1,639,082
2043	97,066	110,272	13,206	1,734,557	0	87,317	1,647,240
2044	98,397	113,195	14,798	1,741,768	0	87,317	1,654,451
2045	99,807	116,143	16,336	1,748,040	0	87,317	1,660,722
2046	101,299	119,027	17,729	1,753,473	0	87,317	1,666,156
2047	102,872	122,271	19,400	1,757,737	0	87,317	1,670,420
2048	104,528	125,616	21,087	1,760,761	0	87,317	1,673,444
2049	106,270	129,062	22,792	1,762,471	0	87,317	1,675,154
2050	108,098	132,614	23,623	1,763,684	0	88,211	1,675,474
2051	110,014	136,274	0	1,789,335	0	114,470	1,674,865
2052	112,021	140,099	0	1,816,035	0	142,549	1,673,487
2053	114,119	144,069	0	1,843,801	0	172,498	1,671,302

¹ Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes.
³ Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.
³ Cash Flow Failure-Incoming cash flow plus any available assets remaining were insufficient to pay outgoing payments. Any assets remaining are those assets that you marked "Do Not Use".
R-Retirement assumed to begin in this year.

CASH FLOW—LIFESTYLE FOLLOWING SHEILA'S DISABILITY **Cash Flow & Net Worth (Continued)**

Cash Flow & Net Worth

Year	Expected T Income	otal Outgoing Payments	Net Paid from Cash Flow Process	End of Year Assets ²	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2054	116,311	148,164	0	1,872,646	0	204,351	1,668,295
2055	118,599	152,387	0	1,902,588	0	238,140	1,664,448
2056	120,984	156,744	0	1,933,643	0	273,900	1,659,743
2057	123,469	161,237	0	1,965,829	0	311,668	1,654,161
2058	126,057	165,871	0	1,999,164	0	351,482	1,647,682
2059	128,748	170,649	0	2,033,668	0	393,382	1,640,286
2060	131,547	175,575	0	2,069,361	0	437,411	1,631,950
2061	134,455	180,655	0	2,106,263	0	483,611	1,622,652
2062	137,475	186,073	0	2,144,396	0	532,209	1,612,187
2063	140,610	191,689	0	2,183,782	0	583,289	1,600,493

A cash flow failure occurred in January of 2027 with assets designated as "Do Not Use" equal to £1,498,260.

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.

¹ Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes. ² Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.

Conclusions

Based on the expenses that you specified, your present plans would not be sufficient to maintain your lifestyle. The value of this shortfall today is $\pm 102,873$. This is the equivalent of reducing your spending by ± 905 every month. 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?

Consider:

Through year 2015, income should decrease 10%. If disability continued until retirement, expected income would decrease 9%. Outgoing payments between now and retirement are expected to decrease 4%.



Investment Analysis & Asset Allocation

Analysis of your investments starts with determining three things about your assets: what you have, how it works, and what to expect from it.

Understanding your existing investments is a key to any analysis of your current financial situation. You should have a good understanding of what you have and how your investments work together, before considering any changes to these investments. Then, when you decide to make changes in your investments, you should consider how the changes will affect your overall portfolio. This includes determining whether the proposed changes align with your financial objectives and risk tolerances. In other words, you should consider whether the changed portfolio will reflect your particular investment philosophy.

Classifying Your Investments

Your portfolio, a collection of assets held for investment purposes, can be viewed in several ways. Each view of your assets helps you answer different questions about your overall planning. There are three views, or ways to classify your investments.

Assets Classes—What you have

Asset classes are groups of investments with similar characteristics and similar investment categories.

Investment Styles—How it works

Investment styles are groups of assets that have similar cash flow characteristics.

Volatility Classes—What to expect

Volatility classes are groups of investments that have similar risk and return relationships and respond to economic market situations similarly.

The best analysis of your investments is achieved when your entire portfolio is viewed from each of these three perspectives separately. This method provides more insight than trying to combine all of these characteristics into one single analysis or view.

What You Have

Asset classes are groups of investments or investment categories with similar characteristics.



Asset Class	
Savings	£22,100
Cash, savings, national savings Large Company Stocks Large cap growth or value	£525,950
Total	£548,050 ¹

¹ Assets held for other purposes of £760,000 are not included.

How It Works

Investment styles are groups of assets that have similar cash flow characteristics.

Investment Style

Investment Style

Cash		£22,100
	Cash assets can be converted to cash in a short time (days or a few weeks) with little or no loss in value.	
Incon	ne	£77,500
	Investment yield is primarily in the form of dividends or interest or other earnings for income assets. These earnings are usually paid at least annually and may be taken in cash or can be reinvested.	
Grow	th and Income	£257,370
	Some investments emphasize both growth and income. The emphasis is some long-term growth but with some of the earnings being realized each year as income.	
Grow	/th	£191,080
	Investment yield is primarily in the form of appreciation or growth for growth assets. Usually a portion or the entire asset must be sold to realize any gain. Gain often qualifies for capital gains treatment.	
Total		£548,050 ¹

¹ Assets held for other purposes of £760,000 are not included.

Analysing Expected Risk and Return by Volatility

Volatility classes are groups of investments that have similar risk and return relationships and respond to market situations similarly.



Investment Yields and Risk Classes (Volatility Classes)

Assets are classified based on anticipated yields and risk. Five classes are used to represent the different groups of investments—each class with a different volatility. Volatility¹ is the relationship between the mean and the deviation from that mean. Historical records are used to determine the relationship of yields and risk for each class. Assets within a class usually respond similarly to various economic conditions.

Low Yields/Low Risk

The volatility class Very Conservative usually has low yields, but small variations from year to year.

High Yields/High Risk

The volatility class *Dynamic* usually has high yields, but also may vary greatly from year to year. Some years may even have losses.

Volatility class generally is the same for similar investments and investments within the same investment category.

¹ The coefficient of variation is used to reflect the volatility of a class. It is the historical standard deviation divided by the mean of similar investments.

Your Assets by Volatility

Volatility classes offer a risk/return view of your investments. The weighted-average yield (growth and income combined) for each volatility class is shown.



¹ Assets held for other purposes of £760,000 are not included.

Your Education Assets by Volatility

Volatility classes offer a risk/return view of the assets you have designated for education funding. The weighted-average yield (growth and income combined) for each volatility class is shown.



You have 15 years until you need the education fund.

¹ This amount only includes education savings plans and investments designed for education funding.

Your Retirement Assets by Volatility

Volatility classes offer a risk/return view of the assets you have designated for retirement funding. The weighted-average yield (growth and income combined) for each volatility class is shown.



Volatility Class	Initial Weighted-Average Yield	Amount
Very Conservative	0.000%	£0
Conservative	0.000%	£0
Moderate	5.000%	£145,360
Aggressive	6.000%	£34,250
Dynamic	0.000%	£3,540
Total	5.206%	£183,1501

You have 18 years until your designated retirement.

¹ This amount only includes approved retirement plans and investments designated for retirement.

Investments Profile & Allocation of Assets

Often it is helpful to compare your investment portfolio with the portfolios of people with similar risk tolerances, investment objectives, and time frames. These "typical" portfolios are referred to as investment profiles.

Risk Tolerance

Risk tolerance is the relationship between the amount of risk you are willing to take to achieve the growth you desire. Your risk tolerance is unique.

Asset Allocation

Asset allocation is the process of trying to maximize your mix of investments based on your risk tolerance, your purpose, and your investment time frame.

Time Horizon

Time horizon is your investment time frame. A short time horizon makes you less able to withstand losses. It may limit the amount of risk that is prudent.

Investment Profiles

Your profile should reflect your objectives, your risk tolerance, and your time horizon. These five profiles illustrate various classes of assets by volatility. Profiles may also be considered on an investment style basis, especially for cash flow analysis.



Circumstances When Profile is Best Suited

ProfileI	Risk averse, short time horizon, safety and income very important
ProfileII	Slow and steady growth with emphasis on income and keeping what you have
ProfileIII	Balance between growth and income, limited time, not too many ups and downs
ProfileIV	Long-term growth, usually 10 + years, good returns, willing to accept risk
ProfileV	High level of risk while seeking high returns and growth over at least 10 years

Which profile best describes you?

Do Your Investments Match Your Profile?

Risk tolerance is the relationship between the amounts of risk you are willing to take to achieve the growth you desire. Many factors based on the information you provided for this analysis must be considered when determining the best profile for you. Your risk tolerance is unique and the only way some preferences can be determined is by asking you various questions. (These questions and your answers are at the end of this section of your analysis.) Profile III seems to match most closely your risk tolerances.

Any changes in your investments should attempt to match your portfolio on both a volatility class basis and on an investment style basis.



Changes to your portfolio should consider the effects on cash flow (investment style) and the effects on your overall risk and expected returns (volatility).
INVESTMENT ANALYSIS & ASSET ALLOCATION

Your Investment Risk Questionnaire Answers

Your Investment Risk Questionnaire helped determined your risk tolerances. Your answers, along with information such as age, net worth and assets available for investment were used to determine the investment profile that most closely matched your answers. It is important that you feel good about your investments.

Answers used to recommend an investment profile:

Your household's approximate gross annual income (before tax), including salary and other income, earnings, and distributions from retirement plans, is $\pm 101,580$.

Your net worth (including your primary residence) is £1,289,180.

Your investment assets represent 43% of your net worth.

- 1. Your portfolio is comprised of a mix of fixed-interest savings, high-quality bonds, or government backed bonds.
- 2. Your investment portfolio needs to provide an annual income of 4% to 6%.
- 3. You anticipate the first major use of your investment portfolio in 2 to 5 years.
- 4. Your primary investment goal is to generate long-term capital growth. You are not concerned about income from your investments.
- 5. In the next 5 years you think you may withdraw between 0% to 10% of your portfolio.
- 6. If your portfolio suddenly suffered a 20% loss you would invest more in the portfolio now that the price is lower.
- 7. Given a choice of these portfolios, you chose B (increasing risk with a chance of higher returns).
- 8. You evaluate and consider changing your investments annually.
- 9. You defined your investment knowledge as having some investment knowledge.
- 10. You expect the before-tax return of your investment portfolio to be 4% to 6% over the long term (10+ years).

Based on the answers above and the other facts you have shared, it appears that you mostly closely match investment profile III. Investors in this profile generally are looking for middle-of-the-road returns over a limited time period, without too many ups and downs.

Compare Samples of Investment Profiles

Often it is helpful to compare your investment portfolio with the portfolios of people with similar risk tolerances, investment objectives, and time frames. These typical portfolios are referred to as investment profiles.

Items considered in each profile:

- Risk Tolerance
- Asset Allocation
- Time Horizon

Investment Profiles by Investment Style



Investment Profiles by Volatility Classes



Circumstances When Profile is Best Suited

Risk averse, short time horizon, safety and income very important
Slow and steady growth with emphasis on income and keeping what you have
Balance between growth and income, limited time, not too many ups and downs
Long-term growth, usually 10 + years, good returns, willing to accept risk
High level of risk while seeking high returns and growth over at least 10 years

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Planning Assumptions

Assumptions used for this scenario referred to as Current Situation.

No one knows the future or the exact sequence of events that may occur. Your plan is built on all of the facts you have shared, but it is still necessary to make various assumptions to illustrate your financial situation. You should be sure that you understand all of the assumptions listed here and that they correctly reflect your situation and desires. Assumptions appear with the section that are applicable. The following assumptions are of a more general nature and apply throughout your plan. Also, some assumptions required additional explanations.

PLANNING ASSUMPTIONS

Anthony Rush	Age: 41	Male	Born: 23 August, 1972
Sheila Rush	Age: 38	Female	Born: 18 July, 1975

Anthony and Sheila are married.

State Benefits

Anthony is eligible for certain State Benefits. Anthony's certain State Benefits are based on levels in today's terms increased by inflation. Anthony plans to take State Benefits starting at age 65.

Sheila is eligible for certain State Benefits. Sheila's certain State Benefits are based on levels in today's terms increased by inflation. Sheila plans to take State Benefits starting at age 65.

Ages and Events

Ages illustrated are based on the age as of the last birthday.

Calculation Date

The starting date for the calculations in this report is 30 May, 2014. Assets that were entered with a valuation date more than one month prior to this date have their value adjusted for appreciation to approximate the value of the asset on this calculation date.

Calendar Year Processing

Each year of the illustration ends with December. The current year will calculate from the month of the Calculation Date through December of that year.

Nature of Monthly Calculations

Calculations are made each month, based on the amounts available at the start of the month. No attempt is made to determine the exact date within a month various transactions occur.

Interest Rates and Earnings

Interest and earnings are credited for 1/12th of the annual amount requested for each month. This is for the purpose of helping to determine the applicable cash flow and does not represent a guarantee of this or any interest or earnings. All rates of return illustrated are hypothetical and are not associated with any particular investment product.

Insurance

The numbers produced by this analysis in no way guarantee the right to purchase life insurance in the amounts illustrated. If any new life insurance is illustrated, this presentation is not valid unless accompanied by a complete illustration of proposed policy values.

Final Expenses

Anthony: Final Expenses: £0 **Sheila:** Final Expenses: £0

Estate Assumptions

For the purposes of Inheritance Tax analysis, it is assumed death occurs to Anthony at the end of the current year followed immediately by the death of Sheila. Each client's estate is assessed individually at the time of death and jointly-held assets and liabilities are divided equally. The value of any assets jointly held with a third party are deemed part of the estate. Death benefits from pension plans are assumed to be held in trust and therefore not liable to Inheritance Taxation at the holder's death. However pension benefits transferred from Anthony to Sheila are considered part of the estate at Sheila's death. Life insurance proceeds are paid to your named beneficiary and are considered part of the estate for Inheritance Tax purposes. This analysis incorporates the current Inheritance Tax Nil Rate band in its calculations.

Loans, Credit Cards, and Lines of Credit

Any form of credit illustrated is not a guarantee that such credit will be accepted by a lending institution. Different forms of credit may have a number of fees associated with various uses of the credit. Please consult the lending institution for details as well as all fees and rules for using that credit.

Restrictive Uses of Assets

Assets that are marked for restricted use will only be used to provide cash for that purpose. It is assumed that you would never want to use your business or farm automatically for cash flow purposes.

Income Taxes

Income Tax Rates

Basic Income Tax Rate: 20% Higher Income Tax Rate: 40% Additional Income Tax Rate: 45%

Capital Gains Tax

Taxation on the gains from assets that are liable to Capital Gains Tax are deducted at the rate of 18% up to the basic tax band and 28% thereafter. Liable gains on Investment Bonds are taxed at 20%. An individual's Annual Exemption amount is deducted from the total gains in any given year before Capital Gains Tax is applied. The current Annual Exemption amount is increased annually by the State Benefits inflation rate. Capital Gains Tax is not applied to the following asset types: Bank Accounts, Other Bonds (Government), ISAs PEPs TESSAs, Property – Main Residence, Savings (Cash Equiv.) and Venture Capital Trusts. Entrepreneur Capital Gains Tax relief is not applied.

Assumed Retirement

Retirement is assumed to be when Anthony reaches, or would have reached, age 60. Any change you indicated in the basic living expenses is applied at that time.

General Inflation Rate

A general inflation rate of 3% is used for all basic living expenses and where indicated.

Education Payments

Education costs are stated as annual amounts but are assumed to be paid in 12 monthly payments. Payments are assumed to start in August of each year unless a specific starting date is stated.

PLANNING ASSUMPTIONS

Education Inflation Rate

An education inflation rate of 6% is used for all education funding expenses. Historically, the cost of education has experienced a rate different than the general inflation rate of all goods and services. Adjustments for the education inflation rate are made in January of each year.

Costs Associated with Long-Term Care

Estimated costs of long-term care are based on the average costs for a nursing home stay in the current county of residence (Shropshire), adjusted for the current level of long-term care inflation rate. Basic living expenses are further adjusted as if disabled and any salary or retirement contributions are discontinued. (Estimated costs based on SAGA Cost of Care Report 2008 from Laing and Buisson.)

Discretionary Spending

For this illustration, it has been assumed that you will spend any excess money in your cash account in excess of £0. In addition, it assumes that any tax refunds are spent. "Sweeps" and all other transactions are processed prior to determining the amount of discretionary spending for each month.

Sweep Excess Money to Other Assets

Monthly transfers of from Cash Account to Savings Account; already started and ending after the illustration. Only transfer funds when the balance of the account exceeds $\pm 10,000$.