Allianz Life Insurance Company of North America

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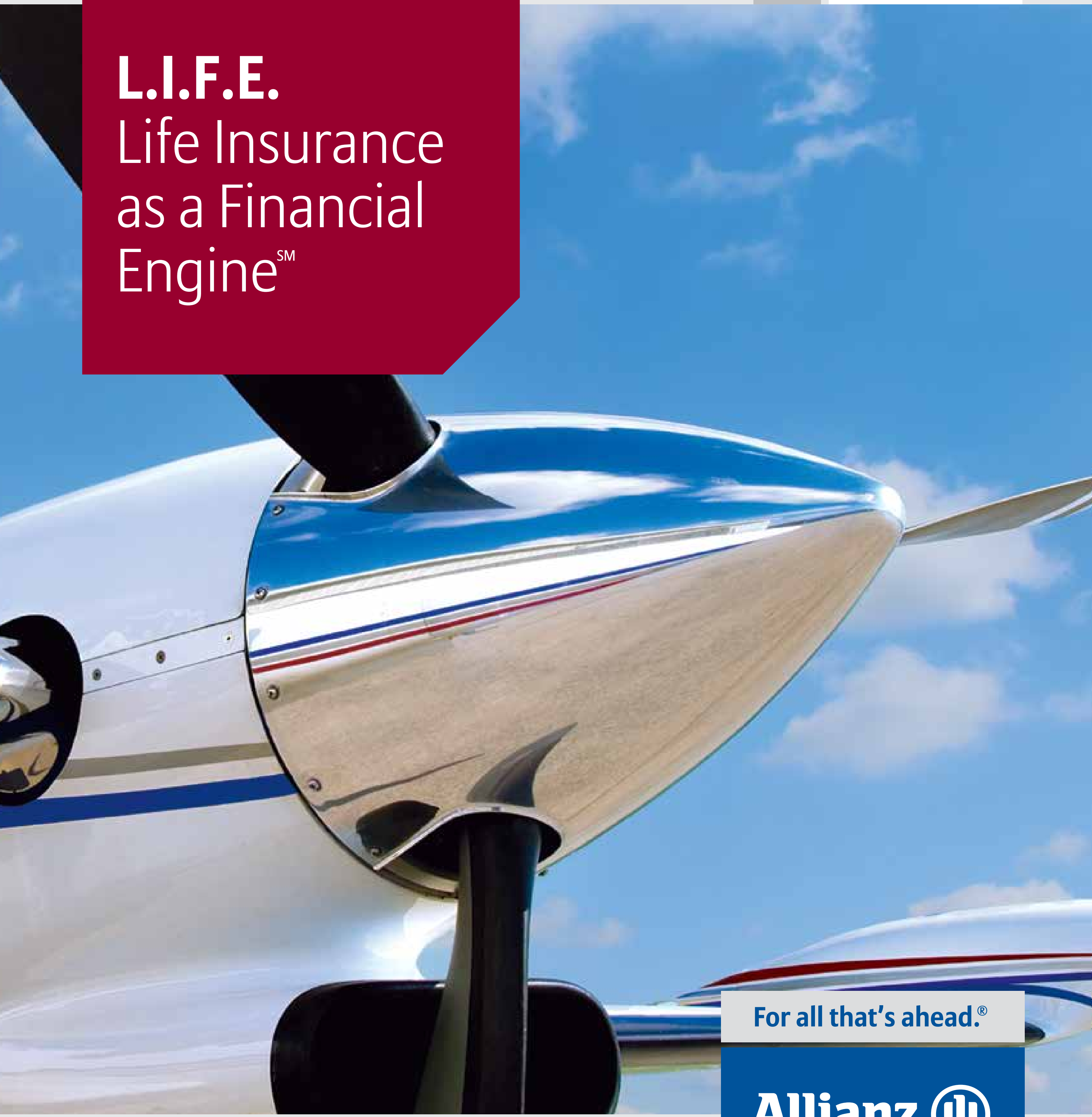
L.I.F.E.
Life Insurance as a Financial Engine℠



For all that's ahead.®

Allianz

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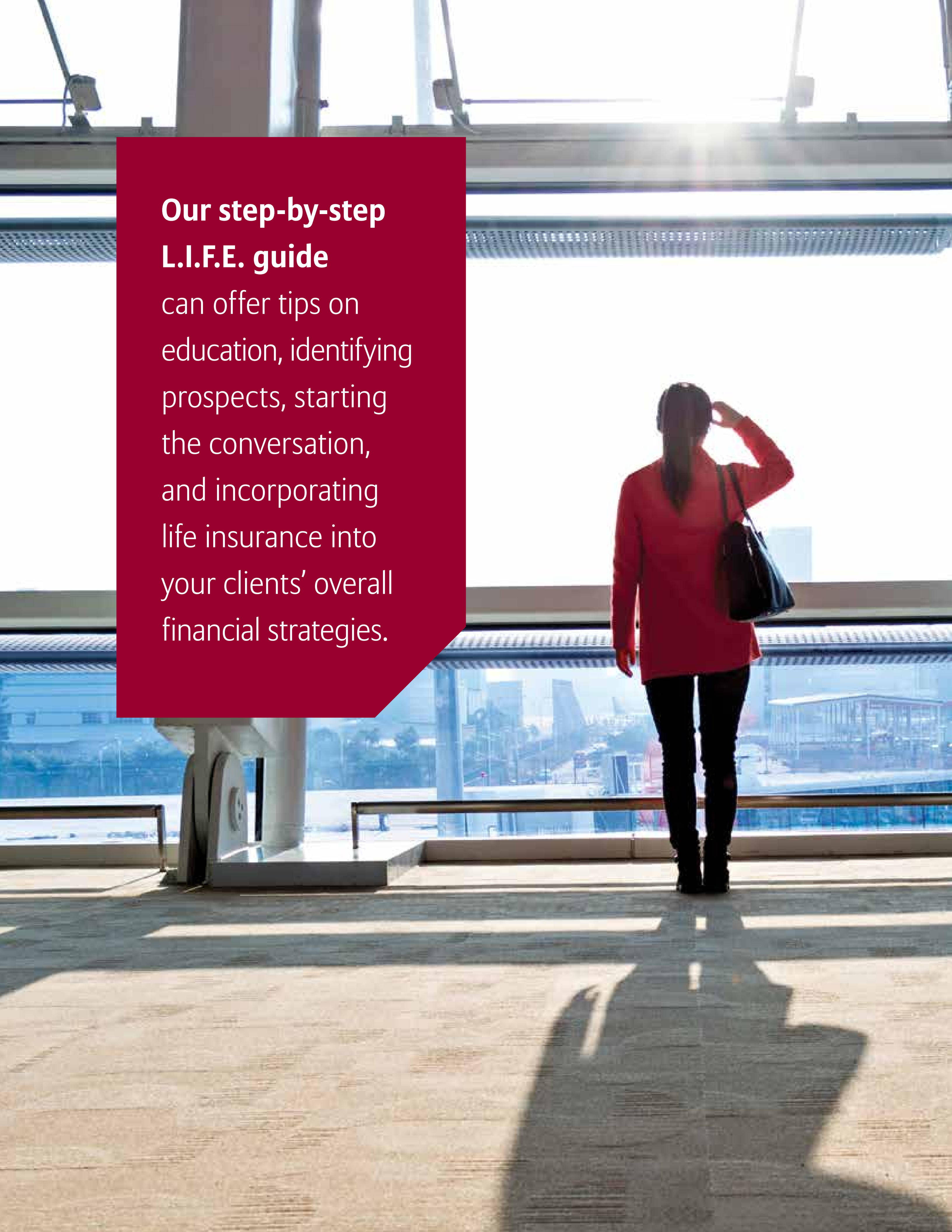


Our step-by-step L.I.F.E. guide can offer tips on education, identifying prospects, starting the conversation, and incorporating life insurance into your clients' overall financial strategies.

L.I.F.E. Life Insurance as a Financial Engine℠

Fixed index universal life (FIUL) insurance policies can be a powerful asset in your clients' overall financial strategy.

It's likely that many of your clients are saving through common financial vehicles such as company-sponsored qualified plans, IRAs, or savings accounts. And some may have already exhausted their options for savings in tax-advantaged retirement arrangements by having already maxed out their contribution limits.

But in today's environment, it's important for clients to reevaluate how they're preparing for their future, and to ensure that their financial portfolio is diversified to address a variety of concerns.

As a financial professional, you can help clients find a variety of ways to prepare for their future – in addition to providing protection today. Cash value life insurance, such as fixed index universal life (FIUL) insurance, provides death benefit protection now and through retirement, and may be an appropriate component in your clients' overall financial strategy.

Our step-by-step L.I.F.E. guide can offer tips on education, identifying prospects, starting the conversation, and incorporating life insurance into your clients' overall financial strategies.

WITH FIUL POLICIES, your clients have the reassurance of knowing if the unexpected happens, their loved ones would receive an income-tax-free death benefit.[1] There are "living" advantages, too – including accumulation value that has the opportunity to accumulate tax-deferred and can be accessed through income-tax-free loans and withdrawals[2] for any of their financial needs.

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

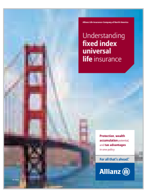
[2] Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy 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 your clients should consult a tax professional.

Step 1: Education and sales strategies

Our L.I.F.E. program helps provide education on incorporating life insurance as an asset in your clients' overall financial portfolios. But before you start prospecting, first familiarize yourself with our marketing collateral and sales strategies. Here are some of the resources available to help you educate yourself and your clients:

L.I.F.E. consumer brochure (MLIF-1128)

Diversification is a key component of any successful financial portfolio. Use our L.I.F.E. consumer brochure to help clients understand how FIUL can help diversify their financial strategy.



Understanding FIUL insurance brochure (M-3959)

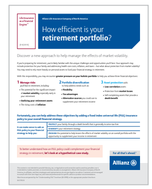
A simple, clear explanation of FIUL and its benefits, with an emphasis on the primary need for death benefit protection and the additional advantages such as the opportunity to build accumulation value that can be accessed down the road for various financial needs.

Impact of dying too soon (MLIF-1141)

Not all financial solutions provide the same benefits. In this sales strategy, see how the death benefit protection in an FIUL policy provides financial reassurance to beneficiaries that many other financial vehicles do not provide.

Flexibility and control with FIUL (MLIF-1132)

See how FIUL can provide death benefit protection and flexible options for retirement income needs in both low and high tax rate environments.



How efficient is your retirement portfolio? (M-5792-B)

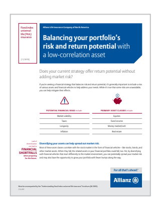
As your clients prepare for retirement, they may face the same concerns as many Americans – such as death benefit protection for their loved ones, the rising cost of health care, inflation, and outstanding debts and taxes. But are your clients prepared to manage market volatility? Learn how FIUL can help.

Help make your idle assets go further (MLIF-1130)

Use this sales strategy to help clients understand how they can use their idle assets to provide protection, efficient transfer, accumulation, and access.

Help fill in the gaps in your retirement strategy (CSI-450)

To live comfortably, your clients need a strategy to fill three common buckets: lifestyle, emergency, and legacy. Learn how life insurance, especially FIUL, can help supplement them all.



Balancing your portfolio's risk and return potential with fixed index universal life insurance (CSI-495)

A low-correlation asset, such as FIUL, can help diversify the risk and return potential of your client's financial portfolio. Spreading out risk can help them achieve long-term, more consistent accumulation potential, plus additional protection with the death benefit.

Step 2:
Identify client profiles and the appropriate sales concept

Once you're familiar with the sales concepts behind L.I.F.E., the next step is to identify appropriate prospects. Generally speaking, suitable prospects are those who **need death benefit protection**, can afford to pay life insurance premiums, and are l**ooking to diversify their portfolio of financial vehicles**.

While you may approach prospective clients with an email or a phone call, **reaching out to your existing book of business with face-to-face meetings will often create a better outcome.** So if you aren't already conducting routine annual reviews with your clients, now is the time to start.

Start by
LOOKING
in your existing book of business.

Building relationships and generating referrals

The best place to find suitable prospects is within your own client list. By tapping into your book of business, you're not only generating "warm" prospects, you're also strengthening the relationships with your existing client base.

Build and strengthen relationships with your clients' family members. If you're already a trusted financial professional, you'll be more likely to connect with other family members. Don't miss out on this opportunity or be replaced by someone else – make the connection now.

Common client profiles may include the following:

- H.E.N.R.Y. (high earners, not rich yet) clients – this group includes young and affluent clients who have already maxed out qualified plan contributions, or who are disqualified from contributing to a Roth IRA
- Affluent consumers who need alternative resources to supplement their income in retirement and are looking for a way to diversify their portfolio of financial vehicles for retirement
- Transition Boomers℠ – clients who are five to 10 years away from retirement and who have idle assets earning minimal interest that can be used to purchase life insurance

TARGET CLIENTS
who fit the
"H.E.N.R.Y." PROFILE.

Step 3: Positioning life insurance as an asset in a financial strategy

If your clients need death benefit protection and are looking to diversify their financial portfolio, cash value life insurance – such as fixed index universal life (FIUL) – may be an appropriate addition to their overall financial strategies. FIUL insurance can help provide that additional diversification along with a variety of other advantages.

FIUL policies can help address pressing financial issues by offering a combination of three tax advantages in one product:

- Tax-deferred cash value accumulation,
- income-tax-free loans or withdrawals,[1] and
- an income-tax-free death benefit.

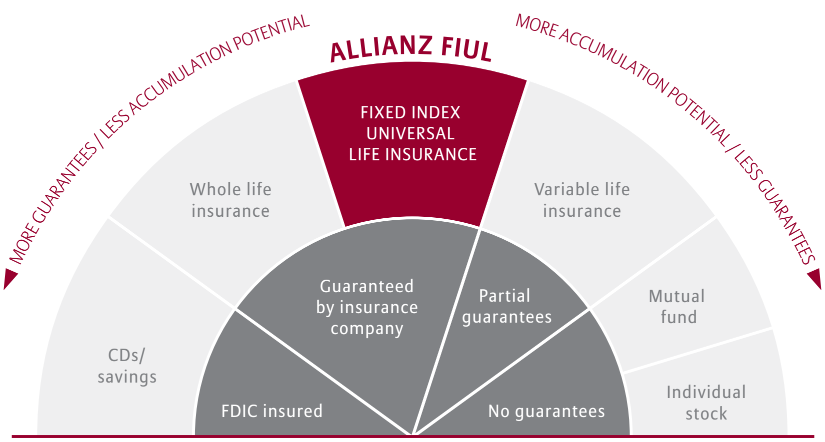
Life insurance as a means of diversification

FIUL offers **FLEXIBILITY, CONTROL,** and **PROTECTION.**

FIUL can help complement your retirement portfolio by offering protection through:

- An income-tax-free death benefit
- Guarantees within the accumulation value
- Protection from market volatility

The graphic below represents a variety of financial vehicles and their risk profile. Different assets have varying levels of risk, accumulation potential, and guarantees, which is why it's important to have a diversified strategy.



This is not an exhaustive list of all financial vehicles available and is not intended to be a comprehensive overview of all features of each financial vehicle.

Diversification does not ensure a profit or protection against a loss.

[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 your clients should consult a tax professional.

Tax diversification in a financial strategy

Asset diversification and the flexibility to impact taxable income

Taxes can have a significant impact on how much of your client's savings they can access in the future – and the amount they pass on to their beneficiaries. That's why it's important to also consider tax diversification as part of a retirement strategy.

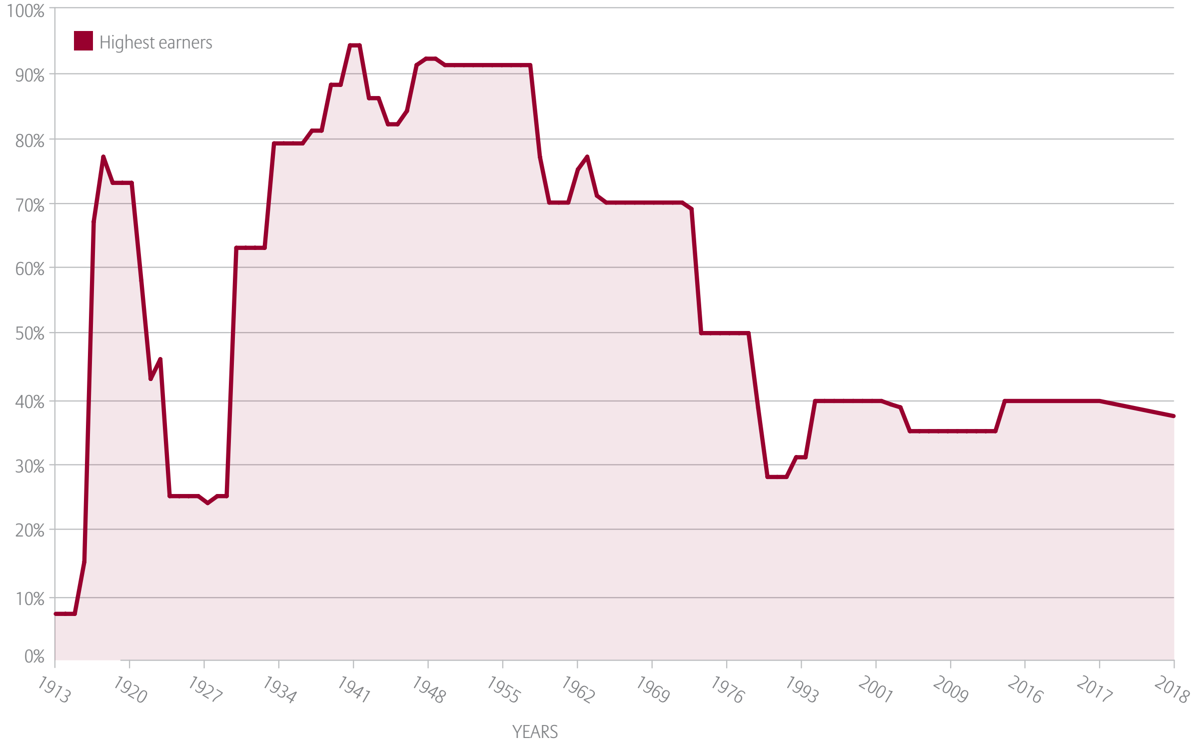
According to the Stanford Center on Longevity, individuals living today will exceed the average life expectancy of those in the 20th century by an additional 30 years. That means for some, retirement could last 30 years or longer. Considering no one can predict how your client's retirement will be impacted by taxes, diversifying a retirement strategy to include FIUL can help lessen exposure to adverse tax impacts by allocating to vehicles that offer different tax treatments.

In the chart below you will see:

- In recent years, the marginal income tax rate for the highest earners is hovering around 40%
- Over the past century that rate has been significantly higher than the current rate
- When looking at the historical rates, taxes during your client's potential 30 years of retirement may significantly impact how much of their savings they have access to.

WHAT WILL YOUR RETIREMENT look like?

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



Source: Tax Policy Center, "Historical Highest Marginal Income Tax Rates, March 2017"

How are financial vehicles taxed?

Having a diversified strategy may help your clients effectively manage how much and when they are being taxed. To prepare for their future, it's important to consider the tax advantages and consequences of various financial vehicles.

The table below is based on current tax laws and is intended to provide a general overview of tax treatments of specific financial vehicles, including life insurance. This is not a complete comparison of all features of the financial vehicles. A comprehensive approach to your clients' retirement strategies may consider a variety of financial vehicles in the tax classification categories, including the ones defined below.

	Life insurance	Qualified plan / traditional IRA	Roth IRA / Roth 401(k)	Individually owned mutual funds	Municipal bonds	Nonqualified deferred annuities
Funding / contribution limits	No[1]	Yes[2]	Yes[2]	No	No	No[3]
Funding / contribution pre-tax	No	Yes	No	No	No	No
Income-tax-deferred accumulation	Yes	Yes	Yes	No[4]	Yes	Yes
Income-tax-advantaged distributions	Yes[5]	No	Yes[6]	Yes[7]	Yes[8]	Yes[9]
Income-tax-free or -advantaged benefit at death	Yes	No	Yes[6]	Yes[10]	Yes[8,10,12]	No
Additional tax for early withdrawal (unless an exception applies)	No[11]	Yes	Yes	No	No	Yes

[1] To ensure any available cash value is available on a tax-advantaged basis, the Internal Revenue Code regulates the relationship between the death benefit and the accumulation value. Life insurance may require ongoing contributions to ensure the policy stays in force. If the policy is not sufficiently funded it may lapse.

[2] May be limited by adjusted gross income, in addition to the dollar limits.

[3] Contract provisions may limit contributions.

[4] Capital gains and dividends declared by mutual fund managers may be taxable.

[5] 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 your clients should consult a tax professional.

[6] If qualified distributions occur.

[7] To the extent that the capital gains tax is more favorable than ordinary income tax.

[8] Municipal bonds may be subject to state and local taxes and Alternative Minimum Tax.

[9] Provided the contract is annuitized, the distributions are tax-advantaged.

[10] Step-up in basis applies at death.

[11] Withdrawals and loans from a life insurance policy are subject to the additional tax for early withdrawal if the policy is classified as a modified endowment contract (MEC).

[12] Municipal bond interest is generally exempt from federal income tax.

All of the financial vehicles listed above will have various fees and charges.

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The impact of internal rate of return

It's also important to consider the internal rate of return (IRR) – which is a calculation you can use to evaluate the financial attractiveness of any asset. **IRR is the annualized percentage of growth (or decline) of an asset.**

When looking at alternative sources for retirement income, such as FIUL, it's important to consider both the IRR and tax-equivalent yield. Tax-equivalent yield incorporates the current tax bracket of the client to determine the IRR needed from a taxable source versus distributions from an income-tax-free source, such as FIUL.

Review the chart to help you determine the impact of taxation and IRR.

	Taxable financial vehicle equivalent		
Assumed IRR of FIUL	**35% tax bracket**	**30% tax bracket**	**25% tax bracket**
3%	4.62%	4.29%	4%
4%	6.15%	5.71%	5.33%
5%	7.69%	7.14%	6.67%

Financial vehicles such as FIUL have **LOWER YIELDS** due to their ability to access income-tax-free loans or withdrawals.[1]

Given our assumptions, we could conclude the following:

- If an **FIUL policy had a 4% IRR,** your client in a 35% tax bracket would need a **6.15% IRR from a taxable source** to net the same growth or accumulation.
- A client in a 25% tax bracket would need to **earn 5.33% to be equivalent to the 4% IRR of the FIUL.**

Life insurance does not provide a guaranteed income stream in retirement. Any potential supplemental income is available through policy loans and withdrawals. The potential for loans and withdrawals is based upon how much interest the policy can earn, and there is no guarantee the policy will earn sufficient interest.

[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 your clients should consult a tax professional.

As you can see, it may be prudent to factor in how FIUL can be a component of your clients' overall financial strategies. Fixed index universal life insurance can play an important role by providing a combination of three distinct tax advantages in one policy – and it can be a valuable way to help your clients meet their financial goals.

See how FIUL can be a powerful asset in your clients' financial strategies. Contact the **Life Case Design Team at 800.950.7372** for more information and to order L.I.F.E. materials.

This brochure is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that the issuing company, its affiliated companies, and their representatives and employees do not give legal or tax advice. Encourage your clients to consult their tax advisor or attorney.

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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 an important part of a leading global financial organization. **True to our passion** for making wise investment decisions. 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 over 3.6 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.

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

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