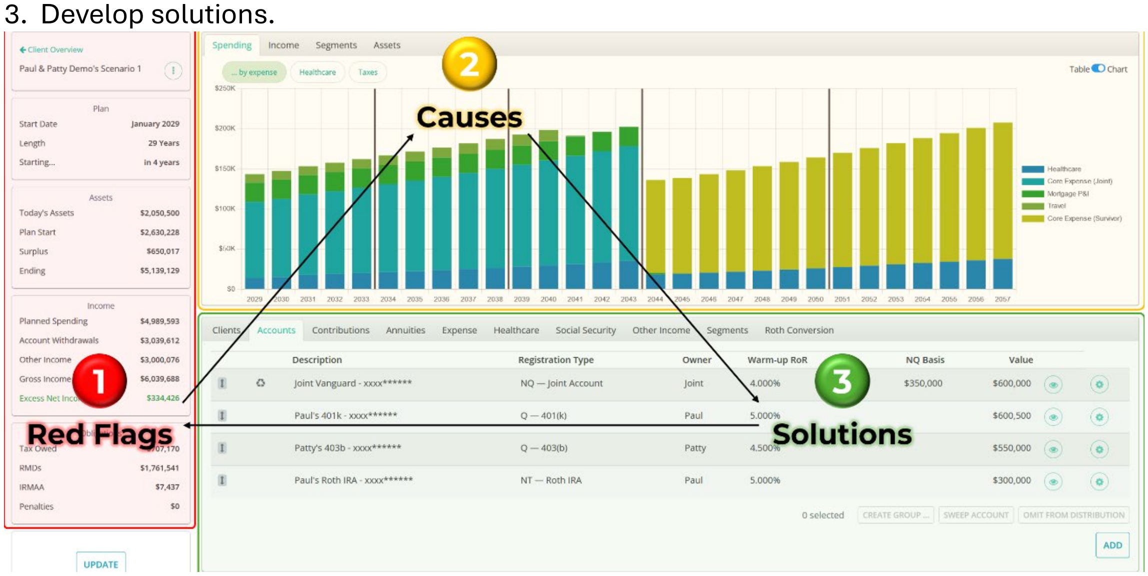
Pro Guide: Creation through Solutions

Getting Started	
IncomeConductor Fact Finder	Collect as much client data as possible. *At minimum*: name, DOB, retirement date or age, state of retirement, account information, SS PIA and starting income goal
Add New Client	All * fields are mandatory; click on **Health+** for actuarial longevity estimate to assess survivorship period (knowledge of client's health status is important). Once generated, estimates can be edited. Note that client's *Retirement State* must be entered in order for SS and healthcare costs to be calculated.
Client Screen	Click on *Accounts* to either electronically link through integration partner or manually create. If linked, Edit account and add Owner and Acct Type. If no Roth acct and conversions may be modeled, add a Roth acct with a $0 balance.
Start the plan	Click on Plan then Go Pro
Confirm data	Confirm client data and number of segments (default is auto-5 yr)
Editor Layout	
The Planning Triad	Three areas: Summary data in boxes on left, Illustration Tabs on top, and Data Input tabs along the bottom. These areas relate to a 3-step planning approach that helps you: 1. Identify red flags. 2. Uncover causes. 3. Develop solutions. 
Create the Base Plan	
Input Tab ***Defaults***	Clients – taken from data when Client was first added; some data may be edited at plan level (i.e., *Retirement Date*)
	Accounts – liquidation order is 1. All Non-Qualified, 2. All Qualified, and 3. All Roth
	Contributions – none
	Expense – 'Base Living' @$5,000/month with 3% annual inflationary increases
	Healthcare – no elections (eye icon on right must be clicked to include)
	Social Security – no benefits (PIA/FRA or current benefit/claim date must be entered)
	Other Income – none
	Segments - Placeholder values of growth ROR's and distribution ROR's; ROR cap set at 12% regardless of segment time horizon

	- Length of segments: based on segment number chosen; if Plan Start Date is mid-year a partial year segment will be created at the beginning of the plan; this can be merged into Segment 2 if desired
Client Data Entry	Before any analysis can be done, all known client data should be entered using the Input Tabs along the bottom. NOTE: The Annuities Tab and the Roth Conversion Tab should *not* be used as part of base plan input. These are 'Solution Tabs' and should be used only after all known client data has been entered and Summary Box data analyzed.
Red Flags	These are located in the Summary boxes along the left side of the Pro Editor.
Summary Boxes	This area summarizes key data points in the plan and updates as plan input data is added, deleted or modified.
Assets	Surplus: "Do I have enough?" The obvious indication of having enough is that there will be a "surplus" but is it an adequate surplus? We recommend that the surplus should fall within a range of 10-20% of the client's savings in order to cover unexpected expenses. If the client has a separate account for these purposes which is not part of the plan, the surplus could be less.
Assets	Ending Balance: "Will there be a balance at the end of the plan?" If the ending balance equals the surplus, an ROR should be applied to the Surplus Segment in the Segment Input Tab. Depending on the client's risk tolerance, this segment should be assigned the highest ROR in the plan.
Income	Unfunded Spending: Rather than calculating a "deficit" savings amount as seen in the Discovery editor, unfunded spending is the total amount of desired income that will *not* be met.
Income	Excess (Net) Income: This is the total amount of after-tax income the client will receive across the plan that is in *excess* of their desired income. Excess income is caused by Other Income sources (i.e., inheritances, property sales) and/or RMDs.
Obligations	Taxes: "Are they reasonable?" Compare the taxes to the total gross income in the Income box to see if they seem reasonable. Goal is to lower taxes regardless of how they compare.
Obligations	RMDs: "Do they seem high?" If the plan does have Excess Income, check to see how the RMD amount compares to the Excess Income amount. If the RMDs represent more than 20% of the Excess Income, this could be an indication that tax planning solutions should be modeled.
Obligations	IRMAA: "Can it be avoided?" These surcharges can appear anywhere throughout the plan and, in most cases, can be eliminated or minimized.
Obligations	Penalties: "Can they be avoided?" The only penalties that are calculated are those that would be associated with premature withdrawals from qualified accounts (not included - any product penalties i.e., surrender charges from annuities). Pro does acknowledge that premature withdrawals can be taken from 401k, 403b, 457 plans and Inherited IRAs without penalties.
Causes	
Illustration Tabs	These tabs illustrate the plan data in Spending, Income, Segments, Assets, and Roth views and provide 'subs tabs' that give alternative views of each category's details. Each illustration can be viewed in chart or table format by using the toggle in the upper right corner. It may be helpful to switch the toggle from Chart to Table view when reviewing illustrations to more easily see trends.
Surplus	<u>Viewed in the Segments Tab/Allocations Sub-Tab</u> *Is it sufficient to cover unexpected expenses and legacy goals?*

Ending Balance	<u>Viewed in the Asset Tab/Balances Sub-Tab</u> *Is it sufficient to cover legacy goals and what is the mix of taxable and nontaxable accounts?*
Unfunded Spending	<u>Viewed in the Income Tab/Net vs Gross Sub-Tab</u> *Where does it occur in the plan, how much of the income is not funded in any year, and for what length of time? If it is material, can the client accept the reduced income?*
Excess Income	<u>Viewed in the Income Tab/Net vs Gross Sub-Tab</u> *Where does it occur in the plan, for what length of time, and what are the annual excess amounts? Does the Excess Income align with other sources of income such as the start of RMDs, an asset sale, an inheritance, or PT or FT work income during those periods?*
Taxes	<u>Viewed in the Spending Tab/Taxes Sub-Tab & Assets Tab/Taxes Sub-Tab</u> *Do taxes spike in any year of the plan?* *Are there significant changes in the effective tax rates and where?* *Does the sale of an appreciated asset in a single year trigger higher LTCG taxes, net investment income tax (NIIT), or IRMAA surcharges?* *Note:* state taxes and state deductions are not included unless entered under the Settings area accessed via the dropdown near the plan name in the upper left Summary box
Marginal Tax Rates	<u>Viewed in Income Tab/Marginal Rates Sub-Tab & Roth Tab/ Marginal Rates Sub-Tab</u> *What is causing the client to move into the next tax bracket, and can it be controlled?* *Is the surviving spouse being forced into higher tax brackets compared to when both clients were alive and filing jointly?*
IRMAA	<u>Viewed in the Spending Tab/Taxes Sub-Tab & Assets Tab/Taxes Sub-Tab</u> *Where does it occur in the plan?* *Is it a one-time occurrence or is it levied across multiple years?* *What caused the spike in income two years prior to the year in which the IRMAA surcharges are levied?*
RMDs	<u>Viewed in the Income Tab/RMDs Sub-Tab</u> *When do they start and are they causing Excess Income to be taken?* *What % of the total Gross Income is attributable to RMDs?* *If coinciding with Excess Income, what % of the Excess Income is attributable to RMDs?*
(Conversions)	<u>Viewed in the Roth Tab/ Marginal Rates Sub-Tab, Roth Tab/ Roth Crossover Sub-Tab, and Roth Tab/ Roth Conversion Flow Sub-Tab</u> *Note: The Roth Tab only illustrates Roth conversions added to the plan. If no conversions are added, no data is displayed. Conversions are possible **Solutions** to high RMD and IRMAA red flags.*
Penalties	<u>Viewed in the Spending Tab/Taxes Sub-Tab & Assets Tab/Taxes Sub-Tab</u> *Where do they occur in the plan and what actions are causing them?* **These penalties are only triggered in Pro when pre-mature distributions are taken from qualified accounts. Pro does acknowledge that premature withdrawals can be taken from 401k, 403b, 457 plans and Inherited IRAs without penalties.*
Solutions	
Surplus	*The Surplus amount is calculated as of the **Plan Start** date. If there is reinvestment of Excess Income during the plan, the Surplus segment may increase. Although counterintuitive, there can be a Surplus and/or Excess Income and still be Unfunded Spending. If the Surplus is not adequate to meet the client's goals, opportunities to increase the surplus can be any one or combination of the following: 1. Increase the RORs on the segments 2. Decrease spending or switch to 'go-go, slow-go, no-go' spending curve 3. Increase pre-retirement contributions and/or warm-up ROR 4. Shorten the Plan length 5. Lower inflation assumption(s)

	6. Model potentially more tax efficient strategies, i.e. change liquidation order and/or Roth conversions 7. Increase tax bracket inflation assumptions in the Settings area 8. Shorten early segments that use lower ROR assumptions 9. Delay retirement if possible
Ending Balance	- If the Surplus segment is funded by mostly qualified assets and the client's goal is to leave a tax efficient legacy, changing the account liquidation order so that qualified assets are used first and/or modeling Roth conversions may or may not help increase the gross legacy amount to the beneficiaries but can make it more tax efficient. - If the Ending Balance is *not* adequate to meet the client's legacy goals, opportunities to increase the Ending Balance can be any one or combination of the following: 1. Increase the ROR on the Surplus segment. 2. Take any of the previously mentioned steps to increase the Surplus amount. 3. Reinvest Excess Income into a NQ Sweep account.
Unfunded Spending	*Unfunded spending may occur throughout the plan, not just in the last years. If there are small amounts of unfunded spending in any year, the client may decide to spend less that year. If the Unfunded Spending is significant, the following changes may reduce or eliminate it: 1. Reduce spending throughout the plan or consider the phase out of certain expenses during the plan. 2. Increase the Warmup ROR and/or Segment ROR assumptions. 3. Delay retirement, if possible. 4. Consider PT work in the early years of retirement. 5. Increase contributions if the Plan Start date is in the future 6. Shorten the plan's length. Consider using the Health+ actuarial life expectancy estimates, if not already used. 7. Downsize the client's primary residence to create more liquid assets. 8. Consider selling illiquid assets, if applicable. 9. Dedicate more assets to the income plan, if available. 10. Model tax reducing strategies such as changing the liquidation order or using Roth conversions. 11. Model the purchase of an annuity with a lifetime income guarantee. 12. If there is a defined benefit pension, re-visit survivor benefit (if applicable). 13. Include potential inheritances, if not already included. 14. If due to LTC expenses, consider modeling the purchase of LTC insurance and include the premium in the Expense Tab and the tax-free benefit in the Other Income Tab. 15. If due to OOP healthcare costs, consider excluding them from the monthly expenses by hiding them in the Healthcare Tab and putting the PV amount of the OOP costs aside in a separate account outside the plan. 16. If there is a significant survivorship period, consider reducing spending during the survivorship period. A good rule of thumb is 80% of the income needed as a couple.
Excess Income	* Check the tax ramifications of this Excess Income under the <u>Spending Tab/Taxes Sub-Tab</u> to see if it is causing higher LTCG rates, NIIT and IRMAA. - If the excess income is continuous, check to see if it is being caused by RMDs. If so, changing the liquidation order so that qualified assets are used first and/or modeling Roth conversions may eliminate or reduce the excess. - If the excess occurs in a single year, check to see what income source is causing that spike: 1. If due to a lump-sum coming in from Other Income sources, i.e., an inheritance or business sale, the best course of action is to re-invest that excess back into the plan by designating a NQ account as a Sweep Account. This can be done under

	the Accounts tab by clicking on the NQ account line and then the Sweep button in the lower right corner. 2. If due to the full liquidation of a NQ account at the start of a Segment, consider checking the 'Annual Conversion of NQ Accounts' box on that segment under the Segments tab under the Growth ROR field. This will spread the liquidation of that account as needed across the years of that segment's distribution period. The tax savings may not be material enough to outweigh the fact that this option exposes the client to Sequence of Returns risk.
Taxes	Single year tax spikes can be caused by several factors some of which can be avoided: 1. If due to the sale of a NQ account in order to fund income for a segment period, consider spreading the liquidation of that account across the years of the segment to provide income as needed (see #2 under Excess Income). 2. If due to a voluntary sale of an appreciated asset, consider an installment sale. 3. If due to a large purchase, revisit the liquidation order to ensure the purchase can be funded by NQ assets. 4. If due to inheriting an IRA, review the Inherited IRA distribution rules and consider the best withdrawal strategy. 5. If due to one spouse continuing to work, ensure the working spouse is maxing out their contributions for that year. Revisit the need for the spouse to continue to work. Reducing taxes across the plan or in later segments of the plan can be accomplished by one or more of the following: 1. Reduce spending goals. 2. Lower the RORs on the segments if spending goals can still be met. 3. Consider moving some NQ assets into a tax-sheltered annuity using the Annuity Input Tab. 4. Consider both pre- and in-plan Roth conversions. Impacts of conversions can be viewed under the Roth Tab/ Marginal Rates, Roth Tab/ Roth Crossover, and Roth Tab/ Roth Conversion Flow tabs. *Note: Roth conversions can either be a specified amount or can be modeled as not exceeding a specified tax bracket.* 5. Position Roth accounts higher in the liquidation order or combine withdrawals from Roths and other accounts. This can be done under the Accounts Tab by highlighting the accounts you wish to combine and clicking on the "Create Group" button in the lower right corner.
IRMAA	IRMAA surcharges are incurred two years after a year where the income exceeds an IRMAA threshold bracket. To reduce or eliminate IRMAA surcharges, try to reduce the income in that year based on what is causing the spike in income. - If the spike is caused by RMDs, consider moving the Qualified assets to the top of the liquidation order under the Accounts input tab and/or doing some Roth conversions. Impacts of conversions can be viewed under the Roth Tab/ Marginal Rates, Roth Tab/ Roth Crossover, and Roth Tab/ Roth Conversion Flow tabs. - If the spike is caused by a lump sum of income, i.e., the sale of property, see if there is a way to spread out the sales proceeds across multiple years. - If the spike is caused by a one-time expense, i.e., car purchase, see if there is a way to spread out the expense with periodic payments. Note that if the client has high spending goals, IRMAA may be unavoidable. There may be grounds to appeal or amend the IRMAA surcharge if the client meets certain criteria. Contact the SSA for more information about these criteria.
RMDs	*RMD income will be generated by the system regardless of liquidation order. If RMDs are causing the client to take Excess Income, the following options may reduce them:

	1. Move Qualified accounts to the top of the liquidation order under the Accounts Input tab. 2. Model pre-retirement and/or in retirement Roth conversions. Impacts of conversions can be viewed under the Roth Tab/ Marginal Rates, Roth Tab/ Roth Crossover, and Roth Tab/ Roth Conversion Flow tabs. If RMDs are *not* causing Excess Income but they represent a significant portion of the client's taxable income, the client may still wish to reduce the RMD's and/or eliminate the need to take RMDs later in retirement. The two solutions above should be considered.
Penalties	Note that the only type of penalty calculated in Pro is pre-mature distributions from qualified accounts. To eliminate this penalty: 1. Purchase a lifetime annuitization of the qualified assets. 2. Take annual withdrawal based on a 72T calculation.

More detailed descriptions with links to additional information can be found on the Knowledge Base: https://help.incomeconductor.com/knowledge-base/pro-guide/