You’re deferring taxes, now what?
Focus on tax-smart retirement income with i4LIFE® Advantage

You’re In Charge®
Lincoln Financial Group

TAXES AFFECT EVERYONE

Lincoln Variable Annuities

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

Insurance products issued by:
The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

For use with the general public.
The power of dependable income

A solid retirement plan and income strategy can ensure that when you stop working, you have reliable income to help cover expenses for the things most important to you. A lifetime income stream can help give you the comfort and power of knowing you’re able to help maintain your lifestyle.

With a Lincoln annuity, you’ll have a known source of income, paid every month starting at your target age and continuing as long as you live.

Having a reliable source of income as a portion of your overall plan can help you overcome unexpected challenges that many retirees face.

Living longer than ever  One member of a 65-year-old couple today has a 64% chance of living to age 90.¹

Unprepared for taxes  50% of investors indicated that taxes and their impact on their savings are a top concern.²

Sequence of returns during retirement  A 2% annual inflation rate could cause a $73,376 shortfall for the average retiree over a 20-year retirement.³

Rising healthcare costs  1 out of 2 Americans turning 65 will need some form of long-term care in their lifetime due to a life event or illness.⁴

Facing a changing investment landscape  78% of all Americans value protecting their wealth, even if they have to give up market performance to get there.⁵

A variable annuity is a long-term investment product that offers tax-deferred growth, access to leading investment managers, and a lifetime income stream. To decide if a variable annuity is right for you, consider that its value will fluctuate; it is subject to investment risk and possible loss of principal; and there are costs associated such as mortality and expense, administrative and advisory fees. All guarantees, including those for optional features, are subject to the claims-paying ability of the issuer. Limitations and conditions apply.

³LIMRA, “Even When Inflation is Low, It’s Higher for Retirees,” April 19, 2016.
Taxes affect everyone

Be aware. Be proactive. Be diversified.

Tax planning is more than preparing for April 15 each year. Taxes are constantly changing. And as your life changes, you could have increased tax exposure. That’s why tax planning is an integral part of retirement planning.

The painful reality of tax-inefficient investing

This image illustrates the hypothetical growth of a $1 investment in traditional asset classes before and after taxes from January 1, 1926, to December 31, 2016. Over time, income withheld for taxes can reduce returns and significantly impact an investor’s long-term investment strategy. One of the ways you can help prepare and protect against taxes is through tax-deferred investments.


<table>
<thead>
<tr>
<th>Compound annual return</th>
<th>Before taxes</th>
<th>After taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large stocks</td>
<td>10.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Government bonds</td>
<td>5.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Treasury bills</td>
<td>3.4%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

Past performance is no guarantee of future results. Hypothetical value of $1 invested at the beginning of 1926 with taxes paid monthly. Income is taxed at the appropriate federal income tax rate as it occurs. It is calculated using the historical marginal and capital gains tax rates for a single taxpayer earning the equivalent of $110,000 in 2010 dollars every year. When realized, capital gains are calculated assuming the appropriate capital gains rates. The holding period for capital gains tax calculation is assumed to be five years for stocks, while dividends were taxed when earned and reinvested. Government bonds were held until replaced in the index with capital gains realized at the time of sale and reinvested. No state income taxes are included. In this illustration, stocks are represented by the Standard & Poor’s 90 Index from 1926 through February 1957, and the S&P 500 Index thereafter. Bonds are represented by the 20-year U.S. government bond index, and Treasury bills are represented by the 30-day U.S. Treasury bill. Government bonds and Treasury bills are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while stocks and municipal bonds are not guaranteed. Stocks have been more volatile than the other asset classes. Municipal bonds may be subject to the alternative minimum tax (AMT) and state or local taxes, and federal taxes would apply to any capital gains distributions. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Assumes reinvestment of income and no transaction costs. ©2017 Morningstar. All rights reserved.
Get the most out of tax deferral

All variable annuities offer tax deferral. But only Lincoln variable annuities offer i4LIFE® Advantage, a patented distribution method that has been helping investors minimize the impact of taxes on their income since 2001.

When you are ready to transition from saving for retirement to taking retirement income payments, i4LIFE is an optional living benefit available through Lincoln variable annuities for an additional annual charge, above standard contract expenses.

i4LIFE can help you take control of your retirement income with:

• More after-tax income when investing nonqualified money
• Opportunity for increasing income payments every year when account value growth is greater than 3%
• Continued access to your account value with control of your investments
• Protection for beneficiaries with a dollar-for-dollar Guarantee of Principal death benefit

Compare income payments

The way you decide to take your income in retirement can affect the way you are taxed, especially if your money has had the chance to grow. This example shows how a retirement income payment might be taxed, depending on the option you choose.

For systematic withdrawals, if there are no gains, all withdrawals are considered principal and are not taxed.

For i4LIFE, if the contract experiences no gains or is down during a particular year, a portion of your payment is still treated as a taxable gain and a portion is treated as principal. Once the entire principal has been paid out, each payment is fully taxable.

i4LIFE® Advantage (0.40% single and joint life), i4LIFE® Advantage Guaranteed Income Benefit (Managed Risk) (1.05% single life/1.25% joint life), and i4LIFE® Advantage Select GIB (1.35% single life/1.55% joint life) are optional features available for an additional annual charge above standard contract expenses. No minimum issue age for nonqualified, minimum issue age of 59½ for qualified. The maximum charge for GIB Managed Risk, if elected, is 2.00% at GIB reset. The maximum charge for Select GIB, if elected, is 2.25% single and 2.45% for joint at GIB reset.

1 For a defined period of time based on the Access Period chosen.

2 If i4LIFE® Advantage GIB (Managed Risk) is elected, the account value growth must be greater than 4%.
Systematic withdrawals vs. i4LIFE® Advantage

When it’s time to convert retirement savings into a reliable stream of income, your tax strategy can be as important as your income strategy.

Case study

A 60-year-old male invested $250,000 of after-tax money in a variable annuity with no living benefits. Over 10 years, his annuity grew to $500,000. The investor, now age 70, is ready to draw income from his retirement savings. What is his best option?

The table below compares the taxable income of the initial guaranteed i4LIFE payment against the taxable income of a typical systematic withdrawal. Four tax brackets are shown for comparative purposes. The initial i4LIFE payment is based on age and amount of the initial investment. Future i4LIFE payments will vary based on performance of the investment options chosen in the product.

### Systematic withdrawals

<table>
<thead>
<tr>
<th>Tax rate</th>
<th>28%</th>
<th>33%</th>
<th>35%</th>
<th>39.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systematic withdrawal percentage</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Systematic withdrawal amount</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Total taxes paid</td>
<td>$5,600</td>
<td>$6,600</td>
<td>$7,000</td>
<td>$7,920</td>
</tr>
<tr>
<td>After-tax withdrawals</td>
<td>$14,400</td>
<td>$13,400</td>
<td>$13,000</td>
<td>$12,080</td>
</tr>
</tbody>
</table>

### i4LIFE Advantage

<table>
<thead>
<tr>
<th>Tax rate</th>
<th>28%</th>
<th>33%</th>
<th>35%</th>
<th>39.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>i4LIFE income percentage</td>
<td>5.53%</td>
<td>5.53%</td>
<td>5.53%</td>
<td>5.53%</td>
</tr>
<tr>
<td>i4LIFE income amount</td>
<td>$27,676</td>
<td>$27,676</td>
<td>$27,676</td>
<td>$27,676</td>
</tr>
<tr>
<td>Nontaxable amount*</td>
<td>$11,250</td>
<td>$11,250</td>
<td>$11,250</td>
<td>$11,250</td>
</tr>
<tr>
<td>Taxable amount</td>
<td>$16,426</td>
<td>$16,426</td>
<td>$16,426</td>
<td>$16,426</td>
</tr>
<tr>
<td>Total taxes paid</td>
<td>$4,599</td>
<td>$5,421</td>
<td>$5,749</td>
<td>$6,505</td>
</tr>
<tr>
<td>i4LIFE after-tax payment</td>
<td>$23,077</td>
<td>$22,255</td>
<td>$21,927</td>
<td>$21,171</td>
</tr>
</tbody>
</table>

| Percentage increase with i4LIFE | 60% | 66% | 69% | 75% |

*A nontaxable percentage of 40.65% is an excludable amount determined by the IRS.

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

The data shown assumes a 20-year Access Period, a 3% AIR, and monthly payments for i4LIFE®. The initial i4LIFE® payment is based on several variables including age, sex, and account value. Future payments will vary based on the performance of the investment chosen. The i4LIFE® income percentage may vary by state.

The annual returns shown reflect the deduction of all applicable contract fees and charges. This includes a maximum 1.30% mortality and expense risk charge and administrative fee, and a 1.35% charge for i4LIFE® Advantage Select GIB. There are also investment management fees and expenses as well as a 12b-1 distribution fee. It does not reflect any state premium tax deducted upon surrender. Specific fees and expenses can be found in the prospectus.
Income and legacy planning strategies

With the unique strategies made possible through i4LIFE® Advantage, you can build and help protect your wealth for generations. Since i4LIFE meets the definition of an immediate annuity under Internal Revenue Code Section 72(u)(4) when elected within a year of purchase, it offers potential solutions for a number of challenging planning situations.
All annuities are not created equal

A Lincoln variable annuity with i4LIFE® Advantage provides the potential to maximize income and access legacy planning options that aren’t available with a typical variable annuity.* See how it works:

**Growth**

- **Tax deferral**

**Income**

- **LIFO and ordinary income**
  
  With certain exceptions, systematic distributions from variable annuities have been taxed last-in, first-out (LIFO), which puts an up-front tax burden on investors’ income.

**Legacy**

- **No step-up in basis**
  
  Annuities do not receive a step-up at death, which means beneficiaries are on the hook for all taxes on the growth.

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**Typical variable annuity with a withdrawal benefit**

- Investors won’t have to pay taxes on any money they’re not using.

**Lincoln variable annuities with i4LIFE**

- **Tax deferral**

- **Tax-exclusion ratio**
  
  i4LIFE continues to offer tax advantages through an exclusion amount on nonqualified assets, so investors get back a portion of principal with each income payment — helping to ease the tax impact and letting investors control their assets.

- **FIFO and stretch the gains**
  
  i4LIFE also allows beneficiaries to access any remaining money in a tax-advantaged way.

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*Regular payments must start within a year of the contract inception.*
Talk with your advisor today.

Tax planning is one component in helping to protect your wealth. Ask your advisor how you can prepare for rising healthcare expenses, market risk, longevity and inflation. Help protect your growing assets, your retirement income and your legacy.

Important information:

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Variable annuities are long-term investment products designed for retirement purposes and are subject to market fluctuation, investment risk, and possible loss of principal. Variable annuities contain both investment and insurance components and have fees and charges, including mortality and expense, administrative, and advisory fees. Optional features are available for an additional charge. The annuity’s value fluctuates with the market value of the underlying investment options, and all assets accumulate tax-deferred. Withdrawals of earnings are taxable as ordinary income and, if taken prior to age 59½, may be subject to an additional 10% federal tax. Withdrawals will reduce the death benefit and cash surrender value.

Investors are advised to consider the investment objectives, risks, and charges and expenses of the variable annuity and its underlying investment options carefully before investing. The applicable prospectuses for the variable annuity and its underlying investment options contain this and other important information. Please call 888-868-2583 for free prospectuses. Read them carefully before investing or sending money. Products and features are subject to state availability.

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All contract and rider guarantees, including those for optional benefits, fixed subaccount crediting rates, or annuity payout rates, are subject to the claims-paying ability of the issuing insurance company. They are not backed by the broker-dealer or insurance agency from which this annuity is purchased, or any affiliates of those entities other than the issuing company affiliates, and none makes any representations or guarantees regarding the claims-paying ability of the issuer.

There is no additional tax-deferral benefit for an annuity contract purchased in an IRA or other tax-qualified plan.

For use with the general public.