

Get ready for a tax-efficient retirement

What you can do today to help protect your retirement income

CLIENT GUIDE

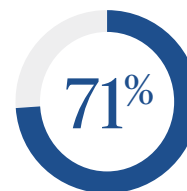


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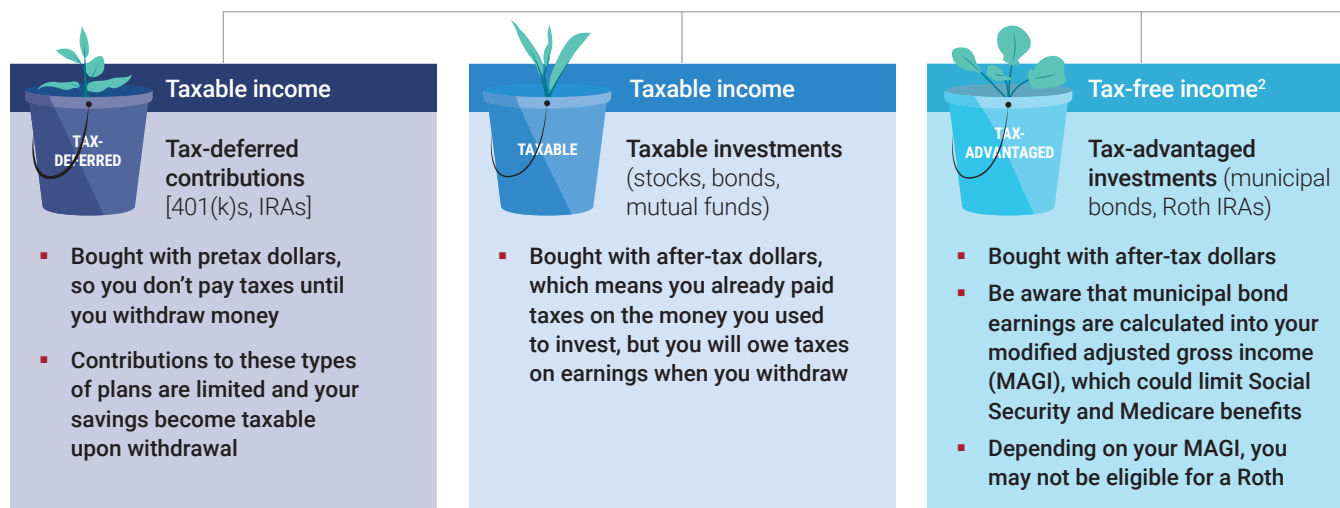
Make retirement less taxing

As you plant the seeds for your retirement, now is the time to consider how taxes will affect you when you begin spending your savings. Often, you're tending to products that could not only raise your taxes in retirement, but erode your retirement income. The good news is that you can make solid decisions now to benefit you in the future. As you grow your retirement portfolio, consider adding more tax-efficient assets, like a life insurance policy that provides a valuable death benefit as well as a different layer of protection to your overall retirement portfolio.



71% of consumers surveyed have not talked to a financial professional about ways to minimize exposure to taxes, even though concern is high on how a change in taxes may impact retirement.¹

Today, your retirement portfolio is probably a mix of assets that fall into three categories, or buckets.



See how taxes may affect your income when you retire

Before age 59½

You pay ordinary income tax and a 10% penalty.⁴

After age 59½

Your tax-deferred assets become taxable when withdrawn.

At age 62

85% of your Social Security benefits are taxed if you have too much MAGI.⁵

At age 65

Your Medicare Part B costs could increase to \$428.60 /month if you have too much MAGI.⁶

At age 72

You must take required minimum distributions, from tax-deferred assets, which adds to your tax exposure.

¹ Lincoln Financial, Monthly Consumer Sentiment Tracker, Dec. 2020. <https://www.businesswire.com/news/home/20220906005959/en/>

² Income tax-free subject to certain requirements. Could affect modified adjusted gross income.

³ Income tax-free loans and withdrawals will reduce the policy's cash value and death benefit. See the following page for important information regarding loans and withdrawals.

Keep more of what you earned

Talk with a financial professional about creating a diversified retirement portfolio that balances the limitations and benefits of different financial assets. Your tax-deferred investment withdrawals, for example, will become taxable income. Add that income to any withdrawals on your stocks, bonds or mutual funds, and you could have a higher-than-anticipated tax bill. Including tax-advantaged products like cash value life insurance can be key to a smaller tax bill later in life.



Income tax-free financial resource³

Life insurance
(Tax-advantaged)

- Your potential savings accumulate on a tax-deferred basis
- You can have a tax-efficient financial resource for retirement²
- No IRS income limits

Adding cash value life insurance to your portfolio can help protect your savings and provide:

- An income tax-free death benefit for your beneficiaries
- Tax-deferred growth opportunities
- An income tax-free financial resource for retirement²
- No penalties for cash values taken before age 59½

No matter when you retire, you can take income through policy loans and withdrawals without affecting your income tax bracket, Medicare premiums, Social Security tax, capital gains and MAGI.

What cash value life insurance could do for you when you retire

Before age 59½

You have income tax-free distributions without penalties.³

After age 59½

You could access income tax-free funds.³

At age 62

There's no effect on your Social Security benefits.

At age 65

There's no effect on Medicare Part B premiums.

At age 72

You are not required to take minimum distributions.

⁴The 10% penalty is applicable for withdrawals from qualified plan and IRA accounts before age 59½.

⁵Individuals with MAGI above \$34,000; \$44,000 filing jointly. Source: <https://www.irs.gov/newsroom/irs-reminds-taxpayers-their-social-security-benefits-may-be-taxable>.

⁶Individuals with MAGI greater than \$153,000 and up to 183,000; greater than \$306,000 and up to 366,000 filing jointly, for 2023. For complete Medicare Part B Income-Related Monthly Adjustment Amounts, see <https://www.cms.gov/newsroom/fact-sheets/2023-medicare-parts-b-premiums-and-deductibles-2023-medicare-part-d-income-related-monthly>.

Start planning now to help protect your retirement income from taxes.

2023 tax rates	If your taxable income is over		
Tax provision	Single filers	Joint filers	2023 top tax rate
Income tax	\$578,125	\$693,750	37%
Medicare payroll tax: additional tax on unearned income	\$200,000	\$250,000	1.45%
Capital gains tax: long-term capital gains and qualified dividends	\$492,300	\$553,850	20%
Unearned income Medicare contribution tax (UIMCT): applies to realized investment income and gains	\$200,000	\$250,000	3.8%
Itemized deductions: reduces Schedule A deductions by up to 80%	Suspended until January 1, 2026		
Personal exemptions: phaseout \$4,150/personal tax exemption	Suspended until January 1, 2026		
Child tax credit	\$2,000	\$2,000	Phaseout begins at \$200,000 for single taxpayer and \$400,000 for married filing jointly
Social Security benefits	\$34,000	\$44,000	Up to 85% is treated as ordinary income

Sources: <https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2023>. All 2023 tax information is from the Internal Revenue Service, current as of October 31, 2022 and can be accessed at [IRS.gov](https://www.irs.gov).

Your Medicare premiums

Medicare premiums are also affected by the amount of income you have. As your income increases, so do those premiums. Premiums can increase to \$527.50 per month for single filers with income over \$183,000, or for joint filers with income over \$366,000. This amount is \$560.50 for single taxpayers with income above \$500,000, or for joint filers with income above \$750,000 for 2023⁶.



Ask a financial professional how Lincoln cash value life insurance could enhance your retirement strategy.

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Distributions are taken through loans and withdrawals, which reduce a policy's cash value and death benefit and may cause the policy to lapse. Loans are not considered income and are tax-free. Withdrawals and surrenders are tax-free up to your cost basis, provided your policy is not a modified endowment contract (MEC). A MEC policy is one in which the life insurance limits exceed certain high levels of premium or the cumulative premium payments exceed certain amounts specified under the Internal Revenue Code. For policies that are MECs, distributions during the life of the insured, including loans, are first treated as taxable to the extent of income in the contract, and an additional 10% federal income tax may apply for withdrawals made prior to age 59½.

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