



Are we able to retire now?

NaviPlan Standard USA v11.2 Case Study

Client profile: Mike and Samantha are in their early 60s and are ready to retire

Plan type selection: Level 3

Financial planning focus:

- ✓ Asset Allocation Planning
- ✓ Retirement Planning

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Recommended training

The purpose of this case study is for you to practice what you learned from the training modules listed below. It is recommended that you access the online training program from <http://support.eisi.com> for these modules before completing the case study.

Start Planning module

Start Planning

Core modules

Net Worth

Cash Flow

Asset Allocation

Accumulation Goals

Retirement Goal Analysis

Elective modules

Retirement Distribution Planning

Protection Planning

Estate Objectives and Testamentary Trusts

Gifting, ILITs, and Bequests

Monte Carlo Sensitivity Analysis

Getting started

During your client meeting, you gathered financial information to analyze the clients' current situation and address their financial planning concerns.

Using the financial information from the "Know your client" and "Smith questionnaire results" sections, as well as the "Fact Finder" section of this document, do the following:

- Create the Smith client file in NaviPlan Standard
- Enter their financial data in a Level 3 Plan
- Select the **Asset Allocation** and **Retirement** modules



Types of asset allocation in NaviPlan

- For Ibbotson asset allocation users: Answer the Ibbotson questionnaire on the *Questionnaire* page, and then review the results on the *Profile* page in the *Plan Management* section – *Asset Allocation* category. Note that you can override the investor profile to ensure it's appropriate for the clients.
- For user-defined (non-Ibbotson) asset allocation users: Select an investor profile on the *Plan Management* section – *Asset Allocation* category – *Profile* page that is appropriate for the clients.

Know your client

Mike and Samantha Smith are in their early sixties and live in the Boston area. Mike is a health inspector and Samantha works at a retail store. Over the past four years, the Smiths have become serious about retirement planning. They have been planning to retire when they each turn age 65, but now want to see if they can both retire in 2012 (Mike at age 63, Samantha at age 61).

Mike has worked in his profession for over 30 years, and lately he's finding the job demands increasingly difficult to cope with. Mike is relieved he has a defined benefit pension plan to finance his retirement, and provide a survivor benefit for Samantha.

Samantha loves her work at the store and would like to keep working for as long as she can. "I really need to have an outlet where I can see other people and keep my mind working," she says. "I can see myself being here when I am 70." Through further discussion, Samantha tells you that when she retires, she intends to work part-time as long as her health holds up, and that she doesn't expect to fully retire until age 70. Samantha also shares with you that she hopes to receive a \$70,000 inheritance in the next couple of years because her elderly parents will be selling their home.

The Smiths have three grown children: Anthony is 34, Francesca is 30, and Marco is 25. Marco is the only child living at home as he requires special care with his disability.

Mike has gone over their financial situation, and read everything that he can on retirement and investment planning. The couple wonders if they can afford to retire in 2012 with annual expenses of \$85,000, and if their retirement accounts are properly invested to maintain their wealth. During your meeting, you've determined they are comfortable with a moderate level of risk. In addition, they want to make sure they can continue to meet the additional costs that come with caring for a disabled adult.

Financial concerns

1. Can the Smiths afford to cover \$85,000 in expenses every year if they retire in 2012, without relying on the inheritance to help fund their retirement or changing their current plan?
2. Have they appropriately invested their retirement assets?
3. If they do not have enough funds to retire in 2012, what changes could they make to their retirement plan?
4. How would their situation improve if Samantha received the inheritance Jan. 1, 2013, and invested the money into an account to fund their retirement?
5. Can you provide the clients with a comparison of their early retirement and inheritance scenario with their current plan (retiring at age 65)?

Fact Finder

Fact Finders are an easy and convenient way to collect client data because the forms directly correspond to fields in your NaviPlan Standard software.



Consult the “Answer key: Recommended data entry” section of this document to understand how the information included in the “Know your client” and “Smith questionnaire results” sections, as well as the Fact Finder, can be entered into NaviPlan. If you require assistance with the financial data entry from the Fact Finder, access the NaviPlan Help for step-by-step instructions.

Note: Your answers may differ based on your asset allocation data and the NaviPlan Standard version you are using.

Fact Finder — Level 1



Client Information

Client	First Name	Last Name	Date of Birth	Gender	Tax Filing Status
Co-client	Mike	Smith	09/23/1949	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	Married-Joint
	Samantha	Smith	05/02/1951	<input type="checkbox"/> M <input checked="" type="checkbox"/> F	↓
	Street	City	State	Zip Code	
	32 Dover Lane	Boston	MA	02141	
	Home Phone Number	Business Phone Number	E-mail Address		

Family Members

First Name	Last Name	Date of Birth	Relationship	Dependent of
Marco	Smith	08/15/1984	son (disabled)	Both
Francesca	Rossi-Smith	11/03/1979	daughter	
Anthony	Smith	06/15/1975	son	

Net Worth

Lifestyle Assets	Current Value (\$)	Liabilities	Balance (\$)	Interest Rate (%)	Monthly Payment (\$)
Residence (i.e. home)	300,000	Mortgage	50,000	6	1,000
2nd Residence (i.e. vacation home)		Mortgage 2			
Personal Use Property (i.e. car, boat)	Minivan - 12,000	Car Loans			
Other Personal Assets		Personal Loans			
		Other Debt			

NOTES:

Residence - purchased July 1, 2001 for \$210,000
 - property taxes are \$4,000/yr
 Minivan - purchased June 1, 2008 for \$30,000

Accounts

Description	Account Type <small>(Non-qualified IRA, 401(k), 403(b), 529 Plan, etc.)</small>	Owner <small>(Client, Co-Client, Joint, Other family member)</small>	Current Value (\$)	Cost Basis (\$)	Asset Class Weightings OR Rate of Return	Employee Monthly Savings (\$)	Employer Monthly Savings (\$)
Mike's IRA	IRA	Mike	58,000		see notes	MAX	
Samantha's IRA	IRA	Samantha	35,000		✓	MAX	
Marcelo's Savings Account	Non-Q	Joint	10,000	9,900			
Joint Savings Account	Non-Q	Joint	45,000	37,500	✓		

Cash Flow

Gross Annual Income	Member	Amount (\$)	Applicable Period	Monthly Expenses	Amount (\$)	Applicable Period	Fixed Expense
Salary	Mike	100,000	now-Ret	Housing	1,100	now - Ret	<input checked="" type="checkbox"/>
Salary	Samantha	30,000	now-Ret	Food	750		<input checked="" type="checkbox"/>
Bonus	Mike	5,000	now-Ret	Transportation	400		<input checked="" type="checkbox"/>
Bonus				Entertainment	800		<input checked="" type="checkbox"/>
				Personal	800		<input checked="" type="checkbox"/>
					1,200	now-DEATH	<input checked="" type="checkbox"/>

Include Social Security

- Calculate based on Salary/Self-employment Income?
- Social Security Statement (attach copy)

Note: "Choose the method in which Naviplan incorporates Social Security into the plan. Naviplan can calculate the benefits based on salary or self-employed incomes entered under Cash Flow. Alternatively, directly enter the estimated benefits provided to the client on their Social Security statement."

Client

Co-client

Pension

Description	Member	Estimated Annual Amount (\$ or %)
Mike's Pension (see notes)	Mike	75% of final salary

NOTES: Both IRAs → 100% Large Cap Growth, OR 0.91% Dividends 7.87% Capital Gains
 Marcelo's Savings → 100% Cash OR 2.27% Interest
 Joint Savings → 55% Small Cap Equity 45% Cash OR 1.02% Int 0.56% Div 6.61% Cg
 Mike's Pension → 66% is payable to survivor 0.28% Div

Insurance Coverage

Life Insurance Coverage

Description	Insured	Policy Type <small>(Term, Whole Life, Universal Life, Variable Life, etc.)</small>	Death Benefit (\$)	Beneficiary	Monthly Premium (\$)

Disability Insurance Coverage

Description	Insured	Policy Type <small>(Group STD, Group LTD, Individual)</small>	Monthly Benefit (% or \$)	Monthly Premium (\$)

Long-Term Care Insurance Coverage

Description	Insured	Daily Benefit Amount (\$)	Monthly Premium (\$)

Retirement Goal

Retirement Age	Client	Co-client
65		65
Life Expectancy	90	90

Retirement Expenses

Description	Member	Amount/Frequency <small>(\$20/mo. or \$24,000/Yr.)</small>	Applicable Period	Fixed Expense
Retirement Expenses	Joint	\$5,000/yr	Ret - Death	<input checked="" type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

Retirement Incomes

Description	Income Type <small>(Social Security, Salary, Self-employed, etc.)</small>	Member	Amount/Frequency <small>(\$20/mo. or \$24,000/Yr.)</small>	Applicable Period
Samantha's Part Time	Salary	Samantha	15,000/yr	Ret - 70

Goal Funding

Account Description	% or \$ linked to Retirement
Both IRAs	100%
Joint Savings Account	100%

List the accounts available for Retirement and enter the appropriate % or \$ amount. Note: An account can be used to fund more than one goal.

Smith questionnaire results

For Ibbotson asset allocation users: Answer the Ibbotson questionnaire on the *Questionnaire* page using the responses below, and then review the results on the *Profile* page in the *Plan Management* section – *Asset Allocation* category. Note that you can override the investor profile to ensure it’s appropriate for the clients.

For user-defined (non-Ibbotson) asset allocation users: Select an investor profile on the *Plan Management* section – *Asset Allocation* category – *Profile* page that is appropriate for the clients.

Question	Response
Time Horizon	
1. When do you expect to begin withdrawing money from your investment account?	3 to 4 years
2. Once you begin withdrawing money from your investment account, how long do you expect the withdrawals to last?	11 or more years
Risk Tolerance	
3. Which of the following portfolios is most consistent with your investment philosophy?	Portfolio 2 will most likely exceed long-term inflation by a moderate margin and has a high to moderate degree of risk.
4. Please select the portfolio with which you are most comfortable.	Portfolio C (\$108,000 and 25%)
5. Considering the above, which statement best describes your investment goals?	Balance moderate levels of risk with moderate levels of returns.
6. Assuming you still have 10 years until you begin withdrawals, how would you react?	I would wait at least three months before changing to options that are more conservative.
7. Which of these portfolios would you prefer to hold?	Portfolio B
8. I am comfortable with investments that may frequently experience large declines in value if there is a potential for higher returns.	Disagree

Addressing financial concerns

Once the financial data entry is complete, the next step is to address the clients' financial concerns. For each question below, use NaviPlan to help you analyze the plan and answer the following components for each question (when applicable):

- **Short answer:** Provide a brief answer to your clients' concerns
- **Solution:** Explain where you found your answer in NaviPlan and why you chose this solution
- **Report analysis:** Describe the report and/or graph that could be generated during your analysis or printed as supporting documentation (if needed)
- **Client presentation:** Describe the client report you would generate to present your analysis



After addressing the clients' financial concerns, consult the "Answer key: Addressing financial concerns" section of this document to assist you in understanding how to use NaviPlan to perform an analysis of the plan.

Note: Your answers may differ based on your asset allocation data and the NaviPlan Standard version you are using.

1. **Can the Smiths afford to cover \$85,000 in expenses every year if they retire in 2012 (Mike at age 63, Samantha at age 61), without relying on the inheritance to help fund their retirement or changing their current plan?**

➤ **Short answer:**

➤ **Solution:**

➤ **Report analysis:**

2. **Have they appropriately invested their retirement assets?**

➤ **Short answer:**

➤ **Solution:**

➤ **Report analysis:**

3. **If they do not have enough to retire in 2012, what changes could they make to their retirement plan?**

➤ **Short answer:**

➤ **Solution:**

➤ **Report analysis:**

4. **How would their situation improve if Samantha received the inheritance Jan. 1, 2013, and invested the money into an account to fund their retirement?**

➤ **Short answer:**

➤ **Solution:**

➤ **Report analysis:**

5. **Can you provide the clients with a comparison in a client report of their early retirement and inheritance scenario with their current plan (retiring at age 65)?**

➤ **Short answer:**

➤ **Solution:**

➤ **Client presentation:**

Answer key: Recommended data entry

Use this section to understand how the information included in the “Know your client” (KYC) and “Smith questionnaire results” sections, as well as the Fact Finder, can be entered into NaviPlan.

NaviPlan: *Client Management* section – *Client List* category – *Clients* page

Fact Finder: Client Information, Family Members, and Notes sections

KYC: The Smiths have three grown children: Anthony is 34, Francesca is 30, and Marco is 25. Marco is the only child living at home as he requires special care with his disability.

- **Data entry:** Click the **Create New Client** button, and then complete all stages in the *Client & Plan Creation* dialog box. Use the *Next* button to ensure you don’t miss any stages.
 - *Client Information* stage – see Fact Finder
 - *Family Members* stage – enter **Marco, Anthony, and Francesca**
 - *Advisor Information* stage – enter your information, and then select the **Cover Page** check box
 - *Plan Selection* stage – select **Level 3**
 - *Modules* stage – select the **Asset Allocation** and **Retirement** modules

Note: Once all stages are complete, click **Finish** to save the client file.

- **Key point:** Marco is a dependent of Mike and Samantha, while the two older children are not. This can be specified by clicking the *Details* button for Marco, and then selecting *Permanently* from the *Maintain Dependent Status* list.
- **Key point:** The Level 3 Plan selection is necessary to access the *Additional Incomes & Expenses* and *New Accounts* tabs on the *Scenarios* page in the *Goals* section – *Retirement* category, which will be used to model the lump-sum savings of the inheritance. These specific tabs are only available in a Level 3 Plan.

NaviPlan: *Plan Management* section – *Modules* category – *Modules* page

KYC: The couple wonders if they can afford to retire in 2012 with annual expenses of \$85,000, and if their retirement accounts are properly invested to maintain their wealth. During your meeting, you’ve determined they are comfortable with a moderate level of risk.

- **Data entry:** Be sure the *Asset Allocation* and *Retirement* modules are included in the plan.

NaviPlan Standard USA v11.2 Case Study: Smith Family

- **Key point:** The *Plan Analysis Date* should be the date you are meeting the clients, as the date will affect plan calculations. **Note:** This case study will use Jan. 1, 2010, as the *Plan Analysis Date*.

NaviPlan: *Plan Management* section – *Assumptions* category – *General* page

KYC: Mike is a health inspector and Samantha works at a retail store.

- **Data entry:** Define appropriate tax brackets for each life stage for the couple.

NaviPlan: *Plan Management* section – *Assumptions* category – *Milestones* page

KYC: They have been planning to retire at 65, but now want to see if they can retire earlier than planned.

- **Data entry:** Enter **65** for the *Retirement Date* for both clients.

NaviPlan: *Plan Management* section – *Asset Allocation* category – *Questionnaire/Profile* page

KYC: During your meeting, you've determined they are comfortable with a moderate level of risk.

- **Data entry:** If you purchased the Ibbotson Asset Allocation option, answer the questions in NaviPlan on the *Questionnaire* page using the “Smith questionnaire results” section, and then review the results on the *Profile* page in the *Plan Management* section – *Asset Allocation* category. Note that you do have the ability to override the investor profile. If you enter your own asset allocation data (user-defined asset allocation), select a moderate investor profile on the *Plan Management* section – *Asset Allocation* category – *Profile* page for the Smiths.

NaviPlan: *Financial Picture* section – *Net Worth* category – *Assets/Liabilities* page

Fact Finder: Net Worth and Notes sections

- **Key point:** Once the residence and mortgage are entered, be sure to use the *Asset/Liability Links* button to link the residence to the mortgage. If the link is made between the lifestyle asset and the liability, the liability will be paid off automatically in the event the lifestyle asset is sold in the future.

NaviPlan: *Financial Picture* section – *Net Worth* category – *Accounts* page

Fact Finder: Accounts and Notes sections

- **Data entry:** Be sure to use the *Asset Class Weightings* list to select the asset class weightings for each account. Use the *Manual Classification* option to select between multiple asset class weightings. The *Return Rates* link can also be used if you need to assign a specific rate of return to an asset. **Note:** By assigning an asset class weighting for each account, you will ensure that none of the accounts are marked as unclassified in reports/graphs that display the clients' current asset mix.

NaviPlan: *Financial Picture* section – *Cash Flow* category – *Cash Flow* page

Fact Finder: Cash Flow and Pension sections

KYC: Mike is a health inspector and Samantha works at a retail store.

- **Data entry:** Enter Mike and Samantha's full-time salaries, and Mike's bonus with the *End Date* set to *Retirement*. You can enter keywords instead of dates to allow flexibility in the event you decide to change their retirement ages.

KYC: Mike is relieved he has a defined benefit pension plan to finance his retirement and to provide a survivor benefit for Samantha.

- **Data entry:** Under *Defined Benefit Pensions*, click the **Add Benefit Pension** button, and then select **Add Estimate Benefit**. Under *Pension Details*, if you select the *Linked Incomes* check box for Mike's salary, NaviPlan will calculate the pension benefits based on Mike's indexed salary. Be sure to select the **% of Final Salary** option to enter the percentage value. Also, be sure to enter the percentage in the *% Payable to Survivor* field.

NaviPlan: *Goals* section – *Retirement* category – *Objectives* page

Fact Finder: Retirement Goal section

KYC: The couple wonders if they can afford to retire in 2012 with annual expenses of \$85,000, and if their retirement accounts are properly invested to maintain their wealth.

- **Data entry:** Under *Retirement Expenses*, click the **Add Retirement Expense** button, and then enter **\$85,000** in the *Amount* field. Notice that the *Retirement* and *Death* keywords are used by default. NaviPlan allows the use of keywords instead of dates to allow flexibility in the event you decide to change their milestone ages.

KYC: Through further discussion, Samantha tells you that when she retires, she intends to work part-time as long as her health holds up, and that she doesn't expect to fully retire until age 70.

- **Data entry:** Click the **Add Retirement Income** button to enter Samantha's part-time salary. Notice the *Retirement* and *Death* keywords that are used by default. Ensure you change the *End Age* to **70**.

Answer key: Addressing financial concerns

Once you have completed your own analysis of the Smiths' financial concerns, use this section to compare your responses in the "Addressing financial concerns" section to those provided below.

Note: Your answers may differ based on your asset allocation data and the NaviPlan Standard version you are using.

The information under "Troubleshooting potential errors" will help you identify where you may have gone off track if your results are different from the solutions provided here.

1. Can the Smiths afford to cover \$85,000 in expenses every year if they retire in 2012 (Mike at age 63, Samantha at age 61), without relying on the inheritance to help fund their retirement or changing their current plan?

- **Short answer:** No, the Smiths are projected to fall short of their retirement goal if they retire on Jan. 1, 2012. They will only meet approximately 91% of their retirement goal needs.
- **Solution:**
 - Go to the **Goals** section – **Retirement** category – **Scenarios** page – **Objectives** tab, change the *Retirement Age* in the system-generated *Recommended* scenario to 63 for Mike and 61 for Samantha, to model retirement starting on Jan. 1, 2012.
 - Notice the percentage displayed for the *Goal Coverage Graph* for the *Recommended* scenario.
- **Troubleshooting potential errors:**

Does your *Recommended* scenario result in 100% goal coverage?

- Did you enter the correct time period for Marco's care expense?
 - The expense begins in the plan year and ends December 31 of the year the surviving client dies.
 - Be sure to click the **Details** button for the expense on the *Financial Picture* section – *Cash Flow* category – *Cash Flow* page, where you can enter the keyword *death* in the *End Date* field.
- Did you double-count Samantha's salary?
 - Samantha earns a full-time salary of \$30,000 from now until retirement, and once she retires her part-time salary will be \$15,000 until age 70.
 - Be sure to enter two income records to model the change in salary: the first represents the full-time salary from today to *retirement* (use the keyword), the second, the part-time salary from *retirement* to 70.

Does your *Recommended* scenario result in goal coverage much lower than 91%?

- Did you select the correct *Account Type* for Mike's and Samantha's IRA accounts?
 - The *IRA Account Type* must be used to properly identify the account for contributions and distributions.
 - When qualified retirement accounts are entered in NaviPlan, 100% of their value is automatically used to fund the retirement goal.
 - When non-qualified accounts are used to fund the retirement goal, you must manually assign the account to the goal on the *Goals* section – *Goal Funding* category – *Goal Funding* page.

- Did you assign a return rate for all accounts?
 - On the *Financial Picture* section – *Net Worth* category – *Accounts* page, use the *Asset Class Weightings* list to search, manually classify, or select 100% of an asset class to allow NaviPlan to calculate the asset's return rate. As needed, you can also use the *Return Rates* link on this page to override returns to model the return rate your clients are currently receiving on their assets (not your recommended returns).

- Did you enter savings strategies for Mike and Samantha?
 - Both clients are maximizing their IRA contributions.
 - Go to the **Financial Picture** section – **Net Worth** category – **Accounts** page, click the **Savings Strategies** link for Mike's IRA/Samantha's IRA; then click **Add Savings Strategy** to enter the keyword **max** in the *Pre-tax \$ or % of Salary* field, with the contributions starting Jan. 1 of the current plan year, and ending at retirement.

- Did you allocate 100% of the joint non-qualified account of \$45,000 to the retirement goal?
 - Go to the **Goals** section – **Retirement** category – **Objectives** page, click the **Goal Funding** button, and then enter **100%** for the account.

➤ **Report analysis:**

- **Compare scenarios:**
 - Go to the **Goals** section – **Retirement** category – **Scenarios** page – **Objectives** tab, and then click the **Compare Scenarios** button for the *Recommended* scenario.
 - Top section – Detailed information on goal coverage, net worth, etc.
 - Graphs – Click the bar graphs to get more details (e.g., red area for shortfalls).

- **Multi-Year Cash Flow report:**
 - Go to the **Goals** section – **Retirement** category – **Scenarios** page – **Objectives** tab, click the **Scenario Reports** button for the *Recommended* scenario, and then select **Multi-Year Cash Flow**.
 - This report includes three separate reports.
 - To print the report: Go to the **Reports** menu, select **Cash Flow – Multi-Year Cash Flow Summary**, select **Recommended** as the *Plan Type*, and then click **OK**. When the report opens, click either **Word** or **PDF**.

2. Have they appropriately invested their retirement assets?

- **Short answer:** No, the Smiths' current investments earning return rates of approximately 8.5% represents more risk than they are comfortable with, according to their responses to your questions about their risk tolerance.
- **Solution:**
 - If you purchased the Ibbotson Asset Allocation option, answer the questions in NaviPlan on the *Questionnaire* page, and then review the results on the *Profile* page in the *Plan Management* section – *Asset Allocation* category. Note that you do have the ability to override the investor profile. If you enter your own asset allocation data (user-defined asset allocation), select a moderate investor profile on the *Plan Management* section – *Asset Allocation* category – *Profile* page for the Smiths.
 - Go to the **Goals** section – **Retirement** category – **Scenarios** page – **Objectives** tab, and then take note of the *Current Plan's Return Rate* fields. These return rates represent the total return rate earned on all accounts linked to the retirement goal, based on the data entered on the *Financial Picture* section – *Net Worth* category – *Accounts* page. The *Current Plan* assets are the clients' current asset mix.
 - On the right side of the same screen, take note of the *Recommended* scenario's *Return Rate* fields. These return rates represent the total return rate earned on all accounts linked to the retirement, based on the profile selected on the *Plan Management* section – *Asset Allocation* category – *Profile* page. The *Recommended* scenario assets are the clients' suggested asset mix.
 - By comparing the current asset mix (approximately 8.5%) to the suggested asset mix (approximately 7.5%), the Smiths have a lower return rate on the *Recommended* scenario. As a result, their nest egg would require an asset reallocation to minimize their risk.
 - NaviPlan creates a system-generated *Recommended* scenario which includes the reallocation to the suggested asset mix as a starting point for planning.

➤ **Troubleshooting potential errors:**

Does the *Current Plan* scenario result in a return rate much lower or greater than 8.5%?

- Did you enter the correct return rates for their investments from the Fact Finder?
 - Both IRA accounts are invested at 100% in Large Cap Growth Equity, and Marco's Savings Account is invested at 100% in Cash. Be sure to use the *Asset Class Weightings* list to select the asset class weightings for each account.
 - The Joint Savings Account is invested in 55% Small Cap Equity and 45% Cash, therefore you must use the *Manual Classification* option to select multiple asset class weightings.
 - The *Return Rates* link can also be used if you need to assign a specific rate of return to an asset. **Note:** By assigning an asset class weighting for each account, you will ensure that none of the accounts are marked as unclassified in current asset mix reports/graphs.
 - If you are using user-defined asset allocation, select an equivalent asset class weighting from the *Asset Class Weightings* list, or click the **Return Rates** link to override each asset's return.

➤ **Report analysis:**

- **Recommendations for the Retirement Goal graph:**
 - Go to the **Reports** menu, and then select **Asset Allocation – Recommendations for Retirement Goal**.
 - To print the report: click either **Word** or **PDF**.

3. **If they do not have enough funds to retire in 2012, what changes could they make to their retirement plan?**

➤ **Short answer:** The first planning strategy to implement would be the reallocation of the retirement assets. In addition, options to discuss include delaying retirement, saving more, investing a lump sum, or reducing their retirement goal.

➤ **Solution:**

- NaviPlan creates a system-generated *Recommended* scenario that already includes the reallocation to the suggested asset mix, which displays an investment profile with a lower return rate than the current asset mix.
- To explore other planning strategies, click the **What Are My Options?** button for the *Recommended* scenario where you can choose one of the following:
 - Cover a lower percentage of their current retirement expenses.
 - Save a lump sum today to a joint non-qualified account.
 - Save a monthly amount to a joint non-qualified account from now until retirement begins.

- Retire later.
- Continue planning.

➤ **Troubleshooting potential errors:**

Does the *What Are My Options?* dialog box exclude the *Save a Lump Sum* or *Save Monthly* options?

- Did you enter the correct expected retirement age for the *Recommended* scenario?
 - If the retirement age or year is the same as the plan year, NaviPlan assumes the client is already retired as of Jan. 1 of the plan year; therefore, it cannot calculate recommended savings, as the clients do not have time to save funds to cover their retirement expenses.
 - If the retirement age or year is set to at least one year later, NaviPlan can calculate recommended savings.

Does the *What Are My Options?* dialog box display a higher *Cover % of Expenses* value and lower *Save a Lump Sum* or *Save Monthly* options?

- Did you enter a retirement age of 65 for both Mike and Samantha on the *Goals* section – *Retirement* category – *Objectives* page – *Objectives* tab?
 - Mike and Samantha were planning to retire by 65; however, their ultimate goal would be to see if they can retire sooner. Be sure to change the *Retirement Age* in the system-generated *Recommended* scenario to 63 for Mike and 61 for Samantha.

➤ **Report analysis:**

- The *What Are My Options?* planning tool on the *Scenarios* page is not available from the *Reports* menu or in the *Results* section – *Client Reports* category when creating financial plans using Plan Levels 1 to 3.

4. **How would their situation improve if Samantha received the inheritance Jan. 1, 2013, and invested the money into an account to fund their retirement?**

- **Short answer:** The retirement goal coverage will increase to approximately 96% if the inheritance is received and invested.

➤ **Solution:**

- Go to the **Goals** section – **Retirement** category – **Scenarios** page – **Objectives** tab.
- Rename the system-generated *Recommended* scenario to **Retire Early & Reallocation** for comparison to the inheritance scenario (use the *Scenario Name* field on the right side of the tab).
- Create a copy of this scenario and name it **Inheritance & Retire Early & Reallocation**.
 - Click the **Add** button, and then select **Copy of Retire Early & Reallocation**.
 - Rename this new scenario *Inheritance & Retire Early & Reallocation*.

- Click the **Recommend Scenario** button next to the *Add* button to be sure you can generate any stand-alone report or graph from the *Reports* menu for this scenario.
- Use the tabs on the *Scenarios* page to model an inheritance scenario.
 - Add the inheritance income:
 - Go to the **Additional Incomes & Expenses** tab, click **Add Annual Income**, and then select **Tax Free**.
 - Change the *Description* to **Inheritance**.
 - Select **Samantha** as the *Member*.
 - Enter **\$70,000**.
 - Enter **62** as the *Start Age* and *End Age* (Samantha is 60 in the current year, therefore she will be 62 when she receives the inheritance).
 - Clear the **Inflation** check box.
 - Create a new account:
 - Go to the **New Accounts** tab, and then click **Add Account**.
 - Change the *Description* to **Inheritance Account**.
 - *Account Type* can remain as *Non-Qualified*.
 - *Owner* can remain as *Joint*.
 - Click **Add Savings Strategy**.
 - Enter **\$70,000**; from the *Frequency* list, select **Lump Sum**, and then enter a *Start Date* of **Jan. 1, 2013**, which is two years from today.
 - **Note:** This new account will automatically be assigned the rate of return set for the *Inheritance & Retire Early & Reallocation* scenario.
- Take note of the *Goal Coverage* graph for the *Inheritance & Retire Early & Reallocation* scenario, which is now at approximately 96% with the inheritance included in the Smiths' retirement scenario.

➤ **Troubleshooting potential errors:**

Does the *Inheritance & Retire Early & Reallocation* scenario result in goal coverage with a percentage of 100%?

- Did you modify the *Start Age* and *End Age* fields for the tax-free income entry?
 - NaviPlan will use the default *Start Age* of *Retirement*, and *End Age* of *Death*. If this default is not modified, the tax-free income will be paid during each year of the retirement until death.
- Did you modify the *Frequency* and *Start Age* and *End Age* fields for the new account entry?
 - NaviPlan will use the *Frequency* of *Monthly*, with a *Start Age* of the month after the *Plan Analysis Date*, and the *End Age* of *Retirement*.
 - If this default is not modified, the \$70,000 will be invested every month from the month after the *Plan Analysis Date* until the end of the year before retirement.


➤ **Report analysis:**

- **Asset Summary report:**
 - Be sure the scenario is marked **Recommended**.
 - Click the **Recommend Scenario** button next to the *Add* button to ensure you can generate any stand-alone report or graph from the *Reports* menu for this scenario.
 - If you skip this step, all reporting will be based on the *Retire Early & Reallocation* scenario.
 - Go to the **Reports** menu, and then select **Net Worth – Assets – Single Asset Summary**.
 - Select the **Inheritance Account** as the *Asset*, **20 Years to Display**, and the **Recommended Plan Type**.
 - Take note of the \$70,000 value in the *Buy* column.
 - Notice the periodic sells, which show how NaviPlan depletes the account in retirement, as the account is automatically linked to the retirement goal at 100%.

- **Current Year Cash Flow report:**
 - Go to the **Goals** section – **Retirement** category – **Scenarios** page – **Objectives** tab.
 - Be sure the scenario is marked **Recommended**.
 - Click the *Recommend Scenario* button next to the *Add* button or use the *Manage Scenarios* button to ensure you can generate any stand-alone report or graph from the *Reports* menu for this scenario.
 - If you skip this step, all reporting will be based on the *Retire Early & Reallocation* scenario.
 - Go to the **Reports** menu, and then select **Cash Flow – Current Year Cash Flow** report.
 - Enter **2013** (two years from today), and then select the **Recommended Plan Type** to ensure NaviPlan bases the report on the *Reallocation & Inheritance* scenario you marked as *Recommended*.
 - Notice under *Cash Inflows* the *Regular Income – Inheritance (Samantha)* value of \$70,000, which represents the inheritance the clients will receive from Samantha’s parents.
 - Notice under *Cash Outflows* the *Savings Allocated to Goals – Retirement – Inheritance Account (Joint/Non-Qualified)* value of \$70,000, which represents the clients investing the inheritance.
 - Notice under *Cash Inflows* the *Investment Income – Inheritance Account (Joint/Non-Qualified)* value, which represents 2013 investment income earned, which is taxable.
 - Notice under *Cash Inflows* the *Tax-free Capital Received – Inheritance Account (Joint/Non-Qualified)* value, which represents the sell from the account to cover retirement expenses.

- **Compare scenarios:**
 - Go to the **Goals** section – **Retirement** category – **Scenarios** page – **Objectives** tab, and then click the **Compare Scenarios** button for the *Recommended* scenario.
 - Top section – Detailed information on goal coverage, net worth, etc.
 - Graphs – Click on the bar graphs to get more details (e.g., red area for shortfalls).

5. **Can you provide the clients with a comparison in a client report of their early retirement and inheritance scenario with their current plan (retiring at age 65)?**

- **Short answer:** The Smiths' current retirement plan (retiring at age 65) was meeting their goal at 100%, while their early retirement and inheritance scenario has goal coverage at approximately 96%.
- **Solution:**
 - Mark the *Inheritance & Retire Early & Reallocation* scenario as **Recommended**.
 - Click the **Recommend Scenario** button next to the *Add* button to ensure this scenario forms part of the client report to compare to the *Current Plan* scenario.
 - If you skip this step, the client report will report on the *Retire Early & Reallocation* scenario.
- **Client Presentation:**
 - Go to **Results** section – **Client Reports** category – **Client Reports** page.
 - To compare the *Current Plan* scenario to the scenario marked as *Recommended*, generate one of the following client reports (point to  on the screen for a description):
 - *Financial Needs Summary*
 - *Financial Needs Analysis*
 - Click the **Select Document Sections** button to do the following:
 - view the default sections that will be included in the report
 - customize the report
 - create a template for future plans (for any client)