

Financial Plan Case Study Version 3, published August 2021

The following amendments have been made to the Financial Plan Case Study:

Page 59 – text has been amended to read:

‘In order to establish a base asset allocation for your risk profile, I have based my recommended asset allocation using data within the FCA’s Investment Platforms Market Study: Interim Report: Annex 5 – Model Portfolio Review July 2018. Further details as to why I believe this reference is appropriate is provided in the appendices.

For planning purposes I believe the ‘balanced’ portfolio in figure 1 represents a level of risk appropriately aligned with an investor who is happy to take a medium level of risk because it offers the potential for long-term growth through exposure to equity and alternative investments, whilst reducing likely volatility through the use of bonds and cash.

The FCA’s study looked at a range of data for differing levels of risk profiles, and provided average asset allocations for several ‘imputed risk’ categories. Risk category 3 was shown to be the most common level of risk for funds labelled ‘balanced’ or ‘moderate’, and so I believe it is a good starting point to help derive a suitable asset allocation for your portfolio. Whilst figure 5.3 in the FCA’s study shows the average asset allocation for figure 3, amongst other risk categories, I have opted to recommend rounded figures for your asset allocation in order to keep things straightforward. Nevertheless, the recommended asset allocation is still within the ranges seen for ‘medium-risk’ investments in the FCA’s study, as demonstrated in figure 5.6.’

Page 79 – text has been amended to read:

‘The real investment return utilised in this report for retirement planning is based on the balanced portfolio asset allocation recommended within the report. These allocations have been derived using the FCA’s Investment Platforms Market study: Interim Report: Annex 5 – Model Portfolio Review July 2018. Whilst there is no set standard asset allocation deemed for any given risk level, the study by the industry regulator is understood to have taken real data from a relatively wide range of unitised and non-unitised funds that are readily accessible to multiple consumers. Furthermore, I believe the FCA’s study is a good source to help derive a suitable asset allocation, as I believe they have no particular bias other than the interests of the proper functioning of the financial services industry in the best interests of the consumer.

The strategy recommended is made up of alternative investments/property, and cash in varying weightings. I have assumed that this should be a simple 50/50 split between corporate bonds and gilts, giving a simple arithmetic average return of 2.5% annualised.’

Example Financial Plan for Alan & Linda Wong

Year	Linda										Alan										Discount Rate		7.00%			
	Age	Retiral Income	Spouse Income	State Pension	State Benefits	Tax & S&L	Age	Salary	Dividends	State Pension	Tax & S&L	Net Household Income	Total Expenditure	Surplus/Shortfall	Present Value	Age	Retiral Income	Spouse Income	State Pension	State Benefits	Tax & S&L	Net Household Income	Total Expenditure	Surplus/Shortfall	Present Value	
2017	45	£ 30,000	£ 15,000	£ -	£ 5,800	£ 600	45	£ 8,800	£ 20,000	£ -	£ 3,500	£ 72,900	£ 66,500	£ 6,400	£ 8,477	45	£ 8,800	£ 20,000	£ -	£ 5,800	£ 600	£ 3,500	£ 72,900	£ 66,500	£ 6,400	£ 8,477
2018	46	£ 30,000	£ 17,883	£ -	£ -	£ 750	46	£ 8,800	£ 20,000	£ -	£ 3,500	£ 74,703	£ 66,250	£ 8,453	£ 8,333	46	£ 8,800	£ 20,000	£ -	£ -	£ 750	£ 74,703	£ 66,250	£ 8,453	£ 8,333	
2019	47	£ 31,212	£ 18,419	£ -	£ -	£ 848	47	£ 8,800	£ 20,808	£ -	£ 3,416	£ 76,115	£ 67,960	£ 8,147	£ 7,822	47	£ 8,800	£ 20,808	£ -	£ -	£ 848	£ 76,115	£ 67,960	£ 8,147	£ 7,822	
2020	48	£ 31,836	£ 18,972	£ -	£ -	£ 973	48	£ 8,800	£ 21,234	£ -	£ 3,499	£ 77,500	£ 69,115	£ 8,385	£ 7,294	48	£ 8,800	£ 21,234	£ -	£ -	£ 973	£ 77,500	£ 69,115	£ 8,385	£ 7,294	
2021	49	£ 32,473	£ 19,541	£ -	£ -	£ 1,103	49	£ 8,800	£ 21,649	£ -	£ 3,584	£ 78,918	£ 70,714	£ 8,204	£ 6,758	49	£ 8,800	£ 21,649	£ -	£ -	£ 1,103	£ 78,918	£ 70,714	£ 8,204	£ 6,758	
2022	50	£ 33,122	£ 20,122	£ -	£ -	£ 1,230	50	£ 8,800	£ 22,062	£ -	£ 3,670	£ 80,321	£ 72,400	£ 7,921	£ 6,220	50	£ 8,800	£ 22,062	£ -	£ -	£ 1,230	£ 80,321	£ 72,400	£ 7,921	£ 6,220	
2023	51	£ 33,785	£ 20,713	£ -	£ -	£ 1,365	51	£ 8,800	£ 22,474	£ -	£ 3,759	£ 81,718	£ 74,117	£ 7,601	£ 5,685	51	£ 8,800	£ 22,474	£ -	£ -	£ 1,365	£ 81,718	£ 74,117	£ 7,601	£ 5,685	
2024	52	£ 34,461	£ 21,323	£ -	£ -	£ 1,508	52	£ 8,800	£ 22,874	£ -	£ 3,849	£ 83,109	£ 75,960	£ 7,149	£ 5,149	52	£ 8,800	£ 22,874	£ -	£ -	£ 1,508	£ 83,109	£ 75,960	£ 7,149	£ 5,149	
2025	53	£ 35,150	£ 21,953	£ -	£ -	£ 1,646	53	£ 8,800	£ 23,261	£ -	£ 3,931	£ 84,484	£ 77,830	£ 6,654	£ 4,614	53	£ 8,800	£ 23,261	£ -	£ -	£ 1,646	£ 84,484	£ 77,830	£ 6,654	£ 4,614	
2026	54	£ 35,853	£ 22,603	£ -	£ -	£ 1,777	54	£ 8,800	£ 23,632	£ -	£ 4,024	£ 85,843	£ 79,710	£ 6,133	£ 4,083	54	£ 8,800	£ 23,632	£ -	£ -	£ 1,777	£ 85,843	£ 79,710	£ 6,133	£ 4,083	
2027	55	£ 36,570	£ 23,274	£ -	£ -	£ 1,900	55	£ 8,800	£ 23,982	£ -	£ 4,110	£ 87,186	£ 81,610	£ 5,576	£ 3,547	55	£ 8,800	£ 23,982	£ -	£ -	£ 1,900	£ 87,186	£ 81,610	£ 5,576	£ 3,547	
2028	56	£ 37,303	£ 23,964	£ -	£ -	£ 2,016	56	£ 8,800	£ 24,312	£ -	£ 4,199	£ 88,513	£ 83,510	£ 4,993	£ 3,010	56	£ 8,800	£ 24,312	£ -	£ -	£ 2,016	£ 88,513	£ 83,510	£ 4,993	£ 3,010	
2029	57	£ 38,052	£ 24,673	£ -	£ -	£ 2,126	57	£ 8,800	£ 24,622	£ -	£ 4,281	£ 89,824	£ 85,400	£ 4,424	£ 2,474	57	£ 8,800	£ 24,622	£ -	£ -	£ 2,126	£ 89,824	£ 85,400	£ 4,424	£ 2,474	
2030	58	£ 38,818	£ 25,402	£ -	£ -	£ 2,229	58	£ 8,800	£ 24,912	£ -	£ 4,356	£ 91,119	£ 87,270	£ 3,849	£ 1,939	58	£ 8,800	£ 24,912	£ -	£ -	£ 2,229	£ 91,119	£ 87,270	£ 3,849	£ 1,939	
2031	59	£ 39,599	£ 26,152	£ -	£ -	£ 2,326	59	£ 8,800	£ 25,182	£ -	£ 4,424	£ 92,399	£ 89,110	£ 3,289	£ 1,404	59	£ 8,800	£ 25,182	£ -	£ -	£ 2,326	£ 92,399	£ 89,110	£ 3,289	£ 1,404	
2032	60	£ 40,396	£ 26,923	£ -	£ -	£ 2,417	60	£ 8,800	£ 25,432	£ -	£ 4,485	£ 93,664	£ 90,920	£ 2,744	£ 859	60	£ 8,800	£ 25,432	£ -	£ -	£ 2,417	£ 93,664	£ 90,920	£ 2,744	£ 859	
2033	61	£ 41,199	£ 27,715	£ -	£ -	£ 2,502	61	£ 8,800	£ 25,662	£ -	£ 4,539	£ 94,915	£ 92,640	£ 2,275	£ 300	61	£ 8,800	£ 25,662	£ -	£ -	£ 2,502	£ 94,915	£ 92,640	£ 2,275	£ 300	
2034	62	£ 42,007	£ -	£ -	£ -	£ 2,581	62	£ 8,800	£ 25,872	£ -	£ 4,584	£ 96,152	£ 94,270	£ 1,812	£ -152	62	£ 8,800	£ 25,872	£ -	£ -	£ 2,581	£ 96,152	£ 94,270	£ 1,812	£ -152	
2035	63	£ 42,817	£ -	£ -	£ -	£ 2,655	63	£ 8,800	£ 26,062	£ -	£ 4,621	£ 97,375	£ 95,800	£ 1,355	£ -295	63	£ 8,800	£ 26,062	£ -	£ -	£ 2,655	£ 97,375	£ 95,800	£ 1,355	£ -295	
2036	64	£ 43,628	£ -	£ -	£ -	£ 2,724	64	£ 8,800	£ 26,232	£ -	£ 4,651	£ 98,584	£ 97,230	£ 864	£ -144	64	£ 8,800	£ 26,232	£ -	£ -	£ 2,724	£ 98,584	£ 97,230	£ 864	£ -144	
2037	65	£ 44,439	£ -	£ -	£ -	£ 2,788	65	£ 8,800	£ 26,382	£ -	£ 4,674	£ 99,779	£ 98,910	£ 389	£ -311	65	£ 8,800	£ 26,382	£ -	£ -	£ 2,788	£ 99,779	£ 98,910	£ 389	£ -311	
2038	66	£ 45,250	£ -	£ -	£ -	£ 2,847	66	£ 8,800	£ 26,512	£ -	£ 4,691	£ 100,960	£ 100,310	£ 650	£ -650	66	£ 8,800	£ 26,512	£ -	£ -	£ 2,847	£ 100,960	£ 100,310	£ 650	£ -650	
2039	67	£ 46,061	£ -	£ -	£ -	£ 2,899	67	£ 8,800	£ 26,622	£ -	£ 4,704	£ 102,127	£ 101,510	£ 617	£ -117	67	£ 8,800	£ 26,622	£ -	£ -	£ 2,899	£ 102,127	£ 101,510	£ 617	£ -117	
2040	68	£ 46,872	£ -	£ -	£ -	£ 2,946	68	£ 8,800	£ 26,712	£ -	£ 4,713	£ 103,280	£ 102,630	£ 650	£ -170	68	£ 8,800	£ 26,712	£ -	£ -	£ 2,946	£ 103,280	£ 102,630	£ 650	£ -170	
2041	69	£ 47,683	£ -	£ -	£ -	£ 2,988	69	£ 8,800	£ 26,782	£ -	£ 4,719	£ 104,419	£ 103,670	£ 749	£ -251	69	£ 8,800	£ 26,782	£ -	£ -	£ 2,988	£ 104,419	£ 103,670	£ 749	£ -251	
2042	70	£ 48,494	£ -	£ -	£ -	£ 3,025	70	£ 8,800	£ 26,832	£ -	£ 4,722	£ 105,544	£ 104,630	£ 914	£ -354	70	£ 8,800	£ 26,832	£ -	£ -	£ 3,025	£ 105,544	£ 104,630	£ 914	£ -354	
2043	71	£ 49,305	£ -	£ -	£ -	£ 3,057	71	£ 8,800	£ 26,862	£ -	£ 4,722	£ 106,655	£ 105,510	£ 1,145	£ -465	71	£ 8,800	£ 26,862	£ -	£ -	£ 3,057	£ 106,655	£ 105,510	£ 1,145	£ -465	
2044	72	£ 50,116	£ -	£ -	£ -	£ 3,084	72	£ 8,800	£ 26,882	£ -	£ 4,719	£ 107,752	£ 106,310	£ 1,442	£ -582	72	£ 8,800	£ 26,882	£ -	£ -	£ 3,084	£ 107,752	£ 106,310	£ 1,442	£ -582	
2045	73	£ 50,927	£ -	£ -	£ -	£ 3,106	73	£ 8,800	£ 26,892	£ -	£ 4,713	£ 108,835	£ 106,930	£ 1,782	£ -712	73	£ 8,800	£ 26,892	£ -	£ -	£ 3,106	£ 108,835	£ 106,930	£ 1,782	£ -712	
2046	74	£ 51,738	£ -	£ -	£ -	£ 3,123	74	£ 8,800	£ 26,892	£ -	£ 4,704	£ 109,904	£ 107,470	£ 2,134	£ -844	74	£ 8,800	£ 26,892	£ -	£ -	£ 3,123	£ 109,904	£ 107,470	£ 2,134	£ -844	
2047	75	£ 52,549	£ -	£ -	£ -	£ 3,136	75	£ 8,800	£ 26,882	£ -	£ 4,691	£ 110,959	£ 107,930	£ 2,509	£ -979	75	£ 8,800	£ 26,882	£ -	£ -	£ 3,136	£ 110,959	£ 107,930	£ 2,509	£ -979	
2048	76	£ 53,360	£ -	£ -	£ -	£ 3,145	76	£ 8,800	£ 26,862	£ -	£ 4,674	£ 111,999	£ 108,310	£ 2,904	£ -1,114	76	£ 8,800	£ 26,862	£ -	£ -	£ 3,145	£ 111,999	£ 108,310	£ 2,904	£ -1,114	
2049	77	£ 54,171	£ -	£ -	£ -	£ 3,150	77	£ 8,800	£ 26,832	£ -	£ 4,651	£ 113,024	£ 108,610	£ 3,319	£ -1,259	77	£ 8,800	£ 26,832	£ -	£ -	£ 3,150	£ 113,024	£ 108,610	£ 3,319	£ -1,259	
2050	78	£ 54,982	£ -	£ -	£ -	£ 3,151	78	£ 8,800	£ 26,792	£ -	£ 4,621	£ 114,034	£ 108,830	£ 3,754	£ -1,414	78	£ 8,800	£ 26,792	£ -	£ -	£ 3,151	£ 114,034	£ 108,830	£ 3,754	£ -1,414	
2051	79	£ 55,793	£ -	£ -	£ -	£ 3,148	79	£ 8,800	£ 26,742	£ -	£ 4,584	£ 115,029	£ 108,970	£ 4,209	£ -1,579	79	£ 8,800	£ 26,742	£ -	£ -	£ 3,148	£ 115,029	£ 108,970	£ 4,209	£ -1,579	
2052	80	£ 56,604	£ -	£ -	£ -	£ 3,132	80	£ 8,800	£ 26,682	£ -	£ 4,541	£ 116,009	£ 108,930	£ 4,684	£ -1,754	80	£ 8,800	£ 26,682	£ -	£ -	£ 3,132	£ 116,009	£ 108,930	£ 4,684	£ -1,754	
2053	81	£ 57,415	£ -	£ -	£ -	£ 3,103	81	£ 8,800	£ 26,612	£ -	£ 4,484	£ 116,974	£ 108,710	£ 5,179	£ -1,939	81	£ 8,800	£ 26,612	£ -	£ -	£ 3,103	£ 116,974	£ 108,710	£ 5,179	£ -1,939	
2054	82	£ 58,226	£ -	£ -	£ -	£ 3,060	82	£ 8,800	£ 26,522	£ -	£ 4,413	£ 117,924	£ 108,310	£ 5,694	£ -2,124	82	£ 8,800	£ 26,522	£ -	£ -	£ 3,060	£ 117,924	£ 108,310	£ 5,694	£ -2,124	
2055	83	£ 59,037	£ -	£ -	£ -	£ 2,994	83	£ 8,800	£ 26,412	£ -	£ 4,328	£ 118,859	£ 107,730	£ 6,219	£ -2,309	83	£ 8,800	£ 26,412	£ -	£ -	£ 2,994	£ 118,859	£ 107,730	£ 6,219	£ -2,309	
2056	84	£ 59,848	£ -	£ -	£ -	£ 2,913	84	£ 8,800	£ 26,282	£ -	£ 4,229	£ 119,779	£ 106,970	£ 6,804	£ -2,494	84	£ 8,800	£ 26,282	£ -	£ -	£ 2,913	£ 119,779	£ 106,970	£ 6,804	£ -2,494	
2057	85	£ 60,659	£ -	£ -	£ -	£ 2,818	85	£ 8,800	£ 26,132	£ -	£ 4,116	£ 120,684	£ 106,030	£ 7,449	£ -2,679	85	£ 8,800	£ 26,132	£ -	£ -	£ 2,818	£ 120,684	£ 106,030	£ 7,449	£ -2,679	
2058	86	£ 61,470	£ -	£ -	£ -	£ 2,709	86	£ 8,800	£ 25,962	£ -	£ 3,991	£ 121,574	£ 104,910	£ 8,154	£ -2,864	86	£ 8,800	£ 25,962	£ -	£ -	£ 2,709	£ 121,574	£ 104,910	£ 8,154	£ -2,864	
2059	87	£ 62,281	£ -	£ -	£ -	£ 2,589	87	£ 8,800	£ 25,772	£ -	£ 3,846	£ 122,449	£ 103,610	£ 8,959	£ -3,049	87	£ 8,800	£ 25,772	£ -	£ -	£ 2,589	£ 122,449	£ 103,			