NORTHSTAR
Smarter Financial Planning for the Digital Age

# Financial Plan

Client: **Nigel & Linda Smith [Example Clients]**

Date: **December 2018**

Strictly Private & Confidential

# Contents

# Overview

# Introduction

**This document is your personal financial plan. It is about helping you better understand your finances, defining your goals and putting a strategy in place to achieve everything you want from life.**

This report is designed to be a strategic, top-level report, not a detailed set of recommendations about specific financial policies you have. You should view this report as a part of the ongoing financial planning process. It should spark debate, be a great reference tool and help you stay on track to achieve your goals.

The real value from this report comes from the discussions you will have about it with your NorthStar financial planner. We think of your financial plan as an ever-evolving document that will change as your life does. It will be updated at each review meeting you have to ensure it always reflects your current situation, the most up-to-date assumptions and your goals for the future.

We like to think of financial planning a bit like a personal trainer. Our aim is to get you financially fighting fit, stay on top of your finances, really understanding your options and achieve everything you want from life. This document is your detailed fitness schedule, which if stuck to, will help you get where you want to go. Just like exercise, staying financially fit is an ongoing commitment and requires dedication.

We understand it can be difficult to make time for your finances and that you want to be living your life, not worrying about your money. We always try to cut to the chase and get you working on the things that will make the biggest impact on your financial situation. To summarise, the main aims of this report are to:

- ✓ Understand your financial position
- ✓ Work out when you can retire
- ✓ Clarify your goals
- ✓ Work out your timeframes
- ✓ Model your financial forecast
- ✓ Get you financially organised
- ✓ Reduce your financial risks
- ✓ Plan for disasters and mitigate their effects
- ✓ Minimise your taxes
- ✓ Make the most of your pensions & investments
- ✓ Ensure you have a great retirement
- ✓ Improve your financial understanding
- ✓ Help you achieve your goals
- ✓ Ensure you have financial security
- ✓ Create your personal household budget
- ✓ Plan for your older age
- ✓ Manage and reduce your debts
- ✓ Put plans in place to achieve your goals

This report starts by covering your current situation and your financial overview. It then goes on to look at your goals and objectives so that we can start to formulate a plan to achieve them.

The next important step is to create a detailed financial forecast. This looks at your assets, liabilities, income and expenditure and shows us how your financial journey could work out. We can use this model to try out things like changing your retirement age or looking at planning for disasters such as losing your job.

The final section of the report is what we call your 'financial assessment'. Here we break down your finances into a number of distinct areas. Each area is assessed and information is provided. We then outline our analysis and the action you should take. To help make this clearer, each of these information types is displayed as follows:

## Information

Information appears like this. These sections usually help explain or introduce a new concept and provide background and context to help you better understand the topic in question.

## Analysis

Analysis appears like this. These sections explain the views of your NorthStar financial planner. Analysis sections help relate your finances to your goals and explain the significance of the information to you.

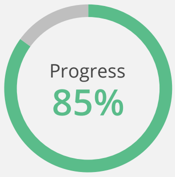
## Action

Actions appear like this. These sections explain the recommended action that should be taken on a particular subject. This action may be for you to take or for your NorthStar financial planner to instigate.

The final step is to give you a 'progress score' for each area of your finances. It is important to remember that this score is solely related to your objectives. It is not a measure of how well you are doing vis-à-vis anyone else or some sort of average. It is a reflection of how close to your own goals you are with each area of your finances. You will be able to see your personal progress score and check whether you have made progress from the last assessment we carried out. The progress score can also be a good way of prioritising the things you really need to work on. This is how the progress scores look in this report:

### Your Progress Score Appears Like This

Your progress comment will appear here. This is our comment on your progress towards your goal and our rationale for giving you this score.




Once we have your progress scores for each area of your finances, we'll create your 'progress scorecard'. This is an overview of your complete financial progress, showing your key financial metrics in one place. You'll also be able to see if you have made any progress since your last review. We hope and expect you to make progress every time we review your financial plan. We know life is constantly changing and sometimes it throws you a curve ball, but in general, with enough time, commitment and motivation we think that everyone can make their money work and achieve what they want from life.

Financial planning isn't about a one-off assessment and creating a set of things to do – it is an ongoing process of continual reappraisal, evolving decision making and diligent implementation. We are committed to providing a long-term service to ensure you get everything you want from life.  With our help, guidance and advice, we think you can take control of your money, grow your wealth, protect your lifestyle and plan for a more certain future. Ultimately, this report isn't really about your money - it's about you, your goals and living your life the way you want to.

Up Next: The Building Blocks of Financial Success

# The Building Blocks of Financial Success

Money and the world of finances can be a confusing place at times. Many people get caught up in day-to-day concerns and pay too little attention to the bigger picture. We like to break it down and focus on 10 core building blocks. Get these things right and you'll be well on the path to financial success and in a position to achieve your life goals. Essentially, these are the fundamental building blocks of financial planning.

## 1 Understand Your Money and Your Current Situation

Before you do anything, it's imperative that you know where you are, what you have and where you're at in life. Without this, it's hard to plan for the future. Get organised and get your finances under control.

## 2 Set Some Goals and Have a Plan to Achieve Them

Without goals in life, how can you make proper decisions? Setting realistic, achievable goals is crucial to ensure you get what you want out of life. Once you have set your goals, you can put a plan in place to achieve them.

## 3 Understand Your Financial Forecast

Your financial forecast shows a projection of your income, expenditure, assets and liabilities and it's crucial to understanding your financial future. It can show you when you can afford to retire, when you reach financial security and whether you'll ever run out of money.

## 4 Reduce Risks and Plan for Disasters

Life is full of risks and we can never eliminate them all, but with prudent planning, many financial risks can be reduced or eliminated. Emergency funds, insurance policies and other forms of protection can help you and your family sleep soundly at night.

## 5 Invest and Save for the Future

Your money should work as hard as you do so set it to work. Investing and saving wisely can add significantly to your long-term prosperity meaning you can enjoy increased freedoms and achieve more from life.

## 6 Control Your Spending and Your Debts

Poorly managed debt and excess spending can really take their toll. With a great budget, controlled debts and eliminating needless expenses, you will be on the path to financial freedom much more quickly than you could imagine.

7

### Minimise Your Taxes

Many people pay more tax than is necessary. When we talk about minimising tax, we're not talking about dodgy tax avoidance, but practical ways you can reduce your tax legitimately.  This can make a huge difference to your long-term prosperity.

8

### Think About Your Older Age

Many people find it hard to imagine themselves in later life, but most of us will be old one day. Planning to really enjoy your retirement, plan for your long-term care needs and ensure your estate is passed on to the next generations in the way you want are all achievable as long as you act soon.

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### Commit to the Process

Financial planning isn't a 'fire and forget' exercise, it requires long-term dedication. Your life will take many twists and turns and your plan must adapt with it. You need to review your goals, work to update your strategy and be committed to the process.

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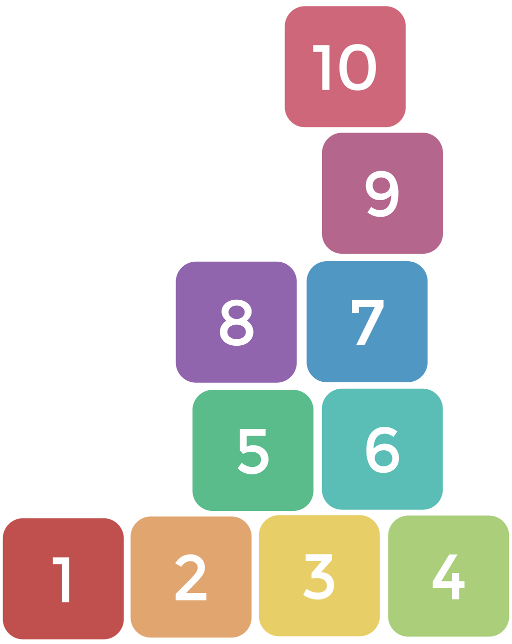
### Enjoy Yourself & Your Money

Don't lose sight of the bigger picture. Money is but a means to an end. When you lie on your death bed, it won't be about how much money you had, it will all be about what kind of life you led. Money is often a crucial component in life and provides security and opportunity, but never lose sight of the fact this process is about you and your life, not just about your money.

**The building blocks of your financial success**




Up Next: Personal Summary

# Personal Summary

This report is all about you. Let's kick things off by explaining what we know about you. Where you're at and where you want to get to.

## About Nigel Smith

You are 52 years old, married to Linda and have two children, Jack (12) and Mia (8). You live in a house which you own in Southampton, having lived there for 8 years. You are the managing director of your own business which specialises in outsourced IT solutions for SMEs. You started the business 18 years ago and it is your primary source of income. Both your children live at home and attend school.

In summary, you are financially well-off and have enough wealth to meet your current living standards. You want to live well, enjoy life, travel and be able to afford some luxuries. You also want to grow your wealth so that you can support your children through education and beyond and hope to leave them an inheritance if possible. You are looking to retire around age 60 and enjoy a long and fulfilling retirement. You key aims are to maintain and grow your wealth, retire by 60 and help your children financially where you feel necessary.

## Nigel Smith: Key Information

| | |
|---|---|
| Name | Example Client |
| Age | 52 |
| Marital Status | Married |
| Children | 2 (dependant) |
| Employment Status | Employed |
| Employer | KeyStone IT Management Ltd |
| Annual Salary | £52,000 |
| Smoker | No |
| Health | Good |
| Total Household Income | £90,000 |

## About Linda Smith

You are 49 years old, married to Nigel and have two children, Jack (12) and Mia (8). You live in a house which you own in Southampton, having lived there for 8 years. You are a part-time teaching assistant at the local secondary school. You enjoy your work and helping educate children. You do your work for the love of it and could afford to cease working if you so desired. Both your children live at home and attend school.

You enjoy a good standard of living and like to travel overseas, enjoy socialising and shopping and regularly take part in yoga and windsurfing. You also enjoy spending time with your children and helping them with their studies. Your key goals are to relocate to the West Country, retire from work and see your children have a successful education and start to their working lives.

## Linda Smith: Key Information

| | |
|---|---|
| Name | Linda Smith |
| Age | 49 |
| Marital Status | Married |
| Children | 2 (dependant) |
| Employment Status | Employed (part time) |
| Employer | Merryoak School |
| Annual Salary | £8,700 |
| Smoker | No |
| Health | Good |
| Total Household Income | £90,000 |

Up Next: Financial Snapshot

# Financial Snapshot

Let's look at a quick snapshot of your current financial position. Here we list your current assets and liabilities. This shows us your current net worth.

## Assets

| | |
|---|---|
| Savings | £5,125 |
| Investments | £95,236 |
| Pensions | £152,236 |
| Property | £680,000 |
| Household Items | £32,600 |
| Other Assets | £5,100 |
| **Total Assets** | **£970,297** |

## Liabilities

| | |
|---|---|
| Mortgage | £315,256 |
| Loans | £15,500 |
| Credit Cards | £1,234 |
| Other Debts | £0 |
| **Total Liabilities** | **£331,190** |

| Total Assets | | Total Liabilities | | Net Worth |
|---|---|---|---|---|
| £970,297 | - | £331,190 | = | £638,307 |

Up Next: The Big 3 Questions

# The Big 3 Questions

**Before we get too far into the detail of your finances, it's worth taking a step back and looking at you. What are your hopes, fears, dreams and goals? We have devised three 'big' questions to help us really understand you and what makes you tick. This will help us better understand you and create the very best financial plan.**

## Question 1

**Imagine you are totally financially secure - you have enough money to take care of your needs and wants, both now and in the future. How would you live your life? Would you change anything? Describe your perfect lifestyle.**

If you were completely financially secure and money was no object, you would retire tomorrow. You don't dislike your work but would rather spend more time with your wife, children, extended family and friends. Linda enjoys her work at the school and would likely continue this. Upon giving up work, you will need to think more about how you plan to fill your time. You have said you would likely travel more and play more golf as well as meeting up with your friends and family. You have always dreamed about retiring to the South West coast and would likely buy a second home in that region if you could afford to before permanently relocating around the age of 70.

You have said that if you were completely financially secure and could afford to, you would like to give money to charity or setup a charitable foundation and this is something you would like to do. You would also like to put more money into a 'house fund' for your children to give them the first step onto the property ladder when the time comes.

## Question 2

**Imagine that you visit your doctor, who tells you that you have only 5-10 years to live. You'll feel fine, but your time is severely limited. What will you do with the time you have remaining? Will you change your life and how will you do it?**

If you were told your time was limited, you would cease working as soon as possible to focus your time on your friends, family and hobbies. You would also travel more and would like to have at least 4 major foreign trips each year if you could afford to do so. Having talked about relocating to Devon or Cornwall, you would likely accelerate this process and move permanently down to this area.

You would also ensure your finances were strong enough to leave your spouse financially secure and have stressed the importance of ensuring you have a financial plan that makes this possible and that you have stressed to each other the importance of maintaining a close eye on your finances after either of you have passed away.

You have talked about creating your 'bucket list' and would draw this up quickly. You have a number of exciting ideas and things you want to do and you would come up with a plan to get everything on your list was done before it is too late. You also said that being given news like this might actually help you focus on living every day to the maximum and making the most of every day you have. We discussed this mind-set and it is one you thought you could try to adopt for your life now. Whether it is 5, 10 or 50 years you have left, we talked about making the most of your time and achieving the things you really wanted to do.

## Question 3

**Imagine that your doctor shocks you with the news that you only have 24 hours to live. Notice what feelings arise as you confront your very real mortality. Ask yourself: What did you miss? Who did you not get to be? What did you not get to do?**

After the shock of news like this, Nigel, you have reflected that you wished you had spend more time with your family over the last 10 years. You have been building a successfully business and this has taken your time away from those closest to you. You have rightly reflected that if you live a long life, this trade-off will have been well worth making, but we never know how much time we have left and you have committed to making as much time for those you love as possible in the years before you retire – as well as spending a significant amount of time with them when you retire.

Both of you felt that, in this situation, you said you also may regret not travelling as much as you wanted and seeing the World. We talked this through and you would like to commit to a minimum two major foreign holidays per year and we have worked your financial plan around these expenses to make them affordable.

When you reflect on your life, you feel it has been largely successful. You have a great family, your own home which is ideal for your circumstances and you enjoy very much. Nigel, you have built a successful business and have a good set of friends.

One aspect of concern would be whether your spouse would be financially secure and we have set out to model this scenario in your financial plan. In this situation, you said you may regret not putting a funeral plan and payment in place and you should have updated your will since it was last done 10 years ago. Overall, your finances are in a fairly good shape but there are a few things you could put in place that will help should the worst happen.

Up Next: Longevity Projections

# Longevity Projections

**One of the most important aspects of financial planning is to ensure you never run out of money and can always afford the lifestyle you want. Crucial to working this out is your life expectancy.**

Many people find thinking about their own mortality uncomfortable but death is the only thing certain to happen to every one of us. By thinking about how much time you may have left, it can often help bring your goals into focus. You only live once and life isn't a rehearsal, so you need a plan to achieve everything you want from life before it's too late.

Nobody knows how long they have left. You could die tomorrow or live to 120, but we can look at typical life expectancy projections and use this as a guide to help us plan your future. In reality, many factors from genetics to lifestyle (and a fair amount of luck) will ultimately determine how long you live, but let's see what your personal longevity projections look like.

## Nigel Smith: Longevity Projections

You are currently **52 years old**

Your projected life expectancy is **86 years**

That's another **34 years** you have to achieve your goals

That means you could be about **60% through** life already

You have a **1 in 4** chance of reaching the age of **94**

You have a **1 in 10** chance of reaching the age of **99**

You have a **9.9%** chance of reaching the age **100**

If you retire at your state pension age of **67** you have another **15 years** of work

After this, you could be retired for a further **19 years**

## Linda Smith: Longevity Projections

You are currently **49 years old**

Your projected life expectancy is **89 years**

That's another **40 years** you have to achieve your goals

That means you could be about **56% through** life already

You have a **1 in 4** chance of reaching the age of **97**

You have a **1 in 10** chance of reaching the age of **102**

You have a **15.6%** chance of reaching the age **100**

If you retire at your state pension age of **68** you have another **19 years** of work

After this, you could be retired for a further **21 years**


Maybe these numbers sound scary. Maybe they can help focus you on the time you have left. Maybe we should set some goals, plan some fun ways to spend your time and think about the biggest dreams you have.

Up Next: Your Future Self

# Your Future Self

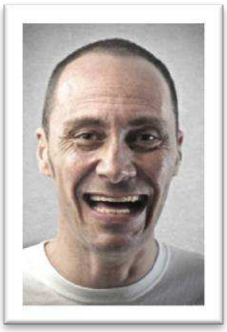
**Financial planning is about helping to shape your future. Nobody has a crystal ball and the future is always uncertain, but by putting a plan in place today, your future self might just thank you.**

There is one really big problem when it comes to thinking about the future. The human brain is really bad at making the connection between our present day self and our future self. Psychological studies have identified the parts of the human brain that have high levels of activity when people think about themselves and show that this region quietens down when people are told to think about themselves in later life. In fact, the response when we think about our self in the future is similar to when we think about the life of a stranger.

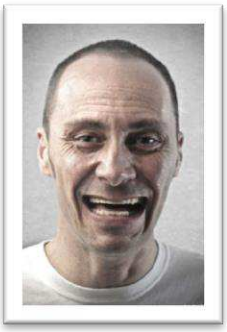
Follow-up studies have identified ways to help us connect to our future selves and suggested that thinking about milestones in life and key events is a good way to improve this cognitive process.

It might be hard to think about yourself far into the future and the life you might be leading, so we've tried to help this process along by showing what you may look like at different ages.

*Today (age 52)*



*+20 years (age 72)*



*+40 years (age 92)*

*Today (age 49)*

*+20 years (age 69)*

*+40 years (age 89)*

Only by thinking about our future selves, can we start to formulate a plan to get where we want to go. Taking steps now could mean you are able to live the lifestyle you want at every stage throughout your life.

Up Next: Your Goals

# Your Goals

At its heart, financial planning is about helping you achieve your goals. It is important to come up with specific, measurable, achievable, timed goals. By defining your goals, we can track your progress and ensure you get what you want from life.

## Short-term Goals (next 12 months)

| | |
|---|---|
| **Goal 1** | Take two foreign holidays per year, finding time when managing your business. |
| **Goal 2** | Finalise plans to extend your house, get the work complete and start enjoying the new space. |
| **Goal 3** | Nigel - raise at least £5,000 for charity by running the Marathon des Sables. |

## Medium-term Goals (1-7 years)

| | |
|---|---|
| **Goal 1** | Nigel - sell your business or setup a succession plan to pass your business to your children. |
| **Goal 2** | Nigel - Retire from work by age 60 and have a retirement plan and sufficient funds to achieve your life's goals. |
| **Goal 3** | Do everything necessary to ensure your children finish school with good grades and have a successfully move into higher education or employment. |

## Long-term Goals (7+ years)

| | |
|---|---|
| **Goal 1** | Purchase a house in the West Country and move there permanently in your retirement. |
| **Goal 2** | See your children financially secure, on the housing ladder and with settled, happy and fulfilling lives. |
| **Goal 3** | Take a full year to travel the world, visiting as many countries as possible. |

Up Next: An Introduction to Financial Forecasting

# Financial Forecast

# An Introduction to Financial Forecasting

**Financial forecasting is a powerful way to show you a complete picture of your projected lifetime wealth. Using a series of assumptions, forecast models can be produced showing your future wealth given a number of different scenarios. This allows a us to formulate a to ensure you can always live the lifestyle you want.**

Financial forecasting is a powerful way to show you a complete picture of your projected lifetime wealth. Using a series of assumptions, forecast models can be produced showing your future wealth given a number of different scenarios.

The following pages are your personal financial forecast. In our analysis, we cover you projected income and expenditure and also show your savings over time so we can assess if you are likely to run out of money.

We have gone through all of your household numbers and run these through our financial forecasting software to produce your financial forecast. It is important that we review the numbers in your plan to make sure they are correct and you are happy with the assumptions used. Once this has been done, we can use the financial forecast to look at how your finances may look in the future and also how changes we could make today could affect your future.

We can also model a number of 'disaster scenarios'. These look at what could happen if something serious were to happen to you, your job or the wider economy. This can show the risks you may be exposed to and means we can take action to help minimise the risks you are exposed to or mitigate these risks altogether.

It is important to remember that all the figures in this section are based on a series of assumptions. We simply don't know what's going to happen in the future so we have to use or best judgement to make sensible assumptions. It is, therefore, unlikely that your financial forecast will be exactly as described, but this is our best estimate.

You should also bear in mind that your financial forecast will continually evolve as your life changes. A year from now, you may have different objectives, we may make different assumptions and your situation may be different than today. No forecast will provide the exact answers and plot your exact course, but each will give you a really good understanding of the broad direction of travel and allow you to make key decisions based on the best available information.

All the figures shown are in 'today's terms' – in other words, we have accounted for inflation. This is a sensible approach as it makes it easier and simpler to think about how much you may need in today's money rather than in some future devalued currency after inflation makes things more and more expensive over the years. We have also taken taxes into account, so the figures shown are all net (after tax) amounts.

We have assessed the most likely age of your retirement from our discussions. Within our calculations, we have set your life expectancy to age 101. You have a 1 in 10 chance of reaching this age according to the latest life expectancy data. This is a prudent approach to make it less likely you ever run out of money.

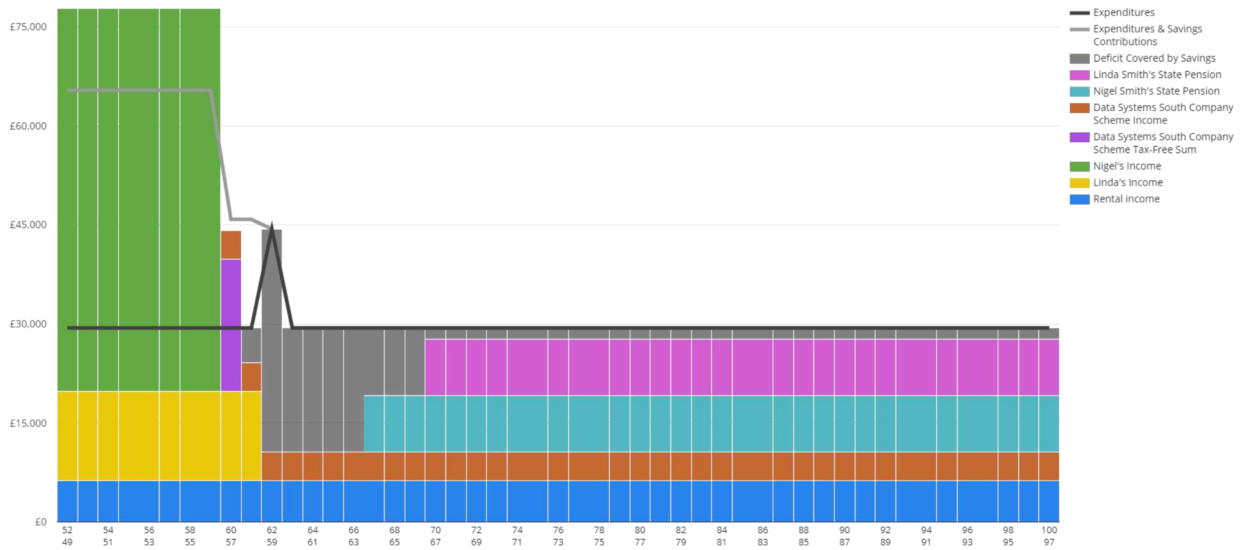
It is important to remember that your financial forecast is based on a number of assumptions. These are covered in the report appendix.

Up Next: Income & Expenditure Forecast

# Income & Expenditure Forecast

Income is the amount of money you bring into the household. Income is often from sources of employment but will also include that derived from assets like rented property, investments, pensions and other sources. Expenditure is everything you spend. This includes ongoing costs as well as one-off purchases. This will include both essential spending and discretionary items and is likely to fluctuate throughout your life.

## Income & Expenditure Forecast




*Source: CashCalc. For assumptions used, disclaimers and other forecasting details, please refer to the appendix.*

Your financial forecast shows that you have more than enough income to cover your current expenses and ongoing investment contributions. When you retire, you will not have sufficient guaranteed income to meet all your expenses but have more than adequate savings, pensions and investments from which to draw. Once all retirement income is in place, this nearly meets your retirement expenditure.

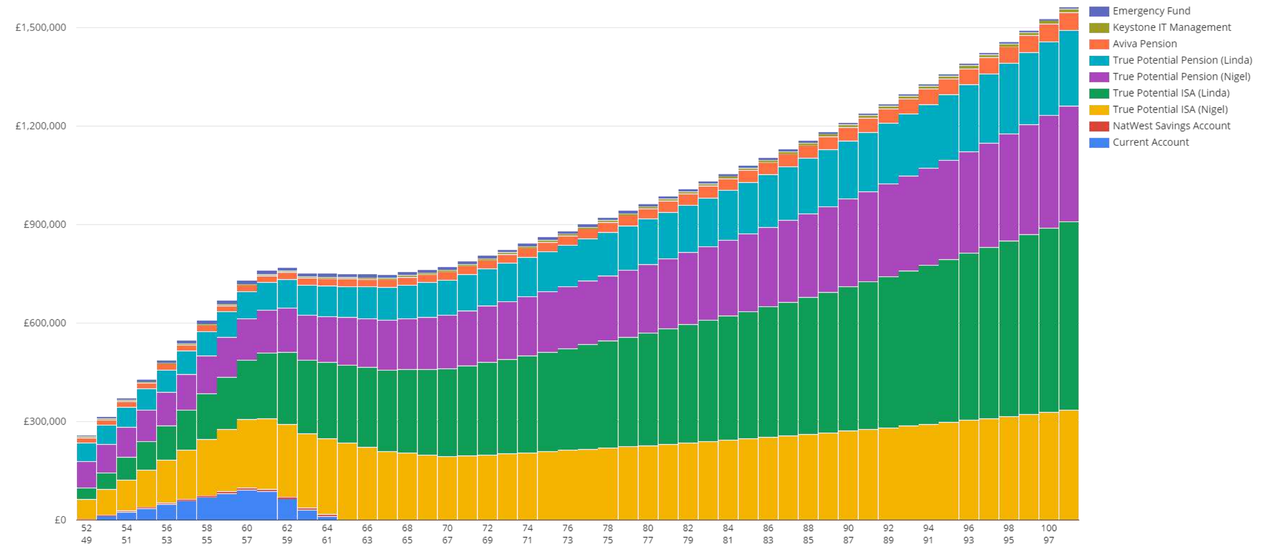
No action needs to be taken at this time based on the projections above. You will maintain sufficient income to meet your needs for the period of your life, based on the assumptions used.

Up Next: Savings & Investments Forecast

# Savings & Investments Forecast

Your savings and investments forecast shows the value of your 'liquid' assets. This includes all your investments, savings, pensions and other assets that you can use to fund your lifestyle. We don't include any 'illiquid' assets such as your home or investment properties. This forecast shows how the value of your assets changes over time.

## Savings & Investments Forecast




*Source: CashCalc. For assumptions used, disclaimers and other forecasting details, please refer to the appendix.*

You can see that your net worth remains positive throughout your projected lifetime. Even excluding your house, you have plenty of assets to live the lifestyle we have used in our forecast. Based on the assumptions used, your estate will be around £1.5m in today's' terms after you both die. This means we should keep your Inheritance Tax position under close review.

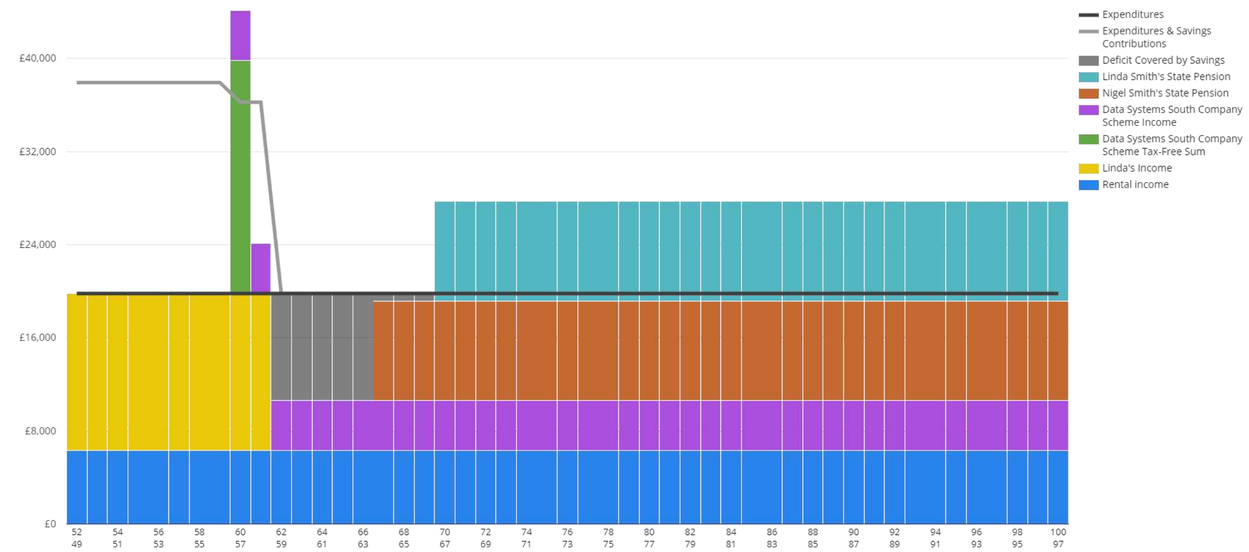
No action is necessary at this time. However, we should continue to monitor the projected size of your estate on death and consider Inheritance Tax planning strategies if we deem appropriate in future years.

Up Next: Disaster Scenario 1: Loss of Job

# Disaster Scenario 1: Loss of Job

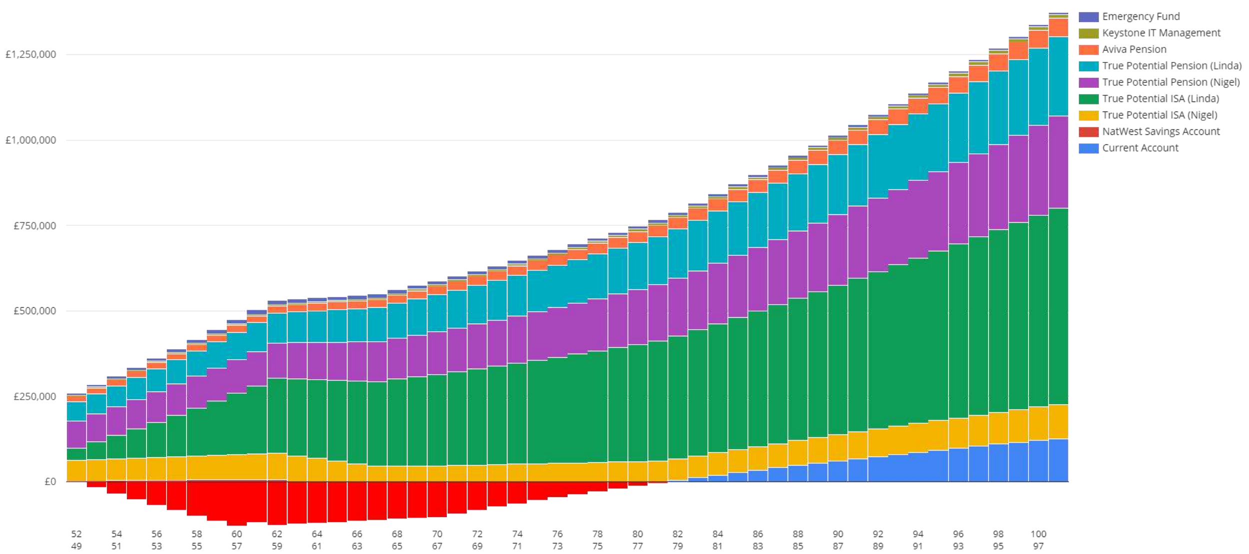
In this disaster scenario, we consider the implications of the loss of employment income from the highest earner in the household. This will allow us to consider the impact of this and put plans in place to mitigate this risk.

## Income & Expenditure Forecast




*Source: CashCalc. For assumptions used, disclaimers and other forecasting details, please refer to the appendix.*

## Savings & Investments Forecast




*Source: CashCalc. For assumptions used, disclaimers and other forecasting details, please refer to the appendix.*

The impact of the loss of Nigel's income would have a significant negative effect on your long-term finances. We should look at income protection policies in more detail to ensure a significant part of this income could be replaced. Clearly, this projection is based on a worst-case scenario (Nigel never works again) and reality may be less severe than this.  Based on our assumptions, you should have sufficient assets to be able to cope with this scenario.

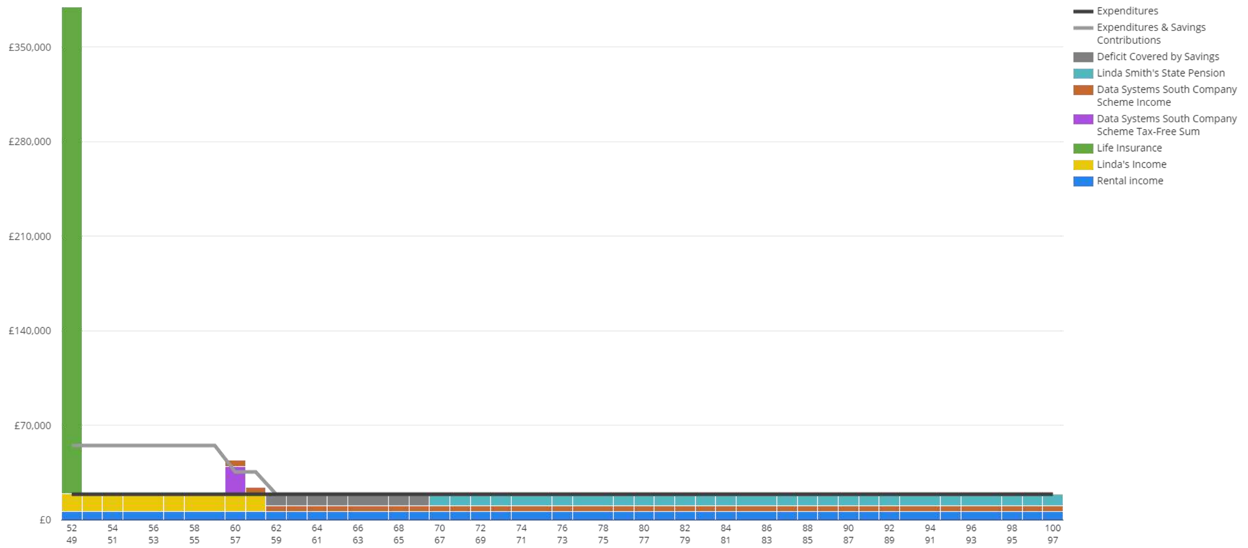
We will urgently review your income protection policies to ensure you are adequately covered. We will be in touch with recommendations within the next few weeks.

Up Next: Disaster Scenario 2: Early Death

# Disaster Scenario 2: Early Death

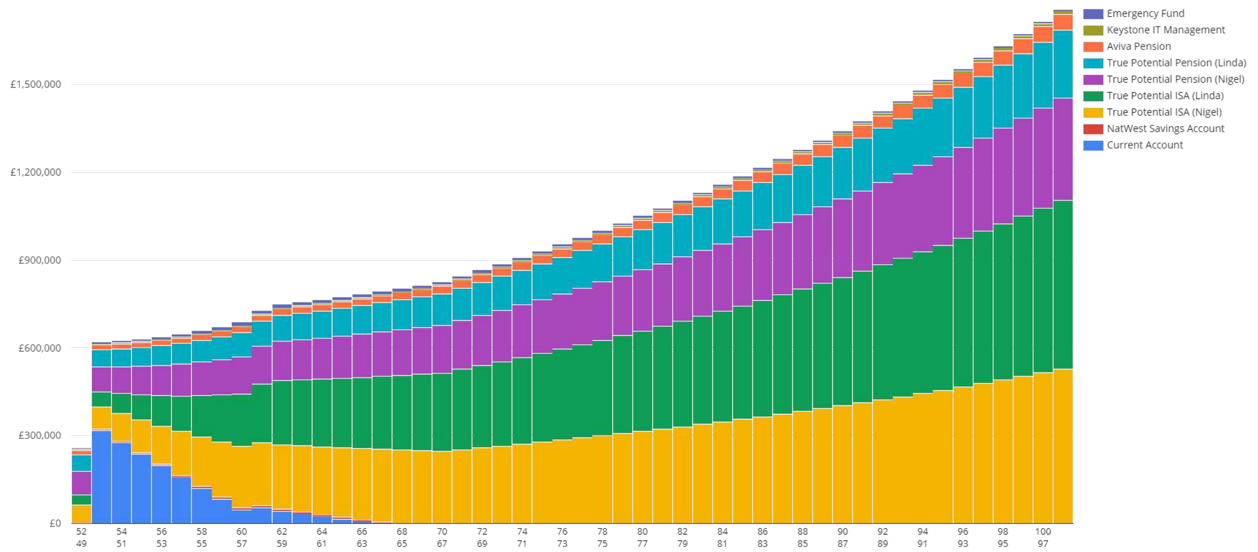
In this disaster scenario, we consider the implications of the death of the highest earner in the household. This will allow us to consider the impact of this and put plans in place to mitigate this risk.

## Income & Expenditure Forecast




*Source: CashCalc. For assumptions used, disclaimers and other forecasting details, please refer to the appendix.*

## Savings & Investments Forecast




*Source: CashCalc. For assumptions used, disclaimers and other forecasting details, please refer to the appendix.*

If Nigel were to die tomorrow, Linda would receive a life insurance payment of around £360k. However, there would be a significant drop in household earnings and also questions about the succession of the business. Based on our projections, Linda would have enough money to live comfortable on the assumptions used.

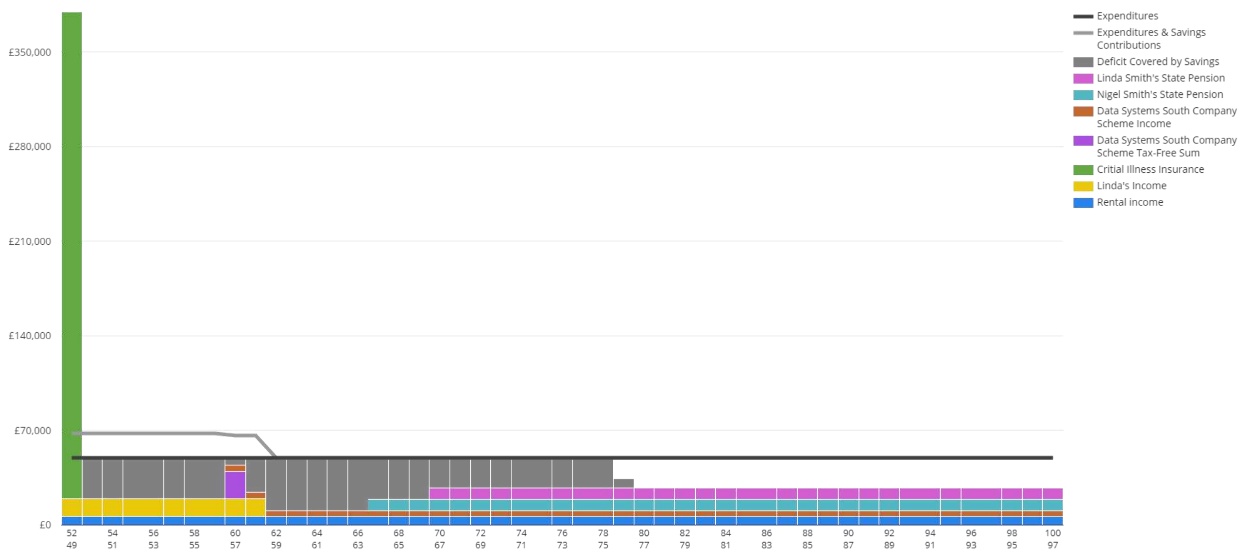
We should discuss re-assessing your life insurance to ensure your policy remains the most competitive available to you. We will research and make recommendations to you in the coming weeks.

Up Next: Disaster Scenario 3: Disability or Serious Illness

# Disaster Scenario 3: Disability or Serious Illness

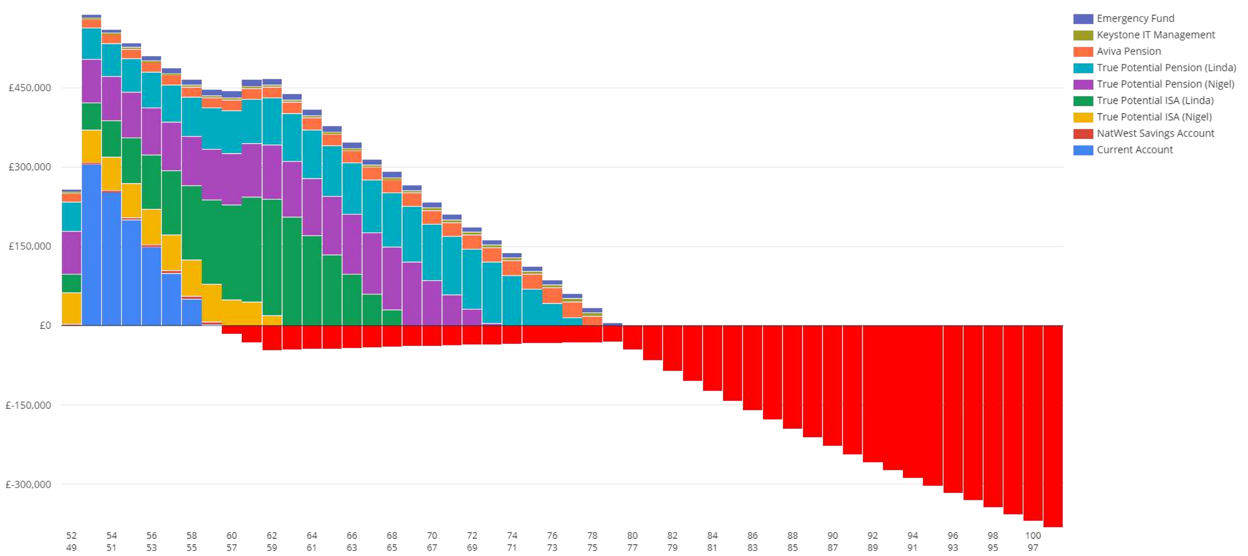
In this disaster scenario, we consider the implications of the highest earner in the household suffering a serious, long-term illness. This will allow us to consider the impact of this and put plans in place to mitigate this risk.

## Income & Expenditure Forecast




*Source: CashCalc. For assumptions used, disclaimers and other forecasting details, please refer to the appendix.*

## Savings & Investments Forecast




*Source: CashCalc. For assumptions used, disclaimers and other forecasting details, please refer to the appendix.*

Here we have modelled Nigel getting a serious long-term illness. This is one of the most dramatic scenarios for your finances as it will mean the ceasing of Nigel's salary and also possibly mean additional expenses to help care for Nigel and possibly adapt you home. In this scenario, your critical illness policy will pay you a lump sum in this but there may be significant upfront costs to help care for Nigel as well as an ongoing drain on your financial resources for additional care and medical resources. You run out of money on the assumptions used at the age of 79.

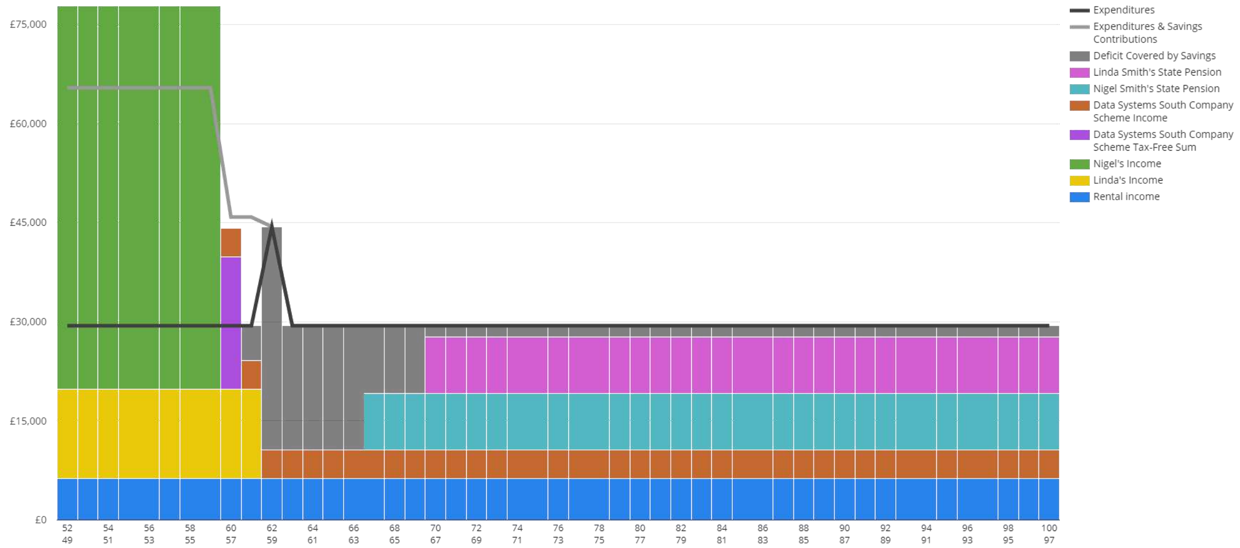
We should urgently look to increase your critical illness cover.  This is currently £360k. This should be increased to £700k to ensure you can maintain your lifestyle. We should also consider a similar policy (for a lower amount) for Linda to ensure any costs incurred can be mitigated. We will be in touch in the next few weeks with our recommendations in a separate report.

Up Next: Disaster Scenario 4: Financial Crash

# Disaster Scenario 4: Financial Crash

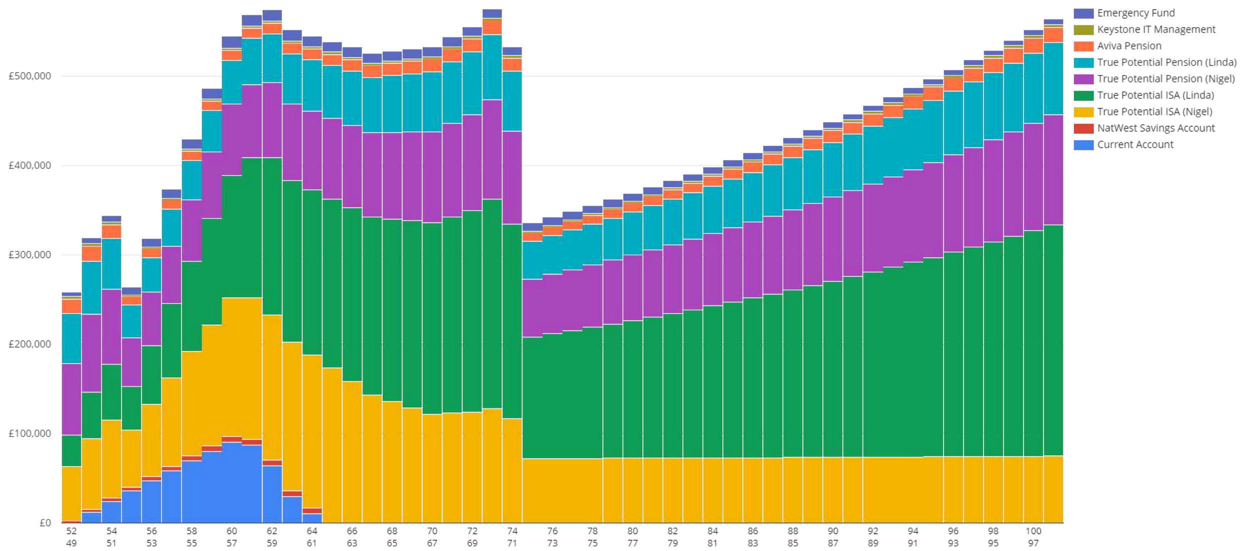
In this disaster scenario, we consider the implications of a serious financial crash. Such events are fairly rare but not wholly unexpected. Should the economy be significantly impacted by a major event, this may have implications for your personal financial position. We have modelled how your financial position would be affected should there be a market crash next year and another in 20 years' time.

## Income & Expenditure Forecast




*Source: CashCalc. For assumptions used, disclaimers and other forecasting details, please refer to the appendix.*

## Savings & Investments Forecast




*Source: CashCalc. For assumptions used, disclaimers and other forecasting details, please refer to the appendix.*

You should be OK even if there are significant financial crashes, given the level of your net assets. Clearly, we cannot predict the specific severity of any future market crash, but based on the assumptions used and data from historic crashes, it is likely you will be OK.

No actions are necessary to manage this scenario. Everything is in hand to be able to maintain your lifestyle in this event.

Up Next: About Your Financial Scorecard

# Financial Scorecard

# About Your Financial Scorecard

**Your personal financial scorecard provides a complete overview of your finances, broken down into the key areas. The scorecard helps you keep track of your targets and make progress towards them.**

To help you keep track of your financial position and help you make progress towards your goals, we have created your personal 'Financial Scorecard'. The scorecard is broken down into ten key areas, each focused on a particular aspect of your financial life.

Many people can be overwhelmed when it comes to managing and making the most of their money. There are often so many moving pieces and complexities that people lose track of what they need to do or let things slide. This can cause problems down the line when they think they have everything in hand, but it turns out they missed something. Your Financial Scorecard will help break down this complexity and help you focus on the most important aspects.

Like many things in life, we find that many people struggle to see the long-term progress they make with their money. We firmly believe that only by setting clear goals and working towards them will you get where you want to go. Bit by bit, you can get your finances under control, ensure you have everything covered and really understand where you are with your money.

Financial planning is like plotting a course on a map. The course you sail is unlikely be exactly as you planned (as there will be obstacles to overcome, and headwinds to get through) but it helps you set a direction of travel. Your Financial Scorecard helps you stay on course and track your journey, giving you confidence in your route and helping you measure your progress.

Your Financial Scorecard provides you with a percentage score for each aspect of your financial life.  Your scorecard is unique to you as no two goals are the same and everyone makes their own progress towards them.

The first thing we establish in each area is what your 'perfect' looks like. This will vary from person to person as we determine exactly where you want to get to with each aspect of your finances.

The second stage of the Financial Scorecard is our analysis of where you're at as we stand today. This is our assessment of your current score – your progress towards your ideal scenario.

We can them delve into each area and provide you with our analysis and recommendations to help you make progress and get nearer your goals. We also show you the scores we think you can achieve by the time of your next financial planning review if you follow all of our steps and recommendations. It might not be possible to get everything in perfect shape quickly, but slow and steady wins the race. By continuing to make progress, improving your financial situation and getting things under control, you will feel more empowered and more confident about money and be best placed to live the life you truly want.

Your Financial Scorecard is designed to be part of an ongoing assessment, not a 'fire and forget' exercise. The real value comes from seeing your progress and tracking your improvements over the years. Keep your scorecard in mind when thinking about your money and check it regularly. In doing so, you might just find that you can make more progress with your money than you ever thought possible.

Up Next: Your Financial Scorecard

# Your Financial Scorecard

Here is your personal financial scorecard. This provides an overview of your progress and our assessment of your score for the ten key aspects of your finances.

## Your Financial Progress

Below is our assessment of your progress towards your goals for each aspect of your finances.

| Financial Organisation & Budgeting | Emergency Fund | Financial Protection | Tax Planning | Saving & Investment Planning |
|---|---|---|---|---|
| Progress 75% | Progress 20% | Progress 65% | Progress 95% | Progress 85% |

| Property Planning | Retirement Planning | Debt Management | Older Age & Estate Planning | Family Financial Planning |
|---|---|---|---|---|
| Progress 95% | Progress 100% | Progress 60% | Progress 75% | Progress 85% |

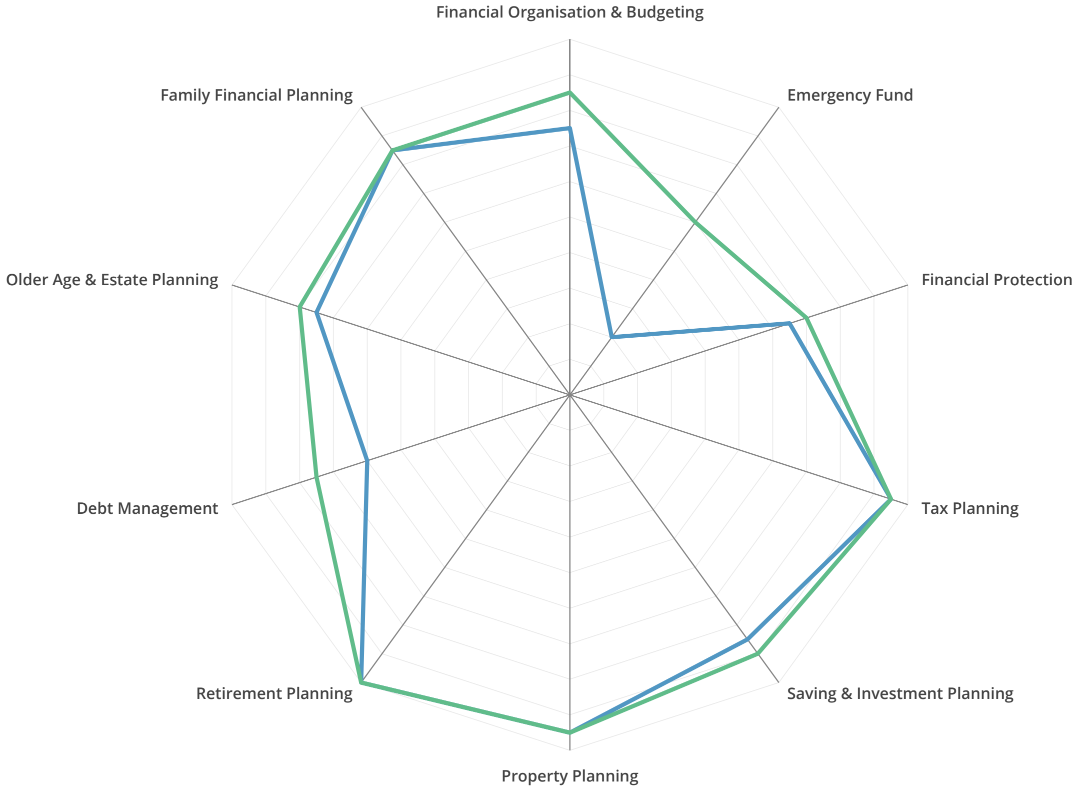
## Your Current Overall Financial Progress

To calculate your overall financial progress, we aggregate all of your individual progress scores.

| Progress at Last Review | Current Overall Financial Progress | Potential Progress at Next Review |
|---|---|---|
| Progress 60% | Progress 75% | Progress 85% |

## Financial Progress Snapshot

The chart below summarises your financial progress scores. The blue line represents your current scores. The green line shows your potential scores if you follow all of our action points before our next assessment. The centre of the chart represents 0% and the outside 100% progress (achievement) towards your goals. The aim is to get all scores to the outside edge of the chart. Areas most in need of attention with the lowest scores appear closest to the centre.




You score pretty well on most areas. There are a few notable exceptions such as your emergency fund, budgeting and financial protection. Other than these, you have your finances well under control and you are well-placed to achieve your goals. It is important that you keep making progress with each area of your finances to ensure you score at least 90% in all areas. This report highlights a number of things you can improve and actions you can take to boost your scores. It is important we review your situation regularly as it is likely your goals and life circumstances will continue to evolve and change over the years. It is important your financial plan reflects these changes and we continue to put steps in place to get you where you want to go.

Up Next: Key Action Areas

# Key Action Areas

There may be many things to work on that this report has highlighted. This section focusses on the most important things to do before your next financial plan review.

## Key Action 1

Build up a sufficient emergency fund. You should put £400 a month into your instant access savings account until you have a fund equivalent to 6 months' spending available should you need access to this in an emergency.

## Key Action 2

Improve your budget. Make it more detailed, check it more regularly and encourage all members of your family to try to keep their spending within the agreed limits. Check out some of the great online tools to help you manage your budget.

## Key Action 3

We will review your life insurance and critical illness cover to ensure it is still appropriate and look at whether a better deal can be found for this protection.

## Key Action 4

Review your will to ensure it is still relevant and correct. You have not done this for around 10 years and it is important this is kept up-to-date. We will put you in touch with a company that can help with this should you wish.

Up Next: Financial Organisation & Budgeting

# Financial Assessment

# Financial Organisation & Budgeting

**We believe it is crucial that you are financially well organised. This means being on top of all paperwork and really understanding your complete financial position. It's also important to have a budget and control your spending. An effective budget sits at the heart of every financial plan. A good budget will also highlight areas you can economise on or areas where you may have additional money to do the things you enjoy. Creating a budget and sticking to it will ensure your finances are in great shape, no matter what happens.**

It's important that you feel in control of your money and that your finances are well organised. Otherwise, this can cause stress, anxiety and lead to poor financial decision-making and delays. We advise all clients to have ordered financial affairs, a structured system for paperwork and electronic communications and to simplify their finances as far as possible.

Beyond this, a financial plan (as contained in this document) goes a long way to ensuring you feel well organised and in control. It is also important to have some goals in mind so you know what you're aiming for. With this in mind, here is our assessment of your current financial organisation:

## Financial Organisation

| | |
|---|---|
| Do you feel in control of your money? | Yes |
| Are your finances well organised using a systematic approach? | Getting there |
| Do you have a financial plan that is updated regularly? | Yes |
| Are your investments and pensions consolidated as much as possible? | Yes |
| Is your financial paperwork minimised as far as possible? | Getting there |
| Are all your policies available via an online client portal or aggregation site? | Yes |
| Do you have a budget that you stick to at all times? | Getting there |
| Do you have a list of life goals and are on track to achieve these? | Yes |
| Are your spending habits under control and well managed? | Getting there |
| Are your savings and bill payments automated as far as possible? | Not really |

## Budgeting

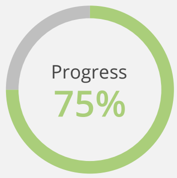
You do think that you should have a budget and should broadly stick to it. You aren't the kind of people who need to feel restricted by an absolute, strict budget for all spending, but you do see the need and benefits of having a handle on your spending and ensuring it is kept within reasonable limits. You would like to get to a position that all areas of spending are recorded and you know where you are at all times with your household spending. You do a rough budget. You have created a spreadsheet with approximate spending so you can work out how much your household spends on different items. You periodically look at this and go through your bank and credit card statements to ensure your spending is broadly in line with your budget. We have discussed whether using an online budgeting system may be beneficial and you have said this is something that you want to consider. We have discussed the various online options but you don't feel the time is right quite yet to commit to this course of action.

Your finances are pretty well organised and under control. It is important you feel in control and you do. You have a good system for paperwork filing and most of your finances (investments, bank statement, etc.) are now online which makes management easier. Your investments are nicely consolidated and easy to manage. There is work to do with controlling your spending and budgeting better that will be covered in more detail later in this report. The key issue to address is your bill payments. Making them more automated and reviewing these regularly will help. Overall, you are making good progress towards your goals of total financial organisation and control. You have further to go to get to your target of having a detailed household budget. You will likely only reach this goal via web/app based technology but you don't want to commit to using this technology just yet. With improvements to your current budgeting system and explaining this better to your family, you will set yourself on the right path.

The key action to take is to go through each of your household supplies such as your utilities and other services (including mobile phones and other personal recurring payments). You should review each one to see it is a) still necessary and b) whether cheaper or better options may be available. Once this is done, you should set up all via direct debit where possible. Finally, task up for 1 month before your contracts are due to end to research alternative suppliers and switch were necessary. You should make your budget spreadsheet more detailed and ideally sit down once a month (more frequently than currently) to check this against your bank and credit card statements. You should also explain and discuss as a family, the importance of a household budget and what you can all do to stick to your budget and better understand your spending.

### Your Progress Score: Financial Organisation & Budgeting

You are making good progress with this area of your finances. Your score is 75% which is fairly high and a real improvement on your previous score. Keep up the good work and you could even push this score higher in the future.




Up Next: Emergency Fund

# Emergency Fund

**An emergency fund is a reserve of money that you can get immediate access to. It is usually important to have an emergency fund in case something unexpected happens.**

We always suggest that your emergency fund is held in an instant access deposit or savings account. This means you can access the money immediately, without any delay.

We hope that you never need to access your emergency fund, but if you do, you will be thankful you have some money saved for such a rainy day. The main scenario where an emergency fund may come into play is where your job is lost. A dramatic fall in income can put significant strains on your finances if no provision is in place. There may also be other scenarios such as a long-term illness, unforeseen essential expenditure where an emergency fund could come in useful.

Typically, we suggest an emergency fund equivalent to 6 months of the household expenditure. It is important to regularly review your emergency fund as your circumstance change throughout your life. If your income or living expenses increase you may need to put more away. Equally, if your needs reduce or your savings earn interest, you may be able to spend or invest some of your emergency fund.  Let's take a look at your current emergency fund situation:

## Emergency Fund

| | |
|---|---|
| Current emergency fund | **£5,125** |
| Recommended emergency fund | **£30,000** |
| Emergency fund shortfall | **£24,875** |

**You currently have £5,125 invested with NatWest in an instant access savings account. This is a suitable vehicle for your emergency fund but you have saved nowhere near enough.  Your household spending is around £5,000 per month which means we would recommend an emergency fund of around £30,000 be kept. Your options are to encash investments or to make new savings into this account.**

**We do not recommend that you disinvest your investments to fund your emergency fund. Instead, you should set up a standing order of £400 per month into this account until it is at the required level. This amount is affordable and should be done immediately. This will ensure a steady build-up of your emergency fund.  Once you have in excess of £10,000 in your emergency fund, we should review it using our 'Dynamic Cash Management' system to ensure you are getting the best interest rate(s) available.**

### Your Progress Score: Emergency Fund


You have made no real progress with this area of your finances since your last review. Your score is 20% which is not so good and in need of real improvement. Put the agreed actions in place to ensure you boost your score.

Up Next: Financial Protection

# Financial Protection

Life is full of risks but with careful planning, many of the financial risks you may face can be eliminated through insurance and careful planning. This is crucial to ensure you can maintain your lifestyle and protect your family whatever the future may hold. Whether this is protection should you lose your job, become ill, die or any other financial risk, we can help you eliminate it.

It's almost impossible to insure yourself against all of life's risks but there are key insurance policies that most people should have in place. The crucial issue (as with all financial products) is to look at the costs and the benefits. When it comes to many insurance products, the risks you are insuring are relatively low but the costs of not having insurance are often very high. Our job is to help you work out which insurance policies you need, which you don't, the appropriate level of cover and which providers to use. It is also important to regularly review your insurance cover to see if it is still relevant and you are still getting the best deals you can. Here is our assessment of your current insurance and protection situation:

## Insurance Policies

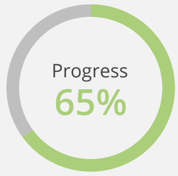
| Policy Type | Status | Assessment |
|---|---|---|
| Life Insurance | Adequately Covered | Consider Reviewing |
| Critical Illness Insurance | Partially Covered | Action Required |
| Income Protection Insurance | Not Covered | Action Required |
| Mortgage Payment Protection Insurance | Partially Covered | Consider Reviewing |
| Private Health Insurance | Not Covered | Action Required |

Most of your protection needs are adequately covered via your insurance policies. It has been a number of years since you last reviewed your life and critical illness insurance and this could be reviewed in light of your circumstances. You may also want to review your MPPI policy as better cover may now be available. We discussed the idea of private medical insurance and this is something you want to look into with a view to taking out to cover your family's health needs.

We will setup a review of your life and critical illness insurance requirements and source the best policies available. We will also recommend an appropriate income protection policy to cover Nigel in the event of losing his job. We will also look at your MPPI cover to ensure this is satisfactory. You should research and take out private medical insurance if you believe the benefits outweigh the costs.

## Your Progress Score: Financial Protection

You are making some progress with this area of your finances. Your score is 65% which is fairly good and a slight improvement on your previous score. Keep up the good work and try to get your score higher at your next review.




Up Next: Tax Planning

# Tax Planning

**Effective tax planning is all about legally minimising the tax you pay. This may be through tax-efficient investing, managing your Capital Gains Tax position and thinking through how to manage any potential future Inheritance Tax liabilities.**

Paying tax is important to fund public services and to help those in society who need it. However, everyone is entitled to legally minimise their tax bill using legitimate means and our job is to help you pay no more tax than is necessary.

We never instigate or recommended any tax evasion or aggressive tax avoidance techniques. We look at simply, legitimate ways of lowering the tax you pay like using ISAs, investing in a pension and ordering your estate in the best way to minimise inheritance tax.

There are many taxes that we all need to be aware of, but there are three key taxes where financial planning can often help to reduce your tax. These are income tax, capital gains tax and inheritance tax. Let's take a look at your current situation in relation to these three taxes and whether anything can be done to reduce the tax you pay:

## Income Tax

Nigel, you pay higher rate Income Tax with Linda paying tax at the basic rate. Linda's earned income is in addition to her rental income from your buy-to-let property so you need to ensure your total income remains below the higher rate threshold (currently £50,000). You should work with us and your accountant to ensure this strategy remains optimal in the future.

On the current projections, you will both likely be a basic rate income tax payers in retirement unless you draw out a significant lump sum. Income from your investments is all wrapped into ISAs so is free of income tax. Making pension contributions can be a good way to offset your income tax as these are subject to tax relief. Your current pension contributions are made by your company, offsetting corporation tax which is a good strategy.

## Capital Gains Tax

All of your non-pension investments are in ISAs which are not subject to capital gains tax. You should not have any capital gains tax to mitigate. You should continue to use your and Linda's ISA allowance wherever possible. The current limit is £20,000 meaning you can jointly pay in £40,000 per year without paying any tax on your interest or growth.

## Inheritance Tax

Based on your financial forecast, it is unlikely your estate will be subject to inheritance tax. Most of your wealth is in your home so your inheritance tax relief will be £1m based on the rates from 2020/2021. We should keep a close eye on the total value of your estate and consider transferring money to your children should the need arise. This can be done to reduce the value of your estate subject to you surviving for 7 years after the gift. We can also look at putting money in trust for you but this is not something that is necessary at this time.

## Other Taxes

There are no other tax planning issues or opportunities.

As far as the major personal taxes go, you have things pretty well sorted. You don't pay any more tax than is necessary and are minimising your taxes effectively. Just keep an eye on the size of your estate and work closely with your accountant to minimise business taxes.

There is no action that you need to take in relation to tax planning at this time. Everything appears to be in hand and under control.

## Your Progress Score: Tax Planning

You are making great progress with this area of your finances. Your score is 95% which is almost perfect. Keep up the great work and keep your score high by keeping your taxes as low as possible.

Progress
95%

Up Next: Saving & Investment Planning

# Saving & Investment Planning

**A savings and investment strategy is important to ensure you make the most of your money and put it to work effectively. Your money should be invested with a clear purpose, a proper plan and regularly reviewed to ensure it remains on track to deliver the returns and interest you need.**

It is important to save and invest money. Doing so wisely will ensure your money grows and works hard so you can afford the things you need in the future.

When considering savings and investments, it is important to look at the purpose or goal of each policy you have, whether the charges you pay could be minimised, what returns or interest you are earning and whether you could simplify or consolidate your policies. It is also important to consider the risks you are taking with your money. This means looking at things like investment risk (could you stand to lose a lot of money if markets fall for example) and also looking at things like inflation risk (if your money is growing by less than inflation you stand to lose money in real terms). Getting the right balance between risk and potential growth is really important.

We also look to determine if you have a proper investment strategy for each of your investments – were the funds you invest in picked at random or were they really thought about to create an optimised investment approach?

Finally, it is crucial to consider how actively you manage or monitor your investments and savings. Like most things, without keeping a close eye on each of your policies, it is often difficult to get the most from them. Let's take a look at your current savings and investments:

## Savings

| Provider | Type | Value | Contributions | Purpose | Assessment |
|---|---|---|---|---|---|
| NatWest | Savings Acc. (Instant) | £5,125 | £0 | Emergency Fund | Looks Good |
| NatWest | Savings Acc. (90 Days) | £2,756 | £0 | None | Consider Reviewing |
| **Total** | | **£7,881** | **£0** | | |

## Investments

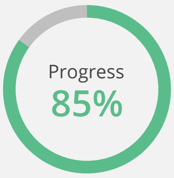
| Provider | Type | Value | Contributions | Purpose | Assessment |
|---|---|---|---|---|---|
| True Potential | ISA | £60,320 | £15,240 per year | Long-term Investment | Looks Good |
| True Potential | ISA | £34,916 | £15,240 per year | Long-term Investment | Looks Good |
| **Total** | | **£95,236** | **£30,240 per year** | | |

Your emergency fund with NatWest is earning little interest but this is typical for instant access deposit accounts. As highlighted in previous sections, you should fund this by £400 per month. Once it reaches £10,000 we will consider alternative accounts under our 'Dynamic Cash Management' service'. Your 90-day access account pays a very uncompetitive interest rates. Many higher rates are available. You should consider moving this to another provide but it is only a small amount and with interest rates universally low, there is little upside. Your ISAs are now fully consolidated with True Potential for you and Linda. These investments are performing well and in line with your risk profile. Overall, your savings and investments look in good shape.

Add £400 per month to your emergency fund to ensure this is adequately funded. We can also look at your savings account to get a better rate but there is limited upside so this is a low priority action. You should continue funding your ISAs year-by-year to be determined as they are a tax-free and flexible form of investing.

### Your Progress Score: Saving & Investment Planning

You are making great progress with this area of your finances. Your score is 85% which is great and a real improvement on your previous score. Keep up the good work and you could even push this score higher in the future.




Up Next: Property Planning

# Property Planning

**Property often plays a central role in many people's finances. Whether as a homeowner, tenant or landlord, property can be pivotal to determining your lifestyle. It is important to create a long-term property plan to ensure you make the best decisions and achieve your aims.**

For many people, property is a really important part of their overall financial position. When paying off a mortgage or renting, this can often be the biggest monthly expense and for those that own their own home, this will likely be their biggest financial asset. Property can also be a great investment in its own right, when done well. Whether this is a buy-to-let, commercial property or a second home, property often plays a central role in our live and our finances. Let's take a look at your current property details:

## Owning Your Home

You own your own home in Southampton. The property is a detached, 4 bedroom property which you purchased in December 2002 for £230,500. You estimate your property is now worth around £500,000. Your property is ideal for your current needs and you have no immediate plans to move. You do want to add a small extension conservatory to your property soon to add value to it and give you space for summer entertaining. This is budgeted for and in your financial plan next year at a total cost of £15,000.

In the longer term, you would like to either buy a second home or move permanently to the West Country. When you move to this area, you would love a bungalow with a sea view on the North Devon or Cornwall coast which you estimate will cost in the region of £350,000 in today's prices. This could free up £150,000 to fund your retirement or other financial objectives.

You currently have an outstanding mortgage of around £315,000 on your home. This is a repayment mortgage with Sandander on a five-year fixed rate of 2.89%. Your current repayments are £1,858 per month with a remaining term of 14 years, 2 months. This will revert to the SVR in August 2019 and we should review your mortgage requirements in good time before this date.

We have discussed the idea of equity release should you need additional funds later in life but we agreed this should only be necessary should you need to pay for prolonged long-term care for you or Linda and in this case, a full sale of your home may be the better option.

## Buy-to-Let and Other Property

You own a buy-to-let property in Southampton. The property is a ground floor flat which you purchased for £174,000 in August 2011. This was fully funded via an inheritance you received so there is no outstanding mortgage. You estimate the flat is now worth around £200,000. You get rent of £700 per calendar month. You pay a management company 10% for managing this for you, leaving you with £630 per calendar month. This works out as a yield of around 3.8%. Your occupancy rate is good with the same tenants for the past 4 years. We have discussed the idea of selling this property and investing the funds raised but you want to maintain ownership and expect the capital value of the property to appreciate in value over the coming years.

## Commercial Property

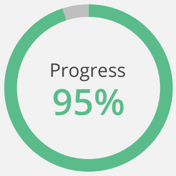
You currently rent your office that you use for your business. You have discussed purchasing this (or another suitable property) in your business but do not believe this is the best option at this time. Renting your commercial property gives your business more flexibility as your needs change.

Your home and property investment look well in hand. You still have a sizable mortgage to pay off and you could use your buy-to-let investment to do this if necessary. Ideally, you want to keep your investment property and ultimately leave this to your children as an income stream.

There is no action to take right now in relation to your property investments or your home. Everything looks like it is in hand.

## Your Progress Score: Property Planning

You are making great progress with this area of your finances. Your score is 95% which is almost perfect. Keep up the good work and ensure your score stays high in the future by keeping on top of things.




Up Next: Retirement Planning

# Retirement Planning

**Putting a plan in place for your retirement means thinking through when you may retire and what kind of lifestyle you want and how this can be funded. This may involve calculations of how much to invest in pensions or other savings vehicles, consolidating and managing your existing pension plans, state pension assessments and other strategies to help you live the life you want in retirement.**

People are living longer than ever before and for most, this means being retired for many more years than they might have imagined when they were younger. We have already shown you your projected life expectancy and what this could mean for the length of your retirement. It is important that you enjoy your retirement as much as possible and can live knowing that you have adequate money to do the things you want to do and not have to worry about running out.

What does your retirement really look like? How and where do you want to live and what do you want to be doing? Once we have a good picture of how you want your retirement to look, we can start costing things and putting plans in place to make it a reality.

## Your Desired Retirement

You plan to retire at the age of 60. In the early part of your retirement, you have several key objectives. The first is to move down to the West Country, selling your current home and creating a new life for you and Linda. You are likely to do this around age 65 (no later than 70) when your children have both completed their education and Linda is happy to retire. You want to establish your life in this new part of the World, enjoy long coastal walks and play golf regularly. You want to get your handicap down to single figures as this is on your bucket list. Your other key objective for this phase is to travel widely. You want at least 4 major overseas holidays per year and to travel the World as widely as possible. You will also have drawn up your bucket list and know that this phase of retirement is the ideal time to do all those things you've always wanted to do.

Later into retirement, you are likely to slow down a little. Your plan is to be living in a bungalow which will be useful if you have any mobility issues. You should continue to live life to the fullest and finish crossing off things from your bucket list. You plan to continue playing golf for as long as you can but will also probably need to take up new hobbies if your health and physical condition dictate. You will likely cut down on travel and foreign trips in this phase and your total spending will likely fall as you focus on your core pursuits.

At some point, either of you may have mental or physical difficulties and may need some help with daily tasks. You can help care for each other but there may be a need for external care to come in or to enter a residential care home. We have discussed this in some detail and you have experience of this when your own mother needed care. Your general living expense in this phase will probably be low, but if you need care, this is likely to be very expensive. Your financial forecast shows you are likely to have significant funds to spend on any care if this is needed and you will have equity in your home you can realise via equity release or sale should this be necessary.

There are many things to consider when thinking about your retirement but for most people, pensions play a central role. Let's take a look at your current pension situation and what this could mean for your retirement:

## Pension Overview

| Pension Type | Projected Income |
|---|---|
| Personal Pensions | £1,325 per month |
| Company Pensions | £464 per month |
| State Pensions | £1,149 per month |
| **Total** | **£2,938 per month** |
| **Replacement Ratio** | **39%** |

## Personal Pensions

| Provider | Type | Value | Contributions | Projected Tax-Free Cash | Projected Income | Assessment |
|---|---|---|---|---|---|---|
| True Potential | Personal Pension | £80,420 | £220 per month | £30,000 | £910 per month | Looks Good |
| True Potential | Personal Pension | £55,562 | £100 per month | £15,000 | £325 per month | Looks Good |
| Aviva | RAC | £16,254 | £0 | £12,200 | £190 per month | Looks Good |
| **Total** | | **£152,236** | **£320 per month** | **£57,200** | **£1,325 per month** | |

## Company Pensions

| Employer | Type | Value | Contributions | Projected Tax-Free Cash | Projected Income | Assessment |
|---|---|---|---|---|---|---|
| Data Systems South Company Scheme | Final Salary | N/A | £0 | £20,000 | £445 per month | Looks Good |
| Keystone IT Management | AE Workplace Scheme | £3,200 | £40 (ee) per month | £2,320 | £19 | Looks Good |
| **Total** | | **N/A** | **£0** | **£22,320** | **£464 per month** | |

## State Pensions

| | |
|---|---|
| State Pension Age | 68 (Nigel) / 67 (Linda) |
| Projected Income | £1,149 per month |
| Assessment | Looks Good |

You have a really clear vision for your retirement and have thought this through well. We conducted a full review of your pensions in 2017 so everything looks in good shape. Your personal pensions are all consolidated to True Potential and you are getting good investment returns. We chose not to transfer your Aviva pension at this had a valuable 'guaranteed annuity rate' that is worth keeping. You and Linda are making pension contributions each month which are affordable and your personal pensions are due to give you a good income in retirement. You may either take this by drawing from the scheme or by purchasing an annuity. We will decide on this at the time. You have a final salary scheme from your previous employer. We considered transferring this but decided this is not in your best interest. This policy will provide you with a guaranteed amount each month in retirement. You and Linda will also be entitled to an almost full state pension. This will provide a secure income for you in retirement.

Your pensions and retirement planning look in tip-top shape. You have a clear plan for your retirement, it is well funded and your pensions are all well-managed and on course to provide what you need. No action is, therefore, necessary at this time.

### Your Progress Score: Retirement Planning

You have made great progress with this area of your finances. Your score is 100% which is perfect. You are completely on track to meet your goals and cannot realistically improve what you are going. Great work.

Progress
100%

Up Next: Debt Management

# Debt Management

Most people have debts of some sort. This may include student loans, credit card debt, secured or unsecured loans or a mortgage. Debt can be a really useful tool to help you achieve your goals and structure your finances effectively. However, the management of debts is crucial to overall financial well-being and can be the undoing of some who let their debts get out of control. By regularly re-assessing your debts you will ensure you stay on top of your obligations and never pay more in interest than is absolutely necessary.

Debt is not necessarily a bad thing. The right debts for the right things at the right time can often be really important to allow us to purchase the things we need. That said, badly managed debt is bad. Many people are paying too much to service their debts and have badly structured debts that could be better managed.

Debt broadly falls into two categories; 'Secured' and 'Unsecured'. Secured debts are made against an asset you own (such as your house) so are generally lower risk to the lender so usually come with a lower interest rate. Unsecured debts like credit cards or personal loans often have higher rates and so need careful management. Whatever debts you have, you should have a plan to repay them and ensure they are structured in the best way possible. Let's take a look at your current debts:

## Debt Overview

| | |
|---|---|
| Total Secured Debt | £315,256 |
| Total Unsecured Debt | £16,734 |
| Total Outstanding Debt | £331,190 |

Your secured debt (mortgage) is on a fixed rate for another 3 years. No action should be taken in relation to this until this fixed term period has ceased or you will suffer early repayment penalties. Once this period is up, we will help you source the best available deal from the whole mortgage market. In relation to your unsecured debts, you have taken out a loan to pay for house improvements at a competitive rate and are making monthly repayments. Your Barclaycard credit card has a high interest rate. This is fine if you pay your card debt off quickly, but you sometimes incur higher interest payments. You should pay this debt off as quickly as possible from your savings to ensure you do not suffer any more high interest charges. Your Debenhams store card has an extremely high interest rate. We have discussed this and you have agreed to pay off the outstanding balance and destroy the card

The key actions are to review your Barclaycard repayments to ensure you do not get charged interest. You may want to consider shopping around for a better credit card deal with lower rates on an introductory offer. You should also pay off and destroy your Debenhams store card as soon as possible.

## Your Progress Score: Debt Management

You are making reasonable progress with this area of your finances. Your score is 60% which is ok but there is more you could be doing to improve your score. Keep working and you could get a much higher score at your next review.

Progress
60%

Up Next: Older Age & Estate Planning

# Older Age & Estate Planning

**A plan for your older age means thinking about how to fund your long-term care, how to manage your inheritance tax liability, thinking about preparing and updating your will and planning for funeral expenses.**

Thinking and planning for our old age does not come easily to most people. Visualising your life in your latter years is a difficult exercise, but with people living longer than ever before, it is likely you or your loved ones will need some form of care and help at some stage in their life.

Another important aspect of older age planning is ensuring your estate is properly handled. This means creating or updating your will and looking to legally minimise your inheritance tax liability.

With people living longer than ever and the prevalence of dementia and other neurological diseases on the increase, it is also worth considering a 'Power of Attorney'. These come in different forms, but essentially hand over decision-making to trusted family members or friends should you being unable to act in your own best interests.

The final thing to consider about your older age is your own funeral. It's a strange thought but death is the only thing that is truly guaranteed. It is worth considering whether a funeral plan could be of benefit or even just letting your loved ones know your wishes as and when the time comes. Let's take a look at each of these in turn:

## Long-term Care Planning

We have discussed long-term care in broad terms. We explained that paying for this can be very expensive with the average cost of residential care now £29k per year and rising. Even in-home care could cost £10k per year for just 2 hours of care per day.

You and Linda are hopefully a long time away from needing any such care but it can help to think this through now. You have considerable assets and investments that it may be possible to use should you ever need to fund long-term care. You also have your buy-to-let property that could be used or even selling your home. None of these options are ideal but at least they are likely to be options should the necessity arise.

We also briefly discuss 'Attendance Allowance' that you may be entitled to should this still be available if you or Linda need care in your older age. This is currently not means tested but is not guaranteed to be in place when you may need it in the future.

## Estate Management & Wills

You and Linda have made wills but these were last reviewed around 10 years ago. We discussed the importance of having an accurate and up-to-date will and this is something you should revisit. We can help with this, putting you in contact with a respected firm who specialises in wills writing.

We also discussed the potential value of your estate. There is unlikely to be any inheritance tax to pay as your assets pass to your children but this should be kept under review. We cannot see a need at the present time to setup and form of trust arrangement with the costs outweighing and potential benefits.

Should you wish to gift assets to your children, this will place them outside of your estate for inheritance tax purposes should you outlive the gift by 7 years. We discussed gifting your children your buy-to-let property when they are both over the age of 21 and also gifting them assets to help them purchase their first home.

### Power of Attorney

Power of attorney gives a trusted friend or family member authority to manage your financial affairs should you become mentally incapacitated. It is a useful thing to put in place once you are of an age where this may be necessary. We recommend this is put in place for both Linda and yourself before you reach the age of 75. We can help arrange this for you at the time.

### Funeral Planning

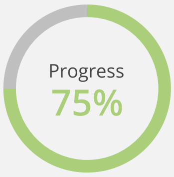
You can stipulate key aspects of your wishes for your funeral in your will. Many people go further and take out a policy that will also pay for the funeral. This has three key advantages. Firstly, it means your family will not have to find the funds to pay for your funeral and other costs of death. Secondly, it means the financial side of things had been taken care of so the whole process is quicker and easier for your loved ones and thirdly, it means you can specify the kind of funeral you would like in advance. We discussed the idea of a funeral plan and this appealed to you. We will research the best options and costs for a plan for you and Linda in the next few weeks to see if this is something you would like to proceed with.

**Planning for old age and retirement before you get there is often tricky. You are in a good position as you are well-informed and have now thought through your options and the potential obstacles you may have to overcome in older age. There is little need to take action now, other than for us to discuss funeral plans in more details once we have details on prices and other specifics.**

**We will research and recommend a suitable funeral plan for you and Linda in the next few weeks and present our findings to you. No other action is necessary at this time in relation to your older age and estate planning**

## Your Progress Score: Older Age Planning

You are making good progress with this area of your finances. Your score is 75% which is good and a slight improvement on your previous score. Keep up the good work and you could even push this score higher in the future.




Up Next: Family Financial Planning

# Family Financial Planning

**We know that family sits at the heart of most people's lives. We work hard so our families can enjoy the fruits of our labour. At NorthStar, we absolutely understand this. A large part of your planning will directly include your family. Some items, such as funding university or getting your children on the property ladder can be planned for. Some items are harder to foresee, such as financially supporting elderly parents if necessary. We will help you put the plans in place to support those that mean the most to you.**

If we just think about our own finances, things can sometimes seem complicated, but when we factor in our relationships with other family members, things get really interesting.

Most people will be planning to help or support other family members (or being helped themselves) financially at some point in their lives. Whether this is early in life supporting children or grandchildren with childcare costs or education fees, helping children get onto the property ladder or financially supporting elderly relatives, our finances often are intertwined with those we love. Let's take a look at some of the key family financial planning areas:

### School & University Fee Planning

You discussed the idea of sending your children to a private, fee-paying school with your wife, Linda some years ago. You agreed that on balance this was not something that you wanted to pursue. Jack has now started secondary school and Mia will join him at the same school in two years' time. School fees planning is therefore not necessary in your situation.

You think that it is highly likely that at least one (probably both) of your children will attend university. This is likely to be at age 18 (or 19 if they take a 'gap year' before starting). This give a period of 6 years to consider and plan to fund this requirement before Jack may start at university. The current university funding arrangement is that fees are payable only when your children earn over a certain level (currently £21k per year). University fees can be in excess of £9k per year so these are not insignificant.

Other expenses will include housing and living costs which can vary depending on which university your children attendant and the lifestyle they have. During our discussions, you have said that you would like to give your children an income of £800 a month towards their university education. This would require a total investment of around £25k for each child. We should setup a specific investment policy and fund this with £400 per month over 5 years to create this sum for each child. You should start the first of these investments next year and the second in 5 years' time. We will provide you with advice on the best investment vehicle and investments to achieve this before your next financial planning review.

### Investing for children

We have discussed the idea of taking out Junior ISAs and other savings and investments for your children. At the moment, you feel that you funding for a 'university fund' is the best option and do not want to help your children invest it their own names at the moment. Once your children start any form of employment, we should discuss whether they want to start a Junior ISA (or even a pension) to encourage the savings habit and to help explain the importance of long-term investment to them.

### Helping children onto the Property Ladder

The average first-time buyer in the UK now needs a deposit of over £33k which can create a significant barrier to getting onto the housing ladder. It is unlikely your children will be buying their first home within the next 10 years but you have always thought that you would like to be able to give them each a 25% deposit (around £50k) towards their first house. We have discussed this briefly and agreed that, when the time comes, it may be necessary to sell your buy-to-let property to help fund this. Alternatively, if circumstances allow, one of your children could purchase this property from you.

### Weddings & Family Events

The average UK wedding now costs around £24k. It is unlikely (although not impossible) that your children will get married any time within the next 10 years. If and when they do, you have expressed a desire to be able to offer the £10k to help fund a wedding. It is likely you will be able to afford this from your general investments (ISAs) and we have assumed that your children get married at age 32 (the average age in the UK) for the purpose of our financial forecasting and that you provide £10k to both of them when the time comes.

### Caring for Elderly Relatives

There are no pressing long-term care or other issues with your elderly relatives. Nigel - your parents have both passed away as has Linda's father. Linda's mother is now 82 but in very good health. It is worth thinking through how you may react if she needs care or has other needs. The rough outline plan would be to use her savings (approx. £100k) to fund this before looking to sell her home if she needed residential care. You have spoken with Linda's mother and she says her will is up-to-date and Linda's has an enduring power of attorney over her mother's affairs.

**Most of your family financial planning issues are well thought through and in hand. The most pressing issues are funding for your children's university arrangements and ensuring you have sufficient investments for other inevitable life events such as weddings and your children purchasing their first home. Overall, everything looks in hand.**

**We will create an investment recommendation to create a policy specifically for the university funding for both Jack and Mia to provide a lump sum of around £25k for each child before they start university. This can then be used to provide each child with a monthly income from you of £800 to help pay for housing and living expenses over 3 years.**

## Your Progress Score: Family Financial Planning

You are making great progress with this area of your finances. Your score is 85% which is great and a real improvement on your previous score. Keep up the good work and you could even push this score higher in the future.

Progress
85%

**Up Next:** Disclaimers & Risk Warnings

# Additional Information

# Disclaimers & Risk Warnings

**It is important that you understand the following limitations, assumptions, disclaimers, risk warnings and other important information.**

- This report is based on a series of assumptions. Nothing within this report is guaranteed and there is inherent uncertainty when looking at long-term forecasts and projections.
- Longevity statistics taken from the Office of National Statistics 'How Long Will My Pension Need to Last?'. All data correct as at the date of this document. Life expectancy is calculated using the 2014-based principal projection for 2016 in the UK produced by the Office of National Statistics.
- Some data and charts within this report are provided by CashCalc. A number of assumptions and simplifications have been used within the calculations. Please refer to the 'Financial Forecast Output' in the appendix for details of these assumptions, the underlying calculations and additional relevant information. It is important to understand that these are projections and not accurate forecasts.
- Nothing within this report should be construed as specific, regulated advice. This report is designed to be a strategic overview of your financial situation. Where this report identifies specific actions need to be taken, we will recommend additional research be carried out and provide you with specific advice.
- All recommendations are based on our understanding of your current situation and on information disclosed by you in our discussions and by you to other third parties. Failure to disclose any information that may be relevant to these recommendations may affect the appropriateness of the advice given within this report. If you believe any information within this report to be inaccurate or incomplete, please inform us.
- If you require clarification on any aspect of this report or would like more information, please inform us and this will be provided to you.
- All recommendations are based on our understanding of current UK legislation and taxation, which can change at any time and may also be retrospective.
- The ideas, advice and recommendations contained within this report remain the property of NorthStar Wealth Management and may not be copied, disseminated or distributed without permission. The recommendations provided remains valid for 3 months from the date of this report and must be carried out in full by NorthStar Wealth Management to retain their validity.
- NorthStar Wealth Management Group Ltd is authorised and regulated by the Financial Conduct Authority. Our Financial Conduct Authority number is 716709. Our registered office is Ocean Village Innovation Centre, Ocean Way, Southampton, Hampshire, SO14 3JZ.

Up Next: Agreement

# Agreement

**Sign to say you have read and understood this report and you agree to the actions outlined. We will then implement the agreed actions.**

We confirm that I we have read and understood this report and accept the recommendations contained within it.

| | | |
|---|---|---|
| Client name: | | |
| Client signature: | | |
| Date of signature: | | |

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