FOR LIFE

Universal Life Insurance

Lincoln *MoneyGuard*® Reserve — New York

A smarter alternative to self-insuring®

Advisor Guide to paying for long-term care

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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You're In Charge®

Recognizing the need for long-term care preparation

Long-term care (LTC) costs are on the rise. LTC expense is a financial risk that could affect clients' retirement and wealth transfer goals. Many clients may believe they have saved sufficiently, but in reality, they may not be financially prepared. In a recent survey, 70% of those age 50 and older who chose not to buy protection for long-term care expenses underestimated the cost of care.*

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Why should I talk to clients about LTC expense risk?

A long-term care experience and its costs can be a tremendous burden on your clients and their loved ones if there is no plan in place. Family members may endure undue stress, as they try to make difficult decisions and identify funds to finance needed care. Preparing ahead can prevent clients and their families from having to make hasty decisions in a time of crisis. Addressing the financial risks creates an awareness of the need to protect their portfolios, including retirement and estate assets, and reserves designated for long-term care.

When should I begin bringing up LTC expense risk with my clients?

EARLY AND OFTEN. Those who are most successful in helping clients and their families plan for long-term care bring up the issue multiple times. Clients generally need to have a basic awareness of long-term care — either through continued discussion and education or a personal experience. Many decide to protect themselves from the risks of LTC expense after seeing its impact on friends or family. This is why it's important to talk about the risks with clients early and often. Expect that it will take several discussions before clients are ready to take action and prepare for their long-term care needs.

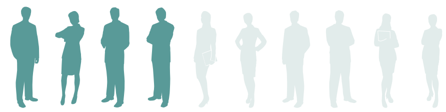
Trends indicate that individuals are buying protection for long-term care expenses at younger ages. Clients who purchase protection when they are young and healthy find that it's less expensive. And by adding features like inflation protection, clients can help ensure that they are protected from rising costs over time.

About 70% of people over age 65 will require some long-term care services at some point in their lives.†

70%

CONSIDER THESE OTHER LTC FACTS

- For those age 65+, the average length of long-term care is three years.*
- The average annual cost of nursing home care is $71,175 for a semiprivate room and $78,840 for a private room.‡
- In 2008, 40% of those who received long-term care were between the ages of 18 and 64.*



* LifePlans Long-Term Care Market Summary; www.LincolnFinancial.com; Research & Analysis; January 15, 2010. For a printed copy of the report, call 877-ASK-LINCOLN.

† DHHS, 2008. Most recent statistic available on www.longtermcare.gov. Administration on Aging: 202-619-0724.

‡ LifePlans Long-Term Care Market Summary: Cost of Care Update 2010; www.LincolnFinancial.com; Research & Analysis; October 1, 2010. For a printed copy of the report, call 877-ASK-LINCOLN.

What choices do my clients have when preparing for LTC expenses?

TRADITIONAL LONG-TERM CARE INSURANCE COVERS future LTC expenses, but if care is not needed, the client receives no benefits. Premiums can be expensive, may increase, and vary based on benefits and time period.

MEDICARE typically offers coverage or limited coverage only for medically necessary nursing facilities or home healthcare. It does not pay for custodial care or support services for daily living, such as dressing, bathing, and sometimes diabetes monitoring. Clients must meet specific requirements to qualify for Medicare payment of long-term care services.

MEDICAID is a government program that can pay for certain nursing home and healthcare services for older individuals with limited means.

In many instances, Medicare pays for at-home LTC services, though eligibility and covered services vary.

FAMILY can assume the burden of long-term care management or expense. This can cause emotional and financial stress.

SELF-INSURING requires clients to set aside potentially significant liquid assets. If long-term care is needed, these assets could be depleted relatively quickly, putting the rest of their portfolio at risk.

Lincoln *MoneyGuard*® Reserve links life insurance and protection for long-term care expenses in one policy, offering a death benefit and a money back guarantee.* It offers tax advantages that other options may not.

Why clients choose Lincoln *MoneyGuard* Reserve

- It provides tax-advantaged reimbursements for qualified long-term care expenses and more leverage for their LTC dollars.
- It offers an income tax-free death benefit if all or some of the LTC benefits are not used.
- It comes with a money back guarantee.*

*Through the Return of Premium Rider on one-time payment policies for ages 30–65. See Rider for complete terms and conditions.

A smarter alternative to self-insuring®

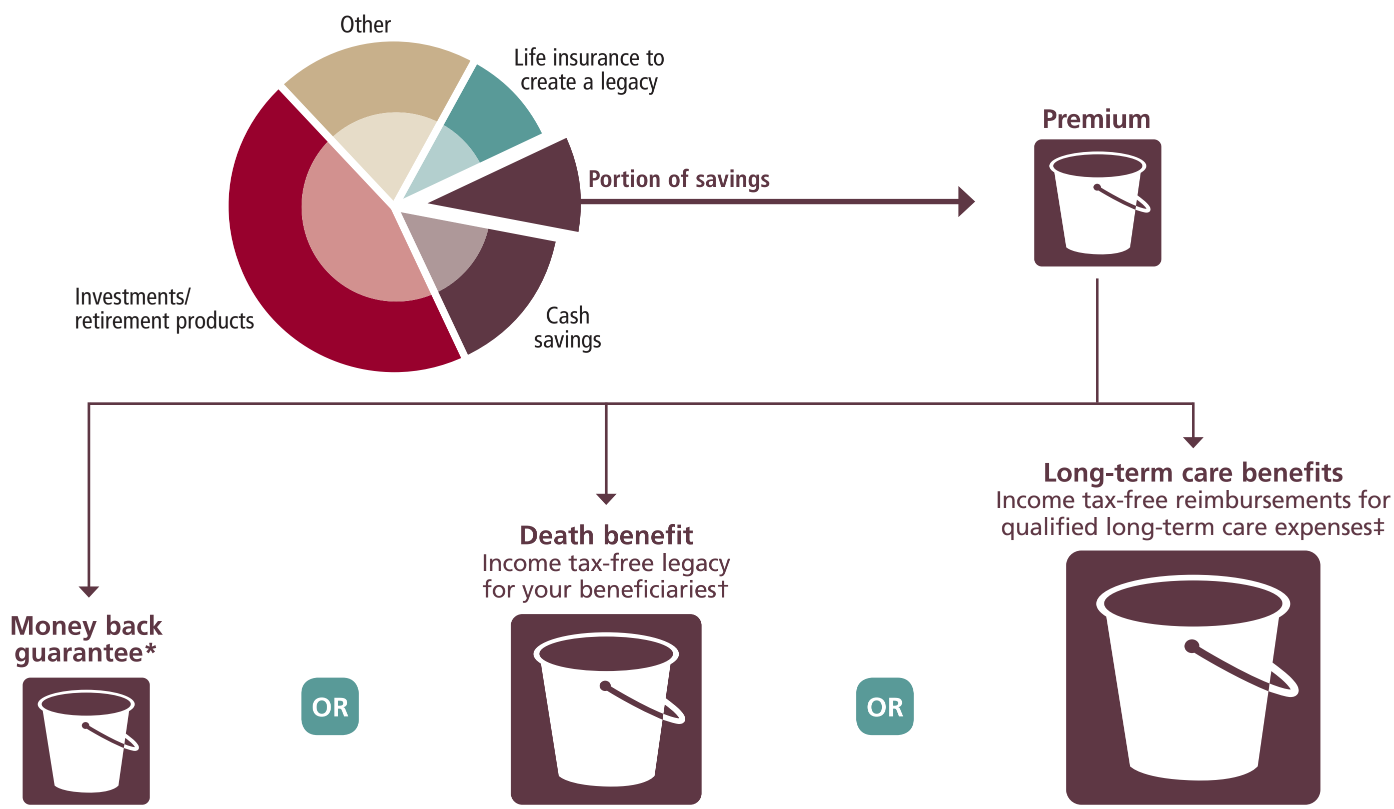
Your clients can avoid taking on all the risks of self-insuring. They can use a portion of their cash reserves designated for long-term care to purchase a Lincoln *MoneyGuard*® Reserve policy. They can maintain control of their assets, get much more for their LTC dollars, and enjoy these advantages:

1 Immediately increase the protection for the rest of the portfolio.

2 Free up other portfolio reserves to seek additional growth.

3 Gain a new asset in the portfolio—the policy.

Leverage portfolio assets



Recommend buying a Lincoln *MoneyGuard* Reserve policy with a portion of cash reserves. The policy remains an asset in the client portfolio, and it offers:

A money back guarantee. The client can request their money back through the Return of Premium Rider.* The amount returned will be adjusted for loans, withdrawals, or benefits paid, and may have tax implications.

An income tax-free death benefit. If the client dies, the policy pays an income tax-free death benefit to their beneficiaries. This benefit will be adjusted for any long-term care benefits received.

Long-term care benefits. If the client needs long-term care, the policy can provide income tax-free reimbursements for qualified long-term care expenses.

*Through the Return of Premium Rider on one-time payment policies for ages 30–65. See Rider for complete terms and conditions.

† Beneficiaries receive an income tax-free death benefit under IRC Section 101(a)(1).

‡ Long-term care reimbursements are generally income tax-free under IRC Section 104(a)(3).

Product features

Policy design	• Single life universal life insurance
Issue ages	• Single premium: 30 – 69 • Flexible premium: 30 – 80
Premium payment options	• One-time payment • Flexible premium—for 3-, 5-, 7- or 10-year periods*
Minimum specified amount of death benefit	• 2-year CCBR: $75,000 • 3-year CCBR: $115,000
Maximum specified amount of death benefit	• 2-year CCBR: $500,000 • 3-year CCBR: $750,000
Premium load*	• Percentages will change based on policy duration. Commissionable and expressed as a percentage of target-excess premium.

Structure

Year	Target	Excess
1	60.00%	8.25%
2	25.00%	7.00%
3	15.00%	5.00%
4	15.00%	5.00%
5	10.00%	5.00%
6	10.00%	5.00%
7+	9.00%	5.00%

Guaranteed interest rate	• 4%

Product benefits

Return of Premium Rider (ROPR) (money back guarantee)	• Provides a guaranteed lifetime refund of the premium paid. Amount will be adjusted by any loans, loan interest, loan repayments, withdrawals taken, or claim payments made. • Available on one-time payment policies at issue for ages 30–65. • Any additional premiums received in excess of the one-time payment premium will not be included in the return of premium amount.

	Cost of ROPR (as a percentage of premium)	
	Target	Excess
One-pay/year one planned premium	16.00%	2.40%
Renewal year planned premium	2.40%	2.40%

*May not be available through all licensed insurance agents/representatives.

Product benefits, cont'd.

Convalescent Care Benefits Rider (CCBR) (LTC benefit pool 1)	• Accelerates the specified amount of death benefit to pay for qualified LTC expenses. • 2- or 3-year duration. The benefit duration period is selected by the client at issue.
Extension of Benefits Rider (EOBR) (LTC benefit pool 2)	• Allows the client to continue LTC benefits after the specified amount of death benefit is exhausted. Available only at issue. • 2- or 4-year duration. The benefit duration period is selected by the client at issue.

Inflation protection (CCBR/EOBR)

- Increases the LTC benefits. Available at issue.
- Two options available:

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

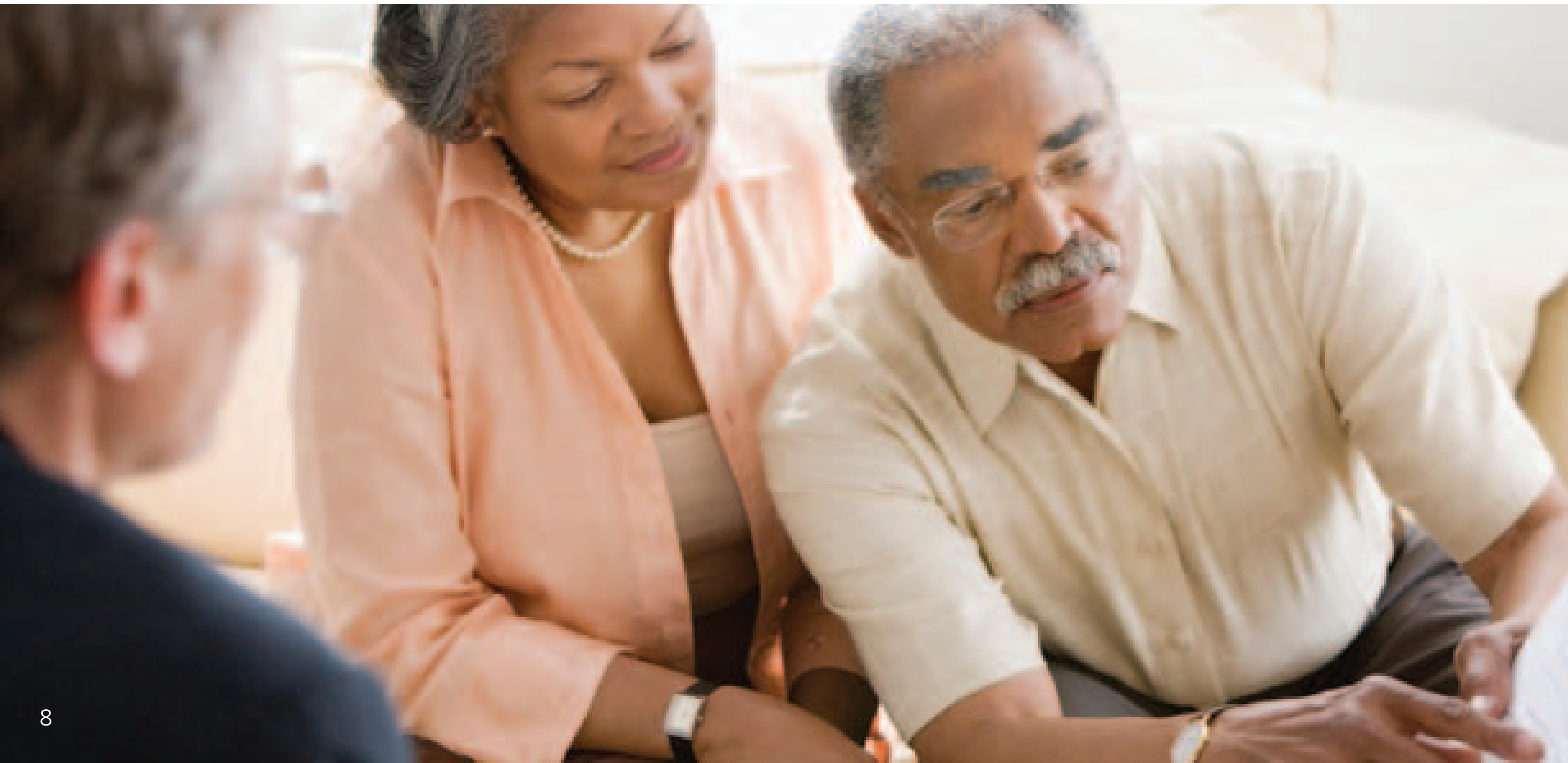
- If elected, the same inflation option must apply to both CCBR (LTC benefit pool 1) and EOBR (LTC benefit pool 2).
- Consider inflation options for clients in their 50s.
- **Hypothetical example:** Female, healthy nonsmoker, age 55, elects a $100,000 one-time payment policy with a two-year CCBR + four-year EOBR for a total six-year LTC benefit period. She is planning ahead for future long-term care expenses. Without inflation protection, her total LTC benefit would be $579,738 for all years. The 3% simple inflation protection option increases her monthly benefits and total LTC pool at age 80 to more than $801,000.

	Without inflation protection	3% simple inflation protection
Maximum monthly LTC benefit at age 80	$8,052	$12,356
Total LTC benefit at age 80	$579,738	$801,674

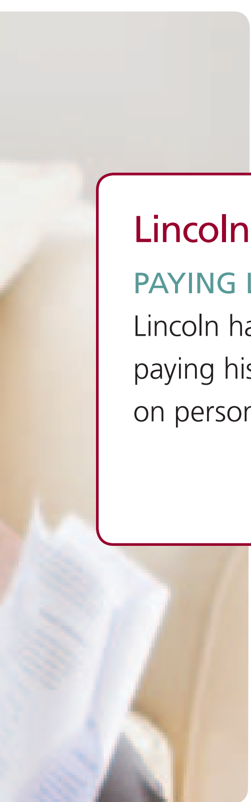
Values are subject to change if any withdrawals or loans are taken.

Long-term care benefits

Covered services	The insured can select from a variety of care options: • Home healthcare • Assisted living • Nursing home care • Adult day care • Personal care services • Hospice care • Alternative care services Once eligible, qualified expenses are reimbursed up to 100% of monthly maximum benefit for all levels of care.*
Bed reservation benefit	Helps pay the cost of reserving a bed in the facility for up to 30 days per calendar year if the insured's stay in a long-term care setting is interrupted. Up to one-thirtieth of maximum monthly LTC benefit.
Eligibility for reimbursement of qualified long-term care expenses	Eligibility for reimbursement of qualified long-term care expenses • The insured is certified as chronically ill by a Licensed Health Care Practitioner. • Care is provided under a care plan prescribed by a Licensed Health Care Practitioner. • Reimbursement is for covered expenses up to the maximum benefit specified in the policy. An individual must be certified as chronically ill by a Licensed Health Care Practitioner. Certification is that the insured is unable to perform at least two of the activities of daily living (ADLS), without substantial assistance from another, for a period of at least 90 days. The ADLs are: bathing, continence, dressing, eating, toileting, and transferring. An insured may also be certified chronically ill as a result of severe cognitive impairment. The care received must be provided under a plan of care by a Licensed Health Care Practitioner and reconfirmed no less than every 12 months for reimbursement eligibility. Expenses not subject to the deductible are: Bed Reservation, Respite Care Services, Non-Continual Alternative Care Services, Caregiver Training, and Care Planning Services. The Deductible Period must be satisfied before other benefits become payable. Qualified long-term care benefits will continue as long as the individual is certified and chronically ill and until the entire long-term care benefits are exhausted.



Other information	
Monthly cost of insurance (COI) costs	Separate deductions are made each month to cover the cost of the base life insurance, the CCBR, any inflation on the CCBR, the EOBR, and any inflation on the EOBR. No COI or rider costs are incurred after age 95.
Partial withdrawals	• One allowed per year • No withdrawal fee • Minimum: $100 • Maximum: 90% of cash surrender value
Surrender charge duration	20 years
Surrender charge schedule (per thousand dollars of specified amount)	At a minimum, the client will always have a money back guarantee.† The surrender charge remains level throughout the policy year in any given year and decreases over the first 20 years. Actual surrender charges are shown in the insured's policy.
Policy loans	• Interest charged: variable and charged in arrears • Interest credited: 4%
Tax treatment of rider charges	• The CCBR and EOBR are intended to provide qualified long-term care benefits under IRC Section 7702B(b). The costs for these riders are deducted monthly from the policy cash value and are federally treated as "distributions" from the policy. Lincoln will not report these distributions as taxable to your client even if their policy is a Modified Endowment Contract (MEC). Instead, the costs will reduce the investment in the contract (cost basis), but not below zero, as the costs are taken from the policy. Once the investment in the contract has been reduced to zero, distributions for qualified long-term care charges will come from any gain in the contract, but will still not be reportable as taxable distributions. • A 10% federal tax may apply if such a distribution is taxable and occurs prior to age 59½. Lincoln Financial Group, its affiliated companies, and its licensed insurance agents/representatives do not provide legal or tax advice. A tax advisor should be consulted for additional information.



Lincoln *MoneyGuard*® Reserve

PAYING LTC CLAIMS

Lincoln has an excellent claims-paying history with an emphasis on personal service to the client.

RELYING ON EXPERIENCE

With more than 82,000 linked benefit policies including *MoneyGuard* in place, Lincoln has helped protect families from the risks of long-term care costs since 1988.

*Most covered services are subject to a 90-day deductible or elimination period.

†Through the Return of Premium Rider on one-time payment policies for ages 30–65. See Rider for complete terms and conditions.

Asset leverage with Lincoln *MoneyGuard*® Reserve

These are hypothetical examples. Actual benefit amounts will vary by client's age, health status and gender.

HYPOTHETICAL CASE: DAN, AGE 50, NONSMOKER IN GOOD HEALTH

He has a sustainable retirement portfolio and receives an annual bonus every year.

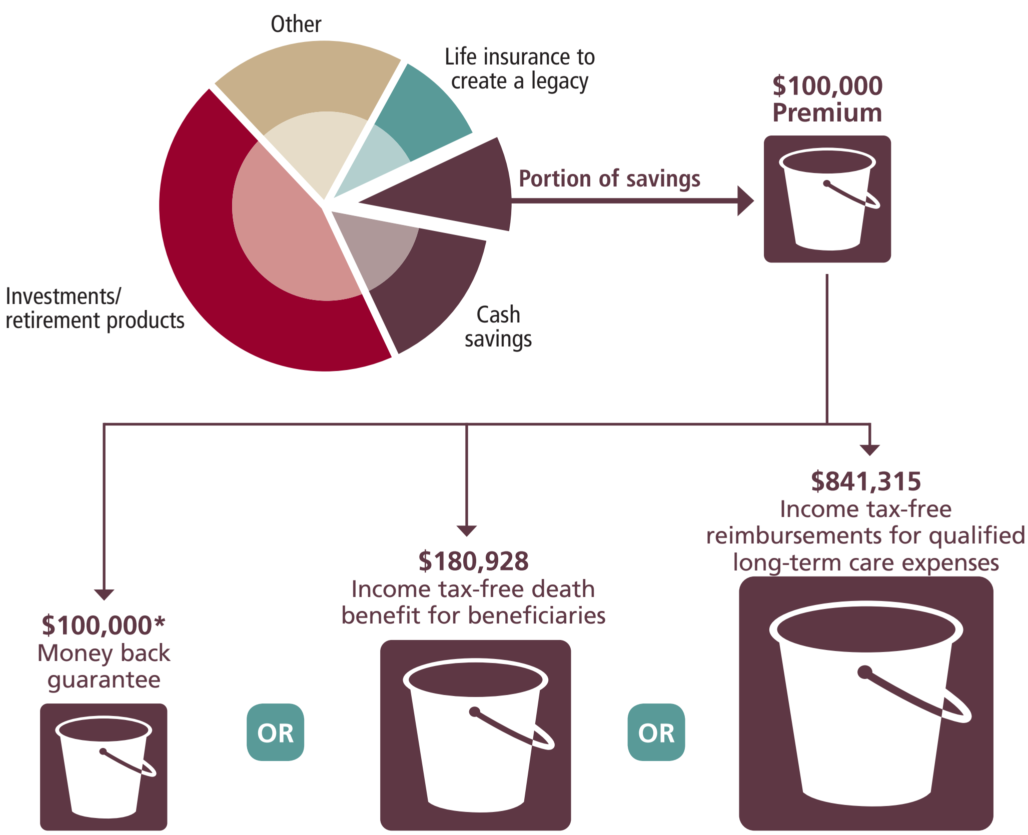
Objective

Protection for the potential need for long-term care in the future.

Recommendation

Lincoln *MoneyGuard*® Reserve structured as:

- $100,000 one-time payment
- 3% simple inflation protection
- 6-year LTC benefit period consisting of a 2-year CCBR + 4-year EOBR



Solution

At age 75, Dan will have a total LTC benefit pool of $841,315, or monthly maximum reimbursements for qualified long-term care of $20,506, which will continue to grow on each policy anniversary.†

Values are subject to change if any withdrawals or loans are taken or if any benefits are paid prior to age 75.

*Minus any benefits paid, loans and withdrawals.

†Inflation protection available only on the Extension of Benefits Rider (EOBR).

HYPOTHETICAL CASE: NANCY, AGE 60, NONSMOKER IN GOOD HEALTH

She has a sustainable retirement portfolio but wants to be prepared now for long-term care if she needs it.

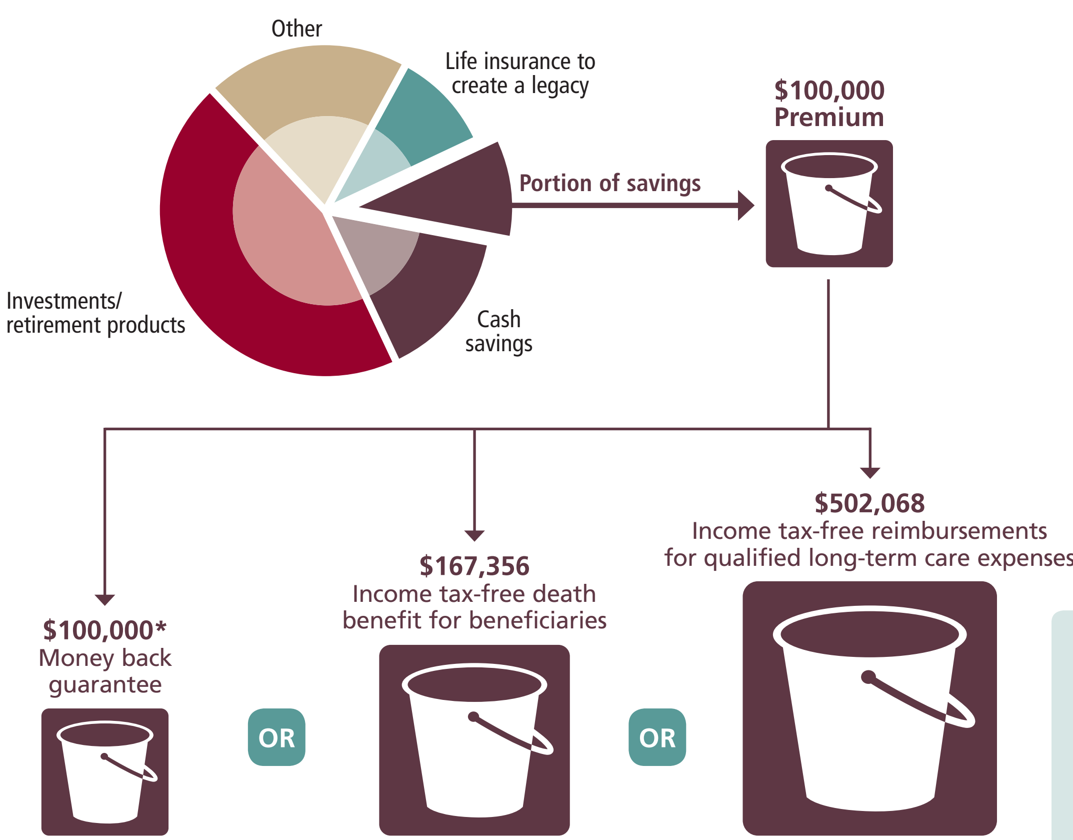
Objective

Protection for the potential need for long-term care in the near future.

Recommendation

Lincoln *MoneyGuard®* Reserve structured as:

- $100,000 one-time payment
- No need for inflation protection
- 6-year LTC benefit period consisting of a 2-year CCBR + 4-year EOBR



Solution

Nancy will have a total LTC benefit pool of $502,068, or a monthly maximum of $6,973, for qualified long-term care reimbursements.

CONTACT YOUR LINCOLN REPRESENTATIVE FOR MORE INFORMATION

* Minus any benefits paid, loans and withdrawals.

HELPING PEOPLE FACE THE FUTURE WITH CONFIDENCE

At Lincoln Financial Group, we've spent more than 100 years living up to the character of our namesake: integrity, honesty, and the belief in a better tomorrow. We provide advice and solutions to help people save for tomorrow, secure and maximize their income, protect themselves and their loved ones, and prepare for the unexpected.

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Lincoln *MoneyGuard*® 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) may be included at issue on one-time payment policies for issue ages 30–65. The amount of premium returned is adjusted for any benefits paid, any loans or withdrawals taken, and it may have tax implications. The cost of riders will be deducted from the policy value. The insurance policy and riders have limitations, exclusions, and/or reductions. Additionally, long-term care benefit riders may not cover all costs associated with long-term care costs incurred by the insured during the coverage period. All contract provisions, including limitations and exclusions, should be carefully reviewed by the owner.

Lincoln *MoneyGuard*® Reserve is issued by Lincoln Life & Annuity Company of New York, Syracuse, NY, on Policy Form LN850 (8/05) with a Convalescent Care Benefits Rider on Rider Form LR851 (8/05), an Extension of Benefits Rider on Rider Form LR852 (8/05), a Return of Premium Rider on Rider Form LR850 (10/07), a Terminal Illness Accelerated Death Benefit Rider on Rider Form LR853 (8/05), and a Right to Purchase a Long-Term Care Policy on Endorsement Form LR856 (8/05)

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