



A TIAA-CREF Financial Essentials Workshop

Paying Yourself:

Income options
in retirement

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Agenda

- Wants and needs in retirement: The income floor
- Sources of retirement income
- Tax implications
- Action steps

Creating a “personal pension”



Activity: The Budget Worksheet

MONTHLY BUDGET WORKSHEET

HOW TO USE THIS WORKSHEET

Enter your best estimates into the form fields that follow. If a field doesn't apply, just leave it blank or enter zero. For each column, add the numbers up and enter the subtotals at the bottom. At the end of the worksheet, plug those subtotals into the simple equation and you'll find out what your monthly income—after expenses—could be!

Essential Budget Items (A)

Household Expenses

Mortgage/Rent	\$
Utilities/Telephone	\$
Gas/Oil/Water	\$
General Maintenance	\$
Household Supplies	\$

Meals

Groceries	\$
Beverages	\$
Essential Entertaining	\$

Debt

Credit Cards	\$
Student Loans (self, family)	\$
Home Equity Loans	\$
Other	\$

Tax Considerations

Income (federal, state, local)	\$
Property Tax	\$
Capital Gains/Dividends	\$
Other	\$

Insurance

Life	\$
Auto	\$
Homeowner's/Renter's	\$
Health/Dental	\$
Other	\$

Miscellaneous

Professional Services	\$
Dues (memberships)	\$
Childcare	\$

Discretionary Budget Items (B)

Household Expenses

Home Improvement	\$
New Purchases	\$
Cable TV	\$
Internet	\$

Meals

Dining Out	\$
Entertaining	\$

Debt

	\$
	\$
	\$
	\$

Tax Considerations

Charitable Contributions	\$
Gifts	\$
Capital Gains/Dividends	\$
Other	\$

Insurance

Long-term Care	\$
Other	\$

Miscellaneous

Professional Services	\$
	\$
	\$

Essential Budget Items (C)

Leisure & Hobbies

	\$
	\$
	\$
	\$
	\$
	\$
	\$

Personal Care

Clothing (purchase/cleaning)	\$
Products/Maintenance	\$

Healthcare & Wellness

Medicare	\$
Medical/Supp. Insurance	\$
Out of Pocket Co-Payments	\$
Dental/Vision/Hearing	\$
Eye Doctor/Glasses	\$
Medical Equipment	\$
Prescription and OTC drugs	\$
Other	\$

Transportation

Car Payments	\$
Maintenance/Fuel	\$
Taxes, Registration, etc.	\$
Other (bus/train/airfare)	\$

Discretionary Budget Items (D)

Leisure & Hobbies

Health Club (exercise classes)	\$
Vacation/Travel	\$
Dining	\$
Movies, Theater, Rentals	\$
Education	\$
Other (books, hobbies)	\$
Discretionary Spending	\$
Gifts and Holidays	\$

Personal Care

The Extras	\$
Products/Maintenance	\$

Healthcare & Wellness

Out-of-Pocket Co-Payments	\$
	\$
	\$
	\$
	\$
	\$
	\$

Transportation

Discretionary Travel	\$
Vacations	\$
Upgrades	\$
Other	\$

Pension/IRAs	\$
401(k)/403(b)/457(b)	\$
Social Security	\$
Dividends/Interest	\$
Alimony/Child Support	\$
Employment	\$
Royalties	\$
Real Estate (rental income)	\$
Other	\$

Total Monthly Income \$

Subtotal A	\$
------------	----

Subtotal B	\$
------------	----

Subtotal C	\$
Subtotal A (from prev. page)	\$
Total Essential Budget	\$

Subtotal D	\$
Subtotal B (from prev. page)	\$
Total Discretionary Budget	\$

Transfer Subtotal A and Subtotal B to their spaces on the next page.

TOTAL ESSENTIAL BUDGET + TOTAL DISCRETIONARY BUDGET = TOTAL MONTHLY EXPENSES	
\$	\$
TOTAL MONTHLY INCOME - TOTAL MONTHLY EXPENSES = FUNDS AVAILABLE	
\$	\$

The sources of retirement income

- Social Security
- TIAA-CREF options
- Life annuities
- Defined contribution plans (401(k), 403(b))
- Defined benefit plans
- Individual Retirement Accounts (IRAs)
- Other investment and savings accounts



TIAA-CREF Income Options: Flexible retirement income

Life Annuity:

Guaranteed income for life,
fixed or variable

TIAA Interest Only:

Income from a TIAA Traditional
Annuity that leaves principal
unchanged

Minimum Distribution Option:

Automatically withdraw the
minimum required amount
from your account once you've
reached the minimum age

Transfer Payout Annuity:

Allows you to access and
reallocate TIAA Traditional
Annuity over a set number
of years

Cash Withdrawals:

Lump sum or systematic

Guarantees are based on the claims-paying ability of the issuer. Payments from the variable annuity accounts are not guaranteed and will rise or fall based on investment performance.

For its stability, claims-paying ability and overall financial strength, TIAA currently holds the following ratings: A.M. Best (A++ as of 5/13), Fitch (AAA as of 6/13), Moody's Investors Service (Aaa as of 7/13) and Standard & Poor's (AA+ as of 5/13). Per S&P criteria, the downgrade of US long-term government debt limits the highest rating of U.S. insurers to AA+ (the second highest rating available). There is no guarantee that current ratings will be maintained. Ratings represent a company's ability to meet policyholders' obligations and claims and do not apply to variable annuities, mutual funds or any other product or service not fully backed by TIAA's claims-paying ability.

Lifetime Annuities: Income guaranteed for life

Types:

- Fixed Annuities – guaranteed principal and specified interest rate
- Variable Annuities – fluctuating payments with potential for upside and potential for loss
- One-Life Annuity – provides lifetime income to the annuitant only
- Two-Life Annuity – provides lifetime income to the annuitant and a second person

Traits:

- Lots of options to help meet your needs for lifetime income
- Money can sometimes be transferred between annuities (other providers)

* Annuity account options are available through contracts issued by TIAA or CREF. These contracts are designed for retirement or other long-term goals, and offer a variety of income options, including lifetime income.

TIAA Interest Only

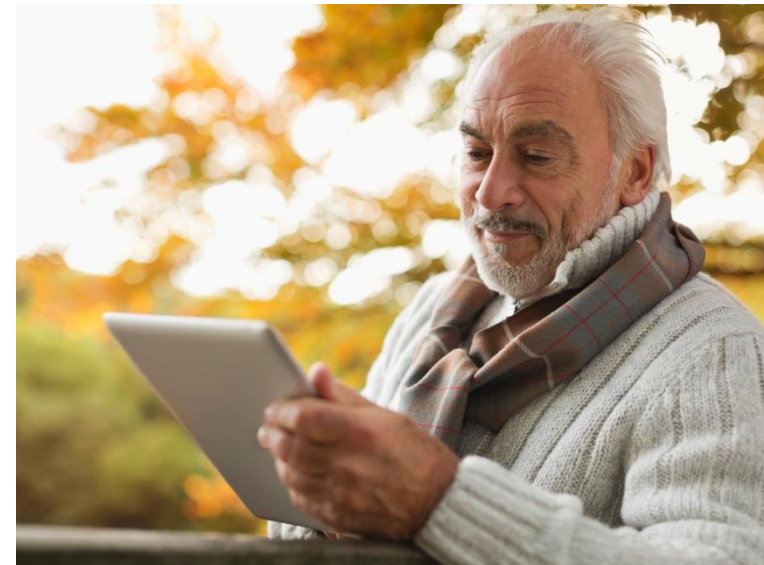
Income

- Receive monthly interest payments from your TIAA Traditional Annuity
- Your principal remains intact
- Available for Retirement Annuity (RA) or Group Retirement Annuity (GRA) contracts
- Must be started between age 55 and 69 ½
- Minimum amount \$10,000
- At some point, payment not be enough to meet your RMD



Minimum Distribution Option

- Pays IRS required minimum distribution
- Maximizes income tax deferral and preserves accumulation
- Delays deciding on lifetime income



Transfer Payout Annuity

Access and reallocate a TIAA Traditional Annuity over a set number of years



Cash Withdrawals

- Distribute according to your needs
- May allow for distribution of significant assets to beneficiaries
- Available from TIAA Traditional in 10 annual installments
- Available from the CREF accounts and the TIAA Real Estate Account



Employer-Sponsored Retirement Accounts and Traditional IRAs

Income traits: Taxable, variable monthly income

Income options:

- Roll it into an IRA
- Leave it alone
- Take periodic distributions
- Purchase lifetime income
- Lump-sum withdrawal

Other traits:

- Minimum withdrawal age of 59½
- Mandatory withdrawals beginning at age 70½
- Penalties for not taking minimum distributions!

Individual Retirement Accounts: The Roth IRA

Income traits:

Tax-free, variable income from a personal retirement investment account

Income options:

- Take it in a lump sum
- Periodic disbursements
- “Roll over” into another Roth IRA
- Annuity payout

Other traits:

- 10% penalty for early withdrawal, plus taxes on earnings
- Minimum withdrawal age of 59½
- No mandatory distributions
- No penalties for not withdrawing
- Account must be disbursed if account holder dies
- Roth account must be five years old before you can take a distribution without tax penalty
- Contributions (but not gains) are always available for withdrawal without tax or penalty

Putting it all together: Action steps

- Estimate your required expenses and secure them with guaranteed income
- Estimate the cost to do what you want in retirement and invest accordingly
- Plan your income carefully and know which assets will pay what amount and when
- Taxes
- Consider consolidation for ease of asset management

Additional tools available at
www.tiaa-cref.org/tools

- Retirement Advisor Tool
- Retirement Income Planner
- Retirement Goal Evaluator
- Budget Worksheet

Thank you!

Call 800 732-8353 to schedule a one-on-one advice session with a TIAA-CREF Financial Consultant.

Schedule online at www.tiaa-cref.org/schedulenow

Sources

Home and home-related expenses generally continue to account for 40% of your total retirement budget, according to 2011 Employee Benefit Research Institute statistics.

Healthcare usually accounts for another 20% of the budget. You may need to increase what you budget for higher medical care premiums and co-pays. Some may want to consider Long-Term Care.

These percentages may seem large, but remember: They are averages. Someone with a robust retirement income isn't likely to spend that large a percentage on healthcare because he or she has a larger pool of income from which to draw.

A 2011 EBRI study found that a 65-year-old married couple with median prescription drug expenses throughout retirement would need \$231,000 to have a 75% chance of covering all their medical costs after retirement in 2011.

Also according to EBRI, consumer expenditures in retirement generally remain flat for food and clothing.

Employee Benefits Research Institute. 2011 Retirement Confidence Study. http://www.ebri.org/pdf/briefspdf/EBRI_03-2011_No355_RCS-2011.pdf

If you go to the Social Security website (www.ssa.gov) and look at their benefits chart, you'll see that your benefits are reduced a little over five-ninths of one percent (.555%) for every month before your "full" retirement age. For example, for someone born before 1938, the full retirement age is 65.

If you sign up for Social Security when you're 64, you will receive around 93% of your full benefit. At age 62, you would get 80%.

Question: What percentage of Americans 65 and older held a paying job or were self-employed in 2010? Answer: 26%

Social Security Administration. www.ssa.gov. Accessed September 25, 2013.

*First, look for companies that are stable. TIAA-CREF Life Insurance Company is a member of one of only three insurance groups in the U.S. to hold the highest ratings currently awarded from all four leading independent insurance industry ratings agencies – Moody's, Standard & Poor's, A.M. Best and Fitch.**

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Sources

For anyone turning 65, there's an 81% probability they'll reach age 80, and 29% of them will reach age 95

TIAA-CREF Lifetime Retirement Income Packet

Before transferring assets or replacing an existing annuity, be sure to carefully consider the benefits of both the existing and new product. There will likely be differences in features, costs, services, company strength and more. There may also be tax consequences associated with the transfer of assets. Indirect transfers may be subject to taxation and penalties. You should consult with your tax advisors regarding your particular situation.

The Dollar Stretcher, "Retirement and your 401(k)," 2013. http://www.stretcher.com/stories/06/06mar20d.cfm#.UJvUvY4_6Vg

You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877 518-9161 or log on to tiaa-cref.org for underlying product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

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