A Hole-In-One Solution

John Hancock with Vitality Enhances the IRA Legacy Stretch

Many clients reach retirement and realize they no longer need their IRA for retirement income. And, they dread having to take taxable Required Minimum Distributions (RMDs) when they reach 70½. Instead, they would prefer to leave this tax deferred asset to their children and grandchildren.

Is there a way to use their IRA to benefit their children and grandchildren? How can they overcome the erosive effect taxation has on their hard earned IRA assets? What is the most efficient way to use their IRA to help provide a family legacy?

IRA Legacy Stretch

Since its introduction, the IRA Legacy Stretch solution has been one of the most popular planning strategies at John Hancock. The IRA Legacy Stretch continues tax deferred growth for decades longer than a traditional IRA Stretch, and provides a legacy to children and grandchildren.

New Protection UL with Vitality enhances this strategy: providing a meaningful benefit not only to children and grandchildren, but to all three generations.

Before looking at how the John Hancock Vitality Program can add another generation of benefits, it is important to understand the different ways to stretch an IRA.

Client profile:

TRADITIONAL STRETCH IRA	✔ At death their IRA goes to their children and is stretched over the life expectancy of their children (typically this can continue RMDs and tax deferred growth for an additional at 25 years).
IRA LEGACY STRETCH	✔ At death their IRA goes to their grandchildren and is stretched over the lives of their grandchildren (typically this can continue RMDs and tax deferred growth for an additional at 50 years . . . 25 more than a Traditional Stretch). The extended stretch substantially enhances the IRA's after tax legacy because more funds grow tax deferred for a longer period of time. ✔ To avoid effectively "disinheriting" their children from the IRA, the client uses the "force out" RMDs to purchase a life insurance policy on themselves with their children as beneficiaries. In this type of design distributions from the IRA are designed to purchase a policy equal to, or slightly more than, the value of the IRA going to the grandchildren.
IRA LEGACY STRETCH WITH THE JOHN HANCOCK VITALITY PROGRAM	✔ The strategy for children and grandchildren works the same as regular IRA Legacy Stretch. ✔ The Client/Insured gets the enhanced lifetime benefits of incentives and rewards, as well as the ability to use any RMD amount, in excess of the Vitality Status premium, for whatever they choose.

Let's look at an example

You are discussing retirement options with your client, Peter Calvin, and the topic of his IRA comes up. He is going to retire this year at 68. He is looking forward to time away from the office and playing a little golf. He has other sources of retirement income that will be sufficient for his lifestyle needs. Therefore, he wants to continue to defer his $1,000,000 IRA to leave it to his kids.

After discussing the advantages of the extended tax deferred growth provided by the IRA Legacy Stretch idea, Peter is intrigued.

PETER CALVIN'S LEGACY SCORECARD

Peter Calvin, 68, Preferred Non Smoker, Current IRA of $1,000,000

	CURRENT PLAN	PROPOSED PLAN
	Projected A/T Distributions from IRA	
During Owner's Lifetime	$765,106	$756,843
Children's Inherited IRA Balance	$1,220,423	–
Life Insurance Policy	–	$1,243,526
During Grandchildren's Lifetime	–	$2,558,284
Life Insurance Premiums	–	($600,000)
TOTAL DISTRIBUTION	**$1,985,529**	**$3,958,653**

Assumes Peter passes at age 87, when his grandchild is 25. This is a supplemental illustration.

He likes the idea of leaving a meaningful legacy to his grandchildren without putting his children at a disadvantage. And, by extending the tax deferred growth of his IRA, he can benefit his family for generations to come.

As you discuss his plans, and build out a budget for his retirement, you learn he plans to travel some and tune up his golf game by playing a round or two a week (things he never had the time for while working).

Combining a wealth transfer solution with the John Hancock Vitality solution

Peter has always been intrigued by personal improvement and believes in setting goals for himself. So, you discuss the possibility of adding the John Hancock Vitality Program to his policy. He loves the idea of using incentives to keep him focused on living a long healthy lifestyle. And, like many successful people, Peter has used personal goals throughout his career to help him achieve success — he does not intend to stop in retirement.

In the initial plan you model after tax IRA withdrawals of $30,000 (in line with his expected RMDs) to purchase a $1,250,000 Protection UL with Vitality policy starting, today, at age 68.

One year later you are doing your annual review with Peter. He is smiling, happy and really enjoying retirement. Over the course of your discussion you learn that the policy provided a lot more for him than just the death benefit protection for his children.

Between his other activities, and the steps earned from a couple of rounds of golf a week, Peter earned his Gold status within the first couple of months. With that, they were able to use a cruise discount on a post retirement celebratory trip, and because his Gold premium is reduced to under $28,000, he is going to use the extra $2,000 to cover the greens fees for an extra round of golf per week.

His hope for next year is that the extra steps will help him get to Platinum status . . . his only concern is that with all the extra golf his game is getting so good he spends a lot fewer steps walking back and forth across the fairway chasing his ball. He is finding that everything about his retirement has been right down the middle. And, for some small part, he thanks the John Hancock Vitality Program for his success in retirement.

Protection UL with Vitality allows this client to protect and provide for his family for multiple generations. The rewards and premium reductions are an additional bonus in his overall financial plan.

For more information on IRA Legacy Stretch or for a customized presentation, call Advanced Markets at 888-266-7498, option 3 (Consultant) or option 4 (Attorney).

ADDING UP THE POINTS

Walking an 18-hole golf course is approximately 5 miles[1], which is 10,000 steps or 20 Vitality Points.

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1. Golf Digest, *What's Your Golf Mileage?*, 10/09.