



# Premium Financing for High-Net-Worth Individuals

Your *partners* in legacy  
protection and preservation



Insurance products issued by: JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.)  
and JOHN HANCOCK LIFE INSURANCE COMPANY OF NEW YORK.

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INSURANCE PRODUCTS:		
Not FDIC Insured	Not Bank Guaranteed	May Lose Value
Not a Deposit	Not Insured by Any Federal Government Agency	











# Life insurance to protect and preserve your wealth and legacy

Wealth transfer and life insurance go hand-in-hand.

Like most successful individuals, you have many goals for yourself, your family, and your business — including the legacy you will leave.

Life insurance can play a key role in those plans. For 160 years, John Hancock has delivered on our promise of helping families and businesses meet their financial goals through the tax-free death benefits afforded by life insurance.<sup>1</sup> John Hancock's collaboration with Succession Capital Alliance, an industry-leader in life insurance premium financing, can offer a solution to fund the life insurance coverage you need with less disruption to other financial goals.

## Protect your family and your legacy with life insurance.

Life insurance can be an important tool to help protect your family and your business for generations to come. Life insurance provides many benefits, including a source of immediate liquidity when it's needed most.

The death benefit can be used to help:

- Pay estate taxes
- Equalize estate among heirs
- Provide the funds for business-succession planning

As a planning option, life insurance has unique characteristics that can be a valuable component of a diversified portfolio of assets, including:

- Tax-deferred growth
- Tax-free death benefit
- A competitive internal rate of return

Many estate plans combine life insurance owned by an irrevocable life insurance trust (ILIT), an approach that offers many advantages including:

- Privacy
- Enhanced protection from creditors
- Greater control over distribution of assets
- Estate-tax exclusion

“Life insurance can help high-net-worth individuals in protecting their assets and securing their family’s finances.”<sup>2</sup>

– *Bankrate*, 2021

# Why premium financing?

One of the challenges is obtaining the coverage you need without disrupting other investment objectives.

How can you secure life insurance coverage without substantially impacting cash flow — especially when you may have illiquid or high-performing assets?

**Premium financing with a third-party lender is an option that provides several meaningful benefits, such as:**

- Preservation of cash flow
- An alternate premium source that may help you avoid the need to sell highly appreciated assets — and incur taxes on the gains
- A source of liquidity that can be helpful if your estate largely comprises illiquid assets, e.g., real estate or business interests
- Reduction of gift tax exposure

## Premium finance with Succession Capital Alliance™

Premium finance is simply a way to pay the premiums on a life insurance policy by borrowing money from a third-party lender. This collaboration between John Hancock and Succession Capital offers you an effective way to maximize the value of life insurance assets in your legacy planning.

**When it comes to premium finance, experience matters.**

Succession Capital Alliance brings a team that has expertise with premium finance. The experience of Succession Capital continues helping beyond year one by managing the loan and renewal process.









# Capital Maximization Strategy™

Succession Capital Alliance is the exclusive provider of the Capital Maximization Strategy (CMS). CMS offers a solution tailored to your needs by bringing Succession Capital Alliance's deep, specialized expertise to traditional premium-finance designs.

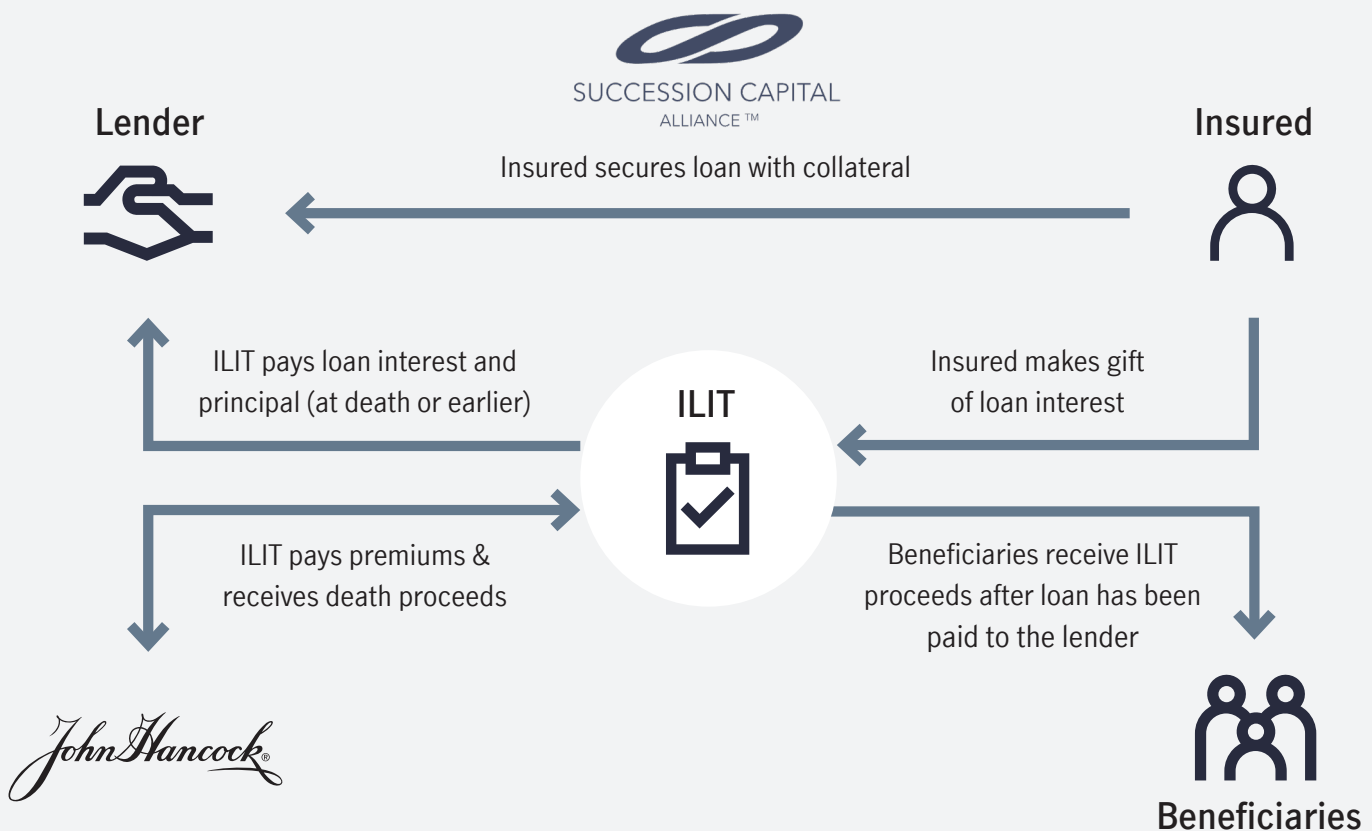
**With CMS, your ILIT will borrow funds from a third-party lender to pay the premiums on a life insurance policy.**

Because you are using borrowed funds, the life insurance coverage is secured without having to liquidate assets to pay for insurance premiums.



## How it works:

1. **First you will apply for a John Hancock life insurance policy.** You will also need to submit a premium-financing application to the lender.
2. **The lender will establish the terms of the note.** This includes determining the loan interest rate and payment schedule. Succession Capital Alliance will help to secure competitive interest rates and streamline the application process.
3. **Generally,** your ILIT will pay loan interest each year on the outstanding loan. You will make gifts of the loan interest to the trust.
4. **During the life of the loan,** the life insurance policy cash value and your external funds will be used as collateral for the loan (if there is any shortfall between the policy value and the loan amount). You may be required to guarantee the loan and post collateral, even if the ILIT is the owner.
5. **When the note is due to be repaid,** the ILIT (and you, as the personal guarantor if applicable) will be responsible for paying off the debt.
6. **The loan may be paid off prior to death, or** — if you die with an outstanding loan — the life insurance proceeds are paid to your ILIT, net of the loan repayment.





## Is CMS™ a good fit for you?

CMS may be particularly advantageous if you:



**Have illiquid assets** that do not produce enough income to pay the required premiums directly



**Have assets that are generating a higher return** than the interest cost associated with borrowing the premiums



**Want to reduce gift-tax exposure** by limiting gifts to the interest costs on the loan versus the premiums due on the policy



**Expect to have a future liquidity event**, but need short-term liquidity to pay premiums

## Eligibility requirements

CMS is for affluent individuals, corporations, partnerships and trusts. You will need to qualify both financially and medically for the life insurance policy. To be eligible for CMS you must:

Be under  
the age of

**75**

Have a minimum earned  
annual income of

**\$500,000**

Have a minimum  
net worth of

**\$10M**







# Partnering with John Hancock

Choose an insurance company with strength

## Experience and commitment

With 160 years of experience and stability, John Hancock has an unwavering focus on meeting the commitments it makes to its policyholders.

## Underwriting expertise

John Hancock's underwriters provide concierge-level support for high-net-worth clients, backed by in-depth underwriting expertise and decades of experience in underwriting large, complex cases.

## Financial strength

Now more than ever, it is important to partner with a life insurance company that can meet the promises it makes, both today and in the future.

John Hancock's credentials include its demonstrated financial strength. It is among the highest-rated companies for financial strength and stability, as judged by the major rating agencies.

### **A.M. Best A+**

(2nd highest of 13 ratings) Superior ability to meet ongoing insurance obligations

### **Standard & Poor's AA-**

(4th highest of 21 ratings) Very strong financial security characteristics

### **Moody's A1**

(5th highest of 21 rankings)  
Obligations are subject to low credit risk

### **Fitch AA-**

(4th highest of 21) Very strong capacity to meet policy holder and contract obligations

Financial strength ratings, which are current as of 9/30/2021, and are subject to change, apply to John Hancock Life Insurance Company (U.S.A.) and John Hancock Life Insurance Company of New York as a measure of each company's financial ability to pay claims and to honor any guarantees provided by the contract and any applicable optional riders. The ratings are not an assessment or recommendation of specific products, policy provisions, premium rates, performance of the products, the value of any investment in these products upon withdrawal, individual securities held in any portfolio, or to the practices of the insurance company. Financial strength ratings do not apply to the safety and performance of separate accounts.



# Succession Capital Alliance™

## Custom Planning with SCA

**A trusted partner in advanced life insurance planning for high-net-worth clients for more than 25 years.**

Premium finance is a simple idea, but complex in practice. Working with Succession Capital Alliance (SCA) gives you the support of a deeply experienced team, along with access to their extensive network of sophisticated lenders and industry-best carrier partners such as John Hancock.

The foundation and focus of SCA is to help identify and manage a life insurance solution that has been tailored to your personal planning needs.

SCA's deep relationship network allows SCA to meet the complex needs of high-net-worth individuals and business owners, and offers:

### Custom Design Solutions

There's no "one size fits all." SCA works closely to develop a custom plan directed to your specific capital, income, business, tax, estate and charitable objectives.

### Lender Relationships

SCA's strong reputation has helped SCA establish an extensive network of top lenders — helping to ensure you are getting the most competitive interest rates.

### Carrier Collaboration with John Hancock

SCA has partnered with John Hancock, a carrier with a sophisticated understanding of premium financing. John Hancock is a leader in the high-net-worth space, and offers a robust suite of products along with best-in-class underwriting and advanced sales support.

### Policy Audit and Restructuring

SCA reviews your existing policies to identify areas of under-performance, suggest ways to improve portfolio value, and provide ongoing loan monitoring and support.

# Frequently asked questions

Important considerations and commonly asked questions.

## **Why should I consider CMS?**

CMS can help you secure life insurance coverage without comprising your other financial goals, e.g., you can avoid liquidating assets unexpectedly, incurring unplanned gift taxes, etc.

## **Why should I partner with SCA?**

Premium financing is a sophisticated life insurance strategy that requires engaging a planning team that offers expertise in plan-and-product design and working with lenders. SCA brings a high level of experience through their robust platform and will communicate with your planning team on an ongoing basis to help ensure your objectives are being met.

## **Does loan interest in a premium-financing arrangement need to be paid each year?**

Yes, loan interest needs to be paid annually. The loan interest rate may fluctuate over the term of the loan and may end up higher than originally illustrated. If loan rates increase, this can result in higher loan interest payments than originally planned. For this reason, loan interest should be paid each year to control the growth of the loan.

## **Is the premium-financing loan interest deductible?**

Interest paid on loans used to acquire life insurance is not deductible.

## **What are the typical collateral requirements on this type of loan?**

Collateral requirements are set by the lender. To the extent the outstanding loan balance exceeds the life insurance policy's cash surrender value, you likely will be required to post additional external collateral. The ongoing collateral required will fluctuate based on policy performance and the loan interest rate.

## **How does the loan get repaid?**

Repayment depends on the terms of the arrangement. Many premium-financing designs rely on policy cash value or the death benefit to repay the lender. It is often advisable to consider alternative ways to pay off the loan, especially if you want to ensure as much of the death benefit as possible remains available for your family.



## **What gift-tax considerations are there in premium-financing arrangements?**

For trust-owned policies, any payments you make towards interest or loan principal may be considered gifts and may be subject to gift taxes.

## **Is annual financial re-certification required in a premium-financing arrangement?**

The lender will likely require an annual financial re-certification before they make the next scheduled premium loan. A change in your financial circumstances may lead a lender to deny making additional loans or demand repayment earlier than expected. SCA will work with you to help ensure loan requirements are satisfied.

## **What are the life insurance qualifications?**

Life insurance eligibility will be based on financial and medical underwriting.

**Because premium financing involves a third-party lender** who sets the terms and conditions of the loan (such as the loan interest, loan repayment, and collateral requirements), you and your legal counsel should carefully review the loan documents before entering into any loan transaction.

1. Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are a few exceptions such as when a life insurance policy has been transferred for valuable consideration.

2. Kim, Grace, "Life Insurance for High Net Worth Individuals," Bankrate, June 2021.

**John Hancock is not affiliated with Succession Capital Alliance or its subsidiaries or affiliates.**

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. There can be costs associated with drafting a trust.

This material does not constitute tax, legal, investment or accounting advice and is not intended for use by a taxpayer for the purposes of avoiding any IRS penalty. Comments on taxation are based on tax law current as of the time we produced the material.

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