

Understanding the Sequence of Returns



How Market Performance and Distribution Timing
Can Affect How Long Your Money Will Last



PACIFIC LIFE

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GET READY FOR RETIREMENT

As you approach your retirement years—or have already reached them—you need to ensure that your portfolio is ready to last your lifetime. The span of time that can impact your long-term retirement income the most is the period just prior to and immediately following retirement. The risk to your portfolio value and your retirement income is called the *sequence of returns*.



THE SEQUENCE OF RETURNS

You may be living more years in retirement than previous generations, so your investments need to last longer than ever. To demonstrate how market fluctuations may impact your portfolio when you begin to take income, let's look at two hypothetical portfolios with the same initial \$200,000 investment amount and a 20-year period (1989–2008) of

Investor A—Early Gain

Year	Rate of Return	Balance after Returns	Withdrawal % of Initial Investment	Amount Withdrawn	End-of-Year Balance
1	31.69%	\$263,380	5.00%	\$10,000	\$253,380
2	-3.10%	\$245,525	5.15%	\$10,300	\$235,225
3	30.47%	\$306,898	5.30%	\$10,609	\$296,289
4	7.62%	\$318,867	5.46%	\$10,927	\$307,939
5	10.08%	\$338,980	5.63%	\$11,255	\$327,725
6	1.32%	\$332,050	5.80%	\$11,593	\$320,458
7	37.58%	\$440,886	5.97%	\$11,941	\$428,945
8	22.96%	\$527,431	6.15%	\$12,299	\$515,132
9	33.36%	\$686,980	6.33%	\$12,668	\$674,313
10	28.58%	\$867,031	6.52%	\$13,048	\$853,984
11	21.04%	\$1,033,662	6.72%	\$13,439	\$1,020,223
12	-9.10%	\$927,382	6.92%	\$13,842	\$913,540
13	-11.89%	\$804,920	7.13%	\$14,258	\$790,663
14	-22.10%	\$615,926	7.34%	\$14,685	\$601,241
15	28.68%	\$773,677	7.56%	\$15,126	\$758,551
16	10.88%	\$841,081	7.79%	\$15,580	\$825,501
17	4.91%	\$866,033	8.02%	\$16,047	\$849,986
18	15.79%	\$984,199	8.26%	\$16,528	\$967,671
19	5.49%	\$1,020,796	8.51%	\$17,024	\$1,003,772
20	-37.00%	\$632,376	8.77%	\$17,535	\$614,841

Totals

\$268,704 + \$614,841

10.36%

Average Rate of Return

Total Benefit = \$883,545

The results shown are intended to demonstrate the impact of the effect of market performance on retirement assets, assuming 5% annual withdrawals of \$10,000 (increasing at 3% annually for inflation). If fees and charges had been included, investment results would have been lower.

the S&P 500® index with an average rate of return of 10.36%. The difference is that Investor A experiences market declines in the last half of a 20-year period, and Investor B has a market decline immediately after retiring and in three of the next eight years.

Investor B—Early Loss

Year	Rate of Return	Balance after Returns	Withdrawal % of Initial Investment	Amount Withdrawn	End-of-Year Balance
1	-37.00%	\$126,000	5.00%	\$10,000	\$116,000
2	5.49%	\$122,368	5.15%	\$10,300	\$112,068
3	15.79%	\$129,764	5.30%	\$10,609	\$119,155
4	4.91%	\$125,006	5.46%	\$10,927	\$114,078
5	10.88%	\$126,492	5.63%	\$11,255	\$115,237
6	28.68%	\$148,292	5.80%	\$11,593	\$136,700
7	-22.10%	\$106,488	5.97%	\$11,941	\$94,548
8	-11.89%	\$83,310	6.15%	\$12,299	\$71,011
9	-9.10%	\$64,549	6.33%	\$12,668	\$51,882
10	21.04%	\$62,798	6.52%	\$13,048	\$49,751
11	28.58%	\$63,969	6.72%	\$13,439	\$50,529
12	33.36%	\$67,388	6.92%	\$13,842	\$53,545
13	22.96%	\$65,839	7.13%	\$14,258	\$51,582
14	37.58%	\$70,965	7.34%	\$14,685	\$56,280
15	1.32%	\$57,023	7.56%	\$15,126	\$41,897
16	10.08%	\$46,120	7.79%	\$15,580	\$30,540
17	7.62%	\$32,867	8.02%	\$16,047	\$16,820
18	30.47%	\$21,944	8.26%	\$16,528	\$5,416
19	-3.10%	\$5,248	8.51%	\$5,248	\$0
20	31.69%				\$0
Totals				\$239,392	+ \$0

10.36%

Average Rate of Return

Total Benefit = \$239,392

S&P 500® index 1989–2008. Past performance does not guarantee future results.

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.

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- We have achieved ongoing recognition¹ for high-quality service standards.
- We offer products that address market environments during all stages of your life.
- Pacific Life is designated as one of the 2020 World's Most Ethical Companies^{®2} 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 and do not apply to the safety or performance of the underlying variable investment options. For more information and current financial-strength ratings, please visit PacificLife.com.



¹Recipient of multiple DALBAR Service Awards since 1997. Refer to www.DALBAR.com for more information regarding awards, certifications, and rankings.

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To learn about options
to protect against the
sequence-of-returns risk when
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