Flexible Legacy Benefits in LTC Planning

Transfer benefits to loved ones

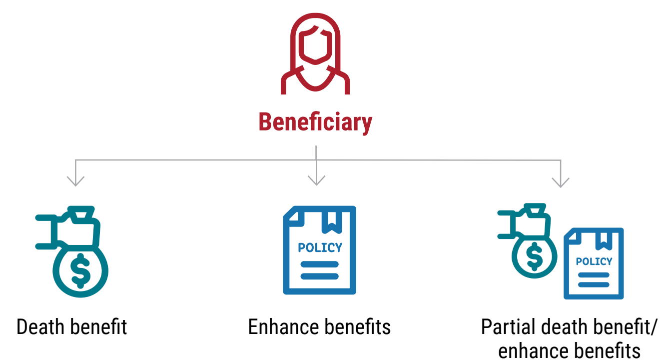
Just as each client and their needs are unique, so are the offerings of long-term care (LTC) policies. The Benefit Transfer Rider (BTR) remains a distinctive option that allows clients to stretch their LTC benefits beyond their lifespan and provide a financial legacy to beneficiaries.

BTR is automatically included at no additional cost when clients purchase *MoneyGuard*® Advantage policies with no additional underwriting requirements. This rider provides beneficiaries, who are also policyholders, full control to determine how to use death benefit proceeds.[1]

Here's how it works

Beneficiaries can choose to:

- Take full death benefit income tax-free[2] or
- Transfer full death benefit to purchase more benefits on their own policy or
- Split the proceeds and take partial death benefit income tax-free and leverage remainder to purchase more benefits on their own policy



Mitigate the uncertainty of healthy life expectancy.

Clients tend to focus on life expectancy when considering financial planning for retirement. It's important that they also understand the significance of a healthy life expectancy. Healthy life expectancy is measured by the number of years individuals can be expected to take care of themselves. Recent data indicates that healthy life expectancy has not kept pace with life expectancy, meaning that people are living longer, but those extra years may require some form of care.[3] Planning for this possible gap is pivotal in preparing for the type of care received while still protecting a financial legacy.

[1] All policies include the Benefit Transfer Rider at issue for no additional cost. To use the Benefit Transfer Rider, beneficiaries must also be the insured on another *MoneyGuard*® policy and the rider must be on both policies. Both policies do not need to be opened at the same time. Benefit Transfer Rider funding purchases guaranteed, paid-up long-term care and death benefits. Minimum BTR purchase amount is $25,000 and cannot be funded prior to attained age 50.

[2] Beneficiaries may receive an income tax-free death benefit under IRC Section 101(a)(1).

[3] WHO.int, "GHE: Life expectancy and healthy life expectancy," Situations and Trends, World Health Organization, https://www.who.int/data/gho/data/themes/mortality-and-global-health-estimates/ghe-life-expectancy-and-healthy-life-expectancy, 2019 (accessed September 27, 2022).

Insurance products issued by:
The Lincoln National Life Insurance Company

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Meet Joe and Kristina

Married couple Joe, 65, and Kristina, 64, have worked hard, accumulated enough assets to live comfortably and within their lifestyle, and have a desire to help their children, Mike, 35, and Kelly, 32. They also recognize that their combined net worth of $10 million may subject their estate to taxes in the future, or be quickly depleted if one of them requires extensive long-term care.

Financial goals

- Begin a gifting strategy that protects their estate against federal taxes.
- Protect assets they have accumulated.
- Assist their children with achieving financial stability.

FINANCIAL PLANNING TIP FOR PARENTS

IRS gifting rules for 2022 allow for an annual gift exclusion of $16,000 from an individual to each recipient. For a married couple with two children, each child would be able to receive combined gifts of $32,000 ($16,000 from each parent).

Joe and Kristina's financial professional recommends they do two things:

Purchase *MoneyGuard Fixed Advantage*® with BTR. Joe and Kristina each qualify for and purchase a policy with annual premiums of $20,000 per person for 10 years, choosing an LTC benefit duration of 6 years and 3% inflation.

Implement a gifting strategy that uses the currently allowable amount of $16,000 per person, per gift to fund a similar *MoneyGuard*® policy for each of their children. This would provide up to $32,000 annually to fund policies on both Mike and Kelly. Their children's policies would be structured with an annual premium of $16,000 each over 10 years.

How BTR enhances LTC benefits

Example 1

If Joe predeceases Kristina and he has not used any LTC benefits, the remaining amount in his *MoneyGuard Fixed Advantage*® policy can be transferred into Kristina's policy. As a result, her protection would increase in the event of a sustained need for long-term care. This transfer is possible even if Joe only uses some of his long-term care benefits. Plus, this multigenerational approach means that any benefits Kristina does not use would be available for transfer to each of her children's respective policies if they are named as beneficiaries.

Kristina's results after transfer:

				Long-term care reimbursement benefits 3% compound Inflation[1]	
Age	BTR Funding Amount	Surrender Value	Death Benefit Amount	Total LTC Benefit	Max Monthly
Policy values prior to BTR funding					
80	0	140,000	200,000	**868,854**	11,194
BTR funding year reflecting policy benefits increase					
85	**200,000**	**316,286**	**416,000**	**1,313,803**	**12,977**
Policy values following BTR funding. Long-term care benefits continue to grow with policy inflation option.					
90	0	326,782	416,000	**1,523,058**	15,043

SNAPSHOT OF BENEFITS (AGE 85)

WITH BTR

LTC benefit: **$1,313,803**
LTC duration: **91 months**
Death benefit: **$416,000**

WITHOUT BTR

LTC benefit: **$1,007,240**
LTC duration: **72 months**
Death benefit: **$200,000**

This case study shows hypothetical values and is intended for illustrative purposes only. Policy assumptions: Female, age 64, couples discount underwriting class, basic return of premium (70% of paid premiums). Vested return of premium (100% available after year 10) is also available for an additional cost. Assumes all premiums are paid on-time, no post-issue loans, withdrawals, increases or decreases.

[1] 5% compound inflation is also available for an additional cost. Inflation must be selected at policy purchase.

Meet Mike and Kelly

Joe and Kristina's son, Mike, age 35, is healthy, married with one child and another on the way. He and his wife recently bought a home, and he is in a profession that he loves. He sees a lot of growth potential in his future career and wants financial security for his growing family. He appreciates the gifting money from his parents that allows him to plan now for his future long-term care needs.

Kelly, Joe and Kristina's daughter is 32, healthy, married and works in a high-income career that allows her and her spouse to travel extensively. They balance spending money on their passions with building a sufficient nest egg to help once they decide to settle down. Watching her parents' experiences helps Kelly understand how determining long-term care plans while she is young and healthy makes good financial sense and brings her a sense of security.

Financial goals

Mike

- Looking for strategies to protect his family from future expenses.
- Prefers products that have upside growth potential through market performance.
- Build portfolio to support a long-term investment horizon.

Kelly

- Create a market-driven plan to grow her portfolio over time.
- Prefers products that have favorable tax treatment.
- Focused on diversifying portfolio with accumulation and protection strategies.

Mike's and Kelly's financial professionals recommend they do the following:

Use the annual gifting money from their parents to purchase their own *MoneyGuard Market Advantage®* policies.

Take any death benefits received after their last parent passes and add these funds to their *MoneyGuard Market Advantage®* policies.

Example 2

Joe and Kristina's children, Mike and Kelly, fund their policies using allowable annual gifting money from their parents. If Kristina does not use her LTC benefits, or only uses a portion of them, her children each receive 50% of the policy's death benefit as joint beneficiaries. Those benefits can be used to increase protections in their *MoneyGuard Market Advantage®* policies. This can lengthen the availability of LTC benefits and since this transfer can be done without additional underwriting, Mike and Kelly are protected if they experience changes in health status.

Mike's results after transfer:

				Long-term care reimbursement benefits	
Age	BTR Funding Amount	Surrender Value	Death Benefit Amount	Total LTC Benefit	Max Monthly
Policy values prior to BTR funding					
61	0	425,222	965,253	**1,700,887**	32,122
BTR funding year reflecting policy benefits increase					
66	**208,000**	**696,189**	**1,324,222**	**2,551,321**	**38,429**
Policy values following BTR funding. Long-term care benefits continue to grow with policy inflation option.					
71	0	869,606	1,454,774	**3,179,134**	46,276

SNAPSHOT OF BENEFITS (AGE 85)

WITH BTR

LTC benefit: **$5,645,263**
LTC duration: **73 months**
Death benefit: **$1,926,115**

WITHOUT BTR

LTC benefit: **$5,299,359**
LTC duration: **68 months**
Death benefit: **$1,682,547**

Policy assumptions: Male, age 35, couples discount underwriting class, 7.00% gross 6.46% net rate of return; current charges. With 0% gross/−0.54% net rate of return (guaranteed charges) at age 66 Mike would have the following benefits available: Total LTC benefit of $2,551,321; Max monthly LTC benefit of $38,429; Death benefit of $1,324,222; Accumulation value of $0.

Kelly's results after transfer:

				Long-term care reimbursement benefits	
Age	BTR Funding Amount	Surrender Value	Death Benefit Amount	Total LTC Benefit	Max Monthly
Policy values prior to BTR funding					
58	0	434,028	1,163,194	**1,736,110**	29,979
BTR funding year reflecting policy benefits increase					
63	**208,000**	**697,346**	**1,536,406**	**2,600,458**	**36,319**
Policy values following BTR funding. Long-term care benefits continue to grow with policy inflation option.					
68	0	872,748	1,674,721	**3,234,311**	44,242

SNAPSHOT OF BENEFITS (AGE 85)

WITH BTR

LTC benefit: **$6,417,327**
LTC duration: **76 months**
Death benefit: **$2,242,424**

WITHOUT BTR

LTC benefit: **$6,060,191**
LTC duration: **72 months**
Death benefit: **$1,984,712**

Policy assumptions: Female, age 32, couples discount underwriting class, 7.00% gross 6.46% net rate of return; current charges. With 0% gross/−0.54% net rate of return (guaranteed charges) at age 63 Kelly would have the following benefits available: Total LTC benefit of $2,600,458; Max monthly LTC benefit of $36,319; Death benefit of $1,536,406; Accumulation value of $0.

These case studies show hypothetical values and is intended for illustrative purposes only. All values assume all premiums are paid as planned, and that no loans/withdrawals or surrenders are made. It may not be appropriate for all clients.

Embrace versatility and minimize risk

By working with their financial professional, Joe and Kristina will minimize the risk of a long-term care event while protecting key financial goals. The Benefit Transfer Rider provides them with distinct advantages in long-term care planning including:

No decision until time of claim

Joe, Kristina, and their children have the flexibility to make informed decisions based on their unique situations when the time comes.

Customizable policies

Each family member has the policy that meets their needs, without sharing benefits.

Beyond married couples

Joe and Kristina have assurances that their children will be an integral part of their estate planning.

Better leverage

The increase to their long-term care and death benefits will always be more than the amounts transferred.

Product optionality

Joe and Kristina will help their family solidify a financial legacy by leveraging the *MoneyGuard®* Advantage product suite.

Connect with your Lincoln *MoneyGuard®* representative to learn more about *MoneyGuard Market Advantage®*, *MoneyGuard Fixed Advantage®* and the Benefit Transfer Rider.

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LCN-4905390-081622
PDF ADA 9/23 **Z04**
Order code: MG-MULTI-FLI001

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***MoneyGuard Market Advantage®* is a variable universal life insurance policy issued on policy forms ICC20-MGV892/20-MGV892 with a Long-Term Care Benefits Rider (LTCBR) on Rider Form ICC20LTCBR-892/LTCBR-892, a Value Protection Rider on Form ICC20VPR-892/VPR-892 and a Benefit Transfer Rider on Form ICC22BTR-895/BTR-895.**

***MoneyGuard Fixed Advantage®* is a universal life insurance policy with a long-term care rider issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, on Policy Form ICC19-MG890/19-MG890 and state variations with the following riders: Value Protection Endorsement (VPE) on form ICC19END-10534/END-10534; Terminal Illness Acceleration of Death Benefit Rider (TIR) on form ICC19TIR-891/TIR-891; Long-Term Care Benefits Rider (LTCBR) on form ICC19LTCBR-890/LTCBR-890; Benefit Transfer Rider on form ICC21BTR-894/BTR-894. Available in all states except CA and NY.**

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