timeline

Understanding Timeline's Output: A Guide for Advised Clients

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Whether you live to 80, or 110, the goal for your retirement portfolio is always the same: Make sure it lasts longer than you.

Of course, without a crystal ball, you can't say for sure how long you will live. And as it happens, financial experts can never know for sure how well those investment returns – which are so vital for your retirement wealth – will play out in the years and decades to come.

Which is where Timeline comes in. We can't predict the future of course, but we can ensure your financial planner is prepared for the worse – and best – the markets can throw at your portfolio.

And we do this on a vast scale, using over a century of real-world financial data, alongside extensive academic evidence, to road test your portfolio.

This way, your adviser can build a robust plan that will meet your income goals throughout whatever market conditions you encounter in the coming decades.

Timeline is the only software that can support your financial planner to accurately account for risks like:

- Outliving your savings.
- Poor investment returns.
- Inflation diminishing the spending power of your money.

And while Timeline's analysis is complex, we also understand the importance of giving you the full picture. Which is why we created Snapshot, to provide a simple and elegant one-glance view of the key metrics that we use to assess the sustainability of your retirement plan.

Success Rate

This is an estimate of how likely your retirement portfolio is going to remain on course to meet your income goals throughout your retirement.

How does Timeline calculate your success rate?

Our software runs your portfolio, and your expectations of income, through thousands of real-world scenarios, using extensive historical data to cover different 30-year periods.

Why do we do this?

Well, although we don't know exactly what future investment returns and inflation will look like, we do have over a century of history to use as practice.

So by running your portfolio through the rigours of the great depression, two world wars and various market booms and busts, we can see how it would perform in some of the worse, and of course best, times.

This figure is then calculated as a percentage.

What if you don't meet your success rate?

Retirement planning is an ongoing process. This means you might need to make course corrections along the way, such as reducing your withdrawal rate, or changing your asset allocations. Of course, the higher your success rate is, the less chance the need for this will occur.

Legacy

As Timeline runs your portfolio through hundreds of real-world scenarios, the software also generates a predicted legacy balance - what would remain of your portfolio after you have passed away.

As your retirement progresses, this balance is available to view on Snapshot. The value is expressed in today's terms, meaning the figure is adjusted for inflation.

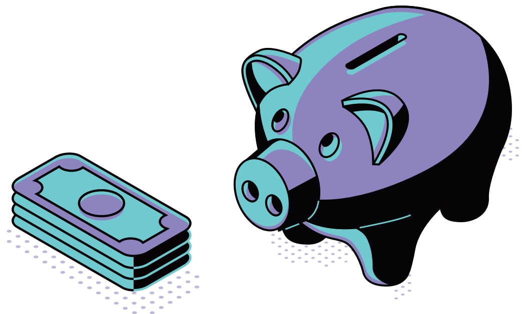
We give each predicted legacy balance a percentile score, from 0-100. This is to help you understand and compare your current outlook to the various scenarios Timeline has analysed.

As an example:

- **0th percentile is the lowest legacy amount**, representing a poor investment return, alongside large costs of living increases.
- **50th percentile is in the middle**, better than some, worse than others.
- **100th percentile is a best-case scenario**, where you have seen high investment returns, and your cost of living hasn't increased dramatically.

On Snapshot, Timeline defaults to show your predicted legacy amount at the 10th percentile. You might feel this is a conservative estimate, and represents what you would see if your returns were poor. However, we believe you should always prepare for the worse, and hope for the best.

Of course, it's possible to adjust the percentile displayed on Snapshot to give you an idea of what your legacy might look like if you encountered more favourite returns.



Longevity

We call the chance of someone outliving their money 'longevity risk', which increases when investment returns turn out to be poor.

How do you calculate longevity risk?

We use government data to estimate the age that 1 in 10 people from your cohort will live to. If you are in a couple, our estimation is always based on the longer living person.

Of course, averages and estimates don't cover every eventuality, just ask any of the UK's 13,000+ centenarians. So to ensure you can enjoy a comfortable lifestyle, Timeline's calculations are always based on you and your partner being one of the longer living members of your cohort.

Timeline then runs your portfolio through those real-world scenarios, to make sure it can stand up to any number of challenging markets, and still ensure you can have an income right up to your midnight years.

And that way, Timeline gives you the best chance of not outliving your money, even if you do live a long, long life (we hope you do) and the investment returns aren't always high.

Planned spending

This is the measure of how much you wish to take from your portfolio to cover your planned spending throughout your retirement period.

Your spending requirements, as agreed with your adviser, along with any shortfalls, are always expressed in today's terms, and adjusted for inflation.

How is planned spending calculated?

Timeline calculates how much you will need to deduct from your portfolio to meet your spending goals, after taking into account other spending sources, such as state or defined benefit pensions.

Our algorithms then analyse your withdrawal requirements through real-world scenarios based on historical financial data, to estimate how your spending needs would be met if returns were poor and costs of living increases were high.

From this information, we calculate how much your planned spending will be, and whether there is a risk of a shortfall.

What might cause a shortfall in your planned spending?

- Analysis shows your portfolio is likely to run out of money before the end of the 30-year period, under your current financial plan.
- Your current withdrawal strategy includes plans to increase or decrease your withdrawal spending, depending on portfolio performance. This might show a shortfall, which could be mitigated by adjusting the amount you take.
- Withdrawals are not fully adjusted for inflation.

What might cause a shortfall in your planned spending?

This is where a financial adviser, using Timeline, can help you change course before things get worse. After discussing potential options with your adviser, you may decide to use other assets to meet your shortfall, or make temporary or longer term changes to your lifestyle that will protect your future income.

Whatever you decide, Timeline's ability to apply science, data and rigour to your adviser's planning will help create a robust plan that ensures you have the best chance of meeting your spending goals.

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Ed Carey
ed@timelineapp.co

Kate Birch Barry
kate@timelineapp.co