A Tool for your Success

Tax Strategies
Sales Kit

1040 Overlay | 2017 Tax Rates | Zero Estate Tax Strategy
Tax Implications of Living Benefits

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'Tis the Season — Tax Season That Is!

Identifying Opportunities From a 1040

Clients that have pulled together financial statements and tax forms in preparation of the upcoming income tax filing deadline are acutely aware of their tax burden. Now is a great time to reach out to these clients and share the tax advantages of life insurance.

With 239 million people filing income taxes this year — now is a great time to schedule 1040 reviews and start identifying new opportunities!

With this in mind, John Hancock Advanced Markets is excited to introduce our 1040 Opportunities kit that includes an interactive 1040 Overlay, instruction Guide, and fillable Worksheet. This kit empowers advisors to walk clients through their 1040 Form while identifying life and long-term care insurance opportunities. A 1040 review is an unobtrusive and efficient way to gather extensive financial information while starting the insurance conversation.

Tax returns provide Gross Income, Adjusted Gross Income and ultimately Taxable Income, but a careful review of the lines in between can lead to important and powerful discussions about income replacement, retirement savings, and estate and legacy planning in addition to inter-generational wealth and business planning needs.

A 1040 has so much information that there can be unlimited potential planning opportunities. Here are five key ideas to get started.

IDEA #1: COMPARE RETURNS TO UNCOVER MAJOR CHANGES

One of the easiest and most productive ways to use a 1040 is to compare last year's return to this year's. Most of life's "major changes," the types of events that create the largest life insurance opportunities, jump off the page as a new line item or a major change from last year. Common changes include a new job or business venture, marriage or divorce, new family members or an elderly dependent parent.

IDEA #2: FOCUS ON PROTECTING LOVED ONES

Lines 1-3 on the 1040 provide insight into marital status and the income replacement needs of each spouse. Alternatively, if this is a second marriage, "blended families" need planning related to estate equalization between children from a prior marriage and a new spouse or subsequent children.

"Exemptions" identify any dependents that rely upon the taxpayer for financial support and care, or those who suffer the greatest personal loss if the taxpayer passes away. A basic death benefit can provide the protection these loved ones need. Keep in mind that "dependents" arrive in many ways — not just through birth and adoption — but a dependent could include an elderly parent or relative that can no longer care for themselves. Often, the arrival of any one of these dependents will cause a client to reconsider their life and long-term care insurance needs.

Focusing on "exemptions" and "dependents" can start a review in the right direction. Is protection something they want to provide? What are their other financial goals?

BONUS OPPORTUNITY: Clients may also want to start saving for a child's college fund, in addition to basic death benefit protection.

IDEA #3: FOCUS ON INCOME REPLACEMENT

Life insurance sales often focus on replacing income. What better way to capture the replacement need then by analyzing the "Earned Income" section on lines 7 through 21? These lines not only provide the many types of income a client may have including "W-2" or "1099," but also include income from other sources, such as business income.

BONUS OPPORTUNITY: Business income may indicate a strong ongoing enterprise, which presents the possibility of a number of planning opportunities — Buy-Sell Succession Planning, Non-Qualified Deferred Compensation, and Key Person Insurance.

IDEA #4: FOCUS ON WEALTH TRANSFER

1040s provide insight into the other investments a client may hold. For example, a client may be burdened with capital gains taxes due to an investment portfolio, income from a CD, or required minimum distributions from an IRA. These are just a few of the types of income items that all lead to one very important question: what are these investments for?

Some assets may be earmarked for lifetime spending but many others are to be passed to children and grandchildren. Alternatively, these "generational" assets can be repositioned into a John Hancock permanent life insurance product to grow tax deferred — reducing lifetime tax burdens — while providing the immediate certainty of death benefit protection.

IDEA #5: FOCUS ON RETIREMENT PLANNING

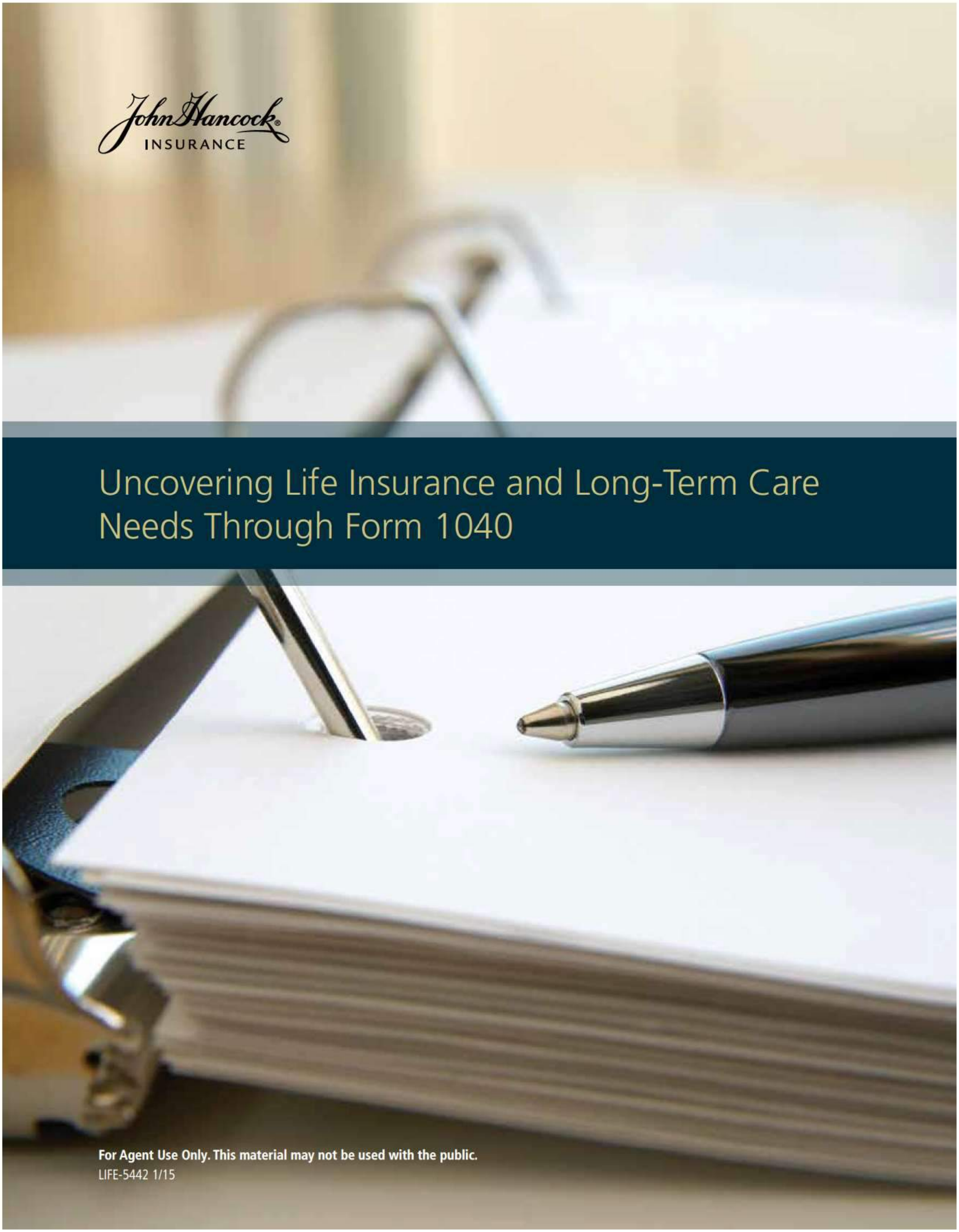
Some lines on the 1040 shed light into whether the client is in their "accumulation phase" and is making contributions to IRAs or other qualified plans as a means to save for retirement while reducing taxable income. Even if the client did not make any current contributions, these lines are an opportunity to start the retirement savings discussion. Are they on track for retirement?

Additionally, many 1040s include a W2 form. W2 boxes 3 and 5 reflect contributions to tax deferred retirements, giving you insight into how much is being contributed to other retirement accounts. For clients who want to protect loved ones while supplementing their retirement savings, the tax deferred accumulation of life insurance can help them achieve these goals.

These are five ideas to get you started, but there are other ideas and concepts that can be found on a client's tax return. For a more in depth look, please refer to the 1040 Opportunities kit. We hope it empowers you to review and dissect some 1040s and identify new sales opportunities.

Our Advanced Markets Group is ready for calls to help deliver on the opportunities you uncover. Also, please let us know if there is any feedback that you gather from your 1040 reviews that you would like us to incorporate into next year's overlay. Together we can help each other make a meaningful difference in the lives of our clients.

John Hancock
INSURANCE



Uncovering Life Insurance and Long-Term Care Needs Through Form 1040

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INTRODUCTION

Tax returns offer insights into a client's financial planning needs, including life insurance and long-term care, and the consolidated financial information in a tax return can facilitate a review that uncovers these needs. Additionally, comparing last year's tax return to this year's can highlight the needs due to major life changes.

While there are a number of good resources available to help guide you through a 1040 review, John Hancock's 1040 overlay is designed to not only highlight specific planning opportunities, but also to provide tips on how to begin addressing the client's needs.

Generally, tax returns provide Gross Income, Adjusted Gross Income, and, ultimately, Taxable Income. However, a careful review of the lines in between can lead to important and powerful conversations about income replacement, retirement savings, and estate and legacy planning in addition to inter-generational wealth and business planning needs.

TAX RETURNS

This kit focuses on Form 1040 and Schedule A, but if a client also has the forms below, here are some additional items to consider:

1040 NRs are generally filed by non-resident aliens:

- Non-resident aliens are subject to different income and estate tax rules. Generally stated, the U.S. estate exemption amounts are extremely limited for foreign nationals.
- Foreign nationals and their spouses require specialized planning due to the complexities of non-resident alien taxation. Every year foreign national families and their decedents are surprised by an estate tax obligation and upset with their advisors for not letting them know earlier. Spending a little time to understand how to identify the issues can make you a valued resource for foreign nationals looking for quality advisors in the U.S.

Form 1041 is a U.S. income tax return for estates and trusts:

Trusts are subject to different income tax rules and a condensed income tax table. Generally, the trustee files the return. However, simply asking: *"Do you manage, or have you created, a trust that files a Form 1041?"* can lead to more information and additional planning opportunities.

For more information on the foreign national market, please refer to the *Seller's Guide to the Global High-Net-Worth Market* found on **JHSalesNet.com**

TIPS

This 1040 kit is meant to help facilitate life and long-term care discussions with your clients. Here are some tips for success:

Tip #1 — Read through this guide. There are multiple opportunities that are touched upon, and this guide is meant to give you an introduction to many of the planning concepts.

Tip #2 — Familiarize yourself with the 1040 questions on the overlay, found in the back pocket of this guide. Some questions are not going to be applicable for your client. For example, if your client is not a business owner, there is no need to ask questions as they pertain to the business. On the other hand, while your client may not currently be contributing to an IRA and that section is blank, it can help start a retirement planning conversation.

Tip #3 — Set up a plan to meet with the client, ask the right questions, prioritize goals, and when applicable, use our online tools or Advanced Markets Group to help.

Tip #4 — There is no such thing as too much information. In the back pocket of this guide, you will find a worksheet that you can use in client meetings. This worksheet is meant to help you gather all the pertinent information and prioritize goals. You can access a fillable PDF version of this worksheet or print more paper copies from JHSalesNet.com.

Tip #5 — Take advantage of our mobile friendly online tools to help calculate the amount of life insurance that the client needs. Determine long-term care costs or if the client is on track for retirement. See page 4 for more information.

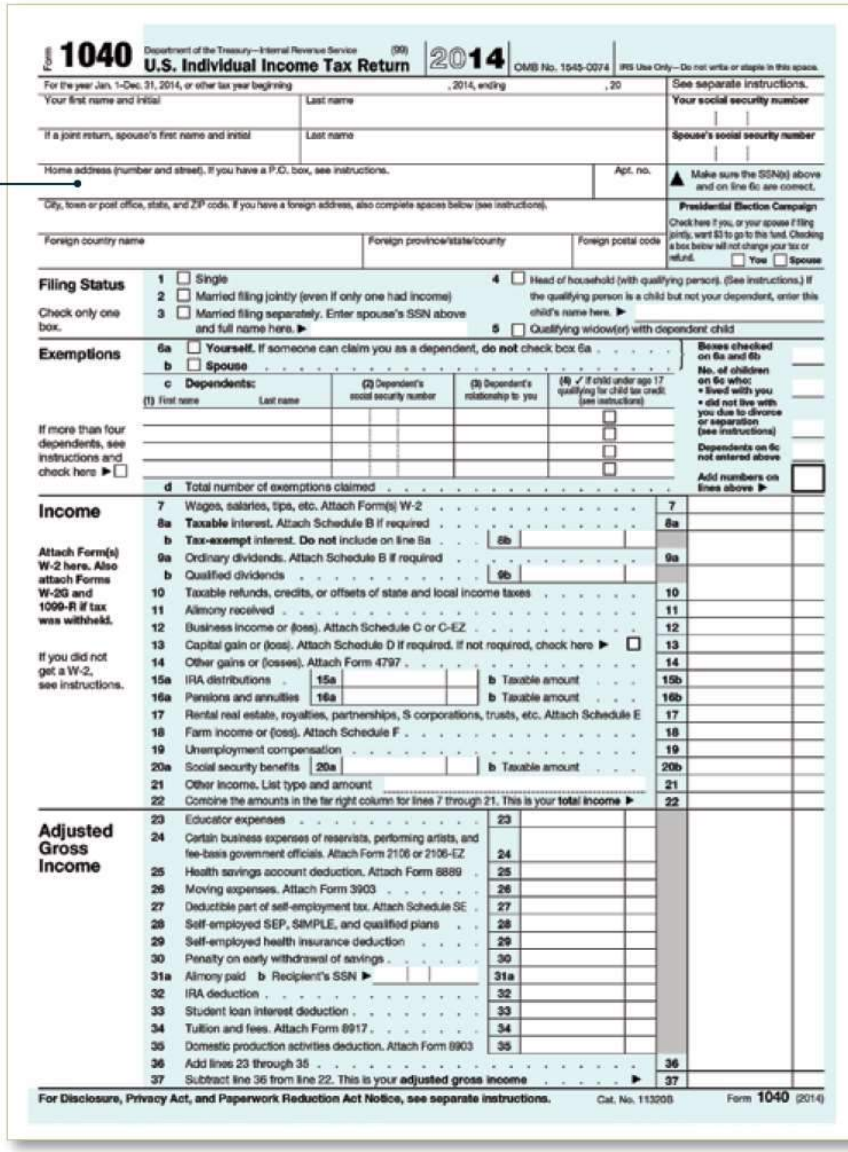
1040 BASICS

The following pages break down Form 1040 and Schedule A to help you identify the kinds of questions you should ask your clients and what to look for in a 1040 to uncover planning opportunities.

Information as simple as the home address listed may uncover new opportunities.

- Does the client have property in multiple states?
- Are they aware of the state estate/ inheritance laws in each state?
- If they spend time abroad, do they have foreign assets? U.S. citizens and residents are subject to income and estate taxes on their worldwide assets.

To find state specific information on state estate taxes, income taxes, creditor protection and more please visit the "Know the Law" microsite found at JHAdvancedMarkets.com



Form **1040** Department of the Treasury—Internal Revenue Service (99) **U.S. Individual Income Tax Return** **2014** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2014, or other tax year beginning , 2014, ending , 20 — See separate instructions.

Your first name and initial | Last name | **Your social security number**

If a joint return, spouse's first name and initial | Last name | **Spouse's social security number**

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | ▲ Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name | Foreign province/state/county | Foreign postal code

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

Filing Status — Check only one box.
1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child

Exemptions
6a ☐ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a
b ☐ **Spouse**
c **Dependents:**

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if child under age 17 qualifying for child tax credit (see instructions)
			☐
			☐
			☐
			☐

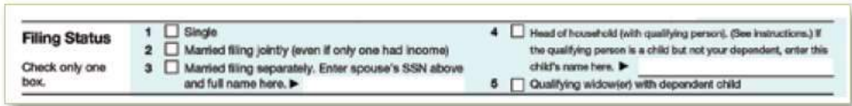
If more than four dependents, see instructions and check here ▶ ☐
d Total number of exemptions claimed

Boxes checked on 6a and 6b; No. of children on 6c who: • lived with you • did not live with you due to divorce or separation (see instructions); Dependents on 6c not entered above; Add numbers on lines above ▶

Income — Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a W-2, see instructions.
7 Wages, salaries, tips, etc. Attach Form(s) W-2 — 7
8a **Taxable** interest. Attach Schedule B if required — 8a
b **Tax-exempt** interest. **Do not** include on line 8a — 8b
9a Ordinary dividends. Attach Schedule B if required — 9a
b Qualified dividends — 9b
10 Taxable refunds, credits, or offsets of state and local income taxes — 10
11 Alimony received — 11
12 Business income or (loss). Attach Schedule C or C-EZ — 12
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐ — 13
14 Other gains or (losses). Attach Form 4797 — 14
15a IRA distributions 15a — b Taxable amount — 15b
16a Pensions and annuities 16a — b Taxable amount — 16b
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E — 17
18 Farm income or (loss). Attach Schedule F — 18
19 Unemployment compensation — 19
20a Social security benefits 20a — b Taxable amount — 20b
21 Other income. List type and amount — 21
22 Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶ — 22

Adjusted Gross Income
23 Educator expenses — 23
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ — 24
25 Health savings account deduction. Attach Form 8889 — 25
26 Moving expenses. Attach Form 3903 — 26
27 Deductible part of self-employment tax. Attach Schedule SE — 27
28 Self-employed SEP, SIMPLE, and qualified plans — 28
29 Self-employed health insurance deduction — 29
30 Penalty on early withdrawal of savings — 30
31a Alimony paid b Recipient's SSN ▶ — 31a
32 IRA deduction — 32
33 Student loan interest deduction — 33
34 Tuition and fees. Attach Form 8917 — 34
35 Domestic production activities deduction. Attach Form 8903 — 35
36 Add lines 23 through 35 — 36
37 Subtract line 36 from line 22. This is your **adjusted gross income** ▶ — 37

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2014)



Filing Status

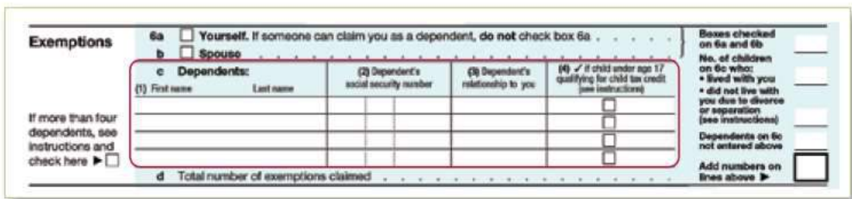
Check only one box.

1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child

LINES 1-5

Marital status is one of the major drivers of planning changes. If someone's marital status has changed, you should carefully review their planning needs.

- **Single to married:** Marriage is a life event that generally creates financial interdependence. Newlyweds frequently discover that they need life insurance to cover a spouse's salary or cover debt they might now have such as a mortgage and car loan.
- **Is this a second marriage?** Blended families often use insurance as the great equalizer in transferring wealth, ensuring equitable treatment for the children of each marriage.
- **Married to divorced:** Some divorce agreements require life insurance to meet alimony obligations.
  – See Lines 11 or 31a for additional insight into whether alimony has to be paid. Does the divorce decree require life insurance? Have they purchased this policy? Have they reviewed the policy?
- **Head of household or qualifying widow with dependent**: By definition, these individuals have dependents that rely on them. Life insurance can help provide the protection dependents need if the filer is no longer there for them.



Exemptions

6a ☐ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a
b ☐ **Spouse**

c **Dependents:** (1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if child under age 17 qualifying for child tax credit (see instructions)
			☐
			☐
			☐
			☐

If more than four dependents, see instructions and check here ▶ ☐

d Total number of exemptions claimed

Boxes checked on 6a and 6b
No. of children on 6c who:
• lived with you
• did not live with you due to divorce or separation (see instructions)
Dependents on 6c not entered above
Add numbers on lines above ▶

LINE 6c

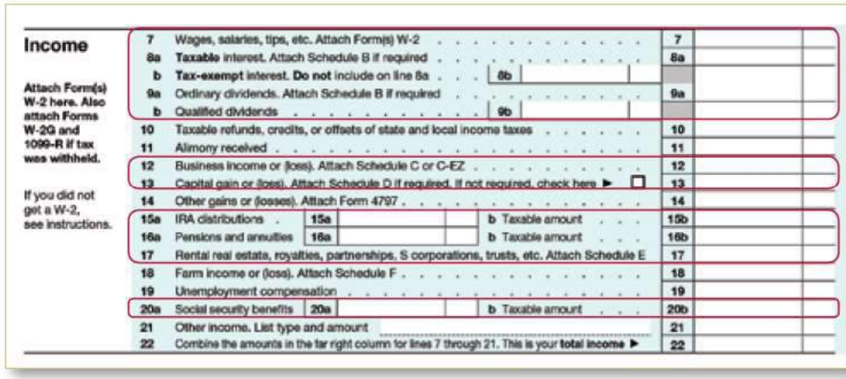
> ### Our online tools can help.
>
> - ***Needs Analysis Calculator*** — can help determine the appropriate amount of life insurance coverage. Access at JHAdvancedMarkets.com
> - ***College Planning Module*** — one of our NEW modules in JHSolutions.com that can illustrate college funding scenarios
> - ***Long-Term Care Cost of Care Calculator*** — breaks down regional costs of long-term care by state. Visit JohnHancockInsurance.com

The addition of a dependent can drastically change how someone thinks about their financial preparedness and planning. Frequently, financial planners fall into the trap of thinking there has been no change in dependents if no child was born in a given year. This is not the case. Dependents can change for any number of reasons, any one of which can cause a client to rethink their plan.

- Birth or adoption of a child are the most common scenarios, but consider whether there has been a marriage to a spouse with existing dependents, or an elderly parent or other loved one who can no longer care for themselves.

Having children generally requires discussions about saving for college and income replacement. But, a marriage with existing dependents, no matter how late in life, can cause the need to consider (or reconsider) estate planning and equalization strategies.

- Additionally, a client who originally postponed or rejected the idea of stand-alone long-term care insurance or an LTC rider on a life insurance policy may wish to reconsider that decision if and when they help care for an elderly loved one. Seeing the drain on savings that care can have causes many clients to reconsider how much income replacement insurance they have to protect their own family members.



Income	7	Wages, salaries, tips, etc. Attach Form(s) W-2	7
	8a	**Taxable** interest. Attach Schedule B if required	8a
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.	b	**Tax-exempt** interest. **Do not** include on line 8a . . . 8b	
	9a	Ordinary dividends. Attach Schedule B if required	9a
	b	Qualified dividends . . . 9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes	10
	11	Alimony received	11
	12	Business income or (loss). Attach Schedule C or C-EZ	12
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐	13
If you did not get a W-2, see instructions.	14	Other gains or (losses). Attach Form 4797	14
	15a	IRA distributions . 15a / b Taxable amount	15b
	16a	Pensions and annuities 16a / b Taxable amount	16b
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17
	18	Farm income or (loss). Attach Schedule F	18
	19	Unemployment compensation	19
	20a	Social security benefits 20a / b Taxable amount	20b
	21	Other income. List type and amount	21
	22	Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶	22

LINE 7

Earned income, which can generally be described as W-2 or 1099 income, is lost in the event of an unexpected death of a client. Therefore, it is important to consider this "top line" number when determining if, and how much, income replacement coverage is needed. In many families, both spouses provide income that may need to be replaced. However, one often overlooked need is the earned income that is only available because of the support provided by the other spouse. Today's families may work offsetting schedules, reduced hours or have one spouse staying at home in order to take care of children and other family needs. If one spouse passes away, not only is any earned income provided by the deceased spouse lost, but the surviving spouse will likely incur expenses associated with taking care of children, house, etc. Line 49 can provide a starting point for child care expenses.

LINE 8a

If the client does not have an immediate need for this money, or their ultimate goal is to leave it to their children and grandchildren, there may be a life insurance opportunity. Generally, the assets indicated on line 8a are low risk investments, including: certificates of deposit, saving accounts, and bond income. Their low-risk nature usually ensures corresponding low interest rate yields. One alternative to a low risk – low reward strategy is to use these assets to purchase life insurance, which may provide a higher IRR while also providing tax free growth and needed death benefit protection.

LINE 8b

Clients who have invested substantially in tax advantaged investments, like municipal bonds, already understand the value of the tax advantages of the tax treatment of cash accumulation in permanent life insurance. One simple strategy may be to take the income from 8b and leverage it with life insurance rather than continuing to reinvest in muni bonds.

LINES 9a & 9b

These assets produce taxable interest income. For clients looking to leave a legacy for children and grandchildren, life insurance can be a tax efficient way to transfer assets. Additionally, the passive income in 9a & b negatively impacts high income earners. Specifically, high earners with passive income may be subject to the additional 3.8% surcharge tax.

LINE 12

Clients who own a business may have multiple life insurance needs. Succession planning often uses life insurance as a funding source for buy-sell arrangements. Business owners may also purchase life insurance for creditor protection, retirement planning or to cover long-term care costs. In an effort to keep, retain and reward valuable employees, they may want to offer a non-qualified deferred compensation arrangement (including executive bonus, supplement executive retirement planning, and deferral). Finally, for business owners looking for protection from the unexpected loss of a key employee, key person insurance can help a business continue in the event of a loss of a key employee.

LINE 13

For clients who are interested in leaving a legacy, capital gain assets, like those producing taxable interest income, can be a great source of life insurance premiums for a tax efficient transfer of wealth. Capital gains are also passive income that can negatively impact high earners. Specifically, high income earners with passive income may be subject to an additional 3.8% surcharge tax.

LINES 15a & 16a

Generally, clients taking IRA distributions or annuity distributions and pensions are retired. Many retired clients face a trifecta of risks: longevity, long-term care costs, and sequence of returns. Purchasing a life insurance policy to supplement retirement income in later years can help cover long-term care costs while protecting loved ones. One way to accomplish this is to leverage an unneeded income stream from a pension or an annuity to purchase a life insurance policy.

LINE 17

Clients with rental income can have a number of issues and concerns:

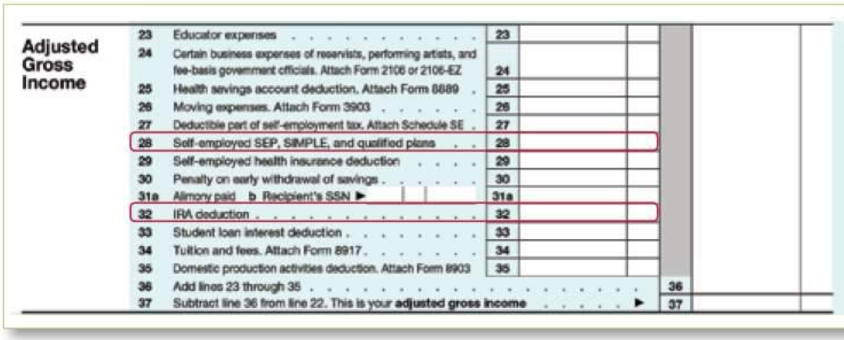
- Many income-producing properties have mortgages on them.
- Many clients manage rental properties themselves and, if they were to die unexpectedly, a property management company would need to get involved.
- Rental real estate is a non-liquid asset and may be hard to divide amongst beneficiaries (some may want to keep the property while others may want to sell).

Clients who own a business can have multiple needs for life insurance:

- Succession planning and using life insurance to fund a buy-sell strategy.
- Creditor protection, retirement planning and long-term care concerns.
- Non-qualified arrangements to help retain and reward valued employees.
- Key person insurance to protect the business in the event of the loss of a key employee.

LINE 20a

Generally, clients taking Social Security are retired. Retired clients face a trifecta of risks: longevity, long-term care costs, and sequence of returns. These individuals can use life insurance to supplement retirement income in later years, cover long-term care costs, and to protect loved ones. Unneeded social security payments can be used to purchase life insurance to provide a legacy for children and grandchildren.

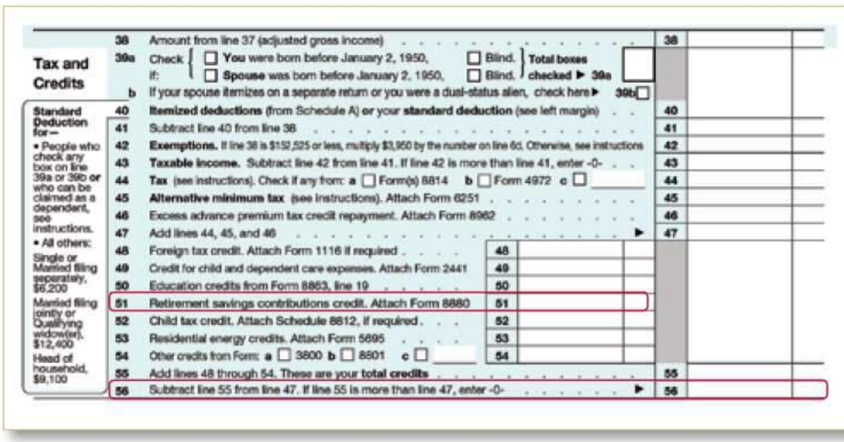


Adjusted Gross Income	23	Educator expenses	23
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24
	25	Health savings account deduction. Attach Form 8889	25
	26	Moving expenses. Attach Form 3903	26
	27	Deductible part of self-employment tax. Attach Schedule SE	27
	28	Self-employed SEP, SIMPLE, and qualified plans	28
	29	Self-employed health insurance deduction	29
	30	Penalty on early withdrawal of savings	30
	31a	Alimony paid b Recipient's SSN ▶	31a
	32	IRA deduction	32
	33	Student loan interest deduction	33
	34	Tuition and fees. Attach Form 8917	34
	35	Domestic production activities deduction. Attach Form 8903	35
	36	Add lines 23 through 35	36
	37	Subtract line 36 from line 22. This is your **adjusted gross income** ▶	37

LINES 28 & 32

These line items often tell us whether clients are saving for retirement. (If they are W2 employees, the retirement contribution can be seen on their W2 statement.)

Use our **Retirement Needs online calculator** to generate a proposal to determine if a client is on track for retirement. If they are not, and need life insurance to protect their loved ones, a permanent policy can help get them back on track for retirement while protecting their family today.



	38	Amount from line 37 (adjusted gross income)	38
Tax and Credits	39a	Check if: ☐ **You** were born before January 2, 1950, ☐ Blind. ☐ **Spouse** was born before January 2, 1950, ☐ Blind. **Total boxes checked** ▶ **39a** ☐	
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b☐	
Standard Deduction for—	40	**Itemized deductions** (from Schedule A) or your **standard deduction** (see left margin)	40
• People who check any box on line 39a or 39b **or** who can be claimed as a dependent, see instructions.	41	Subtract line 40 from line 38	41
• All others:	42	**Exemptions.** If line 38 is $152,525 or less, multiply $3,950 by the number on line 6d. Otherwise, see instructions	42
Single or Married filing separately, $6,200	43	**Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43
Married filing jointly or Qualifying widow(er), $12,400	44	**Tax** (see instructions). Check if any from: **a** ☐ Form(s) 8814 **b** ☐ Form 4972 **c** ☐	44
Head of household, $9,100	45	**Alternative minimum tax** (see instructions). Attach Form 6251	45
	46	Excess advance premium tax credit repayment. Attach Form 8962	46
	47	Add lines 44, 45, and 46 ▶	47
	48	Foreign tax credit. Attach Form 1116 if required	48
	49	Credit for child and dependent care expenses. Attach Form 2441	49
	50	Education credits from Form 8863, line 19	50
	51	Retirement savings contributions credit. Attach Form 8880	51
	52	Child tax credit. Attach Schedule 8812, if required	52
	53	Residential energy credits. Attach Form 5695	53
	54	Other credits from Form: **a** ☐ 3800 **b** ☐ 8801 **c** ☐	54
	55	Add lines 48 through 54. These are your **total credits**	55
	56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- ▶	56

LINE 51

High earning clients are limited in the amount that can be contributed to qualified plans and are not eligible for a tax credit for these contributions. As a result, they suffer reverse discrimination because they cannot save enough to replace their current income at the levels that lower earners can. Therefore, high earning clients need additional tax efficient savings opportunities to accumulate the savings needed for retirement income. Life insurance is one of the few opportunities, beyond qualified plans, that a client has to save in an income tax free way for retirement. A well-structured and funded permanent life insurance policy can offer immediate death benefit protection, to ensure plan completion, while also providing a funding source for supplemental retirement income.

LINE 56

This number sums up the total amount of taxes a client pays. On almost all tax returns, there is some tax diversification that can be done using life insurance to provide current death benefit coverage while reducing current taxable income.

Schedule A

SCHEDULE A (Form 1040) Department of the Treasury Internal Revenue Service (99)	**Itemized Deductions** ▶ Information about Schedule A and its separate instructions is at *www.irs.gov/schedulea*. ▶ Attach to Form 1040.	OMB No. 1545-0074 2014 Attachment Sequence No. 07
Name(s) shown on Form 1040		Your social security number

Medical and Dental Expenses		**Caution.** Do not include expenses reimbursed or paid by others.		
	1	Medical and dental expenses (see instructions)	1	
	2	Enter amount from Form 1040, line 38 [2]		
	3	Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1950, multiply line 2 by 7.5% (.075) instead	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4

Medical & Dental Expenses

Schedule A offers great planning insight. After all of the calculations are done, not many clients will have medical deductions but, with or without the deduction, this line can be a great conversation starter.

- Where do they have medical coverage through?
- Do they understand the difference between medical insurance and long-term care insurance?
- Do they know what is and is not covered?

Interest You Paid **Note.** Your mortgage interest deduction may be limited (see instructions).	10	Home mortgage interest and points reported to you on Form 1098	10	
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶	11	
	12	Points not reported to you on Form 1098. See instructions for special rules	12	
	13	Mortgage insurance premiums (see instructions)	13	
	14	Investment interest. Attach Form 4952 if required. (See instructions.)	14	
	15	Add lines 10 through 14		15

Interest You Paid

Life insurance is typically purchased for income replacement and debt coverage. A mortgage is generally one of a client's largest obligations, and a great place to start.

Even clients who have been in a home a long time may have refinanced and taken equity out, or perhaps they have moved to a different home. Have they accounted for this in their needs analysis for life insurance?

Gifts to Charity If you made a gift and got a benefit for it, see instructions.	16	Gifts by cash or check. If you made any gift of $250 or more, see instructions.	16	
	17	Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500 . . .	17	
	18	Carryover from prior year	18	
	19	Add lines 16 through 18		19

Gifts to Charity

Schedule A also gives us great information about the charitable interests of a client. Clients who have a history of giving may be interested in other planning options such as Charitable Lead Trusts and Charitable Remainder Trusts. Inquiring about who they give to can help create a beneficial plan for both the client and the charity.

SUMMARY

As you can see from this guide, Form 1040 has many opportunities for life and long-term care insurance. As with many of our tools, the best way to use them is to navigate and focus on the key opportunities. These opportunities can fall into seven distinct categories:

1 – Needs Analysis for Life Insurance
2 – Retirement Planning
3 – College Planning
4 – Wealth Transfer
5 – Business Planning
6 – Charitable Planning
7 – Long-Term Care

NEEDS ANALYSIS

The conversation with the client ensures that you understand the family's structure and needs. While a needs analysis will generally look at salary replacement, covering debts, and existing coverage, it is also helpful to uncover some of the client's hidden needs. For example, there may be additional expenses if the client has a special needs child, an elderly parent, or if this is a second marriage, and it is important for the client to plan ahead.

Focus on product: What type of product to use is an important factor in helping the client. With needs analysis planning, the type of product will depend on the client's discretionary income, risk tolerance and duration of the need. Term insurance is an affordable product that can help supplement and cover the need, while permanent insurance can provide cash value accumulation and permanent death benefit protection. Many advisors will use a combination of permanent and term to cover these needs.

RETIREMENT PLANNING

For many clients, their number one concern is retirement planning. A great way to start the conversation is to help with a retirement check up to make sure clients are on track for retirement. Even if a client is retired or approaching retirement, they may still have additional planning needs including protecting against long-term care costs, covering a long retirement, and overall protection.

Focus on product: For clients who need both death benefit protection and supplemental retirement income, a permanent accumulation policy can help. The goal here is to focus on a permanent product that has cash value accumulation. In addition, where applicable, adding a long-term care rider can help with long-term care needs.

COLLEGE PLANNING

For clients with young children, planning for college is generally a top priority. While there are many options available for those clients who are looking for alternatives that offer flexibility and protection, life insurance can help.

Focus on product: For clients with young children who need both death benefit protection and supplemental income to pay for college expenses for their children, a permanent life insurance policy can help. Please note that the cash value needs time to accumulate, thus this strategy is meant for clients with younger children.

WEALTH TRANSFER

These clients are traditionally retired or fast approaching retirement and their goal is to leave a legacy to their children and grandchildren; they will have assets that they no longer need for retirement income. These assets could be leveraged to purchase a life insurance policy that provides tax free death benefit protection and other tax advantages.

Focus on product: A permanent policy can help, and if a long-term care rider is added (where applicable), it can provide for qualified long-term care expenses if needed. Also, since the goal is to take care of children and grandchildren, a survivorship policy is often used.

BUSINESS PLANNING

Business planning clients have a multitude of needs including, but not limited to, succession planning, retirement planning, keeping and retaining key employees, and protecting the business from the loss of a key employee.

Focus on product: The possibilities are endless, but in addition to traditional permanent and term products, many businesses can benefit from corporate-owned life insurance policies that have potential for early cash value and may offer simplified issue.

CHARITABLE PLANNING

Clients who are charitably inclined can incorporate sophisticated charitable strategies into their succession planning. Note, these strategies typically require outside counsel and substantial gifts. There are also many underwriting requirements (if using life insurance) that have to be considered. But for those wealthy clients who have a history of giving, these complex strategies are available to them.

Focus on product: Permanent policies are often used and include survivorship policies as well as individual policies.

LONG-TERM CARE

Start the conversation with understanding the client's wishes. How do they want care to be provided? Who will provide it? How will they pay for it? Many clients may need to understand their options.

Focus on product: A traditional long-term care policy is one way to approach this need, but another alternative it is to add a long-term care rider to a permanent life insurance policy.

NEXT STEPS

Now that you have familiarized yourself with this brochure, go through your book of business and start setting up meetings for review. Remember not all information will apply to every client, but the 1040 is a great tool to get the conversation started. Here is a quick checklist of recommended next steps:

- ✔ Meet with client
- ✔ Ask the right questions
  (use the Form 1040 Overlay to help facilitate the conversation)
- ✔ Prioritize goals
- ✔ Gather facts/information
  (use the enclosed Form 1040 Worksheet to capture the clients' responses)
- ✔ Create a plan
- ✔ Implement the plan
- ✔ Annually review the plan

For more information on marketing material, needs analysis presentations, college funding presentations, and much more please call the Advanced Markets Group at 888-266-7498, option 3.

For Agent Use Only. This material may not be used with the public.

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.

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.

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 tax). Failure to do so could result in adverse tax treatment of trust proceeds.

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.

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MLINY121214052

Ⓟ

Uncover Planning Opportunities Using 1040 Overlay

Line up the sections below with the corresponding areas
on the most recent Form 1040 and/or applicable Schedule A to help
uncover potential life insurance and long-term care needs.

John Hancock
INSURANCE

Lines 1-5 – Filing Status: Review of life insurance needs using corresponding Needs Analysis.

Line 6c – Dependents: Do you have enough life insurance to protect your loved ones? The younger the dependents age, the more insurance is generally needed. Do you want to provide for college? If yes, are you on track for this goal? Do you have any dependents that have special needs (e.g., children, as well as elderly parents, extended family members, etc.)? How will you provide for them should something happen to you?

Line 7 – Wages/Salaries: How would you replace your income for your spouse and/or children if something should happen to you? Has your salary changed?

Line 8a –Taxable Interest: Where is this invested and how much is it earning? What is this money for? Are you concerned about taxes?

Line 8b – Tax Exempt Income: How long have you had municipal bonds? What are they earning and are you re-investing them? When will you use this money?

Line 9a – Dividend Income: Where is this dividend money coming from? How much are you earning? What are you using these dividends for?

Line 12 – Business Income: How is your business doing? Who do you want to leave your business to? Have you done any succession planning?

Line 13 – Capital Gains: Where is this money invested? Can it be invested in a more tax-efficient manner? Why is this in a taxable investment?

Line 15 – IRA Distributions: What is your plan on taking distributions? Are you 70 1/2? Do you need the income or are you just taking RMDs because you have to? What is your plan to sustain a long retirement?

Line 17 – Partnership/S-Corp Income: Where is this income coming from (i.e., rental real estate, business, or LLC)? Have you done any succession planning?

Line 16 – Pensions and Annuities: Do you have a pension? What kind of annuity do you have? Do you need this money to live off of?

Line 20a – Social Security Benefits: When did you start taking your social security benefit? Do you use it for current living expenses?

Lines 28 & 32 – Retirement Plans: Are you on track for retirement? Would you like to invest more on a tax deferred basis?

Line 31a – Alimony Paid: Does your divorce decree require life insurance? Did you purchase the life insurance required? If yes, do you need to review your coverage?

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2014)

Line 49 – Credit for Child and Dependent Care Expenses: What are your child care expenses? Would these change if something were to happen to you?

Lines 51 – Retirement Savings Contribution Credit: Would you like additional tax-efficient retirement savings opportunities?

Lines 52 – Child Tax Credit: Have you started saving for college? Would you like to save for college tuition without paying income taxes on the returns?

Lines 56 – Taxes: How do you feel about paying this amount in taxes? Have you done any planning for tax diversification and retirement planning?

Tax and Credits

38 Amount from line 37 (adjusted gross income) 38

39a Check if: You were born before January 2, 1950, Blind. Spouse was born before January 2, 1950, Blind. Total boxes checked ▶ 39a

b If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b

Standard Deduction for— • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. • All others: Single or Married filing ... Head of household,

40 **Itemized deductions** (from Schedule A) **or** your **standard deduction** (see left margin) 40

41 Subtract line 40 from line 38 41

42 **Exemptions.** If line 38 is $152,525 or less, multiply $3,950 by the number on line 6d. Otherwise, see instructions 42

43 **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43

44 **Tax** (see instructions). Check if any from: a Form(s) 8814 b Form 4972 c 44

45 **Alternative minimum tax** (see instructions). Attach Form 6251 45

46 Excess advance premium tax credit repayment. Attach Form 8962 46

47 Add lines 44, 45, and 46 ▶ 47

48 Foreign tax credit. Attach Form 1116 if required 48

49 Credit for child and dependent care expenses. Attach Form 2441 49

50 50

51 ...m 8880 51

52 52

53 53

54 Other credits from Form: a 3800 b 8801 c 54

55 Add lines 48 through 54. These are your **total credits** 55

56 ...e 47, enter -0- ▶ 56

57 57

Other Taxes

58 Unreported social security and Medicare tax from Form: a 4137 b 8919 58

59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 59

60a Household employment taxes from Schedule H 60a

b First-time homebuyer credit repayment. Attach Form 5405 if required 60b

61 Health care: individual responsibility (see instructions) Full-year coverage 61

62 Taxes from: a Form 8959 b Form 8960 c Instructions; enter code(s) 62

63 Add lines 56 through 62. This is your **total tax** ▶ 63

Payments

If you have a qualifying child, attach Schedule EIC.

64 Federal income tax withheld from Forms W-2 and 1099 64

65 2014 estimated tax payments and amount applied from 2013 return 65

66a **Earned income credit (EIC)** 66a

b Nontaxable combat pay election 66b

67 Additional child tax credit. Attach Schedule 8812 67

68 American opportunity credit from Form 8863, line 8 68

69 Net premium tax credit. Attach Form 8962 69

70 Amount paid with request for extension to file 70

71 Excess social security and tier 1 RRTA tax withheld 71

72 Credit for federal tax on fuels. Attach Form 4136 72

73 Credits from Form: a 2439 b Reserved c Reserved d 73

74 Add lines 64, 65, 66a, and 67 through 73. These are your **total payments** ▶ 74

Refund

75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you **overpaid** 75

76a Amount of line 75 you want **refunded to you.** If Form 8888 is attached, check here ▶ 76a

Direct deposit? See instructions. ▶ b Routing number ▶ c Type: Checking Savings

▶ d Account number

77 Amount of line 75 you want **applied to your 2015 estimated tax** ▶ 77

Amount You Owe

78 **Amount you owe.** Subtract line 74 from line 63. For details on how to pay, see instructions ▶ 78

79 Estimated tax penalty (see instructions) 79

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? **Yes.** Complete below. **No**

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here

Joint return? See instructions. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature | Date | Your occupation | Daytime phone number

Spouse's signature. If a joint return, **both** must sign. | Date | Spouse's occupation | If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name | Preparer's signature | Date | Check if self-employed | PTIN

Firm's name ▶ | Firm's EIN ▶

Firm's address ▶ | Phone no.

Uncover Planning Opportunities Using 1040 Overlay — Schedule A

SCHEDULE A (Form 1040)
Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

▶ Information about Schedule A and its separate instructions is at *www.irs.gov/schedulea*.
▶ Attach to Form 1040.

OMB No. 1545-0074
2014
Attachment Sequence No. 07

Name(s) shown on Form 1040 | Your social security number

Medical and Dental Expenses

Caution. Do not include expenses reimbursed or paid by others.
1 Medical and dental expenses (see instructions) 1
2 Enter amount from Form 1040, line 38 | 2 |
3 Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1950, multiply line 2 by 7.5% (.075) instead 3
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- . . . 4

Line 3 – Medical and Dental Expenses: How do you cover your medical expenses? Do you have long-term care coverage?

Taxes You Paid

5 State and local **(check only one box):**
a ☐ Income taxes, **or**
b ☐ General sales taxes 5
6 Real estate taxes (see instructions) 6
7 Personal property taxes 7
8 Other taxes. List type and amount ▶ 8
9 Add lines 5 through 8 9

Interest You Paid

Note. Your mortgage interest deduction may be limited (see instructions).

10 Home mortgage interest and points reported to you on Form 1098 10
11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶ 11

Line 11 – Interest You Paid: What is your mortgage balance? How many more years do you have to pay? Would you like to cover this debt if something should happen to you?

12 Points not reported to you on Form 1098. See instructions for special rules 12
13 Mortgage insurance premiums (see instructions) 13
14 Investment interest. Attach Form 4952 if required. (See instructions.) 14
15 Add lines 10 through 14 15

Gifts to Charity

If you made a gift and got a ...

16 Gifts by cash or check. If you made any gift of $250 or more, see instructions 16
17 Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500 . . . 17
18 ... 18
19 ... 19

Line 19 – Gifts to Charity: What charities do you support? How long have you given to charities? Have you protected the charity from the loss of your support if something were to happen to you? Would you like to leave a legacy to this charity?

Casualty and Theft Losses

20 Casualty or theft loss(es). Attach Form 4684. (See instructions.) 20

Job Expenses and Certain Miscellaneous Deductions

21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶ 21
22 Tax preparation fees 22
23 Other expenses—investment, safe deposit box, etc. List type and amount ▶ 23
24 Add lines 21 through 23 24
25 Enter amount from Form 1040, line 38 | 25 |
26 Multiply line 25 by 2% (.02) 26
27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0- 27

Other Miscellaneous Deductions

28 Other—from list in instructions. List type and amount ▶ 28

Total Itemized Deductions

29 Is Form 1040, line 38, over $152,525?
☐ **No.** Your deduction is not limited. Add the amounts in the far right column ...
... Worksheet in the instructions to figure the amount to enter.
... deduction, check here . . . . ▶ ☐

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John Hancock
INSURANCE

ADVANCED MARKETS

Form 1040 Worksheet

Client A

Name: ____________________

Age: ____________________

Underwriting Risk Class: ____________________

Client B

Name: ____________________

Age: ____________________

Underwriting Risk Class: ____________________

Please rank the following in order of importance to your client (if not applicable please put n/a):

- ☐ Help with determining how much life insurance I need (needs analysis)
- ☐ Help with determining if I am on track for retirement
- ☐ Help with college funding for my children
- ☐ Help with transferring wealth (I don't need certain assets for retirement income and my goal is to transfer to the next generation)
- ☐ Help with business planning including succession planning
- ☐ Help with charitable planning
- ☐ Help with long-term care planning

Now review the questions on the Form 1040 Overlay in the areas that are most important to your clients and fill in their answers in the corresponding sections below.

Needs Analysis: (1040 Lines 1-5, 7, 12, 17, 49 & Schedule A Line 11)

To complete an online needs analysis please go to **www.jhadvancedmarkets.com/needsanalysiscalculator**

Retirement Planning: (1040 Lines 28, 32, & 51)

➤ To complete an online retirement shortfall analysis go to **www.jhretirementcalculator.com**

College Planning: (1040 Lines 6c & 52)

➤ For estimated tuition amount please visit **www.jhinvestments.com/college/tools.aspx**

Wealth Transfer: (1040 Lines 8a, 9a, 13, 15, 16, & 20a)

Business Planning: (1040 Lines 12 & 17)

➤ A useful tool to help determine the approximate value of a client's business can be found at **www.jhbusinessvaluation.com**

Charitable Planning: (Schedule A Line 19)

Charity Type: ☐ Public ☐ Private

Long-Term Care: (1040 Line 6c if elderly parent is a dependent and Schedule A Line 3)

For the long-term care cost of care in your state please visit:
www.johnhancockinsurance.com/long-term-care/cost-of-long-term-care-calculator

Product:

Do You Want: ☐ Single Life ☐ Survivorship

What Product? ☐ UL ☐ VUL ☐ Specify: ____

Premium: Solve or Specified: $ _________

Number of Years to Pay Premium: _________

Death Benefit: Solve or Specified: $ _________

State of Issue: __________

2017 Tax Rates

This quick reference guide will help you stay informed of changes to federal tax rates and limits. This sheet only applies to federal tax laws for the year 2017 and not to state tax laws. Information is current as of November 15, 2016.

2017 Federal Income Tax Rates

Taxable income (i.e., income minus deductions and exemptions) between:

Single (not a surviving spouse or HOH)

If Taxable Income Is:	The Tax Is:
Not over $9,325	10% of taxable income income
$9,326 – $37,950	$932.50 + 15% of excess over $9,325
$37,951 – $91,900	$5,226.25 + 25% of excess over $37,950
$91,901 – $191,650	$18,713.75 + 28% of excess over $91,900
$191,651 – $416,700	$46,643.75 + 33% of excess over $191,650
$416,701 – $418,400	$120,910.25 + 35% of excess over $416,700
$418,401 +	$121,505.25 + 39.6% of the amount over $418,400

Married, Filing Jointly (and surviving spouse)

If Taxable Income Is:	The Tax Is:
Not over $18,650	10% of taxable income
$18,651 – $75,900	$1,865 + 15% of excess over $18,650
$75,901 – $153,100	$10,452.50 + 25% of excess over $75,900
$153,101 – $233,350	$29,752.50 + 28% of excess over $153,100
$233,351 – $416,700	$52,222.50 + 33% of excess over $233,350
$416,701 – $470,700	$112,728 + 35% of excess over $416,700
$470,701 +	$131,628 + 39.6% of excess over $470,700

Married, Filing Separately

If Taxable Income Is:	The Tax Is:
Not over $9,325	10% of taxable income
$9,326 – $37,950	$932.50 + 15% of excess over $9,325
$37,951 – $76,550	$5,226.25 + 25% of excess over $37,950
$76,551 – $116,675	$14,876.25 + 28% of excess over $76,550
$116,676 – $208,350	$26,111.25 + 33% of excess over $116,675
$208,351 – $235,350	$56,364 + 35% of excess over $208,350
$235,351 +	$65,814 + 39.6% of excess over $235,350

Head of Household (HOH)

If Taxable Income Is:	The Tax Is:
Not over $13,350	10% of taxable income
$13,351 – $50,800	$1,335 + 15% of excess over $13,350
$50,801 – $131,200	$6,952.50 + 25% of excess over $50,800
$131,201 – $212,500	$27,052.50 + 28% of excess over $131,200
$212,501 – $416,700	$49,816.50 + 33% of excess over $212,500
$416,701 – $444,550	$117,202.50 + 35% of excess over $416,700
$444,551 +	$126,950 + 39.6% of excess over $444,550

Estates and Trusts

If Taxable Income Is:	The Tax Is:
Not over $2,550	15% of the taxable income
$2,551 – $6,000	$382.50 + 25% of excess over $2,550
$6,001 – $9,150	$1,245 + 28% of excess over $6,000
$9,151 – $12,500	$2,127 + 33% of excess over $9,150
Over $12,500	$3,232.50 + 39.6% of excess over $12,500

Corporations — **Federal Income Tax**

If Taxable Income Is:	The Tax Is:
Not over $50,000	15%
$50,000 – $75,000	25%
$75,001 – $100,000	34%
$100,001 – $335,000	39%
$335,001 – $10M	34%
$10,000,001 – $15M	35%
$15,000,001 – $18.33M	38%
Over $18,333,333	35%

Standard Deductions

Filing Status	Deduction
Single (not a Surviving Spouse)	$6,350
Married, filing jointly and Surviving Spouses	$12,700
Married, filing separately	$6,350
Head of Household	$9,350

Itemized Deduction Phaseout:

Filing Status	PEP Threshold Begins
Single	$261,500
Married filing, jointly	$313,800
Head of Household	$287,650
Married filing, separately	$156,900

Itemized Deductions are reduced by 3% of AGI above the applicable threshold; $261,500 single, $313,800 married, $287,650 HOH, $156,900 married, filing single; total reduction cannot exceed 80% of itemizations.

2016 Additional standard deduction for aged (65 or older) or blind: $1,550 (if single, or HOH, or $1,250 per eligible spouse (married filing jointly).

Exemptions

Personal Exemption (same as 2016)	$4,050

Alternative Minimum Tax Exemption:

Filing Status	Exemption
Individual (single, not a surviving spouse)	$54.300
Married, filing jointly or surviving spouse)	$84,500
Married, filing separately	$42,250
Trusts & Estates	$24,100
"Kiddie Tax"	**$1,050**

For 2017, the threshold for the kiddie tax - meaning the amount of unearned net income that a child can take home without paying any federal income tax is $1,050. All unearned income in excess of $1,050 but less than $10,500 may be taxed at the parent's tax rate, if so elected by the parents.

Capital Gains/Dividend Tax Rates

If you fall under the 2017 tax brackets of 10% or 15% tax brackets you pay	0%
25/28/33/35% tax brackets you pay	15%
39.6% tax bracket you pay	20%

Medicare surtax of 3.8% on net investment income above MAGI of $200,000 ($250,000 for married, filing jointly. $125,000 for married, filing separately)

Estate Planning

Gift tax annual exclusion	$14,000
Annual exclusion: Non-U.S. spouse	$149,000
Estate, Gift and GST Tax Exemption	$5,490,000
Top estate, gift, GST rate	40%

Social Security

Maximum earnings (during work year) subject to FICA tax	increased to $127,200

Visit www.myprotective.com/socialsecurity for calculation of taxable benefits in retirement.

Retirement Plan Limits

IRA Contribution Limit: (traditional or Roth)

Under age 50	$5,500
Age 50 and over "catch-up"	$1,000

Deductible IRA phase-outs

For taxpayers who are covered by a workplace retirement plan and who have an AGI of:

Filing status	Eligible Deduction Adjusted Gross Income of or less (full)\but less than
Single or HOH	$62,000 – $72,000 partial
Married, filing jointly	$99,000 – $119,000 partial
Married, filing separate	$0 – $10,000 no deduction

Roth IRA phase-outs

Filing status	Gross Income Phase-out Starts At	Ineligible At
Married Filers	$186,000 –	$196,000
Single Filers	$118,000 –	$133,000

SIMPLE ELECTIVE DEFERRAL LIMIT: SIMPLE IRA and SIMPLE

Under age 50	$12,500
Age 50 and over "catch-up"	$3,000

401(k), 403(b), 457 Plans – Deferral Limits:

Under age 50	$18,000
Age 50 and over "catch-up"	$6,000

Protective®

Qualified LTC Benefit Payments	
$360 per diem/$10,800 monthly	
Defined Contribution Plan Limit $54,000 of 100% of compensation maximum contribution	
Defined Benefit Plan Limit	$215,000

SEP Contribution
In 2017, for the self-employed and small business owners, the amount they can save in a SEP IRA or solo 401(k) cannot exceed the lesser of 25% of salary or $54,000. The compensation limit used in the savings calculation increased to $270,000 in 2017.

Highly Compensated Employee Limit	$120,000
Maximum Annual Compensation Limit for Qualified Plans	$270,000

Retirement Tax Credit – A percentage of tax credit for an IRA, 401(k), 403(b), or 457 plan contribution, in addition to deduction or exclusion, if:

Filing Status	Modified Adjusted Gross Income
Married, filing jointly	Below $62,000
Head of Household	Below $46,500
Single or Married, filing separately	Below $31,000

Required Minimum Distribution (RMD) Table

Use the Uniform Lifetime table to calculate RMDs from IRAs and qualified plans during the owner's life. Do not use this table if the owner has a spouse who is the sole beneficiary and is more than 10 years younger. Instead, use the Joint Life Table from IRS Publication 590. Use the Single Life Expectancy table for an inherited IRA. Calculate RMD by dividing the account balance at the end of the prior year by the RMD factor for the current year.

Uniform Lifetime		Uniform Lifetime	
Age	Factor	Age	Factor
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115	1.9

Single Life Expectancy				Single Life Expectancy			
Age	Factor	Age	Factor	Age	Factor	Age	Factor
9	73.8	55	29.6	32	51.4	78	11.4
10	72.8	56	28.7	33	50.4	79	10.8
11	71.8	57	27.9	34	49.4	80	10.2
12	70.8	58	27.0	35	48.5	81	9.7
13	69.9	59	26.1	36	47.5	82	9.1
14	68.9	60	25.2	37	46.5	83	8.6
15	67.9	61	24.4	38	45.6	84	8.1
16	66.9	62	23.5	39	44.6	85	7.6
17	66.0	63	22.7	40	43.6	86	7.1
18	65.0	64	21.8	41	42.7	87	6.7
19	64.0	65	21.0	42	41.7	88	6.3
20	63.0	66	20.2	43	40.7	89	5.9
21	62.1	67	19.4	44	39.8	90	5.5
22	61.1	68	18.6	45	38.8	91	5.2
23	60.1	69	17.8	46	37.9	92	4.9
24	59.1	70	17.0	47	37.0	93	4.6
25	58.2	71	16.3	48	36.0	94	4.3
26	57.2	72	15.5	49	35.1	95	4.1
27	56.2	73	14.8	50	34.2	96	3.8
28	55.3	74	14.1	51	33.3	97	3.6
29	54.3	75	13.4	52	32.3	98	3.4
30	53.3	76	12.7	53	31.4	99	3.1
31	52.4	77	12.1	54	30.5	100	2.9

For more information, please contact your Protective Life representative.

Source: www.irs.gov

Neither Protective Life nor its representatives offer legal or tax advice. Investors should consult their attorney or tax advisor regarding their individual situations before making any tax-related decisions. This information is subject to legislative change, and is not intended to be nor can it be used by any taxpayer for the purposes of avoiding tax penalties.

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ADVANCED MATTERS

INCOME TAX IMPLICATIONS OF LIVING BENEFITS

Over the past two decades, life insurance products have come to include benefits payable during the life of the insured as well as at death. More recently, hybrid life insurance with long term care (LTC) or chronic illness riders has proved popular in the marketplace, with sustained double-digit growth in product sales from 2009–14.[1] This early payout is called a living benefit (also known as accelerated death benefit, or ADB). Living benefits on a policy may be triggered when the insured experiences a qualifying chronic, critical or terminal illness. Exact requirements for living benefits depend on life expectancy and the terms of the life insurance contract. However, since the income tax-free receipt of life insurance proceeds is usually described as dependent on the death of the insured, the taxation of these living benefits has raised questions.

This document will examine some of the potential tax implications with regard to qualifying health events and policy ownership. In general:

- **Terminal illness or chronic illness/long term care benefits** should be income tax-free if the death benefit would have been income tax-free upon the death of the insured. These benefits would be taxable to the business for business-owned policies.
- **Critical illness benefits** should generally be income-tax free when premiums are paid by the individual insured rather than by an employer.

To Find Out More:

Terminal/chronic illness benefits are governed by Internal Revenue Code § 101(g) and are treated like an acceleration of the death benefit.

Critical illness benefits are treated like health insurance benefits under Internal Revenue Code § 104

Long term care benefits are governed by Internal Revenue Code § 7702B and sec. 101(g). To sell products with long term care benefits, producers must generally be licensed to sell long term care in the state where the contract is sold.

Taxation of Benefits Based on Policy Ownership

The table below compares some of the differences in taxation based on ownership of the life insurance policy:

	Insured owns policy	Employer owns policy
Terminal Illness	Not taxable as income[2]	Even if notice and consent requirements of IRC § 101(j) are followed, benefits paid to employer are taxable[3]; but may be deductible by employer and taxable to employee if paid to employee as reasonable compensation
Chronic Illness / LTC	Not taxable if less than per diem limit or actual long term care costs[4], depending on contract terms	Taxable as income to employer[3]; but may be deductible by employer and taxable to employee if paid to employee as reasonable compensation
Critical Illness	Not taxable as income when insured pays premium[5]	Most likely not taxable as income to employer[6]; but may be deductible by employer and then taxable to employee if paid to employee as reasonable compensation
Death Benefit	Not taxable as income[7]	Taxable unless IRC § 101(j) requirements met including notice and consent provided; for C-Corp may be subject to alternative minimum income tax

[1] LIMRA, *2014 Individual Life Combination Products Annual Review*

[2] IRC § 101(g)(1)(a)

[3] IRC § 101(g)(5)

[4] IRC § 101(g); IRC §7702B

[5] IRC sec. 104(a)(3)

[6] IRC § 104(a)(3), and Rugby Productions, Ltd. v. C.I.R., 100 T.C. 531 (1993)

[7] IRC § 101(a)

Third-Party Ownership

Living benefits are normally free from income tax even when the insured is not the owner. Some exceptions to the income tax free nature of living benefits when a third party is the owner of the contract are:

- business related policies. Terminal and chronic illness long term care benefits may not be exempted from income tax.
- if the policy has become subject to the transfer for value rule.[8] While critical illness benefits may fall outside the statutory transfer for value rule, they may also become taxable if the owner acquired the policy for money or in exchange for services or property after inception of the policy.[9]
- corporate owned policies. These may cause or increase the Alternative Minimum Tax (AMT) by including annual increases in cash values and death benefits in AMT tax.

MEC with a Long Term Care Rider

Generally, MEC's follow the LIFO (last in, first out) rules for taxation so that any loans or withdrawals from a MEC result in taxable gains being distributed first before the nontaxable return of basis. However, when LTC benefits are paid out of a MEC from a LTC rider, the benefits received by the insured for long term care are not taxable because they are considered LTC rider benefits rather than withdrawals from the MEC.

In addition, one can do a tax-free 1035 exchange from a MEC contract to a MEC contract with a LTC rider and thereafter receive benefits during lifetime for long term care without experiencing taxation of the benefits.

Lapsing a Policy After Receipt of Living Benefit

The general rules on surrender determine the tax consequences of allowing a policy to lapse, even after payment of an accelerated death benefit. When 100% of the policy face amount has been accelerated as a terminal illness benefit, the base policy and all riders will terminate.

When a policy lapse occurs after a chronic illness claim or long term care claim, there is no taxable income related to prior living benefit payments as they are considered a tax-free accelerated death benefit. Similarly, prior critical illness benefit payments are not taxable on a later lapse of the policy. *(NOTE: This differs from the tax treatment of the lapse of a policy with an outstanding loan in excess of basis in the policy. In that scenario, the outstanding loan balance is included as part of the amount realized, and the result is additional ordinary income to the policy owner.)*

Qualified Plans

If life insurance with accelerated death benefit riders is owned by a qualified plan, the plan documents should address living benefit riders.

- **Long term care/chronic illness and critical illness riders** may not be considered by the IRS to be permissible incidental benefits in a qualified plan.
- **Terminal illness riders** in a qualified plan require attention. To the extent that a life insurance policy inside a qualified plan has cash value when the participant is terminally ill, the distribution of living benefit payment from the plan could be viewed as a pro rata distribution of death benefit and cash value.

Insureds and plan trustees should consult with their tax advisors to evaluate the tax consequences of plan ownership of a life insurance policy with living benefit provisions.

[8] IRC § 101(a)(2). Please see our Advanced Matters "Policy Transfers" (OLA 2249) for more details on transfer for value.

[9] *Peoples Finance & Thrift Co. v. C.I.R.*, 12 T.C. 1052, 1055 (1949), *aff'd* 184 F.2d 836 (5th Cir. 1950)

ADVANCED MATTERS

Federal Income Tax Reporting

Transamerica reports the payment of living benefits when required by the IRS on forms 1099-LTC and 1099-R. Taxpayers must consult with their professional legal and tax advisors to determine if benefit payments are taxable or not and prepare their tax returns accordingly.

Summary

With the increasing popularity of hybrid life insurance products with chronic, critical, terminal and long term care benefits, it is important to be aware of the issues that may arise due to tax consequences of these living benefits. Policies owned by businesses, policies in qualified plans, and any other policies not owned by the insured all require careful review so that the value of these benefits is understood and realized.

TRANSAMERICA®

Zero Estate Tax Strategy

AN ESTATE STRATEGY USING LIFE INSURANCE,
A FAMILY FOUNDATION, AND WEALTH REPLACEMENT TRUST

Life Insurance

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EXPERIENCED GUIDANCE FOR COMPLEX CHALLENGES

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KNOWING IF THIS STRATEGY IS RIGHT FOR YOU

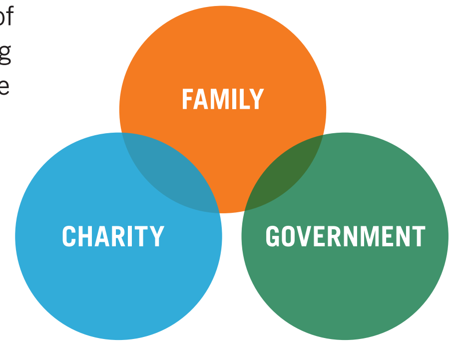
You have several options available to you for passing along your wealth. Certain factors can help you determine whether to consider the strategy presented here.

This gifting strategy may benefit you and your family if you:

- Have a net worth of $20 million or more.
- Are family oriented.
- Have a financially conservative lifestyle.
- Are involved in your community or have a favorite charity.
- Have estate or income tax concerns.

Family. Charity. Government.

Upon death, affluent individuals cannot avoid benefiting at least two of the three. A certain amount of your wealth is “social capital,” meaning it will be returned to society, either through taxes or through charitable contributions. Knowing this, you can create a strategy that guides the distribution of your wealth, based on your wishes and beliefs.



WHICH WOULD YOU PREFER?

- Leave your legacy to your family and the government?
- Leave your legacy to your family and your favorite charity?

Many affluent people are either unaware of the extent to which estate taxes could erode their legacies or unfamiliar with the strategies that could help them to transfer their wealth more effectively.

The History of Estate Taxes

The debate over the estate tax is nothing new. Originally enacted in 1797, the tax has been reformed, repealed, or reenacted over 20 times in its 200-plus years of existence. So executing an effective estate strategy is like trying to hit a moving target with a bow and arrow.

It is hard to predict whether the tax will be in effect, its rate, or what exemption it will offer. In response to this uncertainty, individuals typically chose one of the three options below:

1. Do nothing, leaving an estate, along with a tax bill, to beneficiaries.
2. Use life insurance to replace the amount of wealth estimated to be lost to taxes.
3. Implement a strategy that combines charitable giving and life insurance to leave the full value of an estate to loved ones and favored charities.

Traditional Estate Strategy

Those who take steps to prepare for the potential liability of estate taxes typically purchase a last survivor life insurance policy. The death benefit is received generally income tax-free* and may even be estate tax-free if the policy's ownership is within a properly structured trust. Proceeds from the policy are typically used to replace the value of assets lost to taxes, thereby preserving the estate for the benefit of the heirs.

There are many benefits to this strategy. However, it does fail to provide flexibility to individuals who may be charitably inclined and want to utilize their estate to benefit the people and the causes they care about the most.

*Death benefit proceeds are generally received federal income tax-free, as provided in Internal Revenue Code Section 101(a).

Zero Estate Tax Strategy

With the Zero Estate Tax Strategy, you can benefit your loved ones and pass the portion of your estate subject to estate taxes to your favorite charities, thereby minimizing what you pay to the government.

How the strategy works:

- Make full use of each spouse's applicable exclusion amount (estate tax exemption equivalent), through appropriate will provisions, which may allow assets to pass to heirs estate tax-free.
- Make gifts to a Wealth Replacement Trust that uses the proceeds to purchase life insurance. The death benefit provided by the policy is received estate tax-free and can help to make your estate whole or potentially enhanced for beneficiaries. Gifts to the Wealth Replacement Trust can make use of your lifetime and annual gifting exclusions if they are available. Amounts in excess of available gifting exclusions may be subject to gift tax.

Consider this strategy if you:

- Have an estate that may be subject to federal estate taxes.
- Would rather see money going to charity than the government.
- Are charitably inclined.
- Would like to control who benefits from your wealth.

This strategy effectively allows you to:

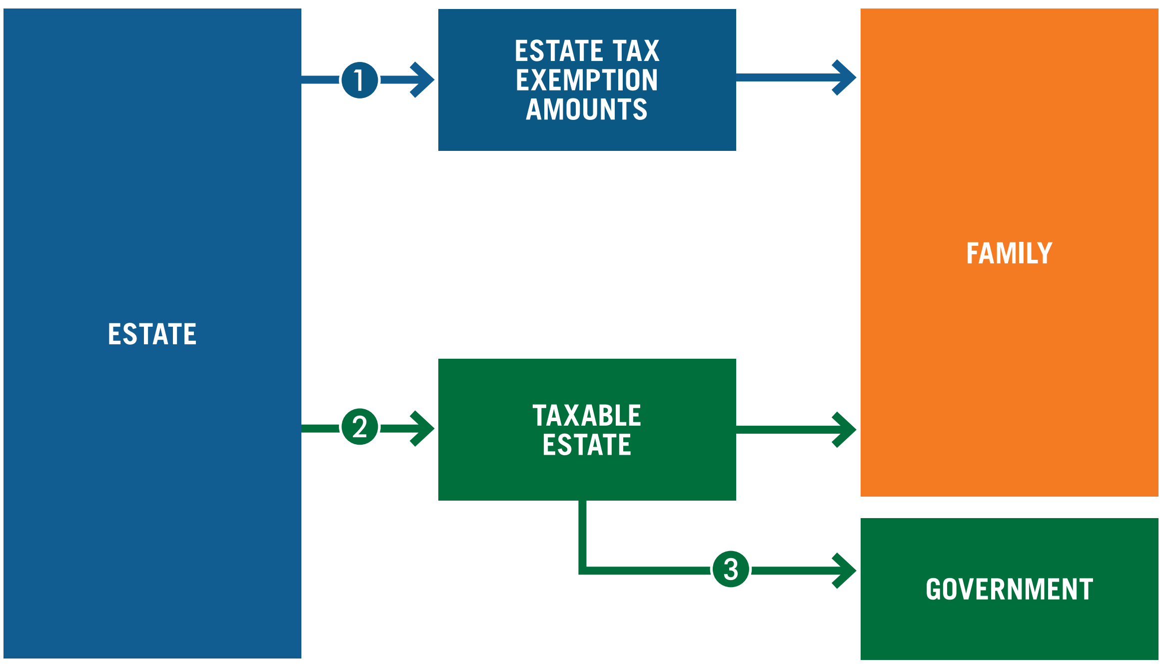
- Pass to beneficiaries a value equivalent to your full estate.
- Retain family control over charitable donations.
- Reduce or possibly eliminate your estate tax exposure.
- Be flexible and adjust to changes in the estate tax. Using the tools in this brochure, your financial professional can explain your options and help you determine the strategy that fits with your values, beliefs, and objectives.

The strategies presented in this brochure are complex techniques that may not be appropriate for all persons and should only be entered into with the advice of competent legal counsel. The outcome of each strategy is not certain and will depend upon the individual circumstances, including actual trust and life insurance policy costs, client's life expectancy, and future tax law changes.

Current Situation

TECHNIQUES

- Full Use of Estate Tax Exemptions



1. Value of estate equal to estate tax exemption amounts passes to family.
2. Value of estate in excess of estate tax exemption amounts is subject to estate tax.
3. Estate tax payable is typically due within nine months of death.

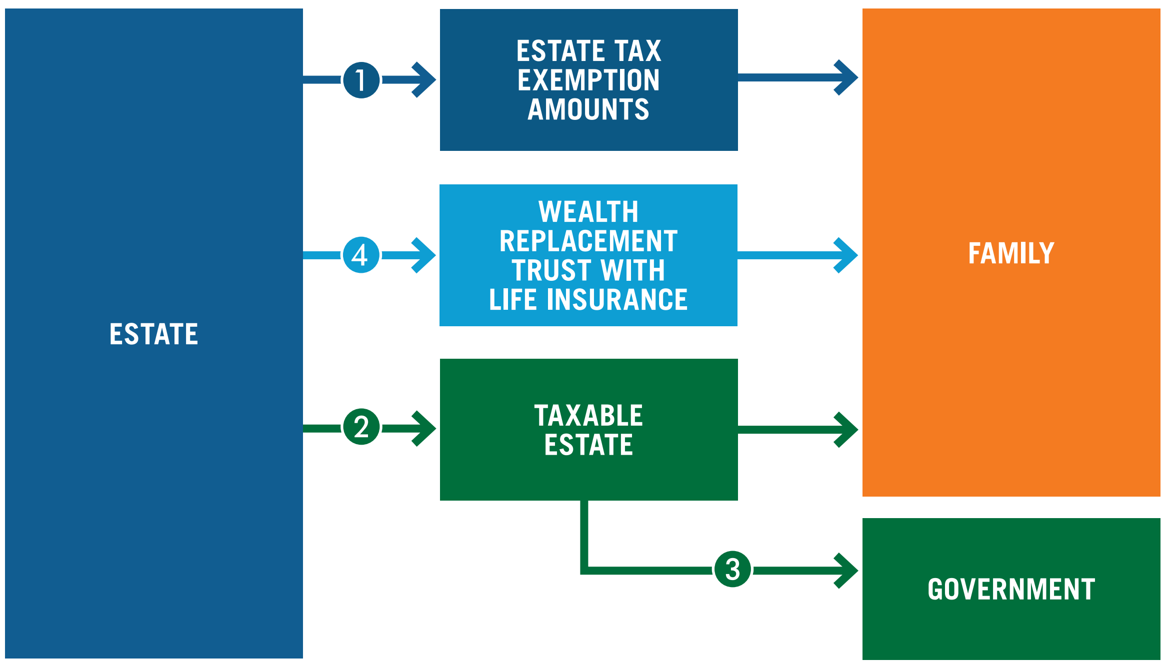
The current estate tax laws allow individuals to pass a certain amount to a non-spouse beneficiary free of federal estate tax (currently $5,490,000 for 2017). Portability, which allows a surviving spouse to use a deceased spouse's unused estate tax exclusion, could increase the surviving spouse's exclusion to $10,980,000. The amount in excess of this is subject to federal estate tax.*

**Indexed annually for inflation.*

Wealth Replacement Strategy

TECHNIQUES

- Full Use of Estate Tax Exemptions
- Irrevocable Life Insurance Trust



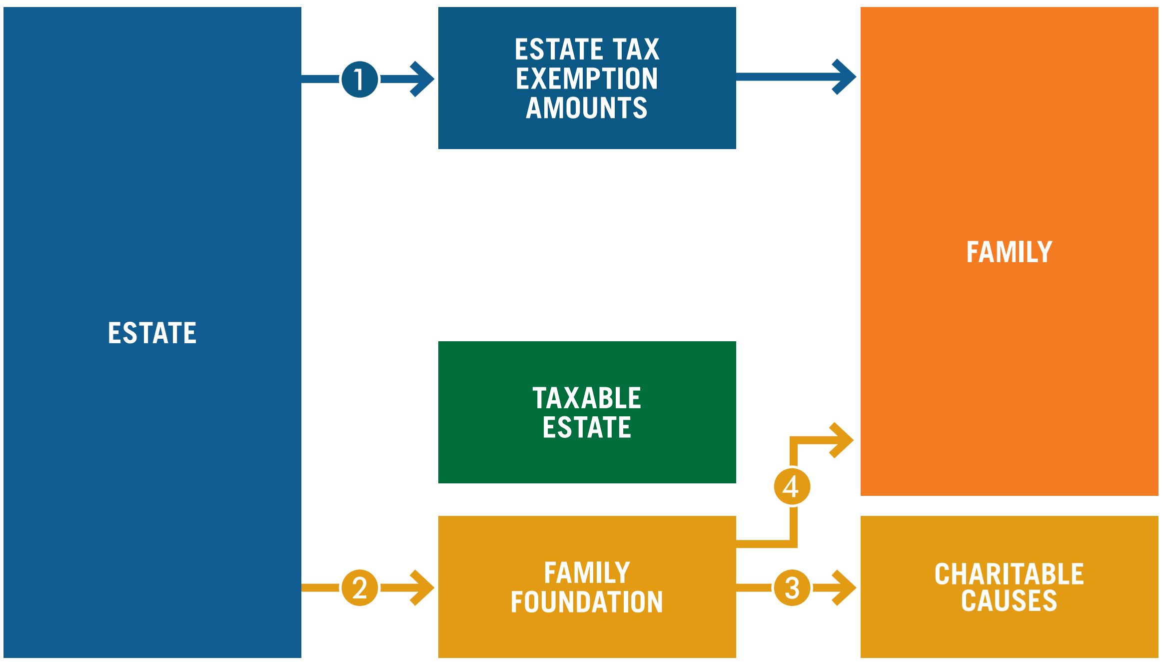
1. Value of estate equal to estate tax exemption amounts passes to family.
2. Value of estate in excess of estate tax exemption amounts is subject to estate tax.
3. Estate tax payable is typically due within nine months of death.
4. Annual gifts while living to a Wealth Replacement Trust, which pays premiums for a life insurance policy owned by the trust to offset wealth lost to taxes.

With this approach, a Wealth Replacement Trust funded with life insurance could replace what is lost to federal estate taxes over the exemption amount to help restore the value of the estate.

Zero Estate Tax Strategy: Phase One

TECHNIQUES

- Full Use of Estate Tax Exemptions
- Family Foundation



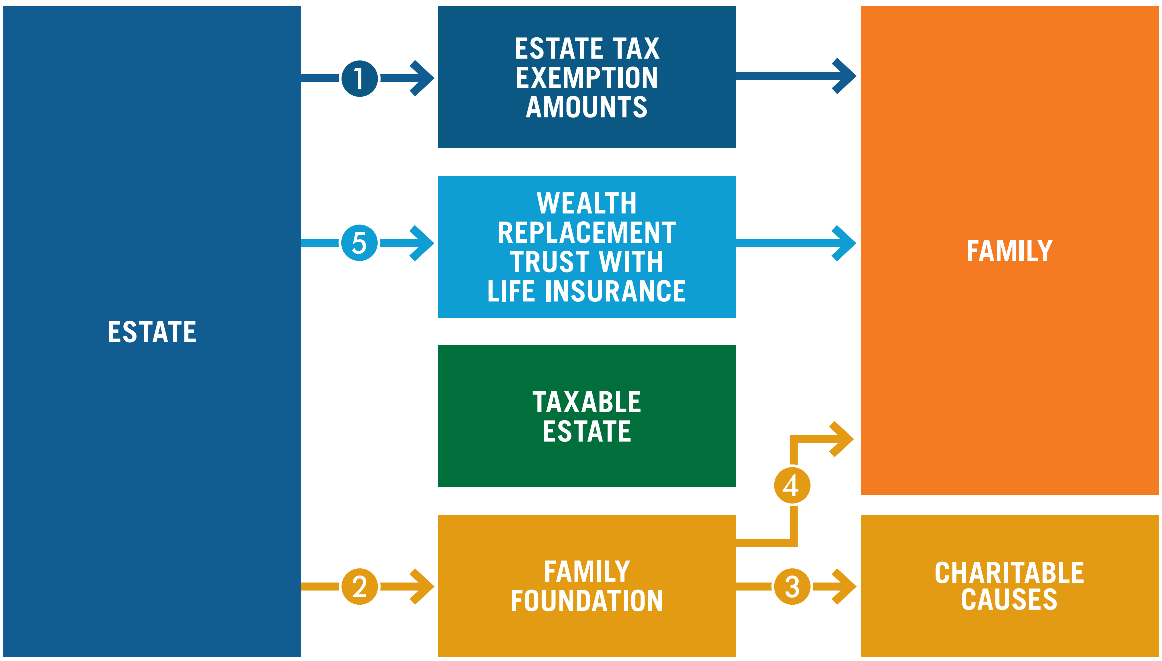
1. Value of estate equal to estate tax exemption amounts passes to family.
2. Value of estate in excess of estate tax exemption amounts passes to Family Foundation estate tax-free.
3. At least 5% of foundation assets must be distributed to a qualified charity annually. Other IRS guidelines apply and should be considered.
4. Heirs can be paid reasonable compensation for services rendered as foundation directors.

With a Zero Estate Tax Strategy, the portion of the estate subject to estate taxes (the value over the exemption amount) is redirected to a charitable beneficiary, which can be a family foundation.

Zero Estate Tax Strategy: Phase Two

TECHNIQUES

- Full Use of Estate Tax Exemptions
- Family Foundation
- Wealth Replacement Trust



1. Value of estate equal to estate tax exemption amounts passes to family.
2. Value of estate in excess of estate tax exemption amounts passes to Family Foundation estate tax-free.
3. At least 5% of foundation assets must be distributed to a qualified charity annually. Other IRS guidelines apply and should be considered.
4. Heirs can be paid reasonable compensation for services rendered as foundation directors.
5. Annual gifts while living to a Wealth Replacement Trust, which pays premiums for a life insurance policy owned by the trust to replace wealth given to a charitable cause.

In this last phase, a Wealth Replacement Trust is used with life insurance to replace the amount to the family that is passing to the family foundation.

ESTATE TAXES

The federal estate tax is levied upon the transfer of an estate at death. To eliminate the burden of the estate tax on the majority of estates, the federal government provides the Applicable Exclusion Amount (also known as the Estate Tax Exemption Equivalent Amount). Estate taxes are assessed on all assets that exceed the applicable exclusion threshold. Transfers made to either public or private charities are not subject to estate tax. Furthermore, most transfers made to a surviving spouse qualify for an unlimited marital deduction, which effectively delays the estate tax until the death of the surviving spouse. There may be state gift and estate tax considerations.

2017 Applicable Exclusion Amounts (Estate Tax Exemption Equivalents)	**$5,490,000***
2017 Top Federal Estate Tax Rates	**40%**

**Indexed annually for inflation.*

WEALTH REPLACEMENT TRUST

A Wealth Replacement Trust (WRT) is an Irrevocable Life Insurance Trust (ILIT) that purchases life insurance designed to replace the value of the assets for the children that is given to charity. An ILIT is designed to hold life insurance and pass the death benefit on to the trust beneficiaries in the most tax-efficient manner. To accomplish its purpose, the WRT must be both the owner and the beneficiary of the policy. The life insurance premiums are typically paid with gifts made to the trust from the creators of the trust. In many situations, gifts made to a WRT will qualify for the annual gift-tax exclusion so that there are no adverse gift-tax consequences associated with the gifts to the trust. In cases where the premium exceeds the available annual exclusions, some of the client's applicable exclusion amount may be used. Otherwise, gift-tax consequences may apply. Upon the death of the insured, the trust will collect the life insurance death benefit proceeds and distribute or hold them according to the trust document. The life insurance proceeds are generally received income tax-free by the trust, and, assuming the trust is properly drafted and administered, the life insurance proceeds will also be outside the estate of the insureds. Life insurance policies contain fees and expenses, including cost of insurance, administrative fees and premium loads, surrender charges, and other charges or fees that will impact policy values. There may be gift tax consequences with funding a WRT.

FAMILY FOUNDATION

A Family Foundation is a not-for-profit entity established by an individual, family, or business exclusively for charitable purposes. It must be educational, religious, scientific, or literary as set forth in IRC §501(c)(3). The donor, or donor's family, is able to retain control over assets contributed, including investment and grant making decisions. The donor, or donor's family, can receive reasonable compensation for services rendered as directors of the foundation. Essentially, it is a family-run charitable business. Income tax deductions for amounts contributed are typically limited to 30% of adjusted gross income (20% for publicly traded securities contributed). It can provide the donor and their family with the ability for family philanthropy to last for multiple generations. Family Foundations are subject to strict IRS guidelines including a requirement to distribute at least 5% of the foundation's assets per year to a qualified charity. The IRS also strictly prohibits self-dealing, preventing disqualified individuals from engaging in transactions with the foundation. Disqualified individuals include: donor, donor's spouse, children and their spouses, parents, and any employees of the foundation. Self-dealing transactions include: buying from or selling to the foundation, personal use of foundation assets, borrowing from the foundation, and retaining foundation assets on private premises. Foundations also cannot own a stake in a family-owned business and are subject to annual IRS charitable reporting requirements.

Additional Considerations

BEFORE IMPLEMENTING THIS STRATEGY

- Any investment that you plan to purchase or pay for during retirement involves the structuring and use of your income or other assets. You should be certain you will have sufficient liquid assets to support your current and future income and expenses before considering the purchase of a life insurance policy. Equity in the home should not be considered a liquid asset.
- You should develop a comprehensive financial strategy to take into account current and future income and expenses in conjunction with implementing the strategy discussed here.
- We recommend that you consult your tax and legal advisor to discuss your situation before implementing the strategy discussed here.

ABOUT THIS CONCEPT

- This concept is only intended to be used for assets that will not be needed for living expenses for the expected lifetime of the insured. It is your responsibility to estimate these needs and expenses and it is recommended that you consider developing a comprehensive financial strategy in conjunction with implementing the strategy being considered. The accuracy of determining future needs and expenses is more critical for individuals at older ages who have less opportunity to replace assets used for the strategy.

IF YOUR FINANCIAL OR LEGACY SITUATION CHANGES

- If you can no longer make premium payments, the life insurance policy may lapse and the results illustrated may not be achieved.

WHEN THIS STRATEGY MAY NOT BE IN YOUR BEST INTEREST

- Depending on your life span, it is possible that the trust beneficiaries may receive more by just investing the assets used to pay the life insurance premiums rather than by receiving the death benefit of the life insurance policy that was purchased.

TAX AND OTHER FINANCIAL IMPLICATIONS

- There may be tax and other financial implications as a result of liquidating assets within an investment portfolio to purchase life insurance. If contemplating such a strategy, it is important to understand that life insurance is a long-term strategy to meet particular needs.
- The sale or liquidation of any stock, bond, IRA, certificate of deposit, mutual fund, annuity, or other asset may have tax consequences, early withdrawal penalties, or other costs or penalties as a result of the sale or liquidation.

ABOUT LIFE INSURANCE

- The death benefit protection offered by a life insurance policy can be a key component of a sound financial strategy.
- It is important to fully understand the terms and conditions of any financial product before purchasing it.

OTHER NOTES

- You should consider that life insurance policies contain fees and expenses, including cost of insurance, administrative fees, premium loads, surrender charges, and other charges or fees that will impact policy values.
- If you can no longer make premium payments, the life insurance death benefit may terminate and the results illustrated may not be achieved.

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