Auditing the Numbers Using Reports and Other Strategies

Functions addressed in this document:

- What strategies help ensure effective data entry in NaviPlan®?
- Which strategies are useful to reconcile data-entry errors?
- Using these strategies, how are some common data-entry inaccuracies reconciled?

Since financial planning involves both ascertaining the clients' financial goals and developing a plan for achieving those goals, some of the most important steps in this process are gathering, analyzing, and evaluating the data.

In addition, this document assumes that you have access to all plan levels, and will focus primarily on a Level 2 Plan.

DID YOU KNOW? When attempting to resolve an issue in a **Financial Assessment** or in a **Level 1 Plan**, it is often useful to promote the assessment or plan to a higher level. For example, promoting a **Financial Assessment** to a **Level 2 Plan** reveals additional data-entry fields and default assumptions; as well, additional reports are available that can often help to resolve the issue.

What strategies help ensure effective data entry in NaviPlan®?

Since the first part of the financial planning process requires effective gathering of the clients' data, using the following steps and tools in NaviPlan can help to achieve this objective:

1. Use a Fact Finder to collect data from the clients.
    - A **Blank Fact Finder** (available on the **Client Information** – **Client List** – **Clients**) helps ensure that all required information is obtained. As well, data entry is often easier, because the order of data collection in the fact finder corresponds to the order of data entry in the plan.
    - The fact finder assists you in gathering the data required for a **Level 2 Plan**. NaviPlan® also offers level-based fact finders for the **Financial Assessment** (simple and detailed), **Asset Allocation Assessment**, and **Level 1 Plans**. These additional fact finders are available from the Advicent Solutions Learning Centre.
2. Enter the plan data.
   Clicking the **Help** button at the top of the screen provides information on procedures and screen details to assist in entering data correctly.

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3. Verify and analyze the plan data using the **Summary** reports.
   After entering the clients' data in the plan, use the **Summary** reports (available from the **Quick Actions** – **Reports** – **Summary**) to verify and analyze the data. The following table provides an overview of each report's uses and benefits.
4. Verify and analyze the plan data using the **Summary** reports.
   After entering the clients' data in the plan, use the **Summary** reports (available from the **Quick Actions** – **Reports** – **Summary**) to verify and analyze the data. The following table provides an overview of each report's uses and benefits.

Summary	Uses and Benefits
Action Plan	• This report displays the plan's savings, insurance, redemption, and debt modification strategies for the current plan year and the following two years. It can be used to identify actions, such as paying down the mortgage, which the clients are expecting to take. • It is available for both the **Current** and **Recommended** plans.
Synopsis	• This report provides a complete overview of the plan including incomes, expenses, assets, liabilities, and strategies that have been entered for the current plan year. • It is available for both the **Current** and **Recommended** plans. • After entering the clients' data (preferably from the fact finder) into the plan, generating this report using the **Current** plan report setting is ideal for verifying that the information provided by the clients matches the information entered in the plan.
Planning Assistant	• The **Planning Assistant** report is a data-verification tool that helps to analyze the clients' plan by identifying entries that are outside of a normal range, such as accounts with a 20% return rate or a client with a 115-year life expectancy. • General planning strategies are also identified. • Contribution details for TFSAs and RRSPs are provided so you can maximize your clients' contributions while staying within their contribution limits. • A summary of the clients' pre-retirement cash flow is provided for both the current and proposed plans. This allows you to take advantage of any cash flow surpluses that may be available, while making sure any new strategies you are recommending do not create cash flow deficits prior to retirement. For this report, (missing or bad snippet) analyzes the entire planning period by projecting the plan into the future and extracting the relevant details.

DID YOU KNOW? When a scenario is recommended for a goal, the assumptions and strategies for that scenario are integrated into a system-generated plan (which is only available using stand-alone reports, graphs, and client reports) and is referred to as the proposed plan. The proposed plan uses the current plan and incorporates the **Recommended** scenarios for the retirement, education, major purchase, and emergency fund goals.

DID YOU KNOW? Ensuring that the scope of the plan is consistent with the modules selected on the **Plan Management** section – **Modules** category – **Modules** page helps to minimize data entry and, subsequently, data-entry inaccuracies. For example, if the scope of the plan is retirement analysis, you can clear the options for the **Education** and **Major Purchase** modules.

Which strategies are useful to reconcile data-entry errors?

While the steps and tools above help minimize problems with data entry, inaccuracies may still occur, and they most often occur in the **Net Worth** and **Cash Flow** categories located in the **Enter Financial Data** section. They may have also been identified in the **Planning Assistant** report. In these situations, using a few stand-alone reports in a strategic order—whereby you start from a multi-year focus and then narrow the scope—is often the best method to reconcile these issues.

To reconcile cash flow inaccuracies, the following reports (available from **Quick Actions** – **Reports** – **Cash Flow**) are often helpful when used in the following order:

1. **Multi-Year Cash Flow Summary**
    - Starting with this report helps identify whether the inaccuracy occurs in all years and, if not, helps to identify a particular year or years which may be affected, such as a spike in income in a particular year.
    - As this report provides a summary of the cash flowing in and out, as well as any surplus or deficit, look for values that are unexpected, such as salaries or expenses that are larger or smaller than anticipated.
2. **Itemized Cash Flow Projection for Family**
    - After using the **Multi-Year Cash Flow Summary** report to isolate the problem year or years, this report allows you to focus on the detailed cash flow transactions in a particular year or years.
    - This report displays the itemized cash flow transactions including each item's description, such as housing or food, for up to ten years, for either the **Current** or **Recommended** plan.

To reconcile net worth inaccuracies, the following reports (available from **Quick Actions** – **Reports** – **Net Worth**) are often helpful when used in the following order:

3. **Multi-Year Net Worth Summary**
    - Starting with this report helps to identify whether the inaccuracy occurs in all years and, if not, helps to identify a particular year or years which may be affected.
    - As this report displays the clients' projected end-of-year net worth values for most years, broken down based on asset type (non-registered, registered, lifestyle), as well as liabilities and the cash flow surplus/deficit, look for values that are unexpected, such as asset or liability values that are larger or smaller than anticipated.

- Net Worth Detailed: End of Year
  - After using the **Multi-Year Net Worth Summary** report to isolate the problem year or years, this report allows you to focus on net worth values in those specific years.
  - As this report provides a greater level of detail, broken down by individual account and liability as well as accumulated cash flow surplus or deficit amounts, look in particular for account values that are greater or lesser than expected based on the account's rate of return, and any savings or redemptions.
- Single Asset Summary/Liability Schedule
  - After using the **Net Worth Detailed: End of Year** report to isolate the inaccuracy, use the **Single Asset Summary** or **Liability Schedule** report to isolate the transactions occurring for the specific asset or liability.
  - These reports break down the transactions for the specific asset or liability. For assets, look in particular at the **Buys**, **Sells**, **Total Reinvested**, and **Deferred Growth** columns to verify savings strategies and return rates. For liabilities, look at the **Interest Payment** and **Principal Payment** columns to verify required and additional payments, and then make any necessary adjustments to the data entered.
  - To obtain additional details for assets, such as a monthly breakdown of transactions, generate the **Single Asset Details** and **Single Asset Income Distribution** reports (available from the **Quick Actions** menu – **Reports** – **Net Worth** – **Assets**).

As cash flow and net worth are closely interrelated, it is often helpful to review the reports for both cash flow and net worth when trying to resolve an inaccuracy. For example, a savings strategy entered as $1,000 monthly, instead of $1,000 annually, will likely cause the clients to experience cash flow deficits and subsequently overstate their net worth.

DID YOU KNOW? Clicking the **Duplicate** button on the **Plan Management** section – **Plan List** category – **Plans** page creates a copy of the selected plan. A duplicate plan often helps to identify data-entry inaccuracies as it allows you to make data-entry changes without affecting the original plan. After identifying the issue(s), you can return to the original plan and make the necessary change(s).

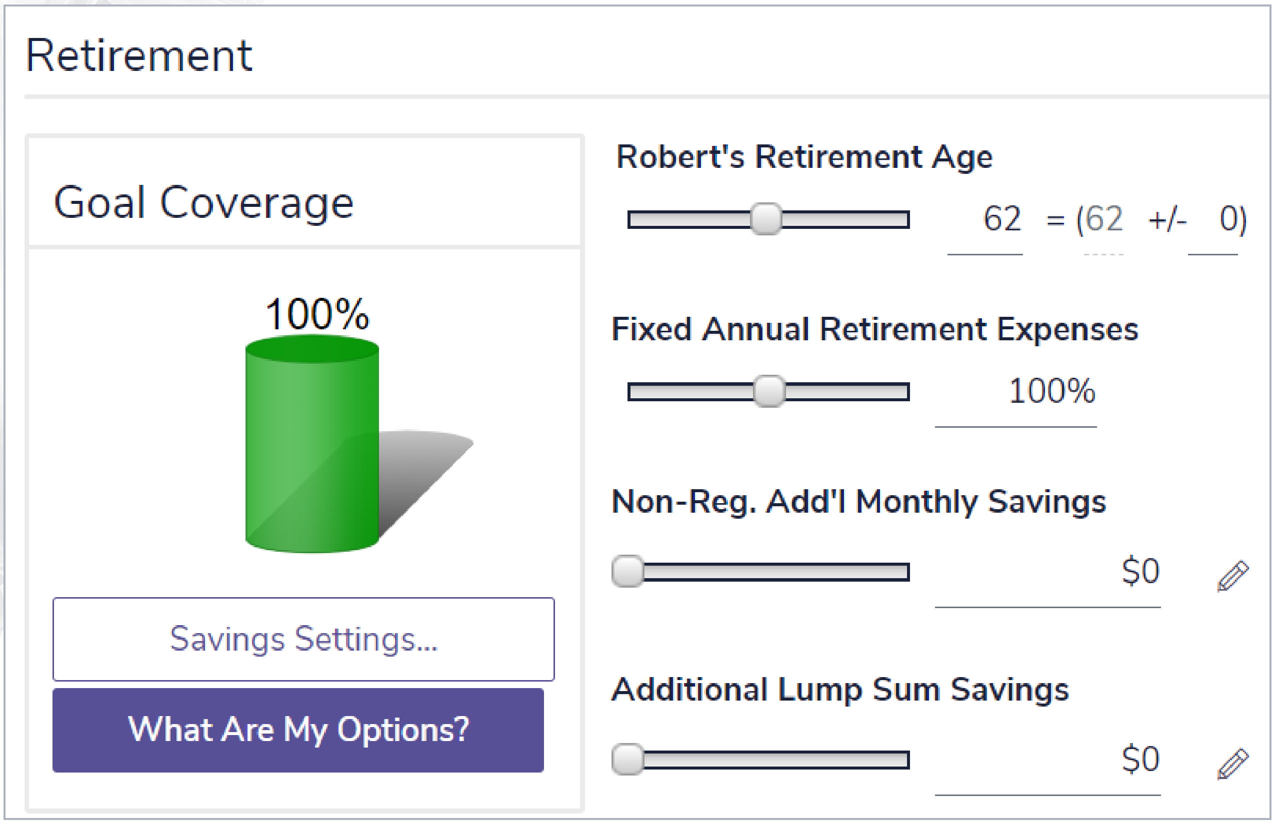
Using these strategies, how are some common data-entry inaccuracies reconciled?

Using the reports listed above, we will reconcile a few common data-entry errors in the Net Worth and Cash Flow categories in a plan for Robert and Sarah.

Example: Robert and Sarah are approximately forty years old and plan to retire in the year 2033, when Robert is 65 and Sarah is 63. Their annual retirement needs (in today's dollars) include a basic retirement expense of $70,000. In addition, from 2033 to 2042, they plan to travel extensively at a cost of $30,000 annually. Their retirement resources are CPP benefits, OAS benefits, and their RRSP accounts. Sarah's account has a current market value of $170,000 and earns a 4.80% rate of return; Robert's account has a current market value of $230,000, and earns an 8.90% return rate. They make an annual contribution to Robert's RRSP that is equal to 10% of his $90,000 salary, which is indexed to inflation.

After selecting only the **Asset Allocation** and **Retirement** modules and then entering the plan data, when looking at the **Current Plan** scenario, we can see that Robert and Sarah only achieve 60% goal coverage for their retirement goal.

While Robert and Sarah have not done any significant retirement planning, their goal coverage percentage is lower than expected, considering they already have $400,000 invested in their RRSP accounts earning a weighted average rate of return of 7.17%. Additionally, contributions are being made to Robert's RRSP account annually, and there are approximately 22 years until retirement.



Results — Analyze Goals — Scenario Manager —Retirement

Multi-Year Cash Flow Summary				
Year	Age(s)	Inflows	Outflows	Surplus/(Deficit)
2013	45/43	148,526	118,592	27,246
2014	46/44	152,571	121,642	28,570
2015	47/45	157,571	124,785	29,934
2016	48/46	177,614	143,337	31,339
2017	49/47	183,248	147,436	32,786
2018	50/48	177,900	151,674	34,277
2019	51/49	178,474	154,855	35,812
2020	52/50	182,668	166,864	26,226
2021	53/51	188,148	144,521	23,618
2022	54/52	193,793	148,386	15,804
2023	55/53	199,607	152,366	43,627
2024	56/54	205,595	156,466	45,407
2025	57/55	211,763	160,689	47,240
2026	58/56	218,115	165,039	49,128
2027	59/57	224,659	169,520	51,073
2028	60/58	231,399	174,134	53,076
2029	61/59	238,341	178,887	55,139
2030	62/60	245,491	183,783	57,264
2031	63/61	252,856	188,826	59,453
2032	64/62	260,441	194,020	61,708
2033	*65/63*	265,532	265,537	64,030
2034	66/64	273,288	273,289	66,422
2035	67/65	280,330	280,326	(4)
2036	68/66	288,135	288,135	(1)
2037	69/67	282,900	282,898	4
2038	70/68	288,491	288,491	0
2039	71/69	297,099	297,099	2
2040	72/70	305,965	305,965	0
2041	73/71	315,097	315,097	0
2042	74/72	324,503	324,503	0
2043	75/73	334,191	334,191	0
2044	76/74	344,169	344,169	0

* = Year of retirement

Quick Actions – Reports – Cash Flow – Multi-Year Cash Flow Summary

Using the first page of the Multi-Year Cash Flow Summary report (available from the Quick Actions menu – Reports – Cash Flow), we can see a summary of Robert and Sarah's cash flow, starting in 2011. As mentioned in this example, Robert and Sarah would like to travel extensively during the first part of their retirement, from 2033 to 2042.

While the year 2042 should be the last year in which their additional travel expense occurs, there does not appear to be a reduction in cash outflows in 2043.

After using the Multi-Year Cash Flow Summary report to narrow the focus to the years 2042 and 2043, and then following the recommended order to solve for cash flow inaccuracies, we will use the Itemized Cash Flow Projection report to look at these two years in more detail.

Itemized Cash Flow Projection for All

Lee

Plan

	2042	2043
Cash Inflows		
Qualified Liquidations		
CPP/QPP (Robert)	25,917	26,695
OAS (Robert)	15,727	16,199
Robert's RRSP (RRIF)	138,303	141,949
CPP/QPP (Sarah)	25,917	26,695
OAS (Sarah)	15,727	16,199
Sarah's RRSP (RRIF)	102,910	106,453
Subtotal	**324,503**	**334,191**
Total Cash Inflows	**324,503**	**334,191**
Cash Outflows		
Lifestyle Expenses		
Regular Ret. Expenses (Joint)	175,006	180,256
Ret. Travel (End at 75) (Joint)	75,002	77,252
Credit Card (Joint)	1,223	1,223

Quick Actions – Reports — Cash Flow — Itemized Cash Flow Projection

Using the Itemized Cash Flow Projection report, we can see that Robert and Sarah's indexed travel expense has continued beyond 2042, which was not as intended.

After updating the data entry in the End Age field for the travel expense on the Goals section – Retirement category – Objectives page, and then verifying their cash flow, Robert and Sarah's goal coverage has increased to 73%, but it is still lower than expected.

Following a similar process, whereby we start with a multi-year report and then narrow the focus, we can use the net worth reports to review the clients' net worth information and determine whether it is accurate.

Multi-Year Net Worth Summary

Lee

Plan

Year	Ages	Non-Registered Assets[1]	Registered Assets	Total Lifestyle Assets	Total Liabilities	Surplus/(Deficit)	Total Net Worth
2013	39/38	0	495,538	356,762	184,154	89,351	764,667
2014	40/39	0	532,118	355,450	180,659	121,890	836,336
2015	41/40	0	571,351	355,800	176,984	155,877	913,966
2016	42/41	0	613,429	357,510	173,122	176,038	982,183
2017	43/42	0	658,557	360,334	169,062	196,969	1,055,553
2018	44/43	0	706,956	364,081	164,794	218,677	1,121,121

*** = Year of retirement**

Quick Actions – Reports – Net Worth – Summary – Multi-Year Net Worth Summary

Net Worth Detailed: End of Year

Lee

Plan

	Robert	Sarah	Total
Registered Assets			
Robert's RRSP	247,453		247,453
Sarah's RRSP		182,187	182,187
Total Registered Assets	**247,453**	**182,187**	**429,641**

Quick Actions – Reports – Net Worth – Detailed – Net Worth Detailed: End of Year

Using the **Multi-Year Net Worth Summary** report, we can see that the 2013 end-of-year value of the RRSP accounts as shown in the **Registered Assets** column is $495,538. When considering that the accounts have a combined current market value of $400,000, earn a weighted average rate of return of 7.17%, and Robert's account is receiving an annual contribution of $9,000 (or 10% of his salary), we would expect this value to exceed $435,000.

Asset Summary

Robert's RRSP (Retirement)

Lee (English)

Plan

Year	Start of Year Market Value	Buys	Sells	Total Reinvested	Deferred Growth	End of Year Market Value	End of Year Market Value (Buying Power)
2012	247,453	927	0	13,355	4,452	266,187	258,434
2013	266,187	955	0	14,364	4,788	286,293	269,858
2014	286,293	983	0	15,446	5,149	307,871	281,746

Reports – Net Worth - Assets – Single Asset Summary

After narrowing the focus to Robert's and Sarah's registered assets, we can use the **Net Worth Detailed: End of Year** report to view the values in more detail for a specific year. While Robert's account has a starting market value of $230,000, earns an 8.90% rate of return, and receives a contribution of $9,000 for 2011, its end-of-year market value should be closer to $260,000 but as shown in this report, is just over $247,000.

After further narrowing the scope to Robert's RRSP, we can use the **Asset Summary** report to isolate the transactions for this account. Looking at the **Buys** column in this report, we can see that the contribution to Robert's account is only $900 in 2011, instead of $9,000.

When we update the end date entered for the travel expense and increase the employer contribution to Robert's RRSP from $900 to $9,000 by increasing the percentage from 1% to 10%, Robert's and Sarah's goal coverage increases to 95%, which is as expected.

DID YOU KNOW? Entering a single data-entry item in a new plan, created by clicking **New** on **Plan Management** – **Plan List** – **Plans** , and then reviewing the available reports and graphs, allows you to isolate the effects of a single item entered. By doing so, it is often easier to develop an understanding of how this entry in particular affects a plan. If needed, enter any applicable data-entry changes in the original plan.