

Rule of 72:

Know the power of compounding when planning for retirement

Think back to math class

To help learn division, you were taught shortcuts, or rules. Such as, if the last digit is even, the number is divisible by two. Or, if the sum of the digits is divisible by three, the number is also.

There are also certain rules that can help you find answers to those challenging retirement questions. What can you do to meet your financial goals? Will you outlast your savings? How will taxes affect your earnings? If you think of planning or saving for retirement as an equation, you can get an estimation that can help answer some of retirement's unknowns.

The rule of 72

If you want to figure out how many years it takes to double your money, divide 72 by the rate of return. Keep in mind, the rule of 72 is only an approximation.

The rule can also help you determine if your goals are more aligned with a taxable retirement savings vehicle or a tax-deferred one.

Taxable vehicle ¹		Tax-deferred vehicle		
25% tax on 6.0% = 4.5% net 72/4.5 = 16 years	\$25,000 invested at age 35 earning 6.0% at 25% tax rate	0% tax on 6.0% = 6.0% net 72/6.0 = 12 years		
Age 35		\$25,000	Age 35	\$25,000
Age 51		\$50,000	Age 47	\$50,000
Age 67		\$100,000	Age 59	\$100,000
Age 83		\$200,000	Age 71	\$200,000
Age 90		\$280,000	Age 83	\$400,000
			Age 90	\$616,000
\$280,000	Total	\$616,000	Total	
Taxes were deducted each year.		minus \$25,000	Principal	
		= \$591,000	Taxable gain	
		minus \$147,750	Tax 25%	
		\$443,250	Total after taxes	
		plus \$25,000	Principal	
\$280,000²	Total after taxes	\$468,250	Total after taxes	

¹Assumes that taxes are paid through the assets held in the taxable product.

²If capital gains and/or dividends were involved, lower tax rates would apply and would make the return of the taxable vehicle more favorable, thereby reducing the differences in the amounts shown.

³Guarantees are backed by the claims-paying ability of the appropriate issuing company.

When deciding what types of retirement products suit you, remember that the choice of a tax-deferred vehicle may grow your assets and meet your retirement goals faster!

Having your money in a Lincoln fixed annuity not only offers you tax-deferral, but also provides guaranteed principal protection and lifetime income options.³

Contact your licensed insurance agent to learn more about Lincoln fixed annuities and how you can benefit from tax-deferred growth.

Consider your personal time horizon and income tax bracket—both current and anticipated—when making a purchase decision, as these may further impact the results of the comparison. Tax rates and tax treatment of earnings may impact comparative results.

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The exact terms of the annuity are contained in the contracts and any attached riders, which will control the appropriate issuing company's contractual obligations. For more information about the annuity, please also read the Illustration and Disclosure, Facts At-A-Glance, or contact your Lincoln representative.

Purchase of the contract through a qualified plan does not provide any additional tax-deferral benefits beyond those already provided through the plan. If you are purchasing the contract through a qualified plan, you should consider purchasing it for its death benefit, annuity payment options, and other non-tax related benefits.

Income taxes are due upon withdrawal and if withdrawn before age 59½, a 10% federal penalty tax may apply. Withdrawals and surrenders may be subject to surrender charges and a market value adjustment.

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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

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