PACIFIC LIFE

THE POWER OF TAX DEFERRAL

The Impact on Retirement Savings

When saving for retirement, consider how taxes impact your earnings over time. Below are three mathematical concepts that help demonstrate the power of tax deferral. *As you review these concepts, remember that no investment can guarantee a return or the ability to double your money.*

THE RULE OF 72

If your savings are in a **tax-deferred vehicle such as an annuity**, you can use the "Rule of 72" to estimate how long it could take to double your money. Simply divide 72 by the expected growth rate to estimate the number of years. For example, a tax-deferred annuity growing at 4% would double in approximately 18 years (72 ÷ 4 = 18). See the table for more examples.

THE RULE OF 96

Another rule to consider is the "Rule of 96." This concept estimates the time needed for **taxable** money to double assuming a 24% federal income-tax rate assessed yearly on the taxable investments and an expected growth rate. Taxes are subtracted from the earnings each year which increases the time it takes for the account value to double. See the table for examples.

THE RULE OF 108

The "Rule 108" estimates the time needed for **taxable** money to double assuming a 32% federal income-tax rate assessed yearly on the taxable investments and an expected growth rate. Taxes are subtracted from the earnings each year which increases the time it takes for the account value to double. See the table for examples.

The Rule of 72, Rule of 96, and Rule of 108 are mathematical concepts and are not illustrative of any products offered by Pacific Life.

Estimated Years to Double Your Money

Expected Growth Rate	The Rule of 72 (Tax-Deferred)	The Rule of 96 (Taxable at 24%)	The Rule of 108 (Taxable at 32%)
3%	24 Years	32 Years	35 Years
4%	18 Years	24 Years	26 Years
5%	14 Years	19 Years	21 Years
6%	12 Years	16 Years	18 Years
7%	10 Years	14 Years	15 Years

Note: Some numbers have been rounded to the nearest whole number.

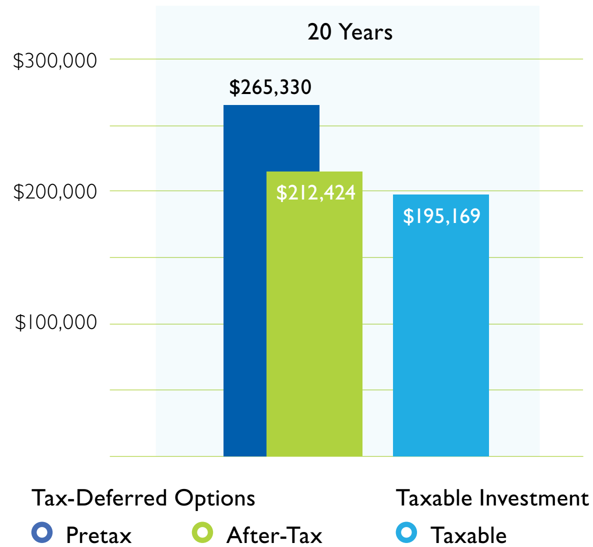
Why a Variable Annuity

An annuity can be an important part of an overall long-term retirement strategy. It's the only investment vehicle that provides tax-deferred treatment of earnings, guaranteed lifetime income options, and a guaranteed death benefit.

The Power of Tax Deferral

- This hypothetical example shows a $100,000 initial purchase payment compounded at 5% annually over 20 years.
- After 20 years, the tax-deferred account has grown to **$265,330.**

Once taxes are paid on a lump-sum distribution, the after-tax amount is **$212,424**—still greater than the **$195,169** taxable account over the same time period.



Assumes a 32% federal income-tax rate, assessed yearly on the taxable investment and at period-end on the tax-deferred investment. Actual tax rates may vary for different taxpayers and assets from that illustrated (e.g., capital gains and qualified dividend income). Actual performance of your investment also will vary. Lower maximum tax rates on capital gains and dividends would make the investment return for the taxable investment more favorable, thereby reducing the difference in performance between the investments shown. Consider your personal investment time horizon and income-tax brackets, both current and anticipated, when making an investment decision. Hypothetical returns are not guaranteed and do not represent performance of any particular investment.

If variable annuity charges were included (withdrawal charges, mortality and expense risk charges, administrative fees, and other contract charges), the tax-deferred performance would be significantly lower.

For more information regarding tax-deferred products available through Pacific Life, please contact your financial professional.

Pacific Life, its affiliates, their distributors, and respective representatives do not provide tax, accounting, or legal advice. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor or attorney.

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.

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

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

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.

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