



Alliance for  
Lifetime  
Income

# Annuities language glossary

Making annuities easier  
to understand

Not a deposit  
Not FDIC-insured  
Not insured by any federal  
government agency  
Not guaranteed by any  
bank or savings association  
May go down in value

Insurance products issued by:  
The Lincoln National Life Insurance Company  
Lincoln Life & Annuity Company of New York

3487667

For use with the general public.

ANNUITIES



# Annuities language glossary

## Making annuities easier to understand

The Alliance for Lifetime Income is a non-profit organization committed to educating consumers about the value and importance of protected income through annuities. Part of our commitment includes making the language of annuities simpler and more transparent.

We realize that annuities, like most other financial products, can be difficult to understand, which is why we've created a glossary of terms and definitions to help simplify and demystify some of the language used when describing annuities. We believe increasing transparency and reducing this complexity will help you make better decisions about annuities, which can lead to better outcomes in your retirement planning.

This is the second edition to our glossary, including additional terms and language from our first edition.

This glossary is intended to provide a general summary, in nontechnical terms, of certain concepts relating to annuities. It is not intended to provide investment, legal or tax guidance, and should not be relied upon as such. You should consult with a financial professional prior to making any investment decisions.

This glossary and any documents transmitted with it contain confidential, proprietary or otherwise protected information and is being distributed solely by member firms of the Alliance for Lifetime Income (the "Alliance"), their duly authorized employees and agents, and financial professional and other professionals who work with member firms of the Alliance (collectively, the "Authorized Distributors").

These materials have been provided to you by an Authorized Distributor solely for your personal use. You are not authorized to distribute this to anyone else except for direct family members and financial, legal, accounting or other professionals that are advising you. If you received these materials from anyone who is not an Authorized Distributor, reliance upon these materials is strictly prohibited, and we ask that you immediately destroy all copies of these materials in your possession and delete any attachment containing these materials from your system.

# Table of contents

<b>A</b>	Account value Accumulation phase Advisor Annual lock (when referencing fixed indexed annuities) Annuity Annuity owner Appetite for risk	<b>D</b>	Death benefit Decumulation phase Deferral bonus Deferred income annuity (Longevity annuity) Degree of certainty Discretionary expenses vs. non-discretionary expenses Distribution phase Diversification Dollar cost average	<b>G</b>	Growth period Guaranteed income Guaranteed minimum Guaranteed minimum withdrawal rate	<b>M</b>	Market risk Market value adjustment Market volatility Minimum guaranteed surrender value	<b>R</b>	Required minimum distribution Retirement Retirement goals Rider Risk-adjusted returns Risk appropriateness Risk tolerance Roll-up
<b>B</b>	Beneficiary Benefit Benefit to your heirs Bonus	<b>E</b>	Earnings sensitive adjustment	<b>I</b>	Immediate income annuity Income base Income stage Index Index participation rate Interest rate floor (when referencing fixed annuities) Investment divisions Investor confidence	<b>N</b>	Needs and wants	<b>S</b>	Saving for retirement Sequence of returns risk Solution Spending phase Spousal continuation Spread Strategy Subaccounts Sustainable withdrawal
<b>C</b>	Cap Charge Commission Contract value Cost Cost basis Covered person(s) Covering your (essentials, basic needs, non- negotiables) Crediting strategy	<b>F</b>	Family protection Fee Fee-based annuity Fiduciary Financial advisor Financial consultant Financial empowerment Financial future Financial independence Financial priorities Fixed account Fixed annuity Free amount	<b>J</b>	Joint life	<b>O</b>	Option	<b>P</b>	Participation rate Penalty-free withdrawal amount Performance trigger Period certain Premium Price Product Purchase payments
				<b>L</b>	Legacy Legacy benefit Legacy protection benefit Life changes Life priorities Life transition Liquidity risk Living benefits Longevity risk	<b>Q</b>	Qualified dollars (when referencing annuities) Qualified money (when referencing annuities)	<b>V</b>	Variable annuity Variable portfolios Vehicle
								<b>W</b>	Waiver Withdrawal base

The extent to which Protected Lifetime Income is guaranteed will depend upon the claims-paying ability of the insurer that issues the annuity.

# Annuities language glossary

Making annuities easier to understand



## Account value

The amount of money in the annuity.

**Simpler term: Account balance**

## Accumulation phase

The period that you are allowing your money the potential to grow. (Some annuities allow you to add more money over time.)

**Simpler term: Growth stage**

## Advisor

A qualified person who can help you understand your options and make financial decisions to work toward your financial goals.

**Simpler term: Financial professional**

## Annual lock (when referencing fixed indexed annuities)

An opportunity to lock in, or protect, interest earned up to the annuity's caps each year, protecting those gains from any future index decreases.

## Annuity

A financial product that can offer protected lifetime income and even potentially grow your money.

## Annuity owner

A person who owns the annuity and has the authority to make any changes.

## Appetite for risk

The level of market risk you're comfortable with



## Beneficiary

The person you designate to receive any remaining account balance or income payments should you pass away.

## Benefit

A feature that can provide benefits or protection to you or your beneficiaries at an additional cost.

**Simpler term: Optional benefit**

## Benefit to your heirs

A benefit that pays your beneficiary the remaining account balance or income should you pass away.

**Simpler term: Beneficiary benefit**

## Bonus

The ability to permanently adjust your income based on a pre-set guaranteed growth rate. This guaranteed growth rate is periodically applied to your benefit base (which is your income base plus any additional guaranteed growth increases), which permanently increases the benefit amount you receive.

**Simpler term: Guaranteed growth**



## Cap

The maximum amount your annuity may be able to earn at the end of a selected time period. You choose the time period that's best for you from a set of available options.

## Charge

The amounts associated with owning an annuity, which may include setting up the annuity, adding optional benefits, etc.

**Simpler term: Fee or Cost**

## Commission

The amounts associated with owning an annuity, which may include setting up the annuity, adding optional benefits, etc.

**Simpler terms: Fee or Cost**

## Contract value

The amount of money in the annuity.

**Simpler term: Account balance**

## Cost

The amounts associated with owning an annuity, which may include setting up the annuity, adding optional benefits, etc.

**Simpler terms: Cost or Fee**

[◀ BACK TO TABLE OF CONTENTS](#)

### Cost basis

Your original investment amount.

### Covered person(s)

The person who lifetime income payments are based on and whose age determines the guaranteed withdrawal rate.

**Simpler term: Protected person(s)**

### Covering your (essentials, basic needs, non-negotiables)

Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.

**Simpler term: Financial needs and goals**

### Crediting strategy

The method used to determine how interest is credited to certain annuities, when applicable.



### Death benefit

A benefit that pays your beneficiary the remaining account balance or income should you pass away.

**Simpler term: Beneficiary benefit**

### Decumulation phase

The point you start receiving income from your annuity.

**Simpler term: Income stage**

### Deferral bonus

A bonus amount that could potentially be credited to your income base annually during the growth stage for each year you wait to take income, up to a certain age.

### Deferred income annuity (longevity annuity)

A type of income annuity that allows you to contribute a lump sum, choose the frequency and amount you'd like to set for your annuity income payments, and then delay those payments until a predetermined point in time.

### Degree of certainty

The level of market risk you're comfortable with.

**Simpler term: Risk comfort level**

### Discretionary expenses vs. Non-discretionary expenses

Two main types of retirement expenses: essential expenses cover everyday needs, such as housing and meals, and nonessential expenses cover your lifestyle, such as travel and entertainment.

**Simpler term: Essential expenses vs. non-essential expenses**

### Distribution phase

The point you start receiving income from your annuity.

**Simpler term: Income stage**

### Diversification

Strategically spreading your money among different types of investments to help reduce the impact of market downturns. Diversification does not guarantee a profit or protection against a loss.

### Dollar cost average

A strategy to invest specified amounts spread out over a period of time, instead of one larger amount, to reduce the risk of investing all at once when prices are high.



### Earnings sensitive adjustment

Additional income received on top of the guaranteed amount, or on top of any other permanent income increase. This additional income is based on the market performance rate, and allows you to add earnings to the amount of otherwise permissible withdrawals. This gives you the potential to take greater withdrawals and receive the same after-tax withdrawal amount annually.

**Simpler term: Bonus income increases**



### Family protection

A benefit that pays your beneficiary the remaining account balance or income should you pass away.

**Simpler term: Beneficiary benefit**

[◀ BACK TO TABLE OF CONTENTS](#)

### Fee

The amounts associated with owning an annuity, which may include setting up the annuity, adding optional benefits, etc.

**Simpler terms: Fee or Cost**

### Fee-based annuity

An annuity that allows financial professionals to receive an annual advisory fee, rather than a commission.

### Fiduciary

A qualified financial professional who is required to help you make financial decisions in your best interest. (A fiduciary is not the only type of financial professional required to help you make financial decisions in your best interest. Certain non-fiduciaries must also comply with best-interest requirements.)

### Financial advisor

A qualified person who can help you understand your options and make financial decisions to work toward your financial goals.

**Simpler term: Financial profession**

### Financial consultant

A qualified person who can help you understand your options and make financial decisions to work toward your financial goals.

**Simpler term: Financial professional**

### Financial empowerment

The ability to cover your financial needs and reach your financial goals.

**Simpler term: Financial security**

### Financial future

The ability to cover your financial needs and reach your financial goals.

**Simpler term: Financial security**

### Financial independence

The ability to cover your financial needs and reach your financial goals.

**Simpler term: Financial security**

### Financial priorities

Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.

**Simpler term: Financial needs and goals**

### Fixed account

An account that earns a guaranteed interest rate and is not invested in or tied to the market.

**Simpler term: Fixed rate account**

### Fixed annuity

An annuity that delivers 100% protection from market downturns with the potential for earned interest. Note that for a deferred fixed annuity, there is the benefit of a guaranteed interest rate, in addition to downside protection and the potential for earned interest.

### Fixed indexed annuity

An annuity that guarantees principal protection from market downturns with the potential for growth tied to a market index.

### Free amount

The maximum amount the annuity owner can withdraw without being charged any fees.



### Growth period

The period that you are allowing your money the potential to grow. (Some annuities allow you to add more money over time.)

**Simpler term: Growth stage**

### Guaranteed income

Income that can last your whole life — and potentially go to your beneficiaries.

**Simpler term: Protected lifetime income**

### Guaranteed minimum

An optional benefit that guarantees a minimum amount the annuity will pay or grow by, assuming all contract terms are met by both the annuity owner and the company.

### Guaranteed minimum withdrawal rate

An optional benefit that guarantees you can withdraw a minimum percentage of your annuity's value annually, typically guaranteed for life or for a specified period of time.



### Immediate income annuity

A type of income annuity that allows you to contribute a lump sum, choose the frequency and amount you'd like to set for your annuity income payments, and then start receiving those payments immediately or delay receiving them for up to 12 months.

### Income base

The amount that the annuity owner can withdraw money against.

### Income stage

The point you start receiving income from your annuity.

### Index

A benchmark used to represent a specific portion of a market in order to evaluate the performance of investments.

### Index participation rate

The percentage increase of the underlying index's value that will be credited to the annuity at the end of a selected time period.

### Interest rate floor

**(when referencing fixed indexed annuities)**

Your guaranteed minimum interest rate for a specified period of time, even during market downturns.

### Investment divisions

The different investment options a variable annuity owner can choose to allocate their money to.

**Simpler term: Variable annuity investment options**

### Investor confidence

The level of market risk you're comfortable with.

**Simpler term: Risk comfort level**



### Joint life

An added protected person, usually a spouse, who can lengthen the benefit of guaranteed income for life if they outlive the primary protected person.

**Simpler term: Joint protected person**



### Legacy

A benefit that pays your beneficiary the remaining account balance or income should you pass away.

**Simpler term: Beneficiary benefit**

### Legacy benefit

A benefit that pays your beneficiary the remaining account balance or income should you pass away.

**Simpler term: Beneficiary benefit**

### Legacy protection benefit

A benefit that pays your beneficiary the remaining account balance or income should you pass away.

**Simpler term: Beneficiary benefit**

### Life changes

Where you are in terms of your financial priorities and needs; for instance, growing your money or drawing from your money later in life.

**Simpler term: Life stage**

### Life priorities

Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.

**Simpler term: Financial needs and goals**

### Life transition

Where you are in terms of your financial priorities and needs; for instance, growing your money or drawing from your money later in life.

**Simpler term: Life stage**

### Liquidity risk

The risk that your money will need to be accessed sooner than anticipated, which could result in penalties or impact performance.

**Simpler term: The risk you won't be able to access your money when you need it**

### Living benefits

Optional benefits available for an additional cost that can offer you guarantees, like a minimum level of income for life.

**Simpler term: Protected income benefits**

### Longevity risk

The chance that you may live longer than your income will last.

**Simpler term: The risk you won't have enough money to last**



### Market risk

As with most investments, there is the chance you could lose money because of market downturns.

### Market value adjustment

A positive or negative adjustment during the holding period to the amount you're able to withdraw from a fixed annuity above the free withdrawal amount. The adjustment is dependent on how the interest rate environment has changed since opening your account.

### Market volatility

The way stocks, bonds and other market investments change in value, sometimes very quickly. This market movement may affect the value of your annuity or other investments. Some annuities can protect your income even when the markets go down.

**Simpler term: Market ups and down**

### Minimum guaranteed surrender value

The minimum amount the annuity owner is guaranteed to receive when withdrawing money from their account, after applying early withdrawal costs.

**Simpler term: Minimum guaranteed annuity value**



### Needs and wants

Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.

**Simpler term: Financial needs and goals**



### Option

A feature that can provide benefits or protection to you or your beneficiaries at an additional cost.

**Simpler term: Optional benefit**



### Participation rate

The percentage increase of the underlying index's value that will be credited to the annuity at the end of a selected time period.

**Simpler term: Index performance crediting rate**

### Penalty-free withdrawal amount

The maximum amount the annuity owner can withdraw without being charged any fees.

**Simpler term: Free withdrawal amount**

### Performance trigger

A pre-set amount credited to your account if the annuity's underlying index change is positive or flat at the end of the term.

**Simpler term: Performance credit**

### Period certain

A payout option that allows the annuity owner to choose when and how long to receive payments, which beneficiaries may also be able to receive.

### Premium

For most annuity types, this is the money you put into the annuity.

**Simpler term: Annuity contribution**

### Price

The amounts associated with owning an annuity, which may include setting up the annuity, adding optional benefits, etc.

**Simpler terms: Fee or Cost**

### Product

What you use to pursue your specific financial goal.

**Simpler terms: Product or Strategy**

### Purchase payments

For most annuity types, this is the money you put into the annuity.

**Simpler term: Annuity contribution**

 [BACK TO TABLE OF CONTENTS](#)





### Qualified dollars (when referencing annuities)

Money that hasn't been taxed yet can be used to fund annuities connected to tax-qualified retirement plans, such as 401(k)s.

**Simpler term: Pre-tax dollars**

### Qualified money (when referencing annuities)

Money that hasn't been taxed yet can be used to fund annuities connected to tax-qualified retirement plans, such as 401(k)s.

**Simpler term: Pre-tax dollars**



### Required minimum distribution

The amount of income that you're required to receive from your account each year, once you reach retirement age.

### Retirement

Where you are in terms of your financial priorities and needs; for instance, growing your money or drawing from your money later in life.

**Simpler term: Life stage**

### Retirement goals

Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.

**Simpler term: Financial needs and goals**



### Saving for retirement

Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.

**Simpler term: Financial needs and goals**

### Rider

A feature that can provide benefits or protection to you or your beneficiaries at an additional cost.

**Simpler term: Optional benefit**

### Risk-adjusted returns

An estimated measure of the returns relative to the amount of risk involved.

**Simpler term: Estimated performance**

### Risk appropriateness

The level of market risk you're comfortable with.

**Simpler term: Risk comfort level**

### Risk tolerance

The level of market risk you're comfortable with.

**Simpler term: Risk comfort level**

### Roll-up

The ability to permanently adjust your income based on a pre-set guaranteed growth rate. This guaranteed growth rate is periodically applied to your benefit base (which is your income base plus any additional guaranteed growth increases), which permanently increases the benefit amount you receive.

### Sequence of returns risk

The potential for a market downturn early in retirement, which can have a disproportionately negative impact on your long-term account balance if withdrawals are already being taken.

### Solution

What you use to pursue your specific financial goal.

**Simpler terms: Strategy or Product**

### Spending phase

The point you start receiving income from your annuity.

### Spousal continuation

An option to transfer ownership or continuation of your guaranteed income to your spouse in the event you pass away.

### Spread

An index crediting method where a pre-determined rate is subtracted from any percentage increase in the underlying index and the annuity is credited the difference.

### Strategy

What you use to pursue your specific financial goal.

**Simpler terms: Strategy or Product**

### Subaccounts

The different investment options a variable annuity owner can choose to allocate their money to.

**Simpler term: Variable annuity investment options**

### Sustainable withdrawal rate

The estimated maximum percentage that you can withdraw each period without running out of money during your lifetime.



### Variable annuity

A financial product that offers the potential to grow your money through various market investment options, but with the potential for market loss – with the option of receiving protected lifetime income.

### Variable portfolios

The different investment options a variable annuity owner can choose to allocate their money to.

**Simpler term: Variable annuity investment options**

### Vehicle

What you use to pursue your specific financial goal.



### Waiver

A feature that can provide benefits or protection to you or your beneficiaries at an additional cost.

**Simpler term: Optional benefit**

### Withdrawal base

The amount that the annuity owner can withdraw money against.

**Simpler term: Income base**



Contact your Lincoln representative or visit [www.LFG.com/income](http://www.LFG.com/income) to learn more about Lincoln's support for the Alliance for Lifetime Income.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

©2021 Lincoln National Corporation

[LincolnFinancial.com](http://LincolnFinancial.com)

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

LCN-3487667-031021

PDF 3/21 **Z02**

**Order code: VA-GLOSS-FLI002**



Affiliates include broker-dealer/distributor Lincoln Financial Distributors, Inc., Radnor, PA, and insurance company affiliates The Lincoln National Life Insurance Company, Fort Wayne, IN, and Lincoln Life & Annuity Company of New York, Syracuse, NY.

**For use with the general public.**