



# **NaviPlan Extended Online/Offline Goal Analysis Participant Guide**

**USA version 10.2**

EISI, Winnipeg

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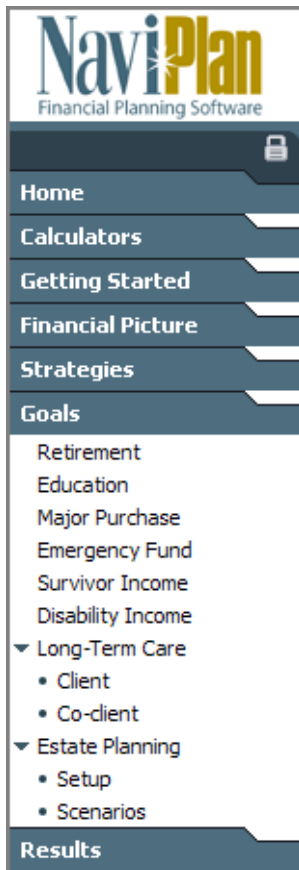
# Goal analysis

## Learning objectives

This module will enable you to

- Identify goal assumptions
- Define the retirement and education goals
- Review data verification tools
- Create and analyze various scenarios
- Review output pages

## Goals section



The *Goals* section contains the following categories used to gather and analyze goal information. The categories available are selected on the *Getting Started* section – *Select Modules* category – *Select Modules* page. These modules are:

- *Retirement*
- *Education*
- *Major Purchase*
- *Emergency Fund*
- *Survivor Income*
- *Disability Income*
- *Long-Term Care*
- *Estate Planning*

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Figure 1: Navigation bar showing the Goals section

## Goal assumptions

Goal	Goal Start	Goal End	Savings End	Funding
Retirement	First to retire – birth month	Dec. 31 – last to die	Month before goal begins	SS, pensions, qualified, and non-qualified
Education	Jan. 1 of specified year	Jan. 1 of last year	Dec. 31 of second-last year	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
Life insurance	Dec. 31 of the current year	Dec. 31 of year of last death	N/A	Qualified and non-qualified

## Defining a retirement goal

**Retirement** David Train and Mary Trai... - Core and Elective Base - NPE Level 2 [← Back](#) [Next →](#)

Objectives: [Questionnaire](#) [Scoring](#) [Profile](#) [Analysis](#) [Reports](#) [Calculators](#) | [Tools](#)

▼ [Hide Instructions](#)  
 Expenses entered under the *Cash Flow* page - *Expenses* section will appear on this page. To view the percentage of the expense that is applicable to Retirement, click on the **Details** button next to the expense, then click on **Other Options**. Use this page to enter additional retirement expenses that occur during retirement. Expenses entered on this page are assumed to apply 100% during Retirement. The percentage of expenses that applies during Survivor period can be specified.

Description*	Type*	Owner*	Child	Frequency*	Amount*	Start Date*	End Date*	Infl +/-	Add'l	Details	Delete
Retirement	Lifestyle	Joint	n/a	Annually	\$10,000	Retirement	Retirement +	✓ +	0.00%		
Retirement	Lifestyle	Joint	n/a	Annually	\$175,000	Retirement	Death	✓ +	0.00%		
Child Care	Lifestyle	Joint	n/a	Annually	\$5,000	Death	Death + 20	✓ +	0.00%		
Property Tax	Real Estate	Joint	n/a	Monthly	\$500	Jan 1 2009	Death	✓ +	0.00%		
	Lifestyle	Joint		Annually		Retirement	Dec 31 2999	✓ +	0.00%		

Display

Figure 2: Goals section – Retirement category – Objectives page

# Displaying the retirement profile

Retirement
NPE Level 2 ◀ Back Next ▶

Objectives
Questionnaire
Scoring
Profile
Analysis
Reports
Calculators
Tools

**Period** **Override Investment Profile**

Pre-Retirement  Moderate

Retirement  Moderate

**Overview**

The current portfolio shown below reflects the weighted asset mix of all accounts funding this goal.

The asset mix shown below reflects the time horizon and questionnaire for this specific goal. It is used for the accounts funding this goal in your proposed strategy.

**Current Portfolio**

Large Cap Equity (40.5%)
Small Cap Equity (17.4%)
International Equity (12.8%)
Aggregate Bonds (17.4%)
Cash (8%)
Unclassified (3.9%)

**Suggested Asset Mix**

Large Cap Equity (34%)
Small Cap Equity (9%)
International Equity (17%)
Aggregate Bonds (35%)
Cash (5%)

**Summary**

**Current Portfolio**

Expected rate of return is 9.77%.  
Expected standard deviation is 15.35%.

**Suggested Asset Mix**

The proposed investment profile is Moderate.  
The proposed time horizon is Very Long.  
Expected rate of return is 8.66%.  
Expected standard deviation is 12.23%.

Weightings...
Optimize...
Revert to Defaults

Asset Allocation  
POWERED BY  
**ibbotson**

Figure 3: Goals section – Retirement category – Profile page

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## Using the Planning Assistant

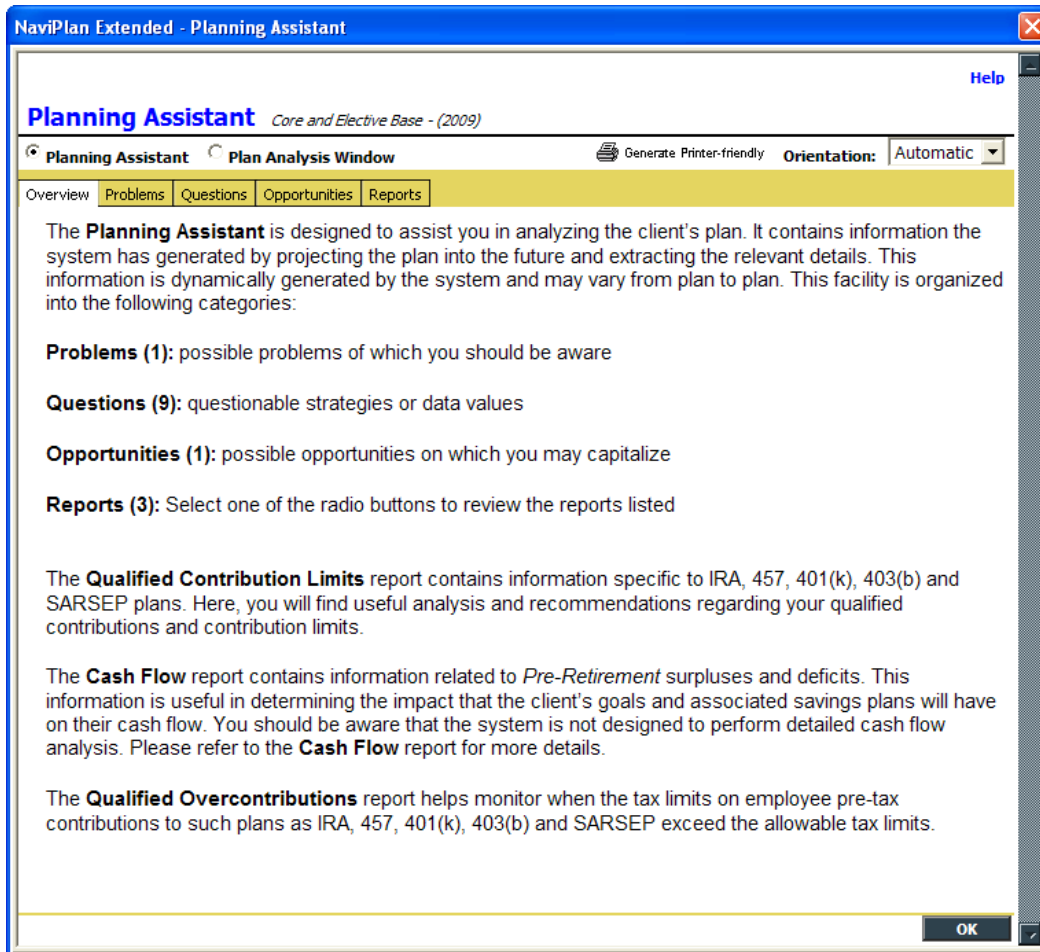


Figure 4: Tools menu – Planning Assistant – Overview page

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# Analyzing the retirement goal

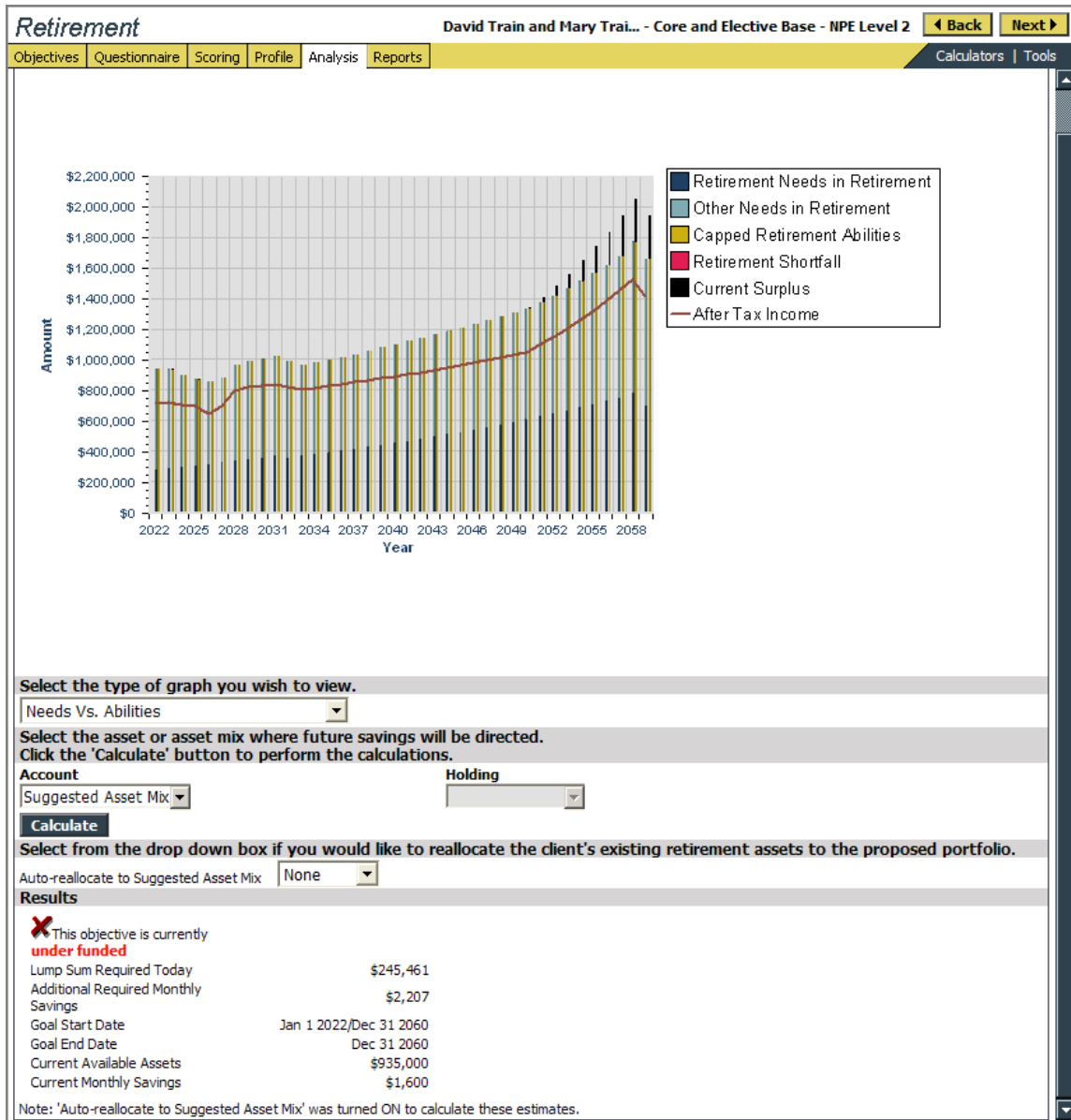


Figure 5: Goals section – Retirement category – Analysis page

## Analyzing the education goal

**Education**
David Train and Mary Trai... - Core and Elective Base - NPE Level 2
◀ Back
Next ▶

Objectives | Questionnaire | Scoring | Funding Assets | Profile | Analysis | Reports
Calculators | Tools

**Select the desired Education goal.**

Michael's Education ▼

Year	Education Needs	Capped Education Abilities
2016	\$21,500	\$17,500
2017	\$22,500	\$17,500
2018	\$23,500	\$17,500
2019	\$24,500	\$17,500

**Select the type of graph you wish to view.**

Needs Vs. Abilities ▼

**Select the asset or asset mix where future savings will be directed. Click the 'Calculate' button to perform the calculations.**

Account: Suggested Asset Mix ▼ Holding: ▼

**Calculate**

**Select from the drop down box if you would like to reallocate the client's existing education assets to the proposed portfolio.**

Auto-reallocate to Suggested Asset Mix: None ▼

**Results**

✘ This objective is currently **under funded**

Lump Sum Required Today	\$44,420
Additional Required Monthly Savings	\$548
Goal Start Date	Jan 1 2016/Dec 31 2019
Goal End Date	Dec 31 2019
Current Available Assets	\$0
Current Monthly Savings	\$0

Note: 'Auto-reallocate to Suggested Asset Mix' was turned ON to calculate these estimates.

Figure 6: Goals section – Education category – Analysis page

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## 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., *Goal analysis training*), and use it to complete the exercises below.

To find the answers, see “Answers to goal analysis” on page 13.

### Exercise 1: Identify goal assumptions

1. The retirement goal start date is based on the first client to retire (based on birth date). If the second client does not retire on the same date, their current incomes and expenses still continue until their retirement date. Is this statement true or false?
  - a) True
  - b) False
2. Which of the following education goal assumptions is accurate?
  - a) The *Goal Start Date* is January 1 of the specified year. Each year’s education cost is a cash outflow as of January 1. You cannot model a fall start date and a spring graduation date.
  - b) The *Goal End Date* is January 1 of the last year of the education goal.
  - c) The recommended additional monthly savings is based on a *Savings End Date* of December 31 of the second-last year of education.
  - d) All of the above.

### Exercise 2 – Define the retirement and education goals

1. The retirement goal expenses can be modeled in various ways. One option is to use the same expenses in pre-retirement and modify the percentage that is applicable in the retirement period. Is this statement true or false?
  - a) True
  - b) False
2. When modeling the retirement goal as a specific dollar amount, which statement is accurate?
  - a) Ensure all pre-retirement expenses end at retirement
  - b) Model the retirement goal as a dollar amount expense beginning at retirement and ending at death
  - c) Include insurance premiums, mortgage payments, and taxes in the retirement goal expense
  - d) Both a and b
  - e) All of the above

3. Which of the following statements regarding the education goal inflation rate is correct?
  - a) The default goal inflation rate is 6% and can be overridden.
  - b) The default goal inflation rate is inflation plus 2% and can be overridden.
  - c) The default goal inflation rate is 6% and cannot be overridden.
  - d) The default goal inflation rate is inflation plus 2% and cannot be overridden.

### Exercise 3: Review data-verification tools

To find the answers, see “Answers to goal analysis” on page 13.

1. What is one of the most useful data verification reports that covers all aspects of the plan?
  - a) *Plan Synopsis* report
  - b) *Itemized Cash Flow* report
  - c) *Projected Net Worth* report
  - d) *Income Tax Details* report
2. The *Planning Assistant* implements strategies for you. Is this statement true or false?
  - a) True
  - b) False

### Exercise 4: Create and analyze various scenarios

1. Go to the **Retirement** category – **Analysis** page, and reallocate assets to the suggested asset mix using the *Minimal* option.

**Hint:** You can override the clients’ investor profile on the *Profile* page so they have a more aggressive asset allocation in pre-retirement and a more conservative one during retirement.

2. Go to the **Education** category – **Analysis** page, and reallocate assets to the suggested asset mix using the *Minimal* option. Take note of the recommended additional monthly savings.

# HANDS-ON EXERCISES

3. Model a **regular savings strategy** for the education goal using the information below.

**Hint:** You will need to create a new entry row using the *Display new entry row(s)* list.

**Description:** Goal Savings Account

**Holding:** Suggested Mix for Education

**Hint:** This holding is automatically created when reallocating to the suggested asset mix.

**Amount:** \$600

**Hint:** You can also use the amount recommended on the *Education* category – *Analysis* page when you reallocated assets to the suggested asset mix.

**Frequency:** Monthly

**Start Date:** January 1, 2010

**End Date:** December 31, 2019

**Hint:** This date is based on the assumption NaviPlan makes in regards to the education savings being made throughout the goal up to the before the goal ends.

4. Model a **surplus savings strategy**, using the information below, to invest the clients' surplus cash flow each year. This will further increase the clients' net worth position. It is very important to ensure these cash surpluses actually occur. If they do not occur, ask the clients where these funds are going, for example, whether they are spent or invested.

**Hint:** Go to the **Strategies** section – **Strategies** category – **Surplus Savings** page.

**Description:** Goal Savings Account

**Holding:** Suggested Mix for Retirement

**Hint:** You can also save this surplus to any other non-qualified account in the plan.

**% of Surplus:** 100%

**Start Date:** January 1, 2010

**End Date:** Retirement

5. Generate a cash flow graph to see the effects on cash flow. The next step is to eliminate deficits. How many years in the plan have cash flow deficits?

**Hint:** Go to the **Results** section – **Additional Graphs** – **Cash Flow** category.

- a) 1  
b) 2  
c) 3  
d) 4 or more
6. Implement a strategy to cover these cash flow deficits. The ideal plan does not have any cash flow surpluses or cash flow deficits in any given year.

**Hint:** Go to the **Strategies** section – **Strategies** category – **Redemptions** page.

### Exercise 5: Review output pages

To find the answers, see “Answers to goal analysis” on page 13.

1. To present your *What-if* scenarios to your clients, go to the **Results** section – **Client Reports** – **Financial Needs Summary** category to generate the report.

**Hint:** For an in-depth analysis, you can also use the *Comprehensive Analysis* client report.

- Click the **Assign Settings** button to select which two plans you want to compare.
- The *Current Plan* should be your original plan that models the current financial situation of the clients. The *Proposed Plan* should be the plan you just created with the hypothetical scenarios.

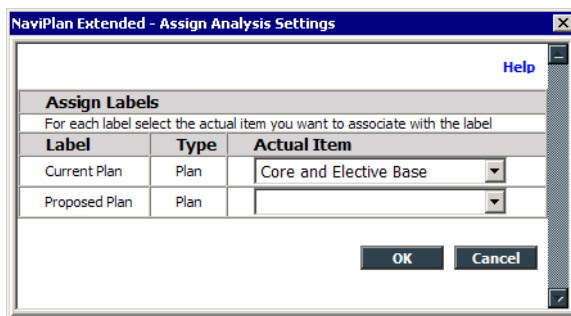


Figure 8: Results section – Client Reports – Financial Needs Summary category – Financial Needs Summary page – Assign Settings button

# HANDS-ON EXERCISES

- Click the **Select Sections** button to isolate specific sections you want to illustrate and include in the final report.
- Click the **Select None** button
- Select the **Net Worth, Retirement,** and **Education** check boxes
- Clear all other sections
- Click the **Generate Report** button, and then analyze the results.

2. Scroll to the **Net Worth** section of the client report. How much has the clients' net worth changed between the two plans?

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3. Scroll to the **Retirement** section of the client report. What are the differences between the current and proposed plans?

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4. Scroll to the **Education** section of the client report. In the current plan, why is there no funding illustrated?

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5. In the **Education** section for the proposed plan, is the goal fully funded based on the new strategies that you implemented?

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## Conclusion

This module has enabled you to

- Identify goal assumptions
- Define the retirement and education goals
- Review data verification tools
- Create and analyze various scenarios
- Review output pages

## Answers to goal analysis

### Exercise 1: Identify goal assumptions

1. a) True. Their current incomes and expenses still continue until their retirement date.
2. d) All of the above.

### Exercise 2: Define the retirement and education goals

1. a) True.
2. d) Both a) and b).
3. b) The default goal inflation rate is inflation plus 2% and can be overridden.

### Exercise 3: Review data-verification tools

1. a) The *Plan Synopsis* report is one of the most useful data-verification reports that covers all aspects of the plan.
2. b) False. The *Planning Assistant* does not implement strategies for you.

### Exercise 4: Create and analyze various scenarios

5. d) 4 or more. The plan has cash flow deficits in four or more years.

### Exercise 5: Review output pages

2. Answers may vary.
3. Rate of return; differences in net worth at retirement and at death; etc.
4. No assets are currently linked to the education goal.
5. Yes, fully funded with some residual (answers may vary).





