

# Income powered by innovation

Lincoln variable annuities with  
*i4LIFE*® Advantage

VARIABLE ANNUITIES

Client Guide

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The Lincoln National Life Insurance Company  
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For use with the general public.

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# The retirement income challenge

One of the greatest challenges facing retirees today is figuring out how to convert a lifetime's worth of accumulated assets into a reliable stream of income. Maximizing your income in retirement is just as important as accumulating wealth was during your working years. What does it mean to maximize income? It means that your retirement income planning should:



-  Help cover your basic needs
-  Offer the potential for growth
-  Generate income you can't outlive
-  Minimize the impact of taxes

**The greatest economic risk we face today is that we will live longer than our income stream.**

–David F. Babbel and Craig B. Merrill,

“Investing your Lump Sum at Retirement,” Policy Brief,  
Wharton Financial Institutions Center, August 2007.

Variable annuities are long-term investment products that offer a lifetime income stream, access to leading investment managers, options for guaranteed growth and income (available for an additional charge), tax-deferred growth, and death benefit protection for loved ones.

To decide if a variable annuity is right for you, consider that its value will fluctuate with the market; it is subject to investment risk and possible loss of principal; it has various costs; and all guarantees, including those for optional features, are subject to the claims-paying ability of the issuer. Limitations and conditions apply. There are fees and charges associated with investing in a variable annuity such as mortality and expense, administrative and advisory fees. Optional features are available for an additional cost.

Planning for retirement income doesn't need to be overwhelming. In this guide you'll learn about our patented income distribution method and how it may fit into your retirement planning needs. We'll show you how you can help maximize your income potential, keep your options flexible, and get your retirement income planning off the ground.

## Turning assets into income

A typical retirement goal is to have enough income to cover basic needs and core expenses without worry. But for many, it's equally important to have additional income to cover life's extras. The challenge is being able to convert a portion of your total retirement assets into an income stream that can solve for both.

## Income powered by innovation

In keeping with our long history of providing innovative solutions to help build, protect, and distribute wealth, Lincoln variable annuities are the only annuities to offer *i4LIFE*<sup>®</sup> Advantage\* — a living benefit rider, available for an additional charge, that creates dependable lifetime income with the opportunity for ongoing growth.

\**i4LIFE* Advantage is an optional benefit with Lincoln variable annuities for an additional annual charge of 0.40% above standard contract expenses.

## Contents

Turning assets into income .....	3
Maximize income potential. ....	4
Two checks for income .....	5
Tax-efficient income. ....	6
Comparing taxable income. ....	7
Flexible income options. ....	8
Income and legacy planning. ....	10
Fund performance .....	11

**This guide will give you a better understanding of how *i4LIFE* works and how it can help you meet your unique income needs.**

# Maximize income potential with *i4LIFE*<sup>®</sup> Advantage

*i4LIFE* Advantage creates lifetime income with growth potential. To protect income during market declines, investors can elect the Guaranteed Income Benefit (GIB) for an additional cost above standard contract charges. Here's how it works:

## *i4LIFE* Advantage GIB in action

In this scenario, a 70-year-old male invested \$500,000 of after-tax money in a Lincoln variable annuity with *i4LIFE* Advantage GIB to begin taking lifetime income. *i4LIFE* payments are based on the performance of the investment options chosen in the product and may vary.

### 1 First payment

The initial payment amount is based on several variables, including age, gender, account value, and AIR (assumed investment return). In this scenario, the first-year total income is 5.48% of the initial investment (\$27,421).

Percentage of account value for initial GIB			
Single		Joint*	
Age	%	Age	%
Under 40	2.25%	Under 40	2.25%
40 – 54	2.75%	40 – 54	2.50%
55 – 58	3.00%	55 – 58	2.75%
59 – 64	3.75%	59 – 64	3.25%
65 – 69	4.75%	65 – 69	4.00%
<b>70 – 74</b>	<b>5.25%</b>	<b>70 – 74</b>	<b>4.25%</b>
75 – 79	5.50%	75 – 79	4.50%
80+	5.50%	80+	4.75%

\* Joint percentage is based upon the age of the younger life.

### 2 Protected income

The GIB delivers a minimum amount of income every year, no matter what the market does. Here, the GIB is 5.25% (\$26,250) of the initial investment and will never fall below this amount.<sup>1</sup>

### 3 Great potential for rising protected income

The GIB has the opportunity to increase and lock in at a new high. Each year, the GIB resets to the greater of the current GIB or 75% of the total income payment. By age 75, the GIB has stepped up twice to \$27,190.

### 4 Additional income opportunities

Every year, his *i4LIFE* payments may increase if returns exceed 3% AIR (assumed investment return). At age 75, the additional income is \$9,063 over the GIB amount.

### 5 Market recovery

Performance-based growth can help income recover more quickly from market declines. Even after a bear market, positive returns serve as a springboard for increased income payments the following year, as shown by the increase in additional income in 2010.

### 6 Nontaxable income

If investing nonqualified money, a portion of every payment is tax-free until the principal is returned. This can help manage the impact of taxes on finances. In this illustration, \$22,500 is the nontaxable income amount.

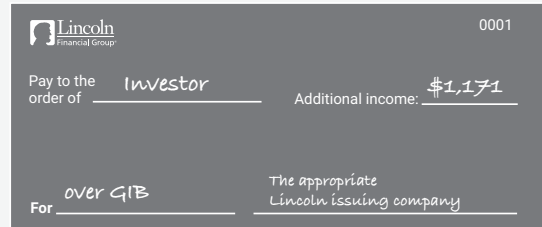
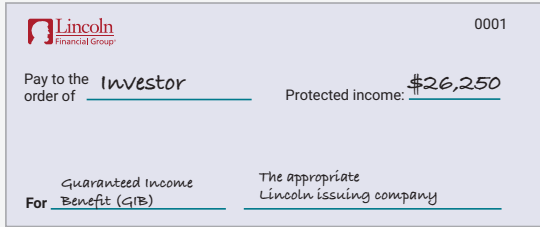
### 7 Account value access

*i4LIFE* allows the investor to make additional withdrawals over and above payment should he need it.<sup>1</sup> Contract-holders also maintain access to a broadly diversified lineup of investment options from leading managers across the industry.

*i4LIFE*<sup>®</sup> Advantage GIB (Managed Risk) is available for an additional charge of 1.35% above standard contract expenses, or 1.55% for joint coverage (maximum charge of 2.25% for single, or 2.45% for joint). Investment requirements apply. *i4LIFE*<sup>®</sup> can be elected with a minimum Access Period for the greater of 20 years or to age 90. The Assumed Investment Return (AIR) is 3%.

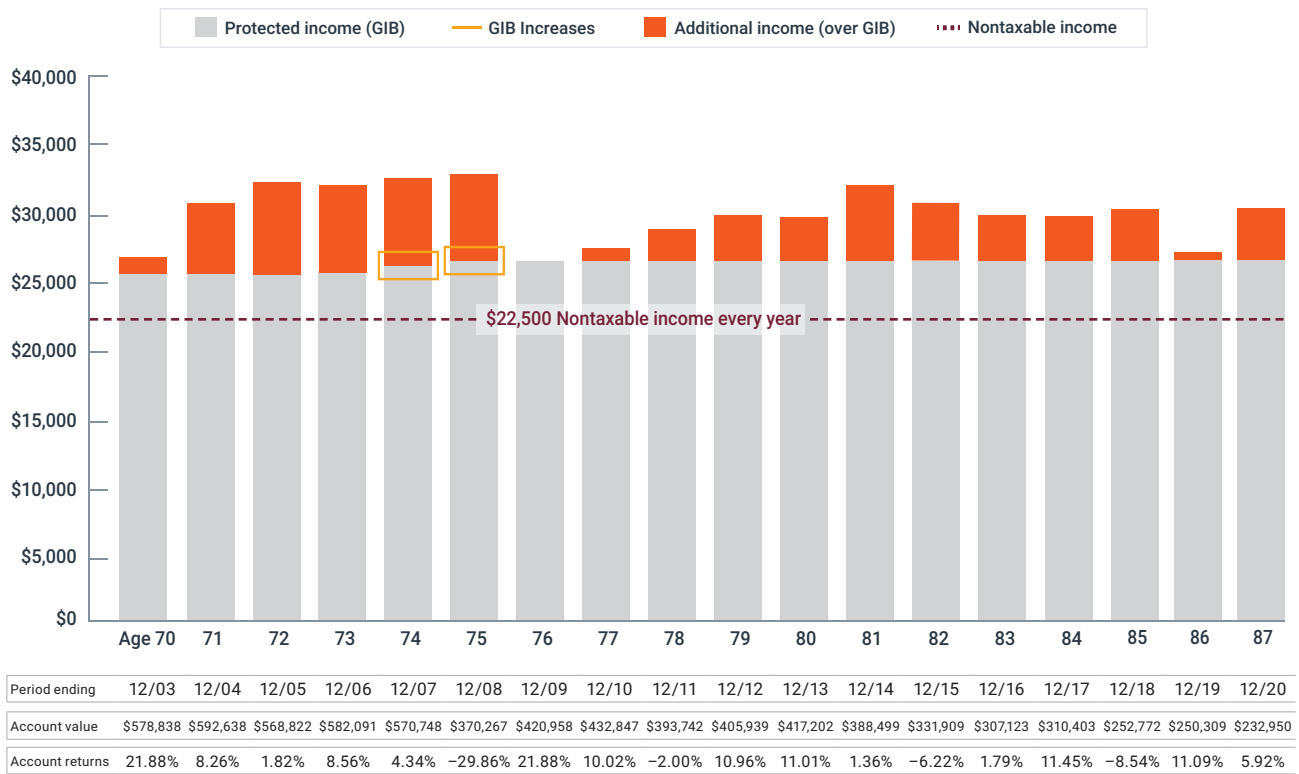
<sup>1</sup> Additional withdrawals are subject to ordinary income tax to the extent of the gain. Withdrawals will reduce the account value, death benefit, and GIB amount (reduced proportionally). Additional withdrawals taken before age 59½ may be subject to an additional 10% federal tax.

Investors can opt to have their protected income and additional income split into two checks.



The **protected income** is the lowest payment investors can receive if they elect the GIB.

Each year, investors have the opportunity to receive **additional income** if their returns exceed **3%** net of the annuity fees and expenses.

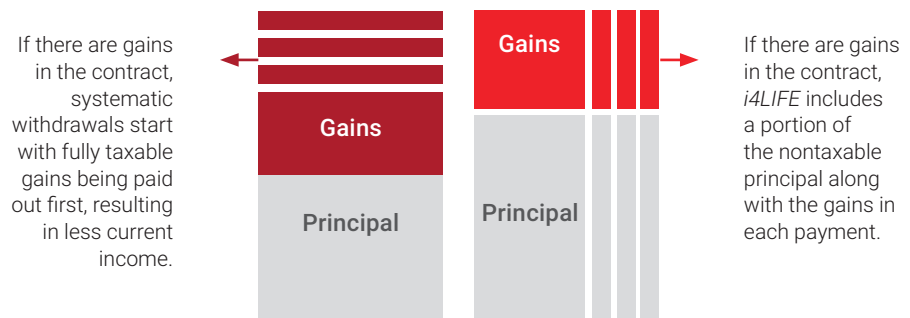


**This table is for illustrative purposes only. Past performance does not guarantee future results.** The Access Period is 20 years and the AIR is 3%. The cumulative returns represent the cumulative annualized return for the illustration period. The annual returns shown reflect the deduction of all applicable contract fees and charges. This includes a maximum 1.30% mortality and expense risk charge and administrative fee, and a 1.35% charge (1.55% joint) for i4LIFE® Advantage GIB (Managed Risk). 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.

## If it can be tax-efficient, it should be

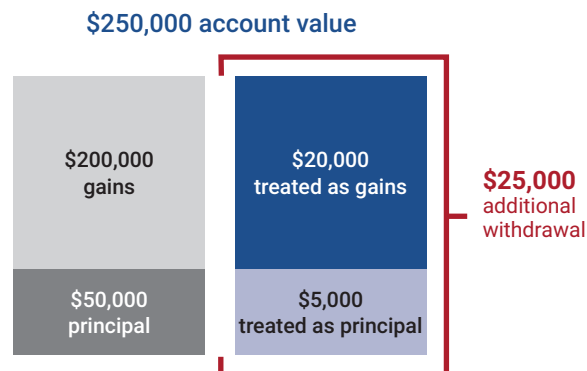
The way consumers take income can affect the amount paid in taxes. With *i4LIFE*®, if invested with nonqualified money, investors can save a portion of their income from taxes.

**Tax-efficient income** – *i4LIFE* offers tax advantages through an exclusion ratio. Each *i4LIFE* payment returns a portion of the original investment (or principal) together with a portion of the gains, reducing the overall tax burden.



**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, a portion of your payment is treated as a taxable gain and a portion is treated as principal. Once the principal has been paid out, each payment is fully taxable.

**Tax-efficient additional withdrawals** – Additional withdrawals receive favorable tax treatment because a portion of each withdrawal is excludible from taxes as long as there is principal remaining in the contract.



Additional withdrawals are subject to ordinary income tax to the extent of the gain. Income payments are immediately recalculated upon a withdrawal, and the GIB, account value and death benefit will be reduced accordingly.

A tax-efficient plan is critical to providing maximum, dependable income for clients. Because of the tax-exclusion ratio, *i4LIFE*® Advantage offers investors with nonqualified money an even greater tax advantage.

**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 option should he consider?

### Systematic withdrawals vs. *i4LIFE*®

Tax rate	24%	32%	35%	37%
<b>Systematic withdrawals</b>				
Systematic withdrawal percentage	4%			
Systematic withdrawal amount	\$20,000			
Total taxes paid	\$4,800	\$6,400	\$7,000	\$7,400
After-tax withdrawals	\$15,200	\$13,600	\$13,000	\$12,600
<b><i>i4LIFE</i> Advantage</b>				
<i>i4LIFE</i> withdrawal percentage	5.48%			
<i>i4LIFE</i> withdrawal amount	\$27,421			
Nontaxable amount*	\$11,250			
Taxable amount	\$16,171			
Total taxes paid	\$3,881	\$5,175	\$5,660	\$5,983
<i>i4LIFE</i> after-tax payment	\$23,540	\$22,246	\$21,761	\$21,438
Percentage increase with <i>i4LIFE</i>	55%	64%	67%	70%

\*A nontaxable percentage of 36.46% 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 *4LIFE*® 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 *4LIFE*® withdrawal 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 *4LIFE*® Advantage GIB (Managed Risk). 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.

The table above 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.



## Keep your options flexible

There is no one-size-fits-all retirement income plan. Every situation is different, and every plan should be custom-designed to meet specific needs. *i4LIFE*® Advantage is a flexible tool that can be used for a broad range of unique income situations because of its innovative design, long-standing tax code and private letter rulings.

### Income before age 59½

#### The challenge

- Take income from retirement assets before age 59½ and you may be subject to a 10% additional tax.
- Lifetime income from an immediate annuity usually means you lose control and access of your money.

#### The solution

- *i4LIFE* offers lifetime income before age 59½ with no additional taxes.\*
- You retain exposure to market growth, the ability to change your allocations, and access to your money for unexpected expenses.
- Coverage for two lives is available, offering the added security of a guaranteed income for two.

### Trusts

#### The challenge

- Many high-net-worth investors want to minimize the tax burden for their beneficiaries.
- At the same time, it might be important to take a tax-efficient income stream, while ensuring that assets are structured correctly to streamline the transfer to beneficiaries.
- Trust-owned annuities may be subject to ordinary income taxes and a 10% additional tax on withdrawals.

### Multigenerational Income

#### The challenge

- Many retirees want to leave a multigenerational legacy while taking income.
- It can be tricky to structure a multigenerational plan while minimizing estate transfer taxes.

#### The solution

- *i4LIFE* can help loved ones preserve their future by stretching 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 you and your beneficiary.
- It helps with the transfer of tax-deferred gains without immediate income taxation, as well as a tax-efficient income stream, for nonqualified money.

#### The solution

- *i4LIFE* can be owned in a trust in order to offer tax-advantaged income and wealth transfer strategies.
- It solves the common nonnatural owner problem with trusts: Since *i4LIFE* is recognized as an immediate annuity, it benefits from an exception to the taxes on the annual gains and 10% additional tax on withdrawals.\*



## Income for someone who isn't a spouse

### The challenge

- You might have a sibling, a friend, a domestic partner or a business partner who you want to list as the beneficiary of your annuity.
- Under most annuity guarantee riders that protect more than one life, the second protected life must be your spouse, as defined under federal law. The best traditional annuities can do is provide a death benefit.
- Assets passed on to nonspouses through a death benefit can have a big tax impact.

### The solution

- With *i4LIFE*, you can structure payments to cover two lives. The second covered life can be anyone you choose.
- If you pass on, your loved one continues to receive income for the rest of his or her life.

## 1035 exchange by beneficiary

### The challenge

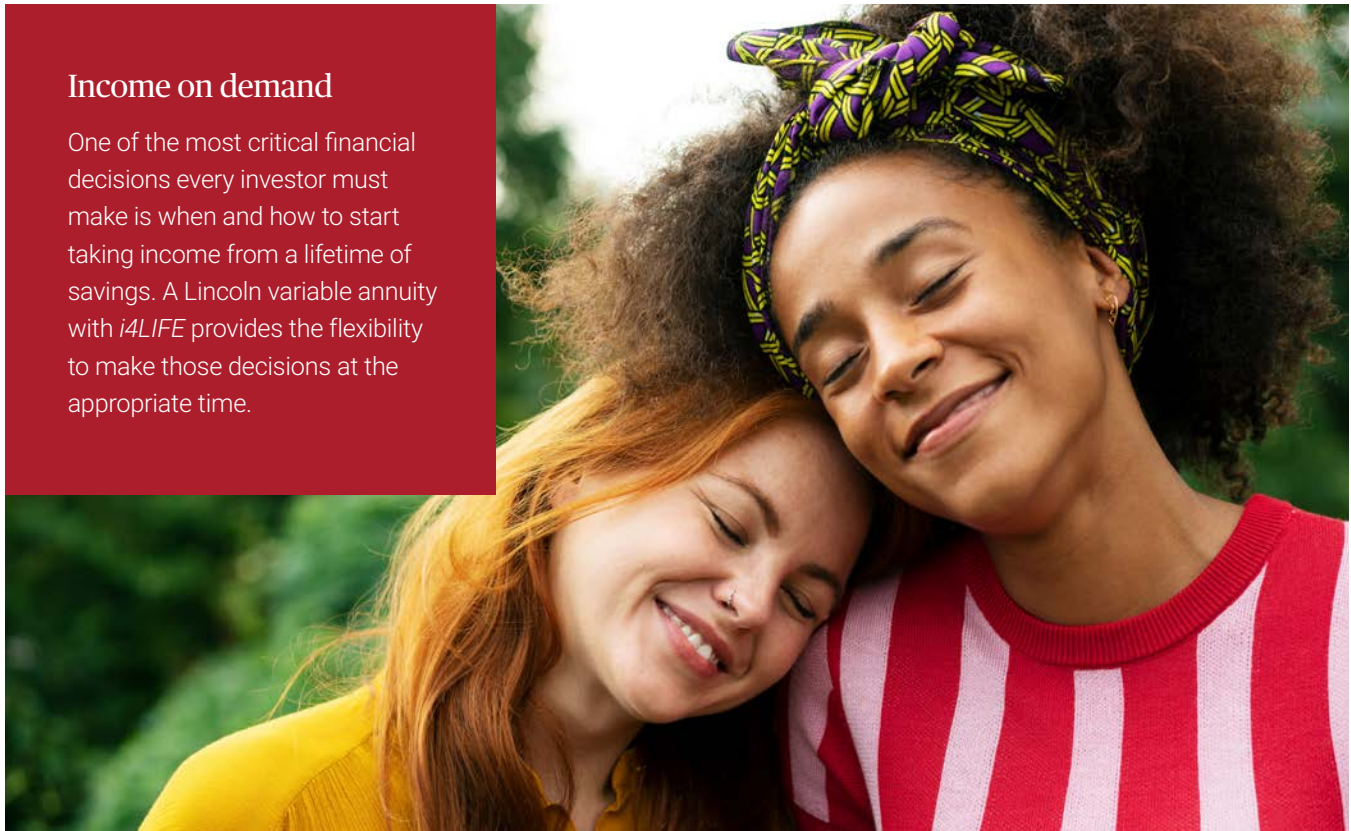
- Until recently, if you inherited nonqualified annuities, your options were very limited.
- You may want to exchange an inherited annuity for one with different features, benefits, investment options or more flexibility.

### The solution

- A recent private letter ruling (PLR 201330016) opened the door for post-death 1035 exchanges 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.\*
- You retain exposure to market growth, the ability to change your allocations, and access to your money for unexpected expenses.

## Income on demand

One of the most critical financial decisions every investor must make is when and how to start taking income from a lifetime of savings. A Lincoln variable annuity with *i4LIFE* provides the flexibility to make those decisions at the appropriate time.



\* When elected with nonqualified money and regular payments start within one year of contract purchase of the annuity inception, *i4LIFE*® qualifies as an immediate annuity under Section 72(u)(4) of the Internal Revenue Code.

# A plan for your income and legacy

Tax deferral is important. But what makes Lincoln different? Our patented *i4LIFE*® Advantage, available with Lincoln variable annuities, qualifies as an immediate annuity under Section 72(u)(4) of the Internal Revenue Code. Nonqualified investors have the unique ability to create legacy-planning strategies and the potential to maximize income while keeping control of their assets.\*

	Growth	Income	Legacy
<p><b>Typical variable annuity with a withdrawal benefit</b></p> <p><b>Tax deferral</b></p>	<p><b>LIFO and ordinary income</b></p> <p>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.</p>	<p><b>No step-up in basis</b></p> <p>Annuities do not receive a step-up at death, which means beneficiaries are on the hook for all taxes on the growth.</p>	
<p><b>Investors won't have to pay taxes on any money they're not using.</b></p>	<p><i>i4LIFE</i> 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 ease the tax impact and letting investors control their assets.</p>	<p><i>i4LIFE</i> allows beneficiaries to manage taxes on the contract growth, giving them the ability to take out any remaining cost basis (nontaxable principal) in a lump sum after the annuitant's death. Beneficiaries can stretch the payment of the gains in the contract, keeping better control over the tax impact.</p>	
<p><b>Lincoln variable annuities with <i>i4LIFE</i></b></p> <p><b>Tax deferral</b></p>	<p><b>Tax-exclusion ratio</b></p>	<p><b>FIFO and stretch the gains</b></p>	

\* Regular payments must start within a year of the contract inception.

## Fund performance

The illustration shown is intended to show the mechanics of a *Lincoln ChoicePlus Assurance*<sup>SM</sup> variable annuity. The five funds below were selected based on the following criteria: Morningstar<sup>®</sup> rating, inception date and assets under management (30% LVIP Delaware Bond Fund, 20% LVIP Franklin Templeton Global Equity Managed Volatility Fund, 15% LVIP BlackRock Dividend Value Managed Volatility Fund, 20% LVIP JPMorgan Select Mid Cap Value Managed Volatility Fund, and 15% LVIP Blended Large Cap Growth Managed Volatility Fund.) There are several funding options available. Investors should consider their financial objectives, risk tolerance and time horizon to adjust their funding options and allocation accordingly. Keep in mind, asset allocation and diversification do not guarantee a profit or eliminate the risk of investment loss.

### Performance is as of September 30, 2022

Nonstandard performance without surrender*	Inception date	1 year	5 years	10 years
LVIP Delaware Bond Fund	12/28/1981	-18.38%	-3.10%	-1.99%
LVIP BlackRock Dividend Value Managed Volatility Fund	02/03/1994	-9.07%	1.95%	3.19%
LVIP Blended Large Cap Growth Managed Volatility Fund	02/03/1994	-20.39%	4.65%	5.44%
LVIP JPMorgan Select Mid Cap Value Managed Volatility Fund	05/01/2001	-10.47%	0.94%	3.26%
LVIP Franklin Templeton Global Equity Managed Volatility Fund	08/01/1985	-18.07%	-0.44%	1.36%
Nonstandard performance with surrender*	Inception date	1 year	5 years	10 years
LVIP Delaware Bond Fund	12/28/1981	-25.41%	-4.29%	-2.02%
LVIP BlackRock Dividend Value Managed Volatility Fund	02/03/1994	-16.10%	0.97%	3.16%
LVIP Blended Large Cap Growth Managed Volatility Fund	02/03/1994	-27.42%	3.77%	5.41%
LVIP JPMorgan Select Mid Cap Value Managed Volatility Fund	05/01/2001	-17.51%	-0.08%	3.23%
LVIP Franklin Templeton Global Equity Managed Volatility Fund	08/01/1985	-25.10%	-1.52%	1.32%
Standard performance with surrender†	Inception date	1 year	5 years	10 years/since inception
LVIP Delaware Bond Fund	11/20/1998	-25.41%	-4.29%	-2.02%
LVIP BlackRock Dividend Value Managed Volatility Fund	06/06/2005	-16.10%	0.97%	3.16%
LVIP Blended Large Cap Growth Managed Volatility Fund	09/19/2001	-27.42%	3.77%	5.41%
LVIP JPMorgan Select Mid Cap Value Managed Volatility Fund	06/04/2007	-17.51%	-0.08%	3.23%
LVIP Franklin Templeton Global Equity Managed Volatility Fund	06/04/2007	-25.10%	-1.52%	1.32%

**The performance data on this page represent past performance; past performance does not guarantee future results. Investment return and principal value will fluctuate so unit values, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please obtain the data for the most recent month end by calling 888-868-2583 or visiting our website at [www.LincolnFinancial.com](http://www.LincolnFinancial.com).**

All three sets of performance results reflect a 2.65% deduction charge for *Lincoln ChoicePlus Assurance*<sup>SM</sup> B-share variable annuity with *iALIFE* Advantage GIB (Managed Risk). This charge includes the mortality and expense risk charge and administration fee, the living benefit rider fee, investment management fees and a \$35 contract fee (waived for contracts over \$100,000). The surrender charge for the B-Share option is 7%, 7%, 6%, 6%, 5%, 4%, 3%, 0%.

\* These returns are measured from the Fund inception date, which predates their offering as an investment option in the variable annuity.

† These returns are measured from the date that they were available as an investment option in the variable annuity.

## Your income goals

Maximizing income in retirement is just as important as accumulating wealth during the working years. Income planning should include an income stream guaranteed to last as long as you live, income that has the opportunity to grow, and income with the potential to keep pace with inflation. Talk to your financial professional about how a Lincoln variable annuity with *i4LIFE*® Advantage can help you achieve your income goals and protect your wealth.

### Important information:

THE LVIP MANAGED RISK FUNDS AND LVIP MANAGED VOLATILITY FUNDS ARE NOT GUARANTEED OR INSURED BY LINCOLN OR ANY OTHER INSURANCE COMPANY OR ENTITY, AND SHAREHOLDERS MAY EXPERIENCE LOSSES. THE STRATEGIES USED BY THESE FUNDS ARE SEPARATE AND DISTINCT FROM ANY ANNUITY OR INSURANCE CONTRACT RIDER OR FEATURES.

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

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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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