

# A plan to protect you and your loved ones



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Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

**You can create a smart plan for retirement – and efficient wealth transfer – with Lincoln variable annuities.**

Ensure your loved ones are cared for

Create or protect a tradition of wealth

Make a difference for what matters most to you

Insurance products issued by:  
The Lincoln National Life Insurance Company



## You've spent a lifetime building and protecting your assets

You've worked hard to save for the future, but you might not need all your wealth for retirement income. Protecting and passing it on is likely a priority for you.

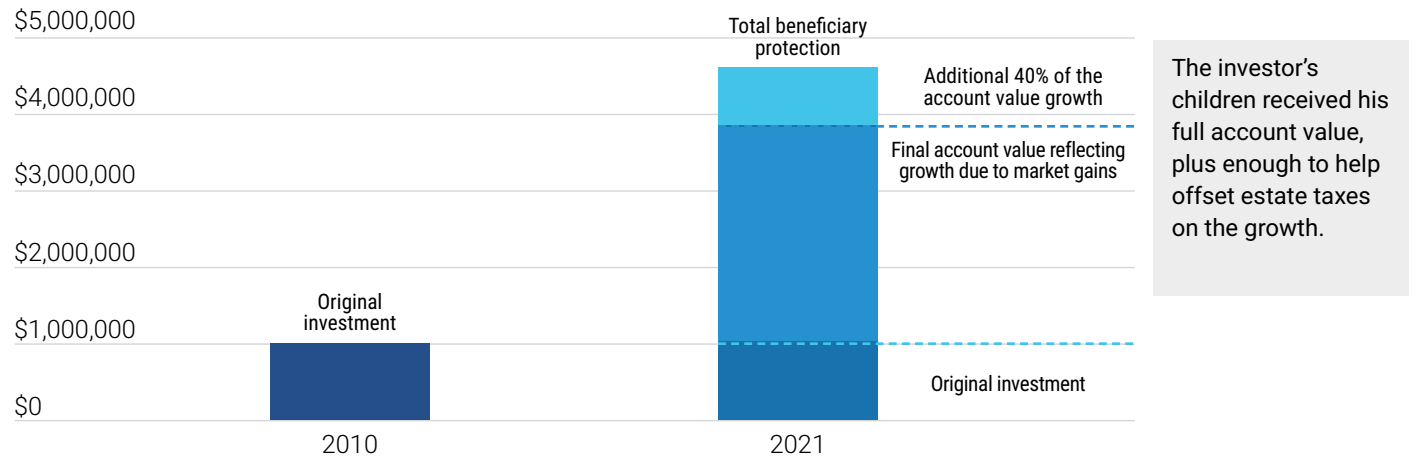
One of the most valuable benefits of a variable annuity is that it can help you protect your loved ones or contribute to your most cherished causes. In addition to growth potential and retirement income, *Lincoln Investor Advantage*® variable annuities with the Earnings Optimizer Death Benefit offer:

- Protection for your estate and beneficiaries to prevent too much of a tax burden
- Planning options to ensure your spouse is covered too
- Market growth potential
- Flexible options for tailored estate planning scenarios

### Why is beneficiary protection important?

This aspect of retirement planning is sometimes overlooked – but it's so important if you want to make sure your assets are not lost to too much taxation.

#### How one investor protected his estate and beneficiaries from a large tax bill



The investor's children received his full account value, plus enough to help offset estate taxes on the growth.

#### Original investment

- A 55-year-old purchased a *Lincoln Investor Advantage*® variable annuity
- He protected his estate and beneficiaries with the Earnings Optimizer Death Benefit

#### Keeping a legacy intact

- In 2021, the investor passed the assets on to his children at his death
- They received his full account value, which had grown over the years, plus an additional 40% of the growth to help cover taxes

**This example is for illustrative purposes only. Past performance does not guarantee future results.**

Variable annuities are long-term investment products that offer a lifetime income stream, access to leading investment managers, options for guaranteed growth and income (available for an additional charge), and death benefit protection. To decide if a variable annuity is right for you, consider that its value will fluctuate; it's subject to investment risk and possible loss of principal; and there are costs associated. All guarantees, including those for optional features, are subject to the claims-paying ability of the issuer.



## Plan for tax-efficient estate protection

### Meet Thomas

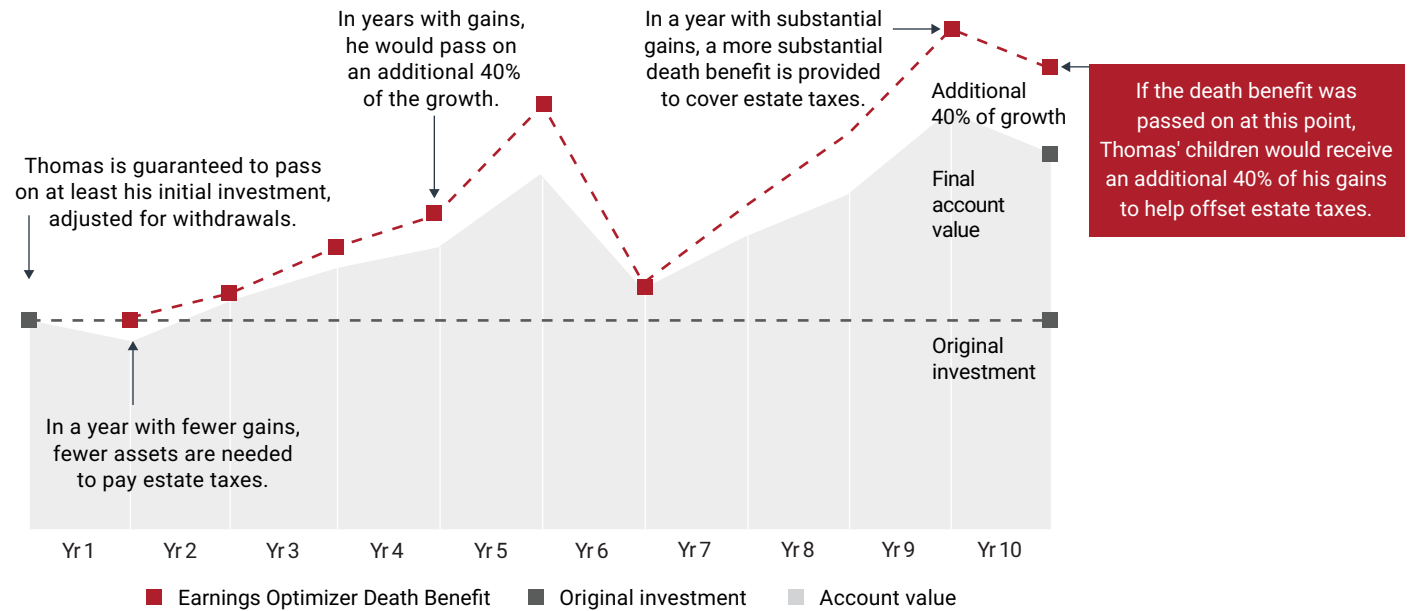
#### His challenge

He is in a high tax bracket and wants to make sure that both his current assets and the legacy he leaves to his children are as streamlined and tax-efficient as possible.

#### The solution

- A *Lincoln Investor Advantage*<sup>®</sup> variable annuity with the Earnings Optimizer Death Benefit, available for an additional charge, helps offset the expected estate tax by adding 40% of any earnings to the current account value at time of death.
- In the worst-case scenario, his beneficiaries would receive the principal back, adjusted for withdrawals.
- Thomas retains flexibility and control over his assets: he is assured a death benefit to help protect his estate, but he can also take income for retirement or another need.

### Help offset the potential tax impact for your loved ones



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### Earnings Optimizer Death Benefit

- Gives beneficiaries the greater of the principal<sup>1</sup> or the current account value plus 40% of earnings<sup>1</sup> if there are gains in the contract (not to exceed 200% of total deposits)<sup>2</sup>
- Available to contract owners and annuitants under age 70 for an additional annual charge of 0.40%, and ages 70 – 75 for 0.70%<sup>3</sup>

#### Available only with *Lincoln Investor Advantage*<sup>®</sup> variable annuities

<sup>1</sup>Adjusted proportionately for withdrawals and dollar-for-dollar for *i4LIFE*<sup>®</sup> Advantage payments.

<sup>2</sup>Adjusted proportionately for withdrawals only.

<sup>3</sup>Maximum charge 1.40% and 1.70% respectively, based on age bands. The initial fee is guaranteed for 20 years after election.

Investment requirements apply. The rider is irrevocable and does not provide an opt-out provision for fee increases. Not available for contracts in New York.



## Plan for a tax-smart income stream and legacy

### Meet James

#### His challenge

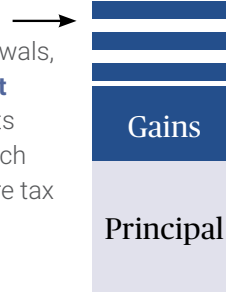
James, age 70, is a widower who's looking to supplement his income because his wife's pension was reduced when she passed away. He also wants to minimize taxes for himself and his beneficiaries. He has nonqualified money to invest, half of which is principal and half gains.

#### The solution

- James and his financial professional compared a traditional withdrawal from his investment account to a Lincoln variable annuity with *i4LIFE*<sup>®</sup> Advantage<sup>1</sup>
- *i4LIFE* provides a tax-efficient lifetime income stream because a portion of every payment is principal
- Lincoln annuity beneficiaries can access *i4LIFE* for unique legacy planning strategies

### Taxation order matters

For standard annuity withdrawals, **Last in, first out (LIFO)** payments are applied, which means the entire tax hit is up front.



*i4LIFE* offers an **exclusion ratio** for payments, returning a portion of principal with each payment.<sup>2</sup> This helps potentially mitigate the tax burden by spreading it out.



To help offset the potential tax impact of wealth transfer, James' beneficiaries can continue to receive *i4LIFE* on a tax-efficient basis until the remaining account value is fully withdrawn.<sup>3</sup>

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<sup>1</sup> *i4LIFE*<sup>®</sup> is available for an additional annual charge of 0.40% above standard contract expenses. The initial *i4LIFE*<sup>®</sup> payment is based on several variables, including age, sex, Access Period, AIR, and account value. Future payments will vary based on the performance of the investment chosen. Additional withdrawals reduce the cost basis, account value, death benefit and future income payments. Additional withdrawals taken before age 59½ may be subject to an additional 10% federal tax. After the Access Period ends, payments will continue on a lifetime basis, but you will no longer have access to your assets or a death benefit.

<sup>2</sup> The exclusion amount only applies until the cost basis has been returned, at which time the payments are fully taxable.

<sup>3</sup> For systematic withdrawals, if there are no gains all withdrawals are considered principal and are not taxed. For *i4LIFE*<sup>®</sup>, if the contract experiences no gains or is down, a portion of your payment is treated as a taxable gain and a portion is treated as principal. Once the principal has been paid out, each payment is fully taxable.

# Protect your legacy with tax-smart strategies

A nonqualified Lincoln variable annuity with *i4LIFE*<sup>®</sup> can help address a variety of unique planning challenges. Here are several scenarios that you may want to discuss with your financial and tax professionals.



## Structuring a trust

### Challenges

- Trust tax brackets are highly compressed, meaning that any recognized growth inside a trust may suffer a high “tax drag” each year.
- Trust-owned annuity withdrawals may trigger an additional 10% federal income tax.<sup>1</sup>

### Solutions

- Trusts that benefit only natural heirs (living people) can enjoy tax deferral.<sup>2</sup> A variable annuity can help provide long-term, tax-deferred growth and tax control.
- Immediate annuities are not subject to the 10% additional tax. If an annuity with *i4LIFE* is purchased with cash and income is started within 12 months, it counts as an immediate annuity and offers tax-efficient distributions.



## First in, first out death benefit

### Challenge

Many heirs desire to access a large portion of the death benefit soon after inheriting it, to pay off debt, for example. With traditional annuity death benefits, proceeds must be distributed “last in, first out” (LIFO), meaning all taxable gains first. If the annuity has substantial growth, this may create a large taxable event to the heirs.

### Solution

*i4LIFE*, if active when the death benefit is triggered, allows a first in, first out (FIFO) distribution, so heirs can access the original, nontaxable investment (“basis”) first. Taxes will only be due when any growth is distributed.



## 1035 exchange by beneficiary

### Challenge

Nonqualified deferred variable annuities generally can be “stretched” over the life expectancy of a natural beneficiary. However, since these payments are last in, first out (LIFO), the tax hit is up front on the gains.

### Solution

Beneficiaries can transfer these assets to a new carrier without tax consequences after meeting certain requirements. They can use *i4LIFE* for tax-advantaged income, instead of LIFO, as long as regular payments start within 12 months of the original owner’s death.<sup>3</sup>



## Multigenerational income

### Challenge

Some investors want to set up a lasting legacy that will pay out guaranteed income across two or more generations, but may be hesitant to expend the time and money of establishing a trust.

### Solution

*i4LIFE* can provide tax-efficient lifetime income today, and continue the income without interruption over multiple generations of beneficiaries. The key is to name a young annuitant (for example, a grandchild or even great-grandchild), over whose lifetime the income will be guaranteed.



## Lifetime gifting

### Challenge

If you own a nonqualified deferred variable annuity that you don’t need for income, you may want to give it to your loved ones today. However, income taxes will be due on all the deferred gains in the contract, creating a large tax bill for an annuity with a lot of long-term growth.

### Solution

You can change the annuitant to your intended gift recipient and begin *i4LIFE* payments. You can then execute a change of ownership to the recipient so they can begin tax-advantaged payments over their life expectancy, without creating a large income tax event.<sup>4</sup>

<sup>1</sup> As affirmed in Private Letter Ruling 202031008.

<sup>2</sup> Under Section 72(u) of the Internal Revenue Code, with trust language permitting.

<sup>3</sup> As affirmed in Private Letter Ruling 201330016. If a nonqualified stretch has been started at another carrier and it is now more than 12 months since death, *i4LIFE* is no longer available but the nonqualified stretch can be continued at Lincoln.

<sup>4</sup> The annuity transfer may still be subject to gift taxes.



Do you have a plan to protect your loved ones, your estate and your legacy? Talk with your financial professional to see if any of these strategies can be tailored to your unique situation.

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