

# A Guide to Cashflow Modelling



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## Welcome to Succession Wealth

**Our Wealth Planners are here to help you take control of your finances and provide you with the confidence you need to go after the things that matter to you.**

Succession Wealth Management Limited is a large national independent financial planning firm operating in England and Scotland. Our teams of independent Wealth Planners deliver high-quality advice to thousands of clients throughout the UK, and we're committed to helping people achieve more with their money.

Our clients are at the heart of everything we do and looking after their wealth journey is a privilege to us. The relationships we build last longer than a lifetime, and we are proud to provide advice across generations. When you choose to work with us, we promise to provide an exceptional personal service tailored to your unique financial aspirations.

## Is it time to bring your money to life?

**Wealth is more than money; managed the right way, it should be a tool that gets you closer to your goals, to serve you at different stages of your life.**

Cashflow modelling is a vital part of the financial planning process and is completed with the aim of achieving financial goals, such as repaying your mortgage, buying a holiday home, paying for school and university fees and being able to retire when you want to. It is also important that you have sufficient funds for emergencies to provide for unexpected expenses, such as a job loss or long-term illness.

A cashflow model is a graphic representation of all your assets, investments, debts, income and expenditure, projected forward, year-on-year. With the help of carefully calculated assumed rates of growth aligned to selected risk levels, interest, inflation and wage rises, it can show you a range of potential outcomes.

### Clarity over your goals

The key to this is analysis based on your goals and desired future lifestyle. How much is enough money for every scenario? Can you afford to retire early and still live the life you want? What impact will choices made today have on your lifestyle in the future?

In order to develop your financial plan, you need clarity over your goals, your objectives, and your motivations. Cashflow modelling illustrates what might happen to your finances in the future and enables you to plan to ensure that you make the most of your money and achieve your financial objectives.

### Your preferred position

By understanding how your situation could look in the future, it allows you to think strategically about using your money to not only live your life but to create more income sources for yourself.

Cashflow modelling can help you to become and remain financially well organised, determine your lifetime goals, create a lifetime cashflow plan and minimise tax liabilities. It focuses on where your money needs to go to when aiming to fulfil your future goals.

The process shows your current position relative to your preferred position and your goals, by assessing your current and forecasted wealth, along with income inflows and expenditure outflows to create a picture of your potential finances, both now and in the future





## Visualise your financial future

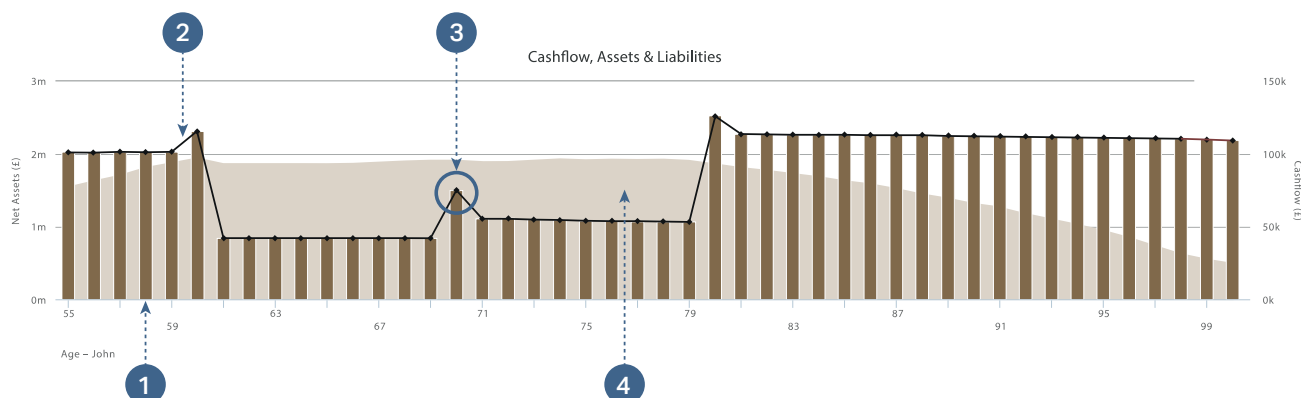
This detailed picture will include all of your assets such as investments, debts, income, and expenditure, which are then projected forward, and estimated year by year, using calculated rates of growth based on your risk profile, income, inflation, wage rises and interest rates.

In order to implement a detailed plan that outlines how to deliver your estimated financial future, communication is vital, and the process and planning is only as good and as comprehensive as the information provided.

Cashflow modelling helps you to visualise your financial future with easy-to-understand charts and graphs. It can determine what recommendations and best course of action are most appropriate for your particular situation.

Where cashflow modelling becomes particularly useful is the analysis of different scenarios based on decisions you may make – this could be lifestyle choices or perhaps investment decisions. By matching your present and expected future liabilities with your income and capital, recommendations can be made to provide a view of your financial future at that point in time.

### An example of what a cashflow model looks like:



In the example, the gold bars [1] represent an individual's income, which could be made up of income from employment and withdrawals from assets and investments such as Pension, ISA's, GIA's, Investment Bonds, Cash holdings etc.

The black line [2] is the individual's anticipated expenditure and, in this example, includes living expenses, a purchase of a new car at age 60, 70 and 80. Gifting money to their children from age 70 onwards. At age 80, personal care costs have also been factored in.

When the black line meets the gold bars [3], it is displaying that the individual's income and/or withdrawals from assets/investments can be used to meet their expenses.

The shaded background [4] represents the individual's realisable assets which are being used for the purpose of the cashflow modelling and the effect on these assets by meeting their capital expenditure.

You will see from the chart that from the age of 70 the individual's net assets are starting to reduce as they are withdrawing from their assets to meet their increased expenses (which is due to making gifts and anticipated personal health care costs on top of their general living expenses).

Throughout the cashflow model the individual's income continues to meet their expenditure which demonstrates that they could maintain their desired lifestyle without the fear of running out of money and will still have assets remaining once they reach 100 years of age.

#### Some points to note:

1. The example includes assumed rates of growth, interest and inflation.
2. Any cashflow model is bespoke and built to reflect your specific individual circumstances and situation.

## Regular reviews and reassessments

As your circumstances may change, so your cashflow situation may also change. As this is in essence a snapshot in time of your finances, regular reviews and reassessments are needed to see whether any adjustments need to be made with the aim of ensuring your goals remain on track.

Do you have a forecast of your finances for every year of your life?

A lifetime cashflow forecast should enable you to:

- Produce a clear and detailed summary of your financial arrangements.
- Define your family's version of the good life and begin working towards it.
- Work towards achieving and maintaining financial independence.
- Help identify the potential financial consequences of the death or disablement of you or your partner.
- Plan to minimise your tax liabilities.
- Produce an analysis of your personal expenditure planning assumptions, balancing your cash inflows and your desired cash outflows.
- Estimate future cashflow on realistic assumptions.
- Assist in determining your capital and surplus income in accordance with risk and return expectations.
- Become aware of the tax issues that are likely to arise on your own death and that of your partner.

### Planning to achieve your goals

With every financial corner you turn, it is important to 'run through the numbers', which will help you make the right financial decisions. It is important to be specific. For example, it is not enough to say, 'I want to have enough money to retire comfortably.' You need to think realistically about how much you will need – the more specific you are, the easier it will be to come up with a plan to achieve your goals.

If your needs are not accurately established, then the cashflow modelling forecast will not be seen as personal, and therefore you are unlikely to perceive value in it. Some years, there may not be any change, or just small tweaks. However, in other years, there may be something significant. Either way, you will need to ensure things are up to date in order to keep your own peace of mind knowing your plans are under constant review.



## Contact us

If you would like to discuss this, or any aspect of financial advice with one of our Wealth Planners, feel free to email us at [hello@successionwealth.co.uk](mailto:hello@successionwealth.co.uk) or call us on 0800 051 4659 and we will arrange for someone to contact you.



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### Important Information

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Please note: The Financial Conduct Authority does not regulate advice on lifetime cashflow planning.

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