

Life insurance

# Caring for longer than a lifetime

Your 5-minute Guide



**Nationwide<sup>®</sup>**  
*On Your Side*

# Life goes on — prepare for it

Your love for your family will live forever. However, we all know we won't live forever.

Life insurance was designed to help make sure your survivors can afford the quality of life you want them to have after you're gone.

Today's life insurance has many more features, including some that give you more financial flexibility during your lifetime. In fact, life insurance may now serve as the foundation for many of the financial decisions you make.

As you consider the information in this brochure, please keep in mind that the protections and guarantees we mention are subject to the claims-paying ability of the issuing insurance company.

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, time horizon and risk tolerance as well as any associated costs before investing. Also, be aware that market volatility can lead to the possibility of the need for additional premium in your policy. Variable life insurance has fees and charges associated with it that include costs of insurance that vary with such characteristics of the insured as gender, health and age, underlying fund charges and expenses, and additional charges for riders that customize a policy to fit your individual needs.

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

## The facts of life (insurance that is)

When an insured person dies, life insurance pays a death benefit to that person's beneficiary. Although these proceeds can be used for anything, they're often meant for a particular purpose:

- To cover final expenses, such as funeral costs, taxes or remaining debts
- To replace financial or other support that the insured person contributed
- To provide an inheritance or fund a foundation, endowment or charitable gift

### "Term" and "perm"

Term life and permanent life, the two basic types of life insurance, both pay an income tax-free death benefit. Term life covers you for a limited period, while permanent life provides lifelong coverage as long as all premiums are paid as specified.

Permanent life insurance policies also have a cash value that has the potential to increase over time. It's a financial resource you can access during your lifetime. But keep in mind that accessing these funds will immediately reduce both the cash value and death benefit of your permanent policy, and can lead to the need for you to pay additional premiums in the future to keep your policy in force. Care should be taken to make sure your life insurance needs continue to be met throughout your lifetime.

## Term life: More protection for a lower premium

Term life insurance provides coverage for a specific time period, normally 10, 20 or 30 years. It pays a death benefit if you die within that term.

This means you can choose a term life policy to cover you only when you need extra financial protection — until the mortgage is paid off, for example, or until your youngest child is age 21.

Term life is one of the least expensive ways to buy life insurance, with premiums that stay level for the policy's term. If you opt to renew your coverage at the end of the term, the premium normally increases at that time. (Your insurer may require evidence of your good health before approving the renewal.)

Although term life insurance doesn't build cash value, some companies offer policies that can be converted to permanent life without a medical exam. Ask your investment professional about conversion privileges.

## Permanent life: Features during your lifetime

You don't have to die to benefit from your life insurance policy. Unlike term life, permanent life insurance offers you financial flexibility during your lifetime.

That's because you have the option to borrow from your policy, using its cash value as collateral. Some permanent life policies even allow zero-interest loans\* after a certain number of years.

This accessibility can make your permanent life policy a source of funds if you want extra income, incur a sizable bill, need to pay college tuition or make a home down payment. Perhaps most importantly of all, these types of uses generally should be planned for in advance. Some life insurance policies can be over-funded in advance with these types of expenditures in mind. You should have a separate family emergency fund for unforeseen expenses. You're not required to repay what you borrow. However, the death benefit will be reduced by any unpaid loan balance, accrued interest and partial withdrawals. Also, if the policy lapses with a loan outstanding, loan amounts are treated as distributions and may be subject to income tax.

\* Throughout this guide, the discussion of loans and withdrawals assumes that the contract qualifies as life insurance under Section 7702 of the Internal Revenue Code and is not a modified endowment contract (MEC) under Section 7702A. Most distributions are taxed on a first-in/first-out basis as long as the contract meets non-MEC definitions under Section 7702A. Loans and partial surrenders from a MEC will generally be taxable and, if taken prior to age 59½, may be subject to a 10% tax penalty. Surrender charges may apply to partial surrenders.

Speaking of taxes, permanent life typically receives favorable tax treatment:

- Income tax is deferred on any growth in cash value
- Tax deferral of accumulated cash values
- As with term life, the death benefit is income tax-free to your beneficiary
- When policy ownership is properly structured, you may be able to exclude the death benefit from your taxable estate

Some types of permanent life insurance offer survivorship benefits. With this type of insurance, two people are insured and the death benefit is paid at the time of the second insured's death.

We recommend consulting your attorney or tax advisor for answers to specific questions you may have, since Nationwide® and its representatives do not give legal or tax advice.

## Three variations of permanent life

Permanent life insurance comes in several forms to suit different goals, financial circumstances and levels of risk tolerance. Your investment representative will help you as you choose the kind that best suits your situation: whole life, universal life or variable universal life.

### Whole life: simplicity and long-term protection

The premiums for whole life insurance stay the same over the life of the policy. Other features add to its appeal for conservative clients:

- A guaranteed death benefit
- Tax advantages
- Guaranteed cash value with conservative accumulation
- Long-term protection
- Loan provisions
- The potential for dividends with some policies

## Universal life: flexibility to cope with changes

Universal life (UL) insurance provides a guaranteed death benefit (if certain premium levels are met), tax advantages and provision for loans and partial withdrawals. It also has more flexibility than whole life, with features that let it adapt to changes in the financial marketplace and your personal circumstances:

- Interest-sensitive growth
- Growth potential based on the insurance company's portfolio of investments
- Flexible premium payments and death benefits as long as specified policy minimums are met



## Variable universal life: market-based investment potential

Most variable universal life (VUL) insurance policies offer the same flexible premium and death benefit features of universal life, including a guaranteed death benefit (if certain premium levels are met), tax advantages and the opportunity for access to cash values.

However, variable universal life is unique in combining permanent life insurance protection with the ability to invest in underlying investments. VUL offers opportunities for investors who are comfortable with market risk:

- The potential for market-driven growth
- Deferred income tax on earnings
- The option of maximum funding for even greater potential growth

As you consider this option, remember that the underlying investment choices offered by VUL policies are subject to market risk, including possible loss of principal. Also, these funds are only available in variable insurance products issued by life insurance companies. They're not available to the general public. Lastly, variable life insurance policies have associated costs.

## Find out more

**Variable products are sold by prospectus. Carefully consider the investment objectives, risks, charges and expenses that may apply before investing. The prospectus contains this and other important information about the investment company. To request a copy, contact your investment professional or write to Nationwide Life Insurance Company, P.O. Box 182150, Columbus, OH 43218-2150. Please read the product and underlying fund prospectuses carefully before investing.**

If you are interested in any type of life insurance, including VUL, UL, whole life or term, talk to your investment professional today.



## From our family to yours

At first glance, we probably look like every big company out there. True, we're one of the largest financial services companies in the world ... we're a Fortune 500 company with 37,000 associates.

But spend some time with us and you'll quickly see a difference — family is at the heart of all we do.

For more than 80 years, we've dedicated ourselves to helping families prepare for the future while helping them protect the things they care about today.

Welcome to the Nationwide® family.  
You're going to feel right at home.



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All individuals selling this product must be licensed insurance agents and registered representatives.

Life insurance is issued by Nationwide Life Insurance Company or Nationwide Life and Annuity Insurance Company. The general distributor is Nationwide Investment Services Corporation, member FINRA. In MI only, Nationwide Investment Svcs. Corporation.

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