FOR RETIREMENT

Lincoln Financial Group℠

Planning ahead

Understanding your 457 retirement plan

Plan Participant Guide

Hello future.®

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What is a 457 retirement 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 public employees and certain employees of many tax-exempt organizations. Your contributions are taken directly from your salary before it is taxed, and each plan offers you a selection of investment options.

457 basics and benefits

Why should I consider a 457 plan?

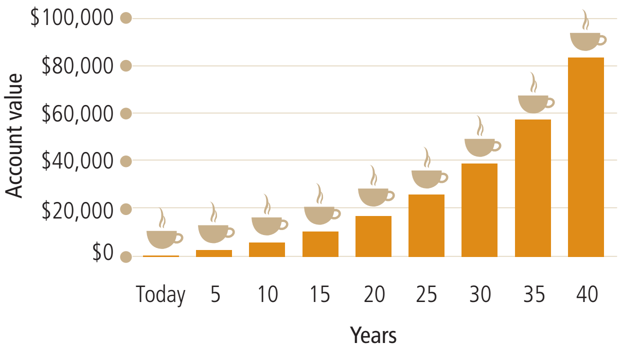
There are several benefits to consider when joining a 457 plan.

- **Your retirement**—A 457 plan is an easy way to invest for your retirement.
- **It's easy**—You contribute through the convenience of automatic payroll deduction.
- **Tax-deferred growth**—Your money grows on a tax-deferred basis.
- **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.

Begin today

Think you can't afford to start a retirement plan today? It might be easier than you believe. If you were to commit just $10 a week—what you might spend on coffee each week—to your 457 plan, even small contributions can add up over time.

Assumes a $10/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.



Once you've committed to saving regularly with your 457 plan, getting money into your account is easy.

How do I make contributions?

It's simple. Your contributions are made through payroll deduction. To participate in a 457 retirement plan, you must first satisfy the eligibility requirements and complete the Participation Agreement. The amount you designate as a deduction will be automatically withdrawn from your paycheck and contributed to your 457 retirement plan.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.

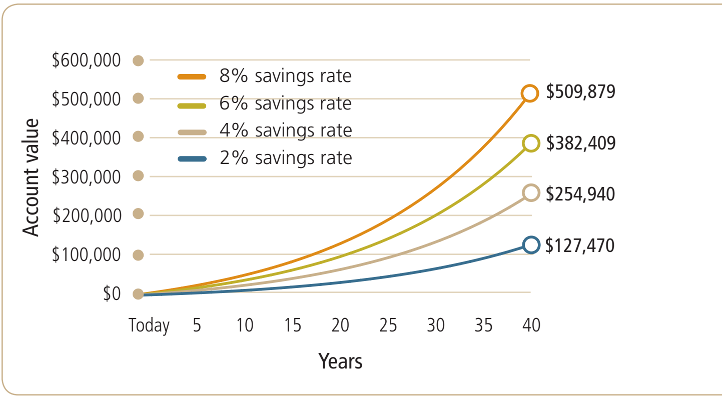
Can I change the amount or stop my contributions?

Yes. You may raise or lower the amount of your contributions during any open enrollment period (or as permitted by your employer). You also may stop making contributions into the plan by submitting a written request to your employer.

If you discontinue your contributions, there is no penalty to you, and you are entitled to receive all of the money you've contributed to the plan and its earnings when you retire or meet the other withdrawal conditions. If you want to start making contributions again, you may do so during any open enrollment period.

How much should I contribute?

Deciding how much to contribute to your plan depends on many factors, including what 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.



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.

Are there limits to the amount I can contribute?

Yes. The tax law limits the maximum amount of contributions that can be excluded from your salary in any one year.

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

You can make up for any missed months, as long as your total contribution does not exceed the annual limits.

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

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

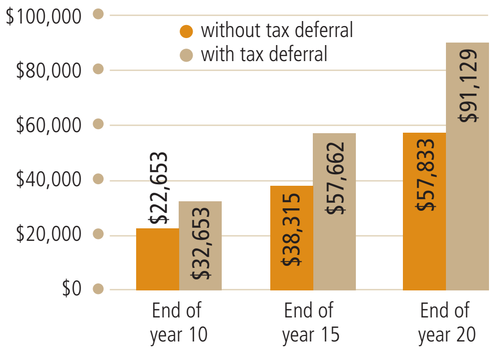
Does 457 participation affect my Social Security benefits?

No. You can still contribute to other retirement plans (contribution limits may apply), and your Social Security taxes and benefits are not affected by 457 participation.

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 also should be aware of the tax benefits of investing in a 457:

- **Tax deferral**
  Any contributions made to your plan 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.



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% interest, 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.

- **Reduce your taxable income**

  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.

How long can I contribute to my 457 plan?

You can contribute to your 457 plan as long as you are an employee with an eligible employer, and the employer permits salary reduction contributions.

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

No, it isn't. 457 deferred compensation plans are held for the exclusive benefit of the participants and their beneficiaries. This ensures that your contributions into the plan will be there when you need them.

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

Your 457 deferred compensation 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.

How can I access funds from my account?

There are two ways to receive money from your 457 plan:

- Prior to retirement, you may take a withdrawal, subject to certain restrictions.
- Upon your retirement, you can begin taking distributions.

When can I take a withdrawal from my 457 account?

Withdrawals are available 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)

Important considerations: 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.

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

The IRS requires that you begin to receive 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 will 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

What 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 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 may be able to roll over assets from your present contract/program to the options offered by your new employer, or to any other qualified funding vehicle, such as an IRA. No taxes will be due if the rollover is executed properly.
- You can take a lump sum distribution. Remember, distributions are subject to a 20% federal withholding and taxed as income for that year.

What happens to my 457 account if I die?

If you die before your retirement distributions have begun and your beneficiary is your spouse, he/she may elect any distribution method that was available to you, such as:

- Rolling the money over to an IRA
- Leaving the accumulated assets in the contract/ program
- Taking distributions over his/her life expectancy

If your beneficiary is not a spouse, he/she has two options:

- Electing to receive a lump sum distribution, payable within five years of your death
- Electing, 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 his/her remaining life. The beneficiary also may choose to take the entire remaining account balance at any time during the payout period.

May I take out a loan?

Yes. Loans are available from 457 retirement plans. Check with your employer or Lincoln representative to see whether loans are permissible with your plan.

Contact your employer or Lincoln representative for more information.

Tomorrow's plan begins today

Once you understand the basics, 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, and tax-deferred growth allows you to focus on building your financial future.

Take advantage of the opportunity today. Waiting, even as little as one year, can cost your retirement thousands of dollars.

Age	Retirement plan balance at age 65	Cost of waiting one year
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% interest, and retirement at age 65.

More than eight 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.

The *Lincoln InStep*® participant retirement program provides one-on-one guidance and education for retirement planning assistance —as well as seminars, print material, and Internet tools—all geared to unique learning styles and changing needs over time. You also can meet with a retirement professional for personal help—compliments of your employer.

[1] Employee Benefit Research Institute, "The 2010 Retirement Survey: Confidence Stabilizing, but Preparations Continue to Erode," March 2010: 18.

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.

Variable annuities are long-term investment products designed particularly for retirement purposes and are subject to market fluctuation, investment risk and possible loss of principal. Variable annuities contain both investment and insurance components and have fees and charges, including mortality and expense, administrative and advisory fees. Optional features are available for an additional charge. The annuity's value fluctuates with the market value of the underlying investment options, and all assets accumulate tax-deferred. Withdrawals of earnings are taxable as ordinary income and, if taken prior to age 59½, may be subject to a 10% federal tax penalty. Withdrawals will reduce the death benefit and cash surrender value. There is no additional tax-deferral benefit for an annuity contract purchased in an IRA or other tax-qualified plan.

Variable annuities sold in New York are issued by Lincoln Life & Annuity Company of New York, Syracuse, NY, and distributed by Lincoln Financial Distributors, Inc., a broker/dealer. For all other states, variable annuities are issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., a broker/dealer. **The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so. Contractual obligations are backed by the claims-paying ability of the appropriate issuing company.**

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Not a deposit	Not FDIC-insured	May go down in value
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