CashCalc Specification Sheets (Client Facing)

Pension Income Drawdown Planner

Overview

The Pension Income Drawdown Planner is used to show the client the value of their pension pot if they were to draw down variable incomes from it. This calculator takes the Crystallised Pension Pot Size, Assumed Net Investment Return rate, Assumed Inflation rate and incomes with a Start Age, End Age, Annual Amount, Inflation Rate and whether this income should be adjusted for inflation or not.

Assumptions

Below is a list of all assumptions made in order to perform the calculation:

- Figures are rounded up to the nearest penny
- Pension Pot is crystallised
- Net Investment Return Rate has a range between 0.00% and 10.00% (Default: 3.00%)
- Assumed Inflation Rate has a range between 0.00% and 10.00% (Default: 2.00%)
- All values are shown in gross
- All values are in terms of today's money
- Calculations are performed until the client would be aged 100
- Growth is applied annually, on the last day of the year
- Incomes are drawn on the first day of each year, no growth is applied to them on the pension

Calculations Breakdown

The calculations require eight parameters in order to calculate the given output, these being:

- Pension Pot Size (Crystallised)
- Assumed Net Investment Return rate %
- Assumed Inflation Rate %
- Income Start Age
- Income End Age
- Annual Amount
- Inflation Rate
- Adjust for Inflation?

The Pension Income Drawdown Planner models the drawing down of a pension over a term. It calculates the Pension Pot at the end of the year and the income to draw down.

If the 'Adjust for Inflation?' option is selected at the time of their creation, the income/expense will have the assigned value from creation, in other words it keeps pace with inflation until it starts. If this option is not selected, the value will be eroded by inflation each year until it is active.

The Income to Drawdown for each year is a total of all the incomes that are active for that year. The Pension Pot at Year End is calculated by taking the value of the Pension Pot at the Years Start, subtracting any incomes from it and then applying the real return rate to this value. The real return rate is calculated by subtracting the Assumed Inflation rate from the Assumed Net Investment Return rate. Following are the calculations performed in this process:

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Real Return Rate = Net Investment Return Rate – Inflation rate

Pension Pot after Incomes = Pension pot at Start – Incomes
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Pension Pot at End = Pension Pot after Incomes + (Pension Pot after Incomes
                         x Real Return Rate)
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A PDF report can be created from this calculator which contains detailed information about the relevant client's details and the outputs of the calculations performed. The data plotted in graphical form is created by using the GoogleChartAPI.