Rollover IRAs

Changing jobs—take your money with you.

Your 5-minute Guide

Brought to you by the
Nationwide® Institute of Retirement Income

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Hold on to what you have

You've worked hard for your money. When you change jobs or retire, you have several choices about what to do with your tax-deferred retirement plan.

Your retirement plan will most likely be your primary source of income when you retire. And you certainly don't want to lose your tax-deferred benefits because of a few technicalities.

You've got some decisions to make. Handle them with care to ensure you can hold on to what you have.

Brought to you by the Nationwide® Institute of Retirement Income

You've spent time saving for retirement, but how will you ensure you're able to enjoy it comfortably —without the worry? Planning for retirement isn't easy. That's where Nationwide® and your advisor can help, by getting you from today to tomorrow—as comfortably as possible.

Through the Nationwide Institute of Retirement Income, your advisor has access to the latest retirement income research, education and industry speakers, so they have the tools they need to make your retirement planning a comfortable and straightforward experience. Best of all, your advisor can use these cutting-edge resources to provide Nationwide solutions suited to your unique retirement needs. And, if you still have questions, your advisor will be happy to answer them, so you can make smarter choices about the plans and products that are right for you.

It's one more way Nationwide is *On Your Side®*.

Take tax deferral with you, too

If you're retiring, moving the money from your plan account into a rollover individual retirement account (IRA) can give you a great deal of flexibility. You can start taking income now, or stay invested and continue to defer taxes. Either way, you'll be in control.

If you're changing employers and don't need money right away, here are some additional reasons to consider a rollover IRA:

Protect potential future growth

If you spend your savings now, you lose the benefit of compound growth and you'll have to start all over again.

Continue tax deferral

If you take a lump-sum payout, you'll need to pay tax on the contributions and interest that had been tax deferred.

Avoid mandatory withholding

Withdrawing any or all of the funds will trigger a 20% mandatory tax withholding and possibly a 10% early withdrawal penalty if you are under age 59½ and certain exceptions aren't met.

You've taken a step in the right direction by saving for retirement. What you do with your savings now may affect how comfortably you live in the future.

A few important points about rollover IRAs:

- You may have to pay additional transaction costs, fees and sales charges
- You may lose benefits you have with the existing plan, like an accrued death benefit
- Loans will not be available

What is a rollover IRA?

A rollover IRA is funded with money from your employer-sponsored retirement plan. You can roll over any amount you choose because annual IRA contribution limits don't apply.

Also, if you are the sole beneficiary of your late spouse's retirement plan, you can move those funds into a rollover IRA in your own name.

With a rollover IRA, you'll have investment freedom, along with tax-deferred growth until you start withdrawing money.

You've got options

When you leave a company, you generally have four choices for your retirement plan savings:

1. Leave the money where it is
   If you have a minimum amount in your former employer's plan account (the amount varies by plan), you can leave it there. Just know that you won't be able to add any more money to your account. You will lose the flexibility to choose your investment funds because you will be limited to the options within the plan, and those options may change over time.
2. Move it to a new employer's retirement plan
   This option is worth considering if the new plan allows it and you're comfortable with the investment choices the plan offers.
3. Roll it into an IRA
   Instead of the limited alternatives in an employer plan, a rollover IRA gives you access to multiple choices. With the assistance of your investment professional, you can create a portfolio tailored to your goals and circumstances.
4. Take it in cash
   This option is available, but it can be a costly mistake. Take a look at the following example.

High cost of cashing out early

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 take withdrawals from the rollover IRA, he won't be subject to the 10% tax penalty for withdrawals before age 59½.

Consider what could happen if John rolls the balance from his plan into a rollover IRA instead of cashing out the balance:

	Rollover IRA; keep tax-deferred 7%	**Cash out and deposit in savings;** lose tax-deferred 7%
Total savings now	$15,000	$15,000
Federal income tax due now (assumes 25% tax bracket)	$0	$3,750
IRS penalty due now (10%)	$0	$1,500
Balance now	$15,000	$9,750
After-tax balance year 30	$85,638	$45,255
Financial advantage	$40,383	

This hypothetical illustration does not 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. The illustration also does not reflect any state or local income taxes, and assumes a federal tax rate of 25%.

Freedom, convenience and control

A rollover IRA can help you keep control of your retirement plan savings. When you talk to your investment professional, be prepared to discuss the options available with a rollover IRA like:

- Choosing how to invest your IRA money (CDs, mutual funds or other suitable investments); keep in mind, your IRA may be subject to market risk, including the possible loss of principal
- Transferring your tax-deferred savings into a new employer's plan later, if the plan allows
- Making withdrawals at any age for these qualified expenses (tax penalty waived, but income tax still due):
  - First home purchase
  - Higher education expenses
  - Medical expenses exceeding 7.5% of adjusted gross income
  - Health insurance premiums if you are unemployed
  - Other specified purposes under federal law
- Receiving substantially equal periodic payments over your life or life expectancy before age 59½ without being penalized (tax penalty waived, but income tax still due)
- Choosing how your money will be distributed to your beneficiaries

How do you get started?

Establishing a rollover IRA is quick and easy. Your insurance or investment professional will provide the forms needed and help you complete them if necessary. He or she will also answer any questions and help you develop a strategy that's right for you.

A few things to keep in mind

To avoid tax withholding and possible penalties, be sure any loans on the retirement plan are paid off and make sure your current plan custodian has been instructed to send funds directly to your new rollover IRA custodian.

Keep in mind that Nationwide and its representatives do not give legal or tax advice. Please consult your attorney or tax advisor for such advice.

Get to know us better

- We're a Fortune 500 Company[1] and one of the largest financial services companies in the United States
- We've been in the business of protecting families, their futures and the things they value for over 80 years
- Our risk management capabilities have been rated as "strong" by third-party rating agency Standard & Poor's, placing us in the top 15% of insurers[2]
- Our 30,000 associates give back to the communities they live and work in
  - Since 2005, Nationwide associates have volunteered at more than a thousand nonprofit organizations as members of the *On Your Side* Volunteer Network®
  - Nationwide associates give their money and time to more than 800 United Ways across the United States, and Nationwide was named the 2008 United Way Spirit of America® winner

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1 Based on revenue, Fortune magazine (5/10).

2 *Enterprise Risk Management Continues To Show Its Value For North American And Bermudan Insurers*, RatingsDirect Report, Standard & Poor's (2/1/10).

Federal income tax laws are complex and subject to change. The information in this brochure is based on current interpretations of the law and is not guaranteed.

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