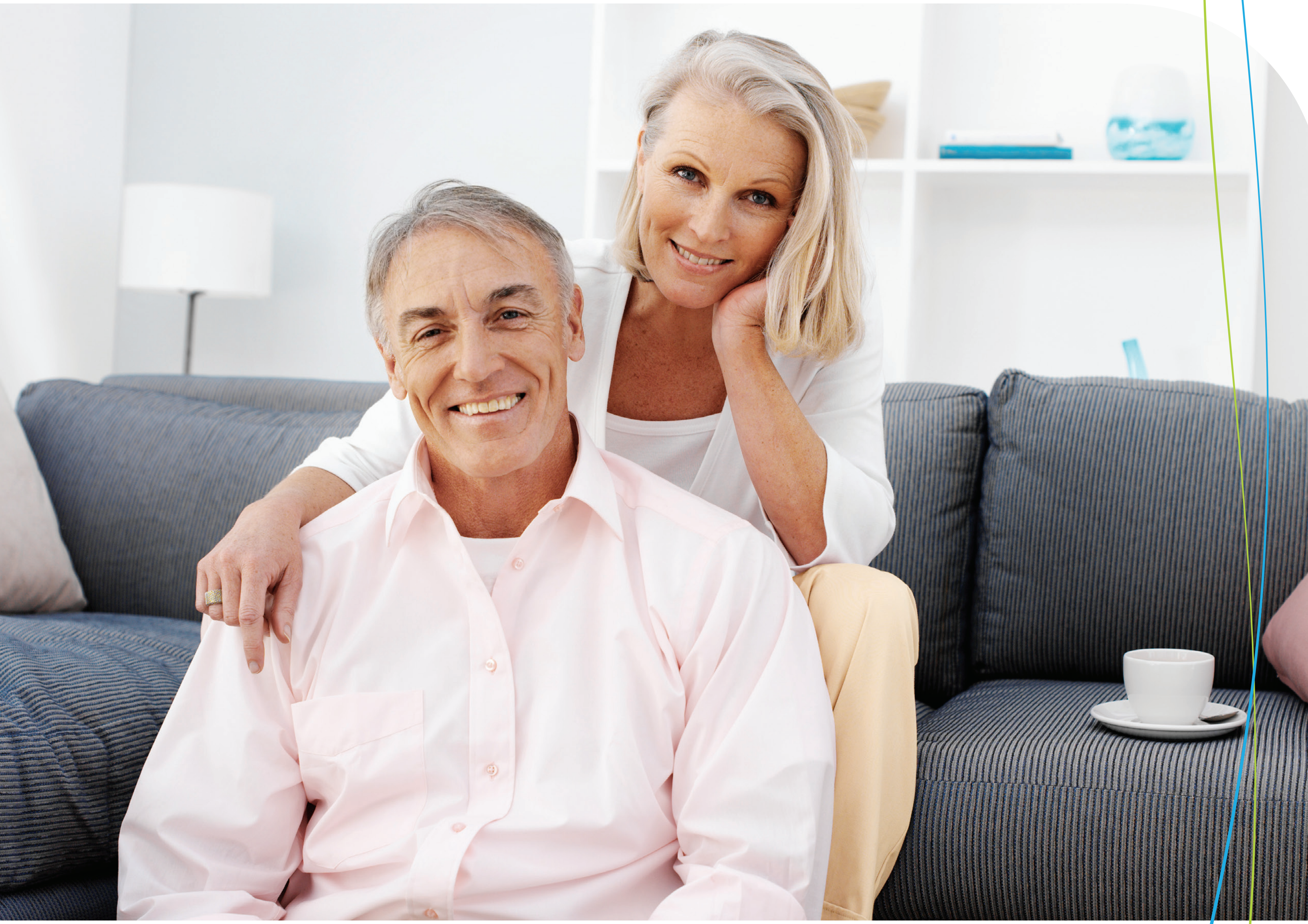
AN OPPORTUNITY TO FUND RETIREMENT WITH A ROTH IRA



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AN OPPORTUNITY
FOR RETIREMENT SAVINGS

If you have funds in an Individual Retirement Account (IRA), now is a good time to meet with your financial advisor and discuss whether a Roth IRA conversion is right for you.

To help you get started in evaluating if a Roth IRA conversion is right for you, this brochure provides answers to the most commonly asked questions. For more detailed information, consult your tax and financial advisors regarding your specific situation.

What Is a Roth IRA Conversion?

A Roth IRA conversion is a tax-reportable movement of assets from a traditional IRA, SEP-IRA, SIMPLE IRA, or other eligible retirement plan [i.e., 401(k), 403(b), and governmental 457(b)] to a Roth IRA. Upon conversion to a Roth IRA, income tax is payable on the taxable portion of the amount converted.

To Convert or Not to Convert?

There are many factors to consider before deciding whether or not to convert to a Roth IRA, but for many people, the answer may be yes. With retirements stretching out 20 or 30 years, the value of tax-free withdrawals becomes an increasingly attractive feature of a Roth IRA.

When Do I Pay Taxes on the Amount Converted?

You will have to report income taxes in the year the conversion takes place. As a general rule, the tax-free potential of the Roth IRA is maximized if conversion taxes are paid from sources other than the IRA. If you use the IRA or other qualified plan proceeds to pay the conversion taxes before age 59½, generally you will owe an additional 10% federal tax on that amount. In addition, the amount that is withdrawn from your retirement assets will no longer have the opportunity to receive future tax-deferred growth.

CONVERTING MY TRADITIONAL IRA TO A ROTH IRA

Are There Advantages?

Tax-Free Withdrawals	Tax-free withdrawals may be taken from a Roth IRA after BOTH of the following have been satisfied: 1. You have held the account for at least five years. 2. You are age 59½ or older.
No RMDs	Since required minimum distributions (RMDs) are not mandatory from a Roth IRA during your lifetime, you can potentially accumulate greater savings to be used for your retirement or to pass on to your heirs.
Heirs Receive Assets Tax-Free	Upon death, your Roth IRA will pass income-tax-free to your beneficiaries who can take distributions tax-free (assuming the five-year holding period is satisfied), regardless of their future income-tax rates.
Managing the Medicare 3.8% Tax	Taxpayers are subject to the 3.8% Medicare tax when specific modified adjusted gross income (MAGI) thresholds are exceeded ($200,000 for single filers and $250,000 for married filing jointly), not subject to inflation and they have net investment income (unearned income received from taxable interest and dividends, capital gains, annuity income, passive rental income, and royalties). The key to limiting your exposure to the Medicare tax is managing these two factors: 1. Modified adjusted gross income (MAGI) 2. Net investment income There are some planning options you could consider, depending on what component (MAGI or net investment income) you are trying to manage that could limit your exposure to this tax. Since qualified distributions from a Roth IRA are tax-free, you might consider converting IRA accounts to a Roth IRA to avoid future required minimum distributions (from the IRA) that could put you over the MAGI limit. Keep in mind that if you are converting to a Roth IRA, the taxable conversion is included in your MAGI in the year of the conversion and can result in the thresholds being exceeded.
Reduced Taxation of Social Security Benefits	• Distributions from your traditional IRA are included in your MAGI, which may subject your Social Security benefits to income tax. • Tax-free withdrawals from your Roth IRA are not included in your income and will not affect the taxation of your Social Security benefits.
Managing Medicare Premiums	• Distributions from your traditional IRA are included in your MAGI, and could cause an increase in premiums for Medicare Parts B and D. • Tax-free withdrawals from your Roth IRA are not included in your income and will not affect the cost of Medicare Parts B and D.

Are There Any Disadvantages?

Paying the Conversion Tax	If you cannot pay the conversion tax from sources other than your IRA, then converting to a Roth IRA may not be appropriate for you. When paying the conversion tax from your IRA, you lose the potential benefit of tax-free growth on that amount and, if younger than age 59½, may also pay an additional tax.
Tax-Rate Shifting	In some instances, you might pay a conversion tax at a higher rate than would have been paid if the money were left in your traditional IRA and withdrawn later.
Easy Access to Money	With a Roth IRA, you have easier access to your money, so you might be tempted to withdraw funds that should be left for your retirement.
Premature Death	If you die prematurely after fronting all the income taxes for the conversion, the period to grow back assets may be short and lead to less assets for your beneficiaries.

What Other Things Should I Consider?

Prior to converting some or all of your traditional IRA balances into a Roth IRA, there are some things you should take into account. Consider the following questions.

How many more years do you expect to live?	The longer you expect to live, the better a Roth IRA conversion will look. You will have more years to enjoy the tax-free growth of your Roth IRA and, of course, more years over which to recover the tax hit you take on the conversion itself.
What will your federal tax rate be in the future?	If tax rates go up in the future, it could be less expensive in the long run to give up tax deferral and pay the tax now. If, however, tax rates go down in the future, converting now may result in higher income taxes. You should always consult your tax and financial professionals regarding your specific situation.
How is the conversion amount determined when a variable annuity-funded IRA is converted to a Roth IRA?	If you own a variable annuity IRA contract with a guaranteed living or death benefit, and the benefit is not terminated as a result of the conversion, IRS regulations require that the fair market value (FMV) of the annuity plus any additional benefits be recognizable as income. This FMV may be greater than the actual contract value that was converted. If you own an annuity without any additional optional benefits, the taxable amount will be the contract value on the date of conversion.

What Other Things Should I Consider? (cont.)

Can you convert other retirement assets?

Yes. Roth IRA conversions are not limited to just your traditional IRA, SEP-IRA, or SIMPLE IRA. If you have any 401(k)s, 403(b)s, 401(a)s, or governmental 457(b) accounts from former employers, a Roth IRA conversion may be an option. Keep in mind that if you are converting a SIMPLE IRA, you must satisfy the requirement for two years of participation prior to the conversion.

Can you undo the Roth conversion later?

If you convert an IRA to a Roth IRA and experience a market loss after the conversion, or you realize that it was not in your best interest to convert, you cannot reverse or undo the conversion, which is known as a recharacterization.

Effective January 1, 2018, pursuant to the Tax Cuts and Jobs Act, a conversion from a traditional IRA, SEP-IRA or SIMPLE IRA to a Roth IRA cannot be recharacterized. The law also prohibits recharacterizing amounts rolled over to a Roth IRA from other retirement plans, such as 401(k) or 403(b) plans.

Am I a Candidate?

In summary, you may be a candidate for a Roth IRA conversion if your situation meets any of the following criteria:

- Your IRA balance is low in value (which means it will be low in taxes).
- Your current tax rates are relatively low or you believe that your future tax rates will be higher.
- You plan to transfer tax-free assets to your beneficiaries.
- You have a long time horizon before retirement.

Before you decide to convert your traditional IRA to a Roth IRA, get your personalized report from the Roth IRA conversion calculator on the PacificLife.com website. You should also consult with your tax and financial professionals about your specific situation. These professionals will be able to review the report with you, provide guidance, discuss in further detail your future income goals and investment objectives, as well as the Pacific Life retirement strategies that could help meet your needs.

For tools and calculators that may help you decide
if a Roth IRA conversion is right for you,
speak with your financial professional or visit

PacificLife.com.