ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

THE VALUE OF INCOME PLANNING℠

A process for retirement preparedness
using annuities and life insurance

Allianz

ENT-3388

RETIREMENT SAVINGS ACCUMULATION VS. RETIREMENT INCOME

The path to saving for retirement can be likened to scaling a mountain. It takes strategy, time, and patience to reach the peak, to build and accumulate the funds you need to achieve the retirement lifestyle you want. After you've summited your accumulation goals, it's important to be prepared for the subsequent considerations that come with the income phase – such as the assets from which you'll withdraw retirement income. After all, research indicates that coming back down the mountain can be riskier than climbing up.

As you'll learn in this brochure, certain strategies can help you feel more confident about your approach to retirement income. The Value of Income Planning℠ process is one step-by-step approach to consider. Read on to learn how it can help you identify potential retirement income gaps and solutions or vehicles to complement your retirement income – such as an annuity or life insurance – as a part of your overall retirement portfolio. By following this process, you can develop realistic expectations for your income, expenses, and lifestyle goals in retirement.

Step one: Know your risks

By identifying potential risks, you're one step closer to developing a financial strategy that can help minimize the effects they may have on your retirement savings.

RETIREMENT SAVINGS RISK FACTORS

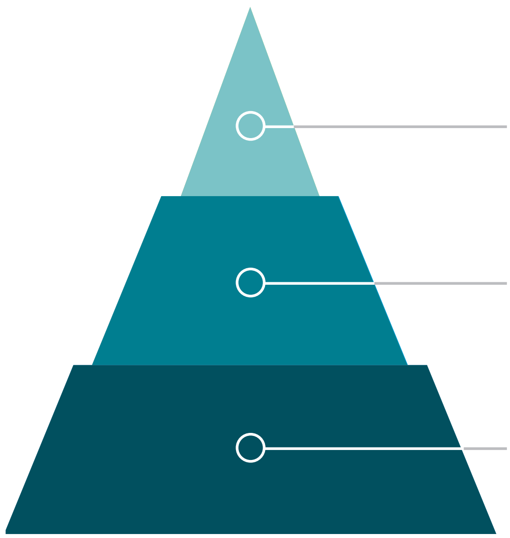
Longevity | **Inflation** | **Market volatility** | **Health care** | **Spending**

Step two: Review expense categories

You may think it difficult to predict your retirement spending. However, determining your current expenses can be a great way to help you begin to estimate spending in retirement.

As a general rule, your essential expenses take priority above discretionary and legacy spending, and require stable, dependable, and reliable income. After all, you must cover your essential expenses regardless of market conditions or other factors.

IN GENERAL, YOUR RETIREMENT INCOME GOES TO THREE CATEGORIES OF EXPENSES:



LEGACY: The wealth or wishes we hope to pass on, such as trust funds for grandkids, charitable giving, a life insurance death benefit, etc.

DISCRETIONARY EXPENSES: Experiences and items we desire from time to time, such as travel, club memberships, gifts, entertainment, college funding, weddings, etc.

ESSENTIAL: Basic ongoing expenses, including food, clothing, shelter, health and long-term care, taxes, etc.

Step three: Identify income sources

While retirement income can come from a variety of sources, most people consider Social Security to be the foundation. For decades, America's retirees have counted on Social Security for dependable, reliable income, often with a cost-of-living adjustment.

However, studies indicate that Social Security alone may not be as sustainable a source of retirement income as it's been in the past. That's why it's important to know your options when filing for Social Security benefits – so you can enhance your benefit as much as possible.

Step four: Uncover potential income gaps

The Value of Income Planning℠ is also designed to help you determine whether your stable sources of retirement income – like Social Security or a pension – will cover your essential expenses in retirement.

If the answer is "no," you will have identified a retirement income gap. Luckily, making this discovery is the first step toward developing a tailored solution that leads to the retirement lifestyle you hope to experience.

Step five: Develop a tailored solution

Together with your financial professional, you can create a guaranteed income stream to cover your essential expenses for life so your basic needs will always be covered.

Examples of guaranteed income include Social Security, pensions, and annuities. You can also develop a financial strategy to help enhance the discretionary income you spend on travel, entertainment, chronic illness, etc.; and to help you fulfill your legacy wishes – like relocating to be near your grandkids or donating to a charity you care about.

With an annuity as part of your income strategy, you can work toward your long-term retirement goals by taking advantage of tax-deferred growth potential, a death benefit during the accumulation phase, and a guaranteed stream of income at retirement. Keep in mind, annuity guarantees are backed by the financial strength and claims-paying ability of the issuing company.

Besides guaranteed income, you may find you need additional resources to help supplement expenses, such as college funding, long term care, chronic illness, or emergencies. If you have a need for death benefit protection, one option may be to use a portion of your savings and assets to purchase a fixed index universal life (FIUL) insurance policy that provides the opportunity to build accumulation value through fixed or indexed interest.

Every life insurance policy can help supplement your legacy wishes by providing beneficiaries an income-tax-free death benefit.[1] But FIUL policies can also provide additional benefits, such as tax-deferred accumulation potential. Although an FIUL policy does not provide a guaranteed stream of retirement income over time, if the policy earns sufficient interest, you could help supplement retirement income or address other financial concerns by taking income-tax-free policy loans and withdrawals.[2]

[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.

FIUL requires health and financial underwriting. If taking policy loans, you should manage your policy values to ensure the policy remains in force to help prevent adverse tax consequences.

You've been successfully climbing your way up the retirement mountain by accumulating funds. Before you start your descent by withdrawing retirement income, make sure you have a strategy to help you cover your potential risks.

Start your retirement income strategy with these steps:

Gather key financial information
Make an appointment with your financial professional
Collaborate on ways to enhance Social Security benefits
Create an income strategy that can help meet your income needs in retirement

To learn more about potential retirement gap solutions, ask your financial professional for the Allianz "Understanding Fixed Index Annuities" (M-5217) or "Understanding FIUL" (M-3959) consumer brochure.

The Value of Income Planning℠ process

Why is this so important? Because having a formal written retirement income plan can help you set realistic expectations of income and expenses, provide direction with actionable items to reach your goals, and may help you to feel more confident in your overall retirement security.

Talk to your financial professional to tailor a retirement income strategy that can help you feel prepared to start taking retirement income, weather potential risks, and draw from your retirement savings to achieve the retirement lifestyle you envisioned.

Purchasing an annuity within a retirement plan 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.

Guarantees are backed by the claims-paying ability of Allianz Life Insurance Company of North America (Allianz).

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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 3.7 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.

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