



# **NaviPlan Standard Learning Guide**

## **Financial Assessment**

**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

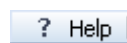
This learning guide assumes that you know how to perform the following tasks:

- 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.



# Financial Assessment module

The Financial Assessment is a tool to help you provide a quick analysis of the clients' retirement, education, major purchase, and insurance goals.

## Purpose

The purpose of this learning guide module is to define your clients' current financial situation and analyze the results using the *Financial Needs Assessment* client report.

## Learning objectives

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

- Establish the purpose and benefits of using the Financial Assessment
- Capture your clients' current financial position
- Define retirement, education, major purchase, and insurance goals
- Generate and present the *Financial Needs Assessment* report

## 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*, and *Present financial plan* stages.



**Learning objective:  
Establish the purpose and benefits of using the Financial  
Assessment**



Creating a Financial Assessment allows you to quickly assess if your clients will meet their goals, given their current assets, incomes, and savings strategies. It will help you determine any gaps your clients may have in attaining their goals.

The Financial Assessment replaces the *Comprehensive Retirement* concept from previous versions of NaviPlan Standard.

## Plan Creation dialog box

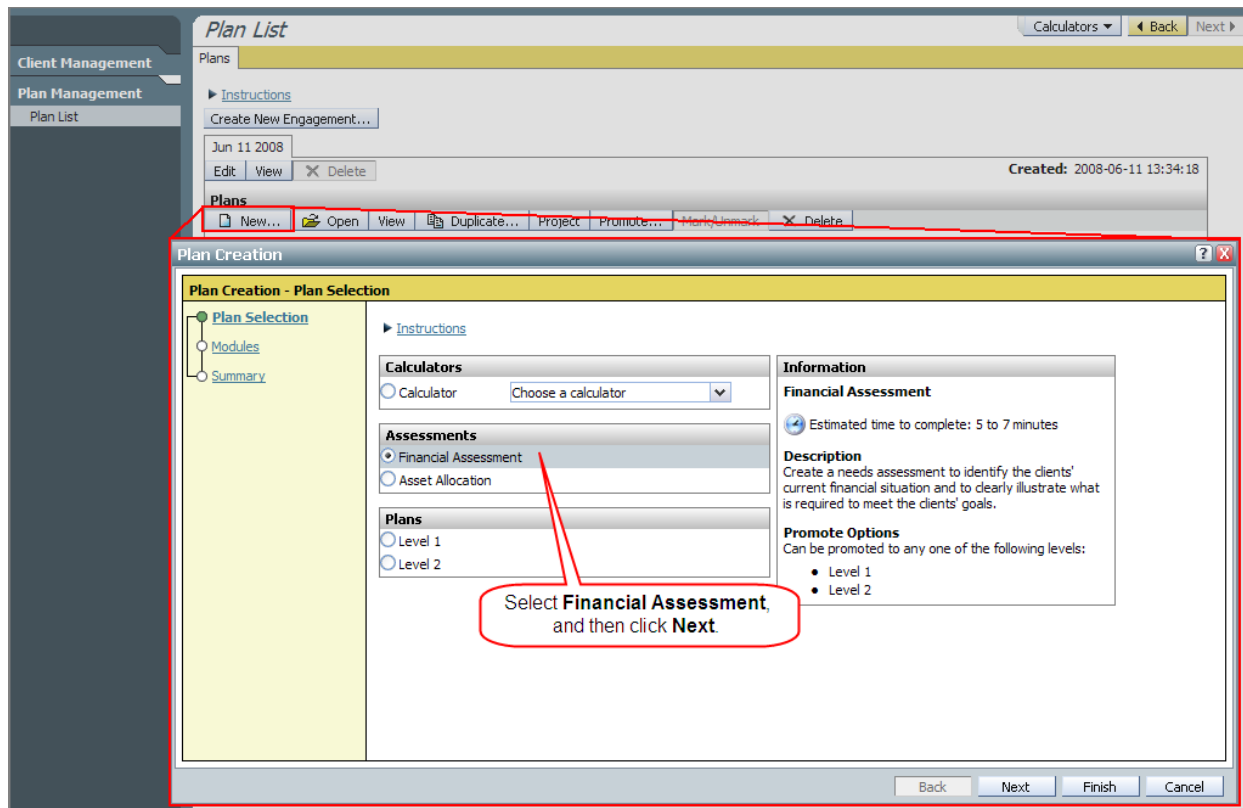


Figure 1: Plan Management section – Plan List category – Plans page – New button – Plan Creation dialog box

## Benefits of a Financial Assessment

- Quickly engage clients – Create a needs analysis based on your clients' current financial situation in minutes
- Qualify clients for further planning – Use the analysis to determine if more detailed planning is needed
- Capture basic financial data – Requires relatively little data from your clients
- Assess current financial situation – Analyze current net worth, cash flow, and progress towards financial goals
- Perform multiple goal analysis – Analyze one or more goals including retirement, education, major purchase, life, and disability insurance analysis in one tool

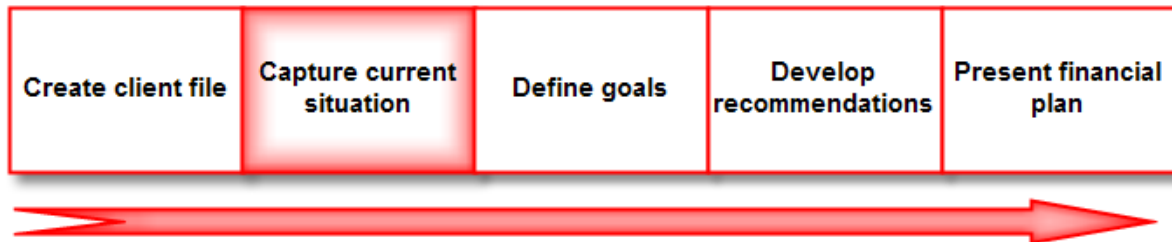
- Automatically analyzes goals – System-generated analysis and suggestions are included to achieve the desired goals and save you time
- Present the results easily – Generate a short, simple, professionally designed client report
- Upgrade data into a Level 1 or 2 Plan – Promote the data to a Level 2 Plan as the clients' needs and complexity of advice changes; promoting (prepopulating data)
  - Allows for a more detailed analysis
  - Reduces time spent on data re-entry
  - Reduces the likelihood of errors during data re-entry
  - Creates a copy of the data so that the original information is retained in the original Financial Assessment

As a quick assessment tool which considers identified goals independently, the Financial Assessment is useful for several different types of situations, including the following:

- A couple with children who have savings for retirement (including pensions), education, major purchase, and insurance. The clients may have RRSPs, RESPs, non-registered savings accounts, and insurance coverage.
- A couple with no children who have savings for retirement and a major purchase. The clients may have RRSPs and non-registered savings accounts. The non-registered savings could be for a car, vacation, or a down payment for a home, etc.
- A single client who has savings for multiple goals such as retirement and major purchase. The client may have RRSPs and non-registered savings accounts.

## Learning objective: Capture your clients' current financial position

### NaviPlan planning stages



The first step in building a Financial Assessment is to establish your clients' current assets and savings strategies.

### Select Modules page

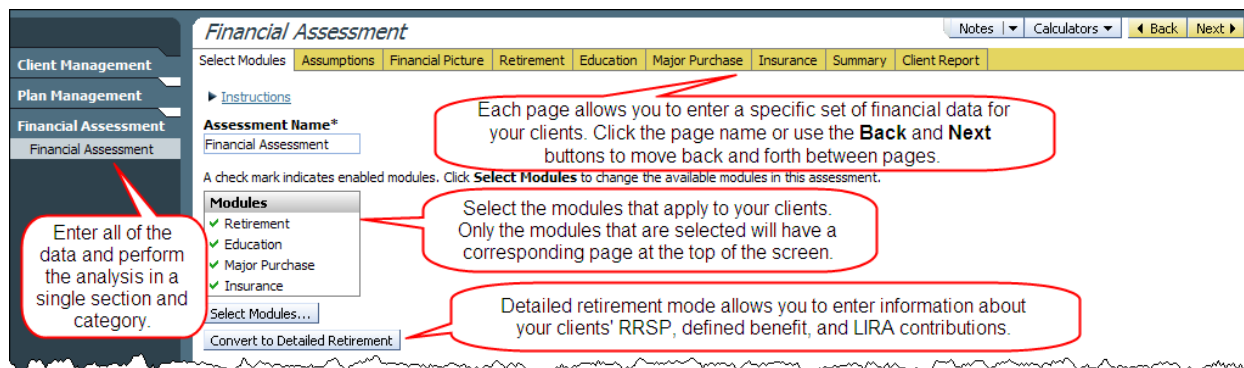


Figure 2: Financial Assessment section – Financial Assessment category – Select Modules page

Modify the *Assessment Name* and the modules to be included in the assessment, or click **Next** to continue to the next page.

For each module that you select, a corresponding page appears.

If you change your mind, you can always come back to this page later and add or delete modules.

**RRSP Contributions**

	Robert	Sarah
2007 Earned Income	\$95,000	\$86,000
2007 Pension Adjustment	\$0	\$0
RRSP Overcontribution Balance	\$0	\$0
Unused RRSP deduction limit at the end of 2007	\$18,000	\$26,000

**Inflation**

Base Inflation Rate: 3.00% Inflation Rate Graph...

**Tax Rates**

	Tax Bracket	Average*	Marginal*
<b>Robert</b>			
Pre-Retirement	\$100,001 - \$110,000	30.40%	44.32%
Retirement	\$110,001 - \$120,000	31.73%	44.32%
Year of Death	\$100,001 - \$110,000	30.40%	44.32%
<b>Sarah</b>			
Pre-Retirement	\$90,001 - \$100,000	29.49%	44.32%
Retirement	\$110,001 - \$120,000	31.73%	44.32%
Year of Death	\$100,001 - \$110,000	30.40%	44.32%
<b>Dependants</b>			
Tax Rate	\$0 - \$10,000	1.40%	21.05%

Note: The tax rates shown are federal tax rates plus the appropriate provincial rates calculated on a progressive basis for the jurisdiction and level of income to which they apply.

Figure 3: Financial Assessment section – Financial Assessment category – Assumptions page

NaviPlan bases its calculations on certain assumptions, which you can change or modify.

- *Average* – This rate is applied to incomes that spread over multiple tax brackets (e.g., employment income) entered on the *Financial Picture* page
- *Marginal* – This rate is applied to additional income earned (e.g., interest income) and will be applied to calculated income amounts from assets
- You can specify which inflation and tax rates NaviPlan should use for this assessment
  - The inflation rate entered here will be applied throughout the assessment to incomes, expenses, and other related values.

**Financial Assessment**

Select Modules | Assumptions | Financial Picture | Retirement | Education | Major Purchase | Insurance | Summary | Client Report

Client Management | Plan Management | Financial Assessment

1 **Lifestyle Assets**

Asset	Amount
Residence	\$300,000
Cottage	\$0
Personal Use Property	\$80,000
Listed Personal Property	\$0
<b>Total</b>	<b>\$380,000</b>

2 **Liabilities**

Liability	Outstanding Amount	Interest Rate	Monthly Payments
Mortgage	\$175,000	5.00%	\$1,200
Car Loans	\$0	8.00%	\$0
Personal Loans	\$0	8.00%	\$0
Other	\$0	12.00%	\$0
<b>Total</b>	<b>\$175,000</b>		<b>\$1,200</b>

3 **Annual Income**

	Robert	Sarah
Annual Income	\$100,000	\$90,000

4 **Monthly Expenses**

Expense	Amount
Utilities (e.g. utilities, repairs)	\$2,500
Transportation (e.g. gas, insurance)	\$1,250
Entertainment (e.g. restaurants, movies)	\$1,500
Personal (e.g. clothing, hobbies)	\$1,000
Other (e.g. child care, travel)	\$750
Mortgage	\$2,000
Car Loans	\$1,200
Personal Loans	\$0
Other	\$0
<b>Total</b>	<b>\$10,200</b>

Enter your client's income from all sources excluding investment income as this will be calculated when you enter account information on the next page.

Enter your clients' non-income producing assets here.

You can enter expenses in each category or combine all expenses in a single amount, in the *Other* field.

Loan payments will automatically be treated as cash expenses.

Figure 4: Financial Assessment section – Financial Assessment category – Financial Picture page

Use the *Financial Picture* page to capture your clients' current net worth (left side) and cash flow (right side) details.

### 1 Lifestyle Assets component

In the Financial Assessment, you must manually enter the details of your clients' lifestyle assets.

- Only include your clients' non-income producing fixed assets such as their home, cottage, business, and any other fixed assets that are important to your clients
- Use the *Personal Use Property* and *Listed Personal Property* fields to enter assets such as vehicles and collections
- A 2% growth rate is assumed for all lifestyle assets

Investment accounts should be entered on the <goal> page for the goal they are intended to fund.

### 2 Liabilities component

In the Financial Assessment, you must manually enter the details of your clients' liabilities.

- Enter the total value of your clients' mortgages or loans
- Payments are treated as cash expenses and will automatically stop once the balance reaches zero

### ③ Annual Income component

Income entered here will be taxed at the average tax rate defined on the *Assumptions* page. If your clients have multiple income sources you can combine them here into one amount.

Annual income will be used to establish future RRSP contribution limits.

### ④ Monthly Expenses component

Monthly expenses apply during the accumulation phase before retirement and will stop December 31 of the year before the first client reaches his or her retirement age.

Do not enter income taxes, CPP/QPP or EI deductions, loan payments, savings towards assets, and life or disability insurance premiums under *Monthly Expenses*, because these expenses are entered in other areas of the Financial Assessment or are automatically calculated.

The total expenses required during retirement are defined on the *Retirement* page.

**Learning objective:  
Define and analyze your clients' retirement, education, major purchase, and insurance needs**

**NaviPlan planning stages**



Once you've captured your clients' current financial details, you are ready to define goals and assess how well their current strategies are meeting their goals.

**Retirement page**

**1** Retirement Information

Establish your clients' desired retirement age and life expectancy.

Income streams form one funding source for retirement.

**2** Retirement savings form another funding source for retirement.

**3** Goal Coverage

Click this button to identify strategies that may assist your clients in achieving their desired retirement goal.

**4** Savings Preferences

Select the account types to which additional monthly savings should be directed for the *What are my options?* calculations.

	Robert	Sarah	Joint
Current Value	\$61,000	\$55,000	\$40,000
Monthly Savings (\$ or % of Salary)	\$0	\$0	\$150
Assumed Return Rate			
Pre-Retirement	8.20%	10.90%	3.00%
Retirement	8.20%	10.90%	3.00%

Figure 5: Financial Assessment section – Financial Assessment category – Retirement page

On the *Retirement* page, you can define and analyze your clients' current retirement, analyze the goal, and explore alternative strategies to ensure your clients achieve their desired retirement goal.

## ① Retirement Information component

*Desired annual retirement income (in today's \$ after tax)* – Combine all expected after-tax living expenses into a single retirement need.

- Do not include income taxes, CPP/QPP or EI deductions, loan payments, and life or disability insurance premiums in this amount because they are captured on other pages of the Financial Assessment or are automatically calculated.

*Retirement Age/Life Expectancy* – Retirement is assumed to begin January 1 of the year the first client reaches his or her retirement age and end December 31 of the year the last client reaches his or her life expectancy age.

- The clients do not have to retire in the same year

*CPP/QPP/OAS Eligibility* – If selected, NaviPlan automatically calculates benefit amounts based on your clients' ages (for more information, see "CPP/QPP & OAS Details dialog box" on page 14).

*Annual Defined Benefit Pension* – Enter the present value of any pension income expected to begin at retirement.

## ② Investment Accounts for Retirement

Only accounts that are intended to fund the retirement goal should be entered on the *Retirement* page.

Because this guide is based on a detailed retirement analysis, you have the flexibility of entering various account types. In a simple retirement analysis, you can only enter accounts as non-registered or registered, which would make for easier data entry.

- You can convert a retirement analysis from simple to detailed by clicking the *Convert to Detailed Retirement* button on the *Select Modules* page

For all accounts, you can specify the current value as well as the assumed return rates during pre-retirement and retirement.

With the exception of LIRAs, you can enter the current savings the clients are investing toward their accounts.

- Monthly savings can be entered as either a dollar amount, a percentage of the client's salary, or in the case of registered RRSP and RRSP-spousal accounts, using the keyword *max*
- The *Annual Income* amount entered on the *Financial Picture* page will be used in calculating the savings amount when savings are entered as a percentage or when the keyword *max* is used
- Using the keyword *max* will contribute the maximum amount allowed as per the federal limits

- In the case of defined contribution accounts, you can specify employee and employer savings

For registered account types, you can adjust conversion and annuity details by clicking the *Details* button. (An *Account Setup* dialog box opens.)

### ③ Goal Coverage component

- *Goal Coverage* – The graph indicates whether your clients can achieve their retirement goal using their current strategies
  - As you make changes to the data, the graph updates automatically
- *What are my options?* – Opens the *What are my options? - Retirement* dialog box which assists you in exploring strategies to achieve the desired goals
  - For more information, see the *What are my options? – Retirement* dialog box section on page 17

### ④ Savings Preferences component

- By default, the *Invest a Lump Sum Today of* and the *Save an Additional* monthly amounts in the *What are my options? – Retirement* dialog box assume that the savings are directed towards a system-generated joint non-registered account
- If you would like NaviPlan to recommend monthly savings towards RRSP or RRSP- spousal assets, select the appropriate check boxes under *Savings Preferences* prior to opening the *What are my options? – Retirement* dialog box
- The *What are my options? – Retirement* dialog box will solve for the goal by identifying savings to the selected asset types
- The *Non-Registered - Joint* check box is always selected and cannot be cleared
  - This setting ensures that retirement savings can be directed to a joint non-registered account when registered savings are maximized to avoid RRSP overcontributions

## CPP/QPP & OAS Details dialog box

**1 Monthly CPP/QPP Benefits**

	Benefit Amount* (Eligible % or Est. in today's \$)	Benefit Start* (Age or Retirement)	Monthly Benefit (in future \$)	Starting In
<input checked="" type="checkbox"/> Robert	100%	Retirement	\$1,275	2028
<input checked="" type="checkbox"/> Sarah	100%	Retirement	\$1,370	2030

Share CPP/QPP

**2 Monthly OAS Benefits**

	Benefit Amount* (Eligible % or Est. in today's \$)	Monthly Benefit (in future \$)	Start
<input checked="" type="checkbox"/> Robert	100%	\$991	2031
<input checked="" type="checkbox"/> Sarah	100%	\$1,052	2033

**3 Benefits Indexed At**

Infl.	+/-	Add'L	Total
<input checked="" type="checkbox"/>	+	0.00%	= 3.00%

OK Cancel

Figure 6: Financial Assessment section – Financial Assessment category – Retirement page – CPP/QPP Eligibility – Details button – CPP/QPP & OAS Details dialog box

The CPP/QPP & OAS Details dialog box allows you to enter the details for your clients' CPP/QPP and old age security (OAS) benefits based on government-issued statements.

### ① Monthly CPP/QPP Benefits component

- Indicate whether or not your clients will receive benefits and enter the percentage they will be eligible to receive
- CPP/QPP benefits must occur no earlier than age 60 and no later than age 70
- NaviPlan automatically calculates the applicable reduction or increase in benefits based on the client's age when the benefits begin

### ② Monthly OAS Benefits component

- Benefits start at age 65

### ③ Benefits Indexed At component

- Selecting the *Infl.* check box indexes the amounts to the default rate of inflation defined on the *Financial Assessment* section – *Financial Assessment* category – *Assumptions* page

- You can adjust the total by entering a value in the *Add'l.* field
- The indexing will apply starting today

Figure 7: Financial Assessment section – Financial Assessment category – Retirement page – Annual Defined Benefit Pension – Details button – Defined Benefit Pension dialog box

Using either the *Estimate* or the *Formula* method (shown in Figure 7), you can enter the details of your clients' defined benefit pensions.

### 1 Method component

- *Estimate* – Allows you to enter the actual benefit amount as a flat dollar amount or a percentage of income
- *Formula* – Calculates the benefits based on an adjustable pension formula found on a pension statement

### 2 Pension Details (Benefit Formula) component

Use the middle section of the *Pension Details* component to define the years of pensionable service and contributions rates applied to pensionable earnings up to and above the YMPE based on the details of your clients' pension plans.

- *Integrate with CPP/QPP* – Selecting this check box indicates that the pension plan's contribution rate is reduced by the CPP/QPP contribution rate on the earnings up to the YMPE

- *% of Earnings Up to YMPE* and *% of Earnings Above YMPE* are used to do the following:
  - Calculate the *Est. Annual Benefit when Benefits Begin* amount
  - Calculate the pension adjustment amounts
- *% Payable to Survivor* – Transfers the stated percentage of benefits to the survivor upon the death of the plan owner
- *Index by* – Inflates the benefit amount starting when the benefit begins
- *Est. Annual Benefit when Benefits Begin* – Calculated benefit amount (*Formula*) or benefit amount entered (*Estimate*) to be received annually based on the details entered above and the annual income entered on the *Financial Picture* page

## What are my options? - Retirement dialog box

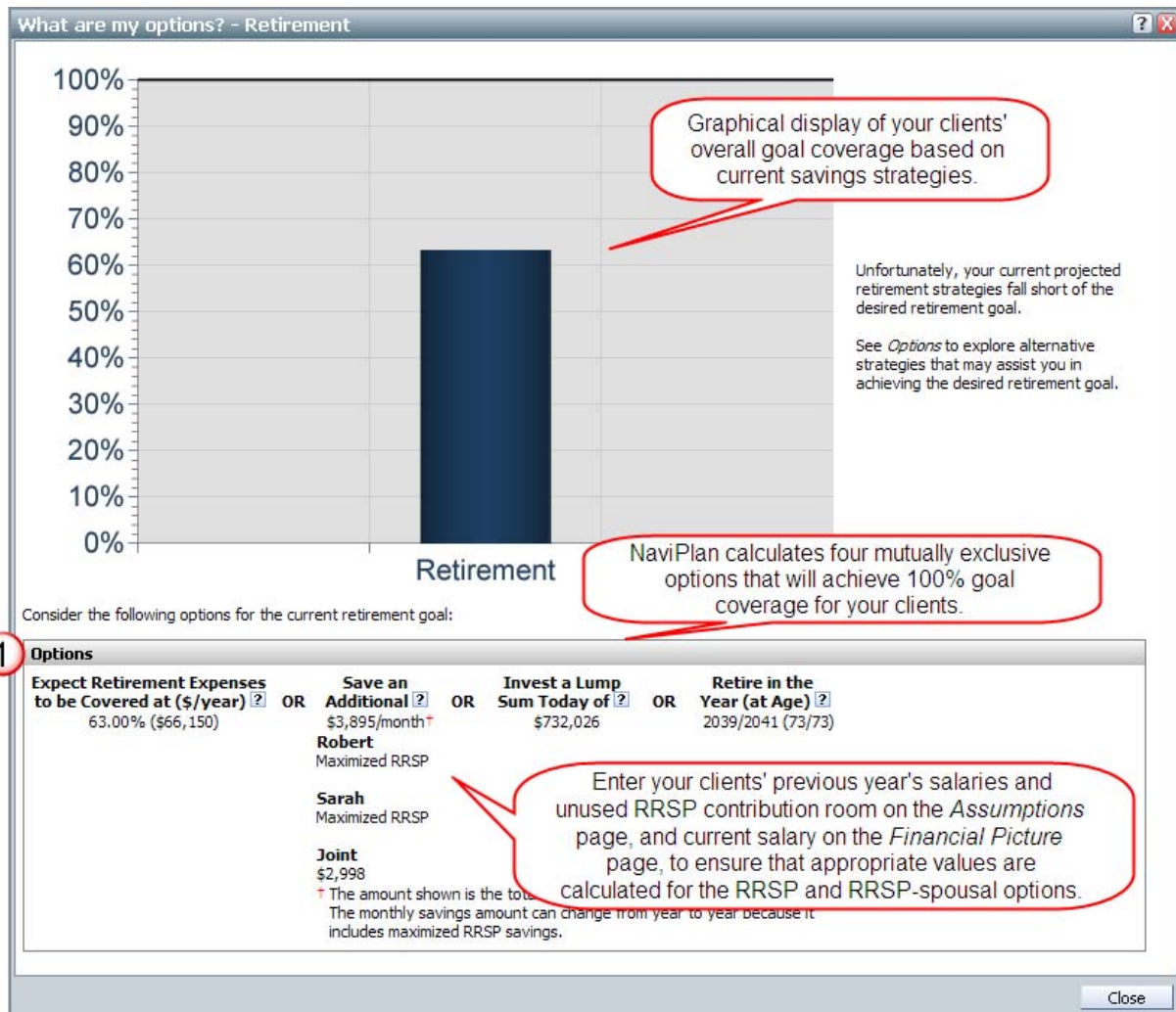


Figure 8: Financial Assessment section – Financial Assessment category – Retirement page – What are my options? button – What are my options? - Retirement dialog box

### 1 Options component

The options displayed indicate possible strategies for achieving the goal.

*Expect Retirement Expenses to be Covered at (\$/year)*

- If the amount displayed is less than 100%, your clients may need to reduce their retirement spending to achieve their goal
- If the amount displayed is more than 100%, your clients may be able to increase retirement spending and still achieve their goal

*Save an Additional* – Calculates additional monthly savings needed to achieve 100% goal coverage.

- Assumes additional savings are saved to a system-generated jointly owned non-registered account that is linked to retirement and earning your clients' current average rate of return on the goal's funding accounts
- Strategies displayed depend on the selections made under *Savings Preferences* on the *Retirement* page and the amount of RRSP contribution room available
- Total additional monthly savings appear with the breakdown between RRSP, RRSP-spousal, and non-registered savings
- The amount shown is the total additional monthly savings in the first year
- The monthly savings amount can change from year to year if it includes maximized RRSP savings
- NaviPlan uses the following assumptions when calculating additional monthly savings:
  - If contribution room is available, NaviPlan will solve first for registered savings and then non-registered savings, if needed
  - If maximizing RRSP savings is required, the words *Maximized RRSP* will appear, otherwise, a dollar value will appear
  - If maximizing RRSP savings is required, the maximum contribution must be made in each year until the individual's retirement; e.g., in the first year a larger amount may be required to use up the unused contribution room and in later years smaller amounts that match the contribution room available each year may be required
  - NaviPlan attempts to split RRSP savings equally between clients, if room is available
- RRSP savings suggestions will factor in the following:
  - RRSP unused room for the current year
  - Unused RRSP deduction limit at the end of the previous year
  - Previous year's pension adjustment
  - If your clients are already retired, then this amount will not be calculated

*Invest a Lump Sum Today of* – Assumes the additional savings are invested into a system-generated jointly owned non-registered account linked to retirement that is earning your clients' current average rate of return on the goal's funding accounts.

- This value may give you an indication of the lump sum required to help your clients achieve their goal, if funds are available from an inheritance, an expected income bonus, future payout from another source (e.g., proceeds from a sale of a fixed asset/property), or possibly from an account your clients have not disclosed to you
- If your clients are already retired, an amount will not be calculated

*Retire in the Year (at Age)*

- If an age greater than the planned retirement age is displayed, your clients may be able to achieve their goal by delaying the start of the retirement goal
- If an age less than the planned retirement age is displayed, your clients may be able to retire earlier and still achieve their retirement goal

## Education page

The screenshot shows the 'Education' tab within the 'Financial Assessment' section. The interface includes a sidebar with navigation options: Client Management, Plan Management, Financial Assessment (selected), and Financial Assessment. The main content area is titled 'Financial Assessment' and contains several tabs: Select Modules, Assumptions, Financial Picture, Retirement, Education (selected), Major Purchase, and Insurance. Below these tabs is an 'Instructions' link and a section for 'Education Objectives' for a client named 'Marc'. This section includes input fields for Annual Education Costs (\$17,000), Index Costs by (5.00%), Education Start Age (18 in 2014), Number of Years (4), and Total Projected Cost (\$98,192). A second section, 'Savings Information', shows Current Amount Saved (\$12,000), Current Monthly Savings (\$100), and Assumed Return Rate (4.50%). A 'What are my options?...' button is located below the savings information. A progress bar at the bottom right indicates 26% completion. Three callouts provide additional context: one points to the client name 'Marc' stating that an education goal is automatically created for each family member; another points to the 'Education Start Age' field, explaining that it defines the age when funds will be required; and a third points to the 'Assumed Return Rate' field, explaining that it defines the client's current savings plan. A fourth callout points to the 'What are my options?...' button, explaining that clicking it identifies strategies to assist clients in achieving their goals.

Figure 9: Financial Assessment section – Financial Assessment category – Education page

On the *Education* page, you can define your clients' current objective(s), analyze the goal(s), and explore alternative strategies to ensure your clients achieve their desired education goal(s). An education goal is automatically entered for each family member.

### 1 Education Objectives component

- *Annual Education Costs (in today's \$)* – Enter the estimated education costs per year that your clients would like to support for each family member
- *Index Costs by* – This defaults to 5% since education costs often increase faster than the overall inflation rate

- *Education Start Age/Number of Years* – Expenses are assumed to occur on January 1 of each year that the goal is in effect
  - *Education Start Age* should correspond to at least nine months after the plan date to ensure an accurate analysis, because a certain amount of time is required to calculate savings
- *Total Projected Cost* – Total cumulative cost of the entire education goal, including inflation

## ② Savings Information component

- *Current Amount Saved* – Combine the amount of all the non-registered and registered (RESP) accounts that are intended to fund the education goal
- *Current Monthly Savings* – Combine the monthly savings amount to all non-registered and RESP accounts (NaviPlan assumes the savings are made to a non-registered account and does not take the Canadian Education Savings Grant (CESG) into consideration)
  - In Level 1 and Level 2 Plans, NaviPlan takes CESG considerations into account for RESP accounts
- *What are my options?* button – Opens the *What are my options? - Education* dialog box which assists you in exploring alternative strategies to achieve the desired goals
  - NaviPlan only recommends non-registered assets and it does not calculate the CESG carryforward limit or annual CESG amount
  - For more information, see “What are my options? - Education dialog box” on page 22
- The graph indicates whether your clients can achieve their education goal(s) using their current strategies; the graph updates automatically as you make changes to the data

## What are my options? - Education dialog box

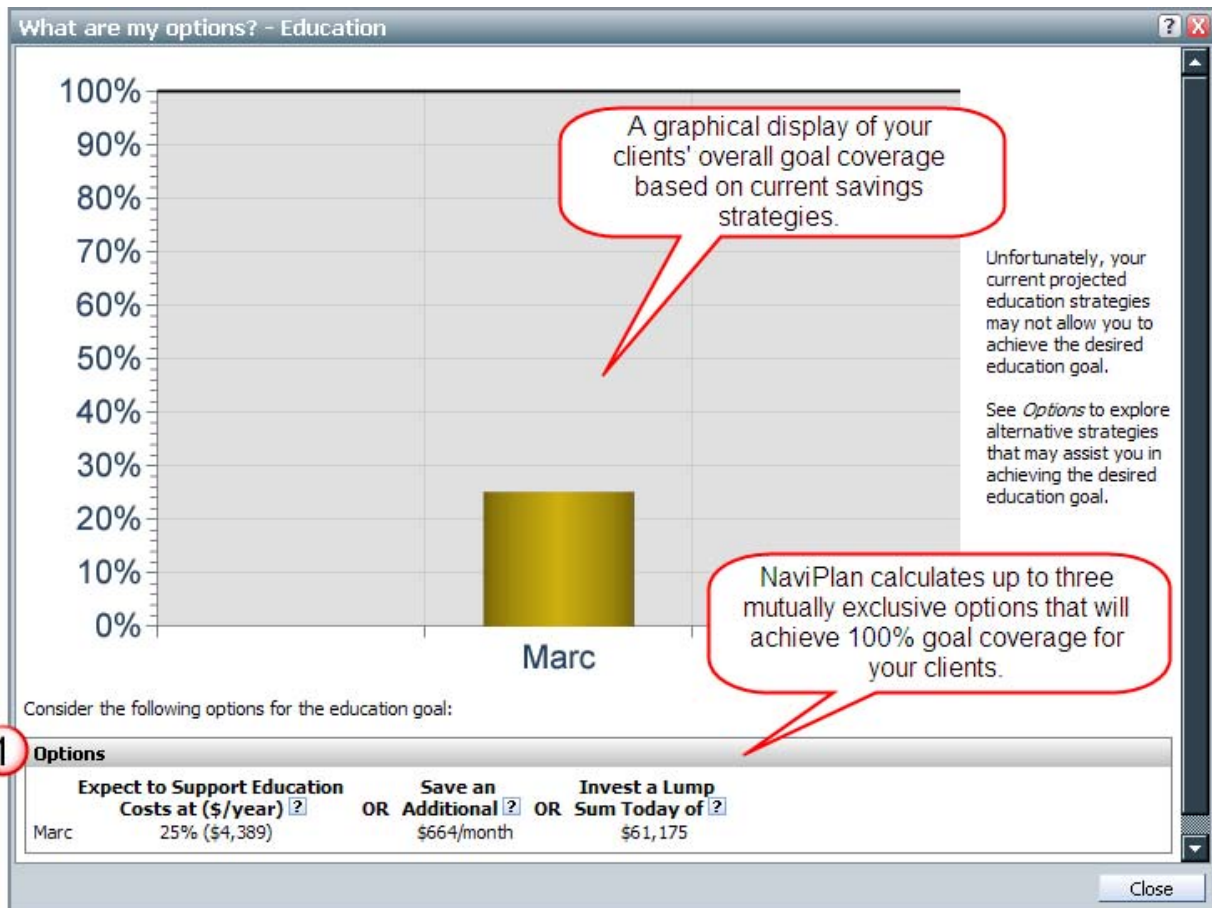


Figure 10: Financial Assessment section – Financial Assessment category – Education page – What are my options? button – What are my options? - Education dialog box

### ① Options component

The options displayed indicate possible strategies for achieving the goal.

- *Expect to Support Education Costs at (\$/year)*
  - If the amount displayed is less than 100%, your clients may need to reduce education spending to achieve their goal
  - If the amount displayed is more than 100%, your clients may be able to increase education spending and still achieve their goal
- *Save an Additional* – Assumes savings are invested into a hypothetical joint non-registered account earning the assumed return rate specified for the goal

- If an amount is displayed, your clients may be able to achieve their goal by increasing monthly savings from now until December 31 of the year before the last year of the goal
- *Invest a Lump Sum Today of* – Assumes savings are invested into a hypothetical joint non-registered account earning the assumed return rate specified for the goal
  - If an amount is displayed, your clients may be able to achieve their goal by allocating a lump-sum savings amount to their goal right now
  - This value may give you an indication of the lump sum required to help your clients achieve their goal, if funds are available from an inheritance, an expected income bonus, future payout from another source (proceeds from a sale of a fixed asset/property), or possibly from an account your clients have not disclosed to you

Since most clients are not willing to change the *Education Start Age*, NaviPlan does not calculate the *Education Start Age* needed to achieve the goal.

## Major Purchase page

**Financial Assessment**

Select Modules | Assumptions | Financial Picture | Retirement | Education | Major Purchase | Insurance

Client Management  
Plan Management  
Financial Assessment 1  
Financial Assessment

Instructions: You can include up to three of your clients' major purchase goals in the Financial Assessment.

	Goal One	Goal Two	Goal Three
Description	Recreational Vehicle	Major Purchase 2	Major Purchase 3
Purchase Date	Jan 1 2015	Jan 1 2013	Jan 1 2013
Cost (in today's \$)	\$55,000	\$0	\$0
Index Costs by	3.00%	3.00%	3.00%
Total Projected Cost	\$67,643	\$0	\$0

Enter a date for funding the goal.

	Goal One	Goal Two	Goal Three
Current Amount Saved	\$10,000	\$0	\$0
Current Monthly Savings	\$0	\$0	\$0
Assumed Return Rate	5.00%	5.00%	5.00%

What are my options?...?

Click this button to identify strategies that may assist your clients in achieving their desired major purchase goal(s).

17%

Figure 11: Financial Assessment – Financial Assessment – Major Purchase page

On the *Major Purchase* page, you can define up to three of your clients' current major purchase objectives, analyze the goals, and explore alternative strategies to help ensure your clients achieve their desired major purchase goals.

### 1 Major Purchase Objectives component

- *Description* – Enter a unique name for each major purchase goal to easily identify it in output
- *Purchase Date* – Enter date when funds are required for the goal
  - Must be set to at least two calendar months after the *Plan Analysis Date* to ensure an accurate analysis, because a certain amount of time is required to calculate savings
  - The expense will occur in the month entered here

- *Cost (in today's \$)* – Enter the estimated cost of the major purchase goal expense
  - NaviPlan assumes that major purchase goals are expenses and do not form part of the clients' net worth goals (e.g., a vacation or wedding rather than saving to buy a house or cottage)
  - The goal's funding assets will be depleted from the plan on the purchase date
- *Index Costs by* – If applicable, assign an index rate to the major purchase costs
- *Total Projected Cost* – Total cumulative cost of the entire major purchase goal, including inflation

## ② Savings Information component

- *Current Amount Saved* – Combine the amount of all the accounts that are intended to fund each major purchase goal
- *Current Monthly Savings* – NaviPlan assumes the savings are made to a non-registered account
- *What are my options?* button – Opens the *What are my options? - Major Purchase* dialog box which assists you in exploring alternative strategies to achieve the desired goals (for more information, see "What are my options? - Major Purchase dialog box" on page 26)
- The graph indicates whether your clients can achieve their major purchase goal(s) using their current strategies; as you make changes to the data, the graph updates automatically

## What are my options? - Major Purchase dialog box

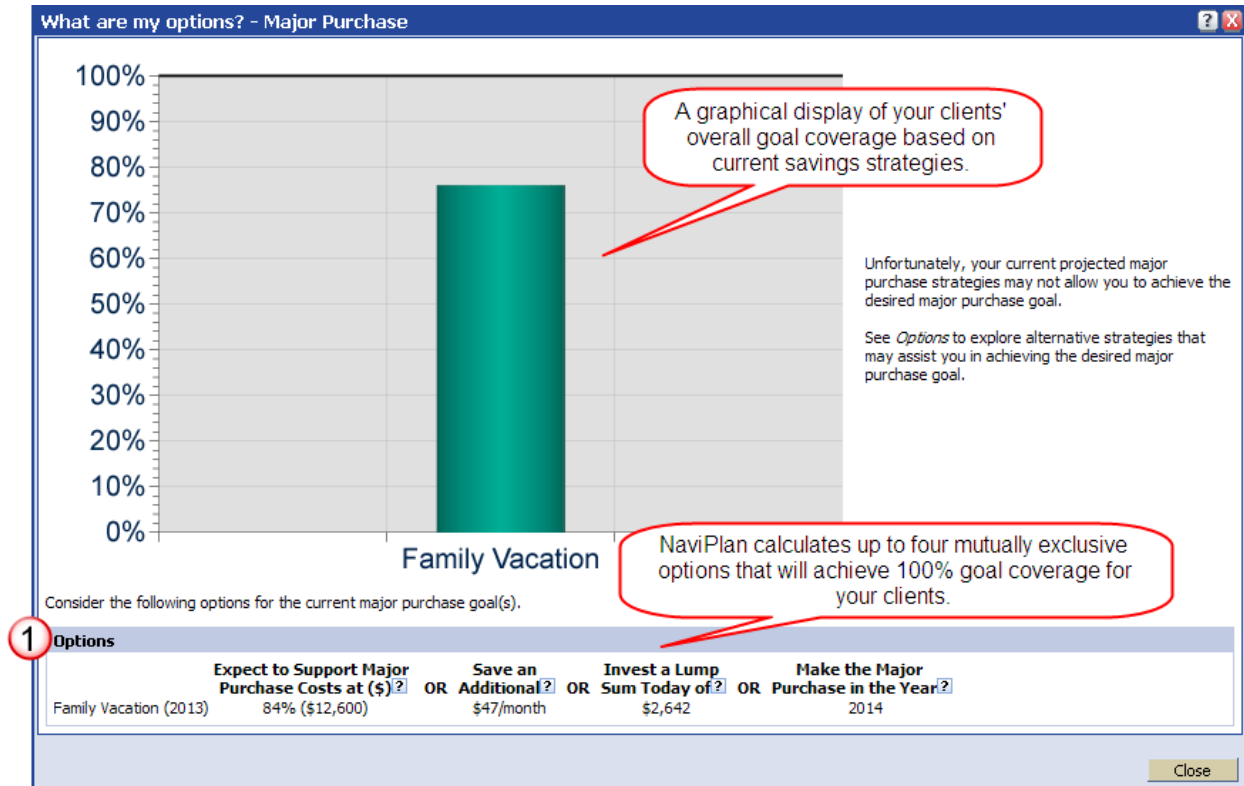


Figure 12: Financial Assessment section – Financial Assessment category – Major Purchase page – What are my options? button – What are my options? - Major Purchase dialog box

### 1 Options component

The options displayed indicate possible strategies for achieving the goal.

*Expect to Support Major Purchase Costs at (\$/year)*

- If the amount displayed is less than 100%, your clients may need to reduce the major purchase expense to achieve their goal
- If the amount displayed is more than 100%, your clients may be able to increase the major purchase expense and still achieve their goal

*Save an Additional* – Assumes savings are invested into a hypothetical joint non-registered account earning the *Assumed Return Rate* specified for the goal.

- If an amount is displayed, your clients may be able to achieve their goal by increasing monthly savings from now until the month before the purchase date

*Invest a Lump Sum Today of* – Assumes savings are invested into a hypothetical joint non-registered account earning the *Assumed Return Rate* specified for the goal.

- If an amount is displayed, your clients may be able to achieve their goal by allocating a lump-sum savings amount to their goal now
- This value may give you an indication of the lump sum required to help your clients achieve their goal, if funds are available from an inheritance, an expected income bonus, or future payout from another source (proceeds from a sale of a fixed asset/property)

*Make the Major Purchase in the Year*

- If the date displayed is a year later than the planned purchase date, your clients may be able to achieve their goal by delaying the *Purchase Date* of their major purchase

## Insurance page

The screenshot shows the 'Insurance' page in the 'Financial Assessment' section. The page is divided into two main sections: 'Life Insurance Information' and 'Disability Insurance Information'. Both sections have a 'What are my options?...?' button. Red callouts point to these buttons, explaining that they allow users to explore strategies to meet life and disability insurance needs. Additionally, callouts point to the premium input fields, stating that only the portion of premiums paid by the clients should be included.

**Life Insurance Information**

	Robert	Sarah
Existing Coverage	\$375,000	\$300,000
Monthly Premium	\$25	\$25

If Both Clients Die

Total Lump Sum Expenses on Death	\$100,000
Annual Ongoing Expenses	\$30,000
Number of Years	10

**Disability Insurance Information**

	Robert	Sarah
Short-Term Coverage		
Monthly Benefits	\$3,000	\$2,000
Duration (months)	3	3
Monthly Premium	\$200	\$175
Long-Term Coverage		
Monthly Benefits	\$6,000	\$5,000
Benefits End at Age	62	62
Monthly Premium	\$200	\$175

Figure 13: Financial Assessment section – Financial Assessment category – Insurance page

On the *Insurance* page, you can define your clients' current existing life and disability insurance policies and current insurance needs, analyze the goal(s), and explore alternative strategies to ensure your clients achieve their desired life and disability insurance goal(s). The Financial Assessment uses a goal and expense coverage method of insurance.

### ① Life Insurance Information component

- Capture the coverage amounts and premium payments for all existing life insurance policies (personal, group, liability insurance) your clients currently hold
  - Loan or mortgage insurance is not included in the Financial Assessment so insurance needs may be overstated
  - In Level 1 and Level 2 Plans, you can indicate that the clients have loan/mortgage insurance with the lender on the *Assets/Liabilities* page
- *If Both Clients Die* – Available only for *Joint Analysis* client files
  - Define the expenses your clients need covered to support dependent family members in the event that both clients were to die
- *What are my options?* button – Opens the *What are my options? - Life Insurance* dialog box which assists you in exploring alternative strategies to achieve the desired goals (for more information, see “What are my options? - Life Insurance dialog box” on page 30)
- For married clients, in the event of the client or co-client’s death NaviPlan assumes the following:
  - The surviving client is the beneficiary of life insurance proceeds (if any)
  - The proceeds (if any) will come into cash flow
  - Coverage is not included if the beneficiary is not the spouse
  - 100% of education and major purchase goals will continue so the lump-sum cost today is included as an immediate insurance need
  - 85% of lifestyle and retirement expenses will continue
  - Outstanding liabilities will automatically be paid off
- For single clients, the analysis is based only on lump-sum and ongoing needs

### ② Disability Insurance Information component

- Capture the coverage amounts and premium payments for all existing disability insurance policies your clients currently hold
- *What are my options?* button – Opens the *What are my options? - Disability Insurance* dialog box which assists you in exploring alternative strategies to achieve the desired goals (for more information, see “What are my options? - Disability Insurance dialog box” on page 32)

- In the event of the client or co-client’s disability, NaviPlan assumes the following:
  - The disability policy proceeds (if any) will come into cash flow
  - 100% of the stated lifestyle expenses, liability payments, and goals will continue
  - There is a two-week waiting period for short-term coverage and a three-month waiting period for long-term coverage

### What are my options? - Life Insurance dialog box

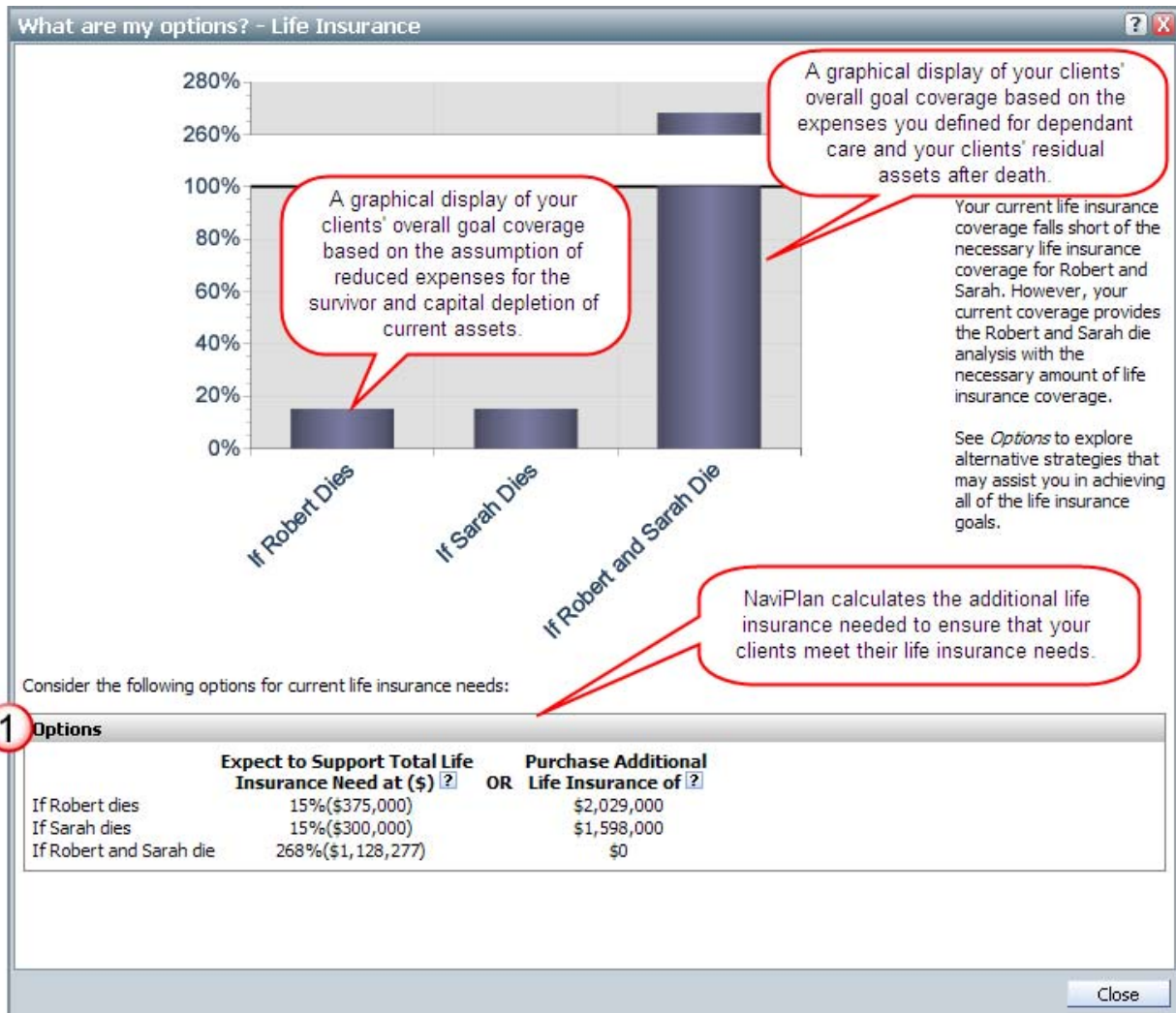


Figure 14: Financial Assessment section – Financial Assessment category – Insurance page – What are my options? button – What are my options? - Life Insurance dialog box

### **Options component**

The options displayed indicate possible strategies for achieving the goal.

*Expect to Support Total Life Insurance Need at (\$/year)*

- If the amount displayed is less than 100%, your clients may need to reduce life insurance needs to achieve their goal
- If the amount displayed is more than 100%, your clients may be able to increase life insurance needs and still achieve their goal
  - The amounts displayed in parentheses represent the benefits received from policies currently held by the clients

*Purchase Additional Life Insurance of*

- If the amount displayed is greater than \$0, your clients may be able to achieve their life insurance goals by purchasing additional life insurance
- If the amount displayed is \$0, your clients may be adequately insured for life

## What are my options? - Disability Insurance dialog box

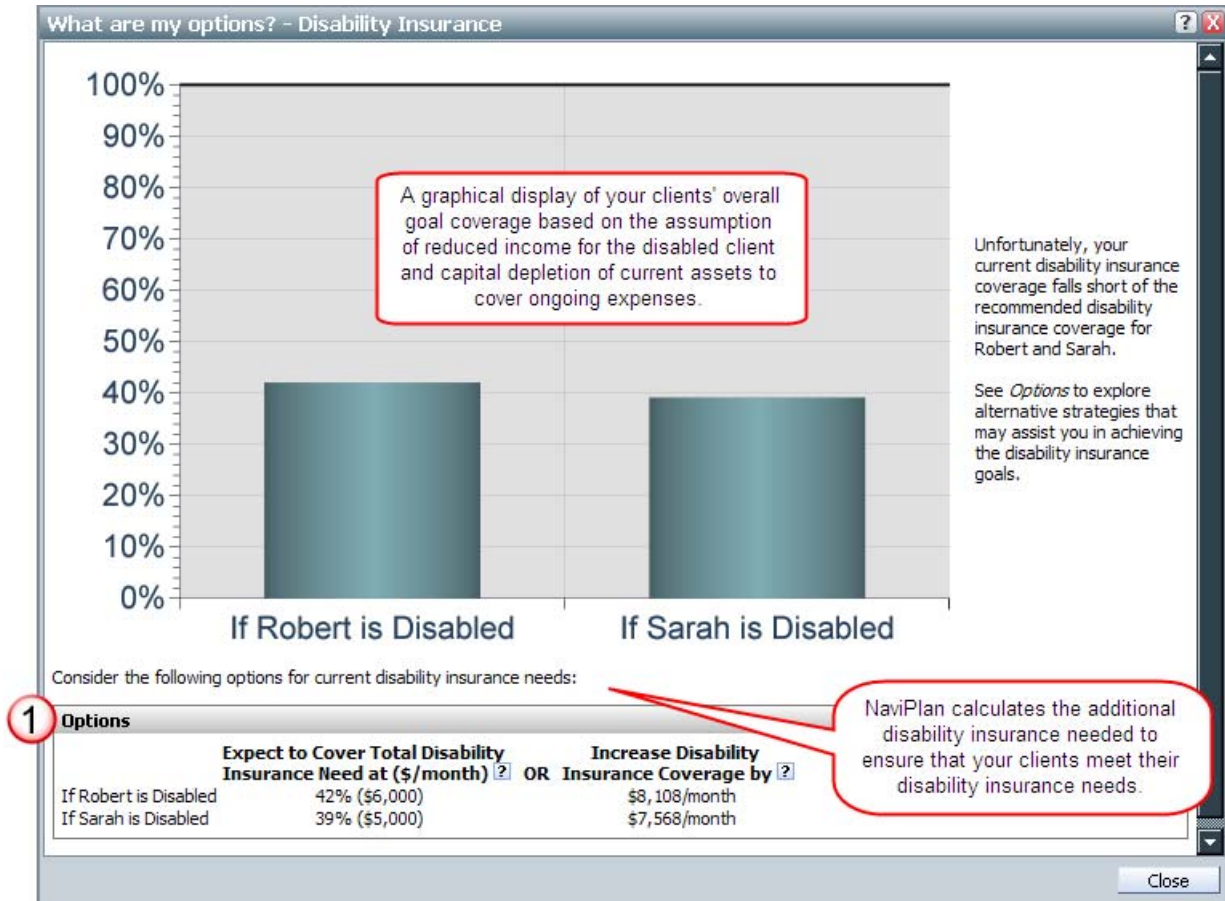


Figure 15: Financial Assessment section – Financial Assessment category – Insurance page – What are my options? button – What are my options? - Disability Insurance dialog box

### Options component

The options displayed indicate possible strategies for achieving the goal.

*Expect to Support Total Disability Insurance Need at (\$/month)*

- If the amount displayed is less than 100%, your clients may need to reduce disability insurance needs to achieve their goal
- If the amount displayed is more than 100%, your clients may be able to increase disability insurance spending and still achieve their goal

- The amounts in parentheses represent the benefits received from policies currently held by the clients

*Increase Disability Insurance Coverage by*

- If the amount displayed is greater than \$0, your clients may be able to achieve their disability insurance goals by acquiring additional disability insurance coverage
- If the amount displayed is \$0, your clients may be adequately insured for disability

### NaviPlan goal assumptions

Goal	Goal start	Goal end	Savings end	Funding
Retirement	Jan. 1 of first retiree's retirement year	Dec. 31 of the second to die's year of death	Dec. 31 of year prior to retirement	Registered and non-registered
Education	Jan. 1 of specified year	Jan. 1 of last year of goal	Dec. 31 of second-last year of goal	RESPs and non-registered
Major purchase	Date entered	Date entered	1 month prior to date entered	Non-registered

## Learning objective: Generate and present the Financial Needs Assessment report

Once you've captured your clients' financial position and goals, you are ready to generate the *Financial Needs Assessment* client report. This report displays all of the information entered and analyzed so that you can present the findings to your clients and send them home with an easy-to-understand summary of your assessment.

### Client Report page

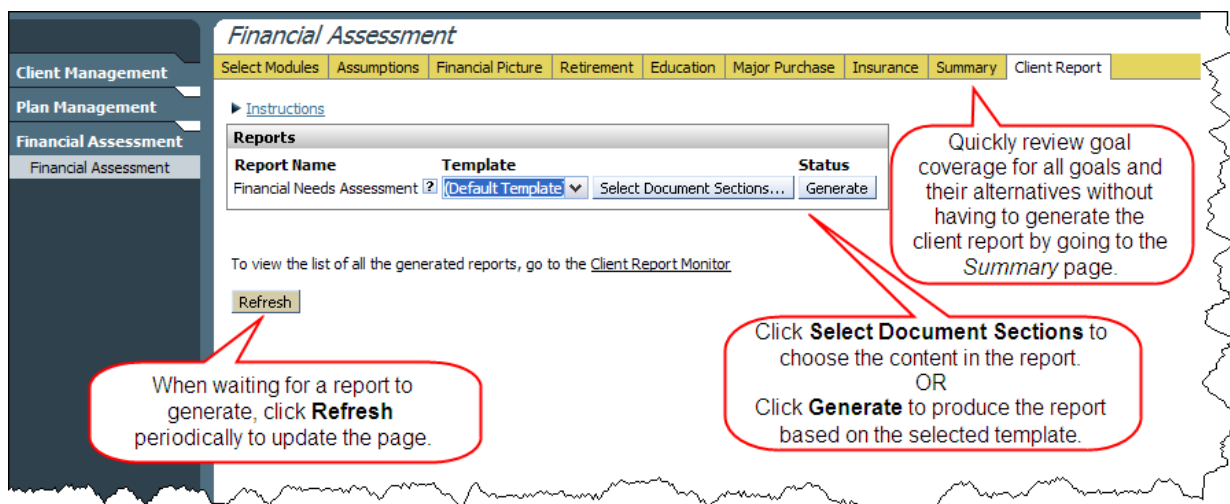


Figure 16: Financial Assessment section – Financial Assessment category – Client Report page

Use this page to generate a professionally designed and customizable client report 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
  - *<custom name> Template* – Settings include those 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

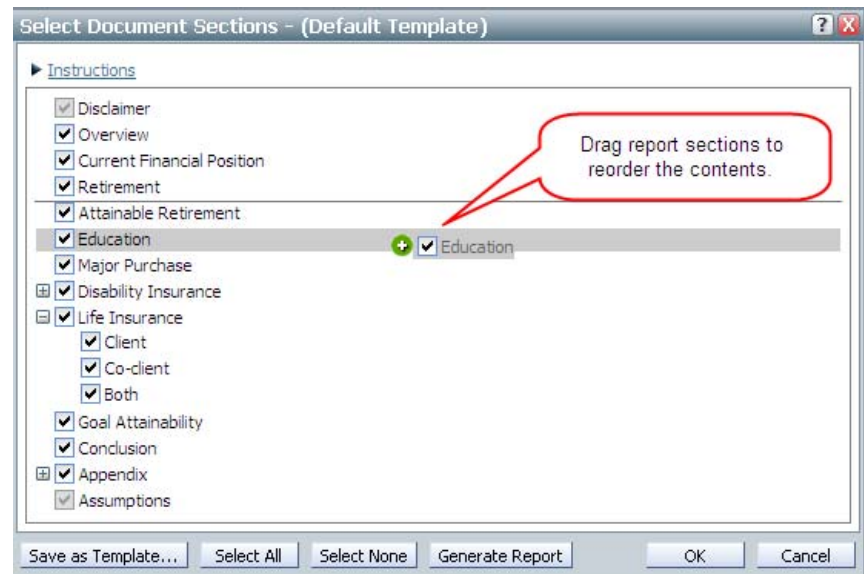




Figure 17: Financial Assessment section – Financial Assessment category – Client Report page – Select Document Sections button – Select Document Sections dialog box

Use the *Select Document Sections* dialog box to customize the order and content of the *Financial Needs Assessment* client report. For example, if your clients' top priority is to achieve their son's education goal, you may want to reorder the sections of the report so that the education goal appears first. Or, if your clients are not interested in assessing their disability insurance needs, you can clear that section from the list.

- Click  beside a section to expand the list and view the subsections
- Click  beside a section to collapse the subsections
- 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

### Cover page

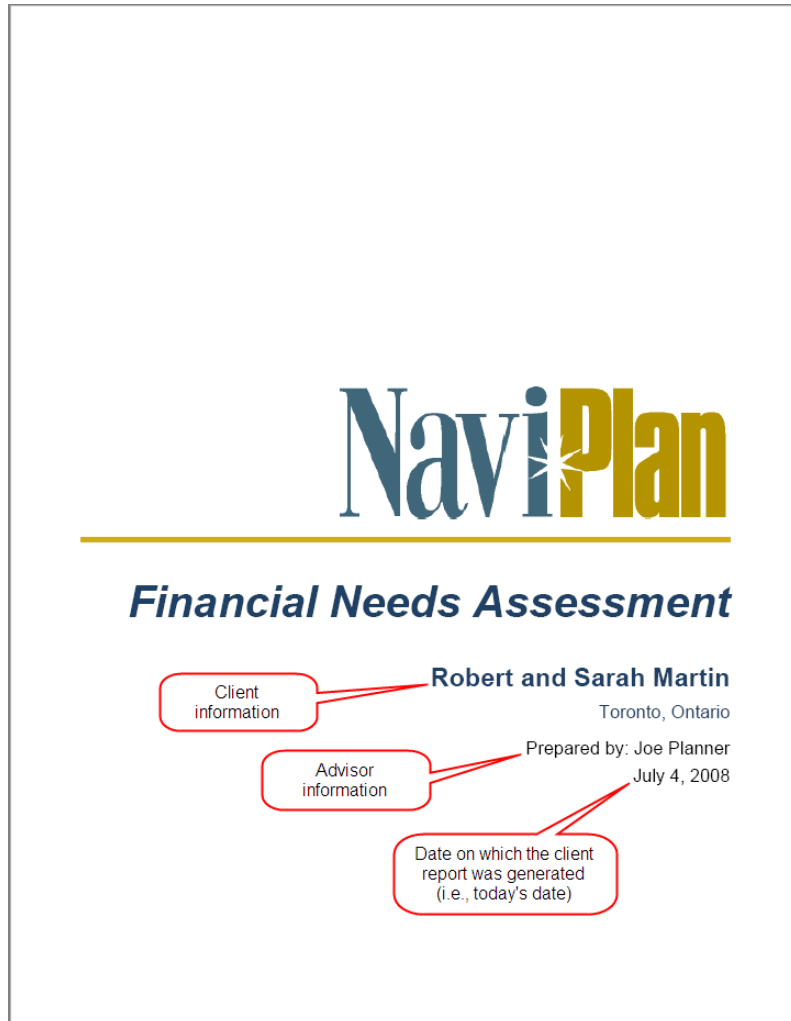


Figure 18: Financial Needs Assessment client report – Cover page

The *Financial Needs Assessment* report provides an overview of your clients' current financial situation and goal attainability using a combination of user-friendly text, tables, and graphs.

Ensure that the clients' names and address, as well as your name, are accurately reflected on the cover page.

### Table of Contents and Disclaimer pages

1 Table of Contents	2 Disclaimer
Disclaimer.....4	This assessment is hypothetical in nature and is intended to help you in making decisions on your financial future based on information that you have provided and reviewed.
Overview.....5	<b>IMPORTANT:</b> The projections or other information generated by NaviPlan® regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.
Current Financial Position..... 8	Criteria, Assumptions, Methodology, and Limitations of Assessment
Retirement.....9	The assumptions used in this assessment are based on information provided and reviewed by you. Those assumptions must be reconsidered on a frequent basis to ensure the results are adjusted accordingly. The smallest of changes in assumptions can have a dramatic impact on the outcome of this assessment. Any inaccurate representation by you of any facts or assumptions used in this assessment invalidates the results.
Attainable Retirement.....10	We have made no attempt to review your property and liability insurance policies (auto and homeowners, for example). We strongly recommend that in conjunction with this assessment, you consult with your property and liability agent to review your current coverage to ensure it continues to be appropriate. In doing so, you may wish to review the dollar amount of your coverage, the deductibles, the liability coverage (including an umbrella policy), and the premium amounts.
Disability Insurance - Robert..... 11	This assessment does not constitute advice in the areas of legal, accounting or tax. It is your responsibility to consult with the appropriate professionals in those areas either independently or in conjunction with this assessment process.
Disability Insurance - Sarah.....12	Results May Vary With Each Use and Over Time
Life Insurance - Robert.....13	The results presented in this assessment are not predictions of actual results. Actual results may vary to a material degree due to external factors beyond the scope and control of this assessment. Historical data is used to produce future assumptions used in the assessment, such as rates of return. Past performance is not a guarantee or predictor of future performance.
Life Insurance - Sarah.....14	Actual return rates and performance may vary to a significant degree from that represented in this assessment.
Life Insurance - Robert and Sarah .....15	Investments Considered
Goal Attainability.....16	This assessment does not consider the selection of individual securities; the assessment provides model portfolios. The results contained herein do not constitute an actual offer to buy, sell or recommend a particular investment or product. All investments are inherently risky. The return rates used in the assessment are broad in nature. The illustrations are not indicative of the future
Conclusion.....17	
Appendix - Retirement Details.....18	
Assumptions.....28	

Figure 19: Financial Needs Assessment client report – Table of Contents and Disclaimer pages

- 1 Table of Contents page**  
 Report sections update dynamically, based on the modules you selected.  
 Use the table of contents to quickly move to a specific section of the report.
- 2 Disclaimer page**  
 Your clients should read this section carefully as it contains an explanation of some of the limitations of the report.

## Overview pages

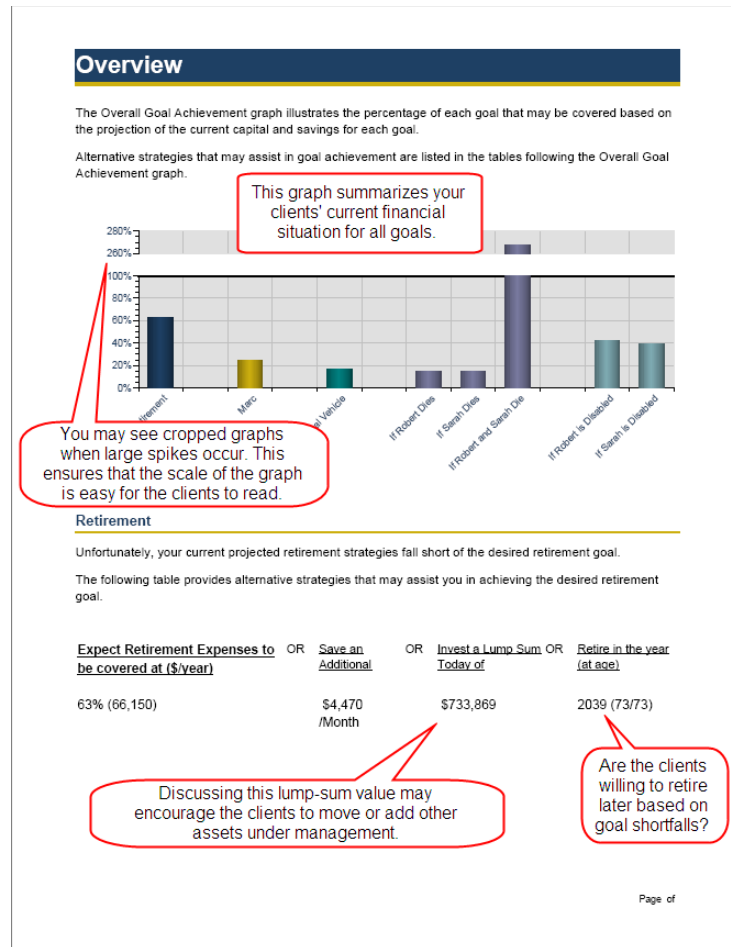


Figure 20: Financial Needs Assessment client report – Overview pages

The *Overview* section provides a synopsis of the overall analysis for all goals. It separates the retirement, education, and major purchase goals from the insurance analyses. This is the same information found on the *Summary* page in NaviPlan Standard.

Use the options or recommendations in the *Overview* section as a way to prioritize goals with your clients.

### Overview pages (continued)

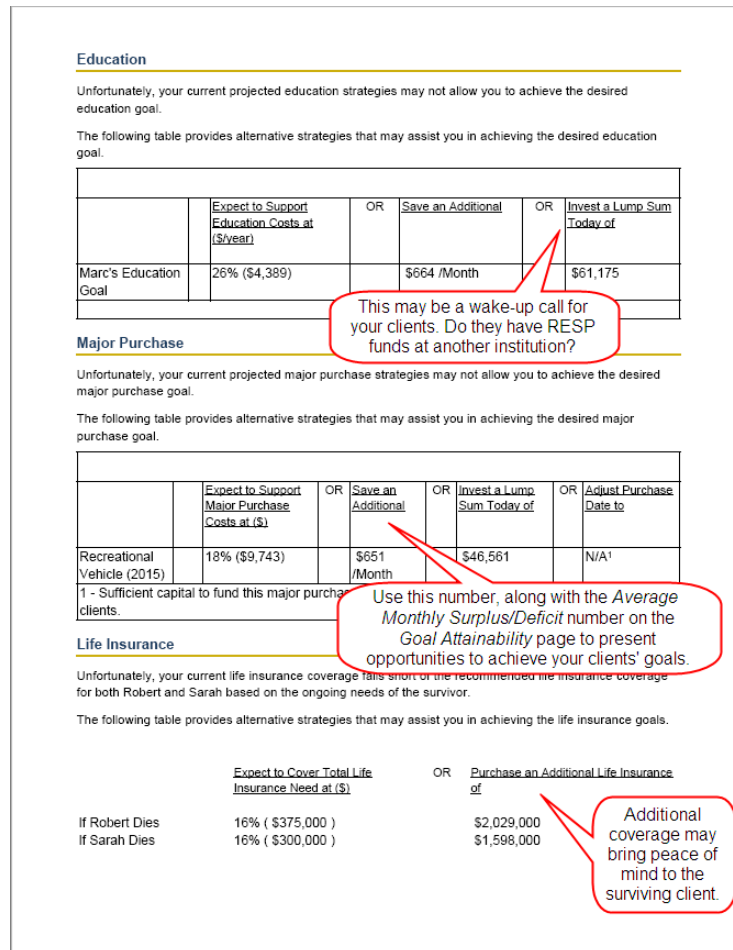


Figure 21: Financial Needs Assessment client report – Overview pages (continued)

Identify funding shortfalls and highlight strategies to help your clients achieve their goals. Present the following alternatives to your clients:

- Reconsider the goal amount to fund (finance a portion of the goal or reduce the goal)
- Redirect resources from lower-priority goals
- Increase savings
- Contribute a lump sum
- Establish a monthly savings plan

Refer to the *Current Financial Position* page to see if your clients may be able to set aside additional funds towards their goals.

## Current Financial Position page

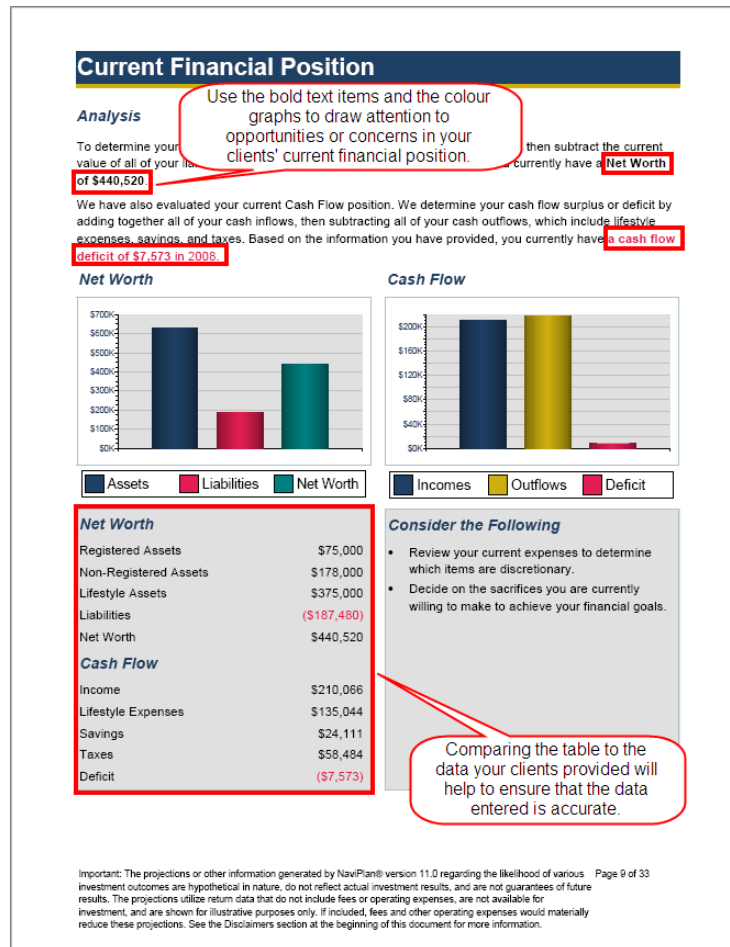


Figure 22: Financial Needs Assessment client report – Current Financial Position page

Highlight key components of the assessment, such as net worth and surplus cash. Engage your clients to take action.

Many report pages use the following format:

- Text paragraphs at the top explain the objective and analysis of the goal in plain language
- Graphs in the centre appeal to visual learners
- Tables in the bottom left corner provide supporting data for detail-oriented clients
- Dynamic text in the bottom right corner provides actionable suggestions for your clients

Retirement page

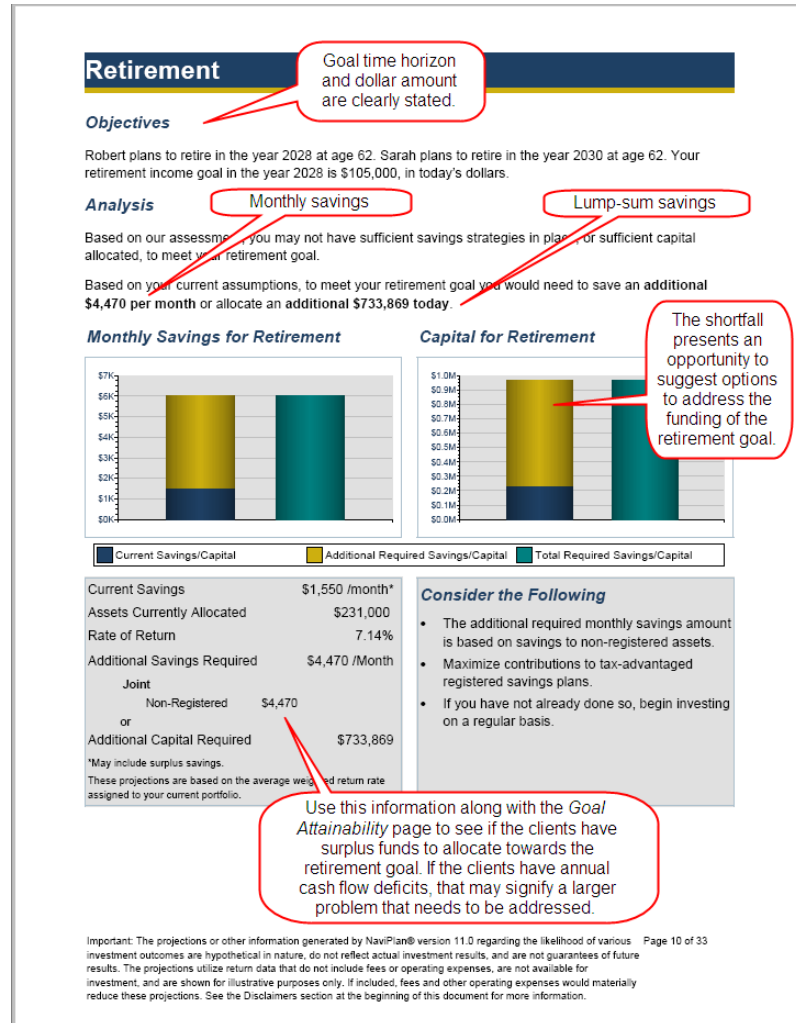


Figure 23: Financial Needs Assessment client report – Retirement page

If your clients fall short of achieving their retirement goal, the *Retirement* page summarizes additional savings strategies to non-registered accounts which may allow your clients to achieve their goal.

If your clients ask “What else can we do to achieve our goal?”, focus on this page. If your clients have contribution room available, you may want to recommend saving towards registered accounts.

If your clients are on track to achieving their retirement goal, the *Retirement* page shows that current monthly savings and capital are in line with the total required savings and capital.

## Attainable Retirement page

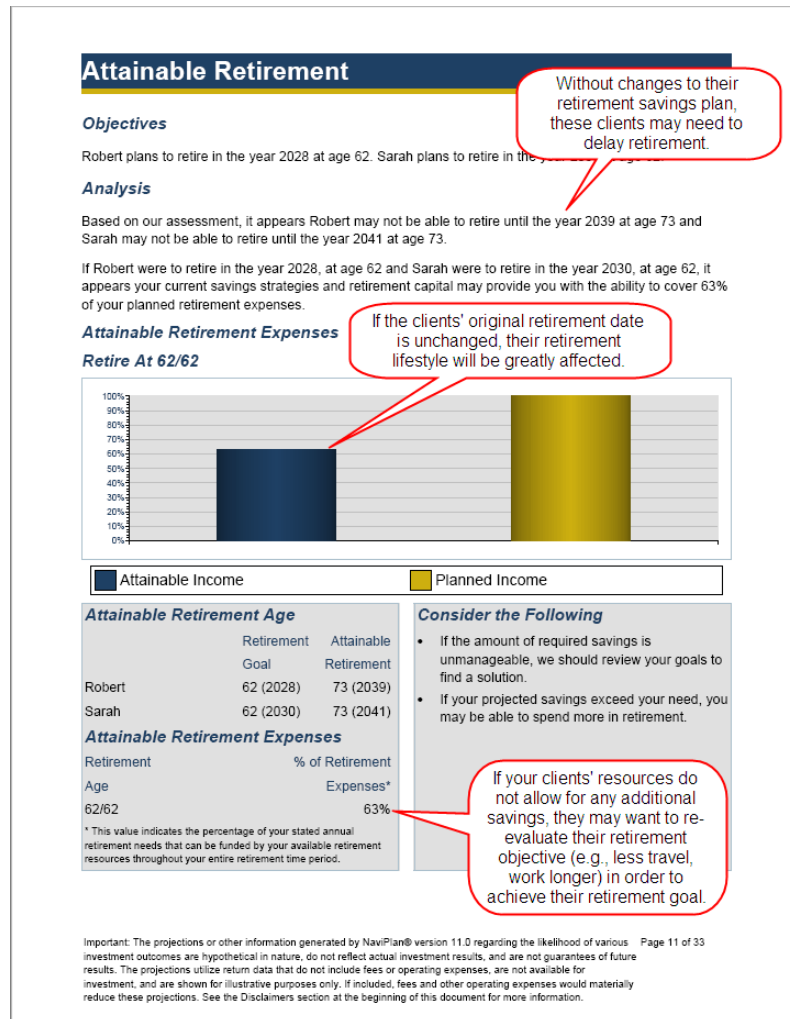


Figure 24: Financial Needs Assessment client report – Attainable Retirement page

If your clients fall short of achieving their retirement goal, the *Attainable Retirement* page summarizes strategies that require changing the objective to achieve their goal.

Focus on this page if your clients ask “What if we change the goal?” or if they are unwilling to allocate additional savings to the goal.

If your clients are on track to achieving their retirement goal, the *Attainable Retirement* page shows that retiring early or spending more during retirement may be an option for them.

Education page

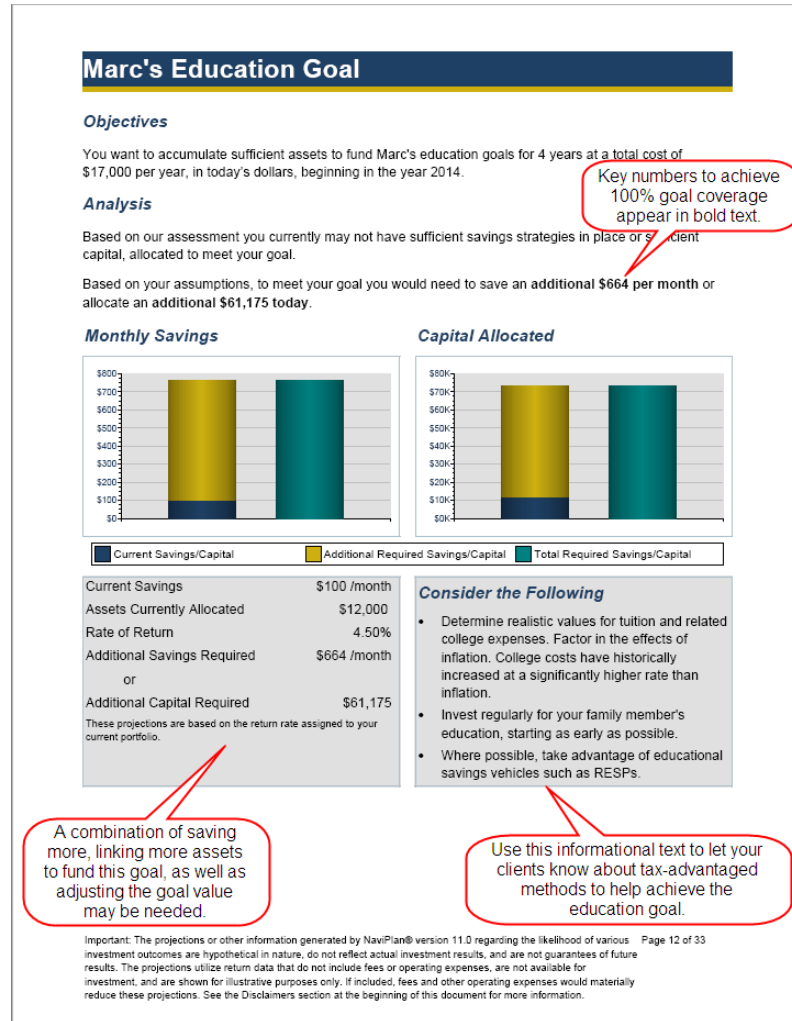


Figure 25: Financial Needs Assessment client report – Education page

Each education and major purchase goal in the assessment appears on its own page and follows the same layout and options as the *Retirement* page.

If your clients fall short of achieving their education or major purchase goal(s), the *Education* and *Major Purchase* pages summarize strategies that require additional savings needed to achieve the goal.

If your clients ask “What else can we do to achieve our goal?”, focus on this page.

If your clients are on track to achieving their education and major purchase goal(s), the *Education* and *Major Purchase* pages show that current monthly savings and capital are in line with the total required savings and capital.

### Disability Insurance - <client/co-client> pages

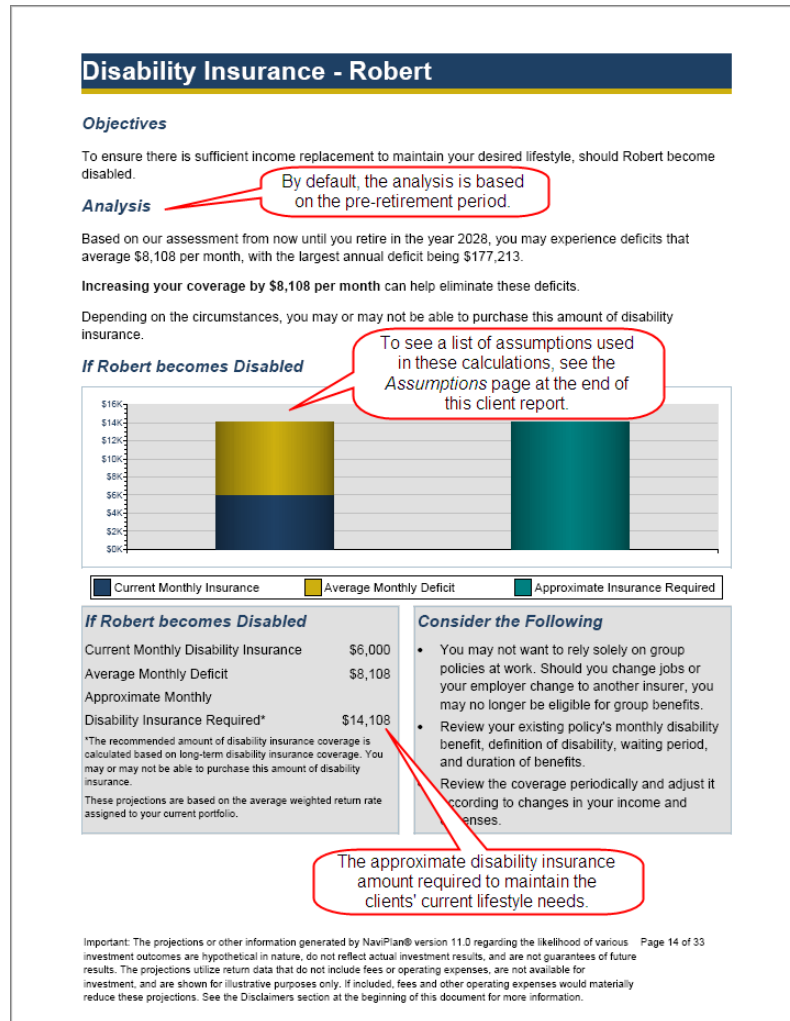


Figure 26: Financial Needs Assessment client report – Disability Insurance <client> page

Each client's disability insurance analysis appears on its own page and follows the same layout and options as the *Retirement* page.

Discuss the different types of disability insurance policies, their benefits, and drawbacks with your clients. Review your clients' current disability policy benefits, coverage, and elimination periods.

**Life Insurance - <client/co-client> page**

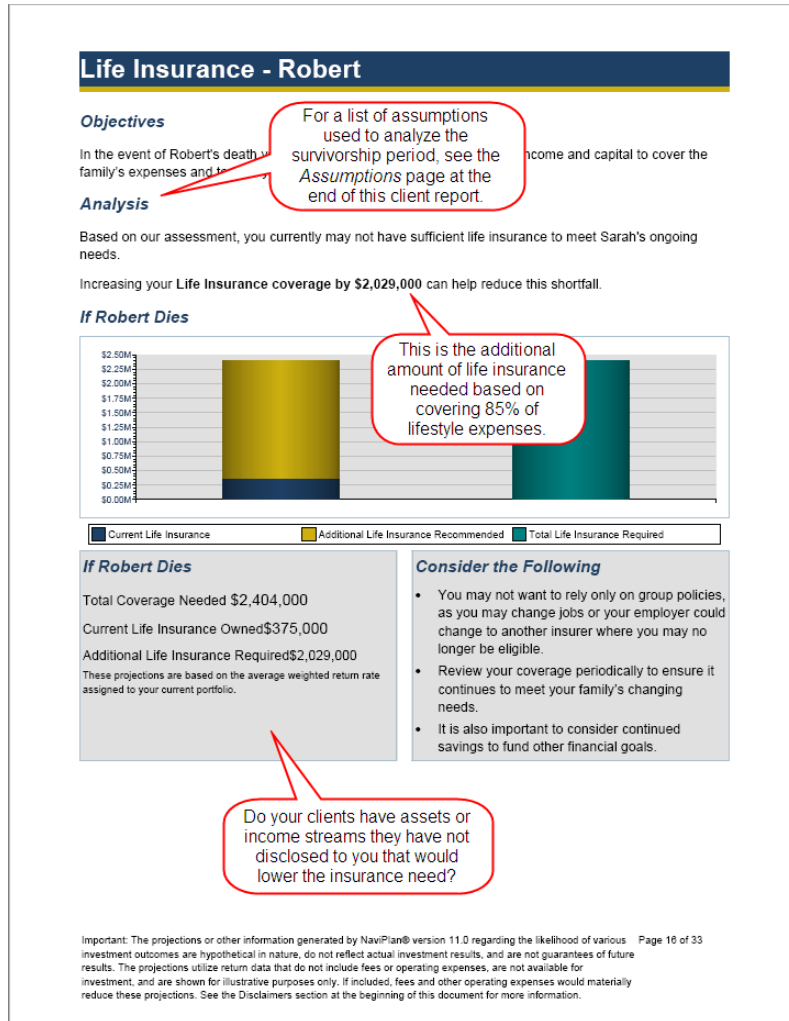


Figure 27: Financial Needs Assessment client report – Life Insurance - <client> page

Each client's life insurance analysis and the analysis for both clients appears on its own page. The pages follow the same layout and options as the *Retirement* page.

Discuss the different types of life insurance policies, their benefits, and drawbacks with your clients. It may be appropriate to recommend a joint insurance policy if there is a life insurance shortfall for both clients.

Reviewing your clients' insurance coverage annually can ensure that their coverage meets their family's changing needs. Life insurance shortfalls can also lead to an estate planning discussion.

## Goal Attainability page

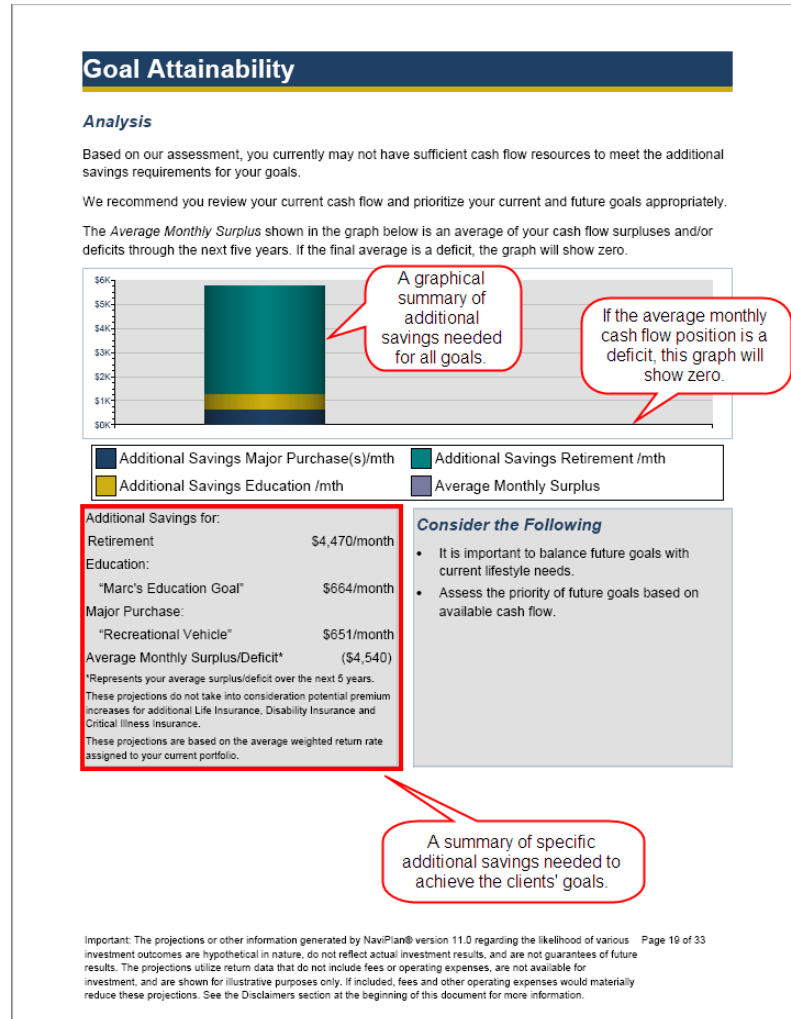


Figure 28: Financial Needs Assessment client report – Goal Attainability page

The *Goal Attainability* page compares the additional savings required to meet the clients' current goals with their cash flow situation, and identifies whether they can support increased savings strategies.

Use this page to help close the discussion and provide a reality check for your clients. This page may suggest that changes to the clients' cash flow may improve their chances of achieving their goals.

If the additional savings needed are unrealistic relative to the average monthly surplus, you may want to discuss changing the goal objectives.

### Retirement - Comparison page

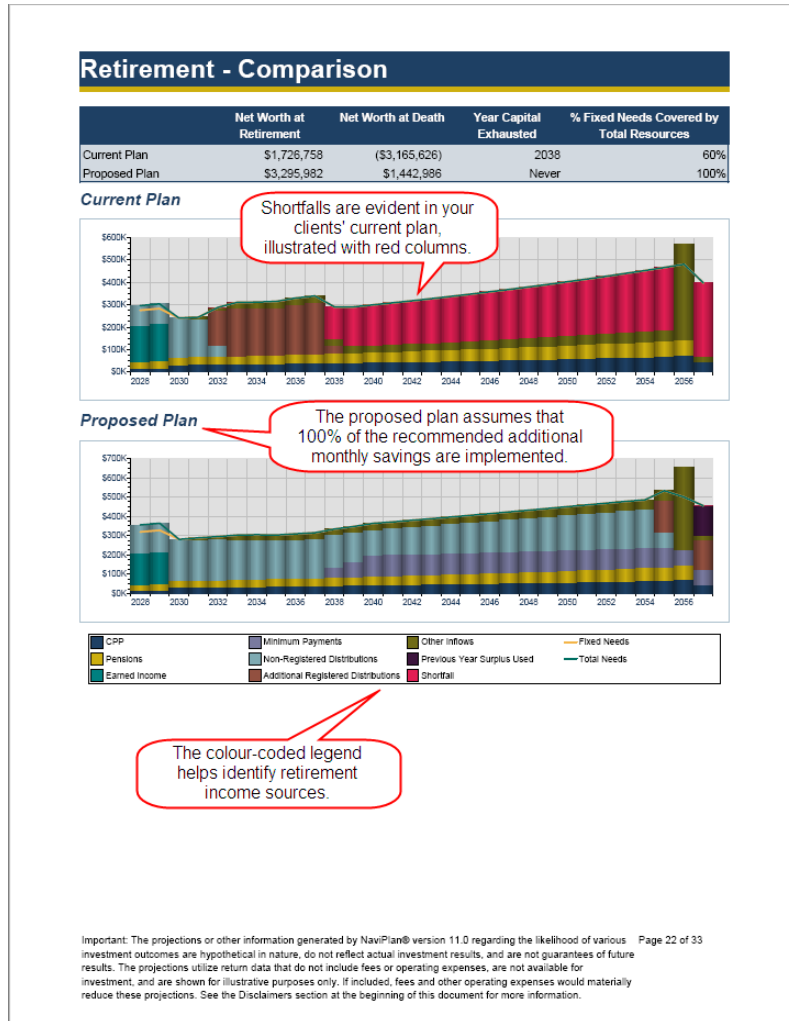


Figure 29: Financial Needs Assessment client report – Retirement - Comparison page

Use the *Retirement - Comparison* page to show your clients the current and proposed results side by side.

The proposed plan shows you what the clients' situation could look like if the system-generated additional monthly savings amount was applied.

If your clients are unable to implement this strategy, determine which of the following solutions works best: save more, reduce the goal, earn more, delay the goal, or a combination of all solutions.

### Retirement - Current page

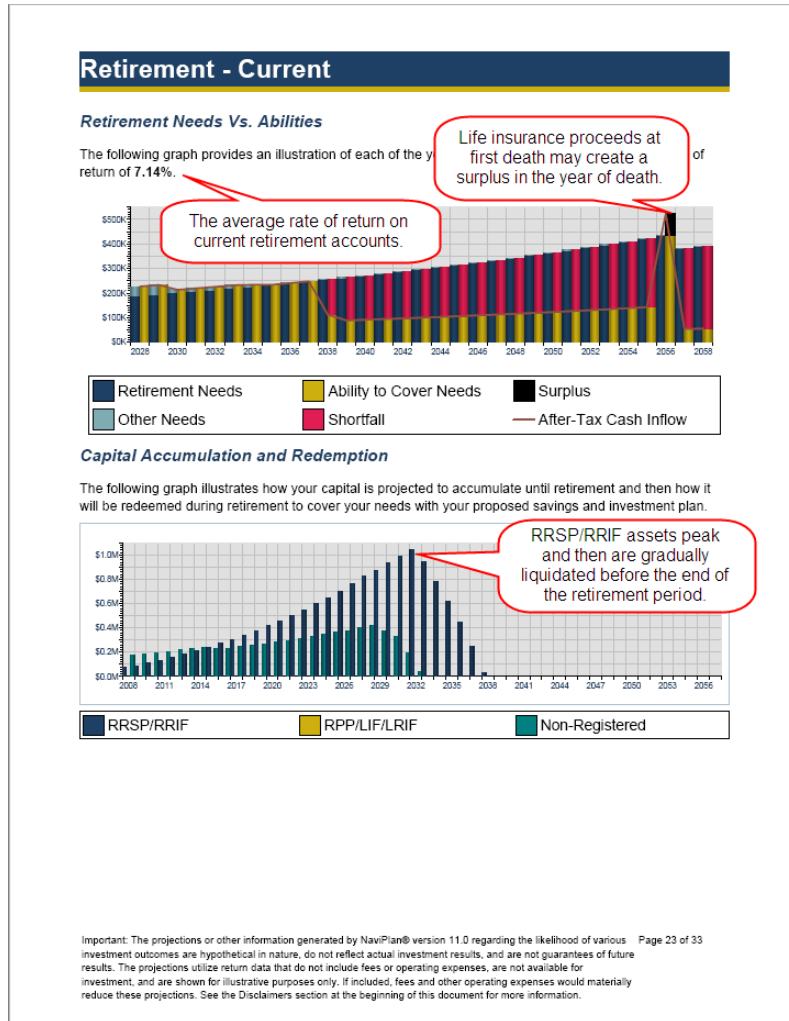


Figure 30: Financial Needs Assessment client report – Retirement - Current page

The Retirement - Current page provides additional details specific to your clients' current plan.

**Assumptions page**

### Assumptions

In performing this assessment, we have made the following assumptions.

#### Tax Rates

	Robert	Sara
<b>Pre-Retirement Tax Rates</b>		
Average Tax Rate	30.40%	27.95%
Marginal Tax Rate	44.32%	44.32%
<b>Retirement Tax Rates</b>		
Average Tax Rate	23.66%	23.66%
Marginal Tax Rate	33.89%	33.89%
<b>Death Tax Rates</b>		
Average Tax Rate	23.66%	23.66%
Marginal Tax Rate	33.89%	33.89%

For dependants, your assessment assumed an average tax rate of 1.40% and a marginal federal rate of 21.05%.

#### Lifestyle Assets Growth Rate

A 2% growth rate was applied to lifestyle assets.  
 Lifestyle assets are jointly owned.  
 Lifestyle assets were purchased on Dec. 31 of the year prior to the assessment year.

#### Incomes and Expenses

An inflation rate of 3.00% was applied to pre-retirement incomes and expenses.  
 Pre-retirement incomes are salaries that commence on Jan. 1 of the assessment year and end on retirement.

#### Liabilities

All liabilities are jointly owned.  
 All liabilities assume monthly compounding. Amortization is automatically calculated based on the values entered, using a principal and interest loan payment schedule.  
 Upon death all liabilities were transferred to the survivor.

Important: The projections or other information generated by NavPlan® version 11.0 regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. The projections utilize return data that do not include fees or operating expenses, are not available for investment, and are shown for illustrative purposes only. If included, fees and other operating expenses would materially reduce these projections. See the Disclaimers section at the beginning of this document for more information. Page 31 of 33

Figure 31: Financial Needs Assessment client report – Assumptions page

Review the *Assumptions* page with your clients to ensure the data and assumptions used in the calculations are accurate and realistic.

If you or your clients do not agree with the assumptions used, or if you need to add more details, or if you want to provide additional customized suggestions, you may want to consider promoting the Financial Assessment to a higher-level plan (Level 1 or Level 2) . There is no need to re-enter the original data because you can promote (upgrade) the Financial Assessment to a Level 2 Plan.

## Promote Plan dialog box

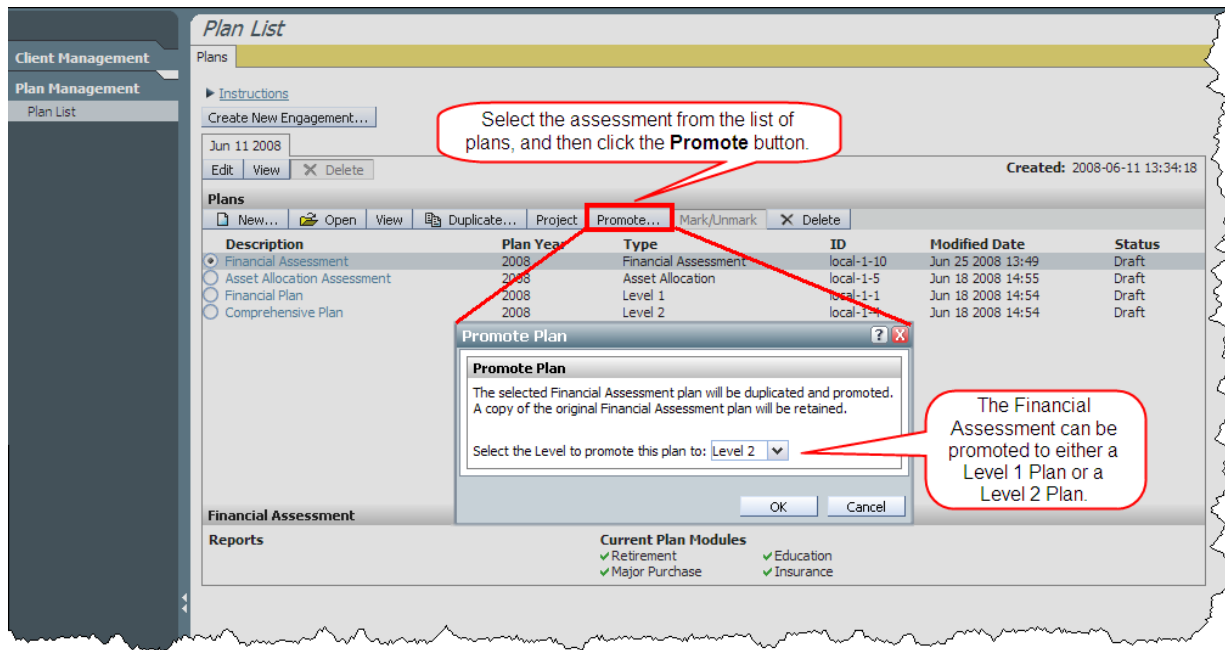


Figure 32: Plan Management section – Plan List category – Plans page – Promote Plan dialog box

Promoting an assessment to a higher-level plan allows you to create a more detailed analysis, reduces time spent on data re-entry, reduces the likelihood of errors during data re-entry, and creates a copy of the data so that the original information is retained.

## Exercises

The exercises in this module call for you to work with the *Robert and Sarah Martin (English)* client file. Before starting these exercises, do the following:

- Go to the **Client Management** section – **Client List** category – **Clients** page, and then open the *Martin (English), Robert, Sarah* client file

To help you answer the questions in these exercises, you can choose one of the following three options to generate the Financial Assessment:

1. Create a new Financial Assessment using the data in the tables below.
2. Create a new Financial Assessment using your own hypothetical data.
3. Use the populated Financial Assessment found within the *Robert and Sarah Martin (English)* client file.

RRSP contributions	Client	Co-client
2007 Earned Income	\$95,000	\$85,000
2007 Pension Adjustment	\$0	\$4,680
RRSP Overcontribution Balance	\$0	\$0
Unused RRSP deduction limit at the end of 2007	\$30,000	\$50,000

TFSA contributions	Client	Co-client
TFSA Overcontribution Balance	\$0	\$0
Unused TFSA Contribution Room	\$5,000	\$5,000

<b>Net worth</b>					
Lifestyle Assets	Amount (current value in dollars)	Liabilities	Outstanding amount (\$)	Interest rate	Monthly payments
Residence	\$300,000	<b>Mortgage</b>	\$175,000	5.00%	\$1,000
Listed Personal Property	\$75,000				

<b>Cash flow</b>			
	Annual Income	Monthly Expenses	Amount
Client	\$107,000	Housing (e.g., utilities, repairs)	\$2,000
Co-client	\$90,000	Food	\$1,000
<b>Note:</b> Expenses can be entered as one total amount to simplify data entry.		Transportation (e.g., gas, insurance)	\$1,000
		Entertainment (e.g., restaurants, movies)	\$1,000
		Personal (e.g., clothing, hobbies)	\$800
		Other (e.g., child care, travel)	\$2,500

Use your judgement to define appropriate tax rates for the Martin family based on their current annual incomes and expected retirement incomes.

Retirement goal		Client	Co-client
Desired annual retirement income (today's \$)	Retirement Age	62	62
\$125,000	Life Expectancy	90	90
Index at (%)	CPP/QPP Eligibility Benefit Amount (Eligible % or Est. in today's \$)	100%	100%
3%	OAS Eligibility Benefit Amount (Eligible % or Est. in today's \$)	100%	100%
	Annual Defined Benefit Pension	\$17,500	\$0

Define appropriate assumptions for the Martin family by clicking the applicable **Details** buttons, and then entering assumptions (e.g., *Share CPP/QPP, % Payable to Survivor, Convert to RRIF*).

	Non-Registered tab			RRSP tab		Defined Contribution tab	
	Client	Co-client	Joint	Client	Co-client	Client	Co-client
Current Value	\$61,000	\$55,000	\$40,000	\$50,000			\$25,000
Monthly Savings							
• Employee (\$, % of Salary, or <b>max</b> )			\$150	\$1,000			\$200
• Employer (\$, % of Salary, or <b>max</b> )							\$200
Assumed Return Rate							
• Pre-Retirement (%)	8.20%	10.90%	3.00%	8.20%			10.90%
• Retirement (%)	8.20%	10.90%	3.00%	8.20%			10.90%

**Hint:** Use the *Select Modules* page to streamline the number of pages in the assessment by selecting only the goals that you plan to analyze.

### Exercise 1: Establish the purpose and benefits of using the Financial Assessment

1. Read the following client scenarios. For which scenario would you choose the Financial Assessment as your planning tool?
  - a) Your clients are unsure whether or not their investment portfolio is well diversified and haven't stated any of their other financial goals.
  - b) Your client, an engineer, is very detailed and would like a comprehensive analysis, including risk assessment, on his retirement, education, major purchase, and insurance needs.
  - c) Your clients provide you with very limited information about their child's education goal need.
  - d) Your clients are concerned about retirement, education, and insurance needs but aren't ready for a comprehensive analysis.

2. List at least two benefits of entering data in the Financial Assessment and then promoting to a Level 1 or Level 2 Plan.

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## Exercise 2: Capture your clients' current financial position

1. Last year's values for your clients' earned income, pension adjustment, and RRSP contributions are required for NaviPlan to make projections. What is the best source for this information?
  - a) Your clients' memory
  - b) Your clients' final pay stub from last year
  - c) Your clients' Notice of Assessment from last year
  - d) Your clients' cheque book
2. On the *Financial Assessment* section – *Financial Assessment* category – *Assumptions* page, you can select the appropriate tax bracket for your clients, but you cannot modify the average and marginal tax rates to ensure that your clients' unique tax situation is captured. Is this statement true or false?
  - a) True
  - b) False
3. On the *Financial Assessment* section – *Financial Assessment* category – *Financial Picture* page, which of the following assets should not be entered as part of the *Lifestyle Assets* component ?
  - a) Your clients' primary residence
  - b) Your clients' motorcycle
  - c) Your clients' art collection
  - d) Your client's RRSP

4. When identifying the clients' monthly expenses on the *Financial Picture* page, which of the following items should you include as part of the *Monthly Expenses* component?
- a) Savings towards investment accounts
  - b) Income taxes
  - c) Insurance premiums
  - d) Golf membership fees

### Exercise 3: Define retirement, education, major purchase, and insurance goals

1. What options does the *What are my options?* button on the *Retirement* page provide for the Martin family?

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2. Under *Savings Preferences* with only the *Non-Registered - Joint* check box selected, click the **What are my options?** button, and then make note of the monthly savings amount.

Savings Preferences		
	Robert	Sarah
RRSP	<input type="checkbox"/>	<input type="checkbox"/>
RRSP-Spousal	<input type="checkbox"/>	<input type="checkbox"/>
Non-Registered - Joint	<input checked="" type="checkbox"/>	

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3. Examine various combinations under *Savings Preferences* to determine which *Savings Preferences* options result in the lowest monthly savings needed for the Martin family to achieve their retirement goal. Record your results.

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#### **Exercise 4: Generate and present the Financial Needs Assessment report**

1. When you generate the *Financial Needs Assessment* client report, the same sections are always included in the same order; that is, you cannot customize the content of the client report. Is this statement true or false?
  - a) True
  - b) False
2. Generate the *Financial Needs Assessment* client report, including all sections, and then answer the following questions based on the results.

**Hint:** To quickly include all sections, click the **Select Document Sections** button, and then click the **Select All** button before you generate the report.
3. Your clients' retirement goal is falling short and they are unwilling to invest additional savings. They would like additional suggestions to help them achieve their goal. Which of the following pages of the client report would you show them to demonstrate possible suggestions?
  - a) *Retirement*
  - b) *Attainable Retirement*
  - c) *Goal Attainability*
  - d) *Retirement - Comparison*

4. If your clients are willing to invest additional monthly savings to achieve their retirement goal, which of the following pages would you show them to demonstrate whether or not they can afford the required savings?
  - a) *Retirement*
  - b) *Attainable Retirement*
  - c) *Goal Attainability*
  - d) *Retirement - Comparison*
  
5. If your clients want to see a projection of their current retirement plan beside a projection that achieves their retirement goal, which of the following pages would you show them?
  - a) *Retirement*
  - b) *Attainable Retirement*
  - c) *Goal Attainability*
  - d) *Retirement - Comparison*

## Conclusion

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

- Establish the purpose and benefits of using the Financial Assessment
- Capture your clients' current financial position
- Define retirement, education, major purchase, and insurance goals
- Generate and present the *Financial Needs Assessment* report

## Answers to Financial Assessment exercises

### Exercise 1: Establish the purpose and benefits of using the Financial Assessment

1. d) When your clients are concerned about retirement, education, and insurance needs but are not ready for a comprehensive analysis, the Financial Assessment is your planning tool.
2. Entering data in the Financial Assessment and then promoting to a Level 1 or Level 2 Plan has the following benefits:
  - Allows for a more detailed analysis
  - Reduces time spent on data re-entry
  - Reduces the likelihood of errors during data re-entry
  - Creates a copy of the data so that the original information is retained

### Exercise 2: Capture your clients' current financial position

1. c) The best source of information for your clients' earned income, pension adjustment, and RRSP contributions is your clients' Notice of Assessment forms from last year.
2. b) False – The statement is false. You *can* modify the average and marginal tax rates on the *Assumptions* page.
3. d) Your client's RRSP should not be entered under *Lifestyle Assets* on the *Financial Picture* page (RRSPs are entered on the *Retirement* page).
4. d) Golf membership fees – Golf membership fees should be included as part of the clients' monthly expenses on the *Financial Picture* page. Savings toward investment accounts are entered on the *Retirement* page, income taxes are calculated automatically based on assumptions, and insurance premiums are entered on the *Insurance* page.

### Exercise 3: Define retirement, education, major purchase, and insurance goals

1. The *What are my options?* button on the *Retirement* page provides the following options for the Martin family:
  - Reduce retirement expenses
  - Apply additional monthly savings
  - Invest a lump sum today
  - Retire in another year
2. Answers will vary.
3. Answers will vary.

### Exercise 4: Generate and present the Financial Needs Assessment report

1. b) False – The statement is false. When you generate the *Financial Needs Assessment* client report, you *can* customize the contents.
3. b) *Attainable Retirement* – If your clients' retirement goal is falling short and they are unwilling to invest additional savings but want additional suggestions to help them achieve their goal, you would show them the *Attainable Retirement* page in the *Financial Needs Assessment* client report.
4. c) *Goal Attainability* – If your clients are willing to invest additional monthly savings to achieve their retirement goal, you can use the *Goal Attainability* page in the *Financial Needs Assessment* client report to demonstrate whether or not they can afford the required savings.
5. d) *Retirement - Comparison* – If your clients want to see a projection of their current retirement plan beside a projection that achieves their retirement goal, you would show them the *Retirement - Comparison* page in the *Financial Needs Assessment* client report.

