

Advanced Account Qualifiers

Often the main reason to use Financial Navigator is to gain the information available from the reports. Therefore, knowing all the best reporting techniques gives you the full benefit of your time and effort spent entering the data.

This document consists of 2 parts:

- Introduction to Account Qualifiers
- Advanced Account Qualifiers (this document)

Tracking Real Estate with Account Qualifiers

Many investors own several real estate properties. In this situation, the client probably wants to keep track of his or her real estate portfolio as a whole, but also wishes to track each property separately.

Note: *In preparing the 1040, a separate income statement must be prepared for each rental property.*

Code-Type Qualifiers

The more properties involved, the more care must be taken in devising an account qualifier-coding scheme. For example:

- If three single family houses are owned, their account qualifiers can be simply /1, /2, and /3.
- If the investor wants to track the rental properties as a whole, as well as tracking them separately, a two-character account qualifier is needed. In this example, /R1, /R2, and /R3 can be used.
- If the investor owns two single-family houses and two apartment complexes, it may be desirable to track the houses as one group and the apartments as another group. In this case, account qualifiers /H1 and /H2 can be used for the houses and /A1 and /A2 can be used for the apartments.
- If the investor in the example above wanted to track the entire real estate portfolio, the houses as a group, the apartments as a group, and each property separately, another

character would be required. For example, /RH1, /RH2, /RA1, and /RA2 would accomplish these goals.

Tracking Living Trusts with Account Qualifiers

Individuals frequently set up living trusts for estate planning purposes. Even though the living trust is legally a separate entity, the income from the living trust usually is reportable by the grantor.

The grantor, sometimes called the donor, creates and funds the trust.

What is a Living Trust?

An *inter vivos trust*, also called a living trust, is always created during the lifetime of the grantor. All or part of the grantor's assets can be placed in the living trust. The grantor can name himself or herself or anyone else as trustee. Living trusts are commonly used to assure that the grantor's plans and affairs are kept private and to avoid the expense of probate. For income tax purposes, the trust is ignored. The grantor continues to treat all income, losses, and deductions as his or her own, with the same character as he or she would have if the trust did not exist. Thus, it is often desirable to keep the living trust assets in the same entity as the regular family assets to facilitate the family's tax record keeping.

Qualifier or Separate Entity?

It is important to know the taxability of a trust when setting up the entity. If the trust is a true living trust, and it is ignored for tax purposes, there is no reason to maintain its assets in a separate entity. If, however, the trust is a testamentary trust (created by the grantor's last will and testament), or is an irrevocable trust, the trust probably is required to file its own tax return.

Note: *Generally, any individual or organization that files its own tax return should have be a separate entity in Financial Navigator.*

Tracking Schedule C Businesses with Account Qualifiers

Setting up account qualifiers for Schedule C businesses works exactly the same way as using account qualifiers with real estate. Each business should have its own unique account qualifier. For example, if there are two businesses, they might be designated /B1 and /B2. Completely

separate businesses, such as corporations owned by the investor, should be separate Financial Navigator entities.

Note: *The easiest way to determine if a company needs to be a separate entity is to ask, "Does this business file its own tax return?"*

Setting Up Account Qualifiers for Joe and Mary Client

The use of account qualifiers is best illustrated through the use of a fictional client. In this example, three-character code-type qualifiers are used to track Joe and Mary Client's financial information.

Joe and Mary Client have separate assets, joint assets, a living trust, rental properties, and several brokerage accounts at different firms. They have decided that separate reports by owner are important to them. They especially want to monitor the performance of their investments by broker. They also want to produce reports for managing their rental properties and for reporting their rental income and expenses on their tax return.

The first character is the simplest. Each and every account qualifier will have as its first digit a code signifying ownership, as follows:

- **/1** — For Joe
- **/2** — For Mary
- **/3** — For joint
- **/4** — For their living trust

The second and third characters signify the account location. These two characters will take care of all their marketable securities, their real estate, and can handle any Schedule C businesses as well.

Note: *In simpler situations, the third character might be unnecessary. In more complex situations, a fourth character may be required. Although account qualifiers may be up to 24 characters in length, it is best to keep them to a maximum of 5 or 6 characters. Excessively long account qualifiers limit the length of the actual account name, look strange on reports, and are difficult to interpret.*

Examples of the second and third character would be:

- **WF** — Checking account at Wells Fargo Bank

- **ML** — Brokerage account at Merrill Lynch (and all the securities it contains)
- **R1** — Rental property #1
- **R2** — Rental property #2
- **B1** — Business #1
- **B2** — Business #2

Using the above information, here is a list of some of the account qualifiers Joe and Mary Client might have in their chart of accounts:

- **/3BA** — Their joint checking account at Bank of America
- **/2WF** — Her separate checking account at Wells Fargo
- **/4WF** — The living trust's checking account at Wells Fargo
- **/1PW** — His separate brokerage account at Paine Webber
- **/3R1** — Jointly owned real estate property #1
- **/1B1** — His business
- **/2B2** — Her business

Financial Reporting with Account Qualifiers

Balance Sheet by Owner

The Clients can use the account qualifier /2 to get a balance sheet for Mary Client alone. This can be useful for credit applications or estate planning.

Income Statement by Entity

The Clients can use the account qualifier /3R to produce a report for all their rental properties combined. Using /3R1 would give them just one rental property's income statement.

Securities Portfolio Analysis

The Clients can use the account qualifier /1ML to give them a report of Joe's investments at Merrill Lynch or /?ML for all investments there (see **Advanced Account Qualifier Features** on page 50 for information on the ? wildcard character). Using this type of account qualifier, the Clients can compare the Securities Portfolio Analysis Report to their broker statement to make sure that the broker has all their securities recorded. In addition, using the Appreciation and Yield columns on this report, the Clients can monitor their broker's performance.

Tax Reporting with Account Qualifiers

Schedule D by Broker

The Clients can use the account qualifier /1ML to produce a Schedule D report that will tie directly with their 1099-B for securities sold in Joe's account at Merrill Lynch. This report can even be attached to their tax return, saving preparation time (and money!).

Note: *Be careful if you have long account names and have partial sales. Financial Navigator puts the code SLD#x at the end of account names for partial sales. If the account name is long, some of the characters can be truncated by the system, causing the Schedule D report qualified by broker to appear incorrect. If this happens, carefully review the Chart of Accounts for all the SLD asset accounts and verify that their account qualifiers are still correct.*

Income Statement by Entity

The Clients can use the account qualifiers /3R1, /3R2, /1B1, and /2B2 to produce either Income Statements or Tax Report Schedules C and E. These reports can be a great aid in preparing their tax return or tax organizer.

Schedule B by Broker

The Clients can use the account qualifier /1ML to get a report showing interest and dividends paid on Joe's Merrill Lynch account. This will assist them in reconciling their 1099-INT and 1099-DIV.

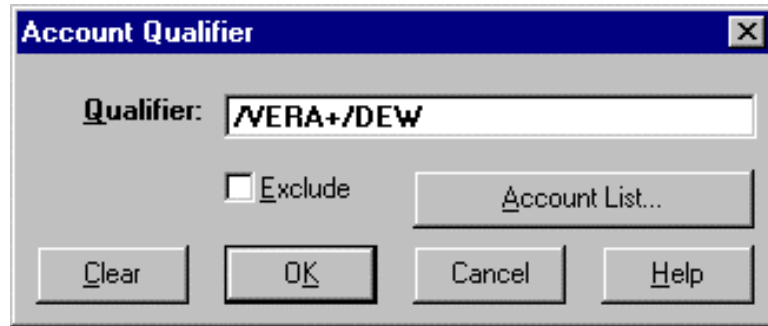
Advanced Account Qualifier Features

In addition to the features and procedures described above, you can report on more than just a single qualifier. There are a number of ways to combine account qualifiers to increase reporting efficiency.

Multiple Qualifiers

To select accounts based on multiple qualifiers:

1. Select **Accounts | Account Qualifier**. The Account Qualifier dialog box appears.
2. Enter the first qualifier (**/VERA**) in the dialog box, but do not select OK.
3. After the first qualifier, type the plus (**+**) symbol, followed by the second qualifier (**/DEW**). The dialog box appears as follows:



4. Repeat step 3 until you have specified all qualifiers you require.
5. Select **OK** to include all accounts having any of the qualifiers you typed. If you want to exclude all accounts having any of the qualifiers you typed, check the **Exclude** box before selecting **OK**.

In this case, do not check the Exclude box. The system selects all accounts having the qualifier VERA or DEW.

Wild Card Characters

You may define an account qualifier by using any of three wildcard characters: the asterisk (*), the question mark (?), and the pound sign (#). These three characters have the following meanings:

- * Selects accounts with account qualifiers having any number of characters. You may place it before or after a specified set of characters. Only one * may be used when specifying an account qualifier.
- ? Selects accounts with qualifiers having the same number of characters specified and accepts any characters in the position held by the? .
- # Selects any single digit (0-9), but excludes all letters.

The following are examples of how to use wildcards in account qualifiers, using the Joe and Mary Client example above.

- **/?ML** — Includes all accounts at Merrill Lynch, regardless of ownership.
- **/2** — Includes all accounts owned by Mary Client, regardless of location.
- **/?R** — Includes all rental properties, regardless of ownership. Note that this account qualifier would produce an income statement summarizing the activities of all rentals.
- **/*** — Includes accounts with any account qualifier, but not accounts without account qualifiers.

Pre-Qualifiers

Use a pre-qualifier in combination with wildcard characters when you want to select all accounts beginning with the same word. For example, to select all accounts starting with the letters INC, use a qualifier INC*/*.

Note: To be selected by a pre-qualifier, accounts must have an account qualifier attached.

In this case the pre-qualifier is INC, and the asterisk (*) characters tell FN to select accounts having any number or type of characters before and after the slash (/) symbol.

Multiple Criteria

Multiple criteria are defined by using several special characters in combination with the letters, digits, and wildcard characters specifying the qualifiers.

To specify the criteria, the entry must begin with a left square bracket ([) and end with a right square bracket (]). These brackets tell FN that certain characters within the brackets have special meaning for defining the account qualifier.

To Select	Use	For Example
More than one letter	Separate them with commas (,)	[B,C,R] Selects qualifiers starting with B or C or R
A range of qualifiers	Specify the start and the end of the range and separate with a dash (-)	[G-K] Selects qualifiers starting with any letter between G and K
Any letter or group of letters <u>excluding</u> what follows	Use exclamation point (!) followed by letters	[!A-L] Selects all qualifiers except those beginning with letter A through L

These selection criteria can be used in combination with a regular qualifier definition. For example, the account qualifier /RENTAL [!A-L] selects all accounts starting with the account qualifier RENTAL followed by words beginning with the letter M or later in the alphabet. Notice how the criteria are within the square brackets, even though they follow the usual account qualifier format.

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