



Retirement Insights:

The importance of tax planning



Progress isn't always defined by some grand intellectual breakthrough. Frequently it arises out of the simple act of connecting the dots of existing knowledge in novel ways.

At Lincoln Financial Group, we believe that the best wealth protection solutions can come about by connecting the dots of the needs of people in innovative ways. We support this with a commitment to better understand the concerns of Americans like you.

Reflecting that commitment, we worked with The Spectrem Group, a leading investor research firm, to determine how individuals plan and manage living expenses and taxes before and during retirement. Our research survey, "2013 — Expense Challenges of Age 62–75 Retirees," yields a number of important conclusions about these individuals. (See page 3 for survey methodology.)

You're not alone

While the financial services industry has undertaken extensive research of retiring baby boomers, the bulk of this study focused on retirement aspirations or investment attitudes. The industry is still learning about the actual financial needs of retirees, including the role of taxes in planning.

Our research can help you and your advisor address challenges and prepare for the future. As you review the following conclusions of our survey, you'll find that you may have similar concerns.

Finding #1: Retirees have a variety of concerns

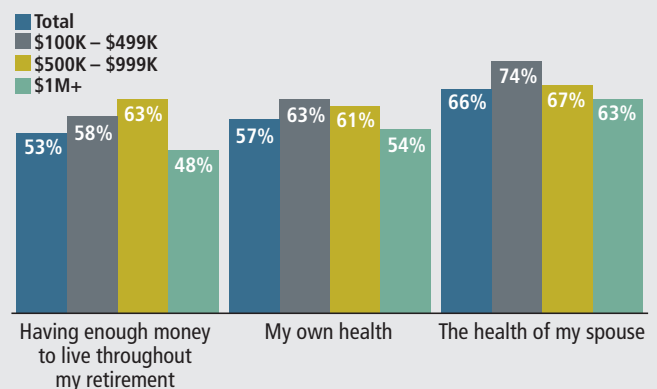
Much of the analysis of retirees breaks along the divisions of age and gender, and wealth and income.

For example, retirees from ages 62 and 65 are more concerned about their health than those who are beyond age 65. Female retirees are more focused on health issues, and receiving Social Security and Medicare benefits for a lifetime.

Retirees with more than \$1 million of net worth have less doubt about having sufficient retirement income than others. Still, 48% of respondents with net worth exceeding \$1 million indicate that they are worried and 63% of those with net worth between \$500,000 and \$999,000 are concerned about having enough money to last a lifetime.

There can be remarkable differences among individual retirees that influence their attitudes toward risk and their financial needs.

Retirees' concerns vary with net worth*



What you can do: Take steps to address your concerns about the future. Your advisor can create a strategy to help you protect your savings as you prepare for retirement.

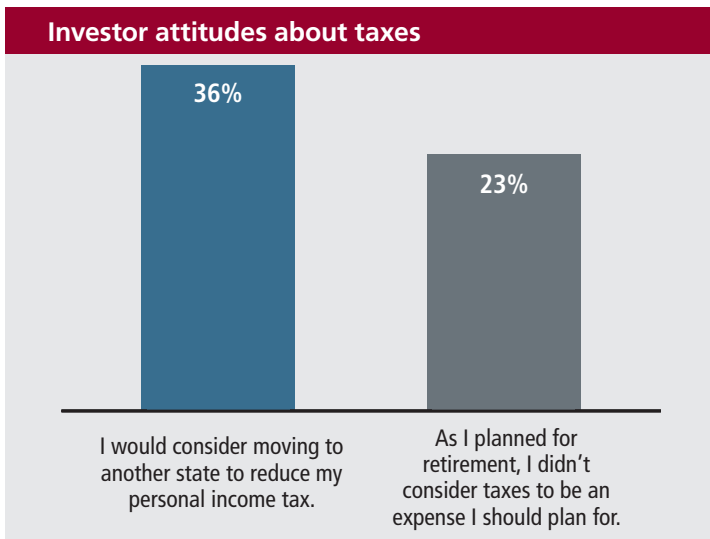
*All charts are derived from the research survey, "2013 — Expense Challenges of Age 62 – 75 Retirees."

Finding #2: Pre-retirees underestimate the impact of taxes in retirement

When pre-retirees were asked what they thought their top expenses would be once they retired, they answered “home/mortgage,” “healthcare” and “travel/leisure” —in that order.

Yet, when the same question was asked of retirees, the top three answers were “home/mortgage,” “taxes” and “travel/leisure.” Indeed, 36% reported that taxes were a larger expense than they had anticipated, while 23% didn’t even consider taxes as an expense for which to plan.

It may then come as no surprise that 33% acknowledged that, knowing what they know now, they would have done a better job of tax planning for retirement.



The clear conclusion is that pre-retirees are seriously underestimating the impact taxes will have during their retirement—to the regret of many of them.

Underestimating the role of taxes is not rooted in ignorance of taxes. In fact, when asked if they were aware of recent tax law changes, 62% said that they were, while only 16% were unaware of any tax law changes.

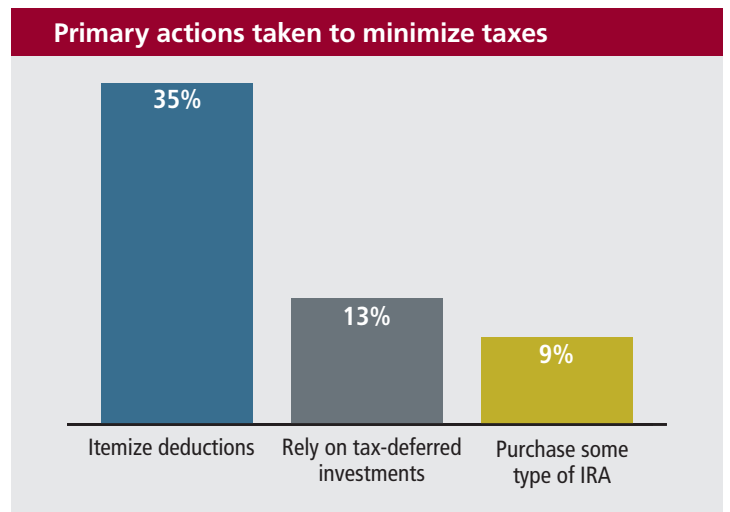
While tax awareness levels were elevated for higher income and higher net worth cohorts, the biggest divergence was between the sexes, with 66% of males indicating awareness of tax law changes versus a bare majority (53%) of females who said they were aware of these changes.

Survey participants were also asked if their advisor regularly discusses tax changes and their impact on retirement.

Encouragingly, the majority (57%) answered “Yes,” though a substantial minority (43%) answered “No” to this question.

This same group was further asked what actions they took to minimize taxes. At the top of that list was taking itemized deductions (35% of respondents indicated this as a primary action). No other action came close.

In light of new federal tax legislation, including the phaseouts of exemptions and personal deductions, itemizing deductions may no longer be an option for many retirees.



The research, we think, draws these clear conclusions:

- Many Americans are not adequately accounting for the impact taxes may have on their retirement.
- They should consider other ways to help protect their assets from tax exposure.

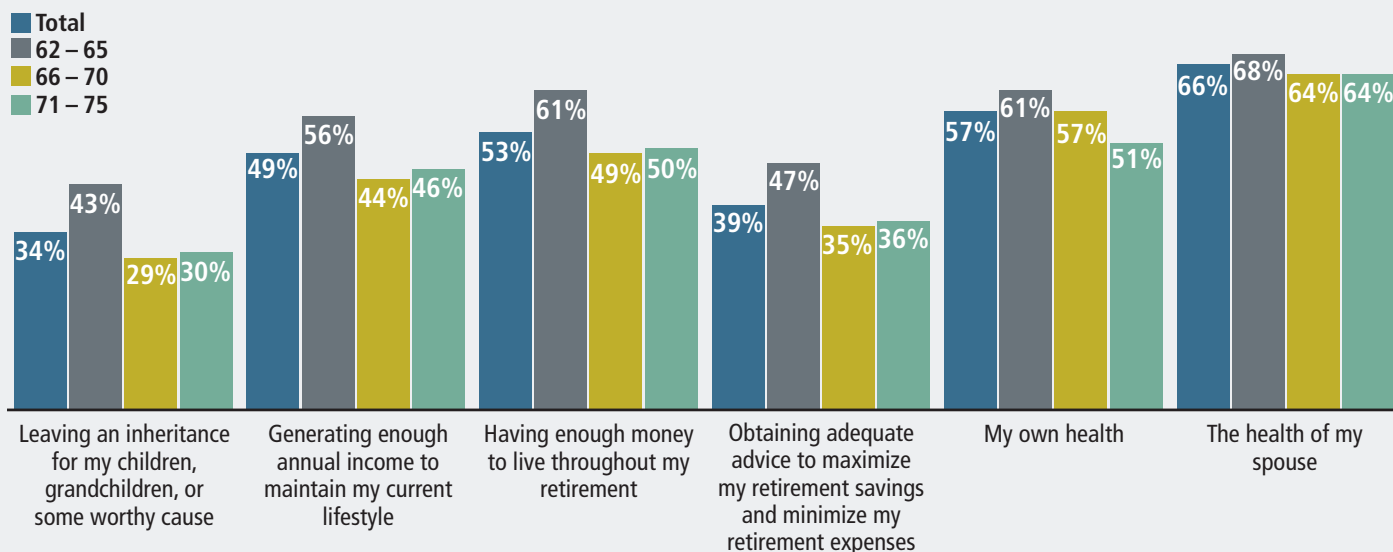
What you can do: Meet with your advisor and discuss how taxes could affect your portfolio, your retirement income and your Medicare Part B premiums. Tax planning is an important component in your financial strategy.

Finding #3: Many people like you are worried about the future

While concerns about retirement have moderated since those unsettling days in 2008 and 2009, 53% of respondents remain worried about not having enough money to last through retirement.

Individuals, ages 62–65, have more apprehension than any other age segment about major retirement issues, generating enough income, having assets to last throughout retirement, and personal health. All of these concerns point to a need for wealth protection expertise and solutions that can help you achieve your financial goals.

Financial concerns change with age



Fear is rooted in perceived risks and uncertainty. Many people like you are concerned about the future because you face a number of financial challenges, including taxes, health-related expenses, market volatility, inflation and having enough retirement income to last a lifetime. By working with your advisor, you can address these issues and take a holistic approach to help overcome these challenges and protect your assets today and tomorrow.

The importance of tax planning in your preretirement years

You spend most of your life working toward it. Retirement should be a time when you can realize your goals—not a time to worry about future uncertainty.

What you can do: Help minimize your tax exposure in retirement by taking action years before you retire. Your advisor can assist you in preparing for your future with strategies that can help protect your portfolio and your retirement income.

Survey methodology

The “2013—Expense Challenges of Age 62–75 Retirees” report was designed to gain insight into retirees in an age group spanning 62–75 whose annual household income is \$100,000 or above.

The study comprises 750 qualifying individuals who completed an online survey during the period of October 1 through October 9, 2013.

Respondents were categorized in separate

- Age segments (62–65, 66–70, and 71–75)
- Income levels (\$100,000–\$124,999, \$125,000–\$199,999, and \$200,000 and above)
- Net worth tiers (\$100,000–\$499,999, \$500,000–\$999,999, and \$1,000,000 and above)

The survey also included individuals who worked with a financial advisor, as well as those who did not.



Talk to your advisor.

Discover what you can do now to help protect your savings, your retirement income, and your legacy.

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| Not FDIC-insured |
| Not insured by any federal government agency |
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