Lincoln Financial Group®

Protect and grow your business

Rely on Lincoln business life insurance solutions

LIFE SOLUTIONS

Client Guide

Insurance products issued by:
The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

5280399

Not insured by any federal government agency	Not a deposit	Not FDIC-insured
May go down in value	Not guaranteed by any bank or savings association	

How will you continue to find business success?

As a successful owner, you know it takes more than hard work to ensure prosperity for your business. You need ways to protect your company, compete for top talent, reward your employees, and plan for a financially secure future. Lincoln can help you meet these goals so you can focus on growing your enterprise.

Gain advantages for your business and your employees

Retain, reward and recruit key talent

SERP nonqualified deferred compensation

- Attract new talent with an enhanced executive compensation package.
- Retain top talent with custom-designed plans.

Split-dollar plan

- Fund benefits in a financially attractive way.
- Provide control and flexibility for your company.
- Incentivize select employees through tax-advantaged benefits that contribute to their financial security.

162 executive bonus plan

- Compensate key employees in a simple but unique way.
- Reward employees critical to your success.
- Provide benefits with tax-deductible dollars.

Ensure business continuity

Key person coverage

- Prevent revenue loss due to the death or departure of a key employee.
- Have capital available to recruit and train a replacement.

Transfer business interests efficiently

Buy-sell agreement

- Facilitate an efficient transfer of your business interest.
- Help assure business continuity.
- Plan so you may receive a fair price for your business.
- Feel confident you can retire when you want.
- Prepare for your family's financial security.

Insure the orderly transfer of your business

Buy-sell agreement

The strategy: Buy-sell agreement

Succession planning is important to every business because it helps ensure an orderly transition if a shareholder, owner or business partner would retire, become disabled or pass away. If one of these triggering events occurs, a buy-sell agreement is a binding contract governing what happens to an owner's or shareholder's business interest. It can have the terms and valuation methodology for a buyout of their business interest. And because life insurance has unique advantages, such as immediate cash available to purchase a deceased owner's interest, it's an excellent choice for funding a buy-sell agreement.

How buy-sell plans funded with life insurance works

Cross-purchase plan

- Each owner has an agreement that their business interest will be exchanged directly with other co-owners or identified buyers.
- At death of an owner, life insurance proceeds paid directly to surviving owner provide an immediate source of liquidity to allow for the purchase of shares from deceased owner's estate.

Entity purchase or stock redemption plan

- Each owner enters into an agreement with the business for the sale of their respective interests in the business.
- As part of this agreement, the business will purchase separate life insurance contracts on the owners' lives. The business pays the premiums and will be the owner and beneficiary.

Advantages for your business

- Business value is established and the purchaser(s) of the business interests are identified.
- Continuity is maintained for the owners' customers, employees and creditors
- Assures that a deceased or disabled owner's share of the business will not transfer to an unsuitable owner

Advantages for owners

- Establishes a ready market for your business interest
- Facilitates the orderly transfer of ownership
- Buy-out proceeds can provide estate liquidity to offset debt, expenses and taxes, and potentially provide an income stream for loved ones on the owners' lives. The business pays the premiums and will be the owner and beneficiary.

Protect your business from the loss of a valuable employee

Key person coverage

The strategy: Key person coverage

You carry insurance coverage to protect your business from the loss of property and equipment, but what about your most valuable asset — your key employees? A key employee may be a co-owner or partner, top executive or important member of your organization with unique talents, experience or skills critical to the prosperity of your business. Key person life insurance protects your business from the financial impact of the loss of an essential employee.

How key person insurance works

Your business

Purchases a life insurance policy on a key employee after giving them notice and receiving their consent

Advantages for your business

- Income tax-free death benefit proceeds paid to the business if key employee dies while policy is in-force[1]
- Death benefit proceeds to fund recruitment and training efforts to replace a key employee[2]
- Capital to replace profits or help settle any loans due or for other expenses as your company transitions[2]

[1] For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Sec. 101(a)(1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: the transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Sec. 101(a)(2) (the transfer-for-value rule), arrangements that lack an insurable interest based on state law, and an employer-owned policy unless the policy qualifies for an exception under IRC Sec. 101(j).

[2] Annual increase in policy cash values and death benefit proceeds may have corporate alternative minimum tax implications.

Reward the key employees you select

Retain, reward and recruit key talent

The strategy: Executive bonus plan (I.R.C. 162 bonus)

An executive bonus plan using life insurance can provide a simple yet powerful addition to your total executive compensation benefit package for your top performers. You maintain control of who will participate and can choose to provide a single bonus to your employee or “gross” the bonus up. There’s little to no out-of-pocket expense to your employee. And if you’re concerned about employee retention, you could restrict your employee’s access to the policy’s cash value for a period of time, such as until retirement.

How an executive bonus plan works

Your business

Pays a tax-deductible bonus to cover premiums for a life insurance policy owned directly by your employee

Your employee

Designates a policy beneficiary and pays income tax on the bonus received

Advantages for your business

- Discretion to select which employees can participate
- A plan that’s easy to implement and maintain
- An immediate tax deduction for the annual bonus paid[3]

Advantages for your employee

- Policy ownership and control of cash value and beneficiary designation
- Cash value that grows tax-deferred
- A tax-efficient income supplement through policy loans and withdrawals[4]
- A legacy asset that transfers to their beneficiary income tax-free

[3] The deductibility of the bonus is subject to the reasonable compensation limits established by Internal Revenue Code Section 162(a).

[4] Policy loans and withdrawals will reduce death benefit and policy values.

A mutually beneficial plan for you and your top talent

Retain, reward and recruit key talent

The strategy: Split-dollar plan

A split-dollar life insurance arrangement is a cost-efficient way to offer supplemental retirement income, valuable death benefit protection, or both to the employees you select. It's mutually beneficial because you and your employee agree to share the benefits of a life insurance policy. Premiums are generally funded exclusively by your business, and the plan can be designed to leverage the amount of policy control you'd like to have.

How a split-dollar plan works

Your business

Enters into a written split-dollar agreement, which specifies the rights and responsibilities of each party, with each selected employee

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Your employee

May pay income tax on the economic benefit received or on interest expense of the loan.

Advantages for your business

- Discretion to select which employees can participate
- A flexible plan that's generally easy to implement and maintain
- Plan design options to help reduce impact to company's financial reporting
- Potential cost recovery available

Advantages for your employee

- Potential to have tax-advantaged income through policy loans and withdrawals, depending on the type of split-dollar arrangement[1]
- An income tax-free death benefit
- A cost-effective way to obtain survivor benefits and supplemental retirement income

Reward top executives with supplemental retirement income

Retain, reward and recruit key talent

The strategy: Supplemental Executive Retirement Plan (SERP)

An attractive compensation tool designed to help top executives and certain owners supplement their retirement income. Because traditional retirement plans have contribution limits, high-income earners could face a retirement income gap if they solely relied on qualified plans. A SERP is an employer paid deferred compensation agreement that provides supplemental retirement income to your key employee, based on the employee meeting certain vesting or other specific conditions.

How a SERP works

Your business

Enters into a SERP agreement with a selected key employee, often coinciding with purchasing a life insurance policy on the employee's life with their written consent

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Your employee

Receives a taxable promised benefit from the company upon retirement or disability from policy loans, withdrawals or current cash flow[1]

Advantages for your business

- An impressive recruitment and retention tool
- When funded with life insurance, company obtains a tax-advantaged asset to pay benefits.
- Tax-deductible benefit payment
- Less administration and funding than traditional qualified plans[2]
- Potential to recover plan costs with income tax-free death benefit proceeds received if the key employee dies[3]

Advantages for your employee

- Potential to have survivor benefits for their loved ones
- A tax-deferred benefit to reward key employees for their contributions to the business.

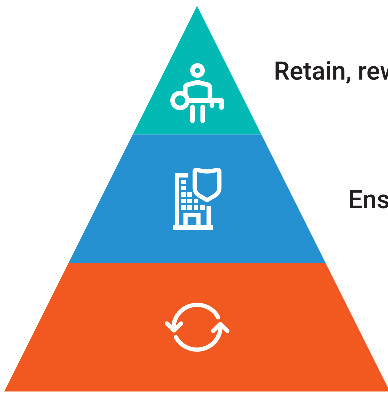
[1] Policy loans and withdrawals will reduce death benefit and policy values.

[2] This type of plan may need to comply with IRC Sec. 409(a).

[3] If certain requirements under IRC section 101(j) are not met, the death benefits of an employer-owned life insurance contract entered into after August 17, 2006, will generally be taxable income to the employer to the extent the death benefit proceeds exceed the premiums paid.

Why Lincoln business life insurance solutions?

Lincoln has the experience to meet the unique needs of your business. We deliver comprehensive solutions to help you protect your business and maintain your competitive edge. Rely on Lincoln for effective strategies to help you:



Retain, reward and recruit top talent

Ensure business continuity

Build a solid business transition plan

Ask your financial professional how Lincoln business solutions can help you accomplish your goals.

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