



## Wealthy and Wise® Help Calculating Cash Flow

Tip: Learn where you can determine how much cash flow a current asset base can support.

It's in an odd location, and even there, it doesn't appear to apply to spendable cash flow for your clients.

It was designed in Wealthy and Wise to help you assess the maximum amount of gifts to heirs or charity from the current liquid asset base in order to give you a maximum guideline in designing your evaluations by reducing all liquid assets to zero by the ending year of the analysis.

The "Gift to heirs" solution also double as the maximum spendable cash flow for your clients that the current liquid asset base can support by reducing all liquid assets to zero by the ending year of the analysis.

Note: The results developed by this calculator are not intended to be a recommendation. It is merely a source of the maximum cash flow possible. Under no circumstances should you design a scenario that uses the maximum indicated by this calculator in any location.

See **Page 2** for how I used the calculator to develop \$440,000 in spendable cash flow in Scenario 1. (It took me four steps -- sometimes it takes a couple more):

**First:** Eliminate any Living Expenses you have scheduled on the Desired Cash Flow tab. This is simple -- just uncheck the Living Expenses selection.

**Second:** Press the "Calculate" selection on the calculator. My maximum solution in the "Gifts to Heirs" field for Marie and George was \$528,476 as shown below.

Gift availability: maximum level gifts calculator


Maximum possible cash flow available for level annual gifts to heirs or charity:

Gifts to heirs: \$528,476

Gifts to charity: \$1,136,110

Starting year: 1

Ending year: 30

Calculate 

Ignore any scheduled gifts

Note: A result determined by the Maximum Level Gifts Calculator is not intended to be a recommendation -- it is solely a calculation that provides you, the user, with a sense of maximum available cash flow. Under no circumstances should you design a scenario that utilizes any maximum indicated by the Calculator.

**Third:** Following the recommendation not to use this maximum, I then tested \$420,000 of level spendable cash flow in the Living Expense array on the Desired Cash Flow tab. It produced more net worth than my goal of \$9 to \$10 million.

**Fourth:** I increased it to \$440,000 and found this solution to be acceptable. *Don't forget to re-check the Living Expenses selection on the Desired Cash Flow tab.*

The cash flow in the other Scenarios for George and Marie involves adding a factor (3.00%) for inflation to the cash flow and required some simple "hunt and peck" in the Living Expenses array on the Desired Cash Flow tab. I first tried \$340,000 with a 3.00% inflation adjustment, and then reduced it to \$300,000 which I used. As I developed the numbers for George and Marie in Blog #41, I realized we ought to have an inflation adjustment option on this calculator. We'll add one shortly.

Note: Don't use this calculator until you have entered all the liquid assets.

Note: If/when you use this calculator to determine the maximum possible family or charitable gifts, the results provided are not coordinated with maximum tax free gifting levels. It is purely a mathematical calculation of maximum available cash flow for such gifts.