

FINANCIAL PLANNING SOFTWARE

eMoney Advisor[®]

Modeling an Allianz annuity within a financial plan

This document is intended help you model an Allianz Life Insurance Company of North America (Allianz) annuity with the eMoney Advisor (eMoney) financial planning software. eMoney allows you to model hypothetical annuities with a combination of the product illustration and a proxy asset allocation.

eMoney generates return assumptions that do not reflect any specific product. The returns and income projections are hypothetical in nature and do not reflect actual investment results and are not guarantees of future results. Clients should not rely on eMoney or its output for an accurate representation of how an annuity could work. Instead, you should refer them to a full, personalized product illustration.

When you model increasing income in eMoney, the software applies a static increase each year based on the illustration's average increase (as calculated when you complete step four). In reality, this method does not depict how actual index results would present volatility over time, including years of negative index returns when the annuity income would not receive an increase. There is no guarantee an annuity will be credited interest in any given year.

ALLIANZ REQUIREMENTS

You **must provide a full, personalized product illustration** to the client when you model an Allianz annuity.

STATE LIMITATIONS

For fixed index annuities, you must use **GUARANTEED VALUES** when modeling an **FIA** in states that require nonguaranteed annuity values based on actual historical performance. You must use guaranteed values in the following states: Alabama, Colorado, Iowa, Maine, Missouri, North Dakota, Ohio, Rhode Island, and West Virginia.

Modeling an annuity recommendation in Advanced Planning

TO GET STARTED, obtain an Allianz product illustration for the recommended annuity.

The screenshot shows the top navigation bar with 'Frank and Joanna Miller' on the left and 'OVERVIEW', 'FACTS', 'PLANS' (highlighted), 'REPORTS', and 'VAULT' on the right. Below the navigation bar are three main sections: 'GOALPLANNER Interactive Goal-Based Planning' (orange), 'DECISIONCENTER Interactive Cash Flow Planning' (blue), and 'DISTRIBUTIONCENTER Interactive Estate Planning' (green). Below these is a 'Scenarios' section with a blue 'Add' button. Under 'Scenarios', there is a dropdown menu set to 'Annuity recommendation', the text 'Modified Just now', and four icons: a circle, a bar chart, a calendar, and a box labeled 'AP' (highlighted with a red box).

Open an existing plan

Go to the *Plans* tab and then **Add** a new scenario.

Name your scenario then click on the AP button to open the scenario in *Advanced Planning*.

STEP 1: Create the proxy annuity

From the *Planning Techniques* column: *Add a new* → *Investment* → *Annuity* → *Add Fact*

Complete the basic tab

Start by adding an asset name – there will be four steps, so it is important to name accordingly in order to easily identify each step.

- A.** Select the type of annuity – fixed or variable
- B.** Select the type of funds
- C.** Set *Available in Year* to *Calendar Year* and the current year
- D.** Set *Start Indexing* to *Immediately*
- E.** Leave the total value as \$0, we will fund the annuity with a transfer in step 3.
- F.** Select the *Pre* and *Post-Retire Growth* rate. These growth rates project the accumulation value for the annuity.
- G.** Select the *Owner* and *Primary Beneficiary*
- H.** Set *Annuity Begins* to *Never*

Click on **Save** and then select the **Guarantees** tab at the top of the page.

The screenshot shows the 'Allianz Annuity' form with tabs: 'Basic' (highlighted), 'Guarantees', 'Ownership', 'Beneficiaries', 'Fees', and 'Asset Mix'. The form contains the following fields and labels:

- Allianz Annuity: [Text field]
- Institution Name: [Text field]
- A** Asset Type: [Fixed] (Manually Entered)
- B** Type of Funds: [Qualified]
- C** Available in Year: [Calendar Year] [2019]
- D** Start Indexing: [Immediately]
- E** Total Value: [\$0]
- Tax Basis: [Text field]
- Pre-Retire Gross Growth: [Income (3.77%)]
- F** Post-Retire Gross Growth: [Income (3.77%)]
- G** Owner: [Ben Miller1]
- Primary Beneficiary: [Kelly A Miller]
- H** Annuity Begins: [Never]
- Annuity Type: [Text field]
- Based on the Lifetime of: [Text field]
- Guaranteed Years of Payout: [Text field]
- Term (years): [Text field]
- Under our Management? [Yes]
- Exclude from Planning? [No]
- Apply IRD Tax? [Yes]
- Fiduciary Approach (DoL) [Text field]
- Buttons: [Reset] [Save] [Done]

Modeling an annuity recommendation in Advanced Planning *(continued)*

Complete the guarantees tab

- A. *Guarantees Apply to Withdrawals Only*
- B. *Guarantees Specified as Rider Definitions*
- C. *Guaranteed Withdrawal Rate should be 100%*
- D. *Guarantee in Effect for should match the illustration*
- E. Change *Total Contributions Guaranteed* to Yes
- F. Leave the *Guaranteed Return Interest Type* as No Growth

Steps C, E, and F will help ensure that lifetime income continues to payout after the projected accumulation value goes to \$0.

Do not change anything in the *Death Benefit Guarantees* section.

At the bottom of the page, click on **Save**, and then **Done**.

Complete the fees tab

Enter the combination of the annual product and income benefit rider fees for the *Account Fee*. Fees are deducted from the projected accumulation value on an annual basis.

Allianz annuity

Basic **Guarantees** Ownership Beneficiaries Fees Asset Mix

Withdrawal / Income Guarantees

Guaranteed Withdrawals:

A Guarantees Apply to: Withdrawals Only

B Guarantees Specified as: Rider Definitions

Guaranteed Base Benefit Amount:

C Guaranteed Withdrawal Rate: 100.00%

D Guarantee in Effect for: Last To Die

Term of Guarantee (years):

Guaranteed Annuitization Payout Factor:

Guaranteed Base Values:

E Total Contributions Guaranteed?: Yes

F Guaranteed Return Interest Type: No Growth

Guaranteed Return on Contributions:

High Water Mark Guaranteed?: No

Guaranteed Return for High Water Mark:

Guaranteed Benefit Cap (dollars):

Guaranteed Benefit Cap (age):

Death Benefit Guarantees

Guaranteed Base Values:

Total Contributions Guaranteed?: No

Allianz Annuity

Basic Guarantees Ownership Beneficiaries **Fees** Asset Mix

Advisor Fees

Advisor Fee Calculation: No Fees Applied

Fixed Advisor Fee:

Account Fees:

Account Fee: 1.250%

Other Fee:

Growth Rates:

Pre-Retire Gross Growth:	Asset Preservation (2.99%)
Pre-Retire Effective Growth:	1.70%
Post-Retire Gross Growth:	Asset Preservation (2.99%)
Post-Retire Effective Growth:	1.70%

Modeling an annuity recommendation in Advanced Planning *(continued)*

STEP 2: Add a liquidation strategy

Excluding the annuity from the liquidation strategy prevents eMoney from drawing down the accumulation value to fill an income gap. Lifetime income will still be paid but no additional income will be taken from the contract value.

From the *Planning Techniques* column:
Make changes to → *Expense* →
Liquidation Strategy → *Edit Fact*

Go to the *Exclusion* tab, select the annuity from the asset list, and click *Exclude*.

At the bottom of the page, click **Done**.

The screenshot shows the 'Liquidation Strategy' window with the 'Exclusion' tab selected. The 'Asset to Exclude' dropdown menu is open, showing a list of assets: '529 Plan for Lucas (\$0)', 'Allianz annuity (\$0)', 'Cash / Emergency Fund (\$25,000)', and 'Frank and Joanne Joint Investments (\$264,953)'. The 'Allianz annuity (\$0)' is highlighted. A red box highlights the 'Exclude' button next to the dropdown.

STEP 3: Add a transfer to fund the annuity

From the *Planning Techniques* column: *Add a new* → *Transfer*

Only the *Basic* tab needs completion.

Start by naming the transfer.

- A.** Based on the product illustration and the funding asset balance, select *Yes* or *No* to *Transfer Full Value*. If *Yes*, skip to step D.
- B.** If not transferring the full value, enter the premium amount (from the illustration) in the *Annual Amount* field.
- C.** Select *No Growth* in the *Pre* and *Post-Retire Growth* fields – this is a one-time transfer so there is no growth.
- D.** Select the funding *Source*.
- E.** Select the annuity as the *Destination*.
- F.** Select *Calendar Year* for the *Starts* and *Ends* field, and enter the current year for both.
- G.** If using qualified funds and the client is currently under age 59½, change the *Exempt from Withdrawal Penalty* to *Yes*.

Click **Save** then **Done**.

The screenshot shows the 'Premium Transfer' form with the 'Basic' tab selected. The form contains the following fields and options:

- Name:** Premium Transfer
- Transfer Full Value:** No (dropdown)
- Annual Amount:** \$400,000
- Pre-Retire Gross Growth:** No Growth (0.00%) (dropdown)
- Post-Retire Gross Growth:** No Growth (0.00%) (dropdown)
- Source:** Ben's IRA (\$400,000) (dropdown)
- Destination:** Allianz Annuity (\$0) (dropdown)
- Starts:** Calendar Year (dropdown), 2019
- Ends:** Calendar Year (dropdown), 2019
- Qualified & Guaranteed Transfers:**
 - Exempt from Withdrawal Penalty:** Yes (dropdown)
 - Contribution Deductible? (Traditional IRA Only):** No (dropdown)
 - Contribution Type (Traditional IRA Only):** Fixed Amount (dropdown)
 - Guaranteed Annuity Withdrawal?:** No (dropdown)

At the bottom, there are buttons for 'Reset', 'Save', and 'Done'. The 'Save' button is highlighted with a red box.

Modeling an annuity recommendation in Advanced Planning *(continued)*

STEP 4: Add a transfer to create the income stream

From the *Planning Techniques* column: Add a new → Transfer

Only the **Basic** tab needs completion.

Start by naming the transfer.

- A. Leave *Transfer Full Value* set to *No*.
- B. In the *Annual Amount* field, enter the projected amount of initial income the client could receive based on illustration values.
- C. Change the *Pre-Retire Gross Growth* rate to *No Growth*.
- D. If modeling increasing income, change the *Post-Retire Gross Growth* rate to *Custom*, and then enter a yearly increase amount based on the illustration's average increase to simulate increasing income. To determine the amount, calculate the average based on the beginning and ending values over the years projected. You can use a lower value than this average to show a more conservative yearly increase if desired.
- E. Select the annuity as the funding *Source*.
- F. Select the *Destination* for the income received.
- G. Select the *Starts* and *Ends* time frame based on illustration specifications.

Note: the *Post-Retire Gross Growth* rate will start applying the custom increase percentage at retirement age. If income starts after retirement age, adjust the annual amount (B) to reflect the present value of the future income stream at the discounted rate of the *Post-Retire Gross Growth* (D). View the Annuities report to ensure your starting income reflects the desired starting income amount.

Allianz Annuity Distributions

Basic

Schedule

Timing

Name:

Allianz Annuity Distributions

A

Transfer Full Value:

No

B

Annual Amount:

\$29,339

C

Pre-Retire Gross Growth:

No Growth (0.00%)

D

Post-Retire Gross Growth:

Custom

2.50%

E

Source:

Allianz Annuity (\$0)

F

Destination:

Core Cash Account

G

Starts:

Ben's Retirement (age 65 in 2027)

Ends:

At Second Death (2054)

Qualified & Guaranteed Transfers:

Exempt from Withdrawal Penalty:

No

Contribution Deductible? (Traditional IRA Only)

No

Contribution Type (Traditional IRA Only)

Fixed Amount

Guaranteed Annuity Withdrawal?:

No

Reset

Save

Done

Click **Save** then **Done**.

The *Advanced Planning* overview will reflect the four steps completed.

Select *Go back to Plans* to open the strategy in the *Goal Planner* and view the potential impact on the probability of success, or the *Decision Center* for interactive cash flow planning.

Important: Be sure to check the Annuities Report to ensure the annuity and lifetime income stream are setup correctly. Refer to the Reports section for further detail.

Go back to Plans

AP ADVANCED PLANNING

Go to Facts

Go to All P

Selected Plan

Add Plan

Annuity recommendation

Plan Changes

Allianz annuity (Invest...

Allianz Annuity Distribu...

Premium transfer (Tran...

Liquidation Strategy...

Selected What-If

Overview

Name: Annuity recommendation

Save

Current Changes

Allianz annuity (Investment, Annuity)

Allianz Annuity Distributions (Transfers, Annual)

Premium transfer (Transfers, Annual)

Liquidation Strategy

Planning Techniques

Add a new:

<< Add Fact

Make changes to:

<< Edit Fact

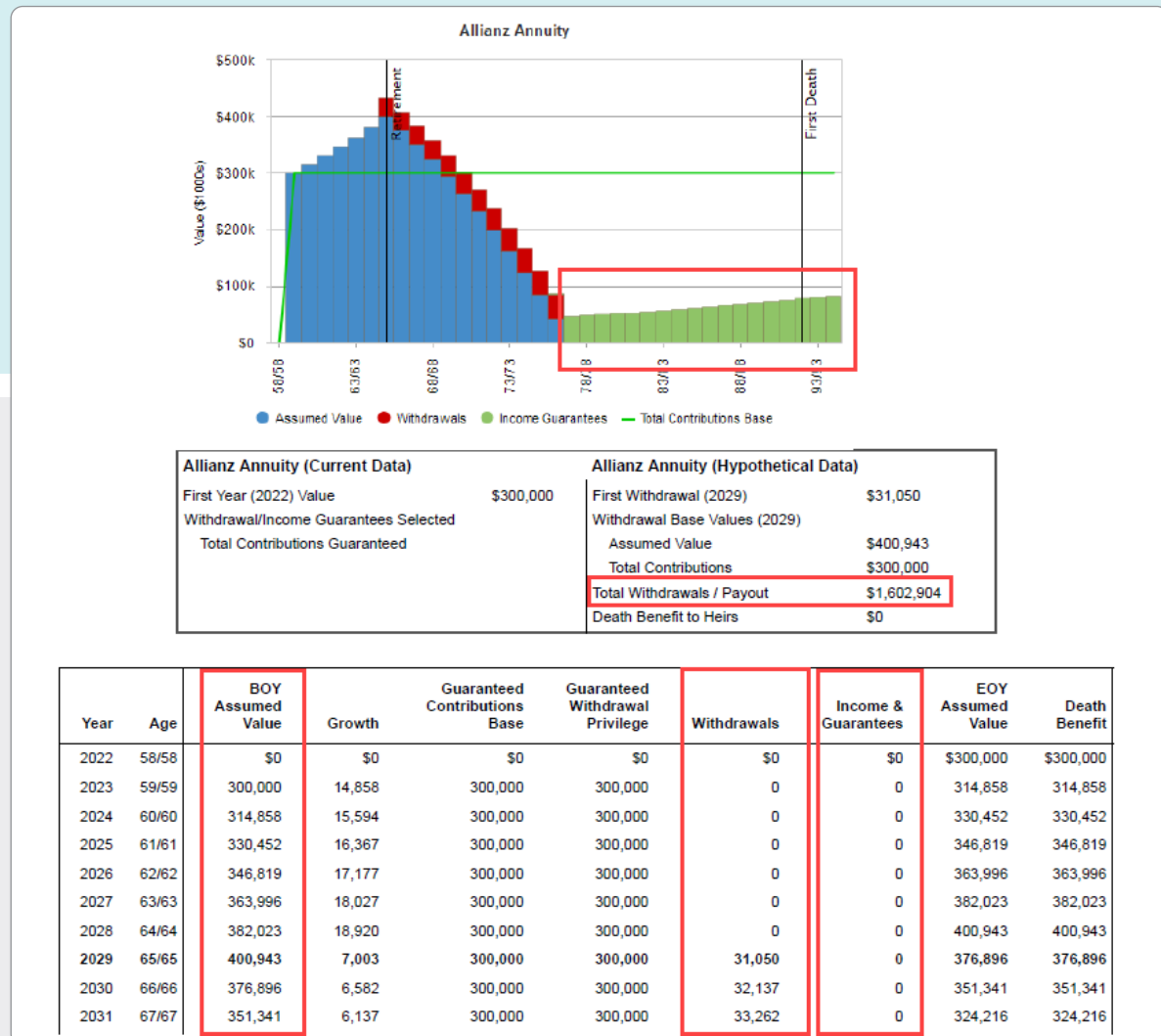


SHOW A COMPARISON OF THE PLAN with and without the annuity by first running the report showing *Base Facts* (original plan without the annuity) and then showing your recommended scenario including the annuity.

Annuities report

After completing all four steps, select the *Annuities Report* from within the *Advanced Planning* report section or from the *Reports* tab. Use the *Annuity Analysis* to verify the annuity is set up correctly and paying income as intended.

The green bars on the graph indicate income guarantees being paid after the assumed accumulation value reaches \$0. If the graph says *No Data Available* or you do not see the guarantees being paid, go back and double check your annuity and transfer inputs.



The chart at the bottom breaks down withdrawals from the contract vs income guarantees paid. Income is reflected in the *Withdrawal* column until the *BOY Assumed Value* (accumulation value) reaches \$0, and then shifts to the *Income & Guarantees* column through the end of the plan.

If you do not have access to the *Annuity Analysis* on the *Annuities* report, you can view the annuity income on the *Cash Flow* report under *Planned Distributions*. The annuity contract value can be seen on the *Assets* report.

This report should not be given to the client as it can represent an unrealistic depiction of the annuity values, even though they are used to calculate the income stream.

Adding the income stream to inforce contracts

Once the annuity contract has been issued, you can import the account data into your clients' plan using eMoney Connections. By default, these accounts are categorized as a fixed or variable annuity and reflect accumulation values only. Unless the account is updated and the income rider is manually added, the annuity will only draw down as needed at retirement age to fill an income gap or to satisfy RMDs. The following steps show how to **update the annuity** and then **add the income stream**.

STEP 1: First you must verify and update contract details

Go to *Facts* → *Advanced Facts* → *Investments* → *Annuities*

Note: If you do not see the annuity under *Annuities*, go to *Investments* → *Taxable* or *Investments* → *Qualified Retirement* and see if the account is listed with an incorrect account type. If it is, open the account and in the help box on the right, change the account type to annuity.

Complete the Basic tab

- A. Update the asset name if needed.
- B. Select the type of annuity – fixed or variable
- C. Verify that the type of funds is correct
- D. Set *Available in Year* to *Calendar Year* and the current year
- E. Set *Start Indexing* to *Immediately*
- F. Integrated contract values will be reflected.
- G. Select the *Pre* and *Post-Retire Growth* rates. These growth rates project the accumulation value for the annuity.
- H. Select the *Owner* and *Primary Beneficiary*
- I. Set *Annuitization Begins* to *Never*

Click on **Save** and then select the **Fees** tab at the top of the page.

The screenshot shows the 'Basic' tab of an annuity contract setup form. The tabs at the top are: Basic (selected), Guarantees, Ownership, Beneficiaries, RMD, Fees, and Holdings. The form fields and their corresponding labels are:

- A**: Asset Name: Allianz annuity
- B**: Asset Type: Fixed (Manually Entered)
- C**: Type of Funds: Qualified
- D**: Available in Year: Calendar Year (2022)
- E**: Start Indexing: Immediately
- F**: Total Value: \$400,000
- G**: Pre-Retire Gross Growth: Income (3.77%)
- H**: Primary Beneficiary: Wendy
- I**: Annuitization Begins: Never

Other fields include Institution Name, Holdings Value, Cash Balance, Margin Balance, Tax Basis, and Owner: Marty.

Adding the income stream to inforce contracts *(continued)*

STEP 1: *(continued)*

Add the product fee

Enter the combination of the annual product and income benefit rider fees for the *Account Fee*. Fees are deducted from the projected accumulation value on an annual basis.

Click on **Save** and then select the **Guarantees** tab at the top of the page.

COMPLETE THE GUARANTEES TAB

- A. Select *Guarantees Apply to Withdrawals Only*
- B. Then select *Guarantees Specified as Future Base Value*
- C. Enter the contract value from the *Basic* tab for the *Guaranteed Base Benefit Amount*.
- D. *Guaranteed Withdrawal Rate* should be 100%
- E. *Guarantee in Effect for* should match the product illustration.

These steps will help ensure that lifetime income continues to payout after the projected accumulation value goes to \$0.

Do not change anything in the *Death Benefit Guarantees* section.

At the bottom of the page, click on *Save*, and then click on the *Protect this Guaranteed Annuity from Cash Flow Liquidation* hyperlink below the *Guarantees* tab.

Go to the *Exclusion* tab, select the annuity from the asset list, and click *Exclude*.

Excluding the annuity from the liquidation strategy prevents eMoney from drawing down the accumulation value to fill an income gap. Lifetime income will still be paid, but no additional income will be taken from the contract value.

Click **Done** at the bottom of the page.

The screenshot shows the 'Fees' tab selected in the 'Annuity > Allianz annuity' interface. The 'Advisor Fees' section has 'Advisor Fee Calculation' set to 'No Fees Applied'. The 'Account Fees' section has 'Account Fee' set to '1.950%'. The 'Growth Rates' section shows 'Pre-Retire Gross Growth' and 'Post-Retire Gross Growth' both at 'Income (3.77%)', and 'Pre-Retire Effective Growth' and 'Post-Retire Effective Growth' both at '1.75%'.

The screenshot shows the 'Guarantees' tab selected in the 'Annuity > Allianz annuity' interface. A red box highlights the link 'Protect this Guaranteed Annuity from Cash Flow Liquidation'. Below it, the 'Withdrawal / Income Guarantees' section is visible. The 'Guaranteed Withdrawals' section has 'Guarantees Apply to' set to 'Withdrawals Only', 'Guarantees Specified as' set to 'Future Base Value', 'Guaranteed Base Benefit Amount' set to '\$400,000', 'Guaranteed Withdrawal Rate' set to '100.00%', and 'Guarantee in Effect for' set to 'Last To Die'. A vertical list of letters A through E is on the right side of the form.

The screenshot shows the 'Liquidation Strategy' dialog box. The 'Strategy' section has 'Exclusion' selected. The text below states: 'No assets are excluded from automatic liquidation. You may exclude an asset from liquidation by selecting it from the list and choosing Exclude.' The 'Asset to Exclude' section has 'Allianz annuity (\$400,000)' selected and the 'Exclude' button is highlighted.

Adding the income stream to inforce contracts *(continued)*

STEP 2: Now you can add the income stream via a Transfer

Go to *Facts* → *Advanced Facts* → *Savings & Transfers*
→ *Add a Transfer Flow*

Only the **Basic** tab needs completion.

- A.** Name the transfer.
- B.** Leave *Transfer Full Value* set to *No*.
- C.** In the *Annual Amount* field, enter the projected amount of initial income the client could receive.
There are a few options for determining what to use for the initial income amount:
 - Use the illustrated income values if the annuity was recently purchased.
 - If the contract has been inforce for several years, you can either:
 - » Calculate the initial income amount based on the current contract or protected income value for a more conservative approach, or
 - » Determine the average annual growth percentage for the contract since inception and apply that average growth to the current contract value until the age income will start - use that projected contract value when determining the income amount.

The screenshot shows the 'Basic' tab of the 'Add a Transfer Flow' form. The fields are as follows:

- Name:** Allianz annuity income
- Transfer Full Value:** No
- Annual Amount:** \$29,339
- Pre-Retire Gross Growth:** No Growth (0.00%)
- Post-Retire Gross Growth:** Custom, 2.50%
- Source:** Allianz annuity (\$400,000)
- Destination:** Core Cash Account
- Starts:** Marty's Retirement (age 65 in 2029)
- Ends:** At Second Death (2056)

Qualified & Guaranteed Transfers

- Exempt from Withdrawal Penalty: No
- Contribution Deductible? (Traditional IRA Only): No
- Contribution Type (Traditional IRA Only): Fixed Amount
- Guaranteed Annuity Withdrawal?: No

Buttons: Delete, Reset, Save, Done

The initial income amounts can be updated on an ongoing basis (ex. annually).

Tip: Use the *Notes* section to document the method and values used for easy reference when future updates are made

- D.** Change the *Pre-Retire Gross Growth* rate to *No Growth*.
- E.** If modeling increasing income, change the *Post-Retire Gross Growth* rate to *Custom*, and then enter a yearly increase percentage. The custom increase entered will work like inflation and give the income amount a static increase on an annual basis.
- F.** Select the annuity as the funding *Source*.
- G.** Select the *Destination* for the income received.
- H.** Select the *Starts* and *Ends* timeframe based on illustration specifications.

Note: the *Post-Retire Gross Growth* rate will start applying the custom increase percentage at retirement age. If income starts after retirement age, adjust the annual amount (B) to reflect the present value of the future income stream at the discounted rate of the *Post-Retire Gross Growth* (D).

To finish, view the *Annuities* report to ensure the annuity is set up correctly and that the starting income reflects the desired starting income amount.

Reports

ANNUITIES REPORT

Shows how a client's annuity accumulates and provides income. See page 6 for more details.

CASH FLOW REPORT

Illustrates income, savings, expenses, and resulting net cash flow on an annual basis. *Annuity* income is included in the *Planned Distributions* column.

MONTE CARLO → ASSET SPREAD

Illustrates the potential range of your assets over time.

RETIREMENT PLANNING → GUARANTEED INFLOWS

Compares guaranteed inflows to total expenses.

RETIREMENT PLANNING → RETIREMENT INCOME

Compares retirement inflows to total cost of retirement.

Things to know

This information is based on eMoney Advanced Planning functionality as of October 2022.

Investment professionals should ensure this methodology aligns with BD/RIA compliance requirements.



CONTACT YOUR ALLIANZ REPRESENTATIVE for questions or further assistance.

Before recommending the annuity, a financial professional is required to be (1) insurance licensed in all states where business is solicited and (2) appointed by Allianz Life Insurance Company of North America (Allianz). Insurance law prohibits securities-only licensed advisors from recommending a specific allocation, in dollars or percentages, between securities and insurance products and/or offering research, analysis or recommendations to a prospective client regarding specific insurance products, including annuities.

• 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

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