



*The 5-minute
guide to rollover
IRAs*



Give your retirement savings the opportunity to grow tax deferred when you leave your job

When you leave your job, you have many choices about what to do with the money you have saved in your employer-sponsored retirement plan. What you should do with this money depends on your current financial situation.

Are you retiring? You may want to consider moving the money to an individual retirement account where you'll have complete control of your money. An individual retirement account (IRA) can give you the option to start taking income now or simply let it have the opportunity to continue to grow tax deferred.

But what if you're not retiring? What if you don't need the money to live on right now? There are three excellent reasons to consider an IRA rollover.

1. TO PROTECT YOUR RETIREMENT NEST EGG

If you spend it, you'll have to start saving all over again. And the younger you start, the easier it will be to reach your goals.

2. TO CONTINUE THE OPPORTUNITY FOR TAX-DEFERRED ACCUMULATION

If you take a lump-sum payout, you must pay tax on all the tax-deferred interest your money earned over time.

3. TO AVOID THE MANDATORY 20% WITHHOLDING

If you withdraw the entire balance in your retirement plan, the plan is required to withhold 20% of the total amount for the IRS.

DID YOU KNOW?

- 13% of the American workforce changed jobs in 1997 (not including layoffs)¹
- The average American holds 8.6 jobs between the ages of 18 and 32²

WHAT IS A ROLLOVER?

“Rollover” is a term for moving money from an employer-sponsored retirement plan to another qualified plan or IRA, without paying an early withdrawal penalty or taxes.

You've worked hard for the money you've invested in the tax-deferred retirement plan sponsored by your employer — a 401(k), 403(b) (tax-sheltered annuity) or 457 plan.

When you change jobs or retire, Uncle Sam wants you to have the opportunity to keep those investments growing, without having to pay tax until you're ready to take withdrawals. One of your choices is to move this money into a rollover IRA. In a rollover IRA, your investments continue to benefit from the opportunity for tax-deferred compounding.

¹ Employee Benefit Research Institute, 2000.

² Bureau of Labor Statistics, 2000.

WHEN YOU LEAVE YOUR JOB

If you have \$1,000 or more in your plan account when you leave the company, you generally have four choices:

1. LEAVE THE MONEY IN YOUR FORMER EMPLOYER'S PLAN

This may make sense if you like the investment menu. However, you won't be able to add any more money to your account, and the employer can change the plan without your approval.

2. ROLL IT INTO A NEW EMPLOYER'S PLAN

This is an option worth considering if the plan allows it and you're comfortable with the investment alternatives that are offered.

3. MOVE IT INTO A ROLLOVER IRA OF YOUR OWN

This option gives you the most investment freedom, while making sure your money stays tax deferred until withdrawal.

4. CASH OUT YOUR BALANCE

This is generally a costly mistake.



THE HIGH COST OF CASHING OUT EARLY

In this example, John, age 30, is deciding whether to cash out a \$15,000 retirement account balance or roll it over to an IRA earning a hypothetical 7%. If he waits until age 60 to withdraw from the IRA, he won't be subject to the 10% tax penalty for withdrawals before age 59½. Check out what might happen if John rolled the balance from his plan into a rollover IRA versus cashing out the balance and spending the money on current needs.

	Rollover	Cashout
Total savings now	\$15,000	\$15,000
Growth at 7% over 30 years	\$114,184	N.A.
Federal income tax at withdrawal (assumes 28% tax bracket)	\$31,972	\$4,200
10% tax penalty	0	\$1,500
After-tax income	\$82,212	\$9,300
Cost of cashout vs. rollover		\$72,912

This hypothetical illustration is not intended to project or predict the performance of any specific investment. Depending on your IRA investments and your actual tax rate and time horizon, your after-tax return may be higher or lower. It also does not reflect any state or local income taxes.

FREEDOM, CONVENIENCE AND CONTROL

Instead of the possibly limited alternatives in an employer plan, you'll find you have access to a world of financial choices with your rollover IRA. With the assistance of your investment professional, you can put together a portfolio closely tailored to your goals and circumstances.

Investing involves risk, including possible loss of principal.

WHAT IF ... ?

YOU HAVE AFTER-TAX SAVINGS IN YOUR EMPLOYER PLAN

This money may be moved into a rollover IRA, too. But to make sure you don't pay too much tax at withdrawal, keep it separate from the IRA you open for pretax savings. (Remember, your after-tax savings have probably accumulated earnings that haven't been taxed yet.)

YOU HAVE AN UNPAID LOAN AGAINST YOUR PLAN ACCOUNT

Loans can't be rolled over into an IRA. Unless you pay off your loan first, the outstanding amount will be treated as a distribution. Income tax will be due, and a 10% tax penalty will be charged if you are under age 59½.

YOU WANT TO ROLL OVER YOUR MONEY INTO A ROTH IRA

Roth IRAs cannot accept tax-deferred contributions, so they can't be used as rollover IRAs.

YOU WANT TO KEEP YOUR OPTIONS OPEN

Once you move your money into a rollover IRA, you can roll it over later into a new employer's plan³ or even withdraw it if necessary.

YOU ARE A SURVIVING SPOUSE

If you are the sole beneficiary of your late spouse's retirement plan account, you can move the money into a rollover IRA in your own name.

³ Subject to the new employer's plan provisions.

HOW TO OPEN A ROLLOVER IRA

To move your money from an employer retirement plan into a rollover IRA:

- Establish a rollover IRA with the help of your investment professional, who will be able to discuss suitable financial vehicles from which you can choose
- To avoid tax withholding, instruct your plan custodian to send a check for your account balance directly to your new rollover IRA custodian

Don't let a job change ruin your retirement dreams! Call your investment professional today!

Neither Nationwide nor its representatives can give legal or tax advice. For more information about tax issues, please consult a tax advisor.

WHY CHOOSE NATIONWIDE?

Founded in 1929, Nationwide has a distinguished history of providing the highest quality financial products and services. When establishing your rollover IRA, you will have a variety of choices.

Investing may involve market risk including possible loss of principal. Guarantees are subject to the claims-paying ability of Nationwide Life Insurance Company.

If you are interested in learning more about how a rollover IRA can help you meet your retirement goals, contact your investment professional today.

The Nationwide® advantage

Picture a global company that puts your needs first. Picture innovative products and personalized services. Picture success.

That's the Nationwide advantage.

Nationwide, a Fortune 500 company, provides financial service products through its member company, Nationwide Financial. For more than 70 years, Nationwide, through its subsidiaries, has been dedicated to providing innovative customized services for your use today, tomorrow and for the years ahead.

Federal income tax laws are complex and subject to change. The information provided in this guide is based on current interpretations of the law and is not guaranteed. Neither Nationwide nor its representatives give legal or tax advice. You should consult an attorney or tax advisor for answers to specific questions.

REGISTERED REPRESENTATIVE:

To this promotional literature, please attach your business card identifying your broker dealer.

