Tomorrow in Focus
Saving for your ideal retirement
Kyle Andrews
February 23, 2017
Your ideal retirement

Travel?
New home?
Volunteering?
Family and Friends?
Hobbies?
Retirement savings vs. retirement income

Which is better?

- $1,000,000 to retire on
- $5,000 a month to retire on

Many experts believe you will need between 70% and 90% of your preretirement income to maintain your standard of living in retirement.
Assumes 4% salary growth, 6% preretirement interest rate, 10% annual contributions (including any employer match), and Social Security payment equivalent to 20% of preretirement income. At retirement (age 65), the income stream is based on a single life annuity with a post-retirement interest rate of 4% annually and current TIAA mortality rates. Annual contributions (e.g., 10% of salary) are applied monthly. The hypothetical retirement income stream is based on a single life annuity, payable monthly.
Cash flow: The first step to an accurate budget

Income

– Expenses

Positive or negative?

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### Cash flow worksheet

Begin building your budget by determining your cash flow:

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Gross Salary/ee</td>
<td>Mortgage/Rent</td>
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<tr>
<td>Income</td>
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<tr>
<td>Self-Employment</td>
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<td>Part-Time Employment</td>
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<td>Alimony/Child Support</td>
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<tr>
<td>Dividends/Interest</td>
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<td>Royalties</td>
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<tr>
<td>Real Estate</td>
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<td>Tax Refund</td>
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<tr>
<td>Bonuses</td>
<td></td>
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<tr>
<td><strong>Extraordinary Income:</strong></td>
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<tr>
<td>Grants/Prizes</td>
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<tr>
<td>Inheritance</td>
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<tr>
<td><strong>Social Security Benefits:</strong></td>
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<tr>
<td>Disability Benefits</td>
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<td>Retirement Benefits</td>
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<td>Survivor Benefits</td>
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<tr>
<td><strong>Other:</strong></td>
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<tr>
<td><strong>Total monthly income:</strong></td>
<td><strong>Total monthly expenses:</strong></td>
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<td></td>
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</tbody>
</table>

Total monthly income = Total monthly expenses = Funds available: $
Answer your most important retirement questions and find out how to help reach your goal:

- Set goals
- Enter information
- Pick your strategy
- Take action

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The advice may vary over time and with each use. The Retirement Advisor does not monitor your retirement assets or personal circumstances. There may be other investments not considered by the Retirement Advisor that have characteristics similar or superior to those being analyzed. The tool’s advice is based on statistical projections of the likelihood that you will achieve your retirement goals.

The projections rely on financial and economic assumptions of historical rates of return of various asset classes that may not reoccur in the future, volatility measure and other facts, as well as information you have provided.
The high cost of delaying

<table>
<thead>
<tr>
<th>Portfolio Totals</th>
<th>Cost of Delay</th>
</tr>
</thead>
<tbody>
<tr>
<td>$295,577</td>
<td>-$18,922</td>
</tr>
<tr>
<td>$276,655</td>
<td>-$36,773</td>
</tr>
<tr>
<td>$258,804</td>
<td>-$53,613</td>
</tr>
<tr>
<td>$241,964</td>
<td>-$69,500</td>
</tr>
<tr>
<td>$226,077</td>
<td></td>
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</tbody>
</table>

Assumptions: 6.0% rate of return; monthly contribution of $187.50.
This example is purely hypothetical and is not intended to represent the performance of any specific investment product. It is not intended to predict or project performance.
Investment strategy: A primer

Consider a mix of investment products and vehicles:

- Employer-sponsored retirement plans
  - 401(k), 403(b), 457(b)

- Supplemental plans
  - After-tax annuities, Traditional and Roth IRAs for individual investing, SEP and SIMPLE IRAs for self-employed income and small businesses, and mutual funds

What’s the right mix for you?

Please note that there is no guarantee that asset allocation reduces risk or increases returns.
Consider a mix of investment products and vehicles:

- Equity investments
- Fixed-income investments
- Guaranteed investments
- Real estate

What’s the right mix for you?
Your employer’s core retirement plan

Defined Contribution Plan

- Take advantage of employer’s plan
- Plan contributions consist of:
  - Employer 8.5%
  - Employee 5.5%
Your employer’s retirement plans

Tax-Deferred Accounts [403(b), 401(k) and 457(b)]

- Pretax contributions
- Tax-deferred accumulations
- Current year limit: $18,000*
- Current year limit, if over age 50: $24,000*

Roth 403(b)

- Income limits not applicable**
- After-tax contributions
- Tax-free growth

*These are for elective deferrals, not total contributions.
**Designated Roth accounts aren’t subject to the same limits as Roth IRAs. Elective deferrals are limited by plan rules to the 402(g) limit.
Which IRA is right for you?

**Traditional IRA**
- Tax-deductible contributions, if under income limits
- Tax-deferred accumulation
- Withdrawals are taxable as ordinary income
- Balance is subject to IRS minimum required distribution

**Roth IRA**
- After-tax contributions
- Eligible if within income limits
- Tax-free accumulation
- Withdrawals are tax free* 
- Balance is not subject to IRS minimum distribution
- If you are over income limits, consider conversion to Roth

* Qualified withdrawals are tax free. You generally need to wait five years from the date of the first contribution.
Important IRA considerations

- Your tax bracket now
- Your projected tax bracket in retirement
- Deferred income option beyond age 70½
- Access to funds in the event of an emergency
- Are you “maxing it out”?

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Withdrawals are subject to ordinary income tax and a Federal 10% penalty may apply prior to age 59½.
Social Security retirement benefits

- Visit [ssa.gov](http://ssa.gov)
- Understand your choices for income

<table>
<thead>
<tr>
<th>Year of birth</th>
<th>Full retirement age</th>
</tr>
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<tbody>
<tr>
<td>1937 or earlier</td>
<td>65</td>
</tr>
<tr>
<td>1938</td>
<td>65 and 2 months</td>
</tr>
<tr>
<td>1939</td>
<td>65 and 4 months</td>
</tr>
<tr>
<td>1940</td>
<td>65 and 6 months</td>
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<tr>
<td>1941</td>
<td>65 and 8 months</td>
</tr>
<tr>
<td>1942</td>
<td>65 and 10 months</td>
</tr>
<tr>
<td>1943 – 1954</td>
<td>66</td>
</tr>
<tr>
<td>1955</td>
<td>66 and 2 months</td>
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<tr>
<td>1956</td>
<td>66 and 4 months</td>
</tr>
<tr>
<td>1957</td>
<td>66 and 6 months</td>
</tr>
<tr>
<td>1958</td>
<td>66 and 8 months</td>
</tr>
<tr>
<td>1959</td>
<td>66 and 10 months</td>
</tr>
<tr>
<td>1960 and later</td>
<td>67</td>
</tr>
</tbody>
</table>
Financial well-being for you and your family

**Life insurance**
- Help protect your assets for your family
- Help protect your family from undue burden
- Plan for the unforeseen

**Healthcare and disability insurance**
- Account for one of retirement’s largest expenses

**Long-term care insurance**
- Be prepared
What advice would you give?
Jessica Day

- Age: 28
- Single
- No children
- Occupation: Teacher
- Retirement age goal: 68
- Annual salary: $39,000
- Retirement savings to date: $5,000
  - 50% equities
  - 50% fixed income
- Healthy
Jessica Day

Asset/salary ratio = 0.5

- 0.5 x $39,000 = $19,500

Next Steps:

- Make saving a priority.
- If you have debt, begin paying it down.
- Having roommates helps, but where else can you save?
- Start with a budget.
- Use Cash Flow Analysis.
  - Prioritize spending and “find” money for future events
  - Is there enough in the emergency fund?
Raj Koothrappali

- Age: 31
- Single
- No children
- Occupation: Astrophysicist
- Retirement age goal: 65
- Annual salary: $52,000
- Retirement savings to date: $20,000
  - 90% equities
  - 10% fixed income
- Healthy
Asset/salary ratio: 1.1

- 1.1 x $52,000 = $57,200

Next Steps:

- Pay down debt as soon as possible.
- It’s time to put student loans in the past.
- Pay off those credit cards, too!
- Consider limiting indulgences to build a bigger nest egg.
- Use cash flow analysis to “find money.”
- Plan for the life you want ten years, twenty years, thirty years down the road.
Stephanie Edwards

Age: 32
- Single
- No children
- Occupation: Surgical Resident
- Retirement age goal: 62
- Annual salary: $68,000
- Retirement savings to date: $25,000
  - 90% equities
  - 10% fixed income
- Healthy
Asset/salary ratio: 1.7

- 1.7 x $68,000 = $115,600

Next Steps:

- Assess your debt-to-income ratio.
- Consider current lifestyle choices.
- Create a budget with payment priorities.
- Consolidate when it’s smart.
- Pay off highest interest rate loans first.
- Consider future life events.
Phil Dunphy

- Age: 51
- Married
- Three children
- Occupation: Real Estate Agent
- Retirement age goal: 68
- Annual salary: $95,000
- Retirement savings to date: $200,000
  - 80% equities
  - 20% fixed income
- Healthy
Asset/salary ratio: 4.0

- 4.0 x $95,000 = $380,000

Next Steps:

- Consider individual options to supplement savings.
- Use cash flow analysis to “find money.”
- Review asset allocation.
- Consider future life events.
- Is there enough in the emergency fund?
- Keep beneficiaries up to date.
- Plan how to address long-term care needs.
Sarah Braverman

- Age: 38
- Divorced
- 2 children
- Occupation: Bartender
- Retirement age goal: 70 (A girl can dream.)
- Annual salary: $24,000
- Retirement savings to date: $3,000
  - 100% cash
- Healthy
**Asset/salary ratio = 1.7**

- 1.7 x $24,000 = $40,800

**Next Steps:**

- Make saving a priority.
- If you have debt, begin paying it down.
- Moving back home helps, but where else can you save?
- Start with a budget.
- Do you have a will? What would happen to the kids if something happens to you?
Olivia Pope

- Age: 34
- Single
- No children
- Occupation: Crisis manager (owner of Olivia Pope and Associates, a PR firm)
- Retirement age goal: 55
- Annual salary: $92,000
- Retirement savings to date: $25,000
  - 95% equities
  - 5% fixed income
- Healthy
Asset/salary ratio: 3.2

- 3.2 x $92,000 = $294,400

Next Steps:

- When considering early retirement, weigh your financial options.
- Review current asset allocation and retirement lifestyle goals.
- Plan for healthcare and long-term care expenses.
- Evaluate the need for extra income sources and hobbies post-retirement.
Cristina Yang

- Age: 33
- Single
- No children
- Occupation: Surgeon (cardiothoracic)
- Retirement age goal: 65
- Annual salary: $65,000
- Retirement savings to date: $80,000
  - 85% equities
  - 15% fixed income
- Healthy
Asset/salary ratio: 1.7

- $1.7 \times 65,000 = 110,500$

Next Steps:

- Assess your debt-to-income ratio.
- Consider current lifestyle choices.
- Create a budget with payment priorities.
- Consolidate when it’s smart.
- Pay off highest interest rate loans first.
- Consider future life events.
Marco Ruiz

- Age: 44
- Divorced and remarried
- 3 children (with another on the way)
- Occupation: Detective
- Retirement age goal: 68
- Annual salary: $60,000
- Retirement savings to date: $150,000
  - 50% equity
  - 50% cash
- Healthy
Marco Ruiz

Asset/salary ratio = 2.4

- 2.4 x $60,000 = $144,000

Next Steps:

- Plan for emergencies
- What are your healthcare procedures?
- How will your dependents manage if you’re incapacitated?
- Establish a will that provides for all your loved ones.
- Expand retirement accounts
- Save for the future
Call 800-732-8353
Weekdays, 8 a.m. to 8 p.m. (ET)
to schedule a one-on-one session with a TIAA financial consultant

Schedule online at
TIAA.org/schedulenow
38% of workers without a retirement plan are “not at all confident” about having money for a comfortable retirement, compared with only 11% of workers who have a retirement plan. On the other hand, 39% are "very or somewhat confident"—up from 33% in 2015.

About 11% of workers describe themselves as "not at all confident" about retirement while 26% describe themselves as "very confident".

67% of workers without a retirement plan say they have saved less than $1,000. And many retirees continue to report that they retired before they expected to due to an illness or disability, needing to care for others, or due to change of job.

The Retirement Advisor does not monitor your retirement assets or personal circumstances. The purpose of the retirement income tool is to show how the performance of the underlying investment accounts could affect the participant's policy cash value and the resulting retirement income. It is not intended to project or predict investment results. The advice may vary over time and with each use. There may be other investments not considered by the Retirement Advisor that have characteristics similar or superior to those being analyzed. The tool’s advice is based on statistical projections of the likelihood that you will achieve your retirement goals. The projections rely on financial and economic assumptions of historical rates of return of various asset classes that may not reoccur in the future, volatility measure and other facts, as well as information you have provided.

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Before consolidating retirement assets, you may want to check with your current employee benefits office on whether you can directly transfer assets from a former employer’s plan to your current retirement plan. You should carefully consider your other available options. You may also be able to leave money in your former employer’s plan, roll over money to an IRA, or cash out all or part of the account value. You should weigh each option carefully and its advantages and disadvantages, including desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and your unique financial needs and retirement plan. You should seek the guidance of your financial professional and tax advisor prior to consolidating assets.

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