

The Lincoln MoneyGuard® III is a single life universal life insurance policy that incorporates a rider for reimbursement of qualified long-term care (LTC) expenses, recognized as Qualified Long-Term Care Insurance under Internal Revenue Code Section 7702B(b), which allows for tax-free benefits. The policy offers flexible premium payment options, including single or flexible premiums, with a specified amount ranging from \$50,000 to \$500,000, and a couples discount based on marital status at the time of issue. It features a Value Protection Endorsement (VPE) that guarantees a return of premium (ROP) with options for basic or graded returns, varying from 70% to 100% over 11 years, and includes a No-Lapse Guarantee contingent on sufficient premium payments. The Long-Term Care Benefits Rider (LTCBR) provides coverage for various qualified LTC services, such as adult day care and nursing home care, with an initial maximum monthly limit based on the specified amount at issue and options for inflation protection. If the policy lapses while the insured is receiving LTC benefits, coverage continues until discharge or the benefit limit is reached, and a Non-forfeiture Benefit is available after three years.

Key exclusions include limitations on benefits for certain services, and the policy has a 0-day elimination period for covered services. Monthly charges apply for various insurance elements, and no charges are incurred after the insured reaches age 121. The policy allows for partial withdrawals and loans, subject to specific conditions regarding surrender charges and interest rates. The death benefit is income tax-free and determined by the greater of the specified amount or the minimum required death benefit, adjusted for any indebtedness. The policy guarantees benefits as long as premiums are paid as planned, with provisions for reinstatement and a 30-day free-look period for cancellation. Early surrenders during the first 10 years incur a surrender charge based on the specified amount, which remains level throughout the policy year. The policy adheres to the Cash Value Accumulation Test (CVAT) under Section 7702 of the IRS code, allowing unlimited premium payments while maintaining a required relationship between the death benefit and cash value.

Tax implications include a reduction in the policy's cost basis by LTC rider charges, assessed based

on the issue age, with no taxable gain generally unless a 1035 exchange includes a gain. An IRS Form 1099R will be issued for years when LTC rider charges are assessed, but this is not reportable under the Pension Protection Act. Reinstatement of the base policy is allowed within five years, while riders or endorsements can be reinstated within six months. Commission chargebacks apply for partial or full surrenders and lapses, with death claims exempt from chargebacks. Benefit payments under the LTCBR reduce the maximum benefit limit on a dollar-for-dollar basis, and if the maximum monthly benefit is not fully utilized, benefits may extend beyond the specified duration until the maximum is reached. The policy and riders have limitations, exclusions, and reductions, and all guarantees are subject to the claims-paying ability of The Lincoln National Life Insurance Company, which is not authorized to solicit business in New York. Variations in products and features may occur by state, and clients are advised to consult independent advisors for tax, accounting, or legal advice.