Life Insurance as a Financial Engine℠

(2/2018)

Allianz Life Insurance Company of North America

How long will your retirement assets last?

A new approach to help manage market volatility

Protect your family and help SUPPLEMENT your retirement strategy.

Market volatility can quickly erode your retirement savings. Negative market performance – particularly when you are accessing money for retirement – can play a significant role in your retirement income amount, and how long it lasts.

Adding fixed index universal life (FIUL) insurance to your retirement strategy can help address some common financial concerns.

As you prepare for retirement, you may face the same concerns as many Americans – such as death benefit protection for your loved ones, health care costs, the high cost of living, inflation, outstanding debts, and taxes.[1]

But what about market volatility?

Let's take a look at two retirement scenarios.

For all that's ahead.®

Allianz

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.

Must be accompanied by the "Understanding FIUL" brochure (M-3959) or the appropriate product brochure.

[1] "Americans see health care and low wages as top financial problems," Gallup, January 21, 2015.

Product and feature availability may vary by state and broker/dealer.

M-5792-B

Adding FIUL to your retirement strategy

It can make sense to incorporate an FIUL policy into your financial strategy to help:

- **PROTECT** your family,
- **DIVERSIFY** your retirement strategy, and
- **PROVIDE** the potential to supplement your income in retirement.

Your policy can play an integral role in your financial strategy – offering a way to protect your family and help bridge the gap between your retirement savings and your retirement income goals.

By combining an FIUL policy with your traditional retirement assets, you can help complement your retirement strategy by providing death benefit protection, accumulation potential, and potentially increase the flexibility of where you access some of your retirement income.

Whether you decide to supplement your retirement income sources by accessing policy loans or withdrawals each year or only accessing loans in the event of an emergency, FIUL policies can provide a flexible option to help diversify your retirement strategy, assuming the policy earns sufficient cash value accumulation. Keep in mind that when utilizing policy loans, policy values should be carefully managed to help prevent a lapse.

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.

The impact of market volatility on your retirement savings.

Let's look at a hypothetical scenario.

Meet Mark.

Mark is 65 years old and is preparing for retirement. He has concluded that he will need about $125,000 a year in retirement to maintain his current lifestyle.

Mark's sources of income at retirement include:

TRADITIONAL IRA DISBURSEMENTS FROM A FIXED ANNUITY | $30,000 per year

SOCIAL SECURITY | $20,000 per year

PERSONAL RETIREMENT SAVINGS ACCOUNT | $75,000 per year
(to make up the gap between his need of $125,000 per year and his IRA and Social Security income)

In addition to his current sources of income, Mark also has an FIUL policy that he purchased when he was 45. The FIUL policy provides death benefit protection to his beneficiaries, but also may provide him an additional resource in his retirement.

This hypothetical example is provided for illustrative purposes only and is not intended to predict future results of any specific product or investment.

Efficiently manage your assets by helping **minimize losses**.

Financial objectives:

- ✓ **Access $125,000 per year** (before taxes) in retirement years
- ✓ **Provide financial protection** to his family through a death benefit
- ✓ **Opportunity to build cash value** that can be used for various financial purposes, such as to generate supplemental retirement income.

Mark knows he will need to supplement his retirement income through his personal retirement savings account. Even though he has been able to save a substantial amount, $1,500,000, he is concerned about how market volatility early in his retirement may affect his assets.

He thinks accessing $75,000 per year from his retirement account – plus a 1% increase per year to help address inflation – is a reasonable amount. He understands he will need to pay taxes when he accesses this money. He shares the same concerns as many Americans about providing for his family in the event of his death, inflation, and market volatility. After living through the crash of 2008, he is uneasy about how negative market performance could affect his retirement savings.

Mark meets with his financial professional to discuss how accessing $75,000 a year from his retirement savings account may affect his future retirement savings.

Concern:

Mark is concerned that accessing funds out of his personal retirement savings account every year, even in years when there was a market loss, can impact his retirement savings.

Possible solution:

Mark can combine taking withdrawals from his personal retirement savings account in most years and accessing any available cash value through indexed loans[1] from his FIUL policy only following years when the market is negative.

By accessing the policy's available cash value in years when his retirement account is impacted by negative returns, he is able to keep his assets in his personal retirement savings account, which may give them time to recover from the loss.

To do this, Mark will request a loan from his FIUL policy each year following years when the market is negative. By avoiding taking withdrawals from his personal retirement savings account and taking loans from his FIUL policy, Mark may have the opportunity to increase the potential of his retirement account.

The protection provided by the FIUL policy prevents the cash value from the impact of negative index performance – the policy would not earn any interest, but would not lose value due to the negative index performance.

[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.

A SNAPSHOT:

STRATEGY 1: Impact of accessing his personal retirement savings account only

STARTING BALANCE by age 65	ANNUAL WITHDRAWAL	ENDING BALANCE at age 90
$1,500,000	**$75,000**	**$1,620,473**

Assumptions:
This hypothetical example is based on a hypothetical equity index (60%) and a hypothetical bond index (40%). Withdrawal amount increases 1% each year for inflation.

If Mark withdraws $75,000 for 25 years from his personal retirement savings account, **his account is projected to stay relatively flat, increasing by 8%**.

However, Mark purchased an FIUL insurance policy when he was 45 for the death benefit protection, to help him financially protect his young family should he pass away unexpectedly. As Mark nears his retirement, his FIUL policy has built up a significant amount of cash value that he would have access to through policy loans or withdrawals.[1] Let's see what would happen to his personal retirement savings account should he access his available cash value to help supplement his retirement income.

STRATEGY 2: Impact of accessing his personal retirement savings account in most years, and indexed loans from his FIUL policy following down years

STARTING BALANCE by age 65	ANNUAL WITHDRAWAL	YEARS life insurance cash value was accessed	ENDING BALANCE at age 90
$1,500,000	**$75,000**	**5**	**$3,712,351**

Assumptions:
This hypothetical example is based on a hypothetical equity index (60%) and a hypothetical bond index (40%). Withdrawal amount increases 1% each year for inflation.

These would be Mark's results if he accessed his personal retirement savings account in most years, and took policy loans from his FIUL policy following a year of negative market performance.

Because Mark would be able to access the available cash value through policy loans,[1] **he would be able to increase his personal retirement savings account balance by 147%**.

[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.

How the numbers line up when accessing the personal retirement savings account only

Mark is looking at what could happen to his retirement savings between ages 65 and 90. His concerns about accessing funds out of his personal retirement savings account every year, even in years where there was a market loss, are valid.

AGE	HYPOTHETICAL account return	BEGINNING YEAR balance	ANNUAL WITHDRAWAL (with 1% inflation)	ENDING balance
66	0.26%	$1,500,000	($75,000)	$1,428,728
67	10.18%	$1,428,728	($75,750)	$1,490,744
68	-1.69%	$1,490,744	($76,508)	$1,390,320
69	-5.50%	$1,390,320	($77,273)	$1,240,800
70	-6.87%	$1,240,800	($78,045)	$1,082,820
71	14.93%	$1,082,820	($78,826)	$1,153,843
72	7.70%	$1,153,843	($79,614)	$1,156,907
73	-1.91%	$1,156,907	($80,410)	$1,055,890
74	21.89%	$1,055,890	($81,214)	$1,188,000
75	1.45%	$1,188,000	($82,026)	$1,121,967
76	7.95%	$1,121,967	($82,847)	$1,121,686
77	20.00%	$1,121,686	($83,675)	$1,245,640
78	11.47%	$1,245,640	($84,512)	$1,294,363
79	3.39%	$1,294,363	($85,357)	$1,250,018
80	14.40%	$1,250,018	($86,211)	$1,331,401
81	4.48%	$1,331,401	($87,073)	$1,300,048
82	7.73%	$1,300,048	($87,943)	$1,305,750
83	1.55%	$1,305,750	($88,823)	$1,235,807
84	3.92%	$1,235,807	($89,711)	$1,190,984
85	-5.03%	$1,190,984	($90,608)	$1,045,043
86	10.79%	$1,045,043	($91,514)	$1,056,428
87	28.55%	$1,056,428	($92,429)	$1,239,213
88	31.17%	$1,239,213	($93,354)	$1,502,995
89	22.70%	$1,502,995	($94,287)	$1,728,510
90	-0.78%	$1,728,510	($95,230)	$1,620,473

This hypothetical example is for illustrative purposes only and is not intended to predict the performance of a specific product or investment. Past performance is not an indication of future results. It is not possible to invest directly into an index.

Assumptions:

This hypothetical example is based on a hypothetical equity index (60%) and a hypothetical bond index (40%).
Withdrawal amount increases 1% each year for inflation.

This example is hypothetical in nature. Because the insurance policy and allocation option did not exist during the entire time frame illustrated, this example represents hypothetical historical information only and reflects current caps and rates, which are not guaranteed. Actual caps and rates that could have been applied over this time frame would have been different from the figures shown in these examples and in some cases may be dramatically higher or lower depending on a number of factors, including market conditions.

A CLOSER LOOK: STRATEGY 2

How the numbers could line up if Mark uses a combination of the retirement account in most years, and policy loans following a year of negative market performance

Because Mark also purchased an FIUL policy when he was 45 and – assuming it had accumulated sufficient cash value – he could have an additional resource from which he could access supplemental retirement income. Mark can choose to access any available cash value through policy loans or withdrawals.[1]

For this example, we are assuming the cash value would be accessed through indexed loans. This is just one of the options to access your cash value. Different types of loans or withdrawals will impact policy values and the amount you can potentially access in different ways. Discuss your options with your financial professional and tax advisor to see which option would be most appropriate for your unique situation.

To help offset the effect of market volatility in the retirement account, the below scenario shows Mark accessing loans from the FIUL policy only after negative market performance in the retirement account. Because the loans from his FIUL are income-tax-free, he would be able to access less from the FIUL policy than he does from the retirement account, which is a taxable withdrawal.

By accessing supplemental income through his FIUL policy in five of the 25 years, he may be able to significantly increase his personal retirement savings account balance, while still being able to have a significant amount of protection through the FIUL death benefit.

[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.

PERSONAL RETIREMENT SAVINGS ACCOUNT					ALLIANZ LIFE PRO+ ELITE℠ FIXED INDEX UNIVERSAL LIFE INSURANCE POLICY (nonguaranteed values)		
AGE	HYPOTHETICAL account return	BEGINNING year balance	ANNUAL WITHDRAWAL (with 1% inflation)	ENDING balance	DEATH BENEFIT	LOAN AMOUNT (with 1% inflation)	END-OF-YEAR cash value
66	0.26%	$1,500,000	-$75,000	$1,428,728	$1,000,000	$0	$575,096
67	10.18%	$1,428,728	-$75,750	$1,490,744	$1,000,000	$0	$572,396
68	-1.69%	$1,490,744	-$76,508	$1,390,320	$1,000,000	$0	$700,583
69	-5.50%	$1,390,320	$0	$1,313,821	$942,393	$54,864	$765,546
70	-6.87%	$1,313,821	$0	$1,223,501	$1,031,387	$55,412	$872,759
71	14.93%	$1,223,501	$0	$1,406,111	$1,126,652	$55,966	$955,780
72	7.70%	$1,406,111	-$79,614	$1,428,592	$1,351,535	$0	$1,173,898
73	-1.91%	$1,428,592	-$80,410	$1,322,373	$1,341,819	$0	$1,188,812
74	21.89%	$1,322,373	$0	$1,611,797	$1,261,743	$57,662	$1,135,037
75	1.45%	$1,611,797	-$82,026	$1,551,893	$1,239,254	$0	$1,139,441
76	7.95%	$1,551,893	-$82,847	$1,585,772	$1,460,743	$0	$1,376,861
77	20.00%	$1,585,772	-$83,675	$1,802,556	$1,560,325	$0	$1,470,985
78	11.47%	$1,802,556	-$84,512	$1,915,183	$1,658,057	$0	$1,563,311
79	3.39%	$1,915,183	-$85,357	$1,891,897	$1,886,879	$0	$1,780,447
80	14.40%	$1,891,897	-$86,211	$2,065,714	$2,015,470	$0	$1,902,086
81	4.48%	$2,065,714	-$87,073	$2,067,244	$2,021,136	$0	$1,906,611
82	7.73%	$2,067,244	-$87,943	$2,132,218	$2,377,574	$0	$2,245,162
83	1.55%	$2,132,218	-$88,823	$2,075,097	$2,584,103	$0	$2,440,897
84	3.92%	$2,075,097	-$89,711	$2,063,145	$2,609,381	$0	$2,463,964
85	-5.03%	$2,063,145	-$90,608	$1,873,348	$2,855,541	$0	$2,697,344
86	10.79%	$1,873,348	$0	$2,075,509	$3,292,716	$64,975	$3,109,341
87	28.55%	$2,075,509	-$92,429	$2,549,232	$3,491,920	$0	$3,297,730
88	31.17%	$2,549,232	-$93,354	$3,221,315	$3,492,083	$0	$3,296,490
89	22.70%	$3,221,315	-$94,287	$3,836,920	$3,794,053	$0	$3,582,615
90	-0.78%	$3,836,920	-$95,230	$3,712,351	$4,329,486	$0	$4,091,012

This hypothetical example is for illustrative purposes only. Past performance is not an indication of future results. It is not possible to invest directly into an index.

This example is hypothetical in nature. Because the insurance policy and allocation option did not exist during the entire time frame illustrated, this example represents hypothetical historical information only and reflects current caps and rates, which are not guaranteed. Actual caps and rates that could have been applied over this time frame would have been different from the figures shown in these examples and in some cases may be dramatically higher or lower depending on a number of factors, including market conditions.

Assumptions:

Retirement account: This hypothetical example is based on a hypothetical equity index (60%) and a hypothetical bond index (40%).

FIUL policy: Allianz Life Pro+ Elite Fixed Index Universal Life Insurance Policy, 45-year-old male, Preferred Nontobacco risk class, $1 million death benefit, $16,358 planned premium for 20 years, 6% nonguaranteed constant illustrated rate to age 65. The illustrated rates shown from age 66 to 90 are based on the hypothetical historical blended Index performance with the annual point-to-point crediting method and a 20.00% current cap, if the FIUL policy and the index had been available during this period (which they were not). The cap is subject to change on an annual basis but will never be less than the minimum guaranteed cap of 0.25%.

Assuming the minimum guaranteed rate of 0.10% and maximum charges, the policy would lapse in year 69 and would not be able to support the loan strategy.

THIS STRATEGY MAY BE APPROPRIATE IF YOU ARE:	CONSIDERATIONS
• in need of life insurance coverage • healthy enough to qualify for life insurance • currently saving for retirement through traditional savings options like 401(k)s, traditional or Roth IRAs, investment accounts, nonqualified annuities, or CDs • concerned about: – providing for your beneficiaries in the case of a premature death – having enough money to live comfortably in retirement – diversifying your retirement strategy – future tax rates – market volatility now and in retirement	• FIUL requires health and financial underwriting. • An FIUL policy is subject to market volatility, to a certain extent. The amount of interest the policy earns impacts the amount of cash value available, and there is no guarantee that there will be sufficient cash value available to keep the policy in force. • If taking policy loans, you need to be sure you are managing your policy values to ensure that the policy remains in force. Additional premium payments may be required to keep the policy in force. • The cost of the loan can vary by loan type and the interest earned by the policy may not be enough to cover the loan cost each year, which reduces policy values. • Policy loans will reduce your available cash value, which may cause the policy to lapse. • If the policy lapses, outstanding policy loans in excess of the premiums paid will be subject to ordinary income tax, which can be a substantial amount of taxable income. • FIUL is not a source for guaranteed retirement income.

Talk with your financial professional and tax advisor
to see how FIUL may be able to help you diversify your overall financial strategy.

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Must be accompanied by the "Understanding FIUL" brochure (M-3959) or the appropriate product brochure.

The hypothetical historical results shown for the FIUL reflect an interest bonus starting in policy year 1. Bonus products may include higher surrender charges, longer surrender periods, lower caps or participation rates, or other restrictions that are not included in similar products that don't offer a bonus. There is no guarantee that a policy will be credited with an interest bonus every year as it is based on the growth of an index.

Based on historical performance, the index allocation options, had they been available, would have resulted in a wide range of interest rates. Some would have exceeded 6% and some would have been less than this. Keep in mind that different time periods and different indexes would produce higher or lower averages. The interest rate credited is based on the caps and/or participation rates in the policy, and is subject to change on any policy anniversary based on several external factors including, but not limited to, market volatility, short-term interest rates, and long-term interest yields.

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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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