



**NaviPlan Standard  
Online/Offline  
Accumulation Goals  
Self-Study Guide**

**USA version 11.0**

EISI, Winnipeg

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# Accumulation goals

The NaviPlan Standard Accumulation Goals 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.

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 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.

This module focusses on Level 3 Plans.

## Learning objectives

This module will enable you to

- Define the education goal
- Use the Peterson's Undergraduate Database
- Create and compare various What-if scenarios
- Identify differences in other accumulation goals

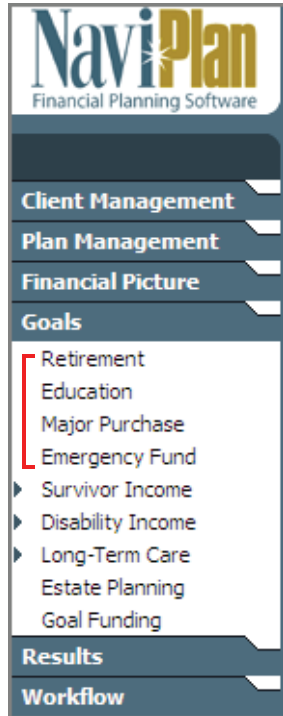
## Learning tools

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.

**Note:** If you are using a version of NaviPlan Offline without the Ibbotson Asset Allocation option, or if you are using NaviPlan Online, there will be some differences between the guide and your version of NaviPlan.

**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.

## Goals section



The *Goals* section contains categories where you can enter accumulation goal information, including

- *Retirement*
- *Education*
- *Major Purchase*
- *Emergency Fund*

This self-study guide examines the education accumulation goal in detail, and then compares the similarities and differences between the other accumulation goals.

Figure 1: Navigation bar showing the Goals section

## Define the education goal

You can enter the information for your clients' education goals on the *Goals* section – *Education* category – *Objectives* page. Use the *Objectives* page to define the goal time horizon, education cost, and asset funding, and use the *Scenarios* page to analyze and solve the goal.

Description*	Name*	Start Age*	Start Year*	Infl +/- Add'l	Education Calculator	Annual Cost*	Number of Years*	Projected Cost	Asset Allocation	Details	Delete
Kevin's Education	Kevin	18	2014	✓ + 2.00%		\$17,000	4	\$103,101			

To view or edit account distribution for all plan goals, click **Goal Funding**.

[Goal Funding...](#)

[Education Accounts \(\\$24,500\)](#)

Figure 2: Goals section – Education category – Objectives page

### To add an education objective

1. Click the **Add Education Objective** button. A new data-entry row appears.
2. Under *Description*, enter a unique name for the goal.
3. Enter details about the clients' education goals. The *Education Calculator* can be used to obtain costs for specific education institutions.

**Note:** If you enter the current year as the start date for the education goal, the date defaults to the next year, because education expenses in NaviPlan occur on Jan. 1 of the year of the education goal.

- *Description* – Enter a name that identifies a particular goal on all screens and dialog boxes, and differentiates it from other similar goals.
- *Name* – Select the name of the family member for whom the goal is established.
- *Start Age* – Enter the age at which the family member is expected to begin his or her education, that is, the age when the family member begins to use the funds saved towards this education goal. The default start age for dependents is 18.
- *Start Year* – Enter the year that the education expense is to begin.
- *Infl +/- Add'l* – Select **Infl** to index the item to the default rate of inflation. The total rate can be adjusted using the *Add'l* field.
- *Education Calculator* – Click to open the *Search Education Costs* dialog box to search Peterson's Undergraduate Database (Data source: Peterson's Databases, copyright (2006). Peterson's, a division of Thomson Learning. All rights reserved.) to determine education costs for a specific college or university.

- *Annual Cost* – Enter the estimated yearly cost of all expenses associated with the education goal.
- *Number of Years* – Enter the expected number of years the selected family member will take to complete this education goal.
- *Projected Cost* – Displays the estimated total cost of the goal in future dollars.
- *Asset Allocation* – Click to open the *Asset Allocation Details* dialog box.
- *Details* – Click to open the *Search Education Costs* dialog box and display the education summary information.
- *Delete* – Click to remove the selected item. In some cases, the deleted item cannot be recovered and you have the choice to delete the item or to return to your previous task without deleting it.
- *Add Education Objective* – Click to add another goal to the list of education goals.
- *Goal Funding* – Click to view or edit the account distribution for the funding of plan goals.

## Allocate assets to the education goal

You can use the *Asset Allocation* button to define the specific asset allocation objective for the education goal.

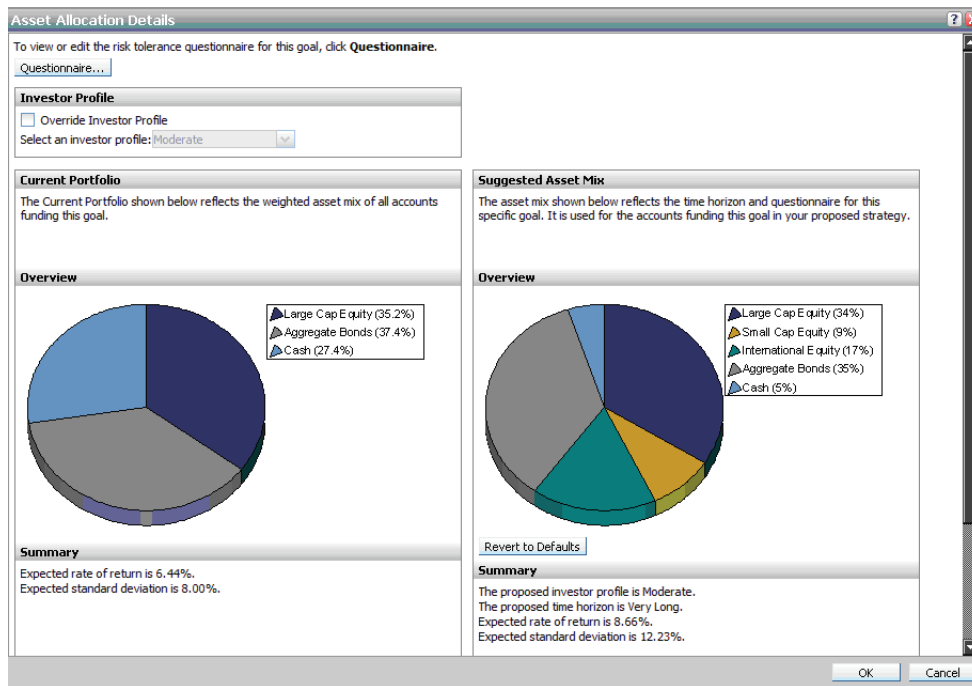


Figure 3: Goals section – Education category – Objectives page – Asset Allocation button – Asset Allocation Details dialog box

The asset allocation defined for a goal is originally based on answers to the questionnaire provided in the *Plan Management* category. You can modify the original asset allocation, and select a new investor profile for your education goal.

#### To modify the asset allocation for a goal

1. Click the **Asset Allocation** button. The *Asset Allocation Details* dialog box opens.
2. Click the **Questionnaire** button to modify your answers to the asset allocation questionnaire for the education goal.
3. Select **Override Investor Profile**, and then select a new *Investor Profile* for your education goal.
4. Click **OK**.

**Note:** For more information on how to adjust the asset allocation, see the *Asset Allocation* module.

## Funding the education goal

There are two methods to define asset funding sources for your education goal:

- Using the *Goal Funding* page
- Using the *Goal Funding* button

For the purpose of this self-study guide, let's examine the *Goal Funding* button method.

#### To fund a goal

1. Go to the **Goals** section – **Education** category – **Objectives** page, and then click the **Goal Funding** button. The *Goal Funding* dialog box opens.

Account Name (Owner/Plan Type)	Total	Retirement	Kevin's Education	College Education	Emergency Fund	Unallocated (to estate)
Nick's 403(b)	\$50,000	100%	\$0	\$0	\$0	\$0
Lisa's Roth 401(k) (Roth IRA)	\$25,000	100%	\$0	\$0	\$0	\$0
Joint Savings Account (Non-Qualified)	\$50,000	75%	25%	\$0	\$0	\$0
Kevin's 529 (Nick/529 Plan for Kevin)	\$12,000	\$0	100%	\$0	\$0	\$0
Nick's Brokerage Account (Non-Qualified)	\$61,000	100%	\$0	\$0	\$0	\$0
Lisa's Brokerage Account (Non-Qualified)	\$55,000	100%	\$0	\$0	\$0	\$0
Nick's Annuity (Non-Qualified)	\$7,000	100%	\$0	\$0	\$0	\$0
New account (Nick/403(b))	\$0	100%	\$0	\$0	\$0	\$0
<b>Goal Totals</b>	<b>\$260,000</b>	<b>\$235,500</b>	<b>\$24,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Figure 4: Goals section – Education category – Objectives page – Goal Funding button – Goal Funding dialog box

The *Goal Funding* dialog box lists all investment assets in rows and the goals in columns.

2. Select an account and enter any mix of dollar amounts, percentages, or the keyword balance to allocate funds to the applicable goals.

In NaviPlan, you can fund goals in three ways:

- *Fixed amount* – Enter a fixed dollar value. When a fixed amount is entered, NaviPlan uses only that amount to fund the goal, even when additional funds are available in the account.
- *Percentage* – Enter a percentage.
- *Balance* – Enter the keyword **balance**. All remaining unallocated funds in the account are directed to the goal. If *balance* is entered for more than one goal, the remaining balance is distributed equally among those goals.

When allocating an account across multiple goals and using any of the fixed amount, percentage, and balance options, behind the scenes NaviPlan divides the account into portions for each respective goal. This split is reflected in stand-alone reports and eliminates the need to manually divide an account. Subsequently, any savings for the account will be appropriately distributed among the goals of the account.

**Note:** If amounts are assigned to multiple goals and the combined fixed amount, percentage, and balance amounts exceed the value of the account, fixed amounts are funded first and the remaining funds are automatically distributed on a prorata basis.

3. Click **OK**.

## Validating the data

Before analyzing a goal or a plan it's important to make sure the current data is accurate so that NaviPlan's suggestions will be appropriate. There are several ways to verify data:

- *Report* buttons – Use the buttons within categories (e.g., *Cash Flow Report* button on the *Cash Flow* page)
- *Reports* menu – Use various summary reports like the *Synopsis* report which summarizes almost all data entered. Be sure to select *Current Analysis* when generating the report.

**Plan Analysis Synopsis**  
*Brown Base Details (2007)*

**General Information**

Detail	Nick	Lisa
Birth Date	Apr 21 1966	Feb 10 1968
Proposed Retirement Date	Jan 2028	Jan 2030
Life Expectancy	Dec 2056	Dec 2058
<b>Pre-Retirement Tax Rates</b>		
State Tax Rate	5.0%	5.0%
Average Federal Tax Rate	27.1%	27.1%
Marginal Federal Tax Rate	33.0%	33.0%
Long Term Capital Gains Tax Rate	15.0%	15.0%
<b>Retirement Tax Rates</b>		
State Tax Rate	5.0%	5.0%
Average Federal Tax Rate	22.4%	22.4%
Marginal Federal Tax Rate	28.0%	28.0%
Long Term Capital Gains Tax Rate	15.0%	15.0%
<b>Death Tax Rates</b>		
State Tax Rate	5.0%	5.0%
Average Federal Tax Rate	22.4%	22.4%
Marginal Federal Tax Rate	28.0%	28.0%
Long Term Capital Gains Tax Rate	15.0%	15.0%

**Tax Options**

The option "As legislated" was selected. In 2011, the calculations outlined will revert to the tax laws used in 2001, except where extended by the Pension Protection Act of 2006.

**Assumptions**

Detail	
Inflation Rate	3.00%
Tax Filing Status-Nick	Married Filing Jointly
Tax Filing Status-Lisa	Married Filing Jointly

**Estate Assumptions**

**Report Settings**

Figure 5: Reports menu – Summary – Synopsis report

- *Planning Assistant* – Use the *Planning Assistant* to perform checks on data in the plan and notify you if the data falls outside typical ranges.

The following list includes common data entry errors to look for:

- Spelling of names
- Birth date
- Index rates
- Asset valuations
- Dates

## Use the Peterson's Undergraduate Database

You can search for the cost of tuition and rooming expenses for universities and colleges using the *Education Calculator*. The *Education Calculator* opens a search tool connected to the Peterson's Undergraduate database.

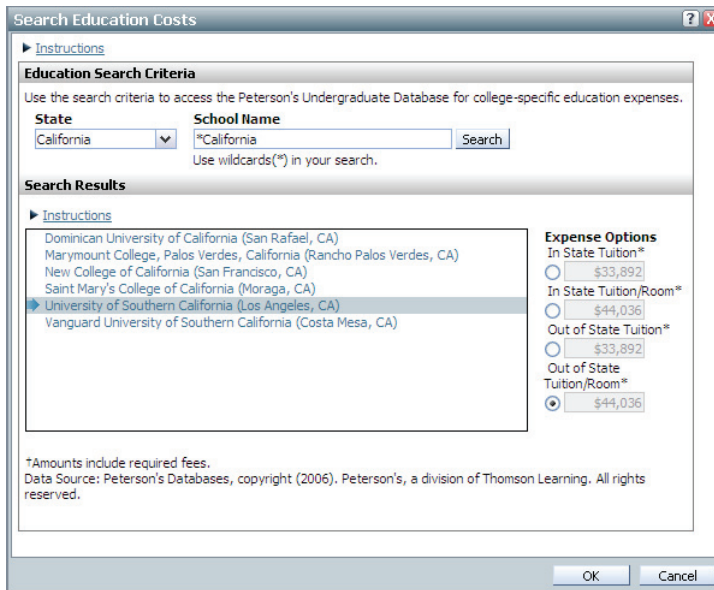


Figure 6: Goals section – Education category – Objectives page – Education Calculator button – Search Education Costs dialog box

### Search education costs

#### To search education costs by school

1. Go to the **Goals** section – **Education** category – **Objectives** page.
2. Click the **Education Calculator** button. The *Search Education Costs* dialog box opens.
3. Select the relevant state from the *State* list.
4. Enter the full name of the school, or use a wildcard (\*) to search for any unknown variable in the *School Name* field.

For example, enter *Hawaii Business College*, or, enter *hawaii\** or *\*Business\** if unsure of the full name. Use the first letter of the school and a wildcard (\*) to search for schools that start with that letter. Other combinations can include *\*X* or *X\** or *\*X\**, where X is any letter, or word.

5. Click **Search**. Schools that match the search criteria will be listed under *Search Results*.
6. Select a school from the list, and then select one of the *Expense Options*. The last option selected before clicking **OK** will be used.
7. Click **OK**. The *Search Education Costs* dialog box closes and the *Projected Cost* field populates on the *Objectives* page.

## Create and compare various What-if scenarios

In most plans the clients' current financial resources are not sufficient to meet their goals. NaviPlan offers the ability for you to create What-if scenarios within a plan. These What-if scenarios include additional assumptions and strategies which assist you in finding an optimal solution to meet your clients' goals.

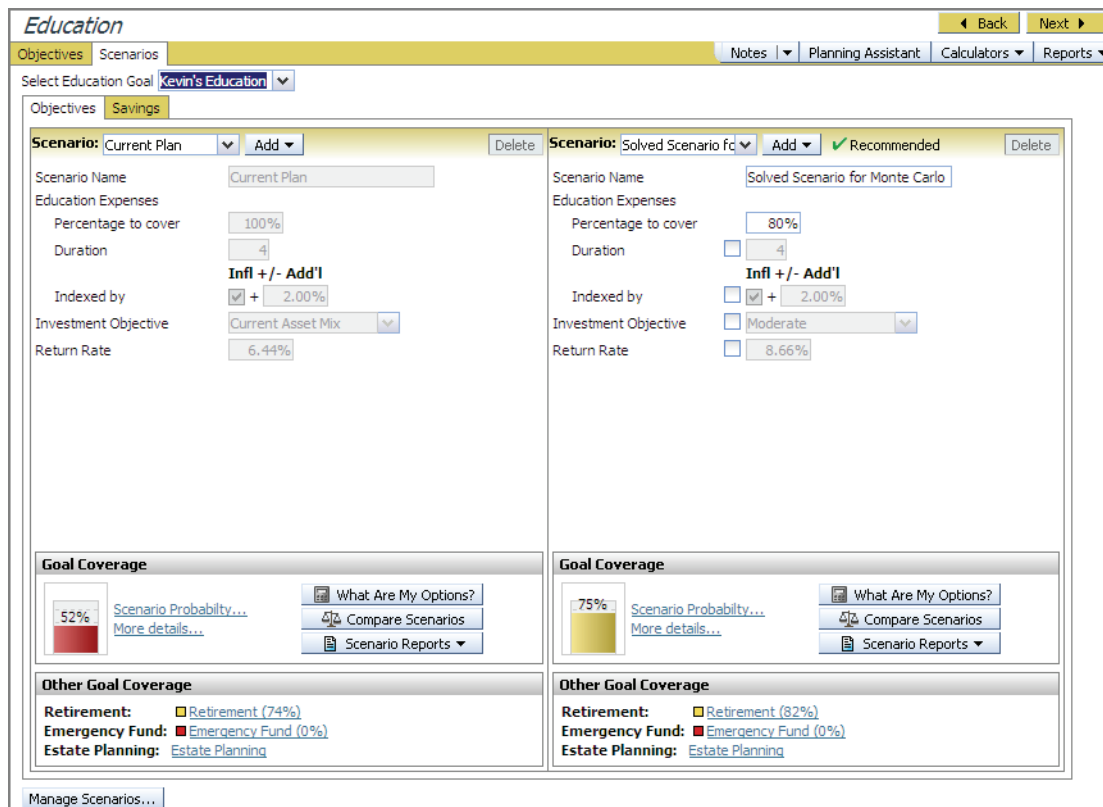


Figure 7: Goals section – Education category – Scenarios page – Objectives tab

## View the Scenarios page layout

Left side	Right side
<p>Contains the Current Plan</p> <p>By default it is read-only details. It includes specifically defined education expenses and assumes the current rate of return on existing assets and existing savings</p>	<p>Contains the Recommended Plan</p> <p>System-generated second scenario is a copy of the Current Plan with the effects of reallocation to the suggested asset mix and new rate of return</p>

- *Objectives tab* – Change basic goal details
  - *Education Expenses* – Change the *Percentage to cover* or the *Duration to apply* in *Recommended* scenario
  - *Indexed by Infl +/- Add'l* – Change the inflation rate
  - *Investment objective* – Change the investor profile for education accounts as well as specific rate of return
- *Return Rate* – Used to override the return rate associated with the goal. **Note:** You must have the *Override Return Rates* permission to override the return rate.
- *Goal Coverage* – Shows the plan's overall ability to cover education expenses for the specified education goal (Red represents < 65%, Yellow represents 65 – 90%, and Green represents > 90%)

## Add a new Scenario

If reallocation alone doesn't solve the goal, you may want to add a new scenario for comparison or build on the existing one.

### To add a new scenario

1. On the *Savings* tab, click the **Add** button on the right side and select one of the following four options:
  - *New* – Allows you to create a brand new copy of the Current Plan
  - *Copy of <scenario name>* – Allows you to create a copy of an existing scenario
  - *Predefined Scenarios* – Allows you to access a list of predefined scenarios
  - *Manage Scenarios* – Allows you to manage a list of all scenarios created so far
2. Modify the *Scenario Name* field. Enter a descriptive name for the scenario you are creating.
3. Modify the fields to reflect the desired changes in the scenario.

**Note:** Modifying the *Investment Objective* for a *Recommended* scenario will affect the goal coverage for the scenario.

4. Click **What Are My Options?** to access a list of possible options to increase the goal coverage.

**Note:** Any savings listed in the *What Are My Options?* dialog box are in addition to those already entered in the plan, and are assumed to continue.

5. Either select an option or, if you do not want to implement any of the options, select **Continue Planning**, and then click **OK**. Any one of the options, except *Continue Planning*, will meet the goal coverage at 100%.
6. Click the **Compare Scenarios** button to view a detailed comparison of the selected scenarios based on the assumptions entered.

## Create savings strategies

With NaviPlan Standard, you can apply multiple strategies into a scenario such as

- Reallocate assets
- Change the goal duration and the savings start date
- Reduce or increase goal expenses
- Increase savings (lump sum or monthly)
- Modify inflation on expense and savings

The screenshot shows the 'Education' category in the 'Goals' section, specifically the 'Savings' tab. It displays two scenarios for 'Kevin's Education' goal. The left scenario, 'Current Plan', shows a 52% goal coverage. The right scenario, 'Solved Scenario fci', shows a 65% goal coverage. Both scenarios have a start date of Jan 1 2007, no additional lump sum savings, and no additional monthly savings. The inflation rate is set to 0.00%. The current monthly savings are \$138. The 'Other Goal Coverage' section shows Retirement at 74% (left) and 59% (right), Emergency Fund at 0%, and Estate Planning.

Figure 8: Goals section – Education category – Scenarios page – Savings tab

### Additional Monthly Savings on the Savings tab

- *Start Date* – Enter the start date of additional monthly savings.

**Note:** By default, NaviPlan starts savings in the same month as the plan analysis date, providing the plan analysis date is the first day of the month. For example, If the plan analysis date is Feb. 1, savings start Feb. 1. If the plan analysis date is Feb. 2 or later, the savings begin on the first day of the following month (March 1).

- *Additional Lump Sum Savings* – Enter an additional lump-sum savings amount to be included as part of the analysis. The funds are invested in a hypothetical account earning the suggested asset mix return.

- *Additional Savings (\$/month)* – Enter an additional monthly savings amount to be included as part of the analysis. This amount is in addition to the current monthly savings. The funds are invested in a hypothetical account earning the suggested asset mix return.
- *Indexed by Infl +/- Add'l* – Select **Infl** to index the item to the default rate of inflation. The total rate can be adjusted using the *Add'l* field.
- *Current Monthly Savings* – Use to display the current monthly savings being made towards the education goal. This field cannot be edited.

## Compare scenarios

Click the **Compare Scenarios** button to open the *Compare Scenarios* dialog box – *Detailed Comparison* tab. The information presented here identifies key assumptions for each scenario, goal funding, and includes an interactive surplus/deficit graph.

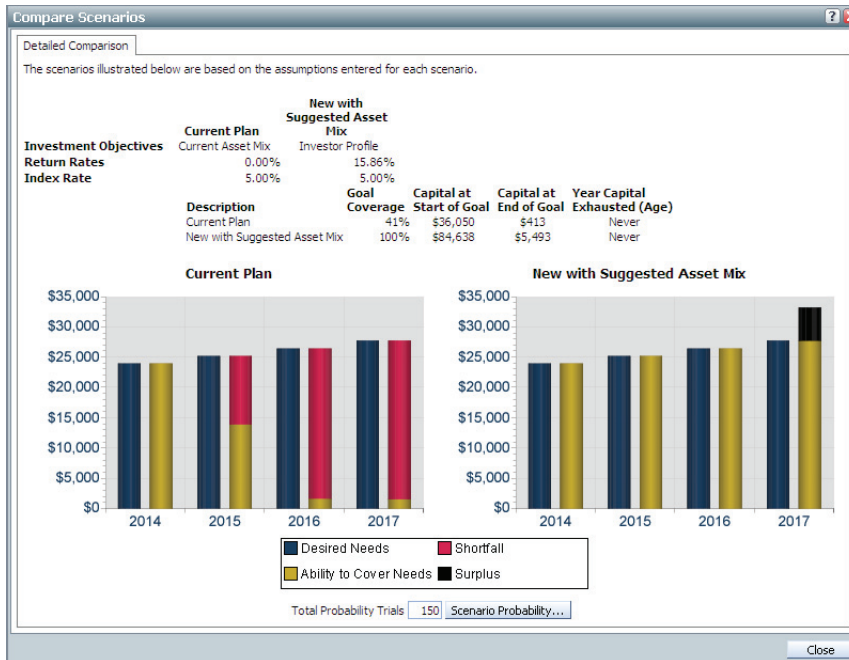


Figure 9: Goals section – Education category – Scenarios page – Savings tab – Compare Scenarios button – Compare Scenarios dialog box – Detailed Comparison tab

## Recommend Scenarios

After building several strategies you may want to change your *Recommended* scenario. You will mark only one scenario out of all the scenarios you created as *Recommended* to present to the client.

To do this, click the **Recommend Scenario** button. Strategies in the *Recommended* scenario will be incorporated into *Recommended* reporting. After you have recommended a scenario, the button changes to text.

## Generate and view reports

Once you recommend a scenario, the strategies in the scenario will apply to any *Recommended* reports. Lets look at several reports to view the education goal results.

### Generate the Savings for Education report

The *Savings for Education* report shows the accumulation and dispersal of education savings.

Savings for Education							
Brown, Nick and Lisa							
Brown Base Details (2007)							
Year	Ages	Income From Investments	Kevin's Expenses	Taxes	Savings	Growth	End of Year Capital
2007	41/39	597	0	202	1,650	467	27,591
2008	42/40	651	0	221	1,650	519	30,858
2009	43/41	709	0	240	1,650	575	34,311
2010	44/42	769	0	260	1,650	634	37,962
2011	45/43	833	0	316	1,650	696	41,787
2012	46/44	898	0	341	1,650	761	45,827
2013	47/45	967	0	368	1,650	829	50,095
2014	48/46	1,040	23,921	395	1,650	552	26,439
2015	49/47	42	25,117	648	1,650	28	2,288
2016	50/48	10	26,373	27	1,650	12	1,555
2017	51/49	10	27,691	5	450	5	423

Figure 10: Reports menu – Goals – Savings – Education Savings Report – Savings for Education report

#### To generate the report

1. Go to the **Reports** menu, and then select **Goals – Savings – Education Savings Report**. The *Assign Settings* dialog box opens.
2. Select **Recommended**, and then click **OK**. The *Savings for Education* report opens.

#### Report Details

- *Year* – The years included in the projection.
- *Ages* – The age of the client and co-client.
- *Income From Investments* – Value of the investment income from linked assets that is applied to education funding.
- *<family member's> Expenses* – Expenses are listed for each family member that is assigned an education goal. The report lists the yearly expense that is associated with each goal for the displayed year. For example, if an annual education goal takes effect in 2010, all the years prior to 2010 will read \$0.00.
- *Taxes* – Taxes paid on the investment income.
- *Savings* – The total savings currently made towards this goal. These are savings for education funding accounts that were entered in the *Strategies* category, and additional savings from the *Scenarios* page – *Savings* tab and their total can consist of savings records for multiple assets.
- *End of Year Capital* – The accumulated capital for the assets linked to this goal. This total is a combination of the savings made towards the linked education assets and their yearly growth based on those assets' return rates.

## Generate the Current Year Cash Flow report

This report provides a detailed and comprehensive breakdown of all cash inflows and outflows expenses for the client and co-client for the selected year.

Current Year Cash Flow Report	
Brown Base Details #2 - Proposed (2007)	
<b>Cash Inflows</b>	
Regular Income:	
Nick's Salary (Nick)	\$100,000
Lisa's Salary (Lisa)	\$90,000
<b>Total Regular Income</b>	<b>\$190,000</b>
Investment Income <sup>1</sup> :	
500 Smith Street (Joint/Real Estate)	\$36,000
Joint Savings Account (Non-Qualified)	\$6,208
Lisa's Brokerage Account (Non-Qualified)	\$6,700
Nick's Brokerage Account (Non-Qualified)	\$7,431
<b>Total Investment Income<sup>1</sup></b>	<b>\$56,338</b>
<b>Total Cash Inflows</b>	<b>\$246,338</b>
<b>Cash Outflows</b>	
Lifestyle Expenses:	
Housing (i.e. utilities, repairs)	\$30,000
Food	\$15,000
Transportation (i.e. gas, insurance)	\$18,000
Entertainment (i.e. restaurants, movies)	\$12,000
Personal (i.e. clothing, hobbies)	\$9,000
Other (i.e. child care, travel)	\$24,000
<b>Total Lifestyle Expenses</b>	<b>\$108,000</b>
Taxes:	
Federal Taxes	\$54,071
State Taxes	\$10,493
Social Security Tax - employment	\$11,625
Medicare Tax - employment	\$2,755
Property Taxes Paid	\$1,000
<b>Total Taxes</b>	<b>\$79,944</b>
Loan Payments (principal/interest):	
123 Home Mortgage (Joint)	\$12,000
Credit Card Loan (Joint)	\$3,000
<b>Total Loan Payments (principal/interest)</b>	<b>\$15,000</b>
Savings Allocated to Goals:	
Retirement:	
75% of Joint Savings Account (Non-Qualified)	\$1,350
Lisa's Roth 401(k)/Roth IRA	\$3,600
Nick's 403(b)	\$6,000
<b>Total Retirement Savings</b>	<b>\$10,950</b>
Kevin's Education:	
25% of Joint Savings Account (Non-Qualified)	\$450
Kevin's 529 (Nick/529 Plan for Kevin)	\$1,200
<b>Total Kevin's Education Savings</b>	<b>\$1,650</b>
Disability Insurance:	
Policy Premiums	\$4,500
<b>Total Disability Insurance Premiums</b>	<b>\$4,500</b>
<b>Total Savings Allocated to Goals</b>	<b>\$17,100</b>
Reinvestments Allocated to Goals:	
Retirement:	
75% of Joint Savings Account (Non-Qualified)	\$3,946
Lisa's Brokerage Account (Non-Qualified)	\$5,678
Nick's Brokerage Account (Non-Qualified)	\$6,297
<b>Total Retirement Reinvestments</b>	<b>\$15,922</b>
Kevin's Education:	
25% of Joint Savings Account (Non-Qualified)	\$1,315
<b>Total Kevin's Education Reinvestments</b>	<b>\$1,315</b>
<b>Total Reinvestments Allocated to Goals</b>	<b>\$17,237</b>
Long-Term Care Expenses:	
Long-Term Care Policy Premiums	\$900
<b>Total Long-Term Care Expenses</b>	<b>\$900</b>
<b>Total Cash Outflows</b>	<b>\$238,181</b>
Current Surplus (Deficit)	\$8,158
Previous Surplus (Deficit)	\$0
<b>New Surplus (Deficit)</b>	<b>\$7,558</b>

1. Investment income

2. Savings

3. Reinvestments

Figure 11: Reports menu – Goals – Savings – Education Savings Report – Current Year Cash Flow report

In terms of the education goal, there are three parts to look at in this report:

1. *Investment Income* – <Goal name> Fund – If you reallocated and/or applied additional savings you’ll see contributions to a new hypothetical account producing income (e.g., Kevin’s Education Fund (joint non-qualified))
2. *Savings Allocated to Goals* – <Goal name> Fund – If you applied savings, the savings go into the asset as an outflow
3. *Reinvestments Allocated to Goals* – <Goal name> Fund – After tax value of investment income is reinvested automatically to the goal asset

## Generate the Financial Needs Summary report

The *Financial Needs Summary* report shows comparisons between the *Current* and the *Recommended* scenarios.

### To generate the Financial Needs Summary report

1. Go to the **Results** section – **Client Reports** category – **Client Report** page, and across from *Financial Needs Summary*, click the **Select Document Sections** button. The *Select Document Sections* dialog box opens.

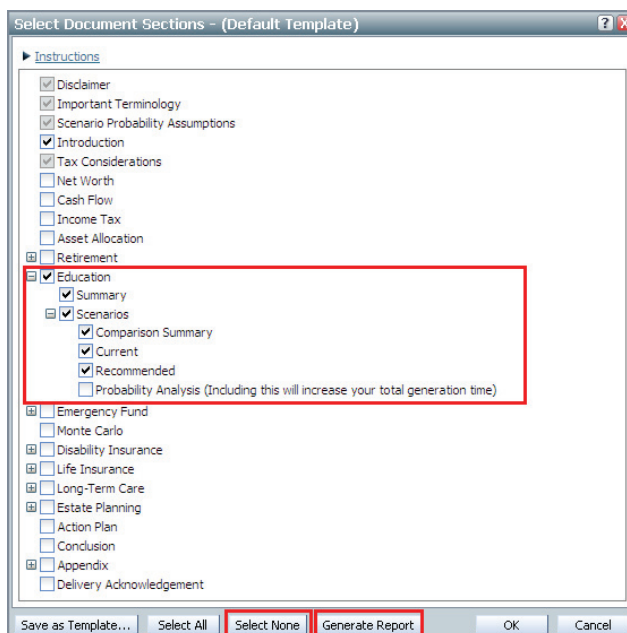
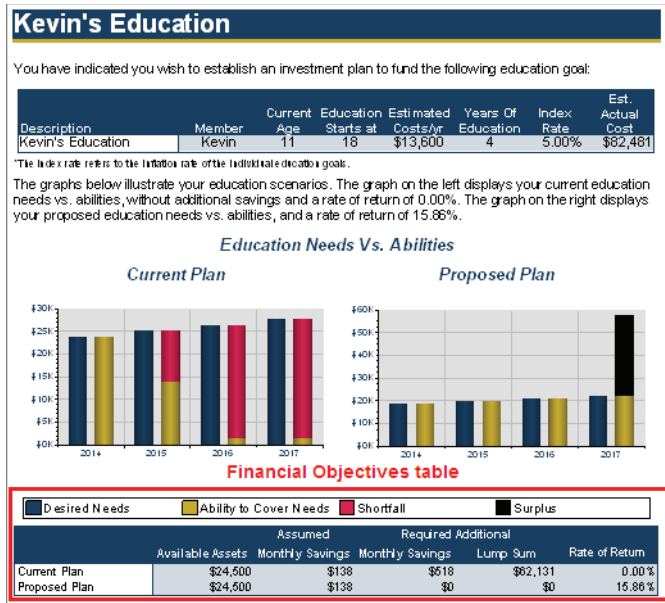


Figure 12: Results section – Client Reports category – Client Report page – Select Document Sections button – Select Document Sections dialog box

2. Click **Select None**, and then select all of the education selections except for the *Probability Analysis*. (**Note:** See the *Monte Carlo Sensitivity Analysis* module for more information on probability analysis.)
3. Click **Generate Report**. The *Financial Needs Summary* report is generated and displayed.

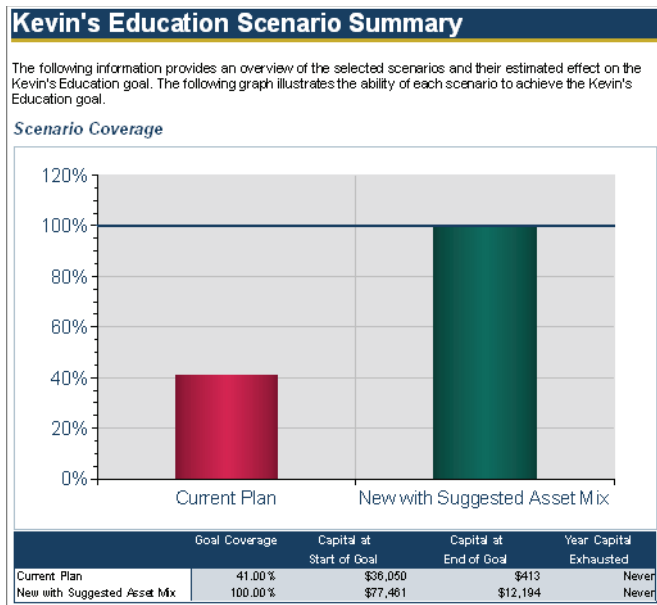
## Kevin's Education page



*Kevin's Education* – This is a summary page that graphically shows the needs versus abilities of the Current and Proposed Plans. The scenario selected as *Recommended* on the *Scenarios* page represents the Proposed Plan for client reports. We can see by the graph that the Current Plan is falling short of covering needs and how the Proposed Plan meets the needs because it has strategies to improve the situation.

The *Financial Objectives* table summarizes key objectives such as the goal start and end dates, goal value, savings, and return rate.

## Kevin's Education Scenario Summary



The graph shows the goal coverage of all the scenarios included in the plan, and shows the relative strength of each scenario. Up to four scenarios can be included in the report using the *Manage Scenarios* button on the *Scenarios* page. The *Current* and *Recommended* scenarios must be included.

The bottom table shows the key results of each scenario.

## Identify goal assumptions

The list and the chart below compare the different assumptions behind each goal type:

- *Retirement* – Goal savings end
  - Singly owned accounts: savings end December 31 of the year prior to the individual's retirement date
  - Jointly owned accounts: savings end December 31 of the year prior to the first retiree's retirement
- *Education* – All education expenses occur on January 1 of each year of the education goal.
- *Major Purchase* – This goal only creates an expense (outflow) and sells the funding accounts (inflow) at the goal date; an asset is not created to be counted towards net worth.
- *Emergency Fund* – By default, an emergency fund equal to the clients' average expenses for three months is included in the plan. If no assets have been allocated to the emergency fund, reports will show that it is under funded if included as a module.

Goal	Goal start	Goal end	Savings end	Funding
Retirement	Jan. 1 of first retiree's retirement year	Dec. 31 of the year the second client dies	Dec. 31 of year prior to retirement	Qualified and non-qualified
Education	Jan. 1 of specified year	Jan. 1 of last year of goal	Dec. 31 of second-last year of goal	529, UTMA, and non-qualified
Major purchase	Date entered	Date entered	1 month prior to date entered	Non-qualified
Emergency fund	Immediate	N/A	N/A	Non-qualified

## Exercises

The exercises have been designed specifically for this module and assume that you are working with the original data in the *Brown Base Details* plan. Before starting the exercises, duplicate the **Brown Base Details** plan, rename the duplicate with a meaningful name (e.g., *Accumulation Goal 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: Define the education goal

To find the answers, see “Answers to accumulation goals exercises” on page 24.

1. Which of the following can be used to define the education costs?

**Hint:** Navigate to the **Goals** section – **Education** category – **Objectives** page.

- a) *Annual Cost* field
  - b) *Education Calculator*
  - c) Both a) and b)
  - d) None of the above
2. The education objective amount will create a cash outflow on which date?
    - a) January 1 of each year of education
    - b) August 1 of each year of education
    - c) September 1 of each year of education
    - d) December 1 of each year of education
  3. Which of the following individuals can have an education objective in the plan?

**Hint:** Navigate to the **Goals** section – **Education** category – **Objectives** page to view options in the *Name* list.

- a) Family members only
- b) Client, co-client, and family members
- c) Beneficiaries
- d) Client and co-client

4. How do you allocate specific assets to each education goal?
  - a) *Goal Funding* category in the navigation bar
  - b) *Goal Funding* button on the *Goals* section – *Education* category – *Objectives* page
  - c) Both a) and b)
  - d) None of the above

### **Exercise 2: Use the Peterson’s Undergraduate Database**

To find the answers, see “Answers to accumulation goals exercises” on page 24.

1. In the education database, can a search be performed using a wildcard (\*) in the *School Name* field if you are unsure of the exact school name?
  - a) Yes
  - b) No
2. Which of the following expense options appear under *Search Results*?
  - a) *In State Tuition* and *Out of State Tuition*
  - b) *In State Tuition/Room* and *Out of State Tuition/Room*
  - c) *In State Tuition* and *In State Tuition/Room*
  - d) *In State Tuition*, *In State Tuition/Room*, *Out of State Tuition*, and *Out of State Tuition/Room*

### **Exercise 3: Create and compare various What-if scenarios**

To find the answers, see “Answers to accumulation goals exercises” on page 24.

1. Before proceeding to the *Scenarios* page to analyze a goal, what should you do?
  - a) Verify specific cash flow and net worth details with reports like the *Itemized Cash Flow Projection for Family* and *Net Worth Summary as of January* reports, and then correct any inaccuracies in the plan.
  - b) Verify all data in the plan by selecting the *Synopsis* report, and then correct any inaccuracies in the plan.
  - c) Open the *Planning Assistant*, review the results, and then correct any inaccuracies in the plan.
  - d) Any of the above

# HANDS-ON EXERCISES

2. Name at least two similarities and two differences between the default left-side scenario and the default right-side scenario.

**Hint:** You can access the *Scenarios* page in the *Goals* section – *Education* and *Retirement* categories.

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3. Click the **What Are My Options?** button for the education goal. Which options are listed?

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# HANDS-ON EXERCISES

4. The Current Plan and the *Recommended* scenarios for the education goal are automatically generated by NaviPlan. Are there any other scenarios automatically generated by NaviPlan? If so, what are they?

**Hint:** The *Manage Scenarios* button provides access to a list of *Predefined Scenarios* you can select when adding a new scenario.

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5. Solve the retirement goal by creating your own custom retirement scenario. Use any of the tools available on the *Objectives* and *Savings* tabs, including *What Are My Options?* and *Predefined Scenarios*. When you are finished creating a scenario that you feel is appropriate, recommend the scenario.

**Hint:** Use the *Scenario Reports* button to confirm that the clients can afford your suggested strategies.

6. Generate the *Education* section of the *Financial Needs Summary* report. Review the output. Which pages of the report would you focus on during a presentation to your clients?

**Hint:** Click **Select None** in the *Select Document Sections* dialog box to quickly clear any unwanted sections of the report, and then select only the sections you want to include.

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**Exercise 4: Identify differences in other accumulation goals**

1. Complete the table below.

<b>Goal</b>	<b>Goal start date</b>	<b>Goal end date</b>	<b>Goal savings end</b>	<b>Funding sources</b>
<b>Retirement</b>				
<b>Education</b>				
<b>Major Purchase</b>				

## Conclusion

This module has enabled you to

- Define the education goal
- Use the Peterson's Undergraduate Database
- Create and compare various What-if scenarios
- Identify differences in other accumulation goals

## Answers to accumulation goals exercises

### Exercise 1: Define the education goal

1. c) Both a) and b). You can use both the *Annual Cost* field and the *Education Calculator* to define education costs.
2. a) January 1 of each year of education. The education objective amount will create a cash outflow on January 1 of each year of education.
3. b) Client, co-client, and family members. The client, co-client, and family members can have an education objective in the plan.
4. c) Both a) and b). Specific assets can be allocated to each education goal using either the *Goal Funding* category in the navigation bar or the *Goal Funding* button on the *Goals* section – *Education* category – *Objectives* page.

### Exercise 2: Use the Peterson's Undergraduate Database

1. a) Yes. If you are unsure of the exact school name, you can perform a search using a wildcard (\*) in the *School Name* field.
2. d) *In State Tuition*, *In State Tuition/Room*, *Out of State Tuition*, and *Out of State Tuition/Room*. All of these options appear under *Search Results*.

### Exercise 3: Create and compare various What-if scenarios

1. d) Any of the above. Before proceeding to the *Scenarios* page to analyze a goal, you should do any of the following:
  - Verify specific cash flow and net worth details with reports like the *Itemized Cash Flow Projection for Family* and *Net Worth Summary as of January* reports, and then correct any inaccuracies in the plan.
  - Verify all data in the plan by selecting the *Synopsis* report, and then correct any inaccuracies in the plan.
  - Open the *Planning Assistant*, review the results, and then correct any inaccuracies in the plan.

2. The default left-side scenario and the default right-side scenario are similar in that both allow you to
  - examine the goal coverage of the scenario
  - add new scenarios
  - examine the *What Are My Options?* details for the scenario
  - compare the two scenarios
  - review the *Other Goal Coverage* results
  - change the scenario you are viewing
  - delete a scenario
  - recommend a scenario

The default left-side scenario and the default right-side scenario have the following differences:

- Left side is read-only
  - Left side represents the current goal and savings strategies
  - Right side presumes goal funding accounts will be reallocated to the suggested asset mix
  - Right side allows you to change details in the scenario
3. The following options are listed when you click the *What Are My Options?* button for the education goal:
    - *Cover % of Expenses*
    - *Save a Lump Sum*
    - *Save Monthly*
    - *Continue Planning*
  4. Yes, there are other scenarios that are automatically generated by NaviPlan: *Cover 50% of Education costs*, and *Cover 75% of Education costs*.
  6. Answers will vary.

### Exercise 4: Identify differences in other accumulation goals

1. See the answers in the table.

<b>Goal</b>	<b>Goal start date</b>	<b>Goal end date</b>	<b>Goal savings end</b>	<b>Funding sources</b>
<b>Retirement</b>	January 1 of the first retiree's retirement year	December 31 of the year the second client dies	December 31 of the year prior to retirement	Qualified investment accounts and non-qualified investment accounts
<b>Education</b>	January 1 of the specified year	January 1 of last year of goal	December 31 of second-last year of goal	529, UTMA, and non-qualified investment accounts
<b>Major Purchase</b>	Date entered	Date entered	1 month prior to date entered	Non-qualified investment accounts