

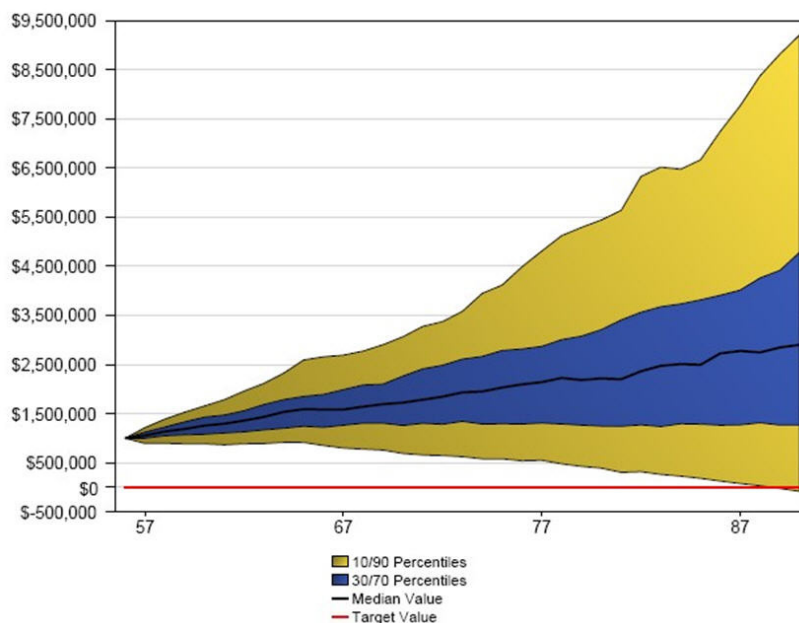


Is there 'light at the end of the tunnel'?

Penny is 57 years old with two adult children. She has recently completed a matrimonial property settlement. After providing a home for herself, she has \$1 million to provide for her retirement needs. She loves her job and intends to work until she is 65 (but no longer than that). She wants to live in retirement on **\$75,000 per year (net including NZ Super)**, as she intends to travel overseas. On the basis of her family longevity, she expects to live until age 90.

Penny knows she will be well off, but can she have the lifestyle she hopes for? Will she have money to leave to her children? She has no family trust and wonders if it is too late? She is concerned about how to prudently leave assets to her children should she die prematurely? **Should Penny's focus be just on her own needs or should she be planning longer term for the prudent provision of others?**

Probability modelling provides us with the answers to all these questions. The modelling of this client is very straightforward, but the results provide wider benefits than just assuring Penny that her life will be secure and positive. Importantly, if Penny lives to age 90, then she is likely to leave an estate of **\$2.8 million**. Knowing this likely outcome helps Penny to frame the questions she needs to ask a trust lawyer. It also provides valuable information for the drafting of her Will (particularly if a family trust is not likely to be used). Penny is now starting to contemplate some charitable bequests as a consequence of realising the size of her potential estate.



The message is that, even for clearly positive outcomes, probability modelling provides information that improves the quality of clients planning for the future. It provides valuable input into other professional services.

Before giving investment advice, every new client I see starts with a probability model of their financial situation. Probability modelling delivers clarity through showing the consequences of financial choices. It also provides a great roadmap for judging financial safety because, if you remain in the blue section, then everything will always be alright!