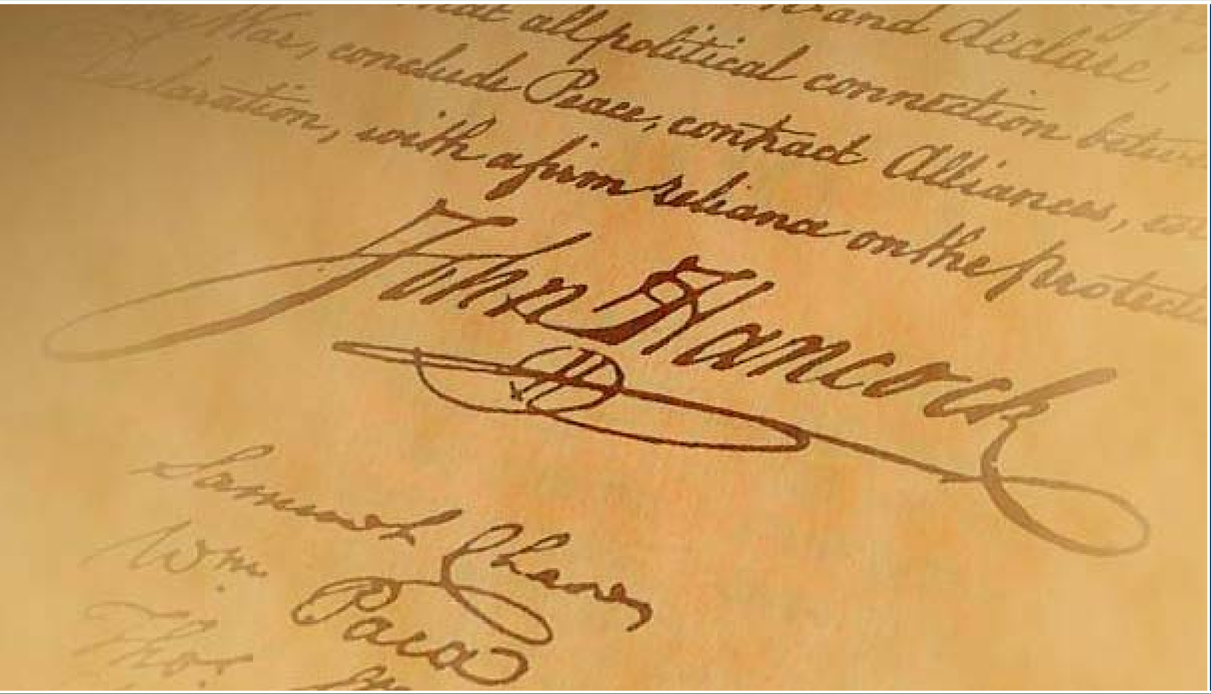
IRA

Mistakes and Opportunities



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Special Markets

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The IRA Rollover Market 2008

42% of U.S. wealth ($13.4 trillion) is in retirement-registered accounts

Total IRA rollover market	Annual IRA rollover
2006: $4 Trillion	**2006:** $273 Billion
2012: $7 Trillion	**2012:** $523 Billion
+ **$3** Trillion	+ **$250** Billion

People over the age of **55** control **70%** of "investable wealth"

When considering an annuity for use in an IRA, it's important to first inform your client of the material features of the contract, and to base your recommendation on your belief that the client would benefit from factors other than tax deferral, which is already provided by the IRA, and that the client is willing to incur the costs associated with the annuity to receive such benefits. Such factors may include availability of guaranteed payments for life, guaranteed death benefit, or access to specific portfolio choices.

Common IRA Mistakes

- Beneficiary designation mistakes
- Generation skipping tax
- No primary or contingent beneficiary
- IRA distributions to trusts
- No successor beneficiary
- Spousal continuation mistakes
- Failure to fully utilize estate tax exemption
- Failure to split IRAs
- Overlooking IRD
- Leaving money in qualified plans

No Designated Beneficiary

Subject IRA to probate

- Time
- Probate costs
- Estate administration issues

Loss of Stretch

- Die prior to RMDs—5-year payout
- Die after RMDs—remaining life expectancy
  - No more than a 15.3 year distribution

According to IRS Life Expectancy Tables.

Update Beneficiary Designation After Divorce

Divorce rate

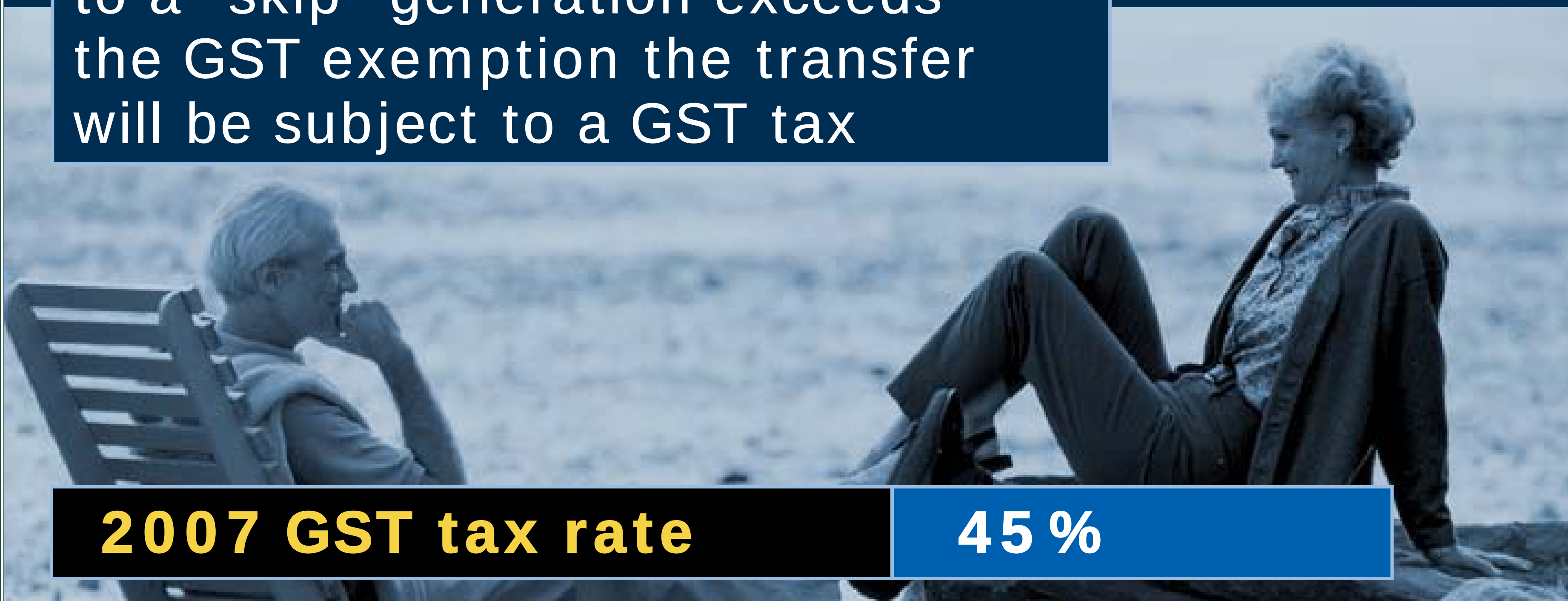
First Marriage is 41% *

Second Marriage is 60% *

* US Census Bureau.
US Department of Commerce – 2001

Grandchildren and GST Tax

To the extent total lifetime transfer to a "skip" generation exceeds the GST exemption the transfer will be subject to a GST tax



2007 GST tax rate	45%
2007 GST exemption	$2,000,000

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Trust As Beneficiary

Trust can be a beneficiary as long as:

1) The Trust is valid under state law;

2) The Trust is or will become irrevocable upon the death of the IRA owner;

3) The required beneficiary information is provided to the IRA administrator by October 31st of the year following the year of the IRA owner's death;

4) The beneficiaries of the Trust are clearly ascertainable.

Dangers With Naming Trust As Beneficiary

Trust must be drafted to be a "look through" Trust otherwise 5-year payout

Trust must be drafted to allow the greater of Trust income or RMD to be paid out to the Trust beneficiaries

To the extent Trust is not a mere conduit, any IRA assets remaining in Trust will be taxed at the Trust tax rates

35% for income above **$10,700** (for 2008)

Mistakes Made by Beneficiaries

Failure to name successor beneficiary

- Jane, age 30, inherits IRA and Stretches distribution over her lifetime — **53.3 years**
- Jane **unexpectedly dies** at age 43
- If no successor beneficiary, **5-year payout**
- If successor beneficiary named, the Stretch can continue for another **40.3 years**

Spousal Continuation Mistakes

Do not automatically make surviving spouse IRA owner if:

- Surviving spouse under age of 59½ and needs money
- Decedent younger than 70½, but surviving spouse over the age of 70½ and does not need money
- Estate Tax Exemption is not fully utilized

Estate Tax Exemption

Reason why many couples lose first exemption because they own most assets jointly or leave all assets to each other

Estate Tax Exemption	
2008	$2,000,000
2009	$3,500,000
2010	N/A
2011	$1,000,000

Pursuant to the IRS Estate Tax Tables.

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Hypothetical Estate Tax Example

Tom	**$2,500,000 IRA**
Linda	**$1,500,000 in own assets**
Linda	**Primary beneficiary of IRA**
Daughter	**Contingent beneficiary**

Tom dies in 2008

Hypothetical Estate Tax Example

Tom's Estate
$2,500,000

Unlimited marital estate tax deduction

No taxable estate

No estate taxes

Pursuant to the IRS Estate Tax Tables.

Hypothetical Estate Tax Example

Linda's estate
$4,000,000

$2,000,000 estate tax exemption (2008)

Taxable estate
$2,000,000

$900,000
estate taxes

Estate breakdown

- $1,500,000 own assets
- $2,500,000 inherited IRA

Linda dies before 2009

Pursuant to the IRS Estate Tax Tables.

Disclaim If Exemption Not Fully Used

Hypothetical example

Linda inherits Tom's $2,500,000 IRA

Linda will timely disclaim $2,000,000

Daughter receives $2,000,000

Linda will receive $500,000

Pursuant to the IRS Estate Tax Tables.

Disclaim If Exemption Not Fully Used

Hypothetical example

Tom's Estate

Tom's estate
$2,500,000

$2,000,000
estate tax exemption
(2007)

$500,000
marital estate
tax deduction

No taxable estate

No estate taxes

Linda's Estate After Disclaimer

Linda's estate
$2,000,000

$2,000,000 estate tax
exemption (2008)

No taxable estate

No estate taxes

Pursuant to the IRS Estate Tax Tables.

Income In Respect of Decedent

IRD is a valuable, and often overlooked, income tax deduction for the beneficiaries

IRD is income the decedent would have received had he or she not died

It's included in the decedent's taxable estate

Beneficiary gets income tax deduction equal to the estate tax attributable to the IRD

IRD Hypothetical Example

Owner dies with an IRA worth	$ 1,000,000
Estate tax attributable to IRA	$ 360,000
Beneficiary receives	$ 1,000,000
IRD deduction	($ 360,000)
Taxable portion of IRA	$ 640,000
Beneficiary is in 35% tax bracket	X .35
Total Tax on $1,000,000 IRA	**$ 224,000**
Total Savings with IRD Deductions	**$ 126,000**

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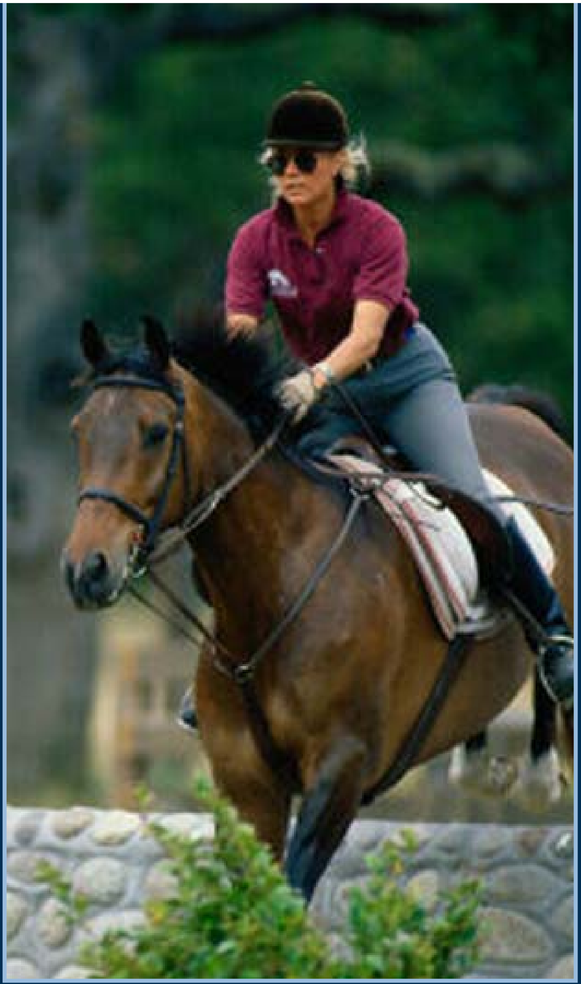
Keeping Money in Qualified Plans

- Limited investment options
- Most qualified plans are not "estate planning friendly"
- Rights under plan may change
- Access to assets limited
- Plan restrictions may apply



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Inherited IRA Decision Checklist

- If plan to disclaim, do so before taking any withdrawals
- Do not pay estate taxes from IRA-may cause estate to become beneficiary
- Don't overlook IRD deduction
- Set up inherited IRA properly
- Name successor Beneficiary
- Know deadlines
  - September 30, October 31, December 31
- Transfer inherited IRAs directly (no 60-day period)

IRA Rollover Opportunities

Plan document **review**

In-service **withdrawals**

Keogh plans

Local **HR** departments

Networking with Attorneys and CPAs

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Plan Document Review

Summary Plan Description (SPD)

- Distribution rights
- Stretch
- In-service withdrawals
- In-kind distribution of company stock

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401(k) In-service Withdrawals

Permitted in-service withdrawals include:

- Age 59½
- Prior rollover assets
- After tax contributions
- Employer contributions
- Five years of service

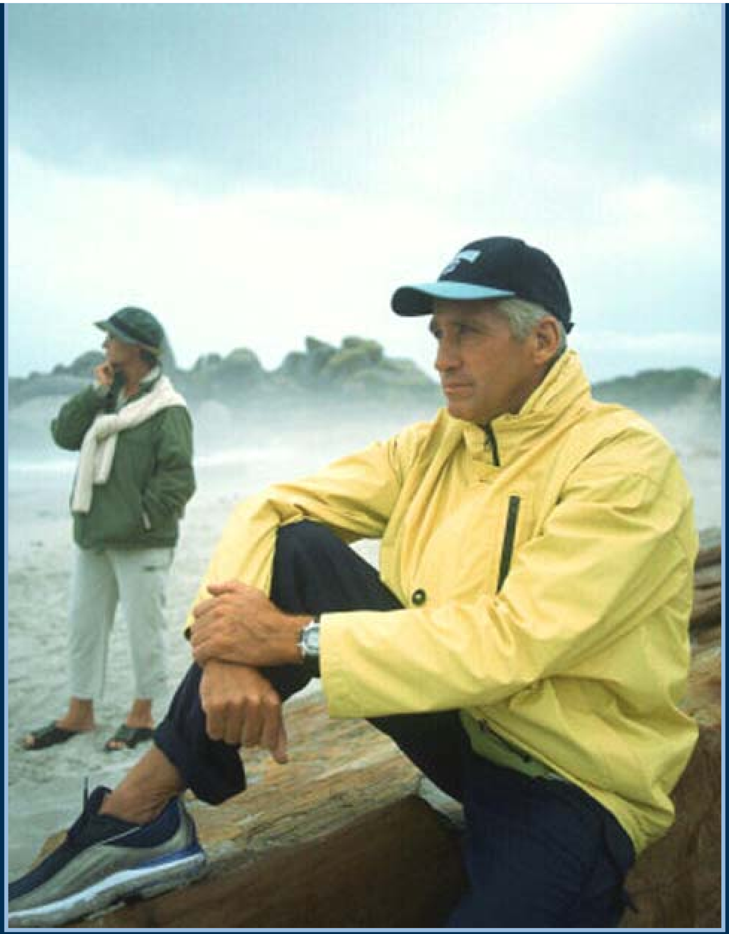
* William Mercer, 2001

Keogh Plans

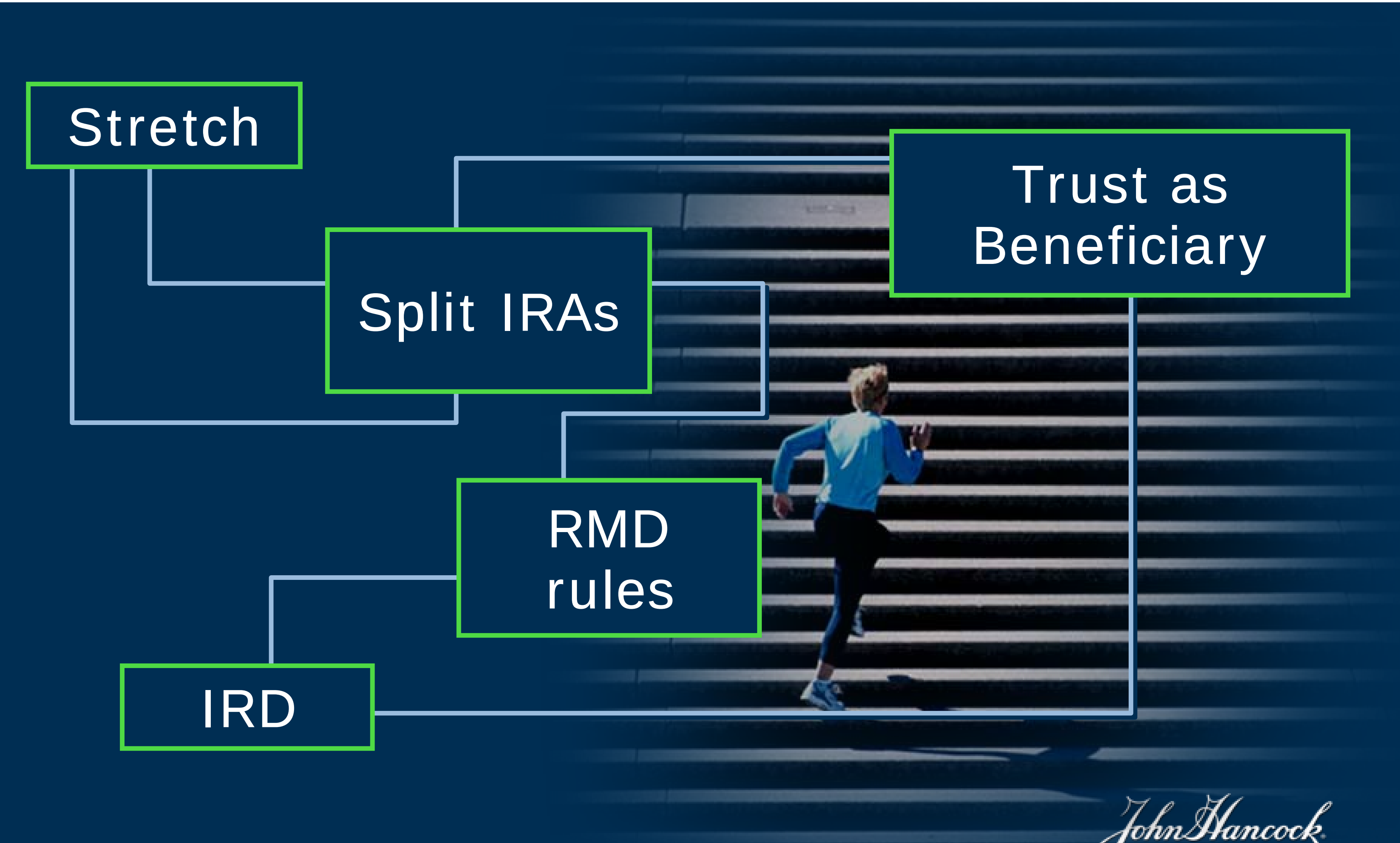
- **Often** abandoned
- Does **not** provide Stretch
- Does **not** survive business
- **Terminate and roll** into an IRA
- Still making contributions
  – roll into SEP-IRA

Work with Local HR Departments

- Investment seminars to employees
- Review SPD
- Look for company with recent layoffs
  - www.hrlive.com



Network with Estate Attorneys and CPAs



Conclusion

The IRA Rollover
Market Is Growing!

Greater Concern About
Protection of IRA assets

Advisers That Are **"IRA Experts"**
Will Be Most Successful

Thank You

Contact 800-334-4437 or visit http://www.johnhancockannuities.com for more information, including a prospectus that contains complete details on investment objectives, risks, fees, charges and expenses as well as other information about the investment company, which should be carefully considered. Please advise your clients to read the prospectus carefully prior to investing. The prospectus contains this and other information on the product and the underlying portfolios.

Venture Annuities and the optional riders are not available in all states;product features may vary, subject to state regulation. Annuities are not FDIC insured and are long-term contracts designed for retirement purposes. Early withdrawals may be subject to withdrawal charges and will reduce the death benefit and optional benefits. In addition, withdrawals of taxable amounts will be subject to ordinary income tax and, if made prior to age 59½, a 10% IRS penalty tax may apply, unless made to a beneficiary.

Purchasing an annuity for any tax-qualified retirement plan will not provide any additional tax-deferred treatment of earnings beyond the treatment provided by the plan. An annuity should be purchased for its other benefits, such as a guaranteed death benefit and the ability to receive lifetime income.

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Questions & Answers

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