Cashflow Modelling

User Guide

March 2025

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Introduction

Cashflow modelling illustrates your advice.

With our Cashflow Modelling module, you can build a fully integrated financial life plan for your clients. You will benefit from a consistent methodology throughout your entire advice process and see how different scenarios will impact a client's lifestyle – considering their income; predicted asset and investment growth and how they use their assets (like downsizing or using Equity Release).

Support your client conversations and easily illustrate:

- If they are saving enough to achieve their goals in retirement, and if not, how much they should be saving?
- The likely value of their estate and the inheritance tax payable
- How much and when to gift their children a deposit to buy their first homes

What are the key benefits?

- **Easy to use and intuitive -** incorporate cashflow modelling into your end-to-end advice process with ease

- **Save time and reduce the margin for error by -** full integration with Engage investments and back-office systems. No more rekeying of data!

- **A consistent robust methodology –** investments and risk profiles are always up to date with a consistent underlying methodology. Have more confidence in the outputs for optimal client outcomes.

Cashflow Modelling and compliance

The FCA has not specified that advisers must use a cashflow modelling tool, but our module will help evidence compliance with things like Consumer Duty.

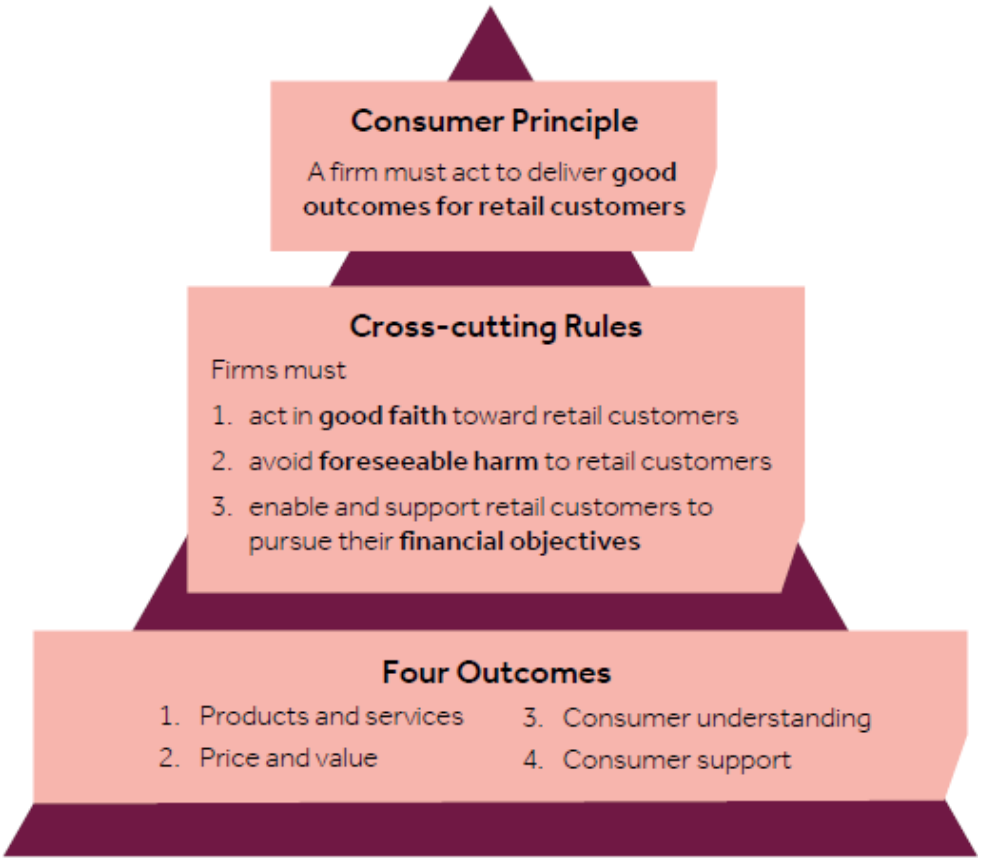
Suitability is key, it shows that your client's needs and objectives will more than likely be met by your advice.

Embedding Defaqto Cashflow modelling within your advice process will evidence compliance with your regulatory requirements.

You'll be able to:

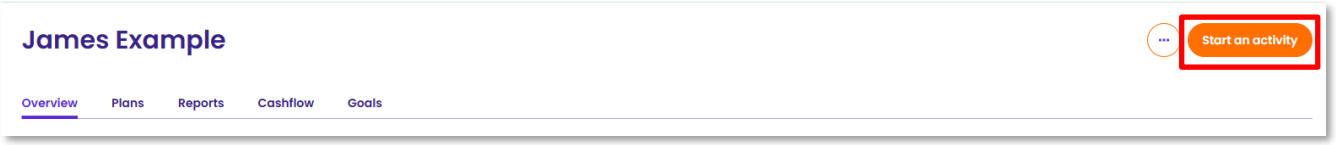
- Help your client avoid foreseeable harm
- Enable and support your client to pursue their financial objectives
- Illustrate the benefits of the products and services you recommend
- Illustrate the implications of costs, a huge element in the value for money conundrum

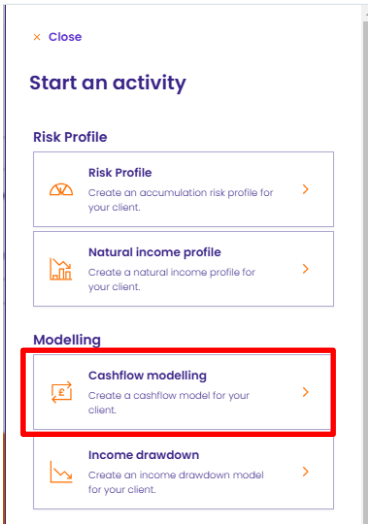
Most importantly, it will certainly help with your clients understanding, and finally, it will help support your client with their evolving circumstances and needs.


Consumer Principle
A firm must act to deliver good outcomes for retail customers
Cross-cutting Rules
Firms must
1. act in good faith toward retail customers
2. avoid foreseeable harm to retail customers
3. enable and support retail customers to pursue their financial objectives
Four Outcomes
1. Products and services
2. Price and value
3. Consumer understanding
4. Consumer support

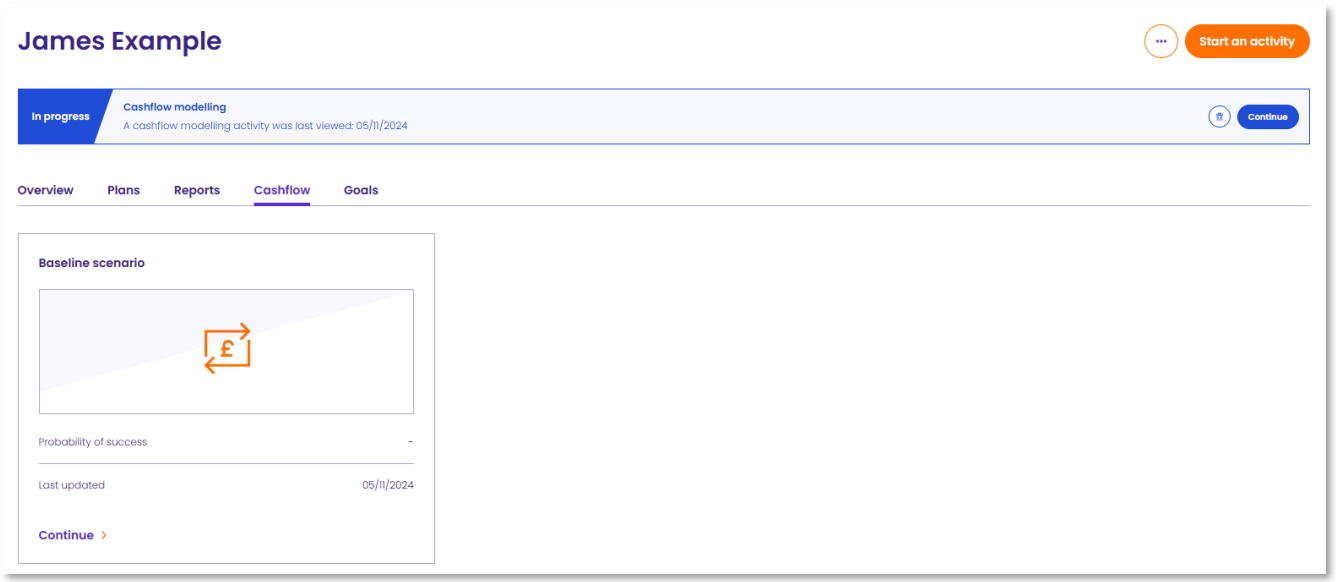
How to access Cashflow Modelling

Click **Start an Activity**, then choose **Cashflow Modelling** from the list.





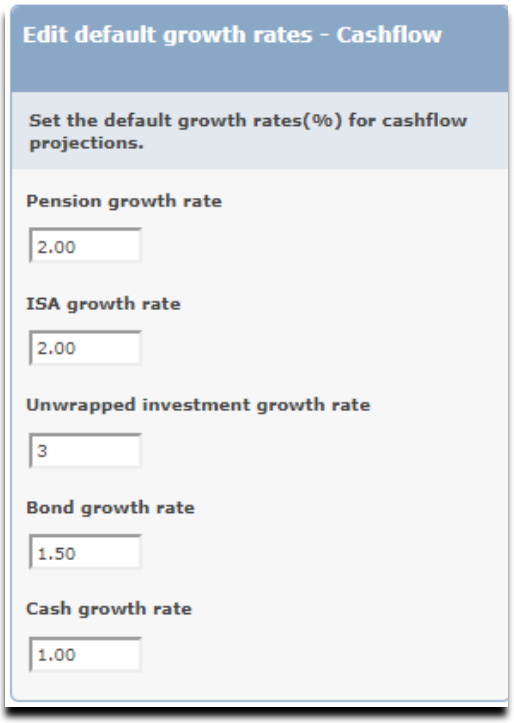
Once started, it can be resumed from the **Cashflow** tab.



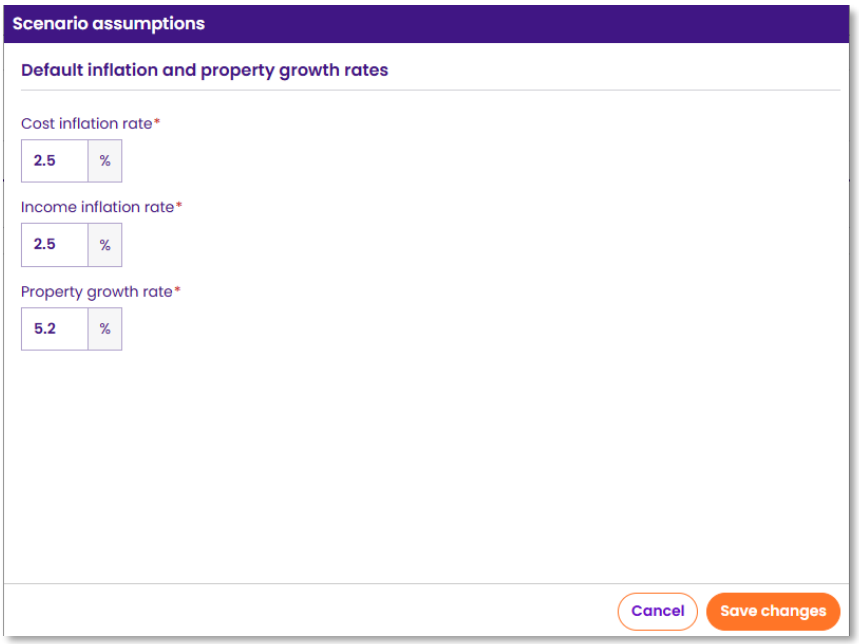
Customisation

Growth rates

Within the **Firm Settings** function of the software, users are now able to enter their firms default deterministic growth rates for each Cashflow pot.



Users can also amend the default growth rates for each Scenario.



Note: This will not overwrite the default rates set in Firm Settings.

When using your own deterministic rates, the investment table will display the growth figure used for each pot.

Description	Current value	Growth rate	RIY	Duration
Pension Contributions of £3,600 annually.	£150,000	2%	1.50%	2023 - 2056
ISA	£25,000	2%	1.50%	2023 - 2056
GIA	£0	3%	0.75%	2023 - 2056
Bonds	-	-	-	-
Cash	£10,000	1%	0.00%	2023 - 2056

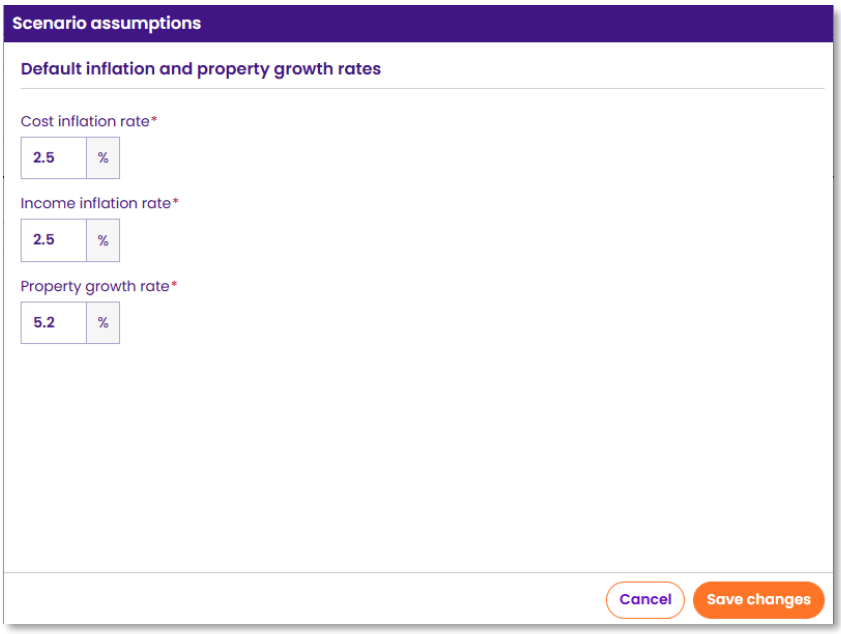
Property growth rates

Property growth rates can also now be amended when adding or editing a scenario in the workflow.

Inflation rates

Inflation rates are now split between income and cost:

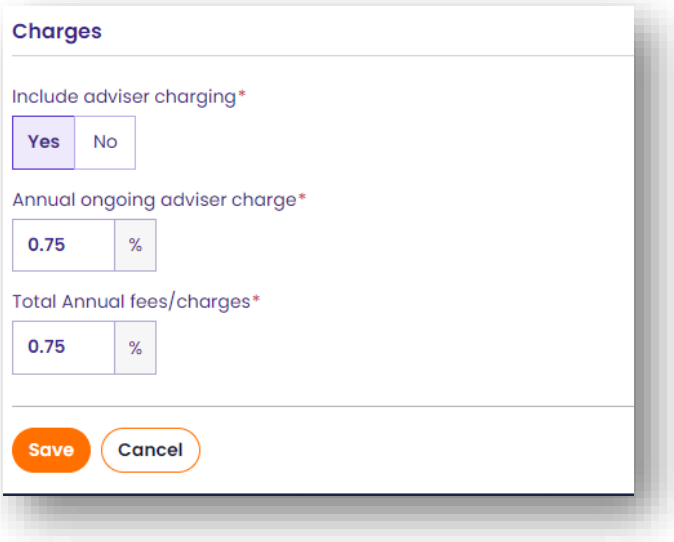
- Income – Salary, State Pension, Annuity Income, Other income
- Cost – Living, Care and Discretionary spend



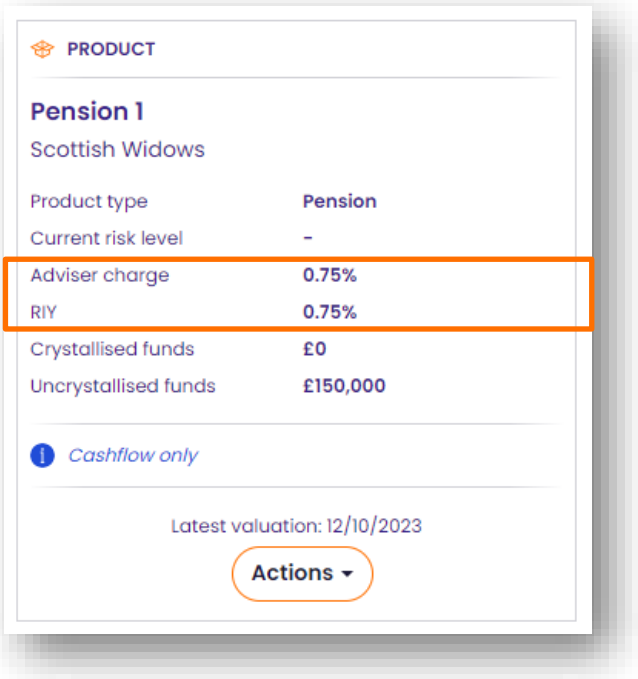
These can also be edited when adding or editing a scenario.

Adviser charges & fees

A setting has been added to the **Current Investments** hub to allow both the adviser charges and total fees to be amended for individual products.



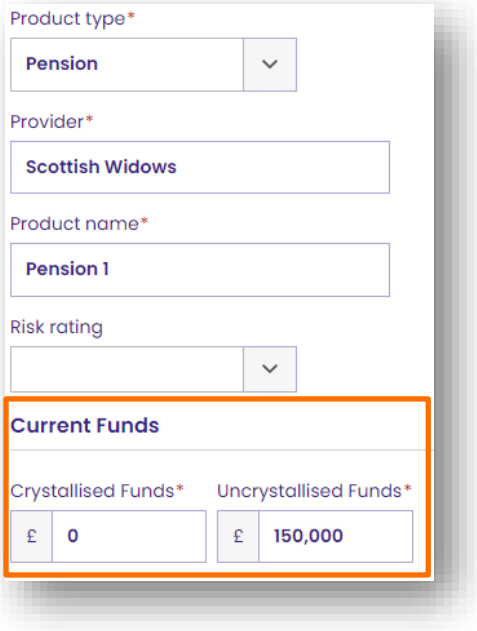
The **Product** cards have been updated to include these two figures so users can easily identify the charges that have been set.

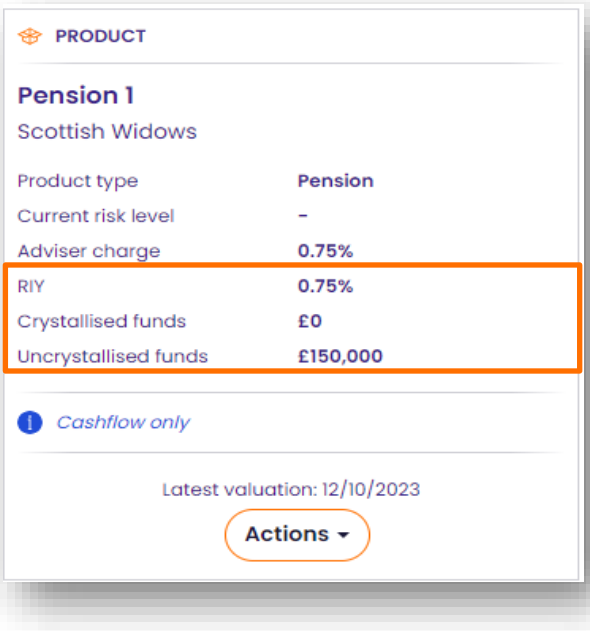


Pension balances

To ensure that the retirement options reflect the correct tax status, the crystallised and uncrystallised fund value for each pension product needs to be captured. When adding or editing a pension, users can enter in a value which will be reflected on the product card.

Note: The default assumption is that all funds are uncrystallised, but this can be edited



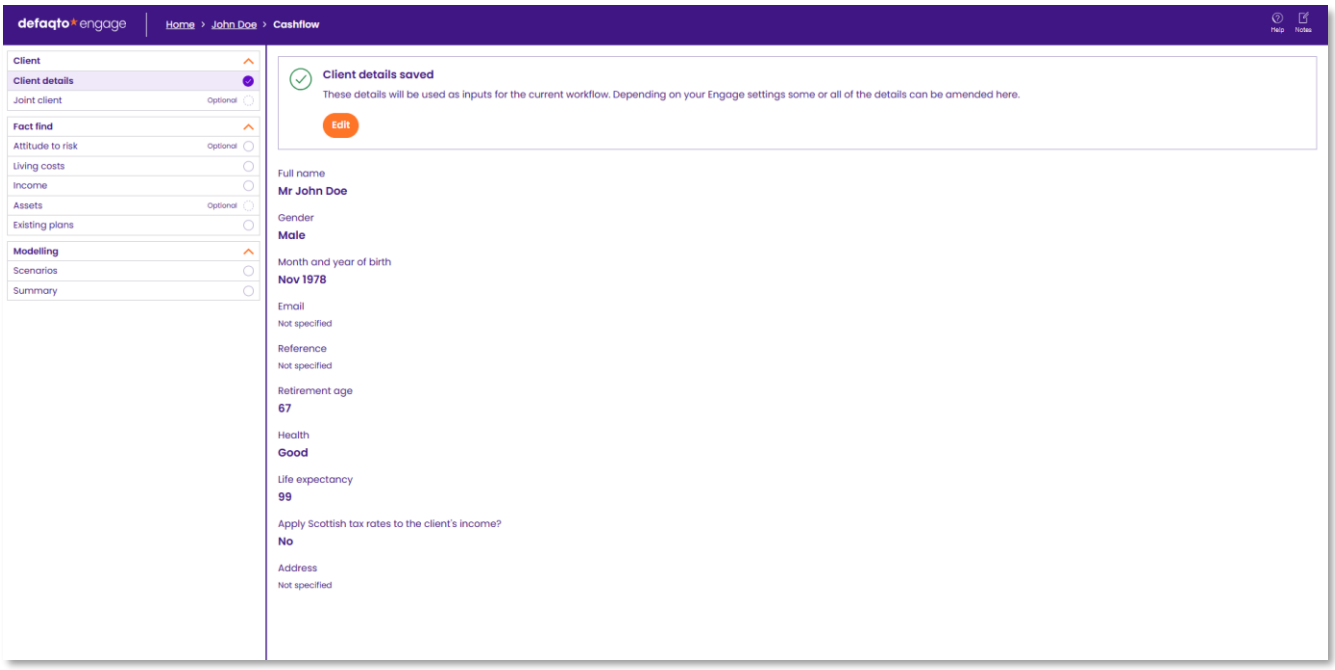


Completing the fact find

The fact find for a client is completed via a wizard with the necessary steps listed in the panel on the left-hand side. Mandatory steps are marked on the left-hand side, and you can't continue to the modelling session without completing them. Some steps may be already complete as information entered elsewhere in Engage will be reused.

To start a modelling session the minimum information required is

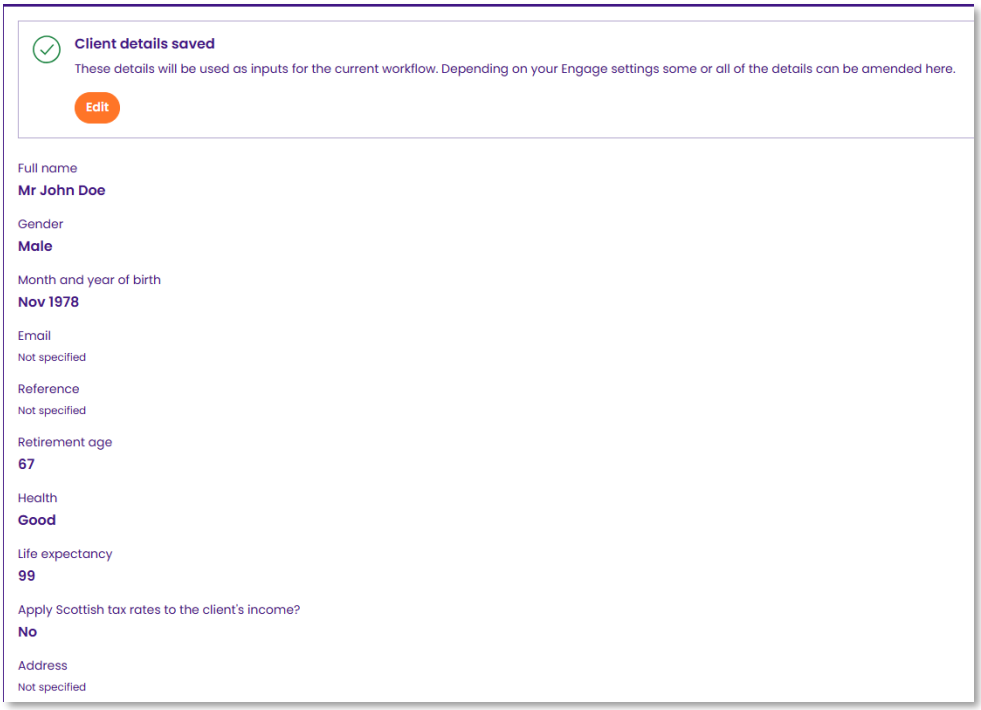
- Living costs
- One form of income
- One investment product



Client details

The client details step will be automatically completed when a cashflow model is created. Selecting Edit will allow the information to be changed. Any changes will update for all Engage workflows.

If the client pays income tax using Scottish tax rates, then this can be set in this step.



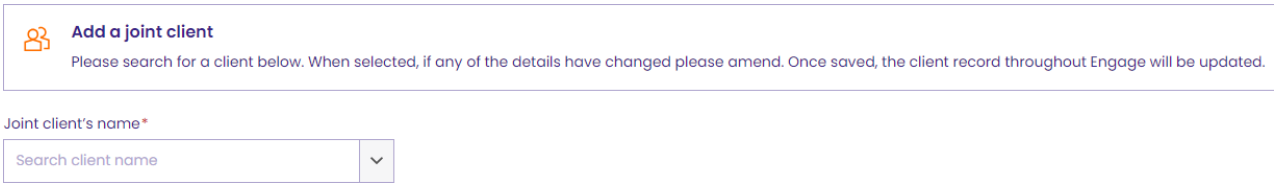
If an external backoffice integration such as Intelliflo Office, Xplan or Plannr is used, then only the information specific to the cashflow model can be changed. If the client's retirement status is later changed to already retired, then scenarios created with the previous retirement status will be deleted.

Joint client

To create a joint cashflow model a second client can be added. The second client must already exist in Engage and be advised by the same adviser.

To search for a client, type a minimum of three characters of their name.

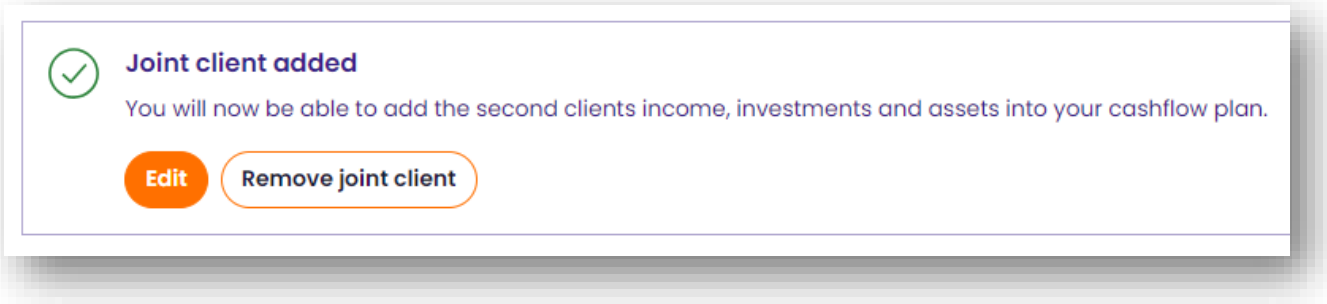
iO, Xplan or Plannr users who have created client relationships in those applications will be able to choose a joint client from the available relationships.



After selecting the joint client, the additional details required for the cashflow model must be entered before it can be saved.

Removing a joint client

If the client no longer wants to continue with a joint cashflow then the joint client and all their data can be removed. This is done by selecting the **Remove joint client** button.



When this is selected a warning message will display asking the user to confirm. On confirmation all data entered for the joint client will be removed and scenarios created in the modeller deleted. If reports have been generated these will be retained.

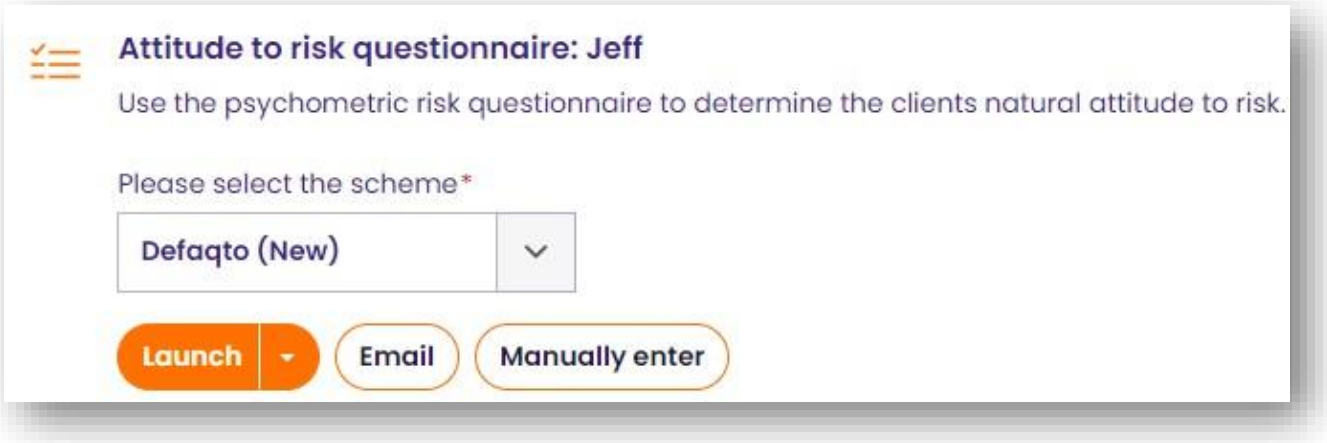
A new cashflow model can be created for the client.

Attitude to risk

The attitude to risk step allows the client's natural risk level to be assessed using any questionnaire available on the user's licence. If the client has already been assigned a natural risk level, then this step will be automatically completed. They can choose to retake the questionnaire at this point.

In line with other Engage workflows, the attitude to risk questionnaire can be emailed to the client in advance. The risk level can also be entered manually without completing a questionnaire.

If a joint client has been entered, then both clients must be assigned a natural risk level before the step is complete.

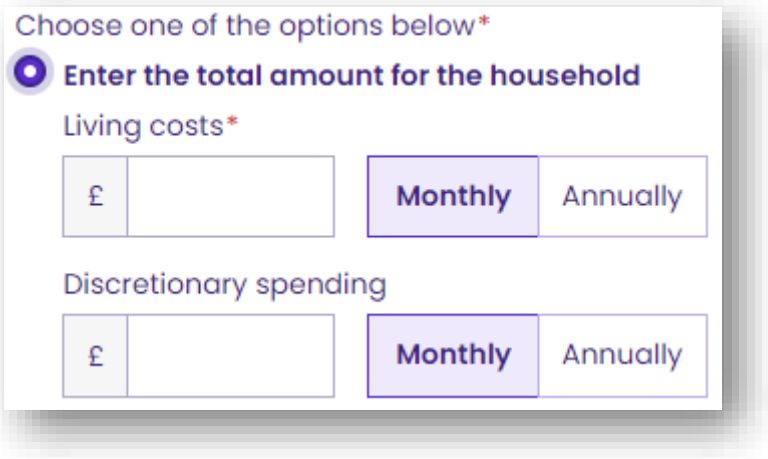


Living costs

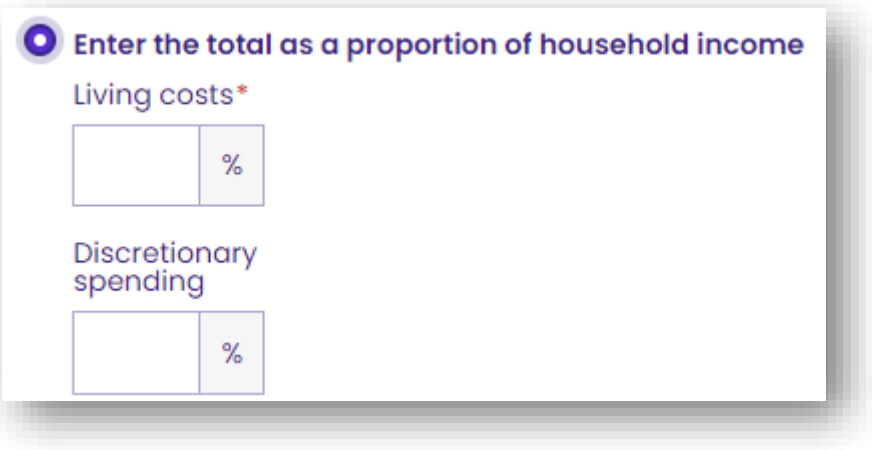
Living costs are those expenses that the client believes are necessary and are sometimes referred to as non-discretionary spends. Please note that in a joint cashflow costs are added for the whole household and not split by client. Living costs are mandatory and must be entered.

As each client will have a different view of what spending is essential the tool supports three separate ways of entering current costs.

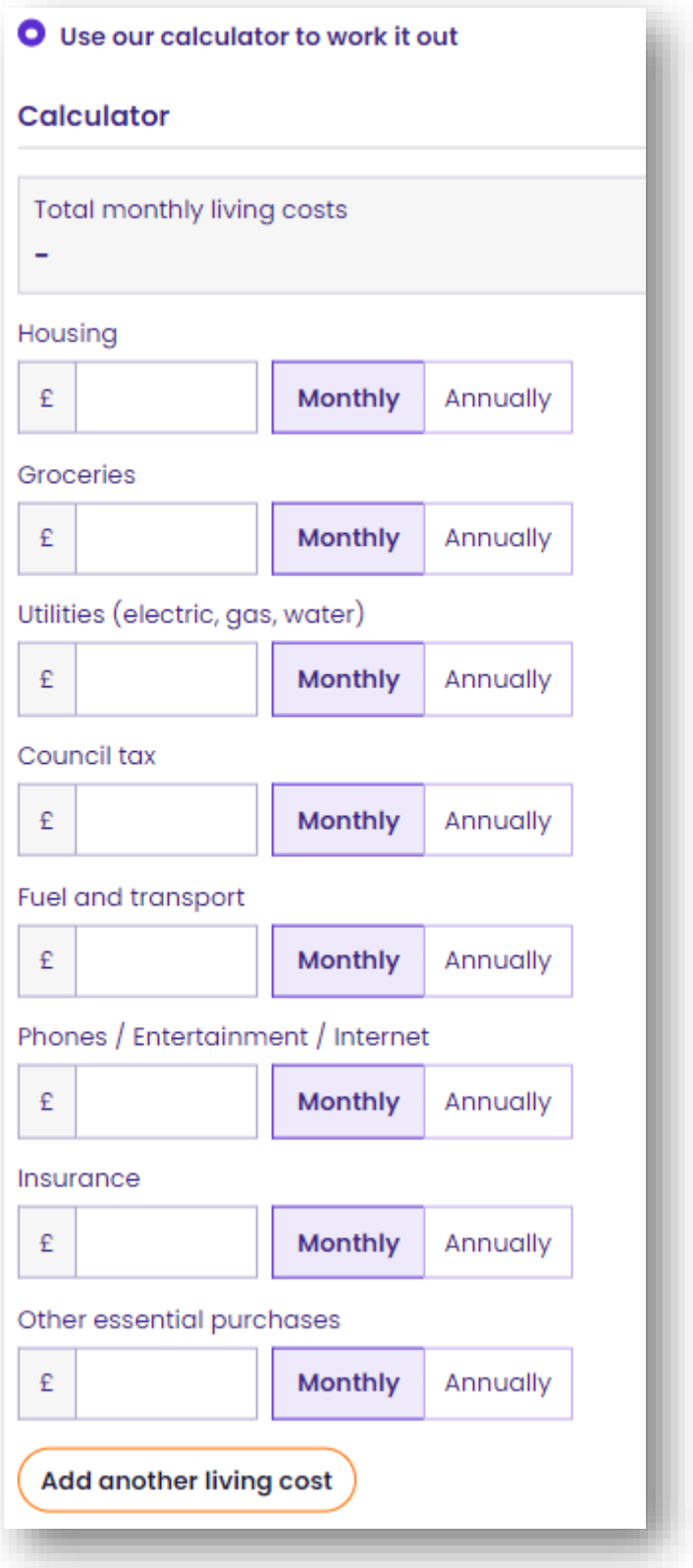
1. Entering a single figure for living costs and discretionary spending which can be monthly or annual.



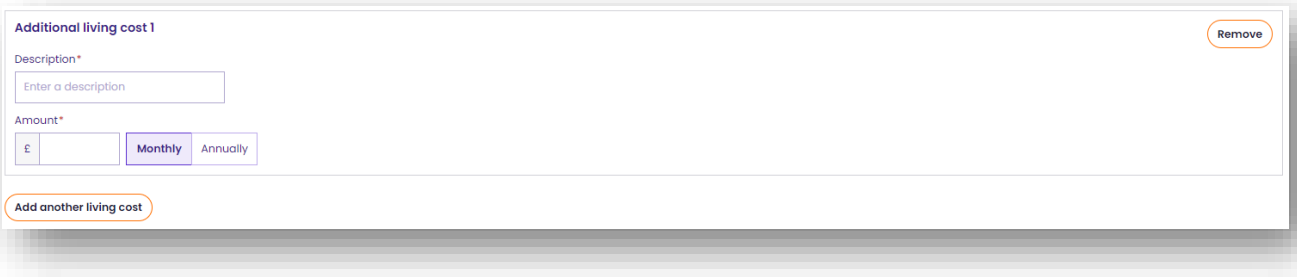
2. Entering the values as a percentage of household income. The system will calculate the total costs after income has been added for all clients. The values entered for each type of cost must be greater than zero and less than one hundred.



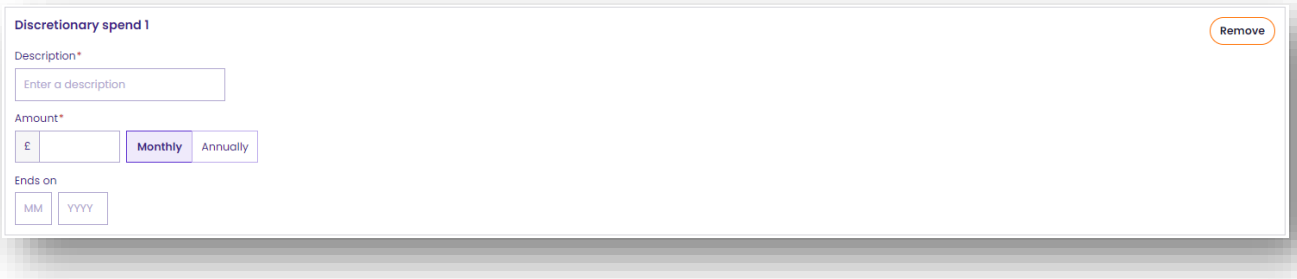
3. Use the tool to calculate living and discretionary costs. The tool has eight fixed categories, and a monthly or annual value can be entered for each one.



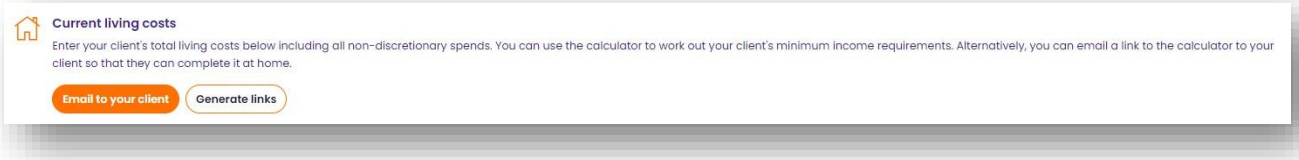
The list of categories can be extended by selecting the **Add another living cost button**. A description and value must be entered for each new living cost category that is added.



Discretionary spends can also be added in the calculator. They can either be added as a total amount or split by individual spend. The description and value must be entered. If the spend will continue for a limited time, then an end date can be entered. If the end is left blank, then the spend will be applied to each year until the end of the plan.

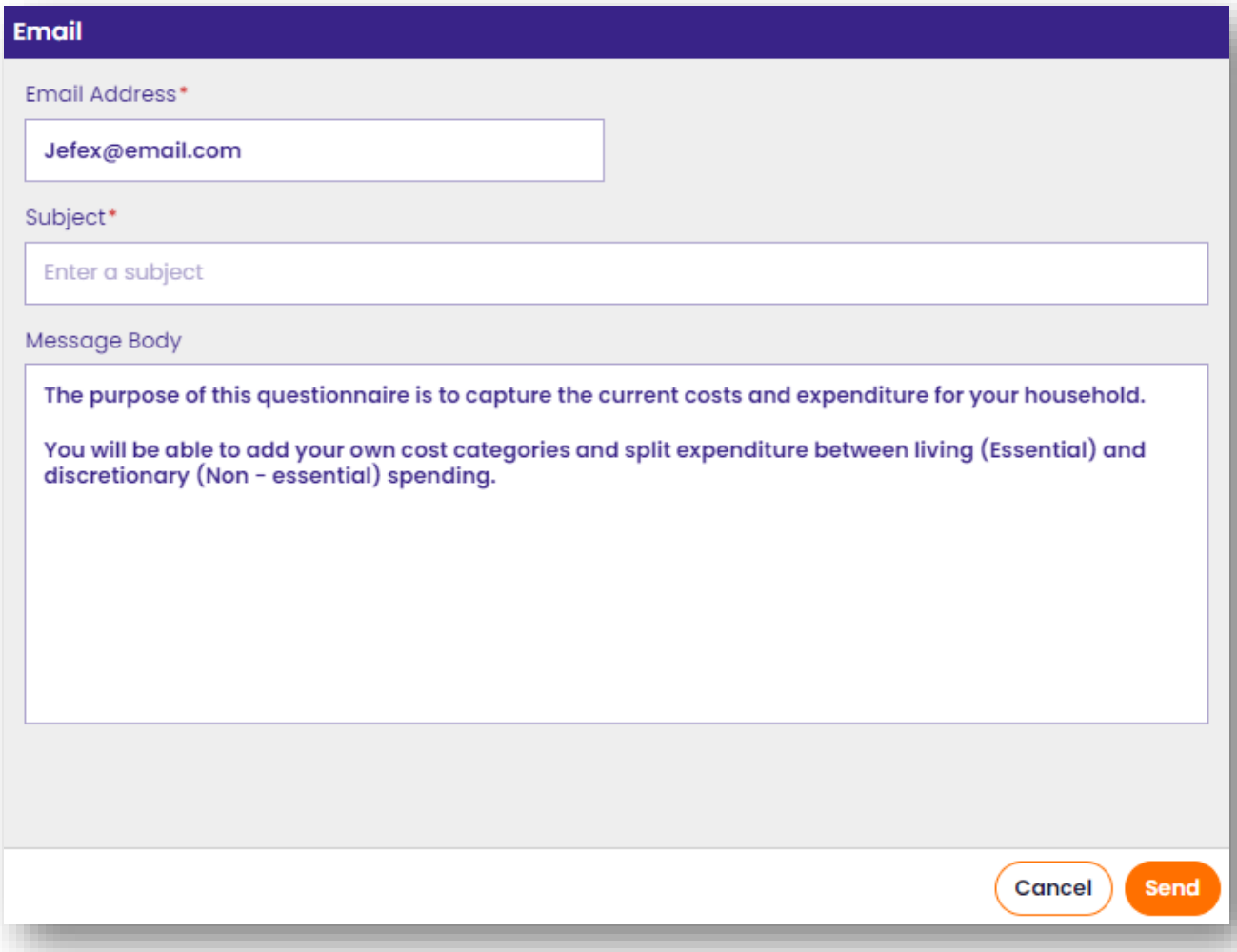


A link to the calculator tool can be emailed to the client so that they can complete it at home. This is done by using the buttons at the top of the screen.

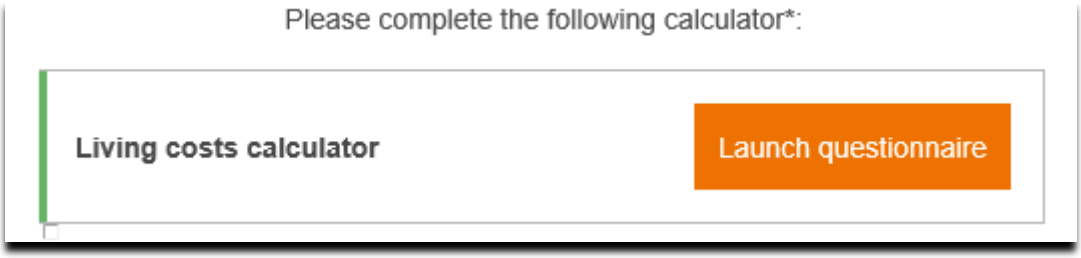


Email to your client

Selecting this option will allow an email to be sent to the client with a link to the calculator tool. To do this the client's email address and a subject for the email must be entered. The text in the message body can be amended before sending.

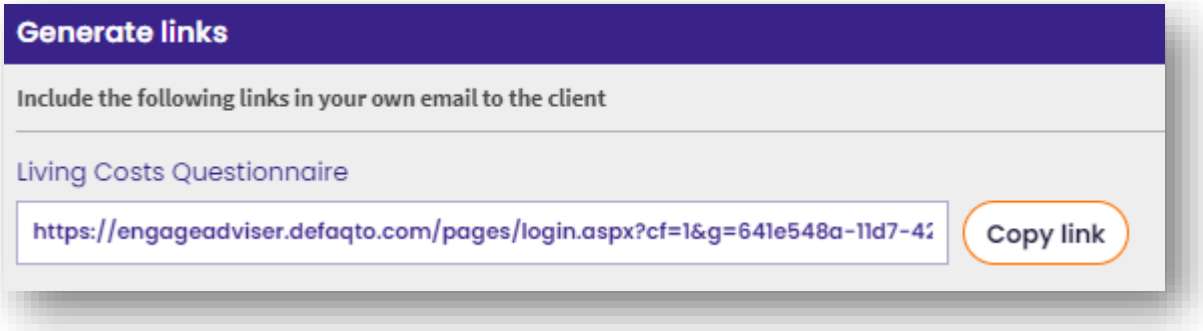


The client will receive an email containing a button that when selected will open the calculator tool.

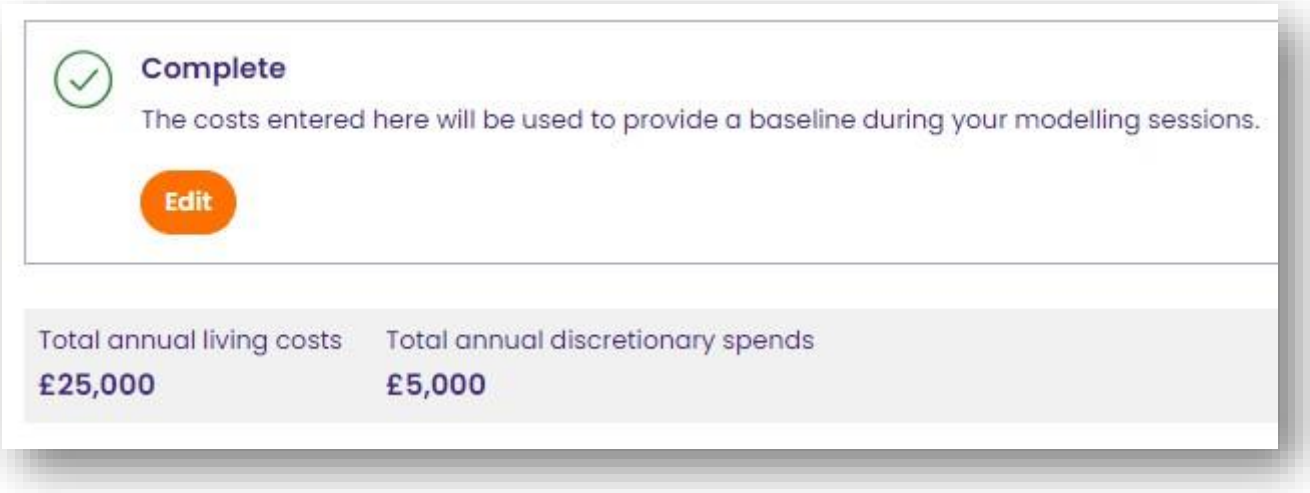


Generate links

Selecting the generate links option will create a unique link for the client that can be copied into the email tool used by the adviser.

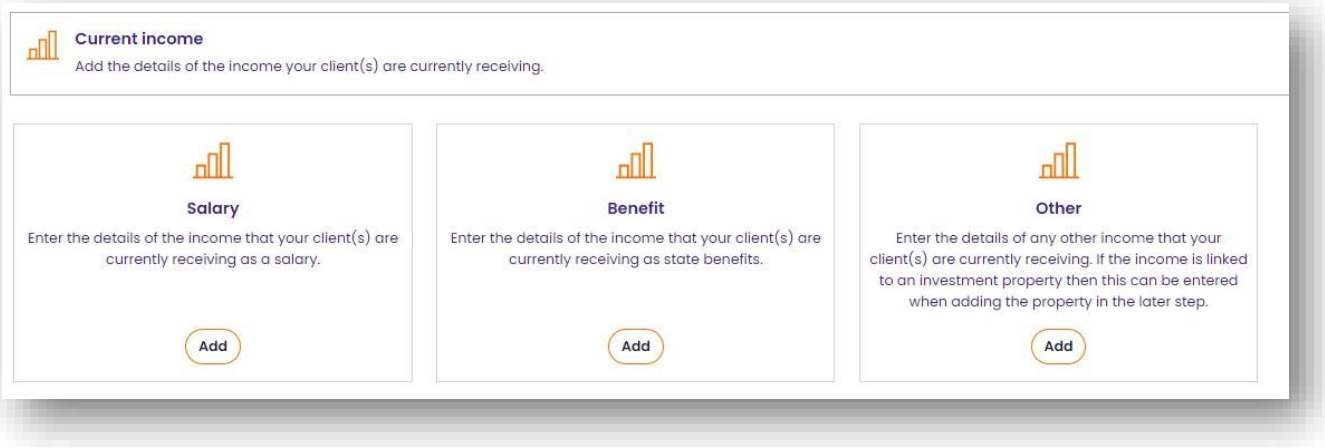


Regardless of the method selected, after saving, the total annual living and discretionary costs will be displayed, and the step will be marked as complete. They can be updated at any time by using the **Edit** button.

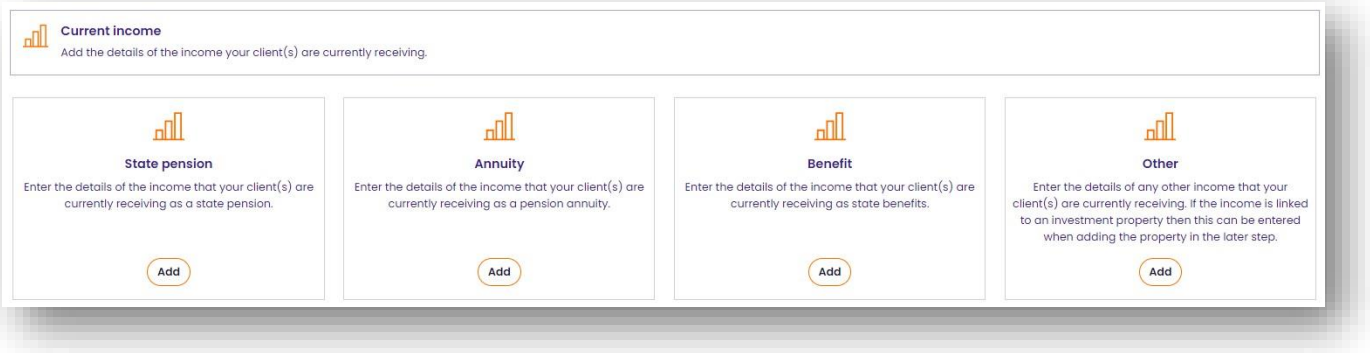


Income

The income that the client is currently receiving is entered in this step. For a client that is not yet retired, the available options are salary, benefit and other.

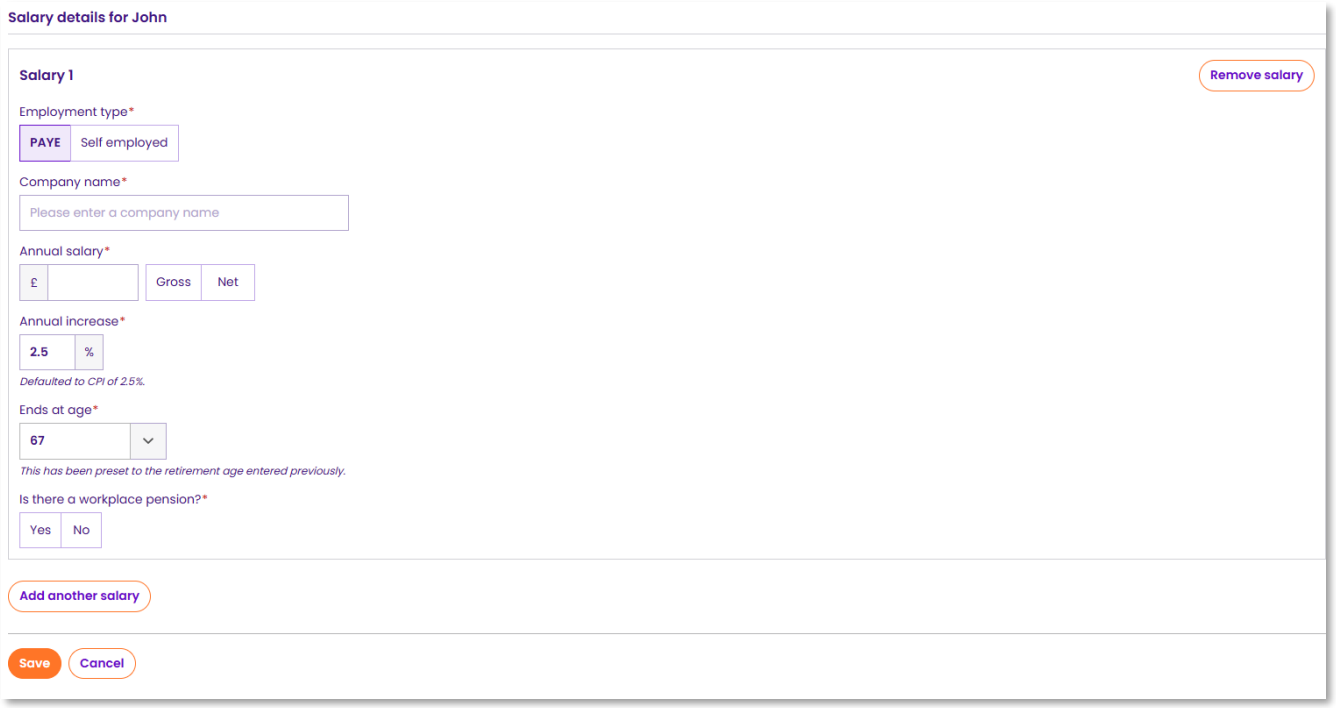


If a client is already retired, then they can enter their annuity income and state pension.



If there is a joint client and one is retired and one is not, then all options will be available. Selecting the Add button on any income type will open a form to capture the details.

Adding a salary



Salaries can be added for both clients at the same time. More than one salary can be added. If a previously entered salary is no longer required, then it can be removed by selecting the **Remove** button in the top right-hand corner.

Employment type

Select PAYE or self-employed. One option must be selected. This is used to apply the correct National Insurance rates.

Company name

Enter the name of the company that the client works for. This must be entered and is limited to fifty characters.

Annual salary

Enter the annual salary the client receives and whether it the amount is paid gross or net of tax and other deductions.

Annual increase

Select CPI if the client's salary is expected to increase by inflation. If the salary is expected to increase by a different amount, then select percentage and enter the value when prompted.

Ends at age

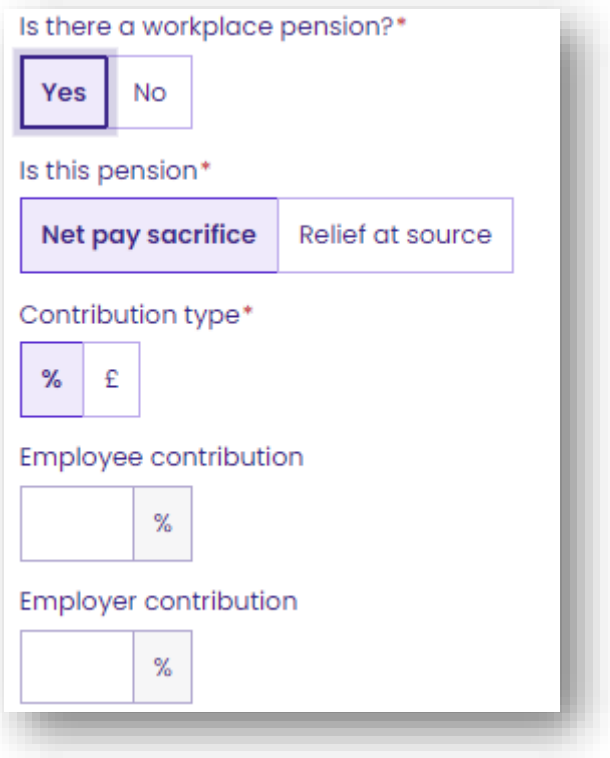
This is the year that the salary will stop being paid. The value defaults to the retirement age but can be changed.

Is there a workplace pension?

Select Yes if the client is contributing to a workplace pension via their salary. After selecting Yes, the contribution details can be entered.

Workplace pension details

If the client currently contributes to a workplace pension, then the details of the scheme must be entered. Contributions can be entered either as a percentage or a pound amount. If a net salary has been entered, then only pound amounts can be entered for contributions.

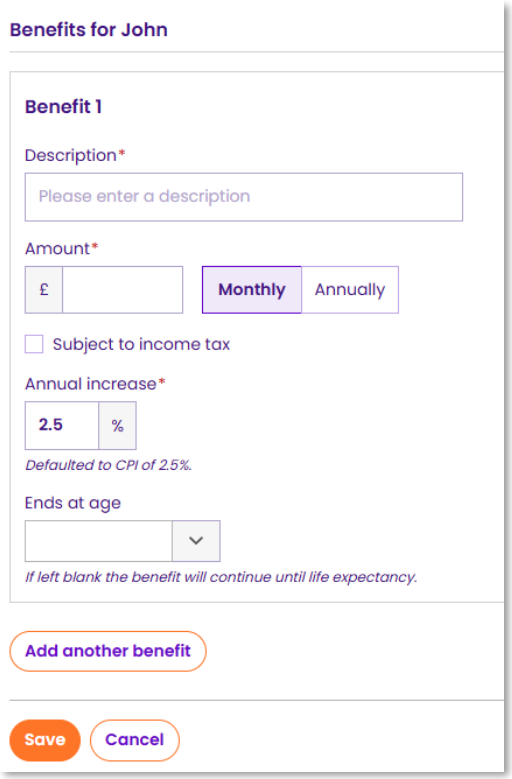


Adding more than one salary

Use the **Add another salary** button to add more than one salary. If there is a joint client, then salaries can be added for both clients at the same time.

Adding a benefit

If the client is currently receiving any state benefits, then these can be added through the benefits form. All information on the form is mandatory.



Description

Enter a description of no more than fifty characters.

Amount

The amount can be entered monthly or annually. If the system should deduct income tax from the value entered, then the **Subject to income tax** box must be ticked.

Annual increase

The cashflow modeller will increase the amount entered on an annual basis. This defaults to CPI 2.5%.

Ends at age

If it is known that the benefit will end at a specific age for the client, then that can be entered here. If left blank the income will run until life expectancy.

Adding more than one benefit

Use the **Add another benefit** button to add more than one benefit.

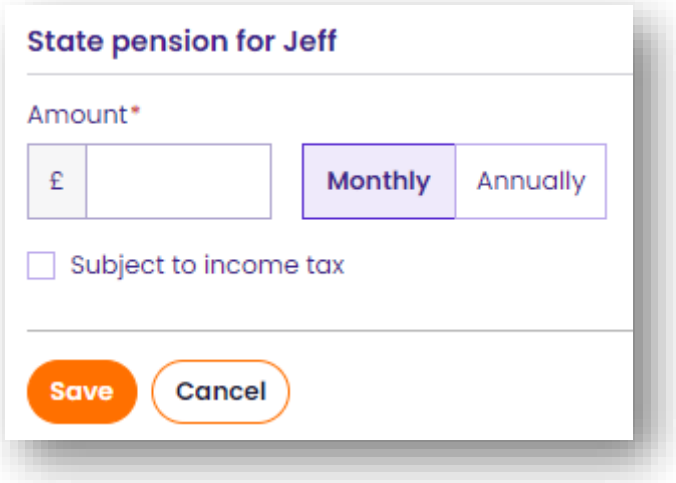
Adding current retirement income

If the client is already retired, then the options to add their current retirement income will become available.

State Pension

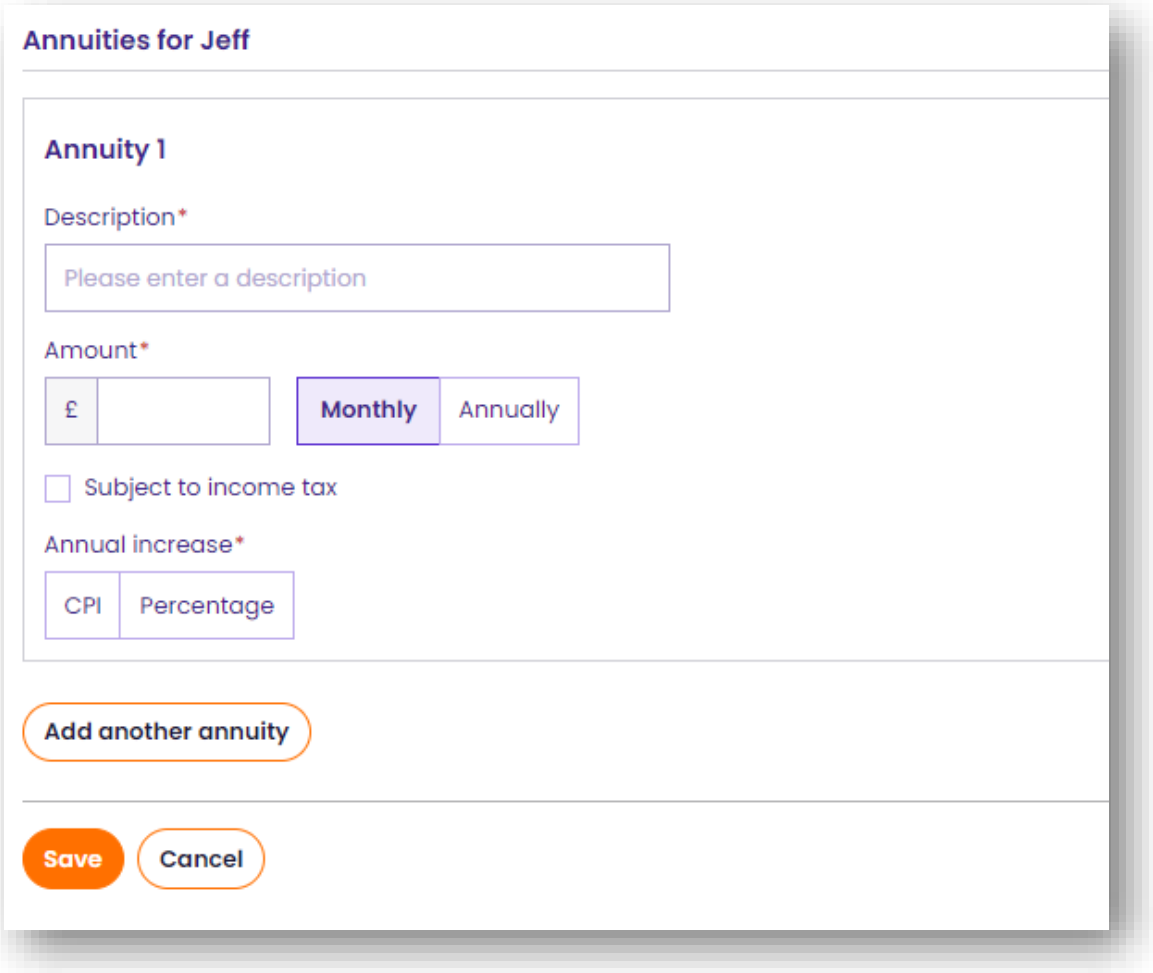
Enter the amount of state pension the client is currently receiving and whether it is paid monthly or annually. If the system should deduct income tax from the value entered, then the **Subject to income tax** box must be ticked. Only one state pension can be added for each client.

The state pension amount will be automatically increased by inflation.



Annuity income

Any income that a client is receiving from a private pension can be recorded here.



Description

Enter a description of no more than fifty characters.

Amount

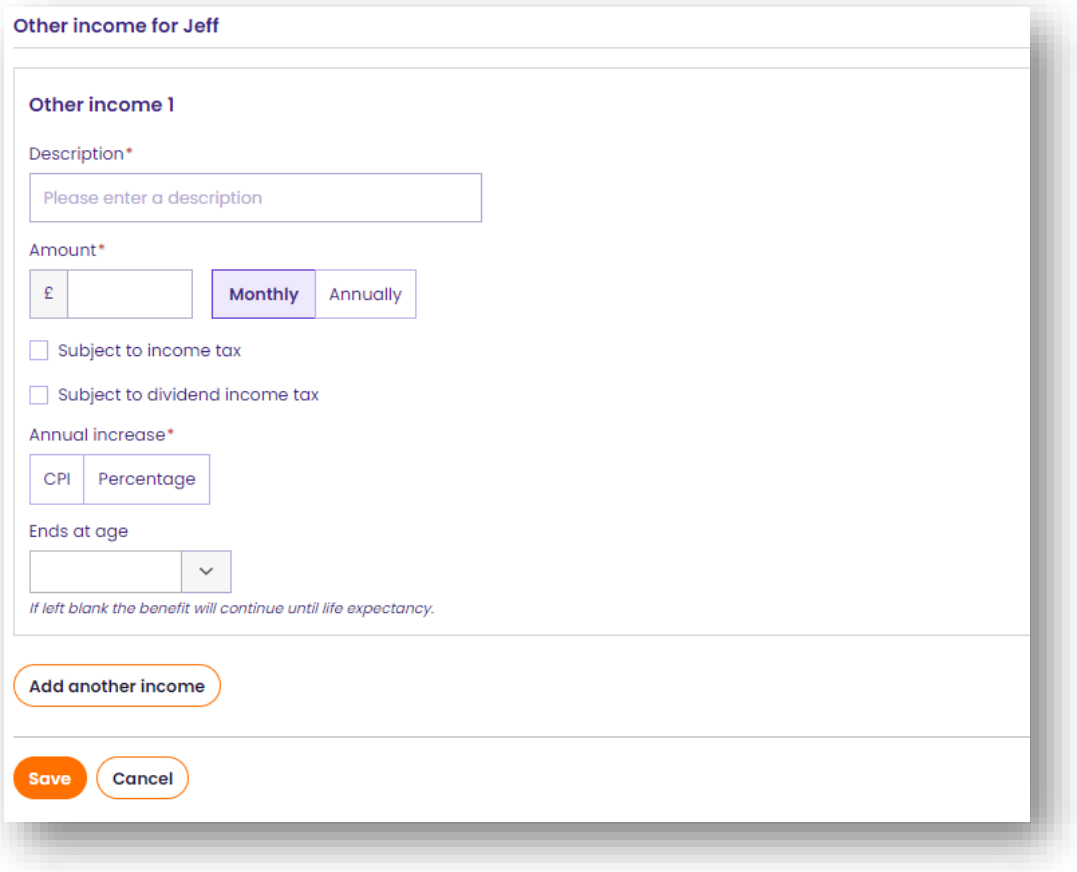
The amount can be entered monthly or annually. If system should deduct income tax from the value entered, then the **Subject to income tax** box must be ticked.

Adding more than one annuity

Use the **Add another annuity** button to add more than one annuity.

Adding a miscellaneous income

All other types of income that a client may be receiving should be entered via the Other income form. If the income is generated from an asset, then this is recorded while completing the asset step and doesn't need to be entered here.



Description

Enter a description of no more than fifty characters.

Amount

The amount can be entered monthly or annually. If the system should deduct income tax from the value entered, then the **Subject to income tax** box must be ticked. If the income received is from dividends and tax should be deducted from the income, then the **Subject to dividend income tax** box must be ticked.

Ends at age

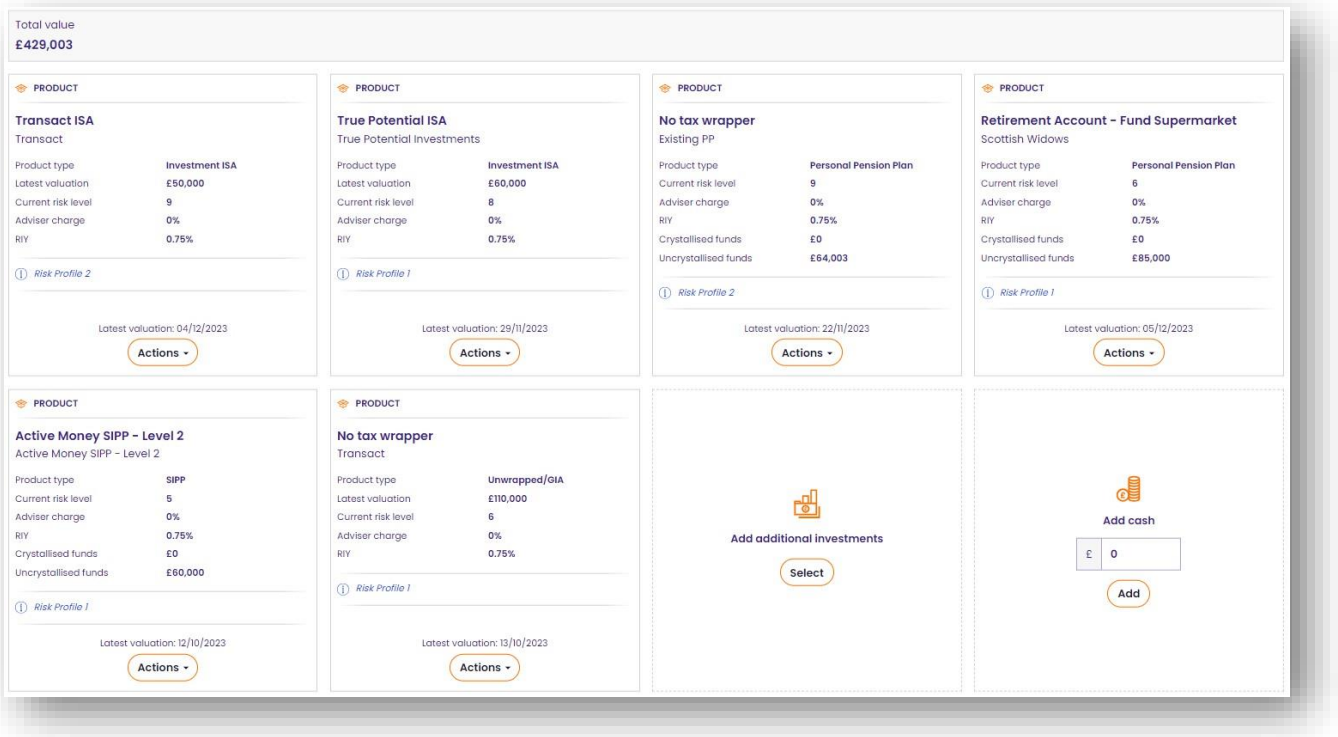
If it is known that the benefit will end at a specific age for the client, then that can be entered here. If left blank the income will run until life expectancy.

Adding more than one miscellaneous income

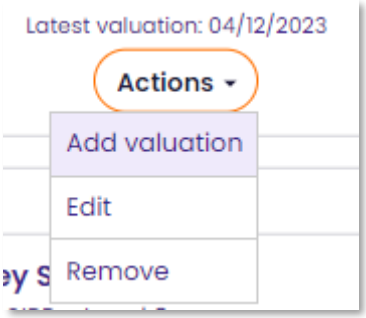
Use the **Add another income** button to add more than one income.

Existing Plans

If either client has investment products already in Engage, then these will be loaded automatically into the Cashflow model. If the products are from an external system, such as iO or Xplan, then outstanding product or fund mappings must be completed first.



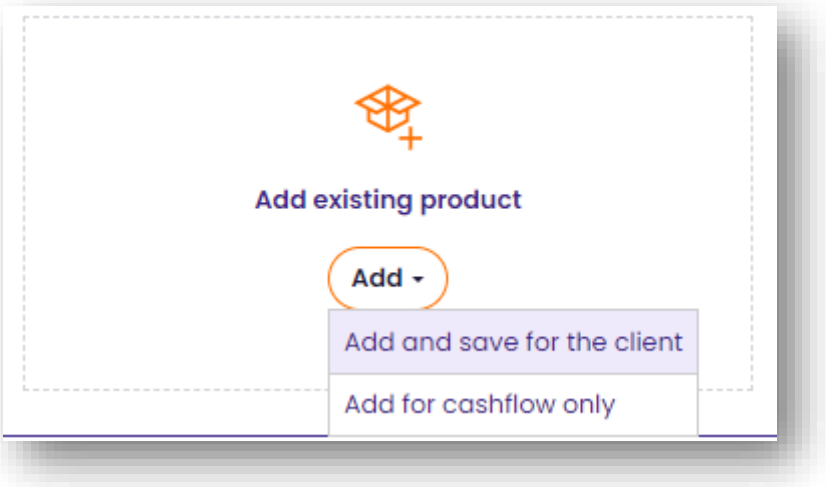
If there is a joint client, then the product owner will display. The latest valuation and when this was last updated are displayed and may be updated via the **Actions** button (Not available for iO, Xplan or Plannr users). The total at the top of the screen is for all products. If valuations are missing or older than 90 days, then they must be updated before the step can be set to complete.



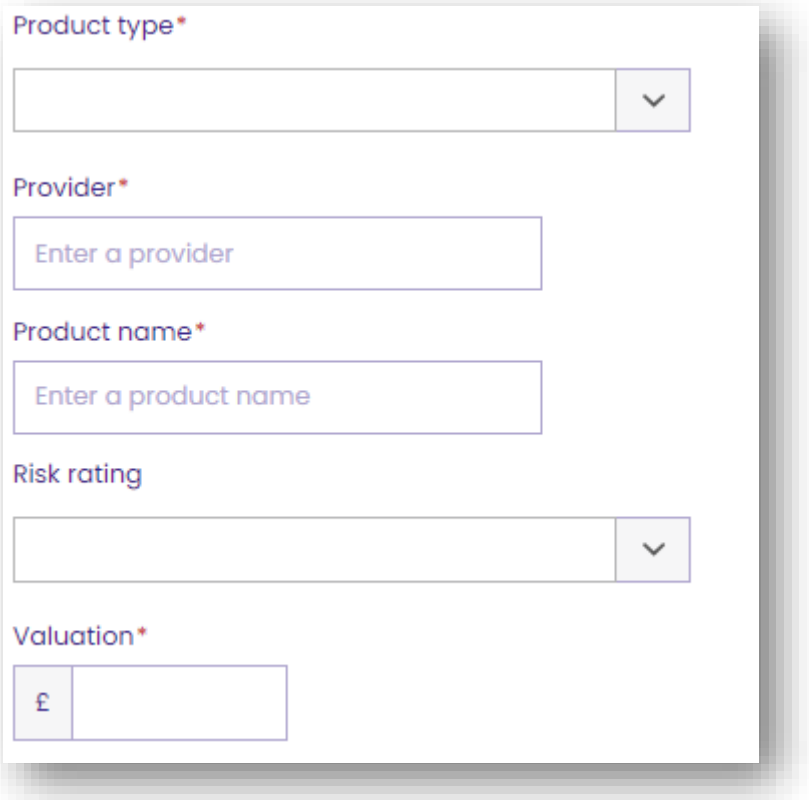
The **Actions** button also allows a product to be removed from the cashflow model. A removed product will not be included in the cashflow plan but will still be available to use in other Engage workflows. Removed products can be reinstated via the **Add additional product** button.

Adding new products

New products can be added to either (1) for the cashflow model only or (2) be saved for the client to use in other Engage workflows. Users with an external interface (e.g., iO, Xplan or Plannr) can only add products for the cashflow model.



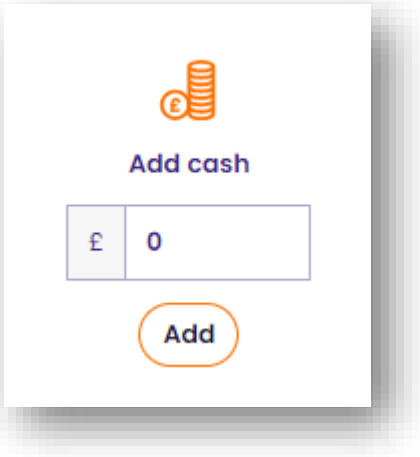
If the product is to be saved for the client, then the product, platform and funds must be chosen from those available in Engage. If the product is for the cashflow model only then this screen will appear. All details are mandatory apart from the risk rating.



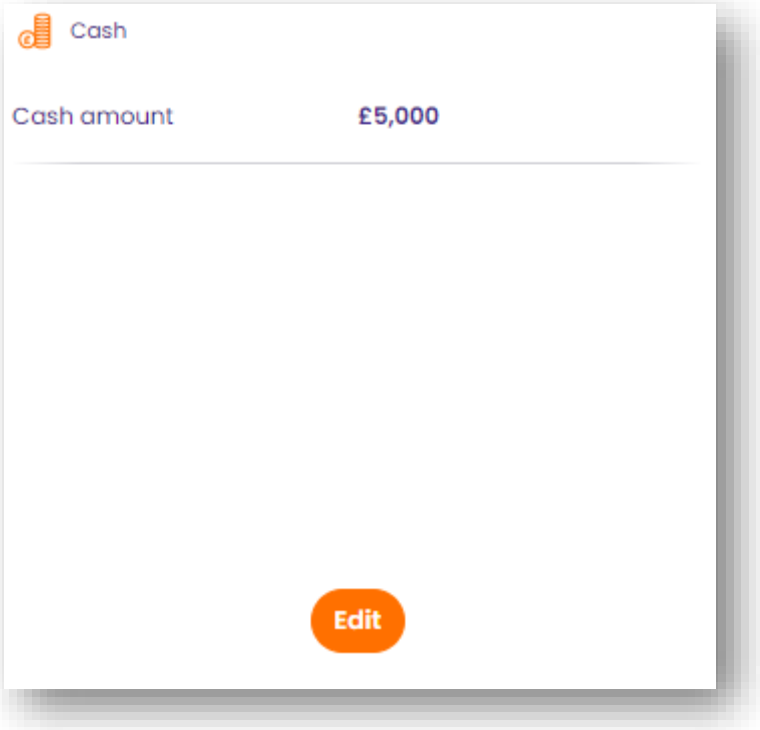
In a joint cashflow model the client the product is for needs to be chosen first.

Adding cash

Rather than add products for all cash savings that a client has, it is possible to enter the total cash amount as one value. This is done via the cash form.



Use the same form to change the total value after it is added.

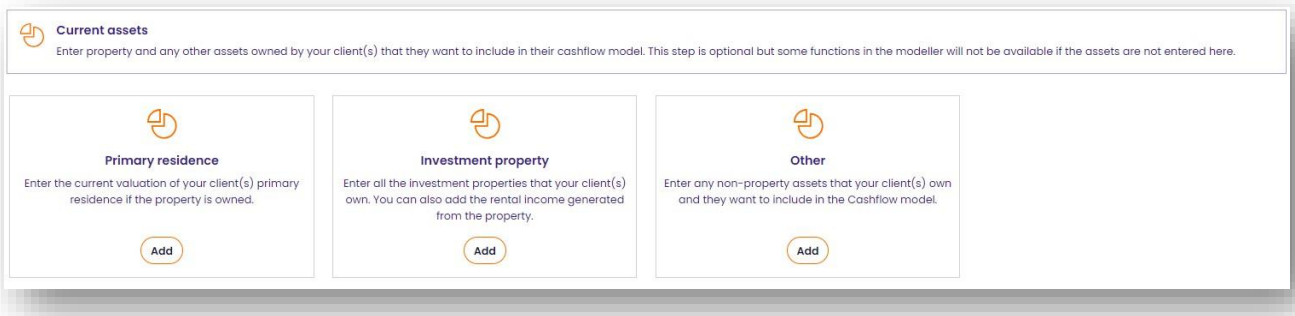


Bonds

To calculate the tax-free withdrawal amount on bonds additional information is required. If this information is missing an error message will display and the current investments step will be set to incomplete. The information required is the original purchase value and the percentage of the original investment that has already been taken as tax free income. This information can be updated by selecting **Edit** from the **Actions** button.

Assets

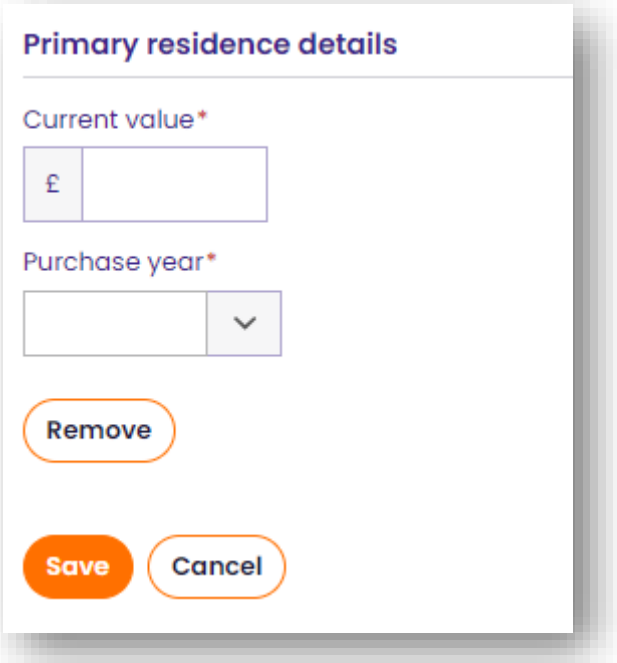
Entering the details of the client's assets is an optional step. If the client does not currently own any property or other assets this step can be skipped. The client's current primary residence and any investment properties can be entered along with any rental income generated. Any non-property assets that the client wants to include can be entered via the **Other** form.



Primary residence

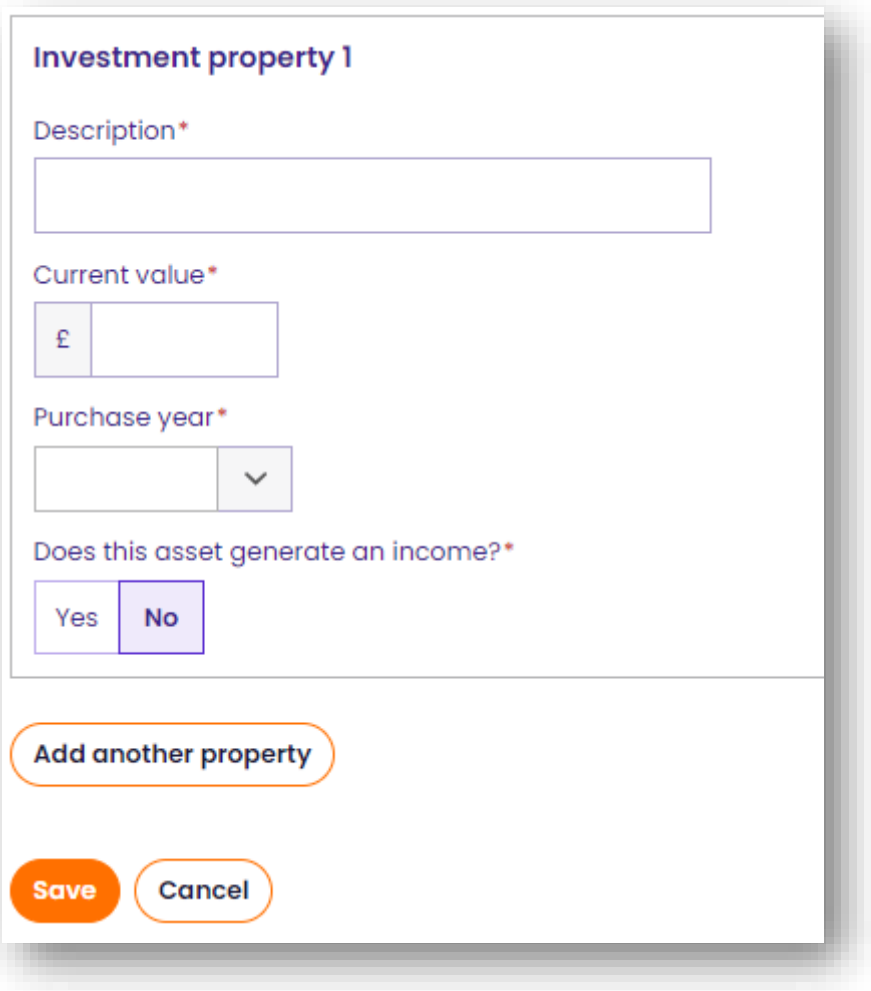
Enter the current value of the client's primary residence and the year it was purchased. In a joint cashflow the ownership of the property can be assigned to one or both clients.

Only one primary residence can be added to a cashflow model.



Investment properties

Any number of investment properties can be entered as well as any income received from them. In a joint cashflow the ownership of the property can be assigned to one or both clients. All questions on the form are mandatory. If the client(s) have more than one property, then more can be entered using the **Add another property** button.



Description

Enter a description of no more than fifty characters.

Current value

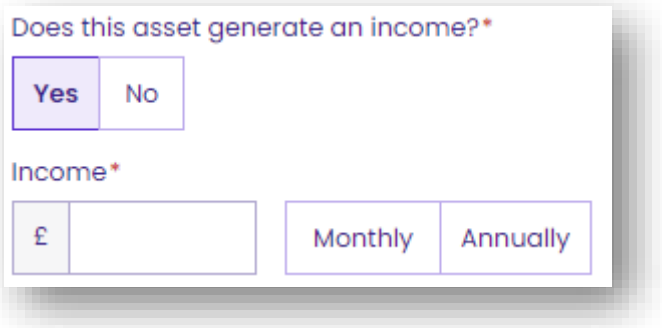
Enter the current value of the property in pounds.

Purchase year

Select the year the property was purchased.

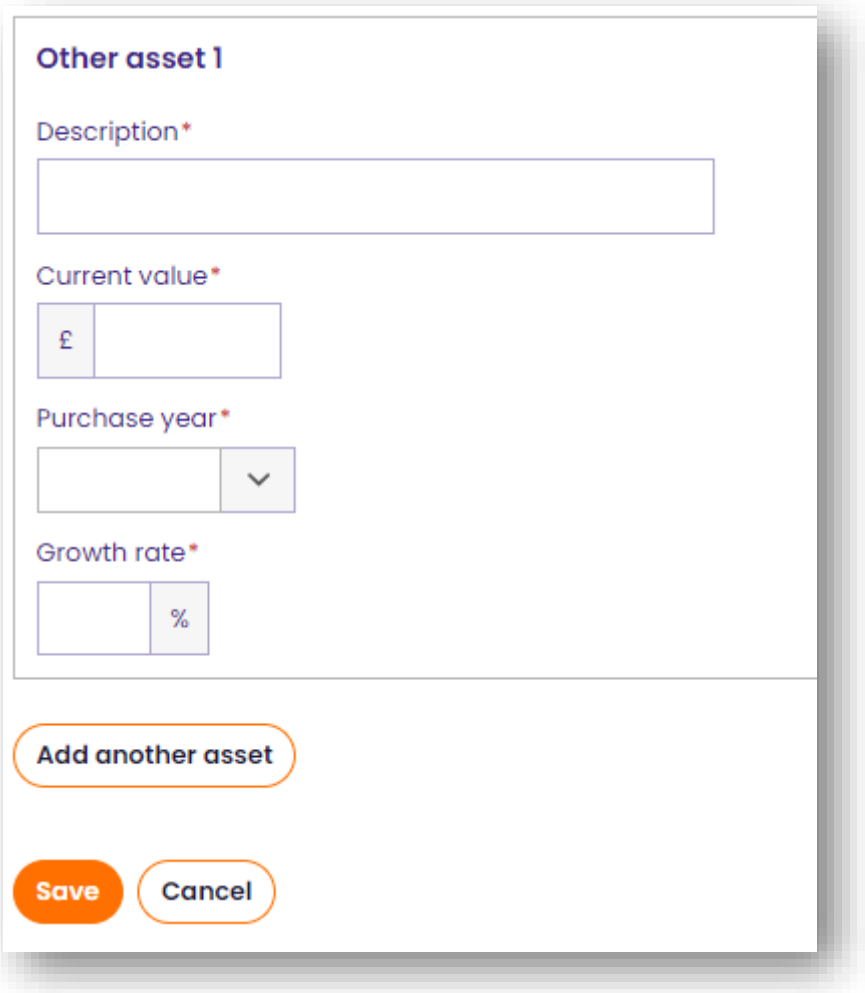
Does the asset generate an income?

If **Yes** is selected then the income received must be entered and whether it is received monthly or annually. The value should be entered net of any agency fees but before tax.



Miscellaneous assets

Any assets that are not properties, but the client wants to include in their cashflow model are added via the **Other** form. In a joint cashflow the ownership of the asset can be assigned to one or both clients. If the client(s) have more than one asset, then more can be entered using the **Add another asset button**. All questions on the form are mandatory.



Description

Enter a description of no more than fifty characters.

Current value

Enter the current value of the asset in pounds.

Purchase year

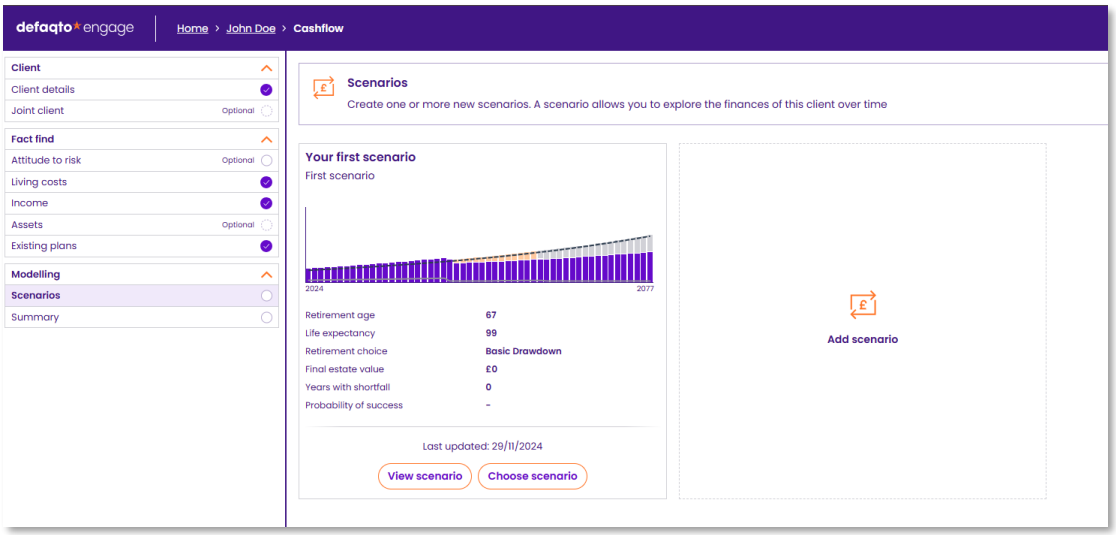
Select the year the asset was purchased.

Growth rate

Enter the expected growth rate of the asset's value. This will be used in the cashflow modeller when calculating the client's future estate value.

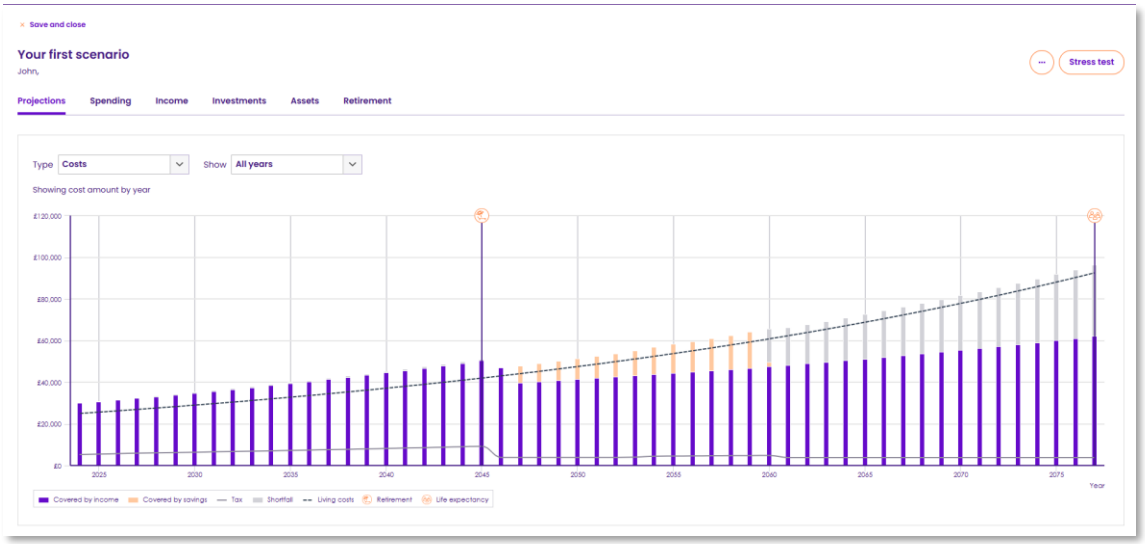
Starting a modelling session

If all mandatory information has been entered, then the modelling session can begin. If any information is missing, a message will display explaining what needs to be completed. The first scenario will be automatically created and can be viewed from the Scenario tab.



The first scenario

When the modeller first opens a cashflow plan will have been automatically created based on the information entered in the earlier steps. This plan is known as the first scenario.



The first scenario takes the client's current income, spending, investment and asset data and projects the values up to the client's chosen life expectancy. If there is a joint client, then all graphs will continue to the later life expectancy value.

Selecting a graph

When the modeller first opens, the costs graph will be displayed. Other graphs can be selected using the change graph option at the top of the screen. There are seven graphs: costs, income, net money, investments, assets, estate value and lifetime allowance.

The graphs in the cashflow modeller

All graphs show the period from the current year to the life expectancy entered for the client. In a joint cashflow model the later life expectancy is used. The client's retirement age and life expectancy are marked on all graphs. A breakdown of the values shown for each year can be accessed by moving the mouse cursor over the bar for that year.

Costs

The costs graph shows how the client is meeting their discretionary and non-discretionary costs over the life of the plan. In each year, the graph shows the total costs for the household which could include.

- Living costs
- Discretionary spends
- Pension contributions
- Tax including National Insurance paid on salaries.
- Loan repayments
- Care costs

The graph is colour coded as follows

- Costs that are covered by the client's income are shown in blue.
- Costs that are not covered by the client's income but can be covered by using savings are shown in yellow.
- Costs that cannot be covered either by income or savings are shown in light grey.
- Tax is shown as a black line.

Living costs are shown as a dashed line on the graph.

Net Money

The net money graph shows the impact to the client's net wealth (excluding assets) year by year. In a joint cashflow both client's income is shown as a combined figure. The graph includes all costs entered for the client and any investment loss encountered in that year.

Income

The income graph shows the total gross income for the client year by year. In a joint cashflow both client's income is shown as a combined figure. This includes any income generated from property or retirement plans.

Investments

The investments graph shows how the client's investments and savings change over the lifetime of the plan. In a joint cashflow the investment values are combined but each client's individual balance can be seen by moving the mouse cursor over the bar for that year.

Assets

The assets graph shows how the value of the client's property and other assets change over the lifetime of the plan. In a joint cashflow the asset values are combined. Moving the mouse cursor over the bar for a year will show a breakdown of the value between the primary residence, investment properties and other assets.

Estate value

The estate value graph shows the total of the client's assets and investments. The assets are shown in purple to match the assets graph and the investments are in yellow. In a joint cashflow the values are combined.

Lifetime Allowance Analysis

The Lifetime Allowance analysis graph, shortened to LTA in the modeller, shows whether the client's total pension pot value is likely to breach the threshold for maximum contributions. In a joint cashflow, each client's pension pot value is tracked separately. The lifetime allowance threshold is shown on the graph as a dashed line.

The data tables in the cashflow modeller

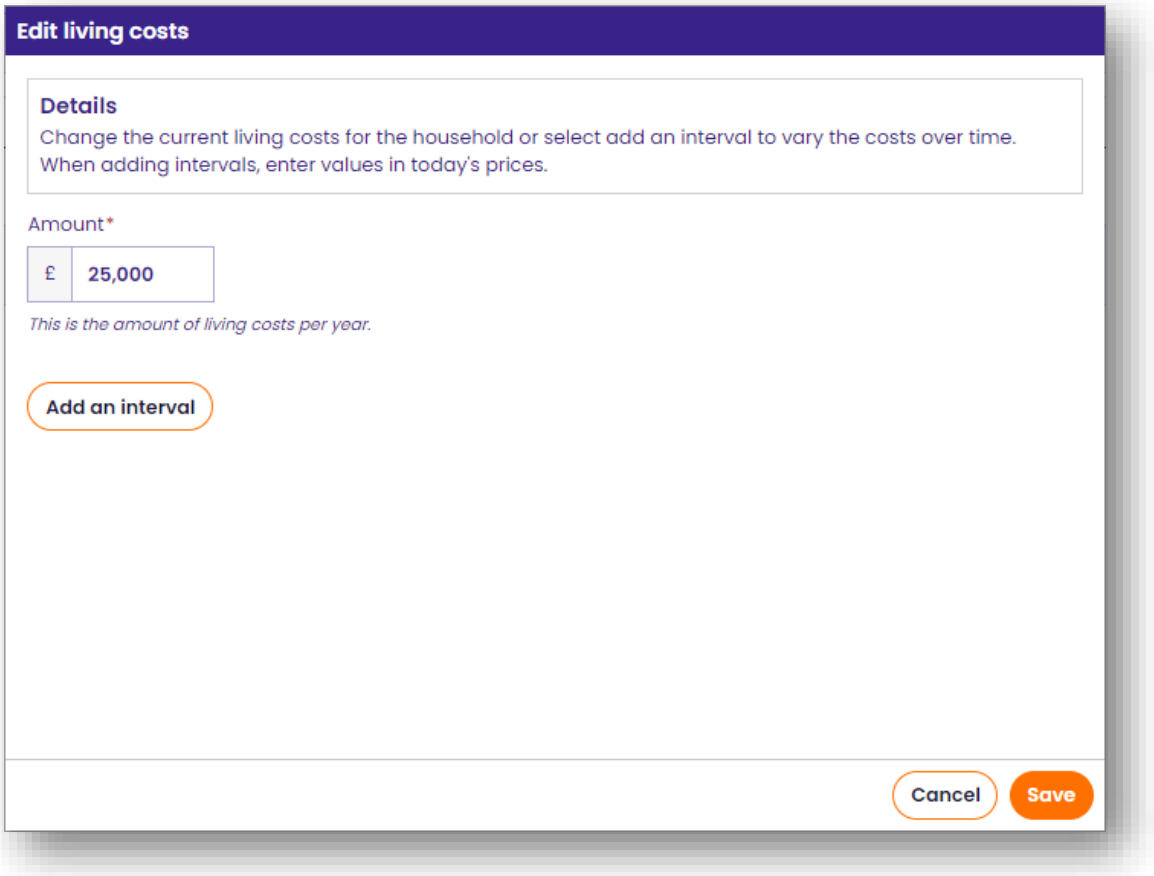
The data tables in the cashflow modeller are accessed via the menu at the bottom left of the screen.

Spending

The spending table will initially show the values entered during the fact find. The table shows the description, amount, and the duration that they are included in the scenario. These values can be edited, and new one-off or recurring discretionary costs can be added.

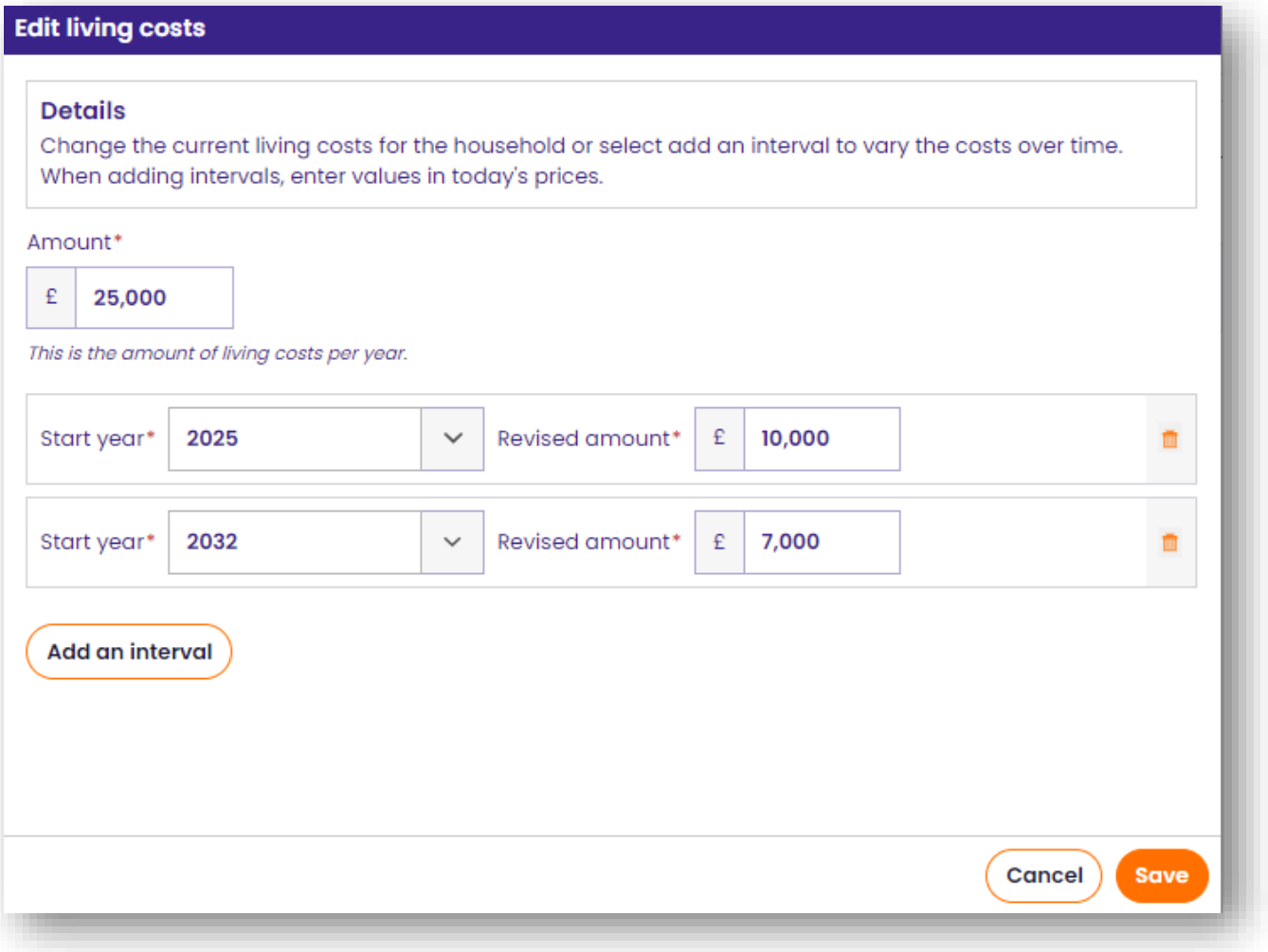
Editing living costs

The client's living costs can be varied over time to consider changes in personal circumstances. To change the living costs, select the **Edit** button on the same row. Change the current value and select save to update the scenario.



Selecting **Add an interval** will allow various levels of costs to be entered over the length of the scenario. Multiple intervals can be added. A start year and amount must be entered for each interval. Each interval will run from the start year selected to the year before the next one. The last interval will run to the latest life expectancy year for the scenario.

Intervals can be removed by selecting the bin icon.

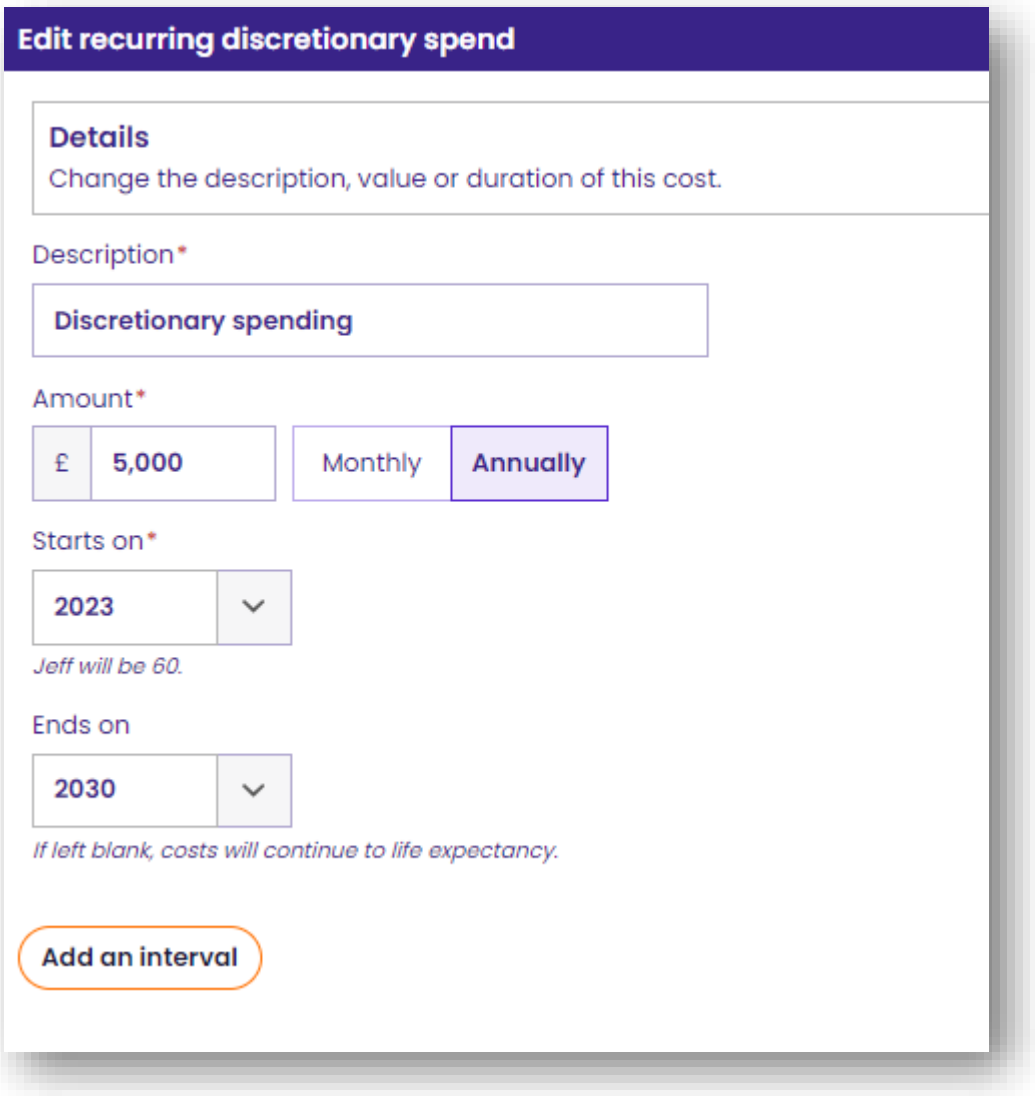


After selecting save the entered intervals will be displayed in the table.

Amount	Duration
£25,000 annually	2023 - 2024
£10,000 annually	2025 - 2031
£7,000 annually	2032 - 2049

Editing discretionary costs

To change any discretionary cost, select the **Edit** button on the same row. All details can be amended.



Adding new spends

If the client has any future spending they wish to plan for, then these can be added in the modeller either as one-off or recurring costs. These are added via the **Add new spend** button at the top right corner of the spending table.

For a one-off spend a description, the amount, and the year it applies to must be entered. For a recurring spend a start and end year can be entered. If the end year is left blank, then the spend will be applied each year until the end of the scenario.

Adding care costs

To make an allowance for future care costs the description, amount and start year needs to be entered. If the client wants to split the costs between people or the type of care provided, multiple care costs can be entered. An end date can be entered but if not then care costs will run to life expectancy.

After saving the new incomes will display in the table with a state of added.

Income

The income table will initially show the values entered during the fact find. The table shows the description, amount, and the duration that they are included in the scenario. These values can be edited, and new one-off or recurring incomes can be added. In a joint cashflow the client the income is for must be selected first.

Adding and editing salaries

New salaries can be added using the **Add new income** button at the top right corner of the income table. The form used is the same as that used during the fact find. The guide to completing this form can be found on page 17. Salaries entered in the cashflow modeller have an additional option to allow a start year in the future to be entered.

Previously entered salaries can be edited use the Edit button at the end of the row. Workplace pension contributions can be changed as well.

Entering new incomes

If the client has any future income they are expecting, then this can be added in the modeller either as one-off or recurring. These are added via the **Add new income** button at the top right corner of the spending table.

For a one-off income a description, the amount, and the year it applies to must be entered. For a recurring income, a start and end year can be entered. If the end year is left blank, then the income will be applied each year until the end of the scenario.

When entering incomes, if the amount entered should have income tax calculated on it then the subject to income tax box must be ticked. If a recurring income is for dividends, then dividend income tax will be applied if the subject to dividend income tax box is ticked.

State pensions

If a client is not already retired, then a state pension will be automatically created for them using the current full state pension value. The starting age for the state pension is set as follows.

Clients born up to 05/01/1961 will start their state pension at 66.

Clients born up to 05/03/1978 will start their state pension at 67.

Clients born after 06/03/1978 will start their state pension at 68.

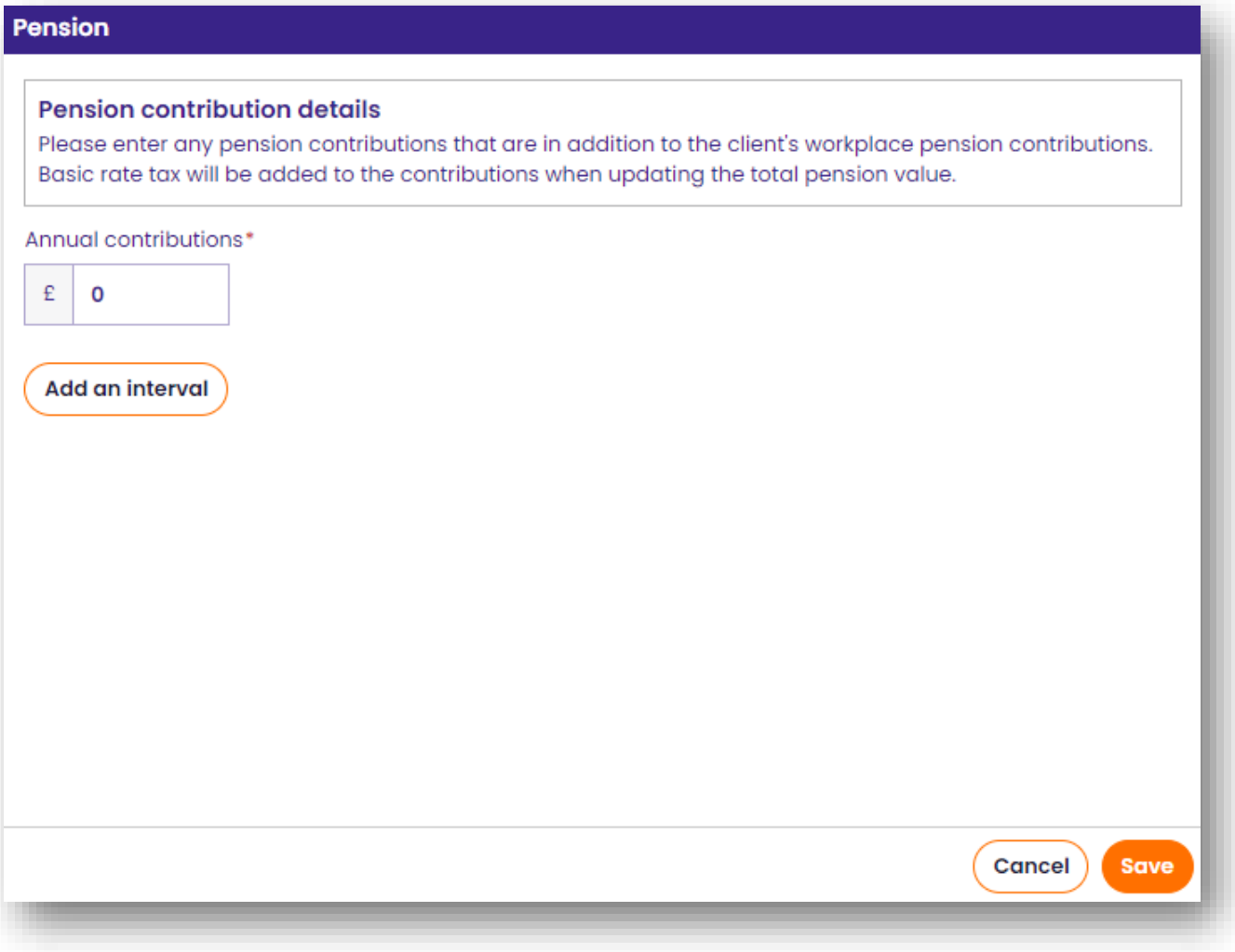
If the client is already receiving their state pension, then the value entered during the fact find will be used instead. In both cases the value will be editable.

Investments

The investments table shows the clients products grouped into pots based on the product types. For each client there are five pots, pension, ISA, GIA, Bonds and Cash. The total current value of each pot and the risk level.

Adding pension contributions

Contributions can be added to the pension pot and will be used to grow the pension pot size until retirement. These contributions will be in addition to those added as workplace pension contributions via the client's salary. Pension contributions can be varied over time by adding intervals.



The current pension contribution amount will show under the pension pot row for each client. Pension contributions will be added using the relief at source method with basic rate tax being added to the amount entered.

A cost will be added in the spending tab for the net amount added to the pension.

Assets

The assets table shows the client's property and other assets split by owner. The asset description, current value, and the duration for which it is included in the plan. The following options are available for assets which can be accessed via the **Actions** button.

Selling an asset

When selling an asset, the year the asset is to be sold must be selected first. The tool will then calculate a valuation of the property in this year. Enter the original purchase price and the proceeds of the sale after costs. If the property being sold is not the primary residence, then capital gains tax will be calculated on the profit from the sale.

Downsizing the primary residence

If the client has a primary residence, there is an additional option to downsize. If downsize is selected, then the value of the new property is required to be entered. Stamp duty will be calculated on the new property purchase.

Buying a new asset

New investment properties or other assets can be bought in the cashflow modeller. A primary residence can be bought only if one does not already exist in the scenario.

When buying a new asset, the description, year of purchase and purchase price must be entered. If the asset would be purchased with a loan, the loan details can be entered, and the tool will calculate the cost of repaying the loan and add it to the scenario.

Income from new investment properties can be entered and will update the client's income in the scenario.

Equity release (Primary residence only)

If the client has a primary residence, then release the equity of the property can be modelled. Lifetime mortgage and home reversion plans can be added. The year of equity release plan must be selected before choosing the type of plan.

If lifetime mortgage is selected, then the loan amount and interest rate must be entered. The tool will then calculate the cost of repaying the loan and add it to the scenario.

If home reversion is selected, then the percentage of the property being sold must be entered. The value of the primary residence will be updated accordingly. The payment is calculated based on an assumption that the provider's offer will be 60% of the current market value.

Both options will generate a tax-free one-off income which will be added to the plan.

Retirement

The tool has two modes for retirement income, basic and advanced. Both modes can be accessed via the retirement tab. Basic mode is not available if the client has already retired.

Basic mode

Basic retirement mode is designed for clients for whom retirement is some time away. The tool will calculate how much their pension pot is likely to be at their chosen retirement date and what income this would generate.

The tool generates both drawdown and annuity incomes using 100% of the available pension pot. Only one can be selected, drawdown is the default for new cashflow models. Selecting **Annuity** will include the annuity income in the scenario instead of the drawdown income.

For both plan types, a pension commencement lump sum is created using 25% of the pot value and added as a one-off income in the client's retirement year.

Advanced mode

Advanced mode is designed for clients nearer retirement who want to look at creating a bespoke income plan. They can choose when to take their pension commencement lump sum and even split it into different years. The remaining pension can then be allocated to drawdown plans and annuities which can be started at various times.

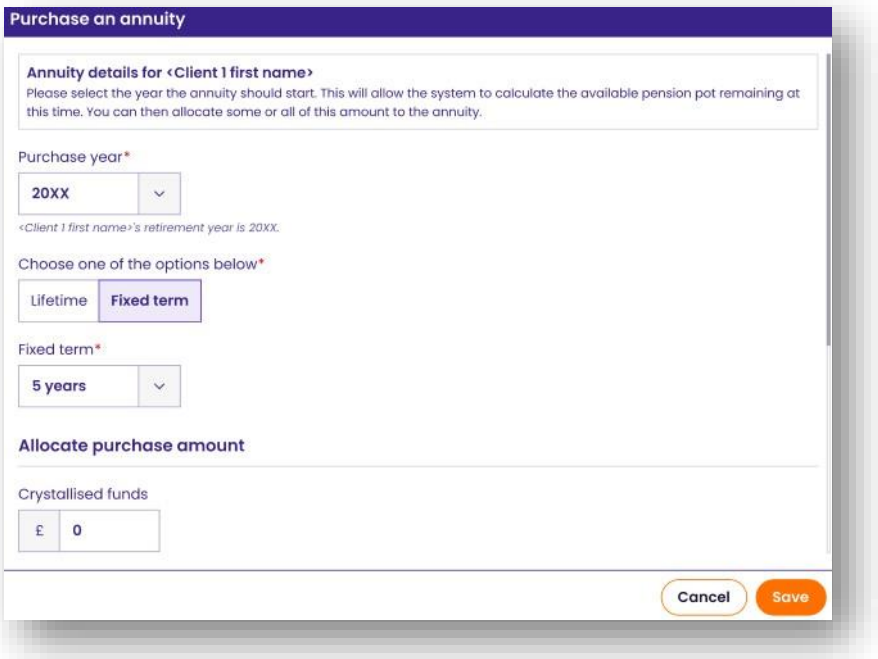
Switching to advanced mode will remove retirement income created in basic mode from the scenario.

Purchasing an annuity

To start a drawdown first select the year that the drawdown plan will start. This can be changed to any year between when the client is 55 and 75. If any future plans have already been created then these will be deleted when the new plan is saved. A warning message will display if this happens.

The existing annuity form has been amended to allow for switching between lifetime and fixed term annuities.

- Lifetime - Allows users to allocate the purchase amount from uncrystallised and crystallised funds, until the specified life expectancy
- Fixed Term – Allows the user to specify the length of time the annuity will run for



Tax free lump sum taken – A maximum of 25% can be entered. The available value is shown below, this will be reduced if tax free cash has already been taken. If all the available tax-free cash has been taken, then this entry box will not display.

Purchase amount – The maximum amount of the pension pot that can be allocated to the annuity is shown below. This will change depending on how much tax-free cash is taken.

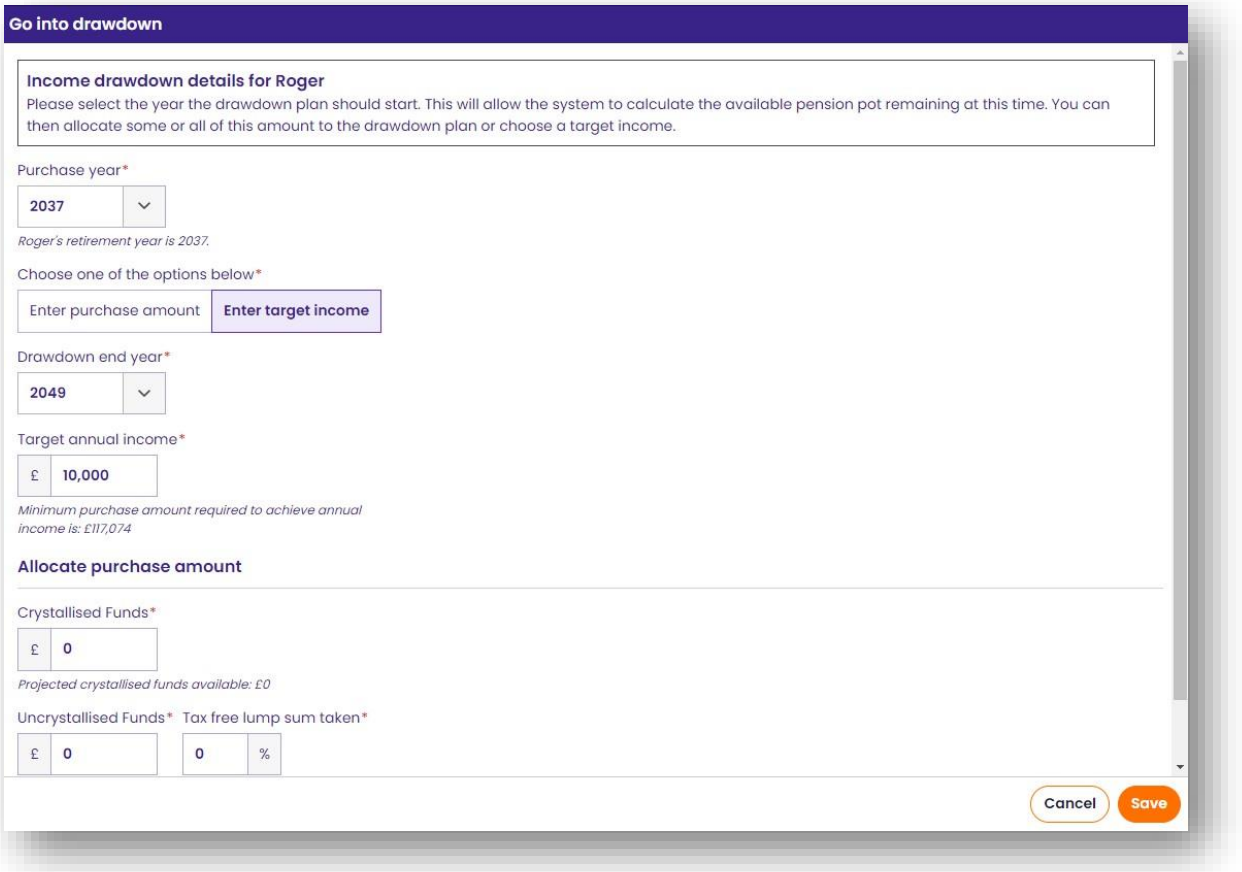
After selecting save the annuity value will be calculated and displayed on screen.

Going into drawdown

To purchase an annuity first select the year that the drawdown plan will start. This can be changed to any year between when the client is 55 and 75. If any future plans have already been created then these will be deleted when the new plan is saved. A warning message will display if this happens.

The existing drawdown form has been amended to allow for switching between setting a purchase amount and choosing a target income.

- Enter Purchase Amount – Allows the user to allocate the purchase amount from uncrystallised and crystallised funds
- Enter Target Income - The target income form allows users to calculate a purchase amount required to achieve their desired annual income. Users can then enter how much of the purchase amount will be taken from the crystallised and uncrystallised funds.



Including and excluding data

In the spending, income, and assets table there is an include column which contains a tick box. All data is included by default. Clearing the tick box will remove that data from the projection and it will not be included in calculations.

Some values cannot be excluded, the tick box is disabled for these.

Editing a scenario

A scenario can be changed via the **Edit** button in the top right-hand corner. The scenario name and description can be changed along with the retirement and life expectancy ages for both clients. If a client is already retired, then only the life expectancy age can be changed.

The base scenario is intended to be used as a comparison to the client's current position so cannot be edited.

Adding a scenario

New scenarios can be created via the **+ Add new scenario** button in the bottom right-hand corner. Each new scenario must be copied from an existing one. The default is to copy from the first scenario, but others can be selected as they are created.

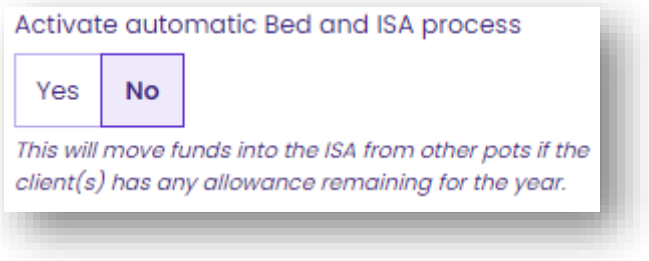
A name and description for the new scenario must be entered. Different retirement and life expectancy ages can be set for the new scenario.

Changing the displayed scenario

After a new scenario is created this automatically displays on-screen. Other scenarios can be loaded via the **Change scenario** button at the bottom of the screen. This button will only display when at least two scenarios created, including the first scenario.

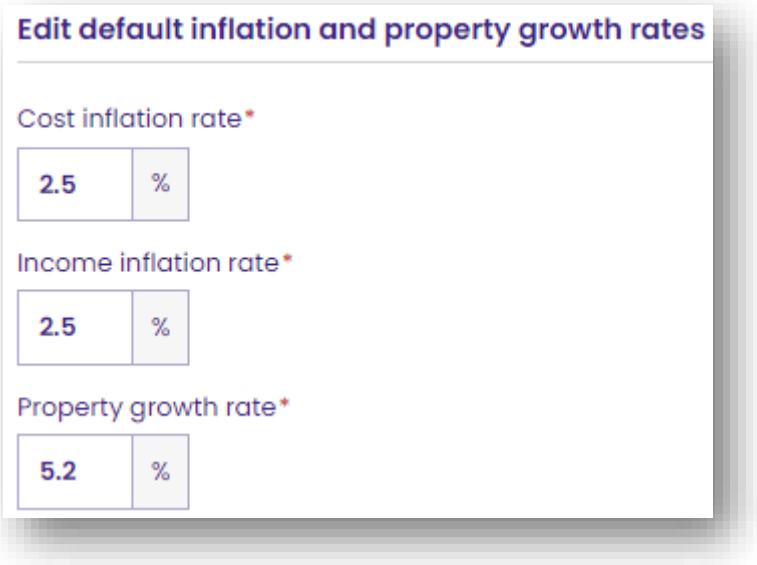
Bed and ISA

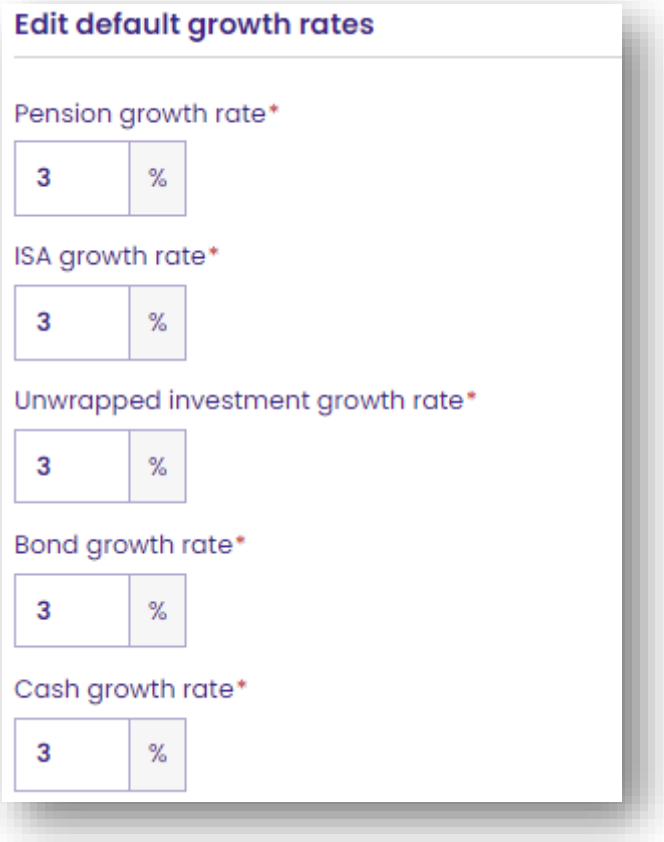
When adding a new scenario there is an option to activate the Bed and ISA process. It is off by default for the first scenario. This process will simulate the annual top up process performed at the end of the financial year and move money from non-wrapped investments to the ISA pot if the client has any allowance available in that year.



Amending Growth rates and Inflation

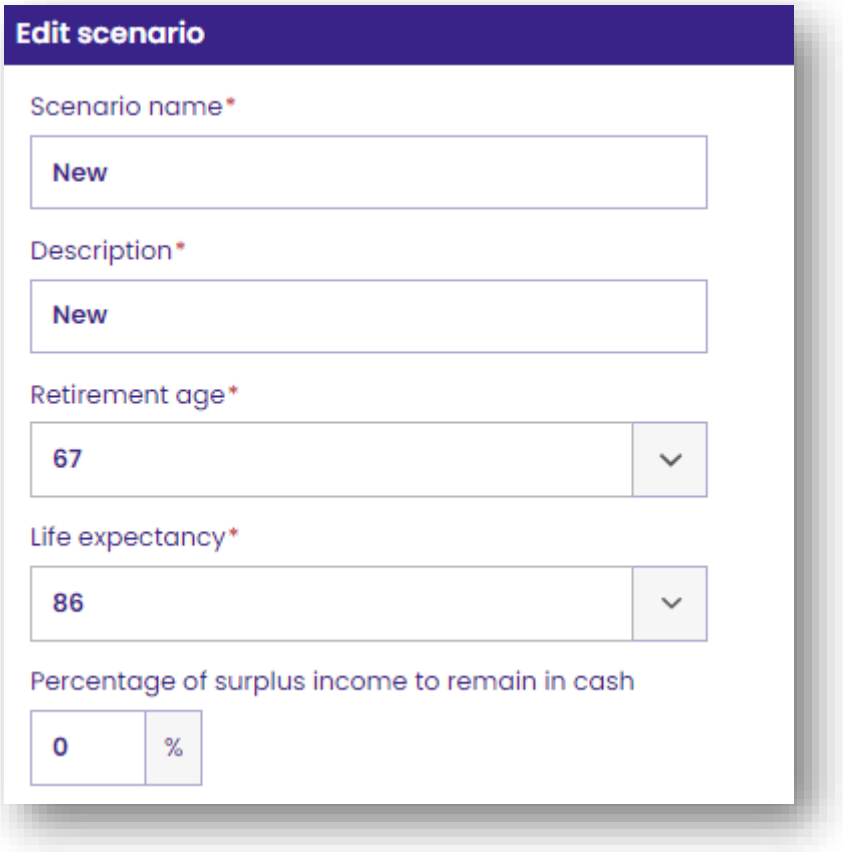
You have the option to change the defaulted rates for the following;





Adjusting the level of surplus income that is invested

When adding or editing a scenario it is possible to adjust the amount of surplus income that will remain in cash and not be invested. In a joint cashflow model, the value can be set for each client.



Stress Testing

Stress testing of a completed scenario can be performed via the button at the top of the modeller. The stress test takes around ten seconds and when completed will display a probability of success for the scenario.

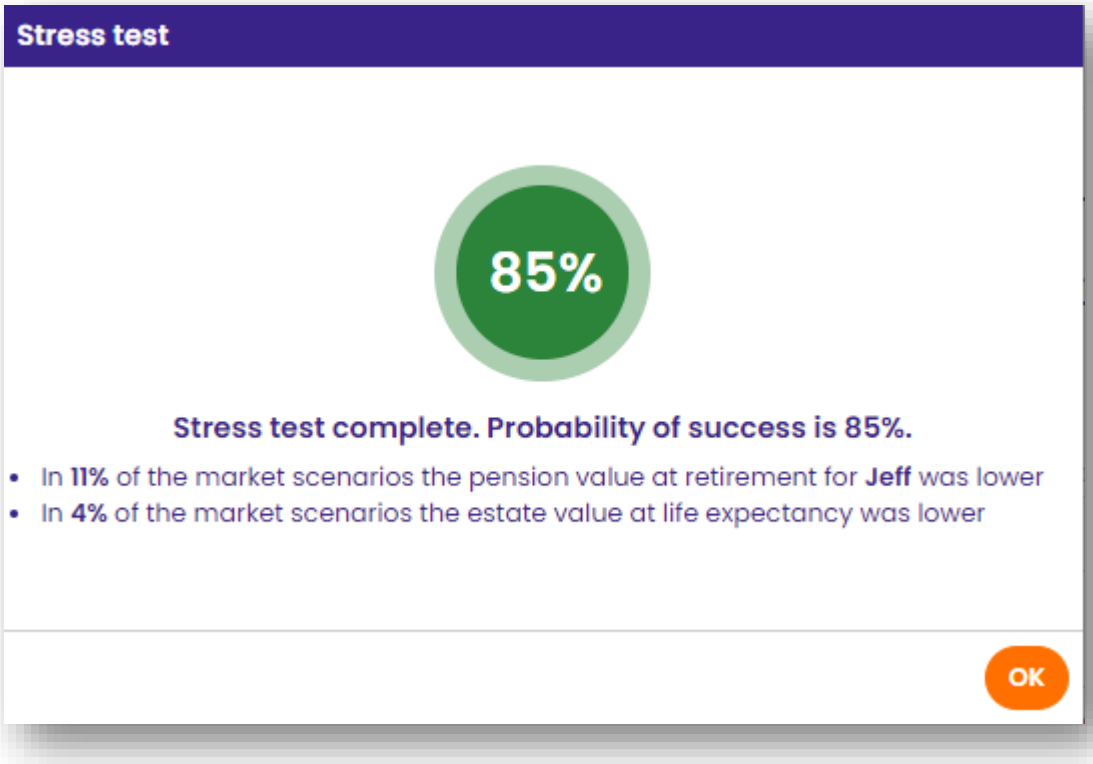
The probability of success is calculated via a stochastic process wherein many thousand projected market outcomes are applied to the current scenario. The probability presented is the proportion of those market projections which result in a successful outcome. The data for the projected market outcomes is provided by Hymans Robertson.

The success criteria are,

1. The pension pot value at retirement for either client is greater than or equal to that in the scenario being tested.
2. The estate value at life expectancy is greater than or equal to that in the scenario being tested.

If the scenario is changed after the test is run, then the result will be reset, and the test will need to be repeated.

The breakdown of which test failed is shown on completion.



Choosing scenarios

When the modelling session is complete, and all scenarios have been created select the Finish button to return to the **Create and choose scenarios** step.

The scenarios that were created will be displayed and one can be chosen to be the plan for the client. Each scenario card shows

- The name and description.
- What scenario it was based on when it was created.
- The retirement age chosen for all clients. If a dash is displayed, then the client was already retired.
- The life expectancy chosen for all clients.
- The estate value at the end of the plan.
- The number of years in the plan that had a shortfall where the costs were not covered by either income or savings.
- The type of retirement modelling used.
- The probability of success percentage returned from the stress test. A warning will display if this is below 60%.

Choosing a scenario will automatically generate a report.

The **Actions** button has these options

- Open in modeller – This will reopen the modeller with that scenario pre-loaded.
- View details – This will allow the costs and estate value graphs and any notes added against the scenario to be viewed.
- Delete – This will delete the scenario. This option is not available for the first scenario.

The cashflow report

The report can be downloaded from the Reports step. All reports that have been created are stored.

The report includes

- An introduction
- A summary of the key points of the plan.
- The graphs for the chosen scenario.
- The data tables from the modeller.
- The notes added during the fact find.
- The notes added during the modeller session.
- An appendix showing the values and assumptions used by the modeller.

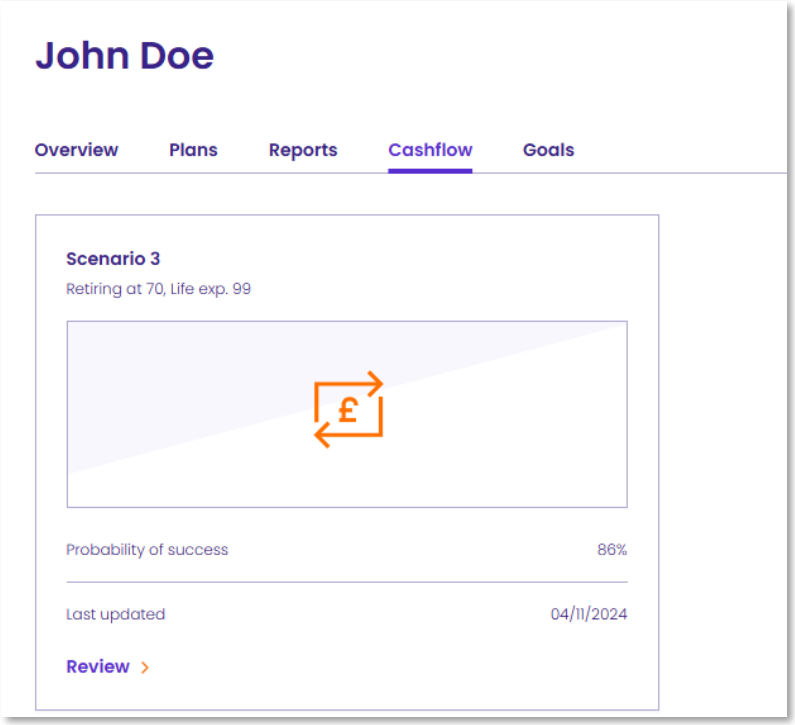
When a user decides to use their own deterministic rates, the scenario report will display the inputted values for growth used in the investment and appendix sections. The report has also been updated to include the RIY, based on the total fees and charges combined for the products within each pot.

Description	Current Value	Growth Rate	RIY	Duration
Pension	£230,000	2.5%	0.75%	2023 - 2067
ISA	£0	2%	1%	2023 - 2067
General investments	£0	3.5%	0.75%	2023 - 2067
Cash	£10,000	1.5%	0.75%	2023 - 2067

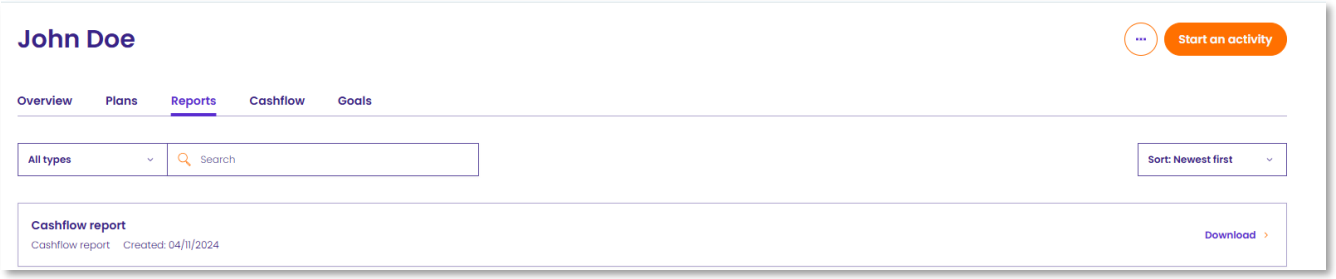
After generating the report, select the **Finish** button to close the hub.

Reviewing the cashflow model

When a report has been produced the model will be set to complete and will be available for review in the Cashflow modelling tab in Engage. Selecting the **Review** button will re-open the model. A joint Cashflow model can be accessed from either client.



Reports can be accessed from the **Reports** tab.



Ongoing training & support

What support is available?

There is a help centre accessible via Engage allowing you to access videos & guides are available on demand within the help centre.

Users with navigational problems or immediate issues can contact Defaqto customer support by calling **01844 295544** or support@defaqto.com.

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