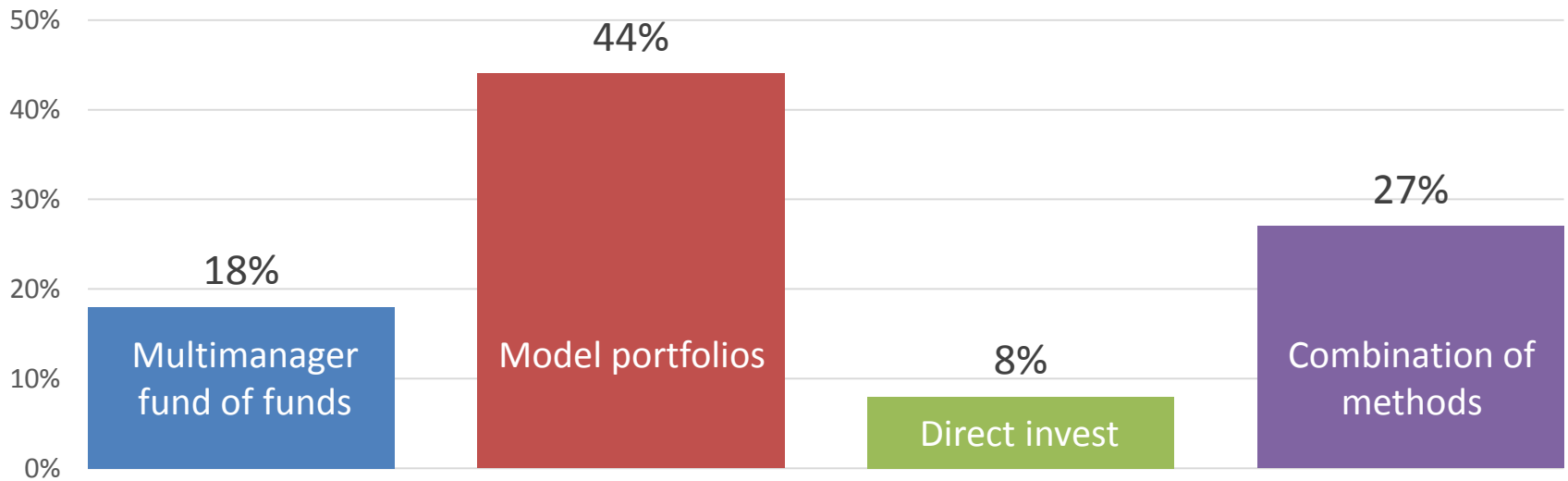


# Consilium

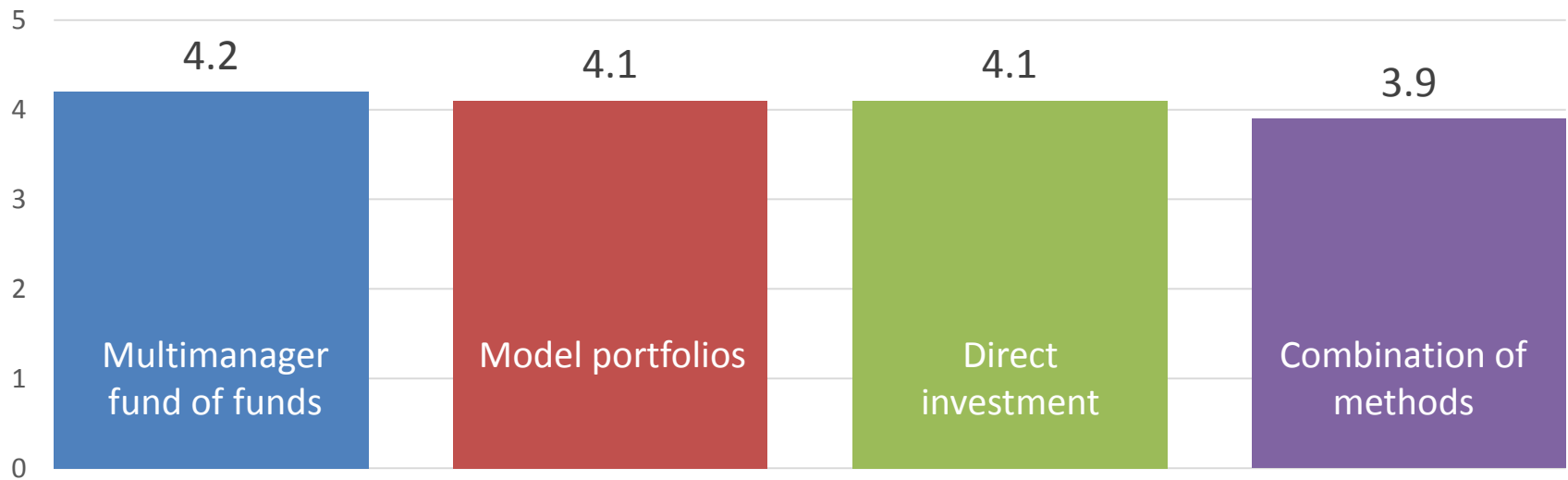
Goals-based advice process and  
monitoring

# What is at the heart of the value proposition?

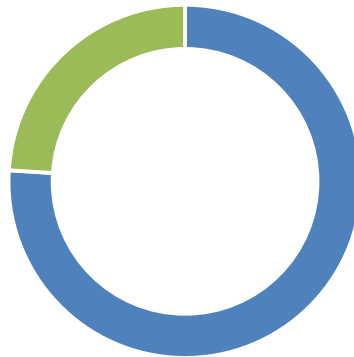
Method of investment implementation



Level of Satisfaction

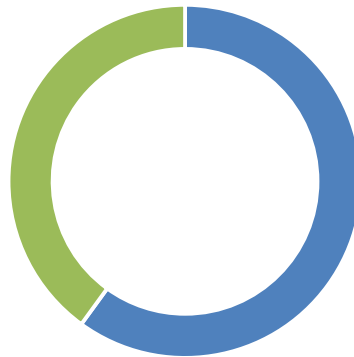


# 76%



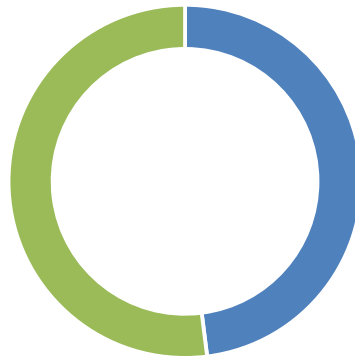
...of clients agree that a successful ongoing financial planning experience is measured by their ability of achieve what's most important to them – their core lifestyle goals and objectives

# 60%



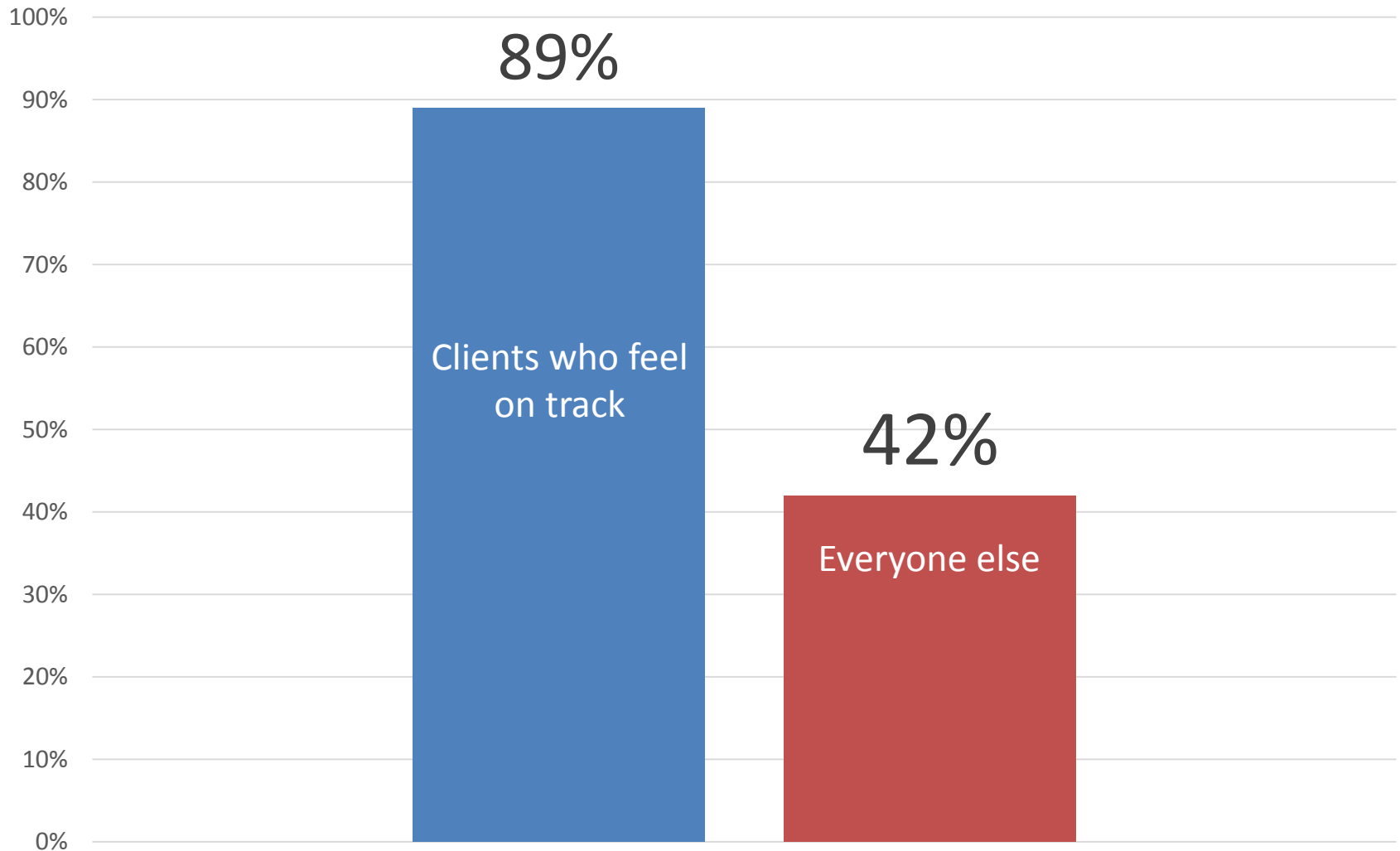
...of clients did not know or were unable to answer if they were on track to meet their defined goals.

# 48%



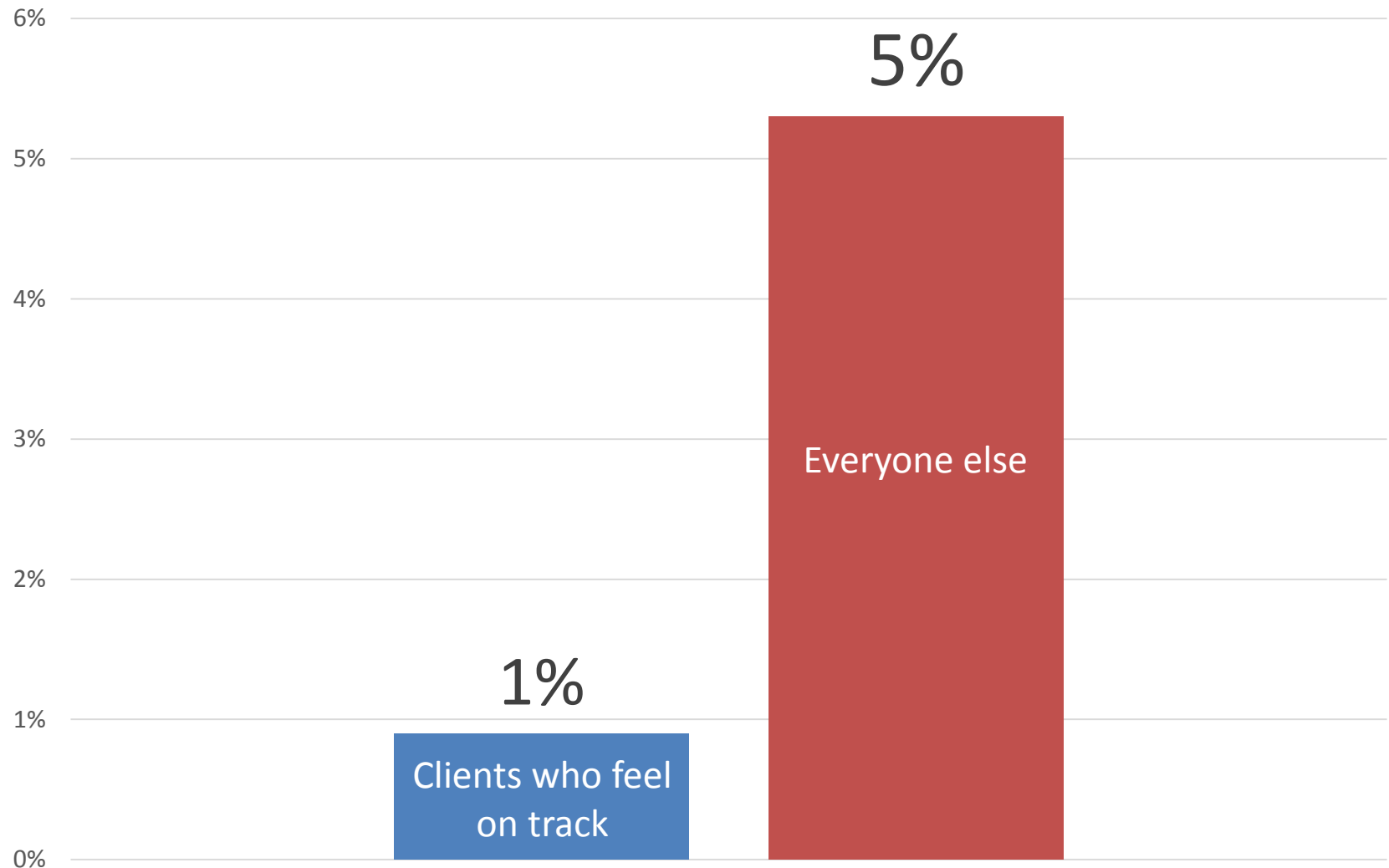
...of advisers did not know and/or lacked either the system or information to make a determination if their clients were on track to meet their own defined goals

# Feel like they are getting value for money

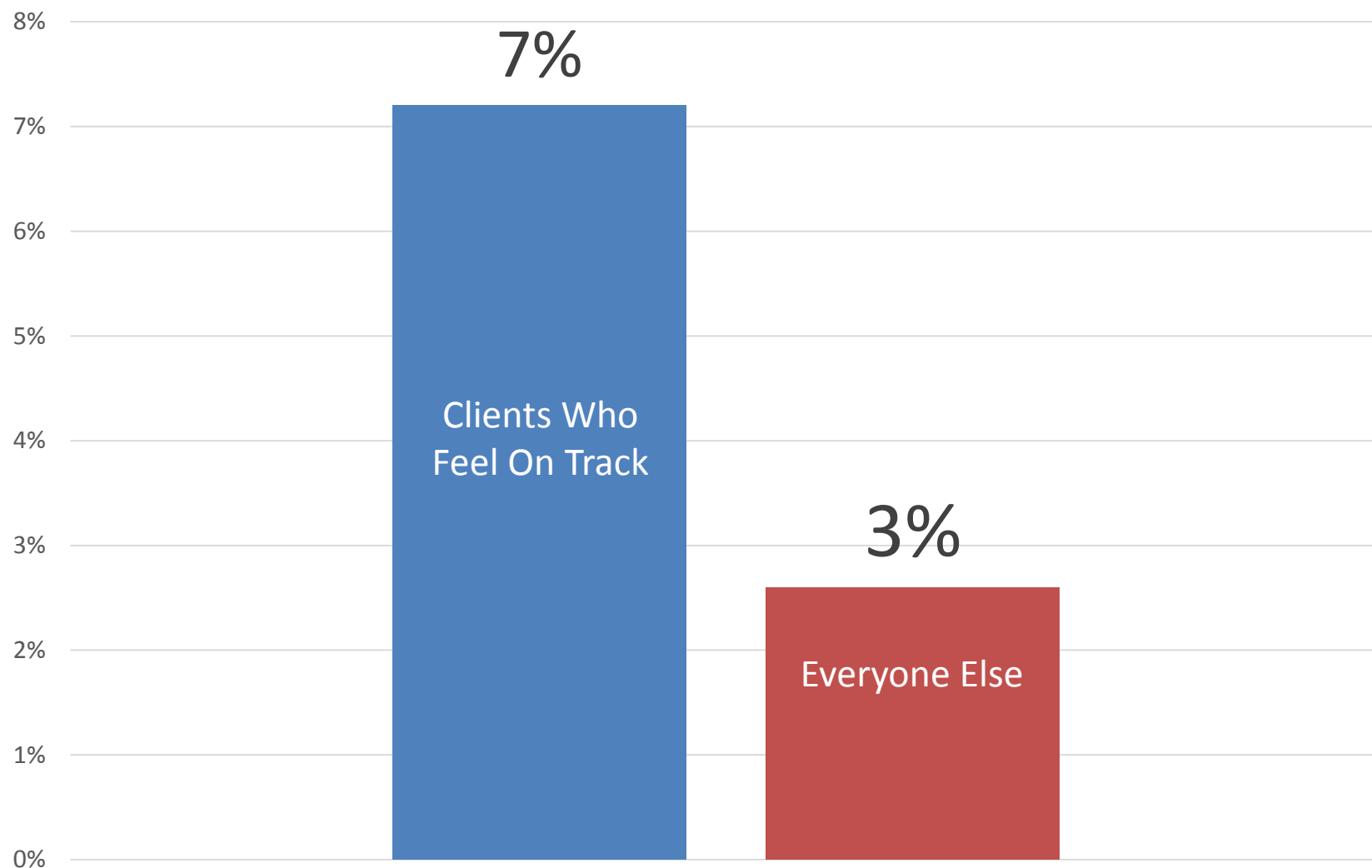


Source: IOOF survey of 192 advisers across 58 practices and 312 ongoing fee-paying financial planning clients as reported in Asset Magazine August 2015

# Likely to seek alternative advice within three years



# Likely to refer within the next 12 months





# Why is money important to you?

Confidence and peace of mind



Helping and protecting family



Creating financial comfort



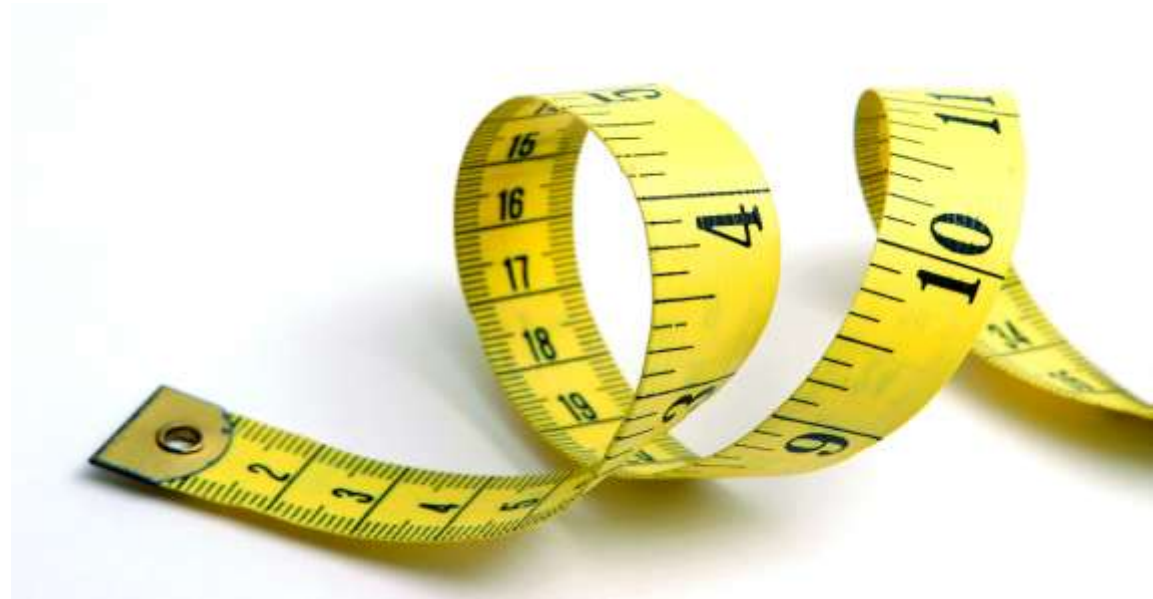
Dreams for the future

Building a legacy

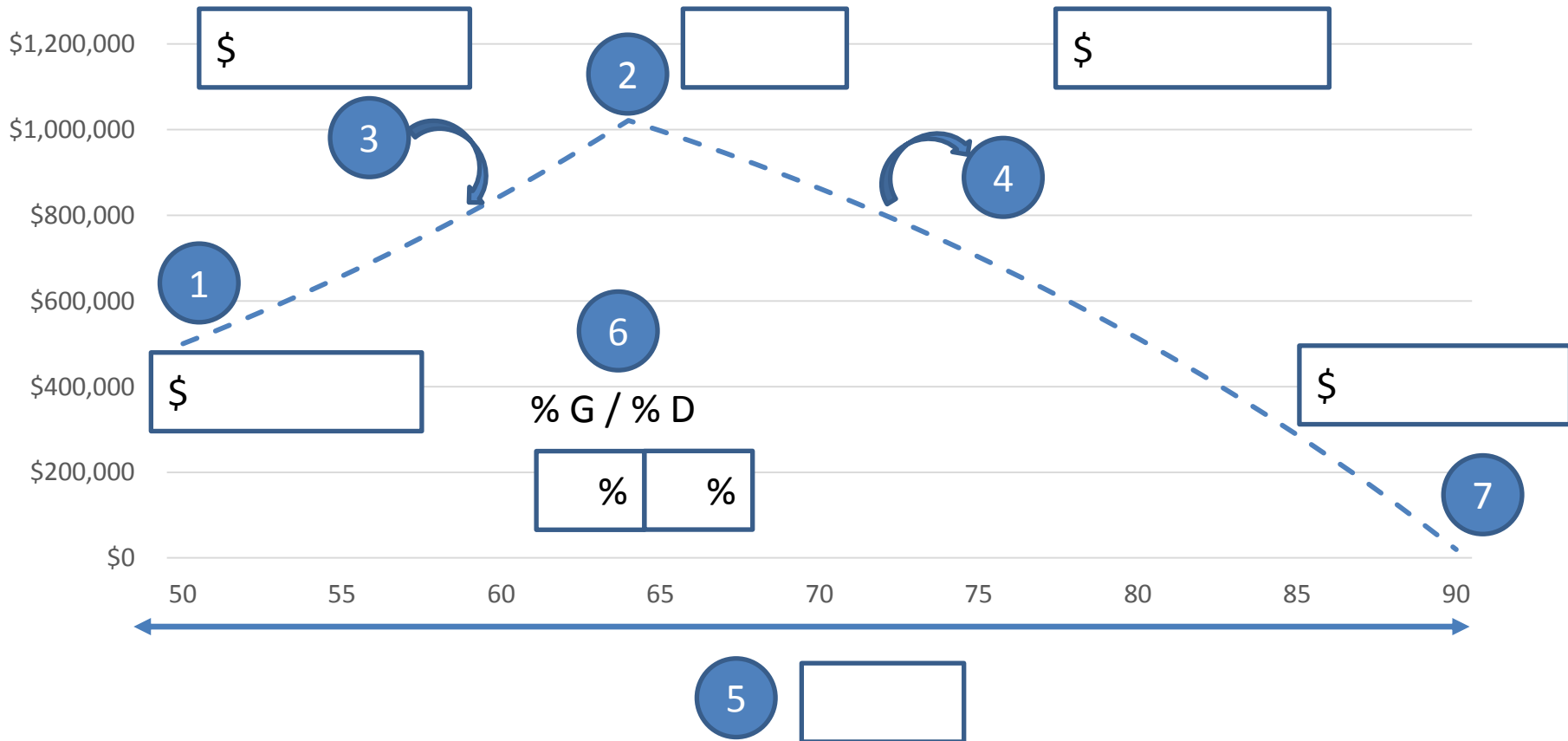
Enjoying and protecting lifestyle

# The challenge

You must translate what's important into  
a confident and measurable strategy



1. How much do you have to invest now?
2. When will you start spending the portfolio (retirement date)?
3. How much can you save?
4. How much do you want to spend (lifestyle)?
5. How long do you plan on spending (longevity)?
6. How much investment risk will you take (portfolio)?
7. What would you like to leave to others (estate)?



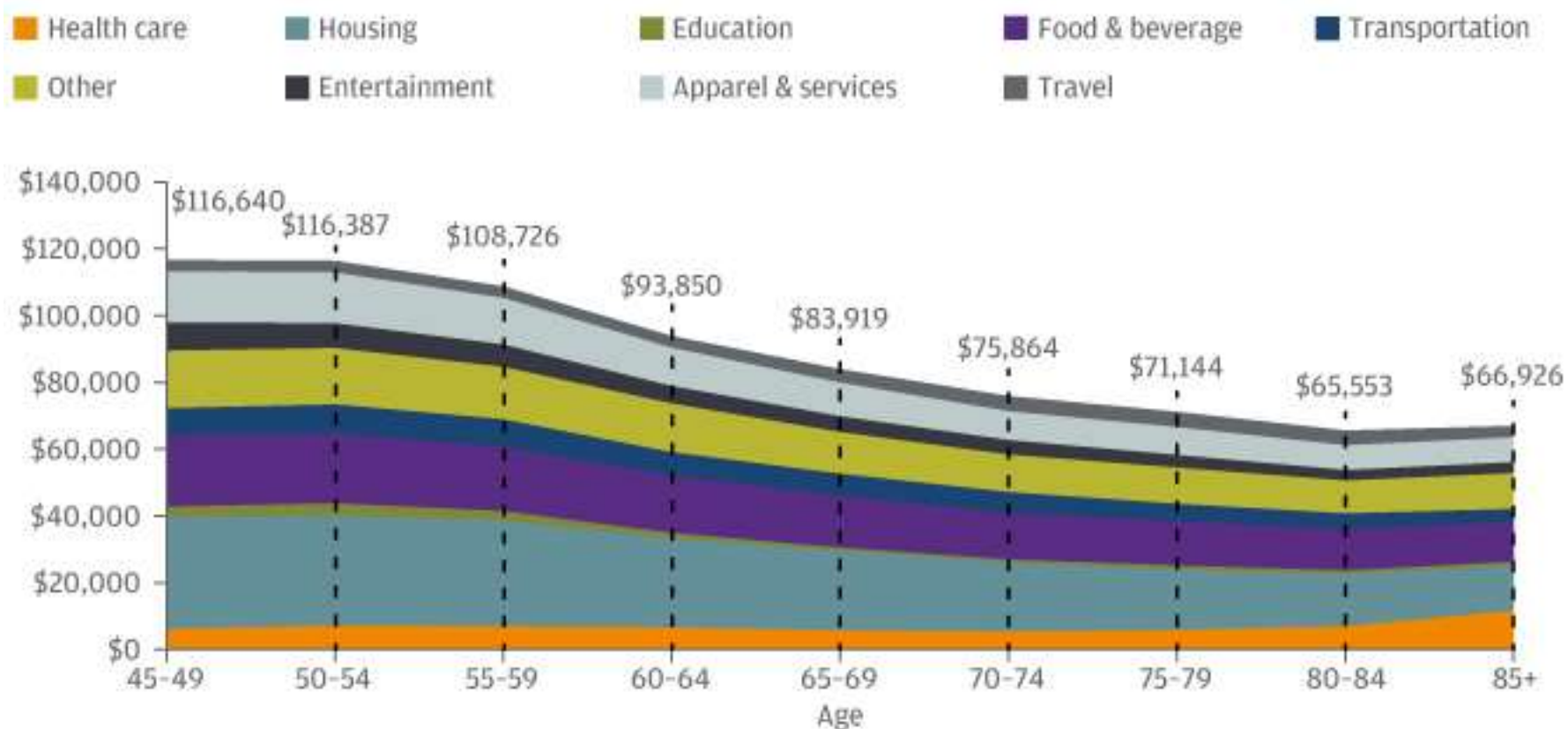
# What are the measurable factors?

GOAL: Retire with confidence	Desired
When to start goal	?
Years in goal	
Annual spend out of portfolio in goal (today's \$)	
Estate when goal concludes (today's \$)	
Savings per year until goal	
Portfolio (growth/defensive)	
Current amount dedicated to the goal	
Probability	

Investors don't run out of money, they run out of lifestyle...

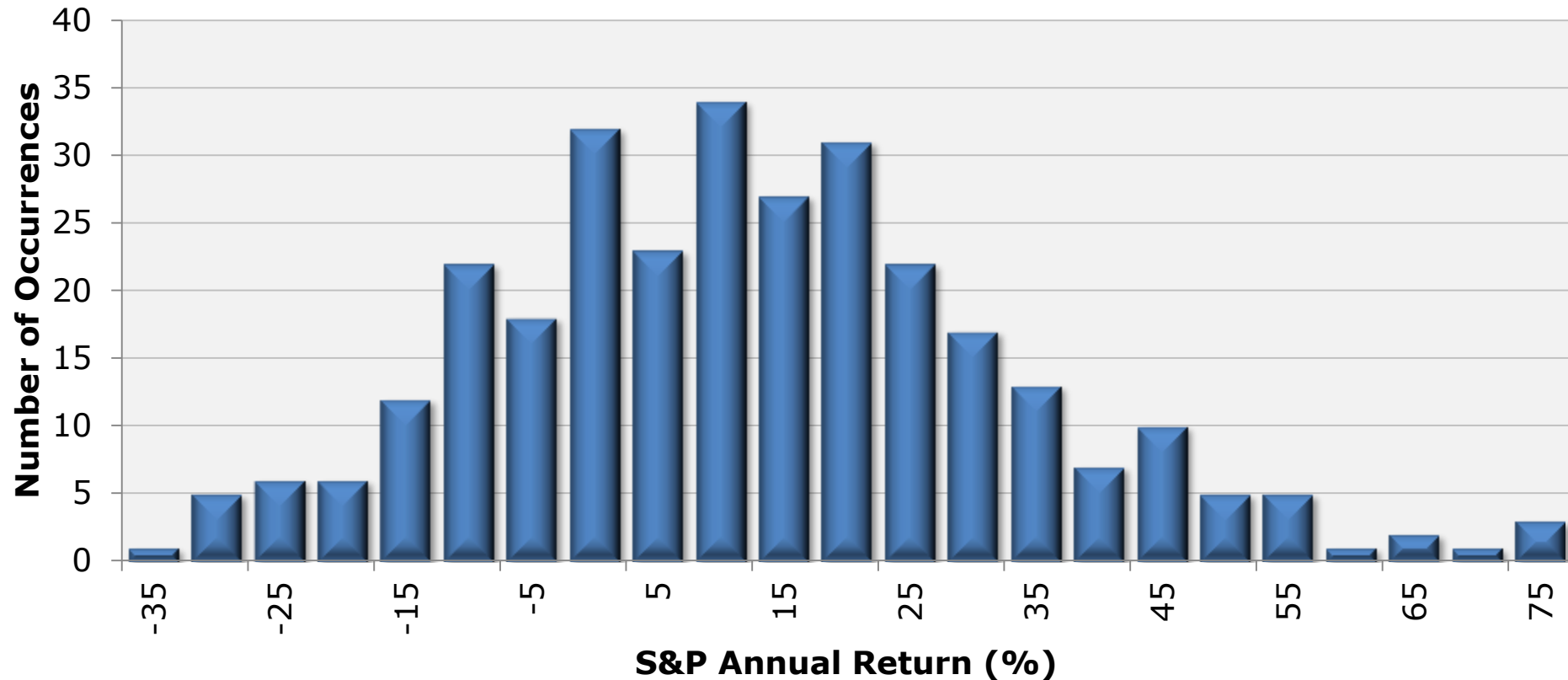
A mass affluent view: \$1MM-2MM in investible wealth

**EXHIBIT 2: AVERAGE SPENDING PATTERNS OF VARIOUS AGE GROUPS, CHASE HOUSEHOLDS  
\$1MM-\$2MM IN ASSETS**

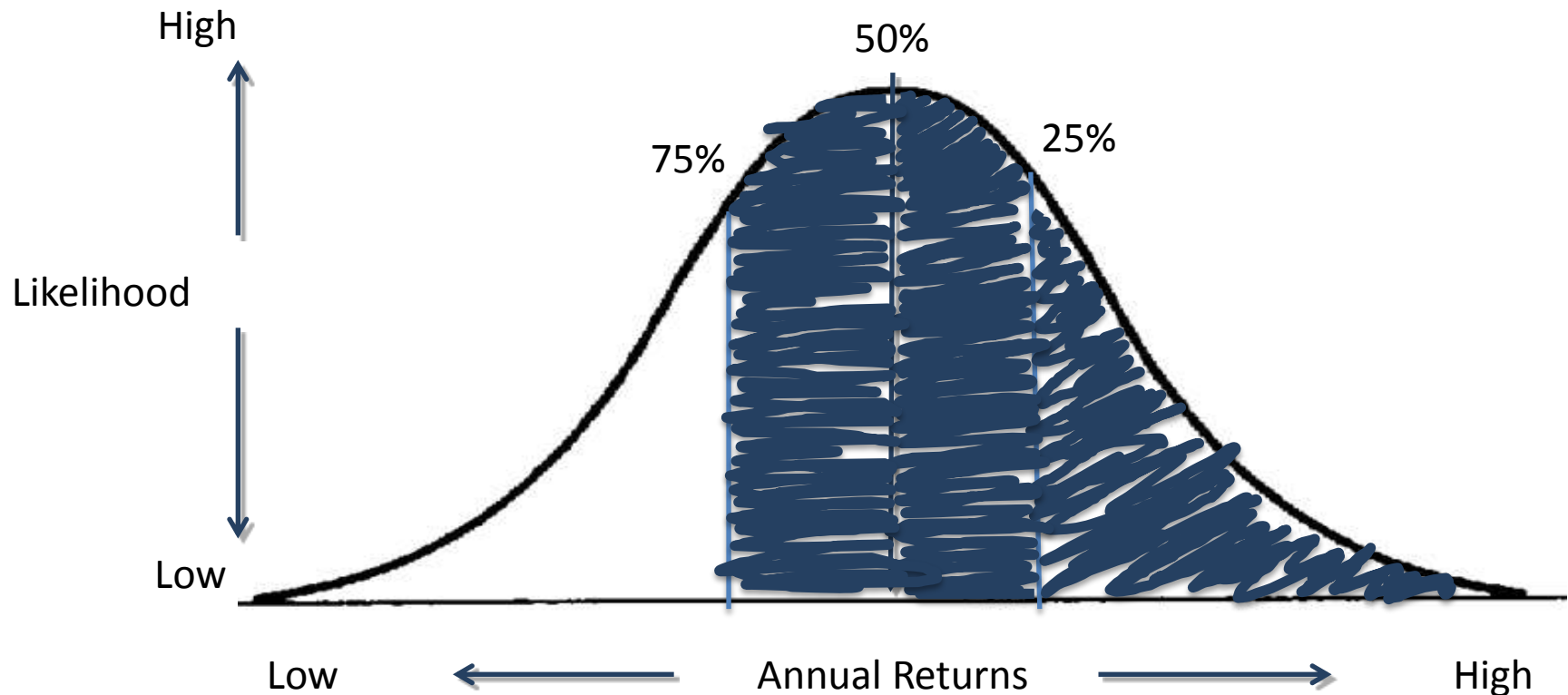


Source: J.P. Morgan Chase. Based on Chase credit card, debit and DDA mortgage payments from 9/2012-8/2013.

# What do we mean by 'chance factors work out'?



# What do we mean by 'chance factors work out'?



Increasing your 'chances' means less reliance on markets to be successful

# What do you desire in each factor?

GOAL: Retire with confidence	Desired
When to start goal	2027
Years in goal	35
Annual spend out of portfolio in goal (today's \$)	100,000
Estate when goal concludes (today's \$)	\$500,000
Savings per year until goal	\$30,000
Portfolio (growth/income)	50/50
Current amount dedicated to the goal	\$1.2M
Probability	65%



# Is there any flexibility in the numbers?

GOAL: Retire with confidence	Desired	Flexibility
When to start goal	2027	2030
Years in goal	35	30
Annual spend out of portfolio in goal (today's \$)	100,000	75,000
Estate when goal concludes (today's \$)	\$500,000	\$200,000
Savings per year until goal	\$30,000	\$50,000
Portfolio (growth/income)	50/50	70/30
Current amount dedicated to the goal	\$1.2M	None
Probability	65%	55%

[illegible]

# Which factors hold the highest priority?

GOAL: Retire with confidence	Desired	Flexibility	Priority (1 highest)
When to start goal	2027	2030	3
Years in goal	35	30	4
Annual spend out of portfolio in goal (today's \$)	100,000	75,000	5
Estate when goal concludes (today's \$)	\$500,000	\$200,000	7
Savings per year until goal	\$30,000	\$50,000	8
Portfolio (growth/income)	50/50	70/30	6
Current amount dedicated to the goal	\$1.2M	None	2
Probability	65%	55%	1

# Calculate an initial probability of reaching your goal


Factor	Desired
Retirement year	2027
Years in retirement	35
Annual spend out of portfolio in retirement (today's \$)	100,000
Estate to leave <u>from portfolio</u> (today's \$)	\$500,000
Savings per year	\$30,000
Portfolio (growth/income)	50/50
Current portfolio size	\$1.2M



15% chance  
of working  
out

# Make adjustments, starting with the lowest priority factors

Low  
Priority



High  
Priority

Factor	Adjustment	Chance of working
Status quo	Do nothing	15%
Savings		
Estate		
Portfolio risk		
Lifestyle		
Retirement length		
Retirement year		

# Slowly move towards the goal probability

Low  
Priority



High  
Priority

Factor	Adjustment	Probability
Status quo	Do nothing	15%
Savings	Increase to \$50K	28%
Estate		
Portfolio risk		
Lifestyle		
Retirement length		
Retirement year		

# Make adjustments until you reach the goal probability

Low  
Priority



High  
Priority

Factor	Adjustment	Chance of working
Status quo	Do nothing	15%
Savings	Increase to \$50K	28%
Estate	Reduce to \$200K	35%
Portfolio risk	Increase to 70/30	56%
Lifestyle	Reduce to \$90,000	66%
Retirement length		
Retirement year		

# If possible, keep high priority factors untouched

Low  
Priority



High  
Priority

Factor	Adjustment	Probability
Status quo	Do nothing	15%
Savings	Increase to \$50K	28%
Estate	Reduce to \$200K	35%
Portfolio risk	Increase to 70/30	56%
Lifestyle	Reduce to \$90,000	66%
Retirement length	No change	66%
Retirement year	No change	66%



GOAL: Retire with confidence	Scenario 1	Scenario 2	Scenario 3
When to start goal	2027	2027	2027
Years in goal	35	35	35
Annual spend out of portfolio in goal (today's \$)	\$90,000	<b>\$86,000</b>	<b>\$84,500</b>
Estate when goal concludes (today's \$)	\$200,000	\$200,000	\$200,000
Savings per year until goal	\$50,000	\$50,000	<b>\$35,000</b>
Portfolio (growth/income)	70/30	<b>60/40</b>	70/30
Current amount dedicated to the goal	\$1.2M	\$1.2M	\$1.2M
Probability	65%	65%	65%



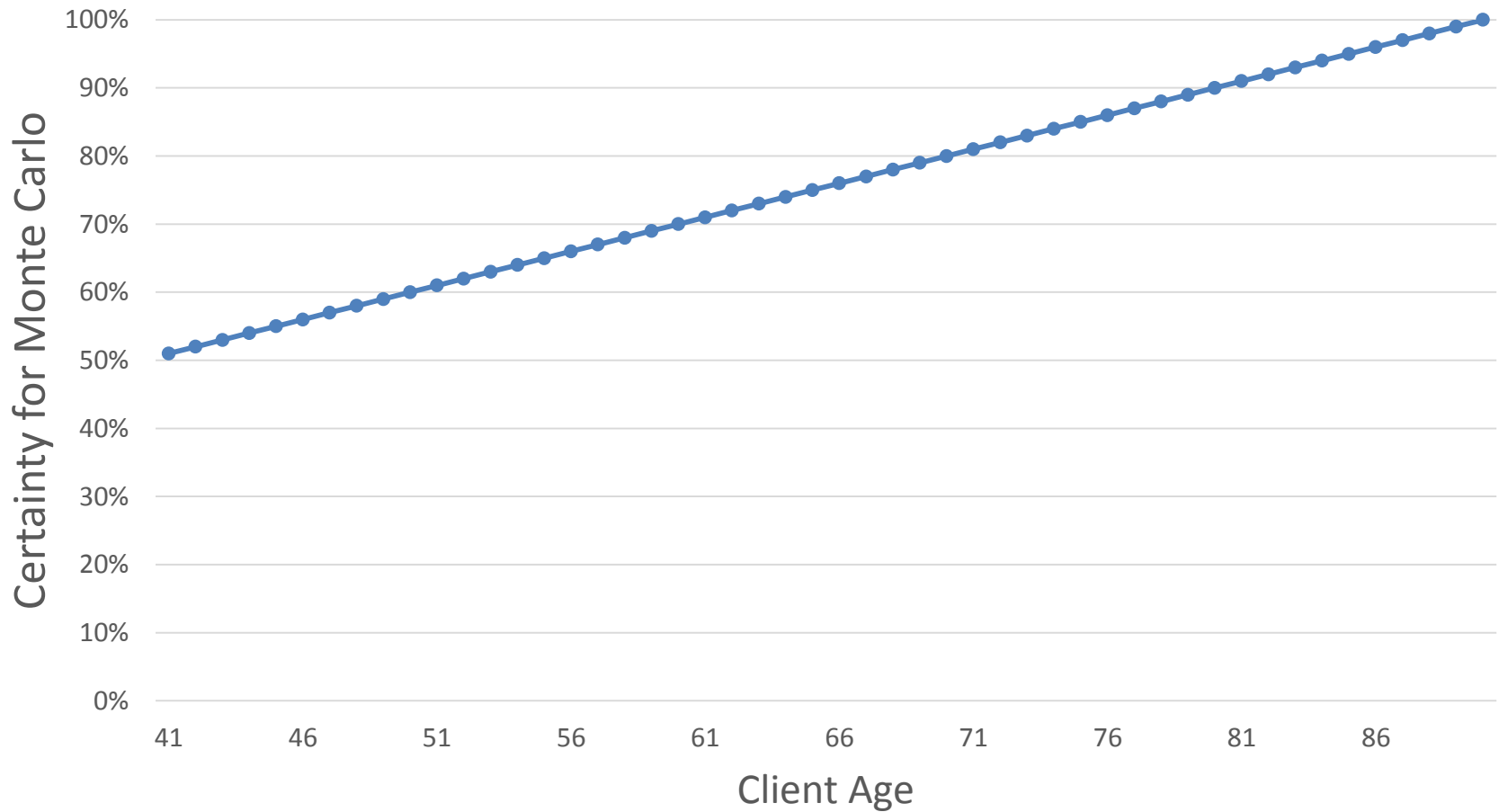
# Identical need for certainty?



Maximum of:  
100% – time horizon  
(or)  
50%

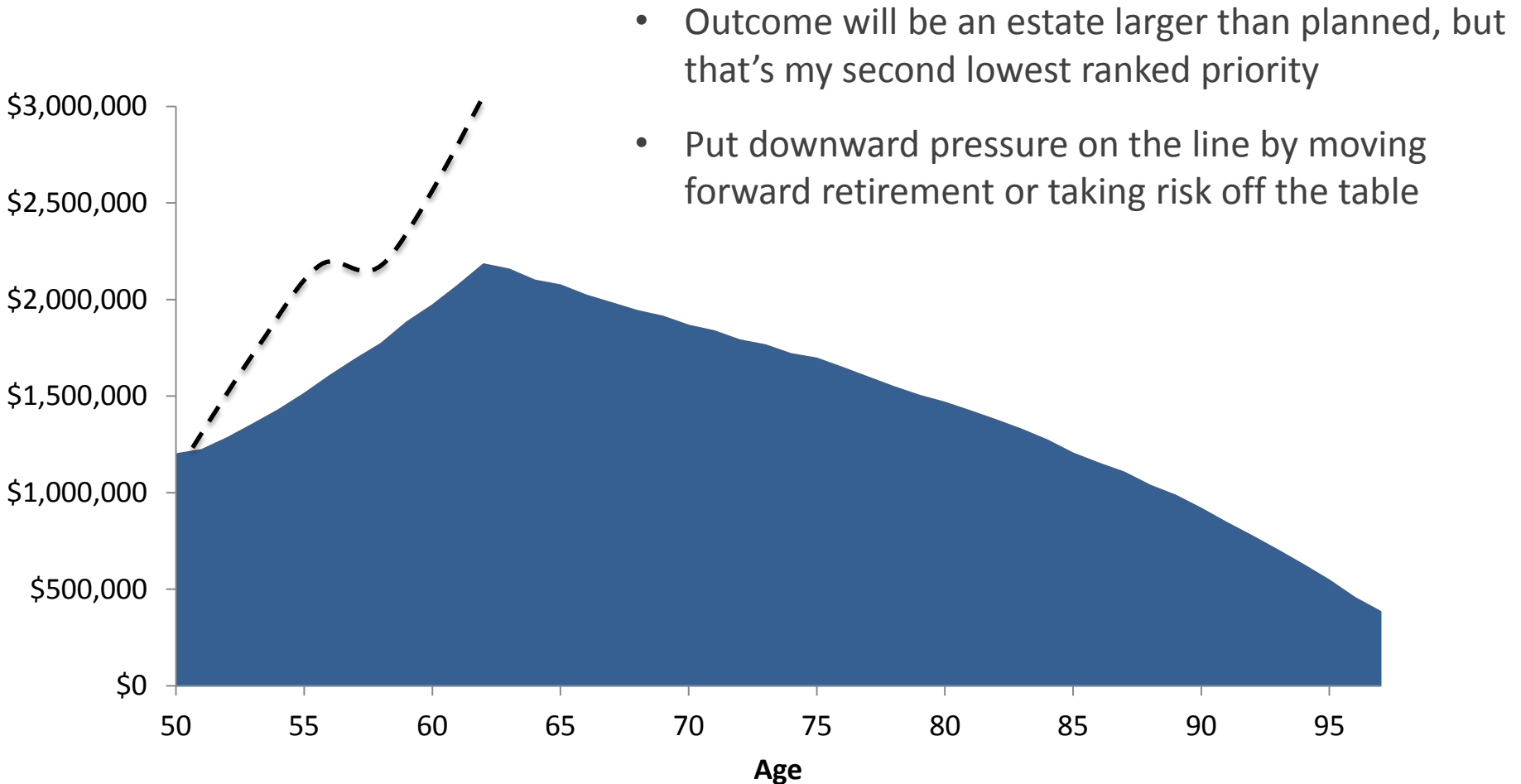
# Target certainty

Life expectancy - age 95



# The reality check

What if we start to substantially outperform?



## Certainty level

## Action (revise the details)

+ 20% above target at review

**Action Zone:** Improve quality of investor's life by increasing spending, reducing volatility, reducing savings, moving up retirement, etc

10% to 20% above target at review

**Discussion Zone:** Consider improving quality of investor's life

10% above to 10% below target at review

Safety Zone

10% to 20% below target at review

**Discussion Zone:** Consider improving likelihood of achieving goals

- 20% below target at review

**Action Zone:** Improve likelihood of achieving goals by decreasing spending, increasing volatility, increasing savings, moving back retirement, etc

# What retirement planning is about

- **Confidence:** You have a real strategy to retire with confidence
- **Honesty:** Each year you see an honest progress report
- **Decisiveness:** You are guided to take appropriate action based on your priorities, if you are at risk of overshooting or undershooting your goals
- **Adaptability:** Goalposts change and your strategy will adapt to match new priorities

Thinking about exercise will not make  
you fit.



It's not difficult – it's just  
difficult to do.



# A secure retirement is simple and inevitable

- You (the client) define what retirement is
- The adviser must substantially increase the probability of reaching that goal
- The adviser will do this by helping you make smart decisions and prioritising what matters to you the most
- Retirement advice must be honest (sometimes brutal), decisive and adaptable to changes in markets and your lifestyle



Consilium