Taking Required Minimum Distributions

while Preserving a Financial Legacy

CASE STUDY

Fixed Annuities

Mutual Funds

PACIFIC LIFE

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What Might You Face in Retirement?

During your working years, you likely focused on saving for the future. As you now transition into retirement, there are unique challenges and questions that you may face.

- How will the market affect my savings?
- Will I be able to leave a financial legacy to my loved ones?
- How can I maintain my current level of income and still have access to my funds in case of an emergency?

Working with your financial advisor, you may find it is best to diversify your assets among multiple income products. Doing so may allow you and your financial advisor to manage the challenges you'll face in retirement so that you can balance your legacy and liquidity needs while optimizing your cash flow and sustaining it for life.

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Frank, age 71, and Maria, age 68

- Retired with two adult children
- Have a $959,000 investment portfolio that does not provide guaranteed income

Goals

- Meet Frank's IRA required minimum distribution (RMD) amount (the current year RMD is $10,528)
- Sustain $35,000 per year in income
- Reallocate a portion of their investment portfolio to receive guaranteed lifetime income
- Maximize the financial legacy for their children
- Maintain liquidity should they need to access more cash

Retirement Savings (Non-Guaranteed Income)	
IRA	$279,000
Mutual funds (current source of yearly income)	$680,000
Total	$959,000

The Challenge

Frank must start taking RMDs from his IRA but would like to receive predictable income for life. He also would like to grow his assets without market risk in order to preserve the assets for his children.

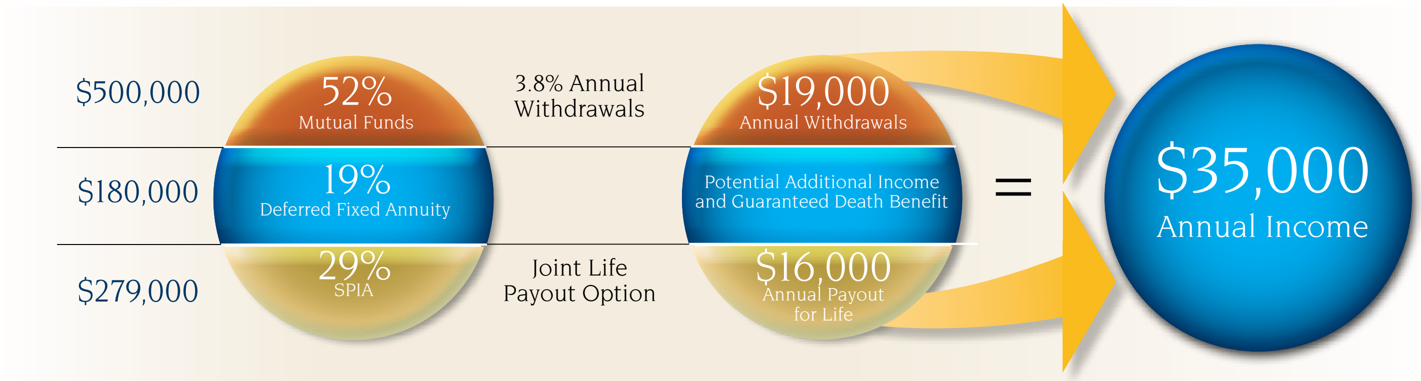
Let's see how Frank and Maria, together with their financial advisor, develop a retirement income strategy that helps them achieve their goals including meeting Frank's RMD requirement.

A Multiple-Product Solution

What may be an efficient way to help optimize Frank and Maria's $959,000 to meet their retirement savings goals? Currently, their investment portfolio does not provide guaranteed lifetime income or a guaranteed death benefit for their children. One solution is to supplement their mutual funds with deferred and immediate fixed annuities.

Your strategy may be different because you have your own unique circumstances and needs. There are different financial products available that your financial advisor can help you choose. It's important to note that there is no single approach that will work for everyone.

Let's look at the hypothetical scenario.



About this scenario:

- It meets the annual RMD requirement of $10,528.
- Along with the potential for additional income, the deferred fixed annuity provides a guaranteed death benefit for the beneficiaries so Frank and Maria can leave a financial legacy. This death benefit can grow as the contract earns interest over time.
- The single-premium immediate annuity (SPIA) ensures that 46% of the $35,000 annual income is guaranteed for both of their lives.
- The portion invested in mutual funds continues to provide income through systematic withdrawals and additional liquidity should they need to access more cash.

For illustration purposes only. This hypothetical illustration does not reflect a specific actual investment. The example assumes a 0% net rate of return and no additional investments into the mutual funds. The single-premium immediate annuity payment amount is for illustration purposes only. Payout amount as of November 2015. Actual payment will differ. Payout amounts are subject to change at any time. In general, RMDs are calculated by dividing the prior year's ending account balance by a life expectancy factor. The life expectancy factor for all owners, except for those with a sole beneficiary spouse more than 10 years younger, will be based on the owner's attained age during the year using the Uniform Lifetime Table in IRS Publication 590. This illustration is not related to any specific investment product and is for the purpose of showing the concept of taking an RMD. Specific features of an investment product may be adversely impacted by such distributions. Any applicable premium tax charges that would reduce the amount illustrated were not included. Premium taxes vary by state.

Products that Create Cash Flow

Mutual funds are made up of stocks, bonds, and/or other securities that are professionally managed by an investment company. These investments provide the potential for growth and allow access to your money, *but mutual funds do not provide a lifetime income guarantee*. Because values fluctuate, when redeemed, your investments may be worth more or less than the original cost.

A **deferred fixed annuity** is an interest-earning contract, issued by an insurance company that can offer the ability for your interest to grow tax-deferred and the stability of interest-rate guarantees, even during market volatility. It also offers a death benefit for your beneficiaries should death occur prior to converting the contract value to annuity income payouts. Generally, the death benefit equals the value of your deferred fixed annuity, including interest and minus any withdrawals.

However, these products may offer limited growth potential, and depending on the product chosen, limited access to your money for a period.

A **single-premium immediate annuity** offers guaranteed, pension-like income for your lifetime or for a specified period.

While immediate annuities offer consistent guaranteed income, it should be noted that they are irrevocable, and the selected payout option cannot be changed. They may not be appropriate if you need funds over and above the guaranteed income payments.

As you can see, each of these three product solutions has trade-offs. Be sure to discuss the products with your financial advisor and consider whether they make sense for your retirement strategy. Guarantees are backed by the financial strength and claims–paying ability of the issuing company.

For a personalized illustration or to learn more about creating lifetime retirement income, contact your financial advisor.

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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 also may apply. Withdrawals will reduce the contract value, and the value of the death benefit and may reduce the value of any optional benefits.

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.

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25112-16A

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