Allianz Life Insurance Company of North America

Understanding **fixed index universal life** insurance

Protection, **wealth accumulation** potential, and **tax advantages** in one policy

For all that's ahead.®

Allianz

M-3959

You can't foresee everything. But you **can** prepare.

When you purchase life insurance, you help provide financial reassurance for the next generation.

43% would feel a financial impact **WITHIN SIX MONTHS** if the primary earner died.[1]

And while nothing can replace you, having life insurance means that if something happened to you, your loved ones would be taken care of financially. The income-tax-free death benefit can help them to stay in the family home, continue to live their current lifestyle, help pay for college or supplement lost income, and more.

Even if you feel financially secure today, there are factors outside your control that could affect your financial stability. Fixed index universal life (FIUL) insurance can help you prepare for these unforeseen events.

Discover how life insurance can help.

Every life insurance policy has the same primary purpose: to provide financial reassurance to beneficiaries through an income-tax-free death benefit. But FIUL insurance does more – it also provides additional benefits, such as tax-deferred cash value accumulation potential, which you can use to supplement retirement income or address other financial concerns through taking policy loans and withdrawals.[2]

FIUL can help provide financial reassurance for the future, and also the present. That's why it's important to understand how it works, the benefits it can provide, and how it may fit into your overall financial strategy.

[1] "2015 Insurance Barometer Study Finds Americans Continue to Overestimate Cost of Life Insurance," LIMRA.

[2] Policy loans and withdrawals will reduce available cash values and death benefits and may cause the policy to lapse, or affect guarantees against lapse. 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. Tax laws are subject to change and you should consult a tax professional.

How FIUL insurance is different

Different types of life insurance can offer different solutions to help you meet your unique financial needs. Matching the appropriate policy to your needs depends upon finding the balance of death benefit protection, premium flexibility, risk tolerance, and accumulation potential with which you're most comfortable with.

Keep in mind that most life insurance policies require health underwriting and financial underwriting.

Term

Term life insurance provides coverage for a specific period of time, after which the coverage stops and the policy terminates. Though they offer the advantage of level, predictable premium payments, term policies provide a death benefit only – they typically have no cash value accumulation potential.

Permanent

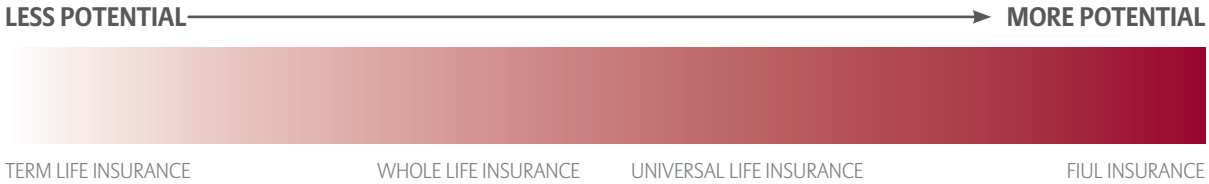
Whole life insurance also offers the predictability of level premium payments and can provide coverage for your entire life (instead of a set term). Unlike term policies, whole life policies build cash value that you can access through policy loans and withdrawals.[1]

Universal life insurance can provide coverage for your entire lifetime. It offers you the flexibility to pay your premiums at any time and in any amount (subject to some limits), as long as the policy expenses and cost of coverage are met. Universal life policies also have cash value that can accumulate at a fixed interest rate, which you're able to access through policy loans and withdrawals.[1]

Fixed index universal life (FIUL) insurance also provides death benefit protection, but it has the potential to accumulate cash value based on positive changes in an external market index or a fixed interest allocation. That gives it the opportunity for greater accumulation potential than traditional universal life insurance; and the built-in annual floor ensures that the cash value will not decrease due to market volatility. With FIUL, the cash value is not directly invested in the market.

Other types of permanent life insurance policies, including variable life and variable universal life insurance, are available in the marketplace. Contact your financial professional for more information. The graph below represents the accumulation potential of fixed products only.

Accumulation potential



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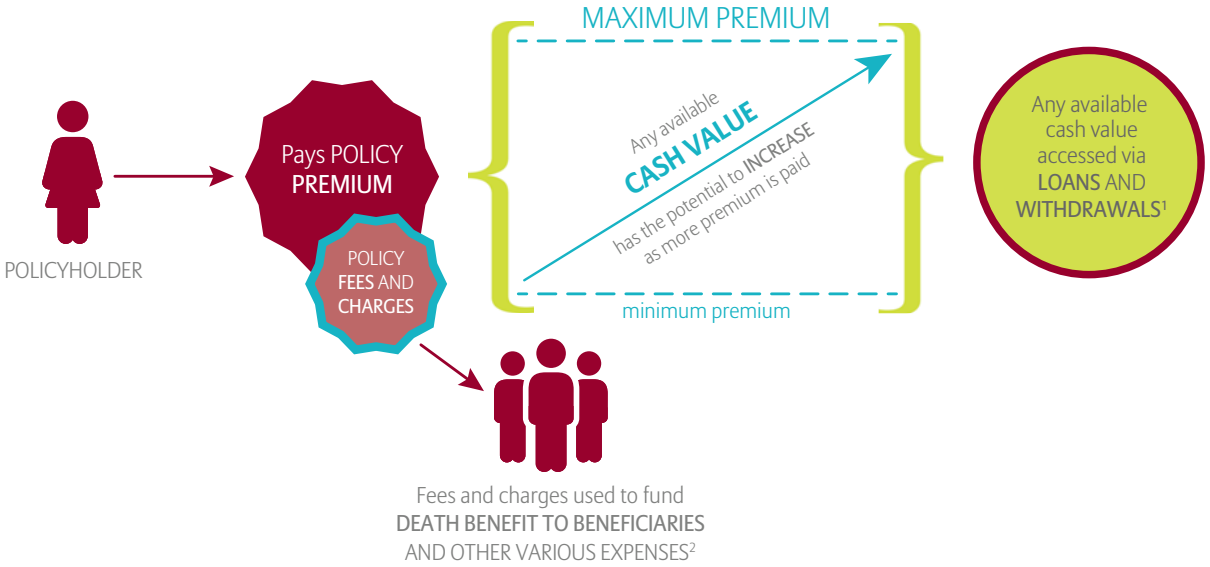
What happens when you pay your premium?

You pay your premium, with the flexibility to choose between the minimum and maximum premium amount.

The minimum premium is determined by the insurance company and is the minimum amount required to keep the policy in force.

The maximum premium is the most the Internal Revenue Service (IRS) will allow you to pay into the policy. This premium, minus policy fees and charges, has the potential to build cash value in the policy, which can be accessed through policy loans and withdrawals.[1]

All life insurance policies carry fees and charges. These policy fees and charges[2] are deducted from your premium and offset various expenses we incur in connection with your life insurance policy, including paying the death benefit, underwriting expenses, and issuing and administering the policy.



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[2] For information about a specific product's fees, please consult the brochure for the product you're considering.

Additional benefits of FIUL

While the death benefit is the main reason to purchase life insurance, an FIUL policy can offer you and your family additional benefits.

Tax advantages

Today, the need is greater than ever to protect your estate while building your retirement assets and sheltering them from excessive taxation. FIUL policies offer a combination of three tax advantages that no other insurance product offers to help you address those pressing concerns:

- **Income-tax-free** death benefit
- **Tax-deferred cash value** accumulation potential
- **Income-tax-free** policy loans and withdrawals[1]

Given the current economic environment, FIUL may help offer **tax advantages** when you need them most.

Flexibility

With FIUL, you're not restricted based on your income on how much premium you can pay each year.

To receive an income-tax-free death benefit and to ensure any available cash value accumulates on a tax-deferred basis, the Internal Revenue Code (IRC Section 7702A) regulates the relationship between the death benefits and the accumulation value. This may set limits on the timing and the amount of premium you can pay. Premiums paid may also be limited to avoid adverse tax consequences.

But, generally speaking, you have the flexibility to increase what you pay in premiums, enabling you the opportunity to build up your cash value faster.

Access to your death benefit

Some FIUL policies will also give you the option to access all or a portion of your death benefit through optional riders. Most often these riders will have a cost associated with them and have specific requirements and guidelines about when you can access the money.

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. You are encouraged to consult your tax advisor or attorney.

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Build your policy's cash value – with a level of protection.

With an FIUL policy, your available cash value can earn interest based on changes in an external market index and has protection from negative index performance. We call this indexed interest. When you purchase your policy, your premium (minus fees and charges) is allocated to index allocation option(s) you choose. We track the performance of your index(es) and then use your chosen crediting method to calculate the indexed interest that may be applied annually to your policy. This indexed interest is added to your cash value.

Common crediting methods include annual point-to-point, monthly sum, and monthly average. No single crediting method is most effective in all situations. For a better understanding of how crediting methods work, contact your financial professional or reference our "Understanding your crediting methods" brochure (M-5913).

You get cash value accumulation potential when the going is good. At the end of each policy year, if the result is positive, you'll be credited indexed interest to your policy (subject to a cap or participation rate). Any indexed interest you receive is locked in each year – and once it's locked in, **it can never be lost**, even if the index drops below this amount. Fees and charges will reduce the cash value.

You get a level of protection when the going gets tough. If the result is negative, you'll receive no indexed interest – but your policy's cash **value won't decrease due to negative index performance**, because the value is locked in from the previous year, although fees and charges will reduce the cash value. We can do this because you're not actually participating in the market or investing in any stock or bond.[1]

How indexed interest is determined

The amount of indexed interest you receive may be affected by participation rates, caps, and floors. As an alternative to indexed interest, you can allocate all or part of your cash value to a fixed interest account.

Participation rate

When the indexes reflect a positive change, the cash value of your policy will increase, subject to a percentage known as the participation rate.

Hypothetical example

145%	x	6%	=	**8.7%**
PARTICIPATION RATE		POSITIVE INDEX CHANGE		**INDEXED INTEREST CREDITED**

Cap

A cap sets the maximum percentage of indexed interest your cash value can earn.

Annual floor

With FIUL insurance, you may give up a little of your cash value accumulation potential for a level of protection – what we call your policy's annual floor. This is the minimum indexed interest your policy will be guaranteed in a given year.

[1] Although an external market index or indexes may affect your policy's value, the policy does not directly participate in any stock or equity investments. You are not buying shares of any stock or index.

Access your policy's cash value when you want, for what you want.

Whether you use your FIUL cash value to make a down payment on a house or help supplement your retirement income, it can help you when you need it most. You can access your policy's cash value in several ways.

Types of policy loans

A fixed-interest loan can be an economical way to borrow money from your cash value. Your borrowing rates will never change over the lifetime of the loan and are typically low in cost. There are two ways to take a fixed-interest loan: standard loan or preferred loan.[2]

You can borrow against YOUR AVAILABLE CASH VALUE AND **STILL EARN INTEREST.**[1]

During the first 10 policy years, you may take a standard loan for a low net cost of 1%. After the first 10 policy years, you may take a preferred loan with a net 0% cost.

Another option is an indexed loan. Indexed loans are available during any policy year and the rate is guaranteed for the life of the policy. When you take an indexed loan, both your borrowed and unborrowed cash value continues to earn indexed interest.

How else can I access available cash value?

You can also access any available cash value in other ways:

- **Withdrawal:** You may request a withdrawal (or a partial surrender) from your policy if the need arises. Withdrawals reduce policy values (including the death benefit) and may be subject to a maximum charge. Withdrawals could also affect your death benefit guarantee.
- **Full surrender:** You may also request a full surrender of your policy. If you request a full surrender during your policy's surrender charge period, a full surrender charge will apply. The surrender charge is based on age, gender, risk class, and death benefit amount.

Considerations

Policy loans and withdrawals will reduce available cash values and death benefits and may cause the policy to lapse, or affect guarantees against lapse. 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. Tax laws are subject to change and you should consult a tax professional.

A withdrawal or full surrender is generally treated as a nontaxable return of premiums paid. The amount of any partial and full surrender that exceeds premiums paid is subject to ordinary income tax.

Some of these options may have restrictions, and excess withdrawals may incur fees and cause your policy to lapse. Policy loans and withdrawals are only income-tax-free if the policy does not lapse or become a modified endowment contract. It is important to monitor your policy's cash values carefully in order to prevent a lapse in coverage.

Talk to your financial professional about how fixed index universal life insurance **can help provide for future needs**.

[1] Standard and preferred loan options do not apply to cash value allocated to an index. If you take a policy loan, the loan will be proportionately deducted from your policy's current index allocations and/or fixed interest allocations. Loans will reduce your cash value and death benefit and could affect your death benefit guarantee. Standard loan rate charges vary by product.

Ask your financial professional for more details about the policy you're considering.

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 three 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 pride ourselves on our financial strength, we're made of much more than our balance sheet. We believe in making a difference with our clients by being true to our commitments and keeping our promises. 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.

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