

Using Life Insurance for Supplemental Retirement Income



A more secure retirement

WHENEVER YOUR CLIENT DISCUSSIONS TURN TO RETIREMENT PLANNING,* there's no doubt that one of the key concerns you will hear is: "Will I have enough money?" In fact, research shows that **7 in 10 Americans over 30 are afraid they're going to outlive their savings.**¹ When 401(k)s and IRAs are fully funded, what other planning tools can your clients use to help support their retirement lifestyle? This playbook outlines a key solution in the form of permanent life insurance — an ideal supplemental retirement planning tool for clients who also have a need for death benefit protection.

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*For help in retirement planning discussions, see the Appendix of this document: *Digging Deeper – A Guide to Exploring Retirement Planning Needs.*



Start the conversation

USING THE “THREE BUCKETS” TO UNCOVER LIFE INSURANCE OPPORTUNITIES

This simple “three bucket” level-setting conversation about wealth or assets can help your clients identify and pinpoint their financial planning priorities, which in turn helps you identify the strategies that are most appropriate — and where life insurance fits in. Use the “three buckets” to help your clients have a better understanding of their overall strategy — **and to be ready to move forward with solutions.** (See page 8 for questions to help your client with their overall retirement plan.) Here’s how the conversation would go:

CONSUMPTION (LIFESTYLE)

Assets that you use, touch, or enjoy during your lifetime, or that generate the income to support your lifestyle, e.g., your home, car, toys, investment portfolios, retirement accounts, etc.

HOW CAN LIFE INSURANCE HELP:

- Retirement funding
- College funding

CONTINGENCY (RISK)

Assets that cover the “just-in-case” risks that could impact your lifestyle, e.g., health changes, catastrophic casualty risks, untimely death, or anything that impairs the value of an asset in the first bucket.

HOW CAN LIFE INSURANCE HELP:

- Income replacement
- Long-term care protection
- Business-succession planning
- Key-person insurance
- Spousal access trusts

CUSTODIAL (LEGACY)

Assets you will not need during your lifetime for the first or second bucket. These are, by definition, assets that are for someone or something else.

HOW CAN LIFE INSURANCE HELP:

- The “Maxes” (CD, Annuity, Muni-Bond, etc.)
- Gifting
- Dynasty trusts
- Charitable planning
- Wealth-transfer planning

Focus on the need and solution

SUPPLEMENTING RETIREMENT INCOME WITH LIFE INSURANCE

When your clients identify a need for supplemental retirement income in their “consumption (lifestyle) bucket,” life insurance can provide a solution.

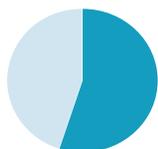
Why choose life insurance?

- Provides income tax-free death benefit protection
- Offers cash value potential — on permanent policies — based on premiums paid
- Serves as source of supplemental retirement income
 - Allows access to any policy cash value via tax-favored loans and withdrawals
 - 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
- Allows creditor protection (in some states)

Why choose an Indexed UL policy?

- Volatile markets have added risk to saving for retirement — Indexed UL can act as an efficient way to grow assets through market access, while also mitigating large downside risk
- Indexed UL is a popular choice with pre-retirees — it represents the fastest-growing segment of insurance sales in the industry

INDEXED UL POLICIES NOW REPRESENT:²

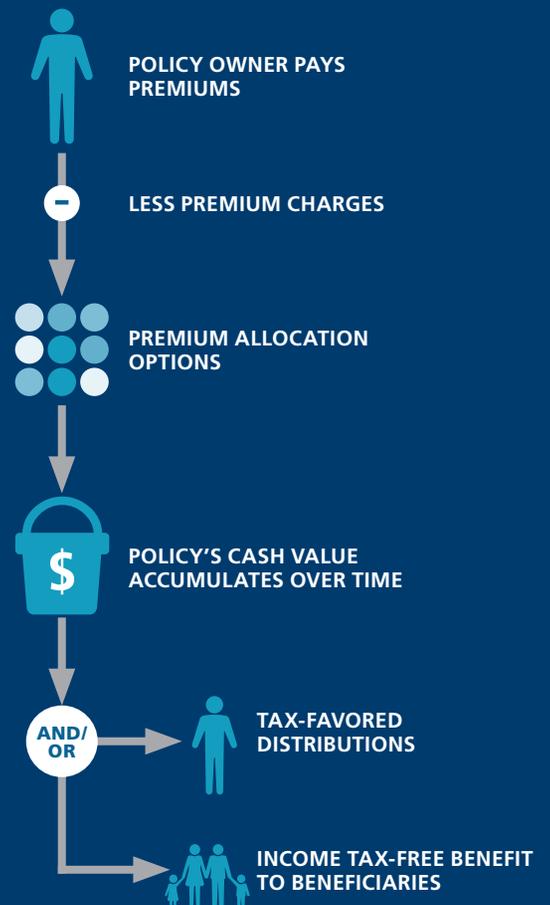


55% of total premiums



21% of all individual life insurance premiums

How the policy works



Offer a great fit

JOHN HANCOCK'S ACCUMULATION IUL

Leading retirement income potential — and more!

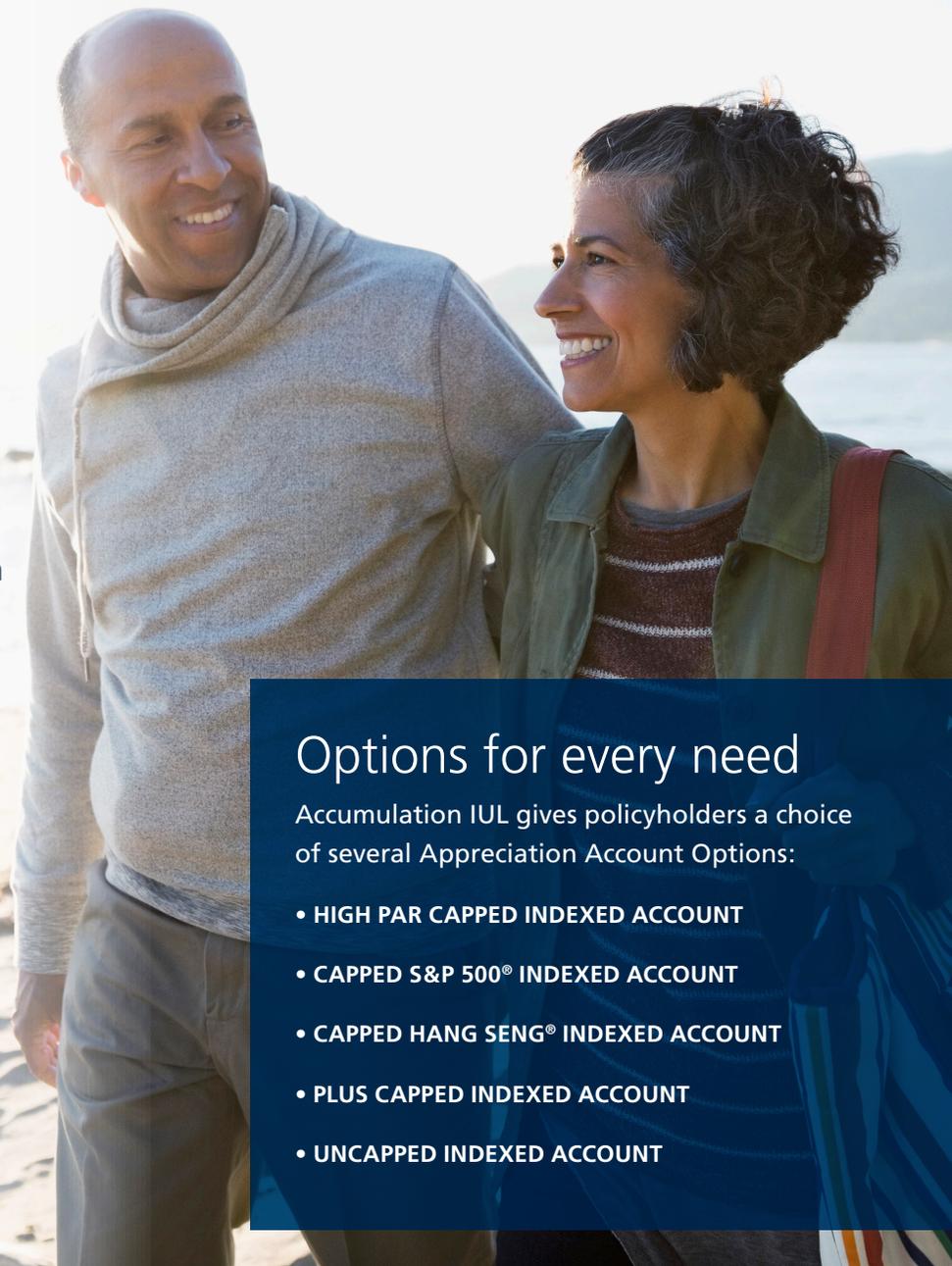
John Hancock's Accumulation IUL is one of the most competitive products in the industry for **cash value accumulation** and **retirement income potential**. Additionally, Accumulation IUL offers clients:

- The opportunity to earn interest linked to the performance of Index Appreciation Account Options (see side-bar)
- Downside protection in poorly performing markets, with a guaranteed 0% floor
- A competitive Fixed Account that provides safe and steady growth

Enhanced income potential with the John Hancock Vitality Program

In addition, by adding the optional John Hancock Vitality Program, your clients can **enhance their income potential** and **earn valuable rewards** for living a healthy life. The Vitality solution also offers:

- Up to \$600 in annual savings on healthy food purchases with Vitality HealthyFood™ benefit
- Support and motivation to help reach health and fitness goals:
 - Complimentary Fitbit® device, discounts for other wearable devices, and the opportunity to earn Apple Watch® Series 2
 - Entertainment, shopping, gym, and travel rewards and discounts for everyday healthy steps



Options for every need

Accumulation IUL gives policyholders a choice of several Appreciation Account Options:

- HIGH PAR CAPPED INDEXED ACCOUNT
- CAPPED S&P 500® INDEXED ACCOUNT
- CAPPED HANG SENG® INDEXED ACCOUNT
- PLUS CAPPED INDEXED ACCOUNT
- UNCAPPED INDEXED ACCOUNT

Show how it works

A CASE STUDY: DIVERSIFYING ASSETS AND INCREASING RETIREMENT INCOME POTENTIAL

The situation

Dr. Dan Yee, a 45-year-old physician with high net worth, was looking to supplement and tax-diversify his retirement assets.

The solution

The advisor met with Dr. Yee and shared John Hancock's Accumulation IUL with Vitality (as a physician, Dr. Yee naturally expressed interest in the Vitality Program). The advisor showed Dr. Yee how he is able to enhance his income potential on a tax-favored basis and even receive extra motivation to live a healthy life.

Don't forget, if your clients want access to a broad range of investment options in a VUL product — John Hancock's Accumulation VUL product works just as well to supplement retirement income!

Accumulation IUL with Vitality

Additional potential income over 15 years compared to Bronze Status



We are presenting this estimate to help you understand the potential impact that earning a Vitality Status may have on policy income. The figures used in this example assume that a customer pays premiums for 20 years, and then takes income after that time for 15 years. Assuming income from years 21-35 solving for \$1 at age 121, minimum non-MEC face amount, GPT option 2 switching to 1 in optimal year, face decrease in optimal year, based on 6% illustrated rate, and shown assuming a one-year, point-to-point crediting option on the underlying index. Information is current and accurate to the best of our knowledge as of August 2017.

Easy application process

SELLING LIFE INSURANCE IS EASIER THAN EVER

Convenient and quick ticket submission

With our **JH Life Paper Ticket**,³ spend less time on paperwork and more time on selling:

- Provide some basic information and John Hancock handles the rest
- Convenient tracking through your usual case status tools

Opportunity for faster underwriting decisions

When applications are initiated via our new ticket process, eligible clients⁴ will be considered for quicker underwriting decisions with **John Hancock ExpressTrack™**.

- No in-person medical screenings, lab work, or pre-issue medical requirements⁵
- Underwriting decisions in as little as three days⁶

How it works

Track the submission's progress via your usual pending case status tools.

PRODUCER SUBMITS A JH LIFE PAPER TICKET

- Prior to the client being contacted to complete his/her tele-interview, provide the client with our *Preparing For Your Telephone Interview* flyer



TELEPHONE INTERVIEW WITH CLIENT

- Conducted by a John Hancock representative who completes the application and orders paramedical exam if needed
- Client signs application (eSignature is encouraged for quicker processing)



CASE PROCEEDS TO UNDERWRITING

Underwriting review — will be considered for ExpressTrack or go through traditional underwriting



POLICY ISSUED AND DELIVERED



Digging deeper

A GUIDE TO EXPLORING RETIREMENT PLANNING NEEDS

Use the following questions to help uncover your clients' retirement planning needs:

Are you maximizing your contributions to your qualified retirement plans? Do you want to save more for retirement?

If your client has maximized contributions to their retirement accounts, but would like to save more, show them how additional money can be set aside to access during retirement in a tax-advantaged manner via permanent life insurance.

Are you concerned about creditor protection? Or, are you concerned about protecting your personal assets?

For many individuals, especially doctors and other business owners, the creditor protection afforded to cash value life insurance (state dependent) may be appealing.

When would you like to retire? Are you concerned about whether your savings for retirement will last for your (and your spouse's) life?

Although most clients want to live as long as possible, longevity can also raise concerns about running out of money. Cash value life insurance may help address this concern and can serve as a "backstop" to many of the risks clients face in retirement — such as outliving other retirement assets or experiencing a sequence of lower investments results and/or a long-term care event.

Are you concerned about the income or protection needs of your spouse or loved ones?

Even if your clients are diligently saving for retirement, if they have loved ones who rely on their income, life insurance can help protect them from economic uncertainty or reduced living standards in the event of an untimely death. For younger clients who have not built a significant nest egg, the death benefit protection can help fund not only income-replacement needs, but also their spouse's future retirement needs. For older clients, life insurance can offer protection against longevity (outliving other retirement assets), and provide for replacement of any pensions that might be lost upon the death of a spouse.

Does your company offer a non-qualified plan at work?

Check if your clients have a non-qualified plan at their work, such as SERP, 162 bonus plans, or deferral. If so, offer to review these with them. If not — and your clients are highly compensated employees — consider talking to the employer about establishing these non-qualified plans.

Do you have permanent life insurance protection to replace your current income? If yes, have you reviewed your policy(ies)?

Policies should be reviewed regularly to determine: 1) if the policy addresses current needs (conduct a needs analysis to make sure the client is properly insured); and 2) if the policy's benefits, e.g., Long-Term Care (LTC) rider, etc., reflect the client's needs/wants today (particularly relevant with older policies).

Do you want to save more retirement dollars on a tax-advantaged basis?

High-income earners and high net-worth clients, particularly business owners, are often looking for ways to help manage tax liability — now or in the future. Talk to your clients about the tax advantages of a permanent life policy.

What are your plans for long-term care? Do you have any experience with long-term care?

If your clients haven't already planned for a long-term care event, consider looking into a permanent life insurance policy with an LTC rider. Not only does the life insurance policy protect a client's family, but the death benefit can be accelerated (income tax free) while the client is still living should he/she have a long-term care event. Even wealthy clients who can afford to "self-insure" are often interested in this type of policy rider because it helps manage taxes. What's more, the cost of adding this rider is often minimal for these clients.

Do you see your doctor every year? Do you use a wearable device like a Fitbit, Garmin™, or Apple Watch? What are your current goals in leading a healthy life?

A positive answer to any one of these questions is a good indication that your client may be interested in the John Hancock Vitality Program.

Now that you have asked the questions, what are the next steps?

STEP 1 Offer to do a needs analysis to uncover how much life insurance your client may need

STEP 2 Offer to do a retirement income needs assessment to uncover how much retirement shortfall they might have

STEP 3 Gather basic information (date of birth, underwriting status, etc.)

STEP 4 Through one of many custom illustrations, you could show your clients a solution that might meet their needs. In fact, if their need is supplemental retirement income, look at the solution outlined in this playbook. In addition, John Hancock's proprietary software JH Solutions has over 40 different outputs to highlight supplementing retirement income, backstop retirement planning, and even "invest in your life" (to highlight the financial benefit of owning a permanent policy).



For more information or help in designing a case, please call a John Hancock Advanced Markets consultant at 888-266-7498, option 3.

1. Gallup, April 2016, <http://www.gallup.com/poll/191174/americans-financial-worries-edge-2016.aspx>
2. Based on LIMRA, U.S. Individual Life Insurance Sales, Q3 2016.
3. JH Life Paper Ticket is available for single-life term or permanent submissions. The new ticket process is available for all ages and face amounts (except juveniles) based on regular product rules. It is not available for SmartProtect Term with Vitality, Simplified Life, Simplified Life with Vitality or survivorship policies.
4. Consumers, ages 18-60, initiating their application with a JH Life Paper Ticket and applying for single-life coverage of up to and including \$1 million, may qualify for John Hancock ExpressTrack.
5. John Hancock will be requesting post-issue attending physician statements (APs) on ExpressTrack cases for quality assurance review purposes.
6. Elapsed time to generate underwriting decision from the time Underwriting receives the interview results.

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Insurance policies and/or associated riders and features may not be available in all states. Some riders may have additional fees and expenses associated with them.

HealthyFood savings are based on qualifying purchases and may vary based on the terms of the John Hancock Vitality Program.

Your clients can order Apple Watch Series 2 for an initial payment of \$25 plus tax, and over the next two years monthly payments are based on the number of workouts completed. An iPhone 5 or later is required to use Apple Watch Series 2. The Retail Installment Agreement with the Vitality Group will need to be signed electronically at checkout. Apple is not a participant in or sponsor of this promotion. Apple Watch is a registered trademark of Apple Inc. All rights reserved. Please note: Apple Watch Series 2 program is not available in New York.

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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. Comments on taxation are based on John Hancock's understanding of current tax law, which is subject to change. No legal, tax, or accounting advice can be given by John Hancock, its agents, employees, or registered representatives. Prospective purchasers should consult their professional tax advisor for details.

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.

Variable life insurance is sold by product and fund prospectus, which should be read carefully. They contain information on the investment objectives, risks, charges, and expenses of the variable product and its underlying investment options. These factors should be considered carefully before investing.

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.

Vitality is the provider of the John Hancock Vitality Program in connection with policies issued by John Hancock.

Rewards may vary based on the ownership and inforce status of the insurance policy, and the state where the insurance policy was issued.

John Hancock Vitality Program rewards and discounts are available to the person insured under the eligible life insurance policy.

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