



Below is a view of the Workbook Main Window in the InsMark Illustration System used for Blog #197.

InsMark Illustration System

Client Workbook Edit Tools Options Help Agent List

Workbook Main Window

Proposals for the workbook: Blog #197

Proposal Description	Sales Concept	Policy Data (if applicable)			
		Policy Notation	Initial Premium	Death Benefit	Name of Product
1. 401(k) 7% Yield	Defined Contribution Ret. Plan	n/a	n/a	n/a	n/a
2. 401(k) Random Yield Avg. 7%	Defined Contribution Ret. Plan	n/a	n/a	n/a	n/a

Proposal actions: New..., Copy, Edit, Delete, Preview, Print..., Source Data, Review

Proposal 1. 401(k) 7% Yield: The data entry for this illustration is not difficult, but the Distribution tab below needs a little explanation. Once you have entered the pertinent data on the prior tabs, select the circled prompt in the Retirement distribution section at the top left. Then enter an inflation rate on the lower left of this tab (if you intend to include the impact of a cost of living adjustment (COLA)). The RMDs in Column 2, starting in year 6, are higher than the entries in Column 3. Note that Column 2 is referencing "Before-Tax" numbers, and Column 3 is referencing after-tax amounts. This comparison is more explicit in the illustration as we have more room there to create an additional column titled Desired Before Tax Distribution. This "missing" column is implicit in the array below.

Basic Data | Plan Details | Participant Contributions | **Employer Contributions** | Distributions | Life Annuity | Buying Power | Report Selections

Retirement distributions

☐ IRS required minimum distributions only

☒ Level after tax distributions which deplete the account over the retirement years illustrated

☐ Level after tax distributions which deplete the account over 25 years

☐ Level after tax distributions which deplete the account over 25 years leaving a balance in that year of \$0

☐ Schedule the after tax distributions

Change level amount

Level amount: \$0

☐ in all retirement years

☐ from year: 1 to: 1

Apply

Change inflation rate

Rate: 2.00 %

☐ Use 2nd rate: 2.00 %

Starting in year: 2

Apply

Year	Age	Beginning of Year Balance in Plan Assets	Before Tax IRS Required Minimum Distribution	Desired After Tax Distribution	Including 2.00% Inflation	After Tax Retirement Income Distribution	Year End Plan Assets
1	70	1,870,979	68,284	77,587	77,587	77,587	1,864,856
2	71	1,864,856	70,372	77,587	79,139	79,139	1,855,796
3	72	1,855,796	72,492	77,587	80,722	80,722	1,843,558
4	73	1,843,558	74,638	77,587	82,336	82,336	1,827,884
5	74	1,827,884	76,802	77,587	83,983	83,983	1,808,499
6	75	1,808,499	78,974	77,587	85,662	85,662	1,785,110
7	76	1,785,110	81,141	77,587	87,376	87,376	1,757,403
8	77	1,757,403	82,896	77,587	89,123	89,123	1,725,043
9	78	1,725,043	84,977	77,587	90,906	90,906	1,687,670
10	79	1,687,670	86,547	77,587	92,724	92,724	1,644,904
11	80	1,644,904	87,963	77,587	94,578	94,578	1,596,336
12	81	1,596,336	89,181	77,587	96,470	96,470	1,541,529

Help/Training: GTM, GTO, Samples

Check Results

Proposal 2. 401(k) Random Yield Avg. 7%: The data entry for this proposal is a little more involved.

Sequence of Returns

In addition to your specifying annual yields, all the InsCalc calculators can generate random yields and growth between high and low percentages, i.e., a more realistic sequence of returns. If you use a random selection of interest rates that lies between two percentages that average a reasonable assumption, we suggest you keep repeating the selection until you get several low yields or growth during the early years of cash flow withdrawals. Once cash flow occurs, it is not enough for returns to average out in the long run if the portfolio could be depleted before the good returns show up. You can access an informative report by Michael Kitces on sequence of returns [here](#).

To illustrate random yields, look for this prompt on the Plan Details tab:

☐ Schedule... yields

← This selection takes you to the Schedule Plan Yield screen.

Source of yields:
Show previously stored
schedules from:

Defined Contribution Yields

☐ Previously stored yield schedules:

☒ Schedule yields

Level yield

Yield: 0.00%

Level yield:

☒ in all years

☐ from age: 60 to: 94

Apply

Random yield

Calculate random yields

between -10.00 % and 24.00 %

from age: 60 to: 94

Apply

Interpolate values

From age: 60 to: 94

Apply

Year	Age	Plan Yield
1	60	-8.12%
2	61	-4.74%
3	62	22.12%
4	63	21.06%
5	64	19.91%
6	65	13.53%
7	66	16.43%
8	67	-4.71%
9	68	-2.75%
10	69	11.82%
11	70	-0.87%
12	71	23.83%
13	72	13.90%
14	73	4.37%
15	74	-3.67%
16	75	3.80%
17	76	11.50%
18	77	-0.90%
19	78	7.62%
20	79	-3.82%

OK

Cancel

Help

Clear Data

Yield Schedule Storage

Store this yield schedule:

Store...

Delete this yield schedule:

Delete...

Average yield

Average yield: 7.00%

Note: This is a copy of my “Schedule Plan Yield” screen, and it is truncated showing only 20 years. Using the slide bar in the actual module reveals the remaining interest rates that make up the average yield. If you are dissatisfied with yields in the first few retirement years, continue selecting the “Apply” prompt in the “Random yield” section until you are comfortable with the results. Experiment with the range of yields. I used -10.00% and 24.00% to achieve the 7.00% “Average yield” over 35 years (10 pre-retirement years and 35 retirement years).

Note: You cannot edit the field in the “Average yield” section – that entry is driven by your activity in the “Random yield” section. You will have to fiddle with your “Random yield” selections to get 1) the average yield you want and 2) the acceptable yields in the first few withdrawals in retirement years.

Tip: Get your “Average yield” where you want it first, and then check for acceptable yields in early retirement years. You may have to select “Apply” several more times for this last step to produce acceptable results.

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 our 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 one discussed above).

Contact: Ben Nevejans, President of [LifePro Financial Services](#) in San Diego, CA.

Important Note #1: The hypothetical values referred to in this Blog assume the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

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.

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