LONSDALE
Wealth Management

Case Study

Modelling different financial planning scenarios

Cash-flow planning is really powerful as it provides a visual 'roadmap' of a person's financial future and enabled Mr B to make important life decisions.

Neil Homer, Independent Financial Adviser, Stafford

Current situation

Neil Homer, provided financial advice to Mr B a 55 year-old single man with no dependents. He works for a bank and recently inherited investments from his mother. He wanted to retire at 65, but was concerned he wouldn't be able to maintain his lifestyle in retirement. He had also been offered the opportunity by his company to take a 6 month sabbatical from work to take part in a charity sailing competition sponsored by the bank. He was keen to take part and wanted to understand how taking a 6 month sabbatical from work would impact his future finances.

Neil used cashflow modelling to provide his client with a personal lifetime financial plan using his current and forecasted wealth, alongside his income and probable expenditure.

For a free initial consultation contact Neil Homer on 01785 711 578 or email nhomer@lonsdaleservices.co.uk

How Neil added value with his independent financial advice

Three different financial scenarios modelled using lifetime financial planning

Scenario 1 – Mr B works until 65 and then retires

Neil Homer modelled Mr B's current investments and future state pension and company pensions to show how much income he would generate in retirement. Neil recommended he diversify his portfolio and transfer out of some poorly performing pension and investment funds. As he was investing for the long-term, he recommended Mr B invest in a diversified portfolio of equities, bonds and property forecast to return 5% per annum. To take advantage of tax-efficient savings, Neil recommended he invest into his pension fund. By adjusting his investment portfolio, Neil showed Mr B how he could afford to live to 100 years old and pay for nursing care.

Scenario 2 – Mr B takes a six-month career break at 55 and then works until 65 and retires

If Mr B took a work sabbatical and didn't contribute to his pension for a year, his Lifetime Financial Plan shows that he would have enough income to last until he was 99, assuming he didn't need full-time nursing care.

Scenario 3 – Mr B suffers an illness at aged 57 and is unable to work between the age of 57 and 65

Mr B's lifetime financial plan forecasts that although he would be entitled to support allowance from the government if he was unable to work, his savings and investments would be required to supplement his income and these would only last until he was 75.

An insurance policy was purchased to protect Mr B's income should he not be able to work due to long-term illness

Neil modelled the purchase of an insurance policy into Mr B's Lifetime Financial Plan, which protected him if he was unable to work for over six months. This gave Mr B the security that he would always have enough income to maintain his lifestyle in retirement.

Key considerations for modelling different financial planning scenarios

- Be honest about your financial goals and priorities so your financial adviser can model various lifestyle planning scenarios.
- Meet your financial adviser annually to review your Lifetime Financial Plan. This ensures your plan remains on track to achieve your financial goals in retirement.

Summary

Now Mr B has his Lifetime Financial Plan set up and he has purchased an insurance policy he is satisfied that he can maintain his lifestyle up to and during retirement. By regularly meeting Neil Homer and taking his financial advice, Mr B can amend his plan where necessary so it remains on track to meet his financial goals in retirement.

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