



Planning in Action

AN ADVANCED MARKETS SUCCESS STORY

Using a 162 Executive Bonus Plan to reward a key employee

Case in Point: An Advanced Markets Consultant (AMC) worked with a producer to consider pros and cons of various executive benefit options being considered by the owner of a small business, ultimately leading to the selection of a 162 Executive Bonus Plan design for a key employee.

Client profile

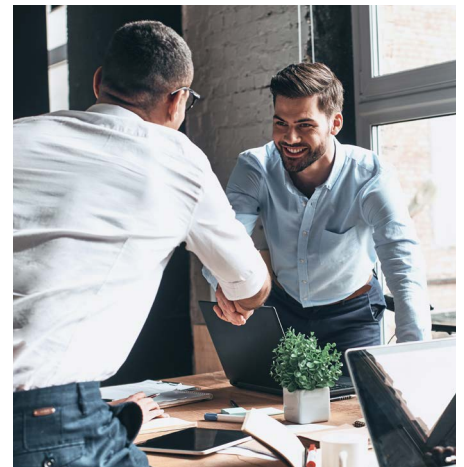
- Auto service center specializing in high-end vehicles
- Manager/key employee (age 48) who supervises mechanics and possesses unique expertise and skills including: valuable knowledge of these vehicles, great relationship with customers and vendors, and being a very effective supervisor
- **Time duration:** provide a benefit lasting to retirement (i.e., for 17 years, to Manager's age 65)

Fact finding

- Producer has already suggested plan designs to business owner by the time the AMC becomes involved
- Business owner waffling on plan design, which has led to an inability to make a decision and the case has stalled
- Producer asking for assistance to get the case back on track

Designing a case & creating a plan

While the business owner originally stated he wanted death benefit payable to the business, by working with the AMC the producer was able to refocus his conversation with the business owner on the overall plan goals. In this review, the business owner decided that his main objective was to provide a valuable long-term reward to the Manager as simply as possible. This led to the final decision to move forward with the 162 Executive Bonus approach, with the employee using the bonus to purchase a John Hancock Accumulation IUL policy.



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Why it works

- The life insurance policy provides long-term protection for the employee's family and access to living benefits if needed
- The annual bonus is a percentage of the employee's annual salary (15% of \$90,000 in year 1) and is projected to increase (3% annually) over time
- The employee's tax cost is covered by the annual bonus, so the employee has no out-of-pocket cost
- The annual bonus is tax deductible for the business
- The exclusive John Hancock Vitality Program (Gold status assumed) provides additional value to the employee and the business by encouraging healthy living, while also allowing the employee to earn rewards and discounts for the steps they take to live healthy
- The life insurance policy cash value grows tax-deferred
- Cash value can be accessed income tax-free for retirement income distributions. The illustrated policy is projecting \$27k annual distributions from ages 66-80

Conclusion

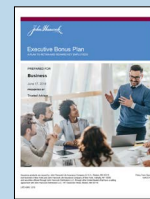
Small business owners are frequently looking for simple, cost-effective ways to reward key employees for their role in the success of the company. A 162 Executive Bonus Plan with a John Hancock Accumulation IUL policy offers an attractive solution for both employers and employees. It is a cost-effective plan that is easy for the employer to implement and administer. For the employee, it offers a valuable benefit in the form of death benefit protection and supplemental income at retirement. What's more, the John Hancock Vitality Program can have a positive impact on the overall performance of the life insurance policy, while also encouraging the employee to live a healthy life, which can also positively impact the business.

TOOLS

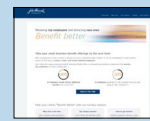
Advanced Markets resources used:



Benefit Better brochure
(For Client Use)



Sample JH Solutions presentation
(For Client Use)



Executive Benefits Microsite

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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 59 1/2.

Insurance policies and/or associated riders and features may not be available in all states.

Vitality is the provider of the John Hancock Vitality Program in connection with policies issued by John Hancock.

Some riders may have additional fees and expenses associated with them.

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