



WHAT IF...

you could look into
your financial future?

tpo
the private office

What would you plan for?
Discover tomorrow's possibilities, today.



When you're financially free to enjoy the rest of your life, the world is your oyster. Travelling the world, taking up new hobbies or simply spending more time with the family, are just a few of the things we look forward to when we're ready to enjoy the fruits of our labour. But it can be difficult to know whether you've saved enough to see you through a long and comfortable retirement, or whether you can afford to help loved ones get on the property ladder. Of course, life is full of uncertainties, but having a good idea of when you can afford to live out your dreams can be very reassuring.

That's where The Private Office can help. By analysing the assets you already own, the income you might earn and your planned expenditure in the future, we can help establish whether your plans are affordable or not. In fact, through an exercise known as cash flow forecasting, we can help you find out your point of financial freedom – the time when you have enough wealth to maintain your desired lifestyle for the rest of your life, without the fear of running out of money.

Conducted by one of our experienced financial planners, cash flow forecasting provides you with clarity on your current financial position and what it might mean for the future. It really aids decision-making. For example, it can help you identify:

- Whether you've saved enough for your future plans, retirement or need to save more
- The sum of money you need to ring fence for your own lifetime spending plans
- What surplus funds may exist for other objectives, such as ticking off all those things on your bucket list, provision for care in old age and helping your children financially.

As part of a financial plan, it will also help you understand what risks, if any, you need to take with your money to meet your lifetime needs. If you are not comfortable with these risks, it can also show what compromises, if any, you may need to make.

How can cash flow forecasting help you?

This insightful analysis can help answer questions such as:

What's the magic number – i.e. how much do I need to retire?

Can I afford to retire today or earlier than I had planned?

Do I need to save more between now and my retirement?

How much can I spend in retirement without being a burden on my family later in my life?

How much do I need to sell my business for to support my retirement?

Can I afford to send my children to university?

Can I afford to give money to my children to help them get on the property ladder?

Will I need to downsize my home in the future to support my retirement plans?

Can I afford to take my family on holiday every year?

What rate of return do I need to make on my investments to meet my financial plan?

Simply put, this analysis can help you and your family make life changing decisions.

How does it work?

As part of creating a financial plan for you, we will need to understand what your lifetime financial objectives are together with certain information we know today, such as:

- Age and gender
- Marital status and financial dependants
- Current income and expenditure
- Planned retirement age
- Current cash savings
- Current pension/investments value
- Current property value
- Current amount being saved
- Retirement expenditure
- Expected retirement income e.g. rental & pension

One of our experienced financial planners will then, with the help of sophisticated software, assess your current situation to establish how close you are to achieving your goals. We will then discuss the conclusions with you, ideally in a one-to-one meeting at our offices or your home. If appropriate, we will agree how you could meet your objectives, which would include any advice that you might require.

How accurate is the modelling?

Cash flow forecasting is based on certain assumptions, such as future rates of inflation, tax, investment returns, pension forecasts, and life expectancy.

We use these assumptions to help build scenarios around your current situation and possible alternative outcomes. These allow us to work out how likely it is you'll achieve your desired future lifestyle given what we know today.

It is important to remember that a financial plan should never be a steady state. Your circumstances, aspirations and objectives will change over time and the economic and legislative environment can change as well. Life never stands still!

As part of any ongoing relationship with us, it makes sense to periodically review your lifetime position. We suggest this forms part of a regular ongoing review. This will allow you to see whether you remain on track to achieve your goals and, if necessary, what actions or compromises may need to be taken in order to maintain the course.

Cash flow forecasting: an illustration

In our experience, there are typically two outcomes when we conduct a cash flow planning exercise on behalf of clients:

1. There is a surplus of wealth meaning you can meet your lifetime financial goals. This gives you options such as:

- Early retirement
- Having a better life by spending more of your money during your lifetime
- Making gifts to your family
- Making charitable gifts and donations
- Reducing your inheritance tax liability
- Taking less risk with invested wealth.

2. There is a shortfall of assets meaning you are not on track to meet your lifetime financial goals. The analysis highlights potential shortfalls or threats to your situation and allows us to discuss the options open to you, such as:

- Working longer
- Spending less in retirement
- How much more you need to save prior to retirement
- Taking more risk with invested wealth
- Releasing capital from other assets, such as downsizing your property.



Case study

Mr Y is 55 years old and is married to Mrs Y who is 50 years old. They are both working, and their income is enough to meet their current expenditure needs, including university costs for their two children for the next two to three years.

They have provided their TPO adviser with details of their assets, savings, income and expenditure, which are as follows:

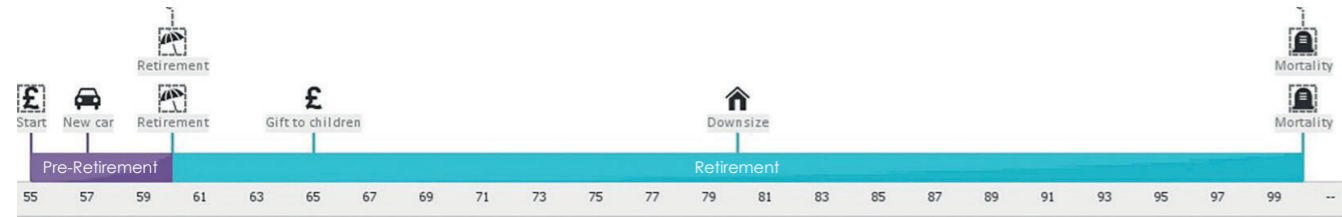
- Employment income is £100,000 gross per annum for Mr Y and £60,000 gross per annum for Mrs Y
- They hold a total of £150,000 in various bank accounts and NS&I savings products
- They hold a total of £250,000 in a combination of equity ISAs, individual shares and taxable investments
- They fully fund their ISA allowances each year from income
- They each have various money purchase pensions valued at £450,000 for Mr Y and £250,000 for Mrs Y
- They own their own home valued at £800,000, which is mortgage free
- They will both be entitled to a full State Pension at their respective State Pension ages.

We established their lifetime financial objectives to be:

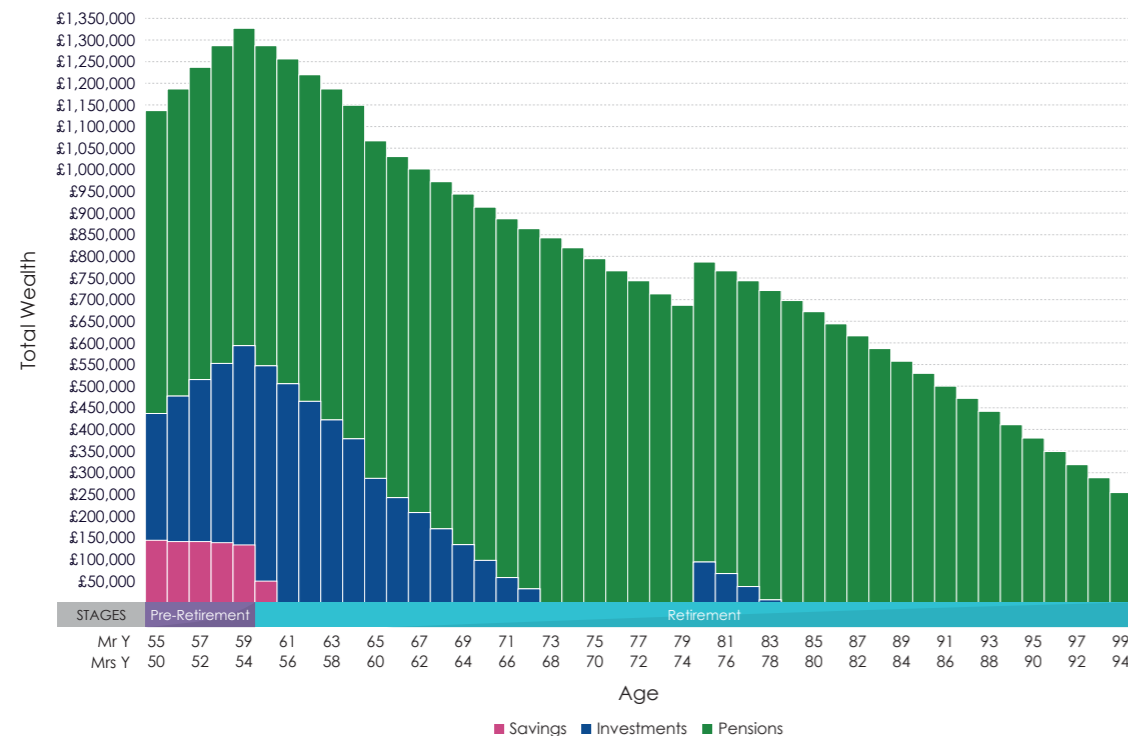
- To retire in five years' time
- To spend £4,000 net per month (£48,000 net per annum) in retirement for the remainder of their lives
- To buy a new car in two years' time for £25,000
- To gift £25,000 to each of their children in 10 years' time
- To downsize their home at age 80 (Mr Y) and release capital of £250,000
- Pass on wealth to the children in a tax efficient manner on death.

Bringing to life your objectives visually

The following graphic shows Mr and Mrs Y's future plans laid out in a timeline from the point that they want to retire. You can see all the life events and goals that they want to achieve.



This chart illustrates the impact on the couple's wealth over time, assuming their spending plans outlined above (the value of their property is excluded from the assets shown below).



Secure financial independence



We were able to provide reassurance that Mr and Mrs Y had secured financial independence and were on track to meet their lifetime financial goals. Namely, meeting their desired lifestyle and making gifts to their children.

With careful planning, there could be a surplus of realisable wealth remaining in the pension fund that would pass to their children free of Inheritance Tax which could result in a tax saving of almost £110,000.

“The cash flow forecasting gave us the reassurance that we could afford to retire when we wanted to, as well as helping our children buy their first home. It was easy to understand, is something that our adviser can update and review with us each year, and is a great way of ensuring we are on track.”

Mr and Mrs Y



Is it time to find out more?

Discover whether the plan for the rest of your life is achievable or not. Simply speak to one of our experienced planners about how cash flow forecasting can help you.

Call us on **0333 323 9060** or email **enquiries@theprivateoffice.com** to book an initial free consultation.

Have you used our financial independence calculator?

Try our financial independence calculator by visiting www.theprivateoffice.com/pensions/calculator.

Simply answer a series of questions and our calculator will provide you with a very quick x-ray of your financial position. The results will be shown to you on screen and will be followed up with an e-mail showing your results.

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