Demystifying Annuities
Agenda

Lessons from Mt. Everest

Retirement Planning Considerations

How do you know what’s right for you

All About Annuities

Tools and Resources

Questions
The Perils of Descent – What we can learn from Mt. Everest

Retirement - like mountain climbing has two parts
Accumulation = Ascent | Distribution = Descent

Ultimate success is dependent upon each phase going well

Preparation, knowledge and proper execution are key
Retirement Planning Considerations

You should target 80% of pre-retirement income

- Qualified Savings
- Social Security
- Private Savings

Retirement is lasting longer

50% chance of living to 89
44% chance you or partner live to 95*

*TIAA-CREF MORTALITY TABLES 2014
How to get on track

Create a plan

– Know your employer plan – §403(b), 401(a), 457(b)
– Is there an employer contribution? When are you vested?
– What’s the maximum permitted? Are you over 50 and eligible for catch-up contributions?
Think long term

- Plan for at least 20 years of retirement
- Consider risks such as inflation, market volatility
Don’t go it alone

- Meet with an advisor
- Online tools and estimators
How to get on track

Adjust as necessary

– Consider Increasing contributions
– Can you contribute to an Individual Retirement Account or Roth Account
– Private Saving Vehicles
What is an Annuity

Think of an annuity as a safety net for your retirement

1. **STEP ONE**
   Consider an annuity through an employer plan or IRA or consider a personal annuity.

2. **STEP TWO**
   Put money in, either all at once, or contribute regularly.

3. **STEP THREE**
   Watch how your account performs over time.

4. **STEP FOUR**
   Retire and choose one of many income options, including income for life.
Common Misconceptions

“I already have a 403(b) and an IRA, I don’t need an annuity.”

“If I pass away the insurance company keeps my money.”

“You need a lot of money to buy an annuity.”

“If I buy an annuity I lose control of my money.”

“Annuities are bad because they have lots of fees and expenses.”
Fees and expenses explained

- **Subaccount Expenses**: Industry Avg. 1.07%
- **Mortality & Expense**: Industry Avg. 1.25%
- **Administrative Expenses**: Industry Avg. .15%
- **Surrender Charges**: Vary with a declining % Industry charges can be as high as 10% for an avg. 7 yrs

* Averages are according to Morningstar as of 7/7/2015
Why should I consider an annuity?

- Helps bridge your retirement readiness gap
- Tax-deferral
- Contributions aren’t limited
- Can provide income you can’t outlive
- Can provide a death benefit to loved ones
- Range of investment choices to suit your risk tolerance
All the places you can put an annuity

We can offer options to complement your other investments. An annuity is the only financial offering that can guarantee income for life no matter how long you live.¹

¹ Subject to the claims-paying ability of the insurance company.
Annuity Options Available

Qualified Annuities

Some retirement plans offer annuities as part of their total plan offering

- Provided through your employer
- Contributions are made with pre-tax and/or Roth after-tax dollars
- Gains grow tax deferred on pre-tax contributions
- Gains grow tax free on Roth after-tax contributions
- Distributions are taxable when paid out if contributions were pre-tax
- Distributions may be tax-free when paid out if contributions were Roth after-tax
- Subject to IRS limitations and restrictions
- Example – TIAA Traditional
Nonqualified Annuities

Annuities offered outside an employer sponsored plan

- Especially appropriate for individuals who already contribute the maximum to qualified plans and IRAs
- Contributions are made with after-tax dollars
- Gains grow tax deferred
- Taxes on the gains are due when distributed
Find a personal annuity that’s right for you

- Immediate Income
  Convert a lump sum into a stream of income

- Fixed
  Choose a guaranteed rate of return

- Variable
  Potential for increased earning but also added risk

What type to Choose?
Find a personal annuity to fit your needs

<table>
<thead>
<tr>
<th>Best if you want</th>
<th>Invest in</th>
<th>How to fund it</th>
<th>Payment options</th>
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</thead>
<tbody>
<tr>
<td><strong>Fixed</strong></td>
<td><strong>Variable</strong></td>
<td><strong>Immediate</strong></td>
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<tr>
<td>• Stable Interest rate</td>
<td>• Growth potential</td>
<td>• Income right away</td>
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<td>• Future income</td>
<td>• Future income</td>
<td>• Fixed interest or range of investments</td>
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<td>• Option to With drawal</td>
<td>• Option to withdrawal</td>
<td>• Single sum</td>
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<td>• Fixed interest or range of investments</td>
<td>• Single sum</td>
<td>• Payments to survivor</td>
<td></td>
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<tr>
<td>• Single sum or invest over time</td>
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<td>• Full/partial withdrawal</td>
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<td>• Payments to survivor</td>
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<tr>
<td>Benefits of deferred annuities</td>
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<tr>
<td><strong>Tax-deferred growth</strong></td>
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<tr>
<td>▪ Any gains accumulate tax-deferred and are not subject to taxation until withdrawn</td>
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<tr>
<td><strong>No income or contribution limits</strong></td>
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<tr>
<td>▪ Unlike employer provided plans or IRAs, there are no income or contribution limits</td>
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<tr>
<td><strong>Tax-free transfers</strong></td>
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<tr>
<td>▪ Funds can be transferred between investment choices within the product without taxation</td>
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<td><strong>Tax control</strong></td>
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<td>▪ Since annuity payment amounts are taxable as part return of principal and part gains you can spread out taxation of earnings over the duration of your payment period</td>
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### Benefits of immediate annuities

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
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<tbody>
<tr>
<td>Guaranteed Income</td>
<td>A stream of income can be structured for either a specific number of years or for a lifetime</td>
</tr>
<tr>
<td>Protection against living too long</td>
<td>Partial annuitization of retirement funds allows the remainder to stay invested as a way to potentially keep pace with inflation</td>
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<td>Tax control</td>
<td>Since annuity payment amounts are taxable as part return of principal and part gains you can spread out taxation of earnings over the duration of your payment period</td>
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Retirement income without using an Annuity

Hypothetical Retiree Portfolio Longevity With Immediate Annuity

Portfolio Assets

Age of Retiree

$0k $20k $40k $60k $80k $100k $120k
Layering in a 20% allocation to an Annuity

Hypothetical Retiree Portfolio Longevity With Immediate Annuity

- 0% SPIA 100% managed portfolio
- 20% SPIA 80% Managed Portfolio
Layering a 40% allocation to an Annuity

Hypothetical Retiree Portfolio Longevity With Immediate Annuity

- 0% SPIA 100% managed portfolio
- 20% SPIA 80% Managed Portfolio
- 40% SPIA, 60% Managed Portfolio

Portfolio Assets vs. Age of Retiree
Hypothetical Retiree Portfolio Longevity With Immediate Annuity

Source: LIMRA Secure Retirement Institute analysis, 2015. Illustration of 1969 to 1993, the worst 25-year period out of 62 possible scenarios since 1926. The portfolio has an asset allocation of 42.5% large company stocks, and 40% intermediate-term government bonds and is rebalanced annually. An annual payout rate of 5.77% was based on actual single-life immediate annuity quotes with inflation adjustments for a hypothetical 70-year old male in August 2015. The initial withdrawal amount was $4,500 or 4.5% of beginning assets; thereafter annual withdrawals were adjusted based on the prior year’s inflation rate. The hypothetical portfolio had a 50-basis-point charge assessed annually (following the withdrawals and the investment growth or loss).
TOOLS AND CALCULATORS
Review how much monthly income you are on track to have in retirement

1. **Your projected monthly income** starting at 67 includes:
   - All TIAA Retirement accounts
   - Contributions (employer & employee)
   - Actual Investments
   - Assumess draw-down to life expectancy

2. **Compare your projected income** to your current lifestyle (focus on today)

3. **To stay** on-track make sure you continue to review your projected income throughout your career

4. **TIAA can help!** Speak with an advisor to find out how you can get or stay on track with your retirement income
Retirement Advisor

Complete four steps with the Retirement Advisor online advice tool and receive a customized retirement action plan with savings and investment recommendations.

GET STARTED

MORE TOOLS

Retirement planning
IRAs
Taxes
Saving & investing
Budgeting
Life insurance
Mortgages & loans
Retirement Goal Evaluator

A successful savings strategy starts with understanding your financial needs. Use our calculator to estimate how much of your salary you might be able to replace at retirement and how much more you may need to invest to eliminate any potential shortfall. Need Help? Schedule a consultation with a TIAA retirement specialist to create a personalized plan.

Please provide your personal information

Fields marked with an asterisk (*) are required.

- * Your Current Age
- * Planned retirement age
- * Current Annual Salary
- Annual salary growth rate %
- * Salary Replacement Target 80%

The percentage of your annual salary in the year you retire you'll need to live comfortably after you leave the workforce.
IRA Contribution Limits

HOW MUCH CAN YOU CONTRIBUTE?
Contributing to your employer-sponsored plan is a great place to start saving for the retirement you envision. But did you know that you can also set aside additional funds into an IRA? The right IRA for your needs depends on your earned income and goals.

What is your filing status? (what’s ‘filing status’?)
- Single
- Married (filing jointly)

What is your age?
- 35 Yrs

Are you eligible for an employer-sponsored retirement plan? (not sure?)
- Yes
- No

What is your adjusted gross income (AGI)? (What’s AGI)
- $50,000

<table>
<thead>
<tr>
<th>Contribution limit available to you</th>
<th>Roth</th>
<th>Traditional deductible</th>
<th>Traditional non-deductible</th>
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<tbody>
<tr>
<td>2015</td>
<td>$5500</td>
<td>$5500</td>
<td>$5500</td>
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<tr>
<td>2016</td>
<td>$5500</td>
<td>$5500</td>
<td>$5500</td>
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What’s the difference between these IRA’s?
Annuity Cost Saving Tool

How much you could save in non-qualified annuity expenses varies based on a variety of factors, including the initial investment amount, how long you invest, annual rate of return, and annual annuity charges. Using our variable annuity comparison tool below you will better understand how these factors may impact your potential savings.

Adjust the sliders below to see the impact of a TIAA-CREF Life Insurance Company (TIAA-CREF Life) Intelligent Variable Annuity or call 877 554-8282.

- **INITIAL AMOUNT** (MIN $2,500 to MAX $1,000,000)
  - $100,000
- **YEARS TO INVEST** (MIN 0 Years to MAX 30 Years)
  - 10 YEARS
- **ANNUAL RATE OF RETURN** (MIN 0% to MAX 8%)
  - 5%
- **ANNUAL ANNUITY CHARGE OF OTHER ANNUITY** (MIN 0% to MAX 4%) 1.34% Industry Average
  - 1.34%

**You could save $14,285** by utilizing a lower cost annuity. Call 877 554-8282 for more information.

Value at 0% Rate of Return: TIAA-CREF Life Annuity $95,254 / Other Annuity $87,300

TIAA-CREF Life Annuity
See Annual Annuity Charges Below
Comparative Annuity 1.34% Annual Annuity Charge
The Individual Advisory Services offering
TIAA Individual Advisory Services offers personalized advice* to help eligible employees make sound decisions that directly address your goals and financial situation.

- A holistic view of your financial picture, with solutions chosen from a broad spectrum of alternatives that seek to increase the likelihood of achieving goals
- Providing education and guidance via personalized recommendations
- A realistic assessment of current savings and investment strategies

*Through Ibbotson Associates tool.

To be assigned to an Advisor, call:

Molly McCormack
Wealth Management Director
Telephone (919) 687-5209
A new level of partnership, an extraordinary level of service

We stand ready to help you pursue your goals, by providing:

- Personal service
- Comprehensive retirement plan advice*
- Customized solutions can include those drawn from a broad range of TIAA and non-TIAA products and services

*Through Ibbotson Associates tool.
As an Individual Advisory Services client, you have access to a personal advisory relationship to help you address your financial needs as you plan for – and live well in – retirement:

- Focused, stable organization
- Dedicated team committed to working in your best, long-term financial interest
- Highly customized and holistic advice
- Disciplined and defined retirement planning and investment philosophy
The cornerstone of your financial plan is the Retirement Review.

Three key questions:
- Do I have enough to retire?
- What is the right asset allocation for me?
- How much should I draw down each year across all my savings?

The comprehensive retirement review:
- Considers all assets targeted for retirement income
- Provides customized analysis of a client’s unique circumstances
Professionals partner to create a comprehensive financial team

We put it all together for you

- At the center of our service model is you, served by your Advisory Team and dedicated wealth planning specialists in financial, estate and tax planning concerns, investment management, insurance, personal trust, and charitable planning.

- Under the direction of your Advisory Team, you will receive an in-depth analysis of your personal financial situation, along with guidance in executing plans that seek to achieve your goals.

TIAA-CREF Individual & Institutional Services, LLC, and its affiliates do not offer tax or legal advice services. Individuals should consult with a qualified independent tax advisor, CPA and/or attorney for specific advice based on the individual’s personal circumstances.
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Annuity contracts contain exclusions, limitations, reductions of benefits and may contain terms for keeping them in force.

Your financial consultant can provide you with costs and complete details.

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Annuities are designed for retirement savings or for other long-term goals. They offer several payment options, including lifetime income. Guarantees are based on the claims-paying ability of the issuer and do not apply to any underlying investments. It is possible to lose money when investing in variable annuities. Withdrawals of earnings from an annuity are subject to ordinary income tax, plus a possible federal 10% penalty if you make a withdrawal before age 59½.

Past performance does not guarantee future results.

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Investment, insurance and annuity products are not FDIC insured, are not bank guaranteed, are not bank deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.

You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call your advisor for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

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