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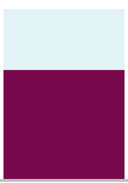
ALLIANZ CENTER FOR THE FUTURE OF RETIREMENT™

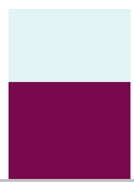
Turning tax uncertainty into opportunity

Future tax changes may be out of your clients' control – but preparing for them isn't

In an environment where tax laws and rates can shift over time, even small changes can ripple through a retirement portfolio. Most Americans don't know how their taxes in retirement will compare to today – and that uncertainty can create risk.



64% of Americans aren't sure how their taxes in retirement will compare to their current situation.



57% worry that changes in tax reform/legislation could impact their financial plan.

Why tax diversification matters

Just as diversifying investments can help manage market volatility, diversifying tax exposure can help manage future tax risk. For a goal like retirement, it may be important to spread assets across a spectrum of long-term capital gains, regular income, and non-taxable income. This mix – combined with strategic tax deferral – can give clients greater control over when and how they pay taxes in retirement.

43% of Americans say high taxes contribute to their fear of running out of money.

26% rank "taxes taking a big chunk out of retirement funds" among their top three retirement income risks.

Taxes aren't just a budgeting issue; they can also be a retirement risk. For this reason, creating a diversified tax strategy may help clients:

- **Reduce the risk** of higher future tax rates eroding income.
- **Preserve more assets** for retirement expenses or to pass on to beneficiaries.
- **Create a more resilient strategy** that adapts to changing tax laws and market conditions.

Allianz Center for the Future of Retirement™ conducted an online survey, the 2025 Annual Retirement Study, in January/February 2025 with a nationally representative sample of 1,000 respondents age 25+ in the contiguous U.S. with an annual household income of $50K+ (single)/$75K+ (married/partnered) OR investable assets of $150K+.

The Allianz Center for the Future of Retirement™ produces insights and research as a part of Allianz Life Insurance Company of North America.

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Converting to a Roth IRA can help protect retirement income

A Roth IRA conversion allows individuals to pay income taxes on retirement funds now – at today's tax rate – rather than later when they withdraw the money. For clients who expect their taxes to rise, this move can serve as a proactive hedge against potential increases.

For example, if someone's current tax rate is 12% and their future rate at the time of withdrawal is 24%, converting to a Roth IRA today could help increase the amount of money they take home in retirement – even after paying taxes up front.

Tax rate at withdrawal \ Tax rate at conversion	10%	12%	22%	24%	32%	35%	37%
10%	0.00%	- 1.22%	- 13.33%	- 15.56%	- 24.44%	- 27.78%	- 30.00%
12%	+ 2.27%	0.00%	- 11.36%	- 13.64%	- 22.73%	- 26.14%	- 28.41%
22%	+ 15.38%	+ 12.82%	0.00%	- 2.56%	- 12.82%	- 16.67%	- 19.23%
24%	+ 18.42%	+ 15.79%	+ 2.63%	0.00%	- 10.53%	- 14.47%	- 17.11%
32%	+ 32.35%	+ 29.41%	+ 14.71%	+ 11.76%	0.00%	- 4.41%	- 7.35%
35%	+ 38.46%	+ 35.38%	+ 20.00%	+ 16.92%	+ 4.62%	0.00%	- 3.08%
37%	+ 42.86%	+ 39.68%	+ 23.81%	+ 20.63%	+ 7.94%	+ 3.17%	0.00%

Hypothetical example for illustrative purposes only. Clients should consult with their tax advisor.

Know the tradeoffs

While a Roth IRA conversion can be a valuable strategy for managing future tax risk, it's important to understand the tradeoffs. A Roth IRA conversion is a taxable event that increases taxable income in the year of conversion. This could push clients into a higher tax bracket, trigger higher Medicare premiums or taxes on Social Security benefits, and/or affect eligibility for deductions or credits. That's why it's important to coordinate the timing and amount of any conversion with a qualified tax professional.

How an annuity can help

Turning tax strategy into income strategy

While a Roth IRA conversion can address part of the tax-risk equation, an annuity can take it a step further – transforming tax diversification into income diversification. For clients who want to preserve flexibility, principal protection, and the potential for guaranteed lifetime income that is federal-income-tax-free, a fixed index annuity (FIA) can be a powerful complement to a Roth IRA conversion.

Some carriers even allow partial internal Roth conversions, enabling clients to spread tax liability over time while seeking to maintain tax diversification within their portfolio.

Together, these features can help create a more resilient retirement foundation – one designed not only to manage tax exposure, but also to help turn those tax-efficient assets into reliable income that can last.

5 additional strategies to help address tax risk

Addressing tax risk often requires a combination of strategies. Other ways to help build greater tax flexibility in retirement may include:

1. **Charitable giving:** Strategic donations may help reduce taxable income.
2. **Health Savings Accounts (HSAs):** Contributions are made on a pre-tax basis and qualified withdrawals are tax-free.
3. **Stretch alternatives:** Explore strategies to extend tax advantages for inherited accounts.
4. **Annuities for tax deferral:** Accumulation grows tax-deferred until withdrawal.
5. **Net unrealized appreciation (NUA):** Helps manage tax treatment on employer stock held in a retirement plan.

An FIA can help clients:

Protect principal from market downturns while still offering accumulation potential through fixed and indexed interest.

Balance liquidity and longevity needs with income riders (which may come at an additional cost or be built in) that allow for lifetime income withdrawals and, in some cases, a rider that provides the potential for annual income increases.

Support legacy goals through a death benefit during the accumulation phase

Benefit from federal-income-tax-free withdrawals in retirement when distributed from a properly converted Roth IRA (assuming requirements are met; clients should consult with their tax advisor).

Get the insights to help guide what's next

From a leading provider of fixed index annuities

Addressing the complex challenges of retirement strategies requires innovative thinking, grounded in data and insights. The Allianz Center for the Future of Retirement™ (part of Allianz) delivers actionable insights, backed by 125+ years of experience in risk management and innovation across annuities, life insurance, and ETFs (Allianz Investment Management LLC is the adviser to the AllianzIM ETFs).[1]

As an industry-leading provider of fixed index annuities (FIAs), Allianz is committed to helping financial professionals navigate evolving retirement risks – from managing tax exposure and market volatility to creating strategies for guaranteed income and legacy planning. The center's signature research and specialized analysis are designed to help you stay ahead of what's next in retirement.

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[1] AllianzIM ETFs are not a product of Allianz Life Insurance Company of North America.

Annuities can help meet 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.

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Converting a SEP, SIMPLE IRA, qualified employer plan account, or traditional IRA to a Roth IRA is a taxable event. Increased taxable income from the Roth IRA conversion may have several consequences including (but not limited to) a need for additional tax withholding or estimated tax payments, the loss of certain tax deductions and credits, and higher taxes on Social Security benefits and higher Medicare premiums. Be sure to consult with a qualified tax advisor before making any decisions regarding your IRA.

Purchasing an annuity within a retirement plan or IRA that provides tax deferral under sections of the Internal Revenue Code results in no additional tax benefit. An annuity should be used to fund a qualified plan based upon the annuity's features other than tax deferral. All annuity features, risks, limitations, and costs should be considered prior to purchasing an annuity within a tax-qualified retirement plan.

AllianzIM ETFs are distributed by Foreside Fund Services, LLC.

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