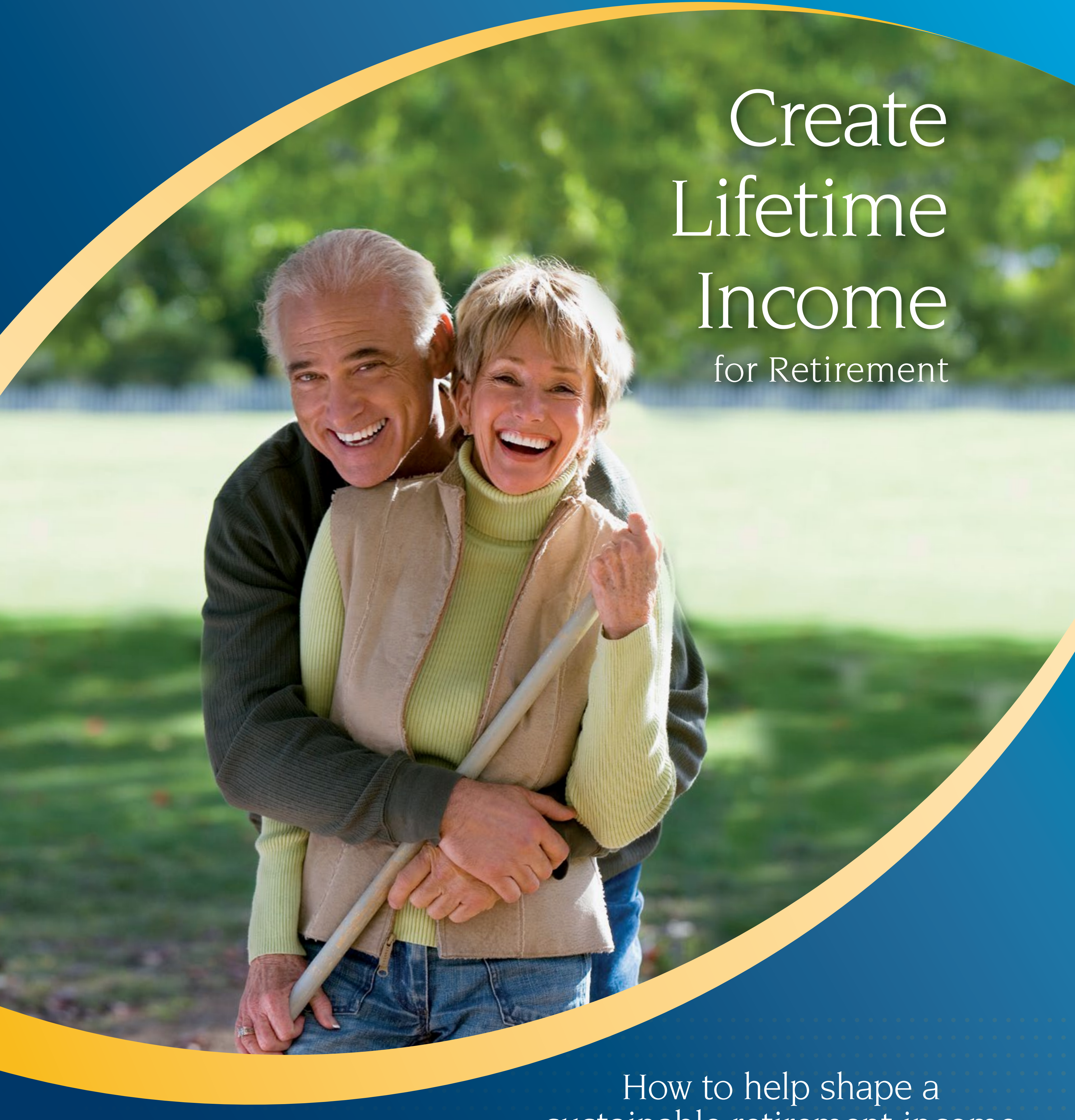
Create Lifetime Income

for Retirement



How to help shape a sustainable retirement income strategy that's right for you.

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What Might You Face in Retirement?

During your working years, you have likely focused on saving for retirement. As you transition into retirement and start to live off your savings, there are unique challenges that you and your financial advisor will manage. These challenges include sequence of returns, inflation, and longevity.

Create Cash Flow for Your Retirement

In an era of increasing life spans, there is the strong possibility that you could spend as much time in retirement as you did working. Retirement years can offer advantages that bring new opportunities as well as new responsibilities. Specifically, you probably want to make sure that you create a retirement strategy that provides sustainable cash flow for as long as you need it. Retirement income planning is a process, and with the help of your financial advisor, you can develop a retirement income strategy that is personalized for you—one that is part art and part science.

The art is you—your unique circumstances and priorities. It is a dialogue with your financial advisor where you express how you feel about your priorities in retirement and what a comfortable retirement means to you.

The science is determining an efficient mix of financial products that will generate the cash flow you need for life and help manage the challenges you may face in retirement. This multiple-product solution is commonly called product allocation.

Sequence of Returns

The span of time that can impact your income the most is the period just prior to and immediately following retirement. This effect on your income is called the *sequence of returns*. As you approach this period, a significant drop in the value of your investments may reduce your retirement income over the long term. And if you are taking withdrawals, your savings may deplete faster. Conversely, a gain in your assets can increase your retirement income.

To illustrate the concept of the sequence of returns and to demonstrate how market fluctuations may impact your portfolio when taking withdrawals, let's look at two hypothetical retirement portfolios.

Investor A—Early Gain

Year	Rate of Return	Balance after Returns	Withdrawal Percentage of Initial Investment	Amount Withdrawn	End-of-Year Balance
1	31.69%	$263,380	5.00%	$10,000	$253,380
2	–3.10%	$245,525	5.15%	$10,300	$235,225
3	30.47%	$306,898	5.30%	$10,609	$296,289
4	7.62%	$318,867	5.46%	$10,927	$307,939
5	10.08%	$338,980	5.63%	$11,255	$327,725
6	1.32%	$332,050	5.80%	$11,593	$320,458
7	37.58%	$440,886	5.97%	$11,941	$428,945
8	22.96%	$527,431	6.15%	$12,299	$515,132
9	33.36%	$686,980	6.33%	$12,668	$674,313
10	28.58%	$867,031	6.52%	$13,048	$853,984
11	21.04%	$1,033,662	6.72%	$13,439	$1,020,223
12	–9.10%	$927,382	6.92%	$13,842	$913,540
13	–11.89%	$804,920	7.13%	$14,258	$790,663
14	–22.10%	$615,926	7.34%	$14,685	$601,241
15	28.68%	$773,677	7.56%	$15,126	$758,551
16	10.88%	$841,081	7.79%	$15,580	$825,501
17	4.91%	$866,033	8.02%	$16,047	$849,986
18	15.79%	$984,199	8.26%	$16,528	$967,671
19	5.49%	$1,020,796	8.51%	$17,024	$1,003,772
20	–37.00%	$632,376	8.77%	$17,535	$614,841
			Totals	**$268,704** +	**$614,841**

10.36% Average Rate of Return

Total Benefit = $883,545

S&P 500® index, 1989–2008. Past performance does not guarantee future results. The results shown are intended to demonstrate the impact of the effect of market performance on retirement assets, assuming 5% annual withdrawals of $10,000 (increasing at

- Both scenarios start with an initial $200,000 investment amount and have an average rate of return over a 20-year period of 10.36%.
- Investor A shows actual returns for the S&P 500 index from 1989–2008, and the market declines in the last half of the 20-year period. Investor B shows the returns inverted as compared to Investor A, and the market declines immediately and in three of the next eight years.
- After taking income for 20 years, Investor A still has funds, while Investor B runs out of money almost two years earlier.

Ask your financial advisor about product solutions that guarantee income and help protect assets from market volatility.

Investor B—Early Loss

Year	Rate of Return	Balance after Returns	Withdrawal Percentage of Initial Investment	Amount Withdrawn	End-of-Year Balance
1	–37.00%	$126,000	5.00%	$10,000	$116,000
2	5.49%	$122,368	5.15%	$10,300	$112,068
3	15.79%	$129,764	5.30%	$10,609	$119,155
4	4.91%	$125,006	5.46%	$10,927	$114,078
5	10.88%	$126,492	5.63%	$11,255	$115,237
6	28.68%	$148,292	5.80%	$11,593	$136,700
7	–22.10%	$106,488	5.97%	$11,941	$94,548
8	–11.89%	$83,310	6.15%	$12,299	$71,011
9	–9.10%	$64,549	6.33%	$12,668	$51,882
10	21.04%	$62,798	6.52%	$13,048	$49,751
11	28.58%	$63,969	6.72%	$13,439	$50,529
12	33.36%	$67,388	6.92%	$13,842	$53,545
13	22.96%	$65,839	7.13%	$14,258	$51,582
14	37.58%	$70,965	7.34%	$14,685	$56,280
15	1.32%	$57,023	7.56%	$15,126	$41,897
16	10.08%	$46,120	7.79%	$15,580	$30,540
17	7.62%	$32,867	8.02%	$16,047	$16,820
18	30.47%	$21,944	8.26%	$16,528	$5,416
19	–3.10%	$5,248	2.62%*	$5,248	$0
20	31.69%	$0	0%	$0	$0
			Totals	**$239,392** +	**$0**

10.36% Average Rate of Return

Total Benefit = $239,392

*Because investor B ran out of money in year 19, the withdrawal percentage was reduced.

3% annually for inflation). If fees and charges had been included, investment results would have been lower.
S&P 500 is a registered trademark of Standard & Poor's Financial Services, LLC.

Inflation

Inflation is the price of everyday items becoming increasingly more expensive. For the past 25 years, inflation has averaged a little over 3%. When creating your retirement strategy, consider including investment strategies that have the potential to grow to keep up with inflation so that you can purchase items at tomorrow's prices.

THE COST OF LIVING

		Year	
		2000	2014
	Movie ticket	$5.39	$8.17
	Loaf of bread	$1.72	$1.98
	Stamp	$0.33	$0.49

http://www.boxofficemojo.com/about/adjuster.htm
http://www.thepeoplehistory.com/pricebasket.html
https://about.usps.com/who-we-are/postal-history/domestic-letter-rates-since-1863.htm

Longevity

How long will I live? It's an age-old question that's impossible to answer. But it's a vital question when developing your retirement strategy and determining how long your money needs to last. People are living longer than ever, and with continuing advances in healthcare, that may only keep increasing. Speak with your financial advisor about insurance product solutions such as annuities that provide guaranteed income for life, regardless of how long that is.

LIFE EXPECTANCY

Everyone in the baby-boom generation will be 65 or older by 2030. That's the year the Census Bureau projects that senior citizens will make up 1 in 5 U.S. residents. By 2050, the elderly will make up a full quarter of all Americans.

Source: U.S. Census Bureau.

The life expectancy of an average **65-year-old** in the United States is **84 years.**

Source: CDC/NCHS, National Vital Statistics System, Mortality Data Briefs- Number 229 - December 2015.

How Do You Envision a Comfortable Retirement?

An effective retirement strategy starts with a conversation with your financial advisor. He/She can help you envision retirement and prepare for it—whether that includes starting a new career, volunteering, or simply relaxing. One way to approach the topic may be to discuss your goals and how you feel about the challenges discussed on the previous pages.

Following are some questions to consider.

- Do you plan to work in retirement?
- How do you envision retirement 6 months, 1 year, 5 years, 10 years into it?
- How long do you need your retirement savings to last?
- Are you concerned about inflation causing a decrease in your purchasing power?
- How much do you believe you can safely withdraw from your retirement savings?
- Are you worried about the impact the market may have on your savings?
- Will you need to access your retirement savings for unexpected expenses?
- Is it important to leave money to your loved ones?

Consider How Life May Change

The next step is to review your savings, expenses, and current income sources [for example, Social Security, pension, or a 401(k)]. It's important to look at your finances today versus how they may change in retirement.

Don't underestimate the following post-retirement costs:[1]

- Rising cost of healthcare–A typical couple that retired in 2015 will spend approximately $245,000 during retirement[2]
- Housing–Property taxes, maintenance and repair, and aging appliance replacement
- Family matters, such as helping with grandchildren's college or private-school tuition
- Rising cost of utilities
- Aging automobiles
- Travel

[1]Source: http://www.forbes.com/sites/advisor/2014/05/07/biggest-retirement-planning-mistakes/. "The 5 Biggest Retirement Planning Mistakes You Can Avoid," 2014.

[2]Source: https://www.fidelity.com/about-fidelity/employer-services/health-care-costs-for-couples-retirement-rise

Match Your Goals with Your Finances

As a final step in preparing to talk with your financial advisor, organize your expenses according to the four basic retirement planning goals in the chart below. This will allow you and your financial advisor to match an income source (product solution) with the type of spending need.

LIVING

Essential Expenses

- Groceries
- Housing
- Medical care
- Taxes
- Transportation
- Utilities

Potential Income Sources

- Annuities
- Pensions
- Social Security

LIFESTYLE

Discretionary Expenses

- Family
- Hobbies
- Recreation
- Travel

Potential Income Sources

- Managed money platforms
- Mutual funds
- Tax-deferred annuities

You may want to use the Income & Expense Worksheet located in the back pocket of this brochure to help you identify and organize your retirement expenses.

LONG-TERM CARE

Expense of Living Longer
- Assisted living facilities
- Home healthcare
- Rehabilitative care
- Skilled nursing care

Potential Income Sources
- Insurance
- Mutual funds
- Rainy-day funds

LEGACY

Leaving Your Legacy
- Gifts to charities
- Protecting family

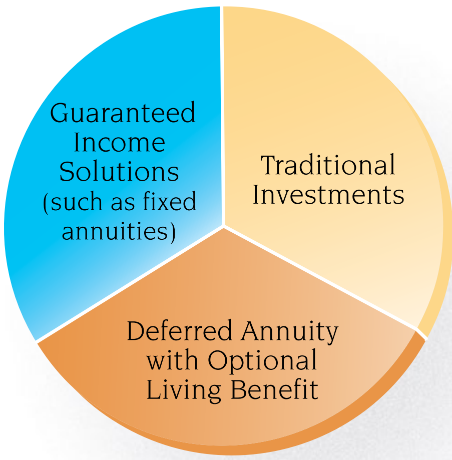
Potential Income Sources
- Life insurance
- Tax-deferred annuities
- Trusts

After you've discussed your finances, your financial advisor can begin to work with you to develop a strategy to generate cash flow for life to help meet your needs and live comfortably in retirement.

Create Income for Life

Diversification Is Key

While accumulating assets, you likely diversified those assets among different types of investments to help weather varying market conditions. Similarly, it may be best to diversify among multiple products that generate income. Research has shown that combining guaranteed income solutions and deferred annuities with conventional investment instruments, such as mutual funds, may be the optimal way to create income.[1]



While no single product can provide for all retirement goals, together, these products can help:

- Manage the challenges you'll face in retirement.
- Maximize cash flow and sustain it for life.
- Provide access to your money and meet legacy needs.

Product Solution	Retirement Challenges			Client's Needs		
	Sequence of Returns	Inflation	Longevity	Income Guarantees	Full Access[2] to Money	Legacy
Traditional Investments (such as mutual funds and stocks)		✓			✓	
Deferred Annuities with Optional Living Benefits (such as deferred fixed indexed and variable annuities)	✓	✓	✓	✓		✓
Guaranteed Income Solutions (such as deferred fixed and immediate annuities and certificates of deposit)	✓		✓	✓		✓[3]

[1]Peng Chen, Roger G. Ibbotson, Moshe A. Milevsky, and Kevin X. Zhu. 2006. "Lifetime Financial Advice: Human Capital, Asset Allocation and Insurance." Research Foundation of the CFA Institute, 2007.

[2]Net of any applicable charges.

[3]Applies to deferred fixed annuities only.

Products that Create Cash Flow

Traditional Investments

These investments provide the potential for growth and allow full access to your money, but offer no lifetime income guarantee. These may include investments such as mutual funds and stocks.

Deferred Annuities with Optional Living Benefits

Defered annuities with optional living benefits provide tax-deferred growth of earnings, the potential to grow your assets, guaranteed lifetime income regardless of the market or your contract value, and a death benefit for your heirs. However, depending on the annuity chosen, you may have limited access to your money for a period of time. Optional living benefits are available for an additional cost.

Guaranteed Income Solutions

These solutions offer a fixed interest rate, protect assets, and are not tied to the market. Some examples include deferred fixed and immediate annuities and certificates of deposit (CDs). Annuities also offer guaranteed lifetime income that can be used for necessary expenses. However, these products may offer limited growth potential and, depending on the product chosen, limited access to your money for a period of time.

As you can see, each of these three product solutions has trade-offs. Be sure to discuss the products with your financial advisor and consider whether they make sense for your retirement strategy.

Guarantees, including optional benefits, are subject to the issuing company's claims-paying ability and financial strength and do not protect the value of the variable investment options, which are subject to market risk.

Stocks, mutual funds, and variable investment options in a variable annuity are subject to market fluctuations and, when redeemed, may be worth more or less than the original cost. CDs are FDIC insured.

Why Pacific Life

It's essential for you to choose a strong and stable company that can help you achieve your future income needs. Since 1868, individuals and their families have relied on the strength of Pacific Life to help protect their financial security.

- Pacific Life Insurance Company is organized under a mutual holding company structure and operates for the benefit of its policyholders and contract owners.
- We have achieved ongoing recognition[1] for high-quality service standards.
- We offer products that address market environments during all stages of your life.
- We maintain strong financial strength ratings from major independent rating agencies.

Ratings may change and do not apply to the safety or performance of the underlying variable investment options or the mutual funds. For more information and current financial strength ratings, please visit our website.

While ratings can be objective indicators of an insurance company's financial strength and can provide a relative measure to help select among insurance companies, they are not guarantees of the future financial strength and/or claims-paying ability of a company and do not apply to any underlying variable investment options. The broker/dealer from which this annuity is purchased, the insurance agency from which this annuity is purchased, and any affiliates of those entities make no representations regarding the quality of the analysis conducted by the rating agencies. The rating agencies are not affiliated with the above-mentioned entities nor were they involved in any rating agency's analysis of the insurance companies.

For a personalized illustration or to learn more about creating lifetime retirement income, contact your financial advisor.

[1]Recipient of multiple DALBAR Service Awards since 1997. Refer to www.DALBAR.com for more information regarding awards, certification, and rankings.

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Annuity withdrawals and other distributions of taxable amounts, including death 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 tax may apply. A withdrawal charge also may apply. Withdrawals will reduce the contract value and the value of the death benefits, and also may reduce the value of any optional benefits.

Variable annuities are long-term investments designed for retirement. The value of the variable investment options will fluctuate and, when redeemed, may be worth more or less than the original cost.

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, death benefit options, and the ability to transfer among investment options without sales or withdrawal charges.

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Mailing addresses:
Pacific Life Insurance Company
P.O. Box 2378
Omaha, NE 68103-2378
(800) 722-4448

In New York, Pacific Life & Annuity Company
P.O. Box 2829
Omaha, NE 68103-2829
(800) 748-6907

www.PacificLife.com

Pacific Funds
P.O. Box 9768
Providence, RI 02940-9768
(800) 722-2333, Option 2
www.PacificFunds.com