



Purpose of the Cash Flow Availability Calculator

Basic Use

You may want to use the **Cash Flow Availability Calculator** in Wealthy and Wise® merely to determine the maximum amount of cash flow that can be obtained from liquid assets over a designated number of years. You can designate the range of target years desired for the calculation, as well as add interest assumptions for inflation indexing.

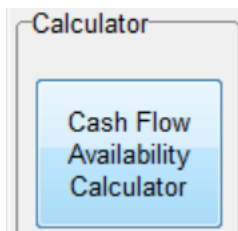
There must be liquid assets available for the **Cash Flow Availability Calculator** to be used effectively, so be certain to enter all your client's assets first. (In some cases, you may want to illustrate the liquidation of certain illiquid assets in order to provide sufficient additional liquidity.)

Advanced Use

Use the **Cash Flow Availability Calculator** when a client is more interested in increased retirement cash flow than an increase in net worth.

To do this, many Wealthy and Wise users create **Scenario 1** to reflect exactly what the client is doing now (the status quo), and **Scenario 2** portrays the results of whatever planning strategy has been introduced. (The inclusion of a max-funded, client-owned, life insurance policy with substantial policy loan activity for retirement cash flow will often be the strategy used in **Scenario 2** to increase net worth and put less strain on liquid assets.)

If **Scenario 2** develops more net worth than **Scenario 1** with residual liquid assets remaining, copy **Scenario 2** to a new **Scenario 3** which, for the moment, will be an identical copy of **Scenario 2**. Within **Scenario 3**, select "Additional Spendable Cash" one of the unused drop down selection on the **Desired Cash Flow** tab. Click "**Schedule**" to go inside the numerical array, and then click on this icon for the **Cash Flow Availability Calculator** on the right side of the screen:



Below is how I used the **Cash Flow Availability Calculator** for calculations in Blog #189 to establish the results for Scenario 4.

The key now is to create more retirement cash flow from year 31 to 60 (age 65 to 95) for this couple by requesting a reduction in net worth for **Scenario 4** as shown in the following screen shot from the **Cash Flow Availability Calculator**.

Click the thumbtack button to the left and read before continuing.
To use this calculator effectively in any Scenario, you must first enter all the data in at least one Scenario so the System can evaluate your requests below.

This is a sophisticated calculator. Be certain to check every prompt to be sure your entries are exactly what you want.

Years to calculate
Starting year for additional cash flow: 31
Ending year for additional cash flow: 60

Inflation assumption
 Inflation rate: 3.00 % starting in year 1 of cash flow
 2nd inflation rate: 3.00 % starting in year 2 of cash flow

Net worth
for scenario
Current net worth in year: 60 \$13,118,873 Retirement Plan 2 with IUL
Desired net worth in year 60: \$8,000,000 ← **Reduction in net worth**
If you are unsure, review the Summary of Liquid Assets and Hypothetical Net Worth reports.
(If you need more liquid assets, consider liquidating illiquid assets. If you use this option, make sure there are acceptable entries on the Illustration Details tab/Reinvestment of Assets sub-tab.)

Results
Maximum Additional Cash Flow: \$60,955 (with net worth of \$8,000,052)
Illustrate this amount: \$60,955 ← **Increase in cash flow**
Calculate Rounding

These results are based upon input from a specific client as to the makeup of his/her/their net worth and liabilities.
Note: By clicking OK in the upper right corner, this result will be copied to the current Desired Cash Flow schedule.

Important Note: A result determined by the Cash Flow Availability Calculator is not intended to be a recommendation. It is solely a calculation that provides you a sense of additional cash flow based on your data input. Under no circumstances should you design a Scenario that utilizes all or any part of an amount indicated by the Calculator that reduces illustrated net worth or liquid assets to a level that is unacceptable to a client.

You can see the result in this example where I reduced desired net worth to \$8,000,000, and in doing so, produced \$60,955 more in retirement cash flow from age 65 to 95.

Why \$8,000,000? It is an arbitrary selection. In this case, I wanted to improve cash flow, and I selected \$8,000,000.

Note: If there are not sufficient liquid assets to reduce net worth that much, the **Cash Flow Availability Calculator** will reduce net worth as far as possible.

Note: The numbers are from Blog #189 written by Bob Ritter, InsMark's President

Note: The **Cash Flow Availability Calculator** can also be used to find additional cash flow for gifts to heirs, premiums for long-term care, charitable contributions, etc., while also calibrating net worth to comfortable levels.