

## **Lincoln Financial Group Offers 2013 Product Trends Impacting Life Insurance and Annuity Markets**

Financial security with flexibility, an evolving combination/Long Term Care (LTC) product market, risk managed strategies, and tax deferrals are some of the trends that Mark Konen, President of Lincoln Financial Group's Insurance and Retirement Solutions business, sees driving the individual life and annuities industries in 2013.

"With the realities of today's economic climate and our society's evolving demographics, we see continued interest in financial solutions that offer a level of predictability - whether that's in the form of a death benefit, a living benefit, asset protection, or the elimination of the "use it or lose it" risk of some products," said Konen. "As the industry works to deliver on these consumer demands, we believe 2013 is primed to see the development of many unique solutions, while also seeing some once-popular products and features reemerge in cases of 'what's old is new again'."

Among the 2013 trends that we may see:

### **Innovation and Non-Traditional Life Insurance Solutions**

Today, three in ten American households are uninsured and half say they are underinsured<sup>1</sup>. Competing financial obligations, perceptions about life insurance costs, and lack of understanding about needs often prevent consumers from purchasing a policy. The low interest rate climate has further complicated the problem by making many forms of insurance more expensive / unattainable for the average American. To help bridge this gap between the public's need for life insurance and their ability to secure it, expect to see innovative life insurance alternatives emerge that go beyond the traditional offerings consumers have known. These innovations will balance financial planning needs, flexible coverage and cost efficiencies against the dynamics of today's economic climate.

### **Variable Universal Life Insurance**

Once the industry's life insurance product of choice in the 1990s, Variable Universal Life (VUL) is primed for a comeback. By balancing death benefits with market-driven cash value potential, VUL products can help consumers financially protect their loved ones, while also providing a potential source of supplemental income to keep pace with life's changes. This combination of features in a single solution can be very compelling during these uncertain times.

### **Life Combination Products: Flex Pay Premiums, Younger Clients, ABRs**

With an estimated 70 percent of people turning age 65 expected to have a long-term care need<sup>2</sup>, life combination products continue to rise in popularity as alternatives to traditional standalone LTC solutions that carry a "use it or lose it" risk. As this trend continues, expect to see increasing interest in linked-benefit products with LTC riders offering premiums that can be paid over several years. Linked-benefit products with LTC riders have historically appealed to older clients with substantial savings and the ability to pay a lump sum. However, the option to spread premiums over time offers younger clients in their pre-retirement years and still accumulating assets, the opportunity to plan for and protect against the financial impact of a Long Term Care event.

As the combination space evolves, also expect to see increasing demand for life insurance solutions with Accelerated Benefit Riders (ABR). While linked-benefit products with LTC riders are designed for those clients primarily concerned with long term care, ABRs serve a growing market demand for clients who have a primary need for death benefit protection, but are also concerned about the impact that a permanent chronic or terminal illness may have on their financial well-being.

### **Annuities: Guaranteed Living Benefits, Risk Management Strategies, Tax Deferrals**

Americans today face the strong possibility of outliving their retirement assets. This will continue to drive the popularity of Guaranteed Living Benefit (GLB) riders with annuities, as they provide clients a minimum guaranteed lifetime income stream that doesn't require them to give up control of their assets. With this trend, expect to see providers place added emphasis on risk management strategies built into the products and their benefits. These strategies are designed to reduce equity risk during volatile markets and lead to a more consistent pattern of returns. The goal is to protect clients' account values and encourage them to remain invested, which over time may increase the probability of growth for retirement income. These risk management strategies also enable companies to continue providing compelling GLBs.

With the recent changes to the tax landscape, particularly among the affluent population, also expect to see a renewed emphasis on the tax deferral aspect of annuities. Because annuity assets accumulate tax-deferred, there are no tax consequences until clients take money from their contract, often at lower tax rates occurring during retirement, making this annuity value proposition more attractive to clients in 2013.

## **Disclosure**

**Variable products are sold by prospectus, which contains the investment objectives, risks, and charges and expenses of the variable product and its underlying investment options. Investors need to read the prospectus carefully before investing.**

**For a current prospectus, please call 800-444-2363 or go to [www.LincolnFinancial.com](http://www.LincolnFinancial.com).**

With any VUL product, certain fees and costs are involved, including monthly cost of insurance, administrative expense and premium load charges, as well as daily charges on assets invested in the variable investment options for mortality and expense risk, and asset management fees.

<sup>1</sup> LIMRA, Facts from LIMRA, Life Insurance Awareness Month, September 2012

<sup>2</sup> Peter Kemper, Harriet L. Komisar, and Lisa Alecxih; "Long-Term Care Over an Uncertain Future: What Can Current Retirees Expect?" Winter 2005/2006

## **About Lincoln Financial Group**

Lincoln Financial Group is the marketing name for Lincoln National Corporation (NYSE:LNC) and its affiliates. With headquarters in the Philadelphia region, the companies of Lincoln Financial Group had assets under management of \$178 billion as of December 31, 2012. Through its affiliated companies, Lincoln Financial Group offers: annuities; life, group life, disability and dental insurance; 401(k) and 403(b) plans; savings plans; and comprehensive financial planning and advisory services. For more information, including a copy of our most recent SEC reports containing our balance sheets, please visit [www.LincolnFinancial.com](http://www.LincolnFinancial.com).