



# PACIFIC SECURE INCOME<sup>®</sup>

## A Fixed, Deferred Income Annuity as a Qualified Longevity Annuity Contract

### What is a fixed, deferred income annuity (DIA)?

A fixed, deferred income annuity (DIA) is a long-term contract designed for retirement that can generate guaranteed income for life that begins on a future date chosen by you, the contract owner. It can be purchased with one or multiple purchase payments.

### What is a qualified longevity annuity contract (QLAC)?

A QLAC is a DIA that is funded with qualified pretax retirement assets and can start payments later than age 70½ (which is the required beginning date), but no later than age 85.

Before QLACs became available, IRA assets used to purchase a DIA were included in the calculation of required minimum distribution (RMD) amounts, which meant you had to start taking income from the DIA at age 70½, even if you didn't need the income and wanted to continue to defer income payments.

### Why was a QLAC created?

On July 1, 2014, the IRS released the final regulations for QLACs. The main goal of the guidance is to provide you more options to manage retirement income by making DIAs more accessible to retirement plans (i.e., IRAs) so that you don't outlive your retirement assets.

### How does a QLAC impact the RMD amount?

An RMD is the amount that owners of traditional IRAs, SIMPLE IRAs, SEP-IRAs, and qualified plan participants generally must begin distributing from their retirement accounts by the required beginning date (that is, April 1 following the year they reach age 70½).

The QLAC regulations state that assets in a fixed DIA specifically designated as a QLAC will not be included in the calculation of RMDs. This means that payment can be deferred beyond the required beginning date up to age 85, and in your earlier years, the RMDs will be smaller and may result in lower taxes.

### How does a QLAC help protect against outliving retirement assets?

Income from a DIA specifically designated as a QLAC can be deferred up to age 85 and is guaranteed for life. The longer QLAC income payments are deferred, the greater they will be.

### What is the maximum purchase payment limit for a Pacific Secure Income QLAC?

As of 2018, the maximum QLAC purchase payment limit is the lesser of:

- \$130,000 (indexed for inflation)
- Or
- 25% of aggregated IRA account values (including existing QLAC purchases, subject to inflation) as of 12/31 of the prior year.

#### Hypothetical example:

If you have two traditional IRAs valued at a total of \$400,000 as of 12/31 of the prior year, the maximum QLAC purchase payment limit would be \$100,000.

- $400,000 \times 25\% = \$100,000$ , which is less than \$130,000.

Pacific Secure Income as a qualified longevity annuity contract may not be available in all states or at all firms. For further details, please see the *Pacific Secure Income Client Guide* and fact sheet.

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**

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**What qualified retirement plan assets can be used to purchase a QLAC?**

You can allocate a portion of your qualified assets from an IRA (including SEP and SIMPLE IRAs), 401(k), 403(b), and governmental 457(b) to purchase a QLAC. Roth IRAs and defined benefit plans are excluded. Currently, the Pacific Secure Income QLAC can only accept IRA assets.

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**If a QLAC can be purchased with most qualified retirement plan assets, why does Pacific Secure Income accept only IRA assets?**

In order for a QLAC to be purchased with employer-sponsored retirement plan assets, it must be purchased inside of the employer-sponsored plan. Pacific Life does not administer employer-sponsored retirement plans and therefore cannot accept or take in to consideration those assets for a Pacific Secure Income QLAC purchase.

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**What is the maximum age I must start taking income from a QLAC?**

Age 85

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**What annuity payout options are available with Pacific Secure Income as a QLAC?**

The annuity payout options are:

- Single Life, Joint Life, and Joint and Survivor Life Only.
- Single Life, Joint Life, and Joint and Survivor Life with Cash Refund.
- Single Life, Joint Life, and Joint and Survivor Life with 100% Return of Purchase Payments.

With Pacific Secure Income, only spouses are permitted to elect the Joint Life options and must be named joint annuitants.

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**Does a QLAC offer any liquidity?**

A QLAC does not allow for withdrawal from the contract or other similar benefits such as payment acceleration or commutation.

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**What death benefit options are available?**

If death occurs **before** annuity income payments begin, your surviving spouse or beneficiaries will receive an amount equal to 100% of your purchase payments. This is called a return of purchase payments death benefit. It is available only with the Life with 100% Return of Purchase Payments and Life with Cash Refund annuity income options. It is not available with Single Life only, Joint Life only, and Joint and Survivor Life Only annuity income options.

- For Single Life options: The contract is terminated at the death of the owner, and a return of purchase payments death benefit is paid (except for the Life Only annuity income option).
- For Joint Life as well as the Joint and Survivor Life options: The contract is terminated at the death of the first owner or the last annuitant, and a return of purchase payments death benefit is paid (except for the Joint Life Only and Joint and Survivor Life Only annuity income options). At the time of death, since the surviving spouse is an annuitant, the spouse can continue the contract instead of receiving the death benefit.

If death occurs **on or after** the Annuity Payment Start Date, the selected annuity income option will determine any additional payments made.

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**Can the beneficiary roll over or transfer the return of purchase payments death benefit?**

Yes. The return of purchase payments death benefit can be rolled to a surviving spouse beneficiary's own IRA or transferred by a non-spousal beneficiary to an inherited IRA. This may occur only if the annuitant's death occurs before the required beginning date, before April 1 of the year following attainment of age 70½. If the annuitant's death occurs after the required beginning date, then the return of purchase payments death benefit will be treated as an RMD, and therefore is not eligible for spousal rollover or the establishment of an inherited IRA.

Talk to your financial professional today about  
Pacific Secure Income as a qualified longevity annuity contract  
or visit our website at [www.PacificLife.com](http://www.PacificLife.com).

Pacific Life, its affiliates, their distributors, and respective representatives do not provide tax, accounting, or legal advice. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor or attorney.

*Pacific Life is a product provider. It is not a fiduciary and therefore does not give advice or make recommendations regarding insurance or investment products.*

Qualified contracts, including traditional IRAs, Roth IRAs, and QLACs are eligible for favorable tax treatment under the Internal Revenue Code (IRC). Certain payout options and certain product features may not comply with various requirements for qualified contracts, which include required minimum distributions and substantially equal periodic payments under IRC Section 72(t). Therefore, certain product features, including the ability to change the Annuity Payment Start Date and exercise withdrawal features, may not be available or may have additional restrictions. The Income Payment Acceleration feature is available but may be considered a modification to the 72(t) program and may subject the series of 72(t) withdrawals, including any prior withdrawals, to an additional 10% federal tax. In addition, certain payout options may not be available for qualified contracts or QLACs.

Pacific Secure Income can be used as a qualified longevity annuity contract (QLAC), subject to state and firm availability. In order for the contract to be eligible as a QLAC, certain requirements under Treasury Regulations must be met, including limits on the total amount of purchase payments that can be made to the contract. Compliance with the QLAC purchase payments limit is the owner's responsibility, and failure to adhere may result in the contract no longer being considered a QLAC, and would subject the value of the QLAC to required minimum distribution requirements that may not be accessible through the contract. In addition, there are restrictions on annuity payout options that can be elected under a QLAC contract, and the commutation, payment acceleration, and inflation protection features are not available. Changes to marital status may require a change to the annuity payout options and/or payments in order to maintain the QLAC status.

Income from annuity payments received from Pacific Secure Income cannot be aggregated or combined with income from other IRA contracts/assets for purposes of satisfying the required minimum distributions.

For Roth IRAs, upon the Roth IRA owner's death, distributions to the designated beneficiaries may be subject to the required minimum distribution rules. If the designated beneficiary is not the spouse, the beneficiary may be required to take a lump sum payment of the present value of the guaranteed payments if a death benefit becomes available. For the purpose of qualified distributions from a Roth IRA, since the 5-year waiting period is tracked by the Roth IRA holder, the designated beneficiary and/or spouse who elects to treat the Roth IRA as his or her own will also need to take on this responsibility going forward when claiming qualified distributions.

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 guarantees, including optional benefits and any fixed crediting rates or annuity payout rates, are backed by the financial strength and claims-paying ability of the issuing insurance company. They are not backed by the independent third party from which this annuity is purchased, including the broker/dealer, 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.

Fixed annuities issued by Pacific Life (Newport Beach, CA) are available through licensed, independent third parties.

Contract Form Series: 30-1294, 30-2294, 30-1305NJ, ICC14:30-1308  
Endorsement: 15-1400, ICC15:15-1400, 15-2400

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3 of 3

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