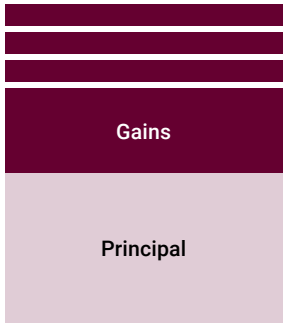
Top 10 hidden client strategies

Using *i4LIFE*® Advantage

The *i4LIFE* difference

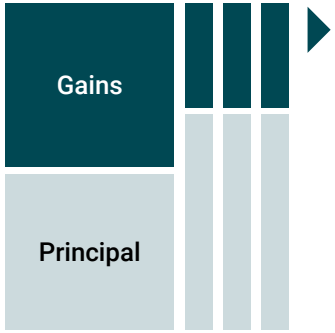
Tax-efficient lifetime income

When *i4LIFE* payments are made from a nonqualified annuity contract, each payment includes a portion of the original investment (after-tax dollars) together with a portion of the gains in the contract. The contractowner retains access to the account value even after the *i4LIFE* payments begin.[1]



Traditional withdrawals[2]

If there are gains in the contract, traditional withdrawals start with fully taxable gains being paid out first, resulting in less after-tax current income.



***i4LIFE* Advantage payments**

If there are gains in the contract, *i4LIFE* includes a combination of the nontaxable principal along with the gains in each payment, resulting in more after-tax current income.

Private Letter Rulings

Lincoln has received two Private Letter Rulings (PLRs) confirming that:

- *i4LIFE* payments qualify as payments made after the "annuity starting date," and thus include a portion of the contractowner's investment in each annuity payment (IRS PLR 2003050018, 2002).
- *i4LIFE* meets the definition of an immediate annuity under Section 72(u)(4) of the Internal Revenue Code when the contract is purchased with a single sum and the initial payment is made within the first year of purchase (IRS PLR 200818018, 2008).

[1] *i4LIFE*® Advantage is an optional feature available for an additional annual charge (0.40% single and joint life). See Fact Sheet for complete details. There is no minimum issue age for nonqualified money.

[2] Additional withdrawals are subject to ordinary income tax to the extent of the gain. Withdrawals will reduce the account value, death benefit and income payments (reduced proportionally). Additional withdrawals taken before age 59½ may be subject to an additional 10% federal tax.

i4LIFE Advantage can be an effective way to minimize the impact of taxes on a client's known stream of income. But did you know it can do so much more?

From our extensive collection of *i4LIFE* concepts and resources, we've identified our top 10 sales ideas to help you create new opportunities, expand your services, and deliver more value to existing clients.

i4LIFE is an optional living benefit rider available with Lincoln annuities, and can be used for a broad range of unique income situations because of its innovative design and favorable tax treatment.

Annuities are long-term investment products that offer tax-deferred growth, access to a lifetime income stream, and death benefit protection. Variable and registered index-linked annuities may be subject to market fluctuation, investment risk, possible loss of principal and there may be costs associated. Optional features may be built-in or if selected, are available for an additional charge.

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

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A broad range of client solutions

As the needs of your clients change, you may uncover more hidden opportunities for the tax advantages and income distribution method of *i4LIFE*® Advantage.

1. Multigenerational income

Situation: A client wants to set up an income stream that will pay out over two or more generations.

Solution: To stretch *i4LIFE* payments over a number of generations, the key is to name a young annuitant and choose an Access Period long enough to create an income stream for the client and the beneficiary. The annuitant can be a child, grandchild, or great-grandchild. If the annuitant is not the same person as the beneficiary, *i4LIFE* should be elected prior to the annuity owner's death.

2. Income before age 59½

Situation: A client wants to take income from their retirement assets before age 59½ but they are concerned about the tax penalty on early retirement income withdrawals.

Solution: If the client is using nonqualified, new money and *i4LIFE* is elected at issue, they can begin a penalty-free stream of income before age 59½. With *i4LIFE*, they will retain growth potential, the ability to change their allocations, and access to their money for unexpected expenses. If the contract was initially funded by a 1035 exchange, the client must not take an excess, unscheduled withdrawal until the later of five years after beginning *i4LIFE* payments or reaching age 59½ in order to avoid the 10% penalty tax.

3. 1035 exchange by beneficiary

Situation: A client wants to exchange an inherited annuity for one with more tax-efficient income.

Solution: When PLR 201330016 allowed a 1035 exchange of a nonqualified death claim, it opened the door for beneficiaries to move an inherited nonqualified annuity to another annuity carrier without tax consequences when certain requirements are met. *i4LIFE* can be used in this circumstance to provide a tax-advantaged income and wealth transfer strategy when regular payments start within 12 months of the owner's death. 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.

4. Joint income with a nonspouse

Situation: A client wants to name someone other than a spouse as a second life over which the income will be guaranteed. Examples: unmarried couples, siblings, business partners.

Solution: With *i4LIFE*, a nonspouse covered life will continue to receive the tax-efficient stream of income after the death of another covered life. This allows a continuity of income across two lifetimes that has usually only been allowed for spousal joint annuitants.

5. Nongrantor trusts and annuities

Situation: Today, a nongrantor trust may hold anywhere from a few hundred thousand to several million dollars. A trust beneficiary may be entitled to income or principal from the trust, but (in many cases) the beneficiary does not want or need it.

Solution: Using a trust-owned annuity offers a number of options and alternatives.

- The trust's investment in an annuity contract will provide long-term growth potential as well as tax-deferred growth within the trust.
- If the trust has cash to invest after the death of the grantor and his or her surviving spouse, the trust can purchase an annuity for each child, and name each child as the annuitant of his or her annuity contract. The trust can distribute the annuity tax-free to each child at a later date.

As new contractowners, the children can choose deferral, *i4LIFE* income, or other available options, including lump-sum surrender, or if under age 59½, an IRC 72(q) SEPP.

Note: Trust-owned annuity withdrawals may be subject to an additional 10% federal tax if income is not generated as an immediate annuity. For this reason, reserve some liquid assets outside the annuity.

6. Special needs trusts

Situation: A client wants to provide long-term security and manage asset distribution for a child with special needs.

Solution: The client can elect *i4LIFE*® Advantage now and name the special needs person (SNP) as annuitant and a special needs trust (SNT) as beneficiary. The current *i4LIFE* payments can be used for the SNP's benefit or used for current income. Upon the contractowner's death, the annuity becomes an asset of the SNT, and payments continue for the SNP's lifetime without interfering with eligibility for government assistance.

During the Access Period, the trustee may access the account value for expenses exceeding the *i4LIFE* payment, and the death benefit is paid to the annuity beneficiary, usually the trust.

7. Income for older clients

Situation: A client is older than the maximum contract issue age, but could benefit from a guaranteed stream of income.

Solution: If the client establishes a revocable trust as the annuity owner and a younger family member as the annuitant, and they elect *i4LIFE* prior to the grantor's death, the beneficiary can continue to receive the guaranteed stream of income for the extended period that the grantor established (or longer, depending on the beneficiary's age).

Note: For a 1035 exchange, change the annuitant (only allowed if it is an owner-driven contract) prior to changing the ownership to a revocable trust and proceed as outlined above.

8. Cross reinvestment

Situation: Many large estate owners have established life insurance-funded irrevocable trusts for estate liquidity and exemption. Such trusts require annual gifts plus withdrawal letters to the beneficiaries.

Solution: If the client establishes an irrevocable trust, they can make a one-time gift to the trust, which can be used to purchase an annuity with *i4LIFE*. The income payments are then used to fund the no-lapse guarantee premium on the life insurance.

Note: Crummey letters are needed whether or not the trust is defective.

9. Lifetime gifting

Situation: A client wants a tax-efficient way to gift their nonqualified assets, and would like to see their beneficiaries enjoy the gift. IRC Section 72(e)(4)(E) states that a gift of an annuity triggers gain in the contract to the donor. However, this rule only applies to deferred contracts.

Solution: The client can elect *i4LIFE* and name the gift recipient as the annuitant. After the *i4LIFE* payments begin, the client can execute a change of ownership to the gift recipient so they receive the tax-advantaged payments.

Note: The transfer would only avoid income taxation, and could still be subject to gift taxation.

10. No step-up in basis at death

Situation: Traditional annuities don't receive a step-up at death. That means when the contractowner passes away, beneficiaries may be responsible for paying income taxes on all accumulated gains, potentially reducing the value of the inheritance.

Solution: *i4LIFE* also provides some beneficiaries to access any remaining money in a tax-advantaged way.

For additional in-depth, ongoing support for these sales ideas — or any complex client situation — our team can help. Please call 877-533-0265 and ask to speak to one of our Advanced Sales Specialists.

Lincoln Financial®

Let us help you uncover more hidden opportunities with *i4LIFE*. Contact your Lincoln representative today.

i4LIFE® Advantage: 25+ years of IRS-affirmed innovation

2000
i4LIFE is added as an optional benefit to Lincoln annuities.

2002
Lincoln receives PLR 200305018 confirming that *i4LIFE* payments qualify as payments made after the "annuity starting date," and thus include a portion of the contractowner's investment in each annuity payment.

2006
Lincoln is awarded a U.S. patent, which recognizes the unique method for providing income benefits with *i4LIFE*.

2008
Lincoln receives PLR 200818018 confirming that *i4LIFE* qualifies as an immediate annuity under Section 72(u)(4) of the Internal Revenue Code when the contract is purchased with a single sum and the initial payment is made within the first year of purchase.

2025
Today, more than 128,000 people receive *i4LIFE* income with $2.4 billion in account value. Since 2000, *i4LIFE* has paid $41.3 billion in income.

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

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Annuities may be fixed, variable, or indexed and are long-term investment products designed for retirement purposes. Variable or indexed annuities may be subject to market fluctuation, investment risk, and possible loss of principal. Optional features may be built-in or if selected, are available for an additional charge. 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. Registered index-linked annuity products are complex insurance and investment vehicles.

For registered index-linked annuities, material is authorized for use only when preceded or accompanied by a prospectus, which describes investment objectives, risk factors, fees and charges that may apply as well as other important information.

Variable products are sold by prospectuses, which contain the investment objectives, risks, and charges and expenses of the variable product and its underlying investment options.

Please call 888-868-2583 for free prospectuses. Read carefully before you invest or send money.

Annuities may include surrender charges, administrative fees and other costs that can reduce returns. Earnings grow tax-deferred, but withdrawals are subject to ordinary income tax and may incur a 10% penalty if taken before age 59½. Withdrawals and surrenders may be subject to surrender charges and a Market Value Adjustment.

i4LIFE® Advantage is available with Lincoln annuities (contract forms 30070-A 8/03, 30070-A-ID 8/03, 30070-B, 30070-BID, ICC23-60020 and 23-60020, ICC23-60021 and 23-60021, ICC23-60022 and 23-60022, ICC1515-619, 25-50096, 25-50097, ICC25-50096, ICC25-50097 and state variations). Lincoln 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.**

In New York, *i4LIFE*® Advantage is available with Lincoln annuities (contract forms 24-70030 through 24-70035). Contracts sold in New York are issued by Lincoln Life & Annuity Company of New York, Syracuse, NY, and distributed by Lincoln Financial Distributors, Inc., a broker-dealer.

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.

Products and features are subject to state availability.

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