

LINCOLN NATIONAL CORP  
Form 11-K  
March 31, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS  
AND SIMILARY PLANS PURSUANT TO SECTION 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-6028

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY AGENTS'  
SAVINGS AND PROFIT-SHARING PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Lincoln National Corporation  
150 N. Radnor Chester Road  
Radnor, PA 19087

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REQUIRED INFORMATION

Financial statements and schedule for The Lincoln National Life Insurance Company Agents' Savings and Profit-Sharing Plan, prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, are contained in this Annual Report on Form 11-k.

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- Financial Statements and Supplemental Schedule

The Lincoln National Life Insurance Company Agents' Savings and Profit-Sharing Plan  
December 31, 2008 and 2007 and for the Three Years Ended December 31, 2008, 2007, and 2006 with Report of Independent Registered Public Accounting Firm



The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Financial Statements  
and Supplemental Schedule

Years Ended December 31, 2008 and 2007 and for the  
Three Years Ended December 31, 2008, 2007, and 2006

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Report of Independent Registered Public Accounting Firm

Lincoln National Corporation Plan Administrator  
Lincoln National Corporation

We have audited the accompanying statements of net assets available for benefits of The Lincoln National Life Insurance Company Agents' Savings and Profit-Sharing Plan as of December 31, 2008 and 2007, and the related statements of changes in net assets available for benefits for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2008 and 2007, and the changes in its net assets available for benefits for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2008, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
March 25, 2009

The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Statements of Net Assets Available for Benefits

	December 31	
	2008	2007
Assets		
Investments:		
Mutual funds (cost – \$62,557,165)	\$ 48,171,602	\$ –
Other collective investment trusts (cost – \$26,174,352)	23,063,386	–
Common stock – Lincoln National Corporation (cost: 2008 – \$33,866,772; 2007 – \$33,920,977)	21,964,369	47,511,770
Wilmington Trust money market fund	1,003,490	–
Wells Fargo Bank short-term investment account	–	1,564,190
Pooled separate accounts – The Lincoln National Life Insurance Company Separate Accounts (cost: 2007 – \$91,414,277)	–	133,100,849
Investment contracts – The Lincoln National Life Insurance Company	29,623,868	14,604,738
Participant loans	3,572,337	3,996,682
Total investments	127,399,052	200,778,229
Accrued interest receivable	118,613	54,904
Cash	14,689	(4,648)
Contributions receivable from participant deferrals	40,306	–
Contributions receivable from Sponsor company	1,161,189	2,212,179
Total assets	128,733,849	203,040,664
Liabilities		
Due to broker	12,670	214
Total liabilities	12,670	214
Net assets available for benefits	\$ 128,721,179	\$ 203,040,450

See accompanying notes to the financial statements.

The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31		
	2008	2007	2006
Investment income:			
Cash dividends	\$ 2,480,552	\$ 1,336,688	\$ 1,431,425
Interest	1,091,696	965,603	907,029
	3,572,248	2,302,291	2,338,454
Net realized gain (loss) on sale and distributions of investments:			
Mutual funds	(2,203,395)	-	-
Other collective investment trusts	(760,263)	-	-
Common Stock – Lincoln National Corporation	(3,553,903)	3,844,371	5,504,007
Pooled separate accounts – The Lincoln National Life Insurance Company separate accounts	16,379,942	8,568,425	5,920,004
	9,862,381	12,412,796	11,424,011
Net change in unrealized appreciation (depreciation) of investments	(84,114,674)	(8,070,015)	14,925,196
Contributions:			
Participants	7,988,435	8,793,200	7,889,483
Sponsor company	3,653,901	4,661,121	1,960,209
	11,642,336	13,454,321	9,849,692
Transfers to (from) affiliated plans	2,511,221	(36,541)	(204,186)
Deposit from Jefferson-Pilot 401(k) Plan	-	-	14,357,318
Distributions to participants	(17,704,133)	(26,167,088)	(26,009,979)
Administrative expenses	(88,650)	(152,742)	(173,808)
Net increase (decrease) in net assets available for benefits	(74,319,271)	(6,256,978)	26,506,698
Net assets available for benefits at beginning of the year	203,040,450	209,297,428	182,790,730
Net assets available for benefits at end of the year	\$ 128,721,179	\$ 203,040,450	\$ 209,297,428

See accompanying notes to the financial statements.



The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Notes to Financial Statements

December 31, 2008

1. Description of the Plan

The following description of The Lincoln National Life Insurance Company Agents' Savings and Profit-Sharing Plan (Plan) is a summary only and is qualified in its entirety by the terms and provisions of the Plan document.

The Plan is a contributory, defined contribution plan which covers eligible full-time agents of The Lincoln National Life Insurance Company (Lincoln Life), Lincoln Financial Advisors Corporation, and Lincoln Life & Annuity Company of New York. Lincoln Life is the Plan sponsor. Effective April 3, 2006, Lincoln National Corporation (LNC) acquired Jefferson-Pilot Corporation (Jefferson-Pilot). Jefferson-Pilot sponsored a 401(k) plan for their eligible agents. On May 31, 2006, formal approval was obtained for the transfer to this Plan of assets from the accounts of those agents in the legacy Jefferson-Pilot 401(k) plan. Effective June 1, 2006 the Plan was amended to make legacy Jefferson-Pilot agents eligible to participate in the Plan. This increased the net assets of the Plan by \$14.4 million. Effective June 1, 2006, participants were permitted to make pre-tax contributions at a rate of at least 1% but not more than 50% (25% maximum for January 1, 2004 through May 31, 2006) of eligible earnings (9% for highly compensated agents, as defined in the Plan), up to a maximum annual amount as determined under applicable law. The maximum contribution rate for highly compensated agents was increased to 10% as of January 1, 2008. The Plan, although not subject to the Employee Retirement Income Security Act of 1974 (ERISA) is administered in accordance with the provisions of ERISA as a standard and in a manner of "best practices."

In addition to each participant's pre-tax contributions, Sponsor matching contributions are provided to the Plan. As of January 1, 2007, the Sponsor matching contribution for eligible participants is equal to 50% of each participant's pre-tax contributions, not to exceed 6% of eligible earnings per pay period. Prior to January 1, 2007, the Sponsor matching contribution for eligible former Jefferson-Pilot agents was equal to 10% of each participant's pre-tax contribution, not to exceed 6% of eligible compensation. The investment of these Sponsor matching contributions is directed by the participant. In addition, the Sponsor may contribute an additional discretionary match to eligible participants. The Sponsor discretionary match is an amount determined by the sole discretion of the LNC Board of Directors. One requirement for eligibility is that the participant must be employed on the last day of the year or have died or become disabled during the year. The amount of the Sponsor discretionary matching contribution varies according to whether Lincoln Financial Advisors Corporation has met certain performance-based criteria, as determined by the Compensation Committee of LNC's Board of Directors.

The Lincoln National Life Insurance Company  
 Agents' Savings and Profit-Sharing Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Participants' pre-tax, other contributions and any earnings thereon are fully vested at all times. Sponsor contributions vest based upon years of service as defined in the Plan document as follows:

Years of Service	Percent Vested
1	0%
2	50%
3 or more	100%

Participants direct the Plan to invest their contributions, the basic Sponsor matching contributions, and the Sponsor discretionary matching contribution in any combination of the investment options offered under the Plan. For 2008 and 2007, Sponsor discretionary matching contributions are made in cash, and allocated to the investment funds in accordance with the participant's elections. No discretionary matching contributions were made in 2006.

The Sponsor has the right to discontinue contributions at any time and terminate the Plan in accordance with the provisions of ERISA. In the event of Plan termination, all non-vested amounts allocated to participant accounts would become fully vested.

The Plan may make loans to participants in amounts up to 50% of the vested account value to a maximum of \$50,000 reduced by the highest outstanding loan balance in the previous 12 month period. Interest charged on new loans to participants is established monthly based upon the prime rate plus 1%. Interest income credited was \$284,652, \$293,769, and \$225,353 in 2008, 2007, and 2006, respectively. Loans may be repaid over any period selected by the participant up to a maximum repayment period of five years except that the maximum repayment period may be 20 years for the purchase of a principal residence.

Upon termination of service or disability, a participant may elect to receive either a lump-sum amount equal to the entire value of the participant's account or an installment option if certain criteria are met; in cases of death, the participant's beneficiary makes that election. Vested account balances less than \$1,000 are immediately distributable under the terms of the Plan, without the participant's consent, unless the participant has made a timely election of rollover to an Individual Retirement Account or other qualified arrangement.

The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Each participant's account is credited with the participant's contributions, Sponsor contributions, and applicable investment earnings thereon, and is charged with an allocation of administrative expenses and applicable investment losses. Forfeited non-vested amounts are used to reduce future Sponsor contributions.

2. Significant Accounting Policies

Investments Valuation and Income Recognition

As of October 1, 2008, Wilmington Trust (the Trustee) became the new trustee for the Plan. In addition, Lincoln Alliance also assumed responsibility as the recordkeeper for the Plan as of October 1, 2008. Prior to this date Wells Fargo Bank acted as the Plan's trustee and recordkeeper. As a result of this change, the funds the participants may invest in were changed. At December 31, 2008, the assets of the Plan consisted primarily of mutual funds, collective investment trust funds, investment contracts issued by Lincoln Life, LNC common stock and participant loans. Marketable securities are stated at fair value based on quoted market prices in an active market at the Plan's year end. The investment in LNC common stock is valued at the closing sales price reported on the New York Stock Exchange Composite Listing on the last business day of the year. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the plan year. The fair value of ownership interest of the collective investment trust funds is established by the trustee based on the quoted redemption values of the underlying investments on the last business day of the Plan year. A money market account is also utilized by the Trustee to hold money that has been removed from the participants' funds and is waiting for distribution to the appropriate participants.

Prior to October 1, 2008, the Plan's assets consisted of LNC common stock, pooled separate account investment contracts underwritten by Lincoln Life, investment contracts underwritten by Lincoln Life, Wells Fargo Bank short-term investment account and participant loans. The Wells Fargo Bank Short-term investment account, which is invested in the common stock fund, is valued at cost, which approximates fair value. The fair value of participation units in the pooled separate accounts estimated by Lincoln Life is based on quoted redemption value of the underlying investments on the last business day of the year. Total amount of assets transferred from Wells Fargo to Wilmington Trust was \$162,671,965.

The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

The investment contracts are valued at contract value as estimated by Lincoln Life. As described in Financial Accounting Standards Board (FASB) Staff Position, (FSP), FSP AAG INV-1 and Statement of Position (SOP), SOP 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. The Plan adopted FSP AAG INV-1 in 2006. The adoption did not have a material effect on the Plan's financial statements as interest rates are adjusted to market quarterly. Accordingly, contract value, which represents net contributions plus interest at the contract rate, approximates fair value. The contracts are fully benefit-responsive.

Participant loans are valued at their outstanding balances, which approximate fair value.

The cost of investments sold, distributed, or forfeited is determined using the specific identification method. Investment purchases and sales are accounted for on a trade-date basis.

Interest and dividend income is recorded when earned.

Accounting Estimates and Assumptions

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States that require management to make estimates and assumptions affecting the amounts reported in the financial statements and accompanying notes. Those estimates are inherently subject to change and actual results could differ from those estimates.

Adoption of New Accounting Standard

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157) which defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and enhances disclosures about fair value measurements. Effective January 1, 2008, the Plan adopted SFAS 157. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. Adoption of SFAS 157 did not have a material impact on the Plan's financial statements.

The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Mutual Funds

These investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Collective Investment Trust

These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is classified within level 2 of the valuation hierarchy because the NAV's unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments which are traded on an active market.

The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Lincoln National Corporation common stock

Lincoln National Corporation common stock is valued at the closing price reported on the New York Stock Exchange Composite Listing and is classified within level 1 of the valuation hierarchy.

Investment Contracts

These investments are made by the Plan in an Unallocated Group Fixed Annuity Contract which are invested in the general assets of Lincoln Life who guarantees a fixed interest rate. The NAV for the investment contract is \$1. The investment contracts are classified within level 3 of the valuation hierarchy.

Money Market Funds

These investments are public investment vehicles valued using \$1 for the NAV. The money market funds are classified within level 2 of the valuation hierarchy.

Loans to Participants

Loans to plan participants are valued at cost plus accrued interest, which approximates fair value and are classified within level 3 of the valuation hierarchy.

The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Notes to Financial Statements (continued)

3. Investments

The following is a summary of assets held for investment:

	December 31, 2008			December 31, 2007		
	Number of Shares, Units or Par Value	Net Asset Value Per Unit	Fair Value	Number of Shares, Units or Par Value	Net Asset Value Per Unit	Fair Value
Fair values						
Mutual funds:						
Columbia Acorn Z Delaware Conservative Allocation I	459,043.245	\$ 17.710	\$ 8,129,656*	—	\$ —	—
Delaware Moderate Allocation I	113,085.607	7.770	878,675	—	—	—
Delaware Aggressive Allocation I	302,589.806	8.010	2,423,744	—	—	—
Delaware Mid Cap Value I	199,207.873	7.000	1,394,455	—	—	—
Dodge & Cox International Stock	245,586.608	5.660	1,390,020	—	—	—
American Fund Growth Fund of	274,568.330	21.900	6,013,046	—	—	—
America R-5	422,607.570	20.440	8,638,099*	—	—	—
Harbor International Growth Institutional	890,942.000	8.110	7,225,540*	—	—	—
Vanguard Institutional Index	119,468.046	82.540	9,860,893*	—	—	—
Vanguard Extended Market Index						
Institutional	92,317.823	24.020	2,217,474	—	—	—
Total mutual funds			48,171,602			
Other collective investment trusts						
Delaware Large Cap Value Trust	781,119.037	8.780	6,858,225*	—	—	—
Delaware International Equity Trust	10,413.875	5.460	56,860	—	—	—
Delaware Small Cap Growth Trust	605,693.008	6.850	4,148,997	—	—	—
	773,847.545	10.550	8,164,092*	—	—	—

Delaware Diversified Income Trust							
Delaware Large Cap Growth Trust	492,325.027		7.790	3,835,212		-	-
Total collective investment trust funds				23,063,386			
Common Stock - LNC	1,165,837.000	\$	18.840	\$ 21,964,369*	816,073	\$	58.220 \$ 47,511,770*



The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

## Notes to Financial Statements (continued)

## 3. Investments (continued)

	December 31, 2008			December 31, 2007		
	Number of Shares, Units or Par Value	Net Asset Value Per Unit	Fair Value	Number of Shares, Units or Par Value	Net Asset Value Per Unit	Fair Value
Pooled separate accounts – The Lincoln Life Insurance Company						
Separate Accounts:						
Core Equity Account	– \$	– \$	–	603,408.454	\$ 17.535	\$ 10,580,767*
Medium Capitalization Equity Account	–	–	–	558,122.762	17.023	9,500,756
Short-Term Account	–	–	–	2,707,860.831	4.142	11,214,877*
Government/Corporate Bond Account	–	–	–	502,647.363	9.843	4,947,357
Large Capitalization Equity Account	–	–	–	703,700.685	10.991	7,734,304
Balanced Account	–	–	–	399,671.268	9.426	3,767,261
High Yield Bond Account	–	–	–	842,282.306	4.488	3,780,163
Small Capitalization Equity Account	–	–	–	882,868.835	9.896	8,737,135
Value Equity Account	–	–	–	1,922,453.540	3.122	6,001,708
International Equity Account	–	–	–	941,916.059	12.562	11,832,632*
Conservative Balanced Account	–	–	–	409,589.675	2.510	1,028,234
Aggressive Balanced Account	–	–	–	608,494.129	2.988	1,817,998
Delaware Growth and Income Account	–	–	–	2,079,971.566	2.138	4,446,147
Scudder VIT Equity 500 Index Account	–	–	–	4,049,051.948	1.268	5,133,793
Fidelity VIP Contrafund	–	–	–	6,414,875.498	1.906	12,229,960*
Neuberger-Berman AMT Regency Account	–	–	–	1,506,244.982	1.827	2,751,458
Social Awareness Account	–	–	–	1,311,610.737	1.365	1,789,955
	–	–	–	4,869,650.703	1.457	7,094,107

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American Funds Insurance Series						
Global Growth						
Neuberger-Berman Mid-Cap Growth Account	–	–	–	3,341,287.715	1.702	5,687,874
Scudder VIT Small Cap Index Account	–	–	–	1,781,845.843	1.859	3,313,342
Black Rock Legacy Account	–	–	–	407,813.986	1.899	774,601
American Funds International Account	–	–	–	395,626.878	22.588	8,936,420
Total pooled separate accounts						