GENERATE FUTURE RETIREMENT INCOME

Using a Fixed Indexed Annuity with an Optional Benefit

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WHAT MIGHT YOU FACE IN RETIREMENT?

During your working years, you are likely focused on saving for the future. Preparing for your retirement expenses now may help you address the transition to retirement in the future.

As you develop your retirement strategy, it's important to determine how you will protect and grow your assets.

Things to Consider

- How can I create sustainable income that I cannot outlive?
- Will I have enough to cover all my necessary expenses?
- Is there a way to continue to grow my assets to help outpace inflation?

Working with your financial professional, you may find it is best to diversify some of your assets into income-generating products. Doing so may allow you to manage the challenges you'll face in retirement so that you can optimize cash flow and sustain it for life.

Product Overview

Fixed annuities are long-term contracts designed for retirement. With a fixed indexed annuity, you are not invested in the market and therefore will never lose your principal because of market performance. A fixed indexed annuity may be right for you if you are looking for:

- **Tax deferral.**
- **Growth potential without being invested in the market.**
- **Lifetime income.**
- **Safety of principal.**
- **Access to your money.**
- **A death benefit for beneficiaries.**

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 and a market value adjustment (MVA) also may apply. Withdrawals will reduce the contract value, guaranteed minimum surrender values, and the value of the death benefit and may reduce the value of any optional benefits.

Guarantees, including optional benefits, are subject to the issuing company's claims-paying ability and financial strength.

MEET JACK AND LESLIE GREENE

- Both age 60.
- Married and planning to retire in 10 years.
- Have a $750,000 investment portfolio[1] that does not provide guaranteed income.

Goals

Reallocate a portion of their portfolio to:

- Protect against market declines.
- Receive predictable income for life.
- Cover necessary expenses.
- Provide income to keep pace with inflation.

Estimated Retirement Income Needs (Annually)

Expected Income (Social Security)	**Planned Expenses** (Housing, groceries, utilities, etc.)	**Retirement Income Gap** (income – expenses)
$20,000	**($50,000)**	**($30,000)**

Where Will They Get the Money?

What is an efficient way for the Greenes to generate the annual $30,000 income gap from their hypothetical $750,000 investment portfolio? **Let's look at two scenarios.**

[1]An investment portfolio typically consists of a combination of mutual funds, stocks, bonds, and certificates of deposit (CDs).

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

SCENARIO 1

Generate Income Taking 4% Annually from Retirement Savings

100% Investment Portfolio	$750,000	4% Annual Withdrawal Rate	$30,000 Annual Income

- Meets the $30,000 income gap with a 4% annual withdrawal rate ($30,000 ÷ $750,000).
- Their investment portfolio generates 60% of the income needed to pay for planned expenses ($30,000 ÷ $50,000).
- There is no guaranteed lifetime income. The withdrawal amount may fluctuate with the value of their portfolio, and the $750,000 may not last a lifetime.

For illustrative purposes only. These hypothetical examples do not reflect a specific actual portfolio or the impact of taxes. The examples assume a 0% net rate of return and no additional purchase payments or withdrawals. Your results may vary.

SCENARIO 2 Generate Income by Adding a Fixed Indexed Annuity Solution

75% Investment Portfolio	**$562,500**	**2.5% Annual Withdrawal Rate**	**$14,063**	**$30,000 Annual Income**
25% Fixed Indexed Annuity	**$187,500**	**5% Annual Withdrawal after 10 Years**	**$15,937**	

By allocating 25% of their $750,000 investment portfolio to a Pacific Life fixed indexed annuity with an optional guaranteed minimum withdrawal benefit, the Greenes:

- **Reduce the investment portfolio withdrawal rate from 4% to 2.5%** ($14,063 ÷ $562,500) and still meet the $30,000 income gap. This approach is more conservative than scenario 1 and increases the chances they will be able to sustain that withdrawal rate.
- **Lower their dependence on income from their investment portfolio from 60% to 28%** ($14,063 ÷ $50,000) and reduce exposure of the investment portfolio to market fluctuations.
- **Guarantee 53% of their annual income for life** ($15,937 ÷ $30,000), providing more income to help offset the income gap left after they receive Social Security income.

The clients purchased a Pacific Life fixed indexed annuity with an optional guaranteed minimum withdrawal benefit, which has an additional cost of 0.75% (maximum charge of 1.50%) of the protected amount, deducted annually from the contract value. This benefit offers an annual 7% simple interest credit added to the protected amount ($13,125 annually) while the clients defer taking income. After 10 years, the protected amount grew from $187,500 to $318,750. Beginning at age 70, Jack and Leslie withdraw 5% annually based on the $318,750 protected amount. The starting value of the protected amount is equal to the initial purchase payment. It is not a contract value and may not be withdrawn as a lump sum. The 7% is not a rate of return and is not added to the contract value.

With the help of a fixed indexed annuity, the Greenes have generated $15,937 in guaranteed lifetime income and improved their chances of achieving their retirement goals.

This hypothetical example assumes no changes to marital status, beneficiary, or the charge for the guaranteed minimum withdrawal benefit took place during the period. Guaranteed minimum withdrawal benefit withdrawals are not annuity payouts. Annuity payouts generally receive a more favorable tax treatment than other withdrawals. The guaranteed minimum withdrawal benefit does not guarantee a rate of return or growth rate.

To learn more about using Pacific Life fixed indexed annuities and optional benefits to help create lifetime retirement income, contact your financial professional.

Pacific Life's fixed indexed annuities are not available in New York. Please refer to the appropriate fixed indexed annuity client guide and Contract Summary for more information.

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.

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 and death benefit options.

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 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, 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.

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

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