

Cash flow Training

2 – Webinar Case Study

Cash Flow Case Study – Webinar Case

Jim and Pam are mid-forties with 2 young children. They have made little preparation for retirement but are earning well and want to know how they can achieve their financial objectives.

They would like to help their children financially by paying for university and weddings. They also value family time and holidays and want to make sure they can fund these throughout their life.

They do not know how much money they will need in retirement.

Task: Set up a new client and partner

Set up a new client and partner for your clients Jim and Pam.

You should enter their Surname as “YourNameCS2” to prevent confusion in case you can see other adviser’s clients.

Jim DOB	01/10/1978
Pam DOB	25/03/1979

Put your own email address and phone number for both clients so that you can use client access as if you are them.

Task: Invite them to use client access

Invite them to provide details of their current income, expenditure, arrangements, and goals through client access.

Hint: Remember to toggle off “Client Profiling” and toggle on “Client Information”. You can tick the boxes to allow them to enter their current income, expenditure, arrangements, and goals.

New Invitation

☐ Client profiling

☐ Objectives

☐ Personal circumstances
Ask your client(s) if anything has changed with their personal circumstances

☒ Client information
Ask you client(s) to provide details of their current income, expenditures, arrangements and goals

You are sending this invitation to two clients. Both clients will be able to see each other's financial information. Alternatively, you can send individual invitations.

What information would you like the client to provide?

☒ Incomes ☒ Expenditure

☒ Arrangements ☒ Goals

Client Access

Task: Log into client access and complete your information

Log into client access as if you are Jim.

A potential set of inputs is shown below, either enter this into client access or make up your own data.

Income

Jim's salary	£5,000 paid monthly
Jim's commission (non-guaranteed bonus/overtime)	£5,000 paid monthly
Pam's salary	£3,125 paid monthly

Expenditure

Utilities	£500 per month
Housing	£1,600 per month
Food & drink	£600 per month
Transport	£1,000 per month
Holidays & leisure	£800 per month
Clothing & personal	£500 per month
Family & dependents	£400 per month
Other	Childcare of £1,200 per month

Savings & Investments

Pam's ISA	£5,000	Provided by Quilter
Jim's ISA	£6,000	Provided by Quilter
Pam's Pension	£40,000	Provided by Quilter
Jim's Pension	£65,000	Provided by Quilter
Joint savings	£15,000	Provided by Quilter

Goals

Car purchase	Jan 2028	£40,000
Big holiday	Now, every 3 years	£5,000

Task: Complete all your information and "share with adviser"

Task: Return to Dynamic Planner as the adviser and update the client record

Log back into Dynamic Planner, navigate to your clients, click on client access, and view the responses you have received.

You can accept each of the updates to update the client record.

Data Checks & Additional Information

We can quickly look at the information we have got on each client on the **client details** page. This also allows us to add information that is not gathered from the client directly.

Task: Go to the client details page and complete/update the information

Arrangements

You need to add:

- A fund for each of their pensions and investments accounts
- The contributions they are making to these arrangements.

The funds and current contributions of their arrangements are as follows:

Pam's ISA	£5,000 held in Quilter Investors Cirilium Balanced Passive	£300 per month
Jim's ISA	£6,000 held in Quilter Investors Cirilium Moderate Blend	£300 per month
Pam's Pension	£40,000 held in Quilter Investors Cirilium Balanced Passive	Employee: £200 per month Employer: £200 per month
Jim's Pension	£65,000 held in Quilter Investors Cirilium Moderate Blend	Employee: £400 per month Employer: £400 per month
Joint savings	n/a – savings account	£200 per month

Hint: Don't worry about end dates on the contributions – we will link these to a life phase once we're inside cash flow.

Incomes

You need to check/update:

- Increase rates (they will default to earnings inflation) – lets set them all to price inflation for this exercise.
- Check the frequency that has been entered and turn to monthly if appropriate.

Note: The cash flow modeller works on a monthly forecast basis, so if your client is paying or receiving money monthly you should ensure the frequency is set to monthly.

Expenditures

You know from conversations that the £1,200 childcare costs will end in 2 years, the £400 family and dependents costs will end in 10 years, and they are due to pay off their mortgage (housing costs) in 25 years.

You will need to check/update:

- Increase rates (they will default to price inflation) – we can leave these as they are
- Check the frequency that has been entered and turn to monthly if appropriate.
- Add end dates where they are specified (remember if it is something that will end at retirement, we can link that to a life phase once we are inside cash flow).

Additional Goals

Through conversations you know that Pam and Jim have additional financial goals that they have not sent through. We need to include these in their cash flow plan.

You also know that they want to pay for their children's university fees, they are expecting to contribute £9k a year for each child:

- CeCe will go to university in September 2037 for 3 years
- Philip will go to university in September 2041 for 3 years

As well as making provisions for their weddings (£25k each around 2047 and 2051), and a big extended holiday with the grandkids around 2060 (£30k).

Hint: A goal is an expenditure item – you can also use the “planned goals or events” flag to add an icon and make it visible on cash flow charts.

Task: Add some new goals that cover the objectives above

Task: Check your data!

If you have set everything up as specified, you should end up with data that looks like this (at this stage)

Arrangements

Arrangements							Actions ▼
PORTFOLIO VALUE							
£131,000							
Description	Product type	Latest valuation	Latest valuation date	Account / policy no.	Risk profile		
Jim's ISA (Quilter) / Jim	ISA	£6,000	1 day ago		6		Actions ▼
Pam's ISA (Quilter) / Pam	ISA	£5,000	1 day ago		4		Actions ▼
Savings Account (Other) / Jim & Pam	Savings account/deposit	£15,000	13 hours ago		1		Actions ▼
Jim's Pension (Quilter) / Jim	Personal pension plan	£65,000	1 day ago		6		Actions ▼
Pam's Pension (Quilter) / Pam	Personal pension plan	£40,000	1 day ago		4		Actions ▼

























Note 1: State Pension will be automatically populated after you enter cash flow for the first time with this client.

Note 2: The end dates are not important here, we will be updating them in cash flow.

Incomes

Description	Owner	Amount	Start date	End date	
Jim's Commission - Non-guaranteed bonuses or overtime (gross)	Jim	£60,000 per year	Aug 2024	Rest of life	🗑️
Pam's Salary - Salary or wages (gross)	Pam	£37,500 per year	Aug 2024	Rest of life	🗑️
Jim's Salary - Salary or wages (gross)	Jim	£60,000 per year	Aug 2024	Sep 2046	🗑️

Expenditures

Description		Owner	Amount	Start date	End date	
Food & drink		Jim & Pam	£7,200 per year	Aug 2024	Rest of life	
Family & dependants		Jim & Pam	£4,800 per year	Aug 2024	10 years	
Utilities		Jim & Pam	£6,000 per year	Aug 2024	Rest of life	
Big holiday with grandkids		Jim & Pam	£30,000 one-off	Jan 2060		
Car purchase		Jim & Pam	£40,000 one-off	Jan 2028		
Cece's University Fees		Jim & Pam	£9,000 per year	Sep 2037	3 years	
Transport		Jim & Pam	£12,000 per year	Aug 2024	Rest of life	
Clothing & personal		Jim & Pam	£6,000 per year	Aug 2024	Rest of life	
Philip's Wedding		Jim & Pam	£25,000 one-off	Jan 2051		
Retirement Spending		Jim & Pam	£43,100 per year	Oct 2046	Rest of life	
Childcare costs		Jim & Pam	£14,400 per year	Aug 2024	2 years	
Travel		Jim & Pam	£1,667 per year	Dec 2024	Rest of life	
Philip's University Fees		Jim & Pam	£9,000 per year	Sep 2041	3 years	
Cece's Wedding		Jim & Pam	£25,000 one-off	Jan 2047		
Holidays & leisure		Jim & Pam	£9,600 per year	Aug 2024	Rest of life	
Housing		Jim & Pam	£19,200 per year	Aug 2024	25 years	

View the current situation

Task: Create a new cash flow plan

When we create a new cash flow plan, it will pre-populate with three life phases:

- Pre-retirement
- Retirement
- Late retirement

Pam and Jim are not sure of their retirement spending, but they know that they do not want to work past age 65. We should show them a few options for spending based on the PLSA retirement standards for a couple:

- Minimum: £22,400
- Moderate: £43,100
- Comfortable: £59,000

The Pensions and Lifetime Savings Association (PLSA) set out levels of retirement standards based on data for current pensioners. You can find out more information here:

<https://www.retirementlivingstandards.org.uk/>

Task: Create a “Retirement Spending” expenditure.

Hint: You can use a “flexible” expenditure item covering “Retirement Spending” to cover the three different levels of retirement spending, add them as an annual amount and convert to a monthly.

Task: Link your start and end dates (where appropriate) to the correct life phase

For incomes and expenditures that do not have specified start and end dates we should link these to a life phase.

- Link the three incomes to start at the start of pre-retirement, and end at the end of pre-retirement
- Link all the contributions to start at the start of pre-retirement, and end at the end of pre-retirement
- Link the expenditures without an end date to the start of pre-retirement, and end at the end of pre-retirement (excluding retirement spending)

Hint: You’ll need to make sure that all regular expenditure ends at the start of the retirement life phase, as the “Retirement spending” item will replace them.

Note: Cash flow will pre-populate the state pension incomes to start at the correct time; don’t link these to a life phase

Task: Set your retirement phase to start no later than age 65

Task: Create a meaningful cash flow plan

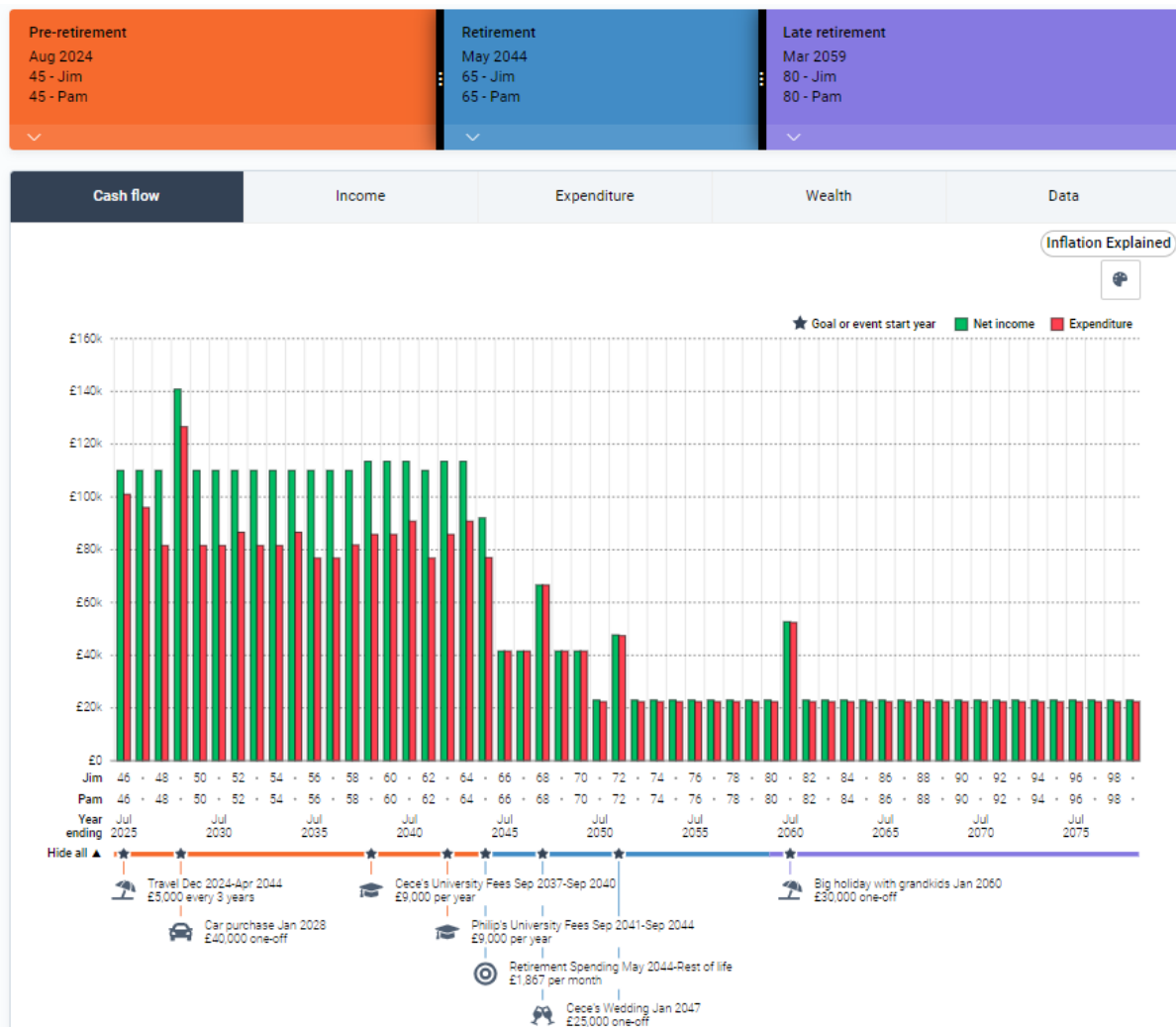
Based on all the information you have so far, show Pam and Jim the type of retirement they might be able to afford.

Hint: You can use the “Disinvest from arrangements” drop down to withdraw from their arrangements when they are in shortfall rather than set up specific withdrawals, and change their level of spending in retirement using the “Must do”, “Like to”, “Dream of” drop down menu.

Task: Check your cash flow chart!

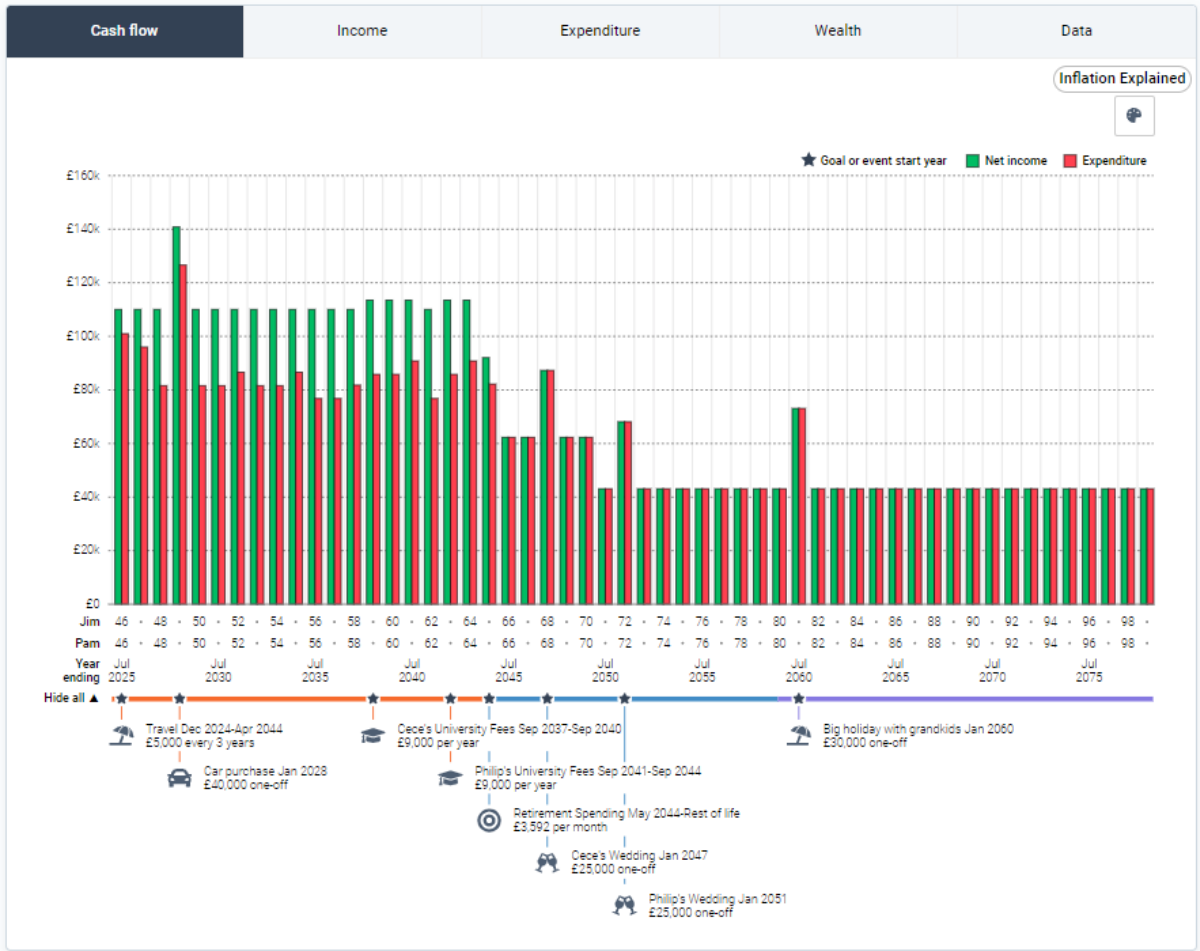
If you have followed all the steps so far you should end up with a cash flow chart that looks like this:

“Must do” level of expenditure

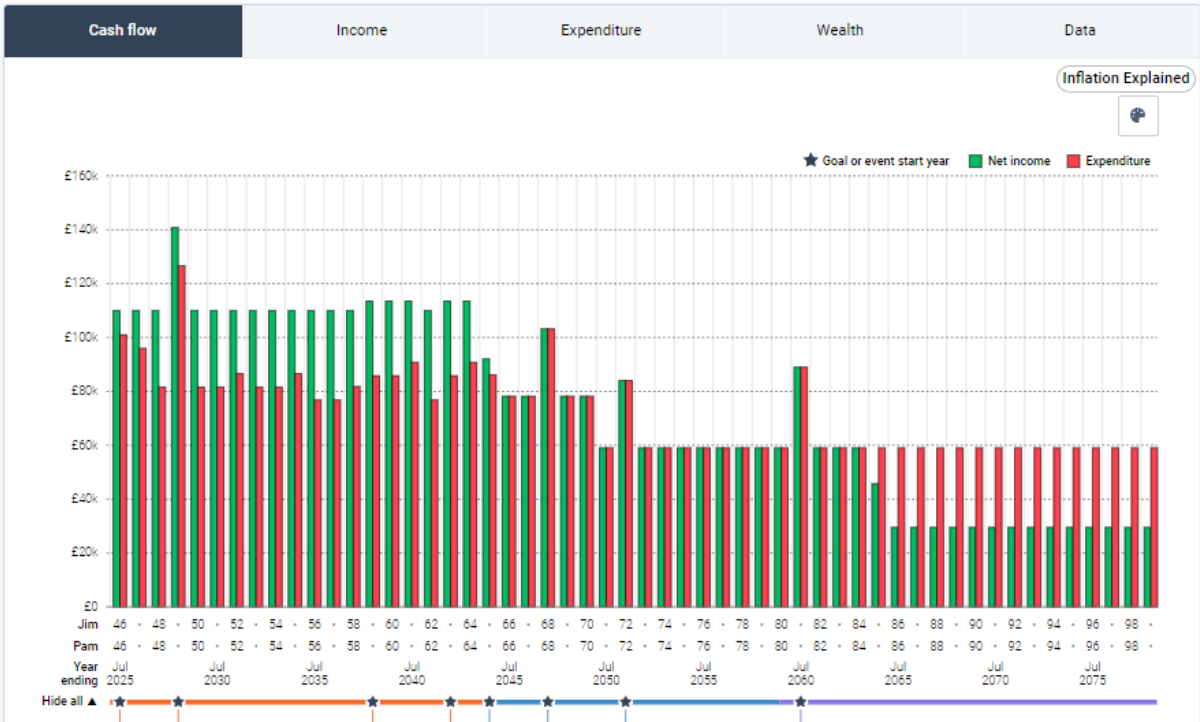


Note: Your chart will look slightly different due to starting your training at a different point in time. The shape should be the same.

“Like to” level of expenditure



“Dream of” level of expenditure



Improving the current situation

Pam and Jim do not have enough money currently saved to fulfil their financial goals under their “dream of” level of retirement spending, but they do have surplus in their working life.

Task: Quickly show what would happen if their surplus was invested into Jim’s ISA

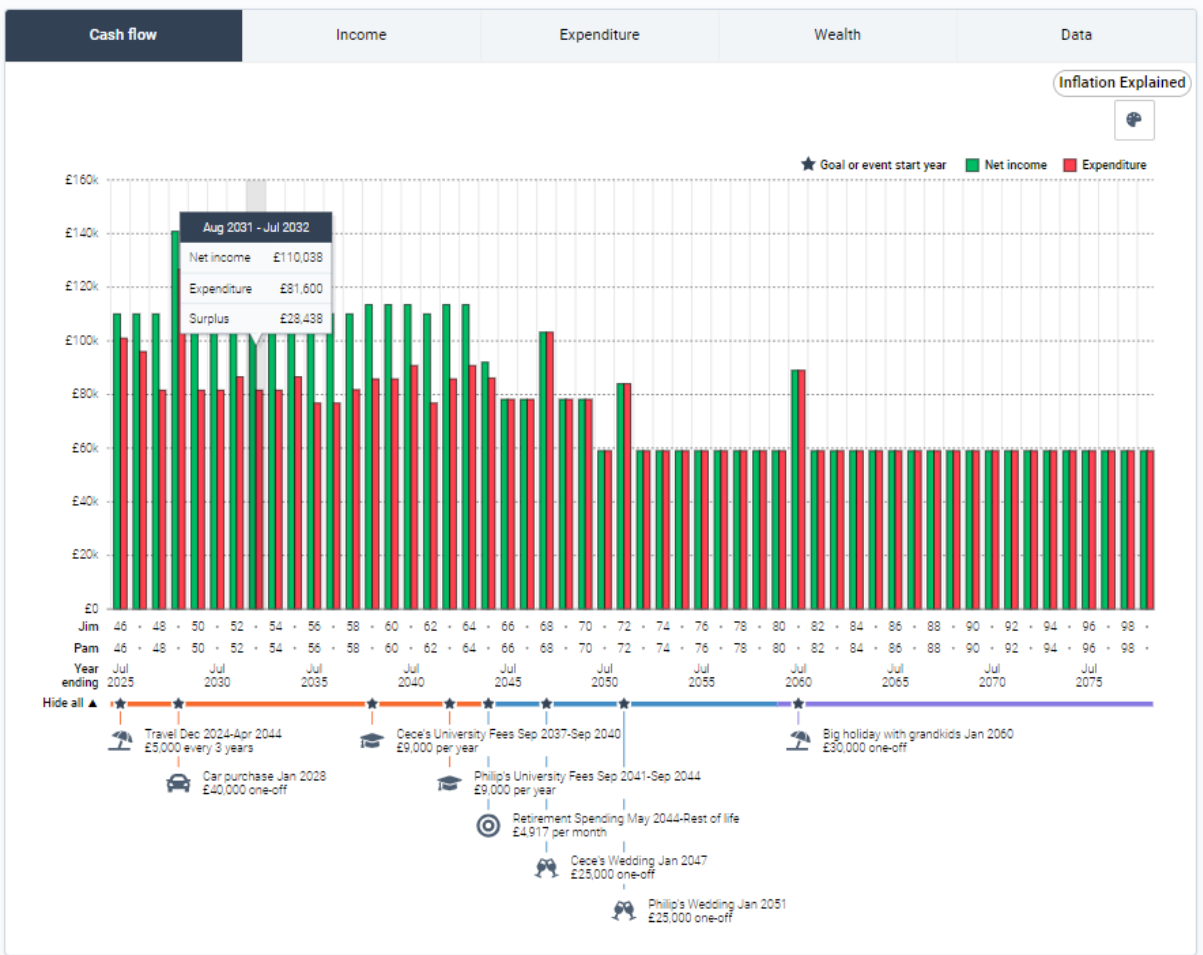
Hint: Invest surplus might help you here (and then maybe you can change the spending level to “dream of” too?)

Check: You can compare your new cash flow chart

Expenditure level = Dream of

Disinvest = Yes

Invest surplus = Yes, Jim’s ISA



You’ve found a way to improve Pam and Jim’s financial situation! You can now produce a report so that they can take this away.

Task: Create a report to show Pam and Jim their cash flow plan

If you want to carry on...

The next step in your advice process might be to recommend that Pam and Jim save some of their surplus funds into Jim's pension. You could model this in cash flow by turning "Invest surplus" off and adding another employee contribution into Jim's pension before moving on to the recommendations and research modules.

Thank you for completing the webinar case study, for further practice you can also follow the additional case studies, "Cash flow Training – 3 – Additional case study and Q&A" and "Cash flow Training – 4 – In Retirement".