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NaviPlan Extended

Version 9.0a

General (USA)

Build 2524-092

Morning

NaviPlan Extended planning process

- Review cash flow–based planning
- The planning process

Financial strategies analysis

- Base plan review using the *Plan Analysis* window
- Create What-if strategies
- Analysis using the *Cash Flow Assistant*

Estate planning

- Overview of estate-planning methods
- Create estate-planning scenarios

Afternoon

Estate planning continued

- Analyze and compare scenarios
- Estate planning reports and graphs
- Recommending an estate plan

Monte Carlo Sensitivity Analysis

Document packages and document templates

- Overview of NaviPlan Extended’s document packages
- Create and edit document packages – exercises

Question and answer period

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1. Using asset classes

When using the asset classes method for assigning return rates, you can establish up to 30 asset classes with corresponding returns and an unlimited number of model portfolios. Returns for each asset class can be defined according to interest, dividends, capital gains (realized annually), deferred growth (unrealized until redemption), and tax free. All investment income is given the appropriate tax treatment based on these classifications.

For our case study we will use the asset classes method as a means of calculating default return rates.

Defining asset classes

Procedure

1. Go to the **Edit** menu, and then select **Preferences**.
2. Go to the **Asset Classes** tab – **Classes** subtab.
3. Select the **Use asset class weightings for setting asset return rates** check box.
This check box specifies this method as the default method for calculating asset returns for all future plans.
4. Click the **New Asset Class** button four times to create four blank rows.
5. Enter the asset classes and their corresponding return rates, as listed below:

	Interest	Dividends	Capital Gains	Deferred Growth	Tax Free	Standard Deviation
Foreign Equity	0.00%	4.00%	0.00%	8.00%	0.00%	10.00%
Domestic Equity	0.00%	2.00%	0.00%	8.00%	0.00%	8.00%
Fixed Income	3.00%	2.00%	0.00%	2.00%	0.00%	4.00%
Cash	3.00%	0.00%	0.00%	0.00%	0.00%	3.00%

Defining model portfolios

Procedure

1. Go to the **Portfolios** subtab.
2. Click the **New Portfolio** button three times to create three blank rows.
3. Enter the portfolios and corresponding asset class weightings, as follows:

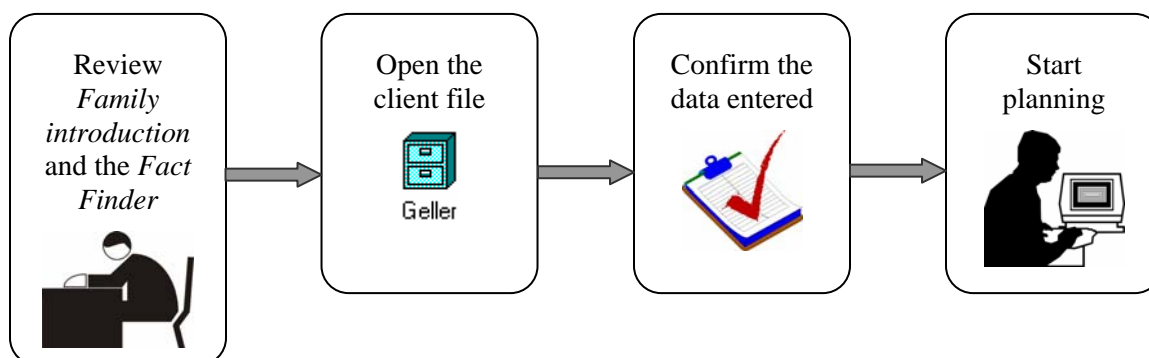
	Foreign Equity	Domestic Equity	Fixed Income	Cash
Aggressive	20.00%	60.00%	20.00%	0.00%
Moderate	0.00%	40.00%	40.00%	20.00%
Balanced	0.00%	30.00%	30.00%	40.00%

4. From the *Default Portfolio* list, select **Balanced**.
5. Click **OK** to save the new default asset classes and model portfolios.

2. Case study instructions

Now that we have established all of the necessary defaults, we can proceed with our analysis of the Geller case study. An initial meeting was conducted with the family, and as a result, financial goals and objectives were established. Also, all current financial information was documented using the *Fact Finder* available in NaviPlan.

Case study process model



Review *Family introduction* and the *Fact Finder*

Review the chapter entitled *Family introduction* to get a sense of the clients' financial objectives. Then, refer to the chapter entitled *Fact Finder* to become familiar with the Gellers' current financial situation.

Open the client file

Go to the **File** menu, and then select **Open – Client – Geller, Jack and Linda.npe** to open the Geller client file. All of the clients' current financial data has already been entered into the base plan for you.

Confirm the data entered

Use the *Plan Analysis Synopsis* report to confirm that the data entered is free from errors. Compare this report with the chapter entitled *Fact Finder*.

Start planning

Proceed to the chapter entitled *Financial planning strategies* and begin working through the exercises.

3. Family introduction

The following case study provides an example of how you can use NaviPlan to help your clients meet their financial goals and objectives, both during their lifetime and at death.

Personal information

Jack and Linda Geller have requested your assistance in developing a financial plan to manage their wealth and better define their financial objectives. The clients have used the services of many financial service providers in the past to provide guidance in meeting specific goals. However, they are looking for a practitioner who offers a more holistic approach to financial planning.

Client	Age	Health	Relationship
Jack	60	Excellent	Husband
Linda	58	Excellent	Wife

Employment

Jack works for an advertising firm as a successful business executive. He is also interested in exploring his entrepreneurial side by taking advantage of some business opportunities that have been presented to him. Jack has experimented in small business and currently owns a small property-management firm. He is unsure if he should maintain the business, as it ties up capital that he could use for other ventures. Jack's base salary as a business executive with the advertising firm is \$800,000. Jack also has an existing SARSEP, to which he contributes \$13,000 annually, and the company has been matching his contribution each year. The Gellers are rapidly approaching retirement, but Jack has thoughts of only a partial retirement.

Linda is a public relations expert and loves her job. Linda's base salary is \$350,000. Linda's company sponsors a 401(k) profit-sharing plan, which allows for pre-tax contributions and an employer match.

Financial position

Jack and Linda are completely debt free. However, they are not debt adverse and would borrow to fund the right business opportunity. They own their home with a market value of \$3,000,000. Jack's property management business is valued at \$1,000,000. It generates \$120,000 in income each year before expenses. The Gellers' financial position also includes stock options, bonds, mutual funds, and some works of fine art.

The family currently spends \$33,000 per month on regular household expenses such as food, utilities, transportation, and other discretionary spending. Also, they are paying \$2,000 per month in real estate and property taxes, which are 100% deductible.

Jack and Linda have set aside funds to help pay for their daughter's wedding. Sarah, their daughter, and her fiancé are planning to wed in June 2006. The proceeds for the wedding are saved in a balanced-growth fund that has a current market value of \$30,000.

The Gellers also love to travel and they usually plan for a major trip every two years.

Goals and objectives

House downsize

Jack and Linda have grown children who have completed college and are now living on their own. Since the children have left home, Jack and Linda are thinking of selling the family home and purchasing a condominium. This decision is fueled more by manageability than finances.

Business opportunity

Recently, a business associate approached Jack regarding collectively forming a corporation to house a business venture that has the potential to produce excellent revenue. Jack believes that this could be a lucrative opportunity that would satisfy his objective of entering into the entrepreneurial world. He is concerned about committing a large amount of capital to this venture because he and Linda are close to retiring from their primary careers and he feels that this capital should be left available for other things.

Compensatory stock options

Jack and Linda have both been granted options to purchase stock in their respective companies. Jack has been granted incentive stock options from the advertising firm that he works for and Linda has been granted non-qualified stock options from her employer. Both options have unique tax rules and holding periods, of which the Gellers have only minimal knowledge. They will need guidance on the best way to incorporate these options into their plan. They would like to exercise their options and sell the stock as soon as possible, but they are willing to wait if it will reduce the taxes due upon selling the stock.

Estate planning

The Gellers have amassed considerable wealth during their lifetime. They want to ensure that their children benefit from this wealth as much as possible. Jack and Linda admit that their knowledge of estate issues is lacking and this is the area where they require the most help. They have some goals for their estate when they die, but they are also willing to review some gifting opportunities during their lifetime.

Beneficiaries

The Gellers are aware that they may have grandchildren in the future, but for now they have compiled a list of people whom they consider potential beneficiaries of their estate.

Beneficiary	Age	Relationship
Sarah Geller	28	Heir
Matthew Geller	30	Heir
American Cancer Society	N/A	50% Charity

4. Fact Finder



NaviPlan Extended Fact Finder

Client Name: **Jack Geller**

Client Name: **Linda Geller**

Advisor Name: **Joe Planner**

Date (mm/dd/yy): **January 1 - Current Year**



Overview

This *Fact Finder* is designed to help you gather the required information for your clients' customized financial plan. The questionnaire's easy-to-follow format will allow you to enter your client's required personal data and financial details. These items are necessary for you to create a complete and thorough picture of your clients' *current* and *future* financial situation.

The following sources will provide you with most of this information:

- Latest investment statements from trust companies, brokers, investment companies, and banks
- Latest mortgage and other loan statements
- Budget of personal and living expenses
- All life insurance and disability insurance policies
- Pension statement from employer
- Social Security Statement
- Tax returns (Form 1040)
- Latest will, power of attorney
- Other relevant documentation

Client Information

Base Family

	Client	Co-client
Last Name:	Geller	Geller
Given Name:	Jack	Linda
Gender:	Male	Female
Tax Filing Status (e.g., married filing joint, single):	Married filing joint	Married filing joint
Date of Birth (mm/dd/yy):	February 1, 1944	March 14, 1946
Social Security Number (optional):		
Number of Dependents:	N/A	N/A
Address:	295 Colony Street	295 Colony Street
City:	Albany	Albany
State:	New York	New York
Country:	United States	United States
Zip Code:	12210	12210
Home Phone Number:	(518) 555-6655	(518) 555-6655
Business Phone Number:		
Fax Number:		
Email Address:		

Dependents

Name of Child or Dependent	Dependent Of (Client, Co-client, Both or Other)	Gender	Date of Birth

Advisors

Advisory Type (Accountant, etc.)	Full Name	Address	Business #

Will Information

	Client	Co-client
Is there a Will? (yes or no):	Yes	Yes
What date was the Will last updated on?:	January 1, 2002	January 1, 2002
Where is the Will located? (safety deposit box, etc.):	Safety deposit box	Safety deposit box

Participant Guide II

Estate Beneficiaries

(Use this section to enter basic information about the beneficiaries of the estate. Dependents are automatically included as potential heirs.)

Beneficiary Name	Class (e.g., heir/charity/other):	GSTT Applicable for Client (yes / no)	GSTT Applicable for Co-client (yes / no)	50% Charity (applies to charitable beneficiary only) (yes / no)
Sarah Geller	Heir	No	No	No
Matthew Geller	Heir	No	No	No
American Cancer Society	Charity	No	No	Yes

Additional Notes (Use this section to enter any other Client information that you feel would be relevant to your client's financial plan.)

*** Assumptions - Tax Options - select As legislated

Assumptions

Risk Profile

Model Portfolio (if applicable):	Balanced
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Milestones

	Client	Co-client
Retirement Date (age or date) (mm /yy):	Age 65 (February 2009)	Age 65 (March 2011)
Life Expectancy (age / year):	Age 90	Age 90
Disabled (age or year) (if applicable):	N/A	N/A
Long-Term Care (age or year) (if applicable):	Start: N/A End: N/A	Start: N/A End: N/A

Historical Data

Unused Charity Deductions

Years (previous 5 years)	50% Charities		Non-50% Charities	
	Non-Capital Gain Property (line 10)*	Capital Gain Property (line 19)*	Non-Capital Gain Property (line 16)*	Capital Gain Property (line 24)*

* Line references are from Table 4 of IRS publication 526.

A.M.T. Carryforward Credit

Form 8801 from last year's taxes - A.M.T. Minimum Tax Credit Carryforward (last line of Part II):				
Form 6251 from last year's taxes - Alternative Minimum Tax payable (line 35):				
Schedule D	Line 23:	Line 19:	Line 23:	Line 32:
Schedule D Tax Worksheet	Line 4:	Line 7:	Line 9:	Line 20:

Capital Loss Carryovers

Loss Type	Client		Co-client	
	Regular Tax	A.M.T.	Regular Tax	A.M.T.
Short-Term				
Long-Term				

Note: If there is no difference in the capital loss carryovers for A.M.T. purposes, enter the amount from the regular column in the A.M.T. column.

Economic Factors

Base Inflation Rate: % <u>3%</u>	Return on Surplus Fund: % _____	Cost on Deficit Funds: % _____
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Assets

House & Mortgage

(Non-income producing property only - income producing property is entered under Real Estate.)

House

Description	Purchase Amount	Ownership <small>(client, Co-client, joint, community property)</small>	Purchase Date	Market Value	Growth Rate
Jack & Linda's House	\$1,000,000	Joint	June 30, 1980	\$3,000,000	3%

Additional Notes (Use this section to enter any House & Mortgage information that you feel would be relevant to your client's financial plan.)

**** Community Property - No**

Mortgage (Non-income producing property only - income producing property is entered under Real Estate.)

	Mortgage 1	Mortgage 2	Mortgage 3
Description (e.g., first mortgage on 123 Main St.):			
Original Principal:			
Ownership (client, Co-client, joint):			
Start Date:			
Interest Rate:			
Amortization (years):			
Payment Frequency (e.g., weekly, monthly):			
Outstanding Principal Amount (if available):			
Outstanding Principal Date (relates to above):			
Insured (life on mortgage. both or none):			
Insured (disability on mortgage. both or none):			

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Real Estate

(Income producing property - use a separate sheet to enter additional information.)

	Real Estate 1	Real Estate 2	Real Estate 3
Name (identify property):			
Ownership (client, Co-client, joint, community property):			
Purchase Date:			
Purchase Amount:			
Market Value:			
Cost Basis:			
Property Growth Rate:			
Rental Income (monthly amount):			
Rental Expenses (monthly amount):			
Annual Rental Growth Rate (amount or percent):			

Additional Notes (Use this section to enter any Real Estate information that you feel would be relevant to your client's financial plan.)

Business Entities

(Income producing property - use a separate sheet to enter additional information.)

	Business Entity 1	Business Entity 2	Business Entity 3
Name (identify property):	Commercial Properties LLC		
Type (LLC, Partnership, S Corporation, C Corporation)	LLC		
Ownership (client, Co-client, joint, community property):	Jack		
Purchase Date:	May 1, 1995		
Purchase Amount:	\$500,000		
Start of Year Unit Value:	\$10,000		
# of Units:	50		
Market Value:	\$1,000,000		
Cost Basis:	\$675,000		
AMT Basis:	\$750,000		
Growth Rate:	10%		
Income Activity for C Corporations:	N/A		
Annual Dividend per Unit:	N/A		
Frequency (annual, semi-annual, quarterly or monthly):	N/A		
Income Activity for LLC, Partnerships, and S Corporations:			
Income:	\$10,000		
Expenses:	\$7,500		
Distributions:	\$1,000		
AMT Adjustments:	\$2,000		
Frequency (annual, semi-annual, quarterly or monthly):	Monthly		
Indexed for inflation by:	3%		

Additional Notes (Use this section to enter any Business Entity information that you feel would be relevant to your client's financial plan.)

Non-Qualified (Use a separate sheet to enter additional assets.)

(Under Market Value enter each asset type's **aggregate** value as of the start of the year. Break down each asset's expected return rate based on its return component - e.g., if a Mutual Fund asset is earning 2% Interest, 2% Dividends, 4% Capital Gains and 4% Deferred Growth, you would enter 2-I, 2-D, 4-CG, 4-DG. Or, you may prefer to include investment statements for any or all of this section.)

Name <i>(identify investment)</i>	Ownership <i>(client, Co-client, joint, community property)</i>	Purchase Date	Cost Basis	Market Value <i>(start of year)</i>	Reinvest <i>(reinvest all, don't reinvest)*</i>	Rate of Return* <i>(interest = I, dividend = D, capital gains = CG, deferred growth = DG, tax free = TF)</i>	Bond or T-Bill Face Amount <i>(if applicable)</i>
Strategic Growth Fund <i>(Mutual Fund)</i>	Joint	July 1997	\$100,000	\$150,000	Reinvest All	Foreign Equity 10% Domestic Equity 15% Fixed Income 75%	N/A
Income Fund <i>(Mutual Fund)</i>	Jack	June 1998	\$750,000	\$1,000,000	Reinvest All	Fixed Income 40% Cash 60%	N/A
XYZ Stock Portfolio	Jack	January 1998	\$900,000	\$1,400,000	Don't Reinvest	Foreign Equity 20% Domestic Equity 80%	N/A
Venture Stock Portfolio	Jack	January 1998	\$80,000	\$125,000	Reinvest All	Foreign Equity 60% Domestic Equity 40%	N/A
Jack's Investment Portfolio	Jack	June 1995	\$600,000	\$1,000,000	Reinvest All	Foreign Equity 20% Fixed Income 50% Cash 10%	N/A
Balanced Growth Fund <i>(Mutual Fund)</i>	Linda	August 2000	\$25,000	\$30,000	Reinvest All	Foreign Equity 75% Domestic Equity 20% Fixed Income 5%	N/A
ABC Stock Portfolio	Linda	January 1998	\$900,000	\$1,400,000	Reinvest All	Foreign Equity 20% Domestic Equity 80%	N/A

* Return rates are assigned by default. To change the rates select the override feature.

*Dividend income that does not qualify for the rate reduction should be entered as interest income.

Stock Options (Use a separate sheet to enter additional stock options or attach copies of recent Stock Option statements.)

Name	Type <i>(NSO or ISO)</i>	Ownership <i>(client, Co-client, community property)</i>	Grant			Current Unit Value	Growth Rate	Vesting* <i>(e.g., immediately, 50% after 1 year, 50% after 2 years):</i>	Expiry <i>(e.g., 10 years after granting)</i>
			Grant Date	Number of Options	Strike Price				
ISO 2002	ISO	Jack	Jan 1, 2002	5,000	\$10.00	\$20.00	11%	20% immediately 20% each year for 4 years	10 years after grant
NSO 2004	NSO	Linda	Jan 1, 2004	1,000	\$20.00	\$22.54	10%	100% immediately	10 years after grant

* Attach Vesting Schedule and other Stock Option Documents if available

Additional Notes (Use this section to enter any other Non-Qualified Asset information that you feel would be relevant to your client's financial plan.)

**** Auto-vest on Retirement and on Death for both ISOs and NSOs.**

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Deferred Annuities (Use a separate sheet to enter additional annuities.)

Annuity #1

Name :	Type:	(e.g., Amount Certain, Term Certain, Life Income, etc.)
Ownership :	Annuitant(s) : Client <input type="checkbox"/> Co-client <input type="checkbox"/>	
Joint <input type="checkbox"/> First to Die <input type="checkbox"/> Last to Die <input type="checkbox"/> Percent to Survivor : _____	Beneficiary :	
Issue Date : Account type : General <input type="checkbox"/> Separate <input type="checkbox"/>	Initial Premium \$:	Cost Basis \$:
Balance or Market Value \$:	Annuitization Start Date :	
Type of Annuitization :	Payment Frequency :	Guaranteed Number of Years : _____

Qualified

(Use a separate sheet to enter additional assets.)

Name (identify investment)	Ownership (client, Co-client)	Type (e.g., IRA, 401k, other)	Purchase Date	Qualified Basis (if applicable)	Market Value	Rate of Return*		Beneficiary	
								Primary	Contingent
Jack's SARSEP (Investment Portfolio)	Jack	SARSEP	Dec. 31 - Previous year	N/A	\$225,000	Domestic Equity 50%	Fixed Income 50%	Linda	Estate
Linda's 401(k) (Investment Portfolio)	Linda	401(k)	Dec. 31 - Previous year	N/A	\$500,000	Domestic Equity 40%	Fixed Income 60%	Jack	Estate

* Return rates are assigned by default. To change the rates select the override feature.

*Dividend income that does not qualify for the rate reduction should be entered as interest income.

Personal Use Assets (Enter as a Lifestyle asset under the Detailed tab.)

	Asset 1	Asset 2	Asset 3	Asset 4
Name:	Art Collection			
Ownership (client, Co-client, joint, community property):	Joint			
Type (personal use property, collectibles, residence):	Other Personal Assets			
Purchase Date:	June 1995			
Purchase Amount:	\$900,000			
Growth Rate:	4%			
Market Value:	\$1,300,000			

Incomes

Standard

Description	Member (client, Co-client)	Amount (annual)	Index Rate	Applicable Period (while working, while retired, during LTC, both, other - e.g., Jan. 2000 - Dec 15 2002)	% While Retired*	% While Disabled*	% While Survivor*	% While in LTC
Employment Salary:	Jack	\$800,000	Inflation	While Working	0%	0%	100%	0%
Employment Salary:	Linda	\$350,000	Inflation	While Working	0%	0%	100%	0%
Employment Bonus:								
Taxable Benefits:								
Net Self-employed earned:								
Net Self-employed commission:								
Alimony Payments Received:								

* The Percent While Retired, Percent While Disabled, and Percent While Survivor designations allow you to specify the percentage of Pre-retirement incomes the client will receive during each of these life stages.

Social Security

(Please enter family members who may be eligible dependents for Social Security Disability and Survivor benefits in the *Eligible Dependents* Section below.)

Eligible Dependents

Dependent of (Client/Co-client)	Dependent(s) (Name)	Relationship

Benefit Formula

(Please provide a copy of your Social Security Statement to enter your monthly benefits in the Estimate Benefit section below.)

Monthly Benefits from Social Security Statement						
Benefit For (Client/Co-client)	At Full Retirement	*Include Benefit (Yes/No)	At Disability	*Include Benefit (Yes/No)	Surviving Spouse at Full Retirement	*Include Benefit (Yes/No)
Jack	100%	Yes	N/A	No	100%	Yes
Linda	100%	Yes	N/A	No	100%	Yes

(Note: The exact details of earnings history from your Social Security Statement can be entered directly in the Earnings History dialog in the Social Security section of NaviPlan using the Benefit Formula method.)

Choose whether to include Retirement, Disability and Survivor benefits as part of your Financial Plan.

Additional Notes (Use this section to enter any other Income information that you feel would be relevant to your client's financial plan.)

Employment Salary - Jack and Linda's salary frequency is Monthly.

Social Security benefits are indexed by inflation. Start Date is Age 65 for all applicable beneficiaries.

Defined Benefit Pensions

Please choose either the *Estimate Benefit* or *Benefit Formula* option below to complete applicable Pension information.

(Attach pension statements or obtain information from the client's company pension administrator. The calculations may be overridden and the pension benefits may be entered under the **Benefit Payments** tab.)

Estimate Benefit

	Pension 1	Pension 2	Pension 3
Owner: (Client/Co-client)			
Benefits (% of final salary or estimated amount):			
Benefits Begin (age, date, at retirement or when disabled):			
Percent Payable to Survivor (If applicable):			
Benefit Indexing:			
Linked Incomes (income to which the pension applies):			

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Benefit Formula

(Attach pension statements or obtain information from the client's company pension administrator. The calculations may be overridden and the pension benefits may be entered under the **Benefit Payments** tab.)

	Pension 1	Pension 2	Pension 3
Owner (client, Co-client):			
Description:			
Linked Incomes (income to which the pension applies):			
Pension Participation Date (eligibility or enrollment date):			
Number of Years Average Salary:			
Pension Formula (percent per year of service):			
Accrue Pension Credits while Disabled (yes / no):			
Benefits Begin (age, date, at retirement or when disabled):			
Percent Payable to Survivor (If applicable):			
Benefit Reduction for Survivor Coverage (if applicable):			
Benefit Indexing (specify maximum indexing if applicable):			
Normal Retirement Age (as specified by the pension plan):			
Percent Penalty for Early Retirement (per year):			
Minimum Retirement Age for Unreduced Benefit:			

Expenses

Standard

(If you share your common lifestyle expenses, just enter the total for one person.)

Periodic (Expenses may be combined or broken down into sub-categories.)

Description	Member (Client, Co-client or Joint)	% Deduct (if applicable)	Amount and Frequency	Index Rate	Start Date	End Date	% While Retired*	% While Disabled	% While Survivor	% While in LTC*
Total Living Expenses	Joint	N/A	\$33,000 Monthly	Inflation	Now	Default	100%	100%	75%	100%
Real Estate & Property Taxes	Jack	100%	\$2,000 Monthly	Inflation	Now	Default	100%	100%	100%	100%

* The **Percent While Retired**, **Percent While Disabled**, **Percent While Survivor**, and **Percent While in LTC** designations allow you to specify the percentage of **Pre-retirement** expenses the client will receive during each of these life stages.

Semi-Regular

Expense Description	Member (Client, Co-client or Joint)	% Deduct (if applicable)	Annual Amount	Frequency (specify in years)	Index Rate	Start Date	End Date	% While Retired*	% While Disabled*	% While Survivor*	% While in LTC*
Vacation	Joint	N/A	\$25,000	Every 2 years	Inflation	July 2007	Age 70	100%	100%	50%	0%

* The **Percent While Retired**, **Percent While Disabled**, **Percent While Survivor**, and **Percent While in LTC** designations allow you to specify the percentage of **Pre-retirement** expenses the client will receive during each of these life stages.

Lump Sum

Expense Description	Member <i>(Client, Co-client or Joint)</i>	Percent Deductible <i>(if applicable)</i>	Amount	Index Rate	Date Effective

Education

(Education expenses should only be entered in this tab if specific assets are designated to cover them. If an education expense is to be funded from cash flow, enter it under the Standard tab.)

Member <i>(For whom the expense is incurred)</i>	Type <i>(e.g., Tuition fees, room and board)</i>	Description <i>(e.g., Billy's College Fund)</i>	Amount and Frequency	Index Rate	Start Age <i>(When student begins education)</i>	Years <i>(Number of years expense will be incurred)</i>	Linked Assets <i>(Asset(s) used to fund this expense)</i>

Major Purchase

(Major Purchase expenses should only be entered in this tab if specific assets are designated to cover them. If a major purchase expense is to be funded from cash flow, enter it under the Standard tab.)

Description <i>(e.g., Wedding)</i>	Future Growth Rate	Member <i>(For whom the expense is incurred)</i>	Amount	Indexed by (%)	Transaction Date	Funding Assets <i>(Asset(s) used to fund this expense)</i>
Sarah Geller's Wedding	0%	Joint	\$30,000	0%	July 2006	Balanced Growth Fund

Emergency Fund

(The Emergency Fund expense is intended to meet short-term cash flow needs. A general guide should replace three months of employment income)

Target Amount <i>(Number of months expenses or specific \$ amount)</i>	Type of Asset to Fund Goal <i>(Typically short term investments)</i>	Current Savings Amount	Savings Frequency	Index Rate	Savings Start Date	Savings End Date

Liabilities

Detailed

(Use a separate sheet to enter additional liabilities)

	Liability 1	Liability 2	Liability 3	Liability 4	Liability 5
Description:					
Owner <i>(client, Co-client, joint):</i>					
Payoff Option at Death: <i>(i.e. Transfer to Survivor, Payoff at First Death, Insured for Life)</i>					
Disability Insured <i>(yes / no):</i>					
Amortization Period <i>(or end date):</i>					
Start Date:					
Principal Amount:					
Principal Date <i>(as of):</i>					
Payment Type <i>(e.g., interest only, PI):</i>					
Payment Frequency <i>(e.g., weekly, monthly):</i>					
Interest Rate:					

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Additional Notes (Use this section to enter any other Insurance information that you feel would be relevant to your client's financial plan.)

Insurance

Death Benefit Reinvestment Settings (Indicate how to invest the proceeds received from a life insurance policy.)

Which investment vehicle would you like to use when investing Life Insurance proceeds?: **Cash Account**
(e.g., Mutual Funds, Stocks, Bonds)

What rate of return do you expect the invested Life Insurance proceeds to earn?: **3% Interest**

Enter each asset type's **aggregate** value as of the start of the year. Break down each asset's expected return rate based on its return component - e.g., if a Mutual Fund asset is earning 2% **Interest**, 2% **Dividends**, 4% **Capital Gains** and 4% **Deferred Growth**, you would enter **2-I, 2-D, 4-CG, 4-DG**.

Life Insurance (Use a separate sheet to enter additional policies.)

	Policy 1	Policy 2	Policy 3
Description:	Policy #2345		
Premium Payer (e.g., client, Co-client, joint, or other):	Jack		
Type (e.g., term, universal):	Term - 10 Year		
Insured (e.g., client, Co-client, joint 1st to die, other):	Jack		
Effective Date:	Dec. 31 - Previous year		
Policy Owner (e.g., client, Co-client, joint, or other):	Jack		
Beneficiary (e.g., client, Co-client, joint 1st to die, other):	Linda		
Premium Frequency (e.g., monthly):	Monthly		
Premiums*:	\$1,000 Annually		
Death Benefit*:	\$400,000		
Coverage Ceases (age or date):	Age 77		
Cash Surrender Value*:	N/A		

* If the Death Benefits, Premiums, or CSVs are not level, attach the appropriate schedules.

Additional Notes (Use this section to enter any other Insurance information that you feel would be relevant to your client's financial plan.)

**** Increase premiums by 30% every 10 years.**

**** Premiums cease at age 77.**

**** Fields not mentioned above leave at default.**

Disability Insurance (Use a separate sheet to enter additional policies.)

	Policy 1	Policy 2	Policy 3
Description (group LTD, group STD, individual disability):			
Insured Member:			
Owner:			
Effective Date:			
Monthly Benefit:			
Taxable (yes / no):			
Index for Benefit Amount:			
Waiting Period:			
Benefit Paid Until (years or age):			
Monthly Premium:			
Index Rate for Premium Amount:			

Additional Notes (Use this section to enter any other Insurance information that you feel would be relevant to your client's financial plan.)

Long-Term Care Insurance (Use a separate sheet to enter additional policies.)

Long-Term Care Expenses

Member	Expense Type <i>(medical, lifestyle, etc)</i>	Daily Amount	Frequency	Indexed by Inflation	Number of years applicable	End Date
Client						
Co-client						

	Policy 1	Policy 2	Policy 3
Description:			
Insured Member:			
Effective Date:			
Tax Qualified (Yes or No):			
Daily Benefit:			
Per Diem Plan (Yes or No):			
Frequency (daily, monthly, etc.):			
Index for Benefit Amount During Long-Term Care:			
Index for Benefit Amount Before Long-Term Care:			
Waiting Period:			
Benefit Paid Until (years or age):			
Monthly Premium:			
Premium Payer:			
Index Rate for Premium Amount:			
Premiums Cease (date or age):			

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Additional Notes (Use this section to enter any other Long Term Care Insurance information that you feel would be relevant to your client's financial plan.)

Estate Planning

Use this section to tell us about estate planning strategies that the client already employs, or that you will suggest as part of the financial plan. Use the back of this sheet to enter additional information.

General

Additional Fees and Taxes (Use this section to enter any additional fees that may be calculated on the estate at disposition.)

State Death Tax Rate (% or \$)		Probate Fee Rate (% or \$)		Administration Fee Rate (% or \$)	
Client	Co-client	Client	Co-client	Client	Co-client
Default rate for New York	Default rate for New York	1.0%	1.0%	1.0%	1.0%

Historical Data (Use this section to enter information about historical estate taxes.)

	Client	Co-client
Taxable Lifetime Gifts:		
Gift Taxes Already Paid:		
Lifetime GSTT Exemption Used:		

Additional Notes (Use this section to enter any other Insurance information that you feel would be relevant to your client's financial plan.)

Use the Mirror Wills/Either Dies First method for the estate plan.

Funded Trusts

(Use this section to enter basic information regarding any Trusts that have been previously funded. Please provide a copy of Trust documents.)

	Trust 1	Trust 2	Trust 3	Trust 4	Trust 5
Trust Type (i.e. Irrevocable):	ILIT				
Created On:	Dec 31, 2000				
Grantor (if applicable):	N/A				
Start of Year Cost Basis:	N/A				
Start of Year Market Value:	N/A				
Return Rate: (Annual)	2% Interest 2% Dividends 4% Deferred Growth				
Trust Tax Rate:	40%				
Income Beneficiaries (Name and %):	Matthew Geller Sarah Geller				
Remainder Beneficiaries (Name and %):	Matthew Geller Sarah Geller				

Note: If there are details that are not specified above (i.e. Trust term, GSTT Inclusion Ratios) attach Trust documents. Include any Credit Shelter Trusts, Marital Trusts or QTIPs that were created as a result of a former spouse's death.

Additional Notes Use this section to enter any other Estate Planning information that you feel would be relevant to your client's financial plan.

Existing ILIT - Beneficiaries are Pro-rata

Trust tab - Gifts to Trust in 2003 and 2002 - \$7,500 annual

Transfer to Trust - 2000 Crummy Trust - selected

Percentage of Death Benefit Payable to Trust - 100%

Policy tab - Universal Life Policy - Premium Payer is Joint - Joint 2nd to Die policy

Premiums - \$7,500 annual - cease at Age 70

Death Benefit - \$500,000

CSV - Current - \$25,000 - payable with death benefit

CSV - Future - increase 3% (Fill value every year)

All other fields remain at default.

Family Limited Partnership Information (Use this section to enter basic information regarding any Family Limited Partnership that the client has established.)

General

	Trust 1	Trust 2	Trust 3
FLP Name:			
Date Created:			
Marketability Discount:			
Minority Interest Discount:			
Market Value:			
Cost Basis:			
Return Rates:			

Partner

	Partnership 1	Partnership 2	Partnership 3
Partners:			
Partner Type (general, limited, or both):			

Income Distributions

	Distribution 1	Distribution 2	Distribution 3	Distribution 4
Income Distribution Amount:				
Frequency (annual, monthly or lump sum):				
Index Rate:				
Start Date:				
End Date:				

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Gifting

	Gift 1	Gift 2	Gift 3	Gift 4
Gift By (gift from limited partnership interest):				
Gift To (beneficiary):				
Frequency (annually or lump sum)				
Amount (Dollar amount or Maximum Annual Gift Exclusion):				
Index Rate:				
Start Date:				
End Date:				

Gifting History (Use this section to enter estate gifting information.)

	Gift 1	Gift 2	Gift 3	Gift 4	Gift 5
Description:					
Beneficiary Name:					
Growth Rate (on property given to beneficiary):					
Tax Rate:					
Net After Tax Growth:					
Prior Gifts From Client Including Growth (cash & asset gifts):					
Prior Gifts From Co-client Including Growth (cash & asset gifts):					
Prior Bequests From Client, Including Growth:					
Prior Bequests From Co-client, Including Growth:					

Gifting: Current Strategies

	Gift 1	Gift 2	Gift 3	Gift 4	Gift 5
Description:					
Gifting Strategy (i.e. Cash gift, Asset gift)					
Amount:					
Applicable Period:					
Beneficiary Name:					

Estate Expenses

(Use this section to enter information about expenses for the decedent.)

	Expense 1	Expense 2	Expense 3	Expense 4
Owner (client, Co-client, first to die, second to die):	Jack	Linda		
Expense Name (eg Burial):	Burial Expense	Burial Expense		
Amount:	\$10,000	\$10,000		
Index To Inflation (yes / no):	Yes	Yes		

Will Information

Family Member (Client/Co-client)	Cash Bequests (Yes/No)	Asset Bequests (Yes/No)	Credit Shelter Trusts (Yes/No)	Marital Trust (Yes/No)	Living Trust (Yes/No)	QTIP Trust (Yes/No)	Other Testamentary Trusts (Yes/No)

Additional Notes Use this section to enter any other Estate Planning information that you feel would be relevant to your client's financial plan.

Other Tax

Misc. Credits & Deductions

Owner	Description	Miscellaneous	Deductions	Miscellaneous	Credits	Applicable To (federal, state or both)
		Above the Line	Below the Line	Refundable	Non-refundable	

Additional Notes (Use this section to enter any Other Tax information that you feel would be relevant to your client's financial plan.)

Strategies

Use this section to tell us about any planning strategies that you are currently applying (e.g., regular savings to an investment, additional payments toward a loan's principal, etc). Use a separate sheet to enter additional strategies.

Savings (Use the following section to list **Savings** plans that are currently in place.)

Regular (Savings made on a regular, periodic basis.)

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Asset Name:				
*Maximize Contributions (Yes/No) :				
Contribution Amount:				
Frequency (e.g., monthly, weekly):				
Index Rate:				
Savings Period (while I'm working, while I'm retired, both, until LTC, other - e.g., Jan. 1990 - Dec 2025):				

Lump Sum (Savings made in one or more lump sums.)

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Asset Name:				
*Maximize Contributions (Yes/No) :				
Amount:				
Index Rate:				
When is this Transaction Applicable? (upon retirement, upon disability, upon death, other - e.g., Jan. 15, 2003):				

*Applies only to IRA accounts

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Surplus

(Savings put toward an asset using surplus cash at year-end.)

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Asset Name:				
Percent Of Surplus (e.g., half or 50%):				
Savings Period (while I'm working, until age 71, other - e.g., Jan 1, 1995 to Dec 31, 2011):				

Employer-Sponsored Pensions

(Savings put into plans that are established by the employer.)

	Plan 1	Plan 2	Plan 3	Plan 4
Asset Name:	Jack's SARSEP	Linda's 401(k)		
Maximize Qualified Plan Contributions (Yes/No) :	No	Yes		
Employee Pre-tax Amount:	\$13,000	N/A		
Employee Post-tax Amount:	N/A	N/A		
Employer Amount:	\$13,000	\$10,500		
Frequency (e.g., monthly, weekly):	Annual	Annual		
Index Rate:	\$1,000 per year	N/A		
Savings Period (while I'm working, until age 71, other - e.g., Jan 1, 1995 to Dec 31, 2011):	While Working	While Working		

Additional Notes (Use this section to enter any Strategy information that you feel would be relevant to your client's financial plan.)

Debt Reduction

(Use the following section to list **Debt Reduction** plans in which your client is already taking part.)

Regular

(Any payments made directly toward the principal of an existing loan.

(These are over and above the required payments that are automatically defined for the liability.)

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Liability Name:				
Amount:				
Frequency (e.g., monthly, weekly):				
Index Rate:				
Payment Period (while I'm working, while I'm retired, both, other - e.g., Jan. 1990 - Dec 2011):				

Lump Sum

(Payments made in one or more lump sums toward the principal of an existing loan.

These are over and above the required payments that are automatically defined for the liability.)

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Liability Name:				
Amount:				
Index Rate:				
Payment Date (upon retirement, upon disability, upon death, other - e.g., Jan. 15, 2003):				

Surplus

(Savings put toward the principal of an existing loan using surplus cash at year-end.)

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Liability Name:				
Percent Of Surplus (e.g., half or 50%):				
Payment Period (while I'm working, until age 71, other - e.g., Jan 1, 1995 to Dec 31, 2011):				

Redemptions (Use the following section to list asset **Redemption** plans which your client has already established.)

Regular (Any redemptions from an asset made on a periodic basis.)

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Asset Name:				
Amount:				
Frequency (e.g., monthly, weekly):				
Index Rate:				
Redemption Period (while I'm working, while I'm retired, both, other - e.g., Jan. 1990 - Dec 2011):				

Additional Notes (Use this section to enter any Strategy information that you feel would be relevant to your client's financial plan.)

Lump Sum (Redemptions from an asset in one or more lump sums.)

	Plan 1	Plan 2	Plan 3	Plan 4
Asset Name:				
Amount:				
Index Rate:				
Redemption Date (fixed date, or upon retirement, disability or death):				

Complete Regular (Redemptions from an asset that will completely deplete it at the end of a defined period.)

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Asset Name:				
Frequency Of Sells (e.g., annually, monthly):				
Index Rate:				
Redemption Period(while I'm retired, other - e.g., Jan. 1990 - Dec 2011):				

Transfers (The transfer of funds from one asset to another.)

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Source Asset:				
Destination Asset:				
Amount:				
Transaction Date (fixed date, or upon retirement, disability, or death):				

Additional Notes (Use this section to enter any Strategy information that you feel would be relevant to your client's financial plan.)

5. Financial planning strategies

Objectives

The Gellers are interested in exploring several financial scenarios in the hopes of achieving an optimal financial plan.

The Gellers have expressed interest in selling the family home and purchasing a condo at retirement. They feel that if they downsize they may be able to take advantage of other opportunities using the proceeds they receive from their home.

A business associate has talked to Jack about forming a business together in retirement. Jack and Linda think that this is a good opportunity. They want to know if it would be best to finance this venture with a loan or cash on hand.

Both Jack and Linda have acquired stock options and are interested in exercising their options and selling some of the underlying shares. However, they are unsure how to minimize both their cash outlay and their incurred taxes.

Observations

The *Plan Analysis* window allows you to see an instant analysis of the active plan.

Procedure

- From the desktop, double-click the **Base Plan** icon.

The *Plan Analysis* window opens.

The *Plan Analysis* window shows that the Gellers will experience some cash flow surpluses during their pre-retirement period. During our initial meeting the Gellers mentioned that they usually have excess cash at the end of the year. They usually invest all excess cash in one of their accounts. We also see that their projected net worth climbs continuously throughout the entire planning period.

Planning strategy: house downsize

Jack and Linda have expressed interest in selling the family home and buying a condo when they are both retired. With their two children living on their own, they feel that a smaller living space would be much more manageable. They would like to know if there would be any proceeds left to use for other business and investment opportunities after the sale of the home and the purchase of the condo have been completed.

Procedure

1. Right-click the **Base Plan** icon, and then select **Duplicate**.
2. On the *General* tab, rename the new plan **House Downsize**.
3. Go to the **Assets** category – **Detailed** tab.
4. Double-click **Jack & Linda's House**.

The *Asset Details* dialog box opens.

2. The *Single Asset Document Generator* dialog box opens. Under *Asset*, select **Jack & Linda's House (Joint)**.
 3. In the *Number of years to project* field, enter **10**, and then under *Reports*, select **Single Asset Summary**.
 4. What are the projected proceeds from the sale of Jack and Linda's house in **2009**?
-
5. Close the **Single Asset Summary** report and the **Single Asset Document Generator** dialog box.

Procedure: determining net proceeds

1. Double-click the **House Downsize** icon to display the *Plan Analysis* window.
2. In the *Plan Analysis* window, you can see a large surplus in 2009.
Double-click the year **2009** (the year Jack retires) to open the *Cash Flow Assistant*.
3. Double-click the **Received Capital** category for the family. The tax-free capital received from the sale of the house is listed.
[\$1,000,000 (purchase price) + \$500,000 (exclusion)]
4. Click **OK**.
5. Double-click the **Investment Income** category for the family. The taxable gain received from the sale of the house is listed.
6. Click **OK**.
7. Double-click the **Lifestyle Expenses** category for the family. The cost of the new condo is listed, indexed to inflation.
8. Click **OK**.
9. The net proceeds can be calculated using the following steps:

Taxable gain	\$	1,986,517
Capital gain tax rate		20%
Taxes on the gain	\$	397,303
Gross proceeds from sale of home	\$	3,486,517
Less: New condo (inflated amount)	\$	(1,159,274)
Less: Taxes on the gain	\$	(397,303)
Net proceeds	\$	1,929,940

Jack and Linda would like to invest the net proceeds in one of their existing assets.

Procedure: investing net proceeds

1. In the *Cash Flow Assistant*, click **Edit Data**, and then select **Assets – Non-Qualified Assets**.
2. Double-click **Strategic Growth Fund**, and then select the **Buys** tab.
3. To add a buy record, click **Insert**, and then select **Lump Sum**.
4. In the *Amount* field, enter **\$1,929,940**.
5. In the *Effective* section under *Triggered by the following occurrence*, select **When Individual enters retirement**.
6. Click **OK** three times, and then click **Yes** to get back to the *Cash Flow Assistant*.

The ending surplus has been reduced.

7. Click **OK** when finished.

Using the *Plan Analysis* window, compare the net worth graphs between the Base Plan and House Downsize plan.

Planning strategy: S corporation endeavor

A friend has approached Jack and has asked him to become a shareholder in a business endeavor he is starting. The business will be formed as an S corporation to take advantage of the flow through of taxes to the shareholders. In the initial start-up phase, there are no distributions expected from the business. An income projection has been provided that shows there is potential for future distributions. Jack and Linda think that even though they are not going to gain cash flow from the endeavor, this would be a good way to ease into retirement. It will give Jack another focus while he adjusts to their new lifestyle in retirement.

The endeavor would include an upfront capital contribution of \$500,000 with the possibility of additional capital contributions during the next few years. The concern that the Gellers have is whether they should fund the initial capital through cash on hand or if it would be more prudent to fund this contribution using a loan. They want to ensure that they have enough funds so as not to compromise their retirement plans. They would also like to see the impact this venture would have on their net worth over the course of their plan.

Procedure

1. Minimize the *Plan Analysis* windows.
2. Right-click the **House Downsize** icon, and then select **Duplicate**.
3. On the *General* tab, rename the new plan **S-Corp without Loan**.
4. Go to the **Assets** category – **Business Entity** tab.
5. Click **Insert**.
6. Name the business entity **S-Corp venture**.

- In the *Business Entity (Details)* dialog box, enter the following details about the S-corporation:

<i>Ownership:</i> Jack	<i>Type:</i> S corporation
<i>Purchase Date:</i> Oct 1, 2008	<i>Purchase Amount:</i> \$500,000
<i>AMT Basis:</i> \$0	<i>Growth Rate:</i> 4%
<i>Income:</i> \$25,000 Monthly	<i>Expenses:</i> \$15,000 Monthly
<i>Index to Inflation Rate:</i> cleared	

- Click **OK**.
- To include the additional capital that the shareholders will contribute to the corporation over the next 10 years, click the **Future Additions** button.
- Click **Insert**, and then select **Periodic**.
- Enter the following information regarding the future capital that will be put into the business:

<i>Amount:</i> \$100,000	<i>Frequency:</i> Annual
<i>Indexed to inflation:</i> No	<i>Buy Period:</i> Jan 1, 2009 – Jan 1, 2018
<i>When Status Is:</i> Pre-retired and Retired selected	

- Click **OK**, and then click **Done** to return to the *Business Entity* tab.
- Click **OK**, and then click **Yes** to finish editing the current plan.

The Gellers are deciding if they should fund this capital contribution with a loan of \$375,000 rather than with cash on hand. A great way to review the outcome of the plan using a loan rather than cash on hand is to duplicate the plan and add a loan to it, and then compare the two plans side by side.

- Right-click the **S-Corp without Loan** icon, and then select **Duplicate**.
- On the *General* tab, rename the new plan **S-Corp with Loan**.
- Go to the **Assets** category – **Business Entity** tab, and then select the **S-Corp venture** entity.
- Click the **Loans** button, and then click **Insert** to insert the details of the loan for the purchase of the S corporation.
- Enter the following details about the loan to fund the purchase of the business:

Ownership: **Jack**

Payoff Options at Death: **Payoff at owner's death (at estate)**

Loan Date: **Oct 1, 2008**

Loan Ends: **Oct 1, 2018 (10 years)**

Bring into cash flow: **selected**

Original Principal: **\$375,000**

Payment Information: **Principal & Interest**

Frequency: **Monthly**

Annual Interest Rate: **7%**

Compounded: **Semi-annual**

19. Click **OK** twice to return to the *Business Entity* tab.
20. Go to the **Liabilities** category. The loan appears here and an *Asset Link* for the loan is automatically created.
21. Click **OK**, and then click **Yes** to finish editing the current plan.
22. Using the *Plan Analysis* window for the S-Corp without Loan and the S-Corp with Loan plans, compare the pre-retirement cash flow between the two plans.

The results

In both plans the accumulated surplus cash is utilized by the year 2010. This allows us to assume that neither situation will adversely impact the Geller's financial ability to carry out their original plans for early retirement.

From a planning standpoint, if Jack is going to be taxed on earned income from the business, and will not receive distributions of income, it may be better to keep their cash available for other things and use a loan to buy into the business venture. This approach allows the Gellers to spread out the cost of the initial purchase and not run short on cash during their earlier retirement years. Also, if a loan is used to make the purchase, the liability interest can be deducted for tax purposes and it will provide some benefit to them in the start-up years of the business. Therefore, even though they are not receiving income in their hands they are receiving some benefit from this investment.

Later, if the business begins to distribute cash to them, perhaps those income distributions could offset the remaining loan payments. This may be a more conservative way to approach the situation, as it would leave more surpluses available during the pre-retirement years.

To ensure that the S corporation is flowing into their plan and to see the earned income on which they will be taxed, you should review some reports.

1. Select the **S-Corp with Loan** plan.
2. Go to the **Reports** menu, and then select **Cash Flow – Current Year Details for Family**.
3. In the *Report Year* field, enter **2008**.

Ensure that the initial capital contribution has gone to purchase the S corporation. Review the *Received Capital* section to ensure that the proceeds from the liability have come into the plan.

4. Using the *Report Year* button, scroll forward to **2009**.

The *Current Year Cash Flow Details for Family* report allows you to see the future additions of capital that are going toward the S corporation reflected as purchases in the *Employment/Business Expense* section of the report.

You can also see the principal and interest payments for the loan in the *Investment Expenses* section of the report. The interest portion of the loan payment is considered deductible for tax purposes.

5. To see the details of the corporation and assess how it may affect the plan, go to the **Reports** menu, and then select **Net Worth – Single Asset**.
6. In the *Single Asset Document Generator* dialog box, select **S Corp venture (Jack)** from the *Asset* list, and then enter **10** in the *Number of years to project* field.
7. Click the **Reports** button, and then select **Single Asset Detailed**.
8. Scroll down the report to the details for the year **2008**.

From the *Single Asset Detailed* report, the business income and expenses of the S corporation will appear. From the projections of the business that Jack's friend provided him with, it appears as though Jack will receive business income from the endeavor in the early years of the investment and may receive distributions later on.

9. Go to the **Reports** menu, and then select **Net Worth – Single Liability**.
10. In the *Single Liability Document Generator* dialog box, select **Loan for S-Corp venture (Jack)** from the *Liability* list, and then enter **10** in the *Number of years to project* field.
11. Click the **Reports** button, and then select **Single Liability Summary**.

From the *Single Liability Summary* report, review the amount of the principal and interest payments on the loan for the S corporation. If the projected distributions exceed the payment amount of the loan, the Gellers would receive two benefits from the endeavor: tax deductibility in the early years, and cash flow to offset the loan payments in the later years.

12. Go to the **Reports** menu, and then select **Income Tax – Details for – Jack**.

It would also be wise to review the income tax situation for Jack to see how the business income flows to him. The Gellers already have an LLC that produces business income in their plan. To see the tax effect of the S corporation, compare the income tax reports that include the S corporation with those that do not.

13. Enter **2009** in the *Report Year* field.
14. Click the **scale**, and then select **Base Plan (current year)** to compare this report to the income tax report that does not include the S corporation.

15. Click **OK**.

Ensure both reports show the year 2009.

Compare the *Ordinary Business* Income portions of the reports.

The income reported as *Ordinary Business Income* attributed to the S corporation in 2009 is \$120,000 (\$154,778 - \$34,778). This is the same figure that is reported in the *Single Asset Detailed* report for the year 2009. In the *Single Asset Detailed* report, the *Ordinary Business Income* minus the *Ordinary Business Expense* is equal to the taxable business income for 2009, or \$120,000.

Going forward we will suggest that the Gellers implement the S corporation venture, but that they do so using a loan for the initial capital contribution and take the future additions of capital from cash on hand.

Planning strategy: exercising and selling Jack's incentive stock options

In 2002, Jack's employer rewarded him with the option to purchase 5,000 shares in the company at a strike price of \$10.00. This option was subject to a vesting schedule where 20% of the stock was available immediately for purchase. The remaining shares will vest 20% each year over the next four years. However, a provision within the option states that all unvested shares will vest immediately upon retirement or in the event of Jack's death. This provision also stipulates a 10-year period to purchase all vested shares or the option will expire. Based on favorable market conditions, the share value has increased to \$20.00 as of January 1, 2004.

Jack has decided he would like to exercise and sell all his company stock to provide additional cash for retirement. What tax implications would arise if all shares were sold within the one-year holding period versus selling all shares after the required holding period? Jack will execute this transaction based on the most tax-favorable alternative.

Procedure

1. Minimize the *Plan Analysis* windows and reports.
2. Right-click the **S-Corp with Loan** icon, and then select **Duplicate**.
3. On the *General* tab, rename the new plan **Stock Option Analysis**.
4. Go to the **Assets** category – **Non-Qualified** tab.
5. Double-click **ISO 2002**.
6. In the *Asset Details* dialog box, review the data entry for the stock option.
7. Go to the **Exercise** subtab.
8. Enter an exercise date of **Dec 1 2008**, and then select the **All Vested** check box.
9. Click **OK** when finished.
10. Go to the **Strategies** category – **Redemptions** tab – **Lump Sum** subtab.

11. To sell the exercised options, add a redemption strategy. Click **Insert**, and then select **ISO 2002 (Jack)**.
12. Click **Edit**.
13. In the *Date* field, enter **Jan 1 2009**, and then select the **Total Market Value** check box.
14. Click **OK**.
15. Click **OK**, and then click **Yes** to finish editing the current plan.

The results

1. Go to the **Reports** menu, and then select **Net Worth – Stock Option Activity – Gross \$**.
2. In the *Projection Criteria* dialog box, change the *Ending Year* field to **2009**, and then under *Members to include*, select **Jack**.
3. Click **OK**.

The *Stock Option Activity (Gross \$)* report displays all applicable activity regarding the exercise of options and the sale of the underlying stock. The *Gross Granted* column is blank because Jack received the ISOs in 2002 and the report begins in the current year, 2004.

- The *Gross Vested* column displays the total amount of ISOs that vested at the end of each year. For example, the amount for 2004 is the gross amount of ISOs that vested at the end of the year (20% or 1,000 ISOs) multiplied by the unit price of the shares as of the end of 2004, which includes the 11% growth rate for the year (1,000 ISOs x \$22.20¹). Remaining unvested ISOs will vest over the next two-year period.
- The *Amount Paid to Exercise* column displays the 5,000 ISOs exercised at a strike price of \$10.00 in the year of 2008.
- The *Gross Exercised* column displays the 5,000 ISOs exercised on Dec 1, 2008, at the market value of the stock at the end of that year (Dec 31, 2008), equaling \$168,506².
- The *Gross Expired* column displays the total amount of ISOs that Jack did not exercise and that have subsequently expired. This is not applicable in this scenario, as Jack has exercised all of his ISOs.
- The *Taxable Compensation Income* column displays the amount of income that will be included as taxable compensation upon the exercise and sale of shares of NSOs. Jack does not have any taxable compensation income for 2008, as his options are ISOs. Since the shares are sold within 12 months,

¹ The unit value of \$20.00 as of January 1, 2004 plus 11% growth for 1 year ($\$20.00 \times 1.11$).

² The unit value of \$20.00 as of January 1, 2004 plus 11% growth for 5 years ($\$20.00 \times 1.11^5$) multiplied by 5,000 ISOs.

taxable compensation income of \$117,114³ is realized on the sale date in January 2009.

- The *A.M.T. Income* column displays the difference between the option price (\$50,000) and the fair market value of the stock upon exercise of the ISOs (Dec 1, 2008). This is subject to the alternative minimum tax and equals \$117,114. The alternative minimum tax calculation is presented in greater detail in the *Income Tax Details for Jack* report.
- The *Gross Sold* column displays all of the shares that have been sold. Jack sold all shares in January 2009 for a total market value of \$168,506⁴.
- The *Net Value* column displays the total net value of all shares exercised. For example, the value for 2004 is \$36,600⁵, which is calculated as the gross amount of ISOs vested by the end of 2004 minus the cost of exercising the ISOs.

4. Minimize the *Stock Option Activity (Gross \$)* report.

5. Go to the **Reports** menu, and then select **Income tax – Details for – Jack**.

6. In the *Report Year* field, advance the report to **2008**.

7. Under *Alternative Minimum Tax*, click **Expand**.

8. Within the report, scroll to the **Alternative Minimum Tax** section.

The report illustrates the calculation of the alternative minimum tax amount in the year that Jack exercises his ISOs.

9. Advance the report to **2009**, and then scroll to the **Calculation of Total Income** section of the report.

The difference between the market value of the shares at sale (January 2009) and the market value at the time of exercise (December 2008) is treated as a short-term capital gain because the holding period is less than one year. The report shows \$1,392 of short-term capital gains realized in 2009.

10. Minimize the *Income Tax Details for Jack* report.

11. Go to the **Reports** menu, and then select **Net Worth – Single Asset**.

The *Single Asset Document Generator* dialog box opens.

12. Under *Asset*, select **ISO 2002 (Jack)**.

13. In the *Number of years to project* field, enter **7**.

14. Click **Reports**, and then select **Single Asset Income Distribution**.

³ Market value per unit at exercise (Dec 1, 2008) minus strike price multiplied by the number of options (($\$33.42 - 10.00$) X 5000).

⁴ The unit value of \$20.00 as of January 1, 2004 plus 11% growth for 5 years ($\$20.00 \times 1.11^5$) multiplied by 5,000 ISOs

⁵ [$(3,000 \times \$22.20$ unit value as of end of 2004) – (3,000 ISO's x \$10 strike price)].

The *Single Asset Income Distribution* report confirms that the short-term capital gain was income generated from the sale of all the shares (i.e., interest vs. capital gains).

15. Go to the **Strategies** menu, and then select **Cash Flow Assistant**.
16. Scroll to **2009**, and then under the *Jack* column, double-click the **Employment Income** field.

If all shares are sold within one year of the exercise date, the difference between the fair market value at the time of exercise and the strike price is taxed as ordinary income. This amount is also subject to AMT.

Selling Jack's shares within the one-year holding period does not seem to provide any favorable tax breaks. Let's produce a plan to show Jack what would happen if Jack held the stock an additional year before he sold it.

Procedure

1. Click **OK** twice to go back to the desktop.
2. Minimize the **Single Asset Income Distribution** report, and then close the **Single Asset Document Generator** dialog box.
3. Right-click the **Stock Option Analysis** icon, and then select **Duplicate**.
4. On the *General* tab, rename the alternate stock option strategy **Stock Option Analysis Delayed Sale**.

By duplicating the original Stock Option Analysis plan and then entering a later sale date for the shares, you will be able to provide a side-by-side comparison of the two situations and help Jack make an informed decision about the best time to sell the shares.

5. Go to the **Strategies** category, and then to the **Redemptions** tab.
6. Go to the **Lump Sum** subtab, select **ISO 2002 (Jack)**, and then click **Edit**.
7. In the *Date* field, enter **Jan 1 2010**.
8. Click **OK**.
9. Click **OK**, and then click **Yes** to finish editing the current plan.

The results

1. Go to the **Reports** menu, and then select **Net Worth – Single Asset**.
The *Single Asset Document Generator* dialog box opens.
2. Under *Asset*, select **ISO 2002 (Jack)**.
3. In the *Number of years to project* field, enter **7**.
4. Click **Reports**, and then select **Single Asset Income Distribution**.
5. Go to the **Strategies** menu, and then select **Cash Flow Assistant**.

6. Scroll to **2010**, and then under the *Jack* column, double-click the **Investment Income** field.

If the ISOs are held for more than two years after the grant date and more than one year after the exercise date, then the difference between the selling price of the shares and the strike price is considered a long-term capital gain and will be noted as such in the *Cash Flow Assistant* and in the *Single Asset Income Distribution* report.

7. Click **OK** twice to get back to the desktop.
8. Compare the **Single Asset Income Distribution** report for the Stock Option Analysis plan and the Stock Option Analysis Delayed Sale plan.

From a tax standpoint, it is advantageous for Jack to wait until 2010 to sell his company stock, assuming the stock's value grows according to our projections. In 2010, income from the sale will be taxed as a long-term capital gain. Prior to 2010, income from the sale will be taxed as employment income.

Planning strategy: cashless exercise of Linda's NSOs

In 2004, Linda's employer awarded her the option to purchase 1,000 shares in the company at a strike price of \$20.00. This option was granted without a vesting schedule (i.e., all shares are available for purchase immediately). However, the option did come with a provision that stipulates a 10-year period in which to purchase all vested shares or the options will expire. The stock is expected to increase in value and Linda would like to exercise her options in 2008 to make the stock available for funding retirement, if needed.

Procedure

1. Minimize all the reports on the desktop, and then close the **Single Asset Document Generator**.
2. Ensure the **Stock Option Analysis Delayed Sale** icon is selected.
3. Go to the **Data** menu, and then select **Assets – Non-Qualified Assets**.
4. Double-click **NSO 2004**.
5. The *Asset Details* dialog box opens. Review the data entry for the stock option.
6. Go to the **Exercise** subtab.
7. Enter an exercise date of **Dec 1, 2008**, and then select the **All Vested** check box.
8. Select the **Cashless Activate?** check box, and then enter an *Estimated Tax Rate* of **28%**.
9. Click **OK** when finished.
10. Click **OK**, and then click **Yes** to finish editing the current plan.

The results

1. Go to the **Reports** menu, and then select **Net Worth – Stock Option Activity – Gross \$**.

The *Projection Criteria* dialog box opens.

2. In the *Ending Year* field, enter **2009**, and then under *Members to include*, select **Linda**.
3. Click **OK**.

The *Gross Sold* column represents the dollar value of the shares that must be sold to fund the cashless exercise, including any taxes on the sale of shares.

- Calculate the amount paid to exercise.
 $1,000 \text{ shares} \times \$20 \text{ strike price} = \$20,000$
 Broker loans client \$20,000 to complete the cashless exercise.
- Broker sells enough shares at fair market value (as of Dec 1, 2008) to cover the loan.
 $\$20,000 / \$36.03^6 = 555.09 \text{ shares}$
- Broker sells enough shares to cover taxes on the gain triggered by the sale of the shares (i.e., taxable compensation income).
 $[\$36.03 \text{ (FMV)} - \$20.00 \text{ (strike price)}] \times 1,000 \text{ shares} = \$16,030$
- Calculate the taxes withheld to determine the shares sold.
 $\$16,030 \times 28\% / \$36.03 = 124.57 \text{ shares}$
- Calculate the total shares sold.
 $555.09 \text{ (shares sold to cover loan)} + 124.57 \text{ (shares sold to cover taxes)} = 679.67 \text{ shares}$
- Calculate the new cost basis for the shares.
 $[1,000 \text{ (total shares)} - 679.67 \text{ (shares sold)}] \times \$36.03 \text{ (FMV)} = \$11,543$
- Calculate the *Gross Sold* amount.
 $(\$36.03 \times 1,000 \text{ shares}) - \$11,543 = \$24,487$

OR

$$679.67 \text{ shares} \times \$36.03 = \$24,487$$

The *Single Asset Detailed* report complements the *Stock Option (Gross \$)* report by outlining the future value of the unit price, market value, new cost basis, change in units, and other important details.

4. Go to the **Reports** menu, and then select **Net Worth – Single Asset**.
 The *Single Asset Document Generator* dialog box opens.
5. Under *Asset*, select **NSO 2004 (Linda)**.
6. In the *Number of years to project* field, enter **7**.

⁶ The fair market value is \$36.03 as at Dec 1, 2008: Generate a *Single Asset Detailed* report for the NSO 2004 and scroll to Dec 1, 2008.

7. Click **Reports**, and select **Single Asset Detailed**.
8. Scroll through the report to the year **2008**.
Review the details of this report and notice the *Sell Amount* in December of 2008.
9. Double-click the **Stock Option Analysis Delayed Sale** icon to open the *Plan Analysis* window.

Planning strategy: recommended plan

With all of the Gellers' financial objectives illustrated, all we need to do is account for the erratic cash flow projected in pre-retirement. The Gellers have decided that they should implement a savings strategy for any cash flow that is not being allocated to a specific expense or account. You have discussed the idea of redirecting these surplus cash flows to a savings plan for retirement, after accounting for a portion of the surplus that may not materialize.

Procedure

1. Minimize all of the reports.
2. Right-click the **Stock Option Analysis Delayed Sale** icon, and then select **Duplicate**.
3. On the *General* tab, rename the new plan **Recommended Plan**.
4. Go to the **Strategies** category.
5. Go to the **Surplus Lifestyle Expenses** tab.
6. Click **Insert**.
7. To assume a quarter of the projected surplus does not materialize, in the *Spend What Percentage* field, enter **25%**.
8. Leave all of the other fields at the default, and then click **OK**.
9. Go to the **Savings – Surplus** subtab.
10. To add a surplus savings strategy, click **Insert – Strategic Growth Fund (Joint/Non-Qualified)**.
11. Click **Order of Surplus Cash Usage**.
12. The *Order of Surplus Cash Usage* dialog box opens. Under *1st*, select **Surplus Lifestyle Expenses**, and then select **Surplus Savings** as the *2nd* priority.
This will ensure that in any year a surplus exists, 25% of the surplus will be spent out of the plan and the remainder will be redirected to the Strategic Growth Fund.
13. Click **OK**.
14. Click **OK**, and then click **Yes** to finish editing the current plan.
15. Double-click the **Recommended Plan** folder to open the *Plan Analysis* window.

The results

By redirecting the surplus cash flow toward an asset, you have achieved a potential optimal plan for the Gellers. The *Plan Analysis* window shows that all cash inflows meet cash outflows across the entire planning horizon, and net worth continues to grow. How does this compare to the Gellers' current financial situation?

1. Within the *Plan Analysis* window, click the **Comparison** (scales) button.
2. The *Select a Plan* dialog box opens. Select **Base Plan (current year)**, and then click **OK**.

The two *Plan Analysis* windows appear side by side.

The most noticeable change is the pre-retirement cash flow. However, considering the financial strategies we have applied in the plan, what effect would you expect these strategies to have on the net worth of the plan?

Compare the net worth of the Recommended Plan to that of the Base Plan. Why is the net worth in the Recommended Plan slightly less than that of the Base Plan even though the financial strategies that were applied to the plan should have helped to increase the net worth?

6. Estate planning strategies

Objectives

The Gellers were so impressed with the planning illustrations you provided for their retirement that they want to discuss their estate in greater detail. Specifically, they are wondering what financial strategies are available to ensure the bulk of their estate is not eroded by unnecessary taxes. The Gellers have heard that there are a variety of products and techniques available to transfer their estate to the appropriate beneficiaries while incurring minimal taxes and satisfying their succession planning goals.

Setting life expectancy for the estate plan

In the future, the Gellers may want to see some What-if scenarios for the estate situation using different life expectancies, but initially they would like to review the recommendations assuming the same life expectancies as the rest of the plan.

To begin the estate plan and set the life expectancies, complete the following procedure.

Procedure

1. Right-click the **Recommended Plan** icon, and then select **Duplicate**.
2. On the *General* tab, rename the new plan **Estate Plan**.
3. Go to the **Estate Planning** category – **Planner** tab – **Existing Estate Plan** subtab.
4. In the *Life Expectancy* fields, enter age **90** for both Jack and Linda.
5. Click the **magnify glass** icon to open the *Life Expectancy Scenarios* dialog box.
Here you can set *Alternate Life Expectancy* dates for the clients.
6. Ensure that the **Reports** check box is selected for the *Life Expectancy* option.
7. Click **OK**.

Planning strategy: A/B scenario, living trust & gifting

Considering the Gellers' needs and wishes regarding their estate, you believe that a living trust and a commitment to a regular gifting strategy will help them meet some of their objectives. The Gellers should also take advantage of the postponement of taxes until the death of the second spouse by using a credit shelter trust. By looking at their plan, you have determined that they will likely have assets that exceed the applicable exclusion upon the first death. Therefore, they could also set up a marital trust to utilize both of their applicable exclusions. They could appoint other assets to a marital trust and transfer the wealth from their estate at death.

Procedure to create the A/B scenario

We must ensure that assets are available to fund the credit shelter and marital trusts, instead of being redeemed to cover deficits. To do this, we must remove the deficit coverage records from the assets (the *Venture Stock Portfolio* and the *Income Fund*) that will fund these trusts.

1. Go to the **Strategies** category – **Redemptions** tab – **Deficit Coverage** subtab.
2. Select the **Venture Stock Portfolio**.
3. Click the **Delete** button, and then select **Delete Current Selection – Yes**.
4. Select the **Income Fund**.
5. Click the **Delete** button, and then select **Delete Current Selection – Yes**.
6. Go to the **Estate Planning** category – **Planner** tab – **Existing Estate Plan** subtab, and then click **Duplicate** to build a new scenario.
7. In the *Estate Planning Scenario Setup* dialog box, enter the following information:

<i>Name:</i> AB, Living & Gifting	<i>Will Exists:</i> selected
<i>Giftng:</i> selected	<i>Credit Shelter Trust:</i> selected
<i>Living Trust:</i> selected	<i>Other Marital Trusts:</i> selected
<i>Irrevocable Trusts:</i> selected	

8. Click **OK**. A new *AB, Living & Gifting* subtab is created.

The *Credit Shelter Trust* dialog box opens. To turn off the automated demonstration, go to the **Edit** menu, and then select the **Preferences – System** tab. Under *Demo Options*, clear the **Show automated demos** check box.

9. Enter the following information on the **Trust** tab:

<i>Trust Tax Rate:</i> 40%	<i>At death of:</i> 1st to Die
<i>Funding Amount:</i> clear Autofund	<i>Allocation for GSTT Exemption:</i> Fixed Amount \$0
<i>Return Rates:</i> 3% Dividends, 3% Capital Gains, 2% Deferred Growth	

Leave all other fields at their defaults.

10. To ensure that the surviving client receives the income from the trust, click **Income To**.
11. In the *Surviving Client* field, enter **100%**.
12. Click **OK**.
13. To insert beneficiaries, click **Remainder To**.

14. To add both Sarah and Matthew Geller as remainder beneficiaries of the trust, click **Add All**.

This will add all of the eligible beneficiaries in the plan as remainder beneficiaries of this trust.

15. To disperse the trust remainder equally between beneficiaries, click **Pro-Rata**.
16. Click **OK** to return to the *Credit Shelter Trust* dialog box.
17. Go to the **Funding Assets** tab.
18. To add a new funding asset, click **Insert**, and then select **Venture Stock Portfolio**.

The *Transfer* dialog box opens.

NaviPlan transfers up to the maximum exclusion amount or the amount you specify. If an asset is community property, NaviPlan only transfers 50% of the asset to the trust.

NaviPlan allows you to fund multiple trusts with the same asset. However, assets that do not support partial transfers (i.e., lifestyle assets) cannot fund multiple trusts. If assets are not specified, NaviPlan uses an automatic funding system.

19. Click **OK** twice to return to the *AB, Living & Gifting* subtab.
20. To add a marital trust to the scenario, click **Linda's Assets after Jack's death** and select **Edit Other Marital Trusts**.
21. In the *Trusts* dialog box click **Create**, and then select **Marital Trust**.
22. Enter the following information on the *Marital Trust* tab:

Trust Tax Rate: **40%**

At death of: **Jack**

Funding: **Asset Transfer**

Allocation for GSTT Exemption: **Fixed Amount \$0**

Return Rates: **2% Deferred Growth**

Leave all other fields at their defaults.

23. Go to the **Transfers** tab.
24. Click **Insert**, and then select **Income Fund (Jack/Non-Qualified)**.
25. The *Transfer* dialog box opens. The full value of the asset is to be transferred to the children. Leave the *Transfer % of Market Value* field at 100%, and then click **OK**.
26. To insert beneficiaries, click **Remainder To**.
27. Click **Add All** to insert both Matthew and Sarah as beneficiaries of the trust.
28. Click **Pro-Rata** to ensure that the property is transferred equally to both beneficiaries.
29. Click **OK** three times to return to the *AB, Living & Gifting* subtab.

A value now appears under the *Marital trusts for Linda* section.

Procedure to create the living trust

1. To illustrate a living trust, you must select the **Living Trust** check box in the *Estate Planning Scenario Setup* dialog box at the beginning of this exercise. All assets will be removed from probate automatically.

To ensure that this is the case, click **Jack's Gross Estate in 2034**, and then select **Edit Asset Estate Details**.

The *Asset Estate Details* dialog box opens. It is apparent that the *Probate* check box has been cleared for all of the applicable assets.

2. Click **OK** to return to the *AB, Living & Gifting* subtab.

Procedure to create the gifting strategy

1. Click **Gifts and Bequests**, and then select **Edit Cash Gifting Strategies**.
2. In the *Gifting Strategies* dialog box, in the **Jack** tab, click **Insert Regular**.
3. The *Regular Gifting* dialog box opens. Enter the following information:

Split Gift: **selected**

Gifted to: **Sarah Geller**

Maximum Annual Exclusion Gift: **selected** *Start Date:* **Jan – Current Year**

End Date: **On death**

4. Click **OK**.
5. Click **Duplicate**, and then click **Edit**.
6. Under *Gifted to*, select **Matthew Geller**, and then click **OK**.
7. Click **OK** to return to the *AB, Living & Gifting* subtab.

The *Gifts and Bequests* node reflects the value of the gifts.

8. Go to the **Setup** tab.

Assign a growth rate to gifts given to Matthew and Sarah to reflect the fact that they will invest these cash gifts.

9. Go to the **Gifting Growth & History** tab.
10. To edit the growth rates for each beneficiary, select the **Growth Rate** field next to the beneficiary, and then click **Edit Growth Rate**.
11. Clear the **Inflation** check box, and then enter **9%** as the *Growth Rate on Gifts*.
12. Click **OK**. Complete this process for both Matthew and Sarah.
13. Enter a tax rate of **25%** for both Matthew and Sarah, to approximate an average tax rate for both beneficiaries. This will ensure the value of the gifts is reported on an after-tax basis.
14. Go to the **Planner** tab.

The *Gifts and Bequests* node now reflects the new after-tax growth of the gifts.

The results

1. Go to the **Summary** tab.

The AB, Living & Gifting scenario is compared with the Existing Estate Plan. The *Summary* tab displays a numerical and graphical representation of total taxes, net to heirs, and net to charity. It appears that our scenario has decreased total taxes and increased net distributions to heirs.

2. Click the **Reports** button, and then select **Comparison Report**.

A detailed cash flow comparison illustrates the two scenarios at both Jack's projected deceased date and Linda's projected deceased date.

3. Close the **Estate Planning Detailed Comparison** report.
4. Go to the **AB, Living & Gifting** subtab.
5. Click **Reports**, and then select **Gift Taxes (Jack)**.

Since the total gifts exceed the maximum annual exclusion, the unified credit is invaded and gift tax is applied. If the gift exceeds the maximum annual exclusion, NaviPlan first uses any unified credit before applying gift taxes. The value in the *Current Interest Gifts to Trusts* column signifies Jack's portion of the premium for the life insurance policy that funds the ILIT.

6. Close the **Gift Taxes (Jack)** report.
7. Click **OK**, and then select **Yes** to return to the desktop.
8. Go to the **Reports** menu, and then select **Trusts – Single Trust**.
9. In the *Estate Planning Report Settings* dialog box, select **AB, Living & Gifting**, and then click **OK**.
10. Select **Marital Trust**, and then click **OK**.

The top section of this report provides some basic information on the marital trust. The *Details* section provides a synopsis of the variables. The *Summary* section identifies the amount paid to heirs after the 2nd death. This includes after-tax income retained in the trust and any deferred growth. A *Funding* report lists all of the funding assets. The cash flow of the trust is provided for each year after the trust is funded, and another report allows you to reconcile the taxes the trust will pay. This trust is established in the year the first spouse dies. The assets are distributed to the remainder beneficiaries in the year the second spouse dies.

11. Review the same report based on the credit shelter trust and take note of the funding asset for the credit shelter trust. The asset that was used to fund the trust is listed along with the *Value Transferred*, in both a dollar and percentage amount.
12. Minimize all reports on the desktop.

Planning strategy: charitable remainder trust

Jack recently lost his sister to cancer and he would like to leave part of his estate to the American Cancer Society. You suggest a charitable remainder trust. This trust allows Jack to make a charitable donation, retain an income interest in the property, and obtain an income tax deduction in the year of the transfer.

The Gellers instituted an irrevocable life insurance trust (ILIT) in 2000 that houses an insurance policy with a death benefit of \$500,000. You tell the Gellers the ILIT can be used to develop a strategy of wealth replacement. They are transferring wealth that their children could have received to the charity; however they are replacing that wealth for their children through the death benefit from the insurance policy.

This strategy enhances the recommendations of the A/B scenario that you just created.

Procedure

1. Go to the **Data** menu, and then select **Estate Planning – Planner**.
2. Go to the **AB, Living & Gifting** subtab, and then click **Duplicate**.
3. In the *Estate Planning Scenario Setup* dialog box, enter the following information:

Name: **AB, Living, Gifting & CRT** *Charitable Trusts:* **selected**

4. Go to the **Trusts** page.
5. Ensure the **AB, Living, Gifting, & CRT** scenario is selected.
6. Select **New CRT**.
7. Click **Add This Trust**.

The *Edit Trusts* dialog box opens.

8. The *Charitable Remainder Trust* dialog box opens. On the **Trust** tab, enter the following:

Grantor: **Jack** *IRC 7520 Rate:* **3.8%**

Unitrust: **selected** *Optimize:* **selected**

Frequency: **Annual** *Interest:* **4%**

Duration: **Joint 2nd to die**

When the *Optimize* check box is selected, NaviPlan calculates the maximum payout to the income beneficiary while ensuring the trust has a 10% remainder interest. If the advisor selects a payout rate that leaves less than a 10% remainder, a warning message appears. The optimized payout depends on the IRC 7520 rate and the trust term entered. You can enter the annual income amount manually if the *Optimize* feature is not used. Income can be paid out monthly or annually.

Income can be paid to the spouse and/or other heirs. You must click the *Payment To* button and specify the appropriate income recipient. If the grantor wishes to retain the income interest, you should ensure that you have not set an income

beneficiary in the *Beneficiaries* dialog box. If no income beneficiary is selected, NaviPlan will automatically pay the income to the grantor. This payment can be verified in the grantor's cash flow by using the *Cash Flow Assistant* and reviewing the *Investment Income* category for the grantor.

9. Click **Payment To**, and then enter **100%** in the field for Linda.
10. Click **OK**.
11. Click **Remainder To**.
12. In the *Beneficiaries* dialog box, click **Insert – American Cancer Society**.
13. Click **Pro-Rata** to ensure that 100% of the remainder goes to the charity, and then click **OK**.
14. Go to the **Transfers** tab.
15. In the *Transfer assets on* field, enter the **last day of the current month**.
16. Click **OK** twice to return to the *AB, Living, Gifting, and CRT* subtab.
17. Click **Recommend**.

When an estate scenario is recommended it will be incorporated with the rest of the financial plan. Thus, you will be able to review the effect that the estate scenario has on the plan and assess whether this is the best recommendation for the client. When a scenario is integrated with the rest of the plan, you will see the effects in the *Plan Analysis* window and in any reports that are generated.

The results

1. Go to the **Summary** tab.

The AB, Living, Gifting, and CRT scenario is compared to the other two scenarios. The *Summary* tab displays a numerical and graphical representation of total taxes, net to heirs, and net to charity. It appears that our scenario has decreased total taxes and now displays a value for the net to charity.

2. Click **OK**, and then click **Yes** to finish editing the current plan.
3. Go to the **Reports** menu, and then select **Trusts – Trust Summary**.
4. Select **AB, Living, Gifting & CRT**, and then click **OK**.

The *Trust Summary* report shows an overview of the trust activity of all the trusts in the scenario. This report allows you to verify the flow of the income of the charitable remainder trust to the grantors and to the heads of the family. Also, notice the value that appears in the *Charitable Deduction* column. This deduction can be verified in the *Income Tax Details* report for the grantor.

5. Go to the **Reports** menu, and then select **Income Tax – Projected Details for – Jack**.
6. In the *Report Years* dialog box, click **Quick Pick**, select **2004** and **2005**, and then click **OK** twice to generate the report.

Since this charity is a 50% limited organization, the deductibility is limited to 50% of the adjusted gross income. The adjusted gross income reveals that Jack has sufficient income to allow the entire deduction in the current year (year of transfer). Any amount over this value will be carried forward for five years.

7. Go to the **Reports** menu, and then select **Estate Planning – Gift Taxes (Jack)**.
8. Select **AB, Living, Gifting, and CRT**, and then click **OK**.

The total gift amount of \$7,500 has been split. Since this is a joint life insurance policy, the annual amount is shared between Jack and Linda. Also, the combination of gifting to their children and paying the life insurance premiums has exceeded the annual gift exclusion. Consequently, we can see gift taxes calculated and the applicable credit applied.

9. Minimize all reports on the desktop.

Planning strategy: family limited partnership and grantor retained trust

Jack owns a small business, which will be taken over by his son when Jack retires. There is some uncertainty about whether or not Jack's son will be able to run the business effectively. Jack would rather sell the business than watch mismanagement ruin it. Jack's son is in his last year of college and is starting to look seriously at his future. Jack was wondering how a family limited partnership would allow him to gift his interests to his son over time, yet still give Jack a say in the business.

Jack also plans to become involved in the S corporation that his friend has presented to him. He has no plans to sell his interest in this business during his retirement as the income projections state that he may begin to receive distributions from the business after time. He would, however, like to transfer this ownership later on in life so that his family can benefit from this endeavor. He is committed to capital contributions for 10 years after the initial purchase, but would consider a transfer after this time. There are various entities that could be used to illustrate this transfer of wealth including a grantor retained trust. This type of entity will allow Jack to benefit from the business until his death, while allowing the business to be transferred later.

Because of Jack's uncertainty surrounding the transfers of these businesses, it may be beneficial to model the family limited partnership and the grantor retained trust as a separate estate-planning scenario. If the Gellers decide that this is the appropriate way to transfer these properties, you can incorporate these strategies into the recommended estate scenario at a later date.

Procedure

1. Go to the **Data** menu, and then select **Estate Planning – Planner**.
2. Go to the **Existing Estate Plan** subtab, and then click **Duplicate**.
3. In the *Estate Planning Scenario Setup* dialog box, enter the following information:

Name: **FLP and GRT**

Wills Exists: **selected**

Irrevocable Trusts: **selected**

Family Limited Partnerships: **selected**

4. Click **OK**. A new *FLP and GRT* subtab is created.
5. Click **FLPs and Irrevocable Trusts**, and then select **Edit Trusts**.
6. Click **Create**, and then select **Family Limited Partnership**.
7. In the *Select Asset to Transfer to Trust* dialog box, select **Commercial Properties LLC**, and then click **OK**.
8. In the *Family Limited Partnership* dialog box, on the *General* tab, enter the following:

Name: **Geller FLP**

Marketability Discount Rate: **15%** Minority Interest Discount Rate: **20%**

Deferred Growth: **3%**

9. Go to the **Transfers** tab, and then in the *Transfer assets on* field, enter **Dec 31 2008**.
10. Go to the **Partners** tab, and then insert **Jack** and **Matthew Geller** as partners.

Jack is designated as a general and limited partner automatically. Matthew is designated as a limited partner automatically. Initial ownership of limited interests is based on the ownership of the assets transferred to the trust. Matthew begins with a zero ownership interest.

11. Go to the **Income Distributions** tab.

Transfer of the ownership interest to Matthew is accomplished by entering FLP gifting strategies. If the client holds an existing FLP where some transfer of ownership has already been gifted, this would be entered on the *Setup – Funded Trusts* tab.

12. Click **Insert**, and then select **Periodic**.

The payout to each partner is based on ownership interest. It is taxed in the hands of the partners.

The amount will be **\$120,000 per year** starting **January 1, 2009**. Under *Increase amount after start date by*, select **Inflation Rate**, and then click **OK**.

These distributions occur until the second spouse dies. At that point, any FLP interests that have not been gifted and remain in the name of the last surviving spouse will be distributed and taxed with the estate.

13. Go to the **Gifting** tab, and then click **Insert – Periodic**.

14. In the *Gift Ownership* dialog box, enter the following information:

Gifted by: **Jack (Limited Partner)**

Gifted to: **Matthew Geller (Limited Partner)**

Maximum Annual Exclusion Gift: **selected** *Start Date:* **Jan 1, 2009**

15. Click **OK twice** to return to the *Trusts* dialog box. Now create the grantor retained trust for the transfer of the S corporation that Jack owns.
16. Click **Create**, and then select **Grantor Retained Trust**.
17. In the *Select Asset to Transfer to Trust* dialog box, select **S-Corp venture**, and then click **OK**.
18. In the *Grantor Retained Trust* dialog box, on the *Trust* tab, enter the following:

Grantor: **Jack**

IRC 7520 Rate: **3.8%**

Unitrust: **selected**

Frequency: **Annual**

In Kind: **selected**

Transfer to: **Create new asset**

Duration: **Term Certain**

Term: **15**

Deferred Growth: **4%**

Leave all other fields at their defaults.

19. Go to the **Transfers** tab.
20. Jack will maintain control of the S corporation outside of the trust until his 10 years of capital contributions have been satisfied. In the *Transfer assets on* field, enter **Dec 31, 2018**.
21. Jack would prefer to leave the business to Matthew and then equal out the estate for Sarah using other assets, as Matthew is more business-oriented. Click **Remainder To**.
22. Click **Insert**, and then select **Matthew Geller**.
23. Click **Pro-Rata** to allocate all of the remainder to Matthew.
24. Click **OK** three times to get back to the *FLP and GRT* subtab.

The results

1. Go to the **Assets** category – **Detailed** tab.

A new asset appears titled *Transfer from Grantor Retained Trust*.

2. Double-click the **Transfer from Grantor Retained Trust** asset to open the *Asset Details* dialog box.

This asset was created due to the *In Kind* selection for the grantor retained trust. Where trust income is insufficient to cover income distribution from a grantor retained trust, trust assets need to be liquidated and distributed. This liquidation could trigger capital gains, which would be taxed to the grantor. The *Transfer from Grantor Retained Trust* asset is a non-qualified asset and is fully editable. Asset classes, market values, buys, and sells can all be adjusted to reflect the true in-kind transfer situation.

3. Click **OK** twice, and then click **Yes** to return to the desktop.
4. Go to the **Reports** menu, and then select **Trusts – Single Trust**.
5. Select **FLP and GRT**, and then click **OK**.
6. In the *Select Trust* dialog box, select **Grantor Retained Trust**, and then click **OK**.

Review the *Cash Flow* section of the report. The note at the bottom of this section states that *Distributions may include In-kind distributions of assets from the trust*.

The *Remainder Interest* is listed as the present value of the remainder interest at the date when the transfer occurred (2018). The *Remainder to Heirs* is the value of the trust assets when they pass to the beneficiaries at Jack's death. The *Amount in Gross Estate* is the value of the trust assets that are included in his gross estate.

7. Go to the **Reports** menu, and then select **Trusts – Single Trust**.
8. Select **FLP and GRT**, and then click **OK**.
9. In the *Select Trust* dialog box, select **Family Limited Partnership**, and then click **OK**.

The *Ownership Summary (End of the Year)* section demonstrates how the ownership interest gradually transfers to Jack's son.

10. Go to the **Reports** menu, and then select **Estate Planning – Payments to Beneficiaries Scenarios Comparison**.
11. Select the **FLP and GRT** estate scenario, and then click **OK**.

The *Transfer to Linda* section of the report shows the transfer to her at Jack's death (first to die).

12. Minimize all of the reports.

7. Monte Carlo Sensitivity Analysis

NaviPlan's *Monte Carlo Sensitivity Analysis* tests the likelihood of success by randomizing return rates and life expectancy. It is best to perform the *Monte Carlo Sensitivity Analysis* on the plan that you will recommend to the client.

Standard deviation can be calculated in a variety of ways. You can allow NaviPlan to estimate the standard deviation for each asset based on their return rates by using a look-up table you create. Using the look-up table, you can define a standard deviation for each asset entered. Or, you can define standard deviations for each asset class, and then allow the asset class weightings of each asset to define their standard deviation. Refer to the chapter titled, *Monte Carlo Sensitivity Analysis* in the *Theory Behind NaviPlan Extended* guide for additional information.

Procedure

1. Select the **Estate Plan** icon.
2. Go to the **Graphs** menu, and then select **Monte Carlo**.
3. In the *Monte Carlo Sensitivity Analysis Settings* dialog box, enter the following information:

<i>Annual Cash Flow Deficit Tolerance:</i> -\$20,000	<i>Randomize Life Expectancy:</i> selected
<i>Education Goals Tolerance:</i> \$0	<i>Major Purchase Goals Tolerance:</i> -\$500
<i>Show Goal Details Graphs In Report:</i> selected	<i>Number of projection to start with:</i> 200

Use the standard deviations that were calculated using the asset classes method.

Leave all other fields at their defaults.

4. Click **OK**.

The time required to perform an analysis varies based on the speed of your computer's processor. As the number of projections increases, so does the time required to perform the calculations. The estimated time remaining is displayed next to the *Number of projections to start with* field.

8. Document packages

Creating new document packages

If the default document packages in NaviPlan do not meet your reporting needs, you can create your own document package containing only the reports, graphs, and concepts that you choose along with your own customized text.

Procedure: create new document package icon

1. Select the **Base Plan** icon.
2. Move all of the other plans on the desktop into the filing cabinet.
3. Generate and minimize the following reports and graphs:
 - *Current Year Cash Flow Summary*
Reports – Cash Flow – Current Year Summary
 - *Plan Analysis Synopsis*
Reports – Synopsis
 - *Total Income and Total Tax*
Graphs – Cash Flow – Total Income & Taxes; Ending Year 2010
Click **OK**.
 - *Net Wealth Accumulation*
Graphs – Net Worth – Net Wealth Accumulation; Ending Year First to Retire
Click **OK**.
4. Delete any other reports or graphs that appear on the desktop, except for the ones created in the previous step.
5. Go to the **File** menu, and then select **New – Document Package**.
6. In the *Save Document Package as* dialog box, name the file **Specialized Client Report**, and then title it **Specialized Client Report**.
7. Click **OK**.

The *Specialized Client Report* dialog box opens, and contains all the reports and graphs you just created.

Procedure: create labels

1. Click **Edit Labels**.
2. In the *Labels* dialog box, change the label from Base Plan to **Current Plan**.
3. Click the **Actual Item** column for the Current Plan label, and then select **Base Plan (current year)**.

4. Click **OK**.

Procedure: create document template

1. Click **Client Report**, and then select **Create**.
2. In the *Create New Template* dialog box, name the file **Specialized Client Report**, and then click **OK**.

The template file name appears next to the *Client Report* button.

3. Click **Client Report**, and then select **Edit**.

Your word processing application opens automatically.

Procedure: modify tags in document template

To enhance the appearance of the client report, move the *Plan Analysis Synopsis* report to the very end as an appendix, and then order the other reports and graphs as you want them to appear. You can also add customized text to the document.

1. Locate the **Plan Analysis Synopsis** heading.
2. Cut the **Plan Analysis Synopsis** heading and its associated tags from their current position.
3. Proceed to the end of the template, and then insert a **Page Break** after the last set of tags.
4. After the page break, enter **Appendix** as a heading.
5. Enter two hard returns.
6. Paste the **Plan Analysis Synopsis** and its related tags underneath the new heading.
7. Locate the **Net Wealth Accumulation** heading.
8. Enter two hard returns and add the following text above the *Net Wealth Accumulation* graph:

<**Mr. and Mrs. Geller**>, this graph illustrates the growth in your total assets from now until your retirement in <**year of retirement**>. At the end of <**current year**> your total net worth will be <**\$**> and it will grow to <**\$**> by your retirement.
9. Use the table at the end of this chapter to insert the appropriate tags in place of the bold text.
10. When you have finished editing the file, go to the **File** menu, and then select **Save**.
11. Go to the **File** menu, and then select **Exit**.
12. Click **Create Client Report**.

A message asks if you would like to freeze the plan date. Do not freeze the plan date if you want to update the report data to the current date the next time you run

this client report. Freeze the plan date only if you want the same results each time you run this client report.

13. Click **No**.
14. The *Specialized Client Report* opens.

Verify that the tags you inserted and corresponding information are correct.

Review the tag if an error message opens to alert you that a tag is not recognized. Any extra spaces or omissions will cause the tag to be unrecognizable. Another possible error may be that the label has not been properly defined.

Editing existing document packages

If the default document packages in NaviPlan do not meet your reporting needs, you can modify them to better reflect your own requirements.

The original NaviPlan document packages and templates are read-only files and cannot be modified in their existing state. This is a safeguard to ensure that the original document packages are saved for your future use. If you want to modify one of the original document packages, you must first save the package under a new name. This removes the read-only attribute and the new package then becomes fully editable.

Procedure: remove read-only attribute

1. Select the **Preliminary Analysis** icon.
2. Go to the **File** menu, and then select **Save – Document Package As**.
3. In the *Save Document Package as* dialog box, name the file **Custom Client Report**, and then title it **Custom Client Report**.

The NaviPlan document package (NDP) defines and stores all of the reports, graphs, and concepts that will be used to generate the final report. All document packages are saved with an .ndp file extension.

4. Click **OK**.

Procedure: add reports, graphs, or concepts to the .ndp file

To add reports, graphs, and concepts to the document package, you must first generate them.

1. Move all of the existing reports to the **Trash**.
2. Select the **Base Plan** icon.
3. Go to the **Reports** menu, and then select **Cash Flow – Retirement Income Summary**.
4. In the *Projection Criteria* dialog box, enter **2007** in the *Ending Year* field, and then click **OK**.
5. Minimize the *Retirement Income Summary* report.
6. Go to the **Graphs** menu, and then select **Cash Flow – Total Income & Taxes**.

7. In the *Projection Criteria* dialog box, enter **2007** in the *Ending Year field*, and then click **OK**.
8. Minimize the *Total Income and Total Tax* graph.
9. Drag the **Retirement Income Summary** icon and the **Total Income and Total Tax** icon onto the *Custom Client Report* icon.
10. Double-click the **Custom Client Report** icon.

The report and graph appear at the bottom of the list.

Procedure: edit labels

Labels allow you to keep the document package generic. This lets you use a document package for multiple client files. The label for each item in the document package relates to a specific plan in the client file. NaviPlan draws the information for the report from the plan that is selected as the *Actual Item*. Before tags are created, you must edit the labels and select the *Actual Item* for the report or graph.

1. Click **Edit Labels**.
2. In the *Labels* dialog box, select **Base Plan**, and then click **Delete**.
3. Click **Yes** to delete the plan label.
4. Click the **Actual Item** column for the *Current Plan* label, and then select **Base Plan (current year)**.
5. Click **OK**.

Procedure: add tags to the .ndt file

The NaviPlan document template (NDT) contains all the text that appears in the final client report. The order, layout, and appearance of the client reports are all defined in the NDT file using tags that are inserted into the template. A tag extracts data from the NaviPlan client file and includes that data in the final client report. Tags are not automatically inserted into the template by dropping a report or graph onto the document package. You must still add tags to the template file.

Document templates are saved with an .ndt extension.

1. Select **Retirement Income Summary** and **Total Income and Total Tax**.
2. Click **Copy as Tag**.
3. Click **Client Report**, and then select **Edit**.

Your word processing application opens automatically.

4. Within your word processing application, scroll down to the **Retirement Goals** heading.
5. Enter a hard return under the *Retirement Goals* heading, and then paste the tags for the *Retirement Income Summary* report and the *Total Income and Total Tax* graph.
6. The following tags should appear:

<Retirement Income Summary; Plan = Current Plan>

<Total Income and Total Tax; Plan = Current Plan>

7. Above the *Total Income and Total Tax* graph tag, enter the following text:
America's inflation rate has changed during the last 3 decades from a high of 13.3% in 1979 to the current rate, which is below 2.0%. We have used <Current Plan; Inflation Rate> for all projections.
8. Go to the **File** menu, and then select **Save As**.
9. In the *Save As* dialog box, in the *File Name* field, enter **Custom Client Report**, and then click **Save**.
10. Go to the **File** menu within your word processing application, and then select **Exit**.

Procedure: link new document template to document package

1. Click **Client Report**, and then select **Select**.
2. In the *Select Template* dialog box, under *File Type*, select **Rich Text Files (*.RTF)**.
3. Select **Custom Client Report.rtf**, and then click **OK**.

The Custom Client Report.rtf file name now appears beside the *Client Report* button.

4. Click **Create Client Report** to generate the *Custom Client Report*.
 A message asks if you would like to freeze the plan date. Do not freeze the plan date if you want to update the report data to the current date each time you run this client report. Freeze the plan date only if you want the same results each time you run this client report.
5. Click **No**.
6. In the *Select Document Sections* dialog box, choose the sections to include in the report, and then click **OK**.

The *Custom Client Report* opens.

Verify that the tags you inserted and corresponding information are correct.

Tags table

The tables below are to be used as reference for the more common tags that you may need to use when creating and editing document packages. For a more complete list of applicable tags, use the Help feature in NaviPlan.

Head tags	
<HeadnTitle>	The title to use in reference to head n (Mr., Ms., Dr., etc.).
<HeadnGivenName>	The given name of head n (Bob, Jane, etc.).
<HeadnSurname>	The family name of head n (Smith, Murphy, etc.).
<HeadnFullName>	The full name of head n, which consists of the person's given name and surname (e.g., Bob Smith).
<HeadnFormalName> <HeadFormalNames>	The formal name of head n consists of the person's title and surname (e.g., Mr. Smith).
<HeadnBirthDate>	The date of head n's birth (May 24,1957).
<HeadnAge>	The age of head n as of today's date.
<HeadnPlanAge>	The age of head n at end of the active plan's year.
<HeadnSSN>	The Social Security number of head n (e.g., 123456789).
<HeadnGender>	The gender of head n (Male or Female).
<HeadnFunction>	The function of head n (Husband, Wife, Single Parent).
<HeadnAddressType>	Head n's address type (Home, Business).
<HeadnStreet>	Head n's street.
<HeadnStreet2>	Head n's street.
<HeadnCity>	Head n's city.
<HeadnState>	Head n's state of residence.
<HeadnCountry>	Head n's country.
<HeadnZipCode>	Head n's zip code.
<HeadnHomePhone>	Head n's home phone number.
<HeadnFaxPhone>	Head n's fax phone number.

<HeadnBusinessPhone>	Head n's business phone number.
<HeadnRetireDate>	Head n's retirement date.
<FirstHeadRetireYear>	The year the client or co-client retires, whichever is earliest.
<HeadnRetireAge>	Head n's retirement age.
Plan tags	
<Plan>	The plan window, complete with the status bars and both graphs.
<PlanName>	The plan's name.
<PlanYear>	The plan's year.
<PlanAnalysisStr>	The analysis of the plan window's graphs.
<PlanDescription>	The description associated with the plan.
<CashFlowAnalysisStr>	A summary (in table form) of the client's cash flow over the next 5 years.
Informational tags	
<I-Total Net Worth; Plan=Current Plan; Year=Current Year>	Total Net Worth at the end of the current year
<I-Total Net Worth; Plan=Current Plan; Year=First Retire Year>	Total Net Worth upon retirement
<I-IRA Net Contributions; Plan=Current Plan; Year=Current Year; Member=Head 1>	Current Year IRA contribution for client 1
<I-Pension Net Contributions; Plan=Current Plan; Year=Current Year; Member=Head1>	Current Year Pension contribution for Head 1
<I-IRA Net Contributions; Plan=Current Plan; Year=Current Year>	Total IRA contributions for the current year

Customized text for Specialized Client Report

<HeadFormalNames>, this graph illustrates the growth in your total assets from now until your retirement in <FirstHeadRetireYear>. At the end of <PlanYear> your total net worth will be <I-Total Net Worth; Plan=Current Plan; Year=Current Year> and it will grow to <I-Total Net Worth; Plan=Current Plan; Year=First Retire Year> by your retirement.