

STRUCTURED ATTORNEY'S FEES



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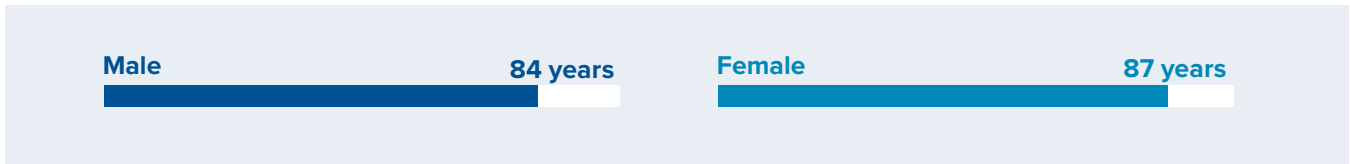
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Managing Income and Taxes

Why structure your fees? A structured attorney's fees annuity can help guarantee income for life and may save on taxes. It can even provide guaranteed income for the lives of both you and your spouse.

Understanding how to manage the resources you'll need to be comfortable in retirement is the first step toward successful planning. How long will you live in retirement? The average number of years spent in retirement is growing, and people are living longer.

Life Expectancy for 65-Year-Old in 2025

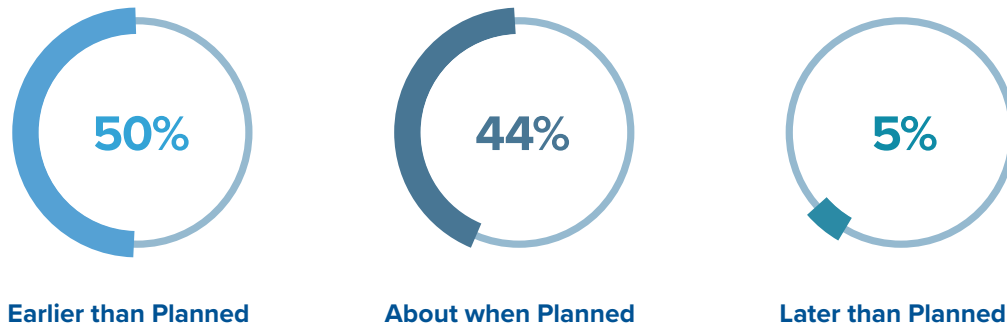


Source: Social Security Administration, 2025.

When Will You Retire?

- External factors may cause you to retire earlier than you thought. Most retirees—seven in 10—report retiring earlier than age 65, with a median retirement age of 62. An annuity can help you do that.¹
- If you have investments in financial markets, the value may be higher or lower than you expected when you begin to take income.

With a longer lifespan and a potentially earlier retirement, you may live in retirement for more years than you expected.



Being proactive may help prepare for uncertainties. An Employee Benefit Research Institute (EBRI) report states that 70% of Americans ages 55 to 80 wish they had started saving earlier to avoid retirement insecurity.¹ An annuity can help you do that.

Source: The Retirement Outlook of the American Middle Class. TransAmerica Retirement Survey 2024.

¹Employee Benefit Research Institute, 2024 Retirement confidence survey. January 2024.

Planning for the Future

Before you receive your next fee for an injury lawsuit, think about your future, including retirement and other things that may be most important to you.

The first issue to consider is the income taxes that will come due if you take a lump-sum payment of your contingency fee. Depending on your individual tax bracket and where you live, taxes could reduce your net income by almost half.

If you had the opportunity to delay this income for up to 20 years, would that help with income taxes?

What Other Plans Could You Make?

- Funding your children's college educations?
- Early retirement?
- Stabilizing the income for your business?

Design Payments to Meet Your Needs

When you structure your attorney's fees, Pacific Life allows you to customize payment streams specifically to help manage future needs.

You can choose:

- Predictable, level income with a traditional structured settlements annuity to which you can add cost-of-living increases. Start payments immediately or defer the payment start date for up to 20 years.
- Potential for payment increases based on an index return, subject to a cap, with the **Payout Plus** benefit option or **Index-Linked Annuity Payment Adjustment** rider.
- Payments for a specific period that can help cover expenses that are paid over a set amount of time, such as a home mortgage or education.
- Deferred lump sums to help pay for a future large purchase—perhaps a vacation home or a boat after you retire.
- Payments made to your firm, which can guarantee¹ income to help meet payroll needs or pay your business mortgage.

¹All guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.

Tax Savings: A Case Study

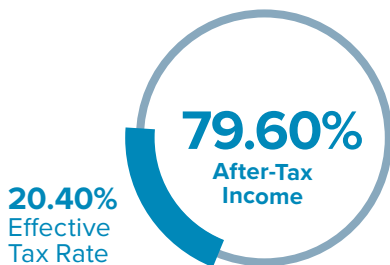
By structuring your contingency fees, you may benefit by deferring the income taxes you would normally pay. If you are already in the highest tax bracket, you will be paying the highest rate on all your new income. That means 35% of your fees would be taken in federal tax, and you also may owe state and local taxes.

Example

- Mark is 55 years old and is in a high federal income-tax bracket.¹
- A personal-injury case he is handling will settle soon and his fee will be \$300,000. Mark doesn't need the additional income this year. If he receives the fees in a lump sum now, he would be subject to paying more income tax and at a higher rate.

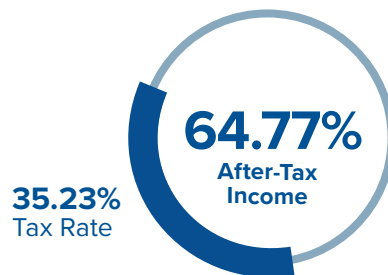


Income Year-to-Date: \$450,000



Income Tax = \$91,800
Net Income = \$358,200

Additional Income: \$300,000



Additional Income Tax = \$105,701
Additional Net Income = \$194,299

Total Income: \$750,000
Total Income Tax: \$197,501

The example is hypothetical and for illustrative purposes only. Tax rates are rounded to nearest 100th.

By structuring his fees, Mark may pay taxes in the future only on the income he receives in that year. If he is retired at that time, he may pay taxes at a lower tax bracket than today, potentially saving even more of his earnings.

¹This hypothetical example assumes Mark is married filing jointly with standard deduction for 2024. Source: Federal Income Tax Calculator. CalcXML.com, January 2025.

Potential for Payment Increases

Based on the positive movement of the S&P 500® index, both Payout Plus and the Index-Linked Annuity Payment Adjustment rider can increase payments over what is paid out the first year.

- Payout Plus is designed to provide the opportunity for an annual payment increase. This option potentially allows greater index performance to be used in payment calculations than the Index-Linked Annuity Payment Adjustment rider does. Payments may decrease due to an adjustment rate, but will never be lower than the guaranteed minimum known as the baseline payment. Payments are updated annually even while you are deferring taking them.
- With the Index-Linked Annuity Payment Adjustment rider, payments can increase annually up to 5% once payments begin, but will never decrease, even if the index declines or remains flat.

The Power of Tax Deferral

By structuring your fees, you may reduce your current and overall income-tax burden by postponing the income and spreading the taxable income over time. If not structured, the lump-sum payment of your fee would be taxed on the entire amount. When you structure, instead of being taxed on the lump sum, you are taxed when income payments are reported to the IRS in each year that taxes are due. 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.

Married Individuals Filing Jointly (2025)

Minimum	Maximum	Taxable Amount	Rate on Excess
\$0	\$23,850	\$2,055	10%
\$23,851	\$96,950	\$7,560	12%
\$96,951	\$206,700	\$20,812	22%
\$206,701	\$394,600	\$38,868	24%
\$394,601	\$501,050	\$29,376	32%
\$501,051	\$751,600	\$75,582	35%
\$751,601	\$751,601 or more	\$28,508	37%

Will you be paying taxes **later** at a lower rate each year?

OR

Will you pay a lump sum **now** at this rate?

Selecting an optional index-linked benefit option will result in a lower guaranteed minimum payment amount than when selecting a traditional structured settlements annuity. The guaranteed payment also can vary based on the annuity type and period selected. Initial payments may or may not step up to a new guaranteed minimum value, depending on what benefit option(s) you choose.

Optional index-linked benefit options are not securities or investments and do not participate directly in the stock market or any index. They are insurance products designed to help a client prepare for his/her future.

Meeting Future Goals

A well-planned strategy may include one or more structured attorney's fees payment strategies to fit your individual goals.

Planning Goal	Structured Settlement Payment Strategy
Cover educational costs for a child or grandchild, or stabilize firm cash flow.	5-Year Period Certain Guarantees a level monthly payment for five years.
Purchase a vacation home in five years.	Lump-Sum Payment in Five Years Guarantees a lump sum for the purchase.
Defer income to cover increased expenses later in life.	Life with 35-Year Period Certain Payout Option with an Added Benefit Option Guarantees at least a level payment for life or 35 years, whichever is longer, with the potential for payments to increase with either Payout Plus or the Index-Linked Annuity Payment Adjustment rider.

The benefit amount will vary based on the annuity payout period selected. All guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.

A structured attorney's fee strategy can help you move forward with confidence, knowing you have guaranteed payments that address some of your most important needs and goals—both now and in the future. With the help of your structured settlements consultant, follow these simple steps to get started:

- Determine the time horizon for which you need income, your financial situation, and needs.
- Decide if adding an index-linked benefit option is appropriate for you.
- Complete the agreement for the structured attorney's fee payout.



The Process for Structuring Fees

1. Prevent Constructive Receipt

The settlement agreement must be completed before the judgment is final. After the judgment is final, you are considered to be in constructive receipt of the fees.

2. Establish the Attorney's Fee Annuity

The funding for the structured settlement would be paid by the defendant, the defendant's insurer, or from a trust as described in Section 468B of the Internal Revenue Code (IRC) and the underlying regulations pursuant to Revenue Procedure 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 to fund its obligations under the structured attorney's fee payout.
- You would not actually receive the funding assets that are used to purchase the annuity contract, nor would you be the owner of the annuity.

As an attorney, you are able to structure your fees even if the client does not structure his/her settlement.

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

In the case of *Childs v. Commissioner*, 103 T.C. 634 (1994), *aff'd* without published opinion, 89 F.3d 856 (11th Cir. 1996), both the U.S. Tax Court and the 11th U.S. 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 IRC Section 83 and because the attorney did not have constructive receipt of the funds used to purchase the annuity. The courts rejected the IRS argument that the attorney was subject to immediate taxation under either IRC Section 83 or the doctrine of constructive receipt.

Legal Notes

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

Stipulations Prior to Establishing Structured Attorney's Fees

- The attorney's fees are 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 fees as fixed payments payable at regular intervals over a set period 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

- The attorney's fees are structured as part of a case in which the settled claim involves only amounts received as workers' compensation and/or damages on account of personal physical injury or physical sickness (excludable from gross income under IRC 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 fees are 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.

Frequently Asked Questions

The following answers are for questions most often asked regarding structuring attorney's fees.

What documents are required by Pacific Life?

- The original Acknowledgement and Hold Harmless Agreement for Attorney's Fees form that 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 the Settlement Agreement and Qualified Assignment and Release documents.
 - Request for Taxpayer Identification Number and Certification (W-9) form.
 - Standard forms required include: application, proof of age (if applicable), Settlement Agreement, Qualified Assignment and Release Agreement, and period selected. For more information, ask your structured settlements consultant.
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Who guarantees my payments?

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.

Can I structure fees already paid to me?

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.

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

No. Tax may be deferred on attorney's fees only for amounts received as workers' compensation and/or damages on account of personal physical injury or physical sickness. 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. Structuring attorney's fees is not allowed for nonqualified cases.

Can I name or change a beneficiary?

The attorney can change the beneficiary as long as payments are being made to the attorney as an individual and not to a firm. Per stirpes beneficiary designations are not supported.

Can I structure cases after the judgment is final?

No. The settlement agreement must be completed before the judgment is final. After the judgment is final, you are considered to be in constructive receipt of the fees.

Can a structured attorney's fees annuity with Pacific Life include payments to the individual attorney and separate streams to the firm?

Yes. You can customize benefit streams and payees. Please have your broker contact Pacific Life for full guidelines.

Can I protect my income payments from the effects of inflation?

The optional cost-of-living adjustment as well as Payout Plus or the Index-Linked Annuity Payment Adjustment rider can increase payments over time. For more information, ask your structured settlements consultant.



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 are committed to 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).

2026 | WORLD'S MOST
ETHICAL
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ETHISPHERE

Pacific Life has been named one of the 2026 World's Most Ethical Companies^{®1} 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 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. 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.

¹Based on the Ethisphere Institute's Ethics Quotient[®]. "World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

**For more information, contact your structured settlements consultant
or visit our website.
PacificLifeStructures.com**

Payout Plus is not available in New York.

Pacific Life, its affiliates, 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.

All individuals selling this product must be licensed insurance agents.

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

Insurance products and their guarantees, including optional benefits, annuity payout rates, and any crediting rates, are backed by the financial strength and claims-paying ability of the issuing insurance company. Look to the strength of the insurance company with regard to such guarantees because these guarantees are not backed by the independent broker/dealers, insurance agencies, or their affiliates from which products are purchased. Neither these entities nor their representatives make any representation or assurance regarding the claims-paying ability of the issuing company.

The home office for Pacific Life Insurance Company is located in Omaha, Nebraska. The home office for Pacific Life & Annuity Company is located in Phoenix, Arizona.

Contract Form Series: ICC11:10-1213, 25-21694NY, 30-2500, 30-2501

Rider Series: ICC13:20-1280, 20-2280, ICC25:20-1290

State variations to contract form series and rider series may apply.

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Comprehensive Structured Settlement Solutions®