



# PACIFIC SECURE INCOME<sup>®</sup>

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



# HELP REDUCE TAXES AND INCREASE LIFETIME INCOME

In an era of increasing life spans, there is the strong possibility that you could spend as much time in retirement as you did working. That's why it's important to create a strategy that includes lifetime income with an opportunity to reduce taxes. One strategy is to establish Pacific Secure Income as a qualified longevity annuity contract (QLAC).

## Lower Your Required Minimum Distributions (RMDs)

An RMD is the annual amount that IRA owners must begin taking from their retirement accounts by no later than April 1 of the year following the calendar year they reach age 70½. Assets used to purchase a deferred income annuity (DIA) specifically as a QLAC will not be included in the calculation of your RMDs. As a result:

- Before you start receiving QLAC income, your RMDs are lower, which may equate to you paying less taxes.
- RMDs from QLAC assets can be deferred up to age 85.
- By deferring income to a later age, you may receive greater lifetime income payments.
- It can help provide future income for a surviving spouse.

Only deferred income annuities that meet Treasury regulations qualify as QLACs.

Guarantees, including optional benefits, are subject to the claims-paying ability and financial strength of the issuing insurance 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.

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

## How Much Can I Contribute to a QLAC?

You can allocate a portion of your qualified (pretax) retirement assets from a traditional IRA to purchase Pacific Secure Income as a QLAC. As of 2018, the maximum QLAC purchase payment limit is the lesser of:

- \$130,000 indexed for inflation (applies to the aggregate of all applicable retirement plan assets such as 401(k), 403(b), governmental 457(b), and IRAs).
- 25% of aggregated IRA account values (including existing QLAC purchases) 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 limit would be \$100,000.

IRA #1		IRA #2		MAXIMUM QLAC = \$100,000
\$200,000	+	\$200,000	➤	$\$400,000 \times 25\% = \$100,000$ which is less than \$130,000.

## QLAC IN ACTION

This hypothetical example compares the income and taxes of a QLAC strategy to a non-QLAC strategy.

### Meet Dave

Dave is 65 years old, and has total IRA assets of \$525,000, and is in the 30% tax bracket. He does not need to take income now and is looking to pay the least amount of taxes. But, he is interested in future guaranteed lifetime income to help pay potentially higher medical expenses.

### Strategy

- Purchase QLAC: \$130,000 with no additional purchase payments.
- Remaining IRA assets: \$395,000 (\$525,000 – \$130,000).
- Select the Single Life with Cash Refund annuity income option at the QLAC maximum Annuity Payment Start Date age of 85.
- RMDs starting at age 70½ are calculated on the remaining IRA account value, which has been growing at 6% from age 65 onward.

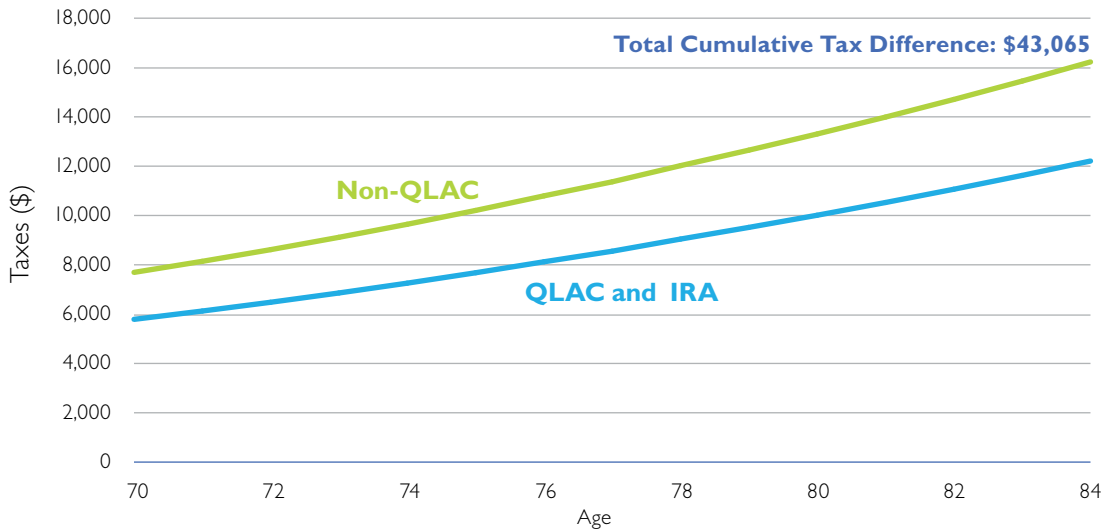
This case study is based on the assumptions provided, which include (but are not limited to): age, gender, purchase payment amount, selected payout option, and Annuity Payment Start Date. Your income payments may differ due to these factors. Additionally, outcomes may differ based on the amount of time that income is paid while the annuitant(s) is living.

**Let's look at the potential benefits of a QLAC strategy.**

# QLAC IN ACTION

This hypothetical example assumes IRA account growth at 6% annually. For illustrative purposes only.

## Tax Savings from Ages 70–84

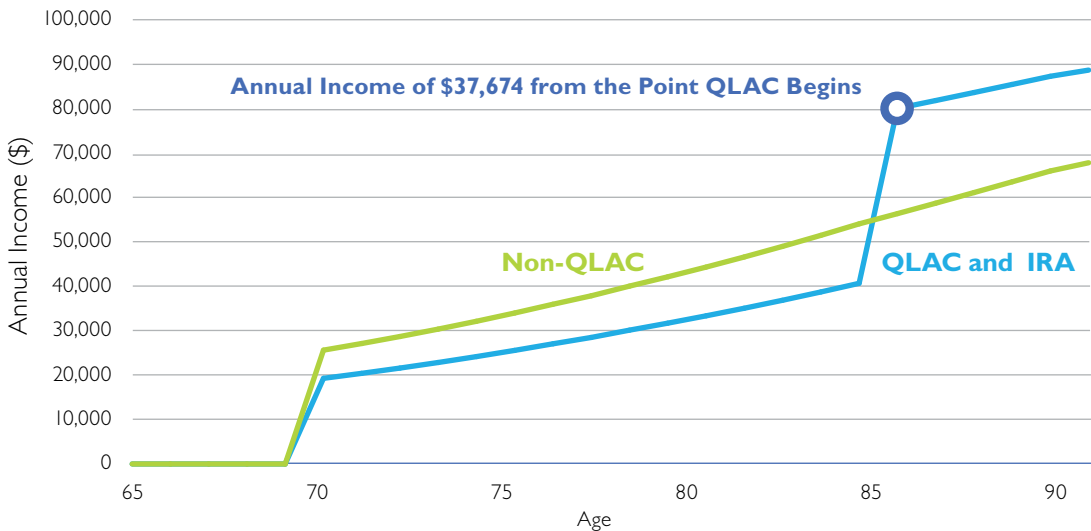


Prior to the QLAC income start date, Dave's taxes are consistently lower with the QLAC strategy. After 15 years, the total cumulative tax savings with the QLAC strategy is **\$43,065**.

Age
65–70
70½
71
72
73
74
75
76
77
78
79
80
81
82
83
84

## More Income Starting at Age 85

QLAC Income Begins



85
86
87
88
89
90

At age 85, the annual income dramatically increases because the QLAC produces an additional **\$37,674**. The QLAC income will be steady and is guaranteed for life.

<b>QLAC Strategy</b> <b>\$130,000 QLAC and \$395,000 IRA at 6% Growth</b>				<b>Non-QLAC Strategy</b> <b>\$525,000 IRA at 6% Growth</b>		<b>Annual Tax Savings (\$)</b>
<b>RMD Income from IRA (\$)</b>	<b>QLAC Income (\$)</b>	<b>Total Income (\$)</b>	<b>Taxes (\$)</b>	<b>RMD Income from IRA (\$)</b>	<b>Taxes (\$)</b>	
0	0	0	0	0	0	0
19,292	0	19,292	5,788	25,641	7,692	1,904
20,416	0	20,416	6,125	27,135	8,141	2,016
21,604	0	21,604	6,481	28,714	8,614	2,133
22,860	0	22,860	6,858	30,384	9,115	2,257
24,188	0	24,188	7,256	32,148	9,644	2,388
25,590	0	25,590	7,677	34,013	10,204	2,527
27,072	0	27,072	8,122	35,982	10,795	2,673
28,503	0	28,503	8,551	37,883	11,365	2,814
30,148	0	30,148	9,044	40,070	12,021	2,977
31,722	0	31,722	9,517	42,162	12,649	3,132
33,367	0	33,367	10,010	44,349	13,305	3,295
35,086	0	35,086	10,526	46,633	13,990	3,464
36,879	0	36,879	11,064	49,017	14,705	3,641
38,748	0	38,748	11,624	51,501	15,450	3,826
40,693	0	40,693	12,208	54,086	16,226	4,018
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="background-color: #0070C0; color: white; padding: 5px; border-radius: 10px; display: flex; align-items: center;"> <span>Cumulative Tax Savings</span> <span style="font-size: 2em; margin-left: 10px;">➤</span> </div> <div style="text-align: right;"> <span style="font-size: 1.5em; font-weight: bold; color: #0070C0;">\$43,065</span> </div> </div>						
42,425	37,674	80,099	24,030	56,388	16,916	23,711
44,195	37,674	81,868	24,560	58,740	17,622	23,128
45,995	37,674	83,669	25,101	61,133	18,340	22,536
47,821	37,674	85,494	25,648	63,559	19,068	21,935
49,662	37,674	87,335	26,201	66,006	19,802	21,329
51,056	37,674	88,729	26,619	67,859	20,358	20,870
						<span style="font-size: 1.5em; font-weight: bold; color: #0070C0;">\$133,509</span>
						<span style="font-weight: bold;">Total</span>



# GUARANTEED INCOME

At the time you purchase Pacific Secure Income as a QLAC, simply choose one of the following available payout options. You can choose the frequency that you receive your income payments—monthly, quarterly, semiannually, or annually—to help you meet your income needs and financial goals.

## Annuity Income Options

### Single Life

- Single Life Only
- Single Life Only with 100% Return of Purchase Payment(s) Death Benefit
- Single Life with Cash Refund

### Joint Life (Must Be Spouses)

- Joint Life Only
- Joint Life Only with 100% Return of Purchase Payment(s) Death Benefit
- Joint Life with Cash Refund

### Joint and Survivor Life (Must Be Spouses)

- Joint and Survivor Life Only
- Joint and Survivor Life Only with 100% Return of Purchase Payment(s) Death Benefit
- Joint and Survivor Life with Cash Refund

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. Annuity income options are subject to state and firm availability.

## Other Important Information

**Liquidity Limitations:** A QLAC does not allow for withdrawals from the contract or other similar benefits.

**Maintaining QLAC Status:** If you exceed QLAC purchase payment limitations (\$130,000 or 25% of your total IRA assets, whichever is less), the IRA owner must remove the excess premium by no later than the end of the calendar year following the year in which the excess premium was originally made. If the excess amount is not removed, the contract may fail to be a QLAC. It is the IRA owner's responsibility to make certain the limits are not exceeded.

# PROVIDE FOR YOUR SPOUSE AND HEIRS

While you're focused on planning for retirement, it's also important to provide for your family in the event of your death before and after your annuity income payments start.

## Before Annuity Income Payments Begin

If death occurs before annuity income payments begin, a return of purchase payments death benefit applies (except for the 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 first owner or annuitant, and a return of purchase payments death benefit is paid (except for the Single 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, if the surviving spouse is an annuitant, the spouse can continue the contract instead of receiving the death benefit.

## After Annuity Income Payments Begin

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

For further details, please see the *Pacific Secure Income Client Guide*.



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 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 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.

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 five-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, 30-1294NJ, 30-2294, ICC14:30-1308, 30-1305NJ, 30-2305  
Endorsement Series: 15-1400, ICC15:15-1400, 15-2400  
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Mailing addresses:

Pacific Life Insurance Company  
P.O. Box 2378  
Omaha, NE 68103-2378  
(800) 722-4448

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

