Below is a view of the Workbook Main Windows from the Leveraged Compensation System and the InsMark Illustration System used for Blog #191 along with a description of the proposals in each one.

Leveraged Compensation System

Leveraged Compensation System Workbook file: Blog 191 - 401(k) Look-Alike.!LC. You can download this digital workbook file from within Blog #191 via a link named "Blog191.zip" in a section entitled "Digital Workbook Files For This Blog". Import that file into your *401(k) Look-Alike module* in the *Leveraged Compensation System* for illustrating the plan for profit-making or tax-exempt organizations.

In Proposals 1a, 1b, 2a, and 2b, you can see precisely how data is entered to create the 401(k) Look-Alike illustrations for Blog #191. We strongly recommended that you read Blog #191 before proceeding as it will ease your understanding of the design descriptions below.

When you want to illustrate new policy data, the policy values should either be imported from an InsMark's linked insurance company or entered by you in InsMark's Source Data Storage. If linked data is not available, many users export values from a pdf to Excel (I use PDF Converter Elite to do this) and copy appropriate columns of data and paste them into the relevant fields in InsMark's Source Data Storage.

Proposal 1a (Profit Making Employer – no Severance).

On the Basic Data tab, there is a particular prompt I want to point out regarding AFRs. I selected the Schedule the Applicable Rate and, in that Schedule, I entered the current long-term AFR for May 2019 of 2.74% in year 1. I gradually increased the rate to reflect the potential growth of the AFR. I used the Interpolate command to increase the AFR incrementally over the 20 years of the loan – ending at 4.00%.

Proposal 1b (Profit Making with Severance).
Severance equal to the executive's compensation adjustment can be part of the 401(k) Look-Alike. I included severance in Proposal 1b on the Plan Options tab; otherwise, Proposal 1b is identical to Proposal 1a.

☑ Include an analysis of severance paid to the executive

    ◉ Severance equal to the amount of the executive's cumulative compensation adjustment

    ○ Gross-up the severance so its after tax cost to the employer is equal to the executive's cumulative compensation adjustment (for profit-making organizations only)

Proposal 2a (Tax Exempt Employer – no Severance). This proposal is identical to Proposal 1a with two exceptions: On the Basic tab, I checked "Tax-exempt organization" and changed the tax bracket to zero. There is no severance.

Proposal 2b (Tax Exempt Employer – with Severance). This proposal is identical to **Proposal 2a** with one exception: I checked the Severance selection on the Plan Options tab.

For the Proposals in the InsMark Illustration System (see below), you will need to export the executive's share of the benefit data from within Proposals 1a, 1b, 2a, and 2c using the following selection while in Edit mode:
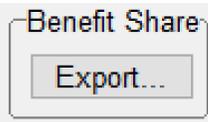
This selection exports the executive's share to InsMark Source Data Storage as though it is standard policy data. Be sure to give each export an easy-to-remember file name as you will need to import that same data from InsMark Source Data Storage into the Other Investments vs. Your Policy comparison modules in the InsMark Illustration System for "Compared to What" analyses.

InsMark Illustration System

InsMark Illustration System Workbook file: Blog 191 - 401(k) Look-Alike.!ii. You can download this digital workbook file from within Blog #191 via a link named "Blog191.zip" in a section entitled "Digital Workbook Files For This Blog". Import that file into your *InsMark Illustration System* to see precisely how data was entered to create the 401(k) Look-Alike illustrations for Blog #191. We strongly recommended that you read Blog #191 before proceeding as it will ease your understanding of the design descriptions below.

Proposal 1 (IUL vs. Pretend 401(k). This illustration compares the executive's share of a 401(k) Look-Alike with a Pretend 401(k). To illustrate just the executive's share, import the data you previously exported to InsMark Source Data Storage from Proposal 1a from the Leveraged Compensation System. There is no severance with this illustration.

Proposal 2 (IUL vs. Equity Account). This illustration uses the same procedure as Proposal 1 with two exceptions. Instead of selecting "Pretend 401(k)", chose Equity Account for the next comparison. To illustrate just the executive's share, import the data from the executive's share of the 401(k) Look-Alike. There is no severance with this illustration.

A critical point with Proposal 3 and 4: You do not want to include the $385,000 net severance with any of the alternative investments. Typically, Compared to What calculations show the additional $385,000 on both sides of the evaluation. In this case, that is inaccurate since the source of the $385,000 is the after-tax severance related only to the **401(k) Look-Alike**. You can reflect this type of comparison only in the Other Investment vs. Your Policy module in the InsMark Illustration System by selecting this option from the Investment Details tab and canceling out the $385,000 (in this case) from the array:
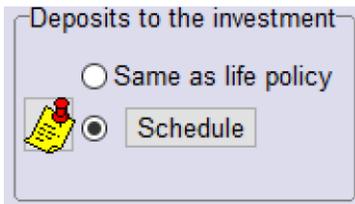
Proposal 3 (Revised IUL vs. Pretend 401(k). This illustration is a copy of Proposal 1 with one variation in policy data. We want to include the $385,000 in after-tax proceeds from the severance benefit provided by the 401(k) Look-Alike as premium in year 21. We re-proposed our IUL basic illustrating by adding $358,000 as additional premium in year 21, thus allowing us to increase the retirement loans from $100,000 a year to $135,000**.**

Proposal 4 (Revised IUL vs. Equity Acc't). This illustration is a copy of Proposal 2 with one variation in policy data where we want to assign the $385,000 after-tax proceeds of the severance benefit provided by the 401(k) Look-Alike in year 21. We re-proposed our IUL basic illustrating by adding $358,000 as additional premium in year 21, thus allowing us to increase the retirement loans from $100,000 a year to $135,000**.**

Documentation

Documentation for a 401(k) Look-Alike is different from any other split dollar arrangement. Specimen installation documentation for **401(k) Look-Alike** is available in InsMark's Cloud-Based Documents On A Disk™ (DOD) in both the Business Owner Benefit Plans and the Key Employee Benefit Plans section of documents. These specimen documents don't exist anywhere else, *so if you use this concept, you will need them – particularly those relating to severance.* If licensed for DOD, you can access these documents from within the 401(k) Look-Alike module (part of the Leveraged Compensation System) by clicking on this section on the lower right of the screen in edit mode:
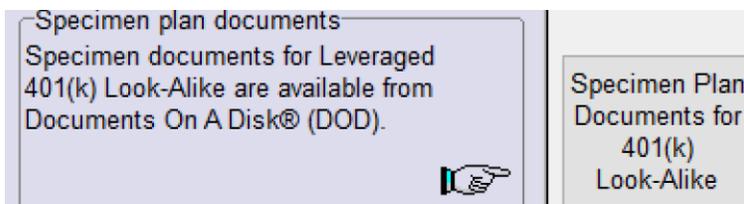
Alternatively, assuming you are appropriately licensed, you can access the documents directly by logging into **My InsMark/DOD** at this address: http://www.insmark.com/my-insmark.

InsMark's Referral Resources
(Put Our Illustration Experts to Work for Your Practice)

We created Referral Resources to deliver a "do-it-for-me" illustration service in a way that makes sense for your practice. You can utilize your choice of insurance company, and there is no commission split. They are very familiar with running InsMark software.

Mention Bob Ritter (InsMark President) when you talk to our Referral Resource as they have promised to take special care of my readers. My only request is this: if a Referral Resource helps you get the sale, place at least that case through them; otherwise, you will be taking unfair advantage of their generous offer to InsMark licensees.

Save time and get results with any InsMark illustration (including the ones discussed above).

Contact: Ben Nevejans, President of LifePro Financial Services in San Diego, CA.

Important Note #1: The hypothetical life insurance illustrations and alternative investments referred to in this report assume the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. Actual illustrations of life insurance are not valid unless accompanied by a basic illustration from the issuing life insurance company.

Important Note #2: The information in this report is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning

technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.