Get ready for a tax-efficient retirement

What you can do today to help protect your retirement income

CLIENT GUIDE

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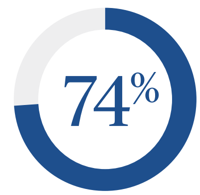
Make retirement less taxing

As you plant the seeds for your retirement, now is the time to consider how taxes will affect you when you begin spending your savings. Often, you're tending to products that could not only raise your taxes in retirement, but erode your retirement income. The good news is that you can make solid decisions now to benefit you in the future. As you grow your retirement portfolio, consider adding more tax-efficient assets, like a life insurance policy that provides a valuable death benefit as well as a different layer of protection to your overall retirement portfolio.



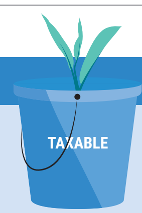
Over 74% of consumers have not talked to a financial professional about ways to minimize exposure to taxes, even though concern is high on how a change in taxes may impact retirement.[1]

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

Taxable income

Tax-deferred contributions [401(k)s, IRAs]

- **Bought with pretax dollars, so you don't pay taxes until you withdraw money**
- **Contributions to these types of plans are limited and your savings become taxable upon withdrawal**



Taxable income

Taxable investments (stocks, bonds, mutual funds)

- **Bought with after-tax dollars, which means you already paid taxes on the money you used to invest, but you will owe taxes on earnings when you withdraw**

Tax-free income[2]

Tax-advantaged investments (municipal bonds, Roth IRAs)

- **Bought with after-tax dollars**
- **Be aware that municipal bond earnings are calculated into your modified adjusted gross income (MAGI), which could limit Social Security and Medicare benefits**
- **Depending on your MAGI, you may not be eligible for a Roth**

See how taxes may affect your income when you retire

Before age 59½
You pay ordinary income tax and a 10% penalty.[4]

After age 59½
Your tax-deferred assets become taxable when withdrawn.

At age 62
85% of your Social Security benefits are taxed if you have too much MAGI.[5]

At age 65
Your Medicare Part B costs could increase to $433.40/month if you have too much MAGI.[6]

At age 72
You must take required minimum distributions, from tax-deferred assets, which adds to your tax exposure.

[1] Lincoln Financial, Monthly Consumer Sentiment Tracker, Dec. 2020.

[2] Income tax-free subject to certain requirements. Could affect modified adjusted gross income.

[3] Income tax-free loans and withdrawals will reduce the policy's cash value and death benefit. See the following page for important information regarding loans and withdrawals.

Keep more of what you earned

Talk with a financial professional about creating a diversified retirement portfolio that balances the limitations and benefits of different financial assets. Your tax-deferred investment withdrawals, for example, will become taxable income. Add that income to any withdrawals on your stocks, bonds or mutual funds, and you could have a higher-than-anticipated tax bill. Including tax-advantaged products like cash value life insurance can be key to a smaller tax bill later in life.

Income tax-free financial resource[3]

Life insurance
(Tax-advantaged)

- **Your potential savings accumulate on a tax-deferred basis**
- **You can have a tax-efficient financial resource for retirement[2]**
- **No IRS income limits**

Adding cash value life insurance to your portfolio can help protect your savings and provide:

- An income tax-free death benefit for your beneficiaries
- Tax-deferred growth opportunities
- An income tax-free financial resource for retirement[2]
- No penalties for cash values taken before age 59½

No matter when you retire, you can take income through policy loans and withdrawals without affecting your income tax bracket, Medicare premiums, Social Security tax, capital gains and MAGI.

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

Before age 59½
You have income tax-free distributions without penalties.[3]

After age 59½
You could access income tax-free funds.[3]

At age 62
There's no effect on your Social Security benefits.

At age 65
There's no effect on Medicare Part B premiums.

At age 72
You are not required to take minimum distributions.

[4] The 10% penalty is applicable for withdrawals from qualified plan and IRA accounts before age 59½.

[5] Individuals with MAGI above $34,000; $44,000 filing jointly.

[6] Individuals with MAGI above $160,000; $320,000 filing jointly.

Start planning now to help protect your retirement income from taxes.

2021 tax rates	If your taxable income is over		
Tax provision	**Single filers**	**Joint filers**	**2022 top tax rate**
Income tax	$539,900	$647,850	37%
Medicare payroll tax: additional tax on unearned income	$200,000	$250,000	1.45%
Capital gains tax: long-term capital gains and qualified dividends	$459,750	$517,200	20%
Unearned income Medicare contribution tax (UIMCT): applies to realized investment income and gains	$200,000	$250,000	3.8%
Itemized deductions: reduces Schedule A deductions by up to 80%	Suspended until January 1, 2026		
Personal exemptions: phaseout $4,150/personal tax exemption	Suspended until January 1, 2026		
Child tax credit	$2,000	$2,000	Phaseout begins at $200,000 for single taxpayer and $400,000 for married filing jointly
Social Security benefits	$34,000	$44,000	Up to 85% is treated as ordinary income

Sources: https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2022. All tax November 2021 information is from the Internal Revenue Service, current as of January 2021 and can be accessed at IRS.gov.

Your Medicare premiums

Medicare premiums are also affected by the amount of income you have. As your income increases, so do those premiums. Premiums can increase to $544.30 per month for single filers with income over $170,000, or for joint filers with income over $340,000. This amount is $578.30 for single taxpayers with income above $500,000, or for joint filers with income above $750,000.

Ask a financial professional how Lincoln cash value life insurance could enhance your retirement strategy.

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