

Allianz Life Insurance Company of North America

Important financial considerations for job changers

AMERICAN PRIVATE WEALTH



Allianz 

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Our Mission: Allianz Life Insurance Company of North America is the trusted authority in insured retirement solutions for consumers working with a financial professional.

Agenda

1. Financial outlook
2. Financial considerations
3. Next steps



1

Financial outlook

Taking control of your financial future

Financial outlook

Workers consider a career change for a variety of reasons including:

Promotion - Advancement opportunities often lead to career changes.

Unhappiness - The work loses its appeal.

Obsolete skills - Job skills become obsolete or are no longer needed.

Forced – Layoffs, companies going out of business and other factors can cause a forced change.

Life transitions – Life changes often incite the need for new challenges.

Financial outlook

- The U.S. Bureau of Labor Statistics estimates that baby boomers changed jobs about 11 times between the years of 1979 and 2009, when they were from ages 18 to 44.¹
- In the 12 months prior to May 2011, nearly 47.7 million people started new jobs.²

¹U.S. Bureau of Labor Statistics, September 2010

²U.S. Bureau of Labor Statistics, June 2011



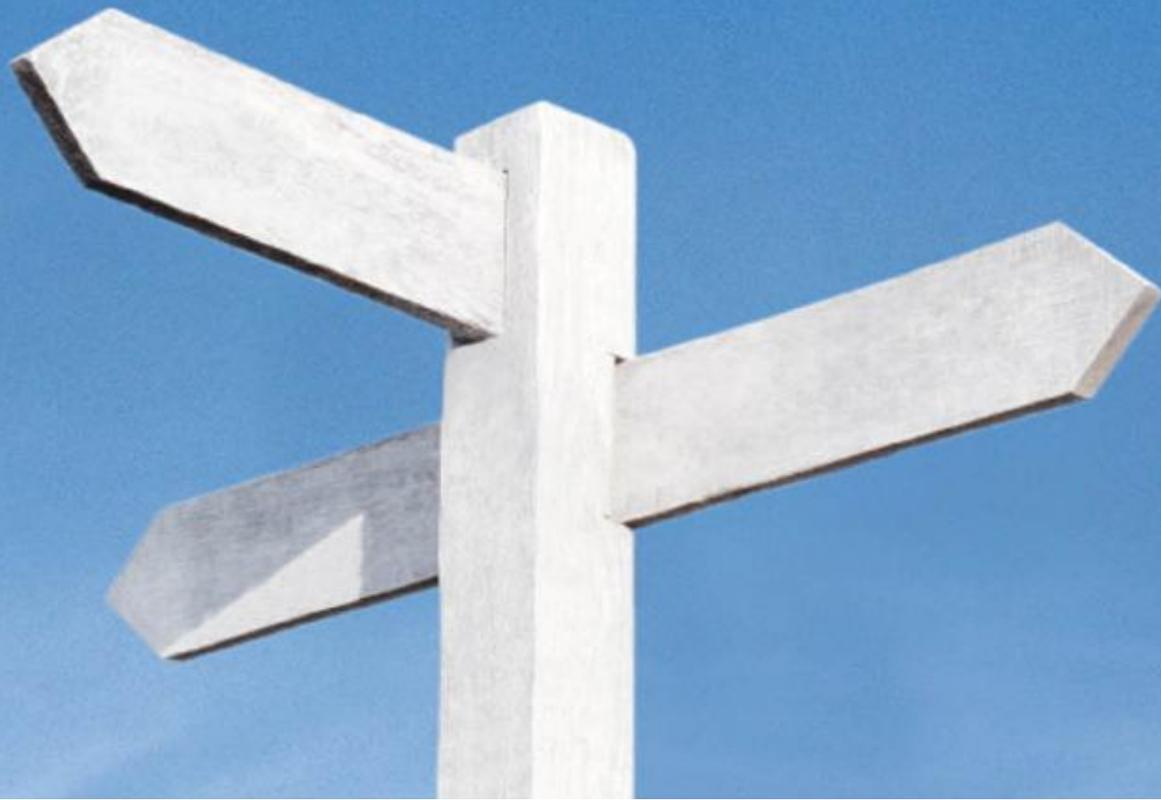
Financial outlook

You don't have to make the transition alone...

There are many professionals available to provide guidance on financial considerations



2



Financial considerations

Taking control of your financial future

Common considerations

- Life and disability income insurance
- Health insurance
- Retirement plans
- Flexible Spending Accounts (FSA)
- Health Savings Accounts (HSA)
- Taxes
- Emergency fund

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Life and disability income insurance

Three things that can impact your insurance needs

1. Loss of employer group coverage
2. Changes in benefits from one company to the next
3. Change in income

Consider permanent coverage

Health insurance

- Compare your benefit package to your significant other's
- Consider individual coverage if group benefits don't start right away
- Consider how pre-existing conditions may impact future coverage

Health insurance - COBRA

Consolidated Omnibus Budget Reconciliation Act (COBRA) provides for 18 months of continued coverage under your former employer's plan

- Typically will be required to pay full cost (employer and employee portions)
- Must pay premium on time
- May benefit more from having own individual policy

Since COBRA can be expensive, shop around for own coverage

COBRA qualifying events:

Voluntary or involuntary termination of employment for reasons other than gross misconduct

Reduction of working hours

Retirement

401(k), 403(b) and pension

- Consider rolling the money over to an Individual Retirement Arrangement (IRA) or to a ROTH IRA
- If permitted, roll the money into new employer's retirement plan
- Cash it out – **GENERALLY NOT RECOMMENDED**
- Keep the money in your former employer's plan

Any transaction that involves a recommendation about funds held in a securities product can be conducted only by individuals currently affiliated with a properly registered broker/dealer. If your financial professional does not hold the appropriate registration, please consult with your own broker/dealer representative for guidance on your securities holdings.

Retirement

Roll the money over to an IRA or ROTH IRA

Pros

- Avoid early withdrawal penalties.
- Money continues to grow tax-deferred w/ a direct rollover.
- May offer more investment options than employer plan.
- ROTH IRA qualified distributions after age 59 ½ are income tax free.

Cons

- Can't borrow against the assets.
- IRA distributions are income taxable and penalized at 10% if distributions occur before age 59 ½ and no other exceptions apply.
- Fees and transaction costs may be higher than employer plan.

Retirement

Roll the money into the new employer's retirement plan

Pros

- Avoid early withdrawal penalties.
- Money continues to grow tax-deferred.
- New employer plan may offer loans

Cons

- May have a limited number of or less desirable investment choices.
- May have limited ability to make exchanges among funds in the plan.

Retirement

Keep the money in your former employer's plan

Pros

- Access by loan w/o penalty, if available
- Money continues to grow tax-deferred.
- Retain the ability to roll over to an IRA or new employer's plan at a later date.
- Retirement or separation from service at age 55 or older allows access to funds w/o 10% penalty

Cons

- Can no longer contribute to former employer's plan.
- May have limited number of investment choices
- May have limited ability to make exchanges among funds in former plan.
- Employer controls plan administrator and investment options
- Employers may charge administrative fee

Retirement

Cashing out

Pros

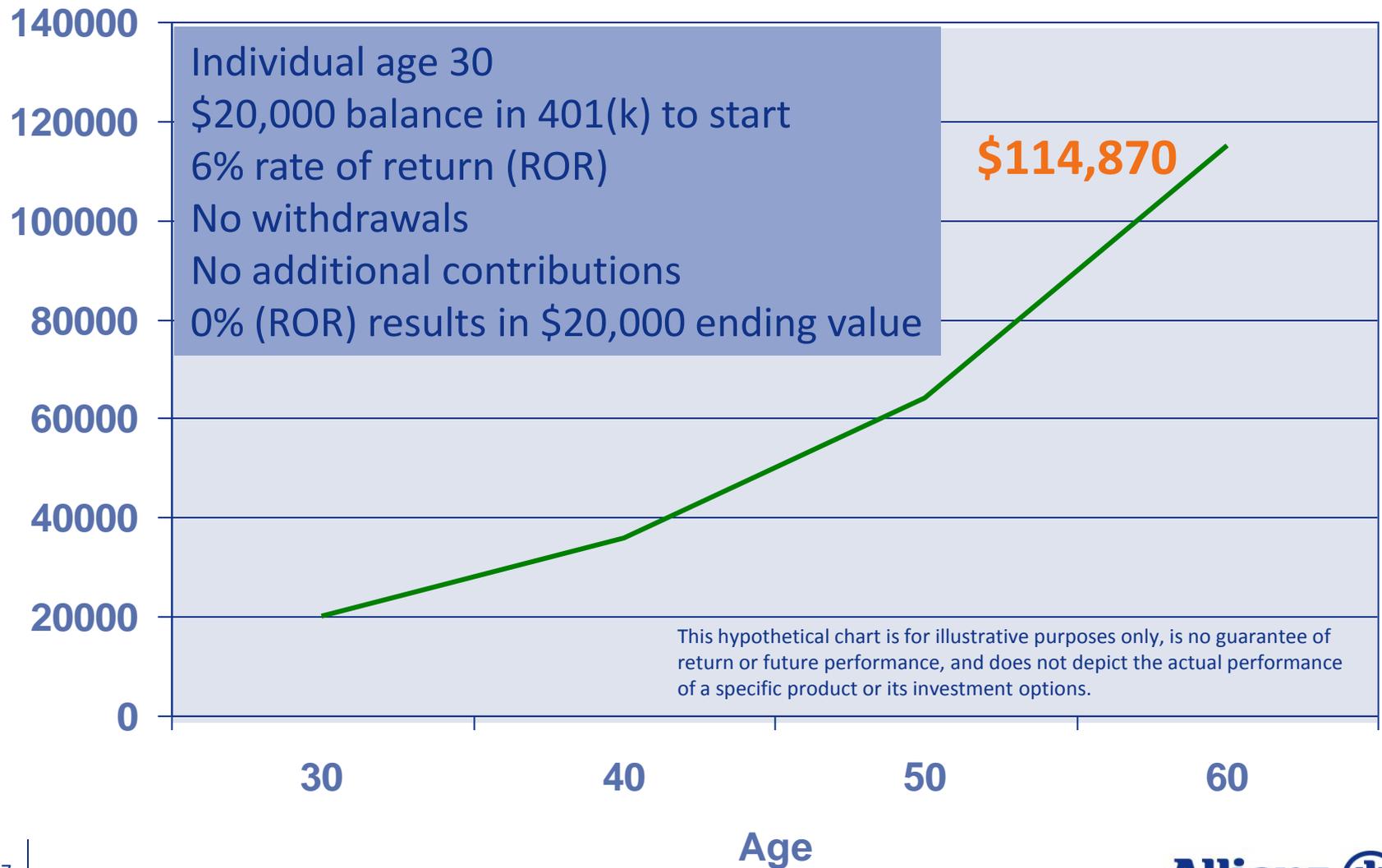
- Can provide cash during difficult financial times.
- Lump sum may be needed for Net Unrealized Appreciation (NUA).

Cashing out can deplete original 401(k) savings by nearly half!

Cons

- If you are younger than age 55, you will face a 10% IRS early withdrawal tax penalty.
- A 20% mandatory federal tax withholding is applicable for all ages.
- Money no longer grows tax-deferred.
- May fall short of reaching retirement goals.

Retirement



Other considerations

Flex Spending Account (FSA)

- A benefit offered to employees by an employer which allows a fixed amount of pre-tax wages to be set aside for qualified expenses.
- Qualified expenses may include child care or medical expenses not covered by insurance.
- The amount set aside must be determined in advance and employees lose any unused dollars in the account at year end.
- Not portable, must utilize account before leaving employer

Other considerations

Health Flex Spending Account (FSA)

- Can spend ALL the dollars elected, even if all the payments haven't been deducted from the employees paycheck.
 - For example, if you spent \$500 on qualified medical expenses, but have only had deductions of \$150 to-date, and then left your job for any reason, you don't need to pay the \$350 balance back.

Other considerations

Health savings accounts (HSA)

Consists of two parts: 1. High deductible health plan (HDHP)
2. Health Savings Account

- HSAs allow a person who has HDHP coverage to set pre-tax money aside for both current and future health care needs that aren't covered by their health insurance.
- Contribution limits vary based on age and family status.
- Unlike an FSA, an HSA allows a person to roll over their unused balance from one year to the next.
- An HSA also allows them to accumulate tax-deferred investment earnings on their account balance.
- Accounts are portable, and can be retained when there is a change in job.

Other considerations

Taxes

- Unemployment, severance pay, and pay out of accumulated sick/vacation time are all taxable.
- Cash withdrawals from retirement plans prior to age 59 ½ are generally taxable, and subject to a premature withdrawal penalty tax.
- Expenses such as mileage to drive to interviews, cost of job placement services, resume preparation fees and any other expenses directly related to a job search may be deductible.
- Moving costs for a new job located at least 50 miles from a person's home may also be deductible.

This presentation is designed to provide general information on the subjects covered. Pursuant to IRS Circular 230, it is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that Allianz Life Insurance Company of North America, its affiliated companies, and their representatives and employees do not give legal or tax advice. Please consult with your tax advisor or attorney.

Other considerations

Emergency cash reserve

- Cash reserves can help cover unexpected expenditures and provide reassurance, they also help protect people from the long term negative effects of going into debt
- Set aside 3-12 months of living expenses
- Keep money in a liquid investment, money market or savings account
- Add to it regularly
- May need to make changes to savings based on new income and whether accounts had been depleted during job transition

3

Next steps

Taking control of your financial future

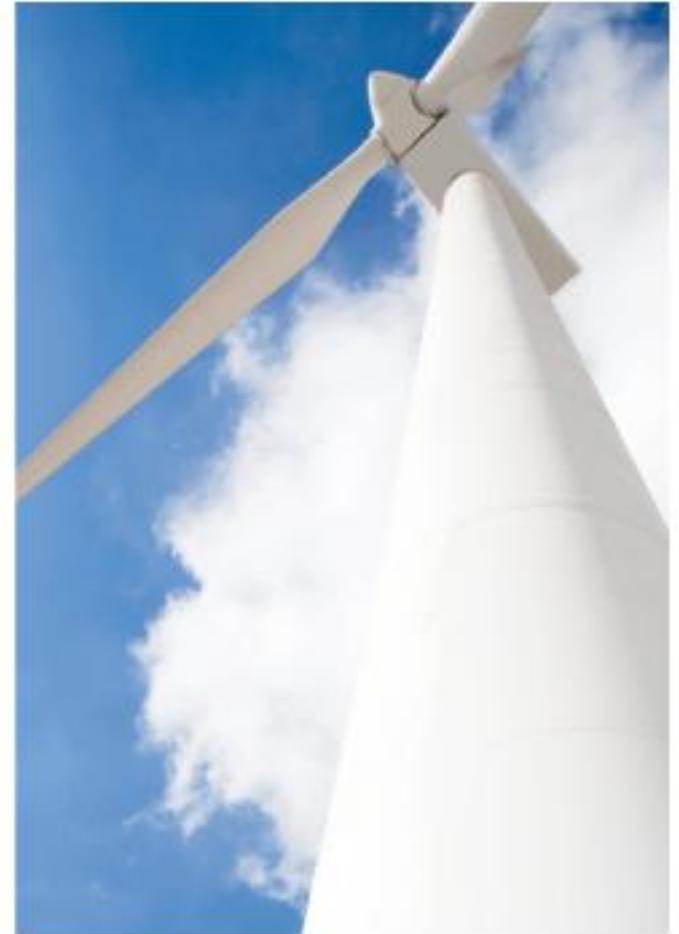
Next Steps

Take control of your financial future.

People that work with a financial professional:

- Tend to save more and still may have more to spend
- Are more financially confident, and
- Consider themselves to be more financially knowledgeable...
than those who do not!

ING Institute for Retirement Research, Working with an advisor: Improved Retirement Savings, Financial Knowledge and Retirement Confidence!, 2010



Next steps

- **Schedule a free consultation with me to review your specific situation**
- **Bring your...**
 - Statements that you'd like to review
 - Personal financial inventory worksheet
 - Beneficiary review
- **Stay focused on your goals**

The image displays two documents from Allianz. On the left is a 'Personal Financial Inventory' worksheet (AMK-024) with a table for recording income, savings, and expenses for two clients. On the right is a 'Beneficiary review' form (AMK-021) featuring a collage of photos of a family and the text: 'Beneficiary review Tell us about the people for whom you'd like to leave a financial legacy. Allianz Life Insurance Company of North America Allianz logo'. The form also includes the reference number AMK-021 and 'Page 1 of 4'.

Client #1	Client #2
Income, savings, expenses	
Current annual income:	Client #1
Salary/wages	\$
Pension	\$
Social Security	\$
Other	\$
Investment income:	
Taxable	\$
Nontaxable/tax-deferred	\$
Total annual income	\$
Tax bracket (marginal)	
Tax filing status	
Current annual savings:	
Personal savings	\$
IRA contributions	\$
Company retirement plan (vested amount)	\$
Total annual savings	\$
Current annual expenses:	
Taxes	\$
Housing	\$
Food/clothing	\$
Insurance	\$
Education	\$
Entertainment	\$
Charity	\$
Other	\$
Total annual expenses	\$

Personal inventory worksheet
AMK-024a/b

Beneficiary review AMK-021

Summary

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800.542.5427 www.allianzlife.com



Thank you.
Any questions?