

SEPPS HOW-TO GUIDE

Understanding Substantially Equal Periodic Payments (SEPPs)

Facts to consider before you elect withdrawals to qualify as SEPPs from your IRA or nonqualified Allianz annuity

If you need income before age 59½, electing withdrawals that qualify as Substantially Equal Periodic Payments (SEPPs) may let you receive payments from an IRA or nonqualified annuity that are exempt from the IRS 10% additional federal tax.

Considerations if you decide to establish SEPPs from an IRA or nonqualified annuity

STEP 1 Meet with a tax professional

If you have determined that you have an income need to receive payments from an IRA or nonqualified annuity before age 59½, a tax professional can help you determine the payment amount, which stays the same each year under certain methods and changes each year under one method of calculating the amount. There are certain allowable methods for calculating SEPPs, and a tax professional can help you decide which method may be most appropriate for you. You will be required to report the payments correctly to the IRS when you file your income tax returns, so keep the calculation of the payment amount with your other important tax papers for tax-filing purposes.

STEP 2 Submit a request to begin payments

If you have determined to use an Allianz contract to receive payments, you will need to log in at www.allianzlife.com. Under the “Forms & Materials” tab, search for Systematic Withdrawals. Download the appropriate form for your annuity type, complete it, and submit it via email, mail, or fax. Payment amounts are subject to terms and conditions within the contract.

STEP 3 Receive your payments and tax-reporting information

Payments will begin after your request is processed.

Please be aware that Allianz does not administer SEPPs or report on IRS Form 1099-R SEPPs being exempt from the 10% additional federal tax from our IRAs or nonqualified annuities. If you are taking payments from an Allianz contract, see Step 4. For payments from an Allianz contract before age 59½, Allianz will report the distribution as “Early distribution, no known exception” (distribution code 1).

STEP 4 When filing your income tax return, review IRS Form 5329 with your tax professional

For payments qualifying as SEPPs, since Allianz does not report the exception, you will need to file IRS Form 5329 with your federal income tax return to report the payments as eligible for an exception to the 10% additional federal tax. This form is available at www.irs.gov. Work with your tax professional to file it correctly with your return.

SEPPs have significant requirements and restrictions

Before deciding to begin these payments, please consult with a tax professional and keep these restrictions in mind.

- If you're using payments to meet the SEPP early distribution exception, you can't modify or discontinue the payments before the required period expires.
- Unless an exception applies, the required period is the later of the IRA or annuity owner attaining age 59½, or the close of the five-year period that began on the date you received the first payment. Modifying or discontinuing payments before the period expires will trigger the 10% additional federal tax for all of the distributions you've received, plus interest for the tax years in which you used the exception.
- Taking a partial withdrawal after SEPPs have begun will result in the modification of the series of substantially equal payments, triggering the 10% additional federal tax and interest for the period as described above.
- Adding purchase payments to a contract that is making SEPPs will also result in a modification of the payments.

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