A Tool for your
Success

Retirement Planning

Sales Kit

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A Tool for your **Success**

Retirement Planning

6-Page Consumer Guide to Retirement Planning

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Retirement Planning

RETIREMENT INCOME SOURCES

The Sources...

- Social Security retirement benefits
- Employer retirement plans and Individual Retirement Accounts (IRAs)
- Personal savings and investments
- Post-retirement employment

Social Security...

- Provides a base amount of monthly income, depending on the person's earnings history and age when benefits begin.
- The Social Security normal retirement age was traditionally 65. Now, the age at which the full benefit becomes payable increases in stages for people born in 1938 and after, reaching age 67 for those born in 1960 and after.
- A reduced monthly benefit may be taken as early as age 62.
- Benefits are subject to annual cost-of-living adjustments.
- Benefits, while generally nontaxable, become partially taxable if the person's income exceeds certain threshold amounts.
- According to the Social Security Administration, less than one-third of people who receive Social Security must pay some taxes on their benefits. (*Source: www.socialsecurity.gov/pubs/10024.html*.)

Qualified Plans and Personal IRAs...

- Defined benefit plans pay a promised monthly benefit to the employee, usually at retirement.

Retirement Planning

- Defined contribution plans differ in that the employee's individual account balance at retirement determines the benefit. 401(k), 403(b) and profit-sharing plans are prominent forms of the defined contribution approach.
- Individual Retirement Accounts may be "traditional" or "Roth" IRAs. Contributions to traditional IRAs are tax deductible in certain cases, while contributions to Roth IRAs are never deductible.
- Distributions from traditional IRAs are taxable in whole or in part as ordinary income. Distributions from Roth IRAs may be tax free if certain strict requirements are met.

Personal Savings and Investments...

- Include traditional savings vehicles such as savings accounts, certificates of deposit, money-market mutual funds, and government savings bonds.
- Investments also include stocks, bonds and mutual funds.
- Bonds are debt instruments issued by the federal government, state and local governments, and corporations. They may be owned directly or indirectly through mutual funds, investment accounts, and trusts.
- Real estate includes personally owned property and property owned through an entity such as a limited partnership. Retirees may use the equity in their homes as a source of retirement income, but must keep in mind the downside to borrowing money as a funding source for living expenses.
- Annuities offer tax-deferred growth and a variety of payout options, including payments guaranteed to last for the annuitant's lifetime or until the death of a second annuitant, based on the claims-paying ability of the insurance company.
- Precious gems and metals include tangible assets such as personally owned bullion and coins or stock in mining operations.

Post-Retirement Employment...

- Includes full or part-time employment to remain active or to supplement retirement income. However, this may impact other retirement benefits. For example:
    - Post-retirement earnings are subject to federal, state and local income taxes, as well as Social Security and Medicare taxes.
    - Post-retirement earnings may boost the retiree's income above the threshold at which Social Security benefits become subject to federal income tax (currently $25,000 for single persons and $32,000 for married persons filing jointly).

The Bottom Line...

Numerous sources of potential retirement income are available to people looking toward a comfortable retirement free from financial concerns. The key is to prepare as early as possible during working years, and to save as much as possible for retirement. The sooner a retirement strategy begins, the more time the strategy has to achieve its objectives. Each year's income and gains build on prior growth, thanks to the power of compounding.

Retirement Planning

Summary

CREATING RETIREMENT INCOME

Individuals fund their retirement income from four potential sources: Social Security retirement benefits, employer retirement plans and IRAs, personal savings and investments, and post-retirement employment.

SOCIAL SECURITY

The Social Security "normal retirement age" is the age at which the full retirement benefit becomes payable. The amount of the benefit depends on the person's earnings history and age when payments begin. Previously, the normal retirement age was 65, but under current law it increases in stages for people born in 1938 and after, eventually reaching age 67 for those born in 1960 and after. Individuals may take a reduced monthly benefit as early as age 62.

Once payments begin, they are subject to annual cost-of-living adjustments. Social Security retirement benefits are generally nontaxable, but become partially taxed if the retiree's income (or joint return income) climbs above certain threshold amounts.

According to the Social Security Administration, less than one-third of people who receive Social Security must pay some taxes on their benefits. (*Source: www.socialsecurity.gov/pubs/10024.html.*)

QUALIFIED PLANS AND IRAS

Qualified employer retirement plans may be defined benefit pensions, which pay a pre-established monthly benefit to the retiree, or a defined contribution plan, in which the employee's individual account balance at retirement determines the retirement benefit. 401(k), 403(b) and profit-sharing plans, in which a participant has an individual account balance, are very popular.

Retirement Planning

Individual Retirement Accounts and Annuities (IRAs) may be "traditional" or "Roth" IRAs. Contributions to traditional IRAs may be tax deductible, while Roth IRA contributions are made with after-tax dollars and are never deductible.

Distributions from traditional IRAs are in whole or in part taxable as ordinary income. Distributions from Roth IRAs may be federal income tax free if certain strict requirements are met.

PERSONAL RETIREMENT SAVINGS

People preparing for retirement can make use of a wide variety of savings and investment vehicles during their working years.

Among those most widely used are savings accounts, certificates of deposit, money-market mutual funds, and government savings bonds. Investments such as stocks, bonds and mutual funds are also popular. Annuities can provide retirement income—in fixed or variable amounts—over the annuitant's life or the life of a second annuitant such as a surviving spouse (subject to the claims-paying ability of the company issuing the annuity). Precious gems and metals include personally owned bullion or coins, gemstones, and stock in mining operations.

REAL ESTATE

Real estate can also generate retirement income. It includes personally owned property and property owned through an entity such as a limited partnership.

Retirement Planning

RETIREMENT INCOME SOURCES

1. A retiree must reach the full retirement age under Social Security to receive full benefits, but can collect reduced benefits as early as age 62.

3. Personal savings and investments produce income that a retiree can liquidate if needed.

2. Employer retirement plans and IRAs are other important sources of retirement income.

4. Some retirees work part time or full time after retirement to provide an additional source of income.

A Tool for your Success

Retirement Planning

Client Profile:
Life Insurance in Retirement Planning

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John Hancock
LIFE INSURANCE

Client Profile

Life Insurance in Retirement Planning

CLIENT PROFILE	
Age:	40–60
Status:	Maxed out on contributions to qualified retirement plans
Concern:	Would like additional options for supplementing retirement savings

SITUATION

- Client would like to save money for retirement but has maxed out on available qualified plans (401(k)s, IRAs).
- Client would like additional life insurance protection for income replacement needs if death occurs prior to retirement.

SOLUTION

Client will purchase a John Hancock universal life insurance policy and pay the premium. Pre-retirement, the policy will provide income-tax-free death benefit protection; post-retirement, the potential policy cash value can be used to supplement retirement income.[1]

HOW IT WORKS

- Client applies for and purchases life insurance policy on his/her own life. Client pays the premium of the policy.
- During the client's working years, the policy will provide income-tax-free death benefit to the client's heirs.
- At retirement, the client can access any potential policy cash value via tax-favored loans and withdrawals to supplement retirement income.

BENEFITS

- Life insurance death benefit will be received by the heirs income tax free.
- The life insurance policy cash value grows on a tax-deferred basis.
- As long as the policy is not designed as a Modified Endowment Contract (MEC), the client can take tax-free loans and withdrawals from the cash value.
- Withdrawals from insurance policies are not mandatory and may occur at any time or not at all, unlike distributions from qualified retirement plans which may be subject to an early withdrawal penalty at age 59½ and/or mandatory distributions at age 70.

CONSIDERATIONS

- Using life insurance as a form of supplemental retirement income is not tax deductible.
- Policy should not be structured as a MEC. Policies classified as MECs may be subject to tax when a loan or withdrawal is made, and a federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59½.
- The policy cash value available for loans and withdrawals may be worth more or less than the original investment amount, depending on the performance of the policy crediting rate.
- Withdrawals and loans can reduce the policy death benefit and cash surrender value and may cause the policy to lapse. Lapse of a life insurance policy can cause the loss of the death benefit and potential adverse income tax consequences.

CASE STUDY: JIM SNYDER

Client: Jim Snyder, Male, Preferred Non Smoker, Age 45, 40% Tax Bracket, Colorado Resident.

Product: $1,041,666 Accumulation UL policy, $50,000 initial premium for 20 years, 5.3% Policy Crediting Rate; Death benefit Option 2, yrs 1–18; Option 1, yrs 19+; Assumes annual income payment of $146,553 is taken from policy for years 21 through 35.

Year	Annual Premium	Cumulative Amount Received from Policy	Net Cash Surrender Value	Net Death Benefit
1	$50,000	$0	$23,789	$1,086,612
10	$50,000	$0	$571,578	$1,613,244
20	$50,000	$0	$1,559,991	$2,361,085
21	$0	$146,553	$1,490,590	$2,214,532
30	$0	$1,465,530	$685,911	$842,324
35	$0	$2,198,295	$49,036	$130,892

This is a supplemental illustration. 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. Based on Male, Preferred Non Smoker, age 45, twenty-pay policy, and Colorado resident. The death benefit amount is calculated assuming that no policy withdrawals and/or loans are taken prior to age 66. The income may be tax free when withdrawals up to basis are taken, and thereafter policy loans are taken. Withdrawals above basis are income taxable. Loans can cause the policy to lapse. Note that when withdrawals or income is taken, the death benefit is reduced and may cause the policy to lapse.

Begin Identifying Your Clients for Life Insurance in Retirement Planning by Mining Wells Fargo's Smart Station:

- Click Advisors Tab
- My Book
- Custom Queries
- Under Global tab, select appropriate Rep Code
- Then select Profile Tab
- Please check the Annual HH Income display box
- Under Annual HH Income select C – $100,000–$199,999
- Hold down the shift key and chose D & E – $200,000–$999,999
- This will give you Annual HH Income of $100,000 to $999,999
- Please check the Client Age display box
- Under Client Age enter from 40 to 60
- Then click Submit
- Choose sort option box, click OK
- Report will be generated

For additional information, please contact local John Hancock Representative or call the Advanced Markets Group at 888-266-7498, option 3.

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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. Please consult your professional tax advisor.

Product and features may not be available in all states. Guaranteed product features are dependent upon minimum premium requirements and the claims-paying ability of the issuer.

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LIFE INSURANCE

Fact Finder
Life Insurance in Retirement Planning

Client Information

Client Name (First & Last):

Age:

Underwriting:

☐ Super Preferred Non Smoker ☐ Preferred Smoker
☐ Preferred Non Smoker ☐ Standard Smoker
☐ Standard Plus Non Smoker ☐ Uninsurable
☐ Standard Non Smoker

Rated:

Spouse's Name (First & Last):

Age:

Underwriting:

☐ Super Preferred Non Smoker ☐ Preferred Smoker
☐ Preferred Non Smoker ☐ Standard Smoker
☐ Standard Plus Non Smoker ☐ Uninsurable
☐ Standard Non Smoker

Rated:

Presenter's Name (First & Last):

Company:

Presenter's Address:

Phone Number:

Affiliation: State:

Contact Information

Advisor Name (First & Last):

Company:

Address:

City: State:

ZipCode: Phone:

Fax: Email:

Plan Information

Compare Buying Life Insurance to a Side Fund (UL only)

☐ Yes ☐ No

If Comparing to a Side Fund (UL only)

Capital Gains Tax Rate: % Income Tax Rate: %

Side Fund Investment Rates (cannot exceed 12%) (UL only)

Ordinary Income: %

Tax-exempt Income: %

Realized Capital Gains: %

Unrealized Capital Gains: %

Total: %

Side Fund Withdrawals (UL only)

☐ Equal to Policy ☐ Endow at Age 100

☐ Amortization ☐ $1 at Age 100

☐ Specific Amount at Age 100

Insurance Information

Product:

☐ Accumulation UL ☐ Accumulation VUL
☐ Protection UL ☐ Protection SVUL
☐ UL-G ☐ Accumulation SVUL
☐ Protection SUL ☐ Protection SUL-G
☐ John Hancock Term ☐ Protection VUL

Premium: Number of Years:

Death Benefit: ☐ Minimum ☐ Maximum ☐ Schedule
(check one) ☐ Level ☐ Increasing ☐ Schedule

If Schedule list:

Withdrawals: From Age to Age

State:

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Sales Idea:
The IRA-RMD Dilemma

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The IRA-RMD Dilemma

AVIVA

Lindsay Reynolds has \$1,000,000 in her IRA. With age 70 1/2 approaching, her accountant told her that she must begin taking a required minimum distribution (RMD) from her IRA in the following year.

Lindsay does not need the money, and she would like to save the full value of the IRA for her children, but she knows that they will have to pay income tax on what they receive. She asks her agent if there is anything that can be done to help.

Situation: Lindsay could follow a traditional approach to the RMDs, or she could incorporate life insurance to help her meet her objectives.

Traditional Approach

- If she dies today \$1,000,000 100% is taxable
- Lump sum IRA distribution to children upon her death
- They pay full income tax

1,000,000	
-\$400,000	taxes
\$600,000	Net after taxes to Lindsay's kids after her death

Using Life Insurance

- Purchase a \$1,000,000 Guarantee UL Solution III with a No-Lapse Guarantee policy to replace the IRA money.
- The death benefit of the life insurance is income tax free to Lindsay's beneficiaries.
- An annual premium of \$35,000 to age 90 will guarantee the \$1 million death benefit to age 121.
- Withdraw \$50,000 each year for 20 years from the IRA to pay the \$35,000 life insurance premium. The difference is used to cover the income taxes on the withdrawal.
- If there is still money left in the IRA, Lindsay can give it to her children or leave it to a charity.
- Her children get a guaranteed death benefit of \$1,000,000 free of federal income taxes.

Solution: Guarantee UL Solution III with the Wellness for Life® Rider v2

Female, age 70, Standard, non-tobacco
\$35,000 annual premium for 20 years, \$1,000,000 initial face amount

End of Year	Age	Annual Outlay	Guaranteed Cash Surrender Value	Guaranteed Death Benefit
1	71	\$35,000	0	1,000,000
5	75	\$35,000	0	1,000,000
10	80	\$35,000	0	1,000,000
15	85	\$35,000	0	1,000,000
20	90	\$35,000	0	1,000,000
25	95	\$0	0	1,000,000
30	100	\$0	0	1,000,000

After-tax distribution is placed into the policy.

Conclusion: Using life insurance with a No-Lapse Guarantee in situations involving Required Minimum Distributions can greatly enhance values for the client and the beneficiaries. This can be done by repositioning of assets to be more efficient.

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Client Profile
Municipal Bond Maximization

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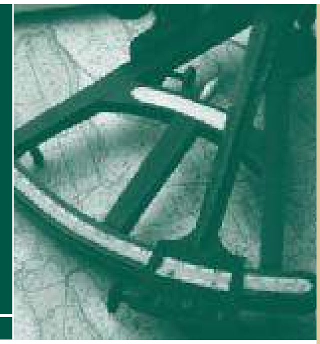
John Hancock
LIFE INSURANCE



Client Profile
Municipal Bond Maximization

WEALTH TRANSFER PLANNING THROUGH MUNICIPAL BOND MAXIMIZATION: A "LIVE BETTER, LEAVE MORE" PLANNING APPROACH

CLIENT PROFILE	
Age:	60 and older
Status:	Retirement
Concern:	Would like to increase retirement income while leaving a legacy for heirs.

SITUATION

Your client may have low-income municipal bonds that are not generating sufficient retirement income, or the income may not be needed.

The market and interest rate risk associated with holding the bonds during lifetime, as well as the transfer taxes at death, may also be a client concern.

One of your client's key planning objectives is to preserve the asset for heirs.

SOLUTION

Your client can exchange the municipal bonds for a guaranteed income stream to replace or increase the amount transferred to heirs.

HOW IT WORKS

Your client converts the municipal bonds to a Single Premium Immediate Annuity (SPIA) to secure a guaranteed and potentially higher income stream for life, through the use of a life-only no-refund annuity.[1]

Your client can then make tax-free gifts of a portion of the SPIA income to an Irrevocable Life Insurance Trust (ILIT) by using available annual exclusions.[2]

The trustee of the ILIT will purchase a John Hancock universal life insurance policy to replace or leverage the value of the asset remaining for heirs.

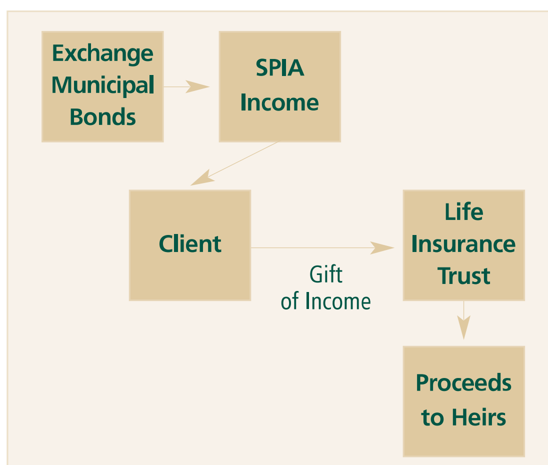
BENEFITS

- May reduce market and interest rate risk.
- May maximize net after-tax income.
- May remove asset from taxable estate.
- May provide guaranteed income for life.
- May transfer more to heirs.

CONSIDERATIONS

- Principal is irrevocably exchanged for income stream.
- Plan requires evidence of insurability.
- Investment allocation of portfolio may change.
- Potential tax upon liquidation.

WHAT IT LOOKS LIKE



CASE STUDY: ELLEN AND JAMES WEINGART

Client: Ellen and James Weingart, ages 74 and 71, respectively, both Preferred Non Smokers, have $1,000,000 Municipal Bonds at 3.2% net annual income. They would like to liquidate the Municipal Bonds and purchase a gross income SPIA of $68,252.
Product: $1,500,000 John Hancock Protection SUL for $26,136 annual premium

As the following chart indicates, by converting an inefficient asset to a SPIA and leveraging the income with life insurance, a guaranteed income stream can be secured. $5,052 in additional income can be generated and more can be transferred to heirs.

EFFECTS OF REPOSITIONING USING MUNICIPAL BOND MAXIMIZATION

	Retain Municipal Bonds	Municipal Bond Maximization
Net Annual Income	$32,000	$63,188
Premium	$0	$26,136
Net Spendable Income	$32,000	$37,052
Estate Tax	$450,000	$0
Net to Heirs in Year 22	$550,000	$1,500,000

The data shown is taken from a hypothetical calculation. It assumes a hypothetical rate of return and may not be used to project or predict investment results. The estate tax calculation is based on current law.[3]

Begin Identifying Your Clients for Income Maximization by Mining Wells Fargo's Smart Station:

- Choose Advisor Tab
- Select My Book
- Select Analysis Workbook
- Choose Client Analysis
- Click Maturing and Expiring Securities (bottom left side)
- Choose Municipal Bond under Security Type
- Click Submit

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1. A SPIA is a Single Premium Immediate Annuity that provides an income stream for a chosen number of years based on a single deposit made to purchase the annuity. The annuity income stream is calculated based on a Life-Only No-Refund basis so that the income will last for your client's lifetime, or the joint lifetime of client and spouse, if applicable, and no balance will remain in the taxable estate at death. The SPIA guarantee is based on the claims-paying ability of the insurer issuing the SPIA and John Hancock does not issue such contracts.
2. An annual exclusion gift is the amount of annual gifts that each individual can make to an unlimited number of people without federal gift tax. Currently, this amount is $13,000 per individual per year. In the future, it will be indexed annually for inflation and subject to specific rules.
3. Under the current law, which is based on the "Unemployment Insurance Reauthorization and Job Creation Act of 2010," the maximum estate tax rate is 35% with a $5,000,000 exemption for each individual. For 2012, this $5,000,000 will be indexed for inflation, taking into account inflation that occurred from January 1, 2010, through December 31, 2011. The $5,000,000 exemption amount can be used either during lifetime, as a gift tax exemption amount, or at death as an estate tax exemption. In addition, each individual has a $5,000,000 exemption to the generation-skipping transfer (GST) tax; this $5,000,000 can be used during life or at death. If an individual passes away with an unused amount of exemption remaining, that individual's surviving spouse can use the unused amount to shelter a transfer from either gift or estate taxes. Effective January 1, 2013, the exemption amount for each of the gift, estate and GST taxes will drop to $1M and the top tax rate for each will be 55%.

Trusts should be drafted by an attorney familiar with such matters in order to take into account income and estate tax laws (including generation-skipping transfer tax). Failure to do so could result in adverse tax treatment of trust proceeds.

Guaranteed product features are dependent upon minimum premium requirements and the claims-paying ability of the issuer.

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Sales Idea:
Social Security Maximization

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Generational Security

Social Security Max Strategy Summary

Help Clients Turn Social Security Income into a Lasting Legacy for Their Heirs.

One of the most difficult steps in a life insurance sale is finding the funding source for the client's policy premiums. The Generational Security solution is a "Social Security Max" strategy that can help clients plan to provide future financial assistance to loved ones without affecting their own lifestyle in retirement. And they can do it with an income stream they already receive, but may not need – their own Social Security.

What Is The Opportunity?

- Clients in their golden years may have provided for a comfortable retirement for themselves, yet still receive Social Security benefits that they do not need to sustain their retirement lifestyle.
- They worry about the economic prospects of younger family members, and worry that some of the financial safety nets that they currently enjoy may not be there for their children and grandchildren.
- They want to provide financial assistance to their loved ones, but preferably in a way that will not affect their retirement lifestyle.

Solution: Generational Security From Transamerica

- Generational Security uses the client's discretionary Social Security income to fund a TransACE® universal life insurance policy with our Income Protection Option (IPO), which allows the death benefit to be paid as a monthly income stream to the client's beneficiaries.
- The client has the flexibility to choose the number of beneficiaries, and decide how much income they would like each beneficiary to receive monthly for 10, 15, 20 or 25 years after the death of the insured.
- Initial or final lump sums can be added to the monthly death benefit payout if desired.

Client Profile

- Clients worried that their children or grandchildren will not have the same financial or economic prospects during their working lives.
- Clients seeking to provide monthly financial assistance for their heirs.
- Clients who want a way to provide a lasting legacy for their children or grandchildren in a way that will not affect their retirement lifestyle.

Available Materials/Tools

Customized client reports can be run with our TransWare illustration software. Contact our Sales Desk for more information.

Producer Materials

- OLA 2242 Sales Idea Virtual Presentation
- OLA 2234 5-Minute Sales Idea Flyer

Consumer Materials

- OLA 2223 Client-Facing Flyer

- Transamerica's TransWare® illustration software has an exclusive tool that creates a personalized client report that clearly outlines the monthly income stream for each payout period (10, 15, 20 or 25 years), allowing the client to choose the one that best fits their situation.

Strategy Benefits

- Creates a monthly income stream for loved ones after the death of the insured.
- Offers built-in protection against the risk of inexperienced beneficiaries receiving and spending a large one-time sum of money.
- Provides clients a way to leverage otherwise disposable Social Security income to provide for their loved ones' financial security.
- Gives clients options to address many planning scenarios that may be important to them.

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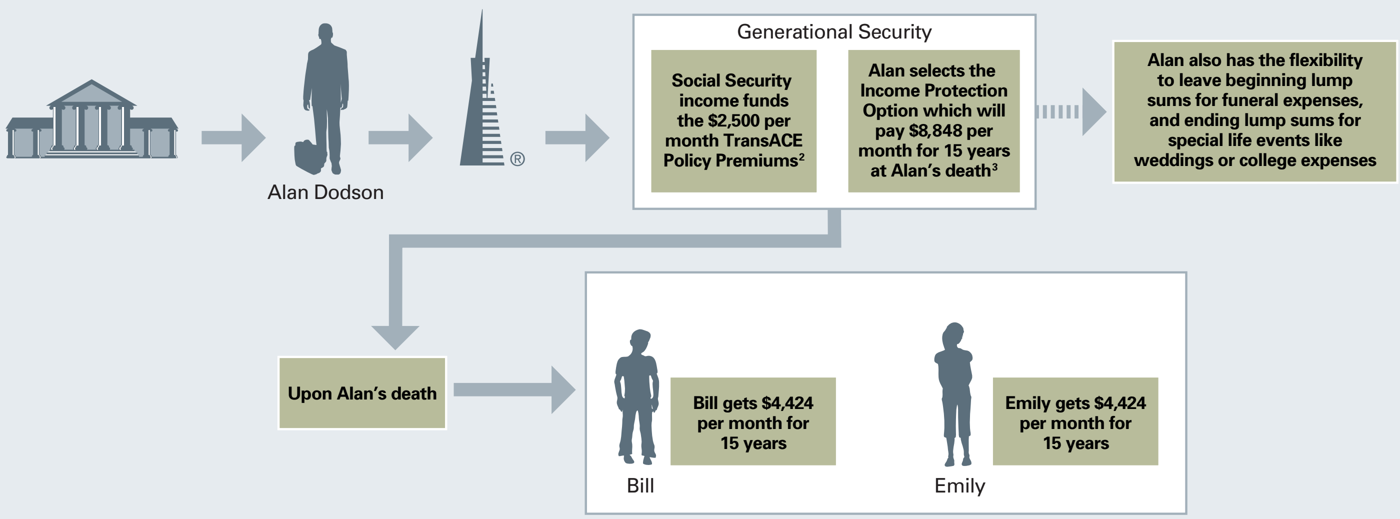
Example: Alan Dodson, 65, Preferred Nonsmoker.

Alan receives after-tax Social Security benefits of $2,500 per month that he doesn't use for his retirement.[1] Alan has two grandchildren who he loves spending time with, and he wants to help ensure their financial security when he is no longer around.

Alan can purchase a TransACE policy using his Social Security income to pay the premiums. With the Income Protection Option (IPO), Alan has the flexibility to designate a death benefit payout of a guaranteed monthly income to each of his grandchildren for a period of 15 years following his death. He also has the option to add an initial or final lump-sum payment for one or both of his grandchildren. With the IPO, Alan is in complete control of how the funds will be disbursed.

Suppose Alan purchases a TransACE policy with the IPO and uses his $2,500 Social Security to fund the premiums. If Alan passes away:



Annual premiums of $30,000 as of 09/11/13 and based on a male, age 65, preferred nonsmoker, $1,288,000 of guaranteed coverage to age 100.

Summary and Outcome for Alan Dodson

During Alan's lifetime	Monthly Social Security Income	$2,500/mo
	TransACE Policy Premiums	$2,500/mo
	Total Monthly Benefit Amount at Death for 15 years	$8,848/mo
At Alan's death	Monthly Amount Bill Will Receive for 15 Years	$4,424/mo
	Monthly Amount Emily Will Receive for 15 Years	$4,424/mo
Alan's rate of return	Total Premium Paid:	$1,380,000
	Total Benefit Received Over 15 Years	$1,592,640

Why Transamerica?

- TransACE, with no-lapse guarantees and the Income Protection Option, makes the Generational Security solution possible[4]
- We have exclusive illustration software that generates customized client reports
- We provide a wide range of marketing resources and tools
- We offer access to experts that can help you with business planning strategies and questions

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Retirement Planning

Sales Idea:
Single Premium Deferred Income Annuity

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Annuities issued by
American General Life Insurance Company (AGL)

American Pathway℠

Deferred Income Annuity

A single-premium deferred income annuity

Product Snapshot

The American Pathway Deferred Income Annuity provides retirement income you cannot outlive

Through our American Pathway series of annuities, we offer protection of your savings and predictable retirement income payments. We are committed to helping protect the financial security of you and your family.

All guarantees are backed by the claims-paying ability of American General Life Insurance Company.

AGL Guarantees	
Contract Type	Single premium In exchange for higher payments, a deferred-income annuity permanently converts principal to a guaranteed income stream.
Issue Ages	0 – 90 for nonqualified and Roth IRA contracts 0 – 69 for qualified and IRA contracts 0 – 83 for Qualified Longevity Annuity Contracts (QLAC)
Date of First Payment	**Minimum deferral period:** Must be greater than 12 months **Maximum deferral period:** 40 years • You must choose your date of first payment when you purchase the annuity. • Distributions of qualified and IRA funds must begin by age 70½. • Distributions of nonqualified and Roth IRA funds must begin by age 91. • Distributions of QLAC funds must begin by first day of the month following the annuitant's 85th birthday. A professional tax advisor should be consulted
Income Start Date Adjustment	You can accelerate or defer the first payment date within five years of the original income start date as long as it complies with the minimum and maximum deferral periods noted above. This feature may be elected once during the life of the annuity contract. Not available with any life-only payout option. State variations may apply.
Income Payment Frequency	You can receive income payments monthly, quarterly, semiannually or annually.
Income Payment Delivery	You can have payments mailed by check or deposited into a designated savings or checking account.
Payment Increase Options	Annual payment increase: 1% to 5% on each income start date anniversary (simple or compounded interest, flat dollar increase) Consumer Price Index (CPI-U) inflation adjustment: adjusted each January 1 after payments begin
Death Benefit	At time of annuity purchase, owner will select what, if any, death benefit will be paid if all owners (or annuitants if owner is non-natural) die prior to the income start date. The options are as follows: • Death benefit is equal to the premium amount • Death benefit is equal to amount of premium plus compounded interest (Not available with QLACs) • No death benefit will be payable nor will any annuity payments ever be made (Only available with lifetime income only annuity payment options) If any annuitant dies after the income start date, any remaining annuity benefit will be paid in accordance with the payment option selected.

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AGL Guarantees	
Premium	**Minimum single premium:** $20,000 **Maximum single premium:** $1,000,000 without prior home-office approval QLAC premium is limited to the lesser of $125,000 or 25% of aggregated IRA account values
Income Payment Options	These options are available for single life, joint and survivor, and joint and contingent • Lifetime income only[1] • Lifetime income with period certain • Period certain only • Lifetime income with installment refund • Lifetime income with cash (lump sum) refund[1] **Advance payment option[2]** If you are receiving annuity income payments on a monthly basis, you can request to receive a lump-sum payment equal to the value of the next six months' worth of payments. Your regularly scheduled payments will resume after six months. You may exercise this feature if you are age 59½ or older and the contract is nonqualified or a Roth IRA. This valuable feature may be elected twice during the life of the annuity contract.
Source of Funds	Qualified, IRA, nonqualified, Roth IRA
Free-Look Period	10 days (longer if required by the issuing state)
Rate Lock	Signed & completed paperwork – Seven days 1035 Exchanges/Qualified Asset Transfers – 90 days
Expenses	All fees and expenses are already incorporated into the annuity payment

[1] QLAC purchases are limited to payment options lifetime income only and lifetime income with cash (lump sum) refund.

[2] The company expects to report the full amount of the accelerated payment as fully taxable for the year of the payment, and recalculate the exclusion ratio for the remaining payments. For nonqualified annuity contracts, this may limit or alter the policyowner's ability to fully recapture the investment in the contract over the annuity payment period. The company makes no representations and provides no advice as to the ultimate tax treatment of any annuity distribution transaction, and you may wish to consult with a tax advisor prior to exercising a withdrawal feature under an immediate annuity.

Tax-qualified contracts such as IRAs, 401(k)s, etc., are tax deferred regardless of whether or not they are funded with an annuity. If you are considering funding a tax-qualified retirement plan with an annuity, you should know that an annuity does not provide any additional tax-deferred treatment of earnings beyond the treatment by the tax-qualified retirement plan itself. However, annuities do provide other features and benefits such as income options.

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Qualified Longevity Annuity Contracts

A new option to help retirement income last

In July 2014, the U.S. Treasury Department removed a significant impediment to the ability of plan participants and IRA owners to balance their use of annuities and other investments in their retirement savings arrangements, issuing final regulations that generally allow those individuals to bypass required minimum distribution (RMD) rules, which generally require that payments begin at age 70½, with respect to a portion of their total retirement savings. The regulations create a qualified longevity annuity contract, or "QLAC," a deferred annuity under which the amount of annuity payments is locked in at purchase, and those payments begin at any age up to age 85. These annuities are also referred to as deferred income annuities, or "DIAs." Of course, DIAs were available in the marketplace before these regulations; however, when they were purchased under a qualifying employer-sponsored plan or Individual Retirement Account (IRA), the annuity payments generally needed to commence by age 70½, or the individual's actual date when RMDs must commence. Thus, QLACs generally encompass such DIA contracts with income start dates after age 70½ and at or before age 85, while non-QLAC (or NQLAC) DIAs remain available for income start dates up to age 70½ in qualified employer plans or IRAs, and are not subject to the new QLAC limitations.

QLAC rules

As one would expect, QLACs are subject to important limitations, including limitations on premiums / purchase payments, cashability, and the payment of death benefits, particularly to non-spouse beneficiaries. (These requirements are not applicable to NQLACs. Instead NQLACs remain subject to the regular RMD requirements.) This paper will touch on each of the three QLAC limitations in turn.

Limits on premiums / purchase payments

- Over their lifetime, individuals cannot allocate more than $125,000 of their qualifying retirement plan [401(a)/(k), 403(b), governmental 457(b)] and IRA (traditional; not Roth nor inherited IRAs) savings to QLACs.
- Additionally, no more than 25% of the participant's account in any one qualifying retirement plan may be allocated to purchase one or more QLACs. This limit also applies to traditional IRAs; however, rather than applying to each separate IRA, the limit applies to the aggregate of the individual IRAs. Unlike Roth IRAs, Roth accounts within retirement plans are eligible for QLACs because they are also subject to RMD requirements.
- The 25% limit applies differently to plans and to IRAs. Under a plan the 25% limit applies to the most recent valuation of the plan, and under an IRA it applies to the prior 12/31 aggregated IRA balance. In both cases the value includes the present value of any previously purchased QLAC or NQLAC under the plan or the IRAs. The plan account value is also adjusted for any subsequent contributions or distributions. It is unclear whether this same adjustment applies to the 12/31 IRA value.

Not a deposit | Not insured by any federal government agency | May lose value | No bank or credit union guarantee | Not FDIC/NCUA/NCUSIF insured

Limits on cashability

QLACs generally cannot include surrender, withdrawal, or commutation features. However, contract provisions permitting a partial or total surrender to correct an excess premium or purchase payment are not considered to violate this restriction. The stated reason for this general prohibition on cashability is to maximize the amount of future benefit actually purchased, especially since these contracts are excluded from annual RMD calculations and distributions. If individuals want to purchase a similar contract with more cashability, they can still purchase an NQLAC. However, unless they are certain they will have sufficient remaining assets within the plan to cover RMDs for the plan or IRAs, taking into account the value of the NQLAC in the RMD calculations, income payments under the NQLAC should commence no later than when an individual attains age 70½.

Death benefits are permitted both before and after income payments commence, and such benefits are not considered to violate the limitations on cashability, provided that the death benefits fit within specific QLAC requirements. See Death Benefits, below.

Death benefits and benefits to individuals other than the participant/IRA owner

Death benefits prior to when income payments begin generally are limited to a return of the original premium (ROP), with no interest credited. Comments on the Treasury Department's earlier proposed regulations had noted the importance of this ROP feature to encouraging individuals to consider the QLAC options. A QLAC also may include a ROP death benefit that applies after income payments commence, upon the death of the annuitant (and, if applicable, spousal joint annuitant).

QLACs also can include payments to joint annuitants, whether or not the joint annuitant is the individual's spouse. Such payments, however, also should be life contingent, and thus the annuity cannot include the minimum guaranteed annuity period component ("period certain annuity" nor "installment refund"). Additionally, if the joint annuitant is not the individual's spouse, and if the QLAC includes a ROP death benefit prior to the commencement of income payments, then the regulations apply new limits to the non-spousal survivor annuity benefit. Additionally, a QLAC payable to a non-spouse beneficiary upon the death of the owner can include either a joint life income, or a ROP death benefit for income payments, but not both.

Additional considerations

Plan availability

Plan sponsors are generally responsible for the selection or authorization of any investments under the plan, and that includes QLACs and NQLACs. In the case of a plan subject to fiduciary rules under Title I of ERISA, that selection or authorization is a fiduciary decision. Even for non-ERISA plans, plan sponsors or fiduciaries generally must authorize the offering of either QLACs or NQLACs to plan participants. If a plan does not permit the offering of these contracts, then the plan account balance is disregarded in determining a participant's eligibility for QLAC or NQLAC purchases under other plans or traditional IRAs.

Portability

A QLAC or an NQLAC can either stand alone as an Individual Retirement Annuity, or be held under an Individual Retirement Account. Similarly, in the case of employer plans, the contract can be held under the plan as a stand-alone annuity under Code Section 403(a), 403(b), or 457(b), as applicable, or it can be held under a trust or custodial agreement under a 401(a)/(k) or 457(b) plan. A QLAC generally cannot be held under a 403(b)(7) custodial agreement.

If the QLAC or NQLAC is obtained from the plan service provider, and the employer later replaces that service provider with another service provider, the QLAC or NQLAC contract will remain with the issuing provider. However, the plan may have the option of:

- Retaining the contract as a stand-alone qualifying plan investment,
- Distributing the contract out of the plan to the participant (if the participant satisfies applicable distribution requirements), or
- If it is issued under a group annuity contract, and if the new plan is a 401(a) or 457(b) plan that would accept it, transferring the ownership of the group contract to the new plan.

If the plan is an ERISA plan, unless the contract is distributed to the participant, the plan will need to continue to maintain plan records of the contract(s) and, where applicable, incorporate relevant information into the documents and reports.

Retirement planning flexibility and other food for thought

One important consideration for many retirees, in managing their plan and retirement savings accounts, is whether those accounts might run out and leave them without sufficient retirement income in their later years. This is often referred to as "longevity risk" but also includes concerns about spending too much of that retirement savings in earlier years. Even rules of thumb for how much to withdraw each year, such as a common 4% rule, do not guarantee that individuals will not run out of money during their lifetime. The addition of QLACs and NQLACs to the tool kit can open the door to different options, including:

- Participants who have changed jobs recently, and rolled their plan account from their prior employer's plan to an IRA, may have additional options for planning their QLAC purchases. For example, if they have already purchased the maximum QLAC from their IRAs, and if the new employer's plan offers a QLAC option, they might decide to roll some or all of their remaining IRA balances into the new employer's plan, rather than waiting for contributions to accumulate in the plan, to permit the desired additional QLAC purchase.
- Individuals with QLACs and/or NQLACs available can use these tools to help determine how to manage their defined contribution retirement savings, in plans and IRAs, to meet their income needs in retirement. Both QLACs and NQLACs offer the opportunity to lock in streams of income and eliminate the risk associated with potentially depleting their retirement savings by the income start date. An individual can purchase unlimited NQLACs, and/or limited QLACs, and can elect to have payments commence at different times. As just one example, a participant at age 45 might purchase an NQLAC with a lifetime income stream to commence at age 65 (or the earliest age permitted under the plan, if later), and then at age 65 purchase a QLAC to provide an additional income stream commencing as late as age 85.
- As a general matter, the amount required to provide that future stream of income can be increased or decreased depending upon:
  - How early the QLAC or NQLAC is purchased, and
  - How many additional benefits are included in the contract.

  ROP death benefits and survivor annuity benefits can provide peace of mind but can also increase the cost of the income stream.
- When deciding whether to purchase the QLAC from pretax or Roth account values in the plan, participants may want to take into account any plans they have made for taking RMDs from the remaining account value from either the pretax account or the Roth account under the plan. For example, if they were planning on taking RMDs (and other earlier distributions) from nontaxable Roth account values, they may wish to purchase the QLAC from the pretax portion of the account.
- A plan that offers QLACs and/or NQLACs may be viewed more favorably by participants generally, and especially by participants who, upon leaving their employer, are deciding whether to leave their account balance in the plan or roll it to an IRA or to their new employer's plan, if applicable. A QLAC can provide for additional retirement income planning options at later years, while an NQLAC provides many of the same benefits, though with an earlier age limit, without the RMD compliance concern of failing the QLAC purchase payment limitations.

Conclusion

QLACs, and even NQLACs, are relatively new and provide a number of interesting and exciting opportunities for individuals to explore concerning how these contracts could fit into their retirement income strategies. Because they are relatively new, the number of adopting plans may be fewer than the number of adopting IRAs, at least for the foreseeable future. The new QLAC rules bring participants yet one step closer to the kind of flexibility they may need or wish to have, to take control of the income component of their future retirement.

Tax-qualified contracts such as IRAs, 401(k)s, etc., are tax deferred regardless of whether or not they are funded with an annuity. If you are considering funding a tax-qualified retirement plan with an annuity, you should know that an annuity does not provide any additional tax-deferred treatment of earnings beyond the treatment by the tax-qualified retirement plan itself. However, annuities do provide other features and benefits such as income options including the type of lifetime income guarantees provided by a QLAC or an NQLAC.

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Houston, Texas 77019

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American Pathway® Deferred Income Annuity (DIA) Qualified Longevity Annuity Contract FAQs

Effective July 2, 2014, the Internal Revenue Service allows deferred income annuities to be made available as Qualified Longevity Annuity Contracts (QLACs), which will be excluded from required minimum distribution (RMD) calculations when certain conditions are met.

On November 3, 2014, AIG began offering its American Pathway Deferred Income Annuity (DIA) as a

Q: How will the premium limits of 25% per account and $125,000 work in practice?

A: Premiums are limited to the lesser of $125,000 (lifetime) or 25% of the individual client's qualified account values. The dollar limit applies across all plans and IRAs collectively, while the percentage limit applies to the client's aggregated traditional IRA account values. If the client exceeds premium limits, IRS penalties may apply.

Q: What account value is the 25% IRA limit based on?

A: The 25% limit is based on the client's aggregated traditional IRA account values as of the prior December 31, less premiums previously paid for other IRA QLACs.

Q: What is the maximum QLAC purchase age for annuitant and joint annuitant?

A: With the AIG contract, annuitants cannot be older than 83, and joint annuitants cannot be older than 90.

Q: Is there a minimum purchase age restriction?

A: No.

Q: What types of contracts are eligible to be classified as QLAC?

A: Eligibility is restricted to a DIA issued as a traditional IRA.

Q: Are Roth IRAs or inherited IRAs eligible to be classified as a QLAC?

A: No.

Q: What "pre-commencement death benefit options" are available with a QLAC?

A: Options are return of premium (ROP) or no death benefit. ROP plus interest is **not** available.

Q: What payment types can be selected with a QLAC?

A: Payout options are limited to single or joint life only, and single or joint life with cash refund.

Q: Are annual payment increase options available?

A: Yes, all four AIG increase options are available: CPI-U Index, 1% - 5% simple, compounded or flat dollar.

Q: Are joint annuitants required to be spouses for the American Pathway Deferred Income Annuity?

A: Yes.

Q: If it is a joint payout, and the owner/annuitant dies prior to the annuity date, is the joint annuitant subject to the traditional RMD rules, or do they get the advantage of the later income start date?

A: They get the advantage of the later income start date.

Q: Is commutation permitted with QLAC contracts?

A: No.

Q: Can a non-QLAC be exchanged for a QLAC?

A: This option will not be included in AIG's initial offering.

Q: Can monies in an IRA that has begun distributions due to existing RMD rules (client is over 70½) be exchanged into a QLAC?

A: Yes.

Watch for new introduction materials coming soon.
Please contact your assigned wholesaling team for more information.

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