6 Hot Sales Ideas in 60 Minutes

Joe Scianna CLU ChFC

Life 8786_0420

#1: Invest in your life

Fundamental use of life insurance

Life insurance is used to…

Protect families from financial hardship
- Income replacement
- Mortgage & other debt payments
- Complete education funding objectives

Provide benefits to help supplement income
- Flexibility to switch from focus on protection to focus on cash value accumulation
- Access to potential policy cash values for emergencies

Preserve a family's wealth
- Cash to pay transfer taxes
- Cash to equalize assets between family members
- Cash to replace wealth transferred to charity

Loans and withdrawals will reduce the death benefit, cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Policies classified as modified endowment contracts may be subject to tax when a loan or withdrawal is made. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59 1/2.

Advantages of life insurance

- **Death proceeds are received income tax*** free and potentially provide a better return on the premium than if you had invested those dollars in a taxable asset.
- **Policy cash values grow tax-deferred**** and can be accessed in a tax-favored manner. You will not be taxed on the growth in your policy's cash values unless you surrender the policy. Furthermore, access to cash value (through withdrawals and loans) are generally received income tax-free.
- **Non-correlated asset** – Cash value returns on current assumption Universal Life not tied to market performance

*Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are few exceptions such as when a life insurance policy has been transferred for valuable consideration.
**Loans and withdrawals will reduce the death benefit, cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Policies classified as modified endowment contracts may be subject to tax when a loan or withdrawal is made. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59 1/2.

Case study

The power of self completion

Bill Stone, age 60, Preferred Non-Smoker

- $1,000,000 Protection UL policy
- Full-pay premium of $14,533
- Guarantee age 90

Bill's questions for his planner:

- What is the rate of return on the premium at my death at my life expectancy?
- In other words, how much would I have to earn on another asset to equal the life insurance policy death benefit at my death?

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.

Competitive rate of return on death benefit

Life insurance provides a competitive rate of return on death benefit

Common objections

- Healthy clients may feel they don't need life insurance.
- They may choose to invest premium dollars in other asset classes.

These clients are often surprised at the possible investment returns of a life insurance policy.

"What if I showed you a bond, with a face of $1M, coupon of $14,533, guaranteed tax-free yield to maturity (LE age 87) of 5.53%....

Would you add it to your portfolio?"

Invest in your life

Protection UL '19, Initial face amount of $1.000.000
Male. Age 60, Preferred non-smoker

Year	Age	Planned premium	After-tax withdrawals and loans	Net outlay	Net death benefit	ROR on death benefit	Pre-tax equivalent	Probability of death (EOY)
1	61	14,533	0	14,533	1,000,000	6780.89%	10432.14%	.14%
5	65	14,533	0	14,533	1,000,000	105.05%	161.62%	1.12%
10	70	14,533	0	14,533	1,000,000	33.79%	51.99%	3.98%
15	75	14,533	0	14,533	1,000,000	17.51%	26.94%	9.83%
20	80	14,533	0	14,533	1,000,000	10.72%	16.49%	20.63%
25	85	14,533	0	14,533	1,000,000	7.11%	10.94%	38.54%
27	**87**	**14,533**	**0**	14,533	1,000,000	**6.11%**	**9.41%**	**47.66%**
30	90	14,533	0	14,533	1,000,000	4.92%	7.58%	62.81%

*Life expectancy based on Valuation Basic Table 2015. Life expectancy, in this example, is measured from current age 60.
-The IRR on death benefit is equivalent to an interest rate at which an amount equal to the illustrated premiums could have been invested outside the policy to arrive at the net death benefit of the policy
-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.

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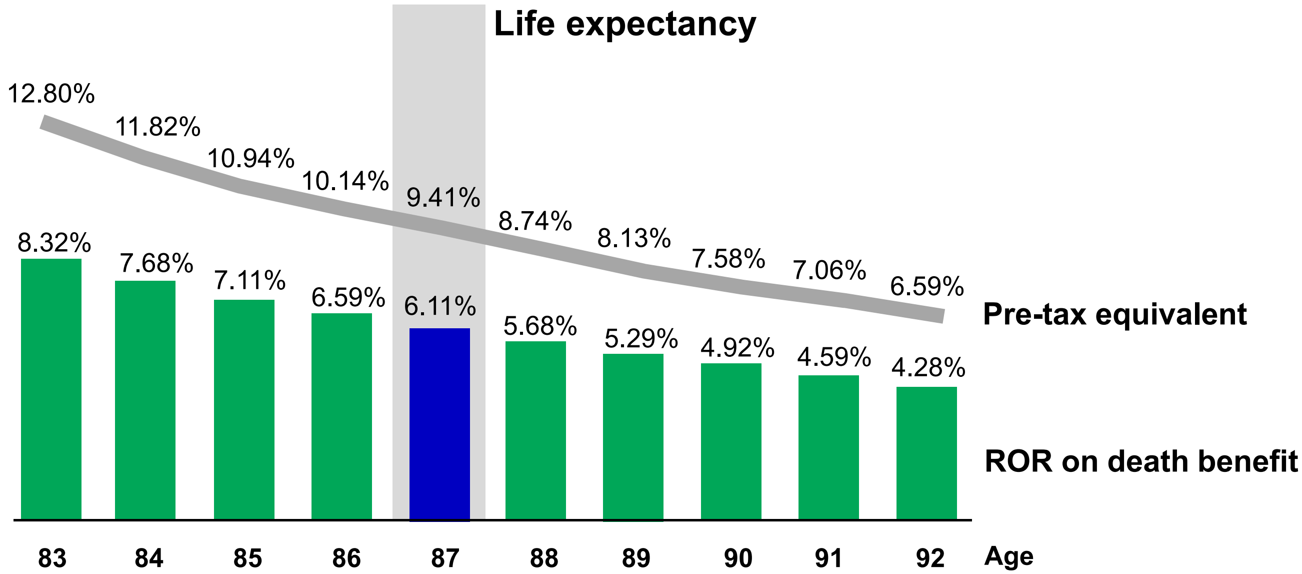
Summary



By the age of 87 (life expectancy), there is a 47.66% probability that he will have died.

- His investment must have earned 6.11% **after-tax** to have earned enough to equal the death benefit,

or

- His investment must have earned 9.41% **pre-tax** (assumes 35.00% income tax rate).

If he adds the Long-Term Care rider, his premium increases by less than 10% with an after-tax ROR on death benefit of approximately 5.53% at life expectancy.

* The data shown is taken from an illustration. Guaranteed product features are dependent upon minimum premium requirements and the claims-paying ability of the issuer. The IRR on death benefit is equivalent to an interest rate at which an amount equal to the illustrated premiums could have been invested outside the policy to arrive at the net death benefit of the policy

Advantages of life insurance

Comparison of investment alternatives

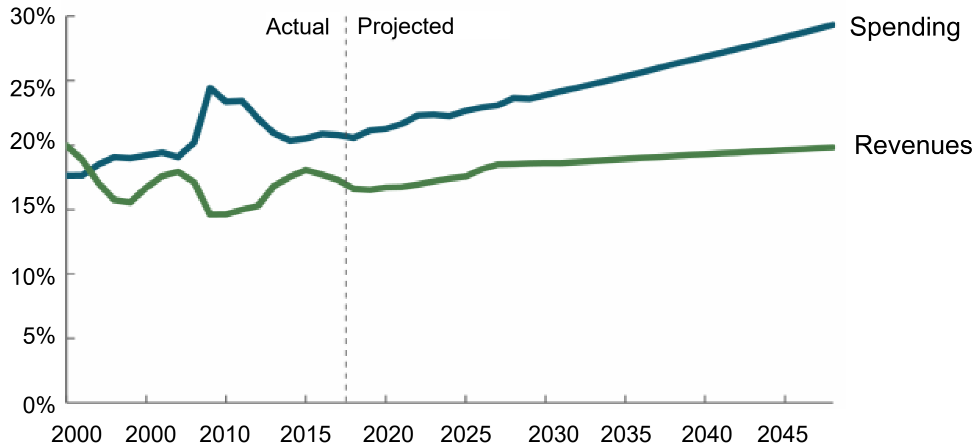
Feature	Life insurance	Taxable investments	Qualified plan/ Traditional IRA	Roth IRA	Municipal bonds
Tax-favored withdrawals	Yes	No	No	Yes	Yes
Tax-deferred accumulation	Yes	No	Yes	Yes	Yes
Tax-free death benefit	Yes[1]	None	None	None	None
Penalty tax for early withdrawal	Maybe[2]	No	Yes	Yes	No
Contribution limits	No[3]	No	Yes	Yes	No
Cost of insurance charges	Yes	No[4]	No	No	No
Market risk	Yes	Yes	Yes	Yes	Yes

1.Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are a few exceptions such as when a life insurance policy has been transferred for valuable consideration. Comments on taxation are based on John Hancock's understanding of current tax law, which is subject to change. No legal, tax or accounting advice can be given by John Hancock, its agents, employees or registered representatives. Prospective purchasers should consult their professional tax advisor for details.
2.Withdrawal of policy values in excess of the owner's investment in the contract can cause recognition of gain (to the extent of gain) for income tax purposes. Furthermore, while an owner generally may borrow against a life insurance policy without immediate income tax consequences, a lapse or surrender of a policy against which loans are outstanding may also cause the owner to recognize policy value in excess of basis.
3.For every life insurance policy, there is a minimum premium at any given time, the payment of which is necessary to keep the policy in force. Premiums may be paid in excess of this amount which may have the effect of reducing future necessary minimum payments. However, excessive advance funding of a life insurance policy can result in the policy being treated as a modified endowment contract, which would be subject to significantly different tax treatment than other life insurance policies.
4.If the underlying investment is a deferred annuity, cost of insurance charges and/or early withdrawal penalties may apply.

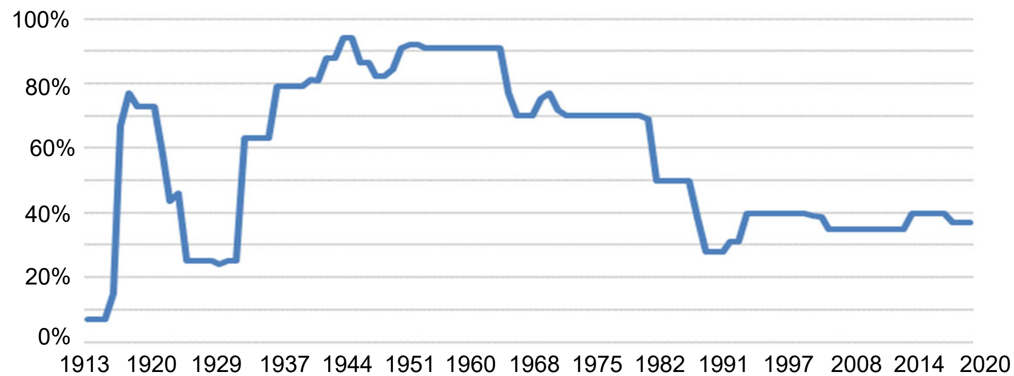
2: Tax diversification

Will income taxes increase in the future? 1

Percentage of gross domestic product



Top marginal rate: 1913-2020



1. Congressional Budget Office, The 2018 Long-Term Budget Outlook, page 6, found at: https://www.cbo.gov/system/files?file=2018-06/53919-2018ltbo.pdf
2. Data from "Historical Highest Margin Income Tax Rates 1913-2020, Tax Policy Center, found at https://www.taxpolicycenter.org/statistics/historical-highest-marginal-income-tax-rates

The taxman cometh…

Even in retirement

Distributions from tax-deferred accounts
Subject to **ordinary income tax** (possibly at higher rates than today)

- 401(k)
- IRAs
- Annuities

Investment growth/withdrawals
Subject to capital gains taxes and net investment income tax

Social Security income
Up to 85% of social security income taxed when "combined income"* exceeds income thresholds (currently $34,000 (individual); $44,000 (joint filers))

Medicare premiums
Additional premiums due for taxpayers whose modified adjusted gross income (MAGI) exceeds thresholds

*Combined income = AGI + nontaxable interest + ½ of your social security benefit

Common retirement investment options

Pre-tax contributions

Tax deferred
- 401(k)
- IRA
- SEP/SIMPLE
- 403B

Withdrawals may be subject to 100% income tax

After-tax contributions

Taxable
- Mutual funds
- Stocks
- Annuities
- Real estate

Withdrawals may be subject to capital gains, and even ordinary income tax

After-tax contributions

Tax advantaged
- Muni bonds
- Roth IRA
- Life insurance

Withdrawals can be access income tax-free

Managing taxes with life insurance

Adding cash value life insurance to your retirement portfolio can help protect your savings and provides the following tax advantages:

Retirement income from policy withdrawals and loans, which do not affect your:

- Income tax bracket
- Medicare premiums
- Capital gains
- AGI or MAGI
- Social Security benefits

- Income tax-free death benefit for your beneficiaries
- Tax-deferred growth
- No retirement contribution limits
- No penalties for early access to cash
- Tax-free access to death benefit for long-term care costs when an LTC rider is added to the policy

Tax diversification in practice

Let's take a look at a $120k withdrawal*

Non-diversified withdrawals

Taxpayer withdraws $120,000 from his 401(k); they would be left with $78,000

100% ordinary income tax

401(k) plan	Mutual fund	JH Life policy	
$120,000 withdrawal	**$0 withdrawal**	**$0 withdrawal**	**$78,000 potential net income**

Diversified withdrawals

Instead, he takes $40,000 from each of the three alternatives—

- $40k from his 401(k)
- $40k from a mutual fund
- $40k from a John Hancock permanent life insurance policy

With diversification, he receives a net income of $100,000 ($22k more)

100% ordinary income tax	Capital gain tax	Tax-free	
401(k) plan	Mutual fund	JH Life policy	
$40,000 withdrawal	**$40,000 withdrawal**	**$40,000 withdrawal**	
$26,000 +	$34,000 +	$40,000 =	**$100,000 potential net income**

* Assumes a 35% income tax bracket and 15% capital gains tax

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Case study

Larry

Funding for tax diversification

- Age 30, excellent health, recently married
- Rising "star" at CPA firm who expects his salary to gradually increase over the next several years
- Can commit to $200/month to accumulate additional assets for income and protection
- Can expect to increase these deposits 5% each year

Results

- Accumulation IUL (5.92% credit rate) with initial premium of ~$200/month increasing by 5% annually
- Immediate death benefit protection of $668K
- Provide tax free income of $40,000/year ages 66 to 85.

Client profile

Ages 25-50

- Has sufficient cash flow to put towards savings
- Underinsured or no insurance currently

Goals:

- Protecting their loved ones
- Save more for retirement
- Tax efficiency

#3: Retirement backstop

Extending the "LIRP" client profile

Accumulation phase

Traditional "LIRP" strategies focus on building supplemental retirement income for clients in their 30s to early 50s and illustrate distributions starting at retirement age

Distribution phase

For older clients, a "retirement backstop" solution addresses concerns that tend to be more prominent as retirement approaches

- Ages 50-70
- Focus on retirement accumulation
- Potential concerns about longevity and/or LTC/medical costs

Benefits of backstop conversation:

- Clients typically in their highest income earning years (just prior to retirement)
- Kids likely out of college and mortgage eliminated/reduced
- More attune to their retirement income needs and where they need protection

Recent survey found that biggest concern for retirees is declining health and rising health care costs*

* "Retirees More Worried About Health Than Money, Planadvisor, June 25, 2018

Retirement

Understanding the risks

Even if your clients are diligent about saving, there are multiple factors that may diminish their savings more quickly than anticipated, such as:

- Health issues/needing long-term care
- Outliving retirement assets
- Inflation
- Withdrawal risk
- Sequence of return risk
- Taxes

The role of life insurance

Backstopping retirement risks

Longevity	• Cash value can supplement retirement income when primary assets are spent down • Death benefit can replenish diminished assets for surviving spouse/dependents
Long-term care	LTC rider (optional) allows for accelerated DB to pay LTC expenses
Sequence of return risk	Policy cash value can provide alternative or supplemental income when market is down
Withdrawal rate risk	Cash value can provide additional income to offset inflationary spending
Taxes	Cash value can be accessed income-tax free and not reportable as income

Case example

John

Age 50, married, in good health

- Successful chemist who plans to retire within the next 10 years
- Mortgage is paid off and his children are on their own
- Desired retirement income is $90k/yr.

As he approaches retirement he is:

- Feeling behind on his savings but very focused on retirement planning
- Worried about outliving his retirement assets
- Concerned about protecting his retirement assets from:
  - the potential costs of long-term care
  - other unexpected income needs.
- Can comfortably set aside an additional $2k/month towards his retirement plan

Retirement backstop

Recommendation

Given his concerns about outliving his primary assets and needing long-term care, John's advisor recommends a life insurance retirement backstop plan.

$2k per month for 10 years →

John Hancock Accumulation IUL
(5.92% assumption)
with an LTC rider

$478k of death benefit protection

$128k of annual income beginning at age 85 through age 100

$9k per month LTC benefit

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#4: Personal Key Person

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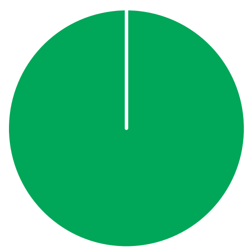
Defining the small business market

Small businesses
(<500 employees)
=



99% of all U.S. businesses

80% (or 23 million)
of these small businesses have no employees and most are sole proprietorships

20% (or 5 million)
of these small businesses that do have employees (employing 48% of US workforce),the largest share employ **less than 100 employees**

See The United States Small Business Profile, 2016; SBA Office of Advocacy & “Frequently Asked Questions About Small Business”, U.S. Small Business Administration Office of Advocacy, June 2016

Challenges for small business owners

The value of the business is distinctly tied to the owner
Potential for economic turmoil for family if something happens to the owner

They plan to sell their business to fund most or all of their retirement
78% of small business owners plan to sell their business to fund their retirement*

Finding a ssuccessor can be a challenge
Most owners will look to family or employee as successor, but this may not be a reality for all owners

Multitude of issues when selling to family members
- Equalizing the estate to non-employee children
- Distributing executive control among family members
- Uncertainty with their ability to run the business
- Customers willingness to work with the successors

*Results from FPA/CNBC Business Owner Succession Planning Survey, April 2015 @ http://www.cnbc.com/2015/04/13/ew-small-biz-have-an-exit-plan.html

Personal key person

Preserve, provide, protect

Preserves value of business and family's financial well-being

- Replaces the value of the business to cover the shortfall from short sale
- Provide full value of the business to cover Buy/Sell with employee/child
- Equalize the estate distribution to non-employee children

Provides supplemental income

- Provide Tax free withdrawals/loans to supplement retirement income
- No penalties for early withdrawal

Protects retirement income and savings from the cost of long-term care and disability

- LTC rider: Protects primary retirement assets from cost of long-term care expenses
- Critical Illness Benefit rider: Provides one time payment of benefit to cover additional costs
- Disability payment of specified premium: Some, or all, of the planned premiums may be waived in event of permanent disability
- Allows you to reallocate those dollars elsewhere

Case study

Allison

Age 45 (Super Preferred NS)–
Married with 3 children (Ages 25,23,19)

- Owner of ASC Consulting
- As a going concern, ASC valued at approximately $1M
- Allison takes $300k/yr. as income/salary
- No succession plan, children will likely not succeed her
- Without Allison, business has little to no value

Personal key person

Accumulation phase

Allison purchases an Accumulation IUL (6%) with Vitality (Gold) policy:

- $1M death benefit
- 15-pay premium – $28,000
- Riders: 2% LTC rider, Disability payment of specified premium (DPSP) rider, 10% Critical Illness Benefit rider

To protect Death, LTC Benefits & Critical Illness Benefit, annual premiums protected by Disability Waiver of Premium in the event of her total disability

Year	Age	Premium	Net CSV	Net death benefit
1	46	**$28,000**	$0	$1,000,000
5	50	**$28,000**	$97,453	$1,000,000
10	55	**$28,000**	$246,818	$1,000,000
15	60	**$28,000**	$477,543	$1,000,000

- Death benefit protects full value of business
- $20K/month of LTC benefits provided to protect other retirement assets
- $100K Critical Illness Benefit rider preserves Death benefit

Accumulation IUL with Vitality (Gold): (6%) Death Benefit 1M – 15-Pay Premium; RIDERS: 2% LTC Rider – Disability Payment of Specified Premium (DPSP) rider- 10% Critical Illness Benefit Rider. 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.

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Personal key person

Distribution phase

Phase 1: Accumulation

Allison pays $28k premium each year for 15 years

Age 45-60

Present day

Phase 2: Supplemental income

Allison withdraws from her primary sources of retirement savings (pension/social security, qualified plans and non-qualified accounts) starting at age 65

66 **70** **75** **80**

25k **$30k** **$15k** **$70k**

Allison supplements her retirement income by accessing policy cash value as needed

Phase 3: Backstop

If Allison outlives her other retirement assets, she will be protected – life insurance policy provides $177k annual income from age 85 to 100

85-100

Remainder to heirs

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.

Client profile

Ages 45+

Small business owners
- CPA's
- Lawyers
- Financial advisors
- Sole proprietors

Unclear succession plan

Goals:
- Protect business value
- Retirement supplement
- Longevity
- Medical/LTC costs
- Asset protection

5: Wait & See Loans

Window of opportunity

In **2020** a client can gift **$11,580,000** (double if married). The exemption is scheduled to revert back to $5M indexed for inflation in 2026!

But If they gift now

- Gift is Irrevocable
- Give up control of the cash/assets
- Give up ability to time gift when optimal (before 2026)

Solution

"Wait & See" approach with private loans

Private loans

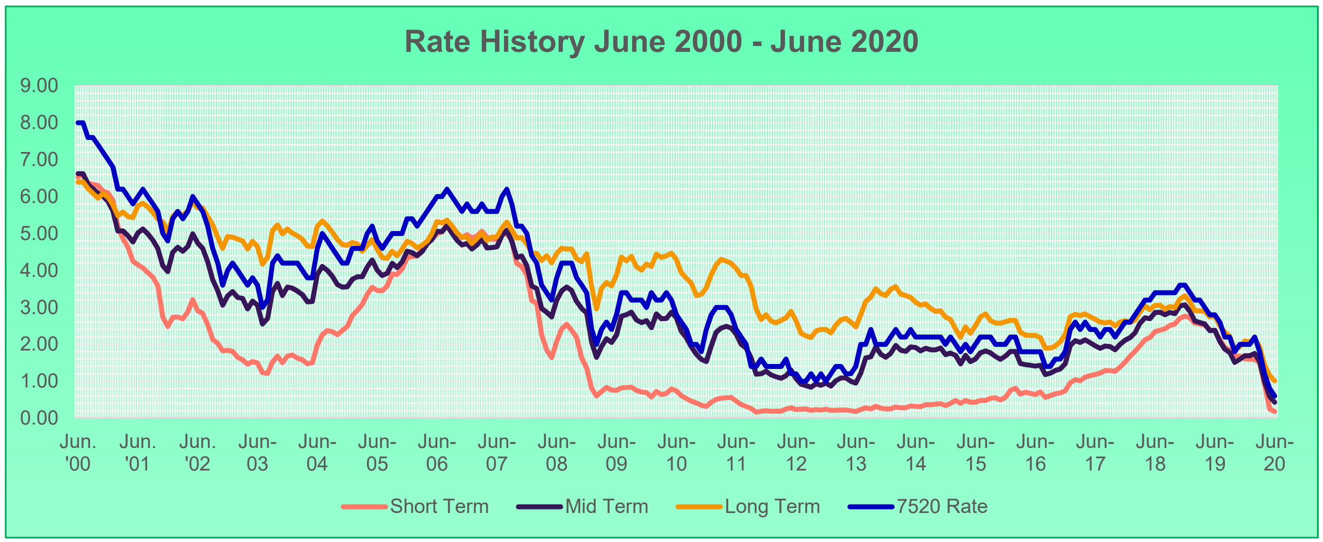
A flexible funding arrangement between client and their trust. The trust buys a life insurance policy today and client can choose when to gift in the future (but no later than 2025)

Why loans?

History of Applicable Federal Rates (AFR)

Current AFR's near 20 year historical average

	June 2020	May 2020	April 2020	March 2020	Feb 2020	Jan 2020	20 year average*
Short term (0-3 years)	0.18%	0.25%	0.91%	1.50%	1.59%	1.60%	1.94%
Mid term (4-9 years)	0.43%	0.58%	0.99%	1.53%	1.75%	1.69%	2.86%
Long term (10 years +)	1.01%	1.15%	1.44%	1.93%	2.15%	2.07%	3.83%
IRC Sec 7520	0.6%	0.80%	1.20%	1.80%	2.20%	2.0%	3.45%



* Source IRS.Gov – Averages rates from June 2000 – June 2020
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Current market conditions

Depressed asset value = discounted gift/estate freeze benefits of transferring assets today

- Recent downturn in the stock market has reduced the value of certain assets
  - A “portfolio” valued at $1.5M on January 1, 2020 could be worth $1.0M today
- This 33% “discount” when applied to the Basic Exemption Amount can create greater wealth transfer opportunities in the future.
- Loans/sale freeze estate at the AFR at depressed value with choice to gift later

Market historical recoveries

Benefits of transferring assets today

- After most recent market corrections in 2002 and 2008
  - After 2008 11-year market returns averaged 11.8% from 2009 thru 2019
  - After 2002 17-year market returns averaged 8.6% from 2003 thru 2019
- Gift-loan or sale transfer growth out of taxable estate
- Will history repeat itself?

20-year DJIA average return

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Average return	-6.16	-7.10	-16.7	25.32	3.148	-0.60	16.28	6.432	-33.8	18.81	11.02	5.528	7.257	26.49	7.519	-2.23	13.41	25.08	-5.63	22.34

https://tradingninvestment.com/stock-market-historical-returns/

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Case study

Male/Female ages 60 PNS

- Unsure about using any of his lifetime exemption given uncertainty in his wealth transfer plan and tax policy
- Willing to use $5M stock portfolio that has been “de-valued”

For those who have the means to transfer large blocks of assets (Cash-securities-LLC/FLP)

- **Grantor loans/sells asset** to trust using 15 year AFR term loan ($5.0M)*
- Assumed long-term **AFR of 1.44%**
- Asset generates annual **income at 8%**
- Trust purchases a **$27M Protection SUL** life policy on grantor’s life with premiums illustrated for over 15 years
- **Asset income pays:** (1) premium ($303K) and (2) loan interest ($72K)

Benefits

- Places policy in force today
- Provides grantor with flexibility to decide: When to make the gift via forgiveness of loan ***NOT*** to make the gift and get repaid via loan terms

Protection SIUL - Premium $303,704,15-pay, $27,089,697 death benefit, Vitality PLUS: Bronze, Endow at age125, 5.92% Core Capped Rate, 29 Year Guarantee, $343,790 target

*Seed gift not illustrated, but may be recommended by attorney, especially if there is an asset sale

Private finance

How it works

Repay loan at end of term

Year	Initial loan	Interest received	Trust account balance	Growth at 8%	Premium paid	Interest paid	Trust balance	Death benefit
1	$5,000,000	$72,000	$5,000,000	375,704	303,704	72,000	$5,000,000	27,089,697
5		$72,000	$5,000,000	375,704	303,704	72,000	$5,000,000	27,089,697
15		$72,000	$5,000,000	375,704	303,704	72,000	**$5,000,000**	27,089,697
16	**-$5,000,000**						0	

Forgive loan in 2025 with gift

Year	Initial loan	Interest received	Trust account balance	Growth at 8%	Premium paid	Interest paid	Trust balance	Death benefit
1	$5,000,000	$72,000	$5,000,000	375,704	303,704	72,000	$5,000,000	27,089,697
5		**$72,000**	$5,000,000	375,704	303,704	72,000	$5,000,000	27,089,697
7 (2025)	-$5,000,000	0	5,000,000	375,704	303,704	0	$5,072,000	27,089,697
15			5,765,837	436,971	303,704	0	5,899,104	**27,089,697**
33 (LE Age 93)			21,826,792	1,746,143	0		23,572,936	27,089,697

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Client/ prospect profile

Ages 50+

N/W 7M+

Concerns:

- Estate liquidity
- Estate equalization
- Legacy planning
- Family business succession
- Volatile estate/Gift tax laws

#6: IRA Maximization after SECURE act

Same concept, new conversation

Life insurance planning after the SECURE Act

IRA/QPLAN maximization discussions

The basic concept remains the same…

Evaluate the costs and benefits to the client of having the life insurance coverage and any applicable policy riders versus not using life insurance

Evaluate the potential impact on the "net to heirs" of planning alternatives being considered

- Consider impact of 10 year Rule
- Consider impact of loss of lifetime stretch
- Consider impact of RMD age change to 72

But the conversation points and planning solutions change based on the specific case facts and planning objectives of the client…

Case study

Fact finding

- Male age 67 Preferred Non-Smoker
- $1,500,000 IRA
  – Not relying on IRA for retirement income

Goals

- Preserve IRA for spouse and would like funds available to use in the event of LTC needs
- Make sure spouse is protected
- Provide legacy for children & grandchildren

Solution

- Take distributions from IRA and purchase a $1.5M Protection UL with 2% LTC Rider
- $38K annual premium

Case study

Results

	Current plan	Proposed plan
IRA value today	1,500,000	1,500,000
Initial death benefit		1,544,159
Monthly LTC benefit		30,883
@Life expectancy (year21)		
IRA value	1,145,297	931,240
Reinvested RMD @ 3% A/T	1,069,344	86,083
Death benefit	-	1,544,159
Less: IRD taxes (35%)	400.854	325,934
Net to heirs	**$1,813,787**	**$2,235,549**

How does this one design satisfy the various objectives?

IRD= Income with respect to the decedent
RMD- Required Minimum distribution
A/t= After Tax

Planning objectives

Same concept…new conversation

Preserve QPLAN Income for spouse in the event of LTC needs

$31K monthly LTC benefit helps preserve QPLAN income for spouse

Leverage assets to provide income for spouse

- Provide a $1.5M income-tax free death benefit to provide income for spouse
- Spouse can rollover remaining QPLAN balance and wait to take RMD's until her age 72
- Spouse can use insurance proceeds to pay taxes if converting to ROTH or liquidating QPLAN

Provide legacy for children & grandchildren

- Insurance can be held in GST-ILIT and proceeds "stretched" over long period of time to children & grandchildren
- The inherited QPLAN balance must be distributed to the beneficiaries within 10 years, but the balance can be held, and continue to grow, during that time by the beneficiary. The insurance proceeds provide an immediate "inheritance" or tax payment.

Client/ prospect profile

Ages 59+

RMDs not needed for current or future income

Concerns:

- Preserve IRA Assets
- Medical LTC costs
- Legacy planning (Stretch)

Want to create a custom client approved solution?

To start customizing a plan contact the Advanced Markets today!

888-266-7498, option 3

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Trusts should be drafted by an attorney familiar with such matters in order to take into account income and estate tax laws (including the generation-skipping tax). Failure to do so could result in adverse tax treatment of trust proceeds.

Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are few exceptions such as when a life insurance policy has been transferred for valuable consideration.

Loans and withdrawals will reduce the death benefit, cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Policies classified as modified endowment contracts may be subject to tax when a loan or withdrawal is made. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59 1/2.

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

Some riders may have additional fees and expenses associated with them.

The Critical Illness Benefit Rider provides a one-time lump sum benefit for covered critical illnesses subject to eligibility requirements. The benefit will not be paid for critical illnesses initially diagnosed before the rider effective date or during the waiting period. See the product guide for additional details.

Vitality is the provider of the John Hancock Vitality Program in connection with policies issued by John Hancock.

The Long-Term Care (LTC) rider is an accelerated death benefit rider and may not be considered long-term care insurance in some states. There are additional costs associated with this rider. The Maximum Monthly Benefit Amount is $50,000. When the death benefit is accelerated for long-term care expenses it is reduced dollar for dollar, and the cash value is reduced proportionately. Please go to www.jhsaleshub.com to verify state availability.

This rider has exclusions and limitations, reductions of benefits, and terms under which it may be continued in force or discontinued. Consult the state specific Outline of Coverage for additional details.

Insurance products are issued by: John Hancock Life Insurance Company (U.S.A.), Boston, MA 02116 (not licensed in New York) and John Hancock Life Insurance Company of New York, Valhalla, NY 10595.

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