MoneyGuard®Reserve

Yours today for tomorrow

Key points

- Simple to Explain
- Fully Guaranteed contract
- Easy to sell

For questions and additional training call;

Michael Stefano

Product Training

860-466-3981

Product Reference Guide

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Lincoln Financial Group®

MoneyGuard®Reserve is issued on Policy Form LN850 (8/05), Return of Premium Rider on Form LR850 (8/05), Convalescent Care Benefits Rider on Form LR851 (8/05), and Extension of Benefits Rider on Form LR852 (8/05) by The Lincoln National Life Insurance Company, Fort Wayne, IN. Products and features are subject to state availability. Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. Guarantees backed by the financial strength f the insurer.

MoneyGuard Reserve Specifications Chart

<table>
<tr><td>Base Policy</td><td></td></tr>
<tr><td>Policy Type</td><td>Single Life Universal Life</td></tr>
<tr><td>Premium Structures</td><td>Single Premium/Flexible Premiums paid for 3, 5, 7 or 10 year period.</td></tr>
<tr><td>Issue Ages (Age Last Birthday)</td><td>30-80</td></tr>
<tr><td>Rate Classes</td><td>Non-Smoker and Smoker</td></tr>
<tr><td>Minimum Specified Amount</td><td>$25,000*
*May vary by state</td></tr>
<tr><td>Maximum Specified Amount</td><td>$500,000 for the 2 year CCBR
$750,000 for the 3 Year CCBR</td></tr>
<tr><td>Premium Load</td><td>The Premium load is commissionable. The premium load will be a percentage of target/excess premium. The premium load is deducted when the premium is received and utilizes the percentage in that given year. For Flex pay policies, the percentages will change based on the year that the premium is paid.
Structure:
<table>
<tr><td></td><td>Target</td><td>Excess</td></tr>
<tr><td>Year 1 (Single Prem)</td><td>60.00%</td><td>8.25%</td></tr>
<tr><td>Year 2</td><td>25.00%</td><td>7.00%</td></tr>
<tr><td>Year 3</td><td>15.00%</td><td>5.00%</td></tr>
<tr><td>Year 4</td><td>15.00%</td><td>5.00%</td></tr>
<tr><td>Year 5</td><td>10.00%</td><td>5.00%</td></tr>
<tr><td>Year 6</td><td>10.00%</td><td>5.00%</td></tr>
<tr><td>Year 7+</td><td>9.00%</td><td>5.00%</td></tr>
</table>
</td></tr>
<tr><td>Expense Charge</td><td>None</td></tr>
<tr><td>Current Interest</td><td>4%</td></tr>
<tr><td>Interest Guarantee</td><td>4%</td></tr>
<tr><td>Surrender Charge Duration</td><td>20 years</td></tr>
<tr><td>Surrender Charge Schedule</td><td>Per thousand dollars of Specified Amount.
The surrender charge set in any given year is level throughout the policy year. The Surrender charge decreases every year for 20 years. Actual surrender charges are shown in the insured’s contract.</td></tr>
</table>

Benefits/Riders	
Return of Premium Rider (ROPR)	Available on Single Premium policies only. Provides a guaranteed lifetime return of premium if the policy has been issued with the rider. There is an additional premium for this rider. The return of premium amount will be adjusted dollar for dollar by any loans/loan interest/loan repayments or withdrawals taken from the policy. If a policy goes on claim, the return of premium will be adjusted dollar for dollar by the amount of the claim payment. ROPR will equal 100% of the initial premium paid. If, for any reason, additional deposits are made into the policy, those deposits will not be included in the ROPR value.
Convalescent Care Benefits Rider (CCBR)	Accelerates the CCBR Benefit Limit for covered long-term care expenses for 2 years (24 months) or 3 years (36 months). The CCBR Benefit Limit is equal to the Specified Amount of coverage which the insured selects at issue.
Residual Death Benefit	Included in every policy, If LTC benefits are paid, guarantees that the death benefit will be no less than the stated amount, initially 10% of the Specified Amount. Thereafter, adjusted for loans, loan interest and withdrawals.
Deductible Period	90 Days throughout the life of the contract. No need to satisfy within a certain number of days and is never reinstated.
Long-Term Care Benefits	• Home Health Care • Assisted Living • Nursing Home • Adult Day Care • Personal Care Services • Hospice Services • Alternative Care Services Expenses are reimbursed up to 100% of monthly maximum benefit for all levels of care.
Extension of Benefits Rider (EOBR)	Extends long-term care benefits for 2 years or 4 years. Insured selects the duration at issue.
EOBR payable	Benefits payable after the Insured's entire benefit under the CCBR has been paid.
Benefit Period Options (CCBR+EOBR)	4 years (2+2) 5 years (3+2) 6 years (2+4) 7 years (3+4)
Inflation Protection CCBR (Not available for the State of Connecticut)	Two options are available: Simple inflation at 3% or compound inflation at 2%. Monthly maximum LTC benefits increase annually starting at the end of the first rider anniversary. Annual increases only apply to the LTC benefits and not the death benefit. If client elects inflation protection on the CCBR, they must have the same type of protection on the EOBR (ie. Both compound or both simple).

Benefits/Riders (cont.)	
Inflation Protection EOBR	Two options are available: Simple inflation at 3% or compound inflation at 5%. If client elects inflation protection on the CCBR, they must have the same type of protection on the EOBR (ie. Both compound or both simple).
Allowable Inflation Protection Combinations	2N+0 3N+0 2N+2N 2N+4N 3N+2N 3N+4N N = no inflation 2S+0 3S+0 2S+2S 2S+4S 3S+2S 3S+4S S = inflation rate of 3%. 2C+0 3C+0 2C+2C 2C+4C 3C+2C 3C+4C C on CCBR = inflation rate of 2%. C on EOBR = inflation rate of 5% NOTE.: If a client elects to have inflation on the CCBR they must have the same type of inflation on the EOBR (ie. Client elects 2% compound inflation on the CCBR, they must have 5% compound inflation on the EOBR).
Monthly Cost of Insurance (COI) Charges	Separate deductions are made each month to cover the cost of the various insurance elements. No COI or rider charges are incurred after attained age 95.
Base Life	The rates are based on the Insured's sex, smoker status, and attained age based on the guaranteed rates shown in the Policy Schedule.
Return of Premium	There is a one-time charge for the rider based on a percentage of target/excess premium. The charge will be 16% of target and 2.40% of excess premium.
CCBR	Level per thousand charge based on the Insured's Issue Age, the CCBR duration selected and the CCBR Base Benefit Limit.
EOBR	Level per thousand charge based on the Insured's Issue Age, the CCBR duration selected, the EOBR duration selected and the CCBR Base Benefit Limit.
Inflation Protection CCBR	Level per thousand charge based on the Insured's Issue Age, the CCBR duration selected, the EOBR duration selected, the CCBR Base Benefit Limit and the Optional Inflation Protection selected.
Inflation Protection EOBR	Level per thousand charge based on the Insured's Issue Age, the CCBR duration selected, the CCBR Base Benefit Limit and the Optional Inflation Protection selected.
Misc. Contract Features	
Partial Withdrawals	One allowed per year. Minimum: $100 Maximum: 90% of Cash Surrender Value No withdrawal fee.
Policy Loan Interest	Variable – in arrears
Interest Credited on Loans	4%

Key Benefits

MoneyGuard® Reserve is a flexible premium universal life insurance product with riders that provide for long-term care benefits. The long term care riders are attached to the universal life policy providing linked long-term care and death benefits. The Convalescent Care Benefit Rider (CCBR) provides benefits for long term care that accelerate the specified amount of coverage (i.e. CCBR Benefit Limit). The Extension of Benefits Rider (EOBR) increases the Total Benefit Limit for long-term care and thereby extends the length of time that LTC benefits are available. *MoneyGuard*® Reserve is one product that allows different funding options, including single premium payments as well as 3, 5, 7 or 10 pay scheduled premium payments. The CCBR and EOBR riders are available with any funding option.

Long term care is also called convalescent care in MA. Two year suicide and contestability provisions apply (one year suicide in some states).

Lifetime Benefit Guarantees

MoneyGuard® Reserve provides fully guaranteed death and long-term care benefits, which are backed by the financial strength of The Lincoln National Life Insurance Company (Lincoln). Taking loans and withdrawals from the policy will jeopardize the policy performance and guarantees.

This policy is based on a primary guarantee. All current mortality charges equal guaranteed mortality charges and current interest crediting equals guaranteed interest crediting. Lincoln may credit more interest than the guaranteed, but the policy will support itself based on an assumed credited rate of 4%.

Guaranteed Minimum Interest Rate:	4%
Current Interest Rate:	4%

Qualified Long-Term Care Benefit

Long-term care benefits paid from life insurance policies or riders that satisfy certain federal standards are designated as “Qualified Long-Term Care Insurance.” Long-term care benefits paid from “Qualified Long-Term Care Insurance” are not taxed as income under IRC Section 104(a)(3). The *MoneyGuard*® Reserve CCBR and EOBR meet the federal criteria for qualified long-term care insurance.

Income Tax-Free Death Benefit

The *MoneyGuard*® Reserve death benefit, normally a part of the owner’s estate for estate tax purposes, is paid to the beneficiary income tax-free under IRC Section 101 (a)(1). However, the beneficiary will be taxed on any interest earned on the death benefit following the death of the insured until the death benefit is paid. The death benefit is free of probate when the beneficiary is not the insured’s estate.

If the insured dies while the policy is in force, the death benefit paid will be equal to the greater of:

1. The Specified Amount on the date of death, less any indebtedness; or
2. the Minimum Required Death Benefit, less any indebtedness.

Please refer to additional tax information in the General section under Federal Tax Information on page 16.

Residual Death Benefit

A Residual Death Benefit will be included in every policy that has the CCBR. If LTC benefits are paid, the Residual Death Benefit guarantees that the death benefit will be no less than a stated amount. While the Convalescent Care Benefits Rider is in force, the policy's Death Benefit will be the greatest of:

a. the Specified Amount on the date of death, less any Indebtedness;

b. the Minimum Required Death Benefit, less any Indebtedness; or

c. the Residual Death Benefit as described below.

The Residual Death Benefit at issue is equal to 10% of the Initial Specified Amount shown on the Policy Schedule. Policy loans, unpaid loan interest, and withdrawals will decrease the Residual Death Benefit by an amount equal to 10% of the loan, loan interest, and withdrawal. Loan repayments, including loan interest paid, will increase the Residual Death Benefit by an amount equal to 10% of the loan repayment.

Optional Benefits

Return of Premium Rider ROPR

This rider is only available at issue on single premium policies. It is not available for flexible premium policies with scheduled premium payments. For an additional charge, the rider provides that, in lieu of the Surrender Value described in the policy, the amount payable upon full surrender of the policy will be equal to the greater of:

a. the Surrender Value;

b. or the initial premium shown on the Policy Schedule, less any Indebtedness, withdrawals, and benefits paid under the Convalescent Care Benefits Rider, if applicable.

Any premium payments made in addition to the initial premium shown on the Policy Schedule will not be included in the Return of Premium benefit amount.

There is a one-time charge for this rider. The rider charge is shown on the Policy Schedule. The entire rider charge will be deducted from the Gross Cash Value of the policy on the Date of Issue. The effective date of this rider is the Date of Issue.

The Charge for the Return of Premium is a percentage of target/excess premium as follows:

	Target	Excess
Year 1 Charge (Load)	16.00%	2.40%

The rider and all rights provided under it terminate automatically upon the earlier of: The date the policy terminates for any reason; or the date of Written Request to terminate this rider.

Convalescent Care Benefit Rider CCBR

The Convalescent Care Benefit Rider accelerates the CCBR Benefit Limit for covered long-term care expenses for 2 years (24 months) or 3 years (36 months) after the 90 day deductible has been satisfied.

The CCBR is equal to the specified amount of death benefit which the insured selects at issue. The maximum CCBR Benefit Limit is $500,000.

How it can change post-issue:

- The CCBR Benefit Limit will reduce dollar-for-dollar by the transaction amount if a withdrawal or loan/loan interest is taken (if a loan repayment is made the CCBR Benefit Limit will increase dollar for dollar by the transaction amount).
- The Total CCBR Benefit Limit will increase if an inflation option is chosen on each policy anniversary (no inflation in first year).
- The CCBR Benefit Limit will **not** adjust for corridor/gross cash value growth. (Minimum Death Benefit)

Monthly CCBR Charge

A guaranteed level rider charge will be deducted from the Gross Cash Value of the policy on each Monthly Anniversary Day beginning with the Date of Issue until the earlier of:

a. the Insured's Age 95; or

b. the Monthly Anniversary Day preceding the date the policy's Cash Value has been reduced to zero solely as a result of payments for Covered Services under this rider.

The level monthly rider charge as of the Date of Issue is shown in the Illustration and Policy Schedule.

Any decrease in the CCBR Base Benefit Limit caused by withdrawals or Indebtedness will reduce the monthly rider charge proportionately. Any increase in the CCBR Base Benefit Limit caused by a repayment of the loan or loan interest will increase the monthly rider charge proportionately.

Extension of Benefits Rider EOBR

This rider extends the benefits provided by the Convalescent Care Benefits Rider for an additional 2 years or 4 years which is selected at issue. The benefits of this rider become effective after payments for Covered Services under the Convalescent Care Benefits Rider have reached the CCBR Benefit Limit.

Monthly EOBR Charge

A guaranteed level monthly rider charge will be deducted from the Gross Cash Value of the policy on each Monthly Anniversary Day beginning with the Date of Issue until the earlier of:

a. the Insured's Age 95; or

b. the Monthly Anniversary Day preceding the date the policy's Cash Value has been reduced to zero solely as a result of payments for Covered Services under the Convalescent Care Benefits Rider.

The level monthly rider charge as of the Date of Issue is shown on the Illustration and Policy Schedule.

Any decrease in the CCBR Base Benefit Limit caused by withdrawals or Indebtedness will reduce the monthly rider charge proportionately. Any increase in the CCBR Base Benefit Limit caused by a repayment of the loan or loan interest will increase the monthly rider charge proportionately.

Inflation Protection

These riders provide for Optional Inflation Protection coverage. If the client does not reject the Optional Inflation Protection by signing the rejection statement in the application for these riders, the maximum monthly benefit and benefit limit for the Convalescent Care Benefits Rider and the Extension of Benefits Rider, if applicable, will automatically increase on each policy anniversary while the rider(s) are in force.

The amount of the annual increase will depend upon which Optional Inflation Protection benefit (described below) is in effect. The monthly rider charges and monthly Optional Inflation Protection charges will remain level and will not increase annually as the benefits increase.

The client may reject the Optional Inflation Protection by signing the rejection statement in the application for these riders. However, they will not be able to increase the benefits later.

Optional Inflation Protection Benefits

Option 1. Simple Increases: If Option 1 is in effect, on each policy anniversary the maximum monthly benefit and benefit limit for the Convalescent Care Benefits Rider and the Extension of Benefits Rider, if applicable, will automatically increase by an amount equal to 3% of the rider's benefit limit at issue adjusted for withdrawals and loan activity.

Option 2. Compound Increases: If Option 2 is in effect, on each policy anniversary the maximum monthly benefit and benefit limit for the Convalescent Care Benefits Rider and the Extension of Benefits Rider, if applicable, will automatically increase. The increase amount for the Convalescent Care Benefits Rider will equal 2% of the rider's benefit limit at issue adjusted for withdrawals and loan activity, compounded by the number of years the policy has been in effect. The increase amount for the Extension of Benefits Rider, if applicable, will equal 5% of the rider's benefit limit at issue adjusted for withdrawals and loan activity, compounded by the number of years the policy has been in effect.

The chart below gives examples of the monthly Optional Inflation Protection charges for both Option 1 (Simple Increases) and Option 2 (Compound Increases) for both riders. The example shown is for a maximum monthly benefit of $3,000 with a 2-year Convalescent Care Benefits Rider duration and a 2-year Extension of Benefits Rider duration.

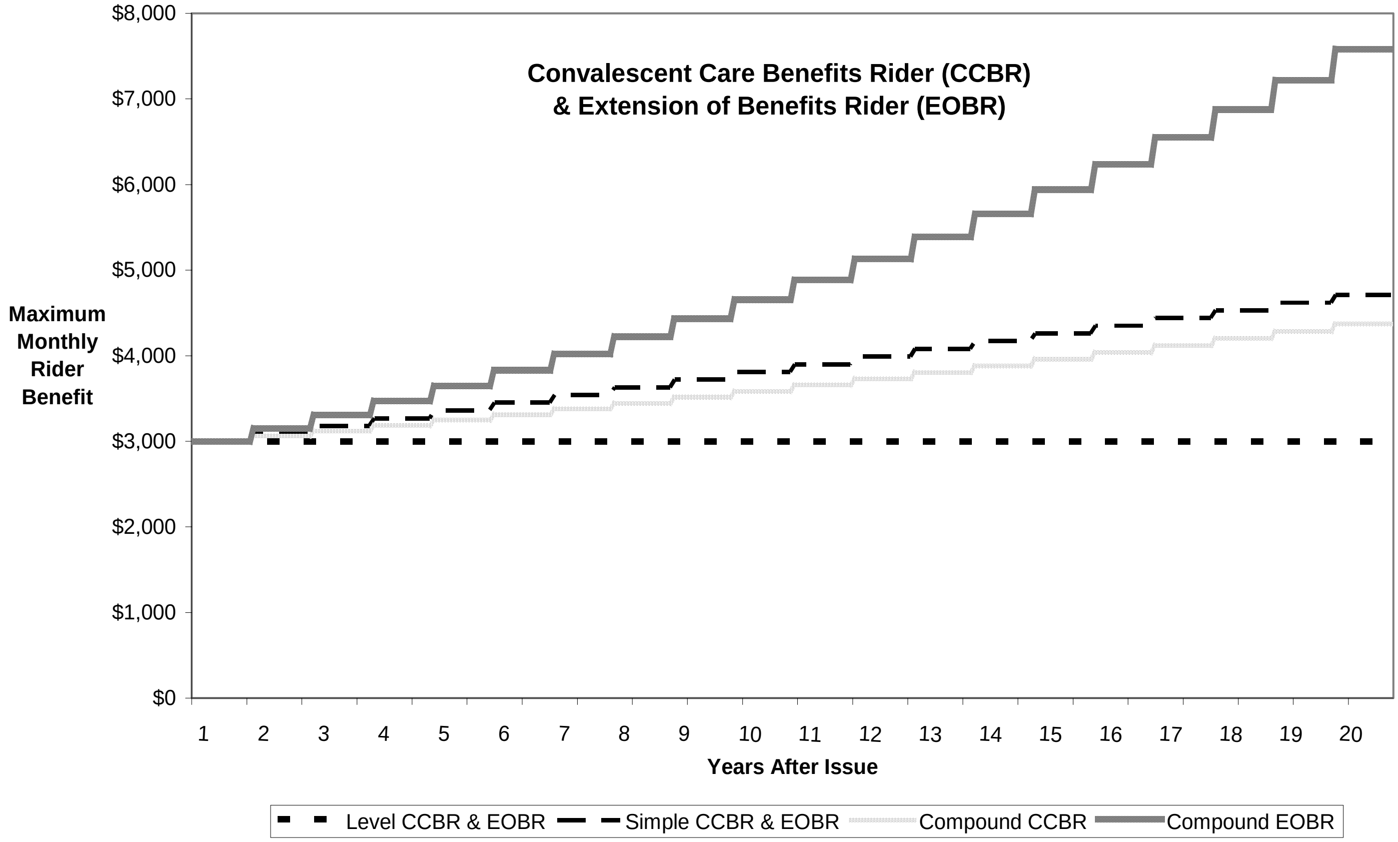
The actual monthly Optional Inflation Protection charges will be different from the examples shown if the policy owner selects a different combination of Convalescent Care Benefits Rider duration and Extension of Benefits Rider duration. The illustration will indicate the Optional Inflation Protection charges based upon the rider durations and Optional Inflation Protection option, if any are chosen.

Monthly Optional Inflation Protection Charges for:
Maximum Monthly Benefit of $3,000
Convalescent Care Benefits Rider ("CCBR") Duration is 2 Years
Extension of Benefits Rider ("EOBR") Duration is 2 Years

Issue Age	Inflation Protection				Issue Age	Inflation Protection			
	Option 1 (Simple)		Option 2 (Compound)			Option 1 (Simple)		Option 2 (Compound)	
	CCBR	EOBR	CCBR	EOBR		CCBR	EOBR	CCBR	EOBR
35	$9.00	$2.81	$9.00	$19.51	65	$54.00	$15.91	$50.98	$55.95
45	14.98	4.97	14.98	27.50	75	155.96	36.07	185.98	100.29
55	32.98	8.79	27.00	37.73	80	180.00	47.88	210.02	119.74

The chart on the next page provides a comparison of the maximum monthly benefit provided by each rider with the options available:

- level benefits (no Optional Inflation Protection);
- benefits that increase annually by 3% simple interest (Option 1: Simple Increases); and
- benefits that increase annually by 2% compound interest for the Convalescent Care Benefits Rider, and 5% compound interest for the Extension of Benefits Rider, if applicable (Option 2: Compound Increases).



The monthly Optional Inflation Protection charge for the Convalescent Care Benefits Rider will be calculated based on the age at issue, the rider's benefit limit at issue, the rider duration selected, and the Optional Inflation Protection option selected. This charge will change only if the rider's benefit limit changes as a result of withdrawals or loan activity.

The monthly Optional Inflation Protection charge for the Extension of Benefits Rider, if applicable, will be calculated based on the age at issue, the rider's benefit limit at issue, the Convalescent Care Benefits Rider duration selected, the Extension of Benefits Rider duration selected, and the Optional Inflation Protection option selected. This charge will change only if the rider's benefit limit changes as a result of withdrawals or loan activity.

General Information

Benefit Period Options (CCBR + EOBR)

4 years (2+2) 6 years (2+4)

5 years (3+2) 7 years (3+4)

Benefits Provided by the CCBR and EOBR Riders

Benefits are provided under the Convalescent Care Benefits Rider until the benefit limit has been reached. The Extension of Benefits Rider extends the benefits provided by the Convalescent Care Benefits Rider after the Convalescent Care Benefits Rider benefit limit has been reached.

Lincoln will pay an amount up to the maximum monthly benefit to reimburse the LTC costs incurred by the Insured during the period of coverage for the Covered Services listed below.

The benefits paid for any one month of Covered Services will not exceed the maximum monthly benefit for the rider then in effect. The total benefits paid will not exceed the benefit limit as defined in each rider. The benefit limit and maximum monthly benefit for the Convalescent Care Benefits Rider and for the Extension of Benefits Rider, if applicable, are shown in the illustration, policy schedule page and the table attached to the Outline of Coverage.

Benefits paid under the Convalescent Care Benefits Rider are subject to a 90 day deductible period during which time this rider does not provide certain benefits which would otherwise be payable, as described in the rider. This 90 day deductible period applies to all Covered Services listed below except for Bed Reservation, Caregiver Training, Care Planning Services, Respite Care Services, and Non-Continual Alternative Care Services.

Benefits paid under the Extension of Benefits Rider while that rider and the policy are in force are not subject to a deductible period.

However, if the Extension of Benefits Rider terminates for any of the reasons outlined in that rider's Guaranteed Benefit (Nonforfeiture) provision, the benefits described in that provision will continue as paid-up long-term care coverage subject to a 90 day deductible period, as described in that provision. This 90 day deductible period applies to all Covered Services listed below except for Bed Reservation, Caregiver Training, Care Planning Services, Respite Care Services, and Non-Continual Alternative Care Services.

COVERED SERVICES

Lincoln will reimburse expenses incurred by the Insured for the following Covered Services to the extent that such services are qualified long-term care services:

Adult Day Care Services.

A program for 6 or more individuals of social and health-related services provided during the day in a community group setting for the purpose of supporting frail, impaired elderly or other disabled adults who can benefit from care in a group setting outside the home.

Assisted Living Facility Services

Services that are provided to the Insured while he or she is confined or living in an Assisted Living Facility. An Assisted Living Facility is a separate facility (or a specially dedicated wing of a facility) which is licensed as an Assisted Living Facility, if the state licenses such facilities. If the state does not license Assisted Living Facilities, then the facility must meet the other criteria described in the Convalescent Care Benefits Rider.

COVERED SERVICES *(continued)*

Bed Reservation (Not Subject to Deductible period)

The expense incurred by the Insured to reserve the Insured's bed in a Nursing Home while he or she is temporarily absent during a stay in a Nursing Home and is charged to reserve accommodations. The temporary absence can be **for any reason** with the exception of discharge. This includes, but is not limited to, a hospital stay or spending holidays or other time with family. This benefit is limited to no more than 30 calendar days each policy year. The amount payable for this benefit cannot exceed 1/30th of the maximum monthly benefit of the rider then in effect for each day that the bed is reserved.

Care Planning Services (Not Subject to Deductible period)

Services provided for the Insured by a Care Planning Agency under the direction of the attending physician. A Care Planning Agency is an agency or organization which is primarily engaged in providing care planning on behalf of its clients. The agency or organization must be licensed by the appropriate state licensing agency as a Care Planning Agency, if the state licenses such agencies. If the state does not license Care Planning Agencies, then the agency must meet the other criteria described in the Convalescent Care Benefits Rider.

Caregiver Training (Not Subject to Deductible period)

Training given to the primary caregiver by a properly accredited medical or instructional institution or by a qualified individual such as a licensed nurse to provide the primary caregiver with the knowledge and skills necessary to care for the Chronically Ill Insured. The amount payable for this benefit is limited to no more than $500 for all Caregiver Training provided while the Insured is covered under the Convalescent Care Benefits Rider and under the Extension of Benefits Rider, if applicable.

Home Health Care Services

Skilled nursing or other professional care services provided by a Home Health Care Agency at the Insured's place of residence, outside of a hospital, a Nursing Home or an Assisted Living Facility. A Home Health Care Agency is an agency that is primarily engaged in providing residential health care services under policies and procedures established by a group of professionals, including at least one physician and one nurse. The agency must meet at least one of the licensing, accrediting or certification criteria described in the Convalescent Care Benefits Rider.

Hospice Services

Services given to provide palliative care to alleviate the physical, emotional, social, and spiritual discomforts of the Insured who is in the terminal phases of life. These services also include supportive care given to the primary caregiver and the Insured's immediate family.

Nursing Home Care Services

Services that are provided to the Insured while he or she is confined to a Nursing Home. A Nursing Home is a facility or distinctly separate part of a hospital or other institution which is licensed by the appropriate state licensing agency as a Nursing Home, if the state licenses such facilities. If the state does not license Nursing Homes, then the facility must meet the other criteria described in the Convalescent Care Benefits Rider.

Personal Care Services

Services provided at the Insured's place of residence, outside of a hospital, Nursing Home or Assisted Living Facility, to assist with Activities of Daily Living, including activities such as using a telephone, managing medications, moving about outside, shopping for essentials, preparing meals, laundry, and housekeeping or homemaking activities to allow the Insured to remain in his or her residence. These services may be provided by skilled or unskilled persons.

COVERED SERVICES *(continued)*

Respite Care Services (Not Subject to Deductible period)

Short-term care services provided for the Insured in an institution, in the home, or in a community-based program to provide temporary relief for the primary caregiver. Such services may be provided by skilled or unskilled persons. This benefit is limited to no more than 21 calendar days each policy year. The amount payable for this benefit cannot exceed 1/30th of the maximum monthly benefit of the rider then in effect for each day of Respite Care Services.

Alternative Care Services

Qualified long-term care services that are not covered under any of the Covered Services listed above, but which your attending physician and we mutually agree would be appropriate to meet the Insured's long-term care needs. These services must be provided as an alternative to other Covered Services that would otherwise be required by the Chronically Ill Insured.

Non-Continual Alternative Care Services (Not Subject to Deductible period)

Alternative Care Services which are received on a one-time basis, such as expenses for durable medical equipment or for modifications to the home to accommodate a wheelchair or other device. This benefit is limited to no more than one claim per calendar year.

ELIGIBILITY FOR PAYMENT OF BENEFITS

The following conditions must be met to qualify for benefits under the Convalescent Care Benefits Rider:

a. The total benefits paid under the Convalescent Care Benefits Rider must not have reached that rider's benefit limit.

b. The attending physician must certify that the Insured is Chronically Ill and that the illness is expected to continue for at least 90 days. Chronically Ill means that the Insured has been certified, within the preceding 12 months, by a physician as:

- Being unable to perform (without Substantial Assistance as defined below from another individual) at least 2 of the Activities of Daily Living described below, for a period of 90 days due to loss of functional capacity; or
- Requiring Substantial Supervision to protect the Insured from threats to health and safety due to Severe Cognitive Impairment, as defined below.

c. The physician must approve a plan of care in writing, prescribing services including Covered Services that are to be provided to the Insured. The Insured must receive the Covered Services prescribed under the approved plan of care while these riders are in force.

d. At least once every 12 months thereafter, and for as long as the Insured continues to be Chronically Ill, the physician must again:

- certify that the Insured is Chronically Ill. If the Insured's chronic illness is due to loss of functional capacity, the physician must again certify that the Insured's chronic illness is expected to continue for at least 90 days; and
- either approve a new plan of care, or reconfirm the existing plan of care in writing.

Activities of Daily Living

There are the 6 basic functional abilities which relate to the Insured's ability to live independently:

- **Bathing:** The Insured's ability to wash himself or herself by sponge bath, or in either a tub or shower, including the task of getting into or out of the tub or shower.

- **Continence:** The Insured's ability to maintain control of bowel and bladder function; or, when unable to maintain control of bowel or bladder function, the ability to perform associated personal hygiene (including caring for a catheter or colostomy bag).

- **Dressing:** The Insured's ability to put on and take off all items of clothing and any necessary braces, fasteners or artificial limbs.

- **Eating:** The Insured's ability to feed himself or herself by getting food into the body from a receptacle (such as a plate, cup, or table) or by a feeding tube or intravenously.

- **Toileting:** The Insured's ability to get to and from the toilet, get on and off the toilet, and perform associated personal hygiene.

- **Transferring:** The Insured's ability to move into or out of a bed, chair, or wheelchair.

Severe Cognitive Impairment means a loss or deterioration in the Insured's intellectual capacity that is:

a. comparable to (and includes) Alzheimer's disease and similar forms of irreversible dementia; and

b. measured and confirmed by clinical evidence and standardized tests that reliably measure impairment in the following areas:
   - the Insured's short-term or long-term memory;
   - the Insured's orientation as to person (such as who they are), place (such as their location), and time (such as day, date, and year); and
   - the Insured's deductive or abstract reasoning or judgment as it relates to safety awareness.

Substantial Assistance means hands-on assistance or the presence of another person within arm's reach that is necessary to prevent, by physical intervention, injury to the Insured while the Insured is performing the Activities of Daily Living.

Substantial Supervision means continual supervision (which may include cueing by verbal prompting, gestures, or other demonstrations) by another person that is necessary to protect the Severely Cognitively Impaired Insured from threats to his or her health or safety (such as may result from wandering).

LIMITATIONS AND EXCLUSIONS

Pre-Existing Conditions

These riders do not exclude pre-existing conditions.

Ineligible Facilities or Providers

These riders do not cover services provided by a facility or an agency that does not meet the rider definition for such facility or agency, except as provided under Alternative Care Services. These riders do not cover services provided by unlicensed providers, or services provided by a member of the Insured's immediate family or for which no charge is normally made in the absence of insurance. These riders do not cover services provided in facilities operated primarily for the treatment of mental or nervous disorders, which include neurosis, psychoneurosis, psychopathy, psychosis, or mental or emotional disease or disorder.

Ineligible Levels of Care

These riders do not cover services that do not constitute qualified long-term care services as defined in the Convalescent Care Benefits Rider.

Exclusions, Exceptions and Limitations

These riders will not pay benefits for:

a. care provided in facilities operated primarily for the treatment of mental or nervous disorders, which include neurosis, psychoneurosis, psychopathy, psychosis, or mental or emotional disease or disorder. This exclusion does NOT apply to qualifying stays or care resulting from a clinical diagnosis of Alzheimer's Disease or similar forms of irreversible dementia;

b. treatment for alcoholism, drug addiction or chemical dependency (unless the drug addiction or chemical dependency is a result of medication taken in doses as prescribed by a physician);

c. treatment arising out of an attempt (while sane) at suicide or an intentionally self-inflicted injury;

d. treatment provided in a Veteran's Administration or government facility, unless the Insured or the Insured's estate is charged for the confinement or services or unless otherwise required by law;

e. loss to the extent that benefits are payable under any of the following: Medicare (including that which would have been payable but for the application of a deductible or a coinsurance amount), other governmental programs (except Medicaid), workers compensation laws, employer's liability laws, occupational disease laws, and motor vehicle no-fault laws;

f. confinement or care received outside the United States;

g. services provided by a facility or an agency that does not meet the rider definition for such facility or agency, except as provided in the Alternative Care Services provision in the Convalescent Care Benefits Rider;

h. services provided by a member of the Insured's immediate family or for which no charge is normally made in the absence of insurance.

THESE RIDERS MAY NOT COVER ALL THE EXPENSES ASSOCIATED WITH LONG-TERM CARE NEEDS.

Federal Tax Information

No Current Taxes on Interest Buildup; Loans or Withdrawals May Be Taxed

Full surrenders, partial surrenders, withdrawals, loans and assignments all qualify as distributions and may be taxed, in whole or in part. If *MoneyGuard*® Reserve is a Modified Endowment Contract (MEC) or if *MoneyGuard*® Reserve is not a MEC but has a policy cost basis of zero or less, the portion of the distribution representing gain (the excess of the Cash Value Account over the cost basis) may be taxable income to the policy owner. If the distribution is made prior to the owner's age 59 1/2, a 10% penalty tax on the taxable portion may be imposed by the IRS.

MoneyGuard® Reserve is a MEC if it is funded with aany client premiums that fail to meet the single pay premium test under TAMRA or funded through a 1035 exchange of a policy that's already a MEC.

Protection of Prior Tax Benefits

Distributions form life insurance policies issued before June 21, 1988 are taxed only after all of the policy's principle has been distributed. If the client wants to purchase *MoneyGuard*® Reserve with a 1035 exchange of their pre-June 21, 1988 life insurance policy and add "new" money to the *MoneyGuard*® Reserve policy, their new *MoneyGuard*® Reserve policy will be a MEC.

No Income Taxes on Death Benefit

The *MoneyGuard*® Reserve death benefit, normally a part of the owner's estate for estate tax purposes, is received by the beneficiary income Tax-free under IRC Section 101 (a) (1). However, the beneficiary will be taxed on any interest earned on the death benefit following the death of the insured until the death benefit is paid. The death benefit is free of probate when the beneficiary is not the insured's estate.

Taxation of Long-Term Care Benefits

Long-term care benefits paid form life insurance policies or riders that satisfy certain federal standards are designated as "qualified long-term care insurance." LTC benefits paid from "qualified long-term care insurance" are not taxed as income under IRC Section 104 (a)(3). *MoneyGuard*® Reserve's convalescent care and EOBR Riders meet the federal criteria for qualified LTC insurance.

Charges to Fund Convalescent Care and Extension of Benefit Riders

The charges for the *MoneyGuard*® Reserve Convalescent Care and EOB Riders are deducted monthly from the base universal life insurance policy's account value. These monthly charges are treated as "distributions" and are taxable income to the policy owner if(a) the *MoneyGuard*® Reserve policy is a MEC and policy gain is used to pay the charges; or, (b) the *MoneyGuard*® Reserve policy is not a MEC but the policy's cost basis is zero or less and policy gain is used to pay the charges.

A 10% penalty may apply if these distributions occur prior to the policy owner attaining age 59 ½. A tax advisor should be consulted for additional information.

Surrenders, Withdrawals and Loans

Surrenders

The owner may request to surrender this policy for its Surrender Value during the lifetime of the Insured while this policy is In Force. Surrender of this policy is effective on the business day when both the policy and Written Request for surrender is received. All coverage under this policy will terminate upon surrender for its Surrender Value.

The Surrender Value will be paid in a lump sum unless an Optional Method of Settlement is elected. Lincoln may require return of this policy when settlement is made and reserves the right to defer payment of the Surrender Value for up to 6 months after receipt of the surrender request.

If surrender is requested within 30 days after a Policy Anniversary, the Surrender Value will not be less than the Surrender Value on that anniversary, less any policy loans and withdrawals made on or after such anniversary.

Withdrawals

The owner may request a withdrawal (i.e., partial surrender) from this policy during the lifetime of the Insured while this policy is In Force by submitting a Written Request. Lincoln reserves the right to limit withdrawals to no more than one per Policy Year. The amount of the withdrawal requested:

a. must be at least $100.00; but

b. may not exceed 90% of the then current Surrender Value.

Lincoln reserves the right to defer payment of the withdrawal for up to 6 months after the withdrawal request is received.

The amount of the withdrawal will be deducted from the Gross Cash Value. The Death Benefit payable will be reduced by the amount of the withdrawal. The Specified Amount remaining In Force after any withdrawal will be subject to the minimum Specified Amount shown on the Policy Schedule.

Policy Loans

If this policy has a Surrender Value available, a loan against the policy will be granted so long as:

a. a loan agreement is properly executed; and

b. satisfactory assignment of this policy are made.

The total Indebtedness against this policy may not exceed an amount equal to 90% of the Surrender Value. Lincoln reserves the right to defer a loan for up to 6 months from the date of the loan request.

Loan Interest

Loans under this policy bear interest at an adjustable interest rate. The rate may be adjusted on each Policy Anniversary. The new rate will apply to both new and outstanding loans. Lincoln will provide notice of the initial rate for cash loans when the loan is made. Reasonable advance notice will be made prior to any change in interest rate while a loan is outstanding.

The interest rate charged during any Policy Year will not exceed the maximum rate for that year. The maximum rate will be the greater of:

a. the “Published Monthly Average” (as defined below) for the calendar month which ends 2 months before the month in which the Policy Anniversary occurs; or

b. the rate used to compute the Surrender Value of this policy during the applicable period plus 1% per year.

The term “Published Monthly Average” as used within this provision means the monthly average of the composite yield on seasoned corporate bonds as published by Moody’s Investors Service, Inc., or its successors. If such average is no longer published, Lincoln will use the average established by law or regulation by the insurance supervisory official of the jurisdiction in which the policy was delivered. A guarantee that the interest rate charged will never exceed the maximum rate imposed by law or regulation in the jurisdiction in which this policy was delivered.

Lincoln will not increase the loan interest rate until the new maximum rate exceeds the rate then currently charged under this policy by at least .5% annually and will reduce the rate being charged whenever such reduction results in a new annual maximum rate that is at least .5% lower than the rate then currently being charged under this policy.

Interest Credited to Loaned Amounts

The interest rate applied to the portion of the Gross Cash Value which secures any outstanding policy loan when expressed as an equivalent annual rate will be equal to 0.01074598% per day, compounded daily (4% annually).

Indebtedness

Any Indebtedness at time of settlement will reduce the amount payable upon surrender of this policy or death of the Insured, whichever is earlier. Indebtedness may be repaid in whole or in part at any time. However, if a premium is not paid within the grace period, any outstanding Indebtedness can be repaid only if this policy is reinstated.

Underwriting Guidelines & Medical Requirements

Single Premium Only: **No medical exams or labwork are required for ages 60 and older; APS only*.**
All other scenarios, use age/amount grid.

	FACE AMOUNT	**FACE AMOUNT**
AGE	**0-$99,999**	**$100,000-$500,000**
30-45	Non-Med*	Paramed Exam Blood Profile Urine PHI - for cause
	0-$99,999	**$100,000-$500,000**
46-55	APS – for cause	Paramed Exam Blood Profile Urine PHI - for cause
	0-$99,999	**$100,000-$500,000**
56-59	APS	Paramed Exam Blood Profile Urine PHI - for cause
	0-$99,999	**$100,000-$500,000**
60-80	APS	MD Exam EKG Urine PHI Blood Profile APS

***** Lincoln Life reserves the right to request any requirements deemed necessary to properly evaluate the risk.

- Make sure the paramed services use the requirement schedule for Lincoln *MoneyGuard®* Reserve, Hartford, CT.
- Use current age (at time application was signed).
- All urine and blood specimens are to be sent to Clinical Reference Lab or Lab One. Use company code JO for Lab One specimens.
- Direct questions regarding these requirements to: Lincoln Life Underwriting Department, Hartford, CT. 1-877-533-0114.

<u>Maximum Issue Amounts</u>

- Death Benefit cap of $500,000
- Monthly LTC benefit amount as generated by premium/death benefit should not exceed - $20,833/month

IMPORTANT: When ordering exams, please make sure the paramed service uses the Lincoln Life *MoneyGuard®* Reserve underwriting guidelines for Hartford, CT. Be sure they send the urine and/or blood to Clinical Reference Lab or Lab One using company code JO. Please refer to Lincoln account #'s listed below when ordering requirements.

Approved Paramedical Service Account #

APPS 7074

Exam One FPP

Hooper/Holmes Portamedic 496367

Following the above recommendations will insure that the paramed completes the proper exams and sends them to the appropriate office.

Phone History Interviews: Lincoln Financial Group will order phone history interviews when required. Please include your client's telephone numbers and best time to call. Please be sure to let your clients know that they may be receiving a call from Lincoln.

APSs can be ordered from EMSI Account #: 3545

Please order only 1 APS from insured's primary physician. Underwriter will advise if any other records are needed.

Lincoln Financial Group, 350 Church St., MMG1, Hartford, CT 06103

(877) 533-0114 – MoneyGuard® Reserve Support Line

Frequently Asked Questions

1. What is *MoneyGuard*® Reserve?

MoneyGuard® Reserve is a universal life insurance policy issued by The Lincoln National Life Insurance Company. It provides an immediate death benefit, and also has a Convalescent Care Benefit Rider (CCBR) 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 if the entire specified amount of death benefit has been used to pay long-term care expenses. A variety of options and features are available to help tailor the policy to the client's specific needs.

2. If long-term care is needed, the death benefit will be available to help pay those costs. But how much does *MoneyGuard*® Reserve pay?

The specified amount of death benefit can be paid to meet long-term care needs when an insured becomes eligible for long-term care benefits. *MoneyGuard*® Reserve will pay up to the maximum monthly benefit for eligible qualified LTC services such as home health care, nursing home care or adult day care services for 2 or 3 years, depending upon the option selected. The maximum monthly benefit is the same for all covered services. The specified amount of death benefit is reduced by the amount of benefits paid out for eligible qualified long-term care services and the account value is reduced by the same percentage as the death benefit.

Under the 2-year option, to determine the maximum monthly benefit, the specified amount of death benefit is divided by 24, the number of months in 2 years. For example, if the specified amount of death benefit were $96,000, the maximum monthly benefit for home health care, nursing home care or adult day care services would be $4,000 ($96,000/24). This example assumes no loans or withdrawals have been taken from the policy. A 3-year option is also available; for this option, the specified amount of death benefit would be divided by 36 in order to determine the monthly benefit.

MoneyGuard® Reserve reimburses actual expenses for eligible qualified long-term care services. If the monthly long-term care expense is less than the monthly maximum, the long-term care benefit will continue to be paid beyond 2 years (or 3 years, if the 3-year option is chosen).

3. What happens if all of the specified amount of death benefit is used for long-term care and the insured continues to need long-term care services?

An optional Extension of Benefits Rider (EOBR) provides an additional long-term care benefit for 2 years, 4 years or your client's lifetime. For example, if the specified amount of death benefit were $96,000, under the 2-year option, the extension rider would provide an additional $96,000 for long-term care. The total long-term care benefit would be $192,000. That means that the $4,000 monthly maximum benefit would continue to pay benefits for two more years. Again, if the actual expenses for eligible qualified long-term care is less than $4,000 per month, the total long-term care benefit will be payable for more than four years with the Extension of Benefits Rider.

4. How does an insured qualify for long-term care benefits?

Long-term care benefits are paid for qualified long-term care services required as the result of a chronic illness. A chronically ill person is any individual who has been certified, by the attending physician, within the preceding 12 months, as being unable to perform without substantial assistance from another individual at least 2 out of 6 activities of daily living (ADLs) for a period of at least 90 days. The ADLs are bathing, continence, dressing, eating, toileting and transferring. A person is also considered chronically ill if, within the preceding 12 months, they have been certified by a physician as requiring substantial supervision due to severe cognitive impairment – for example, as a result of Alzheimer's disease or irreversible dementia. Prior hospitalization is not required. Care must be provided pursuant to a plan of care prescribed by the attending physician. At least once every 12 months thereafter, and for as long as the care continues to be needed, the attending physician must again certify that the insured remain chronically ill and reconfirm the plan of care.

Qualified long-term care services provides coverage for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance or personal care services provided in a setting other than an acute care unit of a hospital, such as in a nursing home, in the community or in the home required by a chronically ill individual and provided pursuant to a plan of care prescribed by the attending physician.

5. When do long-term care benefit payments begin?

Benefits are payable after receiving 90 days of qualified long-term care services. The policy does not reimburse those 90 days of service. The 90 days of service do not have to be consecutive. For example, your client receives 60 days of qualified long-term care services at home over a period of three months. Three months later your client begins receiving qualified services in a nursing home. After 30 days in the nursing home, your client would qualify for benefit payments under the *MoneyGuard*® Reserve policy. This is a one time 90-day deductible throughout the life of the contract.

6. What long-term care services are covered?

The *MoneyGuard*® Reserve policy reimburses actual expenses for eligible qualified services up to the monthly maximums shown for each type of service. These reimbursements are received income tax free[1].

- Skilled, intermediate and custodial nursing home care is reimbursed up to the monthly maximum; includes Assisted Living, Alternative Care and Bed Reservation. Reimbursement for Bed Reservation is limited to 1/30 of the monthly maximum for each day the bed is reserved, not to exceed a maximum of 30 days per calendar year.
- Professional and personal care services provided in your home by a home health care agency are reimbursed up to the monthly maximum; includes Homemaker Services, Hospice Services and Personal Care.
- Health, social and related support services in an adult day care center are reimbursed up to the monthly maximum.
- Respite care to relieve the primary caregiver providing care outside of a hospital or nursing home in an institution, at home or a community-based program is reimbursed up to 1/30th of the monthly maximum for each day of care, not to exceed 21 days per calendar year.
- Care planning assistance provided by a care planning agency is reimbursed up to the monthly max.
- Caregiver training is reimbursed up to a lifetime benefit amount of $500.

[1] IRC Sec 104(a)(3)

7. What long-term care expenses are not covered?

MoneyGuard® Reserve reimburses out-of-pocket eligible long-term care expenses. The following are excluded from benefit payments:

- Care provided in facilities operated primarily for the treatment of mental or nervous disorders, which include neurosis, psychoneurosis, psychopathy, psychosis, or mental or emotional disease or disorder. This exclusion does NOT apply to qualifying stays or care resulting from a clinical diagnosis of Alzheimer's Disease or similar forms of irreversible dementia.
- Treatment for alcoholism, drug addiction or chemical dependency (unless the drug addiction or chemical dependency is a result of medication taken in doses as prescribed by a physician).
- Treatment arising out of an attempt (while sane) at suicide or an intentionally self-inflicted injury.
- Treatment provided in a Veteran's Administration or government facility, unless the Insured or the Insured's estate is charged for the confinement or services or unless otherwise required by law.
- Loss to the extent that benefits are payable under any of the following: Medicare (including that which would have been payable but for the application of a deductible or a coinsurance amount), other governmental programs (except Medicaid), workers compensation laws, employer's liability laws, occupational disease laws, and motor vehicle no-fault laws.
- Confinement or care received outside the United States.
- Services provided by a facility or an agency that does not meet the rider definition for such facility or agency, except as provided in the Alternative Care Services provision in the Convalescent Care Benefits Rider;
- Services provided by a member of the Insured's immediate family or for which no charge is normally made in the absence of insurance.

8. How long will long-term care benefits be paid?

Benefits will be paid for as long as the insured is chronically ill and is incurring expenses for eligible qualified long-term care services or until the entire long-term care benefit has been paid out for qualified services due to a chronic illness.

9. How does the payment of long-term care benefits work? Do payments have to go directly to service providers such as a nursing home or home health care agency?

Once qualified for benefits, your client can send bills or can arrange for service providers to send bills directly to The Lincoln National Life Insurance Company (Lincoln Life). Billed expenses for eligible qualified long-term care services will be reimbursed up to the maximum monthly benefit. As the policyholder, the client can direct that benefit payments be sent directly to them or their legal representative, or they can choose to assign benefits and have payments sent directly to service providers.

10. Is there an option to have the maximum monthly benefit increase?

Yes. *MoneyGuard*® Reserve can be issued with an Optional Inflation Protection Coverage. The amount of the annual increase will depend upon the Inflation Coverage Option that is in effect. The Options are:

- **Option 1 – Simple Increases:** If Option 1 is in effect, the monthly maximums and the CCBR and EOBR benefit limit shall be increased by 3% of the amounts that were in effect on the effective date of the rider(s).

- **Option 2 – Compound Increases:** If Option 2 is in effect, the monthly maximums and the benefit limit shall increase the CCBR by 2% and the EOBR by 5% of the amounts that were in effect immediately prior to the date of the annual increase.

Option 2 will take effect unless Option 1 is selected or the Optional Inflation Protection Coverage is rejected on the application for this coverage.

The monthly maximums will continue to increase each year as long as benefits are payable even if the insured is on claim.

11. What happens upon an insured's death if a portion of the death benefit was used for long-term care?

Upon death, the unused death benefit will be paid to the beneficiary income tax-free[2] and, if the estate is not the beneficiary, outside of probate. For example, if the original death benefit was $96,000 and $46,000 was paid out for LTC benefits, the unused portion of the death benefit, or $50,000, would be paid to the beneficiary.

12. What happens if all or most of the death benefit was used for long-term care?

The policy includes a feature called the Residual Death Benefit. On the date that the policy is issued, the residual death benefit will be equal to 10% of the specified amount of death benefit. The residual death benefit will be adjusted for withdrawals, loans, loan repayments.

For example, if the original specified amount of death benefit is $96,000, the residual death benefit would be $9,600. Upon death, the greater of the unused death benefit or the adjusted residual death benefit would be paid. In this example, if the unused death benefit is $8,000 and the residual death benefit is $9,600, the $9,600 would be paid. If the entire death benefit was used to pay for long-term care, the residual death benefit or $9,600 would be paid.

13. Are there any age limitations on purchasing *MoneyGuard*® Reserve?

Yes. *MoneyGuard*® Reserve can be purchased by adults age 30 through 80 (age last birthday). After the policy is issued, there is no age limit on receiving benefits under the policy.

14. How does the cash value grow?

Every month the account value (cash value) balance is credited with interest. Then the cost for insurance benefits is deducted. The rate of interest credited to the account will never be less than 4%. No current income taxes are due on cash value growth.

15. Is any portion of the insurance costs taxable?

[2] IRC §101(a)(1)

The charges for MoneyGuard UL CCBR and EOBR are deducted monthly from the base universal life insurance policy's account value. These monthly charges are treated as "distributions" and are taxable income to the policyowner if the MoneyGuard UL policy is a MEC and policy gain is used to pay the charges, or if the MoneyGuard UL policy is not a MEC but the policy's cost basis is zero and policy gain is used to pay the charges.

A 10% penalty may apply if these taxable distributions occur prior to the policyowner attaining age 59 ½. A tax advisor should be consulted for additional information

16. Are all of the charges on the 1099R deductible as medical expenses?

If the policy is Non-MEC then our understanding of the tax code is that no charges for long-term care insurance are deductible if the policy is <u>not</u> a MEC. The 1099R simply indicates that those distributions may be reportable as income, but that does not mean that they are automatically eligible as deductible medical expenses.

If the policy is a MEC then the distributions from a MEC, as reported on a 1099R, may be eligible for a deduction as medical expenses. The Internal Revenue Code limits the dollar amount of eligible long-term care charges that may count toward the total medical expenses in any year, depending on age. Tables of total deductible expenses are adjusted annually for inflation. We do not track annual changes to the tables, so a tax advisor should be contacted for the limit that currently applies.

17. How much is the surrender charge?

The surrender charge is per thousand dollars of Specified Amount. The surrender charge set in any given year is level throughout the policy year for the first 20 years. The surrender charge is only imposed if the policy is surrendered completely after the 30-day free look period. All of the premium will be returned if the policy is surrendered during the free look period.

Also, if the Return of Premium rider ROPR was purchased, the amount received upon full surrender will never be less than the initial single premium payment (less any long-term care benefit payments).

18. How does the lifetime Return of Premium Rider ROPR work?

Under the optional Return of premium rider ROPR, Lincoln guarantees that the surrender value will never be less than the single premium paid (less any long-term care benefit payments, cash withdrawals or policy loans).

19. Will the withdrawal or loan amounts be taxed?

If the policy is a MEC then the amounts withdrawn or loaned are considered to be interest first and principal second (LIFO). The interest portion will be taxable as current income. And, if the insured is under age 59 ½, taxable income may be subject to a 10% federal penalty tax. Withdrawals may also be taxable distributions from Non-MEC policies.

20. Will interest earnings in the policy be taken into consideration in calculating a tax on Social Security?

No. The Social Security offset rules do not apply to life insurance contracts.

21. If an insured has a cash value life insurance policy, can it be exchanged for *MoneyGuard*® Reserve without losing any value?

Depending on how long the policy has been owned, surrender charges may be assessed. It can be exchanged for MoneyGuard, however, under Internal Revenue Code Section 1035 and income taxes deferred on any interest earnings in the policy. MoneyGuard provides not only a death benefit, but also long-term care benefits. As with any exchange, advantages, disadvantages and costs associated should be considered and a comparison of the current policy and MoneyGuard policy should be reviewed. Clients should be encouraged to consult with an independent tax or legal advisor prior to making such a decision.

22. This sounds almost too good to be true? How can this be?

MoneyGuard® Reserve is simply an enhanced universal life insurance policy that allows for acceleration of the specified amount for covered long-term care and provides additional long-term care benefits through the Extension of Benefits rider. *MoneyGuard*® Reserve is a flexible product that responds to the real needs of today's adults.

23. What happens if, at some time in the future, the cash value in the policy is needed for monthly income?

If the death benefit need changes and if the cash value in a *MoneyGuard*® Reserve policy is needed to provide regular income, all or part of the policy could be exchanged for an annuity. This would be a tax-free exchange under IRS Section 1035. Monthly income would be paid from the annuity. Under this approach, all or part of the long-term care benefits provided by *MoneyGuard*® UL would be lost.

24. How do you explain why the death benefit is sometimes higher than the specified amount?

If you die in any year in which the actual death benefit is greater than the specified amount you purchased, you will receive more than the initial Specified amount.

Under the Internal Revenue Code, the minimum Death Benefit for a life insurance policy must be equal to or exceed a percentage of the Cash Value. This percentage varies by age and a schedule is included in your policy under the "Minimum Required Death Benefit Percentages Table."