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is on your side

2018 IRA Guide

Key facts about IRAs and how they can
impact your financial future



Get started here

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.

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A few things you need to know

As part of your overall investment strategy, an IRA has the potential to make a big impact on your future. But as with any investment, there are associated risks. As you read through this brochure, please keep the following in mind:

- Investors who choose any of the following IRA strategies may be exposed to market risk associated with their particular investments and may lose principal
- Investments used to fund these strategies may have certain tax limitations or withdrawal restrictions
- Most IRA owners are required to begin taking distributions at age 70½

Remember that Nationwide and its representatives do not give legal or tax advice; please consult your attorney or tax advisor for such advice.

What does your future look like?

When you picture your retirement, do you see yourself doing the things you've always dreamed about — or are you worrying about running out of income?

Your generation is living longer, healthier lives, and you'll probably spend more time in retirement than you previously thought. Your Social Security and pension plan benefits may offer some financial assistance, but your main source of retirement income will need to come from money you've saved.

If you're concerned your current retirement savings won't generate enough income, you may want to consider adding an individual retirement account, or IRA, to your investment portfolio.

Use this guide to learn key facts and details about the four most popular IRAs, and see how each could make a difference in your retirement future.

Traditional IRAs

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

Contribution eligibility

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

Depending on your modified adjusted gross income (MAGI), you may be able to deduct all or part of your traditional IRA contribution, even if you participate in your employer's retirement plan. Use this chart¹ to see how much of a deduction you're eligible for in 2018, based on your filing status and AGI:

Filing status	Full deduction	Partial deduction	No deduction
Single, head of household	\$63,000 or less	\$63,001 - \$72,999	\$73,000 or more
Married filing jointly, qualifying widow(er)	\$101,000 or less	\$101,001 - \$120,999	\$121,000 or more
Married filing separately	None	Less than \$10,000	\$10,000 or more

The chart above refers to when you or both you and your spouse (if married filing jointly) participate in your employer's retirement plan. If your filing status is married filing jointly and either you or your spouse do not participate in an employer's retirement plan, you may fully deduct your IRA contribution if your combined MAGI is \$189,000 or less. If your combined MAGI is more than \$189,000 but less than \$199,000, you can take a partial deduction in 2018.²

How much can you contribute?

If you're under age 50 in 2018, you're allowed to contribute a maximum of \$5,500. If you're over age 50, you have the opportunity to "catch up" and can contribute a maximum of \$6,500.³

Traditional IRA 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

But please remember that if you make tax-deductible contributions, withdrawals may be fully taxed at ordinary income tax rates.

When you consider the potential benefits of tax deferral and compound growth, you may find a traditional IRA useful in helping you reach your retirement goals.

¹ "2018 IRA Contribution and Deduction Limits — Effect of Modified AGI on Deductible Contributions If You ARE Covered by a Retirement Plan at Work," [IRS.gov/retirement-plans/plan-participant-employee/2018-ira-contribution-and-deduction-limits-effect-of-modified-agi-on-deductible-contributions-if-you-are-covered-by-a-retirement-plan-at-work](https://www.irs.gov/retirement-plans/plan-participant-employee/2018-ira-contribution-and-deduction-limits-effect-of-modified-agi-on-deductible-contributions-if-you-are-covered-by-a-retirement-plan-at-work) (Oct. 20, 2017).

² "2018 IRA Contribution and Deduction Limits — Effect of Modified AGI on Deductible Contributions if You are NOT Covered by a Retirement Plan at Work," [IRS.gov/retirement-plans/plan-participant-employee/2018-ira-contribution-and-deduction-limits-effect-of-modified-agi-on-deductible-contributions-if-you-are-not-covered-by-a-retirement-plan-at-work](https://www.irs.gov/retirement-plans/plan-participant-employee/2018-ira-contribution-and-deduction-limits-effect-of-modified-agi-on-deductible-contributions-if-you-are-not-covered-by-a-retirement-plan-at-work) (Oct. 20, 2017).

³ "Retirement Topics — IRA Contribution Limits," [IRS.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits](https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits) (Oct. 20, 2017).

Roth IRAs

If you utilize a Roth IRA, you have the potential to receive tax-free income when you retire. The two ways to do this are by either opening a new Roth IRA or converting your traditional IRA into a Roth IRA. When converting, the traditional IRA amount that is converted is taxable at the time of conversion.

Contribution eligibility

There's no maximum age limit for contributing to your Roth IRA and no minimum age at which you must begin taking IRS-required minimum distributions (RMDs). However, you can't contribute more than you earn (income from interest, dividends and capital gains is not considered earned income).

To contribute, your modified adjusted gross income (MAGI) must also meet certain limitations, as shown below.⁴

Taxpayers filing singly

Full contribution	MAGI under \$120,000
Partial contribution	MAGI between \$120,000 - \$134,999
None	MAGI \$135,000 or more

Taxpayers filing jointly

Full contribution	MAGI under \$189,000
Partial contribution	MAGI between \$189,000 - \$198,999
None	MAGI \$199,000 or more

For married couples filing separately, contribution eligibility phases out between zero and \$10,000.

What you can contribute

People who are age 50 or over are allowed to make additional “catch-up” contributions.⁵

Roth IRA contribution limits

Tax year	Under age 50	Age 50 and older
2018	\$5,500	\$6,500

Advantages of Roth IRAs

- Contributions grow tax free
- You can withdraw your regular contributions at any time with no tax or tax penalty
- You can withdraw your earnings completely free of federal income tax (if the account is at least five years old and you are at least 59½)
- You can contribute to a Roth IRA even if you participate in another retirement plan (as long as you meet the MAGI limits)
- You can keep contributing after age 70½ (as long as you’re still earning an income)
- No required minimum distributions while you are alive
- You have a wide selection of investment vehicle possibilities

⁴ “Amount of Roth IRA Contributions That You Can Make for 2018,” [IRS.gov/retirement-plans/plan-participant-employee/amount-of-roth-ira-contributions-that-you-can-make-for-2018](https://www.irs.gov/retirement-plans/plan-participant-employee/amount-of-roth-ira-contributions-that-you-can-make-for-2018) (Oct. 20, 2017).

⁵ “Retirement Topics — IRA Contribution Limits,” [IRS.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits](https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits) (Oct. 20, 2017).

Rollover IRAs

You've worked hard for your money and you want to hold on to it. When you change jobs or retire, you have several choices about what to do with your tax-deferred retirement plan. An IRA rollover may be an option you want to consider.

When you roll your money into an IRA, you'll receive a level of flexibility that allows you to choose to take income now, or stay invested and continue to defer taxes. Either way, you'll be in control.

If you choose to take distributions prior to age 59½, penalties and restrictions may apply.

How rollover IRAs work

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. Restrictions and limitations may apply, depending on the plan or IRA type.

If you happen to be the sole beneficiary of your late spouse's retirement plan, you can move those funds into a rollover IRA in your own name or maintain the account as a spousal inherited IRA, depending on your needs and circumstances. Either way, with an IRA rollover, you'll have investment freedom and tax-deferred growth until you start withdrawing money.

Please consider the difference in plans and that access to assets may be different or limited; the range of investment options may vary with different plans; and fees and expenses may occur and may vary when moving from a plan to an IRA.

Other options

When you leave a company, there are other choices you can consider when it comes to your retirement plan savings. In addition to a rollover IRA, you could:

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. However, you won't be able to add any more money to your account. You'll 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. Take it in cash

This option is available, but it can be costly to cash out early. Take a look at the following example.

High cost of cashing out early

Jill, age 30, is deciding whether to cash out a \$15,000 retirement account balance or roll it over to an IRA. If she waits until age 60 to take withdrawals from the rollover IRA, she won't be subject to the 10% tax penalty for withdrawals before age 59½.

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

	Rollover IRA; potential tax- deferred growth	Cash out and invest in annually taxable account
Total savings now	\$15,000	\$15,000
Federal income tax due now (assumes 22% tax bracket)	\$0	\$3,300
IRS penalty due now (10%)	\$0	\$1,500
Balance now	\$15,000	\$9,750
After-tax balance at age 60 (assumes 22% tax bracket)	\$89,063	\$50,261
Difference	\$39,002	

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 22% and a 7% net rate of return.

Keep in mind that all investments involve inherent risks, and the assumed rate of return is not guaranteed. Investment losses affect the comparison of a tax-deferred versus a taxable investment, and any applicable capital gains or dividends would affect the tax rate of the taxable investment. Because tax-deferred investments are generally designed to help you invest for specific long-term goals, there are restrictions on when the money can be withdrawn without penalty. Early withdrawals may be subject to sales charges and fees. Withdrawals prior to age 59½ may be subject to a 10% early withdrawal federal tax penalty. This scenario reflects the assumed net rate of returns to include any expenses and fees, including the expense of the underlying investment options.

Carefully consider your current and anticipated personal financial circumstances as well as changes in tax rates and tax treatment of investment earnings when making investment decisions.

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 these options:

- How to invest your IRA money (CDs, mutual funds, annuities or other suitable investments)
- Transferring your tax-deferred savings into a new employer's plan later, if the plan allows
- Receiving substantially equal periodic payments over your life or life expectancy
- Choosing how your money will be distributed to your beneficiaries

Keep these important points in mind:

- To avoid tax withholding and possible penalties, make sure retirement plan loans are paid off before rolling over
- Make sure your current plan custodian knows to send funds directly to your new rollover IRA custodian
 - 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

Your insurance or investment professional can answer your questions and help you develop a strategy that's right for you. Certain restrictions and limitations may apply.

Extended IRAs

When you manage your money well, you may end up with more assets than you need for retirement, giving you the opportunity to leave a legacy and provide for your loved ones in the future. An extended IRA is one of the options that may help you achieve this goal.

How extended IRAs work

An extended IRA is one strategy that helps transfer your assets to your beneficiaries over time in recurring annual payments rather than in one lump sum. Because your beneficiaries pay taxes only on the amount they receive each year, their tax liability will be spread out over the number of years they receive payments. Assets remaining in the IRA will have the potential to grow tax deferred, giving your beneficiaries more opportunity for tax-deferred compound growth over time.

Take less, leave more

Work with your IRA custodian to calculate the minimum required amount you can take as a distribution. This will help you leave as much as possible in your IRA so it has the potential to grow and provide even more to your beneficiaries.

Extended IRA considerations:

- Designated beneficiaries can spread distributions over their life expectancies
- IRA owners can rename beneficiaries at any time
- The age of the designated beneficiary will affect your beneficiary's distribution amount
- Spousal beneficiaries have more options than nonspousal beneficiaries, including the ability to make the IRA their own
- You may select a trust as your beneficiary
- If you convert your traditional IRA to a Roth IRA during your life, you will probably owe taxes at the time of conversion, but you will not be faced with required minimum distributions, potentially allowing for greater asset growth, and distributions will be income-tax free for your beneficiaries

Make the most of your legacy

To ensure your assets go to your loved ones, make sure you specifically designate your beneficiary(ies) and contingent beneficiary(ies). If you don't, you risk the following consequences:

- The maximum amount of your legacy might not be transferred
- Assets could go through probate, potentially exposing them to creditors and probate costs

You've worked hard and prepared well for retirement. Your good choices have put you in a position to provide financial security for your loved ones. Consider using an extended IRA to make the most of that legacy.

A word about early withdrawals

If you use one of the IRA strategies discussed in this brochure, we want to see it work to its full potential for you. That's why we want to make sure you understand the consequences of taking early withdrawals.

If you take money out of any IRA before reaching age 59½, you may have to pay a 10% federal tax penalty in addition to the ordinary income tax due.

Although income taxes will still be due, there are a few exceptions to this rule.⁶ The 10% penalty will be waived if the account owner:

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

⁶ “Retirement Topics — Exceptions to Tax on Early Distributions,” [IRS.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions](https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions) (Sept. 5, 2017).

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Your next steps

Having income you can count on in retirement is one of the best ways you can help protect your future.

Talk to your investment professional about these IRAs today to see if any of them can meet your specific needs.

Learn more at [nationwide.com/learningcenter](https://www.nationwide.com/learningcenter).

⁷ Based on revenue, Fortune magazine (June 2017).

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NFM-8917AO.7 (01/18)