FOR LIFE

Wealth transfer and estate planning for changing times

Client Guide

Hello future.®

2048879

WE BELIEVE...

LINCOLN FOR LIFE

You have the power to make the most of the assets you've accumulated.

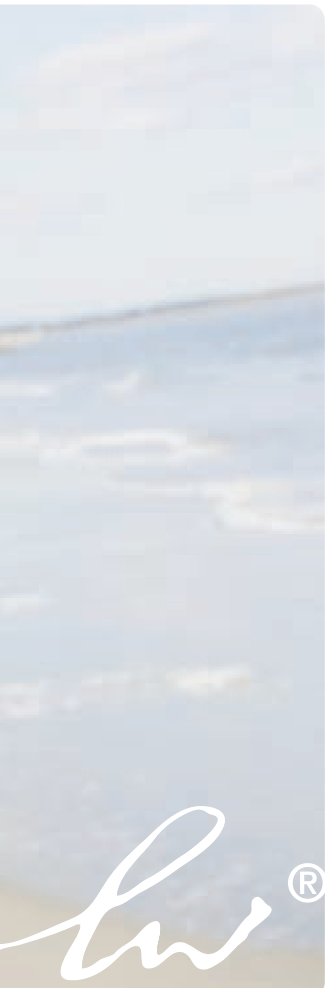
You have the right to decide how your assets are used, today and tomorrow.

You can protect many of those assets from taxes and probate.

You deserve an estate plan that changes as your life, the economy, and taxes change.

PREPARE AND BE MORE CONFIDENT

Being prepared often enables us to look ahead, see our objectives more clearly, and plan accordingly. Most of us understand the importance of planning—whether it's saving, investing, or managing retirement income.



Estate planning is essential to ensure that your assets are utilized and distributed according to your goals and objectives. Having an estate plan in place can help you:

- Control the distribution of your assets
- Minimize expenses, taxes and probate costs
- Potentially disperse more money to those individuals and organizations that are most important to you
- Feel more confident about the future, knowing that you have taken steps to plan ahead

Together with your advisor, you can develop a comprehensive strategy that helps protect what you have accumulated while putting plans in place for tomorrow.

Get help from the professionals

Estate planning is often viewed as overwhelming, as it involves two decidedly unpopular topics of conversation—death and taxes. The simple fact of the matter is that without proper estate planning, your estate may not be distributed how you want. Tax regulations, including many estate tax laws, are complicated and forever changing. Financial professionals stay current on changing regulations; they can help guide you through the process and may partner with an attorney to create an estate plan that works for you.

Tax laws, including the myriad that impact estate planning, are continually changing. This guide from Lincoln Financial Group is designed to help you explore some of your estate planning options and help you to be better prepared for the future.

EFFICIENT ESTATE PLANS INCLUDE STRATEGIES TO MATCH YOUR OBJECTIVES

Wills

A will may be the single most important piece of your estate plan, because it designates how your assets will be distributed. A properly structured will is the cornerstone of an effective estate plan and enables you to:

- Transfer assets to beneficiaries or a trust
- Appoint an executor to manage the administration and distribution of your assets
- Establish a trust for the benefit of others, if desired
- Name a guardian for minors, if needed

Dying without a will, or "intestate," deprives you of the power to designate how your estate will be distributed. This can become costly to your heirs.

Durable power of attorney and healthcare directive

These are documents that enable you to name someone to act on your behalf, make decisions for you, and implement your plan if you become unable to act on your own behalf. A healthcare directive is intended specifically for healthcare decisions.

Trusts

A trust is a legal arrangement within which you (the "grantor") can place specific parameters on how certain assets are distributed. A trustee is appointed to manage and control property according to your written directions for the benefit of a beneficiary.

About trusts

A **revocable trust** has terms that can be changed by the trust's grantor. They can be used to avoid probate expenses but not estate taxes. In many cases, revocable trusts are set up to become irrevocable upon the death of the grantor. An **irrevocable trust** cannot be changed and is often used to remove assets from a person's estate. This can help to reduce estate taxes.

Different types of trusts offer different benefits

- A **general power of appointment marital trust**, also referred to as an "A trust," provides the surviving spouse with income, access to principal, and the power to remove assets or select beneficiaries upon their death.
- A **qualified terminable interest property trust**, or QTIP marital trust, provides support for the surviving spouse during their lifetime but allows the grantor to designate the trust's ultimate beneficiaries. Upon the death of the surviving spouse, this trust is distributed according to the trust terms.
- A **family trust** (credit shelter trust, "B trust," bypass trust or unified credit trust) is used to take advantage of the estate tax exclusion amount and allows assets to pass tax-free to beneficiaries. A family trust can be a source of income for a surviving spouse.
- A **dynasty trust**, also called a generation-skipping trust, provides income for many generations while avoiding transfer taxes. The trust can be funded with gifts or bequests, and life insurance is often used to fund the trust over successive generations.
- An **irrevocable life insurance trust (ILIT)** offers a way to exclude life insurance proceeds from estate taxation. This is an especially powerful estate tax saving tool for those with large life insurance policies and high net worth.

Gifts to reduce taxes

Gifts made during your lifetime are ways to remove assets from your taxable estate. The annual gift tax exclusion allows you to give up to $13,000 (2011 and 2012) to family and friends each year ($26,000 for married couples) without triggering the gift tax. Due to the uncertainty of estate and gift taxes in the future, gifting should be pursued only with sound legal and tax counsel.

Life insurance

A life insurance policy can provide benefits needed at the time of a death to cover expenses or provide income for survivors. Proceeds from life insurance may not be subject to probate expenses and are generally not subject to federal income tax. If properly structured, benefits are exempt from estate taxes.

CREATING YOUR OWN ESTATE PLAN

Tax laws are continually changing, but you can create an effective estate plan to be prepared for the future. Be sure to work closely with your financial advisor and any other professionals, such as your accountant and/or attorney, to create the most comprehensive plan.

1

Establish your goals

Consider what your intentions are for your assets and have a clear understanding of:

- Who should receive them
- How they should be disbursed
- When they are to be distributed

Be mindful of any special considerations, such as any income needs, whether you own a business, the types of assets that will be distributed, or any gifting plan already in effect.

2

Take an inventory

Document all of your assets, and be sure to create a comprehensive list, including anything that you own or have a financial share in (jointly own):

- Securities
- Life insurance benefits
- Retirement plans and benefits
- Real estate
- Business interests
- Personal items, such as automobiles, jewelry and collectibles

Identify any potential risks within your estate, such as the maturity and capabilities of the beneficiaries, and divorce.

3

Plan for tax efficiency

The applicable exemption amount is $5 million. This means that the first $5 million of your estate value is exempt from an estate tax payment. If your estate is worth more than $5 million, consider tools such as trusts to help protect your assets from estate taxes.

Increase your legacy

If you are facing possible estate tax issues (i.e., if your estate is larger than the exemption amount), there are a number of steps you can take to reduce your estate tax bill.

Gifting strategies, during your lifetime, can help remove assets from your estate and lower your overall estate value. This may help to reduce your estate tax liability.

The marital deduction allows you to make unlimited gifts to your spouse, during your lifetime or upon your death, without federal estate tax.

4

Bill and Paula

Bill and Paula are a married couple with an estate valued at $3,000,000

They are in their mid-sixties and their estate is still growing. Since it is uncertain what the value of the estate will be when they pass, some planning would be beneficial.

Bill and Paula decide to establish an irrevocable life insurance trust (ILIT). They each gift $13,000 into the trust each year ($26,000 annually). The ILIT then purchases a life insurance policy on Bill and Paula, and the gifts are used to pay the premiums. At the time of death, the death benefit from the life insurance is outside of the estate and can pass to their beneficiaries estate tax free. The gifts paid annually to the trust also reduce the size of the estate and may help minimize any additional estate taxes.

5

Document and continually review your plan

Take advantage of the expertise of your financial advisor and other estate planning professionals. Set up and properly structure your will and the rest of your estate plan to ensure that your legacy unfolds as you intend. Your estate planning experts should stay abreast of tax law changes and developments, so reviewing your plan on a regular basis is essential.

The power of being prepared

Estate planning is an essential part of successful financial planning. With the uncertainty surrounding changing tax regulations, having an estate plan—one that is flexible enough to change with your needs and any new tax laws—can help you face your future with more confidence.

Now is the time to begin. Let’s get started today.

Lincoln Financial Group℠

HELPING PEOPLE FACE THE FUTURE WITH CONFIDENCE

At Lincoln Financial Group, we've spent more than 100 years living up to the character of our namesake: integrity, honesty, and the belief in a better tomorrow. We provide advice and solutions to help people save for tomorrow, secure and maximize their income, protect themselves and their loved ones, and prepare for the unexpected.

Hello future.®

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