A TIAA-CREF Financial Essentials Workshop

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

• Workshop overview
• Wisdom of starting now
• Tackling your debt
• Good vs. bad debt
• Activity: budgeting worksheet
• Establishing and managing a budget
• Retirement planning
• Group activity
• Tools you can use
• Action steps
• Questions?
The Starting Line: Why and how retirement saving begins now

Overview

• Retirement confidence was at historically low levels, but is improving\(^1\)

• Average retirement ages are 64 for men and 62 for women\(^2\)

• Average time spent in retirement is 18 years\(^3\)

• Average income for people age 65 and older is about $32,000\(^4\)

• The good news – time is on your side.

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\(^1\) Employee Benefit Research Institute, “2015 RCS Fact Sheet #1, Retirement Confidence,” April 2015
\(^2\) Center for Retirement Research at Boston College, “The Average Retirement Age—An Update,” March 2015
\(^3\) Statistic Brain Research Institute, “Retirement Statistics,” April 2015
No time like the present: The wisdom of starting now

• Why you should plan *now* for retirement

• Let compounding work its magic

• Delaying costs you
How delaying can cost you – big time!

**MAXIMIZING YOUR INVESTMENT POTENTIAL**

<table>
<thead>
<tr>
<th>Parameter</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.
How delaying can cost you – big time!

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current age</td>
<td>35</td>
</tr>
<tr>
<td>Income this year</td>
<td>$65,000</td>
</tr>
<tr>
<td>Employee contribution 12.0%</td>
<td>$650.00</td>
</tr>
<tr>
<td>Employer contribution 6.0%</td>
<td>+325.00</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 you – big time!

THE COST OF DELAYING

<table>
<thead>
<tr>
<th>Portfolio Totals</th>
<th>Hypothetical Cost of Delay</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,382,173</td>
<td>$-113,680</td>
</tr>
<tr>
<td>$1,268,492</td>
<td>$-218,940</td>
</tr>
<tr>
<td>$1,163,233</td>
<td>$-316,403</td>
</tr>
<tr>
<td>$1,065,770</td>
<td>$-406,646</td>
</tr>
<tr>
<td>$975,527</td>
<td></td>
</tr>
</tbody>
</table>

Assumptions: 8.0% rate of return; 15% tax bracket. 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-CREF 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.
The information derived from this tool is for illustrative purposes only and must not be regarded as a promise, projection or estimate of actual investment performance. Results are based on your inputs and certain hypothetical assumptions may have been made based on information you provided. The purpose of the tool is not to predict future returns, but to be used as an educational tool. You should not rely on this tool as the sole source of making any financial decisions. Contact your tax advisor regarding the tax impact of any decision regarding potential saving strategies. You may also contact TIAA-CREF at 800 842-2252.
All debt is not created equal: Good vs. bad debt

• Good debt is necessary and sustainable:
  – Education
  – Mortgage
  – Auto loan (maybe)

• Bad debt may be unnecessary and unsustainable:
  – Vacation you paid for with a credit card
  – Dining out too often or a daily gourmet coffee habit
  – Designer purse you financed on credit
Getting out of debt

• Reduce interest rates, if possible

• Rank your 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 into your retirement account to pay off loans!
Saving money on living expenses

- Sell spare vehicle
- Use only what you need
- Get a roommate
- Cancel what you’re paying for that you don’t use – or could live without (magazine subscriptions, cable, etc.)
Activity: Budgeting worksheet

• Review TIAA-CREF’s budgeting worksheet in the workshop guide

• Questions?

The Starting Line: Why and how retirement saving begins now
Seize the day: Setting and managing your budget

• Choose a system that’s right for you
• Determine short- and long-term financial goals
• Calculate income and expenses
• Analyze your spending
• Revisit your original budget
• Stay committed to your budget
Time is money: Planning for your retirement

• Enroll in your employer-sponsored retirement plan

• Benefits of tax-deferred contributions

• Decide which plan is right for you
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

**ROTH**
Consider a TIAA-CREF Roth IRA if you:
- Think you might be in a higher tax bracket during retirement
- Would like to leave 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: Two Truths and a Lie

**Test your knowledge!**
Can you spot the one lie hidden between two financial truths?
Which is the lie?

- Average expected retirement age is 67
- Average time spent in retirement is 24 years
- Median income for a person 65+ was $25,757 in 2010
Which is the lie?

• 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 lie?

- A ROTH IRA offers tax-free growth.
- A TRADITIONAL IRA offers tax-deferred growth.
- A TRADITIONAL IRA has certain income limits associated with it.
Which is the lie? Everyone’s saying financing was a great example of good debt. But not so fast …

• Financing a new Mercedes Benz S class is good debt. A guy’s got to get to work. I’ll pay it off … just like I’m making a dent in my student loans.

• Financing the used Honda Accord is good debt. The payments are affordable, and I need a reliable way to get to work. I was tired of hitching rides with friends.

• Financing the new house we fell in love with is good debt. We put more than 20% down, so there’s no private mortgage insurance. And the payments are even less than when we were renting!
The lies:

1. The second answer is the lie. The average time spent in retirement is 14 years.

2. The second answer is a fib. (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.

4. The first answer should look suspicious. But perhaps it’s more delusional than an outright lie. The luxury car may not have been necessary – especially when there are student loans left to be paid.
Tools and Resources

TIAA-CREF tools:

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

All of these tools can be accessed at www.tiaa-cref.org/tools.
Now’s the time: What you can do next

• Make and stick to a budget

• Review your retirement plan regularly

• Meet one-on-one with a TIAA-CREF 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
Time’s (almost) up.

Questions?
Thank you for joining us today!

• Login to My TIAA-CREF:  
  www.tiaa-cref.org

• Set up an individual appointment:  
  www.tiaa-cref.org/schedulenow or call toll free **800 732-8353**,  
  Monday to Friday, 8 a.m. to 8 p.m. (ET)

• Call with questions toll free **800 842-2252**,  
  Monday to Friday, 8 a.m. to 10 p.m. and  
  Saturday, 9 a.m. to 6 p.m. (ET)
Sources

Retirement confidence was at historically low levels, but is improving¹

Average retirement ages are 64 for men and 62 for women²

Average time spent in retirement is 18 years³

Average income for people age 65 and older is about $32,000⁴

These days, Americans’ monthly personal savings rate is 5.6%.⁵

41% of American workers are not confident that they will have enough money to live comfortably through retirement.⁶
Sources

Nearly 40% of workers say they are not currently saving for retirement.\(^7\)

More than half of workers – 57% – say their savings and investments amount to less than $25,000.\(^7\)


For people 85 and older, the average nursing home expense is nearly $25,000.\(^8\)


The average amount of credit card debt for a household carrying debt is nearly $15,799.\(^9\)


Past-due student loan debt is $85 billion.\(^10\)


Grad students and professionals will pay 5.84% for direct unsubsidized loans.\(^11\)

Sources

Budgeting can help you reveal wasteful spending, help you set or reset your priorities, create new habits … and reduce stress.\textsuperscript{12}

After using financial planning tools, 53% feel confident in their money management abilities.\textsuperscript{13}

83% of Gen X (born 1965-1978)\textsuperscript{14}

and 70% of Gen Y (born 1979-1996) are saving for retirement through employer-sponsored plans.\textsuperscript{15}
Sources

They have not had a full 40-year time horizon to save and get long-term compounding of investments.¹⁶


Nearly half (47%) of Millennials think they’ll need $1 million or more for retirement.¹⁷

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Consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877 518-9161 or go to tiaa-cref.org for a prospectus that contains this and other information. Read the prospectus carefully before investing.

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