

# Plan Map

## My Plan

Seth Alby and Sue Alby

## Disclosure Statement

This software is not intended to offer, or be a substitute for, financial advice. Its purpose is to provide a dynamic mathematical model that shows the cause and effect of various financial transactions which are based on the information provided by you and assumptions about future values. Default assumptions used for returns on investments are based on the approximate average returns in Australia for the twenty (20) years from the year 2000. In the case of the capital growth for Shares and Real Estate, the software has used the average Capital Growth for both asset classes. The aim is to not give an advantage of one class over the other, because over the very long term, the rates are likely to be fairly similar. In relation to Interest Rates on Loans, the average Variable Standard Home Loan rate has been used for both home and investment property loans. A margin of 1% has been added to Margin Loans for Shares, and a margin of 3% added to Personal Loans. Gross Rent is increased at the rate of Inflation. Actual Rents may not rise in value at the same rate as Inflation.

Please ensure the information that you provide is complete and accurate, otherwise, the projections may not be accurate. Before acting on the information consider the appropriateness of it having regard to your objectives, financial situation, and needs.

All assumptions made and forecasts produced using this software are based on past performance. Past performance is not a reliable indicator of future performance.

You should not rely solely on this software for the purpose 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 decision.

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# Introduction

This report is intended to guide you through all the major financial decisions that have been made during the length of the plan. Using the information provided, the report will estimate the outcome of the plan.

As all cash flow modelling is based on assumptions, regarding the future average returns of investments and loan interest rates, caution should be exercised.

**Past performance is not a reliable indicator of future performance.**

## Plan Objectives

Repay the Home loan over 20 years

Save 15% of our Gross Salary to repay the home loan and invest for retirement.

## Main Strategy

Continue to pay the home loan over a 20-year period.

Allocate the balance of my salary savings after home loan payments in the following:

- 10% - Emergency Cash Account
- 60% - Managed Fund Account

The balance of funds will be deposited into the Transaction Account to pay any tax due on investments and to increase the percentage of cash.

## General Comments

We have updated our wills last year.

## Milestones & Goals

The following milestones and goals are listed in the plan:

- 2020: Car (Sue)
- 2030: Buying an investment property (Joint)

## Savings Phase

### Final outcome of your Savings Plan in Present Value

At the end of your 5 year savings plan, you will be 39 (Seth) and 39 (Sue) years old.

It is estimated that, in Net Present Value, your home will be worth \$402,041, your investments will be worth \$150,264 and your retirement funds will be worth \$311,167.

Your investments will be yielding a Real (After Inflation) Return of 2.69%.

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# 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.

## Salaries

Note all values are listed in "Today's Dollar Value" (PV).

### Salary: *Seth's Salary* (Seth)

This salary is increased at the inflation rate.

The salary has been listed as:

- Years 1 to 5: \$85,000

Following is the percentage of the gross salary that is allocated to savings from salary. This money is used to pay for home loans and home improvements, investment loans net of rent, investments, and personal contributions to retirement accounts.

- Years 1 to 5: 15.00%

### Salary: *Sue's Salary* (Sue)

This salary is increased at the inflation rate.

The salary has been listed as:

- Years 1 to 5: \$50,000

Following is the percentage of the gross salary that is allocated to savings from salary. This money is used to pay for home loans and home improvements, investment loans net of rent, investments, and personal contributions to retirement accounts.

- Years 1 to 5: 15.00%

# Assets: Home, Investments & Retirement Accounts

This section will detail major changes for each account within an **Asset Type** held during the length of the plan. Where loans are associated with a class of asset, the details will be referred to in that account type.

## 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: *Our House*

*Our House* is an existing home owned jointly with a value of \$400,000 at the start of the plan. The purchase price including costs was \$350,000.

It is estimated that the value of the home will rise at 6.12% p.a.

There are no building improvements planned for this home.

At the end of the plan, this home is worth \$475,803 (which is \$538,327 in FV).

## Loans

The following loans are assigned to your homes. If the home is sold, the loan is paid out at the same time.

### Home Loan: *Our House* [Loan]

This is an existing loan with a value at the start of the plan of \$100,000.

*Our House* [Loan] is a Principal and Interest loan with a term of 20 Years. It has an interest rate of 5.00% which is not fixed.

You have not planned to make any additional payments.

## 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 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%.

## 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.

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## Transaction Account

The balance of the Transaction Account at the start of the plan is \$10,000. The investment return is 2.00%. During the plan, the account is not overdrawn at the end of any years.

At the end of the plan, the balance is \$26,545 (which is \$30,033 in FV).

## Cash Account: *Emergency Cash*

*Emergency Cash* is an existing cash account owned jointly with a value of \$10,000 at the start of the plan.

The investment return is 2.00% and interest is reinvested. The interest is taxed as income.

This plan uses the automated Investment Plan which allocates salary savings by a percentage. This percentage is calculated from the total savings allocation less any loan expenses. The allocation in the Investment Plan is:

- Years 1 to 5: 10.00%

At the end of the plan, this cash account is worth \$15,959 (which is \$18,057 in FV).

## Share Portfolios

This plan has no allocation to purchase Australian shares directly.

## Managed Funds

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

### Managed Fund: *Our MFund*

*Our MFund* is an existing managed fund owned jointly with a value of \$50,000 at the start of the plan.

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

Cash	15.00%
Domestic Fixed Interest	15.00%
Global Fixed Interest	20.00%
<b>Defensive Assets</b>	<b>50.00%</b>
Domestic Equities	17.00%
Global Equities	24.00%
Other Investments	4.00%
Property Trusts	5.00%
<b>Growth Assets</b>	<b>50.00%</b>

The estimated income from dividends is 4.00% and the estimated capital growth rate is 5.00%, a total return of 9.00%.

Dividends from this portfolio are:

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- Reinvested during the Savings Phase.

The dividends are taxed as income.

This plan uses the automated Investment Plan which allocates salary savings by a percentage. This percentage is calculated from the total savings allocation less any loan expenses. The allocation in the Investment Plan is:

- **Years 1 to 5:** 60.00%

These purchases are made directly from the Transaction Account:

- **Year 1:** \$4,900

The following managed funds are sold:

- **Year 5:** 5% which is \$6,417 (FV)

At the end of the plan, this managed fund is worth \$107,760 (which is \$121,921 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 Properties

This plan has no investment properties.

## Superannuation/Pension Funds

This plan has 2 superannuation/pension funds that are employer sponsored and are defined contribution funds. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

### Super/Pension/KiwiSaver Fund: *Seth's Super*

*Seth's Super* is a fund for Seth. Employer contributions are paid to this superannuation account.

At the start of the plan, the total value of the fund is \$120,000. The account balances are:

- Employer funded contributions: \$120,000
- 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 end of the plan, this super/pension/KiwiSaver fund is worth \$174,660 (which is \$197,611 in FV).

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## Super/Pension/KiwiSaver Fund: *Sue's Super*

*Sue's Super* is a fund for Sue. Employer contributions are paid to this superannuation account.

At the start of the plan, the total value of the fund is \$100,000. The account balances are:

- Employer funded contributions: \$100,000
- 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 end of the plan, this super/pension/KiwiSaver fund is worth \$136,507 (which is \$154,446 in FV).



# Personal Debts, Saving for Lifestyle Items and Insurance

This section will examine the management of your personal debts, including Credit Card Debt.

It will report on your planned Savings for Lifestyle items such as cars, boats, and holidays.

Some Insurance coverage may be part of your Superannuation Account and the cost will not be deducted from your Personal Budget.

## Personal Loans

This plan has 2 personal loans. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

### Personal Loan: *Car Loan*

This is an existing loan with a value at the start of the plan of \$5,000. It is owned by Seth.

*Car Loan* is a Principal and Interest loan with a term of 3 Years. It has an interest rate of 9.00% which is not fixed.

You have not planned to make any additional payments.

### Personal Loan: *Sue's Car Loan*

This loan commences in Year 1 with a balance of \$10,000. It is owned by Sue.

*Sue's Car Loan* is a Principal and Interest loan with a term of 5 Years. It has an interest rate of 9.67% which is not fixed.

You have not planned to make any additional payments.

## Credit Cards

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

### Credit Card: *Sue's Credit Card*

*Sue's Credit Card* has a balance of \$2,000 at the start of the plan, and the debt is owned by Sue.

The interest rate is 15.00%. It is estimated that the debt will be repaid in 11 months.

## Lifestyle Goals

Lifestyle Goals are savings for personal expenses which are deducted from the budget. This plan has 2 lifestyle goals. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

### Lifestyle Goal: *Car Replacement*

You plan to start saving for your *Car Replacement* in Year 1. The total cost is \$10,000 and you will save \$5,000.00 per year for 2 Years.

### Lifestyle Goal: *Interstate holiday*

You plan to start saving for your *Interstate holiday* in Year 1. The total cost is \$9,000 and you will save \$3,000.00 per year for 3 Years. You plan to repeat the savings schedule 1 time.

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# Insurance

## Life Insurance (Death & TPD): *zzz Insurance* (Seth)

Seth has *zzz Insurance* as Life Insurance (Death & TPD) with a value of \$200,000 and premiums of \$1,000. This cover is from Age 35 to Age 50.

The payments are made from the budget and are not tax deductible.

## Trauma Insurance: *zzz Insurance* (Seth)

Seth has *zzz Insurance* as Trauma Insurance with a value of \$60,000 and premiums of \$300. This cover is from Age 35 to Age 50.

The payments are made from the budget and are not tax deductible.

## Income Insurance: *zzz Insurance* (Seth)

Seth has *zzz Insurance* as Income Insurance with a value of \$50,000 and premiums of \$500. This cover is from Age 35 to Age 50.

The payments are made from the budget and are tax deductible.

## Life Insurance (Death & TPD): *zzz Insurance* (Sue)

Sue has *zzz Insurance* as Life Insurance (Death & TPD) with a value of \$200,000 and premiums of \$1,000. This cover is from Age 35 to Age 50.

The payments are made from the budget and are not tax deductible.

# Cash Flow Summary - First Five Years

Savings Phase	Year 1	Year 2	Year 3	Year 4	Year 5
Future Value	2018	2019	2020	2021	2022
Age (Seth, Sue)	Age 35, 35	Age 36, 36	Age 37, 37	Age 38, 38	Age 39, 39
<b>Income</b>					
<b>Salary</b>					
Seth's Salary	\$85,000	\$87,125	\$89,303	\$91,536	\$93,824
Sue's Salary	\$50,000	\$51,250	\$52,531	\$53,845	\$55,191
<b>Pension Income</b>					
Drawdown: Seth's Super	\$0	\$0	\$0	\$0	\$0
Drawdown: Sue's Super	\$0	\$0	\$0	\$0	\$0
<b>Investment Income</b>					
Bank Account	\$137	\$209	\$283	\$360	\$439
Emergency Cash	\$212	\$242	\$273	\$305	\$340
Our MFund	\$1,756	\$2,118	\$2,519	\$2,960	\$3,447
Our House	\$0	\$0	\$0	\$0	\$0
<b>Other Income</b>					
One-off Receipts	\$0	\$0	\$0	\$0	\$0
<b>Total Income</b>	<b>\$137,105</b>	<b>\$140,944</b>	<b>\$144,909</b>	<b>\$149,006</b>	<b>\$153,241</b>
<b>Expenditure</b>					
<b>Lifestyle Expenditure</b>					
Living Expenses	\$65,000	\$66,625	\$68,291	\$69,998	\$71,748
Lifestyle Goals	\$8,000	\$8,200	\$3,152	\$3,231	\$3,311
Personal Loans	\$4,438	\$4,438	\$4,438	\$2,530	\$2,530
Credit Cards	\$2,150	\$0	\$0	\$0	\$0
Insurance	\$2,800	\$2,800	\$2,800	\$2,800	\$2,800
<b>Investment Expenditure</b>					
Bank Account Fees & Interest	\$0	\$0	\$0	\$0	\$0
Loan Payments: Our House [Loan]	\$7,919	\$7,919	\$7,919	\$7,919	\$7,919
One Off Expenses	\$0	\$0	\$0	\$0	\$0
<b>Tax Payments</b>					
Total Tax Due (Seth)	\$21,062	\$21,664	\$22,286	\$22,929	\$23,708
Total Tax Due (Sue)	\$9,160	\$9,460	\$9,772	\$10,098	\$10,552
<b>Total Expenditure</b>	<b>\$120,530</b>	<b>\$121,106</b>	<b>\$118,659</b>	<b>\$119,506</b>	<b>\$122,570</b>

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Savings Phase	Year 1	Year 2	Year 3	Year 4	Year 5
Future Value	2018	2019	2020	2021	2022
Age (Seth, Sue)	Age 35, 35	Age 36, 36	Age 37, 37	Age 38, 38	Age 39, 39
<b>Surplus / (Deficit)</b>	<b>\$16,575</b>	<b>\$19,837</b>	<b>\$26,250</b>	<b>\$29,500</b>	<b>\$30,671</b>
Bank Account Balance (End of Year)	\$8,511	\$12,146	\$15,902	\$19,775	\$30,033
Budget: Unallocated Funds	\$2,465	\$4,856	\$10,354	\$12,640	\$12,940

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## Assets and Liabilities - First Five Years

Savings Phase	Year 1	Year 2	Year 3	Year 4	Year 5
Future Value	2018	2019	2020	2021	2022
Age (Seth, Sue)	Age 35, 35	Age 36, 36	Age 37, 37	Age 38, 38	Age 39, 39
<b>Assets</b>					
<b>Investments</b>					
Bank Account	\$8,511	\$12,146	\$15,902	\$19,775	\$30,033
Emergency Cash	\$11,445	\$12,971	\$14,579	\$16,273	\$18,057
Our MFund	\$66,832	\$80,029	\$94,598	\$110,659	\$121,921
<b>Total Investments</b>	<b>\$86,789</b>	<b>\$105,146</b>	<b>\$125,080</b>	<b>\$146,708</b>	<b>\$170,010</b>
<b>Homes</b>					
Our House	\$424,480	\$450,458	\$478,026	\$507,281	\$538,327
<b>Total Homes</b>	<b>\$424,480</b>	<b>\$450,458</b>	<b>\$478,026</b>	<b>\$507,281</b>	<b>\$538,327</b>
<b>Retirement Accounts</b>					
Seth's Super	\$133,525	\$147,952	\$163,336	\$179,733	\$197,611
Sue's Super	\$109,535	\$119,686	\$130,489	\$141,982	\$154,446
<b>Total Retirement Accounts</b>	<b>\$243,060</b>	<b>\$267,639</b>	<b>\$293,826</b>	<b>\$321,714</b>	<b>\$352,057</b>
<b>Total Assets</b>	<b>\$754,329</b>	<b>\$823,243</b>	<b>\$896,932</b>	<b>\$975,704</b>	<b>\$1,060,394</b>
<b>Liabilities</b>					
<b>Personal</b>					
Personal Loans	\$11,846	\$8,384	\$4,584	\$2,403	\$0
Credit Cards	\$0	\$0	\$0	\$0	\$0
<b>Total Personal</b>	<b>\$11,846</b>	<b>\$8,384</b>	<b>\$4,584</b>	<b>\$2,403</b>	<b>\$0</b>
<b>Investments</b>					
Bank Account Overdraft	\$0	\$0	\$0	\$0	\$0
<b>Total Investments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Homes</b>					
Our House [Loan]	\$97,013	\$93,873	\$90,572	\$87,102	\$83,455
<b>Total Homes</b>	<b>\$97,013</b>	<b>\$93,873</b>	<b>\$90,572</b>	<b>\$87,102</b>	<b>\$83,455</b>
<b>Total Liabilities</b>	<b>\$108,859</b>	<b>\$102,257</b>	<b>\$95,156</b>	<b>\$89,505</b>	<b>\$83,455</b>
<b>Net Assets</b>					
Net Personal Assets <sup>1</sup>	<b>-\$11,846</b>	<b>-\$8,384</b>	<b>-\$4,584</b>	<b>-\$2,403</b>	\$0
Net Investments	\$86,789	\$105,146	\$125,080	\$146,708	\$170,010
Net Homes	\$327,467	\$356,586	\$387,454	\$420,179	\$454,872

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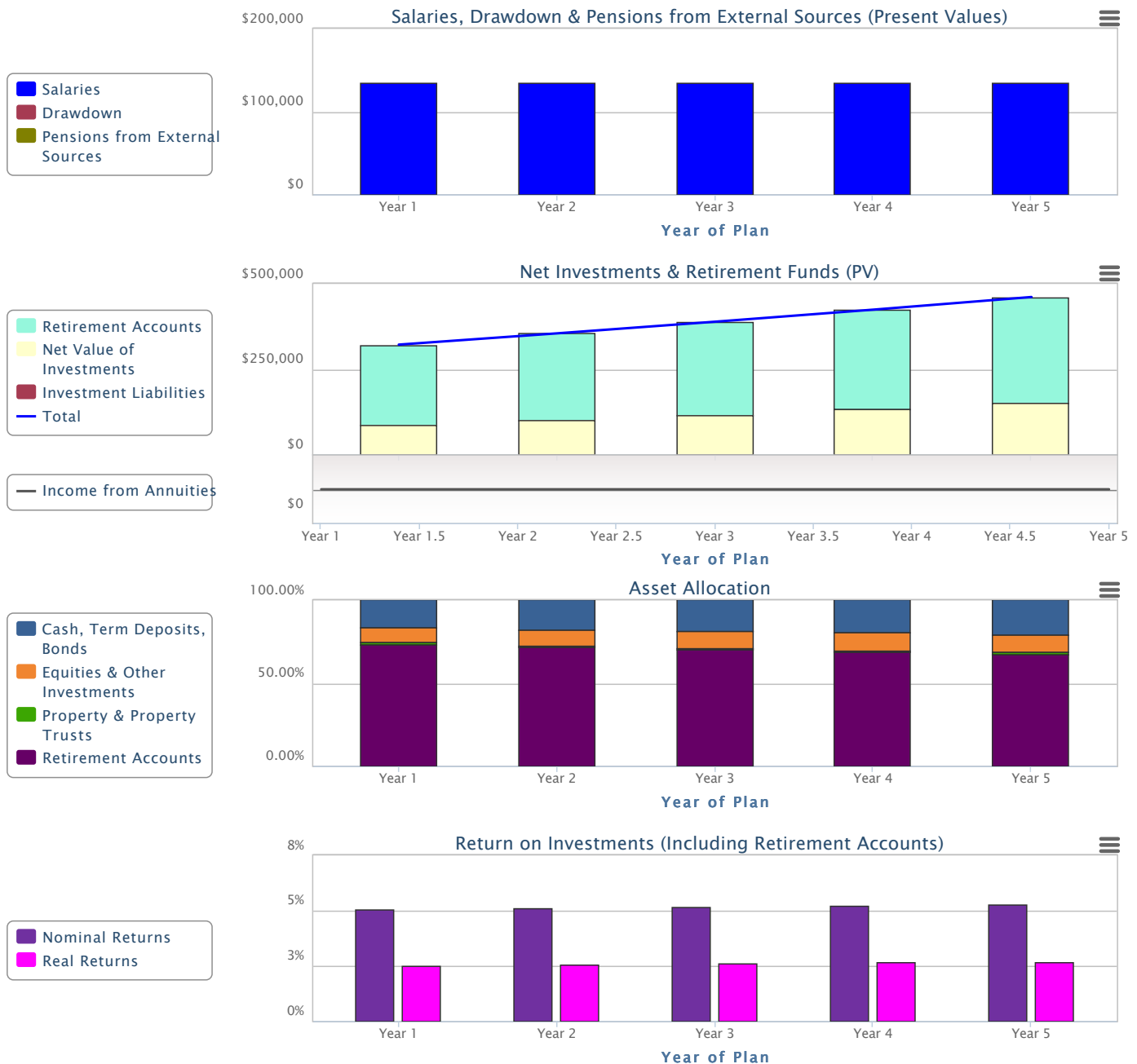
Savings Phase	Year 1	Year 2	Year 3	Year 4	Year 5
Future Value	2018	2019	2020	2021	2022
Age (Seth, Sue)	Age 35, 35	Age 36, 36	Age 37, 37	Age 38, 38	Age 39, 39
Net Retirement Accounts	\$243,060	\$267,639	\$293,826	\$321,714	\$352,057
<b>Total Net Assets</b>	<b>\$645,470</b>	<b>\$720,986</b>	<b>\$801,776</b>	<b>\$886,199</b>	<b>\$976,939</b>

<sup>1</sup> Personal Assets are not included, only loans.

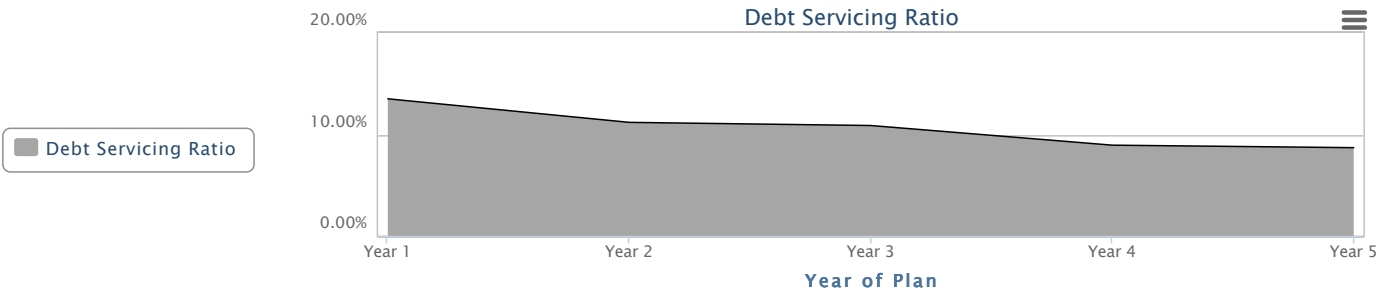
# Estimated Values at End of Plan

It is estimated that at the end of the plan, Seth Alby and Sue Alby will have the following Net Wealth:

- Home: \$402,041, which is \$454,872 (FV).
- Investments: \$150,264, which is \$170,010 (FV)
- Retirement Accounts: \$311,167 which is \$352,057 (FV)



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