GUIDE TO USING FINANCIAL PLANNING SPREADSHEET (CASH FLOW MODELLING)

The aim of the spreadsheet is to calculate how much an individual needs to save to achieve their target income in retirement. Individuals do not need to complete the spouses assets and cash flow sections

The shaded areas on the spreadsheet are protected areas.

We have ensured that the formulas used in the spreadsheet are as accurate as possible but we cannot be held accountable for any errors or omissions. You should also ensure that you virus check the file before downloading.

HOW TO USE THE SPREADSHEET

The spreadsheet has seven tabs along the bottom:

1. Income and expenses
2. Assets
3. Assets Spouse
4. Cash flow
5. Cash Flow Spouse
6. Life assurance
7. Overview

In this guide we will split down each of these sections.

INCOME AND EXPENSES

There are two tables – pre retirement and post retirement. The figures are based on today's figures and ignore inflation. So will give you a result based on today's values.

Pre-retirement

1. Income Type – this is the net take home pay plus any other income (for example ad-hoc bonuses or rental property income).

2. Expenditure – this includes all expenditure i.e. weekly shopping, regular monthly direct debits and / or standing orders and any ad-hoc monthly costs.

The spreadsheet will then calculate the total income less the expenses and provide details of any shortfall / surplus.

Post-retirement

1. Expenditure – this field should be completed first. Consideration needs to be given as to what expenses there will be retirement. This may be lower than what is needed now

2. Additional income – the expenditure will provide an income requirement but individuals may want additional income for example to cover more regular holidays

ASSETS

These sections enable individuals to include all their assets. Joint assets should be split equally.

We have provided examples. Where we show a pension this is a fund of money rather than a guaranteed pension from say a teacher's scheme. (You can add a guaranteed pension).

If an individual is looking to retire before state pension age we would recommend that the state pension is not included in the calculation.

The assets are pulled through to the cash flow and life assurance tabs. The pension and non ISA are shown as investments under cash flow and for life assurance all assets are bundled together in one group.

CASH FLOW

This part of the spreadsheet has a number of sections. The same applies to the spouses cash flow however on the lead spreadsheet the estimated income includes the spouses income.

On the left hand side an individual needs to enter their age and proposed retirement age. The two key fields to consider are:

1. Expected inflation – we recommend this is the current rate of inflation

2. Expected growth – for the cash and cash ISA the recommendation is to use the average across all accounts. For investments the growth is after charges – these charges are the platform charge and if an adviser is being used their fee

There are two additional fields for the state pension and any fixed guaranteed income. Here an individual needs to add any inflation increases. For the state pension this may be zero, 1% (or more) a year depending how optimistic an individual feels!!!!

Fund required to provide income

The key fields are percentage of fund to deliver income. Income from the ISA will be tax free and therefore an individual can reduce their tax by taking an income from the ISA.

The second field is contributions. These are then all added together to show the taxable income, income after tax and any shortfall / surplus.

LIFE ASSURANCE

This tab simply pulls through current outgoings and savings (excluding debt). It then calculates whether there is a shortfall in life assurance.

The key fields are:

1. Income is taken from current outgoings. An individual may wish to increase or decrease this

2. The income is net, individuals will have different tax positions so we suggest for a basic rate tax payer they increase the net position by 30% and higher rate by 45%. On the spreadsheet under estimated uplift an individual just needs to enter a figure and the spreadsheet will turn the income to the estimated gross figure

3. The spreadsheet enables the individual to add in existing life cover

4. The next important field is the percentage of income to be used to provide the income. This will then deliver a monthly shortfall or surplus

5. If there is a shortfall this is manually entered and the spreadsheet will estimate how much life assurance is needed

OVERVIEW

This is a summary of current assets and target income in retirement. The only fields requiring an individual to add information are the date and name (if required).

FINALLY…..

We recommend you revisit this on a yearly basis as things often change……