

# Provident Solutions



Wealth Creation & Wealth Management  
Financial Lifestyle Planners



## Personal Financial Plan

Prepared for Alan Plan & Anita Plan

On Tuesday, 27 January 2009

Provident Solutions Ltd  
Kingston House  
Meadow Hill  
Great Glen  
Leicester  
LE8 9FX

Tel: 0116 2592371  
Fax: 0871 750 2621

Email: [enquiries@providentsolutions.co.uk](mailto:enquiries@providentsolutions.co.uk)  
Web: [www.providentsolutions.co.uk](http://www.providentsolutions.co.uk)

Authorised and Regulated by the Financial Services Authority

# Introduction

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## Introduction

At Provident Solutions our approach is based upon the principle that a sound financial base is essential in order to achieve your aims in life - and that to achieve this, you need to plan. We recognise that many of our clients already do so, but may find that to carry out the kind of detailed, comprehensive analysis demanded is both complex and time-consuming. In addition, considerable technical knowledge is essential to make a financial plan as effective and tax-efficient as possible. Everything we do, therefore, has the purpose of helping you develop your personal financial plan and put it into effect at the pace that suits you best.

The Financial Plans we create are matched to the objectives and priorities of our individual clients, we will not suggest 'off-the-shelf' solutions. We try to look at the financial side of your life as a whole, taking a holistic financial planning approach, while paying the greatest possible attention to detail in each of the specific areas that concern you most.

We do make extensive use of technology when analysing your financial affairs - this aids efficiency and enables us to present you with the clearest possible picture. But the development of your financial plan is always carried out for you individually by our financial planning experts.

## Our Methodology

Our aim is to work closely with you over the years to help you identify, define and achieve your financial objectives. Through our research we aim to construct a financial plan that incorporates the most suitable products that are available. In this way you can be confident that our independent professional recommendations are always "Best Advice".

As Independent Financial Advisers, we work on your behalf, we are not beholden to any insurance companies, fund managers or other product providers whose services we may recommend. Any companies / products or funds we recommend are always selected because they are the most suitable and offer the best value for money for our clients. This is significantly different to 'sales advisers' who are employed by insurance companies or banks / building societies with the sole aim of selling products - as opposed to providing independent financial advice.

Planning your protection, investment and pensions program is the only way of ensuring that you will achieve your financial goals & objectives. The starting point is to create a profile of you. This is achieved by collecting information about your personal circumstances and current financial situation. From this, we create this financial plan that has analysed your financial arrangements and identified the cost of your desired lifestyle (including consideration for any disasters which may arise). During our initial meeting we will have identified and prioritised your main areas of concern, and this plan will provide recommendations on how these areas can most effectively be addressed.

## Financial Planning Outcome

The outcome of this process is to have a financial plan that will manage your investments, income and expenditure efficiently and effectively, so that you can maintain your desired lifestyle. Recommendations are made as to how your finances can be best utilised, this will cover your assets, investments, liabilities and income. The way in which you spend your money is also a vital aspect of the analysis. Therefore, our review of your expenditure in both the short-term and over the long-term will help to establish how robust the overall financial plan is. The final aspect of your financial plan is to ensure the distribution of your assets on death are in accordance with your wishes.

## Ongoing Reviews

Once the plan is set, we will offer to help you review it on a regular basis, to track progress and to identify the effects of changed circumstances. Ongoing reviews should be an integral part of this process as they are essential to ensure your Financial Plan remains on track to achieve your aims and objectives.

## Important Assumptions In Your Plan

You will find at the back of this report a complete breakdown of the data upon which this report is based as well as all assumptions used in the plan. However, there are a number of key assumptions which have great impact on the plan, these are as follows; Future Inflation (RPI) and Earnings Growth (NAE). As the plan is based on your income and expenditure, then the growth rates assumed for future price inflation and future earnings growth has the most impact on the financial plan. It is possible to model with you the effect of variations to inflation and earnings growth, but ultimately this plan has to be based on a single set of agreed assumptions. The assumptions we have chosen are that inflation will grow at 2.5% per annum and your earnings will grow at 4.0% per annum.

## Wealth Warning

This report is designed to be a discussion document and although we may well make certain recommendations, these may be varied later in the light of your more precise requirements. Although we make every effort to ensure the accuracy of the information conveyed within this report, we cannot be held responsible for changes in legislation or changes in the third party contracts promoted. The specific details of any recommendations will be fully documented in the associated Suitability Report that is issued after we have presented your financial plan.

## Personal Details

Mr. Alan Plan		Mrs. Anita Plan	
<b>Client Address</b>	'Dunrovin' Address Line 2 Town County  LE8 7TG	<b>Partner Address</b>	'Dunrovin' Address Line 2 Town County  LE8 7TG
<b>Residential Status</b>	Homeowner	<b>Residential Status</b>	Homeowner
<b>House Value</b>	£490,000		
<b>Mortgage Balance</b>	£146,432		
<b>Contact Telephone</b>	0116 1234567	<b>Contact Telephone</b>	0116 1234567
<b>Mobile Telephone</b>	07887 123455	<b>Mobile Telephone</b>	07887 123456
<b>E-Mail</b>	pas.100@fiscali.co.uk	<b>E-Mail</b>	
<b>Gender</b>	Male	<b>Gender</b>	Female
<b>Marital Status</b>	Married	<b>Marital Status</b>	Married
<b>Date of Birth</b>	01-01-1964	<b>Date of Birth</b>	06-08-1966
<b>Place of Birth</b>	Leicester	<b>Place of Birth</b>	Nottingham
<b>Job Title</b>	IT Manager	<b>Job Title</b>	Hairdresser
<b>Employer</b>	I.T. Services Ltd	<b>Employer</b>	Hairdressers R US
<b>N.I. Number</b>	AA-12-34-56-Y	<b>N.I. Number</b>	WW-23-45-67-Y
<b>UK Resident for Tax</b>	Yes	<b>UK Resident for Tax</b>	Yes
<b>Domicile</b>	UK	<b>Domicile</b>	UK
<b>Client Classification</b>	Retail Client		
<b>Client Health</b>	Good	<b>Partner Health</b>	Good
<b>Smoker</b>	No	<b>Smoker</b>	No

## Dependants

Full Name	Relationship	Date of Birth	Notes
Jack Planner	Son	01-07-1993	

Start Year	Years	Fees
2004	7	£9,200 per annum

## Financial Objectives

General Objectives	
Description	Priority
Holiday Home in Portugal	1
Investment Planning	1
Long term savings	1
Maintaining your standard of living in retirement	1
Following diagnosis of a critical illness	1
Protecting your income	1
Providing for your children's education	1
Reducing your tax burden	1
On death of yourself or your partner	1
If you were unable to work through long term illness or disability	1
Mitigating your estate's liability to Inheritance Tax	1
Insurance for your business	1
Providing cover for long term care	1
Providing the benefits of Private Health cover	1
Raising Capital / (Re)Mortgage	1
Repaying your Mortgage	1

During our fact-finding meeting in addition to your general objectives, which form the core part of this financial plan, we also identified the following specific capital requirements at specific points in time:

Specific Objectives					
Description	Date	Amount	Priority	Money Basis	Notes
Holiday Home in Portugal	January 2019	£115,000	1	Today's Terms	Some funds already allocated.

### Period Addressed By The Plan

The earlier you retire and the longer you live, means the capital built up during your employment will need to last longer in retirement. For the purposes of this plan we have assumed you both survive until Anita is aged 100. We have assumed Alan retires at 60 and Anita retires at 60.

### Readily Realisable Assets

This plan is based on your invested assets such as Pensions, Investments and Cash.

Other Assets can be drawn upon to provide loan security if there are periods of borrowing required in order to meet with your objectives, or indeed you may choose to withdraw Equity from your property in retirement, however they are not specifically included within the cash flow projections in this plan.

As with all aspects of the plan, the assumptions should be reviewed from time to time, we advise that you plan is updated at least every 12 months and is also reviewed each time your circumstances change.

# Net Worth

Assets	Breakdown	Value
Main Residence	'Dunrovin'	£490,000
Investments (Taxed)	Alliance & Leicester	£585
	Banco Santander S.A.	£2,645
	BG Group	£4,790
	Fidelity F Open Ended Investment Company	£45,630
	Clerical M Unit Linked Bond	£19,522
	Legal & General Endowment Assurance	£26,542
Investments (Tax Free)	National S Premium Bond	£1,500
	Fidelity F Maxi ISA	£4,471
	ABC Invest Stocks & Shares ISA	£29,567
	ABC Invest Stocks & Shares ISA	£12,679
Pension Funds	Legal & General Personal Pension	£67,098
	Axa Sun Li Retirement Annuity	£3,390
Cash Investments	Bank Deposit Account	£7,543
	Cahoot Current Account (with cheque book)	£3,246
Other Assets	Car - Audi	£21,000
	Car 4x4	£18,000
	Personal Effects	£25,000
	<b>£783,208</b>	<b>£783,208</b>

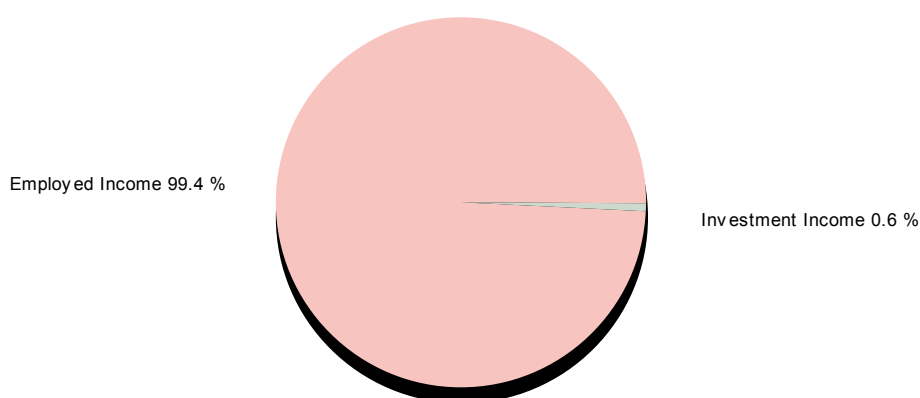
Liabilities	Breakdown	Balance
Mortgages	Mortgage - 'Dunrovin'	£146,432
Hire Purchase	Car Loan	£16,696
<b>Totals</b>		<b>£163,128</b>

Your net worth is the difference between the value of what you own and the total amount that you owe. It's the amount of cash you'd have if you sold everything and paid off all your debts today. It's a good measure of how wealthy you are. Knowing your net worth is important as a first step in setting your financial goals, and building your financial plan.

Net Worth	Totals
Current Assets	£783,208
Current Liabilities	(£163,128)
<b>Net Worth</b>	<b>£620,080</b>



	Self	Partner
<b>Basic Annual Income</b>	£65,000	£15,600
<b>Regular Overtime</b>	-	-
<b>Bonus/Commission</b>	£10,000	-
<b>Car Allowance</b>	-	-
<b>P11D Benefit</b>	-	-
<b>Bank/B.Soc Interest</b>	-	-
<b>Investment Income</b>	£209	£375
<b>Trust Income</b>	-	-
<b>Rental Income</b>	-	-
<b>PHI Income</b>	-	-
<b>State Benefits</b>	-	-
<b>Maintenance</b>	-	-
<b>Pension Income</b>	-	-
<b>Tax Free Income</b>	-	-
<b>Other Income</b>	-	-
<b>Other Income Description 1</b>		
<b>Other Income Description 2</b>		
<b>Total Annual Income</b>	<b>£75,209</b>	<b>£15,975</b>
<b>Tax Rate</b>	Higher Rate 40%	Basic Rate 20%
<b>Tax Allowance</b>	£6,035	£6,035
<b>Do you anticipate changes to your income?</b>	No	No
<b>Salary Review Date</b>	-	-
<b>Trading Year End</b>	-	-
<b>P11D Benefit Description</b>	-	-



Income Description	Totals	Percentage
Employed Income	£90,600	99.4 %
Investment Income	£584	0.6 %
	<b>£91,184</b>	<b>100.0 %</b>

# Expenditure

Expenditure	Breakdown	Value
Tax & NI	Client Income Tax	£19,254
	Client National Insurance	£4,237
	Partner Income Tax	£1,922
	Partner National Insurance	£1,160
Household	Food	£4,800
	Council Tax	£1,452
	Mortgage - 'Dunrovin'	£10,472
Fixed	Car Loan	£3,710
	Zurich Ass Buildings & Contents Insurance	£334
	Legal & General Personal Pension	£2,880
	Axa Sun Li Retirement Annuity	£115
	Legal & General Endowment Assurance	£878
	ABC Invest Stocks & Shares ISA	£3,600
	ABC Invest Stocks & Shares ISA	£1,200
	Mobile Telephone -	£648
	Vehicle Tax -	£216
	Vehicle Servicing / MOT -	£120
	Vehicle Servicing / MOT -	£120
	Christmas Presents -	£408
	Other Practioners -	£60
	Dentist -	£180
	Pet Insurance -	£60
	Pet Care -	£120
	Vehicle Tax -	£180
	Pocket Money -	£600
	Living Costs -	£444
	Personal Care -	£168
	Cosmetics -	£144
	Footwear -	£120
	Clothing -	£1,140
	Washing Products -	£120
	Spirits -	£144
	Beer -	£384
	Wine -	£600
	Pet Food -	£228
	Personal Discretionary -	£480
	Charitable Donations -	£180
	Birthday Presents -	£120
	Financial Adviser -	£600
	TV Subscriptions -	£672
	Optician -	£60
	Entertaining -	£300
	Vehicle Insurance -	£492
	Personal Discretionary -	£240
	Holidays -	£3,000
	Sports Club -	£120
	Restaurants -	£720
	Vehicle Insurance -	£384
	Theatre -	£144
	Magazine -	£36
	Magazine Subscriptions -	£60
	Books -	£120
	Vehicle Depreciation -	£3,600
	Vehicle Cleaning -	£192
	Fuel -	£1,440
	Fuel -	£780
	Music and CDs -	£60
	Recreational -	£288
	Cleaning - Cleaning	£420
	Decorating & DIY - Decorating & DIY	£168
	Domestic Help - Domestic Help	£120
	Electricity - Electricity	£456
	Gardening - Gardening	£180
	Gas - Gas	£912
	General Communications - General Communications	£420
	Communications	£180
	Maintenance - Maintenance	£120
	Property Repairs - Property Repairs	£144
	TV licence - TV licence	£276
Discretionary	Tax & NI	£26,573
	Household	£16,724
	Fixed	£36,406
	Discretionary**	£11,481
	<b>Total (Including Discretionary)</b>	<b>£91,184</b>

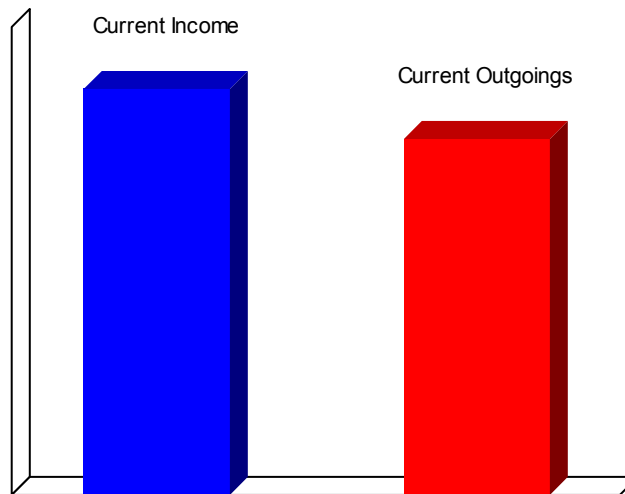
## Expenditure (cont)

**\*\* NB** - Please note that the figure shown on the penultimate line above as 'Discretionary' income is the difference between your total incomes less your total committed expenditure. This is calculated by taking the total income and subtracting Tax, National Insurance, Household and Fixed Expenditure.

The way this figure is utilised within your financial plan is important. Depending whether we assume that you will; a) save the entire surplus, b) save some of the surplus, or c) spend all of this surplus income, will have a dramatic effect on your lifetime financial cash flow forecasts.

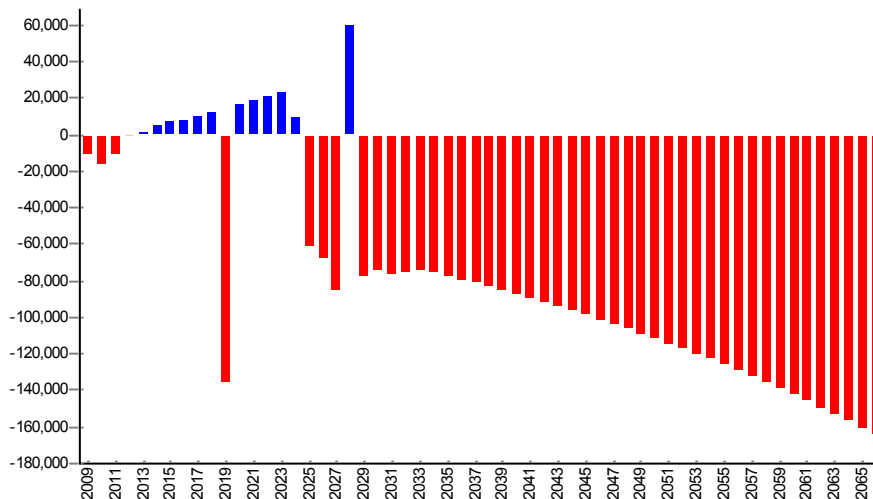
### Surplus of Income over Expenditure

	Totals
Current Income	£91,184
Current Outgoings	£79,703
<b>Discretionary Expenditure</b>	<b>£11,482</b>



### Life Time Financial inflows and outflows

This chart is used to highlight years where significant shortfalls or surplus of income occur.



## Lifetime Cashflow Forecast

Utilising a lifetime cash flow forecast analyses your income and expenditure profile over the long-term and given the assumptions specified, it will identify whether a lifestyle can be maintained and whether your financial goals are achievable. If not, funds will be exhausted by the end of the period.

By reviewing income and expenditure alongside investment returns, the required performance of the investment portfolio can also be ascertained.

From this analysis, the financial plan will identify whether cash inflows should be increased or cash outflows be reduced.

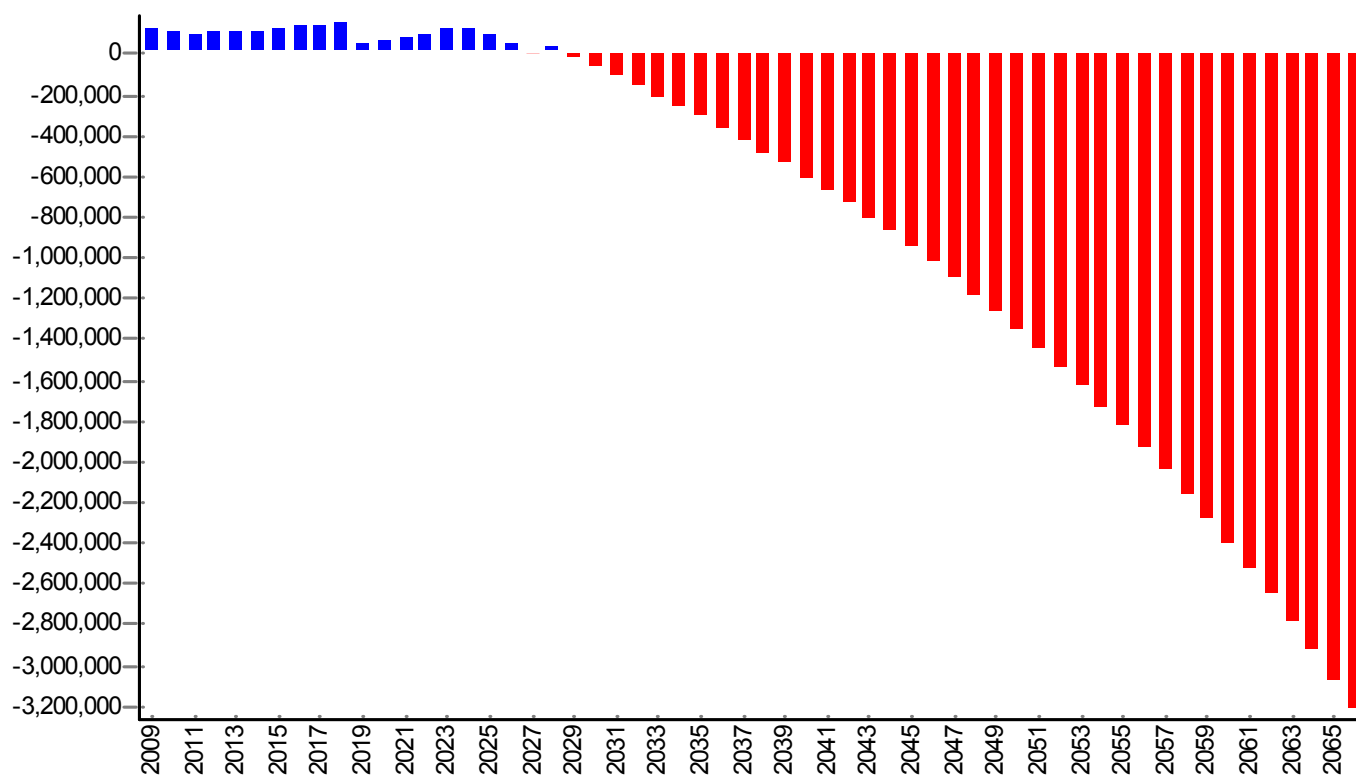
For details of the assumptions underlying the following forecast please refer to the final page of this report.

### Life Time Cash Flow Position

For the purposes of this plan we have assumed you both survive until Anita is aged 100. We have assumed Alan retires at 60 and Anita retires at 60.

### Life Time Cumulative Cash Flow

The chart below shows your cumulative financial position at the end of each year based on the income and expenditure information that has been provided.



The above Lifetime Cashflow model assumes that you are saving none of the total discretionary expenditure available to you.

On the current scenario your Cashflow will turn negative and you will run out of funds in the year 2029 at age 65.

## Lifetime Cashflow Forecast – Details

The spreadsheet below shows the year-by-year breakdown of income versus expenditure and your 'net wealth' carried forward position at the end of each year.

Year	'Realisable' Capital b/fwd (£)	Total Inflows (£)	Total Outflows (£)	'Realisable' Capital c/fwd (£)	'Realisable' Capital c/fwd (Today's Money) (£)
2009	132,178	97,093	102,261	127,010	127,010
2010	127,010	100,224	111,130	116,104	113,272
2011	116,104	103,738	109,698	110,144	104,836
2012	110,144	107,897	103,499	114,541	106,363
2013	114,541	112,306	104,535	122,312	110,809
2014	122,312	116,933	105,035	134,211	118,623
2015	134,211	121,844	107,783	148,272	127,854
2016	148,272	126,997	110,620	164,648	138,513
2017	164,648	132,403	113,549	183,502	150,608
2018	183,502	138,277	116,571	205,208	164,315
2019	205,208	138,234	270,581	72,861	56,919
2020	72,861	143,846	122,911	93,796	71,486
2021	93,796	150,101	126,234	117,663	87,489
2022	117,663	156,922	129,666	144,920	105,128
2023	144,920	164,352	133,207	176,065	124,606
2024	176,065	115,222	97,071	194,215	134,099
2025	194,215	44,599	99,099	139,716	94,116
2026	139,716	33,642	97,746	75,613	49,692
2027	75,613	8,647	95,228	(10,968)	(7,032)
2028	(10,968)	145,907	86,955	47,983	30,015
2029	47,983	9,174	89,319	(32,162)	(19,627)
2030	(32,162)	17,177	98,367	(113,352)	(67,488)
2031	(113,352)	17,654	105,662	(201,360)	(116,963)
2032	(201,360)	21,701	114,311	(293,970)	(166,592)
2033	(293,970)	27,155	123,646	(390,461)	(215,876)
2034	(390,461)	27,885	132,098	(494,674)	(266,823)
2035	(494,674)	28,636	141,080	(607,119)	(319,487)
2036	(607,119)	29,406	150,625	(728,337)	(373,928)
2037	(728,337)	30,198	160,767	(858,907)	(430,207)
2038	(858,907)	31,011	171,543	(999,439)	(488,387)
2039	(999,439)	31,846	182,991	(1,150,584)	(548,533)
2040	(1,150,584)	32,704	195,150	(1,313,031)	(610,710)
2041	(1,313,031)	33,585	208,066	(1,487,513)	(674,989)
2042	(1,487,513)	34,490	221,784	(1,674,807)	(741,442)
2043	(1,674,807)	35,419	236,351	(1,875,739)	(810,142)
2044	(1,875,739)	36,374	251,821	(2,091,186)	(881,165)
2045	(2,091,186)	37,355	268,247	(2,322,079)	(954,592)
2046	(2,322,079)	38,362	285,689	(2,569,405)	(1,030,504)
2047	(2,569,405)	39,397	304,206	(2,834,214)	(1,108,985)
2048	(2,834,214)	40,460	323,866	(3,117,620)	(1,190,125)
2049	(3,117,620)	41,552	344,736	(3,420,803)	(1,274,012)
2050	(3,420,803)	42,674	366,890	(3,745,019)	(1,360,741)
2051	(3,745,019)	43,826	390,406	(4,091,599)	(1,450,410)
2052	(4,091,599)	45,010	415,364	(4,461,953)	(1,543,117)
2053	(4,461,953)	46,226	441,855	(4,857,582)	(1,638,966)
2054	(4,857,582)	47,474	469,969	(5,280,076)	(1,738,066)
2055	(5,280,076)	48,757	499,806	(5,731,125)	(1,840,526)
2056	(5,731,125)	50,075	531,469	(6,212,518)	(1,946,462)
2057	(6,212,518)	51,429	565,068	(6,726,157)	(2,055,992)
2058	(6,726,157)	52,820	600,722	(7,274,058)	(2,169,239)
2059	(7,274,058)	54,249	638,552	(7,858,362)	(2,286,329)
2060	(7,858,362)	55,716	678,691	(8,481,337)	(2,407,394)
2061	(8,481,337)	57,224	721,278	(9,145,390)	(2,532,569)
2062	(9,145,390)	58,772	766,460	(9,853,078)	(2,661,994)
2063	(9,853,078)	60,363	814,394	(10,607,109)	(2,795,814)
2064	(10,607,109)	61,998	865,248	(11,410,359)	(2,934,180)
2065	(11,410,359)	63,677	919,196	(12,265,878)	(3,077,246)
2066	(12,265,878)	65,401	976,424	(13,176,901)	(3,225,173)

\*The figure in the first line of the 'Realisable' Capital column is the amount of assets that you have that are readily realisable, this figure will predominantly be your cash deposits and investments and excludes the value of your home and pension funds. Any 'tax free cash' (Pension Commencement Lump Sum) payments from you pension schemes will be included in the 'Total Inflows' column in the relevant year.

## Estate Planning

### Summary of your Wills

Alan	Anita
All to each other then Jack – Mirror Wills	All to each other then Jack – Mirror Wills

### If you had not made a Will the Intestacy rules under English Law would apply as follows:

Beneficiaries	Distribution of Estate
Spouse but no children	First £200,000, personal possessions and half of remainder to spouse  Remaining balance to parents (or brothers and sisters or nephews and nieces if parents dead)  If no parents, brothers, sisters, nephews or nieces entire balance goes to spouse.
Spouse and children	First £125,000 and any personal possessions to spouse  The balance is held in trust with –  50% life interest for spouse 50% for children
Children but no spouse	Estate divided equally amongst children
No spouse and no children	Estate goes to the first of the following who are alive –  Grandchildren Parents Brothers and Sisters Nephews and Nieces Grandparents Aunts and Uncles

If there are no living relatives then the estate passes to the Crown.

### Inheritance tax position on second death:

Alan	Anita
Current value of estate – net worth	£620,080
Net change to estate on death Less assets written in trust Add Taxable Gifts	£131,153
<b>Taxable Estate</b>	<b>£751,233</b>
Less annual exemptions on gifts Less nil rate band x 2	(£624,000) Using both Nil Rates
Estate subject to IHT	£127,233
Gross IHT payable @ 40.0 %	(£50,893)
Tax already paid on gifts	
<b>Net Inheritance Tax Payable</b>	<b>(£50,893)</b>
<b>Net estate after tax</b>	<b>£700,340</b>
Add back assets written in trust Add exempt gifts	
<b>Estate including gifts</b>	<b>£700,340</b>
Less total gifts	
<b>Value passed on to dependents</b>	<b>£700,340</b>

## Assumptions used in this plan

	Alan	Anita
Retirement Age	60	60
Pension Escalation	3.0%	3.0%
Five Year Guarantee	Yes	Yes
Spouses Percentage	50.0%	50.0%
Qualify for SERPS?	No	No
Scenario Ends at Age	100	
Liquidity Threshold	£25,000	

### Growth Rate Assumptions

Main Residence	3.0%
Other Assets	3.0%
Business Interests	6.0%
Pension Funds	7.0%
Other Property	5.0%
Investments (Tax Free)	7.0%
Investments (Taxed)	6.0%
Cash Investments	2.5%

### Other Growth Rate Assumptions

Retail Price Index	2.5%
National Average Earnings Index	4.0%
School Fees Inflation	6.0%
Cost of Borrowing	6.0%
Reduction in Yield	1.0%

### Business Sale Assumptions

Sale Date	
Sale Percentage	100.0%
Realised	75.0%
Tax Rate	10.0%
Stop Dividends?	Yes

### Other Assumptions

Double count IHT Threshold	Yes
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### ISA Assumptions

Use ISA Allowance?	No
ISA Allowance	£14,400
Growth Rate	0.0%
Stop Allowance On	

### Special Objectives

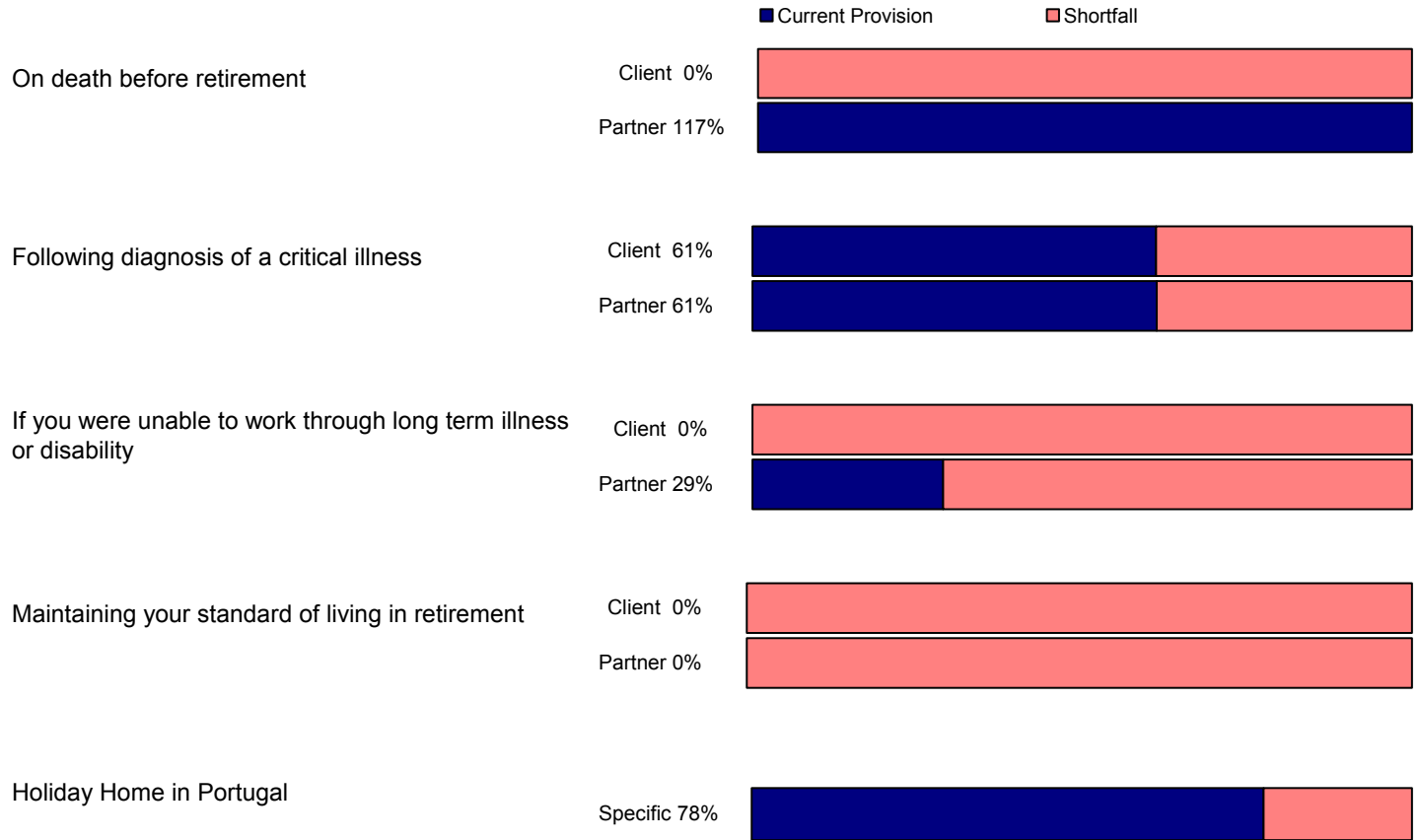
Description	
Price	
Date	
Use A Loan	No
Loan Amount	
Interest Rate	0.0%
Term	-
Basis	Repayment
Monthly Amount	
Add Value	Other Property

# Summary of Financial Need Areas

The following graphs show a summary of your financial needs.

The blue bar demonstrates the current level of benefit / provision already in place.

The red bar indicates the potential shortfall from your target.



The following sections of the report provide a breakdown of each need area to assist you in understanding each scenario.

## Scenario – Death of Alan

Whilst it is realised a death scenario is not a pleasant situation to discuss, it is very reassuring to have the knowledge that your family have been provided for.

If Alan were to die, there would be very serious financial consequences for Anita and the family because of the very great level of dependence on his earnings. Life assurance is needed to provide funds on his death to cover capital needs, long term income needs and shorter term income needs. In particular, these would include the need to pay off various capital liabilities (such as the mortgage); there would also be the need to provide a long term income for Anita and a shorter term income for the children.

### Analysis of the death of the client

Assuming Alan had died yesterday Anita would have experienced the following changes in circumstance.

### Changes to Assets and Liabilities

The portfolio value on the death of the client will be affected by the following changes -

Existing Portfolio	£158,720
Benefit paid from Legal & General Personal Pension	£72,098
Benefit paid from Legal & General Endowment Assurance	£127,458
Mortgage - 'Dunrovin'	(£146,432)
Car Loan	(£16,696)
	<b>£195,148</b>

If the yield on the portfolio is increased from 0.37% to 4% then the income this generates is £7,806 p.a. The current level of income drawn from the portfolio is £584 p.a. providing an additional income to the partner of £7,222 p.a.

### Changes to Circumstance

This is a summary of the changes to income and expenditure that would occur –

No Income from I.T. Services Ltd	(£75,000)
Premium ceases Legal & General Personal Pension	£3,600
Premium ceases Legal & General Endowment Assurance	£878
Additional Portfolio Income	£7,222
Repay Liability Mortgage - 'Dunrovin'	£10,472
Repay Liability Car Loan	£3,710
Travel to work ceases	£2,000
	<b>(£47,118)</b>

### Funding the shortfall

The current shortfall in expenditure is £25,092 p.a. To provide for this shortfall will require an additional income of £35,972 p.a. if this new income is liable to tax. If this income is to be taken from the investment portfolio, then there is a need for additional capital of £900,000 assuming the yield from this additional capital is 4%.

## Scenario – Death of Anita

Whilst it is realised a death scenario is not a pleasant situation to discuss, it is very reassuring to have the knowledge that your family have been provided for.

If Anita were to die, there would be very serious financial consequences for Alan and the family because of the very great level of dependence on her earnings. Life assurance is needed to provide funds on her death to cover capital needs, long term income needs and shorter term income needs. In particular, these would include the need to pay off various capital liabilities (such as the mortgage); there would also be the need to provide a long term income for Alan and a shorter term income for the children.

### Analysis of the death of the partner

Assuming, Anita had died yesterday, Alan would have experienced the following changes in circumstance.

#### Changes to Assets and Liabilities

The portfolio value on the death of the partner will be affected by the following changes -

Existing Portfolio	£158,720
Benefit paid from Axa Sun Li Retirement Annuity	£3,390
Benefit paid from Legal & General Endowment Assurance	£127,458
Mortgage - 'Dunrovin'	(£146,432)
	<b>£143,136</b>

If the yield on the portfolio is increased from 0.37% to 4% then the income this generates is £5,725 p.a. The current level of income drawn from the portfolio is £584 p.a. providing an additional income to the client of £5,141 p.a.

#### Changes to Circumstance

This is a summary of the changes to income and expenditure that would occur –

No Income from Hairdressers R US	(£15,600)
Premium ceases Axa Sun Li Retirement Annuity	£144
Premium ceases Legal & General Endowment Assurance	£878
Additional Portfolio Income	£5,141
Repay Liability Mortgage - 'Dunrovin'	£10,472
	<b>£1,035</b>

#### Funding the shortfall

There is no shortfall in Discretionary Expenditure.

## Scenario – Diagnosis of a Critical Illness for Alan

A serious illness normally means that sufferers have to make radical changes to their lifestyle. Most critical illnesses do not necessarily result in immediate death. A very high proportion of the people who suffer from such illnesses as heart attack, cancer or a stroke survive them for many years.

A capital sum would make all the difference to the quality of life under these circumstances. The money could be used for a variety of purposes such as repaying the mortgage or other debts, paying for a special holiday, extra medical care or perhaps necessary physical changes to the home; or it could simply be used to reduce the general financial pressures.

A lump sum benefit from a critical illness policy will help you cope with the lifestyle transition at this demanding time.

### Assessment of level of critical illness cover required

A need for critical illness cover was identified, as a lump sum benefit which could be utilised to assist with your adjustment to changed circumstances.

Although the application of funds will be determined by your personal needs and financial circumstances at the time benefit arises, I have calculated the required benefit on the following basis:

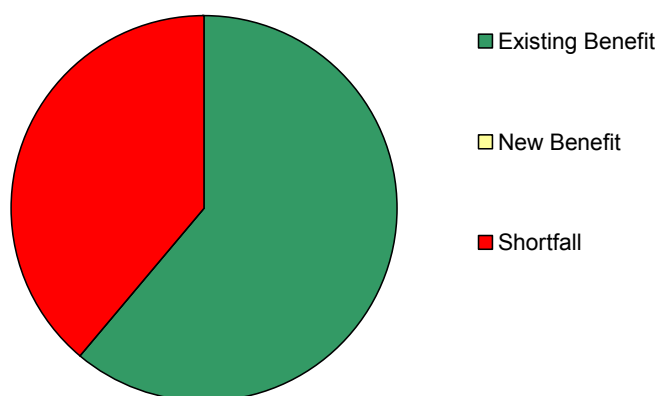
-Full/Partial repayment of mortgage	£146,432
-Full/Partial repayment of loans	£16,969
-Short-term employment of a manager for your business interests	£0
-Plus a residual benefit of	£0
<b>-Total</b>	<b>£163,401</b>

The residual benefit could be utilised to include the following requirements that may arise:

- To provide a financial 'breathing space' while you reassess your future options
- The purchase of equipment to enable you to work from home
- The payment of private care or treatment over and above what is covered by any health insurance provisions you may have
- The payment for any required alterations of your home
- The purchase of medical equipment

### Shortfall in existing provision

Target Benefit	£163,401
Existing Benefit	£100,000
New Benefit	£0
Shortfall	<u>£63,401</u>



## Scenario – Diagnosis of a Critical Illness for Anita

A serious illness normally means that sufferers have to make radical changes to their lifestyle. Most critical illnesses do not necessarily result in immediate death. A very high proportion of the people who suffer from such illnesses as heart attack, cancer or a stroke survive them for many years.

A capital sum would make all the difference to the quality of life under these circumstances. The money could be used for a variety of purposes such as repaying the mortgage or other debts, paying for a special holiday, extra medical care or perhaps necessary physical changes to the home; or it could simply be used to reduce the general financial pressures.

A lump sum benefit from a critical illness policy will help you cope with the lifestyle transition at this demanding time.

### Assessment of level of critical illness cover required

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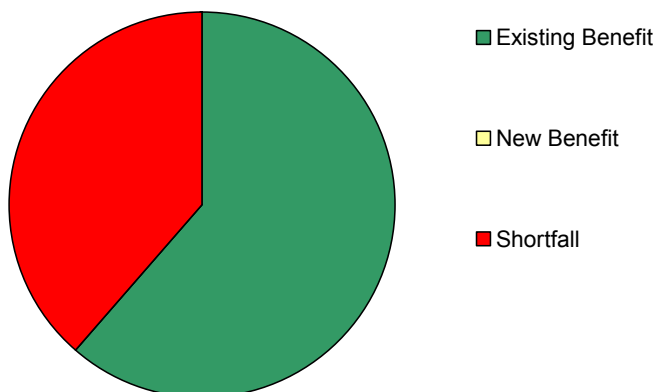
-Full/Partial repayment of mortgage	£146,432
-Full/Partial repayment of loans	£16,696
-Short-term employment of a manager for your business interests	£0
-Plus a residual benefit of	£0
<b>-Total</b>	<b>£163,128</b>

The residual benefit could be utilised to include the following requirements that may arise:

- To provide a financial 'breathing space' while you reassess your future options
- The purchase of equipment to enable you to work from home
- The payment of private care or treatment over and above what is covered by any health insurance provisions you may have
- The payment for any required alterations of your home
- The purchase of medical equipment

### Shortfall in existing provision

Target Benefit	£163,128
Existing Benefit	£100,000
New Benefit	£0
Shortfall	<u>£63,128</u>



## Scenario – Alan unable to work as a result of illness or disability

The family would probably suffer serious financial hardship if Alan were disabled and could no longer carry on working. State benefits and employer sick pay schemes provide an income in the short term, but in the longer term, these will not prove to be adequate. The bills would still have to be paid, but there would not be enough income.

The state benefits paid to a person who cannot work because of sickness or disability would not be enough to meet your needs. Incapacity Benefit is taxable and it is based on a number of strict objective tests which are applied in deciding whether it can be claimed. Extra benefits, such as Income Support, are only paid if the claimant's income is very low indeed and many benefits are paid more or less at the discretion of the Department for Work and Pensions.

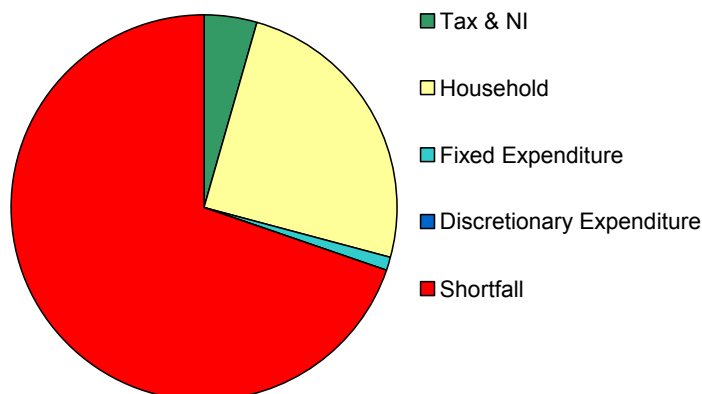
In the event of you being prevented from working as a result of an accident or a protected serious illness, Permanent Health Insurance (PHI) provides a replacement income until the earlier of your return to work, retirement or death.

### Changes to circumstance

No Income from I.T. Services Ltd	(£75,000)
State Incapacity Benefit	£4,394
	<b>(£70,606)</b>

### Revised discretionary expenditure

Tax & NI	£3,103
Household	£16,724
Fixed Expenditure	£751
Discretionary Expenditure	£0
Shortfall	£47,136



### Funding the shortfall

The current shortfall in expenditure is £47,136 p.a. To provide for this shortfall will require an additional income of £63,523 p.a. if this new income is liable to tax.

## Scenario – Anita unable to work as a result of illness or disability

The family would probably suffer serious financial hardship if Anita were disabled and could no longer carry on working. State benefits and employer sick pay schemes provide an income in the short term, but in the longer term, these will not prove to be adequate. The bills would still have to be paid, but there would not be enough income.

The state benefits paid to a person who cannot work because of sickness or disability would not be enough to meet your needs. Incapacity Benefit is taxable and it is based on a number of strict objective tests which are applied in deciding whether it can be claimed. Extra benefits, such as Income Support, are only paid if the claimant's income is very low indeed and many benefits are paid more or less at the discretion of the Department for Work and Pensions.

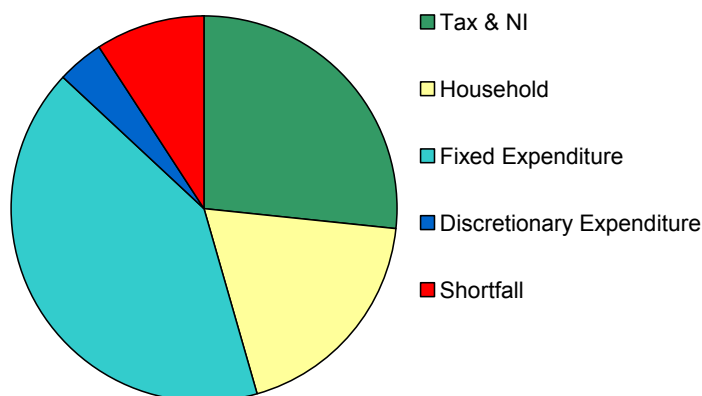
In the event of you being prevented from working as a result of an accident or a protected serious illness, Permanent Health Insurance (PHI) provides a replacement income until the earlier of your return to work, retirement or death.

### Changes to circumstance

No Income from Hairdressers R US	(£15,600)
State Incapacity Benefit	£4,394
	<b>(£11,206)</b>

### Revised discretionary expenditure

Tax & NI	£23,529
Household	£16,724
Fixed Expenditure	£36,406
Discretionary Expenditure	£3,320
Shortfall	£8,162



### Funding the shortfall

The current shortfall in expenditure is £8,162 p.a. To provide for this shortfall will require an additional income of £9,756 p.a. if this new income is liable to tax.

## Scenario – Situation following the first retirement

Reliance on state pension benefits in retirement will result in a substantial drop in your standard of living. The level of benefit provided, (especially for those previously self-employed who generally receive less benefit), is regarded as a mere subsistence level of income. Inadequate pension provision will mean having to work well past state retirement age and will mean you will be unable to enjoy anything like the standard of living you have enjoyed during your working life and major sacrifices will have to be made. For many people this leads to a fairly impoverished lifestyle by today's standards.

You have elected that Alan retires first at age 60 on 01-01-2024

### Changes to Assets and Liabilities

The portfolio value on the retirement of the client will be affected by the following changes -

Existing Portfolio	£158,720
Mortgage - 'Dunrovin'	(£146,432)
	<b>£12,288</b>

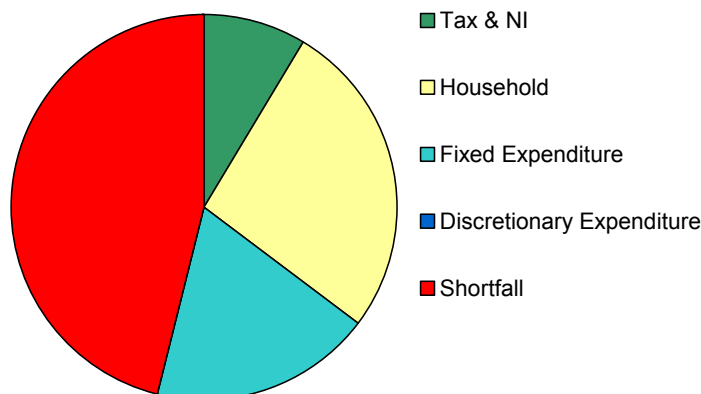
If the yield on the portfolio is increased from 0.37% to 4% then the income this generates is £3,686 p.a. The current level of income drawn from the portfolio is £584 p.a. providing an additional income to the client of £3,102 p.a.

### Changes to Circumstance

No Income from I.T. Services Ltd	(£75,000)
Repaid Liability Car Loan	£3,710
Pension from Legal & General Personal Pension	£6,670
Premium ceases Legal & General Personal Pension	£3,600
Additional Portfolio Income (Client)	£10,922
	<b>(£50,098)</b>

### Revised discretionary expenditure

Tax & NI	£5,414
Household	£16,724
Fixed Expenditure	£11,638
Discretionary Expenditure	£0
Shortfall	£28,939



### Funding the shortfall

The current shortfall in expenditure is £28,939 p.a. To provide for this shortfall will require an additional income of £40,583 p.a. if this new income is liable to tax. If this income is to be taken from the investment portfolio, then there is a need for additional capital of £1,020,000 assuming the yield from this additional capital is 4%.

Alternatively, if a pension were used to provide the additional income, then with an annuity rate of 3.58872% (Male aged 60, escalating pension at 3% per annum with a 50% spouse's pension), the additional premium required to meet the income shortfall will be £5,950 per month assuming the new premium is level.

## Scenario – Subsequent second retirement

On second retirement, you will both be solely reliant on state benefits and the income from any pensions and other investments you may have.

### Changes to Assets and Liabilities

The portfolio value on the retirement of the partner will be affected by the following changes -

Existing Portfolio	£158,720
Mortgage - 'Dunrovin'	(£146,432)
	<b>£12,288</b>

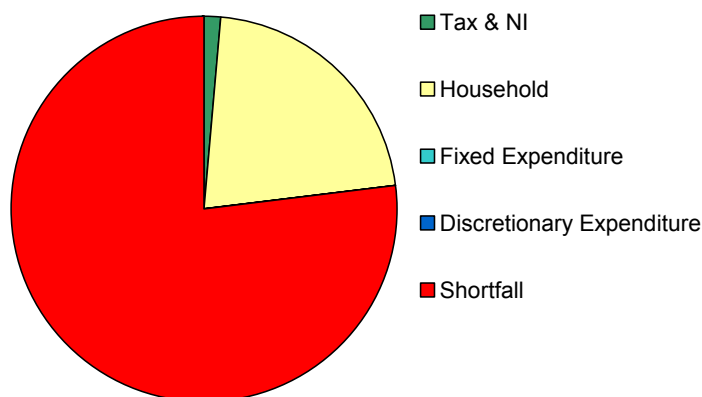
If the yield on the portfolio is increased from 0.37% to 4% then the income this generates is £6,349 p.a. Client Yield 4%. The current level of income drawn from the portfolio is £584 p.a. providing an additional income to the partner of £5,765 p.a.

### Changes to Circumstance

No Income from I.T. Services Ltd	(£75,000)
No Income from Hairdressers R US	(£15,600)
Repaid Liability Car Loan	£3,710
Pension from Legal & General Personal Pension	£6,670
Premium ceases Legal & General Personal Pension	£3,600
Pension from Axa Sun Li Retirement Annuity	£297
Premium ceases Axa Sun Li Retirement Annuity	£144
Additional Portfolio Income (Client)	£3,477
Additional Portfolio Income (Partner)	£2,288
	<b>(£70,414)</b>

### Revised discretionary expenditure

Tax & NI	£881
Household	£12,435
Fixed Expenditure	£0
Discretionary Expenditure	£0
Shortfall	£44,722



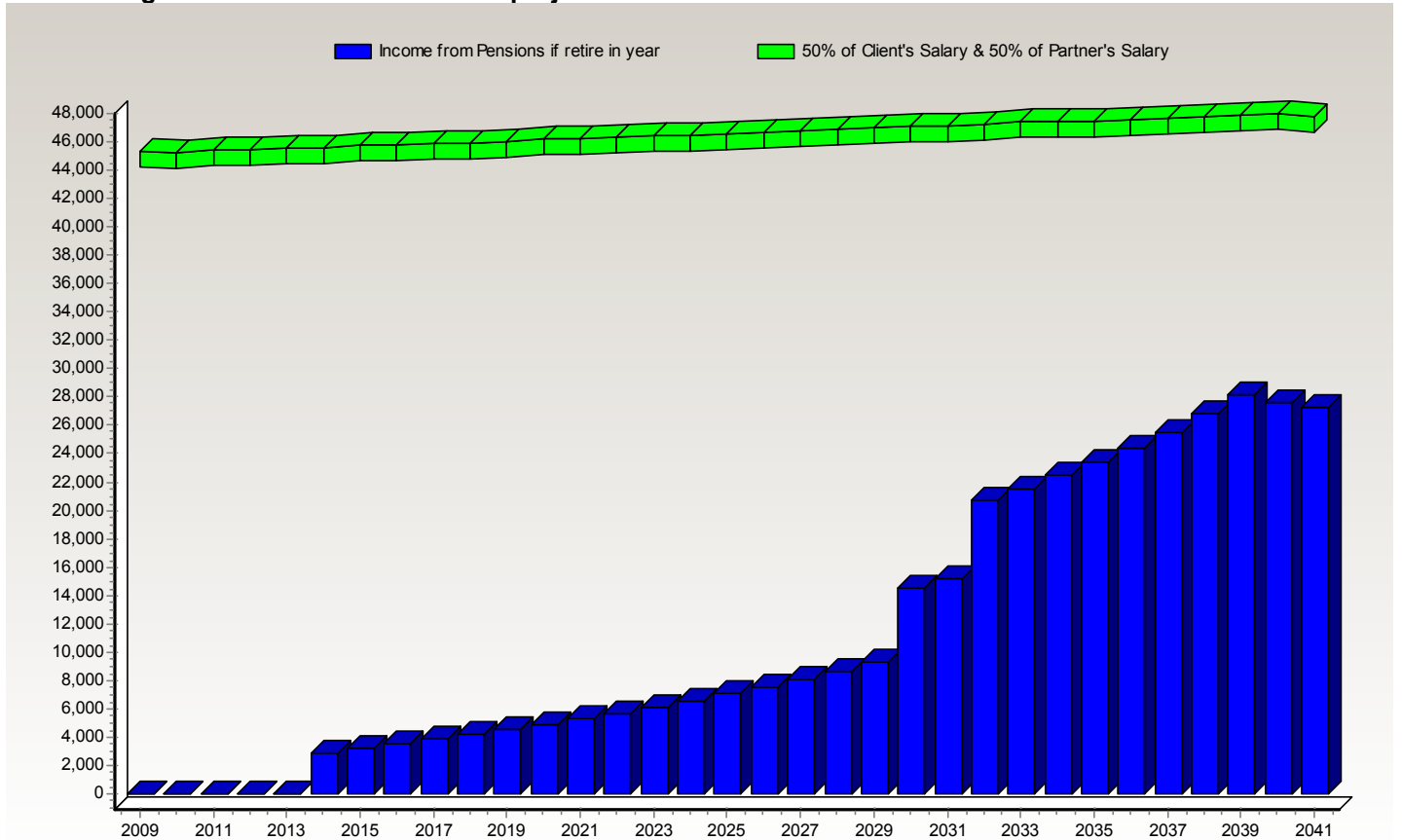
### Funding the shortfall

The current shortfall in expenditure is £44,722 p.a. To provide for this shortfall will require an additional income of £60,794 p.a. if this new income is liable to tax. If this income is to be taken from the investment portfolio, then there is a need for additional capital of £1,520,000 assuming the yield from this additional capital is 4%.

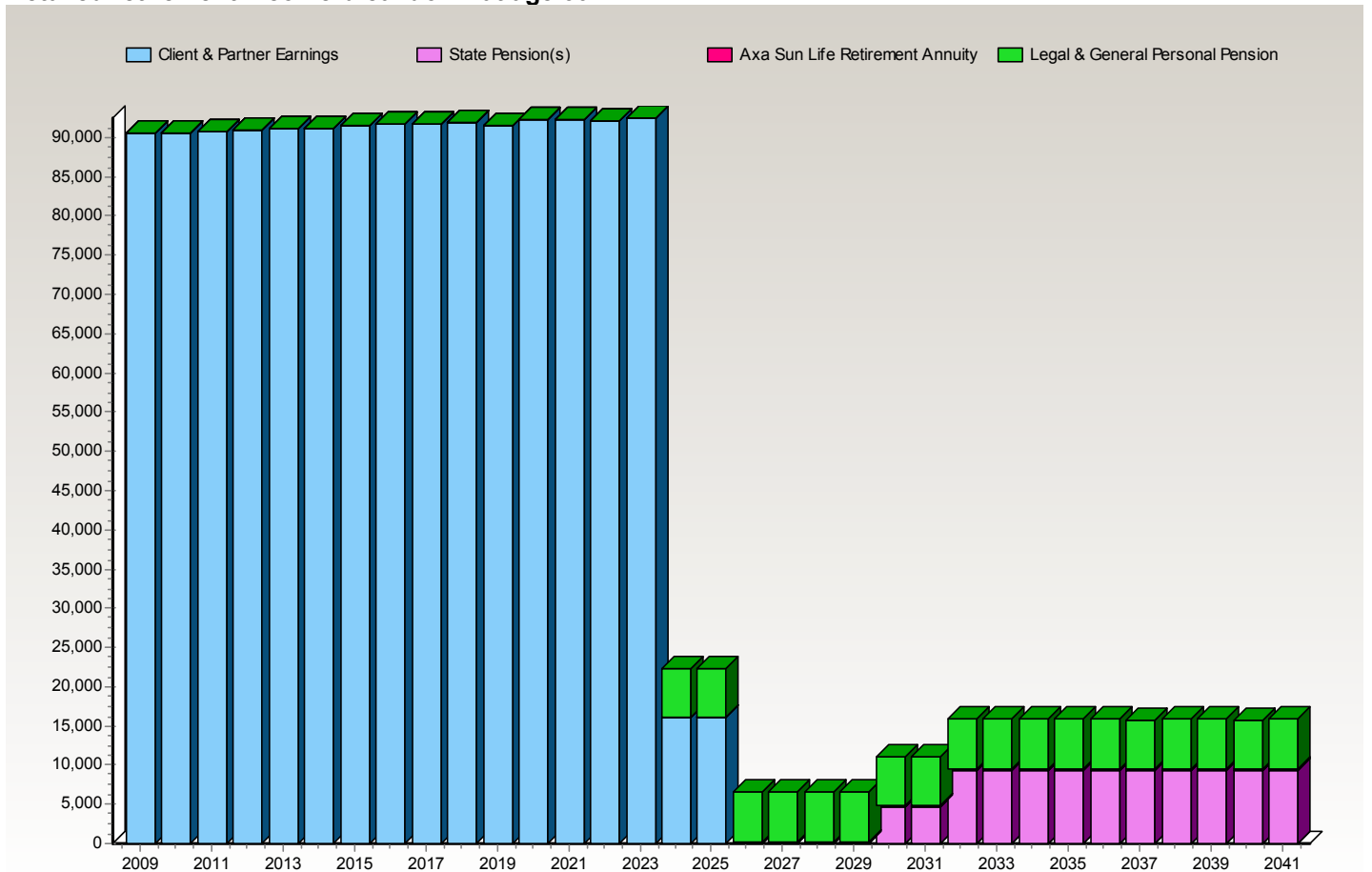
Alternatively, if a pension were used to provide the additional income, then with an annuity rate of 3.567487% (Female aged 60, escalating pension at 3% per annum with a 50% spouse's pension), the additional premium required to meet the income shortfall will be £7,660 per month assuming the new premium is level.

# Scenario – Retirement Income Breakdown at age 60

## Current target retirement income versus projected retirement income



## Detailed retirement income breakdown at age 60



## Scenario – Specific Objectives

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In addition the scenarios detailed above, you specified that you have certain targets of your own that need to be reached. They are as follows:

### **Specific Objective**

#### **Holiday Home in Portugal**

Date required 01-Jan-2019.

Capital Requirement of £115,000 in today's money.

Existing Benefit allocated to this objective is £89,165.

There is a shortfall to funding this objective of £25,835.

Scheme Name	Type	Policy Number	Commencement Maturity Date	Status	Death Benefit	Premium	Total Paid	Current Value
<u>Alan Plan</u>								
<u>Investment Plans</u>								
ABC Investments Stocks & Shares ISA	Stocks & Shares ISA		01-01-1992	Current	£29,567	£300.00 M	£61,500.00	£29,567.00
Fidelity Fundsnetwork Maxi Isa	Stocks & Shares ISA	123455890908	06-04-2004	Current	£4,471	£3,000.00 S	£3,000.00	£4,471.12
National Savings & Investments Premium Bond	National Savings		01-01-2003	Current		£1,500.00 S	£1,500.00	£1,500.00
<u>Pension Policies</u>								
Legal & General Personal Pension Nominated Beneficiaries - For Wife Return of fund on death.	Personal Pension	23443243	01-02-1987 01-01-2024	Current	£72,098	£425.00 M	£39,475.00	£67,097.81
					£106,136		£105,475.00	£102,635.93
<u>Anita Plan</u>								
<u>Investment Plans</u>								
ABC Investments Stocks & Shares ISA	Stocks & Shares ISA		07-08-1994	Current	£12,679	£100.00 M	£17,400.00	£12,678.87
<u>Pension Policies</u>								
Axa Sun Life Retirement Annuity Return of fund on death.	Retirement Annuity	AXA120984	01-01-1985 06-08-2026	Current	£3,390	£12.00 M	£3,456.00	£3,390.34
					£16,069		£20,856.00	£16,069.21
<u>Joint Policies</u>								
<u>Investment Plans</u>								
Bank Deposit Account	Bank Deposit Account		02-01-1900	Current				£7,543.00
Cahoot Current Account (with cheque bk)	Bank Deposit Account	CURRENT ACCOUNT	08-09-2007	Current				£3,245.87
Clerical Medical Unit Linked Bond Joint Life Second Death	Investment Bond	CMIG 5467437	17-12-1999	Current		£10,000.00 S	£10,000.00	£19,521.74

Scheme Name	Type	Policy Number	Commencement Maturity Date	Status	Death Benefit	Premium	Total Paid	Current Value
Fidelity Fundsnetwork Open Ended Investment Company	Open ended Investment Company	UT 129657	06-04-2006	Current		£25,000.00 S	£25,000.00	£45,630.10
<u>Savings &amp; Protection Policies</u>								
Legal & General Endowment Assurance Joint Life First Death Assigned to Woolwich Critical Illness Benefit of £100,000. Return of fund on death.	Endowment Assurance	01986767327	01-01-2003 01-01-2028	Current	£154,000	£73.15 M	£5,339.95	£26,542.00
Zurich Assurance Ltd Buildings & Contents Insurance	Buildings & Contents Insurance	Zurich 23974-1	18-12-2008 18-12-2009	Current		£27.87 M	£55.74	
					£154,000	£40,395.69		£102,482.71