TIAA-CREF presents

Money at Work 2: Sharpening investment skills

A TIAA-CREF Financial Essentials Workshop
Today’s agenda

- Overview
- Evaluate where you are
- What’s your type?
- Diversification and asset allocation
- Investing strategies
- Tax strategies/inflation
- Retirement income
- Avoiding common pitfalls
- Retirement savings
- Resources
- Questions?
Quick quiz

You’re approaching 62 and can begin to claim Social Security. Sweet! It’s time to start getting some of that money back. You should start collecting as soon as possible.

True or False?
Evaluate where you are

Social Security: Count on it… but not exclusively.

In 1937, when Social Security was created, the average American life expectancy was 60. Today, it’s over 85.

Evaluate where you are

401(k): It may not be all you need
Evaluate where you are

How much will you need?

The common advice is that you should aim to replace 80% of your income in retirement. Depending on your personal situation, you may need more or less.

What type of investor are you?

That depends on your risk tolerance level.
You may not be the same type your whole life. You may consider becoming more conservative the closer you get to retirement.

Conservative
- 15% Large-Cap Stocks
- 0% Small-Cap Stocks
- 5% Internationally Stocks
- 65% Bonds
- 12% Cash Equivalents

Moderate - Conservative
- 26% Large-Cap Stocks
- 3% Small-Cap Stocks
- 1% Internationally Stocks
- 53% Bonds
- 7% Cash Equivalents

Moderate
- 36% Large-Cap Stocks
- 7% Small-Cap Stocks
- 16% Internationally Stocks
- 37% Bonds
- 3% Cash Equivalents

Moderate - Aggressive
- 46% Large-Cap Stocks
- 10% Small-Cap Stocks
- 24% Internationally Stocks
- 20% Bonds
- 0% Cash Equivalents

Aggressive
- 53% Large-Cap Stocks
- 15% Small-Cap Stocks
- 32% Internationally Stocks
- 0% Bonds
- 0% Cash Equivalents

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These asset allocation portfolios are intended to serve only as examples and should not be deemed to be investment advice. Your circumstances are unique and you need to assess your own situation and consult with an investment advisor to receive personalized guidance.
You’re in the driver’s seat. (But do you want a co-pilot?)

Find out if you’re on the right track to reach your financial goals.
Diversity may make a difference. Allocation is all-important.

- **Diversify your portfolio**
  - Diversification may help you avoid big changes in the value of your investments
  - Diversify by sector, too

- **Allocate appropriately**
  - Most of a portfolio’s performance is linked to the way it’s allocated

Diversification is a technique to help reduce risk. However, there is no guarantee that diversification will protect against a loss of income. Please note that there is no guarantee that asset allocation reduces risk or increases returns.
There are inherent risks in investing in securities. Past performance is no guarantee of future results. In addition, investment returns and principal value will fluctuate so your accumulation, when redeemed, may be worth more or less than the original cost.

* Subject to TIAA’s claims-paying ability.

** In California, the TIAA Real Estate Account is available through IRAs, but not all employer-sponsored plans. Please contact us to determine if your institution’s plan can accept investments into the account.
Investing strategies

- International investments
- Flexibility
- Plan for converting your 401(k) and IRA into cash
Taxes

Congratulations! Your long-term investment in Amalgamated Industries grew to $1 million. You’re ready to cash out. In most cases, you’ll have to share the wealth with the IRS.

Would you like to pay 20% in taxes? Or 35%?
Inflation

- U.S. average inflation rate from 1999 – 2012: 2.5%
- Best 2013 savings rates range from 0.64% – 0.87% from online banks

Retirement income

- **Sources of retirement income**
  - Social Security
  - Stock dividends
  - Bonds
  - Annuities
  - Continuing to work

- **Saving in retirement (and boosting income)**
  - Pay off mortgage or downsize
  - Don’t pay a penalty for being late in signing up for Medicare
  - Savings accounts and CDs
  - Staying healthy can minimize medical bills
Beware of common pitfalls

**Chasing fund performance**

The cost of not having a disciplined approach

*Annualized returns 1993 through 2012*

<table>
<thead>
<tr>
<th>Index/Investment Type</th>
<th>1993-2012 Annualized Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average equity mutual fund investor</td>
<td>4.25</td>
</tr>
<tr>
<td>S&amp;P 500 Stock Index</td>
<td>8.21</td>
</tr>
<tr>
<td>Average fixed income mutual</td>
<td>0.98</td>
</tr>
<tr>
<td>Barclays Capital U.S. Aggregate Bond Index</td>
<td>6.34</td>
</tr>
</tbody>
</table>

Emotionally invested

At age 62, the current earliest eligibility age for getting Social Security, life expectancy for the average man and woman is about 21 years and 24 years, respectively.

Retirement

What will you do?
Tools and Resources

How TIAA-CREF can help:

- Retirement Advisor Tool
  www.tiaa-cref.org/retirementadvisor

- Selecting the Right IRA
  www.tiaa-cref.org/ira-evaluator

- Asset Allocation Evaluator
  www.tiaa-cref.org/asset-allocation-evaluator
You’re in control: What will you do next?

- Honor your investment personality and choose your investment mix to match it. Alter your personality as needed over the course of your lifetime. Reduce your risk as you get closer to retirement.

- Review your retirement plan regularly. Adjust it when needed.

- Set up a one-on-one meeting with a TIAA-CREF Financial Consultant online at www.tiaa-cref.org/schedulenow

- Or call us at 800 732-8353, Monday – Friday, 8 a.m. – 8 p.m. (ET)

- Use our online tools: www.tiaa-cref.org/tools
Congratulations, savvy investors.

Questions?
Thank you!

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**Or SCHEDULE ONLINE** at [www.tiaa-cref.org/schedulenow](http://www.tiaa-cref.org/schedulenow)
Sources

A report from the Employee Benefit Research Institute (EBRI) published in 2013 reveals that 57% of Americans have less than $25,000 stashed away for retirement.


You can claim Social Security as early as age 62, but your payment will increase by about 6% a year for every year you delay filing before your full retirement age – between 66 and 67 for most people; it depends on when you started working. After that, delaying earns you another 8% a year until age 70. For someone whose full retirement age is 66, the payment is 75 percent higher at 70 than at 62.

After all, to achieve returns to sustain a 30-year retirement, you need to still be investing for growth.


Retiring later can be a financial boon for several reasons: Because Social Security monthly benefits are actuarially adjusted, they replace a larger share of pre-retirement earnings at later ages. By delaying retirement, people have more years to contribute to their 401(k) or other retirement plans and allow their balances to grow.


In 1937, when Social Security was created, the average American life expectancy was 60. Today, it’s over 85.

Sources

The common advice is that you should aim to replace 80% of your income in retirement. Depending on your personal situation, you may need more or less.


“Asset allocation is the core function of portfolio construction.” ~ Bryce James, Forbes


Remember that IRAs and 401(k)s require minimum distributions once you turn 70½.


If you decide to roll over some or all of your 401(k) money to an IRA, preserve your tax deferral by transferring the funds directly to a new custodian, such as a broker or mutual fund. If you have your former employer make a check out to you, you’ll lose money. Unfortunately, your employer must withhold 20% of your check for taxes even if you plan to roll over to an IRA within two months of leaving the company. You can have federal income taxes withheld from your pension or annuity check, or you can file quarterly estimated tax payments.


Our cost of living depends on the prices of all the goods and services we buy and the cost of each good or service in the household budget. Inflation makes our purchasing power go down.

Sources

When you compare the figures on the screen – the inflation rate vs. the best possible savings rate – you can see what an enemy we’re up against.


Many bonds provide a pretty predictable income stream with limited potential for losses. Some bonds, such as Treasury Inflation-Protected Securities, promise a rate of return above inflation.


Short-term, high-quality bonds held to a maturity of less than three years are generally another tactic to help guard against our enemy, inflation.


“Thinking about one’s retirement is likely bittersweet. While future retirees may be excited about life without work and the leisure opportunities retirement affords, contemplating retirement can introduce negative emotions. Potential retirees may fear that they will be bored after they retire, that they will miss the mentally stimulating discussions [from work] or that they will slowly become less engaged in society.”

Even the Social Security website notes that financial planners, retirement counselors, policymakers and the media suggest delaying retirement (and thus delaying the Social Security benefit) is “critical for financial well-being in retirement.” Yet, 62 is the most popular age at which to start receiving benefits. The website poses the question: “Why is 62 such a popular age at which to exit the workforce?” The answer, research shows, is generally: burn out and job dissatisfaction.

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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TIAA-CREF Lifecycle Funds share the risks associated with the types of securities held by each of the underlying funds in which they invest. In addition to the fees and expenses associated with the Lifecycle Funds, there is exposure to the fees and expenses associated with the underlying mutual funds as well. As with all mutual funds, the principal value in a Lifecycle Fund is not guaranteed. Also, please note that the target date of the Lifecycle Fund is an approximate date when investors plan to begin withdrawing from the fund. Approximately seven to ten years after a Lifecycle Fund’s target date, the fund may merge into the Lifecycle Retirement Income Fund or a similar fund.

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Any guarantees under annuities issued by TIAA are subject to TIAA's claims-paying ability. Payments from variable accounts will fluctuate based on investment performance. Please note that annuities are intended for retirement investing and are not short-term investments. Withdrawals before age 59 ½ may be subject to an additional 10% IRS early withdrawal penalty in addition to ordinary income tax.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

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