



# **NaviPlan Extended Online/Offline Disability Insurance Participant Guide**

**USA version 10.2**

EISI, Winnipeg

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# Contents

<b>Disability insurance .....</b>	<b>1</b>
Learning objectives .....	1
Disability Income category.....	1
Examine assumptions.....	2
Model policy details.....	3
Define needs .....	4
Generate an analysis using reports and graphs .....	5
Use the milestones method of analysis .....	6
Exercises.....	7
Conclusion.....	10
Answers to disability insurance .....	10



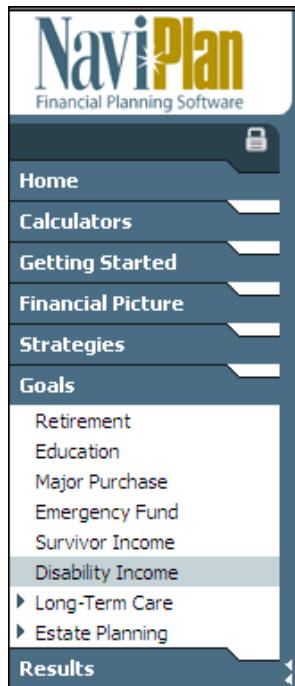
# Disability insurance

## Learning objectives

This module will enable you to

- Examine assumptions
- Model policy details
- Define needs
- Generate an analysis using reports and graphs
- Use the milestones method of analysis

## Disability Income category



The *Goals* section – *Disability Income* category is used to enter or select settings about the following:

- Disability income assumptions, such as when disability begins
- Define needs (modify the percentage of expenses that are applicable)

Disability income reports are accessed and generated on the *Results* section – *Additional Reports* – *Insurance* category – *Disability Insurance* page.

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Figure 1: Navigation bar showing the *Goals* section – *Disability Income* category

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## Generate an analysis using reports and graphs

**Cash Flow Summary if David is disabled**

Train  
Core and Elective Base (2009)  
(David & Mary)

Year	Age(s)	Total Income	Total Tax	After Tax Income	Total Expenses	Current Surplus/ Deficit	Accumulated Surplus/ Deficit
2009	41/39	887,597	126,112	761,485	873,909	13,688	13,688
2010	42/40	736,209	64,818	671,390	796,608	(41,238)	(27,550)
2011	43/41	742,664	69,547	673,117	806,198	(45,676)	(73,226)
2012	44/42	757,876	82,475	675,401	874,309	(102,149)	(175,375)
2013	45/43	762,993	79,696	683,297	827,234	(49,499)	(224,874)
2014	46/44	768,211	83,013	685,198	836,427	(52,926)	(277,800)
2015	47/45	773,511	86,412	687,099	845,877	(56,411)	(334,211)
2016	48/46	777,637	220,300	557,337	985,998	151,845	(182,366)
2017	49/47	769,045	87,259	681,786	859,377	(72,529)	(254,895)
2018	50/48	773,989	90,666	683,324	869,396	(76,373)	(331,268)
2019	51/49	778,896	94,109	684,787	879,651	(80,216)	(411,484)
2020	52/50	783,730	97,575	686,155	890,132	(84,029)	(495,513)
2021	53/51	789,278	101,171	688,106	900,954	(87,788)	(583,302)

This report illustrates the impact of David becoming disabled at the beginning of NEXT year (2010).

Figure 4: Goals section – Disability Insurance category – Reports page – Cash Flow Summary if David is disabled report

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## Exercises

The following exercises have been designed specifically for this module and assume that you are working with the original data in the *Core and Elective Base* plan. Before starting the exercises, duplicate the **Core and Elective Base** plan, rename the duplicate with a meaningful name (e.g., *Disability Insurance training*), and then use it to complete the exercises below.

To find the answers, see “Answers to disability insurance” on page 10.

### Exercise 1: Examine assumptions

1. In pre-retirement, NaviPlan assumes a capital depletion method if the client becomes disabled. Is this statement true or false?
  - a) True
  - b) False
2. Which deficit coverage strategy does NaviPlan apply by default during disability?
  - a) Full deficit coverage for the entire plan
  - b) Targeted deficit coverage for the entire plan
  - c) Targeted deficit coverage for pre-retirement and full deficit coverage for retirement
  - d) None of the above

### Exercise 2: Model policy details

1. David’s group STD policy covers **65%** of his salary up to a maximum of **\$15,000** per month. This is **taxable**. There is a **two-week** waiting period after which the policy pays benefits for a **three-month** period. Since his employer pays the premiums, ensure the *Premium Amount* is **\$0**. Enter the details of this policy.

**Hint:** Go to the **Insurance Coverage** category.

### Exercise 3: Define needs

To find the answers, see “Answers to disability insurance” on page 10.

1. To be conservative, the Trains would like to assume that an additional **\$100** per day in therapeutic care expenses (type: **Medical, indexed by inflation**) would be incurred if David became disabled. Enter this additional expense ensuring that it is applicable for the remainder of the plan and included in the targeted deficit coverage strategy.

**Hint:** Go to the **Disability Income** category – **Objectives** page, and then click the **Details** button to specify when the expense applies.

2. The keyword *disability* can be used to specify the start and end dates of expenses during disability. Is this statement true or false?
  - a) True
  - b) False

### Exercise 4: Generate an analysis using reports and graphs

1. Which report is available to analyze the clients’ disability needs?

**Hint:** Go to the **Results** section – **Additional Reports** – **Insurance** category.

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2. In which period does the first projected cash flow deficit occur if David should become disabled in 2010?
  - a) 2010–2012
  - b) 2013–2016
  - c) 2017–2020
  - d) None of the above; there are no deficits

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### Exercise 5: Use the milestones method of analysis

To find the answers, see “Answers to disability insurance” on page 10.

1. What should be the first step when using the milestones method of analysis to analyze a disability scenario?
  - a) Change the start ages for disability on the *Milestones* page
  - b) Duplicate the plan
  - c) Generate additional reports and graphs
  - d) None of the above

2. What are some benefits of using the milestones method of analysis to analyze a disability scenario?

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3. Duplicate the plan. Change the milestones to have David disabled in 2007. Create a hypothetical individual disability insurance policy for David, and then note the recommended amount of insurance you enter.
4. Go to the **Results** section – **Additional Graphs** – **Cash Flow** category – **General** page, and then generate the **Surplus/Deficit** graph. Examine how the hypothetical disability insurance policy you have recently entered affects the plan. Repeat the process of generating and examining this report with various amounts of additional disability insurance to find an ideal amount the clients should purchase.

## Conclusion

This module has enabled you to

- Examine assumptions
- Model policy details
- Define needs
- Generate an analysis using reports and graphs
- Use the *Milestones* method of analysis

## Answers to disability insurance

### Exercise 1: Examine assumptions

1. a) True. In pre-retirement, NaviPlan assumes a capital depletion method if the client becomes disabled.
2. c) Targeted deficit coverage for pre-retirement and full deficit coverage for retirement.

### Exercise 3: Define needs

2. True. It can be used along with other keywords such as *retirement* and *death*.

### Exercise 4: Generate an analysis using reports and graphs

1. *Cash Flow Summary if <client> is Disabled* report.
2. a) 2010–2012

### Exercise 5: Use the milestones method of analysis

1. b) Duplicate the plan
2. Benefits of using the milestones method of analysis to analyze a disability scenario include the following:
  - Analyze the numbers in more detail
  - Ability to use most of the reports and graphs



