



NaviPlan Standard Learning Guide Asset Allocation

Canadian version 11.0

EISI, Winnipeg

Disclaimer

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Using the Learning Guide

The NaviPlan Standard Learning Guide is intended to help you learn how to use NaviPlan. To use this learning guide effectively, go through each page from start to finish.

Conventions

The NaviPlan Standard Learning Guide includes the following conventions:

- The names of items that are labelled on the screen are italicized. For example,
The *Clients* page opens.
- Within instructions, 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,
Financial Picture section – *Net Worth* category – *Accounts* page

Essential Windows skills

This learning guide assumes that you know how to perform the following tasks:

- Use the mouse (click, double-click, right-click, drag, and point)
- Move, resize, and close a window
- Navigate through a dialog box and use scroll bars
- Choose menu commands and select options from windows and submenus

If you are unsure about any of these Windows essentials, refer to Microsoft Windows user documentation.

Using Help

The quickest way to get information about any command, dialog box, or item within NaviPlan Standard is to use the application Help.



To access the Help, click the **Help** button at the top of the NaviPlan window.

Asset Allocation module

The NaviPlan Standard Asset Allocation Learning Guide was created using NaviPlan Standard version 11 and a joint Asset Allocation Assessment.

Purpose

The purpose of this learning guide module is to assess your clients' risk tolerance, and determine an appropriate asset allocation mix.

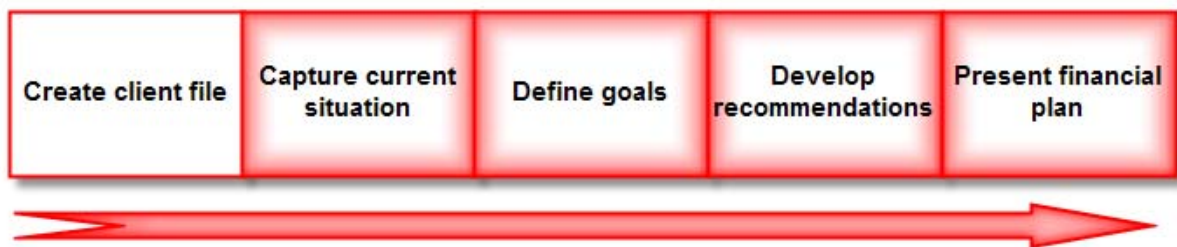
Learning objectives

Upon successful completion of this module, you will be able to

- Create system-wide default asset allocation settings
- Identify the purpose and benefits of using the Asset Allocation Assessment
- Enter accounts in an Asset Allocation Assessment to capture the current asset mix
- Assign a suggested asset mix
- Compare the current and suggested asset mixes with the *Asset Allocation* client report
- Customize the suggested asset mix details for each goal by upgrading to a Level 2 Plan

NaviPlan planning stages

The following diagram shows the planning stages you can follow in NaviPlan Standard, from creating a client file to presenting a financial plan. The learning objectives in this module are part of the *Capture current situation*, *Define goals*, *Develop recommendations*, and *Present financial plan* stages.



Learning objective: Create system-wide default asset allocation settings

Whether you get your asset allocation information from an external source or your company has their own information, it is a good idea to enter the information into NaviPlan Standard's *User Preferences*. Go to the **User Preferences** menu in the top-right corner of the window, and then select **Asset Allocation Settings**. The *Asset Allocation Settings* dialog box opens.

Entering the information into *User Preferences* will ensure that you have the same asset allocation information for all the assessments and plans you create going forward. This will minimize future data entry and possible data-entry errors.

Asset Allocation Settings dialog box – Asset Classes tab

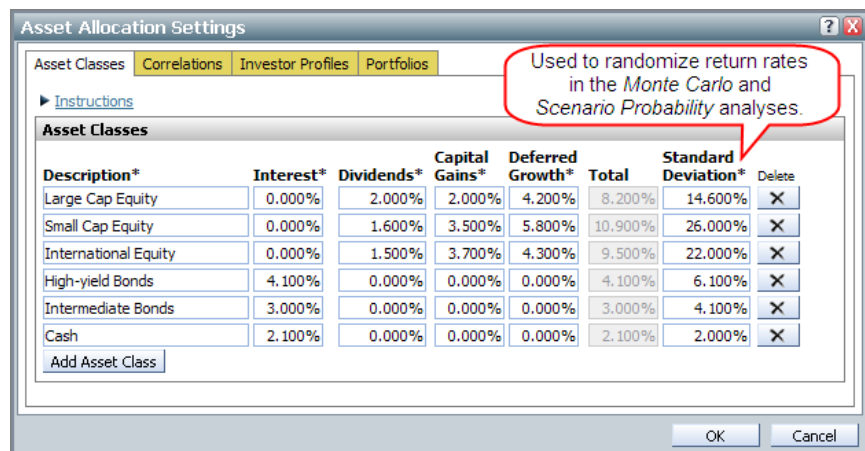


Figure 1: User Preferences menu – Asset Allocation Settings option – Asset Allocation Settings dialog box – Asset Classes tab



The *Asset Allocation Settings* information presented in this guide is for example purposes only and is not based on investment research.

On the *Asset Classes* tab, enter the asset classes you want to use in any plan or assessment you create going forward.

- Enter a unique description to identify the asset class type.
- Define the return rates and standard deviation values that apply.

The asset classes have two purposes:

- They will be used to specify the weightings of investor profiles on the *Asset Allocation Settings* dialog box – *Portfolios* tab. This will drive your clients’ suggested asset mix.
- They can be used to specify the weightings of the assets held by the clients to represent their current asset mix. This can be specified either as 100% of one asset class, or a combination of multiple asset classes. Once the weightings of an account have been specified, NaviPlan calculates the rate of return.

Once you have specified the asset classes, go to the **Correlations** tab.

Asset Allocation Settings dialog box – Correlations tab

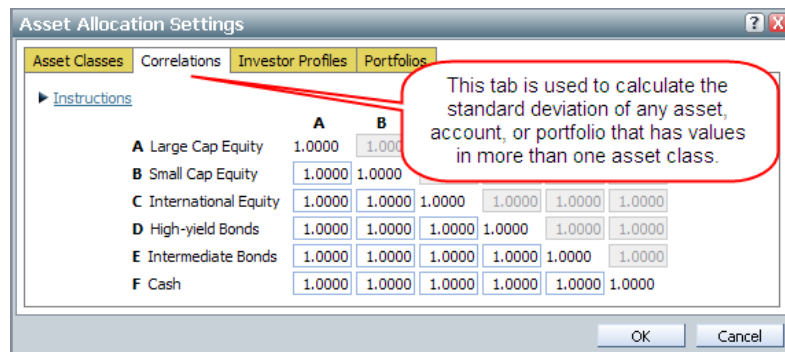


Figure 2: User Preferences menu – Asset Allocation Settings option – Asset Allocation Settings dialog box – Correlations tab

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 asset classes move in exactly the same direction
-1.0	The two asset classes move in exactly the opposite direction
0.0	The two asset classes have no relationship

Correlation information only affects *NaviPlan’s Monte Carlo Sensitivity Analysis* and *Scenario Probability* analyses.

Asset Allocation Settings dialog box – Investor Profiles tab

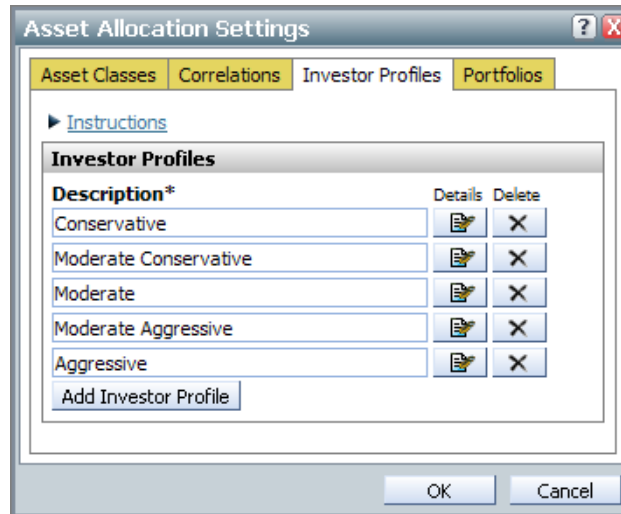


Figure 3: User Preferences menu – Asset Allocation Settings option – Asset Allocation Settings dialog box – Investor Profiles tab

Investor profiles represent the different levels of risk.

On the *Investor Profiles* tab, you will enter the investor profiles you want to use in any plan or assessment you create going forward. Use the investor profiles to define your clients' preferences in investment decisions.

- Enter a description for each investor profile
- Click **Details** to add a more detailed description or describe a typical investor for the profile

Asset Allocation Settings dialog box – Portfolios tab

The screenshot shows the 'Asset Allocation Settings' dialog box with the 'Portfolios' tab selected. The 'Portfolio Criteria' section has 'Moderate' selected for the default profile. The 'Investor Profiles' section has 'Conservative' selected. The 'Portfolio' table is as follows:

Class Name	Weightings (%)	Class Name	Weightings (%)
Large Cap Equity	20.00%	High-yield Bonds	20.00%
Small Cap Equity	20.00%	Intermediate Bonds	15.00%
International Equity	15.00%	Cash	10.00%
		Total	100.00%

Figure 4: User Preferences menu – Asset Allocation Settings option – Asset Allocation Settings dialog box – Portfolios tab

On the *Portfolios tab*, you can assign the weightings or composition of all the investor profiles created on the *Investor Profiles tab*.

- From the *Select Your Default Profile* list, select the default profile for each plan or assessment you create going forward. This default profile can be modified in the actual plan or assessment.
- Under *Portfolio Criteria*, select the desired profile, and then under *Portfolio*, enter the asset class percentages for this profile.
- The percentages must add up to 100%.

Learning objective: Identify the purpose and benefits of using the Asset Allocation Assessment

The Asset Allocation Assessment is a tool that allows you to help your clients determine their investor profile, and learn what asset mix is appropriate for them. As you complete the Asset Allocation Assessment, you will learn about your clients' current portfolio, and you can show them how some investment modifications may better align with their tolerance for risk.

Deciding how to allocate your clients' investments depends on a number of factors including their investment objectives, time horizon, attitudes toward acceptable risk, and desired return.

Benefits of the Asset Allocation Assessment

Helps your clients to . . .	Helps you to . . .
<ul style="list-style-type: none"> • Prioritize their investment goals • Measure their risk tolerance • Determine their investor profile • Understand their investment options • Identify investment solutions 	<ul style="list-style-type: none"> • Improve clients' investment knowledge • Better understand clients' needs • Position the opportunity to provide financial advice • Quickly engage clients into a financial advisory relationship • Promote to a plan to build additional planning opportunities

The asset allocation of your clients' investment portfolio is responsible for a significant portion of a portfolio's performance.

An Asset Allocation Assessment helps you determine the appropriate investor profile of your clients, and also helps you provide appropriate investment recommendations.

Many client types will benefit from this type of assessment, including

- Clients who hold investments at multiple financial institutions and do not have a consolidated view of their portfolio
- Clients who do not know which product to invest in and would like your advice on the best solution for them
- Clients who are unsure if their investments are appropriate for them
- Clients who are looking for advice on how their investments are working for them

Learning objective: Enter accounts in an Asset Allocation Assessment to capture the current asset mix

NaviPlan planning stages



After you have created the Asset Allocation Assessment from the *Client & Plan Creation* dialog box, or from the *Plan List* category, the *General* page opens.

General page

Figure 5: Asset Allocation section – Asset Allocation category – General page

Assessment Analysis Date – You may want to use the date when you expect to present the assessment to the client.

- This date is the default valuation date for accounts
- NaviPlan assumes the reallocation to the suggested asset mix occurs as of this date; this is important to remember when upgrading the assessment to a Level 1 or Level 2 Plan that includes goals

The next step is to enter the clients' investment accounts and asset class weightings on the *Accounts* page. Once this information is entered, you can see how your clients' assets are currently invested, and you can compare the clients' current asset mix to the recommended investor profile.

Accounts page

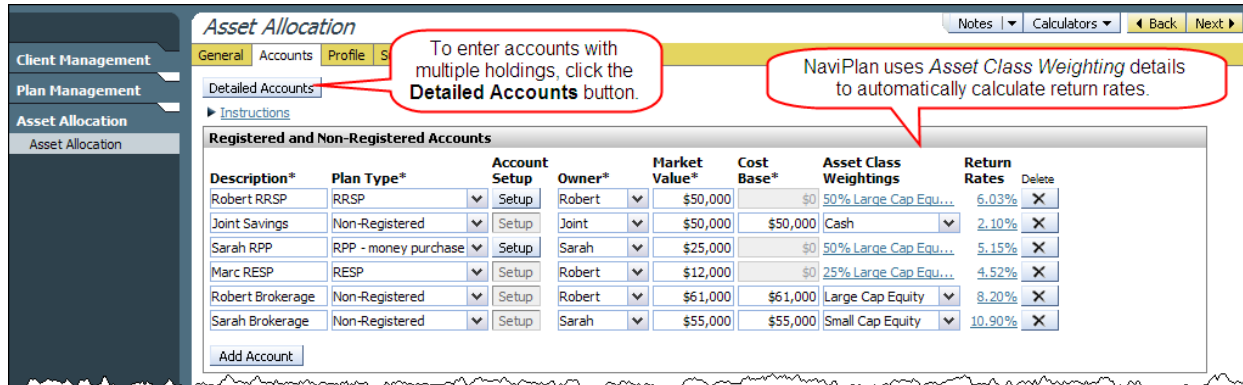


Figure 6: Asset Allocation section – Asset Allocation category – Accounts page

You can enter accounts either as simple accounts without individual holding information, or as detailed accounts with multiple holdings.

Simple accounts

Simple account – Click the **Add Account** button to add a simple account.

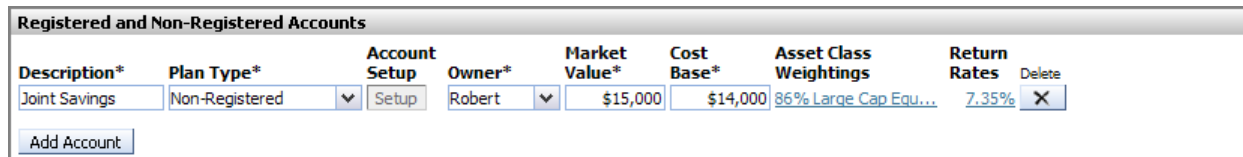



Figure 7: Asset Allocation section – Asset Allocation category – Accounts page – Registered and Non-Registered Accounts component

For example, in a simple account you can model an entire RRSP account based on one set of asset class weightings, such as 86% large cap, 14% cash, or any other combination.

Detailed accounts

Detailed account – Click the **Detailed Accounts** button, if it hasn't already been clicked. Click  next to *Add Account*, and then select one of the following account types for detailed data entry: *Investment Portfolio*, *Mutual Fund*, or *Cash Account*.

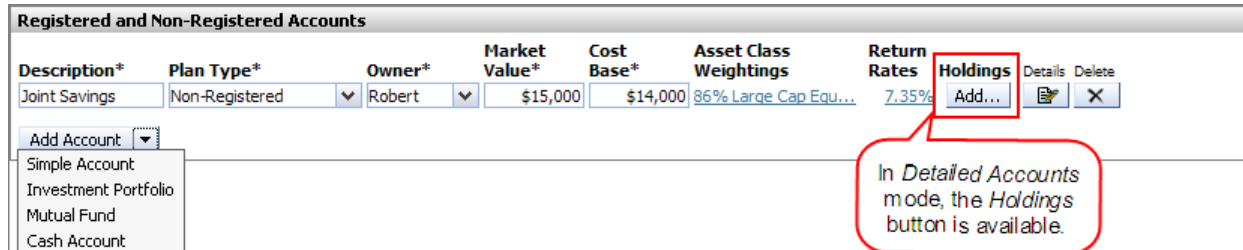


Figure 8: Asset Allocation section – Asset Allocation category – Accounts page – Registered and Non-Registered Accounts component

For example, in a detailed account you could enter an RRSP account that is an investment portfolio with multiple holdings:

- Holding 1 = Cash savings (\$10,000)
- Holding 2 = ABC stock (\$25,000)
- Holding 3 = XYZ stock (\$35,000)

Account Details dialog box

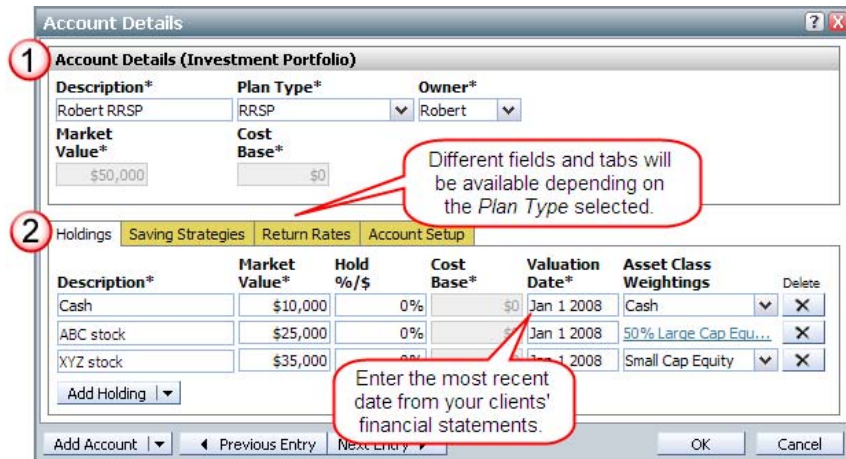


Figure 9: Asset Allocation section – Asset Allocation category – Accounts page – Details button – Account Details dialog box – Holdings tab

① Account Details component

Plan Type – Different plan types have different tax treatments applied in Level 1 and Level 2 Plans.

- The Help glossary describes each type of asset in more detail

② Holdings tab

On this tab, you can enter multiple holdings that make up one account.

- *Hold %/\$* – This field is specific to asset reallocation; it indicates that a portion of the asset should be held in its original asset class weightings, and not included in the reallocation
- *Asset Class Weightings* – Defines the underlying asset class of the account which is used for asset allocation and defining return rates

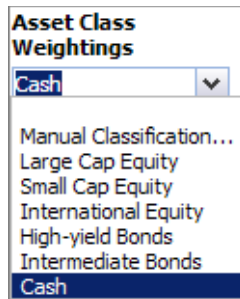


Figure 10: Asset Class Weightings list

- *Manual Classification* – Opens the *Asset Class Weightings Details* dialog box where you can manually classify the investment holding across one or more asset classes
- *<all asset classes (listed separately)>* – Sets the classification to 100% of the selected class

Learning objective: Assign a suggested asset mix

NaviPlan planning stages



To select the appropriate investor profile, you must determine your clients' risk tolerance and time horizon. Asking your clients to complete a questionnaire that evaluates their risk tolerance and time horizon can help you with this process.

Once you have identified an investor profile that best suits your clients, you can identify the asset mix for that investor profile on the *Profile* page.

Profile page

Asset Allocation

General Accounts Profile Summary Client Report

► [Instructions](#)

To enable the ability to override the suggested asset mix, click **Detailed Asset Allocation**.

[Detailed Asset Allocation](#)

1 View or edit the asset allocation Settings... View or edit the asset allocation settings for this assessment.

2 **Investor Profile**

Select an investor profile: Moderate ▼

Suggested Asset Mix

Large Cap Equity	31.00%
Small Cap Equity	14.00%
International Equity	25.00%
High-yield Bonds	30.00%

Automatically calculated by NaviPlan using the asset class weightings for the investor profile you selected.

3 **Summary**

Expected rate of return is	7.67%
Expected standard deviation is	15.50%
The proposed investor profile is	Moderate
The proposed time horizon is	

Figure 11: Asset Allocation section – Asset Allocation category – Profile page

1 Settings button

Clicking this button opens the *Asset Allocation Settings* dialog box which gives you access to the asset class, correlation, investor profile, and portfolio information entered in the *User Preferences* menu – *Asset Allocation Settings* dialog box.

- Making changes here only affects the assessment
- Allows you to customize the information to the client if applicable
- For information on the *Asset Allocation Settings* dialog box, see “Learning objective: Assign a suggested asset mix” on page 13

② Investor Profile component

Select an investor profile – Defaults to the investor profile selected on *User Preferences* menu – *Asset Allocation Settings* dialog box – *Portfolios* tab.

- The investor profile that you select determines the suggested asset mix; it does not affect the current asset mix
- You can change the profile to adjust to a client's investment style and risk tolerance
- The pie chart and asset class breakdown change based on the investor profile selected

③ Summary component

Expected rate of return is and *Expected standard deviation is* – These fields are calculated automatically based on the asset class weightings of the proposed investor profile.

The *Summary* component summarizes the expected rate of return and the expected standard deviation for the selected investor profile.

Once you have recorded all your clients' various investment assets and reviewed the *Profile* page, you can begin to discuss asset allocation differences between your clients' current portfolio and the suggested asset mix.

Summary page

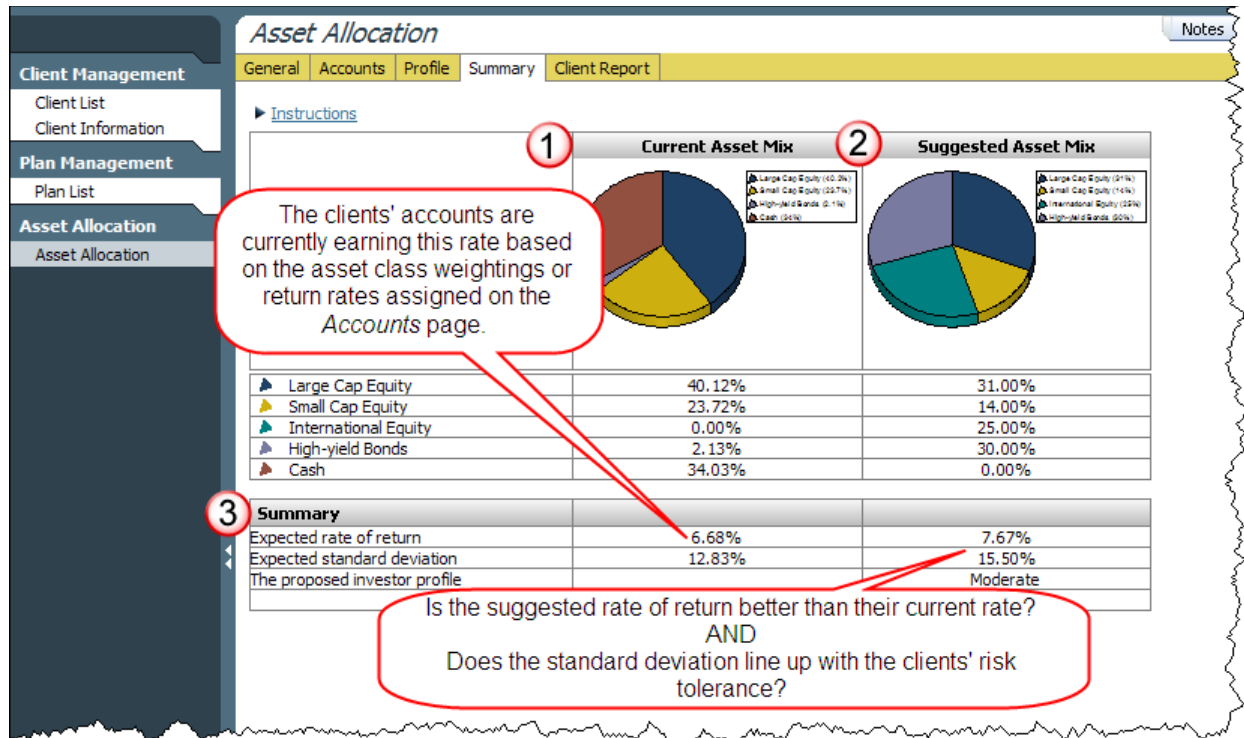


Figure 12: Asset Allocation section – Asset Allocation category – Summary page

The *Summary* page summarizes the asset mix data from the *Accounts* and *Profile* pages by displaying the clients' current and suggested asset mix side by side for easy comparison.

1 Current Asset Mix component

The graph displays a proportional breakdown of the assets currently held in the portfolio.

2 Suggested Asset Mix component

The graph displays a proportional breakdown of the assets held in the suggested asset mix based on the investor profile selected from the *Profile* page. NaviPlan will automatically reallocate assets to this asset mix.

Learning objective: Compare the current and suggested asset mixes with the Asset Allocation client report

NaviPlan planning stages



Once you have entered your clients' accounts and determined an appropriate investor profile, you are ready to generate the *Asset Allocation* client report. This report displays and analyzes the information entered so that you can present the findings to your clients and provide them with an easy-to-understand summary of your Asset Allocation Assessment.

Client Report page

Report Name	Template	Status
Asset Allocation	(Default Template)	Generate

Click **Select Document Sections** to choose the content in the report.
OR
Click **Generate** to produce the report based on the selected template.

Figure 13: Asset Allocation section – Asset Allocation category – Client Report page

On the *Client Report* page, you can generate professionally designed and customized client reports that you can present to your clients.

- *Template* – The selected template is applied when you click *Generate*
 - *Default Template* – Settings include all document sections
 - *Current Template* – Settings include the most recent template selections you have made
 - *<custom name> Template* – Settings include the sections you selected when you created a custom template
- *Select Document Sections* – Select which sections of the report will be included before generating the client report

Select Document Sections dialog box

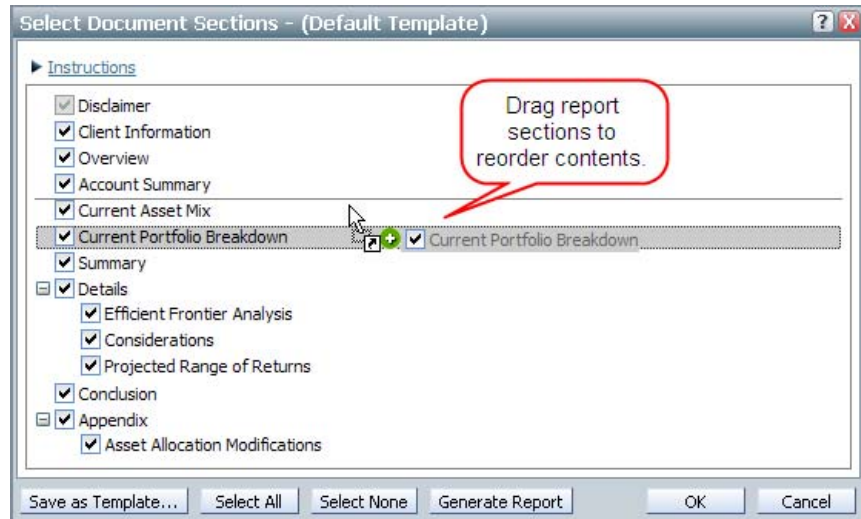


Figure 14: Asset Allocation section – Asset Allocation category – Client Report page – Select Document Sections button – Select Document Sections dialog box

Use the *Select Document Sections* dialog box to customize the order and content of the *Asset Allocation* client report as follows:

- Click the beside a section to expand the list and view additional sections
- Click the beside a section to collapse the section
- Click **Save as Template** to save your selections as a template for this type of report so that you can quickly access the template on the *Client Report* page for future use

Asset Allocation client report

The *Asset Allocation* client report provides an overview of your clients' current asset mix, recommendations for achieving an asset mix that matches the clients' risk tolerance and investment objectives, and the steps needed to get there using a combination of user-friendly text, tables, and graphs.

Cover page

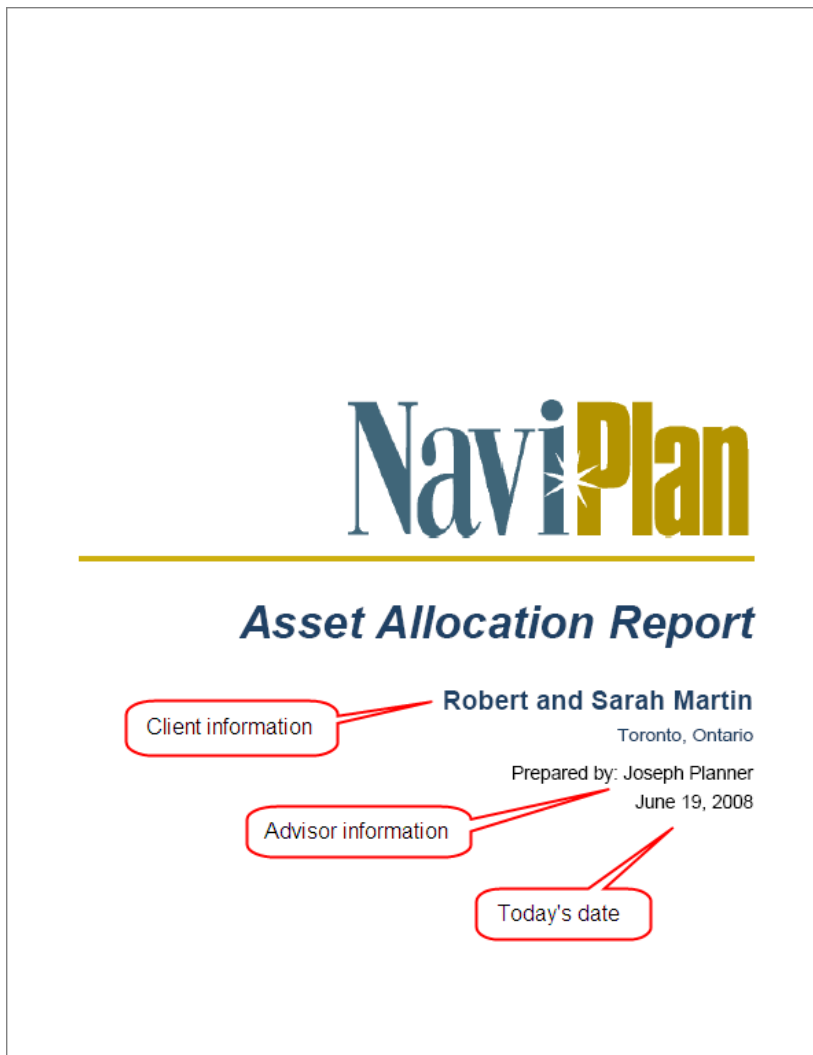


Figure 15: Asset Allocation client report – Cover page

- Ensure that the clients' names, clients' address, your name, and the date is accurate

Current Portfolio Breakdown page

Current Portfolio Breakdown					
The table below provides a breakdown of the percentages and dollar values for each asset class in the current portfolio.					
Asset Class	Holding	Type	% of Asset Class	% of Portfolio	Asset Value
Large Cap Equity	Robert Brokerage	Non-Reg.	80.1%	24.1%	\$81,000
	Marc RESP	RESP	3.0%	1.2%	\$3,000
	Robert RRSP	RRSP	24.6%	9.0%	\$25,000
	Sarah RPP	RPP - money purchase	12.3%	4.9%	\$12,500
Total Large Cap Equity				40.1%	\$101,500
Small Cap Equity	Sarah Brokerage	Non-Reg.	91.7%	21.7%	\$55,000
	Robert RRSP	RRSP	8.3%	2.0%	\$5,000
Total Small Cap Equity				23.7%	\$60,000
High-yield Bonds	Marc RESP	RESP	100.0%	2.1%	\$5,400
Cash	Joint Savings	Non-Reg.	58.1%	19.8%	\$50,000
	Marc RESP	RESP	4.2%	1.4%	\$3,600
	Robert RRSP	RRSP	23.2%	7.9%	\$20,000
	Sarah RPP	RPP - money purchase	14.5%	4.9%	\$12,500
Total Cash				34.0%	\$86,100
Total Portfolio				100.0%	\$253,000

Figure 16: Asset Allocation client report – Current Portfolio Breakdown page

This page displays the current breakdown of the asset classes and the assets in which they are held.

- Use this page, along with additional pages which analyze the current asset mix (not shown here), to ensure you have accurately captured your clients' accounts
- Ask your clients to review this page as this may help uncover assets they forgot to disclose to you

Asset Allocation for Entire Portfolio page

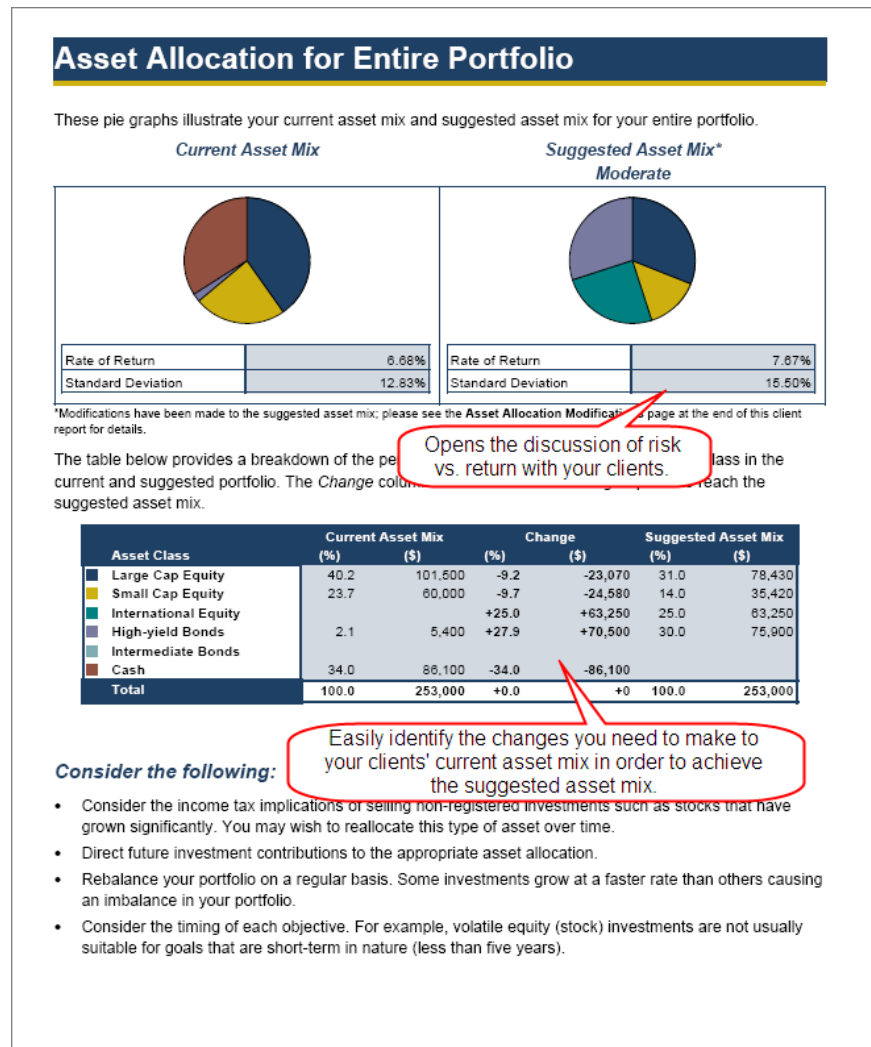


Figure 17: Asset Allocation Assessment client report – Asset Allocation for Entire Portfolio page

This page provides pie graphs and tables comparing side-by-side, the specifics of the *Current* and *Suggested Asset Mix* for your clients' portfolio.

- Shows in bold text the changes needed to achieve the suggested asset mix
- Under *Consider the following*, lists suggestions of things to consider

Learning objective: Customize the suggested asset mix details for each goal by upgrading to a Level 2 Plan

NaviPlan planning stages



Upgrading to a Level 1 or Level 2 Plan allows you to

- change assumptions
- add more details
- analyze financial goals
- provide additional customized suggestions
- eliminate the need to re-enter the original data



If you created the assessment using the *Detailed Accounts* option on the *Accounts* page or the *Detailed Asset Allocation* option on the *Profile* page, you will only be able to promote to a Level 2 Plan.

Promote Plan dialog box

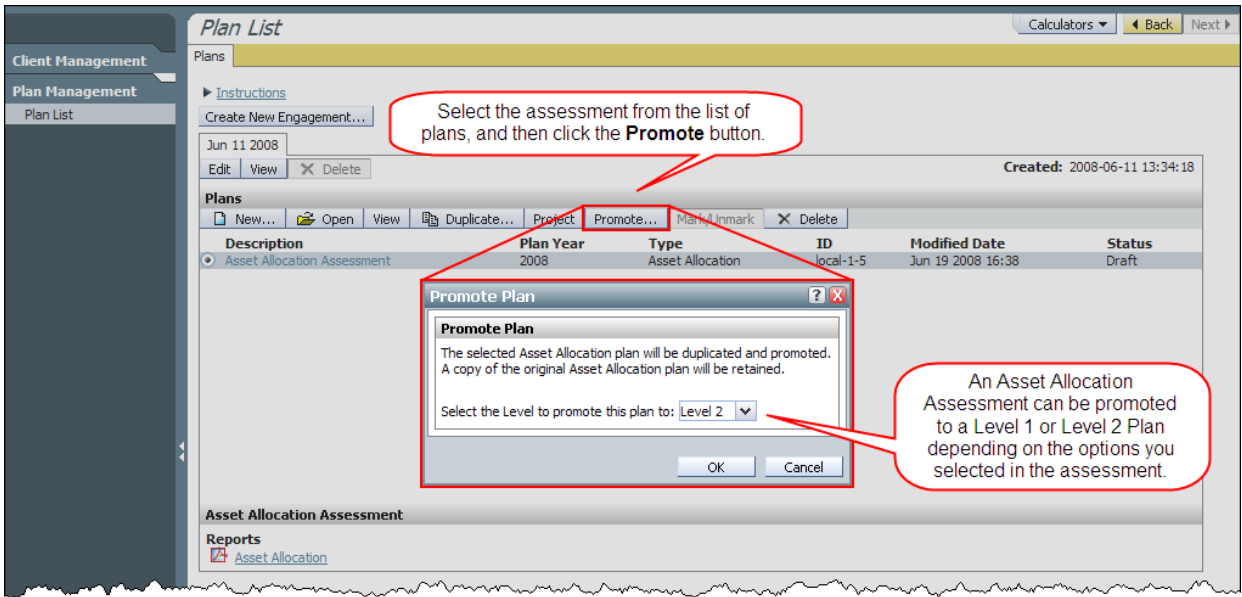


Figure 18: Plan Management section – Plan List category – Plans page – Promote button – Promote Plan dialog box

Promoting the assessment to a plan allows you to create a more detailed analysis, reduces the likelihood of data-entry errors and time spent entering data, and creates a copy of the data so that the original information is retained as a benchmark.

Plans page

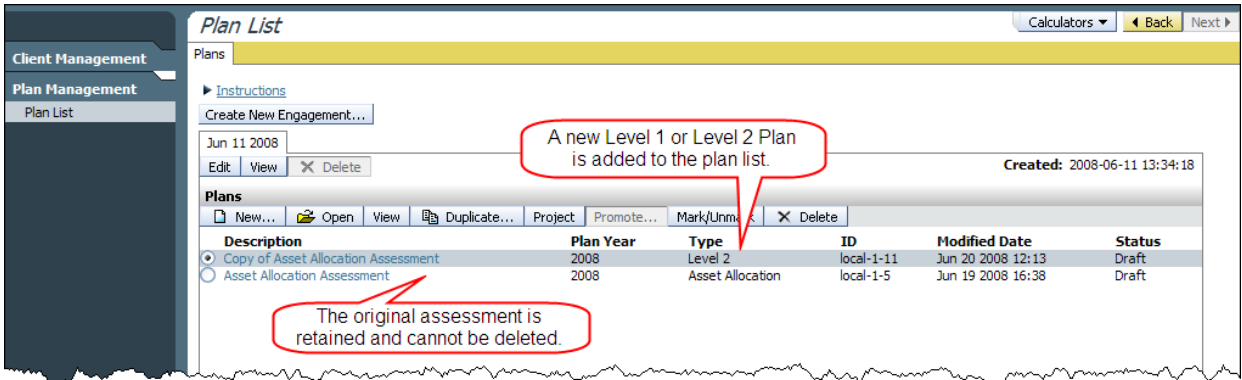


Figure 19: Plan Management section – Plan List category – Plans page

Once you have upgraded to a Level 1 or Level 2 Plan, the data you have entered in the assessment will be accessible in the following locations:

Asset Allocation Assessment location	Level 1 or Level 2 Plan location
<i>Accounts page</i>	<i>Financial Picture section – Net Worth category – Accounts page</i>
<i>Asset Allocation Settings</i>	<i>Asset Allocation section – Asset Allocation category – Profile page – Settings button</i>

Asset Allocation Details dialog box

Retirement | Notes | Planning Assistant | Calculators | Reports | Back | Next

Objectives | Scenarios

Objectives

	Robert		Sarah	
	Age	Year	Age	Year
Retire At	55	2031	65	2033
Life Expectancy	90	2056	90	2058

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 \$0 X [] = \$0
- percentage of the current lifestyle expenses \$0 X [] = \$0
- specific amount [] = \$0

Add to Retirement Expenses

Asset Allocation Details

Instructions

Override Profile

Period: Pre-Retirement Retirement

Investment Profile: Override: Moderate Moderate Aggressive

Select the asset mix you would like to review.

- All Retirement Accounts
- Registered Retirement Accounts
- Non-Registered Retirement Accounts

Current Asset Mix

Large Cap Equity (50%)	50.00%
Small Cap Equity (6.7%)	6.67%
International Equity (0%)	0.00%
Cash (43.3%)	43.33%

Suggested Asset Mix

Large Cap Equity (41%)	41.00%
Small Cap Equity (22%)	22.00%
International Equity (37%)	37.00%
Cash (0%)	0.00%

Registered Retirement Accounts

Expected rate of return is	5.74%	9.28%
Expected standard deviation is	9.90%	19.85%
The proposed investor profile is	Moderate Aggressive	
The proposed time horizon is		

Customize Asset Mix

OK Cancel

For the retirement goal, you can reallocate assets as of the *Plan Analysis Date* and at your clients' retirement date.

Blended Mix may appear if you have assigned a different asset mix to registered and non-registered accounts.

For the retirement goal, you can assign a different asset mix to registered and non-registered accounts.

Figure 20: Goals section – Retirement category – Objectives page – Asset Allocation button – Asset Allocation Details dialog box

- In a Level 1 or Level 2 Plan, you can assign different investor profiles to each goal
- In a Level 2 Plan, you can customize the suggested asset mix for each goal

Exercises

The exercises have been designed specifically for this module and assume that you are working with the original data in the assessment named *Asset Allocation Assessment* in the *Martin (English), Robert, Sarah* client file. Before starting the exercises, duplicate the **Asset Allocation Assessment**, rename the duplicate with a meaningful name (e.g., *Asset Allocation training*), and then use it to complete the following exercises.

Hint: All copies of plans are managed in the *Plan Management* section – *Plan List* category.

To find the answers, see “Answers to exercises” on page 32.

Exercise 1: Create system-wide default asset allocation settings

1. Which of the following is not a benefit of entering asset allocation information in the *Asset Allocation Settings* dialog box (accessible from the *User Preferences* menu)?
 - a) The same asset allocation information will automatically be available for all assessments and plans going forward
 - b) It will minimize the amount of data entry in future assessments or plans
 - c) It will minimize the possibility of data-entry errors in future assessments or plans
 - d) You will need to re-enter the asset allocation information for all assessments and plans

2. Correlation information you enter in the *Asset Allocation Settings* dialog box will only be used in which of the following planning modules?
 - a) *Survivor Income*
 - b) *Major Purchase*
 - c) *Monte Carlo Analysis*
 - d) *Emergency Fund*

Exercise 2: Identify the purpose and benefits of using the Asset Allocation Assessment

1. List at least two benefits of the Asset Allocation Assessment for both yourself and your client.

2. List at least two examples of clients who will benefit from your asset allocation advice?

Exercise 3: Enter accounts in an Asset Allocation Assessment to capture the current asset mix

1. Your clients recently indicated that they inherited \$15,000 of stock investments from a relative. Enter a new account into the assessment to reflect the inheritance.
2. How are the return rates for the accounts determined?
 - a) All accounts are assumed to earn a 2% rate of return
 - b) All accounts are assumed to earn a 5% rate of return
 - c) NaviPlan automatically calculates the return rate based on the asset class weightings of each account
 - d) Users must manually define the return rate for each account

3. When using the detailed accounts entry mode in the Asset Allocation Assessment on the *Accounts* page, what do you have the ability to do compared to the simple account entry mode?

Hint: Click **Detailed Accounts** to see what is different.

- a) Have access to more asset types
- b) Classify your assets with additional asset classes
- c) Add multiple holdings to accounts
- d) Add savings strategies

Exercise 4: Assign a suggested asset mix

1. If you think the investor profiles and asset mixes in the Asset Allocation Assessment are not appropriate for your clients, and you would like to customize an investor profile and asset mix for this assessment only, how would this be accurately modelled?
 - a) Click the **Settings** button on the *Profile* page to create a new investor profile and asset mix, or modify one of the existing investor profiles and asset mixes
 - b) Creating customized investor profiles and asset mixes is not possible within an Asset Allocation Assessment
 - c) Go to the **User Preferences** menu – **Asset Allocation Settings** dialog box and create a new investor profile and asset mix, or modify one of the existing investor profiles and asset mixes
 - d) Go to the **Asset Allocation** section – **Asset Allocation** category – **Accounts** page and change the *Asset Class Weightings* selections on the accounts

2. Which of the following pages in the Asset Allocation Assessment displays the current asset mix and suggested asset mix side by side for easy comparison?
 - a) *General* page
 - b) *Accounts* page
 - c) *Profile* page
 - d) *Summary* page

Exercise 5: Compare the current and suggested asset mixes with the Asset Allocation client report

1. Which one of the following is not an option in the *Select Document Sections* dialog box?

Hint: Click the **Select Document Sections** button on the *Client Report* page to see the available options.

- a) You can choose which sections of the client report will be included
 - b) You can add custom text to the client report
 - c) You can reorder the contents of the client report
 - d) You can save a template of the changes made to the client report sections
2. The *Asset Allocation for Entire Portfolio* section of the client report displays the current asset mix and the suggested asset mix side by side, and displays the changes needed in the current mix to model the suggested mix. Is this statement true or false?
 - a) True
 - b) False

Exercise 6: Customize the suggested asset mix details for each goal by upgrading to a Level 2 Plan

1. Depending on the options you selected, you can promote the Asset Allocation Assessment to which of the following options:

Hint: Click the **Promote** button on the *Plan Management* section – *Plan List* category to see what options are available.

- a) Financial Assessment
 - b) Financial Assessment and Level 1 Plan
 - c) Level 1 Plan
 - d) Level 1 and Level 2 Plans
2. List at least three additional asset allocation features available in a Level 2 Plan.

Conclusion

Upon successful completion of this module, you are now able to

- Create system-wide default asset allocation settings
- Identify the purpose and benefits of using the Asset Allocation Assessment
- Enter accounts in an Asset Allocation Assessment to capture the current asset mix
- Assign a suggested asset mix
- Compare the current and suggested asset mixes with the Asset Allocation client report
- Customize the suggested asset mix details for each goal by upgrading to a Level 2 Plan

Answers to exercises

Exercise 1: Create system-wide default asset allocation settings

1. d) You will need to re-enter the asset allocation information for all assessments and plans – This is not a benefit of entering asset allocation information in the *Asset Allocation Settings* dialog box accessible from the *User Preferences* menu.
2. c) *Monte Carlo Analysis* – Correlation information you enter in the *Asset Allocation Settings* dialog box will only be used in the *Monte Carlo Analysis* planning module.

Exercise 2: Identify the purpose and benefits of using the Asset Allocation Assessment

1. Benefits of the Asset Allocation Assessment for your client include:
 - Prioritize their investment goals
 - Measure their risk tolerance
 - Determine their investor profile
 - Understand their investment options
 - Identify investment solutions
 - Answers will vary

Benefits of the Asset Allocation Assessment for you include:

- Improve clients' investment knowledge
- Better understand clients' needs
- Position the opportunity to provide financial advice
- Quickly engage clients into a financial advisory relationship
- Promote to a plan to build additional planning opportunities
- Answers will vary

2. Examples of clients who will benefit from your asset allocation advice include:
 - Clients who hold investments at multiple financial institutions and do not have a consolidated view of their portfolio
 - Clients who do not know which product to invest in and would like your advice on the best solution for them
 - Clients who are unsure if their investments are appropriate for them
 - Clients who are looking for advice on how their investments are working for them
 - Answers will vary

Exercise 3: Enter accounts in an Asset Allocation Assessment to capture the current asset mix

2. c) To determine the return rates for the accounts, NaviPlan automatically calculates the return rate based on the asset class weightings of each account.
3. c) When using the detailed accounts entry mode in the Asset Allocation Assessment on the *Accounts* page, you can add multiple holdings to accounts when compared to the simple account entry mode.

Exercise 4: Assign a suggested asset mix

1. a) If you feel that the investor profiles and asset mixes in the Asset Allocation Assessment are not appropriate for your clients, and you would like to customize an investor profile and asset mix for this assessment only, click the **Settings** button on the *Profile* page to create a new investor profile and asset mix, or modify one of the existing investor profiles and asset mixes.
2. d) The *Summary* page in the Asset Allocation Assessment displays the current asset mix and suggested asset mix side by side for easy comparison.

Exercise 5: Compare the current and suggested asset mixes with the Asset Allocation client report

1. b) You can add custom text to the client report – This is not an option in the *Select Document Sections* dialog box.

2. a) True – The *Asset Allocation for Entire Portfolio* section of the client report displays the current asset mix and the suggested asset mix side by side, and displays the changes needed in the current mix to model the suggested mix.

Exercise 6: Customize the suggested asset mix details for each goal by upgrading to a Level 2 Plan

1. d) Level 1 and Level 2 Plans – Depending on the options you selected, you can promote the Asset Allocation Assessment to Level 1 and Level 2 Plans.
2. Additional asset allocation features available in a Level 2 Plan include:
 - Assign different investor profiles retirement, education, and major purchase goals
 - Assign different investor profiles for pre-retirement and retirement years
 - Assign different investor profiles for registered and non-registered accounts
 - Answers will vary