

# *A Tool for your* **Success**

## Tax Strategies Sales Kit

- 1040 Overlay Guide
- Tax Planning / Policy Review Checklist
- The Power of Tax Deferral
- 2016 Tax Guide

-Pick up kids

-Social media updates

-Webinar

To Do:

-Client tax reviews  
-Send prospecting emails



## Uncovering Life Insurance and Long-Term Care Needs Through Form 1040

**For Agent Use Only. This material may not be used with the public.**  
LIFE-5442 1/15

## INTRODUCTION

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Tax returns offer insights into a client's financial planning needs, including life insurance and long-term care, and the consolidated financial information in a tax return can facilitate a review that uncovers these needs. Additionally, comparing last year's tax return to this year's can highlight the needs due to major life changes.

While there are a number of good resources available to help guide you through a 1040 review, John Hancock's 1040 overlay is designed to not only highlight specific planning opportunities, but also to provide tips on how to begin addressing the client's needs.

Generally, tax returns provide Gross Income, Adjusted Gross Income, and, ultimately, Taxable Income. However, a careful review of the lines in between can lead to important and powerful conversations about income replacement, retirement savings, and estate and legacy planning in addition to inter-generational wealth and business planning needs.

## TAX RETURNS

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For more information on the foreign national market, please refer to the *Seller's Guide to the Global High-Net-Worth Market* found on [JHSalesNet.com](http://JHSalesNet.com)

This kit focuses on Form 1040 and Schedule A, but if a client also has the forms below, here are some additional items to consider:

**1040 NRs are generally filed by non-resident aliens:**

- Non-resident aliens are subject to different income and estate tax rules. Generally stated, the U.S. estate exemption amounts are extremely limited for foreign nationals.
- Foreign nationals and their spouses require specialized planning due to the complexities of non-resident alien taxation. Every year foreign national families and their decedents are surprised by an estate tax obligation and upset with their advisors for not letting them know earlier. Spending a little time to understand how to identify the issues can make you a valued resource for foreign nationals looking for quality advisors in the U.S.

**Form 1041 is a U.S. income tax return for estates and trusts:**

Trusts are subject to different income tax rules and a condensed income tax table. Generally, the trustee files the return. However, simply asking: "*Do you manage, or have you created, a trust that files a Form 1041?*" can lead to more information and additional planning opportunities.

## TIPS

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This 1040 kit is meant to help facilitate life and long-term care discussions with your clients. Here are some tips for success:

**Tip #1** — Read through this guide. There are multiple opportunities that are touched upon, and this guide is meant to give you an introduction to many of the planning concepts.

**Tip #2** — Familiarize yourself with the 1040 questions on the overlay, found in the back pocket of this guide. Some questions are not going to be applicable for your client. For example, if your client is not a business owner, there is no need to ask questions as they pertain to the business. On the other hand, while your client may not currently be contributing to an IRA and that section is blank, it can help start a retirement planning conversation.

**Tip #3** — Set up a plan to meet with the client, ask the right questions, prioritize goals, and when applicable, use our online tools or Advanced Markets Group to help.

**Tip #4** — There is no such thing as too much information. In the back pocket of this guide, you will find a worksheet that you can use in client meetings. This worksheet is meant to help you gather all the pertinent information and prioritize goals. You can access a fillable PDF version of this worksheet or print more paper copies from JHSalesNet.com.

**Tip #5** — Take advantage of our mobile friendly online tools to help calculate the amount of life insurance that the client needs. Determine long-term care costs or if the client is on track for retirement. See page 4 for more information.

## 1040 BASICS

The following pages break down Form 1040 and Schedule A to help you identify the kinds of questions you should ask your clients and what to look for in a 1040 to uncover planning opportunities.

Information as simple as the home address listed may uncover new opportunities.

- Does the client have property in multiple states?
- Are they aware of the state estate/inheritance laws in each state?
- If they spend time abroad, do they have foreign assets? U.S. citizens and residents are subject to income and estate taxes on their worldwide assets.

To find state specific information on state estate taxes, income taxes, creditor protection and more please visit the "Know the Law" microsite found at [JHAdvancedMarkets.com](http://JHAdvancedMarkets.com)

<b>1040</b>		Department of the Treasury—Internal Revenue Service U.S. Individual Income Tax Return	(00) 2014	OMB No. 1545-0074	IRS Use Only—Do not write or stamp in this space.
For the year Jan. 1-Dec. 31, 2014, or other tax year beginning		, 2014, ending	, 20	See separate instructions.	
Your first name and initial		Last name		Your social security number	
If a joint return, spouse's first name and initial		Last name		Spouse's social security number	
Home address (number and street). If you have a P.O. box, see instructions.				Apt. no.	
				▲ Make sure the SSNs above and on line 6c are correct.	
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).				Presidential Election Campaign	
Foreign country name		Foreign province/state/country		Check here if you, or your spouse, filing jointly, want IRS to print the Tax Center address below all correspondence. <input type="checkbox"/> Yes <input type="checkbox"/> Spouse	
Foreign postal code					
Filing Status		1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly (even if only one had income) 3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here ►		4 <input type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here ►	
Check only one box.				5 <input type="checkbox"/> Qualifying widow(er) with dependent child	
Exemptions		6a <input type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a. b <input type="checkbox"/> Spouse c <input type="checkbox"/> Dependents: <small>(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) ✓ if child under age 17 qualifying for child tax credit (see instructions)</small>		Bases checked on line 6a and 6b No. of children on line 6c who: • lived with you • did not live with you due to divorce or separation (see instructions) Dependents on line 6c not entered above Add numbers on lines above ►	
		d Total number of exemptions claimed			
Income		7 Wages, salaries, tips, etc. Attach Form(s) W-2 8a Taxable interest. Attach Schedule B if required b Tax-exempt interest. Do not include on line 8a 9a Ordinary dividends. Attach Schedule B if required b Qualified dividends 10 Taxable refunds, credits, or offsets of state and local income taxes 11 Alimony received 12 Business income or (loss). Attach Schedule C or C-EZ 13 Capital gains or (loss). Attach Schedule D if required. If not required, check here ►		7 8a 9a 10 11 12 13 14 15a IRA distributions 15b Pensions and annuities 16a Social security benefits 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 18 Farm income or (loss). Attach Schedule F 19 Unemployment compensation 20a Social security benefits b Taxable amount 21 Other income. List type and amount 22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ►	
		14 Other gains or (losses). Attach Form 4797 15b Pensions and annuities 16b Social security benefits 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 18 Farm income or (loss). Attach Schedule F 19 Unemployment compensation 20b Social security benefits 21 Other income. List type and amount 22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ►		7 8a 9a 10 11 12 13 14 15b 16b 17 18 19 20b 21 22	
Adjusted Gross Income		23 Educator expenses 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 25 Health savings account deduction. Attach Form 8889 26 Moving expenses. Attach Form 3903 27 Deductible part of self-employment tax. Attach Schedule SE 28 Self-employed SEP, SIMPLE, and qualified plans 29 Self-employed health insurance deduction 30 Penalty on early withdrawal of savings 31a Alimony paid b Recipient's SSN ► 32 IRA deduction 33 Student loan interest deduction 34 Tuition and fees. Attach Form 8917 35 Domestic production activities deduction. Attach Form 9903 36 Add lines 23 through 35 37 Subtract line 36 from line 22. This is your adjusted gross income ►		23 24 25 26 27 28 29 30 31a 32 33 34 35 36 37	
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2014)					

<b>Filing Status</b>	1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly (even if only one had income) 3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ►	4 <input type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ► 5 <input type="checkbox"/> Qualifying widow(er) with dependent child
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## LINES 1-5

Marital status is one of the major drivers of planning changes. If someone's marital status has changed, you should carefully review their planning needs.

- **Single to married:** Marriage is a life event that generally creates financial interdependence. Newlyweds frequently discover that they need life insurance to cover a spouse's salary or cover debt they might now have such as a mortgage and car loan.
- **Is this a second marriage?** Blended families often use insurance as the great equalizer in transferring wealth, ensuring equitable treatment for the children of each marriage.

■ **Married to divorced:** Some divorce agreements require life insurance to meet alimony obligations.

- See Lines 11 or 31a for additional insight into whether alimony has to be paid. Does the divorce decree require life insurance? Have they purchased this policy? Have they reviewed the policy?

■ **Head of household or qualifying widow with dependent:** By definition, these individuals have dependents that rely on them. Life insurance can help provide the protection dependents need if the filer is no longer there for them.

<b>Exemptions</b>	6a <input type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a. 6b <input type="checkbox"/> Spouse					
	<b>c Dependents:</b> (1) First name      Last name      (2) Dependent's social security number      (3) Dependent's relationship to you      (4) ✓ If child under age 17 qualifying for child tax credit (not checkmark)					
If more than four dependents, see instructions and check here ►	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>					
	d Total number of exemptions claimed					
					Boxes checked on 6a and 6b	
					No. of children not 6b who: • live with you • did not live with you due to divorce or separation [checkmark] Dependents on 6c not entered above	
					Add numbers on lines above ►	

## LINE 6c

### Our online tools can help.

- **Needs Analysis Calculator** — can help determine the appropriate amount of life insurance coverage. Access at [JHAdvancedMarkets.com](http://JHAdvancedMarkets.com)
- **College Planning Module** — one of our NEW modules in [JHSolutions.com](http://JHSolutions.com) that can illustrate college funding scenarios
- **Long-Term Care Cost of Care Calculator** — breaks down regional costs of long-term care by state. Visit [JohnHancockInsurance.com](http://JohnHancockInsurance.com)

The addition of a dependent can drastically change how someone thinks about their financial preparedness and planning. Frequently, financial planners fall into the trap of thinking there has been no change in dependents if no child was born in a given year. This is not the case. Dependents can change for any number of reasons, any one of which can cause a client to rethink their plan.

- Birth or adoption of a child are the most common scenarios, but consider whether there has been a marriage to a spouse with existing dependents, or an elderly parent or other loved one who can no longer care for themselves.

Having children generally requires discussions about saving for college and income replacement. But, a marriage with existing dependents, no matter how late in life, can cause the need to consider (or reconsider) estate planning and equalization strategies.

- Additionally, a client who originally postponed or rejected the idea of stand-alone long-term care insurance or an LTC rider on a life insurance policy may wish to reconsider that decision if and when they help care for an elderly loved one. Seeing the drain on savings that care can have causes many clients to reconsider how much income replacement insurance they have to protect their own family members.

Income				
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.			7	
If you did not get a W-2, see instructions.			8a	
7	Wages, salaries, tips, etc. Attach Form(s) W-2		7	
8a	Taxable interest. Attach Schedule B if required		8a	
b	Tax-exempt interest. Do not include on line 8a	8b		
9a	Ordinary dividends. Attach Schedule B if required	9b		
10	Taxable refunds, credits, or offsets of state and local income taxes		10	
11	Alimony received		11	
12	Business income or (loss). Attach Schedule C or C-EZ		12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ►		13	
14	Other gains or (losses). Attach Form 4797		14	
15a	IRA distributions	15a	b Taxable amount	15b
16a	Pensions and annuities	16a	b Taxable amount	16b
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	
18	Farm income or (loss). Attach Schedule F		18	
19	Unemployment compensation		19	
20a	Social security benefits	20a	b Taxable amount	20b
21	Other income. List type and amount		21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ►		22	

**LINE 7** \_\_\_\_\_

Earned income, which can generally be described as W-2 or 1099 income, is lost in the event of an unexpected death of a client. Therefore, it is important to consider this "top line" number when determining if, and how much, income replacement coverage is needed. In many families, both spouses provide income that may need to be replaced. However, one often overlooked need is the earned income that is only available because of the support

provided by the other spouse. Today's families may work offsetting schedules, reduced hours or have one spouse staying at home in order to take care of children and other family needs. If one spouse passes away, not only is any earned income provided by the deceased spouse lost, but the surviving spouse will likely incur expenses associated with taking care of children, house, etc. Line 49 can provide a starting point for child care expenses.

**LINE 8a** \_\_\_\_\_

If the client does not have an immediate need for this money, or their ultimate goal is to leave it to their children and grandchildren, there may be a life insurance opportunity. Generally, the assets indicated on line 8a are low risk investments, including: certificates of deposit, saving accounts, and bond

income. Their low-risk nature usually ensures corresponding low interest rate yields. One alternative to a low risk – low reward strategy is to use these assets to purchase life insurance, which may provide a higher IRR while also providing tax free growth and needed death benefit protection.

**LINE 8b** \_\_\_\_\_

Clients who have invested substantially in tax advantaged investments, like municipal bonds, already understand the value of the tax advantages of the tax treatment of cash accumulation in permanent life

insurance. One simple strategy may be to take the income from 8b and leverage it with life insurance rather than continuing to reinvest in muni bonds.

**LINES 9a & 9b** \_\_\_\_\_

These assets produce taxable interest income. For clients looking to leave a legacy for children and grandchildren, life insurance can be a tax efficient way to transfer assets. Additionally, the passive

income in 9a & b negatively impacts high income earners. Specifically, high earners with passive income may be subject to the additional 3.8% surcharge tax.

LINE 12	<p>Clients who own a business may have multiple life insurance needs. Succession planning often uses life insurance as a funding source for buy-sell arrangements. Business owners may also purchase life insurance for creditor protection, retirement planning or to cover long-term care costs. In an effort to keep, retain and reward valuable employees, they may want to offer a non-qualified deferred compensation arrangement (including executive bonus, supplement executive retirement planning, and deferral). Finally, for business owners looking for protection from the unexpected loss of a key employee, key person insurance can help a business continue in the event of a loss of a key employee.</p>
LINE 13	<p>For clients who are interested in leaving a legacy, capital gain assets, like those producing taxable interest income, can be a great source of life insurance premiums for a tax efficient transfer of wealth. Capital gains are also passive income that can negatively impact high earners. Specifically, high income earners with passive income may be subject to an additional 3.8% surcharge tax.</p>
LINES 15a & 16a	<p>Generally, clients taking IRA distributions or annuity distributions and pensions are retired. Many retired clients face a trifecta of risks: longevity, long-term care costs, and sequence of returns. Purchasing a life insurance policy to supplement retirement income in later years can help cover long-term care costs while protecting loved ones. One way to accomplish this is to leverage an unneeded income stream from a pension or an annuity to purchase a life insurance policy.</p>
LINE 17	<p><b>Clients with rental income can have a number of issues and concerns:</b></p> <ul style="list-style-type: none"> <li>■ Many income-producing properties have mortgages on them.</li> <li>■ Many clients manage rental properties themselves and, if they were to die unexpectedly, a property management company would need to get involved.</li> <li>■ Rental real estate is a non-liquid asset and may be hard to divide amongst beneficiaries (some may want to keep the property while others may want to sell).</li> </ul> <p><b>Clients who own a business can have multiple needs for life insurance:</b></p> <ul style="list-style-type: none"> <li>■ Succession planning and using life insurance to fund a buy-sell strategy.</li> <li>■ Creditor protection, retirement planning and long-term care concerns.</li> <li>■ Non-qualified arrangements to help retain and reward valued employees.</li> <li>■ Key person insurance to protect the business in the event of the loss of a key employee.</li> </ul>
LINE 20a	<p>Generally, clients taking Social Security are retired. Retired clients face a trifecta of risks: longevity, long-term care costs, and sequence of returns. These individuals can use life insurance to supplement retirement income in later years, cover long-term care costs, and to protect loved ones. Unneeded social security payments can be used to purchase life insurance to provide a legacy for children and grandchildren.</p>

Adjusted Gross Income				
23 Educator expenses . . . . .	23			
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24			
25 Health savings account deduction. Attach Form 8889 . . . . .	25			
26 Moving expenses. Attach Form 2903 . . . . .	26			
27 Deductible part of self-employment tax. Attach Schedule SE . . . . .	27			
28 Self-employed SEP, SIMPLE, and qualified plans . . . . .	28			
29 Self-employed health insurance deduction . . . . .	29			
30 Penalty on early withdrawal of savings . . . . .	30			
31a Alimony paid b Recipient's SSN ►	31a			
32 IRA deduction . . . . .	32			
33 Student loan interest deduction . . . . .	33			
34 Tuition and fees. Attach Form 8917 . . . . .	34			
35 Domestic production activities deduction. Attach Form 9903 . . . . .	35			
36 Add lines 23 through 35 . . . . .	36			
37 Subtract line 36 from line 22. This is your adjusted gross income ►	37			

## LINES 28 & 32

These line items often tell us whether clients are saving for retirement. (If they are W2 employees, the retirement contribution can be seen on their W2 statement.)

Use our [Retirement Needs online calculator](#) to generate a proposal to

determine if a client is on track for retirement. If they are not, and need life insurance to protect their loved ones, a permanent policy can help get them back on track for retirement while protecting their family today.

Tax and Credits				
38 Amount from line 37 (adjusted gross income) . . . . .	38			
39a Check <input type="checkbox"/> You were born before January 2, 1950, <input type="checkbox"/> Blind. Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1950, <input checked="" type="checkbox"/> Spouse checked ► 39a	39a			
b If your spouse itemizes on a separate return or you were a dual-status alien, check here ► 39b	39b			
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40			
41 Subtract line 40 from line 38 . . . . .	41			
42 Exemptions. If line 38 is \$15,253 or less, multiply \$3,150 by the number on line 6d. Otherwise, see instructions . . . . .	42			
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- . . . . .	43			
44 Tax (see instructions). Check if any form: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	44			
45 Alternative minimum tax (see Instructions). Attach Form 6251 . . . . .	45			
46 Excess advance premium tax credit repayment. Attach Form 8962 . . . . .	46			
47 Add lines 44, 45, and 46 . . . . .	47			
48 Foreign tax credit. Attach Form 1116 if required . . . . .	48			
49 Credit for child and dependent care expenses. Attach Form 2441 . . . . .	49			
50 Education credits from Form 8863, line 19 . . . . .	50			
51 Retirement savings contributions credit. Attach Form 8860 . . . . .	51			
52 Child tax credit. Attach Schedule 8812, if required . . . . .	52			
53 Residential energy credit. Attach Form 5895 . . . . .	53			
54 Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54			
55 Add lines 48 through 54. These are your total credits . . . . .	55			
56 Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- ►	56			

## LINE 51

High earning clients are limited in the amount that can be contributed to qualified plans and are not eligible for a tax credit for these contributions. As a result, they suffer reverse discrimination because they cannot save enough to replace their current income at the levels that lower earners can. Therefore, high earning clients need additional tax efficient savings opportunities to accumulate

the savings needed for retirement income. Life insurance is one of the few opportunities, beyond qualified plans, that a client has to save in an income tax free way for retirement. A well-structured and funded permanent life insurance policy can offer immediate death benefit protection, to ensure plan completion, while also providing a funding source for supplemental retirement income.

## LINE 56

This number sums up the total amount of taxes a client pays. On almost all tax returns, there is some tax diversification

that can be done using life insurance to provide current death benefit coverage while reducing current taxable income.

## Schedule A

<b>SCHEDULE A (Form 1040)</b> Department of the Treasury Internal Revenue Service (55) Name(s) shown on Form 1040	<b>Itemized Deductions</b> ► Information about Schedule A and its separate instructions is at <a href="http://www.irs.gov/schedules">www.irs.gov/schedules</a> . ► Attach to Form 1040.  <b>Medical and Dental Expenses</b> <b>Caution.</b> Do not include expenses reimbursed or paid by others. 1 Medical and dental expenses (see instructions) . . . . . 2 Enter amount from Form 1040, line 38 . . . . . 3 Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1950, multiply line 2 by 7.5% (.075) instead 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- . . . . .	OMB No. 1545-0074 <b>2014</b> Attachment Sequence No. 07 Your social security number
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### Medical & Dental Expenses →

Schedule A offers great planning insight. After all of the calculations are done, not many clients will have medical deductions but, with or without the deduction, this line can be a great conversation starter.

- Where do they have medical coverage through?
- Do they understand the difference between medical insurance and long-term care insurance?
- Do they know what is and is not covered?

<b>Interest You Paid</b> <b>Note.</b> Your mortgage interest deduction may be limited (see instructions).	10 Home mortgage interest and points reported to you on Form 1098 11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ►  12 Points not reported to you on Form 1098. See instructions for special rules . . . . . 13 Mortgage insurance premiums (see instructions) . . . . . 14 Investment interest. Attach Form 4952 if required. (See instructions.) 15 Add lines 10 through 14 . . . . .	10 11 12 13 14 15
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### Interest You Paid →

Life insurance is typically purchased for income replacement and debt coverage. A mortgage is generally one of a client's largest obligations, and a great place to start.

Even clients who have been in a home a long time may have refinanced and taken equity out, or perhaps they have moved to a different home. Have they accounted for this in their needs analysis for life insurance?

<b>Gifts to Charity</b> <small>If you made a gift and got a benefit for it, see instructions.</small>	16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions . . . . . 17 Other than by cash or check. If any gift of \$250 or more, see instructions. You <b>must</b> attach Form 8283 if over \$500 . . . . . 18 Carryover from prior year . . . . . 19 Add lines 16 through 18 . . . . .	16 17 18 19
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### Gifts to Charity →

Schedule A also gives us great information about the charitable interests of a client. Clients who have a history of giving may be interested in other planning options such as Charitable Lead Trusts and

Charitable Remainder Trusts. Inquiring about who they give to can help create a beneficial plan for both the client and the charity.

## SUMMARY

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As you can see from this guide, Form 1040 has many opportunities for life and long-term care insurance. As with many of our tools, the best way to use them is to navigate and focus on the key opportunities. These opportunities can fall into seven distinct categories:

- 1 – Needs Analysis for Life Insurance
- 2 – Retirement Planning
- 3 – College Planning
- 4 – Wealth Transfer
- 5 – Business Planning
- 6 – Charitable Planning
- 7 – Long-Term Care

### ► NEEDS ANALYSIS

The conversation with the client ensures that you understand the family's structure and needs. While a needs analysis will generally look at salary replacement, covering debts, and existing coverage, it is also helpful to uncover some of the client's hidden needs. For example, there may be additional expenses if the client has a special needs child, an elderly parent, or if this is a second marriage, and it is important for the client to plan ahead.

***Focus on product:*** What type of product to use is an important factor in helping the client. With needs analysis planning, the type of product will depend on the client's discretionary income, risk tolerance and duration of the need. Term insurance is an affordable product that can help supplement and cover the need, while permanent insurance can provide cash value accumulation and permanent death benefit protection. Many advisors will use a combination of permanent and term to cover these needs.

### ► RETIREMENT PLANNING

For many clients, their number one concern is retirement planning. A great way to start the conversation is to help with a retirement check up to make sure clients are on track for retirement. Even if a client is retired or approaching retirement, they may still have additional planning needs including protecting against long-term care costs, covering a long retirement, and overall protection.

***Focus on product:*** For clients who need both death benefit protection and supplemental retirement income, a permanent accumulation policy can help. The goal here is to focus on a permanent product that has cash value accumulation. In addition, where applicable, adding a long-term care rider can help with long-term care needs.

## COLLEGE PLANNING

For clients with young children, planning for college is generally a top priority. While there are many options available for those clients who are looking for alternatives that offer flexibility and protection, life insurance can help.

**Focus on product:** For clients with young children who need both death benefit protection and supplemental income to pay for college expenses for their children, a permanent life insurance policy can help. Please note that the cash value needs time to accumulate, thus this strategy is meant for clients with younger children.

## WEALTH TRANSFER

These clients are traditionally retired or fast approaching retirement and their goal is to leave a legacy to their children and grandchildren; they will have assets that they no longer need for retirement income. These assets could be leveraged to purchase a life insurance policy that provides tax free death benefit protection and other tax advantages.

**Focus on product:** A permanent policy can help, and if a long-term care rider is added (where applicable), it can provide for qualified long-term care expenses if needed. Also, since the goal is to take care of children and grandchildren, a survivorship policy is often used.

## BUSINESS PLANNING

Business planning clients have a multitude of needs including, but not limited to, succession planning, retirement planning, keeping and retaining key employees, and protecting the business from the loss of a key employee.

**Focus on product:** The possibilities are endless, but in addition to traditional permanent and term products, many businesses can benefit from corporate-owned life insurance policies that have potential for early cash value and may offer simplified issue.

## CHARITABLE PLANNING

Clients who are charitably inclined can incorporate sophisticated charitable strategies into their succession planning. Note, these strategies typically require outside counsel and substantial gifts. There are also many underwriting requirements (if using life insurance) that have to be considered. But for those wealthy clients who have a history of giving, these complex strategies are available to them.

**Focus on product:** Permanent policies are often used and include survivorship policies as well as individual policies.

## LONG-TERM CARE

Start the conversation with understanding the client's wishes. How do they want care to be provided? Who will provide it? How will they pay for it? Many clients may need to understand their options.

**Focus on product:** A traditional long-term care policy is one way to approach this need, but another alternative it is to add a long-term care rider to a permanent life insurance policy.

## NEXT STEPS

Now that you have familiarized yourself with this brochure, go through your book of business and start setting up meetings for review. Remember not all information will apply to every client, but the 1040 is a great tool to get the conversation started. Here is a quick checklist of recommended next steps:

- ✓ Meet with client
- ✓ Ask the right questions  
(use the Form 1040 Overlay to help facilitate the conversation)
- ✓ Prioritize goals
- ✓ Gather facts/information  
(use the enclosed Form 1040 Worksheet to capture the clients' responses)
- ✓ Create a plan
- ✓ Implement the plan
- ✓ Annually review the plan

**For more information on marketing material, needs analysis presentations, college funding presentations, and much more please call the Advanced Markets Group at 888-266-7498, option 3.**

**For Agent Use Only. This material may not be used with the public.**

The IRR 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.

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.

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.

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MLINY121214052

(P)

# Uncover Planning Opportunities Using 1040 Overlay

Line up the sections below with the corresponding areas on the most recent Form 1040 and/or applicable Schedule A to help uncover potential life insurance and long-term care needs.



Home address (number and street). If you have a P.O. box, see instructions.

Apt. no.

▲ Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Presidential Election Campaign

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.

You  Spouse

## Lines 1-5 – Filing Status: Review of life insurance needs using corresponding Needs Analysis.

### Filing Status

- 1  Single  
2  Married filing joint  
3  Married separately

Check only one box.

### Exemptions

- 6a  Yes  
b  Separated  
c  Dependent  
(1) First name \_\_\_\_\_

If more than four dependents, see instructions and

**Line 6c – Dependents:** Do you have enough life insurance to protect your loved ones? The younger the dependents age, the more insurance is generally needed. Do you want to provide for college? If yes, are you on track for this goal? Do you have any dependents that have special needs (e.g., children, as well as elderly parents, extended family members, etc.)? How will you provide for them should something happen to you?

- 4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ►

- 5  Qualifying widow(er) with dependent child

Boxes checked on 6a and 6b

No. of children on 6c who:

- lived with you
- did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

Add numbers on lines above ►

**Line 7 – Wages/Salaries:** How would you replace your income for your spouse and/or children if something should happen to you? Has your salary changed?

**Line 8a – Taxable Interest:** Where is this invested and how much is it earning? What is this money for? Are you concerned about taxes?

**Line 8b – Tax Exempt Income:** How long have you had municipal bonds? What are they earning and are you re-investing them? When will you use this money?

**Line 9a – Dividend Income:** Where is this dividend money coming from? How much are you earning? What are you using these dividends for?

**Line 12 – Business Income:** How is your business doing? Who do you want to leave your business to? Have you done any succession planning?

**Line 15 – IRA Distributions:** What is your plan on taking distributions? Are you 70 1/2? Do you need the income or are you just taking RMDs because you have to? What is your plan to sustain a long retirement?

**Line 16 – Pensions and Annuities:** Do you have a pension? What kind of annuity do you have? Do you need this money to live off of?

**Line 17 – Partnership/S-Corp Income:** Where is this income coming from (i.e., rental real estate, business, or LLC)? Have you done any succession planning?

**Line 13 – Capital Gains:** Where is this money invested? Can it be invested in a more tax-efficient manner? Why is this in a taxable investment?

### Adjusted Gross Income

- 23 Educator expenses . . . . .  
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ  
25 Health savings account deduction. Attach Form 8889  
26 Moving expenses. Attach Form 3903  
27 Deductible part of self-employment tax. Attach Schedule SE

23

24

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31a

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**Lines 28 & 32 – Retirement Plans:** Are you on track for retirement? Would you like to invest more on a tax deferred basis?

- 30 Penalty on early withdrawal of savings . . . . .  
31a Alimony paid b Recipient's SSN ►  
32 IRA deduction . . . . .  
33 Student loan interest deduction . . . . .  
34 Tuition and fees. Attach Form 8917 . . . . .  
35 Domestic production activities deduction. Attach Form 8903  
36 Add lines 23 through 35 . . . . .  
37 Subtract line 36 from line 22. This is your adjusted gross income . . . . .

**Line 31a – Alimony Paid:** Does your divorce decree require life insurance? Did you purchase the life insurance required? If yes, do you need to review your coverage?

<b>Tax and Credits</b> <b>Standard Deduction for—</b> <ul style="list-style-type: none"> <li>• People who check any box on line 39a or 39b <b>or</b> who can be claimed as a dependent, see instructions.</li> <li>• All others: Single or Married filing</li> </ul> <p><b>Lines 51 – Retirement Savings Contribution Credit:</b> Would you like additional tax-efficient retirement savings opportunities?</p> <p><b>Lines 52 – Child Tax Credit:</b> Have you started saving for college? Would you like to save for college tuition without paying income taxes on the returns?</p> <p><b>Lines 56 – Taxes:</b> How do you feel about paying this amount in taxes? Have you done any planning for tax diversification and retirement planning?</p> <p><b>Other Taxes</b></p> <p>If you have a qualifying child, attach Schedule EIC.</p> <p><b>Payments</b></p> <p>If you have a qualifying child, attach Schedule EIC.</p> <p><b>Refund</b></p> <p>Direct deposit? See instructions.</p> <p><b>Amount You Owe</b></p> <p><b>Third Party Designee</b></p> <p><b>Sign Here</b></p> <p>Joint return? See instructions. Keep a copy for your records.</p> <p><b>Paid Preparer Use Only</b></p>	<p>38 Amount from line 37 (adjusted gross income) . . . . .</p> <p>39a Check { <input type="checkbox"/> You were born before January 2, 1950, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1950, <input type="checkbox"/> Blind. checked ► 39a</p> <p>b If your spouse itemizes on a separate return or you were a dual-status alien, check here ► 39b <input type="checkbox"/></p> <p>40 Itemized deductions (from Schedule A) or your standard deduction (see left margin) . . . . .</p> <p>41 Subtract line 40 from line 38 . . . . .</p> <p>42 Exemptions. If line 38 is \$152,525 or less, multiply \$3,950 by the number on line 6d. Otherwise, see instructions</p> <p>43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- . . . . .</p> <p>44 Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/> . . . . .</p> <p>45 Alternative minimum tax (see instructions). Attach Form 6251 . . . . .</p> <p>46 Excess advance premium tax credit repayment. Attach Form 8962 . . . . .</p> <p>47 Add lines 44, 45, and 46 . . . . .</p> <p>48 Foreign tax credit. Attach Form 1116 if required . . . . .</p> <p>49 Credit for child and dependent care expenses. Attach Form 2441 . . . . .</p> <p>50 In 8860 ►</p> <p>51 Line 49 – Credit for Child and Dependent Care Expenses: What are your child care expenses? Would these change if something were to happen to you?</p> <p>52 . . . . .</p> <p>53 . . . . .</p> <p>54 Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/> . . . . .</p> <p>55 Add lines 48 through 54. These are your total credits . . . . .</p> <p>56 e 47, enter -0- ►</p> <p>57 . . . . .</p> <p>58 Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919 . . . . .</p> <p>59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required . . . . .</p> <p>60a Household employment taxes from Schedule H . . . . .</p> <p>b First-time homebuyer credit repayment. Attach Form 5405 if required . . . . .</p> <p>61 Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/> . . . . .</p> <p>62 Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s) . . . . .</p> <p>63 Add lines 56 through 62. This is your total tax . . . . . ►</p> <p>64 Federal income tax withheld from Forms W-2 and 1099 . . . . .</p> <p>65 2014 estimated tax payments and amount applied from 2013 return . . . . .</p> <p>66a Earned income credit (EIC) . . . . .</p> <p>b Nontaxable combat pay election 66b . . . . .</p> <p>67 Additional child tax credit. Attach Schedule 8812 . . . . .</p> <p>68 American opportunity credit from Form 8863, line 8 . . . . .</p> <p>69 Net premium tax credit. Attach Form 8962 . . . . .</p> <p>70 Amount paid with request for extension to file . . . . .</p> <p>71 Excess social security and tier 1 RRTA tax withheld . . . . .</p> <p>72 Credit for federal tax on fuels. Attach Form 4136 . . . . .</p> <p>73 Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> Reserved d <input type="checkbox"/> . . . . .</p> <p>74 Add lines 64, 65, 66a, and 67 through 73. These are your total payments . . . . . ►</p> <p>75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid . . . . .</p> <p>76a Amount of line 75 you want refunded to you. If Form 8888 is attached, check here ► <input type="checkbox"/></p> <p>b Routing number . . . . . ► c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings</p> <p>d Account number . . . . .</p> <p>77 Amount of line 75 you want applied to your 2015 estimated tax ► 77 . . . . .</p> <p>78 Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions ►</p> <p>79 Estimated tax penalty (see instructions) . . . . . 79 . . . . .</p> <p>80 Yes. Complete below. <input type="checkbox"/> No</p> <p>Designee's name ► Phone no. ► Personal identification number (PIN) ►</p> <p>Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.</p> <p>Your signature Date Your occupation Daytime phone number</p> <p>Spouse's signature. If a joint return, both must sign. Date Spouse's occupation If the IRS sent you an Identity Protection PIN, enter it here (see inst.)</p> <p>Print/Type preparer's name Preparer's signature Date Check <input type="checkbox"/> if self-employed PTIN</p> <p>Firm's name ► Firm's EIN ►</p> <p>Firm's address ► Phone no.</p>
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# Uncover Planning Opportunities Using 1040 Overlay — Schedule A

**SCHEDULE A**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

Name(s) shown on Form 1040

## Itemized Deductions

► Information about Schedule A and its separate instructions is at [www.irs.gov/schedulea](http://www.irs.gov/schedulea).

► Attach to Form 1040.

OMB No. 1545-0074

**2014**

Attachment  
Sequence No. 07

Your social security number

<b>Medical and Dental Expenses</b>	<b>Caution.</b> Do not include expenses reimbursed or paid by others.				
	1 Medical and dental expenses (see instructions) . . . . .	1			
	2 Enter amount from Form 1040, line 38 <b>2</b>				
	3 Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1950, multiply line 2 by 7.5% (.075) instead	3			
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- . . . . .					
<b>Taxes You Paid</b>	5 State and local ( <b>check only one box</b> ): a <input type="checkbox"/> Income taxes, or      } b <input type="checkbox"/> General sales taxes      }	5			
	6 Real estate taxes (see instructions) . . . . .	6			
	7 Personal property taxes . . . . .	7			
	8 Other taxes. List type and amount ►	8			
	9 Add lines 5 through 8 . . . . .	9			
	10 Home mortgage interest and points reported to you on Form 1098	10			
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ►	11			
	12 Points not reported to you on Form 1098. See instructions for special rules . . . . .	12			
	13 Mortgage insurance premiums (see instructions) . . . . .	13			
14 Investment interest. Attach Form 4952 if required. (See instructions.)	14				
15 Add lines 10 through 14 . . . . .	15				
<b>Gifts to Charity</b>	16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions. . . . .	16			
	17 Other than by cash or check. If any gift of \$250 or more, see instructions. You <b>must</b> attach Form 8283 if over \$500 . . . . .	17			
	<b>Line 19 – Gifts to Charity:</b> What charities do you support? How long have you given to charities? Have you protected the charity from the loss of your support if something were to happen to you? Would you like to leave a legacy to this charity?	18			19
	20 Casualty or theft loss(es). Attach Form 4684. (See instructions.) . . . . .	20			
<b>Job Expenses and Certain Miscellaneous Deductions</b>	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ►	21			
	22 Tax preparation fees . . . . .	22			
	23 Other expenses—investment, safe deposit box, etc. List type and amount ►	23			
	24 Add lines 21 through 23 . . . . .	24			
25 Enter amount from Form 1040, line 38 <b>25</b>	25				
26 Multiply line 25 by 2% (.02) . . . . .	26				
27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0- . . . . .	27				
<b>Other Miscellaneous Deductions</b>	28 Other—from list in instructions. List type and amount ►	28			
	29 Is Form 1040, line 38, over \$152,525? <input type="checkbox"/> <b>No.</b> Your deduction is not limited. Add the amounts in the far right column				

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LIFE-5342 1/15 MLINY121214053

Cat. No. 17145C

Schedule A (Form 1040) 2014



ADVANCED MARKETS



# Form 1040 Worksheet

## Client A

Name: \_\_\_\_\_

Age: \_\_\_\_\_

Underwriting Risk Class: \_\_\_\_\_

## Client B

Name: \_\_\_\_\_

Age: \_\_\_\_\_

Underwriting Risk Class: \_\_\_\_\_

Please rank the following in order of importance to your client (if not applicable please put n/a):

- Help with determining how much life insurance I need (needs analysis)
- Help with determining if I am on track for retirement
- Help with college funding for my children
- Help with transferring wealth (I don't need certain assets for retirement income and my goal is to transfer to the next generation)
- Help with business planning including succession planning
- Help with charitable planning
- Help with long-term care planning

Now review the questions on the Form 1040 Overlay in the areas that are most important to your clients and fill in their answers in the corresponding sections below.

**Needs Analysis:** (1040 Lines 1-5, 7, 12, 17, 49 & Schedule A Line 11)

To complete an online needs analysis please go to [www.jhadvancedmarkets.com/needsanalysiscalculator](http://www.jhadvancedmarkets.com/needsanalysiscalculator)

### **Retirement Planning:** (1040 Lines 28, 32, & 51)

- ▶ To complete an online retirement shortfall analysis go to [www.jhretirementcalculator.com](http://www.jhretirementcalculator.com)

### **College Planning:** (1040 Lines 6c & 52)

- ▶ For estimated tuition amount please visit [www.jhinvestments.com/college/tools.aspx](http://www.jhinvestments.com/college/tools.aspx)

### **Wealth Transfer:** (1040 Lines 8a, 9a, 13, 15, 16, & 20a)

### **Business Planning:** (1040 Lines 12 & 17)

- ▶ A useful tool to help determine the approximate value of a client's business can be found at [www.jhbusinessvaluation.com](http://www.jhbusinessvaluation.com)

## Charitable Planning: (Schedule A Line 19)

Charity Type:  Public  Private

## Long-Term Care: (1040 Line 6c if elderly parent is a dependent and Schedule A Line 3)

- For the long-term care cost of care in your state please visit:  
[www.johnhancockinsurance.com/long-term-care/cost-of-long-term-care-calculator](http://www.johnhancockinsurance.com/long-term-care/cost-of-long-term-care-calculator)

### Product:

Do You Want:  Single Life  Survivorship

What Product?  UL  VUL  Specify: \_\_\_\_\_

Premium: Solve or Specified: \$ \_\_\_\_\_

Number of Years to Pay Premium: \_\_\_\_\_

Death Benefit: Solve or Specified: \$ \_\_\_\_\_

State of Issue: \_\_\_\_\_

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LIFE-5443 2/15 MLINY010615007

## TRADITIONAL AND ROTH IRAS

### Contribution Limits

	2016
Regular	\$5,500
Catch-Up**	\$1,000

\*\*Only taxpayers age 50 and over are eligible to make catch-up contributions.

### Roth Contribution Phase-Out

MAGI phase-out range for contributions to Roth IRAs in 2016

- Married filing jointly: \$184,000 – \$194,000
- Married filing separately: \$0 – \$10,000
- Single: \$117,000 – \$132,000

No annual income limit for determining ability to convert traditional IRA to Roth IRA continues for 2016.

### Traditional IRA Deductibility Rules

Filing Status	Covered by Employer's Retirement Plan?	Modified AGI 2016	Deductibility
Single	No	Any amount	Full deduction
		\$61,000 or less	Full deduction
	Yes	\$61,001 – \$70,999	Partial deduction
		\$71,000 or more	No deduction
Married Filing Jointly	Neither Spouse Covered	Any amount	Full deduction
	Both Spouses Covered	\$98,000 or less	Full deduction
		\$98,001 – \$117,999	Partial deduction
		\$118,000 or more	No deduction
	One Spouse Covered for Covered Spouse	\$98,000 or less	Full deduction
		\$98,001 – \$117,999	Partial deduction
		\$118,000 or more	No deduction
	One Spouse Covered for Non-Covered Spouse	\$184,000 or less	Full deduction
		\$184,001 – \$193,999	Partial deduction
		\$194,000 or more	No deduction

## QUALIFIED PLANS

	2016
Maximum elective deferral to retirement plans (e.g., 401(k), 403(b), and 457 plans, and SARSEPs)	\$18,000
Maximum elective deferral to SIMPLE 401(k) plans	\$12,500
Limit on annual additions to SEP plans	\$53,000
Annual compensation threshold requiring SEP contribution	\$600
Limit on annual additions to defined contribution plans	\$53,000
Maximum annual compensation taken into account for contributions	\$265,000
Annual benefit limit under defined benefit plans	\$210,000
Threshold amount for definition of highly compensated employee	\$120,000
Threshold amount for definition of key employee/officer in top-heavy plans	\$170,000

### Catch-Up Contribution Limits for Other Qualified Plan Types

	2016
401(k), 403(b), SARSEP, and 457 Plans	\$6,000
SIMPLE Plans	\$3,000

## REQUIRED MINIMUM DISTRIBUTIONS

### Uniform Lifetime Table

Current Age	Distribution Period	Current Age	Distribution Period
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 and Over	1.9

### Investments and Insurance Products:

Not Insured by FDIC, NCUSIF, or Any Federal Government Agency. May Lose Value. Not a Deposit of or Guaranteed by Any Bank, Credit Union, Bank Affiliate, or Credit Union Affiliate.

### ANNUITIES:

- NOT A DEPOSIT    • NOT FDIC INSURED    • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
- NOT BANK OR CREDIT UNION GUARANTEED    • MAY LOSE VALUE

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0237819-00010-00 ORD203899 Ed. 12/2015 Exp. 06/23/2017  
[WO# 734502]

# EASY REFERENCE TAX GUIDE 2016

## 2016 ESTATE AND GIFT TAX RATES

The top tax rate applicable to estates and living gifts will be subject to a maximum tax rate of 40%.

### Subtract Applicable Credit Below From Calculated Tax

Estate Tax	Exclusion Amount	Federal Credit	Gift Tax Exclusion
2016	\$5,450,000	\$2,125,800	\$5,450,000

### Other Estate and Gift Planning Items

	2016
Annual gift tax exclusion	\$14,000
Annual gift tax exclusion for non-U.S. citizen spouses	\$148,000
Generation-skipping tax (GST) exemption	\$5,450,000
IRC § 6166 2% limit for deferred estate tax payments	\$1,480,000
Special use valuation for qualified real property	\$1,110,000



Personal Exemptions	Exemption	Phase-Out Begins	Phase-Out Ends
Single	\$4,050	\$259,400	\$381,900
Married, Filing Jointly	\$4,050	\$311,300	\$433,800
Married, Filing Separately	\$4,050	\$155,650	\$216,900
Head of Household	\$4,050	\$285,350	\$407,850
<b>Child Tax Credit:</b> \$1,000 per child phases out \$50 for each \$1,000 of modified AGI over \$110,000 (married filing jointly), or \$75,000 (single).			

Standard Deductions	Year	Annual	Add'l Age 65 or Older, or Blind
Married, Filing Jointly	2016	\$12,600	\$1,250
Head of Household	2016	\$9,300	\$1,550
Single/Married, Filing Separately	2016	\$6,300	\$1,550

**Dependent Standard Deduction:** Greater of \$1,050 or \$350 + Earned Income.

Capital Gain Brackets	Short Term < 12 Months	Long Term > 12 Months
10%, 15%	ordinary rate	0%
25%, 28%, 33%, 35%	ordinary rate	15%
39.6%	ordinary rate	20%

ACA Surtax on Net Investment Income	Single	Married, Joint
Additional 3.8% on MAGI Over	\$200,000	\$250,000
Additional 0.9% on Wages Over	\$200,000	\$250,000

Alternative Minimum Tax (Flat Rate 26%)	Exemption	28% Above	Phaseout Begins
Single	\$53,900	\$186,300	\$119,700
Married, Filing Jointly	\$83,800	\$186,300	\$159,700
Married, Filing Separately	\$41,900	\$93,150	\$79,850
Trusts	\$23,900	\$186,300	\$79,850

Kiddie Tax	2016	Tax Rate
First	\$1,050	No Tax
Next	\$1,050	10%
Amounts over	\$2,100	Parent's Rate

Limitation on Itemized Deductions	
Single	\$259,400
Married, Filing Jointly	\$311,300
Married, Filing Separately	\$155,650
Head of Household	\$285,350

Earned Income Credit				
Qualifying Children	None	One	Two	3 or More
Earned Income	\$6,610	\$9,920	\$13,930	\$13,930
Maximum Credit	\$506	\$3,373	\$5,572	\$6,269
Begin Phaseout: Single	\$8,270	\$18,190	\$18,190	\$18,190
Begin Phaseout: Joint	\$13,820	\$23,740	\$23,740	\$23,740

States With Estate or Inheritance Taxes	
CT, DC, DE, HI, IL, IA, KY, ME, MD, MA, MN, NE, NJ, NY, OR, NC, PA, RI, VT, WA.	

## INCOME TAX 2016

### If Taxable Income Is:

Over	But Not Over	The Tax Is	Of the Amount Over
<b>Married, Filing Jointly and Surviving Spouses</b>			
\$0	\$18,550	10%	\$0
\$18,550	\$75,300	\$1,855.00 + 15%	\$18,550
\$75,300	\$151,900	\$10,367.50 + 25%	\$75,300
\$151,900	\$231,450	\$29,517.50 + 28%	\$151,900
\$231,450	\$413,350	\$51,791.50 + 33%	\$231,450
\$413,350	\$466,950	\$111,818.50 + 35%	\$413,350
\$466,950		\$130,578.50 + 39.60%	\$466,950
<b>Unmarried Individual</b>			
\$0	\$9,275	10%	\$0
\$9,275	\$37,650	\$927.50 + 15%	\$9,275
\$37,650	\$91,150	\$5,183.75 + 25%	\$37,650
\$91,150	\$190,150	\$18,558.75 + 28%	\$91,150
\$190,150	\$413,350	\$46,278.75 + 33%	\$190,150
\$413,350	\$415,050	\$119,934.75 + 35%	\$413,350
\$415,050		\$120,529.75 + 39.60%	\$415,050
<b>Married Individual Filing Separately</b>			
\$0	\$9,275	10%	\$0
\$9,275	\$37,650	\$927.50 + 15%	\$9,275
\$37,650	\$75,950	\$5,183.75 + 25%	\$37,650
\$75,950	\$115,725	\$14,758.75 + 28%	\$75,950
\$115,725	\$206,675	\$25,895.75 + 33%	\$115,725
\$206,675	\$233,475	\$55,909.25 + 35%	\$206,675
\$233,475		\$65,289.25 + 39.60%	\$233,475
<b>Head of Household</b>			
\$0	\$13,250	10%	\$0
\$13,250	\$50,400	\$1,325.00 + 15%	\$13,250
\$50,400	\$130,150	\$6,879.50 + 25%	\$50,400
\$130,150	\$210,800	\$26,835.00 + 28%	\$130,150
\$210,800	\$413,350	\$49,417.00 + 33%	\$210,800
\$413,350	\$441,000	\$116,258.50 + 35%	\$413,350
\$441,000		\$125,936.00 + 39.60%	\$441,000
<b>Estates and Trusts:</b>			
\$0	\$2,550	15%	\$0
\$2,550	\$5,950	\$382.50 + 25%	\$2,550
\$5,950	\$9,050	\$1,232.50 + 28%	\$5,950
\$9,050	\$12,400	\$2,100.50 + 33%	\$9,050
\$12,400		\$3,206.00 + 39.60%	\$12,400
<b>Corporations<sup>1</sup></b>			
Taxable Income Over	Not Over		Tax Rate
\$0	\$50,000		15%
\$50,000	\$75,000		25%
\$75,000	\$100,000		34%
\$100,000	\$335,000		39%
\$335,000	\$10,000,000		34%
\$10,000,000	\$15,000,000		35%
\$15,000,000	\$18,333,333		38%
\$18,333,333	—		35%

<sup>1</sup>Qualified personal service corporations are taxed at a flat 35% of taxable income.

## EDUCATION INCENTIVE

### Education Savings Accounts (*Education IRAs*) — \$2,000 Contribution Limit

Qualified withdrawals for K-12 expenses.

**Qualified Tuition Programs (Section 529 plans)**—Distributions after 12/31/2001 used for qualified higher education expenses are income tax free.

**Lifetime Learning Credit**—Up to 20% of up to \$10,000 tuition paid, calculated per taxpayer. MAGI phase-out range:

- Married filing jointly \$111,000 – \$131,000     • Single \$55,000 – \$65,000

**American Opportunity Tax Credit**—Extended through 2017. MAGI phase-out range:

- Married filing jointly \$160,000 – \$180,000     • Single \$80,000 – \$90,000

**Hope Scholarship Credit**—MAGI phase-out range:

- Married filing jointly \$111,000 – \$131,000     • Single \$55,000 – \$65,000

### Exclusion of U.S. Savings Bond Income

Who Pay Qualified Higher Education Expenses	MAGI Phase-Outs
Married, Filing Jointly	\$116,300 – \$146,300
Others	\$77,550 – \$92,550

### Student Loan Interest—Maximum Itemized Deduction \$2,500

MAGI Phase-Outs	2016
Married, Filing Jointly	\$130,000 – \$160,000
Others	\$65,000 – \$80,000

## SOCIAL SECURITY

### Base Amount of Modified AGI Causing Social Security Benefits to Be Taxable

	50% Taxable	85% Taxable
Married, Filing Jointly	\$32,000	\$44,000
Single	\$25,000	\$34,000

### Maximum Earnings Before Social Security Benefits Are Reduced

	2016
If under full retirement age, lose \$1 for every \$2 earned	\$15,720
In the year of retirement, lose \$1 for every \$3 earned in months prior to full retirement	\$41,880
At full retirement age	No Limit

### Maximum Compensation Subject to FICA Taxes

	2016
OASDI (Social Security) maximum	\$118,500
HI (Medicare) maximum	No Limit

OASDI tax rate: 12.4% self-employed, 6.2% employees, 6.2% employers. HI tax rate: 2.9% self-employed, 1.45% employees, 1.45% employers. For HI, additional 0.9% on total wages for household income over \$250,000 married filing jointly, \$125,000 married separately, and \$200,000 for others.

## LONG-TERM CARE INSURANCE

### Maximum Qualified LTC Premium Eligible for Deduction

Age	40 or less	41–50	51–60	61–70	Over 70
2016	\$390	\$730	\$1,460	\$3,900	\$4,870

<sup>2</sup>Qualified LTC contract per diem limit: \$340.

# 2016 Tax Planning and Life Insurance Policy Reviews

Scheduling time to meet with your clients as the new year begins is a great way to develop new client relationships and strengthen your connections with existing clients. Use this checklist to help identify financial planning needs and strategies for your clients to consider.

## Personal Insurance Needs

### Topics to address with your clients:

- Life changing events: birth of a child or grandchild, death of a loved one, marital status, new job, new business
- Estate planning: trust, will, durable power of attorney or Advance Medical Directive
- Personal or family related health issues
- Adequate life insurance to meet their family's financial needs

### Strategies to consider:

- Purchase basic life insurance coverage for family protection needs
- Consider life insurance policies with lifetime death benefit guarantees
- Consider the benefits of the ExtendCare Rider and the Income Provider Option

## Family Gifts

### Topics to address with your clients:

- Annual exclusion gifts to purchase life insurance
- Lifetime estate tax exemptions for large gifts
- Trusts designed to benefit multiple generations
- Access to cash value inside a permanent life insurance policy

### Strategies to consider:

- Apply the annual exclusion gifts to pay for life insurance premiums
- Allocate larger gifts to an Irrevocable Life Insurance Trust (ILIT) that purchases life insurance on the life of the donor, children or grandchildren
- Invest the gifted cash inside the ILIT in a side account to pay premiums
- Give a family loan or series of loans to an ILIT as a method for financing life insurance premiums

## Charitable Gifts

### Topics to address with your clients:

- Regular charitable contributions and volunteer activities
- Tax deductions related to charitable donations
- Support a charity by making it the beneficiary of a life insurance policy
- Charity owned life insurance funded by the donor
- Donation of appreciated property to a charitable trust, which provides the donor income for a specified period

### Strategies to consider:

- Gift a life insurance policy to a charity, or name the charity as beneficiary of part or all of the death benefit
- Designate a qualified charity as beneficiary of a Traditional IRA or qualified retirement plan
- Enable a charity to apply for an insurance policy on your life, with the charity as the owner and beneficiary; provide charitable gifts to cover the premium payments
- Transfer appreciated assets to a Charitable Remainder Annuity Trust (CRAT) or Charitable Remainder Unitrust (CRUT)



## Retirement Planning

### Topics to address with your clients:

- Retirement plan development and funding
- Custom financial strategies to develop retirement resources
- Tax deductible contributions to a Traditional IRA or employer-sponsored qualified plan
- Charitable donations using IRAs (Age 70 ½ or older)
- Utilize cash value in permanent life insurance to build retirement resources
- Access to Social Security benefits
- Defer and reduce income tax liability
- Reduce taxable income with a High-Deductible Health Plan (HDHP) and Health Savings Account (HSA)

### Strategies to consider:

- Use the RMDs from your IRA to purchase a new life insurance policy
- Consider charitable transfers from your IRA to qualified charitable organizations, during life or upon death

## Income Tax Planning

### Topics to address with your clients:

- Reduction of taxable income based on tax code changes, including the 39.6% income tax bracket, 20% capital gains rate and 3.8% investment income surtax
- Tax deferral benefits of life insurance
- Retirement strategies for tax reduction and deferral
- Charitable donations for tax reduction

### Strategies to consider:

- Implement a tax loss harvesting strategy
- Purchase tax-efficient assets, including cash-value permanent life insurance, enabling tax-deferred accumulation and tax-efficient distributions
- Incorporate permanent life insurance into financial and retirement plans
- Reposition tax-inefficient assets such as concentrated bonds and stock portfolios into life insurance
- Utilize a Capital Maximization Strategy for a more predictable legacy with an attractive IRR
- Leave a portion of your IRA balance to a charity at death
- Add life insurance as an asset class in your comprehensive financial plan

## Business Planning

### Topics to address with your clients:

- Addition of a new partner, owner or employee
- Business continuation plans after retirement, death or disability
- Professional business appraisal
- Business impact of losing key employees
- Incentive arrangements for key employees

### Strategies to consider:

- Purchase key person life insurance coverage
- Develop a buy-sell agreement funded with life insurance
- Create a deferred compensation plan and/or bonus arrangement (Section 162 Plan, REBA, or LEBA) funded with life insurance

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To learn more about planning strategies and how they can benefit your clients, contact:

<<Name>>

<<Title>>

<<Company>>

<<Phone>>

<<Email>>

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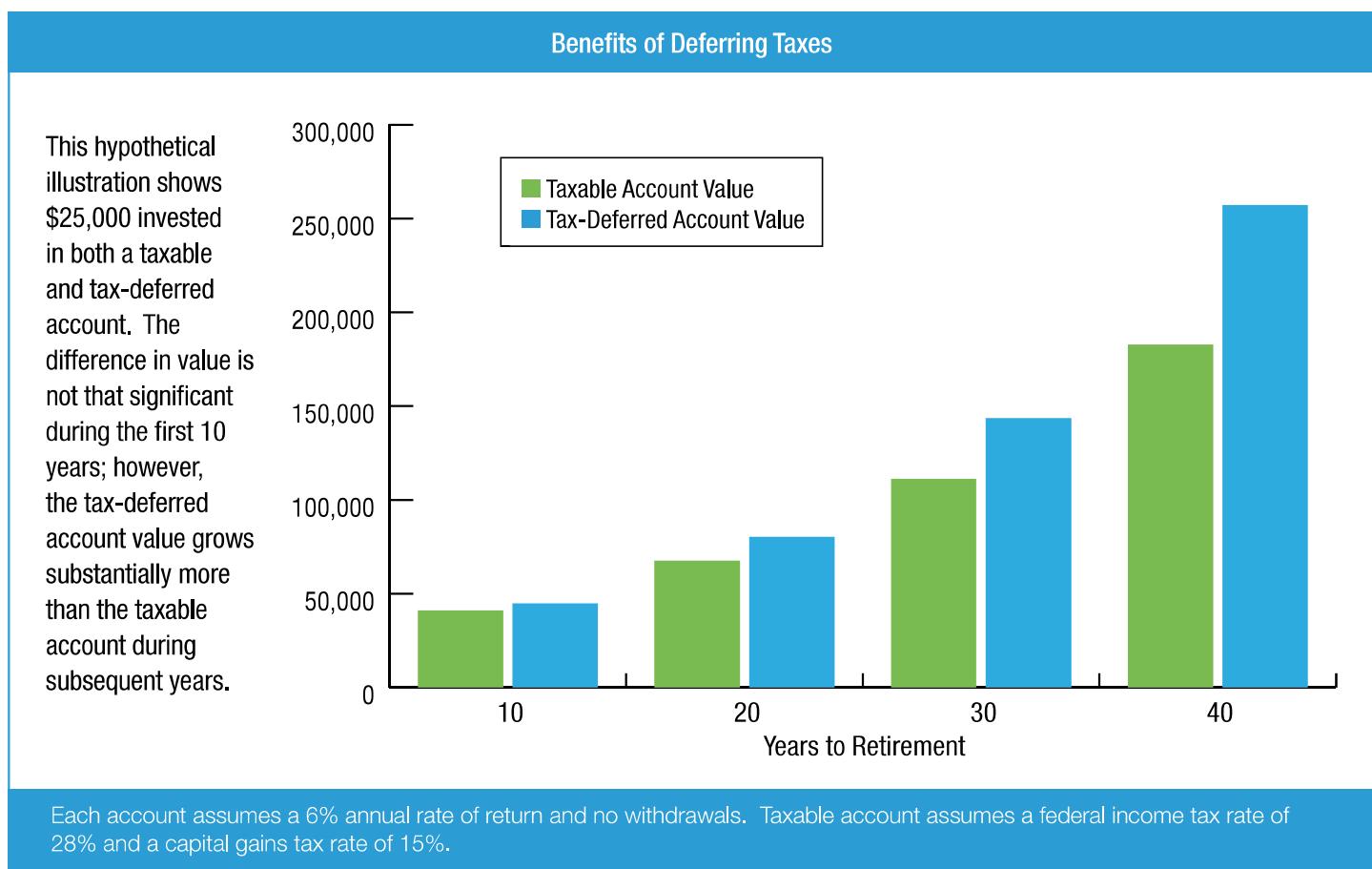
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# The Benefits of Tax Deferral

Increase your earning potential with a tax-deferred annuity

Investing in a tax-deferred annuity allows you to delay paying taxes on your accumulated earnings until they are withdrawn from the contract. Since the gains in a tax-deferred annuity aren't taxed until withdrawal, it allows accumulation of your earnings to occur at a faster rate than they would in comparable taxable investment account. In a taxable investment account your earnings would be taxed each year.



see reverse side for important information

# The Power of Tax Deferral

What is the real rate of return  
on your taxable account?

Typically, in a taxable account your earnings (such as interest, dividends, and capital gains) create a taxable event that would need to be paid each year to the IRS. Paying taxes every year on your earnings limits the growth potential of your taxable account. For example, if your tax bracket is 25% and you earn a 3.0% annual rate of return in a taxable account, your after-tax return would be 2.25%.

Real Rate of Return (after taxes)									
Federal Tax Bracket	Taxable investment rate								
	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%
15%	8.50%	7.65%	6.80%	5.95%	5.10%	4.25%	3.40%	2.55%	1.70%
25%	7.50%	6.75%	6.00%	5.25%	4.50%	3.75%	3.00%	2.25%	1.50%
28%	7.20%	6.48%	5.76%	5.04%	4.32%	3.60%	2.88%	2.16%	1.44%
33%	6.70%	6.03%	5.36%	4.69%	4.02%	3.35%	2.68%	2.01%	1.34%
35%	6.50%	5.85%	5.20%	4.55%	3.90%	3.25%	2.60%	1.95%	1.30%

Which tax rate applies to you?

2015 Federal Income Tax Rates

Rate	Single Return	Married Joint Return	Married Separate Return	Head of Household Return
10%	\$0 - \$9,225	\$0 - \$18,450	\$0 - \$9,225	\$0 - \$13,150
15%	\$9,226 - \$37,450	\$18,451 - \$74,900	\$9,226 - \$37,450	\$13,151 - \$50,200
25%	\$37,451 - \$90,750	\$74,901 - \$151,200	\$37,451 - \$75,600	\$50,201 - \$129,600
28%	\$90,751 - \$189,300	\$151,201 - \$230,450	\$75,601 - \$115,225	\$129,601 - \$209,850
33%	\$189,301 - \$411,500	\$230,451 - \$411,500	\$115,226 - \$205,750	\$209,851 - \$411,500
35%	\$411,501 - \$413,200	\$411,501 - \$464,850	\$205,751 - \$232,425	\$411,501 - \$439,000
39.60%	\$413,201 and above	\$464,851 and above	\$232,426 and above	\$439,001 and above



## The Power of Tax Deferral

Just how much of a difference can a tax-deferred annuity make?

When compared to a taxable account a tax-deferred annuity has increased earning power. With a tax-deferred annuity you are earning compounding interest on your principal and accrued interest, on money that would have otherwise been paid to the IRS in taxes. To see this earning power let's look at this example, if you're in a 25% tax bracket and you are earning a 3.0% annual rate of return in a tax-deferred annuity, you would need to earn a 4.0% annual rate of return in a taxable account.

Let the advantages of a tax-deferred annuity help increase the earning potential for your future.

Contact your financial advisor for more information.

Taxable account equivalent rate to a tax-deferred annuity rate					
	Federal Tax Bracket				
Tax-Deferred Annuity Rate	15%	25%	28%	33%	35%
10.00%	11.76%	13.33%	13.89%	14.93%	15.38%
9.00%	10.59%	12.00%	12.50%	13.43%	13.85%
8.00%	9.41%	10.67%	11.11%	11.94%	12.31%
7.00%	8.24%	9.33%	9.72%	10.45%	10.77%
6.00%	7.06%	8.00%	8.33%	8.96%	9.23%
5.00%	5.88%	6.67%	6.94%	7.46%	7.69%
4.00%	4.71%	5.33%	5.56%	5.97%	6.15%
3.00%	3.53%	4.00%	4.17%	4.48%	4.62%
2.00%	2.35%	2.67%	2.78%	2.99%	3.08%
1.00%	1.18%	1.33%	1.39%	1.49%	1.54%

The charts on this flyer are for illustrative purposes only and do not indicate the performance of any individual annuity. These tables do not include any fees that may be associated with the purchase of an annuity contract, which may increase the returns needed. Past performance does not guarantee future results.

The tax treatment of annuities is subject to change. Neither Protective Life nor its representatives offer legal or tax advice. Withdrawals of earnings from an annuity will be subject to income tax and may be subject to a 10% IRS penalty tax if taken before age 59½. Changes in tax rates and tax treatment of earnings may impact results. Tax deferral offers no additional value if an annuity is used to fund a qualified plan, such as an IRA.

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