Guide for Using LEAP SYSTEM® Software

...For use with Version 6.0
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Welcome to the LEAP SYSTEM® Software

After opening the LEAP SYSTEM® Software, you are now ready to use this powerful financial software. It is fun, fast, and easy to use. Your clients will be amazed as they learn about wealth eroding factors hidden in their present position. Using this technology will enable you to help them explore strategic alternatives that have the potential of enriching them financially.

They will be impressed with your skill and professional approach as you share with them ways to improve their overall situation. Your use of this tool can help them see how they have the potential to increase the protection of their assets, grow their wealth, and better manage their risk without additional out-of-pocket outlay.

The LEAP SYSTEM® Software is designed to provide you a powerful resource to enable you become even more successful in the insurance and financial services industry.

Let’s look at several benefits it offers:

1. It will enable you to get more quality referrals
2. Help you see more prospects
3. Open doors to individuals with high net worth and centers of influence
4. You will be able to collect data more easily
5. Enjoy a high percentage of Questionnaires completed
6. And the LEAP SYSTEM® Software is a powerful tool that will:

   A Get your prospect’s attention
   I Capture their interest in the professional services and products you offer
   D Create in them a desire to use the LEAP SYSTEM®
   A Motivate them to act upon their desire to buy your insurance products and carry on a lifetime relationship with you as their trusted insurance and financial professional

The LEAP SYSTEM® Software was designed around easy to follow processes that, when followed, will help you develop and present insurance solutions for many of the financial problems your clients face.

Read on to see what changes have been made in this newly released update of the proven LEAP SYSTEM® Software.
LEAP SYSTEM® Software 6.0 Release Notes

These notes describe the changes to the LEAP SYSTEM Software that are reflected in the release of Version 6.0.

Marginal Tax History – The History of the U.S. Marginal Tax has been updated through the year 2008. Both the bar chart object and the average of the highest marginal tax bracket for the years displayed have changed.

Federal Income Tax Tables – The tax tables have been updated to cover this year and last years – 2008 and 2009.

Market History – The financial market history has been updated to include the returns through 2008. Market results are available for the Dow Jones Industrial Average from 1902 through 2008 (107 years) and the S&P 500 from 1930 through 2008 (79 years).

Drawer Name Updates – The names of the drawers associated with the Protection, Savings, and Growth Components have been updated to conform to the way they are named on the LEAP SYSTEM® Workbooks and Worksheets currently available. As an example, Social Security (P6) now reads Government Plans.

Contemporary Design – Wherever possible, the fonts and colors have been updated to conform to those currently used in the LEAP SYSTEM Materials.

Planning Calculator Renamed – The Planning calculator has been renamed Key Objective calculator to avoid confusing your activity with Financial Planning.

Upward Mobility – The software now works with both 32-bit and 64-bit Microsoft Vista operating systems.

Canadian Version – The user now has the capability to switch between the US and Canadian versions via the Utilities ➔ Preferences option. The Canadian version has been updated for the most current tax tables.

Updated Help – The help screens have been enhanced to conform to LEAP SYSTEM colors and fonts. In addition, wording has been changed to more accurately reflect the LEAP educational materials. These items have also been added to the Help menu:

- Release Notes – Notes explaining changes to the current release have been added.
- User Guide – A single volume printable PDF version of the guide has been made available and can be accessed on the Help menu as well as by clicking on the shortcut added to the user’s desktop.
- Tech Support – This option links to the LEAP SYSTEMS tech support web page.
New Icon – A three dimensional icon with each facet showing multiple stages of green replaced the two dimensional icon used in previous versions.

Technical Support Upgraded – Previously, the primary means of requesting help was to send a request to a fax number and wait for a response. That has been updated by providing you a knowledge base, email, GoToAssist® request link for live technical support, and a new phone number.

Fixes – Several problems have been identified and fixed including:

- Utilities ⇒ Control Panel – An error message appeared when the Control Panel was closed in Version 5.40. Proper function has been restored.

- Utilities ⇒ Data Manager – The Repair Database option produced an error message. This option has been removed. The Compact Database option now works and also is used to repair the database.

- Utilities ⇒ Backup/Restore Client Database – The Backup option produced an error message and did not run. This problem has been fixed.

- Graphs & Tables ⇒ Market History – When switching between DJIA and S&P 500, the Start Year and Number of Years did not change. This problem has been fixed.

- Get Existing Client – On startup, if there was no existing client and the dropdown was selected, the application would hang. This has been fixed.
Software / Computer Requirements

To operate the LEAP SYSTEM Software on your computer, you must have the following:

SOFTWARE OPERATING SYSTEM

Microsoft Windows XP, XP Pro, Vista 32-bit, or Vista 64-bit

HARDWARE

Personal computer with a 386DX/25 or higher processor
(486 or higher strongly recommended)

8 MB of memory (16 MB or more recommended)

10 MB of available hard drive space

VGA or higher-resolution monitor

Mouse or other pointing device

PRINTERS

Most Windows-compatible Laser and Ink jet printers
Software Installation / De-installation

INSTALLING THE SOFTWARE

The LEAP SYSTEM Software is Copy-Protected software and can only be installed on one local (not networked or shared) hard drive. Make sure you understand the Software Copy Protection section before you proceed!

FROM THE WINDOWS DESKTOP

1. Close all open programs.
2. Then follow these steps:
   a. Place the LEAP SYSTEM Software SUPPORT CD in the CD-ROM drive
   b. Go to My Computer or Computer
   c. Double-click the CD-ROM icon
   d. Double-click SET-UP
   e. Follow the instructions on the screen

Store your LEAP SYSTEM Software CD in a safe place – You will need it again!!

DE-INSTALLING THE SOFTWARE

1. Place the LEAP SYSTEM Software PROTECTION CD in the CD-ROM drive.
2. Select "Remove Copy Protection FROM Hard Drive" from the "LEAP Systems" Icon group and follow the instructions on the screen.

This process will safely remove the software from the hard drive and put the copy-protection back on the Protection Disk so that it can be installed on a different computer.

NOTE: DO NOT JUST DELETE THIS SOFTWARE!!!

STARTING THE SOFTWARE

From the Windows desktop Choose Start, All Programs, LEAP SYSTEM Software, then double-click on the LEAP SYSTEM Software program icon.
Software Copy Protection

The LEAP SYSTEM Software is Copy-Protected software and can only be installed on one local (not networked or shared) hard drive. If you wish to put it on a different computer you must first un-install it from the computer it is on and then install it on the new computer.

NOTE: If you delete the software from your computer without uninstalling it, the software will be destroyed and then it cannot be installed or used!

Things that can destroy copy-protection

- Formatting your hard drive
- Adding hard drive compression software
- Some hard drive defragmentation software
- Copying the software from one computer to another by direct cable connection or other means
- Restoring a backup copy of the software on the hard drive (you can back-up the software but it CAN NOT BE RESTORED TO THE COMPUTER)!
- Hard Drive crashes (these can often be prevented by proper disk maintenance) - if you have one, do not reformat the hard drive until you talk to us!

If you have any question about whether something might damage the copy-protection then un-install the software first! We can be contacted by email at leaptechcorner@leapsystems.com.

SOFTWARE EXPIRATION

The software is designed to operate for one year until a new reset code is issued. You will get a warning 30 days prior to the actual expiration date.

If you receive an expiration warning message you should do the following:

1. Locate your LEAP SYSTEM software CD and have it at your computer.
2. Have your computer on with Windows loaded.
3. Make sure no other programs are running.
4. Email LEAP Software Technical Support at leaptechcorner@leapsystems.com.
Starting the Software

FROM THE WINDOWS DESKTOP

Choose Start, All Programs, LEAP SYSTEM Software and then double-click on the LEAP SYSTEM Software program icon.
Data Manager

General Information – The "Data Manager" allows you to do maintenance on the Leap Database. It is accessed through the "Utilities" menu. There are several items available which you will probably never use (and probably shouldn't), they will be noted with "advanced". The primary items that you would use are deleting scenarios, deleting clients, and possibly repairing the database.

VITAL NOTE: Since all of the scenarios of all of your clients are stored in one database it is imperative that you make frequent backups of the data files.

**Remember**, if the database becomes corrupted beyond repair you will have to restore from your last backup and any changes since then will be lost so make your backups often!

These will be explained as follows:

Change To The Selected Database – Allows you to select an existing database and by clicking on this button, make it the default database when saving, retrieving, or printing scenarios. *Advanced*

New Database – Creates a new database and gives you the choice of making it empty, or keeping the data which is in the current database. *Advanced*

Repair Database – Allows you to attempt to repair a damaged database. This process causes the database to be cleaned up and re-indexed.

Compact Database – Allows you to compress the database which cleans out the empty space and makes the database files smaller. This can be useful if you are backing up the database and wish to use less disk space. The database will expand again when something is saved to it.

Original Database – Makes the default database ("PS&G\LEAP.MDB") the current database. (Not necessary if you haven't "Changed the Selected Database").

Arrows to Scroll Records – These arrows allow you to scroll back and forth through the records. When you scroll, the records are in record number order (the order they were saved in) not scenario or last name order. You use these arrows to scroll to the scenario you wish to delete. As you scroll, the "Last Name", "First Name", "Social Sec. #", "Age", "Scenario #", "Date", and notes will change indicating what is in the currently selected scenario.

NOTE: The number that shows between the arrows is NOT the scenario number it is just a record counter. (The Scenario number is beside "Scenario ").

Search for Last Name – Allows you to enter a last name or partial last name to search through all of the records for that name. Then, when you scroll (using the arrows), only those records with a last name equal to or larger then what you typed here will show up. This makes it much easier to find the record you are searching for when your database gets large.

Delete Current SCENARIO – Allows you to remove the currently listed scenario (the one you "scrolled" to) and all of its data from the database.
Delete Current CLIENT – Allows you to remove the currently listed CLIENT (the one you "scrolled" to) and all of the data from ALL of HIS SCENARIOS from the database.

Be Careful…be sure to remember, all of the scenarios in the database that match this clients "Last Name" & "Social Sec. #" will be PERMANENTLY deleted!
Backup/Restore Client Database

**General Information** – This procedure allows you to make backup copies of your client database files. This procedure should be performed OFTEN in case you have file damage on your computer. If the files on your computer become damaged, you will have to go back to your last backup! This procedure also allows you to restore your database files from a backup copy you have previously made to your computer. If you need to transfer your client database files from one computer to another, you would backup the database to disk(s) on one computer and then restore the database to the other computer from the disk(s).

**Backup to or Restore From Drive** – This drive selection should be your desired destination (if you are backing up) or the existing location (if you are restoring a previously backed up database) Drive letter. *This should usually be A or B which would indicate a floppy (removable) drive. If you make your backup on to the same hard drive your data file exists on then you haven't gained any protection in the event of a hard drive crash.

**Current Database** – This shows you the current directory and database file name being used in the system (this will be drive\Program Files\LEAP SYSTEM Software\LEAP.MDB unless you have changed it through the data manager.

**NOTE:** The LEAP.MDB database file will contain the data for all of your clients unless you actively change it, so this is the only file you need to backup.

**Clear all files from the disk before performing backup** – If you check this box, all of the files on the removable disk will be erased prior to performing the backup to leave more space for the backup file. **if you check this, be very careful not to use a disk with vital information on it because you will not be able to get the information back!**

**Backup current database file** – This is the default. If this is selected when you press the "Backup" button, then the database listed under "Current Database" will be the one which is backed up.

**Backup All database files in the current directory** – If selected, when you press the "Backup" button all database files located in the same directory as the "Current Database" will be backed up. This procedure is not necessary unless you have created other database files through the data manager.

**BACK-UP Button** – When you press this button, the backup procedure will begin based on the information you have selected and will notify you when it is complete!

**NOTE:** as the number of scenarios you save increases, the database file(s) will grow in size and will eventually require multiple floppy disks to perform the backup. When needed, the backup operation will prompt you for another disk.

**Restore a previously backed up database to** – This drive and directory list box allows you to specify where to restore a database you previously backed up to. The default location is the location where your LEAP SYSTEM Software is located and is where you would normally want your data restored to.

**RESTORE Button** – When you press this button, a backup copy of your database located on a disk in the "Backup to or Restore from Drive" will be restored to the "Restore to" directory. If a database file already exists there, you will be asked if you want to replace
the files. If you answer "yes", then any data already on the restore to computer will be REPLACED by the backup copy.

BE CAREFUL...be absolutely certain you are not replacing files your NEED!!!
Drop Down Menus

Speed Keys (Ctrl+keys) – In several of the menus you will notice that there are Ctrl keys listed beside some of the menu items. These "Ctrl" keys are speed keys which you can use to access the menu item without having to open the menu. They are listed in the menus so that as you become more familiar with the system you can start using them. They will NOT work if the menu is open. They only work when all menus are closed. Any of the "Ctrl" keys that we use within the LEAP SYSTEM Software is available in one of the menus at the top of the screen so that if you forget one of them you can always find it in a menu.

The Drop Down Menus are as follows:

Utilities
Calculators
Graph & Tables
PS&G
Help
Window
Utilities

Save Current Scenario Ctrl+S – Allows you to save the PS&G Model information you are currently working on to the database.

View Scenarios – Allows you to view the "Bottom Line Comparison".

Get Existing Client – Allows you to select an existing client (one which has been saved in the past) from the database so that you can work with his scenarios.

Get Scenario – Allows you to select an existing Scenario (one which has been saved in the past) of the currently selected client from the database.

Data Manager – Allows you to do maintenance on the database (deleting scenarios, etc.)

Backup/Restore Client Database – Allows you to backup and/or restore your client file database.

Clear PS&G Inputs – Allows you to clear the current data in the Model (doesn't delete any saved information).

Calculator (Hand Held) Ctrl+C – Opens up the standard Windows calculator and makes it the active program

Control Panel – Opens up the Windows Control Panel which allows you to adjust Windows' system settings such as printers & screen resolutions.

Copy Value F11 – Allows you to copy the information highlighted on the screen. When you copy the information, it is stored in the Windows Clip Board where it can then be pasted to another location. The information stays in the clip board until something else is copied, either through the LEAP SYSTEM Software or through another program.

*Shortcut* It is much faster and easier to select the desired information (highlight it) then right-click (click on the highlighted portion with the right mouse button) and then select copy with the left mouse button.

Paste Value F12 – Allows you to paste the last information copied to the current cursor location on the screen. Whatever was last copied, either through the LEAP SYSTEM Software or through another program is pasted to this location.

*Shortcut* It is much faster and easier to select the desired location for the information to be pasted to, then right-click (click with the right mouse button) on the desired location, and then select paste with the left mouse button.

Print Scenarios – Opens up the "Print Menu" to allow you to print any saved scenarios

Quick Print the Current Sheet Ctrl+Q – This is for the Calculators and the Graphs. It prints the currently active Calculator or Graph directly to the default printer (the printer set up through the Windows Control Panel as the default) without asking for any print options.

Print the Current Sheet (With Setup) Ctrl+Z – This is for the Calculators and the Graphs. It prints the currently active Calculator or Graph but asks for print options before sending it to the printer.

Print Graph with Patterns (Not Solid) – Causes the graphs when printed to print with a pattern rather than printing solid colors. This will save ink and time when printing but may not
look quite as good. On certain black only printers this may be necessary to distinguish between each series in the chart. If there is a check mark beside this option, then patterns will be used otherwise they will be solid.

**Show Date** – When this is "checked", the date is displayed in the status bar at the bottom of the screen

**Show Time** – When this is "checked", the time is displayed in the status bar at the bottom of the screen

**Preferences** – Opens up the “Preferences” form to allow changing to the Canadian version and turning on/off LEAP Messaging.

**Close LEAP SYSTEM Software** – Closes the program
Calculators

When a calculator is open even though it is not showing on the screen, it is using memory and resources. It is suggested that you close the calculators when you finish with them to free up the resources. You can tell a calculator is open (even when you can't see it) by a 'check' mark beside it in the Calculators menu.

Financial Calculators – This opens another menu allowing you to choose one of the 5 standard financial functions which can be performed by any hand-held financial calculator.

Family Security – A LEAP SYSTEM proprietary calculator used to help the client come to an educated decision regarding the current amount of life insurance that should be owned to properly cover a family's risk. This is also found in the Protection Internal Design Workbook, and Family Security Calculator Worksheet.

Loan Amortization – This calculator shows the annual values of a loan amortization.

Mortgage Comparison – This calculator shows the difference between two mortgages with different payment periods and/or interest rates. It provides “amortization schedules” for each of the mortgages.

Mortgage Choice – This calculator shows the difference between 3 different mortgage options - "Cash", "Payment Period 1", and "Payment Period 2".

Loan Window – This calculator allows you to illustrate the cost of consumer debt, and the potential financial advantages of paying off debt sooner.

Netting – This calculator shows the difference between an account allowed to compound with no taxes and one in which the taxes are netted (taken out of the account each year).

Anatomy of the Compound Tax – This calculator shows the effects of compounding an account and paying taxes from another source. This calculator offers a detailed, analytical look at how taxes and Lost Opportunity Costs work on an annual basis. This is a good calculator to use with a client to teach the basics of Lost Opportunity Cost.

Compound Tax Overview – This calculator shows the effects of compounding an account and paying taxes from another source. This calculator offers a year-by-year look at the effect of compound taxes and LOCs against an increasing account value.

Compound Interest – This calculator illustrates the effects of compounding an account and paying taxes from another source in a less tabular form than the previous calculators.

Real World of Compound Interest – This calculator shows the effects of compounding an account and paying taxes from another source.

Compound Tax Savings – This calculator allows you to illustrate the tax and LOC difference between compounding an account and withdrawing money from an account. This calculator is very effective for helping the client to understand the value of a tax recovery by limiting the compounding in an account.

Key Objectives – This calculator shows the amount of money “needed” in the future to provide a stream of income for the purpose of retirement, education, or economic life value.

Inflation Erosion – This calculator shows the effects of inflation on an account annually.
**Versatile**  – This calculator can illustrate, as its name implies, many possible situations to the client. It is a generic calculator allowing both inputs and withdrawals in any year. It also has the functionality to allow for a series of values to be imported into the calculator through a ‘cut and paste’ from other LEAP calculators or tables of data such as in a spreadsheet such as Microsoft Excel®.

**Paydown**  – This calculator shows what happens to an account annually as you pay it down and gives you another column to show the use of the money taken out of this account.

**Qualified Plan Pie Chart**  – This calculator shows the effects of taxes and inflation on a future qualified plan or an estate in a simple graphical manner.

**Qualified Plan Tax Savings**  – This calculator shows that there is NO "tax credit" in your pocket when you make pre-tax contributions into a "Tax Deductible" qualified plan. Rather, the “tax savings” that many individuals believe “passes through” to their pocket exists instead inside the qualified plan itself.

**Qualified Plan Distribution**  – This calculator provides a "micro" look at a tax-deductible qualified plan and allows for future hypothetical outputs and withdrawals to be considered.

**Person A - Person B**  – This calculator shows the benefit of owning paid-up, permanent life insurance at retirement as opposed to the more traditional “buy term and invest the difference” approach. This calculator has the functionality that allows for the illustration of the multiple benefits of permanent life insurance ownership that are detailed in the PS&G Model® Living Value Worksheet.

**Variable Assumption Rate**  – This calculator allows you to illustrate variable annual interest rates, variable annual payments, and variable annual costs. It is especially valuable to illustrate the effect of variable annual market returns as well as the effect of these returns on retirement income streams.

**Growth Securities**  – This calculator allows you to show what happens annually in the G4, G5, and G6 drawers.

**Blank Spreadsheet**  – A basic blank spreadsheet which can be used like Microsoft Excel®

No hyperlink is available for instructions on how to use this calculator.

**Buy Term & Invest the Difference**  – A calculator used to show the various effects of a ‘buy term and invest the difference’ approach.
Graphs and Tables

Marginal Tax History – Chart of the U.S. marginal tax rate

Mortality Table – 2001 Commissioner’s Standard Ordinary Mortality Table

Joint Mortality Table – Joint Mortality Table based on the 2001 CSO Table

PS58 & US38 Table – US38 & PS58 Tables


Market History – Shows the market history of the Dow Jones Industrial Average and the S&P 500

Electronic Compounding Table – This is a calculator similar to the manual compounding tables.
PS&G Menu

PS&G Model – Takes you back to the Model from any location (Ctrl+P)

Basic Data Input – Takes you back to the Basic Data Input screen from any location (Ctrl+I)

Tax & Debt Recovery – Takes you to the "Debt and Cost Recovery" module (Ctrl+T)

Life Insurance – Brings up a menu that will allow you to enter information into either the Term Insurance input box, Existing Permanent Life Insurance input box, or the New Permanent Life Insurance input box (the input boxes are the same boxes that can be accessed by pressing F10 in the P9 drawer – Ctrl+W).

Unhide/Hide Opportunity Costs – Un-hides/hides the "Opportunity Cost" column (far left column Ctrl+U)

Hyp. Output/Present Position – This toggles between "Hypothetical Output" and "Present Position" (no output)

Unhide/Hide Deferred Taxes – Un-hides/hides the "Tax @ Dist." column (deferred taxes – far right column)

View Scenarios – This shows the comparison of all bottom lines shown in the scenarios (also called the Bottom Line Comparison)

Print Scenarios – This brings up the print menu for scenarios you wish to print

Clear PS&G Inputs – This is used to clear the Model information currently loaded, it will not affect any saved information

Bottom Line – Alternates hiding/un-hiding the bottom line on the Model (Ctrl+B)
Help

Help Contents – Opens up this file to the index section

About LEAP SYSTEM Software – Opens an information page listing the version, serial number and licensing information
Window

Cascade – Arranges the calculators around the screen (very useful when all of the financial calculators are loaded)

Tile – Arranges the calculators vertically on the screen

Instance – Provides another "instance" of the same financial calculator which is the active calculator. In other words, if I wanted 2 Future Value calculators I would open the first one and then while the "Future Value" calculator is active, select "instance".

Size – Resizes the size of the LEAP Software screen to fit to the computer settings

Setting options in this version include:

- 640 x 480
- 800 x 600
- 1024 x 768
- 1152 x 768
- 1280 x 960
- 1400 x 1050
- 1600 x 1200

NOTE: Any open calculators, including the particular PS&G Model component showing on the screen will be listed under the ‘Window’ menu. If you have minimized any of these calculators, you can bring them back up by selecting them under the ‘Window’ menu.
General PS&G Model Information

Action Buttons – There are several ‘action’ buttons located in the Protection, Savings, and Growth components which perform various tasks. Some of these buttons may be hidden but when you slide your mouse across one of these buttons, your mouse pointer will change into a ‘hand’ pointer. There is also a brief description of what the button does on the left end of the status bar located at the bottom of the screen.

Among these buttons are the following:

Present Position/Hypothetical Output – Toggles between showing the "Present Position" (no outputs) and showing "Hypothetical Outputs". It is located at the top right of each of the PS&G modules and will display either "Present Position" or "Hypothetical Output". Simply 'click' on the button to change it.

Hypothetical Input/Hypothetical Costs – Located near the top and left of each of the PS&G modules. Clicking either title toggles between showing various "Opportunity Cost" displays or hiding them completely (this would be to illustrate a client’s Present Position only). Clicking the toggle buttons will display one of four possible selections- showing no costs, showing the premiums and/or tax streams only, showing the LOCs on the premiums and/or taxes only, or showing the premiums and/or taxes plus LOC. Depending which display is chosen will affect the corresponding field titles in the Bottom Line.

Deferred Benefit/Deferred Tax – Toggles between showing the “Deferred Benefit” (Protection Component only) or "Deferred Taxes "(Savings and Growth Components) and hiding these figures. It is located at the top far right of each of the PS&G modules (right of the "Present Position/Hypothetical Output" button). When the fields are blank, move your mouse pointer to the right of the "Present Position/Hypothetical Output" button and you will see the mouse pointer and the description in the status bar change. Simply ‘click’ on the button to change it. Again, the status of this button will affect the way information is displayed in the Bottom Line.

PSG (gray boxes above the highlighted Deferred Benefits column on the right side of the screen) – Changes the active screen to either "Protection", "Savings", or "Growth". The gray box changes to a color to indicate the active screen and respective PS&G Model® Component. They are located in the upper right side of the screen in each module.

Drawer Inputs – To open up a drawer for inputting information, 'Click' the title of the drawer with the left mouse button

Highlighting Drawers – A 'highlight' may be added or removed from a respective drawer when you 'Click' the title of the drawer with the RIGHT mouse button. The drawers toggle through four colors - yellow, red, dark green, and light green. These colors may be helpful in illustrating the “status” of a particular drawer on the PS&G Model.

P-S-G Module Buttons (colored green, blue and plum-inside the Bottom Line) – Toggles between showing/hiding the values of the component (removes from Bottom Line calculations). Also, you may toggle the data in a particular component on or off, simply click on the title bar of the component or click on the appropriate P-S-G button on the bottom line. The Protection Module has three settings - show all, show only P9, or show no values. The Savings & Growth Modules have two settings - on or off.
**Change Buttons** – These buttons are located in most of the input boxes for Savings, Growth and New Permanent Life Insurance. They open up the ‘Paydown Manager’ for the input field closest to the button. The Paydown Manager allows you to change the input stream into (or out of) the Model. For instance, you may want to take money out of 1 drawer for a period of time and put it into another drawer for the same period of time. You simply make the entries for the amount (positive if going into the drawer, negative if coming out of the drawer), the 'start year' for the cash flow and the 'end year' for the cash flow.

**NOTE**: If the cash flows do not balance, the computer will automatically make an entry in the bottom line under 'Payment and Inflation Adjustment' to compensate for the difference. You must maintain the same cash flow in every year to keep the Model in balance. If you are putting money in one account for a shorter period of time then projected, you must then put the stream in another account for the difference in time.

**Tax & Debt Recovery** – Accessed through the "PS&G" menu or by pressing (Ctrl+T). This is where compound tax is recovered (shortcut) and where any necessary adjustments are made with respect to Lost Opportunity Costs and Debt.

**Saving a Scenario** – Accessed through the "Utilities" menu or by pressing (Ctrl+S). This stores the scenario in the database. All scenarios for all clients are stored in the same database and are differentiated by LAST NAME, SSN (any 4 numbers, social security might be easy to remember), and SCENARIO (this must be a number). Optional items are DATE and NOTES - these 2 fields are very useful (almost essential) when it comes to retrieving the information so that you know when it was done and what it was without having to actually load the scenario to look at it (A typical brief description in the notes field would be "CD Move").

**NOTE**: Since all of the scenarios of all of your clients are stored in one database it is imperative that you make frequent backups of the data files. Remember, if the database becomes corrupted beyond repair you will have to restore from your last backup and any changes since then will be lost so make your backups often!

**Get an Existing Client** – Accessed through the "Utilities" menu or the Basic Data Input box. This allows you select a client which has already been stored in the database. Simply click on the arrow that points down to see the list of stored clients and select the desired one. Then click on the "Scenarios" button to take you to the "Basic Data Input" box where you can select the scenario you wish to load.

**Get Scenario** – Accessed through the "Utilities" menu. Lists the scenarios for the currently selected client allowing you to click on the one you wish to retrieve. Then click on the "Load Data" button to load the scenario into the Model.

**Print Scenarios** – Accessed through the "PS&G" or the "Utilities" menu. It allows you to print scenarios which have been saved for the currently selected client and have been loaded into the “View Scenarios” (PS&G menu). Only those scenarios loaded into the "View Scenarios" can be printed. Inside the Print Menu (PS&G menu-Print Scenarios) you must select which of the scenarios you wish to print by clicking the check box beside the appropriate scenario. A check in the "Model" column will print a page with Protection, Savings, & Growth all on one page. A check in the "Inputs" column will print 2 pages containing all of the individual inputs for that particular scenario (this is generally not necessary unless there is a problem or you are working with LEAP SYSTEMS Software Technical Support). A check in the "View Scenarios" box will print the "View Scenarios" as a separate page. A check in the "NOTES PAGE" will print out the notes page.
IF YOU ARE GIVING LEAP SOFTWARE PRINT-OUTS TO A CLIENT YOU MUST PRINT THE "NOTES PAGE," GET IT SIGNED BY CLIENTS, PROVIDE THEM A COPY, AND KEEP AN ORIGINAL IN YOUR FILES AS DISCUSSED IN LEAP SYSTEM'S COMPLIANCE GUIDELINES.

On the right side of the 'Print Menu' box, the "Items To Show on Printout", "Scenario #" is the number that will actually print on the corresponding "Model" page (you may be working on scenario #43 for a client but it might be that you want a "2" rather than "43" as the 2nd scenario of a CD move so). "Name" is the name of the client you wish to be printed on each "Model" page printed. "Date" is the Date you wish to be printed on each "Model" page printed. "Note" is a brief description ("CD Move", etc.) of all the scenarios you wish to be printed on each "Model" page printed. "Colored Model," if checked, will print a model with green shading on a color printer or gray shading on a black printer. Be aware that this **will** use a significant amount of ink from your printer's cartridges. If unchecked, the Model will only be printed with the outlines (color or black) of the drawers along with the data.

**Clear PS&G Inputs** – Accessed through the "PS&G" or the "Utilities" menu. It allows you to clear all the data in the PS&G Model. It does NOT delete any of the data currently saved in the database only the information currently input on the screen. It also leaves the information in the "Basic Data Input" so you don't have to re-enter it when working with the same client.

**Bottom Line** – Accessed through the "PS&G" menu or **(Ctrl+B)**. It allows you to unhide or hide the bottom line information for the Model as it appears on the screen. All of the information entered in the "Protection", "Savings", "Growth", and "Debt Entry & Cost Recovery" modules are totaled here.
**Bottom Line**

**Bottom Line** – Accessed through the "PS&G" menu or (Ctrl+B). It allows you to unhide or hide the bottom line information for the Model. All of the information entered in the "Protection", "Savings", "Growth", and "Debt Entry & Cost Recovery" modules are totaled here.

**LEFT SECTION**

**Hypothetical Input** – The total of all annual inputs (deposits & withdrawals) from "Protection", "Savings", and "Growth"

**Growing To** – The total of all of the annual inputs (deposits & withdrawals) from "Protection", "Savings", and "Growth" but with the term premium at the "Projected Age" rather than at the "Current Age".

**Old Money** – Total of all of the Present Values or "Deposits" from "Protection", "Savings", and "Growth". It also includes any "Current Equity" in G8 and "Current Cash Values" in P9.


**Inflation Rate** – Inflation rate entered in the Basic Data Input.

**MIDDLE SECTION**

**P-S-G Module Buttons** – Toggles between showing/hiding the values of the component currently on the screen. (If hidden, the total values for that particular component are hidden from the bottom line totals as well.) To toggle on or off, simply click on the title of the module or click on the corresponding button on the bottom line. The Protection Module has three settings - show all, show only P9, or show no values. The Savings & Growth Modules have two settings - on or off.


**Recovery of Costs** – The value of the recaptured dollars from compound tax recovery in the "Debt Entry & Cost Recovery" + the value of any recaptured term premiums. This is actually displayed as a cost because the "Hypothetical Output" already includes these values, so this is this cost for acquiring it.

**NOTE:** This field does NOT include recovered mortgage payments. These payments are reflected as ‘Recovery of Costs’ below the Growth Component.

**Payment & Inflation Adjustment** – The total of:

1. The compound value of the difference in the inputs and the deflated inputs whenever you put an inflation number in the "Basic Data Input". This is one area that inflation works in our favor because every year the annual inputs don’t "cost" us as much so the computer compounds a value for this reduction against annual "cost".
2. The value of the reduction in cost of the "Tax & L.O.C." whenever you put an inflation number in the "Basic Data Input".

3. The compound value of any difference in input streams which don't balance out from using any "Change" button (Paydown Manager) incorrectly.

**Right Hand Section**


**Deferred Debt & Taxes** – Total of all of the “Deferred taxes” from "Savings" and "Growth" + any "Remaining Debt" from G8 + any "Debt" adjustments in "Debt Entry & Cost Recovery" window

**Inflation Cost** – The cost of inflation against the "Net Hyp. Output" whenever you put an inflation number in the "Basic Data Input".

**Today's $$$** – The "Net Hyp. Output" + the "Inflation Cost" whenever inflation is entered in the "Basic Data Input"

**Life Insurance Death Benefit** – This field shows when inflation is NOT entered into the Basic Data Input. It also prints out whenever then Model is printed (inflation does not print out). It displays the amount of permanent life insurance in force at the end of the illustration period.

**NOTE: Solving for Effectiveness Rate** – This is a hypothetical rate of the inputs into a client's PS&G Model, inclusive of the "Out-of-Pocket" or "Opportunity" costs. So using an interest rate calculator (in the "Financial Calculators" or a hand held financial calculator) to prove this number the inputs would be as follows:

- **Payment** = "Hypothetical Input" (in "Bottom Line") - (inputs for P1 thru P8 and term)
- **Present Value** = "Old Money (in "Bottom Line")
- **Time Period** = "Projected Age" - "Current Age" ("Basic Data Input").
- **Future Value** = "Hyp. Output" - "Deferred Debt & taxes" - "Recaptured" (Middle Section of "Bottom Line") – “Hyp. Costs & LOC"

**NOTE:** The question arises quite often as to why the "Recaptured" is treated as a cost. As mentioned above, the "Hypothetical Output" includes the value of any recaptured compound taxes and any recaptured term costs, but there is a "cost" to get these values. In other words, you had to invest (spend) the difference in the tax stream and the difference in the term premiums to have the output. Therefore, just like when you invest annually in a savings or growth vehicle the cost of the inputs are weighed out against the gain to determine the effective rate of increase. From the client's perspective, it is typically going to be easier for them to see increased output with the same cost than it is to see slightly less output with a lot less cost even though both are of equal value.
**Example – Present Position**

Hyp. Input = 1,000  
Present Value (Old Money) = 100,000  
Hyp. Output = 700,000  
Hyp. Costs & LOC = -200,000  
Tax & L.O.C. = -300,000  
Recaptured = 0  
Time Period = 20 Years  
The "Effectiveness" would be 2.78%

**Strategic Alternative 1** (Reduction of cost)  
Hyp. Input = 1,000  
Present Value (Old Money) = 100,000  
Hyp. Output = 700,000  
Hyp. Costs & LOC = -300,000  
Tax & L.O.C. = 0  
Recaptured = 0  
Time Period = 20 Years  
The "Effectiveness" would be 6.59%

**Strategic Alternative 2** (Same Cost as present position - but more output)  
Annual Input = 1,000  
Present Value (Old Money) = 100,000  
Hyp. Output = 800,000  
Hyp. Cost & LOC = -100,000  
Tax & L.O.C. = 0  
Recaptured = -300,000  
Time Period = 20 Years  
The "Effectiveness" would be 6.59%
**Bottom Line Comparison**

**Scenario Drop Down** – By clicking on the down arrow, you can select which scenario to display.

**NOTE:** Only Scenarios which have been saved can be selected.

**Close Button** – Closes the Bottom Line Comparison and takes it out of memory

**Hide Button** – Hides the Bottom Line Comparison and leaves it in memory

**NOTE:** The "Bottom Line Comparison" screen is what comes up when you choose "VIEW SCENARIOS" from the "PS&G" menu or the "Utilities" menu.

You must select scenarios here if you want to print them.
Basic Data Input

Scenario Number – A number used to identify a particular client scenario. If you press the arrow on the right end of this box, it will list all of the scenarios for this client and if you select one it will allow you to load that scenario (this will replace any data you are currently working on, so be sure to save it first!)

Last Name – The client’s last name you want on the printed output of the Model. This field is also used with the last 4 digits of the social security number to store the scenario in the database.

First Name – The client’s first name for the printed output of the Model

Middle Initial – The client’s middle initial

SSN – The last four digits of the client’s social security number. (It doesn't have to be the social security number it just needs any number to help distinguish it from other clients with the same last name.

Date – The date you want stored with the scenario so you know when it was created or modified.

Notes – A brief description of the scenario for later identification.

Current Age – The client’s age at this time.

Projected Age – The client’s age at the end of the production period (NOT the number of years)

Current Tax Bracket – The client’s current tax bracket

Target Tax Bracket – The projected tax bracket at the time of retirement. (Used for deferred taxes only). This will usually be the same as the "Current Tax Bracket", but if under current law, the amount of money he should have at the "Projected Age" will put him in a different bracket, you would use that bracket.

Capital Gains Tax Bracket – The current capital gains tax bracket rate.

C.O.M. – Cost Of Money rate. The compounding rate applied to the premiums from P1-P8, the Term Insurance premiums, and the annual taxes from the Savings & Growth components. When this field is blank or a ‘0’ is entered, the "Hyp. Costs & LOC Column" shows only the cumulative premiums and cumulative taxes (no compounding).

Inflation – The inflation rate that you wish to use in the Model. Typically, an inflation factor is used to show how inflation can seriously erode the purchasing power of money at retirement. It is important that the client understands this so as to be able to maximize their financial decision making today. This includes making sure that every dollar they are putting into the Model is used efficiently and that the client is saving as close to 15% of their gross income as is possible. When an inflation rate is entered, the computer will not only deflate the hypothetical output on the “output” of the Model but it will also deflate the costs on the “input” side of the Model by making an entry in the "Pmt. & Inflation Adj." field in the bottom line.

Enter Data – This button enters the basic data into the Model.

Cancel Changes – This button closes the basic data box without making changes to the Model

Get Client Button – Click on this to retrieve information on a different client

Fed. Tax Tables – Provides a link to the Federal Tax Table graph to aid in filling out the appropriate tax brackets
Debt Entry and Cost Recovery

Original – The input field for the original Compound Tax amount (before flattening or changing).

Resulting – This input field is subtracted for the new Compound Tax amount (after flattening or changing).

Checkbox – Put a check mark "☑" in the box to the far right by clicking on it. When checked, the “Resulting” cell is subtracted from the “Original” cell and illustrates as "Net Gain" (if the checkbox beside the taxes you are trying to recover is not checked, the recaptured money will not appear in the Model).

Debt – These two cells (Adj.1 & Adj.2) together and go into the PS&G Model if "checked", adjusts the far right column ("Tax @ Dist." Column).

L.O.C. – These two cells (Adj.1 & Adj.2) add together and go into the PS&G Model if "checked", adjusts the far left column. ("Opportunity Cost" Column)

NOTE: Procedure to recover compound taxes using the "Debt Entry and Cost Recovery" (Ctrl+T) (interest move, etc.)

1. Put the amount of the compound tax in the corresponding "Original" cell
2. Switch back to the Model (Ctrl+P)
3. Put a negative input on the account showing the money (interest) being taken out annually
4. Switch back to "Debt Entry and Cost Recovery" (Ctrl+T)
5. Put the amount of the new Compound Tax in the corresponding "Resulting" cell
6. Click the checkbox in the right hand column to "CHECK" the cell so the "NET GAIN" will go into the Model

SHORTCUT: To shortcut the above process of recovering compound taxes you can (without using the "Debt Entry and Cost Recovery"/Ctrl+T screen)

1. Right-Click (Click with the Right mouse button) directly on the Compound Tax amount (before flattening or changing) that appears in the ‘Hyp. Costs & LOC’ box and select "Original Cost" from the menu that pops up. (This step puts this amount in the "Original" column beside the corresponding drawer in the "Debt Entry and Cost Recovery" screen automatically)

2. Make your changes to the drawer (i.e. flatten, paydown, etc.). This step will change the Opportunity Cost (compound tax) for this drawer as it appears in the ‘Hyp Costs & LOC’ box.

3. Right-Click (Click with the Right mouse button) directly on the NEW Compound Tax amount (after flattening or changing) that appears in the ‘Hyp Costs & LOC’ box and select "Resulting Cost" from the menu that pops up. (This step puts this amount in the "Resulting" column beside the corresponding drawer in the "Debt Entry and Cost Recovery" screen).
4. Right-Click (click with the right mouse button) directly on the NEW Compound Tax amount again, that appears in the ‘Hyp. Costs & LOC’ box, and select "Recapture/Checked" from the popup menu to "Check" the check box on the corresponding drawer. This final step calculates the tax recovery and illustrates it in the Model beneath the Growth Component as ‘Recovery of Costs’ and also puts it in the ‘Bottom Line’ as ‘Recovery of Costs’.
Protection Component

P1, P2, P3, P4, P5 INPUT BOXES

**Insurance Type** – A drop down box listing the available insurance policies for this drawer

**Premium** – The annual premium amount for the "Insurance type" selected

**Limit** – The policy limit for the "Insurance type" selected

**Deductible** – The amount of the deductible for the "Insurance type" selected

**Limit Used** – The selected limit for the Model. The premiums for each "Insurance type" will be added together, but the limit and deductible which are shown on the Model will be determined by this selection.

**Notes** – A place to put notes (up to 100 characters) for this drawer which will be stored with the Model

**Replacement** – Available only in the P2 drawer signifying whether client has replacement cost coverage on his homeowner’s policy

**Video** – Available only in the P2 drawer signifying whether the client has proof of valuables via a video. This is important because if the client is paying for replacement coverage, the best way to ensure that a claim is paid is to have physical proof- video, photos, receipts.

**Monthly Benefit** – Amount of the monthly benefit which will be received in the event of disability (available only in the P4 drawer).

**Waiting Period** – The number of days until the monthly benefit which will be received in the event of disability - available only in the P4 drawer.

**Benefit Period** – The age when the monthly benefit which will cease in the event of disability - available only in the P4 drawer.

**GOVERNMENT PLANS (P6)**

**Payment/Income** – An amount will produce either payment into SS or income from SS (if entered as a negative). A dollar amount will also produce a "?" for output, but will add to the compound cost of the Model.

**Brief Description** – A short text field to show up in the drawer on the Model (an example would be “Full” or “Partial” depending on how the client qualifies)

**Notes** – An expanded text field to store additional information (up to 100 characters)
WILLS AND TRUSTS (P7)

Wills – This check box allows you to identify whether the prospect has a will

Trust – This check box allows you to identify whether the prospect has a trust

Brief Description – A short text field to show up in the drawer on the Model (an example would be “1999” as in the year the client had the will drafted)

Notes – An expanded text field to store additional information (up to 100 characters)

OWNERSHIP (P8)

Brief Description – A short text field to show up in the drawer on the Model (an example would be JTWRC (Joint Tenancy with Rights In Common)

Notes – An expanded text field to store additional information (up to 100 characters)

LIFE INSURANCE (P9)

Term Insurance – Click on this to open term insurance input

Employer Paid Group Term Insurance – Click on this to open an input field for entering existing employer paid group term

Existing Life Insurance – Click on this to open existing life insurance input

New permanent Life Insurance – Click on this to open new life insurance input

TERM INSURANCE (P9)

Current Age – Input client's age here

Projected Age – Client's age for the end of the illustration period (not necessarily the age the insurance will be canceled)

Purchase Age – The input field for the age of the client at the time the insurance was purchased

Age to Cancel – Input for the age the client will stop premium payments/cancel the insurance (quite frequently at age 65)

First Premium – The amount of the first premium to be paid if client has an existing insurance policy (if this field is left blank, the software will calculate it from the default rates)

Last Premium – The amount of the last premium to be paid if client has an existing insurance policy (if this field is left blank, the software will calculate it from the default rates)
Face Amount – The face amount of term insurance owned by the client.

C.O.M. – The Cost of Money rate to be used in compounding term premiums when solving for lost opportunity cost.

Recovery Death Benefit – This input field is for the face amount of term insurance recovered. (This is the amount of death benefit replaced by purchasing a new whole life policy. This is used AFTER a recommendation has been made to the client that results in new permanent life insurance). Inputting a number here will automatically reduce the term face amount on the Model, compound out the difference in term premiums invested at the 'Recovery Rate' and enter it into the Model.

**IMPORTANT:** Do not reduce the 'Face Amount' because the original face amount is necessary for the computer to perform the correct calculations.

Recovery Rate – This input field is for the net rate of compounding to use on the premiums recovered by replacing term insurance.

Details – This button switches to a different screen that displays the premiums and lost opportunity costs/recoveries in each year.

Automatic – This button uses generic term insurance rates which are in the software to determine premiums and compound costs.

5 Year Interpolation – This button displays an input box for every fifth year premium; you enter a premium for that year and then the computer then interpolates the years between these.

Manual/ Level – This button displays an input box for each year's premium. This would be used for level term premiums or when you wish to input each year's premium.

Policy #1/Policy #2 – This button toggles between Term 1 policy and Term 2 policy.

**EXISTING PERMANENT LIFE INSURANCE (P9)**

Premium – The premium amount the client is paying.

Current Death Benefit – The current amount of death benefit purchased.

Current Cash Value – The current amount of cash value in the policy.

Future Death Benefit – The projected death benefit at the projection age used in the 'basic data input'.

Future Cash Value – The projected cash value at the projection age used in the 'basic data input'.

Waiver – Check this box if the policy has Waiver of Premium Disability Insurance. Checking this box will put an entry in the P4 Drawer for a monthly disability benefit equal to the 'Premium' divided by 12.
NEW PERMANENT LIFE INSURANCE (P9)

Automatic – The input fields for the premium amounts for new insurance policies. The computer calculates the current Death Benefits, future Death Benefits, and future Cash Values based on a set of default values that must be entered in the manual section.

Waiver of Premium – Check this box if the policy has Waiver of Premium Disability Insurance. Checking this box will put an entry in the P4 Drawer for a monthly disability benefit equal to the 'Premium' divided by 12.

Premium – The premium amount the client is paying

Current Death Benefit – The input field for the current amount of death benefit purchased

Current Cash Value – The input field for the current cash value at the projection age entered in the 'basic data input'

Future Death Benefit – The input field for the projected death benefit at the projection age entered in the 'basic data input'

Future Cash Value – The input field for the projected cash value at the projection age entered in the 'basic data input'

Default – When the default box is checked, none of the numbers entered in the manual fields will be shown on the Model unless Automatic Premiums are entered. When Automatic Premiums are entered, the values calculated will be multiples of those values in the manual fields. NOTE: Use the manual section when working from a ledger sheet. Use the automatic section when trying to find multiples, either lesser or greater, of an illustration. For example, you have a $250,000 whole life illustration, with a $3,000 premium, and enter all of the appropriate numbers in the fields. If you want to know, approximately, what the values would be for a $750,000 policy, click “default” and enter $9,000 (the multiple necessary for three times the insurance) into the “Automatic” field. This feature is for discussing concept only.

Withdrawal – The input field for an annual withdrawal from a life insurance policy (i.e. a loan). If you enter a withdrawal to be taken from the policy it will NOT affect any of the values originally entered. In order to show the effects of a withdrawal you must run an actual illustration and enter the altered values back into the 'Manual' section.

MISCELLANEOUS

Inflation Cost for P1, P2, P3, and P6 – Located at the top of the Protection Module, immediately to the right of the word "Protection," and above the P3 drawer is a hidden input field. It allows you to enter an increasing percentage to an inflation factor (entered in the Basic Data Input) to the insurance costs in P1, P2, P3, and P6.

Group Term – This is another input field for the face amount of employer paid group term insurance. It is located in the near the top of the P9 drawer below the word "Life Insurance".
**Miscellaneous Annual COST** – To the bottom right of the Protection Component, it allows you to enter any ongoing costs to be added to the Model (planning fees, administration fees, etc.)

**Miscellaneous C.O.M.** – The Cost of Money to be used in Miscellaneous Cost (see above)
Savings Component

S1, S2, S3, S4, S5, S6, S7, & S8 INPUT BOXES

EOY – A check box signifying whether or not "Annual Deposits" (or withdrawals if negative) will be made at the beginning of the year (not checked) or at the end of the year (checked).

NET – A check box signifying whether or not the drawer will be compounded (not checked) or netted (checked). Netting the drawer means that the taxes will be paid out of this particular account rather than paid out of another “pocket” or source.

Annual Deposit – The annual deposit made into an account if positive or annual withdrawal from the account if negative

Existing/Lump Sum Deposit – The one time deposit (made at the beginning) or present value of an account

Interest Rate – The annual earnings rate of the account

Flat Withdrawal Button – When this button is pressed, it will calculate the amount of money to withdraw from the account annually to keep the account "Flat" (not growing the original principle, maintaining the original amount). It will then enter the “flat” amount (as a negative for withdrawal) in the "Annual Deposit" field. If the "EOY" is checked, the withdrawal of the money will be at the end of the year. If not, it will calculate the amount of money to be withdrawn starting immediately (at the beginning of the year). *If your assumptions change (Interest Rate, Lump Sum Deposit) you must recalculate this number (re-hit the ‘Flat withdrawal’ button).

Paydown Withdrawal Button – When this button is pressed, it will calculate the amount of money to withdraw from the account annually to pay the account down to zero at the "Projection Age" in the "Basic Data Input". It will then enter that amount (as a negative for withdrawal) in the "Annual Deposit" field. If the "EOY" is checked, the withdrawal of the money will be at the end of the year. If not, it will calculate the amount of money to withdraw starting immediately (at the beginning of the year). *If your assumptions change (Interest Rate, Lump Sum Deposit, Ages) you must recalculate this number (re-hit the “Paydown” button).

Change Buttons – These buttons open up the 'Paydown Manager' for the input field closest to the button. The Paydown Manager allows you to change the input stream into (or out of) the Model as needed.

TAX DEDUCTIBLE (S9)

Annual Deposit – The annual deposit made into an account if positive or annual withdrawal from the account if negative.

Employer Contribution – The annual deposit made into the account by the employer ("free" money to the employee).

Old Money – The one time deposit (made at the beginning) or present value of an account

Interest Rate – The annual earnings rate of the account

Penalty – The rate of a penalty to be applied to the entire account at distribution. If you enter a number here it will be applied; if you don’t want a penalty, leave it blank or enter a 0.
Sundry Tax – The rate of an additional tax to be applied to all 4 of the displayed accounts at distribution. This may or may not be enacted as law at a given time. Check with the IRS guidelines as to the applicability of this tax.

Exempt From Sundry Tax – The total amount of all 4 accounts which will be exempt from the "Sundry Tax" above. This may or may not be enacted as law at any given time. Please check with the IRS guidelines as to the applicability of this tax.

Index Button – When pressed, this button prompts you for an index rate to increase the "Exempt from Sundry Tax" amount by over the projection period. It then replaces "Exempt from Sundry Tax" with the new indexed amount. This may or may not be enacted as law at a given time. Please check with the IRS guidelines as to the applicability of this tax.

Change Buttons – These buttons open up the 'Paydown Manager' for the input field closest to the button. The Paydown Manager allows you to change the input stream into (or out of) the Model.

MISCELLANEOUS

Miscellaneous COST – Enter any ongoing annual costs you wish to add to the Model (planning fees, administration fees, etc.)

S9 Tax Payment / Credit – A field located just above the "Miscellaneous Cost" field. Allows you to enter an annual tax payment (positive) or tax credit (negative) usually resulting from the S9 drawer. EXAMPLE: if the client had $4,000 going into S9 and he chose to stop it and go somewhere else without any tax advantage, in a 30% tax bracket he would have to put $1,200 here as a tax payment leaving him $2,800 to spend elsewhere.

S9 Old Money Tax – A field located in the middle of the S9 drawer. Allows you to enter a one-time tax payment (positive) or tax credit (negative) usually resulting from liquidating the S9 drawer at the beginning of the illustration period (immediately). EXAMPLE: if the client had $100,000 in S9 and wanted to know how it would do elsewhere, in a 30% tax bracket with a 10% penalty for early withdrawal he would put $40,000 here and put $60,000 as a lump sum investment somewhere else. Or, if a marginal tax bracket that the client found themselves in, during retirement, becomes very favorable, a client may choose to withdraw the entire amount to put elsewhere.

Tax Payment – An amount that appears below the withdrawal, if made, from the S9 drawer. This accounts for income taxes due on any withdrawals from S9. It is compounded and added to the ‘Hyp Costs & LOC’.

Study Buttons – Opens an in-depth study calculator that is a great tool for helping clients to understand the role of taxes, time periods, lump sums, and annual payments in relation to lost opportunity costs. It is multi-functional and allows all of the variables that affect the Model and the asset to be changed year-by-year in order to see how it affects the account. It is an incredible tool that usually serves to completely clarify any and all questions that clients have regarding lost opportunity cost. An interesting function of the study is to show the amount of a tax "side fund" needed to “carry” an account. That is, how much money does a client need, either in one lump sum or on an annual basis, to afford to keep the account compounding into the future. The client must come up with this tax burden or they will net the account and have much less of a future value.
Growth Component

G1, G2, G3, G7, & G9 INPUT BOXES (Bonds and Tax Shelters)

EOY – A check box signifying whether or not "Annual Deposits" (or withdrawals if negative) will be made at the beginning of the year (not checked) or at the end of the year (checked)

NET – A check box signifying whether or not the drawer will be compounded (not checked) or netted (checked). Netting the drawer means that the taxes will be paid out of this particular account rather than paid out of another “pocket” or source.

Annual Deposit – The annual deposit made into an account if positive or annual withdrawal from the account if negative

Existing/Lump Sum Deposit – The one time deposit (made at the beginning) or present value of an account

Interest Rate – The annual earnings rate of the account

Cost Basis – The amount of the "Existing / Lump Sum Deposit" which was actually invested (not any of the interest earned)

Flat Withdrawal Button – When this button is pressed, it will calculate the amount of money to withdraw from the account annually to keep the account "Flat" (not growing the original principle, maintaining the original amount). It will then enter the “flat” amount (as a negative for withdrawal) in the "Annual Deposit" field. If the "EOY" is checked, the withdrawal of the money will be at the end of the year. If not, it will calculate the amount of money to be withdrawn starting immediately (at the beginning of the year). *If your assumptions change (Interest Rate, Lump Sum Deposit) you must recalculate this number (re-hit the ‘Flat withdrawal’ button).

Paydown Withdrawal Button – When this button is pressed, it will calculate the amount of money to withdraw from the account annually to pay the account down to zero at the "Projection Age" in the "Basic Data Input". It will then enter that amount (as a negative for withdrawal) in the "Annual Deposit" field. If the "EOY" is checked, the withdrawal of the money will be at the end of the year. If not, it will calculate the amount of money to withdraw starting immediately (at the beginning of the year). *If your assumptions change (Interest Rate, Lump Sum Deposit, Ages) you must recalculate this number (re-hit the "Paydown" button).

Change Buttons – These buttons open up the 'Paydown Manager' for the input field closest to the button. The Paydown Manager allows you to change the input stream into (or out of) the Model.

G4, G5, & G6 INPUT BOXES (Preferred Stocks, Blue Chip Stock, and Growth Securities)

EOY – A check box signifying whether or not "Annual Deposits" (or withdrawals if negative) will be made at the beginning of the year (not checked) or at the end of the year (checked).
**NET** – A check box signifying whether or not the drawer will be compounded (not checked) or netted (checked). Netting the drawer means that the taxes will be paid out of this particular account rather than paid out of another “pocket” or source.

**Annual Deposit** – The annual deposit made into an account if positive or annual withdrawal from the account if negative

**Old Money** – The one time deposit (made at the beginning) or present value of an account

**Cost Basis** – The amount of the "Old Money" which was actually invested (not any of the interest earned)

**Short Term Cap Gain Rate** – The annual earnings rate of the account which will be taxed annually at the "Current Tax Bracket". This would include realized capital gains on stocks held less than 18 months.

**Dividend & Realized C.G. Rate** – The annual earnings rate of the account which will be taxed annually at the "Capital Gains Tax Bracket". Whatever is put here is taxed annually (compound tax) at the "Capital Gains Tax Bracket".

**Un-Realized C.G. Rate** – The annual earnings rate of the account which will be taxed at distribution at the "Capital Gains Tax Bracket". Whatever is put here is taxed at the end bracket (deferred tax) at the "Capital Gains Tax Bracket".

**C.O.M.** – The Cost of Money rate to use to compound the annual tax cost at. When "Def." is in this field, the "C.O.M." in the Basic Data Input is used.

**Flat Withdrawal Button** – When this button is pressed, it will calculate the amount of money to withdraw from the account annually to keep the account "Flat" "(not growing the original principle, maintaining the original amount). It will then enter the “flat” amount (as a negative for withdrawal) in the "Annual Deposit" field. If the "EOY" is checked, the withdrawal of the money will be at the end of the year. If not, it will calculate the amount of money to be withdrawn starting immediately (at the beginning of the year). *If your assumptions change (Interest Rate, Lump Sum Deposit) you must recalculate this number (re-hit the ‘Flat withdrawal’ button).

**Paydown Withdrawal Button** – When this button is pressed, it will calculate the amount of money to withdraw from the account annually to pay the account down to zero at the "Projection Age" in the "Basic Data Input". It will then enter that amount (as a negative for withdrawal) in the "Annual Deposit" field. If the "EOY" is checked, the withdrawal of the money will be at the end of the year. If not, it will calculate the amount of money to withdraw starting immediately (at the beginning of the year). *If your assumptions change (Interest Rate, Lump Sum Deposit, Ages) you must recalculate this number (re-hit the “Paydown” button).

**6% Withdrawal Button (G6 only)** – When this button is pressed, it will calculate 6% of the "Old Money" and then enter that amount (as a negative for withdrawal) in the "Annual Deposit" field (the "EOY" will not effect this calculation).
**Change Buttons** – These buttons open up the 'Paydown Manager' for the input field closest to the button. The Paydown Manager allows you to change the input stream into (or out of) the Model.

**G8 INPUT BOX (Real Estate)**

**Current Value** – The current market value of the property

**Growth Rate** – The expected annual appreciation on the property

**Current Equity** – The amount of equity in the property (the amount initially invested + the principal portion of any mortgage payments + any appreciation in the property or simply the "Current Equity" - any "Loan Balance")

**Annual Net Cost / Income** – Any annual expenses above and beyond the mortgage payments (there is another place for these) - any annual net rents you wish to put in the Model. If the number is a net cost it is entered as a positive, if it is net income then it should be entered as negative showing money coming out of the drawer to be used elsewhere. EXAMPLE: A piece of rental property with $1,000 /month in maintenance costs, $2,500/mth in rent, and a 30% tax bracket. The calculations would be 1000(cost) - 2500(rental income) = -1500; -1500 * 12(months) = -18000; 100% - 30% (tax bracket) = 70% (net); -18000 * .70 = -12600(net income). You would enter -12600 in this field.

**Loan Balance** – The amount of money currently owed on the property, NOT the original mortgage balance

**Mtg. Rate** – The annual rate of interest charged on the property. For a variable interest rate, you will have to use an average of what is expected.

**Months Left** – The number of months left on the mortgage, NOT the original number of months

**Monthly Mtg Pmt** – Enter the amount of the monthly mortgage payment. You would also include any additional monthly payments and then recalculate the "Mths Left".

**Value of Tax Savings** – The amount of the monthly tax credits compounded out for the illustration period (Projected Age - Current Age in the "Basic Data Input") at the "C.O.M." rate (in the "Basic Data Input"). This number can be acquired by using the "Calculate Selected Tax Savings & Illust. Per. Adjustment" button while your cursor is located on the field you wish to calculate. **NOTE:** If your illustration period or any of the mortgage assumptions change, this must be recalculated, it will not do so automatically. Since the calculator is showing the gross mortgage payment going into the Model, it must show this "Value of Tax Savings" as additional output.

**Illust. Per. Adjust.** – This field is used to make adjustments between the illustration period (Projected Age - Current Age in the "Basic Data Input") and the "Mths Left". If the illustration period is longer than the "Mths Left" this would be a positive number representing the "Monthly Mtg. Pmt" compounded for the difference between the illustration period and "Mths Left" at the C.O.M." rate (in the "Basic Data Input"). If the illustration period is shorter than the "Mths Left" this number would be a negative number representing the remaining balance (debt) at the end of the illustration period. This number can be calculated by pressing the "Calculate Selected Tax Savings & Illust. Per."
Adjustment“ button while the cursor is located on the field you wish to calculate. **NOTE:**
If your illustration period or any of the mortgage assumptions change, this must be
recalculated, it will not do so automatically.

**Future Value of Property** – Shows the future value of the property as it will be shown in the
"Hypothetical Output" column as an asset

**Cost Basis at Sale** – This field is used to input the Cost Basis in the property at the "Projected
Age" ("Basic Data Input"). The computer will use this number to calculate the amount of
gain in the property so that it can apply the correct amount of capital gains tax.

**Calculate Selected Mortgage Data button** – If you know 3 of the 4 mortgage inputs ("Loan
Balance", "Mtg Rate", "Mtg Left", "Monthly Mtg Pmt"), this button will calculate the 4th
one for you. Simply place your cursor in the field you don’t know (after putting the other
3 numbers in their fields) and press this button. **NOTE:** If any of the mortgage
assumptions change, this must be recalculated, it will not do so automatically.

**Calculate Selected Tax Savings and Illust. Per. Adjustment button** – This button calculates
the "Value of Tax Savings" and the "Illust. Per. Adjust." for the field your cursor is located
in. Simply place your cursor in any field in the row you wish to calculate these 2 values
for (Row 1, Row 2, Row 3, or Row 4) and then press this button and they will be filled in
for you. **NOTE:** If your illustration period or any of the mortgage assumptions change,
this must be recalculated, it will not do so automatically.

**Notes** – Allows any notes to be connected to the G8 drawer

**Calculator Button** – Opens up a hand-held calculator to help calculate any “outside”
information necessary. This feature is usually used to help with some of the inputs regarding
investment real estate.
Sample Cases

**CD Move** – This case illustrates a client with term insurance and a certificate of deposit

**Mortgage Refinance** – This case illustrates refinancing the current balance of a mortgage with 12 years left into a new 30 year mortgage
**CD Move**

**General Client Information** Clients current age is 35, he has is in a 31% tax bracket, he has $250,000 worth of term insurance, and he has $50,000 in Certificate of Deposits (S5) earning 7%. We will use a 4.83% C.O.M. (7% - 32% tax = 4.83%) and will project out to age 65.

**SCENARIO 1 – Basic Data Input (Ctrl+I) for client's current scenario**

Open up the Basic Data Input by pressing Ctrl+I and enter the following information.

<table>
<thead>
<tr>
<th>Scenario Number</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last Name</td>
<td>LEAPsample</td>
</tr>
<tr>
<td>First Name</td>
<td>CD</td>
</tr>
<tr>
<td>Middle Initial</td>
<td>A</td>
</tr>
<tr>
<td>SSN</td>
<td>1111</td>
</tr>
<tr>
<td>Date</td>
<td>01/01/04</td>
</tr>
<tr>
<td>Notes</td>
<td>CD Move</td>
</tr>
<tr>
<td>Current Age</td>
<td>35</td>
</tr>
<tr>
<td>Projected Age</td>
<td>65</td>
</tr>
<tr>
<td>Current Tax Bracket</td>
<td>31</td>
</tr>
<tr>
<td>Target Tax Bracket</td>
<td>31 (will not effect this illustration)</td>
</tr>
<tr>
<td>Capital Gains</td>
<td>15 (will not effect this illustration)</td>
</tr>
<tr>
<td>C.O.M.</td>
<td>4.83</td>
</tr>
<tr>
<td>Inflation</td>
<td>0</td>
</tr>
</tbody>
</table>

**Term Insurance**

(Go to the "Protection" module, click on "Life Insurance", and select "Term Insurance")

<table>
<thead>
<tr>
<th>Current Age</th>
<th>35</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Age</td>
<td>65</td>
</tr>
<tr>
<td>Purchase Age</td>
<td>35</td>
</tr>
<tr>
<td>Age to Cancel</td>
<td>65</td>
</tr>
<tr>
<td>First Premium</td>
<td>300</td>
</tr>
<tr>
<td>Last Premium</td>
<td>300</td>
</tr>
<tr>
<td>Face Amount</td>
<td>250000</td>
</tr>
<tr>
<td>C.O.M.</td>
<td>4.83</td>
</tr>
<tr>
<td>Recovery DB</td>
<td>0</td>
</tr>
<tr>
<td>Recovery Rate</td>
<td>0 (if 0, it uses C.O.M.)</td>
</tr>
</tbody>
</table>

This should give an opportunity cost of $20,295. Then press the "PS&G" button to take you back to the Model.

**S5 Input drawer** (Go to the "Savings" module and click on "Certificates")

<table>
<thead>
<tr>
<th>Existing/Lump Sum Deposit</th>
<th>50000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>7</td>
</tr>
</tbody>
</table>

If "Present Position" is showing, click on it to change it to "Hypothetical Output," where you should see 380,613. If there are no opportunity costs showing on the left, then click just on the title at the top of the "Hyp. Cost & Loc." box until it reads "Hyp. Cost & L.O.C." It should then show (183,210).

**NOTE:** If the Bottom Line is not showing press Ctrl+B to make it appear.
The following information should appear:

Hypothetical Input 300
Growing to 300
Old Money 50,000
Hyp. Costs & L.O.C. (203,505)
Hyp. Output 380,613
Deferred Debt & Taxes 0
Life Ins. Death Benefit 380,613

Save Scenario (Ctrl+S) – Open the Save Current Scenario box to save Scenario 1 by pressing Ctrl+S and press ‘Save’ (all of the fields should have the data you entered in the "Basic Data Input" above)

SCENARIO 2 – Move the "End of Year" interest out of the CD into the P9 drawer, recapture some of the L.O.C.’s, and recapture some of the compound term costs.

Go to the "Savings" module and right-click on the (183,210) which will open up a pop-up menu. Left-click on "Original Cost", this will store his current compound tax & L.O.C. in the "Debt Entry & Cost Recovery".

S5 Input drawer – Go to the "Savings" module and click on "Cert. of Dep."). Click on the "EOY" and then press the "Flat Withdrawal" button to enter -3,500 in the "annual input" field. Then press the Enter button to enter the data and you should see 3,500 coming out of the S9 drawer, 50,000 "Hypothetical Output" and (73,399) "Hyp. Opportunity Cost & LOC".

Right-click on the (73,399), which will open up a pop-up menu. Left-click on "Resulting Cost", this will recapture the difference in Opportunity Costs and show the "Recaptured" amount of (109,812) in the "Bottom Line".

Right-click on the (73,399) again which will open up a pop-up menu. Left-click on "Recapture/checked", this will store credit the recaptured taxes below the savings component as well as in the Bottom Line (109,812).

New Permanent Life Insurance  (Go to the "Protection" module, click on "Life Insurance", and select "New Permanent Life Insurance") All you need to do enter is 3500 in the "Automatic 1" input field, click on the "Waiver of Premium" check box and then press "ENTER"

This should show 3,500 of premium going into P9, $190,781 of current death benefit in P9, 553,068 of "Death Ben. @ 65", and 292/mth waiver of disability benefit in P4. (This is a conservative estimate and NOT an actual amount of life insurance. This feature is only to be used while “practicing” and is not to be used with the client. When in front of a client, you should use ACTUAL life insurance illustration values.

Term Insurance  (Go to the "Protection" module, click on "Life Insurance", and select "Term Insurance"). Enter 190,781 in "Recovery DB" which should drop the "Opportunity Cost of Term" to 4,807 and show "Value of Term Conversion = 15,487". Press the "PS&G" button to return to the Model.
Bottom Line (Ctrl+B) should read:

- Annual Input: 300
- Growing to: 300
- Old Money: 50,000
- Hyp. Tax & L.O.C.: (78,206)
- Recaptured: (125,299)
- Hypothetical Output: 453,703
- Debt & Taxes: (53,755)
- Life Ins. DB: 553,068

(Press Ctrl+B if the following is not showing)

Save Scenario (Ctrl+S) Open the Save Current Scenario box to save scenario 2 by pressing Ctrl+S. Enter a 2 in "Scenario Number" (or press "Next") and then press ‘Save’ all of the other fields should have the data we entered in the "Basic Data Input" above).

VIEW SCENARIOS

Go to the Bottom Line Comparison Screen (Select "View Scenarios" from the "PS&G" menu). Click the 1st arrow pointing down and select scenario 1, the 2nd arrow pointing down and select scenario 2. This will show a cumulative change from one scenario to the next.
Mortgage Refinance

General Client Information: Client's current age is 45 and he is in a 31% tax bracket. He has a $150,000 house with a current mortgage balance of $80,000 at 8% with 120 monthly payments left. We will use a 6% C.O.M. rate and will project hypothetical outputs at age 65.

SCENARIO 1 – Clients current scenario
Basic Data Input (Ctrl+I)

Open up the Basic Data Input by pressing Ctrl+I and enter the following information:

Scenario Number 1
Last Name LEAPsample2
First Name Mortgage
Middle Initial A
SSN 1111
Date 01/01/04
Notes Mortgage Refinance
Current Age 45
Projected Age 65
Current Tax Bracket 31
Target Tax Bracket 31 (will not effect this illustration)
Capital Gains 15
C.O.M. 6
Inflation 0

G8 Input drawer
(Go to the Growth module and click on "Real Estate") and enter the following information:

Current Value 150,000
Growth Rate 3
Current Equity 70,000
Ann Net Cost / Inc. 0
Loan Balance 80,000
Mtg. Rate 8
Mths Left 120
Monthly Mtg Pmt 970.62 – (can be calculated by putting the cursor in this input field and pressing the "Calculated Selected Mortgage Data" button)

Value of Tax Savings 30,482 – (calculated by pressing the "Calculate Selected Tax Savings & Illust. Per. Adjustment" button)
Illust. Per. Adjust. 159,065   (calculated by pressing the "Calculate Selected Tax Savings & Illust. Per. Adjustment" button)
Cost Basis at Sale 0

If "Present Position" is showing, click on it to change it to "Hypothetical Output". If "Deferred Tax" is not showing to the right of "Hypothetical Output" click on the "Deferred Tax" title until the future taxes are illustrated. If there are no opportunity costs showing on the left, then click just to the left of "Hypothetical Input" to unhide the "Hyp. Costs & L.O.C." You should see that the house will grow to 270,917 as an output. Another output for this drawer is the 190,342 from the tax savings and illustration period adjustment. If the Bottom Line is not showing press Ctrl+B to make it appear.
**Bottom Line (Ctrl+B)**

(Press Ctrl+B if it is not showing on the bottom of the screen)

Annual Input  11,647  
Growing to  11,647  
Old Money  70,000  
Hyp Costs & L.O.C.  
Hypothetical Output  461,259  
Debt & Taxes  

**Save Scenario (Ctrl+S)** Open the Save Current Scenario box to save scenario 1 by pressing Ctrl+S and press Save (all of the fields should have the data we entered in the "Basic Data Input" above).

**SCENARIO 2 – Refinance the 80,000 mortgage balance into a new 360 month mortgage and purchase new permanent life insurance with the difference.**

**Basic Data Input (Ctrl+I)** Same as above

**G8 Input drawer**

(Go to the Growth module and click on "Real Estate") and enter the following information  
Current Value  150,000  
Growth Rate  3  
Current Equity  70,000  
Ann Net Cost / Inc.  0  
Loan Balance  80,000  
Mtg. Rate  8  
Mths Left  360  
Monthly Mtg Pmt  587.01 – (can be calculated by putting the cursor in this input field and pressing the "Calculated Selected Mortgage Data" button)  
Value of Tax Savings  67,838 – (calculated by pressing the "Calculate Selected Tax Savings & Illust. Per. Adjustment" button)  
Illust. Per. Adjust.  (48,382) – (calculated by pressing the "Calculate Selected Tax Savings & Illust. Per. Adjustment" button)

**New Permanent Life Insurance** (Go to the "Protection" module, click on "Life Insurance", and select "New Permanent Life Insurance") All you need to do enter is 4,603 (11,647 original annual mortgage payment - the new 7,044 annual mortgage payment) in the "Automatic 1" input field, click on the "Waiver of Premium" check box and then press "ENTER"

This should show 4,603 premium going into P9, 154,899 of current face amount in P9, 284,415 of "Death Ben. @ 65", and 384/mth waiver of disability benefit in P4.
**Bottom Line (Ctrl+B)**
(Press Ctrl+B if it is not showing on the bottom of the screen)

- Annual Input: 11,647
- Growing to: 11,647
- Old Money: 70,000
- Tax & L.O.C.
- Net Hyp. Output: 422,043
- Opportunity Costs
- Hypothetical Output: 470,425
- Debt & Taxes: (48,382) – (amount still owed on the mortgage @ age 65)
- Net Hyp. Output: 422,043

**Save Scenario (Ctrl+S)** Open the Save Current Scenario box to save scenario 2 by pressing Ctrl+S. Enter a 2 in "Scenario Number" (or press "Next") and then press ‘Save’ (all of the other fields should have the data we entered in the "Basic Data Input" above).

**VIEW SCENARIOS**

Go to the "Bottom Line Comparison" (Select "View Scenarios" from the "PS&G" menu). Click the 1st arrow pointing down and select scenario 1, and the 2nd arrow pointing down and select scenario 2. This will show a cumulative change of 232,496. This tremendous improvement was made without even counting all of the other benefits such as term insurance recovery, having access to the money, picking up a free disability benefit, etc.!
Losing Strategies

**Description** – This field is for the description of the problem, or "Losing Strategy"

**Check Box** – This field is for checking off solved problems. Any numeric or text key, except "0" (zero), entered in this field will produce a check mark to denote the problem has been solved. A "0" (zero) clears the check mark.

**NOTE:** The "Losing Strategies Table" is a place where problem areas in a client's financial plan can be recorded. You can check off the corrected problem areas in the financial plan as you make moves with the client.
Calculators

When a calculator is open even though it is not showing on the screen, it is using memory and resources. It is suggested that you close the calculators when you finish with them to free up the resources. You can tell a calculator is open (even when you can't see it) by a 'check' mark beside it in the Calculators menu.

Financial Calculators – This opens another menu allowing you to choose one of the 5 standard financial functions which can be performed by any hand-held financial calculator

Family Security – A LEAP SYSTEM proprietary calculator used to help the client come to an educated decision regarding the current amount of life insurance that should be owned to properly cover a family's risk. This is also found in the Protection Internal Design Workbook, and Family Security Calculator Worksheet.

Loan Amortization – This calculator shows the annual values of a loan amortization

Mortgage Comparison – This calculator shows the difference between two mortgages with different payment periods and/or interest rates. It provides “amortization schedules” for each of the mortgages.

Mortgage Choice – This calculator shows the difference between 3 different mortgage options – "Cash", "Payment Period 1", and "Payment Period 2"

Loan Window – This calculator allows you to illustrate the cost of consumer debt, and the potential financial advantages of paying off debt sooner

Netting – This calculator shows the difference between an account allowed to compound with no taxes and one in which the taxes are netted (taken out of the account each year)

Anatomy of the Compound Tax – This calculator shows the effects of compounding an account and paying taxes from another source. This calculator offers a detailed, analytical look at how taxes and Lost Opportunity Costs work on an annual basis. This is a good calculator to use with a client to teach the basics of Lost Opportunity Cost.

Compound Tax Overview – This calculator shows the effects of compounding an account and paying taxes from another source. This calculator offers a year-by-year look at the effect of compound taxes and LOCs against an increasing account value.

Compound Interest – This calculator illustrates the effects of compounding an account and paying taxes from another source in a less tabular form than the previous calculators

Real World of Compound Interest – This calculator shows the effects of compounding an account and paying taxes from another source

Compound Tax Savings – This calculator allows you to illustrate the tax and LOC difference between compounding an account and withdrawing money from an account. This calculator is very effective for helping the client to understand the value of a tax recovery by limiting the compounding in an account.

Key Objectives – This calculator shows the amount of money “needed” in the future to provide a stream of income for the purpose of retirement, education, or economic life value

Inflation Erosion – This calculator shows the effects of inflation on an account annually
Versatile – This calculator can illustrate, as its name implies, many possible situations to the client. It is a generic calculator allowing both inputs and withdrawals in any year. It also has the functionality to allow for a series of values to be imported into the calculator through a ‘cut and paste’ from other LEAP calculators or tables of data such as in a spreadsheet such as Microsoft Excel®.

Paydown – This calculator shows what happens to an account annually as you pay it down and gives you another column to show the use of the money taken out of this account

Qualified Plan Pie Chart – This calculator shows the effects of taxes and inflation on a future qualified plan or an estate in a simple graphical manner

Qualified Plan Tax Savings – This calculator shows that there is NO "tax credit" in your pocket when you make pre-tax contributions into a "Tax Deductible" qualified plan. Rather, the "tax savings" that many individuals believe “passes through” to their pocket exists instead inside the qualified plan itself

Qualified Plan Distribution – This calculator provides a "micro" look at a tax-deductible qualified plan and allows for future hypothetical outputs and withdrawals to be considered

Person A - Person B – This calculator shows the benefit of owning paid-up, permanent life insurance at retirement as opposed to the more traditional “buy term and invest the difference” approach. This calculator has the functionality that allows for the illustration of the multiple benefits of permanent life insurance ownership that are detailed in the PS&G Model® Living Value Worksheet.

Variable Assumption Rate – This calculator allows you to illustrate variable annual interest rates, variable annual payments, and variable annual costs. It is especially valuable to illustrate the effect of variable annual market returns as well as the effect of these returns on retirement income streams.

Growth Securities – This calculator allows you to show what happens annually in the G4, G5, and G6 drawers

Blank Spreadsheet – A basic blank spreadsheet which can be used like Microsoft Excel®

No hyperlink is available for instructions on how to use this calculator

Buy Term & Invest the Difference – A calculator used to show the various effects of a ‘buy term and invest the difference’ approach
Financial Calculators

Frequency (Ann/Mth) – This button toggles from Monthly to Annually. It determines if compounding and payment or withdrawal is on a monthly or annual frequency.

Present Value – This is the Present Value (Old Money) when entered as a positive number. If entered as a negative value, it represents a loan and the title of the input field changes to LOAN BALANCE.

Payment – This is the amount of payment if positive. If entered as a negative value, the field will change to WITHDRAWAL (Monthly or Annually depending on the frequency selected)

Time – The number of months or years

Interest – The annual interest rate to be earned on the account or charged on the loan

Future Value – This is the value of the investment or loan at some future date

Beginning of Year/End of Year – This button toggles between ‘Beginning of Year’ and ‘End of Year.’ It determines when the payment or withdrawal is made.

NOTE: The five standard financial calculations, which can be performed by a hand-held financial calculator, are Future Value, Present Value, Interest Rate, Time Period, and Payment. If you know four of the five, you can solve for the fifth using one of the five calculators provided. Shortcuts are available to launch either ALL of the Financial Calculators [Ctrl+F] or the Future Value Calculators [Ctrl+V].

Use the calculator with the same name as the value you DON'T know. EXAMPLE: If you know the "Payment", "Present Value", "Time Period", and "Interest Rate" but you don't know what amount it will grow to in the future, you would use the "Future Value" calculator to solve for that value.

In all five of the calculators, the Present Value should be entered as a positive number when money is invested into an account, and entered as a negative when it is representing a loan balance (the title of the field will change to "Loan Balance). Also, in all five of the calculators, when illustrating an annual investment or payment into an account, the payment should be entered as a positive number. If the money is being withdrawn from the account, enter the Payment as a negative number (this will change the title of the field to "Withdrawal").
Family Security Calculator

General – This calculator helps to educate clients as to the proper amount of life insurance they should own. It builds from a traditional “needs-based” life insurance analysis and creates a comprehensive tool for determining the most appropriate amount of life insurance to own. It should be used in conjunction with the Family Security Calculator Worksheet or the Protection Internal Design Workbook.

AVAILABLE FUNDS TO FAMILY

Total savings – Amount of savings the client currently has in the bank
Total Marketable Securities – Amount of individually held securities owned by the client
Present Life Insurance – Amount of life insurance owned by client – Individual and Group
Other – IRAs, qualified plans, or other accounts

IMMEDIATE CASH – Amount of state inheritance taxes due by client’s estate
Income Taxes – Amount of income taxes due by client’s estate

IMMEDIATE CASH NEEDS OF FAMILY

Final Expenses – Approximate costs of medical, burial, legal, etc.
Debts Paid Off – Amount of any outstanding debt owed by client
Federal Estate Taxes – Amount of federal estate taxes due by client’s estate in event of death

STATE INHERITANCE TAXES

Income Taxes – Amount of income taxes due by client’s estate

DISCRETIONARY CASH NEEDS OF FAMILY

Mortgage Liquidation – Amount of capital necessary if surviving family members wish to pay off all or some of the mortgage
Education Fund – Amount of capital required to set up an education fund in event of client’s death
Emergency Fund – Amount of capital necessary to establish an emergency fund at client’s death

NET AVAILABLE FUNDS TO PROVIDE INCOME

This field automatically calculates the amount of capital remaining after liabilities and cash needs are subtracted from total available assets.
AVAILABLE FUNDS TO FAMILY FOR INCOME

**Net from Above %** – Click on text to be able to enter a percentage rate of return at which the available funds will be able to be saved or invested and produce a source of income. This figure should be provided by the client. This reflects the ability for an account to throw off an amount of income in retirement. Most people typically anticipate lower rates of return in retirement because towards the end of one’s life horizon risk becomes more difficult to tolerate.

**Social Security** – Amount of Social Security or survivor benefit expected at the death of one of the spouses

**Other** – Any other source of income that can be expected at death (i.e. Royalties, trust, etc.)

TOTAL CURRENT INCOME

This field automatically calculates the amount of income a family will receive in the event of the death of a client. This figure is based on the funds available at the rate of return entered into the “Net from above @ %” field.

DESIREd INCOME FOR FAMILY

This field is reserved for use at your clients’ opinion on the income amount they would like to have their families have in the event of their death. Once entered, the “Additional Funds Required to Provide Desired Income” field appears.

ADDITIONAL FUNDS REQUIRED TO PROVIDE DESIRED INCOME

This field automatically calculates the amount of additional capital required by the client to provide their “Desired Income for Family” amount. It is the difference between the “Desired” amount and the “Current” amount.

YES/NO QUESTIONS

These questions are to be asked of clients and their answers noted. These are critical questions in the process of clients understanding the appropriate amount of life insurance to be owned.

AMOUNT OF LIFE INSURANCE FOR CONSIDERATION

**Guideline Maximum** – This field allows for entry of the approximate guideline maximum amount of life insurance that a particular prospect may qualify for. It is your responsibility to understand the underwriting guidelines established by the companies whose policies you propose. Every life insurance company’s underwriting guidelines are different, so it is imperative that you understand those amounts prior to using this calculator.

**Presently owned** – This is the amount of life insurance currently in force on the client’s life.

**Amount available** – The calculator automatically calculates this amount based on the entries in the previous two fields.

**How much available life insurance do you want to own?** – The client selects either ALL, PART, or NONE. If the client chooses ALL, this amount is automatically entered into the
“Present Life Insurance” field in the top portion of the calculator. In fact, the field name is changed to “New Life Insurance.” If PART is selected, a text box appears asking what amount the client wishes to own. After this is input, the life insurance information is updated as above. If NONE is selected, the life insurance amount remains unchanged. If any choice is made other than NONE, the corresponding “Net Available Funds to Provide Income”, “Total Current Income”, and “Additional Funds Required to Provide Desired Income” fields all change to reflect the additional life insurance.
Loan Amortization

General – This calculator shows the values of a loan amortization accumulated on an annual basis. The amortization was calculated using a monthly payment (just like a standard mortgage does) but the values displayed are shown annually. The compound cost, however, is compounded on an annual basis (for simplification) and will show a different number than the "Mortgage Choice" calculator which compounds everything monthly. There is not much of a difference but you need to be aware of why the difference exists.

Start Year – The input field for the first year of the loan. This can be changed to the year the loan started in order to use the original loan amount in #2 (Loan Amount). If this is the current year, your loan amount must be the current balance.

Loan Amount – Input the current balance of the loan

Years Remaining – The input field for the number of years left to pay off the loan

Annual Interest – The input field for the annual interest rate charged on the loan

Monthly Payment – This field gets filled in automatically based on the remaining balance, time period and interest rate or you can click on it and enter your own number which will adjust the years remaining.

Tax Bracket – The tax bracket to use for a tax deduction on the home mortgage interest (use a "zero" if non-deductible)

Cost of Money – The Cost of Money to be used on the loan costs

Years to Illustrate – The number of years to illustrate the costs. This is the “illustration period" being used for a client’s particular LEAP model and for assessing the loan through a “micro-analysis”. Remember, just because the loan’s term may be for only a few years or less than that of the illustration period, this DOES NOT mean the macro-financial costs of the loan stop with the final payment.

Pay Off – The year to pre-pay the loan off

Amount Due (End of Year) – The lump sum required to pay the loan off if an “Early Pay-off Year” is entered

Lost Opportunity Cost – This allows you to illustrate the costs of the loan year-by-year. The Lost Opportunity Cost column only shows as many years as you have here.

'P&I' Interest Switch – If this button is set to "I only", then the Lost Opportunity Cost calculation is on the net interest only. If it is set to "P & I", the L.O.C. calculation is on both the net interest and the principal.

Years to Show – The number of years to show. It allows you to show the client what is happening year by year
Mortgage Comparison

History – This calculator was designed at a time when mortgage interest rates dropped dramatically. There were, at that time, a lot of people with 12% - 14% mortgages that had only a few years left to pay and, therefore, did not see the need to refinance. This calculator helped to illustrate a tremendous advantage in refinancing to a longer mortgage with a lower rate. This is not the best calculator to display the difference between a new 15 and a new 30 year mortgage. The “Mortgage Choice” calculator will illustrate this difference much better.

Loan Balance – Input fields for the current balance on loans 1 and 2

Annual Interest – Input field for the interest rate charged on mortgages 1 and 2

Number of Years – Input field for the number of years left on mortgages 1 and 2

Tax Brackets – Input field for the client's marginal tax bracket (used to calculate the client's tax deduction on interest paid)

Annual Payment – This shows the annual payment of mortgages 1 and 2 (calculated automatically)

Net Payment – This shows the AVERAGE after-tax deduction payment on mortgages 1 and 2 (calculated automatically)

Principal Balance Due 1 – This will always be "0" (calculated automatically)

Principal Balance Due 2 – This shows the amount of principal (excluding interest) still due in the longest mortgage (calculated automatically)

NOTE: This is only an average because the net payment increases each year as the deductible portion (interest) decreases

Further Interest Payments 1 – This will always be "0" (calculated automatically)

Further Interest Payments 2 – This shows the total interest that would be incurred if the longest mortgage was not paid off at the time the shortest mortgage is paid off (calculated automatically)

Buttons 1 and 2 – These show the amortization schedule of either mortgage 1 or mortgage 2

Button 3 – This shows year-by-year compounding and the final account value using the net difference in mortgage payments between Scenario 1 and Scenario 2. The calculator automatically calculates the LOC rate necessary to be able to pay off the unpaid loan balance in Scenario 2 at the time that Scenario 1 is paid off.
Mortgage Choice

**Months in Illustration Period** – Input field for the number of months to show the illustration

**Tax Bracket** – Input field for the current or average tax bracket

**C.O.M.** – Input field for the Cost of Money to be used in the calculation

**Home Appreciation Rate** – Input field for the expected annual appreciation rate on the home

**Capital Gains Rate** – Input field for the current Capital Gains Tax Rate

**Amount** – Input field for the total cost of the house as paid in cash

**Down Payment** – Input field for the down payment on the property

**Amount Financed** – The calculated field containing the amount of the home loan (calculated by subtracting the "Down Payment" from the "Amount")

**Term (Months)** – Input field for the term of the loan in months

**Interest Rate** – Input field for the interest rate of the mortgage

**Monthly Payment** – The calculated field for the monthly mortgage payment (you can click on the words “Monthly Payment” in order to select the payment type, such as “Bi-weekly”)

**Additional Payment** – Input field for any additional payment made through the length of the mortgage

**New Payoff Month** – The calculated field for the new payoff month based on the amount of additional payment made each month. This only calculates when an additional payment is made or payments are made bi-weekly.

**Start Over (Next) Button** – This button gives calculated information about each payment option

1. Pressing "Next" – Shows Cumulative Interest Cost.
2. Pressing "Next" again – Cumulative Interest Cost becomes Compound Principal and Interest Cost; which is the old money in the home plus the mortgage payment compounded at the C.O.M. rate over the illustration period.
3. Pressing "Next" again – The Cumulative Tax Credit appears.
4. Pressing "Next" again – The Cumulative Tax Credit becomes Compound Tax Credit (annual tax credits compounded out at C.O.M. over the illustration period).
5. Pressing "Next" again – The Net Compound Mortgage Cost appears. It is calculated by subtracting the Compound Tax Credit from the Compound Principal and Interest Cost.
6. Pressing "Next" again – Shows the 'Cost to Live in the Home' for the length of the illustration. Calculated by taking the 'Net Compound Mortgage Cost' minus the 'Future Value of the Home' plus the Capital Gains Tax (assumes the home is sold at the end of the illustration period).

**Monthly Bi-Weekly Payment** – Toggles back and forth between calculations being based on monthly payments or bi-weekly payments

**Show Gain / Show Cost Button** – Toggles back and forth between showing the costs of one payment option versus the other and showing the gain of one payment option over the other
Loan Window

General – This calculator allows you to illustrate the cost of consumer debt, and the financial advantage of getting it paid off. It will allow you to enter 8 different loans

‘I Only’ Button – The button toggles between illustrating Interest only and Principle & Interest. Typically when talking about consumer debt, the principal is not a consideration (we don't count the cost of food, clothes, etc in the Model) if the debt is used for necessities. Discretionary spending or that which is above a “necessity” level could qualify for principal being included. But how your clients pay for it can make a huge difference in the amount of money they can accumulate. Therefore, the default for this button is "I Only".

Months For Projection – This is the input field for the number of MONTHS in the illustration. Remember, this should match what we are using in the Model, it has nothing to do with the length of the loan or debt.

C.O.M. – Cost of Money rate you wish to use on the loan payments

Type of Loan – This is a text field used to distinguish the type of loan ("Auto1", "Visa", etc.)

Balance – This field is for the CURRENT loan balance

Monthly PMT – This field is for the total amount of the monthly loan payment (principle & interest)

Interest – The interest rate being charged

Restructure – The fields on this row are for the alternate financing option for the particular loan listed immediately above it. A client's current Visa loan might be entered as $10,000 balance, with a $300 monthly payment at 18% interest. Assuming a 360 month illustration period and an 8% C.O.M., the cost of the compound INTEREST would be $38,425. By restructuring the $10,000 balance with a $500 monthly payment at 18%, the compound INTEREST cost would reduce to $20,079. This saves the client $18,346. This savings was acquired by simply increasing the monthly payment by $200 for 23.96 months! Any additional money applied to reduce non-deductible consumer debt has the same effect as earning a similar interest rate on a gross basis. This is due to the recapturing of opportunity costs. What if in the above illustration the client was able to not only increase the monthly payment, but also get a consolidation loan through a bank with a 9% interest rate. This would lower the cost to $8,952, saving an additional $9,394 for a total savings of $29,473!
Netting

General – This calculator shows the difference in output, on an annual basis, between an account that is netted (that is, taxes being paid from the account itself) and the full value of an account. It illustrates the actual tax dollars and the loss of earnings on those tax dollars. In other words, any dollars taken out of the account do not reduce the account by only those cumulative tax dollars, but instead by those dollars AND the earnings on those dollars from that point into the future. This calculator can be very instrumental in explaining the effects of compound tax & lost opportunity cost because in a "net" situation there is not an applied "C.O.M. rate." Instead, when using netting, the resulting net account has actually accounted for the lost opportunity cost internally. In other words, the difference between the "Gross Account" and the "Net Account" is greater than the cumulative taxes taken from the "Net Account"; therefore, there is an obvious additional drain on the account. Allowing for an input of "C.O.M." on this calculator only serves to show that the account was lessened by the gross earnings rate on the account. Changing the C.O.M does not change the output in the account. This means that the true C.O.M. on a netted account is, in fact, the net interest rate. When an account is compounded and taxes are paid from another source (income or another account), individuals often lose sight of the “true” tax cost. But it does not change the fact that the loss inside one’s “financial world” is more than the raw cost of the tax stream. It also includes the loss of earnings on that tax stream. This is why the only way to plan properly is to see the WHOLE picture using a macro-financial approach using the PS&G Model®!

Present Value – The input field for the initial amount of the account

Annual Input – The input field for the annual contribution to the account, if any

E.O.Y. – The checkbox to determine when the annual payment (or withdrawal if negative) is made (End of Year if checked, Beginning of Year if unchecked)

Flat Button – This button replaces the annual payment with a negative payment (withdrawal) which will keep the account flat

Paydown Button – This button replaces the annual payment with a negative payment (withdrawal) which will pay the account down to zero

Interest – The input field for the tax bracket on the account

Number of Years – The input field for the number of years you would like to illustrate

Tax Bracket – The input field for the tax bracket on the account

Switches – When a "Y" (Yes) appears in these spaces, the column directly below will be shown

C.O.M. – The Cost of Money rate used to compound the "Annual Tax" column that shows the taxes paid out of the account, given the account’s growth at the gross interest rate. In other words, every dollar taken out of the account to pay taxes will reduce the account by the amount of the stream of taxes compounded at the gross interest rate. This
"C.O.M." is merely used to determine (or prove) what the “true” loss is on the tax dollars withdrawn annually from the account

**Account Difference** – This column shows the difference between what the "Gross" account would have had in it and what the "Net" account actually has in it

**Cumulative Taxes** – This column shows the actual tax dollars paid out of the account (no compounding)

**Difference - Cumulative Taxes** – This column shows the difference between "Account Difference" column and the "Cumulative Taxes" column

**Annual Taxes** – This column shows the taxes paid each year (not cumulative)

**Tax & L.O.C.** – This column shows the taxes compounded at the C.O.M. rate

**Clear** – Clears the entire contents of the calculator
Anatomy of the Compound Tax

Present Value – The input field for the initial value of the account (Old Money)

Annual Payment – The input field for an annual contribution to the account, if any

E.O.Y. – The checkbox to determine when the annual payment (or withdrawal if negative) is made (End of Year if checked, Beginning of Year if unchecked)

Flat Button – This button replaces the annual payment with a negative payment (withdrawal) which will keep the account flat

Paydown Button – This button replaces the annual payment with a negative payment (withdrawal) which will pay the account down to zero

Number of Years – The input field for the number of years you want to illustrate

Interest Rate – The input field for the interest rate earned on the account

Tax Bracket – The input field for the current or average tax bracket

C.O.M. – The input field for the lost opportunity cost rate (Cost of Money)

Year – The input field for the number of years you want to show. This allows you to show a portion at a time and explain as you go.

THIS CALCULATOR WAS DESIGNED TO BE ILLUSTRATED IN THE FOLLOWING FASHION:

A) Enter information in the present value, annual payment (if applicable), number of years, interest rate, tax bracket, and COM fields only

B) Enter a "1" in Year beside the "Interest Rate" and explain compounding interest is the strategy used inside the account

C) Enter a "2" in Year beside the "Interest Rate" (in place of "1" just entered) to show Years 1 and 2

D) Enter a "10" in Year beside the "Interest Rate" (in place of the "2" just entered) to show Years 1, 2, through 10

E) Enter the total "Number of Years" in the Year beside "Interest Rate" (in place of the "10" just entered) to show all Years

F) Repeat step B through E, for the Year column beside the tax bracket to show the taxes paid out of pocket

G) Repeat step B through E, for the Year column beside the L.O.C. to show the Lost Opportunity Cost
E.O.Y. – The checkbox to determine when the annual payment (or withdrawal if negative) is made (End of Year if checked, Beginning of Year if unchecked)

Flat Button – This button replaces the annual payment with a negative payment (withdrawal) which will keep the account flat

Paydown Button – This button replaces the annual payment with a negative payment (withdrawal) which will pay the account down to zero

Clear – Clears the entire contents of the calculator
**Compound Tax Overview**

**Present Value** – The input field for the starting balance or "Old Money"

**Annual Payment** – The input field for an annual contribution to the account

**E.O.Y.** – The checkbox to determine when the annual payment (or withdrawal if negative) is made (End of Year if checked, Beginning of Year if unchecked)

**Flat Button** – This button replaces the annual payment with a negative payment (withdrawal) which will keep the account flat

**Paydown Button** – This button replaces the annual payment with a negative payment (withdrawal) which will pay the account down to zero

**Interest Rate** – The input field for the interest rate expected to be earned on the account

**Accumulation Period** – The input field for the number of years you want to illustrate

**Tax Bracket** – The input field for the current or average tax bracket

**C.O.M.** – The input field for the Cost of Money to be used in the compound tax

**Beginning of Year Account Value** – This column shows the value of the account at the Beginning of the Year (B.O.Y.)

**Interest Earned** – This column shows the amount of interest earned on the account on an annual basis

**End of Year Account Balance** – This column shows the value of the account at the end of the year (E.O.Y.)

**Annual Tax Payment** – This column shows the amount of taxes paid on an annual basis

**Cumulative Tax Payment** – This column shows the amount of cumulative taxes paid

**Tax & L.O.C.** – This column shows the total tax and Lost Opportunity Cost (compounded at the C.O.M.)

**Tax & LOC Button** – Changes the column view to show the calculation of the Tax & Lost Opportunity Cost or the Lost Opportunity Cost amount only

**Clear** – Clears the entire contents of the calculator
**Compound Interest**

**Present Value** – The input field for the starting balance (Old Money)

**Annual Payment** – The input field for the amount to add or withdraw from the account on an annual basis

**E.O.Y.** – The checkbox to determine when the annual payment (or withdrawal if negative) is made (‘End of Year’ if checked, ‘Beginning of Year’ if unchecked)

**Flat Button** – This button replaces the annual payment with a negative payment (withdrawal) which will keep the account flat

**Paydown Button** – This button replaces the annual payment with a negative payment (withdrawal) which will pay the account down to zero

**Annual Interest** – Input field for the expected interest rate to be earned on this account

**Number of Years** – Input field for the number of years you want to illustrate

**Marginal Tax Bracket** – Input field for the tax bracket in which the account will be paid

**Cumulative** – A switch that shows the cumulative taxes instead of the annual tax for each year. Select "Y" to show cumulative taxes and "N" to show the annual taxes.

**C.O.M.** – Input field for the Cost of Money (netted for taxes) to be used on the compound tax

**Flat Button** – Puts a withdrawal amount in the Annual Payment input box which will keep the account level

**Paydown Button** – Puts a withdrawal amount in the Annual Payment input box which will pay the account down to zero over the "Accumulation Period"

**Clear** – Clears the entire contents of the calculator
Real World of Compound Interest

Present Value – The input field for the starting balance or "Old Money"

Annual Payment – The input field for an annual contribution to the account

E.O.Y. – The checkbox to determine when the annual payment (or withdrawal if negative) is made (‘End of Year’ if checked, ‘Beginning of Year’ if unchecked)

Flat Button – This button replaces the annual payment with a negative payment (withdrawal) which will keep the account flat

Paydown Button – This button replaces the annual payment with a negative payment (withdrawal) which will pay the account down to zero

Interest Rate – The input field for the interest rate expected to be earned on the account

Number of Years – The input field for the number of years to illustrate

Tax Bracket – The input field for the tax bracket on which the account will be paid

C.O.M. – The input field for the Cost of Money to be used in the compound tax

Efficiency – The result of an interest rate function, over the number of years illustrated, using the Beginning of Year account balance of the last year shown, plus the interest earned of the last year shown, minus the total tax and L.O.C. (of the last year shown) as the future value

Beginning of Year Account Balance – This column shows the account balance at the beginning of the year (B.O.Y.)

Annual "1099 Form" – This column shows the amount of interest earned on the account on an annual basis

Annual Tax Due – This column shows the amount of taxes to be paid on an annual basis

Cumulative Tax Paid – This column shows the amount of cumulative taxes to be paid

Cumulative Lost Opportunity Cost – This column shows the Lost Opportunity Cost on the taxes paid.

Total Tax and L.O.C. – This column shows the total tax and Lost Opportunity Cost (compounded at the C.O.M.)

Clear – Clears the entire contents of the calculator
Compound Tax Savings

**General** – This calculator effectively illustrates the difference between compounding within a taxable account versus a flat or variable withdrawal of money from the account, thus reducing the tax cost. This is a good calculator to use when explaining the concept of Lost Opportunity Cost to a client. The last two columns show the difference in the annual taxes when compounding versus flattening or paying down. It also shows the compounded, recaptured value of the difference in the tax streams. This last column represents the “compound tax savings” generated by using a different strategy than simply letting interest compound within an account.

**Present Value** – The input field for the starting balance or "Old Money"

**Annual Payment** – The input field for an annual contribution to the account (or withdrawal if negative)

**E.O.Y.** – The checkbox to determine when the annual payments (or withdrawals if negative) is made (End of Year if checked, Beginning of Year if unchecked)

**Flat Button** – These buttons replace the annual payment with a negative payment (withdrawal) which will keep the account flat.

**Paydown Button** – This button replaces the annual payment with a negative payment (withdrawal) which will pay the account down to zero over the specified "Num. of Yrs."

**Interest Rate** – The input field for the interest rate expected to be earned on the account.

**Num. of Yrs.** – The input field for the number of years you want to illustrate.

**Tax Bracket** – The input field for the tax bracket in which the account will be paid.

**C.O.M.** – The input field for the Cost of Money to be used to compound the annual tax stream difference

**Tax Free Checkbox** – This checkbox determines whether or not account 2 is a tax-free account or not. If this is a net account, you should "check" the "Tax-Free" box and use the net interest rate

**Clear** – Clears the entire contents of the calculator
**Key Objective - Solving for Money "Needed"**

**General** – This calculator was designed to solve for an amount of money needed to fund retirement, provide an education, or to determine a person’s "Economic Life Value." For all three scenarios, it provides a particular inflation adjusted income stream, paying both the principal and the interest down over the specified number of years to arrive at the desired target.

**NOTE:** The first three input fields are used to determine what the annual income will be if you wish to base it on today's dollars and inflate it forward to retirement age.

**Present Income/Tuition** – What present day income you would like to have at retirement or amount that tuition for a particular educational institution costs today.

**Years** – The input field for the number of years before retirement

**Inflation Rate** – The input field for the inflation rate

**Future Income/Tuition** – Calculator automatically calculates the inflation adjusted income or tuition based on the previous inputs

**Annual Income/Tuition** – The input field for the amount of income needed every year at retirement or the amount that tuition will cost at the time schooling begins. If entries are entered into the first three fields at the top of the calculator, this field will automatically be populated.

**Number of Years** – The input field for the number of years the income is needed

**Inflation Rate (2)** – The input field for the inflation rate to be used at the time the income is needed

**Net Interest** – The input field for the average interest rate expected to receive from the account

**Amount Needed** – This is the amount needed to provide income at retirement or at the time schooling begins. It is the amount of lump sum money needed as if it was earning the "Net Interest" rate with an "Inflation Rate" to provide income for "Number of Years".

**NOTE:** When selecting “Economic Life Value,” the first three fields disappear and only the bottom portion of the calculator is used.

**Clear** – Clears the entire contents of the calculator
**Inflation Erosion**

**Present Value** – The input field for the initial amount of the account

**Annual Payment** – The input field for the annual contribution to the account (if any)

**Annual Interest** – The input field for the annual interest rate expected on the account

**Number of Years** – The input field for the number of years you want to illustrate

**Inflation Rate** – The input field for the inflation rate

**Annual Increase** – The input field for the percentage increase on the "Annual Payment" (used if the individual plans to increase his "Annual Payment" as inflation increases)

**Account Balance Beginning of Year** – This column shows the balance at the Beginning of Year (B.O.Y.), or "Old Money" in the account

**Interest Earned** – This column shows the amount of interest earned on the account

**Account Balance End of Year** – This column shows the account balance at the End of Year (E.O.Y.)

**Discount Factor** – This column shows how the inflation rate discounts the value of the account

**True Value** – This column shows the value of the account in today's dollars

**Clear** – Clears the entire contents of the calculator

**NOTE:** The "Annual Payment" column has **dotted lines** under each of the fields, which means you can change the payment in any year. It defaults to using the annual input information from the "Annual Payment", but you can override the formula. This means you can show a stream of inputs for a number of years and stop them or start withdrawing money (an education fund).
Versatile

General – This calculator is one used more often than many others because of its wide range of uses. It is an ideal calculator for illustrating what happens each year (proof), in relation to calculators which only show a future number like the “Key Objectives Calculator”. The possible number of different calculations and proofs made with this calculator is endless, limited only by your imagination. In order to help you to understand some, but certainly not all of the possibilities, there are some examples at the bottom of this page.

Present Value – The input field for the initial amount of the account

Annual Payment – The input field for the annual contribution to the account (when entered as a negative), or additional payment (when entered as a positive)

Annual Withdrawal – The input field for the annual withdrawal from the account (when entered as a negative), or additional payment (when entered as a positive)

NOTE: Both the “Annual Payment” and “Annual Withdrawal” fields’ names are interchangeable depending on whether the entry is a positive or a negative number. The calculator will automatically change the name of the field to coincide with the entry.

E.O.Y. – The checkbox to determine when the annual payment (or withdrawal if negative) is made (‘End of Year,’ if checked – ‘Beginning of Year,’ if unchecked)

Annual Interest – The input field for the annual interest rate expected on the account

Years – The input field for the number of years you wish to illustrate

Payment Increase – The input field to increase the "Annual Payment" on an annual basis

Withdrawal Increase – The input field to increase the "Annual Withdrawal" on an annual basis

% $ Buttons – These buttons toggle between a percentage increase and a dollar amount increase on the annual payment or annual withdrawal

Inflation Rate – The input field for the inflation rate

Clear – Clears the entire contents of the calculator.

NOTE: The annual inputs and withdrawals can be variable entries; enter the different values into the "Annual Payment" column and/or the "Annual Withdrawal" column themselves. Notice that these columns have dotted lines, which always denote the fact that an entry can be made manually onto the line itself, not just through the input field at the top of the calculator.

EXAMPLES

1. Calculate the out-of-pocket, compounded net life insurance loan interest charge

Assume a loan from the policy of $10,000 per year, for 10 years, with an 8% interest charge, with a 7% C.O.M. -> The annual interest payment would be 10,000 * .08 = 800. The "net" interest payment would be 800 (this example assumes that life insurance policy loan interest is NOT tax deductible). Enter "-800" in "Annual withdrawal", "10" in "Num. of Years", "7" in "Annual Interest" (applies the C.O.M.), "-800" in "Ann. WD Inc.", and press the "%" button to change it to "$". The result in the 10th year should be 58,497.
2. Prove the economic "Human Life Value" paydown after getting the numbers from the "Key Objective Calculator"

Assume a person currently earning $100,000 / year, expecting a 5% / year salary increase, 40 years old, retiring at 65, with an assumed 6% net earnings rate. After entering these numbers in the "Planning Calculator" ("100000" in "Annual Income", "25" in "Years", "5" in "Inflation Rate", and "6" in "NET Interest on Account") it shows that he would need $2,236,429.73 to replace that income stream. You would right-click on the number, select 'Copy', then open the "Versatile" calculator and select the "Present Value" field, right-click, and select "Paste" in order to deposit the "2236429.73". Then you would place "-100000" in "Annual Withdrawal", "6" in "Annual Interest", "25" in "Num. of Years", and "5" in "Ann. WD Inc." (making sure the file is selected as "%" and not "$"). The calculator will then "paint" a picture showing that the $2,236,429.73 is being paid down to 0 by the increasing withdrawal stream over the 25 years at the 5% increasing rate.

3. Show that the common wisdom of "increasing annual contributions into an account, each year, by the expected inflation rate in order to combat inflation" DOES NOT work. This is a common fallacy.

Assume a client has received financial planning advice stating a $100,000 initial deposit with annual deposits of $26,930 (in order to figure the calculation exactly, you should use a “Payment" calculator and this will give you the additional decimal places of .0581597251), earning 7% will grow to $1,000,000 in 15 years. Somewhere in the plan, there is language to the effect of "You have chosen a 4% inflation rate, in order to maintain the integrity of the plan (have $1,000,000 in today's dollars 15 years from now) you must increase your annual deposits by 4%".

In order to show that this type of advice is, in fact, wrong, put "100,000" in "Present Value", "26930.0581597251" in "Annual Payment", "7" in "Annual Interest", and "15" in "Num. of Years". At this point you see the $1,000,000 expected in the plan. Now put "4" in "Inflation Rate" to see the "True Value" drop to $555,265. According to the "conventional wisdom" regarding adjusting plans for inflation, all that is needed to be done is for the client to increase the annual payment by 4% to account for inflation. But when you put a "4" in "Ann. Pmt Inc." you see the "True Value" only increase to $664,181, not the $1,000,000 as expected. You can now incrementally increase the "Ann. Pmt Inc." until it is discovered that it actually takes over 11.6 to get to the $1,000,000 in today's dollars. This makes the last payment over $125,180 which is over 450% of our original payment! This is an incredibly valuable exercise to share with the client so that they may acquire a greater understanding of how money really works!
Paydown

General – This calculator shows the annual effect of paying one account down while another account (off to the side) benefits from the first account's withdrawal stream. This is the ability to show the "Macro" effect. Usually this calculator shows paying down an account and putting the withdrawal stream in to a life insurance policy. This calculator illustrates the account being paid down to 0 over a specified period of time and then, in the "Other" column, "Cash Values" (or death benefit, depending on what we are trying to show) from the life insurance illustration may be entered individually. This shows that while one account is decreasing, the combination of the 2 accounts may actually be increasing.

Present Value – The input field for the initial amount of the account

Annual Payment – The input field for the annual withdrawal from the account (when entered as a negative), or payment (when entered as a positive)

E.O.Y. – The checkbox to determine when the annual payment (or withdrawal if negative) is made (‘End of Year,’ if checked - Beginning of Year, if unchecked)

Flat Button – This button replaces the annual payment with a negative payment (withdrawal) which will keep the account flat

Paydown Button – This button replaces the annual payment with a negative payment (withdrawal) which will pay the account down to zero

Annual Interest – The input field for the annual interest rate expected on the account

Years – The input field for the number of years you wish to illustrate

Inflation Rate – The input field for the inflation rate

Annual Increase – The input field for the percentage increase on the "Annual Withdrawal"

Freeze Column Headings – This checkbox allows you to uncheck the “Other” heading so that you may type in life insurance, cash values, or whatever stream the numbers that you enter there come from

Clear – Clears the entire contents of the calculator

NOTE: The "Other" column has input fields to manually enter the End of Year values of the account where the "Annual Withdrawal" was invested
Qualified Plan Pie Chart

**General** – This calculator is meant to show, generally, the effect of future taxes on qualified assets. It does not attempt to portray “actual” results, but rather an estimate of what impact that taxes will have on a gross account.

There is a click-through pop-up window for entry of various taxes

**Taxes** – Fields for a number of different tax rates to use in the illustration. Input tax rates in percentages.

**Labels** – The label to identify the tax. The names in these fields will appear on the calculator. These can be changed to whatever tax you wish to show, such as "Estate Tax".

**Input Button (I)** – When you click on this button, the Tax Bracket input box appears

**Amount** – The input field for the "Future Value" of the account you are analyzing

**Years** – The input field for the number of years from now until the account reaches that "Amount"

**Inflation** – The input field for the Inflation Rate to be used in the illustration. This shows the "Stealth" tax.

**Check Boxes** – These boxes appear as you enter the numbers. When you click on them, they display the approximate effects of the various taxes and inflation, one at a time, on qualified assets at some point in the future.

**Clear** – Clears the entire contents of the calculator
Qualified Plan Tax Savings

General – Many qualified plans are understood by company employees as a vehicle by which to save for retirement, and in doing so, pay less annual income tax and therefore have more spendable dollars at the same time. This calculator is one used to show that this simply is NOT true. There is no additional money in the contributor’s “pocket” because of the tax deferral. It is true that the plan participant pays less income tax to the government than would be paid without the qualified plan. Instead of more money in the contributor’s “pocket”, the difference in the tax payments goes into the qualified plan! In other words, assuming a $10,000 contribution in a 30% tax bracket, only $7,000 is earmarked as the contributor’s while the other $3,000 is what would have been sent to the government. By making the contribution, what would have been a tax payment is put into the qualified plan, but not the employee’s pocket! If the $10,000 were to be withdrawn, at any time in a 30% tax bracket, $3,000 is due to the government.

Taxable Income – The input field for the client's net taxable income before qualified plan contribution

Plan Contribution – The input field for the amount contributed to the qualified plan

Next Button – The button which steps forward through the calculations to reveal effect that the contribution has on the individuals taxes

Previous Button – The button which steps backwards through the calculations

NOTE: This calculator has a default setting, for tax rate purposes, of 'Married Filing Jointly'. The point of this calculator is to dispel the misconception that an individual “saves money” by making contributions to a qualified plan. It does not provide an analytical or actual look at a client’s particular situation. It is purely a generic, “storytelling” exercise.

Clear – Clears the entire contents of the calculator
Qualified Plan Distribution

**General** – This calculator is a good calculator to show how a tax deductible plan functions and what the results are of changing any of the variables. By putting in & removing the match from a plan, you can see how little the output is often affected. This is especially true if the plan has substantial "Old Money" in it. The first thing to appear when you select this calculator is the tax bracket input box. After entering this information, the "Qualified Plan Distribution" calculator will appear. To return to the tax inputs, press the "T" button (Taxes).

**Current Age** – The input field for the client's current age

**Distribution Age** – The age at which distribution out of the qualified plan will take place

**Retirement Age** – The age at which contributions to the qualified plan will stop

**Delay (Years)** – The number of years to delay the contribution to the qualified plan (from the beginning). If you wanted to delay contributions to this qualified plan for 3 years (putting the contribution into life insurance) you would place a 3 here.

**Old Money** – The input field for the initial amount of the account

**Contribution** – The input field for the annual contribution to the account

**Match %** – The percentage of your annual contribution which the employer is matching. If this is over 400, this will assume a dollar amount rather than a percentage rate.

**Increase %** – This allows for a yearly increase in the contribution and match, such as a ‘cost of living’ or salary increase

**Pre-Retirement Yield** – The input field for the annual interest rate expected on the account

**Inflation** – The input field for the inflation rate

**Mortality Age** – The age when both principal and interest will be paid down to zero

**Retirement Yield** – The input field for the annual interest rate expected between retirement age and mortality age (the client may want to be more conservative over this time)

**Check Boxes** – These boxes appear as you enter the numbers. When you click on them, they display the effects of the taxes and inflation on the account one at a time

**Addl. Ann. Costs** – This input field is for any additional annual expenses incurred for the plan which do not effect growth of the plan such as administration fees or contributions for employees. Simply enter the annual cost (as a positive number) here and watch the "Efficiency" % drop.

**NOTE:** The default tax setting for this calculator, if ‘Current Income Tax Table’ is used on the data input screen will be ‘Married Filing Jointly.’ This cannot be changed.

**Clear** – Clears the entire contents of the calculator
Variable Assumption Rate

General – This calculator allows you to illustrate variable annual interest rates, variable annual payments, and variable annual costs

Present Value – The input field for the starting balance or "Old Money"

Annual Payment – The input field for an annual contribution to the account (you can also vary the Payment each year by typing in a Payment each year on the dotted lines in the "Ann. Payment" column)

B.O.Y. Button – The Button to determine when the annual payment (or withdrawal if negative) is made (End of Year if the button shows "EOY", Beginning of Year if the button shows "BOY")

Fees Button – The Button to determine whether or not to put a percentage of annual fees into the illustration

Fees Input Field – Input field for the rate of the annual fee to charge against the account when the "Fees" button is "on"

Taxes Button – The Button to determine whether or not to put an average annual percentage of taxes into the illustration

Taxes Input Field – The input field for the rate of the annual Tax to charge against the account when the "Taxes" button is "on" (you can also vary the annual Tax AMOUNT each year by typing in an AMOUNT each year on the dotted lines in the "Taxes" column)

Increase – The input field for a rate to increase the annual payment by each year

Number of Years – The input field for the number of years you want to illustrate

Interest Rate – The input field for the interest rate expected to be earned on the account (you can also vary the interest each year by typing in a rate each year on the dotted lines in the "Var. Rate" column)

EOY for Fees – This checkbox allows you to take the "Fees" out at the "End of Year" (Checked - default) or at the "Beginning of Year" (unchecked)

Freeze Column Headings – The check box to lock / unlock the column headings. When frozen (checked) the column headings remain at the top while the rest of the information scrolls. When unchecked, the column headings scroll and allow you to change the titles on the "Fees" column and on the "Taxes" column. (If you unfreeze the column headings to change the heading text, you should then refreeze them so they will remain visible on the screen).

NOTE: You can also enter the annual term insurance charges in the "Tax" column to breakdown a variable life insurance contract
Person A - Person B

General – This calculator shows the advantage of having the option of being able to "pay-down" a taxable account because of owning a permanent life insurance policy. It is a good example of the Living Value of Life Insurance™. It shows the typical account being used for retirement (Person A) is accessed via interest-only disbursements in order to provide annual income. This is because the majority of retirees are faced with the “retirement dangers” of outliving their money, running out of money or spending money too quickly, loss of capital due to interest rate or market fluctuation, and the fear of disinheriting a spouse or heir, among others. It also shows the LEAP alternative of owning a life insurance policy that is paid up at "Retirement Age" and the increase in retirement income that is possible due to the ability to spend-down assets while significantly reducing or eliminating many of the “retirement dangers”.

NOTE: You MUST click, with the left mouse button, on the titles of each of the columns (hidden buttons) in order to reveal the year-by-year information in the calculator. Also, you can click on the hidden button located where it says "Life Insurance-Term" to change it to "Canceled" and on "Life Insurance" on the right side to change it to "Paid Up".

Present Value – The input fields for the starting balance or "Old Money" (one for Person-A and one for Person-B; these will usually be the same to begin the illustration)

Insurance DB – The input field for the Life Insurance Death Benefit at "Retirement Age"

Interest Rates – The input fields for the interest rate expected to be earned on each account. You should enter the interest rate under Person A first. It automatically defaults the entered value under Person B. The interest rates should remain the same for the first run-through of the calculator. You may go back and raise and lower Person B’s interest rate to show the effect it has on B’s account (you should take notice that Person B’s interest rate can be considerably lower than Person A’s while maintaining a similar or greater income).

Current Income Tax Table Button – The button that toggles between using the "current income tax table" to calculate the taxes on the account versus allowing you to enter a flat tax rate. If you do not manually enter a tax rate, the calculator will use a ‘Married Filing Jointly’ rate as a default, based upon the income being generated within the calculator

State Income Tax – The input field for the state income tax to be included in the illustration (any state income tax paid gets deducted from the federal income tax

Retirement Age – The input field for the age to start taking income

Paydown To Age – The age when both principal and interest will be paid down to zero (Person B only)

NOTE: You should make sure that the “desired” age to which the account is paid down to matches the number of years in the illustration (i.e. If the retirement age is 65 and you wish to pay the account down over 20 years, the ‘Paydown to Age’ should be 84, not 85 - age ‘85’ would be 21 years).
Mortality Age – The age to stop the illustration

Addl. Taxable Income – This field affects ONLY the use of the ‘Current Income Tax Table’ in the calculator, when that feature is selected. It provides for an additional increase in the overall tax rate on the income being illustrated in the calculator due to additional income that is NOT reflected in the calculator. For instance, if you are illustrating a $1,000,000 @ 6%, or $60,000 per year, and the client also has other taxable income of $100,000, the tax rate used should reflect $160,000 of income and not $60,000. By placing $100,000 in the ‘Addl. Taxable Income’ field, it will cause the tax rate on the $60,000 of income to be taxed higher. Remember, this ONLY effects the illustration when using the “Current Income Tax Table”.

Inflation Rate – The input field for the inflation rate (shows the annual income streams being deflated in value).

Life Ins. Withdrawal – The amount of the benefit which can be withdrawn annually from the Permanent Life Insurance from the "Paydown To Age" to the "Mortality Age". This number is not calculated by the computer, you need to run your own life insurance illustration to determine how much of a withdrawal is possible. The LEAP Software has no way of knowing how the withdrawals will affect your policy values so you must use valid life insurance policy illustrations to support this option.

NOTE: When running an illustration, it is suggested that you keep in mind that the value at ‘Retirement Age’ is what you are trying to solve for. In other words, if you wanted to show $1,000,000 face at age 65 which is paid up, you might run $450,000 on a 35 year old which accumulates to the $1,000,000 by age 65 (this is meant as only a guideline for example; you MUST run your own life insurance company illustration to arrive at the proper values).

Auto – When checked causes the "Life Ins. Withdrawal" to be equal to the last withdrawal from Person B’s account (at the "Paydown to Age"). This is so that Person B’s ongoing income can remain at the same level.

Inflation Protection – Only shows up when an "Inflation Rate" is used

Annual Income – Calculates the amount of money each year which can be withdrawn from "Retirement Age" to "Paydown To Age" maintaining a level "Net Income" amount after inflation (in today’s dollars)

Life Insurance – Shows an increasing withdrawal for the "Life Ins. Withdrawal" to adjust for inflation

BL – Displays a ‘Bottom Line’ total for all the columns at the bottom of the screen

NOTE: You MUST Click (with the left mouse button) on the hidden buttons located where the titles should be for the columns in order to reveal the information located in those columns. Also you can click on the hidden button located where it says "Life Insurance-Term" to change it to "Canceled" and on "Life Insurance" on the right side to change it to "Paid Up".
**Growth Securities**

**General** – This calculator allows you to show annually (micro) what happens in the G4, G5, & G6 drawers on the Model

**Present Value** – The input field for the initial value of the account, the "Old Money"

**Cost Basis** – The input field for the current amount of cost basis of the account

**Payment** – The input field for the amount of annual contribution to the account

**Net** – Automatically pays all taxes from the account on an annual basis. This should only be checked if a client is currently netting, is thinking about netting, or you are illustrating the effects of netting an account.

**E.O.Y.** – The checkbox to determine when the annual payment (or withdrawal if negative) is made (End of Year if checked, Beginning of Year if unchecked)

**Years** – The input field for the number of years you would like to illustrate

**Short Term CG** – The input field for the interest rate (entered as a whole number) for the short term capital gains earnings on the account. All of the income earnings are taxed as a regular compound tax at the "Income Tax Bracket" rate.

**Dividends & Realized Capital Gains** – The input field for the interest rate at which earnings from dividends and capital gains are taxed at the "Capital Gains Tax Bracket Rate". The taxes compounded annually, but at the "Capital Gains Tax Bracket Rate" rather than the "Income Tax Bracket Rate".

**NOTE:** If you look at a hypothetical high turnover rate of some of the holdings in an account, so that they are not getting capital gains tax treatment, (they are being taxed at regular income rates) then simply reduce the amount here and increase the amount in the dividend income.

**Unrealized Capital Gains** – The input field for the interest rate on the account that goes toward growth of the account. It is taxed at the "Capital Gains Tax Bracket Rate", but the tax is deferred until sale of the holdings (assume to be at the end of the "Years"), and therefore the tax is not compounded.

**Income Tax Bracket** – The input field for the client's current income tax bracket

**Capital Gains Tax Bracket** – The current Capital Gains Tax Bracket rate

**C.O.M.** – The input field for the Cost of Money to be used in the illustration

**Clear** – Clears the entire contents of the calculator

**Efficiency** – The result of an interest rate function, over the number of years illustrated using the Beginning of Year account balance of the last year shown, plus the interest earned of the last year shown, minus the total tax and L.O.C. (of the last year shown) as the future value
Buy Term & Invest the Difference

**General** – This calculator is a very flexible calculator because almost all of the variables can be adjusted in any year. It was primarily created to show the pros and cons of a "buy term and invest the difference" approach, but it does allow for a number of uses.

**Present Value** – The input field for the initial value of the account, the "Old Money"

**Cost Basis** – The input field for the current amount of cost basis of the account

**Payment** – The input field for the amount of annual contribution to the account

**Years** – The input field for the number of years you would like to illustrate

**Mgt. Fee** – The input field for the rate of the management (or trailer) fee which will be charged annually on the value of the account at either the end of the year or beginning of the year as selected by the "EOY" check box above the "Mgt. Fee" column (the default is End of Year). This fee will be taken from the account every year and will be reflected by a reduced "Account Val. End of Year" number.

**Misc. Fee** – The input field for any miscellaneous fees which might be charged to the account at either the End of the Year or Beginning of Year as selected by the "EOY" check box above the "Misc. Fee" column (the default is Beginning of Year). The primary use for this column is to illustrate sales loads. The fee can be changed in any year and defaults to a Beginning of Year charge.

**Annual Term** – The input field for the annual term policy premium paid by the client.

**Short Term Cap. Gains** – The input field for the interest rate (entered as a whole number) for the short term capital gains earnings on the account. All of the income earnings are taxed as a regular compound tax at the "Income Tax Bracket" rate.

**Dividends & Realized CG** – The input field for the interest rate at which earnings are taxed at the "Capital Gains Tax Bracket Rate". The taxes compounded annually, but at the "Capital Gains Tax Bracket Rate" rather than the "Income Tax Bracket Rate".

**NOTE:** If you look at a hypothetical high turnover rate of some of the holdings in an account, so that they are not getting capital gains tax treatment, (they are being taxed at regular income rates) then simply reduce the amount here and increase the amount in the dividend income.

**Unrealized CGs** – The input field for the interest rate on the account that goes toward growth of the account. It is taxed at the "Capital Gains Tax Bracket Rate", but the tax is deferred until sale of the stock (assume to be at the end of the "Years"), and therefore the tax is not compounded.

**Inc. Tax Bracket** – The input field for the client's current income tax bracket

**CG Tax Bracket** – The current Capital Gains Tax Bracket rate
C.O.M. – Input field for the Cost of Money to be used in the illustration. The C.O.M. will affect the tax and term payments only if the NET checkboxes are not checked.

E.O.Y. – The checkbox to determine when the payments (or cost if negative) are made for the column of numbers under the EOY checkbox (‘End of Year,’ if checked – ‘Beginning of Year,’ if unchecked). There are 3 of these: one for payment, one for Mgt. Fee, and one for Misc. Fee.

NET – The checkbox to determine from where the costs are being paid. If the NET checkbox is checked, then the costs (for the column of numbers under the NET checkbox) are taken directly out of the account and will be reflected by a reduced "Account Val. End of Year" number (no additional out of pocket outlays). If the NET checkbox is not checked, then the costs are being paid from another source and will have opportunity costs on them. There are two of these checkboxes, one for term premiums and one for tax payments.

Year To Start Netting – This field is hidden and is only available if the NET box is unchecked. It is a dotted line at the top of the "Term Prem. & Op. Cost" column and the "Tax & Op. Cost". This is a field in which you can enter a particular year you would like the costs to switch from compounding to netting. This allows you to illustrate compounding for a number of years and then the illustration switches to netting. This may be an appropriate approach for someone whose account values actually get too high and they cannot afford to pay taxes out of pocket. There are two of these hidden buttons: one above the "Term Prem. & Op. Cost" column and the other above the "Tax & Op. Cost" column. REMEMBER, the columns with this field are only available if the "NET" box is unchecked.

NOTE: The annual inputs for "Int. Rate", "Annual Payment", "Mgt. Fee", "Misc. Fee", "Annual Term", and "Annual Tax" can be changed in any year, allowing you to illustrate a number of different scenarios. You can manually type numbers on the dotted lines in any year or you can copy and paste numbers (or columns of numbers) from other calculators (such as the Term Insurance calculator or the Market History chart). You must have the "Dividend Inc.", "Realized CG", and "Unrealized CG" information filled out even if you manually enter (or paste) the "Int. Rate" column numbers because the calculator uses the ratio between each of those items to determine the tax liability. For example, if you put ‘1’ in "Dividend Inc.", ‘2’ in "Realized CG", and ‘1’ in "Unrealized CG", and then manually put ‘12’ on the dotted line in Year 1 for "Int. Rate"; the calculator would use ‘3’ (1/4*12) for the short term capital gains, ‘6’ (2/4*12) for dividends and realized capital gains, and ‘3’ (1/4*12) for unrealized capital gains.
Graphs and Tables

Marginal Tax History – Chart of the U.S. Marginal Tax Rate

Mortality Table – 2001 Commissioner’s Standard Ordinary Mortality Table

Joint Mortality Table – Joint Mortality Table based on the 2001 CSO Table

PS58 & US38 Table – US38 & PS58 Tables


Market History – Shows the market history of the Dow Jones Industrial Average and the S&P 500

Electronic Compounding Table – This is a calculator similar to the manual compounding
Mortality Table

Show Button – This button toggles between showing "Deaths per Thousand" and "Mortality Age"
Joint Mortality Table

**General** – This table shows the survivorship probabilities on two lives. It slightly understates the survivorship probabilities because it is based on the 2001 CSO table, which includes the whole public, not just the insurable.

**Male Age** – The input field for the age of the male

**Female Age** – The input field for the age of the female

**Next** – The button that toggles between showing the beginning of the chart and the end of the chart
**PS58 & US38 Table**

**General** – This table shows the amount of reportable income on a split-dollar life insurance policy. When the first death occurs, the surviving spouse must then use the PS58 table rather than the US38 table used when both were alive.

**Primary Age** – The input field for the age of the primary insured

**Secondary Age** – The input field for the age of the secondary insured

**Amount of Risk** – The input field for the amount of "Risk" in the policy (the gross death benefit - the cash value) – this is the amount which is subject to the PS58 or US38 Costs

**U.S. Federal Rate / Sample Insurance Rate Button** – The button to toggle between using the U.S. Federal Rates or sample insurance company rates

**Older Rates / Younger Rates Button** – The button to toggle between showing the beginning of the chart or the end of the chart
Federal Income Tax Table

**General** – This table shows the U.S. Federal Tax Tables and calculates the amount of tax and percentage of tax based on the amount of net taxable income entered. It shows that the investment income is taxed at a rate higher than just dividing the total income into the total tax.

**Filing Status Button** – The button used to toggle to the desired filing status (joint, single, etc.)

**Bottom of Brkt Taxable Income** – The input field for the amount of the income which will be exposed to the bottom (cheapest end) of the bracket. This would be the client’s wages, etc.

**Top of Brkt Taxable Income** – The input field for the amount of the income which will be exposed to the top (most expensive end) of the bracket. This would be the client’s investment income. This income portion gets the highest tax because any adjustments (up or down) to this income affect the total taxes paid at this rate.
Market History

General – This table shows the market history of the Dow Jones Industrial Average from 1920 to present and the S&P 500 from 1928 to present.

Start Year – Input field for the first in a series of years you want to view.

Number of Years – Number of years you want to study and view. The calculations for "average yield", "actual yield", and "account value" are performed only across the time horizon you create based on your inputs.

DJIA / S&P 500 – The button which toggles between showing the Dow Jones Industrial Average and the S&P 500 market histories.

Present Value – The input field for the amount of the present value (one time deposit).

Annual Payment – The input field for the amount of the annual payment.

NOTE: The "Present Value" and "Annual Payment" amounts will change the actual yield because it changes the amount of money in the account during an up or down year and if you put 0 in both of these fields, there is no way for the calculator to calculate actual yield. The "Annual Yield" numbers can be copied from here and then pasted in the "Buy Term & Invest the Difference" calculator or the "Variable Interest Rate" calculator.
Electronic Compounding Table

**Interest Rate** – Input field for the annual interest rate

**Year** – Input field for the number of years to compound

**Tax Bracket** – Input field for the current or average tax bracket

**Cost of Money** – Input field for the Cost of Money to be used on the compound tax

**Principal** – Input field for the value of the account, the "Old Money"

**Annual Payment** – Input field for the annual contribution to the account

**NOTE:** If you enter the interest rate and then the number of years, the chart will adjust to show the factor to use to multiply the "Annual Payment" or the "Principal" by (like the manual charts). If you then enter the "Annual Payment", then it will show the future compound value. Next, if you enter the "Tax Bracket", the chart will adjust to show the tax factor and the resulting "Cumulative Taxes". Finally, when you enter the "C.O.M", the chart will adjust to show the compound tax factor and the resulting "Compound Taxes and L.O.C.".
Thank you!

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