Funding your future

Lincoln Covered Choice℠ 5 fixed indexed annuity

Client Guide

Lincoln Covered Choice℠ 5

Insurance products issued by:
The Lincoln National Life Insurance Company

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
Throughout our lives, we set goals to move us to the next step. Taking that first step toward retirement is no different. Whether your retirement goals include traveling, owning a beach house, antiquing, or getting serious about golf, you’ll need a plan that allows you to have the lifestyle you want.

### Know the real challenges to retirement

**Outliving your money** — One member of a 65-year-old couple today has a 50% chance of living to age 90 (Society of Actuaries, Simple Life Expectancy Calculator, www.soa.org).

**The rising costs of healthcare** — Healthcare expenses, including the high cost of long-term care, tend to rise faster than inflation.

**The impact of taxes on your retirement assets** — A solid strategy may help manage the impact of taxes on your retirement savings and income.

**Inflation eroding your retirement assets** — Based on historical average inflation rates, you will need over $90,000 in 25 years just to maintain a present-day $50,000 lifestyle (U.S. Bureau of Labor Statistics, December 2014).

**The effect of market risk on your savings** — Reacting emotionally to market swings can lead to compromising your long-term retirement security.

**Anticipating an income shortfall** — Also called an income gap, many retirees risk not having enough projected yearly income to cover expenses for all or part of retirement.
...doesn’t mean sacrificing your growth potential

You want a lifestyle you can count on in retirement—regardless of the risks you’ll face.

Balancing risk and reward

Most investors want the best opportunities for their nest egg, but it often becomes a balancing act between the security of banks and the growth potential of the markets. A fixed indexed annuity can provide some of the best features of both worlds. How does it compare with your other investments?

To help balance risk and reward, select a product that offers wealth protection combined with opportunities for growth.

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1 If you do not withdraw the premium payment or any interest from the annuity, and if you have not purchased any riders, the value of your money cannot go down. Guarantees, including those for optional features, are subject to the claims-paying ability of The Lincoln National Life Insurance Company. Limitations and conditions apply.
Increased protection with growth potential

*Lincoln Covered Choice*™ 5 is a single premium fixed indexed annuity with a five-year surrender charge schedule. It protects your principal, guarantees a fixed interest rate for the first five years and has the potential to credit your account with interest based on the performance of the S&P 500 Index.

Accumulate interest across three account buckets

Your premium can be distributed among three different interest accounts. Think of these accounts as different buckets that hold a portion of your money. There is a Fixed Account bucket, and two indexed account buckets tied to the performance of the S&P 500 Index.

As your needs change throughout the life of the contract, you also have the ability to reallocate money across the buckets at the end of each contract year.

**Guaranteed growth**

If you leave your money in a *Lincoln Covered Choice*5 contract until the end of the surrender charge period and then surrender your contract, you are guaranteed to walk away with more than the initial premium (given no withdrawals were made). This amount is known as the Guaranteed Minimum Cash Surrender Value (GMCSV).

The GMCSV is based on a guaranteed minimum rate of return. If a contract is surrendered during the surrender charge period, a Market Value Adjustment (MVA) and surrender charge will apply, but will not return less than the GMCSV. However, if the contract is surrendered after the surrender charge period, no surrender charge or MVA will apply.

**Fixed Account**

- Credits an established fixed interest rate for first five years.
- Account value grows regardless of S&P 500 Index performance.

Fixed Account interest is credited and is compounded daily. A new fixed rate is declared at the end of the first five year term and then annually and will never be less than 1%.*

Guarantees are subject to the claims-paying ability of The Lincoln National Life Insurance Company.

*Interest rates, specified rates, and indexed interest caps are declared by The Lincoln National Life Insurance Company at its discretion. Subsequent interest rates, specified rates, and indexed interest caps may be higher or lower than the initial ones and may be different from those used for new contracts.

Applicable indexed interest is credited at the end of the indexed term. Amounts withdrawn (including amounts paid as a death benefit) before the end of an indexed term will not receive indexed interest for that indexed term.

The S&P 500 Index is a price index and does not reflect dividends paid on the underlying stocks. It is not possible to invest directly in an index.
Performance Triggered Indexed Account

- If, after a one-year term, the S&P 500 Index has a positive change or remains flat, your account is credited a specified rate.
- If it’s negative, your account is credited 0%—no loss of principal, and gains from previous periods remain intact.

One-year S&P 500 Index percentage change

- Positive: Credit specified rate
- Zero: Credit specified rate
- Negative: 0% credited—no loss

Indexed interest is credited at the end of the indexed term and is compounded annually. A new specified rate is declared for each one-year indexed term and will never be less than 1.25%.*

1-Year Point-to-Point Indexed Account

- After a one-year term, the beginning and ending values of the S&P 500 Index are calculated for a percentage change.
- If the change is positive, your account earns the full percentage change up to an indexed interest cap.
- If result is zero or negative, account will be credited 0%, so there is no loss. Gains from any previous periods will remain intact.

One-year S&P 500 Index percentage change

Indexed interest is credited at the end of the indexed term and is compounded annually. A new indexed interest cap is declared for each one-year indexed term and will never be less than 2.00%.*

The Power of Zero

The indexed account buckets are able to help bridge the gap between risk and reward by providing the Power of Zero.

The Power of Zero
When the index is negative during an indexed term, the lowest your account can be credited is 0%.

Growth potential
The potential for your account to receive credit increases with positive index performance.

Gains locked in
Since the indexed accounts never earn a negative interest rate, you never have to recover from losses before seeing additional positive growth if the S&P 500 Index rebounds.
Protection in times of need

Lincoln Covered Choice™ 5 fixed indexed annuity offers benefits to help get you through uncertain times if the need should arise.

Protection for loved ones
Before a contract is annuitized, there is a death benefit that allows you to pass any remaining assets to your beneficiaries.

Guarantees for your health
If you experience qualifying medical issues, there are also nursing home and terminal illness benefits built into Lincoln Covered Choice 5 fixed indexed annuity that allow you access to your money without charge, after the first contract year.

For more information and details on these features, please read the Disclosure Statement. The Nursing Home Benefit is not available for contracts issued in the state of Massachusetts.

How many ways can you take income?

Now that you’ve worked so hard to grow and protect what’s important to you, how are you going to enjoy it? There are multiple ways to take income from a Lincoln Covered Choice 5 fixed indexed annuity.

<table>
<thead>
<tr>
<th>Withdrawal option</th>
<th>How it works</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free withdrawal amount</td>
<td>10% of accumulation value is available each contract year during the surrender charge period—without charge.</td>
</tr>
<tr>
<td>Systematic withdrawals</td>
<td>Withdrawals can be taken annually, semiannually, quarterly or monthly, and are taken from the Fixed Account first.</td>
</tr>
<tr>
<td>Annuitzation*</td>
<td>Receive tax-advanced payments for a period of time or for life. Once income is started, it cannot be stopped.</td>
</tr>
</tbody>
</table>

Market Value Adjustment

If you take more than the 10% free withdrawal amount before the end of the surrender charge period, it may be subject to a Market Value Adjustment (MVA) and surrender charges. The MVA is a positive or negative adjustment based on the current interest rate environment at the time of the surrender. The MVA does not apply to withdrawals after the surrender charge period, 10% free withdrawals, the death benefit, annuitized contracts, or contracts issued in selected states. See “Examples of Market Value Adjustment (MVA) and Surrender Charge Calculations” fact sheet for additional details.

*Annuitzation can occur after the second contract year or after the first for Florida.

Guarantees are subject to the claims-paying ability of The Lincoln National Life Insurance Company.

Withdrawals (including amounts paid as a death benefit) and any charges are deducted first from the Fixed Account. Money taken from the Fixed Account will reduce the actual amount of interest credited. After the Fixed Account is exhausted, withdrawals (including amounts paid as a death benefit) and any charges are deducted pro rata from the indexed interest accounts. Money taken from an indexed interest account will not receive any indexed interest for that indexed term.

You have the right to cancel your Lincoln Covered Choice 5 fixed indexed annuity contract within 20 days after you receive your contract (state variations apply). To cancel your contract, send a written request for cancellation to The Lincoln National Life Insurance Company Home Office. We will return your premium paid upon receipt of your written request. Canceling your contract voids it from the beginning. If you cancel your contract, you will not be permitted to purchase another Lincoln fixed annuity product for a period of six months.
When it comes to protecting and growing your retirement savings, your insurance company matters. This is especially true when you’re relying on your savings to provide a guaranteed income stream that will last for the rest of your life.

As you read more about our fixed indexed annuity and its features, keep in mind that for more than 100 years, Lincoln Financial has been positioned to help Americans secure their financial future. We are confident that our unique solutions can help put you in charge.

The Lincoln difference

We have the capability
We develop products and solutions by understanding your changing needs.

We have the commitment
Our strength as a company allows us to remain committed to the businesses we serve—well into the future.

We are consistent
Lincoln has long been distinguished by a steady approach—deliberate decisions that consider the long-term economic environment.

As president and CEO (1905–1939), Arthur Hall created the culture of honesty, integrity and respect that has shaped Lincoln Financial for more than a century.

“This history of the Lincoln Life is not so much a story of business as it is a story of the development of ethical ideals.”

—Arthur Hall, 1926
Imagine income powered by growth and protection
Are you at the stage where you need to plan for more income, but can’t afford to subject your money to the market’s ups and downs?
Fortunately, Lincoln fixed indexed annuities can help you recharge your retirement income without facing all the risks associated with the market.

An extra boost for future income
Now you have more opportunities to keep your retirement savings protected, but still capture growth potential.
Introducing Lincoln Lifetime Income Edge, an additional feature that can guarantee growth for future income—no matter how your indexed accounts perform.
You can still enjoy all the benefits of a fixed indexed annuity, plus retain access to your money.
With Lincoln Lifetime Income Edge, you can:
• Receive guaranteed growth for tomorrow’s income
• Lock in account value growth
• Get protected income for life when you’re ready to take it
Lincoln Lifetime Income Edge is available for an additional charge of 0.95% (1.50% maximum). The minimum issue age for Lincoln Lifetime Income Edge is 35, and the minimum premium required to purchase this feature is $25,000.
How growth becomes guaranteed

With Lincoln Lifetime IncomeSM Edge, you have an Income Base to provide future income payments, which will grow at a guaranteed rate each year for the earlier of 10 years or through age 85. The example below shows how your savings can grow over time.

Account value step-ups are not likely in a prolonged low interest rate environment.

This hypothetical example does not reflect a specific fixed indexed annuity contract or the fee for purchasing Lincoln Lifetime Income Edge. A new charge may apply if an account value step-up occurs after the first five years (you may opt out of this feature within 25 days if the fee increases). The 5% annual enhancement will not apply in any year where income is received through the Lifetime Benefit Amount. Actual fixed indexed annuity performance will depend on current crediting rates at time of purchase. Withdrawals of taxable amounts are subject to ordinary income tax and may be subject to an additional 10% federal tax if taken prior to age 59½.
Income generated for a lifetime

The longer you wait to take income, the greater your income payment. Your Lifetime Benefit Amount (LBA) can increase with age as well as with income bonuses. Even if your account value depletes to zero, your LBA is unaffected.

**Income Base × income factor = Lifetime Benefit Amount**

<table>
<thead>
<tr>
<th>Age bands</th>
<th>Less than 5 years</th>
<th>From 5 to 9 years 0.75% bonus</th>
<th>At least 10 years 1.25% bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>50–54</td>
<td>3.50%</td>
<td>4.25%</td>
<td>4.75%</td>
</tr>
<tr>
<td>55–59</td>
<td>4.00%</td>
<td>4.75%</td>
<td>5.25%</td>
</tr>
<tr>
<td>60–64</td>
<td>4.50%</td>
<td>5.25%</td>
<td>5.75%</td>
</tr>
<tr>
<td>65–69</td>
<td>5.00%</td>
<td>5.75%</td>
<td>6.25%</td>
</tr>
<tr>
<td>70–74</td>
<td>5.50%</td>
<td>6.25%</td>
<td>6.75%</td>
</tr>
<tr>
<td>75–79</td>
<td>6.00%</td>
<td>6.75%</td>
<td>7.25%</td>
</tr>
<tr>
<td>80–84</td>
<td>6.50%</td>
<td>7.25%</td>
<td>7.75%</td>
</tr>
<tr>
<td>85–89</td>
<td>7.00%</td>
<td>7.75%</td>
<td>8.25%</td>
</tr>
</tbody>
</table>

Payment percentages shown in the chart reflect a single life. For joint lives, reduce the payment percentages shown by 0.50%. If a withdrawal is taken before starting lifetime income payments, your income bonus rate will be based on when this withdrawal was taken and not when the income payments start.

If you open a contract at age 65 you receive 5.00% income for life. If you wait until 70, your age-based income factor plus the bonus rate gives you 6.25% income for life. If you wait 10 years, your income factor increases to 7.25%.

**Additional income when you need it most**

*Lincoln Lifetime Income℠ Edge* can help you in a time of need. If you were to enter a nursing home, your withdrawal rate would increase to 10% of the Income Base.¹

¹ In order to qualify for the nursing home enhancement, you must be 65, you cannot be in a nursing home the year prior to rider election or for five years after, you must have a minimum 90-consecutive day stay and your account value must be greater than zero. With joint life, the first person to qualify and file would receive the enhancement. Not available in all states.

All guarantees, including those for optional benefits, are subject to the claims-paying ability of The Lincoln National Life Insurance Company.
## Putting it all together

Whether you take income now or wait until you’ll receive a higher guaranteed amount, *Lincoln Lifetime Income Edge* protects your income for life at any age. The following hypothetical example shows the annual guaranteed lifetime income that a 65-year-old could receive each year based on how long they hold the annuity before starting income. This assumes their Income Base only grew with the 5% annual enhancement each year.

### If you begin to take income at age 65 when the contract is issued, you’ll receive an annual lifetime income of $5,000 at a withdrawal benefit of 5.00%.

### If you wait five years until age 70, your withdrawal benefit increases to 6.25%, and you’ll receive an annual lifetime income of $7,977.

### If you wait 10 years, you can see your withdrawal benefit increase to 7.25% at age 75, and you’ll receive an annual lifetime income of $11,809.

<table>
<thead>
<tr>
<th>Age when starting income (at end of year)</th>
<th>Lifetime withdrawal rate of 5.00%; withdrawal benefits start in the first five years</th>
<th>Lifetime withdrawal rate of 6.25%; withdrawal benefits start at age 70</th>
<th>Lifetime withdrawal rate of 7.25%; withdrawal benefits start at age 75</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Base</td>
<td>Lifetime Benefit Amount</td>
<td>Nursing Home Benefit</td>
<td>Income Base</td>
</tr>
<tr>
<td>At issue</td>
<td>$100,000</td>
<td>$5,000</td>
<td>n/a</td>
</tr>
<tr>
<td>66</td>
<td>$105,000</td>
<td>$5,250</td>
<td>n/a</td>
</tr>
<tr>
<td>67</td>
<td>$110,250</td>
<td>$5,513</td>
<td>n/a</td>
</tr>
<tr>
<td>68</td>
<td>$115,763</td>
<td>$5,788</td>
<td>n/a</td>
</tr>
<tr>
<td>69</td>
<td>$121,551</td>
<td>$6,078</td>
<td>n/a</td>
</tr>
<tr>
<td>70</td>
<td>$127,628</td>
<td>$7,977</td>
<td>$12,763</td>
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<tr>
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<tr>
<td>72</td>
<td>$140,710</td>
<td>$8,794</td>
<td>$14,071</td>
</tr>
<tr>
<td>73</td>
<td>$147,746</td>
<td>$9,234</td>
<td>$14,775</td>
</tr>
<tr>
<td>74</td>
<td>$155,133</td>
<td>$9,696</td>
<td>$15,513</td>
</tr>
<tr>
<td>75</td>
<td>$162,889</td>
<td>$11,809</td>
<td>$16,289</td>
</tr>
</tbody>
</table>

### Bottom line

The longer you wait to begin withdrawals, the more income you’re guaranteed.
Important information:

Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives, and/or insurance agents do not provide tax, accounting, or legal advice. Please consult an 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. A fixed indexed annuity is not a registered security or stock market investment and does not directly participate in any stock or equity investments, or index. The index used is a price index and does not reflect dividends paid on the underlying stocks.

Lincoln Covered Choice™ fixed indexed annuity (contract form 94-523 and state variations) is 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 subject to the claims-paying ability of The Lincoln National Life Insurance Company.

Contract may be referred to as “policy” or “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.

Waiver of Surrender Charges for Nursing Home Confinement Rider and Waiver of Surrender Charges for Terminal Illness Rider (form AE-119 and form AE-170, respectively, or state variation) may not be available in all states. Nursing Home Rider not available for contracts issued in Massachusetts.

Lincoln’s products are not sponsored, endorsed, sold or promoted by Standard & Poor’s and Standard & Poor’s makes no representation regarding the advisability of purchasing this Annuity.

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

Product and features are subject to state availability. Limitations and exclusions may apply. Not available in New York.

Lincoln Lifetime Income™ Edge is an optional Guaranteed Lifetime Withdrawal Benefit (GLWB) rider (form AE-245 or state variations) available for an additional 0.95% charge (1.50% maximum) and subject to rider issue age limits, which may differ from the contract issue age limits. May not be available in all states. Limitations and exclusions may apply.