



Lincoln Living IncomeSM Advantage

Know today and plan for tomorrow



The right tools for the journey

Congratulations on your retirement planning. You have been working hard and saving over the years. You know the importance of planning and saving for retirement, and now you've made a smart choice by considering a fixed indexed annuity from Lincoln and the benefits it offers.

*“I will prepare
and some day my
chance will come.”*

— Abraham Lincoln

*The Collected Works of
Abraham Lincoln*, edited by Roy
P. Basler, Volume II, July 1, 1850.

- **Wealth preservation:** You can preserve what you've worked so hard to accumulate with wealth preservation and locked-in interest earnings.
- **Growth potential:** You can benefit from the growth potential of indexed accounts earning credited interest rates based on the performance of the S&P 500 Index.
- **Guarantees:** You can feel confident with guarantees in place to help ensure you are on the right path toward retirement.
- **Income:** Income options to meet short- and long-term retirement income needs, including an income stream for a lifetime.
- **The strength and stability of Lincoln:** These benefits are backed by the strength and security of an industry-leading insurance company.

This brochure is designed to provide explanation on the *Lincoln Living Income*SM Advantage optional feature. It is available on several Lincoln fixed indexed annuity products. Please refer to the annuity product brochure that you have already received or accompanies this material. The product brochure explains the annuity in detail.

Planning for the trip

Now is the time to focus on the next stage of your retirement plan—the income stage.

But many factors make planning more difficult than for previous generations:

- Retirement that was once 10 years may now end up being 20 or 30 years long.
- Many more options and ideas exist for what you can do in retirement.
- Living expenses can change dramatically, depending on how you want to spend your time.
- The amount of income from traditional sources of retirement income, such as Social Security, is uncertain.

The need for flexibility and control

While planning might require some careful consideration, it isn't impossible—it just takes time as well as the ability to adapt to different circumstances. After all, it isn't a real trip if you don't have some sort of side trip or a detour. That means you need flexibility and control in how you take your income, so you can make adjustments.

While your Lincoln fixed indexed annuity can provide a guaranteed lifelong income, you may need greater flexibility and control with that income. By adding *Lincoln Living Income*SM Advantage within your Lincoln fixed indexed annuity, you can both guarantee and maintain control over your retirement savings as you plan for a lifetime of income.¹

¹ Guarantees are backed by the claims-paying ability of The Lincoln National Life Insurance Company.

What is *Lincoln Living Income*SM Advantage?

*Lincoln Living Income*SM Advantage is an optional benefit that provides more than an income stream from your annuity. It automatically guarantees lifelong income payments, provides flexibility on how you receive those payments, and allows you to enjoy all of the other benefits of your annuity.¹ By adding this benefit five years or more before you want income payments, you have the ability to significantly increase your payment amount.

¹ Guarantees backed by the claims-paying ability of The Lincoln National Life Insurance Company.



Key benefits of *Lincoln Living Income*SM Advantage

Receive a guaranteed lifetime income

*Lincoln Living Income*SM Advantage guarantees the availability of a specific Guaranteed Payment Amount, also known as the Lifetime Benefit Amount, from your annuity contract for the rest of your life. If you take no more than your Guaranteed Payment Amount annually, your income payment is guaranteed for life, even if your contract value is depleted to \$0. This guarantee is backed by the claims-paying ability of The Lincoln National Life Insurance Company.

Please remember that payments from *Lincoln Living Income*SM Advantage, like other withdrawals from your annuity contract, are subject to ordinary income tax, and if taken prior to age 59½, a 10% IRS penalty may also apply.

Flexibility and control with your income

In addition to a lifetime income, you also have the flexibility you need to adjust to life's circumstances. You have the option to start or stop receiving your payments, or to skip a payment. You can request to receive the payment regularly by check or by automatic bank deposit.

"Step-up" your income payments

A Payment Percentage, or Lifetime Benefit Factor, is used to determine your Guaranteed Payment Amount. By planning ahead, you can increase the Payment Percentage—the higher the percentage, the larger your payment amount. For example, by adding *Lincoln Living Income*SM Advantage five years before you begin income payments, your Payment Percentage is enhanced

by 1%. By adding it 10 years before you begin income payments, your Payment Percentage is enhanced by 2%. Good things come to those who prepare ahead of time.

Additionally, waiting longer may provide another way that your payment can be increased, because it will take into account any growth in your contract's value, which is used as your Income Base. The Income Base, also known as the Lifetime Benefit Base, is recalculated each contract anniversary, so if your contract's value has increased before you start to take payments, your Guaranteed Payment Amount will as well.

Planning becomes easier

You may already have a good gauge of your planned expenses during retirement. If not, your Lincoln representative can help you estimate your retirement income needs. Then you'll have an idea of how much income you'd like each month.

With your income goal and target date for beginning your income in mind, *Lincoln Living Income*SM Advantage can help you plan for how much money you will need to accumulate prior to retirement.

Maintain all of the benefits of your annuity

*Lincoln Living Income*SM Advantage allows you to continue the key benefits of your annuity, including a death benefit, the ability to shift allocations between fixed and indexed accounts, and control of your assets.

How *Lincoln Living Income*SM Advantage works

This hypothetical example shows how the Guaranteed Payment Amount is calculated based on your age when payments begin, as well as the number of years you've owned *Lincoln Living Income*SM Advantage before taking payments. It also demonstrates the advantage of planning ahead and waiting to begin taking payments.

Income Base x Payment Percentage = Guaranteed Payment Amount

Number of complete years between electing <i>Lincoln Living Income</i> SM Advantage and when payments begin				
Number of years before payments begin	Age when income payments begin	Income Base	Payment Percentage	Guaranteed Payment Amount
1	61	\$105,576	5.00%	\$5,279
2	62	\$111,463	5.00%	\$5,573
3	63	\$117,678	5.00%	\$5,884
4	64	\$124,240	5.00%	\$6,212
5	65	\$131,167	6.50%	\$8,526
6	66	\$138,481	6.50%	\$9,001
7	67	\$146,203	6.50%	\$9,503
8	68	\$154,355	6.50%	\$10,033
9	69	\$162,962	6.50%	\$10,593
10	70	\$172,049	8.00%	\$13,764

This hypothetical example assumes a fixed indexed annuity contract purchased with a single payment of \$100,000, covering a single life at age 60, with an annual credited rate of 6.00%. It assumes no partial withdrawals before payments begin and no annual withdrawal that exceeds the Guaranteed Payment Amount afterward. It also assumes a constant 0.40% annual fee for *Lincoln Living Income*SM Advantage throughout. It is not indicative of projected credited rates of any Lincoln fixed indexed annuity.

For joint covered lives, different Payment Percentages apply, and age is based on age of the younger covered life.

Hypothetical examples



Client: **Ellen**
 Age: **70**
 Status: **Retired**

Ellen’s husband passed away three years ago and has left Ellen with considerable assets. Ellen is retired and in good health, and she is currently living off some of the assets. However, she wants to make sure income for her basic expenses lasts, and she is planning to use \$150,000 to purchase a Lincoln fixed indexed annuity with the *Lincoln Living Income*SM Advantage.

Because of her other savings, Ellen doesn’t need to begin taking her income payments or any other withdrawals for another five years, which gives her contract value some time to grow.

Sample hypothetical annual payment amounts					
If Ellen plans to take payments in	Age when income payments begin	Her Payment Percentage would be	Guaranteed Payment Amount at hypothetical annual credited rates:		
			0%	3%	6%
1 year	71	6.00%	\$9,000	\$9,233	\$9,502
3 years	73	6.00%	\$9,000	\$9,717	\$10,591
5 years	75	7.50%	\$11,250	\$12,783	\$14,756

This table assumes hypothetical annual credited rates of 0%, 3%, and 6% in a fixed indexed annuity contract and assumes no partial withdrawals before payments begin and no annual withdrawal that exceeds the Guaranteed Payment Amount afterward. It also assumes a constant 0.40% annual fee for the *Lincoln Living Income*SM Advantage for all years. It is not indicative of projected credited rates of any Lincoln fixed indexed annuity product.

Ellen can increase her Payment Percentage, and thus potentially increase her payments, by planning to wait before beginning her *Lincoln Living Income*SM Advantage income payments. This table shows how Ellen could receive a Guaranteed Payment Amount of \$11,250 each year, even with no credited interest in her contract, if she begins payments after five years. Based on the other hypothetical credited rates, she could receive significantly more to add to her overall retirement income.



Clients: Mark and Jill
Ages: 58 and 57
Status: Retiring in the next 10 years

Mark and Jill still have a few years to go before retirement. They have saved for retirement and have \$200,000 to purchase a Lincoln fixed indexed annuity with the *Lincoln Living Income*SM Advantage.

With the *Lincoln Living Income*SM Advantage, when there are two lives covered, payments are guaranteed to last as long as either is living. The Guaranteed Payment Amount is calculated using a Payment Percentage based on Jill's age, because she is the younger covered life. Since Mark and Jill do not need regular income payments yet, letting their fixed indexed annuity earn interest without taking any withdrawals will allow their contract value to grow.

Sample hypothetical annual payment amounts

If Mark and Jill plan to take payments in	Age when income payments begin	Their Payment Percentage would be	Guaranteed Payment Amount at hypothetical annual credited rates:		
			0%	3%	6%
1 year	58	4.00%	\$8,000	\$8,207	\$8,446
5 years	62	5.50%	\$11,000	\$12,499	\$14,428
10 years	67	7.00%	\$14,000	\$18,076	\$24,087

This table assumes hypothetical annual credited rates of 0%, 3%, and 6% in a fixed indexed annuity contract and assumes no partial withdrawals before payments begin and no annual withdrawal that exceeds the Guaranteed Payment Amount afterward. It also assumes a constant 0.40% annual fee for the *Lincoln Living Income*SM Advantage for all years. It is not indicative of projected credited rates of any Lincoln fixed indexed annuity product.

Mark and Jill can increase their Payment Percentage, and thus potentially increase their payments, by planning to wait before beginning their *Lincoln Living Income*SM Advantage income payments. This table shows that Mark and Jill could receive a Guaranteed Payment Amount of \$14,000 each year, even with no credited interest to their contract, if they begin payments after 10 years. Based on the other hypothetical credited rates, they could receive significantly more.

Considerations for *Lincoln Living Income*SM Advantage

Cost

*Lincoln Living Income*SM Advantage can be added to certain Lincoln fixed indexed annuity contracts, subject to the optional benefit's issue age limits and availability, for a cost of 0.40% of your contract value, assessed each year on the contract anniversary. For example, if you have a \$100,000 contract value, a \$400 fee will be deducted on your contract anniversary ($\$100,000 \times 0.40\% = \400). The fee will be 0.40% during your contract's surrender charge period and after that may vary annually, but will never exceed 1.00%.

You should allocate enough money each year to your Fixed Account to cover the cost of this optional benefit and any income payments you plan to take each year. If you do not have enough money in the Fixed Account, the money will be withdrawn pro rata from the indexed accounts. Any amounts withdrawn early from indexed accounts will not receive interest for that term.

Receiving payments

After adding *Lincoln Living Income*SM Advantage to your contract, there is a 12-month waiting period before you can choose to receive income payments. Any withdrawals taken during the waiting period will reduce your Income Base. You can begin taking income payments any time after the waiting period. However, you should carefully plan when you want to take your first income payment. The Payment Percentage will be set at

that time and will remain unchanged throughout the rest of your life. For this reason, you should strongly consider not taking any withdrawals prior to your target start date.

Additional withdrawals

Your Guaranteed Payment Amount is the amount available to you annually, provided that you do not take more than this amount each year.

The Guaranteed Payment Amount counts toward your contract's 10% annual free withdrawal. If you make a withdrawal that exceeds the annual Guaranteed Payment Amount, the following will occur:

- The Guaranteed Payment Amount in subsequent years will be reduced significantly.
- Any withdrawals exceeding your contract's 10% annual free withdrawal may be subject to a surrender charge and a Market Value Adjustment.

All withdrawals above the Guaranteed Payment Amount will reduce your subsequent Guaranteed Payment Amount pro rata, or proportionally. This means that any withdrawal will reduce your payments by the same percentage that it reduced your contract value. Over time, the reduction in payments could total more than the actual withdrawal itself. Therefore, please consider this consequence carefully before taking a withdrawal that exceeds the Guaranteed Payment Amount, even if that withdrawal is within the contract's 10% annual free withdrawal.

Availability

*Lincoln Living Income*SM Advantage is available for purchase between ages 50 to 85, and either on a single or joint life basis. Joint covered lives must be spouses at time of purchase, and both must be between ages 50 and 85. Once chosen, the single or joint life basis cannot be changed.

Cancellation of *Lincoln Living Income*SM Advantage

You can cancel *Lincoln Living Income*SM Advantage effective with the next contract anniversary, but only after it has been in effect for five years. A change in ownership of your Lincoln fixed indexed annuity may result in termination of the benefit.

***Lincoln Living Income*SM Advantage and IRAs**

If you are one of the many people looking to consolidate your qualified assets, from a 401(k) or similar retirement plan or IRAs, into one manageable contract you should know that the *Lincoln Living Income*SM Advantage within your Lincoln fixed indexed annuity can help you meet your Required Minimum Distributions (RMD). When you reach age 70½ and are required to take your RMD, you can take the required amount attributable to your contract without any contract-imposed penalties. And if the amount exceeds the Guaranteed Payment Amount, it will not reduce subsequent Guaranteed Payment Amounts.



A Lincoln®

A tradition of integrity

At Lincoln Financial Group, we have a 100-year heritage of helping people find solutions to their financial challenges—with the same honesty, integrity, and responsibility that you'd expect from our namesake. It's a legacy that we proudly and respectfully continue each day. We believe our continued commitment to strength and stability is indispensable to who we are and critical to your confidence in us. We are a proven industry leader in identifying and delivering sophisticated financial strategies and product solutions for the creation, protection, and enjoyment of wealth. We are committed to helping clients redefine their retirement because we don't believe retirement is an end—it's an opportunity for everyone to start doing what they were meant for all along.

The stability of The Lincoln National Life Insurance Company

A company's promises are only as strong as its reputation, integrity, and financial strength. The Lincoln National Life Insurance Company has consistently received high marks from independent evaluators including A.M. Best, Fitch, Moody's, and Standard & Poor's. These ratings apply to the claims-paying ability of the insurance company.

A.M. Best	A+	(2nd highest of 16)
Fitch	AA	(3rd highest of 24)
Moody's	Aa3	(4th highest of 21)
Standard & Poor's	AA	(3rd highest of 21)

Ratings current as of July 25, 2007.

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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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 unexpected emergencies, such as medical expenses.

Lincoln Living Income™ Advantage Guaranteed Lifetime Withdrawal Benefit (GLWB) rider (form AE-217 or state variations) not available within all Lincoln fixed indexed annuities. Subject to rider issue age limits, which may differ from the issue age limits of the fixed indexed annuity product. May not be available in all states. Limitations and exclusions may apply.

Lincoln fixed indexed annuities are issued by The Lincoln National Life Insurance Company, Fort Wayne, IN. **The Lincoln National Life Insurance Company is not authorized nor does it solicit business in the state of New York.** The contract may be subject to a Market Value Adjustment. Contract may be referred to as "certificate" in certain states (certificate not available in all states). The certificate is a group annuity certificate issued under a group annuity contract issued by The Lincoln National Life Insurance Company to a group annuity trust. **Guarantees and contractual obligations are backed by the claims-paying ability of The Lincoln National Life Insurance Company.**

Unlike income payments received with a traditional annuitization, Guaranteed Payment Amounts provided by *Lincoln Living Income*™ Advantage are treated as withdrawals. Withdrawals of taxable amounts from an annuity are subject to income tax, and withdrawals prior to age 59½ may be subject to a 10% federal penalty tax.

Purchase of the contract through a qualified plan does not provide any additional tax deferral benefits beyond those already provided through the plan. If you are purchasing the contract through a qualified plan, you should consider purchasing it for its death benefit, annuity payment options, and other non-tax related benefits.

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