FIXED INDEX ANNUITIES

The truth about fixed index annuities

Misperceptions vs. realities

When it comes to annuity products, fixed index annuities (FIAs) have been around for a relatively short period of time. Created in 1996, FIAs are insurance products, not investments, that offer the opportunity for some interest potential while protecting against market risk. However, as with many new ideas, misperceptions abound.

Misperception #1: FIAs are too complex to understand.

Reality: Understanding FIAs involves learning some basic terms because interest earnings are calculated in various ways.

- FIAs offer the ability to earn interest based on changes in an external market index, such as the S&P 500® Index, while offering protection from loss of principal due to index declines. However, at no time is clients' money invested directly in the market because they do not actually own any stocks, bonds, index funds, or other investments.
- When a person buys an FIA, the insurance company provides a guaranteed minimum value, and guarantees a minimum rate of interest.
- Insurance companies offer resources to help ensure a full understanding of FIAs to help people make educated financial decisions.
- As with other fixed annuity products, FIAs offer additional benefits including tax deferral, a guaranteed minimum value, a death benefit, and the option for guaranteed lifetime income.

Misperception #2: FIAs have high fees.

Reality: Like many financial products, FIAs carry some fees. The insurance company uses these fees to help support its guarantees and provide valuable benefits including:

- The potential for interest based on changes in an external market index. FIAs provide purchasers with the opportunity to benefit from a portion of market index increases without directly participating in the market.
- Protection from loss of principal if the market index declines.
- A guaranteed minimum value, credited with interest at a guaranteed rate.
- Lifetime income option. Like most other annuities, FIAs can be converted into a stream of guaranteed lifetime income.

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

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

M-5331 (R-10/2022)

Misperception #3: FIAs tie up your money for years.

Reality: Many of today's FIAs have surrender periods of less than 10 years.

- Some of today's FIAs have surrender periods as short as six years.
- Most annuities give you access to at least a portion of your money, such as 10%, after the first year with no surrender charges or other contract penalties.
- Many FIAs offer multiple ways to access funds without penalties.
- Features, such as penalty-free withdrawals, loans, nursing home provisions, and full accumulation value paid to beneficiaries at death before annuity payments begin, are now common.

Misperception #4: FIA values must be annuitized.

Reality: Most FIAs offer multiple ways to access accumulated values without taking annuitization.

- While some contracts have certain values that may be available only through annuitization, most current product designs allow for lump-sum access after the surrender charge period. Many offer the option (either built into the contract or available as an optional rider with an additional cost) for a guaranteed lifetime withdrawal stream. Withdrawals will decrease the contract's values, including the future income value and any death benefit.

Misperception #5: If you die, the insurance company keeps all of your money.

Reality: FIAs let you choose a beneficiary.

- Your beneficiary will be entitled to receive your contract's death benefit if you die before you start taking annuity payments, or if annuity payments have been initiated, to receive any remaining guaranteed payments under certain annuity options, in lieu of a death benefit.
- The exact amount the beneficiary receives will depend on the terms of the contract, but most current product designs provide a death benefit equal to the accumulation value, which reflects the interest credited to the annuity as well as any previous withdrawals or amounts deducted from the annuity.

An FIA may be a good solution.

The reality is, with the volatility of the financial markets in recent years – combined with the limited availability of retirement income sources such as pensions – Americans have a greater responsibility to prepare for their future.

FIAs can be a great addition to an overall retirement income plan, but they're not right for everyone. Purchasing an annuity is an important decision – and one that should be made only after consulting with a financial professional.

WWW

FOR MORE COMPLETE INFORMATION about Allianz fixed index annuities, visit www.allianzlife.com

Distributions are subject to ordinary income tax and, if taken prior to age 59½, a 10% federal additional tax.

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.542.5427 | www.allianzlife.com