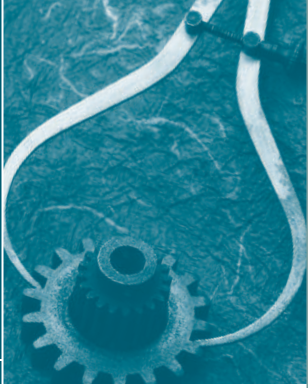
John Hancock
LIFE INSURANCE

Client Profile

Supplemental Executive Retirement Plans



CLIENT PROFILE	
Executive Age:	40–60
Executive Status:	Key executive who may be maxing out on qualified retirement plans
Executive Concern:	Would like to supplement retirement savings
Company Status:	C-Corporation
Company Concern:	Would like to reward and retain key executive without having to provide the same benefits for all employees

SITUATION

- Executive is concerned about having enough retirement income, and is already contributing the maximum amount to 401(k).
- Employer would like to reward the executive's performance and create a "golden handcuffs" benefit for selected employees.
- Employer would like to minimize the impact of providing this benefit on the business financials by owning the policy cash value and using the policy death benefit for cost recovery purposes.

SOLUTION

- Employer and executive enter into a Supplemental Executive Retirement Plan (SERP).

HOW IT WORKS

- Employer decides which executives to include in the plan, and how much of a benefit to offer each employee. The benefit could take the form of specified percent of salary to be paid at retirement or a specified contribution amount to be contributed pre-retirement.
- Employer purchases a life insurance policy on the executive, with the executive's written consent.[1]
- Employer uses the life insurance policy to fund the SERP, by taking tax-free loans and withdrawals from the policy to pay executive's retirement benefit.
- At the executive's death, employer can use death proceeds to recover the cost of the plan.

BENEFITS

- Executive receives supplemental retirement income paid for by the employer and not subject to qualified plan limitations.
- Executive may also receive pre-retirement death benefit for his/her family.
- Employer can impose a vesting schedule, creating "golden handcuffs" and giving Executive an incentive to stay with the company.
- Employer receives a tax deduction at the time the retirement benefit is paid, and generally receives the death benefit free of income taxes.[2] Death benefit can provide plan cost recovery.

CONSIDERATIONS

- Employer may not deduct the premiums spent on the life insurance.
- Executive must stay with employer for the duration of the vesting period to receive the benefit.
- Policy cash value available for loans and withdrawals may be worth more or less than the original investment amount, depending on the performance of underlying investment options. Policy should not be structured as a Modified Endowment Contract (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.
- Variable life insurance policies have charges associated with them, including withdrawal charges, cost of insurance charges and investment management charges. Please consult the prospectus for full details.
- 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: ISABELLA WILLIAMS AND ERIE ENTERPRISES

EMPLOYER: Erie Enterprises, C-Corporation, 35% Tax Bracket

EXECUTIVE: Isabella Williams, Age 45, Preferred Non Smoker, 35% Tax Bracket, Ohio resident

PRODUCT: $1,839,073 Accumulation VUL (6% gross, 5.26% net)
$51,566 premium for 20 years

ISABELLA'S RESULTS: Isabella's Current Salary: $150,000
Isabella's Salary at Retirement: $379,043
Pre-Retirement Death Benefit: $2,000,000
Retirement Benefit Paid Annually for 15 Years: $189,522
Cumulative Retirement Benefits: $2,842,830

ERIE ENTERPRISES RESULTS

Year	Policy Premium	Retirement Benefit	After-Tax Cost of Retirement Benefit	Loans/ Withdrawals	Corporate Tax Savings	Net Policy Cash Surrender Value	Net Death Benefit
1	$51,566	$0	$0	$0	$0	$17,617	$1,882,879
10	$51,566	$0	$0	$0	$0	$577,090	$2,416,163
20	$51,566	$0	$0	$0	$0	$1,578,059	$3,293,548
21	$0	$189,522	$123,189	$123,189	$66,333	$1,525,791	$3,170,359
25	$0	$189,522	$123,189	$123,189	$66,333	$1,286,628	$2,677,603
30	$0	$189,522	$123,189	$123,189	$66,333	$905,701	$2,053,250
35	$0	$189,522	$123,189	$123,189	$66,333	$380,814	$1,346,317

The data shown is taken from an illustration. It assumes a hypothetical rate of return and/or current interest crediting rate and may not be used to project or predict investment results. Unless indicated otherwise, these values are not guaranteed. We urge you to show your clients a basic illustration showing the impact of 0% and maximum sales charges and/or the guaranteed interest crediting rate and the impact it will have on policy cash value and death benefit.

For more information on SERPs or JH Solutions, please contact your local John Hancock representative:
American Benefit Corporation **Tel: (802)775-1899**
20 Washington St. **http://www.Americanbenefit.com**
Rutland, VT 05701

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1. Section 101(j) of the Internal Revenue Code imposes income tax on the death benefit of life insurance contracts owned by the employer of the life insured unless certain exceptions apply. All such exceptions include satisfaction of notice and consent requirements set forth in the section. See also Considerations section of the SERP Sales Strategy.
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. Please consult your professional tax advisor.

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