

**NaviPlan®**

Level 1 and Level 2 Plans – Entering client data and goals  
USER MANUAL



USA Version 12.2



# Contents

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# Chapter 1: Using this manual

The NaviPlan Premium user manual series includes all the instructions you need to use NaviPlan Premium effectively. This chapter will help you use all the manuals in this series. More manuals are available in the [Knowledge Base](http://knowledge.eisi.com) (<http://knowledge.eisi.com>).

## **In this chapter:**

<b>NaviPlan Premium user manual series</b>	<b>2</b>
<b>Conventions</b>	<b>4</b>
<b>NaviPlan Premium resources</b>	<b>5</b>

## NaviPlan Premium user manual series

The NaviPlan Premium user manuals are organized based on the tasks you can accomplish in each level. If you are a new NaviPlan Premium user, start with the Introduction user manual.

User manual	Tasks covered
Introduction	<ul style="list-style-type: none"><li>• Setting up user preferences.</li><li>• Creating and managing client engagements.</li><li>• Determining which assessment or plan level to select to enter financial information.</li><li>• Using NaviPlan Premium workflow.</li></ul>
Calculators and Assessments	<ul style="list-style-type: none"><li>• Using calculators to model specific aspects of your clients' finances, such as retirement savings and debt management.</li><li>• Assessing your clients' current financial situation.</li><li>• Entering account and annuity information.</li><li>• Determining your clients' investor profile.</li></ul>
Level 1 and Level 2 Plans – Entering client data and goals	<ul style="list-style-type: none"><li>• Entering financial planning assumptions.</li><li>• Entering detailed net worth, cash flow, and insurance information.</li><li>• Adding holdings to accounts and annuities.</li><li>• Entering business entities.</li><li>• Entering real estate assets.</li><li>• Entering equity compensation.</li><li>• Entering detailed estate planning information.</li><li>• Entering advanced estate planning information.</li><li>• Using the Detailed Tax method and the <i>Detailed Cash Flow</i> module.</li><li>• Entering saving and redemption strategies.</li><li>• Entering client goals.</li><li>• Generating simple estate planning reports.</li><li>• Generating client reports.</li></ul>

User manual	Tasks covered
<p>Level 1 and Level 2 Plans – Analyzing client goals</p>	<ul style="list-style-type: none"> <li>• Analyzing your clients' goals using side-by-side comparisons of the <i>Current Plan</i> scenario and <i>Recommended Plan</i> scenario.</li> <li>• Conducting detailed cash flow and net worth analyses.</li> <li>• Generating Monte Carlo simulations.</li> <li>• Creating goal scenarios.</li> <li>• Creating estate planning scenarios.</li> <li>• Generating client reports.</li> </ul>





## Conventions

This user manual uses the following conventions.

- The names of items on the screen are italicized. For example, the *Clients* page opens.
- The names of items that you must select, click, or enter appear in bold. For example, select **Recommended**, and then click **OK**.
- To help you navigate through the application, locations are separated by en dashes (–). For example, *Enter Financial Data* section – *Net Worth* category – *Accounts* page.

Figure 1: Enter Financial Data section – Net Worth category – Accounts page

To help you use this manual, please note the following abbreviations and graphics:


- AA – Refers to the Asset Allocation Assessment.
- FA – Refers to the Financial Assessment.
-  – Indicates that the step or paragraph applies to Level 1 Plans only.
-  – Indicates that the step or paragraph applies to Level 2 Plans only.
-  – Indicates that the step or paragraph only applies when you are using the Average Tax method.
-  – Indicates that the step or paragraph only applies when you are using the Detailed Tax method.

## NaviPlan Premium resources

Advicent Solutions provides several resources to help you use NaviPlan Premium. In addition to telephone support, you can access resources from within NaviPlan and [Online](#). The following table shows some of the resources available and where to find them.

Advicent resource	Description and location
Help	The quickest way to get information about any command, dialog box, or item within NaviPlan Premium is to use the application Help. To access Help, click the <b>Help</b> button at the top of the NaviPlan Premium window. Help includes a glossary of terms.
Functional documents	Functional documents explain NaviPlan Premium functionality, underlying assumptions, and results calculations. You can access functional documents by searching the Knowledge Base at <a href="http://knowledge.eisi.com/">http://knowledge.eisi.com/</a> .
Knowledge Base	<p>The Knowledge Base is a database comprised of the following resources:</p> <ul style="list-style-type: none"><li>• Support issues</li><li>• Functional documents</li><li>• Learning guides</li><li>• Help videos</li><li>• Frequently asked questions (FAQs)</li></ul> <p>You can access the Knowledge Base from within NaviPlan or online at <a href="http://knowledge.eisi.com/">http://knowledge.eisi.com/</a>.</p>

To access resources from within NaviPlan, follow these steps:

1. Click  beside the *Help* button, and then select **Support**. The *Support* dialog box opens.
2. Click the appropriate link. The applicable page opens in your Web browser.

### Phone support


You can contact us by telephone at

(888) 692-3474  
(Monday–Thursday, 7:30 a.m.–6 p.m. central time)  
(Friday, 7:30 a.m.–5:00p.m. central time)


## Updates

Using NaviPlan's *Check for Updates* feature, you can update to the current release within the same version (for example, to update from v12.1 to v12.2). If the update is a major change (that is, it involves a change in the version number, such as an upgrade from v12.0 to v14.0), the upgrade may not be available through *Check for Updates*. You will have to install the new version.

To check for updates, follow these steps:

1. Click the **Save** button at the top of the window to save your work.
2. Click  beside the *Help* button, and then select **Updates**. The *Updates* dialog box opens.
3. Click the **Check for Updates** button. NaviPlan checks for current updates available online. After a few seconds, the *NaviPlan Update* dialog box opens.
4. Follow the instructions in the dialog box. If updates are available, NaviPlan shuts down, installs the updates, and then restarts.

## The About dialog box

Clicking  beside the *Help* button and then selecting *About* opens the *About* dialog box. Using the tabs in this dialog box, you can determine what version of NaviPlan Premium you are using and which options are installed.

## Chapter 2: Entering plan assumptions

You must enter your clients' financial information into NaviPlan Select and set your plan assumptions before you can analyze the information and make recommendations.

**Note:** This guide assumes that you have already used NaviPlan Premium to create a client file and to open a Level 1 or Level 2 Plan. For information about creating and managing client files, see the NaviPlan Premium User Manual: Introduction.

NaviPlan Premium bases its calculations on specific assumptions you define.

### In this chapter:

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Setting milestones (Level 2)	12
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## Entering general assumptions

The *Plan Management* section – *Assumptions* category – *General* page varies depending on the plan level and the income tax method selected for the plan.

### Changing economic factors

To change basic economic factors, such as the inflation rate, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **General** page.

**Assumptions** David Lee and Susan Lee - New plan - Level 2 Notes Planning Assistant Calculators Reports

General Milestones Current Portfolio Setting Capital Loss Carryovers AMT Carryforward Unused Charitable Donations Back Next

Instructions

**Economic Factors**

Base Inflation Rate 3.00% Inflation Rate Graph...

Return Rate for Cash Surpluses 0.00%

**Annual Account Fees**

Annual Account Fee 0.00%

Frequency Quarterly

Tax Deductible

Revert to Defaults

**Tax Filing Status**

Override Tax Filing Status

David Married filing joi...

Susan Married filing joi...

**Dependent Status**

Override Dependent of

Julia David

Matthew David

Tax Options...

When using the Detailed Tax method, the *Return Rate for Cash Surpluses* field appears. You can use it to specify the rate of return applied to all cash surpluses in the plan.

Figure 2: Plan Management section – Assumptions category – General page (Level 2 Plan, Detailed Tax method)

2. Under *Economic Factors*, enter the base inflation rate.
3. To view a graph of historical inflation rates from 1914 to 2010, click **Inflation Rate Graph**. The *Historical Inflation* dialog box opens.
4. To focus on more recent data, under *Select A Graph To View*, click the **1986–2010** and **2001–2010** links. To return to the *General* page, click **Close**.
5. **D. Tax** In the *Return Rate for Cash Surpluses* field, enter the expected return rate for cash surpluses.

## Setting annual account fees

To change the annual account fee and frequency, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **General** page.

**Assumptions** David Lee and Susan Lee - New plan - Level 2 Notes Planning Assistant Calculators Reports

General Milestones Current Portfolio Setting Capital Loss Carryovers AMT Carryforward Unused Charitable Donations Back Next

Instructions

**Economic Factors**

Base Inflation Rate 3.00% Inflation Rate Graph...

Return Rate for Cash Surpluses 0.00%

**Annual Account Fees**

Annual Account Fee 0.00%

Frequency Quarterly

Tax Deductible

Revert to Defaults

Tax Filing Status

Figure 3: Plan Management section – Assumptions category – General page

2. Under *Annual Account Fees*, in the *Annual Account Fee* field, enter the annual account fee, as a percentage of the account's market value.

3. From the *Frequency* list, select how often the account fee will be calculated.
4. **D, Tax** To claim annual account fees as a tax-deductible expense, select the **Tax Deductible** check box.

**Note:** To clear any changes and revert to the defaults entered on the *User Preferences - Plan Settings* dialog box – *General* tab, click the **Revert to Defaults** button.

## Setting milestones (Level 1)

To enter the clients' retirement dates and life expectancies, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **General** page.

The screenshot shows the 'Assumptions' window with the 'General' tab selected. The 'Milestones' section contains the following data:

	David		Susan	
	Age	Date	Age	Date
Retire At*	65	May 2035	65	Jun 2037
Life Expectancy*	90	2060	90	2062
Currently Disabled [?]	<input type="checkbox"/>		<input type="checkbox"/>	

Figure 4: Plan Management section – Assumptions category – General page (Level 1 Plan)

2. In the *Retire At* fields, enter the age(s) or date(s) when the clients will retire.
3. In the *Life Expectancy* fields, enter the clients' life expectancies.

To populate the life expectancy fields using actuarial data, click the life expectancy calculator next to the field.

To view the *Life Expectancy Graph*, click **Life Expectancy Graph**.

## Entering income tax rate assumptions using the Average Tax method

**Note:** This procedure does not apply if you are using the Detailed Tax method.

Using the Average Tax method, you can specify the client's and co-client's income tax brackets before and during retirement, and define the tax rate for dependents. The inclusion rate for all Social Security benefits, regardless of income level, is 85%.

In a Level 2 Plan, you can also specify an income bracket during the *In Year of Death* time period. This rate is universally applied at the death of both the client and co-client.

To enter income tax rate assumptions in a plan, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **General** page.

**Assumptions** David Lee and Susan Lee - Plan (Average tax) - Level 2 Notes Planning Assistant Calculators Reports

General Milestones Current Portfolio Setting Capital Loss Carryovers Back Next

Instructions

**Economic Factors**

Base Inflation Rate 3.00%  
Inflation Rate Graph...

**Annual Account Fees**

Annual Account Fee 0.00%  
Frequency Quarterly  
Revert to Defaults

**Tax Rates**

David and Susan - Married filing jointly

	Tax Bracket	State*	Federal		
			Average*	Marginal*	Long Term Capital Gains*
Pre-Retirement	\$69,001 - \$139,350	5.00%	19.44%	25.00%	15.00%
Retirement	\$69,001 - \$139,350	5.00%	19.44%	25.00%	15.00%
<input type="checkbox"/> Override In Year Of Death Tax Rates					
In Year of Death	\$34,501 - \$83,600	5.00%	19.44%	25.00%	15.00%

**Dependents**

	Tax Bracket	State*	Federal		
			Average*	Marginal*	Long Term Capital Gains*
In All Years	\$0 - \$8,500	5.00%	10.00%	10.00%	0.00%

Tax Options...

**Note:** The average, marginal and long-term capital gains tax rates shown represent federal rates. The corresponding state tax rate and the federal deduction for state taxes are accounted for in the income tax calculations.

Figure 5: Plan Management section – Assumptions category – General page (Level 2 Plan, Average Tax method)

**Note:** The above figure shows how the *General* page appears for clients with the *Married filing jointly* tax status. The page appears differently for clients with other tax statuses.

2. Under *Tax Rates*, set income tax rates for the different time periods for the clients and their dependents.

NaviPlan automatically calculates tax rates for the defined income. You can override the calculated tax rates by entering the desired rates into the appropriate fields.

3. **Level 2** To override the tax rates that apply in the clients' year(s) of death, select the **Override In Year Of Death Tax Rates**

check box, and then enter the applicable tax rates.

The state tax rate is added to the displayed average, marginal, and long-term capital gains income tax calculations, and the deduction for state taxes at the federal level is taken into account.

If any of the tax rates are overridden, a note appears on the page and an arrow appears beside each edited tax rate.

## Overriding tax filing statuses (Detailed Tax method)

**Note:** This procedure does not apply if you are using the Average Tax method.

When using the Detailed Tax method, you can override the tax filing status you selected when you created the client file (only for this plan).

To override the tax filing status for a plan, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **General** page.
2. Select the **Override** check box, and then select the desired tax filing status from the list(s).

## Changing the Dependent of status (Detailed Tax method)

**Note:** This procedure does not apply if you are using the Average Tax method.

When using the Detailed Tax method, you can override the dependent status that was set for the dependent when the client file was created (shown on the *Client Management* section – *Client Information* category – *Personal Information* page) with a *Dependent of* status specifically for this plan.

To change the status of dependents, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **General** page.
2. Under *Dependent Status*, select the applicable **Override** check box, and then select an option from the *Dependent of* list.

## Setting tax calculation assumptions

To change the tax options setting, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **General** page.

2. Click **Tax Options**. The *Tax Options* dialog box opens.

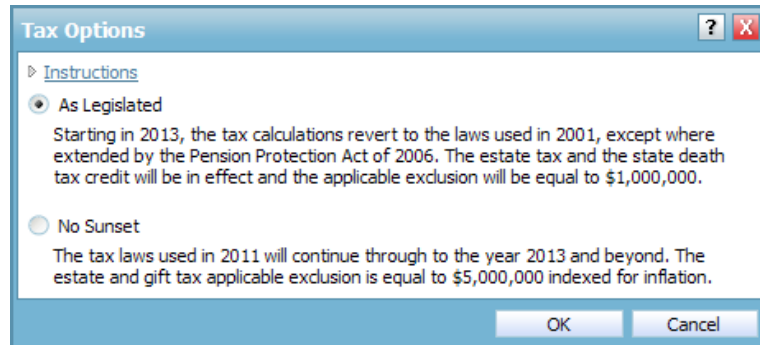


Figure 6: Tax Options dialog box

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 reduces personal tax rates, provides increased education incentives, increases the child tax credit, provides relief from the marriage penalty, repeals the estate and generation-skipping transfer taxes, and enhances the retirement savings incentives.

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 extends EGTRRA changes through to the end of 2013.

At the end of 2013, except where extended by the Pension Protection Act of 2006 and in the absence of new legislation, the tax laws revert to those in place in 2001.

Because of the uncertainty about the effect of EGTRRA after 2013, your clients may want to make different assumptions as to how the provisions of EGTRRA will affect their plan.

3. Select the tax assumption you want to use in the plan, and then click **OK**. The *Tax Options* dialog box closes.

## Setting milestones (Level 2)

On the *Milestones* page, you can set the retirement dates and life expectancies that will be used in the plan.

To set milestones, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **Milestones** page.

The screenshot shows the 'Assumptions' section with the 'Milestones' tab selected. It displays fields for two clients, David and Susan. For David, the 'Retire At' field is set to age 65 in May 2035, and the 'Life Expectancy' is 90 in 2060. For Susan, the 'Retire At' field is set to age 65 in June 2037, and the 'Life Expectancy' is 90 in 2062. A callout box points to the 'Currently Disabled' checkbox, which is checked for David. The text in the callout box reads: 'The *Currently Disabled* check boxes appear only when using the Detailed Tax method.'

Figure 7: Plan Management section – Assumptions category – Milestones page (Level 2 Plan, Detailed Tax method)

2. In the *Retire At* fields, enter the age(s) or date(s) when the clients will retire.
3. In the *Life Expectancy* fields, enter the clients' life expectancies.

To populate the life expectancy fields using actuarial data, click the life expectancy calculator next to the field.

To view the *Life Expectancy Graph*, click **Life Expectancy Graph**.

4. To indicate that a client is already disabled, select the **Currently Disabled** check box for that client. This sets the disability status percentages for incomes and expenses to 100%. NaviPlan assumes that incomes and expenses entered on the *Cash Flow* page already take the disability into account.

## Selecting a portfolio balancing method

In NaviPlan Premium, you can specify how your clients' assets are to be rebalanced using one of two methods: *Current - Rebalanced* or *Current - Not Rebalanced*. When *Current - Rebalanced* is selected, NaviPlan assumes the accounts are regularly rebalanced to maintain their allocation and applies the weighted average rate of return to accounts that are linked to goals. When *Current - Not Rebalanced* is selected, NaviPlan assumes the portfolio is never rebalanced and the weighted average return fluctuates as the allocation adjusts as per market conditions.

By default, NaviPlan uses the setting defined on the *User Preferences - Plan Settings* dialog box – *Current Portfolio Setting* tab (*User Preferences* menu – *Plan Settings*).

To change the portfolio balancing method for the plan, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **Current Portfolio Setting** page.

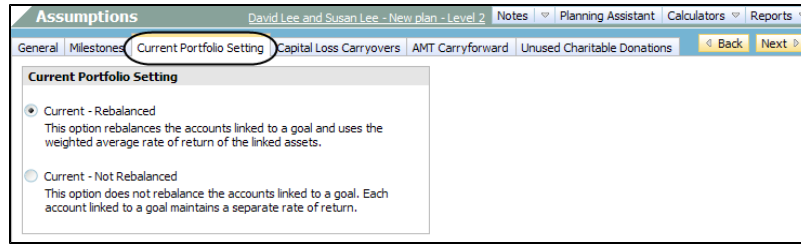


Figure 8: Plan Management section – Assumptions category – Current Portfolio Setting page

2. Do one of the following:

Select...	To do this...
Current - Rebalanced	Rebalance the accounts linked to a goal; a weighted average is applied to all accounts linked to the goal as per their investor profile.
Current - Not Rebalanced	Prevent accounts linked to a goal from rebalancing; accounts linked to a goal maintain a separate rate of return.

## Entering capital loss carryovers (Level 2)

A capital loss occurs when an asset is sold for less than its cost basis. If losses in a particular year exceed the allowable capital loss deductions for that year, they can be carried forward to later years until completely used. This planning strategy can help reduce taxes.

When using the Average Tax method, clients can offset capital losses against capital gains each year. Upon the death of a client or co-client, a capital loss cannot be carried over to the estate, to the surviving client, or to the beneficiaries. NaviPlan Premium does not apply the \$3,000 ordinary income offset rule.

When using the Detailed Tax method, the capital loss carryovers from one client are used to offset capital gains incurred by the other client. Also, the \$3,000 ordinary income offset rule applies.

To enter a capital loss carryover, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **Capital Loss Carryovers** page.

	Short-Term Regular Tax	Long-Term Regular Tax	Short-Term AMT	Long-Term AMT
David	\$0	\$0	\$0	\$0
Susan	\$0	\$0	\$0	\$0
Julia	\$0	\$0	\$0	\$0
Matthew	\$0	\$0	\$0	\$0

Figure 9: Plan Management section – Assumptions category – Capital Loss Carryovers page (Level 2 Plan, Detailed Tax method)

2. In the *Short-Term Regular Tax* and *Long-Term Regular Tax* fields, enter any existing short- or long-term carryovers.
3. **D, Tax** In the *Short-Term AMT* and *Long-Term AMT* fields, enter any existing short- or long-term alternative minimum tax (AMT) capital loss carryovers.

## Entering AMT carryforward credits (Level 2)

**Note:** This procedure only applies if you are using the Detailed Tax method.

If your clients paid alternative minimum tax (AMT) in a prior year, they may be eligible for a credit for a portion of that AMT against their regular tax liability for the current year, and for subsequent years. Use this page to calculate your clients' AMT carryforward credits.

**Note:** The 8801 form, 6251 form, and Schedule D/Schedule D Worksheet (1040) of the clients' tax returns from last year are needed to use this page.

To enter AMT carryforward credits, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **AMT Carryforward** page.

The screenshot shows the 'Assumptions' page for 'David Lee and Susan Lee - New plan - Level 2'. The 'AMT Carryforward' tab is selected. The page is divided into two sections: 'AMT Carryforward Credit for David:' and 'AMT Carryforward Credit for Susan:'. Each section contains a list of tax forms and lines with corresponding input fields for dollar amounts. The input fields are currently set to '\$0'.

Form/Line	Amount
Form 8801 from last year's taxes (2010)	
AMT Minimum Tax Credit Carryforward (last line of Part II)	\$0
Form 6251 from last year's taxes (2010)	
Sum of lines 1 and 10	\$0
Sum of lines 2 through 5, 7, 8, 9, 12, 13	\$0
Line 34	\$0
Alternative Minimum Tax Payable (line 35)	\$0
Schedule D (1040) from last year's taxes (2010)	
Line 15	\$0
Line 16	\$0
Line 19	\$0
Schedule D Worksheet (1040) from last year's taxes (2010)	
Line 14	\$0

Form/Line	Amount
Form 8801 from last year's taxes (2010)	
AMT Minimum Tax Credit Carryforward (last line of Part II)	\$0
Form 6251 from last year's taxes (2010)	
Sum of lines 1 and 10	\$0
Sum of lines 2 through 5, 7, 8, 9, 12, 13	\$0

Figure 10: Plan Management section – Assumptions category – AMT Carryforward page (Level 2 Plan, Detailed Tax method)

2. In each field, enter the dollar value from the specified line on your clients' tax returns from last year.

## Entering unused charitable donations (Level 2)

**Note:** This procedure only applies if you are using the Detailed Tax method.

To enter unused charitable donations, follow these steps:

1. Go to the **Plan Management** section – **Assumptions** category – **Unused Charitable Donations** page.

Year	50% Charities		Non 50% Charities	
	Non-Capital Gain Property (line 10 1)	Capital Gain Property (line 19 1)	Non-Capital Gain Property (line 16 1)	Capital Gain Property (line 24 1)
2010	\$0	\$0	\$0	\$0
2009	\$0	\$0	\$0	\$0
2008	\$0	\$0	\$0	\$0
2007	\$0	\$0	\$0	\$0
2006	\$0	\$0	\$0	\$0

[1] Line references are from Table 4 of IRS Publication 526

Figure 11: Plan Management section – Assumptions category – Unused Charitable Donations page (Level 2 Plan, Detailed Tax method)

2. If your clients have made any charitable donations for which they have not claimed deductions in past years, enter the portion that is eligible to be carried forward according to the Internal Revenue Code (enter this information from your clients' tax returns from last year).

## Setting asset allocation assumptions in individual plans

You can choose whether or not to use asset allocation in individual plans in NaviPlan Premium. To use asset allocation in a plan, the *Asset Allocation* module on the *Plan Management* section – *Modules* category – *Modules* page must be selected.

There are two aspects to asset allocation in NaviPlan. First, the asset allocation questionnaire is used to determine your clients' investor profile. Once the investor profile is determined, the expected rate of return is calculated as a weighted average of the underlying asset classes recommended in the suggested asset mix.

Second, asset allocation lets you compare the asset mix of your clients' existing portfolio to NaviPlan's suggested asset mix. You can also see the differences in expected rates of return, expected standard deviation, efficient frontier, etc., and make appropriate recommendations.

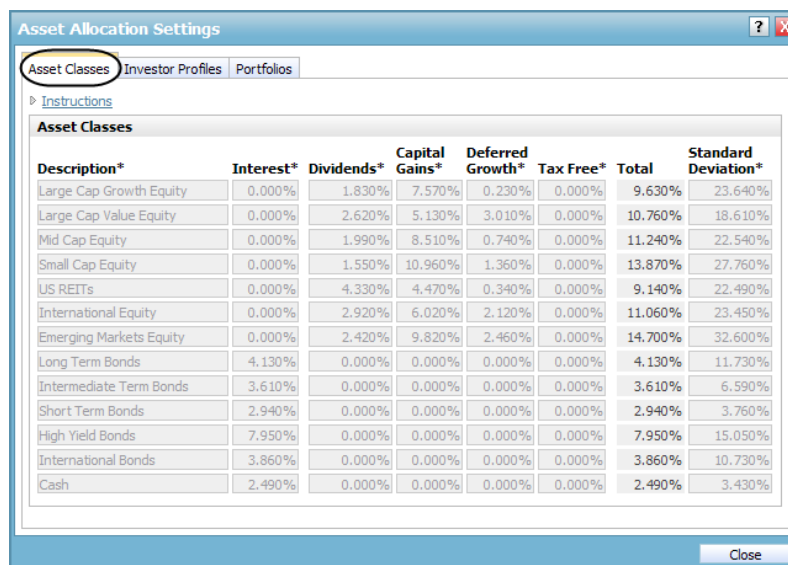
### Viewing asset allocation assumptions

If you are using NaviPlan Select with the Ibbotson Asset Allocation option, asset allocation assumptions (asset classes, investor profiles, and model portfolios) are already set up for you. You can view, but not edit, these assumptions. If you do not have the Ibbotson Asset Allocation option, see "Setting up user-defined asset allocation" on page 19.

**Note:** Before you can view asset allocation assumptions for the plan, you must complete the questionnaire (*Plan Management* section – *Asset Allocation* category – *Questionnaire* page).

To view asset allocation assumptions for the plan, follow these steps:

1. Go to the **Plan Management** section – **Asset Allocation** category – **Profile** page.
2. On the *Profile* page, click **Settings**. The *Asset Allocation Settings* dialog box displays the asset classes and their settings.



Description*	Interest*	Dividends*	Capital Gains*	Deferred Growth*	Tax Free*	Total	Standard Deviation*
Large Cap Growth Equity	0.000%	1.830%	7.570%	0.230%	0.000%	9.630%	23.640%
Large Cap Value Equity	0.000%	2.620%	5.130%	3.010%	0.000%	10.760%	18.610%
Mid Cap Equity	0.000%	1.990%	8.510%	0.740%	0.000%	11.240%	22.540%
Small Cap Equity	0.000%	1.550%	10.960%	1.360%	0.000%	13.870%	27.760%
US REITs	0.000%	4.330%	4.470%	0.340%	0.000%	9.140%	22.490%
International Equity	0.000%	2.920%	6.020%	2.120%	0.000%	11.060%	23.450%
Emerging Markets Equity	0.000%	2.420%	9.820%	2.460%	0.000%	14.700%	32.600%
Long Term Bonds	4.130%	0.000%	0.000%	0.000%	0.000%	4.130%	11.730%
Intermediate Term Bonds	3.610%	0.000%	0.000%	0.000%	0.000%	3.610%	6.590%
Short Term Bonds	2.940%	0.000%	0.000%	0.000%	0.000%	2.940%	3.760%
High Yield Bonds	7.950%	0.000%	0.000%	0.000%	0.000%	7.950%	15.050%
International Bonds	3.860%	0.000%	0.000%	0.000%	0.000%	3.860%	10.730%
Cash	2.490%	0.000%	0.000%	0.000%	0.000%	2.490%	3.430%

Figure 12: Asset Allocation Settings dialog box – Asset Classes tab

### Setting up user-defined asset allocation

If you have NaviPlan Select with user-defined asset allocation, you can override any asset allocation defaults set in the *Asset Allocation Settings* dialog box (*User Preferences* menu – *Asset Allocation Settings*) for an individual plan.

You can also select different model portfolios (suggested asset mixes) for individual goals within a plan. Since time horizon and risk tolerance are major components of asset allocation, goals with different time horizons or objectives may require different investment profiles. For example, the clients' retirement goal might not begin for 20 years or more, but they may have education goals for their children starting in five years.

To set asset allocation assumptions for an individual plan, follow these steps:

1. Go to the **Plan Management** section – **Asset Allocation** category – **Profile** page.
2. Click the **Settings** button. The *Asset Allocation Settings* dialog box – *Asset Classes* tab opens. Any default asset classes that were entered on the *Asset Allocation Settings* dialog box – *Asset*

*Classes* tab (accessed from the *User Preferences* menu – *Asset Allocation Settings* option) appear under *Asset Classes*.

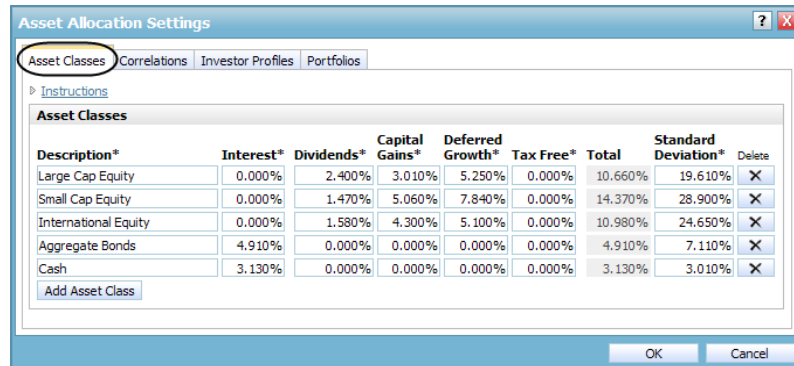


Figure 13: Asset Allocation Settings dialog box – Asset Classes tab

3. Under *Asset Classes*, click **Add Asset Class** for each asset class you want to add to the plan.
4. For each asset class, enter a unique description such as *Cash* or *Bonds*, and then define the return rates and standard deviation values that apply.

To change existing asset classes, enter the revised description or return rate information in the *Description* field of the asset class you want to change.

To delete an asset class from the plan, click the appropriate **Delete** button.

5. Once you have made the required changes, go to the **Correlations** tab. Correlation measures how much you can expect your clients' investments to change in price relative to each other. Correlation works in the following manner:

Correlation value	Historical relationship of the two asset classes
1.0	The two assets move in exactly the same direction.
-1.0	The two assets move in exactly the opposite direction.
0.0	The two assets have no relationship.

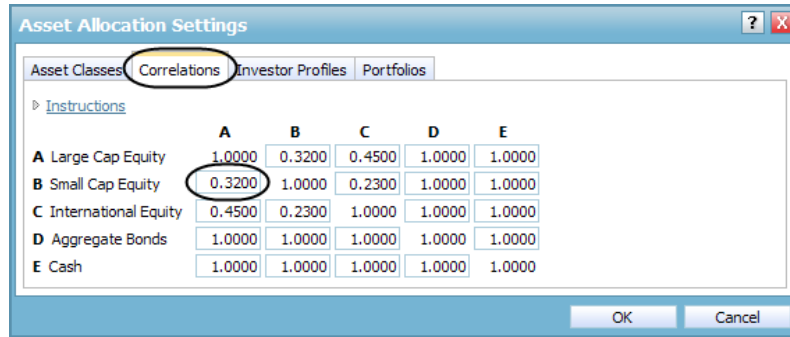


Figure 14: Asset Allocation Settings dialog box – Correlations tab

- To change the correlation between two asset classes, enter the new correlation value at the intersection of a row and column for the two asset classes. The default value is updated. For example, to change the correlation between Large Cap Equity and Small Cap Equity, go to the field that intersects row B and column A, and then enter a new correlation value.
- Go to the **Investor Profiles** tab. The investor profiles entered on the *Asset Allocation Settings* dialog box – *Investor Profiles* tab (accessed from the *User Preferences* menu – *Asset Allocation Settings*) appear under *Investor Profiles*.

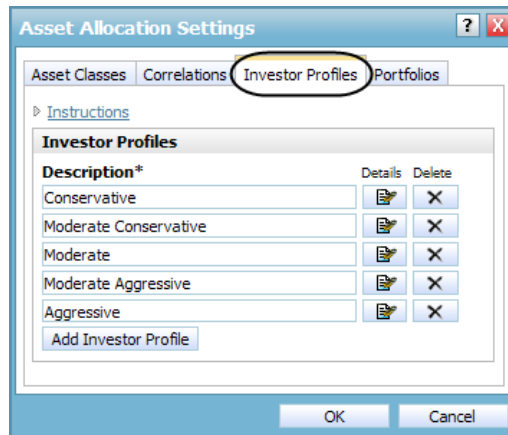


Figure 15: Asset Allocation Settings dialog box – Investor Profiles tab

- Investor profiles should be added from lowest to highest risk tolerance. To add a new investor profile to the plan, click **Add Investor Profile**. A new blank data-entry row appears.
- Enter a name such as *Conservative*, and then click **Details**. The *Investor Profile Details* dialog box opens.

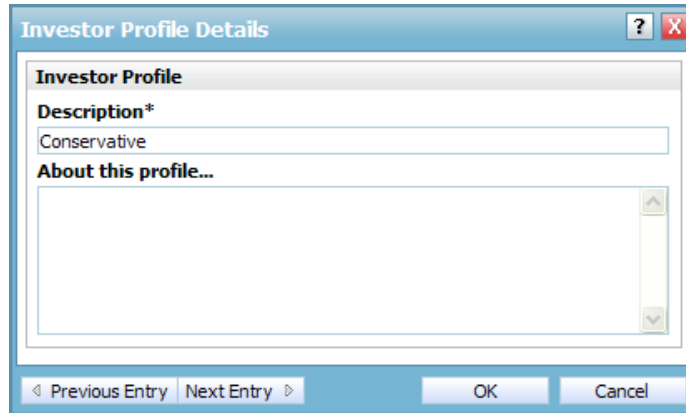


Figure 16: Investor Profile Details dialog box

10. Enter the details of the new profile, and then click **OK**. The *Investor Profile Details* dialog box closes.

To edit the existing investor profiles, click the investor profile you want to change, and then make your changes.

To delete an investor profile, click the appropriate **Delete**.

11. Go to the **Portfolios** tab. On this tab you can edit the composition of all possible investor profiles in the plan.

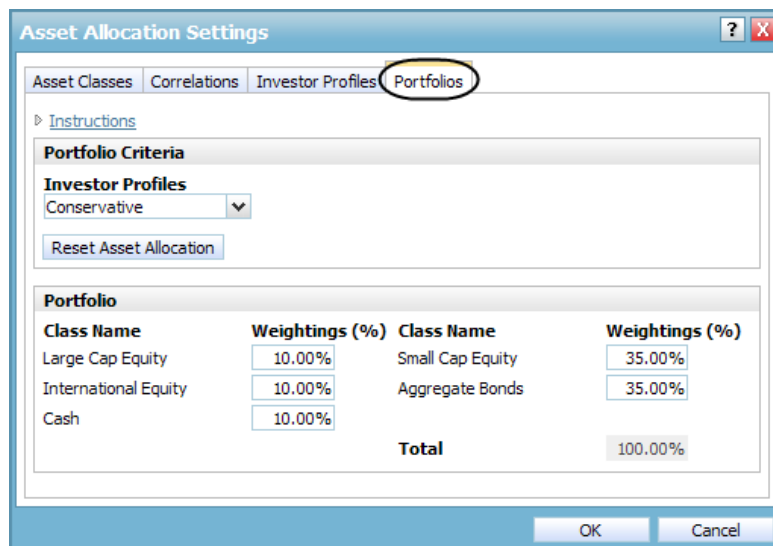


Figure 17: Asset Allocation Settings dialog box – Portfolios tab

12. Under *Portfolio Criteria*, select the investor profile you want to change, and then under *Portfolio*, enter the asset class percentages for this profile.
13. To revert to the default asset mix values entered on the *Asset Allocation Settings* dialog box – *Portfolios* tab (accessed from the *User Preferences* menu – *Asset Allocation Settings*), click **Reset**

**Asset Allocation.** If no default values exist, clicking this button deletes what you have entered without replacing it.

## Determining the clients' investor profile

When using NaviPlan Premium with Ibbotson Asset Allocation, a questionnaire is used to determine your clients' investor profile. NaviPlan suggests an asset mix appropriate for clients with that profile. This suggested asset mix is used as an asset allocation target (a model to achieve) throughout the plan.

If you do not agree with the investor profile determined by the questionnaire results, you can select an investor profile manually, but you still must fill out the questionnaire first. You can also modify the suggested asset mix.

The purpose of selecting an investor profile is to identify the model portfolio (suggested asset mix) that is most appropriate for your clients.

**Note:** If you are using NaviPlan Premium with user-defined asset allocation, go to the **Plan Management** section – **Asset Allocation** category – **Profile** page, and then skip to step 5.

To generate a proposed portfolio, follow these steps:

1. Go to the **Plan Management** section – **Asset Allocation** category – **Questionnaire** page. A list of questions appears to help you determine your clients' investor profile.
2. Enter your clients' responses to all the questions.

Questionnaire Profile

Scoring... Settings...

Different investors have different risk tolerances. Much of the difference stems from time horizon. That is, someone with a short investment time horizon is less able to withstand losses. The remainder of the difference is attributable to the individual's appetite for risk. Volatility can be nerve-wracking for many people and they are more comfortable when they can avoid it. However, there is a definite relationship between risk and return. Investors need to recognize this risk/return trade-off. The following risk tolerance questionnaire has been designed to measure an individual's ability (time horizon) and willingness (risk tolerance) to accept uncertainties in their investment's performance. The total score recommends which of the five risk profiles is most appropriate for the investor.

**1. When do you expect to begin withdrawing money from your investment account?**

☐ Less than 1 year

☐ 1 to 2 years

☐ 3 to 4 years

☐ 5 to 7 years

☐ 8 to 10 years

☒ 11 years or more

**2. Once you begin withdrawing money from your investment account, how long do you expect the withdrawals to last?**

☐ I plan to take a lump sum distribution

☐ 1 to 4 years

☐ 5 to 7 years

Figure 18 : Plan Management section – Asset Allocation category – Questionnaire page

3. To view the asset allocation risk scores for the investor profile, click **Scoring**. The *Scoring Summary* dialog box opens.

NaviPlan shows the time horizon and investor profile that it has calculated. Click **Close** to return to the *Questionnaire* page.

4. Go to the **Profile** page. NaviPlan displays the investor profile and suggested asset mix based on the responses to the questionnaire.

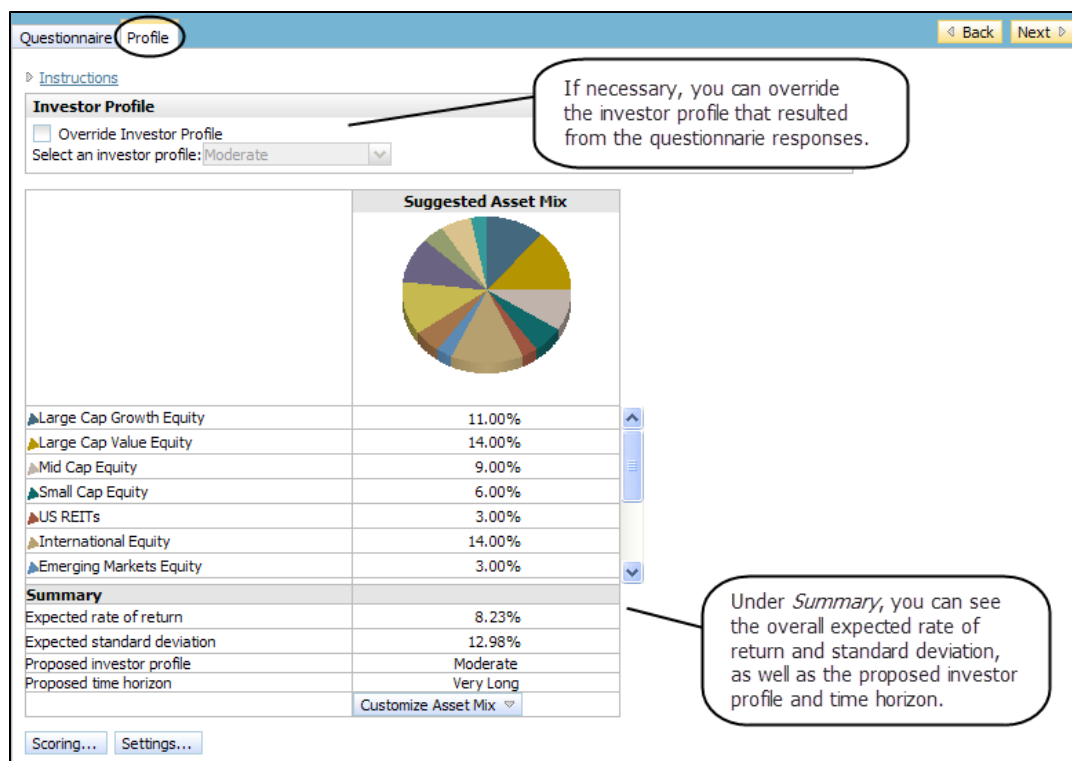


Figure 19: Plan Management section – Asset Allocation category – Profile page

5. To override the default profile, select the **Override Investor Profile** check box, and then select another investor profile from the list. The *Suggested Asset Mix* graph displays the asset mix associated with the selected investor profile.

If you have user-defined asset allocation, you can override the investor profile for the current plan without selecting a check box.

6. You can modify the asset mix in the proposed portfolio by clicking *Customize Asset Mix*, and then selecting either the *Weightings* option or the *Optimize* option. Select the **Weightings** option to manually adjust the asset class weightings of the portfolio. Select the **Optimize** option if you want to use the Ibbotson Mean Variance Optimizer to generate a new portfolio based on an efficient frontier graph.

**Note:** If you do not have Ibbotson Asset Allocation or you do not have permission to use mean variance optimization, the *Customize Asset Mix* button will not appear on the *Profile* page.

### Editing Asset Class Weightings

The *Weightings* option is only available on the *Profile* page.

**Note:** If you do not have the user permission to override the asset class weightings, this option is not available.

To edit asset class weightings, follow these steps:

1. If applicable, scroll to the bottom of the *Profile* page.
2. Click **Customize Asset Mix**, and then select **Weightings**.

Class Name	Class Percentage	Class Name	Class Percentage
Large Cap Growth Equity	11.00%	Large Cap Value Equity	14.00%
Mid Cap Equity	9.00%	Small Cap Equity	6.00%
US REITs	3.00%	International Equity	14.00%
Emerging Markets Equity	3.00%	Long Term Bonds	5.00%
Intermediate Term Bonds	12.00%	Short Term Bonds	10.00%
High Yield Bonds	4.00%	International Bonds	6.00%
Cash	3.00%		
<b>Total</b>			100.00%

Figure 20: Asset Class Weightings dialog box

3. Select the **Override default asset class weightings** check box, and then enter the desired weightings. The total must equal 100%.
4. Click **OK**. The *Asset Class Weightings* dialog box closes. The *Profile* page updates to display the new weightings.

To revert to the original asset class weightings, click **Customize Asset Mix**, and then select **Revert to Defaults**.

### Using the Optimize calculation

The *Optimize* option is only available on the *Profile* page.

To constrain the recommended asset classes, but still generate an optimal recommended asset mix, follow these steps:

1. If applicable, scroll to the bottom of the *Profile* page.
2. Click **Customize Asset Mix**, and then select **Optimize**.

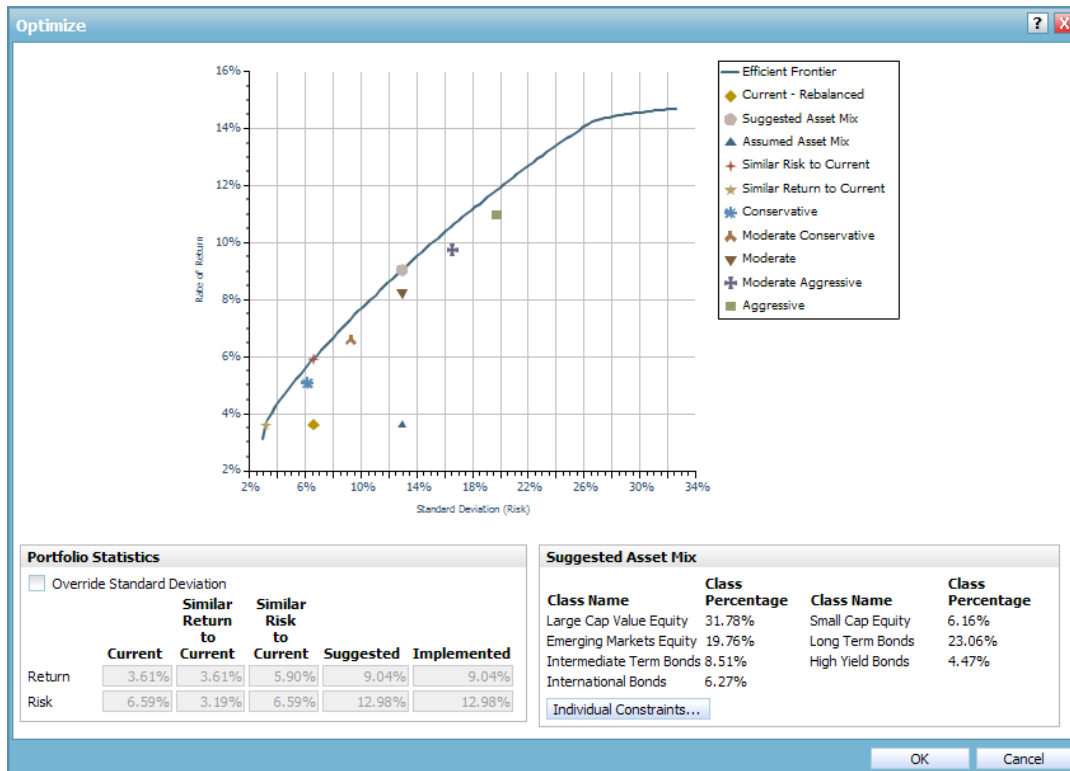


Figure 21: Optimize dialog box

The *Optimize* dialog box displays the *Efficient Frontier* graph, also known as the *Mean Variance Optimization* graph. Mean variance optimization is the process of identifying portfolios with the maximum expected return for a given level of risk.

The vertical axis plots overall return rates, and the horizontal axis plots standard deviation. The solid line in the graph represents the efficient frontier, which is the set of portfolios that provides the highest expected returns for their respective risk levels.

The inputs for mean variance optimization are return rates, standard deviation, and the correlation coefficients of returns for each pair of asset classes. The graph also accounts for any constraints applied in the *Individual Constraints* dialog box.

3. To override the standard deviation, follow these steps:
  - a. Under *Portfolio Statistics*, select the **Override Standard Deviation** check box to manually enter a new standard deviation. Under *Suggested*, the *Risk* field becomes editable.
  - b. Enter the standard deviation in the *Risk* field. Once a new standard deviation is entered, the graph updates to show the manually entered standard deviation.

**Note:** Clicking a point on the *Efficient Frontier* line shows the return rate and standard deviation of that point. Double-clicking at a certain point on the line of the *Efficient Frontier* graph selects that point as the new suggested asset mix. (Or, you can click on the line, which brings up a balloon message, and then press the ENTER key.) Use this process as an alternative to overriding the standard deviation manually.

4. When generating an efficient frontier, by default NaviPlan does not restrict the asset classes or the holding percentages within each asset class. To override these defaults, follow these steps:
  - a. Click **Individual Constraints**. In the dialog box that opens, you can set the minimum or maximum holding percentage for a single asset class.

The dialog box titled "Individual Constraints" contains a section for "Asset Class Exclusion". It features a table with three columns: "Class Name", "Minimum Holding", and "Maximum Holding". Each row represents an asset class with a checkbox in the first column and percentage input fields in the others. All checkboxes are currently checked, and all percentage fields are set to "0.00%" and "100.00%". Below the table is a "Revert to Defaults" button and a text area for providing a reason for exclusion. At the bottom are "OK" and "Cancel" buttons.

Class Name	Minimum Holding	Maximum Holding
<input checked="" type="checkbox"/> Large Cap Growth Equity	0.00%	100.00%
<input checked="" type="checkbox"/> Large Cap Value Equity	0.00%	100.00%
<input checked="" type="checkbox"/> Mid Cap Equity	0.00%	100.00%
<input checked="" type="checkbox"/> Small Cap Equity	0.00%	100.00%
<input checked="" type="checkbox"/> US REITs	0.00%	100.00%
<input checked="" type="checkbox"/> International Equity	0.00%	100.00%
<input checked="" type="checkbox"/> Emerging Markets Equity	0.00%	100.00%
<input checked="" type="checkbox"/> Long Term Bonds	0.00%	100.00%
<input checked="" type="checkbox"/> Intermediate Term Bonds	0.00%	100.00%
<input checked="" type="checkbox"/> Short Term Bonds	0.00%	100.00%
<input checked="" type="checkbox"/> High Yield Bonds	0.00%	100.00%
<input checked="" type="checkbox"/> International Bonds	0.00%	100.00%
<input checked="" type="checkbox"/> Cash	0.00%	100.00%

Revert to Defaults

Please indicate a reason for the exclusion:

OK Cancel

Figure 22: Individual Constraints dialog box

- b. Enter the minimum and maximum holding constraints for each asset class.
  - c. To exclude an asset class, clear the associated check box.

- d. To return all overridden asset class weightings to the initial recommended asset class weightings, click **Revert to Defaults**.
  - e. If necessary, enter any additional comments or details.
  - f. Click **OK** to close the *Individual Constraints* dialog box. NaviPlan applies the constraints to the plan, and the *Efficient Frontier* graph updates.
5. Click **OK** to close the *Optimize* dialog box. The *Suggested Asset Mix* graph on the *Profile* page updates to display the optimization.

## Upgrading asset allocation

When you open a plan for editing, if the *Modules* category includes the *Asset Allocation Upgrade* page, you can upgrade the asset allocation settings or view details about the changes made to the settings since this plan was last updated.

NaviPlan Premium presents the option to upgrade each time you open the plan, until you upgrade the asset allocation. To continue using existing settings, go to the *Modules* page and resume planning.

To use the new asset allocation settings for this plan, follow these steps:

1. Go to the **Plan Management** section – **Modules** category – **Asset Allocation Upgrade** page.
2. Click **Upgrade Asset Allocation**. NaviPlan asks you to confirm the upgrade.
3. Click **OK**. NaviPlan upgrades the asset allocation. The upgrade is permanent and plan results may change.

## Chapter 3: Entering net worth information

This chapter explains how to enter your clients' net worth information. In a Level 1 and a Level 2 Plan, summary information can be entered for lifestyle assets, liabilities, simple accounts, detailed accounts with holdings, and deferred and annuitized annuities. In a Level 2 Plan, you can also enter real estate assets into the plan (and business entities, if you are using the Detailed Tax method).

### **In this chapter:**

<b>Entering lifestyle assets</b>	<b>30</b>
<b>Entering liabilities</b>	<b>32</b>
<b>Entering real estate assets (Level 2)</b>	<b>36</b>
<b>Entering business entities (Level 2)</b>	<b>38</b>
<b>Entering accounts</b>	<b>41</b>
<b>Entering annuities</b>	<b>54</b>
<b>Entering equity compensation</b>	<b>69</b>
<b>Defining asset class weightings</b>	<b>72</b>
<b>Funding goals</b>	<b>75</b>
<b>Overriding previously accrued investment income</b>	<b>76</b>
<b>Entering previous Roth conversion amounts</b>	<b>77</b>
<b>Generating the Asset/Liabilities report</b>	<b>77</b>

## Entering lifestyle assets

Lifestyle assets are purchased for the owners' personal use and enjoyment, and not for the purpose of funding goals or producing income. Examples include a house, vacation home, car, or boat.

To enter lifestyle assets, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Assets/Liabilities** page.

The screenshot shows the 'Assets/Liabilities' page in the NaviPlan software. The page is divided into three main sections: Lifestyle Assets, Real Estate, and Business Entities. Each section has a table for entering data and an 'Add' button. Callouts provide additional information about the data entry process and plan requirements.

**Lifestyle Assets Table:**

Description	Market Value	Details	Delete
Residence	\$0		
2nd Residence	\$0		
Personal Use Property	\$0		
Other Personal Assets	\$0		

**Liabilities Table:**

Description	Balance	Interest Rate	Payment	Link to Asset	Details	Report	Delete
Mortgage	\$0	7.00%	\$0.00/mo	Residence			
Mortgage 2	\$0	7.00%	\$0.00/mo	None			
Car Loans	\$0	5.00%	\$0.00/mo	Other Per			
				None			
				None			

**Real Estate Table:**

Description	Market Value	Rental Income	Details	Delete
Real Estate	\$0	\$0/mo		

**Business Entities Table:**

Description	Market Value	Rental Income	Details	Delete
Business Entity	\$0	\$0/mo		

**Callouts:**

- When you create a new plan, NaviPlan creates default assets including residences, personal use assets, and other personal assets.
- Real Estate appears only in Level 2 Plans.
- Business Entities appear only in Level 2 Plans when the Detailed Tax method is used, and when the Business Planning module is included in the plan.

Figure 23: Enter Financial Data section – Net Worth category – Assets/Liabilities page (Level 2 Plan, Detailed Tax method)

2. To add a lifestyle asset, click **Add Lifestyle Asset**, and then select an asset type from the list. If applicable, enter the market value of the listed lifestyle asset. To enter additional details for the asset, click the corresponding **Details** button. The *Lifestyle Asset Details* dialog box opens.

**Lifestyle Asset Details**

**Details**

Description\* 520 Thomas St. Type\* Residence Owner\* Joint Purchase Date\* Dec 31 2010 Community Property ☐

Purchase Amount\* \$0 Current Market Value\* \$0 Current Value As Of\* Aug 9 2011 Start of Year Market Value \$0 Cost Basis \$0

**Property Taxes**

Amount \$0 Frequency Annual Current Value As Of\* Jan 1 2011 Infl +/- Add'l ☒ + 0.00% Tax Deductible ☒

**Sale Information**

Sell Asset ☐ Sale Date N/A Direct After Tax Proceeds To Account Details Exclusion Amount \$500,000

*Sale Information appears only in Level 2 Plans.*

**Projected Value as of Sale Dates**

Before Tax	After Tax
\$0	\$0

**Projected Buying Power**

Before Tax	After Tax
\$0	\$0

**Return Rates**

☐ Override

	Deferred Growth	Standard Deviation
Pre-Retirement	2.00%	0.00%
Retirement	2.00%	0.00%

Add Lifestyle Asset

New Lifestyle Asset  
Copy of Current

Select **Copy of Current** to create a copy of the existing asset. Do this to avoid re-entering data when you have similar items to add.

Figure 24: Lifestyle Asset Details dialog box (Level 2 Plan)

### 3. Enter detailed information.


If you are entering details for a residence, under *Property Taxes*, enter the property tax information for the asset. The expense will end at death, or when the asset is sold (Level 2 Plans only). By default, NaviPlan assumes that property taxes are tax deductible. If property taxes are not deductible, clear the **Tax Deductible** check box.

**Level 2** If you know the clients will be selling the lifestyle asset, click the **Sale Information** link. Additional fields appear. Under *Sale Information*, select the **Sell Asset** check box, enter a sale date, and then select an option from the *Direct After Tax Proceeds To* list. If you select *New Non-Qualified*, NaviPlan creates a new account and opens the *Account Details* dialog box. (See "Creating accounts" on page 41.) NaviPlan uses the selected destination for after-tax proceeds from the sale of the asset.

**Level 2** NaviPlan Premium estimates the before- and after-tax values of the asset on the sale date, as well as the buying power of those values (in today's dollars).

### 4. To enter details regarding asset return rates, click the **Return Rates** link.

If you do not want to use the default return rates and standard deviations associated with the asset, under *Return Rates*, select the **Override** check box, and then make your changes.


5. From the *Lifestyle Asset Details* dialog box, you can
  - Create a new lifestyle asset by clicking  beside *Add Lifestyle Asset*, and then selecting an option from the list.
  - View or edit another lifestyle asset by clicking *Next Entry* or *Previous Entry*.

New lifestyle assets appear on the *Assets/Liabilities* page under *Lifestyle Assets*.

6. To generate the *Assets/Liabilities* report, go to the **Assets/Liabilities** page, and then click the **Assets/Liabilities Report** button.

## Entering liabilities

You can enter many types of liabilities including mortgages, loans, credit cards, and other debts. Once entered, you can link a liability to a lifestyle asset.

 To enter debt modification strategies for existing liabilities, see "Modifying a loan" on page 105.

To enter liabilities, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Assets/Liabilities** page.

Assets/Liabilities Accounts Annuities Equity Compensation Asset Class Weightings

< Back Next >

> Instructions

### Lifestyle Assets

Description	Market Value	Details	Delete
Residence	\$0		
2nd Residence	\$0		
Personal Use Property	\$0		
Other Personal Assets	\$0		

Add Lifestyle Asset ▾

### Real Estate

Description	Market Value	Rental Income	Details	Delete
Real Estate	\$0	\$0/mo		

Add Real Estate

### Business Entities

Click the **Add Business Entity** button to create a new row.

Add Business Entity ▾

### Liabilities

Description	Balance	Interest Rate	Payment	Link to Asset	Details	Report	Delete
Mortgage	\$0	7.00%	\$0.00/mo	Residence ▾			
Mortgage 2	\$0	7.00%	\$0.00/mo	None ▾			
Car Loans	\$0	5.00%	\$0.00/mo	Other Per ▾			
Personal Loans	\$0	8.00%	\$0.00/mo	None ▾			
Other Debt	\$0	12.00%	\$0.00/mo	None ▾			

Add Liability ▾

Assets/Liabilities Report

Figure 25: Enter Financial Data section – Net Worth category – Assets/Liabilities page (Level 2 Plan, Detailed Tax method)

- To add a new liability, click **Add Liability**, and then select a liability type from the list. The new liability item appears at the bottom of the liabilities list.
- If applicable, enter the liability's description, balance, interest rate, and payment.
- If applicable, from the *Link to Asset* list, select the asset that is linked to the liability.



**Note:** An asset can be linked to more than one liability but a liability can be linked to only one asset.

- To enter additional details for the liability, click the corresponding **Details** button. The *Liability Details* dialog box opens.

The screenshot shows the 'Liability Details' dialog box for a Level 2 Plan. It contains several sections: 'Details' with fields for Description, Owner, Balance As of Date, Interest Rate, Compound Frequency, Payment Type, Payment Frequency, Link to Asset, and Interest is Tax Deductible; 'Calculation Options' with a table for Field to Calculate, Balance, Payment, Years, Months, and End Date; 'Other Options' and 'Debt Modification' tabs; 'Insured for Disability' checkbox; 'Payoff Options at Death' dropdown; 'Renegotiate' dropdown; and 'Early Payoff' section with 'Make Early Payoff' checkbox, Date, and Penalty fields. At the bottom, there is an 'Add Liability' dropdown with options 'New Liability' and 'Copy of Current'. Callouts explain that 'Other Options' and 'Debt Modification' tabs appear only in Level 2 Plans, and that 'Copy of Current' is used to create a copy of the existing asset to avoid re-entering data.

Figure 26: Liability Details dialog box (Level 2 Plan)

6. Enter the additional information.
7. To change the liability calculation, under *Calculation Options* select an option from the *Field to Calculate* list, and then modify the remaining calculation details. The calculated field updates.  
**Note:** NaviPlan Premium does not allow the original principal to be lower than the outstanding balance.
8. Go to the **Other Options** tab.
9. **Level 2** To exclude a liability from the disability analysis, select the **Insured for Disability** check box. The liability will be paid in full from disability insurance proceeds.
10. **Level 2** To indicate that the unpaid loan balance will be transferred to the survivor, select **Transfer to survivor** from the *Payoff Options at Death* list.  
OR  
To indicate that the liability will be paid from the clients' estate, select **Payoff at first death (from estate)** from the *Payoff Options at Death* list.  
OR  
**Level 2** To model loans that are forgivable at death (for example, some student loans), select **Insured for life** from the *Payoff Options at Death* list. This excludes the loan balance from the insurance analysis, as well as from estate planning cash flow calculations.

11.  To enter debt modification strategies, see "Modifying a loan" on page 105.
12. From the *Liability Details* dialog box, you can
  - Create a new liability or a copy of an existing liability by clicking  next to *Add Liability*, and then selecting an option from the list (new liabilities appear on the *Assets/Liabilities* page under *Liabilities*).
  - View or edit an existing liability by clicking *Next Entry* or *Previous Entry*.
13. To view the liability amortization schedule report for a liability, on the *Assets/Liabilities* page, click the **Report** button beside the specific liability.
14. To generate the *Assets/Liabilities* report, click the **Assets/Liabilities Report** button on the *Assets/Liabilities* page.

## Entering real estate assets (Level 2)

You can enter real estate assets that are purchased for investment purposes. NaviPlan Premium includes fields for rental income and expenses. Real estate assets that are purchased for the clients' personal use and enjoyment should be entered as lifestyle assets.

To enter real estate assets, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Assets/Liabilities** page.
2. To add a new real estate asset, click **Add Real Estate**. The new data-entry row appears.
3. If applicable, enter the market value and rental income net of property taxes for the real estate asset.
4. To enter additional details for an existing real estate asset, click **Details**. The *Real Estate Details* dialog box opens.

**Real Estate Details**

**Details**

Description\* Owner\* Community Property

Real Estate Joint ☐

Purchase Date\* Purchase Amount\* Portion not Depreciable (\$ or % of Purchase Amount) Depreciation

Dec 31 2010 \$0 \$0 Amount per Year Number of Years

\$0 \$0 \$0 0

Market Value\* Cost Basis\* Valuation Date\*

\$0 \$0 Aug 9 2011

Rental Information Additions Sale Information Return Rates

**Rental Information**

Rental Income Rental Expenses (\$ or % of Rental Income) Frequency Net Rental Income Annual Rental Growth Rate Start Date\* End Date\* Delete


\$0 \$0 Monthly \$0 0.00% Aug 9 2011 Death (2nd)

Add Income/Expense

Add Real Estate Previous Entry Next Entry OK Cancel

Figure 27: Real Estate Details dialog box

5. Enter the purchase and valuation details of the real estate asset.
6. Go to the **Rental Information** tab, and then enter the rental income net of property taxes, expenses, frequency, growth rate, etc. For properties that have rental income from multiple sources, click **Add Income/Expenses** to add another data-entry row.
7. To enter the cost of additions made to the property prior to the current year, go to the **Additions** tab. Enter the cost of the additions, the depreciation so far, the dollar amount that the addition will depreciate annually, and the number of years until the addition will be fully depreciated.

8. If you know the clients will be selling the real estate asset, go to the **Sale Information** tab, and then select a sell option from the *Sale Option* list. Enter a sale date, a selling cost rate, and then select an option from the *Direct After Tax Proceeds To* list. If you select *New Non-Qualified*, NaviPlan creates a new account and opens the *Account Details* dialog box. (See "Creating accounts" on page 41.) NaviPlan uses the selected destination for after-tax proceeds from the sale of the asset.
9. If you do not want to use the default return rates and standard deviations associated with the asset, go to the **Return Rates** tab, select the **Override** check box, and then make your changes.
10. From the *Real Estate Details* dialog box, you can
  - Create a new real estate asset by clicking  beside *Add Real Estate*, and then selecting an option; new real estate assets appear on the *Assets/Liabilities* page under *Real Estate*.
  - View or edit another real estate asset by clicking *Next Entry* or *Previous Entry*.

## Entering business entities (Level 2)

Business entities can only be entered in plans using the Detailed Tax method that also include the optional *Business Planning* module.

Business entities are organizations that are separate entities for legal and financial purposes. You can add limited liability companies (LLC), partnerships, S corporations, or C corporations that the clients hold as flow-through assets. Business entity assets are excluded from asset allocation.

To enter a business entity, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Assets/Liabilities** page.
2. Under *Business Entities*, click **Add Business Entity**, and then select the business entity type from the list. A new data-entry row appears.
3. Enter a description and the start-of-year market value.
4. To enter additional information, click **Details**. The *Business Entity Details* dialog box opens. Enter or edit the additional business entity information.

Figure 28: Business Entity Details dialog box

## Entering business activity

Business activity such as income, expenses, and distributions can be entered for all business entities, except for C corporations.

To enter the activity for a business entity, follow these steps:

1. In the *Business Entity Details* dialog box, go to the **Activity** tab.

The screenshot shows the 'Business Entity Details' dialog box with the 'Activity' tab selected. The 'Activity' tab contains the following fields and controls:

- Income**: A text box with '\$0'.
- Expenses**: A text box with '\$0'.
- Distributions**: A text box with '\$0'.
- AMT Adjustments**: A text box with '\$0'.
- Frequency**: A dropdown menu with 'Annual' selected.
- Infl +/- Add'l**: A section with a checkbox, a '+' sign, a text box with '0.00%', and an '=' sign followed by a text box with '0.00%'.

At the bottom of the dialog box are the following buttons:

- Add Business Entity**: A button with a dropdown arrow.
- Previous Entry**: A button with a left arrow.
- Next Entry**: A button with a right arrow.
- OK**: A button.
- Cancel**: A button.

Figure 29: Business Entity Details dialog box – Activity tab

2. In the *Income* field, enter the dollar value of the income generated by the business entity asset. This amount will not affect the clients' personal cash flow.
3. In the *Expenses* field, enter the dollar value of expenses incurred by the business entity. This amount will not affect the clients' personal cash flow.
4. In the *Distributions* field, enter the amount that will flow into this year's cash flow to fund the current year tax liability.
5. If applicable, enter an amount in the *AMT Adjustments* field. This amount is a tax item only. It can be positive or negative and does not affect the clients' personal cash flow. The amount entered in *AMT Adjustments* will be reported as passive activities in the *Income Tax Details* report, in the AMT section of the report.
6. From the *Frequency* list, select the frequency of the income.
7. If the activity is to be indexed to inflation, select the **Infl** check box, and then, if applicable, enter a percentage. The inflation rate applies to all fields on the *Activity* tab.

## Entering the sale of a business entity

To enter the sale of a business entity, follow these steps:

1. In the *Business Entity Details* dialog box, go to the **Sale Information** tab.

The screenshot shows the 'Business Entity Details' dialog box with the 'Sale Information' tab selected. The 'Activity' tab is also visible. The 'Sale Option' is set to 'Do not sell entity'. The 'Sale Date' is 'N/A'. The 'Selling Cost' is '0.0000%'. The 'Installment Sale Details' section is expanded, showing 'Seller Installment % of Sale Amount' as '0.00%' and 'Annual Interest Rate' as '0.0000%'. The 'Payment Frequency' is 'Monthly', 'Compound Frequency' is 'Annual', and 'Payment Type' is 'Amortized'. The 'Length of Installment Sale' and 'Length of Amortization' sections both show '5' years, '0' months, and an 'End Date' of 'Dec 31 3004'. The bottom of the dialog box has buttons for 'Add Business Entity', 'Previous Entry', 'Next Entry', 'OK', and 'Cancel'.

Length of Installment Sale			Length of Amortization		
Years	Months	End Date	Years	Months	End Date
5	0	Dec 31 3004	5	0	Dec 31 3004

Figure 30: Business Entity Details dialog box – Sale Information tab

2. From the *Sale Option* list, select the appropriate option.
3. If selling, enter the sale date. You can enter a specific date, or you can specify that the sale will be triggered by an event, such as retirement or death. You can also offset the sale from the triggering event by a given number of years. For example, you can specify that the business entity will be sold two years before the owner's retirement by entering *ret. -2*.
4. Enter the cost of selling the business entity (as a percentage of the market value).
5. If you plan to sell the business entity in installments, enter the details under *Installment Sale Details*.

## Modifying return rates

To modify return rates for the business entity, go to the **Return Rates** tab, and then enter the growth rate and standard deviation.

Activity **Sale Information** **Return Rates**

Growth Rate	Standard Deviation
0.0000%	0.0000%

Add Business Entity ▼ ◀ Previous Entry Next Entry ▶ OK Cancel

Figure 31: Business Entity Details dialog box – Return Rates tab

## Entering accounts

You can manually enter investment accounts and holdings directly into NaviPlan Premium Level 1 or Level 2 Plans. For instructions on entering assets, see

Creating accounts	41
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Setting up a redemption strategy for an account (Level 2, Detailed Tax)	46
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## Creating accounts

You can enter separate accounts for each of your clients' investment holdings, or you can group holdings together within one account. You cannot combine qualified and non-qualified holdings within the same account. Also, you cannot combine holdings that have different ownerships within the same account.

To enter an investment account, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.

Assets/Liabilities **Accounts** Annuities Equity Compensation Asset Class Weightings

< Back Next >

> [Instructions](#)

To edit investment income earned before the valuation date for all non-qualified accounts, click **Previously Incurred Investment Activity**.

[Previously Incurred Investment Activity...](#)

To enter amounts for any previous Roth conversions that occurred prior to the plan date (Aug 9 2011) and for 2010 conversions where the election was made to defer the tax over 2011 and 2012, click **Previous Roth Conversions**.

[Previous Roth Conversions...](#)

**Qualified and Non-Qualified Accounts**

Description*	Account Type*	Owner*	Market Value*	Basis*	Asset Class Weightings	Return Rates	Savings Strategies	Holdings	Details	Delete
David's IRA	IRA	David	\$50,000	\$0		0.00%	0	Add...		X

[Add Account](#) ▼

- Simple Account
- Investment Portfolio
- Mutual Fund
- Cash Account

To enter amounts for any previous Roth conversions that occurred prior to the plan date (Aug 9 2011) and for 2010 conversions where the election was made to defer the tax over 2011 and 2012, click **Goal Funding**.

Figure 32: Enter Financial Data section – Net Worth category – Accounts page


2. Under *Qualified and Non-Qualified Accounts*, click **Add Account**. NaviPlan creates a simple account without holdings.  
OR  
Click ▼ next to *Add Account*, and then select an account type from the list. If you select *Simple Account*, NaviPlan creates an account without holdings. If you select *Investment Portfolio*, *Mutual Fund*, or *Cash Account*, NaviPlan creates an account with holdings and the *Account Details* dialog box opens.
3. In the *Description* field, enter a unique name or account number to identify this account/holding.
4. From the *Account Type* list, select the tax category of the account (for example, *Non-Qualified* or *IRA*).
5. From the *Owner* list, select the owner of the account.
6. In the *Market Value* field, enter the current market value of the account. If the account is a non-qualified, simple account complete the *Basis* field.  
OR  
If the account is a qualified account with holdings, click the link under *Basis* to open the *Account Details* dialog box. In the *Qualified Basis* field, enter the amount of the after-tax contributions.
7. From the *Asset Class Weightings* list, select an asset class if the account is fully weighting in one asset class.  
OR  
If the account is weighted in multiple asset classes, select

**Manual Classification** from the *Asset Class Weightings* list. The *Asset Class Weightings Details* dialog box opens. Assign percentages to various asset classes to equal 100%, and then click **OK**.

If you have the Ibbotson Asset Allocation option, you can search for asset class weightings. See "Searching the asset classifier database" on page 73.

8. If you're entering an account with holdings, see "Entering holdings " on page 43.


From the *Account Details* dialog box (accessed by clicking the *Details* button), you can

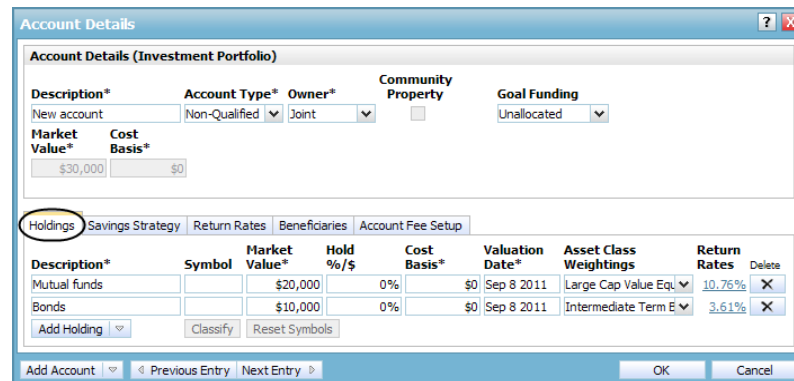
- Stop a portion of an account from being included in asset reallocation by entering either the percentage or the dollar value of the amount to be excluded from reallocation in the *Hold %/\$* field. See "Entering a hold on a holding within an account" on page 44
- Assign the account to a specific goal or multiple goals by making a selection from the *Goal Funding* list. (See "Funding goals" on page 75.)
- Create a new account by clicking  next to **Add Account**, and then selecting either an account type or *Copy of Current*; if you select *Copy of Current*, NaviPlan creates a copy of the existing account.
- View or edit another account by clicking **Next Entry** or **Previous Entry**.

## Entering holdings

To enter the holdings within an account, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page. If no holdings exist for an account, an *Add* button appears under *Holdings*. If holdings already exist for the account, the number of holdings appears as a link.
2. Under *Holdings*, click **Add** (or the numbered link) for the appropriate account. The *Account Details* dialog box opens to the *Holdings* tab. If you are creating the account's first holding, the default holding *New Holding* appears.

If user-defined holdings already exist, click **Add Holding** for each new holding you want to add, or click  next to *Add Holding*, and then select a holding type. Additional data-entry rows appear.




**Account Details (Investment Portfolio)**

Description\* Account Type\* Owner\* Community Property Goal Funding  
 New account Non-Qualified Joint ☐ Unallocated

Market Value\* Cost Basis\*  
 \$30,000 \$0

**Holdings** Savings Strategy Return Rates Beneficiaries Account Fee Setup

Description*	Symbol	Market Value*	Hold %/\$	Cost Basis*	Valuation Date*	Asset Class Weightings	Return Rates	Delete
Mutual funds		\$20,000	0%	\$0	Sep 8 2011	Large Cap Value Equ	10.76%	X
Bonds		\$10,000	0%	\$0	Sep 8 2011	Intermediate Term B	3.61%	X

Add Holding  Classify Reset Symbols


Add Account  < Previous Entry Next Entry > OK Cancel

Figure 33: Account Details dialog box – Holdings tab (Level 2 Plan)

- If you have the Ibbotson Asset Allocation option, in the *Symbol* field, enter a symbol for the holding, and then click **Classify**. NaviPlan enters the description and asset class weighting for the symbol. You can also search the database for a symbol as explained in "Searching the asset classifier database" on page 73.

OR

If the holding is fully weighted in one asset class, select the asset class from the *Asset Class Weightings* list.

OR

If the holding is weighted in multiple asset classes, select **Manual Classification** from the *Asset Class Weightings* list. The *Asset Class Weightings Details* dialog box opens. Assign percentages to various asset classes to equal 100%, and then click **OK**.

- To manually set the return rates for the holding, click the **Return Rates** link to open the *<holding> Return Rates* dialog box. Select **Override**, and then change the appropriate return rates and standard deviations.

## Entering a hold on a holding within an account

To stop a specific portion of a holding within an account from being included in asset reallocation, follow these steps:

- Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.

2. Click the **Details** button. The *Account Details* dialog box opens.
3. On the *Holdings* tab in the *Hold %/\$* field, enter either the percentage or the dollar value of the specific holding that should be excluded from asset reallocation.

## Entering savings strategies for accounts

Savings strategies can be set up either when entering an account or at a later time.

To define regular savings or contributions to an account, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.
2. Under *Qualified and Non-Qualified Accounts*, click **Details** for the appropriate account. The *Account Details* dialog box opens.
3. Go to the **Savings Strategy** tab.
4. Click **Add Savings Strategy**. A new data-entry row appears.

**Account Details (Investment Portfolio)**

Description\* Account Type\* Owner\* Goal Funding  
 IRA IRA David Retirement

Market Value\* Qualified Basis\* Inherited Decedent's Date of Death\*  
 \$0 \$0 ☐ Aug 9 2011

Holdings **Savings Strategy** Redemptions Return Rates Qualified Account Setup Account Fee Setup

**Amount (\$ or % of Salary)**

Pre-tax*	Post-tax*	Frequency*	Start Date*	End Date*	Infl +/- Add'l	Delete
\$250	0.00%	Monthly	Jan 1 2011	Ret. (Owner)	<input checked="" type="checkbox"/> + 0.00%	X

Add Savings Strategy

Add Account Previous Entry Next Entry OK Cancel

Figure 34: Account Details dialog box – Savings Strategy tab (showing an IRA)

5. Enter either the dollar amount or percentage of salary to be contributed and the frequency of the savings contribution. Ensure dollar values under 25 are entered with a dollar sign, or they are assumed to be percentages. For certain qualified accounts, to have the employee contribute the maximum amount as the federal limit increases, type **max** in the appropriate *Amount* field.
6. Enter the start and end dates of the strategy.
7. To index the strategy for inflation, select the **Infl** check box. To index by an amount greater or less than the default inflation

rate, enter a different percentage in the +/- *Add'l* field.

**Note:** The *Infl* check box is not accessible when a percentage of salary is entered.

## Setting up a redemption strategy for an account (Level 2, Detailed Tax)

You can enter a redemption strategy for any account type to redeem an account over a period of time, or you can redeem an account in full as a lump sum.

To set up a redemption strategy, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.
2. Under *Qualified and Non-Qualified Accounts*, click **Details** for the appropriate account. The *Account Details* dialog box opens.
3. Go to the **Redemptions** tab.

Redeem From*	Redeem Amount*	Frequency*	Waive Early Withdrawal Penalties	Start Date*	End Date*	Infl +/-	Add'l	Delete
David's IRA(▼)	All (\$ or %) 0.00%	Monthly	<input checked="" type="checkbox"/>	Aug 9 2011	Ret. (Client)	<input type="checkbox"/> +	0.00%	X

Add Redemption Strategy

Substantially Equal Periodic Payments (SEPP)

Add Account Previous Entry Next Entry OK Cancel

Figure 35: Account Details dialog box – Redemptions tab – Redemptions section (Level 2 Plan, Detailed Tax method)

4. To redeem a portion of the account or all of the account over time, in the *Amount (\$ or %)* field, enter either the percentage of the account to redeem or an amount to redeem periodically based on the selection from the *Frequency* list.  
OR  
To redeem the entire account as a lump sum, select the **Redeem All** check box.
5. From the *Frequency* list, select the frequency of redemptions.
6. If applicable, for qualified accounts select the **Waive Early Withdrawal Penalties** check box to exclude penalties due if the asset is withdrawn early.
7. In the *Start Date* field, enter the date the redemption should start.
8. In the *End Date* field, enter the date the redemptions should end.

**Note:** The *End Date* field is not accessible if *Redeem All* or *Lump Sum* is selected.

9. To index the strategy for inflation, select the **Infl** check box. To index by an amount greater or less than the default inflation rate, enter a different percentage in the +/- *Add'l* field.

**Note:** The *Infl* check box is not accessible when *Redeem All* or *Lump Sum* is selected or a percentage of the account is entered.

10. Click **OK** to save the redemption strategy. The *Account Details* dialog box closes.

## Setting up a SEPP strategy for an account (Level 2, Detailed Tax)

You can enter a substantially equal periodic payments (SEPP) strategy for certain qualified accounts. If an account does not qualify for SEPP redemptions, the *Substantially Equal Periodic Payments (SEPP)* section of the *Account Details* dialog box does not appear.

**Note:** Only one SEPP strategy can be added to an account.

To set up a SEPP strategy, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.
2. Under *Qualified and Non-Qualified Accounts*, click **Details** for the appropriate account.
3. Go to the **Redemptions** tab, click the **Substantially Equal Periodic Payments (SEPP)** link, and then click **Add SEPP Strategy**. A new data-entry row appears.

The screenshot shows the 'Redemptions' tab in the 'Account Details' dialog box. Under the 'Substantially Equal Periodic Payments (SEPP)' section, there is a table with the following data:

Account Description	Start Date*	Frequency*	Distribution Method*	Pro-Rate First/Last Payments	Details	Delete
David's IRA	Oct 11 2011	Annual	Required Minimum Distribution	<input type="checkbox"/>		

Below the table is a button labeled 'Add SEPP Strategy'. At the bottom of the dialog box are buttons for 'Add Account', 'Previous Entry', 'Next Entry', 'OK', and 'Cancel'.

Figure 36: Account Details dialog box – Redemptions tab – Substantially Equal Periodic Payments (SEPP) section (Level 2 Plan, Detailed Tax method)

4. In the *Start Date* field, enter the date the SEPP will start.
5. From the *Frequency* list, select the payment frequency.
6. From the *Distribution Method* list, select the method of payment.
7. If applicable, select **Pro-Rate First/Last Payments**.
8. To specify the life expectancy table to use for calculating payments, and an interest rate, click **Details**. The *SEPP Strategy Details* dialog box opens.

Account Description	Annual Distribution Amount*	Start Date*	Frequency*	Distribution Method*
David's IRA	N/A	Oct 11 2011	Annual	Amortization

☐ **Pro-Rate First/Last Payments**
 Life Expectancy Table\*: Single Life Expectancy
 Beneficiary Date of Birth\*: N/A
 72(t) Interest Rate: 0.00%

Figure 37: SEPP Strategy Details dialog box

For more information about the *SEPP Strategy Details* dialog box, click **Help** ?.

9. In the *SEPP Strategy Details* dialog box, click **OK** to save the SEPP details. The dialog box closes.
10. In the *Account Details* dialog box, click **OK** to save the SEPP strategy. The *Account Details* dialog box closes.

## Overriding calculated return rates for accounts

NaviPlan Premium calculates an overall return rate for an account based on the return rates and dollar value of the holdings in the account. You can override the return rates for any account.

To override calculated return rates for an account, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.
2. Under *Qualified and Non-Qualified Accounts*, click **Details** for the appropriate account. The *Account Details* dialog box opens.
3. Go to the **Return Rates** tab.

**Account Details (Investment Portfolio)**

Description\*: New account Account Type\*: IRA Owner\*: David Goal Funding: Retirement

Market Value\*: \$0 Qualified Basis\*: \$0 Inherited: ☐ Decedent's Date of Death\*: Aug 9 2011

Holdings Savings Strategy Redemptions **Return Rates** Qualified Account Setup Account Fee Setup

☒ Override

	Pre-Retirement	Retirement
Interest	0.00%	0.00%
Dividends	1.83%	1.83%
Capital Gains	7.57%	7.57%
Tax Free	0.00%	0.00%
Deferred Growth	0.23%	0.23%
<b>Total</b>	<b>9.63%</b>	<b>9.63%</b>
Standard Deviation	23.64%	23.64%

Add Account Previous Entry Next Entry OK Cancel

Figure 38: Account Details dialog box – Return Rates tab

4. Select the **Override** check box, and then revise the return rates and standard deviations.

## Setting up beneficiaries for a non-qualified account

You can specify primary and contingent beneficiaries for non-qualified accounts.

To set up beneficiaries, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.
2. Under *Qualified and Non-Qualified Accounts*, click **Details** for the appropriate non-qualified account. The *Account Details* dialog box opens.
3. Go to the **Beneficiaries** tab.

Savings Strategy Redemptions Return Rates **Beneficiaries** Account Fee Setup

Primary Beneficiary: Surviving Client

Contingent Beneficiary: Julia

Add Account Previous Entry Next Entry OK Cancel

Figure 39: Account Details dialog box – Beneficiaries tab (joint analysis)

4. From the *Primary Beneficiary* list, select the primary beneficiary. **Note:** For plans using a joint analysis, the *Primary Beneficiary* is always the surviving client.
5. From the *Contingent Beneficiary* list, select the contingent beneficiary.

## Setting up a qualified account

This procedure applies to qualified accounts other than 529 plans. For instructions on setting up a 529 plan, see "Setting up a 529 plan or Coverdell account" on page 52.

**Note:** The options available on the *Qualified Account Setup* tab are dependent on the *Account Type* selected.

To set up a qualified account, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.
2. Under *Qualified and Non-Qualified Accounts*, click **Details** for the appropriate qualified account.
3. Go to the **Qualified Account Setup** tab.
4. Select the primary and contingent beneficiaries.
5. Level 2 If income with respect to a decedent (IRD) taxes are not applicable, select the **Multi-Generational** check box. If this check box is selected, the asset will pass to the beneficiary (and not to the client or co-client). Estate taxes may be due, but IRD taxes will be avoided.
6. To waive early withdrawal penalties for an account or a fixed or variable annuity, select the **Waive early withdrawal penalties** check box.
7. If the plan type is 403(b), in the *Pre-1987 Account Balance* field, enter the value of the plan on December 31, 1986. Required minimum distribution payments on the pre-1987 portion of the account will be delayed until retirement or age 75 (whichever is later).
8. If the client's retirement date is after age 70½ (the milestone is defined on the *Plan Management* section – *Assumptions* category – *Milestones* page) and the client is permitted to delay required minimum distributions beyond this age, select the **Delay RMDs to Retirement** check box.

**Note:** If the client's retirement begins before age 70½, this check box does not appear. This step does not apply to IRA, spousal IRA, Roth IRA, Roth 401(k), and Roth 403(b) accounts.

If the *Delay RMDs to Retirement* check box is not selected, NaviPlan Premium ensures that contributions to the plan cease no later than the year in which the client turns 70½ and that RMDs will begin in the year in which the client turns 70½, even if the client's retirement age has been defined as older than 70½.

9. For *Other Salary Deferral*, *Generic Employer-Paid Plan*, or *Generic Self-Employed Plan*, select the **Treat As Deferred Compensation Plan (i.e. no RMDs)** check box. These account types do not require minimum distributions.

The screenshot shows the 'Qualified Account Setup' tab of the 'Account Details' dialog box. The 'Treat As Deferred Compensation Plan (i.e. no RMDs)' checkbox is selected. Other options include 'Delay RMDs to Retirement' (checked), 'State taxable' (checked), 'RMD Payment Frequency' (Monthly), and 'Make Annual Payments In' (January). The 'End-of-Year Market Value as of 2010' is \$0.

Field	Value
Primary Beneficiary	Susan
Contingent Beneficiary	Estate
Multi-Generational	<input type="checkbox"/>
Waive early withdrawal penalties	<input type="checkbox"/>
Treat As Deferred Compensation Plan (i.e. no RMDs)	<input checked="" type="checkbox"/>
Delay RMDs to Retirement	<input checked="" type="checkbox"/>
State taxable	<input checked="" type="checkbox"/>
RMD Payment Frequency	Monthly
Make Annual Payments In	January
End-of-Year Market Value as of 2010	\$0

Figure 40: Account Details dialog box – Qualified Account Setup tab (Level 2 Plan, Average Tax method, Other Salary Deferral account type selected)

10. **A, Tax** To apply state taxes to the taxable portion of distributions from this account, select the **State taxable** check box.  
**Note:** The *State taxable* check box does not appear for 457 and Roth accounts.
11. From the *RMD Payment Frequency* list, select the desired frequency. If *Annual* is selected, select the month in which the annual payment will be made.
12. To change the market value used to calculate the minimum payout, select the **End-of-Year Market Value** check box, and then enter a new value in the field to the right.

## Setting the account fee for an account

NaviPlan Premium allows you to set a default account fee for the client on the *User Preferences - Plan Settings* dialog box – *General* tab (*User Preferences* menu – *Plan Settings*) and for a plan on the *Plan Management* section – *Assumptions* category – *General* page. You can also set the account fee for an individual account in the *Account Details* dialog box.

To set the account fee for an account, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.
2. Under *Qualified and Non-Qualified Accounts*, click **Details** for the appropriate account. The *Account Details* dialog box opens.
3. Go to the **Account Fee Setup** tab.

Figure 41: Account Details dialog box – Account Fee Setup tab (Detailed Tax method)

4. Select **Override**.
5. Adjust the account fee details as required.

**Note:** The *Tax Deductible* check box is available only when using the Detailed Tax method.

## Setting up a 529 plan or Coverdell account

To set up a 529 plan or Coverdell account, follow these steps:

1. Go to the **Financial Picture** section – **Net Worth** category – **Accounts** page.
2. Click **Add Account**. A new data-entry row appears.
3. From the *Account Type* list, select **529 Plan** or **Coverdell**.
4. Under *Qualified and Non-Qualified Accounts*, click **Details** for the new account. The *Account Details* dialog box opens.
5. Under *Account Details*, select the owner, donor, and the distributions beneficiary of the plan. The applicable dependent should be selected as the distributions beneficiary.

**Note:** For a Coverdell account, the *Distributions Beneficiary* must be a dependent.

Figure 42: Account Details dialog box (showing fields for a 529 plan)

**Note:** If the donor and the distributions beneficiary are the same person, assets from the 529 plan are included with the donor's estate.

6. Complete the remaining fields as required.

## Entering an UTMA or UGMA account

UTMA (Uniform Transfers to Minors Act) and UGMA (Uniform Gifts to Minors Act) accounts allow your clients to gift money to their dependent(s). NaviPlan considers UTMA and UGMA accounts to be non-qualified accounts. These non-qualified accounts can fund future education costs. You must assign a dependent as the owner of the account, and then you can designate a client as the account custodian.

To set up an UTMA account, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.
2. Click **Add Account**. A new data-entry row appears.

3. From the *Account Type* list, select **Non-Qualified**.
4. From the *Owner* list, select the dependent.
5. Click **Details** for the appropriate non-qualified account. The *Account Details* dialog box opens.
6. Go to the **UTMA** tab.

The screenshot shows the 'Account Details' dialog box with the 'UTMA' tab selected. The 'Account Type' is set to 'Non-Qualified' and the 'Owner' is 'Matthew'. The 'UTMA Account' checkbox is checked. A callout box explains that the UTMA tab is only available for non-qualified accounts with a dependent owner.

Figure 43: Account Details dialog box – UTMA tab

7. Select the **UTMA Account** check box, and then from the *UTMA Custodian* and *UTMA Donor* lists, select the custodian and donor.
8. Enter the age at which the dependent takes control of the account from the owner.

## Entering annuities

You can enter deferred and annuitized annuities directly in NaviPlan Premium Level 1 or Level 2 Plans. For instructions on entering assets, see

Creating annuities	55
Entering annuity subaccounts	58
Entering payout options for annuities	58
Entering savings strategies for annuities	61
Setting up a redemption strategy for an annuity (Level 2, Detailed Tax)	63
Setting up a SEPP strategy for an annuity (Level 2, Detailed Tax)	64
Overriding calculated return rates for variable annuities	66
Setting up a qualified annuity	66

## Creating annuities

You can enter separate annuities for each of your clients' investment holdings, or you can group holdings together within one annuity. You cannot combine qualified and non-qualified holdings within the same annuity. Also, you cannot combine holdings owned by different people within the same annuity.

To enter an annuity, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Annuities** page.

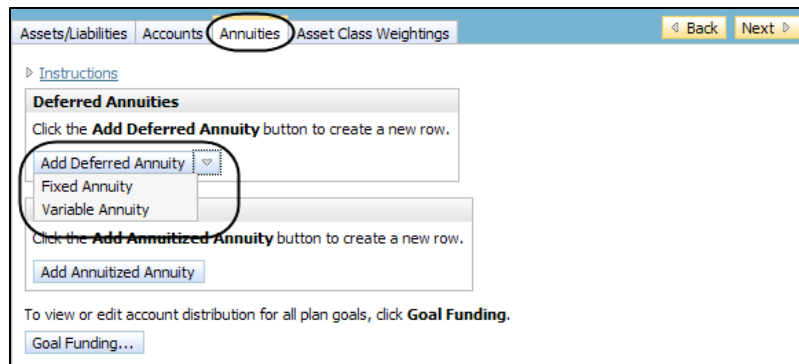



Figure 44: Enter Financial Data section – Net Worth category – Annuities page

If you select this annuity type	NaviPlan Premium creates an annuity where
<i>Fixed</i>	Interest rates are fixed.
<i>Variable</i>	Return rates vary depending on how the annuity funds are invested.
<i>Annuitized</i>	The annuity is in the distribution phase and the payments begin before January 1 of the current plan year.

2. To enter a deferred annuity, under *Deferred Annuities*, click  next to *Add Deferred Annuity*, and then select the type of annuity you want to enter. The *Annuity Details* dialog box opens.
3. To enter an annuitized annuity, click **Add Annuitized Annuity**.

**Annuity Details**

**Variable Annuity**

Description\* Account Type\* Owner\* Annuitant\* Beneficiary\* Income Option\*

New annuity Non-Qualified Joint David Surviving Client Amount Certain

**General Account** **Subaccounts**

Market Value\* Cost Basis\* Valuation Date\* Market Value\* Cost Basis\* Pre-Annuity Fee Annual M&E Fee Waive Early Withdrawal Penalties

\$0 \$0 Sep 8 2011 \$0 \$0 0.00% ☐

Subaccounts Payout Options Savings Strategy Return Rates

Description\* Symbol Market Value\* Hold %/\$ Cost Basis\* Valuation Date\* Asset Class Weightings Delete

New Subaccount \$0 0% \$0 Sep 8 2011

Add Subaccount

Fixed Annuity  
Variable Annuity  
Copy of Current

If you select *Copy of Current*, NaviPlan creates a copy of the existing annuity. Use this to avoid re-entering data when you have similar items to add.

OK Cancel

Figure 45: Annuity Details dialog box – Subaccounts tab

4. Enter a unique description to identify this annuity, and then select an account type, owner, annuitant, and beneficiary.

When *Joint* is selected from the *Annuitant* list and either client dies, the surviving client receives the annuity payments until death. When the surviving client dies, the selected beneficiary receives the remaining payments.

5. Select an income option (method for receiving annuity payments):

Income option	Calculation
<i>Amount Certain</i>	NaviPlan calculates the duration of annuity payments based on the payment amount.
<i>Term Certain</i>	NaviPlan calculates the payment per \$1,000 based on the number of years the annuity is set to pay out.
<i>Life Income</i>	NaviPlan calculates the payment per \$1,000 based on the annuitant's life expectancy and the guaranteed number of years.
<i>Withdrawals as Needed</i>	Payments do not start automatically when the plan reaches the annuitization date. Instead, NaviPlan redeems funds from the annuity as needed to cover cash flow deficits occurring after this date.
<i>Guaranteed Withdrawal Benefit</i>	Payments are annual withdrawals that are guaranteed for the life of the owner. If <i>Joint</i> is selected as the owner, payments are guaranteed until the first owner dies. Payments are guaranteed even if the value of the annuity's accounts are depleted.

If you are entering a fixed annuity, enter the market value of the annuity, the cost basis or qualified basis as applicable, the valuation date, the pre-annuitization return rate, and the assumed interest rate after the annuity begins paying out (*AIR*).

If you are entering a variable annuity, enter the general account market value, cost basis, and valuation date.

If you are entering an annuitized annuity, enter the balance of the cost basis or qualified basis.

6. If you are entering a variable annuity, follow these steps:
  - a. On the *Subaccounts* tab, enter annuity subaccounts as explained in "Entering annuity subaccounts" on page 58. The total of the market values entered for the variable subaccounts appears in the *Subaccounts Market Value* field, under *Variable Annuity*.
  - b. If you are using asset class weightings, define the asset class weightings of the subaccounts as explained in "Defining asset class weightings" on page 72.
7. To enter payout options that apply to the annuity, complete the procedure "Entering payout options for annuities" on page 58.

**Note:** The *Payout Options* tab does not appear when the income option *Withdrawals as Needed* is selected.
8. To enter savings strategies that apply to the annuity, complete the procedure "Entering savings strategies for accounts" on page 45.
9. To override the default return rates that apply to the annuity, complete the procedure see "Overriding calculated return rates for accounts" on page 48.
10. To set-up a qualified annuity, complete the procedure "Setting up a qualified annuity" on page 66.
11. In the *Annuity Details* dialog box, you can
  - Create a new annuity by clicking ☐ next to *Add Deferred Annuity*, and then selecting either an annuity type or *Copy of Current*.
  - View or edit another annuity by clicking *Next Entry* or *Previous Entry*.

## Entering annuity subaccounts

Variable annuities are made up of one general account and multiple subaccounts. The total of all subaccounts appear in the *Market Value* field under *Subaccounts*.

To enter an annuity subaccount, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Annuities** page.
2. Click **Details** for the appropriate variable annuity. The *Annuity Details* dialog box opens to the *Subaccounts* tab.
3. On the *Subaccounts* tab, enter a unique description of the subaccount and all relevant information.
4. If you are using asset class weightings, classify the asset class weightings for each subaccount as explained in "Defining asset class weightings" on page 72.

## Entering payout options for annuities

The payout options for annuities varies depending on the type of annuity and the selection from the *Income Option* list.

### Entering payout options for variable and fixed annuities

Variable and fixed annuities with the *Withdrawals as Needed* income type do not have payout options.

For information about entering payout options for annuities with the *Guaranteed Withdrawal Benefit* income option, see "Entering payout options for an annuity with a guaranteed withdrawal benefit" on page 60.

To specify payout options for a variable or fixed annuity, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Annuities** page.
2. Click **Details** for the appropriate variable or fixed annuity. The *Annuity Details* dialog box opens.
3. Go to the **Payout Options** tab.

**Note:** Variable annuities have separate sections for the annuity's general account and variable subaccounts.

The image shows a software window titled "Annuity Details" with a "Payout Options" tab selected. The window is divided into several sections:

- Variable Annuity Header:** Includes fields for Description\* (New annuity), Account Type\* (Non-Qualified), Owner\* (Joint), Annuitant\* (David), Beneficiary\* (Surviving Client), and Income Option\* (Amount Certain).
- General Account:** Contains fields for Market Value\* (\$100,000), Cost Basis\* (\$80,000), Valuation Date\* (Aug 9 2011), and a checkbox for Index Payments.
- Subaccounts:** Contains fields for Market Value (\$50,000), Cost Basis (\$0), Pre-Annuity Annual M&E Fee (0.00%), and a checkbox for Waive Early Withdrawal Penalties.
- Annuitization Section:** Includes Start Date (Ret. (1st)), Frequency\* (Annual), At End Of Period (checkbox), Number of Years\* (10.000), and Final Payment Date (May 1 2044).
- General Account Sub-section:** Includes Index Rate (0.00%), AIR (0.00%), Override (checkbox), Payment per \$1000\* (\$100.00), and Partial Settlement %\* (100.00%).
- Variable Subaccounts Section:** Includes Post-Annuity Annual M&E Fee (0.00%), AIR (0.00%), Override (checkbox), Payment per \$1000\* (\$0.00), and Partial Settlement %\* (100.00%).

At the bottom, there are navigation buttons: "Add Deferred Annuity", "Previous Entry", "Next Entry", "OK", and "Cancel".

Figure 46: Annuity Details dialog box – Payout Options tab (showing a variable annuity with Amount Certain income option)

4. Select the start date for the annuity and the payment frequency. If the payments are to be made at the end of the selected payment period, select the **At End Of Period** check box.
5. If the annuity uses the *Term Certain* income option, enter the number of years the annuity will pay out.  
OR  
If the annuity uses the *Amount Certain* income option, enter an amount in the **Payment per \$1000** field.  
OR  
If the annuity uses the *Life Income* income option, enter the guaranteed number of years the annuity will pay out.
6. For variable annuities, if payouts from the *General Account* are indexed, select the **Index Payment** check box, and then enter a value in the *Index Rate* field.
7. If the annuity uses the *Life Income* income option and you want to change the *Payment per \$1000* amount, select **Override**, and then enter a new amount.
8. For variable annuities, enter an assumed interest rate (*AIR*) for the *General Account*.
9. If the entire value of the annuity will not be redeemed, enter the percentage of value that will be used for payouts in the *Partial Settlement %* field.

- For variable annuities, if payouts made from the subaccounts are to be calculated separately from the general account, select **Variable Payments**, and then enter the applicable details under *Variable Subaccounts*.

### Entering payout options for an annuity with a guaranteed withdrawal benefit

Variable and fixed annuities can have an *Income Option* of *Guaranteed Withdrawal Benefit*. The *Payout Options* details are different from the options described in "Entering payout options for variable and fixed annuities" on page 58.

To specify payout options for an annuity with a *Guaranteed Withdrawal Benefit* income option, follow these steps:

- Go to the **Enter Financial Data** section – **Net Worth** category – **Annuities** page.
- Click **Details** for the appropriate variable or fixed annuity. The *Annuity Details* dialog box opens.
- From the *Income Option* list, select **Guaranteed Withdrawal Benefit**.
- Go to the **Payout Options** tab.

Subaccounts **Payout Options** Savings Strategy Return Rates

☐ Guaranteed Withdrawals Have Started

**Contract Information**

Contract Date	Max. Lifetime Withdrawal (%)	Min. Age for Guarantee	Step-up Feature	Step-up Eligibility Year	Step-up Frequency (in years)
Dec 31 2010	5.00%	65	<input checked="" type="checkbox"/>	2011	1

**Withdrawal Information**

Withdrawal Start Date	Withdrawal Amount (as % of Maximum)	Current Benefit Base	Benefit Base Growth Rate
Ret. (1st)	100.00%	\$0	0.00%

[2] December 31, 2035 is the earliest possible *Withdrawal Start Date*. The earliest withdrawals can begin is the first anniversary of the *Contract Date* on or after the date the oldest owner reaches the *Min. Age for Guarantee*. The keyword *Ret. (1st)* sets the *Withdrawal Start Date* at May 1, 2035.

Add Deferred Annuity ◿ ◀ Previous Entry Next Entry ▶ OK Cancel

Figure 47: Annuity Details dialog box – Payout Options tab (showing a variable annuity with Guaranteed Withdrawal Benefit income option)

- If the payouts have started, select **Guaranteed Withdrawals Have Started**.
- Under *Contract Information*, enter the date of the contract, the maximum withdrawal, and the minimum age the annuitant must be before payouts can begin.

7. If the annuity has a step-up feature, select the **Step-up Feature** check box, enter the first year the step-up is available, and then select the frequency of the subsequent step-up years.
8. Under *Withdrawal Information*, enter the start date, the withdrawal amount as a percentage of the maximum amount, the benefit base, and the growth rate of the benefit base.

### Entering payout options for annuitized annuities

To specify payout options for an annuitized annuity, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Annuities** page.
2. Click **Details** for the appropriate annuitized annuity.

**Payout Options**

Annuitization Start Date	% Taxable	Payment Frequency*	Guaranteed Number of Years	Guaranteed Period End Date
Dec 31 2010	100.00%	Monthly	10	Nov 30 2020

**General Account**

Benefit Payment Amount*	Index Payments	Index Rate
\$500	<input type="checkbox"/>	0.00%

**Variable Subaccounts**

Benefit Payment Amount*	AIR	Override	Return Rate	Standard Deviation
\$250	6.00%	<input checked="" type="checkbox"/>	6.00%	0.00%

Add Annuitized Annuity    < Previous Entry    Next Entry >    OK    Cancel

Figure 48: Annuity Details dialog box – Payout Options tab (showing an annuitized annuity with Life Income income option)

3. Enter the start date of the annuity, the percentage of the annuity that is taxable, the payout frequency, and the number of years the annuity will pay out.
4. Under *General Account*, enter the benefit amount coming from the general account and, if the payout is indexed, select the **Index Payments** check box, and then enter an index rate.
5. Under *Variable Subaccounts*, enter the benefit amount coming from the subaccounts and the assumed interest rate.
6. To override the return rate of the subaccounts, select **Override**, and then enter a new return rate.

### Entering savings strategies for annuities

Savings strategies can be set up either when entering an annuity, or at a later time.

To define regular savings or contributions to an annuity, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Annuities** page.
2. Under *Deferred Annuities*, click **Details** for the appropriate fixed or variable annuity. The *Annuity Details* dialog box opens.
3. Go to the **Savings Strategy** tab.
4. If you are entering savings for a variable annuity, enter the percentages to be directed toward the general account and the subaccounts.
5. Click **Add Savings Strategy**. A new data-entry row appears.

**Annuity Details**

**Variable Annuity**

Description*	Account Type*	Owner*	Annuitant*	Beneficiary*	Income Option*
IRA	IRA	David	David	Susan	Amount Certain

General Account			Subaccounts			
Market Value*	Qualified Basis*	Valuation Date*	Market Value	Cost Basis	Pre-Annuity Annual M&E Fee	Goal Funding
\$0	\$0	Aug 9 2011	\$0	\$0	0.00%	Retirement

Subaccounts | Payout Options | **Savings Strategy** | Redemptions | Return Rates | Qualified Account Setup

**General Subaccounts**

Direct Savings to: 50% 50%

**Amount (\$ or % of Salary)**

Pre-tax*	Post-tax*	Frequency*	Start Date*	End Date*	Infl +/- Add'l	Delete
\$250	0.00%	Monthly	Jan 1 2011	Ret. (1st)	+ 0.00%	X

Add Savings Strategy

Add Deferred Annuity | Previous Entry | Next Entry | OK | Cancel

Figure 49: Annuity Details dialog box – Savings Strategy tab (showing an IRA)

6. Enter either the dollar amount or percentage of income to be contributed along with the frequency of the savings contribution. Ensure dollar values under 25 are entered with a dollar sign, or they are assumed to be percentages. For certain qualified annuities, to have the employee contribute the maximum amount as the federal limit increases, enter **max** in the appropriate *Salary* field.
7. Enter the start and end dates of the strategy.
8. To index the strategy for inflation, select the **Infl** check box. To index by an amount greater or less than the default inflation rate, enter a different percentage in the +/- *Add'l* field.  
**Note:** The *Infl* check box is not accessible when a percentage of salary is entered.

## Setting up a redemption strategy for an annuity (Level 2, Detailed Tax)

You can enter a redemption strategy for any deferred annuity type to redeem an annuity over a period of time or you can redeem an annuity in full as a lump sum.

To set up a redemption strategy, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Annuities** page.
2. Under *Deferred Annuities*, click **Details** for the appropriate annuity. The *Annuity Details* dialog box opens.
3. Go to the **Redemptions** tab.

Redeem From*	Redeem All	Amount* (\$ or %)	Frequency*	Waive Early Withdrawal Penalties	Start Date*	End Date*	Infl +/- Add'l	Delete
David's I...	<input type="checkbox"/>	100.00%	Lump Sum	<input type="checkbox"/>	Aug 9 2011		+ 0.00%	X

Add Redemption Strategy

Substantially Equal Periodic Payments (SEPP)

Add Deferred Annuity Previous Entry Next Entry OK Cancel

Figure 50: Annuity Details dialog box – Redemptions tab – Redemptions details (Level 2 Plan, Detailed Tax method)

4. To redeem a portion of the annuity or all of the annuity over time, in the *Amount (\$ or %)* field, enter either the percentage of the annuity to redeem or an amount to redeem periodically based on the selection from the *Frequency* list.  
OR  
To redeem the entire annuity as a lump sum, select the **Redeem All** check box.
5. From the *Frequency* list, select how often the redemptions will occur.
6. If applicable, for qualified annuities select the **Waive Early Withdrawal Penalties** check box to exclude penalties due if the asset is withdrawn early.
7. In the *Start Date* field, enter the date the redemption should start.
8. In the *End Date* field, enter the date the redemptions should end.  
**Note:** The *End Date* field is not accessible if *Redeem All* or *Lump Sum* is selected.
9. To index the strategy for inflation, select the **Infl** check box. To index by an amount greater or less than the default inflation rate, enter a different percentage in the *+/- Add'l* field.  
**Note:** The *Infl* check box is not accessible when *Redeem All* or *Lump Sum* is selected or a percentage of the annuity is entered in the *Amount* field.
10. Click **OK** to save the redemption strategy. The *Annuity Details* dialog box closes.

## Setting up a SEPP strategy for an annuity (Level 2, Detailed Tax)

You can enter a substantially equal periodic payments (SEPP) strategy for certain qualified annuities. If an annuity does not qualify for SEPP redemptions, the *Substantially Equal Periodic Payments (SEPP)* section of the *Annuity Details* dialog box does not appear.

**Note:** Only one SEPP strategy can be added to an annuity.

To set up a SEPP strategy, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Annuities** page.
2. Under *Deferred Annuities*, click **Details** for the appropriate annuity.

- Go to the **Redemptions** tab, and then click **Substantially Equal Periodic Payments (SEPP)**.

Figure 51: Annuity Details dialog box – Redemptions tab – Substantially Equal Periodic Payments (SEPP) details (Level 2 Plan, Detailed Tax method)

- In the *Start Date* field, enter the date the SEPP will start.
- From the *Frequency* list, select the payment frequency.
- From the *Distribution Method* list, select the method of payment.
- If applicable, select **Pro-Rate First/Last Payments**.
- To specify the life expectancy table to use for calculating payments and an interest rate, click **Details**. The *SEPP Strategy Details* dialog box opens.

Figure 52: SEPP Strategy Details dialog box

For more information about the *SEPP Strategy Details* dialog box, click **Help**

- To save the SEPP details, click **OK**. The *SEPP Strategy Details* dialog box closes.
- In the *Annuity Details* dialog box, click **OK** to save the SEPP strategy. The *Annuity Details* dialog box closes.

## Overriding calculated return rates for variable annuities

NaviPlan Premium calculates an overall return rate for a variable annuity based on the return rates and dollar value of the subaccounts in the annuity. You can override the return rates for any variable annuity.

To override calculated return rates for a variable annuity, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Annuities** page.
2. Under *Deferred Annuities*, click **Details** for the appropriate variable annuity. The *Annuity Details* dialog box opens.
3. Go to the **Return Rates** tab.

The screenshot shows the 'Annuity Details' dialog box with the 'Return Rates' tab selected. The 'General Account' section has fields for Market Value (\$0), Cost Basis (\$0), and Valuation Date (Aug 9 2011). The 'Subaccounts' section has fields for Market Value (\$15,000), Cost Basis (\$0), and Pre-annuitization Annual M&E Fee (0.00%). The 'Return Rates' tab is active, showing a table with columns for Pre-annuitization Return Rate (0.00%), Override (checked), Return Rate (0.00%), and Standard Deviation (0.00%).

Figure 53: Annuity Details dialog box – Return Rates tab

4. Under *General Account*, enter a value in the *Pre-annuitization Return Rate* field.
5. To override the return rates that apply to variable subaccounts, under *Variable Subaccounts*, select the **Override** check box, and then enter new return rates and standard deviation values.

## Setting up a qualified annuity

**Note:** The options available on the *Qualified Account Setup* tab are dependent on the *Account Type* selected.

To set up a qualified annuity, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Annuities** page.
2. Under *Deferred Annuities* or *Annuitized Annuities*, click **Details** for the appropriate qualified account or annuity.

3. Go to the **Qualified Account Setup** tab.
4. Select the primary and contingent beneficiaries.
5. To waive early withdrawal penalties for an account or a fixed or variable annuity, select the **Waive early withdrawal penalties** check box.
6. **Level 2** If income in respect of decedent (IRD) taxes are not applicable, select the **Multi-Generational** check box. When this check box is selected, the asset will pass to the beneficiary (and not to the client or co-client). Estate taxes may be due, but IRD taxes will be avoided.
7. If the plan type is 403(b), in the *Pre-1987 Account Balance* field, enter the value of the plan on December 31, 1986. Required minimum distribution payments on the pre-1987 portion of the account will be delayed until retirement or age 75 (whichever is later).
8. If the client's retirement date is after age 70½ (the milestone is defined on the *Plan Management* section – *Assumptions* category – *Milestones* page) and the client is permitted to delay required minimum distributions beyond this age, select the **Delay RMDs to Retirement** check box.


**Note:** If the client's retirement begins before age 70½, this check box does not appear. This step does not apply to IRA, spousal IRA, Roth IRA, Roth 401(k), and Roth 403(b) accounts.

If the *Delay RMDs to Retirement* check box is not selected, NaviPlan Premium ensures that contributions to the plan cease no later than the year in which the client turns 70½ and that RMDs will begin in the year in which the client turns 70½, even if the client's retirement age has been defined as older than 70½.

9. For *Other Salary Deferral*, *Generic Employer-Paid Plan*, or *Generic Self-Employed Plan*, select the **Treat As Deferred Compensation Plan (i.e. no RMDs)** check box. These account types do not require minimum distributions.

The screenshot shows the 'Qualified Account Setup' tab in the NaviPlan Premium software. The 'Primary Beneficiary' is set to 'Susan' and the 'Contingent Beneficiary' is set to 'Other'. The 'Treat As Deferred Compensation Plan (i.e. no RMDs)' checkbox is checked. The 'RMD Payment Frequency' is set to 'Monthly' and 'Make Annual Payments In' is set to 'January'. The 'End-of-Year Market Value as of 2010' is \$0. The 'Add Deferred Annuity' button is highlighted.

Figure 54: Annuity Details dialog box – Qualified Account Setup tab (Level 2 Plan, Average Tax method, fixed annuity, Other Salary Deferral account type)

10.  To apply state taxes to the taxable portion of distributions from this account, select the **State taxable** check box.  
**Note:** The *State taxable* check box does not appear for 457 and Roth accounts.
11. From the *RMD Payment Frequency* list, select the desired frequency. If *Annual* is selected, select the month in which the annual payment will be made.
12. To change the market value used to calculate the minimum payout, select the **End-of-Year Market Value** check box, and then enter a new value in the field to the right.

## Entering equity compensation

The *Equity Compensation* module is only available in Level 2 Plans that use the Detailed Tax method.


On the *Equity Compensation* page, you can enter stock options and restricted stock awards.

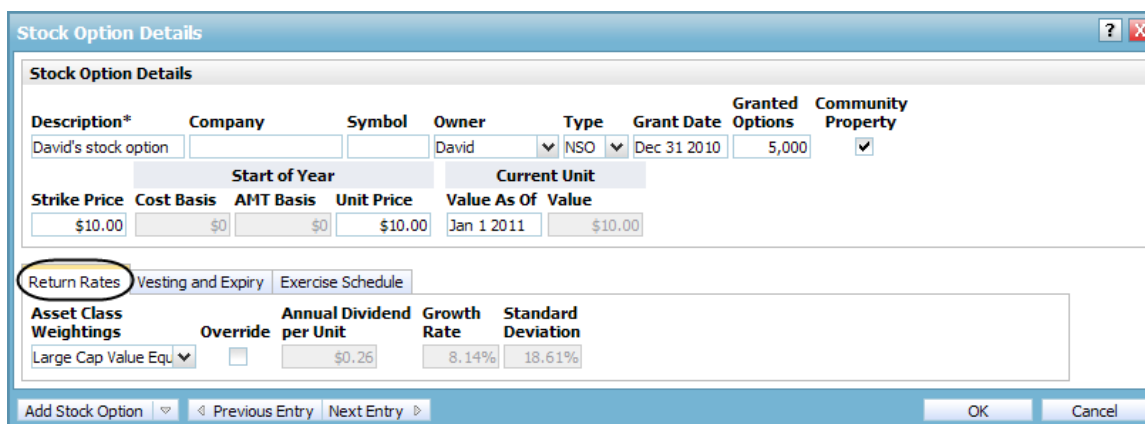
### Entering stock options (Level 2)

In NaviPlan Premium, the term stock options refers to compensatory stock options and not the trading of stock options. A stock option gives an individual the right to purchase a set number of shares at a fixed price at some point in the future.

Clients can own stock options individually or jointly, but dependents cannot. You can enter all your clients' compensatory stock options on the *Financial Picture* section – *Net Worth* category – *Equity Compensation* page.

To enter a new compensatory stock option, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Equity Compensation** page.
2. To enter a new stock option, click  next to **Add Stock Option**, and then select **Non-Qualified Stock Option** or **Incentive Stock Option**. The *Stock Option Details* dialog box opens.



Description*	Company	Symbol	Owner	Type	Grant Date	Granted Options	Community Property
David's stock option			David	NSO	Dec 31 2010	5,000	<input checked="" type="checkbox"/>

Start of Year			Current Unit		
Strike Price	Cost Basis	AMT Basis	Unit Price	Value As Of	Value
\$10.00	\$0	\$0	\$10.00	Jan 1 2011	\$10.00

Asset Class Weightings	Override	Annual Dividend per Unit	Growth Rate	Standard Deviation
Large Cap Value Equ	<input type="checkbox"/>	\$0.26	8.14%	18.61%

Figure 55: Stock Option Details dialog box – Return Rates tab

3. In the *Description* field, enter a unique name for the stock, and then complete all the required fields.
4. From the *Asset Class Weightings* list on the *Return Rates* tab, select an asset class if the account is fully weighted in one asset

class.

OR

If the account is weighted in multiple asset classes, select **Manual Classification** from the *Asset Class Weightings* list. The *Asset Class Weightings Details* dialog box opens. Assign percentages to various asset classes to equal 100%, and then click **OK**.

If you have the Ibbotson Asset Allocation option, you can search for asset class weightings. See "Searching the asset classifier database" on page 73.

5. If you will not be using return rate associated with the selected asset class weighting, select the **Override** check box, and then enter the return rate values.
6. When you've finished entering the applicable details of the stock option, go to the **Vesting and Expiry** tab.

Vesting			
Dec 31 2010	0.00%	After 6 years	0.00%
After 1 year	20.00%	After 7 years	0.00%
After 2 years	20.00%	After 8 years	0.00%
After 3 years	20.00%	After 9 years	0.00%
After 4 years	20.00%	After 10 years	0.00%
After 5 years	20.00%	Total	100.00%

☒ Auto-vest on retirement  
☐ If retirement is on or after age   
☒ Auto-vest on death

**Expiry**  
☒ No expiry  
☐ All options expire  years and  months after granting

Figure 56: Stock Option Details dialog box – Vesting and Expiry tab

7. Define when the stock options will vest and when they will expire.
8. Go to the **Exercise Schedule** tab.

Figure 57: Stock Option Details dialog box – Exercise Schedule tab

- Specify when the stock options will be exercised by entering an event or date, and then enter any related details regarding the exercise.

## Entering restricted stock awards (Level 2)

The term restricted stock refers to the awarding of actual stock or shares in a company as opposed to the right to buy stock in the future.

Clients can own stock options individually or jointly, but dependents cannot. You can enter all your clients' restricted stock on the *Financial Picture* section – *Net Worth* category – *Equity Compensation* page.

To enter a new restricted stock award, follow these steps:

- Go to the **Enter Financial Data** section – **Net Worth** category – **Equity Compensation** page.
- To enter a new restricted stock award, click **Add Restricted Stock**.

Figure 58: Restricted Stock Details dialog box – Return Rates tab

- In the *Description* field, enter a unique name for the stock, and then complete all the required fields.
- From the *Asset Class Weightings* list on the *Return Rates* tab, select an asset class if the account is fully weighted in one asset

class.

OR

If the account is weighted in multiple asset classes, select **Manual Classification** from the *Asset Class Weightings* list. The *Asset Class Weightings Details* dialog box opens. Assign percentages to various asset classes to equal 100%, and then click **OK**.

If you have the Ibbotson Asset Allocation option, you can search for asset class weightings. See "Searching the asset classifier database" on page 73.

5. If you will not be using return rate associated with the selected asset class weighting, select the **Override** check box, and then enter the return rate values.
6. When you've finished entering the applicable details of the stock option, go to the **Vesting and Release** tab.

Schedule	% Vested	Release Strategy	Estimated Tax Rate	Direct Proceeds To	Account Details	Calculate	Market Value per Unit When Released	Market Value per Unit	Unsold Shares
Dec 31 2010	0.00%	None	0.00%				\$0.00		0
After 1 year	20.00%	Cashless	40.00%	Joint savings					
After 2 years	20.00%	Sell All	0.00%	Cash Flow					
After 3 years	20.00%	None	0.00%						
After 4 years	20.00%	None	0.00%						
After 5 years	20.00%	None	0.00%						
After 6 years	0.00%	None	0.00%						
After 7 years	0.00%	None	0.00%						
After 8 years	0.00%	None	0.00%						
After 9 years	0.00%	None	0.00%						
After 10 years	0.00%	None	0.00%						
<b>Total</b>	<b>100.00%</b>								

☒ Auto-vest on retirement  
☐ If retirement is on or after age 65  
☒ Auto-vest on death



Figure 59: Restricted Stock Details dialog box – Vesting and Release tab

7. Define when the stock will vest and a release strategy, and then enter any other related details.

## Defining asset class weightings

You can define asset class weightings for the following asset types:

- Accounts on the *Accounts* page and in the *Account Details* dialog box.

- Variable annuities on the *Annuities* page and in the *Annuities Details* dialog box.
-  Stock options in the *Stock Option Details* dialog box.
-  Restricted stock in the *Restricted Stock Details* dialog box.

To define asset class weightings for any of the above asset types, do one of the following:

- If the asset belongs to a single asset class, select that asset class from the *Asset Class Weightings* list.
- If the asset is weighted in multiple asset classes, select **Manual Classification** from the *Asset Class Weightings* list. The *Asset Class Weightings Details* dialog box opens. Assign percentages to various asset classes to equal 100%, and then click **OK**.
- If you have the Ibbotson Asset Allocation option and you know the symbol for the asset you are modifying, enter it in the *Symbol* field, and then click **Classify**. NaviPlan enters the description and asset class weighting for the symbol.
- If you have the Ibbotson Asset Allocation option and you want to classify the asset but do not know the symbol of the asset you are modifying, you can search the Ibbotson Asset Allocation database as shown in "Searching the asset classifier database" on page 73.

## Searching the asset classifier database

If you have the Ibbotson Asset Allocation option, you can search for an asset classifier to use in the asset class weightings.

To search the asset classifier database, do the following:

1. Go to the page or dialog box of the asset for which you want to set the asset class weightings.
2. From the *Asset Class Weightings* list, select **Search**. The *Asset Class Weightings Details* dialog box opens.

Class Name	Class Percentage	Class Name	Class Percentage
Large Cap Growth Equity	0.00%	Large Cap Value Equity	0.00%
Mid Cap Equity	0.00%	Small Cap Equity	0.00%
US REITs	0.00%	International Equity	0.00%
Emerging Markets Equity	0.00%	Long Term Bonds	0.00%
Intermediate Term Bonds	0.00%	Short Term Bonds	0.00%
High Yield Bonds	0.00%	International Bonds	0.00%
Cash	0.00%		
<b>Total</b>	<b>0.00%</b>		

Figure 60: Asset Class Weighting Details dialog box

- Under *Asset Class Weightings Options*, select **Use Asset Classifier Search**.
- Under *Search*, enter the search criteria, and then click **Search**. The results of the search appear under *Results*. If you are unsure of all the letters in a symbol or name, insert an asterisk (\*) for wildcard searches. For example, to search for assets that begin with "br," enter br\* in the *Ticker Symbol* field.
- Under *Results*, select the appropriate asset, and then click **OK**. The *Asset Class Weightings Details* dialog box closes and NaviPlan updates the *Asset Class Weightings* field.

## Editing asset class weightings (Level 2)

In addition to editing asset class weightings from the asset's dialog box, you can also edit asset class weightings for any account, annuity, stock option, and restricted stock on the *Asset Class Weightings* page.

To edit the asset class weightings of an existing asset, follow these steps:

- Go to the **Enter Financial Data** section – **Net Worth** category – **Asset Class Weightings** page.

Assets/Liabilities | Accounts | Annuities | Equity Compensation | **Asset Class Weightings** | Back | Next

Instructions

**Assets**  
David's IRA (Account) ▼

**Holdings**  
Equities ▼

**Selected Asset Summary - Account**

Description	Account Type	Owner	Market Value
David's IRA	IRA	David	\$50,000

**Asset Class Weightings**

Class Name	Class Percentage	Class Name	Class Percentage
Large Cap Growth Equity	0.00%	Large Cap Value Equity	40.00%
Mid Cap Equity	0.00%	Small Cap Equity	30.00%
US REITs	0.00%	International Equity	30.00%
Emerging Markets Equity	0.00%	Long Term Bonds	0.00%
Intermediate Term Bonds	0.00%	Short Term Bonds	0.00%
High Yield Bonds	0.00%	International Bonds	0.00%
Cash	0.00%		
<b>Total</b>			<b>100.00%</b>

Figure 61: Enter Financial Data section – Net Worth category – Asset Class Weightings page (Level 2 Plan)

- Under *Assets*, select the desired asset.
- If the asset contains holdings, select a holding.
- Under *Asset Class Weightings*, enter the appropriate weightings of the asset classes.

## Funding goals

You can allocate all or a portion of an account to fund specific goals. By default, annuities fund the retirement goal and the funding cannot be adjusted. Qualified retirement accounts fund the retirement goal by default, but can be modified to fund education and major purchase goals as well. Qualified education accounts can fund only education goals.

- On the *Enter Financial Data* section – *Net Worth* category – *Accounts* page, click **Goal Funding**. The *Goal Funding* dialog box opens.

OR

Go to the **Set Goals** section – **Goal Funding** category – **Goal Funding** page. The information on the *Goal Funding* page is identical to the *Goal Funding* dialog box.

Goal Funding

Instructions

**Goal Funding**

Account Name (Owner/Account Type)	Total	Retirement	College Education	Vehicle	Emergency Fund	Unallocated
David's IRA	\$50,000	100%	\$0	\$0	\$0	\$0
Susan's IRA	\$60,000	90%	10%	\$0	\$0	\$0
Joint savings (Non-Qualified)	\$10,000	\$0	BALANCE	\$4,000	\$0	\$0
529 account (David/529 Plan for Julia)	\$20,000	\$0	100%	\$0	\$0	\$0
Non-qualified annuities (Joint/Non-Qualified)	\$15,000	100%	\$0	\$0	\$0	\$0
	<b>\$155,000</b>	<b>\$119,000</b>	<b>\$32,000</b>	<b>\$4,000</b>	<b>\$0</b>	<b>\$0</b>

OK Cancel

Figure 62: Goal Funding dialog box

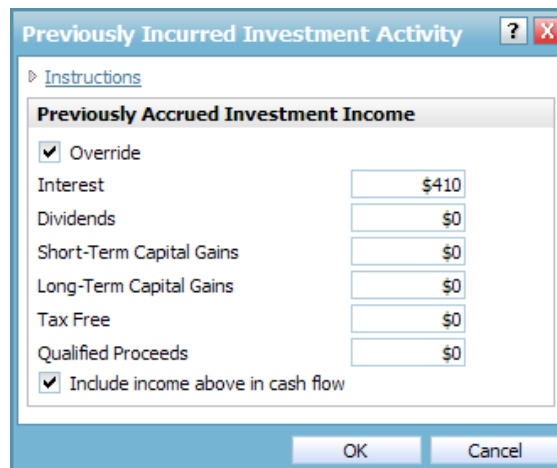
2. For each account and goal, enter any combination of percentages, dollar amounts, or the keyword *balance* to allocate funds to applicable goals.

## Overriding previously accrued investment income

NaviPlan calculates the clients' accrued investment income on non-qualified accounts for tax purposes automatically based on the valuation date of the clients' accounts.

To override the accrued investment income amounts, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.
2. Click **Previously Incurred Investment Activity**.



Previously Accrued Investment Income	
<input checked="" type="checkbox"/> Override	
Interest	\$410
Dividends	\$0
Short-Term Capital Gains	\$0
Long-Term Capital Gains	\$0
Tax Free	\$0
Qualified Proceeds	\$0
<input checked="" type="checkbox"/> Include income above in cash flow	

Figure 63: Previously Incurred Investment Activity dialog box (Level 2 Plan)

3. Under *Previously Accrued Investment Income*, select the **Override** check box, and then edit the values as required.  
**Note:** The estimate of investment income before the valuation date applies only to non-qualified accounts.
4. To include qualified proceeds that have been received by the clients before the *Plan Analysis Date* and are subject to tax, select the **Include income above in cash flow** check box, and then enter an amount in the *Qualified Proceeds* field.

## Entering previous Roth conversion amounts

You can track any Roth conversions that occurred before the plan date. Only include Roth conversion amounts where the election was made to defer taxes over 2011 and 2012. The plan must include at least one Roth account and have a plan year of 2010, 2011, or 2012.

To enter a previous Roth conversion, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page.
2. Click the **Previous Roth Conversions** button. The *Previous Roth Conversions* dialog box opens.
3. Click the **Add Previous Roth Conversion** button. A new data-entry row appears.

Owner*	Account*	2010 Taxable Conversion Amount*	Amount Previously Taxed (Post-Conversion)*	Pay Taxes From*	Delete
David	Roth account	\$0	\$0	Cash Flow	X

Add Previous Roth Conversion

OK Cancel

Figure 64: Previous Roth Conversions dialog box

4. Select the owner and the account.
5. In the *2010 Taxable Conversion Amount* field, enter the amount of the Roth conversion that occurred before the plan date.
6. In the *Amount Previously Taxed (Post-Conversion)* field, enter the amount of the Roth conversion that was previously taxed.
7. From the *Pay Taxes From* list, select the account from which the taxes will be paid. Cash flow is also available.

## Generating the Asset/Liabilities report

The *Asset/Liabilities* report provides a summary of all the assets, liabilities, accounts, annuities, stock options, and restricted stock awards entered in the plan.

To generate the *Asset/Liabilities* report, follow these steps:

1. Go to the **Enter Financial Data** section – **Net Worth** category – **Assets/Liabilities** page.

- Click **Assets/Liabilities Report**. The *Asset/Liabilities* report generates.

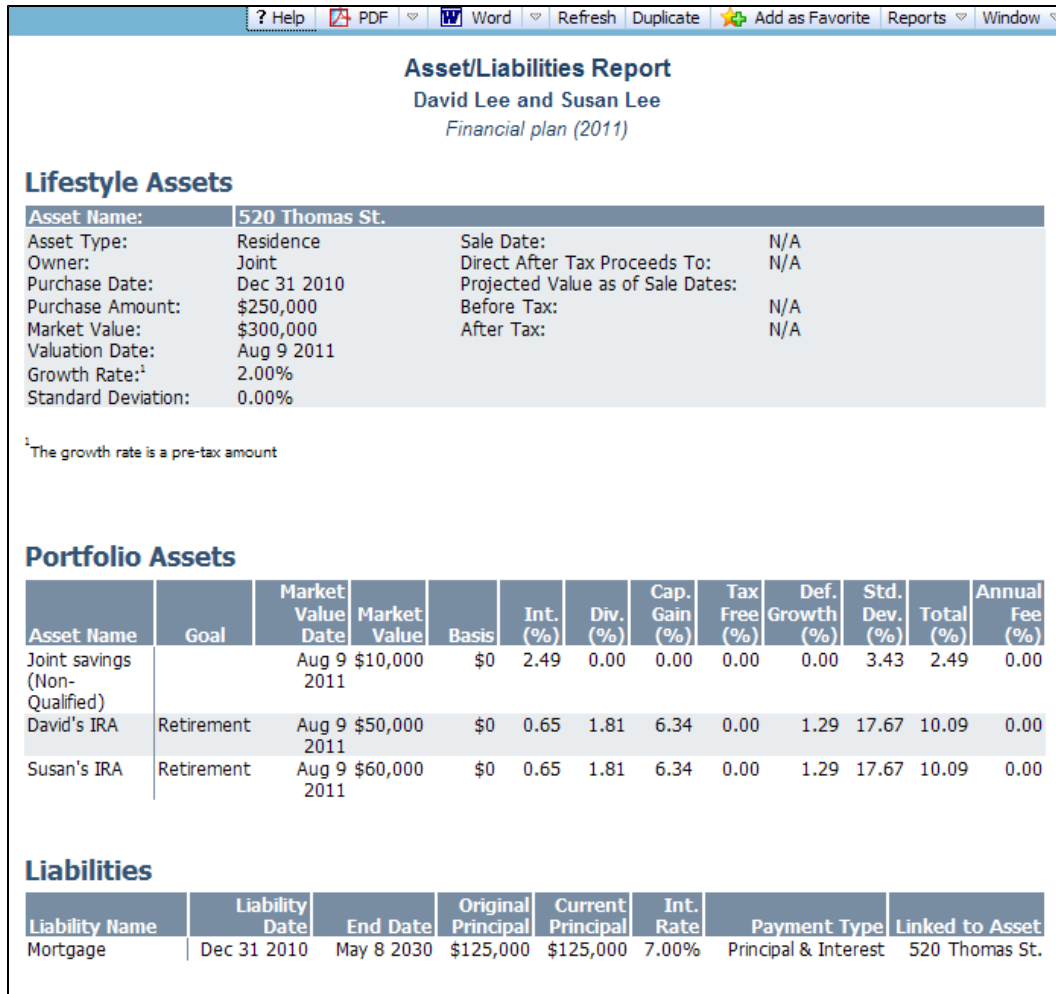


Figure 65: Asset/Liabilities report

- To generate a printer-friendly report, click **PDF** or **Word**. NaviPlan generates and opens the report in the selected format.

# Chapter 4: Entering cash flow information

This chapter explains how to enter your clients' cash flow. You can enter incomes, Social Security assumptions, government pensions, defined benefit pensions, regular expenses, and surplus expenses.

Additional cash flow options are available when the optional *Detailed Cash Flow* module is selected on the *Modules* page.

## In this chapter:

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Generating the Cash Flow report	102

## Cash flow calculations



These calculations apply to all plan levels, unless specific levels are mentioned.

NaviPlan Premium makes the following annual calculations:

### Calculates the clients' cash inflows for the year

Adds the clients' asset returns, itemized income from other sources, and any special income to calculate their total cash inflows for the year.

- Calculates the returns earned by each of the clients' assets. NaviPlan makes this calculation based on how you define the assumptions for each asset. This calculation can be based on
  - The assets' asset class weightings and the return rates assigned to each asset class.
  - The return rates entered for each specific asset.
  - The valuation date for each account or holding.

- Adds up all itemized income from other sources (entered on the *Enter Financial Data* section – *Cash Flow* category – *Cash Flow* page), such as salaries.
- Calculates income from annuitized annuities entered on the *Enter Financial Data* section – *Net Worth* category – *Annuities* page.
-   Adds up equity compensation in the form of stock options or restricted stock that has proceeds directed to cash flow as entered on the *Enter Financial Data* section – *Net Worth* category – *Equity Compensation* page.
- Adds up special income such as the tax-free proceeds of any new loans, redemptions from assets used to fund goals, income from trusts, as well as the proceeds from life, disability, and long-term care insurance policies.

Special incomes are not entered on the *Enter Financial Data* section – *Cash Flow* category – *Cash Flow* page, but instead are calculated by NaviPlan based on information entered in other parts of the plan. For example, when a loan is entered on the *Enter Financial Data* section – *Net Worth* category – *Assets/Liabilities* page, NaviPlan automatically counts the loan principal as special income.

#### **Calculates the clients' scheduled cash outflows for the year**


1. Calculates the income tax due on asset returns, based on the income tax method selected. When the *Detailed Tax* method is selected in the plan, NaviPlan applies bracketed federal taxes that consider an extensive number of deductions and credits. When the *Average Tax* method is selected in the plan, depending on the asset types, NaviPlan uses average, short-term capital gains, long-term capital gains, or marginal tax rates (entered under *Tax Rates* on the *Plan Management* section – *Assumptions* category – *General* page).

The default marginal, average, and capital gains tax rates displayed on the *Plan Management* section – *Assumptions* category – *General* page for each income range are average federal and state rates. If you want to use the tax rates that apply in a particular state, enter those rates on the *General* page under *Tax Rates*. You can change the default state tax rate for all new plans on the *User Preferences - Plan Settings* dialog box – *General* tab (accessed from the *User Preferences* menu – *Plan Settings*).

2. Deducts amounts such as qualified contributions or tax-deductible interest from the clients' taxable income from other sources, and then, depending on the income tax method selected, applies the average tax rate (or bracketed federal tax rate if using the Detailed Tax method) to calculate income tax liability generated by sources other than taxable portfolios.  
**Note:** Deductible amounts are calculated by NaviPlan based on the information entered in the plan. You do not have to specifically enter them anywhere.
3. Adds all the clients' expenses for the year including the following:
  - Expenses entered on the *Enter Financial Data* section – *Cash Flow* category – *Cash Flow* page.
  - Expenses associated with goals (entered in the *Set Goals* section).
  - Loan payments (calculated by NaviPlan Premium based on information entered in the *Enter Financial Data* section – *Net Worth* category).
  - Investment expenses entered under *Annual Account Fees* on the *Plan Management* section – *Assumptions* category – *General* page.
  - Savings strategies entered on the *Account Details* dialog box – *Savings Strategy* tab.
  - Life, disability, and long-term care insurance premiums (calculated by NaviPlan Premium based on information entered in the *Enter Financial Data* section – *Insurance Coverage* category).

**Note:** Expenses associated with goals are funded by dedicated assets, while all other expenses are paid from cash flow. If non-qualified assets owned by the client or co-client linked to an education or major purchase goal provide more funds than are

required by that goal, the excess is used to fund the retirement goal. Non-qualified assets owned by dependents are excluded from funding the retirement goal.

4.  Adds the clients' other scheduled cash outflows (from strategies entered in the *Enter Financial Data* section – *Strategies* category), and reinvestment of income from assets.

### **Calculates the clients' current year cash flow surplus or deficit**



Calculates the clients' current year net cash flow (cash inflows minus cash outflows). If the cash flow is positive, surplus cash exists. If the cash flow is negative, a cash flow deficit exists.

### **Manages cash flow surpluses and deficits**

1. Allocates any cash surplus according to the clients' surplus savings strategies. Each strategy is fully funded before any surplus cash is allocated to the next one entered. If these strategies do not use up all the surplus cash, the remainder is carried forward to the next year and accumulates as a surplus/deficit. To ensure that pre-retirement cash flow surpluses do not affect the retirement goal calculations, this account is reset to zero when the first client retires (any surplus cash that exists the day before retirement is assumed to have been spent).

You can view the clients' cash flow surpluses, deficits, and asset redemptions in the *Itemized Cash Flow Projection for Family* report (*Reports* menu – *Cash Flow – Details*) and the *Accumulation and Redemption of Retirement Capital* graph (*Reports* menu – *Capital Accumulation and Redemption – Retirement*).

2. Keeps track of any pre-retirement cash flow deficits. Before the clients retire, any cash flow deficit accumulates from year to year until it is canceled out by an equivalent cash surplus.
3. During retirement, redeems assets at the end of the year to cover the retirement goal. By default, funds are used in the following order:
  - a. Any reinvestment of income from non-qualified assets that would be made at year end.

- b. Non-qualified assets in the following order:
  - i. Ratio of adjusted cost basis to market value as of the end of the year, from the highest to lowest.
  - ii. Return rate, from lowest to highest.
  - iii. Market value, from smallest to largest.
  - iv. Asset category in the order of cash accounts, mutual funds, and investment portfolios.
  - v. Alphabetically, based on the *Description* field.
- c. Non-qualified annuities that are not paying out (ordered by annuities with the *Withdrawals as Needed* income options, and then by their ratio of adjusted cost basis to market value as of the end of the year, with the assets containing the highest ratio used first).
- d. Roth and Roth annuities that are not paying out (ordered by their total return rates, from lowest to highest, with accounts with the same total return rates used in alphabetical order).
- e. Qualified accounts and annuities that are not paying out in the following order:
  - i. Ratio of qualified basis to market value as of the end of the year, from highest to lowest.
  - ii. Total return rate, from lowest to highest.
  - iii. Alphabetically, based on the *Description* field.
- f.   Stock options and restricted stock entered on the *Enter Financial Data* section – *Net Worth* category – *Equity Compensation* page.

**Note:** If needed, you can revise the liquidation order of assets used for the retirement goal in a Level 2 Plan by clicking the *Liquidation Strategies* button on the *Set Goals* section – *Retirement* category – *Retirement* page.

## Entering regular or lump-sum incomes

Use the following procedure to enter the clients' annual pre-retirement income. If the clients are already retired, their income should be entered on the *Set Goals* section – *Retirement* category – *Retirement* page.

To enter a regular or lump-sum pre-retirement income, follow these steps:

1. Go to the **Enter Financial Data** section – **Cash Flow** category – **Cash Flow** page. When you create a new plan, NaviPlan creates default entries for salaries and bonuses that appear under *Incomes*. Any incomes that are entered on the *Set Goals* section – *Retirement* category – *Retirement* page will also appear under *Incomes*.

The clients' sources of income, such as employment income, bonuses, and inheritances can be entered on this page. Do not include investment income from assets as NaviPlan calculates this income based on the data entered on the *Enter Financial Data* section – *Net Worth* category – *Accounts* and *Annuities* pages.

Figure 66: Enter Financial Data section – Cash Flow category – Cash Flow page

2. To add a new income, click the **Add Income** button, and then select an income type.


**Note:** If you are using the Detailed Tax method, additional income types are available.

3. If applicable, select the family member receiving the income, and then enter the annual income amount. Incomes that

continue into retirement years appear on the *Set Goals* section – *Retirement* category – *Retirement* page.

4. To enter additional details for an existing income or to change the frequency of the income, click the **Details** button for that income. The *Income Details* dialog box opens.

Figure 67: Income Details dialog box (Level 2 Plan)

5. Enter detailed information.
6. **Level 2** If you are entering a salary, bonus, or self-employed income type that is linked to a defined benefit pension or is excluded from either group disability insurance, Social Security or Medicare tax calculations, or savings strategies, click the **Other Options** link (if necessary), and then make the appropriate selections.
7. From the *Income Details* dialog box, you can add another income by clicking  next to *Add Income*, and then selecting *New Income* or *Copy of Current*; if you select *Copy of Current*, NaviPlan creates a copy of the existing income. You can view or edit other incomes by clicking *Previous Entry* or *Next Entry*.

## Entering Social Security benefits (Level 1)

To enter Social Security benefits into the plan, follow these steps:

1. Go to the **Enter Financial Data** section – **Cash Flow** category – **Cash Flow** page.
2. Click the **Social Security Details** link.

The screenshot shows a window titled "Social Security Details" with a "Client" tab selected. Under "Benefit Method", "Benefit Formula" is chosen. Below, the "Social Security Benefits" section lists "David" with a checked box, an "Estimate Monthly Retirement Benefit" of "\$0", and a checked box for "Eligible for Spousal Benefits (if applicable)".

Figure 68: Social Security Details dialog box (Level 1 Plan, Benefit Formula selected)

3. Go to the **Client** or **Co-Client** tab.
4. Select a benefit method to use for Social Security calculations:
  - *Benefit Formula* – Benefits are calculated automatically by NaviPlan Select based on the clients' incomes.
  - *Estimate Benefit* – Benefit amounts (taken from the clients' Social Security Statements) are entered into NaviPlan Select.
  - *Currently Receiving Benefits* – If the client is age 62 on or before the plan date or is disabled, select to enter the amount the client is currently receiving.

The default method in NaviPlan Select is *Benefit Formula*.

5. If the client is eligible to receive spousal Social Security benefits, select the **Eligible for Spousal Benefits** check box.
6. If you want to switch to the *Estimate Benefit* method, select the **Estimate Benefit** check box, and then enter the clients' benefit amounts and the starting age for retirement benefits. If applicable, NaviPlan Select automatically calculates the values under *Survivor with eligible children* based on the values entered.

**Social Security Details** [?] [X]

Instructions

Client: **Co-Client**

**Benefit Method**

Select a Social Security method

☐ Benefit Formula  
Use this method to automatically calculate Social Security benefits based on the annual income entered on the *Cash Flow* page.

☒ Estimate Benefit  
Use this method to enter benefit amounts directly from a Social Security Statement.

☐ Currently Receiving Benefits  
Use this method to enter benefit amounts that the client is currently receiving.

**Monthly Benefits From Social Security Statement**

**Start Retirement Benefits** **Survivor with eligible children**

	Event	Date	At Full Retirement	At Disability	Surviving Spouse at Full Retirement	Family	Child	Spouse	Eligible for Spousal Benefits (if applicable)
<input checked="" type="checkbox"/> David	Retirement ▼	May 2035	\$0	\$0	\$0	\$0	\$0	\$0	<input checked="" type="checkbox"/>

OK Cancel

Figure 69: Social Security Details dialog box (Level 1 Plan, Estimate Benefit selected)

7. Repeat steps 4 to 6 for the other client.
8. Click **OK**. The *Social Security Details* dialog box closes.

## Entering Social Security benefits (Level 2)

In NaviPlan Premium, you can either calculate the clients' future Social Security benefits based on the Social Security formula, or enter their benefit amounts directly from their Social Security Statements.

### Calculating Social Security benefits using the Benefit Formula method

To calculate Social Security benefits using the Benefit Formula method, follow these steps:

1. Go to the **Enter Financial Data** section – **Cash Flow** category – **Cash Flow** page.
2. Under *Social Security*, click the **Social Security Details** link. The *Social Security Details* dialog box opens.
3. Go to the **Client** or **Co-Client** tab, and then select **Benefit Formula**.

The *Benefit Formula* method is selected by default.

**Social Security Details**

Client | Co-Client

**Benefit Method**

Select a Social Security method

- ☒ **Benefit Formula**  
Use this method to automatically calculate Social Security benefits based on the annual income entered on the *Cash Flow* page.
- ☐ **Estimate Benefit**  
Use this method to enter benefit amounts directly from a Social Security Statement.
- ☐ **Currently Receiving Benefits**  
Use this method to enter benefit amounts that the client is currently receiving.

**Details** | Eligible Dependents | Earnings History

**Monthly Retirement Benefits**

	% of monthly benefit	Est. Benefit (today's \$)	Event	Date	Infl +/-	Add'l	= Total	Eligible for Spousal Benefits (if applicable)
<input checked="" type="checkbox"/> David	100%	\$0	Retirement	Jun 2040	+ 0.00%		3.00%	<input checked="" type="checkbox"/>

**Monthly Survivor Benefits**

	% of monthly benefit	Est. Benefit (today's \$)	Event	Date	Infl +/-	Add'l	= Total
<input checked="" type="checkbox"/> David	100%	\$0	Retirement	Jun 2037	+ 0.00%		3.00%

**Monthly Disability Benefits**

	% of monthly benefit	Est. Benefit (today's \$)	Event	Date	Infl +/-	Add'l	= Total
<input type="checkbox"/> David	0%	\$0	Retirement	Jun 2037	+ 0.00%		3.00%

OK Cancel

Figure 70: Social Security Details dialog box – Details tab (Level 2 Plan, Benefit Formula selected)

4. To calculate retirement benefits, under *Monthly Retirement Benefits*, do the following:

- a. To enter the client's percentage eligibility for monthly retirement benefits, select **% of monthly benefit**, and then enter the percentage eligibility.  
OR  
To specify the monthly retirement benefits that the client will receive, select **Est. Benefit (today's \$)**, and then enter the amount in today's dollars.
  - b. Select a start date, and then define the inflation rate.
  - c. Select the **Eligible for Spousal Benefits** check box if the client is eligible to receive spousal Social Security benefits.
5. To calculate survivor benefits, under *Monthly Survivor Benefits*, enter a percentage of monthly benefits, and then define the inflation rate that applies.
  6. To calculate disability benefits under *Monthly Disability Benefits*, do the following:
    - a. Select the check box(es) for the client(s) for whom you want to calculate benefits.
    - b. If you're not sure how much the client or co-client will receive, select **% of monthly benefit**, and then enter the percentage eligibility.  
OR  
To specify the monthly retirement benefits that the client will receive, select **Est. Benefit (today's \$)**, and then enter the amount in today's dollars.
    - c. Select a start date, and then define the inflation rate.  
NaviPlan Premium estimates the monthly benefits your client will receive.
  7. If the client has any dependents, go to **Eligible Dependents** tab.

**Social Security Details**

Instructions Client Co-Client

**Benefit Method**

Select a Social Security method

☒ Benefit Formula  
Use this method to automatically calculate Social Security benefits based on the annual income entered on the *Cash Flow* page.

☐ Estimate Benefit  
Use this method to enter benefit amounts directly from a Social Security Statement.

☐ Currently Receiving Benefits  
Use this method to enter benefit amounts that the client is currently receiving.

Details Eligible Dependents Earnings History

**Dependent of David**

Julia	<input checked="" type="checkbox"/>
Matthew	<input checked="" type="checkbox"/>

OK Cancel

Figure 71: Social Security Details dialog box – Eligible Dependents tab (Level 2 Plan, Benefit Formula selected)

8. Select the appropriate check box(es) to link each dependent to the client.
9. Go to the **Earnings History** tab. The *Earnings History* tab displays the earnings projected by NaviPlan from which the client's Social Security earnings are calculated. The client's past earnings appear under *Earnings to Date* and the client's future earnings appear under *Future Earnings*.
10. To change any of the displayed earnings, select the **Modify the Calculated Values** check box, and then enter the earnings you want to use.

Instead of entering an amount for each year on the tab, you can use the *Fill Values* feature to fill in the amounts automatically. To use this feature, click the **Fill Values** link, enter the years you want to fill, enter the criteria you want NaviPlan to use to calculate the amounts, and then click **Fill**.

Currently Receiving Benefits  
Use this method to enter benefit amounts that the client is currently receiving.

Details Eligible Dependents **Earnings History**

**Earnings to Date**  
☒ Modify the Calculated Values

Year	Age	Amount
1988	18	\$0
1989	19	\$0
1990	20	\$0
1991	21	\$0
1992	22	\$0
1993	23	\$0
1994	24	\$0
1995	25	\$51,100
1996	26	\$52,633
1997	27	\$54,212
1998	28	\$55,838
1999	29	\$57,513
2000	30	\$59,239
2001	31	\$61,016
2002	32	\$62,846
2003	33	\$64,732
2004	34	\$66,674
2005	35	\$68,674
2006	36	\$70,734
2007	37	\$72,856

1988-2007 | 2008-2010

**Future Earnings**  
☐ Modify the Calculated Values

Year	Age	Amount
2011	41	\$82,000
2012	42	\$84,460
2013	43	\$86,994
2014	44	\$89,604
2015	45	\$92,292
2016	46	\$95,060
2017	47	\$97,912
2018	48	\$100,850
2019	49	\$103,875
2020	50	\$106,991
2021	51	\$110,201
2022	52	\$113,507
2023	53	\$116,912
2024	54	\$120,420
2025	55	\$124,032
2026	56	\$127,753
2027	57	\$131,586
2028	58	\$135,534
2029	59	\$139,600
2030	60	\$143,787

2011-2030 | 2031-2040

**Fill Values**  

Start Year*	End Year*	Start Value*	Base Rate*	Increase Rate By	Period (years)*
1988	2010	\$0	0.00%	0.00%	1

Clear Column Values Fill

Figure 72: Social Security Details dialog box – Earnings History tab (Level 2 Plan, Benefit Formula selected)

11. Click **OK**. The *Social Security Details* dialog box closes.

### Entering Social Security benefit amounts using the Estimate Benefit method

To enter Social Security benefit amounts from the clients' Social Security Statements, follow these steps:

1. Go to the **Enter Financial Data** section – **Cash Flow** category – **Cash Flow** page.
2. Under *Social Security*, click the **Social Security Details** link. The *Social Security Details* dialog box opens.
3. Go to the **Client** or **Co-Client** tab, and then select **Estimate Benefit**.
4. Go to the **Details** tab, and then enter the applicable benefit amounts.

**Social Security Details**

Instructions

Client Co-Client

**Benefit Method**

Select a Social Security method

☐ Benefit Formula  
Use this method to automatically calculate Social Security benefits based on the annual income entered on the *Cash Flow* page.

☒ Estimate Benefit  
Use this method to enter benefit amounts directly from a Social Security Statement.

☐ Currently Receiving Benefits  
Use this method to enter benefit amounts that the client is currently receiving.

Details **Eligible Dependents**

**Monthly Benefits From Social Security Statement**

Start Retirement Benefits

Survivor with eligible children

Event	Date	At Full Retirement	At Disability	Surviving Spouse at Full Retirement	Family	Child	Spouse	Eligible for Spousal Benefits (if applicable)
<input checked="" type="checkbox"/> David Retirement	May 2035	\$0	\$0	\$0	\$3,821	\$1,637	\$1,637	<input checked="" type="checkbox"/>

OK Cancel

Figure 73: Social Security Details dialog box – Details tab (Level 2 Plan, Estimate Benefit method selected)

5. Select the **Eligible for Spousal Benefits** check box if the client is eligible to receive spousal Social Security benefits.
6. Enter the starting date for retirement benefits. The table updates to display the benefits that will be paid to the client's surviving family members after the client's death.
7. If the client has any dependent children, go to the **Eligible Dependents** tab.
8. Select the appropriate check box(es) to link each dependent to the client for Social Security purposes.

**Social Security Details**

Instructions

Client Co-Client

**Benefit Method**

Select a Social Security method

☐ Benefit Formula  
Use this method to automatically calculate Social Security benefits based on the annual income entered on the *Cash Flow* page.

☒ Estimate Benefit  
Use this method to enter benefit amounts directly from a Social Security Statement.

☐ Currently Receiving Benefits  
Use this method to enter benefit amounts that the client is currently receiving.

Details **Eligible Dependents**

**Dependent of David**

Julia	<input checked="" type="checkbox"/>
Matthew	<input checked="" type="checkbox"/>

OK Cancel

Figure 74: Social Security Details dialog box – Eligible Dependents tab (Level 2 Plan, Estimate Benefit method selected)

9. Click **OK**. The *Social Security Details* dialog box closes.

## Entering current Social Security benefits

**Note:** This option is only accessible when the client reaches age 62 on or before the plan date or the client is currently disabled (check box selected on the *Milestones* page.)

If the client is receiving a Social Security benefit based on a deceased spouse, do not enter the benefit in the *Social Security Details* dialog box. Instead, enter it under *Incomes* by clicking **Add Income**, and then selecting **Social Security** from the list. see "Entering regular or lump-sum incomes" on page 83.

To enter Social Security benefits that the client or co-client is currently receiving because they are retired or disabled, follow these steps:

1. Go to the **Enter Financial Data** section – **Cash Flow** category – **Cash Flow** page.
2. Under *Social Security*, click the **Social Security Details** link. The *Social Security Details* dialog box opens.
3. Go to the **Client** or **Co-Client** tab, and then select **Currently Receiving Benefits**.

The screenshot shows the 'Social Security Details' dialog box with the 'Details' tab selected. The 'Benefit Method' section has three radio buttons: 'Benefit Formula', 'Estimate Benefit', and 'Currently Receiving Benefits' (which is selected). Below this, the 'Details' tab is active, showing a table for 'Current Benefits'.

Benefit Start Date	Current Monthly Benefit Amount	Infl +/-	Add'l	Total
<input checked="" type="checkbox"/> David Aug 2011	\$0	<input checked="" type="checkbox"/> +	0.00%	3.00%

Figure 75: Social Security Details dialog box – Details tab (Level 2 Plan, Currently Receiving Benefits method selected)

4. Go to the **Details** tab, and then enter the benefit start date, amount, and adjust for inflation.
5. Go to the **Eligible Dependents** tab.
6. Select the appropriate check box(es) to link each dependent to the client for Social Security purposes.

Figure 76: Social Security Details dialog box – Eligible Dependents tab (Level 2 Plan, Currently Receiving Benefits method selected)

7. Click **OK**. The *Social Security Details* dialog box closes.

## Entering pension income

NaviPlan Premium estimates pension income using one of two pension calculations: *Estimate Benefit* and *Benefit Formula*. Use the *Estimate Benefit* pension method if the pension details are unavailable. Use the *Benefit Formula* pension method if the pension details are available.

### Entering an estimated benefit pension

To enter an *Estimate Benefit* pension income, follow these steps:



1. Go to the **Enter Financial Data** section – **Cash Flow** category – **Cash Flow** page. Under *Defined Benefit Pensions*, you can enter defined benefit pensions. When you create a new plan, NaviPlan creates a default estimate benefit pension for each client. Any pensions that were entered on the *Set Goals* section – *Retirement* category – *Retirement* page appear under *Incomes* on this page.

Figure 77: Enter Financial Data section – Cash Flow category – Cash Flow page (Level 2 Plan, showing Defined Benefit Pensions)




2. Enter each client's annual pension amount in the *Amount* (\$ or %) fields.
3. To add a new pension, click the **Add Benefit Pension** button, and then select **Add Estimate Benefit**. The *Defined Benefit Pension Details* dialog box opens.

Figure 78: Defined Benefit Pension Details dialog box – Details tab (Level 2 Plan, Estimate Benefit method)

4. In the *Description* field, enter a unique name for the pension.
5. From the *Member* list, select the pension owner.

6. Enter either the *Benefits Start Age* or the *Benefits Start Date*.
7. Enter the percentage of pension benefits to be paid to the surviving spouse when the pension owner becomes deceased. NaviPlan does not calculate any discounts if this election is chosen.
8. If the pension is based on an income, under *Linked Incomes*, select the check box(es) for the appropriate income(s). These check boxes only appear if incomes are entered in the plan.
9. Enter either a percentage of the pension owner's final salary in the *% of Final Salary* field, or the estimated pension amount (in today's dollars) in the *Est. Benefit Amount* field.
10.  Click the **Benefit Payout Options** link. Additional fields appear.
11.  From the *Method of Payout* list, select **Life Income** or **Lump Sum**.

If you select *Lump Sum*, you must also select a *Transfer Payout to destination*. To transfer the lump-sum payment to an IRA, select an IRA from the list, or select **New IRA**. The default name for the new IRA asset is *Transfer From <description of pension>*. The newly created asset can be further defined by clicking *Account Details*. To transfer the lump-sum payment into the clients' cash flow on the pension owner's benefit start date, select **Cash Flow**.

12.  Enter the remaining details of the pension.
13.  Go to the **Future Benefits** tab. The future pension payouts and pension adjustments appear.
14.  To override the displayed items, select **Modify the Calculated Values**, and then enter the benefits you want to use.

Instead of entering an amount for each year on the tab, you can use the *Fill Values* feature to fill in the amounts automatically. To use this feature, follow these steps:

- a. Click the **Fill Values** link.
- b. From the *Column to Fill* list select the column of values you want to fill.
- c. Enter the criteria you want NaviPlan to use to calculate the amounts.
- d. Click **Fill**.

## Entering a benefit formula pension

To enter a *Benefit Formula* pension income, follow these steps:

1. Go to the **Enter Financial Data** section – **Cash Flow** category – **Cash Flow** page. Under *Defined Benefit Pensions*, you can enter defined benefit pensions. When you create a new plan, NaviPlan creates a default estimate benefit pension for each client. Any pensions that were entered on the *Set Goals* section – *Retirement* category – *Retirement* page appear under *Incomes*.

Figure 79: Enter Financial Data section – Cash Flow category – Cash Flow page (Level 2 Plan, Defined Benefit Pensions)

2. To add a new pension, click the **Add Benefit Pension** button, and then select **Add Benefit Formula**.

**Defined Benefit Pension Details**

Instructions  
Details **Future Benefits**

**Pension Details (Benefit Formula)**

Description*	Member*	Benefits Start Age*	Benefits Start Date*	% Payable to Survivor	Benefit Reduction for Survivor Coverage
Susan's pension	Susan	62	May 1 2035	0%	0%

Participation Start Date\* Jan 1 2011

% Benefits per Year of Service*	% To a Max. of	Total Years of Pensionable Service
2.0000%	70%	24.33

Infl +/- Add'l = Total  
Index at + 0.00% = 0.00%

Maximum Indexing % 3%

Number of Years for Average Salary\* 5

Estimated Annual Benefit when Benefits Begin: \$0

**Benefit Payout Options**

Method of Payout*	Payout Amount	Benefits Vested (Survivor Analysis)	Earliest Retirement Age (Survivor Analysis)
Life Income	\$0		55

Transfer Payout to Account Details  
Cash Flow

**Early Retirement**

Normal Retirement Age	% Penalty per year for Early Retirement	Min. Retirement Age for Unreduced Benefits	Override Min. Retirement Age
65	0.00%	64.3	




Benefit Payout Options and Early Retirement appear only in Level 2 Plans.

Add Benefit Previous Entry Next Entry OK Cancel

Figure 80: Defined Benefit Pension Details dialog box – Details tab (Level 2 Plan, Benefit Formula method)

3. In the *Description* field, enter a unique name for the pension.
4. From the *Member* list, select the pension owner.
5. Enter either the **Benefits Start Age** or the **Benefits Start Date**.
6. Enter the percentage of pension benefits to be paid to the surviving spouse when the pension owner becomes deceased. The *Benefit Reduction for Survivor Coverage* field becomes accessible. Enter the percentage in this field.
7. If the pension is based on an income, under *Linked Incomes*, select the check box(es) for the appropriate income(s). These check boxes only appear if incomes are entered in the plan.
8. Enter information from the available pension documents.  
**Level 2** If a pension is linked to a salary, and if, under *Benefit Payout Options*, the *Method of Payout* is set to *Life Income*, the benefits that will be paid in the first year appear under *Estimated Annual Benefit when Benefits Begin*.
9. **Level 2** Click the **Benefit Payout Options** link. Additional fields appear.
10. **Level 2** From the *Method of Payout* list, select **Life Income** or **Lump Sum**.

If you select *Lump Sum*, you must also select a *Transfer Payout to destination*. To transfer the lump-sum payment to an IRA, select an IRA from the list, or select **New IRA**. The default name for the new IRA asset is *Transfer From <description of pension>*. The newly created asset can be further defined by clicking *Account Details*. To transfer the lump-sum payment into the clients' cash flow on the pension owner's benefit start date, select **Cash Flow**.

11.  Use the fields under *Early Retirement* to calculate how early retirement can affect the pension benefit.
12.  Go to the **Future Benefits** tab. The future pension payouts and pension adjustments appear.
13.  To override the displayed items, select **Modify the Calculated Values**, and then enter the benefits you want to use.

Instead of entering an amount for each year on the tab, you can use the *Fill Values* feature to fill in the amounts automatically. To use this feature, follow these steps:

- a. Click the **Fill Values** link.
- b. From the *Column to Fill* list select the column of values you want to fill.
- c. Enter the criteria you want NaviPlan to use to calculate the amounts.
- d. Click **Fill**.

## Entering expenses

Use the following procedure to enter the clients' lifestyle and business expenses. Do not use this procedure to enter loan or mortgage payments, insurance premiums, property taxes, savings contributions, estate planning gifts, or trust transfers. Expenses that only apply to retirement should be entered on the *Set Goals* section – *Retirement* category – *Retirement* page.

To enter an expense, follow these steps:

1. Go to the **Enter Financial Data** section – **Cash Flow** category – **Cash Flow** page. Under *Expenses*, you can enter expenses. When you create a new plan, NaviPlan creates default entries for housing, food, transportation, entertainment, personal, and other expenses. Any expenses that were entered on the *Set Goals* section – *Retirement* category – *Retirement* page also appear.

Under *Other Expenses*, NaviPlan lists expenses such as liabilities and insurance that have already been entered into the plan.

**Cash Flow** [Back] [Next]

> [Instructions](#)

**Incomes**

Description	Member	Amount	Details	Delete
David's income	David	\$75,000 /yr	[Details]	[X]
Susan's income	Susan	\$60,000 /yr	[Details]	[X]
David's bonus	David	\$7,000 /yr	[Details]	[X]

[Add Income]

**Social Security**  
[Social Security Details](#)

**Defined Benefit Pensions**

Description	Member	Type	Amount (\$ or %)	Details	Delete
David's pension	David	Estimate Benefit	80.00% /yr	[Details]	[X]

[Add Benefit Pension]

**Expenses**

Description	Amount	Details	Delete
Housing (e.g. utilities, repairs)	\$2,500 /mo	[Details]	[X]
Food	\$1,000 /mo	[Details]	[X]
Transportation (e.g. gas, insurance)	\$2,000 /mo	[Details]	[X]
Entertainment (e.g. restaurants, m)	\$1,000 /mo	[Details]	[X]
Personal (e.g. clothing, hobbies)	\$750 /mo	[Details]	[X]
Other (e.g. child care, travel)	\$2,000 /mo	[Details]	[X]

[Add Expense]

**Other Expenses**

Description	Type	Amount
<a href="#">Mortgage</a>	Principal and Interest	\$1,000 /mo
<a href="#">College Education</a>	Education	\$6,000 /yr

**Surplus Expenses**

Description	% of Surplus	Start Year	End Year	Details	Delete
Surplus Expense	0.00%	2011	Death -1y	[Details]	[X]

[Add Surplus Expense]

[Cash Flow Report]

Additional expense types are available when you are using the Detailed Tax method and the Detailed Cash Flow module.

Figure 81: Enter Financial Data section – Cash Flow category – Cash Flow page (Level 2 Plan)

- To add a new expense, click the **Add Expense** button, and then select an expense type. The new expense item appears at the bottom of the current expense list.
- To enter additional details for an existing expense, on the *Cash Flow* page, click the **Details** button for that expense. The *Expense Details* dialog box opens.

**Expense Details** [?] [X]

**Details**

Description\* Member\* Type\*

Personal (e.g. clothing, hot) Joint Lifestyle

Frequency\* Amount Start Date\* End Date\* Infl +/- Add'l

Monthly \$750 Jan 1 2011 Ret. (1st) [Infl +/- Add'l] 0.00%

% Deductible ☒ Transfer to Survivor

☒ Fixed Expense

☐ Cover any pre-retirement deficits created by this expense

[Add Expense] [Previous Entry] [Next Entry] [OK] [Cancel]

Figure 82: Expense Details dialog box

4. Enter the expense details.
5. If you are entering an expense owned by one client and you expect the expense to continue for the survivor after the client dies, select the **Transfer to Survivor** check box.
6. If you are entering a fixed expense, select the **Fixed Expense** check box. Fixed expenses are included in the calculation of emergency fund goals and in determining scenario goal coverage. If you clear the check box, the expense is considered to be discretionary and is not included in the calculation. See "Defining an emergency fund goal" on page 137 for more information.

**Note:** Fixed expenses are expenses that cannot be readily changed or eliminated by the clients, such as utility bills and rent payments.

Expenses that flow into retirement years appear on the *Set Goals* section – *Retirement* category – *Retirement* page. These retirement expenses also appear on the *Cash Flow* page under *Expenses*.

7. From the *Expense Details* dialog box, you can add another expense by clicking  next to *Add Expense*, and then selecting *New Expense* or *Copy of Current*. If you select *Copy of Current*, NaviPlan creates a copy of the existing expense. You can view or edit other expenses by clicking *Previous Entry* or *Next Entry*.

## Entering surplus expenses

While the clients' plan may be projected to have surplus cash, this surplus often does not materialize because the clients have underestimated their regular expenses or incurred unexpected expenses, such as car repairs, that use up this projected cash surplus.

If you think the plan's projected surplus is unrealistic, NaviPlan Premium allows you to use up the projected cash surplus by entering a surplus expense strategy.

To enter surplus expenses, follow these steps:

1. Go to the **Enter Financial Data** section – **Cash Flow** category – **Cash Flow** page. When you create a new plan, NaviPlan automatically populates a default entry under *Surplus Expenses*.

**Cash Flow** [Back] [Next]

> [Instructions](#)

**Incomes**

Description	Member	Amount	Details	Delete
David's income	David	\$75,000 /yr	[Details]	[X]
Susan's income	Susan	\$60,000 /yr	[Details]	[X]
David's bonus	David	\$7,000 /yr	[Details]	[X]

[Add Income]

**Social Security**  
[Social Security Details](#)

**Expenses**

Description	Amount	Details	Delete
Housing (e.g. utilities, repairs)	\$2,500 /mo	[Details]	[X]
Food	\$1,000 /mo	[Details]	[X]
Transportation (e.g. gas, insurance)	\$2,000 /mo	[Details]	[X]
Entertainment (e.g. restaurants, m)	\$1,000 /mo	[Details]	[X]
Personal (e.g. clothing, hobbies)	\$750 /mo	[Details]	[X]
Other (e.g. child care, travel)	\$2,000 /mo	[Details]	[X]

[Add Expense]

**Other Expenses**

Description	Type	Amount
<a href="#">Mortgage</a>	Principal and Interest	\$1,000 /mo
<a href="#">College Education</a>	Education	\$6,000 /yr

**Defined Benefit Pensions**

Description	Member	Type	Amount (\$ or %)	Details	Delete
David's pension	David	Estimate Benefit	80.00% /yr	[Details]	[X]

[Add Benefit Pension]

**Surplus Expenses**

Description	% of Surplus	Start Year	End Year	Details	Delete
Surplus Expense	0.00%	2011	Death -1y	[Details]	[X]

[Add Surplus Expense]

[Cash Flow Report]

Figure 83: Enter Financial Data section – Cash Flow category – Cash Flow page (Level 2 Plan)

- To add a surplus expense, click the **Add Surplus Expense** button. A new data-entry row appears under *Surplus Expenses*.
- For each expense, enter a description, the percentage of surplus funds designated to the expense, and the start and end years.

By default, surplus expense strategies end in the year before death (Death -1), since there may be surpluses in that year due to estate settlement.

**Level 2** Surplus expenses entered here also appear on the *Enter Financial Data* section – *Strategies* category – *Surplus* page. See "Entering surplus strategies" on page 110 for more information.

## Generating the Cash Flow report

The *Cash Flow* report provides a summary of all the incomes and expenses entered in the plan.


To generate the *Cash Flow* report, follow these steps:

- Go to the **Enter Financial Data** section – **Cash Flow** category – **Cash Flow** page.
- Click the **Cash Flow Report** button. The *Cash Flow Report* generates.

<div> ? Help PDF Word Refresh Duplicate Add as Favorite Reports Window </div>					
<h3>Cash Flow Report</h3> <p>David Lee and Susan Lee</p> <p>Financial plan (2011)</p>					
<b>Regular Income</b>					
Income Source	Member	Applicable	Amount	Indexed	
David's income	David	Jan 1 2011 to Apr 30 2035	\$6,250/mo	Inflation	
Susan's income	Susan	Jan 1 2011 to May 31 2037	\$60,000/yr	Inflation	
David's bonus	David	Jan 1 2011 to Apr 30 2035	\$7,000/yr	Inflation	
<b>Defined Benefit Pension Plans - Estimate Benefit</b>					
Description:	David's pension	Annual Benefit:	\$0		
Plan Owner:	David	Indexed by:	3.00%		
Pct. payable to survivor:	50.00%				
<b>Regular Expenses</b>					
Expense	Member	Applicable	Amount	Indexed	Fixed Expense
Housing (e.g. utilities, repairs)	Joint	Jan 1 2011 to Apr 30 2035	\$2,500/mo	Inflation	Yes
Food	Joint	Jan 1 2011 to Apr 30 2035	\$1,000/mo	Inflation	Yes
Transportation (e.g. gas, insurance)	Joint	Jan 1 2011 to Apr 30 2035	\$2,000/mo	Inflation	Yes
Entertainment (e.g. restaurants, movies)	Joint	Jan 1 2011 to Apr 30 2035	\$1,000/mo	Inflation	Yes
Personal (e.g. clothing, hobbies)	Joint	Jan 1 2011 to Apr 30 2035	\$750/mo	Inflation	Yes
Other (e.g. child care, travel)	Joint	Jan 1 2011 to Apr 30 2035	\$2,000/mo	Inflation	Yes

Figure 84: Cash Flow report

You can use the options at the top right of the report as follows:

- To generate a printer-friendly report, click the **PDF** or the **Word** button. NaviPlan generates and opens the report using the selected format.
- To update the open report after changes are made to the plan data, click the **Refresh** button.
- To see two copies of the report side by side, click the **Duplicate** button.
- To access the *Reports* menu, click the **Reports** button.
- To view another report that has been previously generated in NaviPlan, click  next to *Window*, and then select the report.

## Chapter 5: Enter strategies (Level 2)


This chapter explains how to enter your clients' financial strategies using the *Strategies* category.

Strategies can be used to accumulate assets or to pay down debt. You can enter savings strategies that are deducted from regular income or surplus cash.

On the *Savings* page, you can enter savings of specific amounts on a regular basis or as a lump-sum amount.

On the *Debt Modification* page, you can enter additional principal payments or, if your clients have interest-only or last-period-payment loans, enter increases to the principal of a loan. You can also change the order in which cash surpluses are used.

On the *Redemptions* page, you can enter regular and lump-sum redemption strategies, and substantially equal periodic payments (SEPP) strategies.

 On the *Deficit Coverage* page, you can specify the order in which account types are redeemed when covering pre-retirement deficits or specify the order in which individual accounts are redeemed.

On the *Surplus* page, you can specify additional savings and expenses that will apply every time the clients have sufficient surplus cash flow.

### In this chapter:

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Modifying a loan	105
Entering redemptions	107
Setting the deficit coverage order (Detailed Tax method)	110
Entering surplus strategies	110

## Entering a regular savings strategy

With all savings strategies, you must save to an existing account (you cannot save to a lifestyle asset). If you haven't entered an appropriate account, go to the **Enter Financial Data** section – **Net Worth** category – **Accounts** page to do so. For more information, see "Creating accounts" on page 41.

To enter a regular savings strategy, follow these steps:

1. Go to the **Enter Financial Data** section – **Strategies** category – **Savings** page. All existing savings strategies implemented in the plan appear.

Figure 85 : Enter Financial Data section – Strategies category – Savings page (Level 2 Plan, Detailed Tax method)

2. Under *Non-Qualified* or *Qualified*, from the *Choose Account* list, select the account to which you want to add a savings strategy, and then click **Add Savings Strategy**.
3. Enter all the details of the clients' savings plan, including the amount or percentage, frequency, and the time frame of savings.  
**Note:** If the savings amount was entered as a percentage of salary, the *Infl* check box is inaccessible and the savings are indexed by the *Infl* percentage indicated for the salary.
4. If you've entered a savings amount that changes with inflation on an annual basis, select the **Infl** check box. If the amount is to change with inflation plus or minus a certain percentage, select the **Infl** check box, and then enter the rate above or below inflation. For example, if inflation is 3% and the savings should be increased by 5%, enter 2 in the +/- *Add'l* field.
5. To view or edit how surplus funds are directed, click **Surplus Cash Usage**. In the *Surplus Cash Usage* dialog box, select a method, and then use the **Move Up** and **Move Down** buttons to reorder the list.

## Modifying a loan

NaviPlan Premium calculates the regular loan payments required for liabilities entered in the plan. You can modify the principal of an existing loan either by making additional principal payments (over and above the calculated regular loan payments) or, if the loan is either an interest-only or last-period-payment type, by adding to the principal. Debt modification strategies can be entered in the following locations:

- *Enter Financial Data* section – *Strategies* category – *Debt Modification* page
- *Liability Details* dialog box – *Debt Modification* tab for an individual liability

To modify the principal of a loan, follow these steps:

1. Go to the **Enter Financial Data** section – **Strategies** category – **Debt Modification** page.

OR

Go to the **Enter Financial Data** section – **Net Worth** category – **Assets/Liabilities** page, click the **Details** button for a liability, and then go to the **Debt Modification** tab.

Figure 86: Enter Financial Data section – Strategies category – Debt Modification page (Level 2 Plan, Detailed Tax method)

2. From the *Choose Liability* list, select the loan you want to modify.
3. Click the **Add Debt Modification** button. A new data-entry row appears.
4. In the **Amount** field, enter the amount to add to the existing payment.
5. Enter the frequency, time frame, and the inflation rate for the strategy.

If you select the *Increase Principal* check box, the value in the *Amount* field will be used to increase the principal of the loan. This option can only be used with interest-only and last-period-payment loans.

If you do not select the *Increase Principal* check box, the value in the *Amount* field will be used to reduce the principal of the loan.

## Entering redemptions

Redemptions and substantially equal periodic payment (SEPP) strategies previously entered for accounts appear on the *Redemptions* page. You can modify existing strategies and add new ones.

### Entering redemption strategies

You can enter a redemption strategy for any account, deferred annuity, or stock option to redeem the asset over a period of time or you can redeem an asset in full as a lump sum.

To set up a redemption strategy, follow these steps:

1. Go to the **Enter Financial Data** section – **Strategies** category – **Redemptions** page. All existing redemption strategies in the plan appear.
2. Under *Redemptions*, from the *Choose Account* list, select the account to which you want to add a redemption strategy, and then click **Add Redemption Strategy**.

Account Description	Redeem From*	Redeem All	Amount* (\$ or %)	Frequency*	Waive Early Withdrawal Penalties	Start Date*	End Date*	Infl +/-	Add'l	Delete
Joint savings	Joint savings	<input type="checkbox"/>	\$150	Monthly	<input type="checkbox"/>	Aug 9 2011	Aug 1 2012	0.00%		X
Susan's IRA	Susan's IRA	<input type="checkbox"/>	\$500	Monthly	<input type="checkbox"/>	Ret. (Co-die)	Death (Co-die)	0.00%		X

Choose Account ... Add Redemption Strategy

**Substantially Equal Periodic Payments (SEPP)**  
Use the Choose Account list below to select an account, and then click **Add SEPP Strategy** to create a new strategy.

Choose Account ... Add SEPP Strategy

Figure 87: Enter Financial Data section – Strategies category – Redemptions page (Level 2 Plan, Detailed Tax method, showing redemptions)

3. In the *Amount (\$ or %)* field, enter either the percentage of the account to redeem or an amount to redeem periodically based on the selection from the *Frequency* list.  
OR  
To redeem the entire account as a lump sum, select the **Redeem All** checkbox.
4. From the *Frequency* list, select how often the redemptions will occur.
5. If applicable, for qualified accounts select the **Waive Early Withdrawal Penalties** check box to exclude penalties due if the asset is withdrawn early.
6. In the *Start Date* field, enter the date the redemption should start.

7. In the *End Date* field, enter the date the redemptions should end.  
**Note:** The *End Date* field is not accessible if *Redeem All* or *Lump Sum* is selected.
8. To index the strategy for inflation, select the **Infl** check box. To index by an amount greater or less than the default inflation rate, enter a different percentage in the +/- *Add'l* field.  
**Note:** The *Infl* check box is not accessible when *Redeem All* or *Lump Sum* is selected or a percentage of the account is entered.

## Entering a substantially equal periodic payments (SEPP) strategy

You can enter a substantially equal periodic payments (SEPP) strategy for certain qualified accounts and variable annuities. If an asset does not qualify for SEPP redemptions, it will not appear in the *Choose Account* under *Substantially Equal Periodic Payments (SEPP)* on the *Redemptions* page.

**Note:** Only one SEPP strategy can be added to an account or annuity.

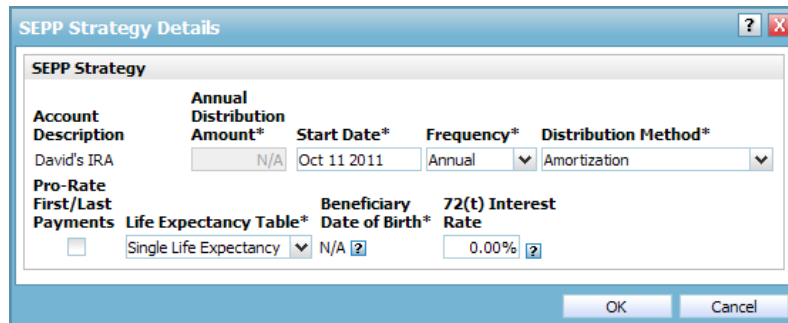
To set up a SEPP strategy, follow these steps:

1. Go to the **Enter Financial Data** section – **Strategies** category – **Redemptions** page. All existing SEPP strategies in the plan appear.
2. Under *Substantially Equal Periodic Payments (SEPP)*, from the *Choose Account* list, select the account to which you want to add a SEPP strategy, and then click **Add SEPP Strategy**.

Figure 88: Enter Financial Data section – Strategies category – Redemptions page (Level 2 Plan, Detailed Tax method, showing a SEPP strategy)

3. In the *Start Date* field, enter the date the SEPP will start.
4. From the *Frequency* list, select the payment frequency.
5. From the *Distribution Method* list, select the method of payment.
6. If applicable, select **Pro-Rate First/Last Payments**.

7. To specify the life expectancy table to use for calculating payments, as well as an interest rate, click **Details**. The *SEPP Strategy Details* dialog box opens.



The dialog box is titled "SEPP Strategy Details" and contains the following fields:

Account Description	Annual Distribution Amount*	Start Date*	Frequency*	Distribution Method*
David's IRA	N/A	Oct 11 2011	Annual	Amortization

Below the table, there are three sections:

- Pro-Rate**: A checkbox that is currently unchecked.
- First/Last Payments**: A dropdown menu set to "Single Life Expectancy".
- Beneficiary Date of Birth\***: A text field containing "N/A".
- 72(t) Interest Rate**: A text field containing "0.00%".

At the bottom right, there are "OK" and "Cancel" buttons.

Figure 89: SEPP Strategy Details dialog box

For more information about the *SEPP Strategy Details* dialog box, click **Help ?**.

## Setting the deficit coverage order (Detailed Tax method)

You can select the order in which accounts and account types are redeemed to cover pre-retirement deficits.

To specify the pre-retirement deficit coverage order, follow these steps:

1. Go to the **Enter Financial Data** section – **Strategies** category – **Deficit Coverage** page.

Figure 90: Enter Financial Data section – Strategies category – Deficit Coverage page (Level 2 Plan, Detailed Tax method)

2. Under *Pre-Retirement Deficit Coverage Order*, select **Redeem from accounts to cover deficits in the pre-retirement period**.
3. To specify the order in which account types will be redeemed, select an option from the list.  
OR  
To specify the order in which specific accounts will be redeemed, select the **Modify the pre-retirement deficit coverage order** option, and then adjust the liquidation order by moving accounts up or down in the list using the **Move Up** or **Move Down** buttons.

## Entering surplus strategies

In NaviPlan Premium, a cash flow surplus occurs when total cash inflows exceed total cash outflows as of December 31 of a particular year. If cash outflows exceed cash inflows, a deficit occurs. In years when a surplus exists, savings and expense strategies are available. By default, NaviPlan allocates to surplus savings strategies before allocating to surplus expense strategies.

**Note:** You can only create surplus savings strategies for non-qualified assets.

When entering multiple strategies of the same type (for example, two surplus savings strategies), for each strategy NaviPlan saves or spends a percentage of the total surplus available on December 31. For example, if a client has a \$100,000 surplus and 50% is saved to Account A and 50% is saved to Account B, both accounts receive \$50,000, thus saving the full amount of the surplus.

In contrast, when entering multiple strategies of different types (for example, one surplus savings strategy and one surplus expense strategy), NaviPlan first allocates a percentage of the total surplus toward the savings strategy, and then allocates a percentage of the remaining surplus toward the surplus expense.

For example, a client has an \$80,000 surplus, a 50% savings strategy toward Account A, and a 50% surplus expense strategy. In this case, NaviPlan saves 50% (or \$40,000) of the total surplus to Account A, and then spends 50% of the remaining surplus (or \$20,000) on a surplus lifestyle expense. After these strategies have been implemented, the final \$20,000 surplus accumulates in a surplus/deficit account and is used in the following year's cash flow calculation. Any cash flow surplus that exists the day before retirement is assumed to be spent.

**Note:** If you want to enter surplus strategies, be sure that your clients' expenses have been entered accurately.

To enter surplus strategies, follow these steps:

1. Go to the **Enter Financial Data** section – **Strategies** category – **Surplus** page.
2. If the clients will be saving some or all of the cash flow surplus, from the *Choose Account* list under *Surplus Savings*, select the account or annuity to which you want to save surplus funds, and then click **Add Surplus Savings Strategy**. A new data-entry row appears.

Surplus Savings

Direct Surplus To	% of Surplus*	Start Year*	End Year*	Delete
Non-qualified annuities (Joint/Non-Qualified)	100.00%	2011	Ret. (1st)	X

Non-qualified annui... Add Surplus Savings Strategy

Surplus Expenses

Description	Owner*	% of Surplus	Start Year	End Year	Delete
Surplus Expense	Joint	0.00%	2011	Death -1y (2n)	X

Add Surplus Expense

To view or edit how surplus funds are directed, click **Surplus Cash Usage**.

Surplus Cash Usage...

Figure 91: Enter Financial Data section – Strategies category – Surplus page (Level 2 Plan, Detailed Tax method)

3. Enter the percentage of surplus income the clients will save to the selected account, and then enter the time frame for the strategy.
4. Repeat steps 2–3 until all surplus savings strategies are entered.  
**Note:** Ensure that the total percentage of surplus savings entered for the same year is not greater than 100%.
5. If the clients will be spending some or all of the remaining cash flow surplus, under *Surplus Expenses*, edit the data-entry line created by NaviPlan. If additional surplus expense strategies are needed, click **Add Surplus Expense**.
6. Enter a description of the expense, the percentage of surplus income your clients will spend, the time frame for the strategy, and then select the owner of the expense.
7. Repeat steps 5–6 until all surplus expense strategies are entered. If any surplus remains after all applicable surplus strategies have been implemented in a given year, that surplus accumulates in a surplus/deficit account and is used in the following year's cash flow.
8. To view or edit how surplus funds are directed, click **Surplus Cash Usage**. In the *Surplus Cash Usage* dialog box, select a method, and then use the **Move Up** and **Move Down** buttons to reorder the list.

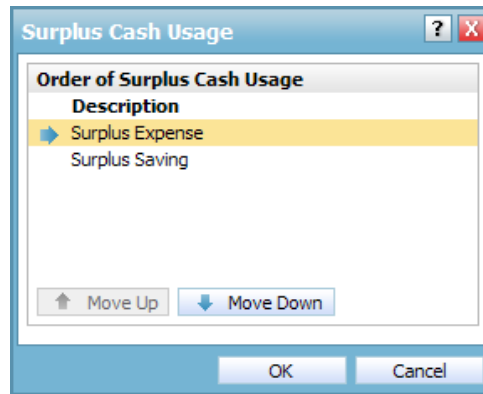


Figure 92: Surplus Cash Usage dialog box

# Chapter 6: Entering insurance coverage and tax details

This chapter explains how to enter your clients' insurance coverage and tax details into NaviPlan Premium.

In the *Insurance Coverage* category, you can enter your clients' planned and existing life, disability, and long-term care insurance.

If you're using the Detailed Tax method, NaviPlan Premium automatically calculates many tax credits and deductions. You can enter any applicable credits or deductions that are not automatically calculated by NaviPlan in the *Tax Details* category.

## In this chapter:

Entering life insurance policies	114
Viewing and defining future values and premiums of a life insurance policy (Level 2)	117
Entering disability insurance policies	119
Entering long-term care insurance policies	120
Generating the Insurance report	121
Entering tax credits and deductions (Level 2)	122

## Entering life insurance policies

To enter your clients' existing life insurance policies, follow these steps:

1. Go to the **Enter Financial Data** section – **Insurance Coverage** category – **Insurance Coverage** page. Under *Life Insurance*, default life insurance policies appear.

Insurance Coverage

< Back Next >

> Instructions

### Life Insurance

Description*	Insured*	Policy Type*	Benefit*	Beneficiary*	Premium*	Details	Delete
Life Insurance	David	Term 10 Life	\$0	Susan	\$0 /mo		
Life Insurance	Susan	Term 10 Life	\$0	David	\$0 /mo		

Add Life Insurance

### Disability Insurance

Description*	Insured*	Policy Type*	Benefit*	Premium*	Details	Delete
Group STD	David	Group STD	\$0 /mo	\$0 /mo		
Group STD	Susan	Group STD	\$0 /mo	\$0 /mo		
Group LTD	David	Group LTD	\$0 /mo	\$0 /mo		
Group LTD	Susan	Group LTD	\$0 /mo	\$0 /mo		

Add Disability Insurance

### Long-term Care Insurance

Description*	Insured*	Daily Benefit Amount*	Premium*	Details	Delete
LTC Insurance	David	\$0	\$0 /mo		
LTC Insurance	Susan	\$0	\$0 /mo		

Add LTC Insurance

Insurance Coverage Report

When you create a new plan, NaviPlan creates default entries for each client, minimizing data entry.

Figure 93: Enter Financial Data section – Insurance Coverage category – Insurance Coverage page (Level 2 Plan)

- To add a new life insurance policy, click the **Add Life Insurance** button, and then select a policy type. The new life insurance policy item appears at the bottom of the current life insurance list.
- Select the person insured by the policy.
- To change the policy type, from the *Policy Type* list, select another option.
- Enter the death benefit, beneficiary, and monthly premium for the listed insurance policies.
- To enter additional details for an existing life insurance policy, click the **Details** button for that policy. The *Life Insurance Details* dialog box opens to the *Details* tab, showing additional details for the individual life insurance policy.

The fields in the *Life Insurance Details* dialog box vary depending on the selected *Policy Type* and the plan level.

**Life Insurance Details**

**Details**

Description\* Policy Type\* Insured\* Beneficiary\* Policy Owner\* Tfr to Survivor

Life Insurance Variable Life David Susan David

**Benefit Details**

Death Benefit\* Direct Residual Proceeds To Account Details Cease Coverage At Age On Date\* Community Property

\$0 Cash Flow Never

**Premiums**

Payer\* Amount\* Frequency\* Cease Premiums At Age On Date\* Waived at Disability

David \$0 Monthly Never

**Variable Subaccounts**

CSV Payable with Death Benefit Valuation Date General Account Market Value\* Subaccounts Market Value Total CSV

Aug 9 2011 \$0 \$0 = \$0

Description*	Symbol	Market Value*	Valuation Date	Asset Class Weightings	Delete
New Subaccount		\$0	Aug 9 2011		X

Add Variable Subaccount Classify Reset Symbols


Add Life Insurance Previous Entry Next Entry OK Cancel

Figure 94: Life Insurance Details dialog box – Details tab (Level 2 Plan, showing a variable life insurance policy)

7. Enter general details about the policy.
8. If you selected a variable life or variable universal life policy, under *Variable Subaccounts*, enter details of the various subaccounts within the policy as follows:
  - a. Enter a general account market value, if applicable.
  - b. Click the **Add Variable Subaccount** button. Enter the subaccount details in the row that appears.
  - c. Enter a description of the various subaccounts and their market values on the valuation date.
9. If you have the Ibbotson Asset Allocation option, in the *Symbol* field, enter a symbol for the holding, and then click **Classify**. NaviPlan enters the description and asset class weighting for the symbol. You can also search the database for a symbol as explained in "Searching the asset classifier database" on page 73.  
OR  
If the holding is fully weighted in one asset class, select the asset class from the *Asset Class Weightings* list.  
OR  
If the holding is weighted in multiple asset classes, select **Manual Classification** from the *Asset Class Weightings* list.

The *Asset Class Weightings Details* dialog box opens. Assign percentages to various asset classes to equal 100%, and then click **OK**.

10. Enter the remaining details of the life insurance policy.

**Note:** Clicking  next to *Add Life Insurance* opens a list where you can select *New Life Insurance* or *Copy of Current*. If you select *Copy of Current*, NaviPlan creates a copy of the existing life insurance policy. Use this when you have similar items to add to avoid re-entering data. You can view or edit other life insurance policies by clicking *Previous Entry* or *Next Entry*.

## Viewing and defining future values and premiums of a life insurance policy (Level 2)

To view and define the premium schedule, the future value of any death benefits, and the prospective cash surrender value of an insurance policy on an annual basis, follow these steps:

1. Go to the **Enter Financial Data** section – **Insurance Coverage** category – **Insurance Coverage** page.
2. Click the **Details** button for the life insurance policy. The *Life Insurance Details* dialog box opens to the *Details* tab.
3. Go to the **Future Values** tab. On this tab, you can view the modal premiums, death benefits, and estimated cash surrender values for each year.

**Life Insurance Details**

Details **Future Values**

**Future Benefits**

☒ Modify the Calculated Values

Age	Year	Modal Premium	Death Benefit	Estimated CSV	Withdrawals	Liabilities	Accumulated Liability
41	2011	\$300	\$375,000	\$0	\$0	\$0	\$0
42	2012	\$300	\$375,000	\$0	\$0	\$0	\$0
43	2013	\$300	\$375,000	\$0	\$0	\$0	\$0
44	2014	\$300	\$375,000	\$0	\$0	\$0	\$0
45	2015	\$300	\$375,000	\$0	\$0	\$0	\$0
46	2016	\$300	\$375,000	\$0	\$0	\$0	\$0
47	2017	\$300	\$375,000	\$0	\$0	\$0	\$0
48	2018	\$300	\$375,000	\$0	\$0	\$0	\$0
49	2019	\$300	\$375,000	\$0	\$0	\$0	\$0
50	2020	\$300	\$375,000	\$0	\$0	\$0	\$0
51	2021	\$300	\$375,000	\$0	\$0	\$0	\$0
52	2022	\$300	\$375,000	\$0	\$0	\$0	\$0
53	2023	\$300	\$375,000	\$0	\$0	\$0	\$0

2011-2023 | 2024-2036 | 2037-2049 | 2050-2062 | 2063-2075 | 2076-2088 | 2089-2101 | 2102-2110

**Fill Values**

Column to Fill\*: Modal Premium Start Year\*: 2011 End Year\*: 2110 Start Value\*: \$0 Base Rate\*: 0.00% Increase Rate By: 0.00% Period (years)\*: 1

Clear Column Values Fill

Add Life Insurance Previous Entry Next Entry OK Cancel

Figure 95: Life Insurance Details dialog box – Future Values tab (Level 2 Plan, Detailed Tax method)

4. Select **Modify the Calculated Values**, and then click **OK** to the message that appears.
5. To change future values for specific years, enter updated values in the fields for those years.

OR

To change future values for multiple years, use the expanded *Fill Values* section, where you can quickly assign future values to multiple years as follows:

- a. Select a column type that you want to modify from the *Column to Fill* list.
- b. Enter the *Start Year* and *End Year* dates to set the range of years that will include modifications.
- c. In the *Start Value* field, enter an amount that corresponds with the *Start Year*.
- d. In the *Base Rate* field, enter the rate at which the selected column values will increase annually.
- e. If the base rate is expected to increase, in the *Increase Rate By* field, enter the rate at which to index the future value.
- f. In the *Period (years)* field, enter how often the future values change.

- g. Click **Fill**. The future values that you specified are modified automatically.

## Entering disability insurance policies

To enter your clients' existing disability insurance policies, follow these steps:

1. Go to the **Enter Financial Data** section – **Insurance Coverage** category – **Insurance Coverage** page. Under *Disability Insurance*, default disability insurance policies appear.
2. To add a disability insurance policy, click the **Add Disability Insurance** button, and then select a policy type. The new disability insurance policy item appears at the bottom of the current disability insurance list.
3. Select the person insured by the policy.
4. To change the policy type, from the *Policy Type* list, select another option.
5. If applicable, enter the monthly benefit amount and premium of the listed insurance policies.
6. To enter additional details for an existing disability insurance policy, click the **Details** button for that policy. The *Disability Insurance Details* dialog box opens, showing additional details for the policy.

**Disability Insurance Details**

Instructions

**Details**

Description*	Policy Type*	Insured*	Policy Owner*	Effective Date*
David's DI policy	Individual Disability	David	David	Dec 31 2010

**Benefit Details**

**Benefit Amount\***

☐ % of Salary   
 ☒ Flat Dollar   
 Benefit Frequency\*   
 Taxable Benefit   
 Infl +/- Add'l

0.00%   
 \$3,000   
 Monthly   
 ☐   
 ☐ + 0.00%

**Maximum Indexed Benefit\***

Calculated As   
 Dollar Amount   
 Waiting Period\*   
 Benefits Period\*   
 Offset by Social Sec

☒ None   
 \$0   
 3 Months   
 65 Years of Age   
☐

**Premiums**


Payer*	Amount*	Frequency*	Cease at Age	Cease on Date*	Infl +/- Add'l
David	\$25	Monthly	65	Ret. (Owner)	<input type="checkbox"/> + 0.00%

Add Disability Insurance   
 Previous Entry   
 Next Entry   
 OK   
 Cancel

Figure 96: Disability Insurance Details dialog box (Level 2 Plan)

7. Enter the remaining details about the policy.
8. If the disability insurance policy benefits will be offset by Social Security disability benefits, select the **Offset by Social Sec**

check box. This check box is used for informational purposes only.

**Note:** Clicking  next to *Add Disability Insurance* opens a list where you can select *New Disability Insurance* or *Copy of Current*. If you select *Copy of Current*, NaviPlan creates a copy of the current policy. Use this when you have similar items to add to avoid re-entering data. You can view or edit other disability insurance policies by clicking *Previous Entry* or *Next Entry*.

## Entering long-term care insurance policies

To enter your clients' existing long-term care insurance policies, follow these steps:

1. Go to the **Enter Financial Data** section – **Insurance Coverage** category – **Insurance Coverage** page. Under *Long-term Care Insurance*, default long-term care insurance policies appear. When you create a new plan, NaviPlan creates a default entry for each client, minimizing data-entry.
2. To add a long-term care insurance policy, click the **Add LTC Insurance** button. A blank data-entry row appears under *Long-term Care Insurance*.
3. Select the person insured by the policy.
4. If applicable, enter the benefit amount and monthly premium of the listed insurance policies.
5. To enter additional details for an existing long-term care insurance policy, click the **Details** button for that policy. The *Long-term Care Insurance Details* dialog box opens showing additional details for the individual policy.


The dialog box is titled "Long-term Care Insurance Details" and contains several sections for entering policy information:

- Details:** Includes fields for Description\* (LTC Insurance), Company, Policy Number, Insured\* (David), and Effective Date (Jan 1 2011).
- Benefits Payable:** Contains two columns for "Benefit During LTC Indexed" and "Benefit Before LTC Indexed". Each column has a "Daily Amount\*" field (\$125) and an "Infl +/- Add'l" field with a checked box and "2.00%".
- Applicable Period:** Includes "Waiting Period\*" (90 Days) and "Benefit Period\*" (4 Years), both with dropdown menus.
- Premiums:** Includes fields for Payer\* (David), Amount\* (\$75), Frequency\* (Monthly), Cease at Age, Cease on Date, and an "Infl +/- Add'l" field with a checked box and "0.00%". A note states: "If blank, premiums cease on claim of LTC".

At the bottom, there are buttons for "Add LTC Insurance" (with a dropdown arrow), "Previous Entry", "Next Entry", "OK", and "Cancel".

Figure 97: Long-term Care Insurance Details dialog box (Level 2 Plan)

6. Enter the remaining details about the policy.

**Note:** Clicking  next to *Add LTC Insurance* opens a list where you can select *New LTC Insurance* or *Copy of Current*. If you select *Copy of Current*, NaviPlan creates a copy of the current policy. Use this when you have similar items to add to avoid re-entering data. You can view or edit other long-term care insurance policies by clicking *Previous Entry* or *Next Entry*.

## Generating the Insurance report

The *Insurance* report provides a summary of all the insurance coverage entered in the clients' plan and can be used to verify data-entry or quickly view all coverage.

To generate the *Insurance* report, follow these steps:

1. Go to the **Enter Financial Data** section – **Insurance Coverage** category – **Insurance Coverage** page.
2. Click the **Insurance Coverage Report** button. The *Insurance* report appears.

**Insurance Report**  
 David Lee and Susan Lee  
 Financial plan (2011)

### Life Insurance Policies

Description:	Life Insurance		
Policy Type:	Term 10 Life	Owner:	David
Effective Date:	Jan 1 2010	Insured:	David
Death Benefit:	\$375,000	Beneficiary:	Susan
Cash Surrender Value (CSV):	\$0	Premium Payer:	David
Premiums cease on:	Never	Annual Premium Payments:	\$300
CSV payable with Death Benefit:	No	Coverage ceases on:	Never
		Disability Waiver:	Yes

### Disability Insurance Policies

Description:	Individual Disability		
Policy Type:	Individual Disability	Insured:	Susan
		Effective Date:	Dec 31 2010
		Owner:	Susan
		Premium payer:	David

Benefits are \$3,000/month (tax-free).  
 Benefits begin after 3 months and are paid until age 63.  
 Premiums are \$25/month and end on Apr 30 2035.

### Long-term Care Insurance Policies

Description:	LTC Insurance		
Insured:	David		
Company:		Effective Date:	Jan 1 2011
		Premium payer:	

Figure 98: Insurance report

## Entering tax credits and deductions (Level 2)

**D. Tax** This procedure only applies if you are using the Detailed Tax method.

NaviPlan Select automatically calculates many tax credits and deductions based on the information you enter in client files and plans. You can enter any applicable credits or deductions that are not automatically calculated by NaviPlan Select on the *Enter Financial Data* section – *Tax Details* category – *Tax Details* page. The clients' cash flow funds these transactions.

Unused charitable donations, alternative minimum tax carryforward credits, and capital loss carryovers are entered in the *Plan Management* section – *Assumptions* category. To avoid entering tax credits or deductions more than once, review the income tax reports available from the *Reports* menu.

To enter tax deductions, follow these steps:

1. Go to the **Enter Financial Data** section – **Tax Details** category – **Tax Details** page.

Figure 99: Enter Financial Data section – Tax Details category – Tax Details page (Level 2 Plan)

2. To enter a deduction, click **Add Deduction**, and then select either **Above the Line Deduction** or **Below the Line Deduction**.
3. Enter the details for the deduction. To enter additional details, click the **Details** button. The *Misc. Deductions* dialog box opens where you can enter additional information.

Figure 100: Misc. Deductions dialog box

To enter a tax credit, follow these steps:

1. Go to the **Enter Financial Data** section – **Tax Details** category – **Tax Details** page.
2. Click **Add Credit**, and then select either **Refundable Credit** or **Non-Refundable Credit**.
3. Enter the details for the credit. To enter additional details, click the **Details** button. The *Misc. Credits* dialog box opens where you can enter additional information.

**Misc. Credits**

**Misc. Tax Credits**

**Description\***      **Owner\***      **Type\***

Refundable Tax Credit      David      Refundable Tax Credit

**Original Amount Yearly Change**

Original Amount	Indexed by Inflation Before Start Date	Annual Change After Start Date	
		Infl +/- Add'l	Amount
\$0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> + 0.00%	and \$0

**Applicable**

**Start Date\***      **End Date\***

Jan 1 2011      Death (Owner)

Add Credit      Previous Entry      Next Entry      OK      Cancel

Figure 101: Misc. Credits dialog box

# Chapter 7: Entering accumulation goals

When you create a plan you must select the modules you want to use. The selected modules determine the types of goals you can enter in the plan. In each plan, you can only use the financial planning modules that are selected on the *Plan Management* section – *Modules* category – *Modules* page.

## In this chapter:

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Defining retirement goals	126
Defining education goals	133
Defining major purchase goals	136
Defining an emergency fund goal	137
Allocating accounts to goals	139

## Retirement goal assumptions

In NaviPlan Premium, retirement is treated as a goal rather than just a period of time. You can identify a specific need, allocate accounts to fund it, and then see the resulting shortfalls and savings.

NaviPlan makes recommendations to achieve the retirement goal without taking cash flow into consideration (for example, NaviPlan may recommend that the clients save \$1,000 per month even when the clients do not have that amount available in their cash flow).

NaviPlan accumulates annual cash flow surpluses and deficits from the plan date until retirement. At retirement, any surplus or deficit accumulated in pre-retirement returns to zero. Surpluses generated during retirement are accumulated and used as the first source of funding should a deficit occur during that period.

### Retirement date assumptions

NaviPlan assumes that the retirement period begins on January 1 of the year in which the first client retires, and ends on December 31 of the year in which the last client in the plan dies.

**Level 2** Retirement dates can be changed for specific goals such as survivor income and disability income.

## Retirement goal reporting

NaviPlan has detailed retirement reports for both the current and proposed plans. The current plan reports are based on the clients' current financial information, entered primarily in the *Enter Financial Data* and *Set Goals* sections, and show the clients their current progress towards their retirement goal. All information in the plan, except for What-if scenarios, is reported as part of the current plan in additional reports, graphs, and client reports. In contrast, the recommended or proposed plan reports reflect both the current plan information and the *Recommended* scenario information.

## Defining retirement goals

To define your clients' retirement goals, follow these steps:

1. Go to the **Set Goals** section – **Retirement** category – **Retirement** page.

**Retirement** [Back] [Next]

Instructions

**Objectives**

David		Susan	
Age	Date	Age	Date
65	May 2035	64	Jun 2035
Life Expectancy	90 2060	82	2053

To view or edit additional asset allocation details, click **Asset Allocation**.

[Asset Allocation...]

**Calculate Retirement Expenses**

Enter the annual retirement expenses as a

☒ percentage of the current estimated after-tax salary

\$70,140 X [ ] = \$0 /yr \$0 /mo

☐ percentage of the current lifestyle expenses

\$111,000 X [ ] = \$0 /yr \$0 /mo

☐ specific amount [ ] /yr [ ] /mo

[Add to Retirement Expenses]

**Retirement Expenses**

Description	Member	Type	Amount	Frequency	Infl +/- Add'l	Start Age	End Age	Tfr to Survivor	Fixed Exp.	Delete
Retirement Expense	Joint	Lifestyle	\$0	Monthly	✓+ 0.00%	Ret. (1st)	Death (2nd)	✓	✓	X
Retirement Expense	Joint	Lifestyle	\$0	Monthly	✓+ 0.00%	Ret. (1st)	Death (2nd)	✓	✓	X

[Add Retirement Expense]

**Retirement Incomes**

If Social Security or defined benefit pensions are entered on the *Financial Picture* section - *Cash Flow* category - *Cash Flow* page, do not enter them in this section. Only enter additional retirement incomes in this section.

Description	Member	Income Type	Amount	Frequency	Infl +/- Add'l	Start Age	End Age	Delete
Other Taxable	David	Other Taxable	\$0	Monthly	✓+ 0.00%	Ret. (Owner)	Death (Owner)	X

[Add Retirement Income]

To view or edit account distribution for all plan goals: [Goal Funding]

To view or edit account liquidation strategies: [Liquidation Strategies]

Retirement Accounts (\$90,000)

Unassigned Accounts (\$15,000)

Figure 102: Set Goals section – Retirement category – Retirement page (Level 2 Plan)

2. Under *Objectives*, enter your clients' retirement ages or the years at which your clients want to retire, and then enter your clients' life expectancies.
3. To change the clients' investor profile for retirement:

**Level 1** Under *Profile*, the investor profile used by the plan is shown. Select the **Override** check box, and then select the alternative investor profile you want to apply to the retirement goal.

**Level 2** If the *Asset Allocation* module is selected on the *Plan Management* section – *Modules* category – *Modules* page, click the **Asset Allocation** button. For more information, see "Overriding the proposed investor profile for a goal (Level 2 Plans)" on page 131 for more information.

**Note:** If you are using user-defined asset allocation, asset classes and investment profiles must first be created in the *Plan Management* section. See "Setting up user-defined asset allocation" on page 19.

To model retirement expenses, follow these steps:

1. Under *Calculate Retirement Expenses*, do one of the following:

To calculate the retirement expense based on...	Do this...
Total annual after-tax salaries	Select the <b>percentage of the current estimated after-tax salary</b> option, and then enter the percentage of the current estimated after-tax salary the clients will want to receive during retirement.
Current annual lifestyle expenses	Select the <b>percentage of the current lifestyle expenses</b> option, and then enter the percentage of current lifestyle expenses you expect the clients to have during retirement.
A specific annual amount	Select the <b>specific amount</b> option, and then enter the amount the clients want to receive annually during retirement.

2. To add a calculated retirement expense to the plan, click the **Add to Retirement Expenses** button. The expense and additional data-entry fields appear under *Retirement Expenses*.
3. Under *Retirement Expenses*, enter details for the listed expenses. If necessary, click **Add Retirement Expense** to create an additional expense that will occur during retirement.

Expenses can be entered for the entire retirement period, or they can be entered in a staged format. The second option is best used when the clients' needs change during the retirement period. For example, a client may expect to need \$65,000 annually from age 65 to age 75, but then expect to reduce or increase spending from age 76 to 80; or the clients may expect to have one-time or time-limited additional expenses that are over and above the amounts specified on an annual basis.

In joint plans, NaviPlan makes the following assumptions for retirement expenses when the keyword *retirement* is entered in the *Start Age* field and the keyword *death* is entered in the *End Age* field.

If the retirement expense is...	The expense begins on...	The expense ends on...
Singly owned	January 1 of the year in which the owner of the expense retires	December 31 of the year the owner dies, unless the <i>Tfr to Survivor</i> check box is selected
Jointly owned	January 1 of the year in which the first client retires	December 31 of the year of the last client's death

Retirement expenses previously entered on the *Enter Financial Data* section – *Cash Flow* category – *Cash Flow* page that continue into retirement appear on the *Retirement* page. Changes made on either page automatically appear on the other page.

4. To indicate the retirement expense is fixed (cannot be eliminated), select the **Fixed Exp.** check box. If the check box is not selected, NaviPlan assumes the expense is discretionary.
5. If applicable, under *Retirement Incomes*, modify retirement incomes that have been entered on the *Enter Financial Data* section – *Cash Flow* category – *Cash Flow* page.

OR

Click **Add Retirement Income** to enter additional income that will be earned during retirement.

**Note:** Incomes entered on the *Retirement* page also appear on the *Enter Financial Data* section – *Cash Flow* category – *Cash Flow* page under *Incomes*.

## Defining liquidation order in retirement (Level 2 Plans)

NaviPlan Premium automatically redeems accounts to cover the retirement goal, either using deficit coverage (automatic account redemption method), or a specific liquidation order.

1. To change the manner in which accounts are redeemed during retirement, click **Liquidation Strategies** on the *Retirement* category – *Retirement* page.

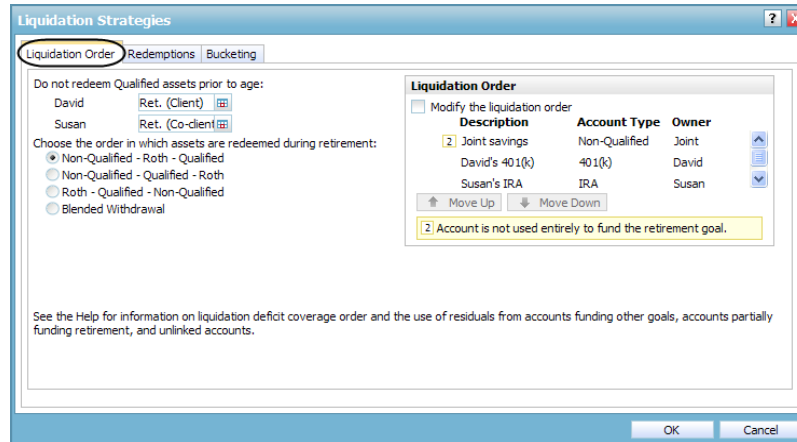


Figure 103: Liquidation Strategies dialog box – Liquidation Order tab (Level 2 Plan)

2. For the client and co-client, click the *Event Calendars* to enter the minimum age when qualified assets can be redeemed. *Ret. (Client)/(Co-client)* is entered by default.
3. To redeem assets by account type only, select one of the existing liquidation options.  
OR  
To view and edit the order of specific accounts, select the **Modify the liquidation order** check box. For each applicable account, select the account, and then click the **Move Up** or **Move Down** button.
4. To specify redemptions of specific dollar values or percentages of certain accounts, go to the **Redemptions** tab, and then complete the following steps:
  - a. Click the **Redemptions** link.

Liquidation Strategies

Liquidation Order: Redemptions Bucketing

Redemptions

Account Description	Redeem All	Amount* (\$ or %)	Frequency*	Waive Early Withdrawal Penalties	Start Date*	End Date*	Infl +/- Add'l	Delete
Susan's IRA	<input checked="" type="checkbox"/>	0.00%	Monthly	<input type="checkbox"/>	Ret. (Co-terminus)	Death -1y (Contingent)	+	0.00%

Susan's IRA Add Redemption Strategy

Substantially Equal Periodic Payments (SEPP)

OK Cancel

Figure 104: Liquidation Strategies dialog box – Redemptions tab (Level 2 Plan, Redemptions section)

- Select an account, and then click **Add Redemption Strategy**. Additional data-entry fields appear.
- To redeem the entire account, select the **Redeem All** check box.
- To exclude penalties for early withdrawals, select the **Waive Early Withdrawal Penalties** check box.
- Enter the remaining details of the redemption strategy.
- Click the **Substantially Equal Periodic Payments (SEPP)** link.

Liquidation Strategies

Liquidation Order: Redemptions

Substantially Equal Periodic Payments (SEPP)

Account Description	Start Date*	Frequency*	Distribution Method*	Pro-Rate First/Last Payments	Details	Delete
Susan's IRA	Oct 18 2011	Annual	Required Minimum Distribution	<input type="checkbox"/>		

Choose Account ... Add SEPP Strategy

OK Cancel

Figure 105: Liquidation Strategies dialog box – Redemptions tab (Level 2 Plan, Substantially Equal Periodic Payments (SEPP) section)

- Select an account, and then click **Add SEPP Strategy**. Additional data-entry fields appear.
- Enter the remaining details of the redemption strategy.

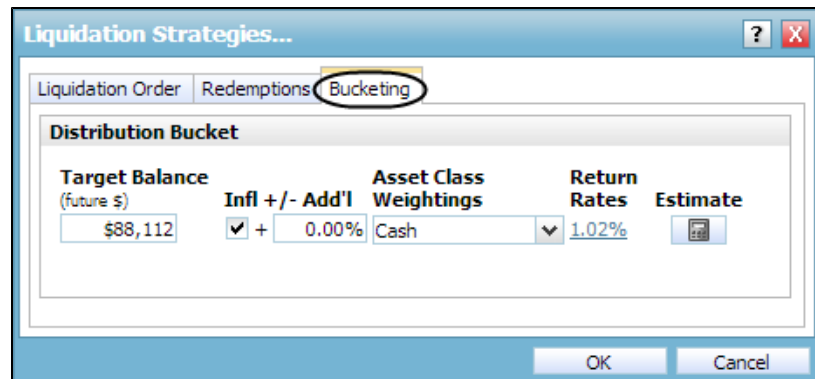
For more information about entering redemptions and SEPPs, see "Entering redemptions" on page 107.

## Modeling a Bucketing Strategy

In general, the longer assets remain invested, the more stable their returns become. Furthermore, it is increasingly common for clients to regularly segregate enough assets to meet needs into a conservative holding for a certain period of time, while allowing the remainder of the portfolio to be invested for a longer period of time. This allows you to safely cover your clients' needs while investing the remainder of their assets for growth.

Bucketing retirement assets in this way allows you to demonstrate the concept of shifting these resources into stable vehicles, as well as growing the pool of managed assets over time.

1. To model a bucketing strategy, go to the **Bucketing** tab and then complete the following steps:
  - a. Click the **Estimate** button, this will open the *Distribution Bucket Estimator* calculator.
  - b. Enter the number of years over which the "bucket" investment account will cover needs, and click **Ok**.
  - c. The amount determined by the calculator will appear in the *Target Balance* field.
  - d. Enter the remaining details of the bucketing strategy.



The screenshot shows a dialog box titled "Liquidation Strategies...". It has three tabs: "Liquidation Order", "Redemptions", and "Bucketing". The "Bucketing" tab is selected. Inside the dialog, there is a section titled "Distribution Bucket". This section contains several input fields and buttons:

- Target Balance (future \$)**: A text box containing "\$88,112".
- Infl +/- Add'l**: A checkbox that is checked, followed by a text box containing "0.00%".
- Asset Class Weightings**: A dropdown menu showing "Cash".
- Return Rates**: A text box containing "1.02%".
- Estimate**: A button with a calculator icon.

At the bottom of the dialog are "OK" and "Cancel" buttons.

Figure 106: Liquidation Strategies dialog box – Bucketing tab

## Overriding the proposed investor profile for a goal (Level 2 Plans)

You can review the proposed investor profile for the plan on the *Plan Management* section – *Asset Allocation* category – *Profile* page to see if it is appropriate for the goal. If not, to override the proposed portfolio, follow these steps:

1. Go to the **Set Goals** section – **Retirement, Education, or Major Purchase** category – <goal> page.

- Click the **Asset Allocation** button. The *Asset Allocation Details* dialog box opens.

**Note:** This button looks different for the retirement goal than for the other goals.

	Current Asset Mix	Suggested Asset Mix
Large Cap Growth Equity	50.00%	11.00%
Large Cap Value Equity	0.00%	14.00%
Mid Cap Equity	0.00%	9.00%
Small Cap Equity	25.00%	6.00%
US REITs	0.00%	3.00%
International Equity	0.00%	14.00%
Emerging Markets Equity	0.00%	3.00%
<b>Qualified Retirement Accounts</b>		
Expected rate of return	9.14%	8.23%
Expected standard deviation	18.14%	12.98%
Proposed investor profile		Moderate
Proposed time horizon		Very Long

Figure 107: Asset Allocation Details dialog box (Level 2 Plan, retirement goal)

- To override the asset allocation questionnaire your clients answered, click the **Modify Questionnaire** button. The *Questionnaire* dialog box opens.
- Review the questionnaire and consider whether the responses are true for the goal. If a different response to any of the questions would better reflect the goal, select the check box next to the question, and then change the response. Responses you enter on this page only apply to the goal and not to the rest of the plan. Click **OK** to close the *Questionnaire* dialog box.
- For the *Retirement* goal, under *Investor Profile*, select the period for which you want to override the profile.
- To override the selected *Investment Profile*, select the **Override** check box, and then select the alternative investor profile you want to use for the selected period.

**Retirement goal only:** You must select an asset mix other than *All Retirement Accounts* if you want to override the clients' investment profile or customize the asset mix.

7. Select the asset mix you would like to review or override. The current asset mix graph changes depending on the selected asset mix. The suggested asset mix graph is based on your clients' goal investment profile.
8. Scroll down to the bottom of the profile. If applicable, you can modify the asset mix in this proposed portfolio for the selected retirement goal by clicking the *Customize Asset Mix* button, and then selecting either the *Weightings* option or the *Optimize* option.
9. Use the *Weightings* option to manually adjust the asset class weightings of the portfolio for all or selected accounts. For more detailed instructions, see "Editing asset class weightings (Level 2)" on page 74.  
**Note:** If you are not authorized to change the asset class weightings, the *Weightings* option is not available. If you are not authorized to use mean variance optimization, the *Optimize* option is not available.
10. Use the *Optimize* option to use the Ibbotson Mean Variance Optimizer to generate a new portfolio based on an efficient frontier graph. For more detailed instructions, see "Using the Optimize calculation" on page 25.

**Note:** The proposed portfolio is only modified for the goal, not for the entire plan. Also, for a retirement goal, the proposed portfolio is only modified for the selected period.

To identify the accounts that will fund the clients' goal, see "Allocating accounts to goals" on page 139.

## Defining education goals

For families with children, saving early for future education goals is vital to ensure the family is able to afford the rising cost of post-secondary education.

To define an education goal, follow these steps:

1. Go to the **Set Goals** section – **Education** category – **Education** page.

Education

Instructions

**Education Objectives**

Description*	Name*	Start Age*	Start Year*	Infl +/- Add'l	Education Calculator	Annual Cost*	Number of Years*	Projected Cost	Asset Allocation	Details	Delete
College Education	Julia	18	2016	✓ + 2.00%		\$10,000	4	\$55,009			

Add Education Objective

To view or edit account distribution for all plan goals, click **Goal Funding**.

Goal Funding...

Education Accounts (\$5,000)

Unassigned Accounts (\$12,500)

Figure 108: Set Goals section – Education category – Education page (Level 2 Plan)

- To create a new goal, under *Education Objectives*, click the **Add Education Objective** button, and then enter the details of the goal.
- To search the Peterson's Undergraduate Database (Data source: Peterson's Databases, copyright (2011). Peterson's, a division of Thomson Learning. All rights reserved.) for college-specific education expenses, click the **Education Calculator** button. The *Search Education Costs* dialog box opens.
- Under *Education Search Criteria*, select the state in which the school is located and/or enter the school name, and then click **Search**.

The search results appear under *Search Results*.

Search Education Costs

Instructions

**Education Search Criteria**

Use the search criteria to access the Peterson's Undergraduate Database for college-specific education expenses.

State: California School Name: san\* Search

Use wildcards(\*) in your search.

**Search Results**

Instructions

- San Bernardino Valley College (San Bernardino, CA)
- San Diego Christian College (El Cajon, CA)
- San Diego City College (San Diego, CA)
- San Diego Mesa College (San Diego, CA)
- San Diego Miramar College (San Diego, CA)
- San Diego State University (San Diego, CA)
- San Diego State University–Imperial Valley Campus (Calexico, CA)
- San Francisco Art Institute (San Francisco, CA)
- San Francisco Conservatory of Music (San Francisco, CA)
- San Francisco State University (San Francisco, CA)**
- San Joaquin Delta College (Stockton, CA)
- San Joaquin Valley College (Visalia, CA)
- San Joaquin Valley College (Bakersfield, CA)
- San Joaquin Valley College–Fresno Aviation Campus (Fresno, CA)
- San Joaquin Valley College–Online (Visalia, CA)
- San Jose City College (San Jose, CA)
- San Jose State University (San Jose, CA)

**Expense Options 1**

- In State Tuition\* \$5,668
- In State Tuition/Room\* \$17,076
- Out of State Tuition\* \$16,828
- Out of State Tuition/Room\* \$28,236

1 Amounts include required fees.

Data Source: Peterson's Databases, copyright (2011). Peterson's, a division of Thomson Learning. All rights reserved.

OK Cancel

Figure 109: Search Education Costs dialog box (showing search results)

5. Under *Search Results*, select the school of your choice, and then select an expense option (for example, *Tuition* or *Tuition/Room*).
6. Click **OK** to close the *Search Education Costs* dialog box. The value is populated in the *Annual Cost* field.
7. To change the clients' investor profile for a specific education goal, do the following:
  - **Level 1** If the *Asset Allocation* module is selected on the *Plan Management* section – *Modules* category – *Modules* page, under *Investment Profile*, select the **Override** check box for the education goal, and then select another investment profile.
  - **Level 2** See "Overriding the proposed investor profile for a goal (Level 2 Plans)" on page 131
8. **Level 2** To add additional expenses to the education goal, click the **Details** button. The *Search Education Costs* dialog box opens.

**Search Education Costs**

Instructions

**Education Search Criteria**

Use the search criteria to access the Peterson's Undergraduate Database for college-specific education expenses.

State: [dropdown] School Name: [text field] Search

Use wildcards(\*) in your search.

**Search Results**

There are no results to display.

Instructions

**Education Goal**

Description\*: [dropdown: College Education] Infl +/- Add'l: [checked] + 2.00%

Name*	Start Age*	Start Year*	Annual Cost*	Number of Years*	Projected Cost	Populate	Delete
Julia	18	2016	\$10,000	4	\$55,009	[Populate]	[Delete]

Add Education Expense

Previous Entry Next Entry OK Cancel

Figure 110: Search Education Costs dialog box (education expenses entered)

- a. If applicable, change the inflation rate for the goal.
- b. To add an education expense, click the **Add Education Expense** button.
- c. If you selected an expense option using the Peterson's Undergraduate Database, enter the expense details, and then click **Populate**. NaviPlan updates the *Projected Cost* field for that expense.
- d. When you have finished entering details, click **OK**. The *Search Education Costs* dialog box closes.

If multiple expenses were entered for the goal, the total projected cost of the objective appears under *Education Objectives*.

9. To allocate an account to the education goal, or to view or edit account distribution for all plan goals, click **Goal Funding**. For more information, see "Allocating accounts to goals" on page 139.

All accounts allocated toward the education goal appear on the *Education* page under *Education Accounts*. The market value of each account displayed reflects the market value for the account and not the actual amount allocated to the education goal. Any accounts not allocated to a goal appear under *Unassigned Accounts*. Clicking the links expands or collapses the information.

## Defining major purchase goals

A major purchase is any large expense for which your clients need to save money. For example, a sailboat, a new roof for the house, or a wedding are all major purchases. Use the *Major Purchase* module to ensure your clients have enough money to fund all their major purchase goals.

To define a major purchase goal, follow these steps:

1. Go to the **Set Goals** section – **Major Purchase** category – **Major Purchase** page.
2. To create a new major purchase goal, under *Major Purchase Objectives*, click the **Add Major Purchase Objective** button, and then select an objective type.  
**Note:** For all major purchase objective types other than the *Expense* type, the new asset is added to net worth and appears in the *Enter Financial Data* section – *Net Worth* category in the year the purchase occurs. For example, a new vehicle or second residence can increase net worth, whereas a wedding or vacation cannot.
3. Enter a unique description for the goal, and then complete the required fields.
4. Specify whether the cost will be indexed to meet inflation.

Figure 111: Set Goals section – Major Purchase category – Major Purchase page (Level 2 Plan)

5. **Level 1** To change the clients' investor profile for a specific major purchase goal, under *Investment Profile*, select the **Override** check box for the major purchase goal, and then select another investment profile.  
**Note:** The *Asset Allocation* module must be selected on the *Plan Management* section – *Modules* category – *Modules* page.
6. **Level 2** If you want to override the proposed portfolio for the major purchase goal, and the answers on the *Plan Management* section – *Asset Allocation* category – *Questionnaire* page do not accurately reflect the goal or you are not using Ibbotson Asset Allocation, see "Overriding the proposed investor profile for a goal (Level 2 Plans)" on page 131.
7. To allocate an account to the major purchase goal, or to view or edit account distribution for all plan goals, click **Goal Funding**. For more information, see "Allocating accounts to goals" on page 139.

All accounts allocated toward the major purchase goal appear on the *Major Purchase* page under *Major Purchase Accounts*. The market value of each account displayed reflects the market value for the account and not the actual amount allocated to the major purchase goal. Any accounts not allocated to a goal appear under *Unassigned Accounts*.

## Defining an emergency fund goal

An emergency fund is set up to cover unexpected expenses, or to cover existing expenses during a sudden loss of income. For example, if the client or co-client becomes unemployed, the emergency fund covers the required liability payments and lifestyle expenses. Clients can define one emergency fund goal per plan.

For a joint analysis, NaviPlan Premium assumes that the emergency fund goal applies to both the client and co-client. When a client dies, NaviPlan transfers the goal to the surviving client.

To define an emergency fund goal, follow these steps:

1. Go to the **Set Goals** section – **Emergency Fund** category – **Emergency Fund** page.

**Emergency Fund**

Instructions

**Emergency Fund Goal**

☒ Calculate target amount

Multiple: 3.0 X Average Monthly Fixed Expenses: \$5,450 = Target Amount: \$16,350 Infl +/- Add'l: 0.00%

☐ Specify target amount

Target Amount: \$0 Infl +/- Add'l: 0.00%

**Reserve asset for Emergency Fund until**

☒ Retirement

☐ End of Plan

To view or edit account distribution for all plan goals, click **Goal Funding**.

**Emergency Funds Accounts (\$3,750)**

Description	Account Type	Owner	Market Value	Basis	% Linked	Linked Amount	Asset Class Weightings	ROR(%)	Savings
Joint savings	1 Non-Qualified	Joint	\$15,000	\$0	25%	\$3,750	Multiple Asset...	8.29%	1

1 Account is assigned across multiple goals.

Figure 112: Set Goals section – Emergency Fund category – Emergency Fund page (Level 2 Plan)

2. To calculate the funds required to cover expenses that occur over a specific period, select **Calculate target amount**, and then in the *Multiple* field, enter the number of months to cover. The required amount appears in the *Target Amount* field. NaviPlan assumes that
  - Regular liability payments, insurance premiums, and fixed expenses are covered.
  - Income taxes, Social Security, and Medicare taxes are not covered.
  - Extra lump-sum payments, discretionary expenses, savings strategies, estate planning gifts, gift taxes, GSTT, and 10% early redemption from qualified plan taxes are not covered.
3. To create an emergency fund goal set at a fixed amount, select **Specify target amount**, and then enter the amount.
4. If you want to index the emergency fund to inflation, select the **Infl** check box, and then enter the percentage above or below

inflation. The inflation rate applies to both emergency fund calculation methods.

5. Under *Reserve asset for Emergency Fund until*, indicate how long the emergency fund assets are to be reserved.
  - To have NaviPlan reserve the assets for emergency use only until retirement, select **Retirement**. At retirement, NaviPlan transfers use of these assets to the retirement goal.
  - To have NaviPlan reserve the assets for emergency use for the duration of the plan, select **End of Plan**. These assets are not available for deficit coverage or to fund any other goal.
6. To edit the accounts funding this goal, click **Goal Funding**. For more information, see "Allocating accounts to goals" on page 139.

**Note:** Qualified accounts cannot fund an emergency fund.

All accounts allocated toward the emergency fund goal appear on the *Emergency Fund* page under *Emergency Fund Accounts*. The market value of each account displayed reflects the market value for the account and not the actual amount allocated to the major purchase goal. Any accounts not allocated to a goal appear under *Unassigned Accounts*.

## Allocating accounts to goals

To assign accounts to fund specific goals or to view account distribution for all goals, follow these steps:

1. On the <*Retirement/Education/Major Purchase/Emergency Fund*> page, click **Goal Funding**. The *Goal Funding* dialog box opens. Your clients' qualified accounts and annuities, with the exception of 529 plans, are automatically assigned to fund the retirement goal, but can also fund education and major expense goals. Non-qualified accounts can fund any goal and can also be allocated to more than one goal.

**Note:** You can also allocate accounts to goals or view account distribution for all plan goals on the *Set Goals* section – *Goal Funding* category – *Goal Funding* page.

2. For each applicable account, enter any combination of dollar amounts, percentages, or the keyword *balance* to allocate funds

to the applicable goals.

**Note:** When using the Detailed Tax method, you can allocate qualified accounts to goals other than retirement. When using the Average Tax method, only non-qualified accounts can be allocated to goals other than retirement.

In NaviPlan Premium, you can fund goals in three ways:

- *Fixed amount* – Enter a fixed dollar value. When a fixed amount is entered, NaviPlan Select uses only that amount to fund the goal, even when additional funds are available in the account.
- *Percentage* – Enter a percentage.
- *Balance* – Enter the keyword *balance*. All remaining unallocated funds in the account are directed to the goal. If *balance* is entered for more than one goal, the remaining balance is distributed equally among those goals.

When allocating an account across multiple goals and using any of the fixed amount, percentage, and balance options, behind the scenes NaviPlan divides the account into portions for each respective goal. This split is reflected in stand-alone reports and eliminates the need to manually divide an account.

Subsequently, any savings for the account will be appropriately distributed among the goals of the account.

If accounts are assigned to multiple goals and the combined fixed amount, percentage, and balance amounts exceed the value of the account, fixed amounts are funded first and the remaining funds are automatically distributed on a prorata basis.

The Goal Funding dialog box contains a table with the following data:

Account Name (Owner/Account Type)	Total	Retirement	College Education	Vehicle	Emergency Fund	Unallocated
Joint savings (Non-Qualified)	\$15,000	\$0	\$0	\$0	\$0	\$15,000
Susan's IRA	\$50,000	100%	\$0	\$0	\$0	\$0
529 plan (David/529 Plan for Julia)	\$10,000	\$0	\$0	\$0	\$0	\$10,000
David's 401(k)	\$75,000	100%	\$0	\$0	\$0	\$0
	\$150,000	\$125,000	\$0	\$0	\$0	\$25,000

Figure 113: Goal Funding dialog box

3. Click **OK** to close the *Goal Funding* dialog box.

All accounts allocated toward the goal appear on the *Retirement*, *Education*, *Major Purchase*, or *Emergency Fund* pages under *<goal> Accounts*. To expand or collapse this information, click the *<goal> Accounts* link. The market value of each account displayed under

<goal> *Accounts* reflects the market value for the account and not the actual amount allocated to the goal. Any accounts not allocated to a goal appear under *Unassigned Accounts*.

view or edit account... plan goal... [Liquidation Strategies](#)

To view or edit account liquidation strategies: [Liquidation Strategies](#)

Retirement Accounts (\$125,000)									
Description	Account Type	Owner	Market Value	Basis	% Linked	Linked Amount	Asset Class Weightings	ROR(%)	Savings
Susan's IRA	IRA	Susan	\$50,000	\$0	100%	\$50,000	Unclassified	0.00%	1
David's 401(k)	401(k)	David	\$75,000	\$0	100%	\$75,000	Unclassified	0.00%	0

Unassigned Accounts (\$15,000)									
Description	Account Type	Owner	Market Value	Basis	% Unassigned	Unassigned Amount	Asset Class Weightings	ROR(%)	Savings
Joint savings	Non-Qualified	Joint	\$15,000	\$0	100%	\$15,000	Unclassified	0.00%	1

Figure 114: Set Goals section – Retirement category – Retirement page (showing Retirement Accounts and Unassigned accounts)

# Chapter 8: Entering insurance goals

This chapter explains how to enter insurance goals in Level 1 and Level 2 Plans. Insurance goals are entered on separate pages, depending on the type of insurance.

## In this chapter:

Entering insurance goals (Level 1)	142
Entering survivor income goals (Level 2)	146
Analyzing insurance needs if both clients die (Level 2)	156
Entering disability income goals (Level 2)	164
Assessing long-term care needs (Level 2)	172

## Entering insurance goals (Level 1)

In Level 1 Plans, insurance goals consist of life insurance, disability insurance, and long-term care insurance.

Enter the applicable insurance information as described in the following procedures:

- "Survivor income analysis (Level 1)" on page 142
- "Disability insurance analysis (Level 1)" on page 144
- "Long-term care insurance analysis (Level 1)" on page 145

## Survivor income analysis (Level 1)

1. Go to the **Set Goals** section – **Survivor Income** category – **Survivor Income** page.

**Survivor Income** [Back] [Next]

Instructions

**Life Insurance Analysis to Include**

☒ If David dies  
☒ If Susan dies  
☒ If both die

Total Lump Sum Expenses on Death	Annual Ongoing Expenses	Number of Years
\$10,000	\$60,000	10

**Objectives**

Percentage of lifestyle and medical expenses to cover\*

	David	Susan
Cover Major Purchase Goals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Pay Off Outstanding Liabilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**ROR on Life Insurance Proceeds**

Total	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth
6.00%	1.50%	1.50%	1.50%	0.00%	1.50%

Figure 115: Set Goals section – Survivor Income category – Survivor Income page (Level 1 Plan)

- Under *Life Insurance Analysis to Include*, select the appropriate **If <client/co-client> dies** or **If both die** check boxes to model the scenario.
- If a lump-sum expense is expected at death, enter the estimated amount.
- If the clients have dependents, enter the estimated annual expenses to support the dependents, and then enter the number of years these expenses are expected to last.

**Note:** *Annual Ongoing Expenses* only applies for simultaneous death.

- Under *Objectives*, enter the percentage of lifestyle and medical expenses to cover.

This is the percentage of current expenses that continue in the event of the death of one client. Generally, some expenses (utility payments and property taxes) continue for a surviving client and dependents, while other expenses (food and clothing) normally decline. The default percentage is 85%, but it can be changed.

- If insurance coverage is to cover all outstanding major purchase goals, select the **Cover Major Purchase Goals** check box for the client and/or co-client. When this check box is not selected, less insurance is required.
- If insurance coverage is to pay off all outstanding liabilities, select the **Pay Off Outstanding Liabilities** check box for the client and/or co-client.
- Under *ROR on Life Insurance Proceeds*, enter the return rates that apply to insurance proceeds.

## Disability insurance analysis (Level 1)

1. Go to the **Set Goals** section – **Disability Income** category – **Disability Income** page.

Disability Income

Instructions

**Disability Insurance Analysis to Include**

☒ If David becomes Disabled  
☒ If Susan becomes Disabled

**Objectives**

Percentage of lifestyle and medical expenses to cover\*

	David	Susan
Cover Major Purchase Goals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Pay Off Outstanding Liabilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Figure 116: Set Goals section – Survivor Income category – Disability Income page (Level 1 Plan)

2. Under *Disability Insurance Analysis to Include*, select the appropriate **If <client/co-client> becomes Disabled** check box to model the scenario for the client or co-client.

**Note:** For the purposes of the disability insurance analysis, NaviPlan Premium assumes that the client and co-client do not become disabled at the same time.

3. Under *Objectives*, enter the percentage of lifestyle and medical expenses to cover.

This is the percentage of current expenses that are expected to continue after the disability of the client or co-client. This feature allows you to illustrate a change in cash flow (expense) needs if one of the clients becomes disabled. The default is 100%, but the percentage can be changed.

For disability insurance, non-qualified assets are available at the start of disability, qualified assets are available at the start of retirement, and lifestyle assets are available for the estate.

4. If the disability insurance coverage is to cover the outstanding major purchase goals in the event of the disability of one client, select the **Cover Major Purchase Goals** check box for the client and/or co-client.
5. If the disability insurance coverage is to pay off all outstanding liabilities, select the **Pay Off Outstanding Liabilities** check box for the client and/or co-client.

## Long-term care insurance analysis (Level 1)

1. Go to the **Set Goals** section – **Long-term Care** category – **Long-term Care** page.

Long-term Care

Back Next

Instructions

**Long-term Care Insurance Analysis to Include**

☒ If David enters LTC

☒ If Susan enters LTC

**Objectives**

Percentage of lifestyle and medical expenses to cover\* 100%

Additional Daily LTC Expenses\*

David	Susan
\$0	\$0

Figure 117: Set Goals section – Long-term Care category – Long-term Care page (Level 1 Plan)

2. Under *Long-term Care Insurance Analysis to Include*, select the appropriate **If <client/co-client> enters LTC** check box to model the scenario for the client or co-client.

The age at which long-term care begins is based on the age of death set on the *Set Goals* section – *Retirement* category – *Retirement* page. By default, the client is assumed to require long-term care for a period of four years starting on January 1 of the year in which the client turns age 80, and the client is assumed to die at the end of this period.

3. Under *Objectives*, enter the percentage of lifestyle and medical expenses that is expected to continue when the period of long-term care begins. The default is 100%, but the percentage can be changed.
4. Enter the amount of any additional daily long-term care expenses for the client or the co-client.

For long-term care insurance, non-qualified and qualified assets are available at the start of long-term care, and lifestyle assets are available for the estate.

## Entering survivor income goals (Level 2)

You can enter insurance needs and objectives for the client and co-client in the *Survivor Income* category. Data entry is the same for both. To consider insurance needs when both clients die, see "Analyzing insurance needs if both clients die (Level 2)" on page 156.

To enter data and assess needs for the client or co-client, follow these steps:

1. Go to the **Set Goals** section – **Survivor Income** category – **Client/Co-client Objectives** page.

Client Objectives Co-client Objectives Both Objectives Back Next

Instructions

**Objectives**

☒ If David dies

Select an insurance analysis method

☒ Goal and Expense Analysis

☐ Income Coverage Analysis

Assumptions Ongoing Expenses Additional Annual Income Lump Sum Needs Asset Availability

**Adjust Milestones**

**Susan**

Age Date

☐ Override the Retirement Age for the Survivor 66 Jun 2037

☐ Override the Survivor Life Expectancy 91 2062

**ROR on Cash Flow Surpluses & Liquidations**

	Total	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth
Pre-Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%
Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%

**Tax Rates**

☒ Override Tax Rates

	Tax Bracket	State*	Average*	Marginal*	Long-Term Capital Gains*
Pre-Retirement	\$69,001 - \$139,350	6.00%	19.44%	25.00%	15.00%
Retirement	\$69,001 - \$139,350	5.00%	19.44%	25.00%	15.00%

Rate has been overridden


Note: The average, marginal and long-term capital gains tax rates shown represent federal rates. The corresponding state tax rate and the federal deduction for state taxes are accounted for in the income tax calculations.

The Tax Rates section only appears if you are using the Average Tax method. If a tax rate has been changed, an arrow and note appear indicating the change.

Figure 118: Set Goals section – Survivor Income category – Client/Co-client Objectives page – Assumptions tab (Level 2 Plan, Average Tax method)

- To assess insurance needs, under *Objectives*, select **If <client/co-client> dies**.
- Select a method for analyzing insurance needs.
  - Goal and Expense Analysis* assesses the life insurance needed to cover the survivor's goals and expenses. Goals and expenses at the plan level, as well as additional expenses entered for the life insurance scenario, are considered. This analysis is integrated into the rest of the plan.
  - Income Coverage Analysis* assesses the life insurance needed to replace income lost from the death of the client or co-client. This method is independent of the rest of the plan.
- To change the survivor's retirement age for the life insurance calculation, go to the **Assumptions** tab, select the **Override the Retirement Age for the Survivor** check box, and then enter the retirement age or date. The default values originate from the

*Plan Management* section – *Assumptions* category – *Milestones* page.

5. To change the survivor's life expectancy for the life insurance calculation, select the **Override the Survivor Life Expectancy** check box, and then enter the life expectancy age or year. The default values originate from the *Plan Management* section – *Assumptions* category – *Milestones* page.
6. Under *ROR on Cash Flow Surpluses & Liquidations*, enter return rates.
7.  To override the tax rates shown, select the **Override Tax Rates** check box, and then enter the tax rates you wish to use. Changing the tax rate here only affects the survivor's tax rates for life insurance calculations. It does not affect rates used in the rest of the plan. The default values on this page originate from the *Plan Management* section – *Assumptions* category – *General* page.  
**Note:** The state tax rate is added to the displayed average, marginal, and long-term capital gains tax in income tax calculations. State tax deductions at the federal level are considered.
8. Complete one of the following procedures:
  - "Working with the Goal and Expense Analysis method" on page 165
  - "Working with the Income Coverage Analysis method" on page 168

## Using the Goal and Expense Analysis method if one client dies

The *Goal and Expense Analysis* method must be selected on the *Set Goals* section – *Survivor Income* category – *Client/Co-client Objectives* page. See "Entering survivor income goals (Level 2)" on page 146.

To use the *Goal and Expense Analysis* method, follow these steps:

1. Go to the **Ongoing Expenses** tab.
2. Under *Annual Expenses*, enter the percentage of lifestyle expenses to be covered by life insurance proceeds. The percentage entered becomes the default for the expenses listed under *Expense*.  
**Note:** Pre-retirement or retirement expenses must be entered in the plan for the *Expense* fields to appear on this tab.

- To select a different percentage for an individual expense, clear the corresponding **Use Defaults** check box, and then enter the percentage in the **% to Cover** field.

Assumptions **Ongoing Expenses** Additional Annual Income Lump Sum Needs Asset Availability

Instructions

**Annual Expenses**

Percentage of lifestyle and medical expenses to cover\* 85%

Expense	Amount	Use Defaults	% to Cover
Housing (e.g. utilities, repairs)	\$7,200	<input type="checkbox"/>	100%
Food	\$6,000	<input checked="" type="checkbox"/>	85%
Transportation (e.g. gas, insurance)	\$7,200	<input checked="" type="checkbox"/>	85%
Entertainment (e.g. restaurants, movies)	\$4,800	<input checked="" type="checkbox"/>	85%
Personal (e.g. clothing, hobbies)	\$7,200	<input checked="" type="checkbox"/>	85%

**Education Expenses**

Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*
College Education	Julia	18	4	\$10,000	100%

**Surplus Strategy**

Percent surplus spent\* 0%

Percent surplus saved\* 100%

**Analysis Surplus**

☒ Assume surplus is spent

**Additional Expenses**

Click the **Add Additional Expense** button to create a new row.

Add Additional Expense

Figure 119: Set Goals section – Survivor Income category – Client/Co-client Objectives page – Ongoing Expenses tab (Level 2 Plan, Goal and Expense Analysis method selected)

- If education expenses exist in the plan, under *Education Expenses*, enter the percentage of education expenses to be covered in the event of death.
- Under *Surplus Strategy*, enter the applicable amounts in the *Percent surplus spent* and *Percent surplus saved* fields. The surplus strategy applies throughout the life insurance analysis.

The *Percent surplus spent* and *Percent surplus saved* fields control what NaviPlan Premium does with any cash flow surplus during survivorship. For example, when one client dies, you expect the survivor to incur a cash flow surplus of \$10,000. You also expect the survivor to spend 25% of this surplus on miscellaneous costs and invest the remaining amount. For this example, you would enter 25 in the *Percent surplus spent* field. NaviPlan automatically saves the remaining 75% into a non-qualified account when survivorship occurs.

- Under *Analysis Surplus*, select or clear the **Assume surplus is spent** check box as required.

When the check box is selected, NaviPlan projects the cash flow that would have occurred in pre-retirement if neither client died. Any pre-retirement surpluses resulting from that projection become additional pre-retirement survivor expenses in the years they are projected to occur. The *Percentage of lifestyle and medical expenses to cover* value applies to this expense just like any other regular expense.

7. Under *Additional Expenses*, click **Add Additional Expense** to enter any new expenses that will apply during survivorship.
8. Once all ongoing expenses are entered, go to the **Additional Annual Income** tab.
9. To add an annual income that may apply during survivorship, under *Additional Annual Income*, click **Add Annual Income**, and then enter the income details.

Assumptions Ongoing Expenses **Additional Annual Income** Lump Sum Needs Asset Availability

» [Instructions](#)

**Additional Annual Income**

Description*	Income Type*	Annual Amount*	Start Date*	End Date*	Infl +/- Add'l	Delete
Salary	Salary	\$0	Jan 1 2012	Ret. (Co-client)	<input checked="" type="checkbox"/> + 0.00%	<input type="button" value="X"/>

Figure 120: Set Goals section – Survivor Income category – Client/Co-client Objectives page – Additional Annual Income tab (Level 2 Plan, Goal and Expense Analysis method selected)

10. Once all ongoing incomes are entered, go to the **Lump Sum Needs** tab.

Assumptions Ongoing Expenses Additional Annual Income **Lump Sum Needs** Asset Availability

Instructions

**Pay Off Outstanding Liabilities**

Description	Outstanding Principal
<input checked="" type="checkbox"/> Mortgage	\$146,498
<input checked="" type="checkbox"/> Loans	\$9,298

**Major Purchase Goals**

Description	Amount	Target Date	% to Cover*
Vacation	\$8,000	Jan 1 2014	100%

**Additional Lump Sum Needs**

Description	Amount	Infl +/- Add'l	Delete
Lump Sum Need	\$0	<input checked="" type="checkbox"/> + 0.00%	<input checked="" type="checkbox"/>

Add Lump Sum Need

Figure 121: Set Goals section – Survivor Income category – Client/Co-client Objectives page – Lump Sum Needs tab (Level 2 Plan, Goal and Expense Analysis method selected)

11. Under *Pay Off Outstanding Liabilities*, select any existing loans that will be paid off by insurance proceeds.

For each loan that is not selected, NaviPlan Select assumes that the payments continue and will be included as part of the survivor's cash flow.

**Note:** This option is only available if liabilities exist in the plan and, if on the *Enter Financial Data* section – *Net Worth* category – *Assets/Liabilities* page – *Liability Details* dialog box – *Details* tab, the *Payoff Options at Death* selection is *Transfer to survivor* or *Payoff at first death (from estate)*.

12. Select any future major purchase goals that will be paid for in the event of death. This option is only available if major purchase goals exist in the plan.
13. Under *Additional Lump Sum Needs*, if any other lump-sum needs are expected, click **Add Lump Sum Need**, and then enter the details of the need in the fields that appear.
14. To indicate when accounts are to be made available during the survivorship period, complete the procedure "Assigning asset availability if one client dies" on page 154.

## Using the Income Coverage Analysis method if one client dies

The *Income Coverage Analysis* option must first be selected on the *Set Goals* section – *Survivor Income* category – *Client/Co-client Objectives* page. See "Entering survivor income goals (Level 2)" on page 146.

To use the *Income Coverage Analysis* method, follow these steps:

1. Go to the **Annual Income Needs** tab.
2. To calculate a percentage of current income needed during survivorship, under *Current Income Level Calculator*, enter a percentage in the *% to cover* field, and then click **Add to Annual Income Needs**. The income need now appears under *Annual Income Needs*.
3. To define a new annual income need that will apply during survivorship, under *Annual Income Needs* click **Add Annual Income Need**, and then enter all applicable data.

Assumptions **Annual Income Needs** Lump Sum Needs Survivor's Income Asset Availability

Instructions

**Current Income Level Calculator**

Household Pre-tax Income: \$67,000 x % to cover: 80% = Amount: \$53,600

Add to Annual Income Needs

**Annual Income Needs**

Description*	Member*	Income Need (pre-tax)*	Frequency*	Start Date*	End Date*	Infl +/- Add'l	Delete
Lifestyle Expenses	Susan	\$50,000/yr	Annual	Jan 1 2012	Death (Co-client)	+ 0.00%	X

Add Annual Income Need

**Support for Dependents**

Description	Dependent	Frequency	Amount	End Age	Start Date	End Date	Infl +/- Add'l	Delete
Ongoing Expenses	Julia	Annual	\$15,000	21	Jan 1 2012	Jan 1 2019	+ 0.00%	X

Add Support for Dependent

**Scenario Surplus**

Percent Surplus Spent\*: 25%

Percent Surplus Saved\*: 75%

**Education Goals**

Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*
College Education	Julia	18	4	\$10,000	100%

Figure 122: Set Goals section – Survivor Income category – Client/Co-client Objectives page – Annual Income Needs tab (Level 2 Plan, Income Coverage Analysis method selected)

4. To enter annual child support needed for each child that will be provided in the event of death, click **Add Support for Dependent**, and then enter the support details. This section does not appear if dependents have not been entered.
5. To determine how much of any cash flow surplus is assumed to be spent or saved, under *Scenario Surplus* enter the percentage values. For example, when one client dies, you expect the survivor to incur a cash flow surplus of \$10,000. You also expect

the survivor to spend 25% of this surplus on miscellaneous costs and invest the remaining amount. For this example, you would enter 25 in the *Percent surplus spent* field. NaviPlan automatically saves the remaining 75% into a non-qualified account when survivorship occurs.

6. To define how much of an education goal is to be funded during survivorship, under *Education Goals*, enter a percentage value in the *% to Cover* field.
7. Once income needs are entered, go to the **Lump Sum Needs** tab.

The screenshot displays the 'Lump Sum Needs' tab in the NaviPlan software. At the top, there are five tabs: 'Assumptions', 'Annual Income Needs', 'Lump Sum Needs' (which is selected and circled), 'Survivor's Income', and 'Asset Availability'. Below the tabs, there is an 'Instructions' link. The main content area is divided into three sections:

- Pay Off Outstanding Liabilities:** A table with two columns: 'Description' and 'Outstanding Principal'. It lists a 'Mortgage' with a principal of '\$123,654'.
- Major Purchase Goals:** A table with four columns: 'Description', 'Amount', 'Target Date', and '% to Cover\*'. It lists a 'Vehicle' with an amount of '\$30,000', a target date of 'Oct 1 2015', and a coverage percentage of '100%'.
- Additional Lump Sum Needs:** A section with a text prompt 'Click the **Add Lump Sum Need** button to create a new row.' and a button labeled 'Add Lump Sum Need'.

Figure 123: Set Goals section – Survivor Income category – Client/Co-client Objectives page – Lump Sum Needs tab (Level 2 Plan, Income Coverage Analysis method selected)

8. Under *Pay Off Outstanding Liabilities*, select any existing loans that will be paid off by insurance proceeds. For each loan that is not selected, NaviPlan Premium assumes that the payments continue and will be included as part of the survivor's cash flow.

**Note:** This option is only available if liabilities exist in the plan and, if on the *Enter Financial Data* section – *Net Worth* category – *Assets/Liabilities* page – *Liability* dialog box, the *Payoff Options at Death* selection is *Transfer to survivor* or *Payoff at first death (from estate)*. This option is only available if liabilities exist in the plan.

9. Enter the percentage of any future major purchase goals that will be paid for in the event of death.
- Note:** This option is only available if major purchase goals exist in the plan.

10. Under *Additional Lump Sum Needs*, if any other lump-sum needs are expected, click **Add Lump Sum Need**, and then

enter the details of the need in the fields that appear.

11. Go to the **Survivor's Income** tab.

Assumptions | Annual Income Needs | Lump Sum Needs | **Survivor's Income** | Asset Availability

Instructions

**Survivor's Income** Reset

Description	Member	Income Type	Frequency	Amount	Start Date	End Date	Infl +/-	Add'l	Details	Delete
Life Insurance	Susan	Benefit	Lump Sum	\$375,000	Dec 31 2011		+	0.00%		
Real Estate	Susan	Other Taxable	Annual	\$30,000	Jan 1 2012	Dec 31 2053	+	0.00%		
Pension	Susan	Pension	Life Inc...	\$97,574	Jun 1 2037	Death (Co-...	✓	0.00%		
Salary	Susan	Salary	Annual	\$60,000	Jan 1 2012	Ret. (Owner)	✓	0.00%		

Add Survivor Income

1 This income has an associated Retirement Pension Benefit. Adjustment of the income amount will automatically adjust the pension value for this analysis.

Figure 124: Set Goals section – Survivor Income category – Client/Co-client Objectives page – Survivor's Income tab (Level 2 Plan, Income Coverage Analysis method selected)

12. To enter a new income, click **Add Survivor Income**, and then enter all appropriate data.
13. To indicate when accounts are to be made available during the survivorship period, complete the procedure "Assigning asset availability if one client dies" on page 154.

**Note:** To delete any changes and revert the survivor incomes that were created on the *Enter Financial Data* section – *Cash Flow* category – *Cash Flow* page, click **Reset**.

## Assigning asset availability if one client dies

On the *Asset Availability* tab (for either the Goal and Expense Analysis method or the Income Coverage Analysis method), you can indicate when assets are to be made available during the survivorship period.

1. Go to the **Asset Availability** tab.

Assumptions   Ongoing Expenses   Additional Annual Income   Lump Sum Needs   <b>Asset Availability</b>				
<a href="#">Instructions</a>				
<b>Investment Accounts</b>				
	<b>Survivor Needs</b>			<b>Estate Needs</b>
<b>Account Name</b>	<b>Available Immediately</b>	<b>Available Starting At Retirement</b>	<b>Not Available</b>	<b>Not Available at David's Death</b>
Joint savings (Non-Qualified)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
David's IRA	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
Susan's IRA	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="checkbox"/>
<b>Lifestyle Assets</b>				
	<b>Survivor Needs</b>			<b>Estate Needs</b>
<b>Asset Name</b>	<b>Liquidate Immediately</b>	<b>Liquidate At Retirement</b>	<b>Not Available</b>	<b>Not Available at David's Death</b>
Residence (Joint/Lifestyle)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>
<b>Real Estate Assets</b>				
	<b>Survivor Needs</b>			<b>Estate Needs</b>
<b>Asset Name</b>	<b>Liquidate Immediately</b>	<b>Liquidate At Retirement</b>	<b>Not Available</b>	<b>Not Available at David's Death</b>
Rental property (Joint/Real Estate)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>
<b>Education Specific Accounts</b>				
<b>Account Name</b>	<b>Use For Education Only</b>			
529 plan (529 Plan for Julia)	<input checked="" type="checkbox"/>			

Figure 125: Set Goals section – Survivor Income category – Client/Co-client Objectives page – Asset Availability tab (Level 2 Plan, Goal and Expense Analysis method selected)

2. Under *Investment Accounts – Survivor Needs*, select one of the following options for each account:
  - **Available Immediately**, if the account is available for survivor needs immediately following the death of the client.
  - **Available Starting At Retirement**, if the account is available for survivor needs upon the survivor's retirement.
  - **Not Available**, if the account is not available for survivor needs.

**Note:** If you select *Available Immediately* or *Available Starting At Retirement*, the clients' accounts are redeemed as required to cover the survivor's income needs.

3. If an account should not be used to settle the deceased's estate, under *Investment Accounts – Estate Needs*, select the **Not Available at <client's/co-client's> Death** check box.
4. Under *Lifestyle Assets*, *Real Estate Assets*, and *Business Entity Assets*, select one of the following options for each lifestyle asset:

- **Liquidate Immediately**, if the asset will be made available to the survivor when the client or co-client dies.
- **Liquidate At Retirement**, if the asset will be sold when the surviving client reaches retirement.
- **Not Available**, if the asset will not be sold until both the client and co-client die.

To ensure an asset is not liquidated to cover estate needs when the first client dies, select the **Not Available at <client's/co-client's> Death** check box.

**Note:** If you select *Liquidate Immediately* or *Liquidate At Retirement*, the entire lifestyle or real estate asset is liquidated and the proceeds remaining at the end of the year are reinvested at the rate defined on the *Set Goals* section – *Survivor Income* category – *Client/Co-client Objectives* page – *Assumptions* tab.

The *Education Specific Accounts* section is for information purposes only and cannot be modified. The list includes 529 plans, Coverdell accounts, and UTMA/UGMA.

## Analyzing insurance needs if both clients die (Level 2)

To analyze life insurance needs in the event that both clients die, follow these steps:

1. Go to the **Set Goals** section – **Survivor Income** category – **Both Objectives** page.

Client Objectives Co-client Objectives **Both Objectives** Back Next

Instructions

**Objectives**

☒ If David and Susan die

Select an insurance analysis method

☒ Goal and Expense Analysis

☐ Income Coverage Analysis

Assumptions Ongoing Expenses Lump Sum Needs Asset Availability

Instructions

**ROR on Cash Flow Surpluses & Liquidations**

	Total	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth
Pre-Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%
Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%

**Tax Rates**

**Dependents**

Tax Bracket	State*	Federal			Long-Term Capital Gains*
		Average*	Marginal*		
\$0 - \$8,500	5.00%	10.00%	10.00%	0.00%	

Note: The average, marginal and long-term capital gains tax rates shown represent federal rates. The corresponding state tax rate and the federal deduction for state taxes are accounted for in the income tax calculations.

The *Tax Rates* section only appears when the plan is using the Detailed Tax method.

Figure 126: Set Goals section – Survivor Income category – Both Objectives page – Assumptions tab (Level 2 Plan, Detailed Tax method and Goal, and Expense Analysis method selected)

- Under *Objectives*, select **If <client> and <co-client> die**.
- Select an insurance analysis method.
  - Goal and Expense Analysis* assesses the life insurance needed to cover the survivor's goals and expenses. Goals and expenses at the plan level, as well as additional expenses entered for the life insurance scenario, are considered. This analysis is integrated into the rest of the plan.
  - Income Coverage Analysis* assesses the life insurance needed to replace income lost from the death of the client or co-client. This method is independent of the rest of the plan.
- On the *Assumptions* tab under *ROR on Cash Flow Surpluses & Liquidations*, enter return rates.
- D, Tax** Under *Tax Rates*, view the tax rates to be used for any dependent-owned assets. Edit if necessary.
- Complete one of the following procedures:
  - "Using the Goal and Expense Analysis method if both clients die" on page 159

- "Using the Income Coverage Analysis method if both clients die" on page 160

## Using the Goal and Expense Analysis method if both clients die

The *Goal and Expense Analysis* method must be selected on the *Set Goals* section – *Survivor Income* category – *Both Objectives* page. See "Analyzing insurance needs if both clients die (Level 2)" on page 156.

To use the *Goal and Expense Analysis* method, follow these steps:

1. Go to the **Ongoing Expenses** tab.

Assumptions **Ongoing Expenses** Lump Sum Needs Asset Availability

► [Instructions](#)

**Support for Dependents**

Description	Owner	Frequency	Amount	End Age	Start Date	End Date	Infl +/- Add'l	Delete
Ongoing Expenses	Julia	Annual	\$0	21	Jan 1 2012	Jan 1 2019	✓ + 0.00%	✕

[Add Support for Dependent](#)

**Education Expenses**

Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*
College Education	Julia	18	4	\$10,000	100%

Figure 127: Set Goals section – Survivor Income category – Both Objectives page – Ongoing Expenses tab (Level 2 Plan, Goal and Expense Analysis method selected)

2. Under *Support for Dependents*, click **Add Support for Dependent**, and then enter annual child support needed for each child that will be provided in the event of death. This section does not appear if dependents have not been entered.
3. Under *Education Expenses*, define the percentage of previously entered education expenses that will be covered by life insurance. This option is only available if an education goal exists in the plan.
4. Go to the **Lump Sum Needs** tab.

Assumptions Ongoing Expenses **Lump Sum Needs** Asset Availability

> Instructions

**Additional Lump Sum Needs**

Description	Amount	Infl +/- Add'l	Delete
Lump Sum Need	\$5,000	<input checked="" type="checkbox"/> + 0.00%	
Lump Sum Need	\$0	<input checked="" type="checkbox"/> + 0.00%	X

Add Lump Sum Need

**Estate Expenses**

The following have been entered as estate expenses.

Description	Amount*	Infl +/- Add'l
Estate Expense	\$10,000	<input type="checkbox"/> + 0.00%

Figure 128: Set Goals section – Survivor Income category – Both Objectives page – Lump Sum Needs tab (Level 2 Plan, Goal and Expense Analysis method selected)

- Under *Additional Lump Sum Needs*, enter one-time expenses that will be covered in the event of death. Enter a unique description for each expense, and then enter all appropriate data.  
**Note:** Lump sum needs entered on the *Client/Co-client Objectives* page are also listed here.
- Under *Estate Expenses*, Naviplan lists estate expenses previously entered on the *Set Goals* section – *Estate Planning* category – *Estate Expenses* page.
- To indicate when accounts are to be made available for survivor and estate needs, complete the procedure "Assigning asset availability if both clients die" on page 162.

## Using the Income Coverage Analysis method if both clients die

The *Income Coverage Analysis* option must first be selected on the *Set Goals* section – *Survivor Income* category – *Both Objectives* page. See "Analyzing insurance needs if both clients die (Level 2)" on page 156.

To use the *Income Coverage Analysis* method, follow these steps:

- Go to the **Ongoing Income Needs** tab.

Assumptions **Ongoing Income Needs** Lump Sum Needs Asset Availability

> [Instructions](#)

### Current Income Level Calculator

Household Pre-tax Income: \$121,000 x % to cover: 0% = Amount: \$0

[Add to Support for Dependents](#)

### Support for Dependents

Description	Dependent	Frequency	Amount	End Age	Start Date	End Date	Infl +/- Add'l	Delete
Ongoing Expenses	Julia	Annual	\$96,800	21	Jan 1 2012	Jan 1 2019	✓ + 0.00%	✕

[Add Support for Dependent](#)

### Education Expenses

Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*
College Education	Julia	18	4	\$10,000	100%

Figure 129: Set Goals section – Survivor Income category – Both Objectives page – Ongoing Income Needs tab (Level 2 Plan, Income Coverage Analysis method selected)

- To calculate a percentage of current income needed during survivorship, under *Current Income Level Calculator*, enter a percentage in the % to cover field, and then click **Add to Support for Dependents**. The income need appears under *Support for Dependents*.
- To enter annual child support needed for each child that will be provided in the event of death, click **Add Support for Dependent**, and then enter the support details. This section does not appear if dependents have not been entered.
- If education expenses exist in the plan, under *Education Expenses*, enter the percentage of education expenses to be covered in the event of death.
- Go to the **Lump Sum Needs** tab.

Assumptions Ongoing Income Needs **Lump Sum Needs** Asset Availability

> [Instructions](#)

### Pay Off Outstanding Liabilities

Description	Outstanding Principal
<input checked="" type="checkbox"/> Mortgage	\$146,498
<input checked="" type="checkbox"/> Loans	\$9,298

### Additional Lump Sum Needs

Description	Amount	Infl +/- Add'l	Delete
Lump Sum Need	\$0	✓ + 0.00%	✕

[Add Lump Sum Need](#)

Figure 130: Set Goals section – Survivor Income category – Both Objectives page – Lump Sum Needs tab (Level 2 Plan, Goal and Expense Analysis method selected)

6. Under *Pay Off Outstanding Liabilities*, select any existing loans that will be paid off by insurance proceeds. For each loan that is not selected, NaviPlan Premium assumes that the payments continue and will be included as part of the survivor's cash flow.

**Note:** This option is only available if liabilities exist in the plan and, if on the *Enter Financial Data* section – *Net Worth* category – *Assets/Liabilities* page – *Liability* dialog box, the *Payoff Options at Death* selection is *Transfer to survivor* or *Payoff at first death (from estate)*. This option is only available if liabilities exist in the plan.

7. Under *Additional Lump Sum Needs*, enter one-time expenses that will be covered in the event of death. Enter a unique description for each expense, and then enter all appropriate data.
8. To indicate when accounts are to be made available for survivor and estate needs, complete the procedure "Assigning asset availability if both clients die" on page 162.

### **Assigning asset availability if both clients die**

On the *Asset Availability* tab (for either the Goal and Expense Analysis method or the Income Coverage Analysis method), you can indicate when assets are to be made available.

1. Go to the **Asset Availability** tab.

Assumptions   Ongoing Income Needs   Lump Sum Needs   <b>Asset Availability</b>			
<a href="#">Instructions</a>			
<b>Investment Accounts</b>			
	<b>Survivor Needs</b>		<b>Estate Needs</b>
<b>Account Name</b>	<b>Available</b>	<b>Not Available</b>	<b>Not Available at Death</b>
Joint savings (Non-Qualified)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
Susan's IRA	<input checked="" type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
David's 401(k)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
<b>Lifestyle Assets</b>			
	<b>Survivor Needs</b>		<b>Estate Needs</b>
<b>Asset Name</b>	<b>Available</b>	<b>Not Available</b>	<b>Not Available at Death</b>
520 Thomas St. (Joint/Lifestyle)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
<b>Real Estate Assets</b>			
	<b>Survivor Needs</b>		<b>Estate Needs</b>
<b>Asset Name</b>	<b>Available</b>	<b>Not Available</b>	<b>Not Available at Death</b>
Real Estate (Joint)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
<b>Business Entity Assets</b>			
	<b>Survivor Needs</b>		<b>Estate Needs</b>
<b>Asset Name</b>	<b>Available</b>	<b>Not Available</b>	<b>Not Available at Death</b>
Family business (Joint/LLC)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
<b>Education Specific Accounts</b>			
<b>Account Name</b>	<b>Use For Education Only</b>		
529 plan (529 Plan for Julia)	<input checked="" type="checkbox"/>		

Figure 131: Set Goals section – Survivor Income category – Both Objectives page – Asset Availability tab (Level 2 Plan, Detailed Tax method)

- Under *Investment Accounts*, *Lifestyle Assets*, *Real Estate Assets*, and *Business Entity Assets* – *Survivor Needs*, select one of the following options for each account or asset:
  - **Available**, if the account is available for survivor needs immediately following the death of both clients. The account is redeemed as required to cover the survivor's income needs.
  - **Not Available**, if the account is not available for survivor needs.
- If an account or asset should not be used to settle the deceased's estate, under *Investment Accounts* – *Estate Needs*, select the **Not Available at Death** check box.

The *Education Specific Accounts* section is for information purposes only and cannot be modified. The list includes 529 plans, Coverdell accounts, and UTMA/UGMA.

## Entering disability income goals (Level 2)

When a client is currently disabled, if you are using the Detailed Tax method, you can indicate this on the *Plan Management* section – *Assumptions* category – *Milestones* page. In this case, a link to the *Milestones* page appears on the *Set Goals* section – *Disability Income* category – *Client/Co-client Objectives* page.

To enter data and assess disability insurance needs for the client or co-client, follow these steps:

1. Go to the **Set Goals** section – **Disability Income** – **Client/Co-client Objectives** page.
2. To assess insurance needs, under *Objectives*, select **If <client/co-client> is disabled**.

Client Objectives Co-client Objectives < Back Next >

> Instructions

**Objectives**

☒ If David is disabled

Select an insurance analysis method

☐ Goal and Expense Analysis

☒ Income Coverage Analysis

**Assumptions** Lump Sum Needs Annual Income Needs Income Available Asset Availability

**Adjust Milestones**

	David		Susan	
	Age	Date	Age	Date
<input type="checkbox"/> Override the Retirement Age for Disability Analysis	65	May 2035	64	Jun 2035
<input type="checkbox"/> Override the Disability Life Expectancy	90	2060	82	2053
Analyze Disability Through	65	May 2035		

**ROR on Disability Insurance Proceeds, Surpluses & Liquidations**


	Total	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth
Pre-Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%
Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%

Figure 132: Set Goals section – Disability Income category – Client/Co-client Objectives page – Assumptions tab (Level 2 Plan, Detailed Tax method, and Income Coverage Analysis method selected)

3. Select a method for analyzing disability insurance needs.
  - *Goal and Expense Analysis* assesses disability insurance needs to cover the clients' goals and expenses. Goals and expenses at the plan level, and additional expenses entered for the disability insurance scenario, are considered. This method is integrated into the rest of the plan.

- *Income Coverage Analysis* assesses disability insurance needs to replace the clients' income. This method is independent of the rest of the plan.
4. To override the client's or co-client's default retirement age, go to the **Assumptions** tab, select **Override the Retirement Age for Disability Analysis**, and then enter the age or date of retirement.
  5. To override the client's or co-client's default life expectancy, select **Override the Disability Life Expectancy**, and then enter the age or year of death.
  6. In the *Analyze Disability Through* fields, enter the last age or year you want to include in reports for the clients' disability analysis. The adjacent date field updates automatically.

Benefit payments pay into the plan from the time the policy begins and end on the end date of the disability insurance policy.

7. Under *ROR on Disability Insurance Proceeds, Surpluses & Liquidations*, enter return rates if needed.
8.  To override tax rates, select **Override Tax Rates**, and then enter the tax rates you wish to use. Changing the tax rates here only affects the tax rates for disability insurance calculations. It does not affect rates used in the rest of the plan. The default values on this page originate from the *Plan Management* section – *Assumptions* category – *General* page.
9. Complete one of the following procedures:
  - "Working with the Goal and Expense Analysis method" on page 165
  - "Working with the Income Coverage Analysis method" on page 168

## Working with the Goal and Expense Analysis method

The *Goal and Expense Analysis* option must be selected on the *Set Goals* section – *Disability Income* category – *Client/Co-client Objectives* pages. To use the *Goal and Expense Analysis* option, follow these steps:

1. Go to the **Ongoing Expenses** tab.

Assumptions **Ongoing Expenses** Additional Annual Income Lump Sum Needs Asset Availability

[Instructions](#)

### Annual Expenses

Percentage of lifestyle and medical expenses to cover\*

Expense	Amount	Use Defaults	% to Cover
Housing (e.g. utilities, repairs)	\$30,000	<input checked="" type="checkbox"/>	<input type="text" value="85%"/>
Food	\$12,000	<input checked="" type="checkbox"/>	<input type="text" value="85%"/>
Transportation (e.g. gas, insurance)	\$24,000	<input checked="" type="checkbox"/>	<input type="text" value="85%"/>

### Education Expenses

Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*
College Education	Julia	18	4	\$10,000	<input type="text" value="100%"/>

### Surplus Strategy

Percent surplus spent\*

Percent surplus saved\*

### Analysis Surplus

☐ Assume surplus is spent

### Additional Expenses

Click the **Add Additional Expense** button to create a new row.




Figure 133: Set Goals section – Disability Income category – Client/Co-client Objectives page – Ongoing Expenses tab (Level 2 Plan, Goal and Expense Analysis method selected)

2. Under *Annual Expenses*, enter the percentage of lifestyle and medical expenses the disability insurance will cover. The percentage entered becomes the default for the expenses listed under *Expense*.
3. If education expenses exist in the plan, under *Education Expenses*, enter the percentage of education expenses to be covered in the event of disability.
4. Under *Surplus Strategy*, enter the percentage of the clients' surplus cash flow you assume will be spent in future years, and the percentage you assume will be saved. These fields are especially useful if the clients' expenses are understated.

For example, in one of the years after disability occurs, you expect the clients to incur a cash flow surplus of \$10,000. You also expect the clients to spend 25% of this surplus on miscellaneous expenses and to invest the remaining amount. For this example, you would enter 25 in the *Percent surplus spent* field. NaviPlan automatically saves the remaining 75% into a non-qualified account.

5. If you want surpluses in the plan to be removed before performing the insurance analysis, select the **Assume surplus is spent** check box. This assumption adjusts for account

expenses that have not been entered into the plan or when expenses are understated.

When the *Assume surplus is spent* check box is selected, NaviPlan projects the cash flow that would have occurred in pre-retirement if neither client had become disabled. Any pre-retirement surpluses resulting from that projection become additional pre-retirement disability expenses in the years they are projected to occur. The *Percentage of lifestyle and medical expenses to cover* value also applies to these expenses.

6. If you anticipate additional annual expenses, under *Additional Annual Expenses*, click **Add Additional Expense**, and then enter any anticipated expenses during disability in the fields that appear.
7. If you anticipate additional annual incomes, go to the **Additional Annual Income** tab, click **Add Annual Income**, and then enter any anticipated incomes in the fields that appear.

Assumptions Ongoing Expenses **Additional Annual Income** Lump Sum Needs Asset Availability

Instructions

**Additional Annual Income**

Description*	Income Type*	Annual Amount*	Start Date*	End Date*	Infl +/- Add'l	Delete
Salary	Salary	\$10,000	Jan 1 2012	Ret. (Client)	<input checked="" type="checkbox"/> + 0.00%	X

Add Annual Income

Figure 134: Set Goals section – Disability Income category – Client/Co-client Objectives page – Additional Annual Income tab (Level 2 Plan, Goal and Expense Analysis method selected)

8. Once all ongoing incomes are entered, go to the **Lump Sum Needs** tab.

Assumptions Ongoing Expenses Additional Annual Income **Lump Sum Needs** Asset Availability

Instructions

**Pay Off Outstanding Liabilities**

Description	Outstanding Principal
<input checked="" type="checkbox"/> Mortgage	\$123,677

**Major Purchase Goals**

Description	Amount	Target Date	% to Cover*
Vehicle	\$30,000	Oct 1 2015	100%

**Additional Lump Sum Needs**

Click the **Add Lump Sum Need** button to create a new row.

[Add Lump Sum Need](#)

Figure 135: Set Goals section – Disability Income category – Client/Co-client Objectives page – Lump Sum Needs tab (Level 2 Plan, Goal and Expense Analysis method selected)

9. Under *Pay Off Outstanding Liabilities*, select any existing loans that will be paid off in the event of disability.  
**Note:** This option is only available if liabilities exist in the plan and, if on the *Enter Financial Data* section – *Net Worth* category – *Assets/Liabilities* page – *Liability Details* dialog box – *Details* tab, the *Payoff Options at Death* selection is *Transfer to survivor* or *Payoff at first death (from estate)*.
10. Under *Major Purchase Goals*, select any goals that will be paid for in the event of disability.  
**Note:** This option is only available if major purchase goals exist in the plan.
11. If you expect any other lump-sum needs during disability, under *Additional Lump Sum Needs*, click **Add Lump Sum Need**, and then enter the details of the need in the fields that appear.
12. To indicate when assets are to be made available, complete the procedure "Indicating when accounts are to be made available" on page 170.

## Working with the Income Coverage Analysis method

The *Income Coverage Analysis* option must first be selected on the *Set Goals* section – *Disability Income* category – *Client/Co-client Objectives* page. To use the *Income Coverage Analysis* method, follow these steps:

1. Go to the **Lump Sum Needs** tab.

Assumptions **Lump Sum Needs** Annual Income Needs Income Available Asset Availability

Instructions

**Pay Off Outstanding Liabilities**

Description	Outstanding Principal
<input checked="" type="checkbox"/> Mortgage	\$123,677

**Major Purchase Goals**

Description	Amount	Target Date	% to Cover*
Vehicle	\$30,000	Oct 1 2015	<input type="text" value="0%"/>

**Additional Lump Sum Needs**

Click the **Add Lump Sum Need** button to create a new row.

Figure 136: Set Goals section – Disability Income category – Client/Co-client Objectives page – Lump Sum Needs tab (Level 2 Plan, Income Coverage Analysis method selected)

- Under *Pay Off Outstanding Liabilities*, select any existing loans that will be paid off in the event of disability.  
**Note:** This option is only available if liabilities exist in the plan and, if on the *Enter Financial Data* section – *Net Worth* category – *Assets/Liabilities* page – *Liability Details* dialog box – *Details* tab, the *Payoff Options at Death* selection is *Transfer to survivor* or *Payoff at first death (from estate)*.
- Under *Major Purchase Goals*, enter the percentage of any goals that will be paid for in the event of disability. This section is only available if major purchase goals are entered in the plan with a start date after January 1 of the following year.
- If you expect lump-sum needs, under *Additional Lump Sum Needs*, click **Add Lump Sum Need**, and then enter the details of the need in the fields that appear.
- Once all lump-sum needs are entered, go to the **Annual Income Needs** tab.

Assumptions Lump Sum Needs **Annual Income Needs** Income Available Asset Availability

Instructions

**Annual Income Needs**

Description*	Member*	Income Need (pre-tax)*	Frequency*	Start Date*	End Date*	Infl +/- Add'l	Delete
Lifestyle Expenses	David	\$5,000/yr	Annual	Jan 1 2012	Ret. (Owner)	<input checked="" type="checkbox"/> + 0.00%	<input type="button" value="X"/>

**Education Goals**

Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*
College Education	Julia	18	4	\$10,000	<input type="text" value="100%"/>

Figure 137: Set Goals section – Disability Income category – Client/Co-client Objectives page – Annual Income Needs tab (Level 2 Plan, Income Coverage Analysis method selected)

6. If you anticipate annual income needs, under *Annual Income Needs*, click **Add Annual Income Need**, and then enter the pre-tax income need details in the fields that appear.
7. Under *Education Goals*, enter the percentage of education goals the disability income will need to cover. This section is only available if education goals are entered in the plan.
8. Once all annual income needs are entered, go to the **Income Available** tab. Disability insurance policy benefits, Social Security benefits, salaries, rental income, and pensions from the non-disabled client are listed.

Assumptions Lump Sum Needs Annual Income Needs **Income Available** Asset Availability

Instructions

**Income Available During Disability**

Description	Member	Income Type	Frequency	Amount	Start Date	End Date	Infl +/-	Add'l	Reset	Details	Delete
Real Estate	David	Other Taxable	Annual	\$30,000	Jan 1 2012	Dec 31 2060	+	0.00%			
David's pension	David	Pension	Life Income	\$0	May 1 2035	Death (Cle...)	✓	+	0.00%		
David's pension	David	Pension	Life Inc...	\$0	May 1 2035	Death (Cle...)	✓	+	0.00%		
Susan's income	Susan	Salary	Annual	\$60,000	Jan 1 2012	Ret. (Owner)	✓	+	0.00%		
Other Taxable	David	Other Taxable	Monthly	\$0	Ret. (Owner)	Death (Owner)	✓	+	0.00%		

Add Disability Income

Figure 138: Set Goals section – Disability Income category – Client/Co-client Objectives page – Income Available tab (Income Coverage Analysis method selected)

9. Enter any additional incomes that the client or co-client will receive during disability.
10. To add a new row, click **Add Disability Income**.
11. To indicate when assets are to be made available during the disability period, complete the procedure "Indicating when accounts are to be made available" on page 170.

**Note:** To delete any changes and revert to the disability incomes that were created on the *Enter Financial Data* section – *Cash Flow* category – *Cash Flow* page, click **Reset**.

## Indicating when accounts are to be made available

On the *Set Goals* section – *Disability Income* category – *Client/Co-client Objectives* page – *Asset Availability* tab (for either the Goal and Expense Analysis method or the Income Coverage Analysis method), you can indicate when assets are to be made available.

1. Go to the **Asset Availability** tab.

Assumptions | Lump Sum Needs | Annual Income Needs | Income Available | **Asset Availability**

▶ [Instructions](#)

**Investment Accounts**

Account Name	Available At Disability	Available Starting At Retirement	Not Available
Joint savings (Non-Qualified)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Susan's IRA	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
David's 401(k)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

**Lifestyle Assets**

Asset Name	Liquidate Immediately	Liquidate At Retirement	Not Available
520 Thomas St. (Joint/Lifestyle)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Real Estate Assets**

Asset Name	Liquidate Immediately	Liquidate At Retirement	Not Available
Real Estate (Joint)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

**Business Entity Assets**

The current plan does not have any business entity assets defined.

**Education Specific Accounts**

Account Name	Use For Education Only
529 plan (529 Plan for Julia)	<input checked="" type="checkbox"/>

Figure 139: Set Goals section – Disability Income category – Client/Co-client Objectives page – Asset Availability tab (Level 2 Plan, Detailed Tax method)

- Under *Investment Accounts*, select one of the following options for each account:
  - **Available At Disability**, if the account is available for disability needs immediately when the client becomes disabled.
  - **Available Starting At Retirement**, if the account is not available for disability needs until retirement.
  - **Not Available**, if the account is not available for disability needs.
- Under *Lifestyle Assets*, *Real Estate Assets*, and *Business Entity Assets*, select one of the following options for each asset:
  - **Liquidate Immediately**, to sell the asset immediately if disability occurs.
  - **Liquidate At Retirement**, to sell the asset at retirement if disability occurs.
  - **Not Available**, to hold the asset during disability.

The *Education Specific Accounts* section is for information purposes only and cannot be modified. The list includes 529 plans, Coverdell accounts, and UTMAs/UGMAs.

## Assessing long-term care needs (Level 2)

Long-term care refers to services provided to people who can no longer take care of themselves. Long-term care insurance policies are available to cover anticipated expenses should long-term care be required.

To enter data and assess needs for the client or co-client, follow these steps:

1. Go to the **Set Goals** section – **Long-term Care** category – **Client/Co-client Objectives** page.
2. Under *Objectives*, select **If <client/co-client> is in Long-term Care**.

Client Objectives Co-client Objectives Back Next

Instructions

**Objectives**

☒ If David is in Long-term Care

**Assumptions** LTC Expenses Income Adjustments During LTC Asset Availability

Age at Start of LTC 80 in the year 2050

LTC period years 4 1

1 Assumption is that David dies at the end of the LTC period.

**ROR on Surpluses & Liquidations**

Total	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth
6.00%	6.00%	0.00%	0.00%	0.00%	0.00%

For lifestyle assets that are available immediately, you can specify the rate of return on the proceeds from the sale of the asset by entering values in the rate of return fields.

**Tax Rates**

☒ Override Tax Rates

		Federal			
	Tax Bracket	State*	Average*	Marginal*	Long-Term Capital Gains*
Pre-Retirement	\$69,001 - \$139,350	6.00%	19.44%	25.00%	15.00%
Retirement	\$69,001 - \$139,350	5.00%	19.44%	25.00%	15.00%

⇒ Rate has been overridden

Note: The average, marginal and long-term capital gains tax rates shown represent federal rates. The corresponding state tax rate and the federal deduction for state taxes are accounted for in the income tax calculations.

Figure 140: Set Goals section – Long-term Care category – Client/Co-client Objectives page – Assumptions tab (Level 2 Plan, Average Tax method selected)

3. On the *Assumptions* tab, define the age at which the client or co-client will enter long-term care and the duration of the long-term care period. NaviPlan Premium assumes that the client will die at the end of the long-term care period.

4. Under *ROR on Surpluses & Liquidations*, enter the expected return rates.
5. **A. Tax** To override tax rates, select **Override Tax Rates**, and then enter the tax rates you wish to use. Changing the tax rates here only affects the tax rates for long-term care insurance calculations. It does not affect rates used in the rest of the plan. The default values on this page originate from the *Plan Management* section – *Assumptions* category – *General* page.
6. Go to the **LTC Expenses** tab to enter daily long-term care expenses. Existing expenses that continue into the LTC period appear under *Annual Expenses*. Any insurance premiums or loan payments payable during long-term care are included on this tab and cannot be edited.

Assumptions **LTC Expenses** Income Adjustments During LTC Asset Availability

Instructions

**Annual Expenses**

Long-term Care Survivorship

Percentage of lifestyle and medical expenses to cover\* 50% 85%

Description	Annual Amount	Start Date	End Date	Long-term Care		Survivorship	
				Use Defaults	% to Cover	Use Defaults	% to Cover
Personal (e.g. dot...)	\$7,200	Jan 1 2011	Death (Client)	<input checked="" type="checkbox"/>	50%	<input checked="" type="checkbox"/>	85%

**Additional Long-term Care Expenses**

Description*	Expense Type*	Daily Amount*	Start Date	Number of Years*	End Date	Indexed	Delete
LTC Expense	Qualified Medical	\$150	LTC	4	Death (Client)	<input checked="" type="checkbox"/> + 0.00%	<input type="button" value="X"/>

Add LTC Expense

Figure 141: Set Goals section – Long-term Care category – Client Objectives page – LTC Expenses tab (Level 2 Plan)

7. Under *Annual Expenses*, enter the percentage of lifestyle and medical expenses that will continue while the client is in long-term care and during survivorship. The percentage entered will be used as the default.
8. To change the default percentage for specific expenses, clear the **Use Defaults** check box, and then enter the percentage of that expense that insurance needs to cover.
9. If your clients anticipate additional long-term care expenses, under *Additional Long-term Care Expenses*, click **Add LTC Expense**, and then enter the expense details in the fields that appear.
10. For expenses that occur when long-term care begins, the *Start Date* field displays *LTC*. You can enter a later start date if necessary.

11. You can change the end date by editing the *Number of Years* or the *End Date* fields.
12. Go to the **Income Adjustments During LTC** tab. All incomes entered into NaviPlan Select for this client and received by the client during the long-term care period appear on this tab.

Description	Income Type	Frequency	Amount	Start Date	End Date	Infl +/- Add'l	Owner in LTC*
Royalties	Royalty	Annual	\$1,000	Jan 1 2011	Death (Client)	0.00%	100%

Figure 142: Set Goals section – Long-term Care category – Client Objectives page – Income Adjustments During LTC tab (Level 2 Plan)

13. In the *Owner in LTC* field, specify the percentage of the income available to the client or co-client during long-term care.
14. Go to the **Asset Availability** tab.

Account Name	Available During LTC	Not Available
Joint savings (Non-Qualified)	<input type="radio"/>	<input checked="" type="radio"/>
David's IRA	<input checked="" type="radio"/>	<input type="radio"/>
Susan's IRA	<input type="radio"/>	<input checked="" type="radio"/>

Asset Name	Liquidate at LTC	Not Available
Residence (Joint/Lifestyle)	<input type="radio"/>	<input checked="" type="radio"/>

Asset Name	Liquidate at LTC	Not Available
Rental property (Joint/Real Estate)	<input checked="" type="radio"/>	<input type="radio"/>

Account Name	Use For Education Only
529 plan (529 Plan for Julia)	<input checked="" type="checkbox"/>

Figure 143: Set Goals section – Long-term Care category – Client Objectives page – Asset Availability tab (Level 2 Plan)

15. Under *Investment Accounts*, select one of the following options for each account:
  - **Available During LTC**, if the account is available for long-term care needs immediately when the client enters long-term care.

- **Not Available**, if the account is not available for long-term care needs.
16. Under *Lifestyle Assets*, *Real Estate Assets*, and *Business Entity Assets*, select one of the following options for each asset:
- **Liquidate at LTC**, to sell the asset if a client enters long-term care.
  - **Not Available**, to hold the asset during the client's long-term care period.

The *Education Specific Accounts* section is for information purposes only and cannot be modified. The list includes 529 plans, Coverdell accounts, and UTMA/UGMA.

## Chapter 9: Entering the clients' estate plan

In NaviPlan Premium, you can use the *Estate Planning* module to enter detailed information about the clients' existing estate plan. If you want to examine various estate planning scenarios that might meet the clients' estate needs, see "Entering estate planning scenarios" in the *Level 1 and Level 2 Plan – Analyzing client goals* user manual.

### **In this chapter:**

<b>Entering estate planning assumptions</b>	<b>177</b>
<b>Entering funded trusts</b>	<b>180</b>
<b>Entering gifting growth and history</b>	<b>190</b>
<b>Entering estate expenses</b>	<b>192</b>
<b>Entering estate strategies</b>	<b>193</b>

## Entering estate planning assumptions

You can enter estate planning assumptions regarding your clients' life expectancy, estate distribution, death taxes, fees, and wills. Using the *Estate Questionnaire*, you can enter additional assumptions to save in the plan. Assumptions entered in the *Estate Questionnaire* do not affect plan results, but will be included in client reports.

To enter estate planning assumptions, follow these steps:

1. Go to the **Set Goals** section – **Estate Planning** category – **Assumptions** page.

The screenshot displays the 'Assumptions' page within the 'Set Goals' section of the 'Estate Planning' category. The page is organized into several functional areas:

- Life Expectancy Scenarios:** This section allows users to input life expectancy data for David and Susan. It includes fields for 'Age' and 'Year' for both individuals, a 'Reports' checkbox, and a 'Simultaneous Death' section with a 'Year' and 'Assumed first death' dropdown.
- State Death Taxes:** This section explains that state death taxes are calculated as a percentage of the Federal Taxable Estate. It features dropdowns for 'State' selection for both David and Susan, and checkboxes for 'Override' options (Current Maximum Federal Amount or 2001 Credit Amount).
- Estate Distribution Selection:** This section provides radio buttons to select between 'Mirror Wills/Either Dies First' and 'Specify by Order of Death'.
- Will Details:** This section includes radio buttons for 'Yes' and 'No' to indicate if each client has a will, along with a 'Last update' field.
- Additional Fees:** This section allows users to input fees for 'Probate Fee' and 'Administration Fee' for both David and Susan, with fields for '\$ or %' and 'Infl +/- Add'l'.

A yellow note at the bottom of the page states: "Percentages are applied to the Federal Taxable Estate."

Figure 144: Set Goals section – Estate Planning category – Assumptions page

2. To create alternative life expectancy scenarios for estate planning purposes, under *Life Expectancy Scenarios*, change the hypothetical ages or years when the client or co-client are expected to die. These life expectancies only apply to estate planning and do not affect the life expectancies used in the rest of the plan.

All life expectancy scenarios can be overridden by entering a different age or year. NaviPlan uses the following default settings:

- *Life Expectancy* sets the life expectancy to 10 years after the plan date for the client and 15 years after the plan date for the co-client.
- *Alternate Life Expectancy* uses the reverse assumptions; the life expectancy for the co-client is 10 years after the plan date, and 15 years after the plan date for the client.

3. In the case of simultaneous death, enter a date in the *Year* field, and then select the name of the client that is assumed to die first.

The *Simultaneous Death* fields do not appear in a plan without a co-client.

4. To designate which life expectancy scenarios will be used for client reports, select the **Reports** check box. Up to three scenarios can be selected.
5. If this analysis is for a joint analysis, under *Estate Distribution Selection*, select one of the following options:

If you select...	The selection has this effect on the estate...
<i>Mirror Wills/Either Dies First</i>	The estate details entered will apply regardless of the order of death.
<i>Specify by Order of Death</i>	You can enter separate data to illustrate either the client or co-client dying first. You can also copy the estate distribution details from one client to the other client.

6. Under *State Death Taxes*, select the applicable state for state death taxes. The state selected on the *Client Management* section – *Client Information* category – *Personal Information* page is selected here by default.
7. To change the default calculation of taxes, select **Override**, and then select the method of tax calculation.

If you select...	NaviPlan calculates state death taxes in this manner...
<i>Current Maximum Federal Amount</i>	NaviPlan calculates the state death tax using the maximum federal credit tables. However, the credit is only available for years prior to 2005. In tax years 2013 and beyond ( <i>Tax Options – As Legislated</i> selected), the state death tax is calculated once again based on the maximum federal credit tables.
<i>2001 Credit Amount</i>	NaviPlan uses the maximum federal credit tables, regardless of the year of death.
<i>\$ or %</i>	NaviPlan allows for manual entry of taxes. Dollar amounts between 1 and 100 must be entered with a dollar sign, otherwise they are assumed to be percentages. When a dollar value is entered, the <i>Infl +/- Add'l</i> field appears, which allows the option of increasing state death taxes each year. <b>Note:</b> For some states the <i>\$ or %</i> field is not an option but a required field.

NaviPlan Premium automatically calculates the selected state death tax appropriate for the selected state. The calculation method used for the state defaults accordingly to either *Current Maximum Federal Amount*, or *2001 Credit Amount*. For states where inheritance taxes exist, NaviPlan Select calculates inheritance taxes.

8. Under *Will Details*, select **Yes** for each client who has a will, and then enter the date when the will was last updated.
9. Under *Additional Fees*, enter any additional fees, such as probate and administration fees, that will apply to the estate.
10. If you want to gather additional estate details to include in the client report, click the **Estate Questionnaire** button. The *Estate Questionnaire* dialog box opens. The answers you provide here are used for informational purposes only and do not affect the plan, but will be included in client reports.
11. Enter your clients' responses to the questionnaire, and then click **OK** to close the *Estate Questionnaire* dialog box.

## Entering funded trusts

Funded trusts are trusts that are currently in place and funded. For example, if your clients have established a credit shelter trust, but both spouses are still living, the trust has not been funded and would not be entered here. In the case of an irrevocable life insurance trust (ILIT), if a life insurance policy was transferred to the trust in a previous year, then the trust is considered funded and should be entered on the *Set Goals* section – *Estate Planning* category – *Funded Trusts* page. If the life insurance policy will be transferred in the current plan year, or in a future year, the trust is not considered funded and should not be entered here.

You can enter the following types of funded trusts:

- Credit shelter trusts (CST)
- Irrevocable trusts
- Irrevocable life insurance trusts (ILIT)
- Qualified terminable interest property trusts (QTIP)
- \*Qualified personal residence trusts (QPRT)
- Marital trusts
- Generic testamentary trusts
- \*Family limited partnerships (FLP)
- \*Grantor retained annuity trusts (GRAT)
- \*Grantor retained trusts (GRT)
- \*Charitable remainder trusts (CRT)
- \*Charitable lead trusts (CLT)

\*These trusts can only be entered in plans created using the Detailed Tax method that include the optional *Advanced Estate* module.

To enter a funded trust (of any kind), follow these steps:

1. Go to the **Set Goals** section – **Estate Planning** category – **Funded Trusts** page.

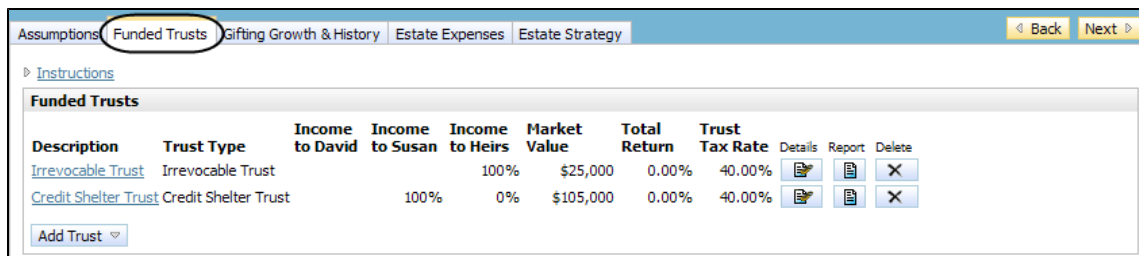


Figure 145: Set Goals section – Estate Planning category – Funded Trusts page

- Under *Funded Trusts*, click the **Add Trust** button, and then select the applicable trust type. The *Trust Details* dialog box opens.
- Enter the details of the trust. The fields to be completed will vary depending on the type of trust being added. To see the varying trust details in the *Trust Details* dialog box for each of the trusts, see Figure 146 to Figure 157 immediately following this procedure.
- On the *Beneficiaries* tab, under *Remainder Beneficiaries*, select a beneficiary from the *Add Beneficiary* list, and then enter the percentage of the remainder income attributable to the beneficiary. Alternatively, to split the remainder equally among all beneficiaries, click **Pro-rata**.
- If the trust has income beneficiaries and if any trust income is to go to the surviving client, under *Income Beneficiaries*, enter the percentage that will go to the surviving client or to other beneficiaries.
- If applicable, go to the **Return Rates** tab, and then enter the expected return rates. By default, the investment income is reinvested into the trust.

## Funded trusts details

The following funded trusts are available in Level 1 and Level 2 Plans when using the Average Tax method. The annotations in the following images show some of the unique requirements for each trust. For more information, see the NaviPlan Premium Help.

## Funded credit shelter trust details

**Trust Details**

**Funded CST**

Description*	Trust Tax Rate	GSTT Inclusion Ratio
Credit Shelter Trust	40.00%	0.000

**Income Member\***  
Susan

**Non-Qualified**

Start of Year Market Value	Start of Year Cost Basis
\$105,000	\$0

**Qualified**

Start of Year Market Value	Basis (Qualified)
\$0	\$0

Beneficiaries | Return Rates

If after-tax contributions were made to a qualified asset prior to the transfer of assets to this CST, enter the after-tax balance as of the beginning of the current plan year in the *Basis (Qualified)* field.

Figure 146: Trust Details dialog box (showing funded credit shelter trust details)

## Funded irrevocable trust details

**Trust Details**

**Funded Irrevocable**

Description*	Grantor*	Created On*	Trust Tax Rate
Irrevocable Trust	Other	Dec 31 2008	40.00%

**End Date**  
☒ Never (years 0.0)  
☐ Retirement Date David + 0 years

**Details**

Start of Year Market Value	Start of Year Cost Basis	Transfer Income to Surviving Client on Death
\$0	\$0	<input checked="" type="checkbox"/>

Beneficiaries | Return Rates

If the client and co-client will become income and remainder beneficiaries, from the *Grantor* list, select **Other**. For example, if both the client and the co-client are beneficiaries of a trust originally established by the client's mother, the selected grantor should be *Other*.

Figure 147: Trust Details dialog box (showing funded irrevocable trust details)

## Funded irrevocable life insurance trust details

As well as the usual trust funding details, for the ILIT you must also enter the details of the life insurance benefits and premiums.

**Trust Details**

**Funded ILIT**

Description\* Grantor\* Trust Tax Rate Crummey Trust

ILIT David 40.00% ☒

Transfer Year\* Gifts to Trust in 2010 Gifts to Trust in 2009

2010 \$0 \$0

Death Benefit Payable to Trust

100.00%

To permit the transfer of funds to pay for life insurance premiums while using the annual gift exclusion, select the **Crummey Trust** check box.

Policy Beneficiaries Return Rates Future Values

**Details**

Policy Type\* Insured\* Effective Date\*

Whole Life David Dec 31

From the *Policy Type* list, select the type of insurance used to fund the trust. The fields under *Benefit Details* and *Premiums* vary depending on the policy type selected.

**Benefit Details**

Death Benefit\* Cash Surrender Value\* CSV Payable with Death Benefit At Age On Date\* Community Property

\$0 \$0 ☐ Never ☒

**Premiums**

Payer\* Amount\* Frequency\* Cease Premiums At Age On Date\* Waived at Disability

David \$0 Annual ☐ Never ☒

Add Trust Previous Entry Next Entry OK Cancel

Figure 148: Trust Details dialog box (showing irrevocable life insurance trust details)

## Funded qualified terminable interest property trust details

**Trust Details**

**Funded QTIP**

Description\* Trust Tax Rate GSTT Inclusion Ratio

Qualified Terminable Interest Property 40.00% 1.000

Income Member\* Reverse QTIP Election

David ☐

**Non-Qualified**

Start of Year Market Value Start of Year Cost Basis

\$0 \$0

**Qualified**

Start of Year Market Value Start of Year Cost Basis

\$0 \$0

Select the **Reverse QTIP Election** check box to treat the trust property as if the QTIP election had not been made (that is, the assets are considered transferred from the donor spouse to the remainder beneficiaries, for GSTT purposes). Any remaining GSTT exemption of the donor is applied against any GSTT that results from the trust. If this check box is not selected, GSTT implications on the death of the member selected will be considered.

Beneficiaries Return Rates

Figure 149: Trust Details dialog box (showing qualified terminable interest property trust details)

## Funded marital trust details

**Trust Details**

**Funded Marital Trust**

Description*	Trust Tax Rate	Start of Year Market Value	Start of Year Cost Basis	GSTT Inclusion Ratio
Marital Trust	40.00%	\$0	\$0	1.000

Income Member\*  
David

Beneficiaries Return Rates

This GSTT Inclusion Ratio is multiplied by the maximum estate tax rate to determine the GSTT rate.

Figure 150: Trust Details dialog box (showing marital trust details)

## Funded generic testamentary trust details

**Trust Details**

**Funded Generic Testamentary Trust**

Description*	Start of Year Market Value	Start of Year Cost Basis	Trust Tax Rate
Generic Testamentary Trust	\$0	\$0	40.00%

Income Member\*  
David

GSTT Inclusion Ratio  
1.000

Unitrust ☒ Trust Payment %  
5.00%

Frequency  
Monthly

Beneficiaries Return Rates

If a percentage of the trust's market value is to be distributed as income, select the **Unitrust** check box, and then enter the percentage to be distributed as income and the frequency.

Figure 151: Trust Details dialog box (showing generic testamentary trust details)

## Advanced estate funded trusts details

The following funded trusts are available only when the optional *Advanced Estate* module is included in the plan. The annotations in the following images show some of the unique requirements for each trust. For more information, see the NaviPlan Premium Help.

## Funded qualified personal residence trust details

**Trust Details**

**Funded QPRT**

Description*	Grantor*	Created On*
Qualified Personal Residence Trust	Joint	Dec 31 2010

Start of Year Market Value	Start of Year Cost Basis	Present Value Of Remainder Interest (gift)
\$0	\$0	\$0

Term in Years  
10

Growth Rate  
0.00%

Beneficiaries

Enter the present value of the remainder interest in the trust at the time the trust was created.

Figure 152: Trust Details dialog box (showing funded qualified personal residence trust details)

### Funded family limited partnership trust details

As well as the usual funding details, for a funded FLP you must also enter partner, distribution, gifting, and return rate information.

**Trust Details**

**Funded FLP**

Description\* Created On\* Marketability Discount Rate Minority Interest Discount Rate

Family Limited Partnership Dec 31 2010 0.00% 0.00%

**Details**

Start of Year Market Value Start of Year Cost Basis

\$0 \$0

Partners Income Distributions Gifting Return Rates

Click the **Add Partner** button to create a new row.

Note the available tabs:  
Partners, Income Distributions,  
Gifting, and Return Rates.

Figure 153: Trust Details dialog box (showing family limited partnership trust details)

### Funded grantor retained trust details

As well as the usual funding details, for the funded GRT you must also enter income distribution details.

**Trust Details**

**Funded GRT**

Description\* Grantor\* Created On\*

Grantor Retained Trust David Dec 31 2010

Start of Year Market Value Start of Year Cost Basis Present Value of Remainder Interest (gift)

\$0 \$0 \$0

**Income Distribution**

Type Annual Payment Amount Trust Payment % Payment Frequency In Kind To Account Account Details

Annuity \$0 Monthly ☐ ☐

Payment Period Term in Years

Term Certain 10

Beneficiaries Return Rates

If the *In Kind* check box is selected and the income earned by the trust assets is not enough to cover the trust payments, an in-kind transfer makes up the balance of the payment. If it is not selected, trust assets may be sold to cover trust payments, resulting in tax consequences.

Figure 154: Trust Details dialog box (showing grantor retained trust details)

### Funded rolling grantor retained annuity trust details

NaviPlan Premium supports the modeling of a series of short-term GRATs where the annuity payments of previous GRATs fund future GRATs automatically.

Trust Details
?
X

Setup
GRAT Series

**Funded Rolling GRAT**

Description*	Grantor	Created On (End of Year)
Rolling GRAT	Wayne	2011

IRC 7520 Rate	GRATs in Series	GRAT Term in Years	Total Years Remaining	Payment Frequency
1.00%	2	2	3	Annual

**Final Payment Transfer**

In Kind	To Account	Account Details
<input type="checkbox"/>		

Beneficiaries
Return Rates

Instructions

**Remainder Beneficiaries**

Click the **Add Beneficiary** button to create a new row.

Add Beneficiary
 Pro-rata

Add Trust
Previous Entry
Next Entry
OK
Cancel

Figure 155: Trust Details dialog box (showing rolling grantor retained annuity trust details)

## Funded charitable remainder trust details

**Trust Details**

**Funded CRT**

Description\* Charitable Remainder Trust Grantor\* Joint Created On\* Dec 31 2010

Start of Year Market Value \$0 Start of Year Cost Basis \$0

Annual Payment Amount \$0 Trust Payment % 5.00% Payment Frequency Monthly In Kind ☐ To Account ☐ Account Details

Payment Period Term Certain Term in Years 10

Annual Payment Amount is only accessible when Annuity is selected from the Type list.

Figure 156: Trust Details dialog box (showing qualified charitable remainder trust details)

## Funded charitable lead trust details

**Trust Details**

**Funded CLT**

Description\* Charitable Lead Trust Grantor\* Joint Non-Grantor ☒ Trust Tax Rate 40.00% Payment Distribution Annuity

Trust Payment % 0.00% Annual Payment Amount \$0 Payment Frequency Monthly Payment Period Term Certain Term in Years 10

Start of Year Market Value \$0 Start of Year Cost Basis \$0 Present Value Of Remainder Interest (gift) \$0 Created On\* Dec 31 2010

Indicates that the grantor will not receive a charitable deduction for the donation.

Figure 157: Trust Details dialog box (showing charitable lead trust details)

## Enter beneficiary details for a funded trust

You can enter trust income and remainder beneficiaries and allocate a percentage of the trust to each beneficiary. This procedure assumes you are already on the *Trust Details* dialog box – *Beneficiaries* tab, which is accessible from the *Set Goals* section – *Estate Planning* category – *Funded Trusts* page. The fields on the *Beneficiaries* tab may vary slightly depending on the trust type.

**Beneficiaries** Return Rates

Instructions

**Remainder Beneficiaries**

Beneficiary*	Percent*	Delete
Other	100%	X
<b>Total</b>		100%

Add Beneficiary Pro-rata

**Income Beneficiaries**

Beneficiary*	Percent*	Delete
Susan	100%	
<b>Total</b>		100%

Add Beneficiary Pro-rata

Add Trust Previous Entry Next Entry OK Cancel

Figure 158: Trust Details dialog box – Beneficiaries tab

To enter beneficiary details for a funded trust, follow these steps:

1. To add a remainder beneficiary, under *Remainder Beneficiaries*, click the **Add Beneficiary** button, and then select the beneficiary you are adding. To add all available beneficiaries, select **Add All**.
2. If applicable, specify the income beneficiary of the trust. Depending on the trust type, the client or co-client may already be listed under *Income Beneficiaries*. If the beneficiary is not listed and you want to add this beneficiary, click **Add Beneficiary**, select the beneficiary, and then enter the income percentage to be distributed to the beneficiary. Any income that is not distributed to income beneficiaries is reinvested into the trust.

**Note:** To add all available beneficiaries under *Remainder Beneficiaries* or *Income Beneficiaries*, click the **Add Beneficiary** button, and then select **Add All**.

3. To delete a beneficiary from the trust, click the **Delete** button next to the beneficiary you are removing.
4. To assign equal distribution of income or remainder trust proceeds, click the **Pro-rata** button. Each beneficiary shown receives an equal share.
5. To assign a different distribution percentage for each beneficiary, enter the percentage in the applicable *Percent* field.

## Generate trust reports

In NaviPlan Premium, you can generate a *Single Trust* report for an individual trust you have entered on the *Set Goals* section – *Estate Planning* category – *Funded Trusts* page. The *Single Trust* report defines the trust type, provides details of the values you have entered, and lists a cash flow projection of the trust. To generate a *Single Trust* report, follow these steps:

1. Go to the **Set Goals** section – **Estate Planning** category – **Funded Trusts** page. All existing funded trusts in the plan appear under *Funded Trusts*. Click the **Report** button for the applicable trust. The *Assign Settings* dialog box opens.

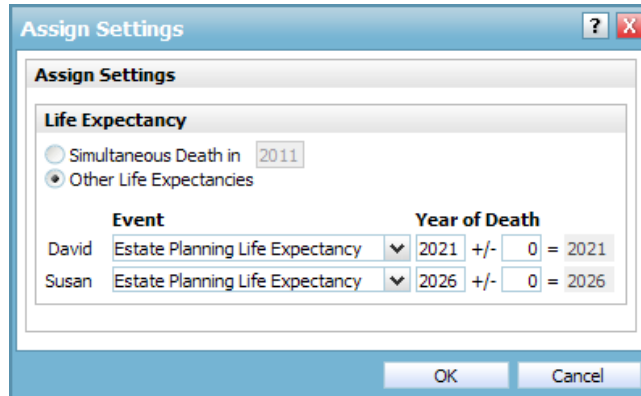


Figure 159: Assign Settings dialog box

2. To model simultaneous death, under *Life Expectancy*, select **Simultaneous Death in**, and then enter the year in which the client and co-client are expected to die.

OR

To model other life expectancies, under *Life Expectancy*, select **Other Life Expectancies**, and then enter the year in which the client or co-client is expected to die or select an option for each client.

3. If you selected *Other Life Expectancies*, under *Event*, select the event or year that you want to view.
4. Click **OK**. The *Single Trust* dialog box opens, showing the *Single Trust* report.

## Entering gifting growth and history

On the *Gifting Growth & History* page, you can enter the growth and tax rates that apply to gifts given to beneficiaries.

To enter gifting growth and history, follow these steps:

1. Go to the **Set Goals** section – **Estate Planning** category – **Gifting Growth & History** page.

The screenshot shows the 'Gifting Growth & History' page. At the top, there are tabs: 'Assumptions', 'Funded Trusts', 'Gifting Growth & History' (which is selected and circled), 'Estate Expenses', and 'Estate Strategy'. To the right of the tabs are 'Back' and 'Next' buttons. Below the tabs is a link for 'Instructions'. The main content area is divided into two sections: 'Prior Gifts' and 'Historical Data'.

**Prior Gifts Section:**

Beneficiary	Prior Gifts		Prior Gifts (with Growth)		Growth Rate	Income Tax Rate
	David	Susan	David	Susan		
Julia	\$0	\$0	\$0	\$0	3.00%	0.00%
Matthew	\$0	\$0	\$0	\$0	3.00%	0.00%
Red Cross	\$0	\$0	\$0	\$0	3.00%	0.00%
Other	\$0	\$0	\$0	\$0	3.00%	0.00%

**Historical Data Section:**

Member	Taxable Lifetime Gifts	Applicable Credit Used	Gift Taxes Already Paid	Lifetime GSTT Exemption Used	GSTT Already Paid	Unused Spousal Exclusion
David	\$0	\$0	\$0	\$0	\$0	\$0
Susan	\$0	\$0	\$0	\$0	\$0	\$0

Figure 160: Set Goals section – Estate Planning category – Gifting Growth & History page

2. Under *Prior Gifts*, enter the total original value of any gifts that will not grow going forward that each client has given to each beneficiary.
3. Under *Prior Gifts (with Growth)*, enter the total current value of any gifts that will grow going forward at the after-tax rate that each client has given to each beneficiary.
4. Under *Growth Rate*, enter the rate of growth the gift is expected to earn. Under *Income Tax Rate*, enter the rate of taxation applied to the growth rate.
5. Under *Historical Data*, in the *Taxable Lifetime Gifts* field, enter the amount of the taxable gifts made up to December 31 of the previous year. Only the gift amount should be entered here and not the gift or generation-skipping transfer taxes paid.
6. Under *Applicable Credit Used*, enter a credit amount used against gift taxes.
7. Under *Gift Taxes Already Paid*, enter the amount of gift taxes already paid up to December 31 of the previous year.
8. If applicable, under *Lifetime GSTT Exemption Used*, enter the total amount of the lifetime generation-skipping transfer tax

exemption that has been used up to December 31 of the previous year.

9. If applicable, under *GSTT Already Paid*, enter the amount of GSTT that has already been paid on prior gifts. Generation-skipping transfers that are above the GSTT exemption amount are taxed.
10. If the client has a deceased spouse who died after January 1, 2011, and the client has filed an estate tax return, under *Unused Spousal Exclusion*, enter the additional exclusion amount to be used in estate planning calculations. NaviPlan assumes that an estate tax return is properly filed following each client's death.

## Entering estate expenses

On the *Estate Expenses* page, you can enter estate expenses associated with the clients' deaths. Only those expenses that qualify for a deduction against the gross estate, such as medical expenses in the year of death and burial expenses, should be entered here. Administration and probate fees are calculated separately on the *Assumptions* page.

To enter an estate expense, follow these steps:

1. Go to the **Set Goals** section – **Estate Planning** category – **Estate Expenses** page.

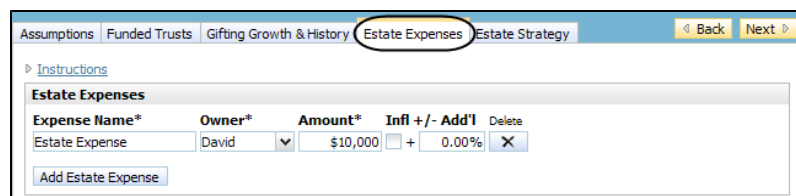
The screenshot shows the 'Estate Expenses' page within a software application. At the top, there is a navigation bar with tabs: 'Assumptions', 'Funded Trusts', 'Gifting Growth & History', 'Estate Expenses' (which is highlighted and circled in red), and 'Estate Strategy'. To the right of the tabs are 'Back' and 'Next' buttons. Below the navigation bar, there is a section titled 'Estate Expenses' with a table. The table has five columns: 'Expense Name\*', 'Owner\*', 'Amount\*', 'Infl +/- Add'l', and 'Delete'. The first row of the table contains the text 'Estate Expense' in the first column, 'David' in the second column, '\$10,000' in the third column, and '0.00%' in the fourth column. There is a small '+' sign between the amount and the inflation rate. Below the table is a button labeled 'Add Estate Expense'.

Figure 161: Set Goals section – Estate Planning category – Estate Expenses page

2. To add a new expense, under *Estate Expenses*, click the **Add Estate Expense** button. A new data-entry row appears.
3. Enter a unique name for the expense that will distinguish it from other similar expenses.
4. Assign the expense to a family member, define the amount, and then if applicable enter the inflation rate.

## Entering estate strategies

The *Estate Strategy* page shows the current status of the clients' estate. By default, NaviPlan Premium creates a simple will estate distribution, assuming that all assets will pass to the surviving spouse. On this tab, you can enter any strategies the clients are currently using, such as gifts or trusts. As you add information, the graph at the top of the page updates to show how the changes affect the clients' existing estate plan.

To enter estate strategies that are in the clients' existing estate plan, follow these steps:

1. Go to the **Set Goals** section – **Estate Planning** category – **Estate Strategy** page.



Figure 162: Set Goals section – Estate Planning category – Estate Strategy page

2. To convert a simple will estate distribution to a detailed estate distribution where you can enter testamentary trusts, general bequests, and asset bequests, click **Convert to Detailed**.  
**Note:** The *Convert to Detailed* button does not appear if the simple will estate distribution has already been converted to a detailed estate distribution.  
OR  
To convert a simple will estate distribution to a detailed estate distribution and automatically create a marital and a credit shelter trust, click **Convert and Create Marital/QDOT/CST**. The trusts are created automatically.

**Note:** *Marital* only appears if one or both the clients are US citizens. *QDOT* only appears if one or both of the clients are resident aliens.

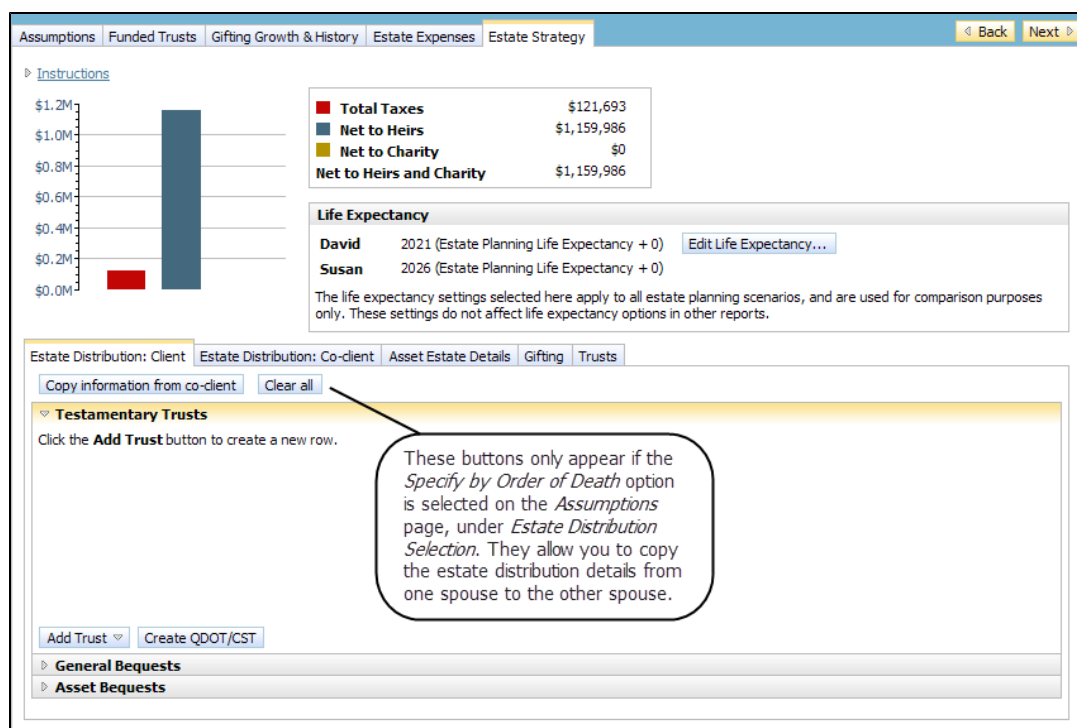


Figure 163: Set Goals section – Estate Planning category – Estate Strategy page (after the Convert to Detailed button is clicked)

**Note:** Before setting up a general bequest, asset bequest, or testamentary trust, go to the **Assumptions** page and review the estate distribution details.

3. On the *Estate Distribution* tab, you can set up general bequests, asset bequests, and testamentary trusts.
  - Click the type of trust or bequest you want to create, and then click the **Add Trust**, **Add General Bequest**, or **Add Asset Bequest** button.
  - Select the appropriate type from the list, and then enter the details of the trust or bequest.
4. To change assumptions about how assets will be disposed of after death, go to the **Asset Estate Details** tab, and then enter the asset estate details.

only. These settings do not affect life expectancy options in other reports.

Estate Distribution **Asset Estate Details** Gifting Trusts

☐ Living Trust

▼ **Non-Qualified and Lifestyle**

Asset Name	Market Value	New Owner	Probate Fees	Admin Fees	Not Available For Estate Needs	Primary Beneficiary	Contingent Beneficiary
Joint savings (Non-...	\$15,000	Joint	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Surviving Client	Julia
Susan's saving (No...	\$5,000	Susan	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Surviving Client	Estate
Real Estate (Joint)	\$500,000	Joint	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Estate	
520 Thomas St. (J...	\$300,000	Joint	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Estate	

► **Qualified and Annuities**

Figure 164: Set Goals section – Estate Planning category – Estate Strategy page – Asset Estate Details tab

- To prevent probate from being assessed against all assets in the client's and co-client's gross estate, select the **Living Trust** check box.
  - To prevent an asset from being liquidated to cover estate costs, select the **Not Available For Estate Needs** check box.
  - To specify the *Contingent Beneficiary* of a non-qualified account at the death of the owner, under *Non-Qualified and Lifestyle*, select a beneficiary from the list.
  - To specify a beneficiary for a qualified or annuity asset at the death of the owner, under *Qualified and Annuities*, select a beneficiary from the list.
  - To model a stretch (multi-generational) qualified asset, change the primary beneficiary to someone other than the client or co-client, and then select the **Multi-Generational** check box. When the asset owner dies, the asset will pass to the beneficiary and IRD taxes will be avoided.
5. To enter gifting strategies that exist in the clients' existing estate scenario, go to the **Gifting** tab, and then enter the gifting details.

only. These settings do not affect life expectancy options in other reports.

Estate Distribution Asset Estate Details **Gifting** Trusts

Regular Cash Gifts

Description*	Gifted By*	Gifted To*	Split Gift	Max. Annual Gift Exclusion	Annual Amount*	Start Date*	End Date*	Infl +/- Add'l	Delete
Regular Cash Gift	David	Julia	<input type="checkbox"/>	<input type="checkbox"/>	\$0	Jan 1 2011	Death (Owner)	+ 0.00%	X

Add Regular Cash Gift

Lump Sum Cash Gifts

Asset Gifts

Figure 165: Set Goals section – Estate Planning category – Estate Strategy page – Gifting tab

- To enter the details of cash gifts that occur on a regular basis, click **Regular Cash Gifts**. Click the **Add Regular Cash Gift** button, and then enter the gift details.
  - To enter cash gifts that occur on a one-time basis, click **Lump Sum Cash Gifts**. Click the **Add Lump Sum Cash Gift** button, and then enter the gift details.
  - To enter the details of gifts to be made from specific assets, click **Asset Gifts**. Click the **Add Asset Gift** button, and then enter the gift details.
6. To enter trusts that exist in the clients' existing estate scenario, go to the **Trusts** tab, click **Add Trust**, and then select the type of trust.

only. These settings do not affect life expectancy options in other reports.

Estate Distribution Asset Estate Details Gifting **Trusts**

Inter Vivos Trusts (Lifetime)

Description*	Type*	Details	Report	Delete
ILIT	ILIT - Existing Insurance			

Add Trust

- Irrevocable Trust
- ILIT - Existing Insurance
- ILIT - New Insurance

Figure 166: Set Goals section – Estate Planning category – Estate Strategy page – Trusts tab (showing trust selection options)

The appropriate dialog box opens. The fields will vary depending on the type of trust you selected. For more information, see the application Help.

## Chapter 10: Examining results

After you have entered your clients' financial information and goals into a plan, you can prepare and generate results. When you are satisfied with the results, you can generate professionally designed client reports that you can distribute to your clients.

**In this chapter:**

## Generating stand-alone reports and graphs

After you have entered your clients' financial information and goals, you can verify the results by generating stand-alone reports and graphs. NaviPlan Premium provides a large selection of reports and graphs from the *Reports* menu. Level 2 Plans have access to a larger number of reports than Level 1 Plans.

Stand-alone report categories	Examples of the tasks you can perform
<i>Favorite Reports</i>	Keep reports that you use frequently readily available.
<i>Summary</i>	View an action plan for the clients' investments, redemptions, insurance, and debt. View a synopsis of the data entered into the plan. View the results of the <i>Planning Assistant</i> <sup>™</sup> report. Compare differences between the current plan and the recommended plan.
<i>Net Worth</i>	View account and holding details. Compare summary or detailed changes in net worth over time. View composition and activity details for the clients' assets and liabilities.
<i>Cash Flow</i>	Monitor changes in cash flow activity. Examine current and projected cash flow on a single or multi-year basis. View the effects of taxes and capital loss carryovers. Monitor changes in projected surpluses and deficits.
<i>Income Tax</i>	Monitor income tax changes and capital loss carryovers. If you are using the Detailed Tax method, additional income tax reports are available.
<i>Goals</i>	View details of goals and goal savings. Compare goal needs with current and projected goal funding. View summaries for each goal.
<i>Asset Allocation</i>	Compare current and suggested asset mixes, asset class weightings, and the efficient frontier. If you are using Ibbotson asset allocation, examine risk score and questionnaire results.
<i>Insurance</i>	Analyze the effects of death, disability, long-term care, and insurance on cash flow. Analyze the effects of asset redemptions at death, during disability, and for long-term care.

Stand-alone report categories	Examples of the tasks you can perform
<i>Estate Planning</i>	Compare estate planning scenarios. View a synopsis report of estate data entered in the plan. Monitor gift and trust activity. Analyze the effects of taxes on the estate planning scenario. View asset distribution details.
<i>Fact Finder</i>	View an input summary and prepopulated Fact Finder.
<i>Needs vs. Abilities</i>	Compare goal type needs with abilities to meet those goals (all goals of the same type are grouped together in the same graph).
<i>Capital Accumulation and Redemption</i>	Analyze the accumulation and redemption of capital used to fund a goal type or all goals.
<i>Deficit Coverage</i>	Compare deficit coverage assets to deficit coverage sells (Detailed Tax method only).
<i>Monte Carlo</i>	Analyze the probability of plan success given random asset returns based on the standard deviation assigned to each account and holding.

To generate a stand-alone report or graph, follow these steps:

1. Go to the **Reports** menu, select a report category (and if applicable, a subcategory), and then select the report or graph you want to generate.

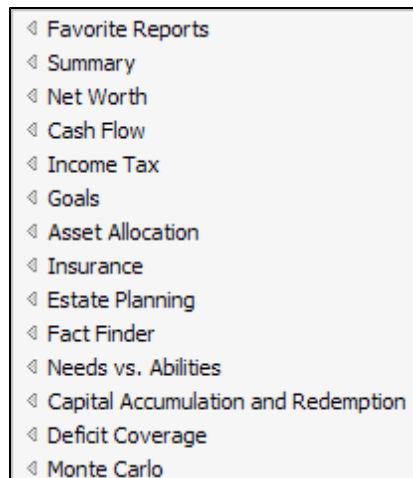


Figure 167: Reports menu (Level 2 Plan, Detailed Tax method)

Depending on the report or graph type selected, the *Assign Settings* dialog box may open. The contents of this dialog box varies depending on the report selected.

- If applicable, enter the settings details, and then click **OK** to generate the report or graph. See the Help for more information about assigning report settings.

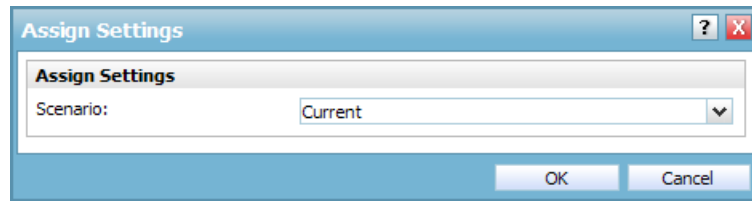


Figure 168: Assign Settings dialog box

- If a *Report Year* field appears in the *Assign Settings* dialog box (e.g., for the *Cash Flow Details* report) and you want to report on a different year, after you have generated the report in the report window, click the **Previous Year** or **Next Year** button. NaviPlan redisplayes the report based on the applicable year.

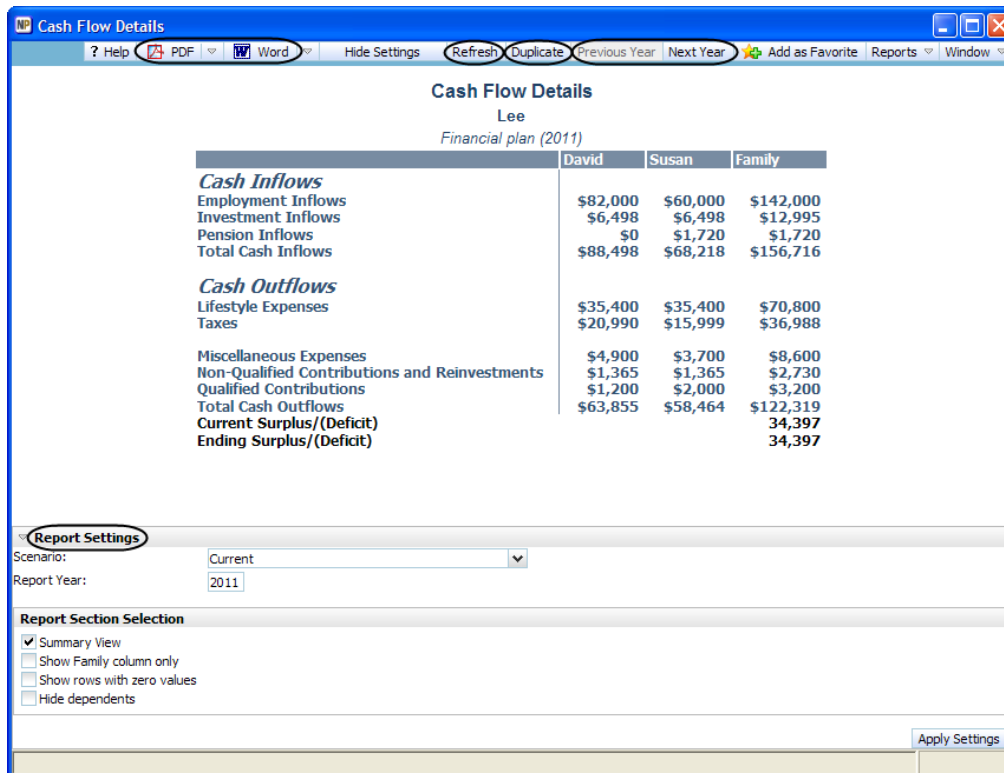



Figure 169: Cash Flow Details report

- To redisplay the report settings, click **Report Settings** at the bottom of the report window. To hide the settings again, click **Report Settings**.
- To generate a report or graph that you can print or distribute, beside the *PDF* or *Word* button, click the  button, and then select **Automatic**, **Portrait**, or **Landscape**. The report or graph

generates as a PDF or Word file.

**Note:** Selecting **Automatic** generates a report or graph using NaviPlan's default printer orientation.

6. If you made changes to the plan and the report window is still open, click the **Refresh** button to update the report.
7. To duplicate the report or graph, click the **Duplicate** button. NaviPlan creates a duplicate and displays it next to the original in the same window.
8. To generate a report or graph from within an open stand-alone report or graph window, click the **Reports** button. The *Reports* menu opens.





## Using the Planning Assistant

The *Planning Assistant*<sup>™</sup> displays a broad overview of the potential success of the plan. It summarizes potential problems, opportunities, and questions. You can use the *Planning Assistant* reports to analyze the financial data in your clients' current or recommended plan.

These reports identify the strengths and weaknesses of the plan. In some cases, the reports identify something discretionary that does not apply to the current plan and can be ignored. In other cases, the reports identify an improvement that could be made with a simple data change. Sometimes, following the recommendations requires using one or more financial planning strategies.

## Opening the Planning Assistant

To open the *Planning Assistant*, follow these steps:

1. Click the **Planning Assistant** button near the upper-right corner of the NaviPlan window. The *Planning Assistant* dialog box opens and displays the *Overview* report for the current plan.

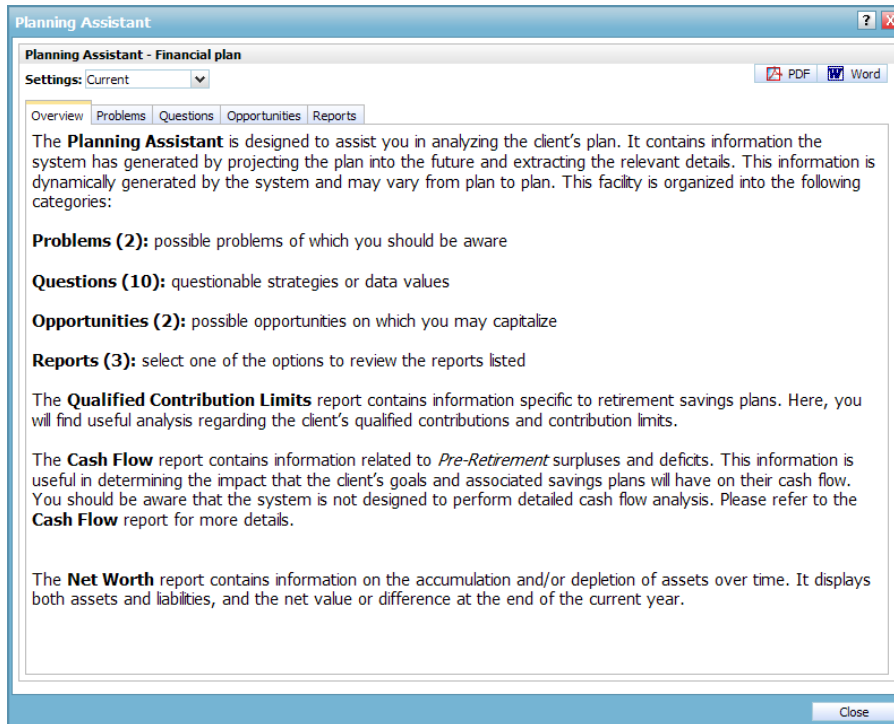


Figure 170: Planning Assistant dialog box

2. From the *Settings* menu, select the plan type you want to analyze. The *Current* option is based on the plan in which you are working. The *Recommended* option represents the *Recommended Plan* scenario, which takes into account additional assumptions and strategies including those selected in the *What Are My Options?* dialog boxes found throughout NaviPlan.
3. Detailed information is available on the tabs. Click the appropriate one: **Problems**, **Questions**, or **Opportunities**.
4. To close the *Planning Assistant* dialog box, click **Close**.

## Viewing and/or printing the Planning Assistant reports

The *Reports* tab and the *Overview* tab provide a synopsis of the other *Planning Assistant* reports.

To view or print the *Planning Assistant* reports, follow these steps:

1. Open the *Planning Assistant*, select either **Current** or **Recommended**, and then go to the **Reports** tab.

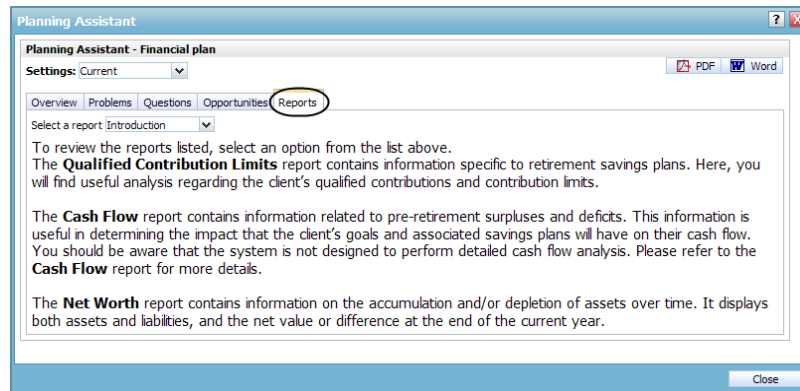


Figure 171: Planning Assistant dialog box – Reports tab

2. Select one of the following reports:
  - **Introduction** – A summary of each of the reports available to you in the *Planning Assistant*.
  - **Qualified Contribution Limits** – Analysis and recommendations specific to IRAs, 457, 401(k), 403(b), and SARSEP plans including contributions, contribution limits, and unused room. This analysis includes catch-up contribution room when available.
  - **Cash Flow** – Summary of pre-retirement cash flow surpluses and deficits. This information is useful for seeing how the clients' cash flow is affected by their goals and associated savings strategies.  
**Note:** The *Planning Assistant* is not designed to perform a detailed cash flow analysis. For a more detailed report, you can access the *Cash Flow Details* report from the *Reports* menu.
  - **Net Worth** – Summary of all the assets and liabilities entered into the plan for the clients (client, co-client, and joint ownership) and the net value and accumulated surplus/deficit at the end of the plan year.

3. To print the *Planning Assistant* report displayed on the current tab, click the **PDF** or **Word** button. The report generates in its own window and can be printed from your desktop.

## Preparing user-defined text for client reports

In NaviPlan Premium, you can create and customize text that will be included in client reports. You can enter personalized objectives, recommendations, and action plans for financial planning reports, for reports related to goals, and for estate planning reports.

To enter personalized text for reports, follow these steps:

1. Go to the **Results** section – **User Defined Text** category – **User Defined Text** page.
2. Under *User Defined Text Summary*, select the goal or category for the user-defined text.
3. To add an objective, recommendation, or action plan, click the appropriate **Add** button. The *User Defined Text Entry* dialog box opens.

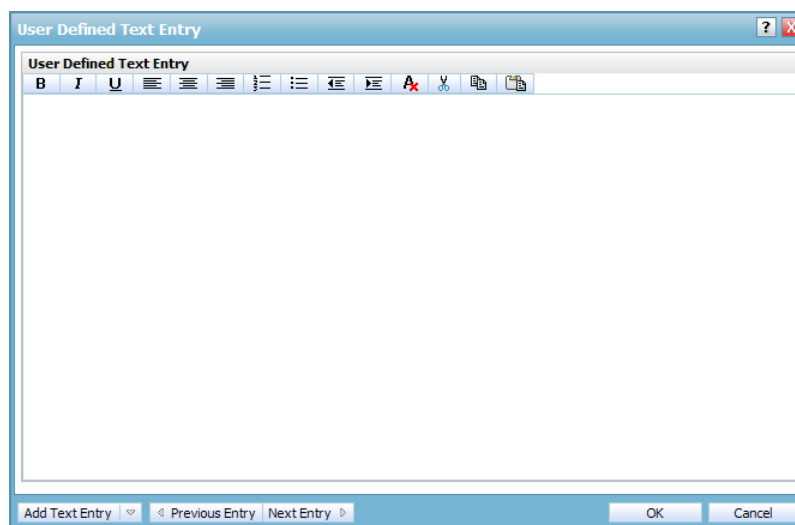


Figure 172: User Defined Text Entry dialog box

4. Enter the text in the dialog box, and then use the formatting buttons where applicable.
5. To close the dialog box, click **OK**. Under *Objectives*, *Recommendations*, or *Action Plan*, a new row appears.  
**Note:** A spelling checker is not available. You can copy and paste plain text from Microsoft Word into the *User Defined Text Entry* dialog box. Graphics are not supported.

User-defined Text ◀ Back Next ▶

**User Defined Text Summary**

Asset Allocation ▼

Enter client specific goals to personalize the client reports.

**Objectives**

Description	Details	Delete
▶ Ensure your investor profile is in line with your tolerance risk		

Add ⬆ Move Up ⬇ Move Down

Enter client specific recommendations to personalize the client reports.

**Recommendations**

Description	Details	Delete
▶ You don't want to put all of your eggs in one basket. I recommend that you maximize your return for your current level of risk.		

Add ⬆ Move Up ⬇ Move Down

Enter the steps involved in implementing the plan.

**Action Plan**

Description	Details	Delete
▶ Please contact me about purchasing assets that match your investment profile.		

Add ⬆ Move Up ⬇ Move Down

Figure 173: Results section – User-defined Text category – User-defined Text page

6. To edit an existing entry, click the appropriate **Details** button to reopen the *User Defined Text Entry* dialog box for that entry.
7. To reorder entries within a category, click the **Move Up** or **Move Down** buttons.
8. Repeat steps 2–7 until all your entries are complete.

## Generating client and progress reports

The following client reports are available in NaviPlan Select for Level 1 and Level 2 Plans and are accessible from the *Results* section – *Client Reports* category – *Client Report* page:

Client report	Description
<i>Financial Needs Assessment</i>	This report provides an overview of the clients' current financial situation and indicates whether the clients' goals are attainable.
<i>Asset Allocation</i>	This report demonstrates the effects that the clients' time horizon, risk tolerance, and asset allocation have on their portfolio returns. The clients' portfolio is calculated based on their existing accounts and related holdings.
<i>Financial Needs Summary</i>	This report provides an overview of your clients' current financial situation with special emphasis on their retirement goal. Typically, this report is used when the recommended plan has been finalized as the final presentation to the clients.
<i>Retirement Distribution Summary</i>	This report is useful to clients who are nearing or at retirement, and provides an in-depth review of the plan retirement period and the distribution of income the clients may expect in retirement. The report focuses on the apparent risks in the clients' current plan and how those risks have been reduced by strategies implemented in the proposed plan. It also shows a review of the fixed and total incomes as well as expenses during retirement.
<i>Financial Needs Analysis</i>	<b>Level 2</b> This report provides a comprehensive view of the entire plan, including a summary of the clients' needs and objectives, the financial assumptions used in preparing the financial analysis, as well as additional strategies that could be implemented to achieve the objectives. The report includes summaries of the various analyses performed and recommendations and strategies that could be used to meet the clients' objectives. A synopsis of the analysis data is included.

In an update plan (an approved financial plan in *Update Plan* status), you can generate a *Progress* report which compares the updated plan information with the approved plan. This report compares the clients' current and previous net worth, cash flow, and asset allocation mixes, and also tracks the success of each goal. The *Progress* report will help you determine whether your clients are staying on track towards attaining their financial goals.

To generate a client (or progress) report, follow these steps:

1. Go to the **Results** section – **Client Reports** category – **Client Report** page.  
OR

If you are generating a progress report, go to the **Results** section – **Progress Report** category – **Progress Report** page.

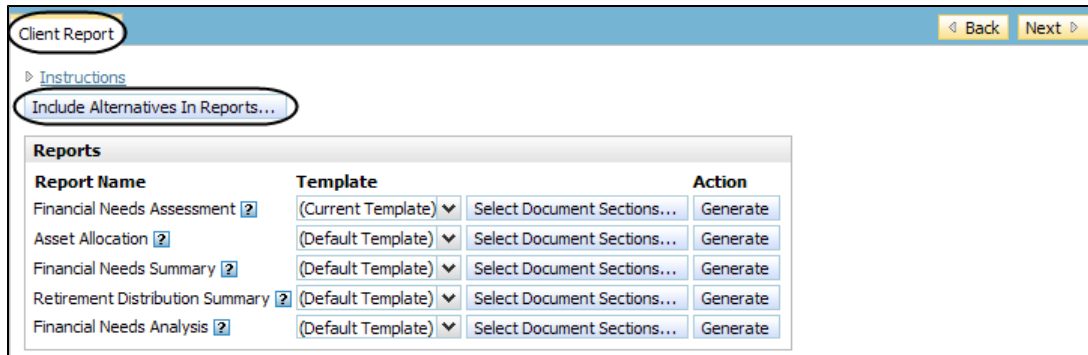


Figure 174: Results section – Client Reports category – Client Report page

- To include alternative plans in the client reports, click **Include Alternatives In Reports**, and then select the alternative plans to include.

**Note:** The current and recommended plans are always included.

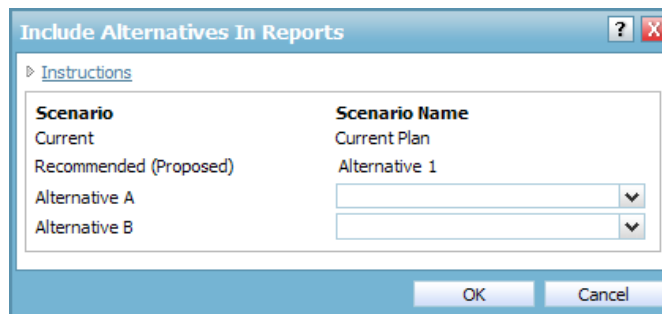


Figure 175: Include Alternatives In Reports dialog box

- If applicable, select a template to use for the report.
- Click the **Select Document Sections** button for the report you want to generate. The *Select Document Sections* dialog box opens.

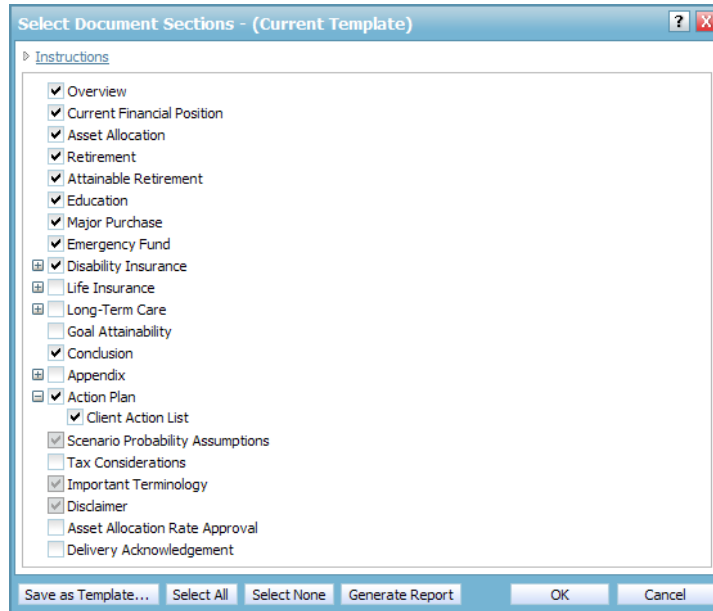


Figure 176: Select Document Sections dialog box

5. Select the sections you want included in the report.
6. To view the subsections for a section, click the + beside that section. The list expands and subsections appear. Select or clear the check boxes for the appropriate subsections.
7. To reorder report sections, click an applicable section, and then drag it to another location.
8. To save your selections as a template for this type of client report, click the **Save as Template** button. The *Save Template* dialog box opens. Enter a name for the template, and then click **OK**. The *Save Template* dialog box closes. The templates you create can be managed on the *User Preferences - System Settings* dialog box – *Templates* tab (*User Preferences* menu – *System Settings*).
9. Click **OK**. NaviPlan Premium saves your selections and the *Select Document Sections* dialog box closes.
10. To generate the report, click the **Generate** button. If you generated this report before, this button appears as *Regenerate*. If you are using NaviPlan Premium Online, the *Status* column updates. To view the report or view the status of other reports, see "Using the Client Report Monitor (Online)" on page 215.

**Note:** In NaviPlan Premium Offline, you may have to click *Refresh* to update the *Status* column.



## Using the Client Report Monitor (Online)

The *Client Report Monitor* allows you to continue using NaviPlan Premium when generating time-intensive client reports and progress reports. Each time you click the *Generate* button for a report, NaviPlan creates a request in the *Client Report Monitor* and generates the report. Generating reports can take between a few seconds to a few minutes. The *Client Report Monitor* allows you to monitor your recent request and the requests for other reports. You can only open reports with a *Completed* status. The *Client Report Monitor* is available from all the following areas in NaviPlan Premium Online:

- *Reports* menu
- *Results* section – *Client Reports* category – *Client Report* page
- *Results* section – *Progress Report* category – *Progress Report* page
- *Workflow* section – *Status* category – *Status* page

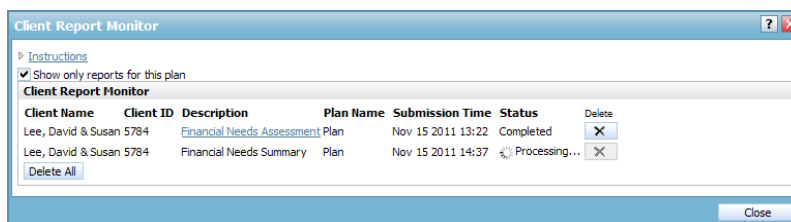


Figure 177: Client Report Monitor dialog box

To use the *Client Report Monitor*, follow these steps:

1. Generate a client or progress report, or from the *Reports* menu, select **Client Report Monitor**. The *Client Report Monitor* dialog box opens.
2. Do one of the following:

To...	Do this...
List all reports for which you have access	Clear the <b>Show only reports for this plan</b> check box. The dialog box updates and expands the list of reports.
View a complete report	Click the link for a report with the <i>Completed</i> status. The report opens using the format specified on the <i>User Preferences</i> menu – <i>User Preferences - System Settings</i> dialog box – <i>Report Format</i> tab.

To...	Do this...
Delete a report	Click the <b>Delete</b> button for the applicable report, or click the <b>Delete All</b> button to delete all listed reports, and then click <b>OK</b> for the message that appears.

3. Click **Close**. The *Client Report Monitor* dialog box closes. Any reports that have not yet generated will continue to process while you work in other areas of NaviPlan. If needed, you can generate additional reports while other reports are being processed. NaviPlan generates each report independently.

## Adding notes for your own personal use

In NaviPlan Premium, you can add notes for yourself that are not seen by the clients.

To enter personalized text for reports, follow these steps:

1. On any page within an open plan, go to the **Notes** menu, and then select **Add Note**. The *Notes* dialog box opens.

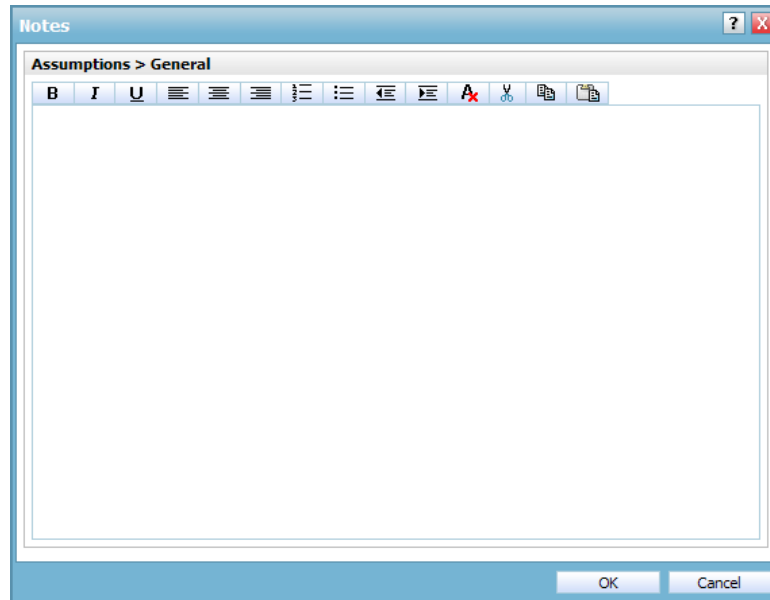


Figure 178: Notes menu – Add Note – Notes dialog box

2. Enter the text into the dialog box, and then use the formatting buttons where applicable.  
**Note:** A spelling checker is not available. You can copy and paste plain text from Microsoft Word into the *Notes* dialog box. Graphics are not supported.

To view and print all notes that were entered for this plan, follow these steps:

1. On any page within an open plan, go to the **Notes** menu, and then select **View All Notes**. The *Notes Summary* dialog box opens.

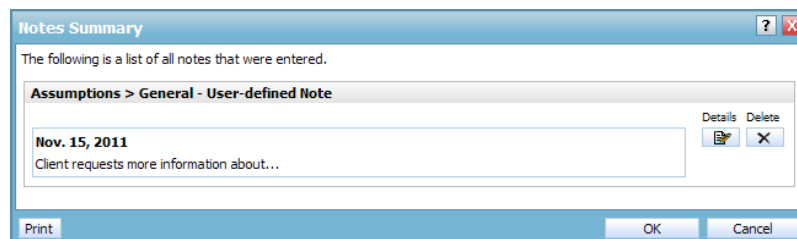


Figure 179: Notes menu – View All Notes – Notes Summary dialog box

2. To edit the notes, click **Details**. The *Notes* dialog box opens, where you can edit the information.
3. To print the notes, click **Print**.

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