

WISCONSIN PLANNED GIVING COUNCIL

LIFE INSURANCE POLICIES:
THE MOST UNDER MANAGED ASSET CLASS

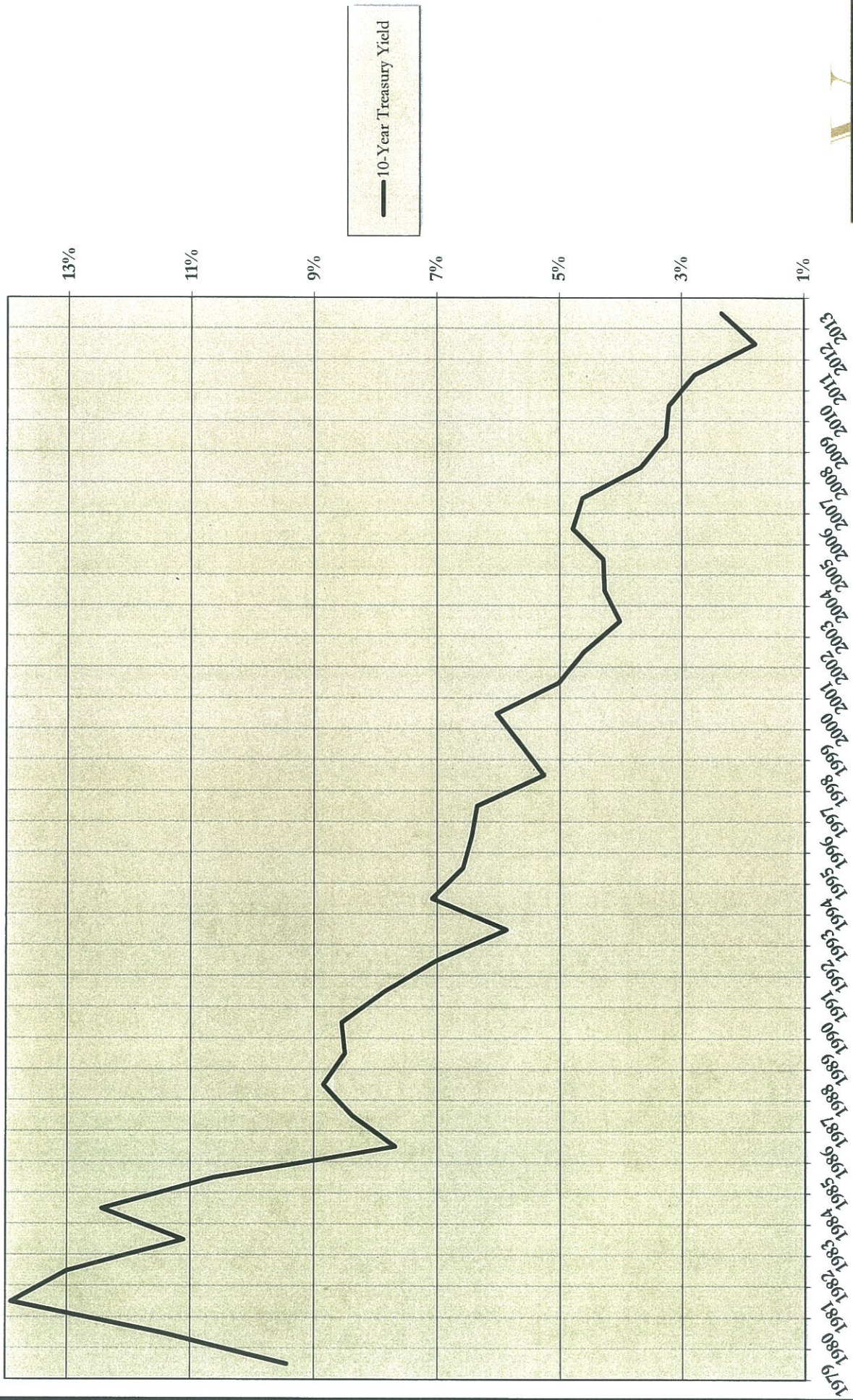
RESPONSIBILITIES AND OPPORTUNITIES
FOR NONPROFIT ORGANIZATIONS

REFERENCE EXAMPLES

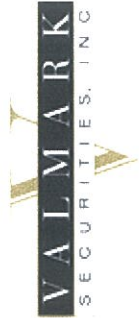
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October 7, 2014

10 Year Treasury Yield

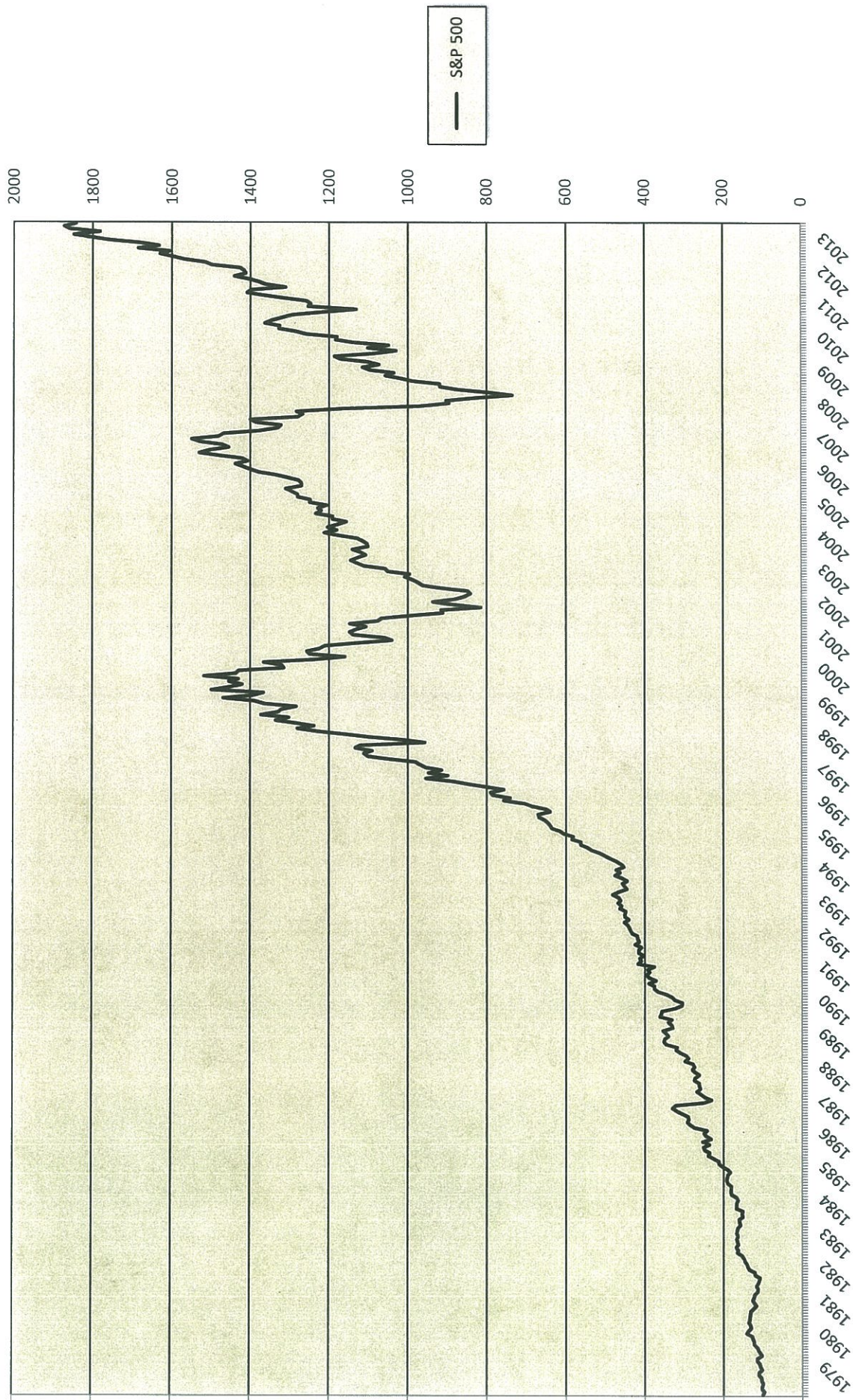


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PHONE: 800-765-5201

S&P 500



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TERM INSURANCE EXAMPLE



PRODUCT COMPARISON

June 25, 2014

20 Year Term (2014)

Male, Age: 45 Super Preferred Nontobacco
State of Issue: Wisconsin

Initial Death Benefit: \$ 3,000,000
Initial Annual Premium: \$ 3,309.00

Principal Term Product Comparison - Guaranteed Annualized Premium						
Year	End of Year Age	10 Year Term	15 Year Term	20 Year Term	30 Year Term	Net Death Benefit
1	46	1,650.00	2,466.00	3,309.00	5,595.00	3,000,000
2	47	1,650.00	2,466.00	3,309.00	5,595.00	3,000,000
3	48	1,650.00	2,466.00	3,309.00	5,595.00	3,000,000
4	49	1,650.00	2,466.00	3,309.00	5,595.00	3,000,000
5	50	1,650.00	2,466.00	3,309.00	5,595.00	3,000,000
		<u>8,250.00</u>	<u>12,330.00</u>	<u>16,545.00</u>	<u>27,975.00</u>	
6	51	1,650.00	2,466.00	3,309.00	5,595.00	3,000,000
7	52	1,650.00	2,466.00	3,309.00	5,595.00	3,000,000
8	53	1,650.00	2,466.00	3,309.00	5,595.00	3,000,000
9	54	1,650.00	2,466.00	3,309.00	5,595.00	3,000,000
10	55	1,650.00	2,466.00	3,309.00	5,595.00	3,000,000
		<u>16,500.00</u>	<u>24,660.00</u>	<u>33,090.00</u>	<u>55,950.00</u>	
11	56	33,075.00	2,466.00	3,309.00	5,595.00	3,000,000
12	57	36,915.00	2,466.00	3,309.00	5,595.00	3,000,000
13	58	41,055.00	2,466.00	3,309.00	5,595.00	3,000,000
14	59	44,595.00	2,466.00	3,309.00	5,595.00	3,000,000
15	60	48,675.00	2,466.00	3,309.00	5,595.00	3,000,000
		<u>220,815.00</u>	<u>36,990.00</u>	<u>49,635.00</u>	<u>83,925.00</u>	
16	61	53,595.00	53,595.00	3,309.00	5,595.00	3,000,000
17	62	59,595.00	59,595.00	3,309.00	5,595.00	3,000,000
18	63	66,915.00	66,915.00	3,309.00	5,595.00	3,000,000
19	64	75,135.00	75,135.00	3,309.00	5,595.00	3,000,000
20	65	83,775.00	83,775.00	3,309.00	5,595.00	3,000,000
		<u>559,830.00</u>	<u>376,005.00</u>	<u>66,180.00</u>	<u>111,900.00</u>	
21	66	92,895.00	92,895.00	92,895.00	5,595.00	3,000,000
22	67	102,135.00	102,135.00	102,135.00	5,595.00	3,000,000
23	68	111,495.00	111,495.00	111,495.00	5,595.00	3,000,000
24	69	121,575.00	121,575.00	121,575.00	5,595.00	3,000,000
25	70	132,015.00	132,015.00	132,015.00	5,595.00	3,000,000
		<u>1,119,945.00</u>	<u>936,120.00</u>	<u>626,295.00</u>	<u>139,875.00</u>	
26	71	144,675.00	144,675.00	144,675.00	5,595.00	3,000,000
27	72	158,835.00	158,835.00	158,835.00	5,595.00	3,000,000
28	73	177,435.00	177,435.00	177,435.00	5,595.00	3,000,000
29	74	197,055.00	197,055.00	197,055.00	5,595.00	3,000,000
30	75	217,695.00	217,695.00	217,695.00	5,595.00	3,000,000
		<u>2,015,640.00</u>	<u>1,831,815.00</u>	<u>1,521,990.00</u>	<u>167,850.00</u>	

Principal National Life Insurance Company

This quotation is not valid in Wisconsin unless the POLICY QUOTATION Report is included. Premium Outlays and Death Benefits are shown as of the beginning of the policy year.

All guarantees are subject to the claims paying ability of Principal National Life Insurance Company.

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9. REINSTATEMENT

If this policy terminates, you can have it reinstated within 3 years.

The requirements for reinstatement are as follows:

- (a) we must receive written request for reinstatement;
- (b) the reinstatement is before the Expiry Date;
- (c) you have not converted the policy to permanent insurance;
- (d) we must receive evidence of insurability satisfactory to us for the Life Insured; and
- (e) we must receive all overdue premiums, with interest at 6%.

If we approve your request, the reinstatement date will be the later of:

- (a) the date we receive the required premiums at our Service Office, or
- (b) the date we receive your written request for reinstatement.

The Suicide and Incontestability provisions will apply from the effective date of reinstatement. If the policy has been in force for two years during the lifetime of the Life Insured, it will be contestable only as to statements made in the reinstatement application.

10. CONVERSION

During the Conversion Period stated on page 3, you may elect to convert this policy to any permanent, fully underwritten plan of life insurance offered for sale at the time of conversion by the Company or one of its affiliated companies. The entire Face Amount of this policy is available for the purposes of conversion, subject to any minimum and maximum Face Amount limits on the policy to which you convert. The policy to which you convert must be one we currently offer to individual policy owners.

At the time of conversion, the Life Insured must meet the requirements for age, risk classification, minimum face amount, and minimum premium for the policy you select. The premium for the new policy will be the premium rate we charge for a new policy at the time of conversion, based on your Age on the Conversion Date.

We will not require evidence of insurability at the time of conversion, up to the Face Amount of this policy. If the new policy includes a rider that is not in force on this policy at the time of conversion, evidence of insurability will be required. The risk classification for the permanent insurance will be the same as this policy, or if not available then the most comparable risk classification offered on that policy.

Suicide and Incontestability. The Suicide and Incontestability periods of the new policy will be deemed to have been met to the extent coverage was in force under this policy. We can contest an increase in the Face Amount, or any policy change or the addition of a supplementary benefit for two years after the date of an increase or addition.

Conversion Date. The new policy will take effect on the Conversion Date. The Conversion Date is the premium due date closest to the date we receive your signed application accompanied by the first premium payment. We must receive your premium payment and the signed application for the permanent insurance during the Conversion Period.

Conversion to Joint Last-to-Die Survivorship Policy. If the new policy is a joint last-to-die survivorship policy, we will require evidence of insurability on the new life. The rate classification for the new life will be determined at the time of conversion. We will not require evidence of insurability for the Life Insured under this policy if the following conditions are met:

- (a) the Face Amount of the new policy falls within our available retention limit; and
- (b) the Face Amount of the new policy does not exceed twice the Face Amount of this policy; and
- (c) the new life is considered an insurable risk that would have been acceptable for a single life policy based on the evidence of insurability provided to us.

If the above conditions are not met, the existing Life Insured will also be required to provide evidence of insurability.

LOW PREMIUM UNIVERSAL LIFE INSURANCE EXAMPLE (FROM 1994)

MALE, NONSMOKER, AGE 44

INITIAL SPECIFIED AMOUNT : \$100,000
 INITIAL ANNUAL PREMIUM : \$2,040.00
 INITIAL LUMP SUM PREMIUM : \$4,701.00

POLICY YEAR	AGE YR END	PLANNED OUTLAY	CURRENT RATE 6.30%		LEVEL ASSUMED RATE 5.50%		GUARANTEED RATE 4.50%	
			CASH VALUE	NET DEATH BENEFIT	CASH VALUE	NET DEATH BENEFIT	CASH VALUE	NET DEATH BENEFIT
1	45	6,741	5,422	100,000	5,380	100,000	5,353	100,000
2	46	500	6,019	100,000	5,928	100,000	5,736	100,000
3	47	500	6,638	100,000	6,491	100,000	6,114	100,000
4	48	500	7,282	100,000	7,071	100,000	6,488	100,000
5	49	500	7,952	100,000	7,667	100,000	6,845	100,000
		8,741						
6	50	500	8,641	100,000	8,274	100,000	7,187	100,000
7	51	0	8,838	100,000	8,381	100,000	7,007	100,000
8	52	0	9,021	100,000	8,468	100,000	6,772	100,000
9	53	0	9,190	100,000	8,534	100,000	6,480	100,000
10	54	0	9,343	100,000	8,576	100,000	6,115	100,000
		9,241						
11	55	0	9,473	100,000	8,588	100,000	5,673	100,000
12	56	0	9,570	100,000	8,557	100,000	5,138	100,000
13	57	0	9,629	100,000	8,480	100,000	4,493	100,000
14	58	0	9,646	100,000	8,352	100,000	3,731	100,000
15	59	0	9,609	100,000	8,161	100,000	2,831	100,000
		9,241						
16	60	0	9,510	100,000	7,897	100,000	1,772	100,000
17	61	0	9,334	100,000	7,545	100,000	532	100,000
18	62	0	9,055	100,000	7,080	100,000	0	0
19	63	0	8,658	100,000	6,485	100,000	0	0
20	64	0	8,155	100,000	5,772	100,000	0	0
		9,241						

Excel 3 is an adjustable life insurance policy with flexible death benefit, cash value and premium.

Current, Assumed, and Illustrated values may vary if interest rates, mortality, or expense charges change.

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MALE, NONSMOKER, AGE 44

INITIAL SPECIFIED AMOUNT : \$100,000
 INITIAL ANNUAL PREMIUM : \$2,040.00
 INITIAL LUMP SUM PREMIUM : \$4,701.00

POLICY YEAR	AGE YR END	PLANNED OUTLAY	CURRENT RATE 6.30%		LEVEL ASSUMED RATE 5.50%		GUARANTEED RATE 4.50%	
			CASH VALUE	NET DEATH BENEFIT	CASH VALUE	NET DEATH BENEFIT	CASH VALUE	NET DEATH BENEFIT
21	65	0	7,530	100,000	4,925	100,000	0	0
22	66	0	6,759	100,000	3,921	100,000	0	0
23	67	0	5,808	100,000	2,723	100,000	0	0
24	68	0	4,650	100,000	1,305	100,000	0	0
25	69	0	3,249	100,000	0	0	0	0
		9,241						
26	70	0	1,557	100,000	0	0	0	0
		9,241						

Excel 3 is an adjustable life insurance policy with flexible death benefit, cash value and premium.

Current, Assumed, and Illustrated values may vary if interest rates, mortality, or expense charges change.

UNIVERSAL LIFE INSURANCE ANNUAL STATEMENT



Your Policy Annual Statement

JOHN HANCOCK LIFE INSURANCE
COMPANY (U.S.A.)

Statement Date - Aug 25, 2014

SUMMARY OF POLICY - Flexible Premium Universal Life

Policy Date	Aug 24, 2010	
Face Amount	\$1,000,000.00	Death Benefit Option 1 - Level Planned Premium \$13,456.00 Payable ANNUALLY
Less Loan Insurance Benefit	\$1,000,000.00	

This statement covers the period from Aug 24, 2013 to Aug 23, 2014

POLICY VALUE

Opening Balance as of Aug 24, 2013	\$22,590.83	
Total Premiums Received	\$13,456.00	←
Premium Charge	\$1,076.48-	
Cost of Insurance	\$5,040.24-	
Cost of Suppl. Benefits	\$0.00	
Administrative Charge	\$120.00-	
Contract Charge	\$2,042.40-	
Interest	\$1,435.56	←
Partial Withdrawals	\$0.00	
Pro-rata Surrender Charges	\$0.00	
Policy Benefits Credited	\$0.00	
Policy Value as of Aug 23, 2014	\$29,203.27	

SURRENDER VALUE

Surrender Charge as of Aug 23, 2014	\$14,846.29-
Cash Surrender Value	\$14,356.98
Less Closing Loan Balance Interest Accrued	
Net Cash Surrender Value as of Aug 23, 2014	\$14,356.98

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IN-FORCE UNIVERSAL LIFE INSURANCE PROJECTION (If I Die or When I Die?)

John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Flexible Premium Universal Life Insurance Policy

Inforce Snapshot Illustration

Illustration Assumptions

Male - Preferred NonSmoker

Age: 59

Issue Date: 08/24/2010

Current Death Benefit \$1,000,000

Current Face Amount \$1,000,000

Billing Mode: Annual

Death Benefit Option 1; Guideline Premium Test

State: Wisconsin

Policy Year	Planned Premium	Net Outlay	Guaranteed at a rate of 2.50%			Non-Guaranteed at a rate of 4.70%			
			Policy Value	Net Surrender Value	Net Death Benefit	Net Outlay	Policy Value	Net Surrender Value	Net Death Benefit
5	13,456	13,456	28,680	15,182	1,000,000	13,456	35,655	22,157	1,000,000
6	13,456	13,456	26,165	14,017	1,000,000	13,456	42,164	30,016	1,000,000
7	13,456	13,456	22,027	11,230	1,000,000	13,456	48,588	37,791	1,000,000
8	13,456	13,456	16,163	6,714	1,000,000	13,456	54,450	45,001	1,000,000
9	13,456	13,456	8,458	360	1,000,000	13,456	59,576	51,477	1,000,000
10	13,456	13,456	0	0	1,000,000	13,456	64,075	57,327	1,000,000
15	13,456	13,456	0	0	1,000,000	13,456	95,335	95,335	1,000,000
20	13,456	13,456	0	0	1,000,000	13,456	126,759	126,759	1,000,000
25	13,456	13,456	0	0	1,000,000	13,456	142,588	142,588	1,000,000
30	13,456					13,456	122,180	122,180	1,000,000
35	13,456					##	##	##	##

1. Current policy year values reflect the status of your policy as of 08/24/2014. All future values are projected based on these policy values.

2. All illustrated values (including those labeled as guaranteed) assume that all illustrated premiums will be paid and that they will be paid at the beginning of each year. Policy values, cash surrender values and death benefits are end of year values. Only values labeled as guaranteed will be guaranteed contractually in your policy. The Guaranteed interest rate will not be less than 2.50%. Guaranteed values also reflect maximum charges.

3. Illustrated scale values are not guaranteed and are based on current cost of insurance charges and an interest rate of 4.70% which are both subject to change. Actual results may be more or less favorable.

Indicates that the policy has lapsed under the illustrated assumption.

The Policy lapses in month 11 of year 29 under the Guaranteed illustrated assumption and in month 12 of year 35 under the Non-Guaranteed illustrated assumption. Additional premium will be required to maintain policy benefits.

This is your Inforce Snapshot Illustration and is valid only if all illustration pages are included.

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IN-FORCE ILLUSTRATION FOR UNIVERSAL LIFE WITH NO-LAPSE GUARANTEES

John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Flexible Premium Adjustable Life Insurance Policy

Protection UL-G

Guaranteed and Nonguaranteed Values

Illustration Assumptions

Current Death Benefit \$155,000

Male - Preferred NonSmoker

Age: 59

State: Wisconsin

Issue Date: 05/18/2010

Policy Year	EOY Age	Planned Premium	End of Year Guaranteed Assumptions 3.00% Guaranteed Rate, Guaranteed Charges			End of Year Non-Guaranteed Assumptions 4.50% Initial Current Rate, Current Charges		
			Policy Value	Net Surrender Value	Net Death Benefit	Policy Value	Net Surrender Value	Net Death Benefit
4	63	0	33,666	28,763	155,000	34,093	29,190	155,000
5	64	0	32,690	28,137	155,000	33,648	29,095	155,000
6	65	0	31,488	27,286	155,000	33,152	28,949	155,000
7	66	0	30,038	26,185	155,000	32,627	28,775	155,000
8	67	0	28,319	24,816	155,000	32,072	28,569	155,000
9	68	0	26,310	23,159	155,000	31,484	28,332	155,000
10	69	0	23,975	21,174	155,000	30,861	28,060	155,000
11	70	0	21,279	18,828	155,000	30,202	27,751	155,000
12	71	0	18,140	16,039	155,000	29,505	27,404	155,000
13	72	0	14,483	12,732	155,000	28,767	27,015	155,000
14	73	0	10,146	8,745	155,000	27,985	26,584	155,000
15	74	0	5,031	3,980	155,000	27,158	26,107	155,000
16	75	0	0	0	155,000	26,104	25,404	155,000
17	76	0	0	0	155,000	24,708	24,357	155,000
18	77	0	0	0	155,000	22,897	22,897	155,000
19	78	0	0	0	155,000	20,585	20,585	155,000
20	79	0	0	0	155,000	17,666	17,666	155,000
21	80	0	0	0	155,000	14,009	14,009	155,000
22	81	0	0	0	155,000	9,629	9,629	155,000
23	82	0	0	0	155,000	4,401	4,401	155,000
24	83	0	0	0	155,000	0	0	155,000
25	84	0	0	0	155,000	0	0	155,000
26	85	0	0	0	155,000	0	0	155,000
27	86	0	0	0	155,000	0	0	155,000
28	87	0	0	0	155,000	0	0	155,000
29	88	0	0	0	155,000	0	0	155,000
30	89	0	0	0	155,000	0	0	155,000

Indicates that the policy has lapsed under the illustrated assumption. Additional premium would be required to maintain policy benefits.

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John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Flexible Premium Adjustable Life Insurance Policy

Guaranteed and Nonguaranteed Values (cont'd)

Protection UL-G

Illustration Assumptions

Male - Preferred NonSmoker
Age: 59

Current Death Benefit \$155,000

Issue Date: 05/18/2010

State: Wisconsin

Policy Year	EOY Age	Planned Premium	End of Year Guaranteed Assumptions 3.00% Guaranteed Rate, Guaranteed Charges			End of Year Non-Guaranteed Assumptions 4.50% Initial Current Rate, Current Charges		
			Policy Value	Net Surrender Value	Net Death Benefit	Policy Value	Net Surrender Value	Net Death Benefit
31	90	0	0	0	155,000	0	0	155,000
32	91	0	0	0	155,000	0	0	155,000
33	92	0	0	0	155,000	0	0	155,000
34	93	0	0	0	155,000	0	0	155,000
35	94	0	0	0	155,000	0	0	155,000
36	95	0	0	0	155,000	0	0	155,000
37	96	0	0	0	155,000	0	0	155,000
38	97	0	0	0	155,000	0	0	155,000
39	98	0	0	0	155,000	0	0	155,000
40	99	0	0	0	155,000	0	0	155,000
41	100	0	0	0	155,000	0	0	155,000
42	101	0	0	0	155,000	0	0	155,000
43	102	0	0	0	155,000	0	0	155,000
44	103	0	0	0	155,000	0	0	155,000
45	104	##	##	##	##	##	##	##

Indicates that the policy has lapsed under the illustrated assumption. Additional premium would be required to maintain policy benefits.

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IN-FORCE WHOLE LIFE ILLUSTRATION (Dividends Used to Pay Future Premiums)



Whole Life
Inforce Life Insurance Illustration

Policy: **Whole Life Policy**
Base Policy Face Amount: **\$260,000**

Total Current Annual Premium: **\$7,512.00**

Policy Issue Date: **December 1, 2005**

Tabular Values

Dividend Option: Dividends used to purchase Paid-Up Additions. Dividends are not guaranteed and are subject to significant fluctuations over the lifetime of the policy. Changes in dividends will change all Non-Guaranteed values shown in this illustration.

							---Non-Guaranteed Values---				
Year	Age End Year	Contract Premium Beg Year	Guaranteed Cash Value End Year	Guaranteed Death Benefit End Year	Annual Surrender Beg Year	Annual Net Outlay Beg Year	Annual Dividend End Year	Cash Value of Additions End Year	Total Cash Value End Year	Paid-Up Additions End Year	Total Death Benefit End Year
8	61		39,528	260,000	0		1,738	6,780	46,308	13,234	273,234
9	62	7,512	46,121	260,000	0	7,512	2,162	9,132	55,254	17,339	277,339
10	63	7,512	52,770	260,000	0	7,512	2,623	12,006	64,776	22,187	282,187
11	64	7,512	59,449	260,000	0	7,512	3,025	15,353	74,802	27,630	287,630
12	65	7,512	66,152	260,000	0	7,512	3,338	19,093	85,245	33,484	293,484
13	66	7,512	72,857	260,000	0	7,512	3,771	23,351	96,208	39,933	299,933
14	67	7,512	79,573	260,000	0	7,512	4,243	28,175	107,748	47,014	307,014
15	68	7,512	86,302	260,000	7,512	+	4,260	25,423	112,193	41,419	301,887
16	69	7,512	93,051	260,000	7,512	+	4,290	22,627	116,684	36,009	297,015
17	70	7,512	99,824	260,000	7,512	+	4,322	19,786	121,223	30,776	292,388
18	71	7,512	106,597	260,000	7,512	+	4,373	16,925	125,810	25,744	288,032
19	72	7,512	113,350	260,000	7,512	+	4,508	14,128	130,509	21,029	284,061
20	73	7,512	120,042	260,000	7,512	+	4,729	11,485	134,728	16,741	279,942
21	74	7,512	126,238	260,000	7,512	+	5,546	9,600	139,204	13,715	277,082
22	75	7,512	132,267	260,000	7,512	+	6,372	8,500	144,296	11,914	275,442
23	76	7,512	138,117	260,000	7,512	+	7,210	8,217	150,018	11,309	274,993
24	77	7,512	143,793	260,000	7,512	+	8,040	8,757	156,385	11,845	275,680
25	78	7,512	149,321	260,000	7,512	+	8,860	10,126	163,427	13,471	277,452
26	79	7,512	154,731	260,000	7,512	+	9,659	12,316	171,173	16,123	280,249
27	80	7,512	160,048	260,000	7,512	+	10,298	15,177	179,494	19,563	283,832
28	81	7,512	165,261	260,000	7,512	+	10,945	18,725	188,394	23,779	288,186
29	82	7,512	170,355	260,000	7,512	+	11,634	23,011	197,908	28,803	293,345
30	83	7,512	175,279	260,000	7,512	+	12,384	28,097	208,051	34,690	299,365
31	84	7,512	179,985	260,000	7,512	+	12,555	33,409	218,193	40,717	305,517
32	85	7,512	184,454	260,000	7,512	+	12,733	38,946	228,320	46,893	311,812
33	86	7,512	188,682	260,000	7,512	+	12,913	44,706	238,419	53,220	318,251
34	87	7,512	192,702	260,000	7,512	+	13,267	50,859	248,699	59,903	325,041
35	88	7,512	196,555	260,000	7,512	+	13,499	57,287	259,042	66,794	331,994
36	89	7,512	200,296	260,000	7,512	+	13,673	63,936	269,432	73,823	339,023
37	90	7,512	203,996	260,000	7,512	+	13,783	70,748	279,944	80,913	346,113

+ Dividends are used to buy paid-up additions for 6 more years. Thereafter contractual premiums, which are due in all years are paid from dividends and paid-up additions, as needed. If actual dividends are lower than assumed in the illustration, additional cash payments will likely be required. If cash premium payments have stopped payments may have to be resumed at a later date.

Non-guaranteed values include dividends which are neither estimates nor guarantees, but are based on the 2013 dividend scale. The dividend scale is reviewed annually and it is likely that dividends in future years will be lower or higher depending on the Company's actual experience. Due to this fact, we strongly recommend that you look at a hypothetical lower scale illustration available upon request.

Refer to the Narrative Summary for assumptions, explanations and additional information.

E-11

Lincoln VUL^{ONE}
A Hypothetical Life Insurance Illustration
Flexible Premium Variable Life Insurance Policy



Presented by: John C. Zimdars Jr.

Summary Values

Age: 58
 Sex: Male
 Class: Preferred Plus

Initial Death Benefit: \$180,000
 Initial Death Benefit Opt: Level
 Payment Mode: Annual
 Riders: ABR

This section shows how the specific premium and benefit design are illustrated to perform hypothetically using non-guaranteed assumptions. The hypothetical values shown below are based on the assumed rates of return, cost of insurance rates, charges for M & E risk and administrative expenses. The assumptions on which they are based are subject to change and actual results may be more or less favorable.

End of Year	Age	Rate of Return of 7.00% Gross, 6.35% Net Assumes Current Charges				Rate of Return of 0.00% Gross, -0.65% Net Assumes Current Charges			
		Net Annual Outlay(1)	Surrender Value	-----Death Benefit-----		Net Annual Outlay(1)	Surrender Value	-----Death Benefit-----	
				Illustrated	Guaranteed			Illustrated	Guaranteed
1	59	46,510	35,808	180,000	180,000	46,510	32,785	180,000	180,000
2	60	0	37,250	180,000	180,000	0	31,163	180,000	180,000
3	61	0	38,706	180,000	180,000	0	29,514	180,000	180,000
4	62	0	40,184	180,000	180,000	0	27,841	180,000	180,000
5	63	0	41,681	180,000	180,000	0	26,138	180,000	180,000
6	64	0	43,207	180,000	180,000	0	24,413	180,000	180,000
7	65	0	44,755	180,000	180,000	0	22,654	180,000	180,000
8	66	0	46,322	180,000	180,000	0	20,853	180,000	180,000
9	67	0	47,902	180,000	180,000	0	19,000	180,000	180,000
10	68	0	49,494	180,000	180,000	0	17,089	180,000	180,000
11	69	0	52,152	180,000	180,000	0	15,890	180,000	180,000
12	70	0	56,126	180,000	180,000	0	15,823	180,000	180,000
13	71	0	60,064	180,000	180,000	0	15,523	180,000	180,000
14	72	0	63,968	180,000	180,000	0	14,975	180,000	180,000
15	73	0	67,843	180,000	180,000	0	14,169	180,000	180,000
16	74	0	71,694	180,000	180,000	0	13,089	180,000	180,000
17	75	0	74,538	180,000	180,000	0	10,725	180,000	180,000
18	76	0	77,455	180,000	180,000	0	8,132	180,000	180,000
19	77	0	80,448	180,000	180,000	0	5,286	180,000	180,000
20	78	0	83,527	180,000	180,000	0	2,168	180,000	180,000
21	79	0	87,014	180,000	180,000	0	0	180,000	180,000
22	80	0	90,654	180,000	180,000	0	0	180,000	180,000
23	81	0	94,478	180,000	180,000	0	0	180,000	180,000
24	82	0	98,499	180,000	180,000	0	0	180,000	180,000
25	83	0	102,729	180,000	180,000	0	0	180,000	180,000
26	84	0	107,009	180,000	180,000	0	0	180,000	180,000
27	85	0	111,339	180,000	180,000	0	0	180,000	180,000
28	86	0	115,720	180,000	180,000	0	0	180,000	180,000
29	87	0	120,131	180,000	180,000	0	0	180,000	180,000
30	88	0	124,581	180,000	180,000	0	0	180,000	180,000

(1) Net Annual Outlay is Annual Premium Outlay plus estimated taxes if applicable, less loans and withdrawals. Please refer to the After Tax Outlay report for additional information.

NOTE: If your illustration shows a positive value under the heading "Guaranteed Death Benefit", the ONE Rider is providing guaranteed life insurance protection in that policy year.

This illustration is not indicative of any particular investment or performance. Return and principal value may fluctuate so when withdrawn it may be worth more or less than the original cost. Past performance is no guarantee of future results.

E-12

INSURANCE COMPANY
FINANCIAL RATINGS

	<u>2008</u>	<u>August 2010</u>	<u>September 2014</u>
<u>Standard & Poor's</u>	A- (7)	BB- (13)	B+ (14)
<u>Moody's</u>	A3 (7)	Ba2 (12)	not rated
<u>Fitch</u>	A+ (5)	BB+ (11)	not rated

IN-FORCE SECOND-TO-DIE WHOLE LIFE (Alternate Premium Payment Option)



John Hancock Life Insurance Company (U.S.A.)

Tabular values - guaranteed and illustrated scale

Survivorship (1989) B84-98

female, age 67, non-smoker
standard class

male, age 72, non-smoker
rated class

Guaranteed Values

**Not Guaranteed Values
at illustrated scale**

Policy year	Guaranteed Values					Not Guaranteed Values at illustrated scale			
	Contract premiums (\$)	Premiums you pay (\$)	Policy values used to pay premiums (\$)	Total cash value (\$)	Total death benefit (\$)	Premiums you pay (\$)	Policy values used to pay premiums (\$)	Total cash value (\$)	Total death benefit (\$)
23	19,815	19,815	0	261,140	600,000	19,815	0	261,140	600,000
2014-24	19,815	*	19,815	198,615	600,000	*	19,815	261,106	600,000
25	19,815	19,815	0	130,467	600,000	19,815	0	286,565	600,000
26	19,815	19,815	0	106,563	332,488	19,815	0	313,616	600,000
27	19,815	19,815	0	110,562	204,308	19,815	0	343,072	600,000
28	19,815	19,815	0	114,932	198,881	19,815	0	375,146	600,000
29	19,815	19,815	0	119,780	193,026	19,815	0	410,211	600,000
30	19,815	19,815	0	125,204	186,336	19,815	0	450,293	600,000
31	19,815	6,162	13,653	131,492	150,000	*	19,815	456,200	600,000
32	19,815	6,162	13,653	141,177	150,000	*	19,815	394,552	600,000
33	0	0	0	150,000	150,000	0	0	217,597	600,000

E-14

NO FURTHER PREMIUMS

SURVIVORSHIP ESTATE DESIGN
A Survivorship Flexible Premium Adjustable Life Insurance Policy
 ReliaStar Life Insurance Company



INFORCE ILLUSTRATION

Prepared for:

Female, Issue Age 66,

Policy Date: 6/7/1995

Male, Issue Age 69,

State of Issue: Wisconsin

Premiums are paid at the beginning of the year. The Accumulated Value, Cash Surrender Value and Net Death Benefit are shown as of the end of each policy year.

Yr	End of Yr Age	Premium Outlay	Accumulated Value	GUARANTEED		NON-GUARANTEED ILLUSTRATED		
				Cash Surrender Value	Net Death Benefit	Accumulated Value	Cash Surrender Value	Net Death Benefit
				4.50% Interest Rate Maximum Charges		4.50% Interest Rate Current Charges		
18	84 87	0	116,412	107,492	2,000,000	196,816	187,896	2,000,000
* 19	85 88	0	0	0	0	172,850	168,650	2,000,000
20	86 89	0	0	0	0	143,102	143,102	2,000,000
		0						
21	87 90	0	0	0	0	106,832	106,832	2,000,000
22	88 91	0	0	0	0	63,426	63,426	2,000,000
23	89 92	0	0	0	0	11,692	11,692	2,000,000
* 24	90 93	0	0	0	0	0	0	0
		0						

* Year 19, Month 7 (December 2013)

In the event that the guaranteed costs were deducted and the guaranteed interest rate was paid from 12/5/2012 forward, the policy would lapse and cannot be illustrated beyond the year shown. Additional premiums would be required to continue the coverage.

* Year 24, Month 3 (August 2018)

Based on current costs and the assumed interest rate illustrated, the policy would lapse unless additional premiums are paid.

IN-FORCE SECOND-TO-DIE UNIVERSAL LIFE Scenario #2
 (Level Annual Premium Projected to Continue Policy to Female's Age 101)

\$54,927/YEAR PREMIUM PROJECTED TO

AGE 101

A Survivorship Flexible Premium Adjustable Life Insurance Policy

INFORCE ILLUSTRATION

Prepared for:

Female, Issue Age 66,

Male, Issue Age 69,

State of Issue: Wisconsin

Premiums are paid at the beginning of the year. The Accumulated Value, Cash Surrender Value and Net Death Benefit are shown as of the end of each policy year.

Yr	End of Yr Age	Premium Outlay	Accumulated Value	GUARANTEED 4.50% Interest Rate Maximum Charges		NON-GUARANTEED ILLUSTRATED 4.50% Interest Rate Current Charges		
				Cash Surrender Value	Net Death Benefit	Accumulated Value	Cash Surrender Value	Net Death Benefit
18	84 87	0	116,412	107,492	2,000,000	196,816	187,896	2,000,000
* 19	85 88	54,927	0	0	0	228,432	224,232	2,000,000
20	86 89	54,927	0	0	0	257,947	257,947	2,000,000
21	87 90	54,927	0	0	0	285,156	285,156	2,000,000
22	88 91	54,927	0	0	0	310,039	310,039	2,000,000
23	89 92	54,927	0	0	0	332,154	332,154	2,000,000
24	90 93	54,927	0	0	0	351,624	351,624	2,000,000
25	91 94	54,927	0	0	0	368,154	368,154	2,000,000
26	92 95	54,927	0	0	0	381,410	381,410	2,000,000
27	93 96	54,927	0	0	0	391,207	391,207	2,000,000
28	94 97	54,927	0	0	0	396,919	396,919	2,000,000
29	95 98	54,927	0	0	0	397,838	397,838	2,000,000
30	96 99	54,927	0	0	0	392,164	392,164	2,000,000
31	97 100	54,927	0	0	0	376,448	376,448	2,000,000
32	98 101	54,927	0	0	0	343,838	343,838	2,000,000
33	99 102	54,927	0	0	0	279,722	279,722	2,000,000
34	100 103	54,927	0	0	0	150,893	150,893	2,000,000
35	101 104	54,927	0	0	0	1,000	1,000	2,000,000

* Year 19, Month 10 (March 2014)

In the event that the guaranteed costs were deducted and the guaranteed interest rate was paid from 12/5/2012 forward, the policy would lapse and cannot be illustrated beyond the year shown. Additional premiums would be required to continue the coverage.

IN-FORCE SECOND-TO-DIE UNIVERSAL LIFE Scenario #3
(Resume Prior Premiums) New Baseline Illustration

RESUMING \$30,000/YEAR PREMIUM

SURVIVORSHIP ESTATE DESIGN
A Survivorship Flexible Premium Adjustable Life Insurance Policy
ReliaStar Life Insurance Company



INFORCE ILLUSTRATION

Prepared for:

Female, Issue Age 66,

Male, Issue Age 69,

State of Issue: Wisconsin

Premiums are paid at the beginning of the year. The Accumulated Value, Cash Surrender Value and Net Death Benefit are shown as of the end of each policy year.

Yr	End of Yr Age	Premium Outlay	Accumulated Value	GUARANTEED 4.50% Interest Rate Maximum Charges		NON-GUARANTEED ILLUSTRATED 4.50% Interest Rate Current Charges		
				Cash Surrender Value	Net Death Benefit	Accumulated Value	Cash Surrender Value	Net Death Benefit
	18 84 87	0	116,412	107,492	2,000,000	196,816	187,896	2,000,000
*	19 85 88	30,000	0	0	0	203,295	199,095	2,000,000
	20 86 89	30,000	0	0	0	206,008	206,008	2,000,000
	21 87 90	30,000	0	0	0	204,507	204,507	2,000,000
	22 88 91	30,000	0	0	0	198,507	198,507	2,000,000
	23 89 92	30,000	0	0	0	187,223	187,223	2,000,000
	24 90 93	30,000	0	0	0	170,440	170,440	2,000,000
	25 91 94	30,000	0	0	0	147,434	147,434	2,000,000
	26 92 95	30,000	0	0	0	117,368	117,368	2,000,000
	27 93 96	30,000	0	0	0	79,505	79,505	2,000,000
	28 94 97	30,000	0	0	0	32,499	32,499	2,000,000
*	29 95 98	30,000	0	0	0	0	0	0

* Year 19, Month 8 (January 2014)

In the event that the guaranteed costs were deducted and the guaranteed interest rate was paid from 12/5/2012 forward, the policy would lapse and cannot be illustrated beyond the year shown. Additional premiums would be required to continue the coverage.

* Year 29, Month 9 (February 2024)

Based on current costs and the assumed interest rate illustrated, the policy would lapse unless additional premiums are paid.

IN-FORCE ILLUSTRATION TO UPDATE & COMPARE WITH NEW BASELINE
2014 – One Year Later

SURVIVORSHIP ESTATE DESIGN
A Survivorship Flexible Premium Adjustable Life Insurance Policy
ReliaStar Life Insurance Company



INFORCE ILLUSTRATION

Prepared for:

Female, Issue Age 66,

Male, Issue Age 69,

State of Issue: Wisconsin

Premiums are paid at the beginning of the year. The Accumulated Value, Cash Surrender Value and Net Death Benefit are shown as of the end of each policy year.

Yr	End of Yr Age	Premium Outlay	Accumulated Value	GUARANTEED 4.50% Interest Rate Maximum Charges		NON-GUARANTEED ILLUSTRATED 4.50% Interest Rate Current Charges		
				Cash Surrender Value	Net Death Benefit	Accumulated Value	Cash Surrender Value	Net Death Benefit
19	85 88	0.00	188,148	183,948	2,000,000	203,103	198,903	2,000,000
2014 * 20	86 89	<u>30,000.00</u>	0	0	0	205,613	205,613	2,000,000
21	87 90	30,000.00	0	0	0	203,894	203,894	2,000,000
22	88 91	30,000.00	0	0	0	197,658	197,658	2,000,000
23	89 92	30,000.00	0	0	0	186,121	186,121	2,000,000
24	90 93	30,000.00	0	0	0	169,062	169,062	2,000,000
25	91 94	<u>30,000.00</u>	0	0	0	145,755	145,755	2,000,000
26	92 95	30,000.00	0	0	0	115,361	115,361	2,000,000
27	93 96	30,000.00	0	0	0	77,135	77,135	2,000,000
28	94 97	30,000.00	0	0	0	29,728	29,728	2,000,000
* 29	95 98	<u>30,000.00</u>	0	0	0	0	0	0

* Year 20, Month 11 (April 2015)

In the event that the guaranteed costs were deducted and the guaranteed interest rate was paid from 4/8/2014 forward, the policy would lapse and cannot be illustrated beyond the year shown. Additional premiums would be required to continue the coverage.

* Year 29, Month 9 (February 2024)

Based on current costs and the assumed interest rate illustrated, the policy would lapse unless additional premiums are paid.

This illustration is not valid without all pages.

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IN-FORCE SECOND-TO-DIE UNIVERSAL LIFE Scenario #4
(Reduced Death Benefit to Extend the Duration Beyond Age 100)

SURVIVORSHIP ESTATE DESIGN
A Survivorship Flexible Premium Adjustable Life Insurance Policy
ReliaStar Life Insurance Company



INFORCE ILLUSTRATION

Prepared for:

Female, Issue Age 66,

Male, Issue Age 69.

State of Issue: Wisconsin

Premiums are paid at the beginning of the year. The Accumulated Value, Cash Surrender Value and Net Death Benefit are shown as of the end of each policy year.

Yr	End of Yr Age	Premium Outlay	Accumulated Value	GUARANTEED		NON-GUARANTEED ILLUSTRATED		
				Cash Surrender Value	Net Death Benefit	Accumulated Value	Cash Surrender Value	Net Death Benefit
				4.50% Interest Rate Maximum Charges		4.50% Interest Rate Current Charges		
18	84 87	0	171,160	165,206	1,335,000	196,381	190,427	1,335,000
19	85 88	30,000	65,880	63,076	1,335,000	214,741	211,937	1,335,000
* 20	86 89	30,000	0	0	0	231,664	231,664	1,335,000
21	87 90	30,000	0	0	0	247,005	247,005	1,335,000
22	88 91	30,000	0	0	0	260,736	260,736	1,335,000
23	89 92	30,000	0	0	0	272,553	272,553	1,335,000
24	90 93	30,000	0	0	0	282,513	282,513	1,335,000
25	91 94	30,000	0	0	0	290,401	290,401	1,335,000
26	92 95	30,000	0	0	0	295,975	295,975	1,335,000
27	93 96	30,000	0	0	0	299,080	299,080	1,335,000
28	94 97	30,000	0	0	0	299,276	299,276	1,335,000
29	95 98	30,000	0	0	0	296,057	296,057	1,335,000
30	96 99	30,000	0	0	0	288,198	288,198	1,335,000
31	97 100	30,000	0	0	0	273,379	273,379	1,335,000
32	98 101	30,000	0	0	0	247,005	247,005	1,335,000
33	99 102	30,000	0	0	0	199,288	199,288	1,335,000
34	100 103	30,000	0	0	0	107,960	107,960	1,335,000
35	101 104	30,000	0	0	0	1,699	1,699	1,335,000

* Year 20, Month 7 (December 2014)

In the event that the guaranteed costs were deducted and the guaranteed interest rate was paid from 2/22/2013 forward, the policy would lapse and cannot be illustrated beyond the year shown. Additional premiums would be required to continue the coverage.

Mrs. Client

Age 75

Amount of Insurance: \$3,300,000

Owner & Beneficiary: Two Irrevocable Life Insurance Trusts

<u>Current Policies –</u>	<u>Trust #1 Whole Life</u>	<u>Trust #2 Whole Life</u>	<u>Total</u>
Death Benefit	\$1,000,000	\$2,300,000 whole life/term blend	\$3,300,000
Original Premium at Purchase	\$ 2,006	\$ 30,000	\$ 32,006
Current Premium:	\$ 2,006 projected	\$ 41,089 projected	\$ 43,095

<u>Alternative Life Insurance –</u>	<u>Trust #1 Universal Life with No Lapse Guarantees</u>	<u>Trust #2 Universal Life with No Lapse Guarantees</u>	<u>Total</u>
Death Benefit	\$1,145,000	\$2,155,000	\$3,300,000
Premium	\$ -0- guaranteed to age 110	\$ 23,000 guaranteed level to age 110	\$ 23,000

E-20

ENDOWED ANNUAL GIFT EXAMPLE

6 years of gifts of \$6,000 per year = endowment at 4% (When I Die)

John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Flexible Premium Adjustable Life Insurance Policy

Guaranteed and Nonguaranteed Values

Protection UL-G

Presented By: John C. Zimdars, CLU ChFC

Illustration Assumptions

Initial Death Benefit \$155,000

Male - Preferred NonSmoker
Age: 59

State: Wisconsin

Policy Year	EOY Age	End of Year Guaranteed Assumptions 3.00% Guaranteed Rate, Guaranteed Charges				End of Year Non-Guaranteed Assumptions 4.50% Current Rate, Current Charges		
		Planned Premium	Policy Value	Net Surrender Value	Net Death Benefit	Policy Value	Net Surrender Value	Net Death Benefit
1	60	35,741	33,555	27,601	155,000	33,890	27,937	155,000
2	61	0	33,024	27,420	155,000	33,881	28,277	155,000
3	62	0	32,346	27,093	155,000	33,746	28,493	155,000
4	63	0	31,487	26,584	155,000	33,452	28,549	155,000
5	64	0	30,416	25,864	155,000	32,968	28,416	155,000
6	65	0	29,114	24,911	155,000	32,433	28,231	155,000
7	66	0	27,553	23,701	155,000	31,867	28,014	155,000
8	67	0	25,716	22,214	155,000	31,267	27,764	155,000
9	68	0	23,579	20,427	155,000	30,632	27,480	155,000
10	69	0	21,103	18,302	155,000	29,960	27,158	155,000
Totals:								
11	70	0	18,255	15,803	155,000	29,248	26,797	155,000
12	71	0	14,948	12,847	155,000	28,495	26,394	155,000
13	72	0	11,106	9,354	155,000	27,698	25,947	155,000
14	73	0	6,561	5,161	155,000	26,854	25,453	155,000
15	74	0	1,214	163	155,000	25,960	24,910	155,000
16	75	0	0	0	155,000	24,835	24,135	155,000
17	76	0	0	0	155,000	23,361	23,010	155,000
18	77	0	0	0	155,000	21,463	21,463	155,000
19	78	0	0	0	155,000	19,054	19,054	155,000
20	79	0	0	0	155,000	16,026	16,026	155,000
Totals:								
21	80	0	0	0	155,000	12,246	12,246	155,000
22	81	0	0	0	155,000	7,728	7,728	155,000
23	82	0	0	0	155,000	2,345	2,345	155,000
24	83	0	0	0	155,000	0	0	155,000
25	84	0	0	0	155,000	0	0	155,000
26	85	0	0	0	155,000	0	0	155,000
27	86	0	0	0	155,000	0	0	155,000
28	87	0	0	0	155,000	0	0	155,000
29	88	0	0	0	155,000	0	0	155,000
30	89	0	0	0	155,000	0	0	155,000
Totals:								

Indicates that the policy has lapsed under the illustrated assumption. Additional premium would be required to maintain policy benefits.

This is your Basic Illustration and is valid only if all illustration pages are included.

Version: 6.2H[0-24592-3584-532480]

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John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Flexible Premium Adjustable Life Insurance Policy

Guaranteed and Nonguaranteed Values (cont'd)

Protection UL-G

Presented By: John C. Zimdars, CLU ChFC

Illustration Assumptions

Male - Preferred NonSmoker
Age: 59

Initial Death Benefit \$155,000

State: Wisconsin

Policy Year	EOY Age	Planned Premium	End of Year Guaranteed Assumptions 3.00% Guaranteed Rate, Guaranteed Charges			End of Year Non-Guaranteed Assumptions 4.50% Current Rate, Current Charges		
			Policy Value	Net Surrender Value	Net Death Benefit	Policy Value	Net Surrender Value	Net Death Benefit
31	90	0	0	0	155,000	0	0	155,000
32	91	0	0	0	155,000	0	0	155,000
33	92	0	0	0	155,000	0	0	155,000
34	93	0	0	0	155,000	0	0	155,000
35	94	0	0	0	155,000	0	0	155,000
36	95	0	0	0	155,000	0	0	155,000
37	96	0	0	0	155,000	0	0	155,000
38	97	0	0	0	155,000	0	0	155,000
39	98	0	0	0	155,000	0	0	155,000
40	99	0	0	0	155,000	0	0	155,000
Totals:								
41	100	0	0	0	155,000	0	0	155,000
42	101	##	##	##	##	##	##	##
Totals:								

Indicates that the policy has lapsed under the illustrated assumption. Additional premium would be required to maintain policy benefits.

This is your Basic Illustration and is valid only if all illustration pages are included.

Version: 6.2H[0-24592-3584-532480]

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68. May a charitable contribution deduction be taken for the gift of a life insurance policy or premium? May a charitable contribution deduction be taken for the gift of a maturing annuity or endowment contract?

Yes, subject to the limits on deductions for gifts to charities.

The amount of any charitable contribution must be reduced by the amount of gain that would have represented ordinary income to the donor had the donor sold the property at its fair market value.¹ Gain realized from the sale of a life insurance contract is taxed to the seller as ordinary income (Q 20). Therefore, the deduction for a gift of a life insurance policy to a charity is restricted to the donor's cost basis in the contract when the value of the contract exceeds the premium payments. Thus, if a policy owner assigns the policy itself to a qualified charity, or to a trustee with a charity as irrevocable beneficiary, the amount deductible as a charitable contribution is either the value of the policy or the policy owner's cost basis, whichever is less (Q 90).² It is not necessary, however, to reduce the amount of the contribution where, by reason of the transfer, ordinary income is recognized by the donor in the same taxable year in which the contribution is made.³ Letter Ruling 9110016, which denied a charitable deduction where a policy was assigned to a charity that had no insurable interest under state law, was revoked after the taxpayer decided not to proceed with the transaction.⁴

Premium payments also are deductible charitable contributions if a charitable organization or a trustee of an irrevocable charitable trust owns the policy.⁵ It is not settled whether premium payments made by the donor to the *insurer* to maintain a policy given to the charity, instead of making cash payments directly to the *charity* in the amount of the premiums, are gifts to the charity or merely gifts *for the use* of the charity. The difference is important when the donor wishes to take a charitable deduction of more than thirty percent of the donor's adjusted gross income. Where the policy is merely assigned to a charitable organization as security for a note, the premiums are not deductible even though the note is equal to the face value of the policy and is payable from the proceeds at either insured's death or maturity of the policy. The reason is that the note could be paid off and the policy recovered after the insured has obtained charitable deductions for the premium payments. A corporation, as well as an individual, can take a charitable contribution deduction for payment of premiums on a policy that has been assigned to a charitable organization.⁶

69. May a charitable contribution deduction be taken for a gift of an interest in a split dollar arrangement?

No deduction is allowed for a transfer to a charitable organization made after February 8, 1999, if in connection with the transfer the charitable organization directly or indirectly pays, or has previously paid, any premium on any "personal benefit contract" with respect to the transferor. Further, no deduction is allowed if there is an understanding or expectation that any

1. IRC Sec. 170(e)(1)(A).

2. See *Behrend v. Comm.*, 23 BTA 1037 (1931), *acq.* X-2 CB 5; *Tuttle v. U.S.*, 350 F. Supp. 484 (1969).

3. Treas. Reg. §1.170A-4(a).

4. Let. Rul. 9147040.

5. *Hunton v. Comm.*, 1 TC 821 (1943); *Behrend v. Comm.*, 23 BTA 1037 (1931); Let. Ruls. 8708083, 8304068.

6. Rev. Rul. 58-372, 1958-2 CB 99.

Life Policy

Summary on 12/13/2012

Client Information

Total Death Benefit	\$749,252
Net Death Benefit	749,252
Total Cash Value	\$482,848.54
Net Surrender Value	482,848.54
Available for Loan	468,838.38
Tax Income if Surr.	161,016.27

VALUES MAY CHANGE BASED ON DATE OF DEATH

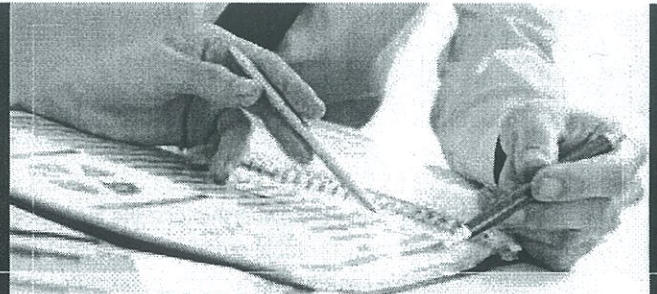
Cost Basis = \$321,832.27

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John Hancock

LIFE INSURANCE

BECAUSE YOU ASKED



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Charitable Planning with Life Insurance

It's better to give than to receive – It's even better to give *and* to receive

Q Does the donor of a life insurance policy receive an income tax deduction if the beneficiary designation is irrevocably made to a charity?

A No. A current income tax deduction is unavailable, even if the beneficiary designation is irrevocable. Furthermore, contract rights to change the beneficiary designation may be limited by the insurance carrier. In order to obtain a current income tax deduction, the charity must become the owner and beneficiary of the policy.

Q What is the value of the income tax deduction a donor receives by making a gift of a life insurance policy to charity?¹

- For a new policy (in the first year), the deduction is generally the initial premium.
- For an in-force policy (two years or more), the deduction is equal to the lesser of the donor's basis in the policy or fair market value.

Q Is an appraisal required when donating a life insurance policy to charity?

A It depends. If an income deduction is sought by the donor and the amount claimed or reported as a deduction with respect to donated property exceeds \$5,000, the taxpayer is required to substantiate such donation with a "qualified appraisal" as provided by Treas. Reg. sec 1.170A-13(c). If no income tax deduction is sought, a qualified appraisal on property donated to charity is not necessary.

Q Is a receipt required for charitable gifts to obtain an income tax deduction?

A For a gift to charity with a value of \$250 or more (whether the gift is a cash gift or gift of property), the IRS requires the donor to have a statement from the charity showing:

- (1) the amount of money contributed and a description (but not the value) of any property donated, and
- (2) whether the organization provided any goods or services in return for the donor's contribution. If goods or services were received, a description and estimate of the value must be included.

In determining whether the donor needs to obtain this receipt from the charity or not, separate donations should not be combined. For example, if the donor gave \$25 to his church each week for a total of \$1,300, donor could treat each \$25 donation as a separate gift for which a receipt would not be required.

If a receipt is required, donor must obtain the receipt from the charity by the date he files his return or his return is due, whichever is earlier. See IRC sec 170(f)(8). The date of the receipt is important as demonstrated by a recent tax court case (*Durden v. Comm'r*, TC Memo 2012-140), which denied taxpayer a deduction for charitable gifts of over \$250 because a proper receipt was not obtained from the charity within the time allotted.

Q When transferring the ownership of a life insurance policy with a loan to a charitable organization, what is the value of the charitable contribution for income tax purposes?

A Gifts of a policy with a loan will be deemed a part gift/part sale when made to a charity. Unlike gifts to non-charitable beneficiaries, the donor must allocate his/her basis between the gift portion and the sale portion. Thus, only the amount of the donor's adjusted basis, which is apportioned to the gift to charity, may be considered a deductible charitable contribution. For example, assume a 10 year old policy with a basis of \$500,000 and a fair market value of \$2,000,000, and a loan of \$1,500,000. The basis would be allocated as follows: 1) The gift portion would be \$125,000, 2) and the bargain sale portion would be \$375,000. In this case, the value of the charitable contribution reported on Schedule A of Form 1040 would be only \$125,000. Therefore, the donor of the policy will recognize ordinary income on the loan amount up to the gain on the policy, or \$1,125,000 in this example (\$1,500,000–\$375,000).²

Q Is life insurance a permissible funding source in a charitable remainder trust (CRT)?³

A Yes, both single life and second-to-die life insurance policies can be purchased in a charitable remainder trust. However, one of the most common and effective methods to buy a single life insurance policy in a CRT is to insure the life of the older spouse in a joint CRT. Upon death of the older spouse, the CRT may be able to pay the surviving spouse an increased income amount as a result of the receipt of death benefits. However, consideration must be given to the IRS position in PLR9227017, where the IRS stated that the death benefit must be allocable to the charitable remainder paid to the charity. This may mean that only a Net Income Charitable Remainder Unitrust (NICRUT) or a Net Income with Makeup Charitable Remainder Unitrust (NIMCRUT) is acceptable.

Q Is it unreasonable to use life insurance in an ILIT to replace wealth transferred through a Charitable Remainder Annuity Trust (CRAT) or a Charitable Remainder Unitrust (CRUT)?

A No, it is tax effective for a donor to transfer appreciated assets to a charitable remainder annuity or unitrust because the assets can be sold by the trust without a capital gains tax. The annual pay-out from the trust (minimum of 5%) can be used to purchase life insurance in a "wealth replacement trust" (WRT). The funds available from the wealth replacement trust can be used to replace the assets transferred to the CRAT/CRUT. Keep in mind that the economics of the transaction will only work if the donor is charitably inclined.

Q Can life insurance be used in a Charitable Lead Trust (CLT)?

A Yes, life insurance can be an attractive funding source for a CLT. However, a number of important considerations must be kept in mind. First, it is essential to have sufficient additional assets in the trust to be sure that enough assets will be available to pay the annual minimum of 5% income amount to charity. Secondly, it is important to make sure that no income is ever applied to pay the life insurance premiums.⁴ This may include tracing income that is accumulated and added to principal and never used to pay premium. Lastly, an attorney should review IRC section 170(f)(10) to determine its applicability to the ownership of life insurance by a CLT.

Q Does a charity have insurable interest over a donor's life?

A Generally, yes. State insurable interest rules permit the charity to own a policy on a donor's life in most states. Check local state statutes for any specific limitations.

Q For financial underwriting purposes is it sufficient for the insured to merely be a donor to a charity?

A Generally, no. In order for the insurer to insure a donor there must be a history of giving to the charity or a history of raising funds for the charity or the insured should be a key employee of the charity.

Q Can the insured lend money to the charity (known as private financing) to purchase a policy?

A No. The use of private financing is not permissible under the charitable split dollar rules of IRC 170(f)(10). In addition, doing private financing with a private foundation would be not permissible, as it would be considered self-dealing.

Q Can the charity use third-party premium financing to help it purchase life insurance on the insured's life?

A Assuming the charity has an insurable interest to purchase the policy under a State's insurable interest rules, the charity may borrow funds and use them to purchase a life insurance policy. However, Congress has been looking at this issue in the context of concerns over Investor Owned Life Insurance (IOLI). There does not appear to be any immediate issue with regard to unrelated business taxable income (UBTI) because the cash value in the policy grows on a tax-deferred basis. However, it is important to avoid creating Modified Endowment Contracts (MECs) in this type of transaction. Withdrawals and loans from a MEC in a gain position are accorded LIFO treatment vs. FIFO treatment under IRC Section 72. Therefore, UBTI will be generated immediately upon such withdrawals/loans.⁵

1. Please see Internal Revenue Code (IRC) Section 170 for specific rules regarding charitable deductions. If you donate property that has a fair market value less than your cost basis, your deduction is generally limited to the lower fair market value.
2. Because of self-dealing and/or jeopardizing investment rules that may apply, the charity should consider whether it is a prudent investment to continue the ongoing premium payments on the policy, if applicable, and for how long, or whether or not surrendering the policy may provide a higher benefit.
3. Trusts should be drafted by an attorney familiar with such matters in order to take into account income and estate tax laws (including the generation-skipping transfer tax). Failure to do so could result in adverse tax treatment of trust proceeds.
4. If income from a CLT is used to purchase life insurance, the CLT may be characterized as a grantor trust, in which case the trust principal (and any life insurance) may be includible in the grantor's taxable estate and trust income will be taxable to the grantor.
5. 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. Cash value available for loans and withdrawals may be more or less than originally invested.

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