In keeping with Lincoln Financial Group’s strong commitment to exemplary market conduct practices, we have developed suitability guidelines designed to identify and encourage appropriate sales and replacements of fixed annuity products. This agent guide serves to help you understand roles and responsibilities as well as who might be a good candidate for a fixed annuity sale.

What are your responsibilities?

Agents/representatives must have reasonable grounds for making suitable recommendations for their clients based on the information obtained from the client. A reasonable effort should be made to obtain the following information in order to make a suitable recommendation:

- The client’s financial information (at a minimum, obtain client’s liquid asset amount)
- The client’s premium to liquid asset percentage
- The client’s tax status
- The client’s financial objectives
- The client’s risk tolerance
- The client’s source of funds
- If a replacement product is involved, get the specifics regarding the product(s) being replaced.
- The client’s time horizon
- The client’s anticipated distributions
- The client’s financial experience

Any other information used or considered to be reasonable by the producer in making a recommendation

Once you gather and analyze this information, you must determine if the purchase or replacement of a fixed annuity meets the client’s financial objectives. Ultimately, you must depend on your best judgment—if you determine that the purchase or replacement of a fixed annuity would not help the client meet their insurance needs and financial objectives, the product should not be recommended.

Consider the following

There is no set rule that can be applied for every sale, as each client has unique circumstances. Consider the following questions for each client to establish the suitability of a recommendation:

- What is the client’s main concern regarding their current financial position?
- Why isn’t the client’s current financial plan meeting his/her insurance needs and financial objectives?
- How will the purchase and/or replacement of a fixed annuity help the client meet their insurance needs and financial objectives?
- Will there be any adverse tax consequences to the client when making this transaction?
- If the client were a close friend or relative with similar insurance needs and financial objectives, would you agree that the recommendation is suitable?
If your recommendation involves the replacement of another annuity or life insurance product, review Lincoln's Appropriateness of Replacements Position Statement. Ensure that the client understands the advantages and disadvantages involved with the replacement. A few questions to ask when recommending a replacement:

- If the source of funds is an annuity, is the minimum guaranteed interest rate greater than the proposed contracts?
- Will any surrender charges or penalties apply? If yes, is the amount greater than 3% of the account value or greater than $5,000?
- Was any contract or policy surrendered in the past 36 months (or longer, depending on the state)?
- Does the client’s contract have a living benefit they would be giving up? Does it have an income base greater than the account value?
- Does your current contract have a death benefit different than the account value?
- Will there be any adverse tax consequences to the client?
- Will the new product provide the client sufficient access to their liquid assets?

Lincoln will require you to submit a completed Fixed Annuity Suitability Statement for all fixed annuity sales and replacements sold in any state. Additionally, you are required to document the information provided by the client and any other pertinent communications relating to your recommendation. All such records should be maintained in either hard copy or electronic format in the event that you are requested to provide it.

In addition to the possible audit of suitability documentation, Lincoln will request an annual certification from agents, agencies, or broker/dealers who conduct their own suitability review of all fixed annuity sales and replacement recommendations.
Client profile

Once you have gathered information from your clients, you will be in a better position to determine whether or not a Lincoln fixed annuity is suitable for them. To make your sales efforts more effective, it is a good idea to first identify which of your clients may be a good prospects for the purchase of a fixed annuity.

Profile of a typical fixed annuity client
• Is focused on long-term savings goals
• Wants more predictable returns
• Seeks tax-deferred growth for their money
• Desires retirement income they cannot outlive
• Wants death benefit protection for their loved ones
• Does not want to receive 1099s every year

What are Lincoln’s responsibilities?

As listed in Lincoln’s Fixed Annuity Suitability Position Statement, we expect everyone selling our products to determine the appropriateness of each recommended fixed annuity purchase and/or replacement according to our guidelines. Before issuing a new or replacement fixed annuity contract, Lincoln must be reasonably satisfied that:

• The product meets the client’s needs and objectives.
• The client was provided with the necessary materials and information about the Lincoln contract before making a purchase decision.
• The agent/representative attempted to obtain complete and accurate information from the client to enable you to make a suitable recommendation.
• The agent/representative did not use any misleading designations when making a recommendation to the client.
• The agent/representative provided company forms to the client and to Lincoln as requested or required in connection with state laws and company policy.

Lincoln will support your efforts to make a suitable sale by:
• Actively monitoring fixed annuity sales and taking the necessary action to enforce our policies and procedures.
• Reviewing all incoming fixed annuity applications to ensure that all appropriate forms are submitted. (Applications will not be considered in good order until all appropriate forms are submitted.)
• Monitoring sales activity with respect to replacements and suitability for any trends.
• Requiring that the NAIC Buyer’s Guide is provided at solicitation.
• Annually monitoring and auditing a random selection of firms to ensure that they are complying with the suitability review requirements under state regulations and company policy.
Be your clients’ guide

Following is a summary of basic information you should gather from your clients before making any product recommendations:

**General information**
- Age
- New contract surrender charge period
- Social Security number (SSN) or tax ID number (TIN)
- Total premium/purchase payment
- Qualified/nonqualified funds

**Financial information**
- Annual income
- Source of annual income
- Combined annual household income
- Net worth
- Amount of liquid assets
- Combined household qualified funds
- Premium to liquid asset percentage
- Tax bracket
- Financial objectives
- Risk tolerance
- Source of funds
- If the source of funds is an annuity, is the minimum guaranteed interest rate greater than that of the proposed contract?
- If yes, is the amount greater than 3% of the account value or greater than $5,000?
- Is the proposed annuity contract a replacement of an existing contract?
- Was any contract surrendered within the past 36 months (or longer, depending on the state)?
- Is the client giving up a living benefit? If so, does it have an income base that is greater than the account value?
- Does the current contract have a death benefit that is different than the account value?
- Time horizon
- Anticipated distribution from annuity
- Client’s financial experience
Important items to note

Upon completion of the suitability form, the agent/representative must complete three questions regarding the advantages and disadvantages of purchasing the proposed annuity as well as the basis for the agent/representative’s recommendation to purchase the proposed annuity. “Not applicable” or “None” are not acceptable in any of the three question sections. The agent and client must both sign the suitability form.

Any changes/cross-outs/adjustments or corrections made to the suitability form must be dated and initialed by the client.

Florida regulation for paperwork: There is a 10 calendar day window to submit the Annuity Suitability Questionnaire (AN07091FL is required with all fixed, fixed indexed and immediate income annuities for Florida business) and/or the additional three forms (see below) for a replacement from the date the form was signed by the client. If not received in 10 days, the application will not be in good order and updated paperwork will be required.

If replacing existing insurance/annuities, the three additional forms required are:

1. Florida Disclosure and Comparison of Annuity Contracts Form 33503FL(f)
2. Appropriateness Verification Statement Form 33555
3. Notice to Applicant Regarding Replacement of Life Insurance [or Annuities] Form 33503FL
   External Replacements (replacing a non-Lincoln contract) or Policy Disclosure Form & Instructions Form 33503FL (b) Internal Replacements (replacing a Lincoln contract)

Make sure that you are properly licensed, appointed, and have completed any state required suitability training for the state(s) in which you are selling Fixed Annuities. Be aware that certain states require a FINRA registration (Series 6 or 7) if the client is liquidating stocks or mutual funds to fund the purchase or is replacing a variable insurance product.
This material was prepared to support the promotion and marketing of insurance products. Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives, and/or insurance agents do not provide tax, accounting, or legal advice. Any tax statements contained herein were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. Please consult your own independent advisor as to any tax, accounting, or legal statements made herein.

A fixed indexed annuity is intended for retirement or other long-term needs. It is intended for a person who has sufficient cash or other liquid assets for living expenses and other unexpected emergencies, such as medical expenses.

Lincoln fixed indexed annuities are issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., a broker/dealer. The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so. Contractual obligations are backed by the claims-paying ability of The Lincoln National Life Insurance Company.

Contracts sold in New York are issued by Lincoln Life & Annuity Company of New York, Syracuse, NY, and distributed by Lincoln Financial Distributors, Inc., a broker/dealer. Contractual obligations are backed by the claims-paying ability of Lincoln Life & Annuity Company of New York.

Contract may be referred to as “certificate” in certain states (certificate may not be available in all states). The certificate is a group annuity certificate issued under a group annuity contract issued by The Lincoln National Life Insurance Company to a group annuity trust.

The exact terms of the annuity are contained in the contracts and any attached riders, endorsements and amendments, which will control the issuing company’s contractual obligations. For more information about the annuity, please also read the Client Guide, Disclosure Statement and Facts At-A-Glance, or contact your Lincoln representative.

There is no additional tax-deferral benefit for contracts purchased in an IRA or other tax-qualified plan, since these are already afforded tax-deferred status.

Product and features are subject to state availability. Limitations and exclusions may apply.

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