



**FINANCIAL SERVICES
FOR THE GREATER GOOD®**

Put It All Together

Consolidating retirement assets can make it easier to assess your savings and develop a cohesive investment and income strategy.

It's 10 p.m. Do you know where your retirement assets are?

The closer you get to retirement, the more critical it becomes to know exactly how much money you're accumulating, how these assets might translate into income and how future investment returns might affect your situation. Surprisingly, though, many people have their retirement plans scattered among different employers and financial institutions right up to the time they retire. Gathering as many assets as possible under one roof is a good way to get things sorted out and to set up an effective investment and income plan. (When consolidating your assets, keep in mind that transfers may be subject to differences in features, costs and surrender charges. Indirect rollovers may be subject to mandatory withholding. Consult with your own tax advisor regarding your particular situation.)

Because of recent tax law changes, it has become easier than ever to accomplish this task. To the extent you are eligible to receive a retirement plan distribution that's eligible to be rolled over, you can roll over assets among three commonly used retirement savings plans: 403(b)s from 501(c)(3) nonprofit/governmental educational employers; 401(a)/(k)s from private sector employers; and 457(b)s from government employers. For example, if you participate in a 403(b) retirement plan, you can generally roll over assets from previous employers' 403(b) or 401(a)/(k) plans. (If you're not sure which plan you have, contact your employer's benefits office.)

Although you won't be subject to income taxes when you make a direct rollover, you must make sure your current employer's tax-deferred plan will accept the rollover. Also, ensure that your previous employer's plan's withdrawal rules entitle you to receive a distribution of the amount you want to roll over. For employee contributions to 403(b) and 401(k) plans, withdrawals before age 59½ are generally available only after you leave the employer providing

the plan, or meet another “triggering event” such as becoming disabled. For 457(b) plans, withdrawals are not permitted before age 70½ unless you terminate employment. Rollovers to 403(b) and 401(k) plans may (or may not) require that you satisfy another triggering event, depending on the terms of your new employer’s plan. Check this with your new employer to find out more.

Once you experience a triggering event, you can roll over 403(b) and 401(k) assets to a Traditional IRA, and a rollover IRA from one company can take in assets from that of another. In fact, rolling over to an IRA is probably the most popular consolidation strategy, because you can start an IRA for this purpose regardless of your income level, and there is no limit on the amount you can roll over. Also, the withdrawal restrictions that may apply to your new employer’s 401(k) or 403(b) plan will not apply to a rollover IRA.

Once you complete a rollover, you can convert assets in a Traditional IRA to a Roth IRA if you meet IRS eligibility rules. To do this, you must pay income taxes on the converted assets in the current year. Qualified withdrawals from Roth IRAs are then exempt from federal taxes, regardless of the source of the money. Also, unlike Traditional IRAs, Roth IRA assets are not subject to minimum distribution requirements. And beginning this year, direct rollovers to Roth IRAs will be permitted, eliminating the need to first roll over to a Traditional IRA.

With any rollover, be sure you understand all of the costs involved, the financial strength of the company you’re thinking of consolidating with, and other important issues. Some IRAs, tax-deferred plan contracts and mutual funds have withdrawal penalties and back-end loads that may deplete your assets. Also, before making a rollover or Roth IRA conversion, review your plans with a tax specialist.

Going the Distance

Some people deliberately divide retirement assets among several companies to increase “style” (investment approach) diversification. While there can be advantages to pursuing this strategy in the accumulation phase, it can become problematic when the time comes to draw income: If your retirement assets are scattered among several different investment companies, it can sometimes be difficult to establish an income strategy if you must withdraw money from multiple providers. Because of this reason, income planning is perhaps the single best reason to consolidate your money with a single investment company.

When thinking about an income strategy, note that lifetime annuities are one of the best ways to help ensure that your income will go the distance. (Lifetime income from annuities is subject to the claims-paying ability of the issuing company.) However, many people shy away from annuities under the mistaken impression that there is no way to continue payments to others if the annuitant dies relatively early in retirement. Actually, annuities can help provide income for the lifetime of a couple rather than just an individual. And if both annuity partners die, there's an option that guarantees payments will continue for a minimum period, such as 10, 15 or 20 years, to a child or other beneficiary.

Of course, every situation is different, and cash settlements or other nonannuity payment options may make good sense for some people, especially those with excess assets to pass on to their heirs. But in every case, it's essential to review carefully all of the available options for your pension assets, and then bring in other income sources, including Social Security or perhaps a defined benefit (formula-based) plan. Since things can get complicated at this stage, you'll need a retirement specialist with the expertise to help you assess all of your resources and tailor an income strategy to your needs.

See the Big Picture

As you get closer to retirement, it's very important to get a clear picture of how your savings are invested across all plans and products to ensure you're not overexposed to risks such as stock market drops. For example, in a retirement plan or an IRA you established years ago, the strategy you used to allocate assets among stock, bond and other investment options may no longer reflect your current investment preferences and needs. By consolidating, you can create an allocation strategy that's in line with your current goals, risk tolerance and time horizon. Plus, if you want to adjust your asset allocation on a regular basis, it's easier to make transfers within one portfolio.

Make Life Easier

In addition to helping with income and investment planning, consolidating retirement assets can help you simplify your record keeping. If you intend to pass on some or all of your retirement assets to heirs, consolidation can make it easier for you to plan how much to distribute to each beneficiary, because you'll receive a single statement instead of one from each carrier. Finally,

consolidating retirement assets can sometimes help you reduce expenses. If you have multiple retirement plans and IRAs, you may end up paying more in fees and expenses than if you maintain a single plan.

A Final Note: Avoid Costly Mistakes by Knowing the Tax Rules Before Consolidating

When you retire, rolling over 403(b) assets accumulated prior to 1987 into an IRA may not be wise. Minimum distribution rules generally require you to start receiving distributions from your retirement plan at age 70½ if you're no longer working, but with pre-1987 403(b) accumulations in a 403(b), mandatory withdrawals start at age 75. Rolling over to an IRA, or to another retirement plan, generally eliminates the extension. It may, however, be possible to continue the extension if you do a direct transfer to another 403(b) plan that separately accounts the transfer.

- If you intend to keep working after age 70½, consider rolling over funds from previous employers' plans into your current employer's to avoid minimum distribution requirements before you reach age 70½. Funds left in prior employers' plans or rolled over into IRAs are subject to minimum distribution requirements at age 70½ — even if you stay at your current job.
- Keep retirement plan assets derived from after-tax contributions separate from pretax contributions. Combining them with pretax accounts can cause problems.
- Avoid hidden charges. Get a full accounting of all fees on both the source and target account before moving money.
- Avoid receiving a check directly to avoid the mandatory withholding. Have assets transferred directly to the new IRA.

The decision to purchase an annuity within a qualified plan or IRA should not be based upon the annuity's tax-deferred accrual feature, since this feature is already provided by the qualified plan or IRA itself. Withdrawals from annuities, certain qualified plans and IRAs prior to age 59½ may be subject to an additional 10% federal tax penalty on earnings.

This article is meant for informational purposes only. The tax information contained herein is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. Neither TIAA-CREF nor its affiliates provide tax

advice. Taxpayers should seek advice based on their own particular circumstances from an independent tax advisor.

You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877 518-9161, or go to www.tiaa-cref.org for a current prospectus that contains this and other information. Please read the prospectus carefully before investing.

TIAA-CREF Individual & Institutional Services, LLC, and Teachers Personal Investors Services, Inc., members FINRA, distribute securities products. Annuity products are issued by TIAA (Teachers Insurance and Annuity Association), New York, NY.

© 2008 Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), New York, N.Y. 10017

C40477