# Create Income that Never Runs Out

## A Multi-Product Case Study Using Annuities

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# Knowing You'll Have Reliable Income Can Be Reassuring

Life is full of changes. And whether change is a surprise or it's anticipated, it's a good idea to be financially prepared.

One change that your financial professional can help you plan for is retirement. More specifically, a financial professional can help you establish a stable retirement-income stream. Asking yourself the following questions and talking with your financial professional can help you define the retirement you envision.

- How do I envision my retirement in the first six months, one year, five years, or 10 years?
- Do I plan to work part time in retirement?
- How long do I need my retirement savings to last?
- Have I considered inflation, healthcare, and the cost-of-living increases?
- 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 all can be designed to include a mix of financial products that help meet your goals, including the goal of securing lifetime income. Let's walk through an example on the following pages.

# Meet Julia

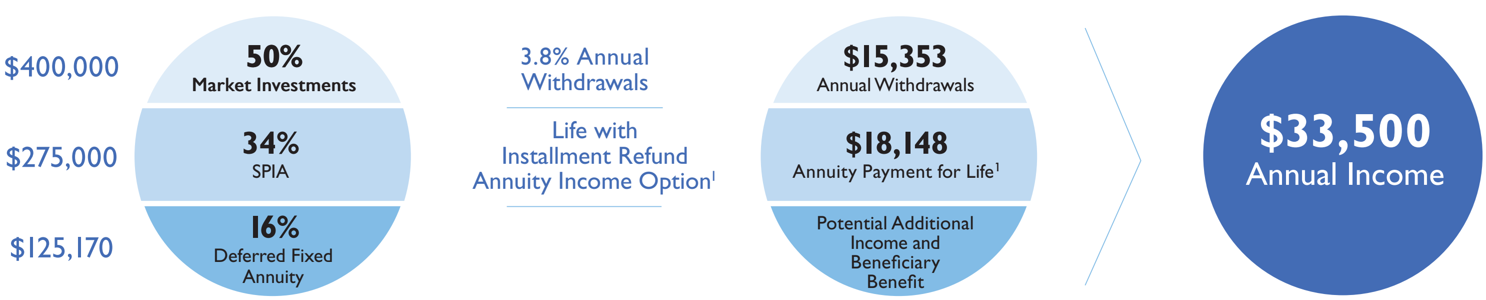
### Hypothetical Example

- Age: 65
- Divorced with three adult children
- Ready to retire
- Financial assets: $800,000
  - $525,170 in market investments
  - $275,000 in an IRA
- Expected annual Social Security retirement benefit payments $15,500
- Aside from Social Security retirement benefits, no assets that provide guaranteed 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 manage the challenges she faces, balance her legacy and liquidity needs, and create optimum sustainable income, 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 reallocate her $800,170 portfolio in the following way:




[1]Annuity income payments are made monthly, quarterly, semiannually, or annually for the life of the annuitant. Typically, the frequency of payments is set at contract issue and cannot be changed. When the annuitant dies, if there is any remaining purchase payment amount, it will be paid to the owner or beneficiary in installments.

For illustrative purposes only. Does not reflect a specific actual investment. Your actual payment will differ. The example assumes a 0% net rate of return, no additional investments in the market, and does not account for taxes or transaction costs. Systematic mutual fund withdrawals are generally from the sale of fund shares, the value of which may be more or less than the original cost when redeemed, and in a period of declining market values, continued withdrawals could eventually exhaust the principal. The annuity portion assumes no additional withdrawals were taken.

All annuity contract guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.

A beneficiary benefit is referred to as a death benefit in the contract summary.

## Goals

- Maintain her current lifestyle by sustaining $49,000 per year in retirement income:
  - $15,500 from Social Security retirement benefits
  - $33,500 from her own savings
- Leave a financial legacy for her children.
- Maintain some liquidity (access to funds), should she need it for unforeseen expenses.
- Help protect and seek growth of her assets.

## Considerations

- Julia is in good health, with a long life expectancy, so she wants a stable source of income that will not 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. A protection strategy may be useful.

## What Julia's Strategy Accomplishes

### The Market Investments

- 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)

- Provides fixed monthly payments to Julia after annuitization.
- Provides immediate income starting within one year of contract issue.
- May satisfy all or a portion of required minimum distributions (RMDs) beginning at age 73.
- May provide beneficiary benefits to heirs if Julia dies before she receives at least her initial purchase payment.

### The Deferred Fixed Annuity

- Provides stability of interest-rate guarantees, even during market volatility.
- Provides a beneficiary benefit as a legacy-protection strategy for her children. Since fixed annuities are not invested in the market, the beneficiary benefit will not be negatively affected by market downturns and grows if the type of annuity purchased offers interest crediting.
- Offers a way to add to Julia's $33,500 annual income from her assets.

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-B. In general, 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 the annuity payments can be applied to all IRA RMDs. Any RMD overage the annuity payments create for the annuitized IRA can be applied to other IRA's RMDs. Be sure to work with your financial professional on how to apply the overage. This hypothetical example 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 or insurance product may be adversely impacted by such distributions. If there is any change to the Internal Revenue Code or Treasury regulations related to RMDs, Pacific Life reserves the right to modify or eliminate the treatment of RMD withdrawals, but only to the extent necessary to comply with the change to the rules.

# Pursue the Retirement You Envision

Planning for income in retirement can mean using different types of financial products. In the case study, we use two different types of annuities that can provide income—for life—to complement other investment and savings vehicles.

An annuity is a long-term contract between you and an insurance company designed for retirement savings and income. One of the annuities in our case study is a deferred annuity and the other is an immediate annuity.

**A DEFERRED FIXED ANNUITY** provides retirement income that begins at a future date. Certain deferred fixed annuities offer a guaranteed interest rate that allows your money to grow tax-deferred before you take income. Tax deferral means you do not pay taxes on earnings until you make a withdrawal. This type of annuity also provides a beneficiary benefit should death occur before income starts. Generally, the beneficiary benefit equals the value of your deferred fixed annuity, including interest and minus any withdrawals. Income can be guaranteed for life or a specified period of time, whichever you choose.

These products 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)** can provide guaranteed income for life or a specified period of time, whichever you choose. The initial income payment can be made any time within the first year. A SPIA is designed specifically for providing income in the immediate future and does not have an interest-crediting feature like certain deferred fixed annuities.

While immediate annuities offer consistent guaranteed income, it should be noted that they are irrevocable, and the selected annuity payment option cannot be changed. They may not be appropriate if you need access to funds in addition to the guaranteed income payments.

Both of these annuity types have trade-offs. Be sure to discuss the products with your financial professional and consider whether they make sense for your retirement strategy.

Ask your financial professional for a personalized illustration and meet to discuss a plan to create your own retirement-income strategy.
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## WealthWise Women

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*Pacific Life is a product provider. It is not a fiduciary and therefore does not give advice or make recommendations regarding insurance or investment products.*

Fixed annuities are long-term contracts designed for retirement. A fixed annuity is not a security and does not participate directly in the stock market or any index, so it is not an investment. Each fixed annuity product offers different annuity income options.

Annuity withdrawals and other distributions of taxable amounts, including beneficiary 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 income tax may apply. A withdrawal charge also may apply. Withdrawals will reduce the contract value, and the value of the beneficiary benefit.

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 include lifetime income and death benefit options.

Pacific Life refers to Pacific Life Insurance Company and its subsidiary Pacific Life & Annuity Company. Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company and in all states by Pacific Life & Annuity Company. Product/material availability and features may vary by state. Each insurance company is solely responsible for the financial obligations accruing under the products it issues.

Insurance products and their guarantees, including optional benefits, annuity payout rates, and any crediting rates, are backed by the financial strength and claims-paying ability of the issuing insurance company. Look to the strength of the insurance company with regard to such guarantees because these guarantees are not backed by the independent broker/dealers, insurance agencies, or their affiliates from which products are purchased. Neither these entities nor their representatives make any representation or assurance regarding the claims-paying ability of the issuing company.

The home office for Pacific Life & Annuity Company is located in Phoenix, Arizona. The home office for Pacific Life Insurance Company is located in Omaha, Nebraska.



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