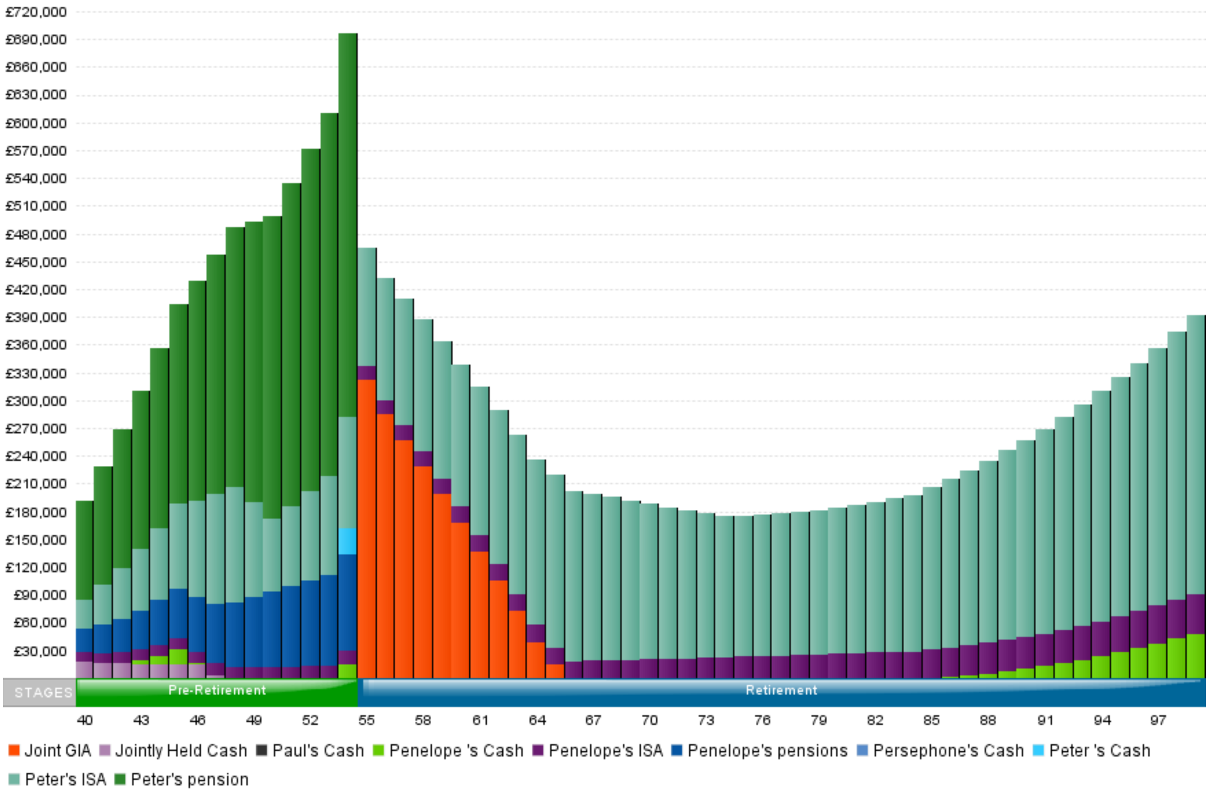
Financial Planning – Scenario 2

We set out below a graph showing your net worth (excluding your home but including the value of your pension funds). This graph is adjusted for the effects of inflation and assumes the following additional financial planning:

1. You both utilise your ISA allowance (where spare cash permits you to do so) between now and retirement
2. You both take a greater degree of risk with both your ISA investments and your pension investments, so that the net investment return increases from 6% to 7% per annum
3. At age 55, you invest the money from Penelope's inheritance and the pension tax free cash into an investment portfolio providing a return of 6% per annum



We can draw the following conclusions from the above graph:

1. You do not run out of assets
2. Your assets decrease between age 55 and age 67 as your retirement is funded from a combination of your savings and your annuity income
3. After age 67, as your state pensions begin to be paid, your assets stabilise before increasing in your 80s as your expenditure drops
4. Your pension income is higher in this scenario than in the previous scenario. This is due to taking a higher risk and therefore achieving a higher return on your pension funds before retirement
5. The higher investment returns in your pensions and ISAs (as well as using your ISA allowances where possible before retirement) allows you to build your savings more quickly and sustainably than retaining money in cash