

Financial Modelling for

Tom & Sally Smith

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The information contained in this booklet is general information only. It does not take into consideration your personal or financial circumstances or goals. You should consider the appropriateness of this information or consult a licensed Financial Adviser before making any changes to your financial situation.

The “Your Wealth Your Way” Program

We are excited to introduce you to “Your Wealth Your Way”, a wholistic financial advice and retirement planning program. It begins with you considering the following three questions:

- 1.) Do you know *what annual income* you will need in retirement to afford a comfortable lifestyle?
- 2.) Do you know *how much wealth* you need to acquire before you retire, to provide that level of income?
- 3.) Are you *on track* financially, to accumulate the wealth that you will need to fund a comfortable retirement?

If you answered “No” or “No clue” to one or more of these questions, then this program may be just what you need.

Here’s how it works:

Step 1: Financial Modelling

After collecting your relevant personal and financial information, we create a detailed model of your financial future, based on what you are currently doing now, and assuming you will likely keep doing the same things in the future. We then create an alternative model of what your future could look like if you implement the strategies we recommend in your Personalised Financial Plan (see Step 2).

Step 2: Creation of Your Personalised Financial Plan

We develop a detailed and comprehensive financial plan designed to help you to reach your financial and retirement goals. This plan will involve implementing most, and possibly all of the following strategies:

- ***Consolidate your loans** to simplify your situation, save interest and allow you to repay your debts faster.*
- ***Structure your debts correctly** to avoid paying extra tax, save interest and repay debts faster.*
- ***Get your Super sorted** by finding your lost Super, consolidating multiple Super funds to simplify your life and by replacing expensive Super funds with less expensive options, which will save you money.*
- ***Invest your money intelligently** in a diversified portfolio of low-cost investment funds that will make your money work hard for you while minimising risk by ensuring that you don’t “put all your eggs in one basket”.*
- ***Protect your family’s financial future** by adequately insuring your income, health and life. Eliminate the risk of a personal health tragedy from causing yourself or your family serious financial hardship.*
- ***Help you monitor your spending** to ensure it remains consistent with your future financial goals.*
- ***Implement wealth creation strategies** to accelerate your progress towards your financial goals, while also legally reducing the amount of tax you pay.*

Step 3: Monitor Your Progress Towards Your Goals

Even the most brilliant financial plan is of little value if it is not followed. We actively monitor your progress towards your goals (while making any necessary tweaks along the way), to make sure that you remain on track to reach your financial goals. This provides you with confidence and peace of mind, knowing that you will be able to afford a comfortable retirement. Our monitoring and reporting consists of:

- ***Daily** - fully automated cashflow and wealth reporting straight to your phone or computer.*
- ***Quarterly** - a “Success Report” which checks that all recommended financial strategies are being fully and correctly implemented. This report also tracks your overall net wealth over time.*
- ***Yearly** - an annual, comprehensive review of your entire financial world to ensure that all financial strategies and products that you have in place are still appropriate for you. Every year, we will also remodel your financial future (repeating Steps 1 and 2) to allow for any changes to your personal situation, or any changes the government has made to the rules.*

Your Personal and Financial Details

	Tom Smith	Sally Smith
Date of Birth (Age)	12 September 1979 (40)	2 March 1980 (39)
Current Salary	\$70,000	\$70,000
Employer Super Contributions	9.5%	9.5%
Personal Super Contributions	nil	nil
Home Ownership	Home worth \$600,000	

Investment Asset	Value	Ownership
Superannuation (Tom)	\$70,000	Tom
Superannuation (Sally)	\$50,000	Sally

Debts	Amount	Interest Rate	Repayment	Ownership
Home Mortgage	\$379,400	4.31%	\$2,231 / month	Joint
Car Loan	\$18,500	8.0%	\$650 / month	Joint
Overdue Credit Card	\$7,500	18.0%	\$400 / month	Joint

Insurance	Amount	Annual Premium	Ownership
Life & TPD (Tom)	\$600,000	\$1,223	Tom's Super Fund
Life & TPD (Sally)	\$600,000	\$1,409	Sally's Super Fund

Your Goals

Short & Medium Term Financial Goals

- Repay the car loan and credit card debt as quickly as possible.
- \$25,000 for a holiday in Europe for our 10-year wedding anniversary in 4 years time.

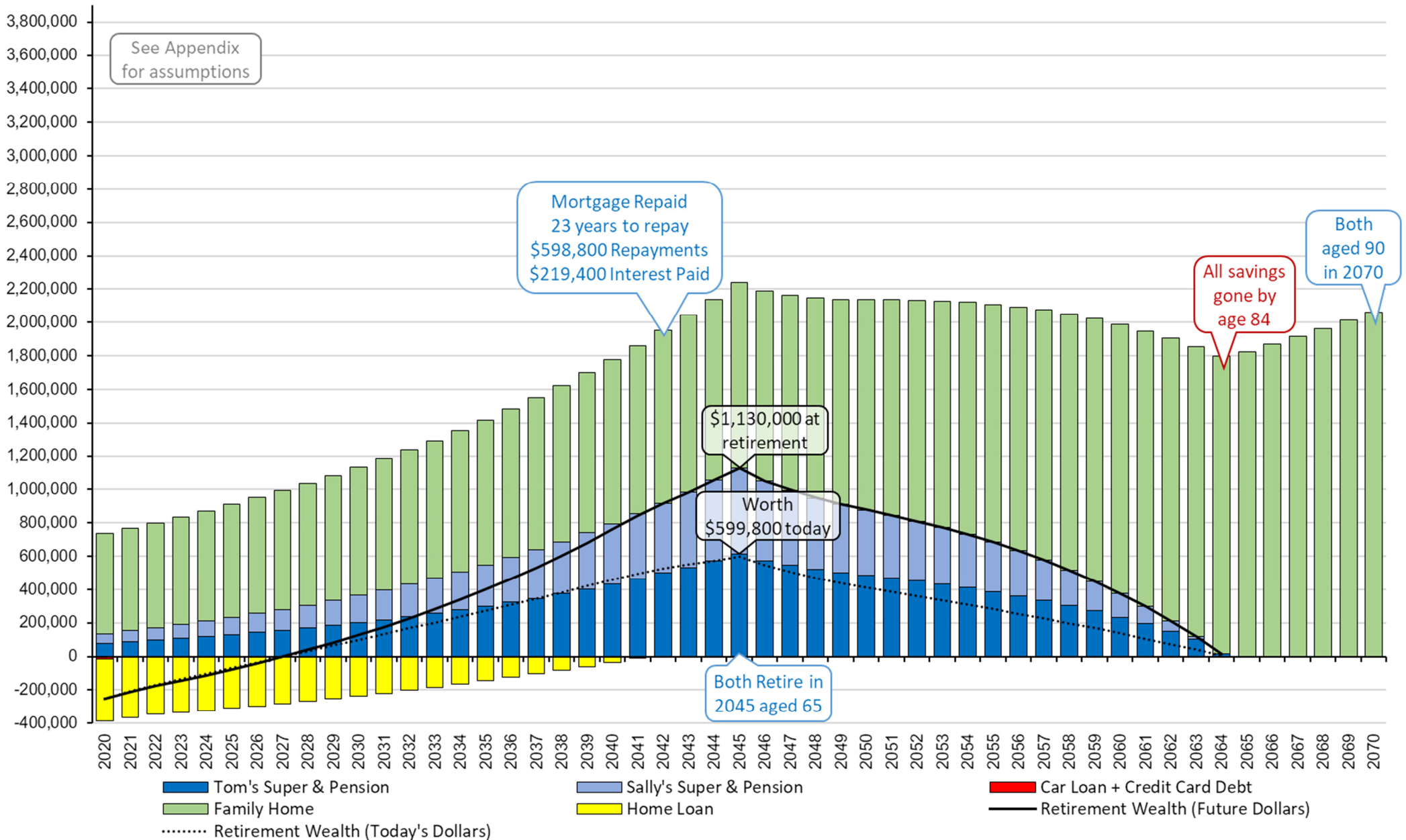
Long Term Financial Goals

- Ensure that the home mortgage is fully repaid before retirement.
- Retire at age 65 with an annual retirement income of \$70,000 / year in today's dollars.

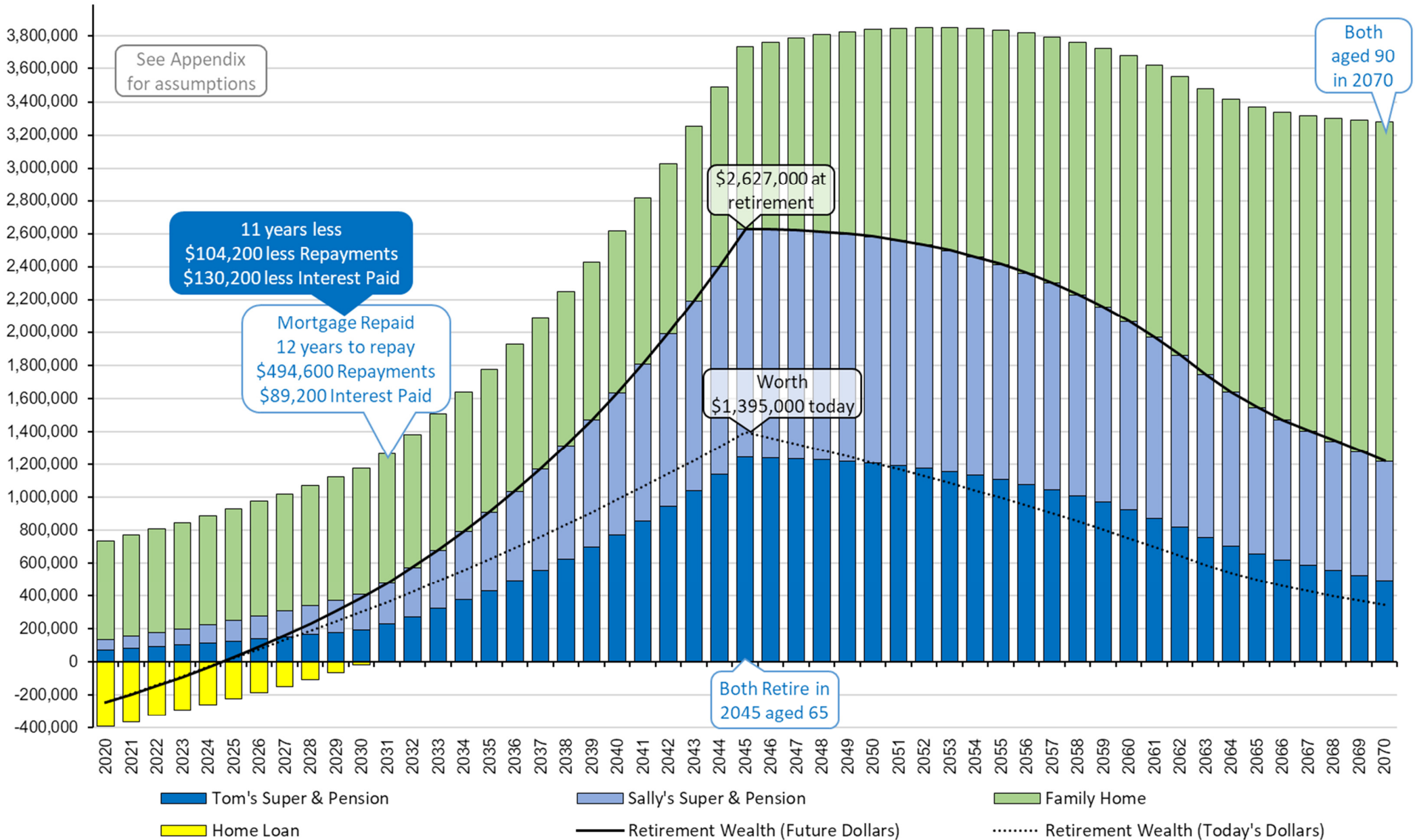
Other Goals

- Making good decisions today that will benefit us in the future.
- Have the peace of mind of knowing our financial future is sorted.

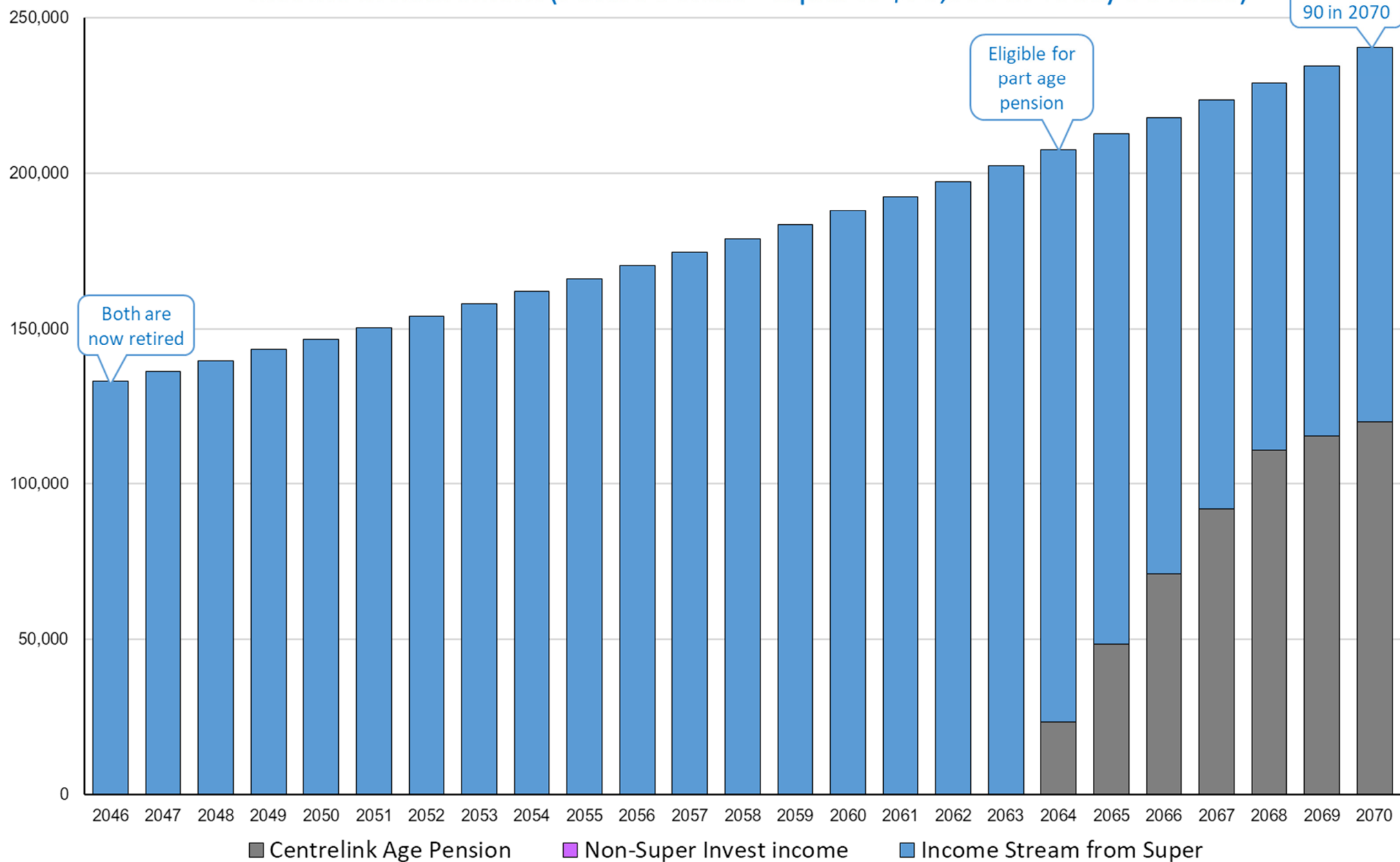
Investment Asset Mix (Future Dollars) - Model of **CURRENT** Situation



Investment Asset Mix (Future Dollars) - Model of the **Your Wealth Your Way** Program



Income in Retirement (Future Dollars - Equal to \$70,000 in Today's Dollars)



Appendix – Assumptions Used in Modelling

Assumptions Common to BOTH Models

- Tom and Sally each earn \$70,000 p.a.
- They both remain employed until retiring in 2045 aged 65
- The inflation rate averages 2.5% p.a.
- Their salaries increase at an average of 2.5% per year
- Tom currently has \$70,000 Super and Sally has \$50,000 Super
- Each of their employers contributes 9.5% of their salary into Super every year
- Your Super fund earns 6.5% net (before-tax) – “Balanced” Investor Profile
- After retirement, their retirements savings earn 5.5% net (tax free) – “Moderate” Investor Profile
- Insurance premiums paid from Super are \$1,223 p.a. (Tom) and \$1,409 p.a. (Sally)
- Spending after retirement is \$70,000 p.a.

Assumptions that DIFFER between models

Current Situation	Your Wealth Your Way
<ul style="list-style-type: none"> • No financial advice fees are included • All cashflow is spent – no money is saved • Each year, spending increases as cashflow permits (prior to retirement only). This is known as “Lifestyle Creep” and is very common • Loan repayments do not change • Home loan interest is 4.31% • Car loan interest rate is 8.00% • Credit card interest rate is 18.00% 	<ul style="list-style-type: none"> • Financial advice fees are included • Spending is reduced by \$100 per week • Each year, spending rises with inflation (2.5% p.a.) • As cashflow permits, appropriate financial strategies are implemented to boost retirement savings • As cashflow permits, loans are repaid more quickly • Loans are consolidated and refinanced with a new interest rate of 3.20%