John Hancock INSURANCE

Uncovering
Insurance Needs Through

Form 1040

2018 EDITION

LIFE-5442 4/19

Contents

Tax returns can offer insight into clients' financial planning needs including life insurance and long-term care

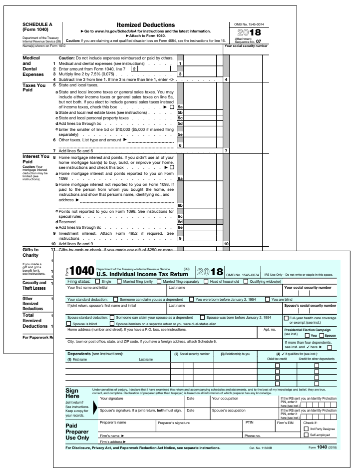
In general, tax returns show Gross Income, Adjusted Gross Income, and Taxable Income. However, a careful review of the lines on a tax return can lead to important and powerful conversations about:

- **Income replacement**
- **Retirement savings**
- **Estate and legacy planning**
- **Intergenerational wealth**
- **Business planning needs**

Additionally, comparing last year's tax return to this year's return can shed light on planning opportunities due to major life changes.

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**

How to use this guide



For tax year 2018, Form 1040 underwent significant changes. The revamped 1040 now includes six different Schedules to provide additional information. This guide focuses on the 1040 basics, Schedule 1, and Schedule A and is designed to not only highlight specific planning opportunities, but also to provide tips on how to begin addressing the client's needs. Here are some tips for success:

1 Read through this guide

This guide touches on multiple opportunities and is meant to give you an introduction to many planning concepts.

2 Review IRS Form 1040

Familiarize yourself with the 1040 and its corresponding schedules. Key questions and tips are included throughout this guide to help you review and uncover opportunities within your client's income tax return. Pay attention to what is missing from the 1040 as much as what is disclosed. For example, if Lines 28 and 32 on Schedule 1 showing retirement contributions are blank, this can open a door to discuss the client's preparedness for retirement and possible use of life insurance as a supplemental retirement vehicle.

3 Set up a plan

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.

4 Use the Worksheet to gather information

Please review the additional information found at the back of this guide, including 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 at **JHSalesHub.com**

5 Familiarize yourself with our online tools and resources

John Hancock has many mobile-friendly tools and resources that can further help facilitate the life insurance conversation. From an online needs analysis calculator to a cost of long-term care calculator, and more, these tools can help determine the need for your client. For more information please go to **JHSalesHub.com >Advanced Markets > Tools & Calculators**.

Key planning opportunities

Form 1040 can uncover several different life and long-term care insurance needs. These opportunities fall into the seven distinct categories outlined below.

Opportunity	NEEDS ANALYSIS	RETIREMENT PLANNING	COLLEGE PLANNING
Description	**Performing a needs analysis 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.	**For many clients retirement planning is a top concern.** A great way to start the conversation is to conduct 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.	**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	**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 recommend a combination of permanent and term to cover these needs.	**For clients who need both death benefit protection and supplemental retirement income, a permanent accumulation policy can help.** Permanent insurance can provide a source of tax-advantaged supplemental retirement income and when other product features are added, such as an LTC rider, protects clients from other risks they face in retirement.	**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	BUSINESS PLANNING	CHARITABLE GIVING	LONG-TERM CARE
Clients at or near retirement age are often thinking about what type of legacy they'd like to leave and may 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.	**Business planning clients have a multitude of needs** including, but not limited to, succession planning, retirement planning, retaining and rewarding key employees, and protecting the business from the loss of a key employee.	**Clients who are charitably inclined may be interested in learning about ways to provide additional benefits to their favorite charities.** Life insurance may be used to provide additional financial resources to a favored charity at the donor's death or to replace wealth for the family otherwise lost due to large charitable gifts.	**Long-term care planning involves having a discussion about the cost of care as well as the client's wishes.** How do they want care to be provided? Who will provide it? How will they pay for it?
Permanent policies are well-suited for legacy and wealth transfer planning. The policy's death benefit can provide liquidity for final expenses and equalization as well as enhance the total amount left to heirs. Single life or survivorship policies are often used, with the latter offering a high death benefit often at a very affordable cost.	**A combination of term and permanent insurance can be used for business owners.** Term insurance can provide a low cost solution for short-term business needs while permanent products offer flexibility for many purposes.	**Permanent policies are often used** and include survivorship policies as well as individual policies.	**A permanent life insurance policy with a long-term care rider** is one solution that your client should explore. Should they need LTC, they can accelerate the death benefit, but if they do not need the coverage the death benefit could provide a lasting legacy to their children and grandchildren.

John Hancock Vitality Program

Consider how the Vitality solution fits into the conversation. Today, more than ever, individuals are looking for holistic planning that is flexible to meet changing needs throughout their lives. This includes not only financial planning, but planning for health and wellness. Enhance the life insurance discussion by showing how a life insurance policy with Vitality can meet financial goals while also providing incentives for living healthier lives.

1040 basics

The following pages will breakdown Form 1040 and applicable Schedules and help to identify key planning opportunities.

Filing status (FIGURE 1)

Filing status is one of the major drivers of planning changes. If someone's filing status has changed, you should carefully review their planning needs. What changed? Consider:

- **Married: Did your client recently get married?** Marriage is a life event that generally creates financial interdependence. Newlyweds frequently discover that they need life insurance to replace a spouse's salary or cover debt they might share 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.
- **Did your client recently get divorced?** Some divorce agreements require life insurance to meet alimony obligations.
  – See Schedule 1 for additional insight into whether alimony is being paid or received. Does the divorce decree require life insurance? Have they purchased this policy? Have they reviewed the policy?
- **Head of household:** These individuals will likely have dependents that rely on them. Life insurance can help provide the protection dependents need if the filer is no longer there for them.

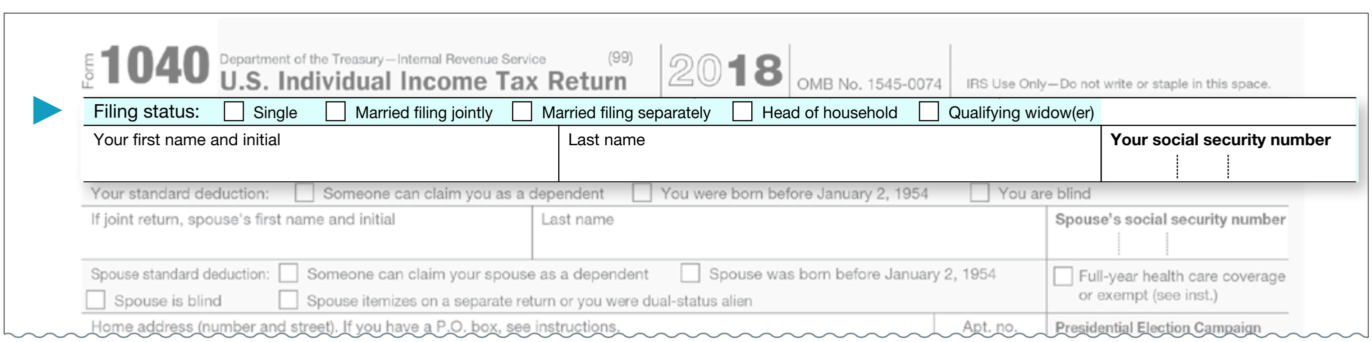
Filing status tells us only so much.

Underneath a particular status there is a story to uncover — for example, perhaps your client files as "single" but are in a committed nonmarital relationship or are widowed. What are the challenges they face? This is a great place to talk about their need to protect the loved ones in their lives.

Home address 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.

FIGURE 1



Form 1040 Department of the Treasury—Internal Revenue Service (99) U.S. Individual Income Tax Return 2018 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status: ☐ Single ☐ Married filing jointly ☐ Married filing separately ☐ Head of household ☐ Qualifying widow(er)

Your first name and initial | Last name | Your social security number

Your standard deduction: ☐ Someone can claim you as a dependent ☐ You were born before January 2, 1954 ☐ You are blind

If joint return, spouse's first name and initial | Last name | Spouse's social security number

Spouse standard deduction: ☐ Someone can claim your spouse as a dependent ☐ Spouse was born before January 2, 1954 ☐ Full-year health care coverage or exempt (see inst.)

☐ Spouse is blind ☐ Spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | Presidential Election Campaign

Dependents (FIGURE 2)

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, may also necessitate a review of one's estate plan and possible equalization strategies.

- **Additionally, a client who originally postponed or rejected the idea of long-term care coverage** may wish to reconsider that decision if and when they help care for an elderly loved one. The emotional strain of caring for a disabled loved one coupled with the cost of care causes many clients to reconsider how well they've planned to protect their own family members.

Ask your client:

- Do you have enough life insurance to protect your loved ones? The younger the dependents are, 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?

FIGURE 2

Dependents (see instructions): (1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.): Child tax credit	Credit for other dependents
				☐	☐
				☐	☐
				☐	☐
				☐	☐

If more than four dependents, see inst. and ✓ here ▶ ☐

Sign 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.

Date | Your occupation | If the IRS sent you an Identity Protection PIN, enter it

Line 1: Wages, salaries, tips

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. Furthermore, today's families may work offsetting schedules, reduced hours or have one spouse staying at home in order to take care of children and meet 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.

Don't forget coverage for a stay-at-home parent.

Stay-at-home spouses are often underinsured or not insured at all. If your client (or client's spouse) is a stay-at-home parent, make sure to inquire about insurance coverage and whether it is sufficient to help cover the needs of the family if something were to happen to the primary caretaker.

Line 2a: Tax-exempt interest

Clients who have invested substantially in tax advantaged investments, like municipal bonds, are good candidates for a discussion on the benefits of permanent life insurance as an alternative or additional tax advantaged investment vehicle. The tax exempt income from the current investments could even be leveraged with life insurance rather than continuing to reinvest in muni bonds.

Ask your client:

How long have you had municipal bonds? What are they earning and are you re-investing them? When do you plan on using this money?

Line 2b: Taxable interest

Generally, the assets indicated on this line 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 internal rate of return while also providing tax-free growth and needed death benefit protection.

Ask your client:

Where is this invested and how much is it earning? What is this money for? Are you concerned about taxes?

Lines 3a & 3b: Ordinary and qualified dividends

Dividend income that is being re-invested could serve as a source of income for potential insurance needs. Moreover, asking about the source of these dividends may lead to opportunities for insurance. For example, if the dividends are from a closely-held business, there may be an insurance need for succession planning or key person coverage. Alternatively, if dividend income comes from a concentrated stock position, insurance can help protect the family's wealth in case of a future down-turn in the market.

Ask your client:

Where is this income coming from? How much are you earning? What is the plan for the dividends?

Lines 4a & 4b: IRAs, pensions & annuities

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 can help provide a source of supplemental retirement income as a "backstop" to outliving other retirement assets and can also provide long-term care protection. Policy values not depleted during life can then pass on to the next generation(s) income-tax free.

Ask your client:

Are distributions only being taken because they are required as RMDs (i.e., not needed for current living expenses)?

Lines 5a & 5b: Social Security benefits (FIGURE 3)

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 also can be used to purchase life insurance to provide a legacy for children and grandchildren.

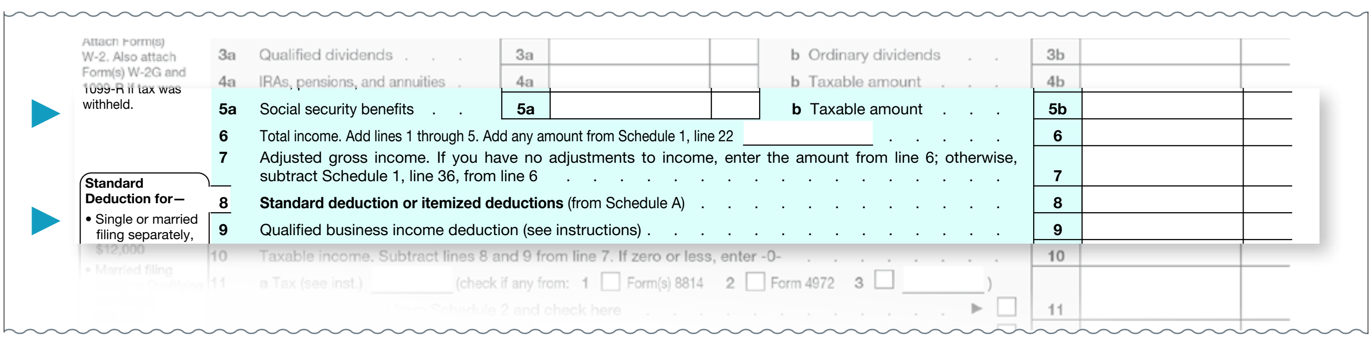
Ask your client:

When did you start taking social security? Do you use it for current living expenses?

Line 9: Qualified business income deduction (FIGURE 3)

Under the new Code Section 199A, owners of pass-through entities may receive a deduction up to 20% of "qualified business income." If your client is reporting a QBI deduction, talk to them about using these savings to help them with their insurance needs. If they have not seen a positive impact, now is the time to talk to them about the importance of tax diversification. See lines 12 and 17 on Schedule 1 for more information.

FIGURE 3


Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.
3a Qualified dividends . . . 3a | b Ordinary dividends . . 3b
4a IRAs, pensions, and annuities . 4a | b Taxable amount . . 4b
5a Social security benefits . . 5a | b Taxable amount . . . 5b
6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22 6
7 Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6 . . . 7
Standard Deduction for— • Single or married filing separately, $12,000 • Married filing
8 **Standard deduction or itemized deductions** (from Schedule A) . . . 8
9 Qualified business income deduction (see instructions) . . . 9
10 Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0- . . . 10
11 a Tax (see inst.) (check if any from: 1 Form(s) 8814 2 Form 4972 3)
Schedule 2 and check here . . . ▶ 11

Line 15: Total taxes due

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 1: Additional Income & Adjustments to Income

Line 12: Business income or (loss) (FIGURE 4)

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.

Use JH Business Analyzer
to help tailor the right plan for your business owner client depending on their goals

Line 13: Capital gain or (loss) (FIGURE 4)

If your client has a lot of investments that are earmarked for legacy purposes (i.e., they don't plan on using the income to support their lifestyle now and in the future), they may be better served by leveraging these assets to a more tax-efficient legacy asset, such as life insurance. Specifically, high income earners with passive income may be subject to an additional 3.8% surcharge tax.

Ask your client:

Where is this money invested? Can it be invested in a more tax-efficient manner?

FIGURE 4

Additional Income	1–9b	Reserved	1–9b	
	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	Reserved	15b	
	16a	Reserved	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	
			20b	

Line 17: Rental real estate, royalties, partnerships, S corporations, trusts, etc.

(FIGURE 5)

Clients with rental income can have a number of issues that life insurance may help address:

- Many income-producing properties have mortgages on them.
- Many clients manage rental properties themselves and, if they were to die unexpectedly, a property management company would need to get involved.
- 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).

Clients who own a business can have multiple needs for life insurance:

- Succession planning and funding a buy-sell arrangement.
- Creditor protection, retirement planning and long-term care concerns.
- Non-qualified arrangements to help retain and reward valued employees.
- Key person insurance to protect the business in the event of the loss of a key employee.

FIGURE 5

Additional Income	1–9b	Reserved	1–9b	
	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	Reserved	15b	
	16a	Reserved	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	
			20b	

Lines 28 & 32: Self-employed SEP, SIMPLE, and qualified plan; IRA deduction (FIGURE 6)

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.)

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 affords a client the opportunity to save for retirement in a tax efficient manner. 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.

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.

FIGURE 6

26	Moving expenses for members of the Armed Forces. Attach Form 3903	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	Reserved	34	
35	Reserved	35	

Schedule A: Itemized Deductions

While many taxpayers may not have itemized deductions due to a doubling of the standard deduction (now $12,000/individual; $24,000/joint filers[1]), Schedule A items should still be reviewed with clients to determine potential needs.

Line 1: Medical & Dental Expenses (FIGURE 7)

Although many clients will not qualify for medical deductions, with or without the deduction, this line can be a great conversation starter.

> **Ask your client:**
>
> Who do you have medical coverage through? Do you understand the difference between medical insurance and long-term care insurance? Do you know what is and is not covered?

FIGURE 7

SCHEDULE A (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

▶ Go to *www.irs.gov/ScheduleA* for instructions and the latest information.
▶ Attach to Form 1040.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

OMB No. 1545-0074
2018
Attachment Sequence No. 07

Name(s) shown on Form 1040 | Your social security number

Medical and Dental Expenses		**Caution:** Do not include expenses reimbursed or paid by others.		
	1	Medical and dental expenses (see instructions)	1	
	2	Enter amount from Form 1040, line 7 | 2 |		
	3	Multiply line 2 by 7.5% (0.075)	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4

This part of your client's tax return can be a great segue into the Vitality conversation.

Consider asking your clients:

- Do you see your doctor or dentist for a yearly checkup?
- Do you like to exercise or participate in sports?
- What do you do to try to stay healthy, if anything?
- Are you interested in or motivated to lead a healthier lifestyle, which might help reduce medical expenses?

The John Hancock Vitality program could be just the right fit for those who are willing to engage in a healthy lifestyle in addition to seeing their doctors every year.

Lines 5 & 6: Taxes you paid (FIGURE 8)

Due to tax reform state and local taxes are only deductible up to $10,000. For many high income earners that live in high income/property tax states, the cap on deductions may mean an increase in tax liability. Having a discussion about owning assets that offer tax-free growth might be of interest to these individuals.

FIGURE 8

Expenses	3 Multiply line 2 by 7.5% (0.075)	3	
	4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4
Taxes You Paid	5 State and local taxes.		
	a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box . . . . ▶ ☐	5a	
	b State and local real estate taxes (see instructions)	5b	
	c State and local personal property taxes	5c	
	d Add lines 5a through 5c	5d	
	e Enter the smaller of line 5d or $10,000 ($5,000 if married filing separately)	5e	

Lines 8 & 9: Interest Paid (FIGURE 9)

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

FIGURE 9

		6	
	7 Add lines 5e and 6		7
Interest You Paid **Caution:** Your mortgage interest deduction may be limited (see instructions).	8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box . . . . ▶ ☐		
	a Home mortgage interest and points reported to you on Form 1098	8a	
	b 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 ▶	8b	
	c Points not reported to you on Form 1098. See instructions for special rules	8c	
	d Reserved	8d	
	e Add lines 8a through 8c	8e	
	9 Investment interest. Attach Form 4952 if required. See instructions	9	
	10 Add lines 8e and 9		10

Lines 11 & 12: Gifts to Charity (FIGURE 10)

Clients who are making charitable gifts may be interested in other planning options that can help them maximize their charitable legacy. One such option may include purchasing or using existing life insurance to benefit the charities they are currently gifting to. If the client has earmarked other assets to provide a benefit to charity (e.g., naming charity as beneficiary of their IRA/401(k), creating a Charitable Remainder Trust, etc.), life insurance can be used to help replace/equalize wealth to the family.

Ask your client:

Which charities are you currently giving to? Have you planned or committed to larger gifts as part of your estate plan? What assets will you use to make these gifts?

FIGURE 10

		instructions	9	
	10	Add lines 8e and 9		10
Gifts to Charity If you made a gift and got a benefit for it, see instructions.	11	Gifts by cash or check. If you made any gift of $250 or more, see instructions	11	
	12	Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500 . . .	12	
	13	Carryover from prior year	13	
	14	Add lines 11 through 13		14
Casualty and Theft Losses	15	Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions		15

Additional tax return considerations

This kit focuses on Form 1040, Schedule 1, and Schedule A, but if a client also has the forms below, here are some additional items to consider.

1040 NR for 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.

Foreign National Market

If you have nonresident alien clients and are interested in learning more about selling John Hancock life insurance in this market, please see our Seller's Guide to the Global High-Net-Worth Market at **JHSalesHub.com.**

Form 1041 for Estates & 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.

Forms 1120 (C Corp), 1120-S (S Corp), 1065 (Partnership) for Businesses

- Companies that own life insurance must comply with the requirements of IRC 101(j) in order to receive an income-tax free death benefit.
- These companies also have to file Form 8925 with their annual tax returns reporting the number of insurance policies owned on employees.
- As the requirements of 101(j) are often overlooked, it is important to ask clients about any business owned insurance to ensure compliance or address issues for non-compliance.

C Corporations are now taxed at a flat corporate rate of 21%.

Talk to owners of C corporations about how they plan to allocate their corporate tax savings. Life insurance can help address many business needs, and for C-corporations looking to avoid the accumulated earnings tax, insurance may serve as a permissible purpose/ exception to that rule.

Requirements of 101(j)

For more information on this requirement, please refer to the **BYA on IRC 101(j) Requirements for Employer Owned Insurance.**

Our online tools can help and can be found on **JHSalesHub.com**

Needs analysis calculator

Can help determine the appropriate amount of life insurance coverage.

College planning module

Go online to see a sample illustrations which can be customized to your client's needs

Long-term care cost of care calculator

Breaks down regional costs of long-term care by state.

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**
- ☐ **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 please call the

Advanced Markets Group
888-266-7498, Option 3

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1. The standard deduction amount is adjusted annually for inflation.

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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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