



Yields and Monte Carlo Simulations in Wealthy and Wise®

Yield And Growth Rate Assumptions

The yields and growth rates illustrated in a Wealthy and Wise evaluation should reflect what you and your client believe are reasonable. They can be level as shown in this Case Study – or variable based on schedules you input. If you prefer, Wealthy and Wise can generate random yields and growth between highs and lows you designate.

You may want to consider doing multiple analyses using varying schedules of yield and/or growth for each one.

Monte Carlo Simulations

For those who like to use a Monte Carlo simulation, it is generally not suitable for a Wealthy and Wise evaluation of net worth and wealth to heirs due to the wide variety of liquid and illiquid assets that can be present, many of which may have no suitable, historical data base. (Examples: a home and other real estate, a business, collectibles.)

Once an overall plan is designed, then an asset-by-asset Monte Carlo analysis can make sense for those client assets for which a suitable data base exists.

For example, assume a given client has an equity account that is the only asset that lends itself to a Monte Carlo simulation. Suppose the equity account is 25% of overall net worth. Assume the Monte Carlo simulation produces a 95% chance of success. There is little value in a summary analysis of net worth and wealth to heirs in advising a client that there is a 95% chance of success on 25% of the overall values. The simulation's value occurs only when suitable investment allocations for the equity account (in this example) are being analyzed for the client by a qualified representative.