THE TRUTH ABOUT ANNUITIES
Dispelling the Myths and Misconceptions

By Brandon Buckingham, J.D., LL.M.
Vice President, National Director, Advanced Planning Group,
Prudential Annuities

Annuities have had their share of detractors over the years. In fact, you may have seen disparaging advertising. But is such criticism warranted?
The reality is annuities currently serve a critical purpose within millions of Americans retirement portfolios – adding a level of security, while helping alleviate some of the financial worry for the future. In fact, those receiving income from an annuity have the highest satisfaction levels of all investment types.*

While a strong retirement plan often requires a combination of strategies, investments and products, the best approach is to consider a clients’ objectives, goals and time horizon to determine if an annuity could make sense as a part of their overall plan.

Truth be told, no other vehicle combines the investment and insurance features to meet a wide range of client retirement needs.

*Continued on page A2
Let’s take a closer look at some of those features:

HELPING CLIENTS CREATE GUARANTEED INCOME FOR LIFE
While some say a guarantee may not be needed if investments perform well, the reality is that markets don’t just go up. Sometimes they go down, sometimes by a lot and sometimes at the wrong time. Considering the current bull market is nearly 9 years old, this may be a good time to consider capturing market gains and continuing to invest with downside protection.

Annuities help retirees manage these critical retirement risks:

- **Longevity Risk**: With people living longer, the challenge is to generate income that will last a lifetime. A 65-year-old married couple has nearly a 50% chance that one spouse will live to age 94, and 25% chance to age 98. Investors should plan for a retirement that can last 25 years or more. With the decline of pensions and the future value of Social Security in question, annuities can help relieve a retiree’s fear of outliving their savings.

- **Market Risk**: Longer lifespans mean the average retiree will likely face five bear markets in retirement. Since 1945 there have been 27 market corrections of greater than 10% and 12 bear markets with losses that exceeded 20% (two with a loss greater than 40% in just the last 20 years). Annuity guarantees can help retirees keep market downturns from derailing their retirement.

- **Sequence of Returns Risk**: Losses in the early years of retirement can devastate a portfolio, increasing the likelihood that an investor will run out of money. Income guarantees can protect investors against the risk of retiring into a down market and help ensure their money lasts.

- **Investor Behavior Risk**: Investors are often influenced by their emotions causing them to get in and out of the market at the wrong time. This is evidenced by the fact that from 1997 through 2016, the S&P 500 Index gained an average of 7.68% while the average investor earned only 2.29%. The guarantees offered by annuities can give investors a level of confidence to remain invested though volatile markets.

- **Withdrawal Rate Risk**: A safe and sustainable withdrawal rate is defined as how much can be taken from a portfolio with little probability of depleting the account. Historically that rate has been around 4%. However, because people are living longer in retirement and facing a prolonged low interest rate environment, new research suggests a sustainable withdrawal rate closer to 3% or less. Annuity’s guaranteed withdrawal rate is often higher, and can help mitigate this risk.


THE VALUE OF GUARANTEES
When planning, investors should always consider both the benefit and the cost when selecting any financial solution. Annuity fees are commensurate with the guarantees and features they offer. How much would you pay to insure your lifetime income? However, critics often compare investments based solely on expenses and ignore the unique value that annuities offer as a part of an overall strategy. Instead they should focus on whether the guarantees and other benefits offered by annuities, like added security, are worth the cost for a given investor’s situation.

ANNUITIES ARE DESIGNED TO SOLVE FOR COMPLEX CLIENT NEEDS
Annuities solve for more complex needs – such as providing guaranteed lifetime income; which cannot be outlived. Understanding an annuity and its guarantees is essential if an investor wants to make full and effective use of this type of investment.

ANNUITIES ARE LONG-TERM INVESTMENTS
The perceived lack of liquidity is also something raised by annuity critics. But annuities are not for the short term. They are designed as long-term investments; after all, the purpose of an annuity is to generate income that will last a lifetime. Many annuity contracts have some form of “surrender charge.” This performs two functions. First, the surrender charge provides an incentive to hold the contract and ultimately reap the benefits it was designed to provide. Second, if an investor surrenders within a defined period after purchasing their contract, the company can recover its costs.

There are annuities without surrender charges, and “advisory” contracts where investors pay an annual asset-based fee, just as they do in managed money accounts. In addition, many annuity contracts have an annual free
withdrawal privilege that allows owners to withdraw a certain amount of money without paying surrender charges.

**TAX BENEFITS OF ANNUITIES**
No one wants to pay the IRS more than they need to. Annuities provide an effective and efficient way to manage taxes. Critics argue that annuity distributions are taxed as ordinary income versus other investments which may be taxed at the lower long-term capital gains rate. But annuity investors generally take income over time in retirement. In these circumstances, the long-term benefits of tax deferral may offset the advantage of the lower capital gains rate. Alternatively, the buying, selling, and rebalancing within a taxable portfolio can result in additional taxes at the higher short-term capital gains rate. Comparatively, annuities provide tax-free rebalancing and the ability to defer taxes on any growth until income begins, often when investors are in a lower tax bracket.

Investors should also consider the tax benefits of asset location. It may be advantageous to have tax-inefficient assets such as actively managed funds, alternatives, REITs, high yield funds and taxable bond funds in tax-deferred accounts such as annuities. Comparatively, annuities provide tax-free rebalancing and the ability to defer taxes on any growth until income begins, often when investors are in a lower tax bracket. Finally, they provide the owner the ability to control how and when the annuity benefits are distributed to their loved ones.

Annuities and other retirement accounts such as IRAs and 401(k) plans do not get a step-up in cost basis at death. “Step up” in cost basis generally benefits long held individually owned stocks and real estate. A managed portfolio, on the other hand, will likely realize some taxable gains annually, adjusting the investment’s cost basis along the way, and reducing what may be available to be stepped up at death. Finally, it’s important to remember that most investors purchase annuities to generate guaranteed retirement income, so the lack of a step-up in cost basis may not be as important for that part of their portfolio.

**LEGACY BENEFITS OF ANNUITIES**
Annuities may also provide owners the opportunity to grow, protect and control assets intended to pass to their loved ones. They are not subject to probate, avoiding associated expenses and delay. And annuities often provide various protective features such as enhanced death benefits, as well as flexible wealth transfer options. Another benefit is that beneficiaries may have the opportunity to “stretch” their inheritance, thereby spreading and deferring related taxes over their lifetime.

Continued on page A4
THE FOUNDATION OF A COMPREHENSIVE RETIREMENT INCOME STRATEGY

While saving for retirement, an annuity’s underlying assets can be invested in sub-accounts which own stocks and bonds. Having such market exposure can help create a hedge against inflation risk. But what about when the annuity’s income guarantee is turned on? Critics make the point that annuity income is not typically adjusted for inflation. Although this is generally true, it ignores what the annuity income allows the investor to do with their other investments. Annuity income is the “floor” of a comprehensive retirement income portfolio, not the entire income plan. Many financial planners look at guaranteed income streams, such as those provided by pensions, Social Security and annuities, to help cover an investor’s essential retirement expenses – housing, food, clothing, transportation and healthcare costs. A strategy that ensures essential expenses are covered frees investors to devote more of their remaining capital to long-term growth. A comprehensive retirement income plan should include both sources of guaranteed income and non-guaranteed investments.

INVESTOR SATISFACTION

As previously mentioned, the fact is that consumers who own annuities and are receiving income are more satisfied with their annuity than any other investment.

CONCLUSION

While planning for retirement, a fully informed investor is in a better position to make the right decisions regarding their needs, goals and objectives. No one product or investment will make a comprehensive financial and retirement plan successful; it often requires a combination of various strategies, investments and products. Work with your clients to thoughtfully consider whether the guarantees, tax, legacy or planning benefits of an annuity are right for their overall financial plan.

Investors should consider the features of the contract and the underlying portfolios’ investment objectives, policies, management, risks, charges and expenses carefully before investing. This and other important information is contained in the prospectus, which can be obtained from your financial professional. Please read the prospectus carefully before investing.

Variable annuities are issued by Pruco Life Insurance Company (in New York, by Pruco Life Insurance Company of New Jersey), Newark, NJ (main office) and distributed by Prudential Annuities Distributors, Inc., Shelton, CT. All are Prudential Financial companies and each is solely responsible for its own financial condition and contractual obligations. Prudential Annuities is a business of Prudential Financial, Inc.

All references to guarantees, including optional benefits, are backed by the claims-paying ability of the issuing company and do not apply to the underlying investment options.

Annuity contracts contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your licensed financial professional can provide you with complete details.

Investment returns and the principal value of an investment will fluctuate so that an investor’s units, when redeemed, may be worth more or less than the original investment. Withdrawals or surrenders may be subject to contingent deferred sales charges. Optional benefits have certain investment, holding period, liquidity, and withdrawal limitations and restrictions. The benefit fees are in addition to fees and charges associated with the basic annuity.

Withdrawals and distributions of taxable amounts are subject to ordinary income tax and, if made prior to age 59½, may be subject to an additional 10% federal income tax penalty, sometimes referred to as an additional income tax. Withdrawals reduce the account value and the living and death benefits.

Prudential Annuities and its distributors and representatives do not provide tax, accounting, or legal advice. Please consult your own attorney or accountant. Because qualified retirement plans, IRAs and variable annuities offer a tax-deferral feature, you should carefully consider the other features, benefits, risks, and costs associated with a variable annuity before purchasing one in either a qualified plan or an IRA. Before purchasing a variable annuity, you should take full advantage of your 401(k) and other qualified plans.

References:

1 Society of Actuaries RP-2014 Mortality Table projected for mortality improvement Scale MP-2014, 2016
2 Seeking Alpha.com. What should retirees do during a bear market? 6/2017
3 Time.com/Money, Here’s how devastating a bear market can be, 1/2016
4 Dalbar, Inc Indexes 1997 through 2016
People trying to save for the future face many obstacles. A variable annuity with the purchase of an add-on benefit\(^1\) can help address many of these challenges. So, isn’t it worth the time to understand a product that can provide a protected lifetime income stream\(^2\), growth potential, and even the comfort of leaving money to loved ones?

**Visit Jackson.com to learn more about how you can help your clients create lifetime income.**

Variable annuities are long-term, tax-deferred investments designed for retirement, involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed and may be subject to a 10% additional tax if withdrawn before age 59½.

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**Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of the variable annuity and its underlying investment options.** The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact The Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

\(^1\)Optional benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity. The long-term advantage of the optional benefits will vary with the terms of the benefit option, the investment performance of the variable investment options selected, and the length of time the annuity is owned. As a result, in some circumstances the cost of an option may exceed the actual benefit paid under that option. Death benefits terminate if the contract value falls to zero.

\(^2\)Protected lifetime income of the optional lifetime benefits becomes effective at issue if the designated life/owner is age 59½ at issue, or upon the contract anniversary following designated life’s/owner’s 59½ birthday, provided the contract value is greater than zero and has not been annuitized.

Guarantees are backed by the claims-paying ability of Jackson National Life Insurance Company® or Jackson National Life Insurance Company of New York®.

The latest income date allowed is age 95, which is the required age to annuitize or to take a lump sum. Please see the prospectus for important information regarding the annuitization of a contract.

In certain states, we reserve the right to refuse any subsequent premium payments. Does not apply in Oregon.

Annuities are issued by Jackson National Life Insurance Company (Home Office: Lansing, Michigan) and in New York by Jackson National Life Insurance Company of New York (Home Office: Purchase, New York). Variable annuities are distributed by Jackson National Life Distributors LLC, member FINRA. May not be available in all states and state variations may apply. These products have limitations and restrictions. Contact the Company for more information. Jackson is the marketing name for Jackson National Life Insurance Company and Jackson National Life Insurance Company of New York.

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CNC18955 09/17
MY SECURITY BLANKET; A RETIREMENT STORY

By Donna Belcher

“Just one month prior to my husband’s passing, we made the decision to purchase an annuity. I didn’t know it at the time, but it was the best decision we could have made to ensure I would have a secure retirement.”

Retirement is not easy. Let me just get that out of the way upfront. I officially retired from a 25-year career spent in hospitals – first as a labor and delivery nurse and later as a certified nurse midwife – a little more than four years ago. In and of itself, retirement is a huge transition. When you couple that with losing your spouse, it becomes an even greater challenge.

Don’t get me wrong, I have lived a very full life and have had some great experiences since retiring. In fact, retirement has allowed me to spend more quality time with my family, whom I consider the most important part of my life. Soon after retirement, my circumstances prompted a decision to sell my home. My son and his wife happened to be looking for a house at the same time, so I ended up selling them my house and barns. With their blessing, I then carved out a piece of land on the same property where I could build my own home and remain close to my family. I took the opportunity to be my own general contractor on the project, which was an extremely gratifying experience.

The construction of my new house was very time-consuming and allowed me to keep busy. When the project was finally complete, I found that I had a significant amount of time to fill. This newfound time took some getting used to, but I’ve learned to really enjoy it over these past few years. The best part about living next door to my son and daughter-in-law is the priceless time I get to spend with my 11-year old grandson after he gets home from school.

Even though my retirement has blessed me with some of the best years of my life, it has not come without its challenges. The biggest challenge of all has been going through retirement without my husband. My husband was a vibrant, healthy engineer who ran his own business from our home up until the day he passed away almost eight years ago. His passing was unexpected and sudden. After experiencing symptoms of cardiac distress, he went to the hospital for routine aortic valve replacement surgery. There were unexpected complications during surgery, and he died the next day.

Just one month prior to my husband’s passing, we made the decision to purchase an annuity. I didn’t know it at the time, but it was probably the best decision we could have made to ensure I would have a secure retirement. It took a lot of the guesswork out of what do with our finances after my husband passed away. The guaranteed income stream from the annuity also gives me peace of mind, knowing that it will always be there if I need it. This peace of mind allows me to do the things I love to do without having to worry about my finances. This is why I affectionately refer to my annuity as my security blanket.

As I think about my future retirement years, I’m confident in the decisions I’ve made and those who have helped me make them. I’ve been fortunate to have some amazing experiences over these past several years, but I believe my best years are still to come.

Q&A WITH DONNA’S FINANCIAL ADVISOR

WE SAT DOWN WITH DONNA’S FINANCIAL ADVISOR TO ASK HIM ABOUT THE IMPORTANCE OF THE CLIENT-ADVISOR RELATIONSHIP. ROBERT PAUL WILSON, CRPC, IS PRESIDENT OF ADVANCED CAPITAL ADVISORY GROUP, LLC.

IRI: What would you say is the most important aspect of the client advisor relationship?

Wilson: Trust. Every client puts a tremendous amount of trust in their advisor. They trust their advisor is educated, competent and making their best interests the top priority. The advisor trusts that the client is being honest
with them about their situation, objectives and expectations. The relationship cannot be successful without this mutual trust.

**IRI:** What do you see as the biggest challenge for clients facing retirement today?

**Wilson:** I think it’s all of the unpredictable variables. The impact of inflation on retirement cash flow is typically surprising for most clients, but it is relatively predictable, and the advisor can account for it in the planning process. However, the timing of Bear Market cycles, future medical expenses, future changes to tax rates, or the potential cost of a long-term care scenario are all far more difficult to predict.

**IRI:** In what ways do you educate your clients, like Donna, about the various financial products available to assist in their retirement planning?

**Wilson:** There are so many different options available today, many of which have complex benefits and/or optional features. This makes it very difficult for clients to determine whether a particular product is really the right fit for them. I spend a lot of time making sure that clients understand how the different products work, and all of the pros and cons, as every financial strategy and product has them. I also make sure clients understand that there’s no “silver bullet.” Whatever they decide to do, there will be potential compromises that affect risk, expenses, liquidity, guarantees and potential performance. So, by the time they’re ready to execute a strategy, my goal is to make sure they’re making an educated decision.

**IRI:** What do you see annuities providing to clients like Donna, to help them achieve their financial goals in retirement?

**Wilson:** I don’t believe there’s a product that’s right for everyone, including annuities. However, for the right situation, annuities can provide clients with peace of mind. Knowing that a part of their retirement cash flow is guaranteed¹ is important for some clients, and having annuities as part of their retirement plan can make them more confident about their future. Clients may also be more committed to other investment strategies they’re using, as they may be less concerned about short-term market volatility and performance. Peace of mind is far reaching, especially when it comes to retirement, and annuities can certainly help with that.

**IRI:** What do you see as the most important piece of financial advice an advisor can offer to a client who is planning for their retirement?

**Wilson:** Save more than you think you’ll need, because you’re going to need more than you think.

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¹ Past performance is not indicative of future investment results. This is an actual client situation. It does not reflect the performance of any specific annuity. It does not consider the effects of sales charges or other expenses. Actual results will vary. If the annuity owner (and/or selected beneficiary) dies before receiving all of the payments, the remaining payments would be paid to the named beneficiaries.

² Registered Representative of and securities and investment advisory services offered through Hornor, Townsend & Kent, Inc. (HTK) Registered Investment Advisor, Member FINRA/SIPC. 130 Springside Drive, Suite 100 Akron, Ohio 44333. (330) 668-9065 Advanced Capital Advisory Group, LLC is independent of HTK.
When it comes to a secure, satisfying retirement, guarantees matter to your clients. Your clients may want to consider adding a steady stream of guaranteed income that lasts for life. Maybe they want guarantees in the form of principal protection, guaranteed expense reimbursement for long term care needs, or guaranteed death benefits. Or maybe they desire guaranteed growth as part of their retirement plan.

These guarantees all offer something a little different. Together, these guarantees can turn a good retirement into a great retirement.

This infographic demonstrates why guarantees are so crucial in retirement. Think about how you can provide your clients with solutions that offer guarantees, and share this with them!

March 12 - 14, 2018

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In retirement, guarantees matter. Here’s why.

**Because people live a long time.**

One member of a 65-year-old couple has a 50% chance of living to age 95. Adding guarantees to your overall retirement plan will help ensure your money lasts as long as you do.

Source: 2012 IAR Mortality Table

**Because they make you happy.**

9 in 10 retirees said having guaranteed lifetime income in retirement decreased stress in retirement. People get more satisfaction from pension, annuity, and Social Security income than they do from other sources of income.

Source: 2017 NYL Consumer Retirement Income Planning Study

**Because people want them.**

79% of working Americans age 45-65 are willing to give up 10% of their current salary to get more guaranteed lifetime income when they retire.

Source: 2017 NYL Consumer Retirement Income Planning Study

**Because fewer employers provide them.**

Only 1 in 4 baby boomers expect to receive lifetime retirement income from a pension.

Source: Boomer Expectations for Retirement 2016 (April 2016) IRI

**Because they’re comforting.**

9 in 10 retirees said having guaranteed lifetime income in retirement increased their sense of financial security, and led to a more fulfilling retirement.

Source: 2017 NYL Consumer Retirement Income Planning Study

**Because nobody wants to worry.**

80% of current retirees said having guaranteed lifetime income decreased stress in retirement.

Source: 2017 NYL Consumer Retirement Income Planning Study

**Because they are valued.**

96% of current retirees said having monthly income in retirement that is guaranteed for life is valuable.

Source: 2017 NYL Consumer Retirement Income Planning Study
With retirees living longer, our industry has focused on planning for the increased risk of a client’s need for long-term care (LTC). Advisors have methodically approached the LTC conversation from a purely financial perspective. First, they determine the possible financial consequences and how these might impact their client’s future plans. Then, they seek ways to mitigate that risk by planning for the cost of care.

New information has emerged showing the nonfinancial toll that a long-term care event can have on the family and caregivers in particular. Research conducted by The U.S. Department of Health and Human Services, other health organizations, and a recent survey by Lincoln Financial reveals the serious risk that long-term care poses to the physical and emotional health of caregivers. LTC risk can potentially interrupt the careers and lifestyle of affected family members and can impact the level of care one receives.

AMERICA’S ATTITUDE TOWARD CARE IS EVOLVING
Until recently, many clients assumed family and friends would provide the care their savings, insurance and Medicare wouldn’t otherwise cover. In fact, a recent Lincoln Financial Group caregiving study found just how widespread caregiving is: 58 percent of Americans either provided care for a loved one or know of someone who has. This first-hand experience, along with the increasing cost of care, has set the stage for a broader conversation on how Americans desire their care to be managed.

GET IN TOUCH WITH YOUR CLIENT’S EMOTIONS
Consider the responses of those, aged 65 and over with children, who participated in the Lincoln survey. Within this group, 30 percent do not want their children to be their primary caregiver, but have not made other plans; and 20 percent are not sure of their plans. Compare that sentiment to respondents from all age groups who were asked to give their emotional reaction if they suddenly became a caregiver. The top answer was compassion, with more than...
LONG-TERM CARE: THE EMOTIONAL ASPECTS OF CAREGIVING

Lincoln Financial research uncovers a broad set of emotions associated with providing care to a friend or relative.

Who needs to plan for long-term care?

More than 1 in 2 Americans turning 65 will need some form of long-term care in their lifetime.

Americans have mixed emotions about eldercare

When asked about suddenly becoming a loved one’s caregiver, individuals said they would feel:

- Compassionate: 52%
- Overwhelmed: 44%
- Needed: 38%

What sacrifices would you be willing to make as a caregiver?

- 79% would help with cooking and feeding
- 75% would assist with personal needs, such as house cleaning
- 35% would pay to place a loved one in a facility

Who is more likely to become a caregiver?

40% of women are willing to cut back their hours or quit their jobs to provide eldercare for a friend or relative compared to 30% of men.

30% of seniors (ages 65+) claim they don’t want their children to be their primary caregivers, but they have no other plans.

Start protecting the ones you love by following these four tips:

1. Plan early with your family and a financial advisor.
2. Research the costs of long-term care services in your area.
3. Understand what’s covered by Medicare, Medicaid and health insurance.
4. Evaluate your options.

Find out how much long-term care costs where you live:

Go to www.whatcarecosts.com/Lincoln — enter code “Lincoln” in the top right corner.

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For more information about the research cited, click here.

LCN-1927334-101917
75 percent of people saying they would be willing to help a loved one or friend in need of long-term care with activities of daily living or personal needs such as cooking, cleaning and transportation.

Digging a bit deeper, the survey found that people were less inclined to make larger commitments as care demands intensified. For example, only 35 percent of people said they would cut back on working hours or quit their jobs to provide care. Similarly, just 35 percent said they would pay to place someone into a facility. Additional details from the survey can be found in this ThinkAdvisor article.³

The attitudes of baby boomers (on the cusp of facing long-term care) and their children may not be aligned, thus pointing to the need for a family discussion. Even though relatives with good intentions want to provide assistance, they’re often unprepared. They may not be able to perform some of the more strenuous activities of daily caregiving, such as lifting the patient or helping with incontinence. Another reality is that family members may underestimate the time needed to provide care and/or are unable to take the amount of time off necessary to provide adequate assistance.

START THE FAMILY CONVERSATION EARLY

When a health event results in the need for long-term care, it is often sudden and unexpected. Unfortunately, without a plan in place, family members may not know the care recipient’s preferences for medical and long-term care. Hasty decisions made under duress have left families with fewer alternatives or choices that are needlessly expensive.

Because there is no one-size-fits-all approach, families who plan in advance can increase their options for long-term care. Advisors should meet with clients’ families well before a life-altering event occurs to coach them through the planning process. Begin by asking spouses, parents, and adult children questions like: What if your dad needed care? Would you be able to take time to shop for him, cook, and clean his house, as well as maintain your own household? What about helping him bathe?

LONG-TERM CARE PLANNING IS GOOD FOR CLIENTS, THEIR FAMILIES AND YOUR PRACTICE

Planning as a family can be challenging, however the rewards can be substantial. Talking about quality of life issues with the entire family, including the personal and career sacrifices that caregiving may entail, enables you to deepen your relationship with the adult kids. Not only will you be addressing an important gap in your client’s planning, you’ll also make a connection with their heirs that will contribute to a more multigenerational approach to financial planning. This can broaden the business opportunities for your practice.

Lincoln Financial offers tools to assist advisors in leading these family conversations. Plus, there are additional resources you can use with your clients to learn more about what care costs in their community or where they intend to retire. Contact your Lincoln representative for additional information.

2 Lincoln Financial Group, Caregiving Omnibus Study, August 2017. Results of the 2017 Caregiving Omnibus Study are based on an online survey of 1,015 adults, 18 years of age or older, across the United States, conducted in August 2017 by Lincoln Financial Group and ORC International. The margin of error associated with the total sample is ±3% at the 95% confidence level.
He gave her everything, except the burden of worrying about him.

You plan for what matters most to your clients. However an unplanned event can derail even the best of plans.

A long-term care event impacts not only the individual but the entire family. Advisors have an opportunity to help clients and their families be proactive by putting a care plan in place which can lead to more satisfied and loyal clients down the road.

At Lincoln Financial, we pioneered the hybrid policy that provides long-term care benefits should your clients need them, and life insurance if they don’t.

RETIREMENT PLANNING BY THE NUMBERS 2018

The Social Security Administration, the Internal Revenue Service (IRS), and other government agencies recently announced changes and other key retirement planning figures that will impact retirees and retirement savers in 2018.

SOCIAL SECURITY

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<th>Minimum Medicare Part B premium for current enrollees paying premiums through deduction from Social Security, up about 4% from 2016 due to the “hold harmless” provision of Social Security. New enrollees, enrollees not receiving Social Security benefits and/or whose Medicare premiums are paid by Medicaid, and enrollees with individual income above $85,000 or joint income above $170,000 will pay increased premiums. See the table below for more information.</th>
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MEDICARE PART B PREMIUMS 2018

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<td>Greater than $129,000</td>
</tr>
</tbody>
</table>

1 Standard premium for current enrollees receiving Social Security benefits.
2 Standard premium for those enrolling for the first time in 2018 and those not receiving Social Security benefits and/or whose premiums are paid by Medicaid.
### SOCIAL SECURITY AND MEDICARE TAXES

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.20%</td>
<td>Social Security payroll tax.</td>
<td></td>
</tr>
<tr>
<td>12.4%</td>
<td>Social Security payroll tax for self-employed individuals.</td>
<td></td>
</tr>
<tr>
<td>1.45%</td>
<td>Medicare payroll tax.</td>
<td></td>
</tr>
<tr>
<td>2.9%</td>
<td>Medicare payroll tax for self-employed individuals.</td>
<td></td>
</tr>
<tr>
<td>UNLIMITED</td>
<td>Taxable wage base for Medicare payroll tax.</td>
<td></td>
</tr>
</tbody>
</table>

As part of the Affordable Care Act, Medicare surtax on investment income— including dividends, interest, and capital gains—that applies to higher income taxpayers: Single - $200,000; Married filing jointly - $250,000; Married filing separately - $125,000. Income from retirement plan distributions and municipal bond interest are excluded.

### RETIREMENT SAVINGS AND INCOME

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,500</td>
<td>Maximum IRA contribution limit, up from $5,000 in 2017.</td>
</tr>
<tr>
<td>$6,500</td>
<td>Maximum IRA contribution limit for those aged 50 and older, up from $6,000 in 2017.</td>
</tr>
<tr>
<td>$18,500</td>
<td>Maximum elective deferral to a 401(k) plan, up from $18,000 in 2017.</td>
</tr>
<tr>
<td>$24,500</td>
<td>Maximum elective deferral to a 401(k) for those aged 50 and older, up from $24,000 in 2017.</td>
</tr>
<tr>
<td>$55,000</td>
<td>Annual limit on additions to a 401(k) plan (including employee elective deferrals and all employer contributions), up from $54,000 in 2017.</td>
</tr>
<tr>
<td>$62,000</td>
<td>Annual limit on additions to a 401(k) plan (including employee elective deferrals and all employer contributions) or those aged 50 and older, up from $61,000 in 2017.</td>
</tr>
<tr>
<td>$12,500</td>
<td>Maximum elective deferral for a SIMPLE 401(k) plan, unchanged from 2017.</td>
</tr>
<tr>
<td>$15,500</td>
<td>Maximum elective deferral for a SIMPLE 401(k) plan for those aged 50 and older, unchanged from 2017.</td>
</tr>
<tr>
<td>UNLIMITED</td>
<td>Maximum contribution to a non-qualified annuity (no limit imposed by the government, insurance companies may impose limits).</td>
</tr>
<tr>
<td>$220,000</td>
<td>Maximum annual payout from a defined benefit plan, up from $215,000 in 2017.</td>
</tr>
<tr>
<td>$130,000</td>
<td>Dollar limitation on premiums paid with respect to a qualifying longevity annuity contract (QLAC), up from $125,000 in 2017.</td>
</tr>
</tbody>
</table>
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Gold PREMIER ALLIANCE PARTNERS

Silver PREMIER ALLIANCE PARTNERS