



Rollover IRA

Moving from an employer-sponsored plan to an IRA

Allianz Life Insurance Company of North America

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Growing a strategy for your retirement: The rollover IRA.

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Long-term financial strategies that may keep your retirement plans from wilting

It's all about the retirement years.

Whether your retirement is years from now or coming up next season, the decision you make now about your employer-sponsored retirement plan may have an impact on how healthy your standard of living for retirement will be. If you're leaving a job to retire, the impact of your decision is fairly obvious because you're now face-to-face with the realities of living without a paycheck.

If you're leaving a job for other reasons and retirement is still some time away, the financial issues of retiring may seem too distant to matter. But they will matter all too soon, and the decisions you make today will affect your retirement lifestyle – for better or for worse.

A comfortable retirement may cost more than you anticipate.

Many people in or near retirement are realizing that they may have underestimated their financial needs. As a result, they're concerned about having enough money to maintain their pre-retirement standard of living. Here's why:

- Resources need to provide for extended retirements, as people are living longer.
- Social Security benefits are shrinking.¹
- Taxes may further reduce retirement assets.
- Inflation erodes long-term purchasing power.
- Unexpected expenses may deplete resources faster than anticipated.

¹Social Security Administration, "Fast Facts and Figures about Social Security," September, 2007.

Your financial future starts with careful planning

If you've started the process of planning your retirement income, you probably have a good idea of how much you'll need for retirement. If you haven't done any retirement planning, work with your financial professional who will help you:

- Determine how much retirement income you will need
- Identify your "income for life" sources
- Estimate how long your retirement income may last
- Calculate how much additional income you may need
- Evaluate your additional income sources

Since tax laws are complex and subject to change, it's important to discuss your individual situation with your attorney and/or tax advisor. Working together with your financial professional, you can consider all aspects of important issues such as:

- The impact of taxes on withdrawals
- Which accounts should be accessed first
- How various decisions may impact your estate plan
- The effects of inflation on your retirement assets
- Handling expenses – anticipated and unexpected
- The best use of other sources of income, such as Social Security



A big decision that can make a big difference in your future

What will you do with your retirement plan when you leave a job, change jobs, or retire?

Deciding what to do with your retirement plan when you leave a job can have a significant impact on your future financial security. With the increase in employer-sponsored retirement plans such as 401(k)s, many people have accumulated considerable balances by the time they leave the company. As a matter of fact, a 401(k) or similar retirement plan is often a person's single-largest financial asset.

Take time to know the facts and evaluate your options to make a decision that will serve you well over the long term.

There are various options for your retirement plan distribution.

You have three basic options for your retirement plan money when you leave a job. You can:

1. Take a lump-sum distribution,
 2. Leave your funds in an employer's plan,
- or**
3. Roll over your funds to an IRA.

Please note that rolling funds over to an IRA does not assure positive results or that sufficient funds will be available for retirement.



Evaluate the options that exist for your retirement plan distribution.

Let's take a closer look at the three basic options for your employer-sponsored retirement funds when you leave a job. (See the table on page 7 for a side-by-side comparison.)

Option 1: Take a lump-sum distribution.	Option 2: Leave money in employer-sponsored plan.
<p>It's easy to see why this option is so tempting to some people. What may appear to be a sudden windfall of available cash or stock seems like an easy solution for paying off debt, covering expenses, or making a much-needed (or wanted) purchase. But there's a big cost for taking that option – one that you'll pay for now and later. The cost of a lump-sum distribution may include:</p> <ul style="list-style-type: none">• Loss of income tax deferral• Starting over – or trying to catch up – on retirement savings• 20% mandatory federal income tax withholding (actual federal tax liability could be greater)• 10% premature distribution penalty if you are under age 59½ unless an exception applies• State and local taxes (depending on where you live)	<p>There are two ways of leaving your money in an employer-sponsored plan. One is to simply leave it in the former employer-sponsored plan. The other – if you're changing jobs – is to complete a direct rollover to your new employer-sponsored plan. Be aware that whatever advantages you anticipate in leaving the funds in an employer-sponsored plan, you will be giving up some degree of control and flexibility.</p> <p>Some limitations in leaving the funds in an employer-sponsored plan could include:</p> <ul style="list-style-type: none">• Plan guidelines restricting access to your money• Allocation options limited to those selected for the plan• 20% mandatory withholding to distribute funds from your employer-sponsored plan <p>Even if you're comfortable with the guidelines of the employer-sponsored plan as they are now, there's no guarantee that they will stay the same. If the company is sold or merged, the plan and its rules may change.</p> <p>Leaving your retirement assets in an employer-sponsored plan is letting someone else control your allocation choices.</p>

Option 3: Roll over your funds into an IRA.

A rollover IRA can be an attractive strategy to continue tax-deferred growth and assume some control and flexibility over your retirement funds when you leave a job. There are two types of rollovers:

A direct rollover occurs when your former employer-sponsored plan transfers your assets directly to a new IRA. The direct rollover provides for:

- Continued tax-deferred growth potential
- Flexibility to select allocation options to build a diverse portfolio that fits you and your goals
- No mandatory 20% federal income tax withholding upon direct transfer of plan to IRA
- No mandatory 20% withholding when assets are distributed from your IRA (although taxable distributions must be included in your taxable income for the year and may be subject to a 10% premature distribution penalty if you withdraw the funds from your IRA before age 59½)

An indirect rollover is when your employer-sponsored plan issues a check payable to you and you deposit the money in an IRA within 60 days from the day you receive the check. The indirect rollover provides for:

- Continued tax-deferred growth potential
- Flexibility to select allocation options to build a diverse portfolio that fits you and your goals
- Mandatory 20% federal income tax withholding upon distribution from plan (however, no actual income tax is triggered as long as you make up the 20% "out-of-pocket" and deposit the check into a rollover IRA within 60 days from the day you receive the check)
- No mandatory 20% withholding when assets are distributed from your IRA (although taxable distributions must be included in your taxable income for the year and may be subject to a 10% premature distribution penalty if you withdraw the funds



Look over a rollover

For many people, a rollover IRA provides more control and flexibility over their retirement savings.

During your lifetime

By rolling over your employer-sponsored plan to an IRA, you are no longer limited to the allocation options selected by the employer's plan. You can decide which options are the best fit for you given your specific retirement timeline, the return you would like to achieve, and the level of risk with which you are comfortable. Employers often decide which allocation options to offer within their employer-sponsored plan based on minimizing their fiduciary liability. For you, however, this may be your entire retirement nest egg, accumulated over many years, providing the only means of funding the retirement lifestyle you would like to live. Make sure you work with a financial services professional to decide what strategy is best for you.

Consolidate for easier money management

If you have several retirement plans from former employers, you may choose to consolidate your retirement accounts into a single rollover IRA to simplify managing your assets during retirement.

For your beneficiaries

After your death, a rollover IRA can mean more control over how your remaining IRA assets are distributed to your beneficiaries. Assets can be distributed to match the financial circumstances of each of your beneficiaries.

Other considerations about distributions

To learn how any of the following issues and opportunities may impact your individual situation, consult your financial services professional and your tax and legal advisors.

Before age 59½

Most distributions taken from a retirement plan before age 59½ will be subject to a 10% premature distribution penalty along with the income taxes due at the time the funds are distributed. There are, however, certain circumstances where withdrawals from a retirement plan prior to age 59½ are allowed with no additional tax penalties. Ask your financial professional about all the options available, including in-service distributions and substantially equal periodic payments (SEPPs).

At age 70½

Required minimum distribution rules apply once you reach age 70½, and you may be subject to significant taxes and penalties if distributions are not taken as required.

Pre-1987 after-tax contributions

If your 401(k) balance includes pre-1987 after-tax contributions, you may be able to receive a separate check for these contributions and roll the after-tax dollars directly into a Roth IRA in a tax-free transaction. Ask your financial professional for more details.

Company stock

If you hold employer securities in your retirement plan, you may be able to reduce your overall income tax liability by taking distribution of the company stock before rolling over the balance of your plan over to an IRA. Ask your financial professional for more details on "net unrealized appreciation."

Estate planning

You may have other assets adequate for retirement so that you don't require the funds in your IRA for living expenses. If so, there are options for creating a strategy that can extend your IRA assets to your beneficiaries, providing future financial security for your children or grandchildren. Ask your financial professional about a stretch distribution strategy.

Retirement plan distribution options compared

The following illustration compares your options using a hypothetical \$50,000 plan distribution.

	Option 1: Take a lump-sum distribution	Option 2: Leave the money in an employer-sponsored plan.	Option 3: Roll over funds directly to an IRA
Amount eligible for rollover	\$50,000	\$50,000	\$50,000
20% mandatory income tax withholding	\$10,000	\$0	\$0
Additional income tax, assuming 27% tax bracket ¹	\$3,500	\$0	\$0
10% premature distribution penalty tax ²	\$5,000	\$0	\$0
Net amount to invest	\$31,500	\$50,000	\$50,000
Other considerations	<ul style="list-style-type: none"> • 20% mandatory withholding for federal income taxes (actual federal tax liability could be greater) • 10% premature distribution penalty if you are under age 59½ • State and local taxes (depending on where you live) • Loss of tax-deferral • If you reinvest this you may have favorable capital gains rates versus ordinary income rates 	<ul style="list-style-type: none"> • Continued tax-deferred growth potential • Loss of some flexibility and control • Restricted access to your money • Mandatory 20% withholding for future distributions • Allocation options limited to those selected for plan • All distributions are subject to ordinary income tax 	<ul style="list-style-type: none"> • Continued tax-deferred growth potential • Control over when and how you access your money without the restrictions of your employer-sponsored plan guidelines • No mandatory 20% federal income tax withholding on distributions • Flexibility to select allocation options to build a diverse portfolio that fits with your goals • Consolidating your retirement assets for easier money management • No limits on amount of rollover dollars • All distributions are subject to ordinary income tax



¹ Represents taxes due on amount distributed, in addition to 20% mandatory withholding.

² 10% premature distribution penalty tax may apply if taken before age 59½ unless you qualify for certain limited exceptions.

Please note: In 2008, you can also roll over funds directly from an employer-sponsored plan to a Roth IRA.

A garden variety of options

Take the time to make an informed decision. Your future may depend on it.

While the option of taking a lump-sum distribution may seem attractive if you need or want a large amount of cash for something, this choice can be extremely costly. The option to leave your funds in an employer-sponsored plan may seem like the easiest choice in the short run, but it may prove to be a disadvantage in the long run.

For increased convenience and flexibility, a rollover IRA may be a better choice for taking control of your retirement assets and preserving the benefits of tax-deferral from your 401(k) or other employer-sponsored retirement plan.

Make an informed decision.

You have choices and the final decision is up to you. This brochure is designed to help you understand and evaluate each of the options and its potential impact on your financial future. We've included important information to help you:

- Pick long-term financial strategies that may help keep your retirement plans from wilting
- Evaluate the options that exist for your retirement plan distribution
- Consider the rollover IRA
- Make the most appropriate choice from a garden variety of options

The sooner you start planning, the more you'll have time on your side. And more time – used wisely – may mean more money for your retirement years.



Moving from information to action

Move from information to action with these important steps:

1. Map your course to retirement with long-term financial strategies.

Action: Review your estimated need for retirement income with your financial professional.

2. Evaluate various routes for your retirement plan assets.

Action: Decide which of the three options is best for your retirement plan assets when you leave a job.

3. Transition from employment through retirement with a rollover IRA.

Action: Ask your financial professional to help you arrange a rollover IRA so you can start enjoying the:

- Simplicity of consolidated retirement savings
- Advantages of continued tax deferral
- Benefits of continued growth potential of retirement savings
- Control and flexibility of making your own choices for your retirement savings

4. Drive your retirement goals with the right options.

Action: Choose a rollover IRA product that suits your style and fits your financial goals.



Knowledge is power.

With the information we've provided, you now have the power to act and make a difference in your financial future.

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