

Municipal Bond Maximization



Wealth Transfer Planning with Municipal Bonds

PRESENTED BY

Sample Agent
John Hancock Financial Services
197 Clarendon St.
Boston, MA 02116
Tel.: (617) 572-6000
Fax: (617) 572-5141
Email: hansel@jhancock.com

PREPARED FOR

James Weingart & Ellen Weingart

Wealth Transfer Planning with Municipal Bonds

The Concern

You like the security of the tax-free income generated by your municipal bond holdings and like the idea of leaving the bond to your heirs at death. However, you realize that there may be a more efficient way to get the income you need and/or create an inheritance for your heirs.

The Solution

You can use the municipal bond to create an income stream to fund a life insurance policy. The death benefit of a life insurance policy is generally income-tax free, and may increase the amount left to your heirs. Also, if purchased within an ILIT, the life insurance proceeds are generally estate tax free as well.



How Does It Work?

There are two ways to use your municipal bond to purchase life insurance. First, you could use the existing income from the bonds to purchase life insurance and increase the amount left for your heirs (Income Only approach). Alternatively, you could sell the municipal bond and use the proceeds to purchase a Single Premium Immediate Annuity which could provide a guaranteed income which might be higher than the income created by the bonds (SPIA approach). You could then potentially leverage the excess income by purchasing a life insurance policy. The policy can be owned either by you, or an Irrevocable Life Insurance Trust (ILIT) created by you. In general, life insurance proceeds are income tax free, and if the policy is owned by an ILIT, the proceeds may avoid estate taxes as well.

Benefits

- **Potential Leverage** – Purchasing life insurance can potentially increase the amount left for your heirs.
- **Income Tax Advantages** – In general, life insurance proceeds are received by your family income-tax free.¹
- **Estate Tax Advantages** – If the life insurance is purchased in a properly drafted Irrevocable Life Insurance Trust (ILIT), the proceeds are generally received by your family estate tax free.²

Considerations

- **SPIA Approach** – The SPIA approach generally creates a larger, guaranteed income stream, which means a larger potential premium and death benefit for the heirs. However, converting to a SPIA is irrevocable and liquidates the bond's principal and may be a taxable event if the sale price exceeds the basis of the bonds.³
- **Income Only Approach** – The Income Only approach is sometimes preferred because you can retain access to the principal of the bond. However, the income stream used with this approach is generally less than the SPIA, so less life insurance can be purchased.
- **Additional Costs** – Life insurance policies have charges associated with them such as the cost of insurance and potential surrender charges. Please consult the attached basic illustration for more information. There may be costs associated with creating an ILIT.

Planning Options

The following pages graphically illustrate a projected net amount transferred to your heirs upon your death based on the following scenarios:

1. Your current situation in which you keep the municipal bond as is.
2. Using the municipal bond to fund the purchase of a life insurance policy.

Please see the attached **Glossary of Ledger Terms** for a definition of key terms used in this proposal.

Benefit Summary

Policy Details

Product: Protection SUL 12 Initial Premium: \$30,000
 Insured(s): James Weingart & Ellen Weingart Initial Death Benefit: \$1,800,000
Male Age 74, Preferred NonSmoker/Female Age 71, Preferred NonSmoker

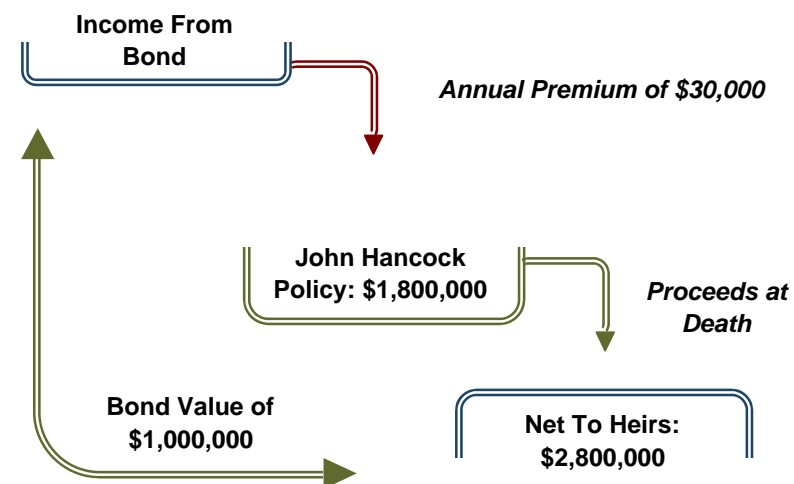
Comparison of Values in Year 22

		Current Strategy	Proposed Strategy
Bond Value Today		1,000,000	1,000,000
Total Premiums Paid by Year 22			660,000
Municipal Bond in Year 22	+	1,000,000	1,000,000
Death Benefit in Year 22	+		1,800,000
Saved Bond Income in Year 22 @ 3.00%	+	943,587	
Net to Heirs in Year 22	=	1,943,587	2,800,000
Potential Gain Due from Planning			856,413

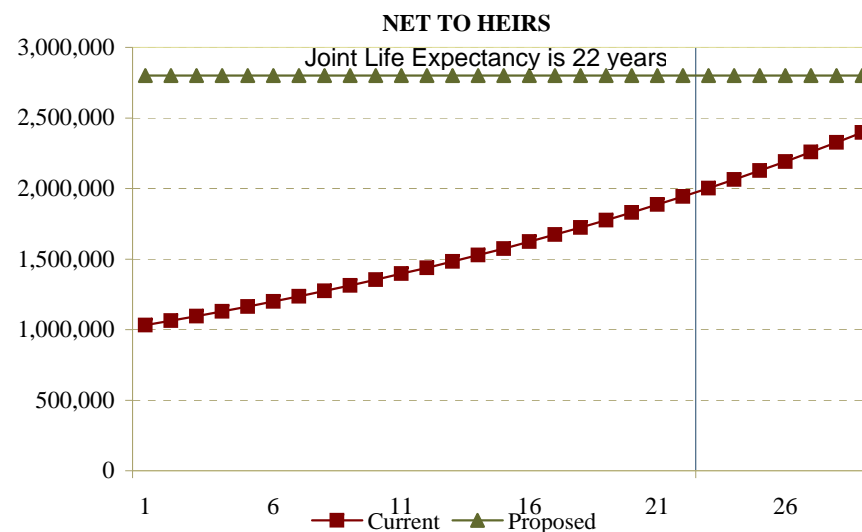
Notes

- All values are shown as of end of year, unless otherwise indicated.
- Life expectancy calculation based on the Valuation Basic Table (VBT) 2008

How it Works



Summary



This is a supplemental illustration authorized for distribution only when preceded or accompanied by a basic illustration from the issuer. Benefits and values may not be guaranteed; the assumptions on which they are based are subject to change by the insurer. Actual results may be more or less favorable. Refer to the basic illustration for guaranteed elements and other important information. This illustration is not intended to be accounting, legal, or tax advice. Clients should consult their accounting, legal, and tax advisors about their particular circumstances before implementing any recommendations. Insurance policies and/or associated riders and features may not be available in all states.

Current Plan: Do Nothing vs. Proposed Plan: Redirect Bond Income & Purchase Life Insurance

Year	Attained Age	KEEP MUNICIPAL BOND						REDIRECT BOND INCOME & PURCHASE LIFE INSURANCE								(15) Difference with Life Insurance 14-6
		(1) Municipal Bond Value (EOY)	(2) A/T Income From Bond @ 3.00% (BOY)	(3) Annual Income Saved	(4) A/T Growth of Saved Income (PY[5] +3)* 3.00%	(5) Saved Income (EOY) PY[5]+3+4	(6) Net To Heirs 1+5	(7) Municipal Bond Value (EOY)	(8) A/T Income From Bond @ 3.00% (BOY)	(9) Premium	(10) Annual Income Saved 8-9	(11) A/T Growth of Saved Income (PY[12]+8-9)*3.00%	(12) Saved Income (EOY) PY[12]+8-9 +11	(13) Death Benefit	(14) Net to Heirs 7+12+13	
1	75/72	1,000,000	30,000	30,000	900	30,900	1,030,900	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,769,100
2	76/73	1,000,000	30,000	30,000	1,827	62,727	1,062,727	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,737,273
3	77/74	1,000,000	30,000	30,000	2,782	95,509	1,095,509	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,704,491
4	78/75	1,000,000	30,000	30,000	3,765	129,274	1,129,274	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,670,726
5	79/76	1,000,000	30,000	30,000	4,778	164,052	1,164,052	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,635,948
6	80/77	1,000,000	30,000	30,000	5,822	199,874	1,199,874	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,600,126
7	81/78	1,000,000	30,000	30,000	6,896	236,770	1,236,770	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,563,230
8	82/79	1,000,000	30,000	30,000	8,003	274,773	1,274,773	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,525,227
9	83/80	1,000,000	30,000	30,000	9,143	313,916	1,313,916	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,486,084
10	84/81	1,000,000	30,000	30,000	10,317	354,234	1,354,234	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,445,766
15	89/86	1,000,000	30,000	30,000	16,739	574,706	1,574,706	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	1,225,294
20	91	1,000,000	30,000	30,000	24,183	830,295	1,830,295	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	969,705
22	93	1,000,000	30,000	30,000	27,483	943,587	1,943,587	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	856,413
25	96	1,000,000	30,000	30,000	32,813	1,126,591	2,126,591	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	673,409
30	101	1,000,000	30,000	30,000	42,818	1,470,080	2,470,080	1,000,000	30,000	30,000	0	0	0	1,800,000	2,800,000	329,920
35	106	1,000,000	30,000	30,000	54,416	1,868,278	2,868,278	1,000,000	30,000	0	30,000	1,827	62,727	0	1,062,727	(1,805,551)
40	111	1,000,000	30,000	30,000	67,861	2,329,899	3,329,899	1,000,000	30,000	0	30,000	6,896	236,770	0	1,236,770	(2,093,129)
45	116	1,000,000	30,000	30,000	83,448	2,865,044	3,865,044	1,000,000	30,000	0	30,000	12,773	438,534	0	1,438,534	(2,426,510)
50	121	1,000,000	30,000	30,000	101,517	3,485,423	4,485,423	1,000,000	30,000	0	30,000	19,585	672,433	0	1,672,433	(2,812,990)

This is a supplemental illustration authorized for distribution only when preceded or accompanied by a basic illustration from the issuer. Benefits and values may not be guaranteed; the assumptions on which they are based are subject to change by the insurer. Actual results may be more or less favorable. Refer to the basic illustration for guaranteed elements and other important information. This illustration is not intended to be accounting, legal, or tax advice. Clients should consult their accounting, legal, and tax advisors about their particular circumstances before implementing any recommendations. Insurance policies and/or associated riders and features may not be available in all states.

Assumptions

CLIENT INFORMATION	Value	Explanation
Family Name	Weingart	Name of family
Client Name	James	Given name of the first client
Age	74	Age of the first client
Sex	Male	Sex of the first client
Smoking Status	Preferred NonSmoker	Underwriting class of the first client
Spouse's Name	Ellen	Given name of the second client
Age	71	Age of the second client
Sex	Female	Sex of the second client
Smoking Status	Preferred NonSmoker	Underwriting class of the second client
Tax Bracket	30.00%	Client's assumed current tax bracket
CPI Rate	0.00%	Consumer Price Index Rate
ESTATE AND GIFT INFORMATION		
Heirs' Names	The Heirs	Names of the heirs
Total Estate Value	\$0	Total estate value
Existing Assets in ILIT	\$0	Assets in the existing ILIT
After Tax Growth Rate of ILIT Assets	0.00%	Growth rate for the ILIT
MUNICIPAL BOND INFORMATION		
Current Municipal Bond Value	\$1,000,000	Current value of Municipal Bond
Cost Basis	\$1,000,000	Cost basis of Municipal Bond
Tax Exempt Income Rate	3.00%	Net rate of return to assume for bond
Bond Income Use	Saved	How is the bond income currently used
Growth Rate of Saved Amount	3.00%	
Proposal Type	Retain Bond	Liquidate bond or use income from bond

MUNICIPAL BOND INFORMATION		
Amount of Bond Income to Retain	Specific Amount	The amount of income to keep
Specified Amount	30,000	
Retained Income Use	Saved	Will retained income be spent or saved
Gift income to ILIT	Yes	
Growth Rate of Saved Amount	3.00%	
LIFE INSURANCE		Explanation
Type of Policy	Survivorship	Survivorship or Single Life
Policy Name	Protection SUL 12	
State	Michigan	
Initial Policy Death Benefit	\$1,800,000	Total death benefit
Policy Premium	\$30,000.00	Annual Premium
Years for Premiums	33	Number of years to pay premiums
Current Crediting Rate	5.20%	Policy's crediting rate
PRESENTER INFORMATION		
Presenter's Name	Sample Agent	Name of presenter
Agency Name	John Hancock Financial Services	
Address	197 Clarendon St.	
City, State ZIP	Boston, MA 02116	
Telephone	(617) 572-6000	
Fax	(617) 572-5141	
E-Mail Address	hansel@jhancock.com	
RESULTS		
Focus Year ¹	22	Focus year
Print Years	50	

1. The focus year refers to the year that has been chosen by you. The values in the focus year are highlighted, can be changed and are for your convenience only. The year may be life expectancy, a random year, or a year that coincides with your personal planning goals.

This is a supplemental illustration authorized for distribution only when preceded or accompanied by a basic illustration from the issuer. Benefits and values may not be guaranteed; the assumptions on which they are based are subject to change by the insurer. Actual results may be more or less favorable. Refer to the basic illustration for guaranteed elements and other important information. This illustration is not intended to be accounting, legal, or tax advice. Clients should consult their accounting, legal, and tax advisors about their particular circumstances before implementing any recommendations. Insurance policies and/or associated riders and features may not be available in all states.

Glossary

The following terms and phrases may be helpful to you as you consider this presentation.

Annual Income Spent – The amount of income (from either the current or proposed scenario) that you, the client, have indicated that you wish to retain to use for living and other expenses.

Annual Income Saved – The amount of income (from either the current or proposed scenario) that you, the client, have indicated that you wish to retain and save.

Applicable Exclusion Amount – The full amount of assets that at death can pass to heirs free of estate taxes.

BOY – Values at the beginning of the year.

Credit Shelter Trust – If you are married, at the death of the first spouse, a credit shelter trust can be funded with the applicable estate tax exemption that you may have available. This column illustrates the use of a Credit Shelter Trust to calculate estate taxes in an assumed year of the first death.

EOY – Values at the end of the year.

Income Only Approach – This approach involves redirecting some or all of the income from your municipal bonds towards the purchase of a life insurance policy.

PY – Prior Year

SPIA Approach – This approach involves liquidating the municipal bonds and using the proceeds to purchase a single premium immediate annuity (SPIA) and using the resulting income stream to purchase life insurance. The illustration assumes that only you (or you and a spouse) are the income beneficiaries. If other persons are assumed to be beneficiaries, there may be gift, estate and income taxes due on the value of the income stream you give away. While the gross income stream from a SPIA always the same, after-tax amount of income from that stream can change should you live long enough to use up your entire basis in the SPIA. Please consult your SPIA issuer for details.

Disclosure

Municipal Bond Maximization is a planning tool designed to assist you in exploring potential estate planning options through the use of life insurance. However, this presentation is not intended as your estate/gifting plan nor is it a specific recommendation for your estate/gifting plan. This presentation is for demonstrative purposes only. This analysis does not constitute a recommendation of a particular option over any other planning alternative. Other alternatives may be more appropriate or suitable for your particular situation and should be discussed with your legal, tax, and accounting advisors prior to your making any gifting or purchase decisions.

John Hancock does not guarantee the accuracy of the Municipal Bond Maximization system or the output. John Hancock will not be liable for any damages arising from the use or misuse of this software or from any errors or omissions in the same. Comments on taxation are based on John Hancock's understanding of current tax law, which is subject to change. John Hancock assumes no duty to update this software or to provide notice of any errors in the software or applicable changes in the law.

Figures used in this program illustrate various benefit/retirement planning concepts, which are based upon both assumptions and data provided by you, the client. Your furnishing of accurate data will help enhance the value of this analysis. However, all assumed growth rates for assets are based upon information provided and assumed by you and are not a guarantee of the future performance of the life insurance policy. Please review the assumptions page for accuracy of information.

This supplemental illustration assumes that the currently illustrated non-guaranteed elements will continue for all years shown. This is not likely to occur and actual results may be more or less favorable than those shown. The actual consequences of a particular planning alternative will depend on many variables, some of which may not be accounted for or fully described in this presentation. Unless otherwise indicated, the income tax, estate tax, and generation-skipping transfer (GST) tax implications of other specific transactions are not reflected in the analysis. Before you make any investment, estate or tax planning decisions (or change title to any assets or change beneficiary designations), your legal and tax advisors should be consulted to determine (1) the suitability of a particular planning alternative for you, and (2) the precise legal, tax, investment, and accounting consequences of that alternative.

This material is authorized for distribution only when accompanied by the basic illustration and the client guide for the relevant product.

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. Anyone interested in these transactions or topics should seek advice based on his or her particular circumstances from independent professional advisors.

Footnotes

1. Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are few exceptions such as when a life insurance policy has been transferred for valuable consideration. Consult your professional tax advisor for details.
2. 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 transfer tax). Failure to do so could result in adverse tax treatment of trust proceeds.
3. Guarantees for the SPIA are subject to the claims paying ability of the issuing insurance company.