Allianz Life Insurance Company of North America

Understanding indexed universal life insurance

Protection, wealth accumulation potential, and tax advantages in one policy

M-3959 (R-7/2024)

You can't foresee every event in your life. But you can prepare for the possibilities.

Even if you feel financially secure today, there are factors outside your control that could affect your financial stability. Indexed universal life (IUL) insurance can help you prepare for these unforeseen events.

It begins with an income-tax-free death benefit[1] – so in the event of an early death, you have the assurance of knowing your loved ones would be taken care of financially. The proceeds from the death benefit can help them be able to stay in the family home, continue to live their current lifestyle, help pay for college, supplement lost income, and more.

IUL insurance goes beyond the death benefit

An IUL policy is designed to provide additional benefits, such as tax-deferred accumulation potential, which you can use to potentially supplement retirement income or help address other financial concerns through taking income-tax-free loans and withdrawals.[2]

IUL can help provide financial reassurance for the future, and also the present. That's why it's important to understand how it works, the benefits it can provide, and how it may fit into your overall financial strategy.

But the first thing you should understand is the difference between IUL and other types of life insurance. **Keep reading to find out more.**

[1] The death benefit is generally income-tax-free when passed on to beneficiaries.

[2] Policy loans and withdrawals will reduce the available cash value and death benefit and may cause unintended consequences, including lapse or taxable events. Please see the full loan and withdrawal disclosure within this material for details.

Types of life insurance policies

Different types of life insurance can offer different solutions for financial needs.

Matching the appropriate policy to your own needs depends upon finding the balance of death benefit protection, premium flexibility, risk tolerance, and accumulation potential with which you're most comfortable and which you feel meets your needs.[1]

Term

Term life insurance provides coverage for a specific period of time, after which the coverage stops and the policy terminates. Though it offers the advantage of level, predictable premium payments, term life insurance provides a death benefit only – and typically has no cash value accumulation potential. However, it does generally offer the option at the end of the term to convert the policy into a permanent life insurance policy.

Permanent

Whole life insurance also offers the predictability of level premium payments and can provide coverage for your entire lifetime (instead of a set term). Unlike term policies, whole life policies build accumulation value at a fixed interest rate, that you can access through policy loans and withdrawals.[2]

Universal life insurance can provide coverage for your entire lifetime. It offers you the flexibility to pay your premiums at any time and in any amount (subject to some limits), as long as the policy expenses and cost of coverage are met. Universal life policies also have the ability to build accumulation value at a fixed interest rate, which you're able to access through policy loans and withdrawals.[2]

Indexed universal life (IUL) insurance also provides death benefit protection, but it has the potential to build accumulation value based on changes in an external market index or a fixed interest allocation. That gives it the opportunity for greater accumulation potential than traditional universal life insurance. In addition, the built-in annual floor ensures that the accumulation value will not decrease due to market volatility. With IUL, the accumulation value is not directly invested in the market.

ACCUMULATION POTENTIAL

Less potential → **More potential**

Term Life Insurance | Whole Life Insurance | Universal Life Insurance | IUL Insurance

NOTE: Other types of permanent life insurance policies, including variable life and variable universal life insurance, are available in the marketplace. (Your financial professional can tell you more.)

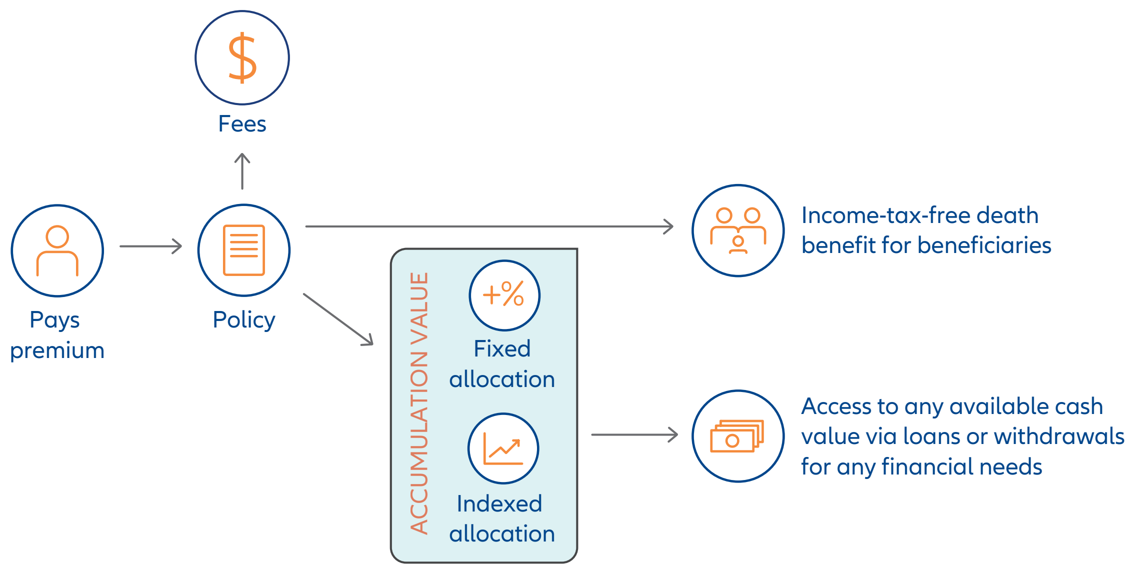
Keep in mind that most life insurance policies require health underwriting and financial underwriting.

[1] The death benefit is generally income-tax-free when passed on to beneficiaries.

[2] Policy loans and withdrawals will reduce the available cash value and death benefit and may cause unintended consequences, including lapse or taxable events. Please see the full loan and withdrawal disclosure within this material for details.

How indexed universal life insurance works

Because indexed universal life (IUL) insurance offers you the additional benefits of tax-deferred accumulation and access to any available cash value via policy loans or withdrawals,[1] it's important to understand how IUL works.



Premium payments:
You pay premium into the policy. Fees and charges are deducted, and the remaining payments have the opportunity to build accumulation value through a fixed allocation or indexed allocation option. Cost of insurance charges are deducted from the accumulation value.

Accumulation value:
Fixed allocation option: earn a consistent, fixed interest rate.
Indexed allocation options: potential to earn interest that's based on the performance of one or more external market indexes.

Loans and withdrawals:
You can access any available cash value through policy loans or withdrawal to use for supplemental college funding, retirement, or other financial needs.

Death benefit:
Upon your death, your beneficiaries will receive an income-tax-free death benefit.

[1] Policy loans and withdrawals will reduce the available cash value and death benefit and may cause unintended consequences, including lapse or taxable events. Please see the full loan and withdrawal disclosure within this material for details.

[2] For information about a specific product's fees, please consult the brochure for the product you're considering.

To receive an income-tax-free death benefit and to ensure any available cash value accumulates on a tax-deferred basis, the Internal Revenue Code (IRC Section 7702A) regulates the relationship between the death benefits and the accumulation value.

This may set limits on the timing and the amount of premium you can pay. Premiums paid may also be limited to avoid adverse tax consequences.

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. You are encouraged to consult your tax advisor or attorney.

Build your policy's accumulation value – with a level of protection

You may allocate your policy's accumulation value to earn indexed interest and/or fixed interest. Your accumulation value increases when interest is credited to the policy.

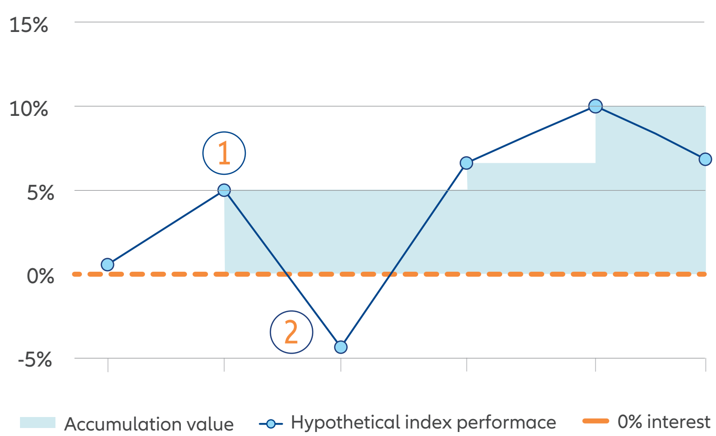
Indexed interest

When you select one or more indexed allocation options, the performance of the index(es) you selected is tracked and your policy is credited for any positive performance. It's important to note your policy does not directly invest or participate in any equity or investments – at no time is your money at risk in the market.

1 **If the index performance is positive,** we apply indexed interest to your policy's accumulation value, per any caps and participation rates.

2 **If the index performance is negative,** your accumulation value will be unaffected. However, fees and charges will reduce the policy values.

This hypothetical example is for illustrative purposes only.



Fixed interest

You can allocate your policy's accumulation value to a fixed allocation, which will earn a consistent, fixed interest rate.

Participation rate

When the indexes reflect a positive change, the accumulation value of your policy will increase, subject to a percentage known as the participation rate.

Cap

This sets the maximum percentage of indexed interest your accumulation value can earn.

Annual floor

With IUL insurance, you may give up a little of your accumulation potential for a level of protection – what we call your policy's annual floor. This is the minimum indexed interest your policy will be guaranteed in a given year.

See our Allocation Option Guide for more information on our available crediting methods (M-7267).

Access your policy’s cash value when you want, for what you want.

Whether you use your IUL cash value to make a down payment on a house or help supplement your retirement income, it can help you when you need it most. You can access your policy’s cash value in several ways.

Types of policy loans

Fixed-interest loan: This can be an economical way to borrow money from your cash value. Your borrowing rates will never change over the lifetime of the loan and are typically low in cost.

Indexed loan: This type of loan is available during any policy year and the rate is guaranteed for the life of the policy. When you take an indexed loan, your borrowed cash value, and sometimes your unborrowed cash value, earns indexed interest.

Whichever loan option you choose, the amount that you’ve borrowed will continue to earn interest, even while the loan is outstanding.[1]

Other ways to access any available cash value

Withdrawal: You may request a withdrawal (or a partial surrender) from your policy if the need arises. Withdrawals reduce policy values (including the death benefit) and may be subject to a maximum charge. Withdrawals could also affect your death benefit guarantee.

Full surrender: You may also request a full surrender of your policy. If you request a full surrender during your policy’s surrender charge period, a full surrender charge will apply. The surrender charge is based on age, gender, risk class, and death benefit amount.

Considerations

A withdrawal or full surrender is generally treated as a nontaxable return of premiums paid. The amount of any partial and full surrender that exceeds premiums paid is subject to ordinary income tax.

There is no guarantee that a policy will earn sufficient interest to support a loan and/or withdrawal strategy.

Some of these options may have restrictions, and excess withdrawals may incur fees and cause your policy to lapse. Policy loans and withdrawals are only income-tax-free if the policy does not lapse or become a modified endowment contract. It is important to monitor your policy’s accumulation values carefully in order to prevent a lapse in coverage.

Talk to your financial professional about how indexed universal life insurance can help provide for future needs.

ASK YOUR FINANCIAL PROFESSIONAL for more details about the policy you’re considering.

[1] Fixed-interest loan options do not apply to cash value allocated to an index. If you take a policy loan, the loan will be proportionately deducted from your policy’s current index allocations and/or fixed interest allocations. Loans will reduce your cash value and death benefit and could affect your death benefit guarantee. Loan rate charges vary by product.

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. Withdrawals in excess of premiums paid will be subject to ordinary income tax. 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. If a policy is a modified endowment contract (MEC), policy loans and withdrawals 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 on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change and you should consult a tax professional.

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 3.9 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 are proud of our financial strength, we are made of much more than our balance sheet. By being true to our commitments and keeping our promises, we believe we make a real difference for our clients. It's why so many people rely on Allianz today and count on us for tomorrow – when they need us most.

Products are issued by:

Allianz Life Insurance Company of North America

PO Box 59060
Minneapolis, MN 55459-0060

www.allianzlife.com | 800.950.1962

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

• Not FDIC insured • May lose value • No bank or credit union guarantee
• Not a deposit • Not insured by any federal government agency or NCUA/NCUSIF

QSR 0122-05010

Product and feature availability may vary by state and broker/dealer.