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Should You Put All Your Eggs in One IRA Basket?

Sometimes the answer is “Yes.” But is it always wise? Here’s how to tell if rolling over to an IRA can benefit you.

Consolidating your retirement savings from a former employer’s plan or from existing IRAs into a single IRA has two powerful advantages:

Simplification: Because you’ll receive only one statement, evaluating your investment game plan will be easier. At a glance, you’ll see your total savings and the allocation of money among investment accounts or funds.

Lower Costs: You might be able to reduce overall management costs of your existing IRAs if you transfer the money to an investment company with low expense charges.

Sounds like a good idea so far. But think twice if any of the following circumstances applies to you:

- Your former employer’s plan imposes fees and surrender charges for transferring money.
- The investment company to which you want to transfer funds charges high annual maintenance fees.
- You will lose access to important survivor benefits and retirement income methods by moving your retirement plan money to another financial company.
- Your selection of asset classes (such as stocks, bonds and real estate) will narrow, and you’ll be less able to diversify your holdings.
- The employer plan is a 403(b) and some or all of the contributions were made before 1987. You can wait until age 75 to start taking income on the pre-1987 contributions. But you’ll lose that option if you move the money to an IRA, which will require you to start receiving income at age 70½.
- Your transfer of assets will have tax consequences (consult your tax advisor).

If none of these items is an issue for you, be aware of the following precautions before taking action:

- **If you're still employed** and are a participant in your current employer's retirement plan, you may be better off not moving retirement savings from previous employers' plans into an IRA. If anything, think of rolling over funds from those plans into that of your current employer. This way, you can postpone taking minimum distributions on the entire amount until you stop working. Otherwise, in most cases money left in prior employers' plans or rolled over into IRAs is subject to the IRA's minimum distribution requirements at age 70½, even if you're still at your present job.
- **Don't mix before-tax and after-tax money.** If at a later time you want to roll the IRA over to an employer plan, you won't be able to, because only untaxed savings can be moved to an employer plan.
- **A Roth IRA can cost you.** If you place retirement plan money in a Traditional IRA, remember: This money hasn't been taxed yet. If you later convert the Traditional IRA to a Roth IRA, you will owe regular income tax on the untaxed amounts.

Choosing an Investment Company

If you've decided that the benefits of combining your retirement savings in an IRA make sense for you, the next step is to find an investment company. Look for one with no sales commissions, low fees and a rich menu of features, including:

- **A variety of asset classes for diversifying:** These might include stock, bond, real estate and money market. (Note that diversification doesn't guarantee against loss.)
- **Numerous ways to take income in retirement:** Minimum distributions, periodic cash payments and a life annuity are some of the ways to receive income. The first two methods leave you in full control of your money. The life annuity guarantees income payments for the rest of your life, so you will never outlive your money. (However, once you purchase an annuity, you can't change your mind later and take the money out.)

- **Satisfactory methods for leaving money to your spouse or beneficiary:** With a life annuity, you may have the choice of one-half, three-quarters or full benefits to the surviving spouse. You may also be able to purchase a “guaranteed period” — 10-, 15- or 20-year periods during which benefits are guaranteed to continue to your beneficiary after your death.

Investing in securities involves inherent risks. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, so your accumulation, when redeemed, may be worth more or less than the original cost.

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

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