

Financial Terms

Terminology used by experienced financial professionals every day may be confusing and leave some investors feeling uncertain. Review this guide before you meet with a financial professional to discuss planning for your retirement. The more you know, the easier it will be to make a plan that meets your needs.

Active Management	Specific investments made by a portfolio manager with the goal of outperforming an investment gauge.
Asset Allocation	Dividing investments among different types of asset classes, such as stocks, bonds, and cash.
Basis Point	One hundredth of a percentage point (0.01%). For example, the difference between 1.25% and 1.50% would be 25 basis points.
Capital Appreciation	An increase in the market price of an asset.
Cash Flow	The receipt and disbursement of money.
Cost-of-Living Adjustment (COLA)	Periodic increase in wages or salaries to compensate for the loss in purchasing power of money as a result of inflation.
Diversification	Spreading investments among different types of companies, industries, or asset classes to reduce risk.

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Dollar Cost Averaging	Seeks to even out market fluctuations by automatically investing a set amount over a predetermined period of time, regardless of changing prices.
Equities	Financial instruments that signify ownership interest in a company and represent a claim on part of the company's assets after higher-priority creditors have been paid. Equities are commonly called "stocks."
Fixed-Income Securities	Investments, such as bonds, that pay regular income in the form of a coupon payment, interest payment, or preferred dividend.
Gross Income	Total income before taxes or other deductions are subtracted.
Inflation	A general increase in prices and loss of the purchasing value of money.
Liquidity	The ability to convert an asset into cash quickly and without affecting its price.
Load	A sales charge added to the purchase or sale of some financial products, such as mutual funds or annuities.



Maturity

The final payment of a loan or other financial instrument, at which point the principal (and all remaining interest) is due to be paid.

Net Income

Total income after taxes or other deductions have been subtracted.

Passive Management

A style of money management in which a portfolio mirrors a market index.

Principal

The original investment plus any subsequent purchase payments.

Retirement Distribution

Withdrawing funds from a retirement savings plan during retirement.

Sequence of Returns

A series of investment returns, usually expressed annually.

Tax-Deferred Account

An account that can earn dividends, interest, and capital gains that are not subject to annual income tax. Taxes are due only when distributions are taken from the account.



Ask your financial professional for more information,
and take advantage of Pacific Life's retirement resources
at [PacificLife.com](https://www.pacificlife.com).

Women. Confidence. Retirement.

This informational guide is created for educational purposes only. The guide includes some of the most commonly used words, but it is not an exhaustive list.

VLC0862-0219



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