

Financial Planning for a Working Family – Case Study

Colin and Helen Smith, age 40, two children age 10 and 12. Colin – company executive; Helen – not employed.

£350,000 house	£20,000 joint investments	£50,000 joint cash
£200,000 mortgage	£80,000 pension	£100,000 p.a. income

Sick pay for 3 months £400,000 death in service payment

Challenges

1. Wanted to know whether Helen and the children would have enough money to maintain their existing lifestyles in the event of Colin's death or long-term incapacity.
2. Required advice regarding the best way to fund the cost of university for their children.
3. Concerned that they did not have any plan in place to achieve their objective of retirement at the age of 60. What needed to be done to ensure that they could maintain their existing lifestyle into retirement?
4. Built up a collection of pensions and investments with no strategy or structure. Wanted these to be organised, simplified and to generate less paperwork.
5. Concerned that they may be paying too much tax.

What we did

1. Calculated the cost of the lifestyle that they would require in the event of Colin's long-term incapacity. Arranged an income protection insurance to pay a tax-free income of £50,000 per annum. With some adjustments to lifestyle, this income was sufficient for their needs.
2. Calculated the long-term financial position of the household in the event of Colin's death. Arranged additional low cost life assurance cover on Colin's life (written in trust to remove these monies from his estate) to ensure that the family would be able to maintain their desired lifestyle, including university costs.
3. Arranged a tax efficient regular savings plan which, in conjunction with their other investments, was designed to provide sufficient cash to fund the expected costs of university education for their two children.
4. Calculated the cost of their desired lifestyle in retirement and the level of contributions that were required. Arranged an increase in pension contributions using a 'salary sacrifice' arrangement, saving income tax and national insurance of £2,400 per annum. Rearranged cash deposits in Helen's name, saving income tax of £300 per annum.
5. Established their tolerance to risk using a sophisticated risk profiling system. Reorganised investments and pensions using the low cost brb financial horizons ltd investment process. Generated cost savings of £600 per annum.
6. Investments and pensions consolidated into one reporting structure making everything organised, simplified and easy to understand. This dramatically reduced their ongoing paperwork and removed a lot of hassle.

The Results

1. Provided security and peace of mind that the family would be well provided for in the event of death or incapacity.
2. Provided clear strategies setting out what Colin and Helen needed to do to pay for their children's university education and to fund their own retirement. The retirement strategy created a tax saving of £2,400 per annum.
3. By restructuring their investments, their financial affairs were greatly simplified with annual investment charges being reduced by £600 per annum and income tax saved of £300 per annum within their cash deposits.