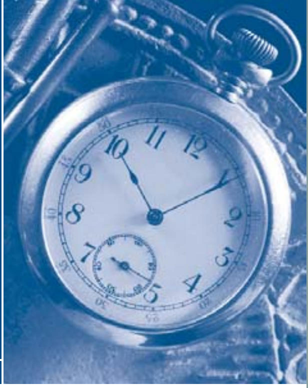
John Hancock
LIFE INSURANCE



Client Profile
The Dynasty Trust

CLIENT PROFILE	
Age:	60 or older, usually with grown children and grandchildren or other heirs
Status:	Wealthy individuals who face an estate tax liability at death.
Concern:	Desire to give substantial wealth to children and grandchildren, protect assets from creditors' claims and minimize the effect of transfer taxes on future generations.

HOW A DYNASTY TRUST WORKS

- **Fund a Dynasty Trust with Life Insurance.** Establish a multi-generational Irrevocable Life Insurance Trust (ILIT), known as a Dynasty Trust, to provide a future benefit to children, grandchildren, and possibly great-grandchildren.[1] The trust will retain the policy proceeds for the benefit of several generations (usually for the maximum period allowable under state law). The trust should receive the policy death benefit free of estate and income tax. The trustee will have discretion to make distributions to the beneficiaries from the trust assets, subject to the terms of the trust.

- **Allocate GSTT Exemption to Gifts to the Trust.** The grantor(s) can make annual exclusion gifts to the Dynasty Trust, and if necessary, use the $1,000,000 lifetime gift exemption if there are not enough annual exclusions available to fund the trust. The grantors should also allocate GSTT exemption to all of the lifetime gifts to the trust on a gift tax return each year, to keep the entire trust exempt from GSTT.[2] In 2006, the GSTT exemption is $2,000,000 per person. Allocating GSTT exemption to a trust funded with a life insurance policy can significantly leverage the benefits of multigenerational planning, and the gifts to the trust will reduce the grantors potential estate tax liability.

BENEFITS OF A DYNASTY TRUST

- **Shelter the Insurance Death Benefit from Estate Tax and GSTT.** Having the property in trust and allocating GSTT exemption to gifts to the trust will keep the assets exempt from estate and gift taxes in future generations. If the trust is properly administered and the insured's available GSTT exemption covers all lifetime gifts to the trust, the entire death benefit will be estate tax and GSTT free for the life of the trust.

- **Heirs Receive Substantially Greater Assets.** The insured's grandchildren, great grandchildren and even possibly great-great grandchildren will often receive substantially greater assets if the policy proceeds are held in a Dynasty Trust, rather than in a traditional ILIT. The insured's heirs will be able to receive distributions from the trust subject to certain limitations (such as health, education, maintenance and support), but the proceeds are intended to benefit several future generations.

- **Dynasty Trust Provides Non-Tax Advantages.** Keeping the policy proceeds in trust for several generations provides several important non-tax advantages. The trust can provide protection for the trust beneficiaries from creditors' claims (including the claims of a divorcing spouse), and the trustee will manage professional investment of the trust assets.

CASE STUDY: JOHN AND ALISON SMITH

John Smith (age 67) and his wife Alison (age 62) have a combined estate of $10,000,000. They are aware that they have an estate tax problem, and also would like to financially protect not only their two children but also their three grandchildren. They each have $60,000 available annual exclusions from gift tax, so together they could give up to $120,000 annually to their trust free of gift taxes. Also, neither of them has used their $2,000,000 GSTT exemptions yet.

John and Alison decide to create a Dynasty Trust. The trustee purchases John Hancock's new Protection Survivorship UL-G (Protection SUL-G) product insuring John and Alison, with a face amount of $5,000,000. At their ages, the annual premium will be $99,383 for 15 years.[3] John and Alison will allocate their GSTT exemptions to their gifts to the trust, so the entire death benefit will be fully exempt from GSTT, and the trust assets should not be subject to estate tax for several generations.[4] The chart below demonstrates that by making gifts to a Dynasty Trust and properly allocating their GSTT exemptions, John and Alison can significantly increase the net amount to their heirs for several generations to come.

Property Available to Heirs (Net of Estate Tax)	Scenario 1 No Planning	Scenario 2 Lifetime Gifts to a Dynasty Trust/No Insurance	Scenario 3 Lifetime Gifts to a Dynasty Trust with Insurance
Year 25 For Children	$13,015,213	$14,700,156	**$16,636,624**
Year 41 For Grandchildren	$10,969,763	$15,545,769	**$19,172,736**
Year 65 For Great-Grandchildren	$12,653,477	$26,021,285	**$35,318,306**

Assumes assets remain in trust until the last generation. Estate and trust assets are assumed to grow at a rate of 4% after-tax per year. The data shown is taken from an illustration. It assumes a hypothetical interest crediting rate and may not be used to project or predict investment results.

1. 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.
2. In 2006-2008, the GSTT exemption is $2,000,000 per person. In 2009, it will be $3,500,000 per person.
3. This example assumes that John and Alison are both superpreferred, nonsmokers and are Florida residents. Products and features may not be available in all states. Guaranteed product features are dependent upon minimum premium requirements and the claims-paying ability of the issuer.
4. Clients making annual exclusion gifts to a Dynasty Trust should generally allocate GSTT exemption to these gifts unless the gifts qualify under IRC Section 2642(c). When annual exclusion gifts are made to a Dynasty Trust, some estate planners suggest limiting these gifts to the greater of $5,000 or 5% of the trust estate per beneficiary. See IRC Section 2514(e).

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