Reality Check

AGENT TRAINING & CASE-USE MANUAL

Market returns. Sequence risk. Spendable retirement income.

A practical guide for building a client case, modeling market drag, solving spendable retirement income, stress-testing return order, comparing independent alternative strategies, validating the math, and documenting the result.

TRIQUEST AGENT TOOL **Build the case. Test the reality. Document the result.**

Training use • Historical market analysis • Sequence risk • Retirement income

Manual version 2.1 • Application reference: Reality Check v97

How to Use This Manual

Reality Check is a teaching tool first and a calculation engine second. The agent should establish the client facts, solve the retirement-income objective, show the result, then open supporting ledgers only when validation is useful.

Field / Feature	What it means / how to use it
1. Build the Case	Enter the client timeline, starting capital, standard or custom funding, retirement ages, Main Market costs, taxes and optional protection assumptions.
2. Set the Return Engine	Choose Historical or Fixed for the Main Market path and select the S&P historical window used for historical analysis.
3. Solve Spendable Income	Calculate a level or inflation-adjusted spendable-income schedule to the selected ending balance.
4. Stress-Test the Sequence	Lock the Solve Sequence, then reorder the same historical observations using Actual, Reverse, Worst First, Best First or Shuffle.
5. Compare Alternatives	Turn on Indexed and/or Fixed alternatives when they help the teaching objective. Their return engines and fees are independent of the Main Market path.

Field / Feature	What it means / how to use it
6. Validate & Document	Use the Main Ledger and independent validation ledgers to prove the result, then create the Client Handout.

CORE DISCIPLINE Teach first → summarize second → prove it with detailed math third.

1. What Reality Check Is Designed to Teach

Reality Check demonstrates that a client's retirement outcome depends on more than an average rate of return. The timing of gains and losses, investment drag, taxes, funding costs and retirement withdrawals can materially change spendable income and remaining wealth.

CENTRAL TEACHING POINT Two historical sequences can contain the same return observations and therefore have the same Average Return and Actual Return, yet produce very different retirement outcomes because the returns occur in a different order.

What Reality Check does

- Builds a frozen historical return deck and rearranges the same observations into different sequences.
- Models standard funding or a custom year-by-year funding schedule.
- Solves a level or inflation-adjusted spendable retirement-income schedule.
- Locks the solved spendable-income schedule before sequence stress testing.
- Models Main Market drag including loads, management fees, dividend taxes, capital-gain tax, withdrawal tax and optional term insurance.
- Provides independent generic Indexed and Fixed alternative-strategy comparisons.
- Provides validation ledgers for the Main Market, Strategic Return, Indexed Strategy and Fixed Strategy.

What Reality Check does not do

- It is not a carrier illustration.
- The generic Indexed Strategy is not a representation of a specific IUL contract.
- It does not guarantee future market returns or future strategy performance.
- A rearranged historical sequence is a stress test, not a forecast.

2. Section 1 — Client & Funding

Section 1 establishes the client timeline, starting capital, funding pattern and retirement-income objective. Funding and retirement assumptions belong here because they define the client's cash-flow story before return assumptions are tested.

Field / Feature	What it means / how to use it
Current Age	Beginning age of the analysis.
Strategy View Through Age	Last age shown in the analysis, graph and ledgers.
Beginning Balance	Existing account value at the beginning of the case.
Funding Method — Standard	Uses Annual Funding, Funding COLA and Funding Start/End Age.
Funding Method — Custom Schedule	Replaces Standard Funding with individual age-and-amount rows. Use it for irregular premiums or contributions.
Main Market Funding Load Fee	Main Market load deducted when new funding enters the Main Market path. It does not control the Indexed alternative load.
Main Market Annual Fee	Ongoing Main Market account fee. Alternative strategy fees are set separately.

HARD FEE RULE Main Market funding loads/annual fees and alternative-strategy loads/fees are separate assumptions. Do not use one strategy's fee fields to represent another strategy.

Retirement Distributions

Field / Feature	What it means / how to use it
Withdrawal Start Age	First age at which solved spendable retirement income is scheduled.
Withdrawal End Age	Final age at which solved spendable income is scheduled.
Annual Net Withdrawal	Calculated spendable-income output from the solver; not a manual planning input.
Withdrawal COLA	Calculated/populated output. A Level solve produces 0%; an Inflated solve uses the selected Inflated Distribution COLA.

3. Depletion Distribution Solver — Spendable Income

The solver now answers the client-level question: How much spendable retirement income can the strategy support from the selected Withdrawal Start Age through the Withdrawal End Age while ending at the selected target balance?

Field / Feature	What it means / how to use it
Inflated Distribution COLA	Used only for the inflated solve. Each scheduled spendable-income payment

Field / Feature	What it means / how to use it
	increases by this percentage.
Solver Target Ending Balance	Desired account value remaining at the Withdrawal End Age. Use $0 for depletion or a positive value to preserve capital.
Calculate Level Spendable Income	Solves one constant annual spendable-income amount.
Calculate Inflated Spendable Income	Solves a lower Year 1 spendable-income amount that increases annually by the selected COLA.
Clear Distribution Test	Clears the solved schedule and solver outputs while preserving the planning inputs.

Same-spendable-income architecture

The locked schedule represents what the client can spend, not merely the gross amount removed from an account. The Main Market path calculates the gross withdrawal required to deliver that target spendable income after modeled withdrawal tax. The Indexed and Fixed alternatives currently apply the same spendable-income target without withdrawal tax under the model.

MAIN MARKET RECONCILIATION Target Spendable Income → Gross Withdrawal → Withdrawal Tax → Spendable Income Paid → Unfunded Spendable Income.

For the taxable Main Market path, Reality Check estimates the embedded-gain percentage from modeled tax basis and grosses up the withdrawal so the client receives the target spendable income after modeled capital-gain tax. This creates a more comparable lifestyle-income test across strategies.

How COLA works

If the Inflated Distribution COLA is 3%, each scheduled spendable-income payment is 3% larger than the prior year. The solver does not take the Level result and simply add 3%. It solves a new, lower Year 1 amount so the entire increasing schedule can still meet the target ending balance.

SIMPLE EXAMPLE If Year 1 spendable income is $100,000 at a 3% COLA, Year 2 is $103,000 and Year 3 is $106,090.

4. Section 2 — Investment Assumptions

This section controls the Main Market investment drag and optional protection assumptions. These assumptions belong to the Main Market path unless a field explicitly says otherwise.

Field / Feature	What it means / how to use it
Management Fee	Annual fee applied to the Main Market account value.

Field / Feature	What it means / how to use it
Apply Taxes & Turnover	Turns the modeled taxable-account tax engine ON or OFF.
Qualified Dividend %	Percentage of modeled S&P dividend income assumed to receive qualified-dividend treatment.
Qualified Dividend Tax Rate	Tax rate applied to the qualified portion of modeled dividends.
Ordinary Income Tax Rate	Applied to non-qualified modeled dividends and taxable fixed-account earnings in the Main Market path.
Capital Gain Tax Rate	Applied to modeled realized capital gains and to taxable gain embedded in retirement withdrawals.
Turnover Ratio	Controls how much annual price gain/loss is modeled as realized; losses can carry forward against later gains.
Optional Term Insurance	Annual premium is deducted from the Main Market account for the selected number of years. Death benefit is a protection assumption, not account value.

5. Return Method, Historical Window & the Four Return Measures

The Main Market Return Method and the Indexed alternative return engine are now independent. This distinction is important when teaching or validating a case.

Main Market Return Method

Field / Feature	What it means / how to use it
Historical	Uses S&P 500 Total Return from the selected historical window.
Fixed	Uses the selected fixed Main Market rate. A fixed Main Market path has no sequence-order effect because every modeled year uses the same rate.
S&P Starting / Ending Year	Defines the historical window. Agents may select a named Historical Window Preset or use Custom. If the selected window is shorter than the client timeline, Reality Check loops the window until the client-length deck is filled.
Lost Decade - 2000-2010	Stress-test period spanning the dot-com decline, recovery, the 2008 financial crisis and early recovery. Use it to demonstrate how a difficult market cycle and sequence can affect retirement income.
Balanced Cycle - 2000-2019	Two full decades containing major bull and bear market environments. Use it as a broad historical benchmark without allowing the unusually strong most-recent period to dominate the comparison.
Full Market - 2000-2025	Uses the complete modern historical window currently available in Reality Check. Use it to show the full range of market experience contained in the

Field / Feature	What it means / how to use it
	application data.
Recent Decade - 2016-2025	Uses the most recent ten-year market experience in the current data set. Use it to show how the strategies compare during a strong recent market environment.
Custom	Allows the agent to select any available S&P Starting Year and Ending Year for a specific historical teaching objective.

HISTORICAL-WINDOW DISCIPLINE Do not choose a period because it makes one strategy look better. Use the presets to examine how the same client strategy behaves across different market environments. A historical window is a teaching and stress-testing assumption, not a forecast of future returns.

Changing the historical window changes the modeled return path. Reality Check clears the previously solved retirement-income schedule when a preset is selected. Recalculate Level or Inflated Spendable Income before comparing results.

Independent Indexed return engine

The Indexed Strategy always uses the selected historical S&P 500 Price Return window, even when the Main Market Return Method is set to Fixed. Changing Main Market to Fixed must not convert the Indexed validation ledger to a fixed-return history.

HARD RETURN-ENGINE RULE Main Market Return Source, Indexed Return Source and Fixed Alternative Return Source are independent engines.

The four return measures

Field / Feature	What it means / how to use it
Average Return	Arithmetic average of the annual returns in the frozen Main Market sequence.
Actual Return	Compound return of the frozen Main Market observations before client-specific costs and cash flows.
Net Return	Compound investment return after modeled investment drag. It describes the investment after costs.
Strategic Return	Client cash-flow IRR. It reflects timing of contributions/outflows, spendable distributions received and remaining ending value.

CLIENT LANGUAGE “The first three rates tell us what happened to the investment. Strategic Return tells us what happened to the client’s dollars after we include when money went in, when spendable income came out, and what remained.”

6. Sequence Controls & the Frozen Return Deck

For historical Main Market analysis, Reality Check builds the complete client-length deck first. If the selected S&P window must repeat, it is looped before the deck is frozen. Sequence controls then rearrange those exact observations.

Field / Feature	What it means / how to use it
Actual	Frozen deck in normal chronological order.
Reverse	Exact same observations in reverse order.
Worst First	Same observations sorted from lowest return to highest.
Best First	Same observations sorted from highest return to lowest.
Shuffle	Randomly rearranges the same frozen observations without changing which observations are included.

WHY THIS MATTERS For a historical Main Market deck, Average Return and Actual Return remain the same across Actual, Reverse, Worst First, Best First and Shuffle. Retirement results can still change because cash flows interact with the order of returns.

7. Solve Sequence vs. Stress-Test Sequence

The sequence selected when the agent calculates spendable retirement income becomes the Solve Sequence. Reality Check locks that exact year-by-year spendable-income schedule. Selecting another sequence does not calculate a new lifestyle-income target.

Field / Feature	What it means / how to use it
1. Select Solve Sequence	Choose Actual, Reverse, Worst First, Best First or Shuffle before solving.
2. Calculate Income	Use Level or Inflated Spendable Income.
3. Lock the Schedule	The active return order becomes the Solve Sequence and the spendable-income schedule is locked.
4. Select Test Sequence	Choose another return order.
5. Same Spendable Schedule	The Test Sequence receives the exact same year-by-year spendable-income target.
6. Compare	Review spendable income paid, shortfall/funded-through age, ending value and graph.

WHY REVERSE CAN BE THE SOLVE SEQUENCE Actual is not automatically the solve benchmark. Whichever return order is active when the distribution is calculated becomes the locked Solve Sequence.

8. Section 3 — Sequence Stress Test

The solved-comparison box is dynamic. It appears only after a retirement-income schedule has been solved. Before a solve, there is no locked income promise to stress-test.

The Sequence Stress Test is titled "Same Spendable Income, Different Order." Its purpose is to state the teaching conclusion before the agent opens a ledger.

Field / Feature	What it means / how to use it
Same spendable income fully funded in both	Compare remaining ending wealth.
Solve funds; Test falls short	Show unfunded spendable income and how long the full income was funded.
Test improves the result	Show additional spendable income or improved remaining wealth.
Both fall short	Compare spendable income actually delivered and duration of funding.

The graph should show the relevant Solve and Test balance paths separately. Active Indexed and Fixed alternatives can also appear so the client can see how different return mechanics respond to the same spendable-income objective.

9. Optional Strategy Comparison

Indexed and Fixed strategies are optional teaching benchmarks. They are separate functions from the Sequence Stress Test and should be turned on only when they advance the client's understanding.

Indexed Strategy

Field / Feature	What it means / how to use it
Participation Rate	Percentage of the S&P 500 Price Return applied before cap/floor constraints.
Cap Method — Single Cap	One cap applies throughout the modeled period.
Cap Method — Custom Cap Schedule	Allows cap changes by age. Each entered cap remains in effect until the next cap-change age.
Floor	Minimum credited rate for the modeled period.
Indexed Funding Load Fee	Alternative-strategy load applied only to new funding entering the Indexed path.

Field / Feature	What it means / how to use it
Indexed Annual Strategy Fee	Ongoing alternative-strategy fee applied to Indexed account value.

The Indexed Strategy uses the selected historical S&P 500 Price Return window independently from the Main Market Return Method. The validation ledger shows the historical year, S&P price return, Cap Used, Indexed Credit Rate, funding load, annual strategy fee and account values.

IMPORTANT The Indexed Strategy is a generic training strategy, not a carrier illustration. Loads and annual strategy fees are modeled assumptions and should not be represented as the internal charge structure of a specific IUL contract.

Fixed Strategy

The Fixed alternative uses its own Fixed Strategy Rate and the same locked spendable-income schedule. It is a volatility-free comparison path. Its result may be better or worse than the market or indexed path depending on the case assumptions.

TEACHING DISCIPLINE Reality Check is not designed to force an Indexed or Fixed strategy to win. The assumptions and economic mechanics determine the result.

10. Main Ledger — Same-Spendable-Income Validation

The Main Ledger is the year-by-year proof of the Main Market result. Ending Balance is the permanent far-right column. Every ledger header should be centered over its data column.

Field / Feature	What it means / how to use it
Age / Sequence Year / Return	Identifies the client age and market observation used.
Beginning / Funding / Load	Reconciles starting value and net new money.
Term Premium	Optional protection cost deducted from the Main Market account.
Growth/Loss / Mgmt Fee	Shows market result and annual management drag.
Dividend Tax / Capital Gain Tax	Shows modeled annual taxable-account tax drag.
Target Spendable Income	The locked client lifestyle-income target.
Gross Withdrawal	Amount that must leave the Main Market account to fund the target after withdrawal tax.
Withdrawal Tax	Modeled tax attributable to taxable gain embedded in the gross withdrawal.
Spendable Income Paid	Net amount delivered to the client.

Field / Feature	What it means / how to use it
Unfunded Spendable Income	Any portion of the target the account could not deliver.
Ending Balance	Year-end account value after all modeled activity.

ROW RECONCILIATION Beginning + Funding − Load − Term Premium + Growth/Loss − Mgmt Fee − Dividend Tax − Capital Gain Tax − Gross Withdrawal = Ending Balance.

INCOME RECONCILIATION Gross Withdrawal − Withdrawal Tax = Spendable Income Paid. Withdrawal Tax is part of the Gross Withdrawal and is not subtracted from the account a second time.

11. Validation Ledgers

Validation ledgers are supporting audit tools, not the opening client presentation. Each ledger opens and closes independently.

Field / Feature	What it means / how to use it
Strategic Return Validation Detail	Shows the client cash-flow IRR development and reconciles the final row to the headline Strategic Return.
Indexed Strategy Validation Ledger	Audits the independent S&P Price Return engine, Cap Used, Indexed Credit Rate, funding, Indexed Funding Load Fee, growth/loss, Indexed Annual Strategy Fee, spendable distributions and ending value.
Fixed Strategy Validation Ledger	Audits the Fixed alternative using its own fixed rate and the locked spendable-income schedule.
Main Market Ledger	Audits the complete taxable Main Market path, including tax basis effects, gross withdrawal, withdrawal tax, spendable income and ending value.

HARD LEDGER RULE All ledger headers are centered over their data columns. Supporting ledgers open and close independently; do not nest one validation ledger inside another.

12. Client & Case Management / Client Handout

Use Client & Case Management to preserve assumptions and return to a teaching case without rebuilding it. Save the case after the key assumptions and Solve Sequence are established.

- Verify the active funding method and all custom funding rows before saving.
- Verify Main Market and alternative-strategy fee assumptions separately.
- Verify the Historical Window Preset (or Custom start/end years) and Main Market Return Method.
- Verify the active Solve Sequence, spendable-income method, ages, COLA and target ending balance.

- Verify optional Indexed/Fixed strategies and custom cap schedule before producing the handout.
- Use the Client Handout for the client-facing summary; use validation ledgers for advisor audit and deeper explanation.

13. Suggested Client Teaching Conversation

Teaching Step	Suggested Language / Purpose
Start with the client timeline	"Let's define when money goes in, when retirement income begins, and how long we want the strategy to provide it."
Establish the investment reality	Show the historical window, costs and taxes that apply to the Main Market path.
Solve spendable income	"We are going to solve for what you can actually spend, not merely the gross amount withdrawn from an account."
Lock the Solve Sequence	"This return order establishes the spendable-income schedule we are going to test."
Change only the order	"Now we keep the same historical observations and the same spendable-income promise, but change when the returns occur."
Read the Sequence Stress Test	Let the result state the shortfall, funded-through age or remaining-wealth difference.
Compare alternatives only when useful	Turn on Indexed or Fixed to demonstrate different return mechanics under the same client objective.
Validate only when needed	Open the Main or supporting validation ledger to prove a result.
Finish with the handout	Leave the client with the assumptions and conclusion rather than a screen full of ledger detail.

THE QUESTION TO LEAVE WITH THE CLIENT "If the average return can stay the same while the retirement result changes this much, should we judge a retirement strategy only by its average return?"

14. Agent Pre-Presentation Checklist

☐ Client age and Strategy View Through Age are correct.

☐ Beginning Balance and Funding Method are correct.

☐ Standard funding assumptions or every Custom Schedule row are correct.

☐ Main Market Funding Load Fee and Main Market Annual Fee are intentional.

☐ Withdrawal Start/End Ages are correct.

☐ Management fee, tax/turnover and optional term assumptions are intentional.

☐ Main Market Return Method and Historical Window Preset (or Custom start/end years) are intentional.

☐ Solver Target Ending Balance reflects the planning objective.

☐ Level vs. Inflated Spendable Income is intentional; COLA is correct.

☐ Desired Solve Sequence is selected before calculating spendable income.

☐ Solved spendable-income schedule is locked before selecting a Test Sequence.

☐ Indexed Strategy uses the intended Participation Rate, Floor, Single/Custom Cap Schedule, Indexed Funding Load Fee and Indexed Annual Strategy Fee.

☐ Fixed Strategy Rate is intentional if the Fixed alternative is ON.

☐ Sequence Stress Test and graph reconcile.

☐ Main Ledger Ending Balance and same-spendable-income columns reconcile.

☐ Relevant validation ledgers reconcile before the Client Handout is produced.

15. Agent Operating Rules

- Reality Check compares client economic outcomes; it is not a product recommendation engine.
- Do not present a rearranged historical sequence as a forecast.
- Do not select a historical window because it makes one strategy look better. When useful, compare more than one preset to show different market environments.
- Do not describe the generic Indexed Strategy as a carrier illustration.
- Keep Main Market costs separate from Indexed alternative costs.
- Keep Main Market, Indexed and Fixed return engines conceptually separate.
- Compare retirement strategies using the same spendable-income objective whenever income is the teaching question.
- Use the Sequence Stress Test only after a spendable-income schedule has been solved.
- Use the ledgers to prove the math, not to lead the presentation.

FINAL PRESENTATION STANDARD Build the case. Test the reality. Document the result.