Lincoln Financial Group®

Exclusively for RIAs

Advanced Planning

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While this seminar discusses general tax aspects and concepts of planning with insurance, we make no representations as to suitability for individual clients. Interested parties should be strongly encouraged to seek separate tax and legal advice before implementing a plan of the type described in this presentation.

Illustration numbers are for training purposes only and represent a case study of how to analyze products prior to a sale to a client. Hypothetical illustrations, projected premiums and death benefit are based on the interest rate, mortality charges and other expenses illustrated in the life insurance policy used in this example. They are not guaranteed. Hypothetical product examples discussed in this presentation are those of a typical highly rated insurance company.

The source for all tax information is the IRS at www.IRS.gov.

Instructor – student agreement

1. **You must attend the entire presentation to receive course credit.**
   The course may not end early.
   - If the course duration is 50 minutes, no breaks are allowed during the seminar.
   - If the course duration is 60+ minutes, a 10-minute break is permitted per 60 minutes of instruction time.

2. **Course credit is for 1 CFP hour.**

3. **Neither the company nor its products can be sold during the class.**
   - During the allotted class time, there cannot be conversations linking the course materials to any company marketing or recruiting efforts. If there are any questions related to the sale of our products, you must wait to discuss with the instructor at the conclusion of the class.

4. **Please fill out your attendance sheets now.**
   - Please ensure you’ve provided your CFP number to receive credit for attending this course today.
   - Any replays will not be eligible for CFP credit.

4 tax-planning strategies using RIA Class annuities

Liquidating nonqualified annuities with substantial gains

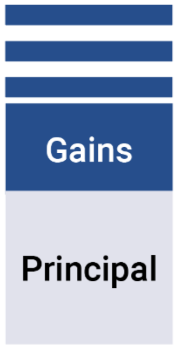
Gifting annuities without triggering an income tax liability

Minimizing taxes to beneficiaries of nonqualified annuities

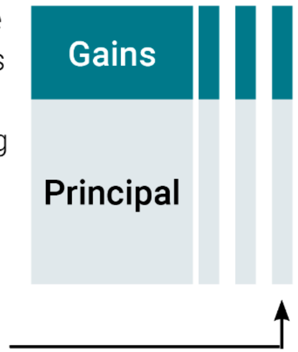
Aligning annuities to support the tax-planning needs of a trust

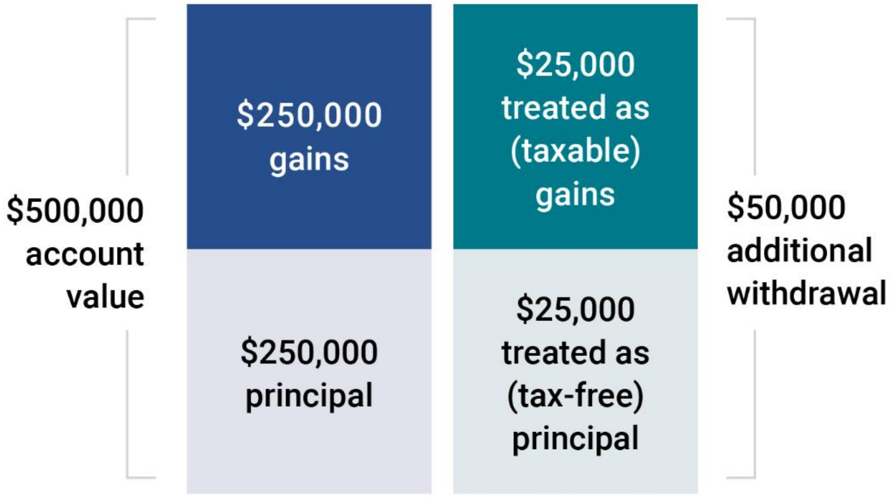
Liquidating nonqualified annuities with substantial gains

If there are gains in the contract, **last in, first out (LIFO)** will apply to **systematic withdrawals,** which means **the entire tax hit is up front.**



If there are gains in the contract, ***i4LIFE®*** offers a **tax exclusion ratio** for payments, returning a portion of principal with each payment.[1] This helps **mitigate the tax burden by spreading it out.**





[1]The exclusion ratio only applies until the cost basis has been returned, and then the payments are fully taxable.
Additional withdrawals are subject to ordinary income tax to the extent of the gain. Withdrawals will reduce the account valu e, death benefit, GIB amount (if elected) and income payments proportionally.
For illustrative purposes only. The taxable and tax-free amounts will be based on contract-specific values at the time of withdrawal.

Gifting annuities without triggering an income tax liability

Lincoln variable annuity with *i4LIFE*® Advantage

i4LIFE payments begin

Maggie gives the annuity to Rob

Rob receives income for life

Minimizing taxes to beneficiaries of nonqualified annuities

You have three death claim options:

Lump sum
All your taxes are due at once, which can result in a substantial tax burden.

Five-year deferral
All your taxes are due within five years, which moderates the tax blow somewhat.

Nonqualified stretch
You can take payments over your life expectancy, which spreads out the tax impact over many years. This offers some substantial benefits, discussed on the right.

Lincoln's tax-savvy solution for a nonqualified stretch:

Systematic withdrawals (may run out)

Income payments based on life expectancy factor

Income payments stop and are not guaranteed for life.

***i4LIFE*® payments** (allow you to create an income stream that stretches beyond your life expectancy)

Lifetime income payments using *i4LIFE*

Income payments continue and are guaranteed for life.

Note: If you need a minimum amount of guaranteed income, which will never fall and has growth potential, you can elect the Guaranteed Income Benefit (GIB) if you are age 70 or younger.[1]

[1] *i4LIFE*® Advantage Select GIB (1.55% single, 1.75% joint, max. 2.75% at GIB reset) and *i4LIFE*® Advantage GIB Managed Risk (1.35% single, 1.55% joint, max. 2.25% single, max. 2.45% joint at GIB reset) are optional features available for an additional annual charge above standard contract expenses. No minimum issue age for nonqualified, minimum issue age of 59½ for qualified.

Aligning annuities to support the tax-planning needs of a trust

Here's how they set up their contract:

Trust

Evelyn and Phillip establish a trust for Charlotte. When they pass away, their assets will move from their estate to the trust.

Trust

Annuity

Lincoln variable annuity with *i4LIFE* Advantage

The trust purchases a Lincoln variable annuity with *i4LIFE*® Advantage to provide Charlotte with an immediate stream of income without giving her control of the assets.

- Owner: Trust
- Beneficiary: Trust
- Annuitant: Charlotte

Trust

Charlotte receives steady income for the rest of her life.

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Summary of 4 strategies

Liquidating nonqualified annuities with substantial gains

If annuity income can be tax-advantaged, shouldn't it?

Gifting annuities without triggering an income tax liability

Lifetime exemption is at all-time high and is scheduled to be sunset

Minimizing taxes to beneficiaries of nonqualified annuities

You have solutions to help retain assets when clients pass with annuities

Aligning annuities to support the tax-planning needs of a trust

Reviewing annuities held by trust can be of utmost importance

Questions?

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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.

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. Read carefully before investing.

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

All features and products may not be available in all states or through all firms.

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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

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Thank you.