FinancialMappers® Pro

Masterclass

Income Streams in Retirement

Please Note: Information in all Masterclass Documents is intended to assist the Financial Adviser and Paraplanners to get the maximum benefit from Financial Mappers and its many features. This information should not be considered as giving Financial Advice or advice you should pass on to your clients.

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Plencore Online Pty Ltd is a wholly owned subsidiary of Plencore Wealth Ltd and is the online retail section of the company. For additional information about the software, contact Glenis Phillips, the concept designer. (glenis.phillips@financialmappers.com.au or phone Direct Line)

Table of Contents

Introduction

Financial Mappers Pro is designed to let you complete detailed planning of ***Income Streams in Retirement***.

For each liquid type asset, you can nominate the Year in which you wish to commence the drawdown and over how many years, you wish to allow that asset to last. These assets are **Cash**, **Shares**, and **Managed Funds.**

With Superannuation/Pension Account and SMSF, there are three methods, which will commence at a nominated age:

- Number of Years
- Percentage of Funds over two time periods
- Specified Dollar Values

In addition, the Superannuation Account, the fund can be converted to an ***Annuity*** at the start of the Drawdown. Where the fund exceeds the **Transfer Balance Cap**, the Drawdown of the **Excess Accumulation Funds** is nominated as a separate Drawdown Value.

Where there are insufficient funds to service the nominated ***Retirement Income***, **Real Estate** may be sold and the funds re-allocated to suitable investments.

Notes on Plan

For demonstration purposes, screenshots will be from a 30-year Retirement Plan for a single person with investments of $1.2m in Superannuation and $1.2m in assets held other investments.

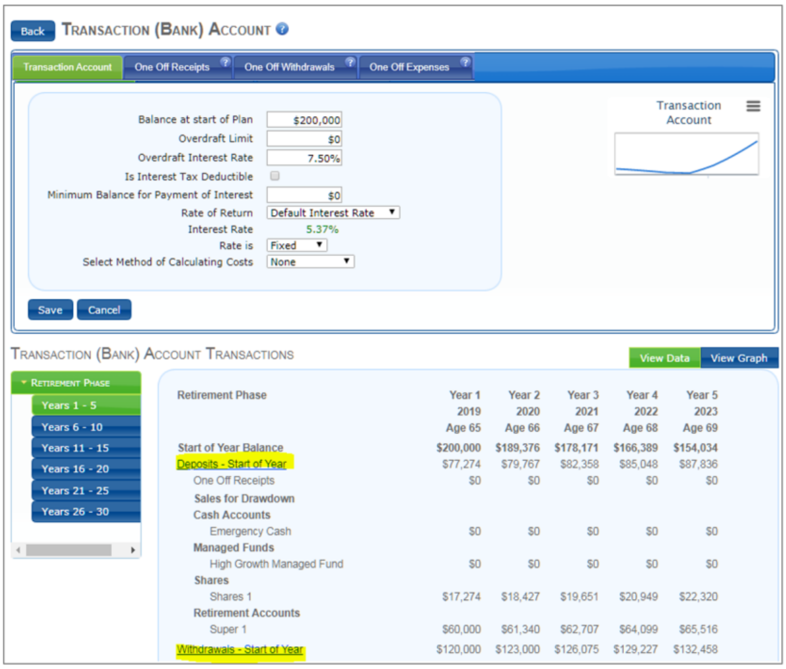
John, Citizen is aged 65 and wants a Retirement of Income of $120,000 for the first 10-years, reducing the amount by $10,000 for each additional 10 year period. He owns his own home and has no debts.

Assets at Start of Retirement

Each Asset will be discussed and why a particular drawdown has been selected.

Transaction Account

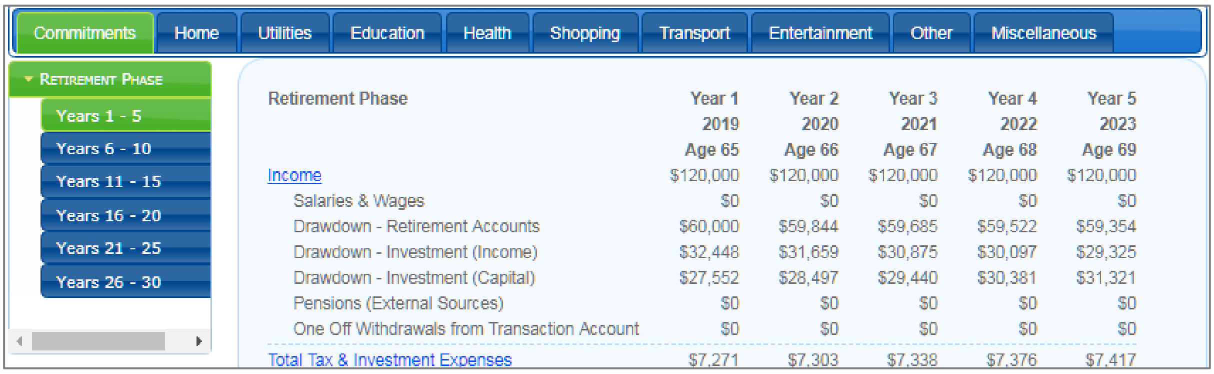
For this exercise, all the **Interest Earning Assets** will be kept in the ***Transaction Account***, with the exception of $50,000 for Emergencies which will not be accessed in the plan.



In the ***Retirement Phase***, drawdown from accounts is deposited into the ***Transaction Account*** at the Start of the Year. In the first 5-years of the plan, funds from the **Share Account** and the **Superannuation** are being drawn down. The Withdrawal at the Start of the Year is the amount nominated in the ***Retirement Income***. These funds are withdrawn and deposited into the ***Budget*** as **Personal Income**, replacing Salaries from the Savings Phase. Note how the value is allocated to Retirement Accounts, Investment Income and Investment Capital. This gives you the opportunity to have a discussion with your client about how spending **Investment Capital** may impact future cash flows. *(The same allocation is found on the Retirement Income page.)*

Sometimes clients may be resistant to spend their capital while others may not see the dangers of spending capital too quickly in the early stages of the Retirement Phase.

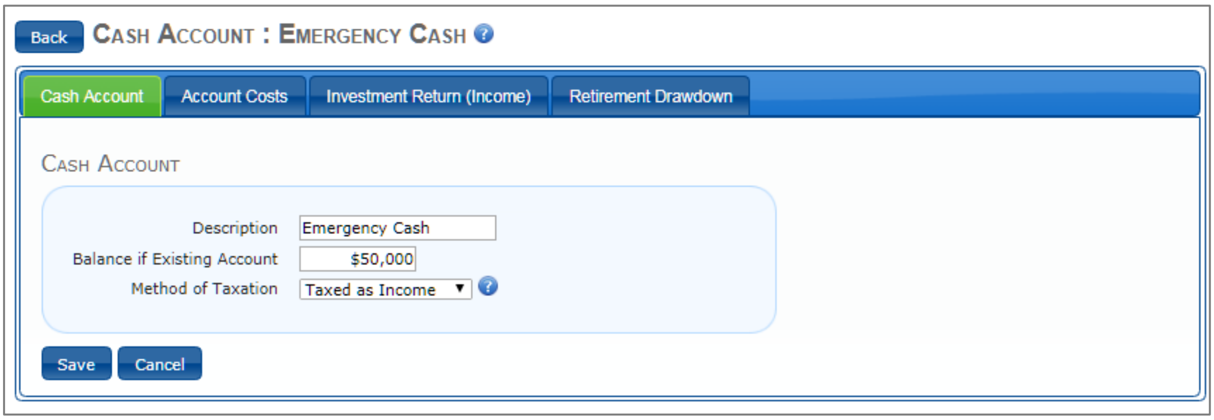
Note that the program automatically splits the ***Tax on all Income*** between the **Transaction Account** for Investments and the **Budget** for Personal Income. During the Retirement Phase, the nominated Retirement Income will be treated as Personal Income.

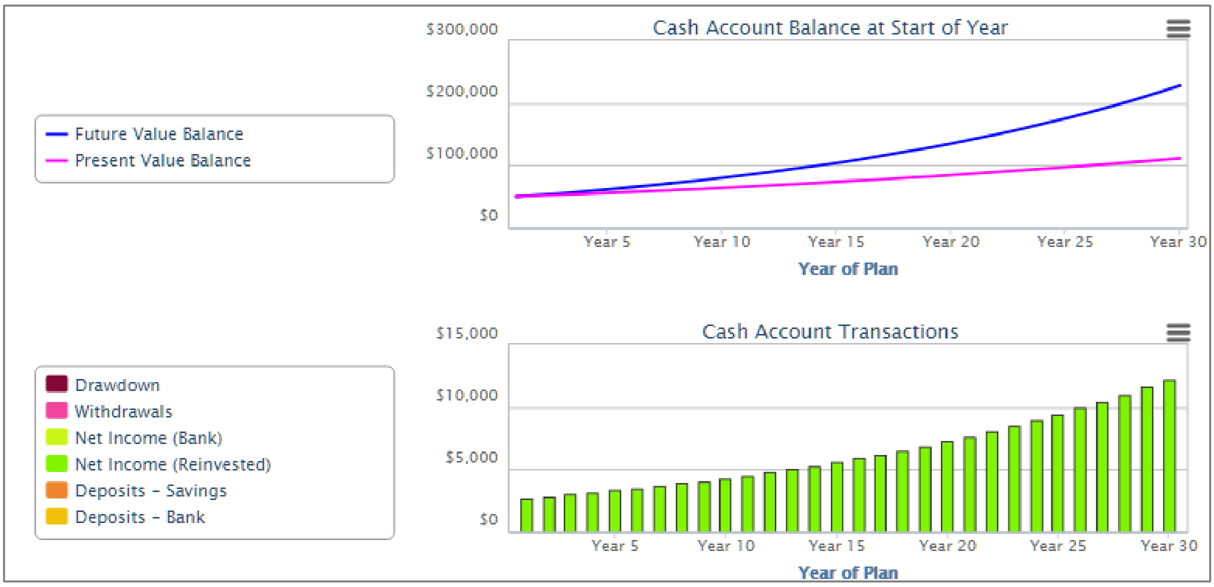


Retirement Phase	Year 1 2019 Age 65	Year 2 2020 Age 66	Year 3 2021 Age 67	Year 4 2022 Age 68	Year 5 2023 Age 69
Income	$120,000	$120,000	$120,000	$120,000	$120,000
Salaries & Wages	$0	$0	$0	$0	$0
Drawdown - Retirement Accounts	$60,000	$59,844	$59,685	$59,522	$59,354
Drawdown - Investment (Income)	$32,448	$31,659	$30,875	$30,097	$29,325
Drawdown - Investment (Capital)	$27,552	$28,497	$29,440	$30,381	$31,321
Pensions (External Sources)	$0	$0	$0	$0	$0
One Off Withdrawals from Transaction Account	$0	$0	$0	$0	$0
Total Tax & Investment Expenses	$7,271	$7,303	$7,338	$7,376	$7,417

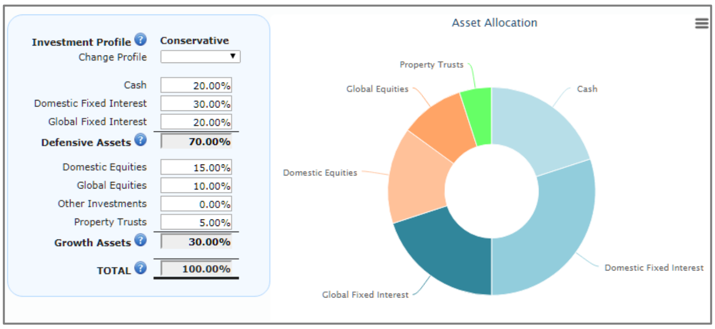
Emergency Cash

Having some extra funds, tucked away for an unexpected cost, such as major health issues, can be facilitated by placing these funds in a separate account. In this case the ***Income*** is **Reinvested** and there is no allocation of Drawdown.





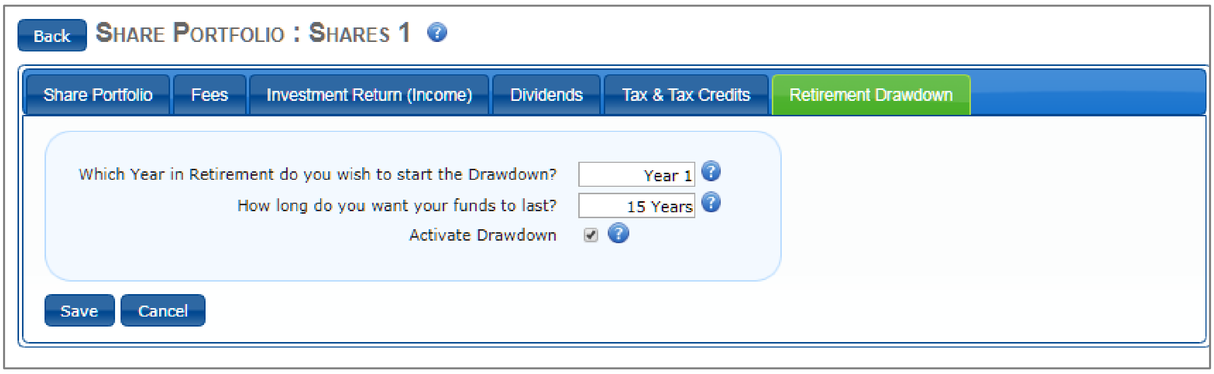
In this example, a ***Cash Account*** has been used, but you could use a **Managed Fund** if you wanted to benefit from some Capital Growth. Using the TAB ***Asset Allocation***, you could find a Fund, which best suits the needs of your client. Here is an example of a Conservative Fund.



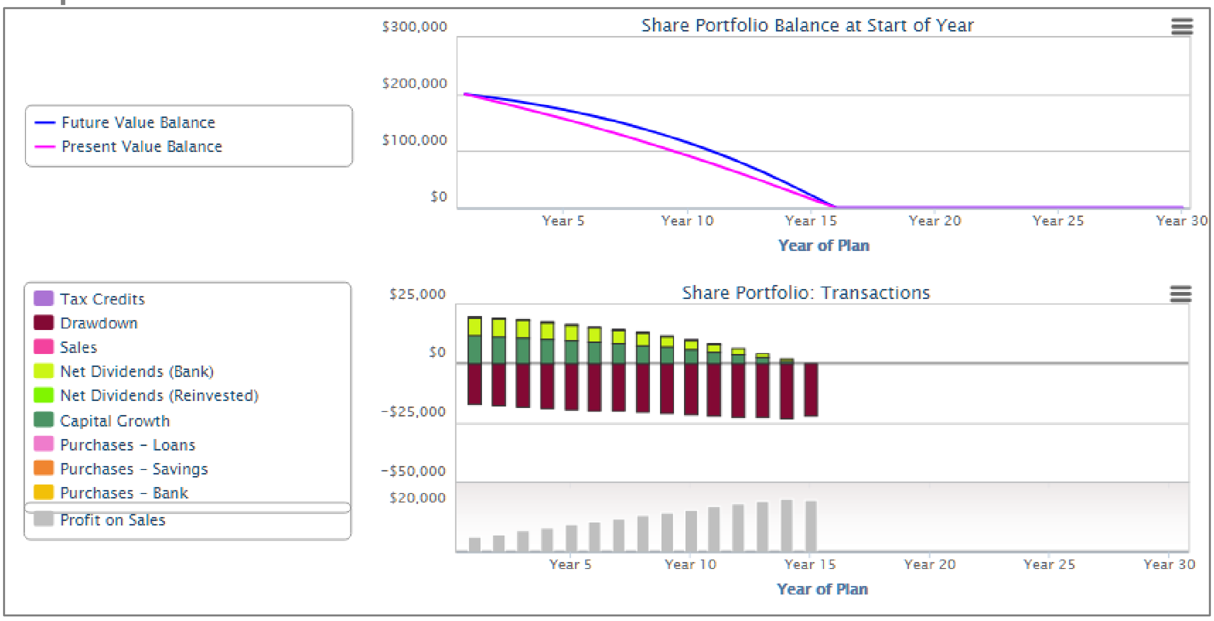
Shares

This fund has a balance of $200,000. The **Dividends** will be paid directly to the ***Transaction Account***. It is anticipated that **70%** of the fund will receive **Tax (Imputation) Credits**.

The plan also has $200,000 held in a ***High Growth Managed Fund***. The strategy is to draw down the funds in the ***Share Portfolio*** over the first 15-years. As the funds are likely to be a self-directed investment, it is most likely the client will not want to have such responsibility after Age 80. From Age 80, the client will start to draw down the funds in the ***Managed Fund Account***.



Graph View

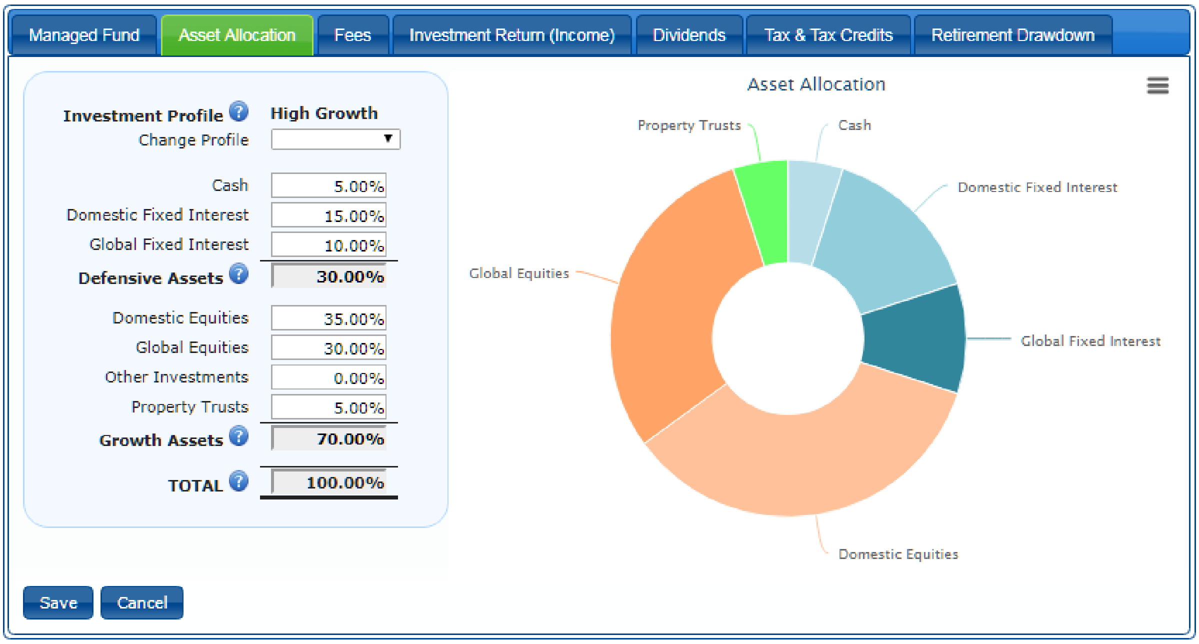


Data View Years 1 - 5

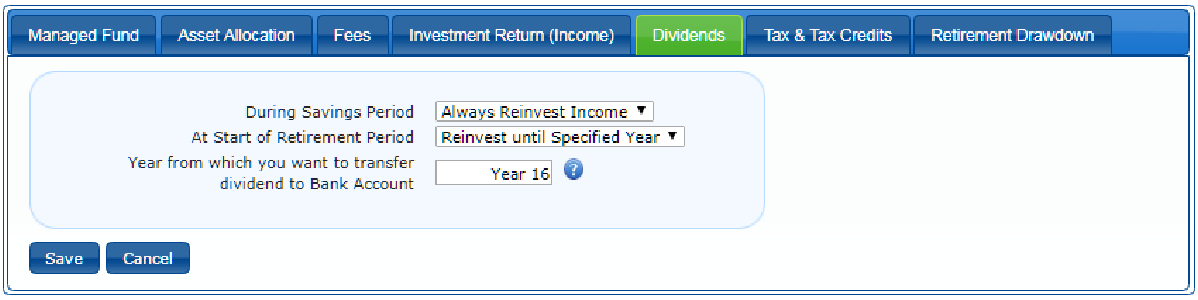
Retirement Phase	Year 1 2019 Age 65	Year 2 2020 Age 66	Year 3 2021 Age 67	Year 4 2022 Age 68	Year 5 2023 Age 69
Transactions					
Start Balance	$200,000	$194,510	$188,183	$180,958	$172,770
Start of Year					
Purchases - Loan Account	$0	$0	$0	$0	$0
Purchases - Bank Account	$0	$0	$0	$0	$0
Drawdown	$17,361	$17,812	$18,270	$18,733	$19,197
Monthly Transactions					
Purchases – Salary Savings	$0	$0	$0	$0	$0
End of Year					
Capital Growth	$11,872	$11,485	$11,044	$10,545	$9,982
Dividends Reinvested	$0	$0	$0	$0	$0
Sales	$0	$0	$0	$0	$0
End Balance	**$194,510**	**$188,183**	**$180,958**	**$172,770**	**$163,555**
Net End Balance	$194,510	$188,183	$180,958	$172,770	$163,555
% Equity (Asset)	100.00%	100.00%	100.00%	100.00%	100.00%
Income & Expenses					
Net Income	$7,762	$7,510	$7,221	$6,895	$6,527
Dividends (Before Costs)	$7,762	$7,510	$7,221	$6,895	$6,527
Management Fees	$0	$0	$0	$0	$0
Buying Costs/Entry Fees	$0	$0	$0	$0	$0
Selling Costs/Exit Fees	$87	$89	$91	$94	$96
Cumulative Net Income	$7,762	$15,272	$22,493	$29,388	$35,915
Profit on Sales	$4,340	$5,268	$6,189	$7,102	$8,005

High Growth Managed Fund

This ***High Growth Managed Fund*** has a balance of $200,000, with **Tax (Imputation) Credits** for 30% of the Income. The default High Growth entries will be maintained, but you can overwrite these values to match any of your recommended products. In this example, an **Investment Return** of 5% Income and 7% Capital (Total 12%) has been nominated.



It is planned to reinvest the Dividends, until Year 16, when the commencement of the Drawdown will commence.

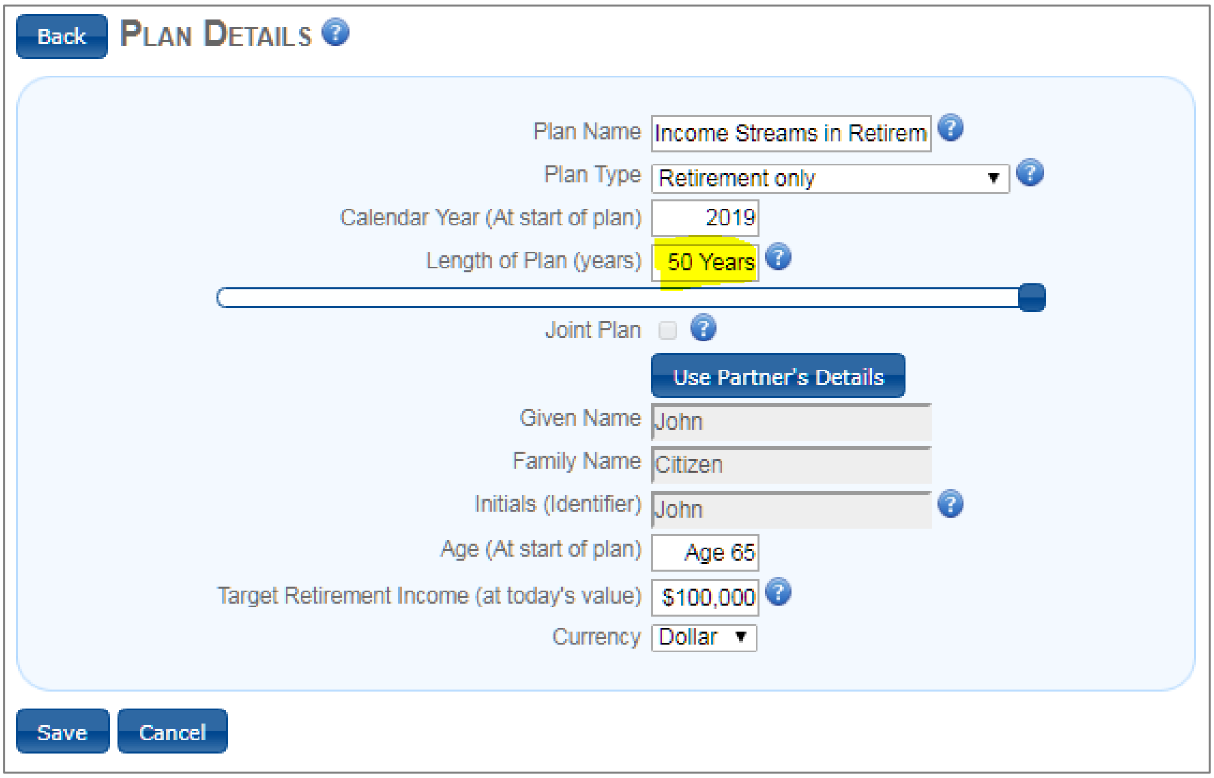


The Drawdown period is 25 years, meaning there should be a considerable balance for an inheritance, even if the client has a life-span well into their nineties. At the end of the 30-year plan, the client, aged 95, should have about $390,000 (PV) in the account.

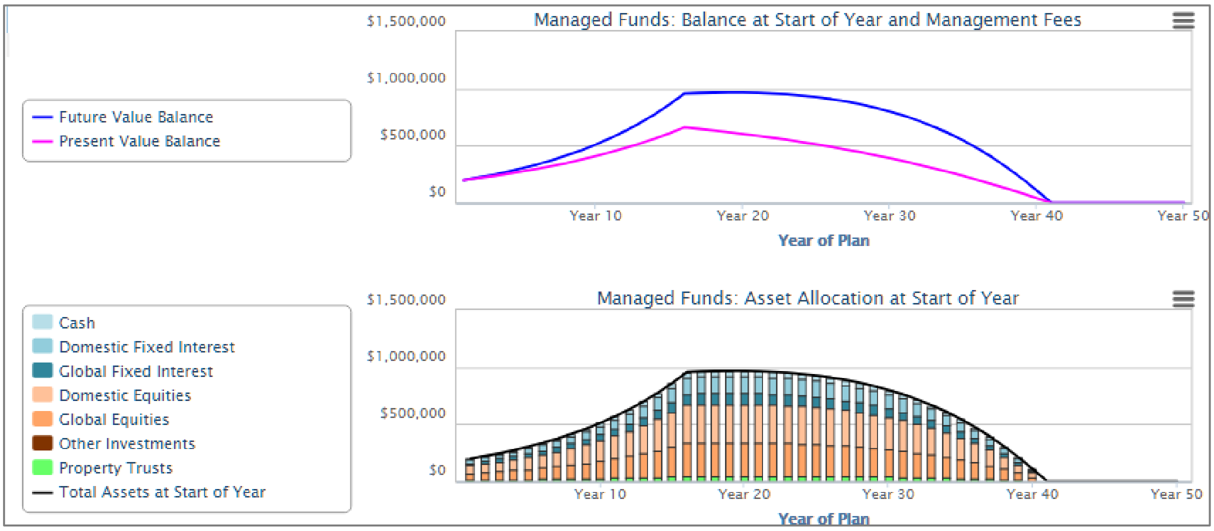
Note on Plan Length

There may be value in extending the plan length to 50-years so you can let the client see the results. Note that as you expand and contract the plan length, any entries made in the hidden section are retained for future use.

It is just a matter of going to the ***Plan Details*** page and changes the **Length of the Plan**.

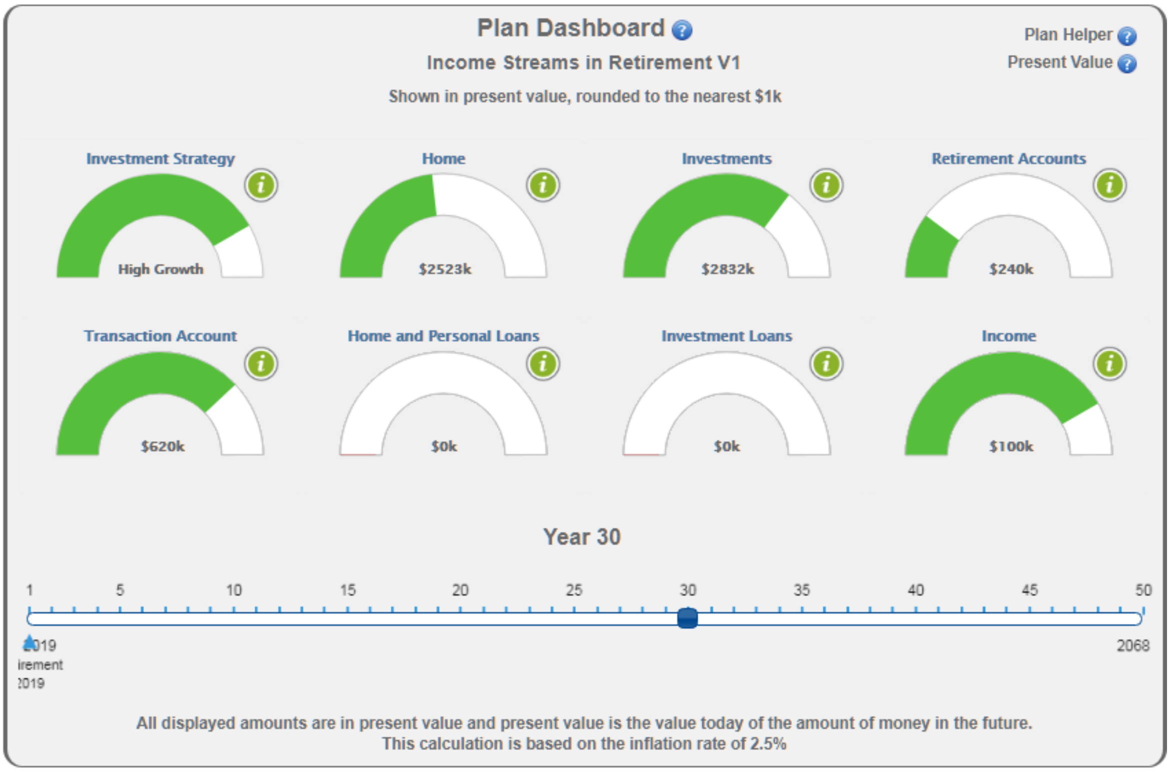


In the plan, you can quickly scroll you mouse over the graphs to view the results year by year.

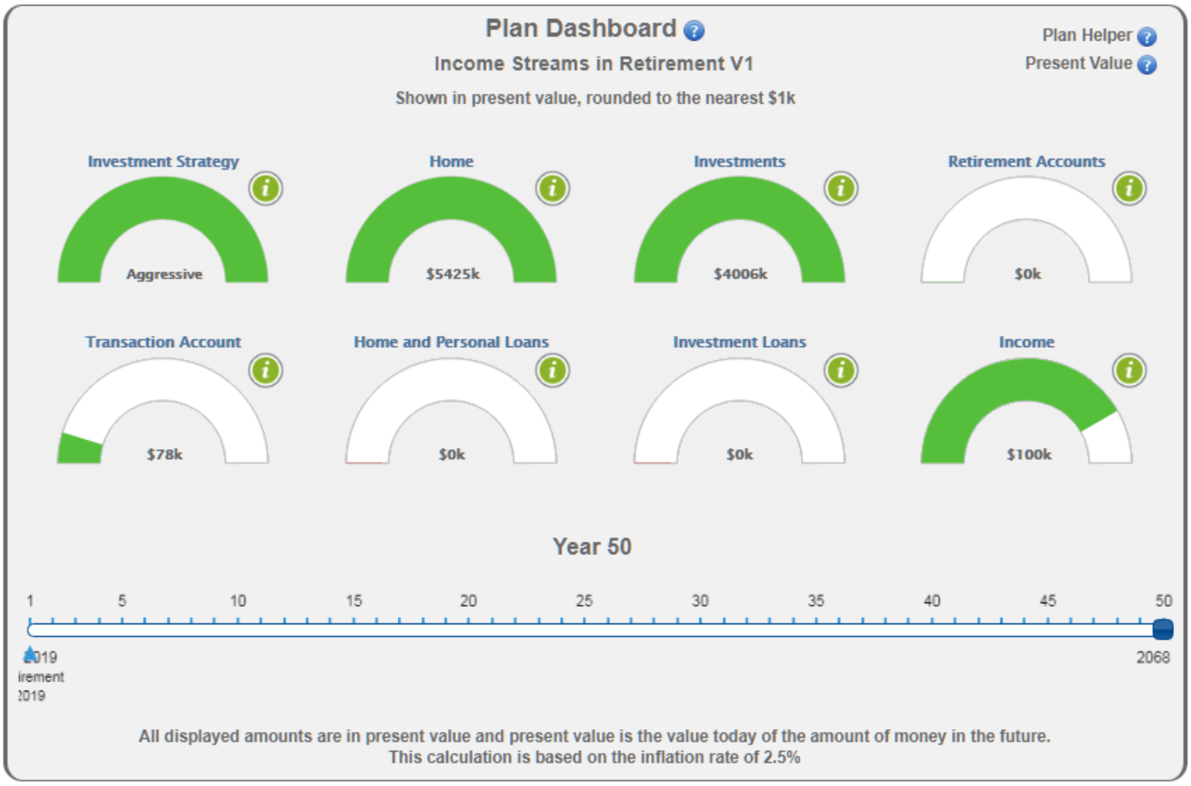


The Review chevron is also an excellent place to carry out this type of overview very quickly.

Review – Year 30

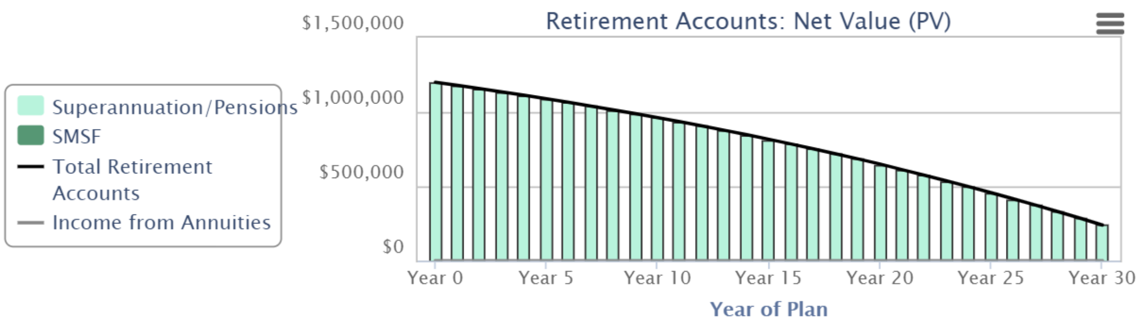


Review - Year 50



Using the **Information Icon**, details of each dial can be accessed.

Details: Retirement Accounts



Remarks

There are several kinds of Retirement Accounts.

1. The top colour refer to Superannuation/Pension Accounts managed by an independent trustee.
2. The next colour is for a Self-Managed Superannuation Fund.
3. Total Retirement Accounts adds together the value of all Retirement Accounts.
4. The final line is the combined income from Annuities which may be either purchased or provided by an employer (e.g. a military pension provided by an employer as a defined benefit pension), and Annuities rolled over from a superannuation/pension fund.

Note on Rollover to Annuity and Annuity: The important thing to remember is that Annuities usually have no value when the person dies. Therefore care needs to be excised when considering the value of an inheritance should you die. You should seek expert financial advice regarding the assigning value of these accounts when you die.

However, don't forget that in this case, the client would be **115 years old**. At the end of the plan.

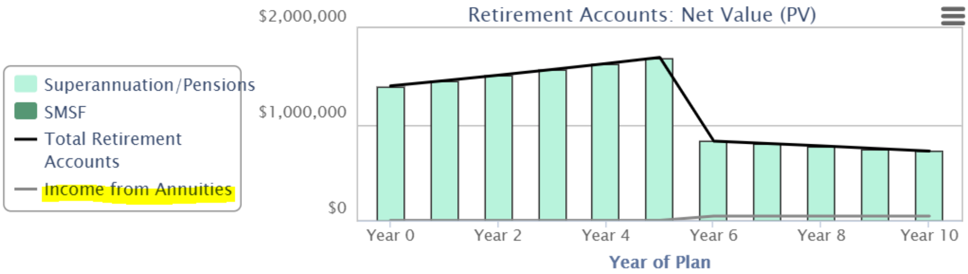
Note on Annuities:

If a client has purchased an annuity or converted their super to an annuity, there is no resale value. Therefore the dollar value is displayed as $0. It compensate for this, the line graph will display the value of the income from the annuity each year.

This shows the above graph where the superannuation account has been converted to an annuity.

This is an example of a Joint Lifetime Plan where one Superannuation Fund was converted to an Annuity and the second fund was not converted.

Details: Retirement Accounts



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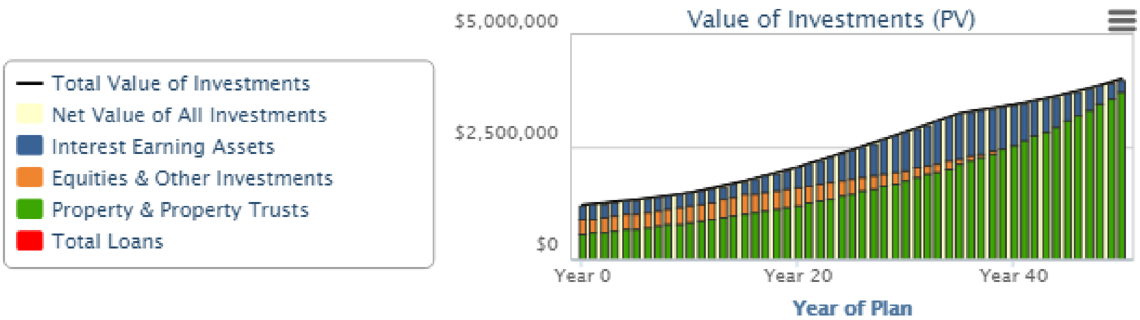
Details: Investments



Remarks

This graph for Investments has three components:

1. The columns (Green, Orange and Blue) show the allocation of investments according to Property, Shares and Interest Earning accounts.
2. Behind the columns is an area graph which shows the net value of investments (Value of Investments less Total Loans).
3. Total Investments is the value of Investment Equity plus the value of the Investment Loans.

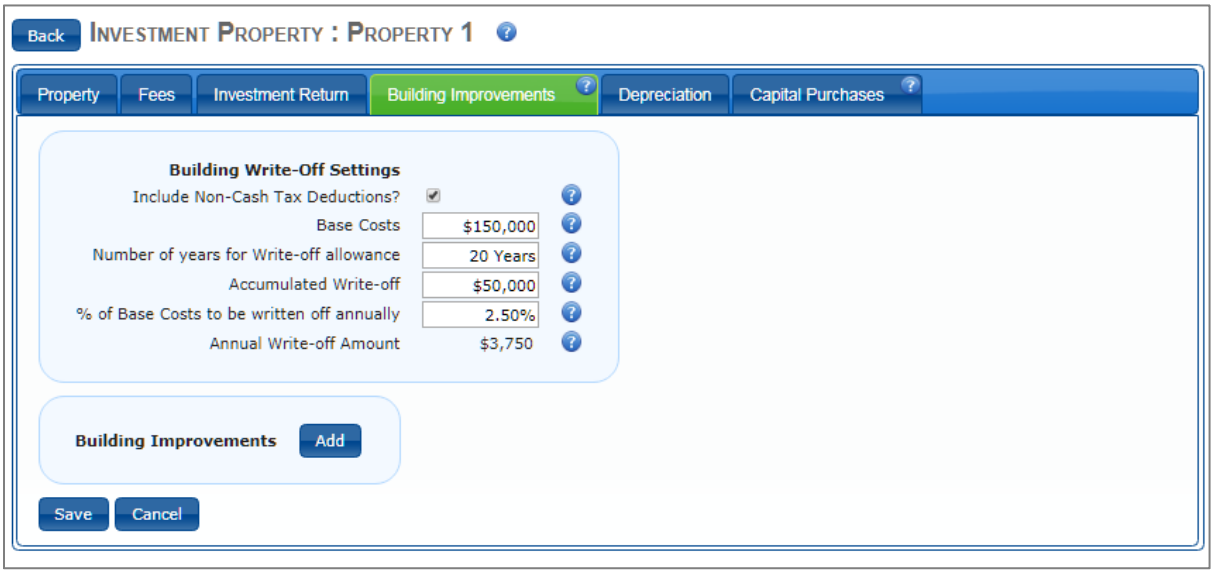
Investment Property

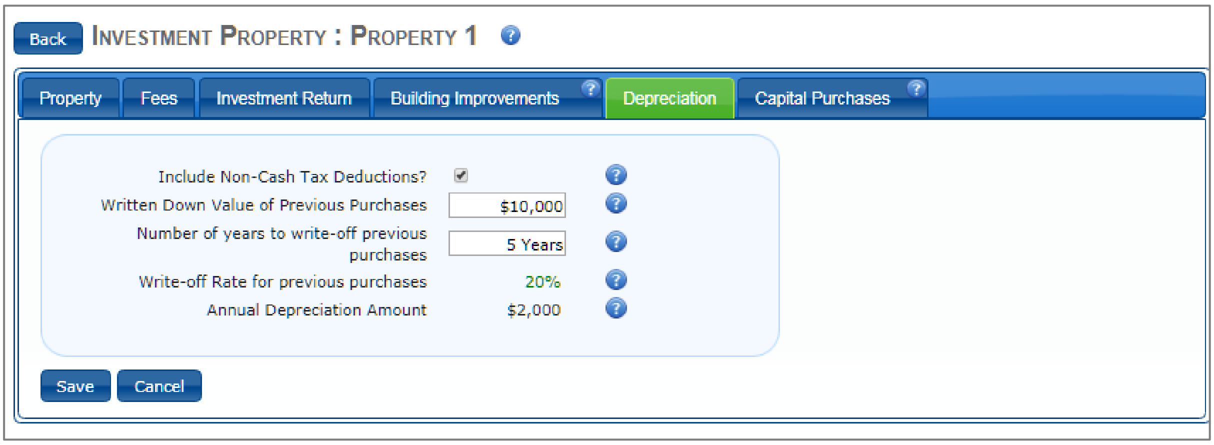
In this plan, the client has one ***Investment Property***, which at this point in time, no plan has been made to sell the property. Say the client may wish to retain this property as part of his inheritance and to avoid paying a **Capital Gains Tax Liability**.

The option of selling the property and its implications will be considered later

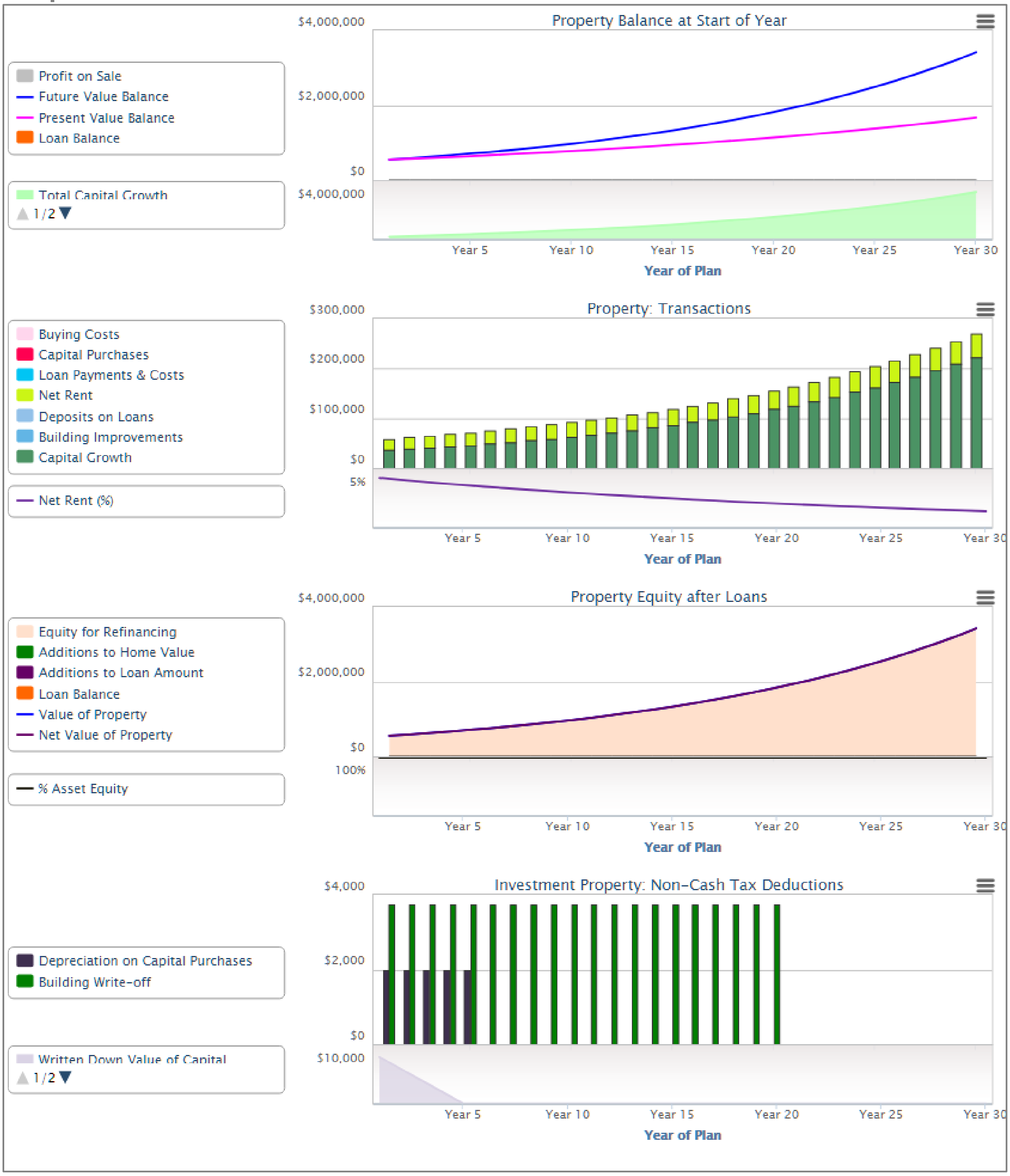
This property has no debt and the default **Investment Returns** have been used.

The following ***Building Write-off*** and ***Depreciation*** has been added to the plan. No plans for building renovations or future capital purchases have been entered. However, this is a discussion you may like to have with your client. Often they forget about the long term maintenance fees, particularly where older buildings are owned.





Graph View


Property Balance at Start of Year
$4,000,000
$2,000,000
$0
$4,000,000
Profit on Sale
Future Value Balance
Present Value Balance
Loan Balance
Total Capital Growth
1/2
Year 5
Year 10
Year 15
Year 20
Year 25
Year 30
Year of Plan
Property: Transactions
$300,000
$200,000
$100,000
$0
5%
Buying Costs
Capital Purchases
Loan Payments & Costs
Net Rent
Deposits on Loans
Building Improvements
Capital Growth
Net Rent (%)
Property Equity after Loans
$4,000,000
$2,000,000
$0
100%
Equity for Refinancing
Additions to Home Value
Additions to Loan Amount
Loan Balance
Value of Property
Net Value of Property
% Asset Equity
Investment Property: Non-Cash Tax Deductions
$4,000
$2,000
$0
$10,000
Depreciation on Capital Purchases
Building Write-off
Written Down Value of Capital
1/2

Data View Years 1 - 5

PROPERTY TRANSACTIONS : PROPERTY 1

View Data | View Graph

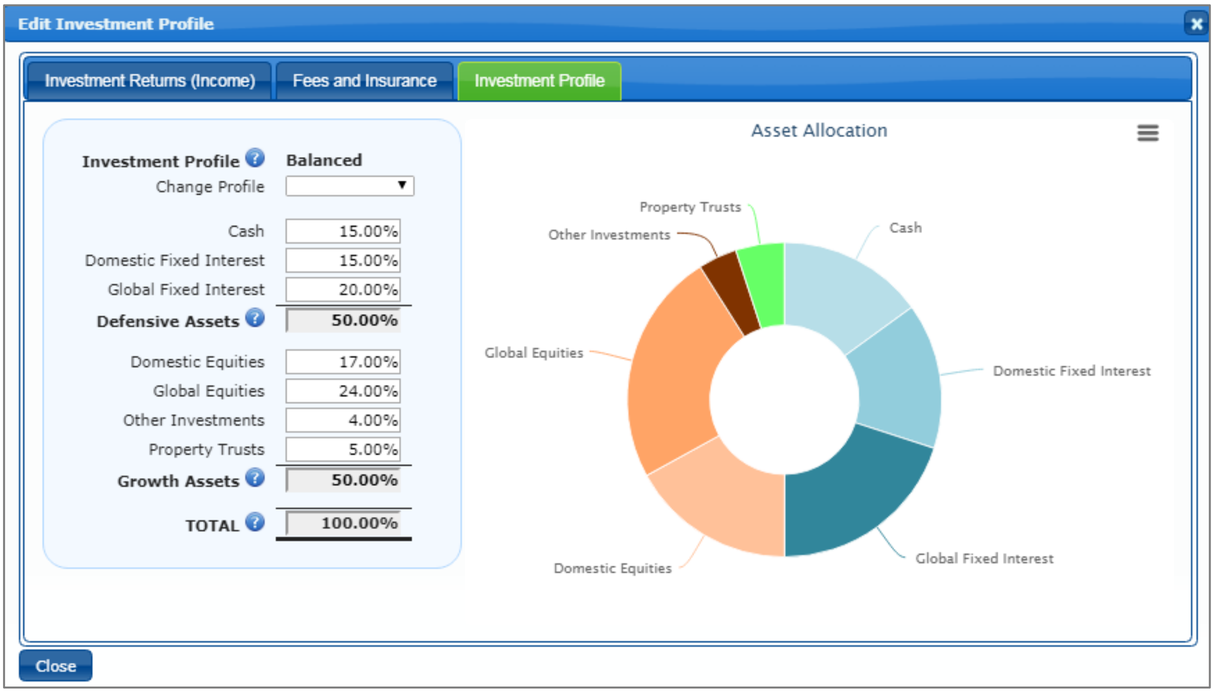
- Retirement Phase
  - Years 1 - 5
  - Years 6 - 10
  - Years 11 - 15
  - Years 16 - 20
  - Years 21 - 25
  - Years 26 - 30

Retirement Phase	Year 1 2019 Age 65	Year 2 2020 Age 66	Year 3 2021 Age 67	Year 4 2022 Age 68	Year 5 2023 Age 69
Asset Equity					
Value at Start of Year	$550,000	$585,750	$623,824	$664,372	$707,556
Value at Start after Annual Transactions	$550,000	$585,750	$623,824	$664,372	$707,556
% Asset Equity at Start of Year	100.00%	100.00%	100.00%	100.00%	100.00%
Start of Year					
Building Improvements	$0	$0	$0	$0	$0
End of Year					
Capital Growth	$35,750	$38,074	$40,549	$43,184	$45,991
Sale	$0	$0	$0	$0	$0
Value at End of Year	**$585,750**	**$623,824**	**$664,372**	**$707,556**	**$753,548**
Net Value of Asset	$585,750	$623,824	$664,372	$707,556	$753,548
Income & Recurrent Expenses					
Gross Income	$27,500	$28,188	$28,892	$29,614	$30,355
Expenses (Tax Deductible)	$4,125	$4,228	$4,334	$4,442	$4,553
Net Rent	$23,375	$23,959	$24,558	$25,172	$25,802
Net Rent (%)	4.25%	4.09%	3.94%	3.79%	3.65%
Cumulative Net Rent	$23,375	$47,334	$71,893	$97,065	$122,867
Capital Works Deduction					
Capital (Building) Improvements	$0	$0	$0	$0	$0
Capital Works Deduction	$3,750	$3,750	$3,750	$3,750	$3,750
Cumulative Capital Works Deduction	$53,750	$57,500	$61,250	$65,000	$68,750
Capital Purchases					
Capital Purchases	$0	$0	$0	$0	$0
Capital Purchases Depreciation	$2,000	$2,000	$2,000	$2,000	$2,000
Written Down Value	$8,000	$6,000	$4,000	$2,000	$0
Sale of Property					
Sale Price	$0	$0	$0	$0	$0
Selling Costs	$0	$0	$0	$0	$0
Sale Price - Selling Costs	$0	$0	$0	$0	$0
Purchase Price + Purchase Costs	$0	$0	$0	$0	$0
Capital Works Deduction	$0	$0	$0	$0	$0
Profit on Sale	$0	$0	$0	$0	$0
Loan attached to Investment Property					
Detailed Loan Summary					

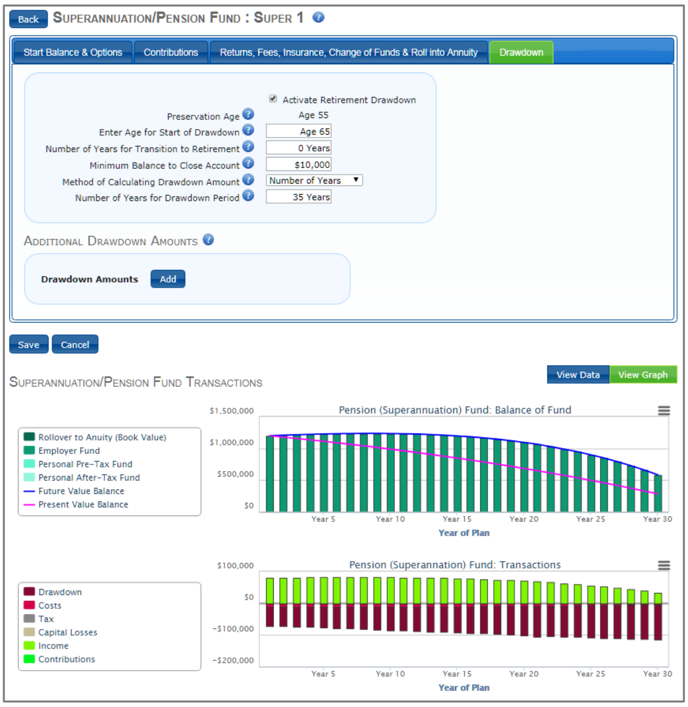
The **Net Rental Income** is transferred to the ***Transaction Account***, where this income can be used as part of the **Retirement Income Drawdown**.

Superannuation

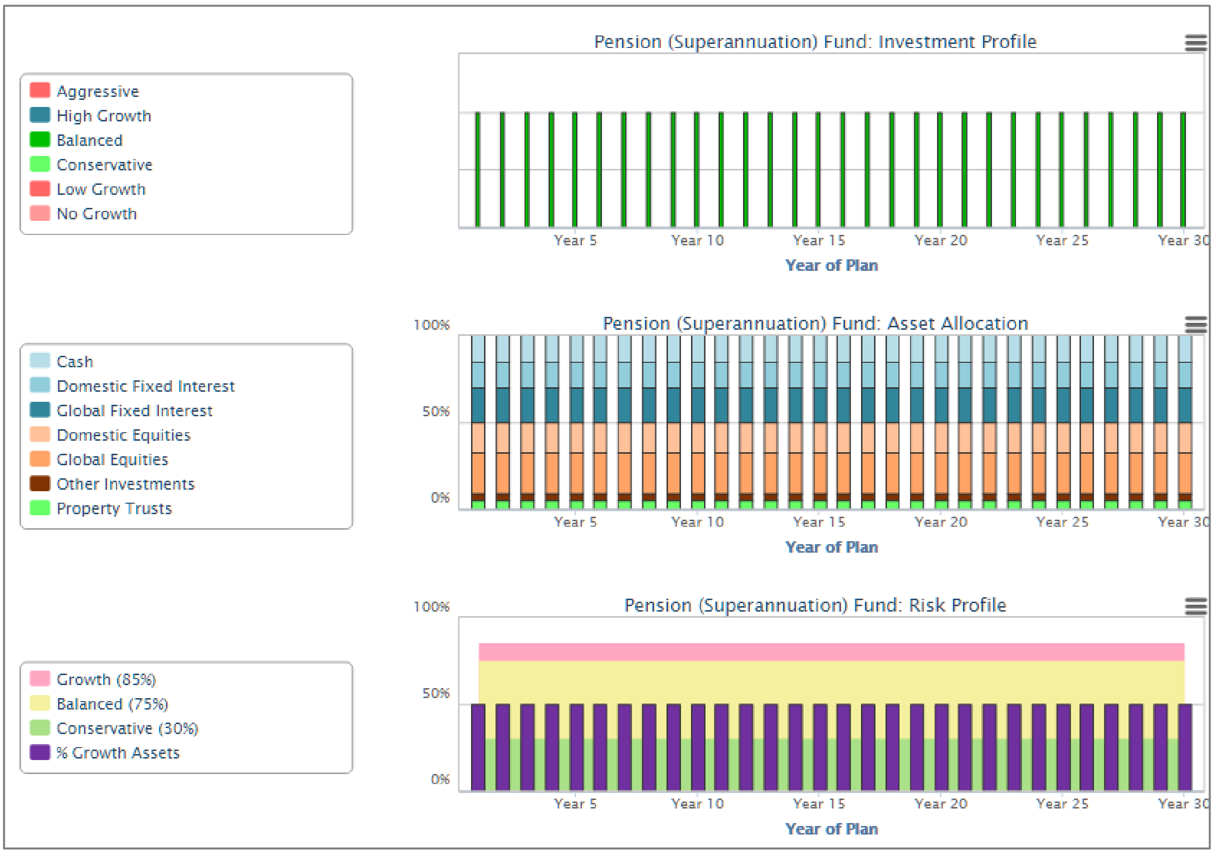
This ***Superannuation Account*** has a balance of $1,200,000, all of which are **Employer Contributions**. The fund is maintained as a ***Balanced Fund***, earning ***7%*** pa, with **Management Fees** of **1%**.



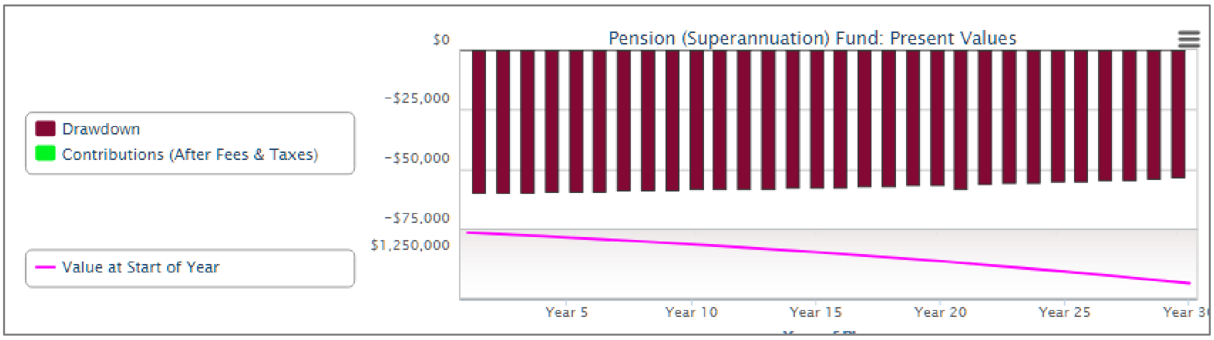
The Drawdown has been nominated as 35-years, meaning the funds will expire when the client is aged 100.



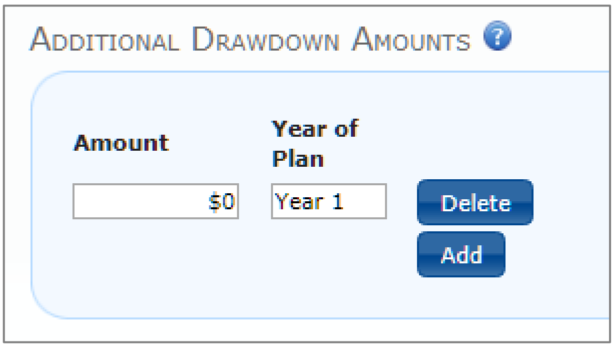
The **Investment Profile**, **Asset Allocation** and the **Risk Profile** (% of Growth Assets) are all displayed for you to commence your conversation about how and why you developed a particular strategy.



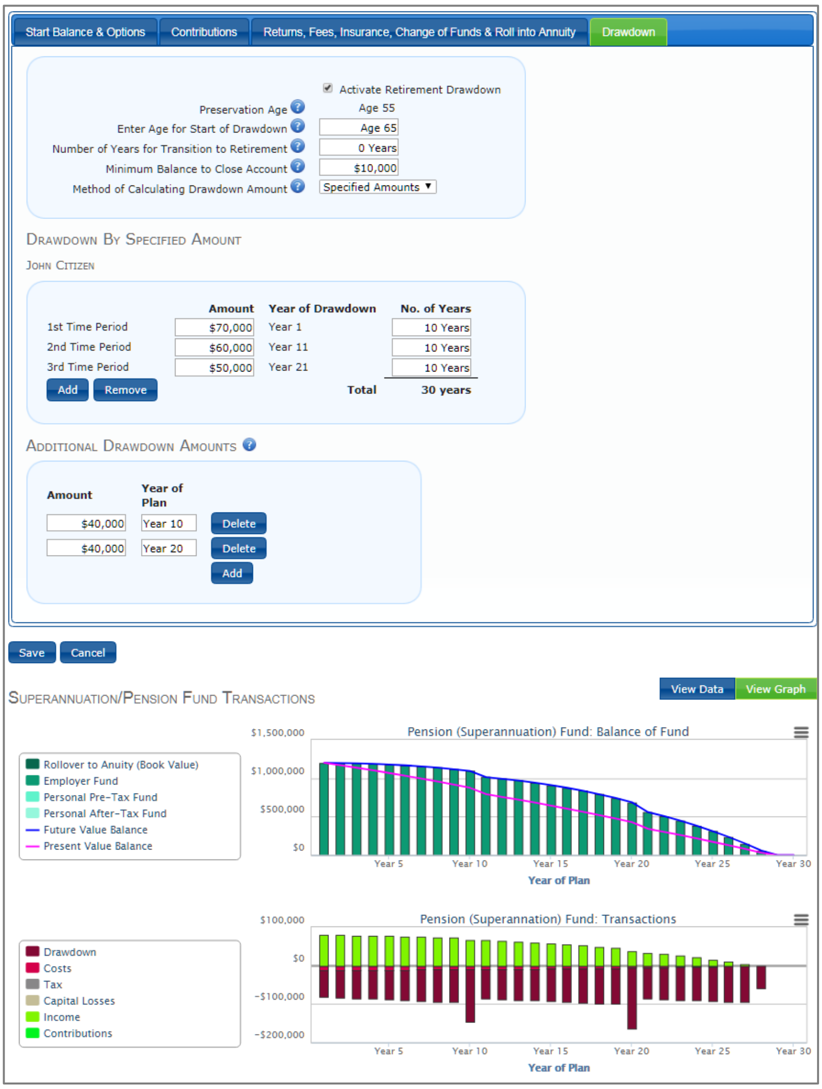
Given the length of plans, having quick access to the expected Drawdown in Present Values (PV) allows for you to have a further conversation as to whether or not the Retirement Fund drawdown meets their requirements. Where there is a gap in the actual result and th client's expectations, you can perhaps suggest alternatives <u>ON THE SPOT</u>.



If your client has any need for one-off additional payments these can be included with any of the three methods of drawdown.



To simplify for process your client may prefer to see ***Dollar Values*** rather than a time-period or percentage of funds drawdown. A table of drawdown can be quickly created and you can toggle between the three methods of Drawdown to demonstrate the effect of different options. In this example, the client has also expressed a desire to purchase a new car each 10-years at a cost of $40,000, with the funds being withdrawn from the account.

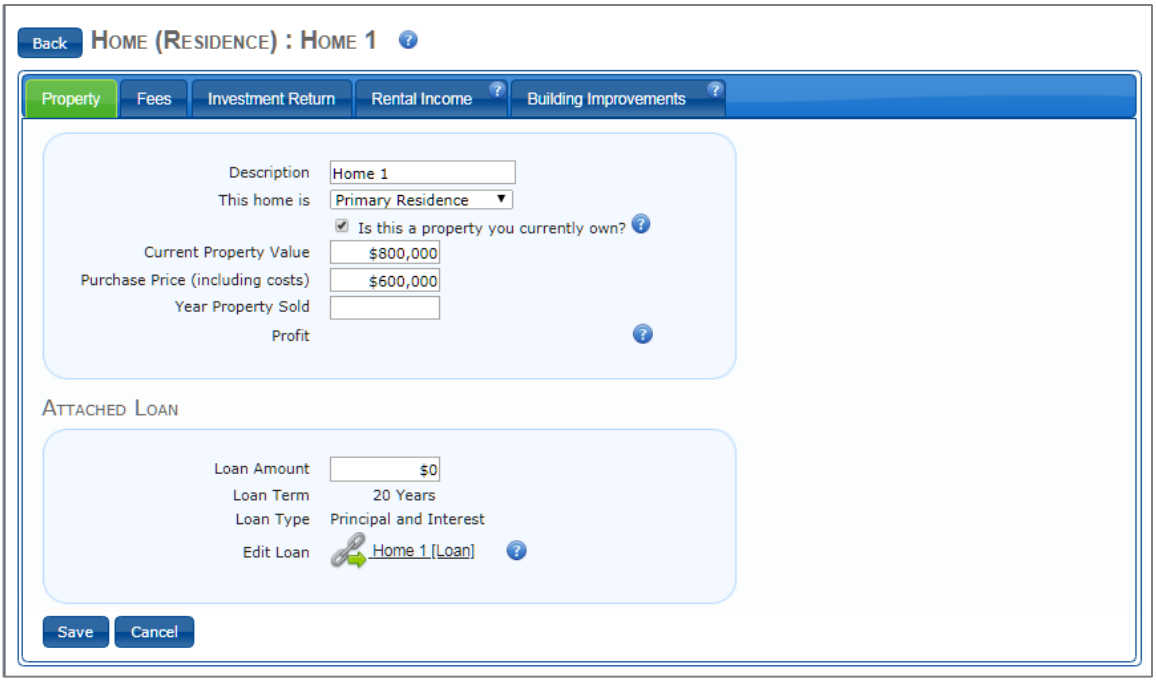


Home

In this example, there is no provision made for selling the Home. However, you can demonstrate to your client, the value of downsizing and putting those extra funds to use.

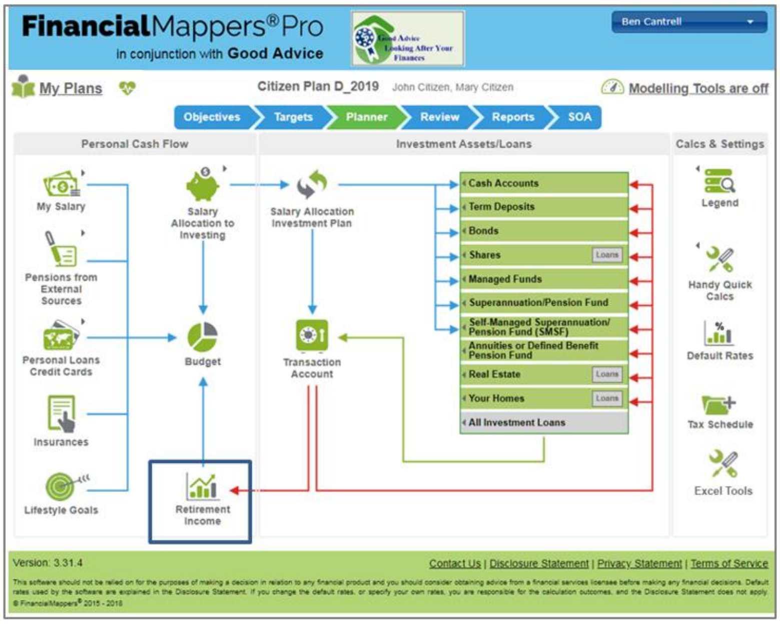
If the client is reluctant to leave the family home, you could consider a renovation, where a part of the home, is isolated and used for ***supplementary income***, say a granny flat. This also gives the client the option of later moving into the granny flat and increasing the rental potential. Alternatively, the family may move back to mind their elderly parent.

All these discussions can be held with the client and change the scenarios in front of the client.

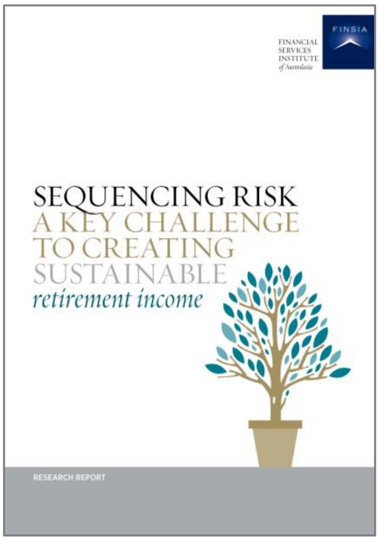


Retirement Income

The ***Retirement Income*** is accessed on the **Planner** page, and this is where you construct your ***Retirement Plan***, using **Layered Income Stream**.



[**Special Report on Sustainable Income Streams in Retirement**]()



In 2012, a detailed Report on ***Sustainable Retirement Income Streams*** was commissioned by **FINSIA.**

For those of you who would like to learn more, I would recommend reading this Report.

https://www.finsia.com/docs/default-source/Retirement-Risk-Zone/sequencing-risk-a-key-challenge-to-creating-sustainable-retirement-income.pdf?

The client has indicated they would like the following ***Retirement Income***. Note that in the 3rd and last time period, I have extended the time so that if the plan is increased from a 30-year plan to a 50-year plan, the drawdown for that period will be available. Of course, you can also make a new time-period if you think the client will require fewer funds.

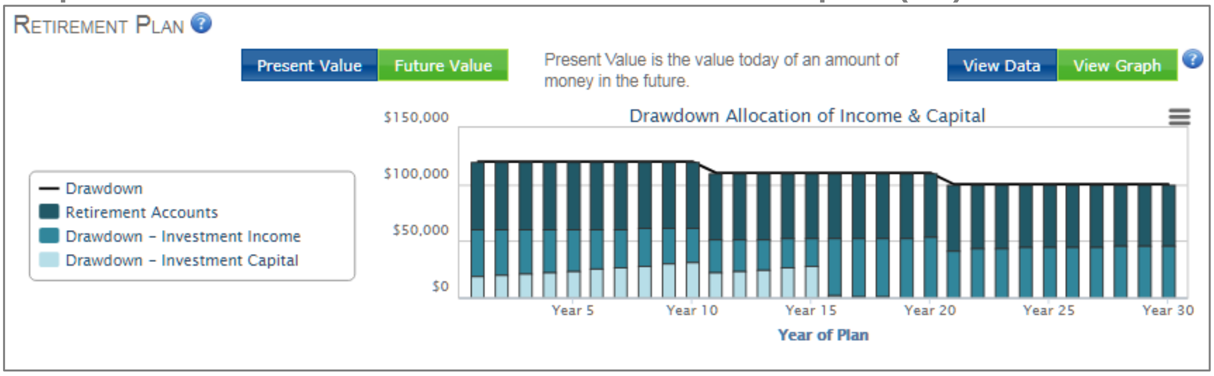
In the ***Retirement Plan***, you can elect to use either **Present** or **Future Values**. For this exercise, **Present Values will be used**.

Drawdown Allocation of Income and Capital

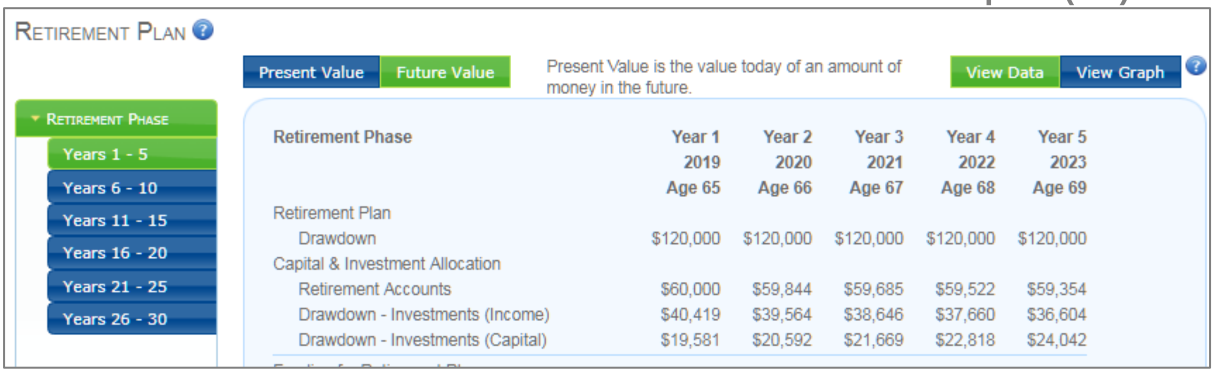
On the top graph, the income streams are divided into:

- Retirement Accounts Drawdown
- Investment Income
- Investment Capital

Graph View – Drawdown Allocation of Income & Capital (PV)



Data View Years 1 – 5 Drawdown Allocation of Income and Capital (PV)

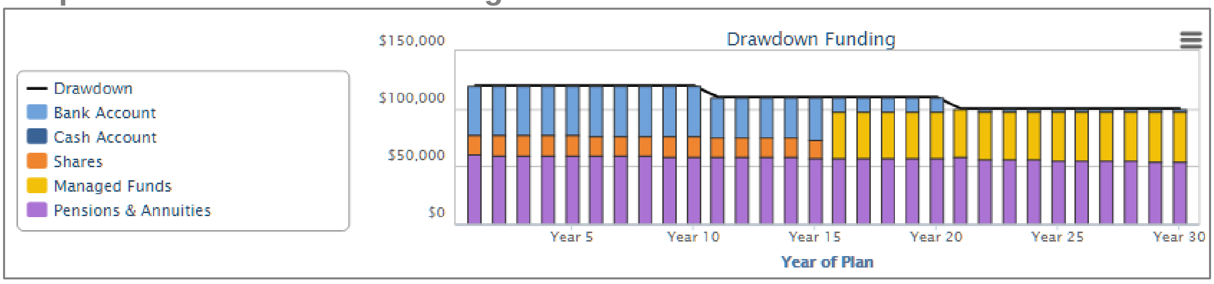


Retirement Phase	Year 1 2019 Age 65	Year 2 2020 Age 66	Year 3 2021 Age 67	Year 4 2022 Age 68	Year 5 2023 Age 69
Retirement Plan					
Drawdown	$120,000	$120,000	$120,000	$120,000	$120,000
Capital & Investment Allocation					
Retirement Accounts	$60,000	$59,844	$59,685	$59,522	$59,354
Drawdown - Investments (Income)	$40,419	$39,564	$38,646	$37,660	$36,604
Drawdown - Investments (Capital)	$19,581	$20,592	$21,669	$22,818	$24,042

Funding for Drawdown

In this section, the graph displays which funds have been used to create the ***Retirement Income***. Note how the Shares have been allocated for the first 15-years and the Managed Funds for the last 15-years as previously discussed.

Graph View Drawdown Funding



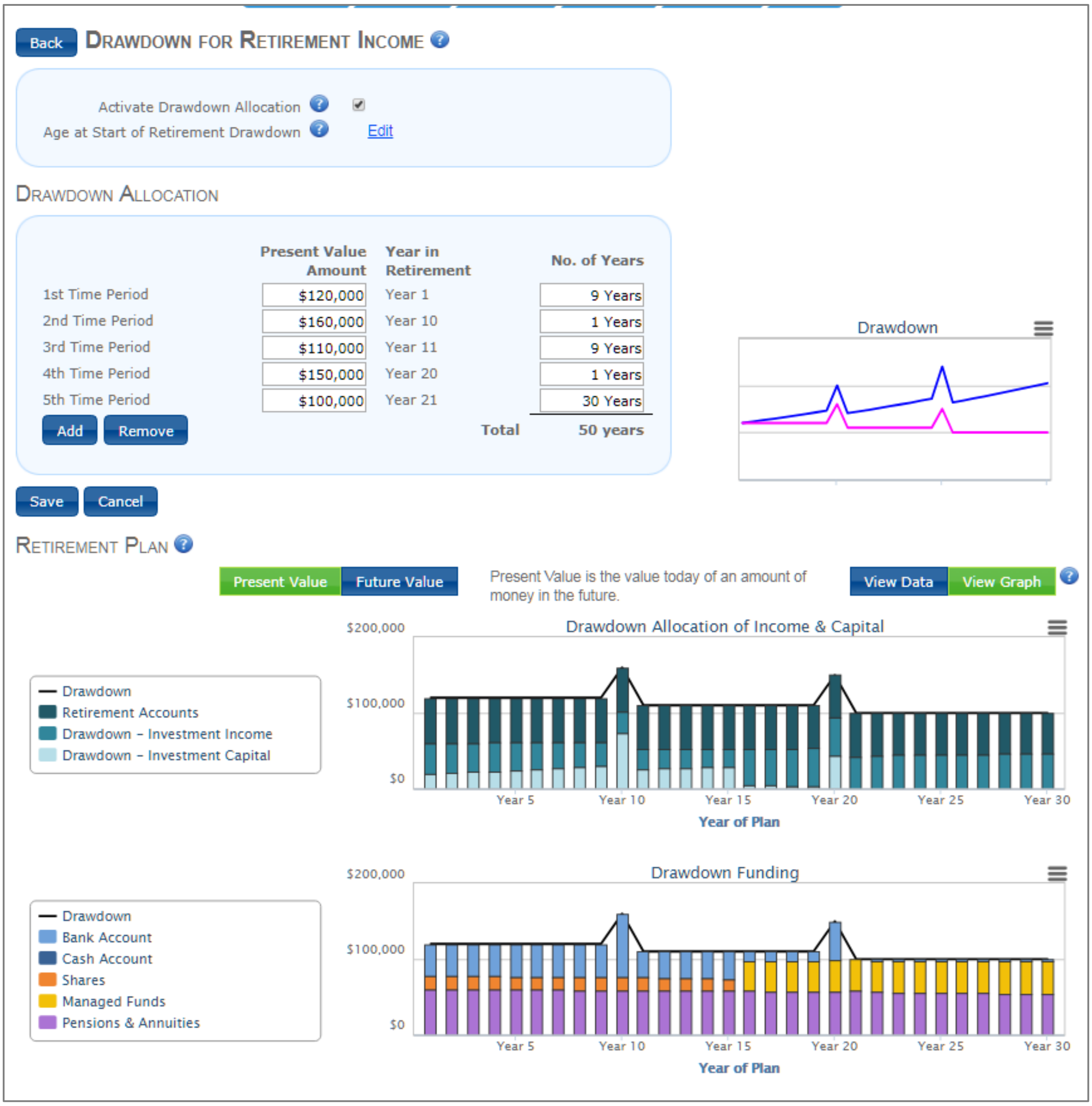
In the Data View, you can click on the LINK and view the time-periods for the Drawdown. You can also activate a Drawdown, say for the **Emergency Cash**, or you can change the time parameters. This saves you going back to the account to make adjustments as required.

Data View Years 1 – 5 Drawdown Funding

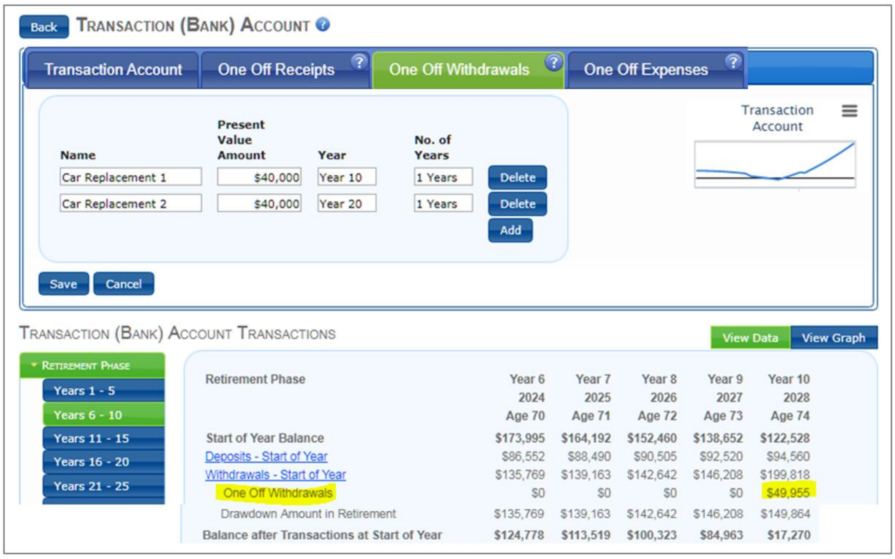
Funding for Retirement Plan						
Bank Account		$42,639	$42,778	$42,925	$43,083	$43,255
☐ Emergency Cash		$0	$0	$0	$0	$0
Start Drawdown in	Year 1					
Continue Drawdown for	25 Years					
☑ Shares 1		$17,361	$17,378	$17,390	$17,395	$17,391
Start Drawdown in	Year 1					
Continue Drawdown for	15 Years					
☑ High Growth Managed Fund		$0	$0	$0	$0	$0
Start Drawdown in	Year 16					
Continue Drawdown for	25 Years					
☑ Super 1		$60,000	$59,844	$59,685	$59,522	$59,354

Alternative Plan

You may recall that the client requested **an additional $40,000** to be withdrawn from the Superannuation Account, but no allocation has been made in the Retirement Income. Now you could change that table of Drawdown Allocation to include the additional $40,000.


Back
Drawdown for Retirement Income
Activate Drawdown Allocation
Age at Start of Retirement Drawdown
Edit
Drawdown Allocation
Present Value Amount
Year in Retirement
No. of Years
1st Time Period $120,000 Year 1 9 Years
2nd Time Period $160,000 Year 10 1 Years
3rd Time Period $110,000 Year 11 9 Years
4th Time Period $150,000 Year 20 1 Years
5th Time Period $100,000 Year 21 30 Years
Add
Remove
Total 50 years
Drawdown
Save
Cancel
Retirement Plan
Present Value
Future Value
Present Value is the value today of an amount of money in the future.
View Data
View Graph
Drawdown Allocation of Income & Capital
$200,000
$100,000
$0
Year 5
Year 10
Year 15
Year 20
Year 25
Year 30
Year of Plan
Drawdown
Retirement Accounts
Drawdown – Investment Income
Drawdown – Investment Capital
Drawdown Funding
$200,000
$100,000
$0
Year 5
Year 10
Year 15
Year 20
Year 25
Year 30
Year of Plan
Drawdown
Bank Account
Cash Account
Shares
Managed Funds
Pensions & Annuities

There is also another option. You can keep the original Drawdown of the three time periods and **deduct the $40,000 in Year 10 and Year 20** from the ***Transaction Account***. Any funds, not drawn down in this plan, will remain in the Transaction Account. The money has already been deposited into the ***Transaction Account*** and is ready for transfer to the ***Budget*** for purchase of the car replacements.



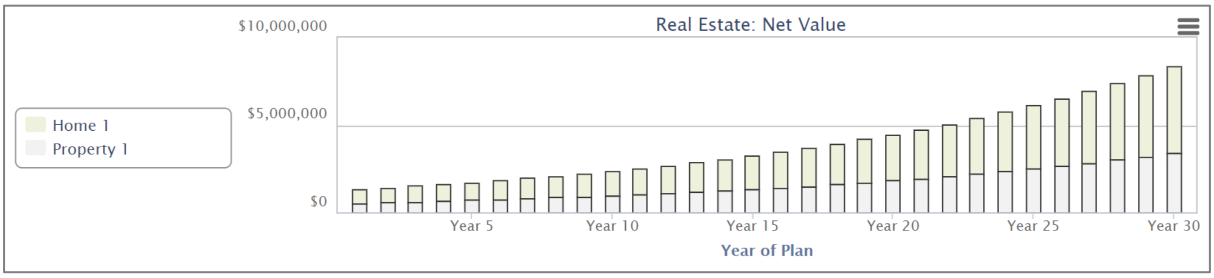
Allocation of Real Estate to Drawdown

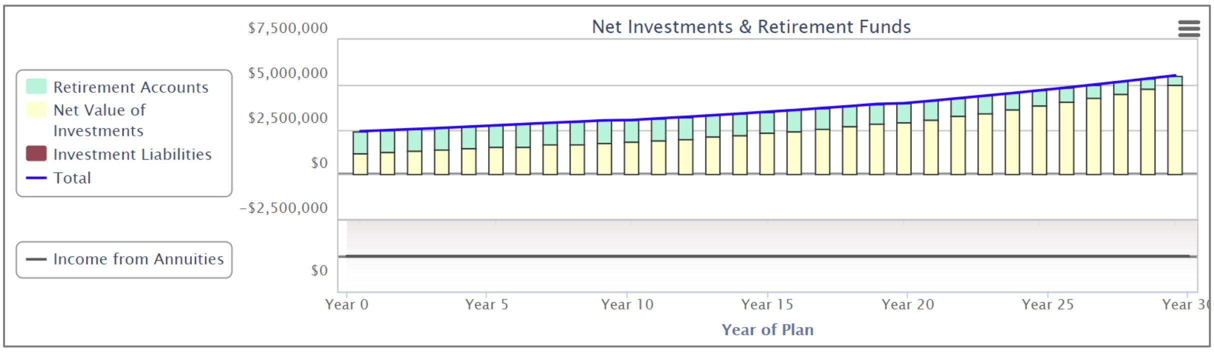
The **Net Rental Income** is deposited into the ***Transaction Account*** and will be used as part of the **Retirement Income** allocated to the ***Budget***. However, if you find, this rental income together with the nominated Retirement Drawdown is not sufficient, Real Estate may need to be sold.

The options would be to downsize the home and release funds or sell the Investment Property. Selling the Investment Property may trigger an adverse ***Capital Gains Tax Liability***, so the timing of this sale, if applicable will be part of your plan recommendation.

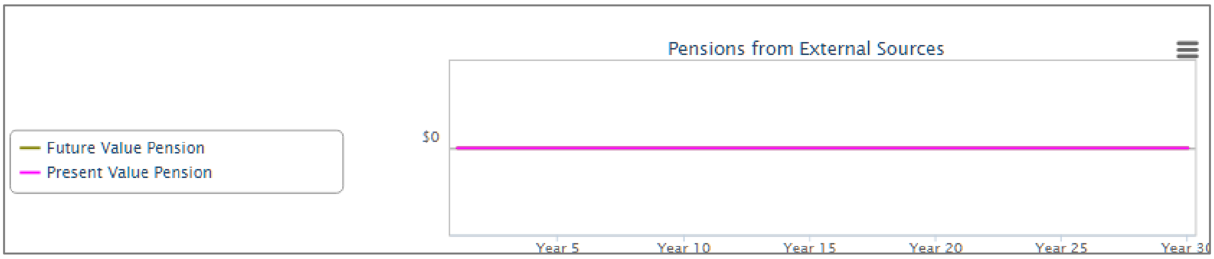
To assist you, a graph of ***Real Estate***, both home and investment properties are listed, so you can quickly see which is the most likely asset you should consider selling. Do you downsize the home with no Capital Gains Tax or sell the Rental Property. These are discussions you may want to have with your client. With **Financial Mappers** you can immediately demonstrate the outcome.

You also have a graph showing the combined value of **Net Investments**, **Retirement Accounts** and **Investment Liabilities**.



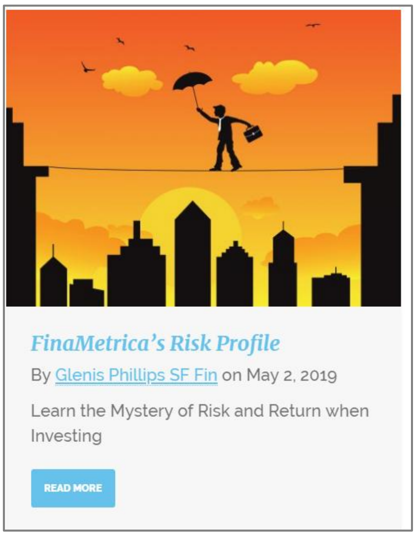


At the bottom of the page, a graph is displayed of any ***Pensions from External Sources***. In this plan, there are no pensions, due to this being a high net worth client. The funds from either a **Means Tested** or **Non-Means Tested Pension** are not part of the ***Retirement Income*** and these funds, where applicable are deposited directly into the ***Budget***. When the **Means-Tested Pension** is activated, it will automatically calculate when the client has met the requirements to receive a Part or Full Pension.



Reviewing the Asset Allocation

Modern theories of plan construction are increasingly paying more attention to ***Asset Allocation*** and ***Risk Profiling***. You may be using other software for ***Risk Profiling*** such as **Finametrica**. Read my blog about **FinaMetrica's Risk Profile** and how **Financial Mappers** can be aligned with such types of programs. https://www.financialmappers.com.au/finamentrica-risk-profiling/



With **Financial Mappers** you can quickly assess all this information on the chevron ***Reports***, **Plan Outcomes**. From these graphs, you can quickly see what needs adjusting.

All these graphs are telling you that the ***Defensives Assets*** are quite low in the mid-section of the plan. Now you may be comfortable with this because much of this is related to the **Investment Property**.

There are some options if you want to reduce the **Percentage of Growth Assets** and I think it is worthwhile considering some of these Options. The options to be considered are:

1. Downsizing the Home and purchasing a Bond Trust with the additional funds released for investing.
2. Selling a portion of the High Growth Managed Fund and purchasing a Bond Trust.
3. Selling the Investment Property and allocating the funds to
   a. Property Trust to maintain some exposure to Real Estate
   b. Bond Trust to increase the percentage of Defensive Assets.

Downsizing the Home to Purchase a Property Trust

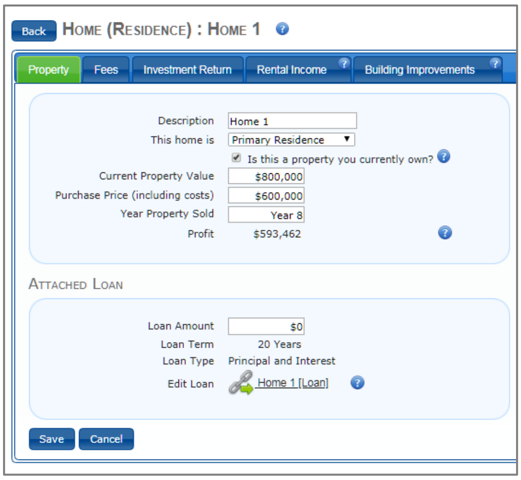
On the ***Plan Outcomes***, Data View you will find the value of Assets at the end of the Year in either Present or Future Value.

Present Value | Future Value — Present Value is the value today of an amount of money in the future. — View Data | View Graph

Retirement Phase Round to nearest thousand	Year 6 2024 Age 70	Year 7 2025 Age 71	Year 8 2026 Age 72	Year 9 2027 Age 73	Year 10 2028 Age 74
Assets & Liabilities					
Investments (Net of Loans)	$1,347,328	$1,376,527	$1,407,409	$1,440,120	$1,431,474
Home (Net of Loans)	$1,006,571	$1,045,852	$1,086,666	$1,129,072	$1,173,133
Assets	$1,167,314	$1,243,189	$1,323,997	$1,410,056	$1,501,710
Home 1	$1,006,571	$1,045,852	$1,086,666	$1,129,072	$1,173,133
Home Loans	$0	$0	$0	$0	$0

The value at the end of Year 8, will be about $1m (PV). The client will be aged 73. For the purpose of this exercise, the Home will be sold, with Home 2, purchased for $700,000 and $300,000 will be invested in a Bond Trust. Follow the steps:

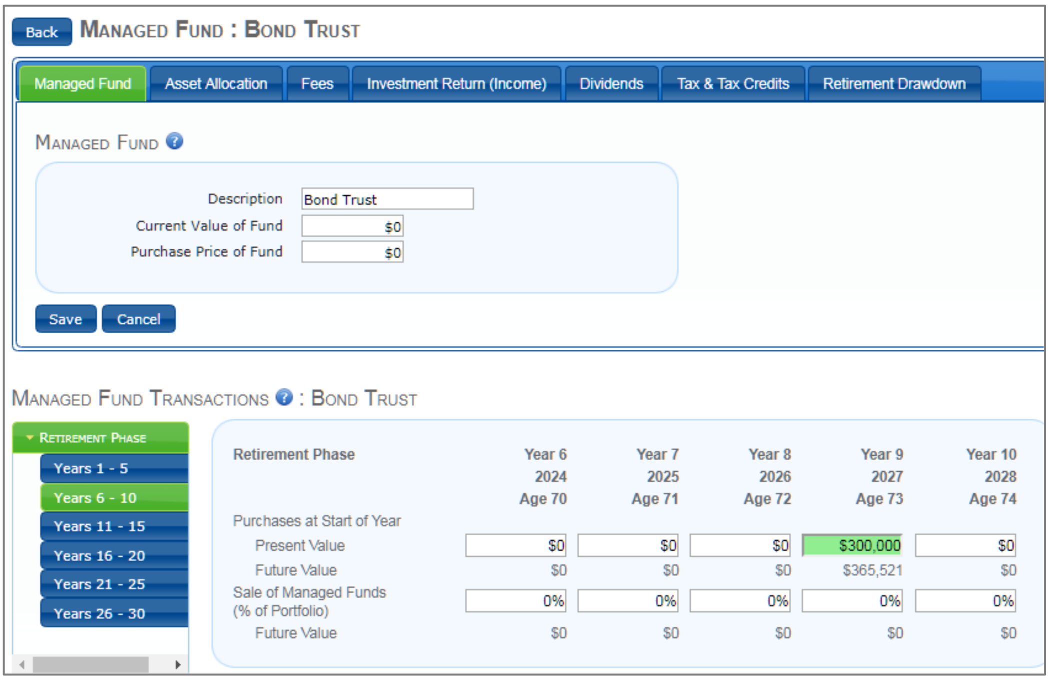
Sell Home 1



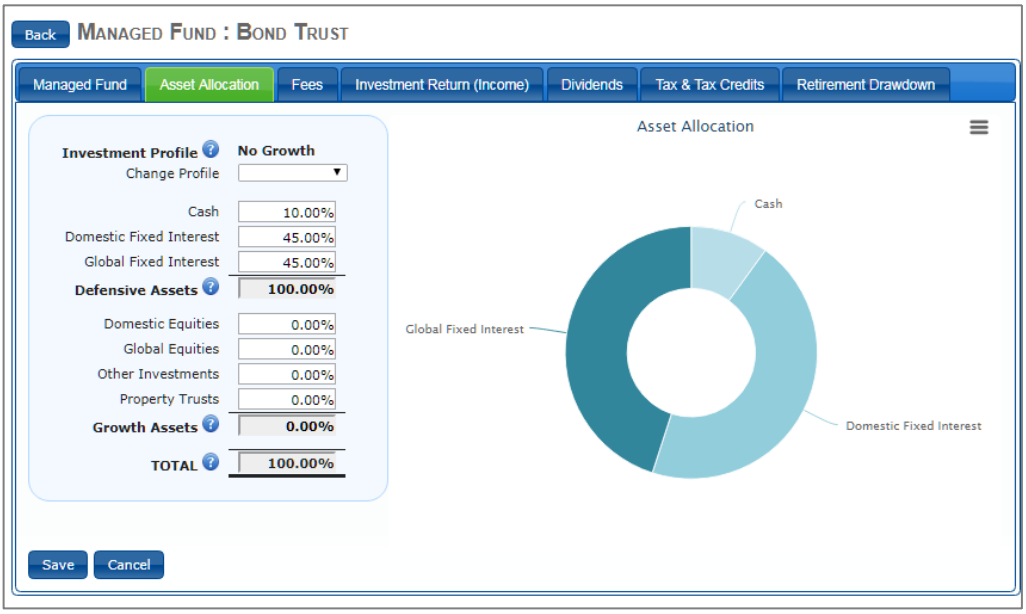
Sale of Property			
Sale Price	$0	$0	$1,243,189
Selling Costs	$0	$0	$49,728
Sale Price - Selling Costs	$0	$0	$1,193,462
Purchase Price + Purchase Costs	$0	$0	$600,000
Profit on Sale	$0	$0	$593,462

Buy Home 2

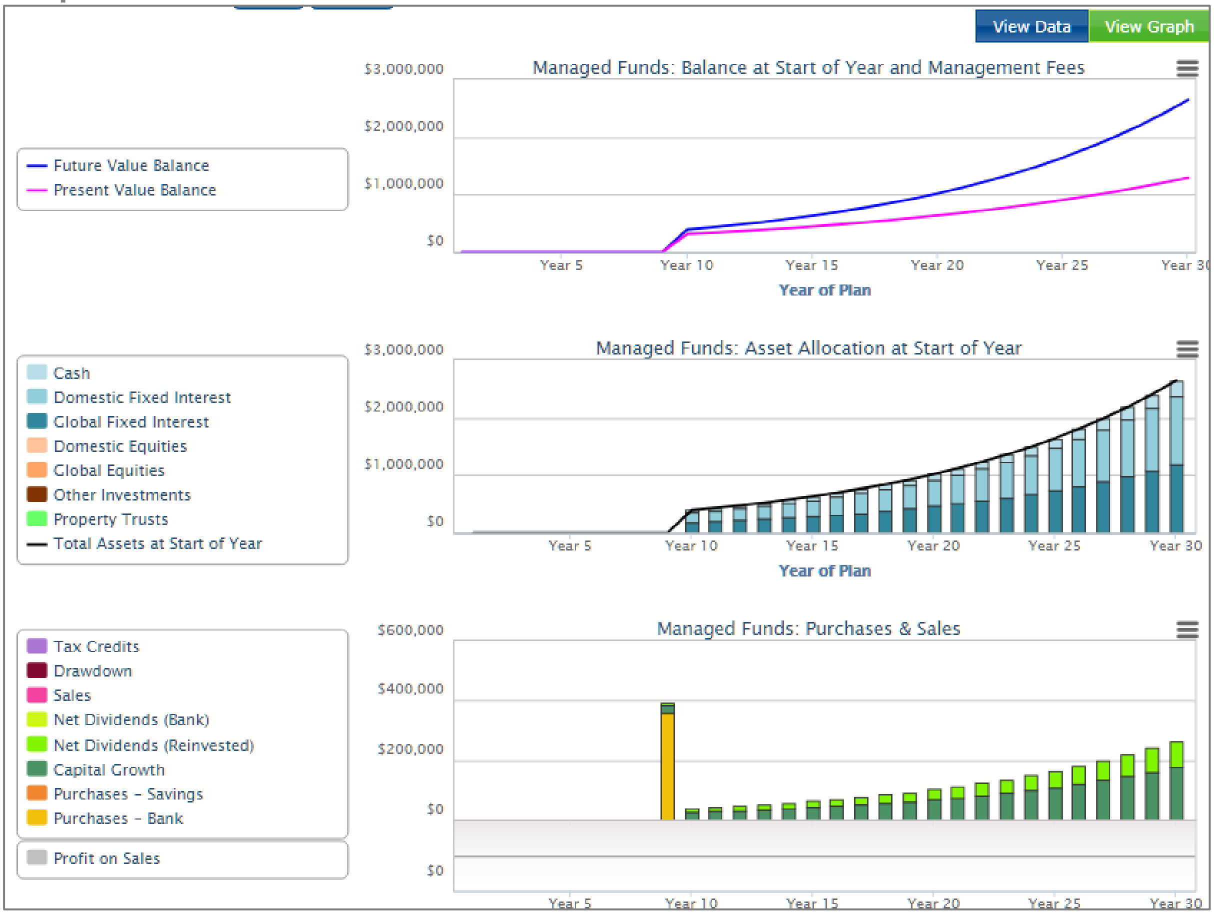
Purchase Bond Trust



The ***Asset Allocation*** will be as follows. The **Investment Return** is 6% Income and 2% Capital Growth, and all dividends are reinvested. There is no Drawdown from the fund.

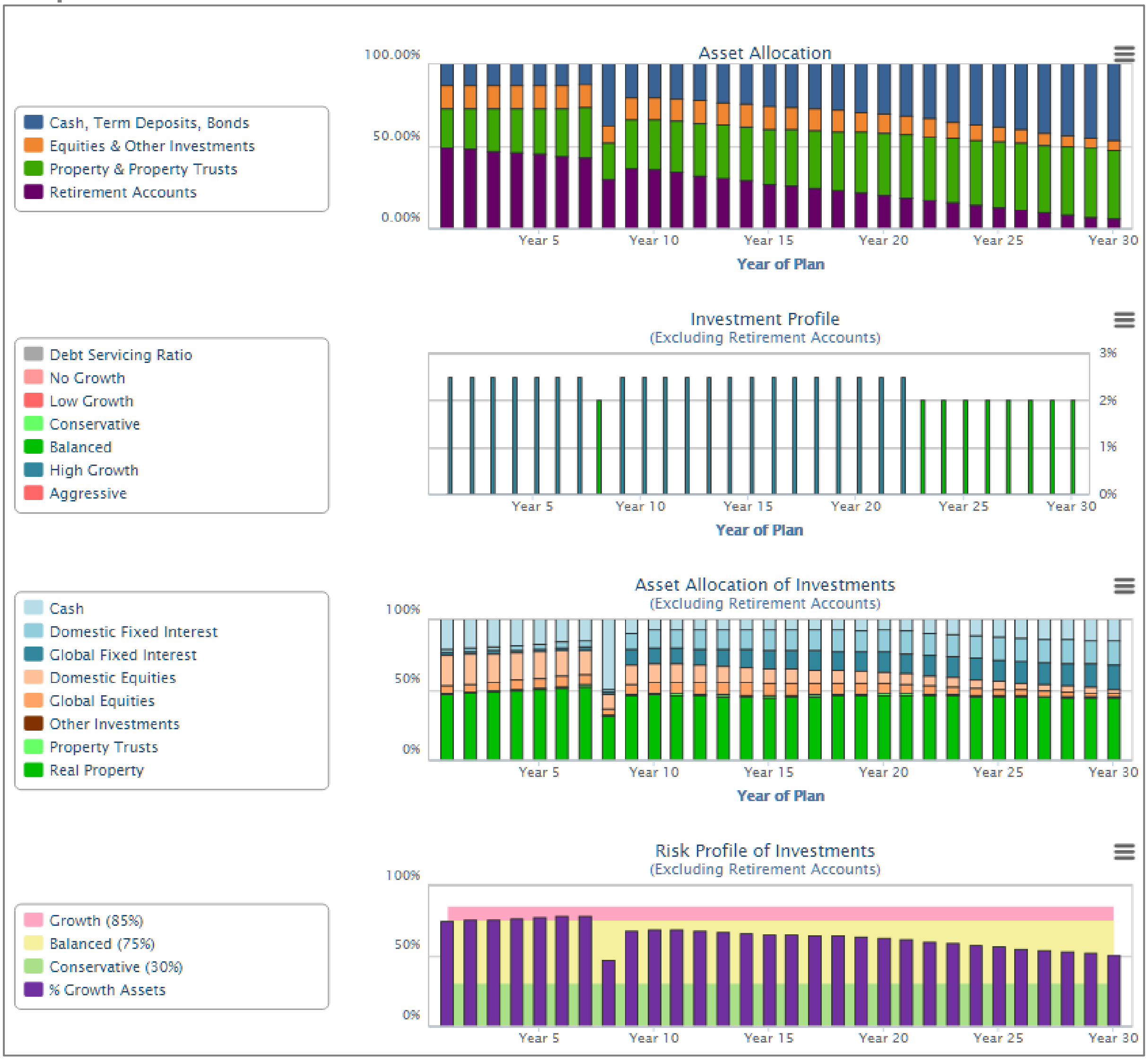


Graph View Bond Trust



This injection of $300,000 Defensive Assets, has reduced the **Percentage of Growth Assets**, from Year 9.

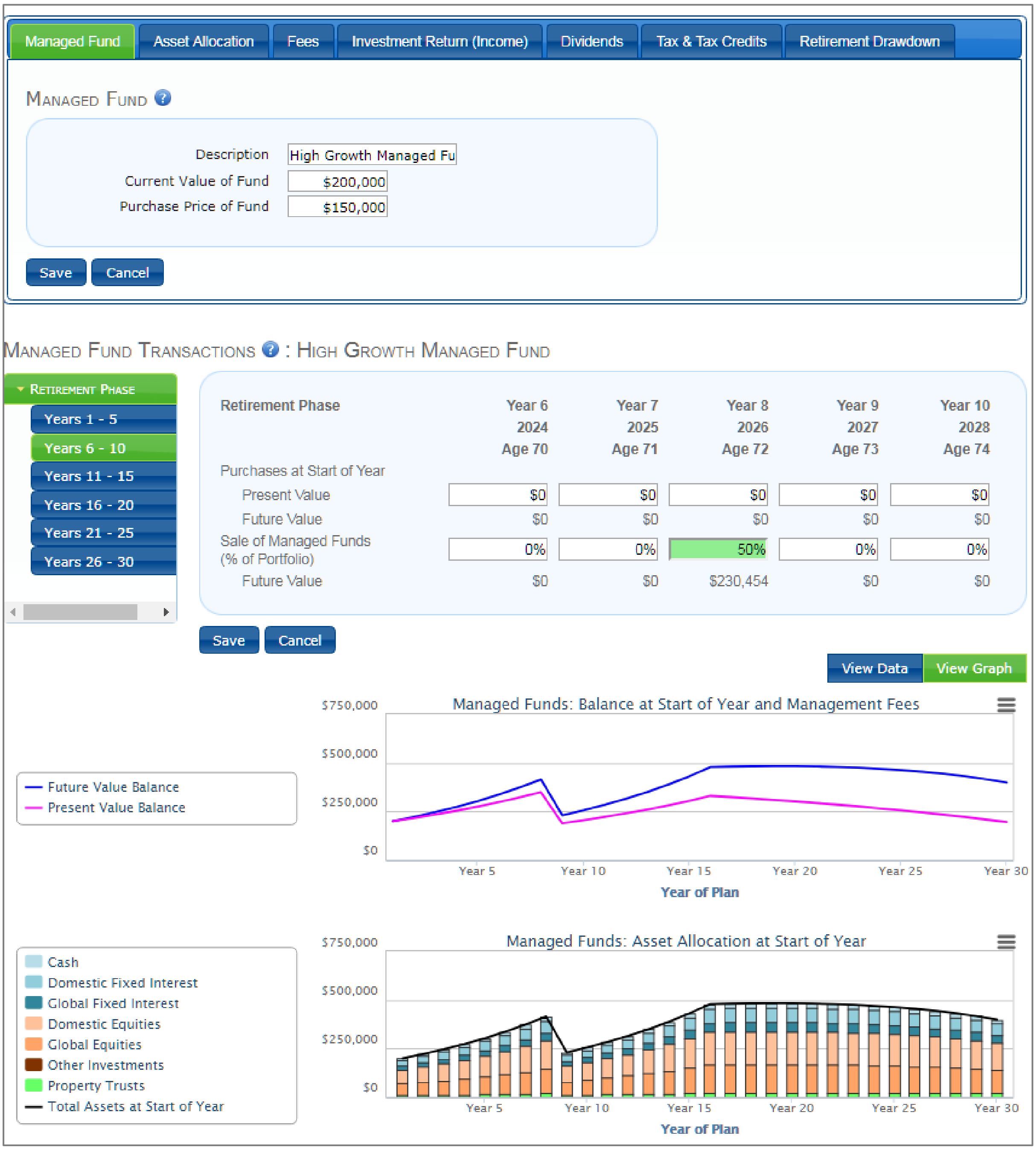
Graph View Plan Outcomes



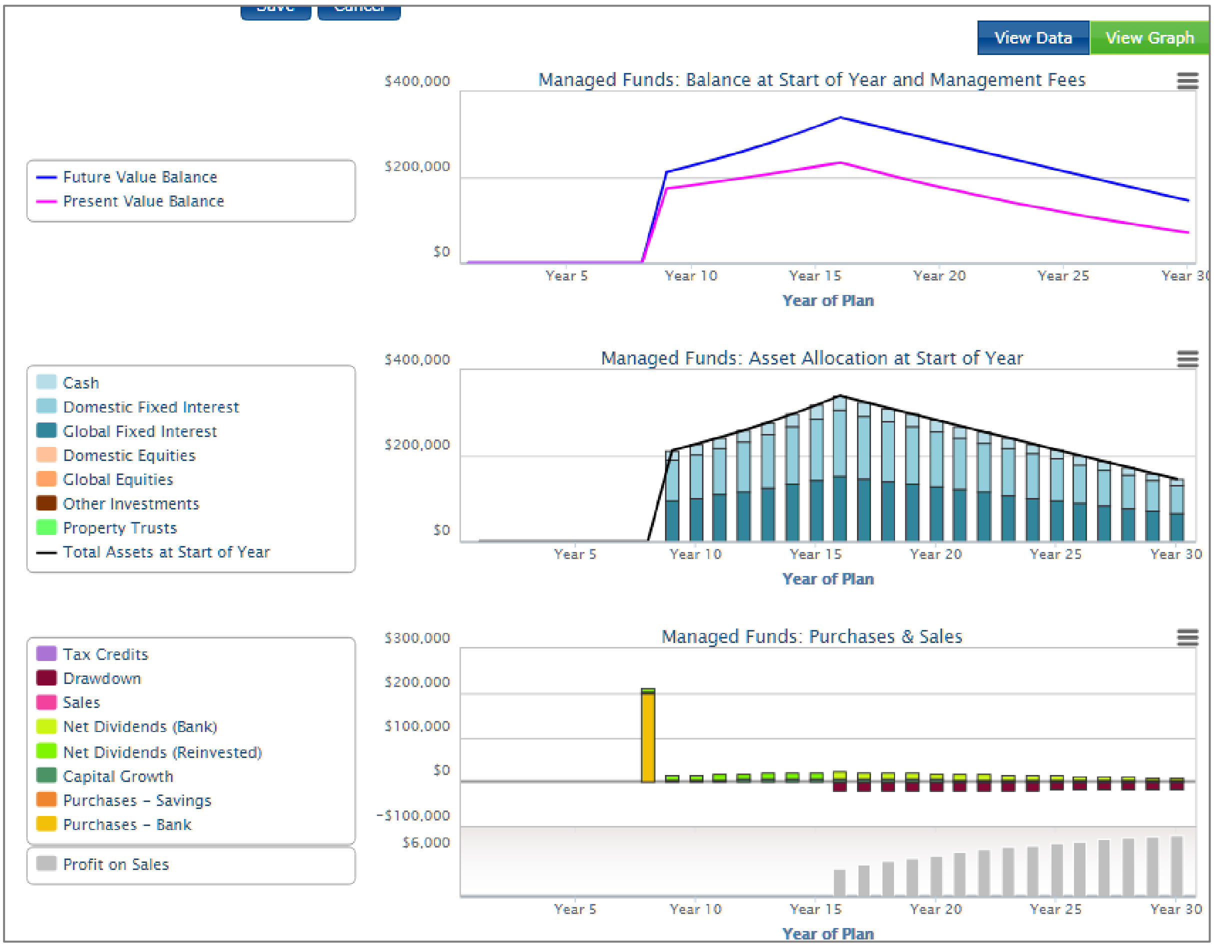
Sell 50% of High Growth Managed Funds and Buy a Bond Trust with the Funds

At the end of Year 8, the value of the ***High Growth Managed Funds*** is estimated to be **$378,388** (PV).

50% of the funds will be sold at the end of Year 8 and at the start of Year 9, $150,000 (PV) will use to purchase a ***Bond Trust***, using the same parameters as the previous example. Fund need to be kept aside for ***Capital Gains Tax***.

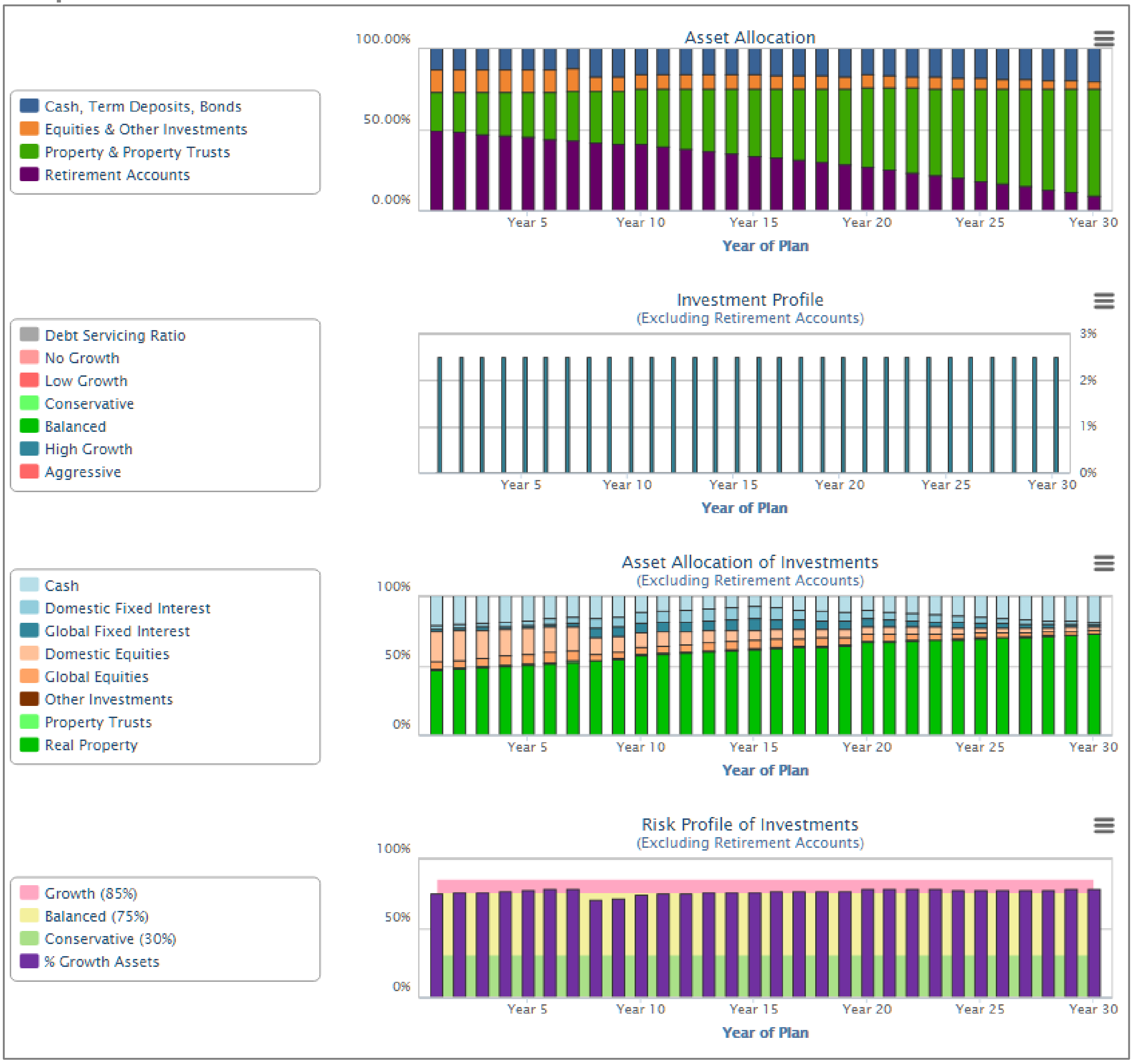


The same Drawdown is maintained as that of the High Growth Managed Funds.



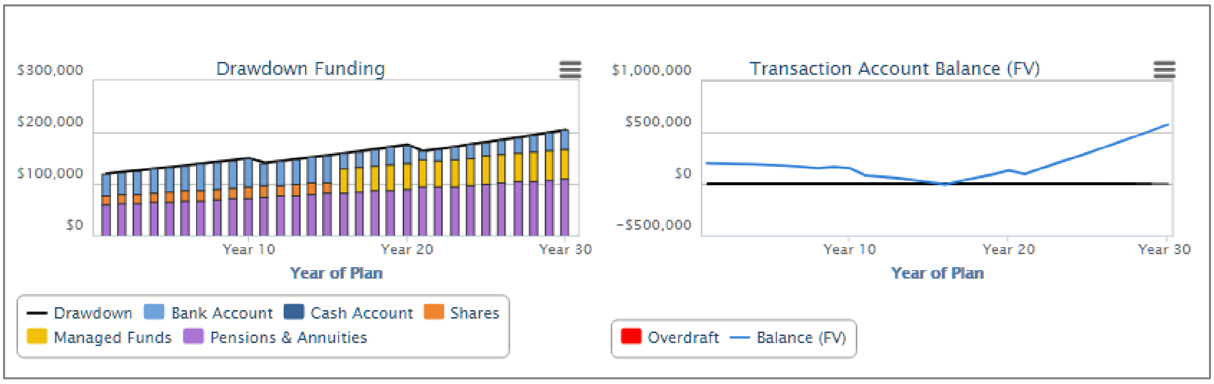
This injection of $150,000 Defensive Assets, has reduced the **Percentage of Growth Assets**, from Year 9.

Graph View Plan Outcomes



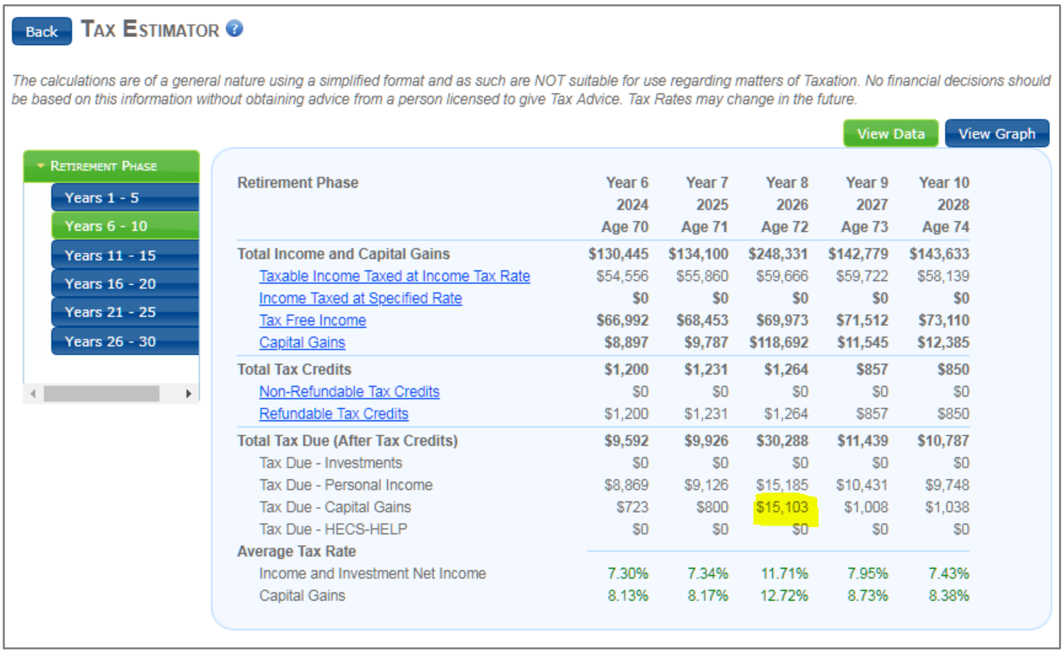
Note on Transaction Account Balance

As you commence looking at different strategies you need to be mindful of the ***Transaction Account Balance***. At the top of the **Plan Outcomes** page are a set of 4-graphs called your ***Key Indicator Graphs***. These are graphs of your **Salary**, **Investment Plan**, **Drawdown Funding** and the **Transaction Account Balance**. In a ***Retirement Plan***, only the last two are relevant. The graphs will quickly show if you have missed something or the **Transaction Account is overdrawn**. As you can see in this graph the balance is just below the horizontal axis briefly for one year.



Capital Gains Tax Liability

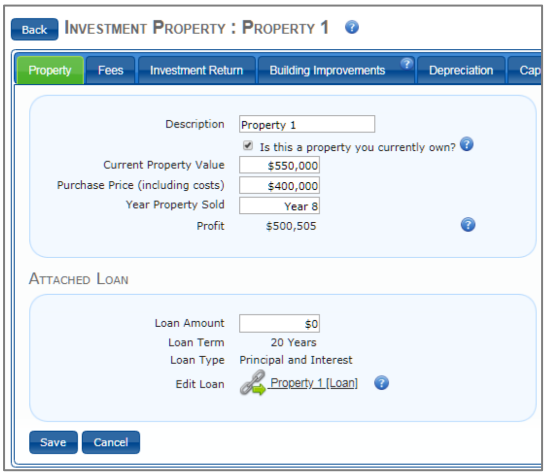
Triggering a ***Capital Gains Tax Liability*** is always something the adviser will monitor, trying to find the most opportune time. Note the Capital Gains Tax in Year 8.



Retirement Phase	Year 6 2024 Age 70	Year 7 2025 Age 71	Year 8 2026 Age 72	Year 9 2027 Age 73	Year 10 2028 Age 74
Total Income and Capital Gains	$130,445	$134,100	$248,331	$142,779	$143,633
Taxable Income Taxed at Income Tax Rate	$54,556	$55,860	$59,666	$59,722	$58,139
Income Taxed at Specified Rate	$0	$0	$0	$0	$0
Tax Free Income	$66,992	$68,453	$69,973	$71,512	$73,110
Capital Gains	$8,897	$9,787	$118,692	$11,545	$12,385
Total Tax Credits	$1,200	$1,231	$1,264	$857	$850
Non-Refundable Tax Credits	$0	$0	$0	$0	$0
Refundable Tax Credits	$1,200	$1,231	$1,264	$857	$850
Total Tax Due (After Tax Credits)	$9,592	$9,926	$30,288	$11,439	$10,787
Tax Due - Investments	$0	$0	$0	$0	$0
Tax Due - Personal Income	$8,869	$9,126	$15,185	$10,431	$9,748
Tax Due - Capital Gains	$723	$800	$15,103	$1,008	$1,038
Tax Due - HECS-HELP	$0	$0	$0	$0	$0
Average Tax Rate					
Income and Investment Net Income	7.30%	7.34%	11.71%	7.95%	7.43%
Capital Gains	8.13%	8.17%	12.72%	8.73%	8.38%

Sell Investment Property to purchase Property Trust & Bond Trust

At the end of Year 8, the Value of the ***Investment Property*** is **$747,000 (PV)**.



Sale of Property			
Sale Price	$0	$0	$854,693
Selling Costs	$0	$0	$34,188
Sale Price - Selling Costs	$0	$0	$820,505
Purchase Price + Purchase Costs	$0	$0	$400,000
Capital Works Deduction	$0	$0	$80,000
Profit on Sale	$0	$0	$500,505

Capital Gains Tax in Year 8 will be **$92,962**, FV, of which a small portion will be due to the sale of Shares for the Drawdown. These large **Capital Gains Tax Liabilities** could be one of the reasons, clients prefer not to sell real estate if there are other options.

Back **Tax Estimator**

The calculations are of a general nature using a simplified format and as such are NOT suitable for use regarding matters of Taxation. No financial decisions should be based on this information without obtaining advice from a person licensed to give Tax Advice. Tax Rates may change in the future.

View Data | View Graph

Retirement Phase
- Years 1 - 5
- Years 6 - 10
- Years 11 - 15
- Years 16 - 20
- Years 21 - 25
- Years 26 - 30

Retirement Phase	Year 6 2024 Age 70	Year 7 2025 Age 71	Year 8 2026 Age 72	Year 9 2027 Age 73	Year 10 2028 Age 74
Total Income and Capital Gains	**$130,445**	**$134,100**	**$638,355**	**$155,262**	**$156,239**
Taxable Income Taxed at Income Tax Rate	$54,556	$55,860	$57,201	$72,205	$70,745
Income Taxed at Specified Rate	**$0**	**$0**	**$0**	**$0**	**$0**
Tax Free Income	**$66,992**	**$68,453**	**$69,973**	**$71,512**	**$73,110**
Capital Gains	**$8,897**	**$9,787**	**$511,181**	**$11,545**	**$12,385**
Capital Losses from previous years	$0	$0	$0	$0	$0
Shares 1	$8,897	$9,787	$10,676	$11,545	$12,385
High Growth Managed Fund	$0	$0	$0	$0	$0
Property 1	$0	$0	$500,505	$0	$0
Total Tax Credits	**$1,200**	**$1,231**	**$1,264**	**$1,302**	**$1,344**
Non-Refundable Tax Credits	$0	$0	$0	$0	$0
Refundable Tax Credits	$1,200	$1,231	$1,264	$1,302	$1,344
Total Tax Due (After Tax Credits)	**$9,592**	**$9,926**	**$113,768**	**$15,301**	**$14,642**
Tax Due - Investments	$0	$0	$0	$0	$0
Tax Due - Personal Income	$8,869	$9,126	$20,805	$14,168	$13,464
Tax Due - Capital Gains	$723	$800	$92,963	$1,133	$1,179
Tax Due - HECS-HELP	$0	$0	$0	$0	$0
Average Tax Rate					
Income and Investment Net Income	7.30%	7.34%	16.36%	9.86%	9.36%
Capital Gains	8.13%	8.17%	18.19%	9.81%	9.52%

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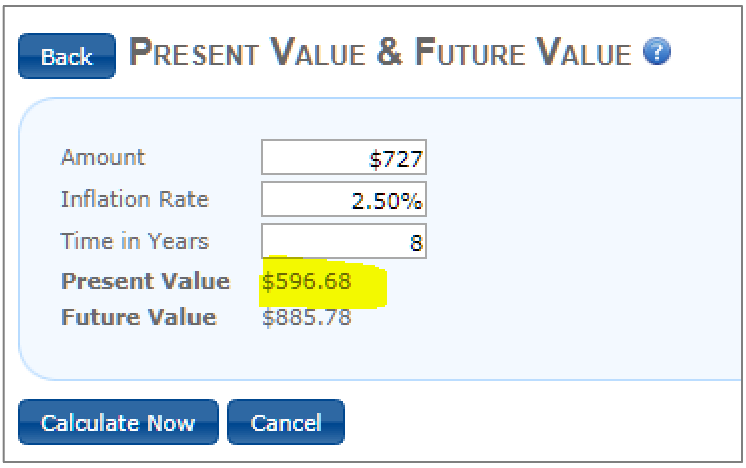
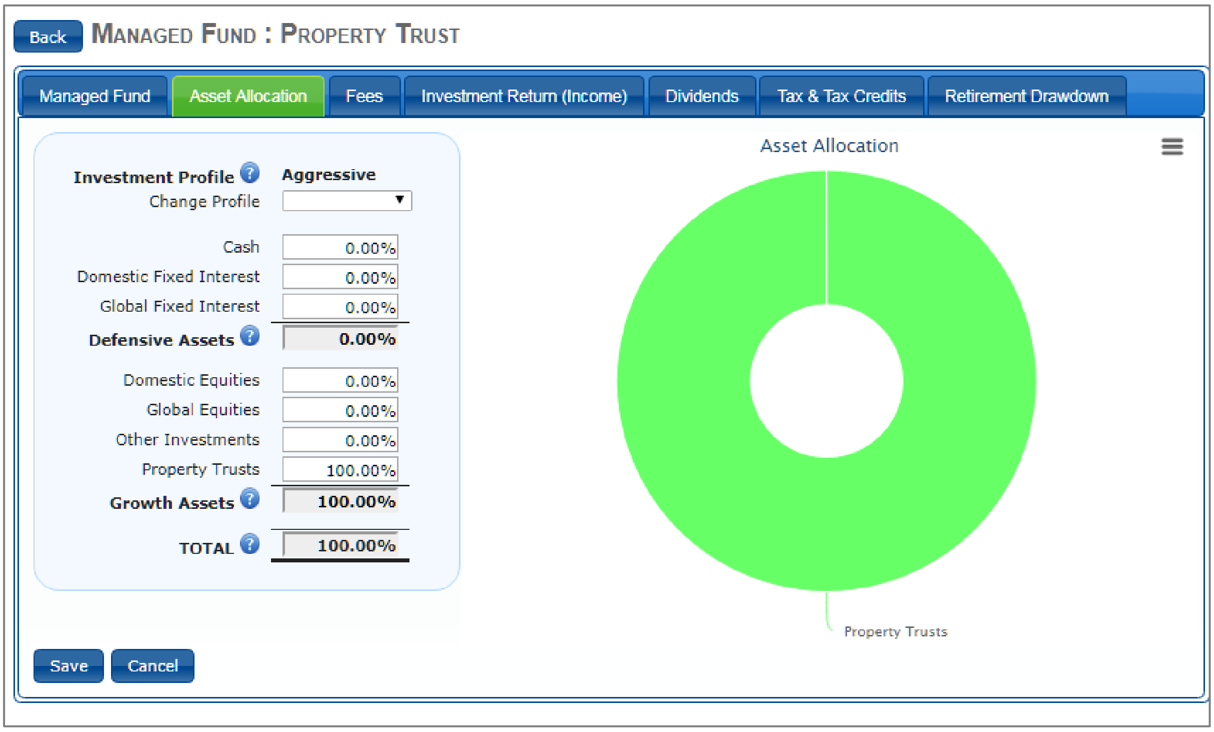
The sale of the property after tax and selling costs is $727,000. Using the ***Handy Quick Cals*** calculator, **Present Value** is calculated as $596.00 (PV).



Two Managed Funds are created, where all the **<u>Dividends are paid into the Transaction Account, as would have been the Rental Income</u>**.

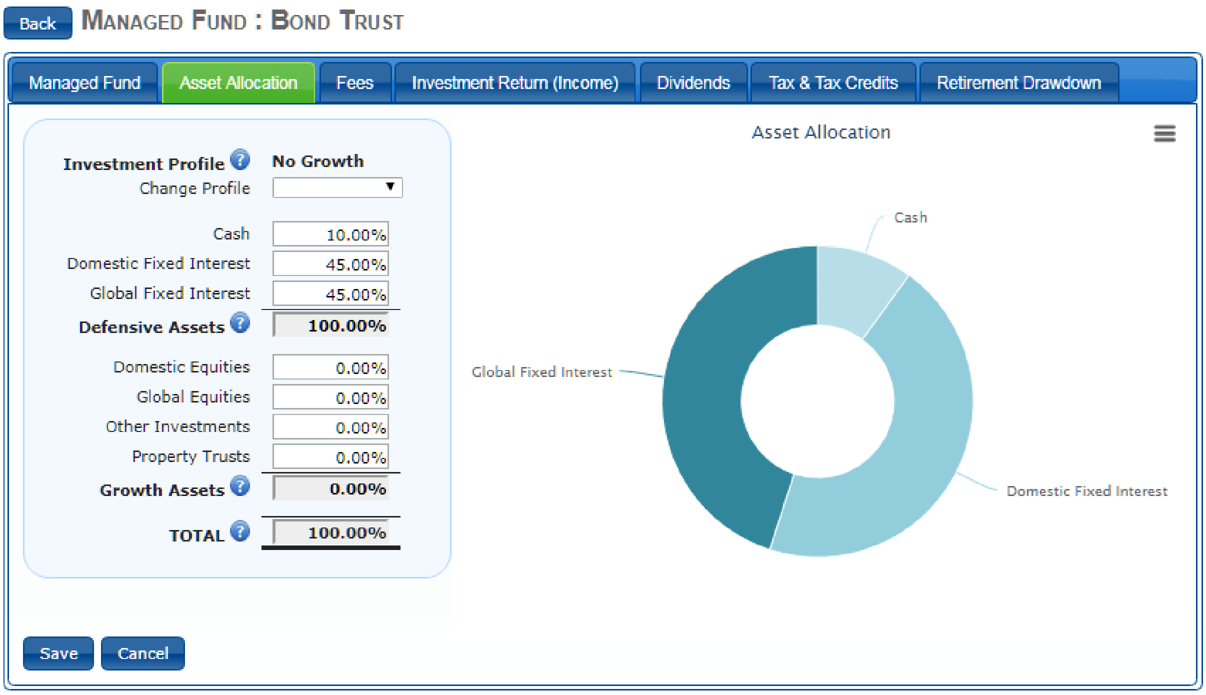
<u>Property Trust</u>

$390,000 (PV) is invested in the ***Property Trust***. Investment Return is 5% Income and 7% Capital Growth.



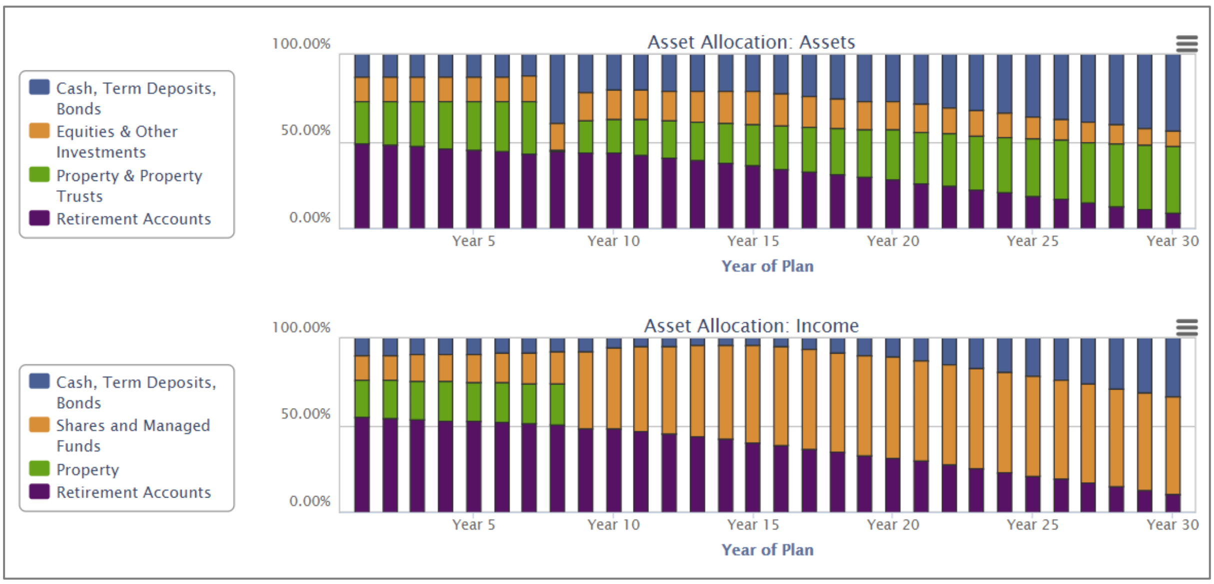
Bond Trust

$200,000 (PV) is invested in a ***Bond Trust***, with Investment Return of 6% Income and 2% Capital Growth.

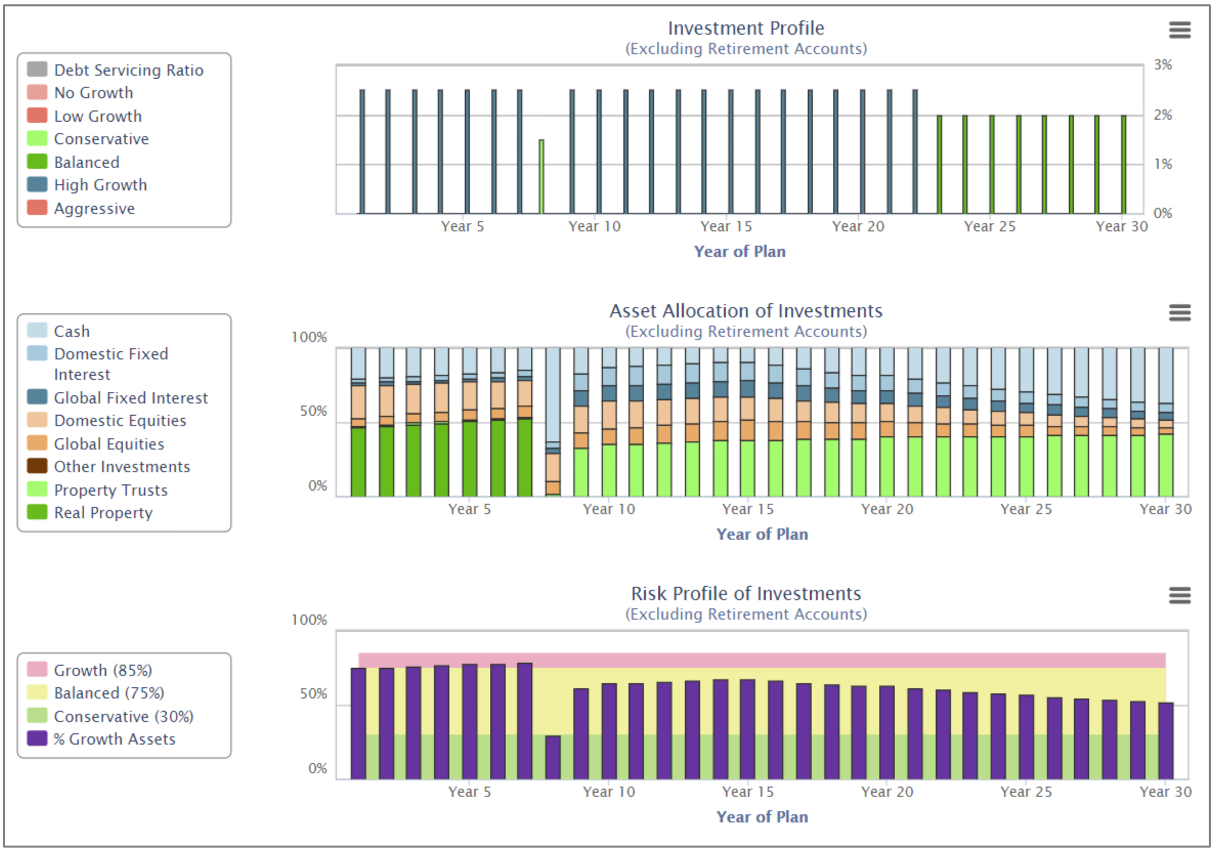


Graph View Plan Outcomes – Asset Allocation (Value & Income)

Note: *Financial Mappers was recently updated annuities and as a result, Asset Allocation is not displayed for both the value of the assets and the income. The reason is that annities have no dollar value and have no allocation in the Asset Allocation (Value)*



Graph View Plan Outcomes – Investment Profile, Asset Allocation and Risk Profile



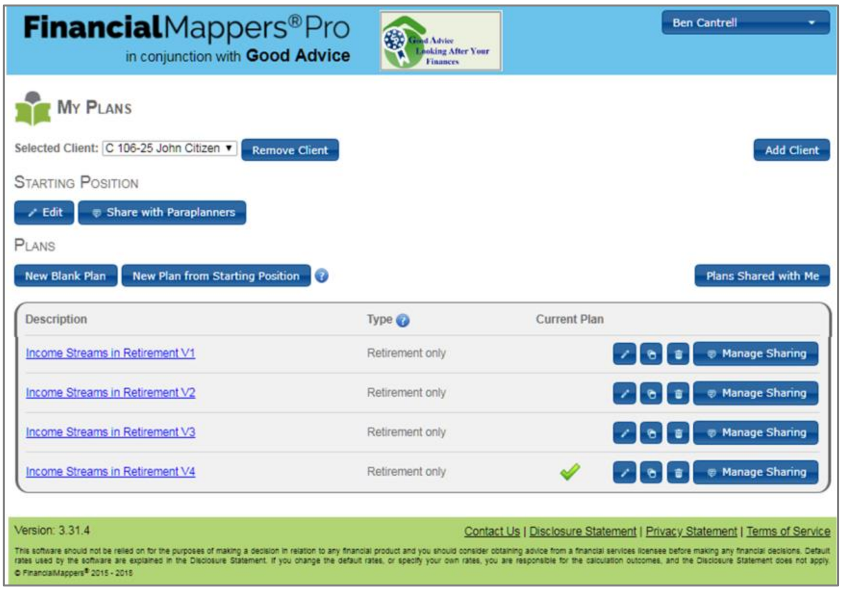
Technical Information

As I have been creating these Plans in the ***Good Advice*** platform of **Financial Mappers Pro**. I created the first plan, V1 and then made three copies of that plan so that the additional three options could be considered and kept for future reference. When you are making a plan for your client, you may have a base plan, from which you can make copies and then have a selection of scenarios which you can discuss with your client.

If you are using the optional feature, **Pro**CONNECT of **Financial Mappers Pro**, you may even ask your client if they would like to go home, take some time to consider each plan and then together you make the choice. You can give them access for 12-months for as little as $20.

Research shows that clients now want to be part of the planning process. **Financial Mappers Pro** gives you that opportunity to get ahead of the crowd when it comes to using new digital tools. You can even make a small profit from selling access to the software, thus reducing your costs. More importantly, your costs will be reduced because you can create a plan in a fraction of traditional time. You will have time to service more clients more efficiently.

These are the plans that I made for this **Masterclass**.



If you have any suggestions for a **Masterclass** or would like to add something to our ***Frequently Asked Questions***, please email me.

Conversational SmartPanels

Using the Report, ***Plan Map***, thise**Conversational SmartPanel** information has been extracted:

Salary & Retirement Income

Salary & Retirement Income

Income is generated from salaries and income from investments. Generally, when one moves to full retirement, a portfolio of either investment income and capital together with Superannuation / Pension drawdowns will be used to fund Living Expenses. The amount nominated is referred to as Retirement Income. This Retirement Income is different to the Cash Flow Summary, that shows all Income from all sources. However, not all this income may be used to fund your Retirement Income.

Retirement Income

The drawdown for retirement income commences from Age 65. Pensions from external sources are not included in the retirement income.

Retirement income is transferred from the Transaction Account to the Budget to cover any tax due on this income and your living expenses in retirement.

The plan has allocated the following retirement income:

- **Years 1 to 10:** $120,000
- **Years 11 to 20:** $110,000
- **Years 21 to 50:** $100,000

Home

Homes

This plan has 1 home. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

Home: *Home 1*

Home 1 is an existing home with a value of $800,000 at the start of the plan. The purchase price including costs was $600,000.

It is estimated that the value of the home will rise at 6.50% p.a.

There are no building improvements planned for this home.

At the end of the plan, this home is worth $2,522,681 (which is $5,291,493 in FV).

Loans

You have no home loans.

Notes

When using cash flow modelling software to estimate future changes in real estate prices, an average Capital Growth is selected. The value of each property will change year by year and no one can predict what these changes will be for a specific property or property in general.

The Bureau of Statistics keeps an historical record of changes in property prices. They have estimated that the price rise of Established Houses for the 20-year period from 2001 was 6.46% with an average Inflation Rate of 2.39%. In the 5-year period from 2016, the estimated the price rise was 3.13% with an Inflation Rate of 1.57%. The Real (after-inflation) Capital Growth Rates were 3.99% for the 20-year period and 1.53% for the 5-year period.

Where loans have been included, the interest rates are assumed to remain the same. Where the interest rate is not a fixed rate, then the interest charges may change. According to the Reserve Bank of Australia, the average Standard Variable Home Loan rate for the 20-year period from 2001 was 6.52% with an average Inflation Rate of 2.39%. In the 5-year period from 2016, the estimated rate was 5.16% with an average Inflation Rate of 1.53%. These are Real (after-inflation) rates of 4.33% and 3.57%.

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Interest Earning Accounts

Interest Earning Accounts

In the cash flow modelling software, money invested in interest earning accounts are of four types.

- Transaction (Bank) Account
- Cash Accounts such as savings or cash management accounts
- Term Deposits
- Bonds

The Transaction Account acts as a checking account and may have a different purpose than your checking account. It is the account through which all home, investment and retirement transactions occur.

Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

Transaction Account

The balance of the Transaction Account at the start of the plan is $200,000. The investment return is 5.37%. During the plan, the account is not overdrawn at the end of any years.

This software should not be relied on for the purposes of making a decision in relation to any financial product and you should consider obtaining advice from a financial services licensee before making any financial decisions. Default rates used by the software are explained in the Disclosure Statement. If you change the default rates or specify your own rates, you are responsible for the calculation outcomes, and the Disclosure Statement does not apply. © FinancialMappers® 2015 - 2021

At the end of the plan, the balance is $740,540 (which is $1,553,333 in FV).

The following funds are withdrawn from the Transaction Account and transferred to the Budget for personal expenses:

- **Year 10:** $40,000
- **Year 20:** $40,000

Cash Account: *Emergency Cash*

Emergency Cash is an existing cash account with a value of $50,000 at the start of the plan.

The investment return is 5.37% and interest is reinvested. The interest is taxed as income.

This plan does not use the automated Investment Plan which allocates salary savings by a percentage.

The Retirement Drawdown has not been activated.

At the end of the plan, this cash account is worth $114,489 (which is $240,148 in FV).

Shares

Share Portfolios

This plan has 1 share portfolio. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

Share Portfolio: *Shares 1*

Shares 1 is an existing share portfolio with a value of $200,000 at the start of the plan.

The estimated income from dividends is 4.25% and the estimated capital growth rate is 6.50%, a total return of 10.75%.

This portfolio does not have a linked loan.

Dividends from this portfolio are:

- Paid to the Transaction Account during the Retirement Phase.

The dividends are taxed as income.

Imputation credits for Australia have been activated and it is estimated that 70.00% of the fund will be eligible for these tax credits.

This plan does not use the automated Investment Plan which allocates salary savings by a percentage.

The Retirement Drawdown commences in Year 1 of the Reitrement Phase and the funds are drawn down over 15 Years.

At the end of the plan, this share portfolio is worth $0.

Loans

You have no share portfolio loans.

Notes

In this plan, it is assumed that dividends and capital growth remain the same. However, there may be considerable rise and falls of share prices for any specific share portfolio or the ASX200. It is estimated that the total return for the ASX200 for the 20-year period from the year 2001 was 9.38% with an average Inflation Rate of 2.39%. In the 5-year period from 2016, the estimated total return was 9.29% with an average Inflation Rate of 1.53%. These are Real (after-inflation) rates of 6.82% and 7.60%.

Where loans have been included, the interest rates are assumed to remain the same. Where the interest rate is not a fixed rate, then the interest charges may change. According to the Reserve Bank of Australia, the average Standard Variable Home Loan rate for the 20-year period from 2001 was 6.52% with an average Inflation Rate of 2.39%. In the 5-year period from 2016, the estimated rate was 5.16% with an average Inflation Rate of 1.53%. These are Real (after-inflation) rates of 4.33% and 3.57%.

Margin loans, where the shares are the only security, are likely to attract a higher interest rate than the standard home loan.

Managed Funds

Managed Funds

This plan has 3 managed funds. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

Managed Fund: *Bond Trust*

Bond Trust is an existing managed fund with a value of $0 at the start of the plan.

The managed fund's asset allocation is described as **No Growth**. Following is the breakdown.

Cash	10.00%
Domestic Fixed Interest	45.00%
Global Fixed Interest	45.00%
Defensive Assets	**100.00%**
Domestic Equities	0.00%
Global Equities	0.00%
Other Investments	0.00%
Property Trusts	0.00%
Growth Assets	**0.00%**

The estimated income from dividends is 6.00% and the estimated capital growth rate is 2.00%, a total return of 8.00%.

Dividends from this portfolio are:

- Paid to the Transaction Account during the Retirement Phase.

The dividends are taxed as income.

This plan does not use the automated Investment Plan which allocates salary savings by a percentage.

These purchases are made directly from the Transaction Account:

- **Year 9:** $196,000

The Retirement Drawdown has not been activated.

At the end of the plan, this managed fund is worth $176,009 (which is $369,191 in FV).

Managed Fund: *High Growth Managed Fund*

High Growth Managed Fund is an existing managed fund with a value of $200,000 at the start of the plan.

The managed fund's asset allocation is described as **High Growth**. Following is the breakdown.

Cash	5.00%
Domestic Fixed Interest	15.00%
Global Fixed Interest	10.00%
Defensive Assets	**30.00%**
Domestic Equities	35.00%
Global Equities	30.00%

Other Investments	0.00%
Property Trusts	5.00%
Growth Assets	**70.00%**

The estimated income from dividends is 5.00% and the estimated capital growth rate is 7.00%, a total return of 12.00%.

Dividends from this portfolio are:

- Reinvested until Year 16, and then paid to the Transaction Account during the Retirement Phase.

The dividends are taxed as income.

Imputation credits for Australia have been activated and it is estimated that 30.00% of the fund will be eligible for these tax credits.

This plan does not use the automated Investment Plan which allocates salary savings by a percentage.

The Retirement Drawdown commences in Year 16 of the Reitrement Phase and the funds are drawn down over 25 Years.

At the end of the plan, this managed fund is worth $362,798 (which is $760,994 in FV).

Managed Fund: *Property Trust*

Property Trust is an existing managed fund with a value of $0 at the start of the plan.

The managed fund's asset allocation is described as **Aggressive**. Following is the breakdown.

Cash	0.00%
Domestic Fixed Interest	0.00%
Global Fixed Interest	0.00%
Defensive Assets	**0.00%**
Domestic Equities	0.00%
Global Equities	0.00%
Other Investments	0.00%
Property Trusts	100.00%
Growth Assets	**100.00%**

The estimated income from dividends is 5.00% and the estimated capital growth rate is 7.00%, a total return of 12.00%.

Dividends from this portfolio are:

- Paid to the Transaction Account during the Retirement Phase.

The dividends are taxed as income.

This plan does not use the automated Investment Plan which allocates salary savings by a percentage.

These purchases are made directly from the Transaction Account:

- **Year 9:** $382,200

The Retirement Drawdown has not been activated.

At the end of the plan, this managed fund is worth $983,578 (which is $2,063,121 in FV).

Notes

In this plan, it is assumed that dividends and capital growth remain the same. However, there may be considerable rise and falls of share prices for any specific share portfolio or the ASX200. It is estimated that the total return for the ASX200 for the 20-year period from the year 2001 was 9.38% with an average Inflation Rate of 2.39%. In the 5-year period from 2016, the estimated total return was 9.29% with an average Inflation Rate of 1.53%. These are Real (after-inflation) rates of 6.82% and 7.60%.

Where loans have been included, the interest rates are assumed to remain the same. Where the interest rate is not a fixed rate, then the interest charges may change. According to the Reserve Bank of Australia, the average Standard Variable Home Loan rate for the 20-year period from 2001 was 6.52% with an average Inflation Rate of 2.39%. In the 5-year period from 2016, the estimated rate was 5.16% with an average Inflation Rate of 1.53%. These are Real (after-inflation) rates of 4.33% and 3.57%.

Margin loans, where the shares are the only security, are likely to attract a higher interest rate than the standard home loan.

Investment Property

Investment Properties

This plan has 1 investment property. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

Investment Property: *Property 1*

Property 1 is an existing investment property with a value of $550,000 at the start of the plan. The purchase price including costs was $400,000.

The estimated gross income is 5.00% p.a. with recurrent costs of 15.00% p.a. of the gross income. It is estimated that the value of the investment property will rise at 6.50% p.a.

There are no building improvements planned for this investment property.

You have not included any capital purchases such as replacement of furnishings or carpets.

This investment property is sold at the end of Year 8. It is estimated that the profit after selling costs is $421,057 (which is $500,505 in FV).

Loans

You have no investment property loans.

Notes

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Superannuation

Superannuation/Pension Funds

This plan has 1 superannuation/pension fund that is employer sponsored and is a defined contribution fund. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

Super/Pension/KiwiSaver Fund: *Super 1*

Super 1 is a fund for John. Employer contributions are paid to this superannuation account.

At the start of the plan, the total value of the fund is $1,200,000. The account balances are:

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Plan Map
Assets: Home, Investments & Retirement Accounts

Based on plan "Income Streams in Retirement V4"
John Citizen

- Employer funded contributions: $1,200,000
- Personal pre-tax contributions: $0
- Personal after-tax contributions: $0

The following investment profiles are selected:

Start Year	Investment Profile	% pa Return
Year 1	Balanced	7.00%

At the start of your drawdown at Age 65, the balance of this super/pension/KiwiSaver fund is $1,200,000.

The drawdown amount has been calculated to be drawn down over 35 Years.

At the end of the plan, this super/pension/KiwiSaver fund is worth $239,916 (which is $503,241 in FV).

The following reports are specially for Retirement only plans:

- Statement of Advice for Retirees
- Retirement Plan Report

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As the designer of Financial Mappers, Glenis is the most suitable person to answer all your questions about Financial Mappers.

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