John Hancock
LIFE INSURANCE

CLIENT PROFILE

Executive Life Insurance in Retirement Planning (E-LIRP)

Using Life Insurance to Supplement Retirement Income

CLIENT PROFILE	
AGE:	40–60
STATUS:	Owners and executives within C Corporations; also key executives and shareholders of S Corporations, LLCs and Professional Service Firms who are maxed out on contributions to qualified retirement plans.
CONCERN:	Would like additional options for supplementing retirement savings.

Situation

- Executive would like to save money for retirement but has maxed out on available qualified plans, such as 401(k)s and/or IRAs.
- Executive would like additional life insurance protection for income replacement needs if death occurs prior to retirement.

Solution

- Executive can purchase a Corporate VUL insurance policy on his or her life. The policy builds a cash value account over time, based on premiums paid into the policy. The executive will be paying the premiums directly out of pocket on an after-tax basis. Pre-retirement, the policy will provide income tax-free death benefit protection; post-retirement, the potential policy cash value can be used to supplement retirement income.

How it Works

- Executive applies for and purchases life insurance policy on his/her own life. Executive pays the premium on the policy.
- During the executive's working years, the policy will provide an income tax-free death benefit to the beneficiaries.
- At retirement, the executive can access any potential policy cash value via tax-favored loans and withdrawals to supplement retirement income.

Benefits of an After-Tax Plan

- Enhanced life insurance protection.
- Life insurance provides an income tax-free death benefit.
- Eliminates qualified plan red tape.
- The life insurance policy cash value grows on a tax-deferred basis.
- The life insurance policy is personally owned by the executive and is not subject to claims of employer's creditors.
- Unlike qualified plans, no mandatory distributions at age 70½ and no penalty for early access prior to age 59½.

Considerations

- John Hancock Corporate VUL is designed primarily for funding both corporate owned executive benefit plans and corporate sponsored executive owned after-tax plans.
- There must be some type of direct corporate sponsorship for the Corporate VUL to be executive owned.
- For executive-owned, corporate sponsored plans, there is an early termination fee assessed upon policy surrender or (on a prorated basis) for a withdrawal within the first seven policy years.
- Corporate VUL policies should be based on a Minimum Non-MEC death benefit design with the planned annual premium being equal to the 7Pay/target premium.
- 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.
- Home Office approval is required for all plan designs. Please contact the Home Office with any questions or concerns.

Sample Case Study

Client: 45-year-old Professional, Male, Preferred Non Smoker, Married.

High profile attorney in a large northeastern metropolitan city who has a total of eight employees, all currently participating in his practice's qualified plan. He has maximized his annual contributions to the qualified plan and has the ability to save an additional $60,000 to supplement retirement. The attorney will apply for a Corporate VUL policy on his life, based on an initial non-MEC death benefit of approximately $1,250,000, with an increasing death benefit option and an initial annual premium of $60,000. Based on the hypothetical illustration used for this example, his supplemental retirement income, payable from ages 66–80, would amount to about $232,000 a year.

Male, Age 45, Preferred Non Smoker, 7.0% Net Rate of Return

Year	Annual Premium	Approximate Loans & Withdrawals	Approximate Net Surrender Value	Approximate Net Death Benefit
1	$60,000	$0	$59,000	$1,312,000
10	$60,000	$0	$785,000	$2,035,000
20	$60,000	$0	$2,283,000	$2,807,000
21	$0	$232,000	$2,193,000	$2,609,000
25	$0	$232,000	$1,765,000	$2,030,000
30	$0	$232,000	$1,058,000	$1,171,000
35	$0	$232,000	$79,500	$216,000

The data shown is taken from an illustration. It assumes a hypothetical rate of return and/or current interest crediting rate and may not be used to project or predict investment results. Unless indicated otherwise, these values are not guaranteed. We urge you to show your clients a basic illustration showing the impact of 0% investment return and maximum sales charges and/or the guaranteed interest crediting rate and the impact it will have on policy cash value and death benefit.

Benefits of Corporate VUL:

- Numerous underwriting options
- An institutional product with an extensive selection of portfolios and asset managers
- High early-year cash values
- Excellent cash value accumulation potential
- Zero net cost loans starting in year 11 to help maximize distributions

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.

Insurance policies and/or associated riders may not be available in all states. Some riders may have additional fees and expenses associated with them. Refer to product prospectus for additional information.

Please contact 1-888-266-7498, option 5 to obtain product and fund prospectuses or if you are interested in obtaining a selling agreement with John Hancock Distributors LLC (for New York, contact 1-800-743-5542, option 5). The prospectuses contain complete details on investment objectives, risks, fees, charges and expenses as well as other information about the investment company. Please advise your clients to carefully read the prospectuses which contain this and other information on the product and the underlying portfolios, and consider these factors carefully before investing.

Variable universal life insurance has annual fees and expenses associated with it in addition to life insurance related charges. Variable universal life insurance products are subject to market risk and are unsuitable as a short term savings vehicle. Cash values are not guaranteed and will fluctuate, and the policy may lose value.

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.

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