

CASE STUDY: Cash Flow Planning

Can I retire early?



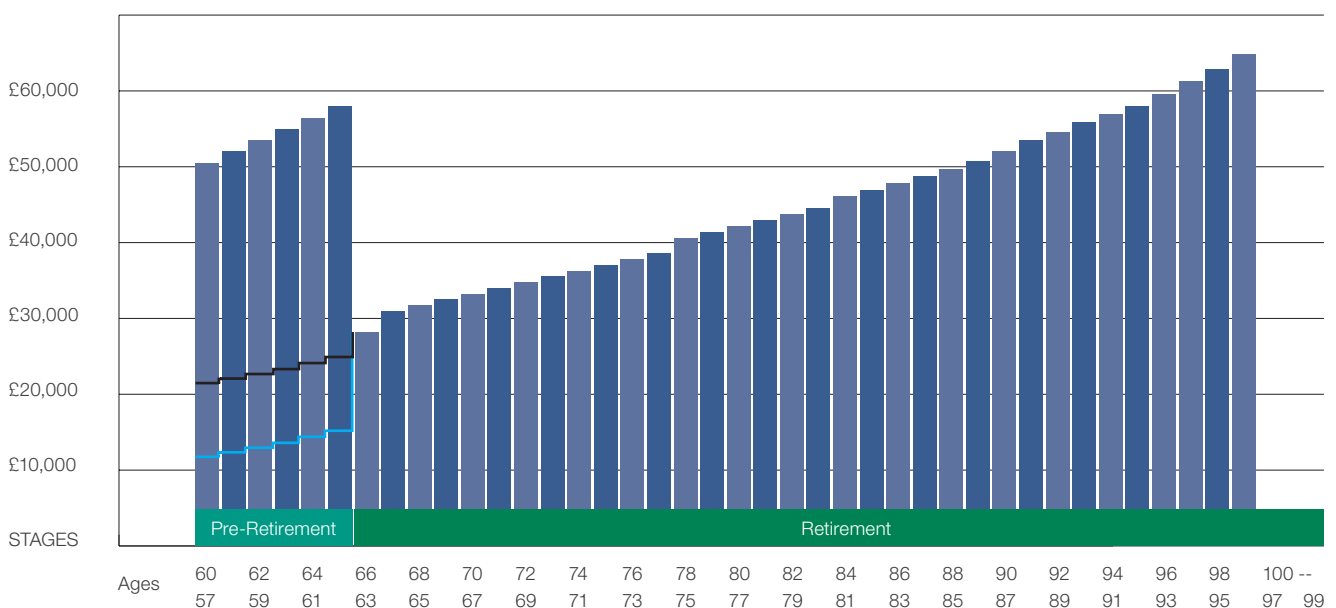
Introducing Mr E Retirement.

Mr Retirement is 60 years old and has accrued £600,000 in his Personal Pension. He pays a regular monthly premium of £1,000 into the plan with the objective to retire at 66. This ties in with his State Pension Age and he estimates that an annual, inflation linked income of £25,000 gross would be suitable to meet his needs.

We checked his expenditure requirements, using our customised calculator and, after producing his Financial Master Plan, we confirmed this would be achievable. We cannot predict life expectancy, but he should not run out of money, and there was also some room to spend more if needed.

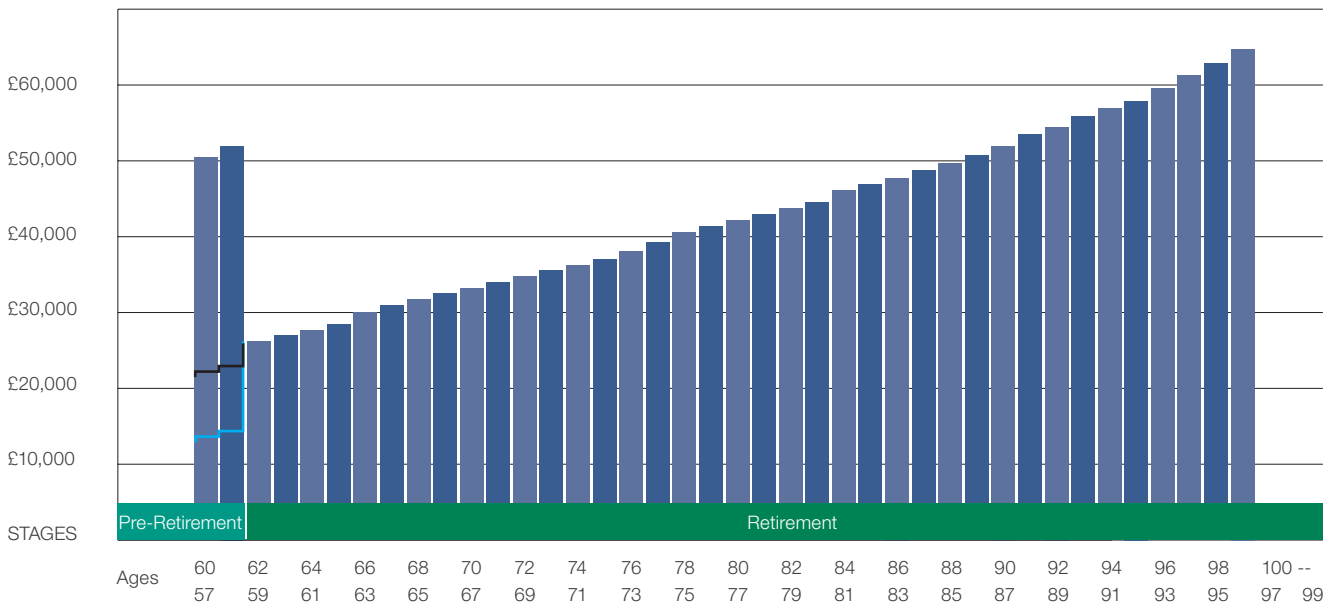
During our discussion, we asked Mr Retirement why he had chosen age 66 to stop work, to which he simply answered 'because that's when my State Pension starts'. We discussed this further and asked him when he would like to retire. This is more important than when he feels he should! He paused and announced that retirement from age 62 would be great, working life is not as satisfying as it used to be and he would love to spend more time doing what he enjoys.

We had presented and discussed his Financial Master Plan with a retirement age of 66. As can be seen below, we were able to show that a retirement age of 66 would not present any problems and there would be no shortfalls in his plan. His income would continue to rise with inflation, to cover increasing expenditure, and we also showed him how much extra he could spend, if he so wished.



Our planning software is interactive, which means we were able to create a 'WHAT IF' scenario there and then. We reduced his retirement age to 62, just 2 years away, maintaining the desired income of £25,000 per annum. Mr Retirement anticipated there could be problems, after all, he would need to access his pension earlier than had been planned, thereby losing four years of premiums whilst also taking four extra years income payments from the fund.

The chart below shows the revised position with early retirement and we were able to confirm it would be possible to retire early. He would not run out of money.



Mr Retirement left our meeting feeling positive about the decision he could now make. He was in control of his finances and had a true picture of what he might be able to achieve, rather than simply speculating. He is going to discuss this in detail with Mrs Retirement and then we will talk further about how we action the 'WHAT IF' scenario should he wish.

The purpose of creating a Financial Master Plan is to enable you to plan what you want to do, when you want to do it. In the case of Mr Retirement, he wanted to know if he could retire early and we were happy to confirm that he could.

What would you like to know?

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