The Cross Endorsement Buy – Sell plan

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.

MLINY021715066

The Concern

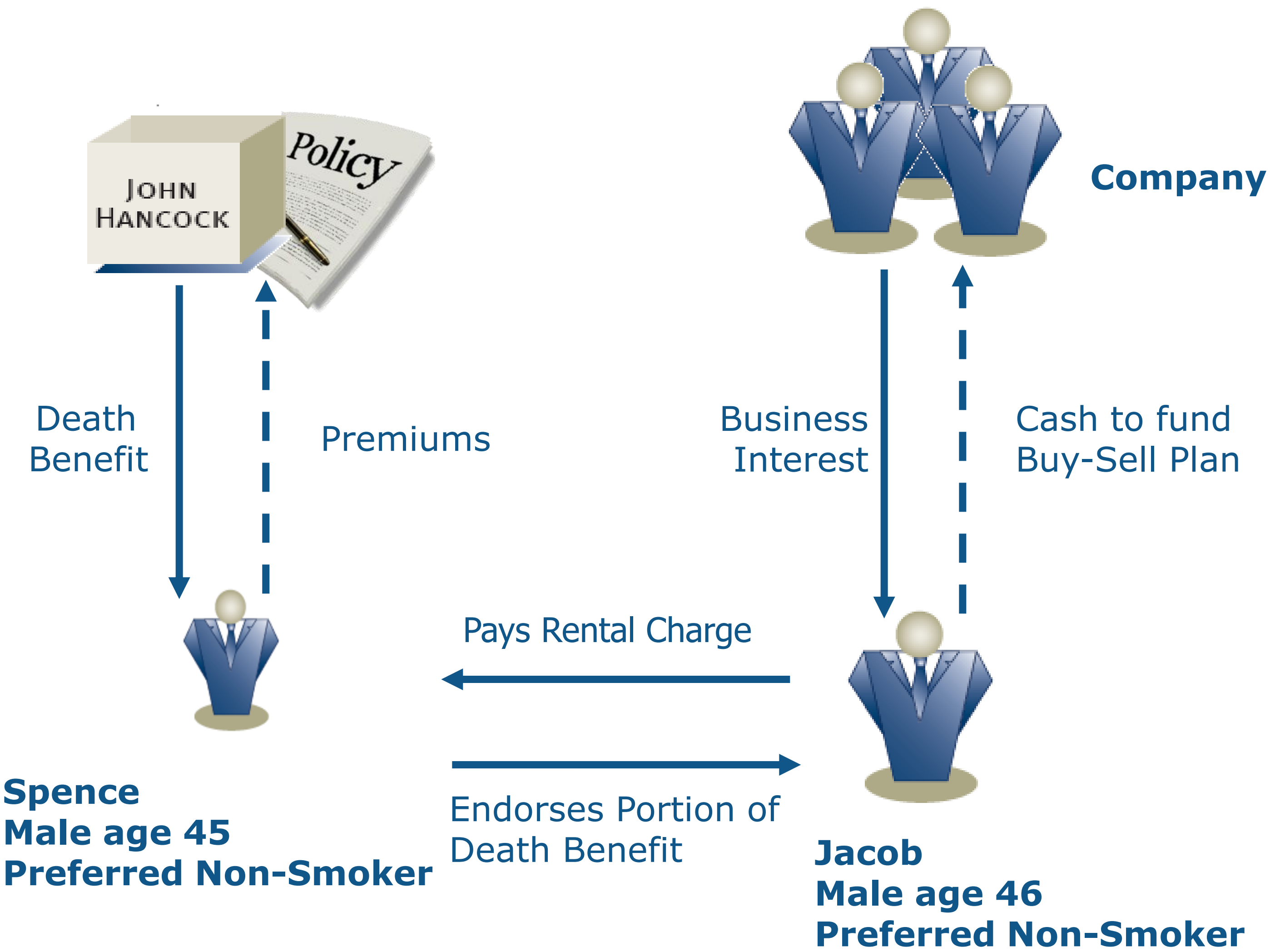
- Protecting the business in the event of:
  - premature death or disability
  - the lifetime transfer or sale of the business
  - retirement of one of the key business owners

The Solution

The Cross Endorsement Buy-Sell Plan:

- Each business owner (or their Irrevocable Life Insurance Trust) purchases and owns a life insurance policy on his or her own life.
- Each of the business owners will endorse or "rent out" the death benefit to each other to fund a buy-sell agreement.
- The policy's potential cash values can be used to supplement the business owner's retirement income or to fund the buy-out of a business when the buy-sell plan is no longer needed.
- The policy can be used to pay estate taxes associated with the wealth the business creates.

How It Works Between Owners



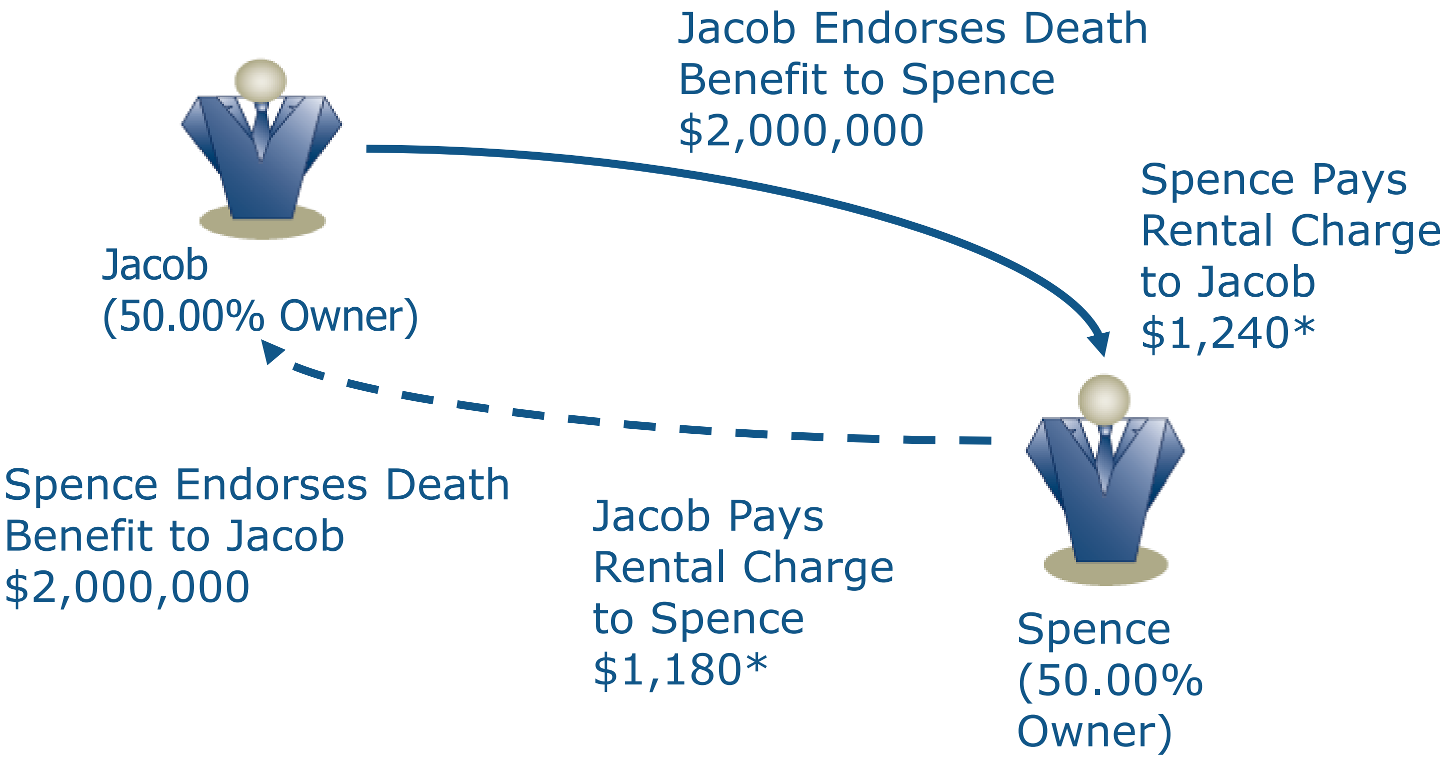
Case Example

Company's Fair Market Value: $4,000,000

Owner Name	Ownership in Company	Amount Endorsed	Initial Face Amount
Spence Williams	50.00%	$2,000,000	$2,000,000
Jacob Jameson	50.00%	$2,000,000	$2,000,000

This example assumes the use of a John Hancock Protection UL (13) policy. The premiums due on Spence's policy, $17,005, and on Jacob's policy, $17,797 are based on twenty premium payment years.

Renting Death Benefit



*Based on John Hancock’s alternative Term Rate table

Benefits To You

- Cash is available to help fund sale based on triggering events outlined in buy-sell plan.
- Estate has liquidity to help pay estate taxes due to the wealth the business creates.
- Potential for tax-favored supplemental retirement income from a permanent policy.

Benefits To You

- There is no taxation when the Buy-Sell plan is terminated.
- There is no need to transfer policies to the business owner-insured’s if and when the Buy-Sell plan is no longer needed.
- Flexibility for changing needs

Considerations

- Increasing economic benefit costs
- Cash flow required to fund premiums
- Split Dollar Final Regulations
- Cash Value Restrictions
- Potential Transfer For Value

IRA Legacy Plan:

Multi Generational IRA Planning with Life Insurance

Who Creates The Legacy? Why?

Retired Individuals who want to

- ✓ Provide for their children and grandchildren
- ✓ Protect them from financial hardship
- ✓ Ultimately ensure their financial independence and security

Concerns Grandparents May have for Future Generations

- the potential economic burden being passed to children/grandchildren (Social Security, Medicare, deficit gap)
- Increasing Cost of Education
- Increasing Cost of Medical Care
- Special Needs Grandchildren
- Grandparents Being the Providers and Caregivers of their Grandchildren

Facts about IRAs

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According to Employee Benefits Research Institute…

60% owned by people age 55 to 74

65% owned by families with income over $100k

Families in top 10% net worth held 72% of all financial assets and 50% of IRAs

$4.1 Trillion in IRA Assets in 2007

Many do not need their IRA for Retirement Income!

EBRI.org, May 2010, Volume 31, No. 5; information from Hewitt Associates LLC, *Survey Findings: Trends and Experience in 401(k) Plans: 2009* (Lincolnshire, IL: Hewitt Associates, LLC, 2009.

Who are the Prospects?

Clients who want to leave a legacy to children *and* grandchildren

Clients who take only RMDs and retain them in their brokerage account

Clients with other financial assets for income purposes

Ask one simple question:

What are your intentions for this IRA asset?

Case Study: Meet Jerry and his family

Jerry's Current Situation

Jerry Winsor

Age 70

Preferred Non Smoker

38% Tax Bracket

Current IRA Balance $550K

Jerry's Current Plan

- ✓ He has an IRA that is no longer needed for retirement income.
- ✓ He wants to leave his IRA to both his children and grandchildren.
- ✓ He will have to take Required Minimum Distributions (RMDs) starting at age 70½.
- ✓ The current beneficiary of the IRA is his son Jack.
- ✓ The IRA could be subject to **both** estate and income taxes at the client's death, further reducing the amount left for heirs.

IRA Projections* Based on Current Plan: Distributions

RMD Distributions

For 17 years Jerry will have received net distributions from his RMD of $325,985

This is a hypothetical example for illustrative purposes only.

IRA Projections* Based on Current Plan: Jacks Options

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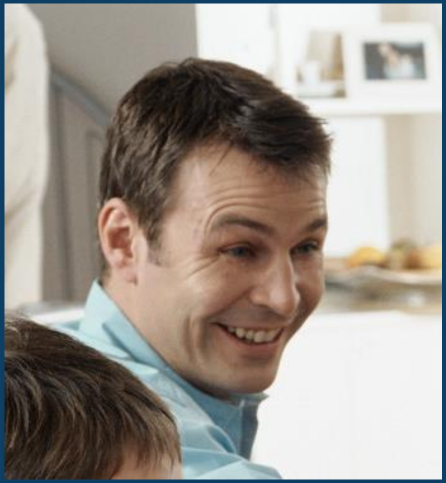
Option 1

Stretch the IRA over his lifetime resulting in net after tax payments of $700,037

Inherited IRA



Option 2

Lump Sum Net Distribution Of $325,985

This is a hypothetical example for illustrative purposes only.

Alternative Solution: Purchase Life Insurance

LIFE INSURANCE

RMD

Policy

Beneficiary

✓ Use distributions from IRA to fund a life insurance policy on the client's life to **benefit his children**. The children will receive a **lump sum tax-free death benefit** at the death of the parent.

This is a hypothetical example for illustrative purposes only.

In this example Jack would receive $504,000 income tax free

Alternative Solution: Change the IRA beneficiary

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Beneficiary

Grandchild

- ✓ Client can change the beneficiary designation on the IRA to the **grandchildren** so they can **stretch payments over their longer life expectancy.**

In this example Jack's child would stretch out IRA and would receive on an after tax basis $1,593,220

Consider a "See Through Trust" for each grandchild

This is a hypothetical example for illustrative purposes only.

Alternative Solution: Effects of Proposed Plan

Jack receives $504,000 tax-free at age 58 in lump sum, as compared to a net payment over 30years of $700,037 or a lump sum of $325,985

Jerry’s grandchild receives income beginning at age 29 through age 80, totaling $1,593,220

This is a hypothetical example for illustrative purposes only.

JH Solutions Case Examples

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IRA Legacy Plan

Using Distributions from an IRA to fund a Life Insurance Policy

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License:

PREPARED FOR

Jerry Windsor

Insurance products are issued by: John Hancock Life Insurance Company (U.S.A.), Boston, MA 02116

April 10, 2014

Considerations

- Does the IRA or Qualified Plan allow the stretch?

- More on "See Through Trusts":
  - Accumulation Trusts
  - Conduit Trusts

- Competent legal counsel is required.
  - The attorney should draft the beneficiary designation.
    - Separate shares
    - Fractional formulas
    - Disclaimers
  - Alternatives

- GST Considerations.

- Could the stretch be taken away?

Additional Considerations

- Client must pay income tax on the distributions as they are withdrawn.
- Withdrawals in excess of the required minimum distributions may reduce overall IRA value.
- The amount of life insurance protection that your client qualifies for will be subject to medical and financial underwriting requirements and may be more (or less) than applied for.
- The purchase of life insurance has costs and risks associated with it, including the cost of insurance.
- Stretch IRA distributions from the IRA are taxable to the recipient.
- The client may want to consider establishing an Irrevocable Life Insurance Trust to hold the life insurance to remove the policy from their taxable estate. 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.
- Income and estate tax laws are subject to change at any time. Client should seek qualified tax and legal counsel as Generation Skipping and Estate Taxes, unless otherwise noted, are not considered in this presentation.

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Private Financing

Funding an estate plan while reducing or eliminating gift taxes.

Your client needs additional life insurance coverage, and would like this coverage outside of their estate.

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However, your client may not have enough annual exclusion gifts to cover the full policy premium without paying gift taxes.

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How can your client secure the life insurance coverage they need while reducing or eliminating gift taxes?

Private Financing may be able to help.

What is Private Financing?

- Fair market loan between your client and their Irrevocable Life Insurance Trust (ILIT)*
- Loan interest is based on the Applicable Federal Rates (AFR)
- Your client's ILIT will use the loan to purchase life insurance on their life
- Gift taxes may be reduced or eliminated completely

*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.

How does Private Financing work?

- Your client creates an ILIT, which will apply for a life insurance policy on the client, or the client and spouse
- The client will lend the ILIT enough money to pay the premium
  - If desired, the lender could be the client's Family Limited Partnership, Limited Liability Company, or an existing trust
- The loan could be made annually or in an up-front lump sum to create a sinking fund

Benefits

- Gift tax costs may be eliminated or significantly reduced, since the gift is only the loan interest, and not the premium
- In many cases, your client’s heirs will receive the loan repayment net of estate taxes
- Unlike a commercial loan, the client does not have to qualify or post collateral
- Unlike a commercial loan, there is no risk of the loan being called

Considerations

- Your client must have enough cash flow to pay the full premium or make a lump-sum loan
- If your client is also the lender, the loan repayment will be included in their estate and subject to estate taxes
- If an existing trust is the lender, it must pay taxes on the interest it receives

Case Study:

Diane Munson

Case Study – The Facts

- Diane Munson
  - Needs additional $5,000,000 of Life Insurance
  - Age 62, NS Preferred
  - $28,000 available annual gift exclusions
  - Plenty of liquidity
- Cost is not an issue but wants to completely avoid gift taxes

Case Study – The Facts

- Diane will use a private financing arrangement
  - Make a lump-sum loan of about $3.6 to ILIT, which earns 6.0% on assets
  - Loan interest rate is 1.70% (February 2015 mid-term AFR), deferred
  - $5,000,000 Protection UL (13) Policy with a premium of $137,484 for 9 yrs.
- Loan will be repaid with interest in year 10

The Results

Year	Initial Loan	Cumulative Loan @ 1.70%	Loan Repayment	EOY Trust Side Fund @ 6.0%	Death Benefit	Net To Heirs
1	3,600,000	3,661,200	0	3,670,267	5,000,000	7,202,160
2		3,723,440	0	3,744,750	5,000,000	7,246,850
3		3,786,739	0	3,823,702	5,000,000	7,294,221
4		3,851,113	0	3,907,391	5,000,000	7,344,435
5		3,916,582	0	3,996,101	5,000,000	7,397,661
10		4,189,778	4,189,778	217,681	5,000,000	7,731,548
20		0	0	389,834	5,000,000	9,891,787

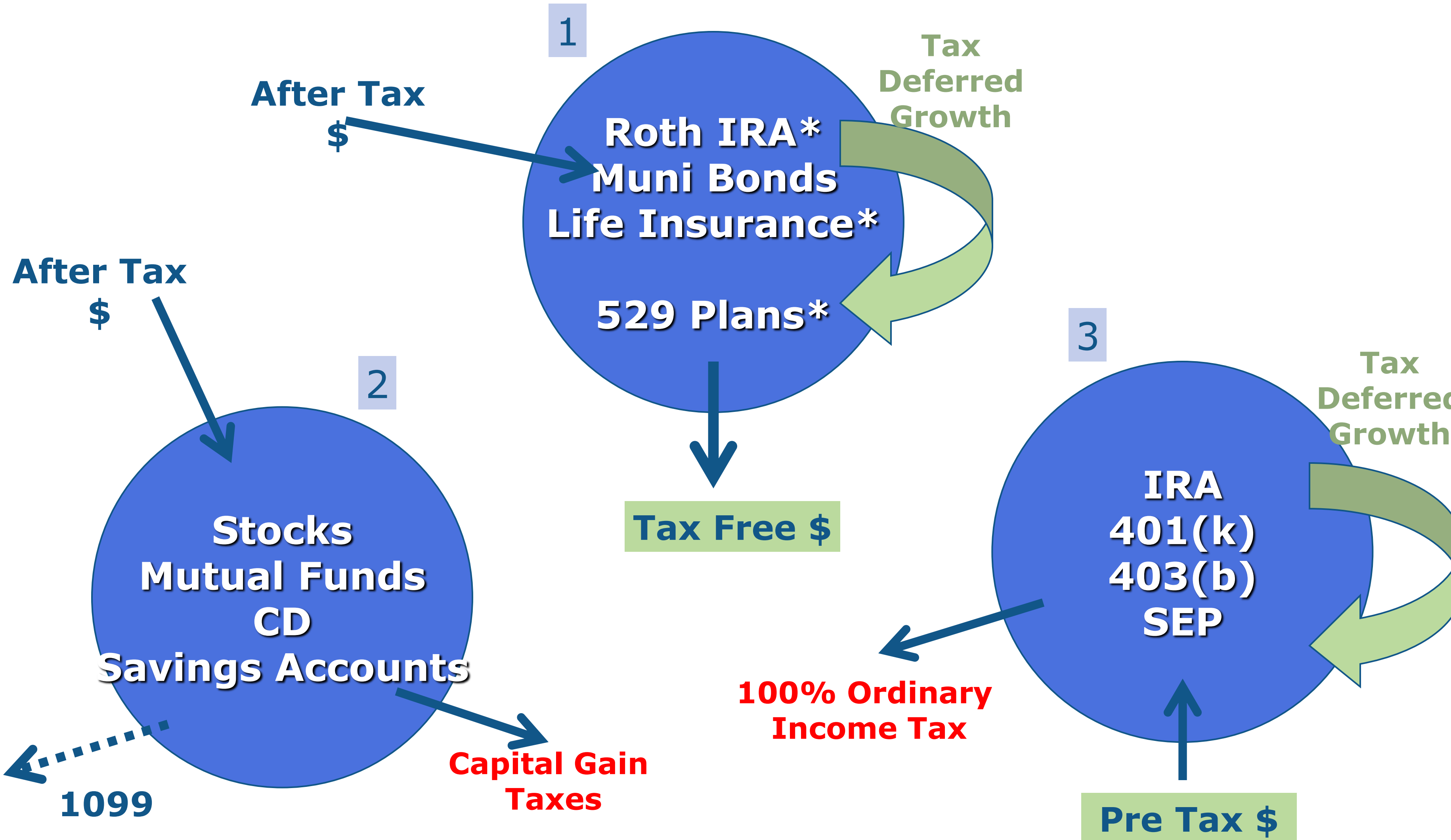
The data shown is taken from an illustration. It assumes a hypothetical rate of return an may not be used to project or predict investment results.

Summary

- **Summary:** Through a Private Financing arrangement, Diane Munson was able to secure an additional $5,000,000 of death benefit in trust for her heirs, without having to pay any gift taxes.

The Power of Tax Diversification

Tax Control Triangle



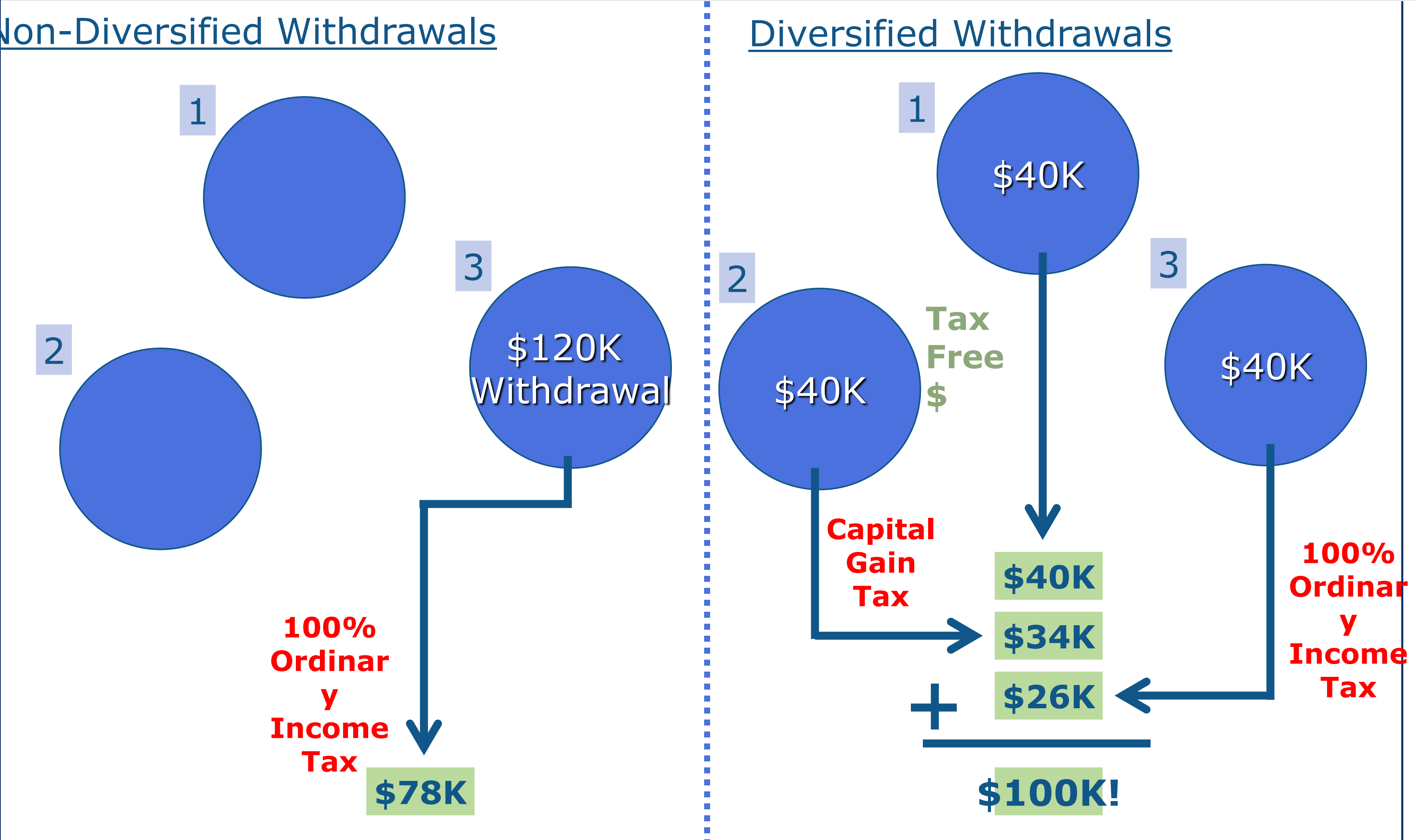
Case Study: The Power of Diversification

Clients may need to decide where to invest their additional retirement savings. Diversifying the income tax treatment of investments can reduce income taxes in retirement.

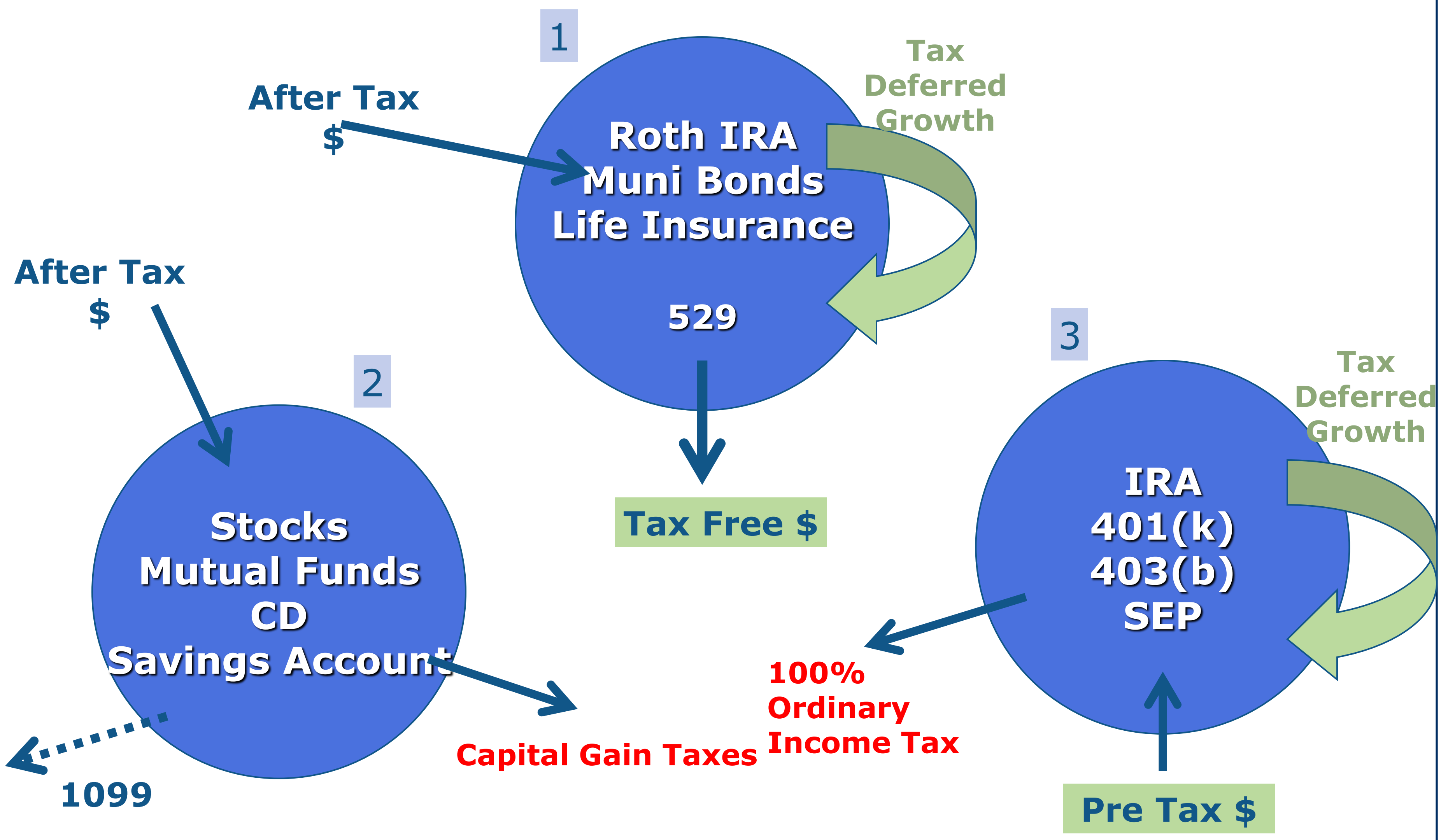
Let's take a look at an example:

- If a client withdraws from a 401(k), and makes a $120k distribution from that 401(k), they would be left with $78k (if we assume a 35% income tax bracket).
- If they withdraw $40k each from their 401(k), life insurance, and mutual funds (assuming a 15% capital gains tax, and 35% income tax bracket) they would be left with a net $100k
- By diversifying their withdrawals, they reduce their income taxes in retirement.

Diversify Withdrawals!



Tax Control Triangle



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John Hancock's Long-Term Care Rider

Why LTC?

FACT:

At least ***70% of people*** over age 65 will require LTC services at some point in their lives[1]

78 million baby boomers will retire over the next two decades[2]

One year of full-time care averages ***$94,000***[3]

1. U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, www.longtermcare.gov, September 2010.
2. American Association for Long-Term Care Insurance, 2013 LTCi Sourcebook.
3. Based on the John Hancock 2013 Cost of Care Survey conducted by LifePlans, Inc. Costs rounded to the nearest dollar.

Combining Life with LTC

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- Turns Death Benefit into Benefit Pool
- Specify the exact amount of LTC coverage needed (from 1%-100% of the initial face amount)
- Benefits ultimately paid whether needed LTC or not

How the LTC Rider Works

Premiums

Life & LTC Benefit "Pool"

Any portion of benefit not accelerated is paid to beneficiaries as Death Benefit

Monthly LTC Acceleration

Policy owner chooses maximum acceleration percentage of 1, 2, or 4% of the face amount

Other Benefits of John Hancock's LTC Rider

- ✓ Simple to qualify for the benefit
- ✓ Benefit payments not subject to IRS "per diem" limit
- ✓ Favorable tax treatment
- ✓ Rider rates guaranteed not to increase
- ✓ Experienced Claims Support
- ✓ Generally less expensive than indemnity riders

John Hancock's Price Advantage

Female 65, Preferred Non-smoker, $750,000 Death Benefit, Full-Pay for Lifetime

	Premium without Rider	Additional Cost for Rider	Premium with Rider	Initial Maximum Monthly Benefit
Protection UL	**$12,183**	**+8%**	**$13,156**	**$15,000**
Nationwide	$13,578	+22%	$16,596	$9,900
Protective	$13,981	+22%	$16,994	$9,900
Prudential	$14,915	+17%	$17,513	$9,900
AXA	$15,052	+24%	$18,591	$15,000

Competitor information is current and accurate to the best of our knowledge as of October 2014. 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. 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 most suitable.

Prudential, Protective, and Nationwide's products are guaranteed for lifetime. Protection UL is guaranteed to age 83 and AXA to age 90, both are solving to endow at age 121 assuming current charges and current interest rates. Protective, Prudential and Nationwide maximum monthly LTC benefits limited to the IRS per diem limit, currently $330 per day, or $9,900 per month. AXA's maximum monthly LTC benefit is limited to 2x the IRS per diem limit. The IRS per diem limit may be adjusted annually for inflation by the IRS. Prudential and Protective's riders are not qualified LTC riders under IRC code 7702B(b).

Succession Planning

A way to protect and preserve the business for future generations

Hypothetical Example: William West and Walker Industries

William West

- William West is age 45. He is the top sales person for Walker Industries.
- He is the "adopted" son of the founder, Tom Walker.
- He is not only the top sales person, but has a very large network. It would take someone years to build up a client list like his.

The Facts

- William West is the Sales Leader.
- Tom Walker and Walker Industries would be lost without him.
- It will take at least two people, if not more, to replace him.

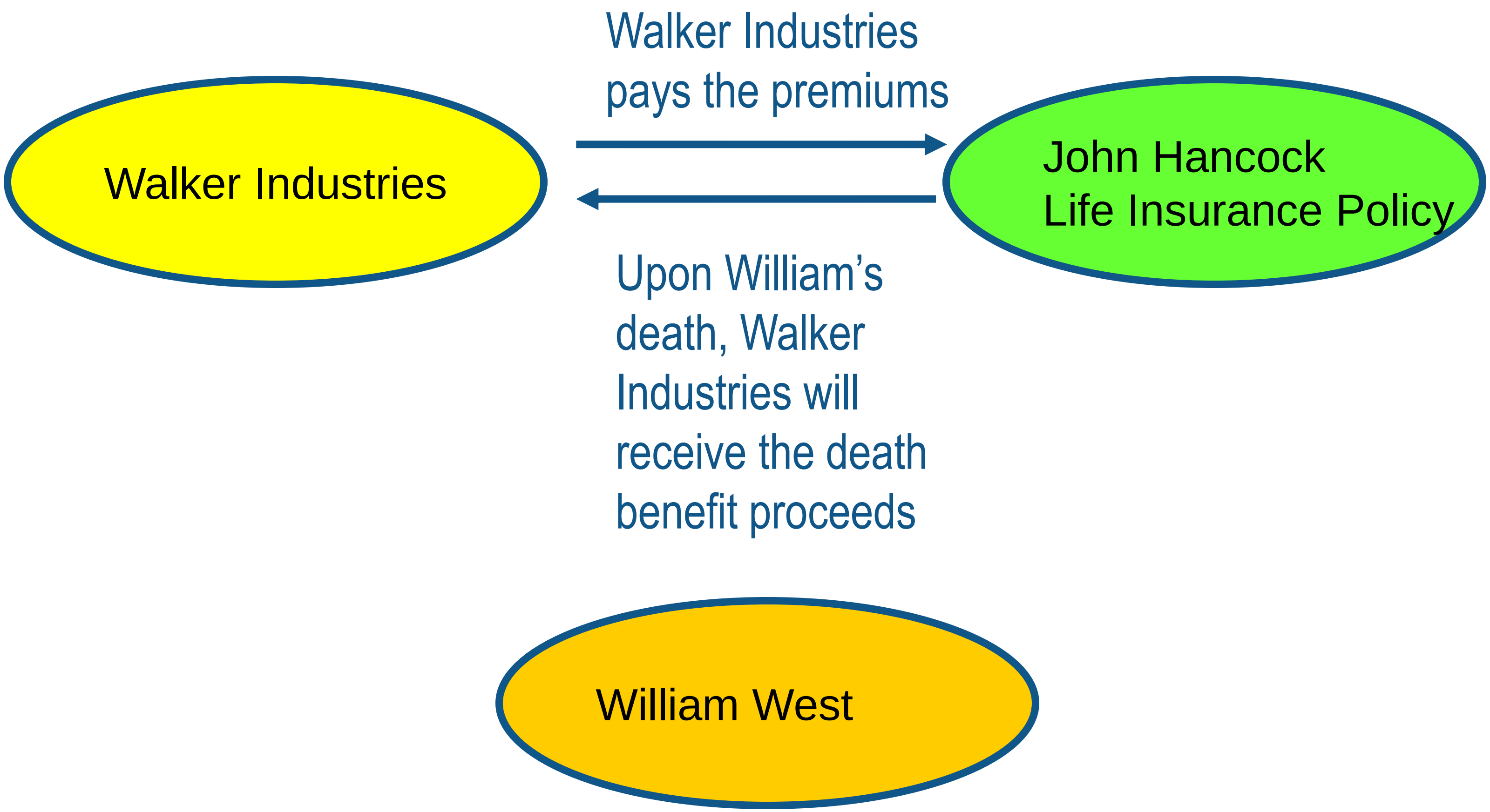
The Problem

- Walker Industries does not have enough liquid assets to train and hire two replacements for William.

The Solution: Key Person Insurance

- Walker Industries will buy a life insurance policy on the life of William West.
- William West will not have any interest in the policy.
- Walker Industries is the owner and beneficiary of the policy.

Here is what it looks like



Summary

- By implementing key person insurance, Walker Industries will have the funds to hire and train replacements as well as weather the storm should something happen to William West.

For more information, contact Advanced Sales at:

(888)266-7498

Option 3 – *Advanced Markets Consultants*

Option 4 - *Attorneys*

Disclosures

This material does not constitute tax, legal or accounting advice and neither John Hancock nor any of its agents, employees or registered representatives are in the business of offering such advice. It was not intended or written for use and cannot be used by any taxpayer for the purpose of avoiding any IRS penalty. It was written to support the marketing of the transactions or topics it addresses. Anyone interested in these transactions or topics should seek advice based on his or her particular circumstances from independent professional advisors.

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

R0th IRAs offer tax free distributions, but if money is accessed prior to 59½, the distributions may be subject to income tax and a 10% penalty.

529 Plans offer tax-free distributions but only if the money is utilized for qualified higher education expenses. Otherwise 529 plan distributions may be subject to income taxes and a 10% penalty.

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

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 wen a life insurance policy has been transferred for valuable consideration.

Guaranteed product features are dependent upon minimum premium requirements and the claims-paying ability of the issuer.

Life insurance offers tax-free distributions as long as the policy is structured properly. Modified Endowment Contracts (MEC), lapsing or surrendering a contract may cause income taxation.

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 ½. Cash value available for loans and withdrawals may be more or less than originally invested.

Disclosures

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.jhsalesnet.com to verify state availability].

LIMITATIONS ON OR CONDITIONS FOR ELIGIBILITY FOR PAYMENT OF BENEFITS
Limitations. We will not pay Accelerated Benefits for Qualified Long Term Care Services incurred during the Elimination Period, or for any care, treatment, or charges described in the Non-Duplication of Benefits or Exclusions provisions, below. We will not pay Accelerated Benefits in excess of the Maximum Monthly Benefit Amount for any Calendar Month during any Period of Care, and may modify coverage under this rider following reinstatement.
Exclusions. Qualified Long Term Care Services does not include care or treatment:
(a) for intentionally self-inflicted injury;
(b) required as a result of alcoholism or drug abuse (unless drug abuse was a result of the administration of drugs as part of treatment by a Physician);
(c) due to war (declared or undeclared) or any act of war, or service in any of the armed forces or auxiliary units;
(d) due to participation in a felony, riot or insurrection;
(e) for which no charge is normally made in the absence of insurance;
(f) provided by a member of the Life Insured's Immediate Family;
(g) provided outside the fifty United States and the District of Columbia.
Non-Duplication of Benefits. Qualified Long Term Care Services does not include charges covered under any of the following:
(a) Medicare (including amounts that would be reimbursable but for the application of a deductible or coinsurance amounts);
(b) any other governmental program (except Medicaid);
(c) any state or federal workers' compensation, employer's liability or occupational disease law, or any motor vehicle no-fault law;
(d) expenses for services or items available or paid under another long term care insurance or health insurance policy.