ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

SEEKING A TAX-EFFICIENT PORTFOLIO

Funding life insurance with distributions from qualified retirement plans and IRAs

CSI-503

Diversify your retirement strategy.

If you're like many Americans, you likely keep the majority of your retirement savings in a qualified plan or IRA. But that may be changing, as prospective retirees realize the benefits of withdrawing their tax-deferred qualified funds and use them to purchase a financial vehicle that can provide the opportunity for income-tax-free supplemental retirement income. One financial vehicle that you may consider is fixed index universal life (FIUL) insurance.

TAKE ADVANTAGE OF FOUR POWERFUL POTENTIAL BENEFITS:

1. **A death benefit that's generally income-tax-free** for beneficiaries
2. **Powerful accumulation potential** with protection from market losses (however, fees and charges will reduce policy values)
3. Access to cash value through **income-tax-free policy loans and withdrawals to supplement retirement income**[1]
4. **Flexibility to access cash value** when you want, for what you want

WITHDRAWALS FROM YOUR QUALIFIED RETIREMENT PLAN OR IRA TO PURCHASE AN FIUL POLICY: HOW DOES IT WORK?

If the majority of your retirement savings is in qualified retirement plans and IRAs, you may lack the nonqualified funds to pay the premium on an FIUL policy – but not all is lost. If you're over age 59½, you may consider an additional option for your financial strategy.

You could withdraw a portion of your qualified retirement plan or IRA, pay income taxes on the withdrawal, and use what is left to purchase a fixed index universal life insurance policy. This allows you to pay taxes on those assets after withdrawing them from a tax-deferred vehicle to purchase an FIUL policy – where loans and withdrawals may be income-tax-free, assuming there is sufficient cash value available.[1]

This strategy can help you balance the accumulation potential, risk, and tax efficiency of your overall retirement portfolio. And unlike an IRA or qualified plan, it can also provide death benefit protection to beneficiaries as a part of your overall financial strategy.

This material must be accompanied by the Understanding Fixed Index Universal Life Insurance brochure (M-3959) or applicable consumer product brochure.

The death benefit is generally paid income-tax-free to beneficiaries.

Diversification does not ensure a profit or protection against a loss.

[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.

If you decide to pursue this strategy, it's important to review the considerations with your tax advisor and a qualified financial professional.[1]

1. IS THIS STRATEGY APPROPRIATE FOR ME?

If you are nearing retirement or are retired, this strategy can provide:

- **Death benefit protection** for your beneficiaries
- **Accumulation potential with protection from market losses** (however, fees and charges will reduce policy values)
- The ability to **diversify your retirement strategy**

In some cases, it is not appropriate to withdraw from your qualified plan or IRA to fund an FIUL policy. It's a good idea to consult with your tax advisor and a qualified financial professional to discuss the potential tax implications if you are considering this strategy.

While qualified retirement plans and traditional IRAs grow tax-deferred, the withdrawals you take are eventually subject to income tax and generally are required to begin when you turn age 72. With FIUL, any available cash value builds tax-deferred and you also may be able to access loans and withdrawals income-tax-free.[2] Individuals considering a loan strategy should monitor their policy values carefully to help prevent a loss and potential tax consequences.

2. HOW WILL I KNOW IF THIS IS A RETIREMENT STRATEGY I SHOULD CONSIDER?

First, start by meeting with your tax advisor and a qualified financial professional[1] to analyze your current IRA or qualified plan to consider the following factors:

- **Total tax liability:** Work with your tax advisor to calculate how much income taxes you will be projected to pay during your lifetime. Based on the answer, you can determine if it makes sense for you to take a distribution of funds from a qualified retirement plan or IRA, incur an immediate income tax burden, and then use the funds to purchase an FIUL policy.
- **After-tax accumulation potential:** Consider what the growth or accumulation opportunity may be for each option.
- **Down markets:** What would happen to the value of your qualified plan or IRA if the market is negative?
- **SECURE Act:** Beneficiaries of IRAs or qualified plans (like a 401(k)) who are 10 or more years younger than the owner of the account generally must take distributions and pay taxes on the proceeds over a maximum of 10 years. For beneficiaries with large balances in their account, some of the proceeds could be used to fund a life insurance policy that could potentially lessen their tax liability.

The death benefit is generally paid income-tax-free to beneficiaries.

FIUL is not a source of guaranteed income in retirement. There is no guarantee a policy will earn sufficient interest in any given year to support a loan strategy.

[1] Any transaction that involves a recommendation to liquidate funds held in a securities product, including those within an IRA, 401(k), or other retirement plan, for the purchase of a life insurance policy, can be conducted only by individuals currently affiliated with a properly registered broker/dealer or registered investment advisor. If your financial professional does not hold the appropriate registration, please consult with your own broker/dealer representative or registered investment advisor for guidance on your securities holdings.

[2] 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.

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.

Guarantees are backed solely by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America (Allianz). www.allianzlife.com

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.950.1962

3. HOW COULD TAXES IMPACT THIS STRATEGY?

- The money you withdraw from your qualified retirement plan or IRA is taxed as ordinary income. You should consult with your tax advisor to **determine an appropriate approach for paying those taxes.**
- **Potential premiums** for your FIUL policy should be determined based on post-tax amounts from your qualified retirement plan or IRA. For example: If you withdraw $40,000 from your IRA and are in a 25% tax bracket, the amount you would have to consider using to pay an FIUL premium for the year is $30,000.
- It is generally unwise to use FIUL policy loans to pay income taxes on your withdrawals from the qualified funds, because loans you take early can impact the available cash value in your policy.

4. WHAT ELSE SHOULD I CONSIDER?

- Whether you have a **need for death benefit protection.**
- **Cash value in an FIUL policy needs time to accumulate.** You should only consider withdrawing funds from your IRA or qualified plan that you do not need for income in the next 10 years to use for purchasing an FIUL.
- Life insurance policies **require health and financial underwriting.**
- **Withdrawals you take from an IRA or qualified plan are taxable.** If you withdraw funds prior to age 59½, a federal additional 10% tax will apply, unless certain exceptions apply.
- During your working years (when you may experience some of the highest income tax rates of your lifetime) **it may not be appropriate to add additional taxable income through a withdrawal from an IRA or qualified plan.** This may be especially true if you want to generate the potential for income-tax-free funds from a life insurance policy during retirement, when you may be in a lower income tax bracket.
- **Work closely with your tax advisor** to determine how having additional taxable income now and in the future could affect your income tax return.

Is funding your FIUL policy with money from a qualified retirement plan or IRA something you should consider? Contact your financial professional and tax advisor to learn more.