



Wealthy and Wise[®]

What's New in Version 10.0

Single Premium Immediate Annuity Calculator

A new Single Premium Immediate Annuity (SPIA) calculator has been included on all the data array screens available via the drop down selections on the Expected Cash Flow tab. This feature calculates after tax cash flow from the SPIA.

If, for example, your Scenario #1 illustrates the current situation with funds in a CD not reserved for short-term needs, show Scenario #2 with a customized entry for the premium for the SPIA in one of the drop down selections on the Desired Cash Flow tab.

See the new **Sample Client Workbook A4** available under Help on the Wealthy and Wise main menu bar for an example of how this approach provides the comfort of guaranteed income while also improving long-range Net Worth and Wealth to Heirs by 26% (almost \$700,000).

Note: An alternate way to illustrate this is to reduce the values of the CD in Scenario #2 by the amount of the premium for the SPIA.

Note: Before using the SPIA calculator, you must first obtain a quote for the SPIA from an annuity carrier (for the data the calculator needs) to compute the after tax cash flow as well as the residual estate values if your quote is for a period-certain SPIA.

With the new SPIA calculator capacity, you can also illustrate the effect of a life insurance policy outside the estate funded by gifts of the after tax income from the SPIA. This technique can produce a powerful wealth transfer presentation (particularly if life insurance/annuity arbitrage is available).

Tax Bracket Enhancement

Due to the System's overall analysis capabilities, most Wealthy and Wise licensees use a client's "effective" income tax rate (instead of "marginal" rate) when entering data in Client Data -- accessible from the following icon on the main toolbar:



When charitable deductions are involved, however, the marginal tax rate is likely preferred. We have added the capacity for you to use separate marginal rates for charitable deductions. Any time you schedule deductible gifts to charity on the Gift Scheduling tab available under the Gifts and Gift tax tab, you can find these prompts on the top of the data entry array.

Taxable Gifts

Gifts in excess of available annual exclusions and lifetime exemptions reflect gift tax consequences in Version 10.0. Many clients object to paying gift taxes; however, the effect on heirs can be so dramatic that a Wealthy and Wise analysis of "do it versus don't do it" can produce a compelling wealth planning comparison.

Note: If any taxable gifts have been made in recent years, gift taxes paid in the three years prior to death are brought back into the estate.

Importing Split Dollar Data

You can import values into the gift arrays of Wealthy and Wise from split dollar modules contained in the InsMark Illustration System and InsMark Loan-Based Split Dollar System (loan-based private split dollar module).

Importing Premium Financing Data

Values from InsMark's new Premium Financing System (due to be released in the late Spring of 2009) can be imported into Wealthy and Wise to compare "do it versus don't do it" scenarios. Rather than presenting the Premium Financing illustration as an isolated transaction, by illustrating its effect on Net Worth and Wealth to Heirs, your clients can review an integrated analysis of its powerful results.

Note: To make the Premium Financing data available within Wealthy and Wise, use the Export button on the bottom right of the Premium Financing modules while in Edit mode. Be sure to give your case an easily recognizable Source Data Notation. To import that stored data into Wealthy and Wise, select the Premium Financing on the Gift Scheduling sub-tab located on the Gifts and Gift Tax tab, and use the "Import" button. You will go to the InsMark Source Data Storage file where you can select your previously exported data.

See the new **Sample Client Workbook M** available under Help on the Wealthy and Wise main menu bar for an example from the beta version of Premium Financing 1.0.

Note: To make the Premium Financing data available within Wealthy and Wise, use the Export button on the bottom right of the premium financing module while in Edit mode. Be sure to give your case an easily recognizable Source Data Notation. To import that stored data into Wealthy and Wise, select Premium Financing on the Gift Scheduling sub-tab located on the Gifts and Gift Tax tab, and use the "Import" button. You will automatically go to the InsMark Source Data Storage file where you can select your previously exported data.

Note: You can also create premium financing data from scratch by entering life insurance policy data in the Life Insurance selection on the drop down menu on the Gift Scheduling sub-tab located on the Gifts and Gift tax tab. Schedule premium loans on the Details of Life Insurance Funding screen that follows.

Life Settlements

If you import data from InsMark's Premium Financing System into the Premium Financing selection of Wealthy and Wise available from the drop down menus on the Gift Scheduling sub-tab (located on the Gifts and Gift Tax tab) and want to illustrate a hypothetical Life Settlement in a future year (no earlier than year 6*), the prompt at the top of the data entry array allows this.

**The five-year wait is to eliminate the illustration of Strange Originated Life Insurance (STOLI) transactions. (If your Wealthy and Wise System was provided to you by way of a life insurance company licensed by InsMark, this Life Settlement feature may not be available.)*

New Sample Workbooks (available under Help)

Sample Workbook A3 has been added to Version 10.0. The financial services industry is concentrating on asset protection and cash flow planning because most people are more concerned with running out of money than any other financial issue.

Real wealth involves sustainable cash flow, and we believe there is no better tool for analyzing this than a Wealthy and Wise evaluation. **Sample Workbook A3** is the most comprehensive analysis we have done regarding the prioritization of liquid assets when calculating sources of cash flow.

The key to the comparative presentations in **Sample Workbook A3** involves the use of the following selection located on the “Prioritize the Use of Assets” sub-tab under the “Illustration Details” tab in Wealthy and Wise:

Maximize Net Worth

This automatically chooses the most efficient order of liquid assets to produce needed cash flow while maximizing long-range Net Worth which inevitably maximizes Wealth to Heirs.

For a report on this subject, go to <https://www.insmarkstore.com/registry/PDFs/MA216.pdf> for access to Marketing Alert #216 at our online Registry.

Sample Workbook A4 has been added to Version 10.0 in which the status quo is compared to use of a single premium immediate annuity.

Sample Workbook M has been added to Version 10.0 in which the status quo is compared to use of Premium Financing.

Note: All the new **Sample Workbooks** reflect the expected modification by Congress in which the estate tax free amount that can pass to heirs will likely remain at the 2009 level of \$3.5 million (\$7 million per couple) with a top tax rate of 45%. To use this approach, select #3 on the Estate Taxes sub-tab on the Illustration Details tab while in Edit mode.

New Prefaces (in the Comparison section)

Preface L (*Good Logic versus Bad Logic*) is designed to highlight various withdrawal patterns from liquid assets for retirement cash flow in order to produce the maximum long-range net worth (and wealth to heirs). Sample Workbook A3 reflects the logic of this Preface along with additional comparisons, and it is available under Help on the main menu bar (along with a detailed description of the specifics of the analysis).

Preface M (*Single Premium Immediate Annuity*) is designed to highlight 1) the status quo compared to 2) a portion of liquid assets (cash and cash equivalents) directed to a single premium immediate annuity (SPIA). Sample Workbook A4 reflects the logic of this Preface, and it is available under Help on the main menu bar (along with a detailed description of the specifics of the analysis).

Preface N (*Premium Financing*) is designed to highlight 1) the status quo compared to 2) premium financing using bank loans. Sample Workbook M reflects the logic of this Preface, and it is available under Help on the main menu bar (along with a detailed description of the specifics of the analysis).

Credit Shelter Trust

The data entry array for the Credit Shelter Trust (available in the drop down menu under Other Assets/Outside the Estate tabs) has been revised and improved considerably.

Gifts of Future Interest

If *imputed* income values are imported into the gift arrays of Wealthy and Wise from split dollar illustrations created in the InsMark Illustration System or from premium financing illustrations created in the InsMark Premium Financing System, this income represents a gift of a future interest and is treated accordingly in Wealthy and Wise.

Landscape Graphs

In the Comparison section, menu prompts under the Graph Options tab have been improved.

Fact Finder

We have added the following very important question to the Fact Finder (available under Tools on the main menu bar): “What are the three most wealth planning goals you want to accomplish over the next several years?” This query can provide you with real insight into a client’s thinking and will help you focus the results of a Wealthy and Wise analysis.

Other Features of Wealthy and Wise That Address 2009 Taxation Issues

Unified Credit Equivalent

In 2009 and thereafter, the consensus seems to be that the unified credit equivalent will likely remain at the 2009 level of \$3.5 million (\$7 million per couple) with a top tax rate of 45%. This feature is present in Version 10.0 of Wealthy and Wise, and licensees can find this option on the Estate Taxes sub-tab available under the Illustration Details tab. As soon as Washington makes up its mind on this subject, we will hard code the new limits.

Waiver of Required Minimum Distributions

Retirement Plan cash flow calculations in Wealthy and Wise (on the Pension tab) include required minimum distributions in which retirement plan values are divided by life expectancy factors in order to establish a minimum which must be distributed each calendar year.

One of the provisions of the Worker, Retiree, and Employer Recovery Act of 2008 provides required minimum distribution relief in the form of a waiver that temporarily suspends the required minimum distribution from retirement accounts in 2009. The waiver applies to all defined-contribution plans. This waiver has been coded in Wealthy and Wise.

Charitable IRA Rollovers

The Emergency Economic Stabilization Act of 2008 allows direct transfers from an IRA to charity in 2009 (Charitable IRA Rollovers) -- provided the IRA account holder is at least age 70 1/2 in the year of transfer. This can be illustrated in Wealthy and Wise

The amount of transferred funds cannot exceed \$100,000 (\$100,000 each if the spouse also has an IRA.) You can illustrate this in Wealthy and Wise by scheduling gifts to charity in 2009 on the Details of Charitable Gifts sub-tab available under the Gift Scheduling tab. Any such gifts scheduled in excess of those amounts or in 2010 and later will not qualify for a Charitable IRA Rollover although Congress may extend this feature. If so, we will code it in Wealthy and Wise.