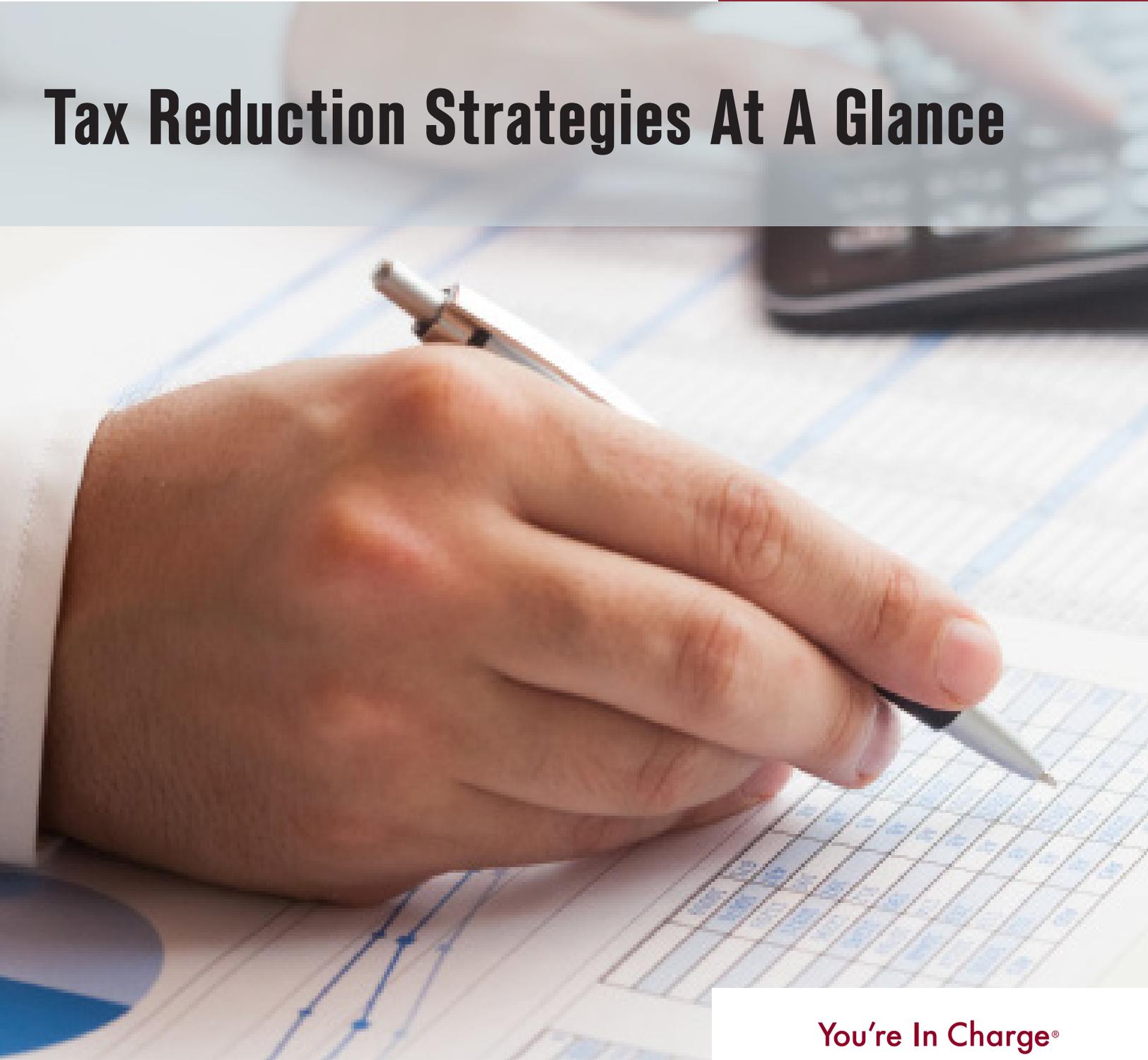


Tax Reduction Strategies At A Glance



You're In Charge®

CHARITABLE STRATEGIES

STRATEGY	CURRENT TAX SITUATION	TAX DEFERRED GROWTH POTENTIAL	TAX ADVANTAGED DISTRIBUTIONS	LIMITS	TAX ON EARLY WITHDRAWAL	3.8% MEDICARE TAX RESULT (OVER AGI THRESHOLDS)	EFFECT ON MAGI FOR SOCIAL SECURITY, PHASE OUTS, ETC.	LIQUIDITY	EXPENSES	COMPLEXITY	OTHER CONSIDERATIONS
Donation of Appreciated Property	FMV may be deductible, the type of property will dictate the allowable deduction (e.g., capital gain vs. tangible personal property vs. inventory)	N/A	N/A	Subject to percentage of AGI Limitation (i.e., contribution base) depending on donee and type of property		Reduction of modified AGI (MAGI) because income not recognized where there is no sale; however, the charitable deduction is an itemized deduction	Reduction of modified AGI (MAGI) because income not recognized where there is no sale; however, the charitable deduction is an itemized deduction	Asset gone	N/A	Simple	AMT
Charitable Remainder Trust	Remainder interest may be deductible (beware of 10% remainder requirement)	Possible, depending on CRT design (i.e., flipcrut)	N/A	Subject to percentage of AGI Limitation; 5-year carryforward	N/A	If taxpayer is over MAGI threshold, income from CRT can be subject to 3.8% ACA tax	Current year reduction of modified AGI (MAGI) because no sale; however, future MAGI may be higher given distributions. Distributions may be included in NII depending on type of income	Trust asset illiquid to trust grantor	In general, set up, administration costs, and UBIT tax	Complex	Depends on taxpayer's situation
No tax on sale of property within CRUT (beware of prearranged sale issue)	Remainder interest is deductible (beware of 10% remainder requirement)	Possible, depending on CRT design (i.e., flipcrut)	There are 4 tiers with sub-tiers within certain tiers, (e.g., capital gains)	Subject to percentage of AGI Limitation (i.e., contribution base) depending on Donee and type of property	N/A	If taxpayer is over MAGI threshold, income from CRT can be subject to 3.8% ACA tax	Current year reduction of modified AGI (MAGI) because no sale; however, future MAGI may be higher given distributions. Distributions may be included in NII depending on type of income	Trust asset illiquid to trust grantor	In general, set up, administration costs, and UBIT tax	Complex	Depends on taxpayer's situation
Charitable Lead Trust	Decide whether a grantor or non-grantor or CLT is desirable. Grantor trust deduction limited by AGI limitations, no income tax deduction for non-grantor CLTs	Varies by underlying assets	Varies by underlying assets	N/A	N/A	Trust or grantor may be subject to NII	Increases if a grantor CLT	No	Trust set up and administration fees.	Complex	Lead payments go to charity. For grantor CLT recapture issues
Gift of RMD from IRA Directly to Charity	Qualified Charitable Distributions (QCDs) have not been extended by Congress (until extended, only valid through 12/31/2014)	N/A	QCDs are not includible in gross income	\$100,000 annually to qualified charities	N/A	N/A	Decreases to the extent of RMDs	N/A	N/A	Simple	QCDs have not been made permanent under the IRC. Client must be age 70 ½ or older, a \$100,000 annual limitation, and the distribution must be distributed directly to a qualified charity from the IRA

TAX REDUCTION / DEFERRAL / CONVERSION STRATEGIES

STRATEGY	CURRENT TAX SITUATION	TAX DEFERRED GROWTH POTENTIAL	TAX ADVANTAGED DISTRIBUTIONS	LIMITS	TAX ON EARLY WITHDRAWAL	3.8% MEDICARE TAX RESULT	EFFECT ON MAGI FOR SOCIAL SECURITY, PHASE OUTS, ETC.	LIQUIDITY	EXPENSES	COMPLEXITY	OTHER CONSIDERATIONS
1031 Exchange	In general, no gain or loss recognized except to the extent of "boot"	Gain or loss deferred until a taxable event (e.g., sale)	Cash flow may be advantaged depending on type of property	N/A	N/A	Taxable income may be included in NII	May increase by taxable income	Varies based on the asset	Internal expenses can be significant	Certain programs may require accredited investor status	Depends on taxpayer's situation and property must be of a like-kind and excludes certain assets (e.g., partnership interests)
1035 Exchange	In general, no gain or loss recognized except to the extent of "boot"	Gain or loss deferred until a taxable event (e.g., sale)	Maybe if life insurance (MEC issues), depends if annuity	N/A	Yes, if annuity or MEC or certain universal life policies, penalties are possible (e.g., non-annuitized distributions under age 59 1/2)*	Taxable income may be included in NII	May increase by taxable income	Yes (subject to surrender period charges)	In general, none on the exchange	Simple	MEC considerations and IRC restrictions (e.g., no annuity for a life contract)
Gift of Appreciated Assets to Children	Tax brackets of children, Kiddie tax, etc.	Depends on assets	Depends on assets	N/A	N/A	Taxable income may be included in NII until after year of gift	Decreases after year of gift	Varies based on the asset	N/A	Medium	Loss of asset and income to donor
529 Plans	Distributions from qualified tuition programs ("QTPs" or "Section 529 plans") are excludable from income to the extent distributions are used for qualified higher education expenses	Yes	Yes, may be income tax-free if used for qualified higher education expenses	N/A	A 10% penalty and income taxation for distributions not used for qualified higher education expenses	N/A, if the distributions are excludible from income	N/A, if the distributions are excludible from income	Varies based on assets	Plan and fund based	Simple	Gift tax issues, annual exclusion gifts (including a 5-year election to front load) are available A 529 plan won't be treated as a QTP unless it provides safeguards to prevent contributions in excess of those necessary for the qualified higher education expenses of the beneficiary
Asset Location	Coordination of account registration type (qualified vs. non-qualified) with an investment's taxation (e.g., ordinary income vs. capital gain)	Possible in certain accounts and investments	Varies by account type and investment	May or may not be applicable	Varies by type of account (e.g., qualified)*	Taxable income may be included in NII	Increases to the extent of dividends and CG when distributed or upon sale from NQ assets	Yes	Varies by investments and account type	Medium	Strategy to align investment tax characteristics with account tax envelope to optimize after-tax wealth
NUA Strategy	Ordinary income may be converted to CG	Deferral of Net Unrealized Appreciation until stock is sold	Capital gain treatment	N/A	Possible for basis taxation when employer securities are distributed from the plan	Taxable income may be included in NII	Increases to the extent of ordinary income, dividends and CG when distributed or upon sale	Varies by security	Broker expenses	Medium	It's important that the client coordinate with his/her CPA, plan administrator and financial advisor
Tax Loss Harvesting	Offset capital gains w/ capital losses	Possible	N/A	N/A	N/A	May decrease to the extent losses offset capital gains	No taxation on capital losses offsetting capital gains, gains offset by losses reduce modified AGI (MAGI)	Varies based on the asset	Cost of trading and planning for harvesting	Medium	Harvest losses annually as they occur
Buy and Hold / Growth Strategy	N/A	Yes, until sold or taxable dividend received	Preferential treatment of Qualified Dividends	N/A	N/A	Taxable income may be included in NII	Increases to the extent of dividends and CG when distributed or upon sale	Yes	Varies by investment	Simple	

* Early withdrawal penalty is waived for certain situations, which may include financial or medical hardship, first time home buyer, higher education or substantially equal periodic withdrawals (72(t) allowance) depending on the type of asset.

This information provided is from sources deemed to be reliable and is provided solely for general informational purposes. You may want to consult a legal or tax advisor regarding this information as it relates to your personal circumstances. Neither Lincoln Financial Advisors nor its representatives offer legal or tax advice.

PRODUCT OPTIONS

PRODUCT	CURRENT TAX SITUATION	TAX DEFERRED GROWTH POTENTIAL	TAX ADVANTAGED DISTRIBUTIONS	LIMITS	TAX ON EARLY WITHDRAWAL	3.8% MEDICARE TAX RESULT	EFFECT ON MAGI FOR SOCIAL SECURITY, PHASE OUTS, ETC.	LIQUIDITY	EXPENSES	COMPLEXITY	OTHER CONSIDERATIONS
Rental Real Estate	Taxable income (loss) may be subject to the passive loss rules under IRC section 469 and/or the at-risk rules	On appreciation	Maybe if depreciation	N/A	N/A	Rental income may be included in NII	Increases to the extent of taxable income; decreases to the extent of loss recognized	Varies based on the asset	Could be significant depending on vendor	Medium	
Oil & Gas – Income	Depending on the particular situation IDC and income (or losses) may be allowable. Passive loss rule for non-working interests	N/A	Usually from depletion	N/A	N/A	Taxable income may be included in NII	Increases to the extent of taxable income; decreases to the extent of loss recognized	Limited	Could be significant depending on vendor	Accredited investor	Depends on taxpayer's situation
Oil & Gas – Exploration	Depending on the particular situation IDC and income (or losses) may be allowable. Passive loss rule for non-working interests	N/A	Usually from depletion	N/A	N/A	Taxable income may be included in NII	Increases to the extent of taxable income; decreases to the extent of loss recognized	Very limited	Could be significant depending on vendor	Accredited investor	Depends on taxpayer's situation
Equipment Leasing	Given depreciation benefits, investors may defer taxation to a later date in the program. Passive loss rule applicable	On appreciation	Maybe if depreciation	Program limitations	N/A	Taxable income may be included in NII	Increases to the extent of taxable income; decreases to the extent of loss recognized	Very limited	Could be significant depending on vendor	Accredited investor	Depends on taxpayer's situation
Tax-Free Municipal Bonds	Municipal bond interest is not subject to regular income taxation. Bond appreciation may be subject to income taxation	N/A	Interest not subject to regular income tax	N/A	N/A	N/A	N/A	Generally liquid; pricing may vary due to market conditions	Varies by broker	Medium	Private activity bond interest may be subject to the AMT

PRODUCT OPTIONS *(continued)*

PRODUCT	CURRENT TAX SITUATION	TAX DEFERRED GROWTH POTENTIAL	TAX ADVANTAGED DISTRIBUTIONS	LIMITS	TAX ON EARLY WITHDRAWAL	3.8% MEDICARE TAX RESULT	EFFECT ON MAGI FOR SOCIAL SECURITY, PHASE OUTS, ETC.	LIQUIDITY	EXPENSES	COMPLEXITY	OTHER CONSIDERATIONS
Tax Efficient Mutual Funds / Index-Based ETFs	Typically the fund manager will operate the fund, to reduce overall income taxation, taking into consideration the tax effects of his investment decisions	To the extent possible	Depends on fund income and gains	Fund based limitations	Fund based	Taxable income may be included in NII	Increases to the extent of taxable income; decreases to the extent of loss recognized	Varies based on the fund and its assets	Varies by fund	Simple	Depends on taxpayer's situation
Annuities – Non Qualified	Non-deductible payments	Yes (beware of the non-natural person issue)	Yes, on annuitized payments	No	10% penalty before age 59 1/2* on annuity income	Taxable annuity income may be included in NII tax	Increases based on taxable portion of distributions	After Surrender period	Varies by investments and annuity	Medium	Non-annuitized withdrawal features are fully taxable to the extent of gains
Life Insurance	Non-deductible premiums, note there may be transfer for value issues, and IRC section 101(j) issues. Assuming the above issues are dealt with the death benefit should be income tax-free	Yes	Yes, loans and withdrawals up to basis on a non MEC policy Loans and withdrawals may reduce policy's cash surrender value and death benefit.	No, subject to financial and medical underwriting limits	Yes, if a MEC	Taxable income may be included in NII	May increase by taxable income	Yes, but may affect policy values and guarantees. There may be surrender charges too	Mortality & Morbidity, varies by type	Medium	No tax advantaged distributions in the early years of certain universal life policies Certain universal life policies will incur early withdrawal penalties (e.g. non-annuitized distributions under age 59 1/2)
Life Insurance – Private Placement	Non-deductible contributions, note there may be transfer for value issues, and IRC section 101(j) issues. Assuming the above issues are dealt with the death benefit should be tax-free	Yes	Yes, loans and withdrawals up to basis on a non MEC policy Loans and withdrawals may reduce policy's cash surrender value and death benefit.	No, subject to financial and medical underwriting limits	Yes, if a MEC	Taxable income may be included in NII	May increase by taxable income	Yes, but may affect policy values and guarantees. There may be surrender charges too	Mortality & Morbidity, varies by type	Complex	Investment choices and management fees No tax advantaged distributions in the early years of certain universal life policies Certain universal life policies will incur early withdrawal penalties (e.g. non-annuitized distributions under age 59 1/2)
Passive Income / Loss (PIG-PAL)	Passive losses may be offset by passive gain. Passive losses available if a sale or exchange to an unrelated party in a fully taxable transaction.	Available	N/A	None	N/A	Taxable income may be included in NII	May increase or decrease by taxable income or allowable losses	Varies based on the asset	Investment choices and management fees vary based on the asset	Complex	Depends on taxpayer's situation

* Early withdrawal penalty is waived for certain situations, which may include financial or medical hardship, first time home buyer, higher education or substantially equal periodic withdrawals (72(t) allowance) depending on the type of asset.

STRUCTURED TAX DEFERRAL

ASSET	CURRENT TAX SITUATION	TAX DEFERRED GROWTH POTENTIAL	TAX ADVANTAGED DISTRIBUTIONS	LIMITS	TAX ON EARLY WITHDRAWAL	3.8% MEDICARE TAX RESULT	EFFECT ON MAGI FOR SOCIAL SECURITY, PHASE OUTS, ETC.	LIQUIDITY	EXPENSES	COMPLEXITY	OTHER CONSIDERATIONS
Qualified Plan	Pre-tax or after-tax (e.g., Roth) contributions	Yes	Yes, depending on type of distribution (e.g., NUA, after-tax income, or ordinary income)	Yes, adjusted for inflation	10% penalty before age 59 1/2*; other exceptions may apply	No	Increases based on taxable portion of distributions	Yes, subject to limitations on pre-age 59 1/2 distributions	Varies by investment and plan	May be simple for participant, can be complex for sponsor	
IRA	Tax deductible contributions below specified AGI	Yes	Yes, to the extent of after-tax contributions	Yes, adjusted for inflation	10% penalty before age 59 1/2*; other exceptions may apply	No	Increases based on taxable portion of distributions	Yes, subject to limitations on pre-age 59 1/2 distributions	Varies by investment and custodian	Simple	
ROTH IRA	Non-deductible contributions permitted if below phase-out threshold	Yes	Yes, tax-free	Contributions adjusted for inflation; NO contribution above specified AGI threshold	Special taxation	No	Increases based on taxable portion of distributions	Yes, subject to limitations on pre-age 59 1/2 distributions	Varies by investment and custodian	Simple	
ROTH Recharacterization	Can lower ordinary income tax if asset values drop	Yes	No	IRC	Traditional IRA limitations	No	Increases to the extent there is income inclusion	Yes, subject to limitations on pre-age 59 1/2 distributions	Varies by investment and custodian	Medium	Segregated accounts for equities and fixed income
IRA Non-deductible	Contributions are non-deductible and are considered basis in the IRA	Yes	Non-deductible contributions are not taxable when distributed	Yes, adjusted for inflation	10% penalty before age 59 1/2* for amounts includible in income; other exceptions may apply	No	Increases based on taxable portion of distributions	Yes, subject to limitations on pre-age 59 1/2 distributions	Varies by investment and custodian	Simple	
Non-Qualified Deferred Comp	Pre-tax contributions or employer pay all	Yes, if IRC requirements satisfied	No, subject to ordinary income taxes	Subject to overall reasonable compensation limits	Possible if violates IRC section 409A requirements	Increases AGI	Increases based on taxable portion of distributions	Limited	Varies by investments and plan	Medium	

* Early withdrawal penalty is waived for certain situations, which may include financial or medical hardship, first time home buyer, higher education or substantially equal periodic withdrawals (72(t) allowance) depending on the type of asset.

Advice & Solutions

Lincoln Financial Group provides advice and solutions that help empower Americans to take charge of their financial lives with confidence and optimism. Today, more than 17 million customers trust our retirement, insurance and wealth protection expertise to help address their lifestyle, savings and income goals, as well as to guard against long-term care expenses.

©2015 Lincoln National Corporation

www.lincolnfinancial.com.

Securities and investment advisory services offered through Lincoln Financial Advisors Corp., a broker-dealer (member SIPC) and registered investment advisor. Insurance offered through Lincoln affiliates and other fine companies.

In MI, securities and investment advisory services offered through Lincoln Financial Advisors Corp. a broker-dealer, registered investment advisor and an insurance agency.

In CA, insurance offered through Lincoln Marketing and Insurance Agency, LLC and Lincoln Associates Insurance Agency, Inc. and other fine companies.

In UT, LFA Insurance Agency. Insurance offered through Lincoln affiliates and other fine companies.

In WA, insurance offered through Lincoln Financial Advisors Corp. and LFA Limited Liability Company and other fine companies.

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

CRN-1104887-012215

1/15