

## Summary – Base Plan

The first image on this page shows you how sustainable your financial plan is for the long term. You will see specific figures later in the report, but this gives you a quick snapshot of how healthy your plan is looking.

This is taking into account the following factors:

- Life expectancy (estimates shown later in report)
- Pensions
- Investments
- Cash savings
- Sources of income
- Costs and charges with investments
- Tax
- Varying investment returns based on 107 years of historical returns
- Varying inflation levels based on 107 years of past data



- **Potential excess** – this means that you are likely to have money left at the end of your plan. The end of your plan is your predicted life expectancy, or for joint reports, the predicted life expectancy of the youngest partner

- **On track** – the data suggests you will end your plan with excess but not a huge amount – this is the ideal scenario

- **Less sustainable** – there is a reasonable chance you will run out of money before your estimated life expectancy. We will talk about how to improve this
- **Off track** – you have a high chance of outliving your money, and we should be taking actions to resolve this

The bullet points will explain how many scenarios were run and in what percentage of scenarios you had sufficient money.

At the bottom of the page you will be shown the 'Current value' and 'Legacy' figures for your plan. The current value is the total of your assets (excluding property) at present, and the legacy figure shows the potential total value of your assets (excluding property) at your estimated age of death. A legacy figure that is too high could mean your estate will be liable to high levels of inheritance tax, so we should discuss plans to control this.

# Top-level plan details

This page dives deeper into the information that we have entered into the system for your situation.

- The 'Plan lasts until' section shows your expected life expectancy (use age of younger partner in a joint plan) – the reasoning for this number is given later in the report
- Planned spending shows your different net spending figures throughout the rest of your life. The current spending figure should be a match for the estimations you have provided – if these look wrong then please get in touch. Evidence suggests that spending decreases as we get older, so we may have factored this into your situation. Often we will then estimate an increase in costs towards the end in case this is needed for long term care.
- Income sources are your inflows of money for the remainder of your life. If you see anything incorrect here then please let us know. It is vital that the information is as accurate as possible.

# How your portfolio could fare

In this section you can see the progress of your plan mapped on a graph. As the paragraph at the top of the page (in the report) explains, there are hundreds of scenarios simulated. You cannot see the individual scenarios mapped because it would be difficult to read, so only the worst, less likely, likely, median and best cases are shown.

The £ values on the y-axis reflect the sum of your pensions, investments and cash savings. Property is excluded from these figures.

## An example of how the scenarios work:

- Lets say you are currently 60 and the software sets your life expectancy at 100, then there are 40 years left to run on your plan.
- Hundreds of scenarios will be run, with each one starting a different month over the last 107 years.
- For instance, one scenario will have started in June 1940 and run until June 1980, whilst another started in October 1910 and run until October 1950.
- Using returns and inflation data from the last 107 years, the simulations calculate how each scenario would have fared over the 40 years and then plotted every scenario on the graph.
- For simplification, the graph then shows you the worst case, best case, median case and then brackets for likely outcomes and less likely outcomes. If there are any lines you cannot see on the graph that you would like to, let us know and we can send an updated report.

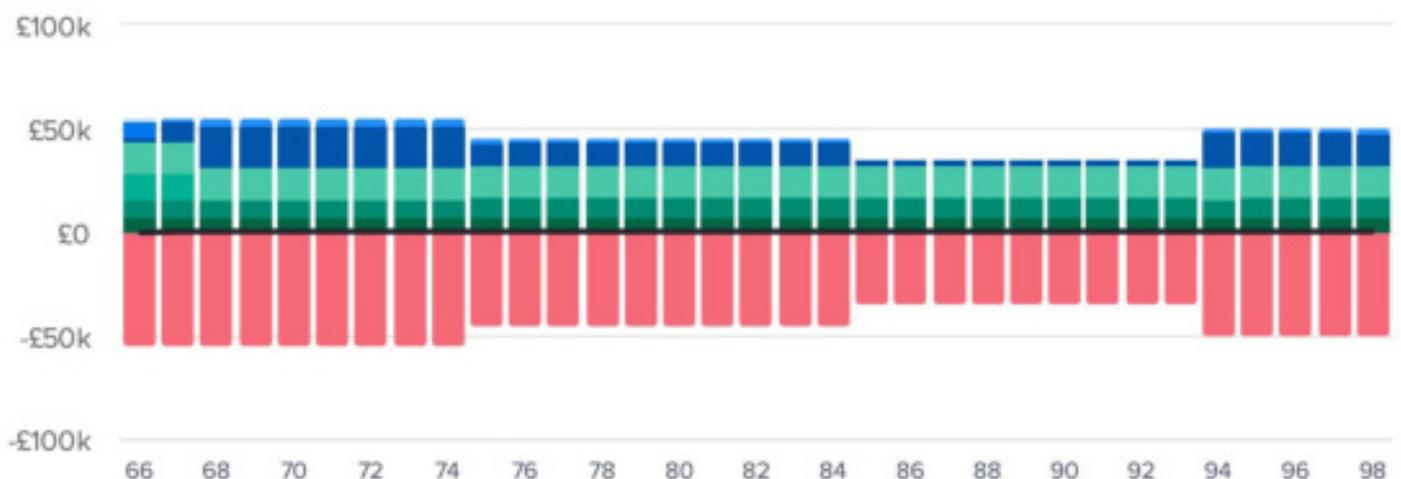
# Your cashflow plan

This page shows the balance between your inflows (income or withdrawals) and your outflows (spending). Your income and withdrawal figures are inputted gross and the system calculates the tax, so the figures used on this page are net of tax.

- Income is shown in shades of green – these include sources such as employment, state pension, rental income or final salary pensions
- Withdrawals are shown in shades of blue – these include drawing from your pension or taking money out of your investments such as ISAs.

We can also specify which pot is withdrawn from first, for example making sure pensions are withdrawn from before ISAs. You will see this later in the report

- Spending is shown in red and reflects the spending levels you have told us, and match the spending stated on page 3 of the report (Top-level plan details)
- The black line is the balance between your inflows and outflows, so this should be £0 or above for the duration of your plan. A black line that falls negative shows you have a shortfall in those years, and a positive black line shows that potentially more could be contributed to your investments or you could spend more



Withdrawals are only assumed in years where your income (eg. from employment, state pension, final salary pension) is not sufficient to cover your spending.

# How long to plan for

As promised, this section details why your particular life expectancy has been chosen.

We believe that it is wise to prepare for the case where you live to late 90s or even 100s so that if that does take place, your finances are in a position to support you.

For joint reports, your plan lasts until the life expectancy of the younger partner.

On the chart, there are 3 important aspects here:

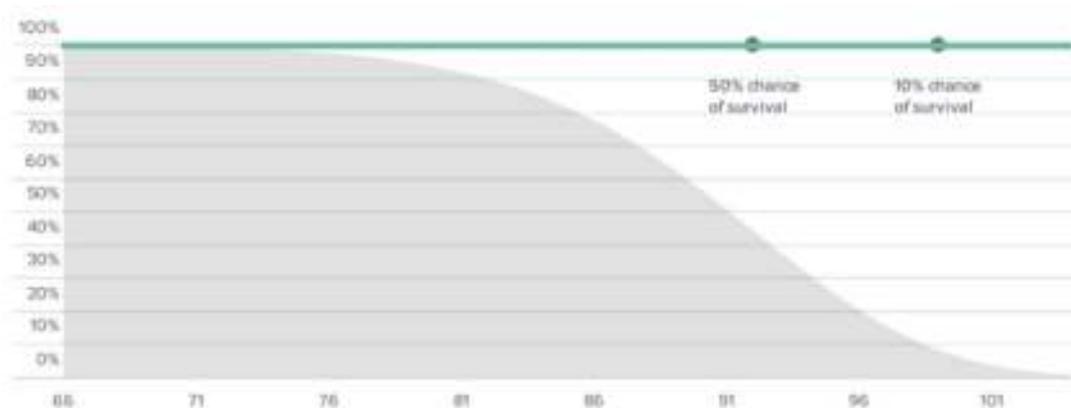
- The grey shaded area shows your survival probability, and as you would expect that diminishes over time
- The blue line shows your portfolio success rate over time, with 99% being the highest. This reflects how many scenarios show you still having money left at that particular age.

Therefore, once the blue line starts moving down from the 99% mark, is because your worst case scenario has you running out of money at that particular age.

50% and 10% milestones for chance of survival are placed on the blue line for your reference

- The green line takes the same data from the blue portfolio success rate, but adjusts it based on the chance of you being alive at that point in time.

This means, for example, that a plan with a portfolio success rate very low at age 95, may have a 'longevity-adjusted success rate' of much higher because there may only be roughly a 20% chance of being alive at that age



# How much spending is sustainable

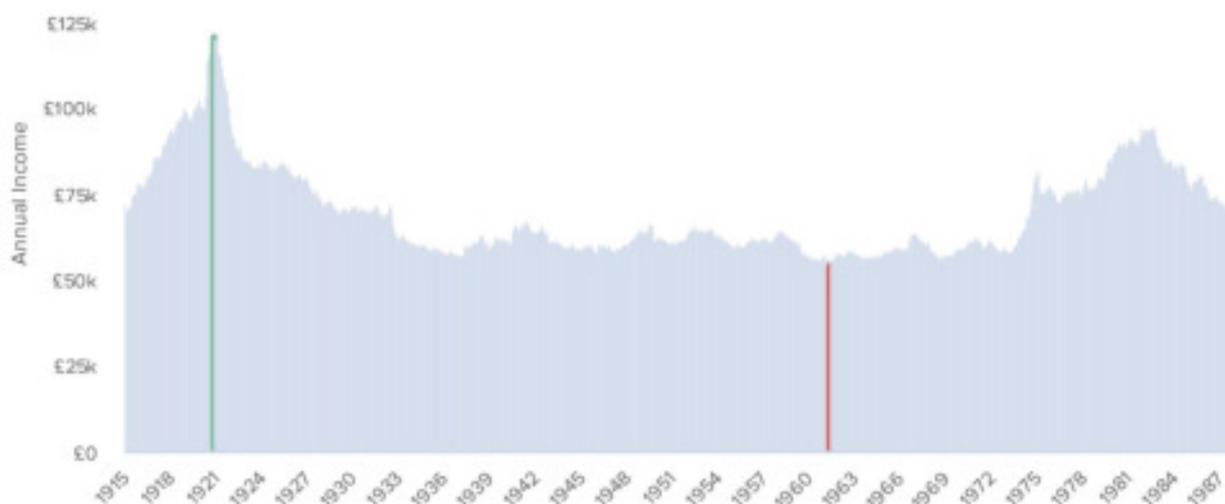
This chart looks complex at first. As explained in the guidance notes for page 4 of the report (how your portfolio could fare), hundreds of scenarios have been run by the software based on your situation. Each scenario commences on a different month from the last 100 years approximately.

Every blue bar on this chart is the starting point for a different scenario. For example, one bar will reflect starting in May 1955, while another will have a starting point of June 1974.

The Annual Income shown on the y-axis tells you how much income would have been sustainable for the duration of each scenario. Please note that this does not take into account your spending levels that we inputted, this only looks at your income sources, pensions, investments and cash savings.

Looking at another example to explain this:

- Assume one of the blue bars shows a scenario started in January 1940 and has an 'Annual Income' showing as £50k. This means that for the scenario that ran from January 1940 until the end of your plan (life expectancy age minus current age), the level of spending you could sustain throughout would be £50k.
- Looking at it another way, it is saying that for that scenario, you could have spent £50,000 every year from now until you die and not run out of money.



The green bar shows the maximum sustainable spending level from all the scenarios, and this is usually found around 1921, just at the start of the roaring twenties!

The red bar shows the minimum sustainable spending level from all the scenarios. This tells you the amount of money you can spend each year in the worst case scenario without running out of money.

Values for the minimum and maximum are stated to you below the chart

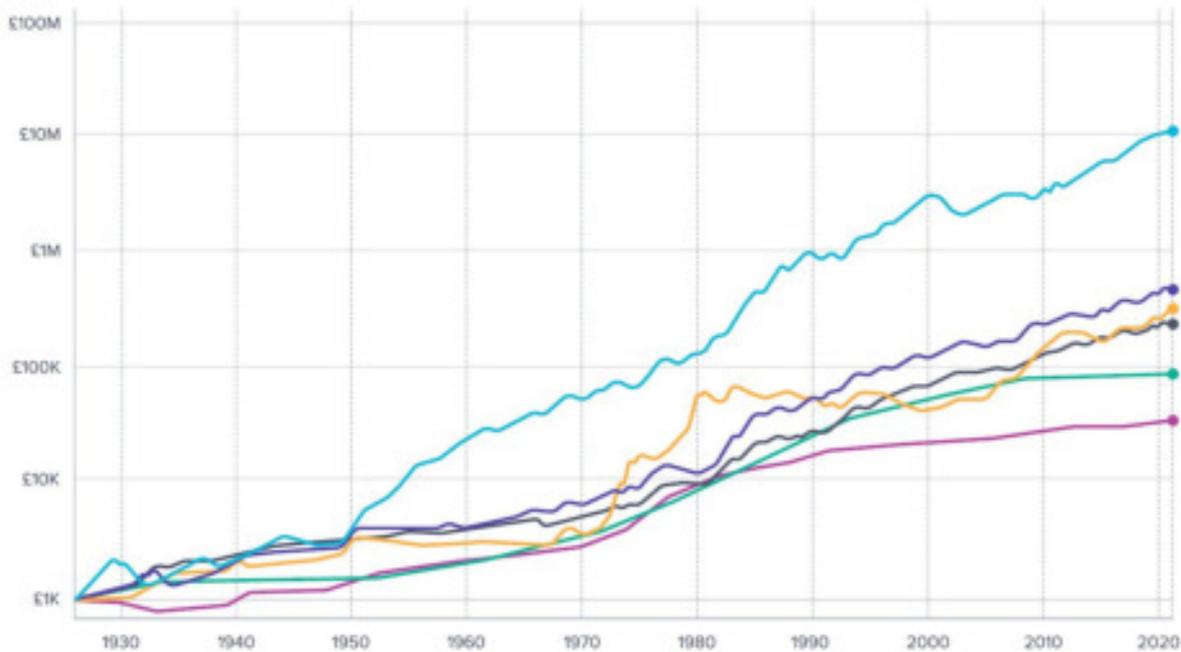
# Your portfolio

This page displays the overall asset allocation of all your portfolios combined. You can see the breakdown of equities (stocks and shares), bonds (fixed interest), commodities, property and cash.

You can then see a further breakdown within the equities and bonds categories. If anything here looks unusual or incorrect, please get in touch.

## How asset classes have performed since 1926

There is not much to add to this page, as it simply shows the performance of different asset classes over time since 1926. As expected, global equities have outperformed the rest as they generally perform best over a longer term.



## Accounts

These pages show you the asset allocation of each specific plan you have. If any of these look incorrect or there are plans missing, please get in touch so we can rectify that for you.

The last page of the Accounts section will detail the withdrawal order that we have set for your accounts. It is generally recommended to withdraw from taxable investments first (such as General Investment Accounts), then tax-deferred investments (such as pensions), and finally tax-free investments (such as ISAs). This is to allow the more tax-efficient plans to grow and save you tax in the meantime.

## **Fees and taxes**

Here you can see the balances of your different accounts. These will fluctuate daily so are always approximate figures, but if you see anything that looks incorrect then let us know.

You can also see the fees that we have inputted for each account, which should reflect the total costs you have for that account including our fees if applicable.

## **Risk warnings**

These points refer to the data you have seen throughout the report such as the asset class returns data and ONS Life Expectancy data. Please ensure you read and understand these.

## **Confirmation that you understand and agree**

Any notes and comments that we have added to the plan will be shown at the top of this page, so look out for these as they may explain key aspects of our assumptions or figures used.

We will send the document through to you either for digital signature or physical signature. Please ensure this is signed once you are happy with the contents and returned to us.