Setting up a brighter future

Retirement 101 answer guide

Nationwide®
is on your side

Save for the retirement you imagine

Farmers and ranchers are passionate about the work they do. To some, retirement might sound like quitting, or it might seem like an unobtainable goal due to current financial issues. In reality, retirement is a phase of life for most Americans — and how you want to spend it is determined long before you reach your senior years.

Where you might be focused early in your career

- Immediate expenses and what it takes to fund your farm or ranch
- Saving for retirement could seem like a luxury compared with keeping the operation going

As your career begins, understanding what you can do early on is critical for success later.

A retirement account has many benefits for you, your family and your farm or ranch. Saving for retirement allows you to invest now and plan for the retirement that you want.

Nationwide® is committed to the agriculture community. We know that retirement is as unique as each individual planning for it. That's why at Nationwide, we define retirement as your vision for the future — not as dollars and benchmarks.

Because retirement might seem far away, it's hard to imagine what it will look like for you. But having some of your biggest questions answered can help you start planning to make a big impact on your financial future.

Q: How do I develop a retirement strategy?

A retirement account is considered a benefit. People are living longer, and employer-provided pensions are becoming a thing of the past. Because working individuals often struggle to meet their basic retirement needs and pay for rising health care costs, various retirement strategies were created by the federal government to help you save for the future.

Start by understanding your options

Types of retirement accounts

Individual-based retirement accounts

Traditional IRA (individual retirement account)

- You decide how much you want to invest (up to a maximum allowed per year) and how often to contribute to your IRA
- As long as you're earning income, you're eligible to contribute
- It's flexible and offers a variety of investment options
- The 2023 annual contribution limit is $6,500 ($7,500 if age 50 or older)
- Dollars invested are not taxed going in, but are taxed when you begin withdrawing at retirement
- Contribution limits do not apply to rollover contributions

Roth IRA

- Your contributions to a Roth IRA are made with after-tax dollars, which means you're taxed on the funds now, as you put them in
- You cannot deduct contributions on your federal taxes as with a traditional IRA; however, the advantage is that after you retire, your withdrawals will be tax free because you've already paid taxes on the money
- The 2023 annual contribution limit is $6,500 ($7,500 if age 50 or older)
- There are provisions for early withdrawals
- Contribution limits do not apply to rollover contributions

Business-based retirement plans

SIMPLE (savings incentive match plan for employees) IRA

- A SIMPLE IRA plan allows employees and employers to contribute to traditional IRAs set up for employees; it is ideally suited as a starter retirement savings plan for small employers not currently sponsoring a retirement plan
- Investment options are limited
- Contribution limits are small
- Liability is limited
- It requires a matching employer contribution, usually 3%
- The business can't offer additional saving with a simplified employee pension (SEP) plan or profit-sharing plan
- The 2023 annual contribution limit is $15,500

401(k)

- A 401(k) plan allows employees to contribute a portion of their wages to individual accounts
- Elective salary deferrals are excluded from the employee's taxable income (except for designated Roth deferrals)
- Employers can contribute to employees' accounts (up to $22,500, the 2023 annual contribution limit)
- Distributions, including earnings, are includable in taxable income at retirement (except for qualified distributions of designated Roth accounts)
- Investments can be employee- or employer-directed

SEP (simplified employee pension) IRA

- A SEP plan allows employers to contribute to traditional IRAs (SEP IRAs) set up for employees; a business of any size, even self-employed, can establish a SEP
- It's a pooled account
- Contributions are made only by the employer
- Employees can receive contributions up to 25% of their compensation
- The 2023 annual contribution limit is $66,000

Profit-sharing plan

- A profit-sharing plan accepts discretionary employer contributions
- There is no set amount that the law requires you to contribute; if you can afford to make some amount of contributions to the plan for a particular year, you may do so
- Your business does not need profits to make contributions to a profit-sharing plan
- It allows for company-only contributions
- The 2023 annual contribution limit is $66,000
- Investments can be employee- or employer-directed
- Employer contributions can be subject to a vesting schedule

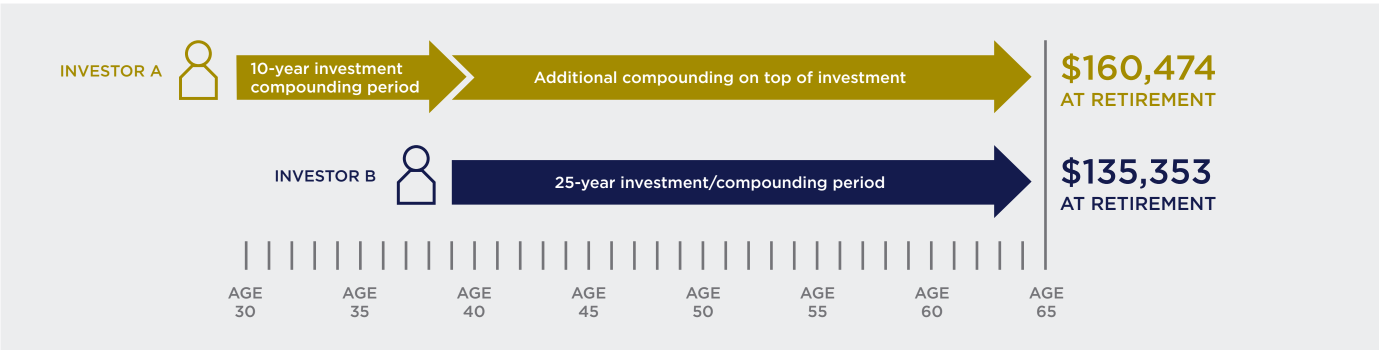
Invest now and give your money more time to grow

The key is planning early so you can take full advantage of your income. The sooner you begin saving, the more time your money has to grow. Each year's gains can generate their own gains the next year — a powerful wealth-building phenomenon known as compounding.

Here's an example of what a big difference starting early can make:

In the example below, **INVESTOR A** invests $2,000 per year beginning at age 30 and then stops investing after 10 years (a $20,000 total contribution). Although he's no longer contributing to the account, he leaves his money in the account to grow for an additional 25 years.

INVESTOR B doesn't start investing until age 40. She contributes $2,000 per year for a total of 25 years up until the day she retires (a $50,000 total contribution). Although Investor A invested $30,000 less than investor B, he ended up with a much higher account balance at retirement. That's because his money had 10 more years to grow.



This illustration is a hypothetical compounding calculation assuming a 7% annual rate of return. It is not intended to serve as a projection or prediction of the investment results of any specific investment. Investments are not guaranteed. Depending on your underlying investments, your return may be higher or lower. Interest is compounded annually based on beginning-year contributions. No taxes or fees are reflected in this example, which would lower the results displayed.

Q: It's the end of the year, and I'm working with my accountant; do I buy equipment, purchase some inputs or add to my retirement?

When considering your tax, business and personal needs, remember that equipment or inputs will depreciate or be depleted, while retirement funds can grow in value. It's never too early or too late to start funding your retirement account. Contact your financial professional to learn more.

Q: How much will I need?

You might need more income than you think in your retirement. Research shows that you'll probably need about 80% of what you earn now to maintain the same lifestyle in retirement.[1]

Let's take a look at how much you might need annually in retirement.

________________ x 80% = ________________

(current annual income) (estimated amount needed annually in retirement)

[1] "How Much Do I Need to Retire?" Robin Hartill, CFP®, fool.com/retirement/how-much-do-i-need (March 15, 2023).

3 tips to help you save more

1 Consider investing into a retirement account as a way to potentially lower your taxable income rather than buying next year's inputs or new equipment — if your cash flows support this type of planning.[2]

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2 Save part of an income increase. Maintain your current lifestyle when you have an increase in income and put part of the extra money toward retirement.

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3 Increase savings after paying off a debt. If you are used to a monthly bill such as a credit card and you pay it off, contribute that amount toward retirement savings.

[2] Nationwide and its representatives do not give legal or tax advice. An attorney or tax advisor should be consulted for answers to specific questions.

Q: How do I invest?

It depends on what type of investor you are. Generally, there are 3 types:

DO IT FOR ME

You are hands off and want the professionals to do the heavy lifting. Your plan might offer this option.

HELP ME DO IT

You want a simple choice, such as a target date or risk-based fund, that diversifies your investments for you.

I'LL DO IT MYSELF

You're a savvy investor who wants to select all your own investments within the plan.

Q: How much can I contribute?

Some industry analysts think you should contribute 10% to 15% each pay period for retirement,[3] but you need to find out what's right for you.

Q: Can I increase my contributions later?

Generally yes, depending on the type of retirement account you have.

Q: Can I access my funds before I retire?

Yes, but you could incur penalties and fees based on the type of retirement account you have. For example, if you make a withdrawal from a 401(k) plan prior to age 59½, you will be assessed a 10% penalty in addition to ordinary income tax on the withdrawal.

Let's say you are 45 years old and want to take $25,000 out of your retirement account to renovate your home.

You'll pay a 10% early withdrawal tax in addition to the 22% tax.[4]

So your $25,000 is reduced to $17,000 because of $8,000 in taxes.

The example is for a 401(k) plan (or traditional retirement account).

[3] "How Much Should You Contribute to a 401(k)?" U.S. News & World Report (Dec. 7, 2021).

[4] A 22% tax rate is being used.

Q:

What about taxes?

The money you save is usually taxed in 1 of 3 ways:

TAX-DEFERRED

Instead of paying taxes when the contributions are made, you don't pay federal income taxes until you start making withdrawals. Assuming no withdrawals are made until your retirement years, you might be in a lower tax bracket during retirement, when the taxes are eventually paid.

AFTER-TAX

You pay taxes on the contributions when made and can then withdraw those contributions later tax free. With an after-tax contribution, you will still pay tax on the associated earnings (growth above the original contributions) at withdrawal.

ROTH

You pay taxes on the contributions when made and might be able to later withdraw both the contributions and the earnings on those contributions tax free if certain conditions are satisfied.

Additional benefits of a retirement account

- Retirement contributions can reduce current taxable income.
- Interest accrues over time, which allows small, regular contributions to potentially grow into significant retirement savings.

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 your account(s) may be subject to surrender charges, other fees and/or an additional 10% early withdrawal tax if withdrawn before age 59½.

Neither Nationwide nor its representatives give legal or tax advice. Please consult with your attorney or tax advisor for answers to your specific tax questions.

Nationwide is America's #1 farm and ranch insurer[5] and one of the largest insurance and financial services companies in the world. We can help you protect what's most important.

Scan the QR code or visit nationwide.com/yourland.

Contact a financial professional at 1-855-863-9636 to learn more about how Nationwide is helping America's ag workers prepare for and live in retirement.

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

[5] By direct written premium, AM Best (2021).

This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

Investing involves market risk, including possible loss of principal, and there is no guarantee that investment objectives will be achieved.

Target date funds are designed for people who plan to begin withdrawing money during or near a specific target date, such as at retirement. These funds are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. The funds offer continuous rebalancing over time to become more conservative as investors approach their planned retirement date. In addition to the expenses of the target date funds, an investor is indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds. The principal value of the fund is not guaranteed at any time, including the target date.

The Nationwide Group Retirement Series includes unregistered group fixed and variable annuities and trust programs. The unregistered group fixed and variable annuities are issued by Nationwide Life Insurance Company, Columbus, Ohio. Trust programs and trust services are offered by Nationwide Trust Company, FSB. Nationwide Investment Services Corporation, member FINRA, Columbus, Ohio.

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