



FINANCIAL SERVICES  
FOR THE GREATER GOOD®

## What's the Best Fit?

### When investing for retirement, select the best financial products for your needs.

No matter where you are on the road to retirement, you'll want to invest in the financial products that are most appropriate for your retirement goals. Here are five steps to help get you started:

**1. Build an Emergency Fund.** Few would quibble with the idea that increasing the amount of money you invest for retirement is a key step toward building future financial security. But before putting aside extra money for retirement, create an emergency fund to protect yourself from a sudden cash crunch caused by unemployment, unexpected medical costs or any other unforeseen financial crisis.

For people who are just beginning their careers, their emergency fund should equal three months' worth of living expenses; for people who are in midcareer or later, the fund should equal at least six months' worth of living expenses. Invest your emergency fund in a liquid vehicle like a money market account mutual fund, so you can access the money quickly should you need it.

**2. Maximize Your Investments.**<sup>1</sup> Once you have an emergency fund in place, contribute to your employer-sponsored supplemental retirement plan, whether it's a 403(b), 401(k) or 457(b) plan. Depending on your employer, you can either contribute to a pretax supplemental retirement plan or the new after-tax Roth 401(k)/403(b) plan.

With a pretax supplemental retirement plan, your contributions come directly from your paycheck before you pay taxes, which can help reduce your current taxable income. As with your employer's retirement plan, the funds in a supplemental plan can grow tax deferred, which means you don't owe taxes on the money until you withdraw it in retirement.

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<sup>1</sup> There are inherent risks in investing in securities. Past performance is no guarantee of future results. In addition, investment return and principal value will fluctuate so your accumulation, when redeemed, may be worth more or less than the original cost.

In 2006, many employers began offering a new kind of supplemental retirement plan known as the Roth 401(k) or Roth 403(b). Unlike pretax supplemental retirement plans, contributions to a Roth 401(k)/403(b) plan are made on an after-tax basis, which means you don't get a payroll tax reduction on your contributions. However, Roth 401(k)/403(b) earnings become available completely tax-free when you're age 59½ or older, and if you hold the account for five or more years, or if you satisfy other "retirement" criteria; with a pretax 403(b) or 401(k) plan, earnings are only tax deferred, so you'll have to pay income taxes on your contributions and earnings when you withdraw your money. Whether you invest in a pretax 401(k)/403(b) or the new Roth 401(k)/403(b) plan, for the 2007 tax year the maximum allowable contribution to an employer-sponsored retirement plan is \$15,500, or \$20,500 if you're age 50 or older.

Considering their advantages, supplemental retirement plans offer an excellent way to save and invest for the future. Therefore, you should contribute as much as you can and as consistently as possible. This means putting funds into your plan whenever you're eligible and continuing to contribute regardless of current market conditions.<sup>2</sup> (Note that the IRS generally charges a 10% penalty tax for withdrawals before age 59½ from the different types of tax-deferred retirement investment plans.)

**3. Consider an IRA.** If you max out on your supplemental retirement plan contributions, then consider IRAs as an additional way to build retirement assets. Through an IRA, you can set aside a portion of your earned income each year. As with the 401(k) and other retirement plans, all accumulated earnings grow tax deferred.

There are two primary types of IRAs — Traditional IRAs and Roth IRAs. With a Traditional IRA, contributions may be tax deductible, depending on the account holder's adjusted gross income, tax filing status and whether he or she is covered by an employer-sponsored retirement plan. With a Roth IRA, contributions are never deductible, but withdrawals are completely tax free if the account holder meets certain requirements. Whether you invest in a Traditional IRA or a Roth IRA, for the 2007 tax year you can contribute up to \$4,000, or \$5,000 if you're age 50 or older.

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<sup>2</sup> Dollar cost averaging does not assure a profit or protect against a loss in declining markets. Because such a strategy involves periodic investment, you should consider your financial ability and willingness to continue purchases through periods of low price levels.

**4. Look at other investment alternatives.** *After-tax annuities*<sup>3</sup> offer yet another tax-deferred option for long-term investing. Unlike supplemental plans and IRAs, these annuities have no contribution limits. You can make qualified withdrawals from annuities penalty-free, just like you can from retirement plans and IRAs. But with annuities, you also have the option to create a stream of lifetime income. If you wish to convert a large sum of money right away to lifetime retirement income, a single premium immediate annuity is tailor-made for this need.<sup>4</sup>

*Keogh plans* enable you to invest, on a tax-deferred basis, self-employment income for retirement. Depending on the amount of your income, you may be able to contribute as much as \$45,000 to a Keogh plan in 2007.

*SEP IRAs* are another tax-deferred investment alternative for self-employed individuals, small business owners, or people who work for someone who has established a SEP IRA for their employees. SEP IRAs are easy to set up and maintain, and there are no mandatory contributions or annual tax filings. Employers can contribute up to 25% of an employee's compensation, up to \$45,000 per participant in 2007, the highest limit allowed by law.

**5. Review your plan annually.** Because your life circumstances are bound to change, review your retirement plan periodically. Take a careful look at your investment goals, finances, spending habits and asset allocation strategy and make any necessary changes.

You can learn more about retirement planning at [www.tiaa-cref.org/support/planning/index.html](http://www.tiaa-cref.org/support/planning/index.html). You'll find articles on planning and managing your retirement investments, strategies to take when you're getting ready to retire, and a range of planning tools and calculators.

**Consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877 518-9161 or visit [www.tiaa-cref.org](http://www.tiaa-cref.org) for a prospectus that contains this and other information. Please read the prospectus carefully before investing.**

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<sup>3</sup> Variable annuities do not provide any additional tax deferral advantage over other types of investments.

<sup>4</sup> Annuity account options are available through contracts issued by TIAA or CREF. These contracts are designed for retirement or other long-term goals, and offer a variety of income options, including lifetime income. Payments from the variable annuity accounts are not guaranteed and will rise or fall based on investment performance. Mutual funds do not offer the range of income options available through annuities.

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