A Life Stage Based Approach

MODERN LIFE INSURANCE SOLUTIONS ADDRESS A RANGE OF NEEDS

Though life insurance ownership in the U.S. has risen this year, **37.5 million households still remain uninsured.**[1] There seems to be a ready market out there, but how do financial planners position today's life insurance products to this growing group of potential buyers?

To get to the heart of the issue, we need to take a fresh look at life insurance. It is a question of needs and fit. How does life insurance fit with each of the market segments you work with? What are the needs for life insurance by age group? How have the products and the market changed to accommodate a wider base of customers? Why does it make sense for financial advisors to add a protection based product to their clients' portfolios?

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Enhancements that speak to today's client

The life insurance industry has changed significantly in the past five years. Gone are the days of one size fits all products and features that tended to resonate with an older, more affluent market. The hallmark of today's life insurance market is flexibility, both in the buying process and underlying product features. John Hancock has been at the forefront of this change by working on ways to simplify the purchase process and streamline underwriting, helping to remove major objections from clients and brokers alike – that the process takes too long and is too invasive. A case that may have taken several weeks in the past has been reduced to a matter of days in many cases, and that trend of shortening cycle times is continuing through a number of John Hancock underwriting initiatives.

On the product side, there has been a trend towards adding features that satisfy many needs within the same product. It is not uncommon to see life insurance policies issued to protect against several catastrophic events at the same time, such as death, disability and long-term care. John Hancock has gone even further and added a wellness component with the Vitality solution, which offers premium savings and rewards to customers who are taking steps towards living healthier lives. The addition of these features creates a more flexible, appealing product for buyers and a more robust product to sell for producers.

Each of the market segments you work with can benefit from these changes, so it may be useful to examine each one.

The John Hancock Vitality Program can reward clients of all ages for activities they are already doing

51% OF MILLENNIALS

are very or extremely likely to wear an activity tracker to save money and make healthier choices.[2]

53% OF BOOMERS

choose a healthy lifestyle in order to live longer.[3]

87% OF SENIORS

70+ are physically active, with 39% exercising every day.[4]

AGES 25 to 45

Young clients/Family protection

Clients in this segment are beginning to accumulate wealth and grow their families. There are conflicting financial priorities. Resources are scarce. They understand the need for protection, as they already have auto insurance, homeowners/renters insurance and perhaps an umbrella policy as well. What is the role of life insurance for this group?

As mentioned above, it is a question of need and fit. Traditionally, the need for this group has been income replacement and family costs (mortgage, college, etc.) in the event of an untimely death. This is generally not a complicated estate planning sale with a large face amount, so a shortened cycle time benefits both the client and the producer. The client gets needed coverage quickly, and the producer adds a relationship with a protection sale. John Hancock is extremely competitive in the Term life space — offering three different Term products — so providing process efficiencies with a best-in-class product can provide great value to these clients.

John Hancock Term offers 10-, 15- and 20-year durations at rates that are more competitive than ever. And for those clients that are more health conscious, take a look at Term with Vitality and see how clients can save even more on premiums and earn other rewards for living a healthy lifestyle.

> Did you know that 41% of Americans said life events (marriage, children, buying a house, etc.) motivated them to shop for life insurance?[5]

AGES 45 to 65

Middle age/ Pre-retirement

These clients have a more mature perspective on life and retirement than the younger group, and their needs are far more diverse. Many in this age group have seen the results of (or are participating in) their parents' planning and are asking themselves if they are prepared for the road ahead. Of particular concern are the ideas of retirement, health and longevity. There are four "perils" to consider – living too long, dying too soon, disability and the costs of long-term care. These are the very clients that the life insurance industry is trying to serve by combining multiple purposes of coverage within one policy. Similar to the younger client, the risk of untimely death is covered by the death benefit of the life policy. However, in this scenario life insurance can do so much more. The risk of longevity and outliving assets can be addressed by structuring a policy with cash values in the later years as a type of "retirement backstop," allowing the client an additional source of funds if the need arises. Did you know that during working years, there is a higher probability of becoming disabled than dying? Fortunately, the John Hancock suite of products contains a disability waiver to help keep the policy in force even if you can't pay premiums due to disability.

For middle aged clients, the long-term care benefits of life insurance can take on added importance. Clients at this age have a decision to make about long-term care. Do they self-insure? They may or may not realize that over the course of a lifetime nearly **70% of us will require some form of long-term care.**[2] Plus, didn't their parents just self-insure with potentially disastrous results? Do they purchase a stand-alone LTC policy? Or, could they add a valuable LTC benefit to the life insurance policy they are already contemplating for their other needs?

This is the John Hancock advantage. The ability to combine product features such as disability or long-term-care riders to address several needs at once in combination with the Vitality solution to reward clients for living healthier lives provides tremendous value. It is vital to have the ability to propose a solution that will meet as many of your clients' needs as possible.

30-Year Projection of LTC Costs

TYPE OF CARE	TODAY[3]	IN 30-YEARS[6]
ASSISTED LIVING FACILITY	$50,750	$138,581
HOME CARE	$40,566	$110,772

Represents the average local cost of long-term care in Massachusetts based on John Hancock's Cost of Care Study, conducted by LifePlans, Inc., 2016. Individual facility costs may vary. Costs rounded to the nearest dollar.

AGES 65+

Older age/Post-retirement

At this stage, the thinking has changed from accumulation of assets to preservation of wealth and legacy planning. For the most part, these clients are secure in their own finances, but are concerned for children and grandchildren. Many older age clients are in the habit of reinvesting excess assets in low yield vehicles that are earmarked for a particular purpose. This is both the challenge and the opportunity for a life insurance planner.

For assets that are specifically earmarked for the next generation as an inheritance, is it possible to maintain the current standard of living but redirect or repurpose a portion of the estate towards a legacy life insurance policy? The leverage available due to the internal rate of return on the death benefit for life insurance is a compelling story. From a pure dollars and cents perspective, the next generation would benefit more from a life insurance policy providing a tax-free rate of return than many other options. And adding Vitality to a life insurance policy can even further increase the rate of return and help motivate and reward them for living a healthy life.

The solutions you present to your clients are important to maintaining strong relationships. John Hancock is committed to product innovation across all age groups, and ensuring your client's needs are met, now and in the future.

1. LIMRA, *Facts About Life,* 2016.
2. LIMRA, *Insurance Barometer Study*, 2016.
3. KellogsNutrition.com, *Healthy Investments: Baby Boomer Intel.*
3. AARP, 2012, *Older Adults are Exercising Frequently. The United States of Aging Survey, 2012.*
5. LIMRA, *Facts About Life*, 2013.
6. Projected increases are calculated using 9-year increases, based on a comparison of data collected from providers across the country for John Hancock's 2007, 2008, 2011, and 2013 Cost of Care surveys. Information available from John Hancock upon request.