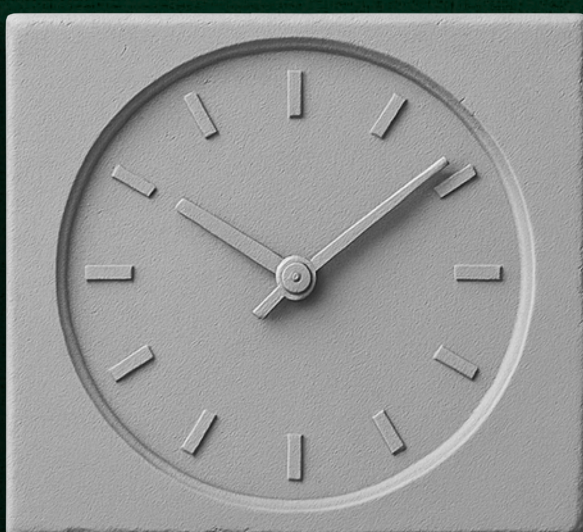
THE CASH FLOW CLOCK™



Planning Wealth Across Time

STONEBRIAR
WEALTH ADVISORS™

THE CASH FLOW CLOCK

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Introduction

The Cash Flow Clock™ is not a product, a prediction tool, or an investment strategy.

It is a framework — a way to organize your financial life so that every dollar has a purpose, every decision has a place, and every stage of life carries the stability it deserves.

You do not need a background in finance.

You only need the desire to make decisions with clarity instead of guesswork.

What This Book Will Do

- Show you why traditional planning models often fail
- Explain how time, taxes, and risk work together
- Demonstrate how structure — not forecasts — creates confidence
- Illustrate how the Cash Flow Clock adapts to your life

What This Book Will Not Do

- Tell you what investments to buy
- Predict markets or interest rates
- Assume you fit into a generic "risk profile"
- Replace personalized financial advice
- Ask you to become an expert in charts, formulas, or jargon

This book gives you the *conceptual foundation* for a stronger financial life.

For the full mechanics, formulas, and professional-level tools behind the Cash Flow Clock, a separate volume — **The Cash Flow Clock™ Technical Guide: Building Wealth Across Time** — is available for advisors and advanced readers.

How to Use It

- Reconsider how you think about risk and returns
- Use the time-based Zones to visualize your own financial life
- Discuss the structure with a partner or family member
- Bring the framework into conversations with a financial professional
- Revisit key sections whenever your life, income, or goals change

The Cash Flow Clock is not a static model.

It's a living framework — one you will apply differently as your life evolves.

When you see your money through time, everything becomes more understandable:

- what you need now
- what you'll need soon
- what you'll need much later

This book will give you the language, structure, and clarity to make decisions with confidence — at any age, in any stage, under any conditions.

Welcome to a new way of understanding wealth through time.

Welcome to The Cash Flow Clock.

The Problem with Traditional Planning

They say time is money.

Yet for most investors, time is the one part of their financial plan they've never actually measured.

When people walk into a financial advisor's office, they're usually shown a pie chart — maybe a line graph of past returns.

Then they're told something like, "You're a moderate investor. We'll put you in a 60/40 portfolio."

Traditional models make one fatal assumption: that all investors can live through the same volatility simply because they're "long-term."

But time isn't the same for everyone.

A 40-year-old still building wealth has time to recover.

A 70-year-old drawing income doesn't.

That difference — the sequencing of *when* money is needed — is the single most under-appreciated variable in financial planning.

It is **the missing dimension of risk.**

The Real Risk Isn't Market Loss — It's Bad Timing

Market losses don't destroy retirements.

Withdrawals during those losses do.

Selling at the wrong time turns temporary declines into permanent damage.

When your portfolio drops 20 percent and you take a withdrawal, you don't just need a 25 percent rebound to get back to even — you need *more time.* And time, unlike money, can't be replenished.

This is where most traditional plans break down. They manage volatility in theory, but they ignore sequence in practice.

The Cash Flow Clock visualizes wealth management not as a flat line of risk and return, but as a dynamic cycle — a system that aligns money with the timeline of real life.

The Clock doesn't predict markets.

It organizes them.

It helps you think in **years, not yields; in sequence, not slogans.**

What's Wrong with "Set It and Forget It"

The industry's love affair with "diversified portfolios" and "age-based models" is built for simplicity — and for compliance — not for outcomes.

Most "retirement plans" aren't plans at all. They're asset allocations that ignore taxes, timing, and the emotional reality of income dependence.

They assume the market's long-term averages will apply evenly over time.

But averages don't pay bills.

Cash flow does.

When the market drops, investors often panic — not because they want to, but because their income depends on volatile assets. Withdraw early, and compounding collapses.

Every financial decision we make in life revolves around cash flow:

- Where we live
- Where we work
- Where our kids go to school

- What we wear
- Where we vacation
- What we eat

Wealth management shouldn't be any different.

It shouldn't start with investment products, pie charts, or questionnaires about how we *feel* during downturns.

It should start with **cash flow** — understanding *when* and *how* money will be used.

Lesson – Planning Begins with Flow, Not Forecasts

The traditional approach to financial planning manages investments.

The Cash Flow Clock manages *time*.

By putting time first, taxes and risk fall into alignment.

By understanding the rhythm of income, investors trade anxiety for clarity.

That's the foundation of the Clock:
to measure time, manage cash flow, and make risk accountable to both.

The Philosophy of the Cash Flow Clock

Imagine your financial timeline divided into five-year increments — from today through the rest of your life. Now picture every dollar you own placed somewhere along that timeline, based on *when* it will be needed.

That's the foundation of the Cash Flow Clock.

Instead of viewing your portfolio as a mix of stocks and bonds, you begin to see it as a series of **time-based Zones** — assets positioned to fund your lifestyle today, tomorrow, and years from now.

It's not just about *how much* you earn; it's about *when* each dollar will be used and *how efficiently* it can be accessed.

The Three Gears of the Cash Flow Clock

The Clock organizes your financial life around three dimensions always in motion: **Time, Tax, and Risk.**

Time determines when money will be used.
Years 1–5 cover immediate income needs.
Years 6–10 provide stability for the middle years.
Years 10 and beyond funds the future and legacy.

Tax determines how much you actually keep.
Every dollar lives in one of three buckets — Taxable, Tax-Deferred, or Tax-Free — and the sequence in which you draw from them matters as much as your investment return.

Risk determines *where* volatility belongs.
The further out the time horizon, the more volatility your money can absorb — **as long as near-term income is already secured.**

As each gear turns, the others are affected.

The Cash Flow Clock helps you visualize and balance them, turning what feels abstract into something you can see and understand.

Why a Clock

Most allocations are shown using pyramids or pie charts.
The problem? Neither shows *time*.

A clock, on the other hand, represents **motion**.

It moves.

It cycles.

It reflects the reality that your financial life evolves.

You don't retire into a static portfolio; you retire into a **dynamic sequence of events** — market changes, tax changes, health costs, income needs, and family transitions.

The Cash Flow Clock lets you see those movements before they happen.

It's built not to predict the future but to **prepare for it** — a time-based structure for better financial decision-making.

Lesson – You Don't Manage Money — You Manage Time

The older you get, the less time you have—and the more valuable it becomes.

Wealth isn't just about accumulation; it's about **coordination** — aligning your investments, taxes, and income so they move in rhythm with your life.

That's the essence of the Cash Flow Clock:
to make time your ally, not your enemy.

Lazy Zone (Years 1–5)

One of the biggest risks to financial independence is letting short-term needs threaten long-term plans.

The Lazy Zone exists to protect you from that mistake.

It isn't "lazy" because it's unimportant — it's lazy because it rests.

This is the money you'll use to pay yourself for the next five years.

Its job isn't to grow; its job is to **protect your peace of mind.**

Lazy Zone assets are not designed to keep up with inflation — and that's intentional.

They are meant to be **used**, not preserved, before inflation has time to matter.

These are dollars held in checking and savings accounts, short-term CDs, and guaranteed vehicles such as fixed annuities — money that is liquid, stable, and absolutely essential.

Every retiree needs a cushion that separates lifestyle from market volatility.

The Lazy Zone ensures that when markets fall, **your income doesn't.**

When this five-year window is secured, you stop watching markets for reassurance.

You stop making decisions out of fear.

You start living your plan instead of reacting to headlines.

Case Study – The Nelsons' Spend Fund

John and Elaine Nelson retired with $2.4 million and a deep fear of running out.

Their previous plan kept everything fully invested, based on the belief that "the market always recovers."

Then came 2022 — one of the most difficult years in modern market history.

Stocks fell nearly 18 percent, and bonds — long considered the safe haven — dropped 13 percent.

For the first time in decades, **diversification failed in real time.**

The Nelsons watched their "balanced" portfolio lose double digits.

Withdrawals were coming from assets that were all down.

There was no good option.

Their plan was restructured to carve out five full years of spending into the Lazy Zone — cash equivalents and guaranteed instruments designed to fund near-term income regardless of market conditions.

They called it their **Spend Fund** — money they knew they could spend no matter what.

Now, when markets move, their income doesn't.

That peace of mind is priceless.

Lesson – Liquidity Buys Control

The Lazy Zone isn't lost opportunity — it's protection from emotional error.

It buys **time, control, and confidence**, allowing your long-term assets to recover without interrupting compounding.

Liquidity doesn't weaken a plan; it **stabilizes** it.

It's the foundation that lets every other gear of the Cash Flow Clock turn smoothly.

Safe Zone (Years 6–10)

The Safe Zone builds the bridge between today's stability and tomorrow's opportunity.

It lives just beyond the Lazy Zone, positioned to earn a modest return **without risking the lifestyle it supports.**

Where the Lazy Zone protects the first five years of spending, the Safe Zone protects the next five — the middle years between your initial withdrawals and your long-term growth assets.

The primary difference between the Safe and Lazy Zone is that the Safe earns a higher return, making it more resilient to inflation over time.

But the purpose is the same — protect principal for income.

The Lazy and Safe Zones let you look up to ten years ahead and know your income will remain intact, regardless of what the market does in between.

They protect your **sequence of returns** by ensuring that short-term volatility never collides with near-term withdrawals.

They provide **stability, structure, and predictability** — investments that work even when the market doesn't.

Examples of Safe Zone Investments

Safe Zone assets share one defining characteristic: **they cannot lose value to the market.**

Common examples include:

- multi-year guaranteed instruments designed to mature when income is needed
- guaranteed annuity contracts with a full principal floor
- bank or government-backed vehicles held to maturity

These aren't "exciting" investments.

They're the **quiet guardians** of your portfolio — reliable, deliberate, and designed for endurance.

Important Note:

Products that can lose value — even temporarily — do not belong in the Safe Zone.

Assets that trade daily, fluctuate with interest rates, or depend on market performance may appear conservative, but they lack the certainty the Safe Zone requires.

Safe assets are defined by **certainty**, not appearance.

Case Study – The Parkers' Bridge Fund

When Steve and Laura Parker retired, they followed the conventional 60/40 "moderate portfolio."

They believed it was balanced.

Then came 2022.

They realized their income plan had no structure — only hope.

Their plan was restructured to create a clear income ladder: five years of Lazy Zone assets followed by five years of predictable Safe Zone income — designed to fund spending without loss, stress, or market dependence.

Once they could see exactly where each withdrawal would come from—and how the next phase would be replenished, their anxiety faded.

The market still moved.

Their income didn't.

Lesson – The Bridge to Endurance

The Safe Zone is the bridge between stability and opportunity.

It doesn't promise excitement — it promises **endurance.**

By securing ten years of income through Lazy and Safe assets, you give your Risky Zone assets the one thing they need most: time.

Time is what turns uncertainty into advantage — and transforms discipline into confidence.

Risky Zone
(Years 10 and Beyond)

The Risky Zone powers your future.

It's the money that can afford to wait, to fluctuate, and to grow.

By positioning the Risky Zone beyond Year 10 on your Cash Flow Clock, you give it the single greatest advantage in investing — **time.**

Time turns volatility into opportunity.

Time transforms downturns into accumulation.

Time converts uncertainty into compounding.

This is where long-term growth assets live — investments designed to participate in market cycles rather than avoid them.

They can — and will — lose value at times.

But Risky Zone assets aren't reckless when you've already secured the next decade of cash flow.

Over time, they become the most efficient tools not only to outpace inflation but to build meaningful value and expand your ability to generate income in the future.

The Risky Zone is the only part of the portfolio intentionally exposed to market risk, precisely because it is the only money with enough time to be rewarded for taking it.

When Lazy and Safe Zones are structured properly, volatility becomes opportunity instead of a personal emergency.

Case Study – The Duncans' Patience Dividend

Tom and Carol Duncan entered retirement with $1.8 million and a traditional 50/50 allocation.

They were told it was "diversified."

In 2022, they learned that diversification isn't the same as protection.

Their "balanced" portfolio lost 15 percent, and they were forced to withdraw from a declining base.

Their plan was then restructured to use **time** as the organizing principle.

Five years of spending assets were placed in the Lazy Zone, another five in the Safe Zone, and everything beyond that in long-term Risky Zone assets.

In time, their Risky Zone portfolio recovered significantly — untouched through all the noise.

Their income was secure, and their patience paid dividends — literally.

Lesson – The Engine of Future Freedom

The Risky Zone is the **engine of future freedom.**

It works only when it's left invested long enough to do its job.

When you've built a foundation of protection and liquidity in the Lazy and Safe Zones, you can afford to let the Risky Zone breathe — to grow through cycles instead of reacting to them.

That patience isn't passive.

It's strategic.

It's how the Cash Flow Clock turns volatility into value and uncertainty into opportunity.

The Power of Time Diversification

The Lazy, Safe, and Risky Zones work together to create not just balance, but **sequence**.

Each Zone protects the next, building on the one before it.

This is the rhythm of the Cash Flow Clock —

time becoming your partner, not your problem.

Diversification and Correlation

For generations, investors have been told the same thing:

"Diversify, and you'll be safe."

The proof is usually a Monte Carlo simulation or a colorful pie chart applying the law of large numbers to an individual household.

But somewhere along the way, diversification became misunderstood.

Owning *many things* was mistaken for owning *different things*.

The truth is you can hold hundreds — even thousands — of investments and still have no real diversification at all.

The Illusion of Diversification

A portfolio full of mutual funds may look well-balanced on paper: growth funds, value funds, international funds.

But peel back the layers and you often find the same companies appearing again and again.

Apple, Microsoft, Amazon — large-cap names that dominate every fund.

When those stocks drop, the entire portfolio feels it.

That isn't diversification.

It's duplication disguised as safety.

True diversification isn't about quantity; it's about correlation.

Understanding Correlation

Correlation measures how two investments move relative to each other, expressed as a number between –1 and +1:

- **+1** → move exactly together (perfectly correlated)
- **0** → move independently (uncorrelated)
- **–1** → move opposite one another (perfectly inverse)

A portfolio filled with assets that all rise and fall together offers no protection when markets turn.

The goal of true diversification is to combine assets that **don't react to the same risks at the same time.**

Case Study – When Everything Falls Together

In 2022, markets reminded investors what correlation really means.

Stocks fell. Bonds — the supposed counterbalance — also fell.

For decades, investors were told that stocks and bonds moved opposite one another.

That year proved otherwise.

Inflation rose, rates climbed, and both asset classes lost value at the same time.

Those who believed they were "balanced" discovered their portfolios were built on a single assumption: that the past would always repeat.

Without assets organized by *time*, many were forced to sell when they least wanted to.

The market didn't fail them.

Their "diversified" portfolios did.

The Power of Non-Correlation

True diversification happens when different investments respond to **different forces:**

- Stocks → earnings and growth
- Assets sensitive to interest rates

- Real assets → inflation
- Income-oriented tools designed for stability

Diverse investments aren't better or worse — they're *different*. At certain times, each may outperform the others; at other times, they may lag.

We can't predict when those seasons occur.

But by combining non-correlated assets intentionally, we can manage risk across full market cycles, smoothing returns and stabilizing cash flow.

That's diversification that actually works.

Diversification Across Time

The Cash Flow Clock expands diversification beyond asset class and correlation — it diversifies across time.

Short-term assets create confidence.

Mid-term assets provide stability.

Long-term assets fuel growth.

Each has a distinct purpose and timeline, and together they create the balance investors often assume they already have.

Mutual Funds and Correlation Risk

Mutual funds and ETFs make diversification look effortless, but they often create hidden correlation risk.

A portfolio may hold dozens of funds and thousands of positions yet still move almost entirely with the same market forces.

When many funds own the same underlying companies, diversification becomes superficial. Risk isn't reduced — it's multiplied through duplication.

The issue isn't the wrapper. It's behavior.

Diversification must be evaluated by how investments move together, not by how many funds appear on a statement.

Case Study – Correlation in Retirement

Nancy, a newly retired engineer, came to us with twelve mutual funds and two bond ETFs across multiple custodians.

On paper, she looked perfectly diversified.

In reality, her portfolio's average correlation was 0.88 — highly aligned.

If the market fell 10 percent, her portfolio would likely fall 8–9 percent alongside it.

She didn't own twelve strategies; she owned one strategy twelve times over.

Her plan was rebuilt using the Cash Flow Clock:

- **Lazy Zone (Years 1–5):** assets designed for immediate liquidity
- **Safe Zone (Years 6–10):** principal-protected vehicles for stability
- **Risky Zone (10+ Years):** diversified long-term growth assets

Now her portfolio has meaningful differentiation — by risk, behavior, and time.

When markets move, her income doesn't.

Lesson – Diversification Is About Alignment

Diversification isn't just spreading money across investments.

It's aligning risk, time, and behavior.

When your Lazy, Safe, and Risk Zones work together like gears in a clock — each turning at its own pace, each supporting the next — your plan stops fighting itself.

That isn't theory.

It's real-world diversification.

Performance, Risk, and Accountability

Every investor deserves to know not only how their money is invested, but how well it's working.

Most plans focus on "long-term performance" or "balanced risk," but those phrases mean little unless there is accountability. Without measurement, there is no way to know whether risk is intentional, excessive, or even being rewarded.

Accountability begins when we stop using adjectives and start measuring risk against expectation.

The Problem with "Moderate"

Ask ten advisors what a "moderate portfolio" means and you'll get ten different answers.

For some, it's 60 percent stocks and 40 percent bonds.

For others, it's a blend of benchmarks, buzzwords, and comfort language.

But "moderate" isn't a measurement.

It's an impression.

And impressions don't tell you how much risk you're actually taking — or whether that risk is working for you.

If a plan cannot explain risk clearly, it cannot manage it responsibly.

The Only Two Questions That Matter

All investment accountability ultimately comes down to two questions:

1. **How much risk am I taking?**
2. **Am I being rewarded for that risk?**

These questions are answered by two simple concepts: **Beta** and **Alpha**.

You don't need to be an expert to understand them.

You just need to know what they reveal.

Understanding Beta

Beta measures how much a portfolio moves relative to the overall market.

If the market is represented by the S&P 500 (Beta = 1.0), then:

- a portfolio with a **Beta of 1.0** should move in line with the market
- a **Beta of 1.5** means the portfolio is 50% more volatile
- a **Beta of 0.5** means it is half as volatile
- some investments have **negative Beta**, meaning they move opposite the market

Beta tells you how much market risk you're exposed to.

But the real value of Beta isn't that it labels risk — it's that it sets expectations.

Traditional terms like *conservative*, *moderate*, or *aggressive* sound descriptive, but they're imprecise. They don't tell you how much volatility to expect, and they don't tell you what level of return would be reasonable.

Beta does.

If a portfolio has a Beta of 0.5, it isn't designed to match the market. It's designed to experience about half the market's movement — up or down. In a year when the market rises 20 percent, a 0.5 Beta portfolio should reasonably be expected to earn something closer to 10 percent.

That's not underperformance.

That's alignment.

Underperformance only occurs when a portfolio fails to deliver returns *consistent with the risk it takes*. Beta defines the risk; Alpha tells you whether the outcome met expectations.

Understanding Alpha

Alpha measures how much return a portfolio earns *relative to the amount of risk it takes.*

The benchmark itself always has an Alpha of zero.

- **Positive Alpha** means the portfolio earned more than expected for its risk
- **Negative Alpha** means it earned less than expected

If a portfolio takes more risk but delivers the same return as the market, it hasn't outperformed — it has underperformed.

Risk without reward is inefficiency.

Case Study – Alpha and Beta in Action

Imagine your portfolio earns 20 percent in a year when the market also earns 20 percent.

That sounds good — until you discover your Beta is 1.5.

You took 50 percent more risk for the same result.

The purpose of taking more risk is to earn more return.

When that doesn't happen, Alpha is negative.

The same logic applies in down markets.

If the market falls 20 percent and your portfolio has a Beta of 0.5, you would expect a decline of about 10 percent. A larger loss indicates underperformance relative to risk.

Alpha and Beta don't judge outcomes — they **explain them**.

Case Study – The Numbers Behind "Good Enough"

Paul and Denise Freeman had been told for years, "You're doing fine. Stay the course."

When their portfolio was evaluated through the lens of Alpha and Beta, a different picture emerged.

Their portfolio was more volatile than the market — but its Alpha was meaningfully negative. They were taking more risk for less return.

Once their plan was reorganized around time-based Zones — eliminating risk in the Lazy and Safe Zones and using positive alpha investments in the Risky Zone — both their volatility and inefficiency declined.

The numbers improved.

So did their stress.

The Context of Risk

Risk isn't the enemy.

Misplaced risk is.

Risk becomes destructive only when it is attached to money that must be spent soon. When income depends on volatile assets, every market movement creates pressure — to sell, to hedge, or to change course prematurely.

The Cash Flow Clock removes that pressure by design.
By securing the next decade of income in the Lazy and Safe Zones, it ensures that no market risk is taken with money that will be used in the near or mid-term.

That separation changes everything.

Because income is protected, the Risky Zone is free to take **pure, long-term risk** — risk that is not diluted by hedging, compromised by balancing, or interrupted by withdrawals.

The goal isn't to eliminate risk.

It's to confine risk to the time frame where it can be rewarded.

When risk is placed where time can absorb it, volatility becomes manageable instead of frightening.

This is the power of the Cash Flow Clock.

When income is secured by design, guessing disappears.

Accountability in Action

True accountability doesn't hide behind averages or market narratives.

It asks:

- How much risk exists?
- Is that risk intentional?
- Is it being rewarded?
- Is it aligned with when the money will be used?

There are many technical tools professionals use to answer these questions. Those tools belong in implementation.

For understanding, **Alpha and Beta are enough**.

Behavioral Accountability

The final measure of any plan is behavior.

Even the best strategy fails if fear or greed overrides discipline.

When income is secure and the purpose of each Zone is clear, emotional decisions lose their power. Investors stop reacting to headlines and start trusting structure.

That's behavioral accountability — not willpower, but design.

Lesson – Measure What Matters

Performance isn't about chasing the highest return.

It's about achieving the right results with the least unnecessary risk — efficiently, transparently, and intentionally.

Accountability begins when risk is measured, expectations are set, and decisions are driven by when money will be used — not by how markets feel.

Taxes Through Time

Most people think of tax planning as something that happens *after* the year is over.

They gather forms, send them to a preparer, and hope for the best.

That's not tax planning.

That's **tax preparation.**

True tax planning happens **throughout** the year, woven into every financial decision.

It's not just about what you make or what you spend — it's about **when** you recognize income.

Taxes are not just a number.

They're a **timeline.**

When we pay tax determines **how much** tax we pay.

The goal is not to pay the least amount of tax this year, but the least amount possible over our lifetime — and through the duration of our estate.

That requires looking forward, using tax forecasting to make informed decisions long before the bill is due.

The Three Tax Buckets

Every dollar you own lives in one of three tax environments — what we call **tax buckets.**

Understanding how each works, both during your lifetime and within your estate, is the foundation of tax-efficient planning.

1. Taxable (Non-Qualified) Accounts

This is money that has already been taxed but continues to generate taxable activity.

Examples include checking, savings, real estate, and brokerage accounts.

- Interest and short-term gains are taxed as ordinary income
- Long-term gains and qualified dividends are taxed at preferential rates
- At death, most Taxable assets receive a **step-up in cost basis**, eliminating tax on growth earned during your lifetime

Taxable accounts provide flexibility and liquidity. They can fund taxes on Roth conversions, fill income gaps, and help manage tax brackets.

But they should rarely be the first source of retirement income.

2. Tax-Deferred Accounts

This is money that has never been taxed — but eventually will be.

Examples include traditional IRAs, 401(k)s, and similar employer plans.

- Contributions are deductible when made
- Growth is tax-deferred
- Withdrawals are taxed as **ordinary income**
- Required Minimum Distributions (RMDs) force taxable withdrawals
- Inherited balances must generally be withdrawn within 10 years

This bucket often represents the largest future tax liability in a financial plan.

Someone will pay the tax on deferred assets — you or your heirs.

The only question is **when.**

Because of that, Tax-Deferred assets are often the least efficient assets to leave behind.

In most cases, it makes sense to draw from these assets earlier — **carefully**, to avoid jumping into higher brackets.

3. Tax-Free Accounts

This bucket contains money that has already been taxed — but will never be taxed again if handled properly.

Examples include Roth IRAs, Roth 401(k)s, and certain life insurance structures.

- Contributions are made with after-tax dollars.
- Growth and withdrawals are Tax-Free
- Roth IRAs have **no RMDs** during the owner's lifetime
- When inherited, Roth assets must still be withdrawn within 10 years, but distributions remain tax-free

This is the most powerful long-term and **legacy bucket** — one of the few ways to avoid higher tax rates in the future and pass wealth to the next generation without triggering income tax.

In most cases, Roth assets should be the **last** money you spend, preserving their compounding advantage for as long as possible.

Taxes Across a Lifetime

Different types of income are taxed differently:

- Ordinary Income
- Long-Term Capital Gains
- Qualified Dividends
- Tax-Free Income

But taxes don't end when life does — they shift.

- **Taxable** assets often receive a cost-basis step-up, wiping out most unrealized gains
- **Tax-Deferred** assets pass on a tax liability — heirs pay ordinary income tax on withdrawals
- **Roth** assets pass on Tax-Free income — no tax on growth or withdrawal

How assets are titled today determines how they'll be taxed tomorrow.

The Sequence of Spending

Most retirees spend from their accounts in the wrong order. They're so accustomed to saving into Tax-Deferred accounts that they never learn how to **spend** from them efficiently.

Income planning determines when and how money is used through the Zones.

Tax planning determines where those assets should reside — within the appropriate Tax Buckets.

An efficient lifetime sequence may look like this:

- Draw from Tax-Deferred accounts earlier, while brackets are lower
- Use Taxable accounts to pay conversion taxes or fill income gaps
- Preserve Roth assets for later years and legacy

One of the best strategies for tax efficiency is the **Roth conversion** — transferring assets from the Tax-Deferred bucket to the Tax-Free bucket by strategically paying tax now at a lower rate.

A tax forecast helps us decide when and how much to convert, by comparing our current tax rates to projected tax rates — next year, in ten years, in twenty years, and through your estate.

The goal is to pay tax **on your terms**, at lower rates, before RMDs and widowhood push rates higher.

For anyone interested in reducing their overall tax liability, a tax forecast is absolutely essential.

Case Study – The Roth Conversion Window

David and Maria were in their early 60s, newly retired, with:

- $1.2 million in IRAs
- $400,000 in brokerage accounts
- $300,000 in Roths

They planned to delay IRA withdrawals until RMDs began. With their earned income gone, their tax brackets were lower than prior years. A tax forecast showed that their brackets would go up later in retirement.

By converting portions of their IRAs to Roths during those lower income years, they reduced future RMDs and positioned more assets for tax-free growth.

When RMDs began, their Tax-Deferred balance was far smaller — and their estate was much more tax efficient.

Lesson: Tax planning isn't about avoiding taxes. It's about paying them **at the right time and rate.**

Case Study – The Widow's Tax Trap

When Robert passed away, Carol assumed her taxes would fall. Instead, they rose.

Her filing status changed from joint to single, cutting bracket thresholds in half.

RMDs stayed the same but now pushed her into a higher bracket.

Strategic Roth conversions earlier could have captured income in lower joint brackets before widowhood changed everything.

Lesson: Tax planning for couples must happen **while both spouses are alive**.

Qualified Charitable Distributions (QCDs)

Many retirees take RMDs they don't need, pay taxes, and then donate to charity.

A Qualified Charitable Distribution allows IRA dollars to go directly to charity without being taxed.

QCDs:

- count toward RMD
- are excluded from AGI (don't count as income)
- can help manage Medicare premiums and Social Security taxation

Case Study – Tax Efficient Giving

Bob and Sandra Mitchell, both 74, had $70,000 of RMDs but only needed $40,000.

They sent $30,000 directly from their IRAs to charity via QCDs.

Their giving stayed the same.

Their taxes dropped.

Lesson: Giving smarter can be as powerful as earning more.

Taxes Through Time – A Lifetime Strategy

The Cash Flow Clock reminds us that **time is the greatest financial tool** — for investing and for taxes.

- Some taxes are paid now
- Some later
- With proper planning, some never

The goal isn't to avoid taxes entirely but to **sequence them intelligently** so you keep more of what you've earned.

When done right, tax planning doesn't just reduce taxes; it **extends portfolio life, increases giving capacity, and strengthens your legacy.**

Lesson – Each Dollar Has a Timeline

Managing taxes through time turns that timeline into an advantage.

Taxes, Timing, and the Power of Alpha

Alpha isn't only about beating the market.

It isn't about luck, perfect timing, or chasing hot managers.

It's about **efficiency** — maximizing value from every dollar by aligning **taxes, time, and behavior.**

Real alpha is not created by markets.

It's created by design.

The Hidden Power of Tax Alpha

Markets reward patience.

The tax code rewards strategy.

Two investors can earn the same market return and end up with very different outcomes simply because of **where** their assets are held and **how** and **when** income is recognized.

A tax-efficient portfolio can meaningfully increase after-tax results over time — not by changing investments, but by changing *sequence.*

That's not luck — that's **Tax Alpha.**

It's created by decisions such as:

- Placing income-producing assets inside **Tax-Deferred accounts** where growth compounds before taxation.
- Positioning long-term growth assets in **Taxable accounts** with lower capital gains rates
- Using periods of lower income to complete **Roth conversions**, shifting future growth into Tax-Free accounts.

When structured properly, every dollar is taxed at the **lowest possible rate** — now and later.

Timing: The Most Underestimated Form of Alpha

You can't control markets.

But you can control **timing**.

When income is taken.

When gains are realized.

When conversions occur.

When charitable gifts are made.

The sequence of those choices determines lifetime efficiency.

For example:

- Drawing from Tax-Deferred assets earlier in low-income years
- Preserving Roth assets to maximize tax-free compounding
- Harvesting gains and losses intentionally rather than incidentally
- Using Roth conversions and QCDs to smooth lifetime tax brackets

Each decision adds incremental alpha — not by predicting markets, but by managing sequence.

Lesson: Timing isn't about forecasting markets.

It's about managing **your own financial clock.**

Case Study – The Efficiency Equation

Howard and Elaine retired with $2.4 million spread across three accounts:

- $1.6 million in Tax-Deferred IRAs

- $600,000 in Taxable brokerage
- $200,000 in Roth IRAs

They were advised to spend from Taxable accounts first "to let the IRAs grow."

Over time, that approach would have inflated future RMDs and pushed withdrawals into higher brackets — especially after the first spouse passed.

When their sequence was reorganized around timing:

- Tax-Deferred assets were drawn earlier, while brackets were lower
- Annual Roth conversions were executed up to a controlled threshold
- Taxable assets were left to grow under favorable capital-gains treatment

The result was a lower lifetime tax burden and a more efficient legacy for their heirs.

Lesson: Most investors chase market alpha.

The most effective plans earn **Tax Alpha.**

Integrating Risk and Tax Efficiency

Tax planning and risk management are often treated as separate disciplines.

They aren't.

A tax-optimized plan that ignores volatility can fail at the wrong moment.

A risk-managed plan that ignores tax efficiency leaves value behind.

The Cash Flow Clock integrates both by design, because each Zone has a different job — and each job is best served in a different tax environment.

- The **Lazy Zone** prioritizes liquidity and certainty, so tax flexibility matters more than tax minimization
- The **Safe Zone** prioritizes stability and predictability, making controlled taxation and planning visibility essential
- The **Risky Zone** prioritizes long-term growth, where minimizing future taxation has the greatest impact on outcomes

In general, assets with the highest long-term growth potential belong in Tax-Free accounts, while lower-risk, income-oriented assets belong in Tax-Deferred accounts where their tax impact can be controlled.

This coordination between risk and tax is known as **asset location** — placing the right assets in the right tax buckets based on their purpose and time horizon.

Done correctly, asset location doesn't change how much risk you take.
It changes how much of the return you keep.

By aligning risk exposure, tax treatment, and time horizon, asset location quietly amplifies Tax Alpha over a lifetime.

True Alpha Lives in Structure

Market alpha is temporary.

Tax alpha is durable.

But the most powerful alpha comes from structure — how income is sequenced, how risk is timed, and how taxes are managed across a lifetime.

Lesson – Alpha Lives in Design

True alpha isn't found in the market.

It's built into the plan.

When time, tax, and risk are aligned by design, efficiency compounds — quietly, consistently, and predictably.

A Framework for Every Stage of Life

Although the Cash Flow Clock is essential for retirement planning, its principles apply long before a person stops working.

The Clock is not a retirement model — it is a timing model.

It organizes money according to when it will be needed, not how old you are.

Every financial life, regardless of stage or circumstance, has the same three tensions:

- What you need now
- What you'll need soon
- What you'll need later

The Lazy, Safe, and Risky Zones give those time horizons structure.

For younger families, the Lazy Zone becomes emergency reserves and short-term goals.

The Safe Zone funds upcoming milestones — a first home, growing a family, major purchases, or a planned career shift.

The Risky Zone supports long-term saving for independence, opportunity, and eventual retirement.

For mid-career professionals, the Clock clarifies how to balance near-term responsibilities with long-term growth. It creates separation between the money that must be protected and the money that can be invested boldly and patiently.

For business owners and entrepreneurs, the Clock separates personal timing from business volatility, creating stability even when income fluctuates.

For pre-retirees, it transforms a lifetime of saving into a clear, predictable income framework.

For retirees, it becomes the system that keeps income stable, taxes manageable, and emotions grounded throughout every market cycle.

The Cash Flow Clock is universal because the principles never change:

- Time governs risk
- Timing governs taxes
- Structure governs behavior

The application is personal — shaped by your goals, your values, and the timing of your life.

Lesson – Time Is the Constant

Life changes. Timing changes.

But the principles of the Cash Flow Clock do not.

When money is organized by when it will be used, decisions become clearer at every stage of life.

The structure stays the same — only the application evolves.

The Cash Flow Clock in Motion

A clock is more than a circle of numbers.

It's a system of gears, each turning at its own pace, perfectly synchronized toward a single purpose — keeping time.

Your financial life works the same way.

Each decision, each account, and each dollar plays a role in a greater design.

When built correctly, they move together with quiet precision.

This rhythm applies at every stage of life – whether you are building wealth, preserving it, or drawing from it.

That's the beauty of **The Cash Flow Clock.**

Time as the Foundation

Time is the one resource you can't buy — but you can manage.

Most financial plans treat time as an afterthought.

They start with products and end with projections.

The Cash Flow Clock reverses that logic.

It begins with **when** you'll need income. Once that is determined, **where** it should come from becomes much clearer.

By organizing assets into **Lazy, Safe, and Risky Zones**, your plan becomes an evolving system — designed to move with your life, not against it.

Time Frame	Purpose	Asset Focus
Lazy Zone (Years 1–5)	Liquidity and confidence	Cash, CDs, MYGAs, short-term Treasuries
Safe Zone (Years 6–10)	Stability and structure	Fixed annuities, fixed index annuities (0% floor), MYGAs, indexed CDs, Treasuries held to maturity
Risky Zone (Years 10+)	Growth and endurance	Equities, alternatives, real assets

This sequence transforms volatility from an enemy into an ally.

When markets fall, your income stays steady.

When markets rise, your future grows stronger.

Taxes: The Clock's Silent Hand

While time governs sequence, **taxes govern efficiency.**

Every withdrawal, conversion, and reinvestment carries a tax consequence — either today or tomorrow.

By understanding the three tax buckets — Taxable, Tax-Deferred, and Tax-free — you align not only the **timing** of your money but the **timing of your taxes.**

- Use **Taxable assets** for flexibility and step-up benefits
- Draw from and convert **Tax-Deferred accounts** strategically before RMDs create higher brackets
- Expand **Tax-Free assets** through Roth conversions, asset location, and intentional planning

When managed as one integrated system, taxes stop being a burden and start becoming a tool — the silent hand guiding the efficiency of your plan.

Risk: The Pulse of the Clock

Every clock has a rhythm — a steady pulse that keeps it alive. In your financial plan, that pulse is **risk.**

Risk isn't something to fear or eliminate.

It's something to **measure, manage, and place where it belongs.**

Beta helps quantify how much risk you're taking, and Alpha helps determine whether that risk is being rewarded.

When you understand the rhythm of your plan, you stop reacting to market noise.

You start responding to your own **timing.**

Case Study – The Turner Family Clock

Michael and Dana Turner had a simple question:

"We can't tell if our money is working for us or against us."

They had multiple accounts, but no structure.

Some years they sold non-qualified stock to create income.

Other years they withdrew from IRAs and paid unnecessary tax.

Their plan was reorganized into a single, cohesive system:

- **Lazy Zone** covered the next five years of income
- **Safe Zone** created a bridge through year ten
- **Risky Zone** remained invested for future decades and legacy

Withdrawals were coordinated with tax planning — drawing strategically from Tax-Deferred accounts while completing Roth conversions in lower brackets.

Over time, portfolio volatility fell and tax efficiency improved.

Now, when markets move, the Turners don't flinch — their plan already accounts for it.

Their Clock is in motion.

Lesson – Moving With Time

When every gear moves with purpose, you don't have to control time — you simply move with it.

Behavioral Alpha: The Real Return

The greatest threat to wealth isn't volatility — it's emotion. Every market cycle brings headlines, noise, and fear.

But a plan grounded in Time, Tax, and Risk gives investors something the market cannot — **peace of mind.**

Behavioral Alpha — the return created by avoiding costly emotional mistakes — often exceeds what any product can produce.

The Cash Flow Clock builds that discipline automatically by creating a structure that supports calm.

The Cash Flow Clock Advantage

When you combine time-based Zones, tax efficiency, and measurable risk management, you don't just have a plan — you have a **system.**

It's not a collection of investments; it's an integrated engine that:

- generates income when you need it
- minimizes taxes when possible
- protects growth during volatility
- simplifies decisions and strengthens confidence

That's the purpose of **The Cash Flow Clock** — to align your wealth with the rhythm of your life.

Lesson – Time, Tax, and Risk in Harmony

Financial success isn't about chasing the highest return.

It's about **controlling what you can** — time, taxes, and behavior — and designing around what you can't.

The Cash Flow Clock doesn't predict the future; it prepares you for it.

When Time, Tax, and Risk move together, everything else falls into place.

Time Well Spent

Time doesn't ask for permission.

It moves quietly, relentlessly, and without pause.

Every minute that passes is either spent with intention or surrendered by default.

Money is the same way.

It flows — toward what we value most, or toward what we never planned for.

The question isn't *how much time you have* or *how much money you've made*.

The question is whether they are working together.

Because when time and money move in harmony, life feels different.

Calmer.

Clearer.

More confident.

That's the purpose of **The Cash Flow Clock** — not to predict markets or control outcomes, but to create a rhythm of financial life that feels steady, intentional, and aligned.

From Confusion to Clarity

Most people start their financial journey surrounded by noise — products, opinions, forecasts, and fear.

They don't need more data.

They need more direction.

The Cash Flow Clock replaces confusion with clarity.

It organizes complexity into motion — a reminder that wealth is not a finish line, but a sequence of choices made over **time**.

When you see your plan through time, everything becomes more understandable:

- You know **where** your income will come from
- You know **when** to act and when to wait
- You know **why** your plan works — and how it adapts when life changes

The Rhythm of Confidence

Confidence doesn't come from markets.

It comes from structure — from knowing that no matter what happens, your plan already accounts for it.

That's the rhythm that creates steady, intentional progress toward what matters most.

Each decision becomes part of a greater design.

Each dollar serves a defined purpose.

Each year feels less like a race — and more like **time well spent.**

A Standard That Endures

Financial success isn't defined by short-term returns.

It's defined by results that endure — through market cycles, life transitions, and changing priorities.

When the Cash Flow Clock is applied, decisions change.

Income becomes predictable instead of reactive.

Risk is placed where time can absorb it.

Taxes are managed intentionally instead of accidentally.

Emotions lose their influence because structure takes their place.

You stop guessing.

You stop reacting.

You stop wondering whether your plan will hold.

When your wealth moves with your life instead of against it, you stop asking, *"Am I on track?"*

And you start knowing, *"I am aligned."*

That alignment — between Time, Tax, and Risk — is what allows confidence to endure, not just returns.

It isn't theory.

It isn't luck.

It's structure, applied consistently over time.

It's the impact of The Cash Flow Clock.

Glossary

Alpha

A measure of whether an investment or portfolio delivered returns consistent with the amount of risk it took.
Positive Alpha means risk was rewarded; negative Alpha means risk was not.

Asset Location

The deliberate placement of assets into Taxable, Tax-Deferred, or Tax-Free accounts based on how they are taxed and when they will be used.
Effective asset location improves after-tax outcomes without increasing market risk.

Behavioral Alpha

The improvement in long-term outcomes created by avoiding emotional decisions—such as selling during downturns or chasing performance during rallies.
Behavioral Alpha is preserved through structure, not willpower.

Beta

A measure of how much a portfolio moves relative to the broader market.
Beta quantifies risk and sets expectations for return.
A lower Beta portfolio should not be expected to match market returns; a higher Beta portfolio should be expected to fluctuate more.

Cash Flow Clock™

A time-based financial framework that organizes money according to when it will be used.
The Cash Flow Clock aligns Time, Tax, and Risk so income

remains stable, taxes are managed intentionally, and long-term growth is allowed to compound.

Correlation

A measure of how two investments move relative to one another.
Low or changing correlation indicates diversification; high correlation indicates duplication of risk.

Diversification

Owning assets that behave differently under the same conditions.
True diversification is based on behavior and correlation, not on the number of funds or account labels.

Lazy Zone (Lazy Money)

Money designated for the next five years of spending.
The Lazy Zone must remain liquid, stable, and insulated from market volatility so income is never dependent on market conditions.

Safe Zone (Safe Money)

Money designated for years six through ten.
The Safe Zone is designed to preserve principal while providing predictable value and moderate growth to replenish the Lazy Zone over time.

Risky Zone (Risky Money)

Money not needed for at least ten years.
The Risky Zone is designed for long-term growth and is allowed to fluctuate because short- and mid-term income is already secured.

Sequence of Returns Risk

The risk that negative market returns occur at the same time withdrawals are required.
Poor timing—rather than poor returns—is often what causes permanent damage to a financial plan.

Tax Alpha

The improvement in after-tax outcomes created by managing when income is recognized and where assets are held, rather than by increasing investment risk.

Tax Buckets

The three tax environments in which assets can reside:

Taxable – assets subject to ongoing taxation

Tax-Deferred – assets taxed upon withdrawal

Tax-Free – assets that grow and distribute without taxation

Tax buckets determine how money is taxed, not when it is used.

Tax-Deferred Accounts

Accounts such as traditional IRAs and 401(k)s where contributions were deductible, growth is untaxed until withdrawal, and distributions are taxed as ordinary income.

Tax-Free Accounts

Accounts such as Roth IRAs where contributions are made with after-tax dollars and all future growth and withdrawals are tax-free if handled properly.

Taxable Accounts

Accounts such as checking, savings, and brokerage accounts where interest, dividends, and realized gains may be taxed

annually.
Taxable accounts often provide flexibility and may receive a step-up in cost basis at death.

Time Segmentation (Zones)

The practice of organizing assets by when they will be used, using the Lazy, Safe, and Risky Zones.
Time segmentation separates liquidity, stability, and growth so decisions are driven by timing rather than emotion.

Zones vs. Buckets

Zones determine when money is used.
Tax buckets determine how that money is taxed.
They work together, but they are not the same.

The Cash Flow Clock™

Planning Wealth Across Time

The financial industry teaches investors to think in labels: conservative, moderate, aggressive.

But markets don't care how you describe yourself—and retirement doesn't care what model portfolio you were assigned.

The Cash Flow Clock™ challenges traditional financial planning and replaces it with a simpler, more durable principle:
Organize money by when it will be used.

Managing wealth across time means:

- Securing the income you'll need in the next decade
- Aligning tax decisions across a lifetime, not a calendar year
- Confining market risk to money that has time to recover
- Reducing emotional decisions through structural design

When income is protected, volatility stops being dangerous.
When taxes are sequenced intentionally, efficiency compounds quietly.
When risk is placed where time can absorb it, fear loses its power.

This isn't about predicting markets. It's about removing the structural weaknesses that derail most financial plans.

The Cash Flow Clock™ doesn't promise higher returns.
It delivers stronger structure.

Stop managing markets.
Start managing time.