

Ovation

SOUND FINANCIAL MANAGEMENT



The Ovation Guide to

Cash Flow Forecasting

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What is Cash Flow Forecasting?

It's a tool for providing a picture of your financial future.

That sounds a bit scary

The forecast provides clarity. Most people actually find this very empowering.

We find that clients like peace of mind knowing they're not going to run out of money; to understand how much they really need to save and how much they can afford to spend; whether taking that extra holiday is affordable; even whether they can give a bit more away to a favourite charity.

Changing the assumptions and producing 'What If?' forecasts can then help you make major decisions.

What sort of decisions?

There are many variables in life. These are just a few examples:

- How much or little risk do you need to take to have the lifestyle of your dreams
- Perhaps you can afford to retire earlier than you thought
- What would happen if you or your partner died
- Filling the financial gap between reducing work and pensions kicking in

There are many more situations that clients enjoy considering.

How do you set this up?

First of all you need to give us information about your finances (income, expenditure, assets). The more you can give us, and the more accurate it can be, the better the output.

Some of the information we can collate for you such as details regarding your pensions and investments.

Next, we ask you about known future plans. Replacing the car, what holidays you'd like, potential inheritance, that sort of thing.

This all sounds a bit painful.

To be fair, it can take quite a while to set up the forecast. You can do a lot of this yourself to save our fees or, if you prefer, send us a year's worth of bank statements and we'll do it for you (at a cost, of course!).

Once set up can I play around with it?

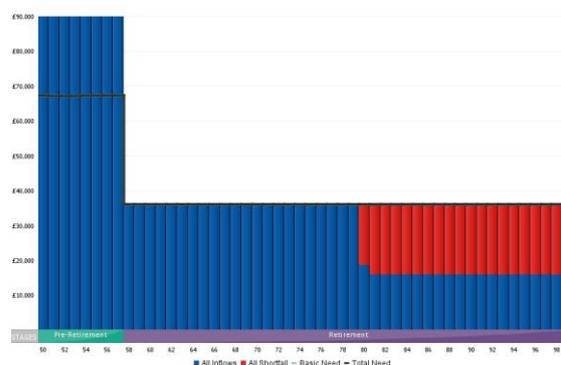
That's kind of the whole idea! Once the detail has been inputted we'll bring it to you on a computer. We'll show you the results, and then we can start to change some of the assumptions to see what difference they make.

Can you give me an example?

Of course. Below is a chart from an example client aged 50, thinking about retiring at 58.

The black line signifies total anticipated expenditure in real terms (adjusted for inflation) for the rest of their life. The blue bars signify income and this includes earnings, state pension, income from occupational or personal pensions and income from savings and investments.

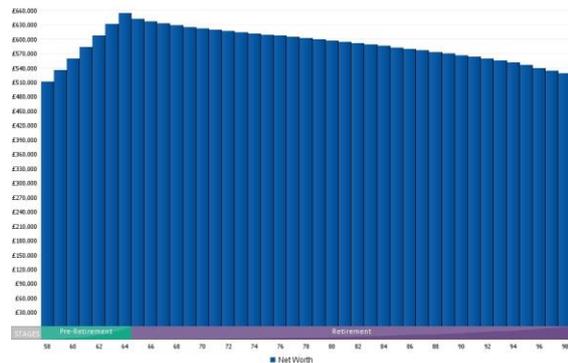
The areas of Red in the chart show the point at which (age 80 in this case) the assets are no longer sufficient to fund their desired lifestyle.



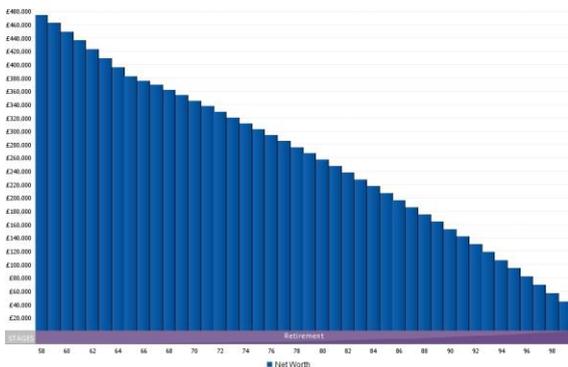
Now that we know this, we can look at the effects of saving a bit more now to plug this shortfall or possibly delaying retirement.

What about someone who would like to stop work?

Here's another example, this time the chart is showing asset levels (excluding property). This person is aged 58 and plans to retire at 65. Once we put all their details into the forecast we see that they actually have a large amount of money left when they die (assumed to be aged 100):



Now we change the assumption to show they retire today. Just to see what might happen.



This shows that they can retire now as there is still some money left at 100.

Other "What If?" scenarios could be modelled, such as spending more from 60-65 and a reducing need for income thereafter, or giving some money away to the kids.

It's entirely possible we reach the conclusion that this client is now working because they want to, not because they have to.

Powerful stuff. Once it is set up, can we keep an eye on it? I'd like to know how close I am to my dreams.

Ongoing reviews and monitoring is actually the most important part of financial planning. It is for this reason that we often joke that we see

every client at least once a year whether they like it or not!

The focus of our review is to update the forecast and assess the current position. How close are we to achieving those goals? Can you retire now? Can you buy that car or take that holiday?

At last financial planning has a real and tangible benefit!

Great stuff. What's the next step?

First of all we'll send you a spreadsheet to fill in. It's very much a case of 'rubbish in, rubbish out', so you will need to spend a little time on this to make sure it is accurate.

Then we'll ask what the future looks like for you and encourage you to dream big! It has often been said that a dream is only an unplanned ambition.

With a cashflow forecast coupled with our expertise in pensions, tax and investments, we can then help those dreams become reality.

For help with this and all financial services speak to Ovation

Call: 0117 942 4333

Email: enquiries@ovationfinance.co.uk

Return to web site: www.ovationfinance.co.uk

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