

# Distribution in the form of a lump sum, a direct rollover or an in-service withdrawal form – TPA Serviced

**Employer Markets**  
For use with:  
Lincoln Director<sup>SM</sup>  
Lincoln American Legacy Retirement<sup>®</sup>

## Participant information

Our records will be updated to reflect the address given here.

Plan name \_\_\_\_\_ Contract number \_\_\_\_\_

Account number \_\_\_\_\_ Plan ID \_\_\_\_\_

Participant's name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Social Security number \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Date of birth \_\_\_\_/\_\_\_\_/\_\_\_\_ (mm, dd, year)

Day Phone \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Date of hire \_\_\_\_/\_\_\_\_/\_\_\_\_ (mm, dd, year)

## Reason for distribution

To be completed by Plan Administrator/Trustee.

- Plan termination\*
- Retirement Date \_\_\_\_/\_\_\_\_/\_\_\_\_
- Employment termination Date \_\_\_\_/\_\_\_\_/\_\_\_\_
- Disability Date \_\_\_\_/\_\_\_\_/\_\_\_\_
- Death Date \_\_\_\_/\_\_\_\_/\_\_\_\_  
(include copy of Death Certificate)
- Qualified Domestic Relations Order (QDRO) Date \_\_\_\_/\_\_\_\_/\_\_\_\_  
(Please complete the Alternate Payee Section on the back of this form)
- Qualified military reservist distribution Date \_\_\_\_/\_\_\_\_/\_\_\_\_  
(Please provide date participant went on active duty. This type of distribution is not subject to the 10% tax penalty provided the participant is currently on active duty and has served more than 179 days.)
- In-service withdrawal\*
- Employer initiated\* Please indicate reason \_\_\_\_\_  
(Event other than employment termination, such as: layoff, plant shutdown, sale, merger, consolidation, reorganization, spin-off or any other program.)  
\*Contract surrender charges and/or a Market Value Adjustment may apply.

## Form and type of benefit election

- **Lump sum payment**
  - I elect to receive a lump sum payment (payable to myself) in the amount of \$ \_\_\_\_\_
  - I elect to receive a lump sum payment (payable to myself) of the entire account balance.
- **Direct rollover**
  - I elect to directly rollover my entire account balance.
  - I elect to directly rollover \$ \_\_\_\_\_
  - I elect to directly rollover a portion of my account balance \$ \_\_\_\_\_ and take the remainder as a lump sum (payable to myself).
  - I elect to directly rollover my Eligible Retirement Plan to a Roth IRA.
  - I elect to receive a lump sum payment (payable to myself) in the amount of \$ \_\_\_\_\_ and directly rollover the remainder of my account balance.

After tax monies that you intend to rollover must be rolled directly over to the receiving plan.

**Voluntary tax withholding election**

Please consult your tax advisor prior to making any elections. Federal tax of 20% will be withheld on this distribution, if not directly rolled over, unless instructed to withhold at a different rate. Refer to the Special Tax Notice, Form EM-33691, for more information. State taxes may apply depending on state of residence and will be withheld at the appropriate rate when applicable.

North Carolina Residents – Participants who elect to have federal tax withheld must have state tax withheld unless participant opts out (W4-NC form must be attached).

- Instead of 20% withholding, withhold at \_\_\_\_\_% (may not be lower than 20%).
- Non-spousal death distribution – instead of 10% withholding, withhold at \_\_\_\_\_% (may be as low as 0%).

**Vesting**

To be completed by Plan Administrator/Trustee

Vesting must be completed or distribution will not be processed.

- Indicate the number of hours worked in current year \_\_\_\_\_
- Indicate the number of years of service \_\_\_\_\_
- Does this distribution contain after tax dollars?  No  Yes If yes, what is the after tax cost basis? \$ \_\_\_\_\_
- Does this distribution contain Roth dollars?  No  Yes If yes, what is the Roth cost basis? \$ \_\_\_\_\_
- If participant 100% vested at:
  - Death  No  Yes
  - Disability  No  Yes
  - Retirement  No  Yes
- Is there an outstanding loan?  No  Yes If yes, what is the outstanding balance? \$ \_\_\_\_\_
- Does this distribution contain 457(b) Governmental Plan money?  No  Yes If yes, how much? \$ \_\_\_\_\_
- Indicate percentage vested by source below:
 

Employer	_____%	<input type="checkbox"/> Bundled Employer & Employee	_____	100	%
Employer Discretionary	_____%	<input type="checkbox"/> Qualified Safe Harbor Match	_____	100	%
Employer Match	_____%	<input type="checkbox"/> Qualified Safe Harbor Non-Elective	_____	100	%
Employer Secondary Match	_____%				
Prevailing Wages	_____%		_____		_____%

**Lump sum / in-service withdrawal payment instructions**

- Mail check to the Participant’s address as given in the Participant Information section.
- Mail check to the Plan Administrator/Trustee.
- Send funds directly to the financial institution listed below via electronic transfer.  
*(If incomplete or inaccurate information is received, a check will be mailed.)*

ABA number (nine digit bank routing number; voided check required) \_\_\_\_\_

Account number \_\_\_\_\_  Checking  Savings

Account owner name \_\_\_\_\_

Financial institution name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**Note:** If you choose to have your funds sent via electronic transfer, depending on your financial institution, it may take three or four days from our processing date to be received in your account. We cannot electronically transfer to a rollover company and must issue a paper check.

### Rollover payment instructions

Rollover company name \_\_\_\_\_

Address \_\_\_\_\_

Account number \_\_\_\_\_

- Mail rollover directly to rollover company.
- Mail to the Participant
- Mail to the Plan Administrator/Trustee

### Alternate payee for QDRO/Beneficiary for death benefit

*Complete if distribution due to QDRO or death.*

Name \_\_\_\_\_ Relationship \_\_\_\_\_

Social Security number \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Date of birth \_\_\_\_/\_\_\_\_/\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

### Individual life insurance policies

This form may be used to distribute assets from the *Lincoln Director<sup>SM</sup>* or *Lincoln American Legacy Retirement<sup>®</sup>* group variable annuity contracts. Contact your Plan Administrator/Trustee for information on other assets or life insurance policies in the plan.

### Participant and spouse signatures

*Spousal consent not required for all plans. Please check with your Plan Administrator/Trustee.*

**If you move during the year in which you take a distribution, you must contact us and provide your new address; otherwise, you may not receive your Form 1099R.**

By signing below you certify that the information contained on this form is complete and accurate. You understand that federal income tax will be withheld at 20% unless you follow the requirements to waive withholding as outlined in the Voluntary Tax Withholding Election section on the front of this form.

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

Any person who knowingly and willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly and willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

Participant/Beneficiary signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

- Check here if you do not have a living spouse.

By signing below, you, the spouse, consent to the election by your spouse to waive the qualified joint and survivor annuity form of payment and/or the election of an immediate distribution of the benefit. You further acknowledge that the qualified joint and survivor annuity has been explained to you and you understand the effect of such election and that signing here will cause you to give up important rights to which you may otherwise be entitled.

Spouse signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_  
(if required)

Witness signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_  
(Plan administrator or Notary Public)

Notary's commission expires \_\_\_\_/\_\_\_\_/\_\_\_\_ (mm, dd, year)

**Signature/Authorization**

**Form will be returned if appropriate signatures are not present.**

By signing below, you, the Plan Administrator/Trustee, certify that the Participant has been provided a written explanation of the rollover rules, the special tax treatment available to lump sum distributions and the mandatory income tax withholding rules. You also direct Lincoln Financial Group to process the benefit election selected on this form.

Plan Administrator/  
Trustee name (print/type) \_\_\_\_\_

Plan Administrator/  
Trustee signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

**Third Party Administrators**

**This form should be forwarded to your Third Party Administrator (TPA) for review unless other arrangements have been made.**

TPA name \_\_\_\_\_ Extension \_\_\_\_\_

TPA authorization code \_\_\_\_\_ Initials \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

I authorize \$ \_\_\_\_\_ to be paid to the TPA of record for service fees. (check one)

- deducted from the proceeds
- in addition to the withdrawal amount

Fees should be sent to the TPA via:

- ACH (if Lincoln Financial Group has previously received ACH instructions)
- Check

Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives, and/or insurance agents do not provide tax, accounting, or legal advice. Any tax statements contained herein were not intended or written to be used, and cannot be used for the purpose of avoiding U.S. federal, state or local tax penalties. Clients should consult their own independent advisor as to any tax, accounting or legal statements made herein. We recommend that you consult a tax advisor regarding the distribution rules as they pertain to your personal circumstances.

Lincoln Director<sup>SM</sup> and Lincoln American Legacy Retirement<sup>®</sup> are group variable annuity contracts issued on contract form #19476 (and variations thereof) by The Lincoln National Life Insurance Company, Fort Wayne, IN and offered by broker/dealers with an effective selling agreement. The Lincoln National Life Insurance Company is not authorized nor does it solicit business in the state of New York. **Contractual obligations are backed by the claims-paying ability of The Lincoln National Life Insurance Company.**

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. Affiliates are responsible for their own financial and contractual obligations.



Lincoln Financial Group  
1300 S. Clinton Street, Suite 500  
P.O. Box 2248  
Fort Wayne, IN 46801-2248  
Phone 800 248-0838

EM80706-DL-T 12/08  
PAD0806-0209

# Special Tax Notice regarding plan payments

This notice explains how you can continue to defer federal income tax on your retirement savings in your Plan and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the Administrator/Payor either on behalf of itself, your Plan's plan administrator, or your employer, depending on the kind of retirement plan you have. You're receiving this notice because all or part of the payment that you will soon receive from your Plan may be eligible for rollover by you or the Administrator/Payor to an IRA or an eligible employer plan. A rollover is a payment by you or the Administrator/Payor of all or part of your benefit to another eligible employer plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. A "traditional IRA" does not include a Roth IRA, SIMPLE IRA, or education IRA, now called a Coverdell Education Savings Account. When the term "IRA" is used throughout this notice, it may be in reference to a traditional IRA (for purpose of accepting rollover of pre-tax accounts) and a Roth IRA (for purpose of accepting rollover of Roth accounts from 401(k) or 403(b) plans). In addition, beginning January 1, 2008, Roth IRA may be referenced throughout the notice for the purpose of describing a direct rollover from an eligible plan to a Roth IRA. An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan ("401(a)/(k) plans"); a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer ("governmental 457 plan").

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax or Roth 401(k)/403(b) amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA, Roth IRA or split your rollover amount between the employer plan in which you will participate and an IRA. If your distribution includes Roth 401(k)/403(b) amounts, you may wish to roll over that portion of your distribution to a Roth IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this notice, you can contact your Plan administrator or the Administrator/ Payor.

## Summary

There are three ways you may be able to receive a plan payment that is eligible for rollover:

1. Certain payments can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("*Direct Rollover*");
2. Certain payments can be made directly to a Roth IRA that you establish ("*Direct Rollover to a Roth IRA*"); or
3. The payment can be *paid to you*.

### If you choose a *Direct Rollover*:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a SIMPLE IRA, or a Coverdell Education Savings Account because these are not IRAs.
- The taxable portion of your payment (the entire payment if a governmental 457 plan) will be taxed later when you take it out of the IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

### If you choose a *Direct Rollover to a Roth IRA*:

- Your pre-tax payment will be taxed and income tax may be withheld at your request. If no withholding election is made, withholding at a voluntary level (10%) will occur.
- Take careful consideration to determine if you are eligible for such a rollover. You are not eligible if (1) in 2008 or 2009, your modified adjusted gross income (AGI) is \$100,000 or more or (2) you are married but filing an individual return.
- It is your responsibility, as the individual tax payer, to pay the appropriate amount of tax when converting your pre-tax account to a Roth IRA.

### If you choose to have a plan payment that is eligible for rollover *paid to you*:

- You will receive only 80% of the taxable amount of the payment, because the Plan administrator or Administrator/ Payor is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances for 401(a)/(k) plans only, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax; provided however, this additional 10% tax does not apply to deferrals to a governmental 457 plan.
- You can roll over all or part of the payment by paying it to your IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The

amount rolled over will not be taxed until you take it out of the IRA or the eligible employer plan. Special rules apply for rollover of Roth 401(k)/403(b) accounts. See further detail described below.

- If you want to roll over 100% of the payment to an IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over. For rollover of Roth 401(k)/403(b) accounts to a qualified or 403(b) plan, special rules apply. Additional information is provided below.

#### Your right to waive the 30-day notice period

Generally, neither a direct rollover nor a payment can be made from the Plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan administrator.

#### For plans with automatic rollover provision utilizing the Lincoln Small Accounts IRA

If your Plan utilizes the automatic rollover provision and the value of your vested account balance is between \$0 and \$5,000, the Plan administrator may distribute your account balance in the form of an automatic rollover into a traditional IRA without your consent within a reasonable amount of time after your receipt of this notice.

**The automatic rollover IRA selected by your Employer is the Lincoln Small Accounts IRA, which is not available in the state of New York.**

The Lincoln Small Accounts IRA uses the fixed annuity and is issued by The Lincoln National Life Insurance Company, Fort Wayne, IN on contract form 28866, held in a custodial account with Wilmington Trust Company, a Delaware-based independent trust company. Wilmington Trust Company is not a member of Lincoln Financial Group. This investment is designed to preserve principal and provide a reasonable rate of return and liquidity. The administrative fee deducted from this account is an annual fee of \$30.00 (\$7.50 deducted on a quarterly basis). Further information regarding this IRA is available through your Plan administrator.

## ➤ I. Payments that can and cannot be rolled over

Payments from the Plan may be “eligible rollover distributions.” This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers. After-tax payments from a plan (other than Roth 401(k)/ 403(b) accounts) may be rolled over to a Roth IRA. In addition, pre-tax payments from a plan may be directly rolled over to a Roth IRA. However, you may not roll over any distribution to a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan administrator or in some cases the Administrator/Payor should be able to tell you if all or part of your payment is an eligible rollover distribution.

- **After-tax Contributions from and to 401(a)/(k) and 403(b) plans.** If you made after-tax contributions to the Plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

- **Rollover into a Traditional IRA.** You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. Your Plan administrator or in some cases the Administrator/Payor should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

Once you roll over your after-tax contributions to a traditional IRA, those amounts **cannot** later be rolled over to an employer plan.

- **Rollover into an Employer Plan.** You can roll over after-tax contributions from an employer 401(a)/(k) or 403(b) plan to another such plan using a direct rollover if the plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You **cannot** roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan administrator of this Plan or in some cases the Administrator/Payor to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.
- **Roth 401(k)/403(b) Accounts.** You can roll over Roth deferrals and earnings from an employer 401(k) or 403(b) plan to another qualified or 403(b) plan using a **Direct Rollover** if the receiving plan accepts the rollover and will provide separate accounting for the Roth deferrals and earnings. In addition, Roth deferrals and earnings may be rolled over, either directly or by a 60-day rollover to a Roth IRA. A distribution of Roth deferrals and earnings may be qualified which means that Roth deferrals and earnings are not taxable, or non-qualified, which means that Roth deferrals are not taxable but earnings are taxable. If you complete a 60-day rollover to a qualified or 403(b) plan, you may only roll over the taxable portion of a non-qualified Roth distribution. For further explanation, see Part III, Taxation of Roth Deferral Accounts.

The following types of payments *cannot* be rolled over:

**Payments Spread over Long Periods.** You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- Your lifetime (or a period measured by your life expectancy), or
- Your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- A period of 10 years or more.

**Required minimum payments.** Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own more than 5% of your employer, which rules will not apply to 403(b) and governmental 457 plans.

**Hardship distributions for 401(a)/(k) and 403(b) plans.**

A hardship distribution cannot be rolled over.

**Unforeseeable emergency distribution for Governmental 457 plans.** A distribution on account of an unforeseeable emergency cannot be rolled over.

**Corrective distributions.** A distribution that is made to correct a failed nondiscrimination test where applicable or because legal limits on certain contributions were exceeded cannot be rolled over.

**Loans treated as distributions.** The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan offset amount is eligible for rollover, as discussed in Part III. Ask the Plan administrator of this Plan or in certain cases the Administrator/Payor if distribution of your loan qualifies for rollover treatment.

## ➤ II. Direct rollover

A **Direct Rollover** is a direct payment of the amount of your Plan benefits to a traditional IRA or an eligible employer plan that will accept it (or to a Roth IRA or 401(k)/403(b) plan in the case of a Roth deferral rollover). You can choose a **Direct Rollover** of all or any portion of your payment that is an eligible rollover distribution, as described in Part I. You are not taxed on any taxable portion of your payment for which you choose a **Direct Rollover** until you later take it out of the IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a **Direct Rollover**. This Plan might not let you choose a **Direct Rollover** if your distributions for the year are less than \$200.

- **Direct rollover to a traditional IRA.** You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).
- **Direct rollover to Roth IRA.** You can open a Roth IRA to receive the direct rollover. You must pay tax on the pre-tax portion of the rollover. Contact a Roth IRA Sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a Roth IRA at that institution.
- **Direct rollover to a plan.** If you are employed by a new employer that has an eligible employer plan, and you want a

direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a **Direct Rollover** to a traditional IRA (or to a Roth IRA in the case of a Roth deferral rollover or direct rollover of pre-tax amounts). If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

- **Direct rollover of a series of payments.** If you receive a payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a **Direct Rollover** for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.
- **Change in tax treatment resulting from a direct rollover.** The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your **Direct Rollover** might be different than if you received your benefit in a taxable distribution directly from the Plan. For example for 401(a)/(k) plans only, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a Roth or traditional IRA in a **Direct Rollover**, your benefit will no longer be eligible for that special treatment. See the sections entitled "Additional 10% Tax if You Are under Age 59½" for 401(a)/(k) and 403(b) plans and governmental 457 plans in certain circumstances and "Special Tax Treatment if You Were Born before January 1, 1936" for 401(a)/(k) plans only.

### ➤ III. Payment paid to you

If your payment can be rolled over (see Part I ) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

- **Taxation of Roth deferral accounts.** If your payment includes Roth 401(k) or 403(b) deferrals, the taxation of the earnings from the Roth deferrals depends on whether the distribution is qualified. There are two requirements for the distribution to be qualified: (1) the Roth account must have been in existence for at least five (5) calendar years which begins with the first calendar year in which you made Roth deferrals, and (2) the distribution occurs after age 59½, or as a result of your death or due to your disability. If the distribution is not qualified, the earnings tied to the Roth deferrals is taxable to you unless, within 60 days of the distribution you roll over the distribution to a Roth IRA or you roll over the earnings portion into a qualified plan or 403(b) plan.
- **Income tax withholding.** Mandatory withholding. If any portion of your payment can be rolled over under Part I and you do not elect to make a *Direct Rollover*, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see “Sixty-Day Rollover Option”), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.
- **Voluntary withholding.** If any portion of your payment is taxable but cannot be rolled over under Part I, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan administrator for the election form and related information.
- **Sixty-day rollover option.** If you receive a payment that can be rolled over under Part I , you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. However, for 60-day rollovers of Roth accounts, Roth deferrals and earnings on the Roth deferrals may be rolled to a Roth IRA but only the taxable earnings portion may be rolled over to a qualified or 403(b) plan. If you decide to roll over the distribution, you must make the rollover within 60 days of your receipt of the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the IRA or eligible employer plan.

You can roll over up to 100% of your payment that can be rolled over under Part I, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

**Example:** *The taxable portion of your payment (the entire payment if a governmental 457 plan) that can be rolled over under Part I is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000, to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.*

*If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.) You may not receive payment from an eligible plan and subsequently roll over all or a part of it to a Roth IRA.*

- **Additional 10% tax if you are under age 59½.** For 401(a)/(k) or 403(b) plans if you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to payments that are paid after you separate from service with your employer during or after the year you reach age 55, payments that are paid because you retire due to disability, payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), payments that are paid directly to the government to satisfy a federal tax levy, payments that are paid to an alternate payee under a qualified domestic relations order, or payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

Distributions from a governmental 457 plan are generally not subject to the additional 10% tax that applies to pre-age-59½ distributions from other types of plans. However, any distribution from a governmental 457 plan that is attributable to an amount you rolled over to the Plan (adjusted for investment returns) from another type of eligible employer plan or IRA is subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless an exception described in the prior paragraph applies.

- **Repayment of plan loans.** If your employment ends and you have an outstanding loan from your Plan, your employer may reduce (or “offset”) your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset to another qualified employer plan or a traditional IRA within 60 days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other payments of cash or property from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of other cash or property paid to you (other than any employer securities, if applicable). The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

The remainder of this section only applies if your plan is a qualified 401(a)/(k) plan.

- **Special tax treatment if you were born before January 1, 1936.** If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a “lump sum distribution,” it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled).

For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

– **Ten-year averaging.** If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using “10-year averaging” (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

– **Capital gain treatment.** If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

## ➤ IV. Surviving spouses, alternate payees, and other beneficiaries

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are “alternate payees.” You are an alternate payee if your interest in the Plan results from a “qualified domestic relations order,” which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I, paid in a **Direct Rollover** to a traditional or Roth IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary, other than a surviving spouse who has more options, you may choose to have a payment rolled over, as described in Part I, in a **Direct Rollover** to an inherited IRA or paid to you. You may not roll over the payment once paid to yourself. You may not roll over the payment to an eligible

employer plan. The IRA accepting the transfer is treated as a non-spouse inherited IRA, under which benefits must be distributed in accordance with the applicable required minimum distribution guidelines described in the plan from which the distribution originates. In general, distributions from the rollover IRA must either be paid to you in full within 5 years of the employee’s death or must commence by the end of the year following the year of the employee’s death and be paid over your life expectancy. The benefits cannot be rolled over again from the rollover inherited IRA to a traditional IRA or another eligible employer plan. Contact the Plan administrator to determine the options available to a non-spouse beneficiary.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III, even if you are younger than age 59½. With respect to 401(a)/(k) plans only, if you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions

as described in Part III. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate

age requirements, whether or not the employee had 5 years of participation in the Plan.

## V. Consequences of failing to defer distribution until retirement

Saving adequately for retirement is one of the most important decisions you will make during your employment years. For participants that have recently severed employment, (1) electing to leave your account in your former employer's eligible retirement plan, (2) rolling the account to either a traditional IRA, Roth IRA or new eligible employer's plan, or (3) taking the distribution in cash is a decision that should be weighed very carefully in order to meet your long-term savings goals.

Factors you should consider include:

- Generally, if your vested account balance is more than \$5,000, you may leave your retirement account with your previous employer's plan until the later of age 62 or the date you reach the plan's normal retirement age.
- As an investor, with an ultimate goal of saving the maximum for retirement while also managing investment risk, you should review the investment fees and administrative costs associated with your current plan, any future employer's plan and various IRAs that are available in the marketplace. Such investment

fees and administrative costs may be lower in your employer's plan than you will be able to find elsewhere.

- Electing to take a distribution in cash now may cause you to have insufficient funds to retire. In addition, distributions of pre-tax accounts are subject to federal income tax and, based on your specific circumstance, an additional 10% tax may apply. You should carefully consider how you will make up these contributions and accumulate adequate earnings in order to retire when you would like.

### *Additional information regarding payout options:*

This notice summarizes the federal tax rules that may apply to your payment. You are encouraged to obtain further information from your Plan administrator describing payout alternatives and expenses specific to your Plan. A Summary Plan Description (SPD), for 401(a), including 401(k), and ERISA 403(b) plans, can also be a valuable resource as you weigh your distribution / rollover options. Investment prospectus(es) or investment profiles are also a valuable source for fee/expense comparisons.

Depending on the investment product, you may view this information at:

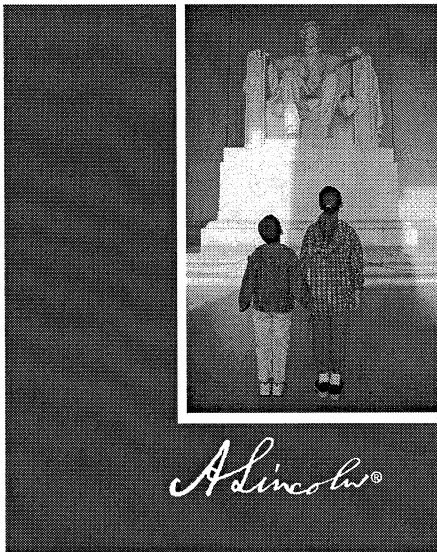
Product	Web site	Path to fees/expenses
Multi-Fund® Select	www.LFG.com	Products & Performance → Retirement Plans → Multi-Fund® Suite → Multi-Fund® Select → Prospectus/Reports → Product and Fund Prospectus
Multi-Fund® Group	www.LFG.com	Products & Performance → Retirement Plans → Multi-Fund® Suite → Multi-Fund® Group → Prospectus/Reports → Product and Fund Prospectus
Multi-Fund® 1-4	www.LFG.com	Products & Performance → Retirement Plans → Retirement Plans Index → Multi-Fund® variable annuity → Prospectus/Reports → Product and Fund Prospectus
Lincoln Life Group Variable Annuity	www.LFG.com	Products & Performance → Retirement Plan → Lincoln Group Variable Annuity → Prospectus/Reports → Product and Fund Prospectus
Lincoln Director <sup>SM</sup>	www.LFG.com	Products & Performance → Retirement Plan → Lincoln Director → Fund investment styles → Click on specific fund name → Investment option statistics
Lincoln American Legacy Retirement <sup>SM</sup>	www.LFG.com	Products & Performance → Retirement Plan → Lincoln American Legacy Retirement → Fund investment styles → Click on specific fund name → Investment option statistics
Lincoln Alliance®	www.LincolnAlliance.com	Investor Education → Fund Prospectuses
Lincoln SmartFuture <sup>SM</sup>	https://myretirement.LFG.com	Investor Education → Fund Prospectuses

## How to obtain additional information

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan administrator or a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in the IRS Publication 575,

Pension and Annuity Income; tax treatment of payments from 403(b) plans rolled over to IRAs in IRS Publication 571, Tax-Sheltered Annuity Programs for Employees; and tax treatment of payments from eligible retirement plans rolled over to IRAs in IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's Internet Web site at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORM.

This page intentionally left blank.



## A century of integrity

At Lincoln Financial Group, we have over a 100-year-old heritage of helping companies find solutions to their funding and benefit needs — with the same honesty, integrity, and responsibility that you'd expect from our namesake. It's a legacy that we proudly and respectfully continue each day.

### The strength of Lincoln Financial today

Lincoln Financial is one of the largest financial services companies in the country. We believe our continued commitment to strength and stability is indispensable to who we are and critical to your confidence in us. We are a proven industry leader in identifying and delivering sophisticated financial strategies and product solutions for the creation, protection, and utilization of capital. We are committed to assist companies in helping their employees and their families redefine their retirement because we don't believe retirement is an end — it's an opportunity for everyone to start doing what they were meant for all along.

Multi-Fund® variable annuity (contract numbers 18829, 18831, 25982, 28645, 28883, 30070-B and state variations) is issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, distributed by Lincoln Financial Distributors, Inc. and offered by broker/dealers with effective selling agreements. The contract has limitations and expense charges. Not for use in New York.

Lincoln Life Group Variable Annuity (contract numbers GAC96-101 and GAC96-103-VAR and state variations) is issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, and offered by broker/dealers with an effective selling agreement. The contract has limitations and expense charges. The Lincoln National Life Insurance Company is not authorized nor does it solicit business in the state of New York. Lincoln Life Group Variable Annuity contracts sold in New York are issued on contract numbers GAC91-101NY, GAC91-111NY, GAC96-101NY, GAC96-111NY by Lincoln Life & Annuity Company of New York, Syracuse, NY, and offered by broker/dealers with an effective selling agreement.

*Lincoln Director™* or *Lincoln American Legacy Retirement™* group variable annuity is issued on contract form # 19476 (and variations thereof) by The Lincoln National Life Insurance Company, Fort Wayne, IN and offered by broker/dealers with an effective selling agreement. The Lincoln National Life Insurance Company is not authorized nor does it solicit business in the state of New York. Contracts sold in New York are issued on contract form #19476NY-A 7/04 by Lincoln Life & Annuity Company of New York, Syracuse, NY and offered by broker/dealers with an effective selling agreement.

Mutual Funds offered through the *Lincoln Alliance®* program by prospectus and Lincoln Financial Advisors Corp., a broker/dealer. The Mutual Funds are sold by prospectus. Consider the investment objectives, risks, charges and expenses of the investment company before investing. To obtain a prospectus, please contact your Financial Advisor and request a copy. Read it carefully before investing or sending money. Supervising office: Lincoln Financial Advisors, 1300 South Clinton Street, Fort Wayne, IN 46802. The stable value option may be offered as a fixed annuity through Lincoln Financial Group affiliates or as a collective trust through independent third-party trust companies.

Mutual funds in the *Lincoln SmartFuture™* program are sold by prospectus. An investor should carefully consider the investment objectives, risks, and charges and expenses of the investment company before investing. The prospectus contains this and other important information and should be read carefully before investing or sending money. Investment values will fluctuate with changes in market conditions, so that upon withdrawal, your investment may be worth more or less than the amount originally invested. Prospectuses for any of the mutual funds in the *Lincoln SmartFuture™* program are available at 800 234-3500. Securities offered through Lincoln Financial Advisors Corp., a broker/dealer, 1300 S. Clinton St., Fort Wayne, IN 46802.

Products and features subject to state availability. Some investment options may not be available in all states and your employer may restrict the availability of some investment options. The investment return and principal value of an investment will fluctuate so that when withdrawn from the contract it may be worth more or less than the original cost.

Information is presented with the understanding that Lincoln Financial affiliates, their distributors, and their respective employees, representatives, and/or insurance agents are not engaged in rendering legal or tax advice. Individuals should seek advice based on their own particular circumstances from an independent tax advisor.

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. Affiliates are responsible for their own financial and contractual obligations.

## Hello future.®

© 2008 Lincoln National Corporation  
Lincoln Financial Group  
1300 South Clinton Street, Suite 500  
P.O. Box 2248  
Fort Wayne, IN 46801-2248  
800 248-0838

EM-33691 3/08  
PAD0803-0075

The logo features a stylized 'L' inside a square, followed by the word 'Lincoln' in a serif font and 'Financial Group' in a sans-serif font below it.