tohn Mancock

# **Client profile** Wealth Transfer



#### **Client profile and** common concerns

- Wealthy parents with financially successful children
- Wants to leave assets to children in a tax-efficient manner
- Does not have a federally taxable estate, but may be concerned about state estate taxes
- Has a valuable asset that only some of the children want (e.g., vacation home)
- Wants to pass on a legacy in addition to assets

## Questions to ask

- Have you used any of your lifetime gift and Generation Skipping Transfer (GST) tax exemptions?
- Do you think your children (and their spouses) can co-manage a property?
- What are your legacy planning goals?
- Are you currently making annual exclusion gifts and if so, to whom?
- Do you support any charities?
- How do you want to divide your estate among your children?

## Potential solution

- Clients (husband, 65 and wife, 63) have 3 children in their 30s, and a net worth of \$10 million comprised of IRAs (\$3 million), a brokerage account (\$4 million) and a vacation home (\$3 million). They will owe state estate tax.
- Clients want to leave an equal inheritance to all of their children and include charitable bequests. They also want to leave assets to their children in a tax-efficient manner and have several low-basis investments. Only one child has interest in the vacation home.
- They can sell some high-basis assets to fund annual premiums of \$47,000 on a \$4,000,000 survivorship life insurance policy inside an irrevocable life insurance trust (ILIT). This policy will be outside of their estate for state estate tax purposes.
- The life insurance proceeds can be used to pay any state estate taxes and help equalize inheritances among their children (due to the different tax characteristics of the assets). Knowing their children will receive the death benefit income tax-free also lets them make charitable bequests, further reducing their state estate tax liability.

Insurance products are issued by: John Hancock Life Insurance Company (U.S.A.), Boston, MA 02116 (not licensed in New York) and John Hancock Life Insurance Company of New York, Valhalla, NY 10595. • Insurance policies and/or associated riders and features may not be available in all states. • Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are few exceptions such as when a life insurance policy has been transferred for valuable consideration. • This material does not constitute tax, legal, investment or accounting advice and is not intended for use by a taxpayer for the purposes of avoiding any IRS penalty. Comments on taxation are based on tax law current as of the time we produced the material. • All information and materials provided by John Hancock are to support the marketing and sale of our products and services, and are not intended to be impartial advice or recommendations. John Hancock and its representatives will receive compensation from such sales or services. Anyone interested in these transactions or topics may want to seek advice based on his or her particular circumstances from independent professionals. LIFE-1683WT 7/24 MLINY070924747-1

#### Advanced Markets

## Why John Hancock?



**Dedicated Advanced** Markets team to help with plan design and illustration



Full suite of survivorship products to address a variety of client needs



Exceptional underwriting