



Below is a view of two Workbook Main

Windows in Wealthy and Wise® used for

Note: Although the data in both is identical, the difference lies in the number of reports you will have to wade through.

Wealthy and Wise produces a large number of reports, and the (Reduced Reports) Workbook has fewer reports selected for those wanting a simplified version of the illustration activity. That said, the comments below apply to both Workbooks.

You can download both digital workbook files from within Blog #192 in a section entitled “Digital Workbook Files For This Blog”. Don't be surprised when you preview the reports and are advised there is a liquid asset shortfall. Just click on “Continue” to view the results.

## Wealthy and Wise (Reduced Reports)

Client Workbook Edit Tools Options Help

Edit Client Data This Workbook contains stored reports for: Blog #192 (Reduced Reports)

Scenarios

For the columns below, display values for client age: 65

| Scenario Storage Name            | Scenario Title                  | Net Worth   | Taxable Estate | Wealth To Charity | Wealth To Heirs | Liquid Assets |
|----------------------------------|---------------------------------|-------------|----------------|-------------------|-----------------|---------------|
| 1. Current Plan                  | No 401(k) Look-Alike            | \$7,490,635 | \$8,018,690    | \$0               | \$7,473,483     | \$5,889,234   |
| 2. Add Cost of 401(k) Look-Alike | Add Cost of 401(k) Look-Alike 1 | \$8,024,160 | \$9,064,601    | \$0               | \$8,519,394     | \$6,935,145   |
| 3. Add 401(k) Look-Alike         | Include 401(k) Look-Alike       | \$7,934,833 | \$11,932,767   | \$0               | \$10,462,924    | \$6,503,541   |

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Comparisons

| Comparison Storage Name | Comparison Title                  | Scenario #1 Description | Scenario #2 Description         | Scenario #3 Description  |
|-------------------------|-----------------------------------|-------------------------|---------------------------------|--------------------------|
| Comparison              | Strategy 1 vs. Strategy 2 vs. Str | 1. Current Plan         | 2. Add Cost of 401(k) Look-A... | 3. Add 401(k) Look-Alike |

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## Wealthy and Wise (All Reports)

Client Workbook Edit Tools Options Help

Edit Client Data This Workbook contains stored reports for: Blog #192 (All Reports)

Scenarios

For the columns below, display values for client age: 65

| Scenario Storage Name            | Scenario Title                  | Net Worth   | Taxable Estate | Wealth To Charity | Wealth To Heirs | Liquid Assets |
|----------------------------------|---------------------------------|-------------|----------------|-------------------|-----------------|---------------|
| 1. Current Plan                  | No 401(k) Look-Alike            | \$7,490,635 | \$8,018,690    | \$0               | \$7,473,483     | \$5,889,234   |
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Comparisons

| Comparison Storage Name | Comparison Title                  | Scenario #1 Description | Scenario #2 Description         | Scenario #3 Description  |
|-------------------------|-----------------------------------|-------------------------|---------------------------------|--------------------------|
| Comparison              | Strategy 1 vs. Strategy 2 vs. Str | 1. Current Plan         | 2. Add Cost of 401(k) Look-A... | 3. Add 401(k) Look-Alike |

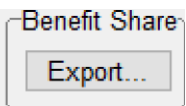
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**Scenario 1. Current Plan.** This data involves Tom and Allison’s existing liquid assets in an attempt to see if it can support their desired cash flow of \$30,000 a month indexed at 2.00% from age 65 to 95. They are both currently age 45. It does not support their desired goal, and their liquid assets are depleted by age 82.

**Scenario 2. Add Cost of 401(k) Look-Alike to Net Worth.** This scenario is identical to Scenario 1 with one exception. We have an additional deposit to liquid assets of \$55,000 a year for seven years. The 401(k) Look-Alike Tony is considering (see Scenario 3) requires him to reduce his compensation by \$100,000 a year for seven years. This costs \$55,000 in net cash flow each year in their combined 45% federal and state income tax bracket. Since he is not yet participating in the 401(k) Look-Alike, that \$55,000 of net cash flow should be added to their investments for seven years. 25% (\$13,750) goes to their tax-exempt account and 75% (\$41,250) is directed to their equity account. This allocation is based on their customized reinvestment options for excess cash flow programmed in their Wealthy and Wise analysis. (See the Excess Cash Flow and Reinvestment Options sub-tab located on the Illustration Details tab in Scenario 2.)

The extra \$55,000 for seven years extends their retirement cash flow, but only for three years, so Scenario 2, like Scenario 1, is a failure.

**Scenario 3: Add 401(k) Look-Alike.** This scenario requires you to understand the results of the 401(k) Look-Alike featured in [Blog #191: 401\(k\) Look-Alike \(Part 1 of 2\)](#). 401(k) Look-Alike, a split dollar variation, is one of the modules in InsMark’s Leveraged Compensation System, and Wealthy and Wise can import values from that module. Once the 401(k) Look-Alike illustration is completed in that System, you can transfer Tony’s share of the plan data to InsMark Source Data Storage by selecting “Benefit Share Export” located on the lower right in Edit mode.



Preliminary Data  
  Desired Cash Flow  
  Expected Cash Flow  
  Retirement Plan Assets  
  Liquid Assets  
  Illiquid Assets  
  Other Assets  
  Gifts and Gift Tax

Include Other Current Assets

Inside the Estate  
 Outside the Estate  
 Grantor Trust

Life insurance inside the estate

Include 401(k) Look Alike

Include Current Split Dollar Plan

Include Proposed Life Insurance

Note: Liabilities that reside inside the estate should be entered on the Illiquid Assets tab.

← Wealthy and Wise can import that data from InsMark Source Data Storage using the Other Assets tab. That tab looks like this in Scenario 3.

Life Insurance Inside the Estate

Column heading: 401(k) Look Alike

| Year | Ages  | 401(k) LookAlike Premiums | 401(k) LookAlike Withdrawals | 401(k) LookAlike Loans | 401(k) LookAlike Accum Value | 401(k) LookAlike Cash Value | 401(k) LookAlike Death Benefit |
|------|-------|---------------------------|------------------------------|------------------------|------------------------------|-----------------------------|--------------------------------|
| 1    | 45/45 | 55,000                    | 0                            | 0                      | 0                            | 0                           | 2,097,110                      |
| 2    | 46/46 | 55,000                    | 0                            | 0                      | 0                            | 0                           | 2,089,704                      |
| 3    | 47/47 | 55,000                    | 0                            | 0                      | 0                            | 0                           | 2,086,045                      |
| 4    | 48/48 | 55,000                    | 0                            | 0                      | 0                            | 0                           | 2,086,732                      |
| 5    | 49/49 | 55,000                    | 0                            | 0                      | 0                            | 0                           | 2,092,327                      |
| 6    | 50/50 | 55,000                    | 0                            | 0                      | 0                            | 0                           | 2,103,441                      |
| 7    | 51/51 | 55,000                    | 0                            | 0                      | 12,407                       | 0                           | 2,120,544                      |
| 8    | 52/52 | 0                         | 0                            | 0                      | 39,991                       | 0                           | 2,148,128                      |
| 9    | 53/53 | 0                         | 0                            | 0                      | 70,128                       | 33,067                      | 2,178,265                      |

Change level amount: Amount: \$0    Interpolate values: From age: 45 to: 94    Options:  Show any premiums as dedicated cash flow  Show loans and withdrawals as expected cash flow

← The Schedule looks like this.

Use the Import selection to access InsMark Source Data Storage to access the Benefit Share of the 401(k) Look-Alike. Note in this case that we did not select “Show any premiums as dedicated cash flow”. This means we did not direct Wealthy and Wise to fund the income tax of \$55,000 for seven years from liquid assets – that is the out-of-pocket cost to Tony of participating in the 401(k) Look-Alike.

## Comparison – Strategy 1 vs. Strategy 2 vs. Strategy 3.

**Strategy 1: No 401(k) Look-Alike.** Plan's goals are funded solely by liquid assets.

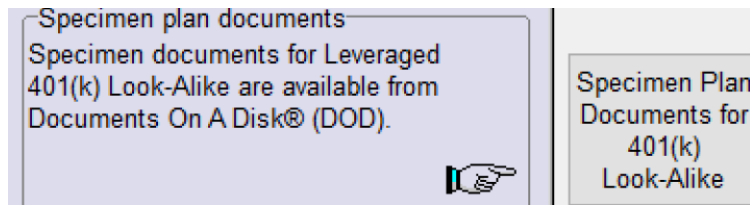
**Strategy 2: No 401(k) Look-Alike.** Plan's goals are funded solely by liquid assets including an additional contribution by Tony of \$55,000 for seven years.

**Strategy 3: 401(k) Look-Alike.** Plan's goals are funded solely by liquid assets plus Tony's share of the values of a 401(k) Look-Alike.

The Comparison report is easy to put together (the detailed work is in the Scenarios). You merely include data from each of the three scenarios, select your Comparison reports, and you are done.

### 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>.

**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.

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