



Lincoln MoneyGuard® II

Frequently Asked Questions

QUESTION	ANSWER
Base Policy:	
Why is Lincoln introducing a new MoneyGuard® product?	Lincoln is continually assessing the industry and our broad portfolio of life and retirement solutions to ensure our offerings provide financial professionals with the right tools to help meet their client's specific long-term care funding needs.
What is the biggest difference between the base policy for Lincoln MoneyGuard® II and Lincoln MoneyGuard® Reserve Plus?	We have combined the long-term care features of our Lincoln MoneyGuard® solution with a universal life policy that provides guaranteed coverage if you pay your premiums as scheduled. Previous versions of MoneyGuard® Reserve products have been guaranteed if no loans or partial surrenders were made and all planned premiums were paid on time simply through the mechanics of Universal Life insurance, the premium paid was sufficient to fund all future guaranteed charges.
How does the base product work?	<p>Simply put, when a policy is at risk of entering the grace period, a calculation will be used to compare the accumulated premiums received to the accumulated required minimum premium up to that point in time (minus partial surrenders and loans). The accumulation will be with interest. If this test is passed, the policy will not enter the grace period even if its Cash Value is insufficient to fund policy charges.</p> <p>With this universal life policy structure, the policy will run out of cash value during the life of the policy. The policy will stay in force through a no-lapse premium under the Value Protection Rider.</p>
What other changes were made to the base product?	<ul style="list-style-type: none"> • Policy values will be provided through the Value Protection Rider (VPR)(see rider section for details) • A couples discount will be available to applicants who are married or in a domestic partnership at the time of application. Both partners need not apply • Two new return of premium options, 80% or 100% (see rider section for details) • Flexible Premium options available from 1 to 10 years • Issue ages between 40 and 79 • Two inflation options: 3% or 5% compound (see rider section for details) • Guaranteed interest rate is 2% and guaranteed loan interest rate is 2% • Residual death benefit is the lesser of 5% of the specified amount or \$10,000 • International Benefits up to the maximum monthly benefits available under the LABR • Premium load is 25% of all premiums paid • Policy decreases available beginning in policy year 3 • No longer a smoker/non-smoker class • There is a new policy number scheme: 0000MXXXXX

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How does the Couples Discount work?	The discount applies to LABR and LEBR rider charges and inflation charges based on the insured's marital status, to include an insured who is legally married (traditional or same sex), or has a partner in a civil union or domestic partnership, or is in a common law marriage as recognized in the state where the policy is delivered. Concurrent purchase of a like LTC policy by the spouse or partner is not required to receive the discount. This discount also applies to the VPR Monthly No-Lapse Premium. The discount is 3%-5% but could be higher if inflation protection is chosen.
Where is the new <i>MoneyGuard</i>[®] II available?	While the new product is available in most states, please check the state availability charts available on the Lincoln websites for the most up-to-date state approvals. <i>MoneyGuard</i> [®] Reserve Plus will continue to be available in unapproved states.
Is Lincoln <i>MoneyGuard</i>[®] II available in New York?	No. Lincoln <i>MoneyGuard</i> [®] Reserve will continue to be available in New York until further notice.
Available Riders:	
What riders are available with Lincoln <i>MoneyGuard</i>[®] II?	There are three basic riders available on Lincoln <i>MoneyGuard</i> [®] II which provide all of the benefits. <ul style="list-style-type: none"> • Value Protection Rider (VPR) which provides the policy guarantees and the Return of Premium benefit. • Long-Term Care Acceleration of Benefits Rider (LABR) which replaces the old CCBR and provides coverage for covered long-term care expenses as well as inflation protection. • Long-Term Care Extension of Benefits Rider (LEBR) which replaces the old EOBR and provides extended benefits for long-term care expenses as well as inflation protection.
Are any of the riders required?	The Value Protection Rider (VPR) and the Long-Term Care Acceleration of Benefits Rider (LABR) are both required, but the Long-Term Care Extension of Benefits Rider (LEBR) is optional. The LEBR is only available at issue and may not be added post-issue.
What benefits are provided under the Value Protection Rider?	The Value Protection Rider provides three different benefits: <ol style="list-style-type: none"> 1. No-Lapse Guarantee (contingent upon sufficient premium payments) 2. Return of Premium (contingent upon sufficient premium payments) 3. Enhanced Partial Surrender Calculation
How is the Return of Premium benefit different from previous versions of <i>MoneyGuard</i>[®]?	There are now two options for Return of Premium (ROP), Basic ROP and Vested ROP.
How does the Basic Return of Premium (ROP) work?	Upon surrender, the Basic ROP will return a fixed level of 80% of paid premiums. ROP benefits become available only after all premiums required for the life of the policy are paid. This option is included with all policies at no additional cost.

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<p>How does the Vested ROP work?</p>	<p>The optional vested ROP option returns a vested percentage of the premiums paid upon surrender. The ROP will be graded from 80% to 100% over 6 years.</p> <p>ROP will equal the Return of Total Planned Premium “VPR Threshold” x ROP percentage as seen in the following chart:</p> <table border="1" data-bbox="894 293 1682 652"> <thead> <tr> <th colspan="2">ROP Percentage Table</th> </tr> <tr> <th>Duration Year</th> <th>VPR Graded Percentage</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>80%</td> </tr> <tr> <td>2</td> <td>84%</td> </tr> <tr> <td>3</td> <td>88%</td> </tr> <tr> <td>4</td> <td>92%</td> </tr> <tr> <td>5</td> <td>96%</td> </tr> <tr> <td>6</td> <td>100%</td> </tr> </tbody> </table> <p>Changes in the ROP level are not allowed after issue. ROP benefits become available only after all premiums required for the life of the policy are paid. There is an additional charge of 3% of premium assessed.</p>	ROP Percentage Table		Duration Year	VPR Graded Percentage	1	80%	2	84%	3	88%	4	92%	5	96%	6	100%
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<p>How does the Long-Term Care Acceleration of Benefits Rider (LABR) work?</p>	<p>The LABR takes the place of the CCBR on previous versions of <i>MoneyGuard</i>[®]. The LABR accelerates the LABR Benefit Limit for covered long-term care expenses for 2- years (24 months) or 3-years (36 months). The LABR Limit is equal to the Specified Amount of coverage which the policy owner selects at issue. Inflation protection is built into the LABR but must be selected by the policy owner at issue. The options are: no inflation, 3% compound or 5% compound. If the client elects inflation protection, the same option should be selected on both the LABR and LEBR.</p>																
<p>How does the Long-Term Care Extension of Benefits Rider (LEBR) work?</p>	<p>The LEBR takes the place of the EOBR on previous versions of <i>MoneyGuard</i>[®]. The LEBR extends long-term care benefits for 2-years (24 months) or 4-years (48 months). The policy owner selects at issue. Inflation protection is built into the LEBR but must be selected by the policy owner at issue. The options are: no inflation, 3% compound or 5% compound. If the client elects inflation protection, the same option should be selected on both the LABR and LEBR.</p>																
<p>Transitions Guidelines:</p>																	
<p>When will the new Lincoln <i>MoneyGuard</i>[®] II product become available?</p>	<p>The new product will become available in approved states and firms on February 10, 2014. There is a 30-day transition period for Lincoln <i>MoneyGuard</i>[®] II which begins on February 10, 2014, and ends March 14, 2014. Paperwork must be received by Lincoln’s home office by March 14, 2014 for any Lincoln <i>MoneyGuard</i>[®] Reserve Plus cases in states that have approved the new product.</p> <p>There will be a new 30-day transition period for each state approved after the release of the product.</p>																

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<p>What must be included in the submission in order to qualify for the current version of <i>MoneyGuard</i>?</p>	<p>The submission must include a minimum of the <i>MoneyGuard</i>[®] Reserve Plus ticket and one other Lincoln form signed by the client. The agent must be properly credentialed at the time of solicitation, including any appropriate licensing, CE, and appointments. If the agent is not properly credentialed, then new paperwork will be required, which could jeopardize meeting the cut-off date.</p>
<p><i>Application/Forms:</i></p>	
<p>Is there a new application for this product?</p>	<p>Yes. There is an updated application for this product, MGF10658 (and state variations) that will be included in the delivery package for <i>MoneyGuard</i>[®] II.</p>
<p>Are any point of sale forms changed for the new product?</p>	<p>Yes. There is a new ticket and also a revised the Long-Term Care Personal Worksheet, MGF10656 (and state variations), and the Long-Term Care Outline of Coverage, MGF10655 (and state variations).</p>
<p>Is backdating allowed?</p>	<p>Backdating of up to 30 days is allowed. The effective date should be specified in the application (up to 30 days prior to ticket received date). The money would be applied as of the date the money comes in, but no more than 30 days after the policy date. This is a change from the prior versions of <i>MoneyGuard</i>[®] but will be applied to <i>MoneyGuard</i>[®] Reserve and <i>MoneyGuard</i>[®] Reserve Plus policies as well.</p>
<p>Can I reissue my <i>MoneyGuard</i>[®] Reserve Plus policy as a <i>MoneyGuard</i>[®] II policy?</p>	<p>Reissues from <i>MoneyGuard</i>[®] Reserve Plus to <i>MoneyGuard</i>[®] II will be allowed under certain circumstances:</p> <ul style="list-style-type: none"> • Policy must be in free look period • PHI must have been completed within last 90 days <p>Lincoln must receive:</p> <ul style="list-style-type: none"> • Written request signed by owner requesting reissue • Quote for <i>MoneyGuard</i>[®] II • <i>MoneyGuard</i>[®] Reserve Plus policy must be returned
<p>Will there be a special program for people to move from the old <i>MoneyGuard</i>[®] contracts to the new <i>MoneyGuard</i>[®] II policy?</p>	<p>No. Exchanges from any <i>MoneyGuard</i>[®] product into <i>MoneyGuard</i>[®] II:</p> <ul style="list-style-type: none"> • Will require full underwriting. • No compensation will be paid on the rollover funds if the policy is less than 11 years old. • Starting in year 11, the compensation on rollover funds will grade up to 100% at year 20. • Compensation will be paid at normal first year rates on any new money put into the contract. <p>REMINDER: Surrendering the old contract with the intention of purchasing the new contract IS considered a replacement.</p>

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<p>Does <i>MoneyGuard</i>[®] II allow list billing?</p>	<p>Yes. The option of list billing is new to <i>MoneyGuard</i>[®] II. List billing allows a company/individual to combine many policies on one bill. The company/individual will receive one bill for multiple policies and will submit one check to pay for the entire group.</p> <p>List billing is available with all billing modes including Monthly, Quarterly, Semi-Annual, Annual, and any special frequency modes including Weekly, Bifortnightly (13), Semi-Monthly (24), Bi-Weekly (26), 9 per year and 10 per year.</p> <p>All new list bill groups must have at least five active policies or the client will need to select another premium mode. If a producer requests list billing but does not have the required five active policies, list billing will not be available until all five policies are received.</p>
<p><i>Projection (Illustration)Updates:</i></p>	
<p>When will the DesignItSM illustration software be available?</p>	<p>The DesignItSM software will be available on Monday, February 10th If you have an active internet connection, the software will automatically update on February 10, 2014 to include this product. If you need to download the Lincoln DesignIt system, it is available on the Lincoln producer websites or from Lincoln Office Technicians.</p>
<p>What changes were made to the sales projection?</p>	<p>With this software release, the Lincoln DesignItSM projection of values has been restructured to provide for a shorter, more user-friendly illustration.</p>
<p>What are life insurance Cost Indices that are referred to in the sales projection?</p>	<p>A cost index is meant to measure something. Within a life insurance policy, there are two indices: surrender and payments.</p> <p>The payment index measures the annual premiums paid per thousand of death benefit, if that premium and death benefit are level, the payment index is simply the total premium divided by units of insurance. If either varies, the index converts it to a level annual amount based on a 5% interest rate.</p> <p>The surrender index is the payment index reduced by the annual deposit that will grow to the cash surrender value at 5% interest. In other words, this index takes into consideration premium minus cash surrender value.</p>

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Communications/Marketing:																																											
<p>What marketing materials will be available to support the new product?</p>	<p>Marketing materials to support the new product will be available through Fulfillment.</p> <table border="1"> <thead> <tr> <th data-bbox="829 264 1644 310">Client Materials for Compact States</th> <th data-bbox="1644 264 2011 310">Order Code</th> </tr> </thead> <tbody> <tr> <td data-bbox="829 310 1644 355">Client Trifold</td> <td data-bbox="1644 310 2011 355">MGR-ICC-BRC007</td> </tr> <tr> <td data-bbox="829 355 1644 401">Client PPT</td> <td data-bbox="1644 355 2011 401">MGR-ICC-PPT004</td> </tr> <tr> <td data-bbox="829 401 1644 446">Client Product Guide</td> <td data-bbox="1644 401 2011 446">MGR-ICC-BRC001</td> </tr> <tr> <td data-bbox="829 446 1644 492">Client Invite</td> <td data-bbox="1644 446 2011 492">MGR-ICC-INV001</td> </tr> <tr> <th data-bbox="829 492 1644 537">Client Materials for DC, MT, ND, SD</th> <th data-bbox="1644 492 2011 537">Order Code</th> </tr> <tr> <td data-bbox="829 537 1644 583">Client Trifold</td> <td data-bbox="1644 537 2011 583">MGR-TRI-BRC007</td> </tr> <tr> <td data-bbox="829 583 1644 628">Client PPT</td> <td data-bbox="1644 583 2011 628">TBD</td> </tr> <tr> <td data-bbox="829 628 1644 673">Client Product Guide</td> <td data-bbox="1644 628 2011 673">TBD</td> </tr> <tr> <td data-bbox="829 673 1644 719">Client Invite</td> <td data-bbox="1644 673 2011 719">TBD</td> </tr> <tr> <th data-bbox="829 719 1644 764">Advisor Materials</th> <th data-bbox="1644 719 2011 764">Order Code</th> </tr> <tr> <td data-bbox="829 764 1644 810">Advisor PowerPoint</td> <td data-bbox="1644 764 2011 810">MGR-ADV2-PPT004</td> </tr> <tr> <td data-bbox="829 810 1644 855">Profile Worksheet</td> <td data-bbox="1644 810 2011 855">MGR-PRO2-BRC001</td> </tr> <tr> <td data-bbox="829 855 1644 901">Client Snapshot</td> <td data-bbox="1644 855 2011 901">MGR-CLT2-MJM001</td> </tr> <tr> <td data-bbox="829 901 1644 946">5 Reasons Why</td> <td data-bbox="1644 901 2011 946">MGR-STO2-FLI001</td> </tr> <tr> <th data-bbox="829 946 1644 992">Underwriting Materials</th> <th data-bbox="1644 946 2011 992">Order Code</th> </tr> <tr> <td data-bbox="829 992 1644 1037">Underwriting Brochure</td> <td data-bbox="1644 992 2011 1037">MGR-UNDE-BRC001</td> </tr> <tr> <td data-bbox="829 1037 1644 1083">PHI Tool</td> <td data-bbox="1644 1037 2011 1083">MGR-PHI-BRC002</td> </tr> <tr> <td data-bbox="829 1083 1644 1128">Pre-Qual Tool</td> <td data-bbox="1644 1083 2011 1128">MGR-QUAL-FLI003</td> </tr> <tr> <td data-bbox="829 1128 1644 1174">Quick Build Chart</td> <td data-bbox="1644 1128 2011 1174">MGR-BLD-FLI001</td> </tr> <tr> <td data-bbox="829 1174 1644 1219">Medications Guideline</td> <td data-bbox="1644 1174 2011 1219">MGRMED-FLI002</td> </tr> </tbody> </table>	Client Materials for Compact States	Order Code	Client Trifold	MGR-ICC-BRC007	Client PPT	MGR-ICC-PPT004	Client Product Guide	MGR-ICC-BRC001	Client Invite	MGR-ICC-INV001	Client Materials for DC, MT, ND, SD	Order Code	Client Trifold	MGR-TRI-BRC007	Client PPT	TBD	Client Product Guide	TBD	Client Invite	TBD	Advisor Materials	Order Code	Advisor PowerPoint	MGR-ADV2-PPT004	Profile Worksheet	MGR-PRO2-BRC001	Client Snapshot	MGR-CLT2-MJM001	5 Reasons Why	MGR-STO2-FLI001	Underwriting Materials	Order Code	Underwriting Brochure	MGR-UNDE-BRC001	PHI Tool	MGR-PHI-BRC002	Pre-Qual Tool	MGR-QUAL-FLI003	Quick Build Chart	MGR-BLD-FLI001	Medications Guideline	MGRMED-FLI002
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<p>The chart shows different marketing materials for the states filed through the Interstate Compact. Which states were filed through the Interstate Compact?</p>	<p>AK, AL, AR, CO, GA, IA, ID, IL, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, NC, NE, NH, NM, NV, OH, OK, OR, PA, PR, RI, SC, TN, TX, UT, VT, WA, WI, WV, WY</p>																																										

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Taxation	
<p>Are long-term care benefits received under the Lincoln MoneyGuard® II product taxable?</p>	<p>The cost basis in the life insurance policy is reduced by the Long-Term Care rider charges for the first 10 policy years. The cost basis in the LTC riders (LABR and LEBR) is the sum of the rider charges. Upon surrender, the surrender value is compared to the combined cost basis. For cases that are not issued via a 1035 exchange, there will be no taxable gain on policies surrendered that were issued with the Basic Return of Premium option. If the client chose the optional Graded ROP option instead, there will be a gain upon surrender. The charge for the Graded ROP is treated as an annual premium load (% of all premiums paid) and this charge reduces the cost basis in the life insurance policy. This reduction will result in a taxable gain upon surrender for clients who elect the Graded ROP option.</p> <p>Annual IRS Form 1099R will be sent showing a distribution code of “w” for the first ten policy years. After the tenth policy year, Long-Term Care rider charges cease and the 1099Rs will no longer be sent. This 1099R is not reportable by the policy owner under the Pension Protection Act.</p>
<p>How is the taxation of the Return of Premium benefit changed from previous versions of MoneyGuard®?</p>	<p>Under previous versions of the MoneyGuard® product, upon surrender of the policy, there was a tax impact due to the long-term care charges. This occurred because the long-term care riders were non-QAB and the charges reduced the cost basis in the contract each month as they were deducted from the cash value.</p> <p>With MoneyGuard® II, we will now be collecting cost basis inside of the non-QAB long-term care riders which is allowed by the Internal Revenue Code. The UL base contract basis will still be reduced by the long-term care rider charges, but the basis will be transferred and preserved in the LABR and LEBR riders. The effect of this change will be to reduce tax gain and thus taxes due for policies which surrender.</p>
<p>How do I prevent my MoneyGuard® II policy from becoming a Modified Endowment Contract (MEC)?</p>	<p>An additional funding consideration in universal life insurance is Modified Endowment Contract (MEC) status. If a policy is classified as a MEC under IRS definitions, some of its favorable tax treatment is lost because it is too heavily funded. Generally, distributions from a MEC policy are taxable as income to the extent there is a gain in the contract. However, death benefits still remain non-taxable under a MEC situation. Clients who wish to access some of their cash accumulation should prevent the policy from becoming a MEC. To accomplish this, a client must limit premiums paid into the policy in the first seven years (and seven years following a material change) to the calculated 7-Pay premium which will be specified in their sales projection.</p>
<p>What Life Insurance Tax Qualification test is used?</p>	<p>MoneyGuard® II uses the Cash Value Accumulation Test (CVAT) to satisfy Section 7702 of the IRS code. Under CVAT, there is no limit on the amount of premium paid and there is a fairly high <i>corridor</i> of benefits.</p> <p>A <i>corridor</i> means that there must be a relationship between the death benefit and the value of the policy which meets certain minimums. The law states that any policy’s death benefit must be at least as high as the amount the policy’s Cash Value could purchase using the policy’s guaranteed mortality charges or the current prevailing mortality rates, if greater, and the policy’s guaranteed interest rates (but never less than 4%).</p>

MoneyGuard® II universal life is issued on policy form LN870 and state variations by The Lincoln National Life Insurance Company, Fort Wayne, IN. The Lincoln National Life Insurance Company is not authorized nor does it solicit business in the state of New York. Product and features subject to state availability. Guarantees are subject to the claims-paying ability of The Lincoln National Life Insurance Company.