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# IRS Rules on 1035 exchange by beneficiary

In Private Letter Ruling 201330016

## LINCOLN FIXED INDEXED ANNUITIES

Not a deposit	Not FDIC-insured	May go down in value
Not insured by any federal government agency		
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Insurance products issued by:  
The Lincoln National Life Insurance Company  
Lincoln Life & Annuity Company of New York

2077590

For use with the general public.

# Considerations for 1035 exchanges

Until recently, when beneficiaries inherited nonqualified annuities, their options were very limited. In Private Letter Ruling 201330016, the Internal Revenue Service allowed a beneficiary of three annuity contracts to transfer those contracts from the original issuing company into one contract with a different company via a 1035 exchange. In this ruling, the IRS acknowledged that the beneficiary of the inherited annuity is “the new owner of the original contract,” and therefore the technical requirements for a 1035 exchange were met on the post mortem transfer of contracts by the beneficiary.

Distribution requirements remain unchanged—the beneficiary of an inherited nonqualified annuity is required to receive the money from the new account following the requirements of Internal Revenue Code Section 72(s).

## The opportunity

PLR 201330016\* opens the door for a number of planning opportunities for you and your clients. Contract holders may want to exchange an inherited annuity for one with better features, benefits, investment options or more flexibility.

## The Lincoln solution

For a tax-advantaged income and wealth transfer strategy, consider a Lincoln fixed indexed annuity with *i4LIFE*® Indexed Advantage, a living benefit rider available for an additional charge.<sup>1</sup> This patented income distribution method meets the requirements of 72(s).

\*While a Private Letter Ruling (PLR) is only binding for the taxpayer requesting it, PLRs do provide insight and guidance into how the IRS may rule in similar situations.





Ask your Lincoln representative how *i4LIFE* can help you create a tax-advantaged wealth transfer and income plan.

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A fixed indexed annuity is intended for retirement or other long-term needs. It is intended for a person who has sufficient cash or other liquid assets for living expenses and other unexpected emergencies, such as medical expenses. A fixed indexed annuity is not a registered security or stock market investment and does not directly participate in any stock or equity investments, or index. The index used is a price index and does not reflect dividends paid on the underlying stocks.

Contract may be referred to as "policy" or "certificate" in certain states (certificate may not be available in all states). The certificate is a group annuity certificate issued under a group annuity contract issued by The Lincoln National Life Insurance Company to a group annuity trust.

**All contract and rider guarantees, including those for optional benefits, fixed subaccount crediting rates, or annuity payout rates, are subject to the claims-paying ability of the issuing insurance company.** They are not backed by the broker-dealer or insurance agency from which this annuity is purchased, or any affiliates of those entities other than the issuing company affiliates, and none makes any representations or guarantees regarding the claims-paying ability of the issuer.

**All features and products may not be available in all states or through all firms.**

There is no additional tax-deferral benefit for an annuity contract purchased in an IRA or other tax-qualified plan.

*i4LIFE*® Indexed Advantage is an optional Guaranteed Income Benefit (GIB) rider (form AR-336 for nonqualified or state variations) available for an additional 0.95% charge (2.00% maximum) and subject to rider issue age limits, which may differ from the contract issue age limits. May not be available in all states. Limitations and exclusions may apply.

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