Nationwide® is on your side

The Advanced Sales
JOURNAL

Brought to you by the Advanced Consulting Group of Nationwide®

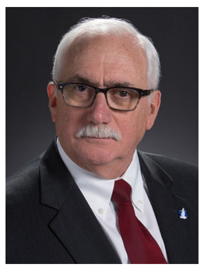
Spring 2018

IN THIS ISSUE

For more information on this and similar topics, please call the Advanced Consulting Group at 1-800-321-6064, option 9, extension 677-6500

Potential problems for BOLI/ COLI life insurance

David K. Smucker, CPA, MSM, CLU®, ChFC®
Director, Advanced Consulting Group



A modification to the transfer for value rules in the new tax law may cause problems for owners of bank-owned life insurance (BOLI) and company-owned life insurance (COLI) policies.

Background and definitions

Generally, a life insurance death benefit is income tax free.[1] However, if a policy is transferred for valuable consideration — a transfer for value — the death benefit in excess of the owner's cost basis will be taxable as ordinary income.[2] There are exceptions to the transfer for value rules; if the basis in the hands of the transferor is determined in whole or in part by the basis in the hands of the transferee, the transfer for value rules will not apply.[3]

BOLI is purchased by banks on the lives of its officers, purely as an investment. The policies are typically single premium Modified Endowment Contracts, and are held until the insured passes away. BOLI is attractive to banks for several reasons:

- Tax deferred growth inside the policy
- Premiums are invested in bond and mortgages, products that yield higher interest rates than money market accounts
- Assuming the rules in Section 101(j) IRC have been complied with, the death benefit will be income tax free.

Aside from protecting an employer from the financial repercussions of the premature death of a key employee, COLI is often used to informally fund nonqualified deferred compensation plans. Policy values may be tapped in retirement to help fund participants' retirement benefits under the plan, or the policy may simply be held until death for cost recovery. It is attractive for the same reasons as BOLI, although it may not be a Modified Endowment Contract.

Businesses can amass large amounts of life insurance, and in the course of a business' life there can be multiple mergers and acquisitions. As part of those transactions, life insurance policies can change ownership. Businesses have relied on the carryover basis rules to protect the death benefits of those policies from taxation.

Apparently to bring some clarity to life settlement[4] transactions, the tax law added paragraph 3, Exception To Valuable Consideration Rules For Commercial Transfers, to Subsection 101(a) of the Code. In subparagraph A of paragraph 3 it says that none of the transfer for value exceptions — including the carryover basis exception — apply to transfers defined as reportable policy sales.

Subparagraph B defined reportable policy sales as those involving:

> "...the acquisition of an interest in a life insurance contract, directly or indirectly, if the acquirer has *no substantial family, business or financial relationship*[5] with the insured apart from the acquirer's interest in such life insurance contract..."

Having relied on the carryover basis exception in the past, businesses may be hard pressed to establish, two or three mergers later, or 10, 20, even 30 years after the insured has retired, the necessary substantial business relationship to retain an income tax free death benefit. Historically, the insurable interest had to exist only at policy issue. This provision might push that rule out to the date of death. There would be some relief; acquisition costs and premiums paid would be deductible from the death benefit so only the net amount at risk would be taxed. Even with that, unless there is some exculpatory guidance, this provision is going to create problems for banks and businesses that own life insurance.

IRS releases Priority Guidance Plan as of Decemeber 31, 2017

Anne Meagher, JD, CLU®, ChFC®
Director, Advanced Consulting Group

On February 7, 2018, the IRS released an update to its 2017-2018 Priority Guidance Plan to provide helpful guidance to taxpayers on a variety of tax issues important to individuals and businesses. The Priority Guidance Plan may be revised during the plan year to reflect additional items that have become priorities. Here are the top 10 priorities for implementing the Tax Cuts and Jobs Act of 2017. I have highlighted the items that will affect you as an insurance and financial advisor and your clients.

1. Business credit under Code sec. 4S regarding wages paid to a qualifying employee during family and medical leave.
2. **Guidance under Code secs. 101, 1016 and 6050Y regarding reportable policy sales of life insurance contracts.**
3. Guidance under Code sec. 162(m) regarding the application of the effective date to the elimination of the exceptions for commissions and performance-based compensation from the definition of compensation subject to the deduction limit.
4. Guidance regarding the non-deductibility of fines and penalties for violation of any law under Code sec. 162(f) and 6050X.
5. Computational, definitional and other guidance under new Code sec. 163(j) regarding the limitation on the deduction for business interest.
6. Guidance on new Code section 168(k) regarding bonus depreciation.
7. **Computational, definitional, and anti-avoidance guidance under new Code section 199A regarding the taxation of pass-through entities.**
8. Guidance regarding new small business accounting method changes.
9. Guidance regarding special rules for taxable year of inclusion under Code sec. 451.
10. Guidance on computation of unrelated business taxable income for separate trades or businesses of certain tax exempt organizations under Code section 512(a).

Number 18 is guidance on issues relating to the excise tax on excess remuneration paid by an applicable tax-exempt organization under Code sec. 4960.

In the retirement plans area, the IRS listed these priorities:

1. Updating the ESOP rules.
2. Final regulations on the application of the normal retirement age regulations for governmental plans.
3. Guidance on the use of lump sum payments to replace lifetime income being received by retirees under defined benefit pension plans.

The lists are long, and it will certainly be a challenge just to complete a few of these projects in 2018. We will keep you updated as guidance becomes available.

Understanding the tax impact of sales to cooperatives

Ryan Patton, MBA
Consultant, Advanced Consulting Group

On March 23, 2018 President Trump signed the Consolidated Appropriations Act, 2018, H.R. 1625 into law. The 2,232-page piece of legislation included a fix to the "grain glitch" that was created under the Tax Cuts and Jobs Act of 2017. The "grain glitch" under the 2017 act significantly favored sales to cooperatives for most farm producers. Farmers that were able to sell to cooperatives were able to take a potential 20% deduction based on sales that were made to that cooperative as opposed to a 20% deduction based on taxable income. This allowed many farmers the ability to claim a deduction that would bring their taxable income to zero. The new legislation addresses the treatment of sales to cooperatives and cooperative tax deductions. To better understand how these changes will impact the manner in which farmers will market their products, selling to cooperatives or selling to non-cooperatives, we must first look to Internal Revenue Code (IRC or Code) §199A and any updates that apply.

Qualified business income deduction

Under the new Code section all pass-through entities will be able to deduct 20% of their qualified business income if the tax payer has an adjusted gross income of no more than $157,500 ($315,000 if joint return), adjusted for inflation after 2018. For amounts above those figures, the deduction is phased out over the next $50,000 ($100,000 for joint tax filers) of income. This creates an effective top marginal rate of 29.6%.

"The term 'qualified business income' means, for any taxable year, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer. Such term shall not include any qualified REIT dividends or qualified publicly traded partnership income." IRC §199A(c).

The calculation to determine what the tax payer will be able to deduct for QBI is based on a few factors. First, combined QBI needs to be calculated.[6] IRC §199A(b)(2) states that the combined QBI is equal to the lesser of:

- 20% of the taxpayer's QBI or
- The greater of-
  - o 50% of the W-2 wages with respect to the qualified trade or business, or
  - o The sum of 25% of the W-2 wages with respect to the qualified trade or business, plus 2.5% of the unadjusted basis immediately after acquisition of all qualified property.[7]

Once the combined QBI is determined the tax payer moves to the next limitation, taxable income. The QBI deduction is the lesser of:

- The combined qualified income amount of the taxpayer, or
- An amount equal to 20% of the excess (if any) of-
  - o The taxable income of the taxpayer for the taxable year, over
  - o The net capital gain (as defined in section 1(h)) of the taxpayer for the taxable year.[8]

Under the new legislation, a further calculation is now required that serves as a reduction of qualified business income with respect to income received from cooperatives.[9]

In the case of any qualified trade or business of a patron of a specified agricultural or horticultural cooperative, the amount determined under paragraph (2) with respect to such trade or business shall be reduced by the lesser of:

- 9% of so much of the qualified business income with respect to such trade or business as is properly allocable to qualified payments received from such cooperative, or
- 50% of so much of the W-2 wages with respect to such trade or business as are so allocable.[10]

Let's take a look at how the new Code section could affect sellers.

For our purposes, the below examples will not exceed the QBI limitations ($157,500 for single individuals or $315,000 for married individuals). If QBI exceeds the limitations defined under IRC §199A, the complexity of your clients tax strategies will likely increase.

Non-cooperative sales

John Smith, a single, individual tax filer, operating as a sole proprietor, is a row crop farmer with a Schedule F income of $150,000 and no other income. His income is derived from $400,000 of grain sales (to a buyer other than a cooperative) and his expenses are $250,000.

As illustrated in the table on page 5, John would be entitled to the $27,600 deduction in addition to the standard deduction of $12,000, bringing his taxable income for the year down to $110,400. John's total deduction equals 20% of his taxable income, however, as a result of the new law, John's QBI deduction could be different if he had sold to a cooperative instead of an independent purchaser.

Cooperative sales made by patrons

John has decided to sell all of his crops to a cooperative. In doing so, John receives his $400,000 pay in the form of $350,000 as a per unit retain paid in money (PURPIM) and $50,000 as an end-of-year patronage dividend. These payments from the cooperative would be considered "properly allocable to qualified payments received from such cooperative."[11] As in the above 199A calculations, John starts off with the same potential deduction that would be applicable under IRC §199A if he had not sold to a cooperative, $27,600. Now we subtract[12] from our initial IRC §199A deduction the **lesser** of the following amounts:

- 9% of so much of the qualified business income with respect to such trade or business as is properly allocable to qualified payments received from such cooperative, or
- 50% of so much of the W-2 wages with respect to such trade or business as are so allocable.[13]

In this scenario, John would be entitled to the same $27,600 deduction due to John having no W-2 wages. He will also receive the standard deduction of $12,000, bringing his taxable income for the year down to $110,400.

The potential benefit of selling to a cooperative of which you are a member

The new law may not favor sales to cooperatives but in some instances, a farmer may see an advantage if the cooperative distributes out to its' members an additional deduction. For example, if John is selling to a cooperative, John may receive an additional deduction that he can add onto his IRC §199A deduction if the cooperative John sells to wishes to pass it through to him. The amount of the deduction that a cooperative may pass back through to its members, which will range from 0%-9% of the cooperative's qualified production activities income (QPAI), is attributed to that individual patron's grain sales to the cooperative. The deduction passed back through to the members of the cooperative operates in the same manner the old DPAD provision worked. The overall amount that the cooperative chooses to pass through to its members cannot exceed 50% of the value of the wages the cooperative pays to its employees.

The potential disadvantage of selling to a cooperative

Lastly, let's take a look at how the new Code section could affect farmers negatively if they were to sell to a cooperative rather than an independent purchaser. All of the facts that are noted above will remain the same, the only change is that John employed a W-2 employee. The W-2 employee was paid in the amount of $30,000 which was included in John's expenses for the 2018 tax year.

How do they compare

	Cooperative-W-2 employee		Cooperative No W-2		Non-Cooperative	Potential QBI deduction
Sale of grain	$400,000		$400,000		$400,000	
Expenses	-$250,000 ($30,000 W-2)		-$250,000		-$250,000	
Net Business Income	$150,000		$150,000		$150,000	$30,000 (a)*
Less: Standard Deduction	-$12,000		-$12,000		-$12,000	
Taxable Income	$138,000		$138,000		$138,000	$27,600 (b)*
Potential reduction of deduction pursuant to IRC §199A(b)(7)						
Subtract the lesser amount**	$12,420 (c)	$15,000 (d)	$12,420 (c)	$0 (d)	N/A	
Total QBI deductions	$15,180		$27,600			
Taxable Income after IRC §199A(b)(7) reduction	$122,820		$110,400		$110,400	
Additional deduction passed through from cooperative (IRC §199A(g)(2)(A)	$3,000		$3,000		N/A	
Total IRC §199A deduction	$18,180		$30,600			
Deduction percentage to taxable income	13.17%		22.17%			
Taxable income after IRC §199A deductions	**$119,820**		**$107,400*****		**$110,400**	

* QBI deduction application is equal to the lesser of: (a) 20% of all QBI or 20% of taxable income (less capital gains) ($150,000 X 20% = $30,000) **or** (b) 20% of taxable income ($138,000 X 20% = $27,600)

** 9% of so much of the qualified business income with respect to such trade or business as is properly allocable to qualified payments received from such cooperative.

*** Plugging in our figures, John will need to subtract from $27,600 the lesser of: (c) $12,420 (9% X $138,000) or (d) $0 (50% X W-2 wages which were $0) Therefore, in this example, John will see the same benefit selling to a cooperative vs a noncooperative.

As the above indicates, the results will vary depending on the farmer's particular circumstances. The new Code section does not appear to simplify choices for farmers when they decide to sell their product.

It is important to note that the above calculations are only attributed to sales related to cooperatives, in regard to QBI deduction purposes for columns one and two. Individuals could still see a total QBI deduction affected by an individual's ability to receive rental income, or other qualified business income, allowing the individual to have the potential to still receive the maximum 20% deduction that a non-cooperative seller could receive.

In column 1, the cooperative that John sells to and is a member of has decided to allocate a $3,000 deduction[14] to him for John's portion of the cooperative's QPAI. John will be able to take this additional deduction so long as it does not exceed John's taxable income after his QBI deduction. John's total QBI deduction equals 22.17% of his taxable income, slightly more than the 20% deduction if John had sold to an independent purchaser.

Although the above calculations may seem similar to the old 199A DPAD rules prior to 2018, a large distinction comes in the form of to whom this deduction now applies to. For more information on this and other distinctions from the old 199A DPAD please inquire with the Advanced Consulting Group for the full white paper on this topic, *Before you sell* (NFM-17182AO.1).

Charitable planning opportunities under the new tax law

Steve Hamilton, JD, CLU®, ChFC®
Director, Advanced Consulting Group

The reported demise of charitable giving under the new tax law, is premature. Opportunities still abound for charitable giving. So, what has changed and what has remained the same?

The maximum itemized charitable deduction has increased

While the new tax law increases the standard deduction from $6,500 to $12,000 for singles (from $13,000 to $24,000 for joint filers) and reduces the available itemized deductions, the good news is:

- Itemized charitable deductions for cash donations remain
- They have been increased from a maximum of 50% to 60% of the taxpayer's adjusted gross income (AGI)
- The Pease Amendment, that phased out the benefits of itemized deductions for those with high incomes, has been repealed.

What can the increased itemized deduction for itemized charitable cash donations be used for?

- Outright gifts
- Purchases of gift annuities (CGAs)
- Funding charitable remainder trusts (CRTs) or charitable lead trusts (CLTs)
- Donations to donor advised funds
- Funding pooled income funds

Bunching charitable contributions

What if current annual charitable gifts don't exceed the new $12,000 standard tax deduction?

Consider making two years of charitable gifts in one year so the charitable deduction exceeds the $12,000 (single) standard tax deduction.

Hypothetical example:

Donations to qualified charity without receiving an itemized charitable deduction

- 2018 Charitable Gifts: $10,000 — No Itemized Deduction
- 2019 Charitable Gifts: $11,000 — No Itemized Deduction

No charitable itemized deductions since the amounts don't exceed the $12,000 standard deduction in any of the two tax years.

Rearranging donations to a qualified charity to receive itemized charitable deduction

- 2018 Charitable Gifts: $0 Donations to Qualified Charites — No Itemized Deduction
- 2019 Charitable Gifts: $21,000 Donations to Qualified Charities — Itemized Charitable Deduction

By bunching the $10,000 (from 2018) charitable donation with the 2019 $11,000 charitable donation, there is now a $21,000 itemizable charitable deduction for a 2019 single filer. (For joint filers, they would have to exceed the $24,000 standard deduction.)

Qualified charitable donation (QCD)

Avoid taxation, while giving qualified money to charity

- Must be 70 ½ or older
- The distribution must be of ordinary income
- The maximum amount of the donation is $100,000
- The donation has to be a direct transfer from the trustee or custodian of the IRA to the qualified charity
- The QCD counts toward that year's required minimum distribution (RMD)
- The QCD will not be taxable income to the IRA owner, therefore there is no offsetting charitable deduction since the donation was never included as taxable income
- The QCD is indicated on the individual's tax return to avoid inclusion as taxable income.

When properly done, the IRA owner has satisfied his or her RMD, donated money to a qualified charity, and avoided income taxation on the QCD amount.

Capital gains and NIIT tax unchanged

The top long term capital gains (LTCG) tax rate remains at 20% and the net investment income tax (NIIT or the Medicare tax) remains at 3.8%. Since these taxes have not been reduced or eliminated, more individuals are realizing that their long term capital gains may be taxed at 23.8% or more if there is a state tax. This increases the value of itemized charitable deductions for those that have appreciated property.

Why consider qualified charitable donations of appreciated property?
Because when properly done, the taxpayer can potentially:

- Avoid the LTCG tax and NIIT
- Receive a charitable itemized income tax deduction for the fair market value of the donated asset
- Receive a maximum charitable itemized deduction of 30% of AGI
- Carry forward, for up to five years, deductions that exceed 30% of the taxpayer's AGI

Commonly used charitable planning strategies remain
Charitable remainder trusts (CRTs), charitable gift annuities (CGAs), and charitable lead trusts (CLTs) are not directly impacted by the new tax law, but may be more attractive due to the $10,000 state and local tax itemization cap.

CRTs and CGAs can be attractive for those in higher income tax brackets since they allow the donor to donate appreciated property, receive a charitable deduction, and receive an income while avoiding potentially nondeductible state taxes.

Conclusion

Most giving is done by individuals who believe in the charitable causes they are giving to. Tax benefits, when available, are a secondary benefit. The new tax law has not removed any charitable strategies. It has potentially decreased the number of those who can itemize deductions due to the increased standard deduction. The reduction and limitations on itemized deductions, have increased the value of charitable itemized deductions for those who can take advantage of them.

ASK THE SPECIALIST

Trusts as a beneficiary of a nonqualified annuity

Desiree Buckner, JD, CLU®, CLTC
Director, Advanced Consulting Group

Question: What happens when a trust is named as beneficiary of a nonqualified annuity?

This question is becoming more common, since it is popular for clients to use a trust to transfer their assets after death. As a result, clients are naming their trust as beneficiary of nonqualified annuities. Although it may be logical for the death benefit of a nonqualified annuity to be paid to the client's trust to be distributed to their heirs according to the trust provisions, there are income tax consequences that the advisor and clients should understand.

Question: Why?

When a trust is the beneficiary of a nonqualified annuity, the death benefit must be paid out to the trust no later than five years from the date of death of the owner. Unlike an individual or natural person named as beneficiary, a trust named as beneficiary of a nonqualified annuity cannot receive the death benefit over a life expectancy, known as "stretch or inherited annuity." Also, there is no option for spousal continuation, so a spouse cannot takeover and continue the nonqualified annuity contract.

Question: What should clients do?

A nonqualified deferred annuity passes by beneficiary designation, and does not go through the probate process, unless the estate is the beneficiary. Therefore, it is not necessary for a trust to be the beneficiary of a nonqualified annuity to avoid probate. So, this decision usually boils down to what is most important to the client as owner of a nonqualified annuity. Does the client want the non-tax benefits and protections of a trust, such as spendthrift and creditor protection, or the potential income tax advantages of spousal continuation, and/or the stretch option for their non-spouse beneficiaries, usually their children? The client's answer should determine whether the trust should be named as the beneficiary, or individuals should be named as beneficiary of the nonqualified annuity.

Why cash indemnity benefits hedge the unknown future of the caregiving industry

Shawn Britt, CLU®, CLTC
Director, Long-term Care Initatives, Advanced Consulting Group

The need for long-term care (LTC) services in America is increasing with the aging of the Baby Boomers. At the same time, professional care services are getting harder to obtain, and this problem is quickly growing to crisis levels. Without the ability to obtain professional care services, families could be forced into having to provide informal care services to their family members in need. That said, it is important to know how your LTC coverage will handle claims when care is provided by family members.

Defining formal care vs. informal care

There is some confusion as to how these terms are defined and where such care takes place. Most types of formal care are covered by LTC policies and riders. But the lines can get fuzzier when it comes to informal care — thus, one must consider how such services will be treated when considering which LTC coverage to purchase.

Formal caregivers
Typically paid providers of LTC services, and are generally either licensed individuals or caregivers working for a licensed service or facility. They may also be volunteers or employees from a government or nonprofit organization. Formal care can take place in any setting.

Informal caregivers
Includes any person, such as a family member, friend or neighbor, who is giving regular, ongoing assistance to another person, without payment for the care given. Informal care is generally provided in the home. Most often, the caregiver is an unlicensed person.

Informal care primarily takes place with care provided at home. Some families will use formal home health care to provide 100% of the care needed while other families may use a combination of formal and informal care. Those with limited resources may choose to — or may have no other choice than to use informal care services for all the care provided in the home.

The majority of people receiving informal care are getting their care from immediate family members

- 66% of older people are receiving care totally from a family member, usually from wives or daughters.[15]
- Over 75% of informal caregivers of a relative also work outside of the home. Their jobs are often impacted, which can create financial stress for the caregiver.[16]
- 35% of care recipients receive care in in the home of their caregiver.[17]

Value of cash indemnity LTC benefits vs. reimbursement

People looking to buy LTC coverage should consider the value of cash indemnity benefits.

While considering different options and policies, it helps to "**L**ook **T**owards **C**laim". Price does not always equal value, so understanding how benefits are paid and what they can pay for is a good first step in analyzing the actual value a policy might provide when the policy will be needed to help pay LTC expenses.

Cash indemnity benefits
In a cash indemity policy the insurance company places no restrictions on how policy benefits are used. 100% of LTC benefits can be used to pay informal caregivers, including immediate family members, even when the caregiver and care recipient live in the same home.

Reimbursement benefits
Reimbursement plans generally only allow reimbursement of immediate family members when that caregiver works for and is paid by a licensed service or facility. And though these plans may reimburse expenses for informal caregivers, most

will not reimburse payment for care provided by an immediate family member and/or for family caregivers living in the same home as the care recipient.

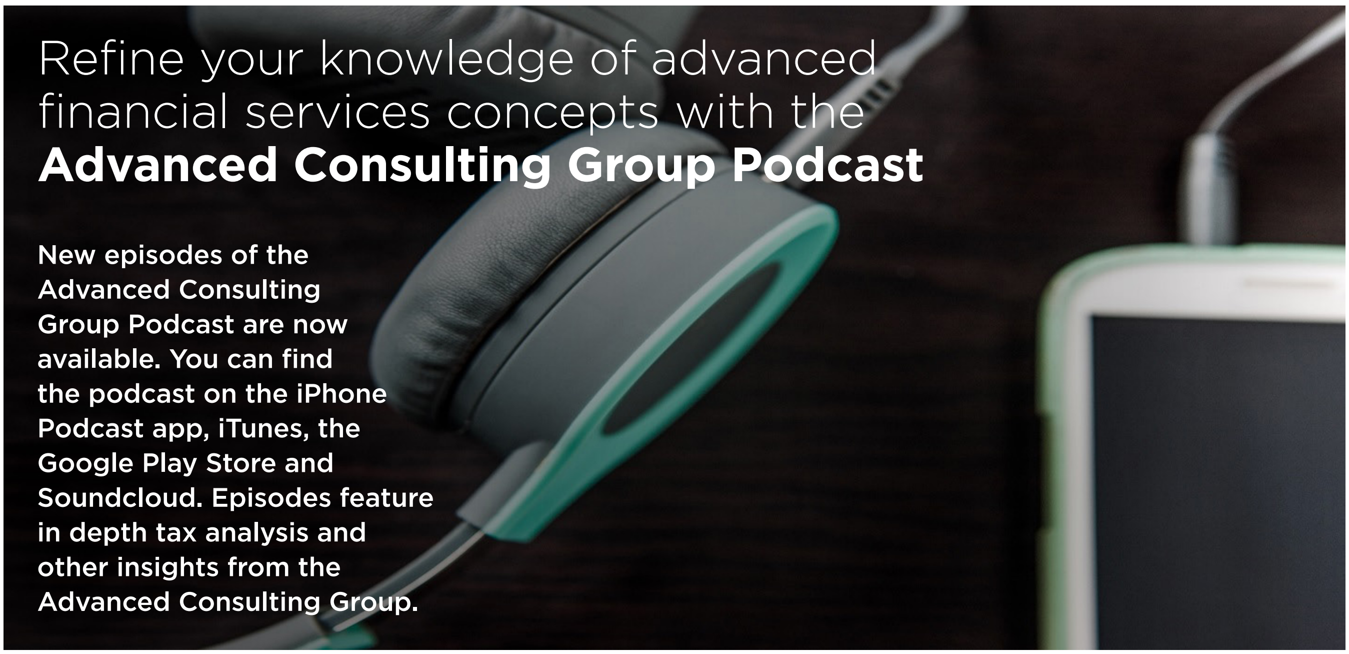
How can your your LTC coverage be used if you are unable to find care other than from an immediate family member?

The caregiving crisis in America

Baby Boomers are turning 65-years-old at a rate of 10,000 people per day, which is creating a greater need for caregivers in America. But there are simply not enough nurses, therapists, home health aides, certified nursing assistants (CNAs), and personal care aides to meet the growing demands of this aging population.[18]

One million new caregivers will be needed by 2024 to staff professional agencies and facilities providing care services.[19] However, the paid caregiving industry is not expected to see much growth. These jobs are low paying, high stress, physically challenging, and offer little in opportunities for advancement or employee benefits.[20]

Cash indemnity benefits leave options open to pay family members if you can't find the care you need, or simply because family care is what you need.



[1] That presumption is reversed in the case of employer owned life insurance unless certain tests are met. Section 101(j) IRC.

[2] Section 101(a)(2) IRC

[3] Section 101(a)(2)(A) IRC

[4] In life settlement transactions owners of life insurance policies sell their policies – typically these are personal, not business policies – to life settlement house (i.e. brokers) who bundle them, selling shares of the bundles to investors who are seeking higher yields than currently available on fixed income securities. The transactions are heavily dependent on medical underwriting.

[5] Italics added for emphasis

[6] I.R.C. §199A(e)(1)

[7] I.R.C. §199A(e)(2)

[8] I.R.C. §199A(e)(1)

[9] I.R.C. §199A(b)(7)

[10] I.R.C. §199A(b)(7)

[11] I.R.C. §1385

[12] I.R.C. §199A(b)(7)

[13] I.R.C. §199A(b)(7)

[14] I.R.C. §199A(g)(2)

[15] Family Caregiver Alliance, November 2016

[16] Forbes - Finding Solutions to the Growing Caregiver Crisis, by Jodi M. Sturgeon February 7, 2017

[17] Family Caregiver Alliance, November 2016

[18] Leading Home Care, "Conquering the Crisis", Stephen Tweed- Oct. 4, 2016

[19] McKnight's Senior Living- Finding and Keeping Caregivers: A Growing Crisis, Stephen Campbell, February 6, 2017

[20] Leading Home Care, "Conquering the Crisis", Stephen Tweed- Oct. 4, 2016

Important disclosure

These articles are not intended by the authors to be used, and cannot be used, by anybody for the purpose of avoiding any penalties that may be imposed on them pursuant to the Internal Revenue Code. The information contained in this newsletter was prepared to support the promotion, marketing and/or sale of life insurance contracts, annuity contracts and other products and services provided by Nationwide Life Insurance Company.

These articles not designed or intended to provide financial, tax, legal, accounting, or other professional advice because such advice always requires consideration of individual circumstances. If professional advice is needed, the services of a professional should be sought since neither the company nor its representatives give legal or tax advice. Federal tax laws are complex and subject to change.

As your clients' personal situations change (e.g., marriage, birth of a child or job promotion), so will their life insurance needs. Care should be taken to ensure these strategies and products are suitable for long-term life insurance needs. You should weigh your clients' objectives, time horizon and risk tolerance as well as any associated costs before investing. Also, be aware that market volatility can lead to the possibility of the need for additional premium in the policy. Variable 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, underlying fund charges and expenses, and additional charges for riders that customize a policy to fit your clients' individual needs.

Before investing, understand that annuities and life insurance products are not insured by the FDIC, NCUSIF or any other federal government agency and are not deposits or obligations of, guaranteed by or insured by the depository institution where offered or any of its affiliates. Annuities and life insurance products that involve investment risk may lose value.

Federal income tax laws are complex and subject to change. The information in this journal is based on current interpretations of the law and is not guaranteed. Neither Nationwide, nor its employees, its agents, brokers or registered representatives gives legal or tax advice. You should consult an attorney or competent tax professional for answers to specific tax questions as they apply to your situation.

All guarantees and protections are subject to the claims-paying ability of Nationwide Life Insurance Company, and do not apply to variable underlying investment options. Investing involves market risk, including risk of loss of principal. Before selecting any product, please consider your clients' objectives and needs, including cash flow and liquidity needs, and overall risk tolerance and time horizon as well as any associated costs.

Annuities and life insurance products are underwritten by Nationwide Life Insurance Company and Nationwide Life and Annuity Insurance Company, Columbus, Ohio. The general distributor for variable annuity contracts and variable life insurance policies is Nationwide Investment Services Corporation, member FINRA.

Nationwide® is on your side

Advanced Consulting Group contributing writers

David K. Smucker
dsmucker@nationwide.com

Anne Meagher
meagha1@nationwide.com

Ryan Patton
pattor1@nationwide.com

Steve Hamilton
hamils25@nationwide.com

Desiree Buckner
bucknd1@nationwide.com

Shawn Britt
britts@nationwide.com

Advanced Consulting Group
1-800-321-6064
Option 9, x677 6500

NFM-17301AO.1 (05/18)