

A GUIDE TO
CASHFLOW

UNDERSTANDING THE RIGHT APPROACH

We all have finite time and mental energy and we rightly choose to devote to those things that matter to us most:

- Being the best parent, husband or friend we can be
- Excelling in our professional careers
- Enjoying the things we love to do in life

As a result, we often do not have the time or capacity to give to planning and managing our financial affairs, with the same level of commitment we bring to our work.

After all, the world of money has become very complicated.

I "We understand why **cashflow is key . . .**

So, we offer **financial clarity** through a personalised life cashflow"

WHAT DO WE WANT TO DO?

We all need money to do the things that we want to do now and in the future:

- Enjoy now (shop, spend, consume)
- Buy bigger house or a holiday home
- Travel
- Retire early
- Gift/Support your kids (education, wedding, house deposit)

WHAT RESOURCES DO WE HAVE?

We work ourselves and our resources hard in the hope that we will have the means to enjoy these things, but will the:

- Monthly pay check & company stock,
- Pension
- Investment property
- Business investments/interests deliver the wherewithal I need to do all the things I want to do?

OUR COMPLEX FINANCIAL WORLD

When most of us want to know what is the wisest thing to do with our money, the answer is "I don't know" and naturally that doesn't feel good. It's frustrating that at the point in your career when you need to make prudent and intelligent decisions around money, it can be difficult to gauge:

- How is my spending now/future depleting my resources?
- How inflation, stock market volatility, debt, tax and negative equity could impact my plans.

And when we seek advice, it tends to come in bits and pieces, with nobody pulling all of it together for me and making sense of my future. Thankfully, in Ireland, help is to hand:

- A comprehensive personalised "life cashflow" will pull all of your current and future
 - (a) income
 - (b) expenditure
 - (c) assets
 - (d) liabilities together and project out the likelihood of you meeting your expenditure commitments & goals

When you get this clarity for the first time, you'll either find out if all your finances are on-track and put you at ease, allowing you to focus more on what you do best and enjoy the now **OR** unfortunately, your current financial position is not sustainable **OR** your desired future goals are not attainable thus arming you with vital information to alter course and achieve better outcomes.

A detailed cashflow is a key precursor to making informed decisions. Before you decide to invest, top-up your pension, buy that boat, gift your kids or sell that negative equity property, a personalised cashflow will help you understand how this financial decision could impact your current and future life.

SO WHAT EXACTLY IS A CASHFLOW?

It all starts by building a detailed picture of your current expenditure and what you plan on spending your money on in future:

- Current Lifestyle costs (tax, mortgage, car, living expenses, social expenses)
- Future planned personal (trade-up home, future lifestyle in retirement)
- Future kids (university, wedding, 1st home, inheritance)

The next stage is to overlay your planned means for paying for all of this:

- Current income
- Planned future asset realisation/sales (e.g. stock/property sale)
- Pension draw down

Only when this is complete will you have your first clear picture as to whether or not your desired life expenditure is likely to be matched by your financial resources. For many people, the outcome will be positive, meaning much of the financial worry and confusion will disappear and they can focus more on the now. For others, the outcome will highlight a gap in their finances. Therefore, unless something changes now, they will not have the resources to do all they want to do (for themselves or their kids).

WHAT HAPPENS AFTER A CASHFLOW ASSESSMENT?

Where a cashflow highlights a gap, this allows you to:

- (a) make emotional choices about what's most important to you.
 - retire at 60 -v- live in a 'trophy home'
 - extravagant lifestyle now -v- gift kids in future

- (b) make financial choices about the trade offs they may have to make to do.
 - Can you earn more or work longer?
 - Do you want to reduce expenditure?
 - Do you want to change investment strategy? (risk/tax vehicle)
 - Do you wish to sell assets?

It is important to seek expert advice from an appropriate professional, to see what levers are available to you, and what risks/opportunities relate to these (especially in the areas of tax and investments).

The cashflow assessment can then be adjusted to show you the impact of making any of the above choices, **OR** more likely, a combination of the above. When you find a strategy that works for you, it is essential that this is adapted annually as life is certain to change:

- more kids
- promotion or change jobs
- inheritance
- tax changes
- windfall
- illness
- relationship breakdown

A good cashflow is dynamic and helps you adapt your plan to let you know where you stand.

SUMMARY

Therefore, one of the smartest decisions you can make now, is to cashflow your life. It will remove confusion and bring clarity. At the very least it will give you the insights you need to make informed decisions about how your expenditure & deployment of your resources impact your future goals. More importantly, it will help you focus more on what you do best: being a great parent, husband, friend and excelling in your professional and personal life.

IF YOU ARE INTERESTED IN UNDERTAKING A CASHFLOW ASSESSMENT THEN PLEASE TALK TO ONE OF OUR FINANCIAL ADVISORS.

CONTACTS

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Our team have over 80 years of Financial Management experience and are dedicated to giving you tailored financial advice, to ensure your future is protected. Contact any of our team directly today. As a team we offer a highly personalised service, and have a long standing trust with all of our customers. We have exceptional industry knowledge, and are constantly up skilling on the latest financial industry updates and changes. As we educate ourselves, we will educate you.

THE IMPORTANCE OF PENSION TRAINING

If you, or one of your employees were to retire today, the State would pay a contributory old age pension which currently represents less than 28% of the national average wage. That will almost certainly represent a big drop in income. The National Pensions Policy Initiative recommends that State Pensions be increased over a period of years to bring the level up to 34%.

By the time you retire, the State Pension should be higher than it is today but given that today there are 5 people working for every one person in retirement and by 2050 that figure will be 2 to 1 there is concerns over the figure of the State pension. By providing your employees with a pension plan and the facility to invest Additional Voluntary Contributions (AVC's), members will receive an additional income for life throughout retirement.

TAX ADVANTAGES

A Retirement Plan gives a company and its employees access to the unique taxation treatment of pension funding. The main features are summarised below:

- The employer's contributions can be offset against corporation tax as a business expense.
- The member's regular contributions will qualify for full income tax relief.
- The pension contributions will be invested in a fund that grows tax-free.
- On retirement, the members will be able to take a significant part of their accumulated benefits as a tax-free cash sum.

A GROUP RETIREMENT PLAN THROUGH ORCA OFFERS THE FOLLOWING FACILITIES:

- Contributions can be invested in a range of actively managed investment funds.
- Regular contributions may be increased or decreased at any time.
- The entry and withdrawal of members are easily administered within the plan.
- On joining the plan, a member receives information outlining the benefits of the plan and a notification of membership.
- Each year, members receive a statement of benefits secured to date and current levels of contribution.

ONLINE MEMBER ACCESS

- Each year the member will receive a review from their Orca representative.
- Member Presentations carried out annually or bi annually.
- A Death in Service and Permanent Health Insurance scheme can be set up alongside the Company Pension Scheme.

About Orca

Orca was set up to challenge the lack of service in the pensions market, and we wanted to fill that gap. Over time we have added a range of services for our customers, and our core focus has always been about making everything we do more client and service focused.

We are a financial broker established in 2004, and through our team of financial advisors and administrators, we now look after the needs of over 2000 clients nationwide.

Orca

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