

## Downsizing a home for retirement in NaviPlan Extended

People in retirement often downsize their house because they no longer need so much room.

Use these steps you to show the downsizing of a home in NaviPlan Extended:

1. Go to the **Data** menu, and then select **Assets – House & Mortgage**. Information about the clients' current residence displays.
2. Click the first **More...** button located in the top right-hand corner. The *Lifestyle (Details)* dialog box opens.

**Downsizing a house (2005) Data**

House & Mortgage | Real Estate | Business Entity | Non-Qualified | Qualified | Detailed

**Mark & Barb's House**

Description: Mark & Barb's House

Purchase Amount: \$3,000,000.00 Ownership: Joint

Purchase Date: Jan 1 1985 Market Value: \$300,000.00 **More...**

**Mortgage**

Description: Mortgage

Original Principal: \$250,000.00 Ownership: Joint

Start Date: Dec 31 2004 Interest Rate: 10.000%

Amortization (years): 25.00 Payment Freq.: Monthly

Outstanding Principal: \$250,000.00 as of: Dec 31 2004

Insured for disability Payoff Options at Death: Transfer to survivor

**Calculator...** **More...**

Insert ▲ Delete ▲

<< Back Next >> Cancel OK

3. Under Sale Information, enter the applicable sale date for the existing house. Click **OK**.

**Downsizing a house (2005) Data**

House & Mortgage | Real Estate | Business Entity | Non-Qualified | Qualified | Detailed

**Lifestyle (Details)**

**General Information**

Name: Mark & Barb's House Ownership: Joint

Type: Residence  Community Property

Purchase Date: Jan 1 1985

Purchase Amount: \$3,000,000.00 Indexed by:  Inflation Rate + 0.00% = 0.00%

**Base Return Rates**  Override

Growth Rate: 2.0000%

Standard Deviation: 0.0000%

After the current value date, base on: Start of Year Value

**Previous Purchase**

If purchased before 2005, enter the following as of Jan 1 2005

Market Value: \$300,000.00

Cost Basis: \$3,000,000.00

**Current Value**

As of: Jan 1 2005

Market value is: \$300,000.00

**Sale Information**

Sale Date: Jan 1 2010

Exclusion Amount: \$500,000.00

Cancel OK

- Now click the second **More...** button located in the bottom right-hand corner. The *Liability* dialog box opens.

The screenshot shows the 'Downsizing a house (2005) Data' dialog box with the 'House & Mortgage' tab selected. The 'Mark & Barb's House' section contains the following fields:

- Description: Mark & Barb's House
- Purchase Amount: \$3,000,000.00
- Purchase Date: Jan 1 1985
- Ownership: Joint
- Market Value: \$300,000.00

The 'Mortgage' section contains the following fields:

- Description: Mortgage
- Original Principal: \$250,000.00
- Start Date: Dec 31 2004
- Amortization (years): 25.00
- Outstanding Principal: \$250,000.00
- Interest Rate: 10.000%
- Payment Freq.: Monthly
- as of: Dec 31 2004
- Payoff Options at Death: Transfer to survivor

Buttons include 'More...' (twice), 'Calculator...', 'Insert', 'Delete', '<< Back', 'Next >>', 'Cancel', and 'OK'.

- Under *Early Payoff*, enter a date for the existing mortgage. Click **OK**.

The screenshot shows the 'Downsizing a house (2005) Data' dialog box with the 'Liability' tab selected. The 'Loan Information' section contains the following fields:

- Lender: Mortgage
- Reference #: [Empty]
- Ownership: Joint
- Renegotiate: [Unchecked]
- Insured for disability: [Unchecked]
- Payoff Options at Death: Transfer to survivor

The 'Loan Period' section contains the following fields:

- Loan Date: Dec 31 2004
- Loan Ends: Dec 31 2029 / 25.00 years
- Amortization Ends: Dec 31 2029 / 25.00 years

The 'Principal' section contains the following fields:

- Original: \$250,000.00
- Outstanding: \$250,000.00 as of: Dec 31 2004

The 'Interest' section contains the following fields:

- Annual Interest Rate: 10.000%
- Compounded: Monthly
- Effective Interest Rate: 10.000%

The 'Payment Information' section contains the following fields:

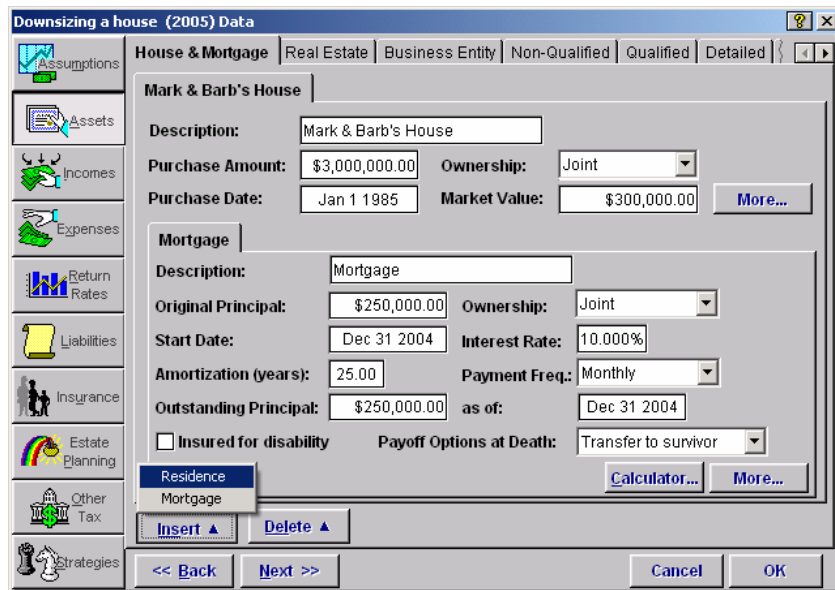
- Method: Principal & Interest
- Frequency: Monthly

The 'Early Payoff' section contains the following fields:

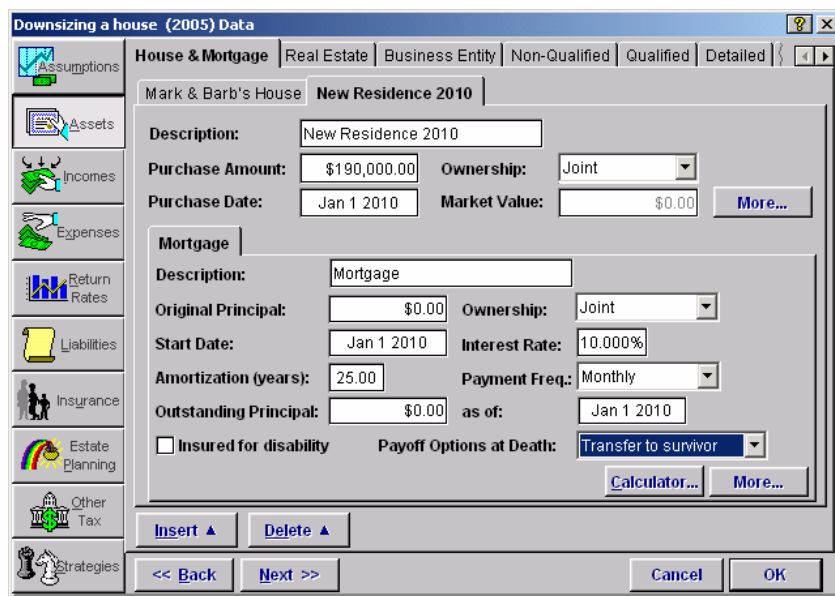
- Date: Jan 1 2010
- Penalty: \$0.00

Buttons include 'Calculator...', 'View Schedule...', 'Cancel', and 'OK'.

6. Click **Insert – Residence**. A second subtab on the *House & Mortgage* tab appears.



7. Enter the details for the new house and mortgage. The purchase/start date for the new *House & Mortgage* asset usually corresponds with the sale/early payoff date for the existing *House & Mortgage* asset.



8. To confirm these transactions, view the *Cash Flow Assistant* for the year in question by going to the **Strategies** menu and selecting **Cash Flow Assistant**.

- The sale of the existing house and the amount for the new mortgage appear as *Received Capital*.
- The early payoff of the existing mortgage and the purchase of the new residence appear as *Lifestyle Expenses*.