

## WHY STRUCTURE A NONQUALIFIED SETTLEMENT

**If your settlement doesn't qualify for income-tax-free earnings, you still may want to consider using a nonqualified structured settlement. Some benefits include:**

- Guaranteed payments
- Tax deferral of the annuity gains
- Predetermined payouts
- Settlement planning

Pacific Life's nonqualified structured settlement is an immediate annuity. It is funded with money received from your settlement, and your payments must start within one year of funding. A structured settlement may be a good solution for those who are at the age of majority, which is typically age 18, but it varies by state. While minors cannot own this annuity, it may be placed into a trust for their benefit.

How does the taxability work? Payments will be reported as income to the owner each year. The payments consist of two parts: part one is a return of a portion of the purchase amount, which is not taxed, and part two is the earnings of that payment, which are taxable.

As part of your strategy, you may want to give your structured payments an opportunity to increase over time. Please check with your structured settlements consultant for more information.

A commutation rider also is available to add to the policy. In the event the annuitant dies before the end of a guaranteed period, this rider ensures that a portion of the present value of the unpaid payments is returned to the estate.

### Things to Consider

- A nonqualified structured settlement is available only to U.S. citizens and permanent resident aliens with a valid tax identification number using one of the following:
  - Social Security Number (SSN), Taxpayer ID Number (TIN), or Individual Taxpayer Identification Number (ITIN).
- Tax withholding and reporting are provided to the owner.
  - Owner and payee must be natural people (but a possible exception can be made for individual or family trusts).
- This settlement requires substantially equal, immediate payments (commencing within one year of purchase).
  - Payments must conform to Internal Revenue Code (IRC) Section 72(u) for corporate-owned structured settlements or IRC 72(q) for those owned by an individual.

### Ownership Requirements

- Owned by the purchaser or payee.

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.

## 2021 World's Most Ethical Companies®



Pacific Life is designated as one of the 2021 World's Most Ethical Companies<sup>1</sup> by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices. Pacific Life was evaluated on five categories, including: compliance and ethics program; corporate citizenship and responsibility; culture of ethics; corporate governance; and leadership, innovation, and reputation.

This marks Pacific Life's fourth consecutive recognition from the Ethisphere Institute, which honors companies who have purpose-based strategies that strive to create positive change in their communities.

**For more than 150 years, Pacific Life has helped millions of individuals and families with their financial needs through a wide range of life insurance products, annuities, and mutual funds.**

For more information, contact your structured settlement consultant.

[SSA.PacificLife.com](http://SSA.PacificLife.com)

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

---

Pacific Life, its 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.

Pacific Life & Annuity Company will issue annuity policies if ANY of the following occurs inside the state of New York: solicitation, sales, negotiation of settlement, court/legal action, or claimant/payee residence.

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 (Newport Beach, CA) 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.

Contract Form Series: ICC11:10-1213 (and state variations)  
SSC1876-0521

---



150 YEARS STRONG | [PACIFICLIFE.COM](http://PACIFICLIFE.COM)