Fixed index universal life insurance

(3/2015)

Allianz Life Insurance Company of North America

Using required minimum distributions to **enhance your life insurance protection**

Using required minimum distributions can be another way to help fund a life insurance policy which provides an income-tax-free benefit for your beneficiaries.

When it comes to developing an overall retirement strategy, many Americans have some type of qualified plan or arrangement, such as a 401(k) or a traditional individual retirement arrangement (IRA). These retirement vehicles accumulate on a tax-deferred basis, and generally require you to pay taxes on distributions.

Once you turn 70½, qualified plans and arrangements generally provide that distributions will be made in accordance with the minimum distribution requirements set forth in IRS regulations. The amount that must be distributed each year according to these rules is commonly referred to as the "required minimum distribution" (or RMD).

If you have a need for life insurance coverage, are affluent, and won't need your RMDs to live on during retirement, you could use RMDs to purchase a life insurance policy so your beneficiaries could use the income-tax-free death benefit to pay the tax liability on the distributions from traditional IRAs and qualified plans inherited from you. At your death, the value of your IRAs or qualified plans is included in your taxable estate.

Your IRA beneficiaries' distributions could be subject to state and federal income tax and potentially estate tax – resulting in a high tax bill. If your beneficiaries need to use these funds to pay the estate taxes, they will also be subject to federal and potentially state income taxes as well. Combined, these taxes could greatly reduce the value of your IRA or qualified plan for your beneficiaries.

With these factors in mind, consider how the death benefit provided by a fixed index universal life (FIUL) insurance policy may protect your beneficiaries and complement your overall financial strategy.

For all that's ahead.®

Allianz

Must be accompanied by the "Understanding fixed index universal life insurance" brochure (M-3959).

Product and feature availability may vary by state.

M-5780

The benefits of FIUL

Death benefit protection: FIUL provides an income-tax-free death benefit for your beneficiaries. In the event of your death, you'll want to leave your loved ones with the means to meet financial obligations such as income replacement, paying down existing debt, and final expenses. If estate taxes are an issue for you and if the policy is owned by an irrevocable trust, the death benefit could avoid estate taxation while also providing potential liquidity for the beneficiaries of the trust. See your attorney for guidance.

Accumulation potential: The policy's cash value has the potential to accumulate tax-deferred, based on positive changes in an external index or a fixed interest allocation. You don't have to pay income taxes on the policy's accumulation, giving you the potential to build cash value faster.

Protection from negative index performance: If the index performance is negative, you'll receive no indexed interest – but your policy's cash value won't decrease due to index performance, because the value is locked in from the previous year, although fees and charges will reduce the cash value.[1] If the policy is surrendered during the surrender charge period, surrender charges will apply.

Tax advantages: Under the current tax law, FIUL policies offer a combination of tax advantages.

1) Income-tax-free death benefit
2) Tax-deferred accumulation potential
3) Income-tax-free loans and withdrawals. Withdrawals are income-tax-free if they do not exceed premiums paid into the policy.[2]

No income restrictions: The premium must meet affordability guidelines and be suitable for your financial situation.

Flexibility: You can adjust your premium payments (within certain limits and as long as it is enough to keep the policy in force) to fit your unique situation. You pay your premium with the ability to choose between paying the minimum and maximum amount. You have the ability to increase your premium down the road (within policy guidelines), enabling you to accumulate cash value faster, and potentially, the ability to decrease your premium payments if your situation changes.

Special considerations of FIUL

Medical and financial underwriting is required to qualify for a policy.

If policy loans or withdrawals are taken, you must carefully manage your policy values to ensure the policy doesn't lapse.[2] Additional premium payments may be required to keep the policy in force. If a lapse occurs, any outstanding loan balances could be subject to ordinary income tax, which can be a substantial amount of taxable income.

Withdrawals are income-tax-free up to premiums paid, then taxable. Policy loans are also generally income-tax-free.

You must choose the type of FIUL insurance policy that best fits your needs (i.e., individual or survivorship). It may be helpful to consult with your tax advisor or attorney to better understand your unique situation.

This strategy may be suitable if you:

Have a need for life insurance protection for your beneficiaries.

Are in good health.

Are affluent (annual income of $100,000 or more).

Have qualified funds that will eventually pay out required minimum distributions.

Do not need your required minimum distributions to live on during retirement.

Are looking for the premium payment flexibility that FIUL provides.

Anticipate the RMDs to be sufficient to keep the policy in force. If RMDs are not sufficient, you would need to find alternate ways to pay the premium to avoid a lapse in the policy.

Your anticipated RMDs must be sufficient to keep the policy in force, or alternate funds would be needed to pay the life insurance premium. ***Keep in mind, this strategy is not suitable for everyone.***

[1] Although an external index may affect your interest credited, the contract does not directly participate in any equity or fixed income investments. You are not buying shares in an index.

[2] 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. Tax laws are subject to change and you should consult a 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.

Two hypothetical examples of using required minimum distributions to enhance your life insurance protection

To potentially help beneficiaries pay the tax liability[1]

Mary, a hypothetical client, is age 70½, healthy, and wants to provide death benefit protection for her beneficiaries to help pay off her mortgage, cover estate taxes, and pay for final expenses, in the event of her death.

She currently owns a $500,000 whole life insurance policy. She worked with her financial professional to determine that she needs an additional $500,000 of life insurance coverage to ensure her beneficiaries do not have an estate tax problem to deal with at the time of her death.

She currently has a $1 million traditional IRA and other significant retirement assets. Her traditional IRA begins paying out RMDs this year (at age 70½). She does not need this money to live on and is concerned about an efficient use of the RMD money. The IRA will be taxable when distributed to her beneficiaries after her death, so she wants the protection of life insurance to help her family pay the taxes on the IRA and any estate taxes at that time.

Her RMDs are $36,496 in the first year that RMDs are required. She pays income taxes on this amount (within a 25% marginal income tax bracket), which leaves $27,372. Mary plans to use her remaining RMD amount ($27,000) for 10 years to pay the life insurance premium for an Allianz Life Pro+® Fixed Index Universal Life Insurance Policy with a $500,000 death benefit. If her remaining RMD amount is not sufficient to cover the life insurance premium, she would need to find additional funding sources to help ensure the policy does not lapse.

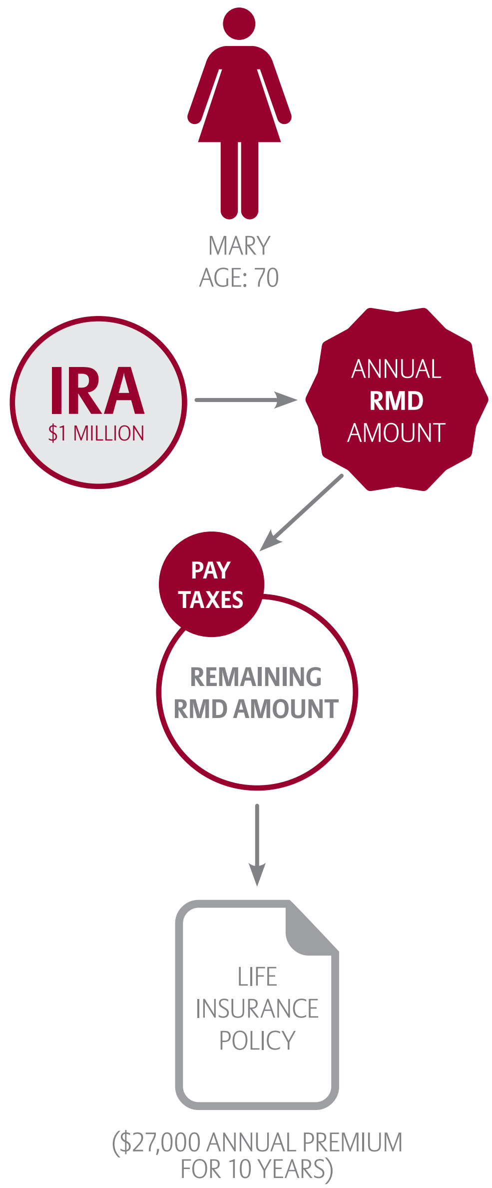
Because Mary is in good health, she expects to live for quite a few more years. Her taxable estate is anticipated to be above $5.43 million at the time of her death, so her beneficiaries would owe 40% in federal estate taxes for every dollar above that amount. Additionally, her beneficiaries would owe ordinary income tax on any distributions from the IRA to them at their highest marginal rate. Because her estate is over $5.43 million, she should consult with her attorney to discuss the need for an irrevocable life insurance trust to own the policy, so the death benefit is not in her taxable estate.

The tax would be reduced if the beneficiaries use Internal Revenue Code 691(c) income in respect of a decedent (IRD). If any estate tax is owed and funds are needed from the IRA to make that payment, the value of the IRA would be diminished. This is a concern as it will leave less for her beneficiaries. The death benefit from Mary's life insurance policy can help pay these taxes at the time of her death.

Illustration assumptions:

PRODUCT Allianz Life Pro+	
AGE 70 / **GENDER** FEMALE	**RISK CLASS** PREFERRED NONTOBACCO
PREMIUM $27,000 per year for 10 years	**DEATH BENEFIT** $500,000 per year

Hypothetical example is provided for illustrative purposes only.



[1] Hypothetical examples are for illustrative purposes only and are not actual Allianz Life Insurance Company of North America (Allianz) clients.

For premium payment flexibility

John, a hypothetical client in his 50s, needs additional death benefit protection on himself for his spouse, to help his family replace his lost income and help her pay down their mortgage and other debts, in the event of his death.

He currently has a term life insurance policy with a $1 million death benefit and knows that he needs more life insurance coverage to provide sufficient death benefit protection for his family to live comfortably in the event of his death. He is currently working and contributes to a 401(k) and an IRA. John worked with his financial professional to determine an appropriate amount of additional life insurance to purchase.

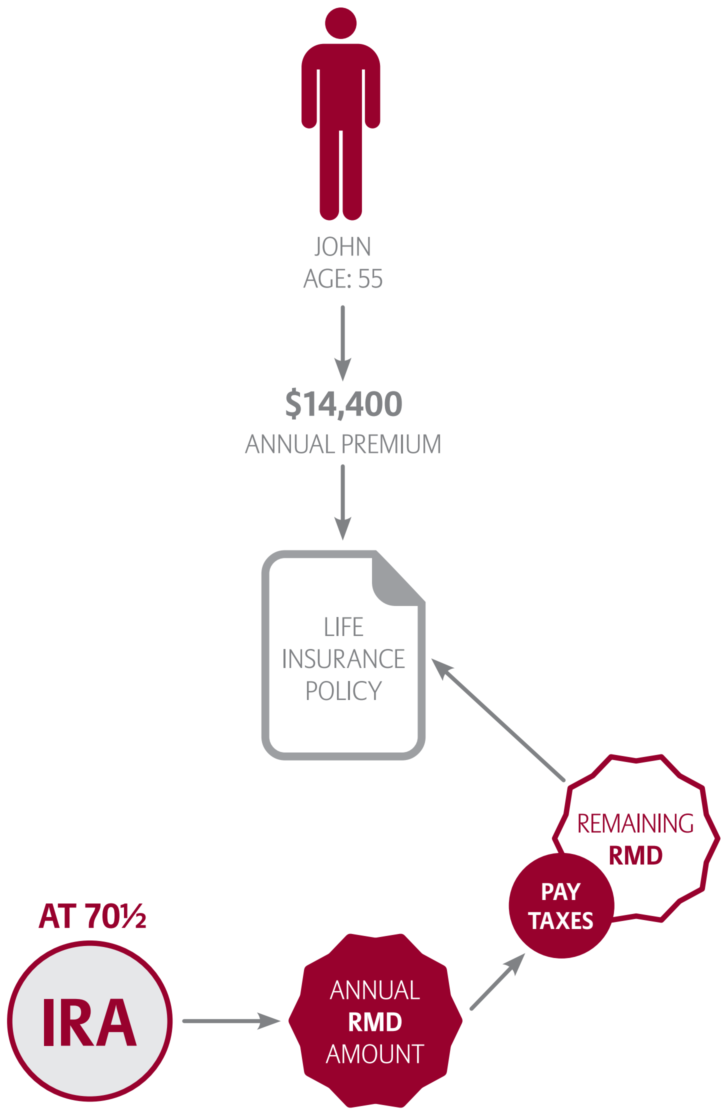
John purchases an Allianz Life Pro+® Fixed Index Universal Life Insurance Policy with a $500,000 death benefit. This death benefit is intended to round out his life insurance coverage needs. He pays the target premium of $14,400 per year for this coverage, which is affordable for him based on his current salary. The policy provides the flexibility to adjust premium payments as his situation changes (as long as sufficient premium is paid to keep the policy in force).

When he retires, he plans on rolling his 401(k) into a traditional IRA, which would begin paying out required minimum distributions at age 70½. He will not need the required minimum distributions from his IRA to live on in retirement, as he has a significant amount of other savings and other assets that he plans on accessing in retirement. He intends to pay the income taxes on his RMDs each year and he can use the balance to pay his life insurance premium each year. John anticipates that his RMDs will be enough to pay the life insurance premium.

If John's situation changes and he does need his RMDs to live on in retirement, or if his RMDs run out, he would need to find other ways to pay his life insurance premium to avoid the lapse of the policy.

Illustration assumptions:

PRODUCT Allianz Life Pro+		
AGE 55	**GENDER** MALE	**RISK CLASS** PREFERRED NONTOBACCO
TARGET PREMIUM $14,400 per year		**DEATH BENEFIT** $500,000 per year
Hypothetical example is provided for illustrative purposes only.		

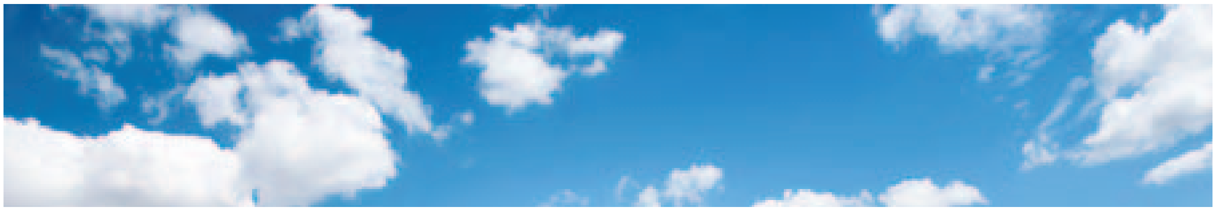


Life insurance can play an important role in your overall financial and retirement strategies.

Consider using required minimum distributions to enhance your life insurance protection if you have a need for life insurance coverage, are affluent, in good health, and won't need your RMDs to live on during retirement.

Your RMDs can be used to purchase a life insurance policy to provide additional coverage. This means your beneficiaries could use the income-tax-free death benefit to pay the tax liability on distributions from any traditional IRAs or qualified plans inherited from you, as well as any estate taxes that may be incurred.

Work with your financial and tax professionals to help determine a life insurance solution to fit your specific needs.



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.

This document 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 Allianz Life Insurance Company of North America, its affiliated companies, and their representatives and employees do not give legal or tax advice. You are encouraged to consult your tax advisor or attorney.

Guarantees are backed by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

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

Product and feature availability may vary by state.

P54350

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