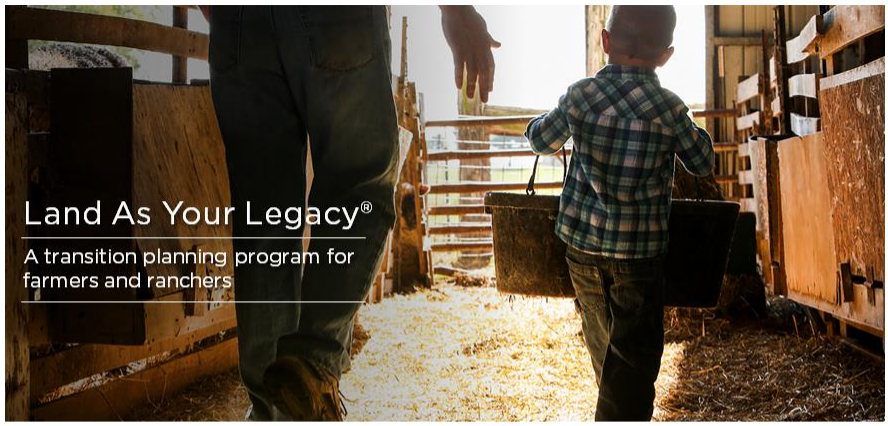
Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com



Transition planning and the role women play in it

Nationwide
is on your side

Some things you need to know

This presentation was not intended by the author to be used by anybody for the purpose of avoiding any penalties that may be imposed on you pursuant to the Internal Revenue Code. The information contained herein was prepared to support the promotion, marketing and/or sale of life insurance contracts, annuity contracts and/or other products and services provided by Nationwide Life Insurance Company.

Federal tax laws are complex and subject to change. Neither the company nor its representatives give legal or tax advice. Please talk with your attorney or tax advisor for answers to your specific questions.

Investing involves risk, including possible loss of principal

Variable insurance products are underwritten by Nationwide Life Insurance Company, Columbus, Ohio, a subsidiary of Nationwide. The general distributor is Nationwide Investment Services Corporation, member FINRA.

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• Not insured by any federal government agency • May lose value

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Nationwide

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Dee Dee R. Chadwick, JD, MSM
Senior Director, Advanced Consulting Group
Nationwide Financial

Cindy Bojanski, CFP, RICP
Senior Analyst/VP of Sales
Insurance Design Management

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Nationwide's history is rooted in agriculture

For more than 90 years, individuals working in agriculture across the country have trusted Nationwide to help manage risks. It's how we've become America's #1 farm insurer.[3]

Founded by farmers, for farmers, our continued commitment to the ag community runs deep.

FARMING IS IN OUR ROOTS

#1 farm insurer[3] in the nation

More than half of Nationwide's board members are active farmers[4]

The exclusive property/casualty insurer for nine state farm bureaus: CA, CT, DE, MD, NY, OH, PA, VT and WV[5]

[3] By direct written premium, AM Best (2018).
[4] https://www.nationwide.com/about-us/directors.jsp.
[5] Nationwide agribusiness statistics.

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A Land As Your Legacy® Presentation

Nationwide®

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Agenda

- Agricultural demographics
- Family tensions
- The need for transition planning
- Estate planning
- Long-term care
- Getting your plan in place
- Nationwide's Land as Your Legacy Platform
- Workbook activity

5

Today, there are over **2 million** family farms across the U.S.[1]

Our nation's farmers are aging, averaging **57.5 years** old.

Only 29% of family farms have transition plans in place.[2]

[1] "2017 Census of Agriculture," U.S. Department of Agriculture (April 2019).

[2] "U.S. Farm Succession Plans and the Process of Transferring Land Ownership," J. Michael Harris and Ashok K. Mishra, Agricultural & Applied Economics Association Annual Meeting (2016).

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A Land As Your Legacy® Presentation

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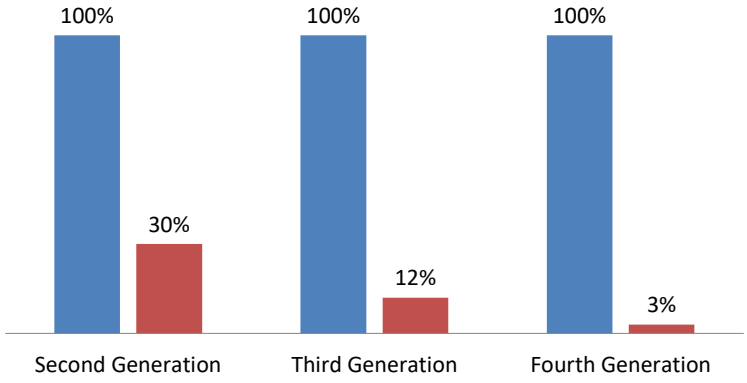
Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Land As Your Legacy®

Despite the many perceived advantages of family businesses, it is estimated that only:



Hannah Shaw Grove & Russ Alan Prince, What, No Succession Plan?, TR.&EST., Sept. 2004, at 69, 69 (citing the estimate by Joseph Astrachan, editor of Family Business Review).

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Poor succession rates

- Lack of "human relationship management"*
- Lack of communication
- Lack of clarity and understanding

*Journal of Extension, Robert J. Fetsch, Extension Specialist, Human Development & Family Studies, Colorado State University Cooperative Extension, Fort Collins, Colorado, www.joe.org

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Poor succession rates

Family members are reluctant to begin the process of open communication:

- They fear change
- They associate communication with conflict
- They see a threat to their control of the enterprise

Poor succession rates

- Failure to initiate and complete the process from a psychological, emotion, or financial perspective
- Failure to fund and plan for transition costs

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

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Poor succession rates

- Older generation's resistance to retire or a continued desire to maintain control after retirement
- Failure to identify succession leadership and mentor the next generation
- Sibling frictions (estate equalization and fractured ownership)
- Lack of money to pay for the succession planning and support the family(ies)
- Fear of crippling financial effects of final illnesses and estate clearance costs

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Common family scenarios

Active Farming Children

Can the operation support multiple families in the next generation? Does everyone know their role?

Non-Active Farming Children

Is there a role for a non-active child? Concept of Fair vs. Equal

Active Farming Family

Is there a brother or sister you farm with today? What are their plans?

Non-Family Members

Is there a key person or property that the operation needs to retain? Are there ex-family members that could affect the operation?

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Farming widows

- Many men often pass their farms to their spouse
- By 2030 women may own 75% of transferred farmland*
- Are you ready to:
  - Negotiate with banks, insurance companies, fertilizer dealers, property-tax assessors
  - Maintain buildings/barns/fields
  - Become a landlord with multiple tenants

A male point of view

Brandon Dirkschneider, CFP, CLTC, FSC
Managing Principal
Insurance Design Management

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Transition planning

- Helps to preserve a legacy
- Safeguards the value of the operation
- Sets up an orderly transition of ownership
- Identifies a successor(s) and provides him/her the education and training they will need
- Turns illiquid assets into cash to cover taxes and expenses
- Identifies and manages risk

Who has a plan?

- Everyone has a transition plan in place.
- The state you live in has enacted laws governing most aspects of estate planning and probate, lack of creating your own plan allows your state laws to determine how your legacy will be carried out.
- What plan do you want? The plan your state created for you or the plan that you develop based on your own set of circumstances and family dynamics?

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Estate Planning

- Estate planning – at death
- Estate planning – while living

Estate planning – at death

- Determine who gets what, how, and when after death
- Maximize estate by reducing expenses and avoid delays
- Minimize estate taxes
- Provide liquidity to cover debt, estate tax, state inheritance tax and/or estate equalization

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Estate planning – at death

Will

- Formal expression of wishes regarding disposition of assets
- Effective only upon death
- May change provisions if alive and competent
- Nominate executor to implement the will's provisions
- Identify choice of guardian for minors
- Identify who will manage assets for minors

Estate planning – at death

Trust

- Legal entity that holds property
- Parties to a trust: grantor, trustee, beneficiary
- Living trusts vs. testamentary trusts
- Revocable trusts vs. irrevocable trusts
- Control and manage an asset

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Estate planning – while living

- Provide for management of assets in the event of disability or incapacity
- Provide instructions for healthcare decisions
- Protect assets from long-term care costs

Estate planning – while living

- Power of Attorney
  - Written document allowing one person (attorney in fact/agent) to act on behalf of another person (principal) during the principal's lifetime
  - Limited
  - General
- Durable Power of Attorney
  - Allows the Power of Attorney to continue in the event the principal becomes ill or incapacitated

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

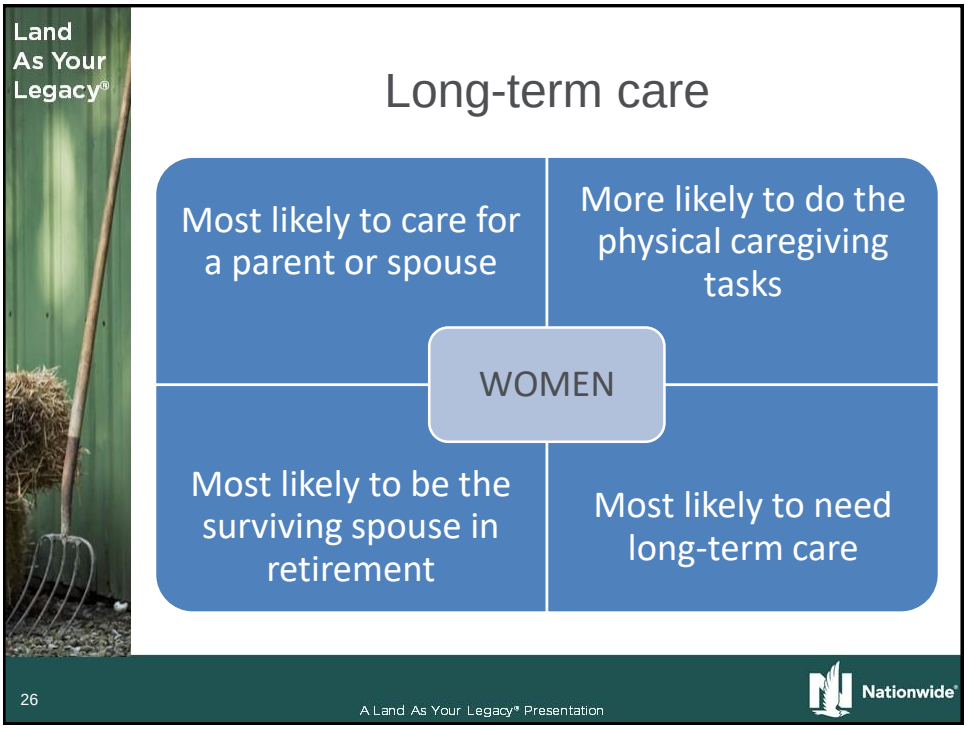
Estate planning – while living

- Advance Directives
  Documents that address critical issue in life-threatening, or even end-of-life situations
- Durable Power of Attorney for Health Care
  Designates an attorney-in-fact to make medical decisions on behalf of an incapacitated principal
- Living Will/Advanced Health Care Directive
  Allows principal to state wishes relative to continuing medical treatment in the event of a terminal illness

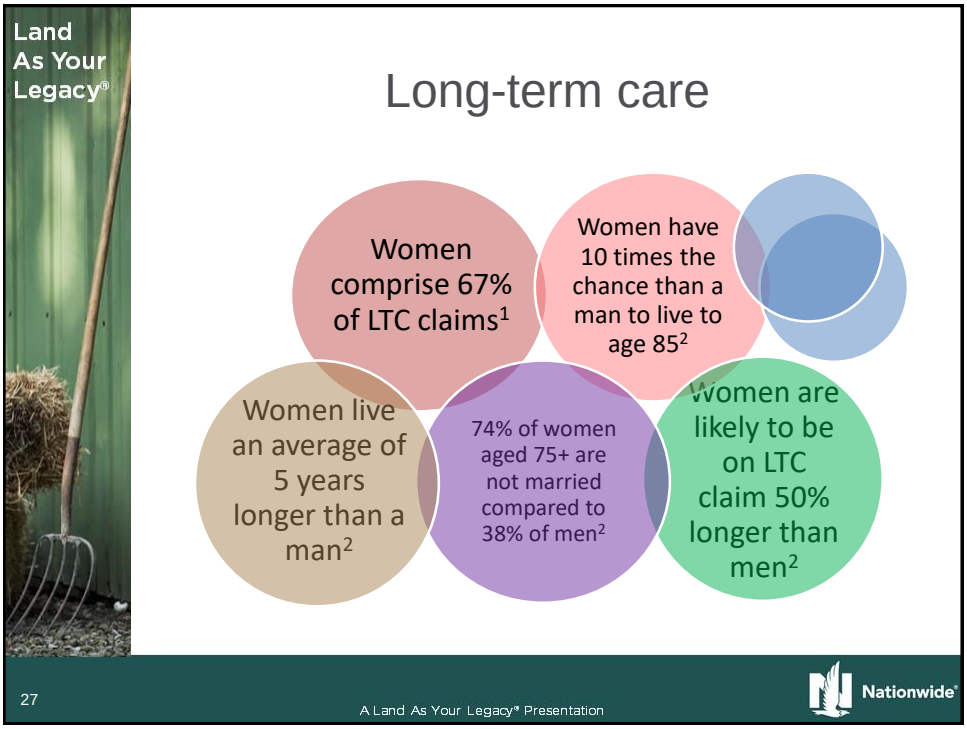
Long-term care

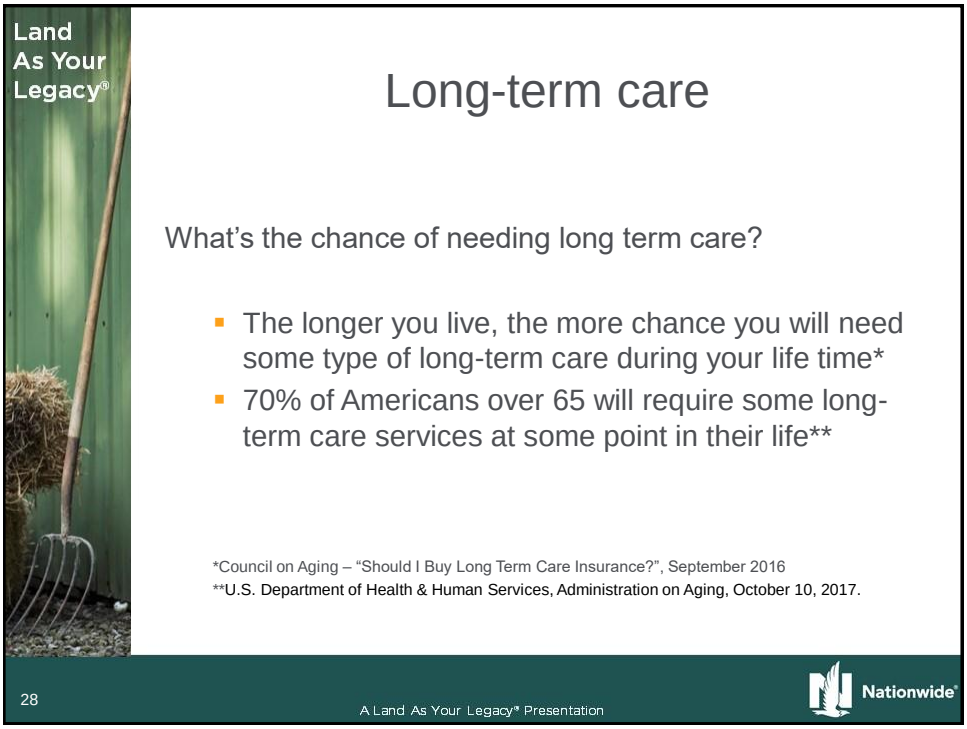
Why should I worry about long-term care?

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

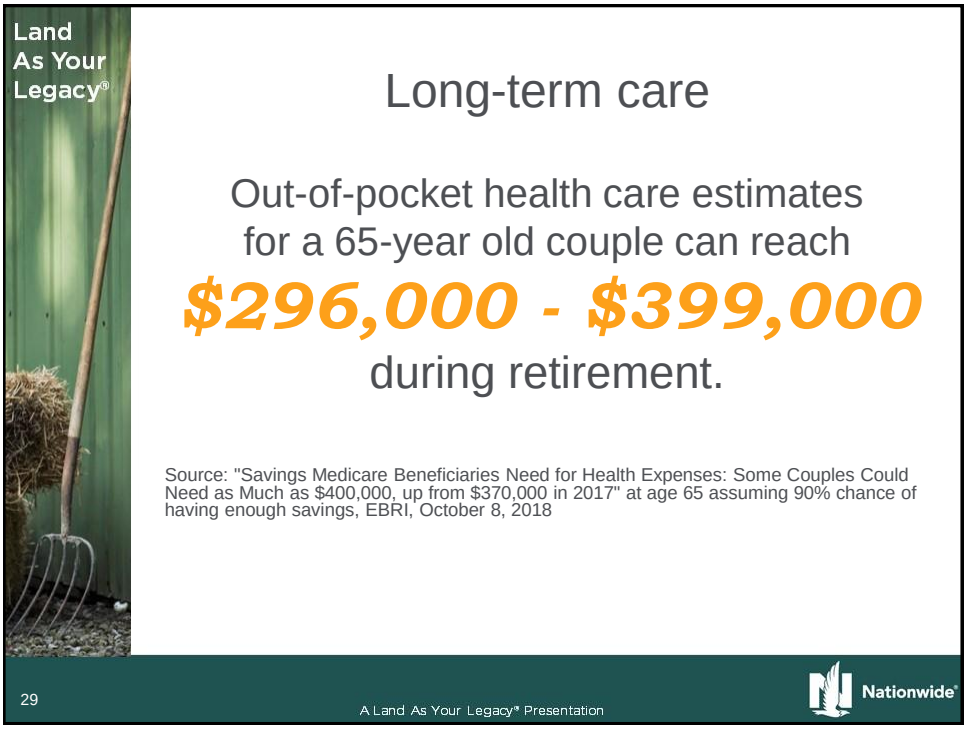


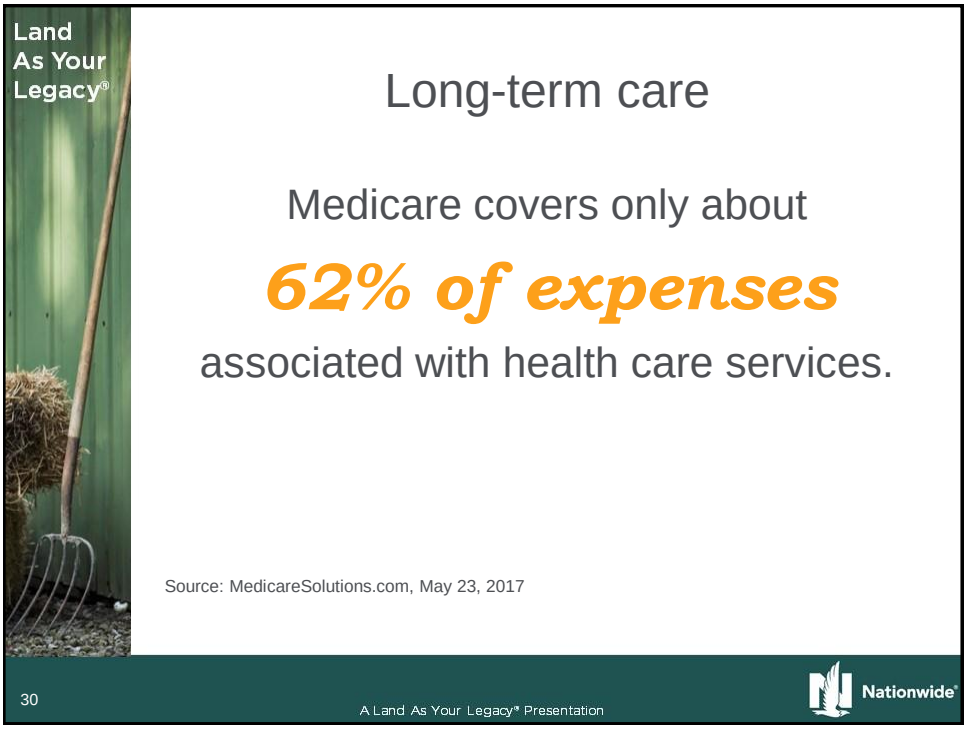
Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com





Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com





Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

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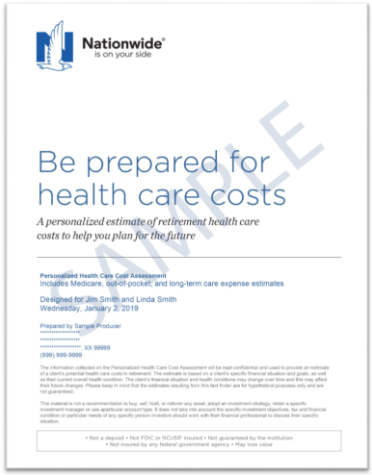
Long-term care

	Monthly	Annually
HOME HEALTH CARE		
• Homemaker Services	$4,671	$56,052
• Home Health Aide	$4,957	59,484
Adult Day Health Care	$1,820	$21,840
Assisted Living Facility	$3,819	$45,828
NURSING HOME CARE		
• Semi-Private Room	$7,003	$84,036
• Private Room	$7,695	$92,340

Land As Your Legacy®

Health Care Analysis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Be prepared for health care costs

A personalized estimate of retirement health care costs to help you plan for the future

SAMPLE

Personalized Health Care Cost Assessment
Includes Medicare, out-of-pocket, and long-term care expense estimates

Designed for Jim Smith and Linda Smith
Wednesday, January 9, 2019

Prepared by Sample Producer
****
****
**********, XX 99999
(999) 999-9999

The information collected on the Personalized Health Care Cost Assessment will be kept confidential and used to provide an estimate of a client's potential health care costs in retirement. The estimate is based on a client's specific financial situation and goals, as well as their current overall health condition. The client's financial situation and health conditions may change over time and this may affect their future changes. Please keep in mind that the estimates resulting from this fact finder are for hypothetical purposes only and are not guaranteed.

This material is not a recommendation to buy, sell, hold, or rollover any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution
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Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Meet the Boyerts

Land As Your Legacy

Land As Your Legacy is a **complimentary program** designed to assist farmers and ranchers in creating and implementing a transition plan with the goals of:

- Preserving and passing on the family or ranch;
- Safeguarding the value of the operation; and
- Setting up an orderly transition of management and ownership

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Land As Your Legacy

Partnership with Nationwide's Land as Your Legacy team to develop a **holistic transition plan** that leverages advanced planning concepts. Some concepts include:

- Protecting against a premature death or disability
- Planning for future healthcare needs
- Protecting the farm or ranch from the loss or disability of a key employee
- Structuring proper entities to limit liability and/or transition assets in the future

5 key phases of Land As Your Legacy

1. Succession planning
2. Business planning
3. Risk management
4. Financial independence
5. Estate planning

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Getting a transition plan in place

- Establish goals and objectives
- Put a team together
- Organize and review current situation
- Decide where you want to go
- Consider the options and implement
- Periodically review and modify

Putting your team together

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Step 1: Fact gathering

What is it?

Will involve one or more meetings to uncover the objectives necessary to develop a transition plan

Who's involved?

People key to the farming operation, your Land As Your Legacy advisor

Step 2: Plan development

What is it?

Nationwide's process to design a suggested transition plan tailored to your specific needs and objectives

Who's involved?

People key to the farming operation, your Land As Your Legacy advisor with support from Nationwide

Step 3: Implement plan

What is it?

The family deciding on a course of action and taking the necessary steps to ensure a proper transition of the farm when necessary

Who's involved?

People key to the farming operation, your Land As Your Legacy advisor and possibly legal and tax professionals

Step 4: Annual Review

What is it?

The family meets on an annual basis to discuss any changes that may have taken place or will be taking place that could alter the existing plan

Who's involved?

People key to the farming operation, your Land As Your Legacy advisor

Land as Your Legacy Worksheet

Dee Dee Chadwick
Senior Director, Nationwide Financial
chadwid3@nationwide.com

Next steps

1. Complete your evaluation
2. Schedule a meeting with your Land As Your Legacy advisor
3. Start thinking and get organized
   - Transition planning checklist
   - Document checklist

Thank you

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