

Tax impact: identify opportunities

How taxes are affecting your clients' retirement plans
and how you can help protect their wealth



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The Form 1040 tax guide may help you:

Find areas where your clients could benefit from more tax-efficient strategies.

Gain a more comprehensive picture of each client's financial situation.

Provide an added service to establish a more complete relationship with your clients.

Lines 8a and 8b:

Retirement savings

Clients paying taxes on retirement savings may be good candidates for an annuity.

Lines 9a and 13:

Dividends and capital gains from taxable mutual funds

Qualified plans, IRAs and annuities provide tax-deferred growth potential on all interest and dividends, enabling your clients' money to grow faster than it would with a taxable product.

Lines 15b and 16b:

Planning for required minimum distributions (RMDs)

Consider alternative strategies for clients who may not rely upon their RMD income. Ask your Lincoln representative for more information on how these strategies may help clients maximize the assets they leave behind.

Line 20b:

Reduce taxes on Social Security income

Annuity and variable life insurance earnings that are not withdrawn are not part of modified adjusted gross income, which is used to determine how much Social Security benefits are taxed. This is also true for the tax excludable portion of an annuitized income stream.

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2015** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2015, or other tax year beginning _____, 2015, ending _____, 20

Your first name and initial _____ Last name _____ Your social security number _____

If a joint return, spouse's first name and initial _____ Last name _____ Spouse's social security number _____

Home address (number and street). If you have a P.O. box, see instructions. _____ Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). _____

Foreign country name _____ Foreign province/state/country _____ Foreign postal code _____

Filing Status

1 Single 4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above and full name here. ▶

5 Qualifying widow(er) with dependent child

Check only one box.

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a

b Spouse

c **Dependents:** (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) If child under age 17 qualifying for child tax credit (see instructions)

If more than four dependents, see instructions and check here ▶

d Total number of exemptions claimed

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 7

8a Taxable interest. Attach Schedule B if required 8a

8b Tax-exempt interest. Do not include on line 8a 8b

9a Ordinary dividends. Attach Schedule B if required 9a

9b Qualified dividends 9b

10 Taxable refunds, credits, or offsets of state and local income taxes 10

11 Alimony received 11

12 Business income or (loss). Attach Schedule C or C-EZ 12

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ 13

14 Other gains or (losses). Attach Form 4797 14

15a IRA distributions 15a b Taxable amount 15b

16a Pensions and annuities 16a b Taxable amount 16b

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17

18 Farm income or (loss). Attach Schedule F 18

19 Unemployment compensation 19

20a Social security benefits 20a b Taxable amount 20b

21 Other income. List type and amount 21

22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶ 22

Adjusted Gross Income

23 Educator expenses 23

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24

25 Health savings account deduction. Attach Form 8889 25

26 Moving expenses. Attach Form 3903 26

27 Deductible part of self-employment tax. Attach Schedule SE 27

28 Self-employed SEP, SIMPLE, and qualified plans 28

29 Self-employed health insurance deduction 29

30 Penalty on early withdrawal of savings 30

31a Alimony paid b Recipient's SSN ▶ 31a

32 IRA deduction 32

33 Student loan interest deduction 33

34 Tuition and fees. Attach Form 8917 34

35 Domestic production activities deduction. Attach Form 8903 35

36 Add lines 23 through 35 36

37 Subtract line 36 from line 22. This is your adjusted gross income 37

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2015)

Line 32:

IRA contributions

Owning an annuity inside an IRA offers your clients additional access to certain guarantees as well as professional management, ease of diversification, and asset allocation.*

*There is no additional tax benefit for annuity contracts purchased in an IRA or other tax-qualified plan, since these are already afforded tax-deferred status. Thus, an annuity should only be purchased in an IRA or qualified plan if you value some other features of the annuity and are willing to incur any additional costs associated with the annuity to receive such benefits.

Work with your client's accountant and attorney as part of a team to optimize their tax and estate planning strategies, potentially increase income, and strengthen professional relationships.

The image shows a portion of the 2015 Form 1040 tax return. Key sections visible include:

- Tax and Credits:** Lines 30-47, covering adjustments to gross income, tax-exempt income, and various credits like the Earned Income Credit (EIC) and Child Tax Credit.
- Other Taxes:** Lines 57-63, including self-employment tax, unreported social security and Medicare tax, and household employment taxes.
- Payments:** Lines 64-73, detailing federal income tax withheld, estimated tax payments, and other credits.
- Refund:** Lines 75-76, for claiming a refund of overpaid taxes.
- Amount You Owe:** Lines 78-79, for calculating the total tax liability and any penalties.
- Sign Here:** Signature lines for the taxpayer and spouse.
- Third Party Designee:** Section for designating a representative.

Line 40:

IRA rollover

If your client is the beneficiary of an IRA, cashing it out will result in taxes on the entire inheritance. Consider them as candidates for a tax-qualified annuity.

Line 43:

Employer-sponsored retirement plans

A company-sponsored retirement plan can help reduce an individual's taxable wages and has higher contribution limits than an IRA, resulting in more retirement savings.

Line 50:

College savings

A Coverdell Education Savings Account (CESA) and 529 college savings plan (CSP) provide tax-deferred growth and other tax advantages.

Line 76a:

Investing a tax refund

Your clients can contribute all or a portion of their tax refund to a traditional IRA or Roth IRA, or purchase an annuity or life insurance policy.

Tips for talking taxes with your clients

Note that Schedules A and C may offer additional tax advantages for small-business owners and sole proprietors.

Consider how evolving tax regulations may impact your clients' estate plans and their ability to cover healthcare costs in the future.

Lincoln offers tax-efficient products and strategies that may help clients prepare for the impact of taxes. Ask your Lincoln representative for more information.

Put Lincoln Wealth Protection Expertise to work for you. Contact your Lincoln Financial representative or call 855-831-7067 for further information.

The value of partnering with Lincoln Financial Group

Lincoln Financial Group delivers sophisticated strategies and products for the creation, protection, and enjoyment of wealth. We are committed to helping Americans plan for retirement, prepare for the unexpected and protect their wealth from five key financial challenges: taxes, long-term care expenses, longevity, inflation, and market risk.

Rely on Lincoln for the knowledge and experience to help you address these challenges. Lincoln Wealth Protection Expertise combines state-of-the-art products, seasoned wholesalers and specialists, and powerful visualization tools to assist you in protecting client wealth and planning financial outcomes.

Don't miss this opportunity to engage your clients on their tax concerns and help them protect their wealth.

To get information and guidance about the solutions mentioned here, contact your representative.

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