PACIFIC LIFE

HELP ENHANCE HEIRS' INHERITANCES

Using a Roth IRA with the Optional Earnings Enhancement Death Benefit (EEDB)

If you're planning to pass assets to your heirs, funding a Roth IRA using a Pacific Life variable annuity with the optional Earnings Enhancement Death Benefit (EEDB) may be a strategy to consider.

What Is a Variable Annuity?

A variable annuity is a long-term contract that provides lifetime income options, a guaranteed death benefit to protect beneficiaries, and the ability to transfer among investment options tax-free. It also offers the potential to grow assets. In addition, Pacific Life variable annuities offer features such as asset allocation and optional principal protection. All guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company and do not protect the value of the variable investment options, which are subject to market risk.

What Is a Roth IRA?

Roth IRAs differ from traditional IRAs in one key way: The contributions you make to a Roth account are with money that has already been taxed. Other differences are:

- You cannot deduct contributions to a Roth IRA on your income taxes.
- If you satisfy the requirements, qualified distributions are tax-free.
- You can leave amounts in your Roth IRA as long as you live.
- The account or annuity must be designated as a Roth IRA when it is set up.

What Is a Qualified Roth Distribution?

A Roth IRA provides the opportunity to create a "qualified Roth distribution," which is income-tax-free. A qualified Roth distribution requires that the distribution meets both of the following criteria:

1. **Made at or after an individual reaches age 59½ or for one of the following additional reasons:**
   - To a beneficiary or the estate of the owner at or after the owner's death.
   - If the owner becomes disabled.
   - For a qualified first-time home-buyer expense.
2. **Made after a five-tax-year holding period.**

A qualified distribution during life can provide nontaxable income distributions. At death, if these requirements have been met, assets can pass to the Roth IRA beneficiaries with no income-tax consequences. If the five-tax-year holding requirement has not been met, there may be tax consequences for distributions.

Recent tax-law changes limit the time period for certain IRA beneficiaries to take distributions. If distributions are taxable, they may be taxed at a higher rate due to the shorter time period. A qualified Roth distribution avoids this challenge.

How Do I Fund a Roth IRA?

One of the challenges with choosing a Roth IRA as an accumulation vehicle is that money positioned in the Roth IRA must be after-tax funds. There may be certain economic and market conditions that enhance the value of moving money from your current retirement funds to a Roth IRA through a Roth conversion. Before you decide to convert your traditional IRA to a Roth IRA, you should also consult with your legal or tax advisor about your specific situation and evaluate if a conversion is right for you.

If you are having a lower-than-normal income year so that your **taxable income is less than it normally would be**, the Roth conversion amount would add to a lower base.

If you are converting funds from a company 401(k) plan, a down market may provide the opportunity to **move assets at depressed values** and have them recover inside the Roth IRA, bringing down the overall tax cost.

Taking advantage of these opportunities may enhance the value of assets available to be distributed without creating additional income taxes during your life and after death as assets pass to beneficiaries.

How Can the Optional Earnings Enhancement Death Benefit (EEDB) Help?

Designed to enhance the contract value death benefit or optional Stepped-Up Death Benefit with a Pacific Life variable annuity, EEDB helps offset any potential income-tax liability and may provide additional tax-free Roth IRA proceeds to your beneficiaries.

The percentage of the benefit is based on the owner/annuitant's age when the optional benefit is purchased and will be added to the death benefit amount.

For Owners/Annuitants Age 69 or Younger: An optional EEDB will provide an enhanced death benefit of 40% of earnings.

For Owners/Annuitants Ages 70 to 75: An optional EEDB will provide an enhanced death benefit of 25% of earnings.

Hypothetical Optional EEDB Examples (Owner Age 69 or Younger at Purchase)

	Contract Value Death Benefit with an Optional EEDB and Earnings	Contract Value Death Benefit with an Optional EEDB and without Earnings
Purchase Payment	**$150,000**	**$150,000**
Contract Value at Time of Death	**$200,000**	**$150,000**
Earnings	**$50,000**	**$0**
Optional EEDB Amount	**$20,000** ($50,000 x 40%)	**$0**
To Beneficiaries	**$220,000** ($200,000 + $20,000)	**$150,000**

You can purchase an optional EEDB for an additional cost of 0.25% of the contract value annually, provided that you—as the Roth IRA owner of the variable annuity—are age 75 or younger at contract issue. The election to purchase an optional EEDB can be made only at contract issue and is irrevocable.

If you purchase an EEDB optional benefit, an annual charge will be deducted from your contract value on each contract anniversary. The contract must have growth in excess of the remaining purchase payments in order for an optional an EEDB to be applicable. If there are no earnings in the contract, no benefit will be paid, and you will have incurred the charge but not received a benefit. The optional EEDB amount is treated as earnings and may be taxable. In addition, the optional EEDB amount may affect the beneficiary's adjusted gross income and marginal income-tax bracket. Withdrawals from the contract will reduce any earnings and decrease the optional EEDB amount. The optional EEDB is not available in New York. The optional EEDB is unavailable with certain Pacific Life products.

If the Roth IRA was owned for more than five years prior to the death of the owner/annuitant and the qualified distribution requirements relating to the Roth IRA are met, the death benefit may pass tax-free to the beneficiary.

The Pacific Life beneficiary benefits will be calculated on the Notice Date, which is the day we receive, in proper form, proof of death and instructions regarding payment of proceeds for beneficiary benefits.

To learn more about the optional Earnings Enhancement Death Benefit, speak with your financial professional or visit our website.

PacificLife.com

Contract Form Series: ICC22:10-1352 (state variations may apply)
Rider Series: ICC12:20-1264, ICC14:20-1295 (state variations may apply)
VAC1760-1122W

PACIFIC LIFE

THE OFFICIAL SPONSOR OF RETIREMENT®