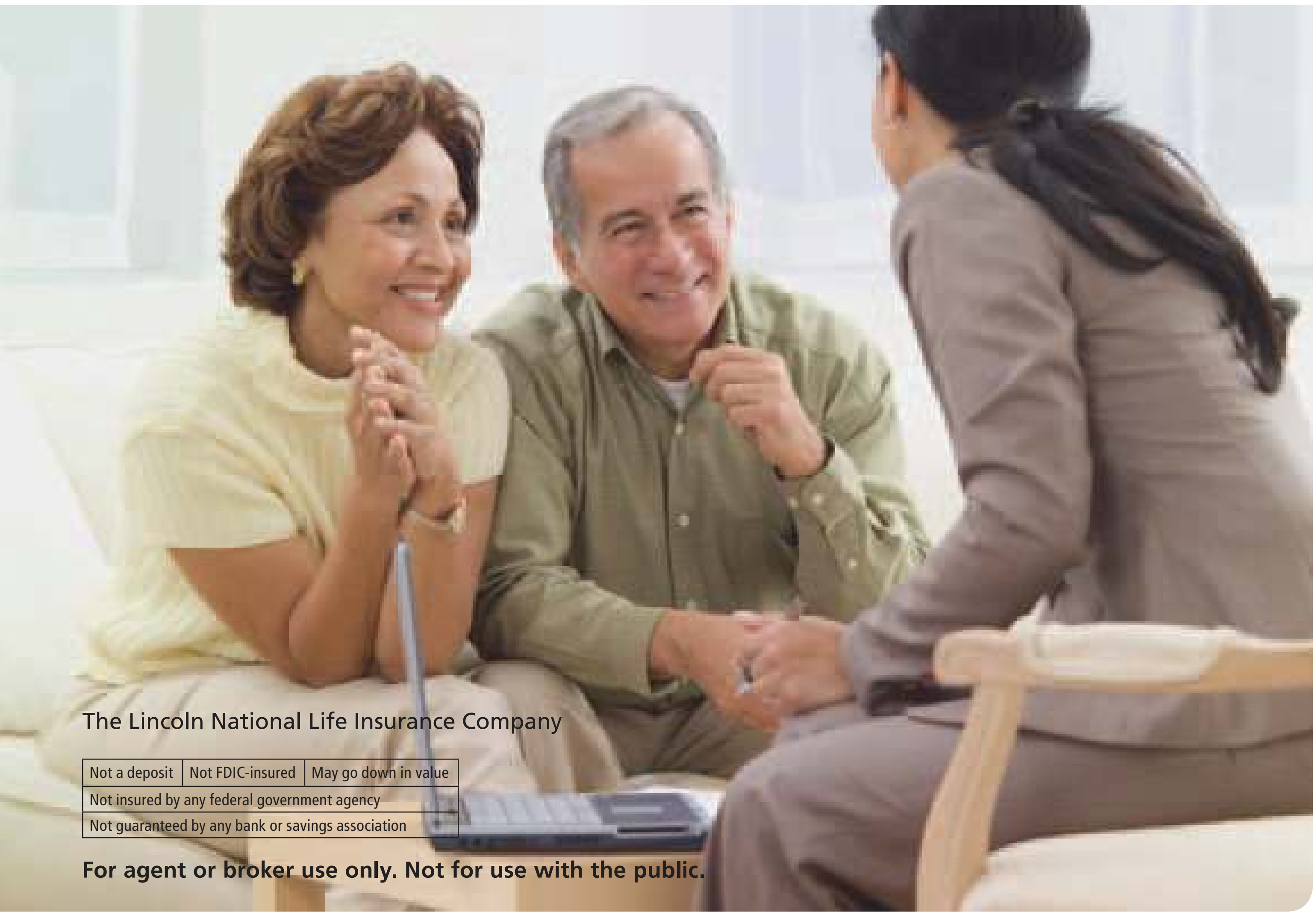
FOR LIFE

Universal Life Insurance

Lincoln *MoneyGuard*® Reserve Plus

A smarter alternative to self-insuring®

Advisor Guide to paying for long-term care



The Lincoln National Life Insurance Company

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Not insured by any federal government agency		
Not guaranteed by any bank or savings association		

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You're In Charge®

Recognizing the need for long-term care preparation

Long-term care (LTC) costs are on the rise. LTC expense is a financial risk that could affect clients' retirement and wealth transfer goals. Many clients may believe they have saved sufficiently, but in reality, they may not be financially prepared. In a recent survey, 70% of those age 50 and older who chose not to buy protection for long-term care expenses underestimated the cost of care.*

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Why should I talk to clients about LTC expense risk?

A long-term care experience and its costs can be a tremendous burden on your clients and their loved ones if there is no plan in place. Family members may endure undue stress' as they try to make difficult decisions and identify funds to finance needed care. Preparing ahead can prevent clients and their families from having to make hasty decisions in a time of crisis. Addressing the financial risks creates an awareness of the need to protect their portfolios, including retirement and estate assets, and reserves designated for long-term care.

When should I begin bringing up LTC expense risk with my clients?

EARLY AND OFTEN. Those who are most successful in helping clients and their families plan for long-term care bring up the issue multiple times. Clients generally need to have a basic awareness of long-term care—either through continued discussion and education or a personal experience. Many decide to protect themselves from the risks of LTC expense after seeing its impact on friends or family. This is why it's important to talk about the risks with clients early and often. Expect that it will take several discussions before clients are ready to take action and prepare for their long-term care needs.

Trends indicate that individuals are buying protection for long-term care expenses at younger ages. Clients who purchase protection when they are younger and healthy find that it's less expensive. And by adding features like inflation protection, clients can help ensure that they are protected from rising costs over time.

About 70% of people over age 65 will require some long-term care services at some point in their lives.[†]

70%

CONSIDER THESE OTHER LTC FACTS

- For those age 65+, the average length of long-term care is three years.[*]
- The average annual cost of nursing home care is $71,175 for a semiprivate room and $78,840 for a private room.[‡]
- In 2008, 40% of those who received long-term care were between the ages of 18 and 64.[*]

[*] LifePlans Long-Term Care Market Summary; www.LincolnFinancial.com; Research & Analysis; January 15, 2010. For a printed copy of the report, call 877-ASK-LINCOLN.

[†] DHHS, 2008. Statistics taken from www.longtermcare.gov. Administration on Aging: 202-619-0724.

[‡] LifePlans Long-Term Care Market Summary: Cost of Care Update 2010; www.LincolnFinancial.com; Research & Analysis; October 1, 2010. For a printed copy of the report, call 877-ASK-LINCOLN.

What choices do my clients have when preparing for LTC expenses?

TRADITIONAL LONG-TERM CARE INSURANCE COVERS future LTC expenses, but if care is not needed, the client receives no benefits. Premiums can be expensive, may increase, and vary based on benefits and time period.

MEDICARE typically offers coverage or limited coverage only for medically necessary nursing facilities or home healthcare. It does not pay for custodial care or support services for daily living, such as dressing, bathing, and sometimes diabetes monitoring. Clients must meet specific requirements to qualify for Medicare payment of long-term care services.

MEDICAID is a government program that can pay for certain nursing home and healthcare services for older individuals with limited means. Even though, in most states, Medicaid pays for LTC services at home, eligibility and services covered vary from state to state. Eligibility is usually based on the individual's financial resources.

FAMILY can assume the burden of long-term care management or expense. This can cause emotional and financial stress.

SELF-INSURING requires clients to set aside potentially significant liquid assets. If long-term care is needed, these assets could be depleted relatively quickly, putting the rest of their portfolio at risk.

Lincoln *MoneyGuard*® Reserve Plus links life insurance and protection for long-term care expenses in one policy, offering a death benefit and a money back guarantee, once all planned premiums are paid.* It offers tax advantages that other options may not.

Why clients choose Lincoln *MoneyGuard* Reserve Plus

- It provides tax-advantaged reimbursements for qualified long-term care expenses and more leverage for their LTC dollars.
- It offers an income tax-free death benefit if all or some of the LTC benefits are not used.
- It comes with a money back guarantee.*

+

- Inflation options can help them keep pace with rising LTC costs.
- They can select a flexible or single premium policy.
- Once eligible, no deductible/elimination period.

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Lincoln *MoneyGuard* Reserve Plus

* Through the Enhanced Surrender Value Endorsement, available at issue on all single premium policies and flexible premium policies for ages 35–65. See Endorsement for complete terms and conditions.

A smarter alternative to self-insuring®

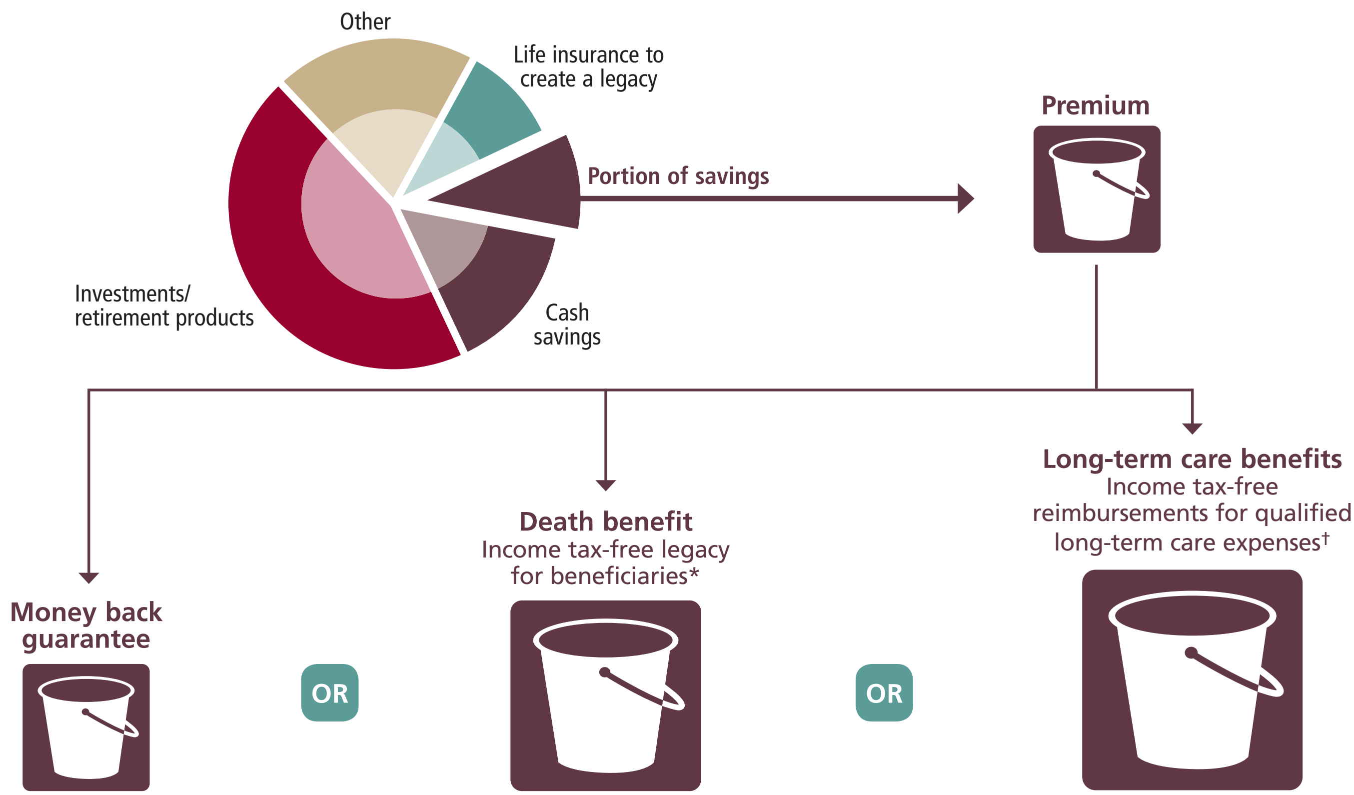
A client can avoid taking on all the risks of self-insuring and having to decide which assets to sell first should the need for long-term care arise by leveraging a portion of their cash reserves designated for long-term care costs. These reserves would be reallocated to purchase a Lincoln *MoneyGuard®* Reserve Plus policy. The client would maintain control of their assets, get much more for their LTC dollars, and enjoy these advantages:

1 Immediately increase the protection for the rest of the portfolio.

2 Free up other portfolio reserves to seek additional growth.

3 Gain a new asset in the portfolio — the policy.

Leverage portfolio assets



Recommend buying a Lincoln *MoneyGuard* Reserve Plus policy with a portion of cash reserves. The policy remains an asset in the client portfolio, and it offers:

A money back guarantee. Once all planned premiums are paid, the client can request a return of premium upon full surrender of the policy. The amount received will be adjusted for any benefits paid and any loans and cash withdrawals, and it may have tax implications. The money back guarantee is included in the policy cost through the Enhanced Surrender Value Endorsement, which is available at issue on all single premium policies and flexible premium policies for ages 35–65. See Endorsement for complete terms and conditions.

An income tax-free death benefit. When the client dies, the policy pays an income tax-free death benefit to their beneficiaries.

Long-term care benefits. If the client needs long-term care, the policy can provide income tax-free reimbursements for qualified long-term care expenses.

* Beneficiaries receive an income tax-free death benefit under IRC Section 101(a)(1).

† Long-term care reimbursements are generally income tax-free under IRC Section 104(a)(3).

Product features

Policy design	• Single life universal life insurance	
Issue ages	• 35–80*	
Premium payment options	• Single premium • Flexible premium for 3-, 5-, 7- or 10-year periods†	
Minimum specified amount of death benefit	• $50,000‡	
Maximum specified amount of death benefit	**Single premium policies** • 2-year CCBR: $500,000 • 3-year CCBR: $750,000	**Flexible premium policies** • $500,000
Premium load†	• 5% of premiums paid. Commissionable.	
Guaranteed interest rate	• 4%	

Product benefits

No deductible or elimination period	
Enhanced Surrender Value Endorsement (ESVE) (money back guarantee)§	• Included in the cost of the policy. Provides a guaranteed lifetime refund of the sum of premiums paid. Amount will be adjusted by any loans, loan interest, loan repayments, cash withdrawals taken, or claim payments made. • Single premium: available at issue. • Flexible premium: available at issue for ages 36–65. Exercisable after all premiums are paid.
Residual death benefit	• Included in every policy. • If your client never needs long-term care, a death benefit is paid to their beneficiaries, income-tax free under IRC Section 101(a)(1). • If your client does need long-term care and uses any portion of these benefits, the remaining specified amount of death benefit will still be payable upon death to the client's beneficiaries. • Regardless of the specified amount of death benefit used to pay for long-term care, the client's beneficiaries will receive an amount no less than the residual death benefit. At the time of policy purchase, this benefit is equal to 10% of the initial specified amount of death benefit and will be adjusted for loans, cash withdrawals, and policy loan repayments. • Any death benefits paid will pass to the client's beneficiary without probate delays — provided their estate is not the client's beneficiary.

*Ages 35–79 in Florida.

† May vary by state. May not be available through all agents or brokers. Products and features — including benefits, exclusions, limitations, terms and definitions — may vary by state. Your client will receive an Outline of Coverage specific to their state.

‡ May vary by state.

§ See Endorsement for complete terms and conditions.

Product benefits, cont'd.

Convalescent Care Benefits Rider (CCBR) (LTC benefit pool 1)**	• Accelerates the specified amount of death benefit to help pay for LTC expenses. • 2- or 3-year duration. The benefit duration period is selected by the client at issue and is not changeable.
Extension of Benefits Rider (EOBR) (LTC benefit pool 2)**	• Allows the client to continue LTC benefits after the specified amount of death benefit is exhausted. Must add at issue and is not changeable. • 2- or 4-year duration. The benefit duration period is selected by the client at issue.

Inflation protection

- Increases the LTC benefits. Available at issue.**
- Available options—Simple: 3%; Compound: 3%, 5%
- If elected, the same inflation option must apply to both CCBR (LTC benefit pool 1) and EOBR (LTC benefit pool 2).
- Consider inflation options for clients in their 50s.
- **Hypothetical example:** Female, healthy nonsmoker, age 55, elects a $100,000 single premium policy with a two-year CCBR (LTC benefit pool 1) + four-year EOBR (LTC benefit pool 2) for a total six-year LTC benefit period. She is planning ahead for future long-term care expenses. Without inflation protection, her total LTC benefit at age 80 would be $557,532 for all years. The 3% compound inflation protection option increases her monthly benefits and total LTC pool at age 80 to more than $680,000.

	Without inflation protection	3% compound inflation protection
Maximum monthly LTC benefit at age 80	$7,744	$9,052
Total LTC benefit at age 80	$557,532	$680,179

Values are subject to change if any cash withdrawals or loans are taken.

Eligibility for reimbursement of qualified long-term care expenses

- The insured is certified as chronically ill by a Licensed Health Care Practitioner.
- Care is provided under a care plan prescribed by a Licensed Health Care Practitioner.
- Reimbursement is for covered expenses up to the maximum benefit specified in the policy.

An individual must be certified by a Licensed Health Care Practitioner (LHCP) as chronically ill. The LHCP certifies that the insured is unable to perform at least two of the activities of daily living (ADLS) without substantial assistance from another individual for a period of at least 90 days. The ADLs are: bathing, continence, dressing, eating, toileting, and transferring. An insured may also be certified chronically ill as a result of severe cognitive impairment. Certification must be reconfirmed by a LHCP every 12 months for reimbursement eligibility.

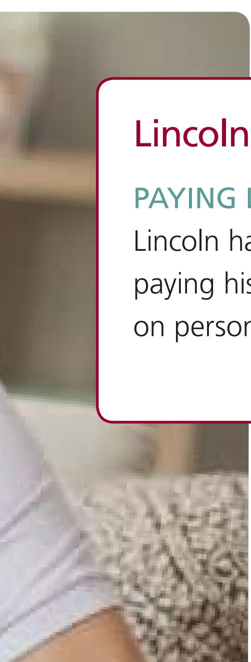
Qualified long-term care benefits will continue as long as the individual is certified as chronically ill and until the entire long-term care benefits are exhausted.

**Subject to state availability. Products and features—including benefits, exclusions, limitations, terms and definitions—may vary by state.

Long-term care benefits	
Covered services*	The insured can select from a variety of care options: • Home healthcare • Assisted living • Nursing home care • Adult day care • Personal care services • Hospice care • Alternative care services Expenses are reimbursed up to 100% of monthly maximum benefit for all levels of care.
Bed reservation benefit	Helps pay the cost of reserving a bed in the facility for up to 30 days per calendar year if the insured's stay in a long-term care setting is interrupted. Up to one-thirtieth of maximum monthly LTC benefit.
International benefits	Provides benefits to clients who receive long-term care in a facility outside the United States and its territories and possessions. • Up to 50% of the maximum monthly CCBR benefit (LTC benefit pool 1). • The full CCBR benefit (LTC benefit pool 1) limit can be used. • All remaining LTC benefits are available should the client return to the United States or its territories and possessions.

* May vary by state.

Other features	
Monthly cost of insurance (COI) costs	Separate deductions are made each month to cover the cost of the base life insurance, the CCBR and state variations thereof, any inflation on the CCBR (LTC benefit pool 1), the EOBR (LTC benefit pool 2), and any inflation on the EOBR (LTC benefit pool 2). No COI or rider costs are incurred after age 95.
Partial cash withdrawals	• One allowed per year • No withdrawal fee • Minimum: $500* • Maximum cash withdrawal amount: surrender value—less $500
Surrender charge duration	10 years
Surrender charge schedule (per thousand dollars of specified amount)	At a minimum, the client will always have a money back guarantee.† Remains level throughout the policy year in any given year and decreases over the first 10 years. Actual surrender charges are shown in the insured's policy.
Policy loans	• Interest charged: variable and charged in arrears • Interest credited: 4%
Tax treatment of rider charges	• The CCBR and EOBR are intended to provide qualified long-term care benefits under IRC Section 7702B(b). The costs for these riders are deducted monthly from the policy cash value and are federally treated as "distributions" from the policy. Lincoln will not report these distributions as taxable to your client even if their policy is a Modified Endowment Contract (MEC). Instead, the costs will reduce the investment in the contract (cost basis), but not below zero, as the costs are taken from the policy. Once the investment in the contract has been reduced to zero, distributions will come from any gain in the contract but will still not be reportable as taxable distributions. • An additional 10% tax may apply if such a distribution is taxable and occurs prior to age 59½. Lincoln Financial Group, its affiliated companies, and its representatives/insurance agents do not provide legal or tax advice. A tax advisor should be consulted for additional information.



Lincoln *MoneyGuard*® Reserve Plus

PAYING LTC CLAIMS

Lincoln has an excellent claims-paying history with an emphasis on personal service to the client.

RELYING ON EXPERIENCE

With more than 82,000 *MoneyGuard* policies in place, Lincoln has helped protect families from the risks of long-term care expenses since 1988.

* May vary by state.

† Through the Enhanced Surrender Value Endorsement, available at issue on all single premium policies and flexible premium policies for ages 35–65, once all planned premiums have been made. See Endorsement for complete terms and conditions.

Asset leverage with Lincoln *MoneyGuard*® Reserve Plus

These are hypothetical examples. Actual benefit amounts will vary by client's age, health status and gender (except in Montana, where gender does not affect rates or benefits).

HYPOTHETICAL CASE: DAN, AGE 50, NONSMOKER IN GOOD HEALTH

He has a sustainable retirement portfolio and receives an annual bonus every year.

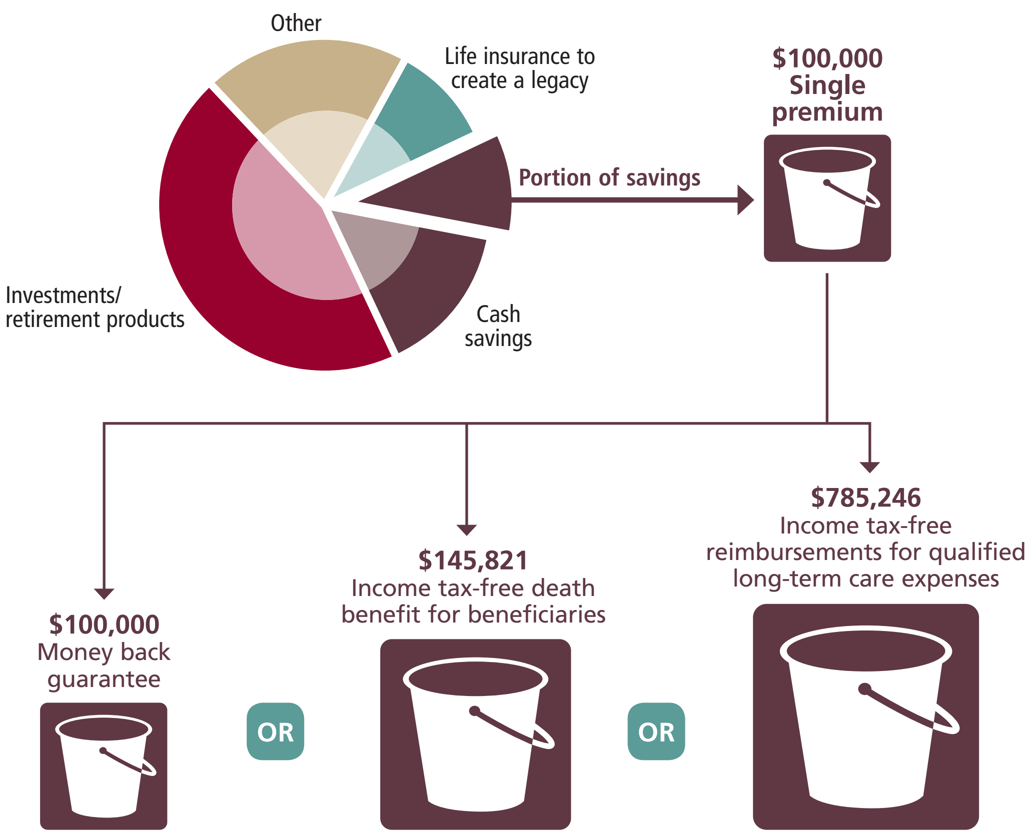
Objective

Protection for the potential need for long-term care in the future.

Recommendation

Lincoln *MoneyGuard* Reserve Plus structured as:

- $100,000 single premium payment
- 3% simple inflation protection
- 6-year LTC benefit period consisting of a 2-year CCBR (LTC benefit pool 1) + 4-year EOBR (LTC benefit pool 2)



Solution

At age 75, Dan will have a total LTC benefit pool of $785,246, or monthly maximum reimbursements for qualified long-term care of $10,451, which will continue to grow on each policy anniversary.

Values are subject to change if any cash withdrawals or loans are taken or if any benefits are paid prior to age 75.

HYPOTHETICAL CASE: NANCY, AGE 60, NONSMOKER IN GOOD HEALTH

She has a sustainable retirement portfolio but wants to be prepared now for long-term care if she needs it.

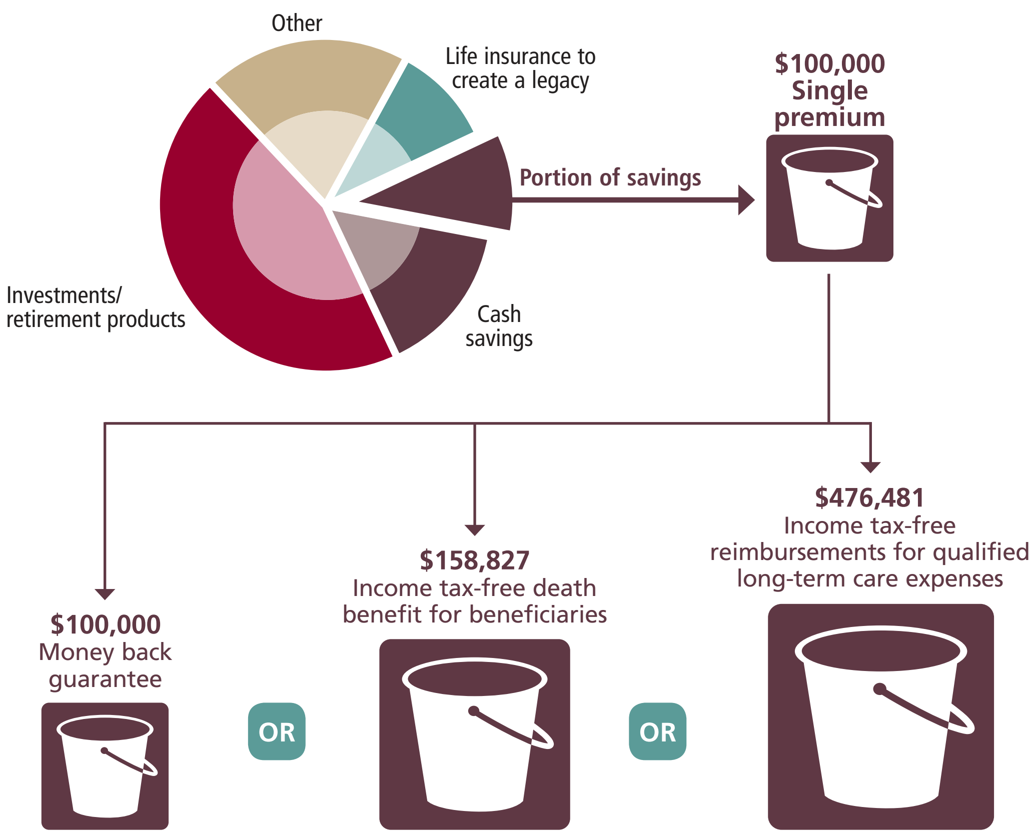
Objective

Protection for the potential need for long-term care in the near future.

Recommendation

Lincoln *MoneyGuard*® Reserve Plus structured as:

- $100,000 single premium payment
- No need for inflation protection
- 6-year LTC benefit period consisting of a 2-year CCBR (LTC benefit pool 1) + 4-year EOBR (LTC benefit pool 2)



Solution

Nancy will have a total LTC benefit pool of $476,481, or a monthly maximum of $6,618, for qualified long-term care reimbursements.

CONTACT YOUR LINCOLN REPRESENTATIVE FOR MORE INFORMATION

HELPING PEOPLE FACE THE FUTURE WITH CONFIDENCE

At Lincoln Financial Group, we've spent more than 100 years living up to the character of our namesake: integrity, honesty, and the belief in a better tomorrow. We provide advice and solutions to help people save for tomorrow, secure and maximize their income, protect themselves and their loved ones, and prepare for the unexpected.

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Lincoln *MoneyGuard*® Reserve Plus is a universal life insurance policy with a Convalescent Care Benefits Rider* (CCBR) that accelerates the specified amount of death benefit to pay for covered long-term care expenses. An Extension of Benefits Rider* (EOBR) is available to continue long-term care benefit payments after the entire specified amount of death benefit has been paid. The money back guarantee is featured through the Enhanced Surrender Value Endorsement (ESVE), included in the policy cost for all single premium policies, and for flexible premium policies for issue ages 35 – 65. Any additional surrender benefit provided will be adjusted by any loans/loan interest/loan repayments, withdrawals taken, or claim payments made. The cost of riders will be deducted monthly from the policy cash value. The insurance policy and riders have limitations, exclusions, and/or reductions. Additionally, long-term care benefit riders may not cover all costs associated with long-term care costs incurred by the insured during the coverage period. All contract provisions, including limitations and exclusions, should be carefully reviewed by the owner.

Issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, on Policy Form LN870 with the Convalescent Care Benefits Rider* (CCBR) on Rider Form LR870/ICC11LR870, an optional Enhanced Surrender Value Endorsement (ESVE) on Endorsement Form B10465F/ICC11B10465F, an optional Extension of Benefits Rider* (EOBR) on Rider Form LR871/ICC11LR871, and an optional Nonforfeiture Benefit Rider (NFO) on Rider Form LR872/ICC11LR872.

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*State variations apply.

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