John Hancock
LIFE INSURANCE

Client Profile
Executive Bonus Plans

A WAY TO RETAIN AND REWARD KEY EMPLOYEES

CLIENT PROFILE	
Executive Age:	40–60
Executive Status:	Key executive who may be maxed out on qualified retirement plan contributions.
Executive Concern:	Would like to supplement retirement savings.
Company Status:	Any corporate entity, including S-Corporations and Partnerships.
Company Concern:	Would like to reward/incent the executive in a tax-efficient manner.

- Executive is concerned about having enough money saved for retirement, and is already contributing the maximum amount to 401(k).
- Executive would like additional life insurance protection for income replacement needs if death occurs prior to retirement.
- Employer would like to reward the executive's performance and provide an incentive for the executive to remain with the company.
- Employer would like to receive a tax deduction on amounts spent for the plan.

SOLUTION

- Employer and executive enter into an Executive Bonus Plan. Employer bonuses the executive the annual premium on a life insurance policy. At retirement, executive may be able to access the potential policy cash value via tax-favored loans and withdrawals.[1]

HOW IT WORKS

- Employer decides which executives to include in the plan, and they apply for life insurance. Executives own the policies, including the policy cash value and death benefit.
- Employer pays the premium via a bonus and receives an income tax deduction for the bonus. The executive pays the taxes on the bonus.[2]
- Employer may also elect to increase the bonus to cover the executive's tax cost ("double-bonus").
- At retirement, the executive may be able to use the potential cash value to supplement retirement income.

BENEFITS

- For executive, it provides affordable life insurance protection and potential supplemental retirement income.
- For employer, it provides a tax-deductible, discriminatory benefit plan that is simple to implement.

CONSIDERATIONS

- The bonus is includable in the employee's taxable income.
- Depending on the performance of underlying investment options, the cash value available for loans and withdrawals may be worth more or less than the original investment amount.
- 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 sub-accounts 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.

CASE STUDY: CORDOVA PRODUCTIONS AND GABRIELLE GERARD

EMPLOYER:	Cordova Productions, S-Corp, 40% Tax Bracket
EXECUTIVE:	Gabrielle Gerard, Age 42, Preferred Non Smoker, 35% Tax Bracket, California Resident
BONUS:	$46,154 Per Year until Age 65
PRODUCT:	$714,628 Accumulation VUL, Death Benefit Option 2,[3] $30,000 Initial Premium, Paid for 23 Years

YEAR	BONUS TO EXECUTIVE	TAX ON BONUS	PREMIUM	LOANS AND WITHDRAWALS	CASH SURRENDER VALUE (7.15% net)	DEATH BENEFIT	EMPLOYER TAX SAVINGS
1	$46,154	$16,154	$30,000	$0	$16,820	$714,628	$18,462
5	$46,154	$16,154	$30,000	$0	$152,661	$849,888	$18,462
10	$46,154	$16,154	$30,000	$0	$393,370	$1,079,567	$18,462
15	$46,154	$16,154	$30,000	$0	$724,194	$1,410,391	$18,462
20	$46,154	$16,154	$30,000	$0	$1,190,939	$1,877,136	$18,462
25	$0	$0	$0	$134,840	$1,484,484	$1,842,745	$0
30	$0	$0	$0	$134,840	$1,255,057	$1,422,283	$0

This is a supplemental illustration authorized for distribution only when preceded or accompanied by a basic illustration and appropriate prospectuses. 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.

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

1. 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.
2. The amount of the bonus that the employer is able to deduct is subject to reasonable compensation limits.
3. At 7.15% net and current charges, initial increasing face amount is $714,628 and will remain in force until age 100. At 0% with gross maximum charges, the policy will lapse in year 27.

Please contact 888-222-7498, option 2, to obtain a prospectus containing all fees pertinent to the policy or if you are interested in obtaining a selling agreement with ***John Hancock Distributors LLC****. Please advise your clients to read the prospectus carefully containing this and other information on the product and the underlying portfolios, and consider these factors carefully before investing.*

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