

# Client Product Guide



## *MoneyGuard*<sup>®</sup> Reserve Universal Life Insurance



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

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*MoneyGuard* Reserve is a universal life insurance policy issued by **The Lincoln National Life Insurance Company**.

Products and features—including benefits, exclusions, limitations, terms, and definitions—may vary by state. Your representative/insurance agent will provide you with an Outline of Coverage that is specific to your state.

## *Life insurance for living*<sup>®</sup>

Consider what life will be like in the next five to ten years. Do you envision retirement income security or a time of financial uncertainty? *MoneyGuard*<sup>®</sup> Reserve can help you focus on the big picture, so you'll have less to worry about for your financial future.

### **Yours today for tomorrow**

*MoneyGuard* Reserve links life insurance and long-term care in one policy, protecting your assets from the risk of long-term care expenses while providing an income tax-free death benefit you can pass to your loved ones. Products and features are subject to state availability.

*MoneyGuard* Reserve lets you:

- Get more for your long-term care dollar
- Get your money back if you don't need to use your policy—when you fund your policy with a single premium payment
- Be tax-smart about long-term care with income tax-free benefits

## Key benefits

### **Income tax-free long-term care benefits**

*MoneyGuard*<sup>®</sup> Reserve offers long-term care coverage on a wide range of services. Benefits are paid income tax-free under IRC Section 104(a)(3). If you need long-term care and have met eligibility requirements, the specified amount of death benefit is accelerated to pay for covered expenses up to a monthly maximum benefit amount. At issue you can purchase additional coverage to continue your long-term care benefit payments for qualifying services after your initial specified amount of death benefit is exhausted. The Extension of Benefits Rider (EOBR) provides you with benefits for a specified time period. Long-term care coverage will continue as long as you remain eligible or until your entire long-term care benefit is exhausted.

### **Lifetime money back guarantee**

If you fund your policy with a single premium payment and decide it no longer meets your needs, we'll return your initial premium payment (minus any loan amounts, loan interest, withdrawals, or benefits paid). This benefit is called the Return of Premium Rider (ROPR) and is included on single premium policies. Guarantees are backed by the claims-paying ability of The Lincoln National Life Insurance Company. Note that a portion of the money you receive back may have tax implications.

### **Income tax-free death benefit**

If you never need to pay for long-term care, your death benefit remains intact. Your loved ones can receive your policy's death benefit,

income tax-free under IRC Section 101(a)(1). If your entire specified amount of death benefit has been used to pay for long-term care, *MoneyGuard*® Reserve will pay your beneficiary a residual death benefit. At the time you purchase the policy, the benefit is equal to 10% of your initial specified amount of death benefit. The residual death benefit will be adjusted for loans, withdrawals, and policy loan repayments. The greater of either the unused specified amount of death benefit or the residual death benefit will pass to your beneficiary without probate delays—provided your estate is not your beneficiary.

### **Lifetime benefit guarantees**

You are guaranteed death and long-term care benefits, which are backed by the claims-paying ability of The Lincoln National Life Insurance Company. Remember that taking loans and withdrawals may jeopardize your policy performance and guarantees, and have tax implications.

### **Interest credits and tax-deferred growth**

Your account value earns interest at a rate guaranteed never to be less than 4%, and the account value grows tax deferred.

### **Stability**

Your policy is issued by The Lincoln National Life Insurance Company (Lincoln), one of the largest and most respected U.S. life insurance companies.

***Live for today with security for tomorrow***®

## More about your *MoneyGuard*<sup>®</sup> Reserve policy

### **Monthly cost of insurance charges**

Each month the insurance costs for your death and long-term care coverage are deducted from the account value.

## Optional inflation protection

At issue, if you want to purchase inflation protection on your long-term care benefits, you can choose from simple or compound options, which will increase your long-term care benefits. You can purchase annual increases on both the accelerated specified amount of death benefit under the Convalescent Care Benefits Rider and state variations thereof, and the Extension of Benefits Rider (EOBR). Inflation protection is subject to state availability. However, you must purchase the same type of increase—either simple or compound—on both benefits.

	CCBR	EOBR
Simple	3%	3%
Compound	2%	5%

### Simple increases

On each policy anniversary, the monthly maximum benefit will increase by 3% of the initial monthly maximum. For example:

#### First anniversary

If the monthly maximum benefit at the time of purchase was \$4,500, it will increase by 3%, or \$135 beginning on the first anniversary date. The new monthly maximum benefit would be \$4,635.

#### Second anniversary

The \$4,635 benefit increases by \$135, for a monthly maximum benefit of \$4,770. The monthly maximum benefit will continue to increase by \$135 on every policy anniversary.

### **Compound increases**

Under the CCB, compound increases mean that on each policy anniversary, the monthly maximum benefit will increase by 2% of the prior year's amount. For example:

#### **First anniversary**

If the monthly maximum benefit is \$4,500, it will increase by 2%, or \$90 on the first policy anniversary date. The new monthly maximum benefit is \$4,590.

#### **Second anniversary**

The \$4,590 benefit will increase by 2% or \$91.80, for a monthly maximum benefit of \$4,681.80.

Under the EOBR, compound increases mean that on each policy anniversary, the monthly maximum benefit will increase by 5% of the prior year's amount.

## Eligibility for long-term care benefits

Your policy will pay for qualified long-term care services if:

- A physician<sup>1</sup> certifies that you are chronically ill, and
- Care is provided under a care plan prescribed by your physician.

You'll be reimbursed for covered expenses up to the maximum benefit specified in your policy, once the initial 90-day deductible period is satisfied.

The 90-day deductible period is satisfied on those days during which care would be provided for all covered services. You do not have to meet the deductible period to receive benefits for:

- Care planning
- Caregiver training
- Respite care
- Bed reservation
- Noncontinual alternative care services

Your long-term care benefits will continue as long as you are chronically ill, until your entire CCBR benefit plus any benefits provided by the EOBR are exhausted.

<sup>1</sup>Licensed healthcare practitioner in some states.

### **Chronic illness**

A chronically ill person is any individual who has been certified within the preceding 12 months by the attending physician<sup>1</sup> as being unable to perform, without substantial assistance from another individual, at least two activities of daily living (ADLs) for a period of at least 90 days as a result of loss of functional capacity. The ADLs are bathing, continence, dressing, eating, toileting, and transferring. You are also considered chronically ill if within the preceding 12 months you have been certified by a physician as requiring substantial supervision to protect you from threats to health and safety caused by severe cognitive impairment—for example, as a result of Alzheimer’s disease or irreversible dementia.

Prior hospitalization is not required. As indicated earlier, care must be provided under a plan of care prescribed by your physician.<sup>1</sup> Your chronic illness and care plan must be reconfirmed at least once every 12 months for as long as care is required. Lincoln may periodically review the extent of your chronic illness.

### **Alzheimer’s disease and senility dementia**

The policy covers both Alzheimer’s disease and similar forms of irreversible loss of mental capacity. This means that once you have qualified for a policy, your claim cannot be denied because of these conditions.

<sup>1</sup>Licensed healthcare practitioner in some states.

## Long-term care benefit exclusions and limitations

The policy does not pay benefits for the following:

- Treatment for alcoholism, drug addiction, or chemical dependency (unless the addiction or dependency is a result of medication taken in doses prescribed by a physician<sup>1</sup>).
- Treatment arising out of an attempt (while sane) at suicide or an intentionally self-inflicted injury.
- Treatment provided in a Veteran's Administration or government facility, unless the Insured or the Insured's estate is charged for the confinement or services, or otherwise required by law.
- Loss to the extent that benefits are payable under Medicare, other government programs (excluding Medicaid), worker's compensation laws, employer's liability laws, occupational disease laws, and motor vehicle no-fault laws.
- Care provided in facilities operated primarily for the treatment of mental or nervous disorders, except for Alzheimer's disease or similar forms of dementia.
- Confinement or care received outside the U.S.
- Services provided by ineligible facilities or providers.
- Services provided by a member of the Insured's immediate family or services that would not incur any charge in the absence of insurance.

Preexisting conditions disclosed on your application will be covered after your policy is issued. A preexisting condition is a condition for which you were diagnosed or received treatment prior to the effective date of your policy.

## Qualified long-term care services

This policy will provide coverage for “qualified long-term care services.” Such services are necessary diagnostic, preventative, therapeutic, curing, treating, mitigating, rehabilitative, maintenance, or other personal care services provided under a plan of care prescribed by your physician.<sup>1</sup>

### **Nursing home benefits**

If you are admitted as an overnight resident patient to any state-licensed nursing home, your policy will reimburse you for all covered expenses after the 90-day deductible period is satisfied. All levels of care—skilled, intermediate, and custodial—are covered and are subject to the monthly maximum benefit. Your benefits will continue for as long as you remain chronically ill, until your entire long-term care benefit is exhausted.

### **Assisted living facilities**

If you need maintenance, personal care services, or protective oversight on a daily basis that can be provided by an assisted living facility, the policy will pay the expense incurred while you are confined in a facility, but not to exceed the monthly maximum benefit. Benefits are payable after the 90-day deductible period is satisfied.

<sup>1</sup>Licensed healthcare practitioner in some states.

Your benefits will continue as long as you remain chronically ill, until your entire long-term care benefit is exhausted.

### **Bed reservation benefit**

If, while you are a resident of a nursing home and receiving benefit payments under this policy, you must temporarily leave for any reason other than discharge, the policy will pay the expense you incur to reserve (or to hold) your bed in the nursing home. This includes, but is not limited to, a hospital stay or spending holidays or other time with family. The policy will pay up to 1/30th of the monthly maximum benefit for each day the bed is reserved for you. The policy will pay this expense for up to 30 days during each calendar year.

### **Home healthcare benefits**

Many people prefer to receive long-term care in their own home. If you are chronically ill, your policy will pay for the costs of skilled nursing or other professional services from a home healthcare agency after the 90-day deductible period is satisfied.

Covered services include but are not limited to:

- Part-time intermittent skilled nursing services
- Home health-aid services
- Physical therapy
- Occupational therapy
- Chemotherapy
- Speech therapy
- Audiology services
- Medical social services by a social worker

Your benefits will continue as long as you remain chronically ill, until your entire long-term care benefit is exhausted.

### **Adult daycare services**

If you only require part-time long-term care, an adult daycare center may be the best choice for you. After satisfying the 90-day deductible period, the policy will reimburse the costs of health, social, and related support services at an adult daycare center up to the monthly maximum benefit. Benefits will continue as long as you remain chronically ill, until your entire long-term care benefit value is exhausted.

### **Respite care**

Temporary or long-term care services can be provided in a facility, your home, or a community-based program to relieve your primary caregiver. The policy will pay up to 1/30th of the monthly maximum benefit for up to 21 days in each calendar year. Respite care is not subject to the deductible period and respite care days do not satisfy the deductible period requirement.

### **Caregiver training**

The policy will pay up to a lifetime maximum benefit of \$500 to provide a primary caregiver the knowledge and skills to care for you when chronically ill. Caregiver training is not subject to the deductible period and it does not satisfy the deductible period requirement.

### **Care planning**

The policy will pay the expense incurred for care plan counseling provided by a care planning agency. This benefit is not subject to the deductible period and it does not satisfy the deductible period requirement.

### **Alternative care services**

If you need services that aren't specifically covered, the policy will pay for long-term care prescribed under a plan of care agreed to by your physician,<sup>1</sup> a care planning agency, and Lincoln.

### **Hospice services**

We will provide benefits to pay for palliative care to alleviate the physical, emotional, social, and spiritual discomforts when you are in the terminal phase of life. These services include supportive care given to the primary caregiver and your immediate family.

<sup>1</sup>Licensed healthcare practitioner in some states.

### **Personal care services**

We will provide benefits if you require services provided at your place of residence, outside of a hospital, nursing home, or assisted living facility to assist you with the activities of daily living. These activities may include:

- Using a telephone
- Managing medications
- Moving about outside
- Shopping for essentials
- Preparing meals
- Laundry
- Housekeeping

Your benefits will continue for as long as you remain chronically ill, until your entire long-term care benefit is exhausted.

### **Noncontinual care services**

We will cover expenses for services that are received on a one-time basis, such as durable medical equipment or modifications to your residence to accommodate a wheelchair or other device. This benefit is limited to no more than one claim per calendar year. This benefit is not subject to the deductible period, and it does not satisfy the deductible period requirement.

## Important notes

### **Withdrawals and policy loans**

Your death benefit will be reduced by any amount withdrawn or borrowed, and the monthly maximum for long-term care will be reduced proportionately. Your residual death benefit will also be reduced.

Withdrawals and loans may be taxable. Consult your tax advisor for information about your specific situation. Taking loans or withdrawals may jeopardize your policy's performance and guarantees.

### **Total surrender**

Your policy has a surrender charge, which reduces to zero over 20 years. Please see your personalized illustration for actual costs.

If you totally surrender your policy while the Return of Premium Rider is in effect, the surrender charge incurred will not exceed the amount, if any, by which the account value exceeds the premium paid.

## Federal tax information

### **Qualified Long-Term Care Insurance**

The Health Insurance Portability and Accountability Act defines federal tax treatment of insurance policies that provide long-term care coverage. Policies that meet certain criteria are designated as “qualified long-term care insurance” and will receive certain tax incentives: The cost of coverage may be deductible and long-term care benefits received will not be reported as taxable income.

This policy is intended to meet the criteria for Qualified Long-Term Care Insurance.

Policies that are not recognized as Qualified Long-Term Care Insurance are treated differently. Premiums paid may not be itemized as a deductible medical expense and long-term care benefits received may be reportable as taxable income; however, actual expenses for long-term care may be deductible.

### **Favorable tax treatment for Qualified Long-Term Care Insurance**

This coverage, including the Extension of Benefits Rider, is intended to be recognized as Qualified Long-Term Care Insurance under federal law. The acceleration of life insurance benefits provided under the long-term care riders is intended to qualify for favorable tax treatment under Section 7702B(b) of the Internal Revenue Code. For federal income tax purposes, the policy is considered to be a Qualified Long-Term Care Insurance contract. Note that your state insurance department does not in any way warrant that this coverage meets the requirements of Sec. 7702B(b) of the Internal Revenue Code.

### **Acceleration of life insurance benefits**

Payments you make for long-term care may be deductible and the benefits are generally excludable from your income and not subject to federal taxation. The receipt of acceleration of life insurance benefits may also affect eligibility for you, your spouse, or your family for public assistance programs such as medical assistance (Medicaid), Temporary Assistance for Needy Families (TANF), Supplementary Security Income (SSI), or drug assistance programs.

Please consult with a qualified tax advisor and social service agencies to determine the impact on public assistance eligibility.

### **Taxation of interest earnings**

You pay no current income tax on the interest credited to your policy account value.

### **Taxation of charges for CCBR and EOBR**

The charges for *MoneyGuard*<sup>®</sup> Reserve CCBR and EOBR are deducted monthly from the base universal life insurance policy's account value. These charges are treated as "distributions" and are taxable income if: (a) the *MoneyGuard* Reserve policy is a MEC and policy gain is used to pay the charges, or (b) the *MoneyGuard* Reserve policy is not a MEC, but the policy's cost basis is zero and policy gain is used to pay the charges.

A 10% penalty may apply if these taxable distributions occur prior to age 59½. Lincoln Financial Group, its affiliated companies, and its representatives/insurance agents do not provide legal or tax advice. Please consult your tax advisor for additional information about how this may apply to your specific situation.

### **Tax-free exchanges**

If you own cash value life insurance, you may be eligible to exchange tax-free your current policy for this policy. Consider the advantages, disadvantages, and the costs associated with an exchange. For example, your new policy could include a standard contestable period and surrender charge schedule. Ask our representative/insurance agent for additional information, including a detailed benefit comparison.

### **State laws and limitations**

Benefits and provisions may vary by state. For details of coverage in your state, ask our representative/insurance agent for a detailed illustration. With it, you will receive an Outline of Coverage, which describes the long-term care benefits, exclusions, limitations, costs, and terms regarding reductions of benefits and continuance of coverage.

All references to tax benefits are based on Lincoln's understanding of current tax laws and regulations. Please consult your tax advisor for additional information.

### **Conditions, exclusions, and limitations**

An adjustment to the policy-specified amount of death benefit will be made for any misstatement in age or sex of the Insured. Also, if the Insured commits suicide within two years from the policy date, any death proceeds will be limited to the amount of premium paid less any loans or prior withdrawals.

## Commonly asked questions about *MoneyGuard*<sup>®</sup> Reserve

### **How can I get more information about benefits and exclusions?**

Please ask your Lincoln representative/insurance agent for a personal illustration, accompanied by an Outline of Coverage, which will provide more detailed information.

### **How does the application process work?**

- A Lincoln underwriter will contact you regarding your medical history.
- A Lincoln representative/insurance agent may also contact you to ask for additional information related to your health or application.
- Policy underwriting is usually completed within one week of the date all necessary medical information is received.
- Once approved, your new policy will be sent to your Lincoln representative/insurance agent for delivery.

### **Is the information on my application confidential?**

Lincoln considers your medical information private; therefore, it's held in the strictest confidence.

Now that you've reviewed the details, you have a better understanding of just how *MoneyGuard* Reserve can help address your long-term care needs. No matter what tomorrow brings, *MoneyGuard* Reserve can help you prepare. If you have additional questions, please contact your financial advisor.





**Important disclosures. Please read.**

*MoneyGuard*<sup>®</sup> Reserve is a universal life insurance policy with a rider that accelerates the specified amount of death benefit to pay for covered long-term care expenses. An Extension of Benefits Rider (EOBR) is available to continue long-term care benefit payments after the entire specified amount of death benefit has been paid. The Return of Premium Rider (ROPR) is included at issue (single premium only). The cost for these riders will be deducted from the policy account value. **Guarantees are backed by the claims-paying ability of the issuer and are subject to policy terms and conditions.** This policy has exclusions and/or limitations.

**This material was prepared to support the promotion and marketing of a universal life insurance product. Lincoln Financial Group<sup>®</sup> 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.**

*MoneyGuard* Reserve is issued on Policy Form LN850 (8/05), Return of Premium Rider on Form LR850 (8/05), Convalescent Care Benefits Rider on Form LR851 (8/05), and Extension of Benefits Rider on Form LR852 (8/05) and state variations by The Lincoln National Life Insurance Company, Fort Wayne, IN. Products and features—including benefits, exclusions, limitations, terms, and definitions—may vary by state. Your representative/insurance agent will provide you with an Outline of Coverage that is specific to your state. Not for use in NY.

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Affiliates are responsible for their own financial and contractual obligations.

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