Nationwide®
is on your side

Diversification made easy

Asset Allocation Guide

First of all, what's asset allocation?

To put it simply, asset allocation is the process of spreading your investment dollars over different types of investments or asset classes. Because each asset class is different and performs differently in response to market changes, asset allocation may help you manage risk.

In making a variable contract purchase, the use of asset allocation can provide more opportunity for growth potential as you gain exposure to different funds within your variable subaccounts. It is important to note, though, that the use of diversification and asset allocation as part of an overall investment strategy does not ensure a profit or guarantee against loss in a declining market. Please remember that the models represented in this brochure are designed to help you allocate your subaccount investments into diversified models.

What's so great about asset allocation?

No matter what your long-term financial goals, you face two constant facts of life: risk and inflation. Consider the effects of risk and inflation when planning for the success of your financial future:

Risk	Inflation
The risk involved with investing is a direct result of the normal ups and downs of the financial market. Volatility for many investments is generally highest over shorter time periods. Maintaining a longer holding period with your investments is one of the best ways to diminish risk.	With a gradual increase in the cost of goods and services over time, inflation can have a significant impact on the future purchasing power of your assets. Even a seemingly low inflation rate can erode the value of your assets over several years.

While it's impossible to completely eliminate risk and avoid inflation while trying to maintain growth potential, there are several strategies that could help the performance of your investments. Asset allocation is one of those strategies.

Let us help simplify the process.

You have unique needs and therefore require a unique financial plan. That's why Nationwide brings you the tools you need to create your own diversified portfolio that will help meet your future financial needs.

It's as easy as one, two, three.

1	2	3
The investor profile	**Your model portfolio**	**Strategy selection**
Complete the investor profile on the following pages.	Determine your model portfolio based on your responses from the investor profile.	Meet with your investment advisor to choose a strategy that's right for you.

Here's how the investor profile works

You'll complete two sets of questions and receive a weighting that will map you to a specific asset allocation model.

Your time horizon

This weighting varies, depending on the number of years you plan to remain invested.

Your risk aversion

This weighting defines how comfortable you are with changes in market conditions and investment performance.

The investor profile

Identify your time horizon

1. When do you expect to begin withdrawing money from your investment account?

A.	1 year or less	0 pts
B.	2 – 4 years	2 pts
C.	5 – 10 years	5 pts
D.	11 – 15 years	8 pts
E.	16 years or more	10 pts

2. Once you begin withdrawing money from your investment account, over what period of time do you plan to spend the money?

A.	0 – 2 years	0 pts
B.	3 – 5 years	2 pts
C.	6 – 8 years	5 pts
D.	9 – 11 years	8 pts
E.	12 or more years	10 pts

3. What do you consider a long-term investment?

A.	1 – 2 years	0 pts
B.	3 – 5 years	2 pts
C.	6 – 8 years	5 pts
D.	9 – 10 years	8 pts
E.	11 years or more	10 pts

Now, total your time horizon score:

Question 1		________
Question 2	+	________
Question 3	+	________
	Total	________

Identify your aversion to risk

4. Generally, I am willing to accept a lower return in exchange for investments with little to no fluctuation in value.

A.	Strongly agree	0 pts
B.	Agree	2 pts
C.	Somewhat agree	5 pts
D.	Disagree	8 pts
E.	Strongly disagree	10 pts

5. I understand that I must take on some additional risks in order to potentially achieve the higher returns required to meet investment goals and withdrawal needs. Therefore, I am willing to take on a significant amount of additional risk in order to potentially achieve a higher return.

A.	Strongly disagree	0 pts
B.	Disagree	2 pts
C.	Somewhat agree	5 pts
D.	Agree	8 pts
E.	Strongly agree	10 pts

6. After a significant market decline …

A.	I would be very concerned and would shift to the most conservative portfolio to avoid any short-term losses.	0 pts
B.	I would be somewhat concerned and would shift to a more conservative portfolio.	2 pts
C.	I would be concerned, but would maintain the investment.	5 pts
D.	I would not be concerned and would maintain the investment, realizing the potential for higher long-term returns.	8 pts
E.	I would not be concerned and would increase my exposure to the risky portfolio.	10 pts

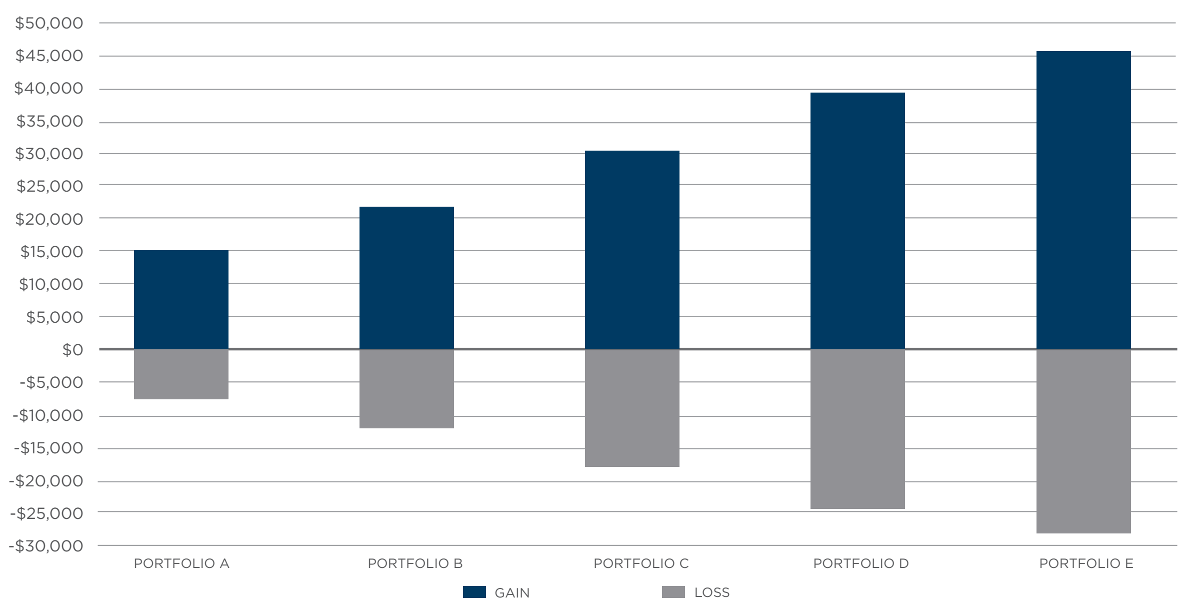
7. During market declines, I tend to move my money from risky investments into more conservative investments.

A.	Strongly agree	0 pts
B.	Agree	2 pts
C.	Somewhat agree	5 pts
D.	Disagree	8 pts
E.	Strongly disagree	10 pts

8. **The statements of five investors on the subject of risk and return are listed below. Which most closely corresponds to your own attitude?**

A.	The preservation of my investments is of greatest importance to me. I am willing to accept a lower return in exchange for greater stability.	0 pts
B.	The preservation of my investments is of slightly greater importance to me than the return on those investments.	2 pts
C.	Both the preservation of my investments and the return on those investments are of equal importance to me.	5 pts
D.	The return on my investments is of slightly greater importance to me than the preservation of those investments.	8 pts
E.	The return on my investments is of the greatest importance to me. I am willing to tolerate large fluctuations in value in order to potentially receive greater returns.	10 pts

9. **The bar graph below is a representation of possible one-year returns for five hypothetical portfolios. The initial investment is $100,000. The blue bar represents the best potential one-year return for that portfolio. The brown bar represents the worst potential one-year return for that portfolio. Which portfolio would you prefer?**



A.	Portfolio A with a potential gain of $15,000 and a potential loss of $8,000	0 pts
B.	Portfolio B with a potential gain of $22,000 and a potential loss of $12,000	2 pts
C.	Portfolio C with a potential gain of $30,400 and a potential loss of $18,000	5 pts
D.	Portfolio D with a potential gain of $39,100 and a potential loss of $24,000	8 pts
E.	Portfolio E with a potential gain of $45,800 and a potential loss of $27,600	10 pts

10. The table below gives the chances that these hypothetical portfolios have of earning at least 8% in a given year and the chances of losing money in a given year. For example, Portfolio A has a 26% chance of earning at least 8% in a given year, but a 25% chance of losing money in a given year. Which of the five portfolios is the investment with which you would be most comfortable?

		Chance of earning 8% or more in a year	**Chance of losing money in a year**	
A.	Portfolio A	26%	25%	0 pts
B.	Portfolio B	35%	28%	2 pts
C.	Portfolio C	44%	31%	5 pts
D.	Portfolio D	46%	33%	8 pts
E.	Portfolio E	49%	35%	10 pts

11. With which of the following investment types do you feel most comfortable?

A.	5% a year on average over the long term, but has a 25% chance of declining in value in a given year	0 pts
B.	7% a year on average over the long term, but has a 28% chance of declining in value in a given year	2 pts
C.	8% a year on average over the long term, but has a 31% chance of declining in value in a given year	5 pts
D.	10% a year on average over the long term, but has a 33% chance of declining in value in a given year	8 pts
E.	11% a year on average over the long term, but has a 35% chance of declining in value in a given year	10 pts

Now total your risk aversion score:

Question 4 ______________

Question 5 + ______________

Question 6 + ______________

Question 7 + ______________

Question 8 + ______________

Question 9 + ______________

Question 10 + ______________

Question 11 + ______________

Total = ______________

Find your ideal asset allocation model

Now that you've completed the investor profile questions, you can identify your ideal asset allocation model by using your time horizon score from Page 7 and your risk aversion score from Page 10.

1. Look across the top row to find your time horizon score
2. Look down the left column to locate your risk aversion score
3. Match your two scores to find the code that represents your ideal asset allocation

Asset Allocations

Risk Aversion Score \ Time Horizon Score	0 - 4	5 - 8	9 - 12	13 - 16	17 - 20	21 - 25	26 - 30
0 - 11	Conservative	Conservative	Conservative	Conservative	Conservative	Conservative	Conservative
12 - 23	Conservative	Moderately Conservative	Moderately Conservative	Moderately Conservative	Moderately Conservative	Balanced	Balanced
24 - 34	Conservative	Moderately Conservative	Balanced	Balanced	Balanced	Moderate	Moderate
35 - 45	Conservative	Moderately Conservative	Balanced	Balanced	Moderate	Moderate	Moderate
46 - 56	Conservative	Moderately Conservative	Balanced	Moderate	Moderate	Capital Appreciation	Capital Appreciation
57 - 67	Conservative	Moderately Conservative	Moderate	Moderate	Capital Appreciation	Moderately Aggressive	Moderately Aggressive
68 - 80	Conservative	Moderately Conservative	Moderate	Capital Appreciation	Moderately Aggressive	Moderately Aggressive	Aggressive

The final steps

Now that you've completed the first two steps, you and your investment professional can work on a strategy that best suits your financial needs. Your strategy can be carried out in two ways:

- Invest in asset allocation funds designed to maintain a predetermined mix of stocks, bonds and cash that match the model
- Select individual investments of your choice

If you choose to select individual investments, you'll have two model approaches from which to choose:

- The **broad approach** diversifies holdings across seven general asset classes
- The **focused approach** diversifies across 13 specific asset classes

Asset Classes

Broad Approach 7 asset classes	Focused Approach 13 asset classes
▲ Large-cap stocks	▲ Large-cap growth stocks
	▲ Large-cap value stocks
▲ Mid-cap stocks[4]	▲ Mid-cap growth stocks[1]
	▲ Mid-cap value stocks[1]
▲ Small-cap stocks[4]	▲ Small-cap growth stocks[1]
	▲ Small-cap value stocks[1]
▲ International stocks[2]	▲ Emerging market stocks[2, 3]
	▲ International stocks[2]
	▲ Real estate[4]
▲ Intermediate-term bonds[6]	▲ High-yield bonds[5, 6]
	▲ Intermediate-term bonds[6]
▲ Short-term bonds[6]	▲ Short-term bonds[6]
▲ Cash[7]	▲ Cash[7]

[1] Stocks of small-cap, mid-cap or emerging companies may have less liquidity than those of larger, more established companies and may be subject to greater price volatility and risk than the overall stock market.

[2] Investing internationally involves risks not associated with investing solely in the United States, such as currency fluctuation, political risk, differences in accounting and the limited availability of information, all of which are magnified in emerging markets.

[3] Emerging market stocks are especially volatile and should not be used to fulfill the international allocation for investors using the broad approach.

[4] Real estate investing involves the risks of real estate, generally including sensitivity to economic and business cycles, changing demographic patterns and government actions.

[5] High-yield bonds are typically subject to greater risk and volatility than higher-rated debt securities. High-yield bonds should not be used to fulfill the bond allocation for investors using the broad approach.

[6] All bonds are investment-grade. Investments in bonds include interest rate, inflation and credit risks.

[7] An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other federal government agency. Although the fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in the fund.

Asset classes explained

Large-cap stocks
Shares of ownership in corporations with a market capitalization greater than $7.7 billion

Large-cap growth stocks
Shares of ownership in large corporations with the potential for higher-than-average long-term growth

Large-cap value stocks
Shares of ownership in large corporations whose shares might be considered attractive because they are undervalued

Mid-cap stocks
Shares of ownership in corporations with a market capitalization between $1.8 and $7.7 billion

Mid-cap growth stocks
Shares of ownership in mid-sized corporations with the potential for higher-than-average long-term growth

Mid-cap value stocks
Shares of ownership in mid-sized corporations whose shares might be considered attractive because they are undervalued

Small-cap stocks
Shares of ownership in corporations with a market capitalization below $1.8 billion

Small-cap growth stocks
Shares of ownership in small-sized corporations with the potential for higher-than-average long-term growth

Small-cap value stocks
Shares of ownership in small-sized corporations whose shares might be considered attractive because they are undervalued

Emerging market stocks
Shares of ownership in corporations headquartered in developing countries outside the United States

International stocks
Shares of ownership in corporations headquartered in developed foreign countries outside of the United States

Real estate stocks
Shares of ownership in corporations that invest only in real estate

Bonds
IOUs issued by governments or corporations.

High-yield bonds
Higher-risk IOUs issued by corporations

Intermediate-term bonds
Investment-grade bonds that are lower-risk IOUs issued by governments or corporations

Short-term bonds
Investment-grade bonds that are IOUs with an average duration of 1 to 3½ years or an average effective maturity of 1 to 4 years

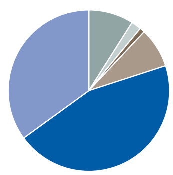
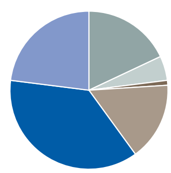
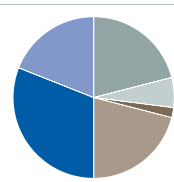
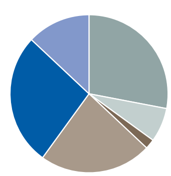
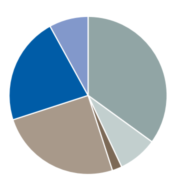
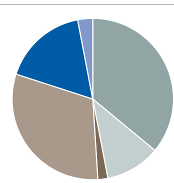
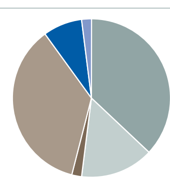
Cash
Short-term IOUs issued by governments, corporations or financial institutions

Market capitalization
An aggregate value of a company calculated by multiplying the number of shares outstanding by the share price

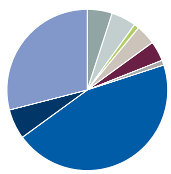
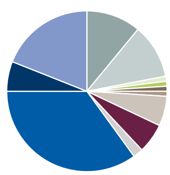
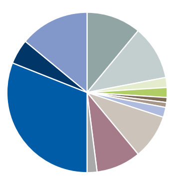
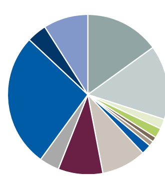
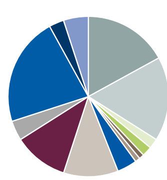
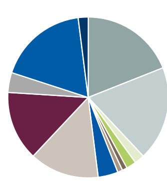
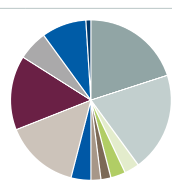
Find your portfolio

Locate your ideal asset allocation model in the left column and match it to the broad approach or the focused approach, depending on what you and your investment professional have decided works for you.

Asset Allocation

Model	Broad Approach		
Conservative		Large-cap stocks	9%
		Mid-cap stocks	2%
		Small-cap stocks	1%
		International stocks	8%
		Intermediate-term bonds	45%
		Short-term bonds	35%
Moderately Conservative		Large-cap stocks	18%
		Mid-cap stocks	5%
		Small-cap stocks	1%
		International stocks	16%
		Intermediate-term bonds	37%
		Short-term bonds	23%
Balanced		Large-cap stocks	21%
		Mid-cap stocks	6%
		Small-cap stocks	2%
		International stocks	21%
		Intermediate-term bonds	31%
		Short-term bonds	19%
Moderate		Large-cap stocks	28%
		Mid-cap stocks	7%
		Small-cap stocks	2%
		International stocks	23%
		Intermediate-term bonds	27%
		Short-term bonds	13%
Capital Appreciation		Large-cap stocks	35%
		Mid-cap stocks	8%
		Small-cap stocks	2%
		International stocks	25%
		Intermediate-term bonds	22%
		Short-term bonds	8%
Moderately Aggressive		Large-cap stocks	36%
		Mid-cap stocks	11%
		Small-cap stocks	2%
		International stocks	31%
		Intermediate-term bonds	17%
		Short-term bonds	3%
Aggressive		Large-cap stocks	37%
		Mid-cap stocks	15%
		Small-cap stocks	2%
		International stocks	36%
		Intermediate-term bonds	8%
		Short-term bonds	2%

Asset Allocation

Model		Focused Approach	
Conservative		Large-cap growth stocks 5% Large-cap value stocks 5% Mid-cap value stocks 1% International growth stocks 4% International value stocks 4%	Emerging market stocks 1% Intermediate-term bonds 45% High-yield bonds 6% Short-term bonds 29%
Moderately Conservative		Large-cap growth stocks 11% Large-cap value stocks 11% Mid-cap growth stocks 1% Mid-cap value stocks 1% Small-cap growth stocks 1% Small-cap value stocks 1% International growth stocks 6%	International value stocks 6% Emerging market stocks 2% Intermediate-term bonds 35% High-yield bonds 6% Short-term bonds 19%
Balanced		Large-cap growth stocks 11% Large-cap value stocks 11% Mid-cap growth stocks 2% Mid-cap value stocks 2% Small-cap growth stocks 1% Small-cap value stocks 1% Real estate 2%	International growth stocks 9% International value stocks 9% Emerging market stocks 2% Intermediate-term bonds 31% High-yield bonds 5% Short-term bonds 14%
Moderate		Large-cap growth stocks 15% Large-cap value stocks 15% Mid-cap growth stocks 2% Mid-cap value stocks 2% Small-cap growth stocks 1% Small-cap value stocks 1% Real estate 2%	International growth stocks 9% International value stocks 9% Emerging market stocks 4% Intermediate-term bonds 27% High-yield bonds 4% Short-term bonds 9%
Capital Appreciation		Large-cap growth stocks 17% Large-cap value stocks 17% Mid-cap growth stocks 2% Mid-cap value stocks 2% Small-cap growth stocks 1% Small-cap value stocks 1% Real estate 4%	International growth stocks 11% International value stocks 11% Emerging market stocks 4% Intermediate-term bonds 22% High-yield bonds 3% Short-term bonds 5%
Moderately Aggressive		Large-cap growth stocks 19% Large-cap value stocks 19% Mid-cap growth stocks 2% Mid-cap value stocks 2% Small-cap growth stocks 1% Small-cap value stocks 1% Real estate 4%	International growth stocks 14% International value stocks 14% Emerging market stocks 4% Intermediate-term bonds 18% High-yield bonds 2%
Aggressive		Large-cap growth stocks 20% Large-cap value stocks 20% Mid-cap growth stocks 3% Mid-cap value stocks 3% Small-cap growth stocks 2% Small-cap value stocks 2%	Real estate 4% International growth stocks 15% International value stocks 15% Emerging market stocks 6% Intermediate-term bonds 9% High-yield bonds 1%

Why Nationwide?

Depth of experience	An unwavering focus on results
A proud history of creating investment solutions and building long-term relationships with successful money managers tells you we're *On Your Side*®.	Our focus on asset allocation and consistency of investment styles means we're dedicated to helping you achieve your goals.
Comprehensive investment solutions	**A constant dedication to innovation**
From individual investment options to packaged solutions, we let you pick the alternatives that best meet your needs.	We're always looking for new ways to help offer you a balance of risk and return, because we understand you'll insist on it.

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NFM-1652AO.16 (03/18)