Preliminary Funding Account

A simple and convenient funding strategy

The Preliminary Funding Account (PFA) is a useful tool that clients can use to provide a single lump-sum payment to max-fund their policy, while avoiding being classified as a Modified Endowment Contract (MEC).*

Key advantages

Simple and convenient

Client only has to make one upfront payment, from which the ongoing annual premiums will be automatically made to the policy, simplifying the management of the policy.

Non-modified endowment contract

The PFA allows a single lump sum to be paid without violating rules of a MEC, which in turn allows for income tax-free access to cash value.

Retirement income growth potential

The PFA will earn a competitive guaranteed rate of 4.25% while the policy is being funded, resulting in more premium paid and subsequently more cash value accumulation potential for retirement income in the future.

How does PFA work?

1. Client makes a **one-time, single payment** when the policy is issued.
2. **Choose the duration of the annual premium payments from the PFA to the policy** (schedule between 3-10 years). Premium payments are automatically transferred from the PFA to the policy each year.
3. Throughout the duration, **the amount in the PFA will earn a competitive guaranteed rate of 4.25%.**

Let’s look at an example:

Client (male, age 45, best risk class) purchases Accumulation IUL ‘21 Reprice and funds the PFA with $700,000. He elects to fund the policy over 7 years with annual premium of $112,908.

Year	PFA value (BOY)		Annual premium (PFA transfer to policy)		PFA value after transfer		Interest earned		PFA value (EOY)
1	$700,000	–	**$112,908**	=	$587,092	+	**$24,951**	=	**$612,043**
2	$612,043	–	**$112,908**	=	$499,135	+	**$21,213**	=	**$520,349**
3	$520,349	–	**$112,908**	=	$407,441	+	**$17,316**	=	**$424,757**
4	$424,757	–	**$112,908**	=	$311,849	+	**$13,254**	=	**$325,103**
5	$325,103	–	**$112,908**	=	$212,195	+	**$9,018**	=	**$221,213**
6	$221,213	–	**$112,908**	=	$108,305	+	**$4,603**	=	**$112,908**
7	$112,908	–	**$112,908**	=	0	+	0	=	0
			$790,356						

$90,356 additional total premium using PFA. Provides $145,570 of annual income at retirement and target premium of $39,527 — **13% more income and 13% more target than without using the PFA!***

In addition to Accumulation IUL ‘21 Reprice, the Preliminary Funding Account is also available on Protection IUL ‘22, Protection UL ‘22, Protection SIUL ‘22 and Protection SUL ‘22.

Please contact your John Hancock sales representative or National Sales Support at 888-266-7498, option 2

* The example shown is based on a Minimum Non-Mec Death Benefit, Option 2 changing to 1 in optimal year, using the High Capped indexed account at 6.22%. Solving for distributions from years 21-40 (withdrawals to basis and then fixed loans) with $1 of CSV at age 121 with face reduction in optimal year. This is a supplemental illustration. Not all benefits and values are guaranteed. The assumptions on which the non-guaranteed elements are based are subject to change by the insurer. Actual results may be more or less favorable.

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There is a minimum and maximum funding amount for the PFA as well as a minimum and maximum funding period. Interest earned in the PFA will be taxable. Partial withdrawals are not available from the PFA and if a full withdrawal is requested, the PFA will terminate, and an early termination fee will apply. Refer to the PFA Agreement for more information.

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.

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

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

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