John Hancock
LIFE INSURANCE

Client Profile
Premium Financing

CLIENT PROFILE	
Age:	55 and older
Status:	Has an estate of $5 million or more.
Concern:	Does not want to liquidate assets to pay for life insurance coverage.

SITUATION

- Has an estate valued over $5 million and needs additional life insurance coverage.
- Client has the net worth to pay for life insurance, but may be illiquid or have assets that are currently earning more than the potential loan interest rate.
- Client may also have short-term cash flow issues that will be resolved later, such as a start-up company or the planned liquidation of an asset at a later time.

SOLUTION

- Client creates an Irrevocable Life Insurance Trust (ILIT)[1] and funds it with loans from a third-party lender.

HOW IT WORKS

- Client applies for a John Hancock universal life insurance product. Once an underwriting offer has been made, client submits a premium financing application with a lender.
- Lender will establish terms of the note, including loan interest rate and repayment schedule. Client will pay or defer loan interest as specified by the loan arrangement.
- Life insurance policy will be used as collateral for the loan. Additional collateral may be required if policy cash value does not cover the loan liability.

BENEFITS

Premium financing may help your client to:

- minimize gift taxes;
- fund a large life insurance need at a low interest cost without affecting current cash flow or requiring taxable liquidation of assets; and
- transfer wealth without giving up control of invested assets.

CONSIDERATIONS

- Premium financing should generally not be used as a financing tool to fund the purchase of life insurance on a zero to minimal outlay basis.
- The loan interest paid by the borrower is not deductible in any circumstances.
- Interest rates can fluctuate dramatically. Therefore, it is important to illustrate a higher-than-average loan interest rate based on the projected loan term.
- If your client's credit worthiness is in question, it is possible that additional collateral will be required by the lender. If the collateral is not available, the lender may not extend further credit and the policy may become in danger of lapsing.

CASE STUDY: INEZ FRIEDMAN

Client: Inez Friedman, Age 75, Preferred Non Smoker

Estate Information: $20,000,000 estate comprised of highly illiquid assets

Financed Policy: $10,000,000 Protection UL-G; $435,068 lifetime premium, with ROP

Non-Financed Comparison Policy: $10,000,000 Protection UL-G; $296,861 lifetime premium, no ROP

Plan Design: Loan Interest Rate 6%

YEAR	ANNUAL OUTLAY FOR FINANCED POLICY	ANNUAL OUTLAY FOR NON-FINANCED POLICY	NET DEATH BENEFIT FOR FINANCED POLICY	NET DEATH BENEFIT FOR NON-FINANCED POLICY	IRR FOR FINANCED POLICY[2]	IRR FOR NON-FINANCED POLICY[2]
1	$26,104	$296,861	$10,000,000	$10,000,000	26,319.42%	2,223.16%
5	$130,521	$296,861	$10,000,000	$10,000,000	151.78%	56.39%
10	$261,041	$296,861	$10,000,000	$10,000,000	36.11%	14.32%
15	$391,562	$296,861	$10,000,000	$10,000,000	12.13%	4.73%

This is a supplemental illustration. Not all benefits and values are guaranteed. The assumptions on which the non-guaranteed elements are based are subject to change by the insurer. Actual results may be more or less favorable. Based on Female, Preferred Non Smoker, age 75, California resident.

For more information on Premium Financing, 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 transfer tax). Failure to do so could result in adverse tax treatment of trust proceeds.
2. The IRR 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.

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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.

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