

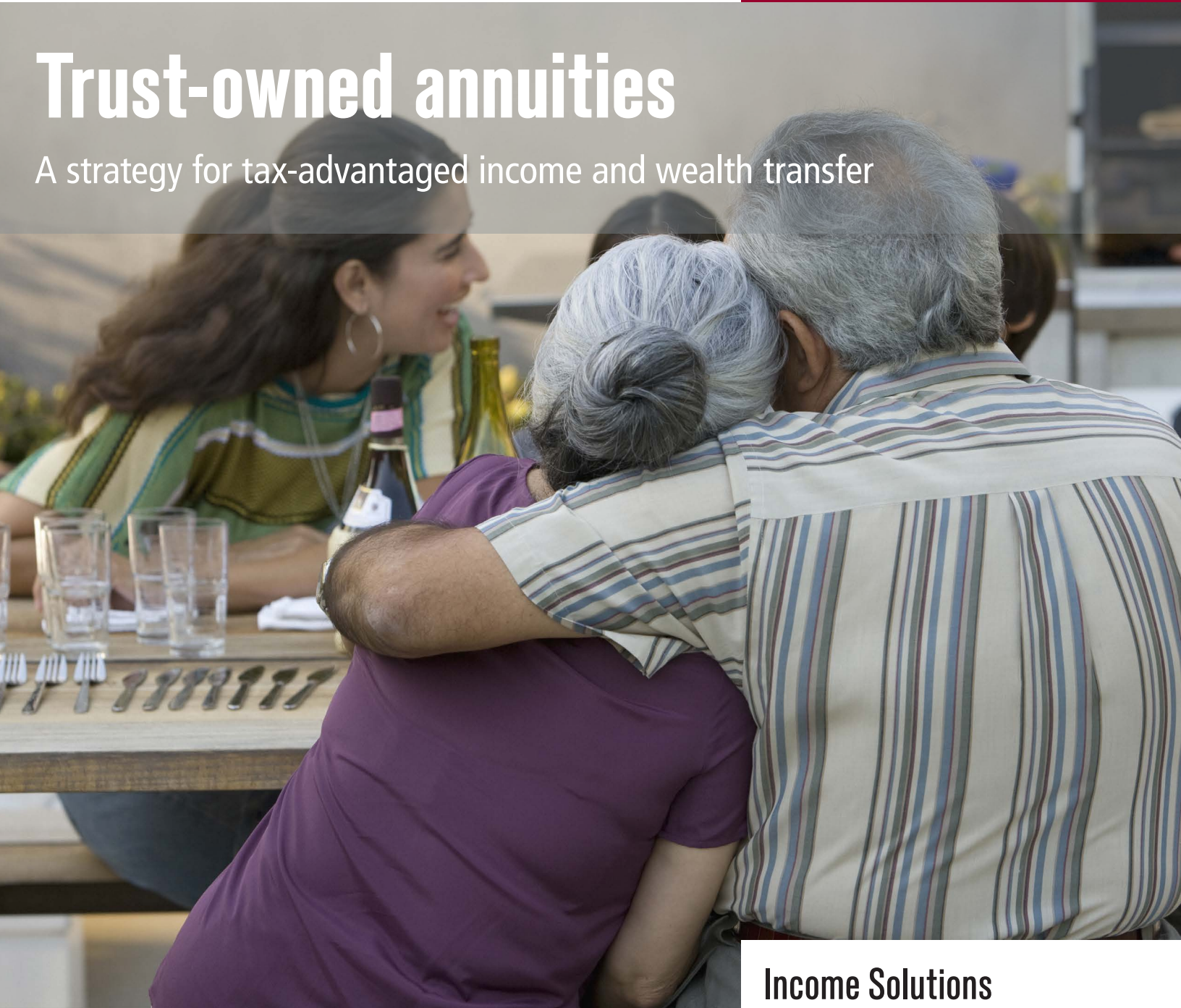


You're In Charge®

LINCOLN FIXED INDEXED ANNUITIES

Trust-owned annuities

A strategy for tax-advantaged income and wealth transfer



Income Solutions

| | | |
|---|------------------|----------------------|
| 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



Oh, what a little one

Love Baby Love Baby
Love Baby Love Baby
Love Baby Love Baby
Love Baby Love Baby
Love Baby Love Baby
Love Baby Love Baby
Love Baby Love Baby
Love Baby Love Baby
Love Baby Love Baby
Love Baby Love Baby





A trust planning strategy

Using a trust-owned annuity gives you the flexibility to help achieve a number of goals including income and estate objectives. Discover how this strategy can help you protect your wealth and the wealth of your loved ones through guaranteed income and tax-advantaged legacy planning.

A fixed indexed annuity is intended for retirement or other long-term needs. It is intended for a person who has sufficient cash or other liquid assets for living expenses and other unexpected emergencies, such as medical expenses. A fixed indexed annuity is not a registered security or stock market investment and does not directly participate in any stock or equity investments, or index. The index used is a price index and does not reflect dividends paid on the underlying stocks.

Tax considerations

In general, a trust-owned annuity has distinct tax implications.

Consider these matters and consult with your tax advisor about your specific tax situation.

Internal Revenue Code Section 72(u)—nonnatural owner rule

Annuities owned by a nonnatural entity, such as a corporation or a trust, are not treated as an annuity for income tax purposes.

When held by a nonnatural owner, any gains in the contract will be taxable each year.

However, an exception to this rule is if the trust is an agent for a natural person the favorable tax treatment is still available. If other nonnatural beneficiaries are involved, a trust-owned annuity may lose its preferential treatment.

Internal Revenue Code Section 72(q)—early withdrawal tax

Any taxable distribution from an annuity is subject to 10% federal tax. While there are several exceptions to this rule, only the immediate annuity exception can apply to a trust-owned annuity because a trust is a nonnatural owner. Section 72(u)(4) defines an immediate annuity as an annuity purchased with a single premium and providing regular payments starting within one year of contract purchase.

Trusts for managing and distributing wealth

A trust can be an effective tool for managing and distributing wealth—especially for high net worth individuals concerned about estate tax issues. A common strategy is for married couples to create a bypass trust as a key part of their estate and tax planning. A bypass trust (or a “B” trust), funded upon the death of a spouse, is designed to:

- Minimize estate taxes and
- Simplify the transfer of assets to heirs

Sometimes, it makes sense for the trust to own the annuity because an annuity can add:

- Guaranteed income options, and
- Tax-advantaged legacy planning

Tax-advantaged income for tax-smart wealth transfer

A Lincoln fixed indexed annuity with *i4LIFE*® Indexed Advantage, a living benefit rider available for an additional charge,¹ can be owned by a trust to create a flexible income and wealth transfer strategy.

When elected with nonqualified money and regular payments begin within one year of contract purchase, *i4LIFE* Indexed Advantage qualifies as an immediate annuity under Internal Revenue Code section Rule 72(u)(4). It can be used to generate tax-efficient lifetime income while providing access to your account value without incurring the 10% early withdrawal tax normally assessed on additional withdrawals taken before age 59½.²

This strategy can help maximize income for both the surviving spouse and beneficiaries with



Tax-efficient income

Guaranteed



Control and flexibility

Retain control over your account value and death benefit

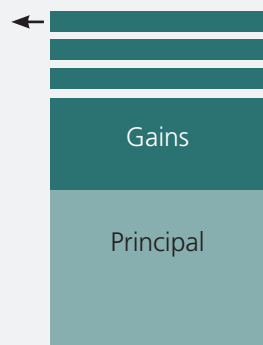


Tax-advantaged legacy planning

Pass income to future generations without the tax burden often incurred from typical transfers of wealth

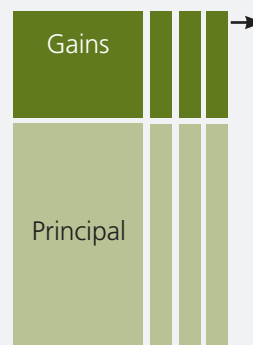
The illustration below compares the taxable income of *i4LIFE* payments against the taxable income of typical systematic withdrawals. It assumes each account was purchased using nonqualified money (which has already been taxed).

Systematic withdrawals



If there are gains in the contract, systematic withdrawals start with fully taxable gains being paid out first, resulting in less current income. If there are no gains, all withdrawals are considered principal and are not taxed.

***i4LIFE*® Advantage payments**



i4LIFE Indexed Advantage payments include a portion of the nontaxable return of principal along with any taxable gains that may have occurred. If there are no gains, the payment is part taxable gain/part return of principal. Once the principal has been paid out, each payment is fully taxable.

¹*i4LIFE*® Indexed Advantage (form AR-336 or state variations) is available for an additional charge of 0.95% (2.00% maximum). The minimum issue age for *i4LIFE*® Indexed Advantage is 55, and the minimum premium required to purchase this feature is \$50,000. Additional premiums are not allowed on flexible premium contracts.

²Additional withdrawals reduce the cost basis, account value, death benefit, GIB amount and income payments, and are subject to ordinary income tax to the extent of the gain.



Investor profile

Steve and Linda will be married for 60 years and have amassed a large estate. They have two grown children, Jessica and Ben.

Objectives

- Enhance and protect their children's legacy
- Have a flexible resource for future tax-advantaged cash flow
- Maintain control and access

Concerns

- Uncertainty about future taxes and leaving a lasting legacy

How it works

Step 1

Steve and Linda's will includes a provision to establish a bypass trust for surviving spouse. Upon the death of first spouse (Steve), the trust is established with Linda (age 85) as trustee.

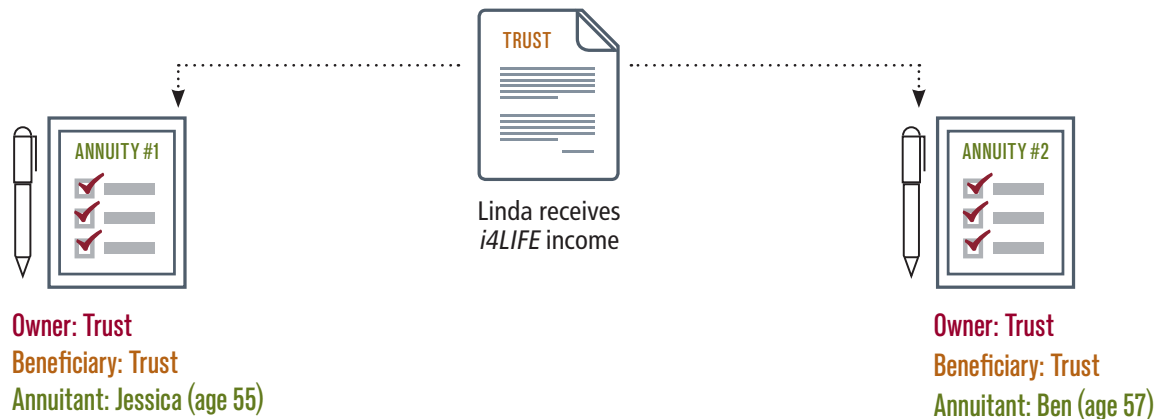


From Steve's estate to the trust—transfer the maximum qualifying amount for the Unified Tax Credit. This credit allows each person to gift a certain amount of their assets to other parties without having to pay gift, estate or generation-skipping transfer taxes.

Trustee: Linda
Beneficiary: Trust

Step 2

Trust purchases two Lincoln fixed indexed annuities with *i4LIFE*® Indexed Advantage and Linda, as trustee, begins to receive *i4LIFE* income right away.



Step 3

Under the provisions of the trust, when Linda dies the trust terminates and both annuity contracts will “pass-in-kind” to Jessica and Ben.



**Plan to protect your wealth and the wealth of your loved ones.
Ask your advisor how Lincoln wealth protection strategies can help you reach your goals.**

| |
|---|
| Not a deposit |
| Not FDIC-insured |
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| Not guaranteed by any bank or savings association |
| May go down in value |

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LCN-1892572-091117

POD 10/17 Z01

Order code: FA-TRUST-BRC001



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Fixed indexed annuities are issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., a broker-dealer. **The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so. Contractual obligations are subject to the claims-paying ability of The Lincoln National Life Insurance Company.**

The exact terms of the annuity are contained in the contracts and any attached riders, endorsements and amendments, which will control the issuing company's contractual obligations. For more information about the annuity, please also read the Client Guide, Disclosure Statement and Facts At-A-Glance, or contact your representative.

Income taxes are due upon withdrawal and if withdrawn before age 59½, an additional 10% federal tax may apply. Withdrawals and surrenders may be subject to surrender charges and a Market Value Adjustment.

There is no additional tax-deferral benefit for contracts purchased in an IRA or other tax-qualified plan, since they are already afforded tax-deferred status.

Product and features are subject to state availability. Limitations and exclusions may apply. Not available in New York.

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