Life Insurance as a Financial Engine℠

(R-6/2017)

Allianz Life Insurance Company of North America

Flexibility and control in your retirement years with fixed index universal life insurance

What does the future hold for taxes? No one knows – which is why it's worth considering a diversified strategy.

Taxation can have a big impact on your accessible assets. That's why it's important to have a strategy to help ensure the management of your assets during retirement.

Generally speaking, financial vehicles fit into three tax categories.

1. TAXABLE:

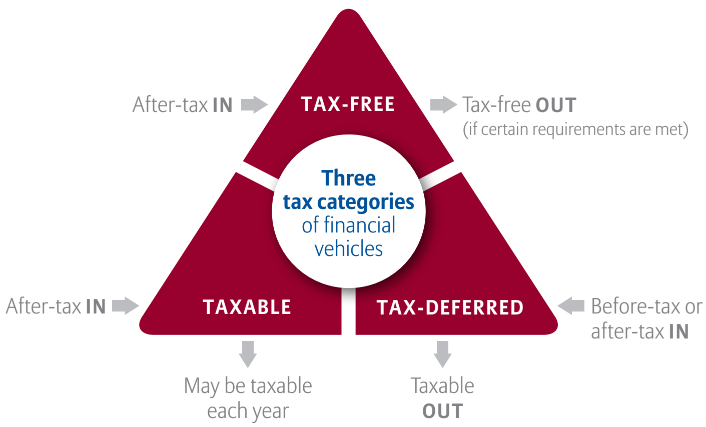
You typically contribute to these types of accounts – such as checking and savings accounts – after you've paid income tax. Earnings may be taxable each year. These arrangements generally receive a step-up in basis at death and are not taxable to a beneficiary.

2. TAX-DEFERRED:

In these vehicles, your pre-tax and after-tax money grows tax-deferred until you take it out. These vehicles can help reduce your tax bill now; but after your death, if your beneficiaries access this money, the portion that was previously untaxed will be taxable as ordinary income. The same is true if you access this money. Tax-deferred accounts include 401(K)s, 403(b)s, traditional IRAs, pensions, and nonqualified annuities. There are some situations in which cash value life insurance would fit in this category, since earnings may be taxable upon withdrawal by the life insurance policy owner.[1]

3. TAX-FREE:

You purchase these financial vehicles with after-tax dollars, and earnings may be income-tax-free (depending on certain requirements being met for some vehicles). Tax-free vehicles include Roth IRAs, Roth 401(k)s, and 529 plans. There are some situations in which cash value life insurance would fit in this category, since loans and withdrawals by the life insurance policy owner may be income-tax-free[1] and the death benefit is generally income-tax-free.



For all that's ahead.®

Allianz

[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 full loan and withdrawal disclosure within this material for detail.

This content is for general educational purposes only. It is not intended to provide fiduciary, tax, or legal advice and cannot be used to avoid tax penalties; nor is it intended to market, promote, or recommend any tax plan or arrangement. Allianz Life Insurance Company of North America, its affiliates, and their employees and representatives do not give legal or tax advice. Customers are encouraged to consult with their own legal, tax, and financial professionals for specific advice or product recommendations.

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

MLIF-1132

It may be important to diversify your retirement strategy so you have a mix of financial vehicles that include all three types of tax treatment.

One option that many overlook is cash value life insurance. Cash value life insurance – **such as fixed index universal life (FIUL) insurance** – offers you a combination of three tax advantages that no other financial vehicles does, and may be an appropriate addition to your financial strategy if you are in need of life insurance protection.

FIUL provides
PROTECTION, FLEXIBILITY, AND CONTROL.

The tax advantages of life insurance

TAX ADVANTAGE #1:
Income-tax-free death benefit

Your beneficiaries don't have to pay income tax on the death benefit unless certain exceptions to the income-tax-free death benefit rules apply.

TAX ADVANTAGE #2:
Tax-deferred cash value accumulation potential

The cash value in the policy has the potential to accumulate tax-deferred, meaning it's not taxed while it's accumulating inside the policy.

TAX ADVANTAGE #3:
Income-tax-free loans and withdrawals

Loans from a policy are income-tax-free, meaning there is no taxable income when you take the loan. Withdrawals not exceeding premiums paid are also income-tax-free.[1] Generally, policy loans and withdrawals are income-tax-free assuming the policy is not a modified endowment contract (MEC).

Adding FIUL to your financial strategy

Your current retirement income sources may include:

- Social Security benefits,
- nonqualified savings and CDs, and/or
- traditional IRAs/401(k)s.

However, have you considered additional diversification? If you need death benefit protection, have the means to purchase a life insurance policy, and want additional tax diversification in your overall financial strategy, **FIUL can be a solution to help supplement your other sources of retirement income**.

How are these common sources of retirement income taxed?

- **Social Security** taxable distributions[2]
- **Nonqualified savings and CDs** taxable interest and tax-free distributions
- **Traditional IRAs/401(k)s** tax-deferred accumulation and taxable distributions[3]
- **FIUL policy** tax-deferred accumulation and tax-free distributions (loans, withdrawals)[4]

[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 full loan and withdrawal disclosure within this material for detail.

[2] Under current Social Security income tax rules, either 0%, up to 50%, or up to 85% of Social Security benefits is included in taxable income and then the tax rate is applied. See your tax advisor for specifics on your situation. The taxable amount could significantly reduce what is available for retirement income.

[3] Assumes no nondeductible contributions were made to the traditional IRA.

[4] 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 full loan and withdrawal disclosure within this material for detail.

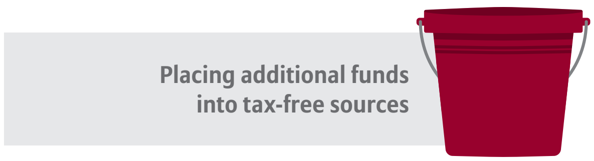
How the tax treatment of each source may impact your retirement income

Here are a few of many possible scenarios that could occur during retirement when trying to address both contributions and distributions.

Helping address needs in a LOWER-TAX environment

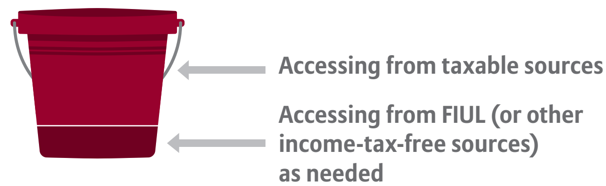
Contribution phase

If you are in a lower tax environment and are still looking to make contributions to your retirement vehicles, you may consider placing additional funds into tax-free sources, such as FIUL. Contributions are made with after-tax dollars.



Distribution phase

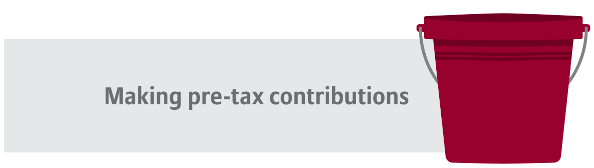
If the tax rate is lower when you retire than it was while your policy's cash value was accumulating, you may consider accessing more from sources that create taxable distributions.



Helping address needs in a HIGHER-TAX environment

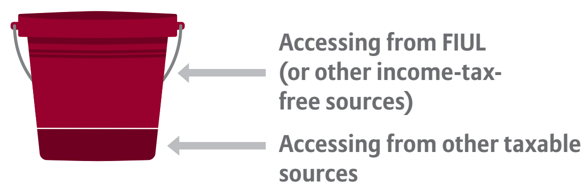
Contribution phase

If you are in a higher tax environment and are still looking to make contributions to your retirement vehicles, you may consider placing additional funds into financial vehicles where contributions are made with pre-tax dollars.



Distribution phase

If the tax rate is higher when you retire than it was while your policy's cash value was accumulating, you may consider accessing more from sources that have non-taxable distributions, such as an FIUL policy (assuming there is cash value available).



Keep in mind that policy loans will reduce your death benefit and cash value. Please monitor your values closely to avoid a policy lapse or adverse tax consequence.

As you can see, FIUL can benefit your financial strategy regardless of the tax environment.

Adding FIUL to your retirement strategy can help provide more flexibility and control in your retirement years. **Contact your financial professional** to find out how it can play a role in your overall financial strategy.

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.

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

www.allianzlife.com
Products are issued by:
Allianz Life Insurance Company
of North America
PO Box 59060
Minneapolis, MN 55459-0060
800.950.1962

(R-6/2017)