Lincoln Financial Advisors®

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You're In Charge®

Your future starts now

Investment planning strategies

Reaching financial independence is a goal that many investors strive to achieve. Financial goals vary widely among investors; some want to be able to retire early, others want to be able to send their children to college or to leave a legacy through charitable donations.

Regardless of financial goals, it is important to have a well-organized strategy that is customized, considers a time horizon, and incorporates the most comfortable level of risk. Some investors try to manage their financial goals without the help of a professional, but find it difficult to keep up with the constant change and the myriad of available investment vehicles, while also keeping within their risk tolerance and time frame.

Make it happen

With so much investment information readily available, there may be temptation to try to invest on your own.

Ask yourself these simple questions:

- Do I have a clear understanding of my financial goals?
- Do I understand all the investment options available to help me toward my goals?
- Do I know which of those options are appropriate for me?
- Do I have the expertise to build a financial strategy and the discipline to stick to it through good times and bad?
- Do I have the time and expertise required to review and manage my financial strategy?

If you answered "no" to any of these questions, you could benefit from the assistance of a financial professional. Some things are best left to professionals – jobs too important to risk doing ourselves. Those jobs include building a financial strategy. Your life savings deserves the attention of a full-time financial professional who can help you toward your financial goals. Truly effective financial professionals begin by assessing their clients' needs – not by simply recommending specific investments.

You should expect your professional to begin by:

- Assessing your current financial situation
- Helping you identify your financial needs
- Determining your risk tolerance
- Establishing your investment time horizon
- Helping you formulate a long-term investment strategy

Next, you can expect him or her to research a variety of investment choices and match them to your specific needs.

This includes:

- Explaining the risks and rewards of each type of investment
- Explaining how each type of investment works
- Helping you build an asset allocation strategy

Once you have worked together to choose the investments that are appropriate for you, you can expect an ongoing relationship with your financial professional that includes:

- Evaluating your personal and financial situation on a regular basis
- Reviewing your portfolio and helping you make adjustments when necessary
- Guiding you through the ups and downs of investing

Consider these investment tactics

Investing your money in the stock market is never a foolproof way to guarantee a positive return on your hard-earned dollars. Yet there are three strategies that can help ease your fears about investing and help you work toward achieving positive returns.

Dollar cost averaging

Instead of waiting to invest a single lump sum when you feel prices are at their lowest point, you invest smaller amounts of money at regular intervals – no matter how the market is performing. The goal is to reduce the overall volatility of your portfolio by purchasing more shares when the price is low and fewer shares when the price is high. Although dollar cost averaging cannot guarantee a profit or protect against a loss in a declining market, over time your average cost per share could be less than the market share price. Investors in dollar cost averaging programs should carefully consider their ability to make continuous purchases during periods of low price levels; however, most programs allow the investor to stop making the purchases at any time.

Asset allocation

Asset allocation is an approach in which you spread investments over different asset categories, such as stocks, bonds and cash or a combination thereof. Allocating your assets hinges upon several factors including: attitudes toward risk and investing, desired return, age, income and tax bracket, time horizon, and even your belief in what the market will do in the near and long term.

The underlying principle in asset allocation is to have funds invested in different broad categories of investments that have historically shown varying rates of return and levels of volatility. While past performance is no guarantee of future results, by diversifying investments in different categories, you may reduce risk and volatility. Generally, downturns in one asset class may be offset by favorable returns in another, thus reducing overall risk. Of course, asset allocation and diversification do not guarantee a profit or protect against losses in a declining market.

Strategic asset allocation is a long-term investment approach in which selected investments create an asset mix that seeks to provide an optimum balance between risk and return potential. Select assets and asset categories are chosen based on the overall objective and risk tolerance of the client. The correlation (measure of the degree of movement between investments) of the varying assets within the portfolio is carefully analyzed to help reduce volatility and/or increase potential return. Strategic asset allocation is a relatively passive investment style, in which the assets and weightings are set and remain relatively unchanged.

Tactical asset allocation is essentially strategic asset allocation with more frequent revisions to the asset mix. This may be accomplished by utilizing specific securities selection and making more frequent portfolio revisions. Rebalancing, in this context, includes moving money away from appreciated assets and acquiring undervalued assets. This approach may be more expensive, but typically includes a more actively managed portfolio to enhance return potential.

Rebalancing

Most financial advisors agree that establishing a well-diversified portfolio is crucial for reducing overall risk. Rebalancing is a procedure used to help ensure that the targeted asset allocation strategy is adhered to on an ongoing basis. Goals, objectives, risk tolerance and investment time horizon should also be re-evaluated and reviewed on a regular basis. Establishing a well-diversified portfolio is the first step; however, the work does not end there. It is extremely important to rebalance the portfolio to maintain the proper asset allocation percentages.

Dividends, appreciation of assets, inflows and outflows of cash, as well as other events, will naturally cause the asset allocation percentages of the portfolio to fluctuate. For instance, a rising stock market can cause a portfolio's allocation in stocks to rise above predetermined ranges. Over time, volatility, account contributions and asset class returns can cause the mix of stocks, bonds and cash to "drift" from their target allocation. Rebalancing does not assure a profit or protect against losses in a declining market, but it can be helpful to have a regular schedule for rebalancing the portfolio. Rebalancing has tax implications if not done in a tax deferred account.

Define your life goals

Below is a description of two common life goals. Some investors have the goal of retiring comfortably, while others may have the goal of sending their children to the college of their choice.

Retirement planning

Retirement once meant a gold watch, more time with grandchildren, guaranteed income from your company's pension plan and Social Security. However, fewer people today work for a company long enough to be assured a pension and the future of Social Security is a concern. Retirement planning involves taking control of the choices you have to provide for your financial future. To make appropriate choices, you need to predict – as well as you can – your future economic circumstances.

Clearly, developing a proper investment strategy for retirement is a necessity. Although this task may seem daunting, it's easy if you follow some simple rules:

- Work with a qualified professional
- Start saving now
- Determine your desired retirement income
- Develop an investment plan
- Maximize your retirement options (employer-sponsored plans, IRAs, Roths and annuities)
- Don't borrow from your retirement funds

No matter what your retirement goal, the sooner you begin saving, the less money you may need to contribute regularly. Longer time horizons can also benefit from the power of compounding when your investment's dividends, interest or returns are reinvested to earn more dividends, interest or potential returns. Investment performance is not guaranteed and will fluctuate with market conditions.

As a rule of thumb, you may need approximately 70 percent of pre-retirement income to maintain your standard of living during retirement. Don't forget to factor inflation into this calculation.

Important note

An investor should carefully read a 529 offer circular and consider the investment objectives, risks, charges and expenses of a 529 plan before investing or sending money. The investment return and principal value of an investment will fluctuate with changes in market conditions so that an investor's shares, when redeemed, may be worth more or less than the original amount.

Education funding

With the escalating cost of higher education, it is critical to plan ahead if your goal is to send your children to the college of their choice. There are several options available to help fund your child's college expenses. Three options include 529 Plans, Coverdell Education Savings Accounts and Custodial Accounts, all of which can be established to help prepare families for the increasing cost of higher education.

Section 529 Plans

Section 529 Plans (technically known as qualified state tuition plans) allow parents, grandparents and others to contribute money into a tax-deferred account for the higher education of a beneficiary. Section 529 Plans also offer unique estate planning benefits. The law provides that a contribution into a 529 Plan is treated as a completed gift and thus is removed from the donor's estate. Furthermore, the gift also qualifies for the annual gift tax exclusion amount. The law also allows the donor to treat a contribution of more than the annual exclusion as occurring ratably over five years for gift tax purposes. The earnings in college savings have tax deferred growth potential from federal income taxes. When funds are withdrawn, they are received federal income tax-free if used for qualified expenses (tuition, books, room and board). If the original beneficiary decides not to attend college, you can defer use of the account, change beneficiaries or, under certain conditions, withdraw the assets. If the assets are withdrawn and not used for higher education, federal income taxes, state taxes (if applicable) and a 10 percent penalty may be imposed on the earnings. In addition, purchasing a Section 529 Plan that is not domiciled in your state of residence may entail additional tax consequences.

Coverdell Education Savings Accounts

Coverdell Education Savings Accounts (formally Educational IRAs) allow parents, grandparents and others to contribute cumulatively up to a specified dollar amount a year per child for qualified elementary, secondary school and higher education expenses. Withdrawals from Coverdell Education Savings Accounts are federal income tax-free if used for qualified expenses such as tuition, room and board. Beneficiaries of the Coverdell Account can be transferred to another family member to pay for educational expenses. If the account is not used by age 30, or the funds are not used for higher education, regular income taxes and a 10 percent penalty may be imposed on the earnings.

Custodial Accounts (UGMA/UTMA)

Custodial Accounts (UGMA/UTMA) are created for a minor, usually at a mutual fund company or brokerage firm. This account provides a simple way to transfer property to a minor without the complications of a formal trust. When the child reaches the age of majority (age 18 or 21, depending on the state), the child then has full discretion over the account. There are specific federal income tax implications that apply to earnings in Custodial Accounts. These tax implications are commonly referred to as the "Kiddie Tax" and should be discussed with your tax or investment professional.

Important note

Mutual funds are offered by prospectus. An investor should carefully consider the investment objectives, risks, charges and expenses of an investment company before investing. Read the prospectus carefully before you invest or send money. The investment return and principal value of an investment will fluctuate with changes in market conditions so that an investor's shares, when redeemed, may be worth more or less than the original amount invested.

Understand your choices

Investors have many investment choices available to them. So many, in fact, that it can be difficult to know where to begin. Below are some of the more common investment vehicles that can be used when striving to accomplish your life goals.

Mutual funds

A mutual fund offers investors with similar goals the opportunity to pool their money into a common portfolio, which is then managed by an investment company. For example, with a specific goal in mind, the manager makes a number of different investments – buying and selling stocks of different companies, or various types of bonds. Each person who contributes money to the account owns a piece of this portfolio, represented by a certain number of shares. Mutual funds provide investors with both a convenient way to obtain professional money management and instant diversification that would be harder to achieve on their own.

Equities

A stock is an equity security that represents a share of ownership interest in a public company. When you hold one or more shares of stock in a company, you actually own a piece of that company. Your percentage of ownership will depend on how many shares you hold in relation to the total number of shares issued by the company. If the company does well, your share of the total earnings will be proportionate to how much of the company's stock you own. On the other hand, if the company does poorly, the value of the stock goes down. Investing in stocks can range from conservative to speculative depending on the stock selected. Equities can have fluctuating principal and returns based on changing market conditions.

Fixed income

Bonds (fixed income) are essentially loans, which is why they are called "debt instruments." An investor loans money to a corporation or government, and the borrower ("issuer") pays the investor regular interest payments over a set period of time. When the bond matures (i.e., the principal comes due) or is "called" by the issuer (i.e., redeemed before maturity), the issuer pays back the entire principal to the bondholder. Bonds do not need to be held until maturity or until they are called; they can be traded among investors just like any other type of security. Bonds have certain risks, such as default risk, sensitivity to changes in interest rates and the volatility associated with bond duration. Bonds have fixed principal value and yield if held to maturity. Investors may lose money if bonds are sold before maturity.

Important note

Variable annuities are offered by a prospectus and are long-term investment products that offer a lifetime income stream, access to leading investment managers, options for guaranteed growth and income (available for an additional charge), tax deferred growth, and death benefit protection for loved ones.

To decide if a variable annuity is right for you, consider that its value will fluctuate with the market, it is subject to investment risk and possible loss of principal, it has various costs, and all guarantees, including those for optional features, are subject to the claims-paying ability of the issuer. Limitations and conditions apply. There are fees and charges associated with investing in a variable annuity such as mortality and expense, administrative and advisory fees. Optional features are available for an additional cost.

*Guarantees are subject to the claims-paying ability of the insurance company.

Annuities

An annuity is a contract purchased by you in which an insurance company pays out monthly payments to you beginning on an agreed upon date and can guarantee* the payments no matter how long you live. There is usually a small death benefit and other features associated with the contract.

Fixed annuities offer more conservative investors principal protection and stable returns guaranteed by the insurance company. The company invests your excess payment for you, and guarantees* a fixed rate of return. At certain intervals (generally every one to three years) this fixed rate may go up or down to reflect overall market conditions.

Variable annuities enable you to direct the excess payment into sub accounts that participate in the risks and rewards of the world's stock and bond markets. You direct excess payments into a range of investment options with management philosophies ranging from very aggressive to very conservative, and your returns will fluctuate with market conditions and will reflect the performance of those options. Most variable annuities also offer a fixed account option, which can provide a steady rate of return guaranteed by the insurance company for a specified period of time.

Both variable and fixed annuities can be either deferred or immediate. Deferred annuities allow you to make payments over a period of time, called the accumulation period, with the option to receive a series of income payments at some time in the future. With an immediate annuity you make a single lump-sum payment to the insurance company and begin receiving income payments immediately. The costs associated with different types of annuities will vary with features and options.

Both fixed and variable annuities usually offer several types of income payment options: payments for a specified period of time, payments for your lifetime, or payments for the lifetime of both you and your spouse.

Annuities offer a host of tax advantages. Any growth inside an annuity is tax-deferred and because these earnings are not subject to current federal, state or local income taxes, your investment accumulates until you begin withdrawals.

Be sure to keep in mind that because an annuity is designed as a retirement planning vehicle, there are penalties for withdrawals prior to age 59½. Earnings may also be subject to ordinary income tax, and there may be surrender charges and tax consequences associated with lump-sum withdrawals. Also, transfers between funds within a variable annuity are tax-free but may be subject to a fee if transfers are excessive. This can provide you with valuable flexibility in your retirement planning. Guarantees are subject to the claims-paying ability of the issuer. If you are considering an annuity to fund a qualified retirement plan such as an IRA or 401(k), the tax deferred feature of the annuity offers no additional value.

Alternative investments

Alternative investments offer portfolio diversification opportunities not available through other investment vehicles. Alternative investments allow investors to pool money to acquire a portfolio of assets they would most likely be unable to purchase individually. The asset is not a portfolio of stocks or bonds but may be real estate, equipment, cable television systems, mortgages, oil and gas operations and properties, or venture capital companies. Small investors can directly participate in areas otherwise available only to wealthy or institutional investors. Investors who consider alternative investments should be aware of the illiquid nature of limited partnerships, and the increased risks and fees involved. Clients must meet specific suitability standards before investing and suitability may vary by state. Units or shares of these types of investments may fluctuate in value so that at redemption they may be worth more or less than the original amount invested.

Important note

Variable universal life insurance is offered by a prospectus and with any variable universal life insurance product, certain fees and costs are involved, including monthly cost of insurance, administrative expense and premium load charges, as well as daily charges on assets invested in the variable subaccounts for mortality and expense risk, and asset management fees. The value of the subaccounts will fluctuate in accordance with the investment experience of the underlying funds. Generally, the insurance company guarantees the original face amount of the policy as a death benefit as long as the policy holder's premiums are paid on schedule or the cash value is sufficient to meet each fee deduction. If the policy is surrendered, the cash value may be worth more or less than the premiums paid. Please consult the prospectus or ask your financial advisor for more detailed information.

Protecting your lifestyle

All insurance vehicles, whether long-term care, life or disability income, are designed to protect you and your beneficiaries against financial disaster. Below are some important types of insurance to consider when trying to protect your lifestyle.

Life insurance

Life insurance is governed by state law and is a legal contract between a policy owner and an insurance company. The policy owner pays premiums under the terms of the policy contract in exchange for the promise of payment of a specified amount of money to a named beneficiary when the insured dies. Life insurance is used to replace the economic loss resulting from a person's death.

There are many different kinds of life insurance, including term life, traditional whole life, universal life, variable life, variable universal life and joint or survivorship life. Variable universal life insurance involves investment risks, including possible loss of principal.

Long-term care insurance*

Long-term care (LTC) services provide for the personal assistance to enable impaired people to perform daily routines such as eating, bathing and dressing. In return for premiums, LTC policies will pay a selected dollar amount per day (for a stated period of time) for skilled, intermediate, or custodial care in nursing homes and sometimes for home health care. Trying to fund nursing home costs without insurance can be expensive and can deplete retirement savings quickly.

LTC insurance is not for everyone. The choice to obtain it can depend on your age and financial circumstances. A good rule of thumb is that you should consider purchasing an LTC insurance policy if some or all of the following apply:

- You are between the ages of 40 and 84
- You have significant assets that you would like to protect
- You can afford to pay the premiums now and in the future
- You are in good health and are insurable

Disability income insurance*

In exchange for premiums paid to the insurance company, disability income insurance can pay benefits when you are unable to earn a living because you are sick or injured. Most disability income policies will pay you a benefit that replaces part of your earned income (usually 50 to 70 percent) when you cannot work.

*Long-term care insurance and disability income insurance are not offered through Lincoln Financial Advisors; however, many Lincoln Financial Advisors representatives are qualified insurance professionals who can offer long-term care insurance and disability income insurance.

Investing with confidence

Capital preservation, tax-advantaged income, wealth accumulation or business continuation – each investor's objective is unique. In any situation, the expertise and guidance of a financial professional can be the clearest path to your goals.

Lincoln Financial Advisors can help provide this expertise. Our associates work as a team to provide clients with comprehensive financial, retirement, investment, business owner and estate planning using comprehensive strategies and state-of-the-art software. Our advisors can help you implement financial solutions to address the unique needs uncovered during the financial planning process.

Our firm's philosophy, "Serve First, Last and Always℠", uniquely defines the way we do business. The essence of this philosophy is that in all client engagements, we are committed to do whatever is required to get you to take action to put your financial affairs in the appropriate order.

Lincoln Financial Advisors provides access to an extensive range of products and services, carefully selected from among the foremost investment management organizations in the country.

General securities

- Equities – common and preferred stocks
- Fixed income
- Treasury securities
- Corporate bonds
- Federal agency securities
- Municipal bonds
- Certificates of deposit

Mutual funds

More than 7,000 funds representing 100+ mutual fund families

Variable annuities

Over 40 issuers, offering long-term, tax advantaged investment opportunities

Variable life insurance

Over 20 issuers, offering 100 different variable life insurance policies

Investment advisory services

Financial planning and financial consultation services, customizable asset management services and private asset management programs

Alternative investments

A broad selection of products and services including real estate, energy, absolute return and hedging strategies for qualified investors

Unit investment trusts

Offered through and managed by some of the nation's leading firms

Assure your account

Lincoln Financial Advisors offers brokerage account services through two clearing firms – National Financial Services, LLC (NFS), a Fidelity Investments Company, and Pershing, LLC, a subsidiary of the Bank of New York Mellon Corporation. Brokerage account investment performance statements from Lincoln Financial Advisors will indicate which clearing firm serves your account.

Lincoln Financial Advisors, NFS and Pershing are members of the Securities Investor Protection Corporation (SIPC). Congress created the SIPC in 1970 to protect clients of member broker-dealers that may fail or be liquidated. For more details on SIPC or to request a SIPC brochure, visit www.sipc.org or call 202 371-8300.

NFS SIPC protection and "excess of SIPC" protection

Securities in accounts carried by NFS are protected in accordance with the SIPC up to $500,000. The $500,000 total amount of SIPC protection is inclusive of up to $250,000 protection for claims for cash, subject to periodic adjustments for inflation in accordance with terms of the SIPC statute and approval by SIPC's Board of Directors. NFS also has arranged for coverage above these limits. Neither coverage protects against a decline in the market value of securities, nor does the coverage extend to certain securities that are considered ineligible for coverage. For brokerage accounts, in addition to SIPC protection, NFS provides "excess of SIPC" coverage from Lloyd's of London together with other insurers. This additional protection would only be used when SIPC coverage is exhausted. Like SIPC protection, "excess of SIPC" protection does not cover investment losses in customer accounts due to market fluctuation. It also does not cover other claims for losses incurred while broker-dealers remain in business. Total aggregate "excess of SIPC" coverage available through NFS's "excess of SIPC" policy is $1 billion. Within NFS's "excess of SIPC" coverage, there is no per-account dollar limit on coverage of securities, but there is a per-account limit of $1.9 million on coverage of cash. This is the maximum "excess of SIPC" protection currently available in the brokerage industry.

Pershing SIPC protection and "excess of SIPC" protection

Securities in accounts carried by Pershing are protected up to $500,000 (of which $250,000 can be for claims for cash awaiting reinvestment). This account protection applies when a member firm fails financially and is unable to meet obligations to securities clients, but it does not protect against loss due to market fluctuation.

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters at the Lloyd's of London insurance market, in conjunction with another commercial insurance company. It provides the following protection for assets held in custody by Pershing and its London-based affiliate, Pershing Securities Limited:

- An aggregate loss limit of $1 billion for eligible securities over all client accounts
- A per-client loss limit of $1.9 million for cash awaiting reinvestment within the aggregate loss limit of $1 billion

Neither SIPC protection nor the additional excess of SIPC insurance policy protect against loss due to market fluctuation of investments. For more information regarding the financial strength of Pershing and the protection of assets held in its custody, please visit www.pershing.com. For more information about Lloyd's, please visit www.lloyds.com.

About Lincoln Financial Advisors

Lincoln Financial Advisors – an independent broker-dealer with a national network of financial professionals – provides integrated, personalized solutions and fee-based financial planning to help business owners, professionals, executives and retirees develop complex estate, business succession, retirement and investment plans. Lincoln Financial Advisors is an affiliate of Lincoln Financial Group, the marketing name for Lincoln National Corporation (NYSE: LNC) and its affiliates. Lincoln Financial Group has a proud history of helping empower Americans to take charge of their financial lives with confidence and optimism.

Mutual funds, variable annuities and variable universal life insurance products are sold by prospectus. Carefully consider the investment objectives, risks, and charges and expenses of the fund contract or policy and its underlying investment options. This and other important information can be found in the prospectus. Prospectuses are free, available upon request and should be read carefully before investing or sending money. For a current prospectus please contact your financial professional.

All investments involve risk, including possible loss of principal.

It is not our position to offer legal or tax advice. We encourage you to seek the advice of an attorney or accountant prior to making tax-related investment and/or insurance decisions.

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In UT, LFA Insurance Agency. Insurance offered through Lincoln affiliates and other fine companies.

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