John Hancock
LIFE INSURANCE


CLIENT PROFILE

NEEDS ANALYSIS | Advanced Markets

# Single Parent

## Planning For Your Loved Ones

| CLIENT PROFILE | |
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| **Status:** | Client is a single parent who has children he/she supports. |
| **Concern:** | Would like family to maintain its economic position after their death. |

### Situation

- Client faces additional challenges as the sole provider for their family.
- Client wishes to ensure that family is provided for when they are gone.

### Gather the Facts

- Sit down with the client, determine their needs and review the money necessary to cover these needs.
- What income does the client want to replace? How long do they want to replace that income? Do they want to adjust for inflation?
- Who would be appointed guardian of the children? What would the cost of child care equal? How long would the client need to provide that care?
- Many times people buy life insurance to take care of debt. Does the client want to cover his or her debts? What are the debts? Mortgage? Student loans?
- Does the client have expenses, including, but not limited to, charitable contributions and emergency funds?
- Does the client have future goals? Do they want to provide for college expenses? How much does the client expect to contribute? What is the total cost they want to cover?
- Funerals can be expensive. How much will it cost for burial needs and to settle the estate?

### Solution

- If there is a gap between what the client needs and what they have, this gap can be filled with life insurance, an important component to any financial plan.
- The client should simultaneously work with an attorney to create a will, a trust,[1] power of attorney, and health care proxy. It is important that the client focuses on ownership issues of property and guardian issues, especially with young children.

### Benefits of Life Insurance

- The life insurance death benefit provides cash to help fund a client's income needs, satisfy debt obligations, or to establish an education fund. Liquidity from a death benefit can also help meet estate taxes and administrative expenses.
- Life insurance provides funds to help address a surviving family's immediate, often urgent needs.
- A life insurance policy can provide an immediate income tax-free death benefit for heirs.[2]
- A policy's death benefit and/or cash values are potentially protected from the claims of creditors, depending on the state.
- The cash value of a life insurance policy grows tax-deferred, and tax free loans and withdrawals are permitted when structured properly.[3]

### Considerations

- The amount of life insurance protection clients qualify for will be subject to medical and financial underwriting requirements and may be more or less than the amount applied for.
- The ownership of the policy should be carefully considered so as to not create or compound estate tax issues.
- Beneficiary designations should be carefully considered and reviewed on a consistent basis, especially if minor children are involved.

## SUMMARY

1. Identify and meet with potential clients.
2. Gather the facts and ask the right questions.
3. Fact Finding tools: Use the Single Parent Fact Finder to determine your client's needs and review the money necessary to cover these needs.
4. Using JH Solutions, a Single Parent Needs Analysis can be completed. This analysis will uncover the shortfall needed. This shortfall could then be covered by purchasing a life insurance policy.
5. Client should simultaneously work with an attorney familiar with such matters to draft the proper documents for an estate plan.

For more information, please contact your local John Hancock representative or call the Advanced Markets group at 888-266-7498 option 3.

1. 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.
2. 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.
3. 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.



**IM7028 MLINY08071217183 08/12**

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