Gather the most lasting value from your assets

Lincoln Financial Group®

Lincoln *LifeLINC*® Client Guide

For the legacy you share with the next generation

You're in a strong position today because you've always planned for tomorrow. Lincoln *LifeLINC*® can be another important part of your planning—one that helps you share more of what you've earned with those you love.

Complete the last link in the wealth cycle

Over time, you have planted the seeds for your retirement and have carefully nurtured the assets you need for the income you want. Now you're in a position to enjoy the fruits of your work. In addition to the assets you've gathered for retirement income or for emergency purposes, you might have a surplus set aside for your legacy, for what you want to transfer to your beneficiaries.

This final link in the wealth cycle requires careful planning. Many of your assets may be exposed to income taxes. Or they will become part of your estate, subject to estate taxes that burden the very people you want to benefit.

Now's the time to consider *LifeLINC*, a program that can help you reduce the tax burden and increase the value of the legacy you leave behind.

Why Lincoln *LifeLINC*® can help

LifeLINC is a strategy that uses a life insurance policy to preserve assets for the next generation. You buy the life insurance with the after-tax values of the asset(s) you have decided to transfer to the next generation.

Life insurance offers several unique tax advantages, including income tax-free death benefits payable to your named beneficiary. And, if the policy is owned by a third party (such as an Irrevocable Life Insurance Trust), the death benefit can also be free of any estate taxes that might otherwise be due.

The challenge of timing and taxes

Think about some of the assets you may have accumulated. It's true that annuities and Individual Retirement Accounts (IRAs) are tax-deferred assets, but they are generally subject to income taxes and sometimes estate taxes when you die. Certificates of Deposit (CDs) are taxable assets subject to income taxes on the interest earned and may also be subject to estate taxes at death. Regardless of asset class, income taxes and estate taxes can diminish your estate's value for your beneficiaries. Without further action on your part, your beneficiaries may not receive the inheritance you intend.

Advantages for you

- *You have the comfort of knowing that you've taken steps to preserve more of your assets for future generations.*
- *You get life insurance for an additional level of protection.*

Advantages for your beneficiaries

- *They receive more of your assets with fewer taxes.*
- *They are protected against your untimely death with benefits in an amount that is ordinarily higher than the current, before-tax value of the assets you use to purchase the life insurance policy.*

See how Lincoln *LifeLINC*® can reap greater value

The easiest way to understand *LifeLINC* is to see it in action. The following hypothetical examples, based on familiar financial situations, illustrate *LifeLINC*'s ability to reduce tax burdens and help increase value. Our assumptions are noted with each example.

Of course, your advisor can demonstrate the income tax and estate tax advantages through a personalized proposal prepared especially for you. Be sure to consult your attorney or tax advisor to discuss the specific tax implications for your individual situation.

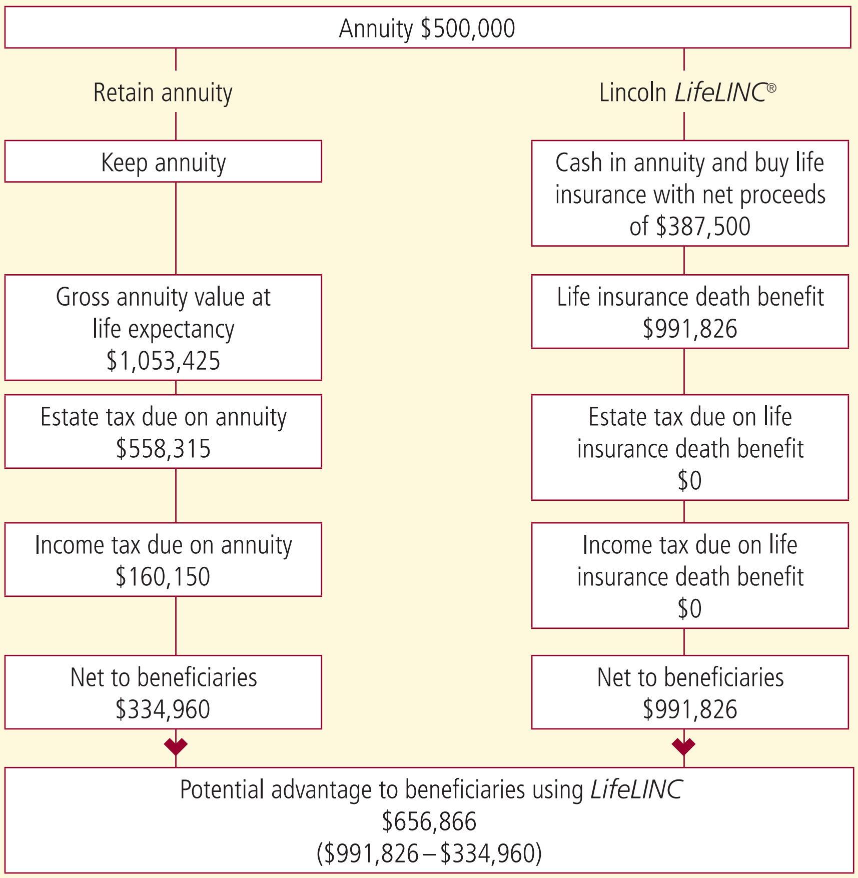
Arnold's annuity

Let's say Arnold is a 67-year-old male nonsmoker, with a life expectancy of age 86 (his presumed death). In this example, he cashes in his $500,000 annuity, with a cost basis of $125,000, to purchase life insurance with the proceeds.

Notice the immediate advantages for Arnold:

- Estimated estate and income taxes drop to $0 (based on current tax assumptions).
- The life insurance death benefit is more valuable than the gross annuity value at life expectancy.
- The potential value to beneficiaries increases.

Example: Arnold's annuity



Our assumptions include:

- Annuity grows 4% annually for 19 years.
- Ownership of life insurance policy outside estate (trust or third party).
- Income tax bracket of 30%. Income taxes paid from annuity proceeds upon surrender. Beneficiary tax bracket of 28%.
- $3,000,000 estate growing at 2% a year.
- Purchasing life insurance through a *Lincoln LifeGuarantee*SM UL universal life insurance policy for a single premium. If this single premium is paid on time and there are no loans or withdrawals, the full death benefit is guaranteed for life.

Please note: If there are severe surrender or early withdrawal penalties on the asset(s) you select, the asset(s) may be inappropriate for the Lincoln *LifeLINC*® program at this time. Please remember not to request the surrender, cancellation, or transfer of any asset used in the *LifeLINC* program until your life insurance application has been approved.

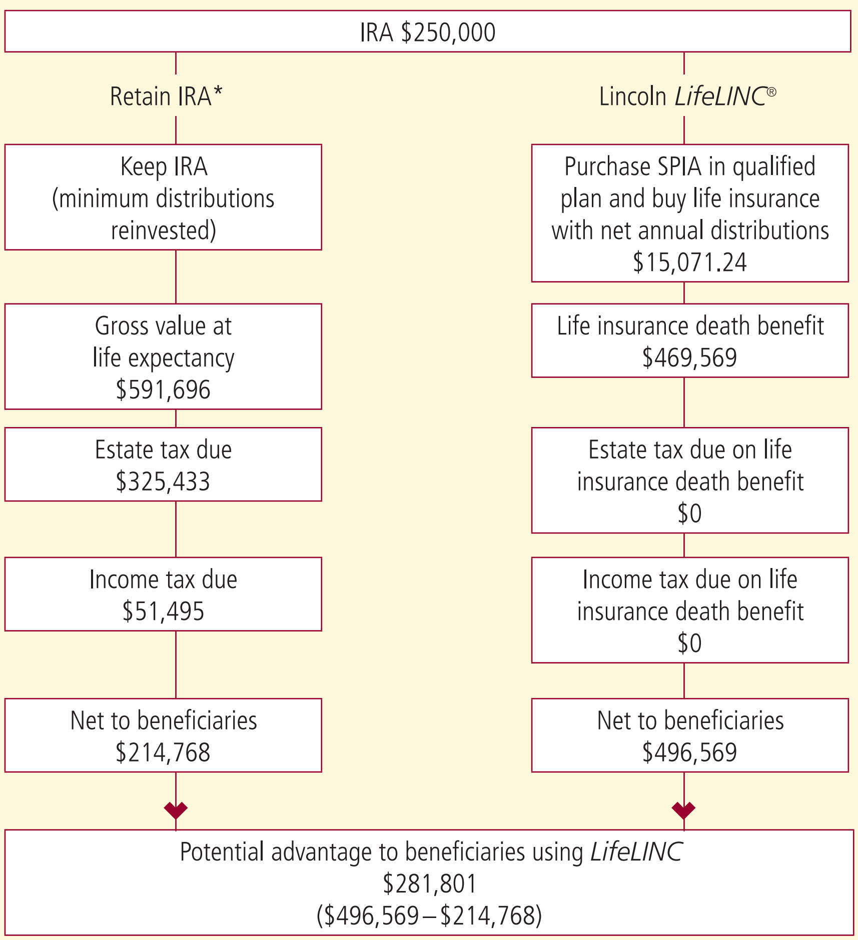
Irving's IRA

Irving is a 70-year-old preferred male nonsmoker expected to live to age 87. Out of a sizeable estate, he has an Individual Retirement Account (IRA) worth $250,000, which he uses to buy life insurance.

This is how Irving benefits:

- Estimated estate and income taxes drop to $0 (based on current tax assumptions).
- The life insurance death benefit is more valuable than the gross value at life expectancy.
- The potential value to beneficiaries increases.

Example: Irving's Individual Retirement Account (IRA)



* Assumes identical annual withdrawals as with *LifeLINC*, but after-tax values are deposited in a 4.2% interest bearing account. Values may vary based upon current SPIA crediting rates.

Our assumptions include:

- $250,000 IRA, cost basis of $0.
- IRA grows 7% annually for 17 years.
- Ownership of life insurance policy outside estate (trust or third party).
- Income tax bracket of 30%. Income taxes paid from IRA proceeds when withdrawn. Beneficiary tax bracket of 30%.
- Estate of $3,500,000 growing at 2%.
- Purchasing life insurance through a *Lincoln LifeGuarantee*SM UL universal life insurance policy. Using the $250,000 IRA to purchase a life-only Single Premium Immediate Annuity (SPIA) inside an IRA to pay annual life insurance policy premiums. If life insurance premiums are paid on time and there are no loans or withdrawals, the full death benefit is guaranteed for life.

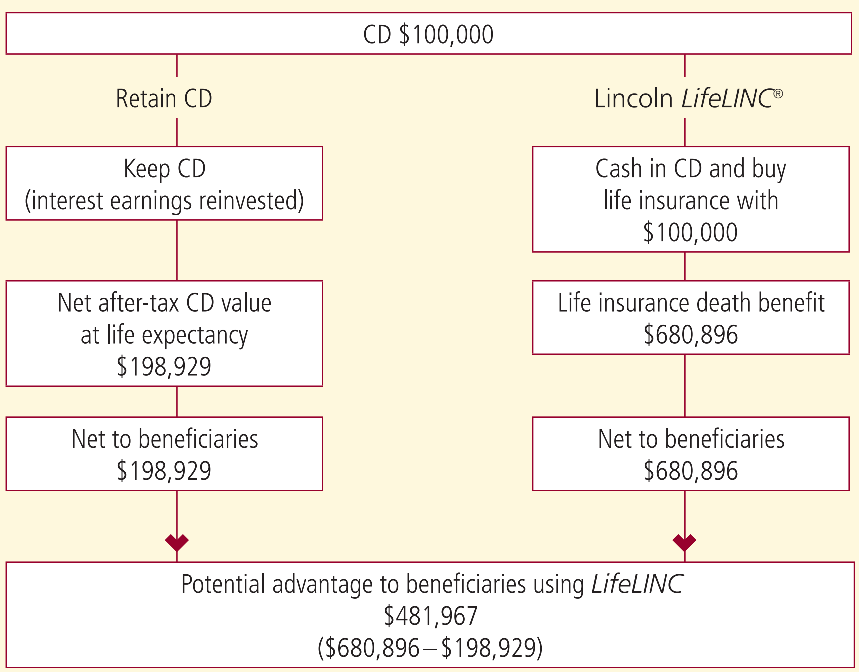
Cindy's CD

Now imagine Cindy's situation. She has a $100,000 CD, which has matured and has no penalties. She uses the CD to buy survivorship life insurance for herself and her spouse, eliminating the income taxes she had to pay annually on her CD interest earnings. Her spouse is a 59-year-old preferred nonsmoker. In this example we will assume her spouse predeceases her.

Although she no longer has liquidity, Cindy does have these advantages:

- No more income tax on CD interest earnings; no federal estate taxes due.
- The life insurance death benefit is more valuable than the net after-tax CD value at life expectancy.
- The potential value to beneficiaries increases.

Example: Cindy's Certificate of Deposit (CD)



Our assumptions include:

- CD grows 4% annually for 29 years.
- Income tax bracket of 40%. Income taxes paid annually from CD interest earnings.
- Purchasing survivorship life insurance through a *Lincoln LifeGuarantee*[SM] SUL universal life insurance policy with a single premium using the $100,000 cash from the CD. If there are no loans or withdrawals, the full death benefit is guaranteed for life.

Make Lincoln *LifeLINC*® work for you

LifeLINC is generally offered to insurable individuals between the ages of 50 and 85. Through the *LifeLINC* DataGuide, your advisor can help you determine if *LifeLINC* is right for you and create a personalized proposal. With the help of your advisor, you will:

1 Identify any taxable assets you currently own — assets such as annuities, IRAs, or CDs — that you believe will not be needed for income or emergencies during your lifetime, and that you want to pass on to beneficiaries at death. You and your agent will calculate the amount of life insurance these after-tax funds will purchase using a lump sum or multiple annual premium payment method.

2 Determine the value your assets may ultimately grow to. To calculate the amount your intended beneficiaries may receive, your advisor will show you the income taxes and estate taxes (if applicable) that will be due at your death (i.e., at your life expectancy) and be deducted from your annuity, IRA, or CD.

3 Compare the net amount of these assets to the amount of life insurance that can be purchased with them. Decide which alternative shows the most money going to your beneficiaries, recognizing any risks that are associated with the identified asset and the use of life insurance.

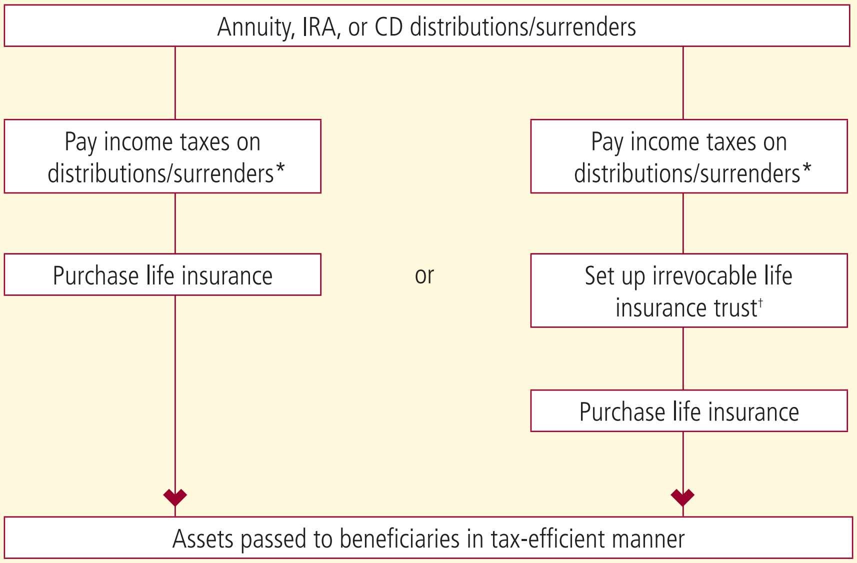
4 Identify a life insurance policy that will meet your needs. Several different life insurance policies, some of which offer guaranteed lifetime death benefit protection that can address your liquidity, risk tolerance, and long-term planning needs, are available in the *LifeLINC* program.

5 If an Irrevocable Life Insurance Trust (ILIT) will own your life insurance policy, your attorney should draft the trust before you apply for the policy.

6 You will be asked to complete a life insurance application and you must qualify for coverage.

7 If after discussing your situation with your advisor, you determine that this is a strategy that makes sense for you and your life insurance application has been approved; you could consider taking all or part of the money out of the annuity, IRA, or CD and paying the appropriate income tax, then paying the life insurance premium. You should verify before surrender if there are surrender or early withdrawal penalties on the asset(s) you select.

Funding life insurance with *LifeLINC*®



* It is recommended that any income taxes payable on the annuity, IRA, or CD distributions or surrenders be paid out of the annuity, IRA, or CD proceeds to avoid out-of-pocket income tax payments later.

† Gift taxes may be due on this transfer. Consult your tax advisor. Assets owned by a third party, such as a trust, are generally not included in your estate for estate tax purposes. If a trust or third party is not used, estate taxes might be due.

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 strength of Lincoln Financial Group® affiliates

A company's promises are only as strong as its reputation, integrity, and financial strength. Lincoln Financial Group® affiliates have consistently received high marks from independent evaluators including: A.M. Best, Fitch, Moody's, and Standard & Poor's.

	The Lincoln National Life Insurance Company	Lincoln Life & Annuity Company of New York
A.M. Best	**A+** (2nd highest of 16)	**A+** (2nd highest of 16)
Fitch	**AA** (3rd highest of 24)	**AA** (3rd highest of 24)
Moody's	**Aa3** (4th highest of 21)	**Aa3** (4th highest of 21)
Standard & Poor's	**AA** (3rd highest of 21)	**AA** (3rd highest of 21)

These ratings apply only to the company's claims-paying ability. The ratings do not imply approval of the product. Ratings current as of July 25, 2007. Individual issuing companies are separately responsible for satisfying their own financial and contractual obligations.

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