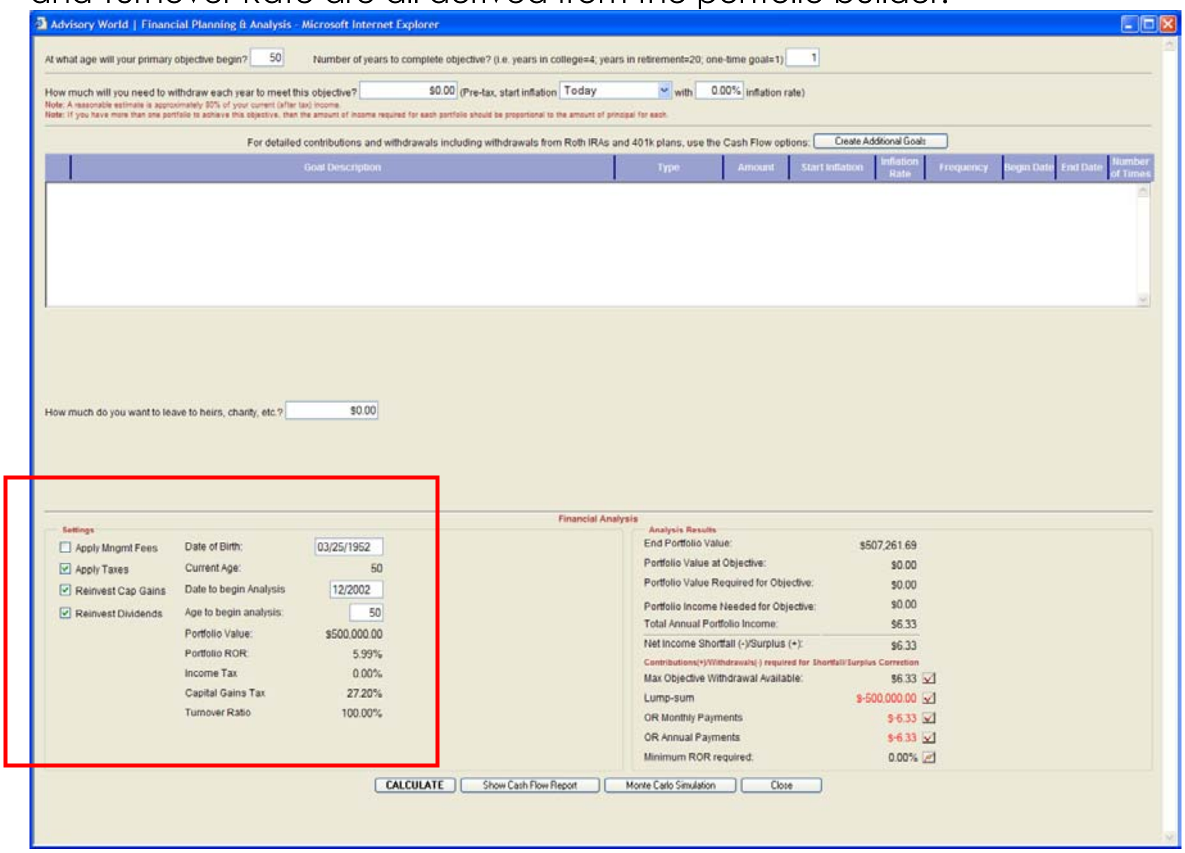
ICE Financial Planning

The financial planning module in the ICE application will allow you to efficiently determine goal-based portfolio vitality.

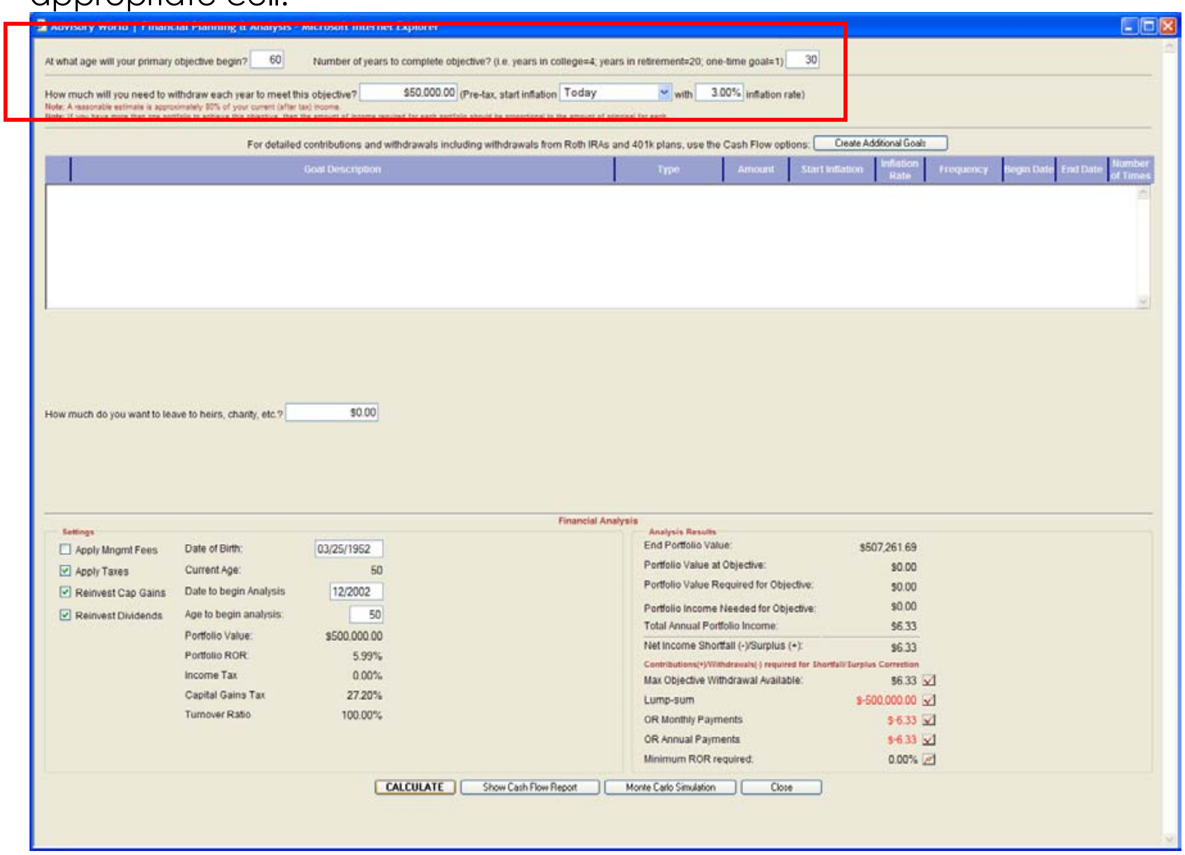
Settings:
Begin your financial plan analysis by reviewing settings. Check management fee, tax, dividends and capital gain application. Make sure that the client's date of birth, current age and date to begin analysis are all correct.

The portfolio value, Rate of Return(ROR), Income Tax, Capital Gains Tax and Turnover Rate are all derived from the portfolio builder.

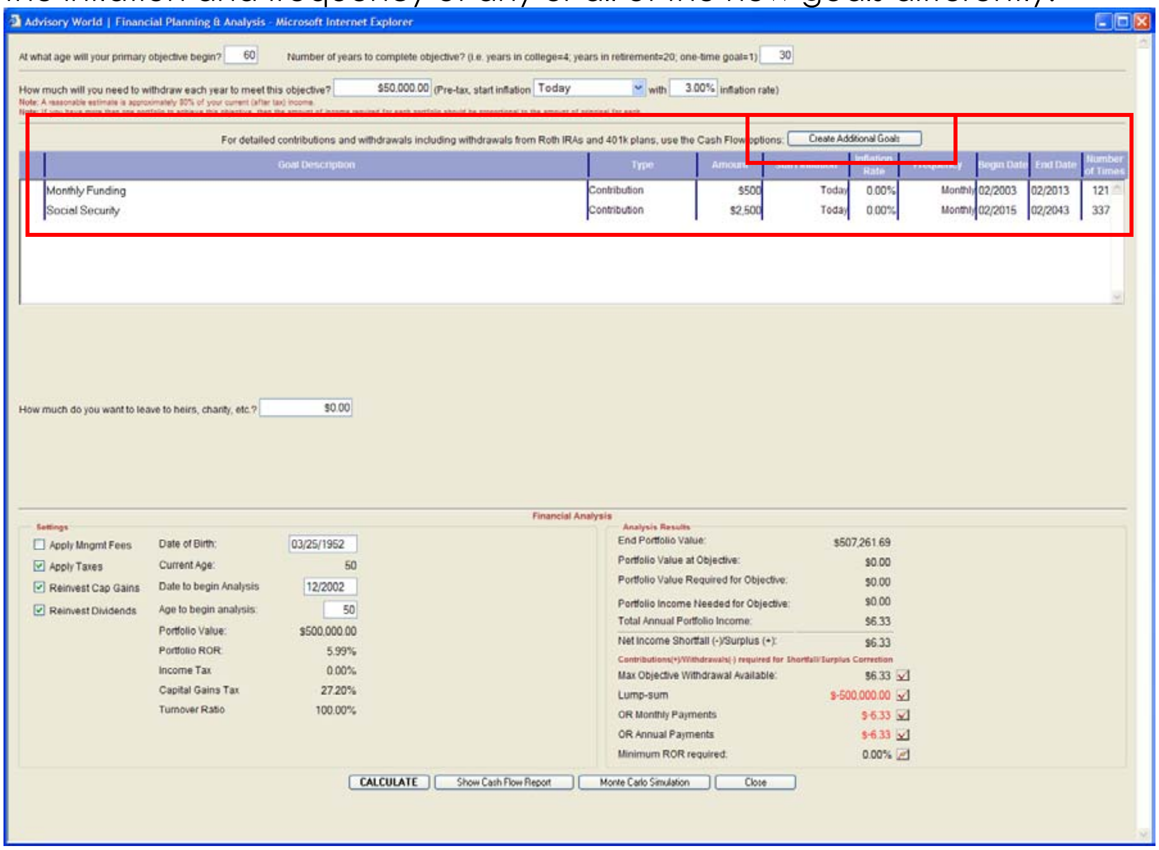


Main Goal:
Your client's main portfolio goal should be entered at the top of the Financial Planning Screen. Whether your client wants$1,000,000 when he turns 65, $50,000 a year through mortality or even $15,000 a year for 5 years to send his daughter to college, the main goal goes here. Monte Carlo simulation relates all probability to this entry.

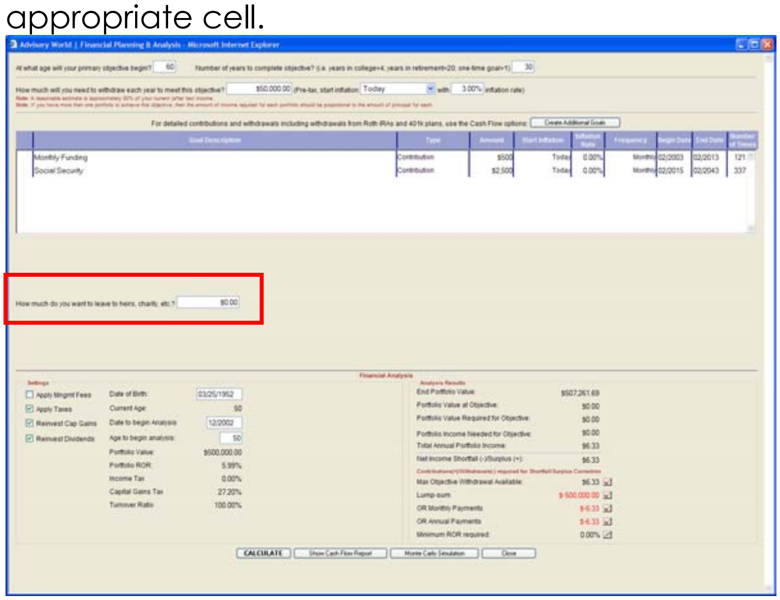
Main Goal Entries:
First enter your client's age when the goal starts.
The second entry will be the difference between your client's age when his goal starts to it when it ends (ie. Die when 90 - Retire when 60 = 30 years). Enter the dollar amount that your client wants to withdraw per year for this main goal. Determine its inflation rate and place in the appropriate cell.



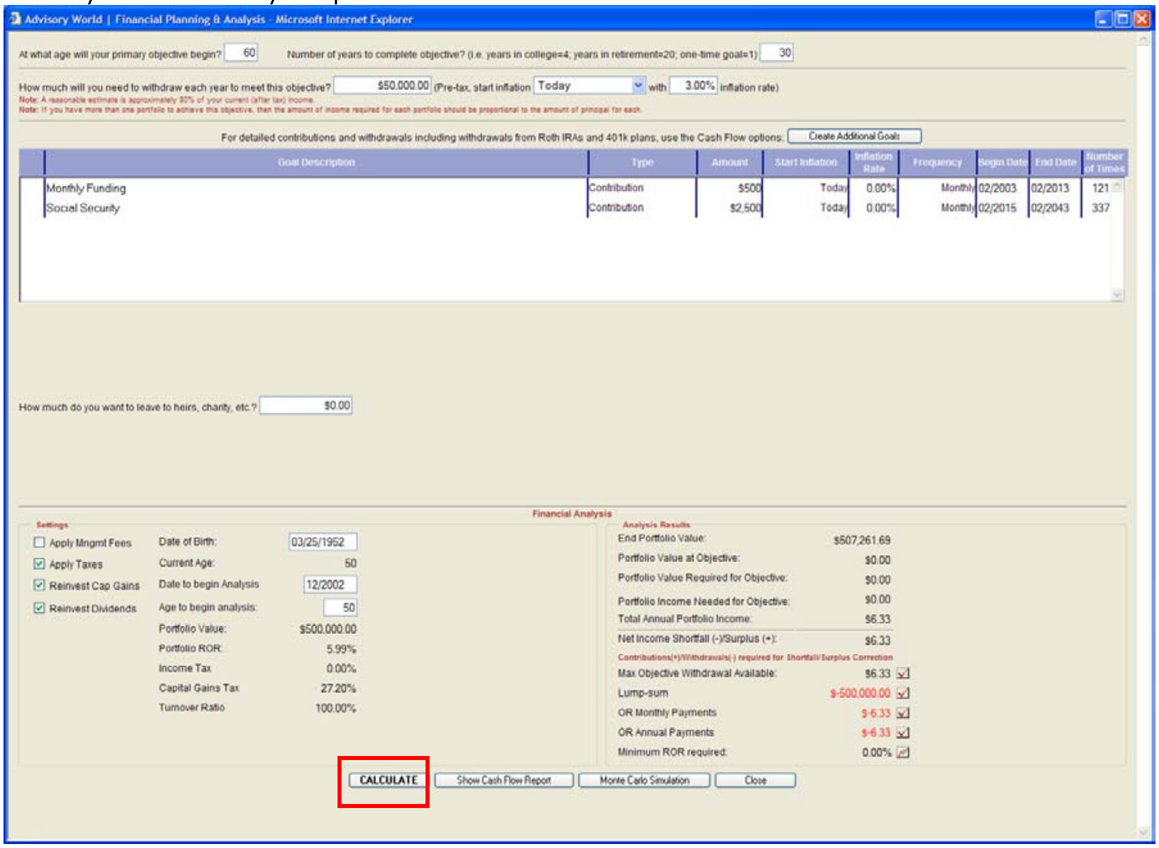
Additional Goals:
You will add additional goals by clicking on Create Additional Goals. This is used to show both contributions and withdrawals. You may treat the inflation and frequency of any or all of the new goals differently.



Leaving Money to Heirs:
Enter the $ value that your client would like to leave to heirs in the appropriate cell.



Now you’re ready to press Calculate.



Analysis Results:
End Portfolio Value=the future portfolio value at the end of your clients Main Goal period based on all cash inflows and outflows.

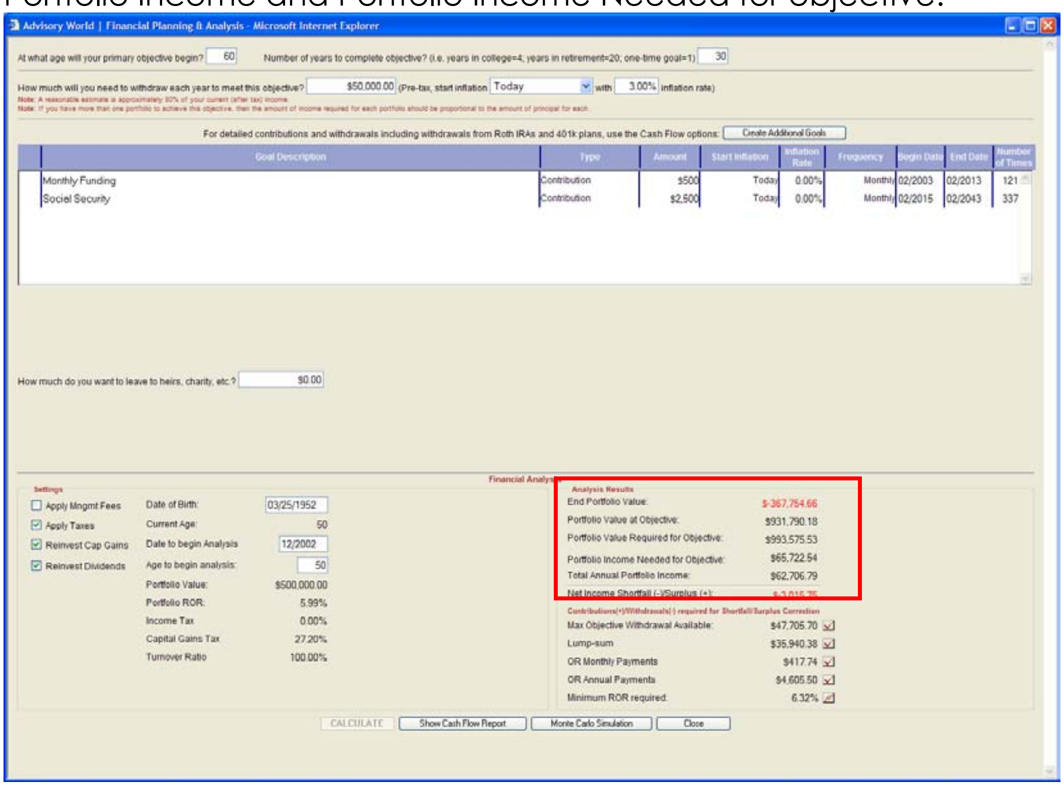
Portfolio Value at Objective= the future portfolio value at the beginning of your clients Main Goal period based on all cash inflows and outflows.

Portfolio Value Required for Objective= the future portfolio value needed to achieve Main Goal at the beginning of your clients Main Goal period based on all cash inflows and outflows.

Portfolio Income Needed for Objective=Average annual portfolio income (in today's dollar figures) needed to achieve Main Goal based on contributions and withdrawals and a constant ROR.

Total Annual Portfolio Income=Average annual portfolio income based on contributions and withdrawals and a constant ROR.

Net Income Shortfall(-)Surplus(+)=Difference between Total Annual Portfolio Income and Portfolio Income Needed for objective.



Corrections:

If your client's portfolio does not meet his financial goals, several corrections are offered. All of these corrections can be applied by simply clicking on the check mark next to the dollar amount. Applying any of these corrections will make the calculation zero out accordingly.
The button to the right of the Minimum ROR required will pull up the efficient frontier.

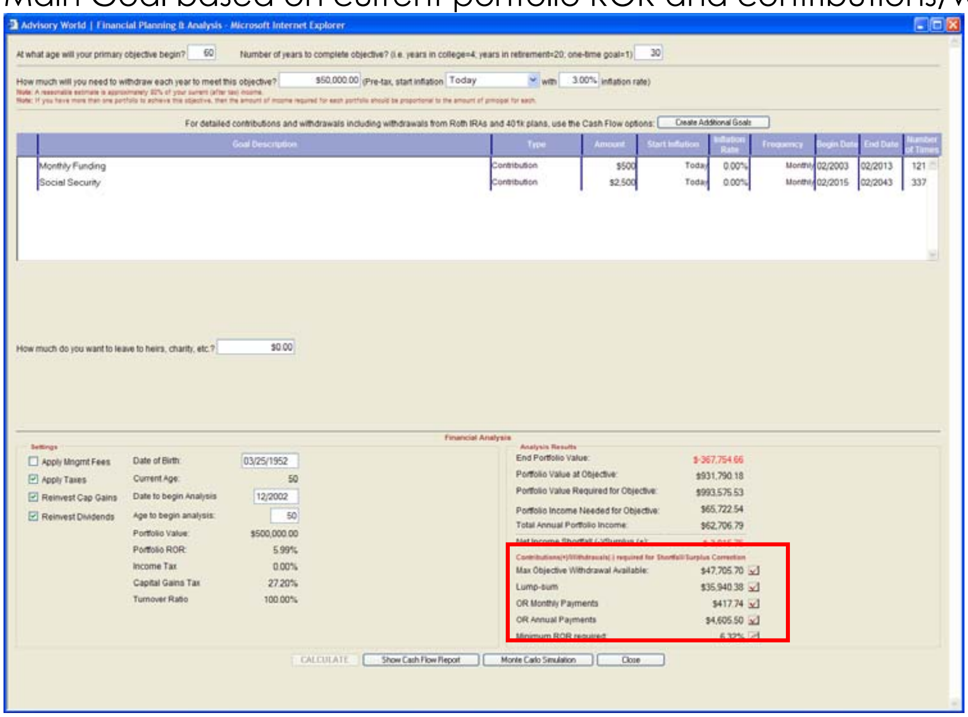
Max Objective Withdrawal Available=The highest dollar amount available to the Main Goal based on current portfolio ROR and contributions/withdrawals.

Lump-sum=Portfolio dollar infusion to be made today in order to achieve the Main Goal based on current portfolio ROR and contributions/withdrawals.

Monthly Payments=Portfolio dollar infusion to be made every month in addition to current contributions/withdrawals in order to achieve the Main Goal based on current portfolio ROR.

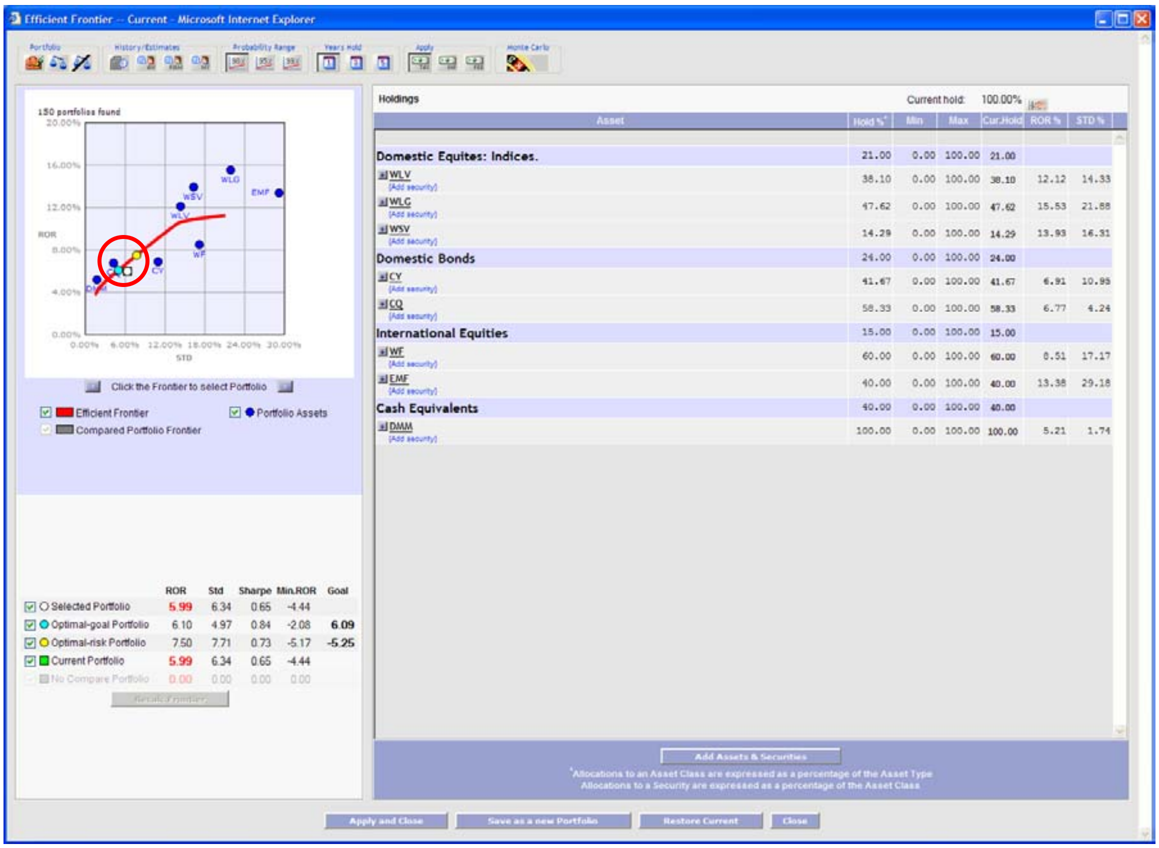
Annual Payments= Portfolio dollar infusion to be made every year in addition to current contributions/withdrawals in order to achieve the Main Goal based on current portfolio ROR.

Minimum ROR= Average annual Rate of Return necessary to achieve the Main Goal based on current portfolio ROR and contributions/withdrawals.



I pressed the button next to the Minimum ROR requires. Now what?

The efficient frontier plots several optimal portfolios based on maximizing return while minimizing risk. The light blue dot on the curve is the Optimal Goal portfolio. This portfolio mix (you can see the mix by clicking on the dot) has historically met the Average annual Rate of Return necessary to achieve the Main Goal based on current portfolio ROR and contributions/withdrawals.



Check our website or drop us a line for more information on financial planning, optimization or Monte Carlo Simulation.

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