

Allianz Life Insurance Company of North America

# L.I.F.E. Life Insurance as a Financial Engine<sup>SM</sup>

For all that's ahead.®

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## L.I.F.E. Life Insurance as a Financial Engine<sup>SM</sup>

Life insurance can be a powerful asset in your financial strategy by offering **protection, flexibility, and tax advantages.**

You've likely already begun to save for your future needs through common financial vehicles such as your company-sponsored qualified plan and tax-advantaged plans such as IRAs, as well as savings accounts, real estate investments, and so forth. However, in today's environment it's important to remember that any successful financial strategy needs a mix of various assets and financial vehicles to help support and protect your long-term financial goals.

### Do you have an appropriate mix of assets to help prepare for the future you envision?

Typically, each asset or financial vehicle reflects different risk-and-return characteristics, which over the long term may help you reduce your overall financial risk. The more diversified your financial options, the more likely you will be able to weather the ups and downs of uncertain markets by giving yourself some opportunity for growth, while still protecting a portion of your assets.

When considering diversification as you are planning for your long-term financial goals, it is also important to ask yourself, "How protected are my assets?" Will your family be able to fund these financial vehicles if you are not here to help support their long-term financial goals?

# Cash value life insurance can help diversify your financial portfolio.

If you need death benefit protection and are looking to diversify your financial portfolio, cash value life insurance – such as fixed index universal life (FIUL) insurance – may be an appropriate addition to your strategy.

The primary reason to purchase life insurance is for the income-tax-free death benefit that is left to beneficiaries. But in addition, FIUL can help provide diversification to your portfolio when you consider all the additional advantages it offers.

## FIUL policies offer a combination of three tax advantages in one product:

- Tax-deferred cash value accumulation
- Income-tax-free loans and withdrawals<sup>1</sup>
- Income-tax-free death benefit

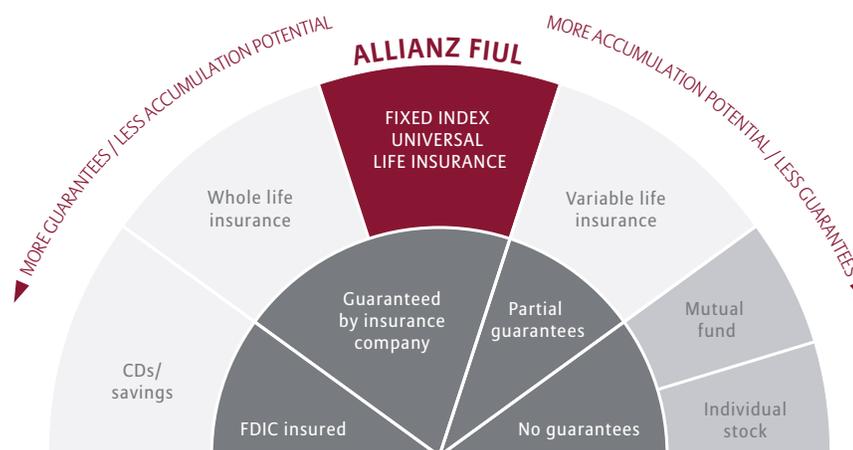
## Life insurance does not have restrictions like other financial vehicles, such as:

- No penalties for accessing cash value prior to age 59½, assuming the policy is not a modified endowment contract
- Accessing any available cash value through policy loans and withdrawals<sup>1</sup> currently does not have an effect on your available Social Security income
- No required minimum distributions (RMD) at age 70½<sup>2</sup>

## 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.

<sup>1</sup> 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.

<sup>2</sup> Life insurance does not provide a stream of income in retirement. Any potential supplemental income is available through policy loans and withdrawals.

# Protection to and through retirement

## As you near retirement, you may have questions to consider:

- Will you be able to afford a comfortable lifestyle during retirement?
- How will your future tax situation affect your retirement income?
- Will you outlive your retirement savings?
- Will you be able to pass on an estate to your family when you are gone?
- Have you created a succession plan for your business?

## FIUL can help supplement these common sources of retirement income:

- Social Security
- Pension
- Qualified plans such as a 401(k)
- Tax-advantaged plans such as IRAs
- Other: nonqualified annuities, savings accounts, CDs, etc.

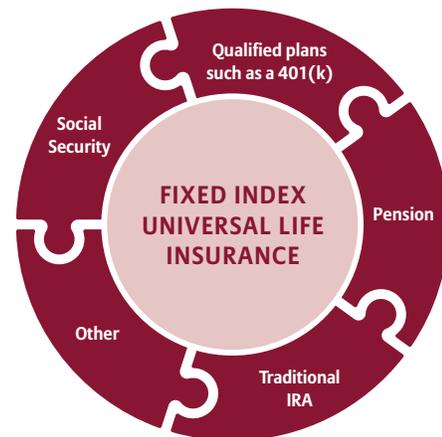
With FIUL you can supplement your retirement income by accessing any available cash value through income-tax-free policy loans and withdrawals (withdrawals may be income-tax-free as long as they do not exceed premium paid).

Life insurance offers financial protection to and through retirement. It begins by providing an income-tax-free death benefit, which offers the reassurance that if something happened to you, your family would have financial support.

## FIUL can help bridge the gap between your retirement savings and retirement income goals.

**ONLY 18%** of Americans are very confident they will have enough money to live comfortably in retirement.<sup>2</sup>

Given that the average American man can expect to live to age 84 – and a woman to age 87 – outliving your retirement assets could be a real possibility!<sup>1</sup> Only 18% of Americans are very confident they will have enough money to live comfortably in retirement.<sup>2</sup> In fact, six in 10 pre-retirees don't expect their income from Social Security and pensions to be enough to support their basic living expenses after retiring.<sup>3</sup>



Life insurance does not provide a guaranteed income stream in retirement. Any potential supplemental income may be available through policy loans and withdrawals, assuming cash value is available. The potential for loans and withdrawals is based upon how much interest the policy will have earned.

<sup>1</sup> Social Security Administration Life Expectancy Calculator, March 30, 2017.

<sup>2</sup> 2017 Retirement Confidence Survey, Employee Benefit Research Institute and Greenwald & Associates.

<sup>3</sup> 2015 Facts of life and annuities, LIMRA.

# Tax diversification can also help your retirement strategy.

## Asset diversification and the flexibility to adjust your taxable income

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

According to the Stanford Center on Longevity, individuals living today will exceed the average life expectancy of those in the 20<sup>th</sup> century by an additional 30 years. That means for some, retirement could last 30 years or longer. Considering no one can predict how your retirement will be impacted by taxes, diversifying

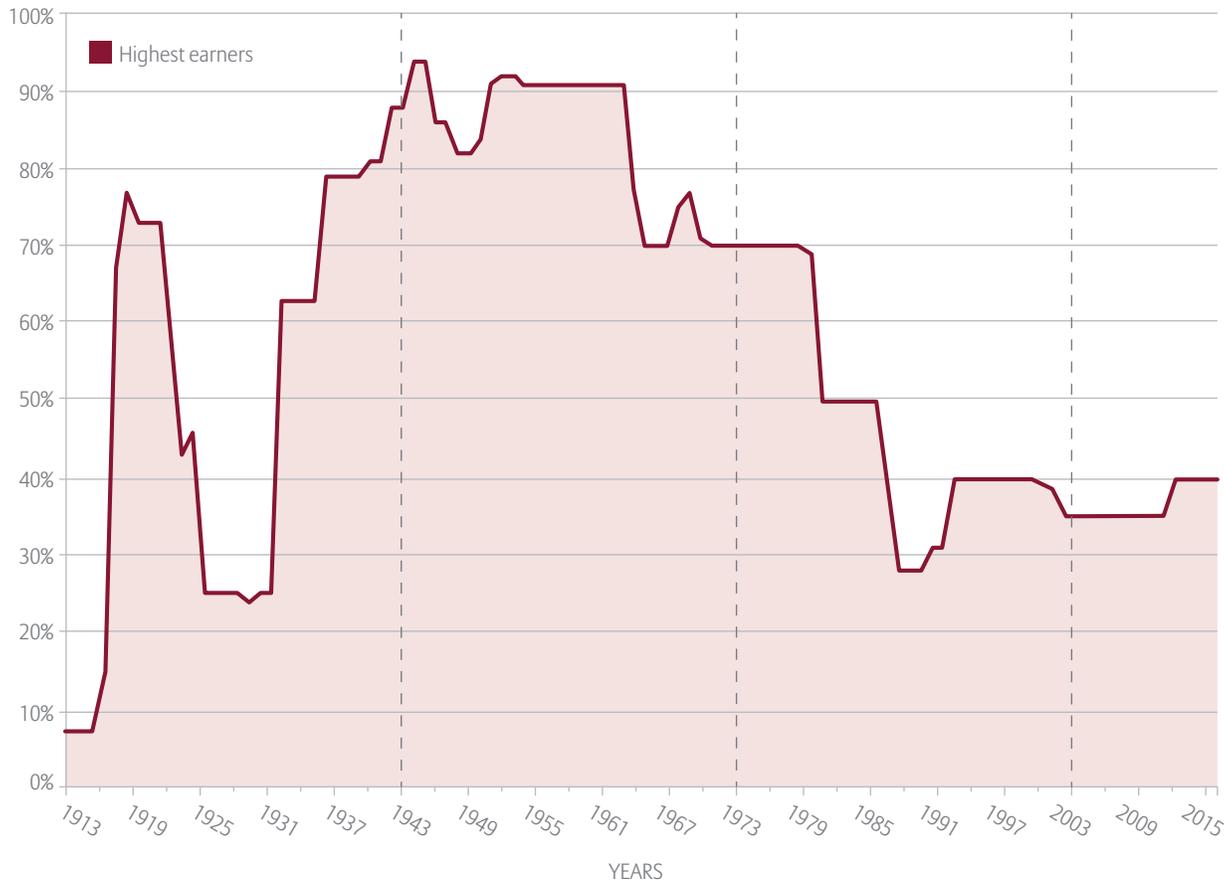
a retirement strategy to include FIUL can help lessen exposure to adverse tax impacts by allocating to vehicles that offer different tax treatments.

### In the chart below you will see:

- The current 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, there are substantial variances in the chart over time. Taxes during your retirement, which could last 30 years or longer, may significantly impact how much of your savings you have access to.

What will your **RETIREMENT** look like?

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



Source: Tax Policy Center, "U.S. Individual Income Tax: Personal Exemptions and Lowest and Highest Tax Brackets."

## How are your financial vehicles taxed?

Having a diversified strategy may help you effectively manage how much and when you are being taxed. To prepare for your 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 retirement strategy may consider a variety of financial vehicles in different tax classification categories, including the ones defined below.

Life insurance offers  
**THREE UNIQUE**  
tax advantages.

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

<sup>1</sup> 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.

<sup>2</sup> May be limited by adjusted gross income, in addition to the dollar limits.

<sup>3</sup> Contract provisions may limit contributions.

<sup>4</sup> Capital gains and dividends declared by mutual fund managers may be taxable.

<sup>5</sup> 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.

<sup>6</sup> If qualified distributions occur.

<sup>7</sup> To the extent that the capital gains tax is more favorable than ordinary income tax.

<sup>8</sup> Municipal bonds may be subject to state and local taxes and Alternative Minimum Tax.

<sup>9</sup> Provided the contract is annuitized, the distributions are tax-advantaged.

<sup>10</sup> Step-up in basis applies at death.

<sup>11</sup> 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).

<sup>12</sup> Municipal bond interest is generally exempt from federal income tax.

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



## **FIUL:** an asset that can help diversify your portfolio

As we've seen, FIUL insurance can play an important role as part of your overall financial strategy by:

- helping protect your loved ones in the event of a premature death,
- offering three distinct tax advantages, and
- providing flexibility and control.

**Let FIUL be a powerful asset in your financial strategy.** Contact your financial professional and tax advisor to find out how.



# 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 3.5 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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