PACIFIC LIFE

You Can Create Income that Never Runs Out

By Adding Annuities to Your Retirement Strategy

I AM STABILITY

A Case Study Using Fixed Annuities and Mutual Funds

VLC1272-0219

Products that Create Cash Flow

While there are a variety of financial products that can be used to create cash flow, the three product types below have been selected to address the retirement challenge in this case study.

MUTUAL FUNDS are made up of stocks, bonds, and/or other securities that are professionally managed. 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, your investments may be worth more or less than the original cost when redeemed.

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 provides 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 of time.

A SINGLE-PREMIUM IMMEDIATE ANNUITY (SPIA) 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 in addition to the guaranteed income payments.

Each of these three product solutions has trade-offs. Be sure to discuss the products with your financial professional and consider whether they make sense for your retirement strategy. 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.

THIS BROCHURE IS PART OF A SERIES FOCUSED ON THE FINANCIAL CONFIDENCE OF WOMEN AND THE POWER OF COLLABORATING WITH A TRUSTED FINANCIAL PROFESSIONAL.

Knowing You'll Always Have Stable Income Can Be Reassuring

Life is full of changes. Some are welcomed. Others need to be planned for so that, no matter what the future holds, you can continue to have a confident financial future.

One inevitable change for which you need to plan is retirement, so you can have the security of stable lifetime income. Discussing the following questions with your financial professional can help you define the retirement you want.

- How do I envision my retirement in the first six months, one year, five years, or 10 years?
- Do I plan to work in retirement?
- How long do I need my retirement savings to last?
- Have I considered inflation, healthcare, and the increasing cost of living?
- How much do I believe I can comfortably withdraw each year from my retirement savings?
- Would I like some access to my savings for unexpected events?
- Is it important to me to leave money to my loved ones?

No two retirement strategies will be exactly alike—but they can all be designed to include a mix of financial products that help meet your goals, including the goal of guaranteed lifetime income. The following pages provide an example.

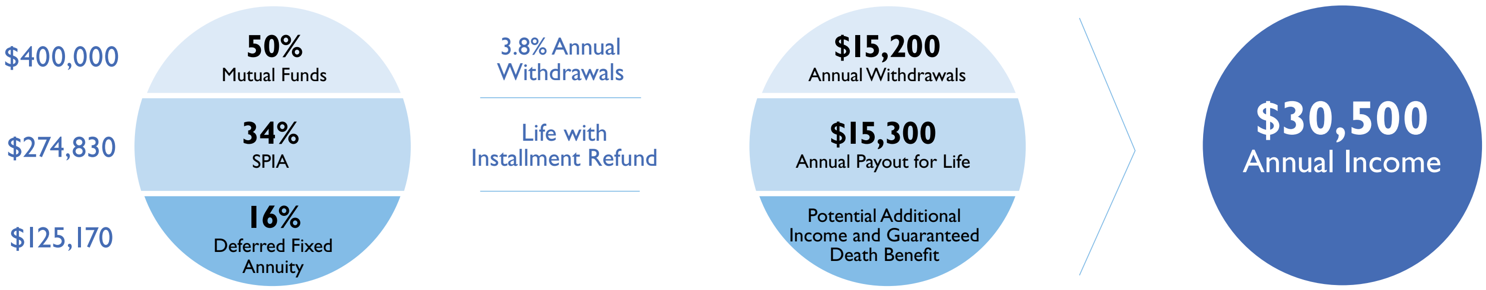
Meet Julia

- Age: 65
- Divorced with three adult children
- Ready to retire
- Financial assets: $800,000
  - $525,170 in mutual funds
  - $274,830 in an IRA
- Expected annual Social Security payments: $15,500
- Aside from Social Security benefits, no assets that guarantee lifetime income

A Multiple-Product Solution

After listening to Julia and discussing her goals, Julia's financial professional suggests that she may want to diversify her assets among multiple financial products. Doing so will help Julia to manage the challenges she faces, balance her legacy and liquidity needs, and create optimum sustainable cash flow, including an annuity income portion that will be guaranteed for life.

Together, Julia and her financial professional discuss the options, weigh the pros and cons, and decide to allocate her $800,000 portfolio in the following way:



For illustrative purposes only. Does not reflect a specific actual investment. Premium taxes vary by state. Your actual payment will differ. The example assumes a 0% net rate of return and no additional investments into the mutual funds. Systematic mutual fund withdrawals are generally from the sale of fund shares, and in a period of declining market values, continued withdrawals could eventually exhaust the principal.

Goals

- Maintain her current lifestyle by sustaining $46,000 per year in retirement income.
  - $15,500 from Social Security
  - $30,500 from her own savings
- Leave a financial legacy for her children.
- Maintain some liquidity (access to cash), should she need it for unforeseen expenses.
- Plan for protection and growth of her assets.

Challenges

- Julia is in good health, with a long life expectancy, so she wants a stable source of income that meets her needs and will never run out.
- While her goal is to leave a legacy for her children, she's unsure of how changes in the markets might affect her savings.

What Julia's Strategy Accomplishes

The Mutual Funds

- Provide income through a series of systematic withdrawals, which are not guaranteed.
- May provide a potential source of liquidity for unforeseen circumstances.
- Offer the potential for growth, subject to market volatility.

The Single-Premium Immediate Annuity (SPIA)

- IRA of $274,830 is placed into a SPIA.
- Provides payments of $15,300 annually, guaranteed to last for as long as Julia lives.
- The $15,300 annuity payment satisfies her annual required minimum distribution (RMD), beginning at age 70½.
- Combined with Social Security benefits, 67% of Julia's income is now guaranteed for life.
- If Julia dies before she receives at least her initial purchase payment, her children, as beneficiaries, may receive a death benefit of $247,830 (minus any annuity payments already received) in installments.

The Deferred Fixed Annuity

- Provides stability of interest-rate guarantees, even during market volatility.
- Provides a death benefit as a legacy for her children. (The death benefit will not be negatively affected by the markets and grows if the annuity earns interest.)
- Offers the potential for adding to Julia's $30,500 annual income.

When calculating RMDs, 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. A SPIA will meet the RMD amount for the annuitized portion only. In general, required minimum distributions (RMDs) from a non-annuitized IRA are calculated by dividing the prior year's IRA ending account balance by a life expectancy factor. RMDs for other IRA accounts will generally need to be determined and distributed separately. 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.

Ask your financial professional for a personalized illustration, and meet to discuss a plan to create your own retirement income strategy. You *can* create the retirement income you need.

Women. Confidence. Retirement.

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