Allianz Life Insurance Company of North America

Flexibility and control in your retirement years with fixed index universal life insurance

Fixed index universal life (FIUL) insurance can offer a variety of advantages to help you prepare for your retirement years. Here's how.

FIUL can help **PREPARE YOU AND YOUR FAMILY** FOR THE LONG TERM.

Protection: The income-tax-free death benefit that cash value life insurance such as FIUL provides can help your loved ones meet a range of financial obligations. Should you pass away prior to retirement, the death benefit can be used by your beneficiaries for income replacement; paying off your mortgage and other debts; supplemental college funding; and other financial needs. If you pass away during retirement, the death benefit can be used to help fund your spouse's retirement goals, help replace lost Social Security income, pay off final expenses or medical bills, and more. Keep in mind that life insurance is subject to health and financial underwriting.[1]

Accumulation: Your policy's cash value has the potential to accumulate, tax-deferred, based on positive changes in an external market index or a fixed interest allocation. The cash value accumulation and interest are locked in each year and are protected from negative index performance – however, fees and expenses may reduce the cash value.

Flexibility: FIUL allows you to adjust your premium payments to fit your needs, as long as the premium is sufficient to keep the policy in force. You also have flexibility in how and when you access the policy's cash value.

Control: You have the ability to access your policy's available cash value when you want, based on your situation and financial needs. Any available cash value from an FIUL policy can be accessed through withdrawals and income-tax-free loans[2] for any purpose you choose. These loans and withdrawals can be used to help bridge any gaps in your retirement income, pay for emergencies, supplement college funding, and more. And there is no federal additional tax for accessing your available cash value prior to age 59½ (if it is not classified as a modified endowment contract[2]).

For all that's ahead.®

Allianz

[1] Cost of insurance is based on age, gender, risk class, and death benefit amount and increases with age.

[2] Policy loans and withdrawals will reduce available cash values and death benefits, and may cause the policy to lapse or affect any guarantees against lapse. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject ordinary income tax.

Policy loans are not usually subject to income tax unless the policy is classified as a modified endowment contract (MEC) under IRC Section 7702A. However, withdrawals or partial surrenders from a non-MEC policy are subject to income tax to the extent that the amount distributed exceeds the owner's cost basis in the policy, but are not subject to the 10% federal additional tax for withdrawals before age 59½. Loans, withdrawals, or partial surrenders from a MEC policy are subject to income tax to the extent of any gains in the policy, and if the payment occurs prior to age 59½, a 10% federal additional tax may apply.

M-5722

What does the future hold for taxes? No one knows.

Given today's economic realities, it can be more beneficial than ever to find potential ways to help reduce your tax liability. That's why it's important to have a strategy to help ensure the management of your taxable income during retirement.

FIUL provides a combination of three tax advantages.

Tax advantage #1: the death benefit

Your beneficiaries do not have to pay income tax on the death benefit unless certain exceptions to the income-tax-free death benefit rules apply.

Tax advantage #2: cash value accumulation potential

The cash value in the policy accumulates tax-deferred, meaning that it is not taxed while accumulating inside the policy.

Tax advantage #3: accessing your available cash value[1]

Loans from a policy are income-tax-free, meaning there is no taxable income when the owner receives the loan. Withdrawals not exceeding premiums paid are also income-tax-free.

With FIUL, you have the opportunity to supplement your retirement income sources and other financial needs by accessing any available cash value through income-tax-free policy loans and withdrawals[1] (to the extent that the withdrawal amount does not exceed the premiums paid). You can adjust the amount you access from your policy so your retirement income can be tax-efficient – regardless of ongoing changes to income tax laws. So, if income tax rates go up, you have the flexibility and control to access more from your FIUL policy through income-tax-free loans.[1]

Since the tax treatments of various financial vehicles can differ, it is important to understand the implications of the financial vehicles you own. Please consult with your financial professional and tax advisor to discuss how life insurance can fit into your overall strategy.

Based on our understanding of the current tax laws (which may be subject to change), let's look at a hypothetical example.

[1] Policy loans and withdrawals will reduce available cash values and death benefits and may cause the policy to lapse, or affect guarantees against lapse. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. Tax laws are subject to change and you should consult your tax professional.

Policy loans are not usually subject to income tax unless the policy is classified as a modified endowment contract (MEC) under IRC Section 7702A. However, withdrawals or partial surrenders from a non-MEC policy are subject to income tax to the extent that the amount distributed exceeds the owner's cost basis in the policy. Loans, withdrawals, or partial surrenders from a MEC policy are subject to income tax to the extent of any gains in the policy, and if the payment occurs prior to age 59½, a 10% federal additional tax may apply.

Hypothetical example: Robert and Sarah[2]

MARITAL STATUS Married	**AGE(S)** Both are 50	**# OF CHILDREN** 2
COMBINED SALARY $200,000 PER YEAR	**LIFESTYLE** Healthy	**FILING** Jointly

Robert and Sarah both need life insurance coverage beyond what is provided by their employers to protect against lost income during their working years.

In the event of one spouse's unexpected death (prior to retirement), the surviving spouse could use the death benefit to supplement the cost of their existing mortgage, replace lost income, pay for future college costs, and more. This could help protect their sources of income during retirement to help ensure a comfortable lifestyle for the surviving spouse.

Both Robert and Sarah plan to retire at age 67. They have each saved for retirement with traditional IRAs and will be relying on income from Social Security.

They do not plan on accessing their savings account for retirement income. They have nonqualified savings and CDs, reserved for bigger purchases – such as going on vacation and purchasing a car.

They have a goal for their retirement income each year. In retirement, they expect that their income needs will be less than their current salary, since their mortgage will be paid and their children will be out of college.

They are concerned that their traditional IRAs and Social Security may not be enough to meet their retirement income need.

They are also concerned about future tax increases, and how future tax increases could affect the amount they receive from Social Security and the required minimum distributions they receive from their IRAs starting at age 70½.

While they could purchase additional nonqualified annuities or increase their traditional IRA contributions, these possibilities do not address their need for death benefit protection for their beneficiaries.

Current situation:

The following boxes show this couple's financial vehicles and the tax treatments, in addition to their Social Security benefits.

Social Security
Distributions 0%-85% taxable[3]

Traditional IRAs[4]
Tax-deferred accumulation
Distributions 100% taxable

Nonqualified savings and CDs
Interest 100% taxable each year
Distributions not taxed

[2] This hypothetical example is provided for illustrative purposes only and does not represent actual Allianz Life Insurance Company of North America (Allianz) clients.

[3] Under current Social Security income tax rules, either 0%, up to 50%, or up to 85% is included in taxable income and then the tax rate is applied. See your tax advisor for specifics on your situation. The taxable amount could significantly reduce what is available for retirement income.

[4] Assumes no nondeductible contributions were made to the traditional IRA.

New situation:

In this case, the couple purchases two FIUL policies for the death benefit protection they need (up to and through retirement), and plan on funding the policies until age 66.

Social Security
Distributions 0%-85% taxable[3]

Traditional IRAs[4]
Tax-deferred accumulation
Distributions 100% taxable

Nonqualified savings and CDs
Interest 100% taxable each year
Distributions not taxed

FIUL policies
Income-tax-free death benefit
Tax-deferred accumulation
Withdrawals and **income-tax-free** loans[5]

Fast forward to retirement (age 67):

Robert and Sarah's policies provide death benefit protection, so they have the reassurance that their beneficiaries will be taken care of if something unexpected were to happen. Should one of them pass away while receiving Social Security distributions, the surviving spouse would lose that income. The income-tax-free death benefit provided by their individual life insurance policies could then be used to help replace the lost Social Security income.

Robert and Sarah would receive income each year from Social Security and each of their traditional IRAs, and their nonqualified savings and CDs, which would not fulfill their anticipated retirement income needs. They can access withdrawals and income-tax-free loans[5] from their policies to help bridge the gap (assuming there is cash value available in the policies). Because they still would like to leave a death benefit to their beneficiaries, they will need to manage their policy values carefully to ensure the policies do not lapse.

In reality, tax environments could change each year – and different tax environments have the potential to impact their withdrawal strategy during retirement. Tax diversification can have an impact on their retirement. It is a means of keeping their assets in a variety of financial vehicles that are then taxed differently when contributing, in accumulation, distribution while living, and distribution after death. If used properly, it can also help manage taxes and potentially increase their spendable income in retirement.

Robert and Sarah's FIUL policies allow them to adjust the amount accessed from their policies in order to make their retirement income tax-efficient. It can help bridge their retirement income gap and diversify their financial vehicles.

[5] Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax.

Policy loans are not usually subject to income tax unless the policy is classified as a modified endowment contract (MEC) under IRC Section 7702A. However, withdrawals or partial surrenders from a non-MEC policy are subject to income tax to the extent that the amount distributed exceeds the owner's cost basis in the policy. Loans, withdrawals, or partial surrenders from a MEC policy are subject to income tax to the extent of any gains in the policy, and if the payment occurs prior to age 59½, a 10% federal additional tax may apply.

Depending on the total amount of premiums paid, the policy may be treated as a modified endowment contract (MEC) under federal tax laws. If a policy is treated as a MEC due to overfunding, then surrenders, partial surrenders, and loans will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½, a 10% federal additional tax may be imposed. You should consult your tax advisor regarding policy-related tax matters.

Robert and Sarah have **options**

Robert and Sarah should consult with a tax advisor and financial professional to discuss their options as they approach their retirement years. Because Robert and Sarah's FIUL policies offer the ability to access more or less in policy loans and withdrawals,[1] they should consider what may be appropriate for them based on their needs and other factors like the current tax environment. As policy loans can be accessed income-tax-free (and withdrawals may be income tax-free up to premiums paid), they should consult with their tax advisor to discuss how their situation may be impacted in different tax environments.

Here are two of many possible scenarios that could occur during retirement in the case of our hypothetical example. There are numerous possible scenarios to consider for your own situation.

This example only considers one feature of the product. You should discuss all of the product's features and benefits with your team of professionals to determine what is appropriate for your unique situation.

Addressing retirement income needs in a **lower tax environment** (than when accumulating)

They may access more from taxable income sources since the tax rate is lower than when they were accumulating and these sources are 100% taxable.

They can access loans and withdrawals from their FIUL policy (as needed) to help bridge their retirement income gap.[1]

If they do not need to access the policy's cash value, it will continue to accumulate, and the death benefit could typically remain in case of an unexpected death.

Addressing retirement income needs in a **higher tax environment** (than when accumulating)

It may make sense to access more from their FIUL policies to supplement their retirement income, given that the tax environment is higher than when they were accumulating and loans[1] (and withdrawals up to premiums paid) are income-tax-free.

Loans from their policies could fill more of their retirement income gap.

They could also access other taxable income sources (as needed).

Keep in mind that policy loans will reduce your available death benefit and cash value, which may cause the policy to lapse and could result in adverse tax consequences.

Contact your financial professional and tax advisor to hear how FIUL can play a role in your financial strategy.

[1] Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax.

Policy loans are not usually subject to income tax unless the policy is classified as a modified endowment contract (MEC) under IRC Section 7702A. However, withdrawals or partial surrenders from a non-MEC policy are subject to income tax to the extent that the amount distributed exceeds the owner's cost basis in the policy. Loans, withdrawals, or partial surrenders from a MEC policy are subject to income tax to the extent of any gains in the policy, and if the payment occurs prior to age 59½, a 10% federal additional tax may apply.

Depending on the total amount of premiums paid, the policy may be treated as a modified endowment contract (MEC) under federal tax laws. If a policy is treated as a MEC due to overfunding, then surrenders, partial surrenders, and loans will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½, a 10% federal additional tax may be imposed. You should consult your tax advisor regarding policy-related tax matters.

Life insurance policies have certain fees and charges associated with them that pay for the death benefit, underwriting expenses, and issuing and administering the policy.

This brochure is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that the issuing company, its affiliated companies, and their representatives and employees do not give legal or tax advice.

True to our promises … so you can be true to yours.®

A leading provider of annuities and life insurance, Allianz Life Insurance Company of North America (Allianz) bases each decision on a philosophy of being true: **True to our strength** as an important part of a leading global financial organization. **True to our passion** for making wise investment decisions. And **true to the people we serve**, each and every day.

Through a line of innovative products and a network of trusted financial professionals, and with over 2.6 million contracts issued, Allianz helps people as they seek to achieve their financial and retirement goals. Founded in 1896, Allianz is proud to play a vital role in the success of our global parent, Allianz SE, one of the world's largest financial services companies.

While we pride ourselves on our financial strength, we're made of much more than our balance sheet. We believe in making a difference with our clients by being true to our commitments and keeping our promises. People rely on Allianz today and count on us for tomorrow – when they need us most.

Guarantees are backed solely by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America. Product and feature availability may vary by state.

www.allianzlife.com

Products are issued by:
Allianz Life Insurance Company
of North America
PO Box 59060
Minneapolis, MN 55459-0060
800.950.1962

(3/2015)

John L. Pham (CA Lic. #0649378)
John Pham Insurance Services
14541 BROOKHURST STREET, SUITE C1
WESTMINSTER, CA 92683
Mobile: 1-714-553-2404
Tel. (714) 531-3637 * Fax (714) 531-3633
Email: johnpham@muabaohiem.com