

FINANCIAL PLANNING  
SOFTWARE

# RightCapital

## Modeling an Allianz annuity within a financial plan

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

RightCapital 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 RightCapital 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 RightCapital, the software applies a static increase each year based on the illustration's average increase. 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 Retirement Analysis

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

Open an existing client plan and go to the *Retirement > Analysis*. Expand the *Action Items* section. At the bottom of the page, click *Edit > Add New Items > Annuity*.

- A. Add a name or description
- B. Select the contract owner
- C. Change purchase year to *Immediately*
- D. Select the account that will fund the annuity
- E. Enter the premium or purchase payment amount
- F. Enter an *Account value bonus* if applicable
- G. Select the annuity type

For **INDEXED ANNUITIES**:

Enter the current *Cap*, *Spread*, *Floor*, and *Participation Rate*

For **INDEXED VARIABLE ANNUITIES**:

Enter the current *Cap*, *Buffer*, and *Participation Rate*

To model a strategy that has full protection, enter a 100% buffer. To model a strategy that has a negative floor (e.g., a -10% floor), use the *Indexed Annuities* option.

**Important:** If modeling a crediting method with a participation rate or spread, you must also apply a cap in order to calculate projected growth. If *only* the participation rate or spread is entered, growth will not be calculated. If the product has no cap; you should enter a large number, e.g., 100.

Caps, floors, buffers, and participation rates will be applied in Monte Carlo simulations.

*Multi-year crediting methods cannot be modeled.*

- H. Select the Distribution method

The screenshot shows the 'Annuity' form with the following fields and values:

- A:** Policy name: Allianz annuity
- B:** Owner: Ben
- C:** Purchase year: Immediately
- D:** Select an account: Ben's IRA
- E:** Value: \$300,000
- F:** Account value bonus: 0%
- G:** Annuity type: Indexed annuity
- H:** Distributions: Regular withdrawals
- Cap:** 0%
- Floor:** 0%
- Spread:** 0%
- Participation:** 0%

A red box highlights the 'Annuity type' dropdown (G) and the 'Distributions' dropdown (H). Another red box highlights the 'Cap', 'Floor', 'Spread', and 'Participation' input fields.

# Modeling an annuity recommendation in Retirement Analysis *(continued)*

For **ACCUMULATION** annuities select *Regular Withdrawals*. RightCapital will draw down as needed from the accumulation value to meet income needs and/or satisfy required minimum distributions (RMDs). To model regular/systematic withdrawals, follow the instructions under the *modeling scheduled withdrawals from an accumulation annuity* section.

For annuities with an **INCOME RIDER**, select *Lifetime Income*.

1. Leave the *Rollup Rate* at 0% as it does not apply.
2. Enter the year in which income will start according to the illustration.
3. Select *Amount* or *Percentage* for the Income type.

Using **Percentage**: Enter the income payout percentage as reflected on the product illustration. RightCapital will calculate the income amount based on the projected accumulation value and this payout percentage.

Using **Amount**: Enter the projected amount of initial income the client could receive based on illustration values.

4. To simulate increasing income, select *Customized increase* for the *Annual increase* type and enter an annual increase percentage based on the illustration's average increase, then set the increase to occur every year. If the illustration does not identify the average increase, to determine the increase, 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.
5. When applicable, enter the combination of the annual product and income benefit rider fees for the *AV based fee*. Fees are deducted from the projected accumulation value on an annual basis.

Click *Save* at the bottom of the page.

On the *Action Items* page, select *Included* and hit *Refresh* to include the annuity in the plan projections.

The screenshot shows a form for configuring an annuity. It includes the following fields and options:

- Rollup rate**: A text input field with a value of 0%.
- Rollup rate compounding**: A checkbox that is currently unchecked.
- Rollup stop year**: A dropdown menu set to "Calendar year" and a text input field with the value 2032.
- Income starts**: A dropdown menu with the value "Ben's retirement".
- Income type**: A dropdown menu with the value "Percentage".
- Income percentage**: A text input field with a value of 0%.
- Annual increase**: A dropdown menu set to "Customized incr" and a text input field with the value 0%.
- AV based fee**: A text input field with a value of 0%.
- Benefit base fee**: A text input field with a value of 0%.

The screenshot shows a table titled "Annuities" with the following content:

|                 | Included                            | Excluded                 |
|-----------------|-------------------------------------|--------------------------|
| Allianz annuity | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Below the table are three buttons: "Reset", "Edit", and "Refresh".

# Modeling scheduled withdrawals from an accumulation annuity

To model scheduled withdrawals from an accumulation annuity, add an *Income Distribution* card.

Go to *Retirement > Analysis > Action Items > Edit > Add New Items > Income > Distribution*

- A. Add a title or description for the distribution
- B. You will specify the \$ or % amount on the *Action Items* page
- C. Select the withdrawal approach
- D. Select the contract owner
- E. Select the account the distribution will come from (qualified annuity, nonqualified annuity, or Roth annuity).  
**Note:** You will not see the name of the specific annuity you are taking withdrawals from. Because RightCapital uses the bucket system for distributions, selecting the correct bucket will ensure the withdrawals are pulled from the correct account.
- F. Select when the distribution will start
- G. Select the duration of the distribution
- H. If the distribution will increase annually, add an annual increase percentage amount
- I. Select normal distribution
- J. Specify if the distribution will be taxed normally, if pre-59½ penalties will be waived, or if no taxes will apply

To add the distribution amount, go to *Retirement > Action Items > Income*. Enter the desired distribution amount or percentage. Click on *Refresh* after adjusting the value.

**Note:** If you do not see the *Income Distribution* on the *Action Items* page, go to *Edit > Income section >* and select the distribution from the options listed.

## CASH FLOW REPORTING

To view cash flow details, select *Cash Flows* from the *Retirement* tab

To view *lifetime income* for annuities with an income rider, go to *Summary > Income Inflows*

To view *scheduled withdrawals* or withdrawals to meet income needs from an accumulation annuity, go to *Summary > Planned Distributions OR Accounts > Withdrawals from accounts* (this will show both scheduled withdrawals and regular distributions)

To view *RMDs* go to *Summary > Planned Distributions OR Accounts > Required Minimum Distributions*

To view the *accumulation value*, go to *Accounts > ending balance by accounts*

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## ANNUITY GROWTH ASSUMPTIONS

When using the *Income Strategy* to model a fixed indexed annuity, RightCapital applies the average of the capital gain returns for the Large Growth and Large Value asset classes as a proxy for the index used by the annuity. It does not include the dividend portion. This cannot be changed. Changing the *Annuity Allocation* strategy when modeling as a fixed indexed annuity will have no impact on the outcome or accumulation values as this applies only to variable annuities. Refer to the *Assumptions* tab for specific details on your capital market assumptions.

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## VIEW RESULTS AND INCOME DETAILS

Within the *Retirement Analysis*, the *Probability* tab reflects the results of the Monte Carlo simulation for the current plan (no annuity) and proposed plan (with the annuity). The *Confidence* tab reflects the range of outcomes of the Monte Carlo analysis through the course of the projection. The *Comparison* tab compares projections for different plans across various return scenarios, and the *Income* tab allows you to illustrate the breakdown of retirement income sources while identifying any shortages and percent of stable income.

# Things to know

Probability results will vary by client based on their specific circumstances, investment objectives and risk tolerance, and the allocations selected for the annuity in the illustration software.

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This information is based on RightCapital functionality as of November 2022.

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Investment professionals should ensure this methodology aligns with their 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) or Allianz Life Insurance Company of New York (Allianz Life of NY). 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

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.542.5427 [www.allianzlife.com](http://www.allianzlife.com). In New York, products are issued by Allianz Life Insurance Company of New York, 1633 Broadway, 42<sup>nd</sup> Floor, New York, NY 10019-7585. [www.allianzlife.com/new-york](http://www.allianzlife.com/new-york). Variable products are distributed by their affiliate, Allianz Life Financial Services, LLC, member FINRA, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. Only Allianz Life Insurance Company of New York is authorized to offer annuities in the state of New York. Variable annuities are distributed by their affiliate, Allianz Life Financial Services, LLC, member FINRA, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297.

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