

# GONE BUT NOT FORGOTTEN

Preserving Your Legacy with the Protection of Cash Value Life Insurance



This is a life insurance with long-term care benefits sales solicitation.

# Creating a Lasting Legacy

Your legacy primarily lives in the positive impact you've had on others and the fond memories they've made with you, but what if you could leave your loved ones more than that?

Creating a financial legacy can help preserve your impact and provide long-term support for those who matter most. Life insurance products offer a way to do this, with death benefit proceeds paid directly to your beneficiaries. They can also include optional riders that provide added flexibility and benefits during your lifetime.

In fact, many of today's life insurance products offer long-term care (LTC) protection through riders that give you access to a portion of your death benefit to help cover care expenses. With the ability to support your needs now and provide for your heirs later, this combination may help you achieve multiple financial goals.

**Note:** Long-term care riders should not be used with trust-owned life insurance policies where the insured is the trust grantor. Special consideration should be used when implementing trust planning. You should consult independent and qualified legal and tax advisors as part of your planning conversations.

## Discover Legacy Planning with Flexibility: Cash Value Life Insurance

- **Death Benefit Protection** – Protect your family or estate with an income-tax-free death benefit.<sup>1</sup>
- **Financial Potential** – Any cash value has the potential to grow, less policy charges and any policy distribution via policy loans and withdrawals.<sup>2</sup>
- **Long-Term Care** – Adding a long-term care rider to your life insurance policy may help protect your assets by helping you pay for long-term care expenses.<sup>3</sup> For details, see page 6.

“They say you die twice.  
One time when you stop  
breathing and a second time  
when somebody says your  
name for the last time.”  
– Banksy, artist



<sup>1</sup>For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Sec. 101(a)(1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: the transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Sec. 101(a)(2)(i.e. the transfer-for-value rule); arrangements that lack an insurable interest based on state law; and an employer-owned policy unless the policy qualifies for an exception under IRC Sec. 101(j).

<sup>2</sup>For federal income tax purposes, tax-free income assumes, among other things: (1) withdrawals do not exceed tax basis (generally, premiums paid less prior withdrawals); (2) policy remains in force until death (any outstanding policy debt at time of lapse or surrender that exceeds the tax basis will be subject to tax); (3) withdrawals taken during the first 15 policy years do not cause or occur at the time of, or during the two years prior to, any reduction in benefits; and (4) the policy does not become a modified endowment contract. See IRC Secs. 72, 7702(f)(7)(B), 7702A. Any policy withdrawals, loans and loan interest will reduce policy values and may reduce benefits.

<sup>3</sup>Riders will incur additional charges, are subject to availability, restrictions, and have certain exclusions and limitations. See back cover and contact your life insurance producer for complete details of rider coverage and costs. When considering a rider, request a policy illustration from your life insurance producer to see the rider's impact on your policy's values.

# Considerations in Legacy Planning

Creating a proper plan can help ensure your heirs receive the inheritance you intend to leave for them. Here are some more specific factors to discuss with your independent and qualified legal and tax planning professionals.

## When Your Children Are Your Legacy

**Flexible Legacy Planning**—If you've allocated certain assets to leave to your children, unexpected expenses may arise, and you may need to access those assets, thus reducing the funds you leave to your children. To build flexibility into your legacy planning, consider buying a life insurance policy and naming your children as your policy beneficiaries. The policy's death benefit can become the asset you leave to your children while allowing you access to your existing assets.

**Equitable Treatment of Heirs**—While you may love all your children equally, will you be able to divide your assets among them equally? If you plan to leave a business or other difficult-to-divide asset to a specific child, will you have enough to leave your other children? Or perhaps you want to leave something extra to a child who has sacrificed and acted as a caretaker for a family member. If you build your legacy with life insurance, you can use the policy's death benefit to help ensure that all your children are treated equally.

**Blended Family Dynamics**—Modern family dynamics may be hard to account for with traditional estate planning options. For example, consider the traditional "all-to-spouse" will. If you leave everything to your spouse, there may be concern that they will not provide for your children from a prior relationship. Life insurance may help you ensure that your children from a prior relationship receive the proceeds from your life insurance policy's death benefit and are treated equitably.

## When a Charity Is Your Legacy

In addition to or instead of leaving a legacy to children, many people are charitably inclined and wish to leave a legacy to a university, hospital, or church.<sup>4</sup> One way to ensure a financial legacy for your favorite charity is to buy a life insurance policy and name the charity as your policy beneficiary. That way, your name can live on, perhaps in an engraved plaque at your church or through a scholarship left in your name at your alma mater.



<sup>4</sup>The amount of death benefit that is financially justifiable for a charity beneficiary is based on the insured's history of giving to the charity.

## When Your Grandchildren Are Your Legacy

**The Generational Divide**—You may intend to leave a financial legacy that lasts for generations. But what if your children exhaust those assets and there is nothing left for your grandchildren? Buying a life insurance policy and designating your grandchildren as your policy beneficiaries may help you ensure a financial legacy for your grandchildren.

**Avoiding Per Stirpes Inequality**—Are you aware that the typical estate plan uses a “per stirpes” distribution? This means your assets will be split evenly between your children and then pass to your grandchildren by right of representation. For example, if you have a son and a daughter, your daughter has one child and your son has two children, and your children predecease you, your son’s children will have to split the inheritance, while your daughter’s child will not. To leave an equal inheritance, you can use the life insurance death benefit to make up the difference by naming some or all of your grandchildren as the beneficiaries of the policy.

**Gift for Life**—Life insurance can help you support your grandchildren beyond your lifetime. You can have your life insurance death benefit proceeds paid to them over a period of time, such as providing them annual “gifts” for a stipulated number of years or for their lifetimes. There are two common ways to do so.

- **Trust Planning** – You may establish a trust for the benefit of your grandchildren during your lifetime. The trust is named beneficiary and will receive the lump-sum death benefit proceeds from your life insurance policy and then distribute the proceeds to your grandchildren over a number of years, thus ensuring that your grandchildren receive annual checks, which may rekindle fond memories of you.
- **Policy Settlement Options** – Through the use of optional riders or policy settlement options, you may structure the life insurance policy’s death benefit proceeds to be paid to your grandchildren over several years. For example, Pacific Life’s Benefit Distribution Rider<sup>5</sup> is available on certain cash value life insurance products. If you elect this rider, instead of a lump-sum payment to manage, your policy’s beneficiaries get a guaranteed monthly or annual income stream over 5 to 30 years. Additionally, Pacific Life may reduce policy charges in the form of non-guaranteed Benefit Distribution Rider Credit, which may reduce the impact of your policy charges on a non-guaranteed basis. Request a personalized illustration and talk to your life insurance producer for details.

<sup>5</sup>Benefit Distribution Rider (Form #R15BDR) is optional at no additional rider charge. Once elected at issue, the rider’s Periodic Payment elections may not be changed unless the policyowner is approved for an unscheduled Basic Coverage face amount increase as specified in the contract. Exercising other available riders may adversely affect or limit the Benefit Distribution Rider. On a nonguaranteed basis, Pacific Life may reduce policy charges through a Benefit Distribution Rider Credit. On a guaranteed basis, the rider’s Periodic Payments of death benefit reflect a 2% level annual interest rate. If the rider is not elected, the beneficiary can elect to receive periodic payments under an Income Benefit plan we make available to them at the insured’s death that may credit a higher or lower interest rate than the rider’s 2% guaranteed rate. However, the election of an Income Benefit plan at the insured’s death will not result in any nonguaranteed reduction of policy charges while the policy is in force.

# Long-Term Care Risk to Your Legacy

Certain unexpected healthcare costs may arise late in retirement and may reduce your ability to leave a financial legacy. According to a recent study, over half of Americans turning 65 between 2021 and 2025 will need long-term care services and support in their lifetimes, and millions more will need long-term care before they turn 65.<sup>6</sup> Long-term care refers to services that help individuals meet health or personal care needs for a long period of time when they can no longer manage daily activities on their own, and depending on the type of care, the costs can be staggering. A life insurance policy with long-term care benefits can help you mitigate that financial risk.

## The Legacy/Long-Term Care Combo

By choosing a life insurance policy with a long-term care rider, you may use the policy for dual purposes—legacy planning and financial protection from long-term care expenses.

### LTC (During Your Life)

With a long-term care rider on your life insurance policy, you may accelerate a portion of your policy's death benefit during your lifetime to help you pay for long-term care expenses.<sup>7</sup>

### Legacy Planning (Upon Your Death)

Your policy's beneficiaries will receive the policy's remaining death benefit as your financial legacy.



LTC Riders are intended to provide federally tax-qualified long-term care insurance as defined in IRC Section 7702B(b). When benefits are received from multiple policies providing long-term care or chronic illness benefits for a given insured, including policies with different owners, all of those benefits must be aggregated to determine their taxability. Pacific Life cannot determine whether the benefits are taxable. If there are any questions concerning the tax implications of these riders, qualified and independent legal and tax advisors should be consulted.

<sup>6</sup>"Most Americans Will Need Long-Term Services and Supports in Their Lifetimes - Many Will Face Economic Hardship as a Result", Ari Houser, <https://ltsschoices.aarp.org/blog/americans-need-ltss-will-face-hardships>, May 28, 2024.

<sup>7</sup>Tax laws relating to accelerated death benefits are complex. Receipt of accelerated death benefits may affect eligibility for public assistance programs such as Medicaid. Clients are advised to consult with qualified and independent legal and tax advisors for more information.

## Who May Be a Good Fit?

Individuals in or near retirement who:

- Are no older than age 75.
- Want to create a potential financial legacy for their children, their grandchildren, or charity.
- Want to protect their assets from long-term care costs.
- Do not have sufficient long-term care coverage in place.
- Are in good health with no major medical impairments.

## How Does It Work?

If elected at policy issue for a rider charge, a life insurance policy with an LTC rider allows the policyowner to request an acceleration of the policy's death benefit if the insured becomes chronically ill and needs long-term care. A licensed healthcare practitioner must certify the insured's chronic illness, which means the insured is unable to perform at least two of the six activities of daily living (eating, bathing, dressing, toileting, transferring, and continence) or requires substantial supervision due to a severe cognitive impairment.

The rider is an indemnity benefit design, which means it pays cash benefit amounts not limited to the amount of qualified expenses incurred. As long as the insured meets certain eligibility requirements, the rider's monthly benefits may be used for any reason—medical or non-medical. The benefits do not have to be used for long-term care expenses.

The policy's death benefit, cash surrender value, and policy debt will be reduced by any LTC rider benefit payments. Only the remaining death benefit not used for LTC benefit payments will go to leaving a financial legacy. Many of today's riders allow the policyowner to choose the benefit amount of LTC coverage desired, typically up to the policy's face amount. If you choose a lesser LTC coverage amount than your policy's death benefit, your policy beneficiaries will receive at least that amount of difference between the policy's death benefit and the policy's LTC coverage amount as their potential financial legacy, assuming you do not take any other policy loans, withdrawals, or other distributions that otherwise lower your policy's death benefit.

For example, if you bought a \$1 million life insurance policy and you elected \$500,000 in long-term care coverage, your policy beneficiaries would receive at least the remaining \$500,000 in death benefit proceeds at your death. If you never needed long-term care benefits, your policy beneficiaries would receive the full \$1 million death benefit.

The decision to buy a life insurance policy should not be solely based on one policy feature but on your individual life insurance needs. Request a personalized illustration for more information and learn more about any associated rider costs and impacts to your policy's benefits.

Talk to your financial professional and request a personalized illustration to see how you can create a flexible legacy plan using life insurance. You may be contacted by a life insurance producer as a result of your inquiry.

### Important Disclosures

Long-term care riders have certain exclusions and limitations. For costs and complete details of the coverage, contact your life insurance producer. Long-term care riders are subject to eligibility and underwriting approval. The policy to which the rider is attached is subject to a medical exam, Medical Information Bureau (MIB), and prescription report; and may include obtaining records from your physician, a Personal History Interview, and a Cognitive Assessment.

Tax laws relating to accelerated death benefits are complex. Receipt of accelerated death benefits may affect eligibility for public assistance programs such as Medicaid. Clients are advised to consult with qualified and independent legal and tax advisors for more information.

LTC Riders are intended to provide federally tax-qualified long-term care insurance as defined in IRC Section 7702B(b). When benefits are received from multiple policies providing long-term care or chronic illness benefits for a given insured, including policies with different owners, all of those benefits must be aggregated to determine their taxability. Pacific Life cannot determine whether the benefits are taxable. If there are any questions concerning the tax implications of these riders, qualified and independent legal and tax advisors should be consulted.



## 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 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.
- For nearly 160 years, we've remained committed to providing quality products, service, and stability to meet your needs throughout your lifetime.

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 [PacificLife.com](https://www.PacificLife.com).

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**ETHICAL**  
COMPANIES<sup>®</sup>  
ETHISPHERE

Pacific Life has been named one of the 2026 World's Most Ethical Companies<sup>®8</sup> by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices.

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 product is purchased, including the broker/dealer, the insurance agency from which this product 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.

<sup>8</sup>Based on the Ethisphere Institute's Ethics Quotient<sup>®</sup>. "World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

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The home office for Pacific Life Insurance Company is located in Omaha, Nebraska.

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