

# **J&L Financial Planner Users Manual**

**Version 15.0**



**SOFTWARE LLC**

**Retirement & Financial Planning Software**

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## Introduction

The Financial Planner is designed to create a financial plan comprised of financial events that take place during your life. The Financial Planner was created to give a “broad brush” overview of your financial future based on actual and proposed financial plans.

To create a plan:

1. You fill out the initial values form which contains the age you wish the plan to begin and the age you wish the plan to end. Use this form to set your effective income tax rate, inflation rate, capital gains rate and the dividend tax rate.
2. You create accounts that represent your current investments, assets, equity and the return rates for each.
3. You assemble a Financial Scenario consisting of money related events. Each event is applied to the scenario at the event’s start age and continues until the event’s end age. These events represent a deposit to or a withdrawal from one of your accounts. There is an event available that allows you to change the fundamental rates with which the scenario is calculated.
4. You run the scenario to see how your accounts are affected by the events.

## Assumptions

The Financial Planner makes a number of assumptions.

The **first** assumption is that your savings and investments consist of the following types:

1. Investment Savings -- The interest earned on these investments is taxed. Withdrawals are not taxed.
2. Tax-free Savings -- The interest earned on these investments is not taxed. Withdrawals are not taxed.
3. Retirement Savings -- The interest earned on these investments is not taxed. Withdrawals are taxed.
4. Assets--Cars, boats, household furnishings, etc.
5. Equity--Real estate that you own outright. For real estate that has an outstanding mortgage use the Mortgage Event a scenario.

The **second** assumption is that all of the events that affect your money are triggered by your age. For example your Social Security starts at a particular age. You can withdraw from an IRA after a particular age. Therefore all of the events that make up your Financial Scenario start at an age (your age at the time the event first takes place) and ends at an age (your age when the event stops.)

The **third** assumption is when an event requires money to be withdrawn from your accounts the Financial Planner does it in the sequence (order) defined in the Accounts Dialog.

**Important:** The program will not withdraw from an Asset or Equity account.

When the money in an account is depleted the next account in order is accessed. This order may be overridden for certain accounts with the Asset Allocation Option discussed later.

If the withdrawal has to be made from your Retirement Savings accounts before the qualification age -- the Financial Planner will withdraw the required penalties and taxes. If the withdrawal is made from your Retirement Savings accounts after the qualification age is reached the required taxes are assessed.

The **fourth** assumption is that each year the scenario events will take place in the following order:

1. Fundamentals
2. Deposits
3. Transfers
4. Loans
5. Mortgages
6. Credit Card Debts
7. Withdrawals

This is the same order the events are listed in the **Add Event to Scenario** menu item.



## Getting Started

The following paragraphs outline the steps required to create and execute a simple scenario. Setting up a scenario is an iterative process. It is best to start with a very simple plan. For example, one account and one scenario event. After you get a feel for the way the program operates on your data you can go on to more sophisticated plans.

### Important Notes:

1. Age values are input as whole numbers such as 50 or 46. **Never** as 50.5 or 59.5. The program will allow such values but the program only calculates in years.
2. Amounts are input as fractional numbers without the dollar sign or any other characters except the '-', minus sign where appropriate, or the ".", decimal point. It is **incorrect** to input an amount as \$3,000.00. This amount should be entered **correctly** as 3000.00.
3. Rates are input as percents without the percent sign. For example, an inflation rate is input as 2.5. It is **incorrect** to input a rate as 2.8%.

### Starting With a Clean Slate

1. Go the **File Menu** and select **New**.

The new command will allow you to import your accounts from a Quicken or Money tab delimited file, comma delimited file, or enter each account by hand. The following paragraphs assume you are going to input each account by hand.

**Important:** If you want to import account balances from Quicken or Money in the future the account names must be the exactly the same as they appear in those programs.

The planner will create an Investment Type account named 'Cash.' with a zero balance. You can rename this account or delete it, but it is a good idea to have at least one Investment Type account.

2. Go to the **File Menu** and select **Save As** and save your scenario under a name like "Plan1".
3. Go to the **Edit menu** and select **Initial Values**.

Fill in the **Start Age** and **End Age**.

The start age is probably your age now. The end age is when you want the scenario to end.

If you are creating a scenario for more than one person you can choose your age or choose the age of any person in the plan. But it is important to note that all of the events in the scenario take place at the age of that person when the event takes place.

**Important:** Throughout the program when filling in age values always input the age in whole numbers such as 50 or 46. Never as 50.5 or 59.5. The program will allow such values but the program only calculates in years. The only time a partial year is used is the first year of the Results and then only when the **Use Birthday** box is checked. The program will calculate a partial age when it is required to do so.

Fill in the **Effective Tax Rate** and **Inflation Rate**.

**Note:** The **Effective Tax Rate** is not the same as your tax bracket. The **Effective Tax Rate** is defined as the actual income tax paid divided by gross income before taxes, expressed as a percentage. These rates can be changed in the scenario at any age with a **Fundamentals** event.

4. Go to the **Accounts Folder** and click on the **Add** button. This will bring up the **Add Account** dialog. Fill in all of the information for the account.  
If you don't understand some of the particulars, the important ones, the only ones you need to get started are the **Initial Amount**, **Effective Yearly Rate**, and the **Account Type**. Account Types are explained in the help file as
  - Investment** -- The interest earned on investment accounts is taxed. Withdrawals are not taxed.
  - Tax-free** -- The interest earned on tax-free accounts is not taxed. Withdrawals are not taxed.
  - Retirement** -- The interest earned on retirement accounts is not taxed. Withdrawals are taxed.
  - Assets** --cars, boats, household furnishings, etc.
  - Equity**--real estate.
  - Important:** The program will not withdraw from Assets or Equity accounts.
5. The next thing you need to do as far as the accounts are concerned, and the most misunderstood, is filling in the **Access Order**.  
This is the order in which the program will withdraw money when it has no other information to go by. Most of the scenario events will have an option to withdraw money from a particular account. If there is no account selected or the account has no money in it at the time of the withdrawal this Access Order is followed.
  - Important:** The access order is not sorted numerically. It is sorted "alphabetically" In other words, if the accounts have the following in their respective Order fields, "1", "2", "100" the order the accounts will be accessed will be "1", "100", "2" as opposed to 1, 2, 100 if they were sorted numerically. Also, be careful if you use spaces as the leading characters in this field. The fields "1", " 2" will sort as " 2", "1". The fields "1", "2" without the leading space in the second field will sort as "1", "2".
6. When you have all of your accounts in -- Save the File -- You should probably save it periodically and back it up periodically.
7. Now is the time to go to the **Scenario Folder** and start adding the scenario events by clicking on the **Add** button.
  - Deposits** are events like Social Security, salary, Pensions, 401 deposits, Keogh deposits, and such. Make sure you deposit to the correct accounts and the account is the correct type. For example, a Keogh contribution would go into an account of type Retirement, a Roth contribution would go into a Tax-Free, whereas a Social Security check would go into an Investment type.
  - Withdrawals** are expense events such as rent, utilities, major purchases and other such expenses. You might include such things as Long Term Health Care and HMO payments. Withdrawals such as utilities and household expenses may be itemized together with the Budget feature from the **Edit Menu**.
  - Transfers** are transfers from one account to another.
    - Important:** The only events that make sense to have a **Start Age** that is less than the **Start Age** in the **Initial Values** are the **Mortgage** and **Loan** events. This allows you to enter existing mortgages and loans.  
At the Initial Value's Start Age the program assumes you are starting with the Initial Amounts you specified in your accounts. Any Deposits, Withdrawals to and from those accounts before the Initial Value's Start Age are meaningless.
8. At any time during these steps you can go to the **Results Folder** or a graph folder and see the effect of your change or changes.
9. After setting up the basic scenario you can go on to create more sophisticated scenarios. You should approach each new step by displaying the topic from the **Help Menu** or reading that section in the manual.

## Quick Tips

### Quick Tip -- Importing Account Data From A Tab or Comma Delimited File

When you import a delimited file with the NEW selection from the Files menu you will have to edit each new account that you import. The only information taken from the delimited file is the account name and account amount. This is the only time you should have to do this unless you add an account later. Each time you update the accounts from this time on you should use the Import Account Data selection from the Files menu or the Import button in the accounts folder. This will match your accounts with those in the delimited file and update the amount when a match is made.

**Important:** The import feature will only work if there is at least one J&L Financial Planner account that matches an account in the delimited file.

If you are creating a tab-delimited file from Intuit Inc.'s Quicken software you should do it from the Account Balances Report. It allows you to print to a tab-delimited file. You should customize the report to only include those accounts you are keeping in the J&L Financial Planners accounts. See Import Accounts for the form the files must take.

#### Comma-Delimited File (CSV)

Many programs allow you to print out information in the form of a comma-delimited text file.

This file is sometimes referred to as a CSV file having the extension .csv.

Some programs place this ability under the files menu as an "Export" option. The J&L Financial Planner expects the comma delimited text file to contain each account name followed by the amount in that account. This is the only information useful to the planner. Ideally the file needs to be in the form:

```
Account Name,Account Amount
Account Name,Account Amount
Account Name,Account Amount
Account Name,Account Amount
```

If any of the records in the file are not of this form the program will try to filter out the other data. As long as the Account Name is the first field (starting at the first position of each line) and the Amount is the last field of each line the program can probably filter out the other information.

#### Tab-Delimited File

Many programs allow you to print out information in the form of a tab-delimited text file. Some place this ability under the files menu as an "Export" option. Others allow you to print a report in the form of a tab-delimited text file. The J&L Financial Planner expects the tab-delimited text file to contain each account name followed by the amount in that account. This is the only information useful to the planner. The file needs to be in the form:

```
Account Name      tab      Account Amount
Account Name      tab      Account Amount
Account Name      tab      Account Amount
Account Name      tab      Account Amount
```

If any of the records in the file are not of this form the program will try to filter out the other data. As long as the Account Name is the first field (starting at the first position of each line) and the Amount is the last field of each line the program can probably filter out the other information.

## Quick Tip -- Exporting Account Data To A Tab or Comma Delimited File

Selecting the Export Account Data exports all of your accounts and the account amounts to a tab or comma delimited (CSV) file. The first line in the file contains delimited account names. Each line there after contains delimited account amounts for each age from your scenario results.

**Note:** You cannot use this file to save account information for later import into the financial planner.

Use the Save Accounts selection from the File menu to save account information.

The data exported with this selection can be imported into most spread sheet and data management software.

## Quick Tip -- Summary Folder

When the cursor is over a graph, indicated by a cross as opposed to an arrow, clicking the mouse updates the summary and the arrow keys on the keyboard function as follows:

Right Arrow	Goes to the next age in the current graph.
Left Arrow	Goes to the previous age in the current graph.
Down Arrow	Goes to the next graph.
Up Arrow	Goes to the previous graph.

You can print the Summary Folder with the Print Current Graph menu item or toolbar icon.

Two alternate ways to print or use the information generated with the Summary Folder at this time is as follows:

(1) Open the Summary Folder.

Press the **Alt** key simultaneously with the **PrtSc** key. This puts the graph into the clipboard.

Open your favorite image software, the Window's Paint program, or even a word processor, and Paste the graph from the clipboard.

(2) Open any folder and press the **Ctrl** key simultaneously with the "p" key. This will print the entire folder to the default printer.

## Quick Tip -- Accounts Folder

You may sort each of the account columns by clicking on the account heading.

The first click will sort the column in ascending order.

The second click will sort the column in descending order.

The next click will again sort the column in ascending order, and so on.

**Important:** Sorting only works on the first seven(7) columns.

**Important:** The access order is not sorted numerically. It is sorted "alphabetically" In other words if the accounts have the following in their respective Order fields, "1", "2", "100" the order the accounts will be accessed will be "1", "100", "2" as opposed to 1, 2, 100 if they were sorted numerically. Also, be careful if you use spaces as the leading characters in this field.

The fields "1", "2" will sort as "2", "1". The fields "1", "2" without the leading space in the second field will sort as "1","2".

The "P" column will contain an 'x' if the account has the **Penalty Applies** check box has been checked for that account.

The "M" column will contain a 1, 2, or 3 depending on which table you chose to perform the **Required Minimum Distribution** calculation. If it is blank the account does not require a minimum withdrawal.

The "A" column will contain an 'x' if the **Assign asset allocation checkbox** has been checked for that account. If the 'x' is the color red the **Asset Allocation Withdrawal** option has not been selected.

## Quick Tip -- Results Folder

You can edit a scenario event by double clicking on an item in the results associated with that event. If you double click on an age in the results the program will assign that age as the GOTO age. If a result is shown at the bottom as having a Red Flag, you can double click the Red Flag item and it will take you to that age.

## Quick Tip -- Graph Functionality

- (1) You can toggle between the line graph, bar graph and 3D bar graph by double clicking the right mouse button.
- (2) You can toggle between the line/bar graph and the pie graph by double clicking the left mouse button.
- (3) You can display values on the graphs by pressing the left mouse button any time the cursor is a cross hair as opposed to an arrow.
- (4) You can toggle the graph legend in front of or behind the plots by pressing the “L” key.
- (5) You can remove the legend from the graph by pressing the “N” key. To get the legend back press the “L” key.
- (6) You can display Scenario Event Name(s) (label(s)) at the age they start and end by pressing the left mouse button while the cursor is positioned on either the Start Age or End Age of the event(s). The label(s) will remain only as long as the mouse button is depressed. The Event will be outlined in green at the Start Age and red at the End Age.

If you want the label(s) to remain press the **Ctrl** key while pressing the mouse button.

As long as the label(s) are present on the graph they will be printed with the graph.

Changing graph types, printing a graph, and changing folders remove the label(s) from the graph.

The following apply to the Net Worth folder, Group folder, and the Summary Net Worth graph.

- (7) You can Right Click the mouse on any of the Account Types (Group name) in the legend to display the accounts represented by that Account Type (Group.) This applies also to the legend when the pie graph is displayed.
- (8) When the pie graph is displayed a Right Click on any of the pie segments will display the accounts associated with that Account Type (Group.)

### Printing Graphs

Three ways to print or use a graph generated by the program are as follows:

- (1) Open the graph folder and click the **Print Current Graph** icon.
- (2) Open the graph folder.  
Press the **Alt** key simultaneously with the **PrtSc** key. This puts the graph into the clipboard.  
Open your favorite image software, the Window’s Paint program, or even a word processor, and Paste the graph from the clipboard.
- (3) Open any folder and press the **Ctrl** key simultaneously with the “**p**” key. This will print the entire folder to the default printer.

### Bitmaps

Each time a Graph Folder is opened a bitmap of that graph is generated and stored in the Reports folder on your disk drive. It has the name current.bmp. You can open the Reports folder from the J&L Folders menu.

Double clicking the graph's icon in the Reports folder should display the bitmap in Window's Paint Program.

### Line Width

You can change the line widths on each of the graphs by pressing the Alt key simultaneously with the F7 key to increase the line width and the Alt key with the F6 key to decrease the line width.

Note: This also affects the line width of the printed graphs.

**Zoom Capability** The zoom feature on the graph folders is accomplished by a left-click and mouse drag. Position the cursor at the desired y-axis location - click and hold down the left mouse button, and then drag the mouse until the rectangle encompasses the desired area of the graph. When you release the left mouse button the graph will re-scale to that area. Another left click and drag will restore the graph to its original scaling.

#### **Adding Values on Graph and Legends**

If you hold down the Shift Key and Left Click within a graph or graph legend the program will add each value to the preceding value.

This allows you to find the total value of multiple graph points or legend items.

- (1) Hold the Shift Key down and simultaneously press the left mouse button while the arrow or cross cursor is within the graph. This will create a rectangular box on the graph outlining an area to be re-graphed. This area will be defined from the y-axis to the cursor and the x-axis to the cursor.
- (2) To define an area away from the y-axis position the cursor to another location, hold the Shift Key down and press the left mouse button again.
- (3) Hold the Shift Key down and press the right mouse button to re-graph the outlined area.
- (4) To revert back to the original graph hold the Shift Key down and press the right mouse button again.

### **Quick Tip -- Asset Allocation Withdrawals (Retirement/Professional Versions Only)**

The Asset Allocation Withdrawal option was created to allow certain marked accounts to keep an asset allocation after a certain age. The accounts are marked by assigning the account from the **Add Accounts Screen**.

#### **Asset Allocation Withdrawal Options Fields**

**Proportional asset allocation withdrawal** Choosing this option will draw funds from a selected account in the same proportion as its balance is to the total amount in the assigned accounts.

For example if you have selected 3 funds.

Fund 1 =	\$10,000.00
Fund 2 =	\$50,000.00
Fund 3 =	\$40,000.00

Fund 1 represents 10% of the total amount

Fund 2 represents 50% of the total amount

Fund 3 represents 40% of the total amount

If the withdrawal amount for a year after the **Age to start withdrawals** is \$10,000.00

\$1,000.00 will be withdrawn from Fund 1 (10.0 % of \$10,000.00)

\$5,000.00 will be withdrawn from Fund 2 (50.0% of \$10,000.00)

\$4,000.00 will be withdrawn from Fund 3 (40.0% of \$10,000.00)

This allows you to maintain a constant asset allocation within a group of assets.

#### **Equal asset allocation withdrawal**

This choice will withdraw equal amounts from each account selected.

For example if you have selected 3 funds.

Fund 1 =	\$10,000.00
Fund 2 =	\$50,000.00
Fund 3 =	\$40,000.00

If the withdrawal amount for a year after the **Age to start withdrawals** is \$10,000.00

\$3,333.33 will be withdrawn from Fund 1

\$3,333.33 will be withdrawn from Fund 2

\$3,333.33 will be withdrawn from Fund 3

**Important:** If no option is selected the Asset Allocation Withdrawal will not be in effect and any accounts selected for this option will have the "x" shown in the color red.

**Age to start withdrawals** -- This is the age at which the program is to begin withdrawing from those accounts marked as Asset Allocation Withdrawal accounts.

**Minimum withdrawal amount** -- If the amount to be withdrawn is less than this amount the withdrawal will be made in the order defined in the Accounts Folder.

#### **Rebalancing Accounts** ( Professional Version Only)

If you select the Rebalance Selected Accounts option the program will rebalance the selected accounts to their proportional percentage of the total that existed at the Start Age. The rebalancing will take every N years, where N is the number you entered in the Rebalance every N year(s) field.

#### **Important Note:**

The program will only rebalance selected accounts that are of the same Account Type. Also, the program only rebalances selected accounts that are assigned the same RMD table.

For example, suppose you selected 3 accounts that are Investment Types and 6 Retirement Type accounts. Three of the retirement accounts are assigned to RMD table #1, and three are assigned to RMD table #2.

The program will rebalance the 3 investment accounts as a sub-group of the 9 selected accounts.

It will rebalance the 3 retirement accounts assigned to RMD table #1 as another sub-group of the 9 selected accounts.

It will rebalance the remaining 3 retirement accounts as the third sub-group of the selected accounts.

**Activate this Option** (Professional Version) -- This option will not be placed in the scenario unless this box is checked. If you have selected accounts they will be displayed in the color red if this box is unchecked.

## **Quick Tip -- Required Minimum Distribution (RMD) (Retirement/Professional Versions Only)**

The **Required Minimum Distribution (RMD)** is a requirement the IRS imposes on certain retirement accounts, such as IRAs. Basically it requires you to withdraw funds from these accounts starting at a certain age. For most people this age is 70 1/2. The minimum amount you must withdraw is determined by your life expectancy at the age must start withdrawing. This can be found in tables provided by the IRS. Which table you use is determined by a number of factors. One such factor is the age of the beneficiary of the account. Once the table is determined, the amount you must withdraw each year is calculated by dividing the total amount in the affected retirement accounts for that year by the life expectancy in the table for that year.

The Financial Planner does everything except determine the age you must start withdrawing the funds and the table you must use.

To set up an account or accounts for RMD you first must set up a table. The Financial Planner has four tables set up for your use. All four have default entries for what is probably the most commonly used table, the IRS ***Distribution Period Table***, but the tables may be edited to suit your circumstance. The edited values are saved with each scenario file.

#### **Important Notes:**

1. If you wish to revert a value back to the default value place a zero in the field. Ignore any error messages. The value will default to the value in the IRS *Distribution Period Table* that was current at the time you purchased the J&L Financial Planner.  
If you upgraded the J&L Financial Planner to a version which has updated RMD tables and you wish to use the newer values you must enter a zero in all of the table fields. Ignore any error messages. Be sure to save your scenario when you exit the program.
2. Entering the word "skip" in any of these fields will eliminate this tables distribution for the given year.

To set up the planner to handle RMD for a retirement account or accounts:

1. Select the menu item **Edit / Required Minimum Distribution**.  
Fill in the Penalty rate if it does not contain the correct value (usually 50.0%)  
Press the button **Edit Table 1 Life Expectancy Values**  
Fill in the **Description** and **Withdrawal Start Age**.

**Note:** The start age is generally 70 ½, but since the planner works on a yearly basis your start age probably should be 70.

If the IRA's contain funds already taxed, non-deductible contributions, enter that amount in the **Associated Accounts Basis** field.

2. For each account in the Account Folder list, or each new account created, that requires RMD select the table you edited by checking the **Assign RMD Table** check box on the **Account Information** screen.

That is all that is needed. For each account assigned an RMD, a 1, 2, 3, or 4 will display in the "M" column of the Accounts Folder signifying the table selected for that account.

An event with the **Description** will be entered in the **Scenario Folder** at the **Withdrawal Start Age**.

Each year a line item will be entered in the **Results Folder** starting at **Withdrawal Start Age**.

If you check the **Detailed** check box in the **Results Folder**, each withdrawal amount and the account receiving the funds will be detailed.

**Important:** You can not delete an RMD from the Scenario Folder. You must unassign each account assigned to the RMD table.

## Quick Tip -- Revenue Code Section 529

Section 529 is a flexible and federally tax free way to save for college. These plans offer many advantages including,

- Federal income tax-free qualified withdrawals,
- No income restrictions,
- High contribution limits, and
- Proceeds can be used at accredited colleges and universities nationwide.

To set up the planner to handle 529 accounts

1. Create a tax-free account.
2. Create a Deposit event to deposit funds into the tax-free account yearly.
3. Create a Withdrawal event to withdraw funds from the tax-free account when the student begins college.
4. Create a Transfer event to transfer all of the remaining funds to another 529 account the year after you expect the student to graduate. (See Note 1)

**NOTE 1:** If there are excess funds in the account and the funds cannot be transferred to another qualified tax-free account you will be liable for taxes and possible penalties. You should check with your plan administrator or a qualified professional with respect to these tax consequences.

## Quick Tip -- Printing Reports

You can select fonts from the **Print / Report Options** menu selection. Although the **Choose Font** screen presents you with a selection of point sizes it must be noted the point size makes little or no difference in the report output. The fonts are scaled to fit the size of the printed page.

You will find some fonts do not lend themselves to this type of scaling.

Regardless of these problems, there are still a number of fonts which present themselves well to this format.

Before you print a report you should

1. Bring up the **Print / Page Setup** screen and choose margins.
2. When you find a font and margin size which suits you -- be sure to save the scenario.

**Note 1:** The program saves the font selection, margins, and page orientation with the scenario.

**Note 2:** The report has a title page and its page number is zero (0.) If you do not wish the title page to be printed choose page 1 to the number of pages to be printed when the **Print** screen comes up.



**Important:**

There are some printers which will not accept some of the special characters such as the '&'. It is a good idea not to use special characters in the Descriptions, Names, or Titles. If you must use and ampersand -- use two -- as "&&". It will print out as one.

It is a good idea not to use special characters in the Descriptions, Names, or Titles. If you must use and ampersand -- use two -- as "&&". It will print out as one.

**Notes:**

1. When changing from the default printer in the **Page Setup** screen it is a good practice to place the cursor on one of the margins and press enter -- even if you do not want to change the margin. There seems to be a glitch in the **Page Setup** that requires a margin input. If you do not do this when changing from the default printer you will print with the printers default margins.
2. The **Print All Reports** prints all of the reports except the Results Report and the Scenario Report.
3. The **Print Preview** only shows the first report, the Net Worth Report, when the **Print All Reports** option is selected.

**Quick Tip -- Lighter Banding**

If the banding in the Accounts, Scenario and Results folder shows up darker than you like, you can make it lighter by doing the following:

Use the Reports / Report Options / Color menu option and change color number 16 to a more suitable color.

See the Report Options Section.

**Quick Tip -- Removing Summary From Results**

By default the Results contain the Summary.

You can toggle the Summary on and off with the Shift Key and F11.

**Quick Tip -- Monte Carlo Analysis (Professional Version Only)**

This analysis calculates your scenario results with random rates for account and inflation rates for each year of your scenario, from the Initial Values Start Age to the Initial Values End Age. It will do this analysis as many as 1000 times based on the number of trials you select. You can select whether the program uses the Group Random rates or the Account Random rates, account Standard Deviation, uniformly distributed random rates or Gaussian distributed random rates, as well as change the random inflation rates and the number of trials from the Edit / Adjust Monte Carlo Analysis menu item. See the discussion on the Monte Carlo Analysis.

The analysis works as follows:

The program performs the following analysis the number of trials you have designated in the Edit / Adjust Monte Carlo Analysis menu item.

Each year the analysis calculates a random rate for each account or group and uses this value to calculate the return on your investment account for that year. A separate random rate is generated for each account each year.

Each year the analysis calculates a random inflation rate between the Minimum Random Inflation Rate and the Maximum Random Inflation Rate and uses this value to calculate the effects of inflation on your scenario events for that year.

Each year the analysis graphs the results of your scenario, the Monte Carlo Net Worth results in the color yellow.

When the analysis is completed the Monte Carlo Average Net Worth is calculated and is graphed in the color red. This is the graph of the average Monte Carlo values for each year.

When the analysis is completed the Scenario Net Worth is graphed in the color blue. The Scenario Net Worth is that which is calculated with the nominal rate specified for each account and the inflation rate specified in the Initial Values.

When the analysis is completed the Scenario Success rate is calculated as the number of times the scenario completes with a Net Worth greater than your Goal at the Initial Values End Age, divided by the Number of Trials.

**Scenario Success = Number of Monte Carlo Net Worth's Above Your Goal / Number of Trials**

**NOTES:**

1. You can perform another analysis by pressing the **Ctrl** key simultaneously with the **"I"** key (Ctrl+I) at any time.
2. If you want a darker yellow or gray color for the Monte Carlo Net Worth line graphs.  
Use the Reports / Report Options / Color menu option and change color number 12 to a more suitable color. See the Report Options Section.

## Quick Tip -- Font Size / Line Width

### Font Size

The program scales the font size for the graphic displays to the size of the initial window size. The font size does not change as you increase or decrease the size of the program window. You can increase or decrease the size of the graphic fonts as follows:

Pressing the Alt Key simultaneously with the F11 Key will increase the font size.

Pressing the Alt Key simultaneously with the F10 Key will decrease the font size.

### Line Width

You can increase or decrease the line width of the graphs as follows:

Pressing the Alt Key simultaneously with the F7 Key will increase the line width.

Pressing the Alt Key simultaneously with the F6 Key will decrease the line width.

The font size and line width, as well as the window size and position, are saved when you exit the program.

## Quick Tip -- Colorizing An Event Description

You may cause a scenario event description to be displayed in one of 16 colors by including the color number enclosed in braces or brackets anywhere within the description.

An example of a Deposit Event's description using the default color green may be entered as:

**George's Social Security {1} or  
George's Social Security [1]**

Where the number 1 represents the number of the color as defined in the color table as defined in the Color Dialog. See **Report Options**

Using the brackets will enclose the description in a box as well as the selected color.

#### Notes:

1. The {1} will only show up in the description. It is removed in the Scenario and Results Folders as well as the reports.
2. The Color Dialog from the Report Options allow you to change the colors from the defaults.

## Quick Tip -- Changing Age to Years

You may toggle the program from displaying the Age as the time reference to displaying Years as the time reference by pressing the Alt Key and the F8 Key simultaneously.

**Note:** This program still uses Age as the time reference for all of the Scenario Events. The program simply uses the Birth Year in the Initial Values Dialog to calculate the year.

## Quick Tip -- Exporting Reports to Spread Sheets and Data Bases

After they are created most reports create a text file which can be exported to spread sheet and data base programs. The text file created is in a tab-delimited format. The first line in the file contains the report's column names (field names.) The following lines are composed of records containing the field data. Each entry (field) in a record is separated by the 'tab' character.

The program saves these files in a sub-folder (sub-directory) called "reports" in the folder where you installed the Financial Planner program.

Each file has a distinct name. The name for each of these files is found in parenthesis to the right of the menu item that was used to create the report.

For example, the Net Worth Report is created from the Reports / Net Worth menu item:

**Net Worth (netw.txt) Ctrl+F2**

When the Net Worth report is created it writes the file "netw.txt" in the reports folder.

Each time you create a report it overwrites the previously saved text file.

Also, along with the named text file, the program creates a duplicate text file called "current.txt"

Only those reports with a file name in parenthesis create an exportable file.

Each time a Graph folder is displayed a bitmap image of that graph is created in the in the reports sub-folder.

Also when you Print Preview a report you are given the option to save the current previewed page to a bitmap.

Bitmap files have the extension .BMP and can be viewed with image software and paint programs and can be imported to most word processing software.

## Quick Tip -- "Drilling Down" a Value

If you right click on certain values of a report, the program will create a screen containing the components the program used to create that value. The reports that have this capability will have a notation to this effect at the bottom left hand corner of the report screen.

Note: The program will not "drill-down" values that are totals of rows or columns of a report, or single values that are defined by the column header.

This "drill-down" capability also exists in the Summary portion of the Results folder. The Results Folder allows you to drill-down on the 2nd tier items in the Summary portion, i.e. Deposits, Taxable Income, Non-taxable Income ,..., Withdrawals, Interest Paid, Taxes, etc.

## Menus

### File Menu

#### New

This command allows you to open up a new Financial Scenario. It will default to a temporary filename. If you wish to save the scenario under a new name use the "Save as" command from the files menu.

You are given the option to import the accounts from a tab-delimited text file or a comma-delimited text file. If you choose either of these options you will be prompted to fill the other necessary data for each account. You can also import accounts from the Accounts Folder.

#### Open

This command will prompt you to enter a Financial Scenario file name. If you only enter the proper name of the file, the Financial Planner assumes the .RET extension. You may, however, open any legitimate scenario file regardless of its extension.

#### Save

This command will save any changes you made to your Financial Scenario to the current scenario file.

#### Save As

You may save your current Financial Scenario with a new name. The Financial Planner defaults to a .RET extension if only the proper name is given, but you may put any extension you wish on the file.

### Import Account Data

You may import account data from a tab-delimited or comma delimited file (CSV). The J&L Financial Planner expects the delimited text file to contain each account name followed by the amount in that account. This is the only information useful to the planner.

Ideally the tab-delimited file needs to be in the form:

```
Account Name      tab      Account Amount
Account Name      tab      Account Amount
Account Name      tab      Account Amount
Account Name      tab      Account Amount
```

Ideally the comma-delimited file needs to be in the form:

```
Account Name,Account Amount
Account Name,Account Amount
Account Name,Account Amount
Account Name,Account Amount
```

If any of the records in the file are not of this form the program will try to filter out the other data. As long as the Account Name is the first field (starting at the first position of each line) and the Amount is the last field of each line the program can probably filter out the other information.

If a new account is found you will be prompted to see if you want to add it.

### Export Account Results

You can export the results of your scenario to a tab-delimited or a comma-delimited (CSV) results file. Many database and spreadsheet programs allow importation of tab-delimited or comma-delimited (CSV) text files. The tab-delimited file consists of a header record as follows

```
Age tab Account Name1 tab Account Name2 tab Account NameN tab Total
```

A record for each age of your scenario follows the heading. Each of these records contain the tab-delimited account amounts and the total for the corresponding age.

The comma-delimited file consists of a header record as follows

Age,Account Name1,Account Name2,Account NameN,...,Total

A record for each age of your scenario follows the heading. Each of these records contain the comma-delimited account amounts and the total for the corresponding age.

### **Read Accounts**

You may read accounts data from a file. The program expects the file to have the .ACC extension. You save accounts data with the Write Accounts menu selection. When you read accounts data you overwrite any existing account data.

### **Write Accounts**

You may save your current account data to a file. The data is saved in a file with the extension .ACC.

### **Re-Index Accounts**

If you find you have trouble assigning an account in a scenario event, it may be the account indexing has been corrupted. You can fix this by re-indexing the accounts. When you do this, however, you will probably have to re-assign the account assignments in your scenario. Check any Deposit, Loan, Transfer, and Fundamental events and change any incorrect account assignments.

### **Save Graphs**

This menu selection allows you to save the current scenario in graphical format. The graphs are save to a file with the .JLP extension. You may view these graphs by creating a new graph window or use them to compare with other saved scenarios when you select the Compare Scenarios item from the Tools/Aids menu.

### **Exit**

This selection exits from the Financial Planner Program.

## Edit Menu

### Initial Values

This event displays the Initial Data Screen which summarizes the amounts from your accounts. This dialog is where you enter the age at which you wish your Financial Scenario to start and the age you wish it to end. This dialog is where you enter the appropriate values for the Tax Rate and Inflation Rate.

Initial Values	
Start Age	69.000
End Age	90.00
Date of Birth (mm-dd-yyyy)	
Month	11
Day	18
Year	1939
<input type="checkbox"/>	Use Birthday
Initial investment savings	\$211,585.03
Investment savings ROR	1.218 %
Initial tax free savings	\$0.00
Tax free savings ROR	0.000 %
Initial retirement savings	\$614,683.875
Retirement savings ROR	4.079 %
Initial equity	\$0.00
Average equity appreciation rate	0.000 %
Initial assets	\$19,000.00
Average asset depreciation rate	-21.667 %
Effective tax rate	0.000 %
Dividend tax rate	10.000 %
Capital gains tax rate	10.000 %
<input type="button" value="Assign an Account to Withdrawal Taxes"/>	<input type="button" value="?"/>
Inflation rate	4.000 %
Total Amount In Accounts.	\$845,268.91
<input checked="" type="checkbox"/>	Show Graph/Report Values In Age 69 Dollars
<input type="button" value="OK"/>	<input type="button" value="Cancel"/>
<input type="button" value="Help"/>	

Figure 1: Initial Data Screen

### Initial Data Screen

The Initial Data screen requires entries in all of the fields.

The initial data values represent the values of your accounts and expected return on those accounts at the beginning of the Financial Scenario. The Financial Scenario begins at Start Age and runs until End Age.

In short the program takes the Initial Data values as the state of your finances at age Start age. Each year from Start Age to End Age the program

1. executes each Financial Scenario Event valid for the Current Age, and
2. applies the applicable rates to the accounts, allowing for taxes and penalties.

### Initial Data Screen Fields

**Start Age** The age at which the plan starts. It may be the age at which you want to start putting money in a retirement account. It may be you already have money in the various accounts and the Start Age represents your present age. In any case, the program uses the Start Age as the age the calculations start in the Financial Scenario.

**End Age** The age the plan ends. The program will not perform any calculations beyond this age. When a Financial Scenario is executed results are only displayed from Start Age to End Age.

**Birth Month** The month the planner was born. Values may be from 1 to 12.

**Birth Day** The day of the month of the planner's birth. Values may be from 1 to 31.

**Birth Year** The year you were born. The program uses this to calculate the year when the year option is chosen for displays.

**Use Birthday** If this box is checked the program will calculate a partial year for the year represented by the Start Age.

**Initial investment savings** The value of your Investment Savings accounts at age Start Age. The income from these accounts is taxed.

**Note:** This value is the total of all the accounts of type Investment Savings.

**Investment savings ROR** The Rate of Return for the initial accounts of type Investment Savings.

**Initial tax-free savings** The value of your Tax-free Savings accounts at age Start Age. The income from these accounts is not taxed. Withdrawals from these accounts are not taxed.

**Note:** This value is the total of all the accounts of type Tax Free Savings.

**Tax-free savings ROR** The Rate of Return for the initial accounts of type Tax-free Savings.

**Initial retirement savings** The value of your Retirement Savings accounts at age Start Age. The income from these accounts is not taxed. Withdrawals are taxed. If the withdrawal is made before the Penalty Age, the Penalty Rate is applied to the withdrawal.

**Note:** This value is the total of all the accounts of type Retirement Savings

**Retirement savings ROR** The Rate of Return for the initial accounts of type Retirement Savings.

**Initial equity** The money represented by the equity in real estate at age Start Age.

**Note:** This value is the total of all the Accounts of type Equity.

**Average equity appreciation rate** The average rate at which the property represented in the Equity accounts increases or decreases each year. A negative rate represents depreciation a positive rate represents appreciation.

**Initial assets** The value of your non-real estate asset accounts at the age Start Age.

**Note:** This value is the total of all the Accounts of type Asset

**Average asset depreciation rate** The average rate at which the property represented in Current Assets accounts increase or decreases each year. A negative rate represents depreciation and a positive rate represents appreciation.

**Effective Tax Rate** The rate at which income from all taxable accounts is taxed. This rate may be changed at any age with a Fundamentals Event. The **Effective Tax Rate** is defined as the actual income tax paid divided by the gross income before taxes, expressed as a percentage.

**Dividend tax rate** The rate at which the dividends you earn on your accounts are taxed.

**Capital Gains Tax Rate (Professional Version Only)** The rate at which the capital gains incurred by the accounts are taxed.

**Assigning a Tax Withdrawal Account** Pressing this button allows you to assign a particular account from which your taxes are withdrawn at the end of each year. If you choose 'No Selection' the taxes will be withdrawn from the accounts in 'withdrawal order' which is the default. If the assigned account is depleted the program will revert to the default account withdrawal order.



**Inflation rate** The rate at which the cost of living increases each year. This rate may be changed at any age with a Fundamentals Event.

**Total Amount In Accounts** This amount represents the total of all of the above accounts.

**Show Graph/Report Values In Start Age Dollars** Checking this option will cause the program display all graph and report values in today's Dollars.

**Group Names**

Group Name	Random Minimum Rate	Random Maximum Rate
Regular Savings	3.000	5.000
Investment Savings	-10.000	30.000
Retirement Savings	-10.000	30.000
Retirement MM	3.000	5.000
Equity	0.000	0.000
Assets	0.000	0.000

Folder Name: Groups

OK Cancel Help

**Figure 2: Group Names**

You can input up to 10 unique group names along with a minimum and maximum random rate for use with the results folder. Grouping allows you to assign a category to an account or a number of accounts. The group assignment is made from the Accounts Folder as part of the ADD or Edit Account functions. There is a Group Graph Folder which graphs the group results.

### Asset Allocation Names(Professional Version Only)

Allocation Name	Associated Historical Data File
Large Cap	stock1.dat
Small Cap	stock2.dat
Cash	cash.dat
Long Term Bond	bond1.dat
Inter. Term Bond	bond2.dat
No Allocation	No File Assigned
No Allocation	No File Assigned
No Allocation	No File Assigned
No Allocation	No File Assigned
No Allocation	No File Assigned

OK Cancel Help

**Figure 3: Asset Allocation Names**

This dialog allows you to create a list of Asset types to be used to track your accounts by asset allocation. You may rename or delete any of these asset types.

**Note:** To delete a type you must delete all of the characters from the field. If you leave a blank the program uses the blank as an asset allocation type.

#### Historical Return Analysis Data Files

You may also assign an **optional** file name which contains historical return data for each of the allocation types. The program comes with five (5) example types and their associated historical data files. To use the Historical Return Analysis you must assign an existing data file to each of your Asset types.

**Important:** You need to replace these files with your own files at some point in time. The data contained in these files is simulated return data. J&L Software LLC cannot verify the accuracy of the data in these files. They are only included as examples of how the files are to be constructed.

For instance,

the Large Cap Asset type data file, named stock1.dat, contains return data from 1928 to 2002,  
the Small Cap Asset type data file, named stock2.dat, contains return data from 1928 to 2002,  
the Cash Asset type data file, named cash.dat, contains Treasury Bill return data from 1928 to 2002,  
the Long Term Bond data file, named bond1.dat, contains 10yr. Government Bond data from 1928 to 2002, and  
the Intermediate Term Bond data file, named bond2.dat, contains “Tbond” data from 1928 to 2002.  
The raw data for the cash, long term and intermediate term bond data files was obtained from the Federal Reserve database in St. Louis (FRED.)

**Important:** The data files must reside in the same folder (directory) which the J&L Financial Planner resides.

Rules to follow when creating an Asset type historical data file.

1. All of the files must begin with the same year.
2. All of the files must end with the same year.
3. The first line of the file must contain the number of entries to follow.
4. Each entry in the file must be of the form.

YYYY <space> Value

Where the value is the return expressed as a decimal percentage (0.433 as opposed to

43.3.)

Example of the first 4 lines of the default stock2.dat follows:

```
75
1928 0.43308
1929 -0.08906
1930 -0.25256
```

5. You must save the file as type Text.

**Important:** Along with the five(5) example data files the program comes with an inflation data file named inflate.dat containing inflation data from the year 1928 to 2002.

1. If you supply your own Asset Allocation data files and they have a time span different from 1928 to 2002 you **must** edit the inflation file inflate.dat to correspond with the year range of your data files.
2. If you decide to create your own inflation file you **must** follow the same rules that apply to the Asset Allocation data files and the file must be named inflate.dat.

**Important:** The five(5) historical data files and the inflate.dat file are located in the a folder named HDATA. The location of this folder varies depending on the version of Windows you are running. If you change a file or create a new data file you must place that file in the HDATA folder. There is a sub-folder named BACKUPS which contains a copy of each of the original example historical data files. This folder and its contents exist for backup purposes only. If one or all of the original historical data files get corrupted you may copy the files in the BACKUPS folder to the HDATA folder. The J&L Folders menu allows you to open the HDATA folder as well as the BACKUPS folder.

## Add Account

This menu item will bring up the Account Information dialog which allows you to add an account. See Account folder for the full description of the Account Information screen.

## Add Event To Scenario

You may add an event to your Financial Scenario by clicking one of the following menu items. Each year the scenario events will take place in the following order:

1. Fundamentals
2. Deposits
3. Transfers
4. Loans
5. Mortgages
6. Reverse Mortgage (Professional Version Only)
7. Credit Card Debt
8. Budgets (Professional Version Only)
9. Withdrawals

This is the same order the events are listed in the **Add Event to Scenario** menu item in the program. Note this is not the same order as they are listed in this document.

### Withdrawal

Use the event **Description** field to describe in your words what this withdrawal represents, for example "Rent Payment" or "Living Expenses."

A Withdrawal event will withdraw the amount of money you enter into the **Amount** field annually from your accounts beginning at your **Start Age** and ending at your **End Age**, unless of course, you check the **"One time only withdrawal"** button. In this case one withdrawal is made at your Start Age and any entry in the End Age is ignored.

To apply the current Inflation Rate to subsequent withdrawals check the **"Apply inflation rate to withdrawal"** box.

The screenshot shows a dialog box titled "Withdrawal". It contains the following fields and options:

- Description: Living Expenses
- Start Age: 40.00
- End Age: 84.00
- Amount: 40000.00
- Apply Rate: 0.00 %
- Withdrawal Account: No Selection
- Monthly:
- Use amount in age 40.0 Dollars:
- Use Inflation Only:
- Use Applied Rate Only:
- Use Both Inflation and Applied Rate:
- One time only withdrawal:
- Apply inflation rate to withdrawal:
- Withdraw a percentage of the Withdrawal Account's Balance:
- Withdrawal Percentage Rate: 0.00 %

Figure 4: Withdrawal Event

### Withdrawal Event Screen Fields

**Description** Your description of how this event pertains to the Financial Scenario. The program does not use this description except to display it in the proper place.

**Note:** If you add a color number enclosed in braces anywhere within the description text, the Event Description will be hi-lighted in that color in the Scenario and Results Screens and also in the Reports. If you enclose the color number in brackets the Event Description will be hi-lighted in that color and also enclosed within a box. The color number is the number of the color as defined in the Reports/Report Options/Color screen. Examples of a Withdrawal Event to be hi-lighted are:

Long Term Medical{2}

Long Term Medical[2]

Each of these examples will hi-light the description in the second color. The braces, brackets and color number do not show up anywhere other than the Event Description Screen.

**Start Age** Your age at which this event is to begin. If this age is less than the Initial Data Start Age the Financial Scenario will start at this age.

**End Age** The age at which this event will end. If this age is greater than the Initial Data End Age the Financial Scenario will end at the Initial Data End Age. If the One time only withdrawal box is checked the Withdrawal End Age is ignored.

**Amount** The amount of money withdrawn from your accounts each year. If the Apply inflation rate to withdrawal box is checked the withdrawal will be increased each year by the current Inflation Rate.

**Monthly** Check this box if the amount you entered is the amount to be withdrawn each month.

**Apply Rate** If this box is checked the withdrawals will increase or decrease by this rate each year.

**Withdrawal Account** If an account is selected the **Amount** will only be withdrawn from the selected account. When the account is depleted the **Amount** will be withdrawn from the accounts in the order defined in the **Accounts Folder**. Also, selecting an account for withdrawal prevents the account from being selected for the Asset Allocation Withdrawal option.

**Use amount in today's dollars.** If this box is checked the **Amount** at **Start Age** will be calculated based on the **Amount** entered and the amount accumulated by applying inflation and/or the applied rate from the beginning age of the scenario until **Start Age**.

**Use Inflation Only** -- Check this box to calculate the future value of this withdrawal using inflation.

**Use Applied Rate Only** -- Check this box to calculate the future value of this withdrawal using the **Applied Rate**.

**Use Both Inflation and Applied Rate** -- Check this box to use the both inflation and the **Applied Rate** to calculate the future value of this withdrawal.

**Note:** The dialog will actually show the age designated as the Initial Values Start Age.

**One time only withdrawal** If this box is checked the Amount is withdrawn from your accounts at age Start Age and the End Age is ignored.

**Apply inflation rate to withdrawal** If this box is checked the amount of money withdrawn from your accounts is increased by the Inflation Rate each year. The Inflation Rate is initialized on the Initial Data Screen and can be changed at any age with a Fundamentals Event.

**Note:** Both the Apply Rate and Apply inflation rate to withdrawal may be checked. In this case both rates will be applied.

**Withdrawing a Percentage of an Account's Balance** The Withdrawal Event now has a check box that enables you to withdraw a percentage of an accounts current balance on a yearly basis. Checking this box will allow you to withdraw a yearly percentage from the selected Withdrawal Account. Each year this withdrawal is in effect the program will withdraw the Withdrawal Percentage Rate times the current Withdrawal account's current balance at the time of the withdrawal.

**Note:** The program will only withdraw these funds from the selected Withdrawal Account.

### Summary

The Withdrawal Event allows you to create a one-time or yearly event which withdraws an Amount of money from your accounts starting at Start Age and ending at End Age. The program withdraws from the accounts in the order defined in the Accounts Dialog

### Deposit

Use the event **Description** field to describe in your words what this deposit represents, for example "XYZ Company Retirement Payment" or "Jim's Social Security."

A deposit event will deposit the amount of money you enter into the **Amount** field annually beginning at your **Start Age** and ending at your **End Age**, unless of course, you check the "**One time only deposit**" box. In this case one deposit is made at your Start Age and any entry in the End Age is ignored.

You may deposit into your Investment Savings, Tax-free Savings, or Retirement Savings by selecting the appropriate account from the **Deposit To:** list.

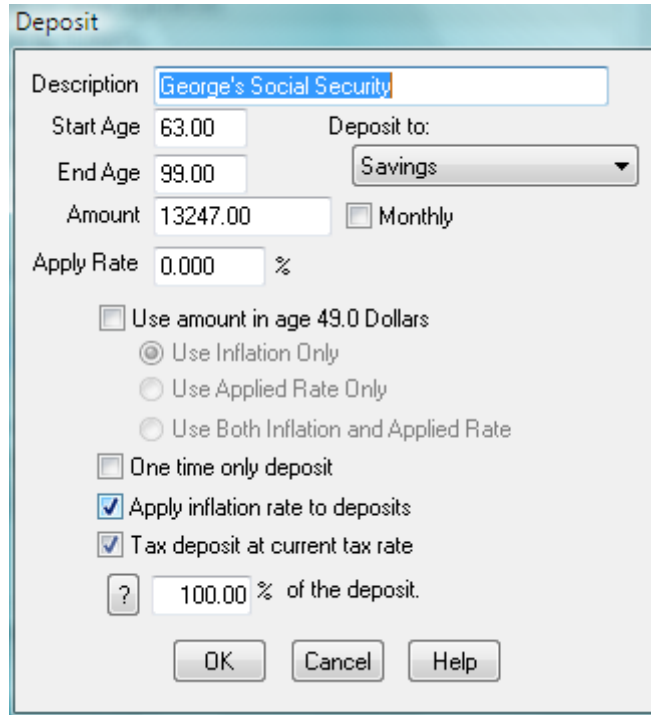


Figure 5: Deposit Event

### Deposit Event Screen Fields

**Description** Your description of how this event pertains to the Financial Scenario. The program does not use this description except to display it in the proper place.

**Note:** If you add a color number enclosed in braces anywhere within the description text, the Event Description will be hi-lighted in that color in the Scenario and Results Screens and also in the Reports. If you enclose the color number in brackets the Event Description will be hi-lighted in that color and also enclosed within a box. The color number is the number of the color as defined in the Reports/Report Options/Color screen. Examples of a Deposit Event to be hi-lighted are:

Homer's Social Security{2}  
Homer's Social Security[2]

Each of these examples will hi-light the description in the second color. The braces, brackets and color number do not show up anywhere other than the Event Description Screen.

**Start Age** Your age at which this event is to begin.

**Important:** If this age is less than the Initial Data Start Age the Financial Scenario will start at this age.

**End Age** The age at which this event will end. If this age is greater than the Initial Data End Age the Financial Scenario will end at the Initial Data End Age. If the One time only deposit box is checked the Deposit End Age is ignored.

**Amount** This is the amount of money deposited to the account checked in the Deposit To: list each year. If the Apply inflation rate to deposits box is checked the deposit will be increased each year by the current Inflation Rate.

**Monthly** Check this box if the amount you entered is the amount to be deposited each month.

**Apply Rate** If this box is checked the deposits will increase or decrease by this rate each year.

**Deposit To** Choose an account from the list.



**Use amount in today's dollars.** If this box is checked the **Amount at Start Age** will be calculated based on the **Amount** entered and the amount accumulated by applying inflation and/or the applied rate from the beginning age of the scenario until **Start Age**.

**Use Inflation Only** -- Check this box to calculate the future value of this deposit using inflation.

**Use Applied Rate Only** -- Check this box to calculate the future value of this deposit using the **Applied Rate**.

**Use Both Inflation and Applied Rate** -- Check this box to use the both inflation and the **Applied Rate** to calculate the future value of this deposit.

**Note:** The dialog will actually show the age designated as the Initial Values Start Age.

**One time only deposit** If the box is checked the deposit is made once at Start Age.

**Apply inflation rate to deposits** If the box is checked the deposits will increase by the current inflation rate each year. The Inflation Rate is initialized on the Initial Data Screen and can be changed at any age with a Fundamentals Event.

**Tax deposit at current rate** If the box is checked the deposits will be taxed by the current tax rate each year. The tax will be deducted from the deposit amount before it is deposited to the selected account. If the amount represents the after tax value of a deposit do not check this box.

**Note:** Both the Apply Rate and Apply inflation rate to deposits may be checked. In this case both rates will be applied.

### **Summary**

The Deposit Event allows you to create a one-time or yearly event which deposits an amount of money to an account starting at Start Age and ending at End Age. The program deposits to the account selected in the Deposit To: list.

**Loan**

**Figure 6: Loan Event**

Use the event **Description** field to describe in your words what this loan represents, for example "New Car Loan" or "Home Repair Loan."

The Loan event is used to borrow an amount of money at age **Start Age**. The full amount you are borrowing should be entered into the **Amount** field. The **No Of Years** field should contain the number of years of the loan.

If you are planning to pay off the loan prematurely, put your age at which you are to pay off the loan in the **Payoff Age** field.

The **Rate** field represents the yearly interest rate of the loan.

The monthly payment is calculated and placed in the **Monthly Payment** field. When you run the Financial Scenario the monthly payments will be withdrawn from your Investment Accounts in the order provided in the Accounts Dialog.

The amount you borrow can be placed into an account selected from the **Deposit To:** list.

**Loan Event Screen Fields**

**Description** Your description of how this event pertains to the Financial Scenario. The program does not use this description except to display it in the proper place.

**Note:** If you add a color number enclosed in braces anywhere within the description text, the Event Description will be hi-lighted in that color in the Scenario and Results Screens and also in the Reports. If you enclose the color number in brackets the Event Description will be hi-lighted in that color and also enclosed within a box. The color number is the number of the color as defined in the Reports/Report Options/Color screen. Examples of a Loan Event to be hi-lighted are:

Buy Car{2}

Buy Car[2]

Each of these examples will hi-light the description in the second color. The braces, brackets and color number do not show up anywhere other than the Event Description Screen.

**Start Age** Your age at which this event is to begin. If this age is less than the Initial Data Start Age the Financial Scenario will start at this age to do the Loan calculations.

**Payoff Age** Your age at which the loan is to be paid in full. The Payoff Age only applies if the Payoff Age is less than Start Age + No of Years and the Payoff Age is less than the Sell asset age.

**Amount** The amount of money the asset represents. For example if you buy a \$16,000.00 automobile and put down \$2,000.00 enter the \$16,000.00 in this field.

**Down Payment** The amount of money you put down to secure the loan. This money is withdrawn from Investment Accounts at Start Age.

**Rate** The yearly rate of interest on the loan.

**No of Years** The number of years the loan applies. The Monthly Payment will be withdrawn from Investment Accounts each year from Start Age to Start Age + No of Years unless Payoff Age or Sell asset age is reached first.

**Monthly Payment** The amount you will be charged each month for the loan. This amount is calculated by the program. To see the monthly payment use the mouse to click the **CALCULATE** control.

**Use Loan Values in Today's Dollars** The values at the **Start Age** of the loan will be calculated based on the values entered and the amount accumulated by applying inflation and/or the applied rate from the beginning age of the scenario until **Start Age**.

**Use Inflation Only** -- Check this box to calculate the future values using inflation.

**Use Applied Rate Only** -- Check this box to calculate the future values using the **Applied Rate**.

**Use Both Inflation and Applied Rate** -- Check this box to use the both inflation and the **Applied Rate** to calculate the future values.

**This is an interest-only loan** (Professional Version only) Checking this checkbox implies the monthly payment on the loan will be calculated as simple interest on the loan amount.

Monthly Payment = Loan Amount \* Rate \* 0.01 / 12.0

**Note:** The program only handles an interest only loan where the interest only portion of the contract equals the life of the loan. For example, if the length of the loan is 5 years, the interest only portion of the loan will be in effect for 5 years.

**Deposit To** Choose an account from the list.

**Withdrawal payments from account** If an account is selected the **Amount** will only be withdrawn from the selected account. When the account is depleted the **Amount** will be withdrawn from the accounts in the order defined in the **Accounts Folder**. Also, selecting an account for withdrawal prevents the account from being selected for the Asset Allocation Withdrawal option.

**Sell asset age** Your age when the asset is to be sold. This age is valid only when the loan is applied to an account of type Asset.

### Summary

The loan event allows you to take out a loan at age Start Age and deposit the money from the loan in the appropriate account. The Financial Scenario will take the payments from Investment Accounts and perform all of the appropriate calculations until the Payoff Age, Sell asset age, or Initial Data End Age is reached.

## Credit Card Debt

Credit Card Debt

Company |

Balance 0.00 Monthly Payments 0.00

Rate 0.000 % Monthly Purchases 0.00

Start Age | Withdraw payments from account:

Payoff Age | No Selection

Results

Months 0 Years 0.00 Total Interest 0.00

OK Cancel Calculate Help

Figure 7 Credit Card Debt Event

This event creates a credit card **Balance** at the **Start Age**. Each month the **Monthly Purchases** are added to the balance, the interest calculated, and the principal portion of the payment subtracted from the balance.

Each month the payment is withdrawn from the selected account. When the account is depleted the **Amount** will be withdrawn from the accounts in the order defined in the **Accounts Folder**. Also, selecting an account for withdrawal prevents the account from being selected for the Asset Allocation Withdrawal option. If you select the **No Selection** from the account selection the payment is withdrawn in account order.

You may pay off the balance at the **Payoff Age**.

**Note:** You cannot select a Start Age for credit card debt prior to the Initial Value's **Start Age**.

### Budgets (Professional Version Only)

Budget Income / Expenses

Budget

Description: Non-Discretionary    Start Age: 61.00    End Age: 84.00

Add / Edit Item

Name: Food     Monthly     Track

Start Age: 61.00    End Age: 84.00     Income     Tax

Associated Account: No Selection

Amount: 700.00     Use amounts in age 49.0 Dollar:

Apply Rate: 1.500 %     Use Inflation Only

Apply inflation rate     Use Applied Rate Only

Use Both Inflation and Applied Rate

Enter    Clear    Delete

Name	Start Age	End Age	Amount	M	Applied Rate	Yearly	T	I/E	Tax	Today's	Associat
Car Insurance	61.00	84.00	1,200.00		2.000%	1,200.00		E		None	No Selec
Electric	61.00	84.00	459.00	X	1.000%	5,508.00		E		None	No Selec
Food	61.00	84.00	700.00	X	1.500%	8,400.00		E		None	No Selec
Internet	61.00	84.00	40.00	X	2.500%	480.00		E		None	No Selec
Life Insurance	61.00	84.00	654.00		0.000%	654.00		E		None	No Selec
Long Term Care	61.00	84.00	3,800.00		0.000%	3,800.00		E		None	No Selec
Medical	61.00	84.00	150.00	X	10.000%	1,800.00	X	E		None	No Selec
Natural Gas	61.00	84.00	70.00		1.000%	459.00		E		None	No Selec

Yearly

Incoming: \$0.00    Outgoing: \$27,098.00

**Figure 8: Budget Event (Professional Version Only)**

## Creating A Budget

The professional version implements the Budget as an event allowing an unlimited number of budgets.

Each budget has a unique name, a start age, and an end age.

Each budget can contain up to 30 income or expense items.

Each item contains a start age, end age, and an optional account that can be selected for the deposit or withdrawal. Each item also has the following fields:

**Amount** This is the amount of money deposited to the account checked in the **Deposit To**: list each year. If the **Apply inflation rate to deposits** box is checked the deposit will be increased each year by the current Inflation Rate.

**Monthly** Check this box if the amount you entered is the amount to be deposited or withdrawn each month.

**Track** You can track budget items by checking the **Track** check box. This will display the withdrawal value of each item checked when the scenario is executed with the Results Folder.

**Note:** If you are tracking an item and you add a color number enclosed in braces anywhere within the name text, the name will be hi-lighted in that color in the Results Screen and also in the Reports. If you enclose the color number in brackets the name will be hi-lighted in that color and also enclosed within a box. The color number is the number of the color as defined in the Reports/Report Options/Color screen.

**Income** Checking this box will cause the program to treat this item as income. If not checked the item will be treated as an expense.

**Tax** The program will include this item in the results and reports as a tax expense, or if income the program will tax the amount at the current rate.

**Apply Rate** If this box is checked the **Amount** will increase or decrease by this rate each year.

**Apply inflation rate** If the box is checked the **Amount** will increase by the current inflation rate each year. The Inflation Rate is initialized on the Initial Data Screen and can be changed at any age with a Fundamentals Event.

**Note:** Both the **Apply Rate** and **Apply inflation rate** may be checked. In this case both rates will be applied.

**Use amount in today's dollars.** If this box is checked the **Amount** at **Start Age** will be calculated based on the **Amount** entered and the amount accumulated by applying inflation and/or the applied rate from the beginning age of the scenario until **Start Age**.

**Use Inflation Only** -- Check this box to calculate the future value of this deposit using inflation.

**Use Applied Rate Only** -- Check this box to calculate the future value of this deposit using the **Applied Rate**.

**Use Both Inflation and Applied Rate** -- Check this box to use the both inflation and the **Applied Rate** to calculate the future value of this deposit.

Give the budget a name using the **Description** field.

**Note:** If you add a color number enclosed in braces anywhere within the description text, the Event Description will be hi-lighted in that color in the Scenario and Results Screens and also in the Reports. If you enclose the color number in brackets the Event Description will be hi-lighted in that color and also enclosed within a box. The color number is the number of the color as defined in the Reports/Report Options/Color screen. Examples of a Withdrawal Event to be hi-lighted are:

Non-Discretionary{2}

Non-Discretionary[2]

Each of these examples will hi-light the description in the second color. The braces, brackets and color number do not show up anywhere other than the Event Description Screen.

**Adding a budget item to the list:**

Fill in the **Name** and **Amount**,  
 If the Amount is a monthly expense check the **Monthly** box,  
 Fill in the expected **Inf. Rate / Year** (Yearly Inflation Rate) for the expense, and  
 Click the **Enter** button with the mouse.

**Editing a budget item:**

Select the item with a mouse click or mouse double click,  
 Edit the fields which need changed,  
 Click the **Enter** button with the mouse.

**Note:** If the name field is changed clicking the **Enter** button will enter a new item to the list.

**Deleting a budget item from the list:**

Select the item with a mouse click or mouse double click,  
 Click the **Delete** button with the mouse.

**Note:** The **Clear** button will clear only those fields in the Add / Edit Section.

**Copying a budget:**

Use the **Copy All** button on the budget you want to copy from, and  
 use the **Paste All** button on the budget you want to copy to.

**Note:** The Paste All clears all of the budget items before it pastes.

**Deleting a budget from the scenario:**

Select the budget Withdrawal Event from the scenario in the Scenario Folder,  
 Click the **Delete** button on the Scenario Folder.

**Tracking budget items:**

You can track budget items by checking the **Track** check box. This will display the withdrawal value of each item checked when the scenario is executed with the Results Folder.

**Printing a budget:** The program prints the inflated values for each item in the budget from the budget **Start Age** to the budget **End Age**.

**Changing Multiple Start Ages or End Ages**

The program allows you to select multiple budget items and change the Start Age, End Age, or Associated Account of each as follows:

1. Select the budget items using the Shift Left Mouse Button or CTRL Left Mouse Button
2. When you finish selecting the budget items press the Right Mouse Button. A screen will appear that allows you to enter the new age or associated account for those items.

**Notes:**

1. You can edit a budget by double left double clicking the Budget event in the Scenario Folder and also the Results Folder.
2. You can also copy a budget from the Scenario Folder buy first selecting it and the clicking on the the Copy button.

### Mortgage

Use the event **Description** field to describe in your words what this mortgage represents, for example, "Principal Residence Mortgage."

The Mortgage event is used to buy property at age **Start Age**. The full amount you are paying for the property should be entered into the **Amount** field. The amount of the mortgage is calculated using the Amount field minus the **Down Payment** field. The **No Of Years** field should contain the number of years of the mortgage. If you are planning to pay off the mortgage prematurely, put your age at which you are to pay off the mortgage in the **Payoff Age** field. If you are planning to sell the property, put the age at which you wish to sell in the **Sell Age** field. The **Rate** field represents the yearly interest rate of the loan.

The monthly payment is calculated and placed in the **Monthly Payment** field. When you run the Financial Scenario the monthly payments will be withdrawn from your accounts in the order provided in the Accounts Dialog.

The Down Payment as well as the Principal paid each year will be added to your Equity. If the property is sold, all of the money from this property is taken from Equity and placed into the first account of type Investment Savings per the order provided in the Accounts Dialog.

The screenshot shows the 'Mortgage' dialog box with the following fields and options:

- Description: Maple Street Residence - Refinance
- Start Age: 60.00
- Down Payment / Equity: 78000.00
- Payoff Age: 96.00
- Do not withdraw down payment:
- Purchase Price: 390000.00
- Rate: 4.875 %
- Sell Age: 99.00
- No. of Years: 30.00
- % of Selling Price at Sale: 6.00 %
- Monthly Payment: \$1,651.12
- Appreciation Rate: 0.000 %
- Calculate: [button]
- Closing Costs: 0.00
- Use mortgage values in age 60.00 Dollars: [button]
- This is an interest-only mortgage:
- This mortgage requires a property value adjustment:
- Property Value Appreciation / Depreciation Adjustment:
  - Appreciation Rate: 2.00 %
  - starting at the age of: 64.00
- This is an investment property:
- Open Worksheet: [button]
- Property Income and Expenses:
  - Income: \$0.00
  - Expenses: \$9,211.00
  - Open List: [button]
- Assign equity account: Maple Street Equity
- Income / Expense Account: No Selection
- Accelerated Payment:
  - Accelerated Payment Monthly Amount: 0.00
  - Each year increase the monthly payment by: 0.00
  - Apply accelerated monthly payment starting at Mortgage Start Age:
  - Apply accelerated monthly payment starting at Initial Values Start Age:
- Take Out A Loan On This Property: [button]
- Take Out A HELOC On This Property: [button]
- Do Refinancing Analysis: [button]
- Do Accelerated Payment Analysis: [button]
- OK, Cancel, Calculate, Schedule, Help: [buttons]

Figure 9: Mortgage Event



## Mortgage Event Screen Fields

**Description** Your description of how this event pertains to the Financial Scenario. The program does not use this description except to display it in the proper place.

**Note:** If you add a color number enclosed in braces anywhere within the description text, the Event Description will be hi-lighted in that color in the Scenario and Results Screens and also in the Reports. If you enclose the color number in brackets the Event Description will be hi-lighted in that color and also enclosed within a box. The color number is the number of the color as defined in the Reports/Report Options/Color screen. Examples of a Mortgage Event to be hi-lighted are:

Purchase Home{2}

Purchase Home[2]

Each of these examples will hi-light the description in the second color. The braces, brackets and color number do not show up anywhere other than the Event Description Screen.

**Start Age** Your age at which this event is to begin. If this age is less than the Initial Data Start Age the Financial Scenario will start at this age to do the Mortgage calculations.

**Payoff Age** Your age at which the mortgage is to be paid in full. The Payoff Age only applies if the Payoff Age is less than Start Age + No of Years and the Payoff Age is less than the Sell age.

**Amount** The value of the property at time of purchase. For example, if you purchase a home for \$200,000.00 and put \$40,000.00 down, enter the \$200,000.00 in this field.

**Down Payment/Equity** If this is a down payment this represents the amount of money you put down to secure the mortgage, and if the **Do not withdraw down payment** box is not checked this amount is withdrawn from your accounts at Start Age . In case of a refinance this amount represents the amount of equity you have in your property at the time of the refinance.

**Rate** The yearly rate of interest on the mortgage.

**No of Years** The number of years the mortgage applies. The Monthly Payment will be withdrawn from your accounts each year from Start Age to Start Age + No of Years unless Payoff Age or Sell age is reached first. The principal portion of the mortgage payment is added to your Equity each year.

**Monthly Payment** The amount you will be charged each month for the loan. This amount is calculated by the program. To see the monthly payment use the mouse to click the CALCULATE control. The principal portion of the payment is added to your Equity.

**Appreciation Rate** The rate at which the property is expected to increase or decrease each year.

**This mortgage requires a property value adjustment** Checking this box will allow you to adjust the current property value for a declining or increasing real estate market. Since the mortgage payments are based on the original property value you can account for any downturn or upturn by adjusting the above Appreciation Rate. This is accomplished by entering the rate in the Appreciation Rate field (enter a negative rate for depreciation.) If you do not know this rate and know the current market value of the property press the new "Calculate" button next to the rate and a screen will calculate the rate for you. This rate will apply until the age entered in the following section.

### "Property Value Appreciation / Depreciation Adjustment" Section

**Appreciation Rate** Enter the appreciation / depreciation Rate expected beginning at the following age.

**Age** The above appreciation / depreciation rate will begin at the age.

### Example:

You are now age 64. You purchased the property at age 62 for \$300,000.00.

A recent downturn in the real estate market has caused the property to depreciate to \$200,000.00.

You estimate it will continue depreciating at this rate for 2 more years, or when you reach 66.  
 At age 66 you feel the property will appreciate at a 3.5% rate.  
 Using the "Calculate" button the program calculates the property depreciated 18.350% per year.  
 Put -18.35 in the Appreciation field.  
 Inside the "**Property Value Appreciation / Depreciation Adjustment**" block enter 3.5 in the  
 Appreciation Rate field and 66 in the "starting at age of" field.

**Sell Age** Your age when the property is to be sold.

**Percent of Selling Price at Sale** This value represent the expense you encounter to sell your property expressed as a percentage of the selling price. For example, if the Realtor fees are 6.0% of the selling price and you expect to pay one point (1 percent) at closing -- enter 7.0 in this field.

**Note:** This expense is subtracted from your profits and will not show up as Incoming or Outgoing in the results. It will, however, be noted at your age in the results.

**Closing Costs** The amount of fees you pay to obtain this mortgage.

**Property Taxes** (Regular/Retirement versions only) The amount of yearly taxes for this property.

**Income** (Professional version only)

**Expenses** (Professional version only)

These two fields are filled in by the program from the Property Income / Expense Dialog which is opened by clicking on the button to the right of the fields. This dialog is used to create an itemized list of all of your property income and expenses. See **Property Income and Expenses** below.

**Use Mortgage Values in Today's Dollars** The values at the **Start Age** of the mortgage will be calculated based on the values entered and the amount accumulated by applying inflation and/or the applied rate from the beginning age of the scenario until **Start Age**.

**Use Inflation Only** -- Check this box to calculate the future values using inflation.

**Use Applied Rate Only** -- Check this box to calculate the future values using the **Applied Rate**.

**Use Both Inflation and Applied Rate** -- Check this box to use the both inflation and the **Applied Rate** to calculate the future values.

**This is an interest-only mortgage** (Professional Version only) Checking this checkbox implies the monthly payment on the loan will be calculated as simple interest on the loan amount.

Monthly Payment = Loan Amount \* Rate \* 0.01 / 12.0

**Note:** The program only handles an interest only loan where the interest only portion of the contract equals the life of the mortgage. For example, if the length of the mortgage is 30 years, the interest only portion of the loan will be in effect for 30 years. Also the Refinance Analysis is disabled for an interest only loan.

**Assign Equity Account** You can assign an account of **Equity** type to track this mortgage. It is recommended you use this account only for the assigned mortgage. You may select the **No Selection** option. The changes in equity will still show up in the results folder.

This selection allows you to attach an Equity type account to this mortgage. If you choose the No Selection option (default) the program only tracks the equity in the Results Folder and graphs. Assigning an Equity account to the mortgage allows you to track the equity in the Accounts Graph Folder and the Accounts Reports. There are, however, some restrictions on the account you select.

1. You must select an Equity type account.
2. The account must be attached to this Mortgage only. In other words you cannot select an account already assigned to another mortgage.
3. The account must have a zero balance. You cannot give the account an initial account balance when you create the account.

You can change the account selection from one Equity type account to another as long as the new account satisfies the above requirements. When you make the change, the program will set the original selected account to zero

**Note: Paying down a the mortgage.** Once you have the Assigned Equity Account set up you can pay down the principle of the mortgage by using the Transfer Event to transfer funds into the Assigned Equity Account.

**Income / Expense Account** All income and expenses related to this mortgage will be applied to this account. If you do not select an account the program will apply the transaction to the first Investment Type account in the order determined by the Order defined in the Accounts Screen.

**Note:** If you sell the property the profit from the sale will be deposited to this account. If that account is not the account you wish, you must make a transfer from this account to the proper account with a Transfer Event in same year of the sale.

**Do not withdraw down payment** Check this box if you don't want the down payment to be withdrawn at **Start Age** See **Down Payment/Equity** above.

**Apply inflation rate to taxes** (Regular/Retirement versions only) Checking this box will increase your taxes on the property each year by the current inflation rate.

**Withdrawal payments from account** If an account is selected the **Amount** will only be withdrawn from the selected account. When the account is depleted the **Amount** will be withdrawn from the accounts in the order defined in the **Accounts Folder**. Also, selecting an account for withdrawal prevents the account from being selected for the Asset Allocation Withdrawal option.

**Accelerated Monthly Payment Amount** The amount you place in this box will be applied to the mortgage principal each month for the duration of the mortgage. It will only be applied if one of the following two check boxes is checked.

**Note:** You can use the Transfer Event to apply a lump-sum payment to an Equity account assigned to a Mortgage Event. This transfer will reduce the principal of the mortgage by the transfer amount.

**Each year increase this amount by..** -- Each year of the mortgage the Accelerated Monthly Payment Amount will be increased by this value.

**Apply accelerated monthly payment starting at Mortgage Start Age** Check this box if you want to apply the additional monthly payment amount and you want it to start at the age the mortgage begins.

**Apply accelerated monthly payment starting at Initial Values Start Age** Check this box if you want to apply the additional monthly payment amount and you want it to start at the age you entered as the Start Age in the Initial Values dialog.

**Take Out A Loan On This Property** Pressing this button will bring up a loan dialog which allows you to take out an equity loan on this property. The loan will be associated with the mortgage event. If the property is sold this loan will be paid off with the proceeds of the sale.

**Take Out A HELOC On This Property** Pressing this button will bring up a dialog which allows you to take out a Line Of Credit on this property. The Line of Credit will be associated with the mortgage event. If the property is sold this Line of Credit will be paid off with the proceeds of the sale.

**Do Refinance Analysis** Press this button if you want to do a refinance analysis on this mortgage.

**Do Accelerated Payment Analysis** Press this button if you want to do an Accelerated Payment Analysis on this mortgage.

### Summary

The Mortgage Event allows you to take out a mortgage at age Start Age. The Financial Scenario will take the payments from your accounts and perform all of the appropriate calculations until the Payoff Age, Sell age, or Initial Data End Age is reached

**Investment Property Worksheet (Professional Version Only)**

Investment Property Worksheet

Age property was put into service 68

Purchase price 450000.00

Value of land 80000.00

Purchase expenses 20000.00

Number of partial 1st year months 6.500

Useful life in years 27.50

Total depreciation at Sale Age 357106.06

Notes:

1. Capital Improvements are entered within the Property Income and Expense dialog.
2. Selling expenses are calculated using the % of Selling Price at Sale value.

OK Cancel Calculate Help

**Figure 10: Investment Property Worksheet**

**Age property was put into service:** This field represents the age the property was first used as an investment property. It is not necessarily the Start Age of your Mortgage Event.

**Purchase price:** This is the original purchase price of the property including the land value.

**Value of land:** If you do not know this value you should check your tax records.

**Purchase Expenses:** The cost of buying the property.

**Number of partial 1st year months:** If you placed the property into service in January enter 12, in June enter 6, and so on.

**Useful life in years:** The IRS designates this value for certain types of property. At this writing the useful life of rental property was set at 27.5 years.

**Total depreciation at Sale Age:** This field is filled in when you click on the Calculate button. It takes the information from this dialog plus the Sale Age from the associated Mortgage to calculate the straight-line depreciation value.

The program uses this information to calculate the Total Gain when the associated mortgage is sold. It uses the depreciation along with the basis information entered here as well as the Capital Improvements entered on the associated mortgage's Property Income and Expense dialog and the Selling Expenses entered on the associated mortgage.

**Note:**

The program DOES NOT calculate the Capital Gains tax on the sale of this property. There are other considerations that factor into the Capital Gains tax that are beyond the scope of this program. It will present you with an estimated value of the gain on the sale of this property in the Result's Folder output at the age of the sale. This will allow you to enter an estimated Capital Gains tax value as a scenario Withdrawal Event at the age when the property is sold.

## Home Equity Line Of Credit (Professional Version Only)

**Figure 11: Home Equity Line of Credit**

This option allows you to take out a Line of Credit against your primary residence.

**Description** - A description of the loan for reference. The results and reports will refer to this Line of Credit by this description.

**NOTE:** The program only allows an interest only loan.

**Start Age** - The age at which the Line of Credit becomes active. This age may precede the Start Age of your Scenario but cannot precede the Start Age of the associated mortgage.

**Payoff Age** - The age at which you will pay off the reverse mortgage loan. If this is after the **Sell Age** of the Mortgage Event that represents your primary residence the program will pay off the loan at the **Sell Age**.

**Rate** - The program calculates the monthly interest on the outstanding debt as follows:  

$$\text{Monthly Interest} = \text{Outstanding Debt} * \text{Rate} / 12 * 0.01$$

**Line of Credit Amount** - Each time you transfer funds from the line of credit that amount is added to the loans accumulated debt.

**NOTE:** The Initial Withdrawal Amount will be deducted from this amount.

**Growth Rate** - Some lenders include a growth rate associated with the line of credit. The line of credit increases each month by this rate. The program calculates the monthly increase on the outstanding line of credit as follows:

$$\text{Monthly Increase} = \text{Outstanding Line of Credit} * \text{Growth Rate} / 12 * 0.01$$

**Initial Withdrawal Amount** - The amount the lender agrees to pay you this amount at the closing of the loan. This is a one time payout.

**Deposit initial amount to** - Select an account to which the Initial Withdrawal Amount will be deposited.

**NOTE:** This account only applies to this withdrawal. All other funds taken from the Line of Credit must be transferred using the Transfer Event which allows you to choose the account.

**Fixed Fees** - Fixed Fees are the fees which you normally pay at the closing of the loan. Sometimes referred to as "Closing Costs." If you wish you can have the program include the fixed fees as part of the loan debt by checking the **Include in Loan** check box. If so, interest will be charged each month on these fees for the life of the loan.

**Monthly Fees** - A monthly fee may charged on the loan for one reason or another. If you check the **Include in Loan** check box the program will add this amount each month to the loan's accumulated debt and you will be charged interest. Otherwise the program will withdraw the monthly fee amount from your accounts.

**NOTE:** You may use a Transfer Event to pay down a Home Equity Line of Credit.

## Property Income and Expenses (Professional Version Only)

Maple Street Residence - Refinance Income and Expenses

Add / Edit Item

Name   Monthly  Track  
 Income  Tax  
 Capital Improvement Expense

Start Age  End Age

Associated Account

Amount   Use amount in today's dollars  
 Use Inflation Only  
 Use Applied Rate Only  
 Apply inflation rate  Use Both Inflation and Applied Rate

Name	Start Age	End Age	Amount	M	Applied Rate	Yearly	T	I/E/C	Tax	Todays	Associated Account
HOA	69.00	99.00	240.00	X	Inf.+ 1.000%	2,880.00	X	E		None	Checking Account
Insurance	69.00	99.00	300.00		Inflation	300.00	X	E		None	Checking Account
Taxes	69.00	99.00	6,031.00		Inflation	6,031.00	X	E	X	None	Checking Account

Yearly

Incoming  Outgoing

**Figure 12: Property Income and Expenses**

The planner allows up to 30 income / expense items for each property defined with the Mortgage Event. Each item in the list has a name, an amount, an option to specify whether the amount is monthly or yearly, and a yearly inflation percentage. Each item also has a checkbox to allow tracking individual items in the results.

**Start Age** -- This is the start age of the item. It cannot be less than the start age of the mortgage and it cannot be more than the end age of the mortgage.

**End Age** -- This is the end age of the item. It cannot be less than the start age or greater than the sell age of the mortgage.

**Use amount in today's dollars.** If this box is checked the **Amount** at **Start Age** will be calculated based on the **Amount** entered and the amount accumulated by applying inflation and/or the applied rate from the beginning age of the scenario until **Start Age**.

**Use Inflation Only** -- Check this box to calculate the future value of this deposit using inflation.

**Use Applied Rate Only** -- Check this box to calculate the future value of this deposit using the **Applied Rate**.

**Use Both Inflation and Applied Rate** -- Check this box to use the both inflation and the **Applied Rate** to calculate the future value of this deposit.

**Adding an item to the list:**

Fill in the **Name** and **Amount**,

The form defaults to a regular expense item.

If the Amount represents a capital improvement expense check the **Capital Improvement Expense** box.

If the Amount is Income check the **Income** box.

If the Amount is a monthly income or expense check the **Monthly** box,

If the item is income and the amount is pretax dollars check the **Tax** box. The program will tax the amount by the current effective tax rate.

If the amount is an expense and is a tax, check the **Tax** box in order for the program to include the amount in the tax results.

Fill in the expected **Inf. Rate / Year** (Yearly Inflation Rate) for the income or expense,

If you wish to track the item in the results check the **Track** box and

Click the **Enter** button with the mouse.

**Editing an item:**

Select the item with a mouse click or mouse double click,

Edit the fields which need changed,

Click the **Enter** button with the mouse.

**Note:** If the name field is changed clicking the **Enter** button will enter a new item to the list.

**Deleting an item from the list:**

Select the item with a mouse click or mouse double click,

Click the **Delete** button with the mouse.

**Note:** The **Clear** button will clear only those fields in the Add / Edit Section.

**Copying a list:**

Use the **Copy All** button on the list you want to copy from, and

use the **Paste All** button on the list you want to copy to.

**Note:** The Paste All clears all of the items before it pastes.

**Tracking items:**

You can track items by checking the **Track** check box. This will display the withdrawal value of each item checked when the scenario is executed with the Results Folder.

**Note:** If you track an entry and you add a color number enclosed in braces anywhere within the name text, the name will be hi-lighted in that color in the Results Screen and also in the Reports. If you enclose the color number in brackets the name will be hi-lighted in that color and also enclosed within a box. The color number is the number of the color as defined in the Reports/Report Options/Color screen.

**Printing a List:**

The program prints the inflated values for each item in the list from the Mortgage Event **Start Age** to the life of the mortgage or the **Sell Age** of the mortgage.

**Changing Multiple Property Income/Expense Start Ages, End Ages, or Associated Accounts**  
(Professional Version Only)



The program allows you to select multiple items and change the Start Age, End Age, or Associated Account of each as follows:

1. Select the items using the Shift Left Mouse Button or CTRL Left Mouse Button
2. When you finish selecting the items press the Right Mouse Button. A screen will appear that allows you to enter the new age or associated account for those items.

### Reverse Mortgage (Retirement/Professional Versions Only)

**Figure 13: Reverse Mortgage Event**

The reverse mortgage event allows you to take out a loan against your primary residence. It is strongly suggested you investigate all of the options available to you before you enter into a reverse mortgage.

The program does not have any means to check if the data you provide to the Reverse Mortgage Event is correct. You must gather this data from other sources.

In general the following statements are true:

**Eligibility:**

At this writing the minimum age is 62 for the youngest owner of the property.

The property must be your primary residence.

You must pay your property off at the time of the reverse mortgage closing.

**Payments:**

The purpose of the reverse mortgage is to make available a portion of your properties equity without the burden of a monthly payment or any payments as long as you reside in the property.

There may be, and likely are, fixed costs and monthly fees but these may or may not be included in the loan amount.

Depending on the type of loan the loan does not have to be paid off until you no longer reside in the property.

**Payouts:**

You may have the lender pay you in one or a combination of a lump-sum, monthly payment or a line of credit.

The amount you can borrow depends on a number of factors including age, appraised value of your property, and the location of your property.

As you can see this is a lot of information and can vary from lender to lender and location to location. You should find out all the information you can from reputable sources before undertaking this debt. Get data on all of the options available to you and use the Planner to evaluate each option in terms of its effect on your future net worth.

Once you have gathered the data you can enter it into the following fields.

**Description** - A description of the loan for reference. The results and reports will refer to this loan by this description.

**Payoff Age** - The age at which you will pay off the reverse mortgage loan. If this is after the **Sell Age** of the Mortgage Event which represents your primary residence the program will pay off the loan at the **Sell Age**.

If the reverse mortgage is taken for a fixed number of years, use this field to end the loan at the proper age.

**Loan Amount** - Used at the present for reference only.

**Rate** - The yearly rate at which the loan debt increases. The program calculates the monthly interest on the outstanding debt as follows:

$$\text{Monthly Interest} = \text{Outstanding Debt} * \text{Rate} / 12 * 0.01$$

**Monthly Payout Amount** -- The amount the lender agrees to pay you each month. This amount will not change over the life of the loan.

**Lump Sum Amount** - The amount the lender agrees to pay you at the closing of the loan. This is a one time payout.

**Deposit Payouts to Account** - Select the account for the payout funds are to be deposited.

**Line of Credit Amount** - If the lender sets up a line of credit as part of this loan enter which amount in this field. Each time you withdraw funds from the line of credit that amount is added to the loan's accumulated debt.

**Growth Rate** - Some reverse mortgages have a growth rate associated with the line of credit. The line of credit increases each month by this rate. The program calculates the monthly increase on the outstanding line of credit as follows:

$$\text{Monthly Increase} = \text{Outstanding Line of Credit} * \text{Growth Rate} / 12 * 0.01$$

**Fixed Fees** - Fixed Fees are the fees you normally pay at the closing of the loan. Sometimes referred to as "Closing Costs." If you wish you can have the program include the fixed fees as part of the loan debt by checking the **Include in Loan** check box. If so, interest will be charged each month on these fees for the life of the loan.

**Monthly Fees** - A monthly fee is sometimes charged on the loan for one reason or another. If you check the **Include in Loan** check box the program will add this amount each month to the loan's accumulated debt and you will be charged interest. Otherwise the program will withdraw the monthly fee amount from your accounts

## Transfer

The Transfer event allows you to transfer an amount from one account to another. Unless you check the **"One transaction only"** box the transfer will take place annually from your **Start Age** until your **End Age**. If the "From" account is depleted the remaining funds will be transferred and an alert will be posted. If the money is to be transferred from a Retirement Savings account before the Penalty Age the appropriate tax rate, as well as Penalty Rate, will be applied.

**Transfer**

Description:

Start Age:

Transfer all funds at Start Age

End Age:

Amount:   Monthly

Apply Rate:  %

One transaction only

Apply inflation rate to transfer

Use amount in age 40.0 Dollars

Use Inflation Only

Use Applied Rate Only

Use Both Inflation and Applied Rate

From Account:

To Account:

If balance >=

If balance <=

? This transfer is a non-deductible contribution to a retirement account

? Reproportion applicable AA/WO accounts

**Figure 14: Transfer Event**

## Transfer Event Screen Fields

**Description** Your description of how this event pertains to the Financial Scenario.

**Note:** If you add a color number enclosed in braces anywhere within the description text, the Event Description will be hi-lighted in that color in the Scenario and Results Screens and also in the Reports. If you enclose the color number in brackets the Event Description will be hi-lighted in that color and also enclosed within a box. The color number is the number of the color as defined in the Reports/Report Options/Color screen. Examples of a Transfer Event to be hi-lighted are:

Homer's Keogh{2}

Homer's Keogh[2]

Each of these examples will hi-light the description in the second color. The braces, brackets and color number do not show up anywhere other than the Event Description Screen.

**Start Age** Your age at which this event is to begin. If this age is less than the Initial Data Start Age the Financial Scenario will start at this age.

**Transfer all funds at Start Age** If this box is checked all of the funds in the From account will be transferred to the To account at the Start Age.

**End Age** The age at which this event will end. If this age is greater than the Initial Data End Age the Financial Scenario will end at the Initial Data End Age. If the One transaction only box is checked the Transfer End Age is ignored.

**Amount** The amount of money transferred each year.

**Note:** You can transfer a lump-sum payment to an Equity account assigned to a Mortgage Event. This transfer will reduce the principal of that mortgage by the transfer amount.

**Monthly** Check this box if the amount you entered is the amount to be transferred each month.

**Apply Rate** If this box is checked the transfers will increase or decrease by this rate each year.

**Use amount in today's dollars.** If this box is checked the **Amount** at **Start Age** will be calculated based on the **Amount** entered and the amount accumulated by applying inflation and/or the applied rate from the beginning age of the scenario until **Start Age**.

**Use Inflation Only** -- Check this box to calculate the future value of this transfer amount using inflation.

**Use Applied Rate Only** -- Check this box to calculate the future value of this transfer amount using the **Applied Rate**.

**Use Both Inflation and Applied Rate** -- Check this box to use the both inflation and the **Applied Rate** to calculate the future value of this transfer amount.

**Note:** The dialog will actually show the age designated as the Initial Values Start Age.

**One transaction only** If this box is checked the Amount is transferred once at Start Age and the End Age is ignored.

**Apply inflation rate to transfer** If this box is checked the transfer amount is increased each year by the current inflation rate.

**From Account** Select an account from the list Funds will be withdrawn from this account

**Conditional Transfer - If balance >=** If this box is checked the transfer will only take place if the balance in the From Account is greater than or equal to the amount in the corresponding field.

**To Account** Select an account from the list. Funds will be transferred to this account.

**Conditional Transfer - If balance <=** If this box is checked the transfer will only take place if the balance in the To Account is less than or equal to the amount in the corresponding field.

**This transfer is a non-deductible contribution to a retirement account.** -- Check this box if this transfer amount is a contribution to a retirement account that is not deductible from you income tax. This transfer amount will be added to the current Basis for that retirement account. This has other implications in the program. For example, all of the accounts that make up this retirement account, i.e. an IRA, should have an RMD Table assigned to them and that table should have the current Basis entered. RMD Tables are assigned when you are setting up an account or editing an account.

**Note:** Both the Apply Rate and Apply inflation rate to transfer may be checked. In this case both rates will be applied.

**Reproportion Asset Allocation Withdrawal Option's Accounts (Professional Version Only)**

If you choose this option the program makes the transfer to the selected account and calculates the new relative proportions for each account in any applicable Asset Allocation Withdrawal Option (AAWO) set of accounts. This option will override any previous AAWO account proportions calculations.

An AAWO allows you to assign an account to a list of accounts which acts as a group. When a withdrawal is made from an account in this group, the program will take the transfer amount from all of the accounts in the group in equal or proportional amounts depending on the option chosen in the "Assign Asset Allocation Option" menu item contained in the Edit menu.

The program implements an AAWO by calculating the relative proportion of each account in the AAWO group at the start age of the AAWO. If you have chosen to rebalance an AAWO group of accounts the program will reallocate within the group at the end of the year to the proportions calculated at the start age.

If you check this box the program recalculates those relative proportions after the transfer is made. It only recalculates if either the selected From Account or To Account is a member of an AAWO group and the age of the transfer is within the age span of the AAWO.

This option allows you to reallocate your assets with transfers and having the new allocation rebalanced within the scope of an existing AAWO.

### **Summary**

The Transfer Event allows you to transfer an Amount from one type account to another on a one-time or yearly basis starting from Start Age and ending with End age. If the account does not have sufficient funds, the remaining funds in the account will be transferred and an alert will be posted.

**Note:** You can transfer a lump-sum payment to an Equity account assigned to a Mortgage Event. This transfer will reduce the principal of that mortgage by the transfer amount.

### Fundamentals

Use the Event Description field to describe in your words what this change represents, for example, "Invest More Conservatively."

The Fundamentals event allows you to change the rate at which the calculations are based at any age. If you do not create a Fundamentals event the rates contained in the Initial Values table and the Accounts are used throughout the scenario.

Place your age in which you want the changes to take in **Start Age** and enter any or all of the rates in which you want to change.

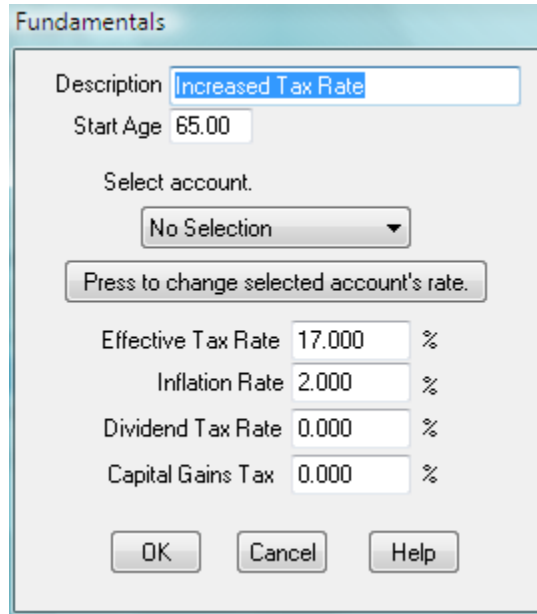


Figure 15: Fundamentals Event

### Fundamentals Event Screen Fields

**Description** Your description of how this event pertains to the Financial Scenario.

**Note:** If you add a color number enclosed in braces anywhere within the description text, the Event Description will be hi-lighted in that color in the Scenario and Results Screens and also in the Reports. If you enclose the color number in brackets the Event Description will be hi-lighted in that color and also enclosed within a box. The color number is the number of the color as defined in the Reports/Report Options/Color screen. Examples of a Fundamentals Event to be hi-lighted are:

Increased Tax Rate{2}  
Increased Tax Rate[2]

Each of these examples will hi-light the description in the second color. The braces, brackets and color number do not show up anywhere other than the Event Description Screen.

**Start Age** Your age at which this event is to take place. If this age is less than the Initial Data Start Age the Financial Scenario will start at this age.

**Select Account** Use the pull down menu to select the account to change a rate.

**Press to select account's rate.** Pressing this button will bring up a dialog which allows you to change the account's rate.

**Tax Rate** The rate at which income from all taxable accounts is taxed.

**Inflation Rate** The rate at which the cost of living increases each year.

**Dividend Tax Rate** The rate at which income from the taxable portion of dividends is taxed.

**Capital Gains Tax Rate** The rate at which capital gains are taxed each year.

### **Summary**

The Fundamentals Event allows you to change a rate or rates which the program uses to calculate the Financial Scenario. This is a one time event taking place at Fundamental Start Age. When the Fundamentals Event screen is initialized the fields default to the values of the previous Fundamentals Event Screen. The first time a Fundamentals Event screen is accessed the rates default to those contained in the Initial Data screen and Accounts.

### Asset Allocation Withdrawal Options (Retirement/Professional Versions Only)

The Asset Allocation Withdrawal option was created to allow certain marked accounts to keep an asset allocation after a certain age. The accounts are marked by assigning the account from the **Add Accounts Screen**

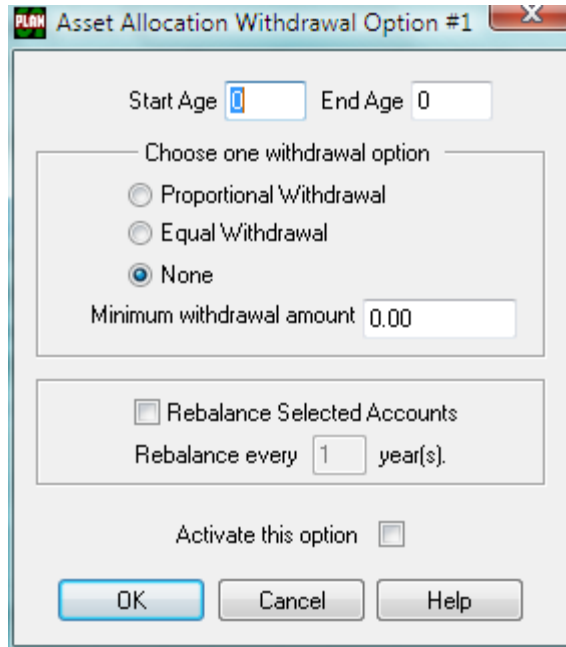


Figure 16: Asset Allocation Withdrawal Options

### Asset Allocation Withdrawal Options Fields

**Proportional asset allocation withdrawal**

Choosing this option will draw funds from a selected account in the same proportion as its balance is to the total amount in the assigned accounts.

For example if you have selected 3 funds.

- Fund 1 = \$10,000.00
- Fund 2 = \$50,000.00
- Fund 3 = \$40,000.00

- Fund 1 represents 10% of the total amount
- Fund 2 represents 50% of the total amount
- Fund 3 represents 40% of the total amount

If the withdrawal amount for a year after the **Age to start withdrawals** is \$10,000.00

- \$1,000.00 will be withdrawn from Fund 1 (10.0 % of \$10,000.00)
- \$5,000.00 will be withdrawn from Fund 2 (50.0% of \$10,000.00)
- \$4,000.00 will be withdrawn from Fund 3 (40.0% of \$10,000.00)

This allows you to maintain a constant asset allocation within a group of assets.

**Equal asset allocation withdrawal**

This choice will withdraw equal amounts from each account selected.

For example if you have selected 3 funds.

- Fund 1 = \$10,000.00
- Fund 2 = \$50,000.00
- Fund 3 = \$40,000.00

If the withdrawal amount for a year after the **Age to start withdrawals** is \$10,000.00



\$3,333.33 will be withdrawn from Fund 1  
\$3,333.33 will be withdrawn from Fund 2  
\$3,333.33 will be withdrawn from Fund 3

**Important:** If no option is selected the Asset Allocation Withdrawal will not be in effect and any accounts selected for this option will have the “x” shown in the color red.

**Age to start withdrawals** -- This is the age at which the program is to begin withdrawing from those accounts marked as Asset Allocation Withdrawal accounts.

**Minimum withdrawal amount** -- If the amount to be withdrawn is less than this amount the withdrawal will be made in the order defined in the Accounts Folder.

#### **Rebalancing Accounts** ( Professional Version Only)

If you select the **Rebalance Selected Accounts** option the program will rebalance the selected accounts to their proportional percentage of the total that existed at the Start Age. The rebalancing will take every N years, where N is the number you entered in the **Rebalance every N year(s)** field.

#### **Important Note:**

The program will only rebalance selected accounts that are of the same Account Type. Also, the program only rebalances selected accounts that are assigned the same RMD table.

For example, suppose you selected 3 accounts that are Investment Types and 6 Retirement Type accounts. Three of the retirement accounts are assigned to RMD table #1, and three are assigned to RMD table #2.

The program will rebalance the 3 investment accounts as a sub-group of the 9 selected accounts.

It will rebalance the 3 retirement accounts assigned to RMD table #1 as another sub-group of the 9 selected accounts.

It will rebalance the remaining 3 retirement accounts as the third sub-group of the selected accounts.

**Activate this Option** (Professional Version) -- This option will not be placed in the scenario unless this box is checked. If you have selected accounts they will be displayed in the color red if this box is unchecked.

## Required Minimum Distribution Option (Retirement/Professional Versions Only)

Once you reach age 70 1/2, the IRS requires you to withdraw at least a minimum amount each year—an amount known as a **Required Minimum Distribution (RMD)** from your tax-deferred retirement savings. You must take RMDs from all of your retirement plans except Roth IRAs. Although the IRS rules on how you calculate this amount vary depending on a number of variables, such as the age of the beneficiary or beneficiaries, the withdrawals have two things in common.

The first is the withdrawals start at a certain age. Generally this is age 70 1/2. Since the J&L Planner operates on a yearly basis this age is 70.

The second is the calculation is performed by summing the amount of money in the retirement account(s) each year and dividing that amount by a Life Expectancy Factor for that year from a table published by the IRS.

For most users this table is the **Distribution Period Table** furnished by the IRS. The J&L Planner implements this table as Table 1. It contains the values for ages 70 to 99.

When circumstances require the use of another table or the money is to be withdrawn at an earlier or later age, the J&L planner provides each table with a start age -- the age the withdrawals are to begin.

All four tables may be edited with values which pertain to the users special RMD circumstance.

**Important Note:** If you wish to revert a value back to the default value place a zero in the field. Ignore any error messages. The value will default to the value in the IRS **Distribution Period Table** that was current at the time you purchased the J&L Financial Planner.

If you upgraded the J&L Financial Planner to a version that has updated RMD tables and you wish to use the newer values you must enter a zero in all of the table fields. Ignore any error messages. Be sure to save your scenario when you exit the program.

### Setting Up the J&L Planner For RMD

1. You should read and understand the rules that apply for your retirement plans. If you do not understand which accounts come under the RMD rules, talk with your plan administrator or contact the company from which you purchased the funds. A good place to start is with the **IRS Publication 590**.

2. Determine which accounts require RMD and find out which Life Expectancy Table applies to your circumstance. If you are married, your spouse is the beneficiary on the accounts, and your spouse is less than 10 years younger than you, Table 1 will probably suffice.

If your beneficiary is greater than 10 years younger than you -- you should look into using the IRS **Joint Life and Last Survivor Expectancy Table**. If this is the case or if your circumstance requires a set of values other than the **Distribution Period Table** (J&L Planner Table 1) you will have to enter them into one of the J&L Planner tables.

Once you have determined the values needed use the Edit / Required Minimum Distribution selection.

This selection brings up a **Required Minimum Distribution Options Screen** which has the following information to be filled in:

Withdrawal Option,  
Penalty Rate, and

Four buttons which allow you to view and edit the **Life Expectancy Tables**.

Choose a table and fill in a description that identifies the account(s) and a start age. If the values need editing -- edit the values.

3. When you determine which accounts require RMD withdrawals edit each account and choose which table represents that account. See **Add Account**

The J&L Planner takes the information you provided and does the following.

1. Each account you have selected to be represented with an RMD table will have either a 1, 2, 3, or 4 entered in the "M" column of the Accounts Folder. This number represents the RMD table used to calculate the minimum amount to be withdrawn each year.
2. For each group of accounts that relate to an RMD Table, J&L Tables 1-4, the program generates a Scenario Event that shows up in the Scenario Folder.
3. When the results are executed, for each year starting with the age you entered in the table or tables, the planner calculates the beginning balance for the account or accounts, and divides that amount by the value in the respective table.

The resulting amount will be transferred from the retirement account(s) into the account specified when you filled in the **Required Minimum Distribution Options** screen.

This total transaction will show up as a line item in the results. If the Detailed option is selected from the Results Folder each amount transferred from each account will be shown.

**Important:** You can not delete an RMD from the Scenario Folder. You must unassign each account assigned to the RMD table.

### Required Minimum Distribution Options Screen

**Figure 17: Required Minimum Distribution Options**

This screen has the following fields relating to the Required Minimum Distribution:  
Choose one of the 3 check boxes.

#### **Proportional asset allocation withdrawal**

Choosing this option will draw funds from a selected account in the same proportion as its balance is to the total amount in the funds using the same table.

For example if you have 3 funds which use Table 1

Fund 1 = \$10,000.00

Fund 2 = \$50,000.00

Fund 3 = \$40,000.00

Fund 1 represents 10% of the total amount

Fund 2 represents 50% of the total amount

Fund 3 represents 40% of the total amount

If the RMD withdrawal amount for the year is \$10,000.00

\$1,000.00 will be withdrawn from Fund 1 (10.0% of \$10,000.00)

\$5,000.00 will be withdrawn from Fund 2 (50.0% of \$10,000.00)

\$4,000.00 will be withdrawn from Fund 3 (40.0% of \$10,000.00)

This allows you to maintain a constant asset allocation within a group of assets.

#### **Equal asset allocation withdrawal**

This choice will withdraw equal amounts from each account in the selected accounts using the same table.

For example if you have 3 funds which use Table 1.

Fund 1 = \$10,000.00

Fund 2 = \$50,000.00  
 Fund 3 = \$40,000.00  
 If the RMD withdrawal amount for the year is \$10,000.00  
 \$3,333.33 will be withdrawn from Fund 1  
 \$3,333.33 will be withdrawn from Fund 2  
 \$3,333.33 will be withdrawn from Fund 3

**Account order withdrawal**

This option will withdraw funds from the selected accounts using the same table in the order you have defined in the Accounts Folder. This is the default option and the manner the program uses to withdraw from funds in general.

For example if you have 3 funds which use Table 1 and have the following order:

Fund 1 = \$10,000.00 order 1  
 Fund 2 = \$50,000.00 order 2  
 Fund 3 = \$40,000.00 order 3  
 If the RMD withdrawal amount for the year is \$10,000.00  
 \$10,000.00 will be withdrawn from Fund 1  
 \$0.00 will be withdrawn from Fund 2  
 \$0.00 will be withdrawn from Fund 3

**Penalty rate**

This rate represents the penalty for not withdrawing funds from the required retirement accounts by the required age or not withdrawing the proper amount. Any amount not withdrawn is penalized at this rate. At the time of this writing the rate was 50.0%

**Edit Table 1 Life Expectancy Values** - Pressing this button will take you to the **Life Expectancy Table 1**

**Edit Table 2 Life Expectancy Values** - Pressing this button will take you to the **Life Expectancy Table 2**

**Edit Table 3 Life Expectancy Values** - Pressing this button will take you to the **Life Expectancy Table 3**

**Edit Table 4 Life Expectancy Values** - Pressing this button will take you to the **Life Expectancy Table 4**

### Life Expectancy Table

Table 1

Description

Withdrawal Start Age  ?

Associated Accounts Basis  ?

Annuity taxation option ?

Deposit distribution to account:

Age	Value	Age	Value	Age	Value
70	27.4	80	18.7	90	11.4
71	26.5	81	17.9	91	10.8
72	25.6	82	17.1	92	10.2
73	24.7	83	16.3	93	9.6
74	23.8	84	15.5	94	9.1
75	22.9	85	14.8	95	8.6
76	22.0	86	14.1	96	8.1
77	21.2	87	13.4	97	7.6
78	20.3	88	12.7	98	7.1
79	19.5	89	12.0	99	6.7

**Figure 18: Life Expectancy Table**

This screen requires a minimum of 2 fields to be filled out.

**Description** - Choose a descriptive name for the account or group of accounts which use this table for calculating the **Required Minimum Distribution (RMD)**

**Note:** If you add a color number enclosed in braces anywhere within the description text, the description will be hi-lighted in that color in the Scenario and Results Screens and also in the Reports. If you enclose the color number in brackets the description will be hi-lighted in that color and also enclosed within a box. The color number is the number of the color as defined in the Reports/Report Options/Color screen. Examples of an RMD to be hi-lighted are:

IRA {2}  
IRA [2]

Each of these examples will hi-light the description in the second color. The braces, brackets and color number do not show up anywhere other than this screen.

**Withdrawal Start Age** - Choose the age at which withdrawals are to be made from the account or group of accounts which use this table. Changing this value will change the ages for the values in the table.

**Note:** The values will not change immediately -- but when you leave this screen.

**Associated Accounts Basis** This RMD table represents one or more accounts associated by the table number. This association is maintained when you add or edit an account. If the account or group of accounts associated by this table has non-deductible contributions included, the non-deductible amount is called the Basis. This amount is reported each year to the IRS with form 8606. Enter this Basis amount here. The program uses this Basis amount to determine the taxable portion of a distribution.

**Annuity Taxation Option** Checking this option will cause the program to tax withdrawals and transfers from accounts associated with the RMD table only after the basis portion of the account balance is depleted. Withdrawals and transfers will be taken from the basis portion of the account balance first. The non-basis portion of the account balance will be taxed at the Effective Tax Rate defined in the Initial Values dialog.

#### **Deposit distribution to this account**

Choose an account from the drop down list. This account represents the account which will receive the funds that are withdrawn through the RMD option.

The remaining fields are life expectancy values from the IRS tables. All tables default to the IRS Table *Distribution Period Table*, but the tables may be edited to suit your circumstance. The edited values are saved with each scenario file.

#### **Important Notes:**

1. If you wish to revert a value back to the default value place a zero in the field. Ignore any error messages. The value will default to the value in the IRS *Distribution Period Table* current at the time you purchased the J&L Financial Planner.
2. If you upgraded the J&L Financial Planner to a version which has updated RMD tables and you wish to use the newer values you must enter a zero in all of the table fields. Ignore any error messages. Be sure to save your scenario when you exit the program.
3. Entering the word "skip" in any of these fields will eliminate this tables distribution for the given year.

## Budgets (Retirement Version Only)

**Budget**

Budget Name

Start Age  End Age

Associated Account:

Use amounts in age 48.0 Dollars  
 Use Inflation Only  
 Use Applied Rate Only  
 Use Both Inflation and Applied Rate

Add / Edit Budget Item

Name

Amount

Apply Rate  %  Monthly  Track

Apply inflation rate

Name	Amount	Monthly	Applied R...	Yearly	T
Car Expenses	200.00	X	1.500%	2,400.00	
Car Insurance	1,200.00		2.000%	1,200.00	
Electric	459.00	X	1.000%	5,508.00	
Food	700.00	X	1.500%	8,400.00	
Internet	40.00	X	2.500%	480.00	
Life Insurance	654.00		0.000%	654.00	
Long Term Care	3,800.00		0.000%	3,800.00	
Medical	150.00	X	10.000%	1,800.00	X

Yearly Total

Activate this budget

**Figure 19: Budget (Retirement Version Only)**

The retirement planner allows up to 5 separate budgets, each with up to 30 expense items. Each budget has a unique name, a start age, an end age, and an optional account that can be selected for the withdrawal. Each item in the list has a name, an amount, an option to specify whether the amount is monthly or yearly, and a yearly inflation percentage.

## Creating A Budget

Give the budget a name using the **Description** field.

Select a **Start Age** and an **End Age** for the Budget Event, and Optionally select an **Associated Account** from which the withdraw is to be made. If the **No Selection** is made the withdrawal will be in account order.

**Use amount in today's dollars.** If this box is checked each item's amount at **Start Age** will be calculated based on the **Amount** entered and the amount accumulated by applying inflation and/or the applied rate from the beginning age of the scenario until **Start Age**.

**Use Inflation Only** -- Check this box to calculate the future value of this deposit using inflation.

**Use Applied Rate Only** -- Check this box to calculate the future value of this deposit using the **Applied Rate**.

**Use Both Inflation and Applied Rate** -- Check this box to use the both inflation and the **Applied Rate** to calculate the future value of this deposit.

### Adding a Budget Item to the List

Fill in the **Name** and **Amount**.

**Start Age** -- This is the start age of the budget item. It cannot be less than the start age of the budget and it cannot be more than the end age of the budget.

**End Age** -- This is the end age of the budget item. It cannot be less than the start age or greater than the end age of the budget.

**Track** -- You can track budget items by checking the **Track** check box. This will display the withdrawal value of each item checked when the scenario is executed with the Results Folder.

**Monthly** -- If the Amount is a monthly expense check the **Monthly** box.

**Apply Rate** If this box is checked the **Amount** will increase or decrease by this rate each year.

**Apply inflation rate** If the box is checked the **Amount** will increase by the current inflation rate each year. The Inflation Rate is initialized on the Initial Data Screen and can be changed at any age with a Fundamentals Event.

### Editing a Budget Item

Select the item with a mouse click or mouse double click, edit the fields that need changed, Click the **Enter** button with the mouse.

**Note:** If the name field is changed clicking the **Enter** button will enter a new item to the list.

### Deleting a Budget Item From the List

Select the item with a mouse click or mouse double click, Click the **Delete** button with the mouse.

**Note:** The **Clear** button will clear only those fields in the Add / Edit Section.

### Copying a Budget

Use the **Copy All** button on the budget you want to copy from, and use the **Paste All** button on the budget you want to copy to.

**Note:** The program clears all of the budget items before it pastes.

### Printing a Budget

The program prints the inflated values for each item in the budget from the budget **Start Age** to the budget **End Age**.

### Deleting a Budget From the Scenario

Select the Budget Event from the scenario in the Scenario Folder, Click the **Delete** button on the Scenario Folder.



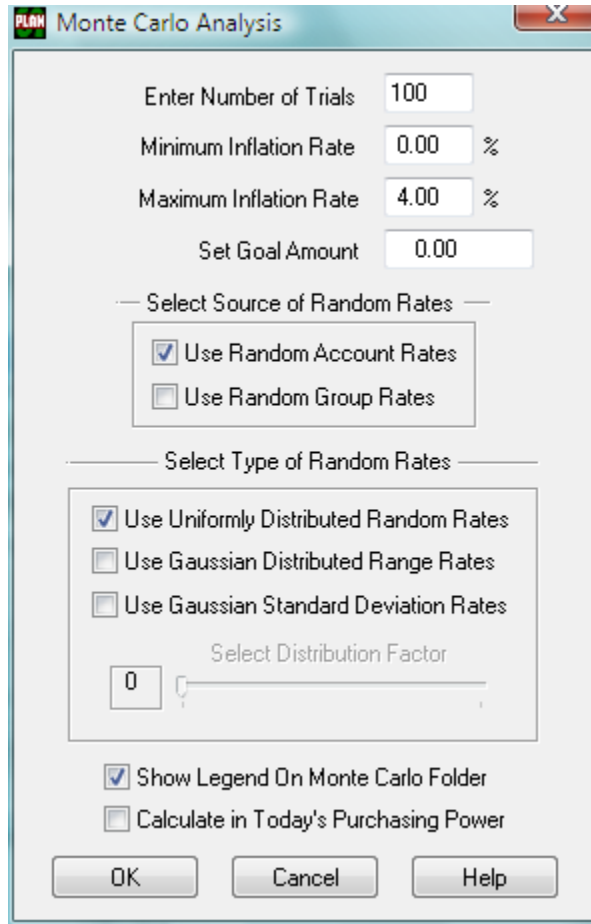
Deleting a budget only removes it from the scenario. To reactivate it check the **Activate this budget** box on the corresponding budget dialog.

When a budget is active a check mark is presented to the left of its Menu item.

**Notes:**

1. You cannot copy a budget event with the Scenario Folder **Copy** button. If you want to copy a budget  
use the **Copy All** button on the budget dialog you want to copy from,  
and use the **Paste All** button on the budget dialog you want to copy to.
2. You can edit a budget by double clicking the budget Budget Event in the Scenario Folder  
and also the Results Folder.

**Adjust Monte Carlo Analysis (Professional Version Only)**



**Figure 20: Adjust Monte Carlo Analysis**

This screen allows you to change the Monte Carlo analysis parameters.

**Number of Trials** -- The number of times the Monte Carlo Analysis executes your scenario.

**Minimum Inflation Rate** -- This is the minimum rate the Analysis will use when it calculates a random inflation rate.

**Maximum Inflation Rate** -- This is the maximum rate the analysis will use when it calculates a random inflation rate.

Select one of the following:

**Use Random Account Rates** -- Selecting this option will cause the analysis to use the Minimum and Maximum Rates you entered when setting up each Account.

**Use Random Group Rates** -- Selecting this option will cause the analysis to use the Minimum and Maximum Rates you entered when you set up the Groups.

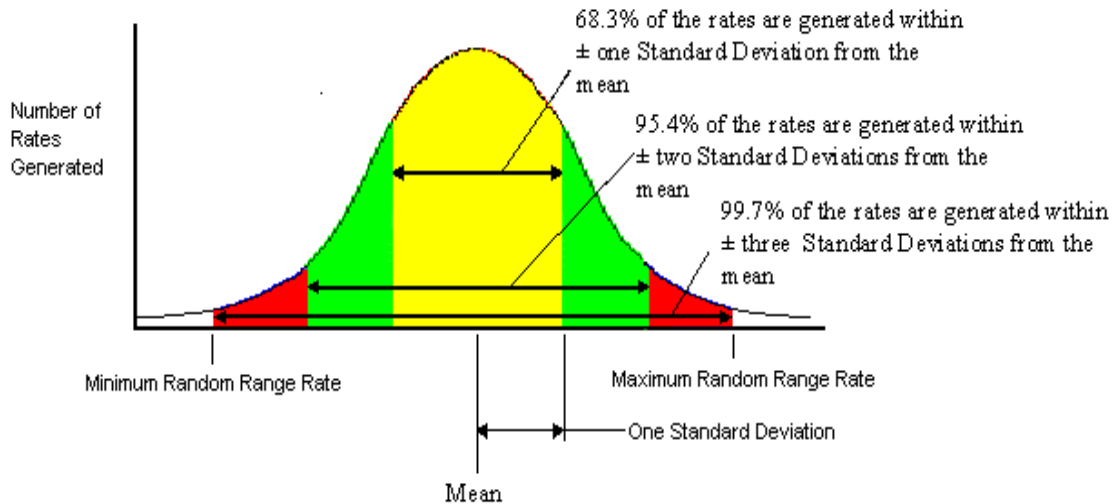
**Use Uniformly Distributed Random Rates** -- Selecting this option will use uniformly distributed random rates for the Monte Carlo Analysis. Each time a random investment rate is used the random rate generated has an equal probability of being any rate in the range from the minimum random rate to the maximum random rate. Given a large number of trials all rates from the minimum to maximum will be generated in a random order. As far as the analysis is concerned this represents a “worst case” investment scenario.

For example, if the range of investment rates is from -10.0% to +30.0%, the rate generated may very well be -10.0% one year and +30.0% the following year. In general markets don't behave in this manner. However, using a large number of trials the average rate generated equals the mean (average) rate of the range. In this example +10.0%. An analysis using uniformly distributed rates can show the extremes to which your investments can take.

You should probably choose a range such that the mean (average) represents the rate you feel the investment will return over the age span of your scenario.

**Use Gaussian Distributed Range Rates** -- Selecting this option will use Gaussian distributed random numbers for the Monte Carlo Analysis. This distribution is also known as a “normal distribution.” When the random rates are generated they form a “bell shaped” distribution about the mean (average) rate between the minimum random rate and the maximum random rate. Since a Gaussian Distribution assures 99.7% of the rates generated will fall within 3 Standard Deviations from the mean, the Standard Deviation is calculated from the range as follows:

$$\text{Standard Deviation} = (\text{Maximum Random Rate} - \text{Minimum Random Rate}) / 2.0 * 0.997 / 3.0$$



For example, if the range of investment rates is from -10.0% to +30.0% the rates generated have a higher probability to be generated near +10.0%, the mean (average) value of the range. The closer you approach the minimum or the maximum part of the range from the mean, the probability of generating a rate gets less. Since most of the random rates cluster about the mean, and fewer rates are generated at the extreme ends of the range, the Gaussian distribution represents a more realistic Monte Carlo analysis.

You should probably choose a range such that the mean (average) represents the rate you feel the investment will return over the age span of your scenario.

**Use Gaussian Standard Deviation Rates** -- Selecting this option will use Gaussian distributed random rates for the Monte Carlo Analysis using the Standard Deviation entered with the account data.

**Select Distribution Factor** Changing the value of the Distribution Factor has the effect of changing the distribution of the random rate with respect to the mean (average) rate in the following manner. Changing the value from 0 to 10 causes the analysis to use a range of Standard Deviations as follows:

Standard Deviation + Standard Deviation \* 0 / 10

Standard Deviation + Standard Deviation \* 1 / 10

Standard Deviation + Standard Deviation \* 2 / 10

.

.

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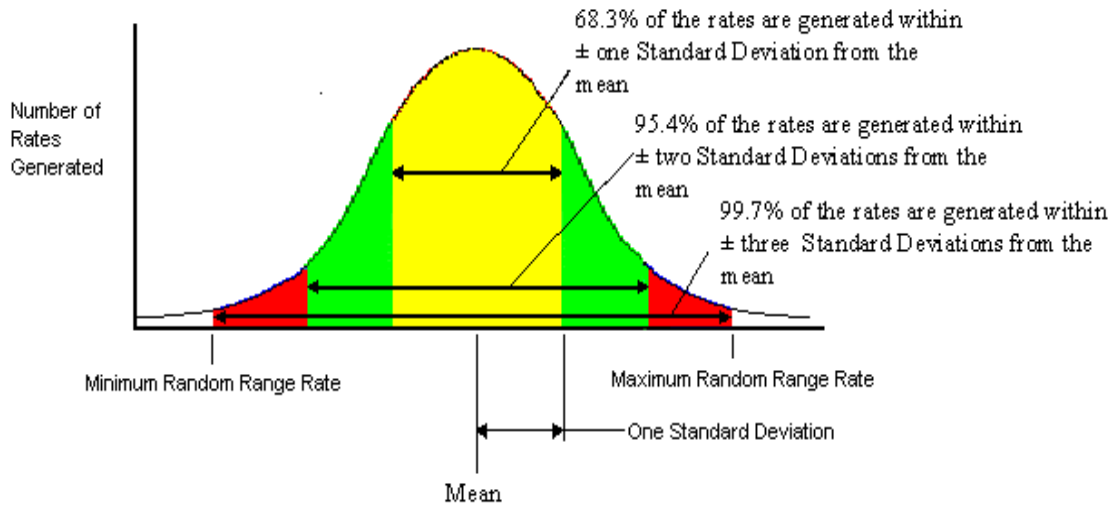
Standard Deviation + Standard Deviation \* 10 / 10

In other words from the Standard Deviation entered or calculated up to two times the Standard Deviation in increments of one tenth the Standard Deviation.

**Show Legend On Monte Carlo Folder.** Selecting or deselecting this option will show or not show the legend when the Monte Carlo Analysis is executed.

**Calculate in Today's Dollars** Selecting this option will cause the Monte Carlo Analysis to be calculated based on the effect of inflation each year on your net worth.

### Standard Deviation



The spread of returns around the Mean (average) is known as the standard deviation. The importance of standard deviation is that it measures the variability of investment returns over time. The standard deviation helps you give a number to the risk associated with your investment. Referring to the figure above, 68.3% of the time, the return on your investment will fall between two figures on either side of the mean. This corresponds to one standard deviation.

The mean is the average return on your investment.

If a stock has a mean return of 10 percent and a standard deviation of 10, then 68.3 percent of the time your return will fall somewhere between 0.0 and 20 percent.

95.4 percent of the time, your return should fall within plus or minus two standard deviations of the mean. In the example above this would mean 95.4 percent of all returns are likely to fall between -10.0 and 30.0 percent.

**How the program calculates the standard deviation for the random generated rates.**

The program:

Totals all the generated rates for an account or group.

Divides the total by the number of rates generated.

This is the mean.

Subtracts each generated rate from the mean.

Multiplies each rate by itself.

Adds all these results together.

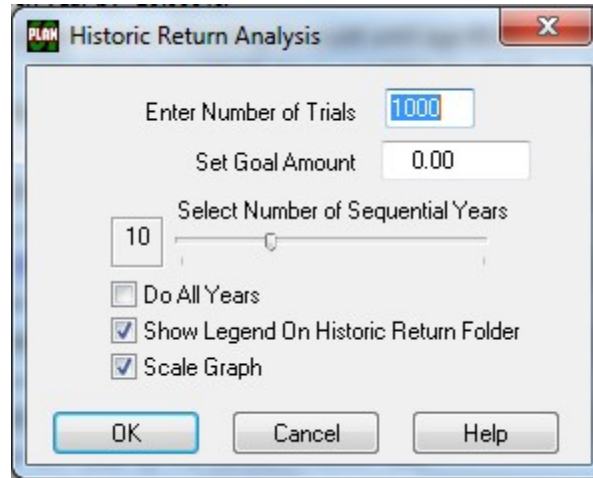
Divides by the total number of rates generated.

This is the Variance.

The square root of the Variance is the Standard Deviation.

The smaller it is (in proportion to the mean) the less variation in the generated rates.

## Adjust Historical Return Analysis(Professional Version Only)



**Figure 21: Adjust Historical Return Analysis**

This screen allows you to change the Historical Return Analysis parameters.

**Number of Trials** -- The number of times the Historical Return Analysis executes your scenario.

**Goal Amount** -- This is the amount of money you wish to have at the end of a scenario execution. This amount determines the success rate of the Historical Return Analysis. When the analysis is completed the Scenario Success rate is calculated as the number of times the scenario completes with a Net Worth greater than your Goal at the Initial Values End Age divided by the Number of Trials.

**Select Number of Sequential Years** Select the number of sequential years the analysis will select rates from the Historical Data file.

For example if your scenario starts at age 50 and No. of Trials = 1 and the No. of Sequential Years = 10.

The analysis will choose the first year from the data files and use the Asset Type return data from 10 sequential years to calculate the return data for the first 10 years of your scenario starting at age 50. It will then choose the next sequential year from the data files and repeat the above for the next ten years of your scenario. Each time the analysis reaches the final year of your scenario it will start at the previous start age + 1 year.

**Do All Years** If you check this box the analysis will start with the first year in the data files and get sequential rates from the files for each year of your scenario. It will then choose the next year in the data files and get sequential rates from the files for each year of your scenario. It will repeat this until the year it selects from the data files plus the length of your scenario equals the last year of data in the data files.

**Show Legend On Historical Analysis Folder** Selecting or deselecting this option will show or not show the legend on the Historical Analysis Graph.

**Calculate in Today's Dollars** Selecting this option will cause the Historical Analysis to be calculated based on the effect of inflation each year on your net worth. The program uses the inflation values from the historical inflation data file, inflate.dat.

**Scale Graph** If this box is checked the program attempts to find a better scaling for the graph.

**Note:** The **Show Legend** and **Calculate in Today's Dollars** affect both the Monte Carlo Analysis and the Historical Return Analysis.



## Rule 72T Distribution (Retirement/Professional Versions Only)

**Figure 22: Rule 72T Distribution**

In 2002 the IRS issued a ruling which allows early distributions from retirement accounts without being penalized if those distributions are “part of a series of substantially equal periodic payments” (SEPP). The payments are annual and must continue 5 years or until the age of 59 1/2 is attained, whichever is the **longer** period. See Rev. Rul. 2002-62 on the [www.treasury.gov](http://www.treasury.gov) web site.

**Important:** If you decide to use Rule 72t for early distributions you should do so with the guidance of a professional financial advisor.

These distributions are calculated based on three methods,

1. Required minimum distribution method,
2. Fixed amortization method, and the
3. Fixed annuity method.

Methods 1 and 2 utilize Life Expectancy Tables and method 3 utilizes a mortality table.

Methods 2 and 3 result in a fixed yearly distribution while method 1 results in a distribution that varies from year to year.

### Inputs

**Start Age** The age on your birthday the year the distribution is received.

**Beneficiary Age** This is your beneficiary's age the year the distribution is received. This entry is only applicable if you choose the Joint Life Table.

**End Age** This represents your age when you want the distributions to stop.

**Important:** To avoid penalties this should be 5 years greater than the value of the Start Age entry or 60 (59.5, the program only uses full years), whichever represents the **longer** period.

**Rate** This represents what you deem a reasonable long term rate of return for your account.

**Account Balance at Age** The account balance as of the close of business on December 31st of the preceding year. This may include any contributions made for the preceding year after December 31st.

**Note:** This amount is calculated by the program when the scenario is executed.

**From Account:** The account from which the distributions are to be taken.

**To Account:** The account that will receive the distributions.

## Life Expectancy Tables

There are four tables which may be used to determine your annual distribution.

**Note:** Once you have chosen a table and begin distributions you should not consider changing either the method or the table without professional advice.

**Single Life Table** This table produces the highest distribution. It does not take into account the age of your beneficiary. The Single Life Table may be used by anyone.

**Joint Life Table** This is a table to determine joint survivorship. Married couples have the option of choosing this method as long as their spouse is the beneficiary on the retirement account. Married couples do not have to choose this table -- it is only an option.

**Uniform Life Table** This is the same table the IRS created to simplify the Required Minimum Distribution (RMD) requirements. It also does not use the age of the beneficiary. This table can be used regardless of marital status or selected beneficiary.

## Methods

**Minimum Method** Each year this method calculates a distribution by dividing your current account balance by the life expectancy value determined by the table chosen and current age. The distribution varies each year.

**Amortization Method** This method calculates an annual distribution by amortizing your account balance over the life expectancy value from the chosen table. The distribution does not vary from year to year.

**Annuity Method** This method uses an annuity factor to calculate the distribution. The distribution calculation is defined by the Treasury Department as "The annual payment is determined by dividing the account balance by an annuity factor that is the present value of an annuity of \$1 per year beginning at the taxpayer's age and continuing for the life of the taxpayer." This method does not use the age of the beneficiary,

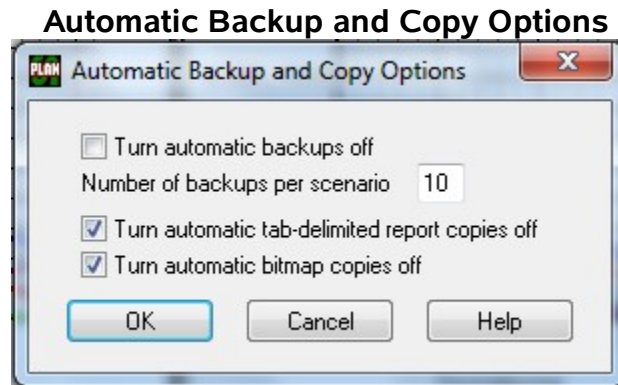
The J&L Rule 72T Calculator uses the Annuity 2003 Mortality Table referenced in the Department of the Treasury Rev. Rul. 2002-63.

**Important:** Under certain circumstances you can change your distribution method one time. You should seek professional advice or consult with the IRS before considering any changes once a distribution has taken effect.



## Program Preferences

### Report Options (See Reports / Report Options)



**Figure 23: Automatic Backup and Copy Options**

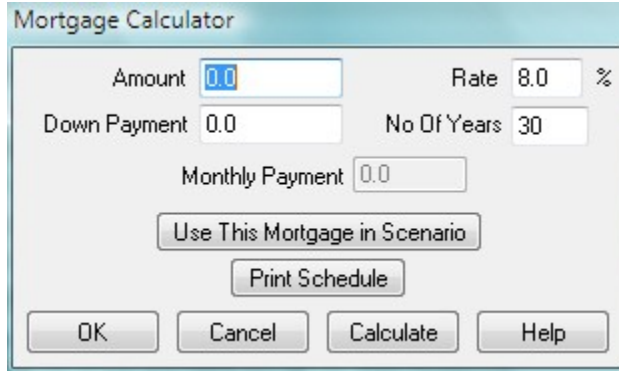
**Turn automatic tab-delimited report copies off** Each time a new scenario is created the program defaults to creating a tab-delimited version of the report which can be imported into other programs such as spread sheets and data bases. This file is created in the J&L Folders / Reports folder with a .TXT extension. This option allows you to turn this feature off.

**Turn automatic bitmap copies off** Each time a new scenario is created the program defaults to creating a bitmap image of the current graph that is being viewed. These bitmap images may be inserted in most commercial presentation software as well as word processing programs and emails. The bitmaps are created in the J&L Folders / Reports folder with a .BMP extension. This option allows you to turn this feature off.

**NOTE:**Any changes to the defaults will saved with the scenario file when the scenario file is saved with the Save or Save As command and will apply each time this scenario is opened. Also, the changes will only apply to this scenario.

## Tools/Aids Menu

### Mortgage Calculator



**Figure 24: Mortgage Calculator**

**Amount** The value of the property. This includes the down payment.

**Down Payment** The amount of money you put down to secure the mortgage.

**Rate** The yearly rate of interest on the mortgage.

**No of Years** The number of years the mortgage applies.

**Monthly Payment** The amount you will be charged each month for the loan. This amount is calculated by the program. To see the monthly payment use the mouse to click the Calculate control.

**Use this mortgage in plan** Click this and the program will fill in a Mortgage event with this information and you will be presented with the dialog for the remaining information.

### Refinance Analysis

The Financial Planner approaches refinancing in a straight forward “real life” manner. It creates a scenario that compares the changes in net worth with and without the refinancing. Regardless of the reasons for refinancing it is important to see how your net worth changes over time. In the analysis, this time period spans the life of both the original mortgage and the refinanced mortgage.

The refinance calculator does the analysis in the following manner.

It creates two net worth accounts at the age of the refinancing. The existing account is shown on the Details Screen as O, and the Refinanced Mortgage account is shown as R. Both the O and R accounts are net worth accounts and each have the following components:

Net Worth

Savings

- Plus Income to pay for the mortgage (See note 1 below.)
- Minus Monthly Payment (See note 2 below.)
- Plus Interest on Savings (Calculated Monthly)
- Minus Taxes on the Savings Interest (Calculated Yearly)
- Plus Tax Savings from Mortgage Interest  
( Calculated Yearly as Mortgage Interest x Effective Tax Rate)
- Minus Mortgage Interest (Calculated Monthly)

Equity

- Plus The principal portion of the monthly payment  
( Monthly Payment minus Interest, Added Monthly)

**Note 1:** Each month the program adds the greater of the two monthly payments to each Net Worth Savings Account to pay for the Mortgage.

**Note 2:** Each month the program subtracts the respective mortgage monthly payment from each Net Worth Savings Account. For one account, generally the original mortgage, this zeros out the income (See note 1.) For the other this subtraction leaves the account with the difference in the monthly payment. This procedure is done to keep other calculated values from going negative. This difference in monthly payment shows up in the Detail schedule, while the income doesn't.

The algorithm is as follows:

At the start age of the refinancing both Net Worth Accounts are set equal to the Cost of the Refinancing.

Also at the start age of the refinancing, if the **Use Cash Out as savings** check box is checked the Refinancing Savings are increased by the Cash Out amount. This does not increase the Refinance Net Worth as the Cash Out amount is offset by the increased liability of the higher mortgage (See Use Cash Out as savings below for a discussion of the Cash Out option.)

The cost of the refinancing (Closing Costs + Mortgage Points) is subtracted from the Refinancing Net Worth Account, and the analysis begins.

Each net worth is evaluated through time starting at the time of the refinancing and ending at the greater of the two mortgage spans.

Each month the value of each net worth is increased by the following amounts.

- (1) Enough income to pay for the greater of the 2 monthly payments,
- (2) Amount of monthly principal payment, and
- (3) Savings interest earned

Each month the value of each net worth is decreased by the following amounts

- (1) Monthly Payment and
- (2) Mortgage interest.

Each year each net worth is increased by the

- (1) Tax savings due to mortgage interest.

Each year each net worth is decreased by the

- (1) Taxes on savings interest.

When the value of the refinancing net worth equals the existing net worth, the corresponding time in months is the number of months it takes for the refinancing to break even with the existing mortgage.

**Note:** If you do not agree with this analysis you may simply divide the total cost to refinance the mortgage by the difference in the monthly payments.

Figure 25: Refinance Analysis

### Refinance Analysis Screen Fields

#### Existing Mortgage

- Start Age of Mortgage** The age at which you took the existing mortgage.
- Amount** The actual value of the loan. This does not include the down payment.
- Rate** The yearly rate of interest on the mortgage.
- No of Years** The number of years the mortgage applies.
- Monthly Payment** This amount is calculated by the program.

#### Refinanced Mortgage

- Age at Refinancing** Your age at the time of refinancing the mortgage.
- Amount** This value is calculated from the values enter in the Age at Refinancing and Cash Out fields and the values for the existing mortgage.
- Cash Out** This amount is the amount you wish to add to the refinanced mortgage and represent cash from the lender to you. Any amount entered here will added to the refinanced amount by the program.
- Use Cash Out as savings** If you check this box the program assumes the cash out amount is money that will either be placed in a savings account earning the Savings Rate or will be used instead of money that exists in a savings account earning the Savings Rate. Not checking this box implies the cash out amount will be used in a manner that will not have an effect on future net worth.
- Rate** The yearly rate of interest on the mortgage.
- No of Years** The number of years the mortgage applies.
- Monthly Payment** This amount is calculated by the program.
- Closing Costs** The amount of closing costs incurred obtaining the mortgage
- Include closing costs in mortgage** Check this box if the closing costs to be included in the mortgage.

**Mortgage Points** The number of points charged to obtain the mortgage.

**Include points in mortgage** Check this box if the points are to be included in the mortgage.

#### **Refinancing Analysis**

**Refinanced Amount** This is calculated by the program when the Do Analysis control is clicked.

**Total Mortgage Costs** This is calculated by the program when the Do Analysis control is clicked.

**Months to Break Even** This is calculated by the program when the Do Analysis control is clicked. It shows how many months it will take before the refinancing becomes profitable.

#### **Other Inputs**

**Effective Tax Rate** Enter an estimate of the effective tax rate.

**Savings Rate** Enter the rate you expect your savings to earn.

#### **Buttons**

**Create This Refinance Event** This button will automatically refinance the existing mortgage. It modifies the existing mortgage event in such a manner to sell the property at the age of the refinancing. It will set the **Percent of Selling Price at Sale** and **Closing Costs** values of the original mortgage to zero. The program creates a new mortgage event for the property at the start age of the refinancing. It adds a "RF-" prefix to the name of the original mortgage.

#### **Notes:**

1. The program copies the **Sell Age**, **Appreciation Rate**, and **Percent of Selling Price at Sale** values from the original mortgage event to the new refinanced mortgage event.
2. The program will bring up the refinanced mortgage event for editing. At this time you may change any of the values you wish.

**Important:** Once the refinanced event is created the program does not maintain a programmatic relationship between the refinanced event and the original mortgage event. This means if you delete the refinanced mortgage event the program **will not** return the original mortgage fields to their previous values. You must edit the original mortgage event to restore these values.

**OK** If you are doing an analysis on an existing mortgage from the Scenario Folder the OK button exits and saves the values you have entered. If not the values are lost.

**Cancel** If you are doing an analysis on an existing mortgage from the Scenario Folder the Cancel button does not save any changes and reverts to the previous values. If not, the values are lost.

**Do Analysis** Does the analysis and updates the Refinancing Analysis section of the screen.

**Show Details** Creates a table of all of the components that went into the analysis through time. Each 2 rows represent a year in the span of the refinancing.

**Graph** Presents a graphical representation of the changes in net worth over the life span of the 2 mortgages.

### Accelerated Mortgage Payment Analysis

**Existing Mortgage**

Loan Amount

Number of Years

Years Left

Rate  %

Monthly Payment

Total Payments

Total Interest

**Accelerated Payment Mortgage**

Additional Monthly Payment

Each year add

Payment Years

Monthly Payment

Total Payments

Total Interest

Savings

**Investment Comparison**

The additional monthly payments invested monthly at a yearly rate of  %  
and taxed at  % with an inflation rate of  % would be worth  
 at the end of  years.

**Figure 26: Accelerated Mortgage Payment Analysis**

The accelerated mortgage analysis calculates the possible interest savings and reduced mortgage time span obtained by increasing the monthly mortgage payment by a fixed amount and applying that amount to the mortgage principal.

The Investment Comparison section of this dialog shows how that same fixed monthly amount would fare as an investment. The initial tax and inflation rates are taken from the Initial Values tax and inflation rate. The initial investment rate is set at a conservative 5.0%. You may change these rates.

If you enter this dialog from the Mortgage dialog the Accelerated Monthly Payment will be the amount you chose as the Accelerated Monthly Payment Amount in the Mortgage dialog. If that amount is zero the last amount is shown.

**Note** This analysis should only be used as a “broad brush” estimate for your planning purposes. There are other factors you should consider -- such as tax deductions for mortgage interest and the ability to access your funds.

### Inflation Calculator

**Inflation Calculator**

Start Age  End Age

Start Age Amount

Inflation Rate  %

Inflated Amount

**Figure 27: Inflation Calculator**

This menu selection will bring up a screen which allows you to calculate the future value of an amount with respect to inflation.

### Taxes/Inflation/Investment Analysis

**Taxes, Inflation and Your Investment**

---

Investment Information

Amount invested

Number of years amount is invested

Effective yearly rate of return on investment  %

Rate at which investment is taxed  %

Estimated yearly inflation rate  %

---

Analysis

At the end of  years, taxed at a yearly rate of

your investment will be worth  At a yearly inflation

rate of  this amounts to  in today's

purchasing power. It also represents a  effective

yearly rate of return on your investment.

**Figure 28: Taxes/Inflation/Investment Analysis**

The Investment/Taxes/Inflation analysis shows the effect of taxes and inflation on an investment.

**Trade Off Analysis**

The screenshot shows a 'Trade-Off Analysis' dialog box with the following fields and values:

	Option 1	Option 2	Option 3
Option Name	Option 1	Option 2	Option 3
Outgoing			
Fixed Cost	0.00	0.00	0.00
Cost per Period	0.00	0.00	0.00
Incoming			
Fixed Amount	0.00	0.00	0.00
Income per Period	0.00	0.00	0.00
End Amount	0.00	0.00	0.00
Differences	0.00	0.00	0.00
No. of Periods	0		
<input type="checkbox"/> Use Initial Values Tax Rate			

Buttons at the bottom: OK, Graph, Calculate, Help.

**Figure 29: Trade Off Analysis**

Selecting this item from the Tools/Aids menu will bring up a Trade Off Analysis window. Use this window to perform simple “break-even” analysis between 2 or 3 alternatives. This analysis assumes your alternatives consists of 2 major components -- Outgoing and Incoming.

The Outgoing component consists of:

**Fixed Cost** - One-time expenditures. This may be the cost of the airline travel to and from a job site.

**Cost per Period** - Re-occurring costs. If you choose a day for your period this could be the cost of your hotel room + the cost of your rental car for a day. If you choose a week for your period these costs would be totaled for a week.

The Incoming component consists of:

**Fixed Amount** - One time income. This may be a bonus for travel.

**Income per Period** - Re-occurring income. This could represent the amount of money you make per the period you choose.

Choose the **No of Periods** to correspond to the amount of time you wish the analysis to represent. A period represents the time increment you chose for your Outgoing and Incoming re-occurring amounts. You must choose a period greater than 3 and less than or equal to 100.

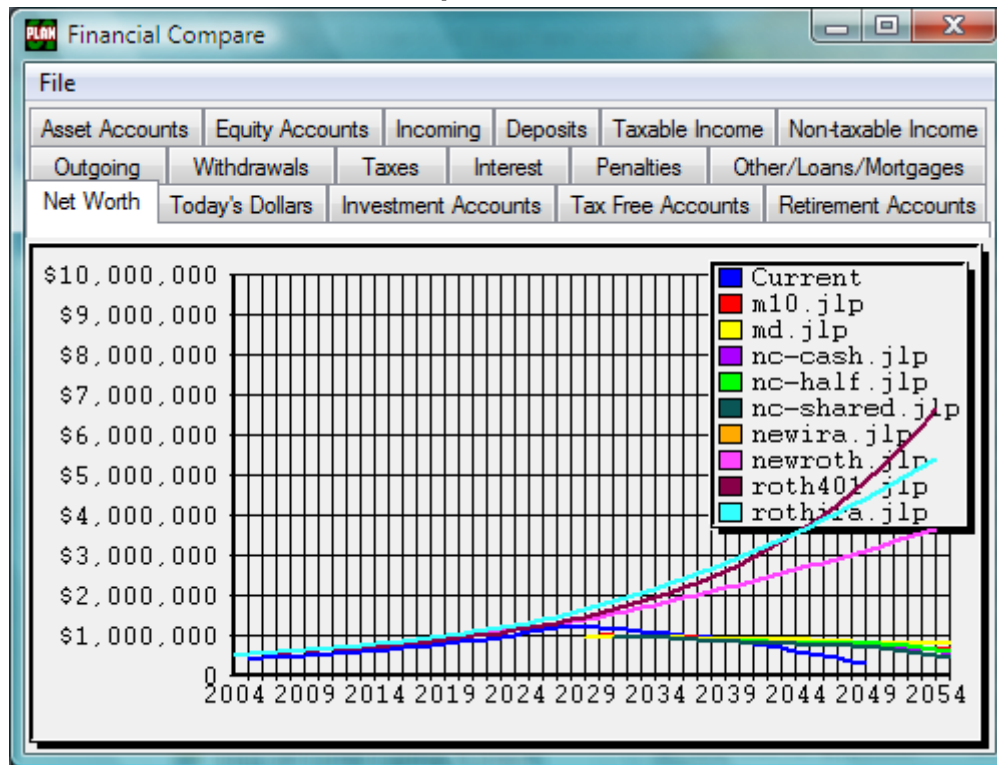
If you check the **Use Initial Values Tax Rate** box the analysis will tax the incoming amounts accordingly.

If you click the **Graph** button the data will be represented in a graphics window.

If the **Option Name** field has no name the results cannot be represented graphically.



## Compare Scenarios



**Figure 30: Financial Scenario Comparisons**

This menu selection will bring up the a Compare Scenarios window. This window allows you to compare up to 13 saved financial scenarios. The saved financial scenarios are graph files with the file extension .JLP. These files are saved by selecting the Save Graphs option from either the File Menu or the Graphs Menu.

The Compare Scenarios window will copy the current scenario to the window under the legend “Current”. You may add scenarios to the comparison by selecting the **Add files to current list** item from the **File Menu**. You may remove a scenario or scenarios from the comparison by selecting the **Remove files from current list** item from the File Menu. Selecting the **Start a new file list** item from the File Menu will start a new scenario list. You will lose the current list including the current scenario if this selection is made.

**Important:** The legend on the graphs will contain the complete path to you saved graph files. This path can be longer than the graph window itself. We recommend you create a folder directly off of one of your drives. For example, **C:\Scenarios**, to store your saved graph files (scenarios). Also you should keep the names as short a possible.

The graphs in this window operate identically to those in the Financial Planner.

- (1) You can toggle between the line graph, bar graph and 3D bar graph by double clicking the right mouse button.
- (2) You can toggle between the line/bar graph and the pie graph by double clicking the left mouse button.
- (3) You can display values on the graphs by pressing the left mouse button any time the cursor is a cross hair as opposed to an arrow.
- (4) You can toggle the graph legend in front of or behind the plots by pressing the 'I' key.
- (5) You can remove the legend from the graph by pressing the 'n' key. To get the legend back press the 'I' key.
- (6) You can toggle the line width with the Alt-F6 / Alt-F7 Keys

Compare All Scenario Groups

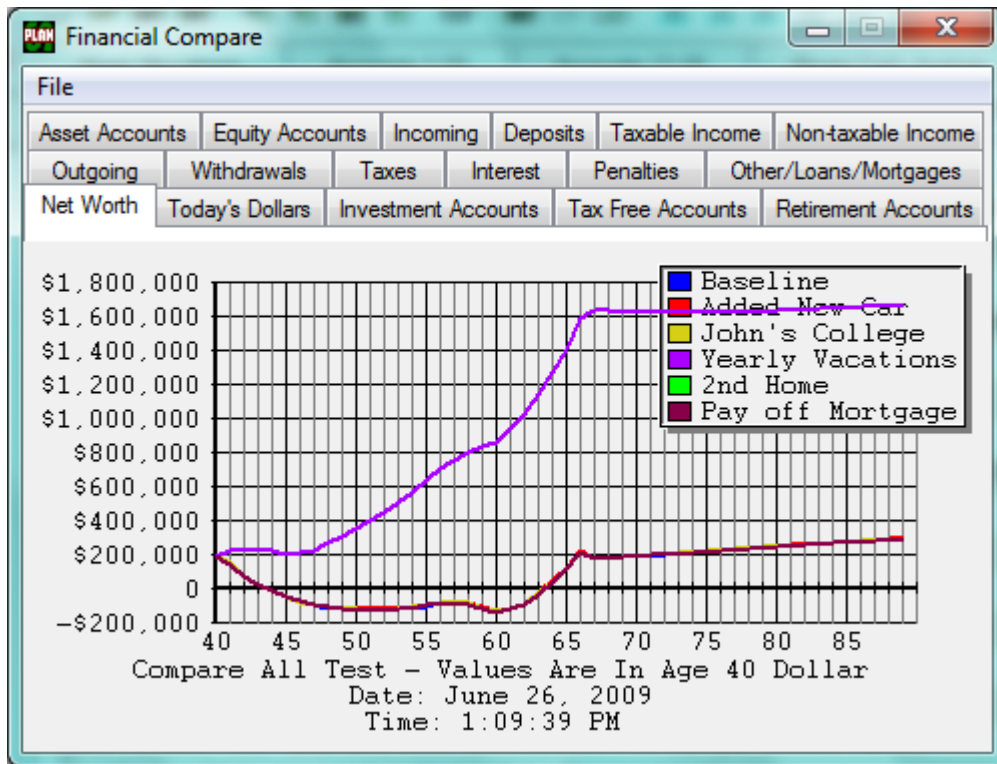


Figure 31: Compare All Scenario Groups

This tool works in conjunction with the Event Groups defined in the Scenario Folder. When you activate this tool the program will automatically create graphic files of all of the Event Groups with at least one active event and open the Compare Scenarios tool with those graphic files for comparison.

The graphs in this window operate identically to those in the Financial Planner.

- (1) You can toggle between the line graph, bar graph and 3D bar graph by double clicking the right mouse button.
- (2) You can toggle between the line/bar graph and the pie graph by double clicking the left mouse button.
- (3) You can display values on the graphs by pressing the left mouse button any time the cursor is a cross hair as opposed to an arrow.
- (4) You can toggle the graph legend in front of or behind the plots by pressing the 'l' key.
- (5) You can remove the legend from the graph by pressing the 'n' key. To get the legend back press the 'l' key.
- (6) You can toggle the line width with the Alt-F6 / Alt-F7 Keys

### Calculate Effective Rate

Calculate Effective Yearly Rate

Nominal Rate  %

Interest Compounded

Daily    Monthly    Quarterly    Semiannually

Other - enter number of compoundings per year

Effective Yearly Rate  %

**Figure 32: Effective Rate Calculator**

The Calculate Effective Rate tool calculates the effective yearly rate of return for those investments that have the interest compounded more than once a year. Choose from either Daily, Monthly, Quarterly, Semiannually, or Other. If you choose Other enter the number of times the interest is compounded per year. This value cannot be less than 1 or greater than 365.

If you open this calculator from the Accounts Information dialog you may choose to paste the calculated effective rate into the Accounts Information **Effective Yearly Rate** field by clicking the **Use This Effective Rate** button.

**Calculate Credit Card Debt Payoff**

The screenshot shows a dialog box titled "Credit Card Debt". It features several input fields: "Company" (empty), "Balance" (0.00), "Monthly Payments" (0.00), "Rate" (0.000 %), "Monthly Purchases" (0.00), "Start Age" (empty), "Payoff Age" (empty), and a dropdown menu for "Withdraw payments from account:" (No Selection). Below these is a "Results" section with "Months" (0), "Years" (0.00), and "Total Interest" (0.00). At the bottom are four buttons: "OK", "Cancel", "Calculate", and "Help".

**Figure 33 Credit Card Debt Payoff Calculator**

This calculator calculates the number of months it will take to pay off a credit card **Balance**. Each month the **Monthly Purchases** are added to the balance, the interest calculated, and the principal portion of the payment subtracted from the balance. The results shown are the months to pay the debt, the years to pay off the debt and the total interest incurred from the debt.

## View Monte Carlo / Historical Return Analysis Statistics (Professional Version Only)

Each time you run the Monte Carlo Analysis the program creates a text file with the name "stats.dat"

### Monte Carlo Analysis:

The file contains the rate statistics for each of your accounts. For each account the program divides the range represented by  $\pm 3$  Standard Deviations into ten sub-ranges. As each random rate is generated a count is incremented in its proper sub-range. This count is indicated under the column **No. Rates** for each account. Each time (year) a rate is generated for an account a total for that account is incremented. If the age span of your scenario is 20 years and the Monte Carlo Analysis executes your scenario 1000 times the number of rates generated could be up to 20,000. In a sense this represents 20,000 years of rates. If a rate is generated into a sub-range 2,000 times this amounts to one rate generated for this sub-range every ten years of generated rates. This is referred to as the **Frequency**. The following is an example of a typical entry.

Monte Carlo Statistics - Gaussian Standard Deviation Accounts

Distribution Factor = 0

RF3921932943

Range	No. Rates	Frequency
Below -20.00	4	
-20.00 to -14.00	23	one per 144.0 years
-14.00 to -8.00	91	one per 36.4 years
-8.00 to -2.00	272	one per 12.2 years
-2.00 to 4.00	523	one per 6.3 years
4.00 to 10.00	754	one per 4.4 years
10.00 to 16.00	717	one per 4.6 years
16.00 to 22.00	518	one per 6.4 years
22.00 to 28.00	278	one per 11.9 years
28.00 to 34.00	110	one per 30.1 years
34.00 to 40.00	20	one per 165.6 years
Above 40.00	2	

Count -- 3312 yearly rates generated.

Minimum Rate = -23.28

Maximum Rate = 42.73

Average Rate = 10.16

Standard Deviation = 10.07

**Note:** The Standard Deviation is calculated from the generated random rates, as opposed to the Standard Deviation entered as part of the account data.

### Historical Return Analysis:

Each time the program selects a return rate from a year of historical data the "hit" count for that year is increased by one.

The number of rates, the minimum rate, the maximum rate, and the average rate for each account is recorded.

Rule 72T Calculator

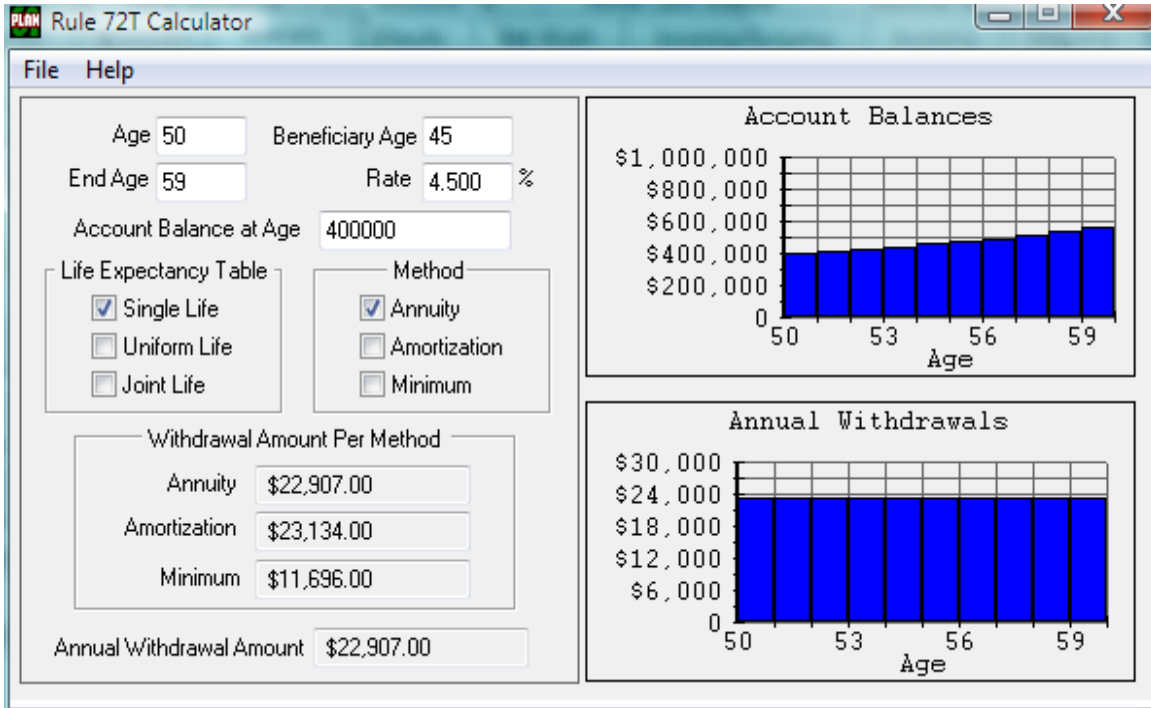


Figure 34 Rule 72T Distribution Calculator

In 2002 the IRS issued a ruling which allows early distributions from retirement accounts without being penalized if those distributions are “part of a series of substantially equal periodic payments” (SEPP). The payments are annual and must continue for 5 years or until the age of 59 1/2 is attained, whichever is the **longer** period. See Rev. Rul. 2002-62 on the [www.treasury.gov](http://www.treasury.gov) web site.

**Important:** If you decide to use Rule 72t for early distributions you should do so with the guidance of a professional financial advisor.

These distributions are calculated based on three methods,

1. Required minimum distribution method,
2. Fixed amortization method, and the
3. Fixed annuity method.

Methods 1 and 2 utilize Life Expectancy Tables and method 3 utilizes a mortality table.

Methods 2 and 3 result in a fixed yearly distribution while method 1 results in a distribution that varies from year to year.

Calculator Inputs

**Age** The age on your birthday the year the distribution is received.

**Beneficiary Age** This is your beneficiary's age the year the distribution is received. This entry is only applicable if you choose the Joint Life Table.

**End Age** This represents your age when you want the distributions to stop.

**Important:** To avoid penalties this should be 5 years greater than the value of the Age entry or 60 (59.5, the program only uses full years), whichever represents the **longer** period.

**Rate** This represents what you deem a reasonable long term rate of return for your account.

**Account Balance at Age** The account balance as of the close of business on December 31st of the preceding year. This may include any contributions made for the preceding year after December 31st.

## Life Expectancy Tables

There are four tables which may be used to determine your annual distribution.

**Note:** Once you have chosen a table and begin distributions you should not consider changing either the method or the table without professional advice.

**Single Life Table** This table produces the highest distribution. It does not take into account the age of your beneficiary. The Single Life Table may be used by anyone.

**Joint Life Table** This is a table to determine joint survivorship. Married couples have the option of choosing this method as long as their spouse is the beneficiary on the retirement account. Married couples do not have to choose this table -- it is only an option.

**Uniform Life Table** This is the same table the IRS created to simplify the Required Minimum Distribution (RMD) requirements. It also does not use the age of the beneficiary. This table can be used regardless of marital status or selected beneficiary.

## Methods

**Minimum Method** Each year this method calculates a distribution by dividing your current account balance by the life expectancy value determined by the table chosen and current age. The distribution varies each year.

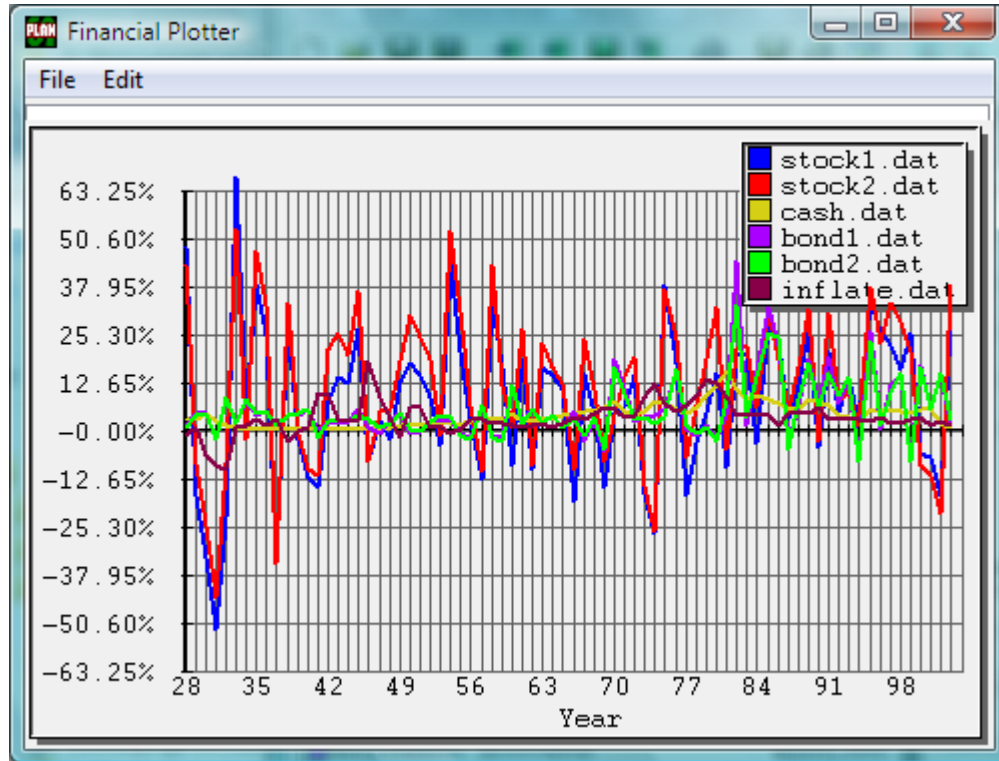
**Amortization Method** This method calculates an annual distribution by amortizing your account balance over the life expectancy value from the chosen table. The distribution does not vary from year to year.

**Annuity Method** This method uses an annuity factor to calculate the distribution. The distribution calculation is defined by the Treasury Department as "The annual payment is determined by dividing the account balance by an annuity factor that is the present value of an annuity of \$1 per year beginning at the taxpayer's age and continuing for the life of the taxpayer." This method does not use the age of the beneficiary.

The J&L Rule 72T Calculator uses the Annuity 2003 Mortality Table referenced in the Department of the Treasury Rev. Rul. 2002-63.

**Important:** Under certain circumstances you can change your distribution method one time. You should seek professional advice or consult with the IRS before considering any changes once a distribution has taken effect.

**View Historical Data Files(Professional Version Only)**



**Figure 35: View Historical Data Files**

This option will create a graphical representation of the historical data files. You can change the scaling as well as select/de-select the file you wish to view from the Edit menu.



## Reports Menu

After they are created most reports create a text file which can be exported to spread sheet and data base programs. The text file created is in a tab-delimited format. The first line in the file contains the report's column names (field names.) The following lines are composed of records containing the field data. Each entry (field) in a record is separated by the 'tab' character.

The program saves these files in a sub-folder (sub-directory) called "reports" in the folder where you installed the Financial Planner program.

Each file has a distinct name. The name for each of these files is found in parenthesis to the right of the menu item used to create the report.

For example, the Net Worth Report is created from the Reports / Net Worth menu item:

**Net Worth (netw.txt) Ctrl+F2**

When the Net Worth report is created the program writes the file "netw.txt" in the reports folder.

Each time you create a report the program overwrites the previously saved text file.

Also, along with the named text file, the program creates a duplicate text file called "current.txt"

Only those reports with a file name in parenthesis create an exportable file.

**Note:** The Cash Flow report creates a text file named cashf.txt, but the format is not suitable for importing into spread sheets and data base programs.

## Print Results

Selecting Print Results will cause the program to print out the results of your Financial Scenario to the current printer.

## Cash Flow Report

Creates a report which shows a yearly accounting of the incoming and outgoing cash transactions. The report allows you to optional include other transactions through the following dialog.

### **Net Worth Report (Retirement/Professional Versions Only)**

Creates a report the shows your net worth and its components by year.

### **Incoming Report (Retirement/Professional Versions Only)**

Creates a report which shows the incoming moneys by year.

### **Outgoing Report (Retirement/Professional Versions Only)**

Creates a report which shows the outgoing expenses by year.

### **Account Report (Retirement/Professional Versions Only)**

Creates a report the shows all of the account amounts by year.

### **Group Report (Retirement/Professional Versions Only)**

Creates a report which shows the account amounts by group.

### **Incoming Event Report (Retirement/Professional Versions Only)**

Creates an accumulation of all the scenario events which deposit funds into the accounts.

### **Outgoing Event Report (Retirement/Professional Versions Only)**

Creates an accumulation of all of the scenario events which withdraw funds from the accounts.

### **Accounts/Incoming/Outgoing (Retirement/Professional Versions Only)**

Creates a yearly listing of the Incoming and Outgoing moneys for each account. This report does not include any appreciation or depreciation from mortgage events. It also does not account for the equity from the principal portion of a mortgage. You will see this difference if you compare the Summary in the Results Folder for a particular year to the corresponding year in this report.

**Account Allocations (Retirement/Professional Versions Only)**

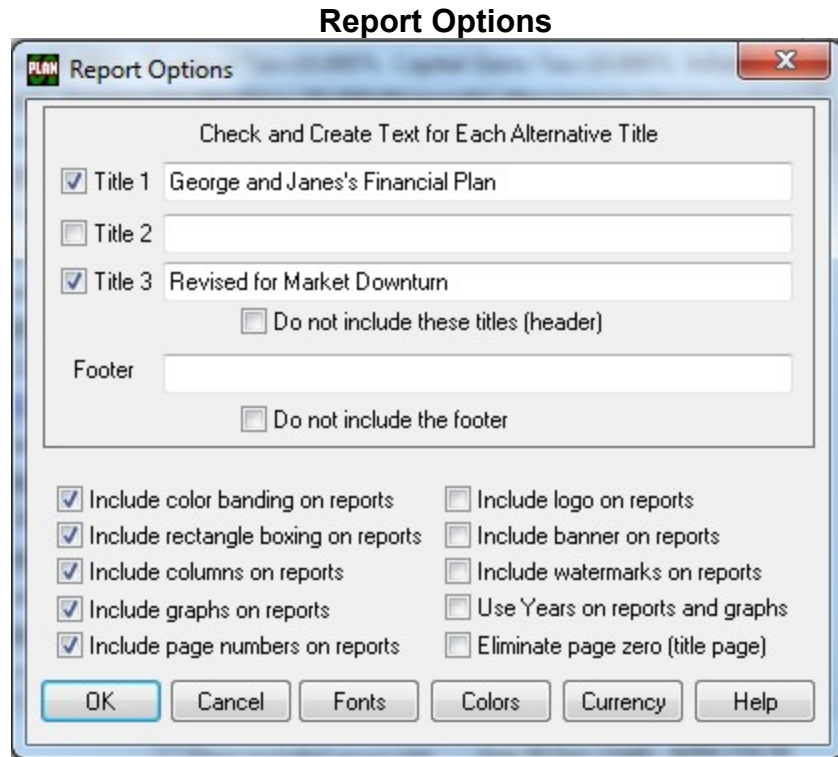
Creates a yearly listing of each account as a percentage of all your accounts.

**Group Allocations (Retirement/Professional Versions Only)**

Creates a yearly listing of each group as a percentage of all your accounts.

**Page Setup**

Brings up a dialog which permits you to change the orientation of the report page and set the margins.



**Figure 36: Report Options**

The graphs and results report have default captions as follows

Filename  
Date  
Time

These can be replaced from the Reports Options menu selection. You have the option of replacing any or all of the default captions. To do this check the box of the corresponding title(caption) you wish to replace and type the new caption to the right of that box.

If you check the box and do not type a new caption the graphs and report will have no caption at that position.

Each caption may up to 40 characters in length.

**Footer** (Professional Version Only)

The footer will appear on the bottom of all pages except the title page.

**Use color banding on reports** Check box to enclose the titles and the age/account amounts lines in the results report in color.

**Use rectangular boxing on reports** Check box to enclose the titles and the age/account amounts lines in the results report with a rectangle.

**Use columns on reports** Check box to create vertical column lines on the reports.

**Include graphs on reports** (Professional version only) Check box to include a line and bar graph with each of the reports that may be graphed.

**Include logo on reports** (Professional version only) check box to include a logo on each page of the report

**Note:** The program expects the logo to be named **logo.bmp** and be located in the Logo, Banner, Watermark Folder. This folder can be opened from the J&L Folders menu item. Although the logo is scaled to fit in the report header and can be any size, the ideal size is 120 pixels wide by 240 pixels high.

**Include banner** on reports (Professional version only) Check box to include a banner at the top of each page of the report.

**Note:** The program expects the banner to be named **banner.bmp** and be located in the Logo, Banner, Watermark Folder. This folder can be opened from the J&L Folders menu item. Although the banner is scaled to fit at the top of the report page and can be any size, the ideal size is 600 pixels wide by 40 pixels high.

**Include watermarks** on reports (Professional version only) Check box to include watermarks on each page of the report.

**Note:** The program expects the watermark file to be named **wmark.bmp** and be located in the Logo, Banner, Watermark Folder. This folder can be opened from the J&L Folders menu item. Although the watermark is scaled to fit over the report page and can be any size, the ideal size is 600 pixels wide by 400 pixels high, or the same size as your display resolution. Also the image should be light to be used as a watermark.

**Use Years on reports and graphs** (Professional version only) Check this to have the reports and graphs use years instead of age.

**Note:** Pressing the Alt-F8 keys simultaneously will toggle this feature on and off.

**Include page numbers on reports and graphs** (Professional version only) Check this box if you wish page numbers to be included on you reports and graphs.

Example Report

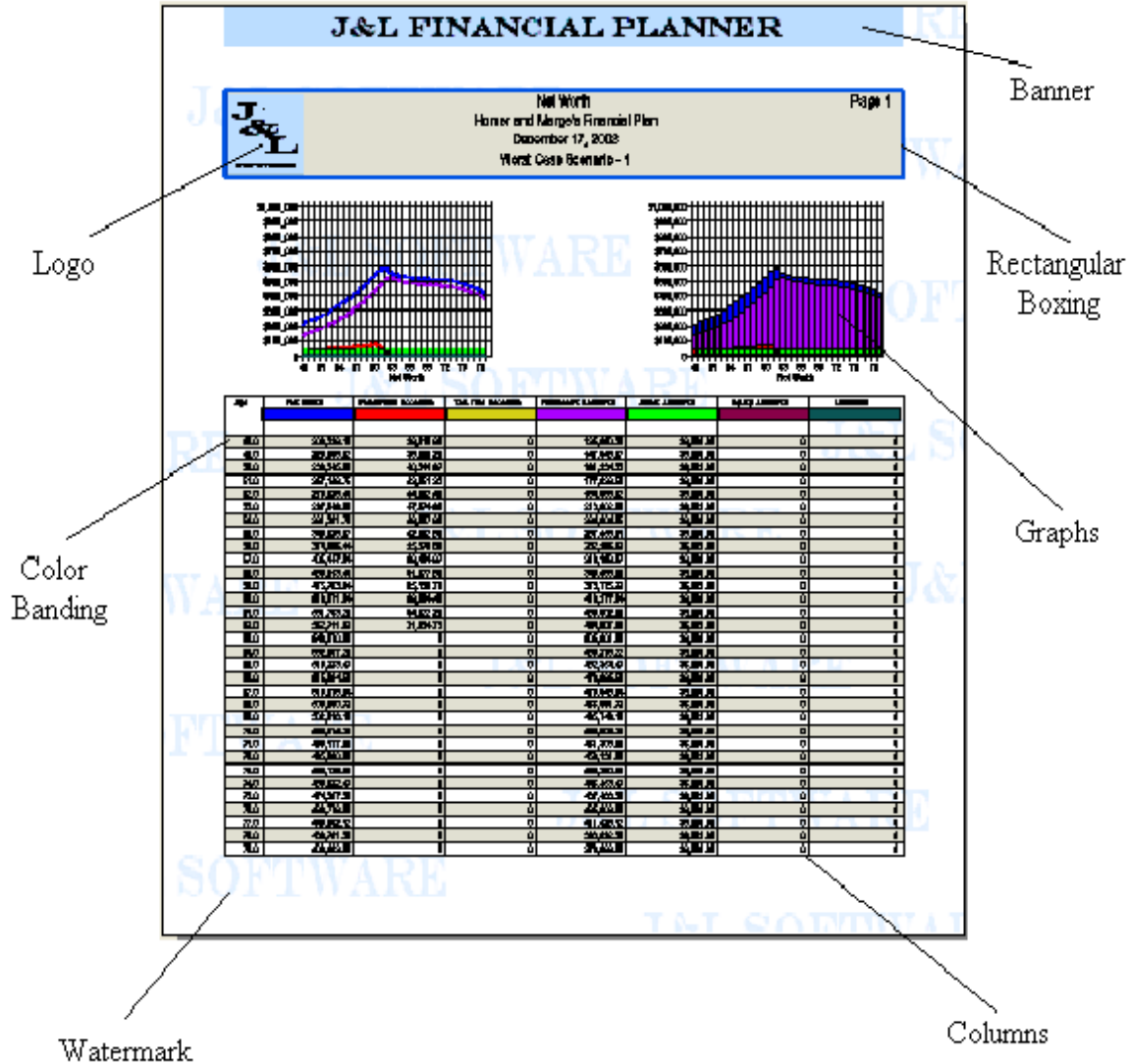


Figure 37: Example Report

Color Chooser

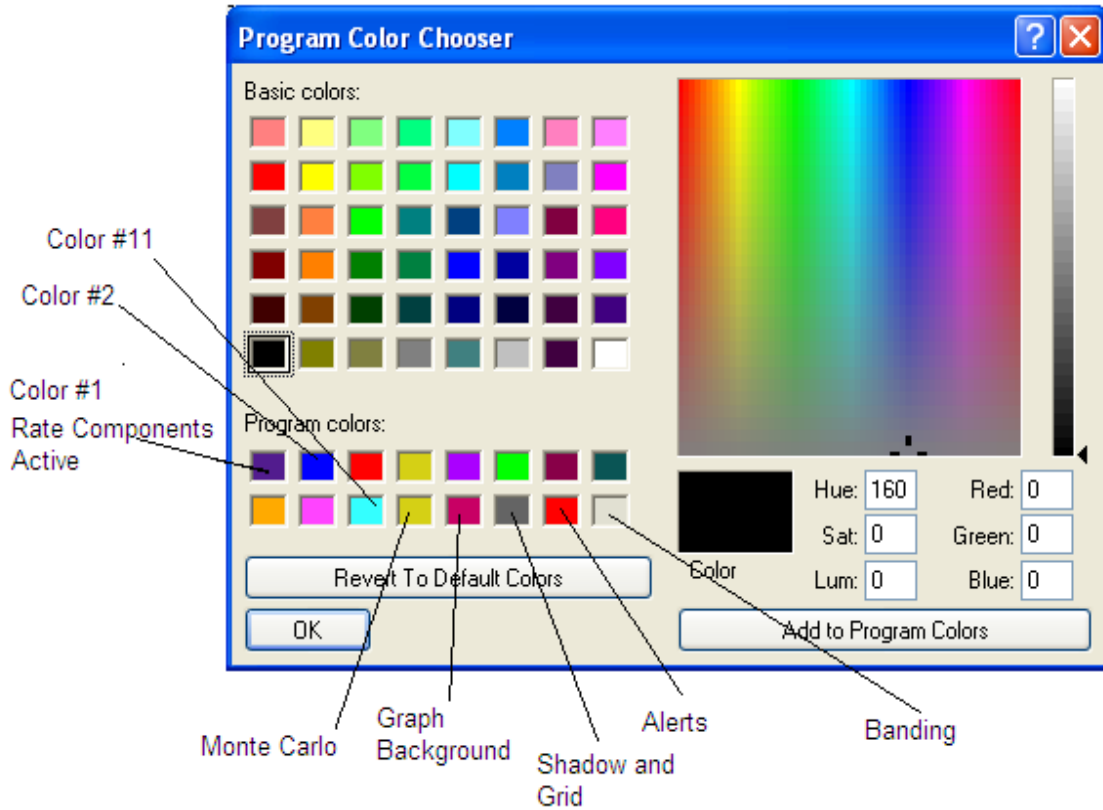


Figure 38: Color Chooser

**Notes on using the Program Color Chooser Dialog:**

The Program Colors are numbered starting with the top row and proceeds from left to right.  
 Color # 1 is used to display the Effective Account Rate when the Optional Rate Components are active  
 The ten colors used for the graph legends start at Program Color #2 through Program Color #11.  
 Color #12 is used by the Monte Carlo and Historical Return Analysis Folders to represent the trial scenarios.  
 Color #13 is used as the background color for the graphs.  
 Color #14 is used by the program as the shadow and grid color for the graphs.  
 Color #15 is used by the program to represent Alerts.  
 Color #16 is used by the program for the banding on the Accounts and other folders as well as the banding on the reports.  
 To select a new program color highlight the color you wish to change with a mouse click. Find the replacement color from the spectrum of colors on the far right of the dialog and then press the **Add to Program Colors** button.

You may revert back to the default colors by pressing the **Revert to Default Colors** button.



**Figure 39: Currency Options**

## Graph Menu

### Create Graph Window

This menu selection will create a new graph window with the current scenario. You may also open up a previously saved graph with this window. More than one graph window may be opened.

The graphs in this window operate identically to those in the Financial Planner.

- (1) You can toggle between the line graph, bar graph and 3D bar graph by double clicking the right mouse button.
- (2) You can toggle between the line/bar graph and the pie graph by double clicking the left mouse button.
- (3) You can display values on the graphs by pressing the left mouse button any time the cursor is a cross hair as opposed to an arrow.
- (4) You can toggle the graph legend in front of or behind the plots by pressing the 'l' key.
- (5) You can remove the legend from the graph by pressing the 'n' key. To get the legend back press the 'l' key.
- (6) You can toggle the line width with the Alt-F6 / Alt-F7 Keys

### Save Graphs

This menu selection allows you to save the current scenario in graphical format. The graphs are save to a file with the .JLP extension. You may view these graphs by creating a new graph window or use them to compare with other saved scenarios when you select the Compare Scenarios item from the Tools/Aids menu.

### Print Current Graph

This menu selection allows you to print the current selected graph.

Three ways to print or use a graph generated by the program are as follows:

- (1) Open the graph folder and click the **Print Current Graph** icon.
- (2) Open the graph folder.  
Press the **Alt** key simultaneously with the **PrtSc** key. This puts the graph into the clipboard.  
Open your favorite image software, the Window's Paint program, or even a word processor, and Paste the graph from the clipboard.
- (3) Open any folder and press the **Ctrl** key simultaneously with the "p" key. This will print the entire folder to the default printer.



## J&L Folders Menu

### **Open Backups Folder**

This folder contains planner created backups. The planner creates a backup of a scenario when the scenario is saved. It attaches an RET extension to the backup that sequences from 1 to 10. For example file.RET1, file.RET2 ... file.RET10. When the backups reach RET10 the planner will start again at RET1

### **Open Reports Folder**

Each time a report is opened a tab-delimited copy is created in a text file to this folder. The report is saved as two copies. The first is named current.txt which always contains the current or last report opened. The second is named based on the text contained in parenthesis following the report name in the Report Menu. For example the Net Worth Report will be named netw.txt.

Each time a Graph Folder is opened a bitmap of that graph is generated and stored in the Reports folder on your disk drive. It has the name current.bmp. You can open the Reports folder from the J&L Folders menu.

Double clicking the graph's icon in the Reports folder should display the bitmap in Window's Paint Program.

**Note:** Each time a report or graph is created these tab-delimited and bitmap files are written over.

### **Open Historical Data Folder (Professional Version Only)**

The program reads the historical data files from this location. When you create or edit your historical data files you will need to copy them to this folder.

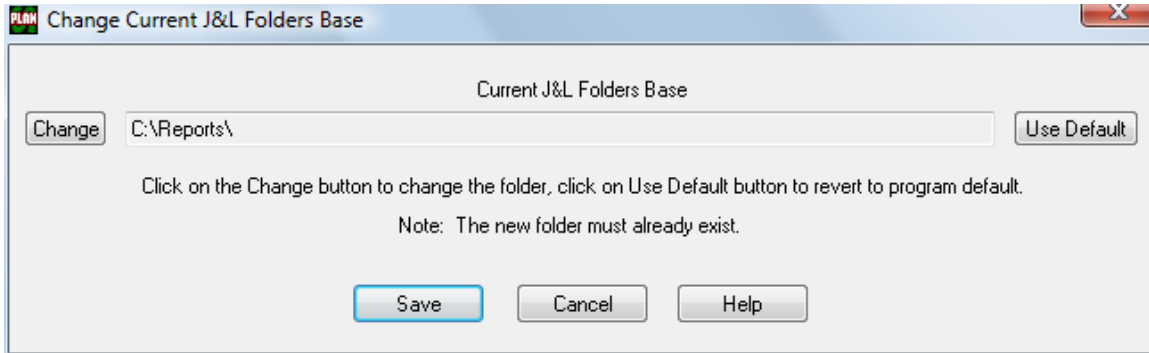
### **Open Logo, Banner, Watermark Folder (Professional Version Only)**

This folder contains the logo, banner and watermark saved with a BMP extension. When you change these bitmaps you need to copy them to this directory.

### **Change J&L Folder Locations**

You can change the locations of the J&L Folders.

## Changing J&L Folder Locations



**Figure 40: Change Current J&L Folders Base**

This screen allows you to change the following J&L Planner folder locations:

### J&L Folder Base

This folder is the base folder from which the Backups, Reports, Historical Data, 'Logo, Banner, and Watermark', and the Scenario data file folders are created. For example if you changed the folder location to MyFolder the following hierarchy of folders will be created.

```

MyFolder
  Backups
  Reports
  HData
  Bmps
  Scenarios

```

The J&L Base folder is also where the planner creates the temporary files that contain information from which it creates its reports. These temporary files contain account and event information. These files are deleted when you exit the program, but during execution they contain sensitive scenario information and are readable with a word processor.

**Change** - This button will open up a dialog allowing you to choose a new location for the corresponding folder.

**Use Default** -- This button will cause the program to revert to the J&L Software's default folder location. This location is the original location used when the program was installed. This location varies with each windows system, but please note, it is not necessarily the previous location you chose.

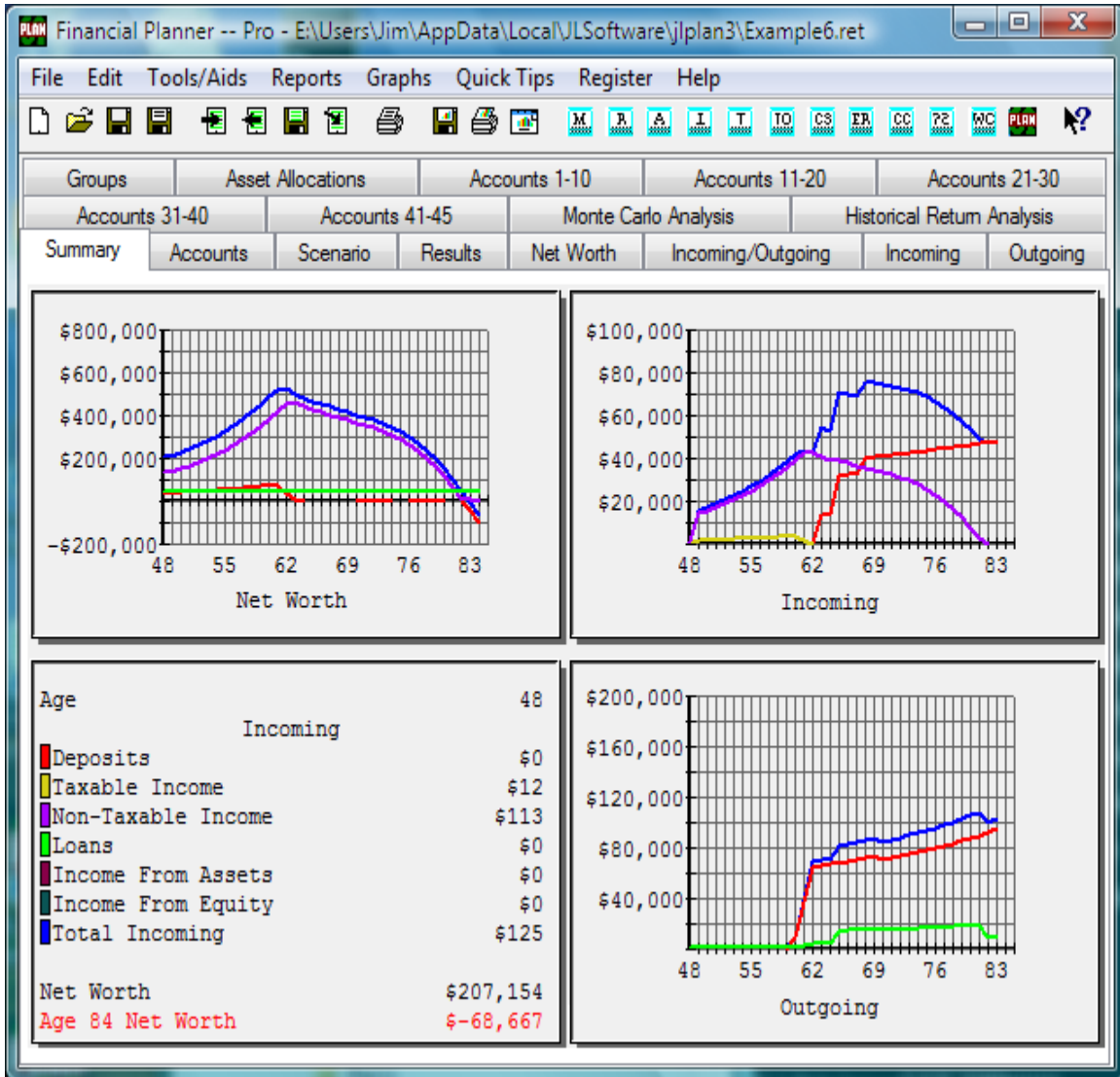
**When Saved -- Copy Previous Folder Contents to the Current J&L Folder Base** - If the box is checked the contents of the previous folders are copied to the new folder locations **after** the **Save** button is pressed. The previous folders and their contents are **NOT** deleted. If you wish the contents to be deleted you must do so from Windows Explorer or some other means.

**Save** - This button will save the location and the program will use this location immediately and for all scenarios.

**Cancel** - This button will disregard any changes and revert to the previous locations.

## Tabbed Folders

### Summary Folder



**Figure 41: Summary Folder**

The Summary Folder displays the 3 graphs, Net Worth, Incoming, and Outgoing. It also displays a summary of the financial elements that make up each graph. The summary for a graph is displayed by clicking the mouse on any one of the graphs. At this time the summary shows the financial elements for the age at which the mouse was clicked. The Net Worth at the age clicked is shown as well as the Net Worth at the End Age you entered in the Initial Values screen.

When the cursor is over a graph, indicated by a cross as opposed to an arrow, clicking the mouse updates the summary and the arrow keys on the keyboard function as follows:

Right Arrow      Goes to the next age in the current graph.

- Left Arrow      Goes to the previous age in the current graph.
- Down Arrow    Goes to the next graph.
- Up Arrow        Goes to the previous graph.

You can print the Summary Folder with the Print Current Graph menu item or toolbar icon.

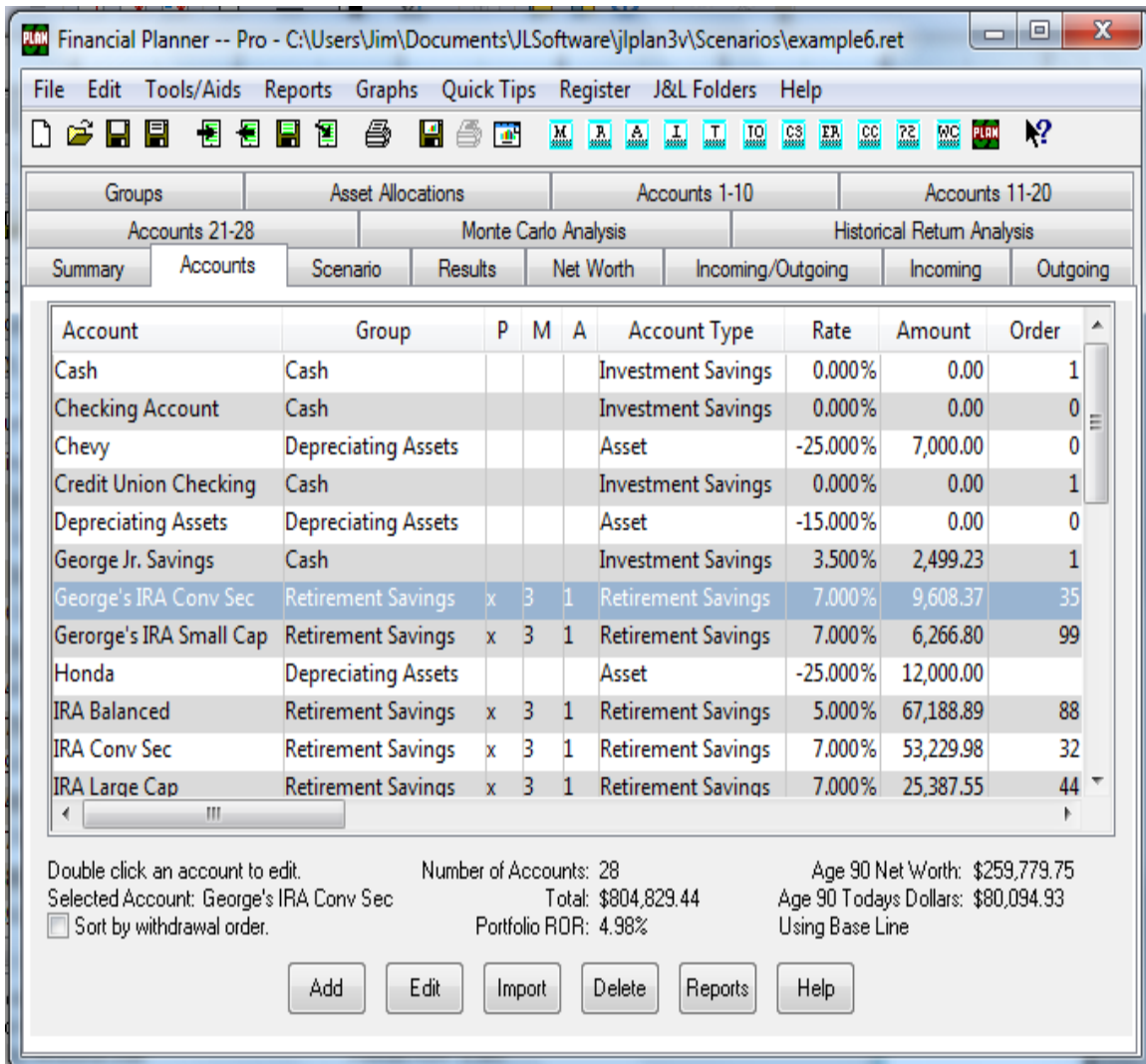
Another way to print or use the information generated with the Summary Folder at this time is as follows:

- (1) Open the Summary Folder.
- (2) Press the **Alt** key simultaneously with the **PrtSc** key. This puts the Summary Folder graphs into the clipboard.
- (3) Open your favorite image software, the Window's Paint program, or even a word processor, and Paste the graphs from the clipboard.

The following applies to the Net Worth portion of the Summary Folder only.

- (4) You can Right Click the mouse on any of the Account Types in the legend to display the accounts represented by that Account Type. This applies also to the legend when the pie graph is displayed.
- (5) When the pie graph is displayed a Right Click on any of the pie segments will display the accounts associated with the Account Type.

## Accounts Folder



**Figure 42: Accounts Folder**

The Accounts dialog allows you to add accounts and edit existing accounts. To edit an existing account select an account and press the **EDIT** control. You also may select an account to edit by double clicking the account.

The Accounts Dialog allows you to select the order your accounts are selected for withdrawals.

You may sort each of the account columns by clicking on the account heading.

The first click will sort the column in ascending order.

The second click will sort the column in descending order.

The next click will again sort the column in ascending order, and so on.

**Important:** Sorting only works for the columns up to and including the **Order** column.

The **"P"** column will contain an 'x' if the account has the **Penalty Applies** check box has been checked for that account.

The **"M"** column will contain a 1, 2, or 3 depending on which table you chose to perform the **Required Minimum Distribution** calculation. If it is blank the account does not require a minimum withdrawal.

**Professional Version - "A" Column**

The program allows you to assign an account to a list of accounts which acts as a group for your scenario Withdrawal Events.

The program allows up to five of these groups. The groups are configured from the "**Assign Asset Allocation Withdrawal Option**" menu item under the Edit menu.

When a withdrawal is made from an account in a group, the program will take the withdrawal amount from all of the accounts in the group in equal or proportional amounts depending on the option chosen in the "**Assign Asset Allocation Option**" menu item. The program also allows you to alternately re-balance the accounts in each group at the end of each year.

The "**A**" column of the Account Folder will contain the number of the option selected for this account. If the number is the color red that **Assign Asset Allocation Withdrawal** option has not been activated.

**Retirement Version - "A" Column**

The "**A**" column will contain an 'x' if the **Assign asset allocation check box** has been checked for that account. If the 'x' is the color red the **Asset Allocation Withdrawal** option has not been selected.

**Portfolio ROR** (Portfolio Rate of Return) The program calculates the initial expected rate of return for the portfolio.

The Portfolio Return is calculated as follows:

Suppose you have two investments in your portfolio totaling \$80,000.00.

Investment A = \$50,000, which is 62.5% of the portfolio, has a 10% return

Investment B = \$30,000, which is 37.5% of the portfolio, has a 5% return

Portfolio Rate of Return (ROR) =  $(62.5\% \times 10\%) + (37.5\% \times 5\%) = 8.125\%$

The Net Worth (NW) at the Initial Values End Age, the last age of your scenario, is displayed as well as the Purchasing Power (PP) of the Net Worth in terms of the Initial Values Start Age.

**Add** You may add an account by clicking the **Add** control. This will display the **Add Account** dialog.

**Edit** You may edit a particular account by selecting the account from the list with the mouse and clicking the **Edit** control. The account may also be selected for editing by selecting the account from the list with a double click from the mouse. This will display the **Add Account** dialog with the account values filled in.

**Import** You may import your accounts from a tab-delimited text file or a comma-delimited text file. The file must have at least one existing account. The program will update the account amounts from the file. If a new account is encountered you will be prompted to see if you want to add this account, and if so, you will be prompted for the necessary account information.

**Delete** You may delete an account by selecting the account from the list with the mouse and clicking the **Delete** control.

**Print** This button will print a report containing all of the accounts and their related information.

**Sort By Withdrawal Order** Check this box to list the accounts in the order that withdrawals will be made.

**Important:** The program will not withdraw from an Asset or Equity account.

**Changing Multiple Account Types, Account Groups, and Effective Yearly Rates**

The program allows you to select multiple accounts and change the Account Group, Account Type or the Effective Yearly Rate of each as follows:

1. Select the events using the Shift Left Mouse Button or CTRL Left Mouse Button
2. When you finish selecting the events press the Right Mouse Button. A screen will appear that allows you to enter the new values for those selected accounts.

## Add Account Screen Fields

**Account Information**

Account Name  Initial Amount

Select Account Type  Assign Group to Account (Optional)  ?

Effective Yearly Rate  %

Optional rates are inactive. ?

?

Access Order  ?

Create an alert when balance falls below this amount  ?

Monte Carlo Parameters

Random Minimum Rate  % Random Maximum Rate  % ?

Annualized Standard Deviation  % ?

Early withdrawals subject to penalty

Penalty Age

Penalty Rate  %

Assign RMD Table 1

Assign RMD Table 2

Assign RMD Table 3

Assign RMD Table 4

Yearly Fees

Yearly Amount  Yearly Percentage  %

Assign Asset Allocation Withdrawal Option

None 1 2 3 4 5 ?

**Figure 43: Add Accounts Screen**

**Account Name** The name of the account.

**Important:** If you are importing account balances from other programs this name must be exactly the same as the name of the account being imported.

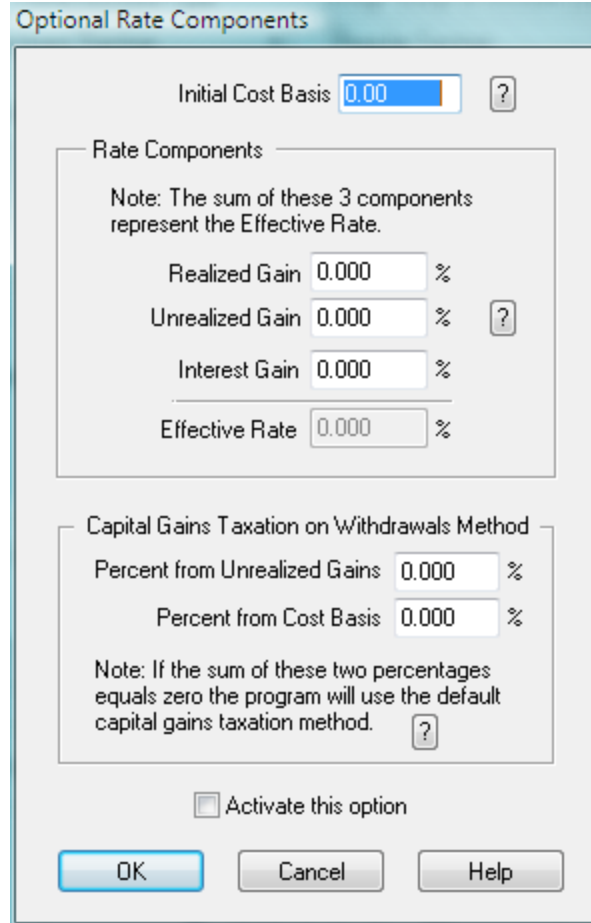
**Initial Amount** The amount of money in this account at the initial Start Age.

**Select Account Type** Select an account type that represents this account. For example, if the investment is a conventional IRA you should select type Retirement Savings, whereas if the investment is a bank account, you should select Investment Savings.

**Assign Group to Account** Select a group for this account. The grouping allows you to assign a category to an account or a group of accounts. You can see the results of this grouping with the Group Folder Graph.

**Effective Yearly Rate** The rate at which this account will increase or decrease each year.

**Assign Rate Components (Professional Version Only)**



**Figure 44: Assign Rate Components**

**Initial Cost Basis** -- Enter the Cost Basis for this account. Calculating the Cost Basis depends on how the account was obtained. If the account represents a security you purchased the Initial Cost Basis will be the purchase price of the security plus any commission you paid to obtain the security.

The Rate Components allow you to represent the accounts effective rate with its three components:

**Realized Gain** This represents an action that incurs a capital gains tax liability and is taxed at the Capital Gains Tax Rate entered in the Initial Values screen.

**Unrealized Gain** This represents the change in value of the account that incurs no tax liability until a withdrawal or distribution is made from the account. The program keeps track of the accumulated unrealized gains for each account and only taxes withdrawals while the account has an accumulation of unrealized gains. When a withdrawal is made the amount is subtracted from the accumulated unrealized gains. The taxable amount of the withdrawals is taxed at the Capital Gains Tax Rate entered in the Initial Values screen.

**Interest** This represents an change in account value that incurs a tax liability and is taxed at the current Effective Tax Rate entered in the Initial Values screen.

**Note:** The program keeps track of the unrealized gains for each account in the following manner.

The initial accumulated unrealized gains is calculated as  
 Initial Unrealized Gains = Initial Account Balance - Initial Cost Basis.  
 For each year of the scenario the program



Adds the Unrealized Gains to the Accumulated Unrealized Gains.  
 $\text{Cost Basis} = \text{Current Account Balance} - \text{Accumulated Unrealized Gains}$

#### **Capital Gains Taxation on Withdrawals Method:**

The program taxes any accumulated unrealized gains only when a withdrawal is made from this account. You have the ability to control the way the program withdraws from this account by providing the percentage of the withdrawal to be taken from the accumulated unrealized gains and the percentage to be taken from the cost basis portion of the account balance.

#### **Percent from Unrealized Gains**

The program will withdraw this percentage of the withdrawal amount from accumulated unrealized gains. This amount will be taxed at the Capital Gains Rate as long as the account has an accumulation of Gains. When the Accumulated Unrealized Gains are depleted the remaining portion of the withdrawal amount is not taxed.

#### **Percent from Cost Basis**

The program will withdraw this percentage of the withdrawal amount from the cost basis portion of the account balance and this amount is not taxed. If the cost basis portion of the account balance is depleted then any remaining portion of the withdrawal amount is taxed at the Capital Gains Rate.

The sum of the two percentages must equal either 100.0% or 0.00%. If the sum equals zero the program will use a default method for taxing the capital gains on withdrawals from this account.

The default method the program uses to calculate the capital gains on withdrawals is as follows:

It divides the Accumulated Unrealized Gains (AUG) by the Current Account Balance (CAB). It multiplies this percentage times the Withdrawal Amount (WA) to obtain the Taxable Amount (TA). This amount is then taxed at the Capital Gains Rate.

$$\begin{aligned} \text{TA} &= (\text{AUG} / \text{CAB}) * \text{WA} \\ \text{Tax} &= \text{TA} * \text{Capital Gains Rate} \end{aligned}$$

The Accumulated Unrealized Gains is then reduced by the Taxable Amount.

**Note:** This option is only active if the checkbox **Activate this option** is checked. When active, the sum of the three rate components is used throughout the program for this account in place of the Effective Rate, and the rate displayed in the Rate column of the Accounts screen is displayed in the color green.

**Dividend** Clicking this button will allow you to declare a dividend for this account.

**Note:** The program will not calculate a dividend for Asset or Equity accounts. You may enter a dividend for an asset or equity account but the program will not calculate a dividend.

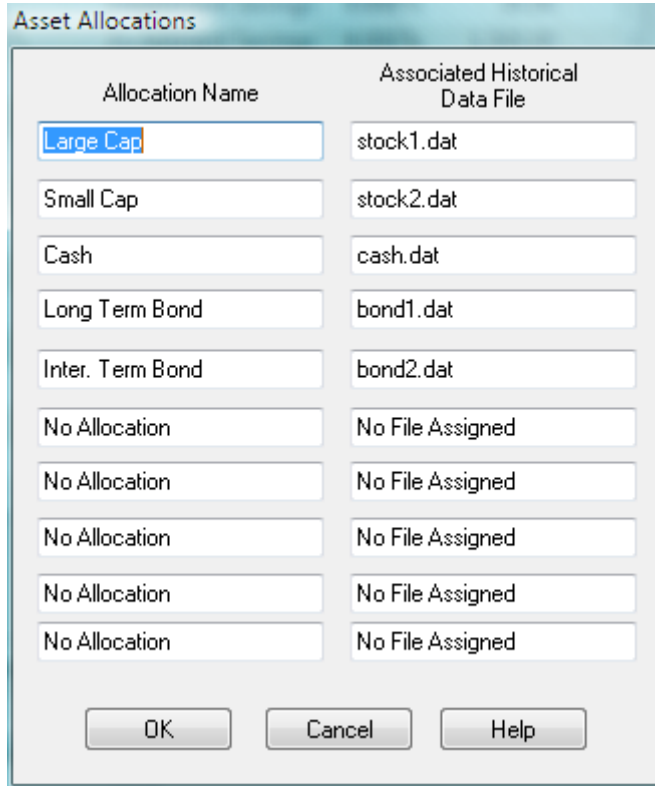
#### **Dividend Screen Fields**

**Yearly Dividend** The yearly dividend rate in percent of the current account balance.

**Percent of Dividend Taxable** Enter the percentage of the dividend that is taxable.

**Deposit Dividend to Account** Select an appropriate account to deposit the dividend. You may deposit the dividend into the account earning the dividend

**Assign Asset Allocations (Professional version only)**



**Figure 45. Assign Asset Allocations**

This dialog allows you to assign the percentage to which each of the different types of assets are represented in this account. You, of course, must have created the asset type from the Edit Menu / Asset Allocation Names menu item. Each Percentage Allocated may be a value from 0.0 to 100.0. The total of the percentages allocated must add up to either 0.0 or 100.0 percent.

**Create an alert when balance falls below this amount** If you check this box the program will issue a Red Alert in the Results Folder informing you this account has reached or exceeded the value you place in this field. The program will only issue the warning at the age of the first instance.

**NOTE:** All Red Alerts are listed at the end age of the Results. Clicking on an alert here will take you to the age where the alert occurred.

**Random Minimum Rate** If the Financial Scenario is executed with random rates this value represents the minimum rate that will be generated in the range of randomly generated rates.

**Random Maximum Rate** If the Financial Scenario is executed with random rates this value represents the maximum rate that will be generated in the range of randomly generated rates.

**Annualized Standard Deviation (Professional Version Only)** The Standard Deviation for the account. Used in the Monte Carlo Analysis. It is generally calculated by companies by comparing a products monthly returns to its average monthly return over a 36-month period, and then annualizing the number.

**Access Order** The number or character you enter here determines the order in which withdrawals are made.

**Important:** The access order is not sorted numerically. It is sorted “alphabetically” In other words if the accounts have the following in their respective Order fields, “1”, “2”, “100” the order the accounts will be accessed will be “1”, “100”, “2” as opposed to 1, 2, 100 if they were sorted numerically. Also, be careful if you use spaces as the leading characters in this field. The fields “1”, “ 2” will sort as “ 2”, “1”. The fields “1”, “2” without the leading space in the second field will sort as “1”, “2”.

**Important:** The program will not withdraw from an Asset or Equity account.

**Early withdrawals subject to penalty** If you check this box any withdrawal from this account will be subject to the Penalty Age and Penalty Rate.

**Penalty Age** The age at which you may begin withdrawing money from this account without the Penalty Rate being applied.

**Penalty Rate** The rate at which the money withdrawn from this account before the Penalty Age is penalized.

**Important:** The Penalty Age and Penalty Rate only apply to Tax Free and Retirement type accounts and only if the Early withdrawals subject to penalty box is checked. All withdrawals from a Retirement Savings account are taxed at the Tax Rate.

**Assign RMD Table 1** Choosing this option will assign RMD Table 1 to this account. This selection implies this account is liable for a Required Minimum Withdrawals defined by the IRS.

**Assign RMD Table 2** Choosing this option will assign RMD Table 2 to this account. This selection implies this account is liable for a Required Minimum Withdrawal as defined by the IRS.

**Assign RMD Table 3** Choosing this option will assign RMD Table 3 to this account. This selection implies this account is liable for a Required Minimum Withdrawal as defined by the IRS.

**Assign RMD Table 4** Choosing this option will assign RMD Table 4 to this account. This selection implies this account is liable for a Required Minimum Withdrawal as defined by the IRS.

**Assign asset allocation withdrawal** (Retirement/Professional Versions Only) Check this box if you want this account to be a member of a group of accounts that will have withdrawals made in proportion to the total amount of funds in the group. This option is elected from the **Edit Menu** -> **Asset Allocation Withdrawal Options** menu item.

#### Professional Version

The program allows you to assign an account to a list of accounts which acts as a group for your scenario Withdrawal Events.

The program allows up to five of these groups. The groups are configured from the "**Assign Asset Allocation Withdrawal Option**" menu item under the Edit menu.

When a withdrawal is made from an account in a group, the program will take the withdrawal amount from all of the accounts in the group in equal

or proportional amounts depending on the option chosen in the "**Assign Asset Allocation Option**" menu item. The program also allows you to alternately re-balance the accounts in each group at the end of each year

The "A" column of the Account Folder will contain the number of the option selected for this account. If the number is the color red that **Assign Asset Allocation Withdrawal** option has not been activated.

#### Retirement Version

The "A" column of the Account Folder will contain an 'x' if the **Assign asset allocation withdrawal** check box has been checked for that account. If the 'x' is the color red the **Assign asset allocation withdrawal** option has not been selected.

**Yearly Amount** The amount you pay in fees to maintain this account each year.

**Yearly Percentage** The yearly amount you pay in fees to maintain this account as a percentage of each years current account balance.

**Edit** You may edit a particular account by selecting the account from the list with the mouse and clicking the EDIT control. The account may also be selected for editing by selecting the account from the list with a double click from the mouse. This will display the Add Account dialog with the account values filled in.

**Import** You may import your accounts from a tab-delimited text file, or a comma-delimited text file. The file must have at least one existing account. The program will update the account amounts from the file. If a new account is encountered you will be prompted to see if you want to add this account, and if so, you will be prompted for the necessary account information.

**Delete** You may delete an account by selecting the account from the list with the mouse and clicking the DELETE control.

**Sort By Withdrawal Order** Check this box to list the accounts in the order that withdrawals will be made.

**Important:** The program will not withdraw from an Asset or Equity account.

## Scenario Folder

The Financial Scenario is a series of deposits and withdrawals to accounts representing your Financial plan. Each event is a financial transaction at some time in your life. An event may be a one-time or yearly deposit or withdrawal, or a change to the fundamental rates the program uses for calculations.

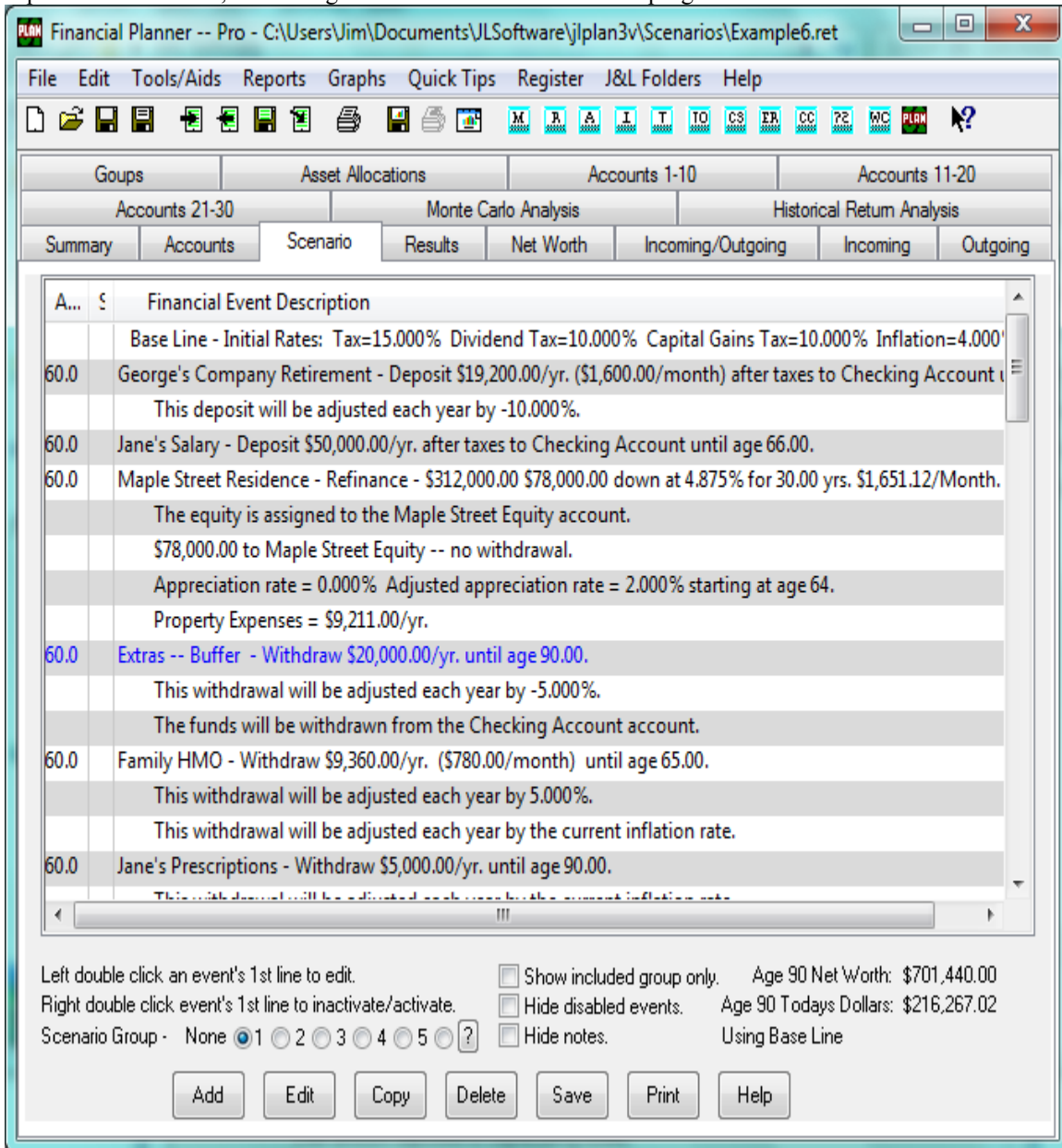


Figure 46: Scenario Folder

## Financial Scenario Screen

**Add** You may add an event to the scenario by selecting the ADD control. This will bring up a tool bar from which you make your selection. For a detailed description of each of the events that may be added to a scenario see the **Edit Menu --> Add Event To Scenario** menu item.

**Edit** You may edit a particular event by selecting the event from the list with the mouse and clicking the EDIT control. The event can also be selected for editing by selecting the event from the list with a double click from the mouse.

**Copy** You may copy a particular event by selecting the event from the list with the mouse and clicking the COPY control. The program will present the copied event for editing. If you cancel the editing the event will not be copied.

**Delete** You may delete a particular event from the Financial Scenario by selecting the event from the list with the mouse and clicking the DELETE control.

**Print** Prints the current scenario.

The Net Worth at the Initial Values End Age, the last age of your scenario, is displayed as well as the Purchasing Power of the Net Worth in terms of the Initial Values Start Age at the lower left hand corner of the Scenario Folder.

### Notes:

1. The first item in the list represents the Initial Values rates. You cannot copy or delete the first item. However, you may edit the Initial Values by selecting the first item from the list and either double clicking or clicking the EDIT control.
2. You may edit an event by double clicking its first line with the left mouse button.
3. You can disable an event by double clicking it with the right mouse button. The event will appear in the color red while it is disabled. Double click it again with the right mouse button to enable it. A disabled event will not be included in the results.
4. You can hide all of the disabled items from the list by checking the "**Hide disabled items**" checkbox. You cannot delete an item from the scenario while this box is checked.

### Changing Multiple Scenario Event Start Ages or End Ages (Professional Version Only)

The program allows you to select multiple events and change the Start Age and End Age of each as follows:

1. Select the events using the Shift Left Mouse Button or CTRL Left Mouse Button
2. When you finish selecting the events press the Right Mouse Button. A screen will appear that allows you to enter the new age for those events.

### Event Groups (Retirement/Professional Versions Only)

You may choose which events you wish to be included in the Results. The program allows you to create up to 5 separate "Scenario Groups." The program will only execute those events in the currently selected group. The current group is selected from the Initial Values menu item.

To include an event in a particular "Scenario Group"

Right click on the 'S' column of a selected Event.

The program will present you with a dialog that allows you to select an Event Group -- 'All', '1', '2', '3', '4', or '5'.

If you select '1' through '5' the program will put that number in the S column and this event will be a member of that group

If you select 'All' this Event will be included in all scenarios.

**Scenario Group (Retirement/Professional Versions Only)** This feature allows you to an Event Group to include in your Results.

Select either None (default) or '1' through '5'. The numbers represent a particular "Scenario Group" shown in the 'S' column of the Scenario Folder.

For example, if you choose 'None' the program will only use those Scenario Events that have a blank in the 'S' column of the Scenario Folder

If you choose the '1' group the program will use the Scenario Events that have a blank in the 'S' column AND the Events with a '1' in the 'S' column.

You may also change the Scenario Group while viewing any of the folders by pressing the ALT key and the number of the Scenario Group simultaneously.

For example if you wish to change to Scenario Group 3 press the ALT-3 keys.

Pressing ALT-0 will change back to the Base Line scenario (this is the same as choosing None.) The program will re-calculate the results and update the current folder.

Changing the Scenario Group will only update a report while it is being displayed if you change the Scenario Group from the Scenario Folder. Using the Alt-0 through Alt-5 keys will not update a report.

### Scenario Event Groups (Retirement / Professional version only)

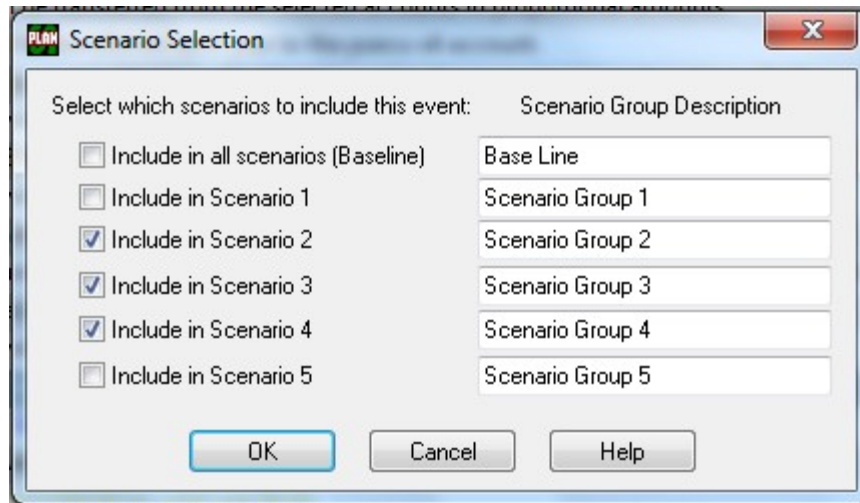


Figure 47. Selecting an Event Group(s)

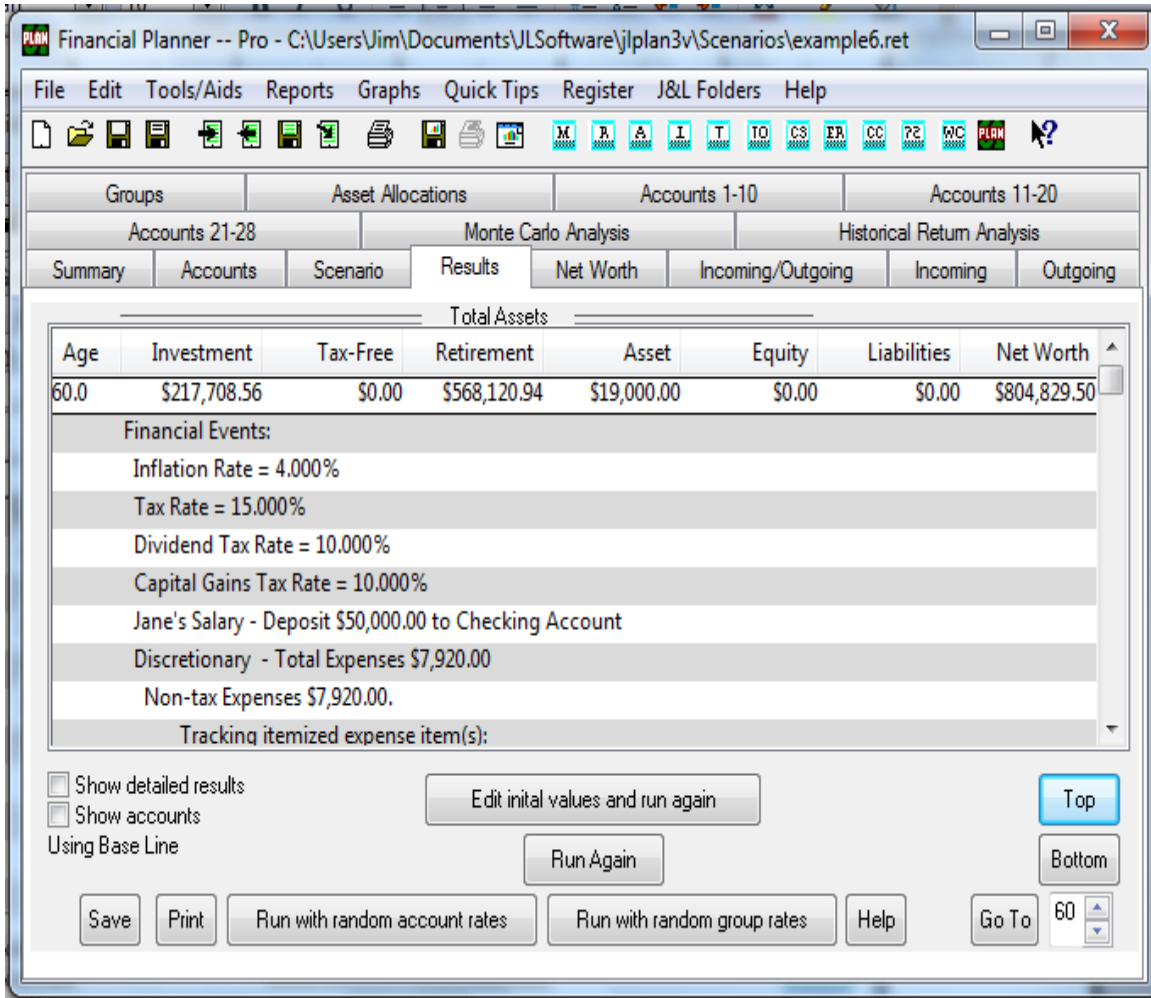
Assign a Scenario Event to a group by checking the box to the left of the group name.

You may select up to 5 groups for each event.

You may also assign a unique name to each group.

When you select a group for an Scenario Event, that event will only be included in the results when its group is selected from the Scenario Folder. Selecting a Scenario Group causes that group of Scenario Events to be included in the results along with the baseline scenario -- those with a blank in the 'S' Column.

### Results Folder



**Figure 48: Results Folder**

The Results folder displays the results of your Financial Scenario. The list starts at the Initial Values Start Age and displays each age until the Initial Values End Age is reached. The screen defaults to the very last age at which the Financial Scenario is valid.

You may play "what if" by using either the **Edit initial values and run again** control or tabbing between the Accounts, Scenario, and Results folders.

You may double click on an item in the results list. If the item has a related event, the event will be displayed. You may edit the event at this time.

If you double click an age in the results list that age will be assigned to the **GOTO** age.

If a result is shown at the bottom as having a Red Flag, you can double click the Red Flag item and it will take you to that age.

**Red Flags:** The program will red flag the following conditions.

- (1) The age at which your liquid assets are depleted.
- (2) The age at which a transfer cannot be made due to insufficient funds.
- (3) The age at which a retirement account is penalized for early withdrawal.
- (4) If money is not withdrawn from Retirement Accounts before age 72. This red flag is a reminder to check the regulations for the age at which you must start withdrawing funds from the account.



- (5) If you are withdrawing taxes or penalties from a retirement account. The program issues this warning so you can check your account ordering. It may be if you re-order your accounts the tax can be withdrawn from an account that does not incur more taxes.
- (6) If you are withdrawing capital gains taxes or penalties from an account that causes further capital gains taxes. The program issues this warning so you can check your account ordering. It may be if you re-order your accounts the capital gains tax can be withdrawn from an account that does not incur more taxes.

The program will also print in red each year a liquid asset goes negative. When liquid assets are depleted the withdrawals are made from Regular Savings which creates a negative amount.

You may view a more detailed schedule by checking the **Show Detailed Results** or **Show Accounts** box.

You may save the schedule to a text file by clicking the **SAVE** control.

You may print the schedule by clicking the **PRINT** control.

The **Run with random account rates** control will re-execute the scenario applying a new random account rate for each account each year of the scenario. The rates are calculated based on the Random Minimum Rate and Random Maximum Rate assigned when the account was created. You may edit these values when you edit an account.

**Note:** Regular/Retirement Version -- The random rates are generated by a uniform random rate generator.

Professional Version -- The random rates are generated either by a uniform random rate generator or a Gaussian random rate generator depending on the selection chosen with the Adjust Monte Carlo Analysis menu item.

The **Run with random group rates** control will re-execute the scenario applying a new random rate to the accounts based on the group assigned to the account. A new random rate is calculated for each year and is based on the Random Minimum Rate and Random Maximum Rate assigned when the group was created. You may edit these values when you edit a group.

**Note:** Regular/Retirement Version -- The random rates are generated by a uniform random rate generator.

Professional Version -- The random rates are generated either by a uniform random rate generator or a Gaussian random rate generator depending on the selection chosen with the Adjust Monte Carlo Analysis menu item.

The **Run Again** control re-executes the scenario with the normal account rates.

## Net Worth Folder

The Net Worth Graph graphs your Net Worth along with its components, savings, assets, and equity for each of your ages in the Financial Scenario.

## Incoming / Outgoing Folder

The Incoming / Outgoing Graph graphs the money coming in and the money going out for each of your ages in the Financial Scenario.

The money coming in includes Deposits, interest earned on savings, and money borrowed.

The money going out includes Withdrawals, taxes paid, and interest and other loan related payments.

## Incoming Folder

The Incoming Graph graphs the money coming in for each of your ages in the Financial Scenario.

The money coming in includes Deposits, interest earned on savings, and money borrowed.

## Outgoing Folder

The Outgoing Graph graphs the money going out for each of the your ages in the Financial Scenario. The money going out includes Withdrawals, taxes paid, and interest and other loan related payments.

## Group Folder

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The Group Graph Folder graphs your accounts by the group names assigned to the account. The assignment is made with the Add or Edit Account function as part of the Accounts Folder.

### **Account Graph Folders**

The Accounts Graph folders display the funds in each account during the time span selected in the Initial Values dialog.

## Monte Carlo Analysis Folder (Professional Version Only)

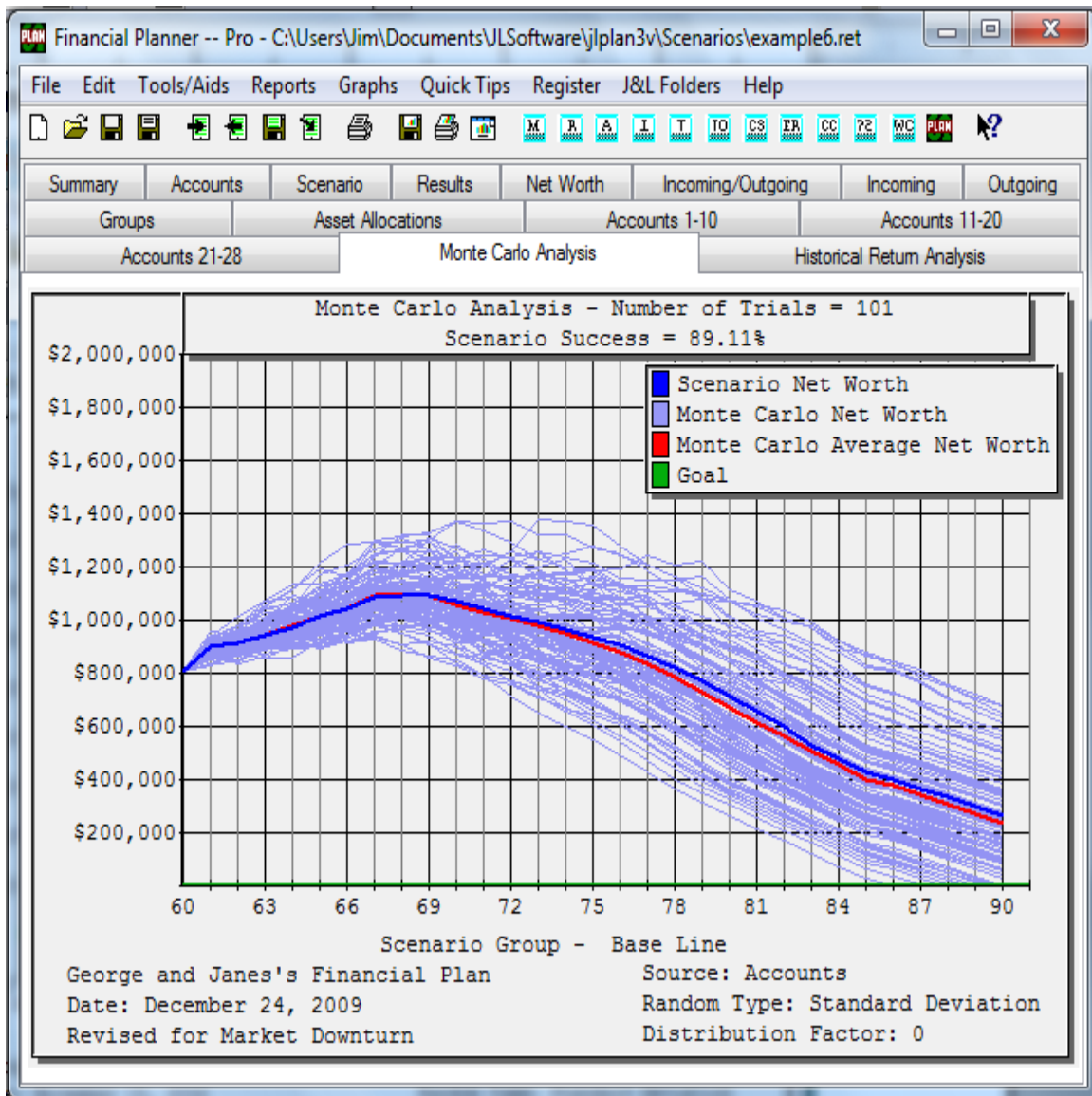


Figure 49: Monte Carlo Analysis Folder

### Why Does the J&L Financial Planner Use the Monte Carlo Analysis?

The problem with most financial planning is they accept a return rate on each of your investments and project your financial future on those rates. The argument is that over a span of years your investments will return that rate "on average." Unfortunately this is an invalid and risky assumption. Investment rates vary from year to year. Sometimes they vary greatly. We cannot accurately predict the return rate on investments or the inflation rate. Consider the following example:

You have \$1000.00 invested and you expect a 10.0% average yearly return on your investment. In two years that investment will be worth \$1210.00.

Now let's assume that same \$1000.00 returns -10.00% the first year and +30.00% the second. Your investments after those two years is worth only \$1170.00 even though your investment returned "on average" 10.0%.

The above example demonstrates the need for a mechanism to account for the volatility of investment return rates and the variability of inflation. The J&L Financial Planner has chosen to include a Monte Carlo Analysis as that mechanism.

### **The J&L Financial Planner Monte Carlo Analysis**

The following paragraphs outline how the Monte Carlo Analysis is implemented by the J&L Financial Planner.

The J&L Financial Planner allows you to create simple or complex financial scenarios (financial plans) that revolve around your existing accounts consisting of investment, asset, and equity accounts. You assign a nominal return rate to each account, the traditional expected average yearly rate of return, as well as a minimum expected rate and a maximum expected rate and a Standard Deviation. This minimum rate to maximum rate defines a range for each account that is used by the Monte Carlo Analysis.

The J&L Financial Planner also allows you to collect accounts into groups of accounts. Each group of accounts is assigned a minimum expected rate and a maximum expected rate. This minimum rate to maximum rate defines a range for each group of accounts that is used by the Monte Carlo Analysis.

The J&L Financial Planner allows you to assign a range of inflation rates that is used by the Monte Carlo Analysis.

The Monte Carlo Analysis allows you to execute your financial plan up to 1000 times. Each yellow graph is a separate execution of the scenario. Each time it is executed the analysis generates a random rate for each account or group of accounts each year of your plan. The rates are generated within the range of rates you specify. You have control over the extremes to which the analysis performs. The J&L Financial Planner gives you the option of choosing uniformly distributed random rates or Gaussian (normal) distributed random rates, as well as the option to use account rate ranges or group rate ranges. There is also a distribution factor setting that permits you to adjust the Gaussian Distribution.

In summary, the Monte Carlo Analysis is able to estimate the probability of achieving the success of your scenario by accounting for the yearly variability in the two main factors that contribute to its outcome, the return rate on your investments and the inflation rate. You can execute up to a thousand trials of your scenario. Each trial is a fully independent execution of your financial scenario, where each year the return rate on your investments and the inflation rate can take on a range of possible random values.

The large number of trials allows the analysis to compute the statistical probability that your scenario will be successful. For example, if after 1000 trials, 750 of those trials achieved your financial goals, the scenario success rate is 75.0%.

If your scenario success rate is below your expectations the J&L Financial Planner allows you to make easy scenario changes to play what-if with your financial future.

### **How the J&L Financial Planner implements the Monte Carlo Analysis**

For the **Number of Trials** you have designated in the Edit / Adjust Monte Carlo Analysis menu item the program executes your scenario with random account rates and random inflation rates.

Each year the analysis calculates a random rate between the Minimum Random Rate and the Maximum Random Rate and uses this value to calculate the return on your accounts.

Each year the analysis calculates a random inflation rate between the Minimum Random Inflation Rate and the Maximum Random Inflation Rate and uses this value to calculate the effects of inflation on your scenario events.

Each year the analysis graphs the Monte Carlo Net Worth results in the color yellow.

When the analysis is completed the Monte Carlo Average Net Worth is calculated and is graphed in the color red. This is the average of all of the Monte Carlo values for each year.

When the analysis is completed the Scenario Net Worth is graphed in the color blue. The Scenario Net Worth is that which is calculated with the rates specified for each account and the inflation rate specified in the Initial Values.

When the analysis is completed the Scenario Success rate is calculated as the number of times the scenario completes with a positive Net Worth at the Initial Values End Age divided by the Number of Trials.

$$\text{Scenario Success} = \text{Number of Positive Monte Carlo Net Worth's} / \text{Number of Trials}$$

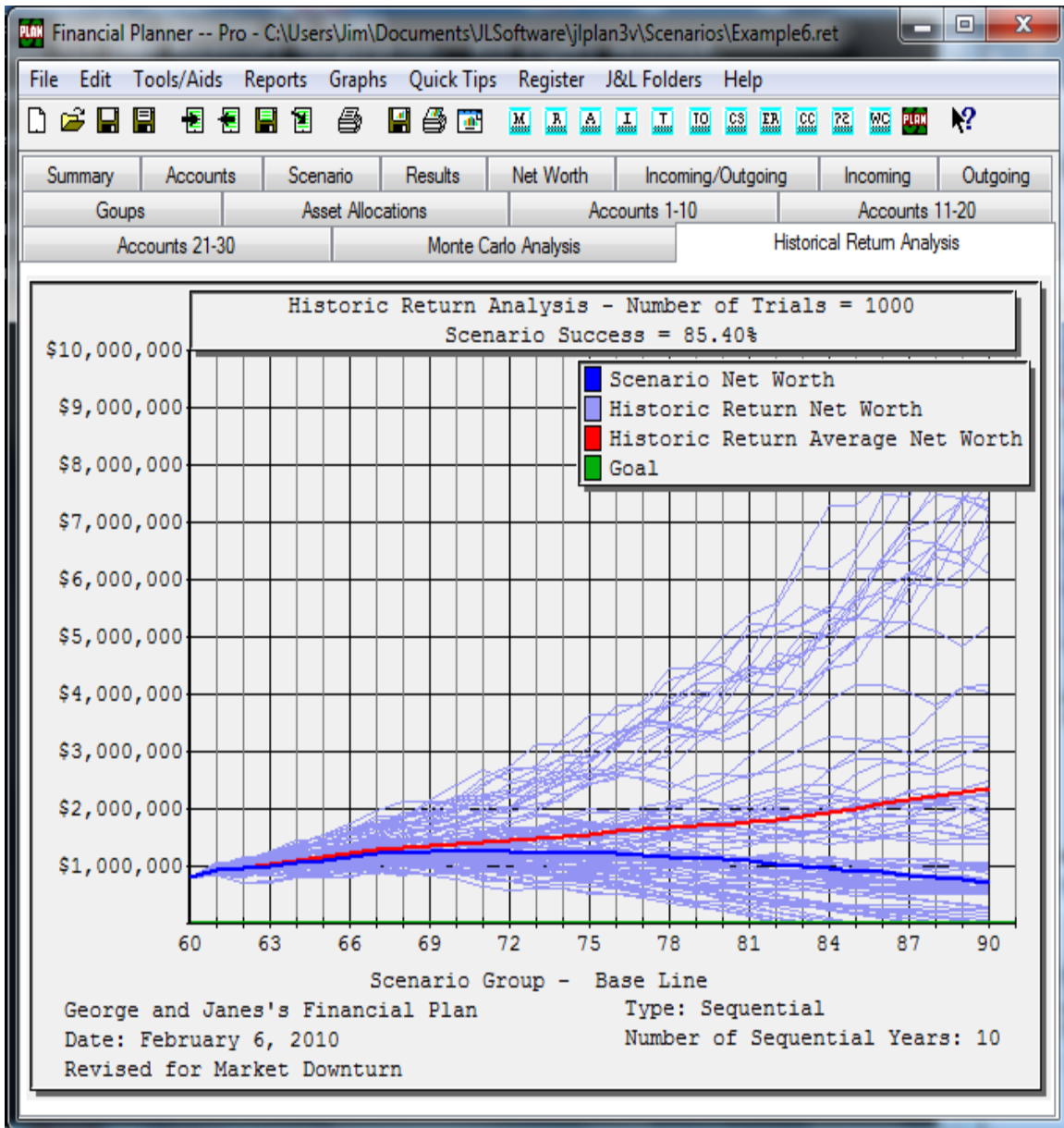
**Important:** When you print the Monte Carlo Analysis Folder with the **Print Current Graph** menu item or icon the program executes a new Monte Carlo Analysis to the printer. If you have selected 1000 trials this may take a while. The analysis will not be graphed to the folder -- it goes directly to the printer. Therefore it may seem as if nothing is happening. The cursor will, however, turn to an hour-glass. If you wish to print the Analysis represented by the folder you will have to do one of the following.

1. Press the **Alt** key simultaneously with the **PrtSc** key. This puts the graph into the clipboard.  
Open your favorite image software, the Window's Paint program, or even a word processor, and Paste the graph from the clipboard.
2. Press the **Ctrl** key simultaneously with the "p" key. This will print the entire folder to the default printer.

**NOTES:**

- 1 You can perform another analysis by pressing the **Ctrl** key simultaneously with the "j" key (Ctrl+j) at any time.
2. Use the Reports / Report Options / Color menu option and change color number 12 to a more suitable color to represent the Monte Carlo Trials. See Report Options

### Historical Return Analysis(Professional Version Only)



**Figure 50: Historical Return Analysis**

This folder displays the Historical Return Analysis as represented by data entered as part of the Account Dialog Assign Asset Allocation entries, and the Historical Data Files entered as part of the Edit / Asset Allocation Names menu item. The analysis is performed according to the parameters set up in the Adjust Historical Return Analysis dialog which can be accessed from the Edit menu.

## How the J&L Financial Planner implements the Historical Return Analysis

The J&L Financial Planner allows you to create simple or complex financial scenarios (financial plans) which revolve around your existing accounts consisting of investment, retirement, asset, and equity accounts. The planner allows you to create and assign up to 10 asset allocation classes for each of your accounts. A simple example would have you create three asset allocation classes Stocks, Bonds, and Cash. You would assign each account the percentage of each of its allocation classes. A mutual fund account may consist of 70 percent Stocks and 30 percent Bonds, whereas a savings account would be 100 percent Cash. For each allocation class you assign a historical return data file which represents the returns for that class over an historical time span.

The planner comes with 6 example data files including 2 stock files, 2 bond files, 1 cash file, and an inflation file covering the years 1928 through 2007. The files are provided as examples and should be replaced with data files that meet your needs. You can create and edit up to 10 files, each corresponding to an asset allocation class.

The planner gives you two options with the Historical Return Analysis.

The first allows you to execute your financial plan over the historical time span. This generates your net worth for each year of your plan based on the returns of the historical data starting with the first year of the data. In the provided files this would generate a net worth (a line graph) starting with the returns from 1928. Next it would generate a net worth (another line graph) starting with the returns from 1929. It would do this for each year of your financial plan.

The second and default analysis chooses a year of data from the historical data files for each year of your scenario by the following methodology. It creates 4 groups (g) of sequential historical data years based on the number of years provided in the files. It creates a list of the 24 possible combinations these groups can be arranged. For example g1, g2, g3, g4 followed by g1, g3, g2, g4 followed by g1, g2, g4, g3 and so on for all of the possible combinations. For each age in your scenario trial an entry into the historical data files is selected starting with the first group and sequencing through the years in that group followed by the next group in the list. If the list is exhausted the program will start again, but from the 2nd group in the list.

The second analysis also allows you to choose the number of sequential years the program will use starting at the current age in your scenario and the current entry into the historical data files. For example if the current entry into the files is 1931 and you have chosen 3 sequential years the program will execute the current age of your scenario with data from 1931, the next age with data from year 1932, and the next with data from 1933 before choosing the next entry into the files.

### Summary

In summary, the Historical Return Analysis is able to estimate the probability of achieving the success of your scenario by accounting for the yearly variability in the two main factors which contribute to it's outcome, the return rate on your investments and the inflation rate. You can execute up to a thousand trials of your scenario. Each trial is a fully independent execution of your financial plan, where each year the return rate on your investments and the inflation rate can take on a range of values based on historical asset class return data.

The large number of trials allows the analysis to compute the statistical probability that your financial plan will be successful. For example, if after 1000 trials, 750 of those trials achieved your financial goals, your financial plan success rate is 75.0%.

If your financial plan success rate is below your expectations the J&L Financial Planner allows you to make easy scenario changes to play "what-if" with your financial future.

## End Users License Agreement

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## Glossary of Terms

**Appreciating Asset** An asset that increases in value each year. The rate at which its value increases each year is the appreciation rate.

**Appreciation Rate** The rate at which assets/equity are increased yearly.

**Assets** The value of property that will appreciate or depreciate over time. This may be cars, jewelry, or other non real-estate holdings.

**Important:** The program will not withdraw from an Asset account.

**Depreciating Asset** An asset that loses value each year. The rate at which it loses its value is the depreciation rate.

**Depreciation Rate** The rate at which assets/equity are decreased yearly.

**Down Payment** The amount of money you put down initially for a loan or mortgage.

**Effective Tax Rate** This is the rate at which your income from your investments is taxed. It is set initially in the Initial Data screen and may be changed at any age via the Fundamentals scenario event. The **Effective Tax Rate** is defined as the actual income tax paid divided by gross income before taxes, expressed as a percentage.

**End Age** This value represents your age at which an event will stop. Events occur on a yearly basis starting at your Start Age and ending at your End Age.

**Equity** The Financial Planner defines equity as the value of real estate.

**Important:** The program will not withdraw from an Equity account.

**Event Description** This is the name given to an event in your Financial Scenario.

**Inflation Rate** The rate at which the cost of living is increased or decreased yearly. It is set initially in the Initial Data screen and may be changed at any age via the Fundamental scenario event.

**Interest** Interest is the amount of money from each payment that is charged for the loan or mortgage.

**Investment Savings** The interest earned each year on these investments is taxable.

**Liabilities** The amount you owe. This could be the amount of principal left on a mortgage or loan.

**Required Minimum Distribution (RMD)** The minimum amount the IRS requires withdrawn from certain retirement accounts when you reach a certain age.

**Monthly Payment** The amount of money you pay on a loan or mortgage each month. The amount of that payment subtracted from the amount you owe is called Principal. The rest is Interest. Interest is what you pay the lender each month for loaning you the money.

**Net Worth** Your net worth is the sum total of all of your accounts -- the equity built up in properties, the value of your assets minus your liabilities.

**No Of Years** The number of years the payments for a loan or mortgage last.

**Payoff Age** The age in which you plan to pay off the loan or mortgage.

**Penalty Age** When this age is reached you may withdraw money from your Retirement Savings without being assessed a penalty

**Penalty Rate** The penalty rate is the rate at which your Retirement Savings is penalized if a withdrawal is made before the qualification age. It is set in the Initial Data screen. See Penalty Age

**Principal** This is the non-interest portion of a loan or mortgage payment. It is the part of the payment subtracted from the amount still owed.

**Retirement Savings** Retirement savings are savings such as IRA's and Keoghs where the interest is not taxed until money is withdrawn. Money withdrawn from these accounts before the Penalty Age is taxed at the Tax Rate as well as being assessed a penalty at the Penalty Rate.

**Start Age** This value represents your age at which this event will start. Events occur on a yearly basis starting at your Start Age and ending at your End Age.

**Tax-free Savings** The interest earned on these investments is not taxed. Withdrawals are not taxed.

## **Keyboard Key Assignments**

Some of these assignments are version dependent.

F1 Brings up the Help File

F2 Brings up the Graph Window

F3 E-mail To J&L Software

F4 Inactive

F5 Purchase On-line

F6 Purchase On-line Help

F7 Purchase Form for Mailing

F8 Registration ID

F9 Enter Registration Code

F10 Download the PDF Manual

F11 Display Monte Carlo Statistics

You must run the Monte Carlo or Historical  
Return Analysis or this will return an error

F12 Inactive

Alt-F1 Inactive

Alt-F2 Inactive

Alt-F3 Inactive

Alt-F4 WARNING THIS WILL CLOSE THE PROGRAM!!!

Alt-F5 Toggles Today's Values on Reports and Graphs

Alt-F6 Decreases line Width on Graphs

Alt-F7 Increases line Width on Graphs

Alt-F8 Toggles Ages/Years on Reports and Graphs

Alt-F9 FOR DEBUGGING ONLY - TOGGLES RESULTS ON/OFF

Alt-F10 Decreases Font Size on Graphs

Alt-F11 Increases Font Size on Graphs

Alt-F12 Inactive

Alt-0 Execute Baseline Scenario

Alt-1 Execute Scenario Group 1

Alt-2 Execute Scenario Group 2

Alt-3 Execute Scenario Group 3

Alt-4 Execute Scenario Group 4

Alt-5 Execute Scenario Group 5

Alt-a Saveas - Save Scenario To a Different File

Alt-b New Budget Budget Event

Alt-c Compare Scenarios Graphically

Alt-d New Deposit Event

Alt-e Export accounts To a File

Alt-f New Fundamental Event

Alt-g Save Graphs To a File

Alt-h Inactive

Alt-i Update Accounts From a File

Alt-j Adjust Historical Return Analysis

Alt-k New (add) Account

Alt-l New Loan Event

Alt-m New Mortgage Event

Alt-n Create a New Scenario

THIS WILL DELETE YOUR CURRENT ACCOUNTS!!!

Alt-o Open an Existing Scenario

Alt-p New Rule 72t Event  
 Alt-q Required Minimum Distribution  
 Alt-r Read Accounts From a File  
 Alt-s Save the Current Scenario  
 Alt-t New Transfer Event  
 Alt-u Edit Group Names  
 Alt-v Edit Initial Values  
 Alt-w New Withdrawal Event  
 Alt-x CLOSES THE PROGRAM  
 Alt-y Adjust Monte Carlo Analysis  
 Alt-z New Credit Card Debt Event  
 Ctrl-F1 Print Results  
 Ctrl-F2 Net Worth Report  
 Ctrl-F3 Incoming Report  
 Ctrl-F4 Outgoing Report  
 Ctrl-F5 Accounts Report  
 Ctrl-F6 Inactive  
 Ctrl-F7 Incoming Events Report  
 Ctrl-F8 Outgoing Events Report  
 Ctrl-F9 Accounts Incoming/Outgoing Report  
 Ctrl-F10 Account Allocation Report  
 Ctrl-F11 Inactive  
 Ctrl-F12 Put Incoming/Outgoing Reference on  
     Summary Graphs  
 Ctrl-a Accelerated Mortgage Analysis Tool  
 Ctrl-b Rule 72t Calculator Tool  
 Ctrl-c Compare All Scenarios Groups Report  
 Ctrl-d Credit Card Debt Tool  
 Ctrl-e Effective Yearly Rate Tool  
 Ctrl-f Font Tool  
 Ctrl-g Print Current Graph  
 Ctrl-h Historical Data Graph  
 Ctrl-i Print All Scenario Events  
 Ctrl-j Re-graph Monte Carlo or Historical Analysis  
     The corresponding folder must be open  
 Ctrl-k New Reverse Mortgage Event  
 Ctrl-l Edit Asset Allocation Names  
 Ctrl-m Inactive  
 Ctrl-n Inflation Calculator Tool  
 Ctrl-o Mortgage Calculator Tool  
 Ctrl-p Inactive  
 Ctrl-q Save Accounts To a File  
 Ctrl-r Refinance Analysis Tool  
 Ctrl-s Edit Report Options  
 Ctrl-t Trade-off Analysis Tool  
 Ctrl-u Inactive  
 Ctrl-v Print Preview  
 Ctrl-w Windows Calculator  
 Ctrl-x Taxes, Inflation and Your Investment Tool  
 Ctrl-y Page Setup  
 Ctrl-z Inactive  
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 Shift-F2 Quick Tip - Exporting Account Balances  
 Shift-F3 Quick Tip - Summary Folder  
 Shift-F4 Quick Tip - Accounts Folder  
 Shift-F5 Quick Tip - Results Folder

Shift-F6 Quick Tip - Graph Functionality  
Shift-F7 Quick Tip - Asset Allocation Withdrawal  
Shift-F8 Quick Tip - Required Minimum Distribution  
Shift-F9 Quick Tip - Printing Reports  
Shift-F10 Quick Tip - Revenue Code 529  
Shift-F11 Inactive  
Shift-F12 Inactive  
Shift-0 Quick Tip - Getting Started  
Shift-1 Quick Tip - Lighter Banding  
Shift-2 Quick Tip - Removing Summary From Results  
Shift-3 Quick Tip - Monte Carlo Analysis  
Shift-4 Quick Tip - Historical Return Analysis  
Shift-5 Quick Tip - Font Size / Line Width  
Shift-6 Inactive  
Shift-7 Quick Tip - Toggle Age and Year  
Shift-8 Quick Tip - Exporting Results To Spread Sheets  
and Data Bases  
Shift-9 Quick Tip - "Drilling Down" a Value on Reports  
and Graphs  
Shift-a Open J&L Applications Data Folder  
Shift-b Open J&L Backups Folder  
Shift-c Compare All Scenario Groups Graphically  
Shift-d Detailed Results Report  
Shift-e Inactive  
Shift-f Cash Flow Report  
Shift-g Gain/Tax Summary Report  
Shift-h Open J&&L Historical Data Folder  
Shift-i Incoming/Outgoing Summary Report  
Shift-j Print Selected Scenario Events  
Shift-k Displays This List  
Shift-l Change J&L Folder Locations  
Shift-m Asset Allocations by Account  
Shift-n Account Asset Allocations by Value  
Shift-o Account Asset Allocations by Percentage  
Shift-p Portfolio Rate of Return Report  
Shift-q Quick Tip - Colorizing Scenario Event Descriptions  
Shift-r Open J&L Reports Folder  
Shift-s Open J&L Scenario Data Folder  
Shift-t Print Summary Graph  
Shift-u Group Incoming/Outgoing Including Transfers Report  
Shift-v Group Allocations by Value Report  
Shift-w Open J&L Logo, Banner, and Watermark Folder  
Shift-x Group Allocations by Percentage Report  
Shift-y Inactive  
Shift-z Inactive

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