



**NaviPlan Standard
Online/Offline
Protection Planning
Self-Study Guide**

USA version 11.2

EISI, Winnipeg

Disclaimer

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Contents

Protection planning	1
Learning objectives	1
Learning tools.....	2
Enter existing insurance policies.....	2
Insurance assumptions.....	8
Insurance analysis methods.....	9
Additional insurance assumptions.....	10
Enter survivor income objectives.....	12
View survivor income for simultaneous death.....	20
View disability income assumptions.....	21
View long-term care assumptions.....	22
Create and compare alternative protection planning scenarios.....	23
Generate reports for life, disability, and long-term care insurance.....	30
View life insurance details in the Financial Needs Analysis client report.....	37
Exercises.....	41
Conclusion.....	44
Answers to protection planning exercises.....	44

Protection planning

The NaviPlan Standard Protection Planning Self-Study Guide was created using NaviPlan Standard Offline with the Ibbotson Asset Allocation option. This option allows you to use actual Ibbotson return rates in NaviPlan's calculations.

In NaviPlan Standard, you can model survivor income, disability income, and long-term care scenarios.

On the *Financial Picture* section – *Insurance Coverage* category – *Insurance Coverage* page, you can enter the clients' existing life, disability, and long-term care insurance policies. After the clients' insurance policies have been entered, you can define the clients' assumptions, needs, additional incomes, and asset availability on the *Goals* section – *Survivor Income, Disability Income, and Long-Term Care* categories – *Objectives* pages. You can create What-if insurance scenarios on the *Goals* section – *Survivor Income, Disability Income, and Long-Term Care* categories – *Scenarios* pages. In the *Reports* menu, several reports and graphs are available that allow you to analyze your clients' insurance policies. Once you have established the underlying assumptions used in your clients' insurance analysis, you can evaluate your clients' insurance needs by generating and reviewing the *Financial Needs Analysis* client report.

The exercises in this module are based on a version of NaviPlan Standard Offline that includes the Ibbotson Asset Allocation option, which means that the asset allocation settings (asset classes, investor profiles) are set up for you. If your version of NaviPlan Standard Offline does not include the Ibbotson Asset Allocation option, you can modify the data.

Learning objectives

This module will enable you to

- Capture your clients' existing insurance policies and analyze their life, disability, and long-term care insurance goals
 - Enter your clients' existing insurance policies
 - Describe the assumptions and methods for determining life, disability, and long-term care insurance needs
 - Define your clients' expenses for life, disability, and long-term care insurance analyses
 - Establish surplus strategies during the survivorship period
 - Create and compare protection planning strategies
 - Generate life, disability, and long-term care insurance analysis reports
 - Examine life insurance pages in a client report to assess your clients' insurance needs

Learning tools

This module includes some practice exercises. We recommend that you use the Nick and Lisa Brown (Brown, Nick and Lisa.nps) client file in the data folder of your installation of NaviPlan Standard Offline (the default path is C:\Program Files\EISI\Data, but you may have installed it elsewhere). It will be available when you run NaviPlan Standard Offline, as well as on the central server if you prefer to work in the online application.

Hint: In NaviPlan Standard Offline, to find the location of your data directory, go to the **User Preferences** menu – **System Settings** selection – **User Preferences - System Settings** dialog box – **File Locations** tab.

Enter existing insurance policies

NaviPlan Standard creates default entries for life, disability, and long-term care insurance on the *Financial Picture* section – *Insurance Coverage* category – *Insurance Coverage* page.

The screenshot shows the 'Insurance Coverage' page with the following data:

Life Insurance						
Description*	Insured*	Policy Type*	Benefit*	Beneficiary*	Premium*	Details Delete
Lisa's Group Insurance	Lisa	Term 10 Life	\$300,000	Nick	\$25/mo	[Details] [X]
Nick's Group Insurance	Nick	Term 10 Life	\$600,000	Lisa	\$50/mo	[Details] [X]

Disability Insurance					
Description*	Insured*	Policy Type*	Benefit*	Premium*	Details Delete
Nick's Disability Policy	Nick	Individual Disability	\$3,000/mo	\$200/mo	[Details] [X]
Lisa's Disability Policy	Lisa	Individual Disability	\$2,600/mo	\$175/mo	[Details] [X]

Long-term Care Insurance				
Description*	Insured*	Daily Benefit Amount*	Premium*	Details Delete
Nick's LTC insurance policy	Nick	\$150	\$75/mo	[Details] [X]

Figure 1: Financial Picture section – Insurance Coverage category – Insurance Coverage page

Enter a life insurance policy

When entering an insurance policy, you can enter summary information on the *Insurance Coverage* page and you can provide additional details by clicking the *Details* button for any of the data-entry rows.

To enter a life insurance policy

1. Go to the **Financial Picture** section – **Insurance Coverage** category – **Insurance Coverage** page.
2. Under *Life Insurance*, enter the following details about Nick's life insurance policy:
 - *Description* – **Nick's Group Insurance**
 - *Insured* – **Nick**
 - *Policy Type* – **Term 10 Life**
 - *Benefit* – **\$600,000**
 - *Beneficiary* – **Lisa**
 - *Premium* – **\$50**
3. Click the **Details** button. The *Life Insurance Details* dialog box opens to the *Details* tab.

Life Insurance Details						
Details						
Description*	Policy Type*	Insured*	Beneficiary*	Policy Owner*	Tfr to Survivor	
Nick's Group Insurance	Term 10 Life	Nick	Lisa	Other	<input type="checkbox"/>	
Benefit Details						
Death Benefit*	Cash Surrender Value*	CSV Payable with Death Benefit	Coverage Cease at Age	Coverage Cease on date*	Community Property	
\$600,000	\$0	<input type="checkbox"/>	62	Apr 21 2028	<input type="checkbox"/>	
Premiums						
Payer*	Amount*	Frequency*	Cease at Age	Cease on date*	Waived at Disability	
Nick	\$50	Monthly	62	Apr 21 2028	<input checked="" type="checkbox"/>	

Figure 2: Financial Picture section – Insurance Coverage category – Insurance Coverage page – Life Insurance Details dialog box

On the *Life Insurance Details* dialog box – *Details* tab, you can enter the following additional details about the term insurance policy:

- *Policy Owner* – The person or group that is paying the insurance premiums. When *Other* is selected, NaviPlan assumes that the client's employer pays the premiums.
- *Coverage Cease at Age* – Age of the insured when coverage under this policy stops. Changes to this field affect the *Coverage Cease on date* field.
- *Coverage Cease on date* – Date when coverage under this policy stops.

- *Cease at Age* – Age when premiums are no longer payable. Changes to this field affect the *Cease on date* field.
- *Cease on date* – The date when premiums are no longer payable.
- *Waived at Disability* – When selected, this check box indicates that the premiums will end if the client becomes disabled.

Note: The fields on the *Details* tab vary based on the policy type selected. By default, the coverage and premiums end when the insured client dies.

4. Go to the **Future Values** tab. On this tab, you can override the future values of the insurance policy's death benefits, cash surrender value, and premiums.

Future Benefits				
Age	Year	Modal Premium	Death Benefit	Estimated CSV
42	2008	\$600	\$600,000	\$0
43	2009	\$600	\$600,000	\$0
44	2010	\$600	\$600,000	\$0
45	2011	\$600	\$600,000	\$0
46	2012	\$600	\$600,000	\$0
47	2013	\$600	\$600,000	\$0
48	2014	\$600	\$600,000	\$0
49	2015	\$600	\$600,000	\$0
50	2016	\$600	\$600,000	\$0
51	2017	\$600	\$600,000	\$0
52	2018	\$600	\$600,000	\$0
53	2019	\$600	\$600,000	\$0
54	2020	\$600	\$600,000	\$0

Override 2008-2020 | 2021-2033 | 2034-2046 | 2047-2059 | 2060-2072 | 2073-2085 | 2086-2098 | 2099-2107

Fill Values

Figure 3: Financial Picture section – Insurance Coverage category – Insurance Coverage page – Life Insurance Details dialog box – Future Values tab

5. For the purposes of this exercise, click **Cancel**. The *Life Insurance Details* dialog box closes.

Modify a disability insurance policy

The data entry for disability insurance policies is similar to life insurance policies.

To modify the details of a disability insurance policy

1. For *Lisa's Disability Policy*, click the **Details** button. The *Disability Insurance Details* dialog box opens.

The screenshot shows the 'Disability Insurance Details' dialog box with the following data:

Details				
Description*	Policy Type*	Insured*	Policy Owner*	Effective Date*
Lisa's Disability Policy	Individual Disability	Lisa	Lisa	Dec 31 2007

Benefit Details				
Benefit Amount*				
% of Salary	Flat Dollar	Benefit Frequency*	Taxable Benefit	Infl +/- Add'l
<input type="radio"/>	<input checked="" type="radio"/>	Monthly	<input type="checkbox"/>	<input type="checkbox"/> + 0.00%
Maximum Indexed Benefit*				
Calculated As	Dollar Amount	Waiting Period*	Benefits Period*	Offset by Social Sec
<input checked="" type="radio"/>	\$0	2 Weeks	23 Years	<input checked="" type="checkbox"/>

Premiums				
Payer*	Amount*	Frequency*	Cease at Age	Cease on Date*
Lisa	\$175	Monthly	62	Retirement
Infl +/- Add'l				
<input type="checkbox"/> + 0.00%				

Figure 4: Financial Picture section – Insurance Coverage category – Insurance Coverage page – Disability Insurance Details dialog box

2. From the *Policy Type* list, select a policy type. You can select from one of the following options:
 - *Group LTD* – Represents long-term disability insurance offered by the client's employer. This policy type is sold less frequently than short-term disability insurance policies and is commonly offered at medium to large companies. The benefits are usually paid out until age 65.
 - *Group STD* – Represents short-term disability insurance offered by the client's employer. This policy type offers a short elimination period (3 to 14 days) with benefits lasting between six months and one year.
 - *Individual Disability* – Represents a disability insurance policy purchased by the client.
3. Under *Benefit Details*, select either **% of Salary** or **Flat Dollar**, and then enter the policy benefit percentage or dollar amount.

Note: For individual policies, the *% of Salary* option is unavailable.
4. Enter the waiting and benefit periods.
5. Under *Benefit Details* and *Premiums*, enter the remaining details about the disability insurance policy.

- For the purposes of this exercise, click **Cancel**. The *Disability Insurance Details* dialog box closes.

Modify a long-term care insurance policy

The data entry for long-term care insurance policies is similar to entering disability insurance policies, except that the benefits are specified as a daily amount instead of monthly or annually.

To modify the details of a long-term care insurance policy

- For *Nick's LTC insurance policy*, click the **Details** button. The *Long-term Care Insurance Details* dialog box opens.

Figure 5: Financial Picture section – Insurance Coverage category – Insurance Coverage page – Long-term Care Insurance Details dialog box

- Under *Benefits Payable*, if long-term care benefits are indexed to inflation, select the applicable **Infl** check boxes, and then adjust the rates accordingly.
- Under *Applicable Period*, select the waiting and benefit periods that apply to the long-term care policy.
- Under *Premiums*, enter the details of the clients' insurance premiums.
- For the purposes of this exercise, click **Cancel**. The *Long-term Care Insurance Details* dialog box closes.

Generate the Insurance report

The *Insurance* report compiles all policy details entered on the *Insurance Coverage* page for life, disability, and long-term care insurance. Using this report, you can verify the accuracy of the data entered by reviewing the report with your clients.

To generate the Insurance report

- On the *Insurance Coverage* page, click the **Insurance Coverage Report** button. The *Insurance* report opens.

Insurance Report			
Nick Brown and Lisa Brown			
Browns' Base Details (2008)			
<i>Life Insurance Policies</i>			
Description: Lisa's Group Insurance			
Policy Type:	Term 10 Life	Owner:	Nick
Effective Date:	Dec 31 2007	Insured:	Lisa
Death Benefit:	\$300,000	Beneficiary:	Nick
Cash Surrender Value (CSV):	\$0	Premium Payer:	Lisa
Premiums cease on:	Feb 10 2030	Annual Premium	\$300
		Payments:	
CSV payable with Death Benefit:	No	Coverage ceases on:	Feb 10 2030
		Disability Waiver:	Yes
Description: Nick's Group Insurance			
Policy Type:	Term 10 Life	Owner:	Other
Effective Date:	Dec 31 2007	Insured:	Nick
Death Benefit:	\$600,000	Beneficiary:	Lisa
Cash Surrender Value (CSV):	\$0	Premium Payer:	Nick
Premiums cease on:	Apr 21 2028	Annual Premium	\$600
		Payments:	
CSV payable with Death Benefit:	No	Coverage ceases on:	Apr 21 2028
		Disability Waiver:	Yes
<i>Disability Insurance Policies</i>			
Description: Nick's Disability Policy			
Policy Type:	Individual Disability	Insured:	Nick
		Effective Date:	Dec 31 2007
		Owner:	Nick
		Premium payer:	Nick
Benefits are \$3,000/month (tax-free).			
Benefits begin after 2 weeks and are paid until 22 years.			
Premiums are \$200/month and end on Dec 31 2027.			
Description: Lisa's Disability Policy			
Policy Type:	Individual Disability	Insured:	Lisa
		Effective Date:	Dec 31 2007
		Owner:	Lisa
		Premium payer:	Lisa
Benefits are \$2,600/month (tax-free).			
Benefits begin after 2 weeks and are paid until 23 years.			

Figure 6: Insurance report

Insurance assumptions

Analyze	Client, co-client, or both (LI) Client or co-client (DI, LTC)
Analysis begins	Dec. 31, current year (LI) Jan. 1, following year (DI) Jan. 1, the year the client reaches 80 (LTC)*
Analysis ends	Dec. 31, last client to die (LI) Client's retirement (DI)* Dec. 31, four years after the <i>Start Year</i> (LTC)*
* Users can modify these defaults	

Figure 7: Assumptions for life, disability income, and long-term care insurance

In an insurance analysis, NaviPlan Standard projects the cash flow needs of the client family in the event of survivorship, disability, or long-term care. In the recommended plan, NaviPlan assumes that the client is deceased, disabled, or in long-term care.

For this insurance type...	NaviPlan will...
Life	Solve for the value of total insurance needed, when existing insurance is invested at the assumed rate of return and used with existing assets to cover all cash and lump sum needs
Disability	Solve for cash flow shortfalls and show differences between the clients' total insurance needs and existing coverage
Long-term care	Show the additional long-term care expenses and the effect that these expenses have on the clients' net worth and assets

Insurance analysis methods

Goal and expense

- Focus: maintain lifestyle expenses and goals

Annual Expenses

Percentage of lifestyle and medical expenses to cover*

Expense	Amount	Use Defaults	% to Cover
Housing (i.e. utilities, repairs)	\$30,000	<input type="checkbox"/>	100%
Food	\$15,000	<input checked="" type="checkbox"/>	75%
Transportation (i.e. gas, insurance)	\$18,000	<input checked="" type="checkbox"/>	75%
Entertainment (i.e. restaurants, movies)	\$12,000	<input type="checkbox"/>	50%
Personal (i.e. clothing, hobbies)	\$9,000	<input checked="" type="checkbox"/>	75%
Other (i.e. child care, travel)	\$24,000	<input checked="" type="checkbox"/>	75%
Retirement Travel (End at 75)	\$10,000	<input checked="" type="checkbox"/>	75%
Retirement Travel (Start at 76)	\$15,000	<input checked="" type="checkbox"/>	75%
Retirement Expense	\$105,000	<input checked="" type="checkbox"/>	75%

Income coverage

- Focus: replace income and maintain goals

Current Income Level Calculator

Household Pretax Income: x % to cover: = **Income Need (pre-tax)**:

Annual Income Needs

Click the **Add Annual Income Need** button to create a new row.

Scenario Surplus

Percent Surplus Spent*:
 Percent Surplus Saved*:

Education Goals

Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*
Kevin's Education	Kevin	18	4	\$17,000	100%

Figure 8: Insurance analysis methods

In Level 3 Plans, two insurance analysis methods are available for survivor income and disability income goals:

Analysis method	Analysis details
<i>Goal and Expense</i>	Focuses on maintaining the clients' current standard of living. This method uses the clients' existing lifestyle expenses and goal information to define their insurance needs. This is the default analysis method for all plans and is the only method available to the long-term care insurance analysis.
<i>Income Coverage</i>	Focuses on replacing income and maintaining the clients' goals. This method uses the clients' income to estimate the anticipated expenses during the survivorship or disability period. This method is recommended when your clients want to include a different set of expenses or a percentage of their income in the insurance analysis.

Additional insurance assumptions

	Goal and expense	Income coverage
Incomes	Existing income (LI, DI)*	Existing income (LI, DI)*
Expenses	Existing expenses (LI, DI)*	From pre-tax income need (LI, DI)*
Policy proceeds	Invested (LI) Income stream (DI)	Invested (LI) Income stream (DI)
Asset usage	Capital depletion (LI, DI)*	Capital depletion (LI, DI)*
Levels	Levels 1, 2, 3	Level 3
* Users can modify these defaults		

Figure 9: Additional insurance assumptions

The table above displays the following differences and similarities between the two insurance analysis methods:

- Incomes – For both analysis methods, income entered for the co-client continues during the analysis period. However, the income can be modified during survivorship or disability. For example, if the client becomes disabled, the co-client might decide to take time off work to care for the client. The income of client who dies or becomes disabled ends on December 31 of the current plan year.
- Expenses
 - *Goal and Expense* method – NaviPlan determines the clients’ total needs based on the clients’ existing lifestyle expenses (these are the expenses that were entered on the *Financial Picture* section – *Cash Flow* category – *Cash Flow* page).
 - *Income Coverage* method – NaviPlan ignores the clients’ existing lifestyle expenses. You need to enter a pre-tax income need.

Note: Expenses such as loans, savings, and insurance premiums continue for both analysis methods.

- Policy proceeds – If a life insurance policy exists, the proceeds enter cash flow and are immediately used for lump-sum needs. NaviPlan invests the remainder in a system-generated life insurance proceeds asset. If a disability insurance policy exists, the policy begins paying benefits into cash flow after January 1 of the year following the current plan year and is delayed further based on the duration of the waiting period.

Note: For long-term care, insurance proceeds are paid into cash flow after the waiting period has elapsed.

- Asset usage – NaviPlan assumes assets in the plan can be redeemed to eliminate projected cash flow deficits during the analysis period, regardless of links to retirement, education, major purchase, and emergency fund goals. Both the growth and capital are used to cover the clients' expenses. Less insurance coverage is needed, however, the clients' net worth is reduced significantly.
- Levels – The *Goal and Expense* analysis method is available in all plans, whereas the *Income Coverage* analysis method is only available in Level 3 Plans.

Enter survivor income objectives

In NaviPlan, for the clients' survivor income goals, you can enter assumptions, annual expenses or annual income needs, annual income, lump-sum needs, and asset availability.

View survivor income assumptions

In the *Goals* section – *Survivor Income, Disability Income, and Long-Term Care* categories, you can define the clients' insurance objectives, and then determine how much insurance will be required to meet these objectives. The pages and tabs used for the *Client* and *Co-client* subcategories are identical.

To enter the client's survivor income assumptions

1. Go to the **Goals** section – **Survivor Income – Client** category – **Objectives** page. Under *Objectives*, you can set the insurance analysis method by selecting either *Goal and Expense Analysis* or *Income Coverage Analysis*.

The screenshot shows the 'Client' interface with the 'Objectives' tab selected. Under 'Objectives', the 'Goal and Expense Analysis' radio button is chosen. The 'Adjust Milestones' section shows Lisa's age as 62 and the year as 2030. The 'Rate of Return' table is as follows:

	Total	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth
Pre-Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%
Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%

The 'Tax Rates' section shows the following Federal rates:

	Tax Bracket	State*	Average*	Marginal*	Long-Term Capital Gains*
Before Retirement	\$200,301 - \$357...	5.00%	27.05%	33.00%	15.00%
During Retirement	\$131,451 - \$200...	5.00%	22.38%	28.00%	15.00%

Note: The average, marginal and long-term capital gains tax rates shown represent federal rates. The corresponding state tax rate and the federal deduction for state taxes are accounted for in the income tax calculations.

Figure 10: Goals section – Survivor Income – Client category – Objectives page (Goal and Expense Analysis option selected)

2. Select **Income Coverage Analysis**. The tabs that are available change based on your selection.

The screenshot shows the 'Client' software interface. At the top, there are tabs for 'Notes', 'Planning Assistant', 'Calculators', and 'Reports'. Below this, there are tabs for 'Objectives' and 'Scenarios'. The 'Objectives' section is active, showing a checkbox for 'If Nick dies' which is checked. Below this, there are two radio button options: 'Goal and Expense Analysis' and 'Income Coverage Analysis', with the latter selected. A red box highlights the 'Assumptions' tab, which is currently selected. Below the 'Assumptions' tab, there are several sections: 'Adjust Milestones' for 'Lisa' (Age 62, Year 2030; Life Expectancy 90, Year 2058), 'Rate of Return on Life Insurance Proceeds, Surpluses and Liquidations' table, and 'Tax Rates' section.

	Total	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth
Pre-Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%
Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%

	Tax Bracket	State*	Average*	Marginal*	Long-Term Capital Gains*
Before Retirement	\$200,301 - \$357...	5.00%	27.05%	33.00%	15.00%
During Retirement	\$131,451 - \$200...	5.00%	22.38%	28.00%	15.00%

Note: The average, marginal and long-term capital gains tax rates shown represent federal rates. The corresponding state tax rate and the federal deduction for state taxes are accounted for in the income tax calculations.

Figure 11: Goals section – Survivor Income – Client category – Objectives page (Income Coverage Analysis option selected)

3. Select **Goal and Expense Analysis**. NaviPlan reverts to the original analysis method.
4. Go to the **Assumptions** tab. On this tab, you can define the surviving client's income and lifestyle expenses for the current plan during survivorship. Using both insurance analysis methods, you can make the following adjustments that apply only during survivorship:
 - Adjust the retirement ages for survivorship.
 - Change survivor life expectancy.
 - Change the rate of return on life insurance proceeds. NaviPlan creates a hypothetical asset that applies these return rates to life insurance proceeds, projected cash flow surpluses, and redemptions of lifestyle and real estate assets.
 - Adjust tax rates.

Enter annual expenses during survivorship

On the *Annual Expenses* tab, you can specify in one of two ways how much of the existing plan's expenses will apply during the insurance analysis:

- Set the overall percentage of expenses to cover during survivorship (all expenses are affected)
- Define the percentage covered for individual expenses

To specify the percentage of annual expenses to cover during survivorship

1. Go to the **Annual Expenses** tab.

Client | Notes | Planning Assistant | Calculators | Reports

Objectives | Scenarios

▶ Instructions

Objectives

If Nick dies Select an insurance analysis method

Goal and Expense Analysis

Income Coverage Analysis

Assumptions | **Annual Expenses** | Additional Annual Income | Lump Sum Needs | Asset Availability

▶ Instructions

Annual Expenses

Percentage of lifestyle and medical expenses to cover*

Expense	Amount	Use Defaults	% to Cover
Housing (e.g. utilities, repairs)	\$30,000	<input type="checkbox"/>	100%
Food	\$15,000	<input checked="" type="checkbox"/>	60%
Transportation (e.g. gas, insurance)	\$18,000	<input checked="" type="checkbox"/>	60%
Entertainment (e.g. restaurants, movies)	\$12,000	<input type="checkbox"/>	50%
Personal (e.g. clothing, hobbies)	\$9,000	<input checked="" type="checkbox"/>	60%
Other (e.g. child care, travel)	\$24,000	<input type="checkbox"/>	80%
Retirement Goal Expense	\$130,000	<input checked="" type="checkbox"/>	60%
Retirement Travel (End at 75)	\$10,000	<input checked="" type="checkbox"/>	60%
Retirement Travel (Start at 76)	\$15,000	<input checked="" type="checkbox"/>	60%

Education Expenses

Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*
Kevin's Education	Kevin	18	4	\$17,000	100%

Surplus Strategy

Percent surplus spent*

Percent surplus saved*

Analysis Surplus

Assume surplus is spent

Additional Annual Expenses

Description*	Annual Amount*	Start Date	Number of Years	End Date*	Infl	Delete
Lifestyle Expenses	\$0	Jan 1 2009	35	Dec 31 2043	<input checked="" type="checkbox"/>	<input type="button" value="X"/>

Figure 12: Goals section – Survivor Income – Client category – Objectives page – Annual Expenses tab (Goal and Expense Analysis option selected)

2. Under *Annual Expenses*, in the *Percentage of lifestyle and medical expenses to cover* field, enter **60%**. For all expenses that have the *Use Defaults* check box selected, the *% to Cover* amount changes to the percentage you entered.
3. Change the *Percentage of lifestyle and medical expenses to cover* value back to the default of **85%**.
4. Clear all the **Use Defaults** check boxes, and then for *Other*, enter **80%**.
5. Under *Education Expenses*, notice that you can define a percentage of education expenses to cover.

Note: This section of the tab only appears if the clients' dependents have education goals in the plan.

Establish surplus strategies during survivorship

On the *Annual Expenses* tab, you can indicate how NaviPlan should treat projected surpluses during survivorship. Portions of or all surplus cash can be saved or spent. By default, NaviPlan assumes that the 100% of surplus cash will be saved during survivorship. If a partial percentage is entered (i.e., a number other than 0% or 100%), NaviPlan saves the percentage entered in the *Percent surplus saved* field first.

To create surplus strategies for survivorship

1. On the *Annual Expenses* tab, under *Surplus Strategy*, enter **100%** in the *Percent surplus spent* field. NaviPlan updates the *Percent surplus saved* field automatically.
2. Under *Analysis Surplus*, select the **Assume surplus is spent** check box. When this check box is selected, NaviPlan projects the cash flow that would have occurred in pre-retirement if neither client died. Any pre-retirement surpluses resulting from that projection become additional pre-retirement survivor expenses. The *Percentage of lifestyle and medical expenses to cover* value applies to this expense just like any other.

For example, the projected pre-retirement surplus in 2009 is \$10,000, assuming both Nick and Lisa are alive. For the survivor analysis, Nick is assumed to die at the end of 2008. The *Percentage of lifestyle and medical expenses to cover* value is 85% and the *Assume surplus is spent* check box is selected. An \$8,500 assumed expense (85% of \$10,000) is included in survivor cash flow in 2009.

Note: By assuming that the clients' surplus will be spent during survivorship, you can be more conservative when considering the clients' cash flow. In addition, this strategy allows you to justify the need for additional life insurance coverage. NaviPlan applies this strategy before using the values under *Surplus Strategy*. Using the example above, NaviPlan applies the percentages under *Surplus Strategy* after removing \$8,500 from cash flow. For more information regarding NaviPlan's treatment of cash flow surpluses during survivorship, see the functional document, [Surplus strategies in survivor analysis](#).

Enter additional annual expenses

On the *Annual Expenses* tab, you can model additional annual expenses that could occur during survivorship.

To enter an additional annual expense

1. On the *Annual Expenses* tab, under *Additional Annual Expenses*, click the **Add Additional Annual Expense** button. A new data-entry row appears. Examples of additional expenses that might occur during survivorship include daycare, lawn care, snow removal, and medical expenses.

Additional Annual Expenses						
Description*	Annual Amount*	Start Date	Number of Years	End Date*	Infl	Delete
House Maintenance	\$5,000	Jan 1 2009	35	Dec 31 2043	<input checked="" type="checkbox"/>	<input type="button" value="X"/>
<input type="button" value="Add Additional Annual Expense"/>						

Figure 13: Goals section – Survivor Income – Client category – Objectives page – Annual Expenses tab (showing Additional Annual Expenses section)

2. Enter the following expense details:
 - *Description* – **House Maintenance**
 - *Annual Amount* – **\$5,000**
 - *Number of Years* – **35**
 - *Infl* – **Selected**

Enter additional annual income

On the *Additional Annual Income* tab, you can enter additional annual income that applies during survivorship. For example, a non-working partner might re-enter the workforce if the working partner dies.

To enter additional annual income

1. Go to the **Additional Annual Income** tab.

The screenshot shows the 'Client' software interface. At the top, there are menu items: 'Notes', 'Planning Assistant', 'Calculators', and 'Reports'. Below this is a navigation bar with tabs: 'Objectives', 'Scenarios', 'Assumptions', 'Annual Expenses', 'Additional Annual Income', 'Lump Sum Needs', and 'Asset Availability'. The 'Additional Annual Income' tab is selected. Underneath, there is an 'Instructions' section for 'Additional Annual Income'. Below the instructions is a table with the following columns: 'Description*', 'Income Type*', 'Annual Amount*', 'Start Date*', 'End Date*', 'Infl +/- Add'l', and 'Delete'. A single row is entered in the table with the following values: 'Part-Time Work', 'Salary', '\$30,000', 'Jan 1 2009', 'Retirement', '+ 0.00%', and a delete icon. At the bottom left of the table area, there is a button labeled 'Add Annual Income'.

Description*	Income Type*	Annual Amount*	Start Date*	End Date*	Infl +/- Add'l	Delete
Part-Time Work	Salary	\$30,000	Jan 1 2009	Retirement	+ 0.00%	X

Figure 14: Goals section – Survivor Income – Client category – Objectives page – Additional Annual Income tab

2. Click the **Add Annual Income** button. A new data-entry row appears.
3. Enter the following income details:
 - *Description* – **Part-Time Work**
 - *Income Type* – **Salary**
 - *Annual Amount* – **\$30,000**

View lump-sum needs during survivorship

On the *Lump Sum Needs* tab, you can identify the clients' lump-sum expenses that should be covered in the event of survivorship. These needs are in addition to the expenses defined on the *Financial Picture* section – *Cash Flow* category – *Cash Flow* page.

Figure 15: Goals section – Survivor Income – Client category – Objectives page – Lump Sum Needs tab

Under *Pay Off Outstanding Liabilities*, each selected liability will be paid in full on December 31 of the current plan year. This strategy creates a larger immediate need but reduces ongoing expenses since interest on the liability would no longer accumulate.

Under *Major Purchase Goals*, each listed goal that is selected will require additional insurance to cover the cost of the purchase. The expense amount is based on the percentage entered in the *% to Cover* field.

Under *Additional Lump Sum Needs*, you can define any additional lump-sum needs that might be required when the client dies by clicking the *Add Lump Sum Need* button, and then entering the details.

View asset availability for survivorship

On the *Asset Availability* tab, you can specify which assets will be available for redemption during the survivorship period. NaviPlan assumes a capital depletion method of insurance. If cash flow deficits are projected, assets can be depleted automatically even during pre-retirement years.

Under *Investment Accounts*, you can determine whether an account should be made available immediately upon the client's death, at retirement, or unavailable. By default, assets are used to cover estate needs. However, you can exclude the asset from the estate by selecting the *Not Available at <client>'s Death* check box.

Asset type	Default availability
Non-qualified	at first death
Qualified	at retirement
Lifestyle and real estate	unavailable

The screenshot shows the 'Asset Availability' tab in the software. The 'Objectives' section is expanded, showing 'If Nick dies' is checked. Under 'Investment Accounts', there is a table with columns for 'Survivor Needs' (Available Immediately, Available Starting At Retirement, Not Available) and 'Estate Needs' (Not Available at Nick's Death). The table lists several accounts with radio buttons for selection and checkboxes for the 'Not Available at Nick's Death' option.

Account Name	Survivor Needs			Estate Needs
	Available Immediately	Available Starting At Retirement	Not Available	Not Available at Nick's Death
Nick's Brokerage Account (Non-Qualified)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
Lisa's Brokerage Account (Non-Qualified)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="checkbox"/>
Nick's 403(b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
Lisa's Roth IRA	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="checkbox"/>
Nick's 401(k)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
Joint Savings Account (Non-Qualified)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>
Nick's Annuity (Non-Qualified)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="checkbox"/>

Figure 16: Goals section – Survivor Income – Client category – Objectives page – Asset Availability tab

View survivor income for simultaneous death

Although simultaneous deaths in a family are rare, you can model this situation on *Goals* section – *Survivor Income* – *Both* category – *Objectives* page. Including this analysis is often important when older dependent parents or young children are part of the client family. All the clients’ existing incomes and expenses are ignored, except for education goals. If the clients’ dependents require ongoing care after both clients die, the net estate can be used to fund this need. The net estate represents insurance proceeds and net assets after paying off all liabilities. You can define the dependents’ ongoing and lump-sum expenses on the *Ongoing Expenses* tab.

Both Notes Planning Assistant Calculators Reports

Objectives Scenarios

Instructions

Objectives

If Nick and Lisa die

Assumptions Ongoing Expenses Lump Sum Needs Asset Availability

Instructions

Support for Dependents

Description	Owner	Frequency	Amount	End Age	Start Date	End Date	Infl +/-	Add'l	Delete
Ongoing Expenses	Kevin	Annual	\$0	21	Jan 1 2009	Jan 1 2017	+	0.00%	X

Add Support for Dependent

Education Expenses

Description	Name	Start Age	Number of Years	Annual Amount	% to Cover*
Kevin's Education	Kevin	18	4	\$17,000	100%

Figure 17: Goals section – Survivor Income – Both category – Objectives page – Ongoing Expenses tab

View disability income assumptions

On the *Goals* section – *Disability Income – Client* or *Co-client* category – *Objectives* page, the options that are available for disability income are similar to survivor income, except for a few differences:

- On the *Assumptions* tab, you can define the period through which you want to analyze disability. By default, disability reports and graphs cease at retirement, but you can analyze the effects of disability during the retirement period as well.
- For disability income reporting, NaviPlan assumes that the retirement goal is fully funded, since only pre-retirement shortfalls can be insured.
- NaviPlan forces savings during the pre-retirement period to ensure sufficient assets are available to cover retirement needs.

Client | Notes | Planning Assistant | Calculators | Reports

Objectives | **Scenarios**

▶ Instructions

Objectives

If Nick is disabled Select an insurance analysis method

Goal and Expense Analysis

Income Coverage Analysis

Assumptions | **Additional Annual Expenses** | Lump Sum Needs | Asset Availability

Adjust Milestones

	Nick		Lisa	
	Age	Year	Age	Year
<input type="checkbox"/> Override the Retirement Age for Disability Analysis	62	2028	62	2030
<input type="checkbox"/> Override the Disability Life Expectancy	90	2056	90	2058
Analyze Disability Through	64	2030		

Rate of Return on Surpluses and Liquidations

	Total	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth
Pre-Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%
Retirement	6.00%	1.50%	1.50%	1.50%	0.00%	1.50%

Tax Rates

Override Tax Rates

	Federal				
	Tax Bracket	State*	Average*	Marginal*	Long-Term Capital Gains*
Before Retirement	\$200,301 - \$357...	5.00%	27.05%	33.00%	15.00%
During Retirement	\$131,451 - \$200...	5.00%	22.38%	28.00%	15.00%

Note: The average, marginal and long-term capital gains tax rates shown represent federal rates. The corresponding state tax rate and the federal deduction for state taxes are accounted for in the income tax calculations.

Figure 18: Goals section – Disability Income – Client category – Objectives page – Assumptions tab

View long-term care assumptions

On the *Goals* section – *Long-Term Care* – *Client* or *Co-client* category – *Objectives* page, the options that are available for long-term care are similar to disability income, except for a few differences:

- NaviPlan uses the *Goal and Expense Analysis* method for calculating long-term care needs. Incomes, expenses, and goal information entered in the plan for retirement, education, major purchases, and the emergency fund are included in the long-term care analysis.
- On the *Assumptions* tab, by default, long-term care is set to begin at age 80, and end four years later. However, you can change these assumptions.
- On the *LTC Expenses* tab, you can enter adjustments to the clients' current expenses and add expenses associated with long-term care, such as in-home care, nursing home expenses, and prescribed medications.
- On the *Income Adjustments During LTC* tab, if non-investment income has been defined on the *Goals* section – *Retirement* category – *Objectives* page and is expected to occur during the long-term care period, you can specify whether the income will continue during this period.

Client | Notes | Planning Assistant | Calculators | Reports

Objectives | Scenarios

Instructions

Objectives

If Nick is in Long-term Care

Assumptions | LTC Expenses | Income Adjustments During LTC | Asset Availability

Age at Start of LTC: 80 in the year 2046

LTC period years: 4*

* Assumption is that Nick dies at the end of the LTC period.

Rate of Return on Surpluses and Liquidations

Total	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth
6.00%	1.50%	1.50%	1.50%	0.00%	1.50%

For lifestyle assets that are available immediately, you can specify the rate of return on the proceeds from the sale of the asset by entering values in the rate of return fields.

Tax Rates

Override Tax Rates

	Federal				
	Tax Bracket	State*	Average*	Marginal*	Long-Term Capital Gains*
Before Retirement	\$200,301 - \$357...	5.00%	27.05%	33.00%	15.00%
During Retirement	\$131,451 - \$200...	5.00%	22.38%	28.00%	15.00%

Note: The average, marginal and long-term capital gains tax rates shown represent federal rates. The corresponding state tax rate and the federal deduction for state taxes are accounted for in the income tax calculations.

Figure 19: Goals section – Long-Term Care – Client category – Objectives page – Assumptions tab

Create and compare alternative protection planning scenarios

In the *Goals* section – *Survivor Income*, *Disability Income*, and *Long-term Care* – *Client*, *Co-client*, and *Both* categories, you can define alternative objectives, expenses, incomes, and lump-sum needs on the *Scenarios* page. Every *Scenarios* page available for protection planning contains two sides where you can compare the current plan with the recommended plan. The left side displays assumptions defined for the current plan and cannot be edited on the *Scenarios* page. The right side represents the recommended plan and includes data from all *Recommended* scenarios for other goals. The *Goal Coverage* graph displays the percentage of the insurance goal that is expected to be covered in the scenario.

Model survivor income scenarios

On the *Goals* section – *Survivor Income* – *Client* category – *Scenarios* page – *Assumptions* tab, you can model changes to the survivor retirement age, survivor life expectancy, and the expected rate of return on surpluses and liquidations. Under *Additional Life Insurance*, you can model additional life insurance and monthly premiums for the *Recommended* scenario. On the *Annual Expenses*, *Additional Annual Income*, and *Lump Sum Needs* tabs, you can make additional modifications to the *Recommended* scenario.

Note: The *Asset Availability* tab is not available on the *Scenarios* page.

Client Notes Planning Assistant Calculators Reports

Objectives Scenarios

Assumptions Annual Expenses Additional Annual Income Lump Sum Needs

Scenario: Current Plan	Scenario: Recommended <input checked="" type="checkbox"/> Recommended
Lisa	
Survivor Retirement Age: 62 2030	<input type="checkbox"/> Survivor Retirement Age: 62 2030
Survivor Life Expectancy: 90 2058	<input type="checkbox"/> Survivor Life Expectancy: 90 2058
Rate of Return on Life Insurance Proceeds, Surpluses and Liquidations	
Total	
Pre-Retirement: 6.00%	Pre-Retirement: 6.00%
Retirement: 6.00%	Retirement: 6.00%
Additional Life Insurance	
Death Benefit: \$0	Death Benefit: \$0
Premium: \$0	Premium: \$0
Goal Coverage	
65% More details... What Are My Options? Compare Scenarios	67% More details... What Are My Options? Compare Scenarios
Other Goal Coverage	
Cash Flow: <input checked="" type="checkbox"/> Pre-Retirement Cash Flow Retirement: <input checked="" type="checkbox"/> Retirement (71%) Education: <input checked="" type="checkbox"/> Kevin's Education (51%) Major Purchase: <input checked="" type="checkbox"/> Vacation (27%) Emergency Fund: <input checked="" type="checkbox"/> Emergency Fund (0%) Survivor Income: Co-Client Both Calculate Disability Income: Client Co-Client Long-term Care: Client Co-Client Estate Planning: Estate Planning	Cash Flow: <input checked="" type="checkbox"/> Pre-Retirement Cash Flow Retirement: <input checked="" type="checkbox"/> Retirement (84%) Education: <input checked="" type="checkbox"/> Kevin's Education (56%) Major Purchase: <input checked="" type="checkbox"/> Vacation (28%) Emergency Fund: <input checked="" type="checkbox"/> Emergency Fund (0%) Survivor Income: Co-Client Both Calculate Disability Income: Client Co-Client Long-term Care: Client Co-Client Estate Planning: Estate Planning

[Modify Goal Funding Strategy...](#)

Figure 20: Goals section – Survivor Income – Client category – Scenarios page – Assumptions tab

Model additional life insurance

When creating a *Recommended* scenario for survivor income, NaviPlan can automatically calculate the amount of additional life insurance the client or co-client should buy to ensure 100% goal coverage.

To model buying additional life insurance

1. Go to the **Financial Picture** section – **Insurance Coverage** category – **Insurance Coverage** page.
2. For *Nick's Group Insurance*, in the *Benefit* field, enter **\$0**.
3. Go to the **Goals** section – **Survivor Income** – **Client** category – **Scenarios** page. The *Goal Coverage* graphs for the *Current Plan* and *Recommended* scenarios display less than 100% coverage.

The screenshot displays the 'Goals' section for 'Survivor Income' under the 'Client' category. It compares two scenarios: 'Current Plan' and 'Recommended'.

Current Plan Scenario:

- Scenario: Current Plan
- Client: Lisa
- Survivor Retirement Age: 62 (2030)
- Survivor Life Expectancy: 90 (2058)
- Rate of Return on Life Insurance Proceeds, Surpluses and Liquidations: 6.00%
- Pre-Retirement: 6.00%
- Retirement: 6.00%
- Additional Life Insurance: Death Benefit \$0, Premium \$0
- Goal Coverage: 65%
- Other Goal Coverage: Cash Flow (Pre-Retirement Cash Flow), Retirement (71%), Education (Kevin's Education 51%), Major Purchase (Vacation 27%), Emergency Fund (0%), Survivor Income (Co-Client Both), Disability Income (Client Co-Client), Long-term Care (Client Co-Client), Estate Planning (Estate Planning)

Recommended Scenario:

- Scenario: Recommended (Checked)
- Client: Lisa
- Survivor Retirement Age: 62 (2030)
- Survivor Life Expectancy: 90 (2058)
- Rate of Return on Life Insurance Proceeds, Surpluses and Liquidations: 6.00%
- Pre-Retirement: 6.00%
- Retirement: 6.00%
- Additional Life Insurance: Death Benefit \$1,226,560, Premium \$100
- Goal Coverage: 100%
- Other Goal Coverage: Cash Flow (Pre-Retirement Cash Flow), Retirement (89%), Education (Kevin's Education 56%), Major Purchase (Vacation 28%), Emergency Fund (0%), Survivor Income (Co-Client Both), Disability Income (Client Co-Client), Long-term Care (Client Co-Client), Estate Planning (Estate Planning)

Figure 21: Goals section – Survivor Income – Client category – Scenarios page – Assumptions tab

4. For the *Recommended* scenario, under *Goal Coverage*, click the **What Are My Options?** button. The *What Are My Options?* dialog box opens. NaviPlan displays an option that

includes the amount of additional life insurance the client would have to buy to help ensure 100% goal coverage for the survivor income goal.

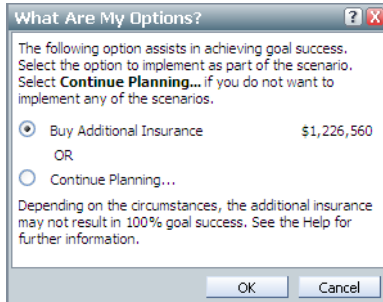


Figure 22: What Are My Options? dialog box

5. Select **Buy Additional Insurance**, and then click **OK**. The *What Are My Options?* dialog box closes. Under *Additional Life Insurance* on the *Assumptions* tab, NaviPlan displays the additional life insurance required in the *Death Benefit* field. NaviPlan assumes the additional coverage is part of a Term 100 Life policy.
6. In the *Premium* field, enter **\$100**. The premiums are paid monthly. Entering premiums here can affect the clients' ability to fund other goals. Under *Other Goal Coverage*, you can determine whether the goal coverage for other *Recommended* scenarios are affected by the additional premiums.

Compare disability income scenarios

Like the *Recommended* survivor income scenario, you can modify the analysis period, recommend additional insurance, and model additional expenses, income, and lump-sum needs for the *Recommended* disability income scenario. You can also compare all the disability income details for the *Current Plan* and *Recommended* scenarios by clicking the *Compare Scenarios* button.

To compare disability income scenarios

1. Go to the **Goals** section – **Disability Income** – **Client** category – **Scenarios** page.

Figure 23: Goals section – Disability Income – Client category – Scenarios page – Assumptions tab – Compare Scenarios button – Compare Scenarios dialog box

2. Click the **Compare Scenarios** button. The *Compare Scenarios* dialog box opens to the *Detailed Comparison* tab. On this tab, you can compare goal coverage for both scenarios and identify any additional insurance that would be required.
3. Go to the **Assumptions Comparison** tab. This tab lists the assumptions that have been entered in the two scenarios. Bold values identify differences between the scenarios.

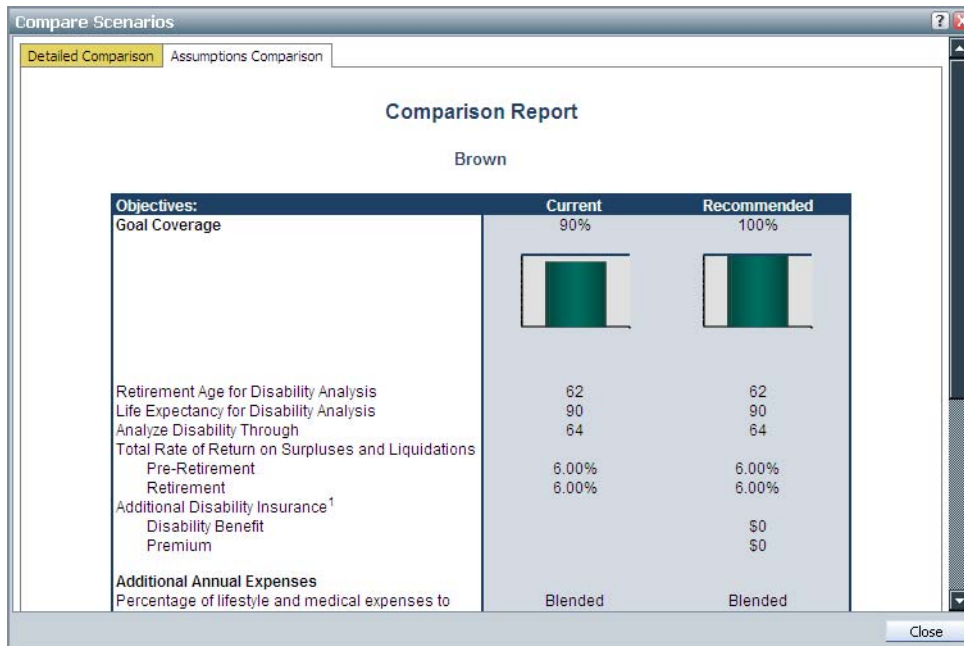


Figure 24: Goals section – Disability Income – Client – Scenarios page – Assumptions tab – Compare Scenarios dialog box – Assumptions Comparison tab

4. Click **Close**. The **Compare Scenarios** dialog box closes.

View long-term care scenarios

On the *Goals* section – *Long-Term Care* – *Client* or *Co-client* category – *Scenarios* page, the *Goal Coverage* graph might show 100% coverage, but the insurance premiums, long-term care expenses, and redeemed assets for long-term care might affect the survivor’s cash flow. Using the appropriate cash flow and net worth reports, you can view the effects of long-term care on the plan.

The screenshot displays the 'Client' software interface, specifically the 'Scenarios' page under the 'Assumptions' tab for 'LTC Incomes & Expenses'. It compares two scenarios: 'Current Plan' and 'Recommended'.

Scenario: Current Plan

- Age at Start of LTC: 80 in the year 2046
- LTC period years: 4*
- * Assumption is that Nick dies at the end of the LTC period.
- Rate of Return on Proceeds from Lifestyle Assets Immediately Available: 6.00%
- Additional Long-term Care Insurance: Daily Benefit Amount: \$0/day, Premium: \$0/mo
- Goal Coverage: 99%
- Other Goal Coverage:
 - Cash Flow: Pre-Retirement Cash Flow
 - Retirement: Retirement (71%)
 - Education: Kevin's Education (51%)
 - Major Purchase: Vacation (27%)
 - Emergency Fund: Emergency Fund (0%)
 - Survivor Income: Client Co-Client Both
 - Disability Income: Client Co-Client
 - Long-term Care: Co-Client
 - Estate Planning: Estate Planning

Scenario: Recommended (Recommended)

- Age at Start of LTC: 80 in the year 2046
- LTC period years: 4*
- * Assumption is that Nick dies at the end of the LTC period.
- Override Rate of Return on Proceeds from Lifestyle Assets Immediately Available:
- Rate of Return on Proceeds from Lifestyle Assets Immediately Available: 6.00%
- Additional Long-term Care Insurance: Daily Benefit Amount: \$0/day, Premium: \$0/mo
- Goal Coverage: 100%
- Other Goal Coverage:
 - Cash Flow: Pre-Retirement Cash Flow
 - Retirement: Retirement (89%)
 - Education: Kevin's Education (56%)
 - Major Purchase: Vacation (28%)
 - Emergency Fund: Emergency Fund (0%)
 - Survivor Income: Client Co-Client Both
 - Disability Income: Client Co-Client
 - Long-term Care: Co-Client
 - Estate Planning: Estate Planning

Figure 25: Goals section – Long-Term Care – Client category – Scenarios page – Assumptions tab

Generate reports for life, disability, and long-term care insurance

In addition to the results on the *Scenarios* pages, you can further analyze the insurance results by generating and examining reports and graphs.

View the Multi-Year Cash Flow if Nick Dies report

The *Multi-Year Cash Flow if Nick Dies* report includes cash flow details for the entire analysis period.

Multi-Year Cash Flow if Nick Dies
Brown
Browns' Base Details
Multi-Year Life Protection Needs If Nick Dies

Year	Ages	Cash Inflows	Cash Outflows*	Surplus/(Deficit)	Gross Capital Available	Future Value Life Insurance	Additional Life Insurance Needed
2009	--/41	211,032	211,032	0	183,156	0	0
2010	--/42	207,050	207,050	0	179,003	0	0
2011	--/43	321,694	321,694	0	195,537	0	0
2012	--/44	217,947	217,947	0	213,097	0	0
2013	--/45	223,649	223,649	0	231,749	0	0
2014	--/46	233,523	233,523	0	251,562	0	0
2015	--/47	223,352	223,352	0	254,073	0	0
2016	--/48	229,911	229,911	0	255,311	0	0
2017	--/49	236,010	236,010	0	255,751	0	0
2018	--/50	223,910	223,910	0	277,858	0	0
2019	--/51	229,805	229,805	0	301,389	0	0
2020	--/52	235,887	235,887	0	326,440	0	0
2021	--/53	242,165	242,165	0	353,109	0	0
2022	--/54	248,643	248,643	0	381,504	0	0
2023	--/55	255,330	255,330	0	411,738	0	0
2024	--/56	262,233	262,233	0	443,932	0	0
2025	--/57	269,358	269,358	0	478,215	0	0
2026	--/58	276,712	276,712	0	514,727	0	0
2027	--/59	284,305	284,305	0	553,260	0	0
2028	--/60	335,867	335,867	(1)	541,232	1	0
2029	--/61	346,375	346,376	(1)	525,429	1	0
2030	--/62*	264,383	264,383	0	387,227	0	0
2031	--/63	259,855	259,855	0	244,082	0	0
2032	--/64	286,428	286,429	(1)	66,591	1	0
2033	--/65	164,449	290,560	(126,111)	0	126,111	42,340
2034	--/66	94,289	282,417	(188,128)	0	188,128	60,417
2035	--/67	96,037	290,594	(194,556)	0	194,556	59,765

Figure 26: Multi-Year Cash Flow if Nick Dies report

To generate the Multi-Year Cash Flow if Nick Dies report

1. Go to the **Reports** menu, and then select **Insurance – Life Insurance – Multi-Year Cash Flow if Nick Dies**. The *Assign Settings* dialog box opens. This dialog box appears for nearly all reports and graphs.

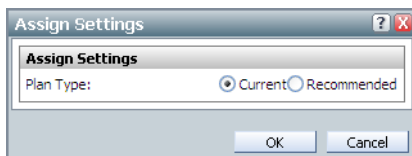


Figure 27: Assign Settings dialog box

2. Select one of the following options:
 - **Current** – Analyzes the information in the plan including all *Current Plan* scenarios for each goal
 - **Recommended** – Analyzes the information in the plan including all *Recommended* scenarios for each goal
3. Click **OK**. The *Multi-Year Cash Flow if Nick Dies* dialog box opens and displays the following four tables:
 - *Multi-Year Life Protection Needs If Nick Dies* – Illustrates the gross capital available, high-level cash inflows and outflows during the survivorship period, and the clients' total life insurance needs.
 - *Gross Capital Available If Nick Dies* – Illustrates how assets will be redeemed during the analysis. Additional assets become available at the start of the survivor's retirement based on the settings on the *Goals* section – *Survivor Income* – *Client* category – *Objectives* page – *Asset Availability* tab.
 - *Multi-Year Cash Inflows If Nick Dies* – Provides more detail on annual cash inflows.
 - *Multi-Year Cash Outflows If Nick Dies* – Provides more detail on annual cash outflows.

View the Life Insurance Cash Flow Single Year Details (Nick Dies) report

To obtain additional cash flow details for an individual year, you can generate the *Life Insurance Cash Flow Single Year Details (Nick Dies)* report.

Life Insurance Cash Flow Single Year Details (Nick Dies Dec 31 2008)	
Brown	
Brown's Base Details #3 - Proposed (2008)	
Cash Inflows	
Regular Income:	
Nick's Salary (Nick)	\$130,000
Lisa's Salary (Lisa)	\$105,000
Total Regular Income	\$235,000
Investment Income: ¹	
500 Smith Street (Joint/Real Estate)	\$36,000
Joint Savings Account (Non-Qualified)	\$3,816
Lisa's Brokerage Account (Non-Qualified)	\$4,118
Nick's Brokerage Account (Non-Qualified)	\$4,492
Total Investment Income¹	\$48,427
Life Insurance Redemptions:	
Term 100 Life (Joint)	\$1,226,560
Total Life Insurance Redemptions	\$1,226,560
Total Cash Inflows	\$1,509,987
Cash Outflows	
Lifestyle Expenses:	
Housing (e.g. utilities, repairs)	\$30,000
Food	\$15,000
Transportation (e.g. gas, insurance)	\$18,000
Entertainment (e.g. restaurants, movies)	\$12,000
Personal (e.g. clothing, hobbies)	\$9,000
Other (e.g. child care, travel)	\$24,000
Total Lifestyle Expenses	\$108,000
Taxes:	
Federal Taxes	\$88,269
State	\$12,269

Figure 28: Life Insurance Cash Flow Single Year Details (Nick Dies) report

To generate the *Life Insurance Cash Flow Single Year Details (Nick Dies)* report

1. Go to the **Reports** menu, and then select **Insurance – Life Insurance – Cash Flow Details if Nick Dies**. The *Assign Settings* dialog box opens.

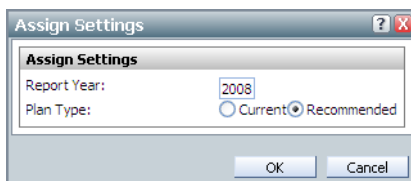


Figure 29: Assign Settings dialog box

2. In the *Report Year* field, enter **2008**.
3. Select **Recommended**, and then click **OK**. The *Cash Flow Details if Nick Dies* dialog box opens.

Note: Since death occurs on December 31 of the current year, most items common to pre-retirement appear. For example, both of the clients' regular expenses and incomes appear in the report. The insurance proceeds appear in the report as *Life Insurance Redemptions* and estate expenses appear under *Estate Related Expenses*.

4. Click the **Report Settings** link.
5. In the *Report Year* field, enter **2009**, and then click **Apply Settings**. The report regenerates. Note some of the changes to the clients' cash flow:
 - Only one income appears in the report
 - Loan payments have disappeared
 - The remainder of the clients' life insurance proceeds have been invested (*Invested Available Capital (Lisa/Non-Qualified)*)

View the Multi-Year Cash Flow Summary if Nick is Disabled report

Multi-year cash flow, individual year cash flow, and asset availability reports are included for disability insurance reporting.

Year	Ages	Disability Income	Other Cash Inflows	Taxes	Expenses and Savings	Surplus (Deficit)
2009	43/41	36,000	195,357	49,330	182,027	0
2010	44/42	36,000	202,702	51,649	187,053	0
2011	45/43	36,000	274,962	52,972	257,990	0
2012	46/44	36,000	217,525	56,423	197,103	0
2013	47/45	36,000	223,479	59,210	200,269	0
2014	48/46	36,000	254,715	62,878	228,039	0
2015	49/47	36,000	263,390	64,306	235,078	5
2016	50/48	36,000	276,880	70,478	242,402	2
2017	51/49	36,000	333,838	119,825	250,023	(9)
2018	52/50	36,000	292,828	98,374	230,261	(10)
2019	53/51	36,000	221,904	73,277	237,131	(62,504)
2020	54/52	36,000	229,738	76,232	244,268	(54,784)
2021	55/53	36,000	238,556	79,549	251,888	(58,879)
2022	56/54	36,000	247,750	83,011	259,395	(58,656)
2023	57/55	36,000	257,334	86,824	267,409	(60,699)
2024	58/56	36,000	267,328	90,395	275,741	(62,808)
2025	59/57	36,000	277,750	94,333	284,405	(64,988)
2026	60/58	36,000	288,620	98,445	293,414	(67,239)
2027	61/59	36,000	299,959	102,739	302,785	(69,565)
2028	62/60	36,000	361,854	116,860	280,994	0
2029	63/61	36,000	376,917	123,282	289,635	0
2030	64/62*	36,000	231,099	54,721	212,378	0

Figure 30: Multi-Year Cash Flow Summary if Nick is Disabled report

To generate the Multi-Year Cash Flow Summary if Nick is Disabled report

1. Go to the **Reports** menu, and then select **Insurance – Disability Insurance – Multi-Year Cash Flow if Nick is Disabled**. The *Assign Settings* dialog box opens.

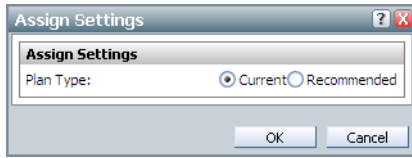


Figure 31: Assign Settings dialog box

2. Select **Current**, and then click **OK**. The *Multi-Year Cash Flow Summary if Nick is Disabled* dialog box opens.

View the Multi-Year Cash Flow if Nick Requires Long-term Care report

In the *Multi-Year Cash Flow if Nick Requires Long-term Care* report, several tables are included that provide cash flow or net worth details starting with Nick entering long-term care and ending at Lisa's death.

Multi-Year Cash Flow if Nick Requires Long-term Care

Brown

Brown's Base Details

Multi-Year Long-term Care Needs If Nick Requires Long-term Care

Year	Ages	LTC Income	Other Inflows	Taxes	LTC Expenses	Expenses	Surplus (Deficit)+
2046	#80/78	263,401	213,097	37,946	0	448,918	(10,387)
2047	81/79	362,775	218,410	38,789	0	532,029	10,367
2048	82/80	381,919	227,016	40,555	0	568,380	0
2049	83/81	399,959	236,846	42,851	0	594,153	0
2050	--/82	0	420,656	26,989	0	429,991	(35,306)
2051	--/83	0	138,663	21,690	0	442,691	(325,928)
2052	--/84	0	141,733	22,045	0	409,367	(289,679)
2053	--/85	0	144,906	22,411	0	421,648	(299,154)
2054	--/86	0	148,172	22,787	0	434,297	(308,913)
2055	--/87	0	151,537	23,175	0	447,326	(318,964)
2056	--/88	0	155,004	23,575	0	460,746	(329,317)
2057	--/89	0	158,574	23,986	0	474,568	(339,981)

Long-term Care Age

*Retirement year for Nick is 2028.
 + The accumulated deficit in the year 2045 is \$99,932. For the purpose of this analysis, it is assumed this value is \$0.00 at the beginning of the Long-term Care analysis (the year 2046).

Figure 32: Multi-Year Cash Flow if Nick Requires Long-term Care report

To generate the *Multi-Year Cash Flow if Nick Requires Long-term Care* report

1. Go to the **Reports** menu, and then select **Insurance – Long-Term Care – Multi-Year Cash Flow Summary if Nick needs Long-Term Care**. The *Assign Settings* dialog box opens.

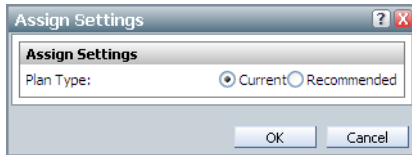


Figure 33: Assign Settings dialog box

2. Select **Current**, and then click **OK**. The *Multi-Year Cash Flow if Nick needs Long-term Care* dialog box opens and displays the following four tables:
 - *Multi-Year Long-term Care Needs If Nick Requires Long-term Care* – Summarizes the clients' expenses during the long-term care period
 - *Multi-Year Cash Inflows If Nick Requires Long-term Care* – Provides a more detailed breakdown of the clients' income sources
 - *Multi-Year Cash Outflows If Nick Requires Long-term Care* – Provides a more detailed breakdown of the clients' expenses
 - *Net Worth Accumulation If Nick Requires Long-term Care* – Illustrates the effects of long-term care on the clients' net worth
3. At the top of the dialog box, click the **Duplicate** button. NaviPlan displays a duplicate of the existing report beside the original. Clicking this button allows you to change report settings, and then compare differences in the reported values.

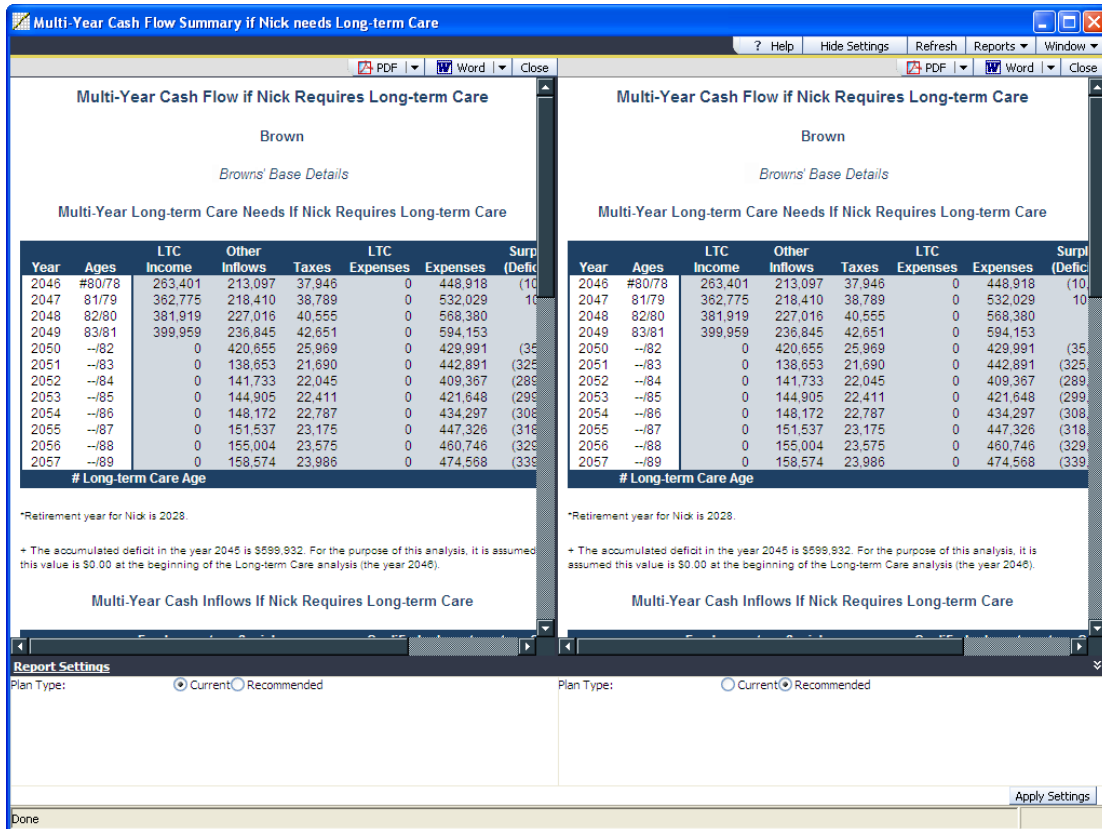


Figure 34: Multi-Year Cash Flow if Nick needs Long-term Care dialog box (showing original and duplicated report)

- On the right, select the **Recommended** plan type, and then click the **Apply Settings** button. The report on the right updates.

View life insurance details in the Financial Needs Analysis client report

Since you have established the underlying assumptions used in your clients' insurance analysis, you can evaluate your clients' insurance needs by generating and reviewing the *Financial Needs Analysis* client report.

To generate the *Financial Needs Analysis* client report

1. Go to the **Results** section – **Client Reports** category – **Client Report** page.

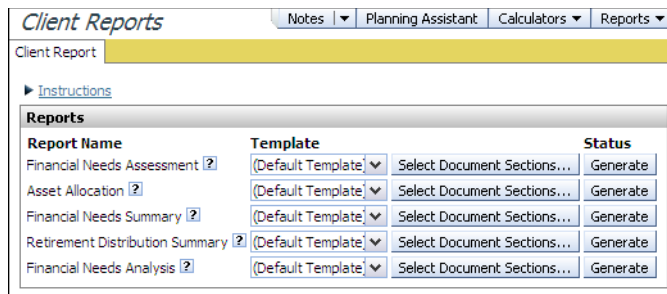


Figure 35: Results section – Client Reports category – Client Report page

2. For the *Financial Needs Analysis* client report, click the **Generate** button. The report takes a few minutes to generate.

Compare life insurance products

In the *Comparison of Life Insurance Products* report section, you can show your clients the advantages and disadvantages of different life insurance products.

Type	Advantages	Disadvantages
Term	Low cost. Premiums generally remain level for the term period. Savings over permanent policy may be invested.	Premiums increase with age after the level term period. No cash value. No forced savings. Coverage may end prior to death.
Whole Life	Forced savings (tax-deferred). Fixed premiums. Guaranteed cash value. Low-rate loans. May receive dividends if a participating policy.	Higher premiums than term, and typically more than universal life. Investment return may be low.
Universal Life	Flexibility in premiums, face amount and amount into cash value. Premium generally lower than whole life policy.	Fewer guarantees than with whole life. Premiums may increase if interest rates fall below projections.
Universal Life, with Secondary Guarantees	Newer universal life product offering lifetime guaranteed death benefit protection. Premiums generally lower than whole life, remain level throughout entire premium period.	Little, if any, cash accumulation. Premiums are higher than term insurance. Less flexibility in premiums than traditional universal life.
Variable Life	Potential for better investment returns on accumulating cash value.	Poor investment return may decrease cash value and death benefit. Cash value is subject to market risk, and therefore is not generally guaranteed.
Variable Universal Life	All advantages of Universal and Variable Life.	All disadvantages of Universal and Variable Life.

Figure 36: Financial Needs Analysis client report – Comparison of Life Insurance Products

View Nick’s life insurance needs and abilities

The graphs at the bottom of the *Life Insurance Summary - Nick* report section illustrate your clients’ needs and ability to fund those needs if Nick dies. If your clients’ life insurance needs are covered 100% in the recommended plan, an insurance shortfall does not appear in the *Proposed Plan* graph.

Note: The graph data begins at 2009, since Nick is assumed to die on December 31, of 2008.

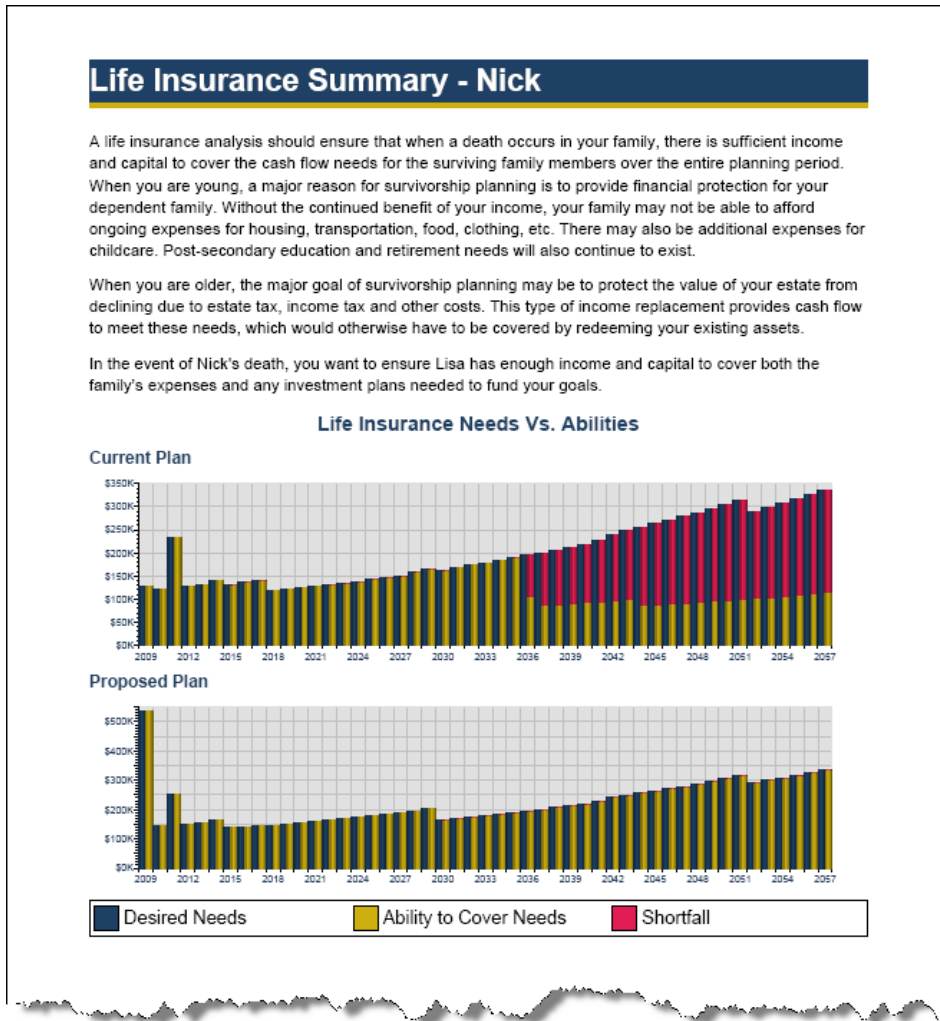


Figure 37: Financial Needs Analysis client report – Life Insurance Summary - Nick (first page of section)

The second page of the *Life Insurance Summary - Nick* report section provides summary details of the clients' survivor income objectives and life insurance coverage, and provides support for the graphs shown on the previous page. For more information about how NaviPlan performs insurance calculations, see the functional document titled [Survivor needs calculations](#).

Objectives	Current	Proposed
Retirement Age/Year for the Survivor	62 / 2030	62 / 2030
Survivor Life Expectancy	90 / 2058	90 / 2058
Total Rate of Return on Life Insurance Proceeds, Surpluses and Liquidations		
Pre-Retirement	6.00%	6.00%
Retirement	6.00%	6.00%
Existing Life Insurance	\$0	\$574,996
Additional Life Insurance		
Death Benefit	\$0	\$574,996
Premium	\$0	\$100
Additional Life Insurance Required	\$673,211	\$0

The following report provides an overview of your life insurance if Nick were to die at the end of this year (2008), using assumptions from the Proposed Plan.

Lump sum needs include final expenses and other needs at death. Capital needed to meet cash flow deficits is the lump sum you would require to meet your survivor's needs for their expected lifetime, or the estate needs to provide for your children.

Life Insurance Summary

	Current	Proposed
Life Insurance Coverage	\$0	\$574,996
Immediate Capital Needs		
Probate Expenses	\$869	\$857
Admin. Expenses	\$869	\$857
123 Home Street Mortgage	\$172,813	\$172,813
Credit Card Loan	\$10,526	\$10,526
Resources to meet Immediate Needs		
Pre-Death Cash Flow Surplus	(\$23,128)	\$0
Life Insurance Proceeds	\$0	(\$185,053)
Redeemed From Assets (net of tax)	(\$181,949)	\$0
Additional Coverage for Immediate Needs	\$0	\$0
Capital needed to meet future cash flow shortfalls	\$882,397	\$421,048
Life Insurance Proceeds	\$0	(\$389,943)
Reinvested Surplus	(\$9,187)	(\$31,105)
Additional Coverage for Future Shortfalls	\$673,211	\$0
Additional Recommended Coverage	\$673,211	\$0

Figure 38: Financial Needs Analysis client report – Life Insurance Summary - Nick (second page of section)

Exercises

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

Hint: All copies of plans are managed in the *Plan Management* section – *Plan List* category.

Exercise 1: Entering and modifying life insurance

To find the answers, see “Answers to protection planning exercises” on page 44.

1. Nick's employer has decided not to renew the company's group term life insurance which expires at the end of the month. As an option, Nick can convert his group term coverage into an individual policy, or purchase a new individual whole life policy. Nick ultimately decides to purchase a whole life policy since the individual premiums are fixed, and therefore more manageable in the long run.

On the *Financial Picture* section – *Insurance Coverage* category – *Insurance Coverage* page, click the **Details** button to modify **Nick's Group Insurance**.

Hint: Under *Benefit Details* and *Premiums*, the *Coverage Cease on date* and *Cease on date* fields should reflect the termination date of Nick's existing policy.

2. Add a whole life insurance policy for Nick on the *Insurance Coverage* page, and then enter the following information in the appropriate fields:

- *Benefit:* **\$300,000**
- *Beneficiary:* **Lisa**
- *Premiums:* **\$140/month**

Click the **Details** button to capture additional information for Nick's whole life policy:

- *Policy Owner:* **Nick**
- *CSV Payable with Death Benefit:* **selected**
- *Coverage Cease on date:* **Retirement**
- *Cease on date* (under *Premiums*): **Retirement**

Leave all other fields at their default settings.

3. Nick will make an initial deposit to the CSV when the policy is purchased. You estimate that the starting balance of the CSV as of January 1 *next* year will be \$3,000, with an annual growth rate of 4%.

On the *Future Values* tab, select **Override** to calculate the *Estimated CSV* of Nick's whole life insurance policy. Ensure that you enter the appropriate rate of return for the CSV in the *Base Rate* field.

Hint: Click the **Fill** button to populate the *Estimated CSV* column values.

4. Generate the *Insurance Policy Summary* report to confirm your data entry. Why does the CSV for Nick's whole life policy *not* appear in the report?

Exercise 2: Define insurance needs

To find the answers, see "Answers to protection planning exercises" on page 44.

1. Using the *Goal and Expense Analysis* method, Nick and Lisa would like you to apply the following assumptions for their disability insurance analysis:

Note: Go to the **Disability Income – Client** category and analyze only Nick's situation.

- 6% return on surpluses and liquidations
- 100% of existing expenses continue
- Projected surpluses in the event of Nick's disability are saved
- Projected surpluses if neither Nick nor Lisa were disabled are spent
- \$10,000 additional health care expenses apply until retirement
- \$15,000 lump-sum need for medical modifications to the house
- Liquidate the 500 Smith Street asset immediately

Hint: Select the **Use Defaults** check boxes to define the percentage of expenses to cover on the *Additional Annual Expenses* tab.

Exercise 3: Create and compare protection planning scenarios

To find the answers, see “Answers to protection planning exercises” on page 44.

1. Lisa is hesitant to purchase additional long-term care insurance due to her age. You explain the benefits of purchasing insurance now, rather than waiting until the cost of coverage increases due to inflation. Lisa has asked you to perform an analysis of her insurance needs during your appointment.

Go to the **Goals** section – **Long-Term Care – Co-client** category – **Scenarios** page. Assess Lisa’s situation in the current plan. How can her situation be improved?

Hint: Review the assumptions used in the analysis of the current plan.

2. On the right side of the *Scenarios* page, solve the *Recommended* scenario for Lisa’s long-term care goal to 100% goal coverage. Use any of the tools accessible on the available tabs.

Hint: Remember, it is important to confirm that any additional premium payments do not negatively affect your clients’ other goals (i.e., *Other Goal Coverage*).

Exercise 4: Evaluate goal achievement with a client report

To find the answers, see “Answers to protection planning exercises” on page 44.

1. Generate the *Financial Needs Summary* client report with all three insurance sections included as document sections. Describe how you would present the results to your clients.

Conclusion

This module has enabled you to

- Capture your clients' existing insurance policies and analyze their life, disability, and long-term care insurance goals
 - Enter your clients' existing insurance policies
 - Describe the assumptions and methods for determining life, disability, and long-term care insurance needs
 - Define your clients' expenses for life, disability, and long-term care insurance analyses
 - Establish surplus strategies during the survivorship period
 - Create and compare protection planning strategies
 - Generate life, disability, and long-term care insurance analysis reports
 - Examine life insurance pages in a client report to assess your clients' insurance needs

Answers to protection planning exercises

Exercise 1: Entering and modifying life insurance

4. The CSV for Nick's whole life policy does not appear because the *Insurance Policy Summary* report displays the current (not future) benefit and premium amounts of all insurance policies entered in the plan.

Exercise 3: Create and compare protection planning scenarios

1. Lisa's situation can be improved by
 - changing the start age of long-term care
 - reducing the long-term care period
 - increasing the rate of return on the clients' assets
 - purchasing additional long-term care insurance
 - adding additional annual income

Exercise 4: Evaluate goal achievement with a client report

1. Answers will vary.