



Guide to using the SIMCO web app

<http://finkit-simco.carloalberto.org/>

Project: “Financial Literacy: a Key Tool to Improve People’s Life Cycle” (FinKit)

<http://www.finkit-cerp.carloalberto.org/>

The App

This app simulates the maximum monthly spending capacity for an individual aged 60 and above, based on their pension benefit, financial and real assets and their cohort's life expectancy. The computation also takes into account the amount one could bequeath. The app simulates three possible scenarios if the consumer is homeowner, displaying the spending capacity that they could reach by making "liquid" (part of) their housing wealth.

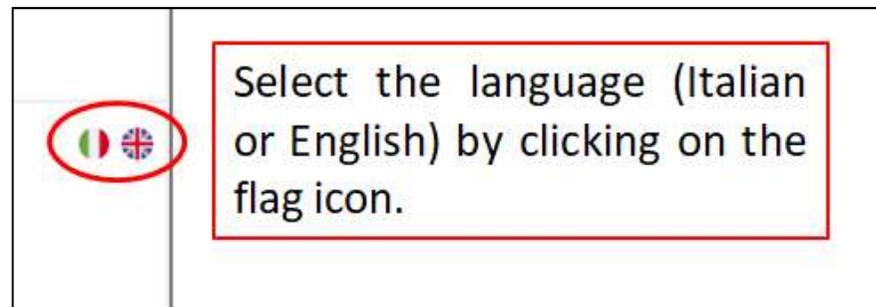
The app is one of the financial education tools in the "Financial Literacy: a Key Tool to Improve People's Life Cycle" project (FinKit, 2015-2018), funded by the European Erasmus+ programme and coordinated by CeRP-Collegio Carlo Alberto.

This app is a free financial education tool with no advertising purposes. It is meant to show, in a very simplified way, how the spending capacity can be increased by exploiting a share of the "illiquid" wealth (without prejudicing the possibility of leaving a bequest).

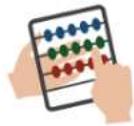
How to read this guide

The guide explains the key elements for each screen of the app.

The single elements are highlighted in the screenshots with different colours and explained in boxes having the same colour.



Red circle → Red box



SIMCO (SIMulation of COnsumption)

This app simulates the maximum monthly spending capacity for an individual aged 60 and above, based on their pension benefit, financial and real assets and their cohort's life expectancy. The computation also takes into account the amount one could bequeath. The app simulates three possible scenarios if the consumer is homeowner, displaying the spending capacity that they could reach by making "liquid" (part of) their housing wealth without losing the ownership, that is through:

1. Bare ownership  sale 
2. Stipulation of a reverse mortgage (RM)  with two options, based, in a simplified way, on two products available on the Italian market

(Click on the icons  for further details)

The app has been created within the European project "Financial Literacy: a Key Tool to Improve People's Life Cycle" (FinKit), coordinated by CeRP-Collegio Carlo Alberto, which aims to contribute to the diffusion of basic financial knowledge as an essential tool for citizens. Economic-Financial Literacy and sensible wealth management are core basic skills key to improve personal financial wellbeing and achieve a more active participation to the financial life by citizens. Mastering these set of skills may be also crucial for the older ones, helping them to achieve a better standard of living, hopefully avoiding mistakes and catching the existing opportunities.

The app was realized with the contribution of Mattia Beitone, who wrote his master thesis on the topic (supervisors: Elsa Fornero and Andrea Grosso, University of Turin).

WARNING  This app is a free financial education tool with no advertising purposes. It is meant to show, in a very simplified way, how the spending capacity can be increased by exploiting a share of the "illiquid" wealth (without prejudicing the possibility of leaving a bequest).

Start 



Select the language (Italian or English) by clicking on the flag icon.

BARE OWNERSHIP: ownership of a piece of property without the right to use and derive profit from that property.

homeowner, displaying the spending capacity that they could reach by making "liquid" (part of) their housing wealth without losing the ownership, that is through:

 sale

a reverse mortgage (RM) with two options, based, in a simplified way, on two products available on the Italian market

(Click on the icons  for further details)

Click on the  icons to obtain more information about the various items listed.

Click on "Start" to go to the following page.

INFORMATION



Simulate your monthly spending capacity.
What you will need:

- Your age (min. 60 years)
- The amount of your pension benefit
- Other monthly income
- The amount you wish to bequeath
- The value of the house you own
- The estimated market rental value of the house
- The current balance on your checkable deposit
- The amount of financial assets (if any) and the average yearly interest rate of return

As a result, the app will display your presumed monthly spending capacity, based on your inputs. You will have the possibility to recalculate this estimation after considering:

- The sale of bare ownership of the house
- The stipulation of a reverse mortgage

If you are browsing this website on a mobile device, flip the screen horizontally for the best experience.

Click on the icons  for further details.

Privacy info: None of the requested inputs enables tracing the user's identity. The data are not saved by the system.

← Back

Start →

WARNING: inserting unrealistic data and/or omitting inputs can compromise the plausibility of the results.

Note: There is no need to sign any privacy policy since the app does not ask for sensitive data and data entered is not stored in any database.



PLEASE TELL US ABOUT YOURSELF

Your Age

Compulsory field / Minimum age is 60

Pension (expected or in payment)

Net monthly value of your pension benefit (in €)

Other income

Total amount of other monthly income (in €)

Minimum bequest

Estimated value (in €)

← Previous

Next →

Home 🏠

The "Age" field is compulsory; consequently, the system disables continuation until a valid value is entered (minimum 60 years, as indicated in the field).

Other monthly income

(in €)

The minimum value you wish to bequeath summing up financial (e.g. checkable deposits) and housing (e.g. owned home) wealth.

You can return to the initial screen at any time by pressing the "Start" button. In this case, you'll have to enter your data again.

Click on the  icons to obtain more information about the various items listed.

HOUSING WEALTH

Do you own a house?

Yes No

← Previous **Next** →

Home 🏠

The app automatically marks the lack of a owned home. It is possible not to modify the field and proceed by pressing "Next" (bearing in mind that the purpose of the app is strictly linked to the monetization of owned property).

HOUSING WEALTH

Do you own a house?

Yes No

Value of the house

Estimated market value (in €)

Hypothetical house rent

0

Min valid rent is 10000

← Previous **Next** →

Home 🏠

If you answer Yes, other items to fill out will appear. The "Value of the house" is compulsory; consequently, the system disables continuation until a value is entered.

The "Hypothetical house rent" field is NOT compulsory but the system disables continuation if the value entered is lower than 100.

FINANCIAL SITUATION

Checkable deposits
20000

Financial assets ?
2000

Annual % interest rate on financial assets
Estimated yearly average interest rate on financial assets

← Previous Next →

Home 🏠

The fields in this screen are not compulsory but if you enter a value in "Financial assets", the system greys out the "Next" command until you fill in the "Annual % interest rate..."

FINANCIAL SITUATION

Checkable deposits
20000

Financial assets ?
2000

Annual % interest rate on financial assets
0,
This value can be positive or negative. Use dot for decimals (max 3 decimals) eg. 0.003

← Previous Next →

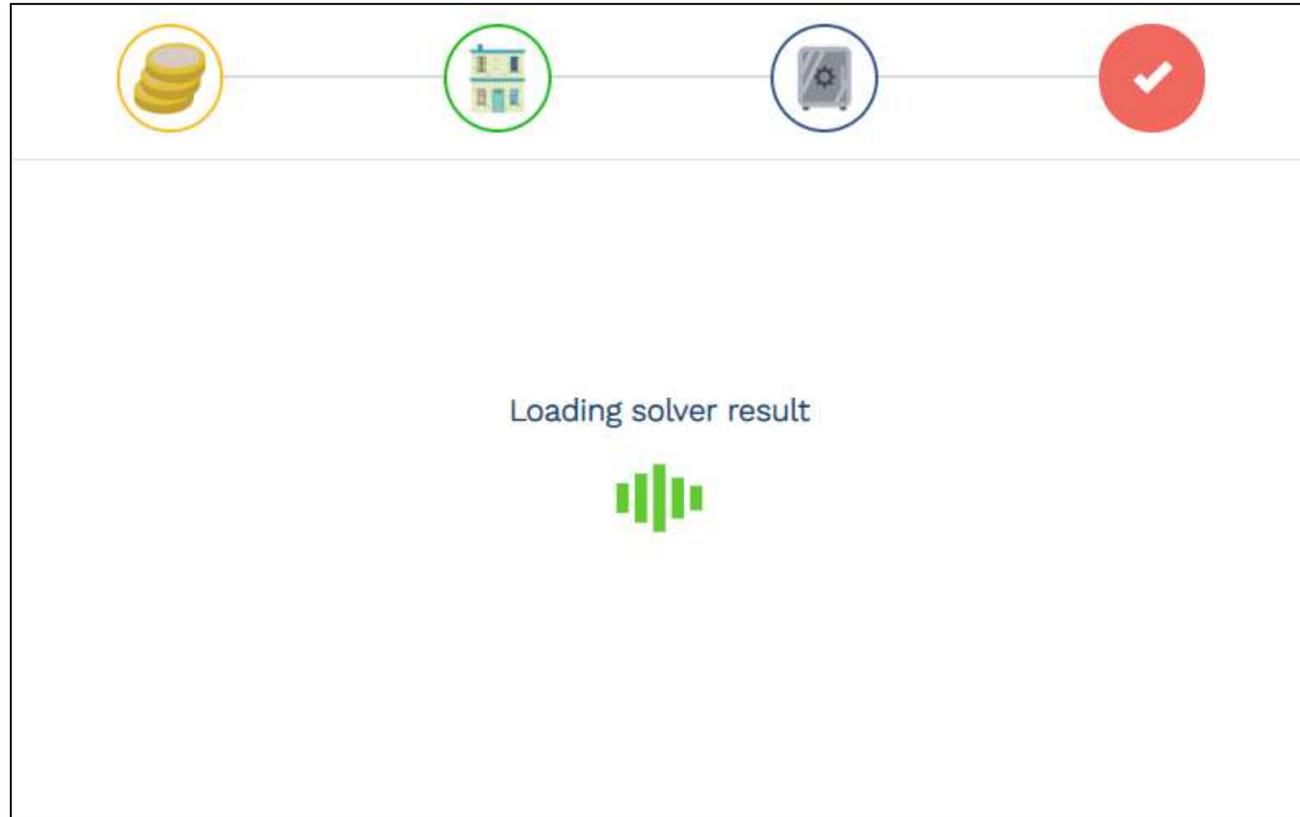
Home 🏠

The annual interest rate can have a positive or a negative value (e.g. -1). To ensure correct reading, if decimal places are involved, use the dot and not the comma (e.g. 0.5 ✓ 0,5 ✗)

Recap of inputs:	
Age:	60
Pension benefit:	1.000,00 €
Other income:	200,00 €
Bequest:	50.000,00 €
House owner:	Yes
House value:	150.000,00 €
Estimated rent:	550,00 €
Checkable deposits:	20.000,00 €
Financial assets:	2.000,00 €
Interest rate:	1%

You can navigate quickly from one input screen to another at any time by clicking on the icons at the top.

You can display the previous screen at any time by pressing the "Previous" button without losing data entered up to that point (unlike what happens when you press "Start").



Depending on the data entered, the duration of app processing may vary from scenario to scenario. If the symbol is moving, the app is running and performing the necessary calculations.

Base case scenario

Monthly (annual) spending capacity
1.276,85 € (15.322,20 €)

Bequest ⓘ 150.000,00 €

Annual spending capacity

Expected evolution of financial assets (based on Robert's life expectancy)

The result shows the monthly spending capacity (as well as the annual value in brackets), that is, the maximum amount that can be spent every month/year. The calculation is based on data you entered and the life expectancy for an individual of your age.
N.B. It is assumed that your financial resources are entirely spent.

Monthly (annual) spending capacity
1.276,85 € (15.322,20 €)

Bequest ⓘ In this scenario, the bequest corresponds to the value of the house, as financial wealth is totally consumed

Annual spending capacity

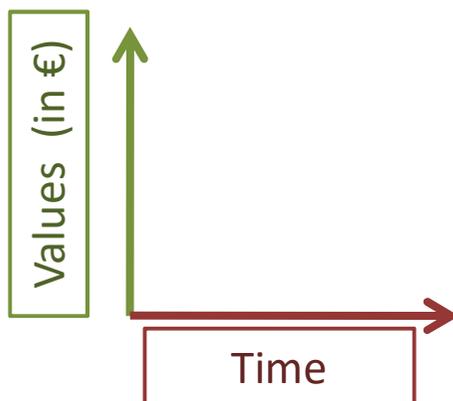
Expected evolution of financial assets

The "Bequest" item shows the value of wealth left as an inheritance. Since this scenario considers home to be illiquid wealth (i.e. it does not generate money that can be spent), the inheritance equals the entire home value.



Monthly (annual) spending capacity
~~1.276,85 €~~ (15.322,20 €)

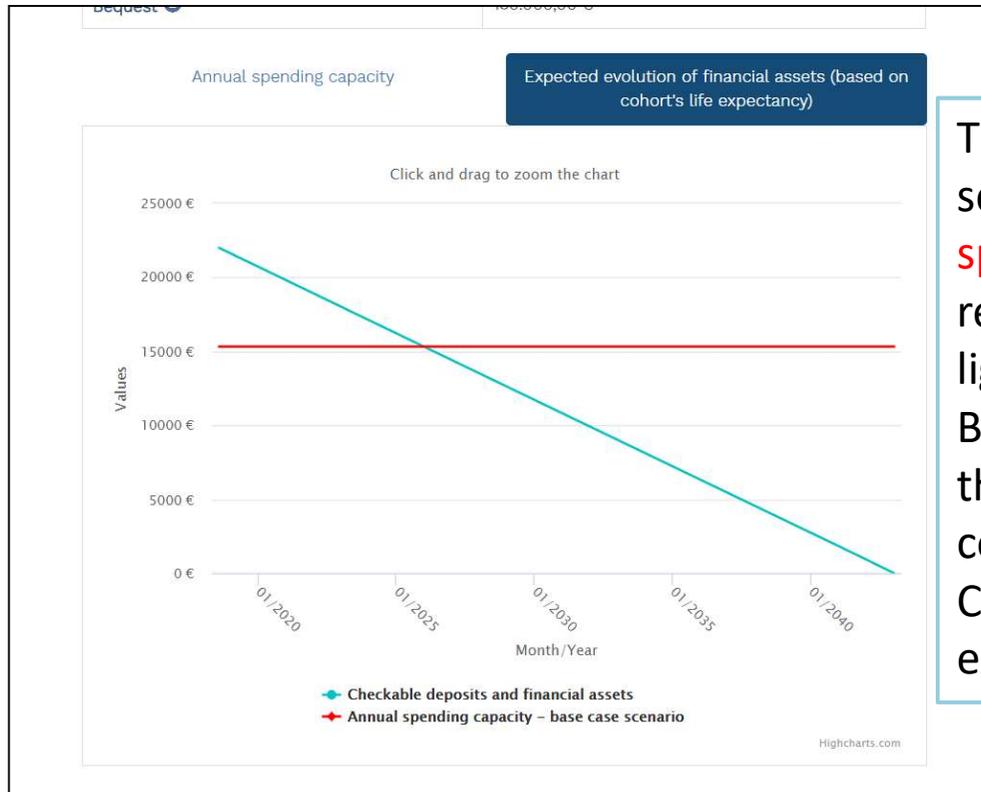
The "Annual spending capacity" screen shows graphically the value calculated by the app, as showed above. For simplicity's sake, spending is assumed to be constant over time and is therefore represented as a horizontal line.



Annual spending capacity

Expected evolution of financial assets (based on cohort's life expectancy)

You can click on the buttons above these graphics to display other graphs. To know exactly what you are viewing at any time, simply read the button highlighted in blue.

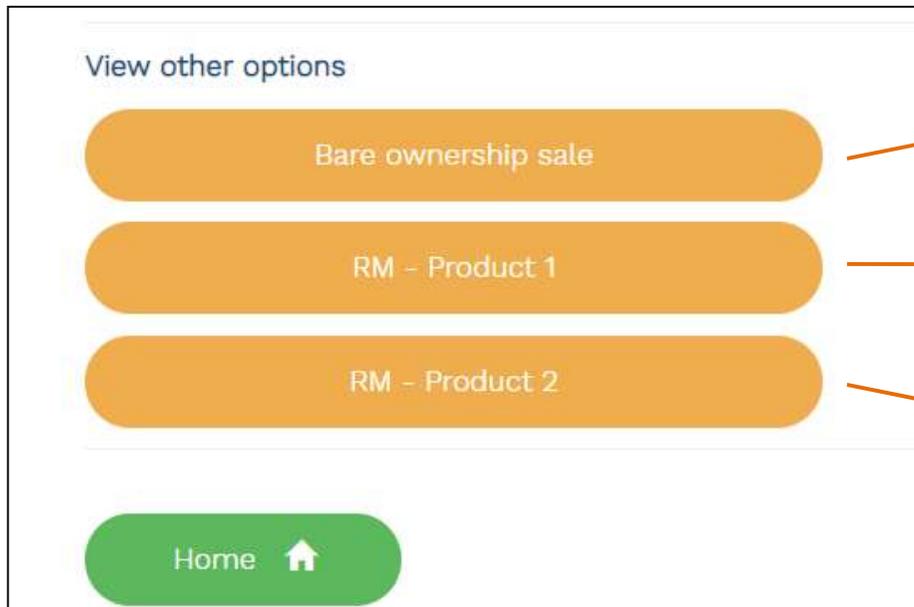


The “Expected evolution of financial assets” screen has two different lines: the **annual spending capacity**, already shown above (in red) and the value of **financial wealth** (in light blue).

Based on the life cycle model, it is assumed that this wealth is decumulated in the course of your life until it reaches zero. Calculations are based on the average life expectancy for people of your age cohort.

Each graph can display precise values at certain dates by passing the mouse cursor over the graph (for example, the figure shows the spending capacity and financial wealth values calculated for February 2039).

There are three orange buttons at the bottom of each screen which you can use to run the spending capacity calculation under three alternative scenarios, resulting from:



- selling the bare ownership of your home

- taking out a reverse mortgage (first product)

- taking out a reverse mortgage (second product)

Bare ownership sale



Solution with sale of bare property

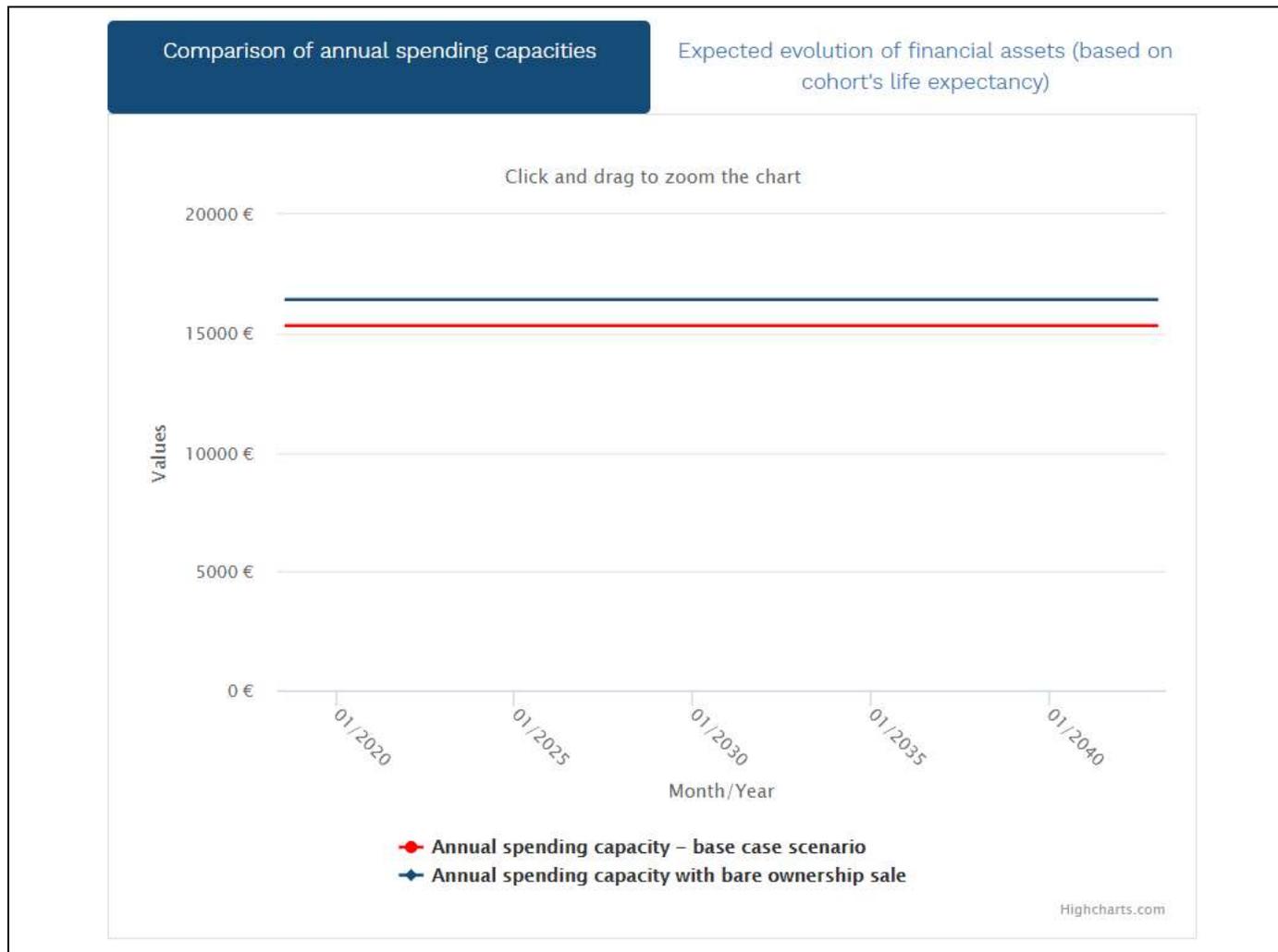
Monthly (annual) spending capacity with bare ownership sale
1.368,04 € (16.416,48 €)

Monthly (annual) spending capacity with base case scenario	1.276,85 € (15.322,20 €)
Bequest ⓘ	50.000,00 €
Bare ownership sale	Month/year of sale: 7/2029 Sale value: 76.984,20 €

The spending capacity is now higher. You can easily compare this result with data for the previous scenario.

This box displays the date of sale of bare ownership and its sale value (based on the data entered and market assessments).

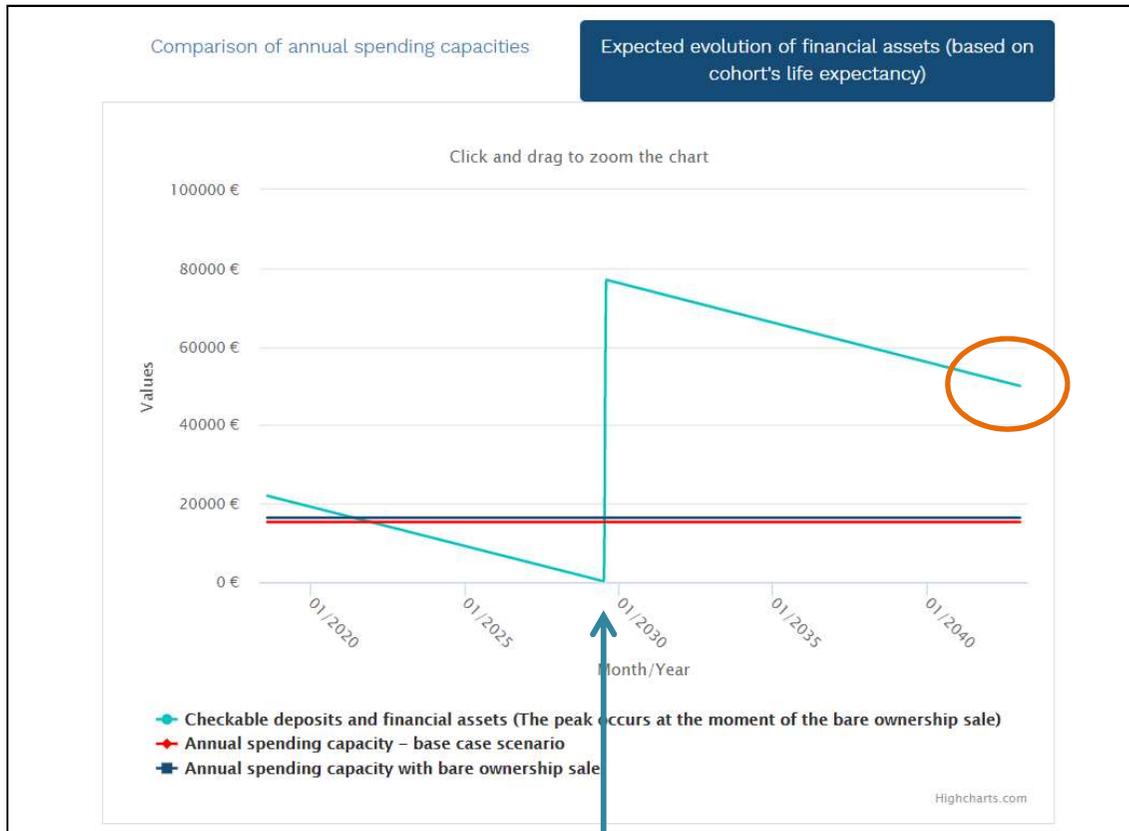
You can allocate additional liquidity to consumption and consequently leave an inheritance (made up exclusively of financial wealth) in line with your expectations.



The spending capacity graph now becomes a screen comparing the two capacities: under the **base case scenario** (in red) and under the **bare ownership sale** (in blue) option.

This provides an immediate comparison and helps to visualize the increase in spending capacity obtained by monetizing the home value.

The same interpretation of the base scenario except for the addition of the blue line with the annual spending capacity in the event of bare ownership sale.

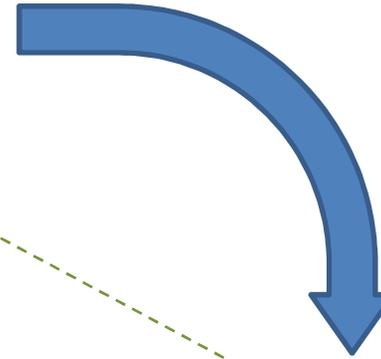
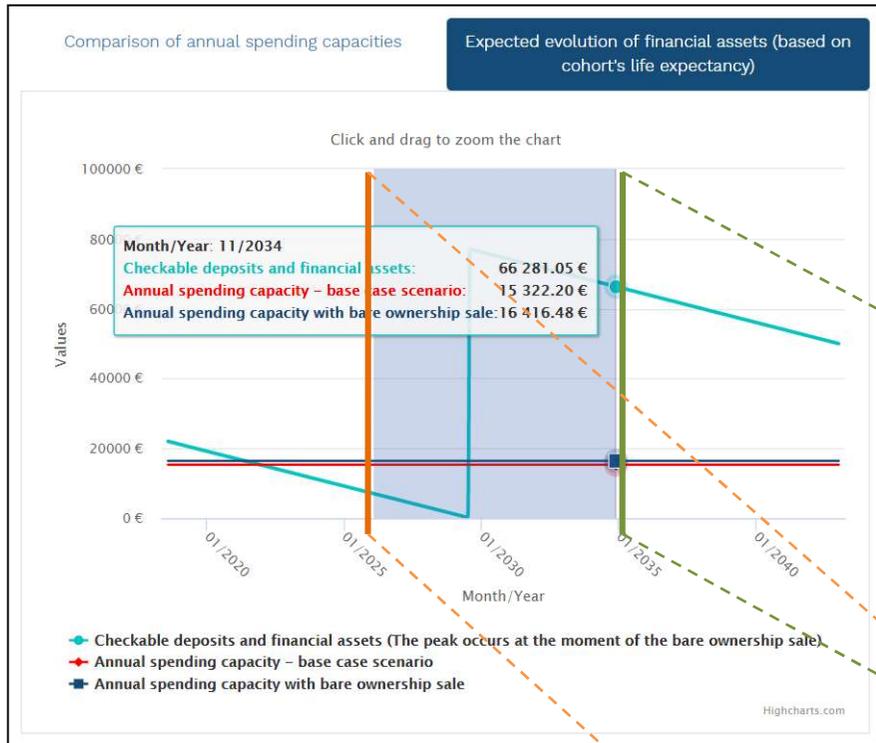


Month/year of sale: 7/2029
 Sale value: 76.984,20 €

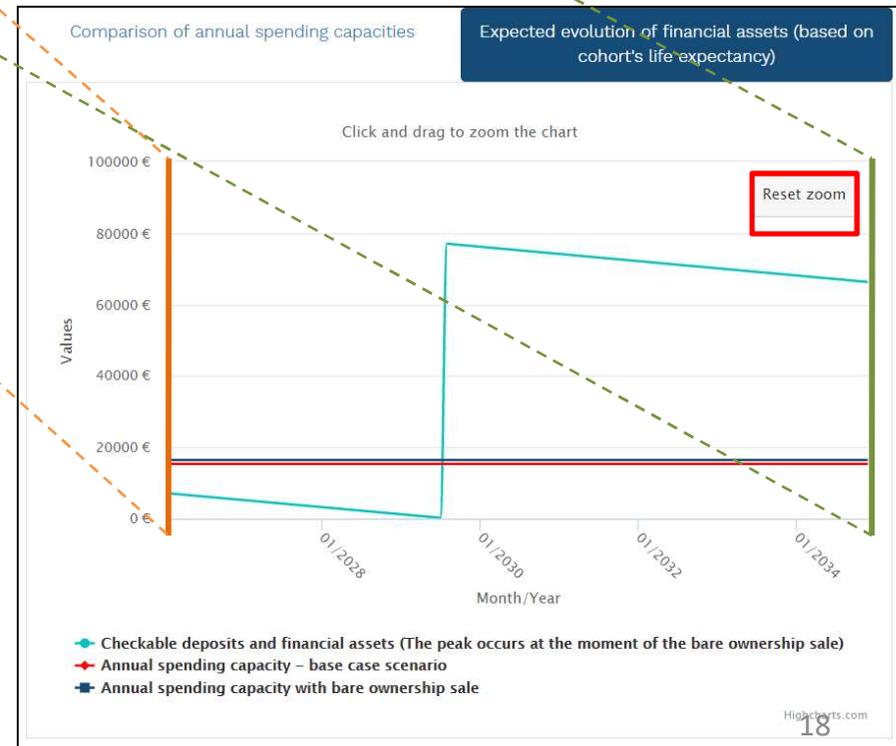
Note the peak in value of financial wealth. It corresponds to the value obtained from the bare ownership sale. This value and the date when the contract is completed correspond to the indications given in the table at the beginning of the screen (in this case, July 2029 and €76,984.20).

N.B. It is assumed that you consume all available wealth before the bare ownership sale.

The inheritance corresponds to the entered desired sum of €50,000.



Highlight part of the graph with the mouse cursor to visualize the period of time considered in greater detail.
 Click on the start date, hold and drag to the end date.
 Press the **"Reset zoom"** button to return to the full screen view.



RM - Product 1



Reverse mortgage (RM) scenario - Product 1

Monthly (annual) spending capacity with RM 1
1.442,79 € (17.313,48 €)

Monthly (annual) spending capacity with base case scenario	1.276,85 € (15.322,20 €)
Bequest 	50.005,60 €
Reverse mortgage 	Contracting month/year: 12/2025

Comparison of annual Expected evolution of Expected evolution of Reverse

The reverse mortgage is a financial instrument used to monetize the value of home ownership while allowing the owner to continue living there, without having to pay any instalments.

When the homeowner passes away, the heirs may pay the debt and redeem the mortgage or let the bank sell the property and use the proceeds to settle the debt.

If the sum obtained from the sale is higher than the debt, the difference will be refunded to the heirs. On the contrary, they will not be required to settle any negative difference.

Monthly (annual) spending capacity with base case scenario	1.276,85 € (15.322,20 €)
Bequest 	50.005,60 €
Reverse mortgage 	Contracting month/year: 12/2025

Lump sum received at contract conclusion, net of costs. Its value depends on the contractor's age (and life expectancy); it ranges between 24% and 60% of the house value. Fixed interest rate.

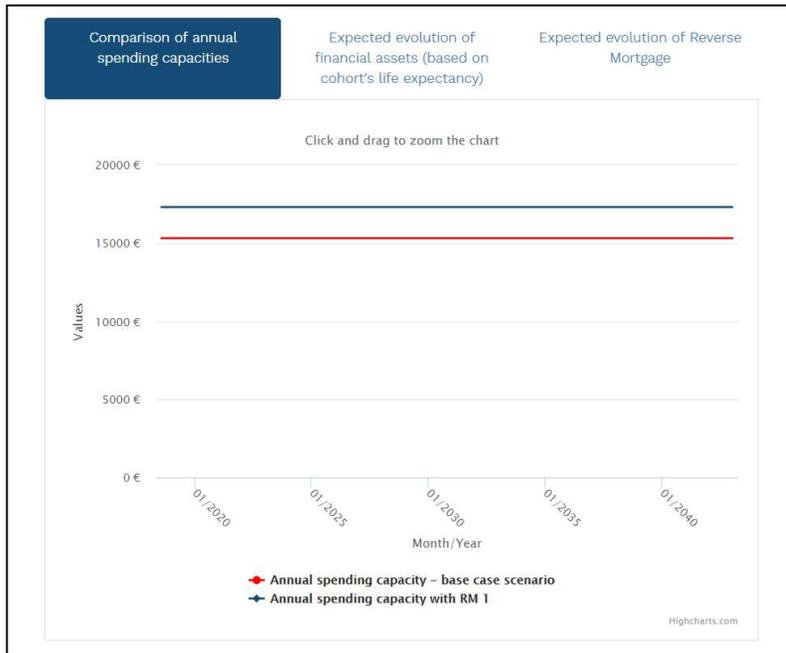
Press the  icon beside RM to display the main features of this contract: for example, the home estimation gap (depending on the owner's age) or the method of loan disbursement (in this case, a lump sum).

Monthly (annual) spending capacity with base case scenario	1.276,85 € (15.322,20 €)
Bequest 	50.005,60 €
Reverse mortgage	Contracting month/year: 12/2025

In this scenario, the bequest is composed of the residual financial wealth and the value of the house, net of RM

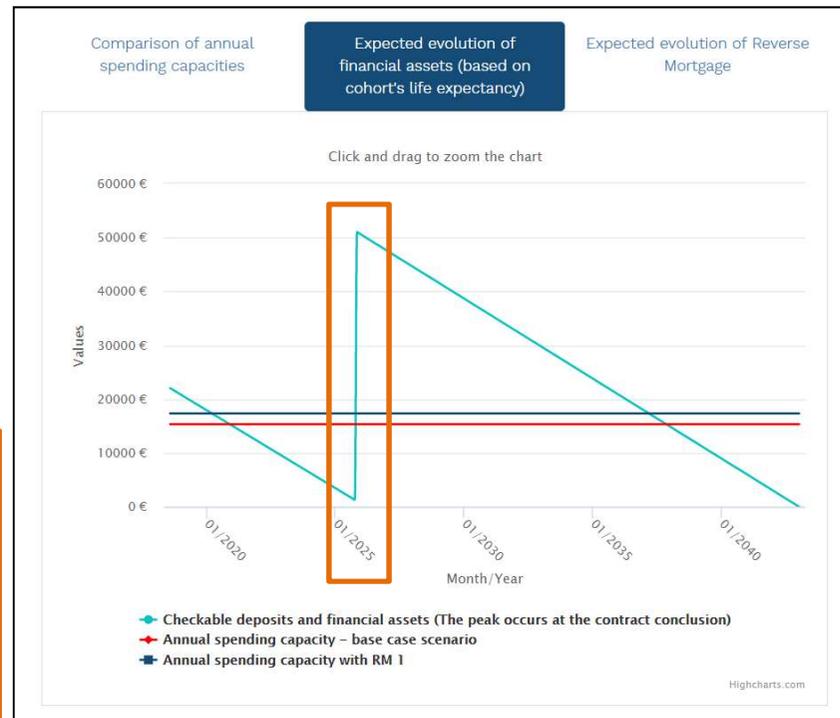
The inheritance is calculated as the sum of:

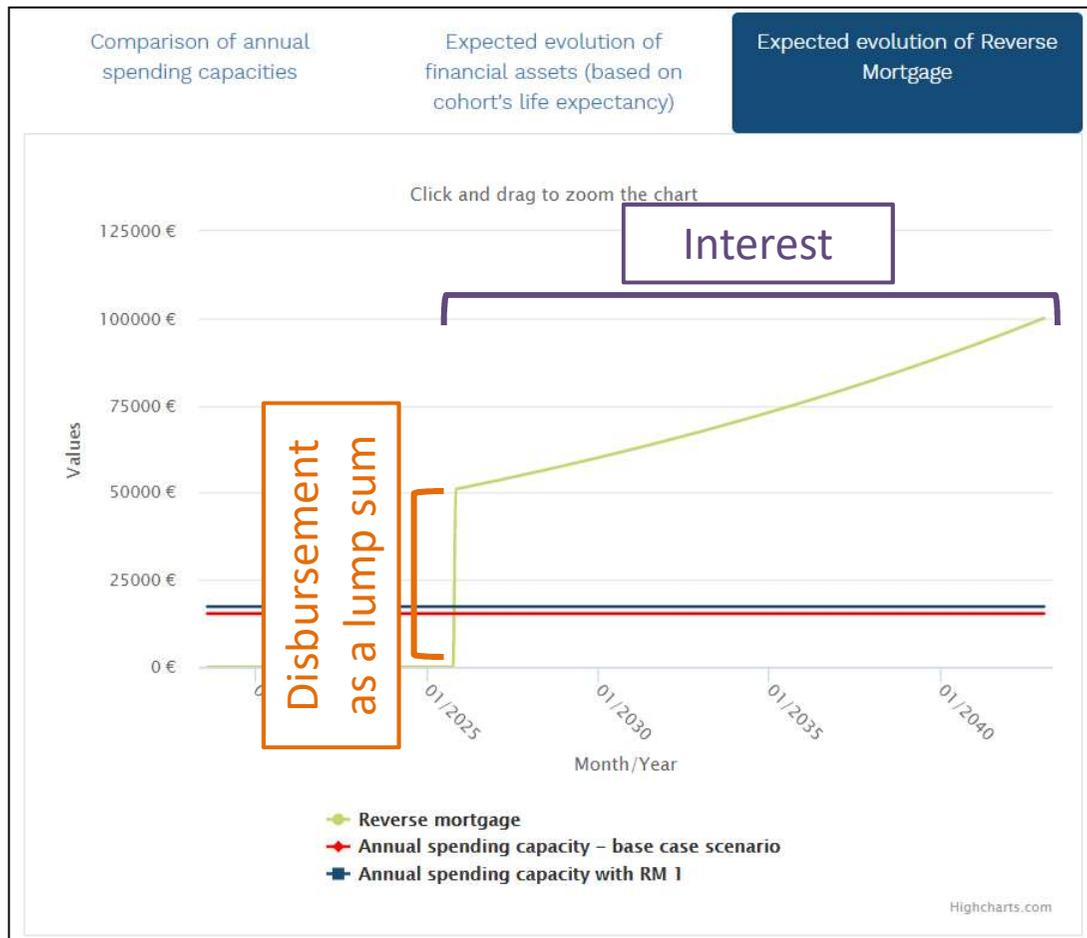
- financial wealth at the time of passing
- the difference between the value of the home and the value of the loan that must be repaid to the bank at the time of the owner's passing



The comparison graph indicates that the annual spending capacity increases after the stipulation of a RM.

The peak corresponds to the date when the RM is implemented. In this case, December 2025 (as indicated by the table at the top of the screen).





The green line shows the reverse mortgage trend. The value indicates the sum that must be returned at the end of the contract in order to redeem the mortgage or, alternatively, the sum that must be subtracted after the house sale by the bank.

In this example, the initial peak corresponds to the single sum disbursed in December 2025, while the subsequent upwards trend reflects the accumulation of interests on the loan.

RM - Product 2

Reverse mortgage (RM) scenario - Product 2

Monthly (annual) spending capacity with RM 2
1.316,88 € (15.802,56 €)

Monthly (annual) spending capacity with base case scenario	1.276,85 € (15.322,20 €)
Bequest ⓘ	129.907,00 €
Reverse mortgage ⓘ	Contracting month/year: 8/2034

Monthly annuities. Annuity range between 13.3%-50% of the house value, depending on contractor's age (and life expectancy). Fixed + Variable interest rate

Comparison of annual spending capacities

Expected evolution of financial assets (based on cohort's life expectancy)

Expected evolution of Reverse Mortgage

Click and drag to zoom the chart

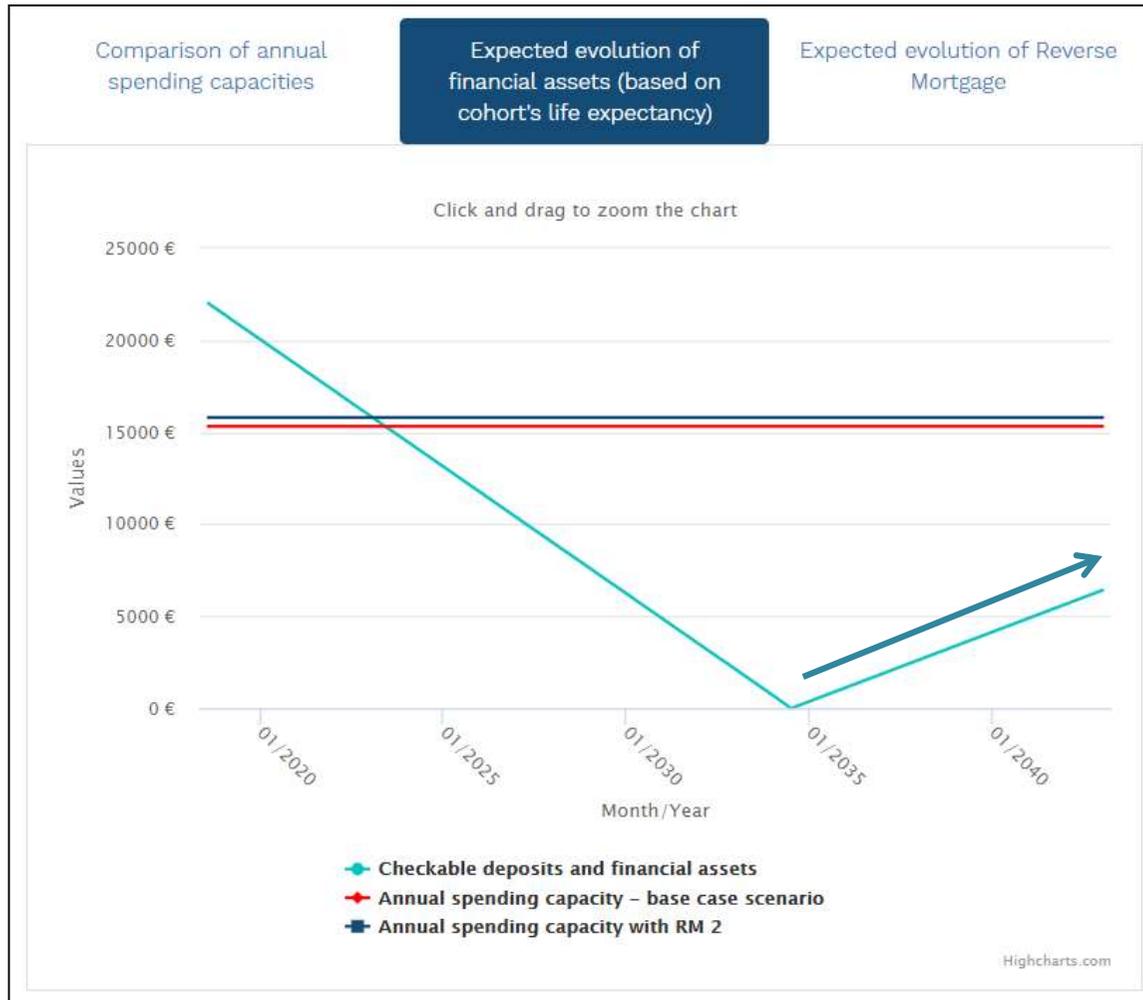
Values

20000 €

15000 €

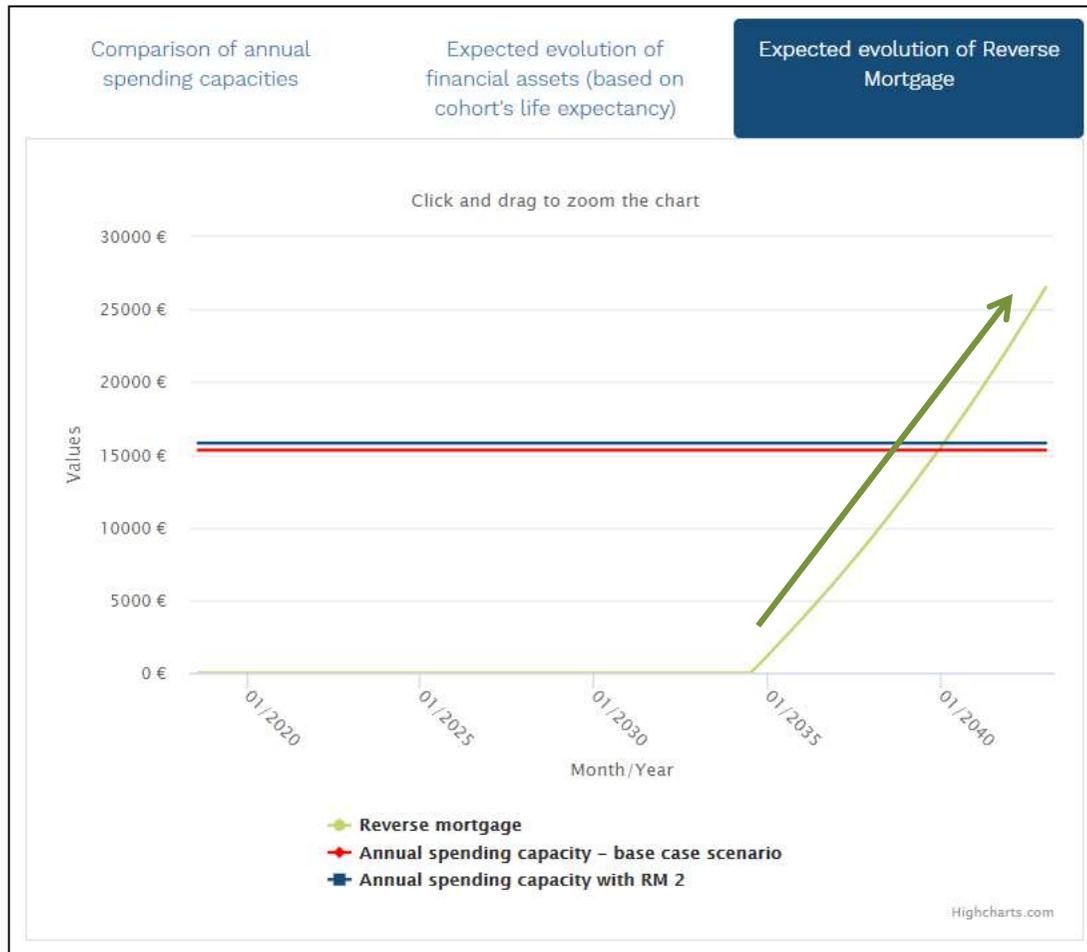
10000 €

The interpretation of the results for the second RM option is identical to the former one. Click on the info icon to display the main product features (in particular, disbursement as monthly annuities, which means that the money is disbursed by the bank once a month).



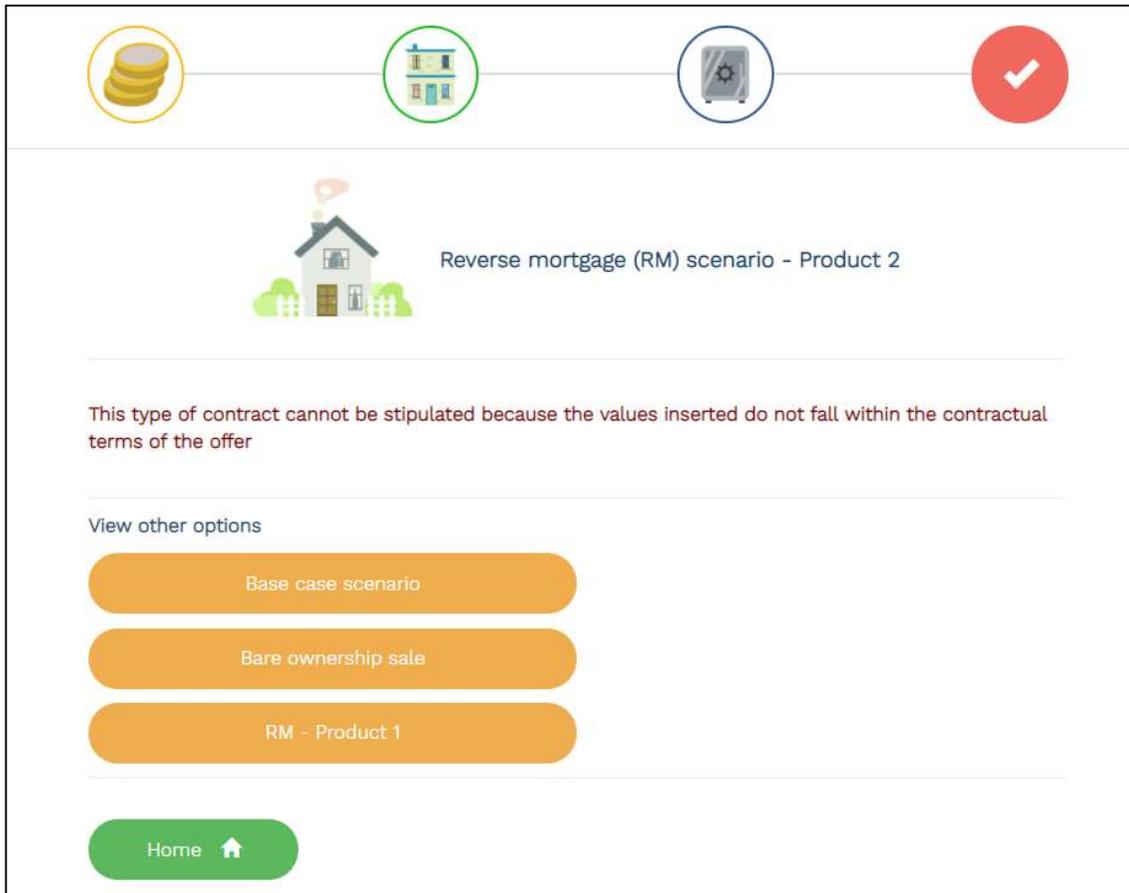
The light blue line representing financial wealth indicates that there is no peak in this scenario but an upwards trend starting from the RM stipulation.

This is because the loan is not paid as a single sum but in monthly annuities. The trend is upwards because it is assumed that monthly income is higher than monthly expenditure (as indicated by the spending capacity).



The green line shows the RM trend. The value indicates the sum that must be returned at the end of the contract in order to redeem the mortgage or, alternatively, the sum that must be subtracted at the time of sale by the bank.

In this case, there is no initial peak but an upwards trend that includes both the sums paid monthly and the interest on the loan.



It can happen that a simulation scenario for either RM option is not displayed, while this message appears. This is not due to a system error, but to the product constraints: sometimes the data entered do not lie within the conditions envisaged (for example, a minimum house value).

For further info on the app please contact:

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For other FINKIT financial literacy tools,
please visit:

<http://www.finkit-cerp.carloalberto.org/>