Lincoln Financial®

Make the Gift of a Lifetime

A strategy for tax-smart wealth transfer using Lincoln annuities and *i4LIFE*® Advantage



INVESTMENT AND INSURANCE PRODUCTS ARE:

- **NOT FDIC-INSURED**
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- **NOT A DEPOSIT OR OTHER OBLIGATION OF, OR GUARANTEED BY, THE BANK OR ANY OF ITS AFFILIATES**
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The Lincoln National Life Insurance Company
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Help maximize the gift. Help minimize the taxes.

While gifting is a way to share your wealth with loved ones, it can also be an important strategy to use within an overall estate plan or for Medicaid or tax planning. But when it comes to gifting an annuity or other tax-deferred money, there could be challenges, such as the tax liability for any gains that have accumulated.

A Lincoln annuity with *i4LIFE*® Advantage,[1] an optional benefit, makes it possible to give the gift an annuity to establish a stream of income for for one or multiple gift recipients without creating a taxable event.

Keep in mind that, depending on the gift amount, you could owe federal gift taxes when implementing an annuity gifting strategy. Consult your tax planning professional about your specific situation.

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.

[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.

A tax-smart gifting strategy using *i4LIFE*® Advantage

How one investor gives her son the gift of lifetime income



Meet Maggie

Maggie is 80 years old. She saved well for retirement and part of that savings included an annuity. She invested $100,000 in a Lincoln annuity that has grown, tax-deferred, to $200,000. Because she will not need the annuity for future income, she wants to give it to her son, Rob.

The challenge

Maggie is concerned about the tax implications of transferring this wealth to Rob for two reasons:

1. When a deferred annuity is gifted, the gains are immediately taxable to the owner.
2. If the recipient is younger than 59½, withdrawals are subject to an additional 10% federal tax.

The solution

Maggie works with her financial professional to find a tax-smart way to give her son the annuity. She elects *i4LIFE* Advantage to help maximize the money she gives to Rob and avoids passing a tax burden. Here's how it works:

Lincoln annuity with *i4LIFE* Advantage
Maggie names Rob as annuitant, and then adds the optional benefit[1] to her Lincoln annuity.

***i4LIFE* payments begin**
Any time after she receives the first payment, Maggie can gift the annuity without creating a taxable event.

Maggie gives the annuity to Rob
Rob is responsible for regular income taxes only on the portion of gain in each payment, rather than as a lump sum.

Rob receives income for life
i4LIFE payments continue for Rob's lifetime, with the potential to grow.

The outcome

- **Minimize the impact of taxes**
  Because *i4LIFE* was used to start income on Maggie's annuity before she gave it to Rob, she is not taxed on the gifted value. She only pays taxes on the gains received in the first payment.
- **Simplify the distribution of her wealth**
  The *i4LIFE* income stream is seamlessly passed to Rob. Since he is not receiving the annuity as a lump sum, but rather as scheduled income payments, he is not subject to an additional 10% federal tax. And, his income receives favorable tax treatment because unlike standard annuity withdrawals where last in, first out (LIFO) payments are applied, *i4LIFE* offers an exclusion ratio for payments, returning a portion of the nontaxable principal along with the gains.[2]
- **Provide income for life**
  The *i4LIFE* payments will continue for the rest of Rob's life. The payment amount will fluctuate, with the potential to grow based on his net returns. During the Access Period, he keeps control over his allocation and has access to his account value, which allows him to make additional withdrawals should he need to.[3]
- **Lengthen the Access Period, lower the tax burden**
  By gifting the income stream while you're alive, you give your beneficiaries the option to choose more time to spread out taxes through a longer Access Period. This can be about 25 years longer than what would be available with an inherited contract.

[1] See Fact Sheet for complete details.

[2] The tax-exclusion amount varies by age and only applies until the original cost basis in the contract has been recovered.

[3] Additional withdrawals reduce the cost basis, account value, death benefit, and future income payments based on the terms of the contract.

Lincoln Financial®

Your tomorrow.
Our priority.®

One of the most rewarding experiences you can have is making a gift to a loved one and seeing its impact during their lifetime. For more about tax-smart gifting using *i4LIFE*® Advantage, contact your financial professional today.

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For registered index-linked annuities, material is authorized for use only when preceded or accompanied by 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. The applicable prospectuses contain this and other important information.

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.

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.

For use with the general public.

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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