What if I’m getting a lump sum?

Defer its taxes as you give it a chance to grow
Will you receive lump sum pay when you retire?

Often, you are eligible for a lump sum payment when you retire or separate from service.

If you receive a large lump sum upon separation, it will be paid to you as ordinary income and that means income tax! Usually, these lump sum payments can be contributed into your Nationwide deferred compensation plan account and defer paying income taxes until you withdraw your funds, which can help you avoid current taxation. Always check with your Nationwide Retirement Specialist to see if a specific payment is eligible. You should also consult your tax or legal counsel before you make any decisions. Neither Nationwide nor its representatives provide legal or tax advice.

Investing involves market risk.

Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets rolled over from outside sources may be subject a 10% tax penalty if withdrawn before age 59½.
What’s in a name?
Or a bunch of letters?

Lump sum distributions go by many names and acronyms. If you’re considering putting all or part of a distribution into your Deferred Compensation Plan account, the differences boil down to whether the distribution is may be rolled over or contributed to your account.

In general, if the source of the payout is a qualified plan, such as a pension, it may be rolled over to your account without affecting the plan’s contribution limits.

On the other hand, if the source of the payout is some form of compensation — such as accrued but unused sick and vacation time; supplemental, longevity or back pay; or an early retirement incentive — it may be contributed to your plan account, subject to the plan’s contribution limits.

To avoid triggering an unintended taxable event, you should consider consulting your tax adviser before making any decisions about what to do with any lump sum distribution.

<table>
<thead>
<tr>
<th>Generally unlimited rollover</th>
<th>Generally subject to annual contribution limits</th>
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<tbody>
<tr>
<td>• DROP</td>
<td>• Sick &amp; Vacation Pay</td>
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<td>• PLOP</td>
<td>• Supplemental Pay</td>
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<tr>
<td>• PLSD</td>
<td>• Early Retirement Initiative (ERI)</td>
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<td>• 175 funds</td>
<td>• Longevity Pay</td>
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<td>• 185 funds</td>
<td>• Muster-out (Mustren-out)</td>
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<tr>
<td>• 1% funds</td>
<td>• Back Pay</td>
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<tr>
<td>• Gross Separation Pay (GSP)</td>
<td>• Drag-up Pay</td>
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What happens if you don’t make a decision before you retire?

Since a lump sum payment is usually distributed in your final check (or within 60 days thereafter), you must make decisions prior to separation. Many people don’t consider the tax implications until they receive that final check, often with significant tax withholdings or in an amount that (when added to their other income for the year) drives them into a higher tax bracket. Once you receive the check, it is too late!
How do you control the tax ramification?

Taxes can have a significant impact on a lump sum check. So rather than “cashing out,” you may be able to transfer a lump sum into your Nationwide deferred compensation account, deferring any taxes due until you withdraw the funds. This helps you manage your tax burden.

Many lump sum payments to your deferred comp plan account are viewed as rollover contributions from a qualified plan which will be subject to ordinary income tax at withdrawal. You may avoid an additional 10% penalty if:

• You are 59½ or older at withdrawal,

• You attained age 55 in the year of separation from your employer, or

• The distributions are made:
  > As part of a series of substantially equal periodic payments,
  > To a beneficiary, or
  > Due to disability.

Because taking withdrawals from plan accounts involves taxes, you should consult your tax or legal counsel before you make any decisions. Neither Nationwide nor its representatives provide legal or tax advice.
Spend it now or spend potentially more later

$300,000
Lump sum payment now =

$223,179
In your pocket after federal income tax

— OR —

$300,000
Invested in tax deferred retirement plan +
$120,765
5 years, 7% return =

$420,765
Account balance =

$303,136
In your pocket after federal income tax

Neither Nationwide nor its representatives provide legal or tax advice. This example is hypothetical and is not intended to predict or project investment results of any specific investment. Investment return is not guaranteed and will vary depending on your investments and market experience. Return will vary, particularly for long-term investors. After tax investment balance does not include fees. If fees were included the amount would be lower. Federal income tax calculation based upon 2011 Federal Tax Rate Schedule Y-1—married filing jointly. It does not reflect any deductions or income earned from employment.
Rolling/transfering a lump sum allows you to:

• Manage more of your retirement assets in one convenient place.

• Contribute to your account one last time before retiring.

• Continue to benefit from automatic reinvestment and tax deferred growth.

• Maintain your account throughout retirement or for as long as you need to.

• Enjoy many flexible payout options to help meet your income needs in retirement.

• Access real people who are salaried financial professionals — ready to help you with your retirement decisions, up to and throughout retirement.

Information provided by representatives is for educational purposes only and is not intended as investment advice.

What if you’re not enrolled in your employer’s deferred comp plan?

Enroll now! Then, plan to have your lump sum payment rolled over or contributed to your plan account.

Investing involves risk, including possible loss of principal.
Don’t forget! Call your Nationwide Retirement Specialist before you retire.

Explore your options with your Nationwide Retirement Specialist before making any decisions. Many lump sum payments can be deferred into your existing Nationwide retirement account.

Contact information can be found at the end of this brochure.

Please read carefully

This brochure discusses concepts that involve taxes. You should consult your tax or legal counsel before you make any decisions. Federal income tax laws are complex and subject to change. The information in this brochure is based on current interpretations of the law but is not guaranteed. Neither Nationwide nor its representatives provide legal or tax advice.

Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets rolled over from outside sources may be subject a 10% tax penalty if withdrawn before age 59½. Investing involves risk, including possible loss of principal.