

Cash flow Training

3 – Additional Case Study and Q&A

Cash flow Case Study – Additional Case – Part 1

Michael is mid-fifties and not financially savvy.

He's currently single and has not considered his retirement.

Task: Set up a new client

Set up a new client for your client Michael.

You should enter their Surname as “YourNameCS3” to prevent confusion in case you can see other adviser’s clients.

Michael DOB 15/03/1970

Put your own email address and phone number so that you can use client access as if you are Michael.

Task: Invite him to use client access

Invite him to provide details of his 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 [X]

☐ 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 Michael.

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

Income

Salary	£6,000 paid monthly
Bonus (non-guaranteed bonus/overtime)	£10,000 paid quarterly

Expenditure

Utilities	£400 per month
Housing	£1,500 per month
Food & drink	£750 per month
Transport	£500 per month
Holidays & leisure	£800 per month
Clothing & personal	£250 per month

Savings & Investments

Savings account	£25,000	
Pension	£50,000	Provided by Aviva

Goals

Holiday to Jamaica	December 2028	£40,000
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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 dashboard**. This also allows us to add information that is not gathered from the client directly.

Task: Go to the client dashboard 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:

Michaels's Pension	£50,000 held in Aviva Inv AI Multi-asset Plus II 2	Employee: £200 per month Employer: £200 per month
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) – we will 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 will need to check/update:

- Increase rates (they will default to price inflation) – we will 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).

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						Actions
PORTFOLIO VALUE £75,000						
Description	Product type	Latest valuation	Latest valuation date	Account / policy no.	Risk profile	
Savings (Other) / Michael	Savings account/deposit	£25,000	16 hours ago		1	Actions
Pension (Quilter) / Michael	Personal pension plan	£50,000	16 hours ago		4	Actions

Income						Add income
Description	Owner	Amount	Start date	End date		
Salary - Salary or wages (gross)	Michael	£72,000 per year	Apr 2024	Rest of life		
Bonus - Non-guaranteed bonuses or overtime (gross)	Michael	£40,000 per year	Apr 2024	Rest of life		

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.

Expenditures						Add expenditure
Description	Owner	Amount	Start date	End date		
Housing	Michael	£18,000 per year	Apr 2024	Rest of life		
Food & drink	Michael	£9,000 per year	Apr 2024	Rest of life		
Holidays & leisure	Michael	£9,600 per year	Apr 2024	Rest of life		
Utilities	Michael	£4,800 per year	Apr 2024	Rest of life		
Transport	Michael	£6,000 per year	Apr 2024	Rest of life		
Clothing & personal	Michael	£3,000 per year	Apr 2024	Rest of life		
Travel	Michael	£40,000 one-off	Dec 2028			

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

Michael is not sure of his retirement spending, or when he will be able to retire. We should show him a few options for spending based on the PLSA retirement standards for a single person:

- Minimum: £14,400
- Moderate: £31,300
- Comfortable: £43,100

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 two 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 to start at the start of pre-retirement, and end at the end of pre-retirement (excluding retirement spending)
- Ensure that retirement spending is linked to the start of the retirement phase and continues for the rest of life.

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 this to a life phase

Task: Create a meaningful cash flow plan

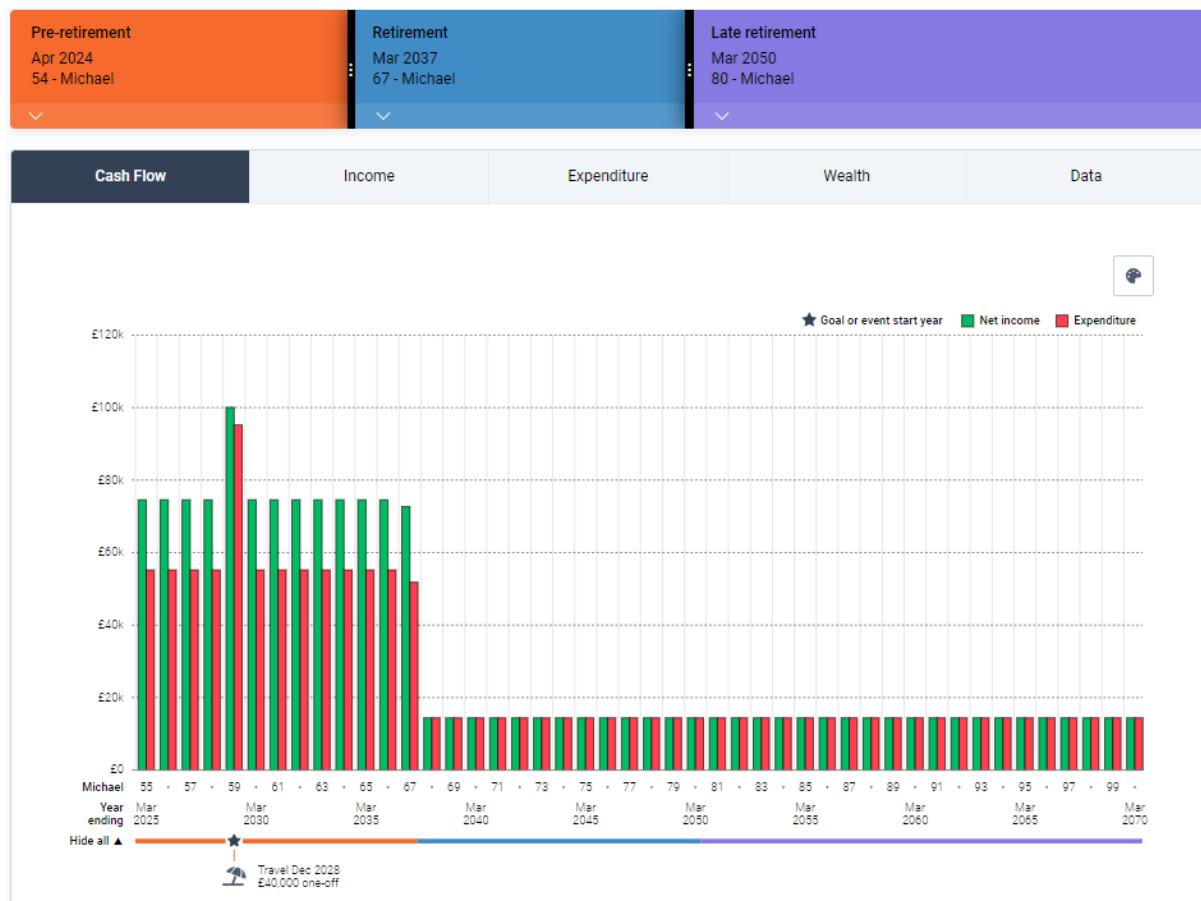
Based on all the information you have so far, show Michael the type of retirement he might be able to afford if he continues as he is.

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.

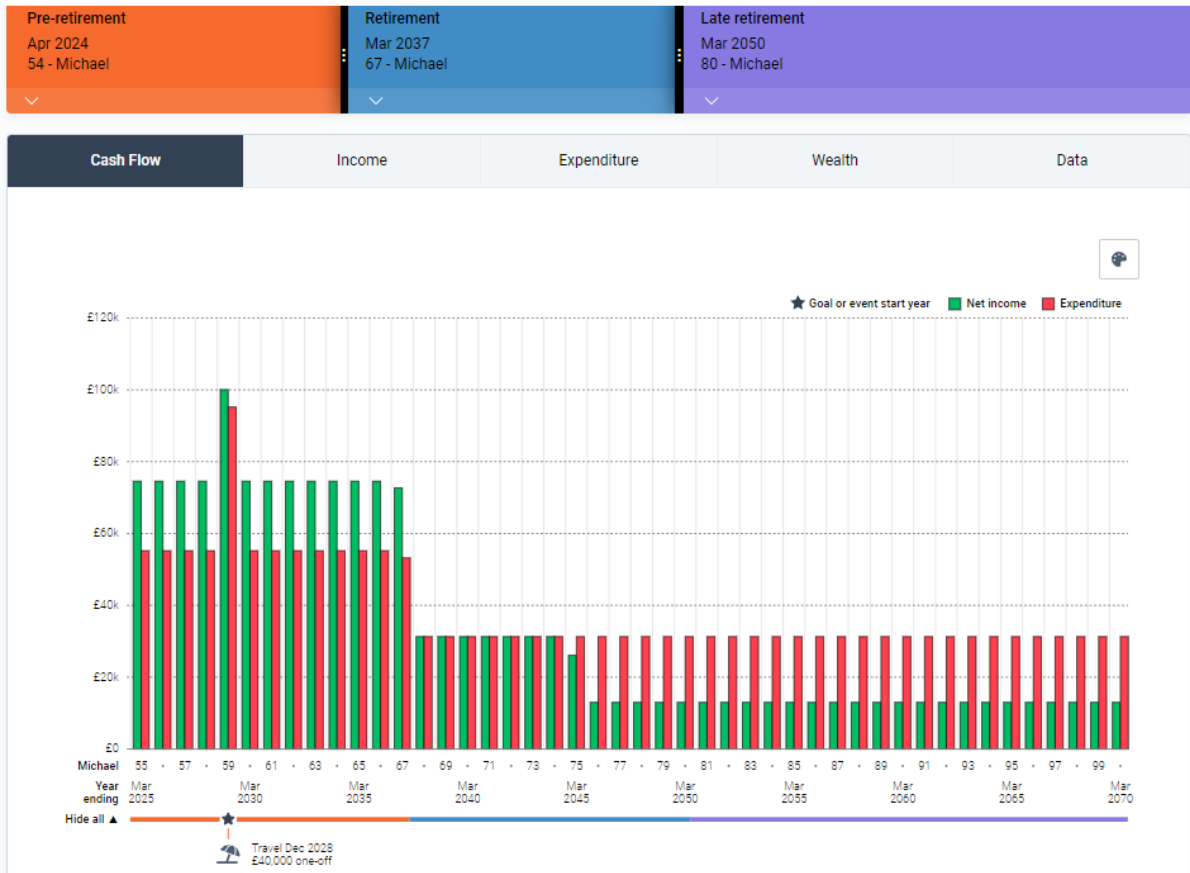
Task: Check your cash flow chart

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



“Like to” level of expenditure



Improving the current situation

Michael does not have enough money currently saved to fulfil their financial goals under their “like to” level of retirement spending, but he does have surplus in his working life.

Task: Quickly show what would happen if Michael saved his surplus as cash

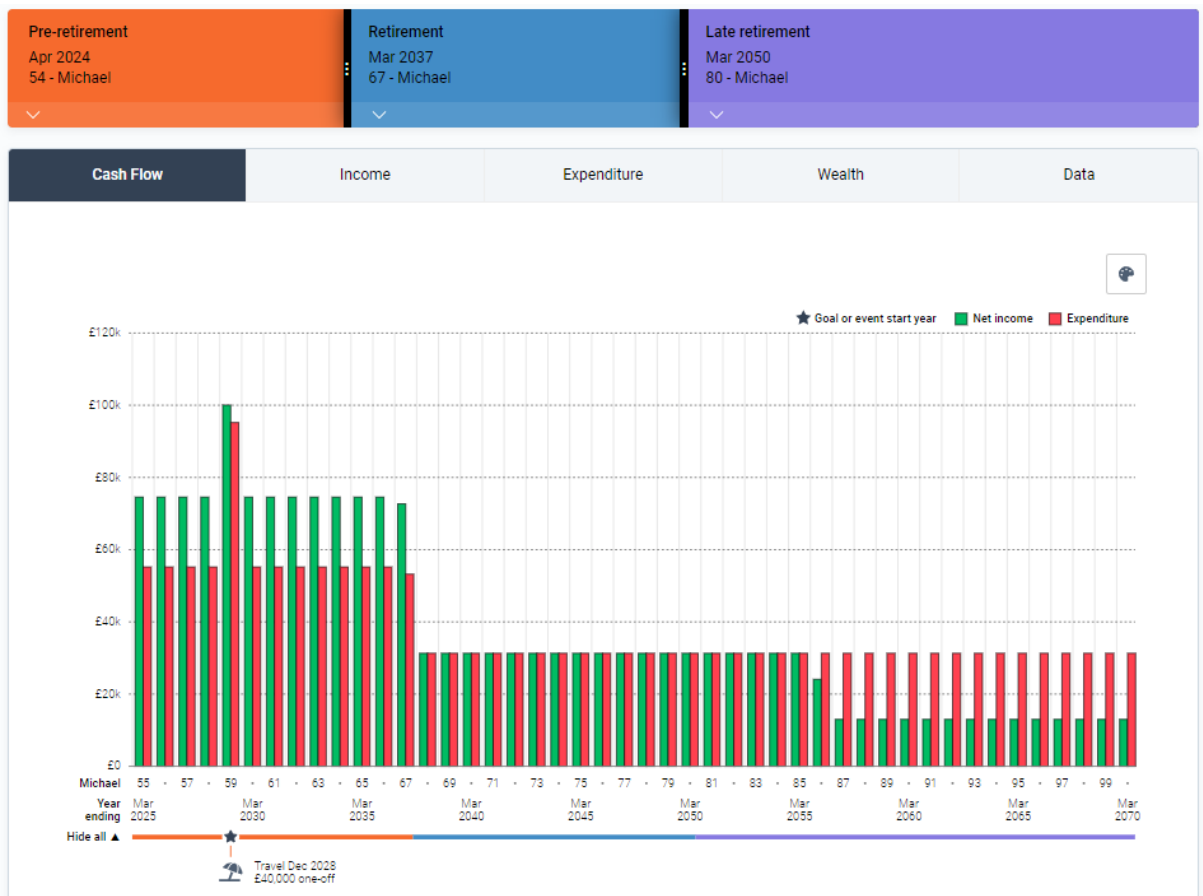
Hint: Invest surplus might help you here

Check: You can compare your new cash flow chart

Expenditure level = Like to

Disinvest = Yes

Invest surplus = Yes, as cash



You’ve found a way to improve Michael’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

You’ve completed part 1 of this case study, but if you want more cash flow practice you can continue to part 2!

Cash flow Case Study – Part 2 – A Year later...

It's one year later.

Michael listened to your advice last year and set up a new ISA to save some of his surplus funds into. He also got engaged and is now planning a wedding! He'd like to look at their combined finances and see how their life is looking.

Cash flow works in real time, so we're just pretending that a year has passed here!

Task: Add a partner for Michael

Hint: If you go to Michael's client dashboard and head to "Relationships" you'll be able to add a new partner and link her to Michael.

Michael's fiancé is called Holly.

You should enter their Surname as "YourNameCS3" to prevent confusion in case you can see other adviser's clients.

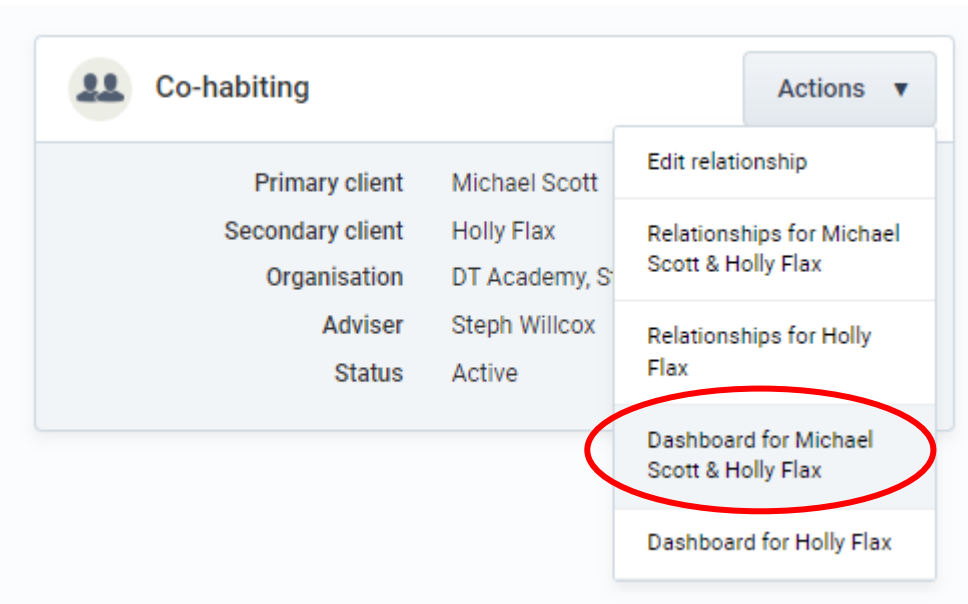
Holly DOB 03/03/1977

Put your own email address and phone number so that you can use client access.

Task: Invite them to use client access

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

Hint: You'll need to make sure you're in the joint dashboard for Michael Scott and Holly Flax – you can get to this from the relationships view, or the search bar at the top of Dynamic Planner.



Client Access

Task: Log into client access and complete your information

Log into client access as if you are one of the couple.

Michael has made some changes, and we have Holly's information to include too

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

Income

Holly's salary	£3,000 paid monthly
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Expenditure

Set all of these (even those not listed) to joint now.

Any not listed remain unchanged in terms of spending.

Utilities	£600 per month
Food & drink	£1,000 per month
Transport	£750 per month
Holidays & leisure	£1,000 per month

Savings & Investments

Savings account	£25,000	
Michael's Pension	£75,000	Provided by Aviva
Michael's ISA	£12,000	Provided by Aviva
Holly's Pension	£60,000	Provided by Aviva
Holly's ISA	£10,000	Provided by Aviva

Goals

Wedding	June 2025	£40,000
House deposit	April 2030	£100,000

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 dashboard**. This also allows us to add information that is not gathered from the client directly.

Task: Go to the client dashboard 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:

Michael's Pension	£75,000 held in Aviva Inv AI Multi-asset Plus II 2	Employee: £500 per month Employer: £200 per month
Savings	n/a – savings account	£200 per month
Michael's ISA	£12,000 held in Morningstar Adventurous Portfolio (Passive)	£300 per month
Holly's Pension	£60,000 held in Aviva Inv AI Multi-asset Plus II 2	Employee: £400 per month Employer: £200 per month
Holly's ISA	£10,000 held in Aviva Inv AI Multi-asset Plus II 2	£250 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:

- Re-label Michael's salary and bonus if you need to so that it is easier to recognise
- Increase rates (they will default to earnings inflation) – we will set them all to price inflation for this exercise.

Expenditures

You will need to check/update:





- Increase rates (they will default to price inflation) – we will leave these as they are
- 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).

Note: we will update the retirement spending inside cash flow – if you are outside of cash flow any variable expenditure will only contain the "Like to" amount.

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 Actions ▼						
PORTFOLIO VALUE £182,000						
Description	Product type	Latest valuation	Latest valuation date	Account / policy no.	Risk profile	
Michael's ISA (Quilter) / Michael	ISA	£12,000	4 days ago		7	Actions ▼
Holly's ISA (Quilter) / Holly	ISA	£10,000	4 days ago		4	Actions ▼
Savings Account (Other) / Michael	Savings account/deposit	£25,000	4 days ago		1	Actions ▼
Pension (Quilter) / Michael	Personal pension plan	£75,000	4 days ago		4	Actions ▼
Holly's Pension (Quilter) / Holly	Personal pension plan	£60,000	4 days ago		4	Actions ▼

Income Add income					
Description	Owner	Amount	Start date	End date	
State pension for Michael - State pension (gross)	Michael	£10,600 per year	Mar 2037	Rest of life	
Holly's Salary - Salary or wages (gross)	Holly	£36,000 per year	Apr 2024	Rest of life	
Michael's Salary - Salary or wages (gross)	Michael	£72,000 per year	Apr 2024	Rest of life	
Michael's Bonus - Non-guaranteed bonuses or overtime (gross)	Michael	£40,000 per year	Apr 2024	Rest of life	

Note 1: State Pension for Michael has been populated because we have already been into cash flow with him. Holly's state pension will be automatically populated after you enter cash flow for the first time with this client. This value may be different for you based on the State Pension applicable today.

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

<div><div> Expenditures</div><div>Add expenditure</div></div>					
Description	Owner	Amount	Start date	End date	
Retirement Spending	Michael	£31,300 per year	Mar 2037	Rest of life	
House purchase 	Michael & Holly	£100,000 one-off	Apr 2030		
Transport	Michael & Holly	£6,000 per year	Apr 2024	Rest of life	
Wedding 	Michael & Holly	£40,000 one-off	Jun 2025		
Utilities	Michael & Holly	£7,200 per year	Apr 2024	Rest of life	
Food & drink	Michael & Holly	£12,000 per year	Apr 2024	Rest of life	
Holidays & leisure	Michael & Holly	£12,000 per year	Apr 2024	Rest of life	
Housing	Michael & Holly	£18,000 per year	Apr 2024	Rest of life	
Clothing & personal	Michael & Holly	£3,000 per year	Apr 2024	Rest of life	

Note: You may have already updated the retirement spending expenditure to be a joint spending

View the current situation

Task: Create a new joint cash flow plan

Task: Update the “Retirement Spending” expenditure, link all incomes, expenditures and contributions to the right life phase.

The PLSA standard for a couple are:

- Minimum: £22,400 (£1,866.67 monthly)
- Moderate: £43,100 (£3,591.67 monthly)
- Comfortable: £59,000 (£4,916.67 monthly)

Update your retirement spending expenditure to a variable expenditure item with the values above. You can also change it to joint spending at this point.

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

- Link Michael’s incomes to start at the start of pre-retirement, and end at the end of pre-retirement (excluding state pension)
- Link Holly’s incomes to start at the start of pre-retirement, and end at the start of Holly’s retirement (excluding state pension)
- Link Michael’s contributions to start at the start of pre-retirement, and end at the end of pre-retirement
- Link Holly’s contributions to start the start of pre-retirement, and end at the start of Holly’s retirement
- Link the expenditures to start at the start of pre-retirement, and end at the end of pre-retirement (excluding retirement spending and the one-off goals)
- Ensure that retirement spending is linked to the start of the retirement phase and continues for the rest of life.

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 this to a life phase

Task: Create a meaningful cash flow plan

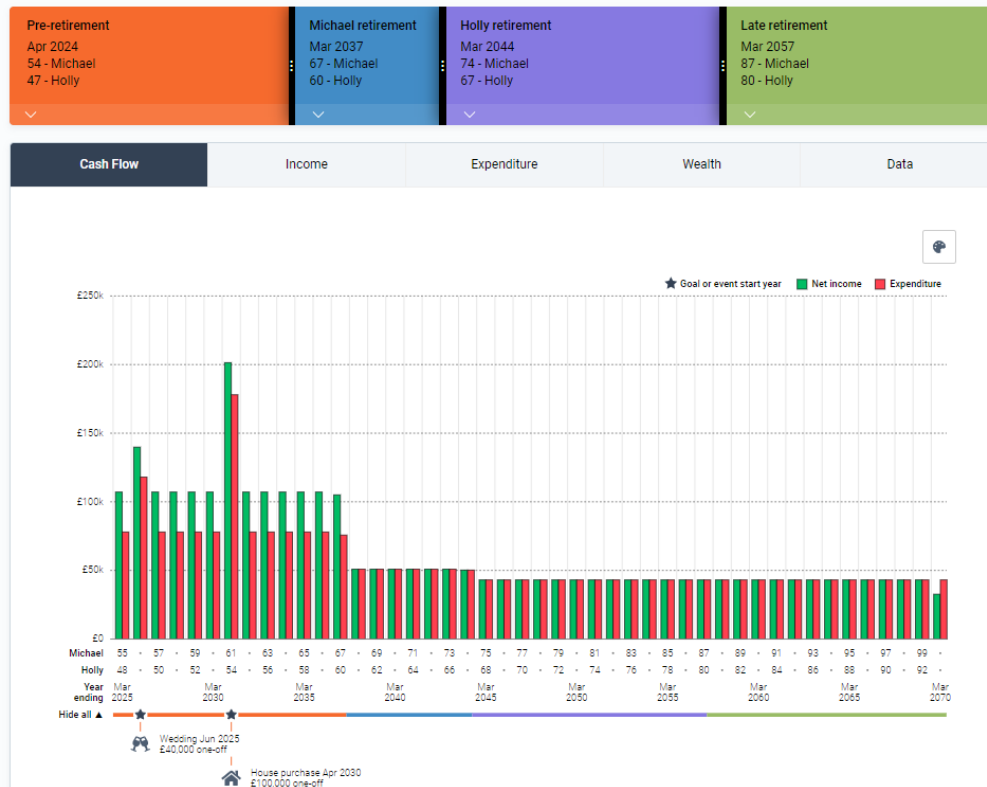
Based on all the information you have so far, show Michael and Holly the type of retirement they are on track for, and see if they can achieve their planned goals.

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.

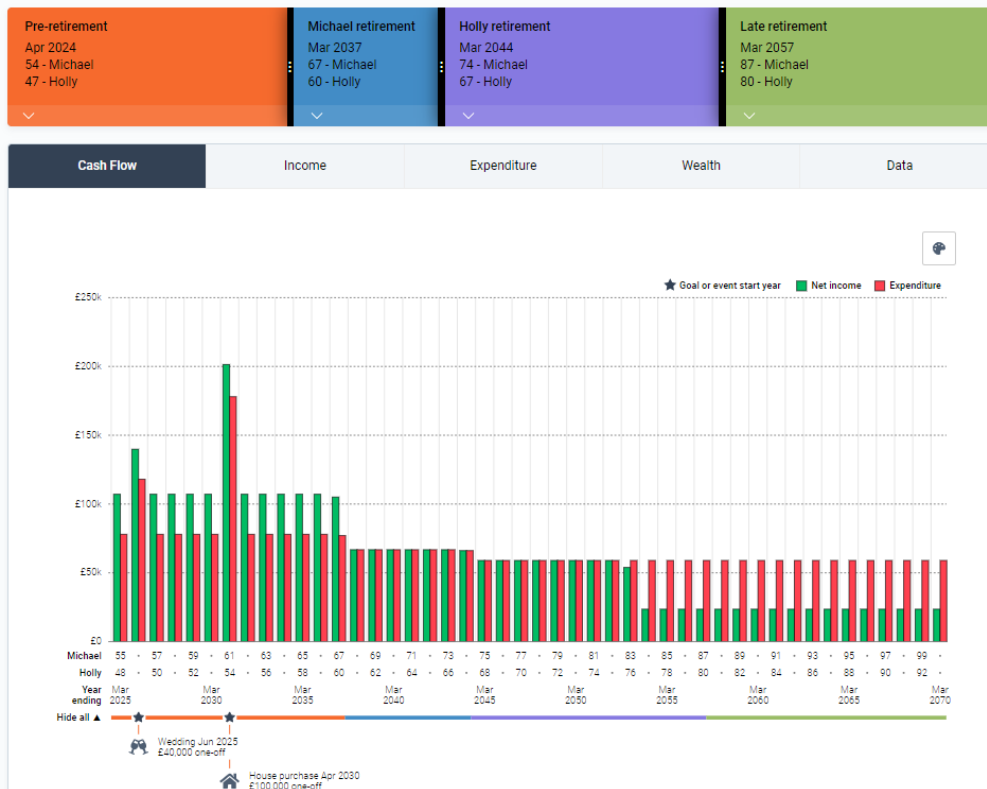
If you have followed all the steps so far you should end up with a cash flow chart that looks like this:

Task: Check your cash flow chart!

“Must do” level of expenditure



“Dream of” level of expenditure



Q&A

Task: Look at your results and answer some questions about the cash flow plan

We have shown Michael and Holly that they can afford their “Like to” level of expenditure for almost their whole cash flow plan, including the spending on their wedding and their house.

You can test your understanding of Dynamic Planner Cash flow by answering the questions below.

Question: What is the “Dream of” chart showing us?

If we continue to experience the same income, expenditure and contributions (adjusted for inflation), and we disinvest from our pensions, savings and investments as we need to (where there is a shortfall in our income vs expenditure), we can expect Michael and Holly’s money to last until Michael is 83 (Holly is 76). This is unlikely to be accepted, so the “Dream of” level of expenditure is not really achievable as things are planned.

Question: Why are the incomes and expenditures flat in the chart? Shouldn’t we be allowing for inflation?

Inflation is being allowed for in all calculations. We show all the results in Dynamic Planner in real terms, so we reflect the purchasing power of money at every point in the future.

This means that if you set an income or expenditure to increase with price inflation it will show as a constant value in the charts.

Question: Why do they have surplus in their event years? Why did the system disinvest too much money to meet their goal?

Cash flow forecasts on a monthly basis, so in each forecast year when there is a non-monthly payment, we need to make that payment from the income received so far in that year and make the shortfall up with a disinvestment. Once the non-monthly payment has been made, monthly income will still be received for the rest of the calendar year causing a surplus in the annual income again.

Question: What assumptions have been used for investment growth?

Dynamic Planner Cash flow is stochastic, so there is not one assumed level of growth being used in the forecasts. To see the current expected returns and volatility for each risk level you can look in the report appendix. These are updated Quarterly.

Question: Why does my wealth chart start to decrease even if I turn disinvestment off?

When disinvestment is turned off for Michael and Holly they have a shortfall once they get to Michael’s retirement phase. This shortfall accumulates as debt over time (which you can see on the “Data” tab) and reduces the level of wealth. Debt accumulates in line with inflation.

Question: Why does turning disinvestment on make the wealth chart decrease faster?

When you start to withdraw from your assets you lose out on investment returns, as well as the actual withdrawal amount, so you expect your assets to decrease at a faster rate.

You should ensure that you look at the wealth chart in combination with the cash flow chart as any shortfalls present in the cash flow chart will need to be filled either through additional income from outside the cash flow plan, or additional withdrawals from the plan itself. If there are shortfalls present in the cash flow chart, the wealth chart can be less useful.

You've completed the full Cash flow training plan – well done!

For more practice, you can also complete “Cash flow Training 4 – In Retirement”.