John Hancock
LIFE INSURANCE

SALES STRATEGY

INDIVIDUAL NEEDS | Advanced Markets

Life Insurance in Retirement Planning (LIRP)

Using Life Insurance to Supplement Retirement Income

The Concerns

For many of your clients, planning for retirement has become one of their biggest financial priorities and one of their greatest financial challenges. Many workers believe that they will need to partially fund their retirement from their own savings efforts. Social Security and company-sponsored pension plans may not provide sufficient income for their retirement goals. As a result, your clients recognize that they need to save as much money as possible.

Often, some clients may not be able to put away as much money as they would like. Qualified plans such as 401(k)s are an excellent way to save for retirement, but are only available if your client's employer offers one. If offered, employee contributions to a 401(k) are limited to $17,500 per year in 2014, which may not meet your client's full savings needs. IRAs and Roth IRAs both offer additional qualified savings opportunities, but your client must meet income limits to use them and ultimately may still need to put away more money.

The Solution

What other vehicles can you offer your clients to help them supplement their retirement savings after they have fully funded their available qualified plans and IRAs? Life insurance may be the solution.

Life insurance can be used as a tool to supplement your client's retirement planning efforts. During your client's working years, the life insurance policy death benefit can protect your client's family and replace income that would otherwise be lost should something happen to them. At retirement, your client can access the policy cash value via tax-favored loans and withdrawals.

How It Works

Your client will apply for a John Hancock permanent life insurance policy on his or her life and will pay the premiums for that policy. Early on, the life insurance policy will provide a death benefit that will be received by the heirs income tax-free.[1] A permanent life insurance policy also has the potential to develop a cash value, which will grow on a tax-deferred basis. At retirement, your client may access any potential policy cash to supplement his or her retirement income via tax-favored loans and withdrawals.

Benefits

- Life insurance can increase the amount left to heirs.
- Life insurance grows tax-deferred, cash surrender value can be accessed tax-free (through withdrawals and loans) and the death benefit can be received tax-free.
- Life insurance, depending on the state, can offer creditor protection.
- Withdrawals from insurance policies are not mandatory and may occur at any time or not at all, unlike distributions from qualified retirement plans which may be subject to an early withdrawal penalty at age 59½ and/or mandatory distributions at age 70.

Considerations

- Life insurance purchased to help supplement retirement income should not be structured as a Modified Endowment Contract (MEC). Policies classified as MECs 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 59½.
- Plan requires evidence of insurability.
- The policy cash value available for loans and withdrawals may be worth more or less than the original investment amount, depending on the performance of the policy crediting rate.
- Withdrawals and loans can reduce the policy death benefit and cash surrender value and may cause the policy to lapse. Lapse of a life insurance policy can cause the loss of the death benefit and potential adverse income tax consequences.

CASE STUDY

CLIENTS: **Lily Rowan**, Female, Preferred Non Smoker, Age 40, 28% Tax Bracket, Massachusetts Resident.
The proposed strategy is to purchase a John Hancock Indexed UL policy with an initial death benefit of approximately $150,000; Approximately $4,500 in premium for 25 years, Death Benefit Option 2, yrs 1–25; Option 1, thereafter; assumes annual income payment of $20,000 is taken from policy from age 66 through age 85.

Year	Approximate Annual Premium	Cumulative Amount Received from Policy	Approximate Cash Surrender Value	Approximate Death Benefit Net of Loans/Withdrawals
1	$4,500	$0	$637	$153,650
10	$4,500	$0	$50,400	$200,500
20	$4,500	$0	$155,600	$305,600
26	$0	$20,000	$233,750	$350,650
30	$0	$100,000	$208,100	$270,650
40	$0	$300,000	$112,400	$128,300

The figures used in this case study are hypothetical, for discussion purposes only, are not guaranteed and may not be used to project or predict results. Actual results may be more or less favorable. Specific product and policy elements would be found in a policy illustration provided by an insurer. With any decision regarding the purchase of life insurance, a client would need to determine which type of life insurance product is most suitable for their specific needs. The hypothetical rate of return in the above example is based on an allocation of premiums to an indexed account that credits interest based on the changes in an underlying index and is not indicative of future results. The net premium in the example is allocated to the Capped Indexed Account that credits up to 11.5% and has a floor of 0%. The hypothetical average annual rate of return assumed for the Capped Indexed Account is 6.5%. The death benefit amount is calculated assuming that no policy withdrawals and/or loans are taken prior to age 66. The income may be tax-free when withdrawals up to basis are taken, and thereafter policy loans are taken. Withdrawals above basis are income taxable.

Summary

As the above chart indicates, the John Hancock Indexed UL policy provides death benefit protection for Lily and her family during Lily's working years. At retirement, Lily will be able to access the potential policy cash value via tax-favored loans and withdrawals to help supplement her retirement income. Would you like to illustrate this concept in a client-friendly presentation? Use JH Solutions, our proprietary software.

For additional information, please contact your local John Hancock Representative or call the Advanced Markets Group at (888) 266-7498, option 3.

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. Please consult your professional tax advisor.

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 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.

For Financial Professional Use Only. Not intended for use with the General Public.

Scan this code to find out more.

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.

IM1395 03/14 MLINY050613033 LIFE-5157

INSURANCE PRODUCTS:		
Not FDIC Insured	Not Bank Guaranteed	May Lose Value
Not a Deposit	Not Insured by Any Government Agency	