



# GENERATE A SUSTAINABLE INCOME STREAM FOR RETIREMENT



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**No bank guarantee • Not a deposit • May lose value  
Not FDIC/NCUA insured • Not insured by any federal government agency**



## Why Pacific Life

It's essential for you to choose a strong and stable company that can help you achieve your future income needs. Since 1868, individuals and their families have relied on the strength of Pacific Life to help protect their financial security.

- Pacific Life Insurance Company is organized under a mutual holding company structure and operates for the benefit of its policyholders and contract owners.
- We have achieved ongoing recognition<sup>1</sup> for high-quality service standards.
- We offer products that address market environments during all stages of your life.
- Pacific Life has been named one of the 2025 World's Most Ethical Companies<sup>®2</sup> by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices.
- We maintain strong financial-strength ratings from major independent rating agencies.

Ratings may change. For more information and current financial-strength ratings, please visit [PacificLife.com](https://www.PacificLife.com).



Pacific Life has nearly 160 years of experience, and we remain committed to providing quality products, service, and stability to meet your needs today and throughout your lifetime.

<sup>1</sup>Recipient of multiple DALBAR Service Awards since 1997. Refer to [www.DALBAR.com](https://www.DALBAR.com) for more information regarding awards, certifications, and rankings.

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# Will Your Retirement Income Meet Your Goals?

During your working years, you likely focused on saving for the future. But now, as you transition into retirement, you may face unique challenges and have questions.

- How can I create sustainable income to last my entire lifetime?
- Will I have enough income to cover necessary expenses without lowering my current income?
- How will the market affect my savings?
- Can I keep growing my assets to outpace inflation?
- Will I be able to leave a legacy to my loved ones?

It's important to work with a financial professional to find strategies that provide answers to these questions. Together, you may decide it's best to diversify your assets among several income products rather than relying solely on Social Security retirement benefits, required minimum distributions (RMDs) from IRAs or a 401(k) plan, or an investment portfolio. This will help balance your legacy and liquidity needs while potentially optimizing your cash flow and maintaining it for life.

## Taking Income—a 4% Withdrawal Rate May Not Always Work

Once you retire, it's time to begin withdrawing the income you need from your retirement savings. Four percent has long been the “rule” for what was thought to be the optimal annual withdrawal amount. The 4% rule was created to ensure your withdrawal rate is low enough to support a higher reliance rate (the amount of your investment portfolio you rely on for income), so you don't outlive your retirement savings. It works like this: In your first year of retirement, you withdraw 4%; in each subsequent year, the amount is adjusted for inflation.

However, the problem with the 4% rule is the lack of flexibility it provides, because everyone's situation is unique. For those with limited savings, 4% may not be enough to cover expenses; for those with a large investment portfolio, 4% may not be needed. What's more, financial needs can change from year to year, and lifestyle and spending needs also vary as we age.

## A New Consideration

In recent years, a new metric has come to light that shows why the 4% rule combined with an annuity can provide a higher amount of income than just the 4% rule alone. The following case studies will help illustrate why.

Note that you have unique needs and circumstances, so your strategy may differ. There is no single approach that works for everyone.

## Hypothetical Case Study: Meet Roberto and Lydia

- Both age 62
- Married and in their first year of retirement
- Have a \$750,000 investment portfolio that does not provide guaranteed income

### Goals

#### Reallocate a portion of their portfolio to:

- Receive predictable income for life.
- Cover necessary living expenses.
- Provide income to keep pace with inflation.



### The Challenge

Roberto and Lydia need to generate \$30,000 annually from their \$750,000 investment portfolio to fill the \$30,000 retirement-income gap they've identified. Where will the money come from?

Let's look at two scenarios.

## Estimated Retirement Income Needs

Let's see how Roberto and Lydia, along with their financial professional, develop a retirement-income strategy that helps plan for the expected (such as mortgage, groceries, utilities, etc.) and unexpected (such as longevity, inflation, market declines) costs using multiple-point solutions. The information below shows the retirement income gap they'll have when they subtract their future expenses from the amount of their future non-guaranteed income.

Retirement Savings (Non-Guaranteed Income)	IRA	\$250,000
	Other investments (CDs, stocks, bonds, etc.)	\$500,000
Total		\$750,000

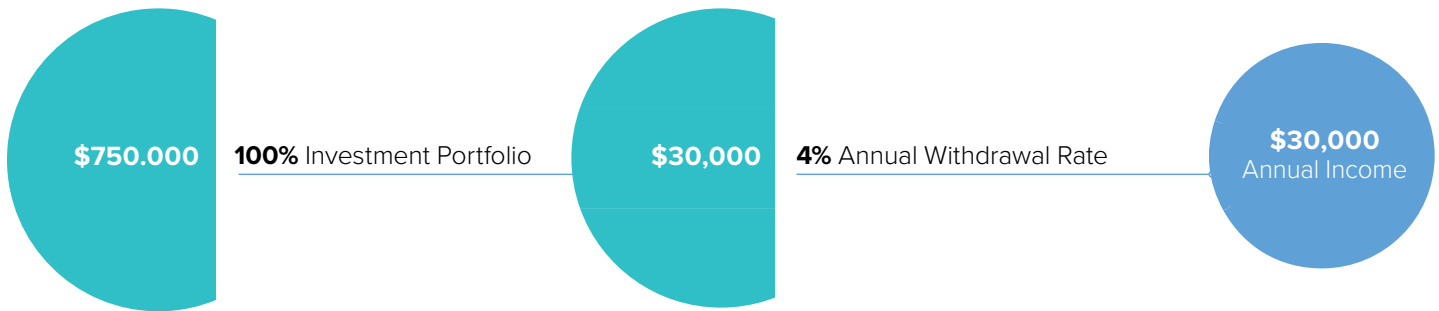
  

Planned Expenses and Income Annually	Mortgage, groceries, utilities, etc.	\$50,000
	Expected income (Social Security retirement benefit)	(\$20,000)
Retirement income gap (expenses minus income)		\$30,000

For illustrative purposes only. This hypothetical illustration does not reflect a specific actual investment or the impact of taxes. The example assumes a 0% net rate of return and no additional purchase payments for the investment portfolio and variable annuity. Assumptions for the variable annuity with guaranteed minimum withdrawal benefit (GMWB): 5% lifetime withdrawal benefit. Client meets age requirement for lifetime guarantee. No resets/step-ups or credits. Assumptions for the single-premium immediate annuity (SPIA): Male and female age 62, based on an annual annuity payment rate of 6%, which represents what the owner would receive annually and includes both interest and return of principal. Rates are based on joint annuitants purchasing a SPIA contract with the Joint Life with Cash Refund option and a purchase payment of \$150,000 in after-tax (nonqualified) dollars. Interest rates are subject to change at any time. Payment amount for illustration only. Actual annuity payment rates may differ.



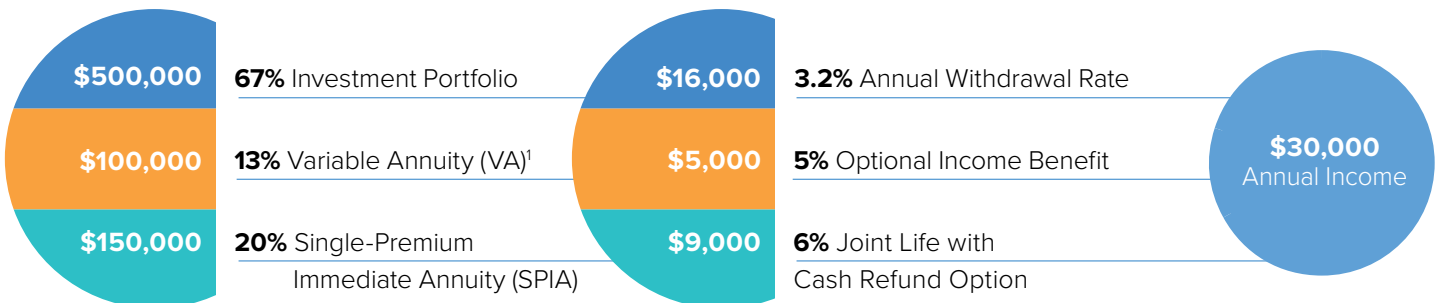
## Scenario 1: Annual 4% Withdrawal from Their (Non-Guaranteed) Retirement Savings



### About This Scenario

- It meets the need for the \$30,000 income gap coverage with a 4% withdrawal rate.
- This scenario means that 60% of the income needed to pay for planned expenses is generated from the investment portfolio ( $\$30,000 \div \$50,000$ ).
- There is no guaranteed lifetime income, so the withdrawal amount will fluctuate with the value of their portfolio.

## Scenario 2: Multiple-Product Solutions



### About This Scenario

- **The withdrawal rate is reduced from 4% to 3.2%** and still fills the \$30,000 income-gap need. This is a more conservative withdrawal approach, which increases the chances they can sustain the withdrawal rate from the investment portfolio.
- **The use of multiple products lowers their portfolio performance reliance rate from 60% to 32%** ( $\$16,000 \div \$50,000$ ). This is important because a lower reliance rate may mean their retirement income is less susceptible to market fluctuations and potential losses.
- **It guarantees 47% of their initial annual income for life.** By shifting some of their non-guaranteed investment portfolio into annuities, they have generated \$14,000 ( $\$5,000 + \$9,000$ ) in guaranteed lifetime income. If we combine the \$14,000 of guaranteed income with the \$20,000 of Social Security retirement income, Roberto and Lydia now have 68% ( $\$34,000 \div \$50,000$ ) of their income guaranteed for life.
- **Liquidity and access to additional income from other investments**, such as a systematic withdrawal, is provided.

<sup>1</sup>With optional income benefit for an additional cost.

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## Case Study: Meet Jim and Gina

- Jim (age 73), Gina (age 68)
- Retired with two adult children
- Have a \$950,000 investment portfolio that does not provide guaranteed income

### Goals

- Meet Jim's IRA RMD amount of approximately \$9,500 per year
- Sustain \$35,000 per year in income
- Reallocate a portion of their investment portfolio to receive guaranteed lifetime income
- Maximize the legacy for their children



### The Challenge

Jim must start taking RMDs from his IRA but would like to receive predictable income for life. He would also like to grow his assets without market risk to preserve the assets for his children.

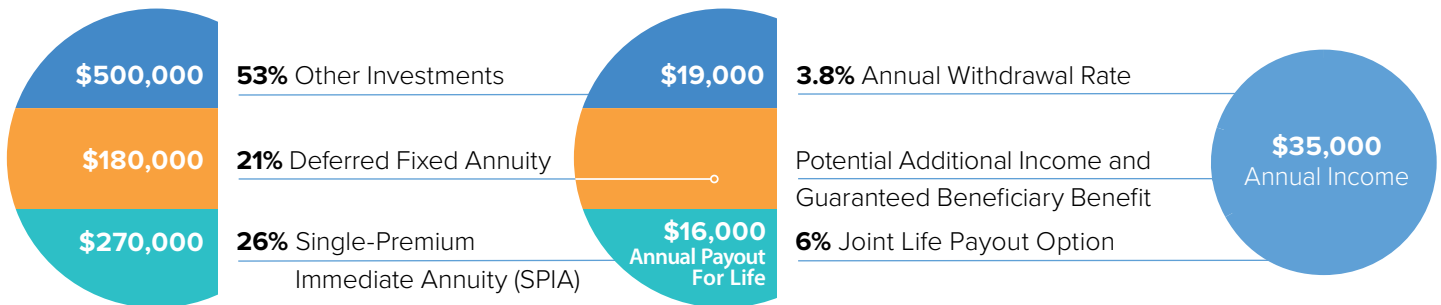
Let's see how Jim and Gina, together with their financial professional, develop a retirement-income strategy that helps them achieve their goals, including meeting Jim's RMD requirement.

### A Multi-Product Solution

What's an efficient way to optimize Jim and Gina's \$950,000 to meet their retirement savings goals? Currently, their investment portfolio does not provide guaranteed lifetime income or a guaranteed beneficiary benefit for their children. One solution is to supplement their other investments with deferred and immediate fixed annuities.

Retirement Savings (Non-Guaranteed Income)	IRA	\$250,000
	Other investments (current source of annual income)	\$700,000
Total		<b>\$950,000</b>

## Details for This Hypothetical Scenario



### About This Scenario

- **It meets the annual RMD requirement of approximately \$9,500.**
- **Additional income and beneficiary benefit are provided.** Along with the potential for additional income, the deferred fixed annuity provides a guaranteed beneficiary benefit, so the couple can leave a legacy. The beneficiary benefit can grow as the contract earns interest over time.
- **Protected lifetime income is locked in.** The SPIA ensures that 46% of the \$35,000 annual income is guaranteed for both their lives.
- **Liquidity and access to additional income from other investments,** such as a systematic withdrawal, is provided.

For illustrative purposes only. This hypothetical illustration does not reflect a specific actual investment. The example assumes a 0% net rate of return and no additional investments. The single-premium immediate annuity payment amount is for illustrative purposes only. Actual payment will differ. Payout amounts are subject to change at any time. In general, RMDs are calculated by dividing the prior year's ending account balance by a life expectancy factor. The life expectancy factor for all owners, except for those with a sole beneficiary spouse more than 10 years younger, will be based on the owner's attained age during the year using the Uniform Lifetime Table in IRS Publication 590. This illustration is not related to any specific investment product and is for the purpose of showing the concept of taking an RMD. Specific features of an investment product may be adversely impacted by such distributions. Any applicable premium tax charges that would reduce the amount illustrated were not included. Premium taxes vary by state.

## Annuity Products That Create Cash Flow

Annuities may not be for everyone, but each type of annuity has benefits and trade-offs that may be worth considering. Be sure to discuss them with your financial professional and consider whether or not they make sense for your retirement strategy.

**Variable Annuity (VA):** A VA is a long-term investment that's designed to help you grow your retirement assets and provide retirement income. It offers a range of investment options from professional money managers. The value of your variable annuity will shift depending on the performance of the investment options you choose. Optional benefits for protected lifetime income are usually available for an additional cost.

Variable investment options in a variable annuity and other investments are subject to market fluctuations and, when redeemed, may be worth more or less than the original cost.

**Registered Index-Linked Annuity (RILA):** A RILA is a type of annuity that is usually tied to the performance of a market index, but it is not invested directly in the market or an index. After you select your investment time horizon, it offers you the ability to capture limited upside returns and provides a level of protection—as a buffer or floor—in the case of market downturns.

**Single-Premium Immediate Annuity (SPIA):** A SPIA offers a pension-like stream of guaranteed, consistent income for your lifetime or for a specified time. While some immediate annuity income options offer you some access to your money, keep in mind that immediate annuities are less liquid than deferred annuities.

**Deferred Fixed Annuity:** A deferred fixed annuity is an interest-earning contract that can enable your interest to grow tax-deferred and remain stable, even during market volatility. It also offers a beneficiary benefit for your heirs should death occur prior to converting the contract value to annuity income payments. Generally, the beneficiary benefit equals the value of your deferred fixed annuity, including interest minus any withdrawals.

While these products may have limited growth potential, depending on the product chosen, they might limit access to your money for a period of time.

**Fixed Indexed Annuity:** A fixed indexed annuity grows your savings based on any positive returns of a market index, so your account is not subject to actual market loss. Taxes are deferred until you take withdrawals. For an additional cost, a fixed annuity can be a reliable source of lifetime income and provide a guaranteed beneficiary benefit for your heirs.

Talk to your financial professional to see if  
a multi-product solution could help achieve your financial goals.

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