

Traditional IRAs

Harness the power of tax deferral

Your 5-minute Guide



Brought to you by the
Nationwide® Institute of Retirement Income



When you hear “retirement,” what comes to mind?

Do you imagine finally having the time to do all the things you’ve been putting off, or do you worry about saving enough to pay for future expenses? Do you wish you could pay less income tax now and save more for those retirement goals?

With a traditional individual retirement account (IRA), your contributions may be tax deductible, which may save you money now. Plus it grows tax deferred, meaning you won’t pay taxes until you begin taking withdrawals. Those withdrawals will be taxed as ordinary income at your current tax rate at the time of withdrawal. Withdrawals made before age 59½ may be subject to a 10% tax penalty.

Keep reading to learn more about how traditional IRAs can help you.

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*®.

Reduce taxes while you invest

People are living longer, healthier lives and can expect to spend more time in retirement. Benefits like Social Security and pension plans may offer some financial assistance, but your major source of retirement income will come from money you've saved.

If your savings won't generate the extra income you need, a traditional IRA may be able to help.

Traditional IRAs are among the most popular retirement investments because the earnings from your contributions won't be taxed until you withdraw them. And, the money you contribute to your plan may be tax deductible from your current taxes.

Assume you made \$40,000 during the year and put \$5,000 into a traditional IRA. If you qualify to deduct your contribution, your taxable income would only be \$35,000.

\$40,000	taxable income
-\$5,000	tax-deductible contribution
<u>\$35,000</u>	new taxable income

Even better, you don't pay any taxes on the money in your IRA until you withdraw it. At that time, it will be taxed as ordinary income. The powerful combination of tax deferral and compound interest gives your IRA the potential to grow faster.

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

Are you eligible to contribute?

Anyone under age 70½ with earned income is eligible to contribute. (Income from investments is not considered earned income.)

Depending on your adjusted gross income (AGI), you may be able to deduct all or part of your traditional IRA contribution even if you do participate in your employer’s retirement plan. Use the following chart to see how much of a deduction you’re eligible for in 2011, based on your filing status and AGI:

Filing status	Full deduction	Partial deduction	No deduction
Single, head of household	\$56,000 or less	\$56,000 – \$66,000	\$66,000 or more
Married filing jointly	\$90,000 or less	\$90,000 – \$110,000	\$110,000 or more
Married filing separately	None	Less than \$10,000	\$10,000 or more

If your filing status is married filing jointly and you do not participate in an employer retirement plan but your spouse does, you may fully deduct your IRA contribution if your combined AGI is under \$169,000. If your combined AGI is between \$169,000 and \$179,000, you can take a partial deduction in 2011.



How much can you contribute?

If you're over age 50, you can make an additional "catch-up" contribution. The table below shows how much you can contribute.

Individual IRA contribution limits

Tax year	Under age 50	Age 50 and older
2011	\$5,000	\$6,000

Traditional IRAs offer you many advantages

- Your contributions may be tax deductible
- Your money grows tax deferred (no taxes will be due until money is withdrawn)
- You may be eligible to contribute even if you already participate in a retirement plan
- You have a wide selection of investment vehicles to choose from

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



Points to ponder

- If you make tax-deductible contributions, withdrawals may be fully taxed at ordinary income tax rates
- Minimum distributions must be made from traditional IRAs starting at age 70½
- Your IRA may be subject to market risk, including possible loss of principal



Watch out for early withdrawals

If you take money out of your IRA before reaching age 59½, you may have to pay a 10% tax penalty in addition to the ordinary income tax due. Try not to withdraw your investments early if you can avoid it.

Exceptions

Although income taxes will still be due, the 10% penalty will be waived if the account owner:

- Dies
- Becomes disabled
- Takes distributions as substantially equal payments over his or her lifetime
- Becomes unemployed and has to pay for health insurance premiums
- Pays medical expenses that exceed 7.5% of his or her adjusted gross income
- Makes a qualified first-time home purchase (\$10,000 limit)
- Pays qualified higher-education expenses

A traditional IRA may be for you

For many Americans, the opportunity for a current tax deduction gives traditional IRAs an immediate advantage. Add in the longer-term benefits of tax deferral and compound growth, and the traditional IRA may be useful in helping you reach your retirement goals.

How do you get started?

It's never too early — or too late — to plan for retirement. If you are interested in learning more about how a traditional IRA can help you get ready for retirement, please contact your insurance or investment professional today.

Get to know us better

- We're a Fortune 500 Company¹ 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 insurers²
- 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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