NaviPlan®
by Advicent

Analyzing Goals Using Scenarios and the Scenario Manager

Functions Addressed in this Document:

- What is the difference between the Current Plan and the Recommended Plan scenarios?
- How can the Scenario Manager feature be used to create an optimal Recommended Plan scenario?
- What are Alternative Plan scenarios and when might they be used?
- How does NaviPlan® reflect scenarios in reports, graphs, and client reports?

Important! Unless otherwise indicated, items and locations referenced in this document are in the **Results –** **Analyze Goals** – **Scenarios**.

Scenarios

	Current Plan	Recommended Plan
		Alternative 1
	Review	Edit
Modify Financial Data		
Assumptions		Details
Net Worth		
2019 End of Year	$104,566	$116,863
At Plan End	$0	$793
Cash Flow		
2019 Surplus/Deficit	$46,281	$58,735
Pre-retirement	✔ 100%	✔ 100%
Retirement	✘ 92%	✔ 100%
Strategies		Details
Insurance Coverage		Details
Tax Details		Details
Analyze Goals		
Retirement	🟩 92%	🟩 100%
Major Purchase		
Expense	🟥 37%	🟩 100%
Goal Funding		Details

Results — Analyze Goals — Scenarios

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In NaviPlan®, all the clients' financial information and goals are contained within plans listed on the **Plans** (**Plan Management** — **Plan List**). Because in most plans the clients' current financial resources and strategies are insufficient to meet their goals, NaviPlan® includes the **Scenario Manager** tool.

This document focuses primarily on the **Scenario Manager**. The examples in this document were created using a Level 2 Plan with the **Asset Allocation**, **Retirement**, and **Major Purchase** modules selected.

The **Scenario Manager** is the primary tool for creating alternative scenarios to help meet the clients' goals. Scenarios are possible plans that exist within the clients actual (current) plan and represent one possible path the clients may take. Scenarios include additional assumptions and strategies that assist in finding an optimal goal coverage solution.

To further understand how to use the **Scenario Manager**, we will look at a plan for Robert and Sarah that has two goals: retirement and major purchase.

After entering their current financial information in the plan under **Enter Financial Data**, then establish their goals under **Set Goals**, goals can be analyzed on the **Scenarios** page.

> **DID YOU KNOW?** Because the **Current Plan** scenario is read-only, it can only be modified by entering changes under **Enter Financial Data**, and not in the **Scenario Manager**.

What is the difference between the Current Plan and the Recommended Plan scenarios?

After entering the clients' current financial information and goals in the plan, two scenarios appear and can be compared on the **Scenarios** page.

The **Current Plan** scenario is on the left. This scenario is read-only, consisting of data you entered under **Enter Financial Data** and **Set Goals**. NaviPlan® uses this data to project the ability of the current financial resources and strategies to achieve the clients' goals. To review the details for the current plan, click **Review Current Plan**.

Returning to the plan for Robert and Sarah, we can see that their **Current Plan** only achieves 92% **Goal Coverage** for retirement and 37% for major purchase. In addition, they have a significant current year cash flow surplus and successful pre-retirement cash flow. This indicates that, as a strategy to achieve 100% **Goal Coverage**, additional savings may be possible. However, before applying a cash flow surplus to a goal, it is important to make sure that the surplus is realistic.

On the **Scenarios** page or in the **Scenario Manager**, the other scenario that appears is the **Recommended Plan**, named, by default **Alternative 1**. All settings in this scenario can be modified to allow you to perform What-if analyses and create an optimal scenario to help your clients achieve their goals. For retirement, education, and major purchase goals, NaviPlan® reallocates each goal's funding accounts to match the goal's suggested asset allocation, or, its **Investment Objective**.

Returning to the **Scenarios** page for Robert and Sarah's **Recommended Plan** scenario, we can see that after reallocating the goal's funding accounts to the specified **Investor Profile**, their retirement goal coverage are the same. They have a significant year-end cash flow surplus and successful pre-retirement cash flow, again indicating additional savings may be possible to achieve 100% coverage.

How can the Scenario Manager feature create an optimal Recommended Plan scenario?

By default, NaviPlan® reallocates the clients' retirement, education, and major purchase goal funding accounts to match the suggested asset allocation, or, the **Investment Objective**, specified for the goal. However, in many cases, other strategies are needed to meet the clients' goals and create an optimal recommended plan.

For this reason, and because the solutions to meet clients' goals can differ significantly between clients, the fields in the **Scenario Manager** for the **Recommended Plan** scenario are editable for both financial data and goals. For example, while for one set of clients, the solution to meeting their goal may be additional monthly savings before retirement, for another, it may be working part-time during retirement.

After clicking a **Goal Coverage** percentage under **Analyze Goals** on the **Scenarios** page, the **Scenario Manager** opens to the selected goal. For these goals, NaviPlan® offers the ability to create simple one-step solutions or model complex strategies.

The first set of options is available by clicking **What Are My Options?** to open a dialogue box in which NaviPlan® presents simple one-step system-generated solutions to achieve 100% **Goal Coverage**. For example, you can choose to either **Save Monthly** or **Save a Lump Sum**. Selecting either option will achieve 100% **Goal Coverage**.
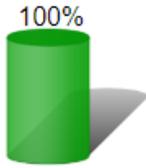
In cases where the solutions presented under **What Are My Options?** are not optimal, NaviPlan® offers slider bars, as well as the ability to enter values directly for specific variables. Using similar variables to **What Are My Options?**, you can customise the strategy by changing two or more options. For example, using the slider bars, a solution with **Additional Monthly Savings** and **Additional Lump Sum Savings** is possible. In contrast to the solutions under **What Are My Options?**, which achieve 100% goal coverage, you can adjust the goal coverage percentage using the slider bars or entering values directly. The **Goal Coverage** graph will update immediately.

Returning to the plan for Robert and Sarah, we can see that by implementing strategies in the **Recommended Plan** scenario, the goals now show 100% coverage. We achieved this for retirement by using the slider bar to raise their **Retirement Age**'s to 72 and increasing **Additional Monthly Savings** by $242.

Edit <plan> — Retirement

For their major purchase, we achieved this by adjusting the slider bars under **Additional Monthly Savings** to $261 and changing the Purchase Date to 2025.

Edit <plan> — Major Purchase

In addition, while these strategies reduce their surplus, their pre-retirement and retirement cash flow is successful.

Lastly, in cases where an optimal strategy cannot be found using the fields at the top of the box, strategies can be entered using the tabs at the bottom. For example, in the case of a retirement goal, under **Liquidation Order**, you can change the order in which assets are liquidated and even create a blended withdrawal strategy to suit the clients' needs.

In most cases, creating an optimal solution is two-fold. This involves finding solutions to meet clients' goals, then ensuring that clients can financially support these solutions. In the **Scenario Manager**, under **Modify Financial Data**, you can easily monitor cash flow and net worth.

After making recommendations in the **Recommended Plan** scenario, the summary table on the **Scenarios** page updates to reflect our changes.

Scenarios

What are alternative plan scenarios and when might they be used?

By default, the **Scenarios** page includes the **Current Plan** and **Recommended Plan** scenarios. If the clients want to consider another set of options to meet their goals, click **Create Alternative** to model an alternative plan scenario.

> **DID YOU KNOW?** It is a good practice to rename alternative scenarios to reflect the type of scenario being created. For example, you might create a scenario for retirement named "Retire Later."

After entering an **Alternative Name**, use the **Create Alternative** dialogue box to build the foundation of the alternative scenario. In addition, just as in the **Recommended Plan** scenario, all fields in this scenario are editable.

Scenarios — Create Alternative

In cases where the options entered in an alternative scenario provide a more optimal solution to the clients' goals, click **Recommend Plan** to change that scenario to being the **Recommended Plan**.

How does NaviPlan® reflect scenarios in reports, graphs, and client reports?

When generating stand-alone reports or graphs from the **Reports** menu, choose the **Scenario** on which to base the report or graph in the **Assign Settings** dialogue box.

Select Plan Data for Reports

| Alternative Scenarios | Major Purchase Goals |

Select the alternative scenarios to be included in the reports from the lists below.

Scenario	Scenario Name
Current	Current Plan
Recommended (Proposed)	Alternative 1
Alternative A	
Alternative B	

Client Reports — Select Plan Data

DID YOU KNOW? From within a report or graph window, two scenarios (e.g., **Current Plan** and **Recommended Plan**) can be compared. Click **Duplicate** at the top of the window to create a copy, then select an alternative scenario under **Report Settings** at the bottom of the window.

When generating stand-alone reports or graphs, NaviPlan® offers the ability to compare two scenarios. When generating client reports, NaviPlan® automatically compares the Current Plan scenario to the Recommended Plan scenario. In some cases, the Recommended Plan scenario is referred to as the Proposed Plan. This is generally due to workflow policies which may vary from user to user.

DID YOU KNOW? In client reports, up to four scenarios can be included. By default, the **Current Plan** and the **Recommended Plan** scenarios are always included. To include alternative scenarios, add the alternatives under **Include Alternatives in Reports**, accessible from the **Scenarios** page.

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