

## FIXED INDEX UNIVERSAL LIFE INSURANCE

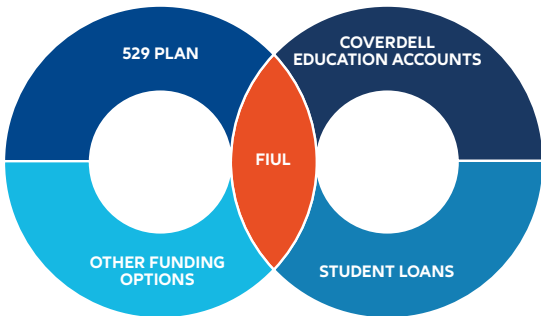
# Another resource to help pay for college

Life insurance can cover more than your life.

### Life insurance can help bridge the gap in your college funding

The main reason for buying life insurance is to provide a death benefit for your loved ones. But if it's a fixed index universal life (FIUL) insurance policy, your premium also has the potential to build accumulation value over time.

Any available cash value can be accessed through policy loans and withdrawals for any purpose you choose – including supplementing your college funding strategy.



FIUL has a place in many college funding strategies.

This material must be accompanied by the “Understanding fixed index universal life insurance” consumer brochure (M-3959) or appropriate product brochure.

The death benefit is generally paid to beneficiaries income-tax-free.

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.

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 and broker/dealer.

Products are issued by Allianz Life Insurance Company of North America, PO Box 59060, Minneapolis, MN 55459-0060. 800.950.1962. [www.allianzlife.com](http://www.allianzlife.com)

**M-5285** (R-5/2022)

# Advantages of life insurance as part of **your college funding strategy**

## Tax advantages

Your policy offers a powerful combination of three tax advantages with:

- **An income-tax-free death benefit**
- **Tax-deferred accumulation**
- **Income-tax-free loans and withdrawals<sup>1</sup>**

## Flexibility and control

You have the ability to access your policy's available cash value for any purpose you choose. So if plans change down the road and your child does not go to college, you can access the cash value for other needs.

## Eligibility

With life insurance, there are no complex eligibility requirements or income limits to consider. Currently, the money you receive from policy loans generally won't affect the student's eligibility for other financial aid.<sup>2</sup>

<sup>1</sup>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.

<sup>2</sup>Withdrawals from the cash value do generally count as income when applying for other types of financial aid. Please see the chart on the next page and your university or college for further information regarding eligibility requirements, as they may vary by school.

Fixed index universal life insurance is not a traditional college funding vehicle.

There is no guarantee the policy will earn sufficient interest to support a loan strategy.

Keep in mind, life insurance requires health and financial underwriting.

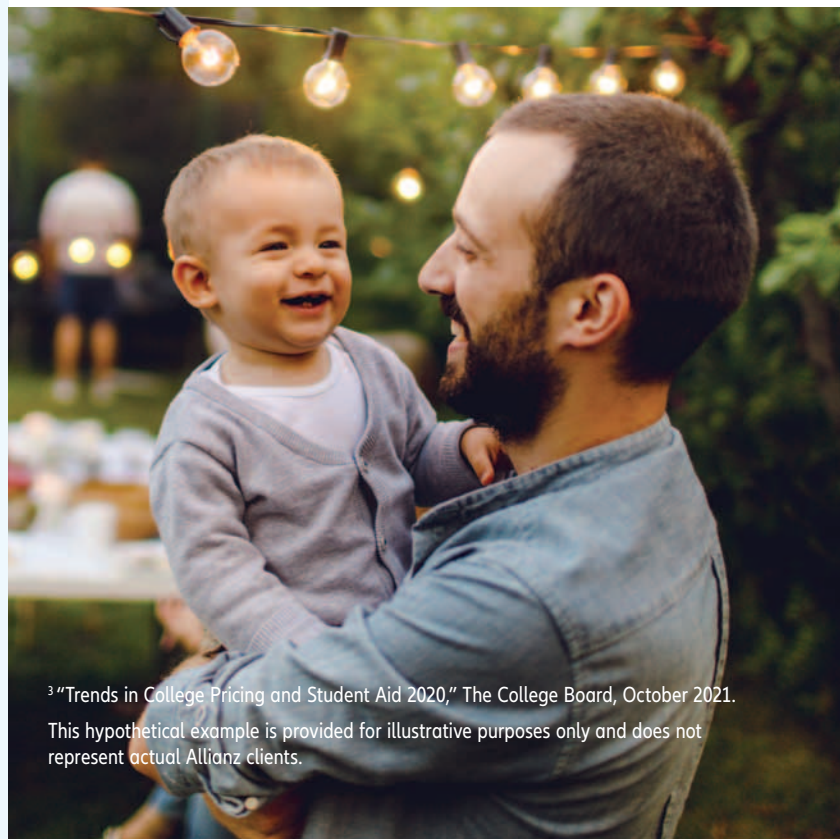
# Meet Caitlin and James ... and future college student, Liam.

They're married, both age 35, with a new baby, Liam. Becoming parents has made them realize the importance of life insurance coverage to help ensure their family's long-term financial stability.

And though college seems a long way off for Liam, they want to start planning now for his future education expenses. Even with options like 529 plans and Coverdell Education Accounts, they still believe there will be a gap between their available funds and the cost of college.

## College costs continue to rise

On average, it now costs more than \$26,000 per year for tuition and room and board for a child to attend a public four-year, in-state college or university. For a four-year private institution, the average cost is even higher – over \$55,000 per year.<sup>3</sup>

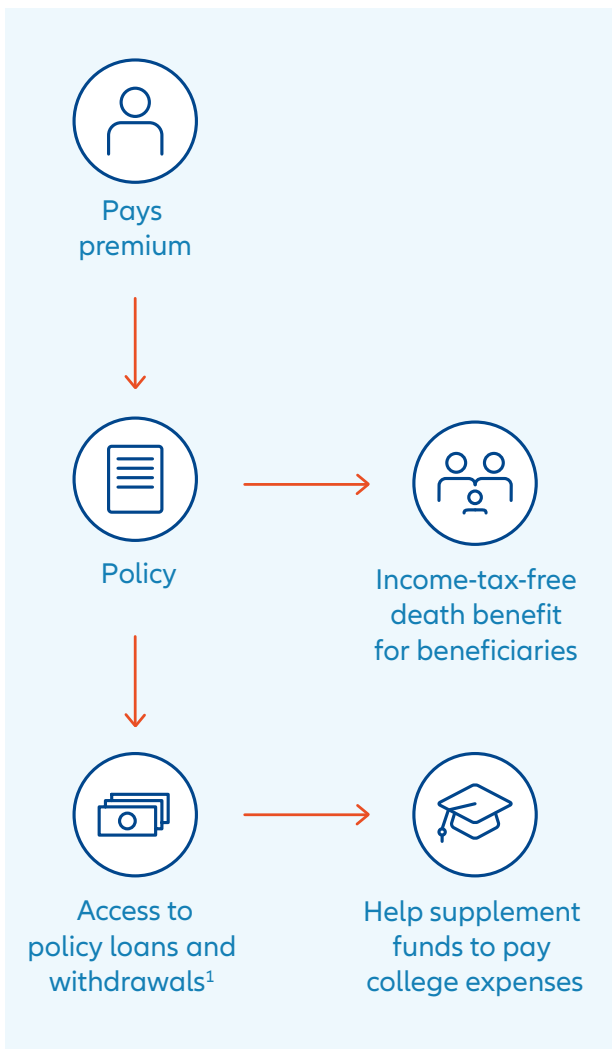


<sup>3</sup>"Trends in College Pricing and Student Aid 2020," The College Board, October 2021.

This hypothetical example is provided for illustrative purposes only and does not represent actual Allianz clients.

# How Caitlin and James will bridge the gap in Liam's college funding

## Here's how it works



Caitlin and James purchase an Allianz Life Pro+® Advantage Fixed Index Universal Life Insurance Policy for each of them.

This provides them the reassurance of knowing that if something were to happen to either of them, the policy's death benefit, which is generally income-tax-free, could help replace lost income, pay down their mortgage, or help with funeral expenses or other needs.

When Liam is ready to go to college, they can access any available cash value in the policy to help fill the gap between their other college funding vehicles and the actual cost of Liam's education.

**Having taken steps for Liam's future, Caitlin and James can rest easier. (And new parents need all the sleep they can get.)**



**ASK YOUR FINANCIAL PROFESSIONAL** about how an FIUL policy can help fill the gaps in your college funding strategy.

<sup>1</sup> 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.

There is no guarantee the policy will earn sufficient interest to support a loan strategy.

The death benefit is generally paid to beneficiaries income-tax-free.

# Important benefits and features of FIUL and 529 plans

Many people rely solely on 529 plans to help pay for college. You may consider supplementing such a plan with loans and withdrawals taken against the available cash value from a fixed index universal life insurance policy. When considering using an FIUL policy to help supplement tuition expenses, you should allow sufficient time to fund the policy and allow the accumulation value to build. The table below looks at characteristics of both options.

**Life insurance** provides death benefit protection for your beneficiaries. The death benefit can be used for income replacement, final expenses, college funding, and other financial needs.

**A 529 plan** is a state-sponsored program designed to help save for education expenses. 529 plans provide an income-tax-free way to save for your child's or grandchildren's college education.

Fixed index universal life insurance		529 plans	
<b>Overview</b>	Provides death benefit protection for your beneficiaries. Potential accumulation value grows tax-deferred. Supplemental college funding can be provided by accessing the available cash value accumulation in the policy through policy loans and withdrawals. <sup>1</sup>	<b>Overview</b>	Tax-exempt vehicle designed to encourage saving for future college expenses. Many states offer state income tax deductions or credits for contributions to a 529 plan.
<b>If the insured dies</b>	Death benefit is passed generally income-tax-free to the beneficiaries when beneficiary is properly named (can be used for college funding).	<b>If account owner dies</b>	<ul style="list-style-type: none"> <li>State law will determine what happens to the account.</li> <li>Contributions stop (account value may not be sufficient).</li> </ul>
<b>Underwriting</b>	Life insurance policies require health and financial underwriting.	<b>Underwriting</b>	No underwriting required
<b>Premiums</b>	There are limits on how much premium you can pay for your policy (without creating a modified endowment contract or MEC) – in relation to the amount of your death benefit – without losing favorable tax treatment on loans or withdrawals you may take from your policy.	<b>Contributions</b>	<ul style="list-style-type: none"> <li>\$16,000/year (To be eligible for annual gift tax exclusion, see gifting below.)</li> <li>Five years worth of contributions can be made in one year without gift tax (states may have additional limitations).</li> </ul>
<b>Taxation of policy loans and withdrawals</b>	Income-tax-free	<b>Taxation of withdrawals</b>	Income-tax-free (for qualified education expenses only)
<b>Value for State Education Financial Needs Analysis</b>	<ul style="list-style-type: none"> <li>Currently, the cash value in a life insurance policy does not count as an available asset.</li> <li>Withdrawals from the cash value do count as income.</li> <li>Loans on the cash value may or may not count. Keep in mind that some colleges and universities use other forms and methodologies.</li> </ul>	<b>Value for State Education Financial Needs Analysis</b>	Included
<b>Access to cash value</b>	Any available cash value can be used to supplement paying the cost of college, but it can also be used for other financial needs, providing added flexibility if the child does not go to college.	<b>Access to funds</b>	<ul style="list-style-type: none"> <li>Funds must be used for qualified education expenses.</li> <li>If funds are not used for qualified education expenses, the earnings portion of nonqualified withdrawals is included in the beneficiary's income and is subject to a 10% federal additional tax.</li> <li>Account may generally be transferred to another child or member of the family without tax consequences.</li> </ul>
<b>Fees and expenses</b>	Premium charges, cost of insurance, monthly deductions, and surrender charges may apply. <sup>2</sup>	<b>Fees and expenses</b>	Annual maintenance and administration fees and expenses
<b>Estate planning</b>	Included in the estate if the insured owns the policy	<b>Estate planning</b>	Generally, contributions are not included in the estate of the account owner.
<b>Gifting</b>	No gift tax consequences when the insured parent owns the policy	<b>Gifting</b>	Contributions are considered gifts and are subject to the \$16,000 annual exclusion from gift taxes when purchased for a beneficiary other than yourself.
<b>Considerations</b>	<ul style="list-style-type: none"> <li>Cash value life insurance policies have caps and floors. The cap sets a maximum interest rate that can potentially be achieved every year, and with the floor, your index interest can never be negative because of the 0% floor (although fees and charges will reduce policy values).</li> <li>Cash value life insurance has the potential to be less volatile than a 529 plan because of the cap and floor.</li> </ul>	<b>Considerations</b>	<ul style="list-style-type: none"> <li>A 529 plan is subject to market risk and negative performance; however, it does not have a cap, so it has unlimited accumulation potential.</li> <li>A 529 plan may be subject to greater volatility than a cash value life insurance policy.</li> </ul>

<sup>1</sup> 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.

<sup>2</sup> A premium charge is deducted as premium is paid into the policy. Deductions are taken from the current value on the monthly anniversary of the policy's issue. If you fully surrender or cancel your policy during the surrender period, surrender charges will apply. Ask your financial professional for more details about the policy you're considering.

The death benefit is generally paid to beneficiaries income-tax-free.