



Buy Term and Invest The Difference

Myth vs. Reality

Your clients may think that it makes the most financial and economic sense to buy term insurance coverage and to invest the difference in premium between a permanent insurance policy and a term insurance policy in a side fund. By doing this they are essentially self-funding the death benefit amount through investments. However, there are a number of misconceptions to consider:

Myth It is more economical to buy term insurance and invest the difference in premiums in a side fund.

Reality Not necessarily. Although in the short term and at younger ages term insurance requires less cash flow to fund needed protection, term coverage is not flexible enough to accommodate your client's changing needs across the lifespan. What's more, your client will inevitably drop the term coverage when it becomes prohibitively expensive to maintain, and when the side fund may not be sufficient to provide protection when it is needed most. Permanent insurance protection, on the other hand, can be designed to last for lifetime.

Myth Your clients will be disciplined enough to invest the difference and manage the investment.

Reality Statistically, this is not the case. The results of an internet poll conducted by Harris Poll Online found that about 75% of term policyholders in reality do NOT invest the difference.

Myth Those policyholders who do invest continue to invest during their lifetime.

Reality Statistically, this is not the case. According to the Harris Poll only 10% out of 24% of policyholders who do invest will continue to invest the premium savings.

Myth Mutual funds perform better than a life insurance policy.

Reality Not necessarily. When considering the net results of buying term insurance and investing the premium savings, it is important to consider the net cost of permanent insurance coverage and the cash value accumulation potential as compared to the net rate of return, and all the fees and taxes that apply to an investment fund, including:

- Management Fees
- Group Fees
- Performance Fees
- Administrative Fees
- 12(b)-1 Fees
- Brokerage Costs
- Interest Cost
- Front-End Sales Loads
- Back-End Sales Loads
- Transaction Fees
- Redemption Fees
- Account Maintenance Fees
- Bid-Ask Spreads

Myth Investment fees are always less than the cost of insurance.

Reality Not always. It is important to compare the cost of insurance with the tax cost of an alternative investment.

Myth Mutual funds grow tax-deferred.

Reality The cash values of a permanent life insurance policy also grow tax-deferred¹ and may be accessed on a tax-free basis.² And when assets are transferred from one fund to another inside a life insurance policy, the transfers may be tax-free (subject to limitations as outlined in the prospectus). At least once a year a mutual fund will declare a dividend that may translate into a tax cost to your clients. And when a fund manager actively manages the fund through the sale of securities, your clients share in the tax cost of the sale.

Myth A permanent life insurance policy does not have many investment funds from which to choose.

Reality Clients can choose from more than 80 funds in John Hancock's Variable Universal Life Insurance Products. To simplify fund election, John Hancock offers the Lifestyle Portfolios, a managed grouping of funds for a given level of risk that may help your client to diversify risk.

Myth Investments cannot be controlled in a life insurance policy.

Reality In fact, the John Hancock Variable Universal life insurance policy has options to manage investments that include the following:

- Dollar cost averaging³
- 12 tax-free fund transfers per year
- Automatic rebalancing
- Lifestyle portfolios

What Your Clients Should Consider When Evaluating Term and Permanent Insurance Policies

- What are your client's overall objectives – college funding, retirement saving or estate or business planning?
- How long will the life insurance protection be needed?
- Are taxes an issue?
- Is supplemental retirement income needed?
- Does your client want to leave funds for his or her heirs?

Please contact 1-888-266-7498, option 2 to obtain a product and a fund prospectus, or if you are interested in obtaining a selling agreement with John Hancock Distributors LLC. The prospectuses contain complete details on investment objectives, risks, fees, charges and expenses as well as other information about the investment company. Please advise your clients to read the prospectuses carefully and to consider the details outlined in the prospectuses before investing. Product and/or product features may not be available in all states.

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- 1 The policy's cash values will reflect the investment performance of the accounts to which it is allocated or will earn interest at the current crediting rate if allocated to the fixed account. Investment advisory fees and expenses will continue to be deducted if the policy value is invested in the investment funds. Loan interest on any outstanding loans will continue to be charged.
- 2 In order for distributions from the cash values of a life insurance policy to be tax-free, withdrawals up to basis in the policy can be taken first. Thereafter, policy loans can be taken on a tax-free basis. However, policy withdrawals and loans will reduce the policy death benefit and cash values available. Loans from the policy will also be subject to loan interest charges, further reducing the policy's death benefit and cash value.
- 3 Dollar cost averaging does not assure a profit and does not protect against loss in declining markets. Since a dollar cost averaging approach to investing involves continuous investments in securities regardless of fluctuating price levels of such securities, a purchaser should consider his or her ability to continue such purchases through periods of time or through low price levels before implementing the approach. Consult the prospectus for further information.



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