John Hancock
LIFE INSURANCE

Stepping Forward . . .
Two Years at a Time

PLANNING OPPORTUNITIES ABOUND!

The Tax Act of 2010 (The Act) has opened up many planning opportunities. The Act has simplified planning by unifying the exemption amounts, now a $5M exemption ($10M per couple) for each of the gift, estate and GST taxes. And the higher exemption, only available for 2011 and 2012, provides families with a two-year window to transfer a significant amount of wealth without gift taxes. On January 1, 2013, the Act sunsets and the exemption amount reverts back to $1,000,000 for gift, estate and GST purposes.

Planning Opportunity: Retain Flexibility with a Spousal Access Trust.

Even in the $1 million to $5 million net worth market, clients should consider putting an estate plan in place that assumes some level of estate tax, either based on the current law in which there will be a $1M exemption and 55% estate tax in 2013 or based on the 2009 estate tax level, for example, in which there was a $3.5 million exemption and a 45% tax rate.

What is for sure is that the planning will need to be flexible with strategies that can accommodate flexibility — like a Spousal Access Trust — in the event that the transfer tax rules change.

A Spousal Access Trust can be funded with a life insurance policy to provide income replacement needs for a growing family and potential estate tax liquidity needs at death. The trust can provide management of the death benefit proceeds for the surviving family.

Flexibility...

- To provide income replacement for survivors & estate tax liquidity if needed
- To serve as a tax-advantaged retirement supplement

The life insurance policy inside the trust can also serve as a tax-advantaged retirement supplement during lifetime.[1] The spousal beneficiary can access the trust and take distributions from the trust for his or her health, education, maintenance and support. In some states, the trust may also provide for some level of creditor protection.[2]

Take a look at how John Hancock's Protection UL can provide not only death benefit protection with an attractive rate of return on premiums paid, but strong cash values to access at retirement...

CASE SNAPSHOT

Bob Taylor, age 45 and married with 1 child establishes a Spousal Access Trust that purchases a John Hancock Protection UL death benefit of $1,462,015 for an annual premium of $26,000 on his life. His wife and daughter are beneficiaries of the trust.[3]

WITHOUT DISTRIBUTIONS

By Age 65 the policy has:

- $693,603 Net Surrender Value
- ROR on Surrender Value of 2.67%
- ROR on Death Benefit of 9.07%

By Age 90 the policy has:

- $3,146,198 Net Surrender Value
- ROR on Surrender Value of 3.86%
- ROR on Death Benefit of 4.36%

What if Bob wants to take extra retirement income? Take a look...

Policy Year	Age EOY	Net Surrender Value	Cumulative Policy Withdrawals	Net Cash Surrender Value IRR*	Net Death Benefit	IRR on Death Benefit
1	46	$7,811	$0	-69.96%	$1,462,015	5523.13%
20	65	$693,603	$0	2.67%	$1,462,015	9.07%
35	80	$19,987	$845,955	2.89%	$162,613	3.56%
45	90	$257,990	$845,955	2.60%	$396,119	3.12%

*IRR refers to Internal Rate of Return.

This is a supplemental illustration. Not all benefits and values are guaranteed. The assumptions on which the non-guaranteed elements are based are subject to change by the insurer. Actual results may be more or less favorable. Refer to the basic illustration for guaranteed elements and other important information. Annual premiums of $26,000 on a John Hancock Protection UL insurance policy for $1,462,015 Death Benefit with a current crediting rate of 5.2% on Male, Age 45, Preferred Non Smoker, Massachusetts resident, assuming net distributions of $56,397 from age 66 to age 80.

Results: Flexibility ... Protection ... Access.

1. Withdrawals and loans from life insurance policies classified as modified endowment contracts may be subject to income tax, and may also be subject to a federal tax penalty if the withdrawal or loan is taken prior to age 59 ½. Policy withdrawals and loans may cause the policy to lapse, which can result in the loss of the death benefit and adverse income tax consequences.
2. State statutes dictate the extent of creditor protection.
3. Bob funds premium gifts to trust. If Bob lives in a community property state, gifts would need to be funded using separate property.

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Protection UL policies automatically include a no-lapse guarantee called Death Benefit Protection. This feature guarantees that the policy will not default, even if the cash surrender value falls to zero or below, provided that the Death Benefit Protection Value remains greater than zero and policy debt never exceeds the Policy Value. Policyholders who pay only the minimum premium required to keep the Death Benefit Protection in effect may forego the advantage of building significant cash value in this policy. The no-lapse guarantee under the Death Benefit Protection has a maximum duration to age 121. The duration of the no-lapse guarantee coverage may be less, depending upon the funding level chosen by the policyholder. The NLG duration is stated in the contract and reflected in the illustration's guaranteed net death benefit column. At the end of the NLG duration, premiums greater than those originally illustrated may be required to maintain coverage. Factors such as, but not limited to, the amount and timing of premium payments, loans, withdrawals, or any other change allowed under the contract could potentially terminate the no-lapse guarantee. Once terminated, the Death Benefit Protection feature cannot be reinstated.

Insurance policies and/or associated riders and features may not be available in all states.

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