John Hancock
LIFE INSURANCE

Success Strategy
Charitable Gifts of Life Insurance

WAYS TO USE LIFE INSURANCE IN CHARITABLE GIVING

Many different types of assets can be transferred to charity, including life insurance. Life insurance can help you make a gift to charity or replace a charitable gift made for the benefit of your family.

Donating an existing life insurance policy to charity. A gift of a life insurance policy on your life (or the joint lives of you and your spouse) can benefit a charity significantly, though the benefit is delayed until death. If there are ongoing premiums due on the policy, the charity must pay them to keep the policy from lapsing. And when a gift of an existing policy and all its rights are transferred to the charity, a charitable income tax deduction may be available. Please see the Charitable Gifts of Life Insurance Sales Strategy for details on deduction calculations and limitations.

Naming a charity as policy beneficiary. A charity can be named as beneficiary of a new or existing life insurance policy. No current charitable income tax deduction is allowed since you will still have full ownership rights, primarily the right to change the beneficiary designation. However, a charitable estate tax deduction is available for the full value of the proceeds transferring to charity at death.

Charity-owned life insurance.[1] You can also make cash gifts equivalent to the premium amount on a new life insurance policy on your life, owned by a charity.[2] Like any cash gift, an income tax deduction is available for the amount of the cash given directly to charity. In order to be underwritten for the insurance owned by the charity, underwriting guidelines typically require that you, as donor, have a large estate and a history of giving.[3]

CASE STUDY: DONNY PENDLETON

Donny Pendleton, age 60, Preferred Non Smoker, has been supporting the Global Warming Foundation (GWF) for many years with annual contributions, but he is interested in making his contributions go farther for the benefit of the foundation. He has requested that the Foundation consider purchasing a John Hancock Performance UL 10 policy on his life for $2,000,000 with an annual premium of $31,144. He will make annual tax-deductible contributions of $31,144 to GWF, which can be used to make the premium payments. If he stops making the annual contributions for any reason, GWF will need to find an alternative source to fund the ongoing premiums.

YEAR	AGE (END OF YEAR)	ANNUAL GIFT TO CHARITY	AFTER-TAX COST OF GIFT TO CHARITY	CUMULATIVE GIFTS	LIFE INSURANCE DEATH BENEFIT	INTERNAL RATE OF RETURN (IRR) ON PREMIUM VS. DEATH BENEFIT[4]
1	61	$31,144	$20,244	$31,144	$2,000,000	6321.78%
5	65	$31,144	$20,244	$155,720	$2,000,000	101.69%
10	70	$31,144	$20,244	$311,440	$2,000,000	32.58%
15	75	$31,144	$20,244	$467,160	$2,000,000	16.76%
20	80	$31,144	$20,244	$622,880	$2,000,000	10.16%
30	90	$31,144	$20,244	$934,320	$2,000,000	4.54%

This example assumes a $2,000,000 John Hancock Performance UL 10 policy with annual premiums due of $31,144 on a male, age 60, Preferred Non Smoker, Michigan resident. This is a supplemental illustration authorized for distribution only when preceded or accompanied by a basic illustration from the issuer. Benefits and values may not be guaranteed; the assumptions on which they are based are subject to change by the insurer. Actual results may be more or less favorable. Refer to the basic illustration for guaranteed elements and other important information.

By helping to fund a policy that the Foundation can own on his life, Donny can provide a $2,000,000 gift to the Foundation at a much lower cost than funding the same gift with cash.

This material does not constitute tax, legal or accounting advice, and neither John Hancock nor any of its agents, employees or registered representatives are in the business of offering such advice. It cannot be used by any taxpayer for the purpose of avoiding any IRS penalty. It was written to support the marketing of the transactions or topics it addresses. Comments on taxation are based on John Hancock's understanding of current tax law, which is subject to change. Anyone interested in these transactions or topics should seek advice based on his or her particular circumstances from independent professional advisors.

1. The Tax Increase and Prevention Reconciliation Act of 2005 (TIPRA) created new code section IRC 4965, which imposes an excise tax on tax-exempt organizations that engage in prohibited tax shelter transactions for tax years ending after May 17, 2006. "Prohibited tax shelter transactions" include any reportable transaction, any listed transaction or any transaction that is "substantially similar" to one of those. The excise tax is imposed whether or not the transaction is determined to be abusive. In April 2010, the U.S. Treasury Department released a "Report to Congress on Charity-Owned Life Insurance (ChOLI)," which analyzes the federal tax law implications of certain ChOLI arrangements and the tax issues that they present. In particular, the report addresses transactions where a life insurance contract is purchased by a charity with money provided by an unrelated lender or investor. The report warns that these types of transactions may be prohibited or restricted in the future.
2. Section 101(j) of the Internal Revenue Code imposes income tax on the death benefit of life insurance contracts owned by the employer of the insured unless certain exceptions apply. All such exceptions include satisfaction of notice and consent requirements set forth in the section.
3. If a charity purchases life insurance on an individual donor, once the charity-owned life insurance policy is issued the amount of additional life insurance that the donor can purchase for his/her own personal use in the future may be reduced or affected by the issuance of the charity-owned life insurance policy.
4. The Internal Rate of Return on the 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.

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 02116 (not licensed in New York) and John Hancock Life Insurance Company of New York,Valhalla, NY 10595.

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Not FDIC Insured	Not Bank Guaranteed	May Lose Value
Not a Deposit	Not Insured by Any Government Agency	

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