FOR INCOME

Lincoln Income Annuities (Fixed)

Qualifying Longevity Annuity Contract (QLAC) Frequently Asked Questions

1. **What is a QLAC?**

   A Qualifying Longevity Annuity Contract (QLAC) is a deferred annuity contract that meets the requirements under section 1.401(a)(9)-6, Q&A-17 of the Income Tax Regulations (the "Regulations"). If the contract meets these requirements, the contract owner can generally defer taking required distributions from the contract until reaching a specified age, up to age 85. As a result, the contract is not subject to the normal required minimum distribution rules for a portion of his or her IRA or qualified plan balance.

   A QLAC can be established as an IRA contract or as an investment option within a qualified plan. This FAQ addresses the QLAC rules as they apply to IRA contracts. The rules that apply to a QLAC within a qualified plan may differ.

2. **What type of products can meet the QLAC requirements?**

   At this time, only fixed deferred income annuity contracts are eligible to be treated as QLACs.

3. **Are there any limits to the amount of premium a contract owner can invest in a QLAC?**

   Yes. Premiums are limited to the lesser of $125,000 or 25% of all IRA account balances. These limits apply at the time of a contribution to the QLAC, and the IRA account balances are determined based on the balances of all IRA accounts on December 31 of the year before the year of the contribution.

4. **Are there age restrictions for QLACs?**

   The Regulations do not provide any minimum age requirements; however, the deferred annuity contract may include certain issue age requirements as determined by the insurance carrier.

5. **Can a 401(k) or 403(b) offer a QLAC?**

   Yes, but not all insurance carriers may offer a QLAC for that market.

6. **Can my client transfer funds from an existing IRA to a QLAC?**

   Yes, subject to the QLAC contribution limits, and carrier contract issue age and premium requirements.

7. **My client is already taking distributions from an IRA; can they move some of the remaining IRA balance into a QLAC?**

   Yes, subject to the QLAC contribution limits, and carrier contract issue age and premium requirements.

8. **Can my client have more than one QLAC?**

   Yes, the client can establish more than one QLAC (for example, if he or she desires multiple income start dates). However, remember that all QLAC IRA balances are subject to the overall QLAC contribution limits.

9. **If my client's qualified assets continue to grow, can they create another QLAC contract or add to an already established contract?**

   Yes, the client can establish a new QLAC contract or make additional contributions to an existing contract (if the contract allows subsequent premiums), subject to the QLAC contribution limits.

10. Can a contract lose QLAC status?

Yes, if the client contributes amounts in excess of the QLAC contribution limits and does not remove the excess amounts as provided in the Regulations, the contract will lose its QLAC status.

11. Can a client change their mind and surrender the QLAC?

No. The contract is irrevocable and has no cash surrender value.

12. What type of client may benefit from this special tax treatment?

- Clients that have a large qualified plan balance and can transfer a portion of the balance to an IRA.
- Clients with multiple IRAs (liquid and non-liquid).
- Clients that do not need current income, or income in the short term, from at least a portion of their retirement assets.

13. What age must my client start taking distributions?

Clients must start income from the QLAC no later than the first day of the month after the month turning 85. For example, a client with a birth date of October 1946 could defer taking income from the QLAC up to November 1, 2031.

14. Is Lincoln coming out with a product that supports QLAC treatment?

Yes, the QLAC amendatory endorsement is pending state approval, and system modifications are underway. Contact the Fixed Annuity Sales Desk for more information.