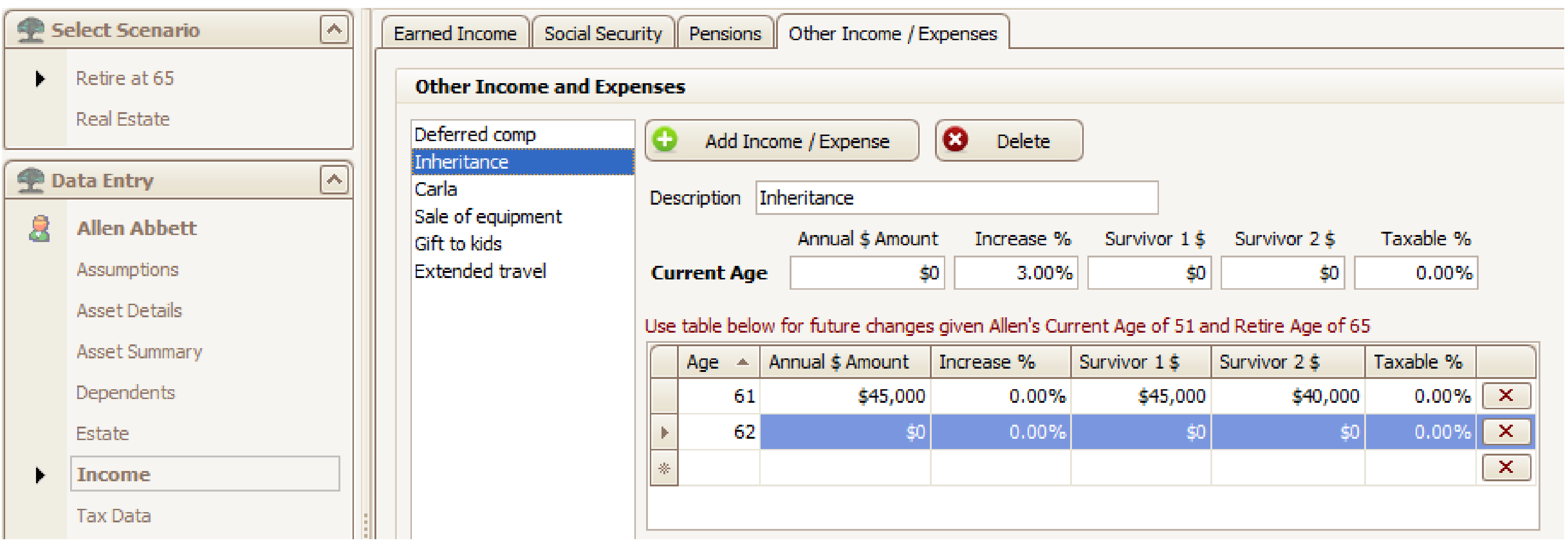
TOTAL Planning Suite

Age Change Tables Tutorial



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Age Change Concept

- Much of the data used in preparing a financial plan involves modeling of current rates or values along with future changes.

- The "Age Change" tables allow you to easily account for anticipated or scheduled changes.

- Age change tables are available to schedule changes in Asset Details, Earned Income, Expenses, and more!

Age Change Process

- In most cases you will be asked to enter a “Current” rate or amount (rate of return, earned income, etc.) and a corresponding rate or value at the “Retirement age.”
- If the value will not change, then no further entries are required.
- If the value will change one or more times in the future, then you may go to the age change table, enter the age when the change will take place, and enter the new value at that age.
- Entries in the age tables will override the Current or Retirement age lines depending on your input.

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Age Change Topics

- The following items use the “Age Change” method:
  - Asset Details, Monthly Additions/Withdrawals tab
  - Asset rates of return overrides, located on the Rate Changes tab from the Asset Summary Input
  - Earned income, Social Security, Pensions, and Other Income/Expenses
  - Tax Data and Itemized Deductions
  - Life insurance and Misc. Insurance (see the “Worksheet” tab)
  - Personal Expenses
  - Expenses in the Rental Real Estate section

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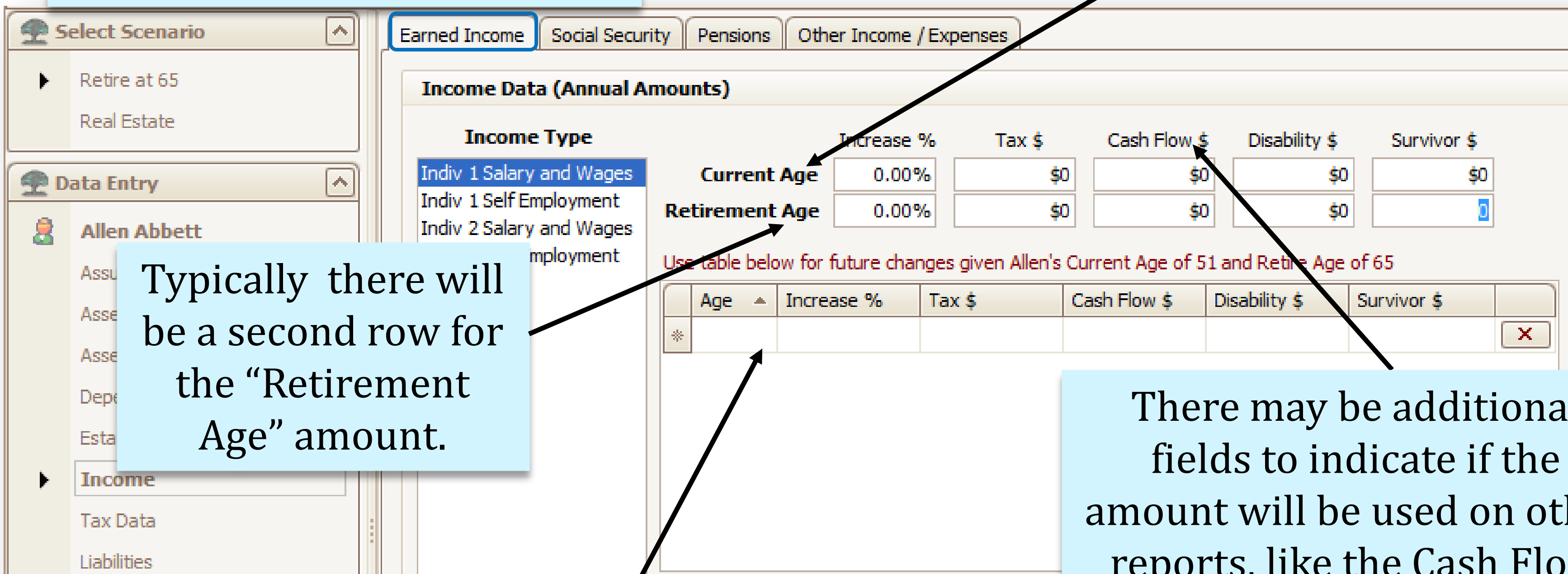
Age Change Common Features

Inputs with 'Age Change' tables will generally have the same common features.

There will be a row to enter the "Current" income, expense or amount.



Typically there will be a second row for the "Retirement Age" amount.

There may be additional fields to indicate if the amount will be used on other reports, like the Cash Flow and Disability and Survivor fields on this form.

If the form allows for future changes, then you will see an "Age change event table" like this.

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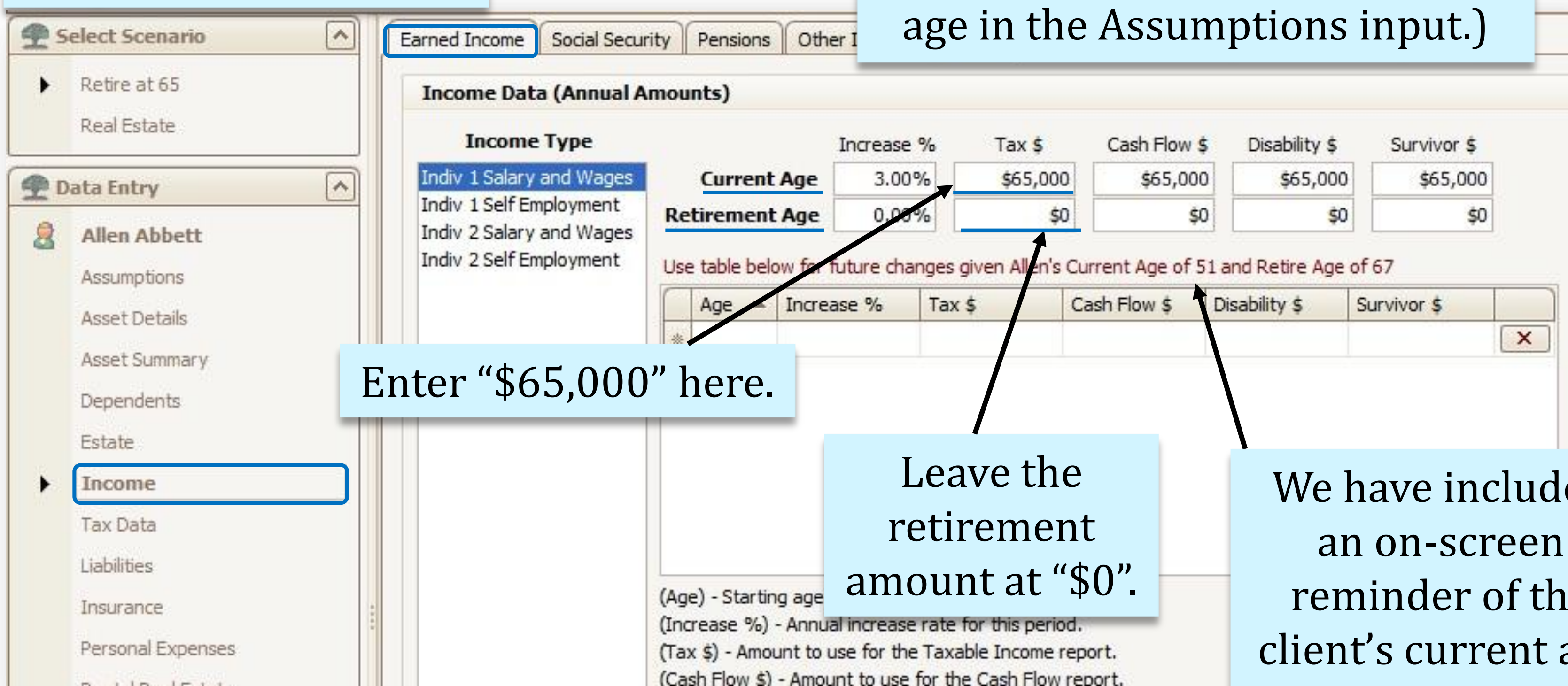
How it Works

We'll start with a basic example: Salary and Wages for individual 1.

This client is earning $65,000 per year, increasing at 3% per year, and will stop earning at age 67 (indicated as the retirement age in the Assumptions input.)



Enter "$65,000" here.

Leave the retirement amount at "$0".

We have included an on-screen reminder of the client's current age and retirement age.

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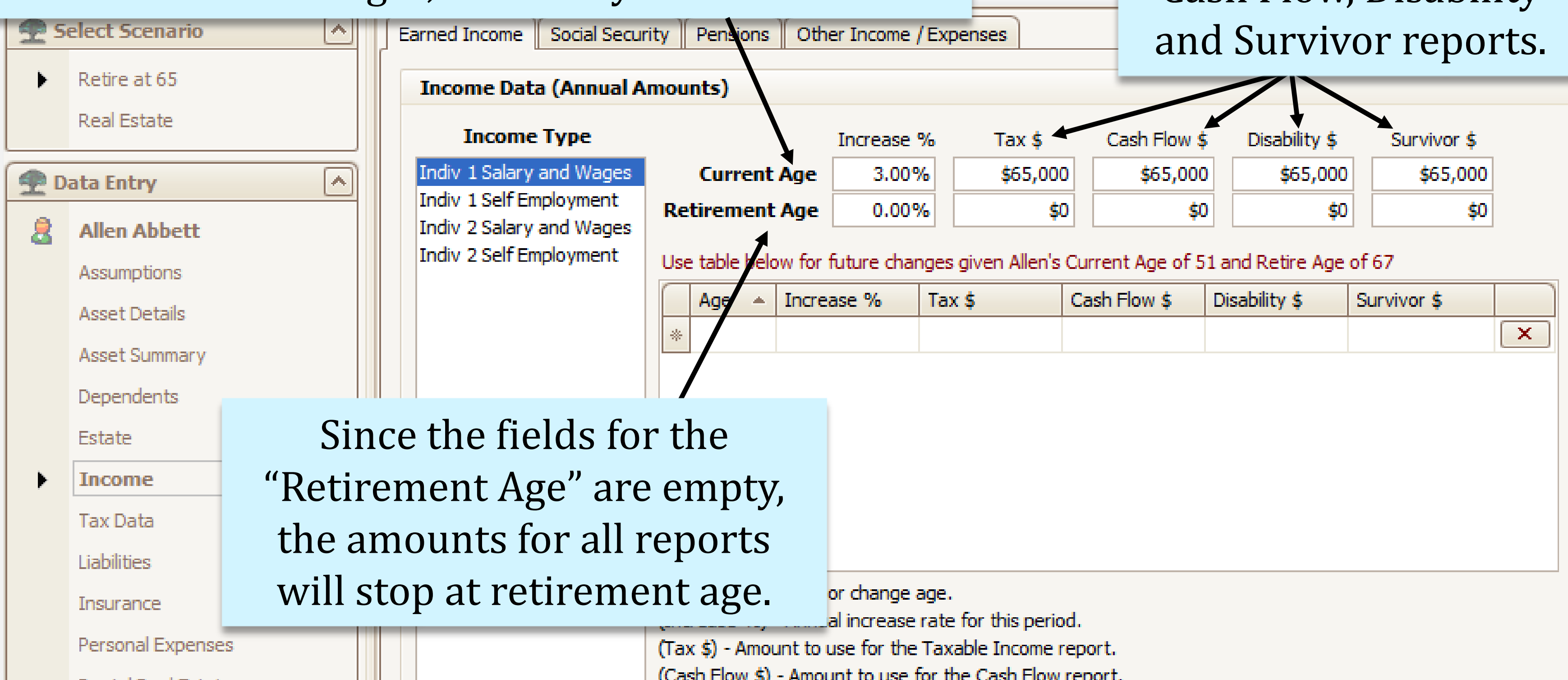
No Changes in the Age Table

This tells the program to start income now at $65,000, increase it every year by 3% and stop the income at Individual 1's retirement age.

If there are no changes, that's all you need to enter.

You can also indicate the amount of earned income to show on the Cash Flow, Disability and Survivor reports.



Since the fields for the "Retirement Age" are empty, the amounts for all reports will stop at retirement age.

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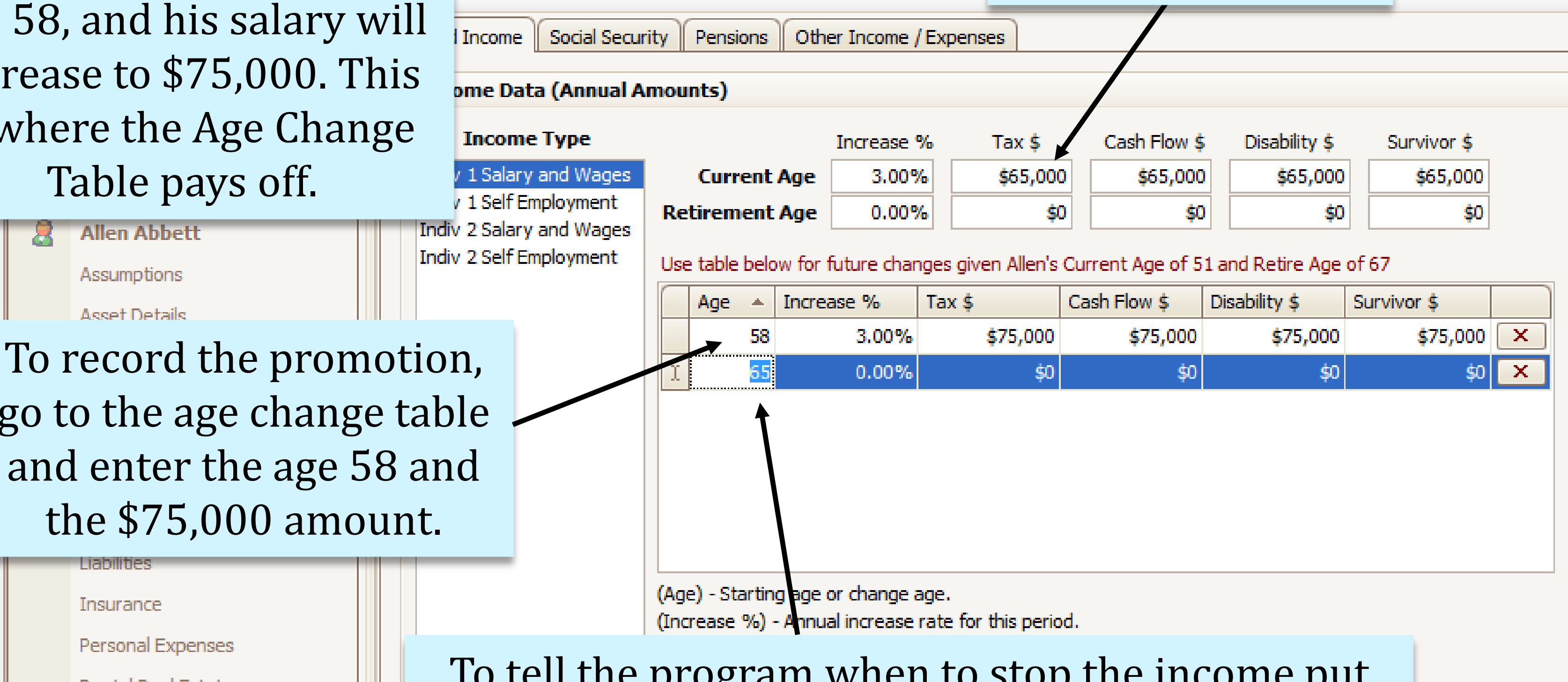
Single Change

Let's assume the client anticipates a promotion at age 58, and his salary will increase to $75,000. This is where the Age Change Table pays off.

Income starts now at $65,000.



To record the promotion, go to the age change table and enter the age 58 and the $75,000 amount.

To tell the program when to stop the income put an age on the next line and set the amount to "$0".

NOTE: If you do not enter in the "Stop age" then the income will run through life expectancy.

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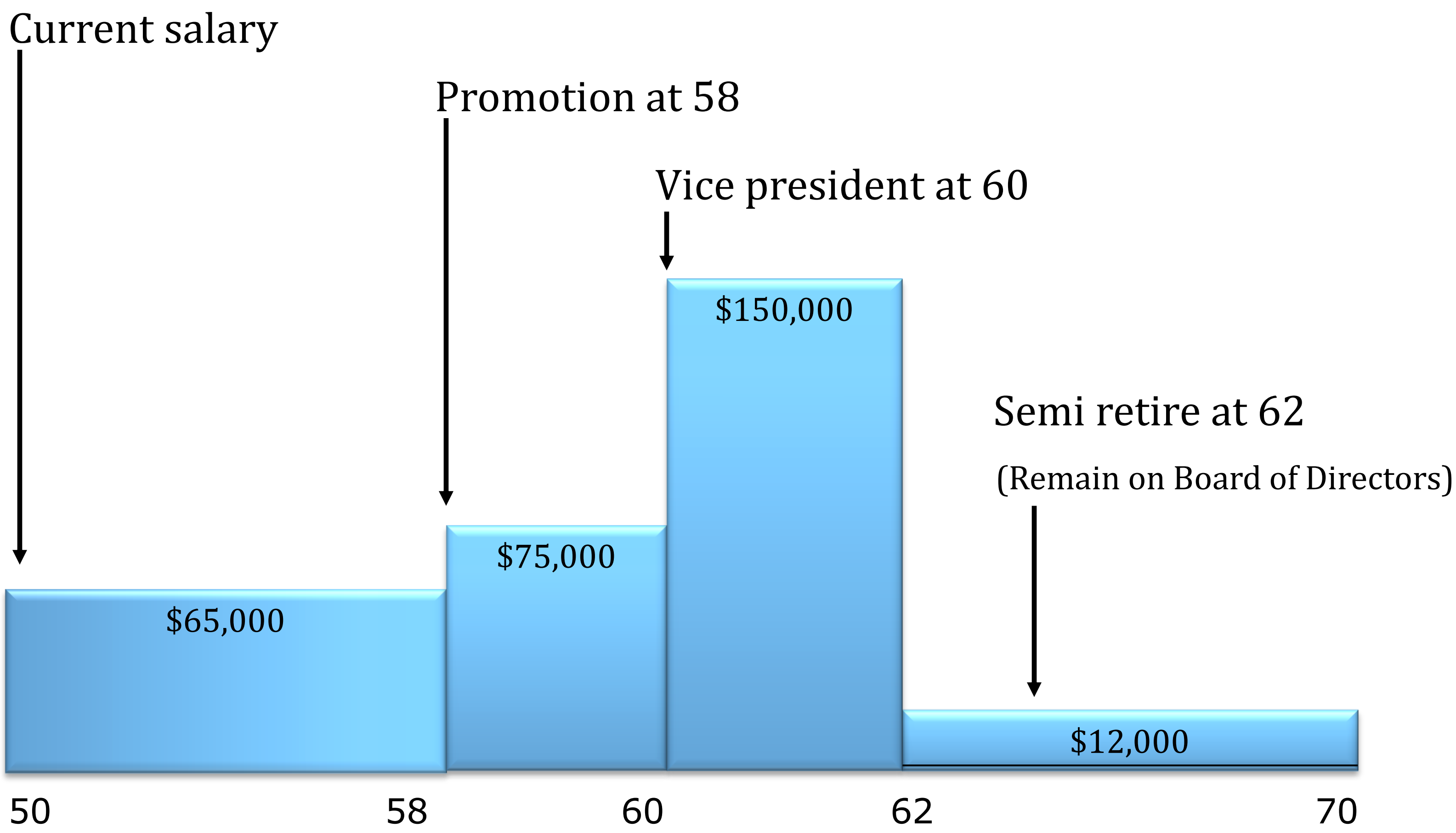
Moving Target



In the next 2 slides we will show you how to create this scenario.

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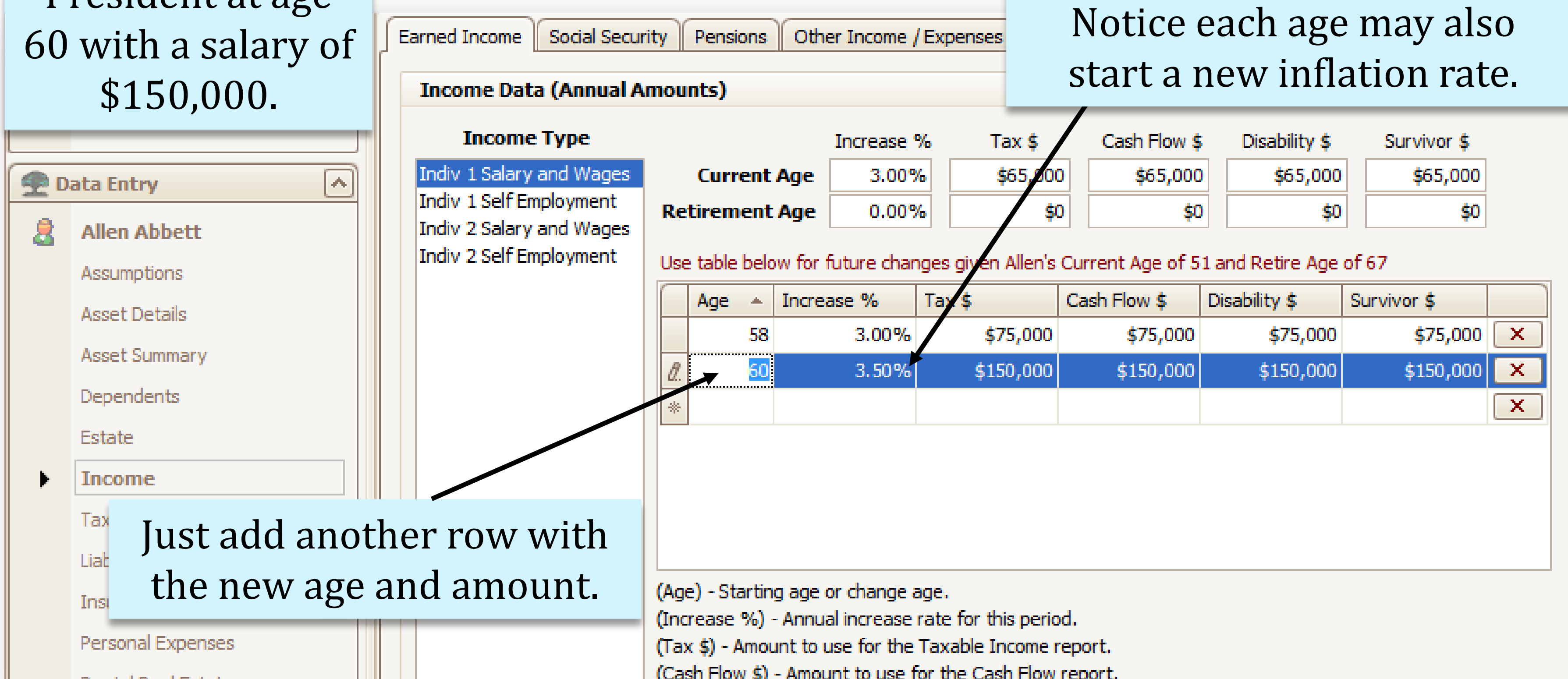
Multiple Changes

Now let's promote the client to Vice President at age 60 with a salary of $150,000.



Notice each age may also start a new inflation rate.

Just add another row with the new age and amount.

Continue to the next slide for the next change in income for the scenario.

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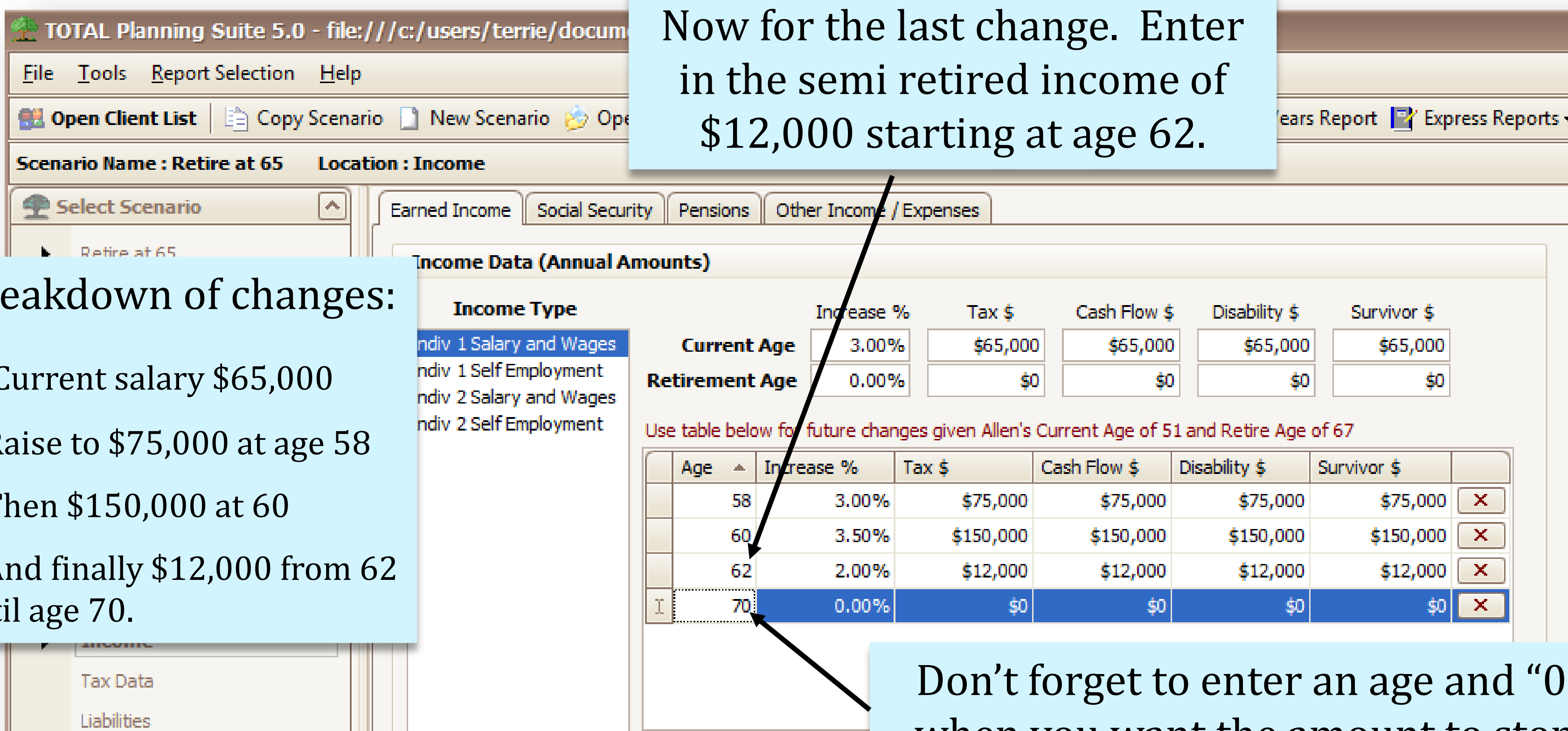
Multiple changes



Now for the last change. Enter in the semi retired income of $12,000 starting at age 62.

Breakdown of changes:

- Current salary $65,000
- Raise to $75,000 at age 58
- Then $150,000 at 60
- And finally $12,000 from 62 until age 70.

Don't forget to enter an age and "0" when you want the amount to stop.

NOTE: The client's retirement age in the Assumptions is set to age 67. Since we have scheduled income in the Age Table to still happen after the retirement age in the program, we will see this $12,000 of income coming in even when the "Retirement Age" line above is set at $0. Remember that the age table is an override.

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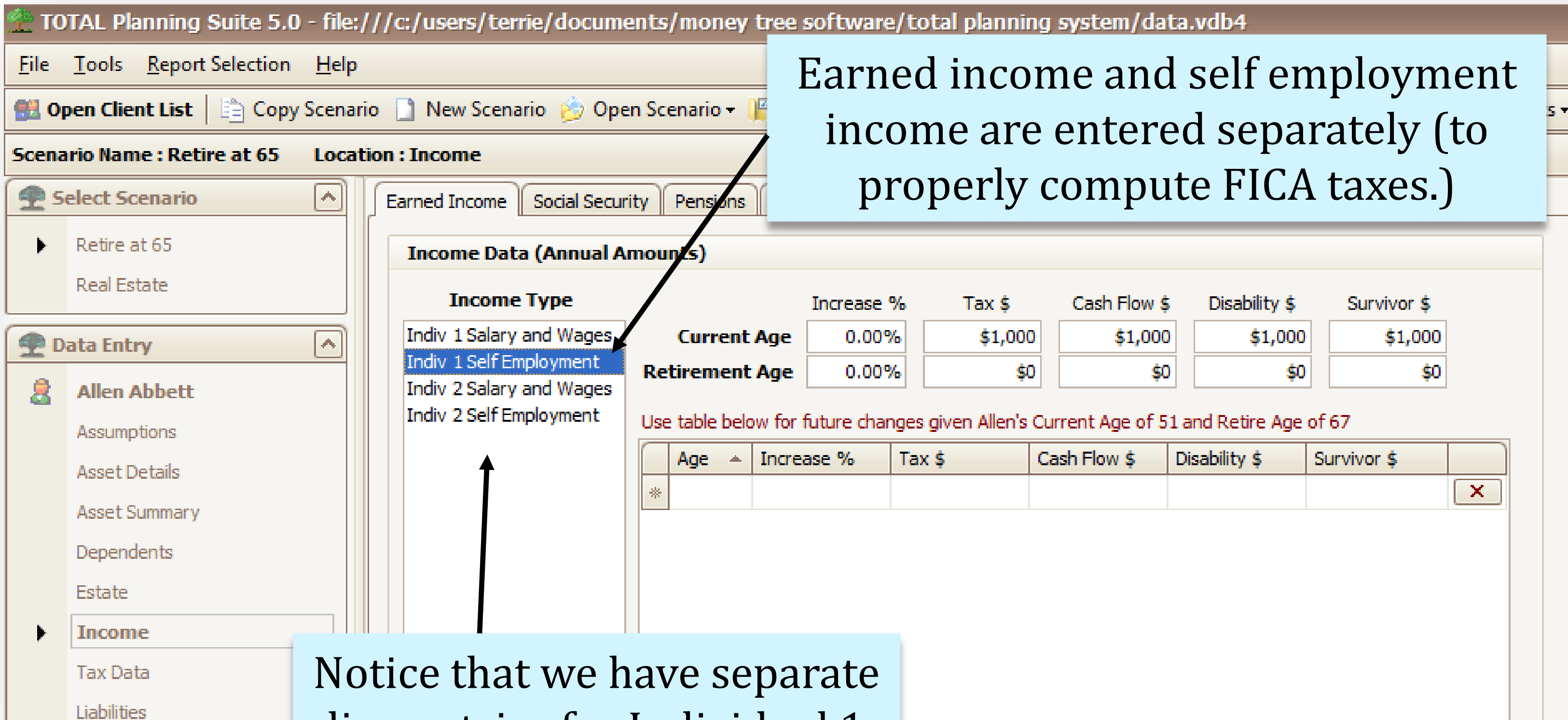
Separate Earned Income Types



Earned income and self employment income are entered separately (to properly compute FICA taxes.)

Notice that we have separate line entries for Individual 1 and Individual 2.

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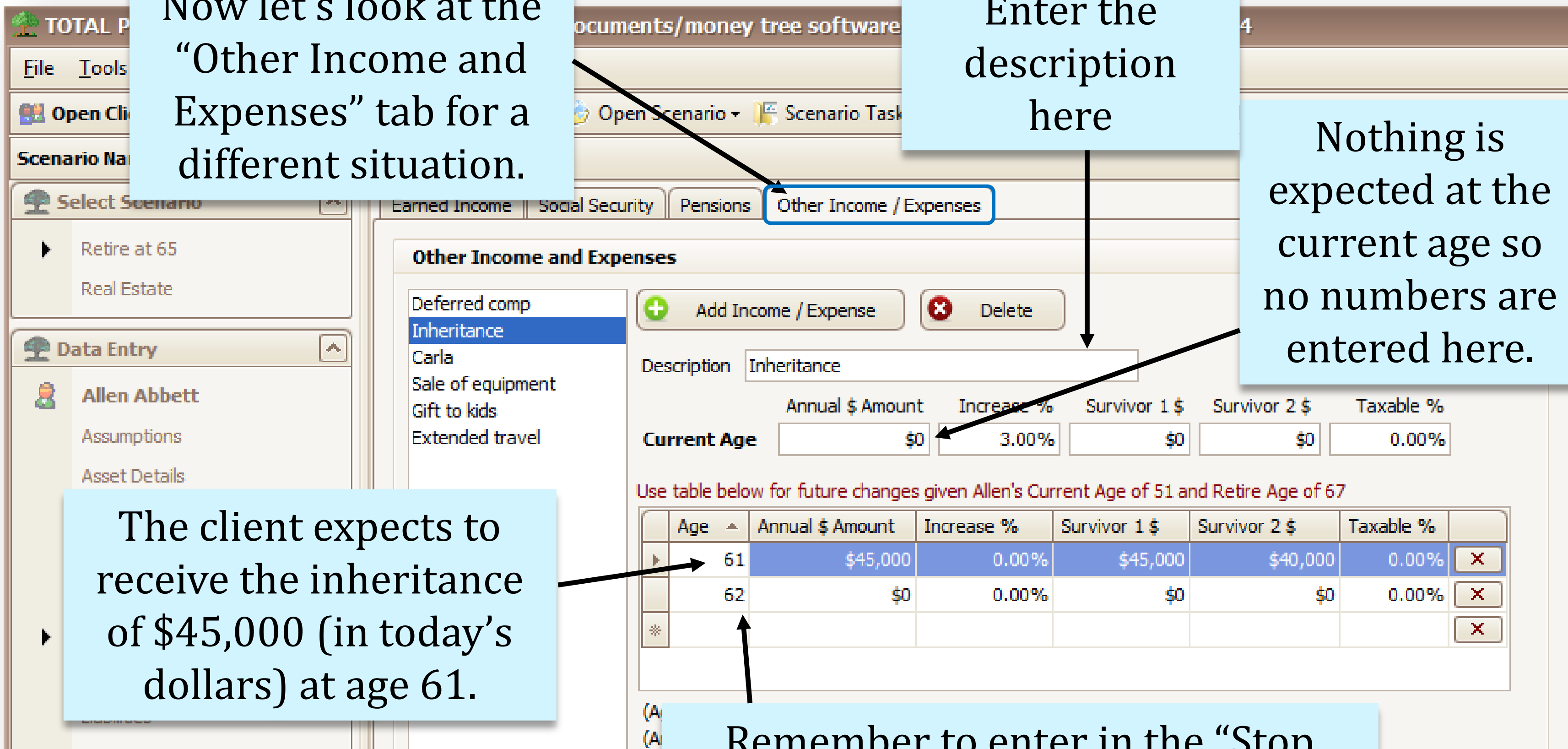
Future event



Now let's look at the "Other Income and Expenses" tab for a different situation.

Enter the description here

Nothing is expected at the current age so no numbers are entered here.

The client expects to receive the inheritance of $45,000 (in today's dollars) at age 61.

Remember to enter in the "Stop Age" to flag this as a one year event.

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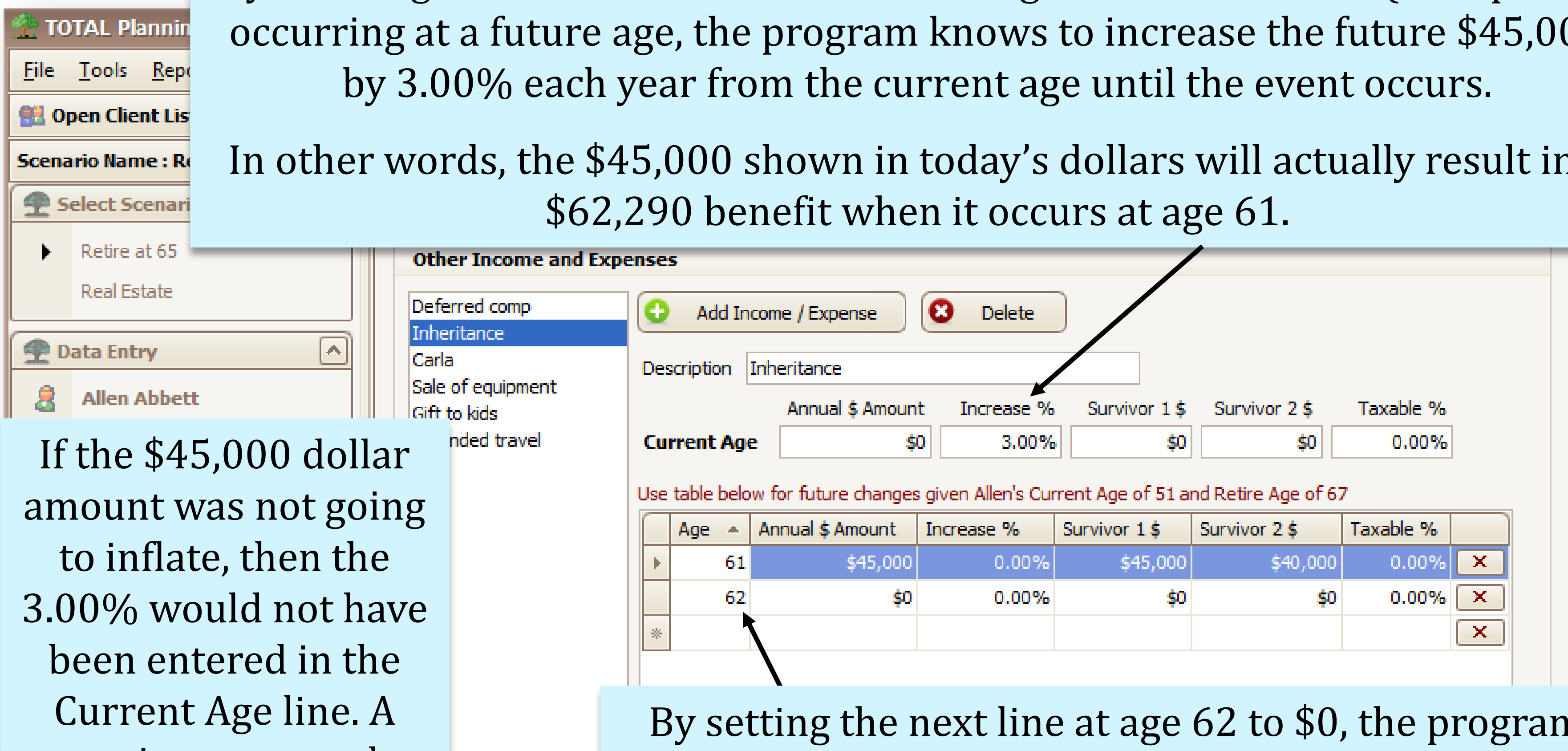
Future Event – Cont.

By showing an inflation rate at the current age, with the income (or expense) occurring at a future age, the program knows to increase the future $45,000 by 3.00% each year from the current age until the event occurs.

In other words, the $45,000 shown in today's dollars will actually result in a $62,290 benefit when it occurs at age 61.



If the $45,000 dollar amount was not going to inflate, then the 3.00% would not have been entered in the Current Age line. A negative rate may be entered if the amount is expected to reduce over the years.

By setting the next line at age 62 to $0, the program will know that this is a one-year item and will not repeat it. This is what we refer to as a "Stop Age".

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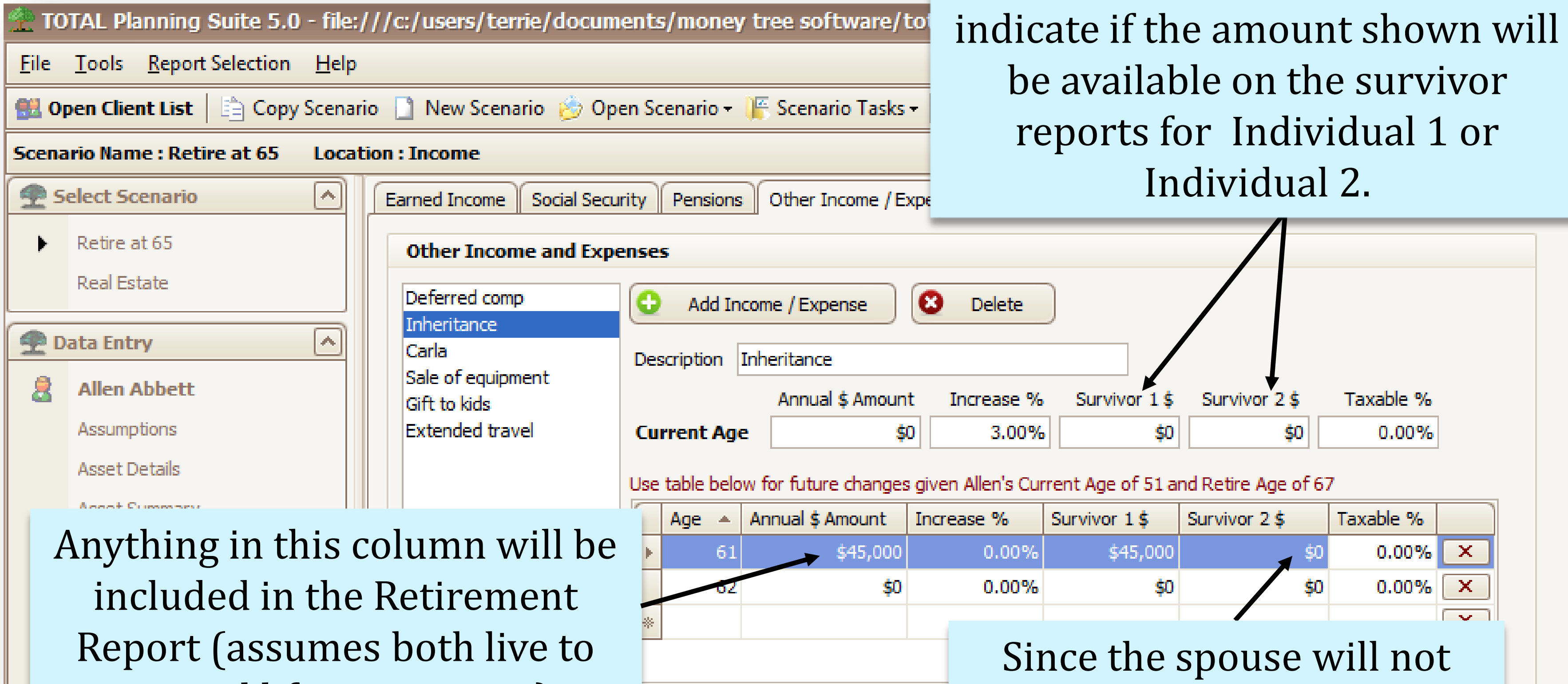
Other Income - Survivor



These two fields are used to indicate if the amount shown will be available on the survivor reports for Individual 1 or Individual 2.

Anything in this column will be included in the Retirement Report (assumes both live to normal life expectancy.)

Since the spouse will not receive the inheritance if Individual 1 dies, the Survivor 2 field is left blank.

Note: *The Survivor report amounts apply only to Easy Money.*

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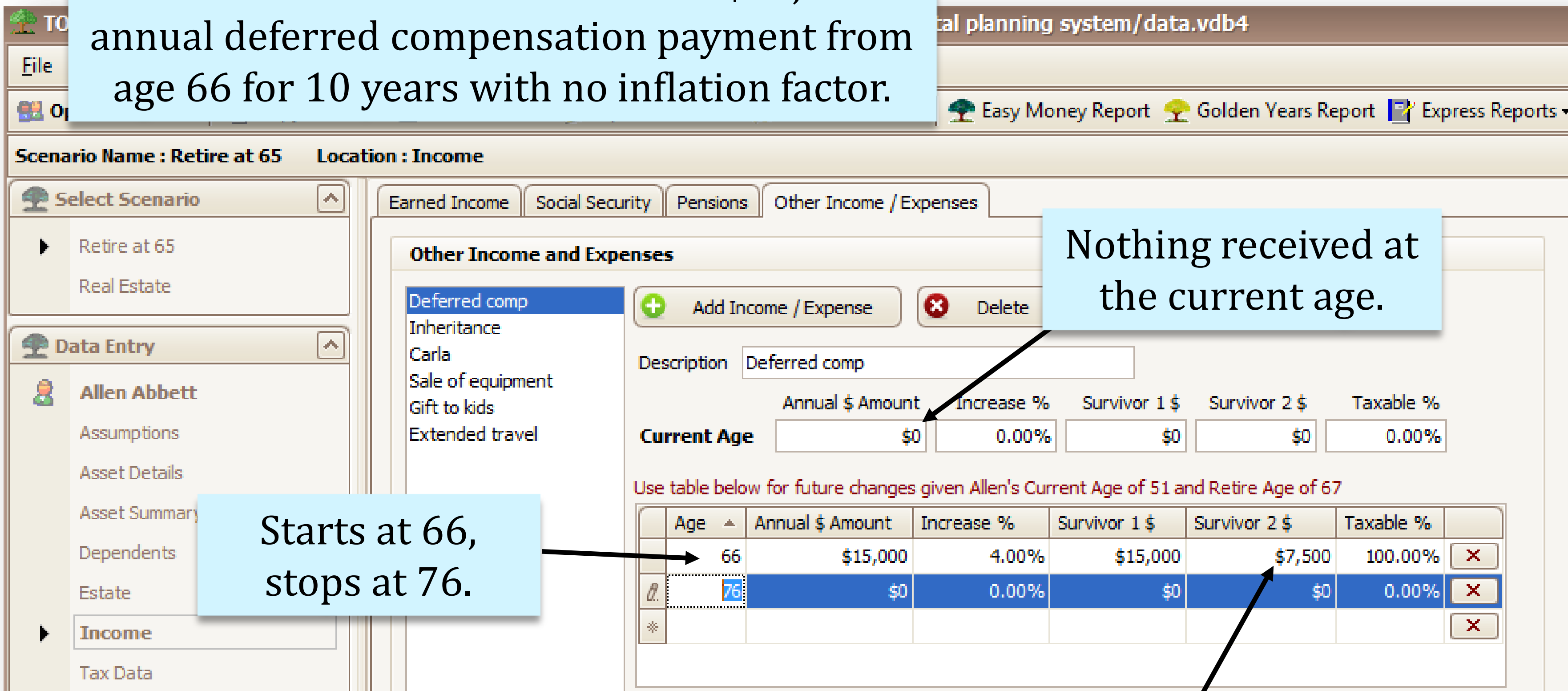
Future Event – Multiple Years

Situation: The client will receive $15,000 annual deferred compensation payment from age 66 for 10 years with no inflation factor.



Nothing received at the current age.

Starts at 66, stops at 76.

Notice that if Ind. 1 is a survivor, the benefit will be the full $15,000, but if Ind. 2 is the survivor the plan says the surviving spouse will receive only $7,500 (1/2 of the participant amount.)

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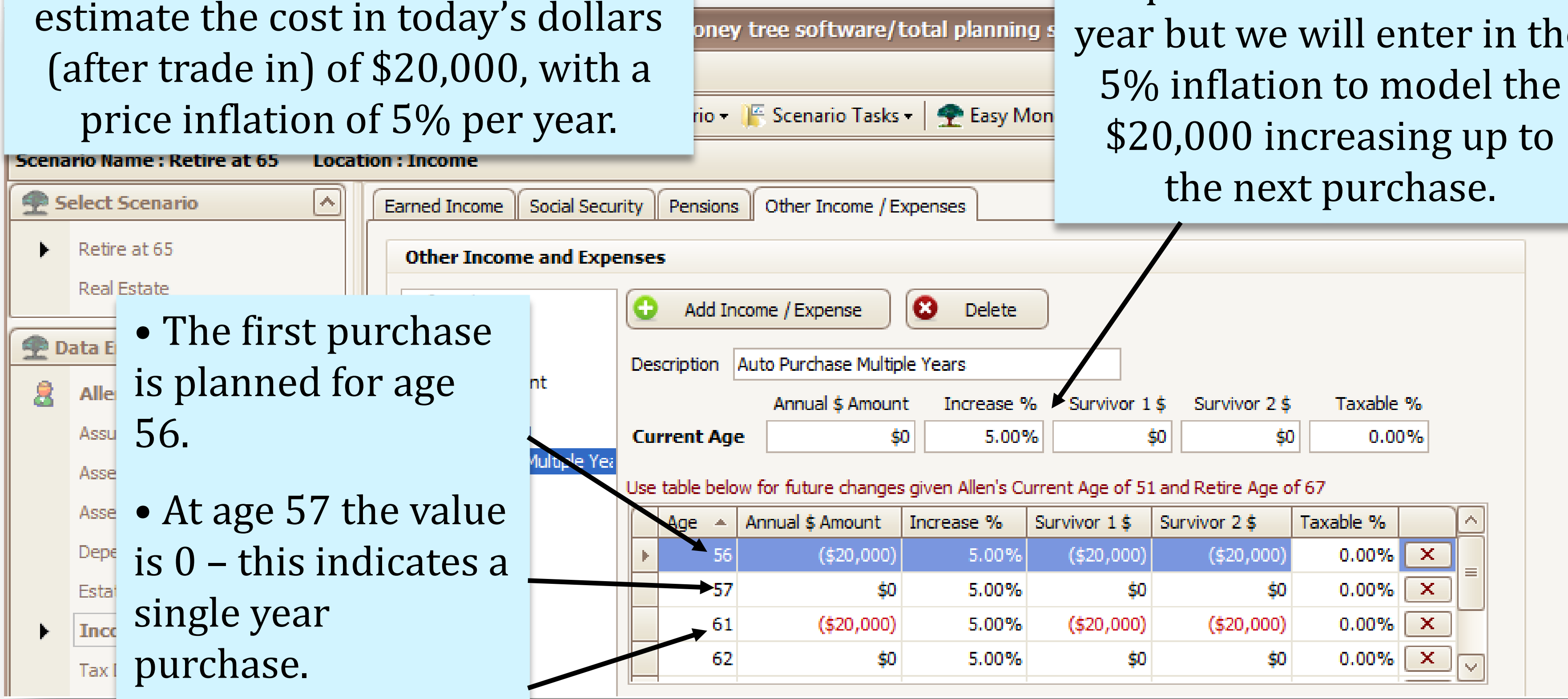
Purchase in Multiple Years

This client wants to plan a new car purchase every 5 years. They estimate the cost in today's dollars (after trade in) of $20,000, with a price inflation of 5% per year.

These entries tell us there is no purchase in the current year but we will enter in the 5% inflation to model the $20,000 increasing up to the next purchase.



- The first purchase is planned for age 56.
- At age 57 the value is 0 – this indicates a single year purchase.
- Then at age 61 another single year purchase happens.

Remember to enter the "Stop Ages" after each purchase.

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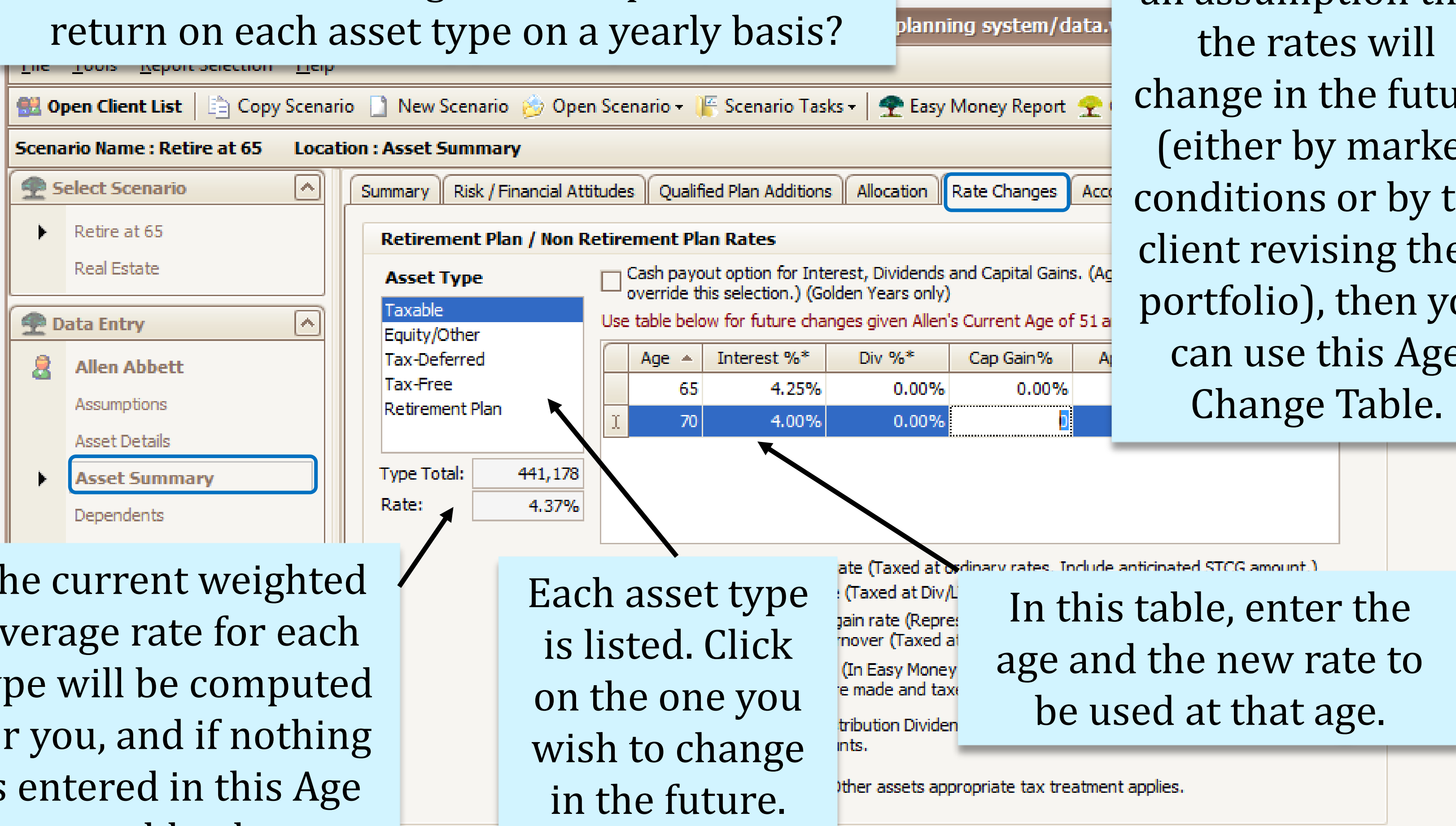
Asset Rate Changes

How about controlling the anticipated rate of return on each asset type on a yearly basis?

If you want to make an assumption that the rates will change in the future (either by market conditions or by the client revising their portfolio), then you can use this Age Change Table.



The current weighted average rate for each type will be computed for you, and if nothing is entered in this Age Change table, that rate will be used throughout the report.

Each asset type is listed. Click on the one you wish to change in the future.

In this table, enter the age and the new rate to be used at that age.

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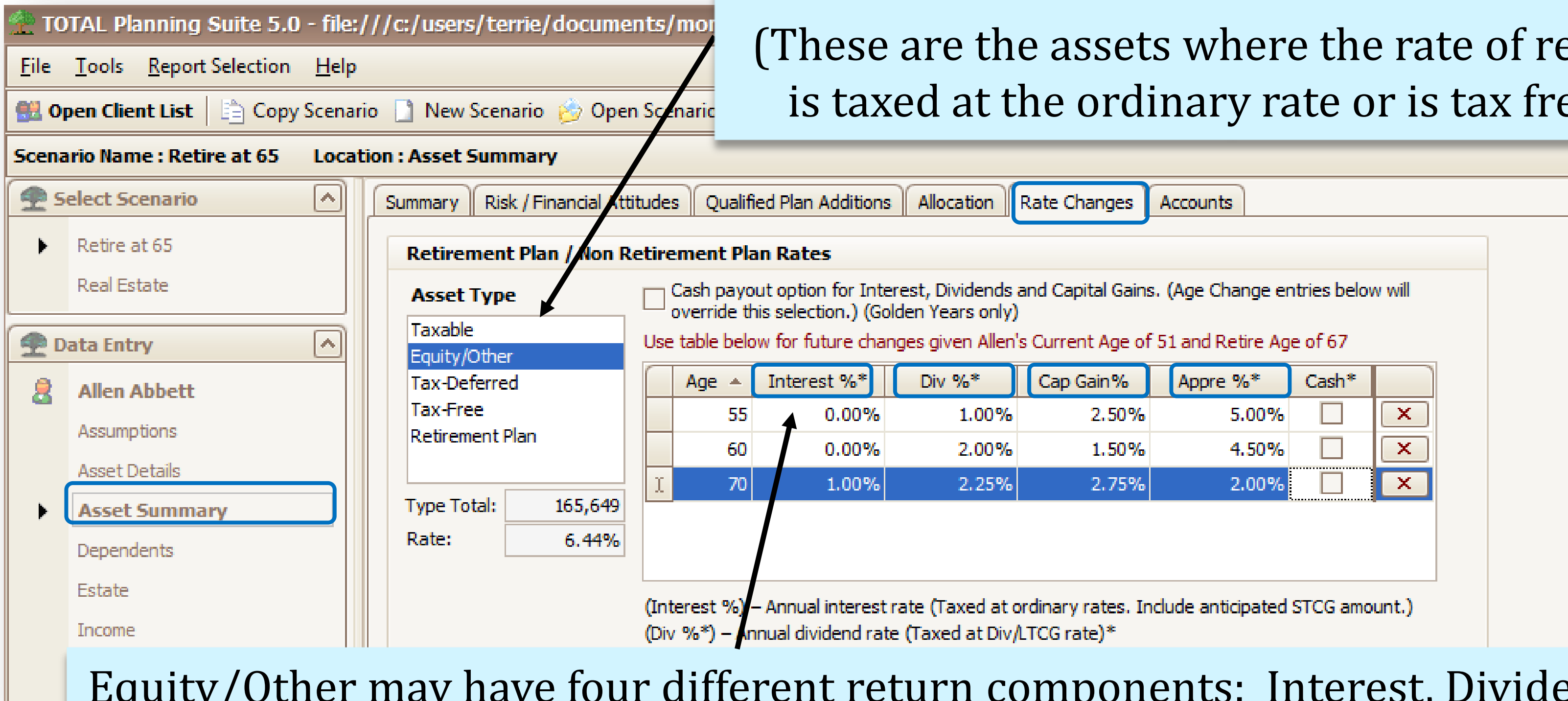
Asset Rates – Cont.

Taxable assets, tax deferred, tax free and retirement assets require only an interest rate.

(These are the assets where the rate of return is taxed at the ordinary rate or is tax free.)



Equity/Other may have four different return components: Interest, Dividends, Capital Gains and Appreciation.

(These are assets like stocks, mutual funds, real estate, etc.)

Each of these may be changed for this part of the clients portfolio at any time.

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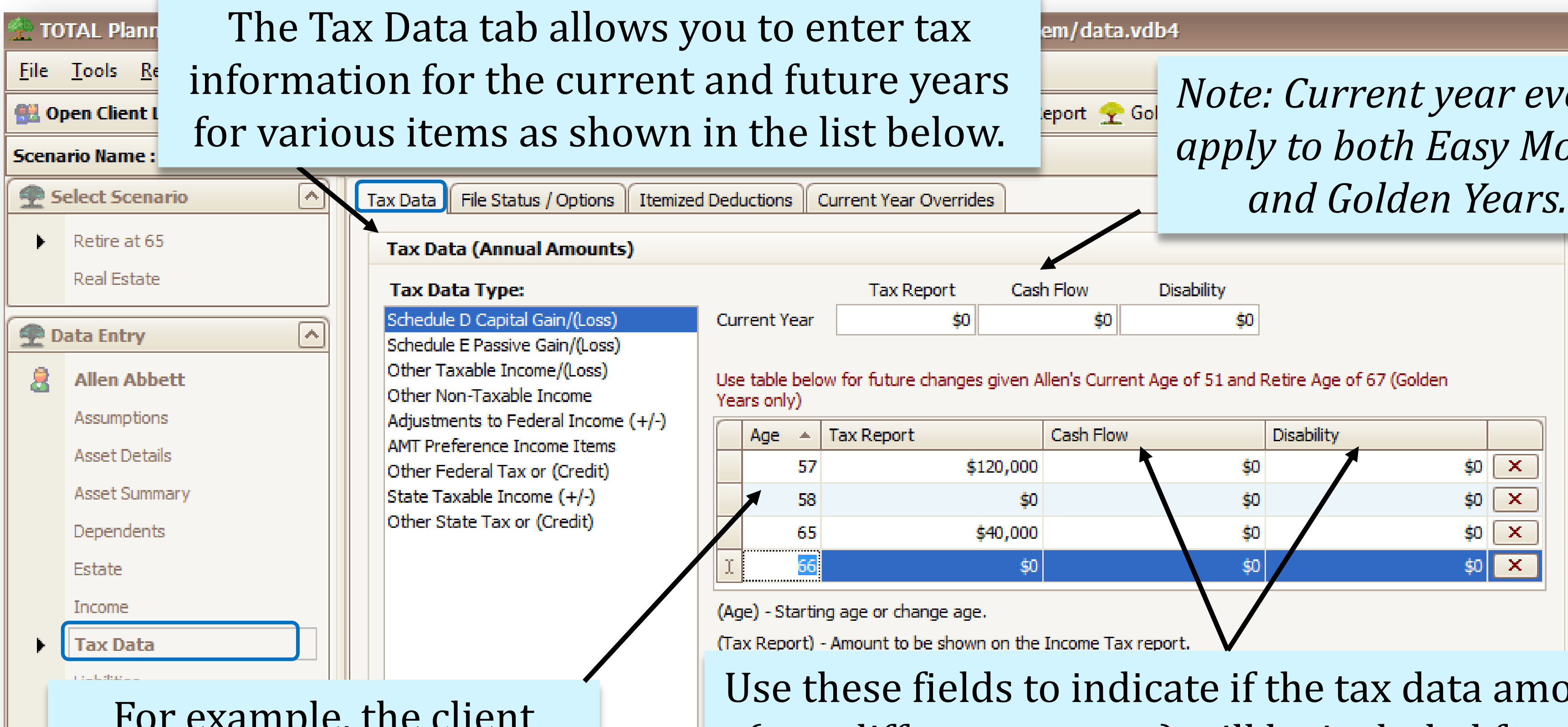
Tax data

The Tax Data tab allows you to enter tax information for the current and future years for various items as shown in the list below.

Note: Current year events apply to both Easy Money and Golden Years.



For example, the client anticipates a reportable capital gain at age 57 and 65 (over and above normal gains that will be computed from the asset projection.)

Use these fields to indicate if the tax data amount (or a different amount) will be included for the Cash Flow or Disability reports.

Note: Disability applies only to Easy Money.

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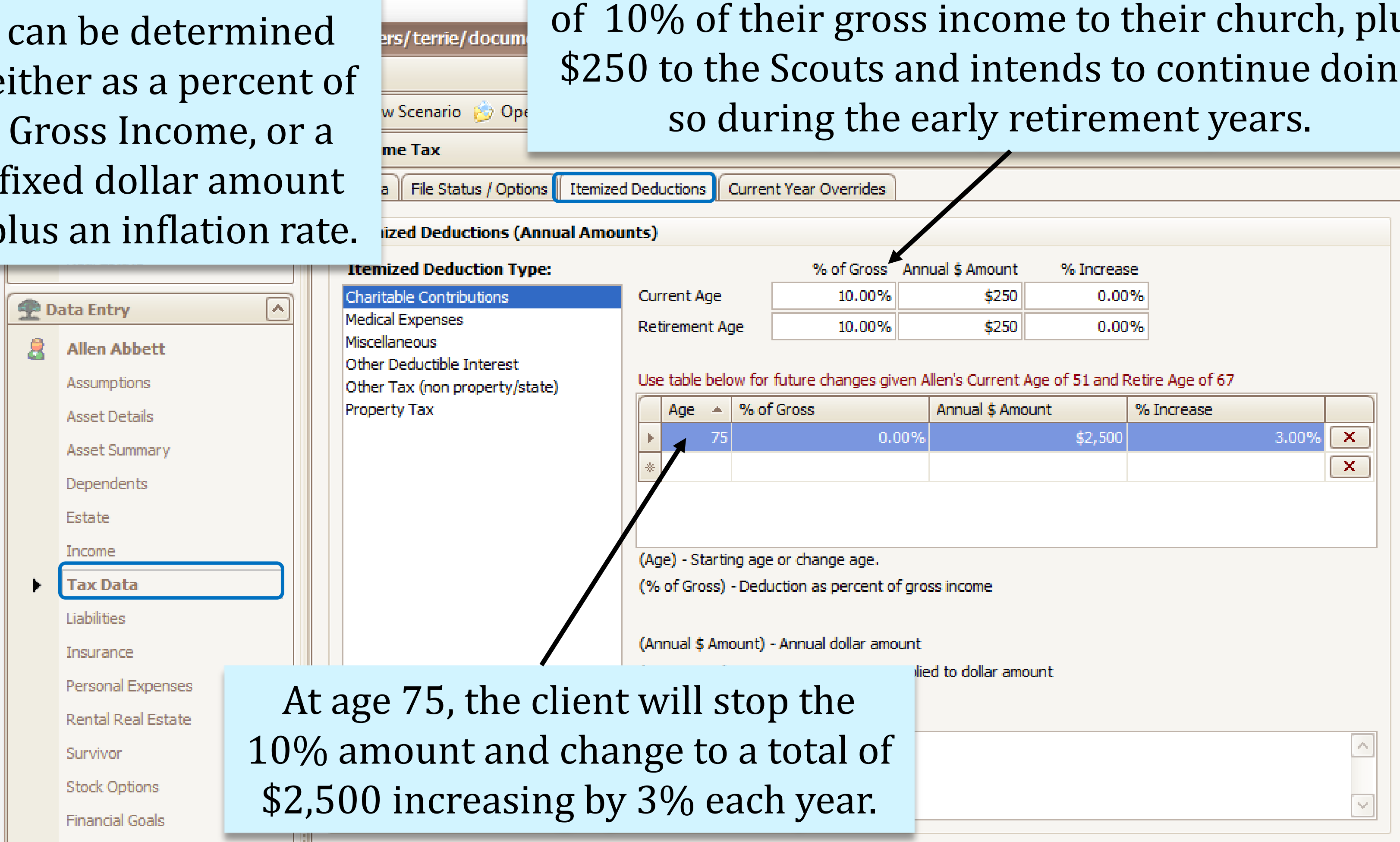
Itemized Deductions

Itemized deductions can be determined either as a percent of Gross Income, or a fixed dollar amount plus an inflation rate.

In this example, the client is making contributions of 10% of their gross income to their church, plus $250 to the Scouts and intends to continue doing so during the early retirement years.



At age 75, the client will stop the 10% amount and change to a total of $2,500 increasing by 3% each year.

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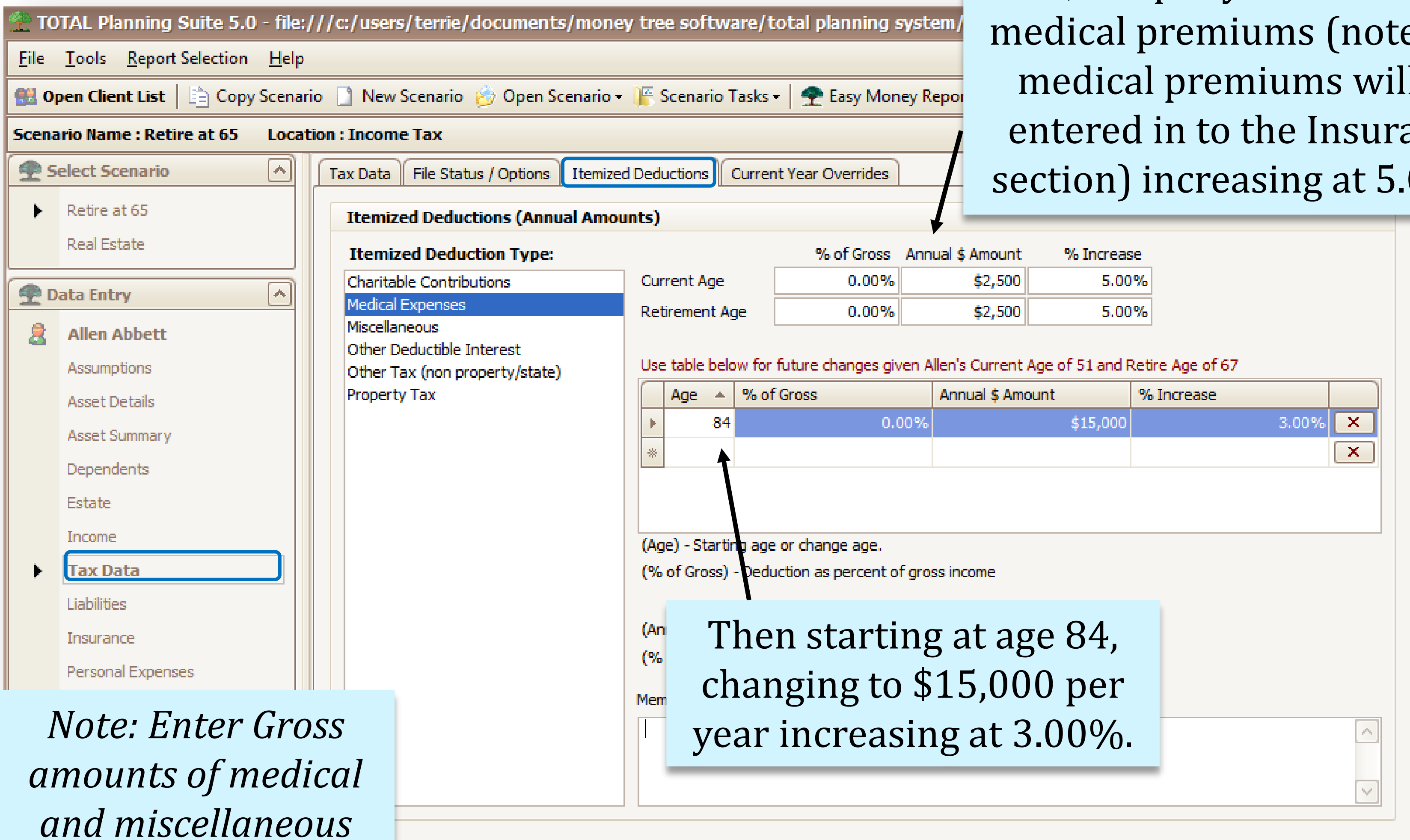
Itemized Deductions – Cont.

In this example, the client anticipates medical expenses of $2,500 per year in excess of medical premiums (note that medical premiums will be entered in to the Insurance section) increasing at 5.00%.



Then starting at age 84, changing to $15,000 per year increasing at 3.00%.

Note: Enter Gross amounts of medical and miscellaneous ID, The programs will determine the allowable amounts.

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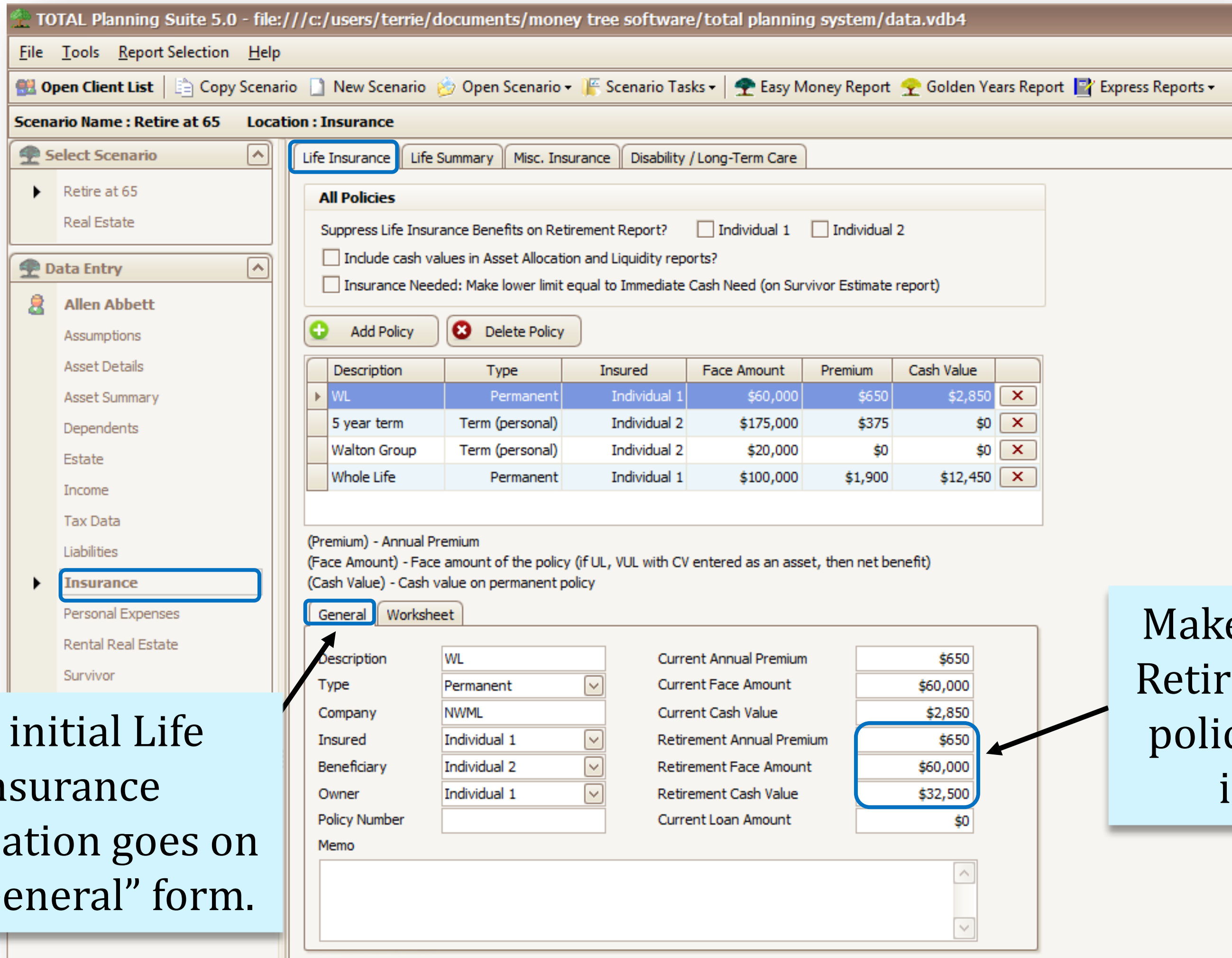
Life Insurance



The initial Life Insurance information goes on this "General" form.

Make sure to fill in the Retirement fields if the policy will show at all in Retirement.

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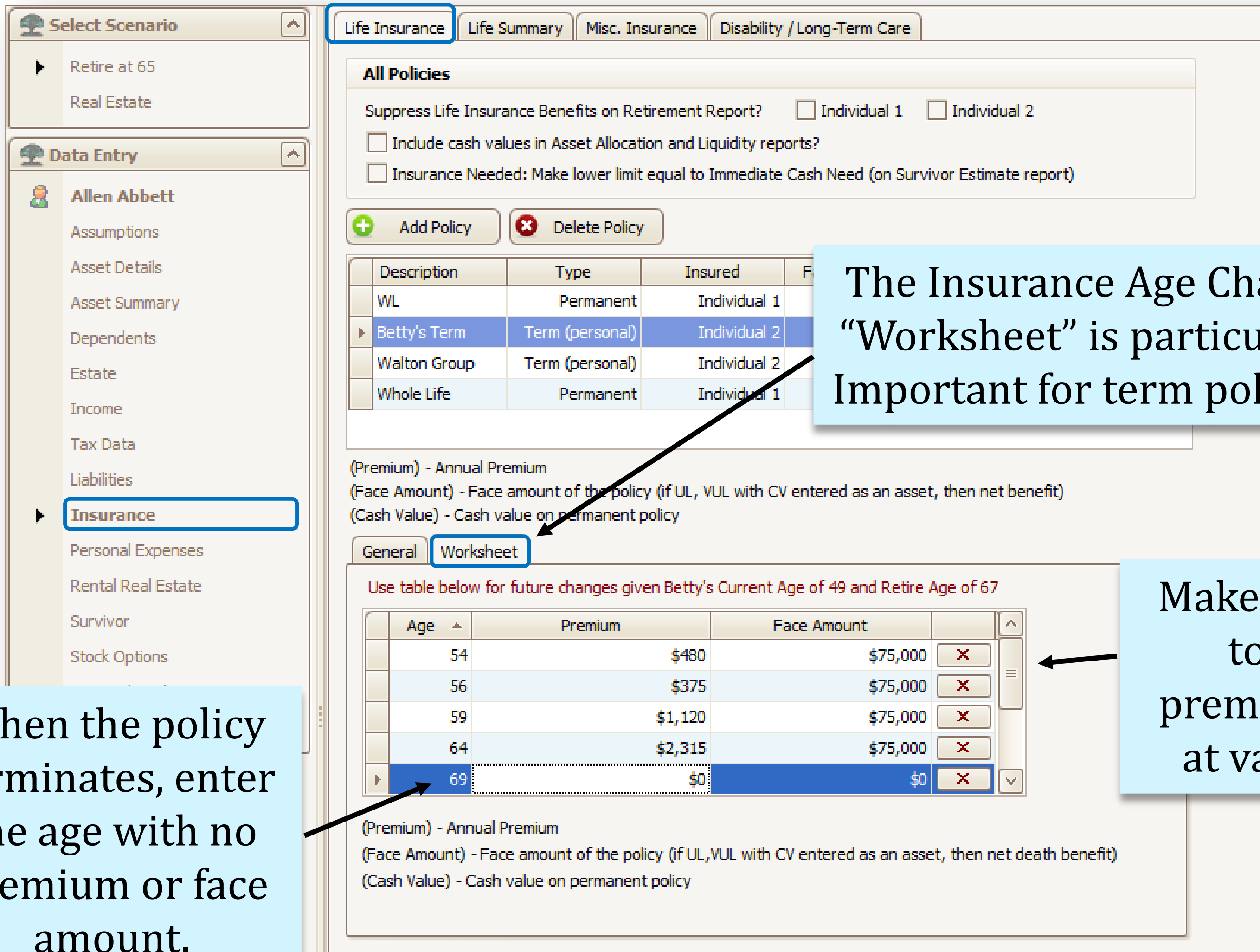
Life Insurance Worksheet



The Insurance Age Change "Worksheet" is particularly Important for term policies.

Make entries here to indicate premium changes at various ages.

When the policy terminates, enter the age with no premium or face amount.

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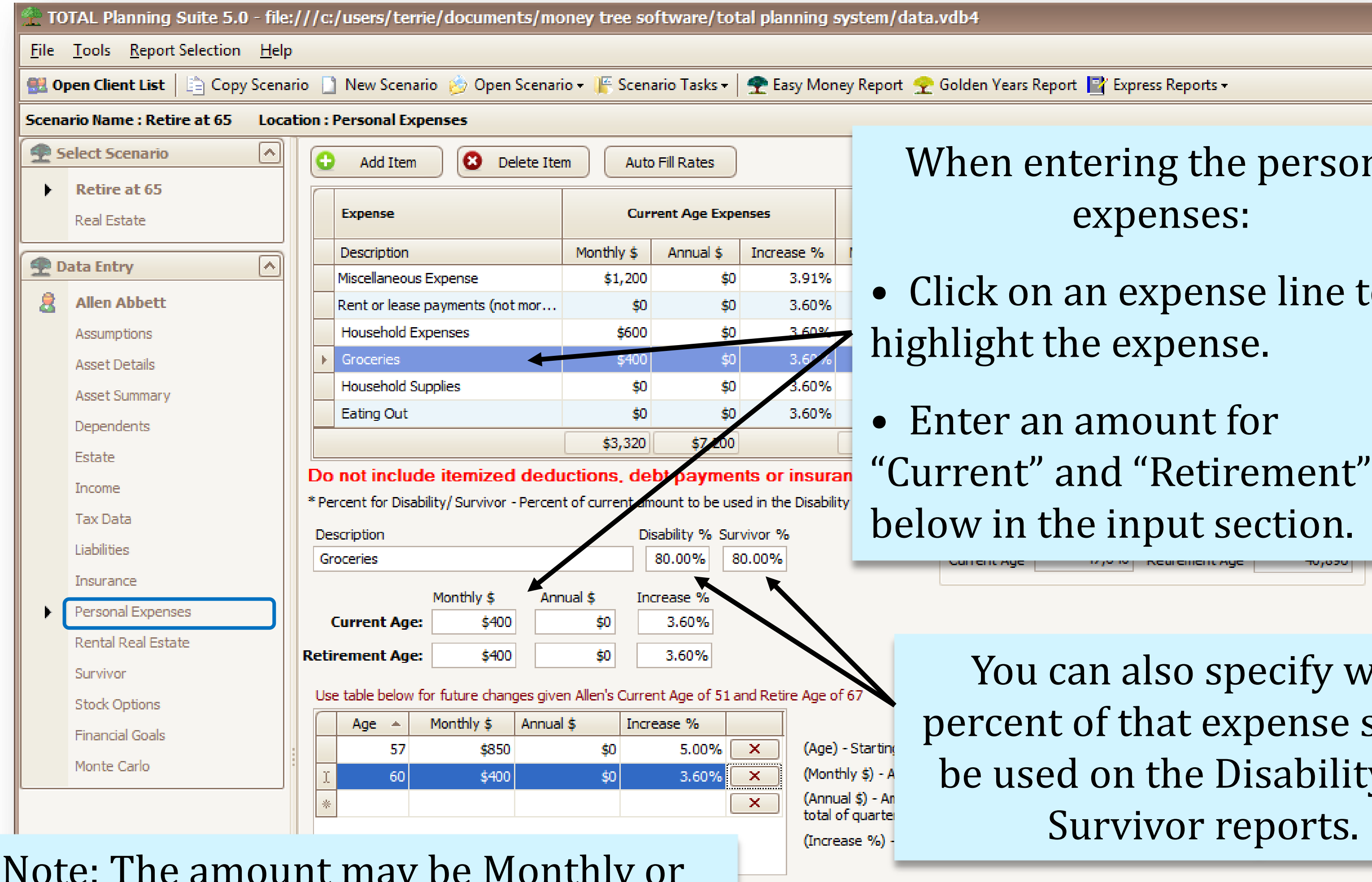
Personal Expenses



When entering the personal expenses:

- Click on an expense line to highlight the expense.
- Enter an amount for "Current" and "Retirement" age below in the input section.

You can also specify what percent of that expense should be used on the Disability and Survivor reports.

Note: The amount may be Monthly or Annual (DO NOT enter the same expense in both areas or you'll double it.)

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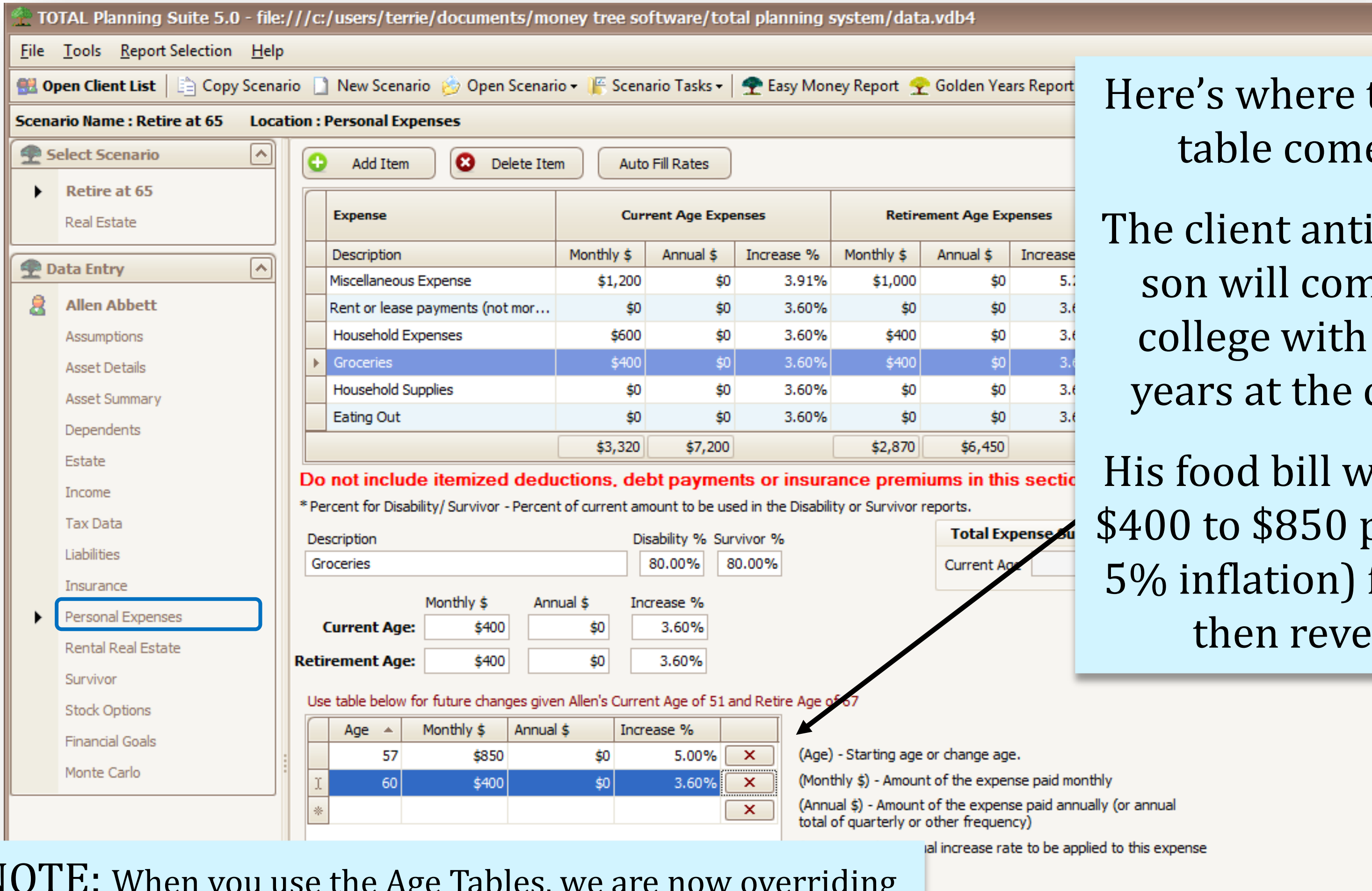
Special Situations



Here's where the Age Change table comes in handy.

The client anticipates that his son will come home from college with a friend for 3 years at the clients age 57.

His food bill will change from $400 to $850 per month (plus 5% inflation) for those years, then revert to $400.

NOTE: When you use the Age Tables, we are now overriding the amount in the Current and/or Retirement lines above. In this Illustration we will see $400 for grocery expenses now until the first change at age 57 to $850. By entering in age 60 and $400 we will ensure that the expense will change back to the intended $400 until life expectancy.

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Summary

You are ready to start getting the most flexibility out of TOTAL Planning Suite by using the Age Change Tables

Tips:

- If no changes are needed, just enter amounts in the Current Year fields and Retirement fields if applicable.
- If there is no current amount, leave the “Current Year” empty and in the table enter the age and starting amount.
- If the current amounts will change at some time in the future, enter the age and the new amount.
- If the new amount will continue till life expectancy, leave the next row blank.
- If the change is for a single year or limited number of years, then on the next row, enter the age when the change will terminate and “0” for the amount.

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End of

Age Change Table

Tutorial

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