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A High-Level Look at How CoPlanner Evaluates Planning Techniques

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What is CoPlanner?

CoPlanner is a feature in Decision Center that helps advisors plan faster, without giving up control.

CoPlanner reviews the client's existing plan and financial data, then uses eMoney's proprietary, rules-based engine to evaluate a range of planning techniques across key planning areas. It surfaces complete planning approaches designed to move the client toward the target Monte Carlo score.

Advisors can dismiss, edit, or save any recommended technique directly to their client's plan.

What Techniques Are Supported?

CoPlanner can automate techniques in the following categories:

- Retirement Age
- Pre-Retirement Savings
- Retirement Expenses
- Downsize Home
- Sale of a Business
- Social Security
- Asset Allocation
- IRA Savings
- Roth vs. Non-Roth Contributions
- Roth Conversion
- Revocable Trust
- Liquidation Strategy
- Life Insurance
- Disability Insurance
- Long Term Care Insurance
- Secure Income
- Part-Time Job
- Family Gifting
- Charitable Giving

Note: *CoPlanner is continuously expanding and more techniques will be added in both the short and long term.*

CoPlanner Settings

The settings area allows the user to better control the resulting plan. It enables customization and control of techniques to better align with client and/or advisor preferences when producing a system-generated plan.

This area controls:

- Planning techniques that are evaluated and allows users to disable techniques entirely
- The degree to which the technique is utilized. For example, a user may not want the retirement-age technique to suggest anything beyond a 2-year change in retirement age.
- Desired Target Probability of Success
- Relative prioritization of three specific techniques
  - Retirement Age
  - Retirement Spending
  - Pre-Retirement Savings

The user can also rank these three techniques in order of preference. This increases the likelihood that across multiple system-generated plans, the two highest prioritized techniques will be more likely to be utilized than the third. Based on case specifics, a plan could still incorporate all three.

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Specific Technique Settings

As mentioned above, all techniques have an enable/disable toggle. Disabling a technique in this area prevents it from being considered for the given client.

Additionally, some techniques offer controls over the degree they are utilized. Below is a list of techniques that provide this additional level of control.

- **Retirement Age:** The maximum number of years a client's retirement age can be adjusted by
- **Retirement Expenses:** The maximum amount that a client's retirement living expenses can be adjusted; offered as a percentage of the current value
- **Pre-Retirement Savings:** The maximum amount of pre-retirement expenses (lifestyle) a client would be willing to forego in order to save that money instead. Offered as a percentage of pre-retirement expenses. The system automatically reduces pre-retirement living expenses dollar-for-dollar when this technique is used.
- **Downsize Home:** How large a downsize would be considered in the event of the sale of a home

Office Configuration

In addition to the user controls listed above in the Settings, there are additional controls that can be customized via office configuration. These include:

- Enabling / Disabling a technique in either Advanced Planning or Foundational Planning modes
- The default enabled or disabled state for each technique
- The default value and maximum allowable value for additional setting fields
- The default order of the three solutions as referenced in the Preferences section above

How Techniques Are Run

CoPlanner techniques are organized into three groups and are evaluated in chronological order:

1 Monte Carlo Score Agnostic

The initial set of techniques considered for any plan is selected regardless of the client's current Monte Carlo Probability of Success.

These techniques represent actions that could benefit a client, whether they are already meeting or exceeding their target Probability of Success. For example, a client with a current Probability of Success of 5% above their target may still be shown a Roth conversion if it improves their Monte Carlo score, indicating that it improves the plan's overall financial strength and efficiency. These techniques will only increase the Monte Carlo score; otherwise, they will be excluded.

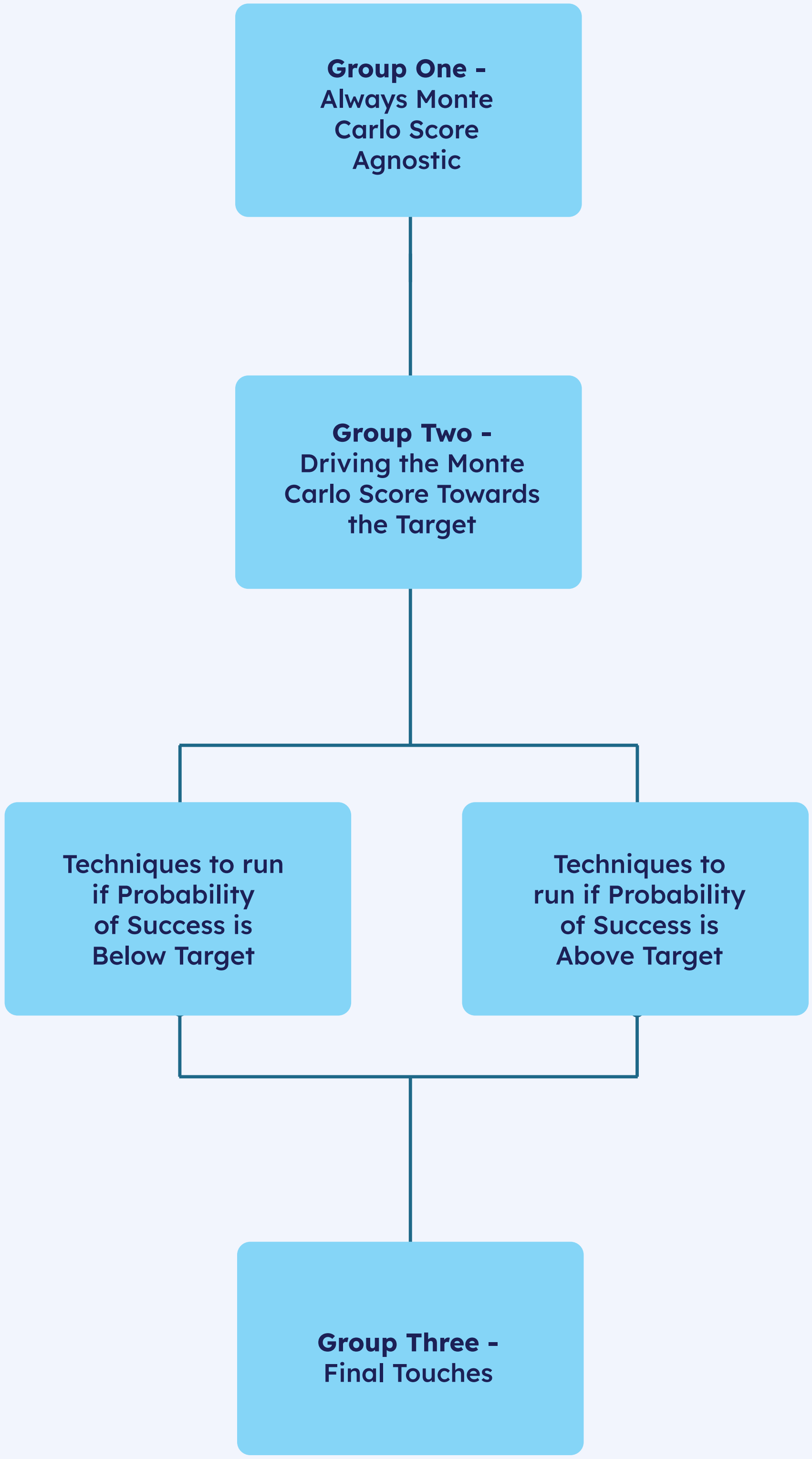
2 Driving the Monte Carlo Score Toward the Target

This group is a bifurcated group of techniques. This set of relevant techniques depends on your Monte Carlo score after the first group is completed, relative to your target score. This set of techniques is meant to drive the Monte Carlo score toward the desired target score, whether that means increasing the score or decreasing the score.

3 Finishing Touches

The third set of techniques to be evaluated is designed to be considered once the target Probability of Success has already been achieved or is as close as possible. These are meant to provide the finishing touches to the plan and consist of techniques that may not have a large impact on Probability of Success but cover other financial planning topics not purely focused on retirement.

Some examples of techniques in this section include evaluating whether a Revocable Trust is appropriate or whether a client has a Life Insurance gap.



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Technique Eligibility Criteria

CoPlanner techniques that are not explicitly disabled by the user are evaluated individually and surfaced when they are a good fit for a client's plan. Multiple criteria are used to determine whether a technique is appropriate for a client.

The following is a high-level breakdown of the types of criteria that are evaluated and how those may exclude certain techniques from being shown:

The technique is disabled:

Example: The user has disabled the Downsize Home technique via their CoPlanner Preferences. This technique will not be considered regardless of its impact to Probability of Success.

A conflicting recommendation already exists:

Example: The user has already entered a transaction to sell the client's home and purchase a new one in a future year. The Downsize Home technique will not be considered, as this is already a part of their plan.

It may not make sense based on the client's demographics:

Example: The client is 85 years old. The Social Security Age technique would not be considered as the client is already older than the maximum age at which they could start drawing Social Security and would already be receiving their benefit.

It doesn't improve the client's Probability of Success:

Example: The client is funding a child's education goal. CoPlanner evaluates the impact of reducing the amount of the education goal they are funding and finds that it does not increase the probability of success.

It doesn't improve the client's Probability of Success by a large enough margin:

Example: The client is funding a child's education goal. CoPlanner evaluates reducing the education goal amount but finds that it only increases the Probability of Success by 1%. The technique is not shown, as it could represent a significant change to the client's goals, but it does not substantially improve Probability of Success.

Why Probability of Success Can Increase When a Technique Is Removed

You may notice that turning off a CoPlanner-generated technique sometimes increases the Probability of Success. This does not mean the technique is incorrect or works against the plan. Some techniques are shown to help you explore tradeoffs and support better planning conversations, even if they do not immediately improve the Probability of Success, for example:

- The client's Probability of Success is 90%, with a target of 80%. CoPlanner evaluates whether they can afford to donate to charity and remain above their target. This technique could be surfaced even though it reduces their Probability of Success, provided they maintain a score near their target of 80%.
- The client's assets are allocated in a way that conflicts with the recommended allocation provided by their advisor. CoPlanner could provide a technique to reallocate assets to more closely match their advisor's target portfolio allocation, regardless of the impact on Probability of Success.