Allianz

Allianz Life Insurance Company
of North America

Tax advantages for today's economy

Three ways to help you manage taxes with indexed universal life insurance

CSI-340 (R-7/2024) | Must be accompanied by Understanding indexed universal life insurance brochure (M-3959) or Allianz Life Accumulator™ Indexed Universal Life Insurance Policy consumer brochure (M-8119).

The protection and tax advantages of indexed universal life (IUL) insurance can help in this economy.

The primary reason for buying life insurance is always for the income-tax-free death benefit it provides.[1]

But IUL insurance can also offer you a combination of three tax advantages that other financial vehicles do not:

1. **Income-tax-free** death benefit[1]
2. **Tax-deferred** accumulation potential
3. **Income-tax-free** loans and withdrawals[2]

It's always smart to look for potential ways to help reduce your tax liability where you can, but given today's economic realities, it can be more beneficial than ever.

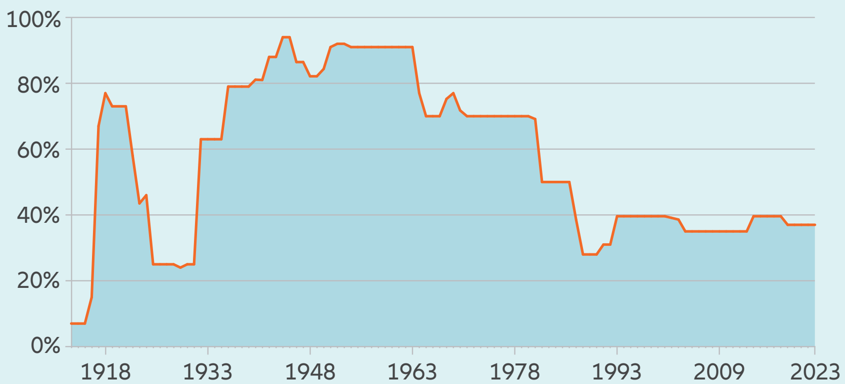
[1] The death benefit is generally income-tax-free when passed on to beneficiaries.

[2] 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.

How much longer will it be before our historically low income tax rates could give way to big tax increases?

With the current level of the national debt continuing to rise, future income tax increases seem to be a strong possibility. Given the potential impact rising taxes will have, now may be a good time to work with your tax advisor and see if IUL insurance fits your needs.

Historical U.S. income tax rates for highest-income earners



Source: Tax Policy Center, "Historical Highest Marginal Income Tax Rates, May 2023."

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1 Income-tax-free death benefit

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

The death benefit is the main reason you should buy life insurance. In the event of an early death, you'll want to leave your loved ones with a means to meet financial obligations and help ensure their future security.

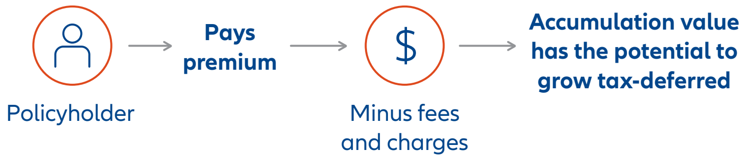
When your beneficiary (or beneficiaries) is properly named, the death benefit passes to them income-tax-free and can be used for:

- Income replacement for the primary wage-earners
- Supplemental college funding
- Business succession planning
- Mortgage and other debts
- Estate tax coverage
- Other financial needs

2 Tax-deferred accumulation

Your policy's accumulation value has the potential to grow income-tax-deferred.

You don't have to pay income taxes as your IUL policy accumulates value. That, in turn, gives you the potential to build more accumulation value faster.



3 Income-tax-free loans

Your loans against the policy's available cash value may be income-tax-free, and withdrawals are income-tax-free to the extent the withdrawal does not exceed the premium paid into the policy,[1] assuming the policy is not classified as a modified endowment contract (MEC).

And this amount can be used for anything you choose – supplemental retirement income, supplemental college funding, weddings or vacations, even financial emergencies.

[1] 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.

Paying some income taxes now may save you money later.

A well-rounded financial strategy could minimize income taxes, and life insurance may be an important component of that strategy.

An example of two tax strategies

In the bucket on the left, contributions are made with after-tax dollars. That means you have paid income taxes on your initial contribution. That contribution may accumulate tax-deferred and when you take money out later, you are taxed only on the interest earned.

This is what happens with an IUL insurance policy. Loans against the policy's available cash value and the death benefit are also generally income-tax-free[1] (if the policy is not a MEC). In addition, withdrawals are income-tax-free to the extent the amount does not exceed the premium paid into the policy.

In the bucket on the right, you have not paid income taxes on what you initially contribute, but instead pay taxes (on the initial contribution and any interest earned) when you take out money later. After death, beneficiaries pay taxes on any money they take out. This is how other tax-deferred savings vehicles (e.g., employer-sponsored retirement plans) generally work.

Not paying income taxes on your initial contribution may sound great – but if taxes go up, you could end up paying a higher rate on your money than you would have if you had paid the taxes up front.

IUL insurance gives you flexibility and control.

- There are no limitations based on your income in purchasing an IUL insurance policy (like there are with certain qualified plans).
- There is no federal additional tax for accessing your available cash value prior to age 59½ (if it is not classified as a modified endowment contract).[1]
- There are no required minimum distributions.
- IUL insurance can offer you tax advantages that other financial vehicles do not – including an **income-tax-free** death benefit, **tax-deferred** accumulation potential, and the opportunity for **income-tax-free** loans and withdrawals.[1]

Life insurance is subject to health underwriting and financial underwriting.

CONTACT YOUR FINANCIAL PROFESSIONAL AND TAX ADVISOR to discuss more about whether IUL and its potential tax advantages may be appropriate for your financial strategy.

Keep in mind that tax laws are subject to change. You should consult with your tax advisor to discuss your specific situation.

[1] Policy loans and withdrawals will reduce the available cash value and death benefit and may cause unintended consequences, including lapse or taxable events. Please see the full loan and withdrawal disclosure within this material for details.

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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