John Hancock
LIFE INSURANCE

Sales Strategy

Life Insurance in Retirement Planning *Plus*

Life insurance protection is the foundation of a family's future, providing cash to:

- replace income for surviving family,
- pay off family debt, or
- complete an education fund in the event of the premature death of a family's breadwinner.

While managing current protection needs and expenses, families also are concerned about saving more for retirement — considering how much income current assets will generate and how much of that income will be consumed by taxes and inflation.

Life Insurance in Retirement Planning (LIRP) Plus is a supplemental planning approach families can use to be efficient with funding both their current protection needs and potentially saving more for retirement in the process. LIRP Plus demonstrates how the efficiency of a cash value life insurance policy that provides valuable tax-free death benefit protection for a growing family during an insured's working years can also be designed so that the potential cash values in the policy generate tax-favored income at retirement to help fund a retirement income shortfall.

The first and foremost feature of a permanent (or cash value) life insurance policy is the death benefit it provides. The death benefit brings "self-completion" to financial goals in the form of cash to compensate for loss of continued contributions and earnings, so it is crucial to decide the appropriate levels of death benefit protection a family needs and can fund.

Fortunately, a permanent life insurance policy can also build a cash value account over time, based on premiums paid into the policy. Once life insurance that matches a family's death benefit need has been secured, that same policy can serve as a potential source of supplemental income should the insured experience an income shortfall at retirement and may no longer need as much death benefit protection.

A cash value life insurance policy can also provide additional benefits based on features that are added to the policy when it is first purchased. For example, a valuable disability rider may be included in the life insurance policy to pay premiums during a period of extended disability. And for help with long-term care expenses, a rider may be added to a life insurance contract when purchased to accelerate the death benefit during lifetime. There are additional costs associated with such riders and benefits are subject to restrictions and limitations. When the policy death benefit is accelerated for long-term care expenses it will be reduced dollar for dolar, and the cash value is reduced proportionately.

Take a look at an example on how effective LIRP Plus potentially can be:

CASE STUDY

Lily Rowan, age 40, is a Director of Graphic Design at a major marketing agency. She and her husband have two children and Lily has just returned to the workforce after the birth of her second child. Lily and her husband are in the process of planning for their protection and retirement needs now that they have a growing family. At the moment they are looking at Lily's needs. She expects her salary and her lifestyle costs to increase approximately 2% annually.

Lily's current life insurance need, based on daycare costs, mortgage and college funding objectives, is approximately $1,100,000. Lily is making contributions to her 401(k) retirement plan sponsored by her employer. Her current 401(k) balance is $147,000 and between her contributions and her employer match, she is contributing $22,000 annually.

She also wants to save more so she has been contributing $6,500 annually to her personal savings accounts, including mutual fund accounts. Her current total savings balance is $25,000, growing at 2% annually. She also assumes that she will benefit from social security retirement income she estimates will be $24,000 annually. She wants to retire at age 65 and hopes to have roughly $150,000 in net annual retirement income adjusted by 1.5% for inflation.

Based on her life insurance needs, and after compiling Lily's financial information and planning objectives, Lily's insurance advisor illustrates for Lily her potential retirement income shortfall. Her advisor discusses the various options she has to save more and explains that by being efficient with her life insurance coverage, she may be able to provide life insurance protection while saving more for retirement.

Her advisor discusses the different types of cash value policies available and helps Lily to assess her risk tolerance, especially if she decides to purchase a variable universal life insurance policy.

Lily learns that variable universal life insurance is cash value life insurance and that by purchasing a variable policy she would be investing her premium payments in underlying investment accounts. Lily can choose from a list of available funds the policy offers based on her investment objectives and level of tolerance for risk. Lily learns that there are risks associated with investing in these accounts as outlined in the policy prospectus her advisor provided her.

Lily considers that, depending on the performance of the investment accounts underlying her life insurance policy, the cash values available for loans and withdrawals at retirement may be worth more or less than what premiums she paid into the policy. She also learns that additional premiums may be required to keep the policy in force at any given period of time depending on the underlying performance of the funds. She likes the idea of being able to take withdrawals from the policy up to her total premiums paid on a tax-free basis and understands that if she takes further distributions from the policy in the form of loans, the distributions will be tax free but her death benefit will be decreased by the loan value.

Lily's insurance advisor illustrates a John Hancock Accumulation VUL policy growing at an assumed 6.14% net rate after taxes and fund expenses. Assuming the policy earns this rate annually, the premium on a $1,125,750 death benefit is $31,290 for 25 years or to her retirement age 65. The policy is designed so that the death benefit increases every year in keeping with any increases in cash values until her age 65. Then at age 66, Lily can begin to take tax-free withdrawals and loans of $91,000, indexed by 1.5% inflation annually until age 100.

A snapshot of Lily's current and projected savings at retirement (age 65) is as follows:

Variable universal life insurance has annual fees and expenses associated with it in addition to life insurance related charges (which differ with the product chosen), including surrender charges and investment management fees. Variable universal life insurance products are long-term contracts and are sold by prospectus. They are subject to market risk due to the underlying subaccounts, and are unsuitable as a short-term savings vehicle. The primary purpose of variable universal life insurance is to provide lifetime protection against economic loss due to the death of the insured person. Cash values are not guaranteed if the client is invested in the investment accounts. There are risks associated with each investment option, and the policy may lose value.

POLICY DETAILS

Product: Accumulation VUL 09 **Initial Premium:** $31,290
Insured: Lily Rowan, Female, Age 40, Preferred Non Smoker
Initial Death Benefit: $1,125,750
Desired Retirement Income: $150,000 adjusted for inflation by 1.5%

POTENTIAL INCOME ANALYSIS	
Today	
Qualified Plan Balance	***$147,000***
Ongoing Annual Contributions	$22,000
Assumed Growth Rate	7.0%
Non-Qualified Savings Balance	***$25,000***
Ongoing Annual Contributions	$6,500
Assumed Growth Rate	2.0%
Other Expected Retirement Income	$24,000
At Retirement Age 65	
Qualified Plan Balance:	***$2,286,715***
After-Tax Withdrawals available for 35 years	$83,731
Non-Qualified Savings Balance:	***$253,376***
After-Tax Withdrawals available for 35 years	$7,860
Other Expected Retirement Income	$34,823
Total Projected Retirement Income	$126,414
Income Analysis at Retirement	
Desired Retirement Income ($150,000 adjusted for 1.5% inflation)	**$217,642**
Projected Income From Existing Assets	$126,414
Potential Shortfall	$91,228
Potential Annual Life Insurance Distributions	**$91,000**
Potential Retirement Income with Life Insurance	**$217,414**

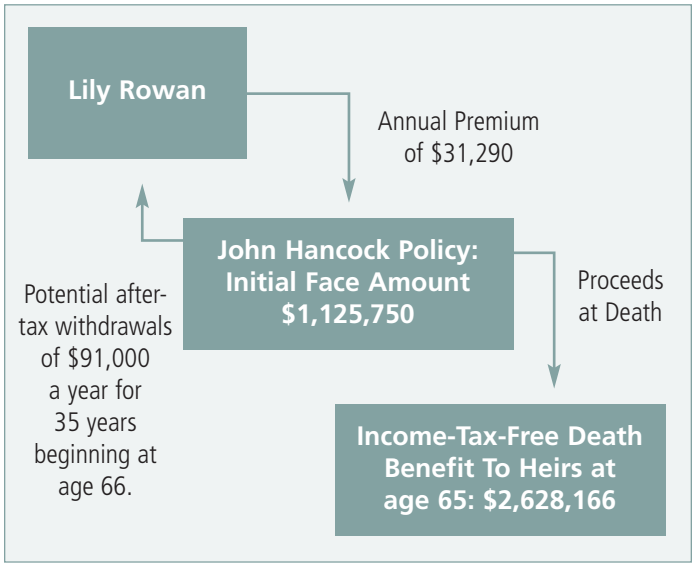
This is a supplemental illustration authorized for distribution only when preceded or accompanied by a basic illustration showing the arithmetic average of investment management fees and expenses. The data shown is taken from an illustration, the purpose of which is to show how the performance of the underlying investment accounts could affect the policy cash value and death benefit. It assumes a hypothetical rate of return and/or current interest crediting rate and may not be used to project or predict investment results. Unless indicated otherwise, these values are not guaranteed. This illustration assumes that withdrawals taken are up to cost basis and loans are taken thereafter. See basic illustration for a breakdown of loans and withdrawals in any given year.

A summary of the life insurance values are as follows:

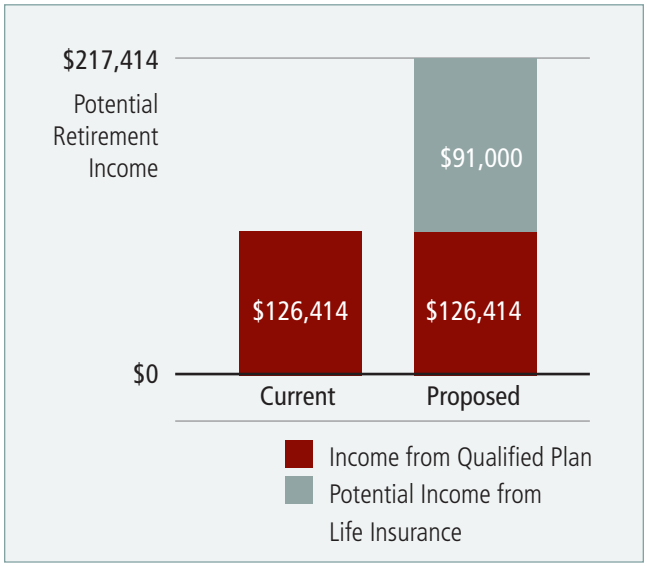
John Hancock Accumulation Variable Universal Life Insurance @ 6.14% net of investment advisory fees and current charges					
Year	**Age (End of year)**	**Premium**	**After-Tax Withdrawals & Loans**	**Net cash Surrender Value**	**Net Death Benefit**
1	41	$31,290	–	$13,823	$1,152,970
10	50	$31,290	–	$375,042	$1,500,792
20	60	$31,290	–	$1,082,291	$2,208,041
25	65	$31,290	–	$1,624,043	$2,628,166
26	66	–	$91,000	$1,627,419	$2,537,166
30	70	–	$96,583	$1,629,942	$2,159,312
35	75	–	$104,048	$1,604,648	$1,694,744
40	80	–	$112,089	$1,527,142	$1,644,263
45	85	–	$120,752	$1,367,989	$1,515,241

The gross rate of return assumed in this example is a hypothetical 7.0%. The net rate of return is based on an arithmetic average of fees for all fund offerings in the John Hancock Accumulation VUL policy. Actual Advisory fees will be based on the particular funds chosen.

HOW IT WORKS AT RETIREMENT



SUMMARY IN YEAR 24



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BENEFITS

- A life insurance policy's death benefit is generally income tax free. Exceptions include when a life insurance policy has been transferred for valuable consideration.
- The death benefit can help protect a family's income needs in the event of premature death.
- The life insurance death benefit can facilitate "self-completion" for financial plans, providing survivors with cash to compensate for the loss of planned contributions and earnings.
- The policy's death benefit or cash values are potentially protected from the claims of creditors, depending on the state in which the contract is issued.
- The cash values of a life insurance policy grow tax deferred, and tax-free withdrawals are permitted when structured properly.

CONSIDERATIONS

Additional expenses – The purchase of life insurance has costs and risks associated with it, including the cost of insurance. Refer to the Product Client Guide for information regarding specific product costs and risks. Charges associated with variable life insurance, including withdrawal charges, are usually higher than those associated with Roth and traditional IRAs.

Additional taxes may result – If the design of the variable life insurance policy does not meet the requirements of life insurance in the Internal Revenue Code, it will be classified as a modified endowment contract (MEC). Withdrawals and loans from a MEC may be subject to tax at the time the withdrawal or loan is made. A federal tax penalty may also apply if the withdrawal or loan is taken from a MEC prior to age 59½.

Potential taxation of life insurance cash values – Withdrawals from a life insurance policy may be subject to income taxes after withdrawals exceed cost basis. Increases in cash values grow tax deferred and may not be subject to taxes until withdrawn. However, the cash values of the life insurance are not subject to the same funding and distribution limitations applicable to qualified plans, and Roth and traditional IRAs. And, the beneficiaries of a life insurance policy generally receive the death benefit free of income taxes.

Potential lapse of the contract – Withdrawals and loans also have the effect of reducing the death benefit and cash surrender value and may cause the policy to lapse. Lapse of a life insurance policy can cause the loss of the death benefit and potential adverse income tax consequences.

Additional risk – Purchasing variable life insurance also involves investing in underlying investment accounts that correspond to a policholder's investment objectives and level of risk tolerance. There are risks associated with investing in these accounts. For more information, please refer to the policy prospectus. Depending on the performance of the underlying investment accounts, the cash values available for loans and withdrawals may be worth more or less than your original investment amount. Additional premiums may be required to sustain the policy.

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

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 was not intended or written for use and 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.

Please contact 1-800-827-4546 to obtain product and fund prospectuses (for New York, contact 1-877-391-3748, option 4). The prospectuses contain complete details on investment objectives, risks, fees, charges and expenses as well as other information about the investment company. Please read the prospectuses carefully containing this and other information on the product and the underlying portfolios and consider these factors carefully before investing.

Insurance policies and/or associated riders and features may not be available in all states.

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Not a Deposit	Not Insured by Any Government Agency	