



## Get ready for a tax-efficient retirement

What you can do today to help protect your retirement income

The Lincoln National Life Insurance Company  
Lincoln Life & Annuity Company of New York

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## Client Guide

LIFE SOLUTIONS

# New taxes may affect you now and in retirement

Changes in the tax laws could take a toll on your portfolio now and erode your income when you retire. The good news is that you can make solid decisions now that could benefit you in the future.

Today, your retirement portfolio is probably a mix of assets that fall into three categories, or buckets:

- 1 **Tax-deferred contributions**, which are pretax dollars invested in IRAs, and employer-sponsored plans, such as a 401(k). The challenge is that you have contribution limits.
- 2 **Taxable investments**, which are after-tax dollars invested in stocks, bonds, mutual funds, and other investments in your retirement portfolio. There are no contribution limits.
- 3 **Tax-advantaged investments**, which are after-tax dollars invested in municipal bonds or Roth IRAs. If your modified adjusted gross income (MAGI) exceeds \$129,000 (\$191,000 joint), you are ineligible for a Roth.

Tax increases could affect you this year and when you retire.

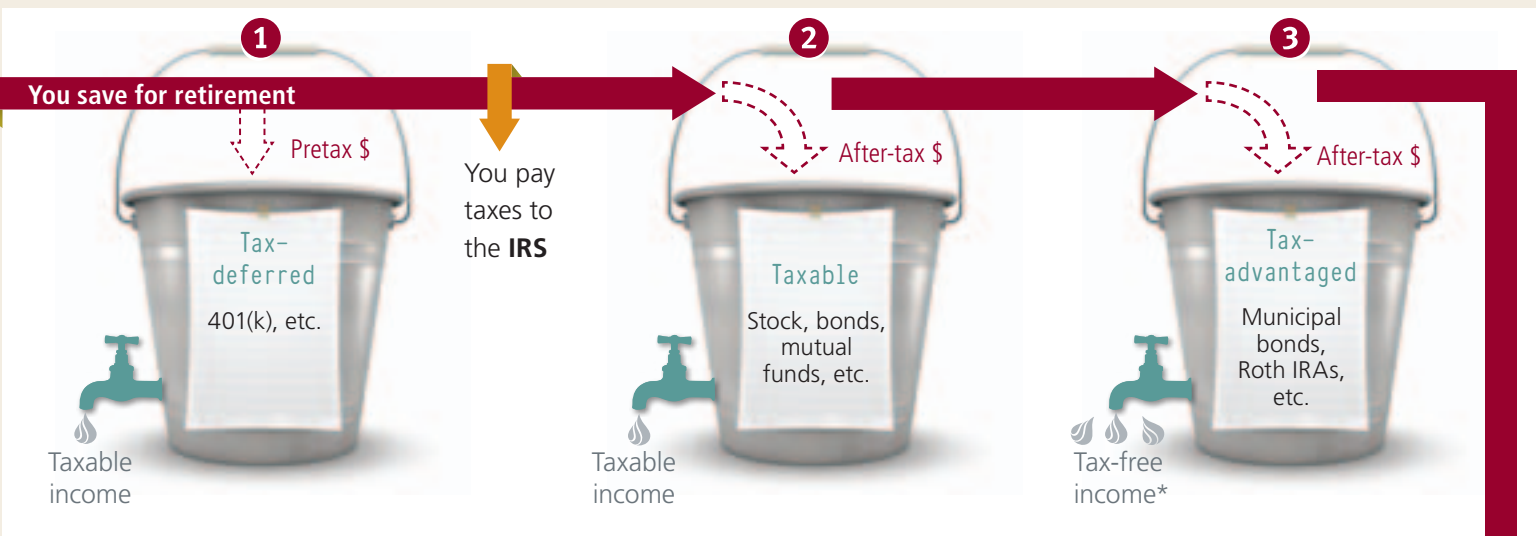
You may have less to invest and a potential loss of earnings	federal taxes	
	2012	2013/2014
<b>Top tax rates:</b> Permanent increase for those with taxable income above \$406,750 (\$457,600 for joint filers)	35%	39.6%
<b>Medicare payroll tax:</b> Additional tax on earned income above \$200,000 (\$250,000 for joint filers)	N/A	0.9%
<b>Capital gains:</b> The top rate for long-term capital gains and qualified dividends increased for those with taxable income above \$406,750 (\$457,600 for joint filers)	15%	20%
<b>Unearned income (Medicare contribution):</b> Surtax on lesser of net investment income or MAGI above \$200,000 (\$250,000 for joint filers)	N/A	3.8%
<b>Itemized deductions:</b> Reduces Schedule A deductions by up to 80%. Reduced by 3% of every dollar that your taxable income is above \$254,200 (\$305,050 for joint filers).		Phaseout
<b>Personal exemptions:</b> Reduced by 2% for each \$2,500 dollars that your taxable income is above \$254,200 (\$305,050 for joint filers). If your income exceeds \$376,700 (\$427,550 for joint filers), your personal exemptions will be fully phased out.		Phaseout
<b>When you take retirement income your benefits will be affected</b>		
<b>Social Security:</b> Up to 85% of your benefits could be taxable.		
<b>Medicare premiums:</b> Your Medicare Part B premiums will increase above the basic \$105 per month, if your MAGI exceeds \$85,000 (\$170,000 for joint filers). For higher income individuals, the maximum monthly premium will be \$336.		

## Gain potential tax advantages with life insurance

No matter when you retire, you can take income through policy loans and withdrawals<sup>1</sup> without affecting your:

- ✓ Income tax bracket
- ✓ Capital gains
- ✓ Social Security tax
- ✓ Medicare premiums
- ✓ MAGI

Sources: IRS Rev Proc 2013-35; Internal Revenue Code Sections 1, 86, 1411, 3101; Medicare.gov, Part B premiums, 2014.



## How new taxes may affect your income if you retire:

### Before age 59½

You pay ordinary income tax and a 10% penalty.<sup>1</sup>

### After age 59½

Your tax-deferred assets become taxable.

### At age 62

85% of your Social Security benefits are taxed if you have too much MAGI.<sup>2</sup>

### At age 65

Your Medicare Part B costs increase from \$105 to \$336/month if you have too much MAGI.<sup>2</sup>

### At age 70½

You must take required minimum distributions, which adds to your tax exposure.

Diversify with life insurance for tax-smart retirement income.



The possibility to get more value from your investment dollars

By adding Lincoln life insurance to your retirement portfolio, you can help protect your savings and gain these advantages:

- ✓ An income tax-free death benefit for your beneficiaries
- ✓ Tax-deferred growth opportunities
- ✓ No retirement contribution limits
- ✓ A tax-advantaged source of retirement income<sup>3</sup>
- ✓ No penalties for cash values taken before age 59½

## What cash value life insurance could do for you when you retire:

### Before age 59½

You have income tax-free distributions without penalties.<sup>3</sup>

### After age 59½

You could access income tax-free funds with some policies.<sup>3</sup>

### At age 62

There's no effect on your Social Security benefits.

### At age 65

There's no effect on Medicare Part B.

### At age 70½

You are not required to take minimum distributions.

\*Income tax-free subject to certain requirements. Could affect modified adjusted gross income. <sup>1</sup>The 10% penalty is applicable for withdrawals from qualified plan and IRA accounts before age 59½. <sup>2</sup>Individuals with \$34,000 annual income; \$44,000 filing jointly. <sup>3</sup>Income tax-free loans and withdrawals will reduce the policy's cash value and death benefit.

# Take charge of your future

Ask how Lincoln life insurance solutions can help your retirement strategy.

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The life insurance strategy could include a modified endowment contract (MEC). A MEC policy is one in which the life insurance limits exceed certain high levels of premium, or the cumulative premium payments exceed certain amounts specified under the Internal Revenue Code. For policies that are MECs, distributions during the life of the insured, including loans, are first treated as taxable to the extent of income in the contract, and an additional 10% federal income tax may apply for withdrawals made prior to age 59½.

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