PACIFIC LIFE

UNDERSTANDING ROLLOVER OPTIONS

Outlining Options for Your Qualified Retirement Plan or IRA

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Get Ready for Retirement

If you are preparing to retire or have recently changed jobs, you may need to decide what to do with the money in your previous employer's retirement plan. Determining where, when, and how to allocate your retirement money may seem intimidating, but it can be quite simple once you understand your options.

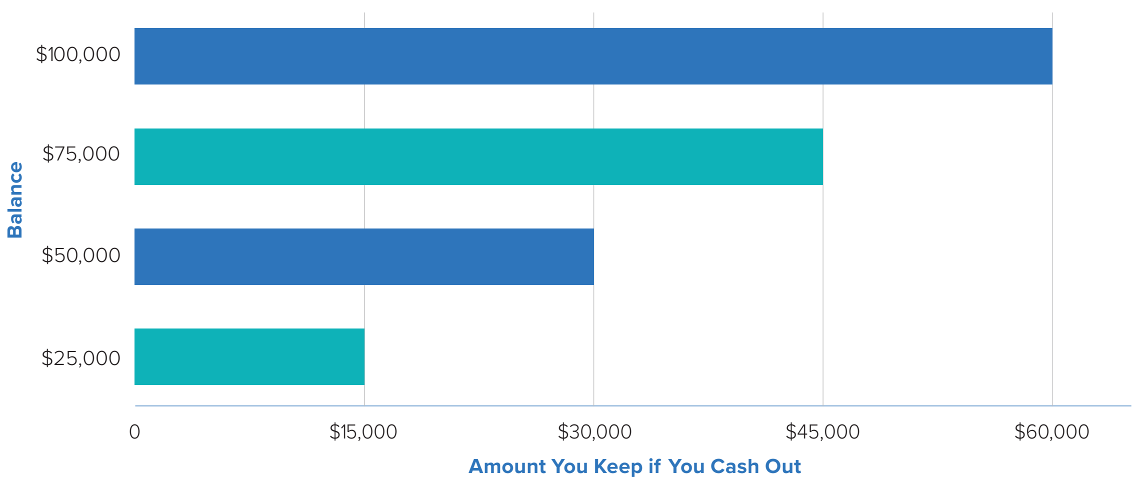
What Are Your Options?

When You Leave an Employer-Sponsored Retirement Plan, You Can:

- Roll the money into an Individual Retirement Account (IRA).
- Roll the money into a new employer's qualified plan if the new employer is willing to accept the funds.
- Leave your money where it is in your former employer's plan (if the plan permits).
- Take the money in cash.

What Happens if You Take the Money?

Because the funds in your retirement accounts are generally funded with pretax dollars, they will be subject to ordinary income tax upon distribution. In addition, unless you're in a situation to qualify for an exception to the Internal Revenue Code (IRC) early distribution tax, you may be subject to an additional 10% federal tax if you are younger than age 59½. Depending on your tax bracket, the additional tax can eat up as much as 40% of what you've saved! (This assumes you are in the 30% federal income-tax bracket, plus the 10% early distribution tax.)



Your retirement assets are earmarked for retirement. If you take the money in cash, it loses its tax-deferred status, and you risk spending it on other things. That's why rollovers play such an important part in helping you continue to accumulate money for retirement.

For illustrative purposes only. Assumes a hypothetical 30% federal tax bracket and younger than age 59½. No state tax is taken into consideration.

Types of Rollovers

Rollovers Defined

A rollover is simply taking a distribution from one tax-deferred retirement plan and depositing those funds into another eligible retirement plan. Whether you roll your funds into an IRA or to a new employer's plan, continued tax deferral is the most important benefit. Because the money you've put in the plan is pretax (in most cases), you can only continue to defer paying taxes on it if your assets stay in an eligible retirement plan.

What Is the Difference between a Direct Rollover and an Indirect Rollover?

With an **indirect** rollover, your former employer's plan sends your money to you. It becomes your responsibility to deposit those funds into another plan. Regardless of whether you intend to roll your assets into a new plan or keep them as cash, your employer is required to withhold 20% of the distributed amount to meet the federal income-tax withholding rules. In order not to incur income tax and early withdrawal penalties when you do roll the money into a new plan, you must send the assets and make up the 20% that was withheld within 60 days.[1] You can avoid withholding by electing a direct rollover.

With a **direct** rollover, your former employer's plan sends all your money directly to another eligible retirement plan. You fill out forms authorizing the two plans to transact on your behalf.

Why Choose a Direct Rollover to an IRA?

There are several reasons to consider rolling retirement funds directly from a former employer's plan into an IRA.

- **Simplicity** You simply fill out forms authorizing the employer's plan and your IRA institution to transact on your behalf. And you avoid the mandatory 20% withholding that applies to indirect rollovers.
- **Expanded Range of Choices** Most employer-sponsored plans are limited in the number and type of investment options they offer. With an IRA, you can invest your retirement money in any combination of investments you may choose.
- **Consolidation** If you change jobs frequently, it may make sense to consolidate all your retirement savings in one place. Leaving funds in multiple retirement accounts increases your paperwork and recordkeeping responsibility.

It's important to remember that rollovers may not make sense for all individuals. It might make sense to keep your current plan if it offers:

- Lower expenses.
- More services.
- Access to loans.

You also may consider keeping your current plan if you want to take withdrawals without tax penalties when separating from service at or after age 55, and prior to reaching age 59½.

Keep in mind that this is not an exhaustive list. Other factors may come into play when determining whether a rollover makes sense for you.

[1] If you make up the 20% withholding from other assets, it will be effectively refunded to you in the form of a tax refund when you file your tax return.

Other Rules

Certain funds may not be rolled. For example, some of the ineligible rollover distributions include:

- Required minimum distributions.
- Hardship withdrawals.
- Any series of substantially equal periodic payments (at least annually) paid over the life or joint life of an individual and a designated beneficiary, or made for a specified period of 10 years or more.

How Much Time Do You Have to Decide What to Do?

There's usually no immediate deadline for moving your funds. It depends on the terms of your former employer's plan; review the plan rules for specifics. Many employers will let you keep your money invested in the employer-sponsored plan indefinitely while you consider all your options.

If you elect an indirect rollover (that is, the money is sent directly to you), you have 60 days from the date you receive the money to reinvest it with another eligible retirement plan; if you don't reinvest within 60 days, the distribution will be subject to ordinary income taxes, and an additional 10% federal tax for early distribution may apply if you are younger than age 59½.

Why Pacific Life

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- We have achieved ongoing recognition[1] for high-quality service standards.
- We offer products that address market environments during all stages of your life.
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- We maintain strong financial-strength ratings from major independent rating agencies.

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To learn more about rollover options,
speak with your financial professional or visit our website.

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