TIAA

Looking for a source of guaranteed lifetime income in retirement? Retirement annuities can help meet the challenge

There’s so much to look forward to in retirement, from travel to pursuing personal passions and spending more time with your family and friends. But feeling financially confident can be challenging at any age, and especially when thinking about how to ensure you have sufficient income to get to—and through—retirement.

Retirement savings are vulnerable to a number of risks: Market volatility could lower your investments’ value, inflation could put a dent in your purchasing power over time, cognitive issues could make it harder to handle retirement income withdrawals, and living longer than expected could mean you outlast your retirement accounts. Annuities, a type of retirement investment that can be used to provide guaranteed income for life, can help with all of those risks.

Feedback

And that’s what most people saving for retirement want: A recent TIAA survey found that 69 percent of the people saving for retirement on the job ranked guaranteed income for life as one of their top two goals for their workplace plan. [1]

What is lifetime income?

When we talk about lifetime income at TIAA, we are referring to payments in retirement that can help cover essential living expenses.

Just as you may have built a diversified savings plan for retirement, you can apply the same strategy to pay yourself in retirement. Diversifying your income sources can provide you with both guaranteed lifetime income and also income growth potential.

Building an “income floor” is one effective method for creating a lifetime income stream. By identifying how much it takes to cover your everyday bills—and ensuring that is met—you can focus on enjoying your life in retirement. Below are three common strategies:

- **Social Security**, the federal government’s retirement benefit, can provide a portion of your income floor. To maximize your monthly payments, consider waiting to claim your benefits at least until your full retirement age. If you are married, explore your options together to make the most of spousal benefits.

- **Traditional defined benefit (DB) plans** provided by employers—also known as pensions—can go a long way, but they are becoming a thing of the past. At last count, **pensions** were offered to less than 17% of American workers.[2]

- Annuities are insurance products designed for retirement and other long-term goals. They can help bridge gaps in the income you need to cover everyday expenses.

Having a reliable income stream you can't outlive not only provides you with financial security in retirement, but it also gives you greater flexibility in how you invest the rest of your portfolio. That way, you have more potential to meet your needs down the road—or leave a legacy for your family.

How big does your income floor need to be? Everyone's situation is different. You can use a budget worksheet to estimate what expenses like food, housing and healthcare may cost you in retirement. If you want your guaranteed income to cover 100% of those expenses, calculate how much you expect to get from Social Security and other sources. If there's a gap, consider using a portion of your savings to fill it with payments from an annuity. You can always convert more of your savings into lifetime income later if the need arises. In the meantime, you can use withdrawals from your investment portfolio to pay for unexpected expenses as they arise—or to travel, indulge your family, or pursue other passions in retirement.

Annuity basics

Annuities provide you with the opportunity to increase your savings while you're working—and the security of income after you retire. They may be available in your workplace savings plan or individual retirement account, or individually. Other than pensions, they are the only retirement products that can provide you with income for life.

Feedback

There are two main types of annuities--"fixed" and "variable":

- Fixed annuities earn a guaranteed minimum interest rate on your contributions. When you retire, they can offer you stable income for life that is consistent, reliable and guaranteed. With fixed annuities, the insurance company, rather than you as the contract owner, assumes the risk involved if you outlive your annuity's value.
    - TIAA's flagship fixed annuity, TIAA Traditional, can help market-proof retirement with guaranteed growth, guaranteed monthly income for life, and exclusive benefits. While you are working, it provides guaranteed growth, meaning the value of your retirement savings is guaranteed to increase every day—even in the most volatile markets. When you are receiving income, you can turn your savings into a regular monthly "paycheck" to help meet your everyday living expenses in retirement. And your payments have the potential to increase over time. Our "sharing the profits" approach seeks to reward you with additional growth and income. [3] You can use this calculator to see how it works.
- Variable annuities provide you with the benefits of investing in a variety of asset classes, providing you with diversification and choice. In retirement, you have the option to convert some, or all, of your savings into lifetime income. This income is guaranteed to last for your lifetime, monthly payments may go up or down based on the performance of the underlying investments. This can help increase your income stream in retirement and

also help protect against inflation, provide you with the benefits of investing in a variety of asset classes, providing you with diversification and choice. In retirement, you have the option to convert some, or all, of your savings into lifetime income.

- CREF variable annuities are professionally managed investment options, available at among the lowest costs in the industry,[4] that seek to provide both long-term performance and growth potential during your working years and also monthly income payments in retirement. You get to choose the investment and income options that suit your needs. Your investment has the potential to grow and benefit from market returns over time and, when you're ready to retire, you can choose how you want to take income to fund your retirement.

Freedom of choice

When it comes to creating monthly lifetime income in retirement from annuities, you have a number of choices, so you can tailor your plan to fit your needs, from the type of annuity you choose to the way you take payments, who they cover, and for how long. While you are saving, you may find value in using a combination of fixed and variable annuities to diversify your portfolio—and provide you with different sources of income later on.

You typically get bigger payments by setting them up for just yourself, but you can also cover the lifetimes of you and a partner. And you can choose income for life, or for a set time period. You can also add features so income goes to your beneficiaries for a set time period.

Keep in mind that you don't have to take income from all of your annuity assets at once. You can convert your assets to monthly lifetime income in retirement over time to meet your changing needs, as well as to supplement withdrawals taken from other investment accounts.

It's also important to know that these choices are typically permanent. Once you start receiving income, you generally can't change your annuity option or, if applicable, your annuity partner. And once you set up income for life, or for a set time period, your account is no longer available for other withdrawals.
One exception: If you are eligible, TIAA offers an "income test drive" [5] the opportunity to try out your payment option from a variable annuity (a CREF account)--before you lock in a long-term commitment.

What's a qualified vs. non-qualified annuity?

You may be able to contribute to annuities in your employer retirement plan or using pretax dollars. Allowing such contributions makes these qualified annuities. In retirement, income payments and withdrawals from qualified annuities are subject to income tax—and there may be a 10% federal penalty if you make a withdrawal before age 59½.

If you invest in annuities outside of such accounts using after-tax dollars, you would be taxed only on the earnings portion of your withdrawals. These are known as non-qualified annuities.

If you have an annuity and are thinking of transferring in new assets, or replacing it with another annuity, carefully consider the benefits of both the existing and new product, as there will likely be differences between them. There may also be tax consequences associated with the transfer of assets. You should consult with your own advisors regarding your particular situation.

More questions and answers

With so many factors to consider, you can see that your choices may quickly become complicated. But it's easy to understand what annuities are designed to do: Provide guaranteed lifetime income in retirement.

Q: Why would I need an annuity for retirement income?
A: Creating a retirement income strategy using only withdrawals from investment accounts leaves you vulnerable to market risks and longevity risks—meaning the risk that you outlive the account value. A lifetime income stream from annuities provides protection against the possibility that you could outlive the income you'd need in retirement.

Q: Who keeps the money if I die?
A: Until your annuity assets are converted to lifetime income, they are yours, and can be directed to your beneficiaries. If you have converted your balance to a lifetime income stream, the payments may go to your beneficiaries--if you selected this option. You have the choice to add different options to help protect your loved ones, by specifying a set length of time to receive benefits. In exchange for this type of benefit, your initial income payment would be lower.

Q: What are the different choices I can make?
A: Annuities offer a wide range of options, from choosing a fixed or variable annuity to when you receive your payments. And annuities don't have to be an all-or-nothing strategy. They can provide a portion of your lifetime income, working alongside Social Security and the rest of your investment portfolio to create an income floor. You can pair that baseline with withdrawals from other sources to adjust with your needs over time. Knowing that some of your expenses are covered with income you can't outlive may provide you with the flexibility to target leaving a legacy with your other assets.

Q: Once I start getting income from an annuity, can I transfer the assets to different investment accounts?
A: While the portion you have converted to income is no longer available, you have the flexibility to move your money around CREF accounts or other TIAA investment options without penalties or fees. This could help you modify your income strategy in response to market conditions or your personal needs.

Q: What are the fees and expenses for annuities?
A: Annuities available within workplace retirement plans may have lower costs than those you could buy on your own, but there are still a number of low-cost annuity options. The way to compare the costs for fixed annuities is to look at the estimate of how much guaranteed monthly lifetime income you could potentially receive. For a variable annuity, you would take into consideration any fees, such as sales loads and surrender charges. Of course, for any investment or account, it helps to read the product literature, including the prospectus, before you open an

account, to get a sense of the features and investment objectives, risks, charges and expenses.

TIAA offers CREF accounts at-cost and without profit so more money goes to work for you. 73% of our mutual funds and variable annuities have expense ratios that are in the bottom quartile (or 95.41% below the median) of their respective Morningstar categories.[4]

Putting it all together

Thinking about saving with an annuity? Here are some next steps:

- Begin envisioning your retirement by estimating what you think your needs and wants may be. Use a budget worksheet to get a realistic picture of how much income you will need for essentials—*and* fun.
- Consider building an income floor with fixed-income payments that cover your everyday necessities. With the confidence in knowing that your basic needs are met, you can focus on enjoying your life in retirement.
- Evaluate your lifetime income options. Social Security may make up a large portion of your income, and you may also have a monthly pension through your employer.
- Learn about the role of annuities in retirement income. Both fixed and variable annuities provide access to income you can't outlive—and you may want to use a combination of both types to diversify your income sources.

We are here to help you determine how much income you could receive from TIAA and CREF annuities. And that could provide with the confidence to leave you free to enjoy your retirement.

Feedback

TAKE ACTION

How to get started

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GET ONLINE ACCESS

New to TIAA?

Enrolling is the first step to saving for your future.

ENROLL IN YOUR PLAN

Want to talk first?

Let's start the

conversation.

LEARN MORE

All guarantees are based on TIAA's claims-paying ability. Past performance is no guarantee of future results.

TIAA Traditional is a guaranteed insurance contract and not an investment for federal securities law purposes.
Annuity contracts may contain terms for keeping them in force. Your financial consultant can provide you with costs and complete details.

This material is for informational or educational purposes only and does not constitute fiduciary investment advice under ERISA, a securities recommendation under all securities laws, or an insurance product recommendation under state insurance laws or regulations. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on the investor's own objectives and circumstances.

TIAA Traditional is a fixed annuity product issued through these contracts by Teachers Insurance and Annuity Association of America (TIAA), 730 Third Avenue, New York, NY, 10017: Form series 1000.24; G-1000.4 or G-1000.5/G1000.6 or G1000.7; 1200.8; G1250.1; IGRS-01-84-ACC and IGRS-02-ACC; IGRS-CERT2-84-ACC and IGRS-CERT3-ACC; IGRSP-01-84-ACC and IGRSP-02-ACC; IGRSP-CERT2-84-ACC and IGRSP-CERT3-ACC; 6008.8 and 6008.9-ACC; 1000.24-ATRA; 1280.2, 1280.4, or 1280.3 or 1280.5, or G1350. Not all contracts are available in all states or currently issued.

You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877-518-9161 or go to www.TIAA.org/prospectuses for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

Feedback

[1] TIAA 2019 Lifetime Income Survey, https://www.tiaa.org/public/pdf/957604_2019_lifetime_income_survey_executive_summary_final.pdf

[2] https://www.bls.gov/ncs/ebs/benefits/2018/ownership/private/table02a.htm

[3] TIAA may share profits with Traditional Retirement Annuity owners through declared additional amounts of interest and through increases in annuity income throughout retirement. These additional amounts are not guaranteed.

[4] Applies to mutual fund and variable annuity expense ratios. Source: Morningstar Direct, June 30, 2020. 73% of TIAA-CREF mutual fund products and variable annuity accounts have expense ratios that are in the bottom quartile (or 95.41% are below median) of their respective Morningstar category.

Our mutual fund and variable annuity products are subject to various fees and expenses, including but not limited to management, administrative, and distribution fees; our variable annuity products have an additional mortality and expense risk charge.

[5] There are no fees or charges to initiate or stop this feature. However, it's important to note that your annuity's balance will be reduced by the income payments you receive, independent of the annuity's performance. Income Test Drive income payments are based upon the annuitization of the amount in the account, period (minimum of 10 years), and other factors chosen by the participant. If you do

not stop the Income Test Drive within the 2 year test period, the remaining balance in the account you selected for the Income Text Drive Feature will be annuitized in accordance with the selections you made for the Income Test Drive. Annuitization is irrevocable

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