



Paying Yourself

Income options in retirement

Mark Thompson

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- Seven in 10 American workers feel confident in their ability to retire comfortably, continuing a steady increase over the past four years.¹
- More than half of workers (52%) plan to work past age 65—and 57% plan to continue working in retirement.²
- Average time spent in retirement is 20 years³
- Median income for married couples age 65 or older is about \$68,000⁴
- 27% of American workers are currently working with a financial advisor, and another 40% say they plan to.⁵

- Wants and needs in retirement: The income floor
- Retirement investments: What to consider
- Retirement account options: The basics
- Other investments and savings
- Action steps

Having enough starts with having a plan: The income floor



Retirement needs

- Home and home-related
- Healthcare
- Food and clothing
- Transportation
- Insurance
- Taxes and debt payments



Once you establish your income floor, you can establish your lifestyle



Retirement wants

- Vacation/second home
- Hobbies
- Travel
- Time with family and friends
- Volunteerism
- Legacy assets



The budget worksheet



How to use this worksheet

Enter your best estimates into the form fields that follow. If a field doesn't apply, just leave it blank or enter zero. For each column, add the numbers up and enter the subtotals at the bottom. At the end of the worksheet, plug those subtotals into the simple equation and you'll find out what your monthly income—after expenses—could be!

Monthly budget worksheet

Essential Budget Items (A)

Household Expenses

Mortgage/Rent	\$
Utilities/Telephone	\$
Gas/Oil/Water	\$
General Maintenance	\$
Household Supplies	\$

Meals

Groceries	\$
Beverages	\$
Essential Entertaining	\$

Debt

Credit Cards	\$
Student Loans (incl. loans)	\$
Home Equity Loans	\$
Other	\$

Tax Considerations

Income (Federal, state, local)	\$
Property Tax	\$
Capital Gains/Dividends	\$
Other	\$

Insurance

Life	\$
Auto	\$
Homeowner's/Renter's	\$
Health/Dental	\$
Other	\$

Miscellaneous

Professional Services	\$
Dues (memberships)	\$
Childcare	\$

Subtotal A	\$
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Discretionary Budget Items (B)

Household Expenses

Home Improvement	\$
New Purchases	\$
Cable TV	\$
Internet	\$

Meals

Dining Out	\$
Entertaining	\$

Debt

	\$
	\$
	\$

Tax Considerations

Charitable Contributions	\$
Gifts	\$
Capital Gains/Dividends	\$
Other	\$

Insurance

Long-term Care	\$
Other	\$

Miscellaneous

Professional Services	\$
-----------------------	----

Subtotal B	\$
------------	----

Transfer Subtotal A and Subtotal B to their spaces on the next page.

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Monthly budget worksheet

Essential Budget Items (C)

Leisure & Hobbies

	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$

Personal Care

Clothing (purchases/laundry)	\$
Products/Maintenance	\$

Healthcare & Wellness

Medicare	\$
Medical/Supp. Insurance	\$
Out-of-Pocket Co-Payments	\$
Dental/Vision/Hearing	\$
Eye Doctor/Glasses	\$
Medical Equipment	\$
Prescription and OTC drugs	\$
Other	\$

Transportation

Car Payments	\$
Maintenance/Fuel	\$
Taxes, Registration, etc.	\$
Other (incl. tolls/carpool)	\$

Subtotal C	\$
------------	----

Subtotal A (from prev. page)	\$
------------------------------	----

Total Essential Budget	\$
------------------------	----

Discretionary Budget Items (D)

Leisure & Hobbies

Health Club (membership classes)	\$
Vacation/Travel	\$
Dining	\$
Movies, Theater, Rentals	\$
Education	\$
Other (books, hobbies)	\$
Discretionary spending	\$
Gifts and Holidays	\$

Personal care

The Extras	\$
Products/Maintenance	\$

Healthcare & Wellness

Out-of-Pocket Co-Payments	\$
	\$
	\$
	\$
	\$
	\$
	\$

Transportation

Discretionary Travel	\$
Vacations	\$
Upgrades	\$
Other	\$

Subtotal D	\$
------------	----

Subtotal B (from prev. page)	\$
------------------------------	----

Total Discretionary Budget	\$
----------------------------	----

Monthly Income Sources (net of taxes)

Pension/IRAs	\$
401(k)/403(b)/457(b)	\$
Social Security	\$
Dividends/Interest	\$
Alimony/Child Support	\$
Employment	\$
Royalties	\$
Real Estate (rental income)	\$
Other	\$

Total Monthly Income	\$
----------------------	----

Total Essential Budget	\$
+	
Total Discretionary Budget	\$
=	
Total monthly expenses	\$

Total monthly income	
-	
Total monthly expenses	
=	
Funds available	\$

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- Social Security
- Defined Contribution plans (401(k), 403(b))
- Defined Benefit plans
- Individual Retirement Accounts (IRAs)
- Annuities
- Other investment and savings accounts



Income traits:

- Taxable, fixed monthly income from the government

Income options:

- Fixed benefit

Other traits:

- Reduced benefits can be taken as early as age 62
- Full benefits available if you wait to full retirement age
 - Full retirement age depends on when you were born
- Spouse gets a benefit, too
 - How and when you and your spouse elect to receive Social Security benefit can make a big difference in your monthly payment

Sources:

- 1) ssa.gov
- 2) TIAA collateral

Employer-sponsored retirement accounts: Defined Contribution plans (401(k) and 403(b))



Income traits:

- Taxable, variable monthly income from your employer-sponsored account

Income options:

- Roll it into an IRA
- Leave it alone
- Take periodic distributions
- Annuity (lifetime income)
- Lump-sum withdrawal

Other traits:

- May borrow money from it (if plan permits), but must pay it back
- Minimum withdrawal age of 59½ (or be subject to IRS penalty)
- Mandatory withdrawals beginning at age 72

Employer-sponsored retirement accounts: Defined Benefit plans



Income traits:

- Taxable, fixed monthly income from an employer-sponsored and managed account

Income options:

- Fixed benefit based on company's formula very often at termination
- Typically funded entirely by the company (although government plans often require employees to contribute)
- Benefits determined by personalized factors, not investment performance
 - Length of service with company
 - Earnings history (so-called terminal income)
 - NOT an individual account
- Benefits may come out of company income if investments underperform
- Maximum benefit is \$230,000, no contribution limit*

*IRS, Defined Benefit Plan—Benefit Limits

irs.gov/Retirement-Plans/Plan-Participant-Employee/Retirement-Topics-Defined-Benefit-Plan-Benefit-Limits

Income traits:

- Taxable, variable income from a personal retirement investment account

Income options:

- Take it in a lump sum
- Periodic disbursements
- “Rollover” into another Traditional IRA
- Annuity (Investment Solutions IRA)

Other traits:

- 10% penalty for early withdrawal, plus taxes
- Minimum withdrawal age of 59½; mandatory distributions begin at age 72
- Penalties for not taking minimum distributions!
- Special rules may impact taxes

Income traits:

- Tax-free, variable income from a personal retirement investment account

Income options:

- Take it in a lump sum
- Periodic disbursements
- “Rollover” into another Roth IRA
- Annuity payout

Other traits:

- 10% penalty for early withdrawal, plus taxes on earnings
- Minimum withdrawal age of 59½
 - NOTE: Special disbursement rules can apply
- No mandatory distributions
- No penalties for not withdrawing
- Account must be disbursed if account holder dies
- Roth account must be five years old before you can take a distribution of gains without tax penalty
- Contributions (but not gains) are always available for withdrawal without tax or penalty

Income traits:

- 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






What do you own that can provide lifetime income?



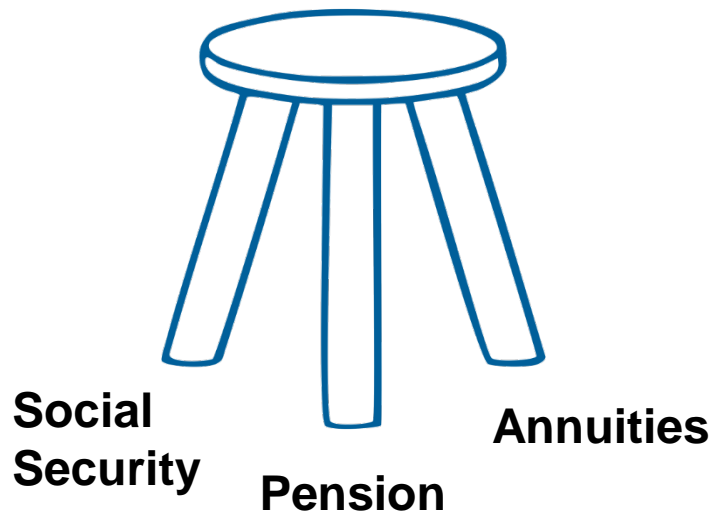
Discretionary expenses

-  Entertainment
-  Charitable donations
-  Gifts
-  Travel
-  Dining out

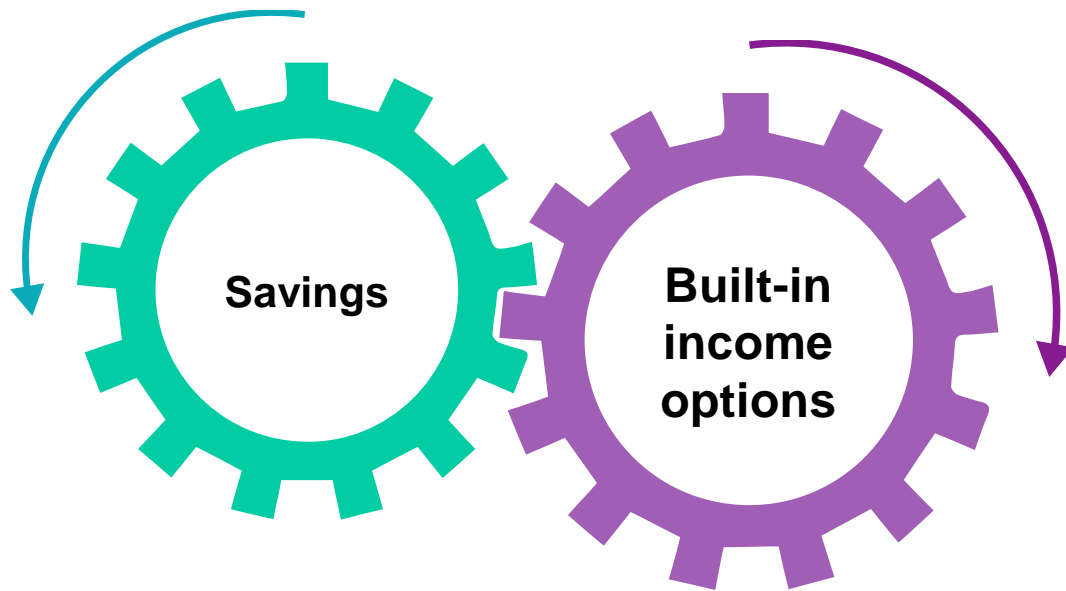
Essential expenses

-  Transportation
-  Utilities
-  Health care
-  Home
-  Food

Regular, permanent payments of lifetime income can come from **Social Security, pensions and annuities.**



TIAA solutions are designed to go from savings in accumulation to income in retirement.



Understanding annuities based on life stages



Using our fixed and variable annuities as examples:



Deferred Annuity
Accumulation Period



Immediate Annuity
Distribution Period

Fixed Annuities	TIAA Traditional	TIAA Traditional
	Fixed rate of return	Fixed income payments
Variable Annuities	CREF & REA Accounts	CREF & REA Accounts
	Returns vary based on portfolio returns	Variable income payments based on portfolio results

Reminder: Your plan may offer non-annuities investments that may be appropriate for your situation.

Life Annuity:

Guaranteed income for life, fixed or variable

TIAA Interest Only:

Income from a TIAA Traditional Annuity that leaves principal unchanged

Minimum Distribution Option:

Automatically withdraws the minimum required amount from your account once you've reached the minimum age

Transfer Payout Annuity:

Allows you to access and reallocate TIAA Traditional Annuity over a set number of years

Cash withdrawals:

Lump sum or systematic

Some common payout options*:

- Life only
- Life with a guarantee period
- Joint life and last survivor

*Not all options available and some providers may offer different payouts. Other income options may be available.

- What will the investment/asset be used for?
- How liquid or easy to withdraw is it?
- How is each investment/asset taxed on withdrawal?
- What is it invested in—what is the risk?



- Estimate your *required* expenses and determine if guaranteed income could help
- Estimate the cost to do what you *want* in retirement consider investing accordingly
- Plan your income carefully and know which assets will pay what amount and when
- Taxes, taxes, taxes
- Learn about consolidation options

TIAA.org/tools

- Retirement Advisor
- Preparing for Retirement—[TIAA.org/pfr](https://www.tiaa.org/pfr)
- Retirement Goal Evaluator
- Budget Worksheet

IMPORTANT: The projections or other information generated by the Retirement Advisor tool regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.



Thank you!



You can call **800-732-8353** to schedule a one-on-one counseling session for advice from a TIAA Financial Consultant.

Or, schedule online at **[TIAA.org/schedulenow](https://www.tiaa.org/schedulenow)**

*Seven in 10 American workers feel confident in their ability to retire comfortably, continuing a steady increase over the past four years.*¹

¹Employee Benefit Research Institute, 2020 Retirement Confidence Survey, “RCS Fact Sheet 1: Retirement Confidence,” April 2020

*More than half of workers (52%) expect to work past age 65—and 57% plan to continue working in retirement.*²

²Transamerica Center for Retirement Studies, “20th Annual Transamerica Retirement Survey: Retirement Security Amid COVID-19: The Outlook of Three Generations,” May 2020

*Average time spent in retirement is 20 years.*³

³The Balance, “Average Retirement Age in the United States,” December 2019

*Median income for married couples age 65 or older is about \$68,000*⁴

⁴United States Census Bureau, “Household Income in 2018,” accessed online July 2020

*27% of American workers are currently working with a financial advisor, and another 40% say they plan to.*⁵

⁵Employee Benefits Research Institute, 2020 Retirement Confidence Survey, “RCS Fact Sheet 3: Preparing for Retirement in America,” April 2020

*44% of Americans between the ages of 60 and 70 have a mortgage when they retire, and as many as 17% say they may never pay it off.*⁶

⁶AARP, “Many Retired People Don’t Expect to Pay Off Mortgages,” accessed online July 2020

*Average annual healthcare spending is 8% of total expenses for those age 50-64, but jumps to 19% for those 85 and older.*⁷

⁷Employee Benefit Research Institute, “Spending Patterns of Older Households,” accessed online July 2020

A 65-year old couple retiring in 2020 could need as much as \$325,000 saved for health care and medical expenses throughout retirement—a significant amount, but about 10% lower than 2019.⁸

⁸Employee Benefit Research Institute, “A Bit of Good News During the Pandemic: Savings Medicare Beneficiaries Need for Health Expenses Decrease in 2020,” May 2020

The cost of eating at home changed only moderately from 2018 to 2019 at 2%, while eating out increased less than 1% during the same period.⁹

⁹Bureau of Labor Statistics, “Consumer Expenditures Midyear Update—July 2018 through June 2019 Average,” April 2020

Social Security can be expected to replace about 40% of preretirement income¹⁰

¹⁰Congressional Budget Office, “Replacement Rates for Hypothetical Retired Workers,” accessed online July 2020

A spouse’s benefit may be up to 50% of yours.¹¹

¹¹Social Security Administration, “Retirement Planner: Benefits for Your Spouse,” accessed online July 2020

The average time spent in retirement is 20 years.¹²

¹²The Balance, “Average Retirement Age in the United States,” December 2019

What percentage of Americans 65 and older held a paying job in 2019? More than 10 million, or nearly 20%¹³

¹³Bureau of Labor Statistics, “Employment status of the civilian noninstitutional population by age, sex, and race,” January 2020



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