

Term life insurance

You can protect  
their future

Your 5-minute Guide



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

# Help build family security

In today's ever-changing financial environment, it's important to know there are some things you don't have to worry about. Life insurance can be the foundation of financial security for you and your family. It can be the base upon which other insurance and investment decisions are built.

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Protections and guarantees are subject to the claims-paying ability of the issuing life 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 this product is suitable for your long-term life insurance needs. You should weigh any associated costs before making a purchase. 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, and has 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

## Why do I need life insurance?

Life insurance is a way to provide cash to your family when you die. The money your beneficiaries receive can be used to cover final expenses, pay off debt and cover the mortgage or rent. It can provide a college fund, provide retirement money, create cash to pay estate taxes or simply provide a stream of income that will help your family maintain its present lifestyle. The death benefit paid is generally income tax free.

Business owners use insurance to help transfer the business to the next owner.

## How much do I need?

There are several ways to determine your personal insurance need. Here are three common methods:

**Rule of Thumb** — The amount you need is five to seven times your annual gross income.

**Expense Calculation** — Determine expenses for burial, an emergency fund, personal debts, mortgage, college education fund and any income replacement; add these together to determine your insurance need.

**Income Replacement** — Determine how much of your annual income your family would require to maintain its current standard of living (average is 70%); purchase enough insurance so the proceeds, if invested at an after-tax rate of 8%, would generate this income.

For example, if your income is \$40,000, then your coverage should generate \$28,000 of annual income (\$40,000 times 70%).  $\$28,000/8\% = \$350,000$  of life insurance coverage.

Neither Nationwide® nor its representatives give legal or tax advice. Please see your legal or tax advisor for answers to your specific tax questions.

## What is term life insurance?

Term life insurance provides protection over a specific period of time. It pays a benefit only if the insured dies during this specific period or “term.” Terms can vary from policy to policy, but can range from a one-year term to a 30-year term.

At the end of each term, the insurer may require you to provide evidence of good health to purchase continued protection. Annual renewable term may continue without further qualification, but premiums may increase each year.

## How is permanent life or cash-value life insurance different?

Permanent life insurance provides lifelong protection. As long as you pay the premiums, the death benefit remains in effect. And, most permanent life insurance builds a cash value — term policies don’t.

Permanent life insurance policies are designed and priced to be kept for long periods of time. Individuals who seek long-term protection should consider permanent insurance instead.

## Are there different kinds of term life insurance?

There are many different varieties of term life insurance. Because term life insurance is designed to provide the maximum amount of protection for the least amount of premium, insurance companies can offer modified plans to fit your circumstances.

**Annual Renewable Term** — The death benefit is a level amount. The policy is automatically renewed the next year without evidence of insurability. However, the premiums may increase each year with age.

**Level Term** — The death benefit is a level amount. The policy is generally purchased for a period of 10, 20 or 30 years, and the premium will often remain level over the entire period. Premiums will generally be higher than the initial premium for an annual renewable term of the same face amount. But, the premium will remain the same in later years when the annual renewable term premium is still increasing.

**Decreasing Term** — Typically used to help pay the mortgage, decreasing term maintains a level premium over a specific number of years and the benefit decreases every year until the selected term period expires. For example, you may purchase a \$100,000, 30-year policy to help provide funds that may be used to pay the mortgage in the event of your death. The life insurance benefit will decrease with your mortgage over time. After 30 years, your coverage will end.

**Credit Insurance** — You may receive offers in the mail for mortgage insurance or credit insurance. They are really offering you a type of term insurance — and at a hefty price. If your health is good, you may be able to purchase an individual term policy to provide this coverage at a fraction of the cost.

## What are the conversion privileges?

Many insurance companies offer a conversion privilege. This means you may convert or exchange your term policy for a permanent, cash-value policy equal to the current death benefit amount of the term coverage. Usually, there are no further medical questions. Keep in mind the longer you wait to convert, the higher the premiums will be on your new permanent policy. Some restrictions may apply.

## What are the advantages of term life insurance?

- Flexibility to choose from many different coverage periods
- Low initial cost compared to permanent insurance
- Large amounts of coverage can be purchased relatively inexpensively
- Many term policies offer a term-to-permanent insurance privilege
- May be good for temporary needs such as a mortgage or car loan

## What are the disadvantages of term life insurance?

- Premiums can increase at renewal as you grow older
- Coverage may terminate at the end of the term and may become too expensive to keep at renewal
- Term policies do not build cash value



## ▶ Get started now

Call your insurance professional today. By having a better understanding of term life insurance, you can decide if it would be a valuable addition to your financial plans.

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## 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 more than 30,000 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.



**Nationwide®**  
*On Your Side*

Life insurance is issued by Nationwide Life Insurance Company and Nationwide Life and Annuity Insurance Company, Columbus, Ohio.

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