JOHN HANCOCK LIFE INSURANCE

SUCCESS STRATEGY

ESTATE PLANNING | Advanced Markets

Estate Equalization

Distributing Assets Fairly and Equitably

Planning Concerns

Dividing your assets equally among heirs can be difficult. Deciding what and how much to leave will be two of your main considerations as you develop your estate plan.

For example, leaving certain assets, such as a residence, to more than one heir can create administrative and practical challenges for the multiple owners. Similar difficulties can occur with a family business, especially if some heirs are more active in running the business than others. On the other hand, leaving a single asset entirely to one heir could create inequality unless your estate has sufficient liquidity to balance inheritances. In circumstances like these, to maintain good relations, liquidating the asset and distributing the proceeds often seem like the only option. Consider life insurance as a possible solution.

The Solution

Your estate's liquidity will be an important factor in achieving a distribution of assets among your heirs in the proportions that you would like. A life insurance death benefit can provide the liquidity that may be needed to give each heir the inheritance you want them to receive.

How It Works

You (or your trust, if estate taxes are a concern)[1] would purchase a life insurance policy on your life. The death benefit proceeds can be used to help provide heirs with inheritances of given projected values when assets are eventually distributed, helping to balance out the value of the "hard-to-divide" asset.

Benefits

- Life insurance can help provide cash to equalize inheritances among your heirs, as well as help protect your family's income in the event of premature death.
- Heirs may receive more money and a better return on the premiums than if those dollars had been invested in a taxable asset.[2]
- Life insurance provides an income tax-free death benefit.[3]
- The cash values of a life insurance policy grow tax deferred, and tax-free withdrawals and loans are permitted when structured properly.[4]
- You may be able to tap into income and/or stock from a family business as a source of premiums.

Considerations

- Selecting an appropriate level of death benefit protection for estate equalization will be affected by the projected values of your assets for your chosen focus year. Please consult qualified professionals to determine reasonable projections. Consider potential future heirs, such as those who might come to the business after estate planning is completed.
- Life insurance eligibility will be based on financial and medical underwriting, and you must have sufficient resources for the desired level of death benefit protection.

1. 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.
2. The rate of return (ROR) 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.
3. Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for tax purposes. There are a few exceptions such as when a life insurance policy has been transferred for valuable consideration.
4. 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. Cash value available for loans and withdrawals may be more or less than originally invested.

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Not FDIC Insured	**Not Bank Guaranteed**	**May Lose Value**
Not a Deposit	**Not Insured by Any Government Agency**	