Aging with Confidence: A Gift for Moms

Mother's Day is almost here. If you have clients who worry about their aging mothers being prepared for the financial costs associated with longevity risk, now is a good time to reach out.

With Mother's Day approaching, we have the opportunity to celebrate the women in our lives who have nurtured, cared, and protected us. Loved ones bring flowers, family and friends gather, and we show appreciation for the time and commitment our moms and other mother figures provide.

If you have clients worried about aging moms, consider talking to them about long-term well-being. According to a recent Kaiser Family Foundation (KKF) survey, 37% of individuals in the U.S. are somewhat confident about being able to pay for necessary care as they age, and 43% said they are not confident at all.[1] This Mother's Day, you can encourage clients to give the gift of confidence to their moms by starting a conversation and suggesting that mothers learn more about protecting the money they've saved and creating lifetime income—potentially by working with *you*.

Here are some options that could help your clients' moms (or dads) become confident about the future of their finances:

- **Variable Annuity**
  As the name suggests, variable annuities offer a variety of options and potential outcomes to address each client's situation and needs. The various subaccounts available for investment can diversify client portfolios, and optional benefits can be added for an additional cost. But how does this help cover some of the expenses associated with aging?

  1. **Partial Annuitization**—Some insurance companies offer the option to use a portion of annuity funds to begin payments, which allows a client to address a sudden need for income without fully annuitizing. This option is available for both qualified and nonqualified assets. If the rules are followed, nonqualified assets receive exclusion-ratio tax treatment, meaning the portion of each payment that is considered a return of principal is not subject to income taxes. Qualified assets will be taxable or tax-free depending on the account type.
  2. **Guaranteed Benefits**—Most annuities offer optional benefits that add specific guarantees for an additional cost. These include options for principal protection, beneficiary benefits, or income benefits. These benefits are designed to assist in paying for longevity-related expenses. There are many variations of income benefits, so contact the insurance company to discuss the options.

- **Qualified Longevity Annuity Contracts (QLACs)**
  A QLAC is another option that can help clients cover essential living expenses later in life. In addition, this option can be funded with up to $200,000 (for 2024) from IRA assets, which can reduce required minimum distributions (RMDs) and result in lower distributions to be included in clients' federal income taxes. The maximum age to which clients can defer distributions is age 85, but payments can start earlier if needed to

Insurance product and rider guarantees, including optional benefits, 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.

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

[1]Montero, Alex and Hamel, Liz. "The Affordability of Long-Term Care and Support Services: Findings from a KKF Survey." KFF, Nov. 14, 2023.

help pay for age-related expenses.[2] Note that some states place restrictions on changing the start date for the annuity payments, so inform clients appropriately based on their state regulations.

- **Single-Premium Immediate Annuities (SPIA)** A SPIA, one of the simplest kinds of annuity contracts, is another option that can provide the additional income needed to help pay for health and housing expenses. As clients age, life expectancy is reduced. This typically means that the capital required to produce additional guaranteed income later in life is also reduced. A SPIA can allow for income flexibility and help efficiently create income for that later phase of life. In addition, some companies offer a commutation feature, which is a lump-sum payout of future payments, which could be useful for those who need higher income should emergencies arise.

These are only a few options that could be used to financially help those reaching advanced ages.

Help Clients Help Their Moms This Mother's Day

As clients gather with family during this special holiday, encourage them to use this time to check in on their moms' plans for future financial well-being. Offer to be of help with creating plans that help address their retirement income needs.

ACTIONS YOU CAN TAKE RIGHT NOW

- **Contact clients who have mentioned an aging mother or parent.**
- **Discuss the financial cost of living longer than expected.**
- **Offer to create lifetime income plans for their moms (or dads).**

Additional Resources and Links

Healthcare Expense Analyzer

Longevity Risk: Three Common Incorrect Assumptions

[2] Ashford, Kate. "What is a Qualified Longevity Annuity Contract (QLAC)?" Forbes Advisor, July 26, 2023.

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

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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.

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 and a market value adjustment (MVA) also may apply. Withdrawals will reduce the contract value and the value of the beneficiary benefit, and also may reduce the value of any optional benefits.

Partial annuitization and withdrawals will reduce the contract value and the value of the beneficiary benefit, and also may reduce the value of any optional benefits. Partial annuitization is treated as a withdrawal and will reduce the contract value by the amount that is annuitized. Additionally, for contracts that hold an optional living or beneficiary benefit rider, partial annuitization may reduce the benefits guaranteed under the rider, depending on each rider's features and the amount that is annuitized.

In order for the contract to be eligible as a QLAC, certain requirements under Treasury regulations must be met, including limits on the total amount of purchase payments that can be made to the contract. Qualified contracts, including traditional IRAs, Roth IRAs, and QLACs, are eligible for favorable tax treatment under the Internal Revenue Code (IRC). Certain payout options and features may not comply with various requirements for qualified contracts, which include required minimum distributions. Therefore, certain product features, including the ability to change the annuity payment start date, accelerate payments, and to exercise withdrawal features or payout options, may not be available or may have additional restrictions.

Insurance product and rider guarantees, including optional benefits and any fixed crediting rates or annuity payout rates, are backed by the financial strength and claims-paying ability of the issuing insurance company and do not protect the value of the variable investment options. They are not backed by the broker/dealer from which this annuity is purchased, by the insurance agency from which this annuity is purchased, or any affiliates of those entities, and none makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

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