The Starting Line:
Why and how retirement saving begins now
Staying on time: Today’s agenda

- Wisdom of starting now
- Tackling your debt
- Activity: budgeting worksheet
- Establishing and managing a budget
- Retirement planning
- Group activity
- Tools you can use
- Action steps
Overview

- Historically low retirement confidence levels: 13% in 2013 improving slightly to 21% so far in 2016\(^1\)

- Average retirement age is 63\(^2\)

- Average time spent in retirement is 18 years\(^2\)

- Average annual income for people age 65 and older is about $22,248\(^3\)

- **The good news—time is on your side.**
No time like the present: The wisdom of starting now

- Reasons to plan for retirement now
- Let compounding work its magic
- Delaying can be costly
How delaying can cost a person—big time!

### Maximizing your investment potential

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee's current age</td>
<td>35</td>
</tr>
<tr>
<td>Income this year</td>
<td>$65,000</td>
</tr>
<tr>
<td>Employee tax bracket</td>
<td>15%</td>
</tr>
<tr>
<td>Employee contribution</td>
<td>12.0%</td>
</tr>
<tr>
<td>Employer contribution</td>
<td>6.0%</td>
</tr>
<tr>
<td>Hypothetical annual rate of return</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Please note: Example used for illustrative purposes only.
### Lower taxes

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current age</td>
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</tr>
<tr>
<td>Income this year</td>
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</tr>
<tr>
<td>Employee monthly contribution</td>
<td>12.0%</td>
</tr>
<tr>
<td>Employer monthly contribution</td>
<td>6.0%</td>
</tr>
<tr>
<td>Total monthly contribution</td>
<td>$975.00</td>
</tr>
<tr>
<td>Employee out-of-pocket</td>
<td>$552.50</td>
</tr>
<tr>
<td>Federal tax savings</td>
<td>$97.50</td>
</tr>
</tbody>
</table>

Assumptions: Employee is in the 15% tax bracket.
How delaying can cost a person—big time!

Assumptions: Current age: 35, $65,000 salary with no increases, employee contribution rate of 12%, employer contribution rate of 6% and 6.0% rate of return. Assuming you had a 0% gross return and maximum charges of 0.40%, results would be starting today: $330,663; delaying one year: $320,270; two years: $309,835; three years: $299,357; four years: $288,838.

These returns are illustrative only and do not reflect actual performance, or predict future results, of any TIAA account. Investment returns, and the value of the principal you’ve invested, will vary over time. Investments offering the potential for higher rates of return also involve a higher degree of risk to capital. The results do not represent any specific product and do not predict or project future returns. The examples also do not reflect any withdrawals during the period displayed. You need to keep in mind that investing poses risks and it is possible to lose money by investing in securities.
Manage and consolidate debt

Credit Card  Mortgage
School  Groceries  Store
A New Bed  Loan  Credit Card
Vacation  Real Estate Loan  Auto
to Hawaii  Business Loan  Loan
Getting out of debt

- Reduce interest rates, if possible
- Rank debt from the highest to the lowest interest rate, and pay off high interest debt first
- Make more frequent payments—or bigger payments towards them
- Do not cash out a retirement account to pay off loans!
Saving money on living expenses

- Downsize to a less expensive vehicle
- Use only what is needed
- Get a roommate
- Eliminate non-essential expenses such as magazine subscriptions, cable, etc.
Activity: Budgeting worksheet

- Review TIAA’s budgeting worksheet in the workshop guide
- Questions?
Seize the day: Setting and managing a budget

- Choose the right system
- Determine short- and long-term financial goals
- Calculate income and expenses
- Analyze spending patterns
- Revisit original budget
- Stay committed to a budget
Time is money: Planning for retirement

- Enroll in an employer-sponsored retirement plan
- Benefits of tax-deferred contributions
- Decide which plan is right
Intro to IRAs: Traditional (tax deferred) vs. Roth (tax free)

**Traditional**

A Traditional IRA may be a good option for you if:

- You think you might be in a lower tax bracket during retirement
- You may need money before age 59½ (withdrawal is subject to 10% early distribution penalty)

**Roth**

Consider a Roth IRA if you:

- Think you might be in a higher tax bracket during retirement
- Can double as a savings vehicle for certain short-term goals such as buying a home or college tuition (qualifications, restrictions and/or penalties may apply)
- Would like to leave tax-free assets to your heirs
- May want to retrieve your original contributions before retirement
- Are age 70½ or older and want to continue investing in an IRA
Activity: Which is the false statement?

Test your knowledge!

Can you spot the one false statement between two financial truths?
Which is the false statement?

- Average expected retirement age is 63
- Average time spent in retirement is 28 years
- Median income for a person 65+ was $22,248 in 2014
Which is the false statement?

- The average amount of credit card debt in America is $16,000
- Ideally, about 5% to 10% of your budget should be allocated to retirement savings
- A credit card with an interest rate of 30% means that the outstanding balance doubles in 2.5 years
Which is the false statement?

- A Roth IRA offers tax-free growth.
- A Traditional IRA offers tax-deferred growth.
- A Traditional IRA has certain income limits associated with it.
The false statements:

1. The second answer is false. The average time spent in retirement is 18 years.

2. The second answer is false. (You knew that sounded too low.) About 10% to 20% is the target you should be aiming for.

3. The third answer is a whopper. There are no income limits to make contributions.
Now’s the time: What you can do next

- Paydown debt. Carefully consider taking on any new debt, even if you qualify for it. Assess whether it would compromise your ability to save for retirement, maintain an emergency fund and pursue other life goals.

- Make and stick to a budget

- Contribute as much as you can to your retirement savings. Remember the potential power of compounding.

- Review your retirement plan regularly

- Meet one on one with a TIAA Financial Consultant to make a retirement savings plan you can stick to

- Retirement should be the time of your life. Plan for it…and it can be
Tools and resources

**TIAA tools:**

- Retirement Goal Evaluator
- Investment Philosophy Questionnaire
- Selecting the Right IRA
- Retirement Advisor

All of these tools can be accessed at [TIAA.org/tools](http://TIAA.org/tools).
Thank you for joining us today!

- Login to My Account at TIAA.org
- Set up an individual appointment: TIAA.org/schedulenow or call toll-free 800-732-8353, Weekdays, 8 a.m. to 8 p.m. (ET)
Historically low retirement confidence levels: 13% in 2013 improving slightly to 21% so far in 2016
1 Employee Benefits Research Institute (EBRI), "2016 Retirement Confidence Survey," March 2016

Average retirement age is 63
Average time spent in retirement is 18 years
2 Statistic Brain Research Institute, "Retirement Statistics," accessed May 2016

Average annual income for people 65 and older is $22,248
3 Pension Rights.org, "Income of Today's Older Adults," accessed June 2016

Americans' monthly personal savings rate is 5.4%.

35% of American workers are not confident that they will have enough money to live comfortably through retirement.
5 31% workers say they are not currently saving for retirement.
Only a little more than half of workers—57%—say their savings and investments amount to less than $25,000.

Households age 65 and older spend an average of $2,500 on two years’ worth of doctors, dentists, and prescriptions. Over age 85, spending averages more than $13,000 in two years on hospital stays, outpatient surgery, home health care, nursing home stays, and other services.
The average amount of credit card debt for a household carrying debt is nearly $15,799.7
7 Statistic Brain Research Institute, “Credit Card Debt Statistics,” accessed May 2016

There are over 39 million student borrowers with outstanding loans.8
The total amount of outstanding student loan debt in the US is $1.1 trillion. 14% of outstanding borrowers have at least one past-due loan. Past-due student loan debt is $85 billion.8
8 Statistic Brain Research Institute, “Student Loan Debt Statistics,” accessed May 2016

For undergraduates, student loan interest rates, within the July 2015 to July 2016 period, will be 4.29% for both direct subsidized and unsubsidized loans. Grad students and professionals will pay 5.84% for direct unsubsidized loans.9

After using financial planning tools, 53% feel confident in their money management abilities.10

77% of Gen X (born 1965-1978) and 68% of Gen Y (born 1979-1996) are saving for retirement through employer-sponsored plans.11
Gen X and Gen Y started saving for retirement on average in their early to late 20s.11
33% of Millennials think they’ll need $1 million or more for retirement.11
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