



**FINANCIAL SERVICES
FOR THE GREATER GOOD®**

Let Us Count the Ways

TIAA-CREF offers several different ways to receive retirement income.

The older you get, the less inclined you are to remember birthdays. But the closer you get to retirement, the more important it becomes to plan your income strategy. Typically, you should begin planning when you're about 10 years from retirement, certainly by the time you're five years from your target date.

During this time frame, you should contact us for help in weighing all your income distribution choices. But whether you'll retire in 10 years or still have many years to go, you should develop a good grasp of your TIAA-CREF income options. Depending on your employer's plan rules, you may be able to select from most or all options, or use some combination of them.

Lifetime Annuities¹

A lifetime annuity provides you with monthly payments that will last as long as you live. A one-life annuity pays only you and provides the most income, with payments ending at death.

Two-life annuities provide coverage for both you and an annuity partner, pay somewhat less, but ensure that income will last through both of your lifetimes. Both single-life and joint-life annuities offer guaranteed periods, which, in the case of your (and your annuity partner's) death, continue payments to your beneficiaries until the period's end. We offer guaranteed periods of 10, 15 or 20 years, with full, half or two-thirds benefit payment options.

Fixed-Period Annuities

A fixed-period annuity pays out your accumulation over a specific number of years you choose. Depending on the interest credited to TIAA Traditional, or the investment performance of the variable annuity accounts, your income may change yearly.

¹ Annuity payments are subject to the claims-paying ability of the insurance company, such as TIAA, that issues the annuity. Payments under variable annuity accounts, such as the CREF accounts and the TIAA Real Estate Account, will rise or fall based on investment performance.

Also, there are costs associated with annuities, including surrender fees, early withdrawal penalties and mortality risk expenses. And, depending on the financial company you choose, the availability of specific types of annuities and annuity features may vary by state. Always read the prospectus before investing.

Minimum Distributions

Unless you have a Roth IRA, if you're age 70½ and no longer working, you must begin receiving taxable income from your retirement accounts. This option pays you the minimum amount needed to satisfy the federal requirements. (Of course, if you have pre-1987 403(b) plan accumulations — i.e., contributions and earnings — you won't have to begin taking minimum distributions until age 75.)

Systematic Withdrawals

Your retirement plan determines if single-sum cash or systematic withdrawals are available to you. But if available, systematic withdrawals allow you to receive any amount, or percentage of your accumulation, at intervals you specify, as long as each income payment exceeds \$100. Since this is not an annuity option, your remaining accumulation, if any, goes to your beneficiaries when you pass on. (Of course, there's no guarantee you'll outlive your assets, so plan carefully with this option.) Also, if your withdrawals don't meet the age 70½ minimum distribution requirements, you'll have to take bigger withdrawals.)

TIAA Traditional Transfer Payout Option (TPA)

If your retirement plan allows it, you can withdraw money from your TIAA Traditional Annuity under our retirement or group retirement annuities in 10 essentially equal annual payments when you retire or stop working. Each year, you'll receive roughly 10% of your TIAA Traditional accumulation. The remaining portion will continue to accumulate tax deferred as account interest and/or earnings are paid. You can convert this remaining balance into annuity income at any time, or you can use the TPA option to transfer it to your available variable accounts.

Interest-Only Payment Option (IPRO)

With this option, you can take regular interest payments that are otherwise credited to your retirement annuity TIAA Traditional accumulation. Some restrictions may affect when you can take payments, and payments may not be sufficient to meet the age 70½ minimum distribution requirements. We will notify you if either of these situations is likely to occur with your IPRO payments.

Retirement Transition Benefit (RTB)

If you choose a lifetime annuity, the RTB provides a one-time cash payment of up to 10% of your accumulation to help with expenditures as you transition into retirement. You can also roll over this payment to another TIAA-CREF retirement account, or to another product, such as an IRA.

Most employer plans offer the RTB. Just be aware that the payment is subject to a mandatory 20% federal tax withholding. And, if you're younger than 59½, the payment may also be subject to a 10% early withdrawal penalty.

Single-Sum Withdrawal

Depending on your plan rules, you may be able to take partial cash distributions or a single-sum withdrawal. Note, however, that a surrender charge, and/or withdrawal restrictions, may apply to certain single-sum distributions from a Traditional Annuity pension accumulation.

IRC Section 72(t) Distributions

When you have money in a retirement plan or IRA, unless you annuitize your funds, which means you receive a stream of lifetime income, any distribution before age 59½ generally results in a 10% early withdrawal penalty tax. However, you can avoid this penalty if you take a "72(t)" distribution.

Basically, under Internal Revenue Code Section 72(t), the 10% penalty tax doesn't apply if you take pre-59½ distributions at least annually in "substantially equal payments" over your life expectancy, or over the joint life expectancy of you and your designated beneficiary.

The IRS offers three methods for calculating your substantially equal payments:

- The **life expectancy method** uses the minimum distribution rules for the calculation;
- The **amortization method** allows you to amortize (or pay down) your account balance using life expectancies and a reasonable interest rate;
- The **annuitization method** allows you to divide your account balance by an annuity factor using both a reasonable mortality table and interest rate.
- You can begin taking a 72(t) early withdrawal whenever you want. But to avoid the 10% penalty tax, you must maintain your payment plan for the longer of five consecutive years or until you reach age 59½. Consult your tax advisor to learn more about this option.

Flexibility and Retirement Income

Creating your retirement income arrangement doesn't have to be an all-or-nothing choice. Although some pre-retirees want the reliability of an annuity, many others prefer to retain control of their accumulations. Specifically, many preretirees feel that if they were to die early, after annuitizing their retirement accumulations, they would be, in effect, forfeiting their assets to the insurance company. In a sense this is true. Any remaining annuity assets not paid by the time an annuitant dies are automatically moved into the insurance company's reserves to help support other annuitants' income payments. This is the way that annuity and insurance contracts are structured.

But there are annuity features and strategies that can allow you to both generate sufficient reliable retirement annuity income while retaining some control of your assets.

One option is a “joint and survivor” annuity. It provides continuing payouts with a minimum specified period, such as 20 years. With this annuity feature, if you (as the annuitant) were to die before the end of the 20-year term, your beneficiary would receive the remaining payouts until the term is completed.

Another strategy is to do a partial annuitization. With this strategy, you annuitize only a portion of your accumulation to provide you a sufficient level of predictable income for your ongoing expenses. Your remaining accumulations are left to continue growing tax-deferred until a later date, or until they pass to your heirs when you die.

Of course, with any annuity income arrangement, you can create a combination of traditional annuities (for predictability) and variable annuities (with investment options in equities, bonds, real estate, etc, or any combination of these) for greater growth potential. *When considering annuity options, remember that lifetime income is based on the issuing company’s claims-paying ability. Payments from variable investment accounts are not guaranteed and will rise or fall based on investment performance.*

More than likely, you’ll have several income alternatives to choose from when you near retirement. The better you understand all their features, the more skillfully you’ll be able to manage your money in retirement.

To learn more about retirement planning and other TIAA-CREF financial services, visit us at **www.tiaa-cref.org**, **[schedule an appointment online](#)**, or call a consultant at **800 842-2776**.

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