

Working with Investment Accounts

Marketable securities often comprise the majority of assets tracked with Financial Navigator. Effectively using all the capabilities in this area can be critical for your meaningful use of Financial Navigator.

This document consists of 6 parts:

- Working with Investment Accounts (this document)
- Complex Investment Transactions
- Gifts of Securities
- Bonds
- Foreign Investments
- Retirement Plans

Tracking Your Portfolio with FN

Investment vs. Management Accounting

While Financial Navigator has investment management capabilities, it is primarily a flexible accounting package with extensive reporting capabilities. FN supports some, but not all, investment management capabilities.

For example, individuals make investments with the anticipation of a total return, the sum of dividend yield and capital gain. The Securities Portfolio Report shows historic annual appreciation and future dividend yield and can provide a rough estimate of the total return.

However, because accounting conventions separate dividend/interest income and unrealized capital gain, Financial Navigator has no single report that makes it possible to ascertain the total return from an investment or portfolio. Additionally, when an investor has more than one lot of an investment, the annual appreciation for the position shown by the Portfolio Report is incorrect.

Any analysis of return also requires an analysis of the risk so that an investor constructs an efficient portfolio that offers the highest expected return for a given amount of risk. Risk analysis is beyond the scope of Financial Navigator.

Currently, no single product appears to combine general accounting and investment management needs. If an investor requires both kinds of information, it is necessary to use a combination of software. As with any application of software, developing the most efficient combination will rely on a detailed analysis of the investor's needs.

Settlement and Trade Dates

For tax purposes – the computation of gains and losses – the trade date (date acquired) of a transaction should be used. For transaction entry the settlement date can be used. This method allows a logical reconciliation to be prepared when trade and settlement dates span a cut-off period.

Account Qualifier/ Partial Sales

When Financial Navigator records a partial sale it creates an account with the same name as the original but adds the suffix **SLD#1**. The number following SLD increases with each sale. If account qualifiers are being used to track ownership and / or custodianship and the account description takes up most of the account field, a partial sale writes over the account qualifier.

To avoid this trap, it is either necessary to shorten account names to leave enough room or review all partial sales and re-enter the account qualifier, while making the account name unique.

Unrealized Gains and Losses

Assets are often set up without properly calculating unrealized gains and losses at the beginning of the current year. In practice, once an entity has been established, unrealized gains and losses need to be recalculated if an asset is discovered and entered into the data files in a later year through the Asset and Liability Info and Balance for Accounts screens.

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Investment Income

Tracking investment income involves determining which approach works best for your situation. You must make decisions for setting up accounts, payees, and payors.

When setting up investment income accounts in Financial Navigator, you must decide whether you should use:

- A separate income account for each investment.
- Or -
- One account for a group of similar investments.
- When you make this decision, consider the following factors: