John Hancock
LIFE INSURANCE

CLIENT PROFILE

ESTATE PLANNING | Advanced Markets

Estate Equalization

Distributing Assets Fairly and Equitably

CLIENT PROFILE	
Age:	50+
Status:	Client's estate includes assets, such as a business or real estate, that may be impractical to divide fairly among heirs.
Concern:	Would like to find a way to help ensure that heirs receive fair inheritances.

Situation

- Certain assets, such as a residence or business, can present administrative and practical challenges for multiple owners.
- Multiple ownership with assets (such as a family business) may lead to conflict, but leaving the asset to one heir creates inequality.
- Client would prefer not to sell the asset.

Solution

Life insurance on the client's life can offer a practical alternative to liquidating the asset and distributing the proceeds. The death benefit from a life insurance policy can provide the liquidity that may be needed to give each heir an inheritance, helping to balance out the value of the "hard-to-divide" asset.

Benefits

- **Liquidity** – Life insurance can help provide cash to equalize inheritances among heirs, as well as help protect a family's income in the event of premature death.
- **Return on Premiums** – Heirs may receive more money and a better return on the premiums than if those dollars had been invested in a taxable asset.[1]
- **Income-Tax-Free Death Benefit** – Life insurance provides an income tax-free death benefit. (exceptions may include when life insurance has been transferred for valuable consideration).
- **Cash Value** – The cash values of a life insurance policy grow tax deferred, and tax-free loans and withdrawals are permitted when structured properly.[2]
- **Source of Premiums** – Client may be able to tap into income and/or stock from a family business as a source of premiums.

Considerations

- **Reasonable Projections** – Selecting an appropriate level of death benefit protection for estate equalization will be affected by the projected values of assets for a chosen focus year. Clients should consult qualified professionals to determine reasonable projections. Clients may also want to consider potential future heirs, such as those who come to the business after estate planning is completed.
- **Insurance** – Life insurance eligibility will be based on financial and medical underwriting, and client must have sufficient resources for the desired level of death benefit protection.

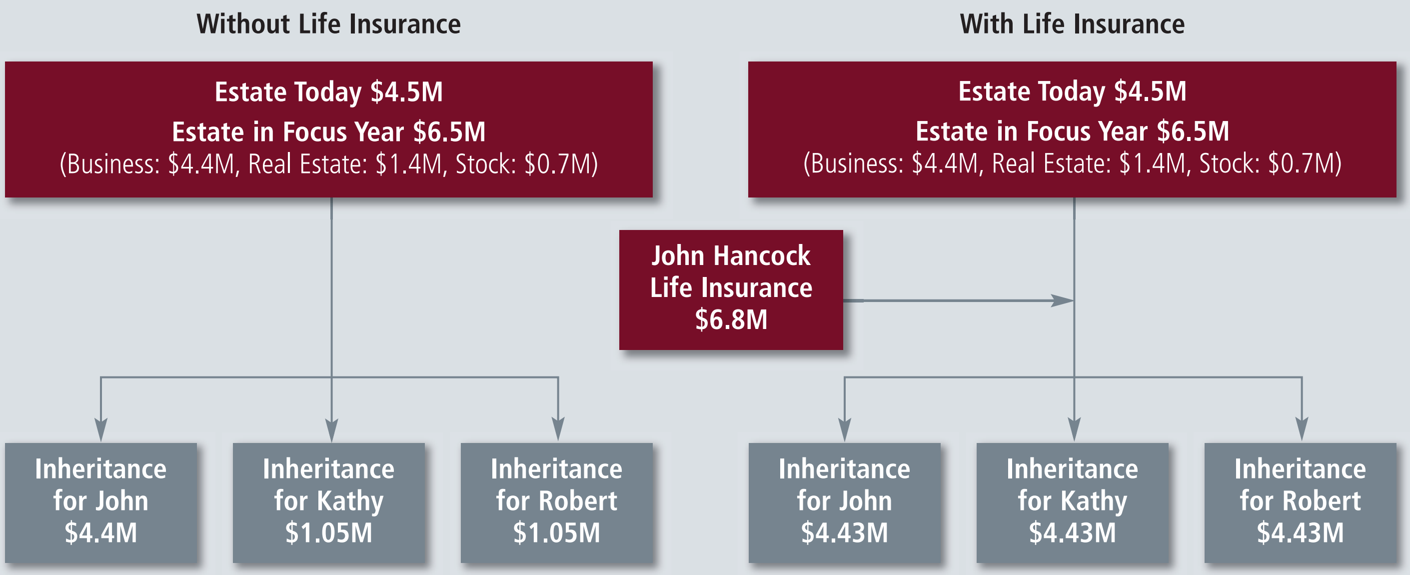
CASE STUDY

John and Lily Eames are ages 58 and 57, respectively, are both Preferred Non Smokers, with a $4.5M estate. The jewelry business they began ten years ago has done well, with the help of John Jr., one of their three children.

At their death, they plan to leave the business to John Jr., and divide the rest of their estate between their two other children, Kathy and Robert.

Let's consider how that would work using year 10 as the focus year. Their advisors project the business and securities will continue to grow at 4% a year, with their real estate increasing in value at 3% annually. At those rates, they anticipate their estate will be valued at about $6.5M ten years from now. The expected distribution would leave John Jr. with a business worth over $4.4M. Kathy and Robert would inherit about $1M each.

John and Lily purchase a John Hancock survivorship universal life policy with a death benefit of around $6.8M and annual premiums of approximately $50k. By the time their estate has to be distributed, this policy would help ensure each of the children receive inheritances of equal value, and play an invaluable role in maintaining good family relations.



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.

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

1. The Rate of Return (ROR) on death benefit is equivalent to an interest rate at which an amount equal to the illustrated premiums could have been invested outside the policy to arrive at the net death benefit of the policy.
2. 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 59½. Cash value available for loans and withdrawals may be more or less than originally invested.

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