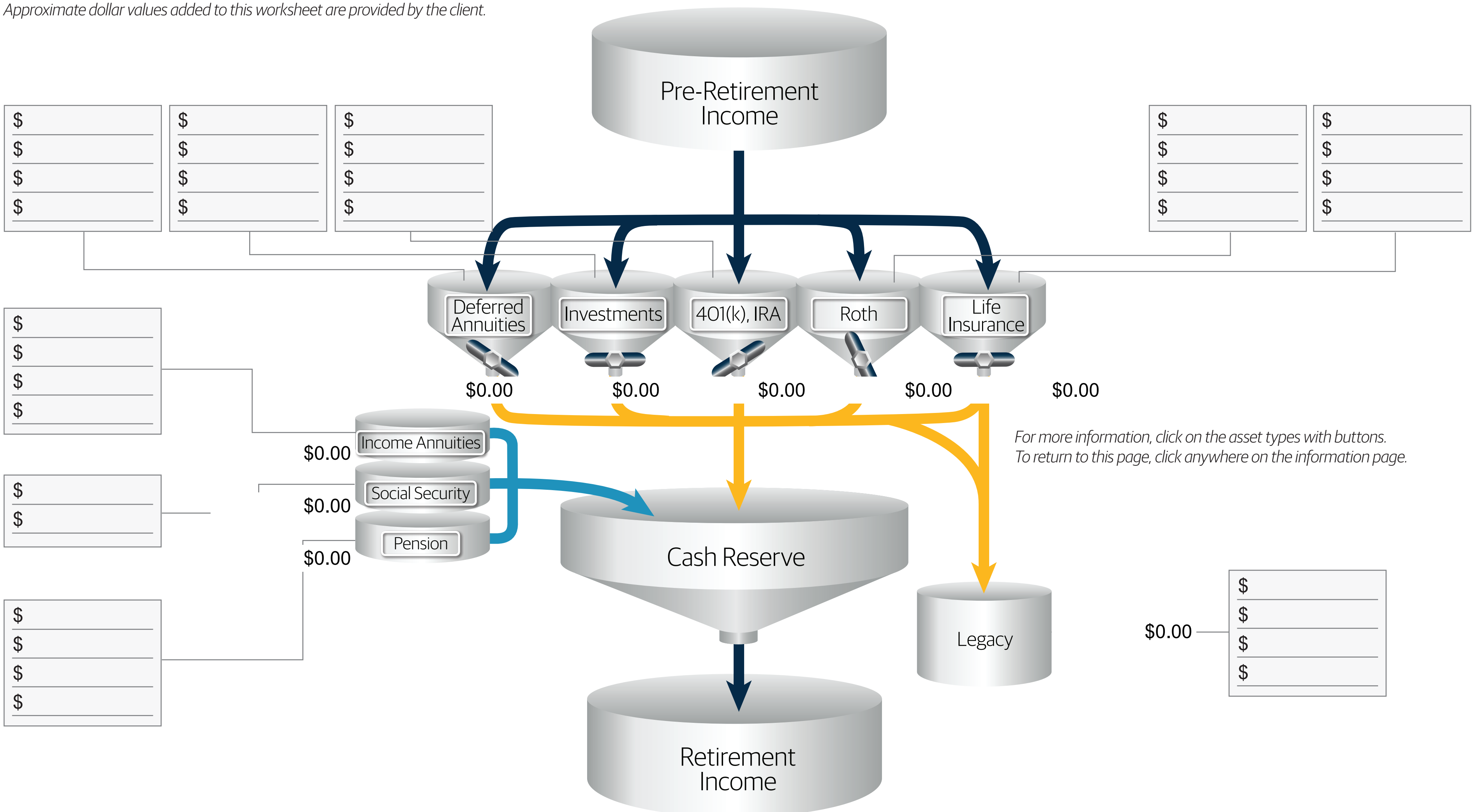
HAVING CHOICES IN RETIREMENT REALLY MATTERS

This worksheet offers a high level view of the diversification of assets at a point in time.
Approximate dollar values added to this worksheet are provided by the client.



The primary purpose of permanent life insurance is to provide a death benefit. Using cash values to supplement your retirement income will reduce benefits and may affect other aspects of your plan.

The graphic is hypothetical and intended to illustrate the concept of asset diversification. It is not intended and should not be used to represent any type of investment recommendation.

Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company (NM), Milwaukee, WI (life and disability insurance, annuities, and life insurance with long-term care benefits) and its subsidiaries.

23-0116-54 (0915) (REV 0316)

Northwestern Mutual®

DEFERRED ANNUITIES

Deferred annuities are products sold by insurance companies that allow you to set aside money for retirement with the same tax-deferred growth of a 401(k) or IRA. The two main types of deferred annuities are variable and fixed. With a fixed annuity, you agree to a fixed rate of return with the insurance company.

PROS:
Your investment will grow tax deferred. Also, you can convert the annuity into a guaranteed stream of lifelong income.

CONS:
Like other retirement savings accounts, deferred annuities are not liquid assets; there are penalties for accessing the funds early.

TAX CHARACTERISTICS:

- **Contributions:** You can make contributions either pretax or after tax and can make them as single payments or through installment payments over a period of time.

- **Withdrawals:** You can take a lump-sum distribution of your annuity, or you can convert it to regularly scheduled payments for a period of time or for your lifetime. If you purchase an annuity with pretax dollars, all withdrawals will be taxed as ordinary income. If you purchase an annuity with after-tax dollars, you'll pay tax on just the gains. Funds cannot be withdrawn before 59½. Early withdrawal could incur an additional 10 percent tax penalty.

INCOME AND CONTRIBUTION LIMITS:
There are no income limits. Contribution limits apply if the deferred annuity is owned in a retirement plan (e.g., IRA). In those circumstances, the limits are subject to the contribution limits for the type of account (IRA, SEP, etc.).

Deferred annuities typically have higher fees than traditional investment products due to insurance and administrative expenses.
All guarantees are based solely on the claims paying ability of the issuer.

INVESTMENTS

Some of the most common investments include mutual funds, stocks, bonds and real estate.

PROS:
One of the primary benefits of having investments in your retirement income mix is the level of control you have. You decide how much to invest (there are no limits), where you'll invest (there are no restrictions) and how much risk (market or otherwise) you are willing to take. Most investments are also liquid; you can get access to them any time.

CONS:
Although investments can deliver higher returns than some other retirement income sources, there is also a greater risk that you could lose your investment if the market takes a downturn. Investments do not grow tax deferred.

TAX CHARACTERISTICS:

- **Contributions:** These are made after tax.
- **Withdrawals:**
  - Selling investments triggers a capital gains tax. The tax is based on the length of time the investments are held. If you owned the investments for longer than one year, you will be taxed at the long-term capital gains rate, which is lower than the short-term capital gains tax (for anything held for less than one year).
  - Dividends and/or interest are generally taxed when received, as part of your ordinary income tax.
  - Losses on the sale of investments can be used as write-offs[1] on your taxes.

INCOME AND CONTRIBUTION LIMITS:
There are no limits on what you can earn or how much you can invest.

[1]There are limits on the amount of losses that can be used for write-offs.

401(K)S, 403(B)S, SEP-IRAS AND TRADITIONAL IRAS

These are employer-sponsored and individual retirement accounts.

PROS:

Because you can make contributions to these types of accounts with pretax dollars, you can lower your current taxable income while letting your investments in these accounts grow tax deferred. In the case of an employer-sponsored plan, your employer may also match part of your contribution, providing "free money."

CONS:

With an employer-sponsored plan, you have limited choices: You can invest only in the stocks, bonds or mutual funds that are available through the plan. You usually have to take required minimum distributions (RMDs) at age 70½. However, for employer-sponsored plans, RMDs do not start until the later of either retirement or age 70½.

TAX CHARACTERISTICS:

- **Contributions:** They're usually made pretax. In the case of a traditional IRA, your income will dictate whether you're able to deduct contributions on your current year's tax return. Some 401(k) plans allow after-tax contributions to Roth 401(k)s.

- **Withdrawals:** If you contribute with pretax dollars, all withdrawals will be taxed as ordinary income. If you contributed to a traditional IRA and do not take a tax deduction, you'll pay ordinary income tax on just the earnings. Roth 401(k) withdrawals are tax free after age 59½; early withdrawals of gains could be subject to an additional 10 percent tax.

INCOME AND CONTRIBUTION LIMITS:

For a 401(k) or 403(b), the 2016 employee contribution limits are $18,000 per year, with an additional catch-up contribution of up to $6,000 if you're age 50 or older. For a traditional IRA, the contribution limit is $5,500 per year, plus $1,000 if your age 50 or older. The deductibility of contributions to traditional IRAs is limited for high-income earners.

ROTH IRAS AND ROTH 401(K)S

These are retirement accounts, similar to IRAs and 401(k)s, that allow your after-tax funds to grow tax deferred.

PROS:
Unlike a traditional IRA or 401(k), there are no required minimum distributions (RMDs) in retirement with a Roth IRA.

CONS:
Contribution income limits restrict access for higher-income earners.

TAX CHARACTERISTICS:

- **Contributions:** These are funded with after-tax dollars and grow tax deferred.
- **Withdrawals:** Although withdrawals are generally tax free to individuals after age 59½, early withdrawals of gains and conversion contributions can be subject to an additional 10 percent tax.

INCOME AND CONTRIBUTION LIMITS:
There are both income and contribution limits with a Roth IRA. Annual contributions in 2015 are limited to $5,500, or $6,500 if you are age 50 or over. Your ability to contribute to a Roth IRA begins to phase out when your income reaches $184,000 for Married Filing Jointly couples. Single/Head of Household income phase-out begins at $117,000. Roth 401(k)s do not have income limits but do have contribution limits, which follow the contribution limits for 401(k)s.

LIFE INSURANCE

Most people buy life insurance to provide a death benefit. But permanent (whole life) insurance policies also build equity over time (known as cash value), which can be used as a source of income at any time and for any reason, including to supplement retirement income.

PROS:

Life insurance death benefits pass to beneficiaries tax free. Additionally, you may have access to cash value, which grows tax deferred and is tax free up to the amount of premiums paid.

CONS:

The purchase of life insurance requires a health evaluation, and it typically takes about 10 years before the cash value accumulates to a usable amount. When you take a loan against the cash value (or withdraw it outright), you could jeopardize the death benefit.

TAX CHARACTERISTICS:

- **Contributions:** Life insurance is paid with after-tax funds.

- **Withdrawals:** The death benefit is paid tax free. The cash value can be accessed tax free up to the amount of premiums paid.[2] Any withdrawals exceeding the premiums paid will be taxed as ordinary income.

INCOME AND CONTRIBUTION LIMITS:

The amount of life insurance you can obtain is based on need and income.

[2] Accessing cash value from your life insurance policy will reduce the death benefit.

INCOME ANNUITIES

An income annuity is a contract you sign with an insurance company. In exchange for a payment you make in advance, you receive predictable, guaranteed income that begins sometime in the future and continues for a specified period of time (for example, 20 or 30 years) or for your lifetime.

PROS:

Income annuities provide a guaranteed source of income regardless of interest rates, market fluctuations and how long you live.

CONS:

Your money is locked into the annuity. You cannot withdraw it or transfer it to another type of asset.

TAX CHARACTERISTICS:

- **Contributions:** You can make pretax or after-tax contributions, which grow tax deferred.
- **Withdrawals:** If the annuity was purchased with pretax dollars (for example, with 401(k) funds), the entire amount of your payment is taxed as ordinary income. If you purchase with after-tax dollars, up to the amount you contributed is tax free; earnings are taxed as ordinary income.

INCOME AND CONTRIBUTION LIMITS:

Limits may be set by the insurance company as to how much money you can put into the income annuity and what percentage of your assets may be placed in the annuity.

SOCIAL SECURITY

Social Security is a government-funded source of income that pays retirement benefits for life to eligible workers starting as early as age 62.

PROS:

Social Security provides a lifelong stream of income and is taxed favorably compared to other income sources.

CONS:

Social Security may not provide as much funding in the future as it does now.

TAX CHARACTERISTICS:

- **Contributions:** You pay into Social Security through your payroll deductions (typically 6.2 percent on earnings up to $118,500).

- **Withdrawals (Payments):** Social Security benefits are taxed differently than other sources of income. First, there is an income threshold that determines if your benefits will be taxed. If you reach the threshold, then either 50 percent or 85 percent of your benefit will be taxed as ordinary income.

INCOME AND CONTRIBUTION LIMITS:

None.

PENSIONS

A pension (often referred to as a defined-benefit plan) is an employer-sponsored retirement plan, typically funded through contributions made by the employer, that delivers regular payments to the employee when he or she retires.

PROS:

Contributions made to the pension grow tax deferred. In retirement, the pension pays a stream of income typically in the form of a payment that is like an annuity.

CONS:

Most pensions are tied to the employee. When the employee dies, the pension ends—although in rare instances, the pension may be transferred to a surviving spouse. Pensions are becoming less common, and those that do exist are likely to offer reduced benefits.

TAX CHARACTERISTICS:

- **Contributions:** Your employer makes contributions on your behalf; most often, employees are not required to contribute.
- **Payments:** Private and government pensions are typically taxed as ordinary income.

INCOME AND CONTRIBUTION LIMITS:

None.

IMPORTANT DISCLOSURES

Please remember that all investments carry some level of risk, including the potential loss of principal invested.

No investment strategy can guarantee a profit or protect against a loss.

The content in this brochure is not intended as legal or tax advice. Northwestern Mutual and its financial representatives do not give legal or tax advice.

Each method of utilizing your permanent life insurance policy's cash value has advantages and disadvantages, may adversly affect certain features/benefits of the policy and may be subject to different tax consequences.

Policyowners should consult with their tax advisors about the potential impact of any surrenders, withdrawals or loans.

Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company, Milwaukee, WI (NM) (life and disability income insurance, annuities and life insurance with long-term care benefits) and its subsidiaries. Northwestern Mutual Investment Services, LLC (NMIS) (securities), a subsidiary of NM, broker-dealer, registered investment adviser, and member of FINRA and SIPC.

Not complete without all pages, including the "important disclosures" page.

23-0116-54 (0915) (REV 0316)

Northwestern Mutual®