



# CREATE FLEXIBLE INCOME WITH A VARIABLE ANNUITY

While Managing Taxes and Fees



# WHY A PACIFIC LIFE VARIABLE ANNUITY

A variable annuity is a long-term contract between you and an insurance company that can help you grow, protect, and manage retirement savings in a tax-advantaged way. It can help you:

- **Grow retirement savings faster** through the power of tax deferral.
- **Manage your investment strategy** by transferring among a diverse selection of investment options free of tax consequences.
- **Convert your assets** to guaranteed lifetime retirement income.
- **Leave a financial legacy** through a guaranteed death benefit.

Our variable annuities also offer features such as asset allocation and optional principal protection. Optional benefits are available for an additional cost.

Guarantees, including optional benefits, are subject to the issuing company's claims-paying ability and financial strength and do not protect the value of the variable investment options, which are subject to market risk. The value of the variable investment options will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. Annuity withdrawals and other distributions of taxable amounts, including death benefit payouts, will be subject to ordinary income tax. For nonqualified contracts, an additional 3.8% federal tax may apply on net investment income. If withdrawals and other distributions are taken prior to age 59½, an additional 10% federal tax may apply. A withdrawal charge also may apply. Withdrawals will reduce the contract value and the value of the death benefits, and also may reduce the value of any optional benefits.

Insurance products are issued by Pacific Life Insurance Company in all states except New York and in New York by Pacific Life & Annuity Company. Product availability and features may vary by state.

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

# CREATE RETIREMENT INCOME

To maintain your desired lifestyle in retirement, you'll need to ensure you'll have enough income. Social Security benefits and a pension can be a good start. But will they be enough? A variable annuity, such as Pacific Choice from Pacific Life, is designed to help you generate needed income through the following options:

- **Withdrawals** – During the withdrawal charge period, you can take earnings and up to 10% annually of remaining purchase payments without incurring withdrawal charges. You have full access to your money at anytime after the withdrawal charge period and on contracts that have no withdrawal charges.
- **Annuitization (Full or Partial)** – You can convert all or a portion of your contract into a series of guaranteed income payments.

Let's take a look at how taking flexible income through partial annuitization can generate guaranteed, lifetime retirement income while still retaining some control of your assets.



# GUARANTEED FLEXIBLE INCOME WHILE CONTINUING GROWTH POTENTIAL

With a Pacific Life variable annuity, you have the option to receive guaranteed, flexible income through partial annuitization. This allows you to convert a portion of your contract value into income that's guaranteed to last your life, two lives, or a specified time period. The remaining portion will continue to provide tax-deferred growth potential.

## Taking Income from a Portion of Your Contract Value through Partial Annuitization Provides:

- **Lifetime income** You can create guaranteed income that will last your life or two lives if a joint annuitant is named.
- **Tax-efficient income** The exclusion ratio may allow a portion of your annual income to be the return of your principal, potentially creating tax savings.<sup>1</sup>
- **Cost efficiency** The portion of the contract that is annuitized (assuming fixed annuitization) will not incur any additional product fees.

## Leaving Your Remaining Contract Value Invested Provides:

- **Access to your available contract value** You can make withdrawals from the non-annuitized amount.<sup>2</sup>
- **Continued tax-deferred growth potential** The non-annuitized amount may continue to provide tax-deferred growth potential.
- **Investment flexibility** You can select any of the investment options offered through your contract.
- **Death benefit protection** A death benefit, adjusted for the amount annuitized, will still be available to help provide protection for your loved ones.<sup>3</sup>

<sup>1</sup>The tax-free portion represents return of principal and only applies to nonqualified contracts (that is, annuities that were purchased with after-tax money).

<sup>2</sup>You may need to wait 180 days after partial annuitization to make any withdrawal from the non-annuitized amount. See your prospectus for details.

<sup>3</sup>The amount of death benefit protection paid to your beneficiaries will be reduced on a pro-rata basis according to the amount annuitized.

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## Meet John and Mary

John and Mary are both age 50 and actively planning for retirement. They're invested primarily in mutual funds and cash, but are concerned about managing the effects of taxation and fees on the growth of their assets. John and Mary are also interested in the security of having some guaranteed income when they retire. They're planning on positioning a portion of their assets in a variable annuity to create tax-efficient, guaranteed flexible income through partial annuitization at age 70. In addition, the balance of their variable annuity assets can continue to grow tax-deferred while providing them the option to take additional withdrawals or annuitizing more of the assets later, if needed.<sup>1</sup>



### ASSUMPTIONS

- Initial Investment: \$200,000
- Annual Rates of Return:
  - 5.85% net (8% gross before fees)
  - -2.15% net (0% gross before fees)
- Pacific Choice<sup>®</sup> Variable Annuity Fee: 1.20%<sup>2</sup>
- Average Portfolio
  - Annual Expense Ratio: 0.95%<sup>3</sup>
  - Total Fees: 2.15%
- Partial Annuitization Percentage: 50%
- Annuity Option: Joint Life Only (both age 70)

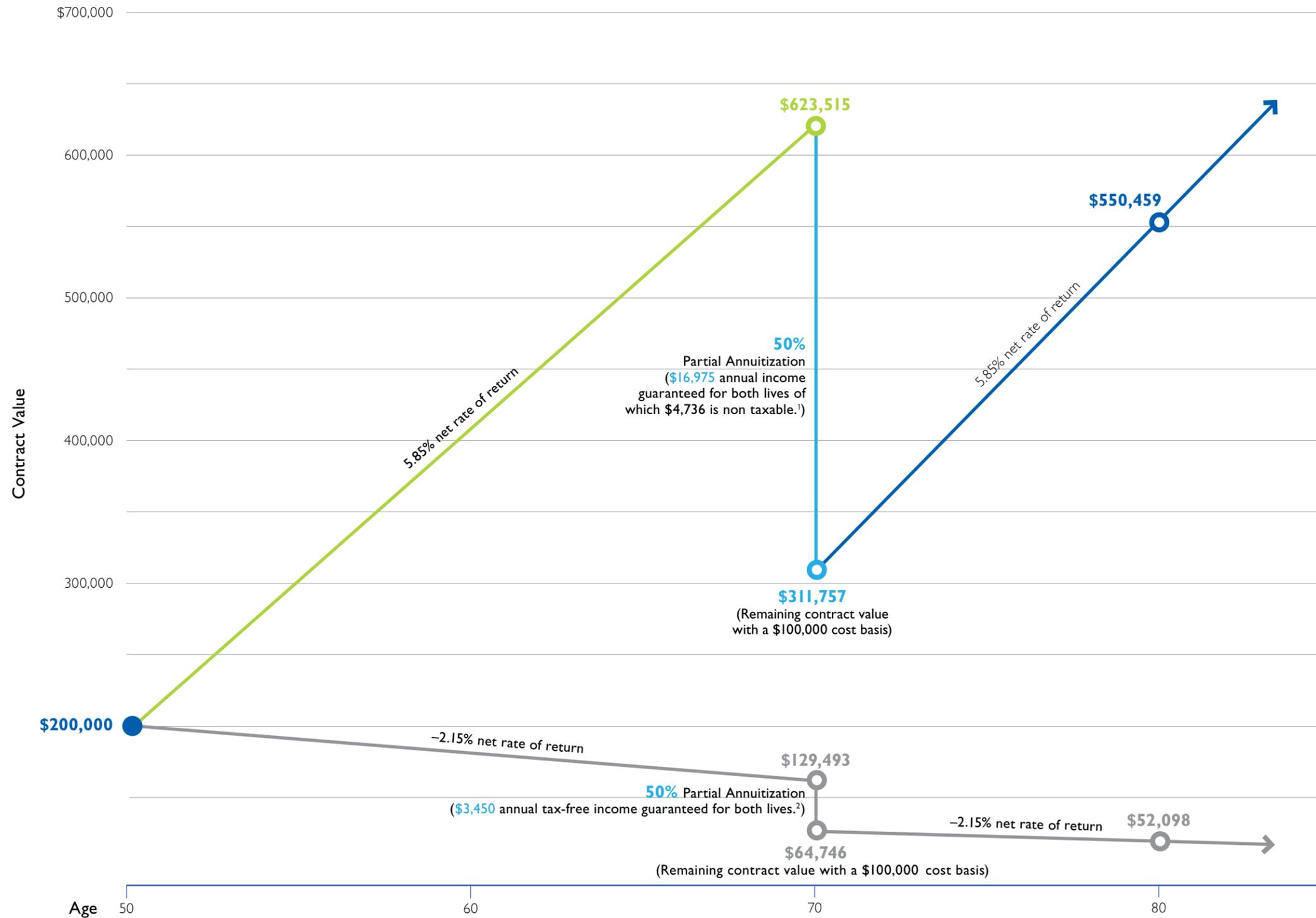
<sup>1</sup>Hypothetical returns are not guaranteed and do not represent performance of a particular investment. Actual performance of the investment will vary.

<sup>2</sup>The cost for Pacific Choice is based on the 5-Year Withdrawal Charge Option (standard death benefit) and includes contract-level charges, (annual mortality & expense risk and administrative fees). A \$50 annual contract charge applies, but is waived if net contract value is \$50,000 or greater. Pacific Choice is also available in 3-year and 0-year options which are subject to higher fees and expenses that will impact contract values and income received from annuitization.

<sup>3</sup>Average Portfolio Annual Expense for a Pacific Life Variable Annuity as of May 1, 2015.

# JOHN AND MARY'S STRATEGY

They invest \$200,000, which is only a portion of their assets, into a Pacific Choice nonqualified variable annuity and partially annuitize the contract at age 70.



## Their Results

Assuming a 5.85% net rate of return (8% gross before fees), their tax-deferred annuity would grow to \$623,515 by age 70.

At this point, they initiate a partial annuitization of \$311,757 (50% of \$623,515 contract value) under a Joint Life Only payout option. Their annual guaranteed income is almost \$17,000 per year, of which \$4,736 per year is non-taxable until their \$100,000 cost basis has been returned because of a 27.9% exclusion ratio.<sup>1</sup>

Continuing the assumption of a 5.85% net return, the remainder of their contract (\$311,757) would grow to \$550,459 by age 80. This portion that was not withdrawn can continue to provide tax-deferred growth potential, and be used for withdrawals or another partial annuitization.

In this scenario, the contract values with a -2.15% net rate of return (0% gross before fees) would be \$129,493 at age 70 and \$52,098 at age 80. A partial annuitization of \$64,746 (50% of \$129,493 contract value) under a Joint Life Only payout option at age 70 would generate an annual payment amount of \$3,450 per year, all of which is non-taxable because of a 100% exclusion ratio.<sup>2</sup>

A hypothetical example illustrating the potential benefits of partial annuitization. This illustration is intended to show how the performance of the underlying investment options, fees and charges could affect the annuity's contract value and contractual benefits, and is not intended to predict or project investment results.

<sup>1</sup>Partial annuitization assumes a 27.9% exclusion ratio (\$4,736 non-taxable portion of the \$16,975 annualized annuity payment; assumes \$100,000 cost basis as 50% of the original \$200,000 investment was annuitized and 50% was left in the deferred variable annuity). The annuity income payment as a result of partial annuitization is hypothetical. Your payment may be different.

<sup>2</sup>Partial annuitization assumes a 100.0% exclusion ratio (\$3,450 non-taxable portion of the \$3,450 annualized annuity payment; assumes \$100,000 cost basis as 50% of the original \$200,000 investment was annuitized and 50% was left in the deferred variable annuity). The annuity income payment as a result of partial annuitization is hypothetical. Your payment may be different.

## 5.85% Net Annual Return (8% gross before fees)

Age	Contract Year	Purchase Payment	Contract Value	Surrender Value	Partial Annuitization <sup>1</sup>	Annual Income for Life	Cumulative Annual Payments	Death Benefit Amount
50	0	\$200,000						
51	1		\$211,700	\$199,100				\$211,700
52	2		\$224,084	\$211,484				\$224,084
53	3		\$237,193	\$226,393				\$237,193
54	4		\$251,069	\$242,069				\$251,069
55	5		\$265,757	\$260,357				\$265,757
56	6		\$281,304	\$281,304				\$281,304
57	7		\$297,760	\$297,760				\$297,760
58	8		\$315,179	\$315,179				\$315,179
59	9		\$333,617	\$333,617				\$333,617
60	10		\$353,133	\$353,133				\$353,133
61	11		\$373,792	\$373,792				\$373,792
62	12		\$395,658	\$395,658				\$395,658
63	13		\$418,804	\$418,804				\$418,804
64	14		\$443,304	\$443,304				\$443,304
65	15		\$469,238	\$469,238				\$469,238
66	16		\$496,688	\$496,688				\$496,688
67	17		\$525,744	\$525,744				\$525,744
68	18		\$556,500	\$556,500				\$556,500
69	19		\$589,056	\$589,056				\$589,056
70	20 <sup>2</sup>		\$623,515	\$623,515	\$311,757	\$16,975	\$16,975	\$623,515
71	21		\$329,995	\$329,995		\$16,975	\$33,950	\$329,995
72	22		\$349,299	\$349,299		\$16,975	\$50,925	\$349,299
73	23		\$369,733	\$369,733		\$16,975	\$67,900	\$369,733
74	24		\$391,363	\$391,363		\$16,975	\$84,875	\$391,363
75	25		\$414,258	\$414,258		\$16,975	\$101,849	\$414,258
76	26		\$438,492	\$438,492		\$16,975	\$118,824	\$438,492
77	27		\$464,143	\$464,143		\$16,975	\$135,799	\$464,143
78	28		\$491,296	\$491,296		\$16,975	\$152,774	\$491,296
79	29		\$520,037	\$520,037		\$16,975	\$169,749	\$520,037
80	30		\$550,459	\$550,459		\$16,975	\$186,724	\$550,459

Annuity Payout Option	Annual Payout Rate	Annual Annuity Payment Amount	Exclusion Ratio
Joint Life Only	5.44%	\$16,975	27.9%

Values are based on a Pacific Choice nonqualified variable annuity contract using the 5-year option (standard death benefit). Hypothetical Gross 8% (5.85% after fees). Example assumes no withdrawals, except for the Partial Annuitization amount. Actual values and fund expenses may be higher or lower than those shown based upon the actual funds chosen as investment options under the contract. The annual payout rate used to illustrate partial annuitization is based on the single premium immediate annuity offered by Pacific Life as of 4/13/2015 and the rate is subject to change at any time.

### ASSUMPTIONS

- Initial Investment: \$200,000
- Average Annual Fund Fee: 0.95% (as of 5/1/2015)
- M&E: 0.95% (max)
- Administrative: 0.25%
- Annual Contract Fee: \$50 (waived if net contract value is equal to or greater than \$50,000.)
- CDSC: 7%, 7%, 6%, 5%, 3%, 0% (based on age of Purchase Payments)

<sup>1</sup>Portion of contract value that was partially annuitized.

<sup>2</sup>In contract year 20, the contract value, surrender value and death benefit amount shown on the table are the values before the partial annuitization takes place.

## -2.15% Net Annual Return (0% gross before fees)

Age	Contract Year	Purchase Payment	Contract Value	Surrender Value	Partial Annuitization <sup>1</sup>	Annual Income for Life	Cumulative Annual Payments	Death Benefit Amount
50	0	\$200,000						
51	1		\$195,700	\$183,100				\$200,000
52	2		\$191,492	\$178,892				\$200,000
53	3		\$187,375	\$176,575				\$200,000
54	4		\$183,347	\$174,347				\$200,000
55	5		\$179,405	\$174,005				\$200,000
56	6		\$175,548	\$175,548				\$200,000
57	7		\$171,773	\$171,773				\$200,000
58	8		\$168,080	\$168,080				\$200,000
59	9		\$164,467	\$164,467				\$200,000
60	10		\$160,930	\$160,930				\$200,000
61	11		\$157,470	\$157,470				\$200,000
62	12		\$154,085	\$154,085				\$200,000
63	13		\$150,772	\$150,772				\$200,000
64	14		\$147,530	\$147,530				\$200,000
65	15		\$144,359	\$144,359				\$200,000
66	16		\$141,255	\$141,255				\$200,000
67	17		\$138,218	\$138,218				\$200,000
68	18		\$135,246	\$135,246				\$200,000
69	19		\$132,338	\$132,338				\$200,000
70	20 <sup>2</sup>		\$129,493	\$129,493	\$64,746	\$3,450	\$3,450	\$200,000
71	21		\$63,354	\$63,354		\$3,450	\$6,901	\$100,000
72	22		\$61,992	\$61,992		\$3,450	\$10,351	\$100,000
73	23		\$60,659	\$60,659		\$3,450	\$13,801	\$100,000
74	24		\$59,355	\$59,355		\$3,450	\$17,252	\$100,000
75	25		\$58,079	\$58,079		\$3,450	\$20,702	\$100,000
76	26		\$56,830	\$56,830		\$3,450	\$24,153	\$100,000
77	27		\$55,608	\$55,608		\$3,450	\$27,603	\$100,000
78	28		\$54,413	\$54,413		\$3,450	\$31,054	\$100,000
79	29		\$53,243	\$53,243		\$3,450	\$34,504	\$100,000
80	30		\$52,098	\$52,098		\$3,450	\$37,954	\$100,000

Annuity Payout Option	Annual Payout Rate	Annual Annuity Payment Amount	Exclusion Ratio
Joint Life Only	5.33%	\$3,450	100.0%

Values are based on a Pacific Choice nonqualified variable annuity contract using the 5-year option (standard death benefit). Hypothetical Gross 0% (-2.15% after fees). Example assumes no withdrawals, except for the Partial Annuitization amount. Actual values and fund expenses may be higher or lower than those shown based upon the actual funds chosen as investment options under the contract. The annual payout rate used to illustrate partial annuitization is based on the single premium immediate annuity offered by Pacific Life as of 4/13/2015 and the rate is subject to change at any time.

**Contract Value:** The hypothetical value of the variable annuity at the end of the contract year after any applicable fees and charges have been deducted.

**Surrender Value:** Reflects the deduction of any applicable withdrawal charges.

**Net Annual Return:** Calculates the increase or decrease in the contract value over each contract year (excluding decreases in contract value due to withdrawals and any applicable withdrawal charges). It does include the deduction of fees and charges including optional rider charges.

**Death Benefit:** The hypothetical value of the death benefit payable at the end of the contract year.

**Exclusion Ratio:** The portion of the payment that will be considered "return of principal" and, therefore, not taxable. When the principal (initial investment) is depleted, subsequent annuity income payments will be fully taxable.

# IMPORTANT CONSIDERATIONS

It's important to be aware of the following facts regarding partial annuitization:

- **Annuitization is generally irrevocable** – After you annuitize, you generally cannot stop payments, change the payment amount, or change the timing of payments. However, you may do more than one partial annuitization on a contract.
- **Legacy reduced** – A partial annuitization is considered a withdrawal from your contract, which will reduce your contract's death benefit amount on a proportionate basis. Note that withdrawal charges are waived upon partial annuitization.
- **Age consideration** – Some annuity payout options, if requested prior to age 59½, may be subject to an additional 10% federal tax.
- **Timing** – Partial annuitization cannot be elected during your first contract year. The annuity payout option selected must be for either (1) a period of 10 years or more or (2) over the life of a single annuitant or over two lives of joint annuitants.

Partial annuitization is treated as a withdrawal and will reduce the contract value by the amount that is annuitized. Additionally, for contracts that hold an optional living or death benefit rider, partial annuitization may reduce the benefits guaranteed under the rider depending on each rider's features and the amount that is annuitized.

## Talk with Your Financial Advisor

As you plan for retirement, you and your financial advisor can consider strategies to:

- Grow your retirement assets.
- Ensure you'll have steady, reliable retirement income.
- Access your contract value.
- Manage your contract fees.
- Manage your taxes.

Your financial advisor can provide more details about how a variable annuity, and the option of flexible income through partial annuitization, may be right for you to help you achieve these goals.



## Visit Us Online and Use the Tax Deferral Analyzer

Now there's an interactive way to see what the power of tax deferral and flexible income could mean for your retirement savings and income goals. Visit Pacific Life online and use the Tax Deferral Analyzer.



Personalize the analysis using your own information.

See the effect of tax-deferred growth potential.



Learn more about flexible income.

To get started, visit [www.PacificLife.com](http://www.PacificLife.com) and select “Annuities.”

The Pacific Life Tax Deferral Analyzer is not a comprehensive financial plan or strategy, and it should not be the sole means of determining such a plan or strategy. We recommend that you use this calculator as a guideline only and ultimately seek the guidance of an experienced professional.

Talk with your financial advisor today.  
Or visit Pacific Life at [www.PacificLife.com](http://www.PacificLife.com).

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***This material must be preceded or accompanied by the product prospectus. Contact your financial advisor or visit [www.PacificLife.com](http://www.PacificLife.com) for more information, including product and underlying fund prospectuses that contain more complete information about Pacific Life and a variable annuity's risks, charges, limitations, and expenses, as well as the risks, charges, expenses, and investment goals of the underlying investment options. Read them carefully before investing.***

Under current law, a nonqualified annuity that is owned by an individual is generally entitled to tax deferral. IRAs and qualified plans—such as 401(k)s and 403(b)s—are already tax-deferred. Therefore, a deferred annuity should be used only to fund an IRA or qualified plan to benefit from the annuity's features other than tax deferral. These include lifetime income, death benefit options, and the ability to transfer among investment options without sales or withdrawal charges.

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Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company. Insurance products are issued by Pacific Life Insurance Company in all states except New York and in New York by Pacific Life & Annuity Company. Product availability and features may vary by state. Each insurance company is solely responsible for the financial obligations accruing under the products it issues. Insurance product and rider guarantees, including optional benefits and any fixed subaccount crediting rates or annuity payout rates, are backed by the financial strength and claims-paying ability of the issuing insurance company and do not protect the value of the variable investment options. They are not backed by the broker/dealer from which this annuity is purchased, by the insurance agency from which this annuity is purchased, or any affiliates of those entities, and none makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

Variable insurance products are distributed by **Pacific Select Distributors, LLC** (member FINRA & SIPC), a subsidiary of Pacific Life Insurance Company (Newport Beach, CA) and an affiliate of Pacific Life & Annuity Company, and are available through licensed third parties.

Contract Form Series: 10-1252, 10-2252-13, ICC12:10-1252, 10-1253, 10-2253-13, ICC12:10-1253  
VAC0870-1217

Mailing addresses:

Pacific Life Insurance Company  
P.O. Box 2378  
Omaha, NE 68103-2378  
(800) 722-2333

In New York, Pacific Life & Annuity Company  
P.O. Box 2829  
Omaha, NE 68103-2829  
(800) 748-6907

