PLANNING WITH ANNUITIES BASED ON RETIREMENT-INCOME STYLES

A White Paper for Pacific Life by Wade D. Pfau, PhD, CFA®

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Summary

An important part of developing sustainable retirement income and laying the foundation for a better retirement outcome is to understand an individual's preferences and style.

Retirement Income Style Awareness® (the RISA®) can be a first step in the retirement-planning process, allowing a client's preferences to help determine the ultimate retirement strategy. Using the RISA® can help you identify an individual's preferences regarding two primary factors (and, if desired, four additional, but optional, secondary factors). You can then apply the scores for each factor to the RISA® Matrix to match the individual's preferences to an appropriate retirement-income strategy.

Financial professionals are increasingly recognizing the multiple ways to create sustainable retirement income, and that insurance-based, risk-pooling tools such as annuities can be an important way to generate retirement income. A personalized plan, tailored to each individual client using the appropriate combination of investment and insurance tools, may be what's needed to make the client comfortable. Some clients will be OK with only using investments, as they may already have enough traditional pension income. However, many will have a gap between reliable income and core spending that will need to be filled with another source of retirement income.

Recognizing that there may be a role for an annuity is a good place to start. Annuities are long-term contracts that offer clients opportunities for growth, tax deferral, and lifetime income through annuitization. There are different kinds of annuities with varying characteristics. Which annuity you recommend to your client will depend on the preferences that need to be met.

In this paper, Dr. Wade Pfau describes the RISA® tool and what it tells us. He also explores the quadrants of the RISA Matrix to match the types of annuities that will fit an individual based on their results.

Pacific Life Insurance Company commissioned Wade D. Pfau, PhD, CFA, to write this report. Wade Pfau is not an employee of, nor affiliated with, Pacific Life. Content does not necessarily represent the opinions of Pacific Life and its affiliates.

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Wade D. Pfau, PhD, CFA, RICP,® is the founder of Retirement Researcher, an educational resource for individuals and financial professionals on topics related to retirement-income planning. He is a co-founder of the Retirement Income Style Awareness® tool and a co-host of the Retire with Style podcast. He also serves as a principal and the director of retirement research for McLean Asset Management and as a Research Fellow with the Alliance for Lifetime Income and the Retirement Income Institute. Wade is a professor of practice at the American College of Financial Services and past director of the Retirement Income Certified Professional® (RICP®) designation program. He holds a doctorate in economics from Princeton University and has published more than 60 peer-reviewed research articles in a wide variety of academic and practitioner journals. A contributor to *Forbes, Advisor Perspectives,* and an expert panelist for the *Wall Street Journal,* Wade has also penned the new book: *Retirement Planning Guidebook: Navigating the Important Decisions for Retirement Success.*

INTRODUCTION

When building a retirement-income strategy, some financial professionals emphasize an investment-centric approach that relies on earning enough risk premium from the stock market to generate the income needed to support a retired client's financial goals. With this retirement strategy, stocks are expected to outperform bonds over sufficiently long periods, providing retirees with the opportunity to fund a higher lifestyle. The upside potential from an investment portfolio is viewed as so significant that insurance products are not needed. Advocates for this strategy are generally more optimistic about the long-run potential of stocks to outperform bonds, so retirees are advised to take on as much risk as they can tolerate to minimize the probability of plan failure.

However, because this strategy poses significant investment risk, not every client will be comfortable with this investment-only approach. Luckily, this is not the only retirement-income strategy available.

Using the Retirement Income Style Awareness® Profile (the RISA®) tool can help determine your clients' investment styles and preferences and help them decide on their long-term retirement strategies. In some cases, the use of an annuity may be effective in helping provide the tax deferral, income, or principal protection needed.

How Do Retirement-Age Americans Feel About Investing?

Using the Retirement Income Style Awareness® Profile (the RISA®) questionnaire, we surveyed a nationally representative sample of more than 2,800 Americans between the ages of 50 and 80 to determine if an investments-centric approach would resonate best with the retirement-age population. It did not. In fact, it was the favorite strategy of only one-third of those surveyed. The other two-thirds preferred other options that favor incorporating contractual guarantees (protections) and commitment to a strategy to meet their essential spending needs in retirement.

This is where annuities may be helpful. Because annuities offer tax deferral as well as risk pooling to provide lifetime income, they can be used in place of a bond ladder, or as a vehicle to manage longevity or sequence-of-returns risk. Some also provide a structured return that can help mitigate downside risk and investment volatility. Understanding the features and inner workings of different types of annuities

> Only one-third of the retirement-age population prefers an investment-centric approach to retirement planning.

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.

can be beneficial in retirement planning for many Americans.

Discovering Your Client's Retirement-Income Style

Understanding which approach is best for any given client means knowing more about that individual's preferences and style. Adopting a strategy that fails to align with a client's preferences can lead to a plan that the client may be unwilling or unable to implement in retirement. Frequently revising a retirement plan can be costly and cause underperformance and inefficiencies in a portfolio. Retirees need to feel comfortable to "buy in" to their strategies. Matching preferences with strategies will lay a foundation for achieving better retirement outcomes.

> Adopting a strategy that fails to align with a client's preferences can lead to a plan that is poorly implemented throughout retirement.

This is where the Retirement Income Style Awareness® (the RISA®) tool can help as a first step in the retirement-planning process. It uses a client's preferences to determine an initial starting point for deciding among retirement strategies. The RISA combines the client's preferences regarding two primary factors and potentially four optional secondary factors, to identify a retirement style that works for the individual.

Two Primary Factors

Two factors can best capture an individual's retirement-income style:

1. **Probability-Based** vs. **Safety-First**
2. **Optionality** vs. **Commitment Orientation**

The **Probability-Based versus Safety-First** factor determines which source individuals prefer for their retirement income. Probability-based income sources are dependent on the potential for market growth to continually provide a sustainable retirement-income stream. This includes a traditional, diversified investment portfolio or other assets that have the expectation of growth and realized capital gains. Safety-first income sources incorporate contractual obligations. A safety-first approach may include protected sources of income such as defined-benefit pensions, annuities with lifetime income benefits, and holding individual government bonds to maturity.

The second main factor, **Optionality versus Commitment Orientation**, determines the degree of income flexibility a client prefers. Those with an Optionality preference want to keep their options open for retirement income, maintaining flexibility with their strategies to respond to economic developments or changes in their personal situations. Conversely, those with a Commitment preference want a retirement-income strategy that will last a lifetime. In this case, the security of having a dedicated retirement-income

Optional benefits are available for an additional cost.

strategy outweighs missing out on potentially more positive future outcomes, and it may provide clients with the certainty of knowing the decision is made and is no longer on their to-do lists.

1. **Time-Based** vs. **Perpetuity**
2. **Accumulation** vs. **Distribution**
3. **Front-Loading** vs. **Back-Loading Income**
4. **True** vs. **Technical Liquidity**

Four Secondary Factors

Four additional factors can also play a role in identifying retirement-income strategies. While they do not need to be included in the questionnaire, more analytical clients and prospects may appreciate the extra considerations.

The **Time-Based versus Perpetuity** factor gives clients the choice of funding income payments for a specific period or in perpetuity. Time-based funding strategies are used to fund fixed windows of time in retirement, such as 20 or 30 years. Building income in perpetuity involves using lifetime income protections through risk pooling.

The **Accumulation versus Distribution** factor determines whether a client prefers portfolio growth during retirement even though it will entail a more uncertain retirement-income stream (accumulation) or a more predictable retirement-income path at the cost of foregoing the highest possible contract value at death (distribution). While wealth management traditionally focuses on accumulating assets without regard to what may happen during retirement, some individuals may want to approach investing during retirement differently than investing prior to retirement. In this case, they may want to focus less on maximizing risk-adjusted returns and more on ensuring that their assets can sustainably support their spending goals.

The **Front-Loading versus Back-Loading Income** factor relates to the amount and pace of income received throughout retirement. This factor can be directly linked to a client's level of longevity risk aversion or fear of outliving assets in retirement. For this factor, we determine if a retiree feels more comfortable front-loading portfolio distributions with higher spending early in retirement to better ensure that savings can be enjoyed when one is more assured to be alive and healthy (Front-Loading), or if they prefer to spend at a lower rate in early retirement to better ensure that a particular lifestyle can be maintained without cuts during the later stages of a potentially long retirement horizon (Back-Loading). Those who fear outliving their assets will prefer back-loading income and may behave more conservatively.

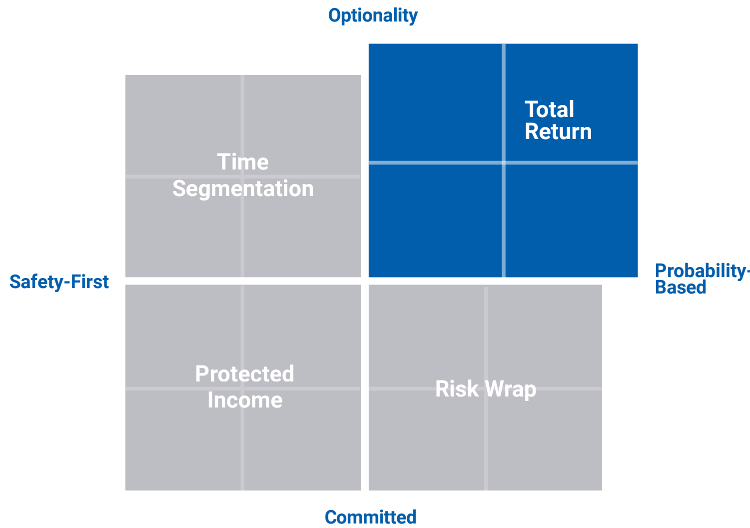
The **True versus Technical Liquidity** factor reflects differences in how liquidity is defined in financial planning. Those who prefer true liquidity would like to have assets earmarked as reserves for future unknown events that could derail a retirement-income plan. To be truly liquid, assets must not be matched to other financial goals such as planned retirement expenses or a specific legacy goal. Those who prefer technical liquidity are comfortable having a pot of assets to draw from for any type of expense. In this case, fewer assets may be needed for a retirement-income plan because it is not necessary to have as much additional reserve to cushion the spending shocks that retirees potentially face.

Bringing the Factors Together in the RISA® Matrix

The RISA® Matrix uses the scores calculated for each RISA® factor to match each individual to an appropriate retirement-income strategy. The matrix shows the intersection of preferences for the two primary retirement-income factors, with the scale for probability-based versus safety-first aligned horizontally, and optionality versus commitment aligned vertically. This creates four distinct retirement-income strategy quadrants, each of which is based on an individual's scores for these two main RISA® factors. The four supporting factors can be mixed in as well through their correlations with the main factors to identify a particular strategy.

From the available retirement-income strategies, we identify four main investment approaches to match the four quadrants within the RISA® Matrix. These include a total return, risk wrap, income protection, and time segmentation approach. These strategies align closely with the common framework of systematic withdrawals (total return), time segmentation (bucketing), essential (income protection), and risk wrap.

In the following pages, we discuss these strategies and how annuities might be incorporated into planning discussions with clients exhibiting each of these styles.



Total Return

Starting with the upper-right quadrant of the RISA® Matrix, these are individuals whose preferences lean toward both probability-based and optionality, which reflects about one-third of the population. Typically, individuals with these characteristics prefer to draw income from a diversified investment portfolio rather than using contractual sources to fund their retirement expenses. They rely on portfolio growth to sustainably support their spending and do not want to commit to a strategy. If using secondary characteristics, these individuals tend toward an accumulation focus, technical liquidity, front-loading for spending, and time-based flooring.

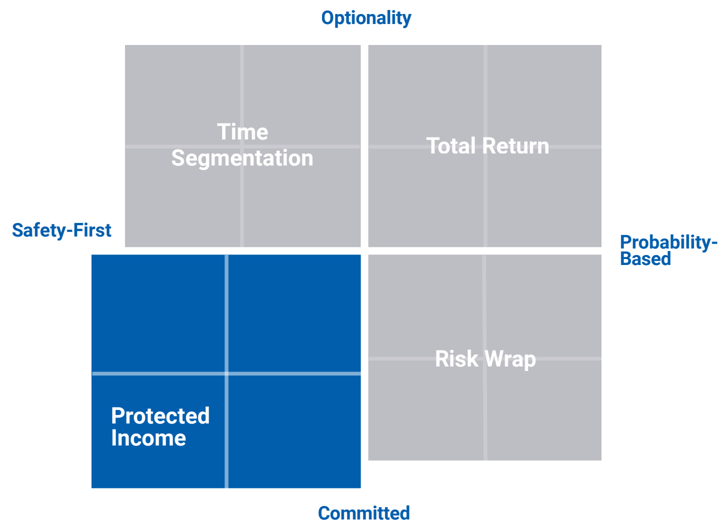
This approach seeks to maximize risk-adjusted returns of the total portfolio. Asset allocation during retirement is generally the same as during the accumulation phase—using the tools of modern portfolio theory to identify a portfolio on the efficient frontier in terms of single-period trade-offs between risk and return. Different volatile asset classes that are not perfectly correlated are combined to create portfolios with lower volatility. Investors aim to maximize wealth by seeking the highest possible return given their capacity and tolerance for short-term market volatility. And retirees are generally advised to take on as much risk as they can tolerate to maximize the probability of plan success and income that lasts for life.

Annuities and the Total Return Style

While many academic economists struggle to understand why commercial annuities are not more popular with retirees, they need to understand that not everyone is optimizing for stable retirement income. When individuals prefer an investment growth perspective, a willingness to accept volatile income with an accumulation mindset, and a desire for optionality, they simply do not perceive a need for annuities as part of their planning. Instead, they often subscribe to a systematic withdrawal strategy based on a total return investing approach to retirement income. Convincing this type of client to use an annuity for lifetime income simply does not resonate.

However, annuities also can be used as pure accumulation tools, to provide tax deferral for gains, or can be a vehicle for an enhanced beneficiary benefit or other structured return option that helps mitigate downside risk for the individual's assets.

Pacific Life provides access to several annuities that may have some appeal for Total Return retirees, especially for those who are closer to a dividing line with another style. For instance, Pacific Choice® 2 (commission-based) and Pacific Odyssey® (fee-based) could be used for tax deferral as an investment-only variable annuity. They also offer optional enhanced beneficiary benefits for the purposes of leaving a larger legacy, and Investment Guard, which is a guaranteed minimum accumulation benefit that provides different levels of buffered protection to mitigate downside risk. These annuities also may appeal to individuals with other retirement styles who are looking for these types of benefits outside of protected lifetime income.

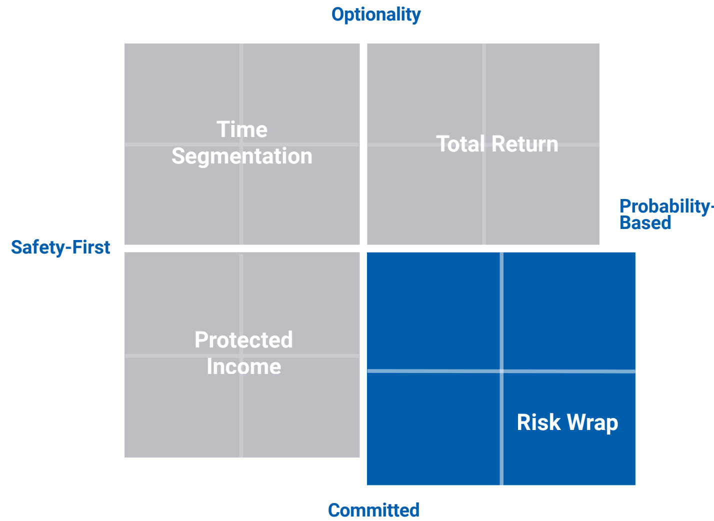


Protected Income

The lower-left quadrant is home to individuals with a safety-first and commitment orientation. Secondary factors correlated with this quadrant also include having a distribution mindset, a preference for perpetuity income flooring, a preference for true liquidity, and a desire to back-load spending to manage the fear of outliving assets. These characteristics align with retirement-income strategies traditionally referred to as essential versus discretionary or income flooring. In the protected-income strategy, assets are positioned to match the risk characteristics of a spending goal, and there is a preference for contractually protected lifetime income to cover essential retirement expenses (like that from an annuity), while a more diversified total return portfolio is used for discretionary expenses. These individuals should be cautious in relying on favorable market returns to fund essential spending needs. Instead, an alternative may be to use income annuities or other fixed annuities offering principal protection alongside guaranteed lifetime withdrawal benefits that can provide contractually protected downside spending protection with a lifetime commitment.

Annuities and the Protected Income Style

Protected Income is the quadrant with the strongest link to income annuities and other fixed annuities with lifetime income benefits. Pacific Life provides access to both Pacific Income Provider® (a single-premium immediate annuity) and Pacific Secure Income® (a deferred income annuity). Also available are Pacific Expedition® 2 (a deferred fixed annuity with annuitization options) and Pacific Index Edge or Pacific Index Foundation® (fixed indexed annuities with annuitization options and optional guaranteed lifetime withdrawal benefits).



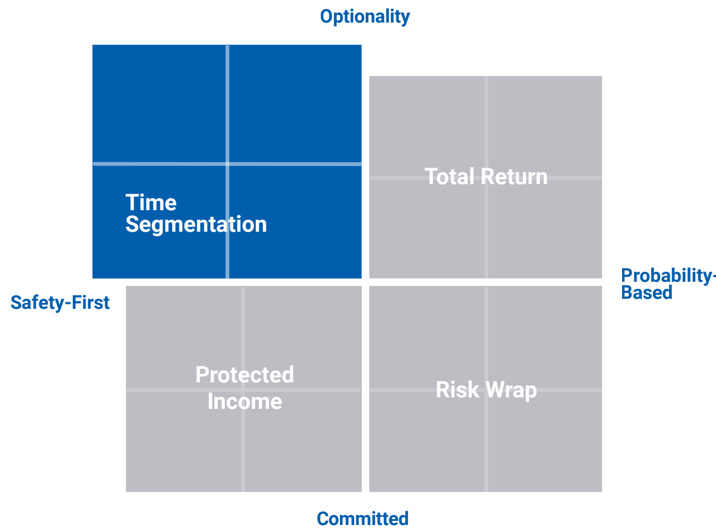
Risk Wrap

Shifting to the lower-right quadrant of the RISA® Matrix, we find individuals whose RISA® Profile includes both a probability-based and commitment orientation. From the secondary factors, this quadrant is associated with a preference for technical liquidity and for back-loading retirement income. While individuals here maintain a probability-based outlook with a desire for market participation, they also have desire to commit to a strategy that provides a structured-income stream. These individuals seek growth, and they think in terms of technical liquidity, but they also have more longevity risk aversion and are more comfortable committing to strategies. With such proclivities, these individuals may prefer a guardrail that limits downside risk exposure and may wish not to be completely reliant on the risk premium of an unprotected investment portfolio.

Annuities and the Risk Wrap Style

An effective risk-wrap strategy provides a blend of investment growth opportunities with lifetime spending protections. This is the domain of variable annuities offering lifetime income benefits. These annuities are designed to offer upside growth potential alongside secured lifetime income even if markets perform poorly. Such tools also maintain a degree of technical liquidity for the underlying assets, as deferred annuity assets remain on the balance sheet and can be invested with their values shown on portfolio statements. Owners have an option for the funds to be returned from a deferred annuity, though this is subject to potential contingent deferred sales charges in the early years of the contract, meaning that the annuity may not be fully liquid. There is commitment and back-loaded protection, but these strategies also can be reversed with remaining assets returned to those who decide they no longer want or need the lifetime spending protection. While the associated market exposure satisfies the probability-based dimension and the products offer a degree of technical liquidity, purchasing a more structured and secured retirement-income guardrail through the lifetime income benefit addresses the commitment and longevity-risk aversion dimensions at work within this quadrant.

Pacific Life offers variable annuities with living benefits, available for an additional cost, to consider with individuals with a risk-wrap style seeking to fill an income gap. These annuities include Pacific Choice® Income (commission-based) and Pacific Odyssey® (fee-based), which both offer several optional guaranteed minimum withdrawal benefits. Pacific Choice® 2 also offers a guaranteed minimum withdrawal benefit called Core Income Advantage Select.



Time Segmentation

Time segmentation may appeal to individuals with safety-first and optionality preferences. They like contractual protections, but they also prefer optionality, reflecting a desire for retirement-income solutions that are characterized by contractually driven income while still maintaining a high level of flexibility to accommodate ongoing changes. This quadrant also is correlated with preferences for true liquidity and front-loaded retirement spending.

While it can be difficult to enter a contract while still keeping options open, the retirement world has addressed this challenge with strategies related to investment-based bucketing or time segmentation. A time-segmentation or bucketing strategy usually sources short-term retirement-income needs with a rolling bond ladder or other fixed-income assets. Bond ladders are frequently implemented with contractually protected instruments (cash equivalents or government-issued securities) that can be used for shorter to intermediate income needs, with a diversified investment portfolio designed for longer-term expenses. That growth portfolio will be used to gradually replenish the short-term buckets as those assets are used to cover retirement expenses. These strategies address the need for asset safety by including short-term contractual protections while maintaining high optionality for other investment assets. Short-term spending protections could help some retirees get through bouts of market volatility without panicking.

Annuities and the Time Segmentation Style

Annuities with lifetime commitments are less likely to appeal to individuals in this quadrant. However, various types of deferred-fixed annuities and period-certain income annuities may be appealing options for the short-term fixed-income options within near-term buckets, especially when considering the tax deferral provided by annuities.

Potential annuities on the Pacific Life platform to consider for this quadrant include Pacific Expedition® 2 (a deferred fixed annuity with annuitization options) and Pacific Index Edge or Pacific Index Foundation® (fixed indexed annuities with annuitization options and optional guaranteed lifetime withdrawal benefits). As well, a period-certain income annuity without a lifetime component can be an efficient way to provide income for a limited period.

The Case for Including Annuities in the Advisory Toolkit

While investment-centric financial professionals tend to view the power of risk premium as so strong that risk pooling through insurance, like an annuity, is not necessary, the lifetime income generated through an annuity's risk pooling can be competitive with risk premium. This may provide an alternative spending resource for longer-lived clients who face more expensive retirements. Using annuities to support retirement spending goals is therefore a viable strategy that can be competitive with investments-only strategies.

Using Annuities in Place of Bonds

Individual bonds can provide income for a fixed period, but they do not offer longevity protection beyond the horizon of the bond ladder created. Bond funds are volatile, exposing retirees to potential losses and sequence-of-returns risk while still not providing enough upside potential to support a particularly high level of spending over a long retirement. Risk pooling with an annuity can support a higher level of lifetime spending compared to bonds due to the ability of an insurance company to pool risk when clients exercise lifetime income options. Stocks also offer the opportunity for higher spending, but without any guarantee that stocks will outperform bonds and provide capital gains during the pivotal early years of retirement.

> Compared to bonds, risk pooling with an annuity can support a higher level of lifetime spending.

An annuity with lifetime income protections can be considered alongside bond holdings in a retirement plan that are earmarked to meet the lifetime spending goal. Much like a defined-benefit pension plan, income annuities provide value to their owners by pooling risks across a large group of individuals. Such annuities provide payments precisely matched to the length of time they are needed by each owner or payments for the owner's lifetime, however long that is.

Using Annuities to Manage Longevity Risk

Because longevity risk relates to not knowing how long an individual will live, it is one of the key risks that can be managed effectively with an annuity offering lifetime income protections. While we do not know the longevity for any one individual, insurance company actuaries can estimate how longevity patterns will play out for a large cohort of individuals. The importance of the annuity is that it can provide lifetime payouts for everyone because those who die early end up leaving money on the table to subsidize the payments to those who live longer.

> Longevity risk can be managed effectively by an annuity offering lifetime income payments.

Though it may seem counterintuitive to subsidize payments to others, this act can allow all owners in the risk pool to enjoy a higher standard of living than bonds could support. All annuity owners need to understand that an annuity's payments will be waiting for them if they end up living beyond their life expectancies. This allows both the short-lived and long-lived to enjoy a higher standard of living during their lives than they would have taking equivalent distributions from their investments. The more worried one is about outliving assets in retirement, the greater the potential benefit of risk pooling will be.

Using Annuities to Manage Sequence-of-Returns Risk

Sequence-of-returns risk relates to the impact investment volatility has on a retirement-income plan. Basically, if you withdraw money when prices are low, you make it more difficult for your investment portfolio to provide sustainable income for life. Sequence-of-returns risk often forces conservative individuals to spend less in their early retirement years because they are afraid of poor investment returns. Many retirement plans are based on Monte Carlo simulations, which implicitly assume lower investment returns. An annuity provides a way to generate retirement income while not exposing this income to sequence-of-returns risk. Annuities insure against outliving assets due to a long life and poor market returns.

> Annuities can help mitigate downside risk and be competitive with bond funds.

Using Annuities for Accumulation

Annuities are often brought up as a way to provide systematic payouts in retirement, either for a lifetime or for a fixed period. Though every annuity, by definition, must include a means to convert into a guaranteed income stream, this is not the priority for every pre-retiree or annuity strategy.

Tax Deferral

Through their ability to defer taxes on gains, annuities also can be used as pure accumulation tools during the years leading up to retirement, or during retirement.

Downside Protection

As well, many annuities provide a structured return that can mitigate downside risk, helping to manage investment volatility around the retirement date. Such structured annuity returns can be competitive with bond funds net of taxes and investment expenses, and can provide principal protection to avoid losses (bonds can lose value when interest rates rise). With the ability to better manage downside risk and avoid capital losses, these annuities can help retirees stay the course with their retirement strategies. A structured approach to returns provides a tool that helps to manage market volatility and the sequence-of-returns risk in the pivotal years around retirement.

Features of Different Types of Annuities

All annuities also include annuitization provisions that allow, but don't require, annuitization of the assets into a stream of protected income payments for a fixed time period or a lifetime. This optionality also may be an attractive feature for those unsure about annuitizing a contract.

For example, **deferred fixed annuities** (DFAs) are the annuity equivalent of holding CDs or other shorter-term fixed-income investments to a targeted maturity date. Their objective is to seek competitive after-tax fixed income returns for assets. This may be possible through their principal protection, lack of interest-rate risk, and tax deferral. **Fixed indexed annuities** (FIAs) can also be used in a similar manner. FIAs can be treated as an alternative to a taxable bond portfolio providing principal protection, tax deferral, and some exposure to market upside, making them competitive with after-tax returns on bonds.

A cost-conscious **deferred variable annuity** (VA) may also be used for tax deferral rather than thinking of it as a source for lifetime income. Deferred variable annuities were created in the 1950s in the United States as a tax-deferred vehicle for accumulating assets. They grew in popularity after the Tax Reform Act of 1986 limited the opportunities for tax-deferred savings in qualified retirement plans. A deferred VA provides the opportunity to invest further in tax-inefficient asset classes that may generate ordinary income and short-term capital gains.

Adding an optional guaranteed minimum accumulation benefit (GMAB) to a variable annuity can provide structure on the return experience within a variable annuity. A GMAB promises that the contract value grows to a minimum value. It has nothing to do with lifetime income. Effectively, it allows for the same bell curve–shaped distribution on the underlying returns. But, at the end of the term, the fees paid for the rider support the imposition of a floor on the cumulative accumulation so that the cumulative performance cannot fall below the defined level. It is important to note that having a minimum accumulation benefit in place may justify using a more aggressive asset allocation than the pre-retiree would otherwise prefer in the absence of downside protection. The GMAB allows for upside market growth to increase the account value while protecting the initial investment even when markets perform poorly, reducing downside risk relative to stocks and bonds.

> Deferred variable annuities were created in the 1950s in the United States as a tax-deferred vehicle for accumulating assets.

For those interested in learning more about annuities, Wade Pfau's books *Safety-First Retirement Planning* and the *Retirement Planning Guidebook* cover these topics in greater detail.

CONCLUSION

Ultimately, each individual client must identify the style that can best support his or her financial and psychological needs for retirement. The Retirement Income Style Awareness® (the RISA®) is a tool that financial professionals can use to fulfill this role by letting the individual's preferences guide the way. The RISA® Profile provides a way for financial professionals to quickly understand their client's needs and find a retirement-income strategy that will resonate.

As financial professionals are increasingly recognizing that there are multiple ways to create sustainable retirement income, insurance-based tools such as annuities that use risk pooling to generate retirement income are playing a more important role. While some clients will be OK with only using investments, as they may already have enough traditional pension income that annuities are not needed, many will have a gap between reliable income and core spending needs. An annuity's guaranteed income may be a way to fill that gap. Therefore, it is important to consider developing a personalized plan for each individual client using an appropriate combination of investment and insurance tools to make the client comfortable.

Those financial professionals who can draw from multiple strategies and tools are best positioned for serving their clients' long-term financial goals. It benefits financial professionals to beef up their tool kits so they are comfortable using annuities.

For those financial professionals open to conversations about annuities, the Pacific Life wholesaling team serves as a great resource. The goal is to find situations where annuities may be a good fit, and to understand when they are not. Is the client or prospect's characteristics and preferences aligned with obtaining greater value from an annuity?

> Those financial professionals who can draw from multiple strategies and tools are best positioned to for serving their clients' long-term financial goals.

Some opportunities where annuities may play a part in a client's retirement-income plan are when:

- The RISA® Profile suggests that preferences align with income protection and risk-wrap strategies.
- An income gap exists in which there is insufficient reliable income to cover core expenses.
- Risk tolerance limits a client's comfort with stocks in retirement. (The case for annuities may be stronger for those with a lower stock allocation.)
- The individual experiences longevity-risk aversion. Concerns about outliving retirement assets lead to more relative benefits from annuities as the alternative is to spend even less from investments.
- Annuities can be viewed as an alternative for bonds rather than for stocks. The individual seeks protection from making behavioral mistakes with the investment portfolio and spending decisions, as well as protection for less financially savvy family members.

Resources

Pacific Life has the tools and resources to help you and your clients navigate the ins and outs of retirement planning. Contact our Retirement Strategies Group at (800) 722-2333, ext. 3939, send an email to RSG@PacificLife.com, or visit our website at Annuities.PacificLife.com for more information.

To learn more about Pacific Life annuities and riders, including limitations, pls call your consultative wholesaler or see the prospectus.

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Investors should carefully consider a variable annuity's risks, charges, limitations, and expenses, as well as the risks, charges, expenses, and investment goals of the underlying investment options. This and other information about Pacific Life are provided in the product and underlying fund prospectuses. These prospectuses should be read carefully before investing.

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.

All investing involves risk, including the possible loss of the principal amount invested. The value of the variable investment options will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. Please see the prospectus for a detailed description of investment risks.

Asset allocation and diversification do not guarantee future results, ensure a profit, or protect against loss.

A fixed indexed annuity is not a security and does not participate directly in the stock market or any index, so it is not an investment.

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