



Why Does Asset Class Investing Make Sense in Variable Annuities

Scott Lamb

Loring Ward

Michael Parsons

Nationwide



Why Does Asset Class Investing Make Sense in Variable Annuities?

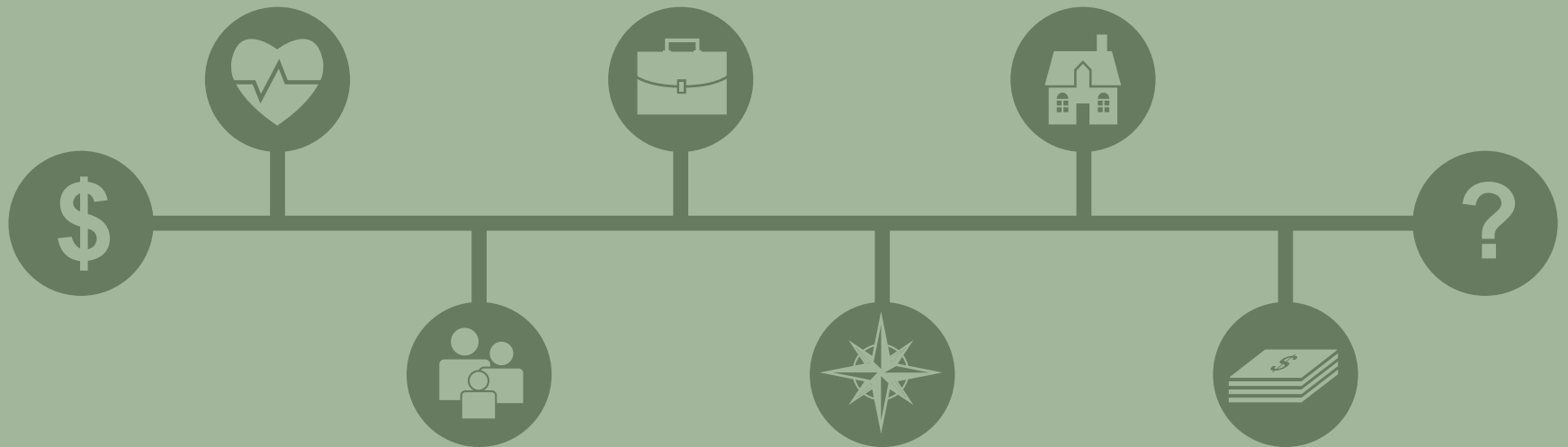
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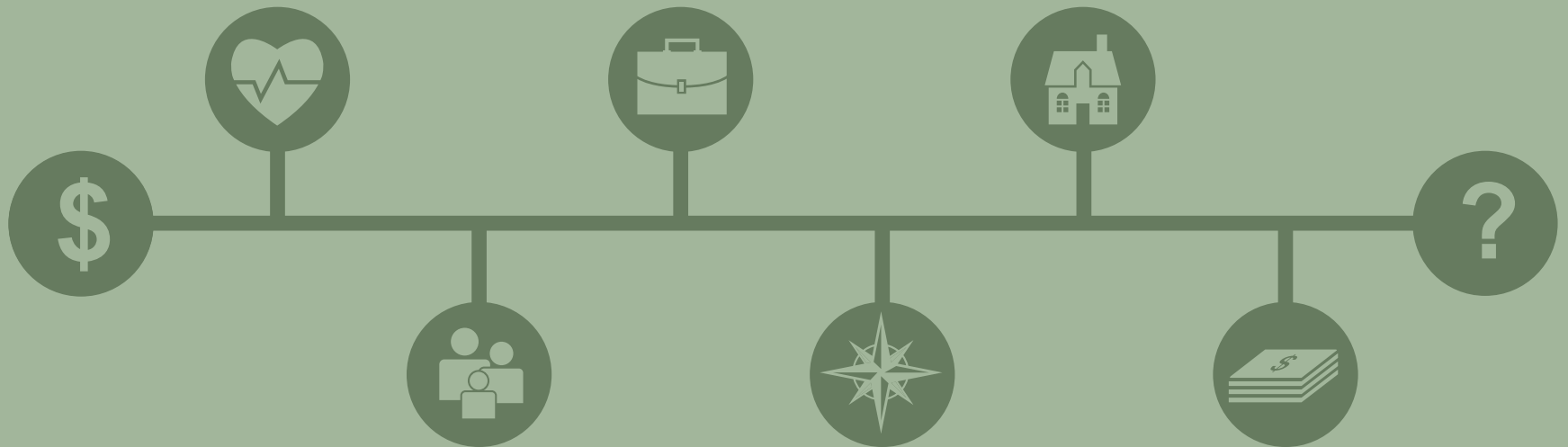
Investing starts with a plan

People invest their money to reach a goal
Creating a plan clarifies those goals



A 65-year old couple has 30 years of planning

#1 objective: don't run out of money



Source: Social Security Administration period life table

Financial planning software

Based on historical market index return data
and realistic expectations



Historical long-term rate of return

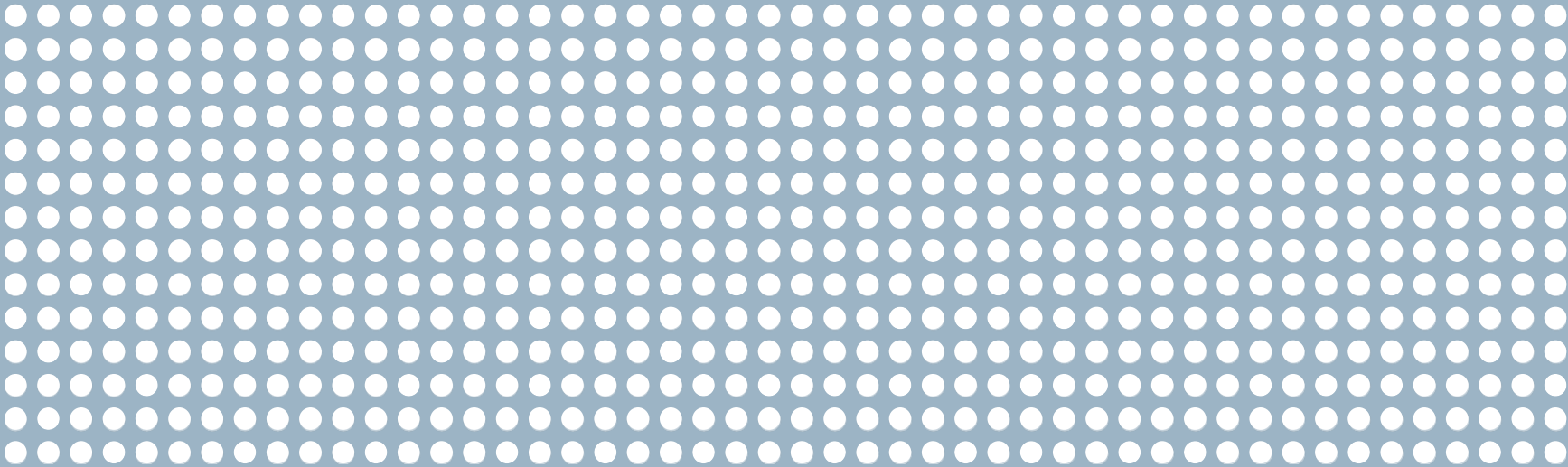
6-11%



Thousands of investment options

Active

Passive



You have two choices

Active

Stock Picking
Market Timing

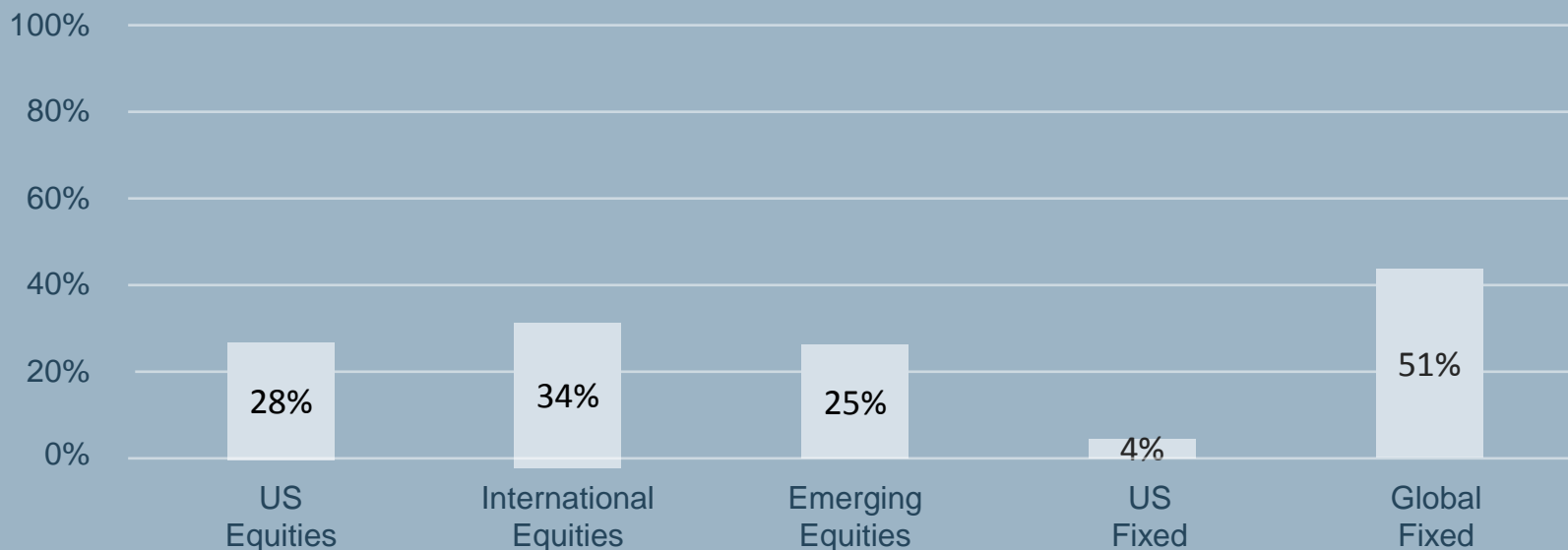
Passive

Diversified group of
securities

Tax efficiency

Diversification neither assures a profit nor guarantees against loss in a declining market.

Poor track record for Active Managers



Percentage of Active Funds that Outperformed their Index 2Q 2009 – 2Q 2013

Source: Standard & Poor's Indices Versus Active Funds Scorecard (SPIVA), mid-year 2013. Index used for comparison: US Equities — S&P 1500 Index; International — S&P 700 Index; Emerging Markets — S&P/IFCI Composite; US Fixed — Gov Long, Global Fixed — Global Income Funds. Outperformance is based upon equal weight fund counts. For illustrative purposes only. Index returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. Past performance is not an indication of future results.

You choose...

Active

Stock Picking
Market Timing

Passive

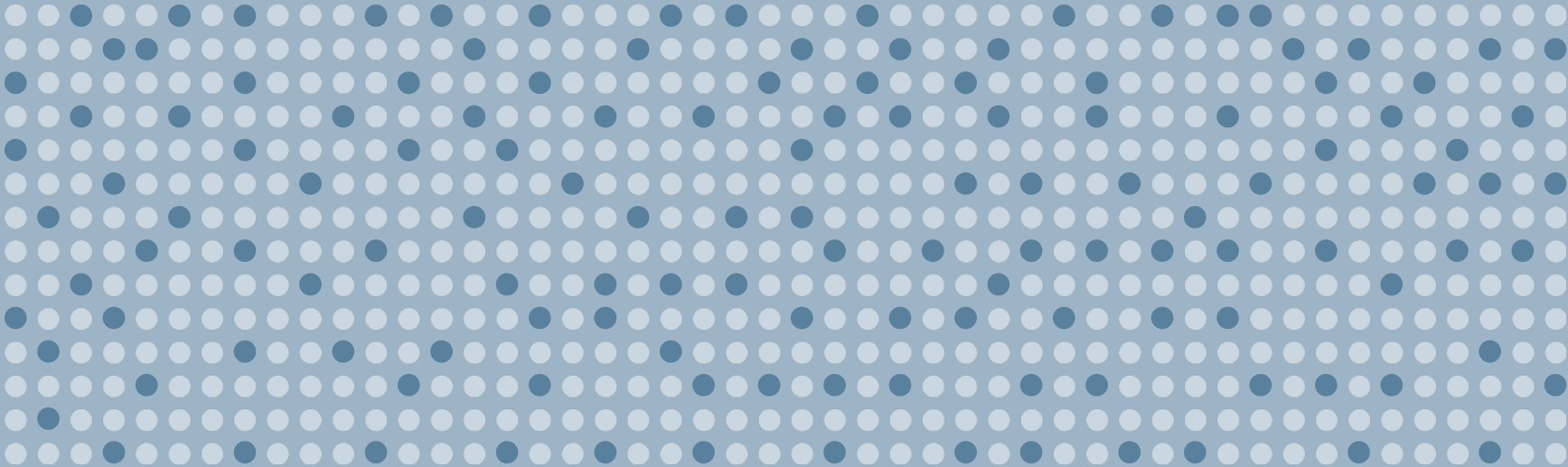
Diversified group of
securities

Tax efficiency

Thousands of investment options

Active

Passive



You have two more choices

Passive

Index

Diversified groups
of securities

Tax Efficiency

Asset Class

Diversified groups
of securities

Tax Efficiency

Precision

Precision



You have two more choices

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Diversified groups
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Tax Efficiency

Asset Class

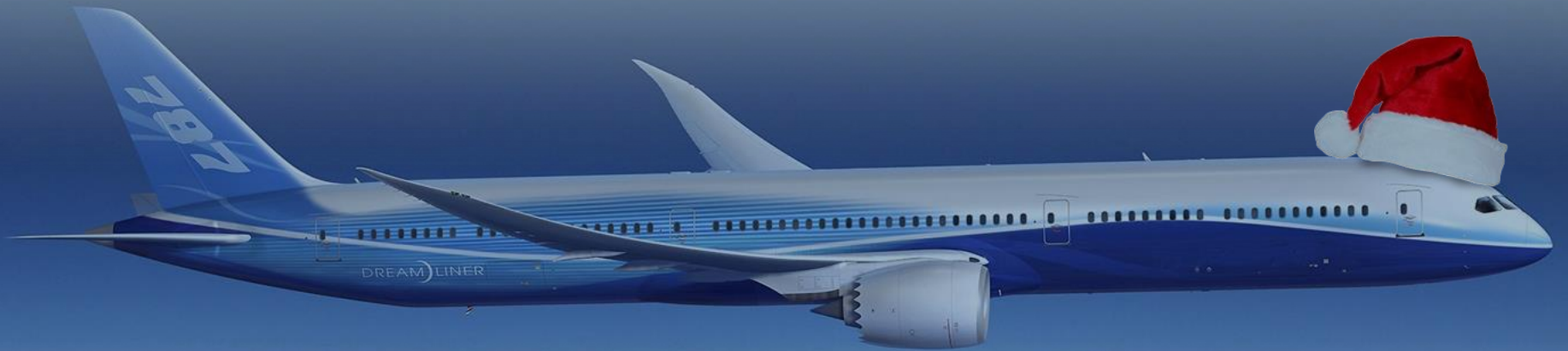
Diversified groups
of securities

Tax Efficiency

Precision

Flexibility

Flexibility



You have two more choices

Passive

Index

Diversified groups
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Tax Efficiency

Asset Class

Diversified groups
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Tax Efficiency

Precision

Flexibility

Factors of Return

Factors of Return

Value

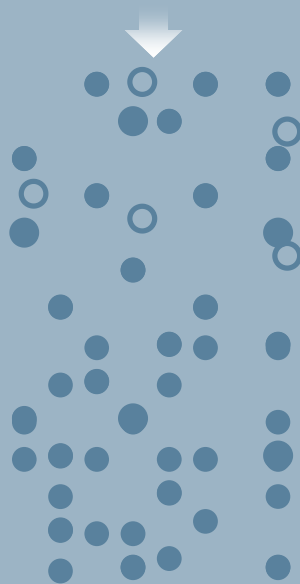
Size

Momentum

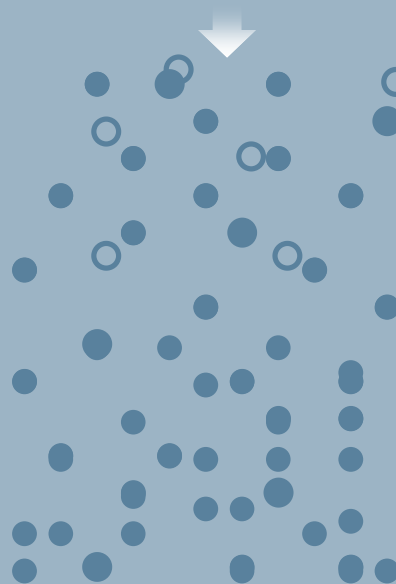
Profitability

Are all passive the same?

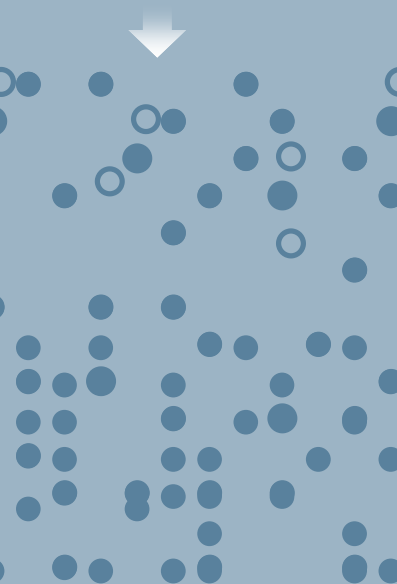
Diversification



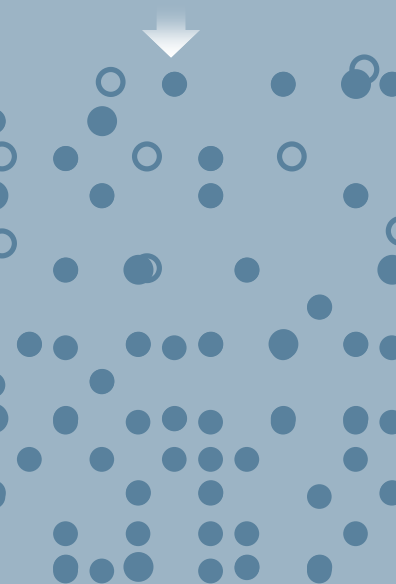
Tax Efficiency



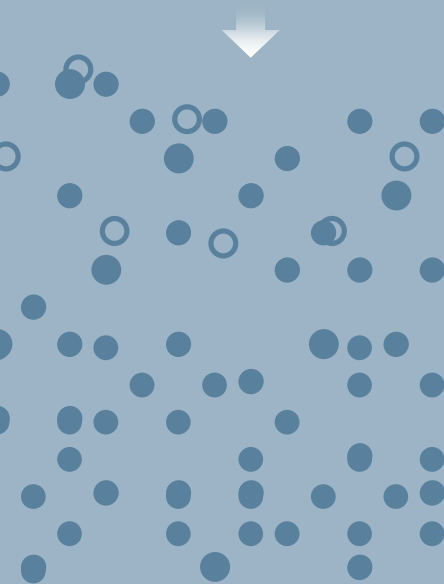
Precision



Flexibility

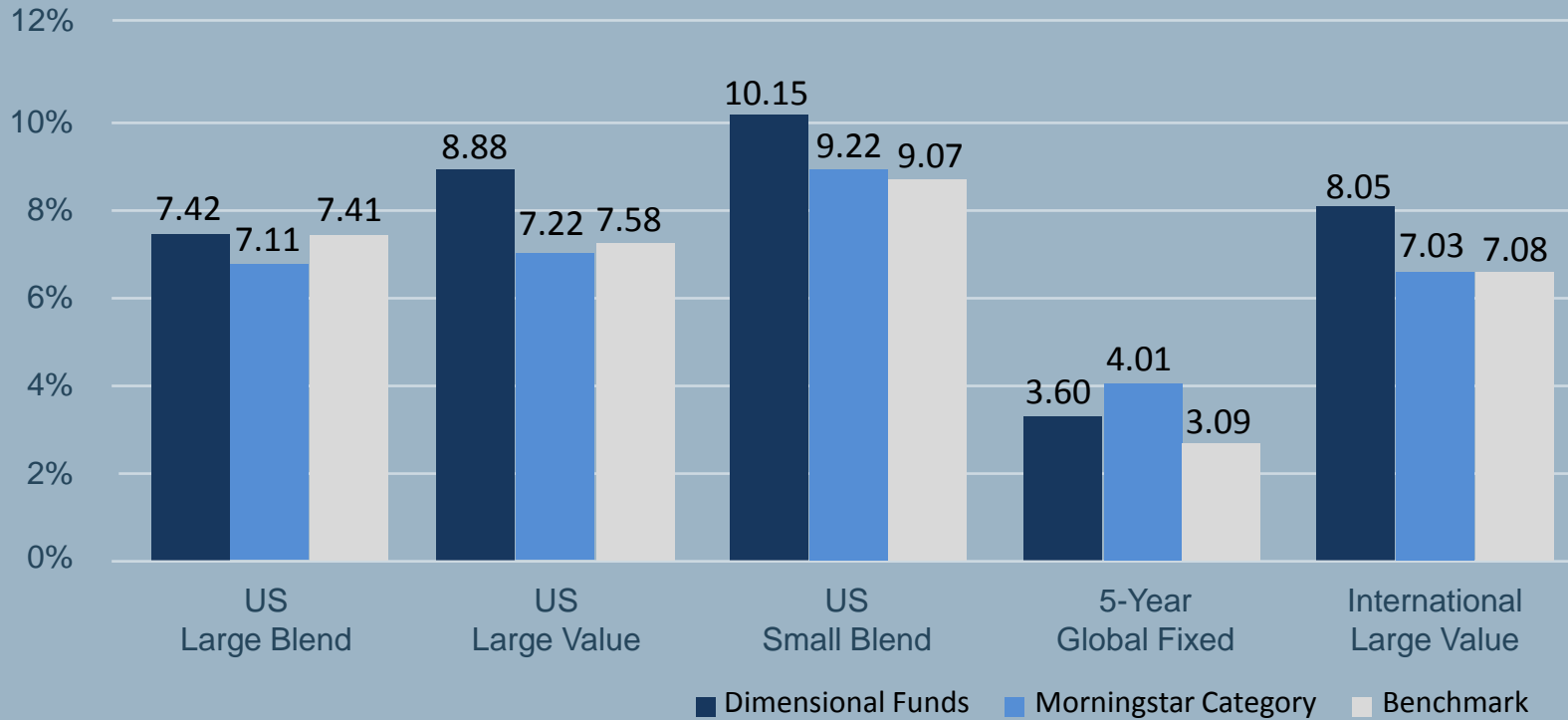


Factors of Return



**There may be a
better alternative to
index returns**

Asset Class Fund Returns



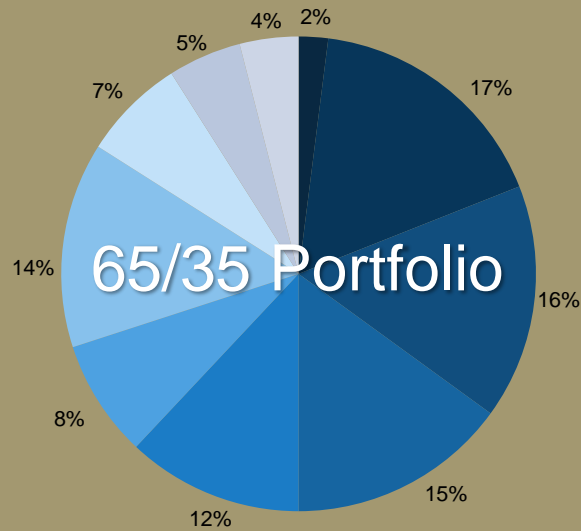
Annualized Returns % 2003 - 2013

Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Total number of funds ranked reflects oldest share class and funds reporting a 10-year annualized return for each respective Morningstar category. Only Dimensional Institutional (I) class funds were included in this analysis. The indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. See "Appendix: Standardized Performance Data & Disclosures" to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds. Sources: Dimensional Fund Advisors for Dimensional funds; Mutual fund universe statistical data provided by Morningstar, Inc.; MSCI data copyright MSCI 2013, all rights reserved.

Asset Class Investing offers

1. Lower overall costs
2. Improving tax efficiency
3. Increased diversification
4. Better risk exposure to an asset class
5. Potentially better long-term performance

Two Portfolios...



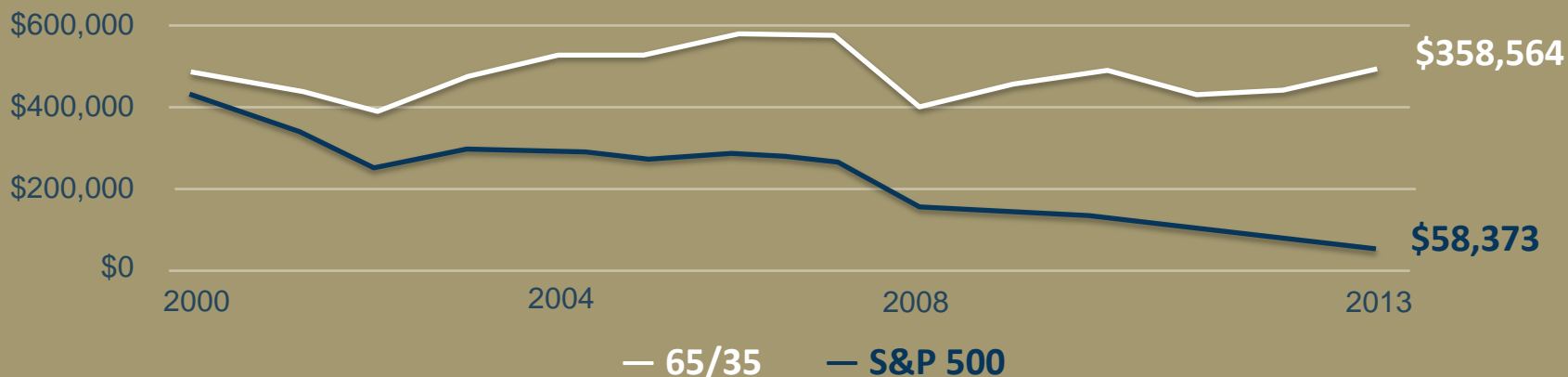
- Cash & Cash Alternatives
- Global Fixed Income
- Short-Term Fixed Income 1-3 Years
- U.S. Market
- U.S. Large Value
- U.S. Small Neutral
- International Large Value
- International Small Neutral
- Emerging Markets
- REITs

Let's look at what happened since 2000...

Allocation	Annualized Return (2000-2013)	Standard Deviation (2000-2013)
S&P 500 Index	3.60	15.64
65/35 Allocation Mix	6.07	11.25

Source: Morningstar Direct 2014. Allocation is 100% S&P 500 TR, and 65/35 Mix represented by: 2% (Cash), 16% (DFA One Year Fixed Income DFIHX), 17% (DFA 5 Year Global DFGBX), 15% (DFA US Core Equity 1 DFEOX), 12% (DFA US Large Cap Value DFLVX), 8% (DFA US Small Cap DFSTX), 4% (DFA REIT DFREX), 14% (DFA Intl Value DFIVX), 7% (DFA Intl Small Cap DFISX), 5% (DFA Emerging Markets Value DFEVX). Allocation mix return is the weighted average return of the respective funds, rebalanced annually. The performance data quoted represents past performance. Past performance does not guarantee future results and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain current month end performance information please call, toll free, 1-800-366-7266. Investing in mutual funds involve risks, including the loss of principal. Indexes are unmanaged baskets of securities that are not available for direct investment by investors. Index performance does not reflect the expenses associated with the management of an actual portfolio.. Stock investing involves risk including loss of principal. Securities of small companies are often less liquid than those of large companies. As a result, small company stocks may fluctuate relatively more in price. International and emerging market investing involves special risks such as currency fluctuation and political instability, and may not be suitable for all investors. Bonds (fixed income) are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rate rises, issuer's creditworthiness declines, and are subject to availability and changes in price. REIT investments are subject to changes in economic conditions and real estate values, and credit and interest rate risks. Portfolio returns are after fund's internal expenses and Loring Ward's max investment management fee of 0.65%. Management fee may be lower depending on the assets under management.

Impact of a 5% Withdrawal



Source: Morningstar Direct 2014. Withdraw is 5% of initial value (\$25,000 of initial \$500,000 starting value) taken out at start of each year, growing by 3% per year. Allocation is 100% S&P 500 TR, and 65/35 Mix represented by: 2% (Cash), 16% (DFA One Year Fixed Income DFIHX), 17% (DFA 5 Year Global DFGBX), 15% (DFA US Core Equity 1 DFEOX), 12% (DFA US Large Cap Value DFLVX), 8% (DFA US Small Cap DFSTX), 4% (DFA REIT DFREX), 14% (DFA Intl Value DFIVX), 7% (DFA Intl Small Cap DFISX), 5% (DFA Emerging Markets Value DFEVX). Allocation mix return is the weighted average return of the respective funds, rebalanced annually. The performance data quoted represents past performance. Past performance does not guarantee future results and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain current month end performance information please call, toll free, 1-800-366-7266. Investing in mutual funds involve risks, including the loss of principal. Indexes are unmanaged baskets of securities that are not available for direct investment by investors. Index performance does not reflect the expenses associated with the management of an actual portfolio. Stock investing involves risk including loss of principal. Securities of small companies are often less liquid than those of large companies. As a result, small company stocks may fluctuate relatively more in price. International and emerging market investing involves special risks such as currency fluctuation and political instability, and may not be suitable for all investors. Bonds (fixed income) are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rate rises, issuer's creditworthiness declines, and are subject to availability and changes in price. REIT investments are subject to changes in economic conditions and real estate values, and credit and interest rate risks. Portfolio returns are the weighted average returns of the respective funds, rebalanced annually. Actual rebalancing may be different. The portfolio allocations are based on a Loring Ward model portfolio, which may not be suitable for all investors. It may not reflect the impact material economic and market factors might have had on decision making if clients' money were actually being managed at that time. The performance quoted reflects the reinvestment of dividends and capital gains distributions. Portfolio returns are after fund's internal expenses and Loring Ward's max investment management fee of 0.65%. Management fee may be lower depending on the assets under management. Portfolio performance does not reflect the deduction of any fees charged by an independent investment advisor or other service provider to an individual account. Such fees, if taken into consideration, will reduce the performance quoted above. Compounding effect of the fee on performance example: As fees are deducted daily in this report, the compounding effect will be to increase their impact by an amount directly related to gross portfolio performance. For example, on a portfolio with a 2% annual fee, if gross annual performance is 10%, the compounding effect of the fees will result in a net annual performance of 7.82%. The model performance information reflects various allocation changes made over time. Therefore the underlying mutual funds used in calculating the portfolio performance may not represent the trailing returns of portfolios and/or the mutual funds currently available.

1 & 30 = ?

**Make sure you have the
highest probability of
capturing market returns**

Questions?

Standardized Performance Data and Disclosures

Average Annual Total Returns (%)	3 Mo	1 Yr	5 Yr	10 Yr	Since Inception		
S&P 500 TR	10.51	32.39	17.94	7.40	10.62	Jan-26	
	Prospectus Gross Expense Ratio (%)						
DFA One-Year Fixed-Income	0.17	0.01	0.34	0.99	2.20	5.16	7/25/1983
DFA Five-Year Global Fixed-Income	0.28	-0.08	-0.41	3.66	3.60	5.81	11/6/1990
DFA US Core Equity 1 I	0.19	10.44	36.60	19.87		8.11	9/15/2005
DFA US Large Cap Value I	0.27	12.33	40.32	21.02	8.87	10.52	2/19/1993
DFA US Small Cap I	0.37	10.31	42.21	23.78	10.14	11.20	3/19/1992
DFA Real Estate Securities	0.19	-1.03	1.39	16.44	8.22	9.79	1/5/1993
DFA International Value I	0.45	6.08	23.12	12.98	8.05	7.24	2/15/1994
DFA International Small Company I	0.56	6.72	27.44	17.67	10.31	7.60	9/30/1996
DFA Emerging Markets Value I	0.61	1.00	-3.80	14.92	12.97	12.17	4/1/1998

Data as of 12/31/13

Standardized Performance Data and Disclosures

Benchmarks:

DFA Five-Year Global Fixed-Income - Citigroup World Government Bond Index 1-5 Years (hedged)

DFA US Large Company Portfolio - S&P 500 Index

DFA US Large Cap Value - Russell 1000 Value Index

DFA US Small Cap - Russell 2000 Index

DFA International Large Value - MSCI World ex US Value Index

Morningstar categories are based on Morningstar's methodology which classifies funds based on their investment styles, market capitalization and asset mix as measured by their underlying portfolio holdings over the past three years.

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