Nationwide® is on your side

The power of tax preferral

Life insurance can be a powerful addition to your financial plan, especially for retirement income. The tax advantages are important to consider as life insurance can provide:

1. Income tax-free death benefits
2. Tax-deferred accumulation
3. **Tax-free income**

That's what we call the power of tax preferral.

There are a variety of options you can use to save for retirement. If you're already maximizing your qualified plan contributions, there are situations where a life insurance policy can complement your financial portfolio because of its tax advantages. By purchasing life insurance, you're diversifying your portfolio from a tax perspective and providing the flexibility you need to deal with your specific tax considerations down the road.

Consider how your assets are taxed now and in the future

Taxable	Tax-deferred	**Tax-free**
When held outside of retirement plans or IRAs, these investments are generally taxed at income, capital gains or dividend tax rates. • Stocks • Mutual funds[1] • Real estate • Bonds	When investments are held inside qualified plans, traditional IRAs or they qualify as a deferred annuity, the asset grows tax deferred, and taxes are paid when the money is withdrawn or distributed. • Stocks • Annuities • Bonds • Mutual funds	These assets are unique because they grow tax deferred and money can be withdrawn on a tax-free or tax-preferred basis • **Life insurance death benefit, tax-free loans and withdrawals**[2] • Roth IRA[3] distributions • Municipal bond[4] interest

[1] Mutual funds may be subject to income tax and/or capital gains taxation.

[2] Loans and withdrawals from a life insurance contract are tax free as long as the policy is properly funded and in force.

[3] In order to receive the income tax-free distribution of gains from a Roth IRA, you must hold the asset for at least five years and not take distributions prior to age 59½. Similar to a traditional IRA, there are exceptions to the 10% federal tax penalty for withdrawals and the age 59½ requirement, such as higher education expenses, first-time home purchase, death, disability, certain qualifying medical expenses or health insurance premiums.

[4] While not all municipal bonds are exempt from federal and state income tax, generally, the interest paid on municipal bonds is tax-free.

How this could work in real life

Joe, who's 45, is looking to save additional money for retirement. He purchases a Nationwide YourLife® Indexed UL Accumulator policy and pays $25,000 for 10 years, while he's still working. The cash value grows tax deferred for 20 years. If Joe retires at age 65 and chooses to start taking income a year later, he can potentially withdraw $45,060 a year for 20 years on a tax-free basis from the policy's cash value. And he has a death benefit in place to protect his family, should he die prematurely.[5]

Accumulation phase

Age	Year	Life insurance premium	Life insurance cash surrender	Life insurance tax-preferred income	Income tax-free death benefit
46	1	$25,000	6,672		564,205
47	2	$25,000	29,552		587,085
48	3	$25,000	53,840		611,373
49	4	$25,000	81,353		637,084
50	5	$25,000	110,452		664,380
51	6	$25,000	141,244		693,370
52	7	$25,000	173,830		724,153
53	8	$25,000	208,317		756,838
54	9	$25,000	244,812		791,530
55	10	$25,000	283,448		828,364
56	11		302,432		828,364
57	12		320,633		828,364
58	13		339,890		828,364
59	14		360,247		828,364
60	15		381,760		828,364
61	16		405,374		828,364
62	17		430,408		828,364
63	18		457,010		828,364
64	19		485,298		828,364
65	20		515,219		828,364

[5] Illustration is based on preferred non-tobacco, 5.5% assumed rate; net premium payments allocated as follows: 0% into fixed interest strategy, 100% into the One Year Multi-Index Monthly average indexed interest strategy with Multiplier; Death benefit: Option 2 (increasing); switch to Option 1 (level) in year 11.

Distribution phase

Age	Year	Life insurance premium	Life insurance cash surrender	Life insurance tax-preferred income	Income tax-free death benefit
66	21		504,160	45,060	785,169
67	22		492,179	45,060	741,974
68	23		479,425	45,060	698,779
69	24		465,869	45,060	655,584
70	25		451,485	45,060	612,389
71	26		436,236	45,060	568,919
72	27		420,128	45,060	524,144
73	28		403,175	45,060	478,027
74	29		385,393	45,060	433,384
75	30		366,496	45,060	405,924
76	31		346,479	45,060	376,160
77	32		325,061	45,060	356,267
78	33		302,124	45,060	334,856
79	34		277,548	45,060	311,805
80	35		251,203	45,060	286,979
81	36		222,913	45,060	260,195
82	37		192,580	45,060	231,354
83	38		160,046	45,060	200,292
84	39		125,138	45,060	166,831
85	40		87,654	45,060	130,760
		Total premium in		**Total tax-preferred income**	
		$250,000		**$901,200**	

Please keep in mind that if Joe should die after he starts taking distributions, it will affect the death benefit available for his family.
This is a hypothetical scenario and actual results may vary.

Make the most of tax-preferred planning

Work with your insurance professional today to learn more about the benefits of adding tax-preferred investments, such as life insurance, to your financial strategy.

Nationwide®

• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value

Guarantees are subject to the claims-paying ability of Nationwide Insurance.

Federal income tax laws are complex and subject to change. Neither Nationwide nor its representatives give legal or tax advice, so please contact your attorney or tax advisor for answers to these specific questions.

The information regarding access to cash value assumes the contract qualifies as life insurance under Internal Revenue Code (IRC) Section 7702. Most distributions are taxed on a first-in/first-out basis as long as the contract remains in force and meets the non-MEC (Modified Endowment Contract) definitions of IRC Section 7702A. But if it is a MEC, then any distributions you take from your policy will generally be taxable and subject to a 10% penalty tax if you're 59½ or younger. If you choose to take loans or partial surrenders, the cash value and the death benefit payable to your beneficiaries will be reduced. Surrender charges may apply for early surrenders and partial surrenders. Surrenders may be subject to income tax.

As your personal situations change (i.e., marriage, birth of a child or job promotion), so will your life insurance needs. Care should be taken to ensure these strategies and products are suitable for your long-term life insurance needs. You should weigh your objectives and time horizon as well as any associated costs before making a purchasing decision. Life insurance has fees and charges associated with it that include costs of insurance that vary with such characteristics of the insured as sex, health and age, underlying fund charges and expenses, and additional charges for riders that customize a policy to fit your individual needs.

Indexed universal life insurance policies are not stock market investments, do not directly participate in any stock or equity investments and do not receive dividend or capital gains participation. Past index performance is no indication of future crediting rates. Also, be aware that interest crediting fluctuations can lead to the need for additional premium in your policy.

Any money which is removed from an indexed strategy segment during an interest-crediting period for any reason (e.g., withdrawal, certain loans, policy surrender, to pay policy charges or expenses, etc.) is not credited with any index-linked interest for such interest-crediting period.

As with most universal life policies, the cash value is determined by the sum of premiums paid net of any loads, deductions of policy charges, plus interest credited. Policy charges are deducted monthly and include a flat administrative fee, an expense charge based on face value issued, cost of insurance charges and charges for any rider.

Life insurance is issued by Nationwide Life Insurance Company or Nationwide Life and Annuity Insurance Company, Columbus, Ohio.

LAM-2528AO.2 (07/16)