



UNDERSTANDING FIXED INDEX ANNUITIES





IT'S TIME TO RETHINK RETIREMENT.

In past years, the financial markets have experienced extreme swings.

This historic volatility combined with the limited availability of traditional retirement income sources, such as defined benefit pension plans, has placed a greater responsibility on Americans saving for their future. With this greater responsibility comes a need for financial solutions that can help provide a new level of protection for retirement savings.

Whether your long-term objective is to build a source of guaranteed lifetime income, save for a specific retirement goal, or leave a legacy for your loved ones, Allianz Life Insurance Company of North America (Allianz) can help by offering annuities with benefits designed to meet your retirement needs.

With Allianz, you can insure a portion of your retirement assets and look beyond uncertainty as you prepare for your future.

Understanding the basics

A fixed index annuity is a contract between you and an insurance company that may help you reach your long-term financial goals. In exchange for your premium payment, the insurance company provides you income, either starting immediately or at some time in the future.

Annuities are **designed to help provide income** in retirement.

HOW A FIXED INDEX ANNUITY WORKS

Most fixed index annuities have two phases. First, there's an accumulation phase, during which you let your money earn interest. This is followed by a distribution or payout phase, during which you receive money from your annuity.

A fixed index annuity also guarantees you will receive at least the minimum guaranteed interest credited to the contract. Remember that all of these guarantees are backed by the claims-paying ability of the issuing company.

With a fixed index annuity, you defer paying taxes on your contract's interest until you receive money from the contract. Tax-deferred interest means the money in your contract can grow faster.

Your principal and bonus are never subject to market index risk. A downturn in market index(es) cannot reduce your contract values.

Phase one: Accumulation

The accumulation phase begins as soon as you purchase your annuity. Your annuity can earn a fixed rate of interest that is guaranteed by the insurance company or an interest rate based on the growth of an external index.

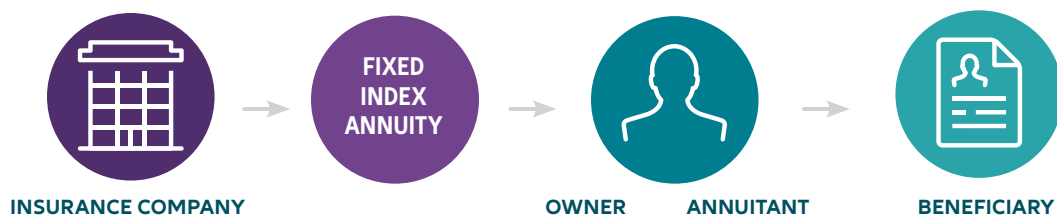
Phase two: Distribution

The distribution phase of a fixed index annuity begins when you choose to receive income payments. You can always take income in the form of scheduled annuitization payments over a period of time, including your lifetime. And many fixed index annuities allow you to take income withdrawals as an alternative to annuitization payments. Either way, you can choose from several different payout options based on your personal needs, including options for guaranteed lifetime income.

Today's fixed index annuities offer a range of features and benefits that may help you accumulate assets for retirement, preserve what you've accumulated, turn those assets into a guaranteed stream of income, and help you pass on a financial legacy to your loved ones.



Who's who in a fixed index annuity



Insurance company	Contract owner/annuitant	Beneficiary
<p>This is the company that issues the annuity. The insurance company is responsible for backing the annuity's guarantees.</p>	<p>These usually are the same person, but they can be different. The owner makes decisions about the annuity, such as who the beneficiaries are. The annuitant is the person whose life expectancy is used to calculate annuity payments.</p>	<p>The beneficiary is the person who receives the annuity's death benefit. Naming one or more beneficiaries other than the estate is important because, without a beneficiary, the money in your annuity could be subject to probate.</p>

A death benefit can be paid to your beneficiary without probate.

Understanding the benefits

A fixed index annuity (FIA) offers a unique combination of benefits that can help you achieve your long-term goals. No other product offers the tax deferral, indexed interest potential, and optional benefits to protect your retirement assets and income.

Let's take a closer look at the three key benefits of fixed index annuities: **tax deferral**, **indexed interest potential**, and **protection**.

TAX DEFERRAL

Under current federal income tax law, any interest earned in your fixed index annuity contract is tax-deferred. You don't have to pay ordinary income taxes on any taxable portion until you begin receiving money from your contract. Withdrawals are taxed as ordinary income and, if taken prior to age 59½, a 10% federal additional tax may apply.

INDEXED INTEREST POTENTIAL

Fixed index annuities provide an opportunity for potential interest growth based on changes in one or more indexes. Because of this potential indexed interest, FIAs provide a unique opportunity for accumulation. And since the interest your contract earns is tax-deferred, it may accumulate assets faster. In addition to potential indexed interest, FIAs can offer you an option to receive fixed interest.

PROTECTION

Fixed index annuities offer you a level of protection you may find reassuring. That protection can benefit you in three separate ways:

- **Accumulation:** Your principal and credited interest are protected against market downturns.
- **Guaranteed income:** You can be protected from the possibility of outliving your assets.
- **Death benefit:** If you pass away before annuity payments begin, a fixed index annuity may help you provide for your loved ones.



Tax deferral

A fixed index annuity offers tax advantages.

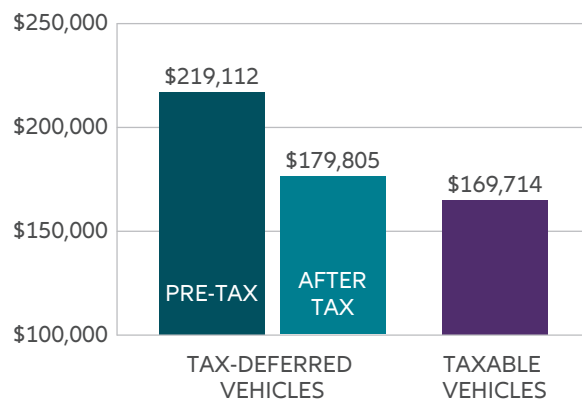
During the accumulation phase of your contract, any interest credited is tax-deferred. If you purchase your fixed index annuity with after-tax dollars, you will only pay ordinary income taxes on your earnings – not on your premium payments – when you begin withdrawing money. Tax-deferred growth, compounded over time, may increase the amount of savings and income your fixed index annuity generates for your retirement.

Tax deferral is also a benefit of traditional IRAs and 401(k)s. However, annuities don't have any government-imposed contribution limits. Because of that, they can often be a good choice if you want to save more than IRAs and 401(k)s allow and still enjoy tax-deferred growth potential.

Purchasing an annuity within a retirement plan that already provides tax deferral results in no additional tax benefit. So use an annuity to fund a qualified plan based upon features other than tax deferral, such as lifetime income options or the guaranteed death benefit.

HOW TAX DEFERRAL CAN HELP

Tax deferral can be an effective part of your retirement strategy. For example, this chart shows how a \$100,000 initial payment, compounded at 4% annually, grows tax-deferred. Twenty years later, after taxes are paid on the lump-sum distribution, the amount is greater than the amount accumulated in a taxable product after 20 years.



Assumes a 33% ordinary income tax assessed yearly on taxable earnings and at period end on tax-deferred earnings. Actual tax rates may vary from this example for different taxpayers and assets (e.g., capital gains and qualified dividend income). Actual performance of your contract will also vary. Hypothetical interest is not guaranteed and does not represent the performance of any particular annuity. If a withdrawal or distribution is taken, the tax-deferred earnings would be reduced by income taxes on any interest and, if taken prior to age 59½, a 10% federal additional tax may apply.

Consider your personal retirement plan and income tax brackets, both current and anticipated, when making financial decisions.

Tax-deferred growth, which can compound over time, may increase the amount of savings and income your fixed index annuity generates for your retirement.

Indexed interest potential

Another advantage of a fixed index annuity is the opportunity to accumulate interest based on changes in an external index.

Because of their potential indexed interest, FIAs give you a **unique opportunity** for accumulation.

Some FIAs offer you a choice of indexes rather than just one. In addition to choosing your indexes, you can also determine what portion of your annuity's value will be based on each index chosen.

Although an external market index or indexes may affect your contract values, the contract does not directly participate in any stock or equity or bond investments. You are not buying shares of any stock or index fund.

FIAS' INDEXED INTEREST POTENTIAL

When you purchase a fixed index annuity, you can allocate its value to one or more chosen indexes. We then use a crediting method (which we will define later) to track the performance of your index(es). At the end of each crediting period, we calculate the indexed interest.

If the result is **positive**, you will automatically receive indexed interest, subject to a participation rate and a cap or spread (which we will also define later). That interest is locked in at the end of each crediting period and cannot be lost due to index declines at some point in the future.

If the result is **negative**, nothing happens – and that can be good news! Although you won't receive any indexed interest for the crediting period, your annuity's value doesn't decline.

FACTORS THAT INFLUENCE HOW AN FIA'S INDEXED INTEREST IS CALCULATED

When you purchase your fixed index annuity, you can often choose the index(es) to which you allocate your annuity's value. You can also often

choose the crediting method used to track changes in your chosen index(es). Before we discuss those crediting method choices, let's look at some other factors that will affect how your indexed interest is calculated.

Cap. Some fixed index annuities set a maximum rate of interest (or cap) that the contract can earn in a specified period (usually a month or year). If the chosen index increase exceeds the cap, the cap is used to calculate your interest.

For example, if the annual cap in a hypothetical example were 3.00% and the value of the index rose by 4.80%, the cap amount of 3.00% would be credited to your contract. However if the index change was 2%, your contract would be credited 2% since that is lower than our hypothetical cap.

Participation rate. In some annuities, a participation rate determines what percentage of the index increase will be used to calculate your indexed interest.

For example, let's suppose the index rose by 10%. If a hypothetical FIA had a 75% participation rate, the contract would receive 7.5% in indexed interest. (Participation rates are generally applied after caps, and before a spread.)

Spread. The indexed interest for some annuities is determined by subtracting a percentage from any gain the index achieves in a specified period. For example, if the annuity has a 4% spread and the index increases 10%, the contract is credited 6% indexed interest.

Certain factors help determine how much **indexed interest** you can receive.

FIA CREDITING METHOD CHOICES

No single crediting method consistently delivers the most interest under all market conditions.

A quick definition of some popular crediting method choices is provided below. For a better understanding of how each crediting method works, talk to your financial professional. Keep in mind that caps, participation rates, and spreads will also enter into the calculation of indexed interest and may reduce the amount of interest credited.

Annual and multi-year point-to-point. This method tracks changes in the market index from one crediting period to the next and credits interest based on that change.

Monthly sum. With this method, individual monthly increases and decreases in the index values are tracked and added up. Their sum helps determine the indexed interest credited to the annuity.

ANNUAL RESET

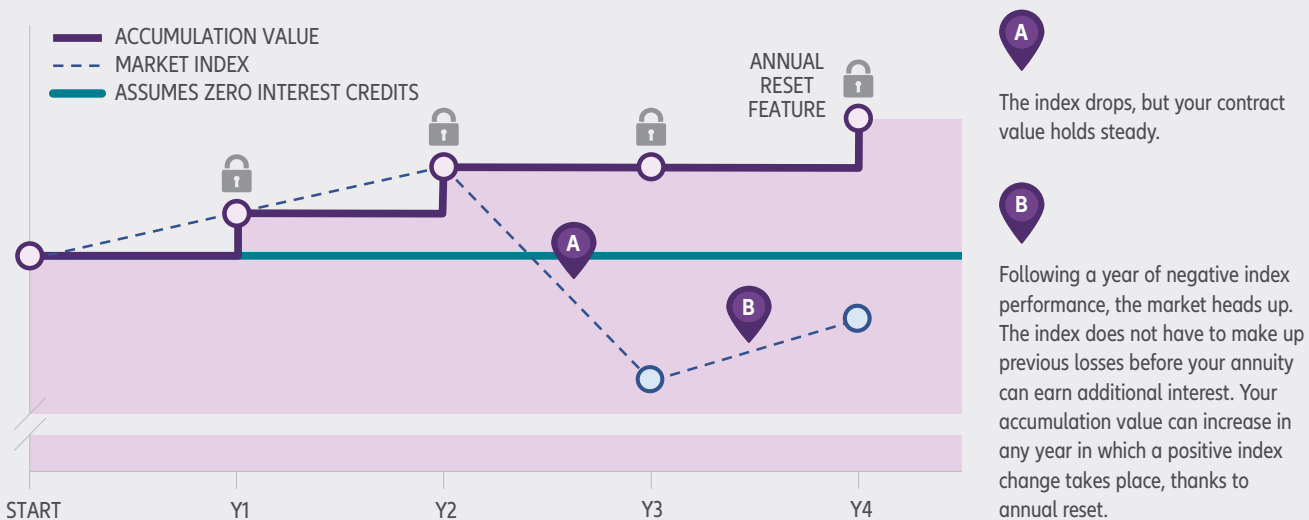
Annual reset is a common FIA feature that automatically resets your annuity's index values at the end of each contract year. That means this year's ending value becomes the next year's starting value – locking in any interest your contract earned during the year and ensuring you do not need to make up losses in the index before you see any additional credits in the future. Annual reset is typically available on monthly sum and annual point-to-point crediting methods.

Choose from several different crediting methods.

MULTI-YEAR RESET

Multi-year reset is an FIA feature that automatically resets your annuity's index values at the end of a longer crediting period, such as 2-year point-to-point or 5-year point-to-point. Similar to annual reset, that means the crediting periods' ending value becomes the next crediting periods' starting value – locking in any interest your contract earned and ensuring you do not need to make up losses in the index value before you see additional credits in the future.

This chart shows how annual reset works.



This hypothetical example is provided for illustrative purposes only and does not reflect any surrender charges or market value adjustments (MVAs) that may be assessed. With the purchase of any additional-cost riders, the contract's values will be reduced by the cost of the rider. This may result in a loss of principal and interest in any year in which the contract does not earn interest or earns interest in an amount less than the rider charge. If there is no indexed interest, the value would be the money you put into the annuity.

Protection benefits

A third important advantage of a fixed index annuity is the range of guarantees and optional income benefits available. These benefits allow you to transfer risk to the insurance company issuing the fixed index annuity. These guarantees help protect your assets, your retirement income, and your beneficiaries. In exchange for the risk transfer, the benefits may carry an additional cost that will vary by product and company.

Guarantees can help protect your assets, your retirement income, and your beneficiaries.

ACCUMULATION

Annuities are subject to surrender charge periods, which can vary, but are generally between five and 10 years in duration. As long as you abide by the terms of your contract, you will not lose any of the money you place in your annuity due to surrender charges or MVAs. Additionally, any interest credited to the contract is locked in and protected as well.

An MVA is a calculation used to adjust the contract values according to corporate bond yields at the time the withdrawal is taken. The MVA may increase or decrease the contract's cash surrender value. The MVA can never cause the cash surrender value to be less than the guaranteed minimum value or greater than the accumulation value.

Your payments may increase based on interest credited from your chosen indexes.

GUARANTEED INCOME

A fixed index annuity puts you in control of your future income, based on the annuity you choose and how much money you put into it.

After your contract has had an opportunity to earn interest over its accumulation period, you can begin distribution. You can then receive your contract's values in a stream of income that will last your lifetime (or longer). The amount of your payments is based on the value of the contract on the date you begin distribution and the payout schedule you choose.

You generally have two choices for receiving income payments: annuitization payments or income withdrawals. For annuities that are not held in a qualified plan such as an IRA or a 401(k), part of each annuitization payment is a tax-free return of what you paid for the annuity and part is taxable as interest you earned on the annuity. On the other hand, income withdrawals under the same annuity are fully taxable until the interest you earned has been withdrawn. Then you withdraw what you paid for the annuity tax-free. It's always a good idea to consult with your tax advisor before choosing between annuitization payments and income withdrawals.

PROTECTION WITH INCOME THAT CAN INCREASE

As we noted, an FIA allows you to convert your annuity's value into a series of fixed-amount payments. Depending on the product you choose, many FIAs go beyond this. They offer benefits or optional income riders with payments that can increase to assist with inflation throughout retirement.

Your income payments will be scheduled as withdrawals you can begin anytime after you reach a certain age (often age 60). And with some FIAs, your income payments will be larger if you postpone taking them for a few years.

These income riders or benefits provide valuable advantages, but they usually come at a cost. Your financial professional can discuss the income options, costs, and restrictions offered by the FIA you're considering.

Please note that withdrawals may be subject to regular income tax and, if taken prior to age 59½, a 10% federal additional tax may apply.

DEATH BENEFIT

If you pass away before you begin to receive scheduled annuity payouts of the contract's value, your beneficiary will receive a death benefit. And in some cases, even if you pass away after you've begun to receive income from the annuity, it's still possible your beneficiary will receive a death benefit. Your beneficiary may choose to receive your contract's values in a single payment or in a series of payments over time.

The death benefit may be a reason some individuals purchase annuities even though they have no immediate plans to receive their contract values. They simply want to know the money is available (may be subject to a surrender charge) should they need it – and that it can be passed on to their beneficiaries if they don't use it.

Financial strength

Because the guarantees in an annuity are important, it's important to consider who backs those guarantees. The guarantees are backed solely by the insurance company that issues the annuity. That's why you should know about the financial strength and stability of the company. Ask about their:

- **Ratings** – independent agencies' opinions of a company's strength and ability to meet its ongoing insurance policy and contract obligations.
- **Risk management capabilities** – a company's track record of successfully hedging against potentially extreme market events.
- **Management philosophy** – a company's commitment to stability and reliable, long-term performance.

Is a fixed index annuity right for you?

The answer is, "maybe."

Only you know your goals for retirement, so only you can determine your needs. A fixed index annuity isn't the right solution for everyone, and you shouldn't buy one unless it's appropriate for your situation.

You may want to consider a fixed index annuity if the following benefits are important to you:

- **Tax deferral** to help you reach your retirement goals
- **Indexed interest potential** to help accumulate your retirement savings
- **Protection benefits** that can help protect your retirement assets and income

Purchasing an annuity is an important decision, and one you should only make after consulting with your financial professional.



For more information on fixed index annuities, talk to your financial professional and visit www.allianzlife.com.

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 3.7 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.

All annuity contract and rider guarantees, or annuity payout rates, are backed by the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer from which this annuity is purchased, by the insurance agency from which this annuity is purchased, or any affiliates of those entities, and none makes any representations or guarantees regarding the claims-paying ability of Allianz Life Insurance Company of North America.

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