



**FINANCIAL SERVICES
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Six Good Reasons for Considering an IRA

IRAs offer a great way to save additional money for retirement. Here are six reasons why.

1. You are eligible for an IRA, even if you're participating in an employer-sponsored retirement plan. Some people mistakenly believe they cannot contribute to their employer-sponsored retirement plan and to an IRA in the same year. In fact, you can contribute to both types of products, provided you have earned income.

For the 2008 tax year, you can contribute up to \$15,500 to workplace retirement plans, such as 401(k)s, 403(b)s and 457(b)s, or up to \$20,500 if you're age 50 or older. For IRAs, you can contribute up to \$5,000 for the 2008 tax year or a maximum of \$6,000 if you're age 50 or older.

If you can, invest the maximum to both workplace plans and IRAs to add fuel to your retirement savings program. (Note: Withdrawals before age 59½ are generally subject to a 10% IRS early withdrawal penalty, in addition to ordinary income tax.)

2. You can contribute to an IRA, even if you don't qualify for a tax deduction. Investors covered by an employer-sponsored retirement plan and whose adjusted gross income (AGI) is below a certain amount may qualify for an income tax deduction if they contribute to a Traditional IRA.

For example, in 2008:

- Single filers whose AGI is less than \$53,000 can get a full deduction for a contribution; single filers with an AGI between \$53,000 and \$63,000 can get a partial deduction.
- Married couples who file jointly and have an AGI that's less than \$85,000 can qualify for a full deduction; partial deductions may be permitted for married couples whose AGI is \$105,000 or lower. (Investors with earned income who are not covered by an employer-sponsored retirement plan are eligible for the full Traditional IRA tax deduction.)

If you're earning too much to qualify for the tax deduction, this doesn't mean you aren't eligible for an IRA — you can still contribute to a nondeductible Traditional IRA or to a Roth IRA. (See the discussion on AGI limits for Roth IRAs two paragraphs below.)

Investing in a Roth IRA can be advantageous because Roth IRA owners can withdraw their earnings federal tax and penalty tax free provided they've had the IRA for five years and satisfy one of the following conditions: reach age 59½, use the funds for a qualified first-time home purchase (up to a \$10,000 lifetime maximum), become disabled or die.

You can make a full \$5,000 contribution to a Roth IRA if you're a single filer whose year 2008 AGI is under \$101,000 (under \$159,000 for joint filers). Partial contributions are available if you're a single filer and your 2008 AGI is between \$101,000 and \$116,000 (\$159,000 and \$169,000 for joint filers).

3. If you have limited money for investing, use electronic funds transfer to contribute automatically (if available). With all the demands on your money, you may find it difficult to free up a large amount of savings for retirement investing. By setting up contributions through electronic funds transfer (EFT), you can make ongoing contributions to your IRA automatically.

Through EFT, consistent savings, even of small amounts, can make a difference to the size of your ultimate retirement nest egg. (Check with your financial services provider to see if it offers EFT.)

4. IRAs can help all investors increase their retirement savings. Some older employees approaching retirement may believe that it is too late to meaningfully save more for retirement. But, with life expectancies increasing, and the likelihood that many retirees may need 85% to 100% of their gross preretirement income for a financially secure retirement, it is wise to save as much as you can, regardless of your age.

If you're age 50 or older, you can take advantage of the IRA "catch-up" provisions, which for 2008 enable you to invest an additional \$1,000 to an IRA. Also, if you're age 70½ or older, have earned income and meet the AGI requirements, you're eligible to contribute to a Roth IRA (although not to a Traditional IRA).

5. If you're self-employed, a Simplified Employee Pension (SEP) IRA offers the opportunity of saving large amounts for retirement. If you're self-employed, you can make a maximum tax-deductible SEP IRA contribution of as much as 25% of your compensation, to a maximum of \$46,000 for 2008. Read more about SEP IRAs at www.tiaa-cref.org/iras. For a thorough explanation of SEP IRA rules, contact your tax advisor.

6. You can consolidate your retirement assets in an IRA, but be careful. If you have retirement savings with several different financial services companies, you can roll over all your money into a single IRA. Consolidating your savings with one provider can make managing your overall asset allocation and paperwork easier.

But before consolidating, assess if there will be any tax adverse consequences. For example, an indirect rollover can be subject to taxation, surrender charges and penalties and should be avoided. (A direct rollover will avoid tax withholding and penalties, but, depending on the financial company, you may be subject to surrender charges.) Also, remember that pre-1987 403(b) plan money is not subject to minimum distribution rules at age 70½. As a result, you don't need to begin withdrawing this money until age 75 and, therefore, may not want to roll over any to an IRA.

Please consult with your tax advisor about any potential "consolidation" taxes before moving your money.

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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