

*The 5-minute
guide to variable
annuities*



Variable Annuities *One investment ...* *Multiple possibilities*

Investing is one of the most intricate components of financial planning. In today's world, investors are developing retirement strategies with more than just 401(k)s and savings accounts. There are numerous ways to approach investing, but an unstable market causes investors to re-evaluate current and future investment decisions. You know you need to invest, but you're unsure of all your options.

IT'S ALL ABOUT OPTIONS, ACCESS AND FREEDOM.

People are living longer and retiring earlier, so it is important to establish a plan that will offer the opportunity for returns with the potential to outpace inflation. You need an investment plan that can offer growth potential when the market is up and provide features to help you manage risk when things get a little rocky.

A variable annuity can be a part of the investment strategy you need. An aggressive or conservative portfolio is available through multiple fund options that allow you to customize your approach in an effort to achieve long-term financial growth.

WHAT IS A VARIABLE ANNUITY?

A variable annuity is a contract issued by a life insurance company that provides a variable rate of return based on the performance of the selected investments. Variable annuities offer the flexibility of investing in one product with multiple options – letting investors direct money into sub-accounts based on their individual risk tolerance. When you are ready to retire, you can withdraw money as needed, or you can turn the value of your annuity into a regular income stream that is guaranteed by the issuing insurance company to last the rest of your life, regardless of how long you live.

WHAT ARE THE BENEFITS OF A VARIABLE ANNUITY?

1. TAX-DEFERRED GROWTH

The benefit of tax deferral is that you have the potential to accumulate money faster than with an equivalent taxable product, thanks to the power of compounding interest. Compounding interest works in three phases:

- Principal investment earns interest
- Your interest earns interest
- Money you would have paid in taxes earns interest

2. PROTECTION FOR BENEFICIARIES

Variable annuities offer a variety of guaranteed death benefits that protect the value of assets in the event of a market decline. Upon the owner's death, the assets will be paid directly to the beneficiary(s) named thus avoiding the probate process.

3. TAX-FREE/PENALTY-FREE TRANSFERS AMONG INVESTMENT OPTIONS

By choosing a variable annuity with multiple fund investment options, you can alter your investment strategy as your goals change. Within most variable annuities, any adjustment to your portfolio can be done without fees or taxes.

4. GUARANTEED INCOME¹

An annuity is the only investment that can guarantee you an income for the rest of your life. At any time after two full years in a contract, you can convert your contract value into payments with no withdrawal fees. That means you can receive either fixed or variable periodic payments the way you want them. Simply choose from the annuity's wide variety of payment options. Ask your investment professional for more specific details.

5. IMMEDIATE ACCESS²

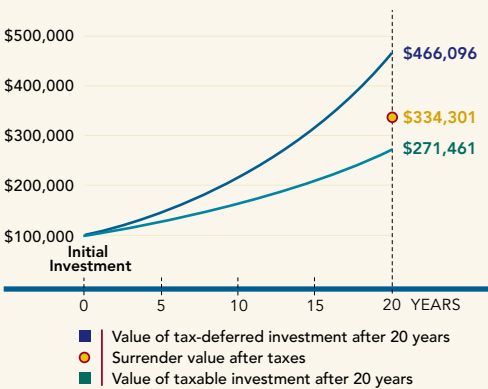
Although a variable annuity is designed for retirement purposes, you can still access your money to meet current needs. You may make withdrawals totaling up to 10% each year of the amount invested, without incurring a surrender charge.

Or, you can choose to systematically withdraw a specified percentage of your annuity value each year based on your age.

DOES TAX DEFERRAL REALLY MATTER?

Yes, and it makes an even greater difference the longer you participate. Even if you took the value of the tax-deferred investment as a lump sum after 20 years and paid taxes on all the earnings, the difference would still be more than \$60,000.

DEFER TAXES AND ACCELERATE GROWTH



The example assumes a \$100,000 non-tax qualified initial investment, accumulated for 20 years, with a constant annual growth rate of 8%.

The chart is for illustrative purposes only and is not intended to represent the performance of any investment option. The example assumes a 36% federal income tax bracket, applied to both the taxable investment each year and to a lump-sum surrender of the tax-deferred investment at the end of the period. If withdrawn prior to age 59½, there is an additional 10% federal tax penalty imposed. The tax-deferred example does not reflect any mortality and expense risk charges or current deferred sales charges. If these were included in the illustration, the tax-deferred performance would have been lower.

WHAT IS AN ACCUMULATION PERIOD?

The accumulation period is defined as the time span prior to the beginning of periodic payments. With a deferred annuity, the payment period begins on a designated date in the future known as the annuitization date.

WHAT OTHER FEATURES ARE AVAILABLE TO HELP ME CONTROL MY INVESTMENT?

- **DOLLAR COST AVERAGING³**

You can manage your market risk by making automatic monthly transfers from fixed-rate accounts, money market funds⁴ or bond funds into a variety of variable investment options. That way, you can purchase more when prices are low and fewer when prices are high.

- **ASSET REBALANCING⁵**

To keep your portfolio consistent with your goals, this feature automatically rebalances your assets to your original allocation.

WHAT TYPES OF FEES ARE ASSOCIATED WITH A VARIABLE ANNUITY?

Although most variable annuities do not have any upfront charges, they do have deferred sales charges for early withdrawal. In addition, there will be money management fees associated with the variable investment options, along with mortality and expense risk charges.



CAN THE MONEY WITHDRAWN FROM A VARIABLE ANNUITY BE USED FOR ANYTHING?

Yes. Keep in mind that a variable annuity is a supplemental retirement vehicle. The income you receive from the annuity can be used for personal financial needs, potential out of pocket health care expenses, or even that dream vacation you have always wanted to take.

SHOULD I CONSIDER A VARIABLE ANNUITY INVESTMENT IF I ALREADY PARTICIPATE IN AN EMPLOYER SPONSORED RETIREMENT PLAN?

A variable annuity should serve as supplemental retirement income to help ensure that you don't outlive your retirement nest egg. It is important to keep in mind that variable annuities are not confined by contribution limits like a qualified retirement plan.

HOW DO I GET STARTED?

Your investment professional is a personal resource offering expert knowledge and a commitment to servicing your investment needs. By maintaining a long-term relationship, you can feel more confident about meeting your personal financial goals – today and tomorrow.

WHY NATIONWIDE?

Founded in 1929, Nationwide has a distinguished history of providing the highest quality financial products and services. For more than 70 years, our business has been built around a commitment to serve and protect our customers. It is our mission to continue to look for new and better ways to offer more choices and to provide better service for our policyholders.

Before investing, understand that annuities and/or life insurance products are not insured by the FDIC, NCUSIF, or any other Federal government agency and are not deposits or obligations of, guaranteed by, or insured by, the depository institution where offered or any of its affiliates. Annuities and/or life insurance products that involve investment risk may lose value.

- ¹ Guarantees are subject to the claims-paying ability of the issuing insurance company and do not apply to any variable accounts, which are subject to market risk
- ² Distributions prior to age 59 1/2 may be subject to a 10% tax penalty. Ordinary income taxes may apply
- ³ Dollar cost averaging does not assure a profit or guarantee against a loss in a declining market. This type of strategy involves continuous investment in the security regardless of fluctuating price levels of such securities. Investors should consider their financial ability to continue purchases through periods of low price levels. Enhanced dollar cost averaging rates are available for new money only.
- ⁴ An investment in a money market underlying fund is not insured or guaranteed by the FDIC or any other government agency. Although the money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.
- ⁵ Asset rebalancing does not assure a profit or guarantee against a loss.

Variable annuities are underwritten by Nationwide Life Insurance Company, Columbus, Ohio, a member of Nationwide Financial. The general distributor is Nationwide Investment Services Corporation, member NASD. In Michigan only: Nationwide Investment Svcs. Corporation.

Nationwide Life Insurance Company is a subsidiary of Nationwide Financial Services, a publicly traded holding company. Nationwide® is a federally registered service mark of Nationwide Mutual Insurance Company.

All individuals selling this product must be licensed insurance agents and registered representatives.

The underlying investment funds discussed in this piece are only available as investment options in variable annuity contracts issued by life insurance companies. They are not offered or made available directly to the general public.

Federal income tax laws are complex and subject to change. Neither Nationwide nor its representatives give legal or tax advice. You should consult an attorney or tax adviser for answers to specific tax questions.

