Retirement Planning
SALES KIT

In this kit:
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2020

Retirement and tax reference guide

Retirement

IRA and Roth contribution limits	
Under Age 50	$6,000
Age 50 and over	$7,000

Deductibility of IRA contribution (phaseouts)	MAGI
Covered by retirement plan	
Single and HoH	$65,000 - $75,000
MFJ	$104,000 - $124,000
MFS	$0 - $10,000
Not covered by retirement plan	
No Spouse Covered	Unlimited
Spouse Covered	$196,000 - $206,000

Roth contribution eligibility	MAGI
Single and HOH	$124,000 - $139,000
MFJ	$196,000 - $206,0000
MFS	$0 - $10,000

SEP contribution	
Up to 25% of compensation	Max $57,000
Compensation requiring a SEP contribution	$600

SIMPLE elective deferral	
Under 50	$13,500
Age 50 and over	$16,500

401(k), 403(b), 457 and SARSEP	
Under 50	$19,500
Age 50 and over	$25,500

Defined contribution §415 limit	$57,000
Defined benefit §415 limit	$230,000
Highly compensated employee	$130,000
Compensation limit	$285,000
Qualifying longevity annuity contract dollar limit	$135,000

2020 Tax brackets

Single	Marginal tax rate
$0 - $9,875	10%
$9,876 - $40,125	12%
$40,126 - $85,525	22%
$85,526 - $163,300	24%
$163,301 - $207,350	32%
$207,351 - $518,400	35%
$518,401+	37%

Married filing jointly (MFJ)	Marginal tax rate
$0 - $19,750	10%
$19,751 - $80,250	12%
$80,251 - $171,050	22%
$171,051 - $326,600	24%
$326,601 - $414,700	32%
$414,701 - $622,050	35%
$622,051+	37%

Married filing separately (MFS)	Marginal tax rate
$0 - $9,875	10%
$9,876 - $40,125	12%
$40,126 - $85,525	22%
$85,526 - $163,300	24%
$163,301 - $207,350	32%
$207,351 - $311,025	35%
$311,026+	37%

Head of household (HOH)	Marginal tax rate
$0 - $14,100	10%
$14,101 - $53,700	12%
$53,701 - $85,500	22%
$85,501 - $163,300	24%
$163,301 - $207,350	32%
$207,351 - $518,400	35%
$518,401+	37%

Estate and Trust	Top marginal tax rate
$12,951+	37%

Long-term capital gains/ qualified dividend rates

	0%	15%	20%
Single	$40,000	$441,450	$441,451+
Married filing jointly	$80,000	$496,600	$496,601+
Married filing separately	$40,000	$248,300	$248,301+
Head of household	$53,600	$469,050	$469,051+
Estate and Trust	$2,650	$13,150	$13,151+

Social Security schedules

Tax rates on Social Security benefits

	50% if over[1]	85% if over[1]
Single	$25,000	$34,000
MFJ	$32,000	$44,000

[1]Applicable if total of one-half of benefits and all other income is more than listed MAGI amount or if married filing separately and lived with spouse at any time during the year.

Social Security benefit reductions (based on earnings)

Benefit reduced $1 for every $2 of earnings above maximum	$18,240
In the year of full retirement age (benefit reduced $1 for every $3) for months prior to full retirement	$48,600
At full retirement age	No reduction

Maximum compensation subject to FICA taxes

OASDI (Social Security) maximum	$137,700
HI (Medicare) maximum	No limit

Education

Coverdell contributions	$2,000
Phaseout for contribution	
Single	$95,000 - $110,000
MFJ	$190,000 - $220,000

529 Plan contributions	$15,000/year before gift tax
Accelerate 5 years of gifting into 1 year	$75,000

Uniform lifetime table

This table is used for calculating lifetime Required Minimum Distributions (RMDs) from qualified retirement plans and Traditional IRAs for account holders whose spouse is not more than 10 years younger.

Age	Distribution period	Age	Distribution period
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115+	1.9

Federal estate, gift and generation skipping transfer tax

Max tax rate	Tax exclusion
40%	$11.58M

Health savings account

Individual coverage[2]	$3,550
Family coverage[2]	$7,100

[2]Persons 55 and older can contribute up to $1000 extra to their HSA

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Individual retirement using life insurance

Help your clients do more in retirement

Marketing guide

Meet the needs of a growing market

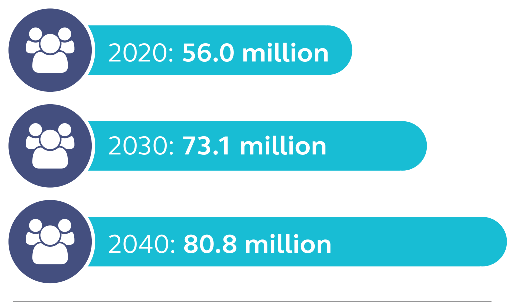
The retirement income landscape is changing. There are fewer pension plans and much uncertainty about Social Security, tax legislation and market performance.

The ability to maintain a comfortable standard of living is on Americans' minds, as more and more of them head towards retirement.

Financial concern of Americans[1]

Money for retirement

Number of retirees[2]



[1] 2018 Insurance Barometer Study, LIMRA

[2] Projected Age Groups and Sex Composition of the Population: Main Projections Series for the United States, 2017-2060, released September 2018. U.S. Census Bureau, Population Division: Washington, DC.

What does all of this tell us?

It's a crucial time in the retirement income market – and you play a big role in helping pre-retirees get prepared. In this guide, we'll cover how to:

Ready to get started?

We're here to help. Get the tools and support you need to provide solutions to help your clients build a brighter future.

Introduce your clients to an attractive retirement asset

Do your clients view life insurance as a valuable asset or as just another expense to be paid? Many aren't aware that life insurance can be an important part of a diversified retirement strategy providing valuable death benefit protection[3] for their family, plus unique attributes and tax treatment.

Consider what makes life insurance different from other top retirement assets in key areas:

	401(k)/ Traditional IRA	Roth IRA	Taxable Investment	Life Insurance[4]
Tax-deductible contribution	●			
No tax on asset growth	●	●		●
No tax on money withdrawn		●		●
Withdrawals available prior to age 59 ½ without penalty		●[5]	●	●
No required minimum distribution		●	●	●
No income-based funding limit			●	●
Income tax-free to heirs		●	●	●
Contribution/premium made for participant/insured due to disability				●

This table depicts only federal tax treatment. It is not intended to compare the features, fees, expenses or benefits of specific products.

[3] In exchange for the death benefit, life insurance products charge fees such as mortality and expense risk charges and surrender fees.

[4] Assumes policy is not a Modified Endowment Contract (MEC) and has a waiver of premium/monthly charges rider.

[5] Contributions made can be withdrawn penalty-free. However, earnings withdrawn, may be subject to penalty and tax.

Help your clients bolster their retirement portfolio.

Adding a life insurance policy can help them save more, diversify taxes and provide a contingency plan to keep savings intact.

Who you should talk to

It's a big market, but there are certain characteristics to look for. A good prospect is:

- In need of life insurance coverage
- Age 30-55 and has at least 10 years until retirement
- In good health
- Good income earner (at least $100,000 annual income)
- Limited by or has no access to a qualified plan
- Looking to diversify his/her tax portfolio

One segment in the market that offers great opportunity is what we call HENRY.

Get to know HENRY

HENRY, or High Earner Not Rich Yet, refers to an individual with high earning potential but due to high education, family and housing expenses doesn't have a lot of accumulated wealth. HENRYs are just one segment of the market — but one that offers significant opportunity.

What makes HENRYs a fit?

HENRYs need to protect their family and to save more. But federal income tax limits restrict how much they can save to qualified retirement plans. As their income goes up, the percentage they're able to contribute goes down. This, along with income-based limits on Roth IRAs, makes putting enough money away in tax-advantaged vehicles difficult for those making a higher income. Life insurance offers a solution. With no income-based funding limits, it provides a great way to save additional dollars.

Effective 401(k) Savings Rate*

Income	Savings Rate
$100,000	19.0%
$250,000	7.6%
$500,000	3.8%

* Based on 2019 contribution limit for individual under age 50

Where do you find HENRYs?

Professions like doctor, attorney, architect, CPA and engineer.

HENRYs know a lot of other HENRYs.

Investing in this segment of the market, demonstrating expertise and developing trust will pay big dividends.

Start the conversation

1 Understand the goals by asking questions

- At what age would you like to retire?
- What are the things you would like to do in retirement?
- How much income would you like to have in retirement?

Common goals

- Meeting basic expenses
- Living a desired lifestyle
- Leaving inheritances and/or charitable donations

2 Determine the Retirement Wellness Score

Identify assets set aside for retirement. Include Social Security as a source of guaranteed income. Add any personal savings they have in place, such as:

- Employer-sponsored retirement plans
- Personal savings
- Mutual funds, stocks or bonds

Then, use the interactive retirement wellness planner at **principal.com/yourfuture.** A score "in the green" means the savings plan is on track. Yellow or red means your client has some work to do yet.

3 Discuss the options

How could your client improve their score? They could save more or work longer. Or, they might add a cash-value life insurance policy which can help to:

- Meet the retirement income needs of their spouse should they die before retirement
- Provide a tax-free income stream in retirement[6]
- Diversify their tax portfolio
- Offer a liquid source of funds for expenses due to a chronic illness
- Self-fund in the event of a disability

Your clients may benefit from other Principal® products for retirement

- Annuities
- Individual disability insurance
- Mutual funds

[6] Distributions from a life insurance policy are generally received income tax-free. If the policy is considered a modified endowment contract, distributions in excess of the policy's principal may be subject to current income taxes.

Focus on understanding your client's needs.
Then, leverage the tools and resources available to drive your conversations about the solutions available.

Three retirement income strategies

Proper retirement income planning takes into consideration things that could jeopardize a secure retirement, including taxes, market volatility and access of guaranteed income early. Life insurance can be used in strategies that can help clients meet these challenges.

Tax diversification

Create more diversified tax treatment of retirement income.

Down market buffer

Provide a non-correlated income alternative when the market declines

Social Security bridge

Maximize Social Security payouts by waiting to take benefits at a later age.

Tax diversification

Tax diversification is a strategy based on holding assets with different tax treatments to make sure that not all retirement income has the same income tax impact.

By diversifying among retirement assets, clients have the flexibility to take income in the most tax-friendly way and potentially lower their tax bill.

Hypothetical example

Assume you have a client in the following scenario:

- Is in retirement and plans to withdraw $100,000 from retirement assets for the year
- Has both a 401(k) account and a cash-value life insurance policy
- Is in a 25% tax bracket

In this example, tax diversification provided $12,500 more than the 401(k) strategy.

Here's what the withdrawal could look like using two different strategies:

Strategy 1

Using 401(k) account money only

401(k) account	
Withdrawal amount	$100,000
Tax amount	- $25,000
Retirement income	$75,000

Strategy 2

Using a tax-diversified strategy

	401(k) account	+ **Life insurance policy**
Withdrawal amount	$50,000	$50,000
Tax amount	- $12,500	- $0
Retirement income	$37,500	$50,000

Retirement income: $87,500

Show your clients the power of tax diversification.

Adding life insurance to their portfolio can result in more retirement income for them and their families, and less going to the IRS.

Down market buffer

A secure retirement depends not only on a plan for accumulating assets, but also a strategy for distributing them so savings can last throughout retirement.

When retirement assets are invested in the market, clients face a risk of their savings being eroded by market declines as they take distributions. While your clients can't control the market, they can control the types of assets they hold. With cash-value life insurance as part of a diversified retirement portfolio, they have an additional option to draw from when the market is down. This can help prevent outliving retirement savings.

Here's how it works

Assumptions in the following hypothetical example:

- Retirement portfolio of $1 million
- 65 years old and ready to retire
- Needs $30,000 supplemental income per year
- Pays 25% income tax
- Hypothetical rates of return shown in the table on the following page

Scenario 1

Traditional retirement portfolio

In years where the market declines, taking a withdrawal is like selling low. It effectively locks in the loss and doesn't give the portfolio an opportunity to recover before the next withdrawal.

In this example, $40,000 is withdrawn to net the $30,000 needed after taxes.

Portfolio balance of $515,752 after 10 years

Scenario 2

Diversified retirement portfolio with life insurance

Distributions are taken like normal when the market is up, but when the market declines, take distributions from the life insurance policy the following year. It provides a buffer against the down market and helps to avoid having to sell low, so the portfolio has time to recover.

In this example, a $500,000 IUL policy was purchased at age 50, with annual premiums of $12,500 for 15 years[7], as shown on the following page. A policy loan of $30,000 is used three times in years following a down market. Since policy distributions are tax-free, the $30,000 is equivalent to the $40,000 taken from the taxable asset.

Portfolio balance of $672,420 after 10 years

Scenario 2 delivers $156,668 more.

Using life insurance when the market is down retains **$156,668** of the traditional retirement portfolio.

Plus, the client also has an additional death benefit and accumulated value left on the table.

[7] Assumptions: Principal Indexed Universal Life Accumulation policy, $500,00 face amount, male, age 50, preferred non-tobacco, $12,500 annual premium.

Scenario 1

Traditional retirement portfolio

Year	Hypothetical rate of return	Amount withdrawn	Year-end portfolio balance
1	-13.04%	$40,000	$834,816
2	-23.37%	$40,000	$609,067
3	26.38%	$40,000	$719,187
4	8.99%	$40,000	$740,246
5	3.00%	$40,000	$721,253
6	13.62%	$40,000	$774,040
7	3.53%	$40,000	$759,952
8	-38.49%	$40,000	$442,842
9	23.45%	$40,000	$497,308
10	12.78%	$40,000	**$515,752**

Adding life insurance to the retirement savings portfolio pays off.

In this example:

Scenario 1 = $515,752 (year 10 value)

Scenario 2 = $672,420 (year 10 value)

The portfolio balance is **increased by more than $150,000 by using life insurance** as another income source.

Scenario 2

Diversified retirement portfolio with life insurance

Policy loans taken the year after market decline.

Retirement account		
Hypothetical rate of return	Amount withdrawn	Year-end portfolio balance
-13.04%	$40,000	$834,816
-23.37%	$0	$639,720
26.38%	$0	$808,478
8.99%	$40,000	$837,564
3.00%	$40,000	$821,491
13.62%	$40,000	$887,930
3.53%	$40,000	$877,862
-38.49%	$40,000	$515,369
23.45%	$0	$636,223
12.78%	$40,000	**$672 ,420**

Principal IUL				
Policy year	Annual premium	Death benefit	Loan	Accumulated value
1 - 15	$12,500	$500,000	$0	$7,266 (yr 1)
16	$0	$500,000	$0	$239,244
17	$0	$469,100	$30,000	$222,088
18	$0	$437,273	$30,000	$203,592
19	$0	$435,391	$0	$215,834
20	$0	$433,453	$0	$228,900
21	$0	$431,457	$0	$242,885
22	$0	$429,400	$0	$257,894
23	$0	$427,282	$0	$274,045
24	$0	$394,201	$30,000	$259,318
25	$0	$391,027	$0	$275,834

Stretch retirement income with life insurance

Strategic withdrawals from life insurance in the year following a market loss helps minimize the impact of the decline on your clients' retirement savings.

Social Security bridge

The timing of when your clients start receiving Social Security impacts how much they receive in a monthly maximum benefit. The longer they wait, the greater the monthly benefit, which can make a significant difference over their lifetime.

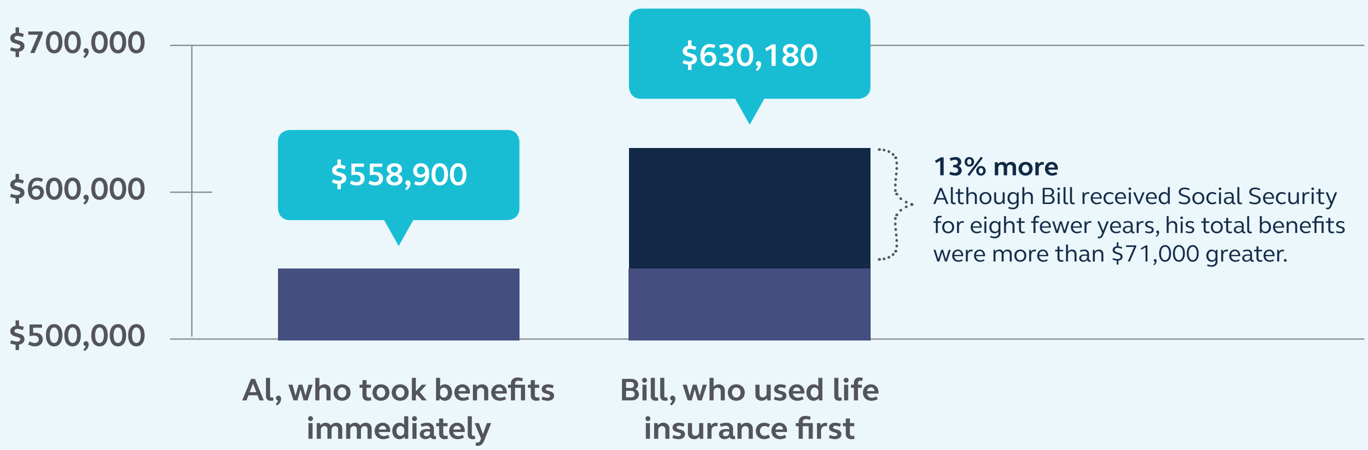
Consider twins Al and Bill and how life insurance as a social security bridge makes a difference.

- Both retire at age 62 and are eligible for the maximum Social Security benefit.
- Al elects to receive Social Security immediately and gets a benefit of $2,025 per month.
- Bill defers his Social Security benefit to age 70 at which time he receives $3,501 monthly. To make up the difference for the Social Security he's not receiving, he takes distributions of $2,025 a month from his cash-value life insurance policy from age 62 to 70.

Benefit age	Monthly maximum benefit
62	$2,025
67	$2,663
70	$3,501

Lifetime Social Security benefit

Received prior to death at age 85



Help maximize Social Security benefits.

Use a life insurance policy to provide income in early retirement and defer Social Security until later, creating more income over a lifetime.

Offer a powerful solution

Now that you've seen some ways that cash-value life insurance can help your clients up to and through retirement, it's time to put it all together. Give them a turn-key supplemental retirement solution called the Power of 3. This unique concept can help boost your sales when you:

Shorten the underwriting process on the front-end

Provide a choice of accumulation products designed to meet any risk tolerance

Simplify auto income process on the back-end

1

Principal Accelerated Underwriting℠

Offer clients the speed and convenience of our innovative program.

- No medical exams or blood work required.
- Medical questions asked for you via an online or telephone interview.
- Underwriting decisions in as little as 24 hours and payment in 10 days or less.
- Easy qualification checklist helps you identify candidates.

2

Accumulation-focused life insurance

Talk about the cash value advantage.

- **Competitive product choices:**
  - Variable universal life offering market-based performance
  - Indexed universal life featuring index–linked potential
  - Universal life with fixed rate growth and protection from market volatility
- **Tax-favored benefits:**
  - Tax-free survivor benefit
  - No income taxes on accumulation or distribution
  - No penalty for pre-age 59½ withdrawals
  - No income-based funding limits

Note: Over-fund the policy to maximize potential. Rule of thumb = $1,000 premium x client's age.

3

Automated income

Benefit from "set it and forget it" process.

- **Easy** – Income received as frequently as monthly with completion of a single form.
- **Efficient** – Automated events to help your clients get the most from policy distributions:
  - Death benefit option switches from increasing to level to maximize income amount.
  - Withdrawal method changes from surrenders to loans when cost basis is gone to prevent an unwelcome Form 1099.
  - Amount re-calculates annually to ensure target-ending cash value goal is met.
- **Ends properly** – Over-loan protection automatically triggers to provide a safety net against policy lapse and resulting tax liability.

[8] Accelerated Underwriting is an expedited underwriting program offered by Principal Life Insurance Company that eliminates paramed exams and lab tests for 45-55% of applicants who qualify. Applicants may qualify based on age, product, face amount and personal history, and must be approved at a Standard or better underwriting classification without the use of any other special underwriting programs or reinsurance. To monitor quality and ensure solid mortality results, a small, random sample of applicants who qualify for Principal Accelerated Underwriting will go through full, traditional underwriting.

Stand out in the retirement income market.

Offer an easy, simplified approach with unique services and high-value products.

Still want more?

Get additional resources to help your clients build a brighter retirement at advisors.principal.com

Or contact the National Sales Desk at 800.654.4278, or your life RVP.

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Principal Indexed Universal Life Accumulation II℠

Help clients put a little life in their retirement

With more and more people headed toward retirement, the importance of retirement readiness has never been greater. Indexed universal life (IUL) insurance can play a key role for your clients with its valuable life insurance protection for their family or business, and benefits that make it a valuable complement to other assets in a retirement portfolio.

Share the index advantage

Tell clients how Principal IUL Accumulation II can help them be more ready for retirement as they:

Save more to build a bigger nest egg

- IUL insurance offers index-linked growth potential without direct participation in the market.
- Cash value builds faster because there is no tax on growth.
- IUL insurance has no income-based funding limit.

Enhance retirement cash flow with tax diversification

- Policy withdrawals and loans are received income tax-free and help offset taxable distributions from other assets.[1]
- The client is in control of when to take distributions—not the IRS. Income can be taken before age 59½ without penalty and after age 70½ without restriction.
- With a mix of taxable and non-taxable assets, clients have the opportunity to take income in the most tax-efficient way for their current situation.

Keep a retirement plan healthy

- Gain access to a portion of the policy's death benefit to cover increased expenses from a chronic or terminal illness while keeping other retirement assets intact.
- Or, if the client becomes too sick or hurt to work, the Waiver of Monthly Policy Charge Rider helps to cover policy costs and protect the cash value buildup.
- Our "set it and forget it" automated income platform makes receiving distributions easier.

See IUL Accumulation II in action!

The tax efficiency of IUL insurance

IUL Accumulation II example

- John purchases a policy for current death benefit protection and future supplemental income.
- He's contributing the maximum to his 401(k) account and is able to save an additional $10,000 per year to supplement it.
- By overfunding the policy (75%+ of MEC premium), he maximizes growth potential.
- Good health allows him to take advantage of time-saving Principal Accelerated Underwriting℠.
- Target premium is $4,548.

Summary of benefits

Age	Total premium	Death benefit	Total tax-free income
45	$10,000	$234,689	NA
66	$200,000	$566,080	$32,409
85	$200,000	$43,829	$648,180

Assumptions: Male, age 45, Preferred Non-Tobacco, $10,000 annual premium for 20 years, minimum non-MEC face amount, Price Return High Cap index-linked account (with 1% segment charge), 7.76% illustrated rate, DBO 2 to DBO 1 at age 65, 20-year annual income using withdrawals of cost basis and then switching to standard loans.

This is a hypothetical scenario used for illustrative purposes only. Actual results may be more or less favorable.

Tax efficiency

To receive an equivalent net amount from a taxable asset, John would need to withdraw an additional $349,020 to account for taxes.[2]

Check out IUL Accumulation II for your next case, and see how it can help clients put a little life in their retirement.

Let's connect

Call the National Sales Desk today at 800-654-4278, or your Life RVP.
Visit us at **advisors.principal.com.**

[1] When structured properly distributions taken from a life insurance policy are not taxable. Surrender charges and other policy charges may apply to distributions taken from the policy. Policy loans and withdrawals may decrease the amount of death benefit and cash accumulation value. If the policy is a Modified Endowment Contract (MEC), policy distributions in excess of the policy's principal may be subject to current income taxes.

[2] Assumes a 35% tax rate, and no additional fees or charges that could make results more or less favorable.

All guarantees are subject to the claims-paying ability of the issuing insurance company. Some policy provisions and riders are subject to state variation and additional charges.

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Retirement Planning Using Life Insurance

A Death Benefit & Retirement Planning Strategy
Marketing Guide

North American Company
for Life and Health Insurance
Since 1886

Life

Protect what's important for your clients now, and help them enjoy freedom later

As your clients look ahead, there may be several unknowns along the road of life. There are two key unknowns, however, that with the right strategy may help your clients reach their destination: premature death and outliving assets.

Without financial protection, a premature death typically results in financial hardship for a family along with emotional distress. Outliving assets during retirement may also bring about the same unfortunate outcome. However, there is an approach to help your clients in these situations.

To help your clients protect what's important now, while giving them a way to enjoy freedom later, consider permanent life insurance to help with your clients' retirement planning needs.

RETIREMENT PLANNING

The life insurance strategy to help supplement retirement income is fairly straightforward—permanent life insurance provides your clients with death benefit protection during their working years, while the potential accumulated cash values can be accessed to help supplement income during retirement.

In this guide, we'll help you explore this strategy so you can put it to work and help grow your sales. Topics include:

A CLOSE LOOK AT RETIREMENT PLANNING

Permanent life insurance provides your clients with death benefit protection and can be designed for flexibility to address changing needs, such as adjustable death benefit and flexible premiums. Permanent life insurance may also help with financial needs during the retirement years due to its cash value growth potential. The cash value growth offers an opportunity to provide potentially tax-free income as a supplement to other retirement income.[1]

Retirement planning has become a key concern for many people. Here are a few reasons why:

- Employers changing or cutting back on retirement plans. Your clients' employers may no longer offer the same beneficial retirement plans as they did in the past, or they may have gotten rid of the plans completely.
- Concern about reaching maximum contribution limits. You may have clients wishing to allocate more money to a qualified plan, but they have met the contribution limit and want to make up for a possible gap in retirement income needs.
- Lack of flexibility and protection with plan options. Many financial planning vehicles have contribution limits and are subject to market volatility.

If your clients have a need for death benefit protection and have any of these concerns, life insurance could be a viable solution.

UNDERSTANDING THE CONCEPT

Life insurance protection during the working years
The cornerstone of a solid financial plan typically begins with life insurance. With a life insurance strategy to help supplement retirement income, your clients gain comprehensive death benefit protection to replace income should they die prematurely. Beyond the working years, it's important to remember that the life insurance protection can remain in place to pass to beneficiaries or create a legacy.

Potential tax-free income stream at retirement[1]
Permanent life insurance designed with the potential for cash value growth gives your clients options. The key option is the ability to withdraw the policy's potential cash values through policy loans or withdrawals[2,3] to help supplement retirement income.

Additional benefits of life insurance
With accelerated death benefits, your clients can accelerate a portion of the policy's death benefit, subject to eligibility requirements.[4] This is an important living benefit that applies both through the working years and through retirement with no additional premium at the time of issue.[5]

KEY ADVANTAGES

- **Immediate death benefit protection.** Your clients can gain confidence in their financial futures from the start with death benefit protection when their loved ones need it most.
- **Death benefit protection for retirement years.** In addition to death benefit protection during a client's working years, the life insurance can continue into retirement and may provide a death benefit to the surviving spouse or other beneficiary.
- **Flexible premium.** With a universal life or an indexed universal life (IUL) insurance policy, your clients can adjust their premium payments based on their available resources. Additionally, life insurance is not a qualified plan, so it is not subject to tax-qualified plan contribution limits. (However, see "items to consider" below regarding Modified Endowment Contracts.)[6]
- **Client control.** Clients have full control of their life insurance policies to make changes based on their needs. This same flexibility may not be available with other planning vehicles.
- **Tax-deferred growth.** With life insurance, any potential cash values grow on a tax-deferred basis.[7]
- **Generally tax-free distributions.[1]** Any accumulated cash values within a policy can be taken as generally income tax-free loans and withdrawals, as long as the policy is not a Modified Endowment Contract (MEC).[6] Withdrawals are income tax-free up to the cost basis.
- **No penalties for early access.** Clients can access the policy's potential cash values without a tax penalty for early withdrawals[3] like certain qualified plans, as long as the policy is not a MEC.[6]
- **No required minimum distributions (RMDs).** Your clients may leave any accumulated cash values alone and are not required to take distributions.

ITEMS TO CONSIDER

- **Avoid Modified Endowment Contract status (MEC).[6]** Life insurance policies that surpass certain premium limits can be classified as a MEC. A policy that is considered a MEC may be subject to tax when a client accesses the cash values with loans or withdrawals. Avoid this structure when putting together a strategy for retirement planning.
- **Non-guaranteed performance.** Cash values for loans and withdrawals in later years may be more or less than originally illustrated.[2,3] Keep in mind that your client must pay sufficient premium to maintain the policy in force to provide for cash value growth, and avoid lapse if the policy becomes over-loaned.
- **Cost of insurance.** Permanent life insurance policies require monthly deductions, which include the cost of insurance, expense charges, and potentially other charges. These deductions may reduce the cash value of the policy.
- **Specified amount of coverage.** Be sure the specified amount is appropriate to meet your clients' pre-retirement life insurance needs.
- **Expected changes in premium.** While money may be tight now, a client may want to increase premiums later to supplement retirement income. If that is a reasonable possibility, avoid a specified amount that is too low, which may cause premium limitations in the future. However, having a higher specified amount may limit potential cash value growth for retirement planning.
- **An increasing death benefit option (DBO).** Increasing DBO may allow higher premiums to avoid becoming a MEC.[6] If choosing this option and it is consistent with your client's needs, consider changing to a level DBO in the year following the last premium payment to help limit mortality charges.
- **Husband and wife scenarios.** For husband and wife situations, it may be beneficial to consider a survivorship (second-to-die) policy if that aligns with the clients' needs.
- **Surrender Charges.** Withdrawals may be subject to surrender charges and the amount available for policy loans.

SUPPORTING FEATURES

Several life insurance policies feature added benefits that help with retirement planning. Consider these features found on many North American products that may help address changing needs as your clients look ahead.

- **Automatic Distribution Option (ADO) –** The ADO makes it easy for your clients to access potential cash value to help supplement retirement income. The ADO establishes automatic monthly, quarterly, semi-annual, or annual systematic distribution (loans or partial withdrawals) from the policy as long as there is sufficient net cash surrender value. With the ADO, withdrawals are not subject to the withdrawal fee.
- **Overloan Protection Benefit –** The Overloan Protection Benefit keeps a policy from lapsing due to excessive loans, so the policy can continue to provide death benefit coverage. If elected, the guarantee provided by this benefit may help avoid adverse tax consequences that may result from a policy lapsing from excessive loans or withdrawals.[2,3,8]
- **Protected Death Benefit[9] –** This benefit is an option for clients who want to help supplement their retirement income and wish to guarantee a specific death benefit after the policy has been in effect for a number of years. The guarantee allows the client to select a minimum death benefit amount that is guaranteed, while he or she continues to access accumulated cash values through loans or withdrawals.[2,3]
- **Accelerated Death Benefits for Critical, Chronic, or Terminal illness[4] –** Options are available that allow a policy owner to access a portion of the death benefit if the insured diagnosed with a qualifying condition as described in the endorsement forms. These benefits are subject to certain eligibility requirements.

For availability and for more information about these benefits, please contact North American's Sales Development team.

R E T I R E M E N T   P L A N N I N G   O P T I O N S

Your clients have several retirement planning options, and there are many items to consider when deciding upon the appropriate strategy. Two key considerations include a client's current financial plan and projected income needs during retirement. Overall, it's important to consider the client's entire financial picture when weighing options.

Along with the various options, you'll want to look at items such as annual contribution limits, income restrictions, early withdrawal penalties,[3] required distributions, and any tax differences[1] between the various options. Life insurance is a competitive choice within these categories and may offer your clients a way to help supplement their retirement income needs.

H O W   I T   W O R K S

After establishing a need for death benefit protection and using life insurance for retirement planning, help your client find the appropriate universal life or indexed universal life insurance (IUL) product from North American. Here's how it works:

- The client's premiums provide death benefit protection during his or her working years.
- The death benefit would be paid generally income tax-free[1] to the beneficiaries.
- The potential cash values within the policy grow tax-deferred.[7]
- When the client decides to retire, he or she may access any potential cash values within the policy to help supplement income.

CLIENT PROFILE

Each client will have different needs. Important considerations include age, family size, and financial standing. North American can help you bring it all together. Here you'll find common traits of clients seeking a retirement planning solution.

- Ages 30 to 60
- Middle to high income
- Concerned about family's financial needs if death occurs during working years
- Self-employed, member of a partnership, or corporate-employed
- Looking to enhance financial protection in retirement years

And may include those who:

- Have maxed out their qualified benefit programs (or lack a qualified plan)
- Are unhappy with planning vehicles that may lose money due to market performance
- Are looking for ways to find taxed-advantaged solutions[1]

WHY NORTH AMERICAN?

Turn to North American for your retirement planning cases. In addition to our knowledgeable Sales Development team, you'll gain several benefits, including:

- **Competitive Products –** A robust product portfolio that meets your clients' needs. Consider North American's indexed universal life insurance (IUL) products. Here's why:
  - **Flexibility –** Several index selections offer a credited interest rate linked to stock market indices to help your clients build cash value within their policies without the risk of investing directly in the market.
  - **Access to policy cash values –** Your clients gain a choice of options, including standard loans, net zero-cost loans,[10] and variable interest rate loans[11] (which have a maximum interest rate of 6%) along with withdrawals.
  - **Accelerated Death Benefits –** Available to help with living needs should conditions be met.
- **Fair and Consistent Underwriting –** North American provides fast turnaround times on your submitted business.
- **Competitive Compensation –** North American offers generous compensation. Plus, we take a collaborative approach in helping to grow your business and are here to answer your questions and provide guidance along the way.
- **Financial Stability –** Sound financial ratings and private ownership keep us focused on long-term value.[12]
  - A+ (Superior) A.M. Best
  - A+ (Strong) S&P Global Ratings
  - A+ (Stable) Fitch Ratings

RESOURCES

Sales Development

Phone: (800) 800-3656, ext. 10411

Email: salessupport@nacolah.com

Hours: 7:30 – 5:00 CST, Monday through Thursday
7:30 – 12:30 Friday

CALIFORNIA NOTE: Agents offering, marketing, or selling accelerated death benefits for chronic illness must be able to describe the differences between benefits provided under an accelerated death benefit for chronic illness and benefits provided under long term care insurance to clients. You must provide clients with the ADBE Consumer Brochure for California that includes this comparison. Comparison is for solicitation purpose only, not for conversions.

Indexed Universal Life products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.

1 Neither North American Company nor its agents give tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

2 In some situations, loans and withdrawals may be subject to federal taxes. Clients should be instructed to consult with and relay on their own tax advisor or attorney for advice on their specific situation.

3 Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

4 Subject to eligibility requirements. Availability varies by state and products.

5 An administrative fee is required at time of election of the chronic or termiinal illness benefit. The death benefit will be reduced by the amount of the death benefit accelerated. Since benefits are paid prior to death, a discount will be applied to the death benefit accelerated. As a result, the actual amount received will be less than the amount of the death benefit accelerated.

6 For most policies, withdrawals are free from federal income tax to the extent of the investment in the contract, and policy loans are also tax-free so long as the policy does not terminate before the death of the insured. However, if the policy is a Modified Endowment Contract (MEC), a withdrawal or policy loan may be taxable upon receipt. Further, unpaid loan interest on a MEC may be taxable. A MEC is a contract received in exchange for a MEC or for which premiums paid during a seven-year testing period exceed prescribed premium limits (7-pay premiums).

7 The tax-deferred feature of universal life or indexed universal life insurance is not necessary for a tax-qualified plan. In such instances, your client should consider whether other features, such as the death benefit and optional riders make the policy appropriate for the client's needs. Before purchasing a policy, your client should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

8 If the Overloan Protection benefit is elected, Accelerated Benefits cannot be elected. The Overloan Protection Benefit cannot be elected if the Protected Death Benefit is in effect.

9 If Policy has a Premium Guarantee Rider attached to it, such rider will be terminated upon the election of the Protected Death Benefit. The Protected Death Benefit cannot be elected if the Over loan Protection Benefit is in effect.

10 Zero Cost Loans are loans charged and credited at the same percentage for a net zero cost. The policy year and amount available vary by product. Please refer to the specific marketing guide or contact the marketing department for details.

11 The net cost of a variable interest rate loan could be negative if the credits earned are greater than the interest charged. The net cost of the loan could also be larger than under standard policy loans if the amount credited is less than the interest charged. In the extreme example, the amount credited could be zero and the net cost of the loan would equal the maximum interest rate charged on variable interest loans. In brief, Variable Interest Rate Loans have more uncertainty than Standard Policy Loans in both the interest rate charged and the interest rate credited.

12 A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to contract holders. A+ (Superior) is the second highest rating out of 15 categories, and was affirmed for North American Company for Life and Health Insurance as part of Sammons Financial Group on July 6, 2017. S&P Global Ratings awarded its "A+" (Strong) rating for insurer financial strength on February 26, 2009 and affirmed on October 19, 2016 to North American for Life and Health Insurance® as part of Sammons Financial Group. The A+ (Strong) rating, which is the fifth highest out of twenty-two, reflects the financial strength of North American Company for Life and Health Insurance®, member of Sammons Financial Group. Fitch Ratings, a global leader in financial information services and credit ratings, on April 24, 2018, assigned an Insurer Financial Strength rating of A+ Stable for North American. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization and strong operating profitability supported by strong investment performance. For more information, read the Fitch Ratings report.

Accelerated Death Benefit Endorsement - Critical, Chronic and Terminal Illness (form series LR477), Accelerated Death Benefit Endorsement - Chronic Illness (form LR492, CA only), Accelerated Death Benefit Endorsement - Critical Illness (form LR498, CA only) are issued by North American Company for Life and Health Insurance, Administrative Office, One Sammons Plaza, Sioux Falls, SD 57193. Products, features, riders, endorsements, or issue ages may not be available in all jurisdictions. Limitations and restrictions may apply.

Life

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for Life and Health Insurance
Since 1886

We're Here For Life®

www.NorthAmericanCompany.com

ADVANCED MARKETS

CASH VALUE LIFE INSURANCE IN RETIREMENT PLANNING

Life insurance provides death benefit protection in the event of a premature death, for any number of needs, including to pay off a mortgage, replace a salary, pay estate and transfer taxes, or fund a college education.

But did you also know that life insurance can have living benefits? The policy's cash value can grow tax-deferred, and any accumulated cash value can be accessed tax-free via loans and withdrawals, as long as they are properly structured.

Moreover, these features can also make the policy cash value a good choice to supplement primary sources of retirement income.

LIFE INSURANCE IN RETIREMENT PROVIDES THE FOLLOWING BENEFITS:

1. In the event of premature death during your working years, the income tax-free death benefit can protect your family, replace income, and complete financial obligations.[1]
2. The policy's cash value can be used to help supplement the income from your other retirement assets.

Take a look at the chart below.

COMPARISON OF RETIREMENT INCOME SOURCES

	Supplemental Income from Cash Value	Primary Sources of Retirement Income				
	Life Insurance	Taxable Investments	Qualified Plan/ Traditional IRA	ROTH IRA	Non-Deductible IRA	Muni Bonds
Deductible Contributions	No*	No	Yes	No	No	No
Tax-Favored Withdrawals	Yes	No	No	Yes[12]	Yes[7]	Yes[11]
Mandatory Withdrawals	No	No	Yes	No	Yes	No
Tax-Deferred Accumulation	Yes	No[6]	Yes	Yes	Yes	Yes[9]
Income Tax-Free Death Benefit[13]	Yes[1]	No	No	No	No	No
Tax Penalties for Early Withdrawals[10]	No[2]	No[5]	Yes	Yes	No[8]	No
Contribution Limits[2]	No	No	Yes	Yes	Yes	No
Cost of Insurance Charges	Yes	No[3]	No	No	No	No
Market Risk	Yes[4]	Yes	Yes	Yes	Yes	Yes

* Paying more than the required minimum premium can help build cash value.

[1] Life insurance death benefit proceeds are generally excludible from a beneficiary's gross income for income tax purposes per IRC §101(a). There are a few exceptions such as when a life insurance policy has been transferred for valuable considerations.

[2] Provided sufficient death benefit is purchased to ensure the policy is not a Modified Endowment Contract (MEC).

[3] If the investment is a deferred annuity, cost of insurance charges may apply.

[4] There is no downside market risk when using certain Prudential products.

[5] If the taxable investment is a non-qualified annuity, withdrawals taken prior to age 59½ may be subject to an additional 10% federal income tax penalty.

[6] If investment is a non-qualified deferred annuity, tax-deferred accumulation applies. Also, the capital gain can be deferred in a taxable investment until shares are sold.

[7] Withdrawals will be pro-rata (partially taxable and partially nontaxable) if you have other traditional IRAs or gain in the contract.

[8] The tax penalty only applies to taxable amounts from an early withdrawal. Withdrawals will be pro-rata (partially taxable and partially nontaxable) if you have other traditional IRAs or gain in the contract.

[9] Tax-deferred accumulation refers to appreciation in the context of municipal bonds.

[10] Withdrawals and distributions of taxable amounts are subject to ordinary income tax and, if made prior to age 59½, may be subject to an additional 10% federal income tax penalty.

[11] May impact taxation of Social Security benefits and may have AMT consequences.

[12] Qualified withdrawals are federal income tax-free. To be a qualified withdrawal, the withdrawal must occur after the owner (1) has had a Roth IRA for at least 5 tax years, and (2) is age 59½, is disabled, or has died.

[13] Some account balances that transfer to a surviving spouse may transfer tax-free.

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BENEFITS OF LIFE INSURANCE IN RETIREMENT PLANNING

1. The life insurance death benefit will generally be received income tax-free by heirs.
2. The life insurance cash values can grow tax-deferred.
3. As long as the policy is not a Modified Endowment Contract (MEC), the client can generally take tax-free withdrawals up to basis out of the policy, and tax-free loans thereafter from the available cash value.
4. Accumulated cash value may be accessed by you or remain in the policy.

The chart on the previous page outlines some of the important features of a variety of financial vehicles. An understanding of these features may help you to determine which of these products may meet your needs and whether cash value life insurance can complement an existing financial portfolio. Some additional information you may wish to consider:

THINGS TO CONSIDER

The primary purpose of life insurance is for death benefit protection, and this strategy assumes this to be a priority objective for the policyowner.

1. Life insurance premiums are not tax-deductible.
2. Life insurance policies classified as Modified Endowment Contracts (MECs) may be subject to tax when a loan or withdrawal is made, and a federal tax penalty of 10% may also apply to a MEC if the loan or withdrawal is taken prior to age 59½.
3. The policy cash value available for loans and withdrawals may be worth more or less than the original investment amount, depending on the performance of the policy crediting rate. Life insurance policies may also have surrender charges in the early policy years. Other factors that will affect cash values are the timely payments of premium and the performance of underlying investment accounts, where applicable.
4. Withdrawals and loans can reduce the policy death benefit and cash surrender value and may cause the policy to lapse. Lapse of a life insurance policy can cause the loss of the death benefit. Lapse of a life insurance policy with an outstanding loan may cause adverse income tax consequences.
5. For life insurance, the cash value available for loans and withdrawals may be worth more or less than the original premiums paid. Withdrawals from a life insurance policy may be subject to income tax after withdrawals exceed cost basis.
6. Taxable investments may be subject to income tax and/or capital gains tax.
7. Distributions from non-deductible IRAs must be pro-rated if the client has deductible IRA monies or earnings in the non-deductible IRA.
8. Contributions to qualified plans and traditional IRAs may be tax-deductible, subject to certain limits.
9. While qualified distributions from a ROTH IRA are generally federal income tax-free, if the ROTH IRA is a rollover IRA, a waiting period may apply before distributions will be tax-free.
10. The tax treatment of income from municipal bonds will vary with the type of bond and the issuing municipality.

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A retirement income plan made to order

With a deferred income annuity

INCOME SOLUTIONS

Insurance products issued by:
The Lincoln National Life Insurance Company

2529615

A simple plan to help meet your specific income goals

You know how you want to live your retirement. That's why preparing for and taking retirement income isn't something to leave to chance.

You can take control of your income with a retirement income plan built on your terms. With a *Lincoln Deferred Income Solutions*SM Annuity, you can create a strategy that helps meet your specific income needs and goals.

Customize your income plan

You're in control of how and when to take income — and *Lincoln Deferred Income Solutions* makes designing your strategy as simple as 1-2-3.

1. What are your income payout needs?
2. When do you want to start taking income?
3. Choose the frequency you'd like to receive the income payments.

See page 7 for more details.

Enjoy knowing your income payments will be protected and guaranteed by a company with 100+ year history

YOUR INCOME DOESN'T HAVE TO BE COMPLICATED

Only **38%** of workers and/or their spouse have tried to calculate how much money they will need to save so that they can live comfortably in retirement.[1]

IS YOUR PLAN IN PLACE?

46% of people say they haven't taken any steps to prepare for the possibility of outliving their savings.[2]

Your income provider should understand your needs as well as you do

You want a provider that helps you feel confident about having the retirement lifestyle you deserve. Lincoln Financial Group has been helping investors prepare for their financial future since 1905, and has the strength and durability you can count on.

What you can count on with Lincoln

CAPABILITY
Knowing you'll have the products and services that can make a difference in retirement.

COMMITMENT
The confidence that we're committed to serving your income needs now and in the future.

CONSISTENCY
The certainty that Lincoln has the strength and experience to adjust to market conditions as needed.

For more details, ask your advisor for a *Lincoln Deferred Income Solutions*SM Annuity Fact Sheet and Disclosure Statement.

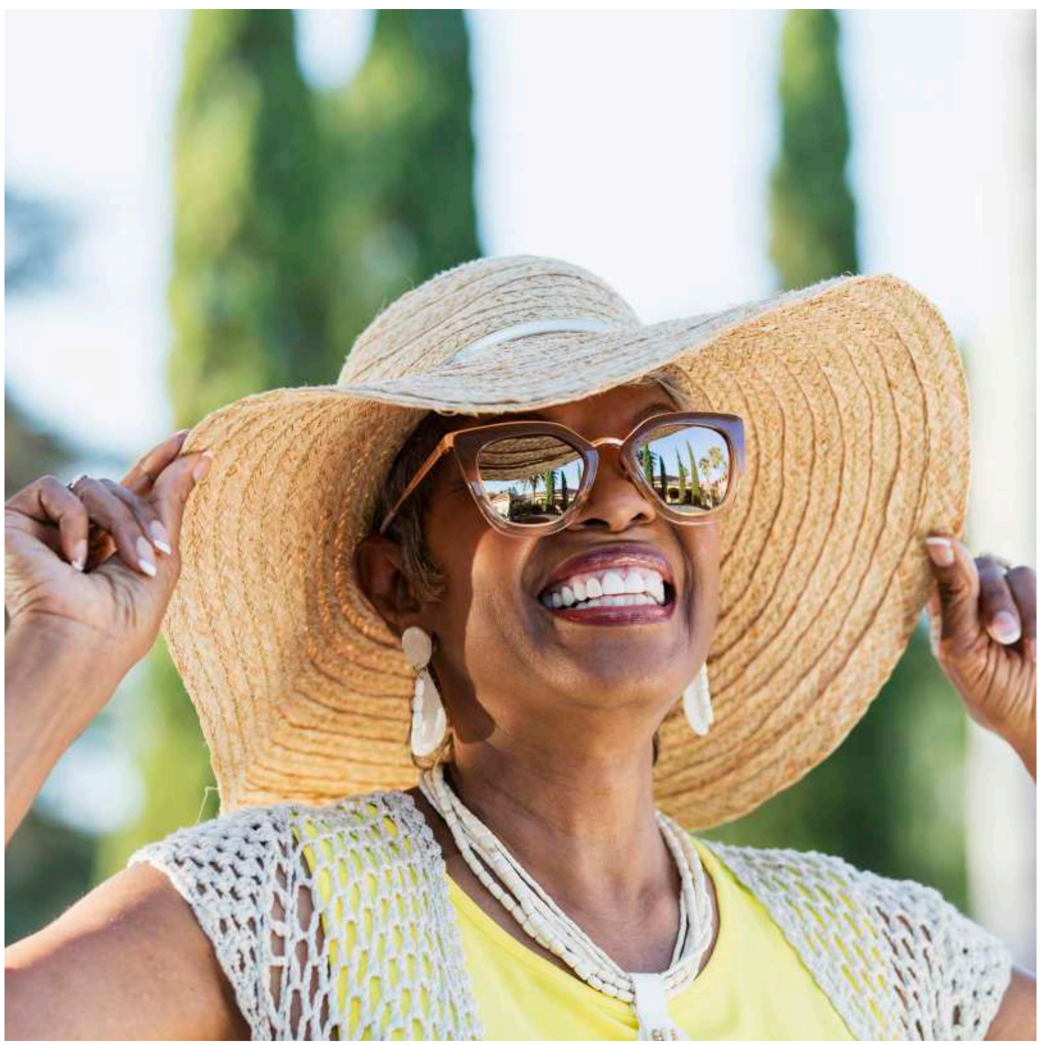
Guarantees are subject to the claims-paying ability of the issuing insurance company.

[1] Source: Employee Benefit Research Institute, "Retirement Confidence Survey: Preparing for Retirement in America," 2018, https://www.ebri.org/retirement/retirement-confidence-survey.

[2] Source: https://www.cnbc.com/2018/05/11/how-many-americans-have-no-retirement-savings.html, May 14, 2018.

Let us help you design a solution that covers all your income needs

At whatever stage you need income, *Lincoln Deferred Income Solutions*℠ Annuity will deliver. Talk with your financial advisor about which of the following might be a good place to start.



Before retirement – build your future income

Age-based savings guidelines compiled by Fidelity Investments show that investors should aim to save at least 1x their income at age 30, 3x at age 40, 6x by 50, 8x by 60, and 10x at age 67.[1]

Example: Age 45, deferring to age 55

By purchasing a contract and adding money up to 13 months before taking income, you can begin with a low premium and build toward your lifetime income goal without risking your savings in the market.

Early in retirement – help bridge the income gap

While the typical retirement age is 65, retiring early is a consideration. But most seniors need roughly 80% of their previous earnings to live comfortably in retirement. In addition, 46% of seniors spend more money, not less, on living costs during their first two years of retirement—and 33% have that habit continue for six years into retirement.[2]

Example: Defer to age 60

A *Lincoln Deferred Income Solutions* Annuity could help you bridge your income gap until you're ready to use other sources of retirement income, like Social Security.

During retirement – get extra income

By age 70, most retirees are collecting income from their retirement plans and Social Security, but many Americans will not receive enough income to sustain their lifestyle. The average monthly Social Security benefit as of January 2019 is $1,461.[3]

Example: Defer to age 70

Using a *Lincoln Deferred Income Solutions* Annuity and delaying income payments until age 70 can supplement Social Security and other income during retirement to help you maintain your lifestyle.

Later in retirement – help cover healthcare costs

Heathcare continues to be one of the largest expenses in retirement. It's estimated the average couple will need $280,000 in today's dollars for medical expenses in retirement, excluding long-term care.[4]

Example: Defer to age 80

You can design your *Lincoln Deferred Income Solutions* Annuity to delay income payments up to age 85 for nonqualified money (70½ for qualified assets) to help cover rising healthcare costs.

[1] Fidelity Brokerage Services, LLC, "How Much Do I Need to Retire?" *Fidelity Viewpoints*, August, 2018.

[2] *CNN Money*, November 30, 2018, https://money.cnn.com/2018/05/07/retirement/expenses-in-retirement/index.html.

[3] Yahoo! Finance, October 26, 2018, https://finance.yahoo.com/news/apos-average-social-security-beneficiary-100600142.html.

[4] Fidelity, April 18, 2018, https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs.

How would you like to take your income?

DO YOU NEED INCOME NOW OR LATER IN RETIREMENT?

Start with the date you'd like to begin receiving income from 13 months to 40 years in the future (up to age 85 for nonqualified money or 70½ for qualified money). If your needs change before receiving income, *Lincoln Deferred Income Solutions*SM Annuity gives you a one-time option to change your date. Some options may not be available with all payment types; and restrictions and state variations apply.

YOU HAVE THE FLEXIBILITY TO MAKE CHANGES AS YOU GO

Your income needs may increase over time. Because this is a flexible premium product, you can make additional payments up to 13 months before you start taking income, which may help you meet your new income goals. Flexible premiums are not available in all states.

YOU'RE COVERED IN CASE OF EMERGENCY

Retirement takes careful planning, but unexpected expenses are a part of life. If you need extra money for an emergency or unplanned expense, you can accelerate six monthly payments into a single payment. You can do this up to three times, and restrictions apply.

MATCH INCOME OPTIONS TO YOUR NEEDS

Choose from various payout options that can provide income for a certain period of time, your lifetime, or the lifetime of both annuitants (under a joint payment option). Some options feature a Return of Premium death benefit during the deferral phase. This means if you were to pass away before your income payments begin, the original premium would be paid to your beneficiaries.

GET A PAY INCREASE TO HELP KEEP PACE WITH RISING COSTS

To help with rising costs, you can select an annual compounded increase option of 1%– 4% with a *Lincoln Deferred Income Solutions* Annuity. The increase applies after the first contract anniversary and reduces the initial scheduled payment amount.

Discuss any existing plans you may have with your advisor to see which payout option may be right for you.

Annuity payout options[1]

You can elect to receive income payments on a monthly, quarterly, semiannual or annual basis.

RETURN OF PREMIUM DEATH BENEFIT These options feature a Return of Premium death benefit during the deferral or payout phases	**INCOME ONLY** These options do not offer a Return of Premium death benefit
Life with cash refund — If the annuitant's income payments have not used up the total premium amount at death, the difference will be paid as a lump sum.	**Life only —** Receive guaranteed income payments for the rest of your life.
Joint and survivor life with cash refund — Lifetime payments for both lives until first death; then payments continue to surviving annuitant. If income payments have not totaled the initial premium at death, difference will be paid as a lump sum.	**Joint and survivor life —** Receive payments for the lifetime of each annuitant.
Life with period certain[2] — Receive payments for your lifetime or a designated period, whichever is longer.	**Joint and percentage to survivor life —** Full payments continue until the first death and then a selected percentage of the original income is paid until the second death.
Joint and survivor life with period certain[2] — Lifetime payments continue for both lives or a designated period, whichever is longer.	**Contingent joint and percentage to survivor life —** Full payments continue for the lifetime of the primary annuitant, or if that person dies, a percentage of payments are paid until the joint annuitant's death.
Period certain — The annuitant receives payments for a designated period of time. In the event of the death of the annuitant, payments continue for the duration of the time period chosen.	
Life with installment refund — Lifetime payments continue until the death of the annuitant. If income payments have not used up the total premium amount at death, the difference will be paid in scheduled payments.	
Joint and survivor life with installment refund — Lifetime payments for both lives until first death; then payments continue to surviving annuitant. If income payments have not totaled the initial premium at death, difference will be paid in scheduled payments.	

[1] State restrictions may apply to each of these options.

[2] If the annuitant dies before the end of the designated period, the scheduled payments will continue for the remainder of the period certain. Payments stop after the period certain expires.

Ask your financial advisor if a *Lincoln Deferred Income Solutions*SM Annuity may be right for you.

Important information:

Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives and/or insurance agents do not provide tax, accounting or legal advice. Please consult an independent advisor as to any tax, accounting or legal statements made herein.

A fixed annuity is intended for retirement or other long-term needs. It is intended for a person who has sufficient cash or other liquid assets for living expenses and other unexpected emergencies, such as medical expenses.

*Lincoln Deferred Income Solutions*SM Annuity (contract forms 13-618F, 13-618S, and state variations) is issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., a broker-dealer. **The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so. Contractual obligations are subject to the claims-paying ability of The Lincoln National Life Insurance Company.**

The exact terms of the annuity are contained in the contracts and any attached riders, endorsements and amendments, which will control the issuing company's contractual obligations. For more information about the annuity, please also read the Client Guide, Disclosure Statement and Facts At-A-Glance, or contact your representative.

Income taxes are due upon withdrawal and if withdrawn before age 59½, an additional 10% federal tax may apply.

There is no additional tax benefit for contracts purchased in an IRA or other tax-qualified plan, since these are already afforded tax-deferred status.

Product and features are subject to state availability. Limitations and exclusions may apply. Not available in New York.

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

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POD 9/19 **Z03**
Order code: FA-DISF-BRC001

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Lincoln Deferred Income Solutions℠ Annuity

Fact Sheet

Issue dates

Contracts are issued each regularly scheduled Lincoln Financial Group workday.

Issue information

Ages: 18–80 nonqualified, Roth IRA and QLAC[1]; 18–69 qualified

The age to the nearest birthday will be used when the contract is issued.

Once the contract is issued, the designated annuitant/joint annuitant, payment option, and frequency of payments cannot be changed. The contract is irrevocable — there are no surrender provisions available.

Standard premium requirements
(exceptions require approval)

Additional premiums allowed up to 13 months prior to payment start date.[2]

- Initial minimum: $1,000; subsequent: $100
- Maximum: $2,000,000; QLAC limits premiums to the lesser of $135,000 or 25% of all IRA account balances[1]

Payment start date

The first payment may be deferred from 13 months up to a maximum number of years (state variations apply):

- Nonqualified, Roth IRA and QLAC[1]: 40 years or age 85
- Qualified: 40 years or age 70½
- Initial payment start date applies to additional premiums[2]

Payment start date change option

Change your payment start date to any time within five years prior to or five years after your original date. This is subject to contract provisions and state variations; not available for Income Only options.

Payment acceleration option

You can accelerate six monthly payments into a single payment. You can do this up to three times as needed during the income phase (restrictions apply).

Death benefit

Deferral phase: death benefit is equal to the premium; it does not apply to Income Only payments.

Income phase: death benefit, if any, is determined by the payment option elected.

Annual increase option

An annual compounded increase option of 1%, 2%, 3% or 4% can be elected at issue.

- The increase applies on the first contract anniversary.
- This option decreases the initial scheduled payment.

Payment frequency

- Monthly, quarterly, semiannually or annually.

Annuity payment options[2]

Must be elected at issue, cannot change, and apply to all additional premiums.

Return of Premium options These options feature a Return of Premium Death Benefit during the deferral or payout phases.	Income Only options These options do not offer a Return of Premium Death Benefit.
Life with period certain[3] Receive payments for your lifetime or a designated period, whichever is longer.	**Life only** Receive guaranteed income payments for the rest of your life.
Life with cash refund (only option available with QLAC[1]) The annuitant receives payments until death. If income payments have not depleted your total premium amount at death, the difference will be paid as a lump sum.	**Joint and survivor life** Receive payments for the lifetime of both annuitants.

See footnotes on reverse side.

Insurance products issued by:
The Lincoln National Life Insurance Company

For use with the general public.

Return of Premium options These options feature a Return of Premium Death Benefit during the deferral or payout phases.	Income Only options These options do not offer a Return of Premium Death Benefit.
Life with installment refund Lifetime payments continue until the death of the annuitant. If income payments have not depleted your total premium amount at death, the difference will be paid in scheduled payments.	**Joint and percentage to survivor life** Full payments continue until the first death and then a selected percentage of the original income is paid until the second death.
Joint and survivor life with period certain[3] Lifetime payments continue for both lives or a designated period, whichever is longer.	**Contingent joint and percentage to survivor life** Full payments continue for the lifetime of the primary annuitant, or if that person dies, a percentage of the payments are paid until the second annuitant's death.
Period certain The annuitant receives payments for a designated period of time. In the event of the death of the annuitant, payments continue for the duration of the time period chosen.	
Joint and survivor life with installment refund Lifetime payments for both lives until first death; then payments continue to surviving annuitant. If income payments have not totaled the initial premium at death, difference will be paid in scheduled payments.	
Joint and survivor life with cash refund Lifetime payments for both lives until first death; then payments continue to surviving annuitant. If income payments have not totaled the initial premium at death, difference will be paid as a lump sum.	

[1]Qualifying Longevity Annuity Contract (QLAC), as defined under Q&A-17 of Section 1.401(a)(9)-6 of the Income Tax Regulation. Limits apply to initial and subsequent premiums at the time of a contribution to the QLAC, and the IRA account balances are determined based on the balances of all IRA accounts on December 31 of the year prior to the year of the contribution.

[2]Subject to firm and state availability.

[3]If the annuitant dies before the end of the designated period, the scheduled payments will continue to the beneficiary for the remainder of the period certain. Payments stop after the period certain expires.

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

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A fixed annuity is intended for retirement or other long-term needs. It is intended for a person who has sufficient cash or other liquid assets for living expenses and other unexpected emergencies, such as medical expenses.

Lincoln Deferred Income Solutions℠ Annuity (contract form 13-618F and state variations) is issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., a broker-dealer. **The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so. Contractual obligations are subject to the claims-paying ability of The Lincoln National Life Insurance Company.**

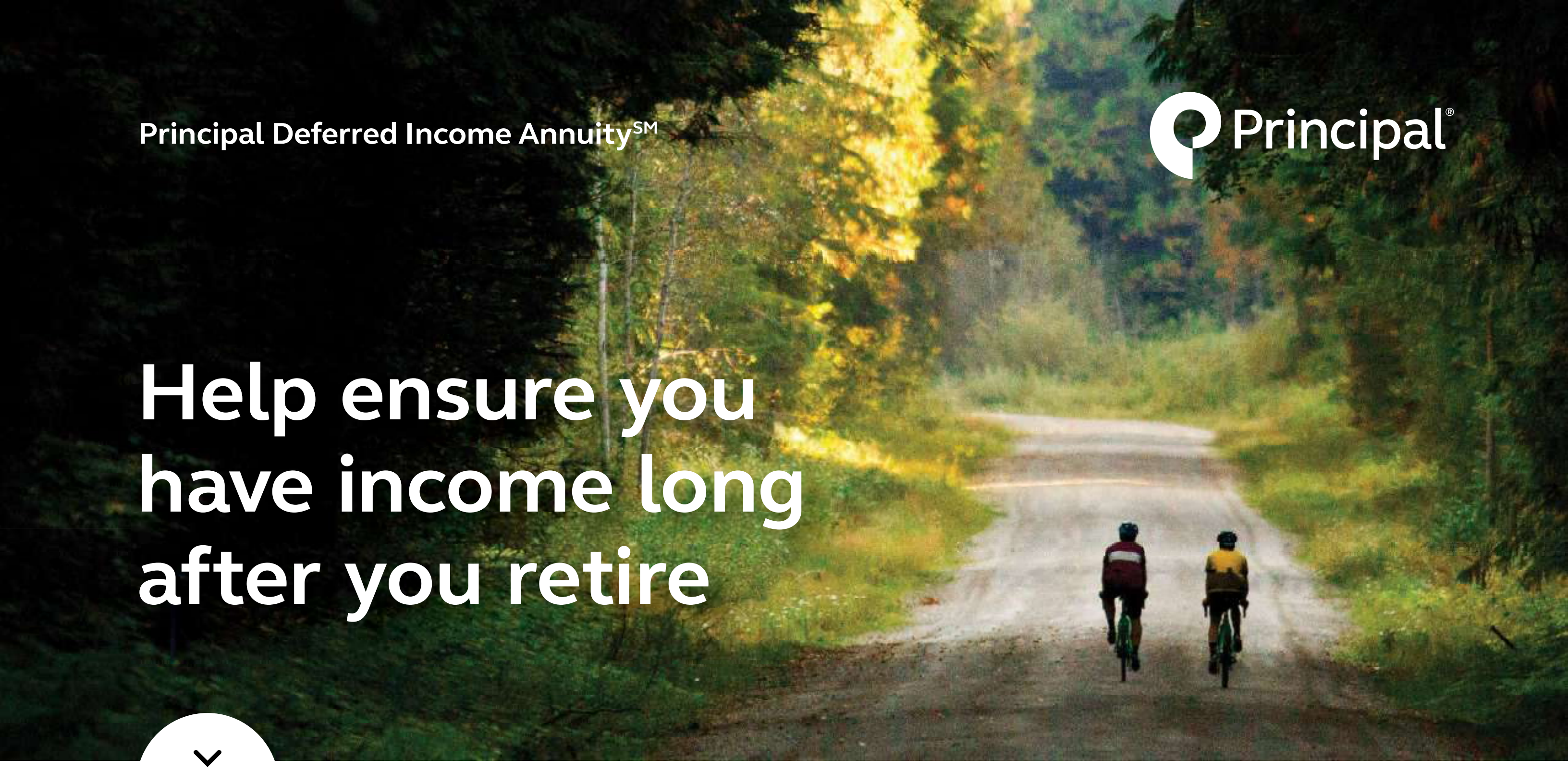
For use with the general public.

The exact terms of the annuity are contained in the contracts and any attached riders, endorsements and amendments, which will control the issuing company's contractual obligations. For more information about the annuity, please also read the Client Guide, Disclosure Statement and Facts At-A-Glance, or contact your representative.

Income taxes are due upon withdrawal and if withdrawn before age 59½, an additional 10% federal tax may apply.

There is no additional tax benefit for contracts purchased in an IRA or other tax-qualified plan, since these are already afforded tax-deferred status.

Product and features are subject to state availability. Limitations and exclusions may apply. Not available in New York.



Principal Deferred Income Annuity℠

Principal®

Help ensure you have income long after you retire

Good news — Americans are living longer than ever. That also means your retirement savings has to last longer. By taking the right steps now, you can create an income plan that helps you prepare for an extended retirement. You may consider purchasing a qualifying longevity annuity contract, or QLAC.

What's a QLAC?

A QLAC is a type of deferred income annuity, allowing you to put money aside to create a guaranteed stream of income in the future. QLACs are specifically designed to help if you are required to take distributions from your qualifying assets, but don't yet need the income.

Retirement and RMDs

If you have qualified assets, you're probably aware that you'll likely need to start taking required minimum distributions (RMDs) from those assets when you turn 70½. This allows the IRS to collect taxes on that deferred income. But you can use a portion of your qualified assets to purchase a QLAC and delay RMDs on that money up to age 85. This accomplishes a couple of things. Because the money put into a QLAC is not included in your RMD calculation, it can lower your immediate tax burden. It then provides a guaranteed stream of income in your later years, when you're more likely to need it. Few qualified investment options offer this opportunity.

Top 3 reasons to consider a QLAC

1. **Defer distributions and decrease current RMDs**
2. **Reduce taxes now**
3. **Create future lifetime income that can enhance financial security later in life**

What does this mean for me and my retirement?

If you have eligible IRA assets (all IRAs except Roth and Inherited IRAs), you can purchase a Principal Deferred Income Annuity[SM] as a QLAC up through age 82. You can defer taking income from your QLAC until the first day of the month following the month you reach age 85. It's important to understand your premium is purchasing future guaranteed income for life. In exchange, you will not be able to withdraw any funds prior to receiving income payments.

How much can I contribute to a QLAC?

Contribution limits can be configured two different ways, and you must use the lesser of the two.

Total QLAC premiums are limited to the lesser of:

25% of your total eligible IRA values, as of 12/31 of the previous year.[1]

or

$130,000

These premium limits could be adjusted by the IRS over time.

[1] The dollar limit applies across all qualified retirement plans and IRAs collectively. The percentage limit applies to each qualified plan separately and to IRAs (excluding Roth and Inherited IRA) on an aggregate basis. There are restrictions on how premium limit rules can be applied. There are also restrictions on how qualified plan assets can roll over to a QLAC. It's your responsibility to ensure QLAC premium limitations are met. Roth IRAs cannot be treated as a QLAC.

Below are two hypothetical examples that show when the dollar amount limit would apply, and when the percentage limit would apply.

If total eligible IRA values are **$400,000.***

- Percentage limit = $400,000 x **25% = $100,000**
- Dollar limit = **$130,000**
- **$100,000** < **$130,000**
- Since the percentage amount is less than the dollar limit, up to $100,000 can be contributed to a QLAC.

If total eligible IRA values are **$700,000.***

- Percentage limit = $700,000 x **25% = $175,000**
- Dollar limit = **$130,000**
- **$130,000** < **$175,000**
- Since the dollar limit is less than the percentage amount, up to $130,000 can be contributed to a QLAC.

* As of December 31 of the previous year.

QLAC in action

Let's take a closer look at a hypothetical example that shows the tax advantages of deferring income now, and the income advantages of using that money later in your retirement.

- Joe is **68 years old** and has a total of **$520,000** in IRA assets.
- He's in the **32% tax bracket**.

Joe doesn't need income from his RMDs and would like to avoid paying taxes on them. He's also interested in creating future guaranteed income to offset the unexpected expenses and issues that might occur because of a longer life span.

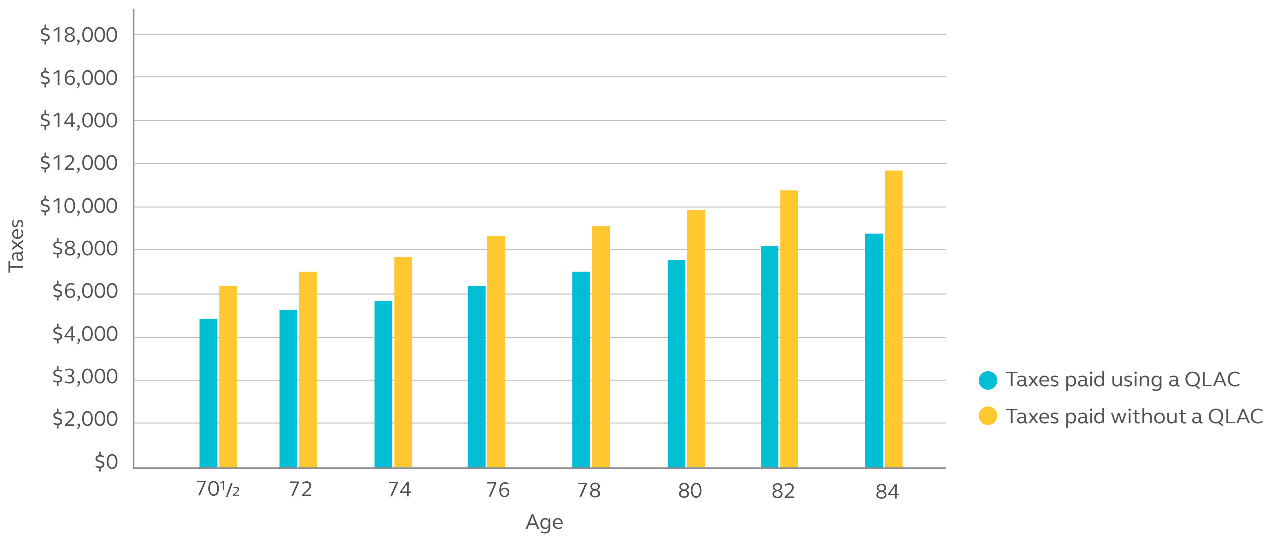
Joe and his advisor decide on the following strategy:

- Using money from his IRA assets, he purchases a **$130,000 QLAC** and makes no additional purchase payments.
- His **remaining IRA assets total $390,000**.
- He **begins taking RMDs at age 70½** as required for IRA assets not in the QLAC.
- His **QLAC income payments start at age 85**.
- For the purposes of this example, we're assuming that Joe's IRA account value has been growing at an annual rate of 5% since age 68.

Let's see what happens.

A QLAC can help reduce the RMD tax burden.

- By putting a portion of his IRA money into a QLAC, Joe can delay paying taxes on the amount he deferred.
- If he puts money in a QLAC at age 68, and doesn't take a withdrawal until he turns 85, his total tax savings over those years will be $33,338.

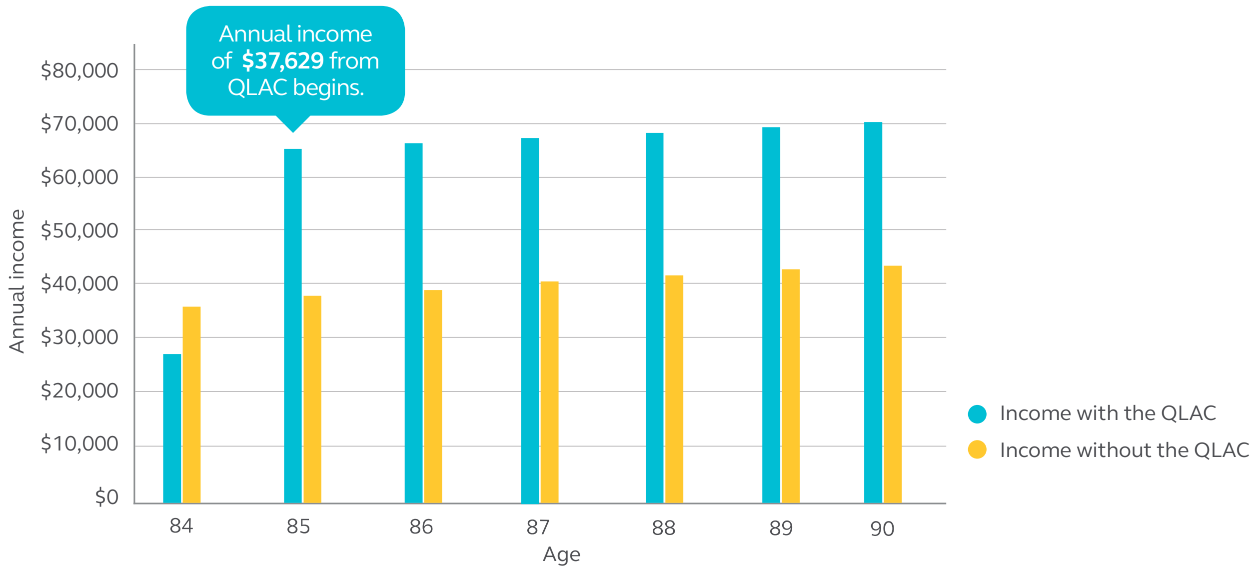


QLAC strategy $130,000 QLAC and $390,000 IRA at 5% growth				Non-QLAC strategy $520,000 IRA at 5% growth		Annual tax savings $
Age	IRA RMD income	QLAC income	Taxes	IRA RMD income	Taxes	
68-70	$0	0	$0	$0	$0	$0
70 1/2	$14,945	0	$4,782	$19,927	$6,377	$1,595
71	$15,662	0	$5,012	$20,882	$6,682	$1,670
72	$16,411	0	$5,252	$21,881	$7,002	$1,750
73	$17,195	0	$5,502	$22,927	$7,337	$1,835
74	$18,014	0	$5,765	$24,020	$7,686	$1,921
75	$18,872	0	$6,039	$25,163	$8,052	$2,013
76	$19,769	0	$6,326	$26,358	$8,435	$2,109
77	$20,608	0	$6,595	$27,477	$8,793	$2,198
78	$21,583	0	$6,906	$28,777	$9,209	$2,303
79	$22,485	0	$7,195	$29,980	$9,593	$2,398
80	$23,417	0	$7,493	$31,222	$9,991	$2,498
81	$ 24,378	0	$7,801	$32,504	$10,401	$2,600
82	$25,369	0	$8,118	$33,825	$10,824	$2,706
83	$26,388	0	$8,444	$35,184	$11,259	$2,815
84	$27,435	0	$8,779	$36,580	$11,706	$2,927
						$33,338

These charts assume an annual growth rate of 5% and 32% tax bracket. For illustrative purposes only.

A QLAC can create additional guaranteed income later in life.

- **Once Joe turns 85, he must begin taking distributions from his QLAC. This income is guaranteed for as long as Joe lives, and substantially increases his annual income in the later years of his life.**
- **His QLAC provides Joe with $37,629 each year from age 85 on. The chart below shows Joe's RMD income at age 84, and his combined RMD and QLAC income beginning at age 85.**



QLAC strategy $130,000 QLAC and $390,000 IRA at 5% growth					Non-QLAC strategy $520,000 IRA at 5% growth		Annual difference in income
Age	IRA RMD income	QLAC income	Total income	Taxes	RMD income	Taxes	
85 (QLAC income begins)	$28,316	$37,629	$65,945	$21,102	$37,754	$12,081	$28,191
86	$29,199	$37,629	$66,828	$21,385	$38,933	$12,458	$27,895
87	$30,082	$37,629	$67,711	$21,668	$40,109	$12,835	$27,602
88	$30,958	$37,629	$68,587	$21,948	$41,278	$13,209	$27,309
89	$31,823	$37,629	$69,452	$22,225	$42,430	$13,578	$27,022
90	$32,381	$37,629	$70,010	$22,403	$43,175	$13,816	$26,835
							$164,854

These charts assume an annual growth rate of 5% and 32% tax bracket. For illustrative purposes only.

Income options

Two income options are available with the Principal Deferred Income Annuity as a QLAC:

- **Life only**
- **Life with cash refund**

Choose either single or joint payout options. Joint annuitants must be spouses. The surviving joint annuitant will also be treated as the primary beneficiary. Any other beneficiary designation on record will be treated as a contingent beneficiary.

What happens when you die?

Think of a QLAC as a type of income insurance for your longevity. But it's understandable to be concerned about losing that money if you die before using any of the income. Especially if you have loved ones you'd rather leave it to.

If you die before income payments begin, a return of premium death benefit will be paid to your beneficiary(ies). If income payments have started, the death benefit will depend on the income option selected and other factors. Please consult with your advisor about your options.

If you purchase a joint life contract, your surviving spouse will continue the contract.

A few other things you should know

- **Premiums used to purchase a QLAC guarantee you a future income stream.** But you won't have access to that money once premiums are paid. You need to have additional sources of income available for short-term expenses.

- **You can roll over funds from a qualified retirement plan directly into a QLAC.** The transfer, however, can't exceed 25% of your total eligible IRA values at the end of the previous year. If you don't have an IRA with a prior year-end balance, you cannot roll over directly into a QLAC.

- **If you've already started taking RMDs from an IRA, you can still roll over money into a QLAC.** Just make sure QLAC premium limits are met. You may be required to take your RMD from your IRA for the current year prior to rolling into a QLAC.

- **If an excess premium occurs, it's your responsibility to take corrective action.** Corrections must be made by 12/31 of the year following the year the excess premium occurred.

- **Inflation protection riders on our deferred income annuity are not currently available if purchased as a QLAC.**

Next steps

Act now to help address unexpected expenses later in retirement. If you think a QLAC may be a beneficial part of your overall retirement plan, contact your financial professional to discuss if it's a good fit for you.

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THE TAX CHALLENGE

Managing When and How You're Taxed

There are three types of vehicles that you can use to set aside money for retirement. Proper allocation among these vehicles can allow you to help enhance your retirement distributions by controlling how and when you are taxed.

BEFORE: Typical Allocation – Heavily Invested in "Tax Me Later" and "Tax Me Now" Vehicles

Most people typically don't consider how their assets are taxed.

"TAX ME NOW"

- Mutual Funds
- Annuities
- CD/MMAs[1]
- Real Estate

NON-QUALIFIED

Invest with after-tax dollars; potential to enjoy capital gains rate on some investments

"TAX ME LATER"

- Traditional 401(k)[2]
- Traditional IRA/ SEP/SIMPLE
- 403(b)[2]
- 457(b)[2]

QUALIFIED

Invest with pre-tax dollars to enjoy tax-deferred growth

"DON'T TAX ME AGAIN"

- Municipal Bonds & Bond Funds[3]
- Life Insurance[4]
- Roth IRA/401(k)[5]

TAX-EXEMPT

Invest with after-tax dollars to enjoy income tax-free growth potential

AFTER: Balanced Approach – More Equal Diversification Among All Three Vehicles

GOAL: Money with greater tax control.

"TAX ME NOW"

- Mutual Funds
- Annuities
- CD/MMAs[1]
- Real Estate

"TAX ME LATER"

- Traditional 401(k)[2]
- Traditional IRA/SEP/ SIMPLE
- 403(b)[2]
- 457(b)[2]

"DON'T TAX ME AGAIN"

- Municipal Bonds & Bond Funds[3]
- Life Insurance[4]
- Roth IRA/401(k)[5]

After all, it's not necessarily how much money you have that is important… it's how much you get to keep that really matters.

Contact your financial professional to discuss how you can better diversify your portfolio among these three vehicles.

Prudential
Bring Your Challenges®

[1] Certificate of Deposit/Money Market Accounts.

[2] Does not include amounts invested in Roth 401(k)/TSA/457(b).

[3] May be subject to Alternative Minimum Tax (AMT) and may impact taxation of Social Security benefits.

[4] Life insurance death benefits are generally income tax free pursuant to U.S. IRC §101(a). Contract cash values can be accessed during the insured's lifetime via loans and withdrawals. Loans are generally income tax free as long as the policy remains in force. Withdrawals are tax free to the extent of basis. Policies which are modified endowment contracts (MECs) receive less favorable tax treatment.

[5] Qualified distributions are income tax free. Roth IRA distributions are qualified if the account has been open for 5 tax years, and the owner is age 59½, dies, is disabled or is a first-time homebuyer ($10,000 lifetime limit). Roth 401(k) distributions are qualified if the plan participant has contributed to the account for 5 tax years, and is 59½, dies or disabled.

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Prudential
Bring Your Challenges®

Life insurance solutions

Meet your retirement's new friend

The connection between life insurance and retirement isn't obvious. After all, life insurance is primarily about protecting your family, typically during your working years when your children are younger and more reliant on you. And retirement is all about living the life you want when your working years are over and the kids are independent, right?

Well, guess what: Life insurance can offer much more than protection for loved ones. It can also help you achieve a variety of retirement goals, including:

Filling in gaps in retirement saving that may result from events such as premature death or job loss.

Providing a comfortable income in retirement, even in the event of unplanned medical needs or other emergencies.

Meeting late-retirement needs and legacy goals, such as leaving assets for your children or grandchildren.

Have any of these needs? Chances are you do—and we're here to help you understand how life insurance can help.

Life insurance generally falls into three categories:

1 | Term life insurance: Provides economical death benefit protection for a specific time period.

2 | Protection-focused permanent life insurance: Offers a death benefit for an indefinite time period (it might offer some cash value, or simply a guaranteed death benefit).

3 | Accumulation-focused permanent life insurance: Designed to accumulate cash value that can be used for a variety of needs during your lifetime.

Filling in retirement savings gaps

A retirement savings gap—that is, a period of time in which you're unable to save for the retirement you and your partner are striving for—can result from several factors, including:

Is your family protected in the event of a premature death?

Premature death. You probably know that you need life insurance coverage that can meet your family's basic needs if you pass away. But what about replacing the money you're currently saving for retirement? With more and more employers offering defined contribution retirement plans such as 401(k) s rather than pensions, it's more important than ever to have coverage that goes beyond meeting your family's immediate needs. Most employers offer group term coverage that can help fill this gap.

Would you have enough life insurance coverage if your employment were interrupted?

Job loss. As noted above, most employers offer group life insurance benefits. But an unexpected job loss could lead to a loss of these benefits. An individually owned policy can ensure that at least some of the retirement savings gap is covered even if you lose or change jobs.

Are you effectively using your business to help build your retirement dollars?

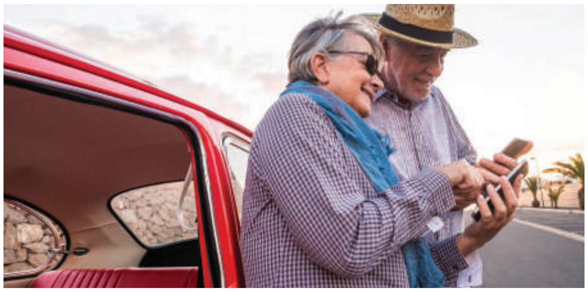
Business concerns. If you're a business owner, you might be so focused on running your business that you haven't given your own retirement much thought. Our research shows that only 56% of small- to medium-sized businesses sponsor a qualified retirement plan.[1] A qualified plan, such as a 401(k), can reduce your tax burden and help you and your employees save for the future. But depending on your income, these plans can limit how much you can contribute. So you may also want to consider personal insurance coverage as a way to supplement and diversify your income sources in retirement. The planning you do today will better position both you and your business upon your retirement.

› **Solutions** for filling in retirement savings gaps

During your working years, term life insurance can help cover the risk of premature death. With individually owned coverage, you'll have the added security of knowing it will be there even if you experience a gap in employment. But when purchasing term life insurance, pay attention to the terms of the policy's conversion option (such as how long it's available and which products you can convert it to). This feature can allow you to economically cover risks now, and then convert to a more permanent option when your earnings are greater—without additional underwriting (i.e., the process of determining your eligibility for coverage). Exercising a conversion option can help establish lifelong coverage.[2]

When your resources allow more flexibility, a combination of term insurance and permanent insurance may be appropriate. This will allow you to cover immediate needs affordably while also providing permanent coverage and potentially building a nest egg for cash needs in retirement.

Business owners have an additional option: Certain life insurance arrangements can allow your business to pay for and own permanent life insurance. This strategy can cover your business-protection needs as well as provide a death benefit for your family.[3] The same business-owned life insurance policy could also be transferred to you later, so you can use it for other financial needs you may have.



Income needs during retirement

What does it mean to have a comfortable retirement income? It all starts with knowing that your basic needs will be met and that a nest egg will be available for unplanned expenses. Whatever your expectations and resources, life insurance can be an important part of your retirement-income strategy, offering:

Will all of your retirement assets trigger income taxes, or will some of your assets be available on a tax-advantaged basis?

Income-tax diversification. You might know how important it is to diversify your investments. But have you thought about income-tax diversification? This means having a variety of assets that aren't all taxed in the same way—or at the same time. When some of your assets are only partially taxable, or even income tax-free, you and your tax advisors can plan around income-tax limits and other thresholds each year. For instance, if you can draw from either taxable funds or those that don't trigger taxation, you can plan for things like how much of your Social Security income will be taxed, and what impact your income will have on Medicare Part B premiums.

Most people know that Roth IRAs can offer a source of potentially income tax-free funds, but their availability to higher-income earners is limited.[4] What may not be as well-known is that permanent cash-value life insurance also offers a source of potentially income tax-free funds, because withdrawals generally first come from the policy owner's basis (the total sum of payments made), which has already been taxed.[5] It's important to check whether your insurance carrier offers a convenient way to begin receiving this income and provides protections to help prevent adverse tax consequences in the future.

Will your retirement portfolio allow you to balance market and inflation risk?

A way to balance risk. Risk and reward generally go hand in hand. And you might prefer less exposure to stock-market risk as you get closer to retirement. Even with a comfortable nest egg, watching asset values fluctuate with market volatility could cause sleepless nights. Yet some market exposure is often recommended to counter inflation, which can also erode a retirement nest egg over time.[6] In other words, it's a balancing act.

Cash values in some accumulation-focused permanent life insurance products[7] can provide a pool of assets to draw from in a down market, helping you avoid having to sell low. They can also help you avoid triggering more taxes by giving you an alternative to making extra withdrawals from qualified plan accounts. When you have a base of assets that aren't affected by market movements, you might be more comfortable taking a measured degree of risk with investments that aren't immediately needed.

Will you have enough flexibility to meet unexpected expenses during retirement?

Flexibility for unexpected needs. These needs could be one-time surprises, such as uninsured medical expenses, home repairs or family emergencies. Or they could involve long-term issues such as a prolonged illness or injury, requiring additional ongoing income. Either way, your life insurance can help meet these needs so you don't have to rely on qualified plan resources, Social Security income or other assets.

- For one-time needs, financial vehicles offering distributions that don't increase your income tax liability can be helpful. These might include assets such as cash-value life insurance, Roth IRAs, municipal bonds and brokerage accounts.
- For medical expenses, a number of permanent policies offer a chronic illness feature that allows you, under certain conditions, to take an advance against your policy's death benefit.
- For additional short-term needs, a portion of an accumulation-focused permanent life insurance policy's cash value can be converted to an income stream.
- If the death benefit is no longer needed, or income needs become a higher priority, the policy could be exchanged on a tax-free basis for an annuity.[8] This can give you the peace of mind of knowing you'll never outlive your income.

› **Solutions** for income needs during retirement

Accumulation-focused permanent life insurance can provide funds to meet key needs during retirement—including additional income, cash for unexpected expenses or assets that can be accessed without triggering immediate income taxation.

Depending on your age and health, term insurance may continue to be a solution for providing additional death benefit protection in your early retirement years.

Meeting late-retirement needs and legacy goals

As you get deeper into retirement, your priorities will likely change. Perhaps you'll begin wondering what will happen if you or your partner passes away and you no longer have two Social Security income streams. Or maybe you'll start to focus on leaving a legacy for your children or grandchildren. Whatever your needs, life insurance could help address them.

Do your plans as a married couple take into account that Social Security benefits are typically reduced after the death of the first spouse?

Social Security loss. For any married couple drawing two Social Security benefits, it's important to plan for the impact of the loss of one of those benefits at the first death. While the higher of the two income amounts will generally continue,[9] the loss of the lower income could be cause for concern. Life insurance could help offset this loss and provide the surviving spouse with replacement funds, allowing the life insurance benefit to be annuitized into an income stream.

Does your plan for retirement include a source of life insurance death benefits for your heirs that will remain affordable for as long as you live?

Death benefit needs. Once you've retired, you'll no longer have access to the group term life insurance coverage that you may have had during your working years. Individually owned term coverage can generally be renewed or potentially converted, but not indefinitely. That's why permanent life insurance becomes even more important in later retirement.

Does your retirement plan allow you the flexibility to leave something for your family or favorite charity while still enjoying your retirement assets?

Legacy goals. Leaving something behind for your loved ones or a favorite charity when you pass on becomes an increasingly important goal for many people later in life. And permanent life insurance can help you do this, no matter what happens to your investments or retirement nest egg. This can provide peace of mind and allow you to enjoy your other assets and put them to use generating a comfortable lifelong income.

Note: The earlier you and your financial professional discuss this strategy, the more affordable it will be to put a plan in place.

Here are some examples of how life insurance can help make the transfer of retirement assets to the next generation easier:

- The death benefit can provide your family with funds to pay income taxes when due on retirement benefits.
- It can help equalize inheritances of taxable assets with those of nontaxable assets.
- Life insurance is also one of the most efficient tools for making a significant charitable gift at death.

› **Solutions** for meeting late-retirement needs and legacy goals

The death benefit from life insurance can play an important role in planning for the loss of a second Social Security income and funding legacy goals.

Permanent life insurance, even with a modest death benefit, can also help you meet legacy goals, especially if term insurance becomes unavailable due to age or premium costs.

Make your retirement all you want it to be

Interested in the role life insurance can play in securing your retirement? Principal® and your financial professional can offer the right solutions for your specific needs. Remember: Any life insurance solution is better than none. And since the cost of life insurance is primarily determined by the age and health of the person being insured, the sooner you get started, the better!

We look forward to helping you make your retirement the best it can be.

[1] Source: 2019 Principal Financial Group Business Owner Market Study.

[2] Not all conversion options are the same. While most term policies offer a conversion option in some form, it is important to be aware of how long the conversion option is available and which products are available through the conversion.

[3] When a business owns life insurance and endorses part of the death benefit to an employee or owner, the income tax impact can be minimal if it is structured correctly.

[4] The ability to contribute to a Roth IRA in 2019 phases out for those with modified adjusted gross income of $122,000-$137,000 (single) or $193,000-$203,000 (married filing jointly). IRC Sec. 408A(c)(3); IRS Publication 590-A (2018).

[5] See IRC Sec. 72(e)(5).

[6] As an example, it would take $173.95 in today's dollars to have the same buying power as $100 had 25 years ago. bls.gov/data/inflation_calculator.htm.

[7] Certain products correlate to the markets less than others. If the policy is a variable universal life or indexed universal life product, the impact of market volatility on cash values would need to be taken into account.

[8] Under Section 1035, a life insurance policy can be exchanged in whole or in part for an annuity without triggering taxable gain. However, it is important to note that annuity payouts are taxed differently than withdrawals from a life insurance policy. See IRC Sec. 72(b).

[9] For a married couple at full retirement age or later, Social Security generally provides the surviving spouse a benefit of the greater of the deceased spouse's benefit or the surviving spouse's own benefit (see SSA.gov).

Principal®

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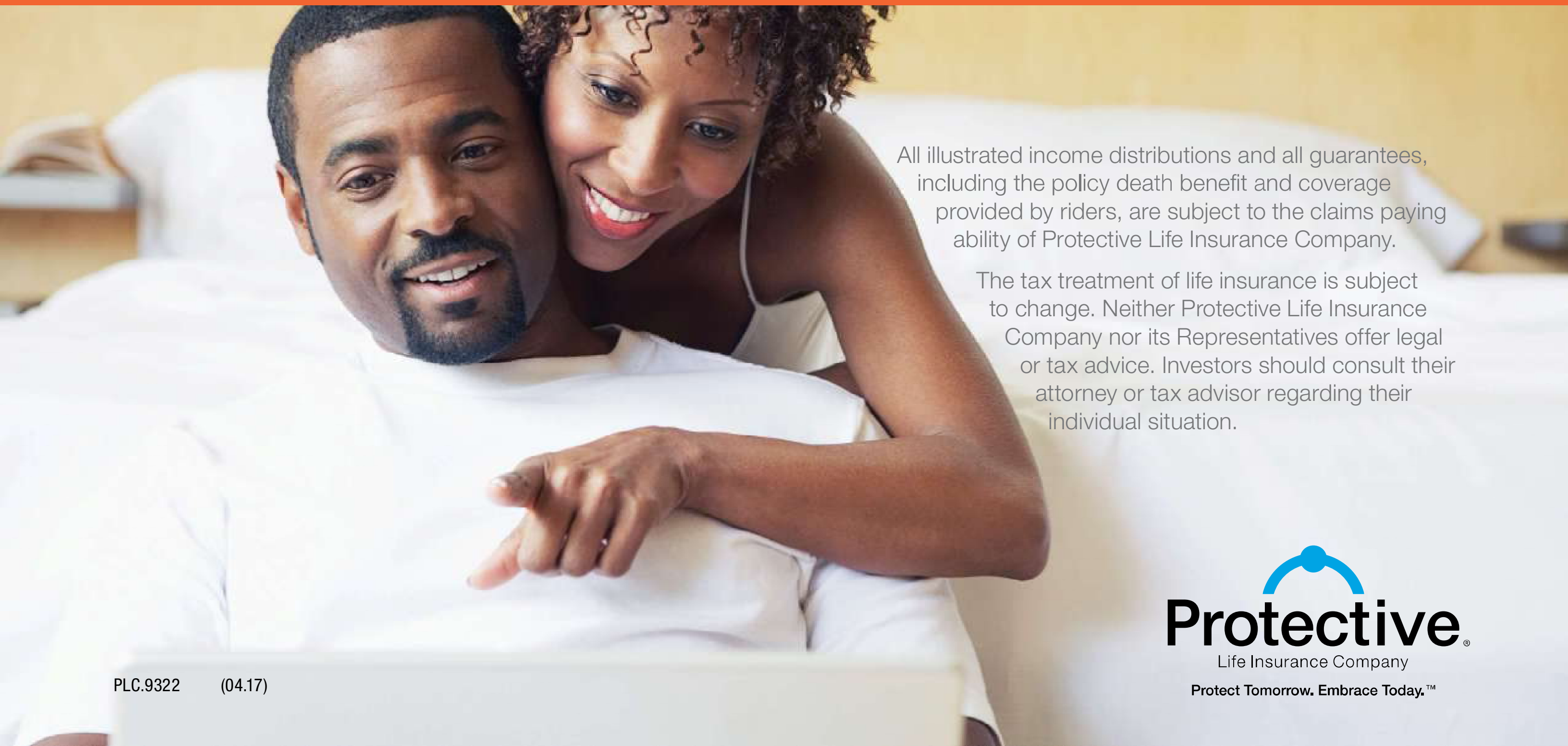
Life Insurance in Retirement Planning (LIRP)

You may have limited options when it comes to tax-qualified methods for retirement savings due to your current income range. You may have maxed out contributions to your 401(k) or IRA, and may not be eligible to participate in Roth IRAs. If you are a small business owner, you may have been unable to afford to set up a qualified 401(k) plan for you and your employees.

Variable life insurance (VUL) can be an attractive vehicle for accumulating earnings on a tax-deferred basis for retirement and for protecting your loved ones through a tax-free death benefit. A VUL policy is best suited for individuals, like you, who are already taking full advantage of other tax-qualified ways to save for retirement. Below are a few benefits of using life insurance in retirement planning (LIRP).

- *No annual contribution limits.*
- *Life insurance provides death benefits that are generally paid income tax-free to beneficiary(ies). The benefit can help provide funds to help complete savings goals for a surviving spouse, or beneficiary(ies).*
- *If the insured becomes disabled, the premiums may be paid by the insurance company, if optional disability rider coverage is purchased.*
- *Earnings within the policy accumulate on a tax-deferred basis.*
- *Policy values can generally be accessed income tax free, through withdrawals and policy loans, to help supplement your retirement income provided the policy is not a Modified Endowment Contract (MEC). Loans and withdrawals from MEC's will be subject to income tax and may be subject to a 10% IRS penalty if taken prior to age 59½. There are no age restrictions for non-MEC policy distributions.*

See reverse side for important information



All illustrated income distributions and all guarantees, including the policy death benefit and coverage provided by riders, are subject to the claims paying ability of Protective Life Insurance Company.

The tax treatment of life insurance is subject to change. Neither Protective Life Insurance Company nor its Representatives offer legal or tax advice. Investors should consult their attorney or tax advisor regarding their individual situation.

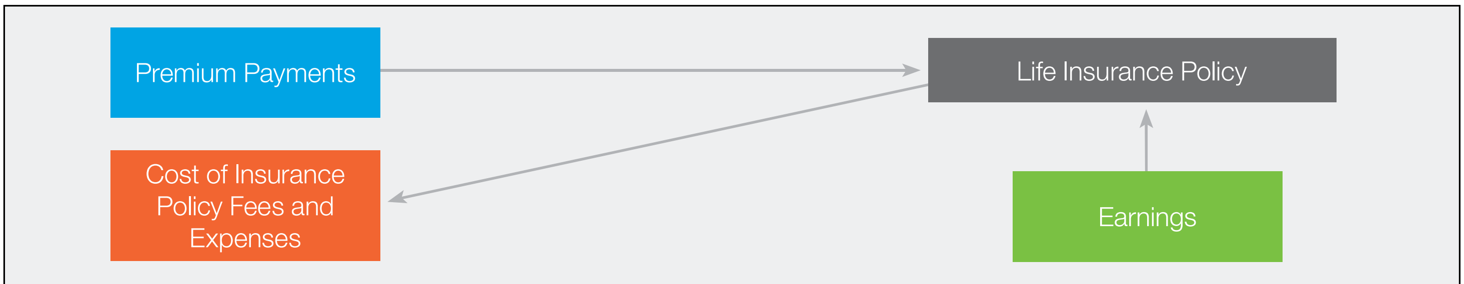
Protective® Life Insurance Company

Protect Tomorrow. Embrace Today.™

If you can qualify medically for life insurance and you've decided that a variable universal life insurance policy is right for you, you can work with your financial advisor to make sure that the policy is funded properly in order to generate your desired retirement income later in life.

Protective Life's LIRP - Defined Objectives program can help you meet your additional supplemental retirement income goals through a simplified approach that helps you design, monitor, and realize your retirement goals. With Defined Objectives, Protective Life will prepare and forward to you a performance analysis at the end of each year. The analysis will show your policy's investment performance and offer guidance on annual premium modifications based on your actual investment performance and defined retirement income goals—to assist you in meeting your goals.

How it Works:



PROVIDES:

- Death Benefit
- Tax-Deferred Growth Potential
- Access to Policy Values to Supplement Retirement Income

Important Information

This material addresses information regarding the tax treatment of certain financial assets and transactions. Any related statements or discussions represent only our current understanding of the law in general and are not to be considered legal or tax advice by purchasers. The tax treatment of life insurance is subject to change. Income, estate, gift, and generation skipping tax rules are subject to change at any time. Neither Protective Life Insurance Company (PLICO) nor its representatives offer legal or tax advice. We encourage you to consult with your legal or tax advisor regarding your individual situation.

Variable life insurance policies issued by Protective Life Insurance Company (PLICO). Securities offered by Investment Distributors, Inc. (IDI). Both located at Birmingham, AL. IDI is the principle underwriter for registered insurance products issued by PLICO, its affiliate.

Variable universal life insurance involves the risk of investing in stocks, bonds and other securities, including market, interest rate and credit risk and loss of principal. If the investment performance of underlying investments is poorer than expected (or if sufficient premiums are not paid), the policy may lapse or not accumulate sufficient value to fund the intended application. Investments in variable universal life insurance policies are subject to fees and charges from both the insurance company and the managers of underlying investments. Loans and withdrawals may negatively impact policy value, investment performance, death benefit, and any Lapse Protection.

Investors should carefully consider the investment objectives, risks, charges, and expenses of the variable universal life insurance policy and any underlying investment options before investing. This and other information is contained in the prospectuses for the variable universal life insurance policy and any underlying investment options. Investors should read the prospectuses carefully before investing. Prospectuses may be obtained by contacting PLICO at (800) 628-6390.

For more information, contact
your Financial Representative.

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Guarantees are based on the claims-paying ability of the issuing insurance company.

Prudential Financial and its financial professionals do not give legal or tax advice. You should consult your own advisors.

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SHOULD YOU BE CONCERNED ABOUT IRD?

Your Retirement Plan or a Tax Bill: Which Will Your Children Inherit?

Life Insurance

PRUDENTIAL ADVANCED MARKETS TEAM EXPERIENCED GUIDANCE FOR COMPLEX CHALLENGES®

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YOUR RETIREMENT PLAN OR A TAX BILL: WHICH WILL YOUR CHILDREN INHERIT?

THE CHALLENGE

You have spent your working life preparing and investing for your retirement. You have faithfully made regular contributions and have accumulated a large balance in your IRA or in a qualified retirement plan. You want to be certain that the maximum amount of your retirement funds will be available to achieve your goal of providing a comfortable lifestyle for your children after your death.

Investing is enough of a challenge, but there is potentially a large obstacle in the way that can make achieving your goal even more difficult. That obstacle is something called Income in Respect of a Decedent, commonly referred to as IRD.

WHAT IS IRD?

IRD is taxable income earned before the death of an individual, but not paid until after his or her death. A common example is wages earned while alive, but not paid until after death. Since the individual did not receive the income before he or she died, it is not reported on his or her tax return. Instead, it is taxed to the recipient when it is received. And, **the greater the accumulation during a lifetime, the greater the tax burden for the beneficiary.**

QUALIFIED RETIREMENT PLANS AND IRAS ARE IRD ASSETS

Qualified plans provide a very efficient way for you to accumulate retirement funds. Typically, a tax deduction is available in the year the contribution is made, and income tax is deferred on the funds as they grow. The usual result is that, at your death, no income tax has been paid on funds that remain inside the plan or IRA. That is why those funds are characterized as IRD and subject to income tax when your children receive them.

THE POSSIBILITY OF DOUBLE TAXATION

If your estate is subject to estate tax, your qualified plans and IRAs will be taxed twice. The estate tax is based on the transfer of assets that you have an interest in at death. That includes qualified plans and IRAs, meaning that they are subject to estate tax in your estate, as well as income tax when received by your children. Even though a deduction is allowed for the federal estate tax attributable to the amount received, this "double tax" can reduce the value passing to your children. This tax treatment could make it difficult to reach your goal of providing for your children's futures.

ONE SOLUTION

There are a number of ways to maximize the amount that your children will receive. The best strategy for you will depend on your personal circumstances. No single technique is right for everyone. One very simple and easy solution is to earmark the use of permanent insurance on your life to pay your IRD tax.

If your estate is not subject to the estate tax, you could purchase the policy on your life and name your children as beneficiaries. If your estate is subject to estate taxation, the policy could be purchased by your children or by an irrevocable life insurance trust for their benefit. If policy ownership is properly structured, your children can receive the life insurance proceeds free of both income and estate taxes*. In either case, the insurance policy will provide them with funds to pay any income and estate taxes incurred as a result of inheriting the qualified plan or IRA.

THE ROLE OF LIFE INSURANCE

Investing for the future and maximizing those savings may be more important today than ever. Many people use a qualified plan or an IRA as their primary vehicle to save for the future. And, while qualified plans and IRAs can be very efficient wealth accumulation tools, they are quite inefficient in distributing wealth to your children and grandchildren.

Life insurance is one way to help reach the goal of providing for future generations more efficiently. With the death benefit from a life insurance policy, your heirs can pay liabilities, such as state estate or inheritance taxes and income tax on inherited IRAs. This means that they can receive more of the value of the assets you've intended for them.

You have worked hard to earn and accumulate assets. Take steps today to provide for the future of your family.

*Per IRC §101(a).

Pinney Insurance

Founded in 1972 as a Transamerica branch office and later incorporated as Pinney Insurance Center, Inc., we are headquartered in our own building in Roseville, California. We provide a small local agency feel with the power of a major national firm.

Pinney has expanded into a national distributor with thousands of contracted agents and offices in California, Illinois, Maryland, North Carolina, Oklahoma, Pennsylvania, Texas, Washington, and Mississippi. Pinney represents over 100 life, annuity, disability, and long-term care companies with the intent of providing our clients & partners with the best possible product solutions at the lowest possible costs. Email Brokerage Sales Support or contact one of our Brokerage Directors today at 800-823-4852.

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