



# **Using Cashflow Modelling with Defined Benefit Pension Transfers**

**Ray Adams FPFS**  
**Niche Chartered Financial Planners**



## **Agenda:**

- About Ray Adams & Niche
- British Steel & FCA Visit
- Learning Objectives
- Rory's Case Study 1 – Simon & Shireen
- Rory's Case Study 3 – Doug & Shelly
- Fact Finding
- Suitability Report
- Live Cashflow Demonstration



## About Ray Adams & Niche



### 1996

Ray Adams joined the financial services industry

### 2005

Ray founded Niche Independent Financial Advisers Limited

### 2010

Ray and Niche IFA achieve Chartered status

### 2014

Niche IFA launched CashCalc: an online suite of financial planning tools which includes a Cashflow Modeller

### 2017

Ray launched AdviserBook to provide a definitive directory of regulated financial advisers for the benefit of the public, and to help prevent scams

### 2018

January – CashCalc hit 7,000 users and became the leading cashflow provider (source: Platform report)

July - CashCalc now has over 8,600 registered account holders



# **British Steel & FCA Supervisory Visit**



## **Learning Outcomes:**

- To understand the benefits of using Cashflow Modelling when advising on Defined Benefit Pension Transfers
- To understand the benefits of good, core fact finding skills



# **Case Study 1**

**Simon & Shireen**

**UNCLEAR**

# Case study 1: Simon and Shireen

- Simon 55, Shireen 50, both in good health
- Two children, 19 and 16
- Simon earnings £125K plus c.£200K bonus; Shireen not working
- Plans to work full-time to 65 and retire
- CETV £1.1M; current deferred pension of £42K pa (spouse's 2/3rds)
- SIPP £500K
- Fixed protection £1.5M
- House £1.25M (no debts)
- Simon: £250K cash and £250K ISAs; Shireen: £250K cash
- Cautious to moderate risk profile
- Assume 5% return

# Simon and Shireen: objectives

- “Lock into to perceived high transfer value
- Benefit from flexi access to your pension fund. You intend to draw down the tax-free cash from your pension fund to buy a rental property
- Preserve the value of your pension fund for your family”



# Simon and Shireen: why suitable

- “Provides a substantial increase in death benefits for your wife and particularly for your children
- Tax free cash available without having to draw an income – you plan to use this to purchase a rental property
- You would also enjoy much greater income flexibility to draw as much as you want when you want and to stop start income but without the security of the DB scheme”



# Case Study 1 – Simon & Shireen – Cashflow: Current Situation

- Assumptions
- Savings Pots
- Incomes & Expenses
- Contributions & Withdrawals
- Charges & Fees
- Cash Flow Model
- Stress Testing
- Yearly Breakdown
- Create Report

Current Situation

Transfer DB

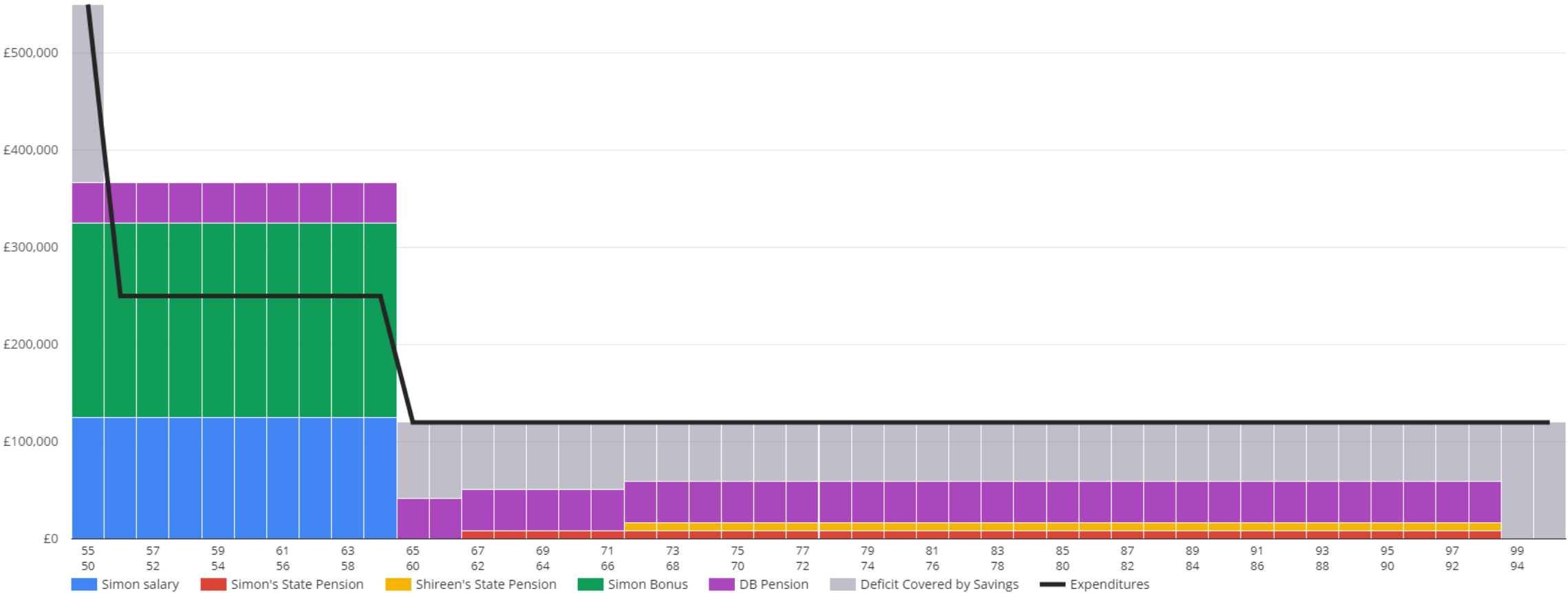
Take out life cover

+

Money in vs Money out, in today's money

Chart settings Compare forecasts Clone forecast

Money in vs. Money out Savings over time





# Case Study 1 – Simon & Shireen – Cashflow: Current Situation

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Simon & Shireen

Options

Help

Create report

Assumptions

Savings Pots

Incomes & Expenses

Contributions & Withdrawals

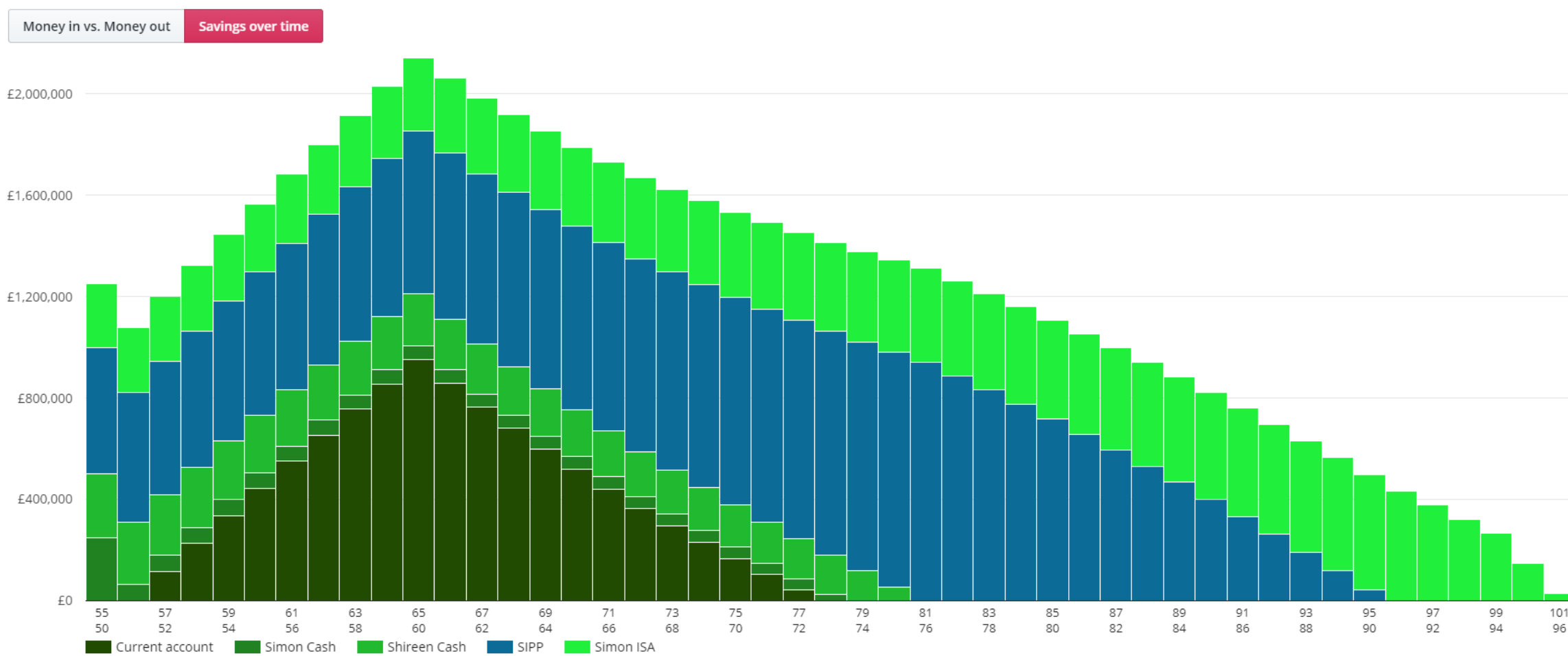
Charges & Fees

Cash Flow Model

Stress Testing

Yearly Breakdown

Create Report



Savings at start (age 55):

£1,250,000

Savings at retirement (age 65):

£2,142,314

Savings at end (age 101):

£27,726



# Case Study 1 – Simon & Shireen – Cashflow: Transfer Defined Benefit Pension

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Simon & Shireen

Options

Help

Create report

Assumptions

Savings Pots

Incomes & Expenses

Contributions & Withdrawals

Charges & Fees

Cash Flow Model

Stress Testing

Yearly Breakdown

Create Report

Current Situation

Transfer DB

Take out life cover

+

Money in vs Money out, in today's money

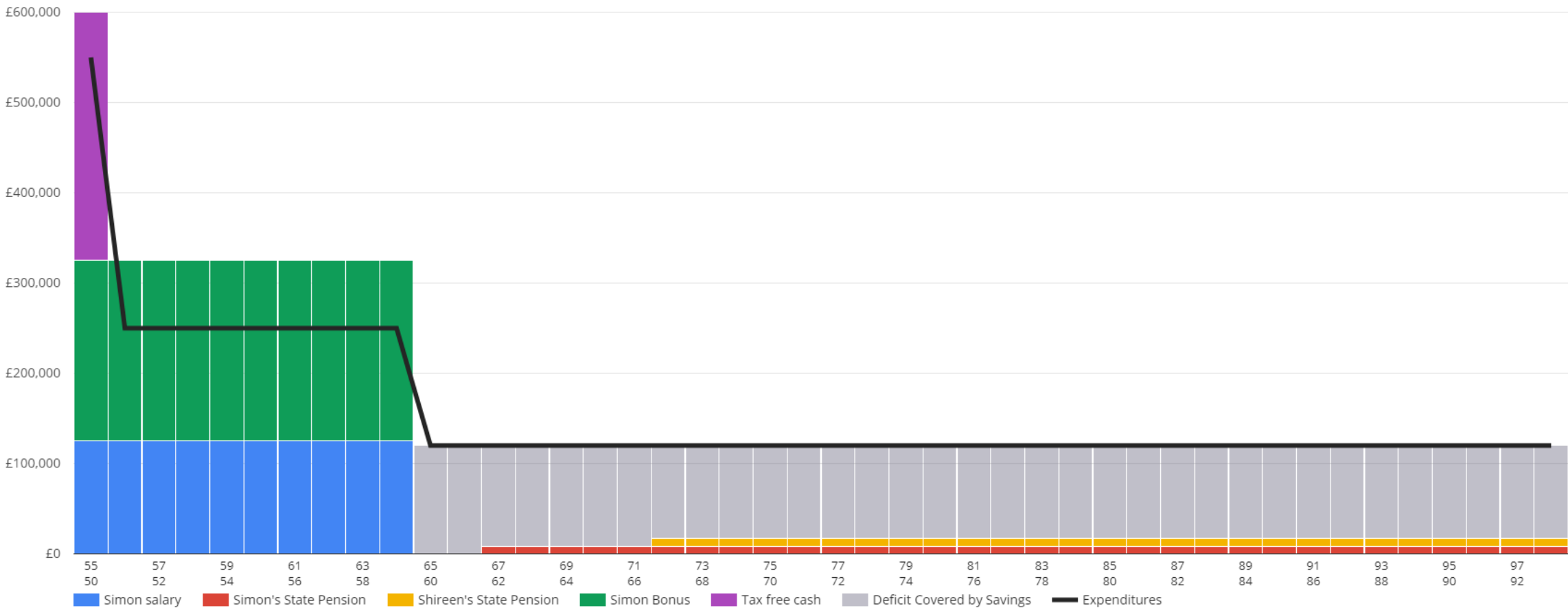
Chart settings

Compare forecasts

Clone forecast

Money in vs. Money out

Savings over time





# Case Study 1 – Simon & Shireen - Cashflow: Transfer Defined Benefit Pension

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Simon & Shireen

Options

Help

Create report

Assumptions

Savings Pots

Incomes & Expenses

Contributions & Withdrawals

Charges & Fees

Cash Flow Model

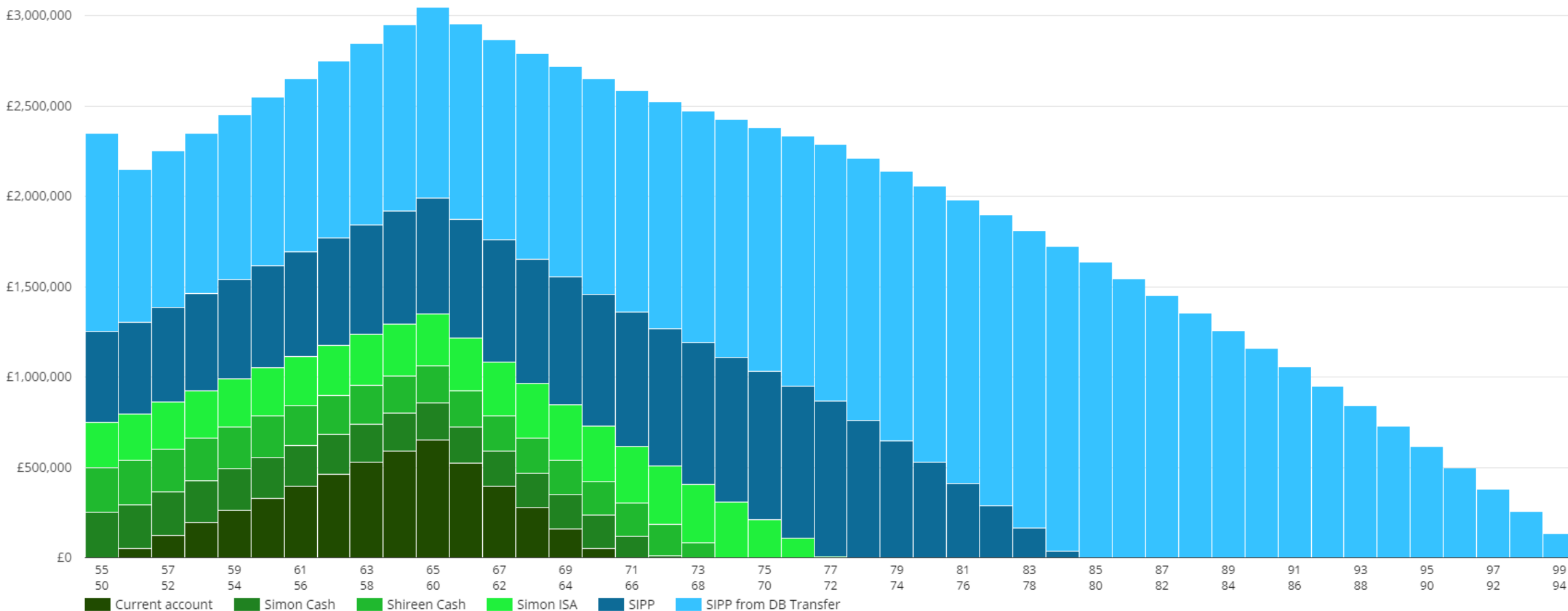
Stress Testing

Yearly Breakdown

Create Report

Money in vs. Money out

Savings over time



Savings at start (age 55):

£2,350,000

Savings at retirement (age 65):

£3,046,614

Savings at end (age 99):

£132,952



# Case Study 1 – Simon & Shireen - Cashflow: Transfer Defined Benefit Pension, take out Whole of Life

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Simon & Shireen

Options

Help

Create report

Assumptions

Savings Pots

Incomes & Expenses

Contributions & Withdrawals

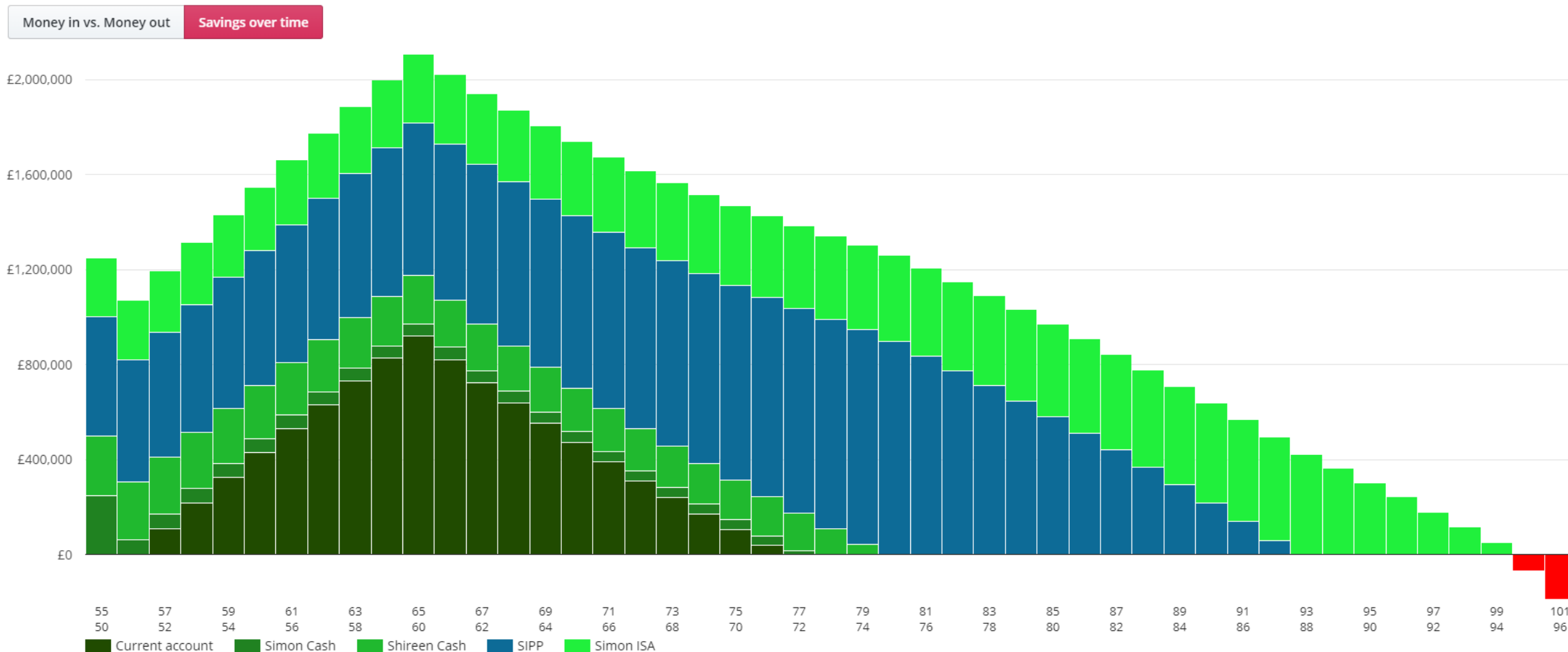
Charges & Fees

Cash Flow Model

Stress Testing

Yearly Breakdown

Create Report



Savings at start (age 55):

£1,250,000

Savings at retirement (age 65):

£2,106,661

Savings at end (age 101):

-£188,064



- CAN achieve goals by transferring defined benefit pension
- HOWEVER, can also achieve PERSONAL GOALS without transferring defined benefit pension, including funding a Whole of Life policy, if desired
- Recommendation would be NOT TO transfer
- This case was considered UNCLEAR however using cashflow modelling it can be demonstrated that a transfer would actually be UNSUITABLE



## **Case Study 3**

**Doug & Shelley**

**UNCLEAR**



# Case study 3: Doug and Shelley

- Doug 57, Shelley 55, both in good health
- Three children, 21, 19 and 17
- Doug earnings £76K plus c.£20K bonus; Shelley not working
- Plans to work full-time to 67 and retire
- CETV £1.3M; current deferred pension of £40K pa (spouse's 50%)
- SIPP £40K
- Shelley has two DB schemes totalling £9K pa and a PP worth £25K
- House £500K (no debts)
- £30K cash and £60K ISAs
- Medium risk profile
- Assume 5% return

# Doug and Shelley: objectives

- “Benefit from flexi access to your pension fund, you intend to draw down around £150K tax free cash as soon as possible but won’t need an income until you retire
- Preserve the value of your pension fund, so far as it is possible, for your family
- Top up your retirement income to £40K pa in today’s terms, from age 67
- Lock into to perceived high transfer value”

# Doug and Shelley: why suitable

- Enhanced tax free cash would be available to you without having to draw an income – you plan to use this flexibility immediately to help fund improvements to your home
- You would also enjoy much greater income flexibility to draw as much as you want when you want and to stop and start income but without the security of the DB scheme
- Provides a substantial increase in death benefits, particularly for your children without putting your retirement income at risk



# Case Study 3 – Doug & Shelley – Cashflow: Current Situation

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Doug & Shelley

Options

Help

Create report

Assumptions

Savings Pots

Incomes & Expenses

Contributions & Withdrawals

Charges & Fees

Cash Flow Model

Stress Testing

Yearly Breakdown

Create Report

Current Situation

Transfer DB Pension

Personalising the advice - no transfer

Personalising the advice - Transfer

+

Money in vs Money out, in today's money

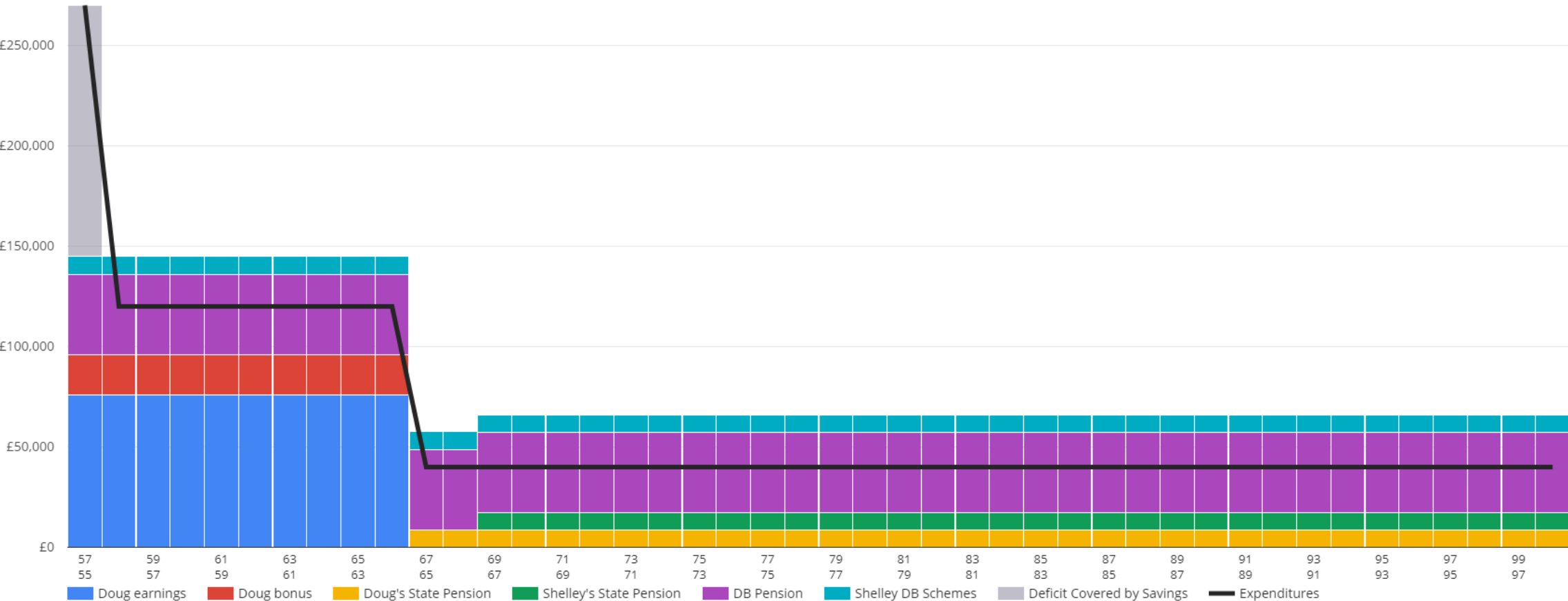
Chart settings

Compare forecasts

Clone forecast

Money in vs. Money out

Savings over time





# Case Study 3 – Doug & Shelley – Cashflow: Current Situation

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Doug & Shelley

Options

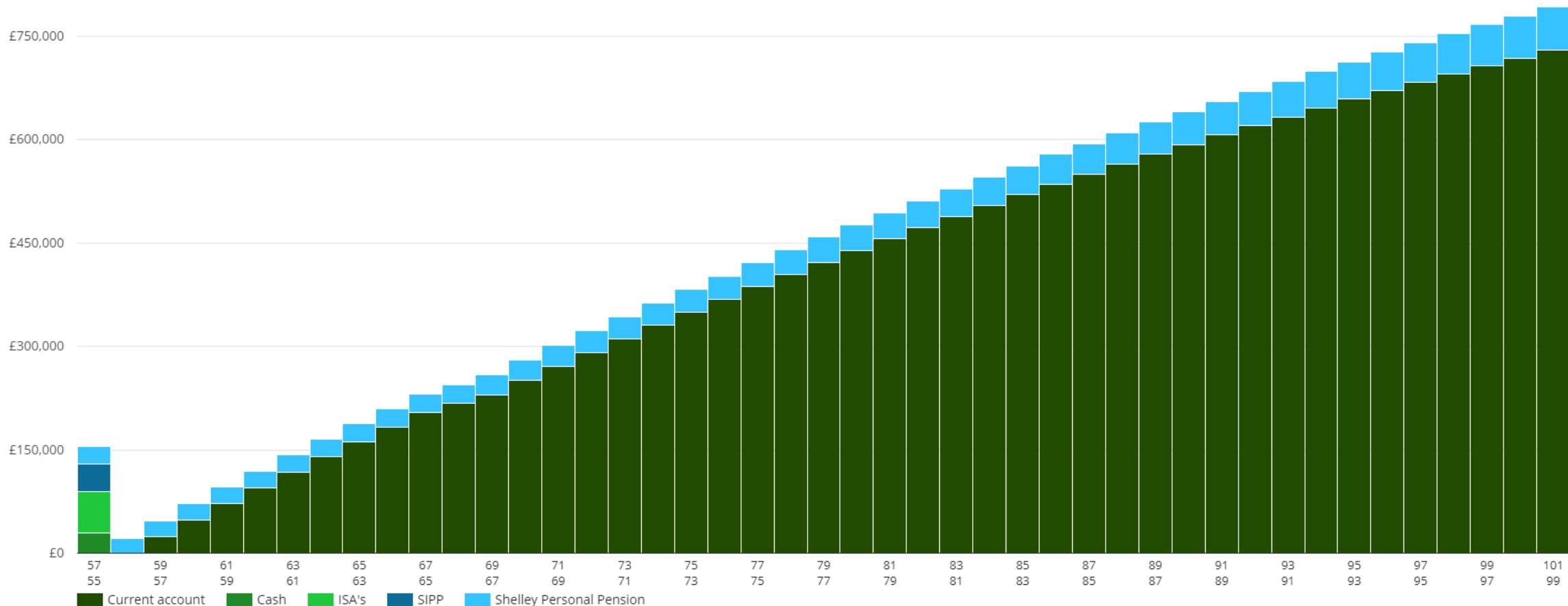
Help

Create report

- Assumptions
- Savings Pots
- Incomes & Expenses
- Contributions & Withdrawals
- Charges & Fees
- Cash Flow Model**
- Stress Testing
- Yearly Breakdown
- Create Report

Money in vs. Money out

Savings over time



Savings at start (age 57):

£155,000

Savings at retirement (age 67):

£230,861

Savings at end (age 101):

£792,014



# Case Study 3 – Doug & Shelley – Cashflow: Transfer Defined Benefit Pension

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Doug & Shelley

Options

Help

Create report

Assumptions

Savings Pots

Incomes & Expenses

Contributions & Withdrawals

Charges & Fees

Cash Flow Model

Stress Testing

Yearly Breakdown

Create Report

Current Situation

Transfer DB Pension

Personalising the advice - no transfer

Personalising the advice - Transfer

+

Money in vs Money out, in today's money

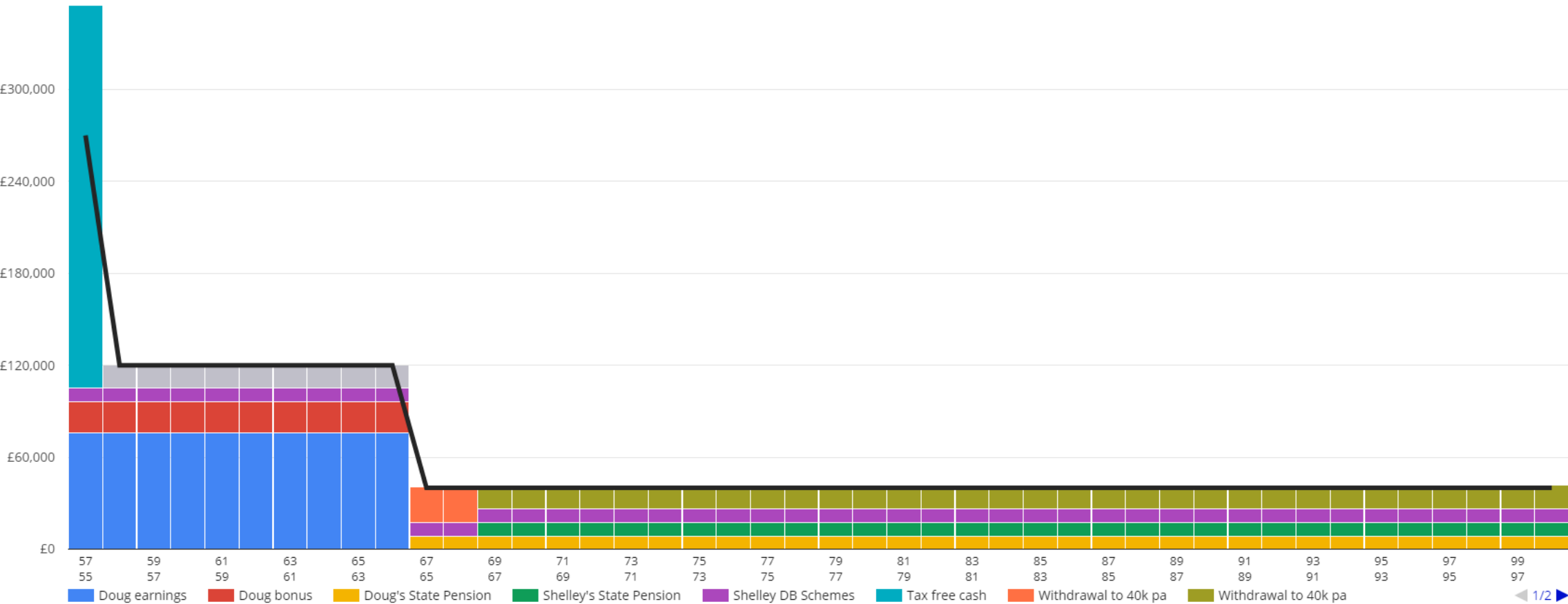
Chart settings

Compare forecasts

Clone forecast

Money in vs. Money out

Savings over time





# Case Study 3 – Doug & Shelley – Cashflow: Transfer Defined Benefit Pension

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Doug & Shelley

Options

Help

Create report

Assumptions

Savings Pots

Incomes & Expenses

Contributions & Withdrawals

Charges & Fees

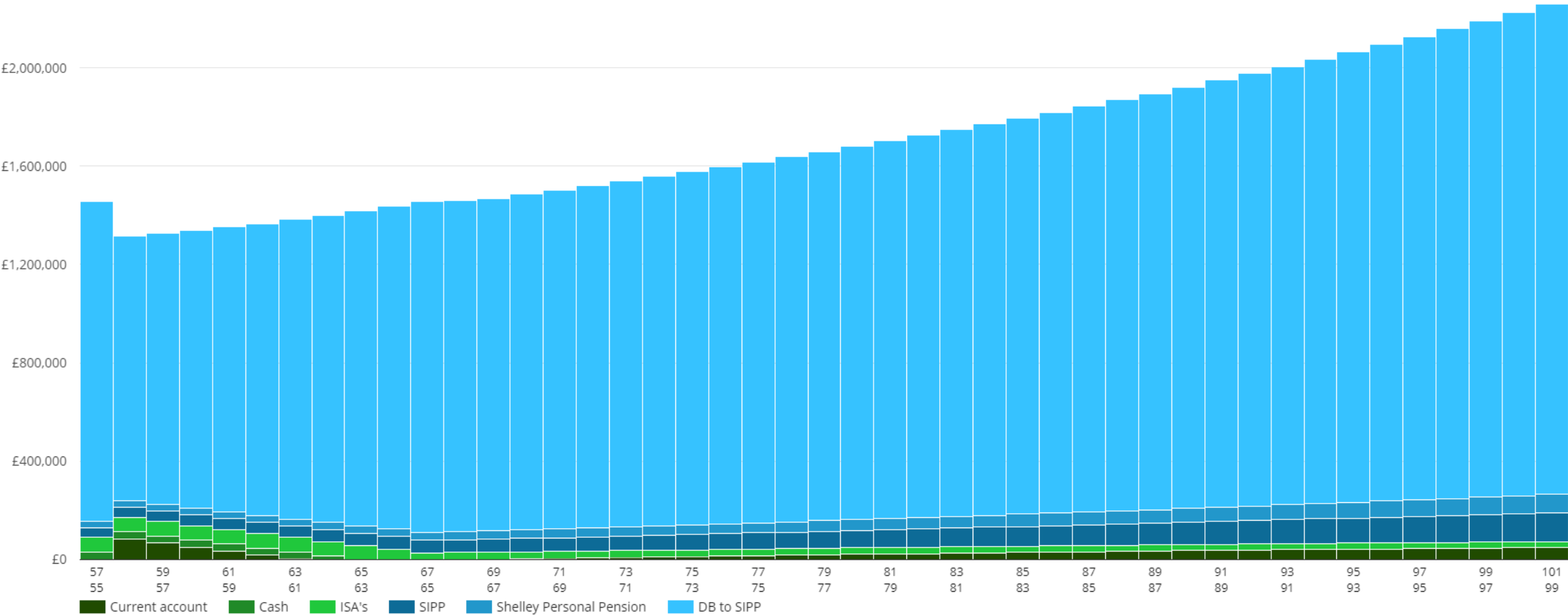
Cash Flow Model

Stress Testing

Yearly Breakdown

Create Report

Money in vs. Money out Savings over time



Savings at start (age 57):

£1,455,000

Savings at retirement (age 67):

£1,455,486

Savings at end (age 101):

£2,259,203



- CAN achieve goals by transferring defined benefit pension
- HOWEVER, can also achieve PERSONAL GOALS without transferring defined benefit pension
- Recommendation would be NOT TO transfer
- This case was considered UNCLEAR

**However...**





- What did you think of the factfind?
- Were their personal objectives and goals adequately captured?
- Or were they unclear and generic?
- Perhaps there's more detailed PERSONAL OBJECTIVES that weren't captured first time round

Let's have a second look...

# Doug and Shelley: objectives

- “Benefit from flexi access to your pension fund, you intend to draw down around £150K tax free cash as soon as possible but won’t need an income until you retire
- Preserve the value of your pension fund, so far as it is possible, for your family
- Top up your retirement income to £40K pa in today’s terms, from age 67
- Lock into to perceived high transfer value”



I went back to see Doug & Shelley, to conduct a **more in-depth factfind** with them:

- We confirmed that the immediate **£150,000** required was to carry out a loft conversion and add an orangery to the house
- Eldest son, Dave, wants to buy a house with his girlfriend - Doug wants to give Dave a deposit of **£30,000** to get on the housing ladder
- Middle daughter, Louise, is currently in University doing a 4 year course - Doug wants to give Louise **£12,000 a year** to help her focus on her studies and not need to work part time
- When Louise finishes University, Doug also wants to give her **£30,000** as a house deposit
- Youngest daughter, Joanne, is planning to take a gap year and go travelling once she completes her A levels - Doug wants to give Joanne **£6,000** to fund her gap year



- Joanne wants to go on to University, and Doug wants to give her **£12,000 a year**, as well as provide her with a **£30,000** house deposit, as he has done for Joanne's siblings
- It is Doug and Shelleys' 25<sup>th</sup> wedding anniversary this year and to celebrate they want to visit Australia for a month, as well as catch up with Doug's brother who lives there – they anticipate the trip will cost them **£25,000**
- Doug loves his BMW 4 Series, which is a company car – when he retires he will need to purchase a car and wants something of a similar nature and therefore he anticipates spending **£35,000**
- Security vs Flexibility – Doug & Shelley happy to give up safeguarded benefits from his DB to achieve personal goals and flexibility, whilst still retaining **£25,000pa** of guaranteed income from Shelley DB x2 and State Pension x2



Case Study 3 – Doug & Shelley – Cashflow: Additional Personal Objectives

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Doug & Shelley

Options

Help

Create report

Assumptions

Savings Pots

Incomes & Expenses

Contributions & Withdrawals

Charges & Fees























Cash Flow Model

Stress Testing

Yearly Breakdown

Create Report

Expenses

Start Age (Doug)	End Age (Doug)	Description	Net Amount	Inflation Rate	Adjusted?	
Retirement (67)	101	Expenditure	£40,000 per year	Default (2.5%)	✓	 
57	-	Immediate needs - loft conversion & orangery	£150,000	-	-	 
58	-	Eldest - Dave, house deposit	£30,000	-	✓	 
57	61	Middle Child - Louise, University fees	£12,000 per year	Default (2.5%)	-	 
58	-	Youngest - Joanne, gap year after school	£6,000	-	✓	 
57	Retirement (67)	Expenditure whilst working	£120,000 per year	Default (2.5%)	-	 
57	-	25th Wedding anniversary - Going to Australia	£25,000	-	-	 
61	-	Middle Child, Louise - House deposit	£30,000	-	✓	 
58	62	Youngest, Joanne - University fees	£12,000 per year	Default (2.5%)	✓	 
62	-	Youngest, Joanne - House Deposit	£30,000	-	✓	 
67	-	Purchase car upon retirement	£35,000	-	✓	 



# Case Study 3 – Doug & Shelley – Cashflow: Additional Personal Objectives

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Doug & Shelley

Options Help Create report

- Assumptions
- Savings Pots
- Incomes & Expenses
- Contributions & Withdrawals
- Charges & Fees
- Cash Flow Model
- Stress Testing
- Yearly Breakdown
- Create Report

Current Situation

Transfer DB Pension

Personalising the advice - no transfer

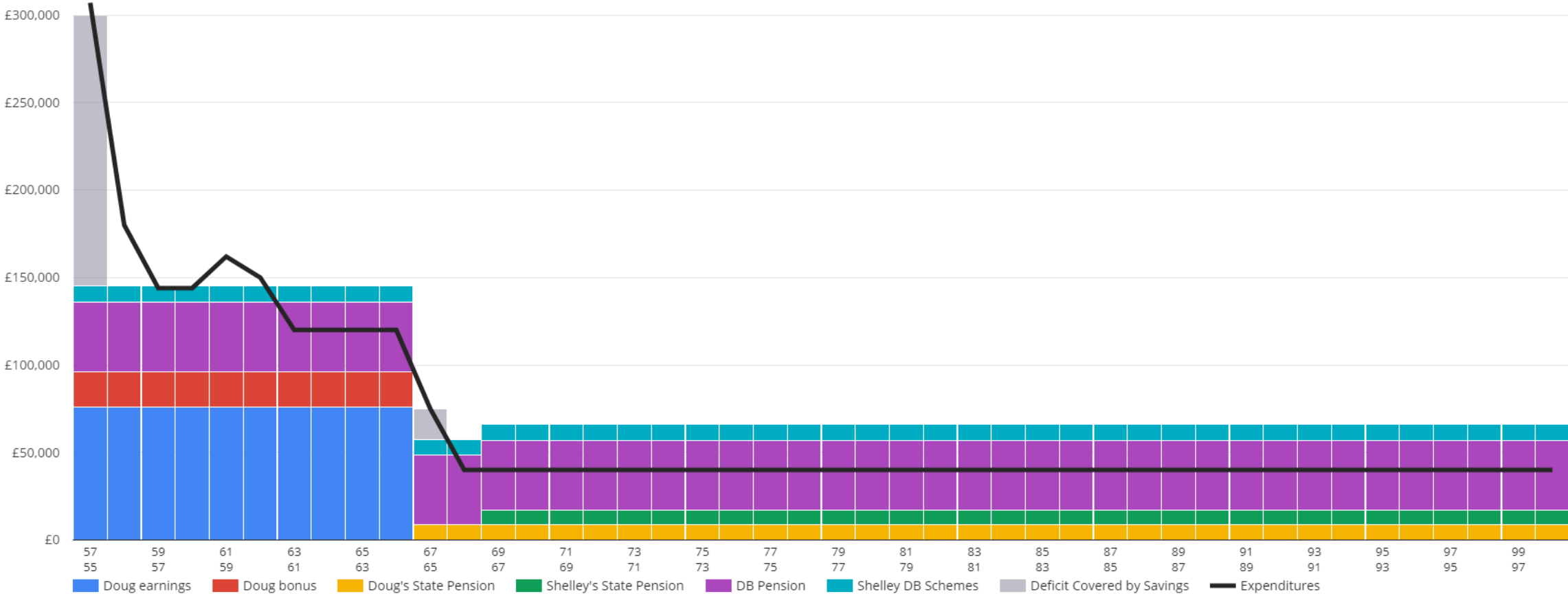
Personalising the advice - Transfer

+

## Money in vs Money out, in today's money

Chart settings Compare forecasts Clone forecast

Money in vs. Money out Savings over time





# Case Study 3 – Doug & Shelley – Cashflow: Additional Personal Objectives

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Doug & Shelley

Options

Help

Create report

Assumptions

Savings Pots

Incomes & Expenses

Contributions & Withdrawals

Charges & Fees

Cash Flow Model

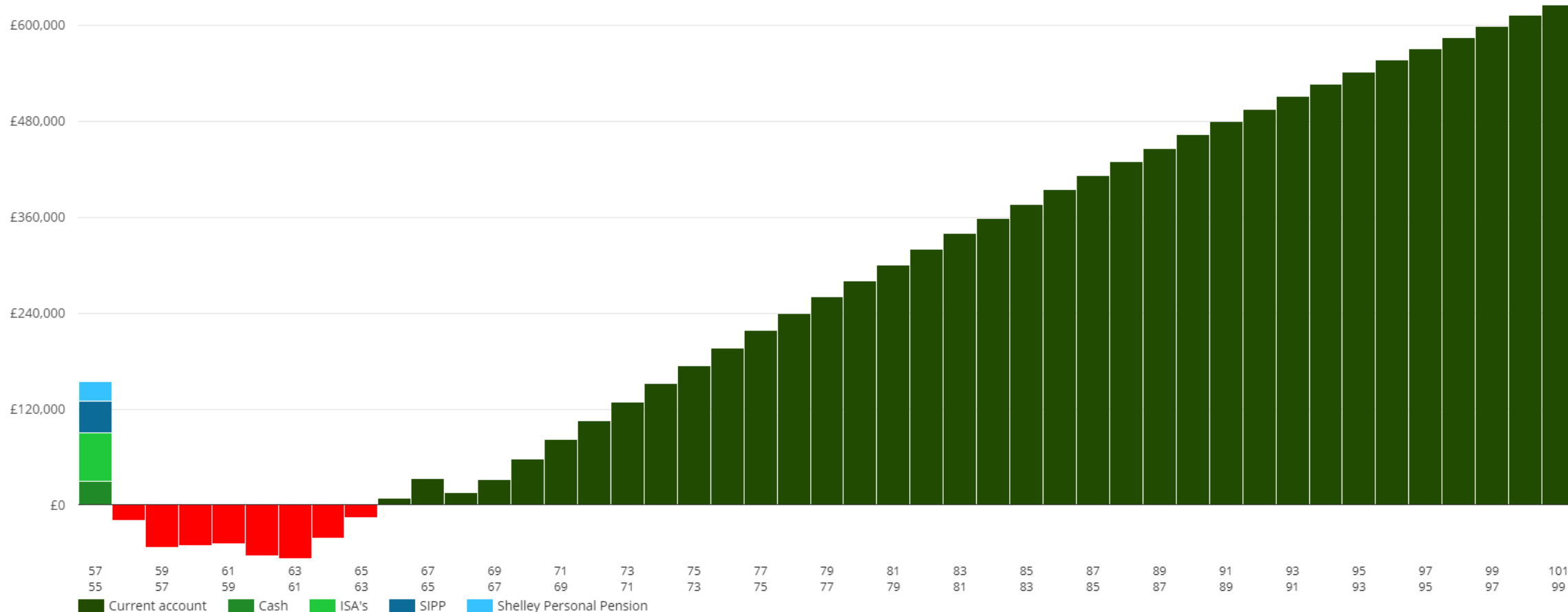
Stress Testing

Yearly Breakdown

Create Report

Money in vs. Money out

Savings over time



Savings at start (age 57):

£155,000

Savings at retirement (age 67):

£33,369

Savings at end (age 101):

£625,745



# Case Study 3 – Doug & Shelley – Cashflow: Additional Personal Objectives, Transfer DB

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Doug & Shelley

Options

Help

Create report

Assumptions

Current Situation

Transfer DB Pension

Personalising the advice - no transfer

Personalising the advice - Transfer



Savings Pots

Incomes & Expenses

Contributions & Withdrawals

Charges & Fees

Cash Flow Model

Stress Testing

Yearly Breakdown

Create Report

Money in vs Money out, in today's money

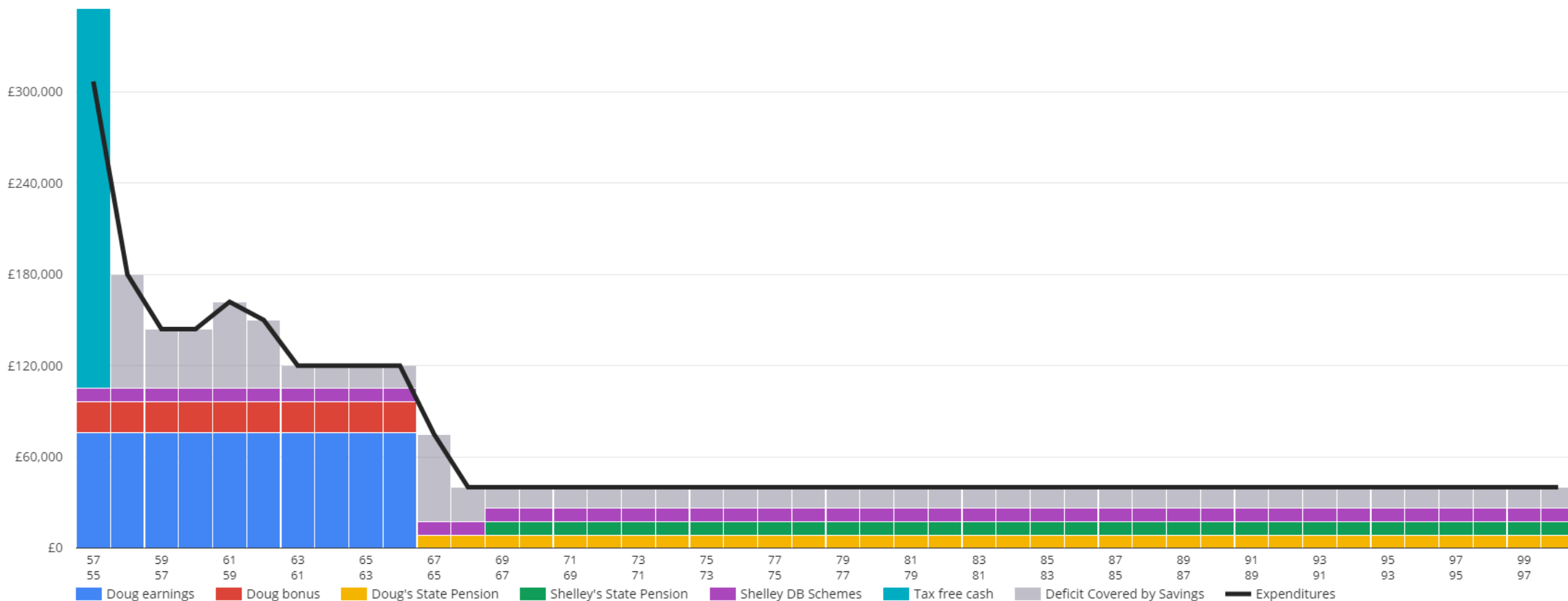
Chart settings

Compare forecasts

Clone forecast

Money in vs. Money out

Savings over time







Case Study 3 – Doug & Shelley – Cashflow: Additional Personal Objectives, Transfer DB

CashCalc

Home

Calculators

My Clients

Add Client

My Account

Logout

Cash Flow Modeller | Doug & Shelley

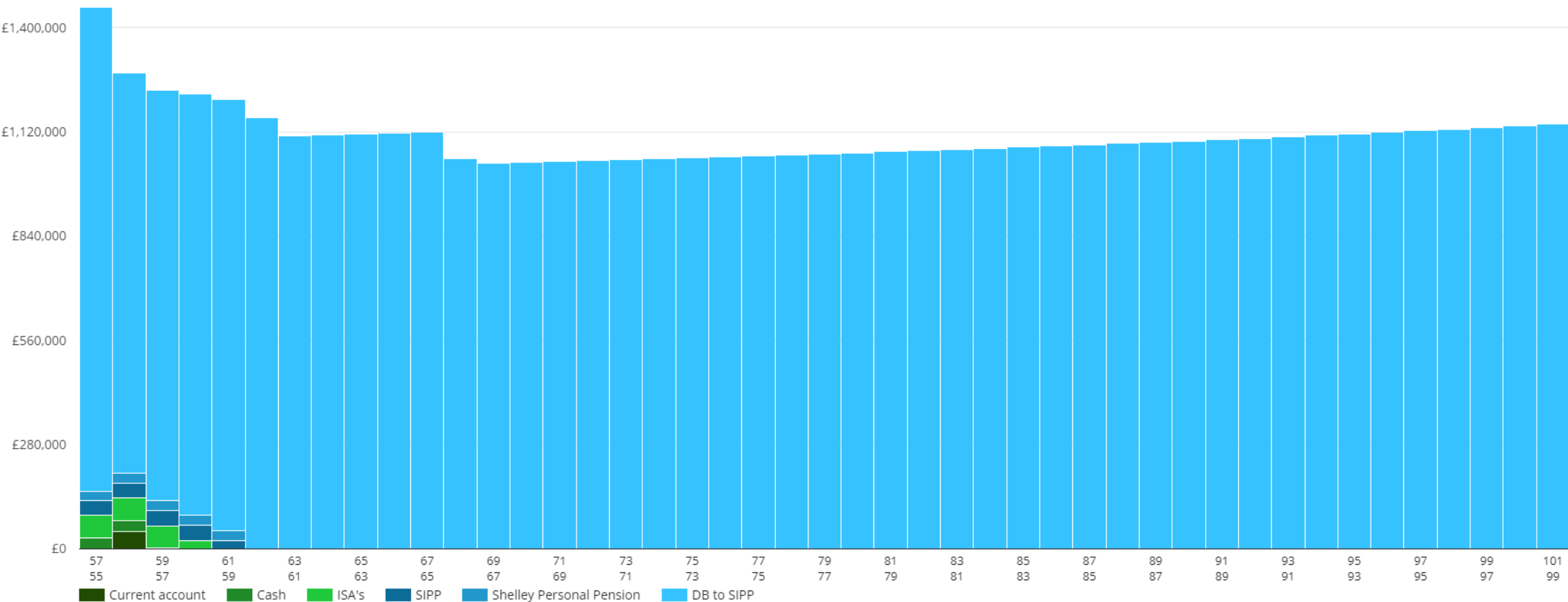
Options

Help

Create report

- Assumptions
- Savings Pots
- Incomes & Expenses
- Contributions & Withdrawals
- Charges & Fees
- Cash Flow Model
- Stress Testing
- Yearly Breakdown
- Create Report

Money in vs. Money out Savings over time



Savings at start (age 57):

£1,455,000

Savings at retirement (age 67):

£1,119,328

Savings at end (age 101):


£1,141,372



- Doug & Shelley now CANNOT achieve their goals in their current situation
- The cashflow modeller shows that by transferring Doug's defined benefit pension, they will be able to achieve their specific PERSONAL GOALS
- Therefore, the recommendation would be to transfer the pension, which would then be SUITABLE advice



## Case Study 3 – Doug & Shelley – Extract from Suitability Report



01633 859 555 | 12 Waterside Court  
info@nicheifa.co.uk | Albany Street  
www.nicheifa.co.uk | Newport  
@nicheifa | NP20 5NT

10<sup>th</sup> July 2018

Dear Doug & Shelley,

The Suitability Report is a written record of our recommendations in relation to your Request that  
Niche Financial should provide advice. It is an important document and should be kept  
in a safe place. Along with the advice charging agreement document that we provided to  
you at our initial meeting.

You will be asked to sign and date the Suitability Report document. This  
document will be kept in a secure place and will be available to you at all times. It  
will be used to provide evidence of our advice and recommendations.

In writing, we confirm to you our advice in plain English, so that you can make the correct  
informed decision. We will also provide you with a copy of our advice and recommendations. It  
is important that you understand the advice and recommendations that we provide to you. We  
will also provide you with a copy of our advice and recommendations. We will also provide you  
with a copy of our advice and recommendations.

---

*Your Current Situation & Objectives*

---

After our initial meeting, we met again to reaffirm your objectives and clarify your needs  
of accessing your pension funds flexibly.

Firstly, we established that the £150,000 that you require access to immediately, is so that  
you can carry out a loft conversion AND add an orangery to your house, to enjoy your  
lovely garden. Now that your children are starting to move away, you and Shelley want  
to make these improvements to the house, to benefit from the extra space!

We then went on to discuss your future plans over the coming years, both before and  
after you retire.



Niche Independent Financial Advisers Ltd. Authorised and regulated by the Financial Conduct Authority. No. 472635  
Registered in England and Wales at 12 Waterside Court, Albany Street, Newport, NP20 5NT. Registration No. 5303093



## Case Study 3 – Doug & Shelley – Extract from Suitability Report



Firstly, we established that the £150,000 that you require access to immediately, is so that you can carry out a loft conversion AND add an orangery to your house, to enjoy your lovely garden. Now that your children are starting to move away, you and Shelley want to make these improvements to the house, to benefit from the extra space!



Louise, your middle daughter, is currently going through University doing a 4-year course in Engineering. You absolutely hate the idea of your children coming out of University in a large amount of debt and as such, have decided that you will part fund their University lives. You intend to give Louise £12,000 a year to pay for rent and general living costs, as you did with Dave.

Your youngest daughter, Joanne is just about to finish her A levels and has already started to make plans to take a gap year after getting her results, to see some of the world. You have told her that if she gets the results she's looking for that you will give her £6,000 to fund her gap year. Once she completes her gap year, she wants to go to University and you intend to be able to provide her with the same funding that you have given to Dave and Louise.



## Case Study 3 – Doug & Shelley – Extract from Suitability Report

You and Shelley will shortly be celebrating your 25<sup>th</sup> wedding anniversary and you want to be able to do something special together to celebrate. Your brother, Anthony, lives in Sydney in Australia and you have never been able to visit him due to work commitments and having the children. As they are all about to be otherwise occupied, this is a perfect opportunity for you and Shelley to go out to visit him whilst celebrating your 25<sup>th</sup> wedding anniversary. You have looked at doing this before and the cost of the trip came to £25,000.

Finally, as part of your contract of employment, you have a company car and use this as your main vehicle. Therefore, upon retirement you will need to purchase a car as once employment ceases you will no longer have a vehicle to use. You have a BMW 4 Series which you absolutely love, and you told me that your ideal scenario would be to be able to purchase one upon retirement, which you anticipate will cost you £35,000.

We speak about your children Dave, Louise and James. You have told me that your other son Dave, has just completed his 2-year University course in Business Management. He has now moved to Cardiff and is now a full-time job. He has been looking for buying a house in Cardiff with his girlfriend and you want to be able to provide him with a deposit to help him get on the ladder. You have asked me about your son Dave (£25,000) now, and subsequently will give your other two children, Louise and James, a £25,000 gift for a property deposit when they look to purchase for the first time in the future.

Louise, your middle daughter, is currently going through University doing a 4-year course in Engineering. You absolutely love the idea of your children coming out of University in large amount of debt and as such, have decided that you will pay for their University fees. You intend to give Louise £12,500 a year to pay the rent and general living costs as well as her fees.

Your youngest daughter, James, is just about to finish her A-levels and has already started to make plans to take a gap year after getting her results, to see what the world has to offer and to see if she gets the results she's looking for that you will give her £10,000 for her gap year. Once she completes her gap year, she wants to go to University and you intend to be able to provide her with the money to help her get started in her new course.

You and Shelley will shortly be celebrating your 25<sup>th</sup> wedding anniversary and you want to be able to do something special together to celebrate. Your brother, Anthony, lives in Sydney in Australia and you have never been able to visit him due to work commitments and having the children. As they are all about to be otherwise occupied, this is a perfect opportunity for you and Shelley to go out to visit him whilst celebrating your 25<sup>th</sup> wedding anniversary. You have looked at doing this before and the cost of the trip came to £25,000.

Finally, as part of your contract of employment, you have a company car and use this as your main vehicle. Therefore, upon retirement you will need to purchase one as once employment ceases you will no longer have a vehicle to use. You have a BMW 4 Series which you absolutely love, and you told me that your ideal scenario would be to be able to purchase one upon retirement, which you anticipate will cost you £35,000.



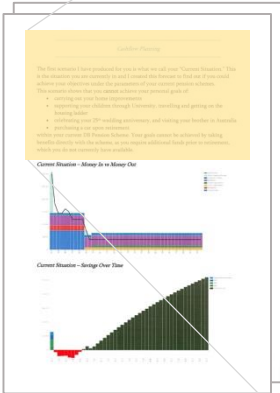
## Case Study 3 – Doug & Shelley – Extract from Suitability Report

The first scenario I have produced for you is what we call your “Current Situation.” This is the situation you are currently in and I created this forecast to find out if you could achieve your objectives under the parameters of your current pension schemes.

This scenario shows that you **cannot** achieve your personal goals of:

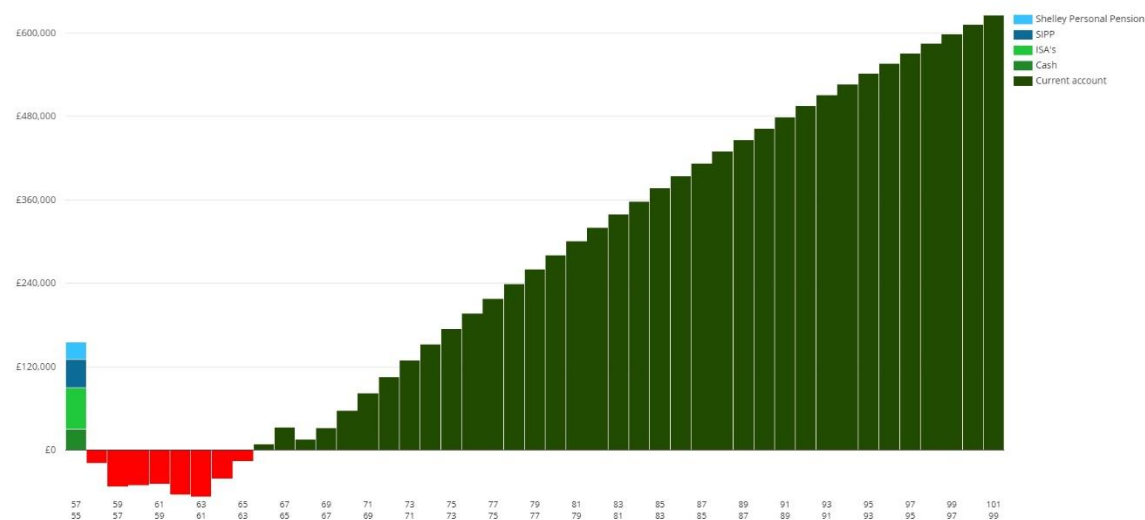
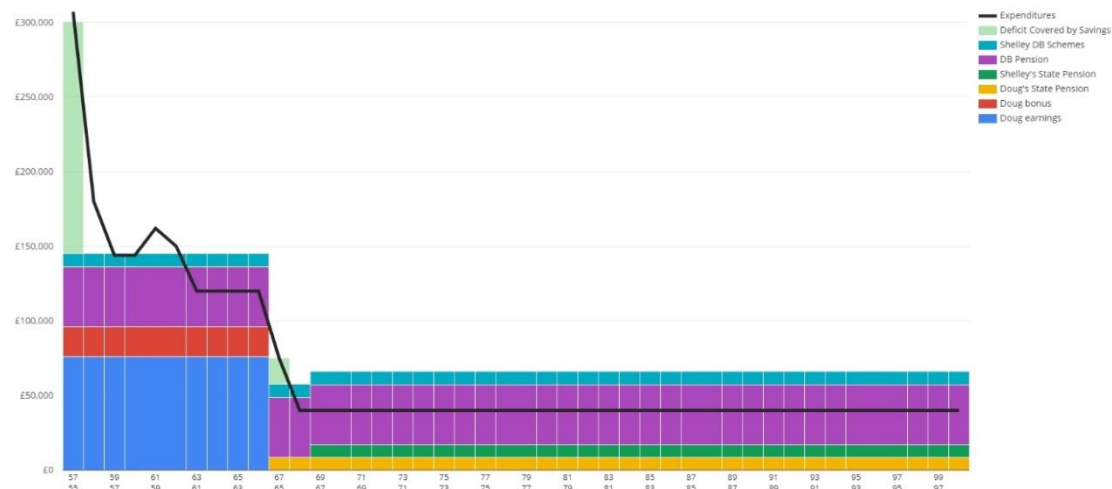
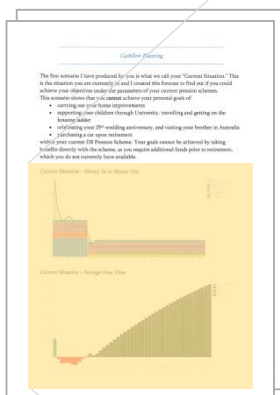
- carrying out your home improvements
- supporting your children through University, travelling and getting on the housing ladder
- celebrating your 25<sup>th</sup> wedding anniversary, and visiting your brother in Australia
- purchasing a car upon retirement

within your current DB Pension Scheme. Your goals cannot be achieved by taking benefits directly with the scheme, as you require additional funds prior to retirement, which you do not currently have available.





## Case Study 3 – Doug & Shelley – Extract from Suitability Report



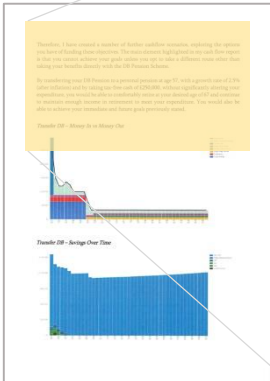




## Case Study 3 – Doug & Shelley – Extract from Suitability Report

Therefore, I have created a number of further cashflow scenarios, exploring the options you have of funding these objectives. The main element highlighted in my cash flow report is that you cannot achieve your goals unless you opt to take a different route other than taking your benefits directly with the DB Pension Scheme.

By transferring your DB Pension to a personal pension at age 57, with a growth rate of 2.5% (after inflation) and by taking tax-free cash of £250,000, without significantly altering your expenditure, you would be able to comfortably retire at your desired age of 67 and continue to maintain enough income in retirement to meet your expenditure. You would also be able to achieve your immediate and future goals previously stated.



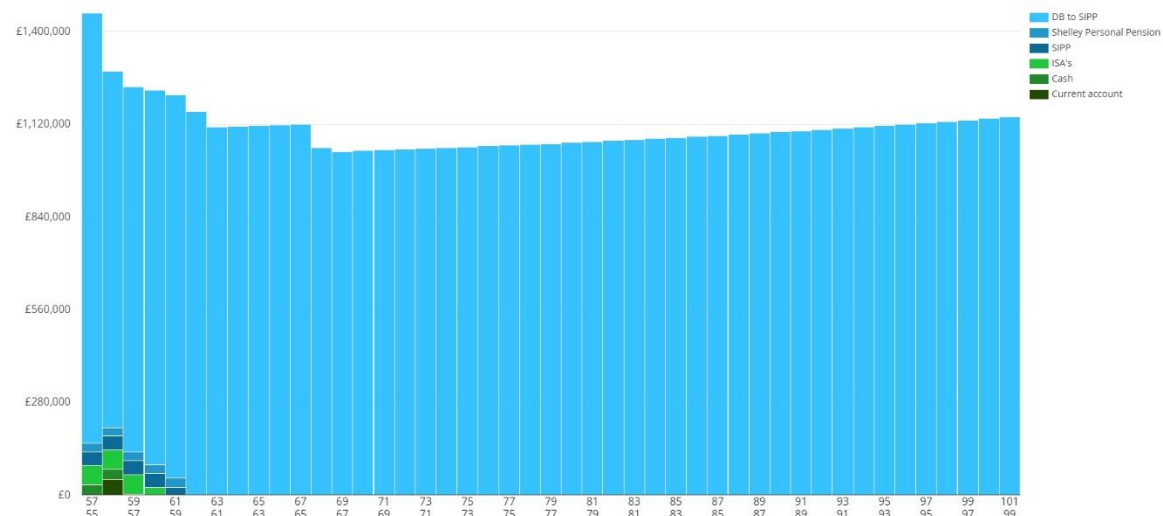
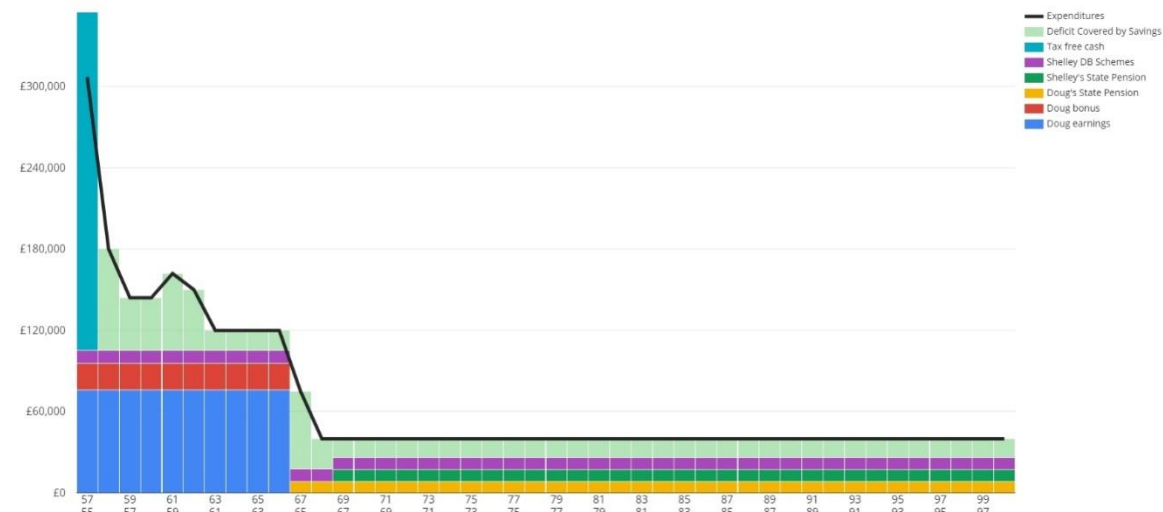


## Case Study 3 – Doug & Shelley – Extract from Suitability Report

Therefore, I have created a number of further cashflow scenarios, exploring the options you have of funding these objectives. The scenarios are highlighted in my cash flow report in the row nearest where you can see up to take a different route other than taking your benefits directly with the DB Pension Scheme.

By transferring your DB Pension to a personal pension at age 55, with a growth rate of 2.5% after referral and by taking the free cash of £250,000, without significantly altering your expenditure, you would be able to comfortably meet your desired age 65 and retirement expenditure through income in retirement in line with expectations. You would also be able to achieve your retirement and have your previously stated.

Scenario DB - Money In vs Money Out



## Taking cashflow planning further:

- Linear vs Variable Returns
- Historic or Future
- Capacity For Loss
- Monte Carlo simulations

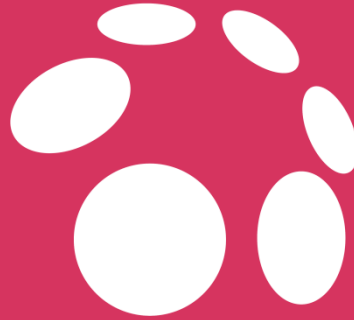


[www.cashcalc.co.uk](http://www.cashcalc.co.uk)



### **Recommendations:**

- Good fact finding!
- Obtain personal objectives
- Cashflow planning
- Personalised suitability report



[www.nicheifa.co.uk](http://www.nicheifa.co.uk)

Visit [www.cashcalc.co.uk/greatpensiondebate](http://www.cashcalc.co.uk/greatpensiondebate) to download a CPD certificate for this session