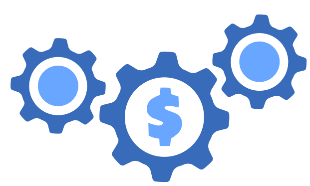
Nationwide New Heights® IUL: Permanent life insurance for tax-efficient retirement planning

When it comes to retirement income, the conventional wisdom is to withdraw from taxable accounts first, followed by tax-deferred accounts, and finally Roth assets. Likewise, the common assumption is your tax rate will be lower once you retire - and that Social Security income is not taxed or at a very low rate. But these don't always hold true. Planning for income in retirement can be complex, but essential to help you understand what to expect and how to minimize taxes.

Research shows that minimizing one's tax bill can add years to retirement portfolio longevity.[1]

So how do we do that?

We can take steps as we accumulate retirement savings, as well as when we start spending our savings, to reduce the bite of taxes. It all starts with understanding how different sources of retirement income are taxed.



Minimize taxes with tax diversification

A tax diversification strategy can help you in retirement by providing flexibility in how you draw income. You may reap considerable tax savings by avoiding income sources with higher tax rates.

[1] "Tax-Efficient Withdrawal Strategies," Roger A. Young, T. Rowe Price Insights On Retirement (February 2020).

Understanding Assets and Account Types

Income sources fall into three buckets:

Taxable

Taxable accounts are taxed on distributed dividends or interest. That interest is taxable in the year it is accrued. The other way an account is considered taxable is when a capital gain is realized, such as when you sell a stock at a profit. That gain is also taxable in the year it is realized.

- **Investments (stocks, most bonds, CDs)**
- **Cash accounts (savings and money market)**
- **Taxable portion of Social Security benefits**
- **Profit from selling a primary home**

Tax-deferred

Tax-deferred accounts are funded with pretax deductions from your paycheck. These accounts accumulate over time, often also growing through investment. The money is used for income later in life, usually after wages have stopped. Taxation is deferred to when you withdraw.

- **Pension**
- **Retirement savings**
  - 401(k)
  - 403(b)
  - 457(b)
- **Traditional IRA**
- **Some annuities**

Tax-free

Tax-free accounts are often funded with income that has already been taxed, and so it will not be taxed when you withdraw it.*

- **Retirement savings**
  - Roth 401(k)
  - Roth 457(b)
  - Roth IRA
- **Cash value life insurance**
- **Certain municipal bonds**
- **Health reimbursement arrangement (HRA)**
- **Health savings account (HSA)**
- **Nontaxable Social Security benefits**

* An exception is a health savings account (HSA) and health reimbursement account (HRA), which are funded with pretax dollars.

Do you have assets in all three of these buckets?

Having tax diversification in retirement can give you the flexibility to manage your retirement cash flow.

Retirement Savings Worksheet

Use this worksheet to get a full picture, helping to identify opportunities to minimize taxes for you and your beneficiaries.

It may reveal where there are opportunities to diversify your asset location.

Taxable accounts

Savings/Money Market ________

Certificates of Deposit ________

Traditional brokerage ________

TOTAL: $ 0.00

Taxable accounts percentage of total retirement savings: **0%**

Tax deferred accounts

401(k)/403(b)/457(b) ________

Traditional IRA ________

Pensions ________

Nonqualified Deferred Comp ________

Nonqualified Annuities[2] ________

TOTAL: $ 0.00

Tax deferred accounts percentage of total retirement savings: **0%**

Tax free accounts

Roth 401(k)/403(b)/457(b) ________

Roth IRA ________

Health Savings Accounts ________

Life Insurance Cash Value[3] ________

TOTAL: $ 0.00

Tax free accounts percentage of total retirement savings: **0%**

TOTAL RETIREMENT SAVINGS: $ 0

Share this sheet with your financial professional,

who can help you take any needed steps to adjust your balance of retirement income sources.

[2] Note that nonqualified annuities are funded with after-tax dollars.

[3] Investment growth in life insurance contracts is taxable after the return of investment.

Make the most of tax-preferred planning. Keep more of your retirement dollars working for you with Nationwide New Heights® Indexed Universal Life Accumulator 2020, a source of tax-free supplemental retirement income.

For more information, contact your financial professional.

Nationwide®
is on your side

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When choosing a product, make sure that life insurance needs are met. Because personal situations may change (i.e., marriage, birth of a child or job promotion), so can life insurance needs. Care should be taken to ensure these strategies and products are appropriate. Associated costs, as well as personal and financial objectives, time horizons and risk tolerance should all be weighed before purchasing a product. Life insurance has fees and charges associated with it that include: costs of insurance, which vary based on characteristics of the insured such as sex, tobacco use, health and age; and additional charges for riders that customize a policy to fit individual needs.

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