John Hancock INSURANCE

# Supplementing Retirement Income with Life Insurance

**CLIENT SNAPSHOT**



## Protection for today, income for tomorrow

Protecting your family and planning for a long retirement are likely to top your list of financial priorities. Even if you diligently save in traditional retirement accounts, such as 401(k)s and IRAs, will you have enough saved for retirement? What if there was a solution available that could both protect your family and supplement your retirement income?

**Cash value life insurance may be the answer to round-out your retirement portfolio, providing your family with death benefit protection today, and tax-favored access to income during your retirement years.**

### Why do you need life insurance?

A permanent life insurance policy can be one of the most important purchases you will ever make – the death benefit can protect your family, and the cash value can help you supplement your income during retirement. No matter your goals, the unique tax benefits and features of permanent life insurance can be a powerful tool to help you achieve them.

**Protection**

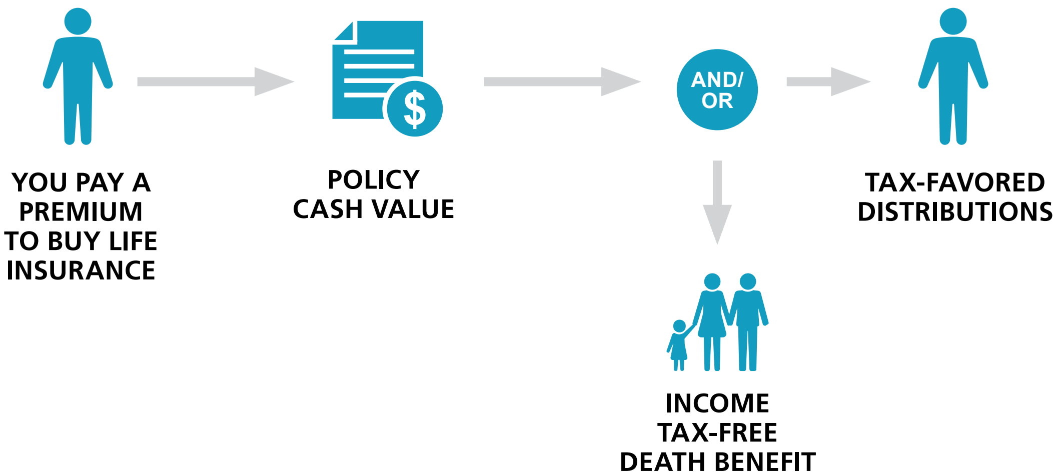
**Flexibility**

**Tax Diversification**

The combination of tax-free death benefit protection for your family and tax-favored access to the policy cash value during your life makes life insurance unlike any other asset you may own.

## How it works

First, you apply for a John Hancock permanent policy on your life. The policy will provide a death benefit that will be received by your heirs income tax-free. Permanent life insurance also has the potential to develop cash value, which grows on a tax-deferred basis. In the future, you may use potential policy cash value for retirement income purposes.




## Protection

**A life insurance death benefit can provide protection for your family when they need it the most. The tax-free death benefit can be used to help:**

- Cover your family's needs including replacing your salary and funding lifetime goals
- Pay off debts such as your mortgage and other loans
- Pay estate, capital gains, and income taxes
- Leave a legacy to your family
- Provide liquidity to equalize an estate among your beneficiaries

## Flexibility

Beyond the death benefit protection, a permanent life insurance policy provides you the added flexibility to **access your policy's cash value, when you need it,** on a tax-favored basis.

- Tax-deferred growth potential
- Tax-free distributions

**What really sets a permanent life insurance policy apart is that it provides you the flexibility to choose:**

### THE PRODUCT THAT BEST FITS YOUR NEEDS

- The premium stream may be customized based on your unique goals. In some circumstances you might be able to skip a premium or even contribute more
- You decide if you want to focus on pure death benefit protection or cash value growth
- Various optional riders can be added to cover events such as disability, critical illness, or long-term care

### WHEN, IF AT ALL, TO TAKE POLICY DISTRIBUTIONS

- Unlike distributions from qualified retirement plans which may be subject to an early withdrawal penalty at age 59 ½ and/or mandatory distributions at age 70 ½, withdrawals from your insurance policy are not mandatory. If you decide not to take income, the death benefit is preserved as an inheritance for your heirs
- You have the flexibility to decide how and when to take income distributions (early on in your retirement, in later years, or not at all)

## Tax Diversification

**Why should you consider a tax diversification strategy with life insurance?**

A permanent life insurance policy can be used to supplement your retirement income, protect your savings and deliver valuable tax advantages, including:

- Tax-deferred growth
- No retirement contribution limits[1]
- No penalties for early access to cash
- Income tax-free death benefit for your beneficiaries
- Tax-free income from policy withdrawals and loans which does not affect your:
  - Income tax bracket
  - Medicare premiums
  - Capital gains exposure
  - Adjusted Gross Income or Modified Adjusted Gross Income

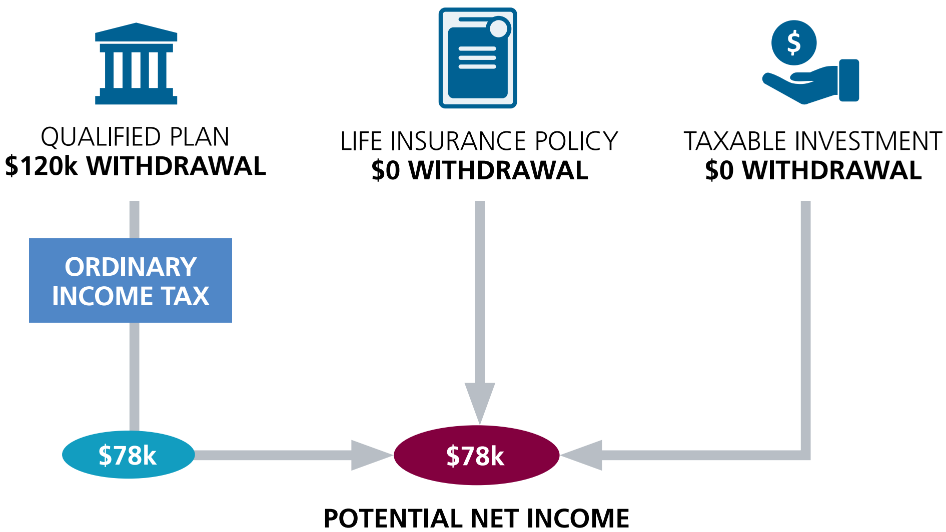
1. For every life insurance policy, there is a minimum premium at any given time, the payment of which is necessary to keep the policy in force. Premiums may be paid in excess of this amount which may have the effect of reducing future necessary minimum payments. However, excessive advance funding of 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.

**Why is tax diversification so important?**

Diversifying your investments can reduce income taxes in retirement.

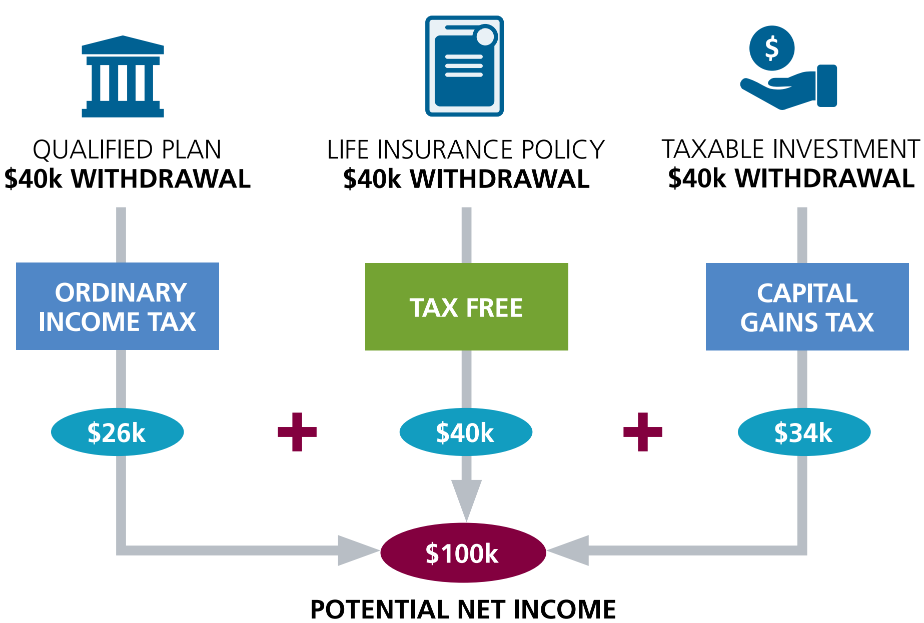
## NON-DIVERSIFIED WITHDRAWALS

Let's take a look at a $120k withdrawal from your qualified plan. Assuming a 35% tax rate, you would be left with only $78k after taxes:




## DIVERSIFIED WITHDRAWALS

Instead, if you took $120k but took this from each of the three alternatives – $40k from a qualified plan, $40k from a taxable investment, and $40k from a permanent life insurance policy – you could potentially receive net income of $100k (assuming a 35% income tax bracket and 15% in capital gains taxes).




This is a hypothetical example that is provided for illustrative purposes only.

**As shown in this example, a well-diversified withdrawal could bring in $22k more than a non-diversified withdrawal.**

## Important Considerations

- The amount of life insurance protection you qualify for will be subject to medical and financial underwriting requirements and may be more (or less) than the amount applied for.
- The purchase of life insurance has costs and risks associated with it, including the cost of insurance.
- The policy cash value may not be guaranteed and the amount available for loans and withdrawals may be worth more or less than the original amount, depending on the type of policy and the performance of the policy.

**Talk to you advisor today about how permanent life insurance can help protect your loved ones and offer you a source for supplemental retirement income.**

Before you make any estate or retirement planning decisions (or change title to any assets or change beneficiary designations) your legal and tax advisors should be consulted to determine (1) the suitability of a particular planning alternative for you and (2) the precise legal, tax, investment, and accounting consequences of that alternative.

Loans and withdrawals will reduce the death benefit and the 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. Withdrawals in excess of the cost basis (premiums paid) will be subject to tax, and certain withdrawals within the first 15 years may be subject to recapture tax. Additionally, 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 59½. Cash value available for loans and withdrawals may be more or less than originally invested. Withdrawals are available after the first policy year.

This material does not constitute tax, legal, investment or accounting advice and is not intended for use by a taxpayer for the purposes of avoiding any IRS penalty. Comments on taxation are based on tax law current as of the time we produced the material. All information and materials provided by John Hancock are to support the marketing and sale of our products and services, and are not intended to be impartial advice or recommendations. John Hancock and its representatives will receive compensation from such sales or services. Anyone interested in these transactions or topics may want to seek advice based on his or her particular circumstances from independent advisors.

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.

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

Insurance products are issued by: John Hancock Life Insurance Company (U.S.A.), Boston, MA 02210 (not licensed in New York) and John Hancock Life Insurance Company of New York, Valhalla, NY 10595.

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