



Advanced Markets

Uncovering life and long-term care insurance needs through Form 1040

2019 Edition

Tax returns can offer insight into clients' financial planning needs including life insurance and long-term care

In general, tax returns show gross income, adjusted gross income and taxable income. However, a detailed review of a tax return can lead to important and powerful conversations about:

- Income replacement
- Retirement savings
- Estate and legacy planning
- Intergenerational wealth
- Business planning needs

Additionally, comparing last year's tax return to this year's return can shed light on planning opportunities due to major life changes.

Table of contents

How to use this guide	2
Find tips on using this guide to help facilitate insurance discussions with your clients	
Key planning opportunities	3
Review key planning opportunities that Form 1040 can reveal	
1040 basics	5
Check the details to look for in Form 1040 that could point to planning opportunities and key questions to ask to help start the conversation.	
Schedule 1: Additional income & adjustments to income	9
Schedule A: Itemized deductions	11
Additional tax return considerations	14
Next steps	15

How to use this guide

The 2019 1040 form includes six different schedules to provide additional information. This guide — which focuses specifically on the 1040 basics, Schedule 1 and Schedule A — is designed to not only highlight specific planning opportunities, but also provide tips on how to begin addressing your clients' needs. Here are some tips for success:

1 Read through this guide

This guide touches on multiple planning opportunities and is designed to give you an introduction to many approaches and concepts that can meet those needs.

2 Review IRS Form 1040

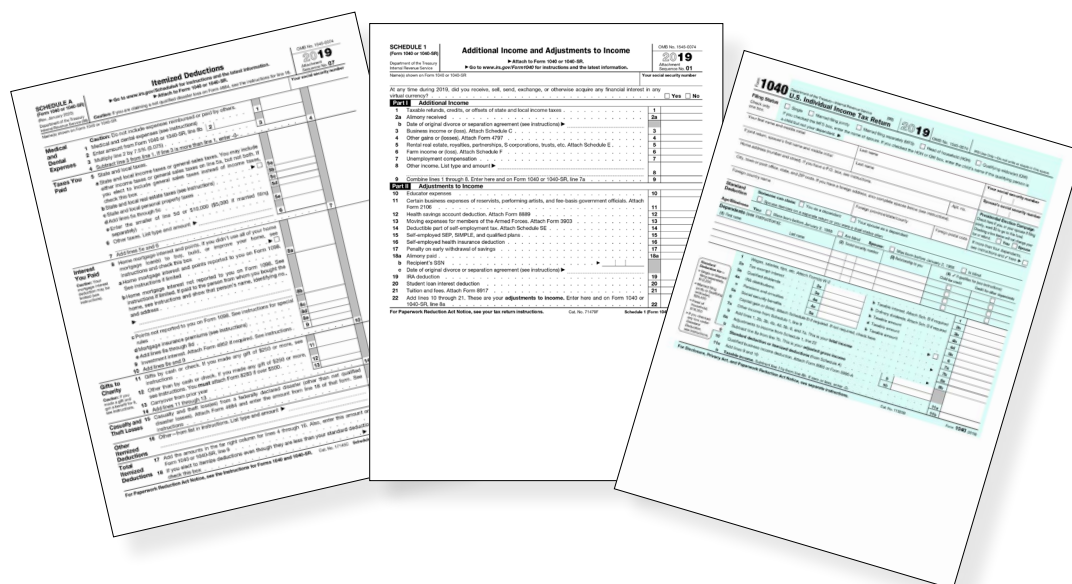
Familiarize yourself with Form 1040 and its corresponding schedules. Key questions and tips are included throughout this guide to help you review and uncover opportunities within a client's income tax return. Pay attention to what is missing from the 1040 as much as what is disclosed. For example, if Lines 15 and 19 on Schedule 1 showing retirement contributions are blank, this can open a door to discuss a client's preparedness for retirement and possible use of life insurance as a supplemental retirement vehicle.

3 Set up a plan

Set up a plan to meet with the client, ask the right questions, prioritize goals, and when applicable, use our online tools or Advanced Markets group to help.





4 Familiarize yourself with our online tools and resources

John Hancock has many mobile-friendly tools and resources that can further help facilitate the life insurance conversation. From an online needs analysis calculator to a cost of long-term care calculator, and more, these tools can help determine the need for your client. **For more information, please go to [JHSalesHub.com](https://www.jhsaleshub.com) >Advanced Markets > Tools & Calculators.**



Key planning opportunities

Form 1040 can uncover several different life and long-term care insurance needs. These opportunities fall into the seven distinct categories outlined below.

Opportunity	Description	Product considerations
Needs analysis 	<p>Performing a needs analysis with the client helps ensure that you understand the family's structure and needs. While a needs analysis will generally look at salary replacement, covering debts and existing coverage, it is also helpful to uncover some of the client's hidden needs. For example, there may be additional planning considerations if the client has a child with special needs, an elderly parent, or is in a second marriage.</p>	<p>With needs analysis planning, the life insurance options to discuss will depend on the client's discretionary income, risk tolerance and duration of the need. Term life insurance is a low cost product that can help supplement and cover basic protection needs for a set period of time, while permanent insurance can provide cash value accumulation potential and permanent death benefit protection. Many financial professionals will recommend a combination of permanent and term to meet their clients' needs.</p>
Retirement planning 	<p>For many clients retirement planning is a top concern. A great way to start the conversation is to conduct a retirement check-up to help make sure the client's savings are on track for retirement. Even if a client is retired or approaching retirement, they may still have additional planning needs including protecting against long-term care costs, covering a long retirement and covering risks they might face in retirement.</p>	<p>For clients who need both death benefit protection and supplemental retirement income, a permanent accumulation life insurance policy can help. Permanent insurance can provide a source of tax-advantaged supplemental retirement income potential. And when other product features are added, such as a long-term care rider, it can help protect clients from other risks they may face in retirement.</p>
College planning 	<p>For clients with young children, planning for college is generally a top priority. While there are many options available, life insurance can help those clients who are looking for options that offer both flexibility and protection.</p>	<p>For clients with young children who need both death benefit protection and supplemental income to pay for college expenses for their children, a permanent life insurance policy can help. Please note that the cash value needs time to accumulate, thus this strategy is meant for clients with younger children.</p>
Wealth transfer 	<p>Clients at or near retirement age are often thinking about what type of legacy they'd like to leave and may have assets that they no longer need for retirement income. These assets could be leveraged to purchase a life insurance policy that provides tax-free death benefit protection and other tax advantages.</p>	<p>Permanent life insurance policies are well-suited for legacy and wealth-transfer planning. The policy's death benefit can provide liquidity for final expenses, helping ensure equality among heir and enhancing the total amount left to loved ones. While single life or survivorship policies can be used for legacy planning, a survivorship policy can offer a death benefit at a low cost.</p>

Opportunity	Description	Product considerations
Business planning 	Business planning clients are often balancing many needs including, but not limited to, succession planning, retirement planning, retaining and rewarding key employees and protecting the business from the loss of a key employee.	A combination of term and permanent insurance can be used for business owners. Term insurance can provide low-cost solution for shorter-term personal and business needs, while permanent products offer flexibility for many purposes.
Charitable giving 	Clients who are charitably inclined may be interested in learning about ways to provide additional benefits to their favorite charities through insurance. For instance, the policy could provide additional financial resources to a favored charity at the donor's death or replace wealth for the family otherwise lost due to large charitable gifts.	Permanent life insurance policies — either individual or survivorship — are often used to help a client address their charitable-giving goals.
Long-term care 	Long-term care planning involves having a discussion about the cost of care as well as the client's wishes. How do they want care to be provided? Who will provide it? How will they pay for it?	A permanent life insurance policy with a long-term care rider is one option that your client should explore. Should they need long-term care, they can accelerate the death benefit, but if they do not need the coverage the death benefit could provide a lasting legacy to their children and grandchildren.



Consider how John Hancock's Vitality solution fits into the conversation. Today, more than ever, individuals are looking for holistic planning that is flexible to meet changing needs throughout their lives. This includes not only financial planning, but planning for health and wellness.

Enhance the life insurance discussion by showing how a life insurance policy with John Hancock Vitality can help meet financial goals while also providing incentives for living a healthier life.

1040 basics

The following pages will breakdown Form 1040 and applicable Schedules and help to identify key planning opportunities.

Filing status (Figure 1)

Filing status is one of the major drivers of planning changes. If someone's filing status has changed, you should carefully review their planning needs. What changed? Consider:

- **Did your client recently get married?** Marriage is a life event that generally creates financial interdependence. Newlyweds frequently discover that they need life insurance to replace a spouse's salary or cover debt they might share such as a mortgage and car loan.
- **Is this a second marriage?** Blended families often use insurance as the great equalizer in transferring wealth, helping ensure equitable treatment for the children of each marriage.

- **Did your client recently get divorced?** Some divorce agreements require life insurance to meet alimony obligations.
 - See Schedule 1 for additional insight into whether alimony is being paid or received. Does the divorce decree require life insurance? Has the client purchased this policy? Or does the client currently have a policy that needs to be reviewed?
- **Is your client listed as "Head of Household?"** These individuals will likely have dependents who rely on them. Life insurance can help provide the protection dependents need if the filer is no longer there for them.

Filing status tells us only so much:

Underneath a particular status there is a story to uncover — for example, perhaps your client files as "single", but are in a committed nonmarital relationship or are widowed. What are the challenges they face? This is a great place to talk about their need to protect the loved ones in their lives.

Home address may uncover new opportunities:

- Does the client have property in multiple states?
- Are they aware of each state estate/inheritance laws?
- If they spend time abroad, do they have foreign assets? US citizens and residents are subject to income and estate taxes on their worldwide assets.

Figure 1

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2019** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Check only one box.

☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)

If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ►

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.		Apt. no. Presidential Election Campaign

Dependents (Figure 2)

The addition of a dependent can drastically change how someone thinks about their financial preparedness and planning. Frequently, financial professionals fall into the trap of thinking there has been no change in dependents if no child was born in a given year. This may not be the case. Dependents can change for any number of reasons, any one of which can cause a client to rethink their plan.

- **Birth or adoption of a child are the most common scenarios**, but consider whether there has been a marriage to a spouse with existing dependents, or an elderly parent or other loved one who can no longer care for themselves.

Having children generally requires discussions about saving for college and income replacement. But, a marriage with existing dependents, no matter how late in life, may also necessitate a review of one's estate plan and possible equalization strategies.

- **Additionally, a client who originally postponed or rejected the idea of long-term care coverage** may wish to reconsider that decision if and when they help care for an elderly loved one. The emotional strain of caring for a disabled loved one coupled with the cost of care causes many clients to reconsider how well they've planned to protect themselves and their own family members.

Ask your client:

- Do you have enough life insurance to protect your loved ones? The younger the dependents are, the more insurance is generally needed.
- Do you want to provide for college? If yes, are you on track for this goal?
- Do you have any dependents that have special needs (e.g., children, as well as elderly parents, extended family members, etc.)? How will you provide for them should something happen to you?

Figure 2

Age/Blindness You: <input type="checkbox"/> Were born before January 2, 1955 <input type="checkbox"/> Are blind		Spouse: <input type="checkbox"/> Was born before January 2, 1955 <input type="checkbox"/> Is blind	
Dependents (see instructions):			
(1) First name	Last name	(2) Social security number	(3) Relationship to you
			(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):
			Child tax credit
			Credit for other dependents
			<input type="checkbox"/>
			<input type="checkbox"/>
			<input type="checkbox"/>
			<input type="checkbox"/>
1 Wages, salaries, tips, etc. Attach Form(s) W-2		1	
2a Tax-exempt interest		2b Taxable interest. Attach Sch. B if required	
		3b Ordinary dividends. Attach Sch. B if required	

Line 1: Wages, salaries, tips

Earned income, which can generally be described as W-2 or 1099 income, is lost in the event of an unexpected death of a client. Therefore, it is important to consider this “top line” number when determining if, and how much, income replacement coverage is needed. In many families, both spouses provide income that may need to be replaced. Furthermore, today’s families may work offsetting schedules, reduced hours or have one spouse staying at home in order to take care of children and meet other family needs. If one spouse passes away, not only is any earned income provided by the deceased spouse lost, but the surviving spouse will likely incur expenses associated with taking care of children, house, etc.

Don’t forget coverage for a stay-at-home parent:

Stay-at-home spouses are often underinsured or not insured at all. If your client (or client’s spouse) is a stay-at-home parent, make sure to inquire about insurance coverage and whether it is sufficient to help cover the needs of the family if something were to happen to the primary caretaker.

Line 2a: Tax-exempt interest

Clients who have invested substantially in tax-advantaged investments, like municipal bonds, are good candidates for a discussion on the benefits of permanent life insurance as an alternative or additional tax-advantaged investment vehicle. The tax-exempt income from the current investments could even be leveraged with life insurance rather than continuing to reinvest in municipal bonds.

Ask your client:

How long have you had municipal bonds? What are they earning and are you re-investing them? When do you plan on using this money?

Line 2b: Taxable interest

Generally, the assets indicated on this line are low-risk investments, including: certificates of deposit, saving accounts and bond income. Their low-risk nature usually ensures corresponding low interest-rate yields. One alternative to a low-risk, low-reward strategy is to use these assets to purchase life insurance, which may provide a higher internal rate of return while also providing tax-free growth potential and needed death benefit protection.

Where is this invested and how much is it earning? What is this money for? Are you concerned about taxes?

Lines 3a & 3b: Ordinary and qualified dividends

Dividend income that is being re-invested could serve as a source of income for potential insurance needs. Moreover, asking about the source of these dividends may lead to opportunities for insurance. For example, if the dividends are from a closely-held business, there may be an insurance need for succession planning or key person coverage. Alternatively, if dividend income comes from a concentrated stock position, insurance can help protect and diversify the family’s wealth in case of a future downturn in the market.

Where is this income coming from? How much are you earning? What is the plan for the dividends?

Lines 4a, 4b & 4c: IRAs, pensions & annuities

Generally, clients taking IRA distributions or annuity distributions and pensions are retired. Many retired clients face a trifecta of risks: longevity, long-term care costs and sequence of returns. Purchasing a life insurance policy can help provide a source of supplemental retirement income as a “backstop” to outliving other retirement assets and can also provide long-term care protection. Policy values not depleted during life can then pass on to the next generation(s) income-tax free.

Are distributions being taken only because they are required as RMDs (i.e., not needed for current living expenses)?

Lines 5a & 5b: Social Security benefits (Figure 3)

Generally, clients taking Social Security are retired. As mentioned earlier, retired clients face a trifecta of risks: longevity, long-term care costs and sequence of returns. These individuals can use life insurance to supplement retirement income in later years, cover long-term care costs and to protect loved ones. Unneeded social security payments also can be used to purchase life insurance to provide a legacy for children and grandchildren.

Ask your client:

When did you start taking social security? Do you use it for current living expenses?

Line 6: Capital gain or (loss) (Figure 3)

High-income earners with passive income may be subject to an additional 3.8% surcharge tax. Therefore, if your client has a lot of investments that are earmarked for legacy purposes (i.e., they don't plan on using the income to support their lifestyle now and in the future), they may be better served by leveraging these assets to a more tax-efficient legacy asset, such as life insurance.

Where is this money invested?
Can it be invested in a more tax-efficient manner?

Line 10: Qualified business income deduction (Figure 3)

Under the new Code Section 199A, owners of pass-through entities may receive a deduction up to 20% of qualified business income (QBI). If your client is reporting a QBI deduction, point out using these savings to help them with their insurance needs. If they have not seen a positive impact, now is the time to talk to them about the importance of tax diversification. See lines 3 and 5 on Schedule 1 for more information.

Figure 3

Filing Status ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)

Check only one box.

Your first name **→**

If joint return, s

Home address

City, town or pl **→**

3a	Unmarried dividends	3a	Unmarried dividends	3b	Ordinary dividends. Attach Sch. B if required	3b	Ordinary dividends. Attach Sch. B if required
4a	IRA distributions	4a	IRA distributions	4b	Taxable amount	4b	Taxable amount
4c	Pensions and annuities	4c	Pensions and annuities	4d	Taxable amount	4d	Taxable amount
5a	Social security benefits	5a	Social security benefits	5b	Taxable amount	5b	Taxable amount
6	Capital gain or (loss). Attach Schedule D if required. If not required, check here	6	Capital gain or (loss). Attach Schedule D if required. If not required, check here	6	Capital gain or (loss). Attach Schedule D if required. If not required, check here	6	Capital gain or (loss). Attach Schedule D if required. If not required, check here
7a	Other income from Schedule 1, line 9	7a	Other income from Schedule 1, line 9	7a	Other income from Schedule 1, line 9	7a	Other income from Schedule 1, line 9
7b	Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your total income	7b	Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your total income	7b	Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your total income	7b	Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your total income
8a	Adjustments to income from Schedule 1, line 22	8a	Adjustments to income from Schedule 1, line 22	8a	Adjustments to income from Schedule 1, line 22	8a	Adjustments to income from Schedule 1, line 22
8b	Subtract line 8a from line 7b. This is your adjusted gross income	8b	Subtract line 8a from line 7b. This is your adjusted gross income	8b	Subtract line 8a from line 7b. This is your adjusted gross income	8b	Subtract line 8a from line 7b. This is your adjusted gross income
9	Standard deduction or itemized deductions (from Schedule A)	9	Standard deduction or itemized deductions (from Schedule A)	9	Standard deduction or itemized deductions (from Schedule A)	9	Standard deduction or itemized deductions (from Schedule A)
10	Qualified business income deduction. Attach Form 8995 or Form 8995-A	10	Qualified business income deduction. Attach Form 8995 or Form 8995-A	10	Qualified business income deduction. Attach Form 8995 or Form 8995-A	10	Qualified business income deduction. Attach Form 8995 or Form 8995-A

Foreign province/state/country Foreign postal code If more than four dependents, see instructions and ✓ here ☐

Line 16: Total taxes due

This number sums up the total amount of taxes a client pays. On most tax returns, there is some tax diversification that can be done using life insurance to provide current death benefit coverage while reducing current taxable income.

Schedule 1: Additional income & adjustments to income

Line 3: Business income or (loss) (Figure 4)

Clients who own a business may have multiple life insurance needs such as:

- Succession planning and funding buy-sell arrangements.
- Covering personal needs that may include creditor protection, retirement planning and/or to help cover long-term care costs.
- Retaining and rewarding valuable employees through a non-qualified deferred compensation arrangement (including executive bonus, supplement executive retirement planning, and deferral).
- Protecting against the loss of a key employee.

Business Analyzer

Use the JH Business Analyzer to help tailor a plan for your business-owner client that fits their specific goals

Figure 4

Part I Additional Income			
1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	

Line 5: Rental real estate, royalties, partnerships, S corporations, trusts, etc. (Figure 5)

Clients with rental income can have a number of issues that life insurance may help address:

- Many income-producing properties have mortgages on them.
- Many clients manage rental properties themselves and, if they were to die unexpectedly, a property-management company would need to get involved.
- Rental real estate is a non-liquid asset and may be hard to divide amongst beneficiaries (some may want to keep the property, while others may want to sell).

Clients who own a business can have multiple needs for life insurance:

- Succession planning and funding a buy-sell arrangement.
- Creditor protection, retirement planning and long-term care concerns.
- Non-qualified arrangements to help retain and reward valued employees.
- Key person insurance to help protect the business in the event of the loss of a key employee.

Figure 5

2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income and amount ▶	8	

Lines 15 & 19: Self-employed SEP, SIMPLE, and qualified plan; IRA deduction (Figure 6)

These line items often tell us whether clients are saving for retirement. (If they are W2 employees, the retirement contribution can be seen on their W2 statement.)

High-earning clients are limited in the amount that can be contributed to qualified plans and are not eligible for a tax credit for these contributions. As a result, they suffer reverse discrimination because they cannot save enough to replace their current income at the levels that lower earners can. Therefore, high-earning clients often need additional tax-efficient savings opportunities to accumulate the amount they need for retirement income. Life insurance is one of the few opportunities, beyond qualified plans, that affords a client the opportunity to save for retirement in a tax-efficient manner. A permanent life insurance policy can offer immediate death benefit protection to ensure their spouse has the funds for their retirement, while also providing a funding source (for supplemental retirement income potential).

Use our Retirement Needs online calculator to generate a proposal to help determine if a client is on track for retirement.

If you find a client is not likely to reach their retirement-savings goal — and they also need life insurance to protect their loved ones, a permanent policy can help them get back on track for retirement, while protecting their family today.

Figure 6

14	Deductible part of self-employment tax. Attach Schedule SE	14	
→ 15	Self-employed SEP, SIMPLE, and qualified plans	15	
16	Self-employed health insurance deduction	16	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	
b	Recipient's SSN ▶		
c	Date of original divorce or separation agreement (see instructions) ▶		
→ 19	IRA deduction	19	
20	Student loan interest deduction	20	

Schedule A: Itemized Deductions

While many taxpayers may not have itemized deductions due to a doubling of the standard deduction (now \$12,200/individual; \$24,400/joint filers¹), Schedule A items should still be reviewed with clients to determine potential needs.

Line 1: Medical & dental expenses (Figure 7)

In the “Medical and Dental Expenses” section, an itemized deduction may be claimed for unreimbursed medical expenses to the extent total expenses exceed 7.5% of AGI (in 2019). Many clients will not qualify for medical deductions, with or without the deduction, this line can be a great conversation starter.

Ask your client:

Who do you have medical coverage through? Do you understand the difference between medical insurance and long-term care insurance? Do you know what is and is not covered?

Figure 7

SCHEDULE A (Form 1040 or 1040-SR) (Rev. January 2020) Department of the Treasury Internal Revenue Service (99)		Itemized Deductions ▶ Go to www.irs.gov/ScheduleA for instructions and the latest information. ▶ Attach to Form 1040 or 1040-SR.		OMB No. 1545-0074 2019 Attachment Sequence No. 07
Name(s) shown on Form 1040 or 1040-SR				Your social security number
Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others.			
	1	Medical and dental expenses (see instructions)	1	
	2	Enter amount from Form 1040 or 1040-SR, line 8b	2	
	3	Multiply line 2 by 7.5% (0.075)	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4	
Taxes You 5 State and local taxes				



This part of your client's tax return can be a great segue into the Vitality conversation.

Consider asking your clients:

- Do you see your doctor or dentist for a yearly checkup?
- Do you like to exercise or participate in sports?
- What do you do to try to stay healthy, if anything?
- Are you interested in — or motivated to — lead a healthier lifestyle, which might help reduce medical expenses?


Any clients who answer yes could be a great fit for John Hancock Vitality life insurance, which offers rewards and discounts for the everyday steps people take to engage in a healthy lifestyle — like taking a walk, buying nutritious food and getting an annual checkup.

And for clients who are living with diabetes, John Hancock Aspire combines life insurance with a personalized diabetes-support program that meets these clients unique health and lifestyle needs, and rewards them for the steps they take to manage their condition and live a longer, healthier life.

Lines 5 & 6: Taxes paid (Figure 8)

Due to tax reform, state and local taxes are deductible only up to \$10,000. For many high-income earners that live in high income/property tax states, the cap on deductions may mean an increase in tax liability. Therefore, having a discussion about owning assets that offer tax-free growth potential might be of interest to these individuals.


Figure 8

 Taxes You Paid	4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4
	5 State and local taxes.	
	a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/>	5a
	b State and local real estate taxes (see instructions)	5b
	c State and local personal property taxes	5c
	d Add lines 5a through 5c	5d
	e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately)	5e
6 Other taxes. List type and amount ▶		

Lines 8 & 9: Interest paid (Figure 9)

Life insurance is typically purchased for income replacement and debt coverage. A mortgage is generally one of a client's largest obligations, and is a great place to start. Even clients who have been in a home a long time may have refinanced and taken equity out, or perhaps they have moved to a different home. Have they accounted for this in their needs analysis for life insurance?

Figure 9

 Interest You Paid Caution: Your mortgage interest deduction may be limited (see instructions).	7 Add lines 5e and 6	7
	8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>	
	a Home mortgage interest and points reported to you on Form 1098. See instructions if limited	8a
	b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶	8b
	c Points not reported to you on Form 1098. See instructions for special rules	8c
	d Mortgage insurance premiums (see instructions)	8d
	e Add lines 8a through 8d	8e
9 Investment interest. Attach Form 4952 if required. See instructions .	9	
10 Add lines 8e and 9		

Lines 11 & 12: Charitable gifts (Figure 10)

Clients who are making charitable gifts may be interested in other planning options that can help them maximize their charitable legacy. One such approach may include purchasing or using existing life insurance to benefit the charities they are currently gifting to. If the client has earmarked other assets to provide a benefit to charity (e.g., naming charity as beneficiary of their IRA/401(k), creating a Charitable Remainder Trust, etc.), life insurance can be used to help replace/equalize wealth to the family.

Ask your client:

Which charities are you currently giving to?
Have you planned or committed to larger gifts as part of your estate plan? What assets will you use to make these gifts?

Figure 10

8e Add lines 8a through 8d		8e	
9 Investment interest. Attach Form 4952 if required. See instructions.		9	
10 Add lines 8e and 9		10	
Gifts to Charity <small>Caution: If you made a gift and got a benefit for it, see instructions.</small>	11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions.	11	
	12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500.	12	
	13 Carryover from prior year	13	
	14 Add lines 11 through 13	14	
Casualty and Theft Losses	15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 4B of Form 4684.		

Additional tax return considerations

This guide has focused on Form 1040, Schedule 1 and Schedule A. But if a client also has the forms below, here are some additional items to consider.



1040 NR for non-resident aliens

- Non-resident aliens are subject to different income and estate tax rules. Generally stated, the US estate exemption amounts are extremely limited for foreign nationals.
- Foreign nationals and their spouses require specialized planning due to the complexities of non-resident alien taxation. Every year, many foreign national families and their decedents are surprised by an estate tax obligation and upset with their financial professionals for not letting them know earlier. Spending a little time to understand how to identify these issues can make you a valued resource for foreign nationals looking for quality financial professionals in the US.

Foreign national market

If you have non-resident alien clients and are interested in learning more about selling John Hancock life insurance in this market, please see our *Seller's Guide to the Global High-Net-Worth Market* at [JHSalesHub.com](https://www.jhsaleshub.com).



Form 1041 for estates & trusts

Trusts are subject to different income tax rules and a condensed income tax table. Generally, the trustee files the return. However, simply asking: "Do you manage, or have you created, a trust that files a Form 1041?" can lead to more information and additional planning opportunities.



Forms 1120 (C Corp), 1120-S (S Corp), 1065 (partnership) for businesses

- Companies that own life insurance must comply with the requirements of IRC 101(j) in order to receive an income tax-free death benefit.
- These companies also have to file Form 8925 with their annual tax returns, reporting the number of insurance policies owned on employees.
- As the requirements of 101(j) are often overlooked, it is important to ask clients about any business-owned life insurance to ensure compliance or address issues for non-compliance.

Requirements of 101(j)

For more information on this requirement, please refer to the *Because you asked: IRC 101(j) requirements for employer-owned insurance*.

C corporations are now taxed at a flat corporate rate of 21%.

Talk to owners of C corporations about how they plan to allocate their corporate tax savings. Life insurance can help address many business needs, and for C corporations looking to avoid the accumulated earnings tax, life insurance may serve as a permissible purpose/exception to that rule.

Next steps

Now that you have familiarized yourself with this guide, go through your book of business and start setting up meetings for review. Remember not all information will apply to every client, but Form 1040 is a great tool to get the conversation started. These online tools can be found at JHSaleshub.com



Needs analysis calculator

Can help determine the appropriate amount of life insurance coverage.



Long-term care cost of care calculator

Breaks down regional costs of long-term care by state.



Know the law map

Breaks down state estate taxes, income taxes, and creditor protection by state.



Business Analyzer

An interactive tool to help business owners find the right type of plan.

Here is a quick checklist of recommended next steps:

- Meet with client
- Ask the right questions
- Prioritize goals
- Gather facts/information
- Create a plan
- Implement the plan
- Annually review the plan

For more information on these plans or to create a customized plan design, please call the Advanced Markets Group at **888-266-7498 option 3** or email at advancedmarkets@jhancock.com

1. The standard deduction amount is adjusted annually for inflation.

For Agent Use Only. This material may not be used with the public.

Vitality is the provider of the John Hancock Vitality Program in connection with policies issued by John Hancock.

The IRR on death benefit is equivalent to an interest rate at which an amount equal to the illustrated premiums could have been invested outside the policy to arrive at the net death benefit of the policy.

Loans and withdrawals will reduce the death benefit, and 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 59½.

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.

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.

All information and materials provided by John Hancock are to support the marketing and sale of our products and services, and are not intended to be impartial advice or recommendations. John Hancock and its representatives will receive compensation from such sales or services. Anyone interested in these transactions or topics may want to seek advice based on his or her particular circumstances from independent professionals.

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.

Insurance products are issued by: John Hancock Life Insurance Company (U.S.A.), Boston, MA 02116 (not licensed in New York) and John Hancock Life Insurance Company of New York, Valhalla, NY 10595.

©2020 John Hancock. All rights reserved.

MLINY061820195