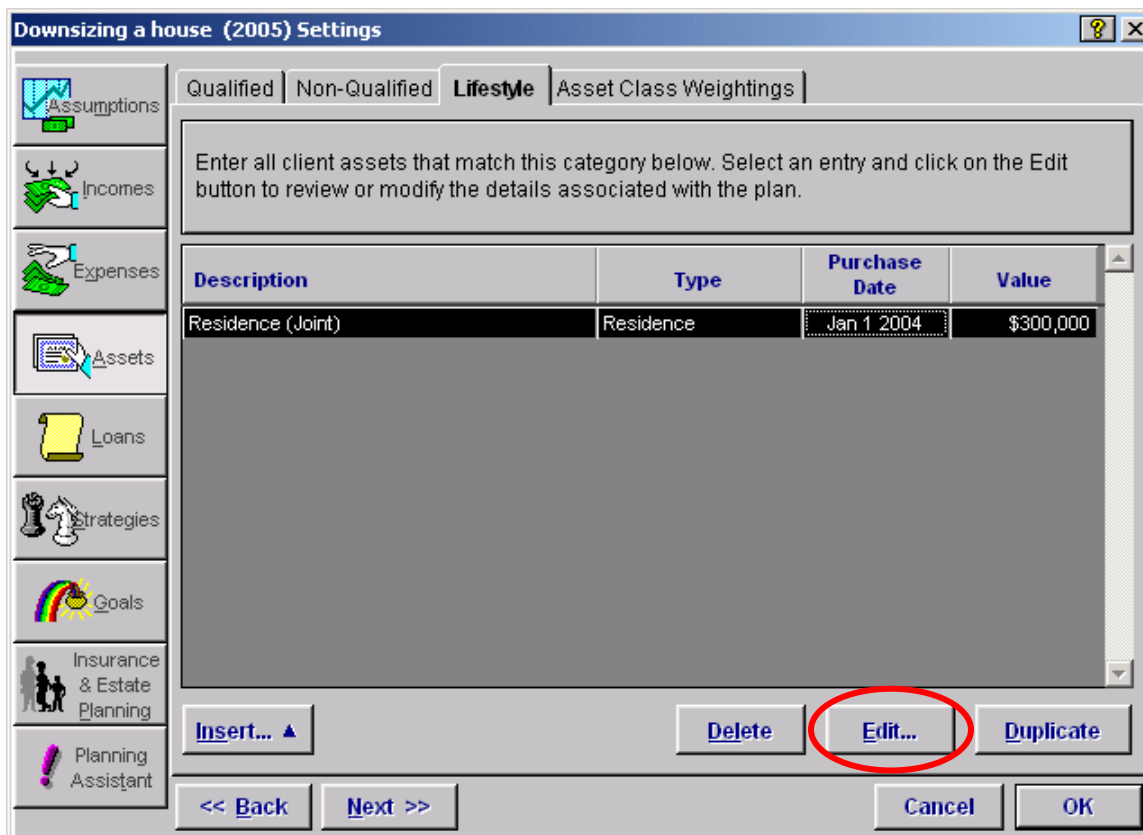


## Downsizing a home for retirement in NaviPlan Standard

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

Follow these steps to show the downsizing of a home:

1. Go to the **Data** menu, and then select **Assets**.
2. Go to the **Lifestyle** tab. Select the existing residence, and then click the **Edit** button.



The *Lifestyle Asset* dialog box opens.

3. Enter the applicable **Sale Date** for the existing house. Click **OK**.

**Lifestyle Asset** ? X

**General**

**Name:**       **Owner:**

**Type:**        **Community Property**

**Purchase**

**Purchase Date:**

**Purchase Amount:**

**Market Value as of Jan 1 2005:**

**Sale**

**Sale Date:**

**Projected Value as of Sale Date:**

Before Tax	After Tax
<input type="text" value="\$331,224"/>	<input type="text" value="\$331,224"/>

**Projected Buying Power:**

Before Tax	After Tax
<input type="text" value="\$285,717"/>	<input type="text" value="\$285,717"/>

Projections are based on the Purchase or Current Value information (whichever is most recent).

The \$250K/500K capital gain exemption and your client's long term capital gain rate are used to calculate after-tax projected values.

**Current Value**

**Valuation Date:**

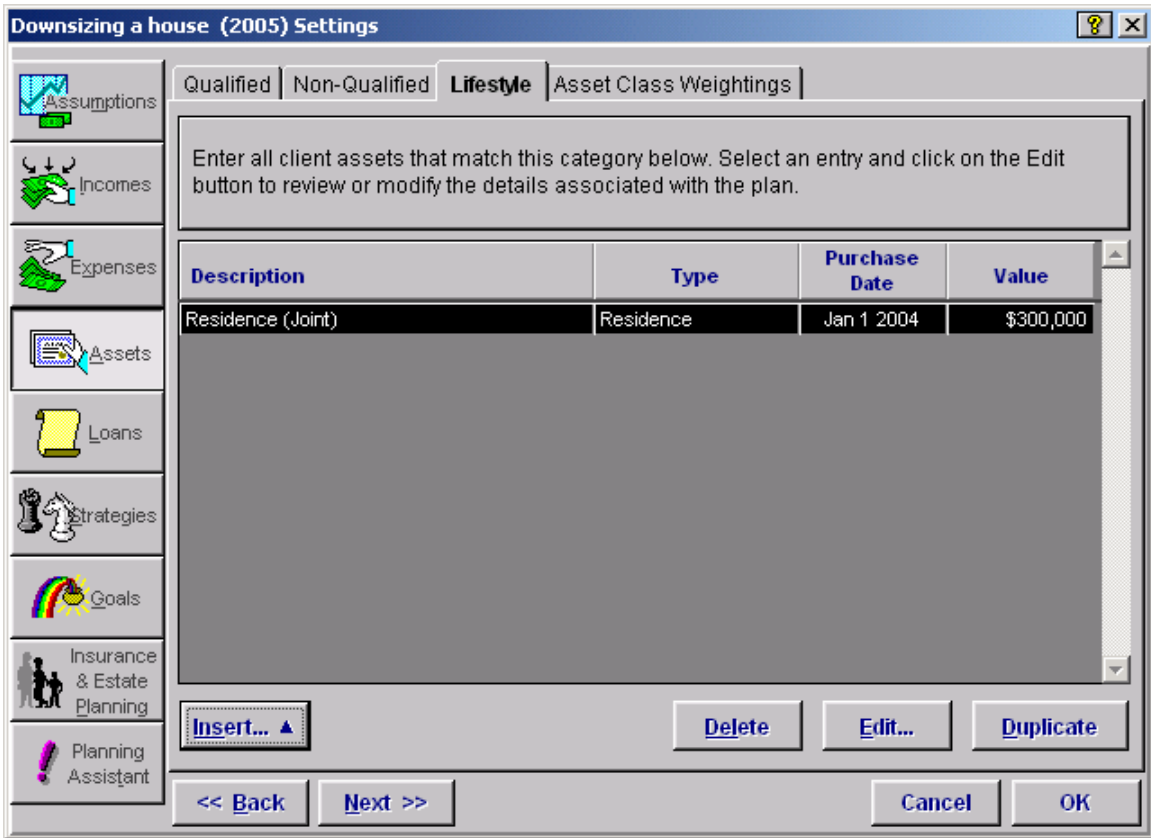
**Market Value:**

**Return Rates**

**override**

**Growth Rate:**

4. On the Assets category – Lifestyle tab, click **Insert – Residence**.



The Lifestyle Asset dialog box opens.

- Enter the details for the new house. The *Purchase Date* for the new house usually corresponds to the *Sale Date* for the existing house. Click **OK**.

**Lifestyle Asset** ? X

**General**

Name:  Owner:

Type:   Community Property

**Purchase**

Purchase Date:

Purchase Amount:

**Sale**

Sale Date:

**Projected Value as of Sale Date:**

Before Tax	After Tax
<input type="text" value="\$0"/>	<input type="text" value="\$0"/>

**Projected Buying Power:**

Before Tax	After Tax
<input type="text" value="\$0"/>	<input type="text" value="\$0"/>

Projections are based on the Purchase or Current Value information (whichever is most recent).

The \$250K/500K capital gain exemption and your client's long term capital gain rate are used to calculate after-tax projected values.

**Current Value**

Valuation Date:

Market Value:

**Return Rates**

override

Growth Rate:

Both houses now appear on the Assets category – Lifestyle tab.

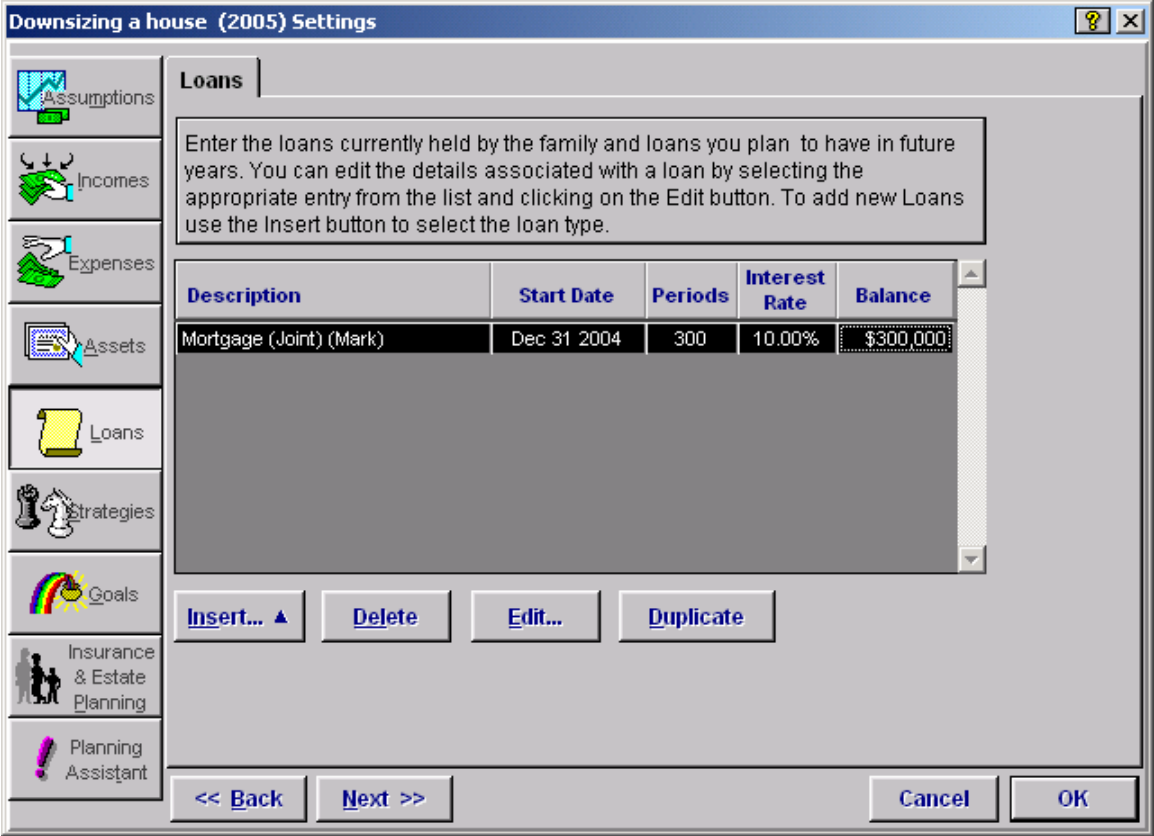
Downsizing a house (2005) Settings

Qualified | Non-Qualified | **Lifestyle** | Asset Class Weightings

Enter all client assets that match this category below. Select an entry and click on the Edit button to review or modify the details associated with the plan.

Description	Type	Purchase Date	Value
New Residence (Joint)	Residence	Jan 1 2010	\$0
Residence (Joint)	Residence	Jan 1 2004	\$300,000

6. Go to the **Loans** category to display the existing mortgage.



- Select the existing mortgage, and then click the **Edit** button.  
The *Loan* dialog box opens.

- Click *View Schedule*. The *Payment Schedule Years* dialog box opens. Click **OK**.

- Scroll down the schedules until you get to the year in question for the sale of the house. Write down the amount in the *New Principal Outstanding* column for the month before the sale of the existing house.

**Liability Payment Schedule for Mortgage (Joint)** ? X

**Payments for Mortgage (Joint)** Dec 15 2004

**Method: Principal & Interest**

Payment Date	Total Money Owing Before Payment	Principal & Interest Payment	Interest Payment	Principal Payment	New Principal Outstanding
Jun 30 2009	285,010.68	2,726.10	2,375.09	351.01	284,659.67
Jul 30 2009	284,659.67	2,726.10	2,372.16	353.94	284,305.73
Aug 30 2009	284,305.73	2,726.10	2,369.21	356.89	283,948.85
Sep 30 2009	283,948.85	2,726.10	2,366.24	359.86	283,588.98
Oct 30 2009	283,588.98	2,726.10	2,363.24	362.86	283,226.12
Nov 30 2009	283,226.12	2,726.10	2,360.22	365.88	282,860.24
Dec 30 2009	282,860.24	2,726.10	2,357.17	368.93	282,491.30
Jan 30 2010	282,491.30	2,726.10	2,354.09	372.01	282,119.30
Feb 28 2010	282,119.30	2,726.10	2,350.99	375.11	281,744.19
Mar 30 2010	281,744.19	2,726.10	2,347.87	378.23	281,365.95
Apr 30 2010	281,365.95	2,726.10	2,344.72	381.39	280,984.57
May 30 2010	280,984.57	2,726.10	2,341.54	384.56	280,600.00
<b>Totals (2005)</b>		32,713.23	29,872.12	2,841.10	

Click **Done**, and then click **OK** to return to the *Loans* tab.

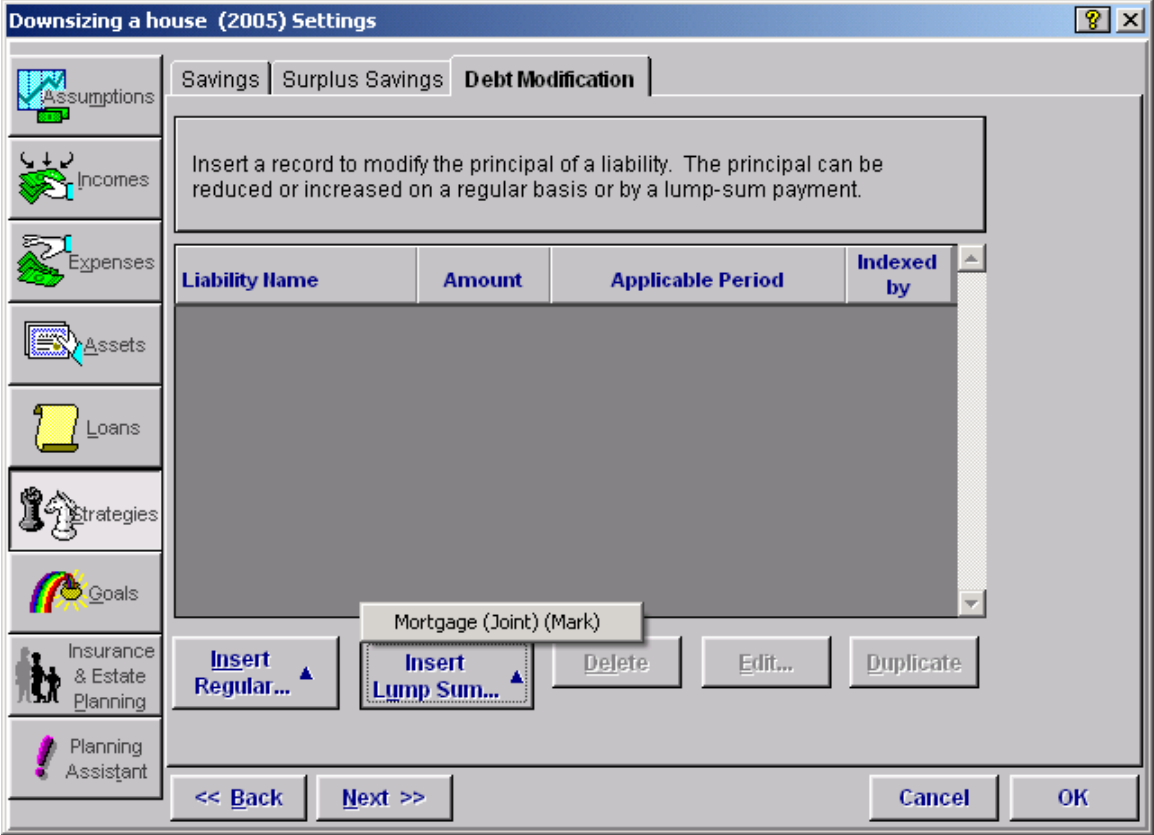
Downsizing a house (2005) Settings

**Loans**

Enter the loans currently held by the family and loans you plan to have in future years. You can edit the details associated with a loan by selecting the appropriate entry from the list and clicking on the Edit button. To add new Loans use the Insert button to select the loan type.

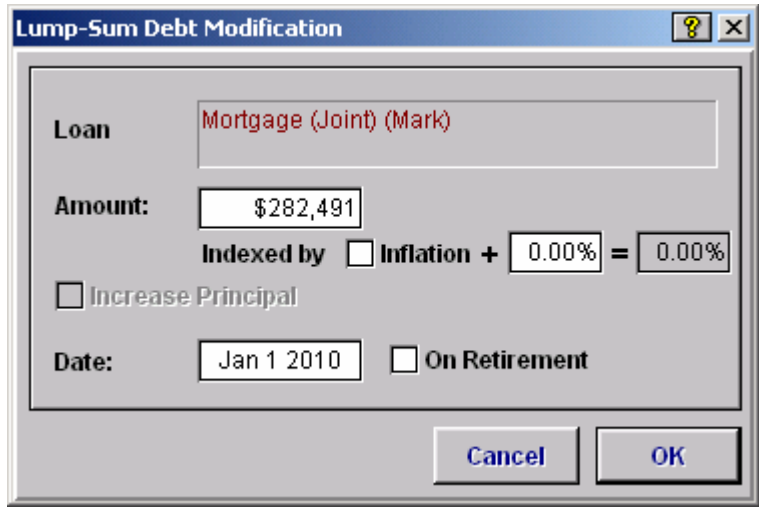
Description	Start Date	Periods	Interest Rate	Balance
Mortgage (Joint) (Mark)	Dec 31 2004	300	10.00%	\$300,000

10. Go to the **Strategies** category – **Debt Modification** tab. In our example, the mortgage liability was named *Mortgage (Joint) (Mark)*. Click **Insert Lump Sum – Mortgage (Joint)(Mark)**.

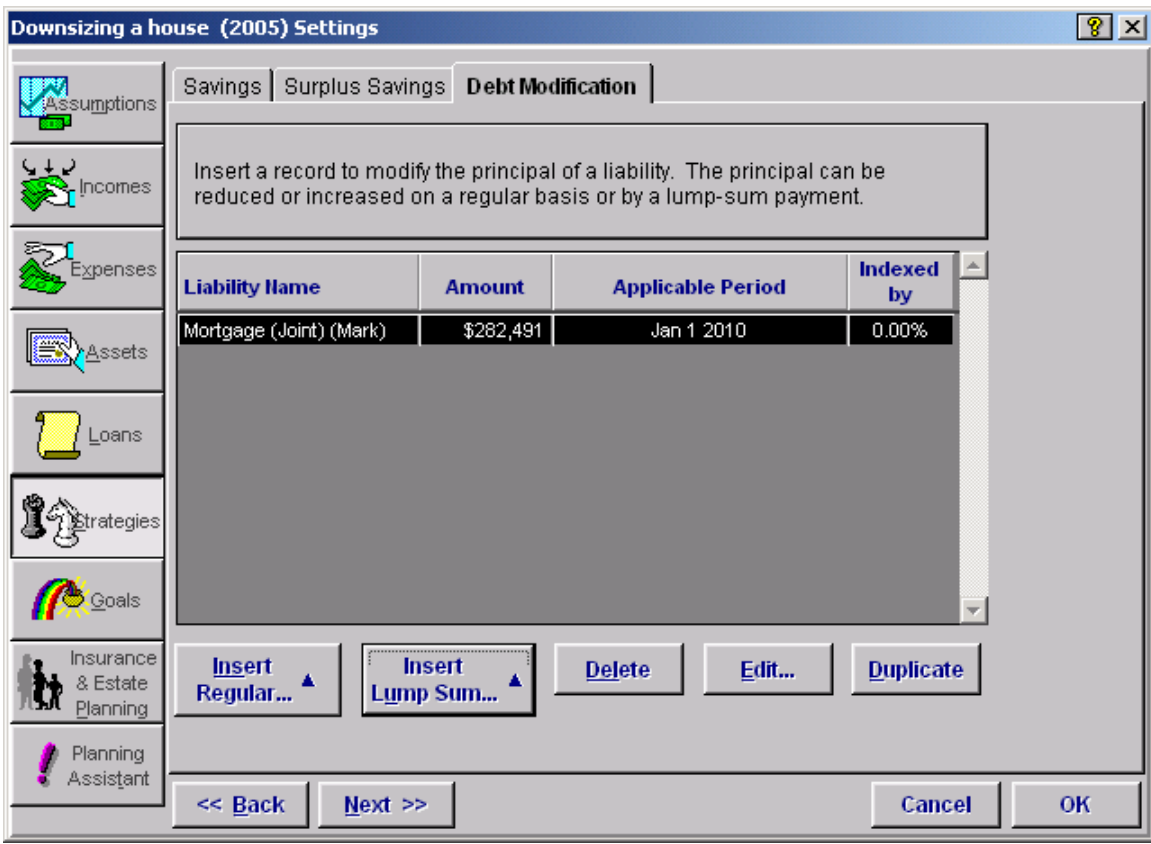


The *Lump-Sum Debt Modification* dialog box opens.

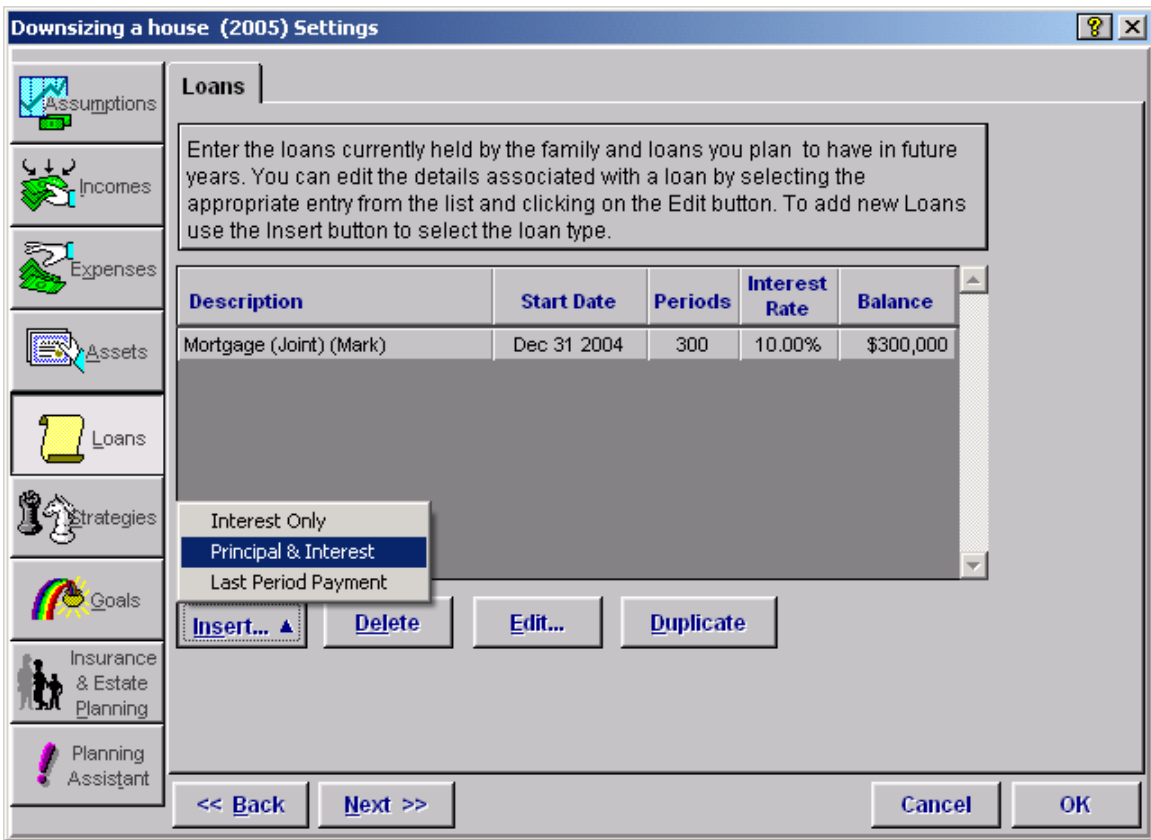
- Enter the amount you wrote down from the *Liability Payment Schedule for Mortgage* dialog box in the *Amount* field in the *Lump-Sum Debt Modification* dialog box. The *Date* of the debt modification strategy will correspond with the *Sale Date* of the existing house. Click **OK**.



Clicking **OK** takes you back to the *Strategies* category – *Debt Modification* tab.



12. Select the **Loans** category. Click **Insert – Principal & Interest**.



The *Loan* dialog box opens.

13. Enter the details for the new mortgage. The *Start Date* for the new mortgage will correspond with the *Sale Date* for the existing house. Click **OK**.

**Loan**

**General**

Description: Principal & Interest

Ownership: Mark  Interest is tax deductible  
 Insured for disability

Payoff Options at Death: Transfer to survivor

Interest Rate: 10.000% Compound Frequency: Monthly

**Amortization**

Start Date: Jan 1 2010  
 25 years  
 End Date: Jan 1 2035

**Principal**

Original Principal: \$30,000  
 Bring into cash flow  Renegotiate  
 Outstanding Principal as of: Jan 1 2010 = \$30,000

**Payments**

Type: Principal & Interest Periods: 300  
 Frequency: Monthly Required Payment: \$273

[View Schedule...](#) **Cancel** **OK**

14. To confirm these transactions, view the *Cash Flow* report for the year in question. Go to the **Reports** menu and then select **Cash Flow – Cash Flow Details**.

- The sale of the house and the new mortgage appear in the *Cash Inflows*.
- The *Debt Modification Strategy* and the purchase of the new house appear in the *Cash Outflows*.