

The Real Rate of Return

The impact of taxes and inflation on your investments!

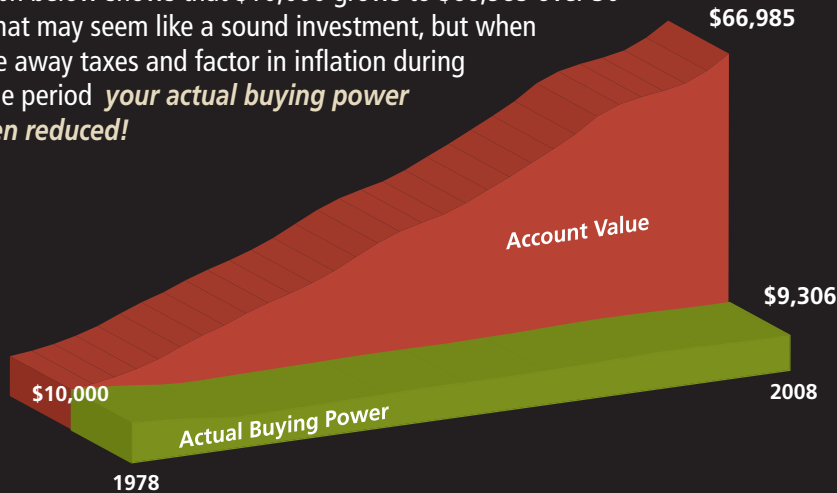
After you deduct taxes from the interest on your CD and adjust for inflation, what has happened to your buying power since 1978? The Real Rate of Return chart at the right shows that for 12 of the past 30 years, *your real rate of return has been negative.*

How to calculate the Real Rate of Return:

An example using the figures for 2008

Interest Rate on Short-Term Investment	3.1%
Less Federal Taxes	- 25.0%
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Interest Rate Less Federal Taxes	2.4%
Less Inflation	- 4.1%
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Real Rate of Return	- 1.7%

The graph below shows that \$10,000 grows to \$66,985 over 30 years. That may seem like a sound investment, but when you take away taxes and factor in inflation during that time period *your actual buying power has been reduced!*



	Certificate of Deposit ¹	Less Federal Taxes ²	Less Inflation ³	The Real Rate of Return
2008	3.1%	25.0%	4.1%	-1.7%
2007	5.2%	25.0%	2.8%	1.1%
2006	5.2%	28.0%	3.3%	0.4%
2005	3.7%	28.0%	3.4%	-0.8%
2004	1.7%	28.0%	2.7%	-1.5%
2003	1.2%	28.0%	2.3%	-1.5%
2002	1.8%	30.0%	1.6%	-0.3%
2001	3.7%	30.5%	2.8%	-0.3%
2000	6.6%	31.0%	3.4%	1.1%
1999	5.5%	31.0%	2.2%	1.6%
1998	5.4%	31.0%	1.6%	2.2%
1997	5.7%	31.0%	2.3%	1.7%
1996	5.5%	31.0%	3.0%	0.8%
1995	6.0%	31.0%	2.8%	1.3%
1994	5.0%	31.0%	2.6%	0.8%
1993	3.3%	31.0%	3.0%	-0.7%
1992	3.8%	31.0%	3.0%	-0.4%
1991	5.9%	31.0%	4.2%	-0.1%
1990	8.2%	33.0%	5.4%	0.1%
1989	9.1%	33.0%	4.8%	1.3%
1988	7.9%	33.0%	4.1%	1.2%
1987	7.0%	39.0%	3.6%	0.7%
1986	6.5%	48.0%	1.9%	1.5%
1985	8.2%	48.0%	3.6%	0.7%
1984	10.7%	48.0%	4.3%	1.3%
1983	9.3%	50.0%	3.2%	1.4%
1982	12.6%	50.0%	6.2%	0.1%
1981	15.8%	63.0%	10.3%	-4.5%
1980	13.0%	55.0%	13.5%	-7.7%
1979	11.4%	55.0%	11.3%	-6.2%
1978	8.6%	55.0%	7.6%	-3.7%
MINUS →				
MINUS →				
EQUALS →				
Total Average Real Rate of Return =				-0.3%

This information is not intended to replace the need for independent tax, accounting, or legal advice. Individuals are advised to seek the counsel of such licensed professionals.

Sources: 1. Federal Reserve Statistical Release 2008, average of dealer bid rates on nationally traded 6-month Certificates of Deposit, annualized using a 360-day year of bank interest. Certificates of Deposits are insured and offer a fixed rate of return, whereas both the principal value and rate of return of securities will fluctuate with changes in market conditions. 2. Federal Personal Income Tax Rates for 1978–2008 assuming a single taxpayer income of \$75,000. 3. U.S. Department Of Labor, Bureau of Labor Statistics, Consumer Price Index All Urban Consumers (CPI-U) 1978–2008. The information contained herein is based on sources we believe are reliable; however, we cannot guarantee its accuracy. John Hancock is not offering or issuing a Certificate of Deposit (CD). The information contained herein is prepared for your use by John Hancock. John Hancock Fixed Annuities are issued and administered by John Hancock Life Insurance Company, Boston, MA 02210

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