

This training supplement will explain the function of the Core Cash account. Think of the Core Cash account as a “reserve” account, where the client’s inflows and outflows which have been entered into their Facts are reflected. Each client added into the system will have their own Core Cash Account.

**Note:**

In the client’s Advanced Facts, under Miscellaneous Assumptions/Simulation tab, there is a setting to allow for a growth rate on the Core Cash Account. The best practice recommendation is to leave his setting at the “No Growth” default.

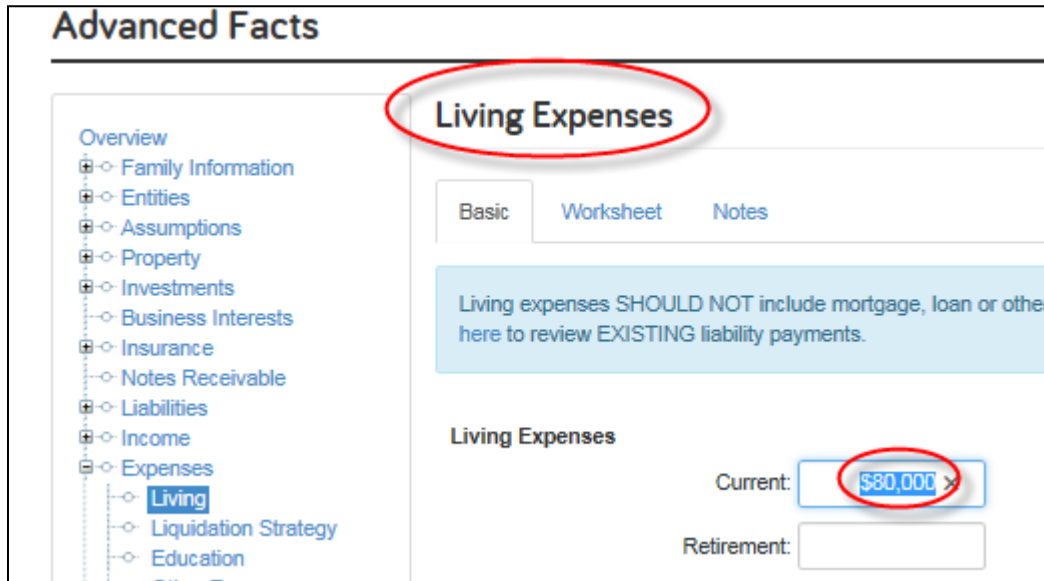
Think of the Core Cash account as a bucket, with inflows and outflows.

For illustrative purposes, we have entered a \$100,000 non-taxable income stream into the client’s Facts. We have made the destination of the income to be the Core Cash Account, which is the system default.

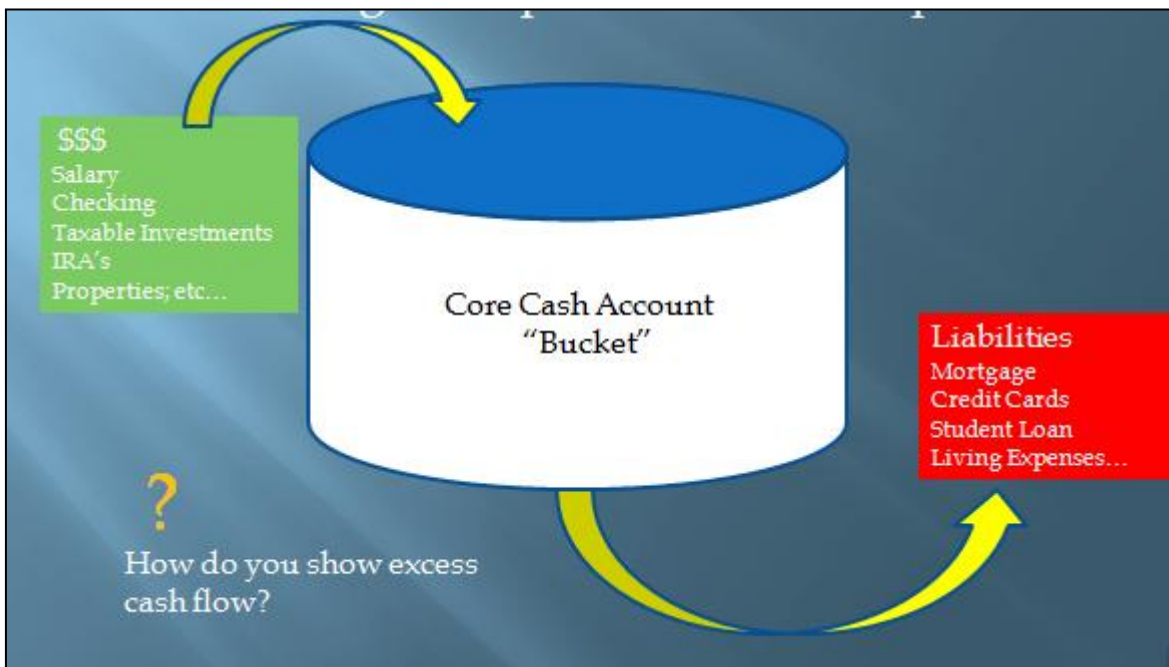
The screenshot shows the 'Income Source > Other Income 1' configuration page. The 'Basic' tab is active. The form contains the following fields:

- Name: Jim's Non-Taxable Income
- Type: Other
- Tax Treatment: Non-Taxable
- Annual Amount: \$0
- Indexed At: No Growth (0.00%)
- Start Indexing: Immediately
- Owner: Jim White
- Destination: Core Cash Account (highlighted with a red circle)
- Self-Employment?: No
- Guaranteed?: No
- Subject to Unearned Income Medicare Tax?: No
- Starts: Calendar Year, 2015
- Ends: Jim's Retirement (age 65 in 2020)

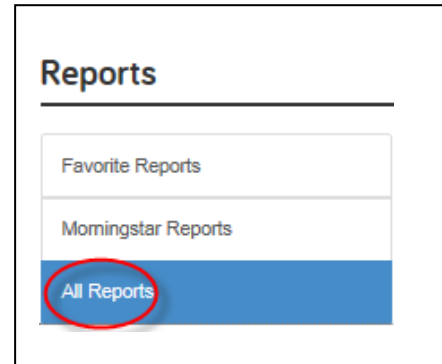
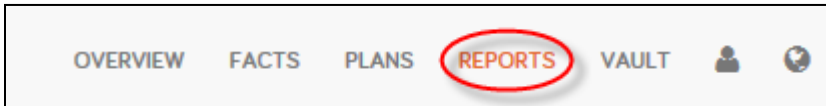
We have also entered \$80,000 for Living Expenses in the client's Facts:



In this simple illustration, the inflow is \$100,000 and the expense is \$80,000 so there is an excess of \$20,000.



To see the Core Cash account in a report, go to **Reports/All Reports** and click on **Ledger**. Here, we will see this excess \$20,000:



### Ledger

Report: Ledger < Prev First Year Next >

Show: Base Facts vs. [None] Update

[Assets](#) | [Flows](#) | [Tax Events](#) | [Gift Tax Events](#) Web Print

**Asset Ledger**  
Base Facts in First Year (2015)  
Prepared for Jim and Rebecca White

The Asset Ledger report shows the projected transactions and changes in value that are used to calculate the future value of your assets.

**JIM AND REBECCA WHITE - CORE CASH ACCOUNT**

| Description              | Type   | Transaction              | Other Account | Amount   | Basis    |
|--------------------------|--------|--------------------------|---------------|----------|----------|
| Beginning of Year        |        |                          |               | \$0      | \$0      |
| Jim's Non-Taxable Income | Debit  | Jim's Non-Taxable Income |               | 100,000  | 100,000  |
| Living Expenses          | Credit | Living Expenses          |               | (80,000) | (80,000) |
| End of Year              |        |                          |               | 20,000   | 20,000   |

If this \$20,000 is left in the Core Cash account this year, the Beginning of Year amount in the following year will be \$20,000.

### Asset Ledger

Base Facts in 2016  
Prepared for Jim and Rebecca White

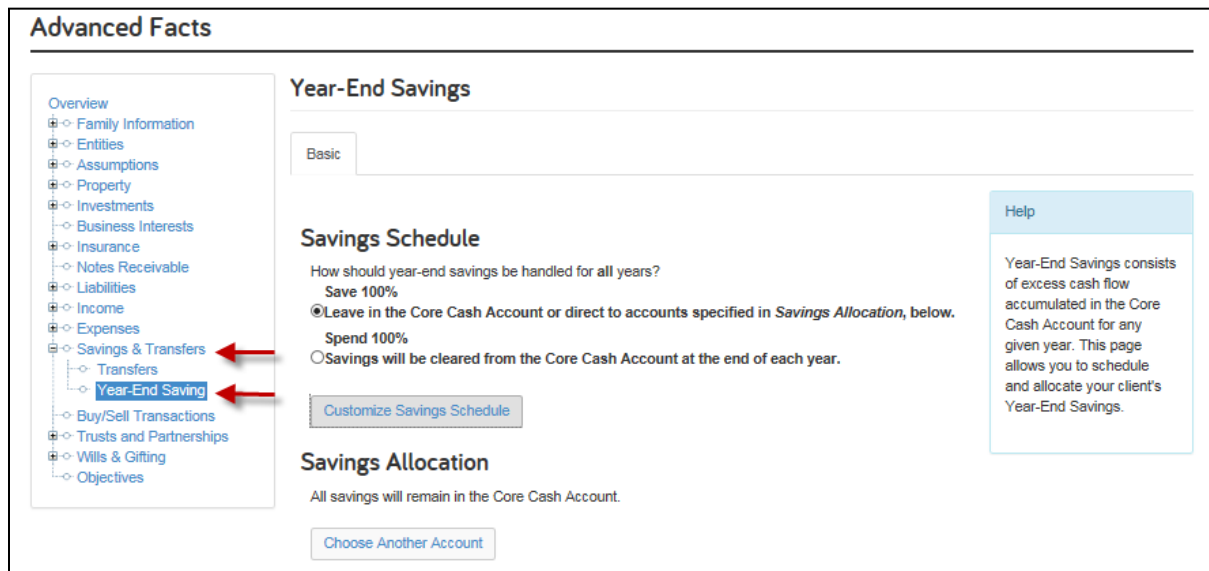
The Asset Ledger report shows the projected transactions and changes in value that are used to calculate the future value of your assets.

**JIM AND REBECCA WHITE - CORE CASH ACCOUNT**

| Description              | Type   | Transaction              | Other Account | Amount          | Basis    |
|--------------------------|--------|--------------------------|---------------|-----------------|----------|
| <b>Beginning of Year</b> |        |                          |               | <b>\$20,000</b> | \$20,000 |
| Jim's Non-Taxable Income | Debit  | Jim's Non-Taxable Income |               | 100,000         | 100,000  |
| Living Expenses          | Credit | Living Expenses          |               | (80,000)        | (80,000) |
| End of Year              |        |                          |               | 40,000          | 40,000   |

### 3 | Core Cash Basics

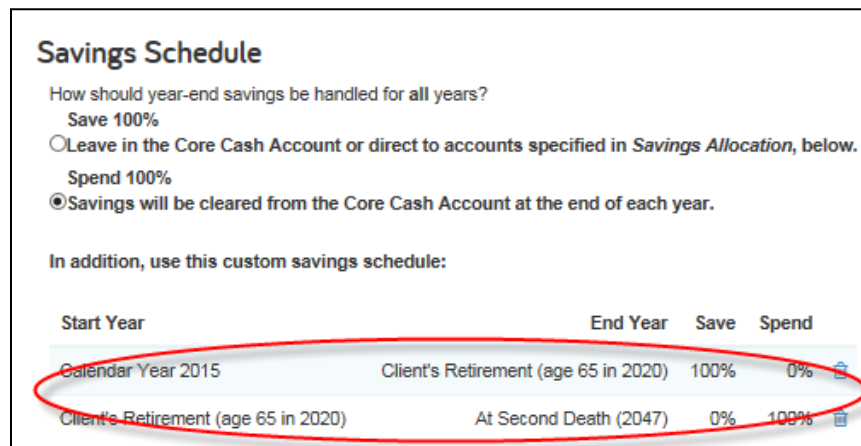
To clear the Core Cash account so the **Beginning of Year** balance starts at \$0, go to the **Facts/Advanced** menu. From here, click on **Savings and Transfers** and then **Year-End Saving**.



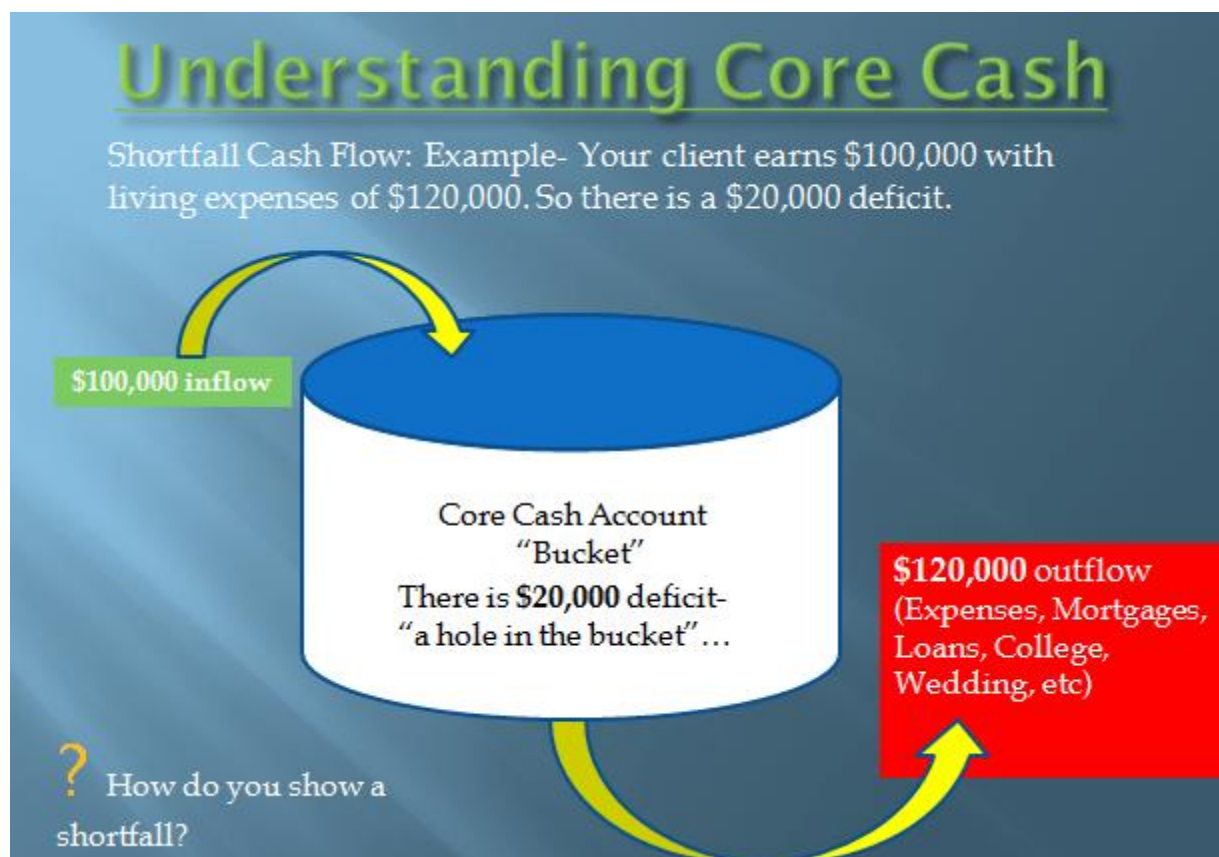
**Save 100% (the default value)** saves all of the year end savings to core cash for all years **unless** directed to other accounts, as specified via the **Savings Allocation**.

**Spend 100%** spends all of the year end savings at the end of each year for all years.

The ability exists to **Customize Savings Schedule** such as shown below:



If the Expenses are greater than the Inflows, there will be a deficit in the Core Cash Account. At the end of the year, if your Core Cash Account has a negative balance, funds are drawn from any available liquid asset to cover the shortfall.

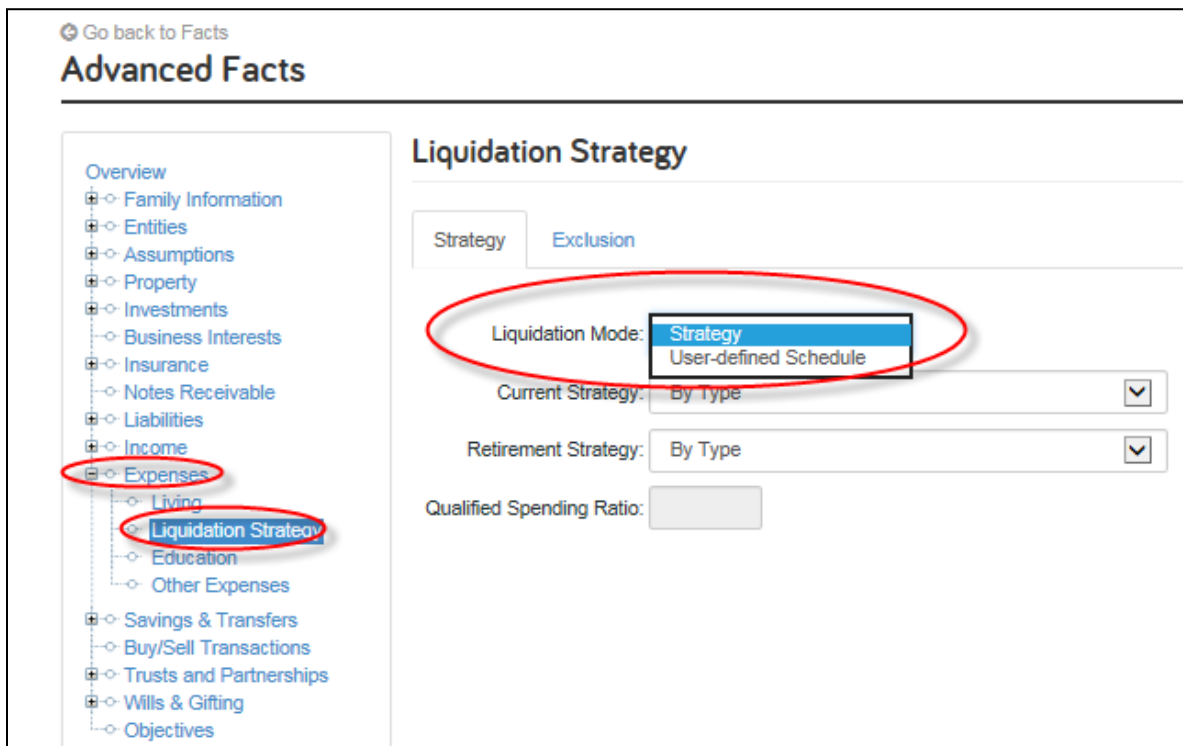
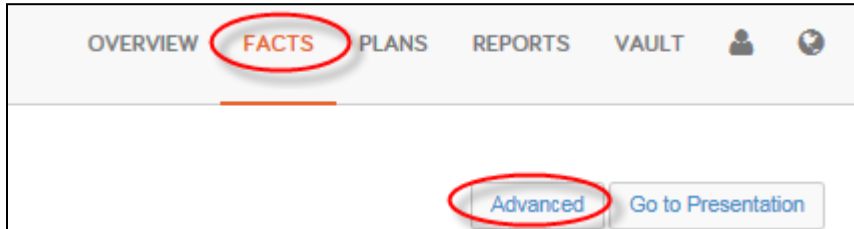


### Note:

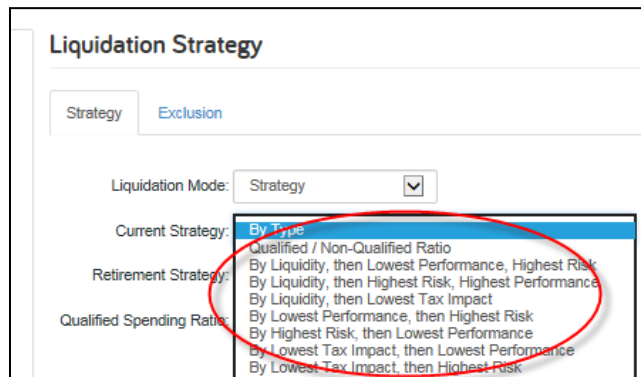
Unless otherwise specified, funds are generally withdrawn in the following order: **Cash, Taxable, Tax-Deferred Assets, Qualified Annuities, Roth Accounts (including Annuities, IRAs, and Roth 401(k)s), Qualified Assets where penalty tax applies, and Non-Qualified Deferred Compensation (during retirement only)**. Each asset will be fully liquidated before moving on to the next asset type. However, if an asset stores funds across different asset types, it may not be liquidated all at once. For example, a Roth 401(k) might have money under both Tax-Deferred and Roth Account asset types. In this case, the Tax-Deferred funds would be withdrawn first, while the Roth funds would be saved for later liquidation (after any Qualified Annuities have been liquidated). Note that loans/withdrawals from the cash values of a life insurance policy should be performed within the Life Insurance node.

The Fact Finder allows you to prioritize the order of asset liquidation for a particular expense by using **Liquidation Strategy** under Expenses.

**Go to Facts/Advanced/Expenses/Liquidation Strategy:**



The option exists to use one of the Strategies listed:



OR

Choose **User-Defined Schedule**, which will give the ability to choose exactly which assets to liquidate to cover the shortfall for the specific time periods available.

**Liquidation Strategy**

Strategy Exclusion

Liquidation Mode: Strategy  
User-defined Schedule

From the dropdown under Asset Name, choose which assets to liquidate:

**Liquidation Strategy**

Strategy Exclusion

Liquidation Mode: User-defined Schedule

| Asset Name                                      | Value | Current Priority | Semi-Retirement Priority | Retirement Priority | Advanced Years Priority |
|---|-------|------------------|--------------------------|---------------------|-------------------------|
| Home (\$450,000)                                |       |                  |                          |                     |                         |
| Jim's 401K (\$300,000)                          |       |                  |                          |                     |                         |
| Jim's Brokerage account at Vanguard (\$500,000) |       |                  |                          |                     |                         |
| Joint account at SEI (\$199,000)                |       |                  |                          |                     |                         |

Add Asset

Once the assets have been chosen, assign them a priority for each time period:

| Asset Name                          | Value     | Current Priority | Semi-Retirement Priority | Retirement Priority | Advanced Years Priority |
|-------------------------------------|-----------|------------------|--------------------------|---------------------|-------------------------|
| Jim's 401K                          | \$300,000 | x                | x                        | 1                   | 1                       |
| Jim's Brokerage account at Vanguard | \$500,000 | 1                | 1                        | 2                   | 2                       |
| Joint account at SEI                | \$199,000 | 1                |                          |                     |                         |

Home (\$450,000) Add Asset

**Current Priority**  
The priority assigned to the asset during the Current time period. Lower priorities are liquidated before higher priorities.

**Note:**

By place an X in the box, this is excluding the asset from liquidation for that time period.

You can also specify liquidation for Real Estate and Personal Property, but note that the asset is not sold and converted into a liquid asset. Instead, it works similarly to a liquid asset in that the value is reduced each year by the amount required.

**Other Important Notes:**

If qualified assets are liquidated before the age of 59.5, you are subject to a 10% penalty on the withdrawal.

For non-qualified deferred compensation we are not supporting the penalties associated with the violation of the normal non-statutory constructive receipt rules associated with IRC Ruling 409A. If a client is in deficit spending during retirement and default spending logic kicks in, please note that we will automatically liquidate deferred compensation in order to cover expenses as the final asset type. Due to IRC Ruling 409A you may be penalized for early withdrawals from non-qualified deferred compensation. To properly model the distributions please enter a transfer flow. If you do not want to include the deferred compensation plan in the default spending logic during retirement you can exclude it under Liquidation Strategy under Expenses.

Please note that contributions to the plan do not incur any tax until taken out of the plan. Only the amount that is transferred/liquidated from the deferred compensation plan is subject to ordinary income tax.

If an asset, such as an annuity, never to be used for liquidation purposes, go to the **Exclusion** tab. From here, choose the **Asset to Exclude** from the dropdown and click **Exclude**.

The screenshot shows the "Liquidation Strategy" interface with the "Exclusion" tab selected. Below the tabs, a message states: "No assets are excluded from automatic liquidation. You may exclude an asset from liquidation by selecting it from the list and choosing Exclude." Underneath, there is a section titled "Asset to Exclude:" followed by a dropdown menu. The dropdown menu is open, showing a list of assets: "Annuity (\$450,000)", "Home (\$450,000)", "Jim's 401K (\$300,000)", "Jim's Brokerage account at Vanguard (\$500,000)", and "Joint account at SEI (\$199,000)". The "Annuity (\$450,000)" option is highlighted in blue. To the right of the dropdown menu is an "Exclude" button.

The asset will be listed as being excluded from liquidation for all time periods.

The screenshot shows the "Liquidation Strategy" interface with the "Exclusion" tab selected. Below the tabs, a message states: "The following assets are excluded from any automatic liquidation, even if they are listed in the liquidation strategy:". Below this message, the word "Annuity" is listed and circled in red. Below the list, there is a section titled "Asset to Exclude:" followed by a dropdown menu. The dropdown menu is set to "Home (\$450,000)". To the right of the dropdown menu is an "Exclude" button.