Understanding the SEQUENCE of RETURNS

How Market Performance and Distribution Timing Can Affect How Long Your Money Will Last

PACIFIC LIFE

VLC0437-0917

TABLE OF CONTENTS

GET READY FOR RETIREMENT

As you approach your retirement years—or have already reached them—you need to ensure that your portfolio is ready to last your lifetime. The span of time that can impact your long-term retirement income the most is the period just prior to and immediately following retirement. This effect on your income is called the *sequence of returns*.

THE SEQUENCE OF RETURNS

You may be living more years in retirement than previous generations, so your investments need to last longer than ever. To demonstrate how market fluctuations may impact your portfolio when you begin to take income, let's look at two hypothetical portfolios with the same initial $200,000 investment amount and a 20-year period (1989–2008) of

Investor A—Early Gain

Year	Rate of Return	Balance after Returns	Withdrawal % of Initial Investment	Amount Withdrawn	End-of-Year Balance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

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 3% annually for inflation). If fees and charges had been included, investment results would have been lower.

the S&P 500® index with an average rate of return of 10.36%. The difference is that Investor A experiences market declines in the last half of a 20-year period, and Investor B has a market decline immediately after retiring and in three of the next eight years.

Investor B—Early Loss					
Year	**Rate of Return**	**Balance after Returns**	**Withdrawal % 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	8.51%	$5,248	$0
20	31.69%				$0
Totals				**$239,392** +	**$0**

10.36%
Average Rate of Return

Total Benefit = $239,392

S&P 500® index 1989–2008. Past performance does not guarantee future results.

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. For more information and current financial-strength ratings, please visit www.PacificLife.com.

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. The independent third party from which this annuity is purchased, including the broker/dealer, 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.

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

Pacific Life has 150 years of experience, and we remain committed to providing quality products, service, and stability to meet your needs today and throughout your lifetime.

To learn about options to protect against the sequence of returns when planning for retirement income, talk with your financial professional today.

VLC0437-0917

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