

Lincoln MoneyGuard® II

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

Prepared for: Valued Client
In the State of: CA
On: 5/27/2020
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This material was prepared to show the operation of an insurance product issued by The Lincoln National Life Insurance Company, based on the options, features and assumptions you or your financial advisor specified. This projection, and the options, features or assumptions on which it is based, is not intended to be, and should not be, viewed as specific investment advice or any suggestion or recommendation by The Lincoln National Life Insurance Company or any of its employees for you or your investment situation. A financial advisor can provide you with investment advice for your investment situation. The Lincoln National Life Insurance Company, its respective employees, representatives, and/or insurance agents do not provide tax, accounting, or legal advice.

For use by a licensed agent/representative with the proposed insured/owner/applicant.

Understanding Your Projection of Values

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

Age: The insured's age at the beginning 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 Qualified 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, Fort Wayne, IN on Policy Form LN880, with a Long-Term Care Acceleration of Benefits Rider (LABR) on Rider Form LR881, a Long-Term Care Extension of Benefits Rider (LEBR) on Rider Form LR882, and a Value Protection Rider on Rider Form LR880 Rev. 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.

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. Affiliates are separately responsible for their own financial and contractual obligations.

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 \$35.67 and Surrender Cost for 20-Year would be \$33.49. Net Payment for 10-Year would be \$70.09 and Net Payment for 20-Year would be \$47.95.

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: 60
Underwriting Class: Female, Couples Discount
Minimum LTC Duration: 6 Years



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

- Adult day care
- Home health care
- Hospice services
- Nursing facility care services
- Residential care facility services
- Respite care services

Single Premium Amount	\$100,000	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	\$4,057	These are the initial amounts available for expense reimbursement for Qualified Long-Term Care Services, subject to rider terms and conditions.
Initial Annual	\$48,681	
Initial Total	\$314,885	
Inflation Option	3% Compound	The inflation option will automatically increase the monthly rider(s) amounts by 3% annually. Increased benefit amounts are shown in the LTC Benefit column on page 4 herein.
Minimum Long-Term Care Benefit Duration	6 years	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 Care Extension of Benefits Rider (LEBR): 4 years
Deductible Period	None	There is no deductible period. Benefits are payable on the first day of care for eligible claims.
Initial Specified Amount	\$97,361	The Specified Amount is set at issue. Long-Term Care reimbursements, excluding the benefits received due to inflation, reduce the Specified Amount on a dollar-for-dollar basis.
Initial Residual Death Benefit	\$4,868	The minimum death benefit if Long-Term Care reimbursements have reduced the Specified Amount.
Return of Premium	\$80,000	If the policy is surrendered prior to total planned premiums being paid, the surrender value to be paid is the cash value minus any applicable surrender charge. Once total planned premiums are paid, the Return of Premium Benefit is available.
LTC Acceleration of Benefits Rider Charge *	\$209.62/mth	LABR Base charge is \$30.28 per month for 10 years. LABR Inflation charge is \$179.34 per month for 10 years.
LTC Extension of Benefits Rider Charge *	\$328.50/mth	LEBR Base charge is \$147.60 per month for 10 years. LEBR Inflation charge is \$180.90 per month for 10 years.
		* These are not additional premiums; the LTC Rider Charges are deducted from the Gross Cash Value.

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ALL VALUES AND BENEFITS SHOWN ARE GUARANTEED⁽¹⁾

Policy Year	Age	Planned Premium	Surrender Value(3)	Death Benefit Amount	IRR(4)	Long-Term Care Reimbursement Benefit Limits (2)			
						3% Compound Interest			
						Total	Annual	Monthly	IRR(5)
1	60	100,000	80,000	199,200	99.2%	314,885	48,681	4,057	45.6%
2	61	0	80,000	192,800	38.9%	324,332	50,141	4,178	32.5%
3	62	0	80,000	186,400	23.1%	334,062	51,645	4,304	25.8%
4	63	0	80,000	180,800	16.0%	344,084	53,194	4,433	21.7%
5	64	0	80,000	175,200	11.9%	354,406	54,790	4,566	18.8%
6	65	0	80,000	170,400	9.3%	365,038	56,434	4,703	16.8%
7	66	0	80,000	165,600	7.5%	375,990	58,127	4,844	15.2%
8	67	0	80,000	160,800	6.1%	387,269	59,871	4,989	13.9%
9	68	0	80,000	156,000	5.1%	398,887	61,667	5,139	12.9%
10	69	0	80,000	151,200	4.2%	410,854	63,517	5,293	12.1%
11	70	0	80,000	147,200	3.6%	423,180	65,423	5,452	11.3%
12	71	0	80,000	143,200	3.0%	435,875	67,385	5,615	10.7%
13	72	0	80,000	139,200	2.6%	448,951	69,407	5,784	10.2%
14	73	0	80,000	136,000	2.2%	462,420	71,489	5,957	9.8%
15	74	0	80,000	132,000	1.9%	476,293	73,634	6,136	9.4%
16	75	0	80,000	128,800	1.6%	490,581	75,843	6,320	9.0%
17	76	0	80,000	125,600	1.4%	505,299	78,118	6,510	8.7%
18	77	0	80,000	122,400	1.1%	520,458	80,461	6,705	8.4%
19	78	0	80,000	119,200	0.9%	536,071	82,875	6,906	8.1%
20	79	0	80,000	116,800	0.8%	552,153	85,362	7,113	7.9%
21	80	0	80,000	114,400	0.6%	568,718	87,922	7,327	7.7%
22	81	0	80,000	111,200	0.5%	585,780	90,560	7,547	7.5%
23	82	0	80,000	108,800	0.4%	603,353	93,277	7,773	7.3%
24	83	0	80,000	106,400	0.3%	621,454	96,075	8,006	7.1%
25	84	0	80,000	104,800	0.2%	640,097	98,957	8,246	7.0%
26	85	0	80,000	102,400	0.1%	659,300	101,926	8,494	6.8%
27	86	0	80,000	100,000	0	679,079	104,984	8,749	6.7%
28	87	0	80,000	100,000	0	699,452	108,133	9,011	6.6%
29	88	0	80,000	100,000	0	720,435	111,377	9,281	6.5%
30	89	0	80,000	100,000	0	742,048	114,719	9,560	6.4%
31	90	0	80,000	100,000	0	764,309	118,160	9,847	6.3%
32	91	0	80,000	100,000	0	787,239	121,705	10,142	6.2%
33	92	0	80,000	100,000	0	810,856	125,356	10,446	6.1%
34	93	0	80,000	100,000	0	835,182	129,117	10,760	6.0%
35	94	0	80,000	100,000	0	860,237	132,991	11,083	5.9%
40	99	0	80,000	100,000	0	997,251	154,172	12,848	5.6%
45	104	0	80,000	100,000	0	1,156,087	178,728	14,894	5.3%
50	109	0	80,000	100,000	0	1,340,221	207,195	17,266	5.1%
55	114	0	80,000	100,000	0	1,553,684	240,196	20,016	5.1%
60	119	0	80,000	100,000	0	1,801,146	278,453	23,204	5.1%

(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) The amount paid on surrender reflects the Return of Premium, if available.

(4) Internal Rate of Return on the Death Benefit Amount. 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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For: Valued Client
Age: 60
Underwriting Class: Female, Couples Discount
Minimum LTC Duration: 6 Years



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 may 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 Care 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.

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

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.

The applicant certifies the following: 1) I have received a copy of this Projection of Values, 2) I have reviewed the Modified Endowment Contract disclosure statement above 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: _____

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New Business Data



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

Product: Lincoln *MoneyGuard*® II (2020) - 03/16/20
Sub-Plan Code: Lincoln MoneyGuard II (2017) - 031620
Name: Valued Client
State: CA
Gender: Female
Age: 60
Underwriting Class: Couples Discount

Death Benefit Option: Level
MEC: Yes
Initial Specified Amount: \$97,361
Planned Premium: \$100,000
Payment Mode: Annual
Lump Sum Deposit: \$0
Solve Type: Face Solve

LABR: 2 Years
Inflation Option: 3%

LEBR: 4 Years
Inflation Option: 3%

Value Protection Rider: Basic
ROP Threshold: \$100,000.00

Planned Policy Changes: No

Business ID:

<u>Year</u>	<u>Total Premiums</u>
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1	100,000.00
2	0

Software version:
LFD-D v49.0 B
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TP: 10,000.08
7P: 6,520.60
CP: \$100,000.80
Monthly NLP: \$1,057.79

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

APPLICATION PART 1 INFORMATION:

The following information should be used to complete fields 4a through 5b of the application.

Plan of Insurance (4a): Lincoln *MoneyGuard*® II

Specified Amount (4b): \$97,361

Inflation Option (4c): 3% Compound Increases

Comprehensive LTC Benefits Rider Duration (4d): Leave blank on application

Extension of Benefits Rider (4e): Leave blank on application

LTC Acceleration of Benefits Rider Duration (4f): 2 Years

LTC Extension of Benefits Rider Duration (4g): 4 Years

Value Protection Rider (4h): Basic

Other Benefits/Riders/Options (4i): Leave blank on application

Premium Frequency (5a): Annual

Premium Amount (5b): \$100,000