



There's gotta be a perfect-fit retirement plan.

.....
Here's how to size-up the investment
options in *your* retirement plan.

Deferred Compensation Investment Guide



Nationwide[®]
On Your Side

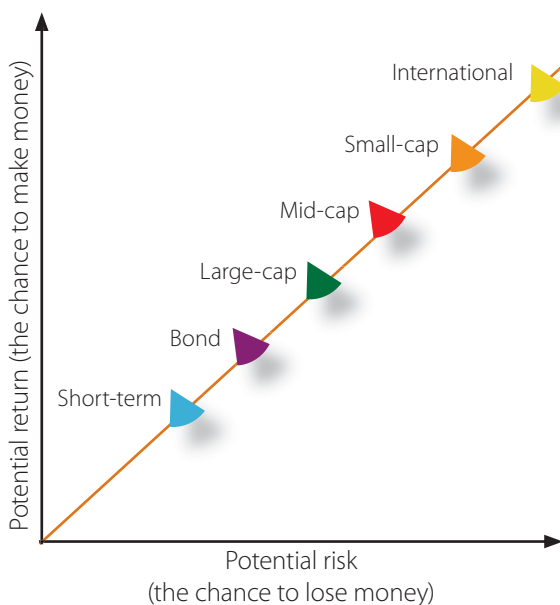
Finding an investment mix that fits

Asset allocation is a strategy of mixing different types of investments to increase the chance of earning money (return) while decreasing the chance of losing money (risk). The market is unpredictable, so an asset allocation strategy does not guarantee returns or insulate against potential losses. The right mix is different for everyone depending on one's willingness to take risks and how long until they'll need retirement income.

What are asset classes?

The three major investment types (stocks, bonds and short-term investments) have subcategories called asset classes. Asset classes tend to behave similarly in the market, so while one class declines in value another may gain value. The chart below illustrates potential risks and returns typically associated with each class.

Understanding asset class risk vs. return



- ▶ **International funds.** Typically invest in the stock of non-U.S. companies. *International investing involves additional risks; including currency fluctuations, political instability, differences in accounting standards and foreign regulations.*
- ▶ **Small-cap funds.** Typically invest in the stock of small U.S. companies whose outstanding stock is valued at less than \$1 billion. *Small company funds involve increased risk and volatility.*
- ▶ **Mid-cap funds.** Typically invest in the stock of mid-sized U.S. companies whose outstanding stock is valued at \$1–5 billion.
- ▶ **Large-cap funds.** Typically invest in the stock of large U.S. companies whose outstanding stock is valued over \$5 billion.
- ▶ **Bond funds.** Typically invest in bonds from corporations and government entities. *Bond funds have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund.*
- ▶ **Short-term investments.** *An investment in a money market underlying fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in the money market.*

Step 1

STEP 1 Consider your time horizon.

Your time horizon is the amount of time your money can stay invested before you need to withdraw it. It's a very important factor in creating your investment strategy.

Circle the answer that best matches your personal situation. (There are no right or wrong answers.)

A) Given your objectives, when will you begin withdrawing your money?

Points

- 0 Two years or less
- 4 Three to five years
- 7 Six to eight years
- 10 Nine to 11 years
- 12 12 years or more

B) Once you begin making money withdrawals, how long will the money need to last? How many years do you plan to spend in retirement?

Points

- 0 I'm going to need it all at once in a lump sum
- 2 One to five years
- 4 Six to 10 years
- 7 11 to 19 years
- 10 20 or more years

Total your time horizon points.

Question A points _____

Question B points + _____

Your time horizon score = *

* If your time horizon score equals 0, this questionnaire should not be used for portfolio selection.

Source: Ibbotson Associates Inc. (2000).

Step 2

STEP 2 Find your risk tolerance.

Your risk tolerance is a measure of your personal comfort with risk. It can change over time, which is why it's important to review your asset allocation strategy each year.

Circle the answer that best matches your feelings about risk.

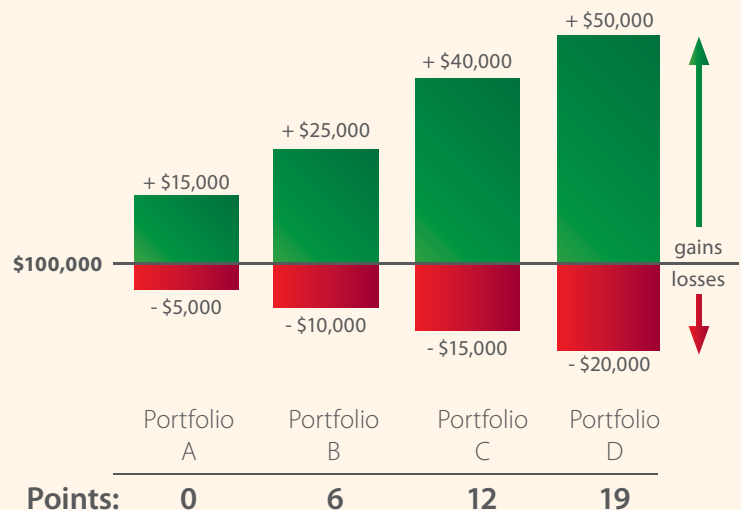
C) Inflation causes prices to rise over time. Which is more important to you—losing value in the immediate future or beating inflation?

Points

- 0 I'm more concerned about losing value in the immediate future than beating inflation
- 8 I'm equally concerned about losing value in the immediate future as I am about beating inflation
- 16 I'm more concerned about beating inflation than I am about losing value in the immediate future

D) The graph below shows the performance of four different hypothetical portfolios. Each bar gives a range of potential gains or losses at the end of one year. Circle the bar you feel most comfortable with.

Potential best- and worst- case ending values



E) Which of the following statements best describes your attitude about investing for this account?

Points

- 0 "Preserving account value is critical, so I'm willing to accept lower, long-term returns with conservative investments."
- 6 "Some immediate loss in value is okay for a chance at higher, long-term returns. However, I prefer that the majority of my investments be in lower-risk assets."
- 12 "Higher, long-term returns is important to me, so I am willing to accept substantial declines in value in the immediate future."
- 17 "Maximizing long-term investment returns is my primary objective, and I am willing to accept large—and sometimes dramatic—short-term declines in value to achieve this goal."

F) If you had invested in a diversified portfolio during a stock market downturn, when would you sell your riskier investments and invest in safer assets?

Points

- 0 At the first sign of a decline in value
- 7 After a large (more than 20%) and/or sustained (one year or more) decline in value
- 15 I wouldn't sell any of my investments; I would continue to follow a consistent long-term investment strategy

G) Which of the following types of investments do you feel more comfortable with?

An investment that might return:


Points

- 0 5% a year on average over the long term, but has a 10% chance of losing value in a given year
- 7 9% a year on average over the long term, but has a 15% chance of losing value in a given year
- 13 11% a year on average over the long term, but has a 20% chance of losing value in a given year
- 19 14% a year on average over the long term, but has a 25% chance of losing value in a given year

H) How long would you wait to change your investment if your investment suffered a substantial decline in value?

Points

- 0 One week
- 4 One month
- 8 One quarter
- 14 I wouldn't sell any of my investments; if a fund declines in value, that by itself is not a good reason to sell the fund

 **Total your risk tolerance.**

Fill in the points you circled from each question.

Question C points + _____

Question D points + _____

Question E points + _____

Question F points + _____

Question G points + _____

Question H points + _____

Your risk tolerance score =

Step 3

STEP 3 Identify your investor profile.


Find your code

Find the place where your time horizon score (from Step 1) intersects with your risk tolerance score (from Step 2) and circle your portfolio code!

An example of how to find your code and investor profile is explained below and highlighted in orange at right.

If your time horizon score is **8**
and your risk tolerance score is **57**,
your portfolio code would be **M**.
Your investor profile would be **"Moderate."**

		Your time horizon score				
		10+	8-9	5-7	3-4	0-2
Risk tolerance score	81-100	A	MA	M	MC	C
	61-80	MA	MA	M	MC	C
	39-60	M	M	M	MC	C
	17-38	MC	MC	MC	MC	C
	0-16	C	C	C	C	C

 Circle the chart below that matches your investor profile.

Aggressive
A



- 30% International Stock Funds
- 10% Small-cap Stock Funds
- 15% Mid-cap Stock Funds
- 40% Large-cap Stock Funds
- 5% Bond Funds
- 0% Short-term Investments

Moderately Aggressive
MA



- 25% International Stock Funds
- 5% Small-cap Stock Funds
- 15% Mid-cap Stock Funds
- 35% Large-cap Stock Funds
- 15% Bond Funds
- 5% Short-term Investments

Moderate
M



- 15% International Stock Funds
- 5% Small-cap Stock Funds
- 10% Mid-cap Stock Funds
- 30% Large-cap Stock Funds
- 25% Bond Funds
- 15% Short-term Investments

Moderately Conservative
MC



- 10% International Stock Funds
- 0% Small-cap Stock Funds
- 10% Mid-cap Stock Funds
- 20% Large-cap Stock Funds
- 35% Bond Funds
- 25% Short-term Investments

Conservative
C



- 5% International Stock Funds
- 0% Small-cap Stock Funds
- 5% Mid-cap Stock Funds
- 10% Large-cap Stock Funds
- 40% Bond Funds
- 40% Short-term Investments

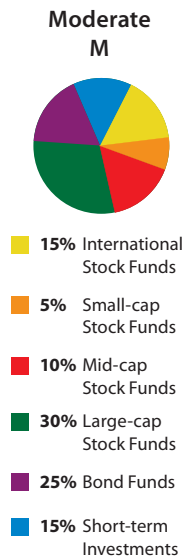
*Asset allocation models provided by Ibbotson Associates Advisors, LLC, a leading financial consulting organization.

Next steps

Congratulations! You have an asset allocation strategy. You can now make informed decisions when you choose a mix of investments for your portfolio.

Use your investor profile to choose investments

Use your investor profile pie chart to choose investments from the investment options section of your enrollment form or plan website. For example, if you are a **moderate** investor, you will choose percentages from the asset classes that match your profile, see the example below.



Investment Options	
International	Large-cap
_____ % ABC International Fund	30 _____ % ABC Large-Cap Fund
15 _____ % 123 International Fund	_____ % ACME Large-Cap Fund
_____ % ACME International Fund	_____ % Index Large-Cap Fund
Small-cap	Bonds
_____ % DEF Small-Cap Fund	_____ % ABC Bond Fund
5 _____ % 457 Small-Cap Fund	25 _____ % 457 Bond Fund
Mid-cap	Short-term
_____ % Widget Mid-Cap Fund	_____ % Money market FUND
10 _____ % 123 Mid-Cap Fund	15 _____ % Stable-value Fund
_____ % DEF Mid-Cap Fund	

Sample investment option section of an enrollment form.

Consider combining your retirement assets

You can bring most of your other retirement assets into your Nationwide® retirement account. It can be easier to make sure your investments fit your profile when they're all in one place. *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 a 10% tax penalty if withdrawn before age 59½. Neither Nationwide, nor any of its representatives give legal or tax advice.*

Contact us

 Call 1-877-677-3678

Your plan representative can provide you with a current listing of investment options available through your plan and help you with an asset allocation strategy.

Information provided by Retirement Specialists is for educational purposes only and not intended as investment advice.