



**NaviPlan Extended
Online/Offline
Assets and Liabilities
Participant Guide**

USA version 10.2

EISI, Winnipeg

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Return rate calculation

Assume two classes:

- Large-cap equity 10.35% and cash 3.66%

Account holds stocks and cash

- \$5,000 (50%) large-cap equity and \$5,000 (50%) cash

Return = $(50\% \times 10.35\%) + (50\% \times 3.66\%)$

Total return = 7.005%

Investment income taxation

Return Rates						
Total	Interest Rate	Dividends	Capital Gains	Federally Tax Free	Deferred Growth	Standard Deviation
7.0000%	1.0000%	1.5000%	1.5000%	0.0000%	3.0000%	15.0000%

Interest

- Taxed annually as ordinary income

Dividends

- Taxed annually as per 2006 act (TIPRA)

Capital gains – annual repositioning

- Mutual funds taxed annually as long-term gains
- All other assets taxed annually as short-term gains

Deferred growth

- Taxed upon sale of asset
 - Based on holding period
 - If less than 13 months, taxed as short-term gains
 - If greater than 13 months, taxed as long-term gains
-
-
-

Maximize contributions

- Keyword *max*
- Contributes the maximum federal limit
- *Index by* applies to employer contributions
- Prorated holdings within same account
- Catch-up limits are supported

Asset class weightings

Enter the Asset Class Weightings for the assets listed.

Assets

Qualified Assets:

Non-Qualified Assets:

Other Assets:

Class Name	Class Percentage	Class Name	Class Percentage
Large Cap Equity	<input type="text" value="0.00%"/>	Aggregate Bonds	<input type="text" value="0.00%"/>
Small Cap Equity	<input type="text" value="0.00%"/>	Cash	<input type="text" value="0.00%"/>
International Equity	<input type="text" value="0.00%"/>		
		Total	<input type="text" value="0%"/>

Figure 4: Financial Picture section – Net Worth category – Asset Class Weightings page

HANDS-ON EXERCISES

Exercises

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

To find the answers, see “Answers to assets and liabilities” on page 10.

Exercise 1: Model lifestyle and real estate assets

1. Describe the three methods of data entry available and list one benefit of each.

2. What is the major difference between a lifestyle asset and a real estate asset in NaviPlan Extended?

3. Looking at the *Income Tax Details* report for either David or Mary, is the rental income reported as a net or gross amount?

4. Lifestyle and real estate assets are automatically sold to cover any cash flow needs throughout the plan. Is this statement true or false?

- a) True
- b) False

Exercise 2: Model liabilities

To find the answers, see “Answers to assets and liabilities” on page 10.

1. What is the amortization period of the liabilities in the plan?

Hint: There is a **Solve** button in the *Liability Detail* dialog box that calculates the end date of the loans.

- I) Mortgage 23 years, 10 months
 - II) Mortgage 15 years, 6 months
 - III) 500 Smith Street Loan 15 years, 6 months
 - IV) 500 Smith Street Loan 21 years, 5 months
- a) I and IV
 - b) I and III
 - c) II and III
 - d) II and IV

2. It is important that you link the loans to the appropriate asset. Assign the **Home** asset to the **House Mortgage**.

Hint: Click the **Asset / Liability Links** button.

3. What is the benefit of linking assets to liabilities?

4. In what year is the last payment for the loan associated with the 500 Smith Street property?

Hint: Click the **Report** button beside the liability entry.

- a) 2019
- b) 2020
- c) 2021
- d) 2025

Exercise 3: Model financial accounts and holdings

To find the answers, see “Answers to assets and liabilities” on page 10.

1. In David’s 401(k), the holding worth \$575,000 is eBAY incorporated stock. Classify this holding using the **EBAY** ticker symbol.
2. What is the new rate of return for the eBAY incorporated holding after it has been classified?

Hint: Clear the **Override** check box, and then click **Solve**.

Exercise 4: Explain how asset return rates are calculated

The following questions will reinforce your knowledge of asset return rates in NaviPlan.

1. NaviPlan uses a weighted average of asset class weightings to determine rates of return. However, you can override this default and enter user-defined values. Is this statement true or false?
 - a) True
 - b) False
2. What is the overall rate of return of David’s 401(k)?

Hint: Go to the **Accounts** page.

- a) 0%–3%
- b) 3.1%–6%
- c) 6.1%–9%
- d) 9.1%–12%

Exercise 5: Review output pages

To find the answers, see “Answers to assets and liabilities” on page 10.

1. What is the net worth of the Train family at the beginning of the current year?

Hint: Go to the **Net Worth** category – **Reports** page.

- a) Under \$1,000,000
 - b) \$1,000,001–\$3,000,000
 - c) \$3,000,001–\$5,000,000
 - d) Over \$5,000,000
2. The Trains are interested in selling the 500 Smith Street asset in 2015. What is the projected value of the real estate asset at the beginning of 2015?

Hint: Select the **Single Asset** category on the **Reports** page.

- a) Under \$3,000,000
- b) \$3,000,001–\$5,000,000
- c) \$5,000,001–\$7,000,000
- d) Over \$7,000,000

Conclusion

This module has enabled you to

- Model lifestyle and real estate assets
- Model liabilities
- Model financial accounts and holdings
- Explain how asset return rates are calculated
- Review output pages

Answers to assets and liabilities

Exercise 1: Model lifestyle and real estate assets

1. Enter information in fields available on the page. One benefit is that this simplifies data entry and minimal detail is required.
Click the *Edit All* or *Add* links for drill-down data entry. One benefit is that you can enter additional details such as the purchase date or amount.
Click the description link. One benefit is that you can model the most comprehensive details possible, such as the sale date and rate of return.
2. Lifestyle assets are non-income producing assets, compared to real estate assets where rental income is supported.
3. Net. The rental income reported is net of expenses, depreciation, and interest payments.
4. False. Lifestyle and real estate assets cannot easily be liquidated or sold off in small parts, so they are not automatically considered available to cover cash flow needs. The same concept applies to business entities.

Exercise 2: Model liabilities

1. b) I and III
3. Linking assets to liabilities allows the interest to be tax deductible.
4. d) 2025

Exercise 3: Model financial accounts and holdings

2. The new return rates for the eBAY incorporated holding are
 - *Dividends* – 0.91%
 - *Capital Gains* – 7.87%
 - *Deferred Growth* – 0%
 - *Total* – 10.46%

Exercise 4: Explain how asset return rates are calculated

1. True. You have complete control of the rates of return associated with investment accounts.
2. b) 3.1%–6%

Exercise 5: Review output pages

1. c) \$3,000,001–\$5,000,000
2. a) Under \$3,000,000

