John Hancock
LIFE INSURANCE


SUCCESS STRATEGY

WEALTH TRANSFER | Advanced Markets

# Social Security Maximization

## Wealth Transfer Planning with Social Security

### Planning Concerns

You have worked hard to accumulate wealth and have diligently saved for retirement with tax-favored assets, such as 401(k)s, IRAs and annuities. You have also contributed portions of your paychecks to social security. Now that you are near retirement, you realize that you will not need your social security income. Instead, you would like to know if there is some way to use this money to create an inheritance for your heirs.

### The Solution

If you do not need your social security benefit, you can either save it or you can use it to fund a life insurance policy. By purchasing a life insurance policy, you can potentially increase the amount of money left to your heirs.

### How It Works

You purchase a life insurance policy on your life. You can then use your social security income (or a portion of that income) to pay premiums on a life insurance policy.

Should you have an estate tax issue, you may want to have the life insurance owned by an Irrevocable Life Insurance Trust[1] (that way the life insurance does not compound your estate tax problem). The trust will receive the life insurance proceeds free of estate and income tax.[2]

### Benefits

- Life insurance can increase the amount of money left for your heirs.
- Life insurance provides an income tax free death benefit.
- Life insurance cash values grow tax deferred.
- Life insurance, depending on the state, can offer creditor protection.
- If life insurance is owned in an ILIT, the proceeds can help reduce estate taxes.

### Considerations

- The amount of life insurance protection you qualify for will be subject to medical and financial underwriting requirements and may be more (or less) than the amount applied for.
- The purchase of life insurance has costs and risks associated with it, including the cost of insurance.
- There may be costs associated with creating an ILIT. Once you make gifts to the trust, they become irrevocable and they may not be returned to you without adverse tax consequences.

Would you like to leave a legacy for your children and grandchildren? What kind of social security will they have available to them? If you do not need your social security, you could use this money to purchase life insurance and create an inheritance for your heirs.

1. Trusts should be drafted by an attorney familiar with such matters in order to take into account income and estate tax laws (including the generation-skipping transfer tax). Failure to do so could result in adverse tax treatment of trust proceeds.
2. 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. No legal, tax or accounting advice can be given by John Hancock, its agents, employees or registered representatives. Prospective purchasers should consult their professional tax advisor for details.



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