Demystifying Annuities
Agenda

Lessons from Mt. Everest

Retirement Planning Considerations

How do you know what’s right for you

All About Annuities

Tools and Resources

Questions
The Perils of Descent – What we can learn from Mt. Everest

Retirement - like mountain climbing has two parts
Accumulation = Ascent  Distribution = Descent

Ultimate success is dependent upon each phase going well

Preparation, knowledge and proper execution are key
Retirement Planning Considerations

You should target 80% of pre-retirement income

- Qualified Savings
- Social Security
- Private Savings

Retirement is lasting longer

- 50% chance of living to 89
- 44% chance you or partner live to 95*

* TIAA-CREF MORTALITY TABLES 2014
How to get on track

Create a plan

– Know your employer plan – §403(b), 401(k), 457
  – Is there an employer match? When are you vested?
  – What’s the maximum permitted? Are you over 50 and eligible for catch-up contributions?
How to get on track

Think long term

- Plan for at least 20 years of retirement
- Consider risks such as inflation, market volatility
How to get on track

Don’t go it alone

‒ Meet with an advisor
‒ Online tools and estimators
How to get on track

Adjust as necessary

- Consider Increasing contributions
- Can you contribute to an Individual Retirement Account or Roth Account
- Private Saving Vehicles
What is an Annuity

Think of an annuity as a safety net for your retirement

1. **STEP ONE**
   Consider an annuity through an employer plan or IRA or consider a personal annuity.

2. **STEP TWO**
   Put money in, either all at once, or contribute regularly.

3. **STEP THREE**
   Watch how your account performs over time.

4. **STEP FOUR**
   Retire and choose one of many income options, including income for life.
Common Misconceptions

“I already have a 401(k)/403(b) and an IRA, I don’t need an annuity.”

“If I pass away the insurance company keeps my money.”

“You need a lot of money to buy an annuity.”

“If I buy an annuity I lose control of my money.”

“Annuities are bad because they have lots of fees and expenses.”
Myth: I already have a 401(k) and an IRA. I don’t need an annuity.

Truth: An annuity can be a great way to supplement your other retirement savings accounts due to greater flexibility with contribution limits and access to your funds. Plus, you have the ability to convert your annuity to income payments for the rest of your life, or a specific period of time. Guarantees are subject to the claims paying ability of the insurance company.

Myth: If I pass away, the insurance company keeps my money.

Truth: Your annuity proceeds will be paid to your beneficiary(ies) under the following circumstances:

During the accumulation phase, your beneficiary would receive either the account value or the value of any Guaranteed Minimum Death Benefit that may pertain.

During the payout phase, you can select a guaranteed period to reduce the risk of losing your money to the insurance company due to an early death. If both you and your annuity partner die within the guaranteed period, payments continue to your beneficiary(ies) until the end of the period. Insurance companies generally offer guaranteed periods such as 10, 15 or 20 years.1 If you elect a single life annuity, your beneficiary will not receive proceeds from the contract.

Myth: Annuities are a bad deal because they have fees and costs.

Truth: The fees and expenses associated with annuity products can reduce the total return on your investment. Low expenses help put more of your money to work for you. Lower expenses or fees do not necessarily result in higher returns.

Myth: Annuities require a large investment.

Truth: Some annuities allow smaller investments for example as little as $2,500 and subsequent investments may be for as little as $250.

Myth: If I buy an annuity, I will lose control of my money.

Truth: Choosing the right type of annuity will give you the control over your assets that you need, when you need it.
Fees and expenses explained

**Subaccount Expenses**  
Industry Avg. 1.07%

**Mortality & Expense Expense**  
Industry Avg. 1.25%

**Administrative Expenses**  
Industry Avg. .15%

**Surrender Charges**  
Vary with a declining %  
Industry charges can be as high as 10% for an avg. 7 yrs

* Averages are according to Morningstar as of 7/7/2015
Why should I consider an annuity?

- Helps bridge your retirement readiness gap
- Tax-deferral
- Contributions aren’t limited
- Can provide income you can’t outlive
- Can provide a death benefit to loved ones
- Range of investment choices to suit your risk tolerance
How does it fit?

All the places you can put an annuity

We can offer options to complement your other investments. An annuity is the only financial offering that can guarantee income for life no matter how long you live.¹

¹ Subject to the claims-paying ability of the insurance company.
Qualified Annuities

Some retirement plans offer annuities as part of their total plan offering

- Provided through your employer
- Contributions are made with pre-tax dollars
- Gains grow tax deferred
- Distributions are taxable when paid out
- Subject to IRS limitations and restrictions
- Example – TIAA Traditional
Nonqualified Annuities

Annuities offered outside an employer sponsored plan

- Especially appropriate for individuals who already contribute the maximum to qualified plans and IRAs
- Contributions are made with after-tax dollars
- Gains grow tax deferred
- Taxes on the gains are due when distributed
Find a personal annuity that’s right for you

- **Immediate Income**: Convert a lump sum into a stream of income
- **Variable**: Potential for increased earning but also added risk
- **Fixed**: Choose a guaranteed rate of return
Find a personal annuity to fit your needs

**Best if you want**

**Fixed**
- Stable Interest rate
- Future income
- Option to withdrawal

**Variable**
- Growth potential
- Future income
- Option to withdrawal
- Range of investments

**Immediate**
- Income right away
- Fixed interest or range of investments
- Single sum
- Income for life or set period
- Payments to survivor

**Invest in**

**Fixed**
- Fixed Interest rate

**Variable**
- Range of investments
- Single sum or invest over time
- Full/partial withdrawal
- Income for life or set period

**Immediate**
- Income right away
- Fixed interest or range of investments
- Single sum
- Income for life or set period
- Payments to survivor

**How to fund it**

**Fixed**
- Single sum or invest over time
  - Full/partial withdrawal
  - Income for life or set period
  - Payments to survivor

**Variable**
- Single sum or invest over time
  - Full/partial withdrawal
  - Income for life or set period
  - Payments to survivor

**Immediate**
- Income right away
- Fixed interest or range of investments
- Single sum
- Income for life or set period
- Payments to survivor

**Payment options**

**Fixed**
- Single sum or invest over time
- Full/partial withdrawal
- Income for life or set period
- Payments to survivor

**Variable**
- Single sum or invest over time
- Full/partial withdrawal
- Income for life or set period
- Payments to survivor

**Immediate**
- Income right away
- Fixed interest or range of investments
- Single sum
- Income for life or set period
- Payments to survivor
Benefits of deferred annuities

- **Tax-deferred growth**
  - Any gains accumulate tax-deferred and are not subject to taxation until withdrawn

- **No income or contribution limits**
  - Unlike employer provided plans or IRAs, there are no income or contribution limits

- **Tax-free transfers**
  - Funds can be transferred between investment choices within the product without taxation

- **Tax control**
  - Since annuity payment amounts are taxable as part return of principal and part gains you can spread out taxation of earnings over the duration of your payment period

- **Creditor Protection**
  - In many states, the death benefit and cash value are exempt from the claims of creditors. Consult with personal advisor to determine what protection is afforded.
## Benefits of immediate annuities

<table>
<thead>
<tr>
<th>Guaranteed Income</th>
<th>Protection against living too long</th>
<th>Tax control</th>
<th>Creditor Protection</th>
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<tbody>
<tr>
<td>- A stream of income can be structured for either a specific number of years or for a lifetime</td>
<td>- Partial annuitization of retirement funds allows the remainder to stay invested as a way to potentially keep pace with inflation</td>
<td>- Since annuity payment amounts are taxable as part return of principal and part gains you can spread out taxation of earnings over the duration of your payment period</td>
<td>- In many states, the death benefit and cash value are exempt from the claims of creditors. Consult with personal advisor to determine what protection is afforded.</td>
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Retirement income without using an Annuity
Layering in a 20% allocation to an Annuity

Hypothetical Retiree Portfolio Longevity With Immediate Annuity

Portfolio Assets

Age of Retiree

0% SPIA 100% managed portfolio

20% SPIA 80% Managed Portfolio
Layering a 40% allocation to an Annuity

Hypothetical Retiree Portfolio Longevity With Immediate Annuity

- 0% SPIA 100% managed portfolio
- 20% SPIA 80% Managed Portfolio
- 40% SPIA, 60% Managed Portfolio

Portfolio Assets vs. Age of Retiree
Source: LIMRA Secure Retirement Institute analysis, 2015. Illustration of 1969 to 1993, the worst 25-year period out of 62 possible scenarios since 1926. The portfolio has an asset allocation of 42.5% large company stocks, and 40% intermediate-term government bonds and is rebalanced annually. An annual payout rate of 5.77% was based on actual single-life immediate annuity quotes with inflation adjustments for a hypothetical 70-year old male in August 2015. The initial withdrawal amount was $4,500 or 4.5% of beginning assets; thereafter annual withdrawals were adjusted based on the prior year's inflation rate. The hypothetical portfolio had a 50-basis-point charge assessed annually [following the withdrawals and the investment growth or loss].
Review how much monthly income you are on track to have in retirement

1. **Your projected monthly income** starting at 67 includes:
   - All TIAA Retirement accounts
   - Contributions (employer & employee)
   - Actual Investments
   - Assumes draw-down to life expectancy

2. **Compare your projected income** to your current lifestyle (focus on today)

3. **To stay** on-track make sure you continue to review your projected income throughout your career

4. **TIAA can help!** Speak with an advisor to find out how you can get or stay on track with your retirement income
Retirement Advisor

Complete four steps with the Retirement Advisor online advice tool and receive a customized retirement action plan with savings and investment recommendations.

GET STARTED

MORE TOOLS

Retirement planning
IRAs
Taxes
Saving & investing
Budgeting
Life insurance
Mortgages & loans
Retirement Goal Evaluator

A successful savings strategy starts with understanding your financial needs. Use our calculator to estimate how much of your salary you might be able to replace at retirement and how much more you may need to invest to eliminate any potential shortfall. Need Help? Schedule a consultation with a TIAA retirement specialist to create a personalized plan.

Please provide your personal information

Fields marked with an asterisk (*) are required.

* Your Current Age

* Planned retirement age

* Current Annual Salary $

Annual salary growth rate %

* Salary Replacement Target

The percentage of your annual salary in the year you retire you’ll need to live comfortably after you leave the workforce.
IRA Contribution Limits

**HOW MUCH CAN YOU CONTRIBUTE?**

Contributing to your employer-sponsored plan is a great place to start saving for the retirement you envision. But did you know that you can also set aside additional funds into an IRA? The right IRA for your needs depends on your earned income and goals.

**What is your filing status?** *(what's 'filing status')*

- SINGLE
- MARRIED *(filing jointly)*

**What is your age?**

- **35 Yrs**

**Are you eligible for an employer-sponsored retirement plan?** *(not sure?)*

- YES
- NO

**What is your adjusted gross income (AGI)?** *(What's AGI?)*

- **$ 50,000**

<table>
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<tr>
<th>Year</th>
<th>Roth</th>
<th>Traditional deductible</th>
<th>Traditional non-deductible</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
<td>$5500</td>
<td>$5500</td>
<td>$5500</td>
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<tr>
<td>2016</td>
<td>$5500</td>
<td>$5500</td>
<td>$5500</td>
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</table>

What's the difference between these IRA's?
Q&A
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Annuity contracts contain exclusions, limitations, reductions of benefits and may contain terms for keeping them in force.

Your financial consultant can provide you with costs and complete details.

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Annuities are designed for retirement savings or for other long-term goals. They offer several payment options, including lifetime income. Guarantees are based on the claims-paying ability of the issuer and do not apply to any underlying investments. It is possible to lose money when investing in variable annuities. Withdrawals of earnings from an annuity are subject to ordinary income tax, plus a possible federal 10% penalty if you make a withdrawal before age 59½.

Past performance does not guarantee future results.

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Investment, insurance and annuity products are not FDIC insured, are not bank guaranteed, are not bank deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.

You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call your advisor for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

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