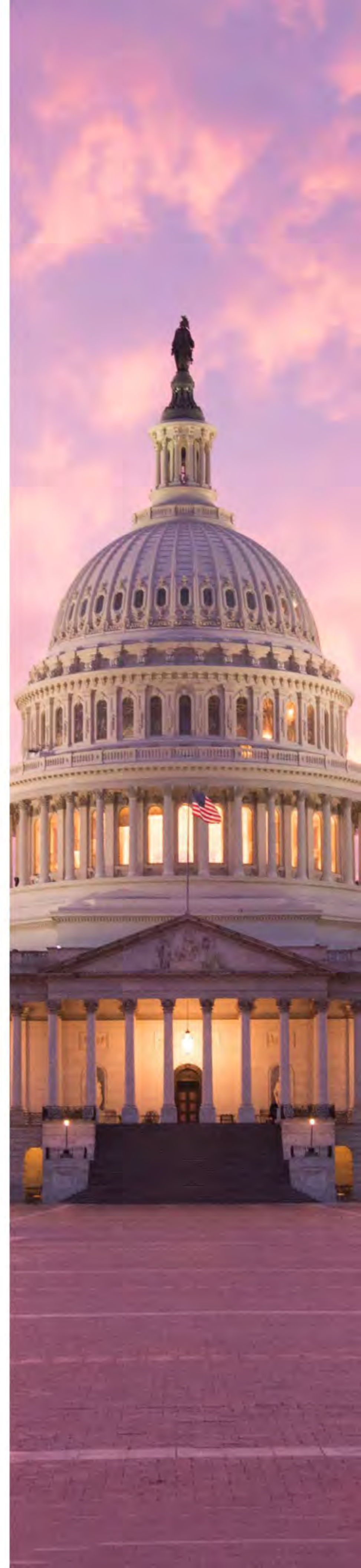
John Hancock

Advanced Markets

Central Intelligence

March 2022



This issue includes:

- US Tax Court Considers Estate Value of Intergenerational Split Dollar Receivable in Fact-Specific Case
- US District Court includes full death benefit received on the death of an owner in the value of the decedent owner's interest for estate-tax purposes
- Court of Appeals denies estate charitable deduction as not ascertainable and not made by the estate
- Tax Court disregards intermediate transfers in prearranged plan to increase gift-tax exemption
- US District Court dismisses counterclaim of fraudulent loans to avoid federal transfer taxation
- Appeals Court rules state law nullifies all gifts to child of divorced spouse

US Tax Court Considers Estate Value of Intergenerational Split Dollar Receivable in Fact-Specific Case, *Est. of Levine v. Commissioner,* No. 13370-13., 158 T.C. No. 2, 2022 BL 65826, 2022 US Tax CT Lexis 12, February 28, 2022.

Facts

This opinion is the culmination of a case that has been through several rounds of litigation and pronouncements dating back to 2016. G1 was born in 1920 and had personally built up two fortunes, first a large chain of grocery stores and then (with the proceeds from the sale of the grocery chain) a broad portfolio of commercial real estate interests and investments. G1 had two children (collectively "G2") and five grandchildren (collectively "G3"). For most of her life, G1 managed all her business and personal financial affairs herself. Along the way, she developed a strong and long-term business relationship with L, who started out as her accountant and grew to become a trusted advisor to her both personally and in business . G1 began addressing her estate planning concerns in 1988 and as part of that planning created her Revocable Trust. Over the years, as part of her ongoing planning, G1 transferred significant properties to her two children, some outright and some in trust, but always retained control of the majority of her wealth and maintained substantial personal income while alive. She also sought to provide for her five grandchildren and in 2007 sought out advice from legal counsel. As a result, counsel established Irrevocable Trust for the benefit of G2 and G3. Irrevocable Trust was administered by a trust company but its investments were directed by L, who served as the unrelated one-person investment committee. G1's Revocable Trust and Irrevocable Trust entered into a split-dollar agreement that provided that (1) Irrevocable Trust would purchase life insurance policies insuring selected lives of G2, (2) Revocable Trust would pay the premiums on those policies, and (3) upon the death of the insureds (G2) or termination of the policies, Revocable Trust would be entitled to payment in the amount of the greater of premiums paid or the aggregate cash surrender value of the policies. Irrevocable Trust collaterally assigned the policies as security for Revocable Trust's payment. Only L, as investment committee of Irrevocable Trust, had the unilateral power to terminate the agreement and accelerate payment to Revocable Trust. G1 died in late January 2009 and her estate valued the receivable held by her Revocable Trust at approximately $2 million. The IRS audited and issued a notice of deficiency of slightly more than $3 million dollars and assessed "gross-undervaluation" penalties of 40%. G1's estate appealed to the Tax Court.

Holdings

In an opinion that relies heavily on the specific facts of this case, the Court found entirely for the taxpayers. The IRS had argued that the transfer of $6.5 million to Irrevocable Trust to pay premiums was in essence a gift of the cash surrender value of the policies at the time of G1's death, which was $6.2 million. This conclusion was compelled, the IRS argued, because the Irrevocable trust had the authority to terminate the policies at any time and thus the estate would have access to those surrender values. But the Court noted that if the Irrevocable Trust were to terminate the policies before the death of the insureds, it would receive nothing at all; and the only party with the authority to terminate the policies was L, who is bound by fiduciary duty to protect the interests of the beneficiaries which included both G2 and G3. Instead, the Court held that the value of the receivable must be determined according to the split-dollar rules under Treasury Regulation §1.61-22. The IRS also argued that the full lifetime value of the life insurance policies at the time of G1's death, *namely*, the cash surrender value, must be included in G1's estate under IRC §§2036 and/or 2038 because, it said, G1 retained rights and powers in those policies that trigger the inclusion of their value. However, G1's estate argued that these sections recapture value only if it is attributable to transferred property but G1 never transferred the policies and therefore could not have retained any powers with respect to them. The Court agreed; the Revocable Trust transferred nothing except cash and then only in return for the receivable. The policies were applied for by the Irrevocable Trust and were never owned by any other party. The IRS then points out that L also held a power of attorney for G1 and therefore L's actions must be attributable to G1, but the Court was not convinced. First, L was bound by his fiduciary duty to the beneficiaries of the Irrevocable Trust to take actions only in the interest of those beneficiaries. More importantly, the Court pointed out, the power of attorney does not give L power to do anything that G1 had no power to do. Finally, the IRS argued that the full value of the policies at G1's death must be included

in G1's estate under IRC §2703. This section requires certain rights and restrictions be disregarded when valuing transfer of property interests to related persons. However, the Court noted, G1 never owned or transferred the policies. The only thing includible in G1's estate with respect to the split-dollar arrangement was the future receivable owned by G1's Revocable Trust. It is important to note, that with respect to the valuation of this receivable, the IRS and G1's estate settled before trial that, if applicable, the value of that receivable was to be $2,282,195. Because the estate prevailed on all issues, the Court denied all accuracy-related penalties.

Takeaway

This decision depends very heavily on the specific facts of the underlying arrangement, so this outcome cannot be expected broadly over the myriad variations that such arrangements can manifest. In distinguishing *Morrissette and Cahill,* the Court pointed to the fact that the power to terminate the split-dollar agreement or any of the policies was held exclusively by an unrelated party that was also bound by fiduciary duty to beneficiaries of an irrevocable trust. Also, the valuation of the receivable in the estate of the first generation was the result of settlement among the parties and should not be interpreted as an endorsement of any valuation technique or expectation of discount. This case says only what it says, nothing more.

U.S. District Court includes full death benefit received on the death of an owner in the value of the decedent owner's interest for estate-tax purposes, *Thomas A. Connelly et al. v. United States et al.*, No. 4:19-cv-01410, September 21, 2021.

Facts

Brothers M and T were the only shareholders in Company, a closely held family business that sold roofing and siding materials. M and T entered into an entity-redemption agreement that required Company to buy back the shares of the first shareholder to die, and Company bought life insurance to provide the liquidity for Company to perform its obligations under the agreement. The entity-redemption agreement provided that the value of a party's interest would be set either by annually executing a "certificate of value" or by securing two or more appraisals. When M died in October 2013, Company had not executed certificates of value for the preceding 12 years. Company repurchased M's shares for $3 million without securing an appraisal. M's estate paid federal estate taxes on his shares in Company. However, the IRS assessed additional estate taxes of more than $1 million. T, the executor of M's estate, paid the deficiency and filed this suit in U.S. District Court, Eastern Division of Missouri, seeking a refund of the additional taxes assessed by the IRS. At trial, both parties moved for summary judgment on the issue of whether the valuation of M's interest in Company for estate-tax purposes must be reduced by Company's outstanding contractual obligation to spend death benefit to redeem M's shares and each party moved to exclude the other's expert witnesses.

Holding

This case is a good illustration that if the provisions of a buy sell agreement are ignored by the parties, then we can expect them to be ignored by the IRS as well. At the core of the dispute in this case lies the question of the proper valuation of Company on the date of owner M's death. Not counting the life insurance death benefit proceeds, Company was worth roughly $3.3 million on the date of M's death. On that date, Company had an obligation under the provisions of the entity-redemption agreement to purchase M's interest in Company from M's estate. Also on that date, Company received (or had the right to receive) a cash infusion of $3.5 million in proceeds from the life insurance contract. But for these proceeds, Company would have had to expend its assets or incur debt (or both) to buy M's shares. The parties generally agree that the life insurance death benefit proceeds must be included in the valuation of Company on the date of M's death, but dispute whether the obligation for Company to use a portion of that death benefit to redeem M's interest in Company must also be included in the value of Company for estate-tax purposes. Chapter 14 of the Internal Revenue Code contains special valuation rules for transfers of property between related parties, and the Court specifically applied IRC §2703 to determine whether the provisions of the entity-redemption agreement affected the valuation calculation. In short, if the agreement

is effective under IRC §2703, then the agreement can be relied upon to determine the value of the shares for estate-tax purposes. In summary, as interpreted, §2703 requires that (1) the agreement is a bona fide business arrangement; (2) the agreement is not a device to transfer such property to members of the decedent's family for less than full and adequate consideration in money or money's worth; and (3) the agreement's terms are comparable to similar arrangements entered into by persons in an arms' length transaction. The Court found that the parties did not treat the agreement as controlling and that it failed at least two of the three requirements under IRC §2703. Without relying on the entity-redemption agreement for valuation, on the date of M's death, Company was entitled to receive the life insurance death benefit of roughly $3.5 million without offset by any binding obligation to redeem. The Court held for the IRS.

Takeaway

This case may seem like a rejection of common valuation practice in entity-redemption circumstances, but in fact it is a stern warning to pay attention to the rules governing valuation of transfers of closely held company interests among members of the same family. In all cases, but especially among family members, make certain that in order to be respected the buy sell agreement meets the requirements imposed by the IRC and the courts. And after the agreement is signed, respect the provisions. If a taxpayer doesn't treat an agreement as binding, the taxpayer has little right to expect the IRS to do so.

Court of Appeals denies estate charitable deduction as not ascertainable and not made by the estate, *Estate of Howard V. Moore, deceased, et al., v. Commissioner,* 128 AFTR 2d 2021-6604, (CA9), November 8, 2021.

Facts

During life, Decedent owned, lived on and farmed a 1,000-acre farm ("Farm). For the purposes of his estate plan, he created a living trust ("LT"), an irrevocable trust ("IT") (of which Decedent's children were beneficiaries), a family limited partnership ("FLP"), a private foundation and a charitable lead annuity trust ("CLAT"). Over time, the following five steps were taken in sequential order:

1. Prior to Decedent's death, he transferred Farm to his LT, which subsequently transferred a majority-ownership interest in Farm to FLP.
2. FLP later sold its interest in Farm to a third party (at Decedent's direction in a sale negotiated entirely by Decedent). Throughout the end of his life, however, Decedent continued to life on and operate Farm.
3. LT then sold its interest in FLP to IT.
4. After Decedent's death, FLP transferred the proceeds from the sale of Farm to IT, which were then distributed to LT.
5. LT then contributed the proceeds to Decedent's CLAT for the charitable benefit of Decedent's private foundation. (Whew!)

On its federal estate-tax return, Decedent's estate claimed a charitable deduction for the funds transferred to CLAT. The IRS found that the proceeds from the sale of Farm should have been included in the taxable estate and also denied the estate's claimed charitable deductions for transfers to CLAT after Decedent's death. Decedent's estate appealed to the Court of Appeals for the Ninth Circuit. The Tax Court affirmed the IRS's decision. On appeal, Decedent's estate does not challenge the inclusion of the proceeds from the sale of Farm in the Decedent's taxable estate but argues only that it is entitled to a charitable estate-tax deduction for the amount contributed to CLAT.

Holding

Central to the issue before the Court of Appeals, Decedent's estate argues that it is entitled to the charitable deduction in part because the IT was required by its own provisions to distribute trust assets that are includible in Decedent's estate for estate-tax purposes in such a way as to reduce the tax liability attributable to the inclusion. This, Decedent's estate argues, is why IT

distributed an amount equal to the sales proceeds from the sale of Farm to LT, which then contributed that amount to CLAT. In large part because Decedent continued to occupy and enjoy Farm as his own until his death, the Court found that the value of Farm is includible in Decedent's estate under IRC §2036 (transfers with a retained life estate). However, with respect to the charitable deduction, the Court found that IT was not, in fact, required by its own provisions to distribute an amount equal to the value of Farm to LT (and subsequently to CLAT); in fact, the provisions of IT required such a distribution only if the value of IT assets were includible in Decedent's estate for estate-tax purposes. IT, though, never owned Farm. It owned FLP, which owned Farm, but that is not the same thing for IRC §2036 purposes. In fact, at the time of Decedent's death, Farm had been sold and did not belong to IT at all. Furthermore, the Court held that the value of the transfer to CLAT was not ascertainable as of the time of Decedent's death as required by IRC §2055, governing estate-tax deductions for public, charitable or religious uses. At the time of Decedent's death, no distribution and charitable contribution were being contemplated.

Takeaway

It is necessary to connect the dots where tax and legal requirements are concerned. These transactions seem to have been almost entirely conceived after Decedent's death to remedy the tax attributable to Decedent's enjoyment of Farm after its "sale." By that time, there was little ability to change the facts. Apparently, the facts couldn't be stretched far enough to connect all the required dots.

Tax Court disregards intermediate transfers in prearranged plan to increase gift-tax exemption, *Louis P. Smaldino v. Commissioner, TC Memo 2021-127, November 10, 2021.*

Facts

Taxpayer, a CPA who also served as treasurer of a computer company, took over his father's chain of liquor stores and operated that business for 35 years. Building on this foundation, Taxpayer built up a real estate ownership and management business worth more than $80 million. Among Taxpayer's assets were numerous rental properties in southern California. In 2012, at age 69, a health scare motivated Taxpayer to work on getting his estate planning in order. Taxpayer placed ten of his southern California properties in LLC, which he owned through a revocable trust. In 2013 he transferred a little more than 8% of the LLC nonvoting share to his new Dynasty Trust for the benefit of his children and grandchildren. Around the same time, Taxpayer purportedly transferred about 41% of the LLC nonvoting shares to his Spouse, who then transferred them to the Dynasty Trust the next day, according to her testimony, as she had promised to do before any transfers were made. On Taxpayer's 2013 gift tax return, he reported as a taxable gift only the roughly 8% of the LLC nonvoting shares he had transferred directly to the Dynasty Trust, valued at $1,031,882. On her 2013 gift tax return, Spouse reported her gift to Dynasty Trust, valued at $5,249,118. (Remember, in 2013 the Federal gift- and estate-tax exemption was $5,250,000.) Upon review, the IRS determined that Taxpayer had made a taxable gift to the Dynasty Trust of 49% of the nonvoting shares, which included the 41% interest that had passed from Taxpayer to the Dynasty Trust indirectly, though immediately, through Spouse. After revaluing the full amount of LLC shares transferred, the IRS determined that Taxpayer had a $1,154,000 gift-tax deficiency for 2013. Taxpayer appealed this decision to the Tax Court.

Holding

The Court determined that the issues before it for decision are: (1) the proper characterization for gift-tax purposes of Taxpayer's purported transfer of LLC nonvoting shares to Spouse followed by her purported retransfer of these same interests to the Dynasty Trust and (2) the fair market value of the LLC nonvoting shares that Taxpayer transferred, directly or indirectly, to the Dynasty Trust. Had Taxpayer transferred the full value of shares to the Dynasty Trust, the transfer in excess of his remaining gift- and estate-tax exemption would have incurred gift tax. Taxpayer argues that the transfer of nonvoting shares from Taxpayer to Spouse must be respected because IRC §2523 exempts transfers between spouses from transfer taxation. According to testimony at trial, because Taxpayer and Spouse had married later in life, each with their own property and pre-existing family relationships, their estate planning, including gifting, was kept mostly segregated. Neither Taxpayer nor

Spouse elected gift-splitting under IRC §2513 with respect to their transfers of LLC interests to the Dynasty Trust. The Court disagreed, finding that the transfer through Spouse was not the type of transfer to a spouse that IRC §2523 was anticipated to exempt and protect. Instead, the parties agreed that Spouse would not hold the interests transferred or exercise her own dominion and control over the interests, but merely deliver them where Taxpayer directed. Furthermore, the LLC agreement permitted transfers of interests without prior written approval of the LLC board, but only to existing members or to trusts for the benefit of Taxpayer's descendants. Thus, the purported transfer to Spouse was not permitted under the LLC agreement, but the ultimate transfer to the Dynasty Trust was permitted. This fact, interpreted within the context of the totality of the circumstances, led the Court to believe that what was in fact accomplished was a transfer of all interests by Taxpayer to the Dynasty Trust. Finally, the Court approved the valuation of the transferred interests undertaken by the IRS that showed a significant undervaluing of the interests transferred.

Takeaway

Many readers will have noted mentally that this outcome could have been avoided had Taxpayer and Spouse merely elected to gift-split the entire transfer to the Dynasty Trust. A couple of facts prevented the parties from taking this more straightforward approach, however. Under IRC §2513, an election to gift-split must be taken with respect to all gifts during the tax year, but the parties were keen to keep their assets and planning largely separate and protected. Also, while Spouse had all her gift- and estate-tax exemption remaining unused, Taxpayer did not. Still, this case serves as a sober reminder of the obvious: if a taxpayer is planning multiple transfers each as a necessary part of a single plan, it is only fair that the transfers will be treated as a single course of action.

U.S. District Court dismisses counterclaim of fraudulent loans to avoid federal transfer taxation, *R. David Yost v. Morgan Carroll,* No. 1:20-cv-05393 (USDC, N.D. Illinois, E. Div.), January 20, 2022.

Facts

This case opens with the filing of a suit to enforce repayment of more than $8 million under the provisions of several promissory notes. The plaintiff in the case is FIL and the defendant is SIL; FIL is currently the father-in-law of SIL who is married to FIL's daughter D. The suit to enforce repayment occurred in connection with the divorce of SIL and D. The promissory notes memorialize amounts transferred by FIL to D and SIL during their marriage and a promise to repay "collectively and/or individually" the funds "loaned" to them. During their marriage, SIL and D used the proceeds of these transfers from FIL to purchase a home in New York City for $2,700,000. When this home was sold in less than a year at a profit of more than 100%, the young couple kept all the proceeds. Another loan was used by the couple to purchase a home in Chicago for $3,500,000 and FIL made yet another subsequent loan to the couple in the amount of $4,500,000. However, for his part SIN filed his answer and counterclaim that tells a very different story from the plaintiff's claims. According to his counterclaim, the intent of the various money transfers by FIL to SIN and his wife — FIL's daughter — was "to avoid having to pay gift taxes to the United States Treasury." According to SIL's answer, the promissory notes were implements of the scheme; while it was contended by FIL that they were gifts and a "tool to keep things straight between [FIL's] daughters." To further complicate matters, FIL has petitioned the Court to dismiss SIL's counterclaim and affirmative defenses, and the Court is now faced to the unenviable task of determine where the truth lies in all of this.

Holding

SIL alleges that FIL made each of these "loans" with a proverbial nod and a wink. The contents of letters from FIL to D and SIL, introduced as evidence, stated that the loans were actually intended to be gifts, but FIL went through the formality of the promissory notes so he would not incur gift taxes. SIL argues that these transactions were "void ab initio as made for an illegal purpose," namely to defraud SIL for repayment of funds that were represented as gifts to induce cooperation. FIL, the counterclaim alleges, never intended to collect any of the interest that accrued on the notes. FIL responded that he intended

that the notes would be forgiven upon his death, at which time his estate would even out all these extravagant gifts to D and his other daughters. Maybe this would have been true had the marriage of SIL and D lasted until the death of FIL, but it did not. The Court also considered the evidence that D did not list the promissory notes as liabilities on the application for mortgages for the purchases of the homes, but she did list them as liabilities during the divorce proceedings. To SIL's claim that the notes were void because made for the illegal purpose of defrauding SIL, FIL admits that at the time the promissory notes were executed, he truly did not intend to enforce them but his intent changed when the divorce proceedings between D and SIL were filed. As the Court points out, SIL is mistaking inconsistent claims (which often do change over time as circumstances change) for misrepresentation of facts (which might be actionable). Based on inconsistencies in both the record and parties' statements, the Court was forced to grant FIN's motion to dismiss SIN's counterclaim and defense, but it did so without prejudice and will allow SIN to resubmit.

Takeaway

The Court dismissed the counterclaim without prejudice, perhaps as a signal to the defendant SIL to amend his answer and counterclaim to allege a different fraud that might render the notes void ab initio, namely the defrauding of the Federal government of taxes rightly incurred and owed. All parties, including FIL, admitted that the notes were never intended to be enforced specifically for the purpose of avoiding transfer taxes. FIL may be able to defeat this defense by showing that all the notes incurred proper interest and would be accounted for as taxable gifts fully as part of his estate upon his death, at which time all principal and interest would be taxed when forgiven. We will monitor the future proceedings in this case and report any interesting developments in these pages.

Appeals Court rules state law nullifies all gifts to child of divorced spouse, *Katelyn Banaszak v. Dorothy Grablick, Judith Almasy et al.*, No. 353951, 2021 BL 480616 (Mich. Ct. App.), December 16, 2021.

Facts

While this case turns on provisions of Michigan state law, it identifies issues that arise in all U.S. jurisdictions and that are approached very similarly in many if not most of those jurisdictions. Appellant in this case was eight years old when her mother ("M") and Decedent were married in October 1993. In 2005, Decedent executed his will and Decedent and M executed a joint revocable trust ("Trust"). Decedent's will identified M as Decedent's spouse and Appellant as his step-child. The will directed that Decedent's assets passed to Trust upon his death. Upon the death of either Decedent or M, the provisions of Trust gave right to trust income and principal to the survivor and, upon the death of the survivor, income and principal passed to Appellant. Trust made provisions for Decedent's mother and sister ("Appellees") in the event that none of Decedent, M or Appellant is living. Appellant was treated by Decedent as his daughter throughout his life to the day of his death. Decedent and M divorced in April 2019 and Decedent died in July 2019. Appellant was named as Decedent's executor and filed for probate of Decedent's will and requested an order determining Decedent's heirs. Appellees moved to have Appellant disregarded as an heir of Decedent due to the divorce of her mother from Decedent before his death under Michigan law. Both parties filed for summary judgment on the issue. The probate court granted summary judgment for the Appellees and found that Appellant was not Decedent's heir under Michigan law. This appeal with the Court of Appeals for the State of Michigan followed.

Holding

The Court began by examining the relevant statutes under Michigan law in order to apply the intent of the legislature to the facts of the case. Specifically, MCL 700.2807 states:

(1) Except as provided by the express terms of a governing instrument, court order, or contract relating to the division of the marital estate made between the divorced individuals before or after the marriage, divorce, or annulment, the divorce or annulment of a marriage does all of the following:

(a) Revokes all of the following that are revocable:

(i) A disposition or appointment of property made by a divorced individual to his or her former spouse in a governing instrument and a disposition or appointment created by law or in a governing instrument to a relative of the divorced individual's former spouse.

MCL 700.2806 defines certain terms used in MCL 700.2807(1)(a)(i) as follows:

(a) "Disposition or appointment of property" includes, but is not limited to, a transfer of an item of property or another benefit to a beneficiary in a governing instrument.

* * *

(d) "Governing instrument" means a governing instrument executed by a divorced individual before the divorce from, or annulment of his or her marriage to, his or her former spouse.

(e) "Relative of the divorced individual's former spouse" means an individual who is related to the divorced individual's former spouse by blood, adoption, or affinity and who, after the divorce or annulment, is not related to the divorced individual by blood, adoption, or affinity.

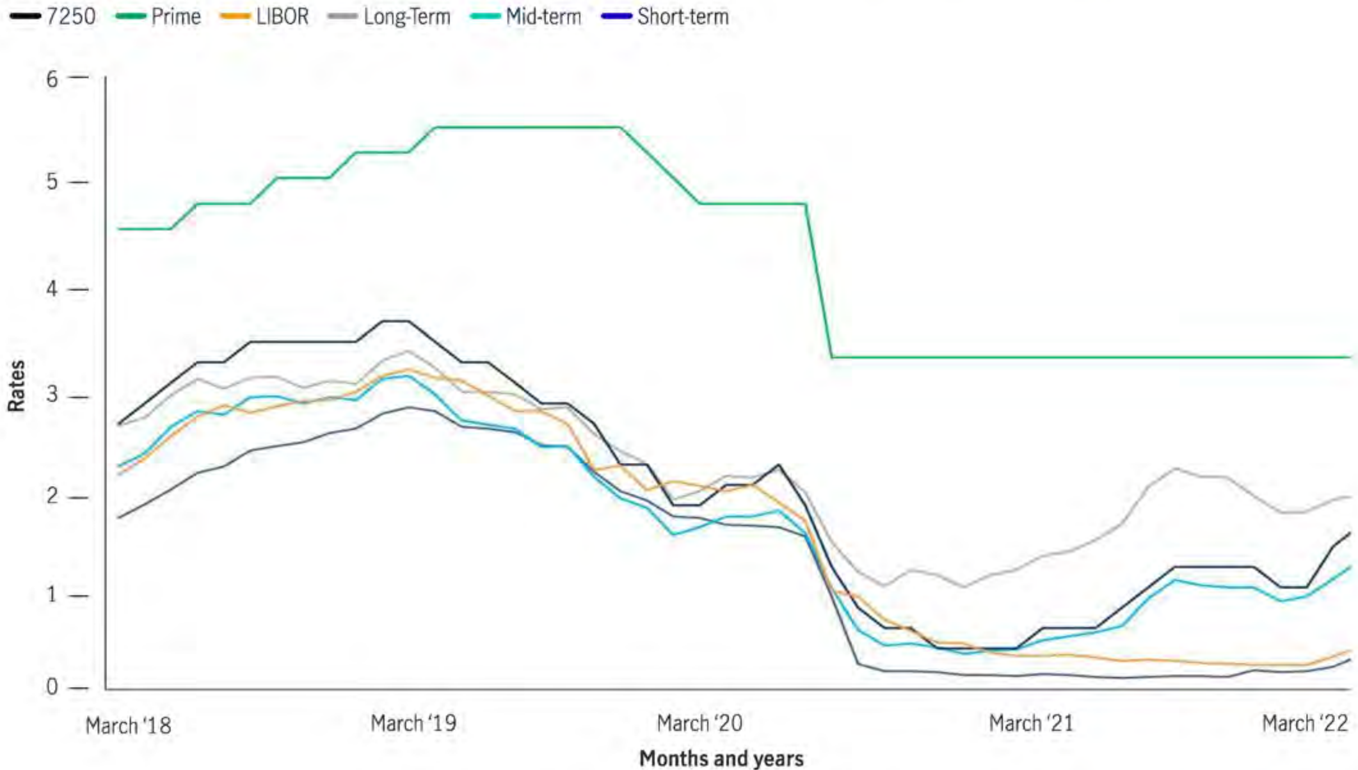
Consequently, in the absence of express terms to the contrary in the governing instrument, when a testator who has executed a will subsequently divorces his spouse, the divorce revokes any disposition or appointment of property to either the former spouse or the former spouse's relatives.

The Court notes that this law (Estates and Protected Individuals Code or "EPIC") was enacted in 2000 and materially changed the preceding law on the issue. However, the Court also was compelled to conclude that "if a testator decides that he wants his spouse's children or other relatives to receive distributions from his estate even if he were to divorce his spouse, he can include an express provision in his will specifying this intent. Presumably, a testator executing his will after EPIC took effect on April 1, 2000, would be aware of the default provisions." In this case, Decedent executed his will and Trust in 2005 and in the absence of any evidence to the contrary must be presumed to have intended what his documents provided under the law at the time of execution. (In other cited cases where a decedent's documents were executed before the effective date of the change in law but the decedent died after the change, the cases considered the testator's intent at the time of the change and evidence that this intent did, or did not change, subsequently.) Appellant argued that her close father-daughter relationship with Decedent throughout the end of his life, continuing as it did after the divorce was final, placed her outside the reach of statutes that address only the relatives of a decedent's spouse. However, the language used by the legislature, specifically "related ... by blood, adoption, or affinity," is clear and unambiguous and must be accepted as the true intent of the legislature. (As used in the law, "relation by affinity" means relation by reason of a marriage. As it applies here, Appellant would be related to Decedent by affinity if M was married to Decedent.) The Court noted by citation, "Sometimes, this rule leads to an apparently unfair result. But this is the law in Michigan, and we are not free to avoid it." The Court affirmed the ruling of the probate court that Appellant was not Decedent's heir and documents giving her an interest in Decedent's estate were nullified by the divorce of Decedent and M.

Takeaway

A lesson that we often see illustrated is that planning is not always prospective. Each of the decisions and actions we take in ordering our affairs can affect not only many of the choices and options that exist in the future, but also can change actions we have taken in the past. We strive to be sure that we have accounted for all the effects but, as in this case, sometimes there is little time for the analysis. This is why it is so important to build flexibility into our planning whenever we can, to increase the ability of that planning to adapt and adjust to future circumstances and correct unintended consequences when they arise.

The following are historical graphs of various rates that are commonly used by the Advanced Markets Group.



Take a look at how rates compare this month to last month:

	Short-term AFR	Mid-term AFR	Long-term AFR	7520	LIBOR	Prime
March '22	0.97	1.74	2.14	2.00	1.33	3.25
February '22	0.59	1.40	1.92	1.60	0.95	3.25

For financial professional use only. Not intended for use with the general public.

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 advisors.

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

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.

Insurance products are issued by John Hancock Life Insurance Company (U.S.A.), Boston, MA 02216 (not licensed in New York) and John Hancock Life Insurance Company of New York, Valhalla, NY 10595.

© 2022 John Hancock. All rights reserved.