FOR INCOME

Lincoln ChoicePlus Assurance℠ **variable annuity**

Create a balanced income strategy

Find a way to maximize your income with Lincoln ChoicePlus Assurance℠ variable annuities and *i4LIFE*® Advantage

Client Guide

Hello future.®

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

Not a deposit	Not FDIC-insured	May go down in value
Not insured by any federal government agency		
Not guaranteed by any bank or savings association		

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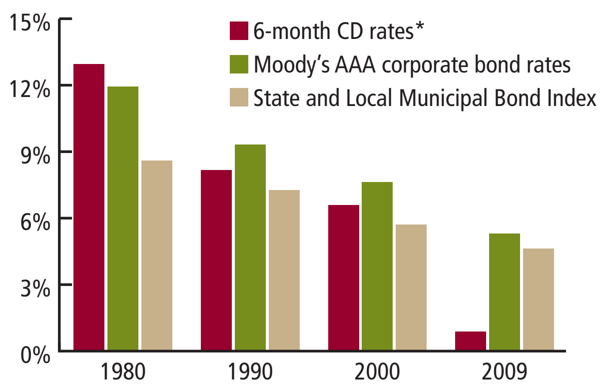
Balancing stability and growth potential

Fixed income investments are one of the staples of a diversified investment portfolio, but the security we once saw in them has dwindled — especially for retirees who may not have appropriately diversified portfolios.



Rates for fixed income investments are currently at their lowest point in a generation, and their long-term trend is likely up.

This might seem like a good thing, and it will be for future retirees. But, it presents a challenge for those taking income today. CDs don't pay much, and if tomorrow's bonds pay more, that means today's bonds may be facing a long-term bear market. If you're currently invested heavily in fixed income investments and seek some additional diversification or market exposure, consider your options.

Source: Federal Reserve Statistical Release, March 10, 2010.

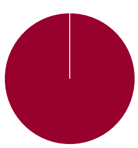
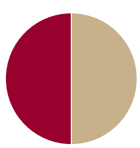
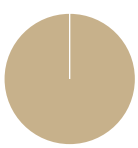
* Certificates of deposit (CDs) are FDIC-insured savings products and not subject to loss of principal.

Many retirees depend on the steady income stream that fixed income investments provide. But some investors, in an attempt to flee the recent volatility of the stock market, may have overweighted their portfolios with fixed income investments, which they perceive as more stable — but that doesn't mean they're always safer investments.

Diversification is key

Research has estimated that asset allocation accounts for 91.5% of returns over time.1 Although diversifying your investments cannot guarantee profits or protection against loss, it is generally accepted as a good way to help minimize overall risk in your portfolio by lessening the effect of market downturns (or interest rate upturns).

Diversification is particularly crucial when you are taking income. As you can see from this chart, those who are too heavily invested in lower-risk investments run a much higher risk of not earning enough income to last through their retirement. On the other hand, too much volatility can impact a portfolio as well — it can be a tough balancing act.

Probability of your income lasting through a 25-year retirement			
	Portfolio allocation (■ % bonds, ■ % stocks)		
Withdrawal rate	 100% bonds	 50% bonds/ 50% stocks	 100% stocks
4%	85%	96%	90%
5%	34%	81%	78%
6%	4%	54%	64%

This hypothetical illustration is based on a parametric simulation that estimates the range of possible outcomes based on a set of assumptions including arithmetic mean (return), standard deviation (risk) and correlation for a set of asset classes. The inputs used are historical 1926–2009 figures. It is assumed that a person retires at year zero and withdraws an inflation-adjusted percentage of the initial portfolio wealth each year beginning in year one. Annual investment expenses were assumed to be 0.88% for stock mutual funds and 0.74% for bond mutual funds.

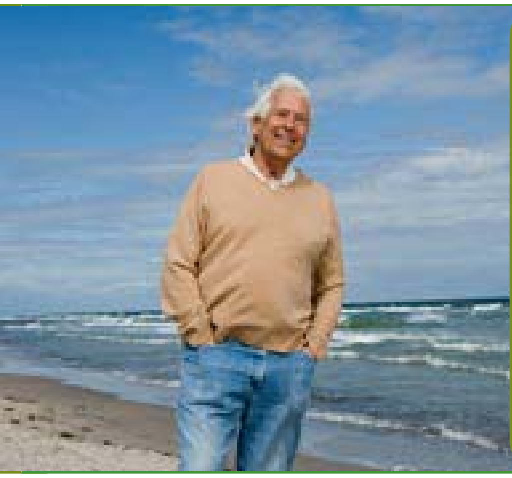
Stocks in this example are represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Bonds are represented by the five-year U.S. government bond, inflation by the Consumer Price Index, and mutual fund expenses by Morningstar. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes. Past performance is not indicative of future results.

As the chart indicates, even the "safest" portfolio mix and annual withdrawal rate leaves room for doubt — and unfortunately, only time can tell if you've made the best decisions. Perhaps a guarantee for a portion of your income may be useful.

[1]Ibbotson Associates, 2010.

Guarantees can help

Hypothetical case study: Using *i4LIFE* to create a lifetime income while diversifying an investment portfolio.



Ken Bonds

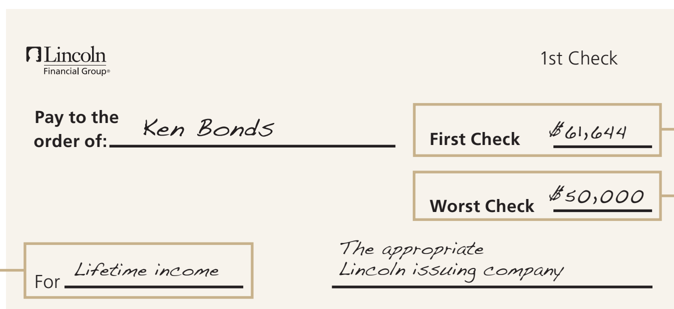
- Ken Bonds, age 70, recently had $1 million of his $3 million portfolio of long-term maturity bonds called.
- He was concerned about reinvesting this money in fixed income because current bond rates are so low.
- He realized that diversifying his portfolio into the equities market could provide opportunities for growth, but he also wanted to protect his income from volatility while keeping pace with inflation.

With guidance from his financial advisor, Ken used the $1 million of nonqualified money to purchase a *Lincoln ChoicePlus Assurance*℠ variable annuity with *i4LIFE*® Advantage and the Guaranteed Income Benefit (GIB).

Lifetime income: Payments will continue for the rest of Ken's life —guaranteed.

Flexibility: Because Ken retains control of his assets, he can make additional withdrawals.[1]

Death benefit: Ken's beneficiaries can receive a death benefit.[1]



Growth potential: Payments can grow based on Ken's investment results.

Tax efficiency: $45,000 (73%) of the first payment represents the nontaxable return of principal.

Downside protection: With the GIB, Ken will always receive a guaranteed minimum payment.

Taking a closer look

Ken's first-year income after taxes: **$55,819**

Equivalent return needed from a fully taxable investment: **8.59%**

Ken's guaranteed floor after taxes: **$48,250**

Equivalent return needed to match floor: **7.42%**

Assuming a 35% tax bracket. This example does not illustrate a specific investment.

Ken's total after-tax *i4LIFE*® Advantage income of $55,819 for the first year was equal to the after-tax income of a taxable investment returning 8.59%.

i4LIFE with the GIB is available for an additional annual charge of 1.05% above standard contract expenses for single life, or 1.25% for joint life (2.00% maximum annual charge). After the Access Period ends, payments will continue on a lifetime basis, but you will no longer have access to your assets or a death benefit. The tax-exclusion amount varies by age and only applies until the original cost basis in the contract has been recovered. Guarantees, including those for optional benefits, are backed by the claims-paying ability of the appropriate issuing company.

This example is for illustrative purposes only and does not represent an actual investment.

[1] Available during the Access Period. Additional withdrawals reduce the cost basis, account value, death benefit and income payments proportionately, and are subject to ordinary income tax to the extent of the gain.

At certain broker/dealers, annuitization for nonqualified and standalone qualified contracts must occur by the annuitant's age 95.

Understand your investments

No matter what you choose to do with your money, you cannot completely avoid risk, but you can take a thoughtful approach to it. You should consider investments that are suitable for you and make decisions based on your needs and risk tolerance.

Below is a comparison between two different types of investments: bonds (fixed income) and variable annuities (variable income). Please note that CDs are also a popular type of fixed income investment, but they are not discussed here because, unlike bonds, there is less chance that they would be locked into maturity periods spanning decades.

What's the difference?

	Bonds	Variable annuities
What are they?	Short-, medium, or long-term investment products designed to provide regular fixed income	Long-term investment products designed for retirement savings; they are essentially insurance contracts with an investment component.
What are the charges?	Bondholders will generally pay transaction charges.	Products may have investment management fees; mortality and expense charges; charges for optional guarantee features; administrative, advisory or annual fees; or surrender or sales charges.
What are the risks?	• Interest rate risk — Rising rates make it difficult to sell existing bonds; falling rates make it difficult to replace income. • Inflation risk — Because a bond's income payments are fixed, it loses value when inflation occurs. • Default risk Bond quality ratings are based on the financial stability of the issuer.	• Market volatility risk (based on the investment options chosen) • Possible loss of principal Guarantees and contractual obligations are backed by the claims-paying ability of the appropriate issuing company.
How are they taxed?	• Interest is generally taxed as ordinary income when payments are received. • Capital gains taxes may be due. • No federal tax is due on municipal bond income. • No state or local tax is due on government bond income. • There are no age restrictions for taking income.	• Growth within the contract accumulates tax-deferred. • A substantial portion of lifetime income isn't taxed until the principal is returned. • Earnings are taxed as ordinary income when withdrawals are made. • Withdrawals taken prior to age 59½ may be subject to a 10% federal tax penalty.
What else do they offer?	• Return principal at maturity	• Lifetime guarantees • Death benefits • Diversification opportunities

***Lincoln ChoicePlus Assurance*[SM] variable annuities are long-term investment products designed for retirement savings. They offer:**

- **Tax-deferred growth**—Earnings aren't taxed until withdrawals are made, allowing for greater growth potential.
- **Lifetime income**—There are several options for receiving an income stream for life.
- **Optional protection features**—For an additional charge, you can elect optional features that can help protect your minimum future income and ensure growth.
- **Flexibility**—You can meet your individual needs by customizing your contract through investment allocation, withdrawal option, and addition or cancellation of optional features.
- **Death benefits**—Your savings can be transferred to beneficiaries.

Although diversification cannot guarantee a profit or protect against loss, it is generally accepted as a good way to help minimize overall risk in your portfolio.

Checklist for your retirement income strategy:

- ❑ Are my assets appropriately diversified?
- ❑ Can I benefit from lifetime income guarantees?
- ❑ How am I protected during market downturns?
- ❑ Do I have the opportunity to keep pace with inflation?
- ❑ Do I have access to highly regarded investment managers?
- ❑ Does my strategy offer tax advantages?
- ❑ How flexible is my strategy? Can I tailor it as my needs change?

Lincoln Financial Group℠

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There is no additional tax-deferral benefit for an annuity contract purchased in an IRA or other tax-qualified plan.

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