

# UNDERSTANDING THE ROLE OF PROTECTED INCOME IN A FLOORING STRATEGY

Managing withdrawals from a portfolio is one of the more difficult and stressful parts of retirement income planning. Financial professionals can offer protected income solutions to help their clients plan.

The [flooring strategy](#) is a method for determining a client's spending in retirement and splitting it into *essential expenses* and *variable expenses*, or more simply—needs and wants. Essential expenses are used to calculate the income floor that should be covered with a predictable (protected) source of income. Additional expenses can be covered by managing systematic withdrawals from the portfolio. The idea is that in times of portfolio stress (market volatility), the client can dial back on the wants part of spending, assured that the floor income will continue to cover basic expenses.

For many, the issue is how to provide the floor income. First, floor income should come from sources that are predictable and preferably guaranteed. Typically, the base of this is the individual's Social Security benefit. However, that benefit is designed to provide replacement of only 40% of income for the average wage earner.

The percentage is even less for a high earner's income and must be supplemented with other sources of protected income. Typically, this may come from things such as pension, bond and CD ladders, a single-premium immediate annuity (SPIA), a deferred income annuity (DIA), a reverse mortgage, and for some clients, optional benefits with annuities, available for an additional cost.

Everyone will have different expectations as to what the income floor should be and how to provide it. Fortunately, there are several income options that can provide customization for a wide variety of needs, including solutions for income now versus income down the road. There are a number of potential floor income solutions that may help deliver consistent income.

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.

---

## Additional Resources and Links

[Retirement Strategies Blogs about Social Security](#)

[Social Security Strategies Guide](#)

For more information about retirement planning,  
please contact our Retirement Strategies Group at  
[RSG@PacificLife.com](mailto:RSG@PacificLife.com) or (800) 722-2333, ext. 3939.  
[PacificLife.com](http://PacificLife.com)

---

This material is provided for informational purposes only and should not be construed as investment, tax, or legal advice. Information is based on current laws, which are subject to change at any time. Clients should consult with their accounting or tax professionals for guidance regarding their specific financial situations.

Variable insurance products are distributed by **Pacific Select Distributors, LLC** (member FINRA & SIPC), a subsidiary of Pacific Life Insurance Company (Newport Beach, CA), and an affiliate of Pacific Life & Annuity Company, and are available through licensed third parties. Variable and fixed annuity products are available through licensed third parties.

Pacific Life refers to Pacific Life Insurance Company (Newport Beach, CA) 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.

VLC2196-0621W

**This material is educational and intended for an audience with financial services knowledge.**

2 of 2



THE OFFICIAL SPONSOR  
OF RETIREMENT™