



Understanding fixed annuities

Allianz Life Insurance Company of North America





It's time to *rethink* retirement.

In recent 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 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 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.

How a fixed annuity works

Most fixed 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 annuity 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 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!

Today's fixed 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.

You will be guaranteed the return of the money you originally paid into your fixed annuity, unless you surrender your annuity during the surrender charge period.

Phase one: Accumulation

The accumulation phase begins as soon as you purchase your annuity. Fixed annuities earn a fixed rate of interest that is guaranteed by the insurance company.

Phase two: Distribution

The distribution phase of a fixed annuity begins when you choose to receive income payments. You can always take income payments in the form of scheduled annuitization payments over a period of time, including your lifetime. And many fixed 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 lifetime income, guaranteed.

Who's who in a fixed annuity

Insurance company:

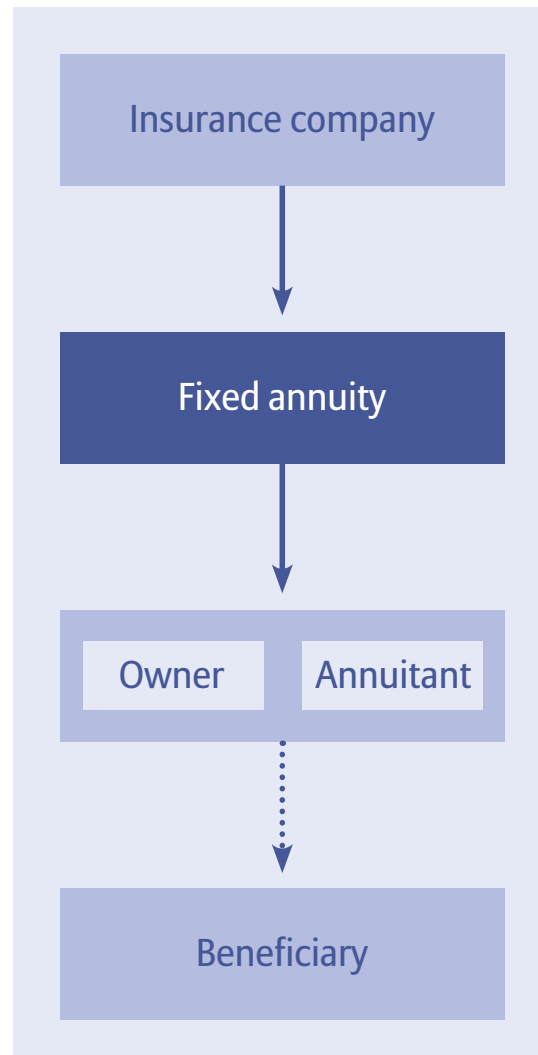
This is the company that issues the annuity. The insurance company is responsible for backing the annuity's guarantees.

Contract owner/annuitant:

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.

Beneficiary:

The beneficiary is the person who receives the annuity's death benefit. Naming one or more beneficiaries is important, because without a beneficiary, the money in your annuity could be subject to probate.

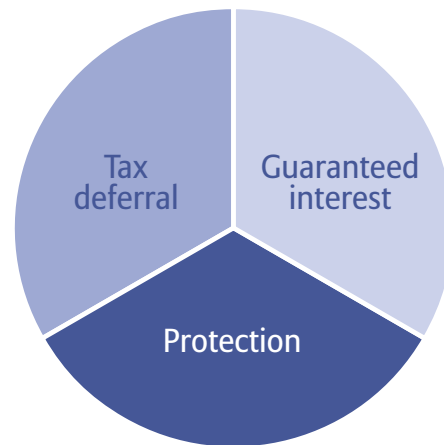




Understanding the benefits

A fixed annuity offers a unique combination of benefits that can help you achieve your long-term goals: tax deferral, accumulation and benefits to protect your retirement assets and income.

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



Tax deferral

Under current federal income tax law, any interest in your fixed annuity contract is tax-deferred. When you begin receiving money from your contract, you pay ordinary income taxes only on your interest. Withdrawals are taxed as ordinary income and, if taken prior to age 59½ a 10% federal tax penalty may apply.

Guaranteed interest

Fixed annuities can offer a guaranteed interest rate that is competitive with other long-term financial vehicles. And since the interest your contract earns is tax-deferred, it may accumulate assets faster.

Protection

Fixed 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.

Guaranteed Income

You can be protected from the possibility of outliving your assets.

Legacy

If you pass away before annuity payments begin, a fixed annuity may help you provide for loved ones.

Tax deferral

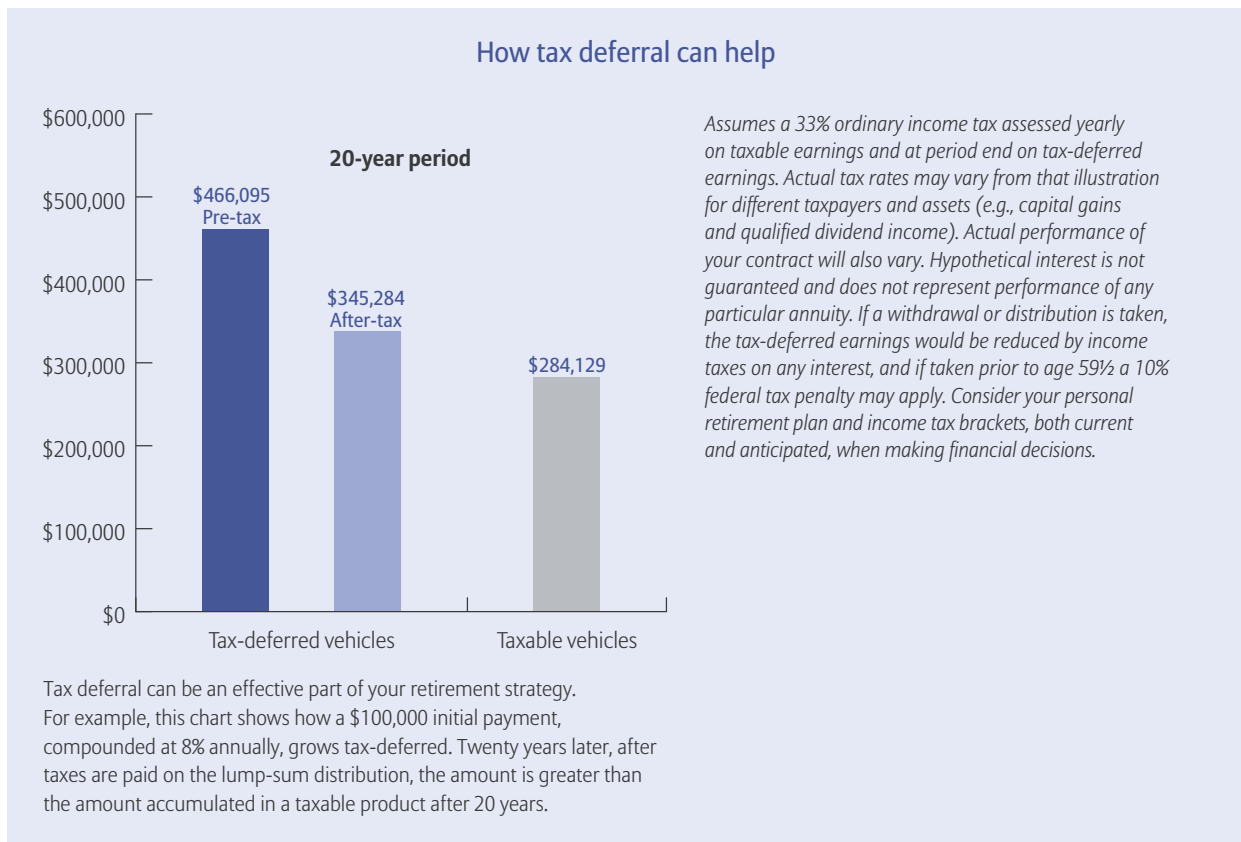
A fixed annuity offers tax advantages.

During the accumulation phase of your contract, any interest growth is tax-deferred. If you purchase your fixed 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 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.

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.

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



Protection benefits

A third important advantage of a fixed annuity is the range of guarantees available. These allow you to transfer risk to the insurance company issuing the fixed annuity. These guarantees 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. And any interest credited to the contract is locked in and protected as well.

Guaranteed income

A fixed 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 deferral period, you can begin taking payments. 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 payments and the payout schedule you choose.

You generally have two choices for receiving income payments: annuitization payments or income withdrawals – each of these payment types is taxed differently. 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 taxed, 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 if you have any questions or concerns about which income payment type may be best in your own particular tax situation.

Annuities can give you the reassurance of having guaranteed income for life – so you can focus on doing the things you most enjoy.

Accumulation potential

A large part of fixed annuities' accumulation potential is based on their tax-deferred growth. But keep in mind, fixed annuities also offer you interest rates that may compete with financial products that don't provide tax deferral.

We establish your initial interest rate when you purchase your contract, and guarantee it for one or more years. On your contract anniversary, we may announce a new rate, which will be guaranteed throughout the coming year.

Although your fixed interest rate may go up or down while you own your annuity, it will never fall below the minimum set when you purchase your contract.



Legacy 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.

Annual financial risks:	Insurance solutions
0.3% Chance of house fire ¹	 ✓ Homeowners insurance
0.9% Chance of death ²	 ✓ Life insurance
2.8% Chance of car accident ³	 ✓ Auto insurance
28% Chance of loss of principal ⁴	 ✓ Fixed annuities

¹ Percentage is calculated from U.S. Fire Administration, "Residential Structure Fires," www.usfa.dhs.gov/statistics/national/residential.shtm and American Housing Survey for the United States: 2007. Accessed September 2010.

² 2001 CSO Table, www.actuary.org/life/cso_0702.asp. Accessed September 2010.

³ Percentage is calculated from U.S. Department of Transportation National Highway Traffic Safety Administration, "2008 Traffic Safety Annual Assessment – Highlights," *Traffic Safety Facts*, June 2009 and *Fatality Analysis Reporting System (FARS) Encyclopedia 2008*, www-fars.nhtsa.dot.gov/Main/index.aspx. Accessed September 2010.

⁴ Percentage is based on number of years (14) the S&P 500 (inclusive of dividends reinvested) was down during the 50-year period between January 1, 1960 – December 31, 2009. Jeffrey A. Hirsch and Yale Hirsch, *Stock Trader's Almanac*, p. 155.

Is a fixed annuity right for you?

The answer is, “maybe.”

Only you know your goals for retirement, so only you can determine your income needs. A fixed annuity isn't the right solution for everyone, and you shouldn't buy one unless it's appropriate for your situation. However, tens of millions of Americans have decided that it was the right choice for them.

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

- **Tax deferral** to help you reach your retirement goals
- **Accumulation** 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 annuities, talk to your financial professional and visit www.allianzlife.com.



True to our promises ... so you can be true to yours.SM

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 our network of trusted financial professionals, Allianz helps more than 1.2 million people as they seek to achieve their financial and retirement goals. Founded in 1896, Allianz is now 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.

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

www.allianzlife.com

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