



# **NaviPlan Standard Learning Guide Insurance Planning**

**Canadian version 11.0**

EISI, Winnipeg

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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

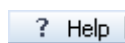
This learning guide assumes that you know how to perform the following tasks:

- 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.



# Insurance Planning module

The NaviPlan Standard Insurance Planning Learning Guide was created using NaviPlan Standard version 11.0 and a joint analysis Level 2 Plan.

## Purpose

The purpose of this learning guide module is to capture your clients' existing insurance policies and analyze their life, disability, and critical illness insurance needs.

## Learning objectives

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

- Model existing insurance policies
- Describe the assumptions and analysis methods for determining insurance needs
- Establish life insurance needs
- Analyze reports to identify life insurance shortfalls
- Establish disability insurance needs
- Analyze reports to identify disability insurance shortfalls
- Establish critical illness insurance needs
- Analyze reports to identify critical illness insurance shortfalls

## NaviPlan planning stages

The following diagram shows the planning stages for creating a financial plan, and the planning stage or stages involved in this learning guide module. The Insurance Planning module covers the highlighted stages below.



## Learning objective: Model existing insurance policies

### NaviPlan planning stages



In addition to capturing your clients' current net worth and cash flow information, it's important to include your clients' current insurance policy details in their current plan.

### Insurance Coverage page

**Insurance Coverage**

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

Insurance Coverage

Instructions

**Life Insurance**

Description*	Insured*	Policy Type*	Benefit*	Beneficiary*	Premium*	Details	Delete
Robert Group Life	Robert	Term 10 Life	\$375,000	Sarah	\$25/mo		
Sarah Group Life	Sarah	Term 10 Life	\$300,000	Robert	\$25/mo		

Add Life Insurance

If your clients' policies are not term policies, you will want to click *Details* to modify details such as cash surrender values.

**Disability Insurance**

Description*	Insured*	Policy Type*	Benefit*	Premium*	Details	Delete
Robert Disability	Robert	Individual Disability	\$3,000/mo	\$200/mo		
Sarah Disability	Sarah	Individual Disability	\$2,000/mo	\$175/mo		

Add Disability Insurance

The default premium *Cease on Date* for Group LTD/STD policies is the client's retirement date. Click **Details** to make changes to the default if it does not apply to your client.

**Critical Illness Insurance**

Description*	Insured*	Policy Type*	Benefit*	Premium*	Details	Delete
Robert Critical Illness	Robert	Cash to Insured Cov	\$50,000	\$55/mo		

Add Critical Illness Insurance

Click the **Insurance Coverage Report** button to open a report and quickly verify the details of all insurance policies in the plan.

Insurance Coverage Report

Figure 1: Financial Picture section – Insurance Coverage category – Insurance Coverage page

## Life Insurance Details dialog box – Details tab

Figure 2: Financial Picture section – Insurance Coverage category – Insurance Coverage page – Life Insurance Details dialog box – Details tab

### ① Details component

- The *Policy Type* field defaults to *Term 10 Life* (automatically renewed)
- The *Beneficiary* field defaults to the co-client
- The *Policy Owner* field defaults to the insured; policies owned by the client's employer may require *Other* as the *Policy Owner*

### ② Benefit Details component

- Enter the current *Death Benefit* value and *Cash Surrender Value* (if applicable)
- To access the *Cash Surrender Value* field, select **Permanent Life**, **Universal Life**, or **Variable Life** from the *Policy Type* list, depending on your clients' specific policy type
- The cash surrender value amount will be reflected in net worth reports

**3 Premiums component**

- If the *Payer* is the client or co-client, the value entered in the *Amount* field is treated as an expense and will appear in cash flow reports

**Life Insurance Details dialog box – Future Values tab**

If your client has inconsistent occurrences in premiums, death benefit, or cash surrender values, you can use the *Future Values* tab to display the appropriate values. You can fill the benefit fields manually or have NaviPlan automatically fill them for you based on the values that you want to show.

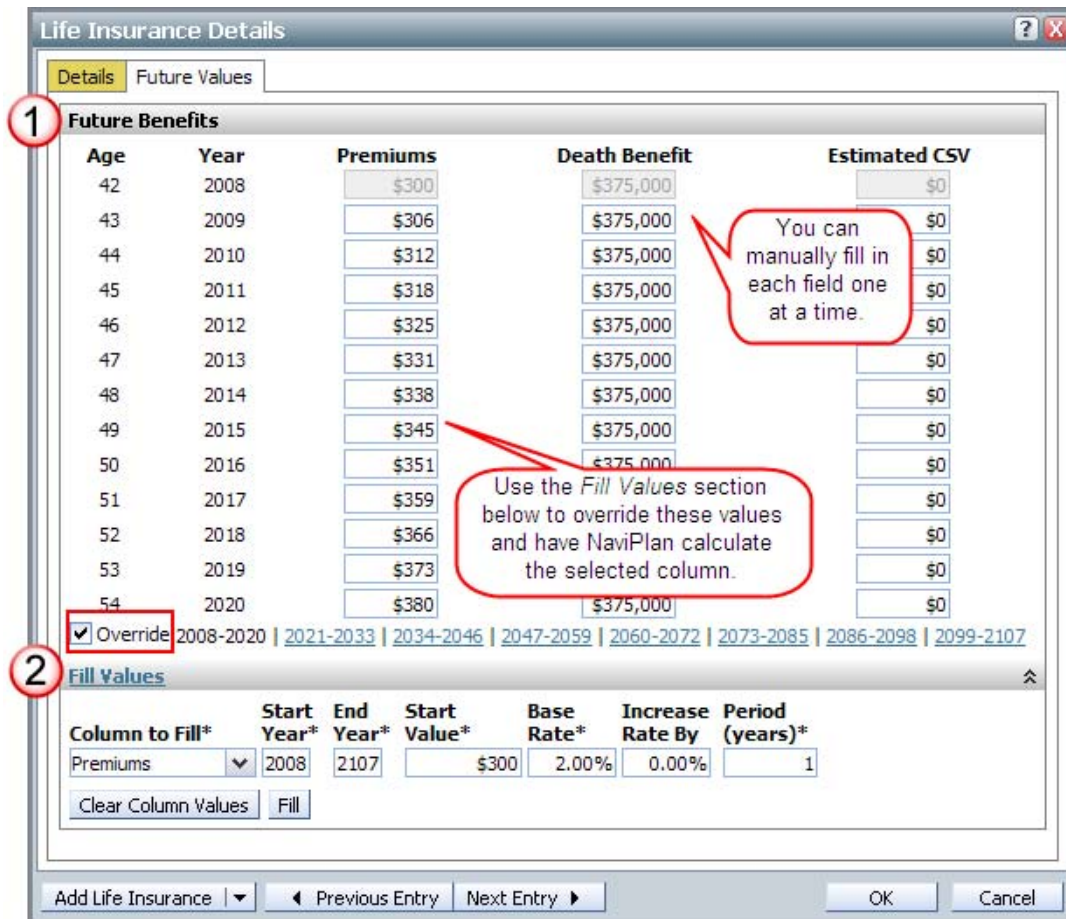


Figure 3: Financial Picture section – Insurance Coverage category – Insurance Coverage page – Life Insurance Details dialog box – Future Values tab

### ① Future Benefits component

- To manually adjust the individual values in each column as needed to reflect the information on your clients' policy statement(s), select the **Override** check box

### ② Fill Values component

- To use the *Fill Values* component, you must first select the *Override* check box located in the *Future Benefits* component. You can enter multiple start and end dates throughout the policy term.
- The *Base Rate* field is a required field. The *Base Rate* is comparable to an index rate that constantly increases the *Start Value*. In situations that require a climbing *Base Rate*, consider using the *Increase Rate By* field.
- For more information, refer to the Help available on this tab.

## Disability Insurance Details dialog box

Many clients have group disability insurance policies through their employer and you will want to enter the details into the current plan.

**Disability Insurance Details**

[Instructions](#)

**1 Details**

You can also enter *Individual Disability* policies your clients may hold outside of their group plans.

Description*	Policy Type*	Insured*	Policy Owner*
Robert Disability	Individual Disability	Robert	Robert

**2 Benefit Details**

Selecting % of Salary will calculate the benefit amount based on all applicable salaries for the insured client.

**Benefit Amount\***

% of Salary	Flat Dollar	Benefit Frequency*	Taxable Benefit	Infl +/- Add'l
<input type="radio"/> 0.00%	<input checked="" type="radio"/> \$3,000	Monthly	<input type="checkbox"/>	<input type="checkbox"/> + 0.00%

**Maximum Indexed Benefit\***

Calculated As	Dollar Amount	Waiting Period*	Benefits Period*
<input checked="" type="radio"/> None	<input type="radio"/> \$0	3 Months	65 Years of Age

**3 Premiums**

Payer*	Amount*	Frequency*	Cease at Age	Cease on Date*	Infl +/- Add'l
Robert	\$200	Monthly	62	Retirement	<input type="checkbox"/> + 0.00%

If your client's employer pays the premiums, select **Other** under *Payer*, or enter **\$0** in the *Amount* field.

Add Disability Insurance

Figure 4: Financial Picture section – Insurance Coverage category – Insurance Coverage page – Disability Insurance Details dialog box

### 1 Details component

- The *Company* and *Policy Number* fields are not available when you select the *Individual Disability Policy* type

### 2 Benefit Details component

- Benefit Amount* – Benefits can be expressed as a % of *Salary* or *Flat Dollar* amount.
  - Salary* is defined on the *Financial Picture* section – *Cash Flow* category – *Cash Flow* page

- *Taxable Benefit* – If selected, the benefits will be included in the clients' taxable income.
  - Typically, if the client pays the premiums the benefits will not be taxable; if someone else pays the premiums, such as an employer, the benefits will be taxable
- *Maximum Indexed Benefit* – You can establish limits to the benefit amount and the waiting period start and end dates. The maximum indexed benefit can be determined by selecting one of the following options:

If you select...	NaviPlan allows you to...
<i>Calculated As</i>	Use a formula for calculating the maximum indexed benefit. The formula options are <i>None</i> , <i>2 x Monthly</i> , and <i>3 x Monthly</i> .
<i>Dollar Amount</i>	Assign a flat dollar amount as the maximum indexed benefit.

### ③ Premiums component

- If the *Payer* is the client or co-client, the value entered in the *Amount* field is treated as an expense and will appear in cash flow reports

## Critical Illness Insurance Details dialog box

Critical illness insurance is becoming a popular type of insurance policy to protect clients from risk. If your clients have critical illness policies, ensure that the details are captured in the current plan.

**1 Details**

<b>Description*</b>	<b>Policy Type*</b>	<b>Insured*</b>	<b>Owner*</b>
Robert Critical Illness	Cash to Insured Coverage	Robert	Robert
<b>Company</b>	<b>Policy Number</b>	<b>Effective Date*</b>	
		Dec 31 2007	

**2 Benefit Details**

<b>Amount*</b>	<b>Benefit Taxable Percentage</b>
\$50,000	100.00%

The *Benefit Taxable Percentage* field is only available when the *Policy Type* is set to *Cash to Insured Coverage*.

**3 Premiums**

<b>Amount*</b>	<b>Frequency*</b>	<b>Payer*</b>	<b>Cease at Age</b>	<b>Cease on Date</b>
\$55	Monthly	Robert		
<b>Infl</b>	<b>+</b>	<b>Add'l</b>	<b>=</b>	<b>Total</b>
<input checked="" type="checkbox"/>		0.00%	=	3.00%
				<b>Premium Refund Percentage</b>
				0.00%

Buttons: Add Critical Illness Insurance, Previous Entry, Next Entry, OK, Cancel

Figure 5: Financial Picture section – Insurance Coverage category – Insurance Coverage page – Critical Insurance Insurance Details dialog box

### 1 Details component

- Selecting *Cash to Insured Coverage* as the policy type will affect cash flow because the benefit amount is automatically paid out to the insured in the critical illness analysis
- *Medical Coverage Plan* type policies will not affect cash flow in the analysis because they assume the benefit amount will be paid directly to medical professionals for recovery purposes

### 2 Benefit Details component

- If the policy type is *Cash to Insured Coverage*, ensure that you indicate the appropriate value for the *Benefit Taxable Percentage*

### ③ Premiums component

- Critical illness insurance policies do not have a default *Cease at Age* for premiums; therefore, they will continue until the end of the clients' life expectancy unless you enter a *Cease at Age* or *Cease on Date* value
- If the *Payer* is the client or co-client, the value entered in the *Amount* field is treated as an expense and will appear in cash flow reports
- Use the *Premium Refund Percentage* field to indicate how much of the premiums paid will be refunded to the client if no claim is made during the policy term
- The refund totals will be based upon the total premiums paid since the start of the plan; NaviPlan will not take any premiums paid before the start of the plan into consideration
- The refund will appear as an inflow in cash flow reports after the *Cease at Age* and *Cease on Date* have passed

### Insurance report

Clicking the *Insurance Coverage Report* button on the *Financial Picture* section – *Insurance Coverage* category – *Insurance Coverage* page opens the *Insurance* report.

The *Insurance* report provides you with a summary of all the policies entered on the *Insurance Coverage* page. The information you entered on the *Details* tab of each policy also appears in the report.

The *Insurance* report is ideal for data verification and ensuring that the policies have been entered accurately. You can compare the results to the Fact Finder the clients have submitted with their information.

### Insurance Report

#### Robert Martin and Sarah Martin

*Comprehensive Plan #2 - Proposed (2008)*

Use the *Insurance* report to quickly verify all insurance policies without opening each policy's *Details* dialog box.

### Life Insurance Policies

Description:		Robert Group Life	
Policy Type:	Term 10 Life	Owner:	Other
Effective Date:	Dec 31 2007	Insured:	Robert
Death Benefit:	\$375,000	Beneficiary:	Sarah
Cash Surrender Value (CSV):	\$0	Premium Payer:	Robert
Premiums cease on:	Apr 21 2028	Annual Premium	\$300
		Payments:	
CSV payable with Death Benefit:	No	Coverage ceases on:	Apr 21 2028
Death Benefit payable when coverage ceases:	No	Disability Waiver:	Yes

Description:		Sarah Group Life	
Policy Type:	Term 10 Life	Owner:	Other
Effective Date:	Dec 31 2007	Insured:	Sarah
Death Benefit:	\$300,000	Beneficiary:	Robert
Cash Surrender Value (CSV):	\$0	Premium Payer:	Sarah
Premiums cease on:	Feb 10 2030	Annual Premium	\$300
		Payments:	
CSV payable with Death Benefit:	No	Coverage ceases on:	Feb 10 2030
Death Benefit payable when coverage ceases:	No	Disability Waiver:	Yes

### Disability Insurance Policies

Description:		Robert Disability	
Policy Type:	Individual Disability	Insured:	Robert
		Effective Date:	Dec 31 2007

Figure 6: Financial Picture section – Insurance Coverage category – Insurance Coverage page – Insurance report

## Learning objective: Describe the assumptions and analysis methods for determining insurance needs

There are two insurance analysis methods available to analyze survivor and disability insurance needs in NaviPlan:

- *Goal and Expense*
- *Income Coverage*

Depending on the clients' situation, one or the other may be more appropriate.

### Insurance analysis methods

Goal and expense				Income coverage														
<ul style="list-style-type: none"> <li>Focus: maintain lifestyle expenses and goals</li> </ul>				<ul style="list-style-type: none"> <li>Focus: replace income and maintain goals</li> </ul>														
<b>Annual Expenses</b>				<b>Current Income Level Calculator</b>														
Percentage of lifestyle and medical expenses to cover* <input type="text" value="85%"/>				<table border="0"> <tr> <td><b>Household Pretax Income</b></td> <td><b>% to cover</b></td> <td><b>=</b></td> <td><b>Income Need (pre-tax)</b></td> <td colspan="2"></td> </tr> <tr> <td><input type="text" value="\$185,000"/></td> <td>x <input type="text" value="0%"/></td> <td>=</td> <td><input type="text" value="\$0"/></td> <td colspan="2"></td> </tr> </table>			<b>Household Pretax Income</b>	<b>% to cover</b>	<b>=</b>	<b>Income Need (pre-tax)</b>			<input type="text" value="\$185,000"/>	x <input type="text" value="0%"/>	=	<input type="text" value="\$0"/>		
<b>Household Pretax Income</b>	<b>% to cover</b>	<b>=</b>	<b>Income Need (pre-tax)</b>															
<input type="text" value="\$185,000"/>	x <input type="text" value="0%"/>	=	<input type="text" value="\$0"/>															
<b>Expense</b>	<b>Amount</b>	<b>Use Defaults</b>	<b>% to Cover</b>	<b>Add to Annual Income Needs</b>														
Housing (i.e. utilities, repairs)	\$30,000	<input checked="" type="checkbox"/>	85%	<input type="button" value="Add to Annual Income Needs"/>														
Food	\$6,000	<input checked="" type="checkbox"/>	85%	<b>Annual Income Needs</b>														
Transportation (i.e. gas, insurance)	\$18,000	<input checked="" type="checkbox"/>	85%	Click the <b>Add Annual Income Need</b> button to create a new row.														
Entertainment (i.e. restaurants, movies)	\$12,000	<input checked="" type="checkbox"/>	85%	<input type="button" value="Add Annual Income Need"/>														
Personal (i.e. clothing, hobbies)	\$9,000	<input checked="" type="checkbox"/>	85%	<b>Education Goals</b>														
Other (i.e. child care, travel)	\$24,000	<input checked="" type="checkbox"/>	85%	<table border="0"> <thead> <tr> <th>Description</th> <th>Name</th> <th>Start Age</th> <th>Number of Years</th> <th>Annual Amount</th> <th>% to Cover*</th> </tr> </thead> <tbody> <tr> <td>Kavin - Education Goal</td> <td>Kavin</td> <td>18</td> <td>4</td> <td>\$13,750</td> <td>100%</td> </tr> </tbody> </table>			Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*	Kavin - Education Goal	Kavin	18	4	\$13,750	100%
Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*													
Kavin - Education Goal	Kavin	18	4	\$13,750	100%													
Retirement goal needs	\$100,000	<input checked="" type="checkbox"/>	85%															

#### Goal and Expense analysis

The Goal and Expense analysis method analyzes the amount of insurance needed to maintain a standard of living. NaviPlan calculates an insurance recommendation that accounts for the goals and expenses defined in the plan. The parameters of the goal and expense analysis can be changed to cover the survivor/disability needs.

#### Income Coverage analysis

The Income Coverage analysis method analyzes the survivor's/non-disabled's client's income, the lost income due to death, and any lump-sum needs or expenses that would occur as a result of the client's death must be accounted for. NaviPlan calculates a recommended amount of insurance to replace the lost income and to cover any additional lump-sum needs that are defined.

## Insurance analysis method assumptions

	Goal and Expense	Income Coverage
Analysis begins	December 31 of the current year (SI) January 1 of the following year (DI)	
Analysis ends	December 31 of year last client is deceased (SI) December 31 of year prior to retirement (DI*)	
Inflows	Existing incomes (SI*, DI*)	
Outflows	Existing expenses (SI*, DI*)	Pre-tax income need defined (SI*, DI*)
Policy proceeds	Invested (SI) Income stream (DI)	
Asset usage	Capital depletion (SI*, DI*)	
Levels	Financial Assessment Level 1 and 2 Plans	Level 2 Plans
*Default can be modified SI – Survivor Income (also known as Life Insurance) DI – Disability Income		

## Learning objective: Establish life insurance needs

### NaviPlan planning stages



In an insurance analysis, NaviPlan projects resulting cash flow needs of the family in the event of survivorship, disability, or critical illness. A hypothetical duplicate plan is created behind the scenes and the client is assumed deceased, disabled, or critically ill. Use the appropriate categories and pages in the *Goals* section to define how cash flow and asset needs will change.

## Survivor Income - Client page

The pages available in the *Survivor Income – Client* category depend on the analysis method you selected. Similar pages are available in the *Co-client* category. Select whether or not to perform this analysis under *Objectives* at the top of the *Survivor Income - Client* page.

**Client** | Notes | Planning Assistant | Calc

Survivor Income - Client | Annual Expenses | Additional Annual Income | Lump Sum Needs | Asset Availability

**Instructions**

**Objectives**  
 If Robert dies

**Choose Analysis Method**  
 Goal and Expense Analysis  
 Income Coverage Analysis

**Adjust Retirement Age**  
 Override Retirement Age

**Survivor Life Expectancy**  
 Override Life Expectancy

**Tax Rates**  
 Override Rates

**Robert**

	Tax Bracket	Average*	Marginal*
Pre-Retirement	\$100,001 - \$110,000	30.40%	44.32%
Retirement	\$60,001 - \$70,000	23.66%	33.89%

**Rate of Return on Life Insurance Proceeds, Surpluses and Liquidations**

	Total	Interest	Dividends	Capital Gains	Deferred Growth
Pre-Retirement	6.00%	1.50%	1.50%	1.50%	1.50%
Retirement	6.00%	1.50%	1.50%	1.50%	1.50%

**1** Use the pages to define how the surviving client expects to live in terms of incomes and expenses if the client dies.

**2** Save time by eliminating the need to redefine survivor needs.

**3** Define survivor needs by the amount of income to replace.

**4**

Figure 7: Goals section – Survivor Income – Client category – Survivor Income - Client page

### 1 Adjust Retirement Age component

- If the surviving client plans on changing his or her retirement age if the client dies, override the age here. The default age is carried over from the *Plan Management* section – *Assumptions* category – *Milestones* page.

**2 Survivor Life Expectancy component**

- If the surviving client plans on changing his or her life expectancy age for the analysis, override the age here. The default age is carried over from the *Plan Management* section – *Assumptions* category – *Milestones* page.

**3 Tax Rates component**

- If the surviving client's taxable income will change if the client dies, be sure to override the tax bracket and tax rates that default to the values from the *Plan Management* section – *Assumptions* category – *General* page

**4 Rate of Return on Life Insurance Proceeds, Surpluses and Liquidations component**

- Enter return rates for a hypothetical asset that would hold any applicable life insurance proceeds, surplus cash, or liquidations of lifestyle assets during the survivorship analysis
- This hypothetical asset may be redeemed to help meet the survivor's needs

## Annual Expenses page

This page is only available if you chose the *Goal and Expense* analysis method on the *Survivor Income - Client* page. Use this page to modify the expenses (cash flow needs) for the survivor analysis if the client dies. All cash outflows are subtracted from cash inflows to determine if a surplus or deficit exists in each year of survivorship.

The screenshot shows the 'Annual Expenses' page in the NaviPlan software. The interface includes a navigation menu on the left with sections like Client Management, Plan Management, Financial Picture, Goals, and Results. The main content area is titled 'Client' and contains several sections:

- Existing Annual Expenses:** A table listing various expenses with columns for Amount, Use Defaults, and Percent to Cover. A callout box notes: "If the client dies, some expenses, like utilities, remain the same while other expenses will be reduced or stopped."
 

Expense	Amount	Use Defaults	Percent to Cover
Housing (e.g. utilities, repairs)	\$24,000	<input checked="" type="checkbox"/>	85%
Food	\$12,000	<input checked="" type="checkbox"/>	85%
Transportation (e.g. gas, insurance)	\$12,000	<input checked="" type="checkbox"/>	85%
Entertainment (e.g. restaurants, movies)	\$12,000	<input checked="" type="checkbox"/>	85%
Personal (e.g. clothing, hobbies)	\$9,600	<input checked="" type="checkbox"/>	85%
Other (e.g. child care, travel)	\$30,000	<input checked="" type="checkbox"/>	85%
Retirement Travel (End at 75)	\$10,000	<input checked="" type="checkbox"/>	85%
Retirement Travel (Start at 76)	\$15,000	<input checked="" type="checkbox"/>	85%
Retirement	\$105,000	<input checked="" type="checkbox"/>	85%
- Cover Education Expenses:** A table with columns for Name, Expense, Start Age, Number of Years, Amount, Indexed By, and Percent to Cover. A callout box notes: "For a more conservative analysis, assume that any projected surpluses will be spent."
 

Name	Expense	Start Age	Number of Years	Amount	Indexed By	Percent to Cover
Marc	Marc University	18	4	\$17,000	5.00%	100%
- Surplus Strategy:** Fields for Percent surplus spent\* (0%) and Percent surplus saved\* (100%).
- Analysis Surplus:** A checkbox labeled "Assume surplus is spent" which is checked. A callout box notes: "If the client dies, the survivor and family may have new expenses to cover."
- Additional Annual Expenses:** A section with a button labeled "Add Annual Expense".

Figure 8: Goals section – Survivor Income – Client category – Annual Expenses page

### 1 Existing Annual Expenses component

- Enter a value in the *Percentage of expenses to cover* field and it will be used for all the expense items below with the *Use Defaults* check box selected
- Clear the *Use Defaults* check box to enter a specific percentage to cover for any expense

**② Cover Education Expenses component**

- If there is an education goal in the plan, you can define whether or not the goal should be included in the survivor analysis by entering a value in the *Percent to Cover* field

**③ Surplus Strategy component**

- If the survivor analysis projects surpluses for the surviving client, you can indicate whether it should be saved, spent, or both, using the *Surplus Strategy* component
- See the Help for more information on this topic

**④ Analysis Surplus component**

- NaviPlan projects the cash flow that would have occurred in pre-retirement if neither client died. Any pre-retirement surpluses resulting from that projection will become additional pre-retirement survivor expenses if you select *Assume surplus is spent*. This helps ensure that the survivor's standard of living is maintained and will usually increase the insurance need.
- See the Help and expand the *Surplus Strategy* sections for more information on this topic.

**⑤ Additional Annual Expenses component**

- Use this component to add additional incremental fixed expenses that may occur during survivorship by indicating the *Description*, *Amount*, and *Number of Years/End Date*
- Examples of additional annual expenses the clients could incur during survivorship are child care and a cleaning service

## Additional Annual Income page

This page is only available if you chose the *Goal and Expense* analysis method on the *Survivor Income - Client* page. Use this page to add any incomes the surviving client expects to receive.

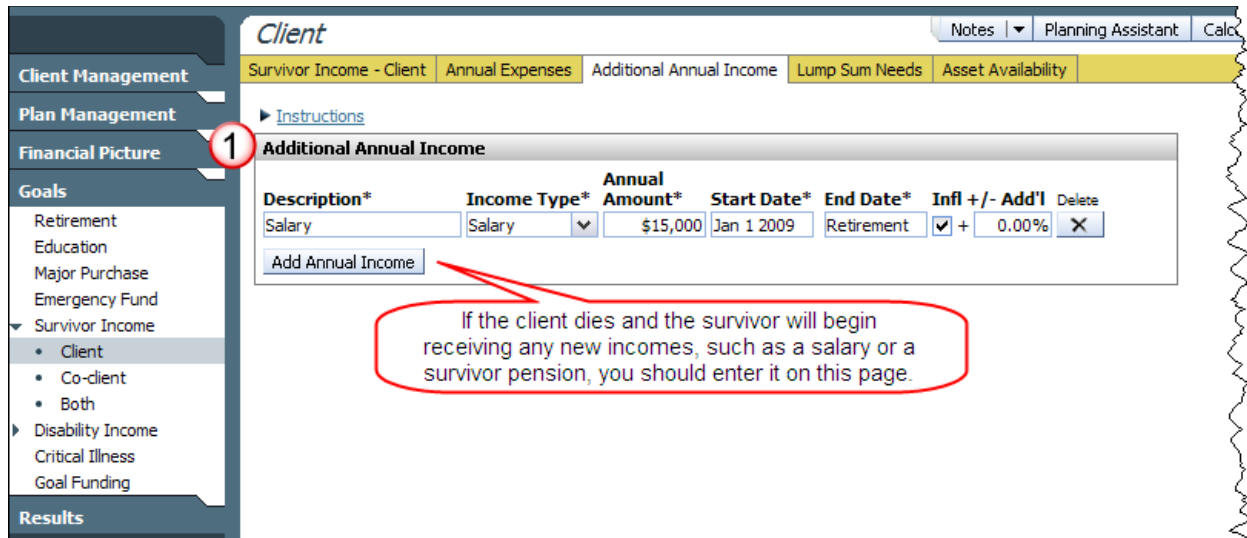


Figure 9: Goals section – Survivor Income – Client category – Additional Annual Income page

### ① Additional Annual Income component

- Entering incomes on this page is very similar to entering incomes in the *Financial Picture* section
- If the survivor has a vested interest in benefits from the deceased client's pension, enter the estimated benefit as an income on this page
- Another example is if a stay-at-home spouse plans to go back to work, you would enter that expected income here

## Lump Sum Needs page

Use this page to include immediate lump-sum expenses that will be covered in the event that the client dies.

The screenshot shows the 'Lump Sum Needs' page with the following sections:

- Pay Off Outstanding Liabilities:** A table with columns 'Description' and 'Outstanding Principal'. It lists two items: '520 Thomas Street' (\$171,698) and 'Credit Card Loan' (\$10,526).
- Major Purchase Goals:** A table with columns 'Description', 'Amount', and 'Target Date'. It lists one item: 'Recreational Vehicle' (\$60,000, Target Date: Jan 1 2010).
- Additional Lump Sum Needs:** A table with columns 'Description', 'Amount', 'Infl +/- Add'l', and 'Delete'. It lists one item: 'Cash reserve' (\$20,000, Inflation: +, Rate: 0.00%).

Figure 10: Goals section – Survivor Income – Client category – Lump Sum Needs page

### ① Pay Off Outstanding Liabilities component

- Liabilities in the plan will be included in this section so you can indicate how the surviving client will pay them off
- When you specify that a liability is insured for life in the *Other Options* section for an individual liability, it will not appear on the *Lump Sum Needs* page
- If the surviving client expects to have sufficient cash flow to cover ongoing liability payments they may not want the liability paid out in the life insurance analysis

### ② Major Purchase Goals component

- All major purchase goals in the plan will be included in this section so you can indicate whether or not the surviving client wishes to keep them as goals to fund or have the funding available immediately upon death

### ③ Additional Lump Sum Needs component

- Since the expenses are an immediate need at death, there is no need to enter start and end dates

## Asset Availability page

Use this page to control asset availability for survivor needs. You can make an asset available to fund survivor needs by selecting *Available Immediately* or *Available Starting At Retirement* to fund survivor needs. Establish an asset retention strategy by selecting *Not Available*.

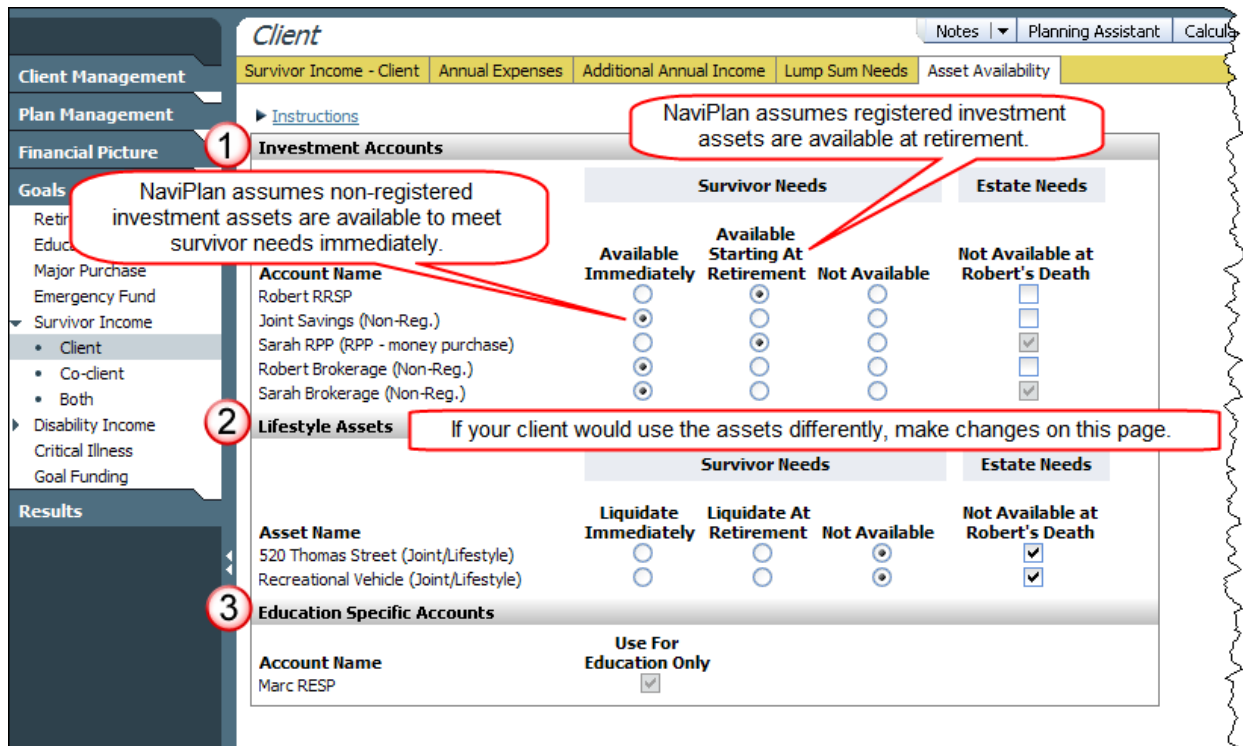


Figure 11: Goals section – Survivor Income – Client category – Asset Availability page

### 1 Investment Accounts component

- If assets are available to cover estate needs they may be redeemed immediately and will not be available for the survivor's needs
- Selecting *Not Available at <client>'s Death* ensures an asset will be available for survivor needs, but may create an immediate need because the estate needs are not covered

### 2 Lifestyle Assets component

- By defaults lifestyle assets are not available because they are typically not liquid assets and cannot be redeemed in small units.

- If you select *Liquidate Immediately* or *Liquidate At Retirement*, the entire asset will be redeemed and the proceeds are not used immediately. After paying off linked liabilities, the asset will be reinvested at the rate defined on the *Survivor Income - Client* page.

### ③ Education Specific Accounts component

- RESP assets in the plan, if any, are listed but will only be used for education needs; you cannot change this setting

## Survivor Income - Both page

This page allows the analysis of cash flow needs after the death of the primary family member(s). In this analysis, consider the cost of raising financial dependants, college expenses, and funeral costs, and then enter them under *Support for Dependants* and *Additional Lump Sum Needs*.

The screenshot shows the 'Survivor Income - Both' page in NaviPlan. The sidebar on the left has 'Goals' selected, with 'Survivor Income' and 'Both' sub-items. The main area is titled 'Both' and contains the following sections:

- Objectives:** A checkbox labeled 'If Robert and Sarah die' is checked.
- Cover Education Expenses:** A table with columns: Child, Expense, Start Age, Number of Years, Amount, Indexed By, and Percent to Cover. One entry is shown: Marc, Marc University, 18, 4, \$17,000, 5.00%, 100%.
- Support for Dependants:** A table with columns: Description, Owner, Frequency, Amount, End Age, Start Date, End Date, Infl +/- Add'l, and Delete. One entry is shown: Ongoing Expenses, Marc, Annual, \$0, 21, Jan 1 2009, Dec 31 2017, +, 0.00%.
- Additional Lump Sum Needs:** A table with columns: Description, Amount, Infl +/- Add'l, and Delete. Two entries are shown: Cash reserve (\$20,000) and Lump Sum Need (\$0).
- Rate of Return on Life Insurance Proceeds, Surpluses and Liquidations:** A table with columns: Total, Interest, Dividends, Capital Gains, and Deferred Growth. Two rows are shown: Pre-Retirement and Retirement, both with 6.00% Total, 1.50% Interest, 1.50% Dividends, 1.50% Capital Gains, and 1.50% Deferred Growth.

Figure 12: Goals section – Survivor Income – Both category – Survivor Income - Both page

### 1 Cover Education Expenses component

- Education goal expenses entered in the *Goals* section – *Education* category are automatically included here
- By default, NaviPlan assumes 100% of the expenses will be covered

### 2 Support for Dependants component

- Enter ongoing and/or lump-sum expenses that should be covered to support the dependants; examples may include daycare for young dependent children or ongoing homecare for elderly parents

**③ Additional Lump Sum Needs component**

- Add any additional lump-sum needs above and beyond those entered for the client's or co-client's death

**④ Rate of Return on Life Insurance Proceeds, Surpluses and Liquidations component**

- Enter return rates for a hypothetical asset that would hold any applicable life insurance proceeds, surplus cash, or liquidations of lifestyle assets during the survivorship analysis
- This hypothetical asset may be redeemed to help meet the survivor's needs

## Learning objective: Analyze reports to identify life insurance shortfalls

### NaviPlan planning stages



Once you have entered the policies currently held by your clients and defined their needs should one of them die, you are ready to analyze whether or not additional coverage is required. For the life insurance analysis, we will look at some pages available in the *Financial Needs Summary* client report.

## Life Insurance - <client> page

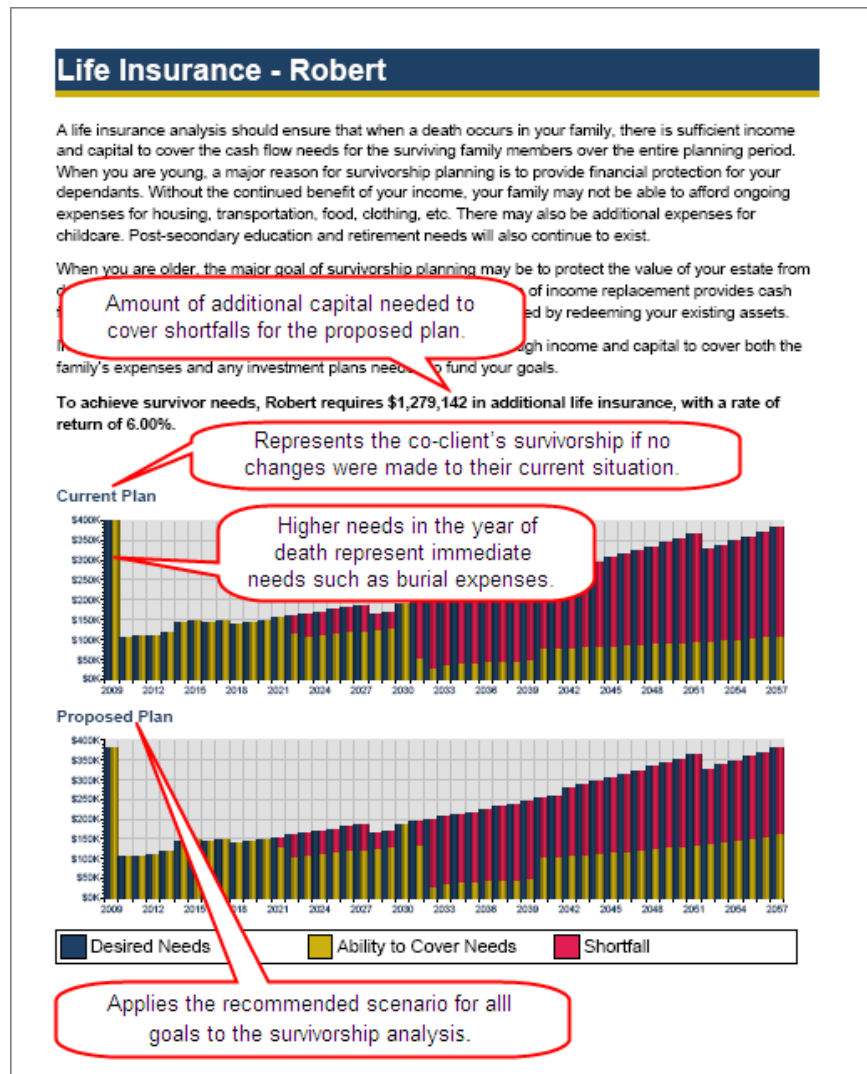


Figure 13: Financial Needs Summary client report – Life Insurance - <client> page

- If your clients have young children, it is critical to present this analysis for both clients, particularly when there is a large difference in incomes

## Life Insurance Summary page

The following report provides an overview of your life insurance needs (2008), using assumptions from the Proposed Plan. Lump sum needs include final expenses and other needs. The lump sum you would require to meet your needs is the lump sum you would require to meet your needs to provide for your children.

Use the *Life Insurance Summary* page to explain how the insurance needs were calculated.

Policy proceeds will include the GSV if applicable.

<i>Life Insurance Summary</i>	
	Robert
<b>Existing Life Insurance Coverage</b>	<b>\$375,000</b>
Immediate Capital Needs	
Cash reserve	\$20,000
\$20 Thomas Street	\$171,698
Credit Card Loan	\$10,526
Assumed Expenses	\$2,452
Existing resources to meet Immediate Needs	
Pre-Death Cash Flow Surplus	(\$8,995)
Life Insurance Proceeds	(\$193,181)
Death Benefit from CPP / QPP	(\$2,500)
<b>Additional Coverage for Immediate Needs</b>	<b>\$0</b>
Capital needed to meet future cash flow shortfalls	\$1,458,461
Life Insurance Proceeds	(\$179,319)
Reinvested Surplus	\$0
<b>Additional Coverage for Future Shortfalls</b>	<b>\$1,279,142</b>
<b>Additional Recommended Coverage</b>	<b>\$1,279,142</b>

Is the recommended amount of coverage a surprise to your clients?

**Consider the following:**

- Ask yourself what expenses would change over time.
- Review your coverage periodically to ensure it continues to meet your family's changing needs.
- Review group coverage at work. You may not want to rely only on group policies, in case you change jobs, or your employer changes to another insurer where you may no longer be eligible. The amount of coverage may also be inadequate.
- It is also important to consider continued savings to fund other financial goals.

Figure 14: Financial Needs Summary client report – Life Insurance Summary page

- This table provides a more detailed breakdown of why additional insurance is or is not required
- Use the *Life Insurance Summary* page to provide detail on existing coverage and lump-sum/cash flow requirements

## Learning objective: Establish disability insurance needs

### NaviPlan planning stages



In an insurance analysis, NaviPlan projects resulting cash flow needs of the family in the event of disability. A hypothetical duplicate plan is created behind the scenes and the client is assumed disabled. Use the appropriate categories and pages in the *Goals* section to define how cash flow and asset needs will change.

This section of the guide will note the differences as compared to the survivor income analysis.

The pages available in *Disability Income – Client* category depend on the analysis method you select. Similar pages are available in the *Co-client* category. Select whether or not to perform this analysis under *Objectives* at the top of the page.

## Disability Income - Client page

**Client** (2) (3) (4) Notes | Plans

Disability Income - Client | Additional Annual Expenses | Lump Sum Needs | Asset Availability

**Objectives**  
 If Robert is disabled

**Choose Analysis Method**  
 Goal and Expense Analysis  
 Income Coverage Analysis

**Retirement Age**  
 Override Retirement Age

	Robert		Sarah	
	Age	Year	Age	Year
Retirement Age for Disability Analysis	62	2028	62	2030

**Life Expectancy**  
 Override Life Expectancy

	Robert		Sarah	
	Age	Year	Age	Year
Life Expectancy for Disability Analysis	90	2056	90	2058

**Analyze Disability Through**

	Robert	
	Age	Year
Analyze Disability Through	61	2027

**Tax Rates**  
 Override Rates

**Robert**

	Tax Bracket	Average*	Marginal*
Pre-Retirement	\$100,001 - \$110,000	30.40%	44.32%
Retirement	\$60,001 - \$70,000	23.66%	33.89%

**Rate of Return on Surpluses and Liquidations**

	Total	Interest	Dividends	Capital Gains	Deferred Growth
Pre-Retirement	6.00%	1.50%	1.50%	1.50%	1.50%
Retirement	6.00%	1.50%	1.50%	1.50%	1.50%

The pages and features for disability income analysis are very similar to the survivor income analysis. Refer to the survivor income section earlier in this guide for more details.

1

Figure 15: Goals section – Disability Income – Client category – Disability Income - Client page

### 1 Analyze Disability Through component

- By default, NaviPlan analyzes disability until the clients' expected retirement age. You can change this assumption by entering a different age or year.

- Required savings are forced during the pre-retirement period to ensure sufficient assets are available at the start of retirement to cover the retirement need.

### ② Additional Annual Expenses page

- The *Additional Annual Expenses* page is next in the data-entry order; the *Annual Incomes* page is not available for disability income analysis
- By default, NaviPlan assumes that 100% of expenses should be covered during the disability income analysis
- Additional expenses you and your clients may want to consider include disability-related expenses, such as medication or nursing costs, as well as services that the disabled client would have performed, such as child care and house maintenance

### ③ Lump Sum Needs page

- Additional lump sum expenses you and your clients may want to consider are house modifications, such as building wheelchair ramps

### ④ Asset Availability page

- There is no *Available for Estate Needs* option in the disability income analysis

## Learning objective: Analyze reports to identify disability insurance shortfalls

### NaviPlan planning stages



Once you have entered the policies currently held by your clients and defined their needs should one of them become disabled, you are ready to analyze whether or not additional coverage is required. For the disability insurance analysis, we will look at some stand-alone reports available.

NaviPlan will not make any disability insurance recommendations. It is your responsibility as a planner to find what type of policy and benefit would be ideal for your clients' situation.

## Cash Flow Surplus/Deficit for Disability Insurance <client/co-client> graph

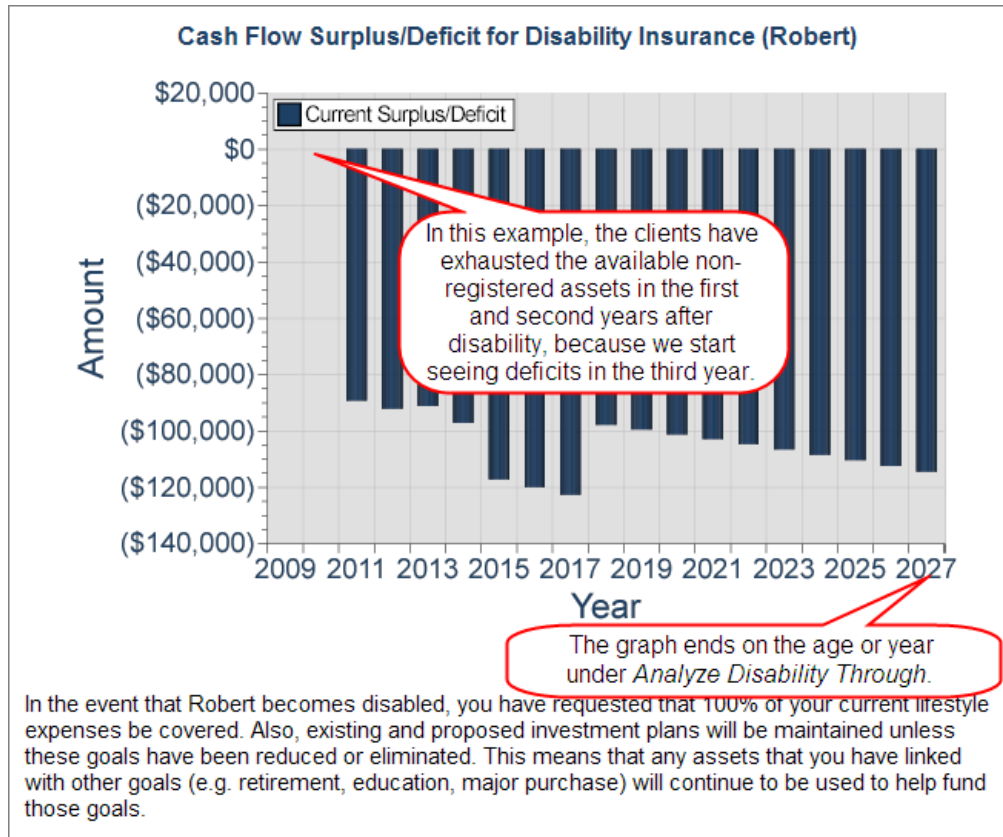


Figure 16: Reports menu – Cash Flow – Disability Insurance: <client/co-client>

- The graph displays annual (not cumulative) surpluses and deficits during the disability period.
  - End date of the graph is driven by the *Analyze Disability Through Age and Year* specified on the *Disability Income - Client/Co-client* pages.
- Use this graph to compare your expectations with the data in the plan.
- If you see unexpected results, identify the year, generate a more detailed cash flow report, such as the *Insurance – Disability Insurance – Cash Flow Detail if <client> is Disabled* report. Then compare normal years to unexpected years to help determine the cause of any inconsistencies.

## Multi-Year Cash Flow Summary if <client> is Disabled report

Multi-year cash flow reports are useful to help examine your clients' overall cash flow situation during the disability period and identify any deficits.

**Multi-Year Cash Flow Summary if Robert is Disabled**

Year	Ages	Disability Income	Other Cash Inflows	Taxes	Expenses and Savings	Surplus (Deficit)
2009	43/41	27,000	199,833	28,163	198,670	0
2010	44/42	36,000	200,273	32,489	202,884	0
2011	45/43	36,000	111,420	27,472	57,104	(89,156)
2012	46/44	36,000	115,474	28,833	14,640	(91,999)
2013	47/45	36,000	121,686	30,622	118,005	(91,042)
2014	48/46	36,000	127,898	32,412	144,217	(7,138)
2015	49/47	36,000	134,110	34,201	170,429	(7,107)
2016	50/48	36,000	140,322	36,000	196,641	(9,789)
2017	51/49	36,000	146,534	37,789	222,853	(2,576)
2018	52/50	36,000	152,746	39,578	249,065	(7,782)
2019	53/51	36,000	165,199	43,294	257,315	(99,410)
2020	54/52	36,000	173,632	45,750	264,971	(101,089)
2021	55/53	36,000	182,448	48,318	272,950	(102,819)
2022	56/54	36,000	191,666	51,004	281,266	(104,604)
2023	57/55	36,000	201,306	53,813	289,936	(106,444)
2024	58/56	36,000	211,388	56,752	298,977	(108,341)
2025	59/57	36,000	221,934	59,828	308,405	(110,298)
2026	60/58	36,000	232,969	63,046	318,238	(112,315)
2027	61/59	36,000	244,516	66,414	328,498	(114,396)

The *Surplus (Deficit)* column confirms the surpluses and deficits and can assist you in determining an appropriate amount of additional insurance for the clients.

Figure 17: Reports menu – Insurance – Disability Insurance category – Multi-Year Cash Flow Summary if <client> is disabled report

- Reflects the surplus/deficit numbers seen in the *Cash Flow Surplus/Deficit for Disability Insurance <client/co-client>* graph
- End date of the report is driven by the *Analyze Disability Through Age and Year* specified on the *Disability Income - Client/Co-client* pages
- Helps you identify any unexpected results in any given year during the disability period
- If you see unexpected results, identify the year, generate a more detailed cash flow report, and then compare normal years to unexpected years to help determine the cause of any inconsistencies

## Learning objective: Establish critical illness insurance needs

### NaviPlan planning stages



In an insurance analysis, NaviPlan projects resulting cash flow needs of the family in the event of critical illness. A hypothetical duplicate plan is created behind the scenes and the client is assumed to be critically ill.

### Critical Illness page

**Critical Illness Insurance Lump Sum Expenses**

Description*	Member*	Type*	Amount*	Infl +/-	Add'l	Delete
Critical Illness Expense	Robert	Non-Medical	\$100,000	✓ +	0.00%	✕
Add Critical Illness Lump Sum Expense						

Use this page to add any estimated expenses associated with a critical illness event.

Figure 18: Goals section – Critical Illness category – Critical Illness page

Use the *Critical Illness* page to enter any lump-sum expenses that the client or co-client expect to incur in the event of critical illness. These medical or non-medical expenses will be assumed to occur on January 1 of the next plan year. These expenses will be above and beyond any existing plan expenses and may create unmanageable cash flow deficits for your clients.

**① Critical Illness Insurance Lump Sum Expenses component**

- Enter these expenses as you would enter any typical lump-sum expense
- Ensure that you indicate the appropriate type, as medical or non-medical
- The *Type* field is for record-keeping purposes only; there is no difference between *Medical* or *Non-Medical* expenses when it comes to plan calculations
- Be sure to include separate expenses for each member for whom you plan to perform a critical illness analysis
- Examples of expenses to consider are alternative medicine, therapy, home renovations, equipment and assistive devices, treatment or surgery outside of Canada, homecare and child care

## Learning objective: Analyze reports to identify critical illness insurance shortfalls

### NaviPlan planning stages



Once you have entered the policies currently held by your clients and defined their needs should one of them become critically ill, you are ready to analyze whether or not additional coverage is required. For the critical illness insurance analysis, we will look at some stand-alone reports available.

There are two types of reports and graphs available to analyze critical illness:

- <client/co-client> becomes critically ill and permanently disabled
  - Plan is affected throughout the critical illness and disability periods
  - Incorporates disability settings specified in the *Disability Income – Client/Co-client* categories
- <client/co-client> becomes critically ill
  - Plan is only affected in the year of the analysis (next year)
  - Assumes that everything returns to normal after the analysis and that the client continues working

### Cash Flow Surplus/Deficit if <client/co-client> becomes critically ill and permanently disabled graph

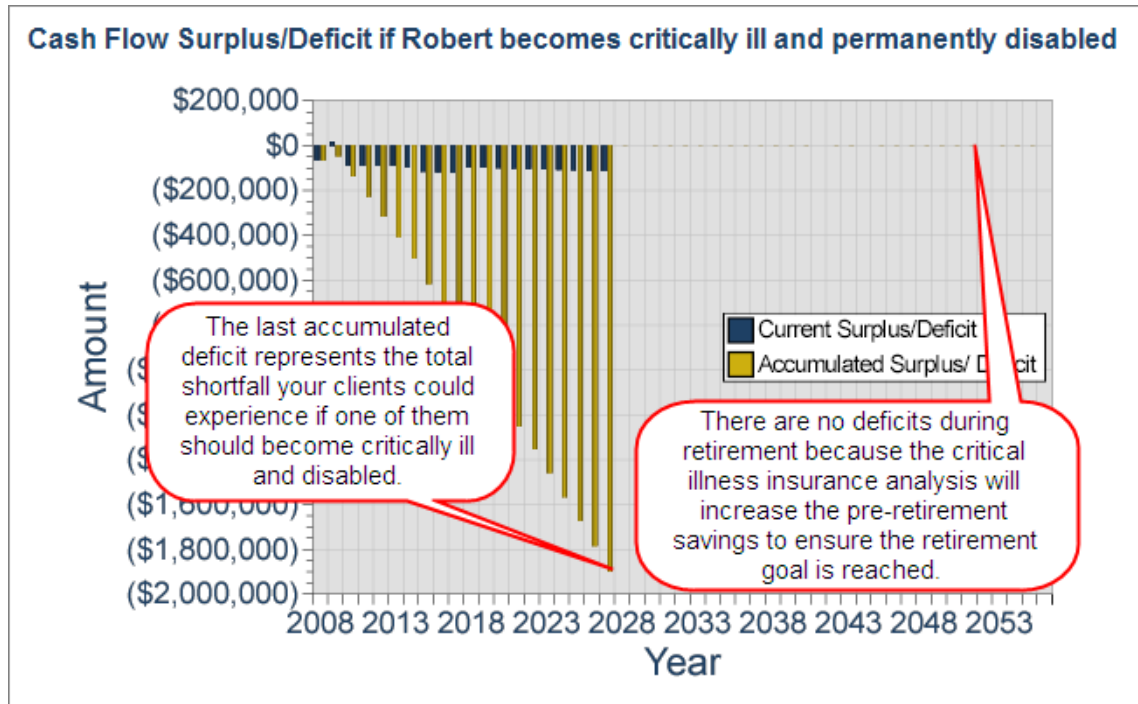


Figure 19: Reports menu – Cash Flow – Critical Illness with Long-Term Disability: Robert

- The graph displays annual and accumulated surpluses and deficits during the critical illness and disability periods
- Use this graph to compare your expectations with the data in the plan
- Any accumulated pre-retirement surplus or deficit is reset to zero once the retirement period begins

## Critical Illness with Long Term Disability Cash Flow Details <client/co-client> report

**Critical Illness with Long Term Disability Cash Flow Details (Robert)**

Year	Age(s)	Total Income	Total Tax	After Tax Income	Total Expenses	Current Surplus/Deficit
2009	43/41	347,844	47,462	300,381	300,381	0
2010	44/42	190,140	26,940	133,200	202,400	(69,200)
2011	45/43	145,436	27,408	118,028	207,680	(89,652)
2012	46/44	151,358	28,811	122,547	213,174	(90,627)
2013	47/45	157,540	30,591	126,948	216,585	(89,637)
2014	48/46	163,722	32,698	148,915	244,625	(95,710)
2015	49/47	169,904	34,429	136,305	251,961	(115,656)
2016	50/48	176,086	36,477	141,296	259,608	(118,313)
2017	51/49	182,268	38,525	143,743	267,255	(123,512)
2018	52/50	188,450	40,573	147,877	274,902	(127,025)
2019	53/51	194,632	42,621	152,011	282,549	(130,538)
2020	54/52	200,814	44,669	156,145	290,196	(134,051)
2021	55/53	217,993	47,217	170,776	307,843	(137,067)
2022	56/54	227,162	49,765	177,397	315,490	(138,093)
2023	57/55	236,749	53,658	183,091	323,137	(140,046)
2024	58/56	246,776	56,580	190,196	296,838	(106,642)
2025	59/57	257,264	59,638	197,626	306,192	(108,566)
2026	60/58	268,237	62,839	205,398	315,949	(110,551)
2027	61/59	279,719	66,189	213,529	326,127	(112,598)

This report illustrates the impact of Robert becoming critically ill and permanently disabled at the beginning of NEXT year (2009).

Figure 20: Reports menu – Insurance – Critical Illness Insurance – Projected Cash Flow if <client/co-client> Becomes Critically Ill & Permanently Disabled

- Reflects the surplus/deficit results seen in the *Cash Flow Surplus/Deficit* if <client/co-client> becomes critically ill and permanently disabled graph
- End date of the report is driven by the *Analyze Disability Through Age and Year* specified on the *Disability Income - Client/Co-client* pages

## Exercises

The exercises have been designed specifically for this module and assume that you are working with the original data in the plan named *Comprehensive Plan* in the *Martin (English), Robert, Sarah* client file. Before starting the exercises, duplicate the **Comprehensive Plan**, rename the duplicate with a meaningful name (e.g., *Insurance planning 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 47.

### Exercise 1: Model existing insurance policies

1. Robert’s group insurance policy benefits have recently changed according to the following details. Update the plan to reflect these changes.

#### Life insurance

- Death benefit has increased to **\$400,000**
- Coverage will cease at age **65**, even if he retires earlier
- His employer is now making premium payments
- Death benefit will increase by **3%** annually until the cease date

#### Disability

- New Group LTD policy
- Taxable benefits are **66%** of salary
- Waiting period is **3** months
- Benefit period is until age **65**
- His employer is making premium payments of **\$20** per month
- He has cancelled his individual policy

**Hint:** Additional fields are available by clicking the **Details** button on the *Insurance Coverage* page.

2. Generate a report to confirm that you have entered the updates to all the policy details accurately.

**Hint:** For quick access to the insurance reports on the *Insurance Coverage* page, click the **Insurance Coverage Report** button, or select a report from the *Reports* menu.

## Exercise 2: Describe the assumptions and analysis methods for determining insurance needs

1. What are the two insurance analysis methods available in a Level 2 Plan for the survivor income and disability income goals?

**Hint:** Go to the **Goals** section – **Survivor Income – Client** category – **Survivor/Disability Income - Client** page.

- a) *Goal and Expense Analysis* method and *Itemized Analysis* method
  - b) *Itemized Analysis* method and *Needs Analysis* method
  - c) *Goal and Expense Analysis* method and *Income Coverage Analysis* method
  - d) None of the above
2. The survivor income analysis period is
    - a) Today to December 31 of the year the last client is deceased
    - b) January 1 of the current year to December 31 of the year the last client is deceased
    - c) December 31 of the current year to December 31 of the client's original life expectancy age
    - d) December 31 of the current year to December 31 of the year the last client dies
  3. By default, NaviPlan will only use the income from assets to meet survivor needs in the event of death. That is, NaviPlan assumes a capital preservation method of insurance. Is this statement true or false?
    - a) True
    - b) False

### Exercise 3: Establish insurance needs

- Match the description with the correct field or page name when using the *Goal and Expense Analysis* method for the survivor income goal.

Feature	Match	Field or page
You can enter the percentage of a specific expense to be covered by the client's cash flow during the survivorship period in the _____ field.		a) <i>Asset Availability</i>
On this page you can specify which assets will be available to cover cash flow deficits in the survivorship period, and when they will become available.		b) <i>Lump Sum Needs</i>
This field on the <i>Survivor Income – Client</i> page allows you to modify the life expectancy of the survivor for the life insurance analysis.		c) <i>Percentage of expenses to cover</i>
The _____ field allows you to specify that all surplus cash during survivorship will be saved.		d) <i>Survivor Life Expectancy</i>
This page allows you to enter any one-time expenses that could occur on the event of survivorship.		e) <i>Percent surplus saved</i>

- What is the default *Total Rate of Return on Surpluses and Liquidations* value for the disability income goal?
  - 0%–2.5%
  - 2.6%–5.5%
  - 5.6%–7.5%
  - Over 7.5%

3. Your clients have stated their survivor income and disability income goals in the event of the client's death or disability as follows. Update the plan to reflect these changes.

**Reminder:** To reduce repetition of similar concepts, the exercises for this module will focus on the analyses for the client.

**Hint:** Leave all other fields at their default values.

#### **Life Insurance**

- The co-client will delay retirement until age **65**.
- The co-client's taxable income will be approximately **\$95,000**.
- New house maintenance cost of **\$5,000** annually will continue until the co-client's death and is indexed to inflation.
- Any projected surplus income during survivorship should be assumed saved.
- Any pre-retirement cash flow surplus that would have existed if the client were still alive will be spent.
- All loans will be paid off immediately.
- The RV will be liquidated immediately.

#### **Disability**

- Both clients will retire in **2032**.
- The client's life expectancy will change to **80**.
- The analysis should only consider pre-retirement years.
- Additional disability care costs of **\$25,000** annually will continue until death.
- Any projected surplus income should be assumed saved.
- Any pre-retirement cash flow surplus that would have existed if the client were still alive will be spent .
- All loans will be paid off immediately.
- An immediate expense of **\$50,000** will apply to make house modifications that make the house more accessible.
- The RV will be liquidated immediately.

#### **Critical illness**

- **\$100,000** of miscellaneous non-medical expenses for the client.

## Exercise 4: Analyze reports to identify insurance shortfalls

1. Generate the *Financial Needs Summary* client report with only the insurance goals for the client selected, and then use the report to answer the following questions.

**Hint:** Click the **Select Document Sections** button on the *Client Report* page to customize the sections included in the report.

2. After reviewing the disability insurance results in the report your clients are surprised at the deficits. They are concerned that the RV is not being redeemed and factored into the analysis. Which of the following reports/graphs can you show them to confirm that the RV has been redeemed and factored into the analysis?

- a) *Reports* menu – *Cash Flow* category – *Disability Insurance: <client>*
- b) *Reports* menu – *Insurance – Disability Insurance* category – *Multi-Year Cash Flow Summary if <client> is Disabled*
- c) *Reports* menu – *Insurance – Disability Insurance* category – *Projected Cash Flow if <client> is Disabled*
- d) *Reports* menu – *Insurance – Disability Insurance* category – *Cash Flow Detail if <client> is Disabled* for the year 2009

3. Is the *Life Insurance Summary* report within the *Life Insurance – <client>* section of the client report based on the Current plan type or the Recommended plan type?

**Hint:** You can assign the report settings on any of the reports in the *Insurance* category in the *Reports* menu.

- a) Current plan type
- b) Recommended plan type

4. Your clients ask if you can provide a critical illness analysis that shows the client becoming disabled because of an illness. Which of the following reports/graphs would you show them?
- a) *Reports menu – Insurance – Critical Illness category – Projected Cash Flow if <client> becomes Critically Ill*
  - b) *Reports menu – Cash Flow category – Critical Insurance: <client>*
  - c) *Reports menu – Insurance – Critical Illness category – Projected Cash Flow if <client> becomes Critically Ill & Permanently Disabled*
  - d) None of the above

## Conclusion

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

- Model existing insurance policies
- Describe the assumptions and analysis methods for determining insurance needs
- Establish life insurance needs
- Analyze reports to identify life insurance shortfalls
- Establish disability insurance needs
- Analyze reports to identify disability insurance shortfalls
- Establish critical illness insurance needs
- Analyze reports to identify critical illness insurance shortfalls

## Answers to exercises

### Exercise 2: Describe the assumptions and analysis methods for determining insurance needs

1. c) The two life insurance analysis methods available in a Level 2 Plan are the *Goal and Expense Analysis* method and the *Income Coverage Analysis* method.
2. d) The survivor income analysis period is December 31 of the current year to December 31 of the year the last client dies
3. b) False – NaviPlan assumes capital depletion asset usage. You can override this default (and specify which assets are available to cover cash flow deficits in the survivorship period) on the *Asset Availability* page.

### Exercise 3: Establish insurance needs

1.

Feature	Match	Field or page
You can enter the percentage of a specific expense to be covered by the client's cash flow during the survivorship period in the _____ field.	c	a) <i>Asset Availability</i>
On this page you can specify which assets will be available to cover cash flow deficits in the survivorship period, and when they will become available.	a	b) <i>Lump Sum Needs</i>
This field on the <i>Survivor Income – Client</i> page allows you to modify the life expectancy of the survivor for the life insurance analysis.	d	c) <i>Percentage of expenses to cover</i>
The _____ field allows you to specify that all surplus cash during survivorship will be saved.	e	d) <i>Survivor Life Expectancy</i>
This page allows you to enter any one-time expenses that could occur on the event of survivorship.	b	e) <i>Percent surplus saved</i>

2. c) 5.6%–7.5% – The default *Total Rate on Surpluses and Liquidations* value is 6.0%.

#### **Exercise 4: Analyze reports to identify insurance shortfalls**

2. d) To confirm that the RV has been redeemed and factored into the analysis, you would show your clients the *Reports* menu – *Insurance – Disability Insurance* category – *Cash Flow Detail if <client> is Disabled* report for the year 2009.
3. b) Recommended plan type – The *Life Insurance Summary* report within the *Life Insurance - <client>* section of the client report is based on the Recommended plan type.
4. c) To provide a critical illness analysis that shows your client becoming disabled as a result of an illness, you would show your clients the *Reports* menu – *Insurance – Critical Illness* category – *Projected Cash Flow if <client> becomes Critically Ill & Permanently Disabled* report.