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What the ***Back to the Future* ripple effect** could teach you about financial planning

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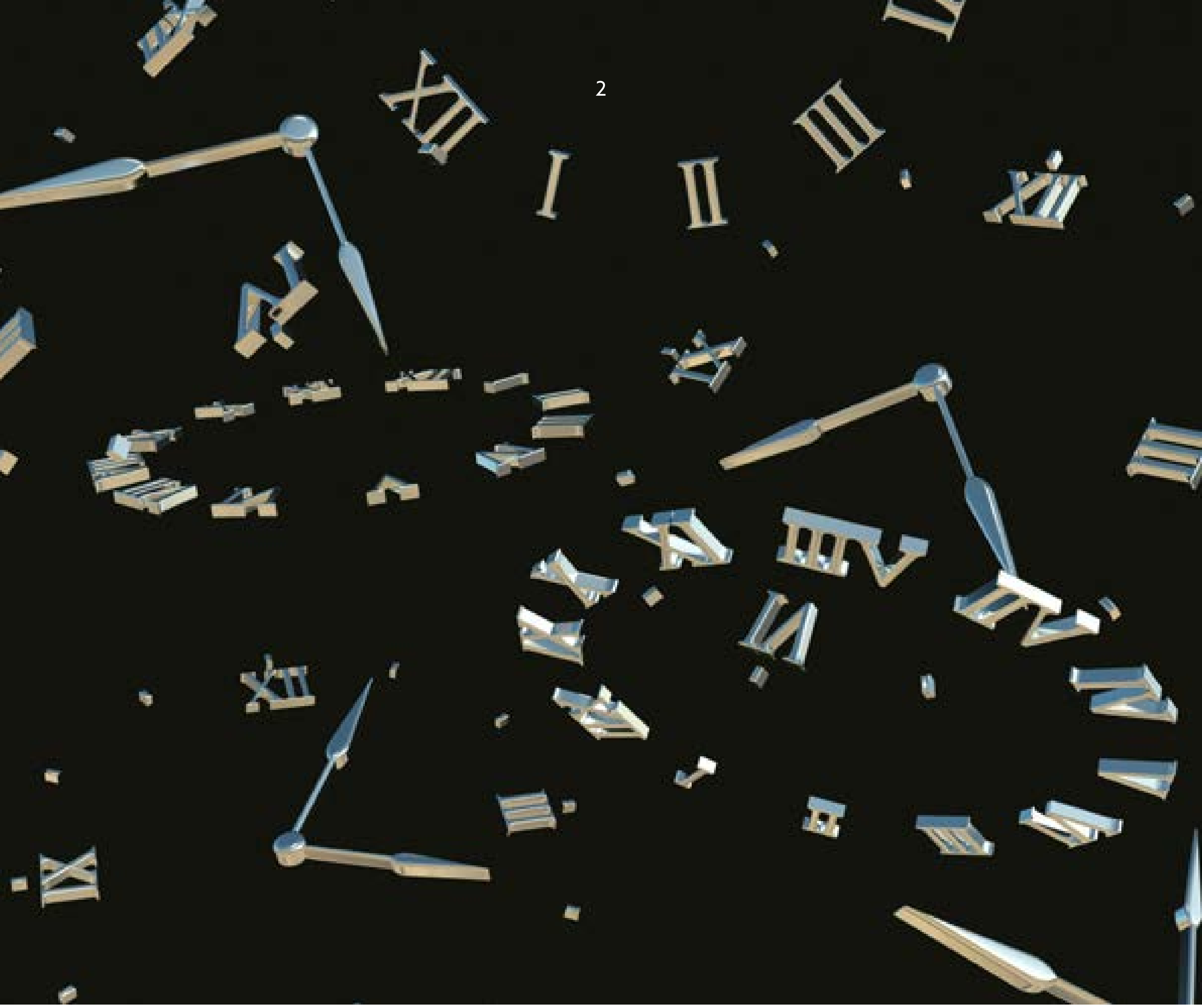

It's been 40 years since the now cult classic film *Back to the Future* delighted cinema-goers with its time-travelling adventure. Teenager Marty McFly discovers the power of the "ripple effect", and it's something that could be valuable when you're creating a financial plan as well.

When eccentric scientist Emmett "Doc" Brown creates a time travelling DeLorean, Marty is accidently transported from 1985 back to 1955 where he inadvertently prevents his parents from falling in love – threatening his existence.

Back to the Future's budget was $19 million (£14.1 million), and it made $388.8 million (£289 million) at the box office – a return of around 1,946% before other sources of income are considered.

His presence in the past creates a ripple effect that changes key events in his family's history, and even seemingly small actions have the potential to lead to huge changes.

So, what could you learn from the *Back to the Future* ripple effect?

The power of the ripple effect

One of the plot devices in *Back to the Future* is the ripple effect – the spreading impact of an initial event. Even a seemingly small change to the timeline has the potential to have far-reaching implications.

When a car almost hits his teenage father, George, Marty starts a chain of events that he didn't foresee by saving him, that he then has to try and undo.

The ripple effect can change the course of your life, too. Small decisions or events outside of your control could have a far larger effect on your future than you might expect.

Imagine you're 22 and starting your career. You have a choice: do you start paying into your pension now, or wait until later in life when you're more financially stable and can contribute more?

At 22, retirement can seem like a milestone you have decades to think about and plan for, especially if you're working towards other goals, like buying your first home or starting a family. So, you might plan to opt out of your workplace pension scheme and contribute a higher portion of your income in the future.

While that might seem sensible, the ripple effect could mean that it leads to less freedom in retirement.

February 2025 calculations from Legal & General highlight the effect of investing over a shorter period. Assuming an annual growth rate of 5%, if you contributed:

- £100 a month to your pension from the age of 22, you'd have saved a total of £51,600 by the time you were 65, and the value of your pension would have grown to £175,500
- £200 a month to your pension from the age of 40, you'd have saved a total of £60,000 by the time you were 65, and the value of your pension would have grown to £117,000.

In this scenario, pausing pension contributions until you're 40 and paying double contributions later would mean you've saved an extra £8,400. However, you would have £58,500 less when you retire because you've missed out on long-term investment growth.

So, that initial decision to delay pension contributions at the start of your career has had a ripple effect that could mean your retirement is very different from what it could have been.

It's important to note that investment returns cannot be guaranteed and are not fixed. In addition, you'll usually need to consider the effect of fees.

There are plenty of other ways your financial decisions might create a ripple effect, such as:

- Rounding up your mortgage repayments may allow you to become debt-free sooner
- Missing a credit card repayment could affect your ability to secure a competitive interest rate in the future
- Contributing a small amount each month to an emergency fund might mean you're in a better position to overcome financial shocks.

When Marty sees the effect of his action – he and his siblings disappearing from a family photo – he's able to take steps to change the future.

The good news is, you could too.

Cashflow modelling could help you understand potential ripples

Despite saying, "No one should know too much about their own destiny," even Doc sees the wisdom in taking a peek at what the future holds by the end of the film. Indeed, he reads a letter he knows contains details about his life and, by the sequel, he's using the time machine to divert a disastrous future.

The ripple effect can have unintended, and potentially harmful, consequences. Yet, a glimpse of the future to understand the long-term implications of your decisions today may allow you to make better choices that align with your goals. One way to do this as part of your financial plan is to use a cashflow model.

While cashflow modelling doesn't involve hopping into a DeLorean with your financial planner and reaching 88mph, it could offer you insights into your future that are just as valuable.

Cashflow modelling is a financial planning tool that projects how the value of your assets might change over time.

You start by gathering data, such as your income, household expenses, and the value of your current assets. Then, you can make certain assumptions, like the rate of inflation, investment returns, and your life expectancy.

This information is then used to create a dynamic model that simulates how your finances might change in different scenarios. For example, you might update the data to discover:

- If a period of investment volatility could place your long-term goals at risk
- The risk of running out of money in your later years if you retire at 55 or 65
- How a period of high inflation might affect your income needs and long-term finances
- How your long-term finances may be affected by gifting a lump sum to your loved ones
- If you have enough in retirement to cover potential care costs if you need support later in life.

It's important to note that the outcomes of cashflow modelling cannot be guaranteed, and it's essential that the information is kept up to date through regular reviews.

However, cashflow modelling, like a time machine, could offer you a chance to look into the future and adjust your decisions if necessary.

Inflation has the potential to reduce your future spending power

In the sequel, *Back to the Future Part II*, nemesis Biff obtains an almanac from the future and uses it to successfully wager money on a horse race. It led to him winning his first £1 million on his 21st birthday in 1958 and amassing power.

By 2015, as the wealthiest resident of Hill Valley, corrupt Biff has turned the town into a dystopia.

During the film, you can see that Biff is spending lavishly and needs to grow his wealth to meet his lifestyle expenses. Indeed, even if he just wanted to remain a millionaire, Biff would need to consider the wealth-eroding effect of almost 50 years of inflation.

According to the Bank of England, £1 million in 1958 would need to have grown to more than £14.7 million by 2015 just to maintain its spending power, as inflation during that period averaged 4.8% a year.

It's a useful reminder that the value of cash often falls in real terms once you factor in inflation. So, if you're holding large amounts of cash, you might want to review savings and investments to ensure they produce a return that outpaces inflation.

5 more powerful lessons you could learn from *Back to the Future*

1. Balance your short- and long-term goals

Building the time machine is a labour of love for Doc. Indeed, he first conceived the idea of the essential component – the flux capacitor – in 1955. It takes 30 years of hard work before Doc's dream becomes a reality.

This is a useful lesson that reaching some goals takes decades, but it's worth it when you do.

As part of your financial plan, you're likely to have a retirement goal that allows you to enjoy life once you've given up work. For most people, saving enough for retirement means diligently putting a portion of their income into a pension for decades – it's a marathon, not a sprint.

You might have other long-term aspirations too, such as helping your children get on the property ladder or leaving a legacy when you pass away.

While some of your goals might seem like you have plenty of time to address them, putting off working towards them could mean you miss out. So, take a leaf out of Doc's book and prioritise long-term goals alongside your short-term plans.

2. Prioritise what makes you happy

At the start of *Back to the Future*, Marty's parents aren't happy.

Indeed, his father, George, lacks confidence and is working in a job that he doesn't enjoy, while his mother, Lorraine, is disappointed about how her life turned out.

Luckily, the actions of Marty in the past changed that. On returning to 1985, he finds his parents are far more fulfilled. George has developed his passion for writing and has become a successful science fiction author, Lorraine is living a healthier lifestyle, and they both have better relationships with their family.

Setting out what makes you happy and what you're passionate about could help you build a fulfilling lifestyle. You can build these aspirations into your financial plan so the decisions you make support your progress towards them.

3. Focus on following your own path

At times, it can feel like you need to follow the path everyone else is taking. Yet, that could lead to a lifestyle or financial decisions that aren't right for you.

So, take a lesson from *Back to the Future* and forge your own path. As Doc said, "Roads? Where we're going, we don't need roads."

Following a path that's right for you could take many different forms.

For example, many people work throughout their lives until they reach State Pension Age, at which point they give up work and draw an income from their pension. But that's not the only option. You might prefer to temporarily retire to see the world in your 50s and then return to work, or dream about setting up a business later in life.

There isn't a "right" way to retire – a tailored financial plan could help you assess how you want to use your later years.

Alternatively, you might be tempted to follow the path of others when you're investing. While that can offer a sense of security, it might lead to you making decisions that aren't aligned with your wider goals, which could be potentially harmful.

Instead, following an investment strategy that's tailored to you could help you balance financial risk with the outcome you want.

4. Be prepared for the unexpected

Unsurprisingly, Marty's foray into the past doesn't go smoothly, and his and Doc's plan goes off course. By adapting, they're still able to generate the power the DeLorean needs to head back to 1985, even though they don't have access to a vital ingredient: plutonium.

You don't need to consider the risk of changing the course of your parents' relationship, but there's still value in preparing for the unexpected. Even the best-laid plans could be blown off course if you face a shock, such as an unexpected bill, an illness within your family, or a relationship breaking down.

Being proactive could help you identify potential risks and then take steps to limit the effect they have. To prepare for the unexpected, you might:

- Build an emergency fund
- Regularly review your financial plan
- Take out appropriate financial protection
- Use cashflow modelling to answer "what if?" questions.

If you do experience a financial shock, reviewing your circumstances and adapting your plan as they do in *Back to the Future* could keep your plans on track.

THE STATLER FAMILY: AN ESTATE PLANNING SUCCESS

Fans of the *Back to the Future* franchise might have spotted a Hill Valley family with a successful estate plan in the background – the Statlers.

When the time-travelling duo are in 1885, you can glimpse a sign advertising Joe Statler's "fine horses". A century later, the family's successful business is still there, and it's moved with the times to sell cars.

Passing on valuable assets to your loved ones in a way that preserves wealth often requires a tailored estate plan that considers numerous factors, from who your beneficiaries are to potential Inheritance Tax – a step the Statlers appear to have undertaken.

5. Recognise when you could benefit from working with a professional

When he's stranded in 1955, Marty knows he can't make it back to the future without expert knowledge, so he seeks out a younger Doc to help him return home.

You might not be stuck in the past, but there are still times when you could benefit from working with a professional who has insights and specialist knowledge. For example, working with a financial planner may help you identify:

- The steps you need to take to reach your financial and lifestyle goals
- Ways to pass assets to your loved ones efficiently
- How to reduce your tax bill.

These potential benefits could help you get more out of your money and provide a greater opportunity to focus on the things you enjoy.

“Your future is whatever you make it. So, make it a good one”

In the words of Doc: “Your future hasn’t been written yet. No one’s has. Your future is whatever you make it. So, make it a good one.”

Thinking about what’s important in your life and taking control of your finances could give you the power to create the future you want.

If you’d like to explore what your financial future could look like, and the steps you might take to reach your goals, please get in touch.

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Please note: This guide is for general information only and does not constitute financial advice, which should be based on your individual circumstances. The information is aimed at retail clients only.

The Financial Conduct Authority does not regulate cashflow planning, tax planning, or estate planning.

A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Past performance is not a reliable indicator of future performance.

The tax implications of pension withdrawals will be based on your individual circumstances. Thresholds, percentage rates, and tax legislation may change in subsequent Finance Acts.

The value of your investments (and any income from them) can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.