Retirement Planning 101

Your guide to preparing for a more secure retirement

Nationwide®

Let's get started.

Your two major sources of income through retirement likely will be pension and Social Security benefits.

On average, a public pension will provide about 45% of current income.[1] Experts suggest you may need 70-90% of your current income just to maintain your standard of living in retirement,[2] so you may be looking at a gap between the income you need through retirement and what your pension may provide.

However, few of us are "average." Besides, you may want to consider:

- Increases in medical and long-term costs
- Benefits not keeping up with inflation[3]
- Possibility of career changes before qualifying for a full pension
- Outliving your resources

All things considered, relying solely on a pension and Social Security benefits may lead to an income gap, especially in the latter years of retirement.[4] Use this booklet to consider ways you can fill that gap before it starts — by saving a little every payday throughout your career.

Enroll Now

[1] Net Pension Replacement Rates, Organisation for Economic Co-operation and Development (2014).

[2] Do I really need 100% of my pre-retirement income, CNN Money (July 2012).

[3] The COLA crunch: Why Social Security isn't keeping up with seniors' costs, Reuters (October 2014). The annual Social Security cost of living adjustment (COLA) tends to lag the inflation seniors experience by a year or more.

[4] Hewitt Study Reveals Widening Gap Between Retirement Needs and Employee Saving Behaviors (July 2008).

Retirement *realities*

52%

of households are "at risk" of **not having enough to maintain their living standards** in retirement.[5]

$245,000

Amount a 65-year-old couple can expect in **total out-of-pocket health care expenses** through retirement.[6]

90

Age that an estimated **one-in-four 65-year-olds today will reach.** One-in-ten are expected to live past 95.[7]

10 minutes

Time it takes to get to get an idea of your current retirement readiness using **My Interactive Retirement Planner℠,** available on the home page of your Plan website.

[5] National Retirement Risk Index, Center for Retirement Research at Boston College (September 2016).

[6] Health Care Costs for Couples in Retirement Rise to an Estimated $245,000, Retirement Health Care Cost Estimate, Fidelity Investments (October 2015). Estimate based on a hypothetical couple retiring in 2015, 65-years-old, with average life expectancies of 85 for a male and 87 for a female.

[7] Data compiled by the Social Security Administration (accessed October 2016). Average life expectancy for a male is 85 years; for a female, 87.

What is *deferred compensation?*

Sometimes, less is more. Retirement is not one of those times.

Your pension and any Social Security benefits may not provide the income you may need *through* retirement. That's why your employer sponsors a governmental 457(b) deferred compensation retirement plan — a tax-advantaged long-term investment savings plan created specifically for public employees like you.

Why you should participate in your plan:

457(b)

Flexible
Change your investment mix or contribution amount at any time

Automatic
Earnings are reinvested, harnessing the power of compounding

Low-cost
Through group buying, we negotiate lower fund fees than individuals may be able to get on their own

Access
You can withdraw 457(b) assets without penalty when you leave service or retire, regardless of your age

Tax Flexibility
Tax-deferred contributions give your account a chance to grow more quickly.[8]

Roth after-tax contributions allow you to plan for tax-free retirement income.[9]

Easy
Payroll deduction means your contributions are automatic

Portability
If you leave your job, you may be able to roll your assets into another eligible retirement plan, or IRA

TIP: Get to know My Interactive Retirement Planner℠, a powerful resource available on your Plan website. Within 10 minutes, you will understand why enrolling in your employer's 457(b) deferred compensation plan is so important.

[8] Under current tax law, you would pay ordinary income taxes when you take withdrawals.

[9] Withdrawals would be tax-free as long as you're at least 59½, and do not take withdrawals from your designated Roth account for at least five years after your first contribution is made to your Plan.

The earlier you start saving, the less it may cost per pay period to reach your goal.

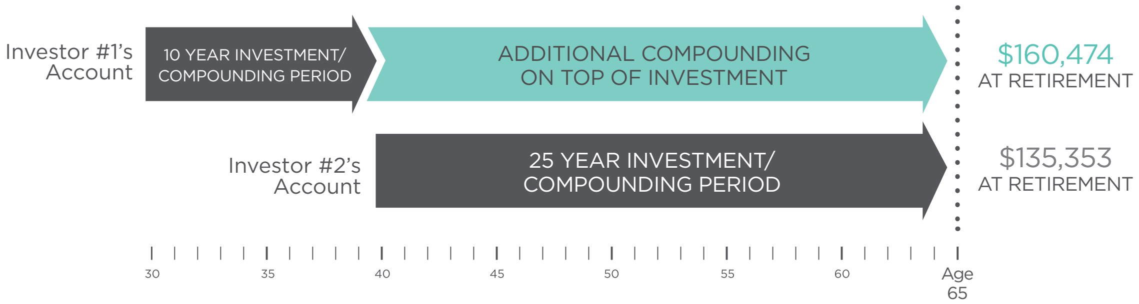
That's because your biweekly contributions and any earnings get continually reinvested. This process, called compounding, uses time to help your money make money for you. Like all investing strategies, compounding is not guaranteed to provide enough money through retirement. But it can be a powerful engine for potential asset growth, especially through long-term savings programs such as a 457(b) deferred compensation plan.

The snowball effect of compounding

In the example below, Investor #1 invests $2,000 per year beginning at age 30 and then stops investing after 10 years ($20,000 total contribution). Although she's no longer contributing to the account, she leaves her money in the account to grow for an additional 25 years.

Investor #2 procrastinates and doesn't start investing until age 40. He contributes $2,000 per year for a total of 25 years up until the day he retires ($50,000 total contribution).

Although Investor #1 invested $30,000 less than Investor #2, she ended up with a much higher account balance at retirement. That's because she gave her money 10 more years to grow.



This illustration is a hypothetical compounding calculation assuming a 7% annual rate of return. It is not intended to serve as a projection or prediction of the investment results of any specific investment. Investments are not guaranteed. Depending on your underlying investments, your return may be higher or lower. Interest compounded annually based on beginning-year contributions. No taxes or fees are reflected in this example, which would lower the results displayed.
Source: Nationwide Financial® (2008).

Get to know *investing*

The language of investing.

The core investment options in your employer's deferred compensation retirement plan are mutual funds, a mix of investments that may include stocks, bonds and/or capital preservations. Each fund is managed by a professional money manager and has a stated objective or investment style.

1 **International stock funds** invest primarily outside of the United States, which involves risks not associated with investing primarily in the U.S., such as currency fluctuation, political instability, foreign regulations, differences in accounting and limited availability of information.

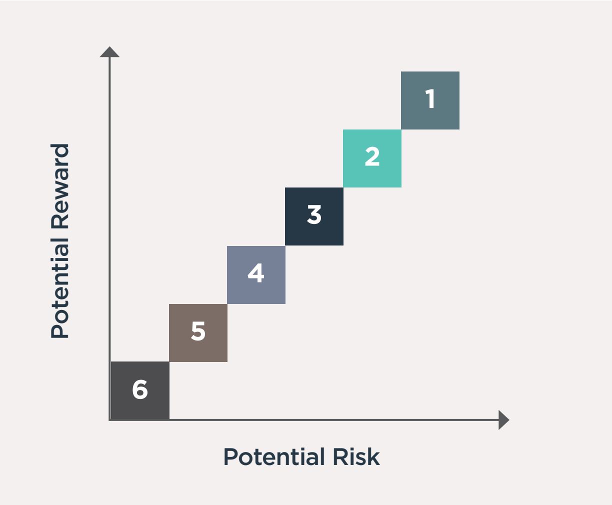
2 **Small-cap stock funds** refer to mutual funds that invest primarily in companies with **market values under $2 billion.** These funds may have less liquidity, may be subject to greater price volatility and may involve greater market risk than the overall market.

3 **Mid-cap stock funds** refer to mutual funds that invest primarily in companies with **market values between $2 and $10 billion.** These funds may have less liquidity, may be subject to greater price volatility and may involve greater market risk than the overall market.

4 **Large-cap stock funds** refer to mutual funds that invest primarily in companies with **market values greater than $10 billion.** These funds can be appropriate for investors who have longer-term investment timelines, or looking for stability as they enroll in the retirement plan.

5 **Bond funds** refer to mutual funds that invest primarily in bonds. These funds have the same interest rate, inflation and credit risks associated with the underlying bonds owned by the fund. These funds may be categorized by the types of bonds the manager invests in.

6 **Capital preservation funds** refer to mutual funds that invest primarily in options that can be turned into cash relatively easily. Returns may not keep pace with inflation, and may produce a negative rate of return when fund expenses are factored in.



Every investment has a risk level associated with it. That risk level also corresponds with the likelihood of a reward. Use the chart below to better understand the components of mutual funds available through your deferred compensation retirement plan. The higher the risk, the greater the potential for growth, but at a higher risk of losing value. The lower the risk, the less the potential for return, but at a lower risk of losing value.

Investing involves market risk, including possible loss of principal. No investment strategy can guarantee a profit or avoid loss. Actual results will vary depending on your investment and market experience.

Find your comfort zone.

Depending on your age, risk tolerance, investing experience and personal preference, you may consider one of these investment options a good fit for you.

Help me do it

Consider investing in an asset allocation fund geared either to your tolerance for market risk or to the year in which you plan to retire. If you decide this is the approach you prefer, you should select one asset allocation fund and only that fund for your retirement account. The fund manager will provide diversified asset allocation appropriate to the designated level of risk or the target date for retirement.

Do it myself

You can create your own mix of investments from the options available through your Plan's funds menu, and then manage and regularly rebalance your account on your own.

Do it for me

If your employer offers this service, you may enroll in a managed account service. Then, for a small annual fee, a professional investment management firm will select the funds for your retirement plan account and manage your asset allocation for you. Even with professional management, there is no guarantee that your investment objectives will be met.

Please remember there is no assurance that the investment objective of any fund (or that of any underlying fund) will be achieved, nor that a diversified portfolio will produce better results than a nondiversified portfolio. Asset allocation and diversification do not guarantee returns or insulate an investor from potential losses, including the possible loss of principal.

Target date funds typically invest in underlying funds to reach their investment objectives. Therefore, in addition to the expenses of the target date funds, an investor indirectly pays a proportionate share of the applicable costs and expenses of the underlying funds. These funds use a strategy that reallocates equity exposure to a higher percentage of fixed investments over time. It's important to remember that no strategy can assure a profit or prevent a loss in a declining market. A target date fund's principal value is not guaranteed at any time, including the target date, and is not guaranteed to provide enough income through retirement.

Finding your *investment strategy*

Choose convenience. Consider an asset allocation fund or target date fund.

How you split up the money you invest may be the most important decision you make for your retirement account. Asset allocation funds or target date funds can help make that decision easier for you. Whether you select a fund based on your tolerance for investment market risk or on the year you plan to retire, you should select one — and only one — of these funds for all assets in your retirement account.

	Help me do it	
Features and Benefits	**Asset Allocation Fund**	**Target-Date Fund**
Simplifies investment decisions by allowing participant to select one fund based on goals and needs	✓	✓
Provides asset diversification by investing in a broad variety of asset classes in a single fund	✓	✓
Attempts to maximize return at a risk level that is comfortable for you	✓	✓
Manages investment mix to maintain the level of market volatility and risk described by the fund's name	✓	
Manages investment mix to become gradually more conservative as the retirement date described by the fund's name approaches		✓
Potentially lowers overall cost by having some underlying assets in lower-cost index funds	✓	✓

Because asset allocation and target-date funds invest in other funds, investors pay a proportionate share of the costs and expenses of those funds. However, you can feel more confident about your investment decision because — in addition to the features and benefits above — the manager of the fund you select continually monitors the underlying funds and their managers.

Please remember there is no assurance that the investment objective of any fund (or that of any underlying fund) will be achieved, nor that a diversified portfolio will produce better results than a nondiversified portfolio. Asset allocation and diversification do not guarantee returns or insulate an investor from potential losses, including the possible loss of principal.

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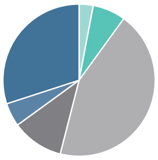
To do it yourself, know your investing style

There's more than one way to get to retirement. Your primary goal might be to keep your risk low or maybe you just want to maximize possible reward. Maybe you're concerned with how much time you have to save before you retire. That's why it's important to identify a personal investing style that can help you reach your specific goals.

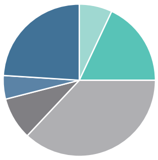
Take a look at the profiles below to see what fund mix might make sense for your portfolio. All the fund types are color-coded according to the previous Risk vs. Reward chart so you can see how risk and reward relate to aggressive, moderate and conservative profiles. For example: the Aggressive profile has more international funds, the Conservative profile has more bonds, and the other three profiles fall somewhere in between. You'll also see how time factors into things in the descriptions below the chart.*

	Aggressive	Moderately Aggressive	Moderate	Moderately Conservative	Conservative
International	30%	24%	19%	14%	9%
Small-cap	5%	5%	4%	2%	1%
Mid-cap	11%	9%	7%	6%	4%
Large-cap	44%	37%	30%	23%	16%
Bonds	7%	18%	28%	38%	40%
Short-term Investments	3%	7%	12%	17%	30%



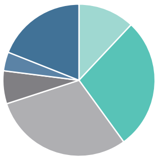
Aggressive

Appropriate for an investor with both a high tolerance for risk and a long time horizon.



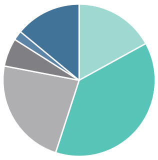
Moderately Aggressive

Designed for an investor with a high tolerance for risk and a longer time horizon.



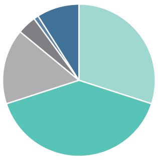
Moderate

Best suits an investor who seeks relatively stable growth and a low level of income.



Moderately Conservative

Appropriate for an investor who seeks both modest investment value increases and income from his/her portfolio.



Conservative

Designed for an investor with a low risk tolerance and/or a short time horizon.

*Asset allocation models provided by Nationwide Asset Management, LLC.

Choose confidence. Choose professional account management.

You can be more confident about reaching your retirement goals when you have **Nationwide ProAccount**® making the investment decisions for you. Nationwide ProAccount is your Plan's managed account service. When you enroll, you complete a Risk Tolerance Questionnaire that tells us about you and your personal tolerance for risk, and use that information to provide professional management of your investments.

Do it for me

What you get with Nationwide ProAccount:

- Experienced investment manager with the time and knowledge to make informed investment decisions for the portfolios
- Investment management based on your age and risk tolerance
- Periodic adjustments as market conditions change
- Oversight by Nationwide Investment Advisors, LLC (NIA)
- Ongoing support and communications

Ask your Retirement Specialist for more information about Nationwide ProAccount.

Is Nationwide ProAccount right for you?

If you answer Yes to any of the following questions, then ProAccount may be a good choice.

- ☐ Do you sometimes find yourself overwhelmed by choosing investments and maybe even a little intimidated by the process?
- ☐ Would you feel more confident knowing that a respected investment management firm was managing your portfolio?
- ☐ Would it give you more confidence to know that professionals are making adjustments to your portfolio as needed to keep it in line with your objectives?

There is an annual fee for Nationwide ProAccount. The fee is listed in the Participant Agreement and is calculated daily, based on the market value of your assets, and deducted from your account at the end of each quarter. If you change your mind, you don't have to pay a fee to cancel the service.

Enroll Now

No investment strategy or program, including participation in Nationwide ProAccount, can guarantee a profit or avoid loss. Investment advice for Nationwide ProAccount is provided to Plan participants by Nationwide Investment Advisors, LLC (NIA), an SEC-registered investment adviser.

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