



Paying Yourself:

Income options
in retirement

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Retirement overview

- Retirement confidence is rebounding after recent years hitting record lows¹
- The majority of workers (54%) plan to work past age 65 or do not plan to retire.²
- Retirement may last 30 years or more; average time spent in retirement is 19 years for men, 21 years for women³
- Median income for those age 65 or older was \$22,177 as of 2015⁴
- Only 31% of Americans sought advice on translating their retirement savings into lifetime income.⁵

Today's agenda

- Wants and needs in retirement: The income floor
- Retirement investments: What to consider
- Retirement account options: The basics
- Other investments & savings
- Action steps

Retirement needs

- Home & home-related
- Healthcare
- Food & clothing
- Transportation
- Insurance
- Taxes and debt payments



Once you establish your income floor, you can establish your lifestyle



Retirement wants

- Vacation/second home
- Hobbies
- Travel
- Time with family and friends
- Volunteerism
- Legacy assets



The 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!

Monthly budget worksheet

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	\$

Subtotal A	\$
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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	\$
	\$
	\$

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

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

Monthly budget worksheet

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)	\$

Subtotal C	\$
------------	----

Subtotal A (from prev. page)	\$
------------------------------	----

Total Essential Budget	\$
------------------------	----

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	\$

Subtotal D	\$
------------	----

Subtotal B (from prev. page)	\$
------------------------------	----

Total Discretionary Budget	\$
----------------------------	----

Monthly Income Sources (net of taxes)

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	\$
----------------------	----

Total Essential Budget	\$
+	
Total Discretionary Budget	\$
=	
Total monthly expenses	\$

Total monthly income	-
Total monthly expenses	=
Funds available	\$

The most common sources of retirement income

- Social Security
- Defined Contribution plans (401(k), 403(b))
- Defined Benefit plans
- Individual Retirement Accounts (IRAs)
- Annuities
- Other investment and savings accounts



Social Security—still viable, still reliable

Income traits:

- Taxable, fixed monthly income from the government

Income options:

- Fixed benefit

Other traits:

- Reduced benefits can be taken as early as age 62
- Full benefits available if you wait to full retirement age
 - Full retirement age depends on when you were born.
- Spouse gets a benefit, too
 - How and when you and your spouse elect to receive Social Security benefit can make a big difference in your monthly payment.

Sources:

- 1) ssa.gov
- 2) TIAA-CREF collateral

Employer-sponsored retirement accounts: Defined Contribution plans (401(k) and 403(b))



Income traits:

- Taxable, variable monthly income from your employer-sponsored account

Income options:

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

Other traits:

- May borrow money from it (if plan permits), but must pay it back
- Minimum withdrawal age of 59½ (or be subject to IRS penalty)
- Mandatory withdrawals beginning at age 70½

Income traits:

- Taxable, fixed monthly income from an employer-sponsored and managed account

Income options:

- Fixed benefit based on company's formula very often at termination
- Typically funded entirely by the company (although government plans often require employees to contribute)
- Benefits determined by personalized factors, not investment performance
 - Length of service with company
 - Earnings history (so-called terminal income)
 - NOT an individual account¹
- Benefits may come out of company income if investments underperform
- Maximum benefit is \$215,000, no contribution limit*

* IRS, Defined Benefit Plan – Benefit Limits

irs.gov/Retirement-Plans/Plan-Participant-Employee/Retirement-Topics-Defined-Benefit-Plan-Benefit-Limits

Individual Retirement Accounts: The Traditional IRA

Income traits:

- Taxable, variable income from a personal retirement investment account

Income options:

- Take it in a lump sum
- Periodic disbursements
- “Rollover” into another Traditional IRA
- Annuity (Investment Solutions IRA)

Other traits:

- 10% penalty for early withdrawal, plus taxes
- Minimum withdrawal age of 59½; mandatory distributions begin at age 70½
- Penalties for not taking minimum distributions!
- Special rules may impact taxes
- Special rules for spouses

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
- “Rollover” into another Roth IRA
- Annuity payout

Other traits:

- 10% penalty for early withdrawal, plus taxes on earnings
- Minimum withdrawal age of 59½
 - NOTE: Special disbursement rules can apply
- No mandatory distributions
- No penalties for not withdrawing
- Account must be disbursed if accountholder 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

Income traits:

- Income guaranteed for life

Income options:

- Fixed annuities—guaranteed principal and specified interest rate
- Variable annuities—fluctuating payments with potential for upside as well as losses.

Other traits:

- LOTS of options to help meet your needs for lifetime income
- Money can sometimes be transferred between annuities
- Surrender charges may apply
- Fees vary—look for a low-cost provider

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 withdraws 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

Lifetime income payout options

Some common payout options*:

- Life only
- Life with a guarantee period
- Joint life and last survivor

* Not all options available and some providers may offer different payouts.

Other investments and savings

Income traits:

- Variable income from personal investments, bonds and savings

Income options:

- Periodic disbursements
- Take it in a lump sum

Other traits:

- Can incur capital gains taxes
- No minimum withdrawal age
- No mandatory disbursements

Group activity: Who am I?

Each group will have a chance to identify the investment I'm portraying. If you look in your workshop guide, this activity is included, and there is an answer key at the bottom. Discuss these in your groups. I will read a description of an investment, and each group will have a few moments to come to a consensus answer before we move on to the next question.

The "Who am I?" interactive game.

INCOME OPTION 1

Sure, the income I offer in retirement is taxable. You can even use it to buy other stuff, like IRAs and annuities if you want to. I don't know why you'd do that. I already offer a fixed benefit regardless of what the markets are doing. The good news is that almost everyone has access to me no matter who the employer is.

INCOME OPTION 2

You can't rely on Social Security for everything, you know. You should invest in me up to the maximum amount allowed. If you're lucky, there may even be what some people call "free" money on had to add to the mix. I'll keep growing until you're ready to hit the retirement trail. After that, what you do with me is up to you.

INCOME OPTION 3

I was created to help people who didn't get any help creating retirement saving. The government was kind enough to bring me into being many years ago, though they've been messing with me ever since. The IRS keeps a close eye on the money I generate. Don't like it? You'll want to talk to my little brother.

INCOME OPTION 4

I guarantee you an amount of income in retirement. My issuer's ability to pay may be called into question from time to time, but I wouldn't worry about that. Once you decide when you want to get started, I'll start sending checks. Don't start too early or the benefit gets shaved. Don't thank me. It's my job.

INCOME OPTION 5

So you want a certain amount of money for the rest of your life? I think we can make that happen. We can play the market if you want, or I can insulate you from it. That's your call. Tired of tracking down your other retirement investments? Bring them to me. No, no, don't worry about minimum ages and required disbursements. Those are just between me and you.

ANSWER CHOICES

- A. 401(k)/403(b)
- B. Social Security
- C. Defined Benefit plan
- D. IRA
- E. Annuities

Income option 1: Who am I?

Sure, the income I offer in retirement is taxable. I already offer a fixed benefit regardless of what the markets are doing. The good news is that almost everyone has access to me, no matter who the employer is.

You can't rely on Social Security for everything, you know. You should invest in me up to the maximum amount allowed. If you're lucky, there may even be what some people call "free" money on hand to add to the mix. I have the potential for growth until you're ready to hit the retirement trail. After that, what you do with me is up to you.

Income option 3: Who am I?

I was created to help people who didn't get any help creating retirement saving. The government was kind enough to bring me into being many years ago, although they've been messing with me ever since. The IRS keeps a close eye on the money I generate. Don't like it? You'll want to talk to my little brother.

Income option 4: Who am I?

I guarantee you an amount of income in retirement. My issuer's ability to pay may be called into question from time to time. Once you decide when you want to get started, I'll start sending checks. Don't start too early or the benefit gets shaved. Don't thank me. It's my job.

Income option 5: Who am I?



So you want a certain amount of money for the rest of your life? I think we can make that happen. We can play the market if you want, or I can insulate you from it. That's your call. I'm a lot more versatile than most people think. The bottom line is that I can help make sure you get paid for as long as you want.

Question 1: Social Security

Question 2: 401(k)/403(b) or Defined Contribution plan

Question 3: Traditional IRA

Question 4: Social Security (again!)

Question 5: Annuities

Annuities 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.

Tally the scores!

Question 1: Social Security	20
Question 2: 401(k)/403(b) or Defined Contribution plan	20
Question 3: Traditional IRA	20
Question 4: Social Security (again!)	20
Question 5: Annuities	20

Bonus question:

Closest answer wins! What percentage of Americans 65 and older held a paying job in 2016?

Recap: What to consider in retirement investments

- What will the investment/asset be used for?
- How liquid or easy to withdraw is it?
- How is each investment/asset taxed on withdrawal?
- What is it invested in—what is the risk?



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, taxes, taxes
- Consider consolidation

Additional tools

[TIAA.org/tools](https://www.tiaa.org/tools)

- Retirement Advisor
- Retirement Goal Evaluator
- Budget Worksheet

Questions?



Thank You!

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

Schedule online at **[TIAA.org/schedulenow](https://www.tiaa.org/schedulenow)**

*Retirement confidence remains at a consistent high after recent years hitting record lows.*¹

Employee Benefit Research Institute, “The 2016 Retirement Confidence Survey,” March 2016

*The majority of workers (54%) plan to work past age 65 or do not plan to retire.*²

Transamerica Center for Retirement Studies, “Perspectives on Retirement: Baby Boomers, Generation X, and Millennials—17th Annual Transamerica Retirement Survey of Workers,” August 2016

*Average time spent in retirement is 19 years for men, 21 years for women*³

Social Security Administration, “Calculators: Life Expectancy,” accessed online September 2016

*Median income for those age 65 or older was \$22,177 as of 2015*⁴

Social Security Administration, “Facts and Figures about Social Security, 2015,” accessed online September 2016

*Only 31% of Americans sought advice on translating their retirement savings into lifetime income.*⁵

TIAA, “TIAA-CREF Lifetime Income Survey,” accessed online September 2016

*21% of retirees are still paying off their mortgages.*⁶

Transamerica Center for Retirement Studies, “The Current State of Retirement: Pre-Retiree Expectations and Retiree Realities,” accessed online September 2016

*Average annual healthcare spending can reach nearly \$4,400 for households over 65—and can jump to more than \$6,600 for those 85 and older.*⁷

Employee Benefit Research Institute, “Utilization Patterns and Out-of-Pocket Expenses for Different Health Care Services Among American Retirees,” accessed online September 2016

A 65-year-old couple can now expect to spend an estimated \$260,000 on health care throughout retirement, including costs for Medicare premiums, co-payments, deductibles and prescription drugs.⁸

US News & World Report, "How a Health Savings Account Can Help You Save for Retirement," September 2016

The cost of eating at home increased to 1.1% while eating out increased by 7.9% in 2015.⁹

Bureau of Labor Statistics, "Consumer Expenditures—2015," August 2016

Social Security can be expected to replace about 40% of preretirement income¹⁰

The Motley Fool, "How Much of My Income Will Social Security Replace in Retirement?," February 2016

A spouse's benefit may be up to 50% of yours.¹¹

Social Security Administration, "Retirement Planner: Benefits For Your Spouse," accessed online September 2016

A man age 65 will likely live to just over 84 years old. Likewise, 65-year-old woman today may expect to live until just over 86 and a half. That can mean about 20 years in retirement.¹²

Social Security Administration, "Calculators: Life Expectancy," accessed online September 2016

What percentage of Americans 65 and older held a paying job in 2015? Nearly 9 million, or 19%¹³

AARP, "Older Workers: More Likely to Work Part Time," accessed online September 2016



You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877-518-9161 or log on to [TIAA.org](https://www.tiaa.org) for underlying product and fund prospectuses that contain this and other information. Read the prospectuses carefully before investing.

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