# WealthTec® Suite Updates

Highlights of each 2017 **WealthTec Suite** update are listed below.

## v2017.22 – 10/18/17

- In the Cash Flow & Estate Planner (CFEP) you can set up planned, discretionary distributions from the nonqualified/taxable portfolios on the basis of a percentage of the portfolio. These are in addition to discretionary distributions modeled on the basis of indexed dollar amounts, as a percentage of portfolio income and/or as a percentage of portfolio turnover. Lots of flexibility here.
- In the CFEP planned, discretionary distributions from traditional IRAs, inherited IRAs and Roth IRAs can now be modeled on the basis of a percentage of the distributable balance each year *in addition to* distributions modeled on the basis of indexed dollar amounts (in v2017.21 these distributions were based on one or the other method).
- In the CFEP you can model life insurance policy loans (collateralized by policy cash values) where the objective is to supplement the senior generation's cash flows in a tax-efficient manner.
- In the CFEP you can turn off the calculation of the standard deduction. This might be useful when you're using manual federal income tax rates in lieu of graduated rates, AMT, etc.

## v2017.21 – 10/09/17

- In the CFEP you can set up planned, discretionary distributions from traditional IRAs, inherited IRAs and Roth IRAs on the basis of a percentage of the distributable balance each year (i.e., these would be illustrated in lieu of distributions on the basis of indexed dollar amounts).
- All of the planners have been updated to reflect the projected 2018 indexed values for tax-sensitive items (e.g., annual gift tax exclusion, federal income tax brackets). Although these are not official, in the past the projected values were eventually confirmed by the subsequent IRS Revenue Ruling—just getting a head start here.
- Certain states and the District of Columbia recently enacted changes to their death tax exclusion and rate schedules, while some repealed state death taxes after 2017. These changes are reflected in the planners that compute state death taxes.
- The Pension Max Planner returns to the lineup. It can be found under the Qualified Plans & IRAs group of planners. The online help and user manual were updated to include guidance on the resuscitated planning tool, which can be useful in retirement planning engagements.

## v2017.20 – 9/29/17

- In the CFEP you can now use flat, manually defined federal income tax rates for the senior generation in lieu of the default graduated tax rate schedules.
- In the CFEP you can turn off the calculation of the AMT, as well as FICA/SECA taxes.
- In the CFEP you control whether state income taxes are nondeductible for purposes of the projections.
- The Cash Flow & Estate Planner: Income Tax Withholdings & Estimated Payments screen offers a new method for computing estimated payments: such payments can now be computed on the basis of prior-year total federal and state tax liabilities. You can enter up to four user-defined percentages (i.e., three changes to the baseline along the way).

## v2017.19 – 9/22/17

- In the OptiMarital Planner you now have the ability to illustrate the impact of capital gains taxes attributable to the postmortem liquidation of appreciated property following the surviving spouse's death. Such taxes would only apply to property that was not subject to a step-up in basis at the second death (i.e., nonmarital bequests from the first decedent's estate, including those held in a credit shelter bypass trust). Incorporating this nuance could be useful when comparing a traditional A-B trust testamentary dispositive scheme with an all-to-spouse plus DSUE election scheme.

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## v2017.18 – 9/19/17

- The CFEP has a new Cash Flow & Estate Planner: Inherited IRAs input screen and corresponding report section. Each spouse's inherited IRA can be a traditional IRA or a Roth IRA. The existing Cash Flow & Estate Planner: Traditional IRAs retains the inherited IRA option, but separating inherited IRAs from "non-inherited" IRAs should make modeling easier.
- On the Cash Flow & Estate Planner: Other Irrevocable Trusts screen you can enter tax rates (current and future) for the trusts. The program converts the total returns entered to after-tax returns for purposes of the projection.
- On the Cash Flow & Estate Planner: Other Large Transfers screen you can enter existing fund values, which might be helpful if you're illustrating installment sales to grantor trusts (i.e., IDGTs).
- In the CFEP, post-qualified plan distribution dispositions of employer stock with net unrealized appreciation (NUA) triggers capital gain that is excludable from the Medicare surtax/net investment income tax. Prior to this update the capital gain attributable to NUA was not properly excluded from the Medicare surtax base.
- Similarly, the Lump-Sum Distribution Planner now properly excludes the realized capital gain attributable to NUA from the Medicare surtax base.

## v2017.17 – 9/15/17

- In the CFEP you can set up a one-time distribution from a GRAT/GRUT/IDGT (i.e., installment sale to a grantor trust) to the senior generation transferor. The one-time distribution is designed to partially capture the effects of a tax reimbursement clause in such trusts. Here, you would enter the capital gain taxes associated with a post-transfer sale of trust property minus the annuity/unitrust/note payments from cash/investments.

## v2017.16 – 8/29/17

- This update fixes an error in Pinnacle that was introduced with v2017.14 (8/14/17). The exporting of CMAs to the EstatePro and Synergy investment portfolios under the *Current Allocations* regime was compromised. The *Recommended Allocations* regime was not affected in either planner.

## v2017.15 – 8/24/17

- EstatePro can now compute federal income and estate taxes using flat, user-defined tax rates. This might be useful when building cases that do not include a complete data set (a la the tactical planners). This extension of EstatePro's flexibility also makes it more suitable to building layered planning illustrations that fall somewhere along the continuum between those of the one-technique-per-model tactical planners and the more typical comprehensive planning illustrations that EstatePro normally generates.
- EstatePro also gives you the ability to turn off FICA/SECA taxes, if desirable.
- The new, additional tax convention alternatives also make EstatePro more suitable to building planning illustrations for non-U.S.-based clients. Granted, perhaps this is only a "downpayment" on accommodating such situations, but it's a step forward…

## v2017.14 – 8/14/17

- Pinnacle was updated, so that the customized capital market assumptions (CMAs) that you set up on the Pinnacle: Assets Classes, Pinnacle: Model Portfolios and Pinnacle: Correlation Coefficients input screens are now exported to the CFEP, EstatePro or Synergy (depending on which strategic planner you select on the Pinnacle: Current Portfolios & Asset Allocation for Strategic Planning screen), regardless of whether you complete any additional part of Pinnacle (e.g., entering current portfolio values and descriptions). This user-friendly enhancement should make your creation of a global CMA data template more beneficial. Once the custom CMAs are saved you can continue to bypass the rest of Pinnacle—if you so desire—without nullifying those template-creation efforts.

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Please note, however, that the new enhancement applies only to the asset allocation assumptions under the "Recommended" selection.

## v2017.13 – 8/08/17

- The OptiMarital Planner now supports an estate analysis for an unmarried client, so while this planning tool is designed primarily for analyzing and illustrating the estate tax and estate dispositive schemes for married couples under alternative scenarios, you can now create a basic illustration for an unmarried client's current plan.
- The IRA CRT Planner now supports a comparison of an outright bequest of an IRA/qualified plan to the surviving spouse (followed by a spousal IRA rollover) vs. a bequest of the IRA/qualified plan to a standard CRUT for the surviving spouse's benefit. The existing option of comparing these two alternatives when the IRA/qualified plan beneficiary is an heir(s) is retained.

## v2017.12 – 7/11/17

- EstatePro's *Inter Vivos* Charitable Lead Annuity Trust section now supports Shark-fin CLATs, which typically have "back loaded" annuity payments, thereby increasing the leverage potential of this intrafamily wealth transfer technique.
- The CLAT Planner also now supports Shark-fin CLATs.
- **WealthTec Suite** users who wish to take advantage of Shark-fin CLAT modeling are encouraged to review the plentiful, publicly available literature associated with this technique.

## v2017.11 – 6/07/17

- Prior to this update EstatePro supported a total projection duration of 60 years with a maximum of 40 years for the senior generation and 20 years for the second generation. This update maintains the combined maximum of 60 years, but the senior generation can now utilize the entire 60-year period. To the extent the senior generation's projection is shorter than 60 years the second generation's projection can utilize the difference (i.e., subject to a maximum of 20 years).
- The updated DesignPro reports accommodate the 60-year maximum projection duration for the senior generation.

## v2017.10 – 5/03/17

- In EstatePro v2017.6 introduced an error whereby RMDs from qualified retirement plans/IRAs were not being taxed. This update fixes that error.

## v2017.9 – 4/21/17

- Pinnacle includes a new Monte Carlo simulation (MCS) feature. Unlike the MCS features in the cash flow planning tools (i.e., Synergy, Portfolio Simulation Planner, CFEP, EstatePro), Pinnacle's MCS illustration is more of an "academic" exercise. It does not factor in portfolio inflows and outflows, but is useful in illustrating the probability of a one-year gain or loss, along with the probability of achieving a target average annual rate of return over a defined period. The new input section is located on the Pinnacle: Current Portfolios & Asset Allocation for Strategic Planning screen, under MONTE CARLO SIMULATION.

## v2017.8 – 4/13/17

- EstatePro includes a new input assumption for irrevocable trusts set up on the EstatePro: Asset Type, Owner, Legatee & Values screen that are excludable from the senior generation's estates: *G2 Gross Estate Trust Inclusion*. If the item is left blank the program assumes that the trust is a generation-skipping trust that escapes estate taxation at the G1 and G2 levels. If, however, the

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input is not blank (i.e., you put an "x" in that field) the value of the trust is includible in the second generation's (G2) estate. This is useful when illustrating wealth transfers down to the G3 level.

- In EstatePro the inputs for indicating which assets are included in *investment capital* for Monte Carlo simulation purposes are now found on the EstatePro: Asset Investment Returns screen.

## v2017.7 – 4/05/17

- EstatePro now includes a *Survivor Income %* assumption for each item on the EstatePro: Sources of Income screen.

## v2017.6 – 4/04/17

- EstatePro includes a new "Income / gain split" option for *Taxpayer* on the EstatePro: Asset Investment Returns screen. If you select this option the program taxes ordinary income and qualified dividends to the senior generation and capital gains at the entity level. This would be useful in illustrating a nongrantor-type irrevocable trust that distributes income to the current beneficiaries and allocates capital gains to the trust's corpus.
- In EstatePro the default setting for building the life expectancy/postmortem sensitivity analysis for wealth transfers is now "No." While **WealthTec** considers this illustration to be invaluable, keeping it turned off during case building enables reports to build significantly faster. You can reset the toggle to "Yes" at anytime, at which point the sensitivity analysis feature will be activated.

## v2017.5 – 3/30/17

- EstatePro includes a toggle for prorating current-year asset-based income, on the basis of the number of months remaining in the current year. This assumption is applied globally throughout the model.
- EstatePro includes toggles for prorating current-year income items entered on the EstatePro: Sources of Income input screen.
- EstatePro includes toggles for prorating current-year expense items entered on the EstatePro: Expenses input screen.
- EstatePro includes state taxable income percentage income items on the EstatePro: Asset Investment Returns, EstatePro: Family Entity and EstatePro: Sources of Income screens, and makes appropriate income addition/-subtraction adjustments at the state level, on the basis of these assumptions.

## v2017.4 – 2/08/17

- Everywhere there's a state income tax rate assumption there is now a new input item that determines whether state taxes are deductible for federal income tax purposes. (They may not be, for example, if the taxpayer is subject to the alternative minimum tax or AMT.) On the basis of your "Yes"/"No" selection the program computes the effective state tax rate applicable to a particular model or scenario. NB: The CFEP makes this determination automatically for the senior generation, because it computes the AMT. Everywhere else in the CFEP or in other planning tools the program relies on the new user-defined assumption.

## v2017.3 – 1/26/17

- EstatePro has a new Purchases & Additions input screen that would be useful for modeling recurring purchases/additions that occur every x years, gifts/bequests received, partnership capital calls, etc. Additions can be (but are not required to be) reported as senior generation cash outflows.
- In EstatePro, discretionary spending of cash flow surpluses is now added to the *Other Expenses* column on the Nontax Cash Outflows Illustration, so that the totals on that report equate with the *Nontax Cash Outflows* column on the main projection summaries. Previously, the Nontax Cash Outflows Illustration displayed only the planned cash outflows (by design).

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## v2017.2 – 1/19/17

- This update fixes EstatePro's (current) Net Worth Summary report. Certain categories were previously misclassified and/or double counted. The (current) Net Worth Detail, various projection-type financial and estate planning reports are unaffected. NB: these errors were very short-lived; they were introduced with the 11/19/16 update, (v2016.20).

## v2017.1 – 12/28/16

- Tax-related items throughout the system are updated to reflect IRS annual indexing.
- State death tax calculations were updated to reflect relevant legislative changes in New Jersey and the District of Columbia.
- The CFEP has an enhanced Social Security benefits section. You can now model up to three benefit sequences for each spouse for added flexibility. Additional user-defined assumptions were also added to that section, as explained in the online help/user manual.

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