



Halfway There:

A retirement checkup

Presenter: Tim Davis

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- Retirement planning tune-up: The basics
- Retirement savings: The competition
- Are you on track?
- Sources of retirement income
- Tools and action steps

To see the importance of good retirement planning, look at the current generation of retirees—baby boomers

- Two-thirds of baby boomers plan to or are already working past age 65—or do not plan to retire at all.¹
- 38% of boomers expect Social Security to be their primary source of retirement income.¹

Saving for homeownership



- A house is a long-term investment, just like retirement, but you shouldn't ignore one for the other.
- If you have a home and a mortgage, you'll still need to save to keep the place in good shape.
- If you're saving to buy a house, it should not be at the expense of your retirement.

Kids and education



- Saving enough money for your own retirement is considered by many experts to be more crucial than paying for your kids' college.
- Your children have other ways to help pay for college, but only you are responsible for your retirement.

Elder care—the other half of the sandwich

- 38% of women are or have been caregivers, and nearly all of the caregivers made some work-related adjustments as a result of caregiving, such as using sick/PTO days (36%) and missing work (36%)⁹



Saving for healthcare in retirement

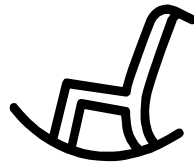
Say you are a 65-year-old couple and are looking to retire. To cover all your health care costs in retirement, it's projected that you'll need over \$660,000!¹⁰



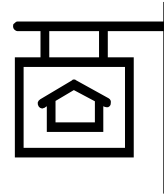
Competition for your retirement dollars—costs are increasing



College
education¹⁴
increasing by
17%



Elder care¹⁵
increasing by
41%



Home¹⁶
increasing by
43%

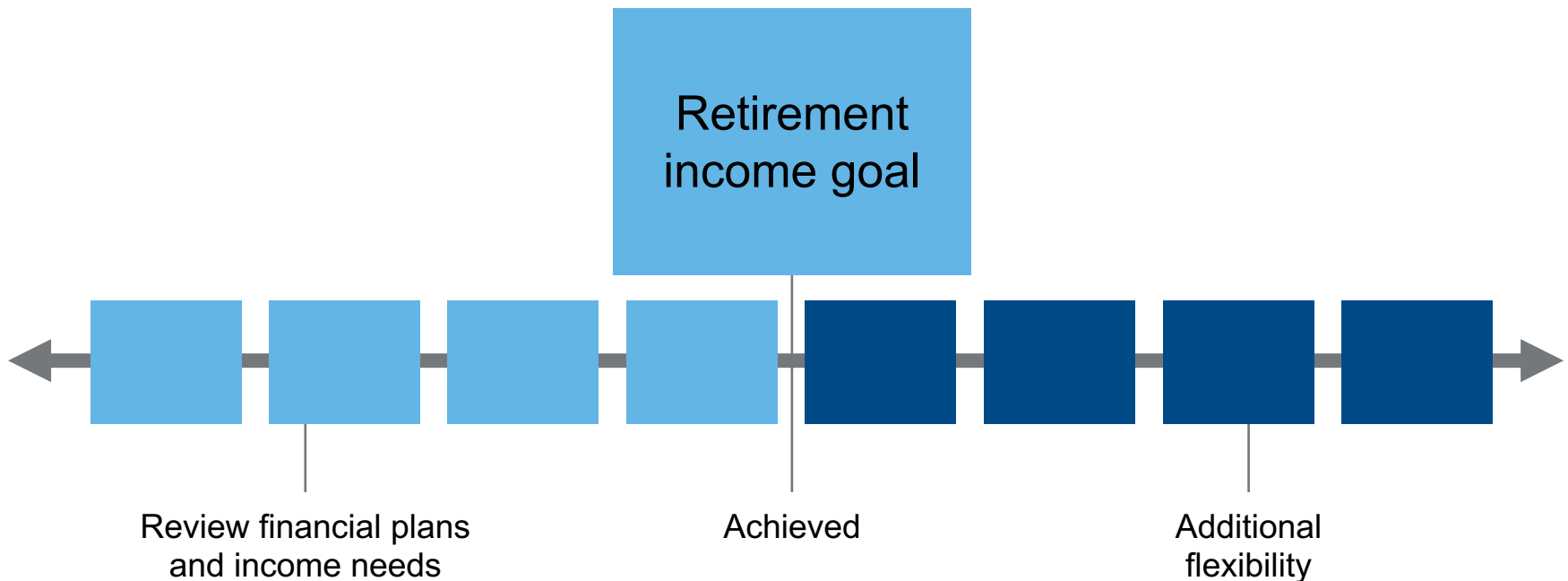


Retirement
healthcare¹⁷
increasing by
18%

Are you on track?



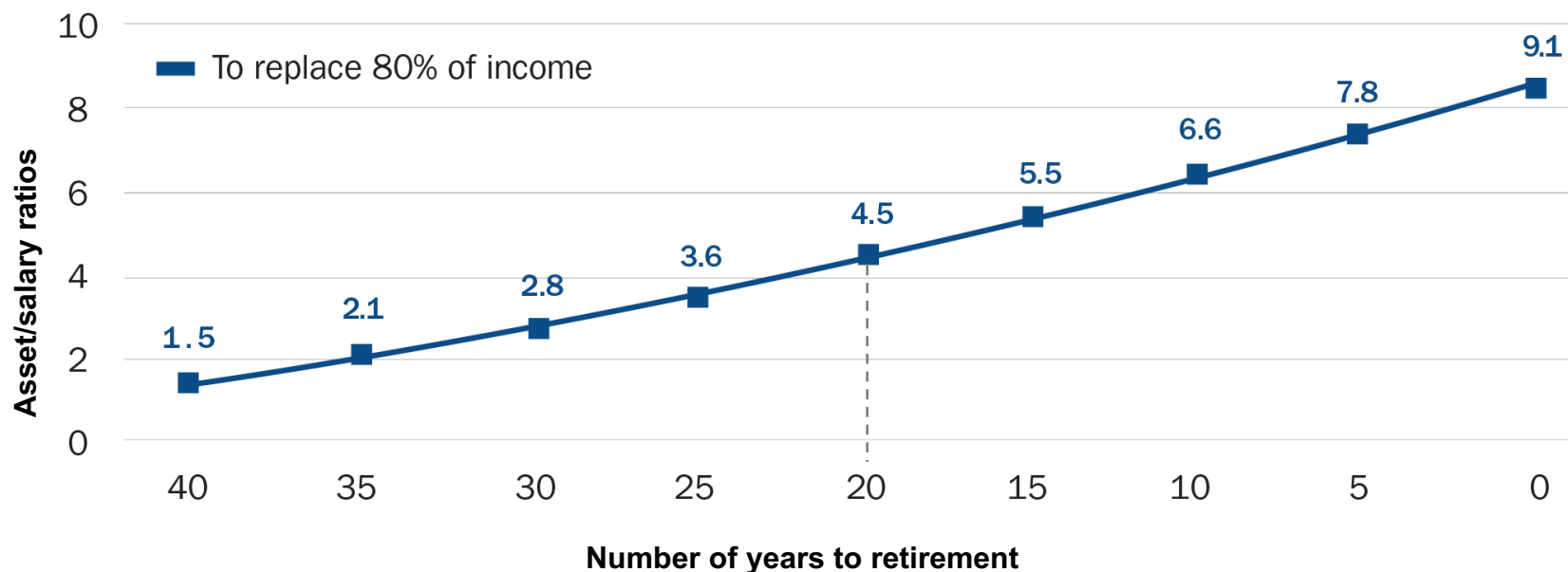
Estimates range from 70% to 90% of preretirement income (not including Social Security) and retirement can last 30+ years!



Are you on track?



Asset/salary ratios: By number of years to retirement and income replacement goal



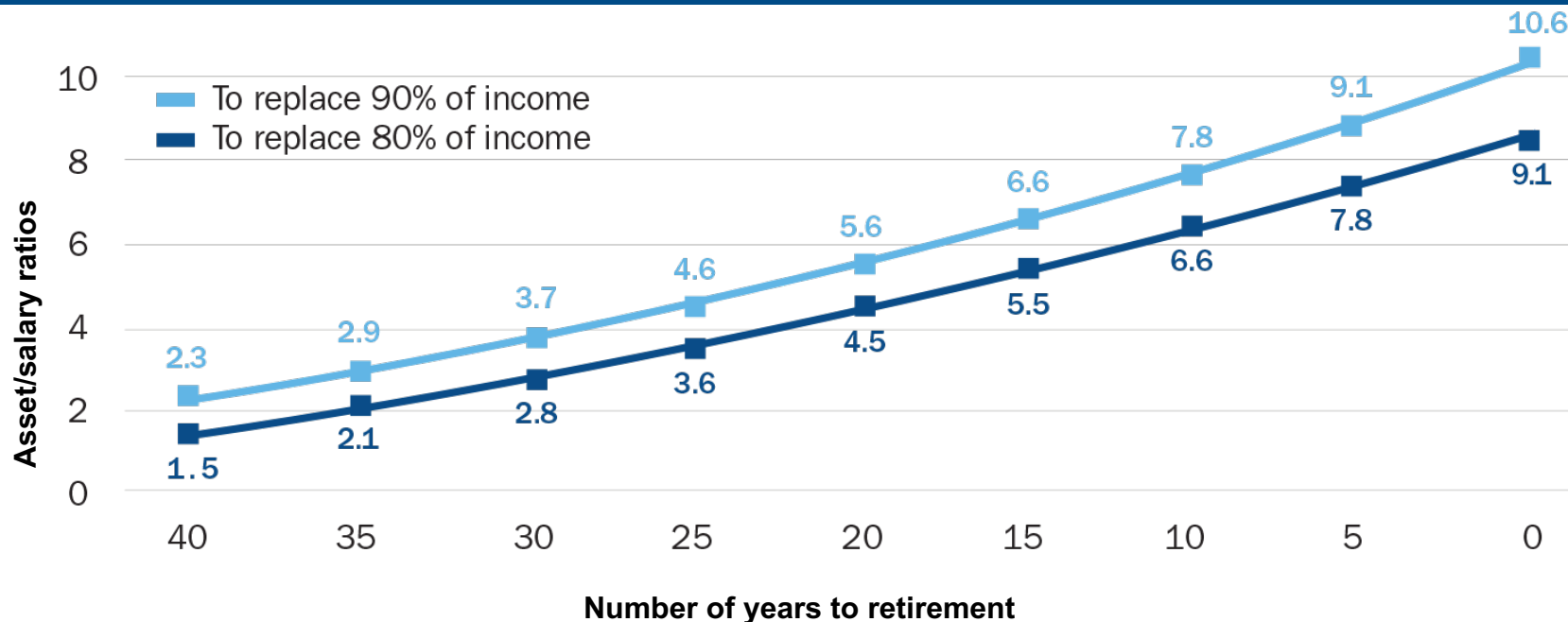
This chart is based on a hypothetical 6% annual rate of return to produce the indicated replacement income with no other withdrawals being taken. The chart is not intended to represent the performance of any specific product nor is it intended to predict or project investment returns. Charges, taxes, and expenses that would be associated with an actual investment, and which would reduce performance, are not reflected.

Assumes 4% salary growth, 6% preretirement interest rate, 10% annual contributions (including any employer match), and Social Security payment equivalent to 20% of preretirement income. At retirement (age 65), the income stream is based on a single life annuity with a post-retirement interest rate of 4% annually and current TIAA mortality rates.

Are you on track?



Asset/salary ratios: By number of years to retirement and income replacement goal



This chart is based on a hypothetical 6% annual rate of return to produce the indicated replacement income with no other withdrawals being taken. The chart is not intended to represent the performance of any specific product nor is it intended to predict or project investment returns. Charges, taxes, and expenses that would be associated with an actual investment, and which would reduce performance, are not reflected.

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Your monthly income - your monthly expenses = _____?

- If it's a positive number, you have an **income surplus** (Above Needs)
- If it's a negative number, you have an **income gap** (Below Needs)

Activity: Catching up



Can you find \$100 in a month?

Catching up: Where is your money going?

Many people go about their lives without realizing just how much money they're spending and where. Little things can add up over time. Try to match the expense on the left to the cost for the average American on the right. Is there something here that makes you think that you might be overspending? Answers are on the back of the guide.

What we buy

Coffee
Tickets/Admission
Alcoholic beverages
Gifts
Dining out
Pets
Gasoline
Hotels/Lodging/Vacation homes
Entertainment

How much we spend

\$2,109 a year per household
\$3,090 a year per household
\$662 a year per household
\$766 a year per household
\$1,040 a year per person
\$1,995 a year per household
\$579 a year per household
\$3,526 a year per household
\$1,978 a year per household

How healthy is your retirement savings?

You take your car for routine maintenance. You get regular checkups from your physician—or at least you should. Your retirement requires the same kind of care. So let's give your retirement savings a checkup.

American retirement trends

A 2020 survey by the Employee Benefit Research Institute (EBRI) illustrates a trend you may want to note. According to the workers and retirees surveyed, 20% have total household savings and investments of less than \$25,000, excluding the value of their home. Just under half have tried to calculate what they'll need in retirement.¹ Planning ahead can help you avoid contributing to this trend.

These steps—some simple, some not

Our plan for getting your retirement on track is a three-step process. You first need to know what the target is by estimating your income floor (see the facing page). Next, experts recommend putting yourself in a position to save by paying off debt and trimming wasteful expenditures from your budget. Finally, you can figure out a plan to save and invest those savings according to your needs. A TIAA financial consultant can help you.

A few facts to consider:

- 18%** of working respondents to the EBRI survey say they have less than \$1,000 saved for retirement.²
- 10,000** baby boomers will turn 65 every day until 2030.³
- 86%** of boomers expect retirement income from Social Security.⁴

Estimating your income floor

Potential budget items

Household expenses	Insurance	Healthcare and wellness
Mortgage/rent	Life	Medicare
Utilities/Telephone	Auto	Medical/Supp. Insurance
General maintenance	Homeowner's/Renter's	Out-of-pocket co-payments
	Health/Dental	Dental/Vision/Hearing
Meats	Other	Eye, dental/Contact lenses
Groceries	Miscellaneous	Medical equipment
Entertainment	Professional services	Prescription and OTC drugs
	Dues (memberships)	Other
Debt	Personal care	Transportation
Credit cards	Child care	Car payments
Student loans (self/family)	Clothing (purchases/laundry)	Maintenance/Rep.
Other	Products/Maintenance	Taxes/Registration, etc.
		Other (bus/train/airfare)
		Estimated income floor

How it works

When you retire, the retirement amount you'll need in order to live on a monthly basis is called your income floor. The goal of retirement saving, of course, is to exceed the income floor and have money to spend on things beyond the basics. You can estimate your essential expenses in retirement with the worksheet above and determine what your income floor is.

Note: This chart is an example of potential budget items; you may have additional categories for your budget.

Catching up: Where is your money going?

What we buy	How much we spend
Coffee	\$2,109 a year per household
Tickets/Admission	\$3,090 a year per household
Alcoholic beverages	\$662 a year per household
Gifts	\$766 a year per household
Dining out	\$1,040 a year per person
Pets	\$1,995 a year per household
Gasoline	\$579 a year per household
Hotels/Lodging/Vacation homes	\$3,526 a year per household
Entertainment	\$1,978 a year per household

Source: Morningstar, "One Third of Americans Spend More on Coffee than on Investing," accessed online April 2021; Bureau of Labor Statistics, Consumer Expenditure Survey, December 2020; Credit.com, "The Business of Alcoholic Beverages," accessed online April 2021.

Typical sources of retirement income



- Defined contribution plans, such as 401(k), 403(b) and 457(b)
- Defined benefit or pension plans, if applicable
- IRAs
- Annuities
- Mutual funds
- Social Security
- Working in retirement
- Other assets and savings



Starting with your employer-sponsored retirement plan

- Professionally managed
- Controlled by you
- Tax advantaged
- Employer matching funds
- Vesting



- Allows contributions and earnings to grow tax deferred
- Contributions may be tax deductible
 - Subject to income limits
- No income limits to make contributions
- Distributions must begin by age 72
- May be a good option if you think you might be in a lower tax bracket during retirement or if you may need money before age 59½
 - Taxes apply to withdrawals before age 59½
 - Federal penalties may apply to withdrawals before age 59½
- Spousal IRA can help boost household retirement savings—restrictions apply.



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- Contributions are made with after-tax dollars and are not tax deductible.
- Contributions can be accessed any time without penalty.
- With earned income, Roth IRA contributions can be made at any age.
 - Subject to income limits
- Qualified withdrawals are tax free in retirement.
- No required minimum distributions (RMDs) for Roth IRAs.
- Spousal Roth IRA can help boost household retirement savings—restrictions apply.

Limitations apply, speak with your tax advisor for details.

- Your tax bracket now
- Your projected tax bracket in retirement
- Deferred income option beyond age 72
- Access to funds in the event of an emergency
- Are you “maxing it out”?

TIAA.org/public/iraselectortool

Withdrawals are subject to ordinary income tax and a Federal 10% penalty may apply prior to age 59½.

IRA comparison



	Traditional IRA	ROTH IRA
Tax Benefits	Tax-deferred growth Tax deductible contributions*	Tax-free growth Tax-free qualified withdrawals
Eligibility: Income Limits	None	Single or head of household: \$124,000-\$139,000 Married, filing jointly: \$196,000-\$206,000
Annual Contribution Limits	Age 49 and below: \$6,000 cumulative Age 50 and above: \$7,000 cumulative	
Eligibility: Withdrawals	No restrictions with earned compensations and income levels met	If held for >5 years, eligible for withdrawals starting at age 59½ Can withdraw contributions only, anytime without penalty
Penalties at Withdrawal	If age 59½ or younger, withdrawals are subject to a 10% federal early withdrawal fee*	If held <5 years, withdrawals result in taxable earnings and a 10% early withdrawal fee if age 59½ or less*
Required Minimum Distribution (RMDs)	Must start at age 72	No requirements

* Some qualifications and/or exceptions may apply. Consult a tax advisor for more information.

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An annuity is a contract between you and an insurance company.

- There are different kinds of annuities:
 - Deferred vs. immediate annuities
 - Fixed vs. variable annuities
- Some annuities offer the option of lifetime income
- Myths about annuities

- Pool money from individuals and institutions
- Invest in stocks, bonds or other investments
- Two types:
 - Open-end
 - Closed-end

Please keep in mind that there are inherent risks in investing. It is possible to lose money by investing in securities.

Taxable, fixed monthly income from the government (through you!)

- Reduced benefits can be taken as early as age 62²⁰
 - Benefits reduced by 5/9 of one percent for each month, before full retirement age, up to 36 months.²⁰
 - After 36 months, it is further reduced by 5/12 of one percent.²⁰
- Full benefits available if you wait until full retirement age—depends on when you were born
- Spouse gets a benefit, too

Variable income from personal investments, bonds and savings

Income options:

- Periodic disbursements
- Take it in a lump sum

Other traits:

- Can incur capital gains taxes
- No minimum withdrawal age
- No mandatory disbursements



- Allow time for your investments to potentially grow
- But the closer you get to retirement, you need to pay closer attention to your investments
- Be ready to adjust when necessary
- Dollar-cost averaging does not ensure a profit or protect against a loss in a declining market



Money + Time = Potential Growth

Dollar-cost averaging



Monthly Contribution	Price (NAV)	Number of Shares Purchased
\$100	\$100	1
\$100	\$50	2
\$100	\$25	4
\$100	\$25	4
\$100	\$50	2
\$100	\$100	1
\$600		14

Total Investment = \$600




Total Units Purchased = 14

Average Price of Stock = \$58.33

Average Cost per Share (that you now own) = \$42.86

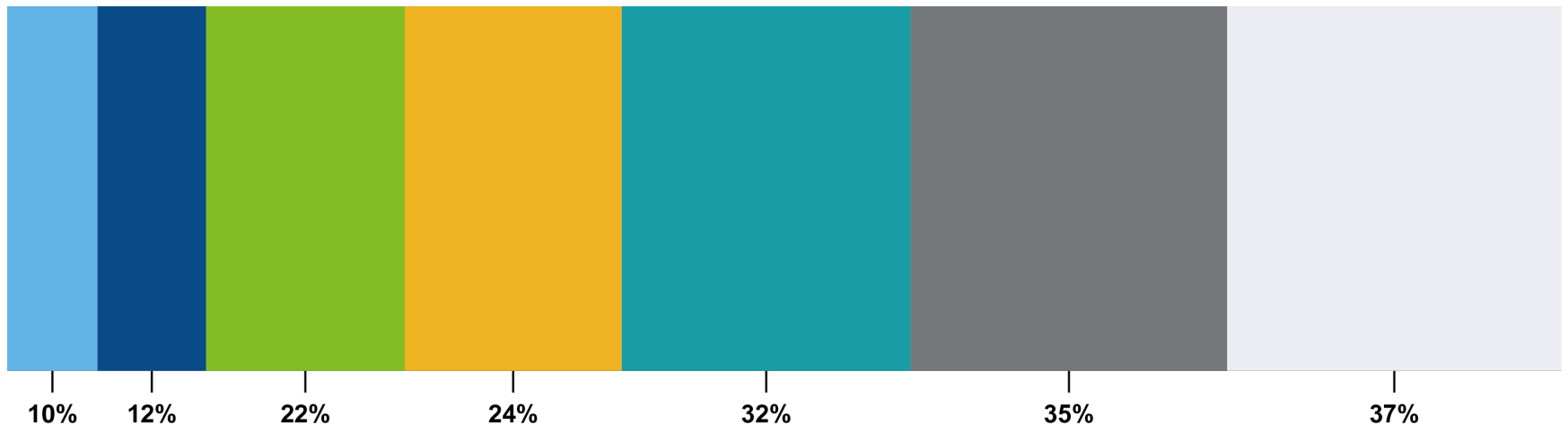
NOTE: A periodic investment plan such as dollar cost averaging does not assure a profit or protect against a loss in declining markets.

The earlier you start, the less you'll have to sacrifice to pursue the retirement you want. For example, to reach approximately \$500,000 by age 67:

Starting at age	What you'll have to "give up"	
25		Daily cup of barista coffee (\$187/month)
35		Monthly car payment (\$365/month)
45		Annual family vacation (\$782/month)

This hypothetical illustration assumes a 6% annual return on investment, and a 3% increase every year to account for inflation. It does not represent the actual performance of any TIAA account nor does it reflect expenses or taxes, which would reduce performance. Total returns and the principal value of the accounts will fluctuate, and yields may vary. This table cannot predict or project investment performance.

The inevitability of taxes



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- Estimate your required expenses (housing, bills)
- Estimate the cost to do what you want in retirement and invest accordingly
- Plan your income carefully and know which assets will pay what amount and when
- Taxes, taxes, taxes

How TIAA can help:

- Retirement Advisor—**[TIAA.org/setyourgoals](https://www.tiaa.org/setyourgoals)**
- Selecting the Right IRA—**[TIAA.org/public/iraselectortool](https://www.tiaa.org/public/iraselectortool)**
- Lifetime Income Calculator—**[TIAA.org/incomecalculator](https://www.tiaa.org/incomecalculator)**

And even more help:

- **[marketwatch.com](https://www.marketwatch.com)**
- Comparison and budgeting tool: **[mint.com](https://www.mint.com)**
- Resource center: **[aarp.org/work/retirement-planning/](https://www.aarp.org/work/retirement-planning/)**
- Government planning resources:
 - **[ssa.gov](https://www.ssa.gov)**
 - Federal long-term care—**[ltcfeds.com](https://www.ltcfeds.com)**

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You're in the driver's seat: Consider what to do next



- Calculating your ASR to measure where you are against where you need to be
- Participating in your employer-sponsored retirement plan
- Supplementing your employer's plan with your own self-funded IRA
- Reviewing your retirement plan regularly
- Planning for other big-ticket items such as college for the kids (if you choose to) and healthcare needs
- Setting up an appointment with a TIAA financial consultant

Congratulations. You may be halfway to retirement, but you have completed this workshop.



Questions?



Thank you!



Call **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET), to schedule a one-on-one session with a TIAA financial consultant.

Schedule online at **TIAA.org/schedulenow**

- *Two-thirds of baby boomers (66%) plan to or are already working past age 65 -- or do not plan to retire at all¹*
- *38% of boomers expect Social Security to be their primary source of retirement income¹*

¹Transamerica Center for Retirement Studies, "Retirement Security: A Compendium of Findings About U.S. Workers--20th Annual Transamerica Retirement Survey of Workers," December 2020

The study surveyed 2,042 individuals: 1,018 workers and 1,024 retirees in January 2020.²

²Employee Benefit Research Institute, "2020 Retirement Confidence Survey Summary Report," April 2020

- *35% of workers said they have total household savings and investments of less than \$25,000, excluding their homes and benefit plans³*
- *30% said they didn't feel confident in their ability to live comfortably in retirement³*
- *68% of workers report having saved for retirement³*
- *Only 48% of workers said they've tried to calculate how much they will need for retirement³*
- *18% of working respondents said they have less than \$1,000 saved for retirement³*

³Employee Benefit Research Institute, 2020 Retirement Confidence Survey "2020 RCS Fact Sheet #3: Preparing for Retirement in America," April 2020

25% of workers with major debt are not confident about having enough money for a financially secure retirement⁴

⁴Employee Benefit Research Institute, 2020 Retirement Confidence Survey "2020 RCS Fact Sheet #1: Retirement Confidence," April 2020

The nation's 65-and-older population grew by over a third during the past decade, and by 3.2% from 2018 to 2019. No other age group saw such a fast increase.⁵

⁵United States Census Bureau, "65 and Older Population Grows Rapidly as Baby Boomers Age," June 2020

Every day until 2030, 10,000 baby boomers will turn 65.⁶

⁶United States Census Bureau, "By 2030, All Baby Boomers will be Age 65 or Older," accessed online April 2021

About 14% of families say that they plan to use a portion of their retirement savings to pay for the children's college education if necessary, according to Sallie Mae.⁷

⁷Sallie Mae, "How America Pays for College 2020," April 2020

You could owe the taxes you saved, plus a 10% penalty on all the interest you earned if the funds are used for non-qualified expenses. The 2019 the SECURE Act established an expanded list of qualified 529 expenses. If "Junior" doesn't want to go to college, you can make the recipient a sibling, grandchild, niece or nephew -- or even yourself -- without losing the tax break.⁸

⁸US News and World Report, "529 Plan Rules for When a Child Skips College," March 2020

38% of women are or have been caregivers, and nearly all of the caregivers made some work-related adjustments as a result of caregiving, such as using sick/PTO days (36%) and missing work (36%).⁹

⁹Transamerica Center for Retirement Studies, "Twenty Facts about Women's Retirement Outlook...and 11 Steps to Improve It," October 2020

Total projected lifetime healthcare costs for a healthy 65-year-old couple retiring in 2021 are expected to be \$662,156.¹⁰

¹⁰HealthView Services, "2021 Retirement Healthcare Costs Data Report," December 2020

U.S. households led by someone who is 65 or older spend an average of \$6,833 a year on health care.¹¹

¹¹MoneyTalks News, "How Much Does the Average Senior Spend on Health Care?" September 2020

A couple in their 60s can expect to pay about \$3,400 a year for long-term care insurance.¹²

¹²American Association for Long-Term Care Insurance, "Long-Term Care Insurance Costs For 60-Year Olds Vary by Over 100 Percent," accessed online April 2021

The average cost for private long-term care in the U.S. ranges from just under \$55,000 a year for a home health aide to more than \$105,000 a year for a nursing home.¹³

¹³Genworth, "17th Annual Cost of Care Survey: COVID-19 Exacerbates Already Rising Long Term Care Costs; Care Providers Foresee Additional Rate Hikes in 2021," December 2020

*17% - College Education¹⁴
(2010-11 – 2020-21)*

¹⁴College Board, "Trends in College Pricing and Student Aid 2020," Tuition and Fees and Room and Board, October 2020

*41% - Elder Care¹⁵
(2010 – 2020)*

¹⁵Increase over 10 years, Genworth, "Cost of Care Survey," accessed online April 2021; Senior Housing News, "Genworth's Annual Cost of Care Survey Shows Home Care Costs Rising Slower Than Other Long Term Care Options," accessed online April 2021

*43% - Home¹⁶
(2010 – 2020)*

¹⁶Increase over 10 years, U.S. Census Bureau, "Median and Average Sales Prices of New Homes Sold in United States," accessed online April 2021

*18% - Retirement Healthcare¹⁷
(2010-2020)*

¹⁷Increase over 10 years, MarketWatch, "Health care will cost this much in retirement — but probably even more," August 2020

The average American doles out about \$1,100 a year on coffee.¹⁸

¹⁸ Motley Fool, "One-Third of Americans Spend More on Coffee than on Investing," accessed online April 2021

- *The average household spends around \$3,090 a year on tickets to movies, concerts and events.¹⁹*
- *The average household spends more than \$3,526 a year in restaurants.¹⁹*
- *By contrast, the average household spends about \$579 a year on alcohol.¹⁹*
- *The average household spends about \$1,995 on gifts a year.¹⁹*

¹⁹ Bureau of Labor Statistics, "Consumer expenditures report 2019," December 2020

- *Reduced benefits can be taken as early as age 62²⁰*
- *Benefits reduced by 5/9 of one percent for the first 36 months before full retirement that you begin to take benefits²⁰*
- *After 36 months, it is reduced by 5/12 of one percent²⁰*

²⁰Social Security Administration, "Early or Late Retirement?" accessed online April 2021

For instance, the mandatory distribution requirement for IRAs starts the year you turn 72, and you can take the disbursement at any point in that year. But there is also a grace period that extends three months into the following year, so you can delay the disbursement as long as you take it by April 1. The deadline for minimum disbursements is Dec. 31 every year after.²¹

²¹IRS, "Retirement Topics - Required Minimum Distributions (RMDs)," September 2020

If you hold the asset for more than one year before you, to use the IRS language, "dispose of it," your capital gain (or loss) is long-term. That's one tax rate. If you hold it one year or less, your capital gain – or loss, as the case may be – is short-term.²²

²²IRS, "Topic 409 - Capital Gains and Losses," March 2021



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