



NaviPlan Standard Online/Offline

Assets and Liabilities Self-Study Guide

USA version 11.0

EISI, Winnipeg

Disclaimer

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Emerging Information Systems Incorporated
500 – 330 St. Mary Avenue
Winnipeg, Manitoba
R3C 3Z5
Canada

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Assets and liabilities

The NaviPlan Standard Assets and Liabilities 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.

Learning objectives

This module will enable you to

- Model assets
- Model liabilities
- Model accounts and holdings
- Explore net worth output pages

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.

Net Worth category

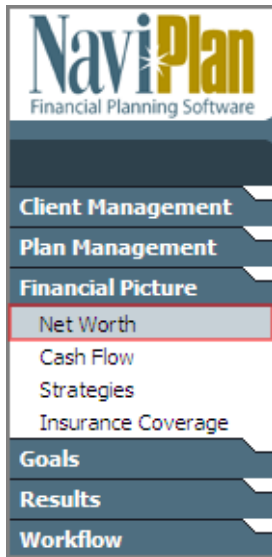


Figure 1: Navigation bar showing the *Financial Picture* section – *Net Worth* category

The *Financial Picture* section – *Net Worth* category contains pages where you enter net worth information, such as

- assets and liabilities
- accounts
- annuities
- asset class weightings

Net Worth reports can be found under the *Reports* menu – *Net Worth* section.

In the *Financial Picture* section – *Net Worth* category, you can model assets by purchasing and selling lifestyle assets, either now or in the future, and then directing the sale proceeds at your discretion.

You can also model future loans and other types of liabilities, as well as model multiple holdings within the same investment account. Use the reports to verify the data and open a dialogue with your client.

Model assets

On the *Financial Picture* section – *Net Worth* category – *Assets / Liabilities* page you can enter, edit, and delete your clients' lifestyle assets, real estate assets, and liabilities. You can also generate an *Asset/Liabilities* report that summarizes all of the assets and liabilities entered in the plan.

Net Worth Level 3

Assets/Liabilities Accounts Annuities Asset Class Weightings Notes Planning Assistant Calculators Reports

Instructions

Lifestyle Assets

Description	Market Value	Details	Delete
123 Home Street	\$300,000	[Details]	[X]
Personal Use Property	\$75,000	[Details]	[X]

Add Lifestyle Asset

Real Estate

Description	Market Value	Net Rental Income	Details	Delete
500 Smith Stree	\$1,000,000	\$3,000/mo	[Details]	[X]

Add Real Estate

Assets/Liabilities Report

Liabilities

Description	Balance	Interest Rate	Payment	Details	Report	Delete
123 Home Mort	\$175,000	5.00%	\$1,000.00/mo	[Details]	[Report]	[X]
Credit Card Loa	\$12,480	9.00%	\$250.00/mo	[Details]	[Report]	[X]

Add Liability

Asset / Liability Links

[Link] Asset / Liability Links

Figure 2: Financial Picture section – Net Worth category – Assets/Liabilities page

There are two methods of entering lifestyle assets in NaviPlan Level 1, 2, and 3 Plans:

- Simple data entry – Enter key information for the default items located on the page level
- Detailed data entry – Click the **Details** button to open the *Lifestyle Asset Details* dialog box for that entry, or click the **Add Lifestyle Asset** button to select from a list of five *Lifestyle Asset* types

These same methods can be applied to liabilities and real estate assets as well.

Enter lifestyle assets

You can enter lifestyle assets under *Lifestyle Assets* on the *Assets/Liabilities* page.

The available lifestyle asset types are

- *Residence*
- *2nd Residence*
- *Personal use property*
- *Vehicle*
- *Other personal assets*

To enter lifestyle assets

1. Go to the **Financial Picture** section – **Net Worth** category – **Assets/Liabilities** page.
2. Under *Lifestyle Assets* select a lifestyle asset type from the *Add Lifestyle Asset* list. The *Lifestyle Asset Details* dialog box opens.

The screenshot shows the 'Lifestyle Asset Details' dialog box with the following data:

Description*	Type*	Owner*	Purchase Date*	Community Property
123 Home Street	Residence	Joint	Dec 31 2006	<input type="checkbox"/>

Purchase Amount*	Market Value*	Valuation Date*
\$0	\$300,000	Jan 1 2007

Amount	Frequency	Infl +/-	Add'l	Tax Deductible
\$1,000	Annual	<input type="checkbox"/> +	0.00%	<input checked="" type="checkbox"/>

Projected Value as of Sale Dates		Projected Buying Power	
Before Tax	After Tax	Before Tax	After Tax
\$0	\$0	\$0	\$0

	Deferred Growth	Standard Deviation
Pre-Retirement	2.00%	0.00%
Retirement	2.00%	0.00%

Figure 3: Financial Picture section – Net Worth category – Assets/Liabilities page – Lifestyle Assets – Details button – Lifestyle Asset Details dialog box

3. Enter the details for the following fields and selections under *Details*:
 - *Description* – Enter a name that uniquely identifies this lifestyle asset and appears on various reports.

- *Type* – Select the lifestyle asset type from the *Type* list to classify the lifestyle asset.
 - *Owner* – Select the owner of the lifestyle asset from the *Owner* list. This list contains the names of the clients as well as a selection for joint ownership. The *Owner* list defaults to *Joint* for new entries.
 - *Purchase Date* – Enter the purchase date of the lifestyle asset. By default, the *Purchase Date* is set to December 31 of the previous year to ensure the purchase amount does not come out of the current year's cash flow.
 - *Community Property* – Select this check box to identify the asset as community property. This check box is not available if the client's or co-client's tax filing status is single.
 - *Purchase Amount* – Enter the purchase amount for the lifestyle asset. It should include any qualifying additional costs involved with the asset (e.g., renovations).
 - *Market Value* – Enter the fair market value of the asset at the date specified in the *Valuation Date* field. This value is used to project the future value for Net Worth, based on the return rate.
 - *Valuation Date* – Enter the last date at which the market value of the asset is known. NaviPlan will use the *Plan Analysis Date* in the *Plan Management* section – *Modules* category as a default date.
4. After you have entered the information under *Details*, enter the information under *Property Taxes*:
- *Amount* – Enter the dollar value of the property tax in this field.
 - *Frequency* – Select the income frequency from the list. The selection defaults to *Annual*, but you can select from *Annual*, or *Monthly*.
 - *Infl +/- Add'l* – Select *Infl* to link the income to an inflation rate and enter a value for *Add'l* to add an additional annual increase. This estimates the increase in property taxes over time.
 - *Tax Deductible* – Select this check box if the taxes are deductible for income tax calculations.

Note: When you enter the applicable *Property Taxes* for the asset, this expense will be deducted from the clients' cash flow. Make sure not to include this amount again as an expense in the *Cash Flow* category.

Model the sale of a lifestyle asset

After you have entered the lifestyle asset details, and the property taxes, if applicable, you can then model the sale of that lifestyle asset for some point in the future.

Projected Value as of Sale Dates		Projected Buying Power	
Before Tax	After Tax	Before Tax	After Tax
\$314,721	\$314,721	\$296,655	\$296,655

Figure 4: Financial Picture section – Net Worth category – Assets/Liabilities page – Lifestyle Assets – Details button – Lifestyle Asset Details dialog box – Sale Information

To enter the lifestyle asset sale information

1. Under *Sale Information*, select the **Override** check box, and then enter a sale date.

Note: For this example, enter a sale date of **July 1, 2010**, and direct the proceeds of the sale to **cash flow**.

2. From the *Direct After Tax Proceeds To* list, select a new asset or existing account that will receive the after-tax proceeds from the sale of the asset.

If you choose to direct the proceeds to a new asset, NaviPlan will create a non-qualified asset earning a 0% rate of return, identified with the words *Savings from*, followed by the name of the lifestyle asset. You can direct sale proceeds into cash flow to manually control how the proceeds are used. Use this option, for example, if there was a loan on the home and you wanted to invest the remainder or the proceeds after the loan is paid.

Note: If this asset is linked to a loan using the *Asset Liability Links* feature, the loan will automatically be paid off at the time of sale.

You can also view and edit the asset growth by expanding the *Return Rates* section. The default deferred growth rate for a lifestyle asset is 2%, which can be changed by selecting the *Override* check box.

3. Once you have entered the lifestyle asset sale information, click **OK** to close the *Lifestyle Asset Details* dialog box.

Verify the asset sale

You can review the effects on cash flow in 2010, the year of the house sale, by generating a *Cash Flow Details* report.

1. Go to the **Reports** menu, and then select **Cash Flow – Cash Flow Details**. The *Assign Settings* dialog box opens so that you can select the year and the plan type to display in the report.
2. Enter **2010** for the year, and select the **Current** plan.
3. Click **OK** to generate the report.

Cash flow reports are very useful to show the details of the proceeds of the sale of the house, and the tax deductibility of property taxes.

Notice how the *Cash Inflows* section includes *Received Capital*. This represents the sale proceeds, which in this example are tax free due to the use of the \$500,000 exclusion amount for the jointly owned residence. If the asset was individually owned, the exclusion amount would be \$250,000. The *Cash Outflows* section includes *Miscellaneous Expenses* which recognize the tax deductible property taxes paid by the clients from January to June 2010, and the *Mortgage Principal*, showing the loan payoff.

Cash Flow Details			
Copy of Brown Base Details (2010)			
	Nick	Lisa	Family
Cash Inflows			
Employment Inflows			
Salary	\$109,273	\$98,345	\$207,618
Investment Inflows			
From Assets			
Interest	\$740	\$740	\$1,480
Dividends	\$2,111	\$1,475	\$3,586
Capital Gains (Short Term)	\$3,286	\$3,140	\$6,426
Rental	\$18,000	\$18,000	\$36,000
Total	\$24,138	\$23,355	\$47,493
Received Capital			
Cost Basis	\$160,773	\$160,773	\$321,546
Total Cash Inflows	\$294,183	\$282,473	\$576,657
Cash Outflows			
Lifestyle Expenses			
Regular	\$59,007	\$59,007	\$118,015
Mortgage Interest-Deductible	\$11	\$11	\$23
Loan Principal	\$1,280	\$1,280	\$2,560
Mortgage Principal	\$82,252	\$82,252	\$164,504
Loan Interest-Non Deductible	\$220	\$220	\$440
Total	\$142,771	\$142,771	\$285,541
Taxes			
Federal Tax	\$30,470	\$29,172	\$59,642
State Tax	\$5,935	\$5,662	\$11,597
Social Security Tax - employment	\$6,715	\$6,097	\$12,812
Medicare Tax - employment	\$1,584	\$1,426	\$3,010
Total	\$44,704	\$42,357	\$87,061
Miscellaneous Expenses			
Disability Insurance Premiums	\$2,400	\$2,100	\$4,500
Life Insurance Premiums	\$300	\$300	\$600
Long-Term Care Insurance premiums	\$900	\$0	\$900
Tax Deductible Property Taxes	\$3,000	\$3,000	\$6,000
Total	\$6,600	\$5,400	\$12,000

Figure 5: Reports menu – Cash Flow – Cash Flow Details report

Enter real estate assets

Income producing real estate assets are modeled on the *Financial Picture* section – *Net Worth* category – *Assets/Liabilities* page under *Real Estate*.

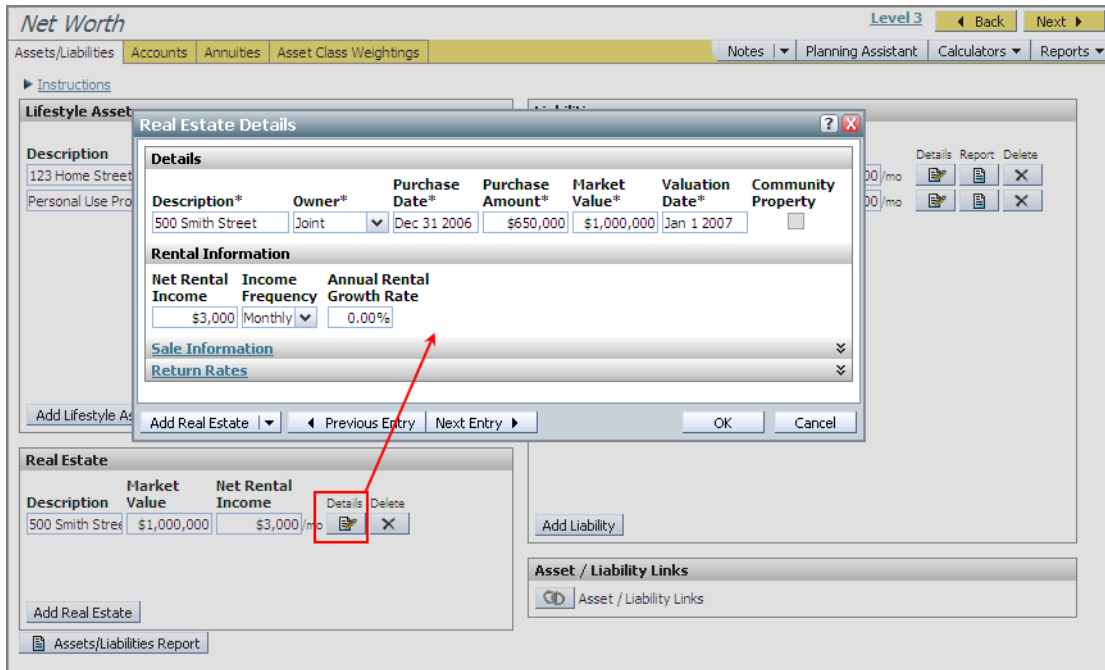


Figure 6: *Financial Picture* section – *Net Worth* category – *Assets/Liabilities* page – *Real Estate* – *Details* button – *Real Estate Details* dialog box

To add a new real estate asset

1. Go to the **Financial Picture** section – **Net Worth** category – **Assets/Liabilities** page, and under *Real Estate* click the **Add Real Estate** button. A new real estate asset with the description *Real Estate* is created.
2. Enter a more meaningful term for the *Description* of the real estate asset, and then enter the **Market Value** and **Net Rental Income**.
3. Click the **Details** button to open the *Real Estate Details* dialog box and enter more detailed information:
 - *Description* – Enter a name that uniquely identifies this real estate asset and appears on various reports.
 - *Owner* – Select the owner of the real estate asset from the *Owner* list. This list contains the names of the clients as well as a selection for joint ownership. The *Owner* list defaults to *Joint* for new entries.
 - *Purchase Date* – Enter the purchase date of the real estate asset. By default, the *Purchase Date* is set to December 31 of the previous year to ensure the purchase amount does not come out of the current year's cash flow.

- *Purchase Amount* – Enter the purchase amount for the real estate asset.
- *Market Value* – Enter the fair market value of the asset at the date specified in the *Valuation Date* field. This value is used to project the future value of the asset for net worth.
- *Valuation Date* – Enter the last date at which the market value of the asset is known. NaviPlan will use the *Plan Analysis Date* in the *Plan Management* section – *Modules* category as a default date.
- *Community Property* – Select this check box to identify the asset as community property. This check box is not available if the client's or co-client's tax filing status is single.
- *Net Rental Income* – Enter the net income (in dollars) that is received from the rental property.
- *Income Frequency* – Select how often income is received. The selections are *Annually* or *Monthly*.
- *Annual Rental Growth Rate* – Enter the percentage by which the rental income is expected to increase each year.

4. Click **OK**.

Note: Enter income as a net value, or net of the daily expenses needed to run the rental property. If the clients have a loan on the property, liability payments will be deducted automatically once the liability is entered in the *Cash Flow* category.

After you have entered the details for the real estate asset, you can also enter the information for the return rates and sale of the asset in the same manner as the lifestyle asset.

Model liabilities

Under *Liabilities*, you can enter the details of loans, mortgages, and other debts. NaviPlan Standard calculates principal and interest payments, and includes them in the clients' cash flow. Lifestyle items such as auto-lease payments and rental expenses should be entered on the *Financial Picture* section – *Cash Flow* category – *Cash Flow* page. Do not enter liability payments on the *Cash Flow* page.

Much like modelling assets, liabilities can be entered by either entering the information right on the page, or by clicking the *Details* button to enter more detailed information.

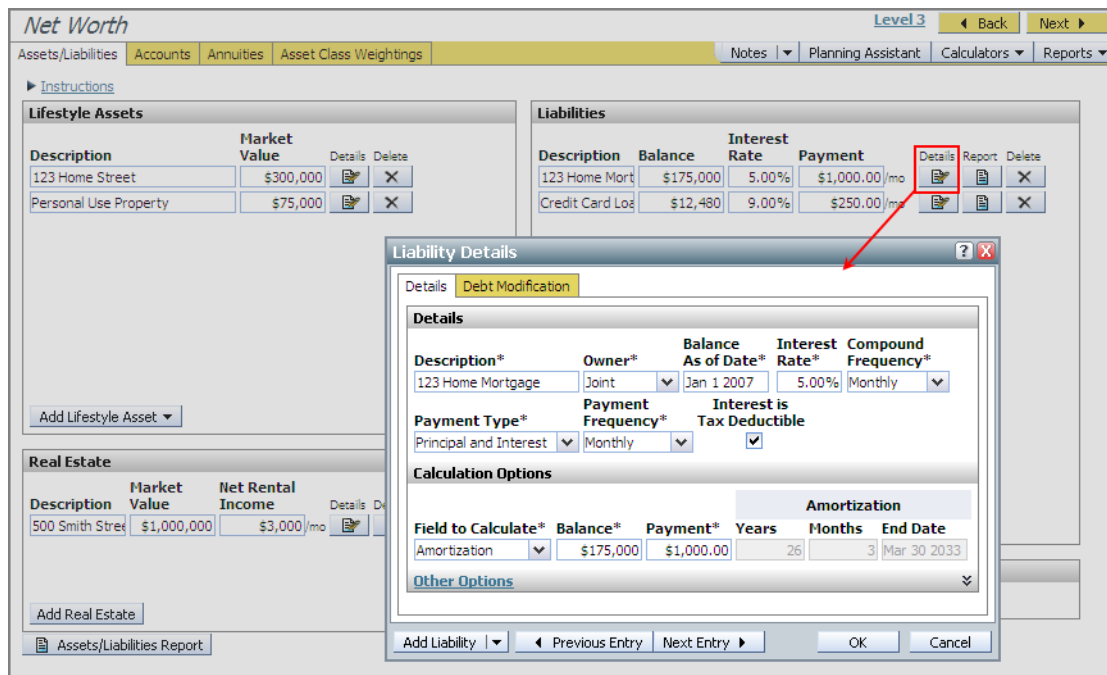


Figure 7: Financial Picture section – Net Worth category – Assets/Liabilities page – Liabilities – Details button – Liability Details dialog box – Details tab

To enter a new liability

1. Under *Liabilities*, click the **Add Liability** button. One blank data-entry row appears.
2. In the blank row, enter the asset's *Description*, *Balance*, *Interest Rate*, and *Payment* details.
3. Click the **Details** button. The *Liabilities Details* dialog box opens.
4. Under *Details*, enter the remaining asset information:
 - *Description* – Enter a name that uniquely identifies this liability, and appears on various reports.
 - *Owner* – Select the owner or owners of the liability.
 - *Balance As of Date* – Enter the date used to calculate the amount still owing on the liability.

- *Interest Rate* – Enter the interest rate at the time of the original liability or the rate at the time of renewal.
- *Compound Frequency* – Select how often the lending institution compounds the interest on the liability. The selections are:
 - *Annually*
 - *Semi-annually*
 - *Quarterly*
 - *Bi-monthly*
 - *Monthly*
- *Payment Type* – Select a payment method from the list. Payments on a liability can be made using one of the following methods:
 - *Interest Only* – Payments are applied only to the interest portion of the liability.
 - *Principal and Interest* – A fixed payment that is split between reducing the principal and paying for the interest. Depending on the type of liability, the principal will reduce over the payment period. Over time, less of the payment goes towards the interest and more goes towards the principal.
 - *Last Period Payment* – No regular payments are made on the liability until the last payment period. At that time, one payment is made to pay off the entire liability and the accumulated interest.

Note: Enter each credit card as an **Interest Only** liability. This can also be used for a line of credit. Use the **Debt Modification** tab to enter any principal payments the client makes to these liabilities.

- *Payment Frequency* – Enter how often liability payments are made.
 - *Interest is Tax Deductible* – Select to indicate whether the interest payments can be used as a tax deduction.
5. Click **OK**. The *Liabilities Details* dialog box closes.

Calculation options

Under *Calculation Options*, you can calculate the remaining amortization, loan payment, or outstanding balance by entering other known variables.

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

Description*	Owner*	Balance As of Date*	Interest Rate*	Compound Frequency*
Loan	Joint	Jan 1 2007	10.00%	Monthly

Field to Calculate*	Balance*	Payment*	Years	Months	End Date
Amortization	\$0	\$0.00	0	0	Dec 31 2006

Figure 8: Financial Picture section – Net Worth category – Assets/Liabilities page – Liabilities – Details button – Liability Details dialog box – Details tab – Calculations Options

Depending on what you select from the *Field to Calculate* list, corresponding fields become inaccessible, to indicate that NaviPlan will solve those variables using the values entered in the accessible fields.

- *Field to Calculate* – Select the option you want to calculate. Selecting *Payment* allows you to calculate the payment amount using the *Balance Amount* and *Amortization* variables.
- *Balance* – Enter or view the unpaid balance of the liability, as of the *Balance As of Date* shown under *Details*.

Note: The balance cannot be greater than the original principal. If the balance entered is greater than the original principal then the original principal defaults to the balance amount.

- *Payment* – Enter or view the amount paid on the liability.
- *Amortization (Years/Months)* – Enter or view the original number of years and months of the liability.

Note: If additional payments have been made to the liability over and above the regular payments, use the remaining number of years rather than the original number of years.

- *End Date* – View the date the last payment of the liability is due.

Other options

If the original loan information is known, you can enter it here. To model future loans, use the *Loan Date* field.

1. Click the **Other Options** link to access more data-entry fields.
2. To indicate that the liability is insured for disability, under *Other Options*, select the **Insured for Disability** check box. This assumes that the loan is paid off by a disability policy not included in the plan.
3. In the *Loan Date* field, enter the day the liability was taken out or refinanced.
4. In the *Original Principal* field, enter the original amount of the liability.
5. To indicate that the liability proceeds enter cash flow, select **Bring into cash flow**. This ensures the offset of the purchase of the lifestyle asset.
6. To indicate that the liability has been refinanced, select **Refinanced**. This ensures that the loan value does not cause cash inflows during the refinancing of a liability.
7. From the *Payoff Options at Death* list, select an option:
 - *Transfer to survivor* indicates that the unpaid balance of the liability will be transferred to the surviving client.
 - *Payoff at first death (from estate)* indicates that the unpaid balance of the liability will be paid from the clients' estate.
 - *Insured for life* indicates that the liability is to be paid off by an outside insurance policy if the liability's owner dies before the liability is paid in full.
8. From the *Liability Type* list, select an option from the list. This is provided for information purposes only.

Link assets and liabilities

The *Asset / Liability Links* feature is used to link an asset to a liability. Linking an asset to a liability ensures that the liability is automatically paid off if the asset is ever sold.

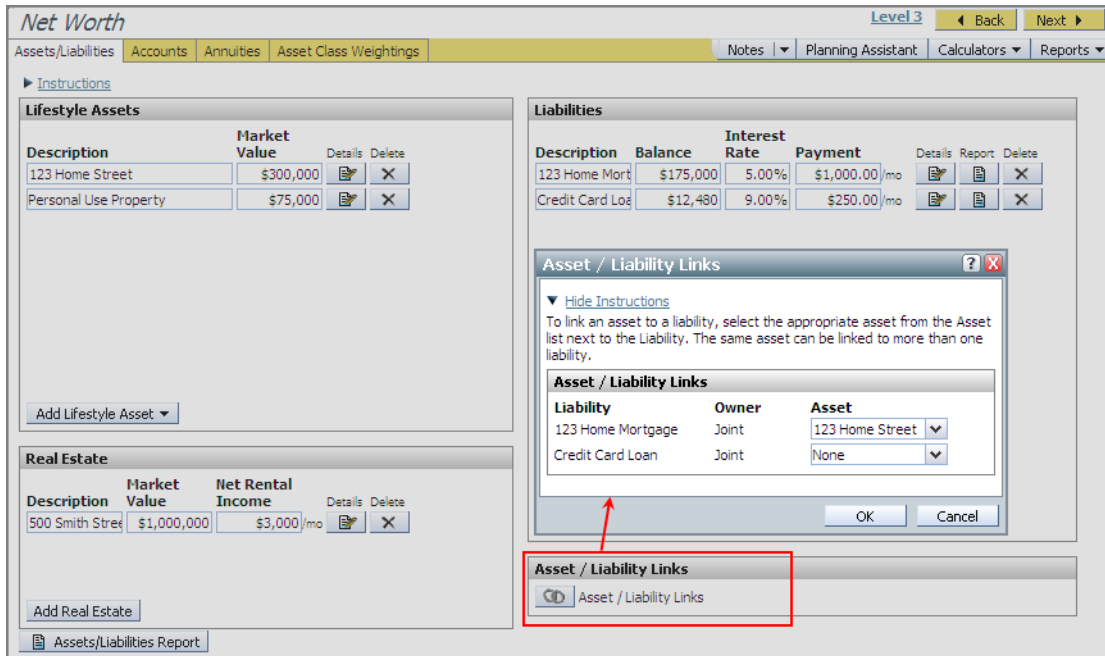



Figure 9: Financial Picture section – Net Worth category – Assets/Liabilities page – Asset / Liability Links button – Asset / Liability Links dialog box

To link an asset to a liability

1. Click the  (**Asset / Liability Links** button). The *Asset / Liability Links* dialog box opens and displays a list of all the liabilities that have been entered in the plan.
2. From the *Asset* list next to the liability, select the asset you want to link to a liability.
3. Click **OK**. The *Asset / Liability Links* dialog box closes.

If you wish to generate a report that displays all of the data-entry details you entered on the *Financial Picture* section – Net Worth category – Assets/Liabilities page, click the **Assets/Liabilities Report** button.


Model accounts and holdings

On the *Financial Picture* section – *Net Worth* category – *Accounts* page you can enter new accounts or modify existing ones. You can use this information to calculate the client and co-client's future net worth and their retirement income.

Accounts can be entered either as simple accounts or detailed accounts. Level 1, 2, and 3 Plans can use simple accounts, but only Level 2 and 3 Plans can use detailed accounts.

Figure 10: Financial Picture section – Net Worth category – Accounts page – Account Details dialog box

To model a new account

1. Click the **Add Account** button to add a simple account. A new data-entry row appears.
OR
2. Click  beside *Add Account* to add a detailed account. A list reveals four account types to choose from: *Simple Account*, *Investment Portfolio*, *Mutual Fund*, and *Cash Account*. Select an account type. The *Account Details* dialog box opens.
3. In the *Description* field, enter a unique name or account number to identify this account.
4. From the *Plan Type* list, select the type of plan (e.g., *Non-Qualified*, *IRA*) that this account is associated with.
5. From the *Owner* list, select the owner of the account.
6. In the *Market Value* field, enter the current market value of the account.
7. In the *Basis* field, enter the account's value. This field will be called either *Qualified Basis* or *Cost Basis*, depending on the *Plan Type* selected. Use *Qualified Basis* for qualified plans where after tax contributions are made, or *Cost Basis* for non-qualified plans.
8. If desired, from the *Asset Class Weightings* list, select the asset class that is associated with the account.

Add simple accounts

With simple accounts you would model each holding as an individual account. For example,

- Account 1 – representing Nick’s 403(b) for \$25,000 in 100% cash
- Account 2 – representing Nick’s 403(b) for \$40,000, in 100% aggregate bonds
- Account 3 – representing Nick’s 403(b) for \$35,000 in 100% stock

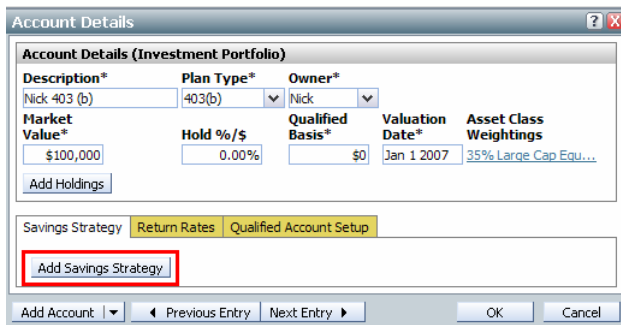


Figure 11: Financial Picture section – Net Worth category – Accounts page – Account Details dialog box (simple account)

A simple account can be upgraded to a detailed account by clicking the *Add Holdings* button.

Add detailed accounts

With detailed accounts you can model multiple holdings within one account, with each holding having different asset class weighting information. For example,

- Nick’s 403(b) account is made up of
 - Holding 1 for \$25,000, in 100% cash
 - Holding 2 for \$40,000, in 100% aggregate bonds
 - Holding 3 for \$35,000. in 100% stock

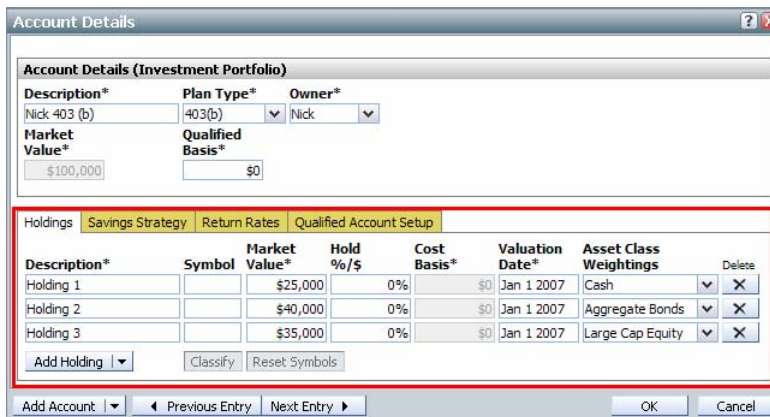


Figure 12: Financial Picture section – Net Worth category – Accounts page – Account Details dialog box (detailed account) – Holdings tab

Add holdings*

Enter multiple holdings that make up the one account on the *Financial Picture* section – *Net Worth* category – *Accounts* page – *Account Details* dialog box (detailed account) – *Holdings* tab. This tab is not available for simple accounts.

The screenshot shows the 'Account Details (Investment Portfolio)' dialog box. The 'Holdings' tab is active. The top section contains fields for 'Description*' (New account), 'Plan Type*' (Non-Qualified), 'Owner*' (Joint), and 'Community Property' (checkbox). Below these are 'Market Value*' and 'Cost Basis*' fields, both showing '\$0'. The main table has the following data:

Description*	Market Value*	Hold %/\$	Cost Basis*	Valuation Date*	Asset Class Weightings	Delete
New Holding	\$0	0%/\$	\$0	Jan 1 2007		X

At the bottom, there is an 'Add Holding' dropdown menu with options: 'Blank Holding' and 'Classified Holding'. Navigation buttons 'Previous Entry' and 'Next Entry' are also present.

Figure 13: *Financial Picture* section – *Net Worth* category – *Accounts* page – *Account Details* dialog box (detailed account) – *Holdings* tab

To add holdings to an account

1. Go to the **Financial Picture** section – **Net Worth** category – **Accounts** page.
2. Under *Holdings*, for an existing account, click the **Add** button. The *Account Details* dialog box opens to the *Holdings* tab, displaying the details of the account.
3. Click the **Add Holding** button, and enter information in all applicable fields.

If an account does not need to be converted to a detailed account because it already has holdings, you can add more holdings by using the following procedure:

1. Go to the **Financial Picture** section – **Net Worth** category – **Accounts** page.
2. Click the **Details** button beside the desired account. The *Account Details* dialog box opens to the *Holdings* tab.
3. Click the **Add Holding** button. A blank data-entry row appears.
4. Enter information in all applicable fields:
 - *Description* – Enter a name that distinguishes this account from any others entered in the plan.
 - *Symbol* – Enter the symbol that represents a mutual fund or stock.

Note: If you have access to Ibbotson data and you know the ticker symbol, enter this information in the *Symbol* field, and then click **Classify**. The *Asset Class Weightings* are then automatically populated, and return rates calculated for you. This functionality is not available if you are using the *User Defined* version of NaviPlan.

- *Market Value* – Enter the value of the asset on the valuation date.

- *Hold (%/\$)* – Enter the percentage or dollar amount of the asset that should be held for asset allocation purposes and used in the calculation of mean variance optimization.
- *Cost Basis* – Enter the amount paid for the investment for tax purposes. The *Cost Basis* field is only accessible for non-qualified accounts.
- *Valuation Date* – Enter the last date at which the market value of the asset is known. The valuation year must be the same as the plan year. If no date is entered, the valuation date is the plan date as defined on the *Plan Management* section – *Modules* category – *Modules* page.
- *Asset Class Weightings* – Use to define the underlying asset class of the account. Use the list to classify the asset using the *Search* or *Manual Classification* selections, or enter 100% for one class.
- *Delete* – Use to remove the selected item.

Add savings strategies

Use the *Financial Picture* section – *Net Worth* category – *Accounts* page – *Account Details* dialog box (detailed account) – *Savings Strategies* tab to enter a savings strategy for an asset.

The screenshot shows the 'Account Details' dialog box with the 'Savings Strategies' tab selected. The 'Return Rates' and 'Qualified Account Setup' tabs are also visible. The 'Savings Strategies' section contains a table with the following data:

Pre-tax* \$ or % of Salary	Post-tax* \$ or % of Salary	Employer* \$ or % of Salary	Frequency*	Start Date*	End Date*	Infl +/- Add'l	Delete
MAX	7.00%	5.00%	Monthly	Jan 1 2007	Retirement	+ 0.00%	X

Figure 14: *Financial Picture* section – *Net Worth* category – *Accounts* page – *Account Details* dialog box (detailed account) – *Savings Strategies* tab

This tab allows you to enter pre-tax, post-tax, and employer savings strategies based on a dollar value or percentage of salary. To maximize contributions, you can enter the keyword **MAX** in the *Pre-tax* field.

Note: Use the **Planning Assistant** to assess if your clients are maximizing their savings, and to see if they have room for more contributions.

Enter accrued income

In the *Previously Accrued Investment Income* dialog box, investment income accrued before the valuation date for each asset can be entered. These amounts are used by NaviPlan Standard to calculate start-of-year market values for the assets in the plan to determine the taxable investment income when calculating taxes for the current year.

Note: NaviPlan automatically calculates the accrued income. Use this option if you want to override the accrued income or enter qualified proceeds.

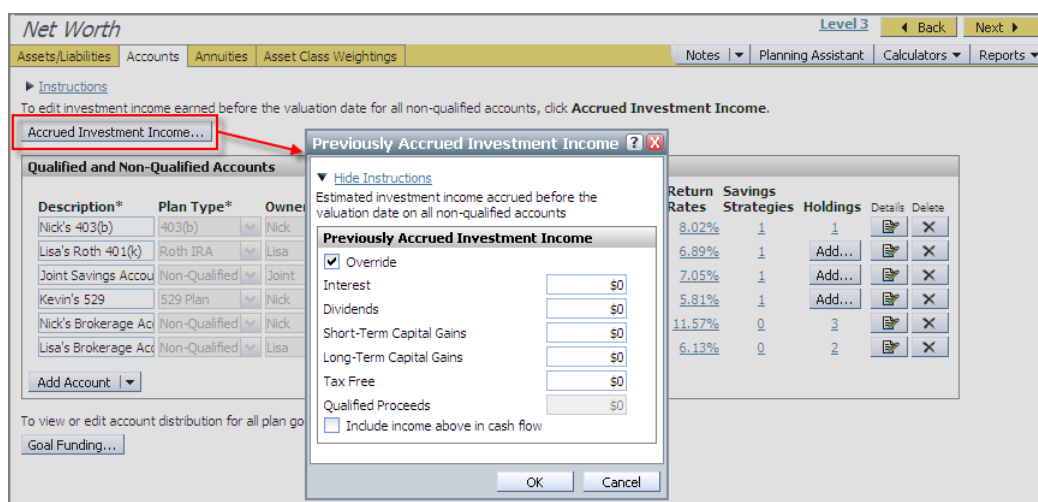


Figure 15: Financial Picture section – Net Worth category – Accounts page – Accrued Investment Income button – Previously Accrued Investment Income dialog box

To enter previously accrued investment income

1. Click the **Accrued Investment Income** button.
1. Select the **Override** check box.
2. Enter investment incomes in the appropriate fields.
3. Click **OK** to save your changes.
 - *Override* – When this check box is selected, investment income received by the clients before the valuation dates of their assets can be entered. When this check box is cleared, NaviPlan Standard calculates the start-of-year market values for the assets in the plan using the assets' return rates.
 - *<return types>* – Investment income received from all non-qualified assets in the plan before the assets' valuation dates. These fields are editable only when the *Override* check box is selected.
 - *Qualified Proceeds* – Taxable investment income received from all qualified assets in the plan before the assets' valuation dates, for example, redemptions from IRAs. This field is only editable when the *Include income above in cash flow* check box is selected.

- *Include income above in cash flow* – When this check box is cleared, NaviPlan Standard assigns an amount to offset the total of the added investment incomes. The income does not affect the clients’ cash flow. When this check box is selected, NaviPlan Standard includes the investment income in cash flow.

Note: For more information see the [Help Video Clip](#) on this topic.

Generate Net Worth Summary: End of Year report

To review the details entered in the *Net Worth* category, you can generate various reports and graphs from the *Reports* menu, for example, the *Net Worth Summary* report.

The net worth reports give your clients a snapshot of where they are now and the value of their assets and liabilities. You can also use these reports as data verification tools to quickly notice any assets that may have been entered using incorrect data.

Net Worth Summary: End of Year					
Copy of Brown Base Details (2007)					
	Nick	Lisa	Joint	Community Property	Total
Non-Qualified Assets					
Investment Portfolios	67,035	57,324	54,623		178,982
Other			1,035,000		1,035,000
Non-Qualified Annuities					
General Accounts	7,000				7,000
Qualified Assets					
Roth IRAs / Spousal Roth IRAs		30,455			30,455
Other Qualified	80,455				80,455
Qualified Annuities					
Lifestyle Assets (residences, etc.)			377,250		377,250
Life Insurance Cash Value					
Liabilities			(182,198)		(182,198)
Accumulated Surplus/Deficit		(64)			(64)
Total Net Worth	154,490	87,715	1,284,675		1,526,880

Figure 16: Reports menu – Net Worth – Net Worth Summary: End of Year report

View the Single Asset Details report

The *Single Asset Details* report is another type of net worth report that provides a detailed overview of a selected account.

Asset Details															
Nick's 403(b)															
Brown															
Brown Base Details (2007)															
	Accrued Income	Market Value (Start)	Interest	Dividend	Capital Gain	Tax Free	Buy Amount	Transfer from Trust	Reinv. Amount	Sell Amount	New Cost Basis	Sell Cost Basis	Qual. Contrib.	Distributions	Employer Contrib.
Jan 2007	0.00	50,000.00	0.00	0.00	0.00	0.00	1,000.00	0.00	0.00	0.00	1,000.00	0.00	500.00	0.00	500.00
Feb 2007	195.81	51,340.66	(1.00)	(1.07)	(1.60)	0.00	996.33	0.00	0.00	0.00	1,996.33	0.00	500.00	0.00	500.00
Mar 2007	399.26	52,688.11	(1.99)	(2.15)	(3.20)	0.00	992.66	0.00	0.00	0.00	2,988.99	0.00	500.00	0.00	500.00
Apr 2007	610.30	54,042.28	(2.99)	(3.22)	(4.80)	0.00	988.99	0.00	0.00	0.00	3,977.98	0.00	500.00	0.00	500.00
May 2007	828.87	55,403.10	(3.99)	(4.29)	(6.40)	0.00	985.32	0.00	0.00	0.00	4,963.29	0.00	500.00	0.00	500.00
Jun 2007	1,054.92	56,770.49	(4.99)	(5.36)	(8.00)	0.00	981.64	0.00	0.00	0.00	5,944.94	0.00	500.00	0.00	500.00
Jul 2007	1,288.41	58,144.40	(5.99)	(6.44)	(9.61)	0.00	977.97	0.00	0.00	0.00	6,922.90	0.00	500.00	0.00	500.00
Aug 2007	1,529.28	59,524.74	(6.99)	(7.51)	(11.21)	0.00	974.29	0.00	0.00	0.00	7,897.20	0.00	500.00	0.00	500.00
Sep 2007	1,777.48	60,911.45	(7.99)	(8.59)	(12.81)	0.00	970.61	0.00	0.00	0.00	8,867.81	0.00	500.00	0.00	500.00
Oct 2007	2,032.95	62,304.45	(8.99)	(9.66)	(14.42)	0.00	966.93	0.00	0.00	0.00	9,834.74	0.00	500.00	0.00	500.00
Nov 2007	2,295.66	63,703.68	(9.99)	(10.74)	(16.02)	0.00	963.25	0.00	0.00	0.00	10,797.99	0.00	500.00	0.00	500.00
Dec 2007	2,565.55	65,109.07	(10.99)	(11.82)	(17.63)	0.00	959.56	0.00	0.00	0.00	11,757.55	0.00	500.00	0.00	500.00
End 2007	2,842.57	66,520.55	772.45	830.69	1,239.43	0.00	0.00	0.00	2,842.57	0.00	14,600.12	0.00	0.00	0.00	0.00

Report Settings

Asset: Nick's 403(b)(Retir) ▼

Years to Display: 20

Plan Type: Current Recommended

Figure 17: Reports menu – Net Worth – Assets – Asset Details report

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., *Asset and liability training*), and then use it to complete the following exercises.

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

Exercise 1: Model assets

To find the answers, see “Answers to assets and liabilities exercises” on page 24.

1. When you enter an automobile as an asset in the plan, you can override the return rate and enter a negative return rate to model depreciation. Is this statement true or false?
 - a) True
 - b) False
2. Property taxes you enter for a specific residence in the *Net Worth* category will automatically come out of the clients’ cash flow. Is this statement true or false?
 - a) True
 - b) False
3. Confirm that the clients’ property taxes are treated as a tax deduction by generating an *Income Tax Summary* report based on the current analysis in the current year. In the report, under what heading is this information found?

Hint: Go to the **Reports** menu – **Cash Flow** category.

Exercise 2: Model liabilities

To find the answers, see “Answers to assets and liabilities exercises” on page 24.

1. What are the benefits of linking a loan to an asset?
 - a) Ensures that if the lifestyle asset is sold, the mortgage/loan associated with it will be paid off automatically.
 - b) For reporting purposes only.
 - c) Interest will be treated as tax deductible.
 - d) All of the above.

2. Enter a liability for a tax bill that occurred in **2005**. The loan was for **\$12,000** and will be paid off in **five years**. You can enter the rest of the information with data that you think is appropriate.

Hint: Enter **Jan 1 2005** in the *Balance As of Date* field.

3. Generate a liability report to confirm that the liability will be paid off in five years.

Hint: Click the **Report** button to the right of the liability.

Exercise 3: Model accounts and holdings

To find the answers, see “Answers to assets and liabilities exercises” on page 24.

1. When Nick retires at the start of 2028, what is the value of his 403(b) account?

Hint: Go to the **Reports** menu, and then select **Net Worth – Assets – Single Asset Summary**.

- a) Under \$1,000,000
 - b) \$1,000,000
 - c) Over \$1,000,000
2. Generate the *Net Worth – Asset Activity* report to confirm the amount of buys into Nick’s 403(b) for 2007. Enter an additional **\$5,000** holding of your choice to Nick’s 403(b). Regenerate the report and confirm that the \$5,000 purchase took place.
 3. The Ibbotson database allows you to classify accounts using the ticker symbol or by manually entering specific asset classes for accounts. Is this statement true or false?
 - a) True
 - b) False

Exercise 4: Explore net worth output pages

1. Generate the *Net Worth – Detailed – End of Year* report and visually confirm that the assets entered look realistic and no errors are visible.

Conclusion

This module has enabled you to

- Model assets
- Model liabilities
- Model accounts and holdings
- Explore net worth output pages

Answers to assets and liabilities exercises

Exercise 1: Model assets

1. a) True – When you enter an automobile as an asset in the plan, you can override the return rate and enter a negative return rate to model depreciation.
2. a) True – Property taxes you enter for a specific residence in the *Net Worth* category will automatically come out of the clients' cash flow.
3. This information is found under the *Deductions* heading in the *Income Tax Summary* report.

Exercise 2: Model liabilities

1. a) The benefit of linking a loan to an asset is that it ensures that if the lifestyle asset is sold, the mortgage/loan associated with it will be paid off automatically.

Exercise 3: Model accounts and holdings

1. a) Under \$1,000,000 – When Nick retires at the start of 2028, the value of his 403(b) account is under \$1,000,000.
3. a) True – The Ibbotson database allows you to classify accounts using the ticker symbol or by manually entering specific asset classes for accounts.