

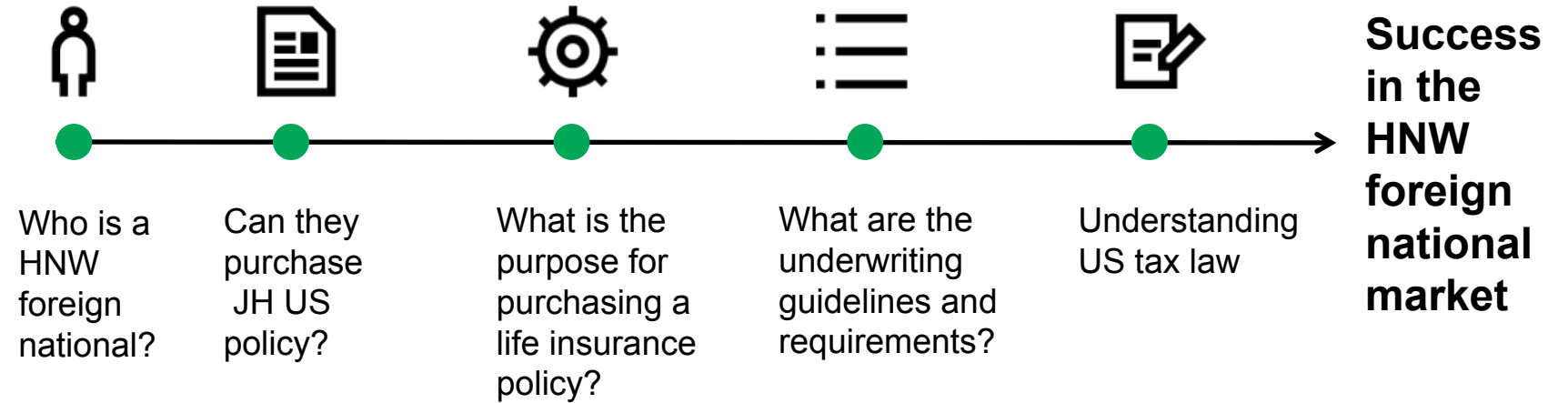
Focus on High Net Worth Foreign Nationals



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Navigating the complexities with HNW foreign nationals



Who is a HNW foreign national?



Has a global minimum net worth equivalent to \$5 million US or more



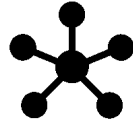
Resides outside of the US more than six months (183 days) each year



Has a “US Connection”/meaningful tie to the US

Qualifying for US life insurance

Foreign national clients must have the following physical and financial presence in the United States



US Nexus which may include:

- US real estate or business
- Presence of immediate family members in the US



An existing US financial presence, including a US bank account



US assets to help justify coverage — The client must demonstrate a substantial US financial presence. The extent and nature of the client's US assets will be taken into consideration. The client must have a minimum of \$200k or 25% of the coverage amount applied for in US assets that are directly titled to the client or to a US entity connected to the client.

US connections guidelines



Owning real estate in the US



Owning a business in the US, or working for a US company



Having a US tax liability



Immediate family relations residing in the US (in addition to financial presence)

Additional requirements

Solicitation:

All solicitation must take place in the US, regardless of the country of residence

- Solicitation is defined as the entire new business process, e.g., illustration, application, completion of underwriting requirements including examinations and policy delivery (electronic delivery allowed)



Additional requirements (continued)



- In addition to US solicitation, the life insurance policy must be paid for from a US bank account



Policy e-Delivery availability

- Electronic delivery may be available if all other solicitation activities take place in the US
- Consult your underwriter for more details

Is your client a fit for John Hancock US life policy?

Use the following checklist to determine if your HNW “global” client has the necessary US connections to qualify for a US life insurance policy:

- ☑ Does the client demonstrate regular and physical US presence?
- ☑ Does the client have a US financial presence?
- ☑ Will the policy be solicited in the US?
- ☑ Will the policy be delivered in the US?
- ☑ Will the policy be paid in US dollars with a US bank account?



Reasons HNW Foreign Nationals buy US life insurance



Why a HNW foreign national may need a US life policy



Help preserve and protect wealth for future generations

Income replacement for HNW foreign nationals with high incomes

US estate taxes

Succession planning for US businesses

Why a HNW foreign national may need a US life policy

Help ensure wealth for future generations

- Help preserve and protect that their children, spouse, and loved ones are properly protected
- A US-based policy can help:
 - provide protection by offering liquidity to cover various debt obligations as well as taxes
 - preserve the wealth for generations to come

Selling point

Compared to US citizens and residents, a foreign national who is a “nonresident alien” can actually own a life insurance policy on his/her life outright without it being subjected to U.S. income or estate taxes

Why a HNW foreign national may need a US life policy

Income replacement for HNW foreign nationals with high incomes

- Many global HNW clients report large amounts of income
- Life insurance is frequently used in these situations to help replace the income lost from the death of a substantial wage earner

Selling point

The ability for foreign nationals to personally own the policy offers these clients the flexibility to develop a post-retirement income strategy as well as the security of death benefit protection

Why a HNW foreign national may need a US life policy

Estate taxes

- Depending on the client's status as either a nonresident alien or resident alien, a foreign national client may be subject to significant US estate taxes
- In addition they may be subject to taxes in their country of citizenship or residence (if not a citizen/resident of the US)
- At a minimum, care should be taken to understand the potential US tax exposure for these clients, including the different exemptions afforded to nonresident aliens vs. resident aliens and possible US taxation of worldwide assets

Selling point

Life insurance death benefit is generally income tax free in the US, meaning it can provide liquidity for heirs to pay US estate taxes

Why a HNW foreign national may need a US life policy

Succession planning for US businesses

- For those HNW global clients who have successful businesses – in the U.S or abroad – a properly structured buy-sell plan can help with business succession
- Ownership is very important with US life insurance

If a foreign client is contemplating an entity-owned buy-sell with US life insurance, the entity must be US based

Selling point

A John Hancock life insurance policy can provide the funding source that is critical to help ensure that the purchase and sale obligations required in the buy-sell agreement are met for a US business



Foreign National Estate Planning Considerations



Navigating the complexities of US estate and gift taxes

Estate and gift taxes are determined by the IRS-based on domicile

Defining “Domicile”

- Length of time in the US and abroad
- Size, cost and nature of individual’s house and other residences
- Visa status
- Location of individual’s business interests and voting records
- Location of decedent’s family and close friends

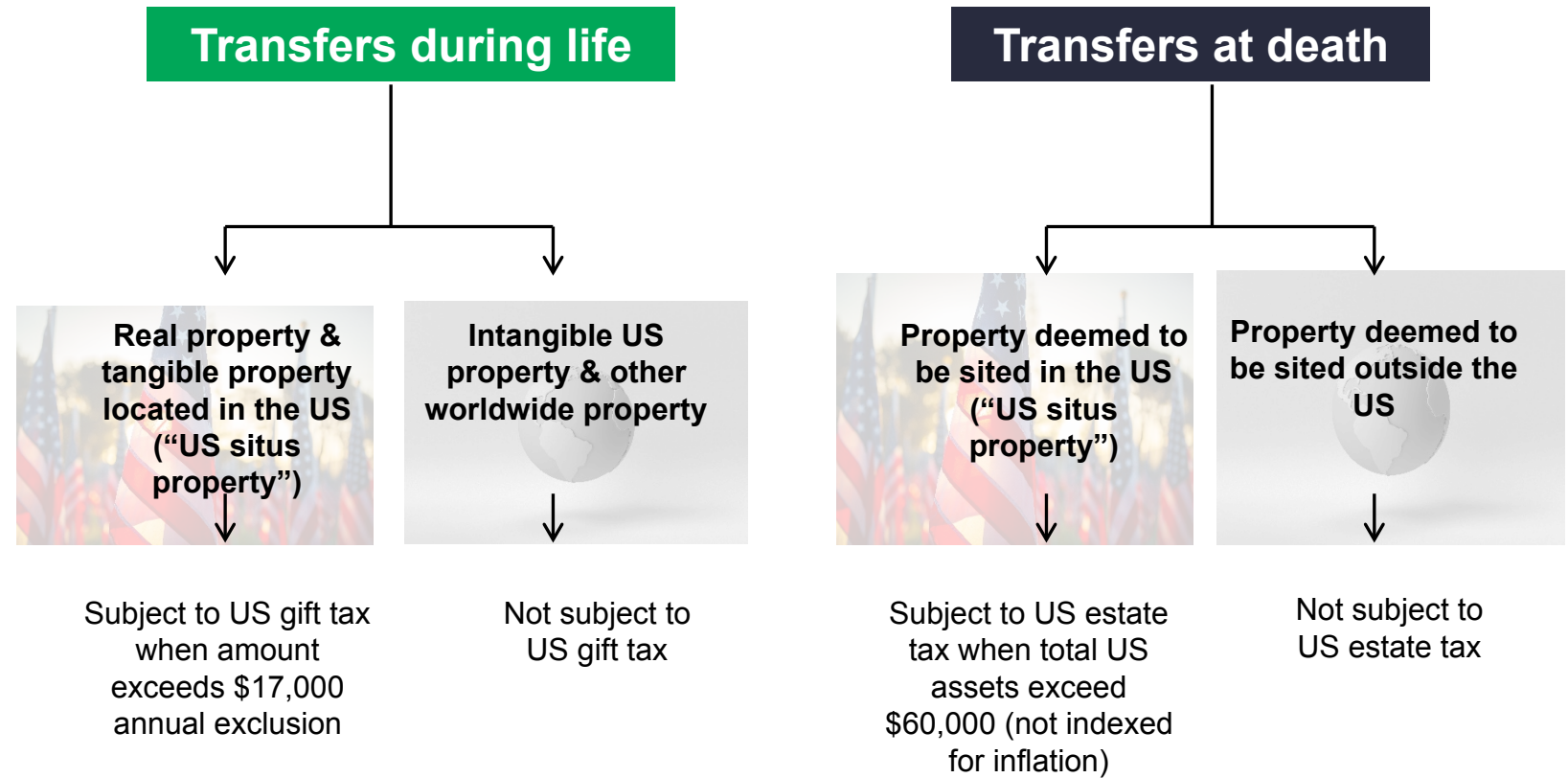
Navigating the complexities of US estate and gift taxes

Resident		Non-Resident
\$12.92M +	← Estate tax exemption →	\$60k
\$12.92M plus annual exclusion gifts	← Gift tax exemption →	Annual exclusion gifts only \$17k*
US & worldwide property	← Property subject to tax →	Only on US situs property
Yes	← ILIT needed to be excluded from estate taxes →	No

*Annual exclusion applies if gifts are made of U.S. based assets. It should be noted that gifts of foreign assets are non-taxable but must be reported if over \$100,000 if from an individual, different reporting rules apply if gifts from foreign corporations



Nonresident gift and estate tax flowchart



What is US situs property?

Generally includes



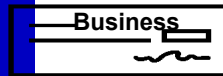
Real estate located in the **US**



Tangible personal property in the **US** (jewelry, antiques, artwork, etc.)



Shares of stock of a **US** corporation

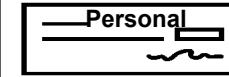


US bank deposits for trade or business



Retained of beneficial interest in a trust (includes foreign trusts)

Generally excludes



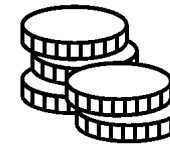
US personal bank deposits



Death benefit from a **US** life insurance policy on decedent's life



















Stock in companies incorporated **outside** of the US



Some **US** treasury debt obligations

Foreign National Estate Planning: Partnership/Marriage considerations

Transfer From	Transfer To	Lifetime Exemption	Annual Gift Exclusion	Marital Deduction
U.S. Citizen 	U.S. Citizen 	\$12,920,000	\$17,000	N/A
U.S. Citizen 	U.S. Citizen Spouse 	\$12,920,000	Unlimited	
U.S. Citizen 	Foreign National	\$12,920,000	\$17,000	N/A
U.S. Citizen 	Foreign National Spouse 	\$12,920,000	\$175,000	\$0
Resident Alien 	U.S. Citizen	\$12,920,000		
Resident Alien 	U.S. Citizen Spouse 	\$12,920,000	Unlimited	
Resident Alien 	Foreign National	\$12,920,000	\$17,000	N/A
Resident Alien 	Foreign National Spouse 	\$12,920,000	\$175,000	\$0
Non-Resident Alien	U.S. Citizen 	\$60,000	\$17,000*	
Non-Resident Alien	U.S. Citizen Spouse 	\$60,000	Unlimited	
Non-Resident Alien	Foreign National	\$60,000	\$17,000*	N/A
Non-Resident Alien	Foreign National Spouse 	\$60,000	\$175,000**--	\$0

Foreign National Case Studies

Case study 1

Help preserve and protect wealth for future generations

Amount offered?
\$10 million as applied for



- 55-year-old male, citizen of Argentina
- Applying for \$10 million
- Worldwide net worth \$15 million (\$3 million US, \$12 million foreign)
- Purpose of coverage — Wealth replacement
- Travels to US four weeks/year
- US connections— \$3 million brokerage account, & US bank account



In other countries death benefit

- capacity may be less than the US
- and/or may be more costly

- Does the client demonstrate regular and physical US presence?
- Does the client have a US financial presence?
- Will the policy be solicited in the US?
- Will the policy be delivered in the US?
- Will the policy be paid in US dollars with a US bank account?

Case study 2

Income replacement for HNW foreign nationals with high incomes



- 52-year-old male, citizen of Brazil
- Applying for \$5 million
- Worldwide net worth \$10 million (\$2 million US real estate, \$8 million foreign)
- Income \$750,000
- Three week-long trips to the US per year for business and has a US bank account with \$500k

Amount offered?
\$5 million as applied for



Client can consider overfunding a policy to cover income replacement in early years, and then in retirement can potentially use cash value for supplemental income

- Does the client demonstrate regular and physical US presence?
- Does the client have a US financial presence?
- Will the policy be solicited in the US?
- Will the policy be delivered in the US?
- Will the policy be paid in US dollars with a US bank account?

Case study 3

US estate taxes



- 46-year-old male, citizen of Brazil
- Applying for \$20 million
- Owner a British Virgin Island company
- Reports income of \$2.5 million, net worth of \$30 million
- US connections —\$ 150,000 US brokerage account (other assets not directly titled to client)
- Sometimes spends 1 month/year in the US but not consistent

Amount offered?
Declined due to ownership structure and lack of sufficient US connections

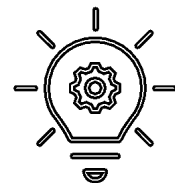
- ✗ Does the client demonstrate regular and physical US presence?
- ✗ Does the client have a US financial presence?
- ┌ Will the policy be solicited in the US?
- ┌ Will the policy be delivered in the US?
- ? Will the policy be paid in US dollars with a US bank account?

Case study 4

US estate taxes



- 60-year-old female, Mexico
- Applying for \$15 million
- Significant US business & real estate, potentially subject to US estate tax
- Worldwide net worth \$100 million, \$20 million in US businesses/real estate
- Owns a condo in the US & has a US bank account with \$1M



Let's explore

- 1) Estate Taxes
- 2) Ownership of the policy: Individual or Irrevocable Life Insurance Trust?

Amount offered?

\$15 million as applied for to cover estate taxes

- Does the client demonstrate regular and physical US presence?
- Does the client have a US financial presence?
- Will the policy be solicited in the US?
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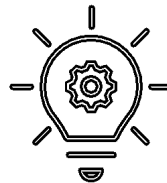
Case study 4 (continued)

- Does the client demonstrate regular and physical US presence?
- Does the client have a US financial presence?
- Will the policy be solicited in the US?
- Will the policy be delivered in the US?
- Will the policy be paid in US dollars with a US bank account?

What is the US estate tax exposure?



- 60-year-old female, Mexico
- Assuming Nonresident Alien--- her domicile is Mexico
- Worldwide net worth \$100 million, US net worth \$20 million



US net worth (not taxed on worldwide assets)	\$20,000,000
Tentative Federal Estate Tax (40%)	\$8,000,000
Less Credit	(\$13,000)
Net Estate Taxes	\$7,987,000
Net US Assets	\$12,013,000

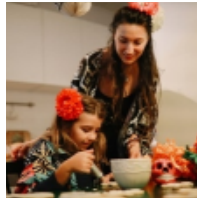
Case study 4 (continued)

- Does the client demonstrate regular and physical US presence?
- Does the client have a US financial presence?
- Will the policy be solicited in the US?
- Will the policy be delivered in the US?
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Ownership options of life insurance policy



- 60-year-old female, Mexico
- \$15 million life insurance policy



Individual Ownership

- US life insurance policy is **not** subject to US estate tax (Estate Situs Rule), can be personally owned and should not be included in her estate



ILIT Ownership

- Control/distribution of assets in trust
- If beneficiaries are US citizens may keep assets outside of their taxable estate

Case Study 4 (continued)

- Does the client demonstrate regular and physical US presence?
- Does the client have a US financial presence?
- Will the policy be solicited in the US?
- Will the policy be delivered in the US?
- Will the policy be paid in US dollars with a US bank account?

ILIT Funding Options



- 60-year-old female, Mexico
- \$15 million life insurance policy



Gifting

- *NRA limited to annual exclusion gifts of \$17k if gifting US situs property
- *No limit if using foreign assets



Premium Finance

- Reasons clients might consider premium finance
 - * Their assets or not liquid (i.e. real estate)
 - *The return on their own assets might be higher than that cost of borrowing
 - *Gifting is limited to interest rate due

ILIT Funding Options

IMPORTANT:

There are premium finance and foreign national parameters that need to be followed. All parties must be US entities, no foreign entities are allowed.

Case study 5

Succession planning for US businesses



- 46-year-old male, citizen of Ireland
- Manages international operations for a US company
- Earns \$500,000
- Company applying for \$5 million key man
- Travels to the US for business six weeks per year

Amount offered?
\$5 million as applied for

Guidelines for submitting a foreign national case

Underwriting requirements

- ① Foreign Resident Inquiry Form (NB5158) — submit with informal application
- ① A broker's cover letter of introduction, to include detailed travel information
- ① A completed Financial Supplement for Personal Insurance (NB5125)
OR
- ① Financial Supplement for Business Insurance (NB5124)
- ① Proof of identity (e.g., copy of passport or visa)
- ① Letter of reference from financial institution with account value and duration of relationship. If not provided, detailed account statements must be submitted to support the declarations on the Financial Supplement for Personal Insurance (NB5125) or Financial Supplement for Business Insurance (NB5124)

Foreign national parameters

General underwriting parameters:

Minimum issue age

20

Maximum issue age

75*

Minimum face amount

\$1M

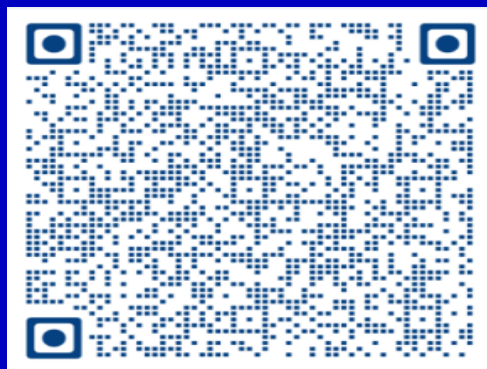
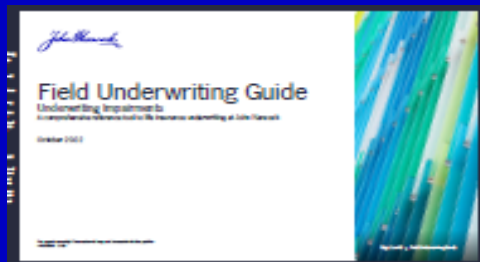
*Automatic capacity for C countries limited to issue age 70

For more
information, please
review our Field
Underwriting Guide



Capacity

For more information, please review our Field Underwriting Guide



Risk class available by country code

- Super preferred is best class available to A & B countries
- Preferred is best available for C countries
- Maximum mortality rating is 200%

Permanent coverage capacity

The following is a summary of available amounts, providing there is no additional coverage in force with John Hancock:

Country	Code	Best class	Capacity*	Retention	Jumbo
Dubai/UAE	A	Super Preferred	\$40,000,000	\$20,000,000	\$65,000,000
Panama	B	Super Preferred	\$40,000,000	\$20,000,000	\$65,000,000
Dominican Republic	B	Super Preferred	\$40,000,000	\$20,000,000	\$65,000,000
Canada	A	Super Preferred	\$25,000,000	\$10,000,000	\$65,000,000
China	A	Super Preferred	\$40,000,000	\$17,000,000	\$65,000,000

*Capacity subject to change. Capacity grades over age 70

Scenarios where coverage is not available



Underwriting for non-US residents

Please note the following scenarios where John Hancock does not offer coverage to foreign nationals:



Term products

Foreign nationals are not eligible for Term coverage except when a U.S. business is insuring them for key-person or business purposes. (Foreign residents who are U.S. citizens may qualify for Term insurance to be used for any purpose.)



Certain occupations

Clients in certain occupations, and in some cases their family members, are uninsurable – for example, politically exposed persons (PEPs) or their family members, government or military personnel, missionaries, journalists, diplomats, members of the judiciary, security personnel, and trade union officials.



Aviation

Individual policies may be offered to private pilots only, with an aviation exclusion; survivorship policies not available with aviation risk.



Riders

Your foreign national clients may not include underwritten riders in their life insurance coverage, e.g., Waiver of Monthly Deductions, Disability Payment of Specified Premium, Return of Premium, Increasing Supplemental Face Amount and Long-Term Care. In addition, currently the John Hancock Vitality Program (Healthy Engagement Rider) and John Hancock Term with Vitality are not available to foreign national clients.



Travel advisories

Coverage may not be available in any country with a travel warning or alert in effect.

Country classifications

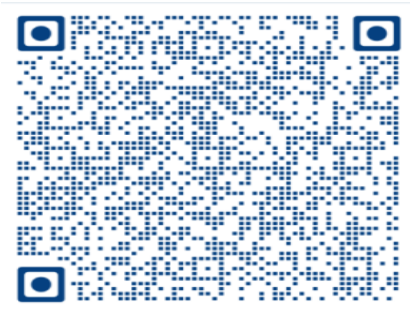
A	Andorra	British Virgin Islands	Czech Republic	Hong Kong, China (SAR)	Latvia	Monaco	Portugal	Sweden
	Anguilla	Brunei Darussalam	Denmark	Hungary	Liechtenstein	Netherlands	Qatar	Taiwan
	Aruba	Canada	Dominica	Iceland	Lithuania	New Zealand	San Marino	Turks & Caicos
	Australia	Canary Islands	Estonia	Ireland	Luxembourg	Norway	Saudi Arabia*	United Arab Emirates
	Austria	Cayman Islands	Finland	Israel*	Macau	Oman	Seychelles	United Kingdom
	Bahrain	Chile	France	Italy	Malta	Palau	Slovakia	United States
	Barbados	China*	Germany	Korea (Republic of)	Martinique	Poland	Slovenia	Uruguay
	Belgium	Costa Rica	Gibraltar	Kuwait			Spain	
	Bermuda	Cyprus	Greece					
B	Albania	Brazil	Grenada	Macedonia (former Republic of Yugoslav)	Morocco	Panama*	Saint Vincent and the Grenadines	Thailand*
	Antigua and Barbuda	Bulgaria	Guadeloupe	Malaysia	Netherland Antilles (Bonaire, Saba, Sint Eustatius)	Peru	Samoa	The former Yugoslav Republic of Macedonia
	Argentina	Croatia	Indonesia	Maldives	New Caledonia	Romania	Serbia	Trinidad and Tobago
	Armenia*	Curacao	Jamaica	Mauritius	Northern Mariana Islands	Saint Kitts and Nevis	Saint Marteen	Turkey*
	Bahamas	Dominican Republic	Jordan	Mexico*		Saint Lucia	Suriname	Viet Nam
	Bosnia and Herzegovina	Ecuador*	Kazakhstan	Montenegro				
	Botswana	French Polynesia						
C	Algeria	Cambodia	El Salvador	Ghana	Micronesia (Federated States of)	Namibia	Sao Tome and Principe	Tonga
	Bangladesh	Cape Verde	Fiji	Guatemala	Moldova (Republic of)	Paraguay	Senegal	Tunisia
	Belize	Colombia	French Guiana	Guyana	Mongolia	Philippines	Solomon Islands	Uzbekistan
	Bhutan	Cook Islands	Gabon	India	Montserrat	Rwanda	South Africa	Zambia
	Bolivia (Plurinational State of)	Egypt	Georgia	Kenya			Sri Lanka	

Country classifications and rates are subject to change at any time.

*There may be residency restrictions and/or exclusions in some areas.

Please contact a John Hancock Underwriting for details.

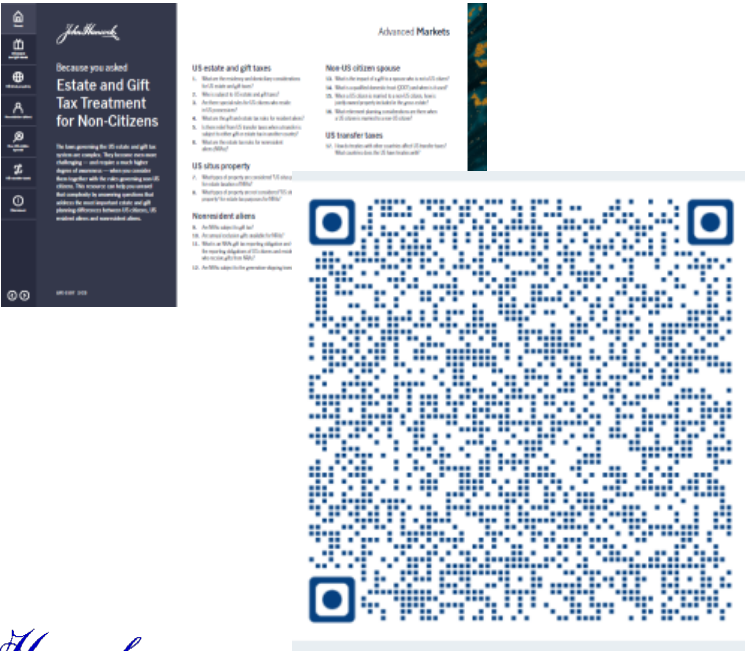
Note: if you do not see a country listed here, there would be no consideration.



Marketing materials and tools

Global High Net Worth Market

Step-by-step reference guide to help agents



Because You Asked: Estate and Gift Tax Treatment for Non-Citizens

Outlines the most important estate and gift planning differences between US citizens, US resident aliens and nonresident aliens. Can be shared with financial professionals (CPAs and attorneys).



Questions?

This material does not constitute tax, legal, investment or accounting advice and is not intended for use by a taxpayer for the purposes of avoiding any IRS penalty. Comments on taxation are based on tax law current as of the time we produced the material.

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

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.

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.

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 tax). Failure to do so could result in adverse tax treatment of trust proceeds. There can be costs associated with drafting a trust.

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