Allianz Life Insurance Company of North America

# 4 risks to retirement income

## Clients in today's economic environment need to be prepared for a variety of risks to their financial well-being. Their retirement strategy in particular needs a mix of assets that can help support and protect long-term goals.

Along with traditional sources of retirement income – including Social Security benefits, a 401(k), an annuity, and other investments – a fixed index universal life insurance (FIUL) policy can play an important role in complementing an overall financial strategy.

While its death benefit for beneficiaries is the primary reason for owning life insurance, FIUL can also help diversify portfolios and help clients address four significant factors that can diminish their comfort in retirement: the risks of inflation, taxes, volatility, and longevity.

### 1 Inflation

Americans are concerned with how continuing inflation will affect their retirement plans. In a recent survey, a majority (78%) said they're worried that they might not be able to afford the lifestyle they want in retirement due to the increased cost of living.[1]

Clients looking for ways to retain long-term purchasing power should know how an FIUL policy can help hedge against inflation, thanks to features like accumulation potential (through indexed interest) and Index Lock (which, as the term implies, locks in an index gain, even if the value drops during the remainder of the crediting period).

And because inflation often coincides with rising interest rates, this typically creates an environment for raising the participation rates and caps on FIUL policies – bringing more accumulation potential to clients. Using Index Lock to capture any gains can also help clients accumulate more to help address the impacts of inflation.

### 2 Taxes

With the inevitability of taxes comes the unpredictability of rates.

The rate at which assets are taxed can have a great impact on financial strategies. A higher income tax rate requires more money to be withdrawn for the same amount of income, and can cause a client's assets to erode faster over time.

Current tax rates are no guarantee of future rates – over the last century, tax rates have often shifted, many times dramatically. No wonder nearly one in seven (69%) Americans say they are concerned about taxes on their income in retirement.[1]

Adding an FIUL policy to a diversified portfolio can help ease concerns about taxes in the future. FIUL benefits include three types of tax advantages: tax-deferred accumulation potential, the opportunity for income-tax-free loans and withdrawals, and a death benefit that is generally income-tax-free to beneficiaries.

[1] Allianz Life conducted an online survey, the 2023 1Q Quarterly Market Perceptions Study, in March 2023 with a nationally representative sample of 1,005 respondents age 18+.

## 3 Volatility

The market has been particularly volatile in recent years. This is making many Americans nervous about investing to grow their nest egg for future income potential. For example, 62% of Americans said they would rather have their money sit in cash than endure market swings.[1]

Along with helping to diversify a portfolio, FIUL has unique features that can help lessen a client's exposure to market volatility – including guarantees for the accumulation value and protection from market volatility.

## 4 Longevity

As average life expectancies have increased, so has the potential for more years spent in retirement. However, longer retirements also increase a client's exposure to the other risks we've covered here – the risks of inflation, taxes, and volatility.

The potential of FIUL to supplement income can help clients navigate changes in the cost of living and unplanned expenses over the course of a long retirement. Drawing on the cash value of the policy via policy loans or withdrawals can help them alleviate concerns about not having enough saved for their needs and wants.

One last point to keep in mind: FIUL policies don't currently have the restrictions of other retirement savings vehicles. For instance, FIUL policies do not have required minimum distributions – meaning the asset need not be drawn on until a time of the client's choosing – keeping more in the policy for future potential accumulation and compounding, and potentially leaving more as a death benefit, if so desired.

**TO LEARN MORE** about how FIUL can help diversify a client's portfolio, contact the **Life Case Design Team at 800.950.7372.**

[1] Allianz Life conducted an online survey, the 2023 1Q Quarterly Market Perceptions Study, in March 2023 with a nationally representative sample of 1,005 respondents age 18+.

Fixed index universal life insurance policies require qualification through health and financial underwriting.

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

This content is general information for educational purposes, and is not intended to constitute fiduciary advice. Please consult your financial professional for a specific recommendation about purchasing this product.

Life insurance doesn't provide a guaranteed source of income in retirement. There is no guarantee that a policy will earn sufficient interest in any given year to support a loan strategy.

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.

Diversification does not guarantee a profit or protect against a loss.

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

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.950.1962. www.allianzlife.com

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