



# Are we on track?

## NaviPlan Standard USA v11.2 Case Study

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**Client profile:** John and Mary Gibson are in their early 40s and want to ensure they have a plan that puts them on the right path to meet their retirement, education, and major purchase goals.

**Plan type selection:** Financial Assessment

**Financial planning focus:**

- ✓ Retirement assessment
- ✓ Education assessment
- ✓ Major purchase assessment

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## **Recommended training**

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

### **Start Planning module**

Start Planning

### **Core modules**

Net Worth

Cash Flow

Accumulation Goals

Asset Allocation

Retirement Goal Analysis

### **Elective modules**

Retirement Distribution Planning

Protection Planning

Estate Objectives and Testamentary Trusts

Gifting, ILITs, and Bequests

Monte Carlo Sensitivity Analysis

## **Getting started**

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

Using the financial information from the "Know your client" section and Fact Finder of this document, do the following:

- Create the Gibson client file in NaviPlan Standard
- Enter their information into a Financial Assessment



## **Know your client**

The Gibsons have been referred to you by one of your other clients, and you are meeting with them for the first time.

John and Mary Gibson are in their early 40s, ambitious, and have successful careers. John is a partner at Roche and Associates law firm, and Mary is the lead software engineer at Keese Inc. They have a ten-year-old son, Devon. John and Mary are high-income earners, but they also like to spend freely. For example, expanding Devon's worldview through as much travel as they can manage is important to them.

Nevertheless, they have managed to earmark various investments for retirement and for Devon's education, but they have never had a financial plan in place. They would like you to review their retirement and education savings to see if they are on track to meet their education and retirement needs.

You realize the Gibsons could really benefit from a full financial plan, but at this point they are only concerned with assessing how they are doing right now. Your initial meeting with them was short and informal, and you used the Fact Finder to help guide the conversation. You don't have a lot of information yet, but you should have enough to at least get a general picture of their current situation and start reviewing some of their financial concerns.

## **Financial concerns**

1. The first financial concern the Gibsons want to address is Devon's education. They would like him to follow family tradition and attend law school at Northeastern University. They have been putting money aside each month into a basic savings account, but are not sure if it is enough. If they need to save more, they don't know if they can afford to do so.
2. The Gibsons view travel as an important educational activity and want it to be included as part of their financial plan. In 2012, John and Mary want to take Devon to Uganda for three months (May–July). They have not done any financial planning for this adventure and want you to show them options to fund it.
3. Lastly, but perhaps most importantly, John and Mary would both like to retire at age 60. They want to know if they are on track to meet this objective.

## Fact Finder

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



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

**Note:** Your answers may differ based on the NaviPlan Standard version you are using.

# Fact Finder — Financial Assessment



## Client Information

Client	First Name <i>John</i>	Last Name <i>Gibson</i>	Date of Birth (mm/dd/yy) <i>01/31/1968</i>	Gender M <input checked="" type="checkbox"/> F <input type="checkbox"/>	Tax Filing Status (Married-joint, Married-separate, Head of household, Single) <i>Married-Joint</i>
Co-client	<i>Mary</i>	<i>Gibson</i>	<i>07/06/1969</i>	M <input type="checkbox"/> F <input checked="" type="checkbox"/>	<i>W</i>
Street <i>31 Sunbury</i>		City <i>Naperville</i>	State <i>IL</i>	Zip Code <i>65512</i>	
Home Phone Number		Business Phone Number		E-mail Address	

## Family Members

First Name <i>Devon</i>	Last Name <i>Gibson</i>	Date of Birth (mm/dd/yy) <i>07/07/2000</i>	Relationship (Son, Daughter, Cousin, etc.) <i>Son</i>	Dependent of <i>Both</i>
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## Net Worth

Lifestyle Assets	Current Value (\$)	Liabilities	Outstanding Amount (\$)	Interest Rate (%)	Monthly Payments (\$)
Residence (i.e. home)	<i>480,000</i>	Mortgage	<i>200,000</i>	<i>4.5%</i>	<i>1,525</i>
2nd Residence (i.e. vacation home)		Car Loans	<i>35,000</i>	<i>3.0%</i>	<i>774</i>
Personal Use Property (i.e. car, boat)	<i>70,000</i>	Personal Loans			
Other Personal Assets	<i>5,000</i>	Other Debt			

## Cash Flow

Client	<i>John</i>	Gross Annual Income (\$)	<i>120,000</i>	Monthly Expenses	Amount (\$)
Co-client	<i>Mary</i>	<i>75,000</i>		Housing (i.e. utilities, repairs)	<i>1,000</i>
				Food	<i>675</i>
				Transportation (i.e. gas, insurance)	<i>550</i>
				Entertainment (i.e. restaurants, movies)	<i>600</i>
				Personal (i.e. clothing, hobbies)	<i>700</i>
				Other (i.e. child care, travel)	<i>600</i>

► Note: Expenses can be entered as one total amount to simplify data entry.

**Retirement Goal**

Desired Annual Retirement Income (after tax in today's \$)	98,000		
Index at (%)	3.0%		
Note: Relates to field above.			
	Client	Co-client	Joint
Retirement Age	60	60	
Life Expectancy	90	90	
Social Security Eligibility	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Estimated Annual Pension Income (today's \$)			
Non-Qualified Current Value (\$)	10,000	8,000	57,000
Monthly Savings (\$)	250	250	
Qualified Current Value (\$)	65,000	45,000	
Monthly Savings: Employee (\$)	600	500	
Monthly Savings: Employer (\$)	600	500	
Assumed Return Rate (%)	7.5%	7.5%	2%

**Education Goal**

	Goal 1	Goal 2	Goal 3
Family Member	Devon		
Annual Education Costs (today's \$)	40,000		
Index Costs by (%)	5%		
Education Start Age	18		
Number of Years	6		
Current Amount Saved (\$)	18,000		
Current Monthly Savings (\$)	500		
Assumed Return Rate (%)	6%		

**Major Purchase Goal**

	Goal 1	Goal 2	Goal 3
Description	Uganda Trip		
Purchase Date	May 1, 2012		
Cost (today's \$)	20,000		
Index Costs by (%)	0%		
Current Amount Saved (\$)			
Current Monthly Savings (\$)			
Assumed Return Rate (%)			

**Life Insurance**

	Client	Co-client
Existing Coverage (\$)		
Monthly Premium (\$)		
Total Lump Sum Expenses on Death (\$)		
Annual Ongoing Expenses (\$)		
Number of Years		

**Disability Insurance**

	Client	Co-client
Short-Term Coverage		
Monthly Benefits (\$)		
Duration (months)		
Monthly Premium (\$)		
Long-Term Coverage		
Monthly Benefits (\$)		
Benefits End at Age		
Monthly Premium (\$)		

## Addressing financial concerns

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

- **Short answer:** Provide a brief answer to your clients' concerns
- **Solution:** Explain where you found your answer in NaviPlan and why you chose this solution
- **Client presentation:** Describe the client report you would generate to present your analysis



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

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

1. **The first financial concern the Gibsons want to address is Devon's education. They would like him to follow family tradition and attend law school at Northeastern University. They have been putting money aside each month into a basic savings account, but are not sure if it is enough. If they need to save more, they don't know if they can afford to do so.**

➤ **Short answer:**

➤ **Solution:**

➤ **Client presentation:**

- 2. The Gibsons view travel as an important educational activity and want it to be included as part of their financial plan. In 2012, John and Mary want to take Devon to Uganda for three months (May–July). They have not done any financial planning for this adventure and want you to show them options to fund it.**

- **Short answer:**

- **Solution:**

- **Client presentation:**

- 3. Lastly, but perhaps most importantly, John and Mary would both like to retire at age 60. They want to know if they are on track to meet this objective.**

- **Short answer:**

- **Solution:**

- **Client presentation:**

## Answer key: Recommended data entry

Use this section to understand how the information included in the “Know your client” (KYC) section and Fact Finder can be entered into NaviPlan.

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

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**Fact Finder:** Client Information and Family Members sections

**KYC:** The Gibsons have one son, Devon, who is a dependent of both John and Mary.

- **Data entry:** Click the **Create New Client** button, and then complete all stages in the *Client & Plan Creation* dialog box. Use the *Next* button to ensure you don't miss any stages.
  - *Client Information* stage – see Fact Finder
  - *Family Members* stage – enter Devon as a dependent of **Both**
  - *Beneficiaries* stage – family members are automatically included as beneficiaries, so Devon does not need to be entered here
  - *Advisor Information* stage – enter your information, and then select the **Cover Page** check box to add your name to the cover page of client reports
  - *Plan Selection* stage – select **Financial Assessment**
  - *Modules* stage – select all the modules *except Insurance*
  - *Summary* stage – review information

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

- **Key point:** The Financial Assessment is being used because, at this point, you have limited information about the Gibsons, and right now they are only concerned about their current financial situation. If your financial relationship with the Gibsons grows, you can promote the Financial Assessment to a Level 1, 2, or 3 Plan, and be able to enter more details.

**NaviPlan:** *Financial Assessment* section – *Financial Assessment* category – *Financial Picture* page

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**Fact Finder:** Net Worth and Cash Flow sections

- **Key point:** When liabilities are entered, the monthly payments on these liabilities will automatically carry over to the clients' monthly expenses. When entering monthly expenses, be cautious not to double-count expenses related to liability payments. NaviPlan will calculate the loan amortization based on the outstanding amount, interest rate, and monthly payments entered.

## NaviPlan Standard USA v11.2 Case Study: Gibson Family

- **Key point:** The *Annual Income* field represents a gross value.
- **Key point:** Entries made under *Monthly Expenses* are considered to be applicable during the pre-retirement period, starting in the plan year and ending when the first client retires.

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### NaviPlan: *Financial Assessment* section – *Financial Assessment* category – *Retirement* page

#### Fact Finder: Retirement Goal section

- **Data entry:** If the *Social Security Eligibility* check box is selected, NaviPlan will include Social Security as a funding source for retirement. The amount of each client's Social Security benefits is derived from the salaries you entered for them. The salaries are indexed back to age 25 and forward to the retirement.
- **Key point:** Because the Financial Assessment is designed for minimal data entry, many assumptions are made behind the scenes for items such as taxes, ownerships, and qualified account types. These assumptions are listed in the Assumptions section of the *Financial Needs Assessment* client report. These assumptions can be modified by promoting the Financial Assessment to a Level 1, 2, or 3 Plan, allowing you to more accurately represent the clients' situation.

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### NaviPlan: *Financial Assessment* section – *Financial Assessment* category – *Education* page

#### Fact Finder: Education Goal section

- **Key point:** The default start age for education goals is 18, and the default number of years is four. Devon will be attending law school for six years.
- **Key point:** If there are multiple education goals (e.g., multiple children), then each education goal should be entered separately.
- **Key point:** Education goals are meant to be long term (more than a year away). If the clients have children attending private school, those tuition expenses should be entered in the *Expenses* category of the *Financial Picture* section.

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### NaviPlan: *Financial Assessment* section – *Financial Assessment* category – *Major Purchase* page

#### Fact Finder: Major Purchase section

- **Data entry:** The Gibson family's one major purchase goal right now is the three-month trip to Uganda. Under *Goal One*, enter **Uganda trip** in the *Description* field. They expect the cost to be \$20,000 in 2012, therefore change the *Index Costs by* value to **0%**. The *Assumed Return Rate* can be left at the default of 6%.

## Answer key: Addressing financial concerns

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

**Note:** Your answers may differ based on the NaviPlan Standard version you are using.

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

1. **The first financial concern the Gibsons want to address is Devon's education. They would like him to follow family tradition and attend law school at Northeastern University. They have been putting money aside each month into a basic savings account, but are not sure if it is enough. If they need to save more, they don't know if they can afford to do so.**

- **Short answer:** No, they cannot meet this goal. To meet Devon's education goal the Gibsons need to reduce the goal value, or increase their current savings amount.
- **Solution:** In the Financial Assessment there are four ways to determine if the Gibsons are saving enough, how much more they need to save, and if they can afford to save more.
  - The goal coverage graph on the *Financial Assessment* section – *Financial Assessment* category – *Education* page should appear in red and indicate that approximately 29% of the education goal is covered.
  - Click the **What are my options?** button on the *Education* page to see three alternatives calculated by NaviPlan:
    - Expect to support lower education costs
    - Save an additional monthly amount to a joint non-qualified account
    - Invest a lump-sum amount to a joint non-qualified account**Note:** A combination of these options may help your clients achieve this goal, however you cannot create What-if scenarios in Financial Assessments.
  - Go to the **Summary** page to see the percentage of each of the Gibsons' goals that may be covered to help them gain perspective as to whether the education goal is affordable or not, and to present them with the options available to them to pay for Devon's education.
  - Generate the **Financial Needs Assessment** client report from the *Client Report* page to assess the Gibsons' education goal.
    - The Devon's Education Goal section shows the same results as those listed when *What are my options?* is clicked.

- The Goal Attainability section shows how much needs to be saved towards the other goals, and how much average monthly surplus is available. The average monthly surplus is approximately \$3,500, which is not enough to cover the savings requirements for all goals.
- If the Gibsons' intention is to fully fund their other goals, then they cannot afford the full amount of the additional savings needed to fund Devon's education goal.
- This client report will help you establish your clients' priorities. If the Gibsons can see they do not have enough surplus cash to fund all their goals, they need to either reassess some of their goals, or establish a better financial plan and strategies to achieve them.

➤ **Troubleshooting potential errors:**

**Is Devon's education goal funded to more than 29%?**

- Did you enter the correct number of years for the goal? NaviPlan's default is four; Devon's education goal will last for six years.
- Is the cost indexed by 5%?

**Is the education goal funded to less than 29%?**

- Did you enter a current monthly savings strategy?
  - The Gibsons are saving \$500/month.

➤ **Client presentation:**

- **Financial Needs Assessment client report:**
  - Go to the **Financial Assessment** category – **Client Report** page, and then generate the **Financial Needs Assessment** client report.
  - This report is an analysis of the clients' current financial situation (net worth and cash flow), and provides an analysis of goal attainability.
  - This report can act as a wake-up call for clients, clearly showing them where they are now, and what they need to do.
  - You can see where the Gibsons are falling short of their goals, how much more they need to save, and how much surplus cash (if any) they have to work with.
  - Go to the Assumptions report section to review the assumptions used in the Financial Assessment. These assumptions can be overridden by promoting the Financial Assessment to a Level 1, 2, or 3 Plan.

2. **The Gibsons view travel as an important educational activity and want it to be included as part of their financial plan. In 2012, John and Mary want to take Devon to Uganda for three months (May–July). They have not done any financial planning for this adventure and want you to show them options to fund it.**

- **Short answer:** No, they cannot meet the Uganda trip goal. To meet it, the Gibsons need to begin saving funds. Other options are to reduce the goal value or delay the trip.
- **Solution:** In the Financial Assessment there are four ways to determine if the Gibsons are saving enough, how much more they need to save, and if they can afford to save more.
  - The goal coverage graph on the *Financial Assessment* section – *Financial Assessment* category – *Major Purchase* page should appear in red and indicate that 0% of the major purchase goal is covered.
  - Click the **What are my options?** button on the *Major Purchase* page to see three alternatives calculated by NaviPlan:
    - Expect to support lower major purchase costs
    - Save an additional monthly amount to a joint non-qualified account
    - Invest a lump-sum amount to a joint non-qualified account**Note:** A combination of these options may help your clients achieve this goal, however you cannot create What-if scenarios in Financial Assessments.
  - Go to the **Summary** page to see the percentage of each of the Gibsons' goals that may be covered to help them gain perspective as to whether the major purchase is affordable or not, and to present them with the options available to them to pay for the major purchase.
  - Generate the **Financial Needs Assessment** client report from the *Client Report* page to assess the Gibsons' major purchase goal.
    - The Uganda Trip section shows the same results as when *What are my options?* is clicked.
    - The Goal Attainability section shows how much needs to be saved towards the other goals, and how much average monthly surplus is available. The average monthly surplus is approximately \$3,500, which is not enough to cover the savings requirements for all goals.
    - If the Gibsons' intention is to fully fund their other goals, then they cannot afford the full amount of the additional savings needed to fund the Uganda trip goal.
    - This client report will help you establish your clients' priorities. If the Gibsons can see they do not have enough surplus cash to fund all their goals, they need to either reassess some of their goals, or establish a better financial plan and strategies to achieve them.

➤ **Troubleshooting potential errors:**

**There is no *Major Purchase* page.**

- Did you select the *Major Purchase* module on the *Financial Assessment* section – *Financial Assessment* category – *Select Modules* page?

**The Uganda Trip section is not appearing in the *Financial Needs Assessment* client report.**

- Before generating the *Financial Needs Assessment* client report, click the **Select Document Sections** button, and then ensure the *Major Purchase* report section is selected.

➤ **Client presentation:**

- ***Financial Needs Assessment* client report:**

- Go to the **Financial Assessment** category – **Client Report** page, and then generate the **Financial Needs Assessment** client report.
- This report is an analysis of the clients' current financial situation (net worth and cash flow), and provides an analysis of goal attainability.
- This report can be used as a wake-up call for clients, clearly showing them their current financial situation and what they might need to do to achieve their goals.
- You can see where the Gibsons were falling short of their goals, how much more they need to save, and how much surplus cash (if any) they have to work with.
- Go to the Assumptions report section to review the assumptions used in the Financial Assessment. These assumptions can be overridden by promoting the Financial Assessment to a Level 1, 2, or 3 Plan.

3. **Lastly, but perhaps most importantly, John and Mary would both like to retire at age 60. They want to know if they are on track to meet this objective.**

- **Short answer:** No, they cannot meet this retirement goal. To meet it the Gibsons need to reduce the goal value, save more, or delay retirement.
- **Solution:** In the Financial Assessment there are four ways to determine if the Gibsons are saving enough, how much more they need to save, and if they can afford to save more.
  - The goal coverage graph on the *Financial Assessment* section – *Financial Assessment* category – *Retirement* page should appear in yellow and indicate that approximately 71% of the retirement goal is covered.

- Click the **What are my options?** button on the *Retirement* page to see four alternatives calculated by NaviPlan:
  - Expect to cover lower retirement expenses
  - Save an additional monthly amount to a joint non-qualified account
  - Invest a lump-sum amount to a joint non-qualified account
  - Retire later

**Note:** A combination of these options may help your clients achieve this goal, however you cannot create What-if scenarios in Financial Assessments.
- Go to the **Summary** page to see the percentage of each of the Gibsons' goals that may be covered to help them gain perspective as to whether the retirement goal is affordable or not, and to present them with the options available to them to pay for the retirement goal.
- Generate the **Financial Needs Assessment** client report from the *Client Report* page to assess the Gibsons' retirement goal.
  - The Retirement section will show the same results as when *What are my options?* is clicked
  - The Goal Attainability section shows how much needs to be saved towards the other goals and how much average monthly surplus is available. The average monthly surplus is approximately \$3,500, which is not enough to cover the savings requirements for all goals.
  - If the Gibsons' intention is to fully fund their other goals, then they cannot afford the full amount of the additional savings needed to fund the retirement goal.
  - This report will help you establish your clients' priorities. If the Gibsons can see they do not have enough surplus cash to fund all their goals, they need to either reassess some of their goals, or establish a better financial plan and strategies to achieve them.

➤ **Troubleshooting potential errors:**

**The bar graph should display between 70–80%.**

- Is the bar graph showing over 80% or less than 70%?
  - Did you enter a retirement age of 60 for *both* John and Mary?
  - Did you enter the current account values and monthly savings correctly?
  - Did you enter the correct value (2%) in the *Assumed Return Rate* field for their joint account?

➤ **Client presentation:**

- **Financial Needs Assessment client report:**
  - Go to the **Financial Assessment** category – **Client Report** page, and then generate the **Financial Needs Assessment** client report.

- This report is an analysis of the clients' current financial situation (net worth and cash flow), and provides an analysis of goal attainability.
- This report can be used as a wake-up call for clients, clearly showing them their current financial situation, and what they might need to do to achieve their goals.
- You can see where the Gibsons were falling short of their goals, how much more they needed to save, and how much surplus cash (if any) they have to work with.
- Go the Assumptions report section to review the assumptions used in the Financial Assessment. These assumptions can be overridden by promoting the Financial Assessment to a Level 1, 2, or 3 Plan.



### **Promoting the Financial Assessment to create a financial plan**

- Promoting an assessment allows for more detailed analysis, reduces time spent re-entering data as well as the likelihood of making errors, and creates a copy of the data so that the original information is retained.
- Financial Assessments can be promoted to either Level 1, 2, or 3 Plans, allowing you to incorporate multiple planning strategies to recommend to the clients to help them achieve their goals.
  - Step 1: Open the client file from the *Client Management* section – *Client List* category – *Clients* page.
  - Step 2: On the *Plan Management* section – *Plan List* category – *Plans* page, select the Financial Assessment, and then click the **Promote** button.
  - Step 3: In the *Promote Plan* dialog box, select the desired planning level.
- For more information on how to work in planning levels, access one of the Core training modules as described in the “Recommended training” section of this document.