



What's Selling and Emerging Trends

John Hancock

MLINY042414143

Takeaways:

- Estate planning *is* income tax planning
- Preserving a step-up in basis may become more important
- Zero-gift techniques to preserve gift exemptions
- Consider the impact of the net investment income tax- how does it affect investment and distribution (applicable to trusts) strategies

Do we have a consumer protection gap?



- Life insurance ownership/coverage remains low
- 30% of U.S. households have no life insurance at all
 - Only 44% have individual life insurance
- 50% of U.S. households (58M) say they need more life insurance
- The average amount of coverage for U.S. adults has declined to (\$167,000) down \$30,000 from the average coverage in 2004
- While 4 in 10 households with children under 18 now include a mother who is either the sole or primary earner for her family yet, among the women who have life insurance, their coverage is only 69% of the average coverage on men



*LIMRA Facts of Life 2013

Current Marketplace Activities

AMC Topic Ranking by Quarter*



Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Estate Planning (134)	Buy-Sell (97)	Premium Financing (105)	Premium Financing (92)	Estate Planning (66)
Gifts (101)	Split Dollar (91)	1035 Exchange (89)	Split Dollar (89)	SERP (66)
Split Dollar (76)	162 Bonus Plan (79)	Private Financing (72)	Private Financing (69)	Private Financing (51)
Trusts (74)	Estate Planning (78)	Buy-Sell (70)	SERP (67)	1035 Exchange (50)
1035 Exchange (72)	1035 Exchange (72)	Estate Planning (69)	Estate Planning (66)	Premium Financing (48)
Buy-Sell (71)	Premium Financing (68)	Split Dollar (66)	162 Bonus Plan (65)	Split Dollar (48)
Taxation (71)	Private Financing (66)	SERP (60)	Trusts (74)	Buy-Sell (44)
Premium Financing (63)	Taxation (57)	162 Bonus Plan (53)	Buy-Sell (57)	Charitable Planning (40)
Private Financing (56)	JH Solutions (46)	Gifts (52)	Taxation (52)	LTC Rider (30)
162 Bonus Plan (47)	Trusts (74)	Taxation (43)	1035 Exchange (72)	JH Solutions (24)
Sale to Defective Trust (42)	LIRP (37)	Deferred Comp (42)	LIRP (35)	Gifts (23)
QPLAN Max (41)	Gifts (34)	LIRP (41)	QPLAN Max (31)	Deferred Comp (22)
Charitable Planning (39)	SERP (33)	JH Solutions (38)	Gifts (28)	QPLAN Max (22)
REBA (39)	LTC Rider (31)	QPLAN Max (33)	Keyperson Life (28)	Qualified Plans (20)
Term Conversion (39)	Qualified Plans (29)	Trusts (74)	LTC Rider (27)	162 Bonus Plan (19)
JH Solutions (38)	Deferred Comp (27)	Charitable Planning (30)	Charitable Planning (26)	LIRP (41)

Trusts (12)
Taxation (10)

*Based on internal data

Who are your clients?



Who are your favorite clients?



**High Net
Worth (\$10M+)**

Estate Freeze Techniques

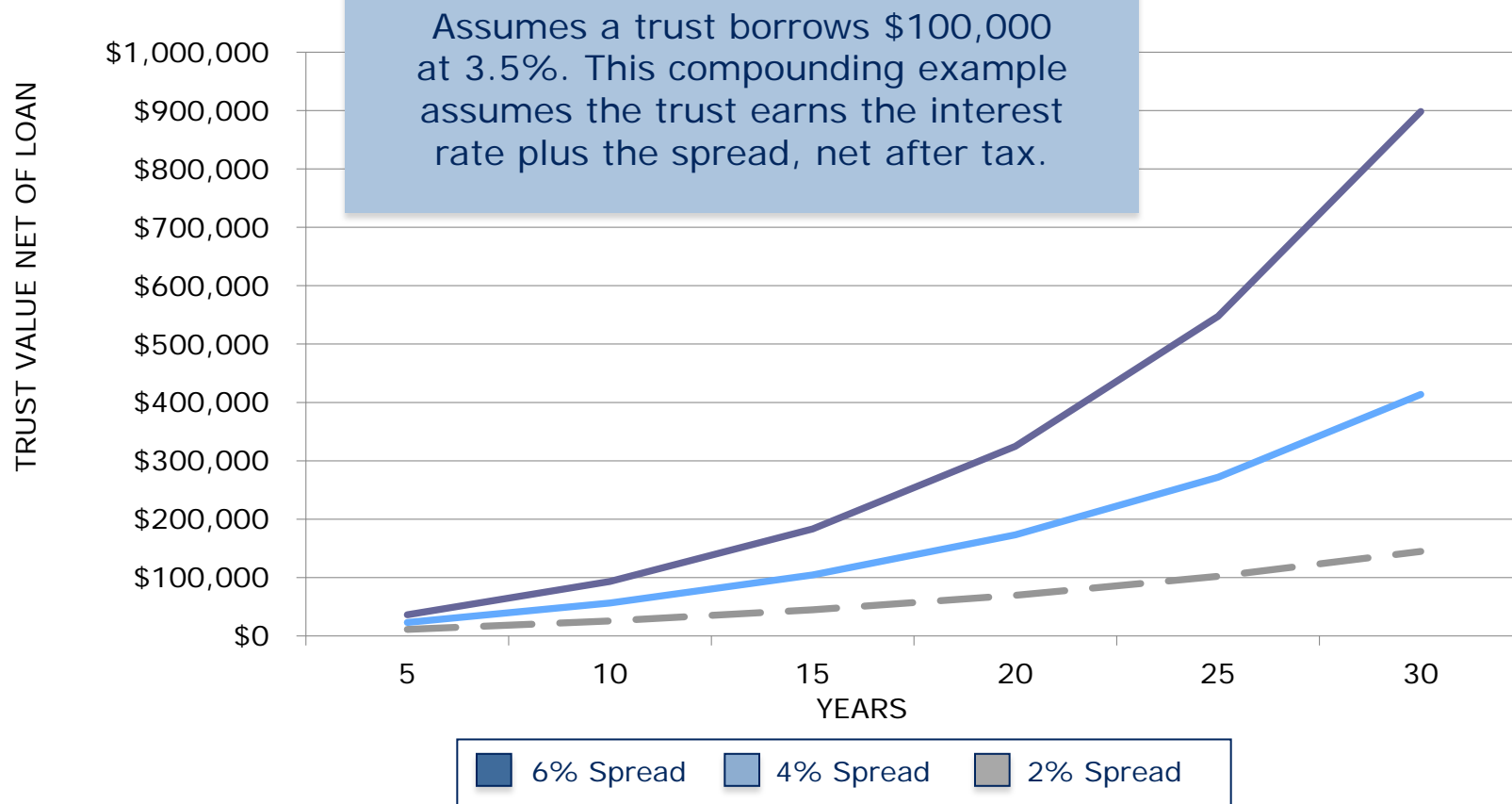


The idea behind an estate freeze is to transfer value to the next generation at a low current value and to remove appreciation after the transfer date from the transferor's estate.

- Gifting
- Sales to Grantor Trusts
- GRATs
- Private annuity
- Charitable Lead Trusts

The Power of Estate Freezes

Shifting Wealth Effectively when Interest Rates Rise

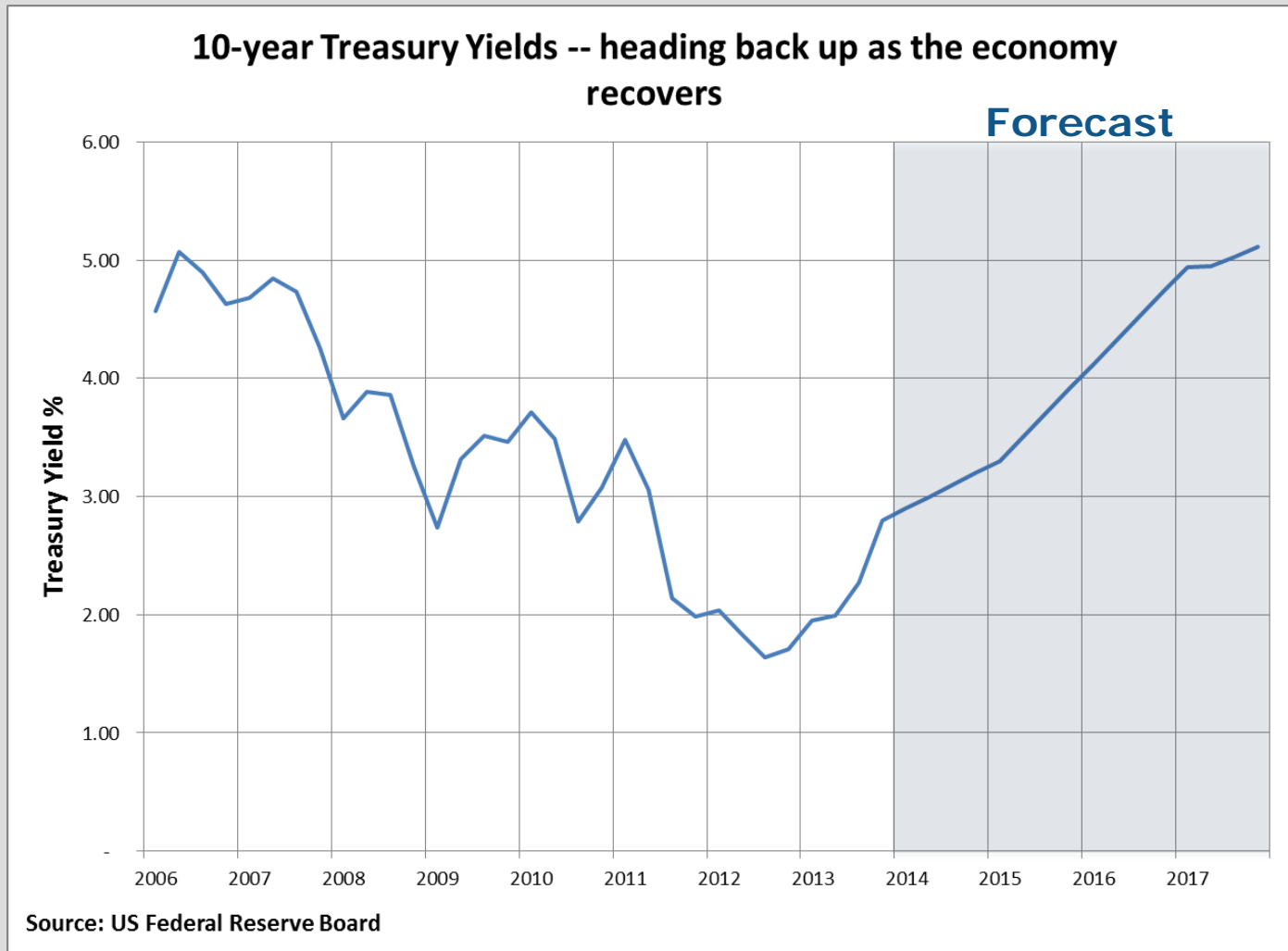


The data shown is taken from a hypothetical calculation. It assumes a hypothetical rate of return and may not be used to project or predict investment results.

Today's Planning Environment

10-Year Treasury Yield –

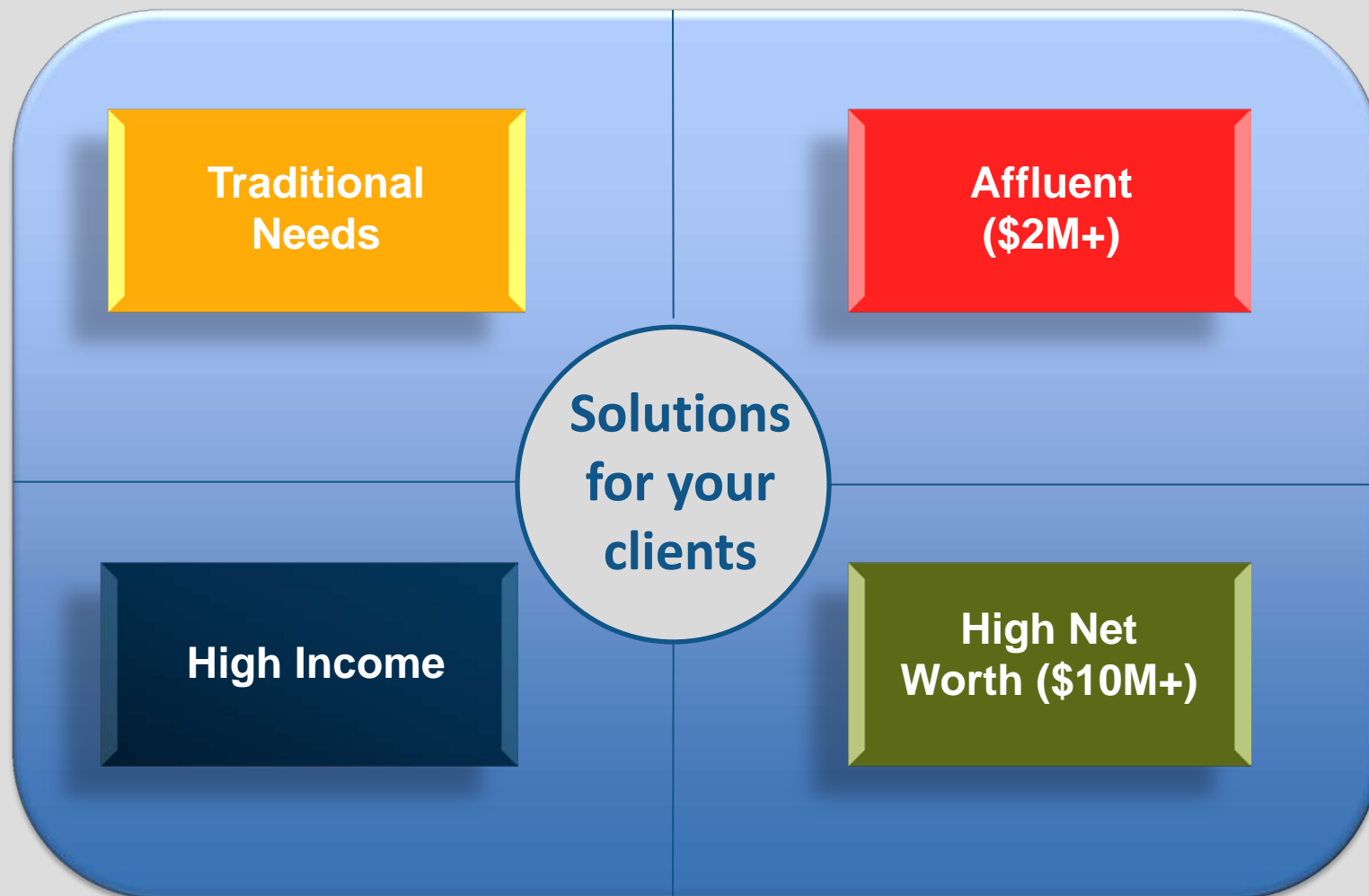
Heading back up as the economy recovers



SOURCE: US Federal Reserve Board.

Forecast by the Manulife Asset Management Group, Global Intelligence: The Outlook for 2014, December 2013. www.manulifeam.com

Who are your clients?

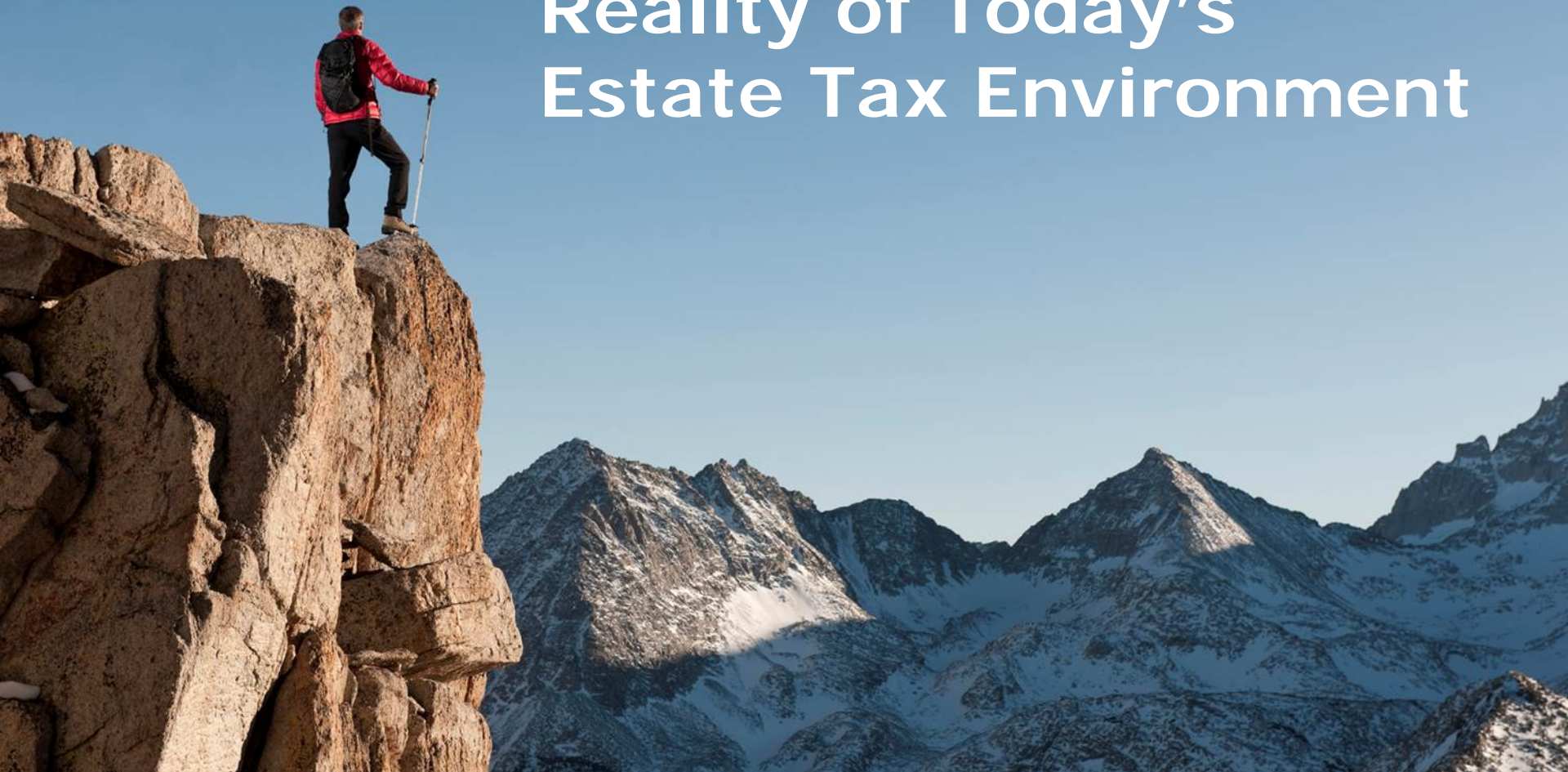


Who are your favorite clients?



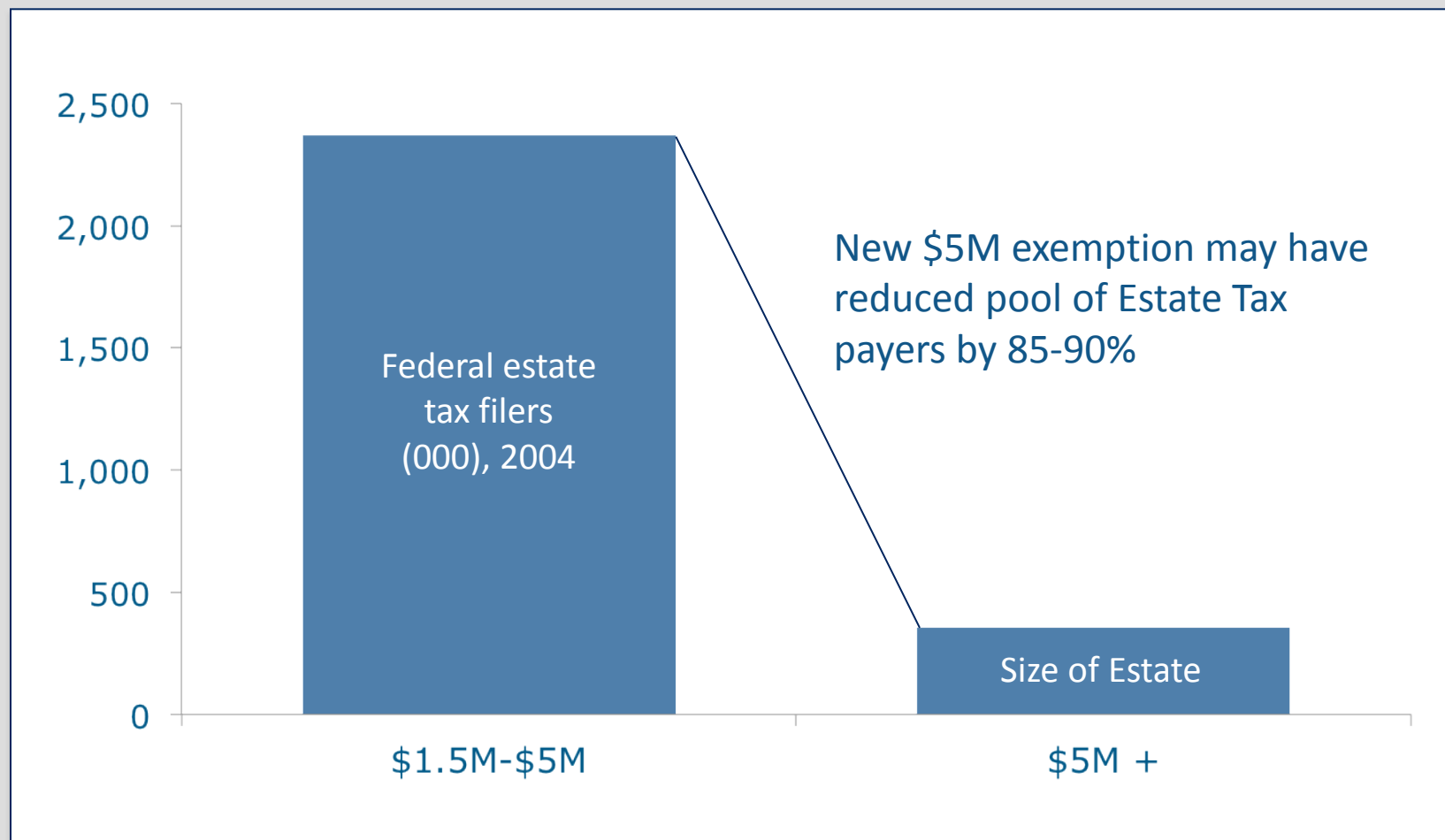
High Income

Reality of Today's Estate Tax Environment



Who has estate tax needs?

Net Worth of Top US Wealth Holders (000)



Source: Census.gov; "Top Wealth Holders with gross assets of \$1.5M or more, 2004"
<http://www.census.gov/compendia/statab/2012/tables/12s0717.pdf>

Estate Tax is Not What it Used to Be¹



	2014	2008
Gross Estate	\$12,000,000	\$12,000,000
Taxable Gifts	\$0	\$0
Tentative Tax	\$2,645,800	\$4,380,800
Unified Credit ²	\$2,081,800	\$780,800
Net Federal Estate Tax	\$564,000	\$3,600,000
Net Estate Remaining	\$11,436,000	\$8,400,000
Taxes as a % of Estate	4.7%	29%

Everybody dies, but only .14% of estates (fewer than 2 out of every 1,000 people) in 2014 will pay any estate tax due to the high exemption amount, which has more than quadrupled since 2001³

1. Comparison assumes married couple, both die in same year with typical A/B estate plan in place.
2. Exemption for 2014 is \$5,340,000; Exemption for 2008 was \$2,000,000.
3. Center on Budget and Policy Priorities, "Myths and Realities About the Estate Tax. August 29, 2013
<http://www.cbpp.org/cms/?fa=view&id=2655>

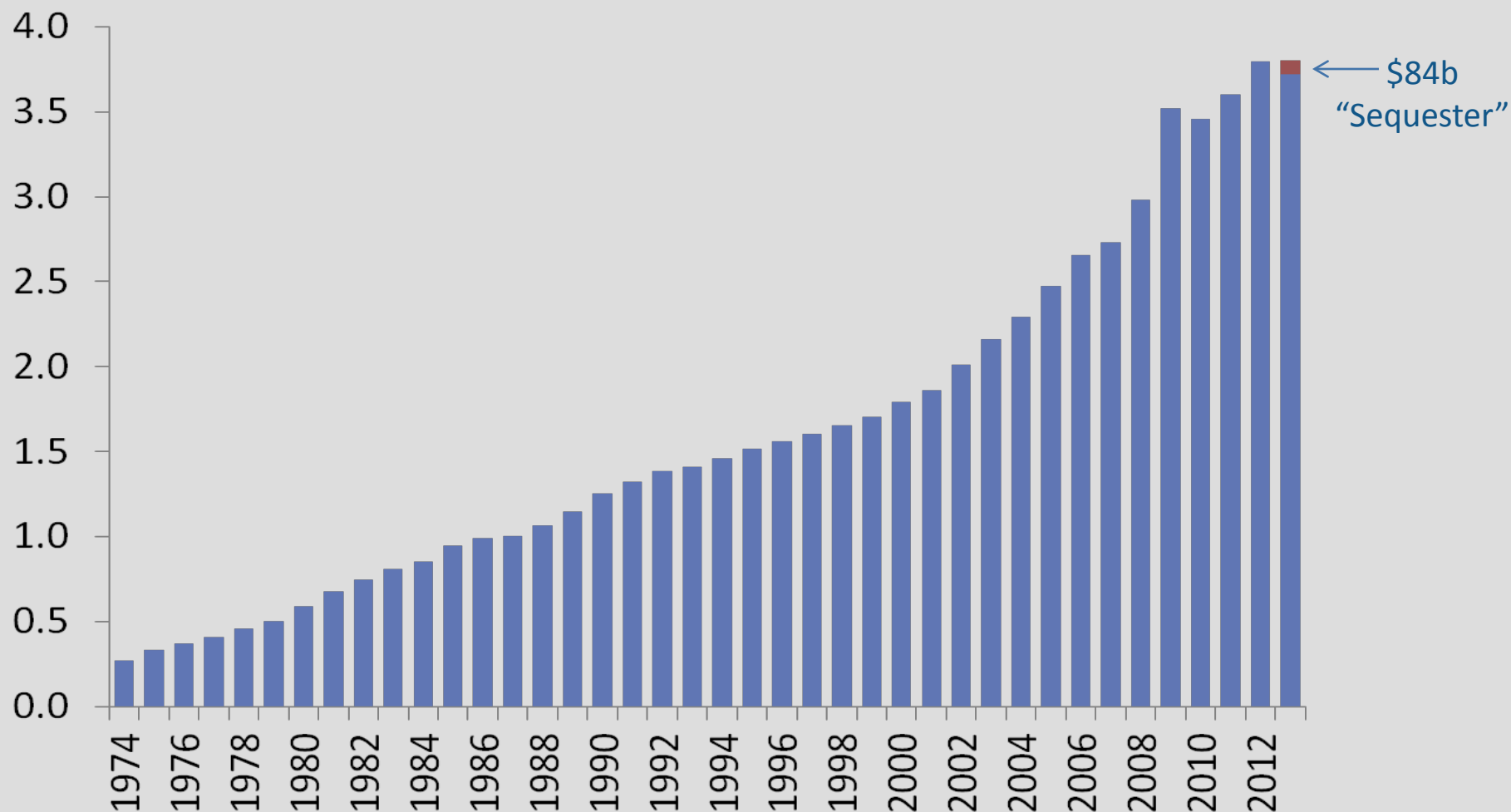
Estate Planning is Income Tax Planning



When is permanent not forever?

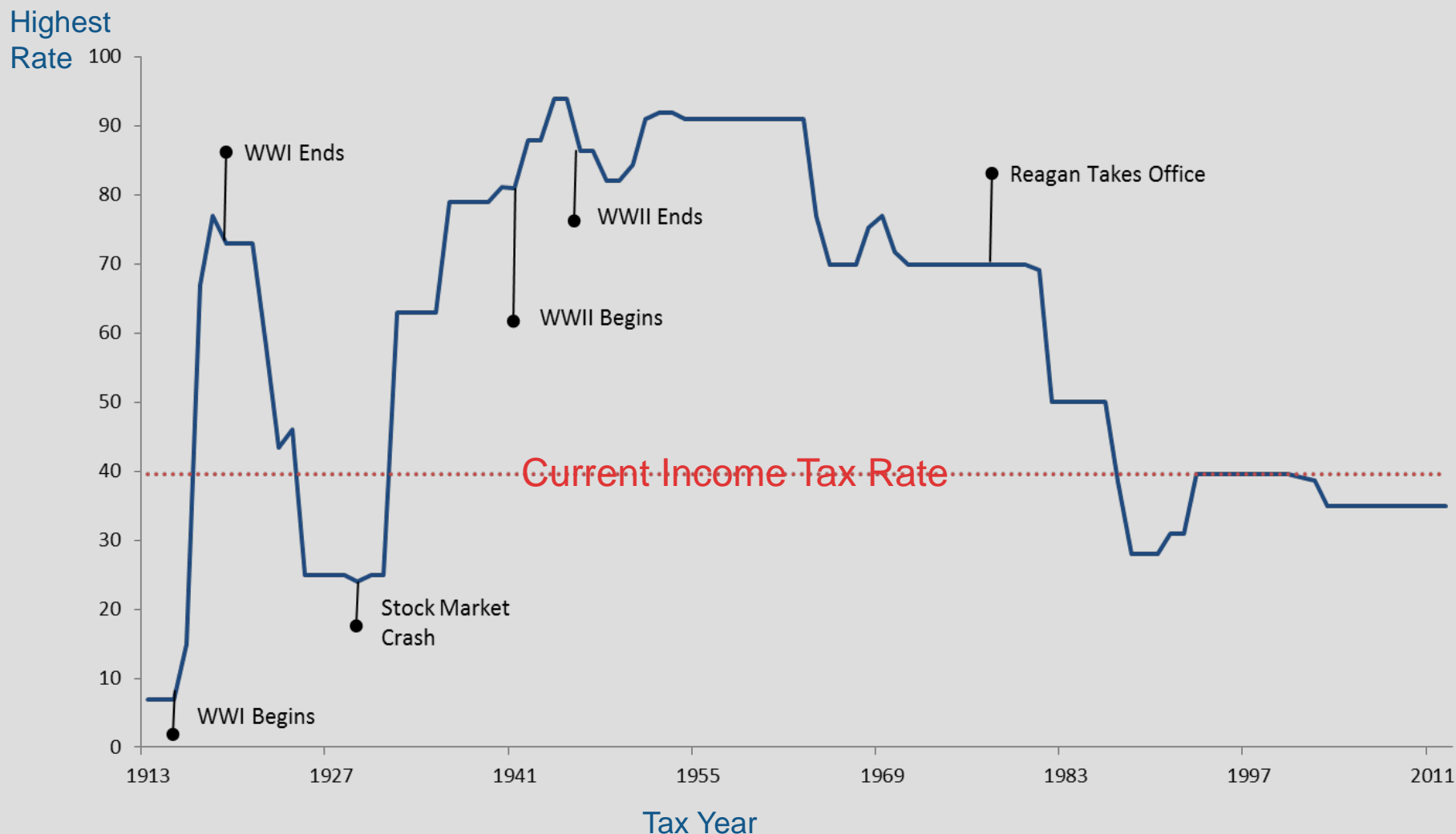
John Hancock

Annual Federal Spending (In Trillions), 1974-2013



Source: OMB, "Summary of Receipts, Outlays & Surpluses" 2013 report in current dollars, <http://www.whitehouse.gov/omb/budget/Historicals>

History of the Income Tax



Source: IRS SOI Tax Stats Historical Table 23 data <http://www.irs.gov/uac/SOI-Tax-Stats-Historical-Table-23>

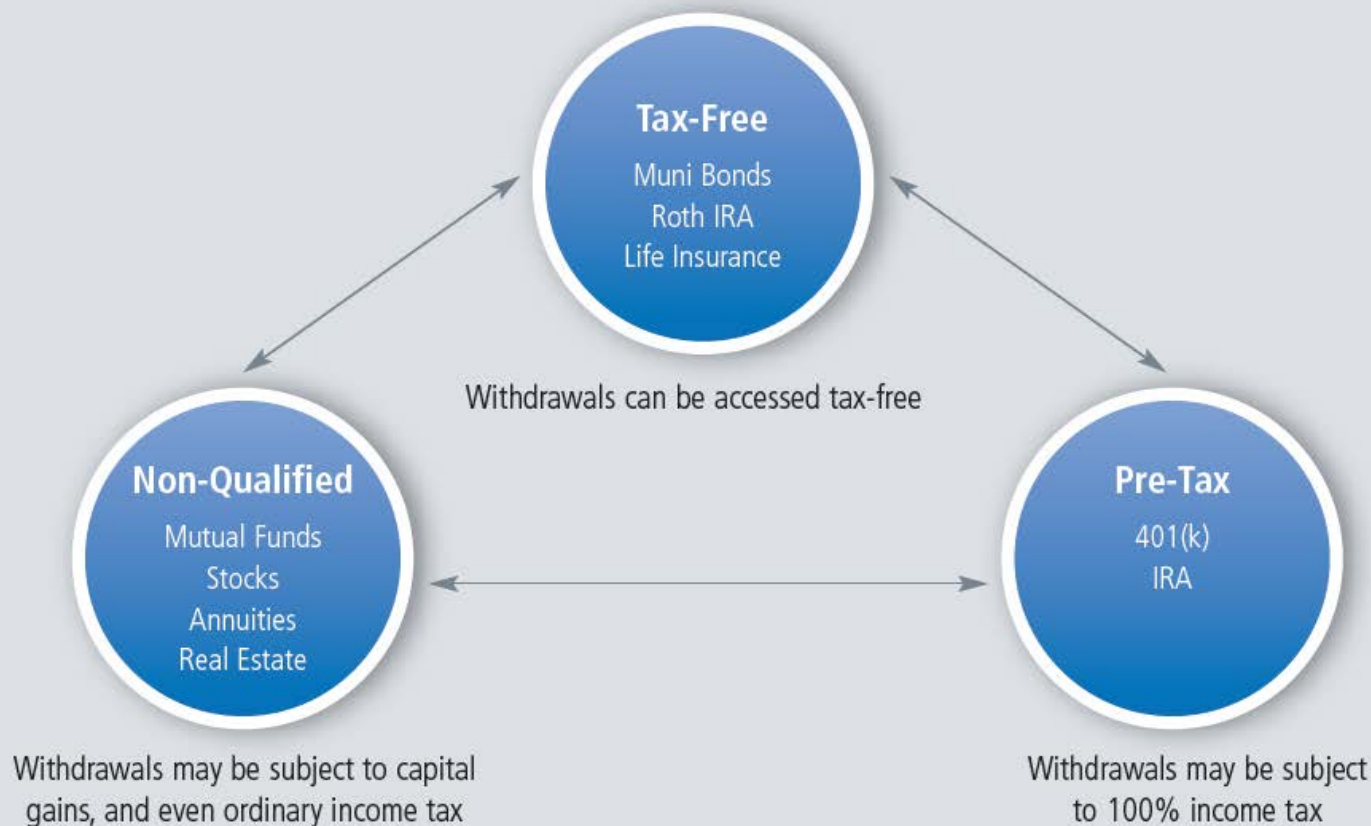
Comparison of Investment Options



Feature	Life Insurance	Taxable Investments	Qualified Plan/ Traditional IRA	Roth IRA	Municipal Bonds
Tax-Favored Withdrawals	✓	✗	✗	✓	✓
Tax-Deferred Accumulations	✓	✗	✓	✓	✓
Tax-Free Death Benefit	✓ ₁	✗	✗	✗	✗
Penalty Tax for Early Withdrawal	Maybe ₂	✗ ₄	✓	✓	✗
Contribution Limits	✗ ₃	✗	✓	✓	✗
Cost of Insurance Charges	✓	✗ ₄	✗ ₄	✗	✗
Market Risk	✓	✓	✓	✓	✓

Notes 1-4 are fully addressed in the End Notes on slide 31.

Income Tax Management Strategies



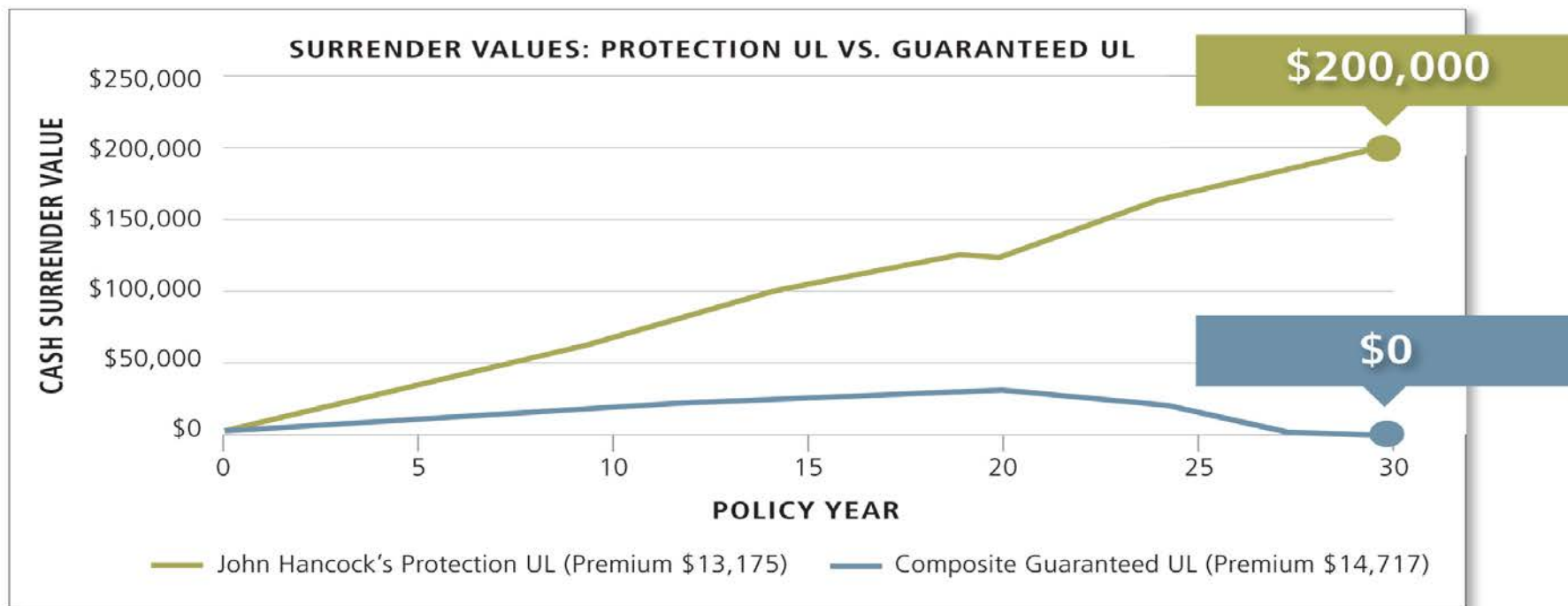
...withdrawals from non-qualified investments can reduce income taxes in retirement.

GUL cash value story:



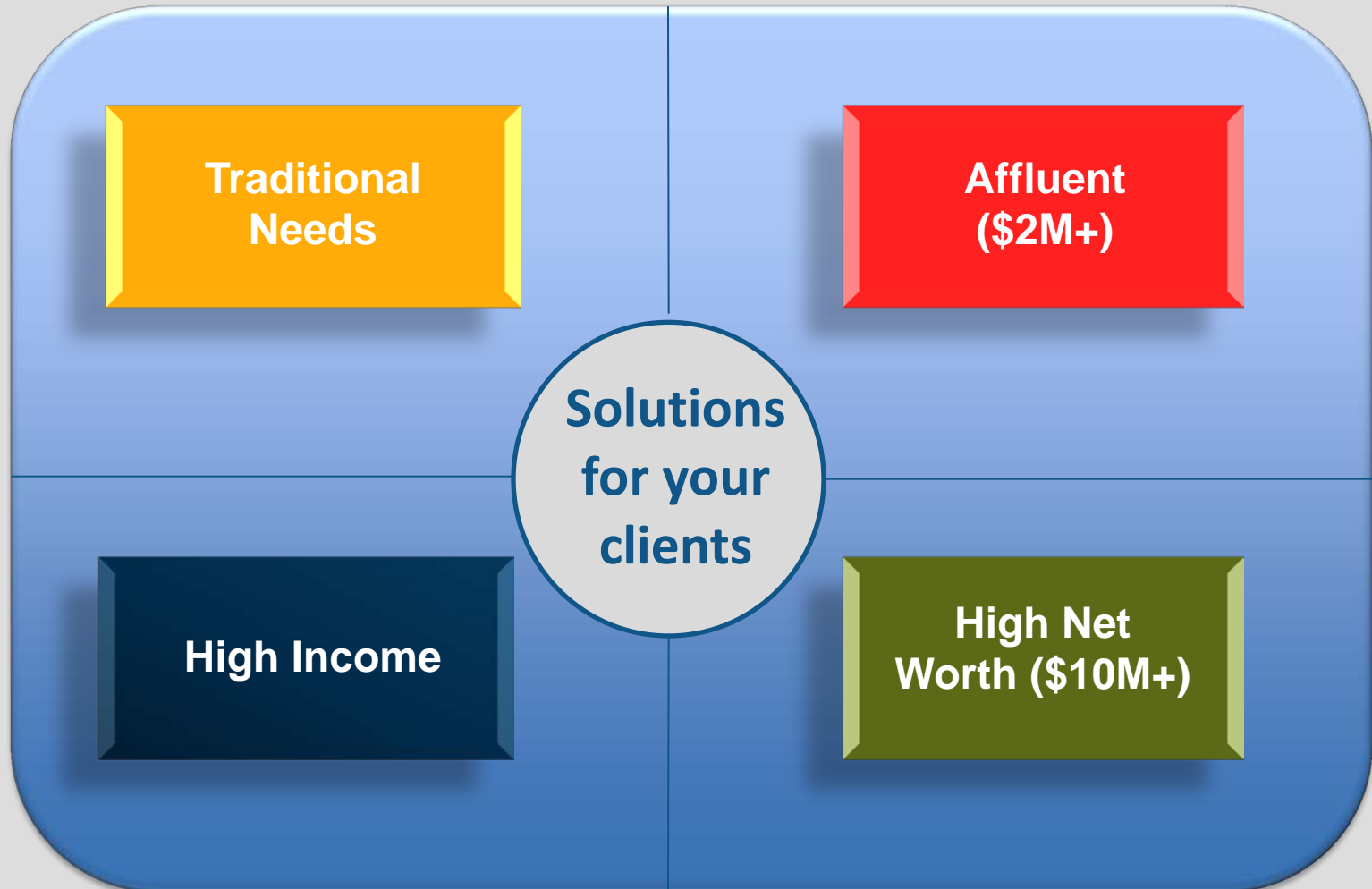
Protection UL — Pay 12% Less. Get A Lot More.

Male, 60, Best Risk Class, Level-Pay, \$1,000,000 Face Amount, Lifetime Coverage



Protection UL premium is based on current assumptions and is guaranteed to age 80. Competitors premiums is based on lifetime guarantee. Competitor information is current and accurate to the best of our knowledge as of May 2013. The data shown is taken from various company illustrations. Current interest rates may be different for each company and may not be guaranteed. The comparisons in this communication are of different products which vary in premiums, rates, fees, expenses, features and benefits. Composite average is based on lifetime premiums for guaranteed UL policies currently marketed among the top sellers of UL, excluding John Hancock, as indicated in the 2012 Q4. Universal Life Sales Summary. Companies include: Nationwide, Lincoln, Protective, Principal and Prudential. These comparisons cannot be used with the public and complete personalized policy illustrations for each representative company must be presented or discussed with your clients. Please have your clients consult with their professional advisors to find out which type of life insurance is more suitable.

Who are your clients?



Who are your favorite clients?

A large, light blue rounded rectangle with a subtle gradient and a drop shadow, centered on a light gray background. In the upper right corner of this rectangle is a smaller, bright red rectangle with a 3D effect and a drop shadow.

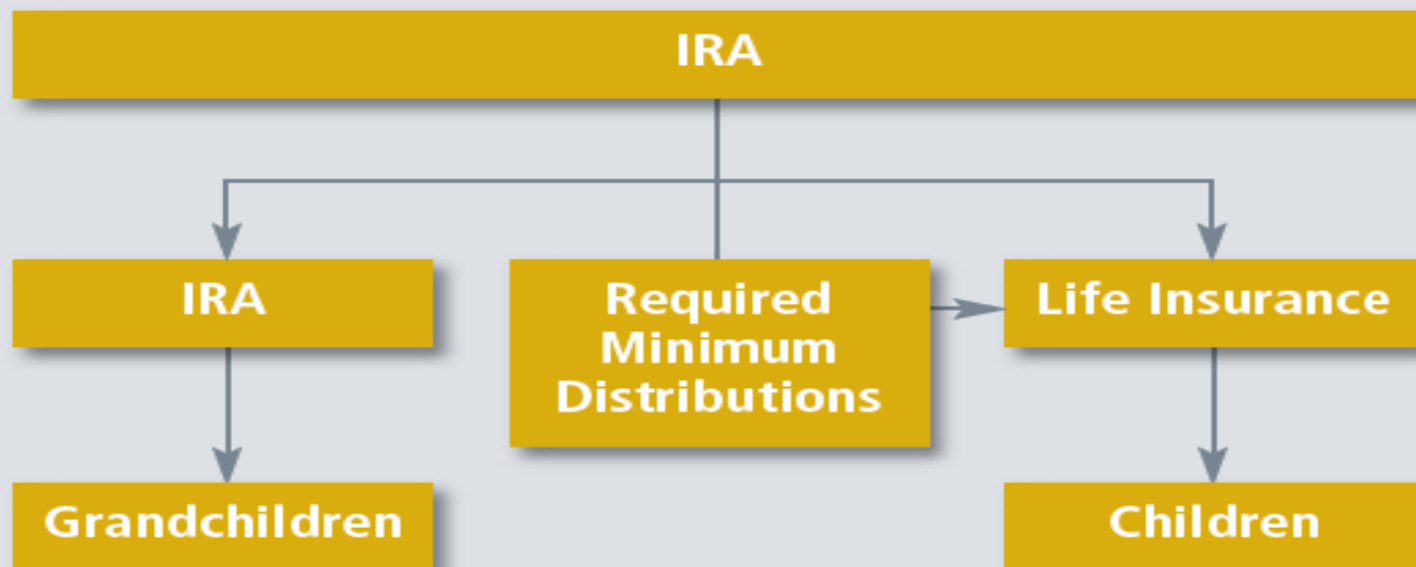
**Affluent
(\$2M+)**

An Asset Based Planning Strategy for High Net Worth Clients



Secure generational wealth transfers

- Grandparents have always loved their grandkids, but
 - In 2009 more than 51 million people live in multi-generational homes
 - Almost 96% more than in 1970
- Proper planning can protect wealth from outside forces
 - Creditors, divorce, and spendthrifts



Source: Pew Research Center analysis of the US Decennial Census Data, American Community Surveys, based on integrated Public-Use Microdata Series (IPUMS) samples, October 2011

IRA Legacy Stretch: By The Numbers



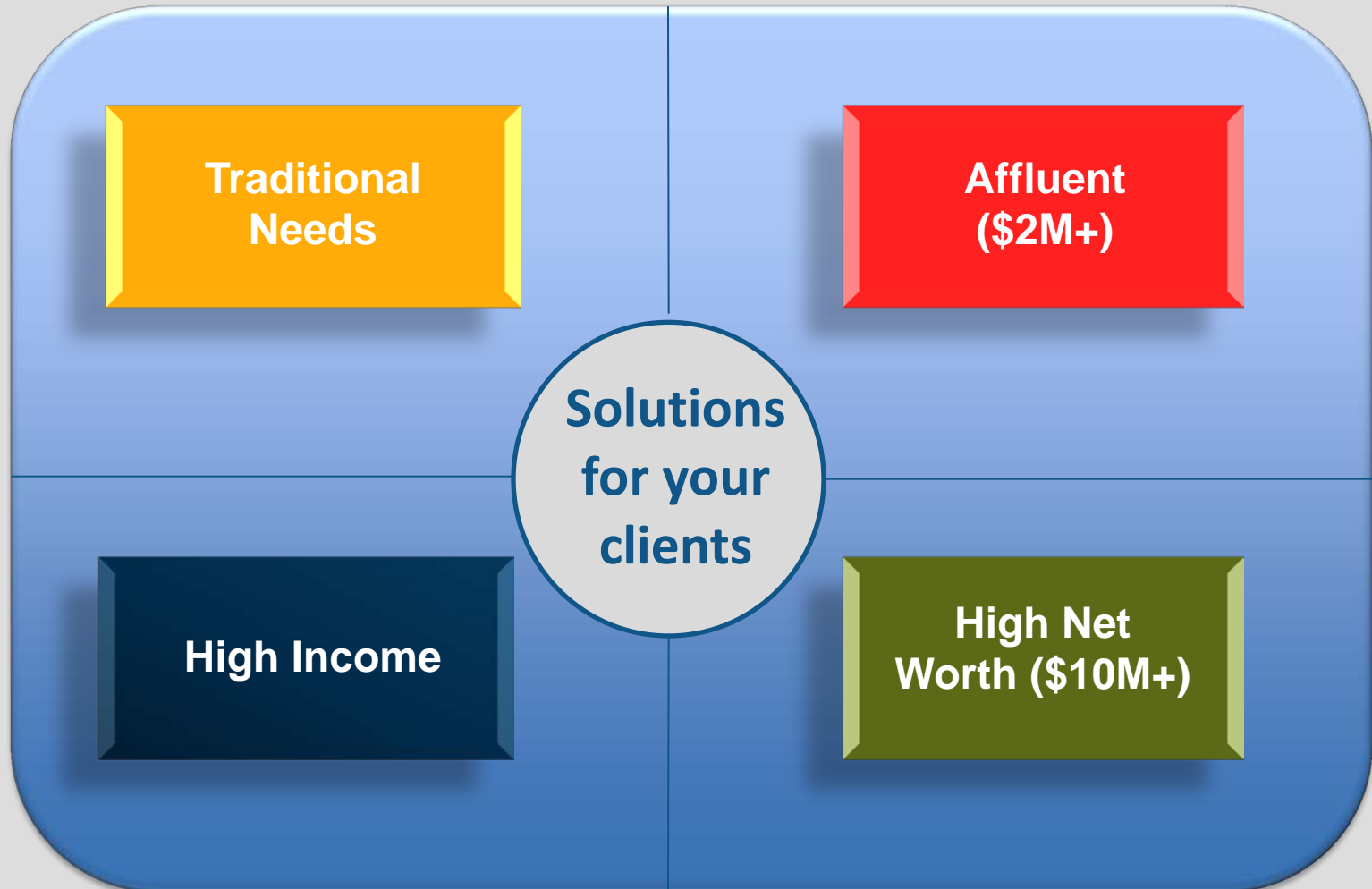
Jerry, Age 70, Current IRA of \$550,000		
	Current Plan	Proposed Plan
	Projected A/T Distributions from IRA	
During Owner's Lifetime*	\$278,634	\$278,634
During Children's Lifetime*	\$701,937	-
Life Insurance Policy (Current Assumption UL)	-	\$531,392
During GC's Lifetime†	-	\$2,118,382
Life Insurance Premiums	-	(\$222,608)
Total Distribution	\$980,571	\$2,705,800

Example assumes that Jerry passes at age 85, leaving assets to his son, Jack (age 55 at Jerry's death), and/or his Grandson, Brian (age 25 at Jerry's 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.

* Assumes a 38% tax bracket; † Assumes a 28% tax bracket

Who are your clients?



Who are your favorite clients?



**Traditional
Needs**

Continued Industry Interest in LTC Riders



Opportunity



- Approximately 70% of people over age 65 will require LTC services at some point in their lives¹
- Over 78M baby boomers in the U.S. will retire over the next two decades¹
- *Investors are worried about being able to afford high quality health care in retirement (71%), and many mention that they are at least somewhat concerned about being able to afford a nursing home or long-term care if needed (60%)²*



1. American Association for Long Term Care Insurance, 2011 LTCi Sourcebook
2. Bill Cheney, John Hancock's Chief Economist, discussing the John Hancock Investor Sentiment Index for Q3 2013 in a 10/1/13 public news release published at Manulife.com.

Difference Between Indemnity and Reimbursement



	Reimbursement	Indemnity
Benefit Pay Out	Expenses incurred - limited only by the maximum monthly benefit	Lesser of maximum monthly benefit or IRS per diem limit
Payments in Excess of IRS Limit	No adverse consequences	May create taxable event
Cost Comparison	Lower	Higher
Who receives LTC funds?	Owner or Care Provider	Owner
Subject to 7702B & 101(g)	Yes	Yes
IRS Reporting	1099-LTC	1099-LTC & Form 8853

www.JHAdvancedMarkets.Com

ADVISOR BRIEF



www.jhadvisorbrief.com

A comprehensive set of educational tools focusing on the applications of life insurance and covering a range of planning categories of interest to estate planning attorneys and accountants.

BUSINESS ANALYZER



www.jhbusinessanalyzer.com

A starting point to help you consider the non-qualified plan options available to business owners and executives to fund their retirement and address estate planning objectives.

INVEST IN YOUR LIFE

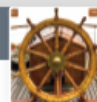


www.investinyourlifetime.com

This interactive tool graphs premiums, death benefit, internal rates of return, cash values and life expectancy*—quickly helping you highlight the tax advantages that a life insurance policy and its death benefit can offer.

* Based on ages 45 – 75, 5-year increments, assuming Preferred Non Smoker risk class.

CONCEPT NAVIGATOR



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Demonstrate the impact of estate taxes with a short presentation customized for your client; you can also show a basic life insurance quote.

BUSINESS VALUATION CALCULATOR



www.jhbusinessvaluation.com

A useful tool to help determine the approximate value of a client's business.

JH SALES MAVEN



www.jhsalesmaven.com

This tool is an online guide that helps uncover basic life insurance opportunities.

NEEDS ANALYSIS CALCULATOR



www.jhadvancedmarkets.com/needsanalysiscalculator

This interactive tool will help determine how much life insurance coverage clients need to secure their financial future.

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Tune into radio broadcasts featuring interviews with industry leaders.

RETIREMENT NEEDS CALCULATOR



www.jhretirementcalculator.com

Show your clients their potential retirement income shortfall with this easy-to-use tool, and demonstrate how permanent life insurance can help close their income gap.

End Notes



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 withdrawal penalty may apply.

Disclosures



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

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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.

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