Allianz Life Insurance Company of North America

ALLIANZ LIFETIME INCOME+® ANNUITY

The changing outlook on retirement

Preparing for the known – and unknown – in your employer-sponsored plan

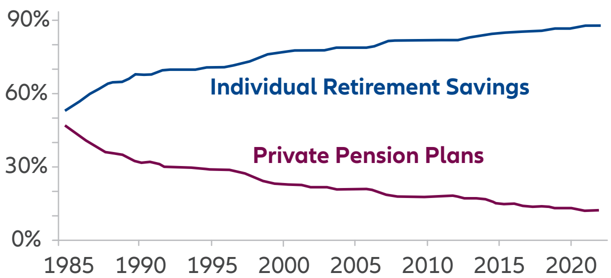
LIA-010 (R-9/2024)

The retirement unknowns

1 Where will our income come from?

We can no longer rely on traditional pension plans. These types of plans paid retirees a steady stream of income (a defined benefit based on salary history or employment duration). The responsibility for ensuring lifetime income was left to the employer.

Instead, we now will have to rely on defined contribution plans (such as 401(k) plans). Defined contribution plans are an alternative to defined benefit plans and are increasing in popularity and primarily funded by employee contributions. But this change shifts the responsibility for ensuring lifetime income to the individual.



IRI Retirement Fact Book 2023.

We don't know the long-term solvency of Social Security. The ratio of covered workers to Social Security beneficiaries has changed significantly, with fewer workers per recipient.

Fewer workers are covering each Social Security beneficiary

1974: 3.3 workers to 1 beneficiary

2023: 2.7 workers to 1 beneficiary

2040: 2.3 projected workers to 1 beneficiary

"The 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," May 7, 2024.

2 How much will retirement cost?

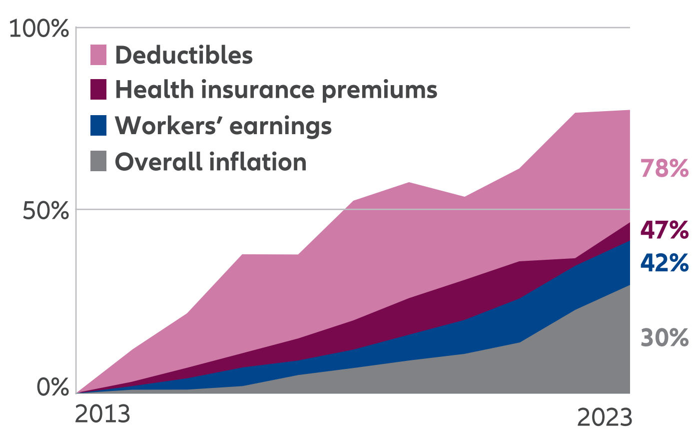
We don't know how much we will spend in retirement. Retirees age 65 or older spend a greater share of their money on housing, and their medical expenses are much higher.

	Spending (All ages)	Spending (65 years and older)
Food/beverage	12.80%	12.64%
Housing	33.30%	35.22%
Apparel	2.67%	1.95%
Transportation	16.85%	14.13%
Health care	8.02%	13.04%
Entertainment	4.74%	4.62%

U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, September 2023.

We don't know how much health care costs will continue to rise. While wages have increased by 90% since 1999, health care premiums have increased 284%. Retirees used to worry about passing away too soon; now they're worried about living too long.

Health care costs have a dramatic effect in retirement



"Cumulative Increases in Family Coverage Premiums, General Annual Deductibles, Inflation, and Worker's Earnings, 2013 – 2023," Kaiser Family Foundation/HRET Survey of Employer Health Benefits, October 18, 2023.

Medicare doesn't cover all health care costs. We will have out-of-pocket expenses to consider – such as deductibles, co-pays, hearing, vision, and dental. A healthy 65-year-old male retired in 2024 is projected to spend approximately **$281,000** on health care expenses during his retirement. A healthy 65-year-old female retiring in 2024 is projected to spend approximately **$320,000** on health care expenses during her retirement.

2024 Milliman Retiree Health Cost Index, May 2024. Calculation is based on assumptions that the male has a life expectancy of age 88 and the female of age 90, and have no chronic conditions. The cost of Medicare premiums can be higher or lower depending on varying factors, including the plan type, the state of residence, and assumptions used.

It's also important to consider whether Social Security can keep up with the rising costs of health care. The average Social Security cost-of-living adjustment (COLA) over the last 30 years was 2.5%.[1]

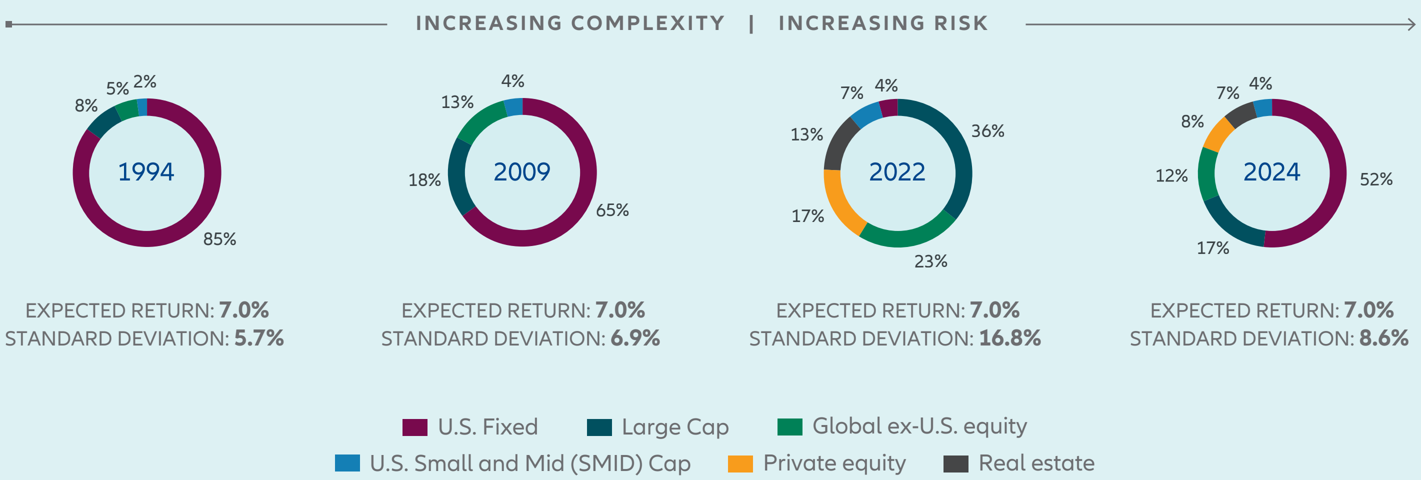
However, the average annual Medicare Part B premium increase over the last 30 years was 5.5%.[2] That's more than double the Social Security COLA.

Does our retirement income strategy cover our basic needs along with a cost-of-living adjustment?

[1] Social Security Administration, Cost-of-living Adjustments, January 1994 – January 2023.

[2] Centers for Medicare and Medicaid Services, Part B Premium, January 1994 – January 2024.

The evolution of the mix of assets in a portfolio and the associated risk in relation to expected returns



Standard deviation: a statistical measure that is used to quantify the amount of variance within a select data set. Generally, higher standard deviation indicates increased portfolio volatility.

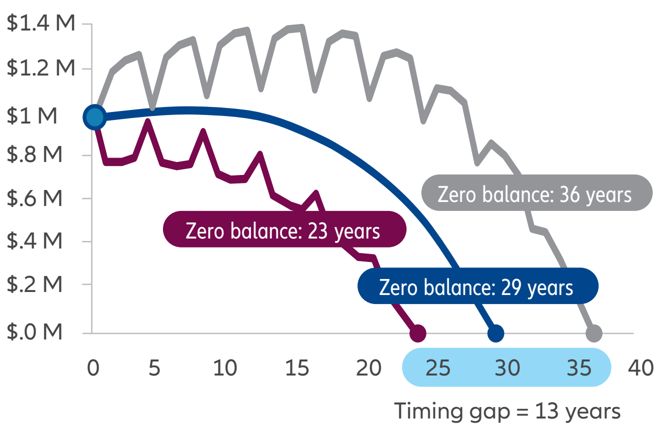
Source: "Risky Business Update," Callan, January 2, 2024.

3 How long will my money last?

We know that the sequence of market returns has a big impact on how long our money lasts. In the accumulation phase of retirement saving, the sequence of market returns is not as important as long as the money is not withdrawn. But it has a big impact once we begin taking distributions in retirement.

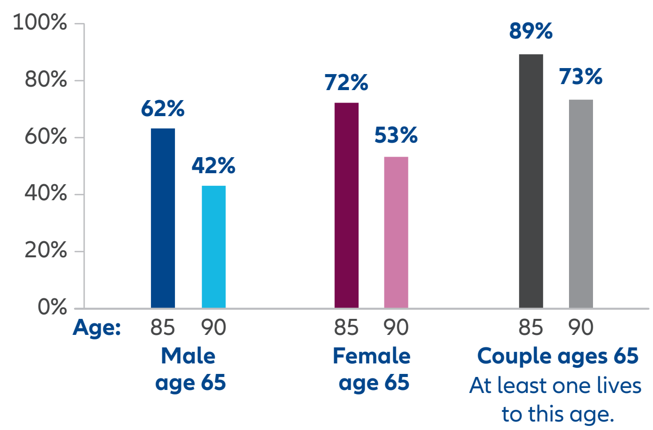
That's because, when you withdraw assets while the market is down, your losses on those assets are "locked in" – unlike during the accumulation phase, that money no longer has the potential to earn interest if the market rises.

Your sequence of returns impacts how long your money lasts.



- **Scenario 1** has a constant (but unrealistic) 6% compounded return every year.
- **Scenario 2** has higher returns early on, with a repeating annual sequence of 27%, 9%, 7%, -15% (6% average annual compounded return).
- **Scenario 3** has lower returns early on, using the same returns but in a reverse sequence of -15%, 7%, 9%, 27% (6% average annual compounded return).
- **Timing gap** – The difference between scenario 2 and 3 in how long money could last depending on the sequence of returns.

We don't know how long we will live. With health care advancements and healthier lifestyles, we're now living longer than past generations. Retirements could potentially last 25 or 30 years, and even longer if you're part of a couple. In the example below, we are looking at the probability of a male, a female, and a couple all aged 65 and their percent chance of living to ages 85 or 90.



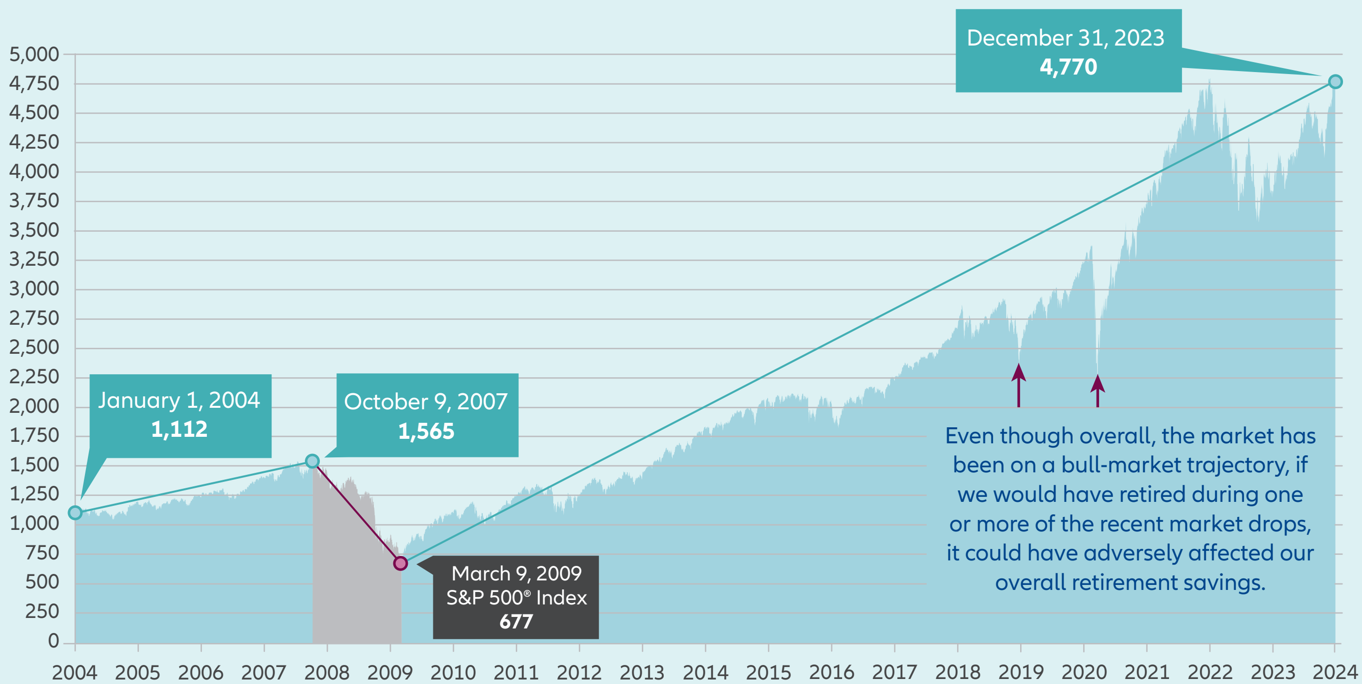
Health is assumed to be average in all cases.
IRI Retirement Fact Book 2023.

This is a hypothetical example of how the sequence of returns can impact your portfolio in retirement when taking annual withdrawals of $50,000, adjusted at an assumed 3.5% each year for inflation. It is not intended to project the performance of any specific product or index. If this were an actual product, the returns may be reduced by certain fees and expenses. Withdrawals are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal additional tax. Past performance is not a guarantee of future results.

We don't know how market volatility will affect retirement savings in the future. Our IRAs, 401(k)s, and 403(b) retirement savings plans that are invested in the stock market are all subject to the ups and downs of the market – and in recent years, we've seen how volatile the market can be.

We may not know how to plan for an uncertain lifespan, and we don't know what market volatility will be like in the future. The combination of life expectancy and market returns can impact how long our assets last. If we live a long life with low returns, are we going to run out of money in retirement? Or if we live a shorter life with high returns, could we potentially be living more frugally than necessary and not maximize our retirement?

S&P 500® performance, 2004 – 2023



Past performance does not guarantee future results.

The retirement knowns

We know we need a more balanced solution that helps reduce uncertainty.

1 Protect income

We know we need to protect our retirement savings from market downturns.
61% are worried that money in their employer-sponsored plan will run out during retirement.[1]

With a low-interest-rate environment, we may need to take on more risk to receive the same returns as years ago, opening us up to more volatility and uncertainty.

Few strategies for risk management allow investors to participate in the growth potential of equities, while also managing downside exposure and volatility.

[1] Allianz 2024 2Q Quarterly Market Perceptions Study, conducted in May 2024 with a nationally representative sample of 647 respondents age 18+ with an employer-sponsored retirement plan.

2 More income

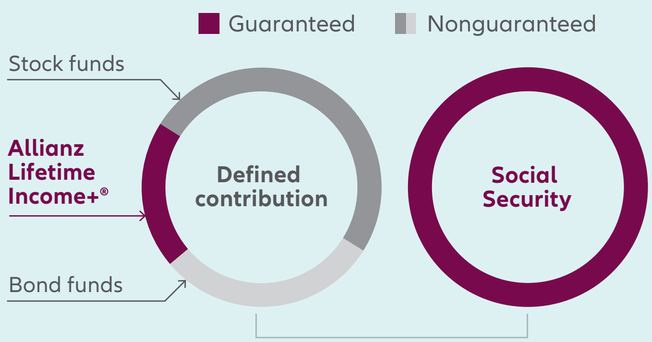
We know we need more lifetime income to replace what we lost when traditional pensions were replaced by 401(k)s and IRAs. We need new ways to meet the need for lifetime income to help supplement Social Security.

72% expect that most of their retirement income will come from money they have from employer-sponsored plans.[1]

3 Increasing income

We know we need increasing income to help keep up with inflation and rising health care costs and for addressing the uncertainty of planning for unknown life expectancies.

The solution?



Primary sources of retirement income

Allianz **Lifetime Income+®** Fixed Index Annuity with Lifetime Income Benefit

Protect income	✔
More income	✔
Increasing income potential	✔

We need a product like an annuity that can help convert a portion of our portfolio income to lifetime income. Annuities can help you meet your long-term retirement goals by offering tax-deferred growth potential, a death benefit during the accumulation phase, and a guaranteed stream of income at retirement. Annuity guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company. Fees and charges may apply. Product and feature availability may vary by plan and state.

Allianz Lifetime Income+® Annuity with Lifetime Income Benefit is an insurance product available in your defined contribution plan. In exchange for allocating a portion of your plan to Allianz Lifetime Income+®, we give you three key benefits our fixed index annuity can provide.

New realities are reshaping the American retirement.

That calls for new strategies, and not just in your planning during the years leading up to your retirement. Your investment needs are different during the distribution years, due to factors known – and unknown.

Could Allianz Lifetime Income+® Annuity help meet your objectives for retirement income?

CONTACT YOUR PLAN ADMINISTRATOR about any support offered by your plan to determine how it might fit in your 401(k) plan.

Please note that Allianz Life Insurance Company of North America (Allianz), 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.

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 a key part of a leading global financial organization. **True to our passion** for making wise investment decisions. **True to building a culture** where everyone feels welcomed, included, and valued. 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

This content does not apply in the state of New York.

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.

C64712-MVA