

TITLING OPTIONS

for Your Nonqualified Deferred Annuity Contract



PLANNING FOR RETIREMENT

Whether you're approaching retirement or already retired, this is the time when your financial focus begins to shift. It's important to consider how you will grow and use your financial assets to:

- Maintain your lifestyle.
- Ensure you have income you can't outlive.
- Leave a financial legacy for loved ones.

What is an Annuity?

An annuity is a contract between you and an insurance company that helps you grow, protect, and manage retirement savings in a tax-advantaged way. It can help you:

- **Grow retirement savings faster** through the power of tax deferral.
- **Convert your assets** to guaranteed, lifetime retirement income.
- **Leave a financial legacy** through a guaranteed death benefit.

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

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**

BASICS IN ANNUITY CONTRACT TITLING

When you purchase a nonqualified annuity, setting up—which is also called titling—the annuity contract often raises questions about who should be the owner, annuitant, or beneficiary. Unfortunately, there is not one simple answer. While there are some general rules, annuity contract titling should reflect your specific situation and needs. In addition, annuity contract titling may vary depending on the annuity contract being considered, as they tend to vary from company to company.

Why Contract Titling Is Important

As the owner of the contract, you want to help preserve and protect the interests of the various parties to the nonqualified annuity contract. Here are three common goals you may have:

- 1. Guaranteed death benefit protection.**
- 2. Spousal continuation of the contract,** if desired, at the time of your passing. Your spouse has the option to continue the tax-deferred growth at the time of your passing.
- 3. Legacy planning.** Your loved ones have the option of spreading out the tax liability upon receiving their portions of the death benefit proceeds. Options include:
 - Lump sum payout.
 - Five year rule; this rule states that the entire contract value must be distributed within five years of the owner's death.
 - Lifetime payments over the beneficiary's life expectancy; payments must begin within one year of the owner's death.

Nonqualified (after-tax) deferred annuities also provide tax deferral to individuals. Tax deferral means there are no taxes on earnings until you decide to withdrawal funds, receive a guaranteed stream of retirement income, or leave a financial legacy for your loved ones through a death benefit.

Who's Who in an Annuity

It's important to know who the key parties are in an annuity contract.

Owner	Annuitant	Beneficiary
The owner makes the decisions about the annuity, such as how much money to invest and the way it should be allocated. The owner also names the annuitants and the beneficiaries.	The owner and the annuitant may or may not be the same person. Either way, it's the annuitant's life expectancy that is used to set the dollar amount of future annuity income.	Depending on the contract, if the owner or annuitant dies before income payments begin and there are no surviving owners, usually, the beneficiary is the one who may have the right to receive the death benefit. After annuity payments begin, if the owner dies and the annuitant is still living, the beneficiary receives the payments.

There may be one or more owners, annuitants, and beneficiaries.

COMMON CONTRACT TITLING

There are two common contract titling scenarios that you may want to consider: single ownership and joint ownership.

Hypothetical Examples

John, age 62, and Mary, age 60, are married with two children. The following scenarios explore the possible goals John and Mary could have for their annuity contract, and how they could accomplish these goals through specific contract titling.



Single Ownership

- John desires to own the annuity.
- He would like Mary to receive a guaranteed death benefit and have the option for spousal continuation of the contract if he passes away first.
- If Mary chooses to elect spousal continuation of the contract and then passes away, her children will receive a guaranteed death benefit and have the option to take lifetime payments over their life expectancies.

Owner: John

Annuitant: John

Primary Beneficiary: Mary

Contingent Beneficiary: Children

Joint Ownership

Both John and Mary desire to own the annuity.

- They would like the guaranteed death benefit to be triggered if either one of them passes away.
- Upon the first spouse's death, the surviving spouse (surviving joint owner) will receive a guaranteed death benefit and have the option for spousal continuation of the contract.
- Their children would receive a guaranteed death benefit and have the option to take lifetime payments over their life expectancies after both John and Mary pass away.

Joint Owner: John and Mary

Joint Annuitant: John and Mary

Primary Beneficiary: Children

THINGS TO CONSIDER

- Titling your contract properly may assist in receiving the maximum death benefit amount available under the contract.
- Spousal continuation may occur when the spouse is the recipient of the death benefit proceeds.
- Withdrawals taken prior to death may result in an adjustment of the death benefit guarantee.
- Naming both primary and contingent beneficiaries is highly recommended to ensure your financial legacy is passed to your loved ones.
- Complex or unique titling (for example, the owner and annuitant are different) could have unintended or undesired results and should be discussed with your financial professional.
- Annuity contract titling may vary depending on the annuity product being considered.
- Ownership changes may adversely affect the death benefit amounts and should be discussed with your financial professional.



Naming a beneficiary is an important detail that is surprisingly overlooked by some contract owners.

If one is not named, the death benefit proceeds could end up going to your estate and may be subject to probate. In this case, the distribution of your assets may have to be determined in court. In general, beneficiaries can be changed on a contract at any time before death, so it is important to keep this information current.

Talk to your financial professional today
about contract titling for a nonqualified annuity.

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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 features include lifetime income, death benefit options, and the ability to transfer among investment options without sales or withdrawal charges.

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