Lincoln Financial Group®
You're In Charge®

WealthProtection Expertise℠

Protect your income-producing assets

A strategy to create income options for your retirement

Lincoln WealthAdvantage℠ Indexed UL case study

Many Americans are aware that they need to take charge of their financial future. Times have changed. Today, Millennials and Gen Xers wonder what their Social Security and Medicare benefits will be when they retire.

Because the responsibility of saving for retirement has shifted from employers and the government to you, the impact of market volatility, rising taxes, and longevity risk can be significant. And a market downturn in the early years of your retirement can rapidly deplete your savings. This is why your retirement planning strategy should help protect your portfolio by giving you income options for your future.

In the following example, we are not addressing a required minimum distribution (RMD). Each situation will differ. Keep in mind that the IRS can impose a 50% tax on RMDs not withdrawn. Please consult your advisor to determine if this plan make sense for you.

Meet Jim

He's age 45
A divorced father of a tween daughter, Abigail

Jim is familiar with the unexpected. He thought that his marriage would last forever, but things changed. Like many of his friends, he wonders if Social Security will be there when he retires. Years ago, his eligibility for full benefits advanced from age 66 to 67. And he feels that could change again.

But Jim is a take-charge guy who wants to prepare for the future. He makes contributions to his retirement account every year, and if his investments do well, he expects to accumulate $1 million in the next 20 years. He's just not sure he's doing enough and is concerned with the volatility of the market.

His retirement plan has seen great returns the last couple of years but he wonders how long the bull market will last.

He's concerned what will happen to his retirement account, especially with extreme volatility, when he needs it for income. Jim also wants to have enough financial protection for Abigail if something should happen to him.

Jim's current retirement plan

- He hopes to have $1 million in the next 20 years

Jim's goals

- Portfolio protection from volatility and tax erosion
- Sufficient retirement income to enjoy his lifestyle
- Financial protection so that Abigail can complete her education

Volatility risk in retirement

Market downturns can have a significant impact on the value of Jim's portfolio when he retires and begins to take annual withdrawals. If he doesn't plan ahead, he could potentially outlive his savings.

Insurance products issued by:
The Lincoln National Life Insurance Company

The wealth protection strategy

Because no one can predict if the market will be up or down when they retire, Jim's advisor recommends that he supplement his retirement account with a *Lincoln WealthAdvantage*℠ Indexed UL policy. In addition to his Social Security benefits, Jim will have another potential source of income that can protect his retirement savings when market conditions are volatile. He can tap into his policy's cash value to give his retirement account the opportunity to recover from negative returns.

Jim will pay an annual premium of $8,000 until he's age 65. And his policy will give him:

- A $550,000 income tax-free death benefit for Abigail if Jim dies before he takes policy distributions
- Tax-deferred growth opportunities with reduced market volatility
- A potential source of tax-efficient retirement income that can help protect his savings

The challenge –

When he retires, Jim wants to start taking annual distributions of $50,000.* Without a *Lincoln WealthAdvantage* IUL policy, market downturns could have an erosive effect on the value of his retirement account as he takes distributions. In this hypothetical example he will run out of money at 82, before his life expectancy age of 85.

The solution –

With *Lincoln WealthAdvantage* IUL, Jim has sufficient retirement income.

Jim's retirement account	Jim's retirement account supplemented by his *Lincoln WealthAdvantage* Indexed UL policy
Jim's total after-tax distributions from retirement account $878,412	Jim's total after-tax distributions from retirement account $775,578 from his policy $325,372
Jim's total after-tax distributions **$878,412**	Jim's total after-tax distributions **$1,100,950**
Jim's portfolio value at age 85 $0 **Jim's retirement account value drops to $0 at age 82, before his life expectancy**	Jim's retirement account value at age 85 $1,068,927 Death benefit at age 85 $146,255
Jim's total benefit at age 85 **$878,412**	Jim's total benefit at age 85 **$2,316,132**
Without *Lincoln WealthAdvantage* IUL his retirement strategy fails.	**With *Lincoln WealthAdvantage* IUL his retirement strategy succeeds.**

How the strategy works

Jim retires at age 66 with income options. He plans to take annual withdrawals from his retirement account, but will rely on tax-free participating loans* from his *Lincoln WealthAdvantage* Indexed UL policy the year following a negative return. This gives his retirement account the chance to recover from market downturns.

Jim likes that his policy gives him financial protection and income that's sheltered from market and tax risk. His policy offers indexed account options tied to S&P 500 Index performance[1] to cover a wide range of returns a guaranteed 1% minimum interest rate and a guaranteed persistency bonus starting in the 16th policy year that credits interest regardless of S&P performance. And because the index accounts never earn a negative interest rate, his policy gains are locked in and Jim will never have to recover from S&P 500 Index losses before seeing positive interest credited to his account. He feels confident about his future because this strategy helps him move toward his goal of having enough income to enjoy the years ahead.

How it's designed to work —

What if the stock market falls from all-time highs? What if we return to the volatility and bouts of negative returns we saw in the 1970s and 80s? In the years following a negative stock market return (indicated by the orange bars in the table below), Jim takes annual participating loans from his *Lincoln WealthAdvantage* Indexed UL policy instead of his retirement account, thus allowing the retirement account to potentially rebound when the stock market rebounds.

Age	After-tax distributions from retirement account	Tax-free participating loans from policy	Hypothetical S&P 500 Index annual return	Policy death benefit at year end	Retirement account value at year end
66	$50,000	$0	–0.97%	$550,000	**$924,262**
67		$50,500	9.90%	$499,500	**$1,015,801**
68	$51,005	$0	20.01%	$496,975	**$1,137,469**
69	$51,515	$0	–21.57%	$494,324	**$838,234**
70		$52,030	–28.35%	$439,510	**$600,637**
71		$52,551	32.55%	$381,435	**$796,119**
72	$53,076	$0	19.36%	$373,006	**$865,744**
73	$53,607	$0	–11.02%	$364,157	**$706,713**
74		$54,143	1.90%	$300,722	**$720,160**
75	$54,684	$0	14.69%	$288,258	**$742,301**
76	$55,231	$0	18.40%	$275,171	**$791,713**
77	$55,783	$0	–4.99%	$261,429	**$681,538**
78		$56,341	9.96%	$190,660	**$749,420**
79	$56,905	$0	19.54%	$172,693	**$805,129**
80	$57,474	$0	1.21%	$153,827	**$737,285**
81	$58,048	$0	29.59%	$142,579	**$855,139**
82	$58,629	$0	17.07%	$157,428	**$909,589**
83	$59,215	$0	–2.18%	$173,415	**$812,564**
84		$59,807	12.96%	$130,794	**$917,878**
85	$60,405	$0	27.66%	$146,255	**$1,068,927**

*Assumes a 1% annual growth rate.

[1]Excluding dividends.

Hypothetical annual returns based on the performance of the S&P 500 Index without dividends for annual periods from December 15 to December 15 from 1970 through 1989. Examples are for illustrative purposes only and do not represent the returns for any investment. This example does not include any required minimum distributions taken after the age of 70½. *Lincoln WealthAdvantage* Indexed UL assumes male, age 45, standard nontobacco, $550,000 level death benefit, $8,000 annual premium paid for 20 years, annual participating loans taken in years shown, 6% assumed rate, state of Pennsylvania. **Assuming 1% and current charges, policy lapses at age 71.** Assumed 25% tax rate on retirement account distributions.

Get ready for your future

Ask your advisor how a Lincoln wealth protection strategy can help you reach your retirement income goals.

The value of *Lincoln WealthAdvantage*℠ Indexed UL in the strategy

One solution for protection and income because you want to reduce your exposure to market volatility

Guaranteed minimum 1% return—When the index percentage change is less than 1%, your account is still credited 1%. Policy charges remain in effect and could reduce the policy value.

Tax-advantaged growth potential—When the index percentage change is positive for the 1-year indexed period, your account is credited a positive rate.

Locked-in gains—The indexed accounts never earn a negative interest rate, and you never have to recover from S&P 500 Index losses.

Persistency bonus—You're rewarded for your long-time policy ownership with a guaranteed bonus in policy years 16 and beyond.

Participating loans for greater income potential by including all of your policy cash value, even the amount you borrow, in indexed account growth*

A fixed loan option with a guaranteed loan charge rate for more predictability*

Distributions are taken through loans and withdrawals which reduce your policy's cash surrender value and death benefit and may cause the policy to lapse. Loans are not considered income and are tax free. Withdrawals and surrenders are tax-free up to your cost basis, provided your policy is not a modified endowment contract (MEC). A MEC policy is one in which the life insurance limits exceed certain high levels of premium, or the cumulative premium payments exceed certain amounts specified under the Internal Revenue Code. For policies that are MECs, distributions during the life of the insured, including loans, are first treated as taxable to the extent of income in the contract, and an additional 10% federal income tax may apply for withdrawals made prior to age 59½.

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