John Hancock
LIFE INSURANCE

ADVANCED MARKETS

Financing Options At-A-Glance

This chart summarizes some of the financing options available to fund a large life insurance need.

	Private Split Dollar	Private Financing	Premium Financing	Dual Loan Planning
Lender	Mom/Dad (Grantor)	Mom/Dad (Grantor)	Bank	Mom/Dad (Grantor) **and** Bank
Description	Mom/Dad pays premium on behalf of Trust and Trust must pay back greater of cash value or premiums paid	Intra-family Loan Transaction	Approved third-party lender (First Insurance Funding) provides loan to Trust for purchasing life insurance	Combining different loan arrangements to minimize loan interest cost (Private and Premium)
Loan Interest Rate or Annual Cost of Financing	Economic benefit cost (annual term costs or Table 2001 rates)[1]	Applicable Federal Rate (AFR)[2]: Short-term (0–3 years), Mid-term (3–9 years), or Long-term (9+ years)	LIBOR + spread (typically)	Rates linked to each type of loan arrangement
Gift Tax Impact of Loans	No gift taxes	No gift taxes	No gift taxes	No gift taxes
Gift Tax Impact of Interest	Economic Benefit cost is a gift to the Irrevocable Life Insurance Trust (ILIT). Subject to gift taxes	Grantor may make a gift to the trust to pay interest. If Grantor makes a lump sum loan upfront, trust may be able to pay interest requiring no gift from Grantor	Grantor makes gift of interest to ILIT. ILIT pays interest to lender. Subject to gift taxes	If lump sum, trust has assets to pay interest to grantor - no gift necessary. Grantor pays lender interest directly - no gift necessary
How it Works	Mom/Dad as lender provides liquidity to the ILIT to pay large premiums on needed policy	Mom/Dad makes loans to their ILIT to provide liquidity to pay large premiums	The lender makes the loan to the ILIT to provide liquidity to pay large premiums	A combination of a personal loan to Mom/Dad and a Private Finance loan between Mom/Dad and their ILIT
Benefits	Minimizes gift tax costs	Minimizes gift tax costs	No need to liquidate taxable assets to fund liquidity needed for premiums	Minimizes gift taxes and reduces the need to liquidate taxable assets to fund premiums
Collateral	Policy	Not required but may be advisable	Policy and/or other liquid assets	Collateral requirements of commercial lender
Potential Generation-Skipping Transfer Tax (GSTT) Impact	GSTT exemption should be allocated to gift of economic benefit amount	GSTT exemption should be allocated to gifts of interest	GSTT exemption should be allocated to gifts of interest	GSTT exemption allocated to gifts of interest

For more information, please contact NAS 855-533-1776

1. Instead of loan interest which is based on the cumulative loan principal balance, the economic benefit cost (which is based on the death benefit amount and age) is used. This can be quite low at the younger ages, especially when a survivorship policy is used. However, the economic benefit rates increase over time as the insured ages. It may make sense to consider Private Split Dollar (PSD) arrangement initially and switch to a Private Finance when the economic benefit rates get too high.
2. Interest is based on Applicable Federal Rates (AFR) published monthly by the government.

Trusts should be drafted by an attorney familiar with such matters to take into account income, gift, and estate taxes, including generation-skipping transfer taxes. Failure to do so may result in adverse tax consequences.

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

For Financial Professional Use. Not for use with the general public.

Insurance products are issued by John Hancock Life Insurance Company (U.S.A.), Boston, MA 02117 (not licensed in New York) and John Hancock Life Insurance Company of New York, Valhalla, NY 10595.

LIFE-5265 05/14 MLINY042214117