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John Hancock

Advanced Markets

Retirement Backstop

Client guide

INSURANCE PRODUCTS	
MAY LOSE VALUE	NOT A DEPOSIT
NOT BANK GUARANTEED	NOT FDIC INSURED
NOT INSURED BY ANY GOVERNMENT AGENCY	

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A plan to help preserve, provide, and protect

Adequately saving for retirement can be a daunting task. Today's retirees are living longer and must rely on personal savings, rather than corporate-funded pension plans, as their primary source of retirement income.

Under the current retirement landscape, having insufficient savings or outliving retirement assets is a real and growing concern. Ensuring that you have sufficient retirement savings requires creating a comprehensive plan today and revisiting your plan routinely.

Ask yourself:

- Am I saving enough for retirement?
- Have I considered the potential risks to my retirement plan?
- Does my retirement plan adequately protect my loved ones?

Accumulation phase

Most retirement planning happens during your working years. A diversified retirement portfolio will generate income from four primary sources:

Taxable nonqualified accounts

Stocks, bank accounts, mutual funds, annuities, real estate, business income

Tax-deferred accounts – qualified plans

401(k), IRA, 403(b), other defined contribution plans

Income tax-free accounts

Life insurance, Roth IRA, municipal bonds

Other income sources

Corporate-funded pensions, Social Security

Understanding retirement risks

Unforeseen factors may diminish your retirement savings more quickly than anticipated, including:

Living beyond planned life expectancy

- How long is your income projected to last?
- Will you (or your spouse) outlive your assets?

Costs associated with aging

- If you need care over an extended period of years, how would you pay for it?
- If you need to liquidate assets to pay for care, have you considered market conditions, tax implications, and the impact on your future income?

Withdrawal rate is higher than expected or unexpected expenses arise

- How long can your accounts sustain your anticipated retirement lifestyle if the amount you withdraw in a given year (or multiple years) exceeds the amount you planned to withdraw?
- Have you considered large or unexpected expenses such as long-term care, home improvements or repairs, and financially helping to support children or grandchildren?

Investment risks

- How will your retirement income be affected if your retirement accounts underperform?
- Will you be able to make up for those losses?
- Have you considered the impact of retiring during a down market and its impact on your portfolio?

Inflation

- Could inflation eat away at the purchasing power of your retirement income?
- Have you considered if your earnings are not keeping up with inflation, what would happen if your income runs out sooner than expected?

Increased taxes

- What if taxes increase during your retirement?
- If your retirement income is derived primarily from qualified retirement accounts, could an increase in taxes negatively affect your purchasing power?

One in four people who reach age 65 will live past age 90.[1]

What have you done to plan for a long retirement?

Retirement Backstop solution

A permanent life insurance policy can be an effective solution to provide a "backstop" against some, or all, of these unplanned retirement risks while simultaneously providing financial protection for your family. Once you have maximized your qualified plan contributions, funding a life insurance policy can help supplement your retirement income in later years and offers the following benefits:

- **Income tax-free[2] death benefit** to your survivors to provide financial protection
- **Access to tax-free income** through loans and withdrawals of your policy's cash value[3]
- **Access to up to 100%** of your death benefit income-tax free should you become chronically ill and need long-term care[4]
- **Premiums are covered** in the event of total disability[5]

Death benefit

Life insurance, at its core, is a protection vehicle. Life insurance generally provides an income-tax free death benefit to your survivors, making it an excellent way to ensure that your family has the money they need to maintain their current standard of living and meet their financial goals. Life insurance can help ensure a comfortable retirement for a surviving spouse, pay for final expenses, and help provide a legacy for children and grandchildren who may depend on your financial support.

Supplemental income

Access to the cash value[2] in your life insurance policy may provide an essential backstop should you outlive your primary retirement portfolio. Your life insurance policy can be an effective way to supplement your other retirement accounts by helping:

- **Provide a source of tax-free retirement income** should you (or your spouse) outlive your primary retirement assets
- **Supplement your income** to offset investment losses or inflation
- **Pay for unexpected costs** such as housing, medical, or other personal expenses

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Long-term care and chronic Illness

If you live a long life, it's possible you could need care that's not covered by health insurance. Paying for it with retirement income can have a direct impact on your portfolio's ability to sustain your needs in the future. Consider how a chronic illness that requires care over a period of years could affect:

- **Your ability to continue to support your or your spouse's lifestyle in retirement**
- **Your retirement portfolio** if it is needed to pay for care costs
- **Your ability to leave an inheritance** to your family or charities

To help address this risk, adding a living benefit rider to your life insurance policy allows you to accelerate the death benefit, income-tax free should you require assistance with two of six activities of daily living or supervision due to a cognitive impairment. A life insurance policy with a living benefit rider can be an effective way to help preserve your retirement income and assets so they can continue to be used as planned.

- The **Long-Term Care rider** provides access to your death benefit on a tax-favored basis, up to the maximum monthly amount purchased. Benefits are paid as a reimbursement for qualified long-term care and services received.
- The **Chronic Illness rider** provides access to your death benefit on a tax-favored basis, up to limits established by the IRS each year. There is no restriction on how the benefits can be used.

Disability

In the event of a disability during your accumulation years, the **Disability Payment of Specified Premium rider** will cover a portion of your premium to keep your policy in force so you can reallocate those dollars to other areas of need.

Next steps

A Retirement Backstop plan can help address some of the challenges you may face in retirement — outliving your retirement assets, becoming chronically ill, needing long-term care, and protecting your family should something happen to you. Talk to your financial professional about creating and funding a permanent life insurance policy to help protect you and the ones you love.

Talk to your financial professional about using life insurance to help preserve, provide, and protect your assets during retirement years.

1. Social Security Administration (SSA.gov.). Calculators: Life Expectancy. Accessed February 2024. https://www.ssa.gov/planners/lifeexpectancy.html
2. 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.
3. Loans and withdrawals will reduce the death benefit and 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. Withdrawals in excess of the cost basis (premiums paid) will be subject to tax and certain withdrawals within the first 15 years may be subject to recapture tax. Additionally, 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. Cash value available for loans and withdrawals may be more or less than originally invested. Withdrawals are available after the first policy year.
4. When a rider for long-term care needs is added to a policy.
5. When a Disability Payment of Specified Premium (DPSP) is added to a policy.
6. U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, February 2017. http://longtermcare.acl.gov/thebasics/index.html

Guaranteed product features are dependent upon minimum premium requirements and the claims-paying ability of the issuer.

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

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