

Roll-up or Allianz 360?

Consider a new approach to income.

Many fixed index annuities (FIAs) and income benefit riders in the marketplace offer premium bonuses and guaranteed roll-ups (the traditional approach) that help increase an annuity's income value. But these features are not the only way your clients can build a strong foundation for lifetime income. Allianz 360 fixed index annuity and the 360 Benefit rider take a different approach to increasing the guaranteed withdrawal income available to your clients.

Guaranteed annual increase in lifetime withdrawal percentages

The 360 Benefit rewards your clients for waiting by increasing the withdrawal percentages for lifetime withdrawals annually. Beginning at age 40, their income withdrawal percentage increases every year until they begin taking income. For example, a 55-year-old client would have an initial income withdrawal percentage of 4.10% for predictable payments, and it would increase to a 6.60% withdrawal percentage in 10 years.

Opportunity for a 25% interest bonus

The 360 Benefit gives your clients a bonus equal to 25% of any interest credits earned until lifetime income withdrawals begin. This benefit offers more opportunity for the client to build their value. For example, if the contract's annual interest credit is 4%, the accumulation value would earn 5% ($4\% \times 25\% = 1\%$. $4\% + 1\% = 5\%$).

Simplicity of one value

Allianz 360 Annuity and the 360 Benefit do not have separate income and accumulation values to keep track of. The accumulation value receives all the credited interest and interest bonuses and is available in a lump sum free of surrender charges after 10 years. The accumulation value, including credited interest and interest bonuses, is also the value on which lifetime income withdrawals are based.

Keep in mind that annuities have many factors and features to consider. They provide many benefits for your clients, including principal protection, the potential for tax-deferred growth, and a death benefit for beneficiaries. In the following pages we will be focusing on one of these benefits – the amount of lifetime annual withdrawal income generated for your client.

For all that's ahead.[®]

Allianz 

Bonus annuities may include higher surrender charges, longer surrender charge periods, lower interest rates, lower caps, higher spreads, or other restrictions that are not included in similar annuities that don't offer a bonus feature.

The interest bonus is credited each year the chosen allocation earns interest. During the first 10 contract years, a surrender charge will apply if the contract is partially or fully surrendered. These charges may result in a loss of indexed interest and fixed interest, interest bonus, and a partial loss of principal (premium).

Must be used with the Allianz 360 Annuity and 360 Benefit rider product profile (AG54370).

The annual charge for the 360 Benefit rider is 1.15% of the contract's accumulation value, deducted monthly from the accumulation value and guaranteed minimum value (in most states).

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The more you wait, the more you get

Allianz 360 Annuity and Allianz 360 Benefit rider can help provide your clients with lifetime withdrawal percentages that start strong – and only get better.

Assume a hypothetical 60-year-old client purchases the Allianz 360SM Annuity and the 360 Benefit rider with a \$100,000 initial premium. If the client started receiving income immediately, the income payment percentage would be 4.60%, assuming single life payments using option 1 (predictable payments). But if the client waited to start income and allowed the contract the opportunity to accumulate, the payment percentages would increase to 6.10% after five years and 7.60% after 10 years.

The tables below show how much annual income the contract could hypothetically provide if the client waited five years or 10 years before starting income withdrawals. Both deferral periods show the contract using current caps, rates, interest bonus rate, and rider charge in four different interest-earning scenarios: the minimum, the fixed interest allocation, average interest credits from hypothetical past results, and above-average interest credits from hypothetical past results. Keep in mind these values are hypothetical in nature, and your actual results will vary.

How much annual income could this mean for your clients?

| 5-YEAR WAIT | Minimum Income (0% annual interest) | Fixed interest allocation (1.07% annual interest) | Average index credits from past results (2.48% annual interest) | Above-average index credits from past results (4.46% annual interest) |
|-----------------------------------|--|--|--|--|
| Accumulation value | \$94,381 | \$105,487 | \$113,039 | \$124,403 |
| Single life withdrawal percentage | 6.10% | 6.10% | 6.10% | 6.10% |
| Annual income | \$6,100 | \$6,435 | \$6,895 | \$7,589 |

These hypothetical examples assume that no withdrawals or additional premium payments are made. **The minimum income example** assumes no interest was credited. Even though the accumulation value decreased due to the annual rider charge, the income would be based on the \$100,000 premium (which represents the contract guarantee of income withdrawals being based on the greater of the accumulation value and the net premium). **The fixed interest allocation** assumes the current fixed interest rate of 1.80% with the 25% interest bonus credited, less the annual rider charge of 1.15%. Past index performance illustrations assume the contract had been available on 1/1/1985, using actual historical S&P 500[®] Index data (from 12/31/1984 through 12/31/2014) with the current monthly sum cap of 2.00%, less the annual rider charge of 1.15%. It assumes a contract is issued on every business day from 1/1/1985 through 12/31/2013; an interest credit over all possible 5-year and 10-year periods was calculated. Allianz 360 Annuity was not available for purchase during the entire period shown. **The average** is the 50th percentile annualized interest credit for these periods (half of the interest credits were higher and half the interest credits were lower). **The above-average** example is the 75th percentile annualized interest credits for these periods (25% of the interest credits were higher and 75% of the interest credits were lower).

| 10-YEAR WAIT | Minimum Income (0% annual interest) | Fixed interest allocation (1.07% annual interest) | Average index credits from past results (2.91% annual interest) | Above-average index credits from past results (3.92% annual interest) |
|-----------------------------------|--|--|--|--|
| Accumulation value | \$89,077 | \$111,276 | \$133,265 | \$146,933 |
| Single life withdrawal percentage | 7.60% | 7.60% | 7.60% | 7.60% |
| Annual income | \$7,600 | \$8,457 | \$10,128 | \$11,167 |

These hypothetical tables are for illustrative purposes only, and are not intended to predict or project future results. In addition, past hypothetical interest crediting may not be used to predict or project future results. Your actual results will vary by a number of factors, including the crediting method, cap, spread, and/or interest rates in effect at the time of purchase, as well as actual index performance. Actual caps, spreads, and interest rates that could have been applied over this time frame would have been different than the figures shown here, and in some cases may be significantly higher or lower depending on a number of factors, including market conditions.

A closer look at how Allianz 360 stands out

As you can see, the Allianz 360SM Annuity offers an innovative approach to building and protecting a guaranteed lifetime income for your clients. So how much would it take for a more traditional approach to match Allianz 360? The tables below illustrate, using a hypothetical FIA with traditional premium bonuses and roll-ups, and assuming the same 60-year-old hypothetical client, what it would take to generate the same annual income as the Allianz 360.

The hypothetical fixed index annuity in the tables below does not represent an actual fixed index annuity and individual results will vary. The 5% premium bonus represents an industry average for an annuity with a 10-year surrender charge period. The compound roll-up percentages are calculated annually during the two deferral periods. Any changes in these assumptions would also change the figures shown here.

For clients who can wait to begin income, Allianz 360 may appeal to those who seek a combination of guarantees and opportunity, whereas a traditional roll-up approach may appeal to those focused on guarantees. In addition, always keep in mind that the clients' needs may change. It's important to understand the balance between all the features available with any annuity. Always consider each of these and how they work when considering if a product is appropriate for your client's needs.

What would it take to generate the same income?

These hypothetical tables use the same assumptions as the previous hypothetical tables on page 2.

| 5-YEAR WAIT | Minimum income (0% annual interest) | Fixed interest allocation (1.07% annual interest) | Average index credits from past results (2.48% annual interest) | Above-average index credits from past results (4.46% annual interest) |
|---|---|---|---|---|
| Annual income | \$6,100 | \$6,435 | \$6,895 | \$7,589 |
| What would it take? | ↓ | ↓ | ↓ | ↓ |
| Compound roll-up with no premium bonus ¹ | 4.06% roll-up | 5.17% roll-up | 6.64% roll-up | 8.70% roll-up |
| Compound roll-up with 5% premium bonus ¹ | 3.05% roll-up | 4.15% roll-up | 5.60% roll-up | 7.65% roll-up |

¹ Assuming a payout percentage of 5%, which is an industry average for a 65-year-old.

| 10-YEAR WAIT | Minimum income (0% annual interest) | Fixed interest allocation (1.07% annual interest) | Average index credits from past results (2.91% annual interest) | Above-average index credits from past results (3.92% annual interest) |
|---|---|---|---|---|
| Annual income | \$7,600 | \$8,457 | \$10,128 | \$11,167 |
| What would it take? | ↓ | ↓ | ↓ | ↓ |
| Compound roll-up with no premium bonus ² | 3.29% roll-up | 4.40% roll-up | 6.30% roll-up | 7.34% roll-up |
| Compound roll-up with 5% premium bonus ² | 2.78% roll-up | 3.89% roll-up | 5.78% roll-up | 6.82% roll-up |

² Assuming a payout percentage of 5.50%, which is an industry average for a 70-year-old.

These hypothetical tables are for illustrative purposes only, and are not intended to predict or project future results. In addition, past hypothetical interest crediting may not be used to predict or project future results. Your actual results will vary by a number of factors, including the crediting method, cap, spread, and/or interest rates in effect at the time of purchase, as well as actual index performance. Actual caps, spreads, and interest rates that could have been applied over this time frame would have been different from the figures shown here, and in some cases may be significantly higher or lower depending on a number of factors, including market conditions.

The 360 Benefit offers two lifetime income withdrawal options.

There are many concerns your clients may have when it comes to retirement income, such as the rising costs of living and health care. The Allianz 360SM Annuity can help address some of these concerns by offering two lifetime income withdrawal options, predictable payments or payments with the opportunity to increase.

The examples we highlighted show income withdrawal option 1 (predictable payments), which is most similar to typical income options available in the industry.

The other choice – income withdrawal option 2 – offers the same predictability of payments, but with the added potential for payment increases following any year in which the allocations earn interest. For example, if your client's annual income payment is \$10,000 and the interest credit for the year is 5%, then the income payment would increase to \$10,500 ($\$10,000 \times 5\% = \500). The trade-off for this increasing income opportunity is a starting income withdrawal that is lower than the predictable payment option.

Your client doesn't need to choose which option best fits their needs until they are ready to begin income withdrawals.

To find the specific withdrawal percentage for your client, visit www.allianzlife.com/360calc. Also call the FASTeam today to find out more about Allianz 360, at 800.950.7372.

Guarantees are backed by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

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Although an external index may affect your clients' interest credited, the contract does not directly participate in any equity or fixed income investments. Your clients are not buying shares in an index. The index value does not include the dividends paid on the equity investments underlying any equity index. These dividends are not reflected in the interest credited to your clients' contracts.

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