

The Math Behind the
Comfort Zone®



Questions and
Answers with
Wealthcare Consultant
Mark Ciucci

Here are some of the most frequent questions advisors ask when it comes to understanding the Comfort Zone's core functionality and how the Comfort Score is calculated.

Question - What do we use if we do not use historical or present values and project forward 30 years?

Mark's Answer – Capital Market Assumptions (CMA's). Split forecast using a calculated set of CMA's based on the current equity risk premium and interest rates for years 1-10 and normalized historical returns for years 11+. Here is a [link](#) to Ron Madey's 2020 CMA white paper that will provide more detail.

Question — How do advisors use GDX360® when clients drift from funded to underfunded due to market declines? Do they recommend changes to the portfolio (i.e taking on additional risk)?

Mark's Answer—That is a trade-off conversation to have with clients. Some, particularly those who reduced risk on the way up are much more inclined to add it back when markets decline. Others may prefer to reduce spending or postpone goals.

Question—Despite being generated by the Monte Carlo simulation, is the return still based on CMA and allocation weights? Does it assume the allocation remains static over time?

Mark's Answer —Part 1 - Yes, Part 2 - Depends on what allocation pattern. In other words, if you split the allocation say at retirement, it will use both. This can be done on the Adjustments page in GDX360.

Question - What causes a plan to show a confidence score "w/o loans against future income"?

Mark's Answer - Any plan where principal remains above zero will not show loans.

Question - Can you give an example of when it would be acceptable to borrow against future income? Can you give an example of when it would be acceptable to borrow against future income without adjusting the plan? Wouldn't the client run out of funds before the inheritance was received (although adjustments would be made prior, I assume)?

Mark's Answer - I start at 5% and adjust up and down to get into the middle of the CZ.

Question - How do you determine how much to take out of the portfolio to support the spending recommendations and taxes?

Mark's Answer - You can run a sources of funding report page.