Case study
retirement healthcheck

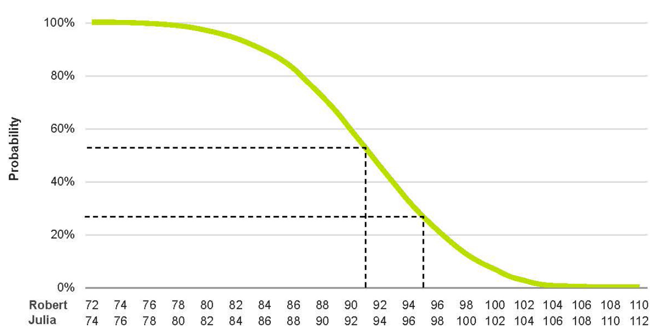
Clients:	Robert and Julia
Age:	72 and 74 years old
Assets:	$1.5 million
Goal:	To assess whether their retirement plan is sustainable.

Robert and Julia Jones have recently retired and are trying to assess whether their retirement plan is sustainable. They are currently 72 and 74 years old respectively and have total savings of $1.5 million. They each have $500,000 in retirement pension phase, along with an investment property valued at $500,000, $20,000 cash in the bank and a small investment portfolio of $30,000 which is a mix between defensive and growth assets. They have valued their personal assets at $55,000 and own their own home.

Length of retirement

In regards to their life expectancy, the retirement healthcheck shows that based on their age and gender, there is a one in four chance that either Robert or Julia would still be alive in 23 years' time. Robert and Julia therefore need to consider the very real possibility that their savings might need to last over 23 years to fund their retirement.

Chance that one of you is still alive



Initial scenario

Robert and Julia advise their accountant that they currently have an annual spend of $100,000, taking into account all of their expenses and spending needs. Their accountant runs this scenario through the retirement healthcheck, assuming that they continue spending $100,000 each year increasing in line with inflation throughout their retirement.

The retirement healthcheck provides the accountant with Robert and Julia's retirement sustainability result of 52%. This result shows the likelihood that Robert and Julia's spending level will be sustainable over the 2,000 'real world' scenarios tested, allowing for inflation, sequencing risk and different lifespans.

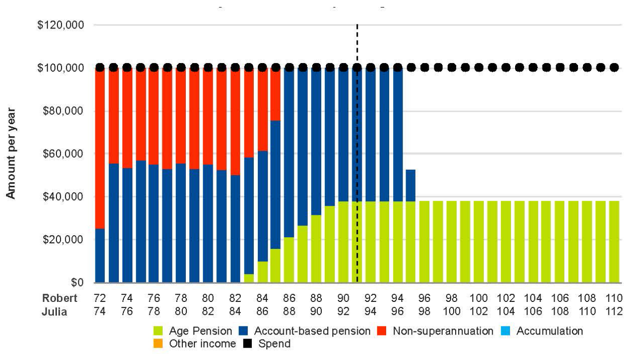
The ability to meet your retirement lifestyle is assessed as follows:

MEDIUM

Robert and Julia advise their accountant that they would prefer greater certainty that their savings will last for life and that they won't be forced to fall back onto just the Age Pension.

To help them understand how the forecasting works, the Accurium retirement healthcheck provides details of a single scenario based on fixed assumptions (not allowing for risk). Based on the fixed assumptions for investment returns and inflation, this shows they might start receiving a part age pension when Robert is age 83.

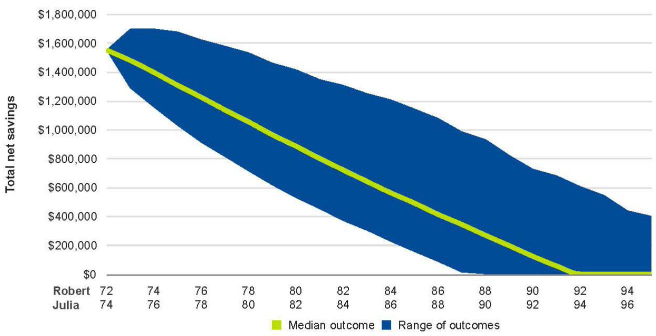
How your retirement spending is funded



The accountant explains that the 'range of future net worth' chart in the retirement healthcheck report illustrates the range of possible future outcomes. In 80% of scenarios considered, Robert and Julia's future net worth falls in the blue shaded area.

This helps to illustrate the volatility of investment markets and the wide range of possible outcomes in their retirement.

Range of future net worth



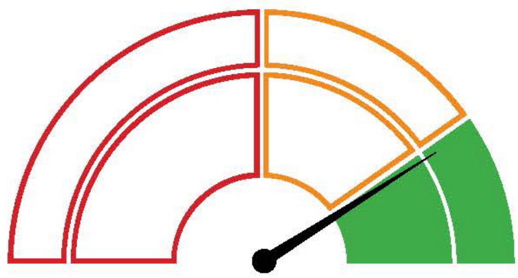
The accountant explains that Robert and Julia could improve the likelihood of their spending plans being sustainable throughout retirement by dropping their desired spending level in the future.

The accountant understands that they want to be active now and enjoy their retirement but in the future they could live comfortably on a little less. The accountant also suggests that when one of them passes away, the remaining spouse may be able to afford to live on a lower income.

Revised outcome

The accountant suggests that Robert and Julia decrease their spend by 25% in 15 years' time and decrease the household's spend by 30% upon the first death. Based on this scenario their revised spending plan is sustainable for life in 82% of the 2,000 scenarios tested.

The ability to meet your retirement lifestyle is assessed as follows:



HIGH

With a clear retirement savings target now in place, their accountant is able to help John and Mary devise a plan to achieve their goal.

Based on this scenario Robert and Julia would start out on a retirement spend of $100,000 per annum, then decrease to $75,000 in 15 years' time and then on the death of the first spouse the spend would again drop down to $52,500 (these numbers are in today's dollars and would need to be adjusted for inflation). Robert and Julia feel comfortable that they could feasibly stick to this spending plan to reduce the chance of their savings running out.

Their accountant explains that it will be important to re-assess their situation regularly to ensure that Robert and Julia's plans remain on track. Robert and Julia agree to meet with their accountant next year when their annual return is due, to perform another retirement healthcheck on their spending plans.

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