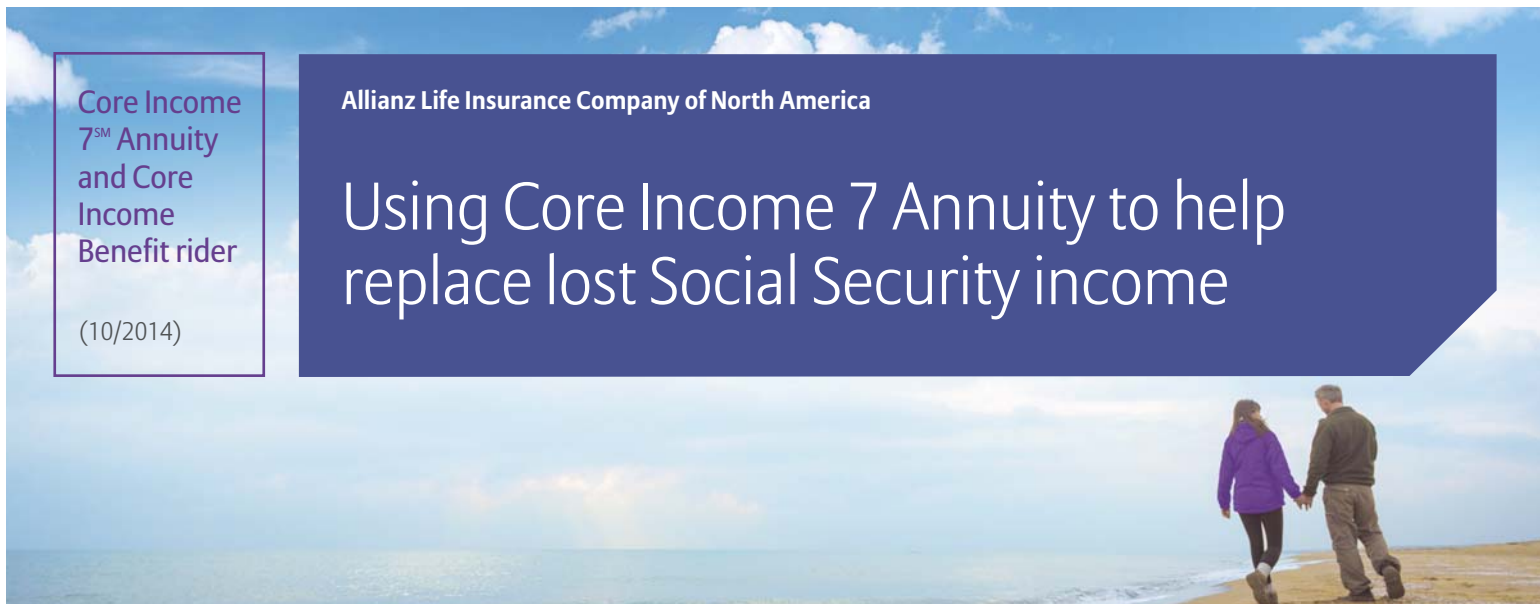


Core Income
7SM Annuity
and Core
Income
Benefit rider

(10/2014)

Allianz Life Insurance Company of North America

Using Core Income 7 Annuity to help replace lost Social Security income



How a married couple can use an annuity to help cover their core retirement income needs after one of them passes away

Meet Dave and Sue. In this hypothetical case study, Dave and Sue are married and were each born in 1948, making them age 66 today. Both Dave and Sue would like to retire this year and begin receiving their full Social Security benefits. The amount that each will receive in annual income is based on their individual earnings history. Dave's assumed primary insurance amount (PIA) is \$2,000/month. Sue's assumed PIA is \$2,400/month.¹

Their financial needs: Dave and Sue would like to maintain their current lifestyle after they retire. After meeting with their financial professional, they have determined that **they will need at least \$70,000 per year throughout retirement to cover their core income needs.**

Fortunately, they have planned well and have several sources of income besides just Social Security that can help meet their annual income need, including their 401(k)s and personal assets.

Their retirement concern: Though they have other sources to supplement their retirement income, Dave and Sue are relying on both of their Social Security annual incomes to help meet their core income needs.

However, if either one of them were to pass away unexpectedly, under current rules, the surviving spouse can keep receiving the higher earner's Social Security benefits – **but will stop receiving the lower earner's Social Security benefits.** For them, that means the surviving spouse would lose **\$24,000** per year (Dave's Social Security annual income). That's **34%** of their target \$70,000 annual income.

Please note: This assumes that their income need would remain the same after one of them passes away, and that there is no other solution in place to help replace lost income.

Dave's Social Security annual income ²	\$24,000
Sue's Social Security annual income ²	\$28,800
Other retirement income sources	\$17,200
Total retirement income goal	\$70,000

For all that's ahead.®

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¹ Primary insurance amount (PIA) is the monthly Social Security benefit you will receive if you retire at your full retirement age.

² These Social Security amounts are estimates only and do not include potential cost-of-living adjustments (COLAs) from Social Security. Since financial professionals are able to provide information, but not advice related to Social Security benefits, you should seek guidance from the Social Security Administration regarding your particular situation.

This hypothetical example is provided for illustrative purposes only. Characters are fictional and not actual Allianz Life Insurance Company of North America (Allianz) clients. Social Security income is an estimate only and rules may change. Please visit www.ssa.gov for more information.

Must be accompanied by the Core Income 7 Annuity brochure (CB95374) or appropriate variations and corresponding insert (CB95374-B).

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

CSI-403

How Dave and Sue can use the **Core Income 7 Annuity**

With their financial professional's help, Dave and Sue purchase a nonqualified Core Income 7SM Annuity and Core Income Benefit rider (included at an additional cost) now as joint owners. **Then they wait to start income withdrawals until one of them passes away.** Because they are looking for the reassurance of predictable income for life, the surviving spouse at that time would choose payment option 1 (for an individual).

At age 66, the initial lifetime withdrawal percentage is 5.50%.¹ **For every year they wait, Core Income 7 increases the lifetime withdrawal percentage by 0.50%.** This will ensure a greater amount of replacement income for the surviving spouse, who will lose the lower earner's Social Security benefit of \$24,000 – provided, of course, one spouse doesn't pass away immediately after purchase.

Dave and Sue's financial professional reminds them that with this approach, there is a surrender charge if the contract is surrendered in the first seven years. Also, caps and spreads will limit or reduce the amount of indexed interest credited.

Dave and Sue are careful to consider all features and costs of the annuity prior to determining that it meets their financial needs.

Determining their initial premium payment: To determine how much money they'll need to purchase the annuity so it can one day help meet their income replacement need of \$24,000, their financial professional begins with an estimate of when income withdrawals will likely begin – i.e., the age when one of them may pass away.

Based on the Social Security Life Table at his current age of 66, Dave has a life expectancy of age 82, or an expectation of 16.79 years of life ahead of him. Sue has a life expectancy of 85, an expectation of 19.39 years ahead.² Since these results show that Dave could potentially pass away before Sue, they decide to use his life expectancy – age 82 – as the date when income withdrawals are projected to begin.

Keep in mind that these ages are simply average life expectancies, and are certainly not a guarantee of when Dave and Sue will pass away. And if one of them passes away earlier than expected, the income withdrawals may be less than the \$24,000 they wanted, due to having accrued a lower lifetime withdrawal percentage. (This assumes no interest has been credited during the years they've waited.) And since there is no adjustment for inflation, their income need may have increased by the time one of them passes away.

Core Income 7 Annuity and Core Income Benefit rider provide:

- Guaranteed lifetime retirement income
- Increasing income withdrawal percentages until withdrawals begin
- Protection of premium and credited interest from market loss
- Potential for tax-deferred growth
- Ability to choose from two lifetime withdrawal options to suit income needs:
 - **Option 1:** Predictable, dependable income for life
 - **Option 2:** Income for life with the opportunity for payment increases

¹ Payment option 2 would provide a 4.50% withdrawal percentage at age 66 (1% lower than option 1). This option offers a smaller payment up front, but has the potential to increase each year that the allocations earn interest.

² Source: Life Tables for the United States Social Security Area 1900-2100 – Actuarial Study No. 120, August 2005.

The annual charge for the Core Income Benefit rider is 1.05% of the contract's accumulation value, deducted monthly from the accumulation value and guaranteed minimum value (in most states). The annual charge is deducted until the accumulation value goes to zero or annuity payments begin. If you take a full surrender or begin annuity payments, you will not receive the full benefit from the Core Income Benefit rider that you paid for.

Surrender charges may result in the loss of all or part of any interest earned, and a partial loss of principal.

Distributions are subject to ordinary income tax and, if taken before 59½, a 10% federal additional tax may apply.

Dave and Sue now have estimated:

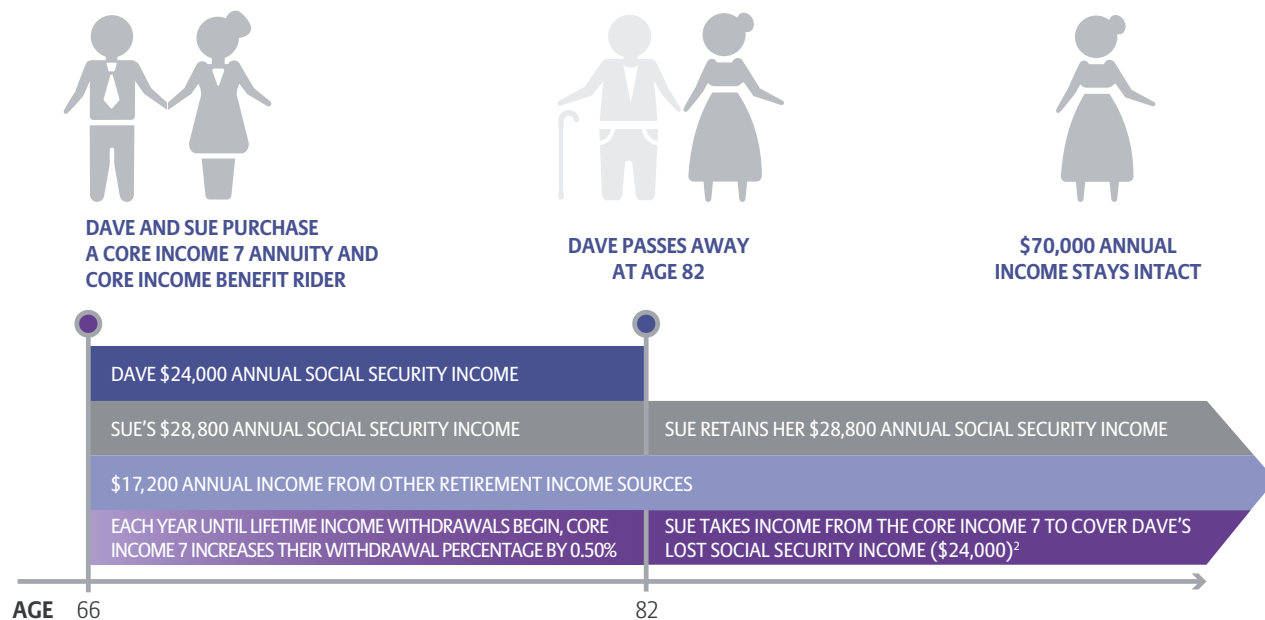
- How much replacement income the surviving spouse will need in the future: **\$24,000**
- A “best guess” for when the surviving spouse will want to begin lifetime income: **16 years** (or age 82)
- What the initial lifetime withdrawal percentage is today (age 66): **5.50%**
- What the lifetime withdrawal percentage would be when they reach age 82: **13.50%**

5.50% (Initial withdrawal percentage)
 + 8.00% (0.50 annual increase for 16 years)
13.50% (Lifetime withdrawal percentage)

Based on this information, their financial professional determines that they will need to use \$177,778 from their retirement savings to purchase the Core Income 7SM Annuity and Core Income Benefit rider.

\$24,000 (Replacement income need)
 ÷ 13.50% (Lifetime withdrawal percentage at 82)
\$177,778¹ (Recommended premium)

Core Income 7 Annuity is a source for supplemental income with the flexibility to address specific retirement goals. **Ask your financial professional if Core Income 7 could be a good fit** for your retirement income strategy.



This hypothetical chart is provided to show how the annuity could work to help supplement other sources of retirement income to help you reach your retirement goals.

¹ Payment option 2 would require an initial premium amount of \$192,000 to generate the same desired income of \$24,000 at age 82 (\$192,000 x 12.50% = \$24,000).

² If no interest had been credited during the 16 years, the accumulation value would have decreased to \$152,584 due to the annual rider charge. However, the income withdrawals are based on the greater of the accumulation value or the premium of \$177,778.

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

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

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Through a line of innovative products and a network of trusted financial professionals, and with over 2.6 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.

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