

A middle-aged man with grey hair, wearing a dark suit, white shirt, and patterned tie, is seated and looking towards the camera. The background is a blurred office setting with columns.

Structured Attorney's Fees

Preparing for Your Financial Future

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The Power to Help You Succeed

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

Pacific Life has more than 140 years of experience, and we remain committed to providing quality products, service, and stability to help meet your needs today and throughout your lifetime.

- 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 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 our website.

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.



Planning for the Future by Structuring the Attorney's Fee

As an attorney, you can enjoy some of the same benefits as your personal injury clients by structuring contingent fees for future payment.

This unique benefit can defer your income for future needs such as:

- Retirement
- Children's education
- Stabilizing income for your practice

Benefit Types

Pacific Life allows you to customize your payment streams to specifically help handle future costs.

Benefit types include:

- A lifetime of income that you cannot outlive. It can also jointly protect you and your spouse.
- Payments for a specific period to help eliminate possible concerns such as paying your home mortgage or funding education costs for your children.
- Lump sums to help pay for a large purchase.

Payments to You or Your Firm

- By electing to have payments made to your firm, you can guarantee income to help meet payroll needs or pay your business mortgage.

Design a Benefits Package to Fit Your Needs

- Start payments immediately or defer the payment start date up to 20 years.
- Add a Cost of Living Adjustment to help offset inflation.

Managing Your Retirement

Whether you begin to take payments immediately or defer it until sometime in the future, a structured settlement attorney's fee annuity can help to maximize and protect income for the rest of your life.

If you are just starting to think about retirement or have already retired, it's important for you to keep in mind that the average number of years spent in retirement is growing steadily. People are living longer as advancements in healthcare and science continue to improve longevity. Understanding your life expectancy and how to manage the resources you'll need to be comfortable in retirement are the first steps of successful planning.

Life Expectancy for a 65-Year-Old in 2012



- About one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past 95.
- The life expectancy for a couple, both age 65, is more than 89 years.

Source: Social Security Administration, 2012.

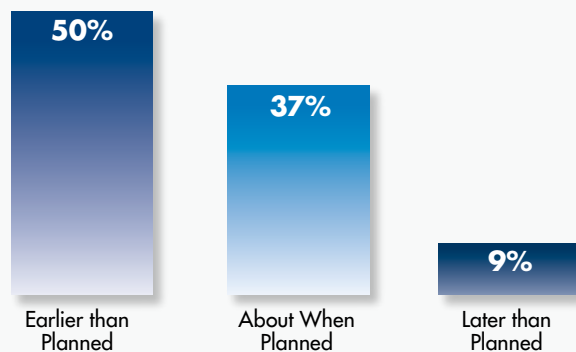
When Do You Plan to Retire?

Your timetable for retirement may not be what you planned.

- External factors may cause you to retire earlier than you thought.
- If you have investments in financial markets, the value may be higher or lower than you expected.

Among Retirees, Actual Timing of Retirement

With longer life spans and an earlier retirement, you may live in retirement for more years than you expected.



Source: EBRI, 2012. Retirement Confidence Survey, March 2012. Percentages do not total 100%.

The Power of Tax Deferral

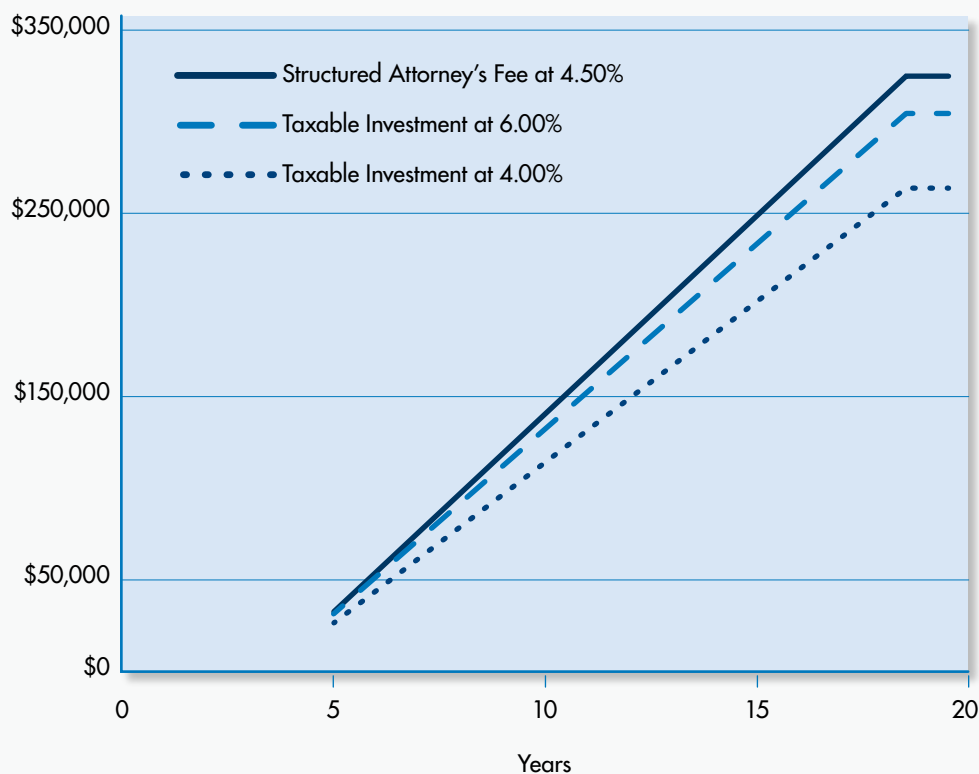
Defer Taxes

- By structuring your fee, you may possibly reduce taxes by postponing when you begin taking income and spreading the taxable income over time. Payments are reported to the IRS in the year that you receive them.
- Taxes are deferred until payments begin.
- There may be no limits to how much you can defer by structuring your fees.

Deferring the taxation of income can result in a higher net amount to you. The following graph shows hypothetical after-tax cash flow from a Structured Attorney's Fee in comparison to income from taxable investment accounts. Income for both is deferred for five years and is scheduled to last for 15 years. A detailed comparison is on the next two pages.

Assumption: The Attorney's Fee of \$300,000 with income beginning after five years for a 15-year period certain and a 4.50% Internal Rate of Return. The hypothetical taxable investments use a 6% and 4% rate of return, respectively.

Cumulative After-Tax Income Comparison



You Expect the Return Of and On Your Money

Some financial vehicles emphasize return, based on the amount of risk. A structured settlement attorney's fee annuity can provide an income guaranteed for life, a low investment risk, and a competitive rate of return.

Structured Attorney's Fee vs.

Example assumes a \$300,000 attorney's fee with income beginning in five years and ending 15 years later.

Structured Attorney's Fee

Rate of Return	4.50%	Income Tax Rate	35%
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Year	Payment Pre-Tax	Tax	Payment After Tax	Cumulative After Tax
0				
1	\$0	\$0	\$0	\$0
2	\$0	\$0	\$0	\$0
3	\$0	\$0	\$0	\$0
4	\$0	\$0	\$0	\$0
5	\$33,312	\$11,659	\$21,653	\$21,653
6	\$33,312	\$11,659	\$21,653	\$43,306
7	\$33,312	\$11,659	\$21,653	\$64,958
8	\$33,312	\$11,659	\$21,653	\$86,611
9	\$33,312	\$11,659	\$21,653	\$108,264
10	\$33,312	\$11,659	\$21,653	\$129,917
11	\$33,312	\$11,659	\$21,653	\$151,570
12	\$33,312	\$11,659	\$21,653	\$173,222
13	\$33,312	\$11,659	\$21,653	\$194,875
14	\$33,312	\$11,659	\$21,653	\$216,528
15	\$33,312	\$11,659	\$21,653	\$238,181
16	\$33,312	\$11,659	\$21,653	\$259,833
17	\$33,312	\$11,659	\$21,653	\$281,486
18	\$33,312	\$11,659	\$21,653	\$303,139
19	\$33,312	\$11,659	\$21,653	\$324,792
			Total Net Income	\$324,792

The following chart reflects the Taxable Rate of Return needed by Tax Bracket to match a Tax-Deferred Rate of Return:

Tax-Deferred Rate of Return	Taxable Rate of Return Needed by Tax Bracket	
	28%	35%
3.0%	4.17%	4.62%
3.5%	4.86%	5.38%
4.0%	5.56%	6.15%
4.5%	6.25%	6.92%
5.0%	6.94%	7.69%
5.5%	7.64%	8.46%
6.0%	8.33%	9.23%

Alternative Taxable Investment

Alternative Taxable Investment

Rate of Return	6.00%	Income Tax Rate	35%
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Year	Payment Pre-Tax	Interest	Tax	Cumulative After Tax	Value
	0		\$105,000		\$195,000
1	\$0	\$11,700	\$4,095	\$0	\$202,605
2	\$0	\$12,156	\$4,255	\$0	\$210,507
3	\$0	\$12,630	\$4,421	\$0	\$218,716
4	\$0	\$13,123	\$4,593	\$0	\$227,246
5	\$20,296	\$13,635	\$4,772	\$20,296	\$215,813
6	\$20,296	\$12,949	\$4,532	\$40,592	\$203,933
7	\$20,296	\$12,236	\$4,283	\$60,888	\$191,591
8	\$20,296	\$11,495	\$4,023	\$81,184	\$178,767
9	\$20,296	\$10,726	\$3,754	\$101,481	\$165,442
10	\$20,296	\$9,927	\$3,474	\$121,777	\$151,598
11	\$20,296	\$9,096	\$3,184	\$142,073	\$137,215
12	\$20,296	\$8,233	\$2,882	\$162,369	\$122,270
13	\$20,296	\$7,336	\$2,568	\$182,665	\$106,742
14	\$20,296	\$6,405	\$2,242	\$202,961	\$90,609
15	\$20,296	\$5,437	\$1,903	\$223,257	\$73,847
16	\$20,296	\$4,431	\$1,551	\$243,553	\$56,431
17	\$20,296	\$3,386	\$1,185	\$263,850	\$38,335
18	\$20,296	\$2,300	\$805	\$284,146	\$19,534
19	\$20,296	\$1,172	\$410	\$304,442	(\$0)
Total Net Income				\$304,442	

How Can Fees Be Structured?

Timing is Everything

Preventing Constructive Receipt—The settlement agreement must be completed before the verdict is rendered. After the verdict is rendered, you are considered to be in constructive receipt of the fees.

Putting the Plan in Place

- The funding for the structured settlement would be paid by the defendant or the defendant's insurer or from a trust as described in section 468B and the underlying regulations pursuant to Rev. Proc. 93-34, 1993-2 C.B. 470, directly to Pacific Life & Annuity Services, Inc. (PLASI) in exchange for the assignment of the obligation.
- PLASI would then utilize the funding to purchase an annuity contract from Pacific Life (PL) in order to fund its obligations under the structured settlement.
- You would not actually receive the funding assets which are used to purchase the annuity contract, nor would you be the owner of the annuity.

Childs v. Commissioner, 103 T.C. 634 (1994)

In the case of Childs v. Commissioner, 103 T.C. 634 (1994), aff'd w/out publ. op., 89 F.3d 856 (11th Cir. 1996), both the Tax Court and the Eleventh Circuit Court of Appeals held that the attorney's fees to be paid in a future stream of payments were not currently taxable because no "property" had been transferred to the attorney within the meaning of section 83 and because the attorney did not have the constructive receipt of the funds which were used to purchase the annuity. The courts rejected the IRS argument that the attorney was subject to immediate taxation under either section 83 or the doctrine of constructive receipt.

Frequently Asked Questions

Here are answers to questions most often asked regarding the structuring of the attorney's fee.

Q. *What documents are required by Pacific Life?*

- A.**
- Original Acknowledgement and Hold Harmless Agreement for Attorney's Fee which confirms, among other things, that Pacific Life does not offer tax or legal advice and the decision to structure is wholly the responsibility of the attorney.
 - Acknowledgement language included in Settlement Agreement and Qualified Assignment and Release documents.
 - Income Tax Withholding Form (W-9).
 - Standard forms required include: application, proof of age (if applicable), Settlement Agreement, Qualified Assignment, and Release Agreement.

Q. *Who guarantees my payments?*

- A.** All obligations to make future periodic payments assigned to Pacific Life & Annuity Services, Inc. (PLASI), are guaranteed by Pacific LifeCorp. This is evidenced by a Statement of Irrevocable Guarantee which is issued with each assigned case. PLASI purchases an annuity from Pacific Life (PL) and directs PL to make periodic payments to the payee according to the benefit schedule.

Q. *Must the Claimant structure his/her own portion in order to structure attorney's fee?*

- A.** No. The Claimant does not have to structure his/her own portion in order to structure the attorney's fee.

Q. *Can I structure fees already paid to me?*

- A.** No. The IRS does not allow structuring money after there has been actual or constructive receipt of the fees or an impermissible economic benefit from the fees.

Q. *Can I defer tax on fees paid on cases other than physical injury or workers' compensation cases?*

- A.** No. Tax may be deferred on attorney's fee only for amounts received as workmen's compensation and/or damages on account of personal physical injury or physical sickness.

Q. *Can I name or change a Beneficiary?*

- A.** Yes.

Q. *Can I structure cases after a verdict has been rendered?*

- A.** No. When the verdict is rendered, the attorney is considered to be in constructive receipt and/or economic benefit which means that you may no longer delay the receipt and therefore taxation of the income.

Q. *Can a structure with Pacific Life include payments to the individual attorney and separate streams to the firm?*

- A.** Yes. You can customize benefit streams and payees. Please have your broker contact the home office for full guidelines.

Legal Notes

Pacific Life has obtained a legal memorandum from a nationally recognized law firm to support the attorney's fee program offered. The memorandum includes the following selected highlights.

Stipulations prior to setting up structured settlement of the attorney's fee include:

- The attorney's fee is due pursuant to a contingent fee arrangement between the claimant and the attorney in connection with a suit for damages by the claimant (where the claimant was a plaintiff in a tort action against the defendant and/or its insurer) and the attorney agreed to receive periodic payments of the fee prior to the time of the execution of any settlement agreement, structured or otherwise ("Settlement Agreement") between the claimant and the defendant and/or its insurer in the suit.
- Alternatives for structuring the attorney's fee as fixed payments payable at regular intervals over a set period of time or for life (or some combination thereof) were offered to the attorney as part of the negotiations for the Settlement Agreement between the claimant and the defendant and/or its insurer.

Requirements when establishing the structured settlement include:

- The attorney's fee is structured as part of a case in which the settled claim involves only amounts received as workmen's compensation and/or damages on account of personal physical injury or physical sickness [excludable from gross income under section 104(a)(1) or (2), respectively].
- The assignment of the periodic payment obligation under the Settlement Agreement is made by the Defendant and/or its insurer (with the consent of the Plaintiff) and the Plaintiff is designated as the "Claimant" in all assignment documents.
- A Hold Harmless Agreement, signed by the attorney who is due fees, is required on all cases involving structured fees.

Notations:

- The periodic payments made to the attorney for the attorney's fee is part of a structured settlement of the case (even if the claimant chooses not to have other structured payments made to himself or herself).
- The Commutation Rider is not available for structured fees.

Thank You for Choosing Pacific Life



For more information, consult with your structured settlements broker. Or, call us toll-free at (877) 784-0622, Option 1.

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