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Asset Allocation Training Manual

This Asset Allocation training manual walks you through the steps necessary to create a **Overview** scenario in the Asset Allocation software.

A scenario is divided into the following sections:

- Creating a scenario profile
- Optimizing a client's asset allocation
- Forecasting wealth
- Reallocating portfolios, and
- Generating reports for the scenario.

The asset allocation process is started by entering basic information about the client in the Scenario Profile section.

The optimization section creates a target portfolio on the efficient frontier. It uses risk tolerance, client age, and an optional asset class constraints feature to create a target allocation.

The forecasting wealth section runs a Monte Carlo simulation assessing the potential growth of the target portfolio over the planning horizon.

The portfolio is then reallocated and presented to the client in the Reporting section.

In this training manual, we'll be working with a fictional client called the Smith Family. Jerry Smith plans to work until he is 65, but Sarah Smith would like to examine the possibility of retiring early, at age 50. They also have two children, and want to account for the cost of sending both of them to college.

The scenario we'll create includes their existing portfolios. Before starting with the Asset Allocation module, we'll create this client and a portfolio record in Principia's Portfolio mode, so we can import it into Asset Allocation later.

What do I need to do to create a scenario?

What do I need to do before beginning?

You'll start by creating a client file for the Smith Family. When creating just the client **Creating a client file** record, all you need to do is save a .cli file named for the client **Creating a client file** record, all you need to do is save a .cli file named for the client

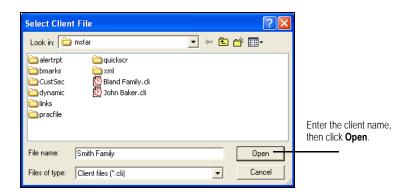
In the exercise below, you'll create a client file for the Smith Family. Do the following:

Exercise 1

- 1. From the Principia toolbar, click the **Portfolio Mode** icon.
- 2. From the left-hand navigation pane, right-click on the **Practice** level and choose **New Client**. The Select Client File dialog box appears.

🙆 Morningstar Pr	incipia - [Retirement]						
Eile Edit View Wi	ndow Defined Contribution Reports Hel	p					
] 🗅 🗀 🛏 🖬		. 🛛 🗎 🖂 🕬					
9 🖬 🧭 🗚	llocation View 💽 Compos	sition 🔽					
	Alloc	ation View					
Practice: 1 client(s)	New Client	N S8P 500 TR	Right click here, then				
🖭 🖳 Custom Ber	Open Client	W3	select New Client				
🐑 🖃 Hypothetica	Open All Clients						
🖻 🤒 Jill Green	Close All Clients						
ট…© Aggreg.– ত…© IB∆	Run All Rules						
in @ IRA ⊡⊡© Betirem							
	Run Practice Rules	lidcap Value					
	Dre Practice Rules Setup						
Gei− Gei− GPIN							
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- 3. In the File Name field, type **Smith Family**.
- 4. Click Open.



5. Click **No** when asked to create a portfolio.

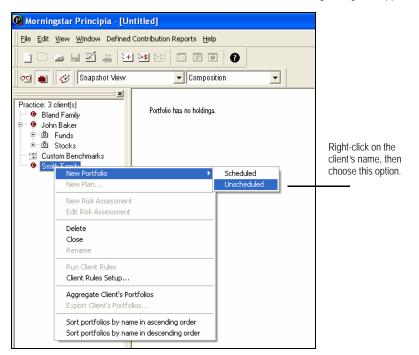
The client file has been created. Now you can create an unscheduled portfolio for the funds they own.

Creating an unscheduled portfolio

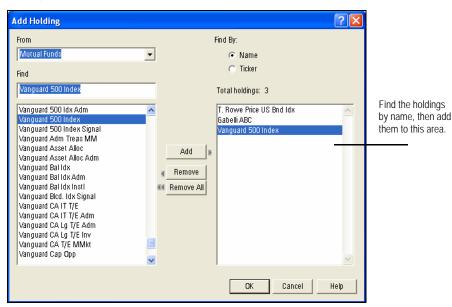
Exercise 2

In this exercise, create an unscheduled portfolio for the Smith Family. Do the following:

- 1. Right-click on the client name Smith Family in the Advisor Palette.
- 2. Select New Portfolio, and then Unscheduled. The Add Holding dialog box appears.



- 3. Choose the funds below:
 - Gabelli ABC
 - T. Rowe Price US Bond Idx, and
 - Vanguard 500 Index.



- 4. After adding the securities, click **OK**. The Allocation dialog box appears.
- 5. Add the following allocations:
 - Vanguard 500 Index = **10,000**
 - Gabelli ABC = 5,000, and
 - T. Rowe Price U.S. Bnd Idx = 10,000.

Allocation Portfolio:	Input by			Tracking Method	? 🗙	
Retirem ent	 Market Value Shares Percentage 			Make sure the option button for		
	Holding name	Түре	\$ Value	# of Shares	% of Assets	Market Value is
	Total Allocation		25,000.00		100.00	selected when entering
	Vanguard 500 Index	MF	10,000.00	70.01	40.00	10,000 for each fund.
	Gabelli ABC	MF	5,000.00	464.68	20.00	
	T. Rowe Price US Bnd Idx	MF	10,000.00	956.02	40.00	
Equal	Add Holding	Delete Hol	lding OK	Cancel	Help	

- 6. Click **OK**. Principia defaults to Snapshot View.
- 7. From the toolbar, click the Save icon. The Save As dialog box appears.
- 8. In the Portfolio Name type, **Retirement**.

Save As			? 🗙	
Save in: 🗀	mstar			
alertrpt bmarks CustSec dynamic inks pracfile	🗀 quickscr 🦳 xml ⑫ Bland Family.cli ⑫ John Baker.cli ⑫ Smith Family.cli			
Client file:	Smith Family	Sa	ve	
Save as type:	Client files (*.cli)	▼ Car	icel	Enter the portfolio name h
Portfolio name:	Retirement			<u> </u>

9. Click Save. The portfolio can now be used with the Asset Allocation module.

Creating a Scenario Profile

The first action when using the Asset Allocation tool is to create a scenario profile. You will need to do the following	Overview
 Give the scenario a name, and define the start date for the scenario. Enter information about the client, such as gender, name, address and birth date. Select Style Analysis Methodology View (and edit, if necessary) capital market assumptions. 	
A scenario needs basic client information like client name, spouse name, and gender information. Also, a client's birth date is required in order to create the Risk Tolerance questionnaire. Finally, a Notes section is provided for you to review what occurred in the client meeting.	What basic information is needed for a scenario?
Notes do not appear on the output report.	
In this exercise, you'll enter the scenario name, style analysis method, and scenario begin year. Space is also provided to type scenario notes. Do the following:	Exercise 3
 From the toolbar in Portfolio mode, click the Asset Allocation icon. The Principia Asset Allocation Module window appears. 	
2. In the Scenario Name space, type Smith Scenario.	
3. In the Scenario Begin Year space, type the current year , or scenario start year .	
A Soloct Holdings Basod Style Analysis or Poturns Basod Style Analysis	

- 4. Select Holdings Based Style Analysis or Returns Based Style Analysis.
- 5. In the Scenario Note space, enter client notes, if you wish.

6. When finished, click **Client Information**, or **Next** to proceed.

Principia Asset Allocation N File Resources Help	lodule - Smith Scenario3.	xml		
Principia Asset Allocation M File Resources Help Senario Profile Gasta Cient Information Constraints Current Portfolos Outries Asset Allocation Gasta Mix Assumptions Current Portfolos Constraints Efficient Frontier Constraints Efficient Frontier Current vs. Target Forecast Wealth Retirement Bincome Savings Withdrawals Tax Rates Forecast Propose Portfolio Allocate Adocate Adocate Adocate Adocate	todule - Smith Scenario 3.	Smith Scenario 2007 O Holdings Based Style Analysis Returns Based Style Analysis Jerry and Sarah Smith. Manied with two children. Sarah wants to explore retiring early.		Scenario Notes do not appear on the output report.
- Report Settings		< < Previous	Next >	

When entering client information, note the following:

- The client birth date is mandatory, as it is used in creating the target allocation.
- The spouse can be selected or deselected depending on whether they are contributing salary or investments to the scenario.
- Employer, address and Email information is optional.

In this exercise, you will enter client and spouse information. Do the following:

1. Enter the following information for both the client and a spouse. Be sure to check the **Include Spouse** check box.

	Client	Spouse		
Name	Jerry Smith	Sarah Smith		
Gender	Male	Female		
Birth Date	01/25/1972	01/02/1974		

 ${\mathscr K}$ Optionally, enter an address if you wish. Only the Birth Date field is required.

2. Click Capital Mkt Assumptions, or Next to proceed.

Entering client information

Exercise 4

You can see the following information on the Capital Mkts Assumptions page:

- Pretax Returns
- Standard Deviation
- Yield, and
- Asset Class Correlations.

The values displayed here are used to construct the efficient frontier. Capital Market Assumptions are updated in the application once each year. You can do the following at any time:

- Edit the asset class assumptions
- Edit the inflation rate
- Remove an asset class, or
- Create a customized asset class.
- X Note that if you create a custom asset class, the correlations you enter to the other asset classes must be accurate.

In this exercise, you will learn how to edit the pre-tax returns, but we will not save the	Exercise 5
change (in order to not have it adversely affect our Wealth Forecast later). We will use	
the default Inflation rate of 2.3%.	

Resources Help	Module - Smith Scenario3.xml						_ 🗆 🗙	
) 🚔 🖬 🤶								
Scenario Profile	Scenario Profile: Capital Mkt Assumptio Enter the inflation rate and capital market assur		14 F					
Basics	Enter the inflation rate and capital market assur	nptions. This informatio	on will affect the e	ticient frontier ar	aysis and the wea	attn torecast.		
Client Information	Inflation Rate (%) 2.3							
Capital Mkt Assumptions	Innation Rate (%) 2.5							
Current Portfolios							Corr. with Do	Note the
Optimize Asset Allocation		Pre-Tax	Standard			Short-Term	Lrg Growth	
😑 Risk Tolerance	Asset Class	Return	Deviation	Yield		Turnover Rate*	Stks	inflation
— Questionnaire — Analysis	Domestic Large Growth Stocks	10.84%		1.30%	20.00%	.00%		here.
	Domestic Large Value Stocks	12.48%		3.03%	20.00%	.00%		
Constraints Efficient Frontier	Domestic Mid-Cap Stocks	13.24%		1.73%	20.00%	.00%		
Current vs. Target	Domestic Small-Cap Stocks	15.36%		1.37%	20.00%	.00%		
- Forecast Wealth	Non-Domestic Developed Stocks	12.10%		3.01%	20.00%	.00%		
	Developing Markets Stocks	15.56%		2.90%	20.00%	.00%		
	Domestic Investment-Grade Bonds	5.24%		5.24%	20.00%	.00%		
± income Savinos	Domestic High-Yield Bonds	7.39%		7.39%	20.00%	.00%		
Withdrawals	Domestic Inflation-Protected Bonds	4.28%		4.28%	20.00%	.00%		
Retirement Needs	Non-Domestic Bonds	4.92%		4.92%	20.00%	.00%		
- Education	Cash	3.48%		3.48%	20.00%	.00%		
Miscellaneous	Commodities	11.31%		3.48%	20.00%	.00%		
Tax Bates	REITS	13.55%		6.64%	20.00%	.00%		
Forecast	Custom Asset Class	10.00%	18.00%	1.00%	20.00%	.00%	0.	
- Propose Portfolio								
Securities List								
Allocate								
Action Plan								
Report Settings								
	•						F.	
	Add Asset Class Remove Asset Cl			0			D.u.	
	Add Asset Class <u>R</u> emove Asset Cl	922	Load	<u>S</u> ave			R <u>e</u> set	
	* Short-Term Turnover Rate is a percent of Turn	nover Rate.			Powered by Ibbots	on Associates, a Mor	ningstar company.	
						- Province -	Numb	
						< Previous	Next >	

S If you do not want to edit capital market assumptions, click Current Portfolios, or Next to proceed

Entering Capital Market Assumptions

Do the following:

1. On the Capital Markets Assumptions, page, click the **Pre-Tax Return** cell for the asset class Domestic Large Growth.

Scenario Profile: Capital Mkt Assumptions Enter the inflation rate and capital market assumpt Inflation Rate (%) 2.3						
Asset Class	Pre-Tax Return	Standard Deviation	Yield	Turnover Rate	Short-Term Turnover Rate*	Click in this cell to change its value.
Domestic Large Growth Stocks	10.84%	24.51%	1.30%	20.00%	.00%	
Domestic Large Value Stocks	12.48%	16.91%	3.03%	20.00%	.00%	
Domestic Mid-Cap Stocks	13.24%	22.28%	1.73%	20.00%	.00%	
Domestic Small-Cap Stocks	15.36%	28.75%	1.37%	20.00%	.00%	

- 2. Type **11.48** to change the Pre-Tax Returns for the Domestic Large Growth asset class.
- 3. Click **Reset** to change back to the default Pre-Tax Return value for the Domestic Large Growth asset class.
- 4. Click **Yes** when the confirmation message appears.
- 5. Click Current Portfolios from the left-hand navigation pane, or Next to proceed.

Entering Current Portfolios

you c	s section, you'll enter client portfolios. Portfolios can be imported from Principia, or an enter them directly into the Asset Allocation module. The Asset Class down is displayed in the Current Portfolios page.	Overview
	C Portfolios created in the Asset Allocation module can be exported back to Principia.	
the A	have an existing portfolio in the Advisor Palette, it can be imported directly into asset Allocation module. You can import up to 12 portfolios from Principia into the t Allocation module.	Importing Portfolios
	s exercise, you will import a portfolio from Principia into the Smith Scenario. Do ollowing:	Exercise 6
1.	On the Current Portfolios page, click the Import button. The Import dialog box appears, listing all of your current Principia clients.	
2.	On the Import dialog box, double-click Smith Family . This will expand and display the client's portfolios.	
3.	Double-click the Retirement portfolio. It automatically appears in the Portfolio Name	
4.	field at the bottom of the Import dialog box. From the Owner drop-down field, make sure Client is selected.	
5.	From the Type drop-down field, select Defined Contribution .	
	Asset Allocation - Portfolio Import	
	er Bland Family er John Baker	
	i≟- Smith Family iæi Retirement	

•

Help

Assign an Owner and select a portfolio Type before importing into the Current Portfolios page.

Assign an owner and type:

Portfolio Name

Retirement

Γ

Owner

Client

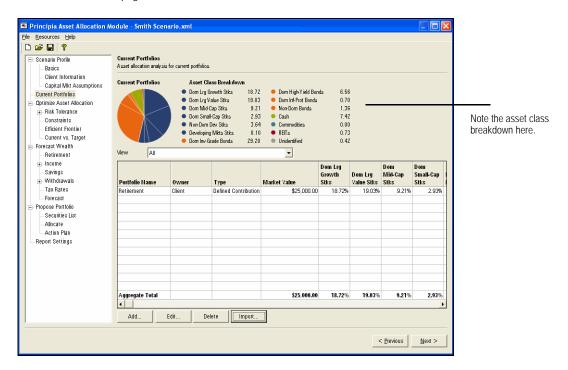
Import

Type

▼ Taxable

Cancel

6. Click the **Import** button. The asset allocation breakdown of the portfolio is displayed in the Current Portfolios page, as shown in the screenshot below.



If you have not created a portfolio in Principia, you can create one directly in the Asset Allocation module. You can also edit an existing portfolio within the Asset Allocation module. Note that you will have access to the portfolios you have entered in Principia's Portfolio mode.

In this exercise, you will add a new portfolio to the Smith Scenario. Do the following from the Current Portfolios page:

Exercise 7

1. Click **Add**. The Add Holdings dialog box appears.

Principia Asset Allocation							
Eile <u>R</u> esources <u>H</u> elp							
🗅 🚅 🖬 🢡							
- Scenario Profile	Current Portfolios						
Basics	Asset allocation analysis for current portfolio:						
Client Information				_			
Capital Mkt Assumptions	Add Holding		? 🛛				
Current Portfolios				-			
Optimize Asset Allocation	From	-	Find By:				Use the From drop-down
🖶 Risk Tolerance	Mutual Funds	۰ <u>ـــــ</u>	G Name	-			to access additional
- Questionnaire	Find		 Ticker 				
- Analysis		_					Principia databases.
Constraints	T. rowe price u.s		Total holdings: 2				
- Efficient Frontier	T. Rowe Price US Bnd Idx	~	PIMCO All Asset A				
Current vs. Target	T. Rowe Price US Try Int	<u> </u>	T. Rowe Price US Bnd Idx				
😑 Forecast Wealth	T. Rowe Price US Try L/T				Dom	Dom	
Retirement	T. Rowe Price VA Tax-Fr T. Rowe Price Value			g	Mid-Cap	Small-Cap	
. Income	T. Rowe Price Value T. Rowe Price Value Adv	Add		tks	Stks	Stks I	
Savings	T. Rowe PriceCapApprecAdv			63%	9.12%	6.66%	
₩ithdrawals	T. Rowe PriceRealEst Adv	Remove					
Tax Rates	TA IDEX 3rd Ave Val I	Remove All					
Propose Portfolio	TA IDEX AllBer Inti Val I TA IDEX AmCen Lg Co Val I						
Propose Portrollo Securities List	TA IDEX AIRCent LgCoVal A						
- Allocate	TA IDEX AmCent LgCoVal A LW						
Adocate Action Plan	TA IDEX AmCent LgCoVal B	1					
	TA IDEX AmCent LgCoVal C						
Report Settings	TA IDEX Asset Alloc Gr A	v	~				
				_			
			OK Cancel Help				
				63%	9.12%	6.66%	
		1	The second secon	10103%	9.12%	0.00%	
		1					
	Add Edit D	elete Impor	it				
					< <u>P</u> revious	<u>N</u> ext >	
				_			

- 2. In the Find field, type **PIMCO All Asset A**.
- 3. Click Add.
- 4. To add the next security, click in the Find field and type **T. Rowe Price U.S. Bnd Idx**.
- 5. Click **Add**. The Total holdings should be 2.
- 6. Click **OK** to allocate assets to the portfolio. The Asset Allocation dialog box appears.

- 7. In the \$Value cell for PIMCO All Asset A, type 10,000.
- 8. In the \$Value cell for T. Rowe Price U.S. Bnd Idx, type 10,000.

Solution of the cost basis for a holding.

- 9. In the Portfolio Name field, type Brokerage_Sarah.
- 10. Click the Owner drop-down field and select **Spouse**.
- 11. From the Type drop-down field, make sure Taxable is selected.

Asset Allocation					? 🛛	
Portfolio Name: Roth IRA_Sarah	Input by:		' <u>S</u> hares			
	-					
Holding name Total Allocation	Түре	\$ Value 20.000.00	# of Shares	Cost Basis	% of Assets 100.00	
PIMCO All Asset A	MF	10,000.00	755.29	0.00		
T. Rowe Price US Bnd Idx		10,000.00	956.02	0.00		
1. Howe have of billing	1YII	10,000.00	550.02	0.00	30.00	
						Assign an Owner and coloct
						Assign an Owner and select
						a portfolio Type before importing
						into the Current Portfolios page.
						into the Current Portionos page.
l						
Assign an owner and type:						
Assign an owner and type.						
Portfolio Name		Owner	Туре	•		
Brokerage_Sarah		Spouse	 Taxable 		-	
Equal Reset Add	Holding	Delete Holding	ОК	Cancel	Help	
			<u> </u>		<u></u>	

12. Click **OK**. The portfolio is added to Current Portfolios window.

Principia Asset Allocation / File Resources Help Ber Scenario Profile Basics Clent Information	Current Portfolios Asset allocation analysis	s for current portfol							3
Capital Mkt Assumptions Current Potitolios Dotimite Asset Allocation ⊕ Risk Tolerance – Constraints – Efficient Fontier – Current vs. Target ⊂ Forecast Wealth – Reitement	Vew All	Dorn Lr Dorn Lr Dorn M Dorn M Dorn Si Non-Do Develop	Grass Breakdown g Growth Stks 10.47 ja/alue Stks 10.57 ja/Zapo Stks 5.12 mall-Capo Stks 1.66 m Dew Stks 2.00 oing Mitts Stks 0.06 ⊬Grade Bonds 34.82	Dom Inf-Prot Bonds Non-Dom Bonds Cash Commodities REITs		1 			
Income Income Savings Withdrawals Tax Rates Forecast Propose Portolio Securities List Alocate Action Plan Report Settings	Portfolio Hame Retirement Brokerage_Sarah	Owner Client Spouse	Type Defined Contribution Taxable	Market Value			Dom Mid-Cap Stks 9.21% .01%		
	Aggregate Total	Edit	Delete Import	\$45.000.00	10.40%		5.12 %	• 1.63% ▶ <u>N</u> ext >	To edit a portfolio, highlight it, then click the Edit buttor

- A portfolio can be edited to update values, add/delete holdings, or to reassign an owner or portfolio type. Click the **Edit** button to make changes to a portfolio.
- 13. Click **Optimize Asset Allocation** from the left-hand navigation panel, or **Next** to proceed.

Optimizing the Asset Allocation

efficie	e Optimize Asset Allocation section, you will assign a target allocation on the ent frontier. The target allocation is the result of determining the client's risk type sset class constraints placed on the target allocation.	Overview
	Optimization process begins with a 7-question Risk Tolerance Questionnaire. The ionnaire measures time horizon, and both short-term and long-term risk.	Answering the Risk Tolerance Questionnaire
	S You can print a PDF version of the questionnaire for the client, if you wish.	
In thi	s exercise, you will assign a risk type for the client. Do the following:	Exercise 8
1.	In the Risk Tolerance Questionnaire page, select the second answer (from the top) for each question. Note that the first question's answer has already been automatically selected based on the information you entered on the Client Information page.	
	To generate a DDE version of the guestionnaire slick Desources Dick Telerance	

To generate a PDF version of the questionnaire, click Resources...Risk Tolerance Questionnaire on the toolbar. An electronic copy is created and can be printed and given to your client.

e Resources Help	Module - Smith Scenario3.xml	
Scenario Profile Basics	Optimize Asset Allocation: Risk Tolerance: Questionnaire The risk assessment questionnaire helps to determine the beat asset mix for an investment, based on the answers given to the questions below.	
Client Information Capital Mkt Assumptions	Time Horizon Your current situation and future income needs.	
Current Portfolios	Tour current situation and focure income needs.	
 Optimize Asset Allocation 	1. What is your current age?	
 Risk Tolerance Questionnaire 	C Less than 45	
Analysis	C 4510.55	
Constraints	C 56 to 65	
Efficient Frontier		
Current vs. Target	C 66 to 75	
- Forecast Wealth	C Older than 75	
Retirement		
+ Income	2. When do you expect to start drawing income?	
Savings	Not for at least 20 years	
Withdrawals ■	C in 10 to 20 years	
Tax Rates	C In 5 to 10 years	
Forecast	C. Not now, but within 5 years	
 Propose Portfolio Securities List 	C Immediately	
Allocate Action Plan	Long-Term Goals and Expectations	
Report Settings	Your views of how an investment should perform over the long term.	
mepoir serrings	rodi vievo di now an investment snoulo pendini over the long term.	
	3. What is your goal for this investment?	
	C To grow aggressively	
	 To grow significantly 	
	C. To grow moderately	
	C To grow with caution	
	To grow with cardion	
	< Previous	Next >

2. After answering the questions, click **Analysis** in the left-hand navigation panel, or **Next** in the bottom right corner of the screen to view the Risk Type assigned to the client.

questionnaire

Reviewing the analysis of the risk tolerance

On the Analysis page, a risk type is assigned, summarized in the Description field. You can override the Risk Type, if needed. Alternatively, you can click **Previous** to return to the risk questionnaire and have the client reconsider some of their answers in light of the risk type they were assigned to.

A Notes area is also available on the Analysis page for commenting on client meetings or reviews.

X Notes do not appear on the output report.

In this exercise, you'll override the default risk type. If you do not want to override the default risk type, click **Constraints**, or **Next** to proceed. Otherwise, do the following:

- 1. From the Analysis page, click the **Override** checkbox. The Risk Type field is enabled.
- 2. From the Risk Type drop-down, select **Moderate Growth**.

Ľ	A Notes section is provided if you want to summarize why you chose to overwrite the default
	risk type.

Principia Asset Allocation N	lodule - Smith Scenario3.xml		
File Resources Help			
	Optimite Constraint Scenario Scenario Optimite Asset Allocation: Rick Tolerance: Analysis The risk type and profile are based on the answers given to the questions in the risk questionnaire. File: Type Moderate Growth Income Conservative Growth Moderate Growth Aggressive Growth Growth Aggressive Growth Could fallwithin a relatively wide range of possibilities. In most circumstances, particularly for time periods greater than five years, these returns schould outpedrom the returns achievable from a more conservative approach. Hotes Type here to inicude clent notes. Notes do not appear on the output report.	Veriide	To override default risk type click the Override check bo Then, select a new risk type
Securities List Action Plan Report Settings		< Previous Next >	

3. Click **Constraints**, or **Next** to proceed to the Constraints page.

On the Constraints page, you can select the appropriate asset classes for the target portfolio. Additionally, you can assign minimum and maximum percentages to further customize the target allocation. A constrained portfolio provides a more realistic target allocation compared to an unconstrained portfolio. An unconstrained portfolio might not choose multiple asset classes or, may allocate a large percentage to one asset class.

In this exercise, you will enter constraints for the target allocation You will also save the constraints as a model. Do the following:

- 1. From the Constraints page, under the Include? column, click to deselect the following Asset Classes:
 - Domestic Inflation-Protected Bonds
 - Non-Domestic Bonds
 - · Commodities, and
 - REITS.

Principia Asset Allocation Me	odule - Smith Scenario.xml					
File Resources Help						
] □ 📽 🖬 💡						
🔻 🚞 Scenario Profile	Optimize Asset Allocation: Constraints Adjust the constraints to customize the efficient from	e 1.5				
Basics	A djust the constraints to customize the emicient from	ntier analysis.				
🔟 Client Information						
Capital Mkt Assumptions		:	Select Model Constrai	int:	•	
🔟 Current Portfolios	Asset Class	Minimum (%)	Maximum (%) In	clude?		
🔻 🚞 Optimize Asset Allocation	Domestic Large Growth Stocks	.00%	100.00%	V		
🔻 🚞 Risk Tolerance	Domestic Large Value Stocks	.00%	100.00%	V		
🔟 Questionnaire	Domestic Mid-Cap Stocks	.00%	100.00%	V		
🔟 Analysis	Domestic Small-Cap Stocks	.00%	100.00%	V		
Constraints	Non-Domestic Developed Stocks	.00%	100.00%	V		
Efficient Frontier	Developing Markets Stocks	.00%	100.00%	V		
🧰 Current vs. Target	Domestic Investment-Grade Bonds	.00%	100.00%	~		
🔻 🚞 Forecast Wealth	Domestic High-Yield Bonds	.00%	100.00%	V		
🔟 Retirement	Domestic Inflation-Protected Bonds	.00%	100.00%	V		
🔻 🚞 Income	Non-Domestic Bonds	.00%	100.00%	V		
🔟 Income	Cash	.00%	100.00%	~		<u> </u>
🔟 Social Security	Commodities	.00%	100.00%	V		
🔟 Savings	REITS	.00%	100.00%	V	-4	Deselect these
🔻 🚞 Withdrawals						check boxes.
🔟 Retirement Needs						CHECK DUKES.
Education						
🔟 Miscellaneous						
🔟 Tax Rates						
E Forecast						
🔻 🚞 Propose Portfolio						
III Allocate						
Action Plan						
🔟 Report Settings						
	Save Model				Develop Defector	
	Save Model				Reset to Defaults	
					< Previous Next >	
					< rievious Next >	
						3

Choosing asset classes and setting constraints for your target allocation

Exercise 10

2. To set the constraints for the remaining asset classes, type the minimum and maximum percentages you wish to allocate for each remaining asset classes:

Asset Class	Minimum	Maximum
Domestic Large Growth Stocks	10%	20%
Domestic Large Value Stocks	10%	20%
Domestic Mid-Cap Stocks	10%	30%
Domestic Small-Cap Stocks	10%	30%
Non-Domestic Developed Stocks	0%	20%
Developing Markets Stocks	0%	10%
Domestic Investment-Grade Bonds	20%	70%
Domestic High-Yield Bonds	20%	70%
Cash	5%	100%

3. To save constraints as a model, click **Save Model...** and type, **Moderate Growth Model.**

Asset Class	Minimum (%)	Maximum (%)	Include?
Domestic Large Growth Stocks	10.00%		
Domestic Large Value Stocks	10.00%	20.00%	~
Domestic Mid-Cap Stocks	10.00%	30.00%	
Domestic Sma⊩Cap Stocks	10.00%	30.00%	
Non-Domestic Developed Stocks	.00%	20.00%	
Developing Markets Stocks	.00%		
Domestic Investment, Crade Dende	20.00%		•
Domestic High Save Model Cons	straints	×	•
Domestic Infla			
	lerate Growth		
Cash			V
Commodities	OK	Cancel	
REITS			

To apply a saved model, click the Select Model Constraints dropdown and choose the model appropriate for the scenario.

ſ									
	Select Model Cons	traint:		-					
	Maximum (%)	Includ	Sample (Morningstar-defined) Growth Constraints (User-defined)						
0	100.00%	~	Growth Model (User-defined)	Ν					

4. Click Efficient Frontier, or Next to proceed.

The Efficient Frontier page displays the efficient frontier graph for the scenario. It uses the constrained asset classes you selected and set up, as well as the clients' Risk Type.

The efficient frontier is represented by the solid line on the graph. the clients' current portfolio(s) are represented by a circled dot beneath the Efficient Frontier.

Clicking anywhere on the solid line resets the asset allocation for the Target portfolio.Target allocations defined here can be saved as models and used in future scenarios.

In this exercise, you will assign a target asset allocation to the Smith Scenario. Do the **Exercise 11** following:

- Principia Asset Allocation Module Smith Scenario.xml 🗅 🚅 🖬 💡 Optimize Asset Allocation: Efficient Frontier 🔻 🚞 Scenario Profile 🔟 Basics Choose the target asset allocation by selecting the desired risk/return combination on the efficient frontier graph and clicking the Set Target button E Client Information 🔟 Capital Mkt Assumptions Select Model Allocation: • E Current Portfolios Asset Class Current Selected Target Expected Return Optimize Asset Allocation

 Ensk Tolerance

 Total Allocated Assets 100.00% 10.00% Dom Lra Growth Stks 19.32% 15.3 🔟 Questionnaire Dom Lrg Value Stks 15.63% 10.00% 🔟 Analysis 13.9 -Dom Mid-Cap Stks 3.07% 10.00% Constraints Note the location of the Dom Small-Cap Stks 5.68% 15.00% 12.4 Efficient Frontier Non-Dom Dev Stks 4.05% Current Portfolio on the .00% 11.0 -🔟 Current vs. Target Developing Mkts Stks Dom Inv-Grade Bonds 1.11% 10.00% 💼 Forecast Wealth Efficient Frontier graph. 36.94% 20.00% 9.5 🔟 Retirement Dom High-Yield Bonds 1 19% 20.00% 8.1 -🕨 🚞 Income Dom Inf-Prot Bonds 6.17% .00% 🖬 Savinos 6.6 -Non-Dom Bonds .07% .00% 🕨 🔛 Withdrawals Cash 4.00% 5.00% 5.2 🔟 Tax Rates Commodities 2.06% .00% Forecast 37 REITS 72% .00% 💼 Propose Portfolio Unidentified 2.3 -.00% .00% Allocate 5.0 10.0 15.0 20.0 25.0 30.0 35.0 Standard Deviation (Risk) 🔟 Report Settings Show Asset Classes Save Model... Find Point By: Return Perform ance Current Selected Target -Find Return 8 75% 10.22% 10.94% 13.79% Risk Yield 3.56% 3.80% Powered by Ibbotson Associates, a Morningstar company < Previous Next >
- 1. From the Efficient Frontier page, click anywhere on the **dark blue line** to select a Target Portfolio allocation.

2. Click the Set Target button to create the Target Allocation for the Smith Scenario.

To save this allocation for future scenarios, click the Save Model button. In future scenarios, click the Select Model Allocation dropdown from this page to retrieve a previously saved model.

3. Click Current vs. Target from the left-hand navigation panel, or click Next to proceed.

The Current vs. Target page is a graphic depiction comparing the Current and Target allocations. This page cannot be modified or interacted with, but it is included on the PDF output report.

Evaluating the Current vs. Target allocations

Principia Asset Allocation Module - Smith Scenario.xml File Resources Help 🗅 🚅 🖬 🤶 Optimize Asset Allocation: Current vs. Target Comparison of current and target asset allocation. 🖃 Scenario Profile Basics Client Information Asset Class Breakdown Current Capital Mkt Assumptions Dom High-Yield Bonds
 Dom Inf-Prot Bonds
 Non-Dom Bonds
 Cash
 Commodities
 REITs
 Unidentified Dom Lrg Growth Stks
 Dom Lrg Value Stks 10.40 10.57 8.29 2.24 Current Portfolios Optimize Asset Allocation 5.12 1.63 2.03 2.10 21.24 0.00 Dom Mid Cap Stks Risk Tolerance Dom Small-Cap Stks Non-Dom Dev Stks • Questionnaire • ... Analysis Developing Mkts Stks 0.06 0.41 Constraints Efficient Frontier Dom Inv-Grade Bonds 34.81 1.11 Statistics Current vs. Target Return 7.14 - Forecast Wealth Standard Deviation (Risk) 8.12 Betirement + Income Yield 4.08 Savinus ⊕ Withdrawals Target Asset Class Breakdown - Tax Rates Dom High-Yield Bonds
 Dom Inf-Prot Bonds
 Noro-Dom Bonds
 Cash
 Commodities
 REITs
 Unidentified Dom Lrg Growth Stks 10.00 20.00 Forecast Dom Erg Globert Stika
 Dom Lrg Value Stks
 Dom Mid-Cap Stks
 Dom Small-Cap Stks 19.52 10.00 10.00 0.00 0.00 Propose Portfolio Securities List 0.00 Allocate Non-Dom Dev Stks
 Developing Mkts Stks
 Dom Inv-Grade Bonds 0.00 • 0.00 Action Plan 10.00 20.48 Report Settings Statistics 10.49 Return Standard Deviation (Risk) 13.93 Yield 3.87 < Previous Next >

Click **Forecast Wealth** in the left-hand navigation panel, or **Next** to continue.

The Current portfolio is less heavily weighted to stocks than the Target portfolio.

Forecasting Wealth

Wealth forecasting takes	s into account the	e follow	ing assum	ptions:			Overview
 the client's target the value of their savings, and withdrawals. 							
The wealth forecast grap scenarios.	oh and table are g	jenerate	ed using N	Aonte Carlo	simulatio	n	
You will enter the retirer information is displayed	0		nd spouse	. Additional	ly, mortali	ty	Accounting for the client's retirement
In this exercise, you'll en retirement age defaults			0		•	ient's	Exercise 12
Spouse. Do not cha				Spouse 50			Change Expected
 Optimize Asset Allocation Risk Tolerance Constraints Efficient Frontier Current vs. Target 	Life Expectancy (Years)	90 Reset to D	Defaults	90			Retirement Age (Years) from 65 to 50.
Forecast Wealth Fetiment Fincome Income Social Security Sacial Security	Jerry Smith Sarah Smith	Year of Death 2062 2064	Chance of Surviving % 22.63 33.42	50% Chance of Living to Age 82 86	25% Chance of Living to Age 89 92	10% Chance of Living to Age 95 97	
 Unit indawals Tax Rates Forecast Propose Portfolio Securiries List Allocate Action Plan Report Sertings 							
					< Previou	s Next >	

2. Click **Income** from the left-hand navigation panel, or **Next**.

In this section, current income and expected income growth are entered. You need to specify if the income is generated by the client or spouse.

Note that the Income Growth Rate field here is calculated based on the Inflation Rate you entered on the Capital Markets Assumptions page, and the value you enter here for Income Growth Rate Above Inflation.

On the Social Security page, estimated social security benefits are entered.

In this exercise, enter current income for the client and spouse. You will also enter the age at which Social Security benefits will be collected. Do the following:

 From the Income page, click the Add button twice. Two lines should now appear in the income spreadsheet, reflecting two sources of income you will enter for the Smith Scenario.

Principia Asset Allocation Module - Smit e Resources Help	ii scenario. Anii							
Basics Regular income	alth: Income: Incom of client and spouse.		vth by defining Income Gr	rowth Rate above Inflat	ion.			
Client Information Capital Mkt Assumptions Current Portfolios Optimize Asset Allocation Begin Year	End Year	Begin Year Income Before Tax	Begin Year Income After Tax	Income Growth Rate Above Inflation	Inflation	income Growth Rate	Owner	
- Risk Tolerance				.00%	2.30%	.00%		•
Questionnaire				.00%	2.30%	.00%		
Forecast Weath Retirement Income Social Security Savings Withdrawals Tax Rates Forecast Propose Portfolio Securities List Adocate Action Plan Report Settings	Delete			1				
	Retirement Ye	ear Year of De	ath					
Client:	2037	2062						
Spouse:	2024	2064						
						< Previo	us Ne	

2. On the income spreadsheet, enter the following amounts for the client and spouse:

Begin Year	End Yea r	Begin Year Income Before Tax	Begin Year Income After Tax	Income Growth Rate Above Inflation	Owner
2007	2037	\$100,000.00	\$72,000	2.00%	Client
2007	2024	\$120,000.00	\$86,000	2.00%	Spouse

Segin Year should be the current year. End Year is the expected year of retirement.

3. Click Social Security from the left-hand navigation panel, or Next to proceed.

Defining income and Social Security

Exercise 13

- 4. In the Age to Collect (yrs) field for Spouse, type 62.
 - C The Default Age to Collect (yrs) is 65. This is an estimate and may not match client/spouse Social Security Statement.
- 5. Click the Calculate Default Benefit button.

Principia Asset Allocation M File Resources Help	Module - Smith Scenario	o3.xml		_ 🗆 🗙	
Current Portfile	Forecast Wealth: Income The estimated annual social s Age to Collect (Yfs) Amount to Collect (\$)	: Social Security exurity benefit based on the information provided fr Client 65 60.276	or income and age to collect. Spouse 62 41,448		
Risk Tolerance Constraints Constraints Current vs. Target Forecast Wealth Retirement Income Income		Calculate Default Benefit		nent.	Change this field to 62.
Social Security Social Security Withdravats Tax Rates Forecast Propose Portolio Securities List Allocate					
Action Plan Report Settings					
				< Previous Next >	

6. Click **Savings** from the left-hand navigation panel or **Next** to proceed to next page.

Entering a client's

savings

Exercise 14

On the Savings page, taxable and non-taxable savings for the clients and spouse are entered.

In this exercise, you will enter savings accounts for the client and spouse. Do the following:

1. On the Savings page, click the **Add** button three times, to create three lines of savings for the Smith Scenario.

Principia Asset Allocation Model	odule - Smith Scenario3.xm							3	
File Resources Help									
Scenario Profile Basics Ceient Information Gapial Mkt Assumptions Current Portfolios Optime Asset Allocation Risk Tolerance Current vs. Target Forecast Wealth Hetriment Income Social Security Savings Withdrawals Farecast Propose Portfolio Social Security Savings Withdrawals Farecast Propose Portfolio Securities List Allocate Actate Report Settings	Forecast Wealth: Savings Enter regular contributions to various a	0 wher	Portfolio	Begin Year	End Year	Value	Value based on	Click A three ti	
	Add Delete								
						< 1	Previous Next >		

2. Enter the following values for the client and spouse:

Description	Owner	Portfolio	Begin Year	End Year	Value	Value based on
401k_Jerry	Client	Defined Contribution	2007	2037	6,000.00	Current Dollars
Brokerage_Sarah	Spouse	Taxable	2007	2010	5,000.00	Current Dollars
401k_Sarah	Spouse	Defined Contribution	2007	2024	5,000.00	Current Dollars

3. Click Withdrawals from the left-hand navigation panel, or Next to proceed.

In the Withdrawals section, you can enter assumptions to cover the following:

- retirement
- education, and
- miscellaneous withdrawals.

In this exercise, you'll enter expected retirement income as withdrawals. Two stages of withdrawals will be entered: the client will withdraw 80% of his pre-retirement income for the first 14 years of his retirement. Subsequently, the client will withdraw 70% of his income for retirement.

Do the following:

1. From the Retirement Needs page, click the **Add** button twice.You should have two lines on the spreadsheet.

Principia Asset Allocation A	Aodule - Smith Sce	nario3.xml				
ile Resources Help						
C Cenario Profile	Forecast Wealth: W Enter retirement needs.	ithdrawals: Retirement	Needs			
Client Information Capital Mkt Assumptions	Begin Year	End Year	Retirement Need	Need Based On	Owner	
Current Portfolios						
 Optimize Asset Allocation 						
+ Risk Tolerance						
Constraints						
Efficient Frontier						
Current vs. Target						
- Forecast Wealth						
Retirement						
🖃 Income						
Income						
Social Security						
Savings						
 Withdrawals 						
Retirement Needs						
- Education Miscellaneous						
Miscellaneous Tax Rates						
Forecast						
Propose Portfolio						
Securities List						C
Allocate						b
Action Plan	Add .	Delete				D
Report Settings		Delete				
	Retirement Year-					
	Client:	2037				
	Spouse:	2024				
					< Previous N	lext >

2. Enter the following values in each line:

Begin Year	End Year	Retirement Need	Needs Based On	Owner
2037	2050	80.00	% of Income	Client
2051	2064	70.00	% of Income	Spouse

- In the example above, a Retirement Need of 80% of Income for retirement was entered. As the client ages, % of Income was reduced to 70%.
- 3. After entering the Retirement Needs, click **Education** from the left-hand navigation panel, or **Next** to proceed.

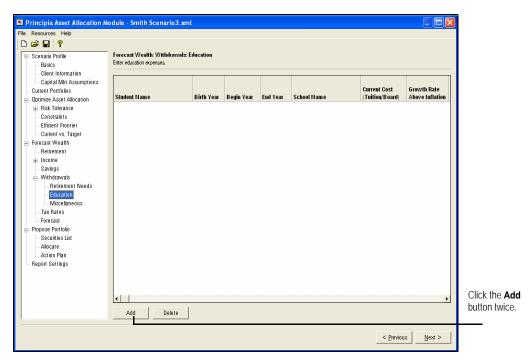
Entering the clients' withdrawals

Exercise 15

In this exercise, you'll enter expected education expenses using current tuition rates. When entering tuition costs, you can forecast the price of college to increase above the rate of inflation. The inflation rate you entered on the Capital Market Assumptions page is automatically entered here to help calculate the Tuition Growth Rate.

Do the following:

1. From the Education page, click the **Add** button twice. You should have two lines in the Education spreadsheet.



2. For each student, enter the following expected education expenses:

Student Name	Birth Year	Begin Year	End Yea r	School Name	Current Cost (Tuition/ Board)	Growth Rate Above Inflation
Jill	2000	2018	2022	State U	22,000.00	3.00%
John	2002	2020	2024	State U	22,000.00	3.00%

Editing Growth Rate Above Inflation automatically calculates the assumption for Tuition Growth Rate.

3. After entering the Education expenses, click **Tax Rates** from the left-hand navigation panel, or **Next** twice to proceed. We will not enter anything on the Miscellaneous page.

Exercise 16

On the Tax Rates page, current and expected tax rates are entered. Taxes are considered only if a taxable security is sold.

Figuring the clients' Tax Rates

In this exercise, you will enter the current and expected tax rates. Do the following:

1. From the Tax Rates page, click the **Add** button twice. You should have two lines in the Tax Rates page.

Principia Asset Allocation Me	odule - Smith Scenario3.x	nl					
File Resources Help							
Cenario Profile	Forecast Wealth: Withdrawals Enter education expenses.	Education					
Client Information Capital Mkt Assumptions Current Portfolios Optimize Asset Allocation	Student Name	Birth Year	Begin Year	End Year	School Name	Current Cost (Tuition/Board)	Growth Rate Above Inflation
 Risk Tolerance Constraints Efficient Frontier Current vs. Target 							
 Forecast Wealth Retirement Income 							
Savings = Withdrawals							
- Retirement Needs - Education Miscellaneous							
Tax Rates Forecast							
 Propose Portfolio Securities List 							
Allocate Action Plan Report Settings							
	•	-1					F
	Add Delete						
						< <u>P</u> reviou	s <u>N</u> ext >

2. Enter the following values:

Begin Year	End Year	Federal Income Tax*	Income Tax on Equity Yield	Federal Capital Gains Tax	State Income Tax	State Capital Gains Tax
2007	2037	28.00%	15.00%	15.00%	3.00%	3.00%
2038	2064	20.00%	10.00%	10.00%	3.00%	3.00%

In the second line of the spreadsheet, tax assumptions were reduced beginning in 2038, reflecting a lower tax rate during retirement.

3. After you have entered Tax Rates, click **Forecast** from the left-hand navigation panel or **Next** to proceed.

The Forecast page runs 1,000 separate simulations for each asset class in the target portfolio. The asset class value-weighted returns are calculated for taxable and tax-deferred accounts for the current portfolios entered in the scenario. The returns are then sorted and ranked by probability percentile (95th Percentile, Expected Value, and 5th Percentile) on the wealth table. They are also displayed on the Wealth Forecast graph.

The Wealth Table displays annualized returns for the following periods:

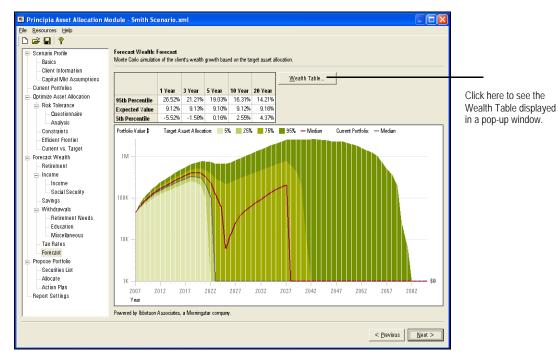
- 1 Year
- 3 Year
- 5 Year
- 10 Year, and
- 20 Year.

In this exercise, you'll view the Wealth Forecast graph and generate the Wealth Forecast table. Do the following:

Exercise 18

Forecast

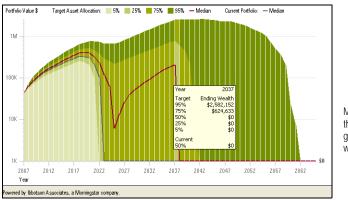
1. The Wealth Forecast graph should be showing on the screen. If not, click **Forecast** from the left-hand navigation panel.



The Wealth Forecast graph contains four shades of green. These represent the different chances (5%, 25%, 75% and 95%) of having a certain amount of wealth at a given time. The lightest shade of green is the most conservative expectation, and the darkest green is the most optimistic possible outcome.

You can also see two lines on the graph. The red line represents the median value of the portfolio using the proposed asset allocation. The blue line is the median value of the portfolio with the client's existing asset allocation.

Place your mouse over any point on the bar graph. A pop-up appears, displaying the ending wealth value and the probability percentile of achieving that value for the given year.



Moving your mouse over the Wealth Forecast graph gives you a pop-up window for that year.

3. To view the Wealth Forecast table, click the **Wealth Table** button.

	Beginning Balance	Additions	Withdrawals	Investment Gains/Losses	Ending Balance
2007	\$45,000.00	\$17,000.00	\$0.00	\$3,912.68	\$65,912.68
2008	\$65,912.68	\$17,391.00	\$0.00	\$5,922.75	\$89,226.43
2009	\$89,226.43	\$17,790.99	\$0.00	\$8,349.40	\$115,366.82
2010	\$115,366.82	\$18,200.19	\$0.00	\$10,144.93	\$143,711.94
2011	\$143,711.94	\$13,142.68	\$0.00	\$13,462.33	\$170,316.95
2012	\$170,316.95	\$13,444.96	\$0.00	\$15,449.55	\$199,211.45
2013	\$199,211.45	\$13,754.19	\$0.00	\$18,365.93	\$231,331.58
2014	\$231,331.58	\$14,070.54	\$0.00	\$22,685.97	\$268,088.08
2015	\$268,088.08	\$14,394.16	\$0.00	\$24,193.27	\$306,675.51
2016	\$306,675.51	\$14,725.23	\$0.00	\$28,067.69	\$349,468.43
2017	\$349,468.43	\$15,063.91	\$0.00	\$35,469.75	\$400,002.08
2018	\$400,002.08	\$15,410.38	\$39,107.87	\$27,987.68	\$404,292.26
2019	\$404,292.26	\$15,764.81	\$41,207.57	\$30,456.97	\$409,306.48
2020	\$409,306.48	\$16,127.40	\$86,840.00	(\$8,766.02)	\$329,827.86
2021	\$329,827.86	\$16,498.34	\$91,502.44	(\$21,292.89)	\$233,530.86
2022	\$233,530.86	\$16,877.80	\$96,415.21	(\$35,881.38)	\$118,112.07
2023	\$118,112.07	\$17,265.99	\$50,795.87	(\$20,224.55)	\$64,357.63
2024	\$64 357 63	\$17,663,10	\$53 523 10	(\$22 387 63)	\$6 110.01

Assumptions can be displayed as Current Dollars or as Future Dollars.

4. After viewing the Wealth Table, click **OK** to return to the Wealth Forecast graph. In this scenario the Median value of the proposed asset allocation - in conjunction with the client's current portfolio value, and savings rate - will most likely not be enough to last the client through his retirement. Before proposing a portfolio based on the asset allocation, we should be able to demonstrate that the asset allocation we are proposing will actually work. Let's return to some previous inputs to update them and see how that affects the Wealth Forecast graph.

Modifying the Client Scenario

In this section, you'll see a couple of changes that can be made to a client's scenario, **Overview** to help them meet their goals.

With the current inputs, the Smith family will likely run out of money around the time Jerry retires in 2037.

To give the Smith family a better chance at making their money last, we'll adjust Sarah's retirement age, and also increase their savings rate. Once that is done, you can generate the Wealth Forecast again, and note the impact of the changes.

To enter the changes for the scenario, do the following:

- 1. In the left-hand navigation panel, click **Retirement**.
- 2. In the Spouse field, type 55.(We'll delay Sarah's retirement by just five years.)

Entering the changes for the scenario

Why changes need to be

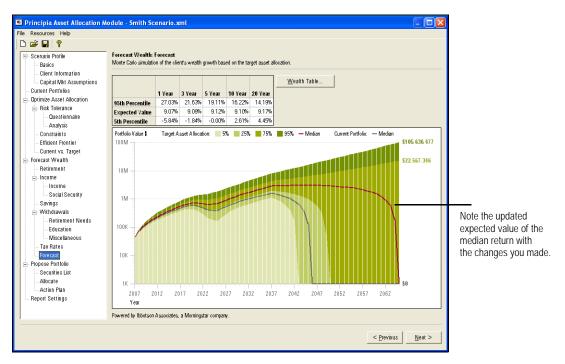
made to the scenario

Eile Resources Help							
- Scenario Profile Basics	Forecast Wealth: Retirement Estimate retirement age and life expectance	ү .					
Client Information Capital Mkt Assumptions Current Portfolios Optimize Asset Allocation Risk Tolerance Questionnaire Analysis	Expected Retirement Age (Years) Life Expectancy (Years)	Client 65 90 Reset to D	efaults	Spouse 55 90	-		Make the change to the Retirement Age her
Constraints Efficient Frontier Current vs. Target Forecast Wealth	Mortality Information	Year of Death	Chance of Surviving %	50% Chance of Living to Age	25% Chance of Living to Age	10% Chance of Living to Age	
	Jerry Smith Sarah Smith	2062 2064	22.63 33.42	82 86	89 92	95 97	
Savings Bwithdrawals Betrement Needs Betrement							
Report Settings					< <u>P</u> reviou	s <u>N</u> ext >	

- 3. In the left-hand navigation panel, click **Savings**.
- 4. Make the changes reflected in the table below.

Description	Owner	Portfolio	Begin Year	End Year	Value	Value based on
401k_Jerry	Client	Defined Contribution	2007	2037	10.00	% of Pre-Tax Income
Brokerage_Sarah	Spouse	Taxable	2007	2010	5,000.00	Current Dollars
401k_Sarah	Spouse	Defined Contribution	2007	2029	10.00	% of Pre-Tax Income

5. In the left-hand navigation panel, click Forecast.



With the revised scenario, the median return for the client now seems as if they will have enough money to live on in retirement. Also, the impact of Jill and John Smith going to college will not be nearly as dramatic as it was under the original plan.

6. From the left-hand navigation panel, click Propose Portfolio, or click Next to proceed.

Proposing a Portfolio

meet the clients can search for s	e optimized an a s' needs, you ca securities and ac portfolio and re	n propos 1d them	ie a po to a cu	rtfolio k urrent p	based portfol	on the	e targe	t allocatio	on. You	Overview
🗷 Model	portfolios can be s	aved and	applied	to other	scenar	ios you	create.			
	for Securities sc portfolio holding		u can d	create a	an inv	estme	nt list	to enhan	ce the	Using the Search for Securities screen
In this exercise following:	, you will find se	curities,	then b	ouild a p	propos	sed po	rtfolio	. Do the		Exercise 19
	earch for Securitie	h Scenario 3.xr erse: Mutual Fund Ticker FMEX FMEX FMEX FMLSX AAGSX Ticker	nl	© Begins V Dom Lrg Growth Sits 00% 00% 00% 00% 00% 00% 00%	Vith C Con Value Stks 2007 70.46% 30.00% 0.00% 0.00%	Dom Mid-Cap Stis 6 .00% 6 .00% 6 .00% 6 .00% 6 .00% 7 .00%	Dom Small-Cap Stks 5 .00% 5 .00% 5 .00% 5 .00%	24.34% .00% .00%		In the Find field, type the name of a security you want to include in the proposed portfolio.

3. Type T. Rowe Price Sm Stk.

4. Click Go. All share classes of the fund appear.

Field: Name 🔽 Universi Find: T. Rowe Price Sm Stk	e. JAII	<u> </u>	te Begins vo		ains 🔿 Equ		id Investment Go		
Name	Ticker	Security Type	Dom Lrg Growth Stks	Dom Lrg Value Stks	Dom Mid-Cap Stks	Dom Small-Cap Stks	Non-Dom Dev Stks	Deve Mkt:	Click Go to find a share classes of security.
T. Rowe Price Sm Stk	OTCEX	MF	0.00%	0.00%	22.06%	68.95%	1.47%		
T. Rowe Price Sm Stk Adv	PASSX	MF	0.00%	0.00%	22.06%	68.95%	1.47%		
. Howe Price Sill Stk Adv	PASSX	IME	0.00%	0.00%	22.08%	08.95%	1.47%		
•									

- 5. Select the **Adv** share class.
- 6. Click Add. The security is included in the Investment List for the proposed portfolio.

Name	Ticker	Security Type	Dom Lrg Growth Stks	Dom Lrg Value Stks	Dom Mid-Cap Stks	Dom Small-Cap Stks	Non-Dom Dev Stks	Deve Mkt:
T. Rowe Price Sm Stk	OTCFX	MF	0.00%	0.00%	22.06%	68.95%	1.47%	
✓ ☐	Ticker	Security Type	Dom Lrg Growth Stks	Dom Lrg Value Stks	Dom Mid-Cap Stks	Add Dom Small-Cap Stks	Add /	D
Name	Ticker	Security Type MF	-	2	Mid-Cap	Add Dom Small-Cap	Add / Non-Dom Dev Stks	
Name Amer Funds Bond Fund A		Туре	Growth Stks	Value Stks 0.00%	Mid-Cap Stks 0.00%	Add Dom Small-Cap Stks	Add / Non-Dom Dev Stks 0.17%	D
Name Amer Funds Bond Fund A Gabelli ABC	ABNDX	Type MF	Growth Stks 0.00%	Value Stks	Mid-Cap Stks 0.00%	Add Dom Small-Cap Stks 0.05%	Add / Non-Dom Dev Stks 0.17% 17.96%	D
Name Mame Amer Funds Bond Fund A Gabelli ABC General Electric	ABNDX GABCX	Type MF MF	Growth Stks 0.00% 10.91%	Value Stks 0.00% 3.58%	Mid-Cap Stks 0.00% 24.57%	Dom Small-Cap Stks 0.05% 14.38%	Add / Non-Dom Dev Stks 0.17% 17.96%	D
Pesults: 1	ABNDX GABCX GE	Type MF MF Stk	Growth Stks 0.00% 10.91% 0.00%	Value Stks 0.00% 3.58% 100.00%	Mid-Cap Stks 0.00% 24.57% 0.00%	Add Dom Small-Cap Stks 0.05% 14.38% 0.00%	Add / Non-Dom Dev Stks 0.17% 17.96% 0.00% 0.03%	D

Security has been added to the investment list.

- 7. Repeat steps 2 through 4 for the following securities:
 - Amer Funds Bond Fund A
 - T. Rowe Price Balanced, and
 - General Electric.

K To find General Electric, you will need to select Stocks from the Universe field.

8. After adding the securities, click **OK**.

The Allocate page displays both the securities selected in the investment list and holdings from the current portfolio. You can manually allocate the proposed portfolio, or use the Auto Allocate button to find the most appropriate securities mix for the proposed portfolio.

In this exercise, you will create a proposed portfolio based on the target allocation you assigned on the Efficient Frontier page. Do the following:

1. On the Allocate page, click the **Auto Allocate** button. Using the investment list, the Auto Allocate feature selects securities with the lowest tracking error.

) 😅 🖬 🤋 - Scenario Profile Basics	Propose Portfolio: Allocate Allocate the available capital to the sec	urities selected on the	e previous page.					
Client Information	Risk Type: Moderate Growth			Select Mo	del Portfolio:			-
Current Pontfolios - Optimize Asset Allocation B Risk Tolerance - Constraints - Efficient Frontier - Current vs. Target - Forecast Wealth - Retriement	Current Target	U	Assets Domestic Large Domestic Large Domestic Mid-C Domestic Small Non-Domestic D Developing Mar Domestic Inve	Value Stocks ap Stocks Cap Stocks Developed Stocks kets Stocks stment-Grade B	Current % T 10.76 13.62 0.00 0.29 0.48 1.59 44.56	arget % Pro 10.00 20.00 10.00 10.00 N/A 10.00 20.00	0.00 0.00 0.00 0.00 0.00 0.00 0.00	+ /- % -10.00 -20.00 -10.00 N/A -10.00 -20.00
 Income Savings Withdrawals Tax Bates 	Name	Amount \$	Weight	Minimum \$	Maximum \$	Dom Lrg Growth Stks	Dom Lrg Value Stks	Dom Mid-Cap Stks
Forecast	To Be Allocated	\$45,000.00	100.00%					
- Propose Portfolio	Total Allocated Assets	\$0.00	.00%			.00%	.00%	.0
Allocate	Amer Funds Bond Fund A	\$0.00	.00%	\$0.00	\$45,000.00	.00%	1.53%	.0
Action Plan	Gabelli ABC	\$0.00	.00%	\$0.00	\$45,000.00	.00%	11.47%	.0
Report Settings	General Electric	\$0.00	.00%	\$0.00	\$45,000.00	66.99%	27.41%	.0
	PIMCO All Asset A	\$0.00	.00%	\$0.00	\$45,000.00	.00%	6.87%	.0
	T. Rowe Price Balanced	\$0.00	.00%	\$0.00	\$45,000.00	16.94%	30.45%	.0
	T. Rowe Price Sm Stk Adv	\$0.00	.00%	\$0.00	\$45,000.00	.00%	3.45%	15.5
	T. Rowe Price US Bnd Idx	\$0.00	.00%	\$0.00	\$45,000.00	.00%	.22%	
	Vanguard 500 Index	\$0.00	.00%	\$0.00	\$45,000.00	48.42%	48.27%	.0
	Vanguard Em Mkt Idx	\$0.00	.00%	\$0.00	\$45,000.00	.00%	.00%	.0
	Vanguard Global Equity	\$0.00	.00%	\$0.00	\$45,000.00	.00%	36.37%	.0
	·		~~~		A /F 000 00))
	Add Delete Save A	is Model	Tracking	Error	Alp	ha Auto	Allocate	Recet

2. If you want to maximize alpha, move the Auto Allocate slider to the right.

Current Target	Proposed	Assets		Current % T	arget % Pro	nosed %	+/-%
		Domestic Large	Growth Stocks	10.76	10.00	13.33	3.33
		Domestic Large	Value Stocks	13.62	20.00	15.53	-4.47
		Domestic Mid-C	ap Stocks	0.00	10.00	3.55	-6.45
		Domestic Small		0.29	10.00	16.54	6.54
			eveloped Stocks)	0.48	N/A	2.18	N/A
	•	Developing Mar		1.59	10.00	8.37	-1.63
	-	To Be Allocat	stment-Grade B ed	44.56	20.00	21.49 0.00	1.49
					Dom Lrg	[Dom
					Growth	Dom Lrg	Mid-Cap
Name	Amount \$	Weight	Minimum \$	Maximum \$	Stks	Value Stks	Stks
To Be Allocated	\$0.00	.00%					
Total Allocated Assets	\$45,000.00	100.00%			13.33%	15.53%	3.5
Amer Funds Bond Fund A	\$17,346.16	38.55%	\$0.00	\$45,000.00	.00%	1.53%	.0
Gabelli ABC	\$0.00	.00%	\$0.00	\$45,000.00	.00%	11.47%	.0
	\$0.00	.00%	\$0.00	\$45,000.00	66.99%	27.41%	.0
General Electric							
General Electric PIMCO All Asset A	\$0.00	.00%	\$0.00	\$45,000.00	.00%	6.87%	.0
			\$0.00 \$0.00	\$45,000.00 \$45,000.00		6.87%	0. 0.
PIMCO All Asset A T. Rowe Price Balanced	\$0.00	.00%			16.94%		
PIMCO All Asset A	\$0.00 \$0.00	.00%	\$0.00	\$45,000.00	16.94% .00%	30.45% 3.45%	.0
PIMCO All Asset A T. Rowe Price Balanced T. Rowe Price Sm Stk Adv T. Rowe Price US Bnd Idx	\$0.00 \$0.00 \$10,291.33 \$0.00	.00% .00% 22.87%	\$0.00 \$0.00 \$0.00	\$45,000.00 \$45,000.00 \$45,000.00	16.94% .00% .00%	30.45% 3.45% .22%	.0 15.5 .0
PIMCO All Asset A T. Rowe Price Balanced T. Rowe Price Sm Stk Adv T. Rowe Price US Bnd Idx /anguard 500 Index	\$0.00 \$0.00 \$10,291.33 \$0.00 \$12,391.47	.00% .00% 22.87% .00% 27.54%	\$0.00 \$0.00 \$0.00 \$0.00	\$45,000.00 \$45,000.00 \$45,000.00 \$45,000.00	16.94% .00% .00% 48.42%	30.45% 3.45% .22% 48.27%	.0 15.5 .0
PIMCO All Asset A T. Rowe Price Balanced T. Rowe Price Sm Stk Adv	\$0.00 \$0.00 \$10,291.33 \$0.00	.00% .00% 22.87% .00%	\$0.00 \$0.00 \$0.00	\$45,000.00 \$45,000.00 \$45,000.00	16.94% .00% .00% 48.42% .00%	30.45% 3.45% .22%	.0 15.5 .0

Note: Maximizing Alpha pushes the proposed portfolio's allocation further away from the Target Allocation.

3. The proposed portfolio has now been allocated. Turn to Exercise 23 on page 40 to see the Action Plan and Generate Reports pages.

Allocating the proposed portfolio

Exercise 20

You can manually enter a proposed portfolio by typing the Amount \$ or Weight% for the selected securities in the proposed portfolio. The Under/Over% helps you monitor the Target and Proposed portfolios allocations.

Alternatively, you can click the **Auto Allocate** button.

Creating a Model Portfolio

Using a model portfolio allows you to replace an existing portfolio with a model **Overview** allocation. Model Portfolios are assigned one of the five risk types. These are the same risk types used in the Risk Analysis section of the Asset Allocation work flow. If you plan to use a model portfolio, note that you will have access only to those models that match the Risk Analysis type for the client. That is, you cannot choose an Aggressive model portfolio for a Conservative client. To use a model portfolio, you'll need to do the following: · Create a securities list for the model portfolios, or load a saved securities list Assign a risk type to the model portfolio, and • Assign the model portfolio to the client. When creating a model portfolio, you may want to first create an investment list. The Saving Investment List list can be saved and used as a model portfolio. To create an investment list, do the following: 1. From the Allocate page click **Add**. The Search for Securities screen appears. 2. At the bottom of the Search for Securities screen, click **Remove All.** This removes securities from the investment list.

> move from an nt List.

Name	Ticker	Security Type	Dom Lrg Growth Stks	Dom Lrg Value Stks	Dom Mid-Cap Stks	Dom Small-Cap Stks	Non-Dom Dev Stks	Deve Mkt:	
									Click to
•								Þ	securitie Investme
Selected: O				Save Inves	tment List	Remove	Remov	ve All -	

- 3. At the top of the screen, in the Find field, type the **name** of the security you want to add to your list. Use the following securities:
 - Amer Funds Bond Fund A
 - Columbia Grt Ch B
 - T. Rowe Price Balanced, and
 - Vanguard Em Mkt Idx.

Science Click the Field drop-down to switch between finding securities by Name or Ticker.

		Security	Dom Lrg Growth	Dom Lrg	Dom Mid-Cap	Dom Small-Cap	Non-Dom	Deve
Name	Ticker	Туре	Stks		Stks	Stks	Dev Stks	Mkt:
r. Rowe Price Balanced	RPBAX	MF	20.71%	20.18%	3.33%	0.04%	17.41%	
< }esults: 1						Add	Add	► All
		Security	Dom Lrg Growth	Dom Lrg	Dom Mid-Cap	Add Dom Small-Cap	Add .	Deve
Name	Ticker	Туре	Growth Stks	Value Stks	Mid-Cap Stks	Dom Small-Cap Stks	Non-Dom Dev Stks	
Name Amer Funds Bond Fund A	ABNDX	Type MF	Growth Stks 0.00%	Value Stks 0.00%	Mid-Cap Stks 0.00%	Dom Small-Cap Stks 0.05%	Non-Dom Dev Stks 0.17%	Deve
Name Amer Funds Bond Fund A Columbia Grt Ch B	ABNDX NGCBX	Type MF MF	Growth Stks 0.00% 0.00%	Value Stks 0.00% 0.00%	Mid-Cap Stks 0.00% 0.00%	Dom Small-Cap Stks 0.05% 0.00%	Hon-Dom Dev Stks 0.17% 74.00%	Deve
Name Amer Funds Bond Fund A	ABNDX	Type MF	Growth Stks 0.00%	Value Stks 0.00%	Mid-Cap Stks 0.00%	Dom Small-Cap Stks 0.05%	Non-Dom Dev Stks 0.17%	Deve

- 4. Highlight a security, then click the **Add** button. The security is included in the Investment list at the bottom of the screen.
- 5. Repeat steps 3-4 until you have entered all of the securities for your list. After you've found the securities, click **Save Investment List** at the bottom of the screen.
- 6. In the File Name field, type **Moderate Model** and then click **Save**. The file has been saved.

Select Investment List		? 🗙	
Save in: 🗀 investlist	💌 🕂 🛍 I	•	
Lists Asset Class Proxie List.xml BlackRock.xml BlackRockEquity2.xml BlackRockEquity.xml Cash.xml	DemoList ALL.xml DemoList.xml DemoListAdd.xml Favorites 2.xml Favorites List.xml Favorites list.xml	Fixec inv lis Inves Inves Inves Inves	
File name: Moderate Model		Save -	Click here after entering a name for the list.
Save as type: Investment List File (*.xml)	Cancel	

Solver To load the list for a future scenario, click the **Load Investment List** button at the top of the screen.

Exercise 21

After you have saved an investment list, you can allocate assets to is and save it as a model portfolio.

Creating a model portfolio from an investment list

In this exercise, you will create a model portfolio using the saved securities in the Moderate Model portfolio Investment List. Do the following:

- 1. From the menu bar, select File... New.
- 2. If prompted to Save Changes, click Yes
- 3. If prompted to save the scenario, type **Smith Scenario** and click **Save**.
- 4. In the left hand navigation pain, click Allocate.
- 5. From the Allocate page, click the **Add** button.
- 6. Click Load Investment List.
- 7. Select Moderate Model, then click Open.



Select the investment list you want, then click Open.

- 8. Click **OK**. The Allocate page appears.
- 9. In the Allocation page spreadsheet, enter the allocations in the table below.

Name	Allocation Percent
Amer Funds Bond Fund A	30%
Columbia Grt Ch B	40%
T. Rowe Price Balanced	20%
Vanguard Em Mkt Idx	10%

10. Click Save As Model.

Name	Amount \$	Weight	Minimum \$	Maximum \$	Dom Lrg Growth Stks	Dom Lrg Value Stks	Dom Mid-Cap Stks
To Be Allocated	\$0.00	.00%					
Total Allocated Assets	\$45,000.00	100.00%			3.39%	6.55%	.63%
Amer Funds Bond Fund A	\$13,500.00	30.00%	\$0.00	\$45,000.00	.00%	1.53%	.00%
Columbia Grt Ch B	\$18,000.00	40.00%	\$0.00	\$45,000.00	.00%	.00%	1.56%
T. Rowe Price Balanced	\$9,000.00	20.00%	\$0.00	\$45,000.00	16.94%	30.45%	.00%
Vanguard Em Mkt Idx	\$4,500.00	10.00%	\$0.00	\$45,000.00	.00%	.00%	.00%
•							•
Add Delete Save A	s Model.	Tracking	Error	Alp	ha Auto	Allocate	Reset

- 11. In the Save As Model dialog, type Moderate Model Portfolio.
- 12. From the Risk Type dropdown, select **Moderate Growth**. The Moderate Model Portfolio can be used for any scenario with a Moderate Growth target allocation.
 - Target allocations for scenarios are assigned in the Optimize Asset Allocation-Analysis section of the Scenario work flow.

Save As Mo	del 🔀
Name:	Moderate Model Portfolio
Risk Type:	Moderate Growth -
	OK Cancel

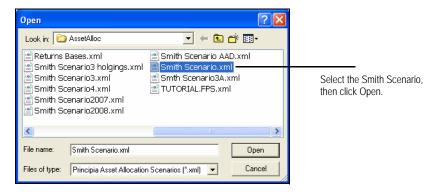
Model portfolios can be assigned to a proposed portfolio. In the exercise above, the assigned Risk Type was Moderate Growth. The model can then be assigned to any scenario with a Moderate Growth Risk Type.

Using a model portfolio for a proposal

Exercise 22

In this exercise, you will add a model portfolio to an existing scenario.

- 1. From the menu bar, select **File**... **Open**.
- 2. Select the Smith Scenario, then click Open.



- 3. In the left-hand navigation panel, click **Allocate** under Propose Portfolio.
- 4. From the Select Model Portfolio dropdown, choose Moderate Model Portfolio.

Risk Type:	Moderate Growth			Select Mo	del Portfolio: M	oderate Mode	I Portfolio	•	
					As	set Class Prox	ie Moderate		From the Select Model Portfolio
Current	Target	Proposed	Assets		Current % As				
			Domestic Large			oderate Mode			drop-down field, choose the
			Domestic Large		13.62	20.00		-13.45	
	=		Domestic Mid C		0.00	10.00	0.63	-9.37	appropriate model portfolio.
			Domestic Small Non-Domestic D		0.29	10.00 N/A	1.36 3.27	-8.64 N/A	
			 Non-Domestic L Developing Mar 		0.48	N/A 10.00	47.96	37.96	
				stment-Grade B	44.56	20.00	23.38	3.38	
			To Be Allocat		44.50	20.00	0.00	J.JU	
						Dom Lrg Growth	Dom Lra	Dom Mid-Cap	
Name		Amount \$	Weight	Minimum \$	Maximum \$	Stks	Value Stks	Stks	
	To Be Allocated	\$0.00	.00%						
Tot	tal Allocated Assets	\$45,000.00	100.00%			3.39%	6.55%	.63%	
Amer Funds I	Bond Fund A	\$13,500.00	30.00%	\$0.00	\$45,000.00	.00%	1.53%	.00%	
Columbia Grt	t Ch B	\$18,000.00	40.00%	\$0.00	\$45,000.00	.00%	.00%	1.56%	In the Weight column, the
T. Rowe Price	e Balanced	\$9,000.00	20.00%	\$0.00	\$45,000.00	16.94%	30.45%	.00%	
Vanguard Err	n Mkt Idx	\$4,500.00	10.00%	\$0.00	\$45,000.00	.00%	.00%	.00%	Model Allocation percentages
									can be adjusted, if necessary.
4								•	
Add	Delete Save A	s Model	Tracking	Error	Alp	ha Auto	Allocate	Reset	
						<	Previous	Next >	

Click the **Add** button if you wish to add additional securities to the model.

5. The Moderate Model Portfolio has been added to the Proposed portfolio. In this example, the client's original portfolio was replaced by the model portfolio. Click **Next** to proceed to the Action Plan page.

The Action Plan displays what items need to be bought or sold to achieve the proposed portfolio. You can also export the proposed portfolio from Asset Allocation into Principia as an unscheduled portfolio.

In this exercise, you will export the proposed portfolio into Principia's Advisor Palette.

1. From the **Action Plan** page, click **Export to Principia**. The Client Information dialog box appears.

Capital Mix Assumptions Current Portolos Investment Ticker Current USDS Proposed USD Action Action Action Action Action Action Action Proposed Current Portolos GABCX \$5,000.00 1.11% \$0.00 .00% Sel \$5,000.00 1.00% Proposed Current Visit GABCX \$5,000.00 1.11% \$0.00 .00% Sel \$5,000.00 1.00% Proposed Capital Mix Assumptions Capital Mix Assumptions GABCX \$5,000.00 2.00% Sel \$5,000.00 1.00% Proposed Capital Mix Assumptions Capital Mix Assumptions Action Action Macrin Mix Mix Mix Proposed Capital Mix Assumptions Capital Mix Assumptions Sel \$5,000.00 1.00% Proposed Capital Mix Assumptions Free Casit Mealth Proposed Popose Policio \$10,000.00 22.2% \$0.00 .00% Proposed Mix Assumptions Propose Mix Assumptions PASAX \$10,000.00 22.2% \$0.00 .00% Propose Mix Assumptions Propose Mix Assumptions Propose Mix Assumptions \$10,000.00 22.0% Propose Mix Assumptions Propose Mix Assumptions Paston Pain Paston \$10,000.00 22.0% Propose Mix Assumptions Paston Pain	- Client Information		on by baying and	d selling specific secu	irities.						
Optimize Asset Allocation Gabelia BC Gabex \$5,000.00 11.11% \$0.00 00% (set) \$5,000.00 11.00% Risk Tolerance Risk Tolerance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reverance Reveranceverance Reverance Reverance	Capital Mkt Assumptions	Investment	Ticker	Current USD\$				Action			
Bit Noterance T. Rowe Price Balanced PEBAX \$0.00 00% \$9,000.00 20.00% Buy \$9,000.00 20.00% Analysis Anartynia Emoterationaire Anertynia Emoterationaire Anartynia Emoterationaire Anartynia Emoterationaire \$13,500.00 30.00% Buy \$13,500.00 30.00% Constraints Vanguard Em Mit Ida VEIX \$0.00 .00% \$13,500.00 10.00% Efficient Frontier Countaid S01.01e/s VEIX \$0.00 .00% \$13,800.00 22.00% Current vs. Target T. Rowe Price US Bit Idx PBDIX \$10,000.00 22.22% \$0.00 .00% \$18,800.00 40.00% Pincome Samings Ventrationaire \$10,000.00 22.22% \$0.00 .00% \$10,000.00 22.00% Pincome Samings Paskax \$10,000.00 22.22% \$0.00 .00% \$13,000.00 22.00% Withdravals Tax Rates Forecast Phocase \$10,000.00 22.22% \$0.00 .00% Click here to duplicat	Optimize Asset Allocation										
Amer Amer Funds Stong S	🖶 Risk Tolerance										
Analysis Vanguard Em Miki Idix VEIEX \$0.00 0.00% 8uy \$4,500.00 10.00% 8uy \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00 22,00% \$10,000.00	Questionnaire										
Constraints Vanguard 500 Index VFINX \$10,000,00 22.22% \$0.00 .00% Seil \$10,000,00 22.00% Efficient Frontier Current vs. Target Current vs. Target Forecast Weath Inowe Price US Brid Idx PEDIX \$20,000,00 44.00% \$10,000,00 40.00% Seil \$10,000,00 40.00% Retirement FINCC All Asset A PASAX \$10,000,00 22.22% \$0.00 .00% Seil \$10,000,00 22.00% #: Income Savings Finecast PASAX \$10,000,00 22.22% \$0.00 .00% Seil \$10,000,00 22.00% #: Withdravals Forecast Forecast Popose Particlio Adorate Adorate Adorate Click here to duplicate this port	- Analysis										
Encinent Fontier Current vs. Target Columbia Gr Ch B NoCRX \$0.00 00% \$18,000.00 40.00% \$uy \$18,000.00 40.00% Forecast Wealth Retement Savings T. Rowe Price US Bnd Idx PB0X \$20,000.00 44.44% \$0.00 .00% \$10,000.00 44.00% Retement Savings Income \$10,000.00 22.22% \$0.00 .00% \$10,000.00 22.00% Withdrawals Tax Rates Forecast Action Flan Report Settings Allocate Allocate Click here to duplicate this port	Constraints		VEINX	\$10.000.00	22.22%						
Current vs. Target T. Rowe Price US Bnd Idx PBDIX \$20,000.00 44.44% \$0.00 .00% Seit \$20,000.00 44.00% Forecast Weath PHACO All Asset A PASAX \$10,000.00 22.22% \$0.00 .00% Seit \$10,000.00 22.00% Spinone Savings Withdrawals Tas Nates Forecast Fo											
Retirement Prince All Asset A PASAX \$10,000,00 22,22% \$0,0000% See \$10,000,00 22,00% Withdrawals Tas Rates Propose Portolo Allocate Action Plan Report Settings Click here to duplicate this port		T. Rowe Price US Bnd Idx	PBDIX	\$20,000.00	44.44%						
Retirement ⊕ Income ∋ Savings ⊕ Windrawais Tax Rates Forecast Propose Portrolio Adion Plan Report Settings	Forecast Wealth	PIMCO All Asset A	PASAX	\$10.000.00	22.22%	\$0.00	.00%	Sell	\$10.000.00	22.00%	
	Tax Rates Forecast Propose Portfolio Allocate Action Plan										

- 2. In the Client file field, type Jerry Smith.
- 3. In the Portfolio name field, type **Proposed**.
- 4. Click Save.

Client Information		? 🗙	
Save in: 🗀 User	• •	- 🖬 🛍 -	
လြာDave Smith.cli လြာC Plan ABC Corp.cli လြာEfficient Portfolio.cli လြာFPA.cli လြာFrank and Sally.cli	ତ Jack Goldman.cli 한 Jerry Jones.cli 한 Jerry Smith2.cli 한 Jerry Smith.cli 한 Jill Green.cli 한 Josh.cli	안 Large Va 안 Mark Sm 안 Mary Sm 안 Matt2.cli 안 Matt.cli 안 Melvin Sł	
Client file: Jerry Smith.cli		<u>S</u> ave	Enter the information in this dialog box, then click Save.
Save as type: Client files (*.cli) Portfolio name: Proposed	•	Cancel	

- 5. Click **OK** when the confirmation message appears, indicating the action plan was successfully exported. Later, you can go to the Advisor Palette, and confirm that the proposed portfolio appears as an unscheduled portfolio.
- 6. Click Report Settings from the left-hand navigation panel, or Next to proceed.

Exercise 23

Generating Reports

On the Reports Settings page, you can generate PDF reports to make presentations to **Overview** your client. The report includes scenario information, as well as a customized cover page with your company logo. Adding your company logo to the cover page is a great way to customize your report. Adding a company logo The following file types can be used for company logos: to the output reports • .GIF

- .JPG
- .JPEG
- .BMP and
- .PNG.

In this exercise, you will include a company logo on the cover page.

Exercise 24

- Solution of the steps 1-4 below.
- 1. From the Report Settings page, click the check box next to All Pages. A check mark should appear next to all pages on the reports page.

Principia Asset Allocation A	todule - Smith Scenario3.xml	
File Resources Help		
File Resources Help Resources Help Scharts Porfile Basics Clent Information Copt AltM Assumptions Outriet Asset Allocation Risk Volance Ouestionnaire Analysis Constraints Efficient Frontier Ouestive vs. Target Forecast Wealth Retirement Retirement	Report Settings Enter report settings. Image: Cover Page Edit Cover Page Image: Cover Page: Cover Page Image: Cover Page: Cover Page Image: Cover Page: Cover Page: Cover Page Image: Cover Page: Cover P	Check this box to
 Brings Withdrawals Tax Rates Forecast Propose Portfolio Securities List Alocate Action Plan Report Settings 		select all pages.

- 2. Click the Edit Cover Page button.
- 3. In the Cover Page Asset Allocation Report dialog box, enter the Prepared For and Prepared By information.

4. To include your company logo, click the Include Company Logo check box.

Cover Page - Asset	Allocation Report 🛛 🗙	
Prepared For:		
Name:	Smiths	
Company:	ABC Corp	
Address 1:	111 Lasalle St	
Address 2:		
City:	Chicago State: IL 💌 Zip: 60606	
Report Date:		
Prepared By:		
Name:	Bob Jones	
Company:	Jones Investment Company	
Address 1:	100 Main St	
Address 2:		
City:	Chicago State: IL 💌 Zip:	
Phone Number:		
E-mail:		Check this box
🔽 Include Logo	C:\Documents and Settings\meckste\My Documents\Blackrock Browse bk-wt.jpg	to include a logo on the cover page
🔲 Include Bank	Disclosure Information	
	OK Save As Retrieve Cancel Help	

5. Click the Browse button. The Asset Allocation Cover Page Logo dialog box appears.



- 6. Using the Look in drop-down, navigate to and select your saved company logo.
- 7. Click Open.
- 8. Click **OK** to return to the Report Settings page.

Exercise 25

After you have entered the Report Settings, a PDF report can be created. The output on the report reflects assumptions entered in the Scenario Profile, Optimization, Wealth Forecast and Proposed Portfolio sections.

In this exercise, you will generate a PDF report. Do the following:

1. On the Report Settings page, click **Generate Report**. A multi-page PDF report appears in a new window.

🔽 Cover Page	Edit Cover Page	
🔽 All Standard Pages		
🔽 Asset Allocation		
🔽 Wealth Forecast		
🔽 Action Plan		
🔽 All Appendix Pages		
🔽 Client Risk Profile		
🔽 Current Portfolio vs. Proposed Por	tfolio	
Detailed Assumptions		Click here
✓ Disclosure		to generate
✓ All Pages		the report.

2. You can save or print the PDF file.