

# Lincoln MoneyGuard® II

Reimbursement for Long-Term Care expenses offered  
through a flexible premium life insurance policy

Prepared for: Valued Client Age 57

In the State of: WA

On: 5/19/2014

Prepared by: Jack Lenenberg  
LTC Partner  
312 Maxwell Rd. Suite 400  
Alpharetta, GA 30009  
(800) 891-5824  
Jack@LTCPartner.com

## Understanding Your Projection of Values

**Year:** The policy year beginning with the effective date of the policy.

**Age:** The insured's age at the end of the policy year shown.

**Surrender Value:** The amount you will receive for fully surrendering the contract. The amount shown is the value on the last day of the policy year. Surrender charges will apply in the event that the cash surrender value is greater than the Return of Premium Benefit. The initial surrender charge decreases, eventually reaching zero at the end of year 10.

**Return of Premium Provision (ROP):** The amount available upon surrender of the contract after all premiums are paid. This amount varies based on the return of premium choice selected.

**Death Benefit:** The amount payable upon death. The amount shown is the value on the last day of the policy year. The Death Benefit may be higher than the Specified Amount due to the Minimum Required Death Benefit provision, please see the contract for details.

**Long-Term Care Benefit Limits:** The amount available for reimbursement of costs incurred for Long-Term Care expenses.

## Things to Know

This is a Projection of Values for Lincoln *MoneyGuard*® II which is a Flexible Premium Adjustable Life (Universal Life) Insurance policy issued by The Lincoln National Life Insurance Company on Policy Form ICC13LN880, with a Long-Term Care Acceleration of Benefits Rider (LABR) and state variation thereto on Rider Form ICC13LR881, a Long-Term Extension of Benefits Rider (LEBR) and state variation thereto on Rider Form ICC13LR882, and a Value Protection Rider and state variation thereto on Rider Form ICC13LR880. Benefits and features may vary by state.

THIS IS A LIFE INSURANCE POLICY PROJECTION OF VALUES AND NOT A CONTRACT. ACTUAL RESULTS MAY VARY FROM THE VALUES SHOWN IN THIS PROJECTION OF VALUES. POLICY LIMITATIONS AND EXCLUSIONS ARE DESCRIBED IN THE OUTLINE OF COVERAGE THAT ACCOMPANIES THIS PROJECTION OF VALUES. GUARANTEES ARE SUBJECT TO THE FINANCIAL STRENGTH OF THE LINCOLN NATIONAL LIFE INSURANCE COMPANY.

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### Life Insurance Cost Indices

Life insurance cost indices are based on the guaranteed amount payable on death.

Based on guaranteed 2.00% interest rate and guaranteed charges, Surrender Cost for 10-Year would be \$32.66 and Surrender Cost for 20-Year would be \$28.04. Net Payment for 10-Year would be \$64.19 and Net Payment for 20-Year would be \$40.14.

An explanation of the intended use of these indices is provided in the life insurance buyer's guide. These indices are useful only for the comparison of relative costs of two or more similar policies. The planned annual premium less annual charges for riders is used for the basic policy premium in calculating the indices above.

For: Valued Client Age 57  
Age: 57  
Underwriting Class: Female, Couples Discount



**Lincoln MoneyGuard® II provides expense reimbursement for Long-Term Care expenses including:**

- Adult day care
- Home health care
- Hospice services
- Nursing home care services
- Assisted living
- Alternative care services

Single Premium	<b>\$76,779</b>	This projection of values assumes premiums are paid as shown. The premium amount is received on the policy effective date.
Long-Term Care Benefit Limits: Initial Monthly Initial Annual Initial Total	<b>\$6,000 \$72,000 \$432,000</b>	These are the initial amounts available for expense reimbursement for Qualified Long-Term Care Services, subject to rider terms and conditions.
Inflation Option	<b>N/A</b>	
Minimum Long-Term Care Benefit Duration	<b>6 years</b>	Reimbursements for Qualified Long-Term Care Services, are available, based on the selected rider(s): Long-Term Care Acceleration of Benefits Rider (LABR): 2 years Long-Term Extension of Benefits Rider (LEBR): 4 years
Deductible Period	<b>None</b>	There is no deductible period. Benefits are payable on the first day of care for eligible claims.
Initial Specified Amount	<b>\$144,000</b>	The Specified Amount is set at issue. Long-Term Care reimbursements reduce the Specified Amount on a dollar-for-dollar basis.
Initial Residual Death Benefit	<b>\$7,200</b>	The minimum death benefit if Long-Term Care reimbursements have reduced the Specified Amount.
Return of Premium	<b>\$61,423</b>	Amount available upon surrender after all planned premiums are paid.
LTC Acceleration of Benefits Rider Charge	<b>\$68.83/mth</b>	LABR Base charge is \$68.83 per month for 10 years.
LTC Extension of Benefits Rider Charge	<b>\$152.78/mth</b>	LEBR Base charge is \$152.78 per month for 10 years.

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5/19/2014 11:54 AM

For: Valued Client Age 57  
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**ALL VALUES AND BENEFITS SHOWN ARE GUARANTEED <sup>(1)</sup>**

						Long-Term Care Reimbursement Benefit Limits (2)			
Year	Age	Planned Premium	Surrender Value(3)	Death Benefit Amount	IRR(4)	Total	Annual	Monthly	IRR(5)
1	58	76,779	61,423	157,858	105.6%	432,000	72,000	6,000	91.9%
2	59	0	61,423	153,558	41.4%	432,000	72,000	6,000	56.0%
3	60	0	61,423	149,258	24.8%	432,000	72,000	6,000	41.1%
4	61	0	61,423	144,959	17.2%	432,000	72,000	6,000	32.8%
5	62	0	61,423	144,000	13.4%	432,000	72,000	6,000	27.3%
6	63	0	61,423	144,000	11.1%	432,000	72,000	6,000	23.5%
7	64	0	61,423	144,000	9.4%	432,000	72,000	6,000	20.6%
8	65	0	61,423	144,000	8.2%	432,000	72,000	6,000	18.3%
9	66	0	61,423	144,000	7.2%	432,000	72,000	6,000	16.6%
10	67	0	61,423	144,000	6.5%	432,000	72,000	6,000	15.1%
11	68	0	61,423	144,000	5.9%	432,000	72,000	6,000	13.9%
12	69	0	61,423	144,000	5.4%	432,000	72,000	6,000	12.8%
13	70	0	61,423	144,000	5.0%	432,000	72,000	6,000	11.9%
14	71	0	61,423	144,000	4.6%	432,000	72,000	6,000	11.2%
15	72	0	61,423	144,000	4.3%	432,000	72,000	6,000	10.5%
16	73	0	61,423	144,000	4.0%	432,000	72,000	6,000	9.9%
17	74	0	61,423	144,000	3.8%	432,000	72,000	6,000	9.3%
18	75	0	61,423	144,000	3.6%	432,000	72,000	6,000	8.9%
19	76	0	61,423	144,000	3.4%	432,000	72,000	6,000	8.4%
20	77	0	61,423	144,000	3.2%	432,000	72,000	6,000	8.0%
21	78	0	61,423	144,000	3.0%	432,000	72,000	6,000	7.7%
22	79	0	61,423	144,000	2.9%	432,000	72,000	6,000	7.3%
23	80	0	61,423	144,000	2.8%	432,000	72,000	6,000	7.0%
24	81	0	61,423	144,000	2.7%	432,000	72,000	6,000	6.8%
25	82	0	61,423	144,000	2.6%	432,000	72,000	6,000	6.5%
26	83	0	61,423	144,000	2.5%	432,000	72,000	6,000	6.3%
27	84	0	61,423	144,000	2.4%	432,000	72,000	6,000	6.1%
28	85	0	61,423	144,000	2.3%	432,000	72,000	6,000	5.8%
29	86	0	61,423	144,000	2.2%	432,000	72,000	6,000	5.7%
30	87	0	61,423	144,000	2.1%	432,000	72,000	6,000	5.5%
31	88	0	61,423	144,000	2.1%	432,000	72,000	6,000	5.3%
32	89	0	61,423	144,000	2.0%	432,000	72,000	6,000	5.2%
33	90	0	61,423	144,000	1.9%	432,000	72,000	6,000	5.0%
34	91	0	61,423	144,000	1.9%	432,000	72,000	6,000	4.9%
35	92	0	61,423	144,000	1.8%	432,000	72,000	6,000	4.7%
36	93	0	61,423	144,000	1.8%	432,000	72,000	6,000	4.6%
37	94	0	61,423	144,000	1.7%	432,000	72,000	6,000	4.5%
38	95	0	61,423	144,000	1.7%	432,000	72,000	6,000	4.4%
43	100	0	61,423	144,000	1.5%	432,000	72,000	6,000	3.9%
48	105	0	61,423	144,000	1.3%	432,000	72,000	6,000	3.5%

(1) Projection values based on guaranteed maximum policy charges and guaranteed minimum credited rate. No-Lapse Protection provided by the Value Protection Rider. This projection assumes all planned premiums paid on due date.

(2) Total benefit limits for reimbursement of Qualified Long-Term Care Services. These values assume the monthly maximum is used for the entire duration selected and the Long-Term Care value will continue to increase on each policy anniversary as a result of the inflation option chosen. The monthly benefit shown is the amount available for the first 12 months of care.

(3) Surrender Value is the greater of the Policy Value less Surrender Charge or the Return of Premium Benefit, if available.

(4) IRR is the Internal Rate of Return. IRR column is blank in years where IRR calculation is unavailable.

(5) Internal Rate of Return on the Total LTC Benefits. IRR column is blank in years where IRR calculation is unavailable.

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ICC14LCN-795755-011314

5/19/2014 11:54 AM

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 Age: 57  
 Underwriting Class: Female, Couples Discount



**ALL VALUES AND BENEFITS SHOWN ARE GUARANTEED <sup>(1)</sup>**

						Long-Term Care Reimbursement Benefit Limits (2)			
Year	Age	Planned Premium	Surrender Value(3)	Death Benefit Amount	IRR(4)	Total	Annual	Monthly	IRR(5)
53	110	0	61,423	144,000	1.2%	432,000	72,000	6,000	3.2%
58	115	0	61,423	144,000		432,000	72,000	6,000	
63	120	0	61,423	144,000		432,000	72,000	6,000	

(1) Projection values based on guaranteed maximum policy charges and guaranteed minimum credited rate. No-Lapse Protection provided by the Value Protection Rider. This projection assumes all planned premiums paid on due date.

(2) Total benefit limits for reimbursement of Qualified Long-Term Care Services. These values assume the monthly maximum is used for the entire duration selected and the Long-Term Care value will continue to increase on each policy anniversary as a result of the inflation option chosen. The monthly benefit shown is the amount available for the first 12 months of care.

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5/19/2014 11:54 AM

For: Valued Client Age 57  
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## Tax Status

The Lincoln *MoneyGuard*® II Death Benefit is generally received by the beneficiary income tax-free under Section 101(a) (1) of the Internal Revenue Code (IRC) and the Long-Term Care benefits paid are not taxed as income under IRC Section 104(a) (3). The owner will pay no current income taxes on interest earnings credited to the policy's Cash Value.

Based on our understanding of applicable law, the projected policy is a Modified Endowment Contract (MEC) as defined in section 7702A of the Internal Revenue Code. Distributions from a MEC may be subject to income tax, and an additional 10% federal income tax penalty applies to taxable distributions received before the policy owner reaches age 59 1/2.

The Pension Protection Act of 2006 (PPA) changed the tax treatment of your MoneyGuard policy effective January 1, 2010. Based on our understanding and analysis of the PPA:

- Qualified Long-Term Care Rider charges will continue to be treated as distributions from your policy, but Lincoln will not report the distributions as taxable (even if your policy is a MEC).
- Qualified Long-Term Care Rider charges will reduce the investment in the contract (cost basis), but not below zero, as the charges are taken from your policy.
- Once the investment in the contract has been reduced to zero, distributions for Qualified Long-Term Care Rider charges will come from any gain in the contract (but will still not be reported as taxable distributions). You will receive a 1099R form for the charges, but the charges are not reported as taxable.

Please note that the state income tax laws in certain states do not conform to the federal income tax treatment of the Qualified Long-Term Care Rider charges described above. In such states, the charges may be treated as taxable distributions from the policy for state income tax purposes. However, the federal income tax treatment described above will continue to apply to such charges.

It is important to remember that these rider charges now and in the future impact the policy's cost basis. In the event any other financial transaction is requested, such as a request to exercise the Return of Premium Provision, the cost basis is used in determining if that transaction creates a taxable event. As previously noted, the cost basis is reduced as a result of these rider charges. Any Return of Premium Benefit paid upon full surrender of the policy is treated, for Federal income tax purposes, as being funded in part by a refund of the charges taken from the Long-Term Care Acceleration of Benefits Rider and the Long-Term Extension of Benefits Rider (if applicable), and in part by the value of the underlying policy. The full surrender of the policy may result in a taxable event and the owner should consult his/her personal tax advisor regarding this and other applicable tax matters.

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## Return of Premium Benefit Disclosure

The Return of Premium Benefit does not apply until all planned premiums have been paid.

**This projection of values is neither a contract nor an offer to contract. A full description of the policy provisions and limitations is included in the policy itself and any applicable riders.**

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The applicant certifies the following: 1) I have received a copy of this Projection of Values, 2) I have received the Modified Endowment Contract disclosure statement and understand that the proposed plan of insurance would be a Modified Endowment Contract subject to special tax treatment, 3) I have been advised to consult with my own tax advisor regarding the tax effects of the projected policy, its valuation, as well as the potential tax impact on surrender under the Return of Premium Provision and 4) I have received a copy of an Outline of Coverage.

Applicant: \_\_\_\_\_

Date: \_\_\_\_\_

The agent certifies the following: 1) I certify that this Projection of Values has been presented to the applicant and that I have made no statements that are inconsistent with the Projection of Values and 2) I certify that I have presented to the applicant an Outline of Coverage.

Licensed Agent/Representative: \_\_\_\_\_

Date: \_\_\_\_\_

***This Projection of Values is not complete without all pages.***

ICC14LCN-795755-011314

5/19/2014 11:54 AM

New Business Data Page



The following are all initial values and do not reflect any future changes.

Product	Lincoln <i>MoneyGuard</i> ® II
Name	Valued Client Age 57
State	WA
Gender	Female
Age	57
Underwriting Class	Couples Discount
Death Benefit Option	Level
MEC	Yes
Initial Specified Amount	\$144,000
Planned Premium	\$76,779
Payment Mode	Annual
Lump Sum Deposit	\$0
Solve Type	Premium Solve

LABR:	2 Years
Inflation Option:	N/A
LEBR:	4 Years
Inflation Option:	N/A
Value Protection Rider:	Basic
ROP Threshold:	\$76,779

Year	Total Premiums
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1	76,779.00
2	0

Software version:  
LFD-D v25.0  
5/19/2014 11:54 AM  
TP: 7,677.99  
7P: 9,353.75  
CP: \$76,779.90  
Monthly NLP: \$755.09

You must include the New Business Data Sheet when submitting the Projection of Values to the Home Office.

## OUTLINE OF COVERAGE TABLE

<b>Long-Term Care Acceleration of Benefits Rider ("LABR")</b>		Monthly Rider Charge:	<b>\$68.83</b>
Initial LABR Benefit Limit:	<b>\$144,000</b>		
LABR Duration:	<b>2 Years</b>		
Initial Maximum Monthly LABR Benefit:	<b>\$6,000</b>		
<b>Optional Inflation Protection Option: None</b>		Monthly Inflation Charge:	<b>\$0</b>
<b>Caregiver Training Benefit Limit: \$500</b>			
<b>Long-Term Extension of Benefits Rider ("LEBR")</b>		Monthly Rider Charge:	<b>\$152.78</b>
Initial LEBR Benefit Limit:	<b>\$288,000</b>		
LEBR Duration:	<b>4 Years</b>		
Initial Maximum Monthly LEBR Benefit:	<b>\$6,000</b>		
<b>Optional Inflation Protection Option: None</b>		Monthly Inflation Charge:	<b>\$0</b>

The monthly charges shown above are payable until the 10th Policy Anniversary.

**TOTAL ANNUAL RIDER CHARGES: \$2,659.32**