Lincoln Financial Group®

You're In Charge®

Planning ahead

Understanding your 457 plan

Plan Participant Guide

RETIREMENT PLAN SERVICES

The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

2073306

It all starts with a plan

You made a smart decision when you enrolled in your employer-sponsored retirement plan. You're investing in your future, and you get the benefits of an immediate tax break and tax-deferred growth potential. We are here to help you plan ahead, with information and motivation every step of the way. Here's a helpful Q&A to get you started.

457 basics and benefits

What is a 457 plan?

The 457 is a tax-deferred retirement plan designed to help you invest regularly for your retirement. It is offered to you through your employer and is available only to state or local employees and certain employees of many tax-exempt organizations. Your contributions are taken directly from your salary before it is taxed, and they can be distributed among a selection of investment options.

Why should I consider a 457 plan?

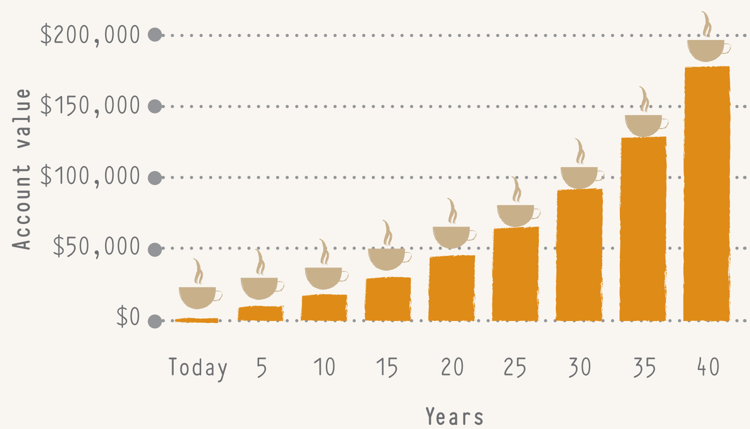
A 457 plan is one of the best ways to invest for your retirement.
It offers a number of benefits, including:

- **It's easy**—You contribute through the convenience of automatic payroll deduction.
- **Tax-deferred growth**—Since you don't pay taxes on your earnings (until withdrawn), more of your money is at work for you to provide greater growth potential.
- **Consistent savings**—Saving a set amount on a regular basis, such as every payday, can help increase your earnings.
- **Reduced taxable income**—Your gross taxable income will be reduced by the contributions you make.

A little goes a long way

Saving more in your retirement plan might be easier than you think. If you were to commit just $20 a week—what you might spend on coffee or soda—to your 457 plan, you could see how even small contributions can add up over time.

Spend less on coffee—Save more in your retirement plan.



Assumes a $20/week contribution and a 6% annual return in a tax-deferred account. This hypothetical example is not indicative of any product or performance and does not reflect any expense associated with investing. Taxes will be due upon distribution. It is possible to lose money investing in securities.

How do I make contributions?

It's simple—once you're eligible to participate and have completed the necessary forms, the amount you designate as a deduction will be automatically withdrawn from your paycheck and contributed to your 457 retirement plan. Be sure to check with your employer or Lincoln representative for your specific plan enrollment requirements.

How much should I contribute?

This depends on many factors, including how much you can afford and how long you have until retirement. Even a small amount, invested regularly, can add up to significant savings over the long term. A lot of experts say you should be contributing at least 10% of your income.[1]

Saving a little is good. Saving a little more is better.

This graph assumes a $40,000 annual salary and a 6% annual return in a tax-deferred account. This hypothetical example is not indicative of any product or performance and does not reflect any expense associated with investing. Taxes will be due upon distribution. It is possible to lose money investing in securities. Changes in tax rates and tax treatment of investment earnings may impact the comparative results. You should consider your personal investment horizon and income tax bracket, both current and anticipated, when making an investment decision, as these may further impact the results of the comparison.

[1] "Ultimate guide to retirement: How much should I save?" *CNN Money*, Editors of *Money Magazine*, 2012, http://money.cnn.com/retirement/guide/basics_basics.moneymag/index7.htm?iid=EL.

Are there limits to the amount I can contribute?

Tax laws limit the maximum contributions that can be excluded from your salary in any one year. Visit LincolnFinancial.com or IRS.gov for limit information.

How much can I contribute if I join the plan midyear?

If you join the plan midyear, you can make up for any missed months, as long as your total contributions do not exceed the annual limits.

Can I change or stop my contributions?

Yes. You can change your contribution amount during any open enrollment period, or as permitted by your employer. You can also discontinue your contributions by submitting a written request to your employer. You may start making contributions again during any open enrollment period.

If you stop your contributions, there is no penalty to you, and you are entitled to receive all the money you've contributed to the plan, plus its earnings, when you retire or meet the other withdrawal conditions.

Contact your company benefits representative for more information.

What investment choices do I have for my 457 plan contributions?

There may be a variety of investment options available within, and specific to, your 457 plan. Contact your employer or Lincoln representative for the list of your choices.

If I contribute to a 457 plan, can I contribute to other retirement plans, too?

You can still contribute to other retirement plans, such as IRAs. Contribution limits may apply.

Will contributing to a 457 plan affect my Social Security benefits?

Your Social Security benefits are not affected by 457 participation.

How long can I contribute to my 457 plan?

You can contribute to your 457 plan as long as you are an eligible employee as defined by your plan and your employer permits salary reduction contributions. See your Summary Plan Description for details.

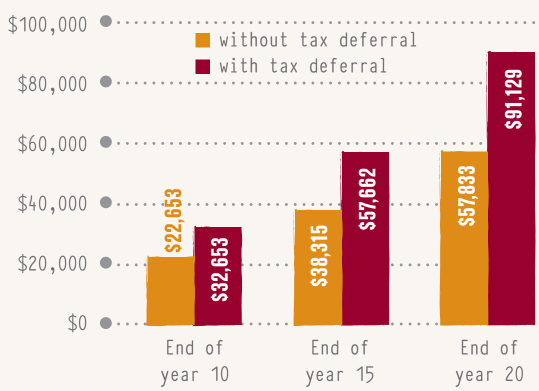
What do I need to know about taxes and my 457 contributions?

The consistent and convenient contributions to a 457 plan are just some of the benefits. You should also be aware of the tax benefits of investing in a 457:

- **You harness the power of tax deferral**
  Any contributions made to your plan—including your contributions and the returns they generate—will be allowed to grow tax-deferred. This means you do not pay taxes on that money until it is withdrawn. Tax deferral allows your money to accumulate faster than taxable investments.
- **You receive an immediate tax break**
  Your 457 contributions are deducted from your salary before taxes. Much like taking a deduction on your income taxes, this reduces your taxable income and the amount of tax due on that income.

  Keep in mind that when any money is distributed or withdrawn from the plan, it is taxed as ordinary income. If that happens during your retirement, you may be in a lower tax bracket at that time and may pay less tax on the money withdrawn.

The power of tax deferral



This is a hypothetical example. It is not indicative of any product or performance and does not reflect any expense associated with investing. It assumes $200 monthly contributions, 6% annual return and a 25% tax bracket. Taxes will be due upon distribution of the tax-deferred amount, and if shown, results would be lower. Actual investment results will fluctuate with market conditions, so that the amount withdrawn may be worth more or less than the original amount invested.

How can I access funds from my account?

There are three ways to withdraw money from your 457 plan:

- Prior to retirement, take a withdrawal, subject to certain restrictions. See your Summary Plan Description for details.
- Upon retirement, begin taking distributions.
- Your employer may also allow you to take out a loan. NOTE: This does not apply to tax-exempt organizations.

Is the money I put into my 457 plan subject to my employer's creditors?

No, because your 457 plan contributions are set aside in trust for the exclusive benefit of you and your beneficiaries. This ensures that your money will be there when you need it.

NOTE: This does not apply to tax-exempt organizations.

Your 457 is designed as a long-term retirement plan. When you reach retirement, and in some cases prior to that, you may need access to your money.

When can I take a withdrawal from my 457 account?

Withdrawals can be made from your 457 plan for specific reasons, such as:

- Retirement
- Separation from service with your employer
- Total and permanent disability
- Unforeseeable emergency
- Distributions made to your beneficiaries upon your death
- Qualified domestic relations order (divorce payments to ex-spouse or children)

If you take a withdrawal for one of these reasons, you will have to pay income taxes unless the distribution is rolled to an IRA or another qualifying plan. In addition, the account may have withdrawal or surrender charges. Some plans may have additional withdrawal limitations. Be sure to check your Summary Plan Description for details.

Once I retire, when am I required to take retirement distributions, and for how long?

The IRS requires you to begin receiving distributions no later than April 1 following the year you reach age 70½ (unless you are still working for and do not own more than 5% of the organization). Once you begin receiving required distributions, you must continue to receive them until your account value is depleted or until your death.

How can I receive my retirement distributions?

Your retirement distributions may be paid out in a number of ways, such as:

- Automatic withdrawal
- Annuity payout options
- Lump-sum withdrawal

Contact your employer or Lincoln Financial representative for more information.

Can I take out a loan?

Check with your employer or Lincoln representative to see if loans are available for your plan. Also check your plan rules for eligibility and other details.

What happens to my money if I change jobs?

If you change employers, you have several options:

- In some cases, you may continue making 457 contributions to your previous employer's plan.
- You may be able to leave your accumulated assets in your previous employer's plan, but you must direct future contributions to a retirement plan sponsored or administered by your new employer.
- You can roll over assets from your current plan to another eligible retirement plan offered by your new employer, if available, or to any other qualified funding vehicle, such as an IRA. No taxes will be due if the rollover is executed properly. NOTE: This does not apply to tax-exempt organizations.
- You may take a lump-sum distribution. However, a distribution from a governmental 457 plan will be subject to a 20% federal withholding and will be taxed as income for that year.

What happens to my 457 account if I die before retirement?

If you die before you are allowed to take normal distributions, your 457 plan is passed on to your beneficiary(ies). To protect your loved ones, it's very important that you choose your beneficiary(ies), and keep your beneficiary information up to date.

If you die before electing a payment option and your beneficiary is your spouse, they may elect any distribution method that was available to you, such as:

- Roll the money over to another eligible retirement plan.
- Leave the accumulated assets in the program.
- Take distributions over their life expectancy.

If your beneficiary is not a spouse, they have two options:

- Elect to receive a lump-sum distribution, payable within five years of your death.
- Elect, within one year of your death, to receive periodic payments based upon that beneficiary's life expectancy.

If you die after you've begun to receive distributions based upon your lifetime, your beneficiary can receive payments over their remaining life expectancy. The beneficiary may also choose to take the entire remaining account balance at any time during the payout period.

Tomorrow's plan begins today

Investing in a 457 is an easy, convenient way to begin securing your future. Automatic salary reductions alleviate the worry of making regular contributions on your own. Plus, tax-deferred growth allows you to focus on building your financial future.

Take advantage of the opportunity today. Starting even one year earlier could help you save thousands of dollars more, compared to waiting.

The sooner you start saving for retirement, the better.

Age	Retirement plan balance at age 65	Advantage of starting one year earlier
25	$383,393	$24,039
26	$359,354	
35	$195,851	$13,423
36	$182,428	
45	$91,129	$7,495
46	$83,634	

This is a hypothetical illustration and is not indicative of any product or performance; it does not reflect any taxes due upon distribution or any fees associated with investing. Investment options are subject to market risk. It assumes $200 monthly contributions, 6% annual return and retirement at age 65.

More than seven out of 10 Americans take advantage of the retirement plan offered to them.[1] Join them and begin working toward your future today.

If you have additional questions about your employer's 457 plan, please contact your employer or Lincoln representative.

[1] Employee Benefit Research Institute, "2012 Retirement Confidence Survey Fact Sheet #3: Preparing for Retirement in America," March 2012.

With you every step of the way

From enrollment up to and through retirement, the *Lincoln InStep®* Participant Retirement Program is designed to help you with every step of retirement planning. You can also meet with a retirement professional for personal help.

Important disclosures:

Mutual funds and variable annuities are sold by prospectus. Investors are advised to carefully consider the investment objectives, risks, and charges and expenses of a mutual fund, and in the case of a variable annuity, the variable contract and its underlying investment options. To obtain a mutual fund or variable annuity prospectus that contains this and other information call: 800-4LINCOLN. Read the prospectus carefully before investing or sending money.

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