Retirement Myths and Realities

Separating fact from fiction to help you plan for retirement

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is on your side

Important information

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

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.

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PNM-19715AO (03/23)

Nice to meet you

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Today we'll learn:

The biggest myths concerning retirement savings

The truth about these myths to help you confidently plan for retirement

TRUE OR FALSE?

Social Security will cover all my financial needs in retirement.

False

Social Security will likely NOT cover all your needs in retirement.

You may need 80% of your current income to maintain your standard of living in retirement. [1]

Social Security may replace less than 40%. [2]

[1] "Top Ten Ways to Prepare for Retirement," Employee Benefits Security Administration, dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/top-10-ways-to-prepare-for-retirement.pdf (September 2021).

[2] "Policy Basics: Top Ten Facts About Social Security," cbpp.org/research/social-security/top-ten-facts-about-social-security (March 4, 2022).

TRUE OR FALSE?

Medicare will pay for all my health care expenses in retirement.

False

Medicare covers only about 2/3 of health care costs in retirement. [1]

Health care is one of the biggest expenses for retirees.

An average couple retiring at age 65 today could spend up to $325,000 on health care in retirement. [2]

[1] "Here's how much Medicare could cost you in retirement," CNBC.com, cnbc.com/2020/07/02/heres-how-much-medicare-could-cost-you-in-retirement.html (July 2, 2020).

[2] "A Bit of Good News During the Pandemic: Savings Medicare Beneficiaries Need for Health Expenses Decrease in 2020," EBRI Issue Brief, ebri.org/content/a-bit-of-good-news-during-the-pandemic-savings-medicare-beneficiaries-need-for-health-expenses-decrease-in-2020 (May 28, 2020).

TRUE OR FALSE?

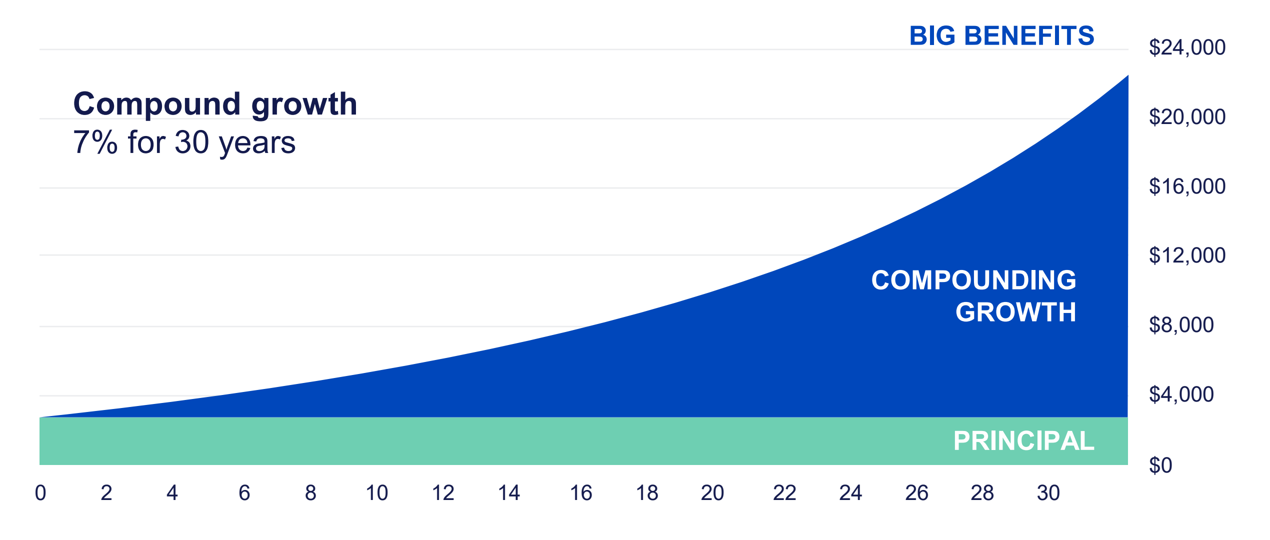
I can’t afford to start saving for retirement right now.

False

You can't afford NOT to save for retirement now.

Time is one of the most important factors to help you grow your savings.

Time lets you take advantage of compounding.



Other reasons to start saving now:

- Saving for tomorrow may mean paying less in taxes today
- Your employer may match your retirement plan contributions up to a certain amount [1]

[1] Not all employers offer a company match.

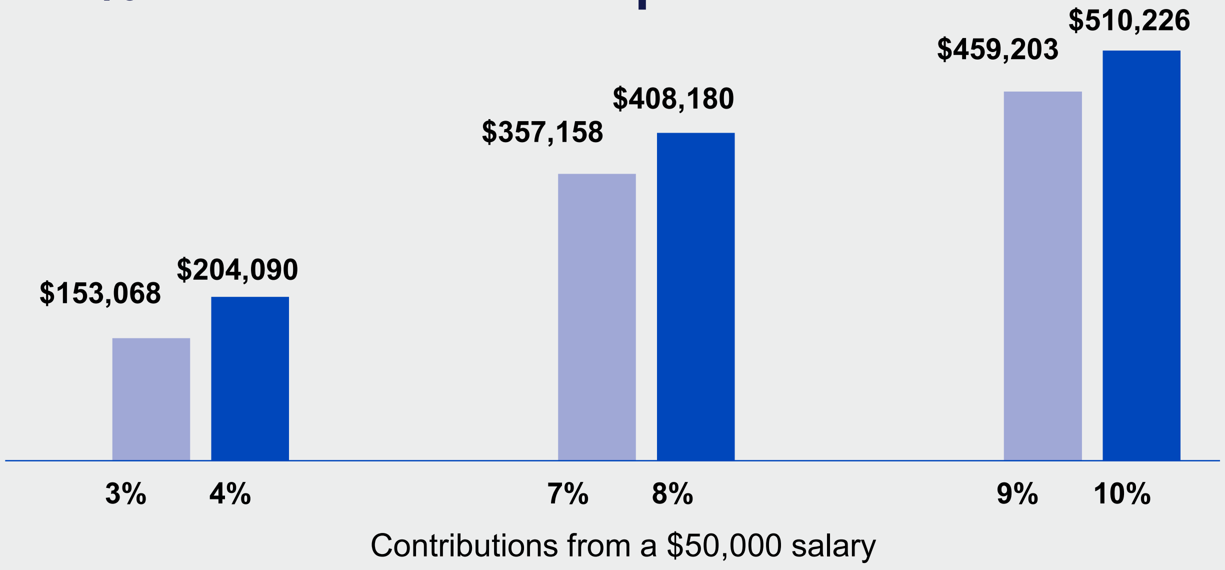
TRUE OR FALSE?

Small increases to my contributions won’t make a big difference.

False

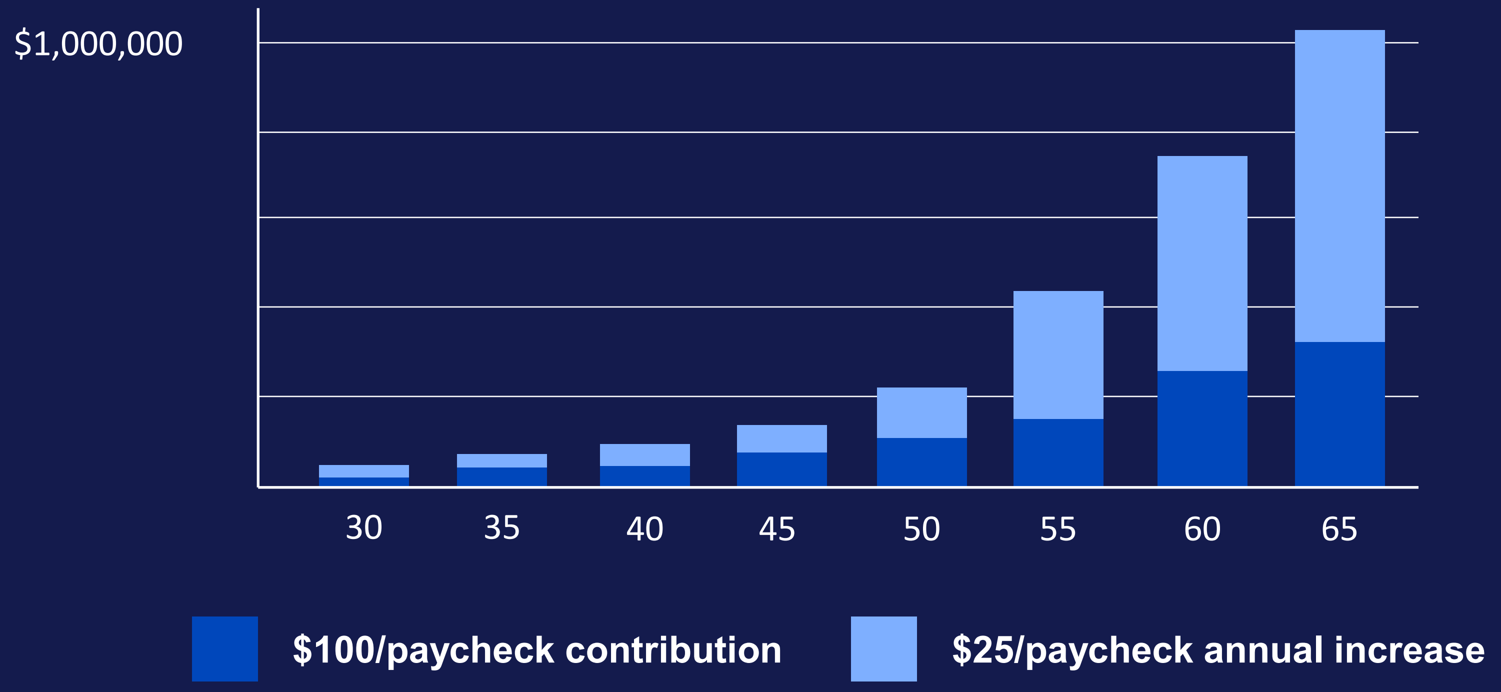
Increasing your contributions can make a big difference later with little impact to your paycheck today.

Here's how a 1% increase can add up.



This illustration assumes biweekly deferrals accumulated at 7% for 30 years. This example is only an illustration and isn't intended to reflect the return of any actual investment. Investments don't typically grow at an even rate of return and may even lose money. The effect of taxes and costs of investing have not been reflected.

Increasing contributions by $25 per paycheck per year



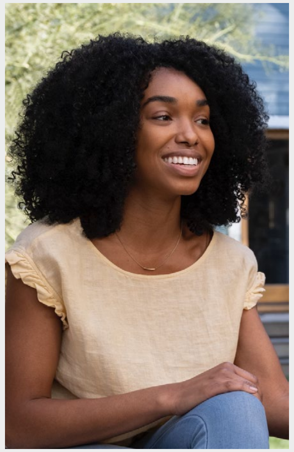
This illustration is a hypothetical compounding example that assumes biweekly deferrals for 35 years at a 7% annual effective rate of return. It illustrates the principle of time and compounding. It is not intended to predict or project the results of any specific investment. Returns are not guaranteed and will vary depending on investments and market experience. If fees, taxes and expenses were reflected, the hypothetical returns would be less.

TRUE OR FALSE?

It’s too late to start saving for retirement.

False

It’s never too late to start investing.



Courtney

Ashley

Michael

In this example, everyone invests $153.85 biweekly with a 7% hypothetical annual rate of return.

Courtney

Courtney invests starting at 21 until age 67

Contributes $184,000 over 46 years

Investment outcome at age 67:

$1,271,121

This illustration is a hypothetical compounding calculation assuming a rate of return of 7% on a $40,000 annual salary. It is not intended to serve as a projection or prediction of the investment results of any specific investments. Investments are not guaranteed. Depending on the underlying investments, returns may be higher or lower. If costs and expenses had been considered in this illustration, the return would have been less. The interest compounded annually is based on weekly contributions.

Ashley

Ashley invests starting at 21 until age 35

Contributes $56,000 over 14 years

Investment outcome at age 67:

$814,398

This illustration is a hypothetical compounding calculation assuming a rate of return of 7% on a $40,000 annual salary. It is not intended to serve as a projection or prediction of the investment results of any specific investments. Investments are not guaranteed. Depending on the underlying investments, returns may be higher or lower. If costs and expenses had been considered in this illustration, the return would have been less. The interest compounded annually is based on weekly contributions.

Michael

Michael invests starting at 35 until age 67

Contributes $128,000 over 32 years

Investment outcome at age 67:

$456,723

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TRUE OR FALSE?

Investing is too confusing and risky.

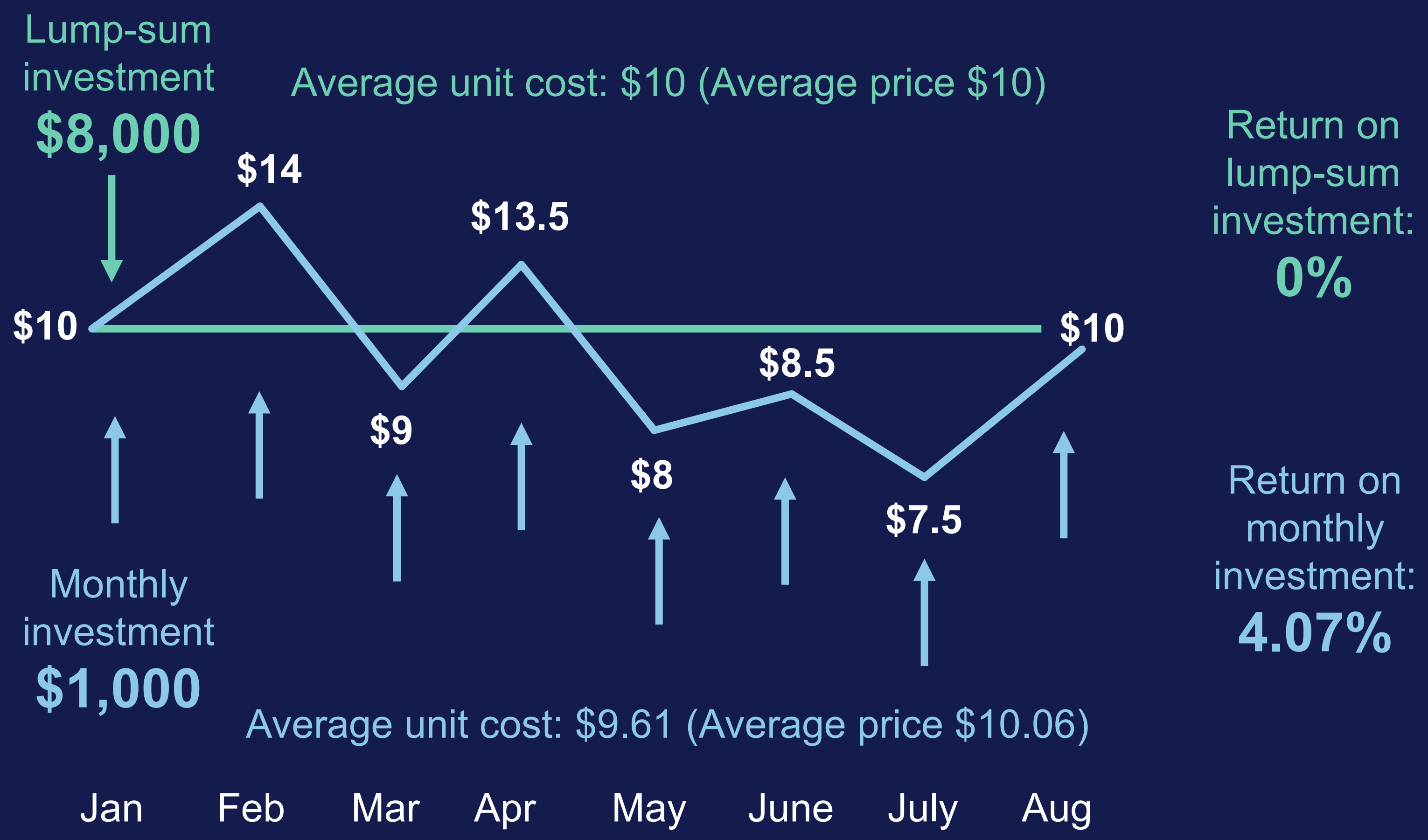
False

Investing CAN be confusing and risky — but you can simplify it and reduce risk.

We are here to help.

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

Regular contributions help offset risk



Dollar cost averaging does not assure a profit or prevent a loss in a down market.

TRUE OR FALSE?

When I retire, my money will be worth the same as it is today.

False

Your money won't go as far in the future because of inflation.

This chart compares the cost of eggs, movie tickets and cars over the span of 40 years. [1]

	1985	2015	2022	2025
Eggs	80¢/dozen	$2.47/dozen	$4.25/dozen	$4.63/dozen
Movie tickets	$3.55	$8.42	$11	$11.99
Cars	$11,838	$25,332	$48,080	$52,398

[1] Based on 3.5% inflation rate projected to mid-2025

TRUE OR FALSE?

I'll need $1 million to retire.

False

It depends. You may need less — or more than you think.

$1 million equals

$40,000

per year for 30 years. [1]

[1] Assuming 4% withdrawal rate. If contributions were made pretax, this amount would be less.

TRUE OR FALSE?

I'll have to withdraw my savings in a lump sum when I retire.

False

There are several things you can do with your savings when you retire.

- You can leave your savings in the plan [1]
- You can set up systematic payments to give you only what you need [1]
- You can take partial withdrawals [1]
- You can roll your money over to an individual retirement account (IRA)

[1] If plan allows

TRUE OR FALSE?

Changing jobs means juggling multiple retirement accounts.

False

You may not need to juggle multiple accounts.

You have four options when you leave a job:

1. Withdraw funds, but be aware of taxes and penalties.
2. Leave your balance in your prior employer's plan. [1]
3. Roll your balance into an IRA account.
4. Roll your balance to your new employer's plan. [1]

[1] If plan allows

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

Take action

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