Introduction

What is cashflow planning?

Cashflow planning gives you a visual picture of how your finances could evolve over your lifetime, helping you make informed decisions about the future. It can help answer important questions such as:

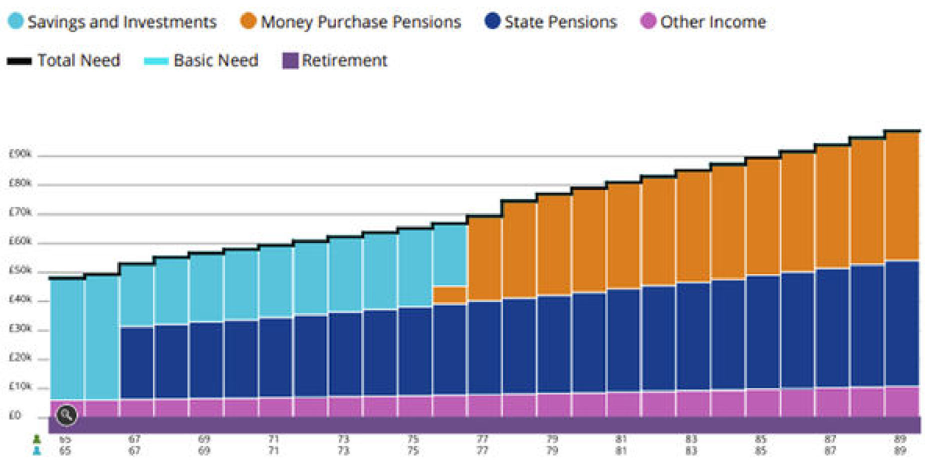
- When can I retire?
- How much can I spend in retirement?
- Can I afford to gift to my children?
- What will my Inheritance Tax (IHT) liability be upon death?
- Am I invested in the right way for my goals?

By inputting your income, assets and expenditure, the model allows you to test different scenarios and understand how your plans could change over time. Your Financial Consultant can adjust assumptions and model life events such as changing your retirement age, spending or gifting, or buying, selling or downsizing a property. This exercise helps you:

- **See the bigger picture:** Bring your pensions, investments, property, savings, income and expenditure together to understand how your finances work as a whole.
- **Understand the trade-offs:** See how one decision could affect another. For example, how gifting to your children today could impact your future financial security or potential Inheritance Tax (IHT) liability.
- **Make decisions with confidence:** Explore the potential long-term impact of major financial decisions before you make them, helping you understand what is possible and where adjustments may be needed.
- **Keep your plan on track:** Your circumstances, objectives, investment returns and legislation will change over time. A cashflow model can be updated to reflect these changes and keep your financial plan relevant.

Visualise your financial future

As the case studies on the following pages show, cashflow planning turns "what if" questions into something visual and easy to digest. Using Frank and Angela's retirement as an example, you'll see how a healthy, sustainable plan can shift as gifting decisions are added and exactly where the line between comfortable and tight is drawn.



A cashflow model isn't something you create once and forget. As your circumstances, priorities and financial markets change, regular reviews help keep your plan relevant and on track.

Lumin
VZ Group

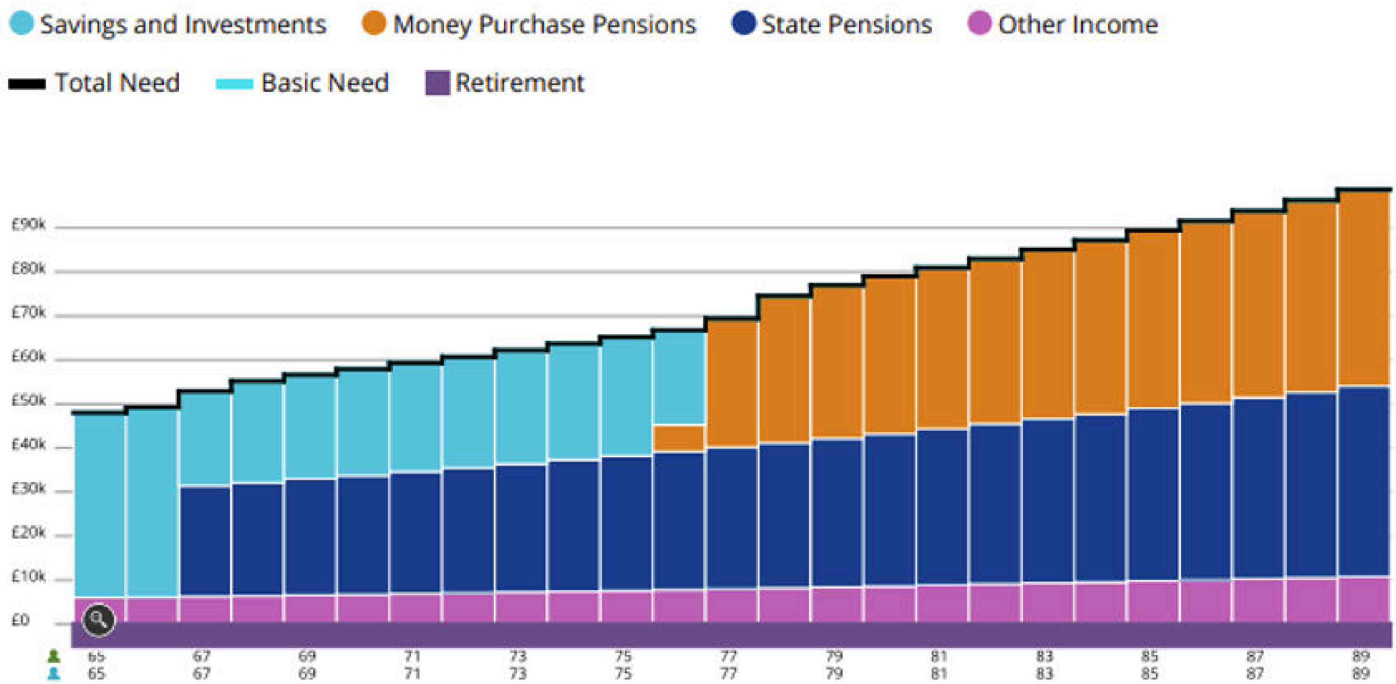
Example

Case study 1: Cashflow plan

Frank (65) and Angela (65) are married with three children. They have a collection of pensions, ISAs, and properties and spend £4,000 a month without any mortgage. They have just decided to retire. They are entitled to full state pensions at age 67 and receive £500 per month of rent from their second property.

Assumptions: 4% net investment return, 2.5% inflation, 1.5% savings interest return

The cashflow chart shows Frank and Angela's projected retirement income (between ages 65-90), stacked by source – savings, pensions, state pension, and rental income. The black line marks their yearly spending need.



Comments

- Since the coloured bars always meet or exceed that line, their income covers their needs throughout retirement, with no shortfall.
- In fact, with the stated assumptions, it is estimated that Frank and Angela can afford to spend £4,800 per month without experiencing a shortfall – providing additional opportunities to gift to their family.

Further planning opportunities

- Spend more
- Gifting to children

Frank and Angela's cashflow plan shows that they can move ahead comfortably, with no shortfall, all the way to age 90. That's the kind of clarity that frees them up to think about what really matters, like helping their children.

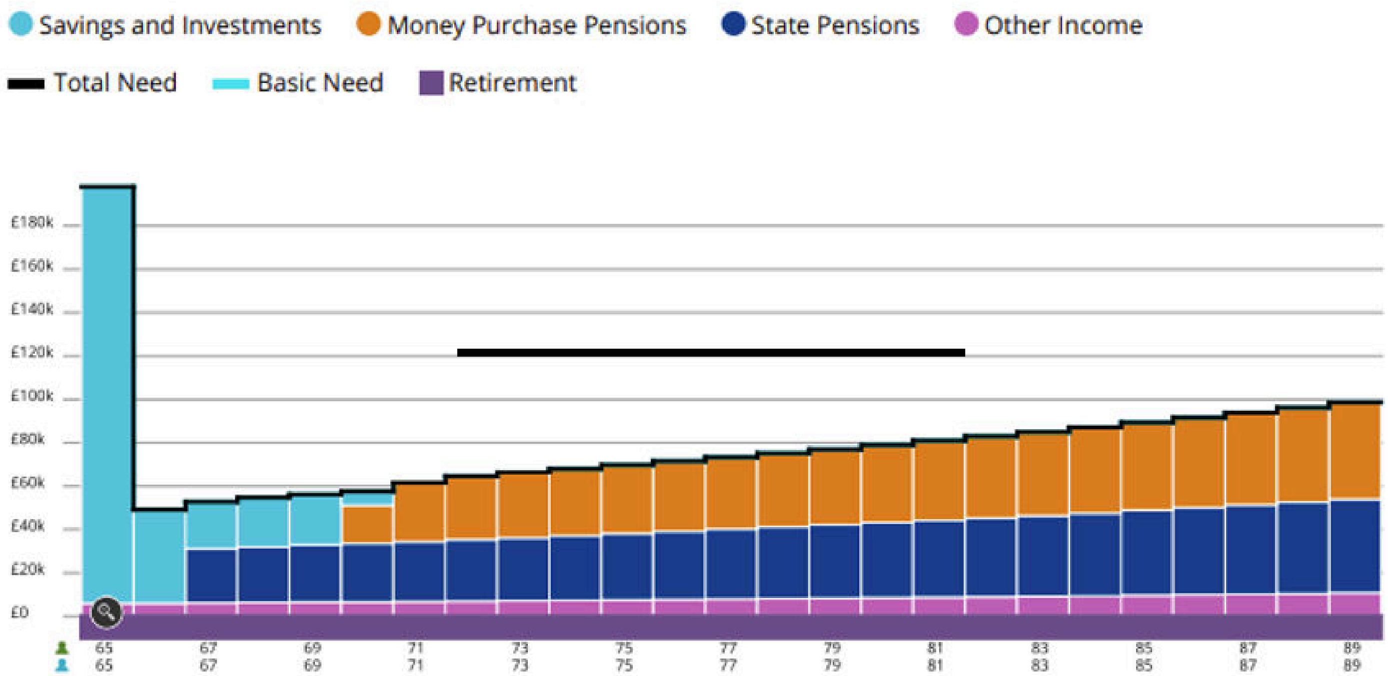
Illustrative example only, based on stated assumptions. Not a guarantee of future outcomes and does not constitute financial advice.

Example

Case study 2: Gifting £50k to each child

Given Frank and Angela's findings outlined on page 2, Frank and Angela **would like to gift £50,000 to each of their three children right away.** The additional expense is integrated into the cashflow forecast below, allowing them to assess the long-term impact on their retirement.

Assumptions: 4% net investment return, 2.5% inflation, 1.5% savings interest return



Potential IHT saving of £60,000

Comments

- The cashflow plan is still healthy with no shortfall in the plan.
- Frank and Angela can afford to make the gifts and still spend £4,400 per month without a shortfall.
- The gift is affordable but limits the maximum expenditure.

Further planning opportunities

- Gifting rental property

By modelling different scenarios, Frank and Angela have identified that they can gift £50,000 to each child – resulting in a potential **IHT saving of £60,000** – and still spend £4,400 per month.

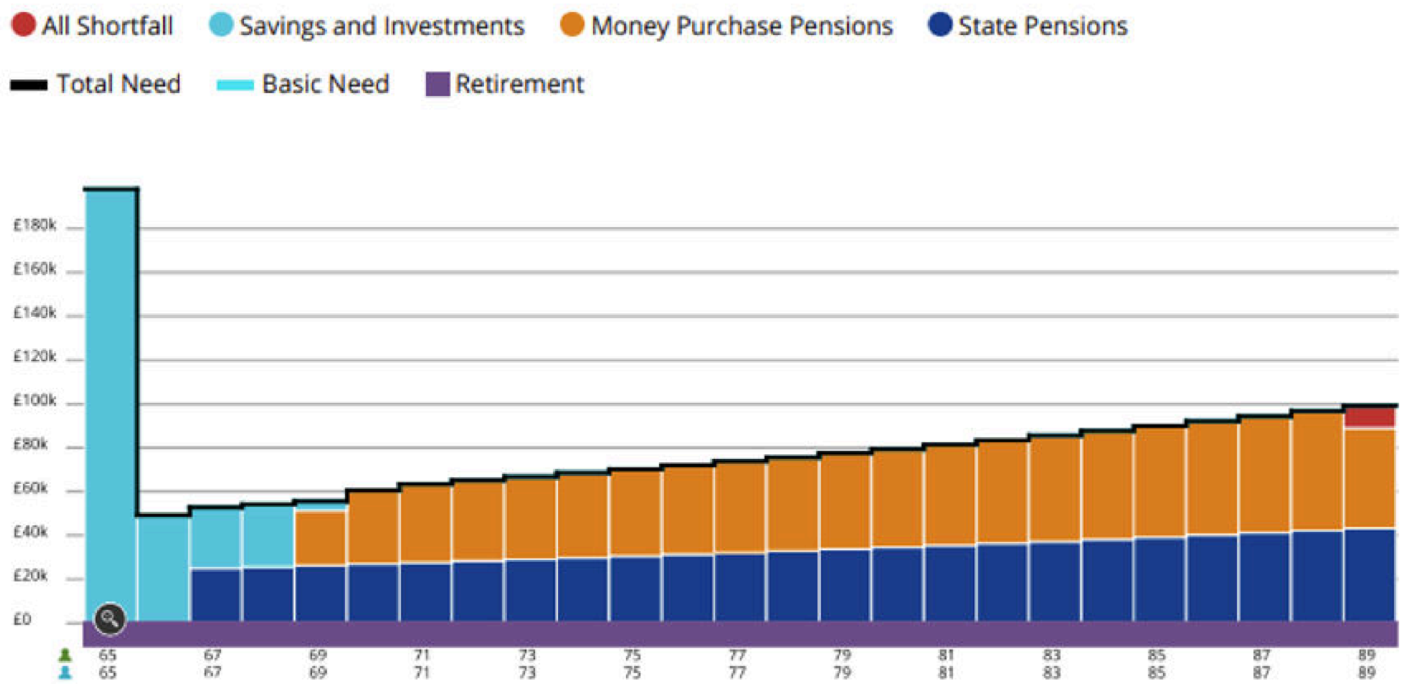
Illustrative example only, based on stated assumptions. Not a guarantee of future outcomes and does not constitute financial advice.

Example

Case study 3: Gifting £50k to each child and rental property

Given Frank and Angela's findings outlined on page 3, they have now decided to assess gifting their Buy-to-Let property in addition to gifting £50,000 to each of their children right away. This would mean giving up £500 of rental income every month.

Assumptions: 4% net investment return, 2.5% inflation, 1.5% savings interest return



Potential IHT saving of £260,000

Comments

- The cashflow plan is now tight with a shortfall at the end of the plan.
- Frank and Angela can afford to spend £3,900 per month without shortfall which is below the planned expenditure.
- The gift may just about be affordable, but may be tight if investments do not return in line with the assumed growth rate or expenditure exceeds forecasted expenditure.

By modelling different scenarios – in this case, gifting their rental property as well as proceeding with the £50,000 gifts to each child – Frank and Angela have identified that they can, within tighter remits, afford to gift their rental property and spend £3,900 per month. By visually forecasting this, they now have a potential **IHT saving of £260,000.**

Illustrative example only, based on stated assumptions. Not a guarantee of future outcomes and does not constitute financial advice.

Lumin
VZ Group

Facts and figures

Lumin at a glance

- Chartered Independent Financial Planners
- Top 100 financial advice firm (FT Adviser and Citywire New Model Adviser rankings)
- Part of Switzerland's leading IFA VZ VermögensZentrum (VZ Group)
- Branch offices in St Albans, London, Reading, Bishop's Stortford, Beaconsfield and Ferndown

4,000+
families trust Lumin with their wealth*

£1.6bn+
client assets managed by Lumin*

10,000+
pension policies researched annually*

Book a complimentary meeting

Financial advice made easy: Scan the QR code to arrange a complimentary meeting over a coffee, or call 03300 564 446.

Our locations

Lumin VZ, St Albans
2nd Floor
4 Beaconsfield Road
St Albans
AL1 3RD

Lumin VZ, London
3rd Floor
65 Carter Lane
London
EC4V 5DY

Branch offices
- Beaconsfield
- Reading
- Bishop's Stortford
- Ferndown, Dorset

Contact us

info@luminwealth.co.uk
luminwealth.co.uk
03300 564 446

TOP 100 CITYWIRE New Model Adviser Award 2025

Chartered Financial Planners

FT ADVISER TOP 100 FINANCIAL ADVISERS MEMBER 2025 Lumin Wealth

Government Commercial Agency Supplier

LM009-092026-V1