Asset Allocation

FINDING THE RIGHT INVESTMENT STRATEGY

Nationwide®
On Your Side

Building Your Portfolio.

THE IMPORTANCE OF DIVERSIFICATION

Just as no two faces in the crowd are the same, no two people have the exact same needs. With financial planning, your specific needs make it necessary to develop a personal strategy that's right for you.

To help with this strategy, Nationwide® has partnered with Ibbotson Associates — a leading financial consulting organization — to offer an asset allocation tool that enables you and your investment professional to create a diversified portfolio best suited for your retirement needs.

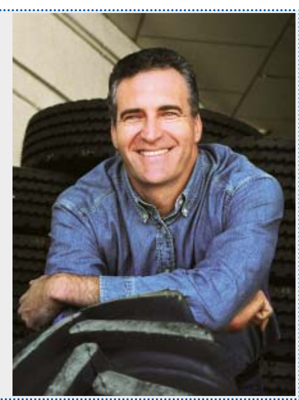
The goal of having a diversified portfolio is to strike a comfortable balance between risk and reward as you pursue your long-term goals. Diversification can begin when you allocate your assets among various investment options by asset class, investment style or investment manager.

Your financial goals will determine how your investments are diversified. Please keep in mind that investing involves market risk, including possible loss of principal and possible fluctuations in value.

The use of diversification and asset allocation as part of an overall investment strategy does not assure a profit or guarantee against loss in a declining market. By diversifying your portfolio, however, you can pursue attractive performance while helping to manage your investment risk. Certain funds are only available as investment options in variable life insurance or variable annuity contracts issued by life insurance companies. They are NOT offered or made available to the general public directly.

FIND THE RIGHT STRATEGY

This questionnaire was developed to help you discover an asset allocation strategy that may match your retirement needs. To help determine your asset allocation strategy, first you'll want to consider and review your time horizon and risk tolerance. The next step is to identify your investor profile – whether you're a more conservative or more aggressive investor. Steps 1-4 will help describe these terms in more detail. Once you've completed these steps, you'll be on your way to determining the funds that may best match your needs.



The Power of Asset Allocation.

Asset allocation is a sensible strategy for investment selection. Simply put, it is the process of diversifying your investment dollars across different asset classes.

Every asset class has distinct characteristics and may perform differently in response to market changes. Diversifying your investment dollars across different classes enables you to maximize your return potential while helping to manage your risk.

What steps should you take?

We can break the process down into three simple steps:

1. Complete the following questionnaire
2. Determine your model portfolio
3. Meet with your investment professional to choose a strategy that's right for you

How the strategy works

A personal asset allocation strategy is comprised of two key elements:

YOUR TIME HORIZON

This weighting varies depending upon the number of years you can remain invested. A shorter horizon, for example, would result in a more conservative portfolio strategy, regardless of how generally you are with market fluctuations.

YOUR RISK AVERSION

This weighting defines the time horizon score as it measures your aversion for market fluctuations. For example, an aggressive portfolio may not be suitable for a person with a low tolerance for risk, even if he or she has a long-term time horizon.

Do you want to do it yourself? Get a little help?

These questions will help you discover an investment strategy that will best match your retirement needs.

1. Identify your time horizon
2. Identify your risk tolerance
3. Identify your investor profile
4. Find a sample asset allocation

Once you've completed these steps, you'll be on your way to determining the funds that may best match your needs.

The use of asset allocation does not guarantee returns or insulate you from potential losses.

STEP 1 Identify your time horizon.

Your time horizon is the amount of time your money can stay invested before you need to withdraw it. It is a very important factor in creating your investment strategy. For each question below, circle the answer that best matches your personal situation.

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

I expect to begin making withdrawals in:

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

B) Once you begin making money withdrawals, how long will the money need to last?

	POINTS
• I'm going to need it all at once in a lump sum	**0**
• For one to five years	**2**
• For six to 10 years	**4**
• For 11 to 19 years	**7**
• For 20 or more years	**10**

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 Identify your risk tolerance.

Your risk tolerance is a measure of your personal comfort with risk. Remember, your risk tolerance can change over time, which is why it's important to review your asset allocation strategy each year. For each question below, circle the answer that best matches your feelings about risk.

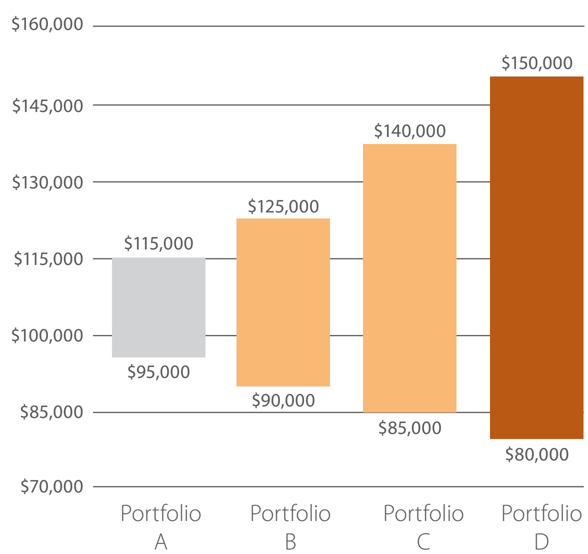
A) Inflation causes prices to rise over time. Which is more important to you — to avoid a decline in value in the short term, or to withstand short-term declines to beat inflation in the long run?

POINTS

- It's more important to avoid a decline in the value in the short term. **0**
- Both concerns are equally important. **8**
- It's more important to withstand short-term declines to beat inflation in the long run. **16**

B) At the beginning of the year, you have $100,000 invested. The graph below shows the performance of your different hypothetical portfolios — their potential best- and worst-case ending values. Each bar gives the range of potential returns at the end of the year. Circle the portfolio below that you feel most comfortable with.

Potential best- and worst-case ending values



POINTS	0	6	12	19

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

POINTS

- Minimizing the chance for a decline in value in my account is critical, so I am willing to accept the lower long-term returns offered by conservative investments. **0**
- Bearing some short-term decline in value in an effort to achieve higher long-term returns is okay. However, I prefer that the majority of my investments be in lower-risk assets. **6**
- Seeking higher, long-term returns is important to me, so I am willing to accept substantial short-term declines in value. **12**
- 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. **17**

D) If you had money invested in a diversified portfolio and the stock market took a downturn, when would you sell your riskier investments and put the money in safer assets?

POINTS

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

E) **Which of the following types of investments do you feel most comfortable with?**

An investment that might return:

POINTS

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

F) **Based on how often you track the performance of your investment, how long would you wait to change your investment if your investment suffered a substantial decline in value?**

POINTS

- One week **0**
- One month **4**
- One quarter **8**
- 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. **14**

Total your risk tolerance points.

Question A points ____________

Question B points ____________

Question C points ____________

Question D points ____________

Question E points ____________

Question F points + ____________

Your risk tolerance score =

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.

Risk tolerance score	Your time horizon score: 10+	8–9	5–7	3–4	0–2
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 your investor profile.

Match the code you circled above to an investor profile below and circle your investor profile.

A	Aggressive
MA	Moderately Aggressive
M	Moderate
MC	Moderately Conservative
C	Conservative

Need help?

An example of how to find your code and investor profile is explained below and highlighted in gray above.

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**.

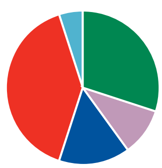
STEP 4 Find a sample asset allocation.

Once you've found your investor profile on the previous page, match it to one of the sample asset allocations listed below. Ibbotson Associates provides these sample asset allocations. They use a broad approach to diversify holdings across six general asset classes, which include combinations of different types of stock investments, bonds and cash equivalents.

Circle your investor profile.

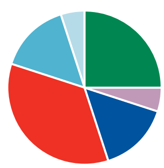
Circle the sample asset allocation that matches your investor profile from Step 3 on the previous page.

Aggressive
A



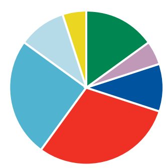
- International stock funds – 30%
- Small-cap stock funds – 10%
- Mid-cap stock funds – 15%
- Large-cap stock funds – 40%
- Bond funds – 5%
- Short-term bond funds – 0%
- Cash equivalents – 0%

Moderately Aggressive
MA



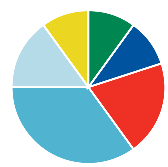
- International stock funds – 25%
- Small-cap stock funds – 5%
- Mid-cap stock funds – 15%
- Large-cap stock funds – 35%
- Bond funds – 15%
- Short-term bond funds – 5%
- Cash equivalents – 0%

Moderate
M



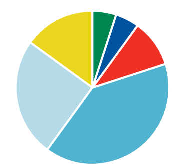
- International stock funds – 15%
- Small-cap stock funds – 5%
- Mid-cap stock funds – 10%
- Large-cap stock funds – 30%
- Bond funds – 25%
- Short-term bond funds – 10%
- Cash equivalents – 5%

Moderately Conservative
MC



- International stock funds – 10%
- Small-cap stock funds – 0%
- Mid-cap stock funds – 10%
- Large-cap stock funds – 20%
- Bond funds – 35%
- Short-term bond funds – 15%
- Cash equivalents – 10%

Conservative
C



- International stock funds – 5%
- Small-cap stock funds – 0%
- Mid-cap stock funds – 5%
- Large-cap stock funds – 10%
- Bond funds – 40%
- Short-term bond funds – 25%
- Cash equivalents – 15%

International stocks represent primarily the universe of non-U.S. equity securities. Generally, any mutual funds that invest no more than 49% in U.S. markets are classified as international stocks. International investing involves additional risks, including currency fluctuations, political instability and foreign regulations, all of which are magnified in emerging markets.

Small-cap stocks invest primarily in the stocks of smaller, lesser-known corporations that represent 80% of the smallest of the approximately 5,000 domestic equity companies. Small-cap stocks have a higher growth potential, but are also more volatile and have a greater probability to fail. Small-cap stocks involve increased risk and volatility.

Mid-cap stocks invest primarily in the stocks of mid-size corporations that represent about 15% of the 5,000 domestic equity companies.

Mid-caps are generally considered more risky than large-cap stocks, but have a higher return expectation. Overall "market risk" poses the greatest potential danger for investors in Mid and Large-Cap stock funds. Stock prices can fluctuate dramatically for a broad range of reasons and this type of risk will be determined by the type of funds that you are in.

Large-cap stocks invest in the largest 5% of companies in the market. These are larger, more established, and well-known companies.

Bonds are issued by a corporation, the U.S. government or a governmental agency. Debt security represents a loan. The loan is guaranteed to be repaid by a specified date with regular, fixed interest payments. Because there are many different types of bonds, bond funds can vary dramatically in their risks which can include credit and interest rate risk.

Short-term bonds are issued by a corporation, the U.S. government or a governmental agency. Debt security represents a loan. The loan is guaranteed to be repaid by a specified date with regular, fixed interest payments. Short-term bonds have an average duration of more than 1 year but less than 3.5 years, or an average effective maturity of more than 1 year but less than 4 years.

Cash equivalents represent investments that generally do not fluctuate in market value and yield a regular interest payment. Investments might include bank deposits, money markets, CDs and treasury bills. Though cash equivalents may be subject to less volatility than other investments, they may not keep pace with inflation.

The Final Steps

STEP 5 Putting it all together.

In the preceding questionnaire you learned your time horizon, identified your risk tolerance and reviewed your personal investor profile. Now you can prepare to invest by using your strategy to choose the investments that best suit your financial needs.

You can use your selected pie chart from the previous page as a guide to select your investments. But, how do you select the investments that are right for you? You may wish to spend time reviewing the fund information that is available to you.

Tools for Investment Selection

One tool you can use to learn more about the investments available to you is the Investment Performance Summary. This shows you your investment options and their historical performance over different time intervals. It's important to consider your time horizon when choosing a fund. In some cases a fund might perform poorly in the short term but perform very well over many years.

The fund information sheets are also very useful. These provide you with expanded performance information, as well as the investment's objective and risk.

STEP 6

Getting the ball rolling.

Choosing investments may seem difficult. It is an important financial decision. But the most important decision is to begin investing in your future today. Keep in mind that no matter which funds you choose, you can always modify your choices down the road to reflect a more aggressive or more conservative approach.

For more information about the funds available, including all charges and expenses, please consult a prospectus. Fund prospectuses and additional information relating to your retirement plan can be obtained by contacting your pension representative. Before investing, carefully consider the fund's investment objectives, risks, charges and expenses. The fund prospectus contains this and other important information. Read the prospectus carefully before investing.

Notes

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 35,000 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.

Products may not be available in all states.

Certain funds are available only as investment options in variable life insurance or variable annuity contracts issued by life insurance companies. They are not offered or made available to the general public directly.

Potential purchasers seeking to use an annuity to fund a qualified or other tax-advantaged retirement plan should understand that the use of an annuity for such a purpose is not necessary to defer taxation of investment earnings.

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

The Best of America® Group Retirement Series includes unregistered group fixed and variable annuities and trust programs. The unregistered group fixed and variable annuities are issued by Nationwide Life Insurance Company, Columbus, Ohio.

Trust programs and trust services are offered by Nationwide Trust Company, FSB, a division of Nationwide Bank. In MI only: Nationwide Investment Svcs. Corporation. Nationwide Trust Company, FSB, is a subsidiary of Nationwide Financial Services, Inc.

NFM-1908AO.4 (07/07)

Nationwide

Nationwide®
On Your Side