Securing your legacy with your TIAA Traditional Annuity

Activating lifetime income today could provide increased benefits for loved ones tomorrow
A smarter way to pursue your giving and legacy goals

When you started saving with TIAA Traditional, issued by Teachers Insurance and Annuity Association of America (TIAA), you may have done so to help create pension-like guaranteed income in retirement. If, later on, you discovered you didn’t need this money to cover everyday expenses, you may have decided to leave your TIAA Traditional account to those you most care about.

But there may be a better way to leave loved ones more than just your account balance. This is due to the way retirement assets are taxed and the potential income benefits TIAA Traditional can provide.

Activating lifetime income can potentially allow you to:

- Generate a higher level of income than you can by taking required minimum distributions
- Leave a legacy free of federal income tax for loved ones
- Give important financial gifts during your lifetime
- Reduce the tax burden for beneficiaries

1 All guarantees are subject to TIAA’s claims-paying ability.
Taxes—the disadvantage of leaving retirement assets to loved ones

One way or another, Uncle Sam expects us to pay taxes. Depending on the type of account you have, you’ve either paid taxes along the way or you’ve deferred paying taxes until later. It’s no different when it comes to legacy planning. That’s why it’s important to understand how assets passed to your heirs may be taxed differently.

For example, what if you left $250,000 to your heirs?

<table>
<thead>
<tr>
<th></th>
<th>Nonretirement assets</th>
<th>Retirement assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount subject to income tax at death</td>
<td>$0</td>
<td>$250,000</td>
</tr>
<tr>
<td>Federal income tax 35% (heirs)</td>
<td>n/a</td>
<td>–$87,500</td>
</tr>
<tr>
<td>Net to heirs</td>
<td>$250,000</td>
<td>$162,500</td>
</tr>
</tbody>
</table>

As you can see, leaving tax-deferred money to your heirs may not be the best strategy. Since the money would be considered income for your heirs, they may face a higher tax rate. You may want to consult your tax advisor before making any decisions.
Converting TIAA Traditional into lifetime income

“Activating” TIAA Traditional’s lifetime income can provide higher income payments due to the following factors

Keep in mind

- Lifetime income payments are taxable as regular income.
- Converting your money into lifetime income payments cannot be canceled. You may want to keep other funds available for emergencies.

What’s your personal lifetime income* payout rate?
Call TIAA at 888-583-2535 to get your personal payout rate.

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“Loyalty bonus”
Consistent with our nonprofit heritage, we seek to return unneeded contingency reserves to long-term participants. People who started contributing to TIAA Traditional before 2002 can earn total payout rates up to 8.4% today.

Potential for more
You may earn additional amounts based on factors such as current interest rates. Every year since 1949, TIAA has paid more in lifetime income than our guaranteed minimum amount.

Guaranteed amount
Your payment will never go below this amount. Since 1918, our retired participants have never missed a payout from us.

* Any guarantees under annuities issued by TIAA are subject to TIAA’s claims-paying ability. Payments from the variable accounts will rise or fall based on investment performance.
Choosing an income option to suit your needs

As part of your decision to activate your lifetime income payments—or not—you’ll have to determine:

- The payment amount you’ll need
- Whether you or your loved one will receive income
- The desired beneficiary protection

Options that provide guaranteed income for life

- Selecting a “one-life” annuity to ensure you receive money as long as you live.
- Selecting a “two-life” annuity to ensure you and a loved one both receive money over the course of your lifetimes.

You can ensure payments continue to your beneficiaries should you pass away by adding a guarantee period of 10, 15 or 20 years.

Beneficiary protection

A 65-year-old retiree who selects a single life annuity with a 20-year guarantee period would get back the full amount paid-in as income payments to him/herself or to beneficiaries.7
Putting it all together

Imagine a couple, George and Martha—both 70 years old—decide it’s time to retire. Their plan is to live off George’s investments and leave Martha’s TIAA Traditional annuity balance of $500,000—accumulated over 30 years—to their children. They speak with their advisor to determine how they can maximize their legacy while minimizing the tax burden on their loved ones.
Income activation may provide more legacy options

The following hypothetical example shows how converting Martha's TIAA Traditional $500,000 balance to lifetime income could add up to more for George and Martha's loved ones.⁸

<table>
<thead>
<tr>
<th>Option 1:</th>
<th>Option 2:</th>
<th>Option 3:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leave the $500,000 TIAA Traditional annuity balance as is</td>
<td>Convert the balance to income payments for life</td>
<td>Use the lifetime income payments to purchase life insurance</td>
</tr>
</tbody>
</table>

- **Option 1:** Leave the $500,000 TIAA Traditional annuity balance as is
  - $13,686 Initial required minimum distribution (RMD), gifted after taxes⁹

- **Option 2:** Convert the balance to income payments for life
  - $26,659/year Gifted to heirs after taxes¹¹

- **Option 3:** Use the lifetime income payments to purchase life insurance
  - $26,659/year Funds a universal life insurance policy with a $978,000 death benefit¹²

**After 25 years, when Martha passes away (after George) at age 95...**

<table>
<thead>
<tr>
<th>Total: $811,672</th>
<th>Total: $915,600</th>
<th>Total: $978,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final amount gifted, between the RMDs every year ($659,321)⁹ and the remaining TIAA Traditional balance after taxes ($152,350)¹⁰</td>
<td>Total gift, as the money given remained constant each year¹¹</td>
<td>Tax-free life insurance death benefit passed on to heirs</td>
</tr>
</tbody>
</table>

See how TIAA Traditional may help you secure the legacy you want

Speak to your dedicated TIAA advisor or go to TIAA.org/traditional

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⁸ Results could change based on many variables including (but not limited to) tax rates of beneficiaries and potential tax changes in the future.

⁹ Assumes a 25% income tax rate and reinvestment at an annual earned rate of 2% after taxes. Initial pre-tax withdrawal is $18,248.

¹⁰ Assumes the remaining TIAA Traditional balance earns annual returns of 4%, and a 35% total income and estate tax rate applies at death.

¹¹ Martha’s 30 years of savings in TIAA Traditional will provide her and George with a 7.11% income payout for life, based on selecting the two covered lives option with a 10-year guarantee period. The income payout percentage may be lower for those with a shorter contribution duration. Individual payout rate can vary based on contribution history and interest rates. Assumes a 25% income tax rate and the income payments are assumed to be reinvested at an annual earned rate of 2% after taxes. Pre-tax annual income is $35,546; this option satisfies RMD.

¹² Universal life insurance policy values based on two insured lives, age 70, select non-tobacco, death benefit option A-Level, and annual premium payments. It assumes current policy charges and a credited interest rate of 3.85%. These assumptions are likely to change for all years. Therefore, actual results may be more or less favorable than those calculated. Other options for funding the purchase of life insurance may be considered.
The nonretirement assets receive a step-up in basis when passed to beneficiaries to minimize the capital gains tax.

Estate taxes may apply.

Additional amounts, which may include the return of contingency reserves (loyalty bonus), may be declared on a year-by-year basis by the TIAA Board of Trustees. Such additional amounts, when declared, remain in effect for the “declaration year,” which begins each March 1 for accumulating annuities and January 1 for payout annuities. Additional amounts are not guaranteed for periods other than the period for which they were declared.

Based on a 65-year-old choosing a single-life annuity with a 10-year guarantee as of 5/1/18. Guaranteed minimum varies by contract.

As of 12/31/2017.

Historically, TIAA Traditional participants who’ve chosen to receive income over a 20-year period have received more than their initial annuitized amount back. As with past amounts, future amounts paid on TIAA Traditional are also subject to TIAA’s claims-paying ability.

Your needs and the suitability of life insurance products should be carefully considered prior to purchase. Funding a life insurance policy to help ensure a maximum legacy may not always work. This concept depends on the amount and number of years premiums are paid.

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TIAA Traditional may not be available under all employer-sponsored retirement plans recordkept by TIAA, but is available to eligible individuals through a TIAA IRA. The terms of TIAA Traditional differ between contract forms. Some contracts allow for full withdrawals and transfers. Other contracts only permit withdrawals and/or transfers to be paid in multiyear installments and certain withdrawals may be subject to a surrender charge. Review your contract, certificate, or other product literature, or contact TIAA for complete details. When TIAA Traditional Annuity is made available within an employer-sponsored retirement plan, income and withdrawal options are subject to the terms of the employer plan. Withdrawals prior to age 59 1/2 may be subject to a 10% federal tax penalty, in addition to ordinary income tax.

Annuity contracts contain terms for keeping them in force. Exclusions, restrictions, limitations and reductions in benefits will, in certain situations, apply to annuity contracts. Your financial consultant or advisor can provide you with costs and complete details. Exclusions, restrictions, limitations and reductions in benefits will, in certain situations, apply to your policy. Please note that TIAA-CREF Life Insurance Company has the right to contest the policy for misrepresentation by the applicant.

TIAA Traditional annuity is not FDIC insured, is not bank guaranteed, is not a deposit, is not insured by any federal government agency, is not a condition to any banking service or activity.

The TIAA Traditional Annuity Retirement Annuity (RA) contract form series 1000.24; Group Retirement Annuity (GRA) certificate form series G-1000.4 or G-1000.5/G1000.6 or G1000.7 (not available in all states); Supplemental Retirement Annuity (SRA) contract form series 1200.8; Group Supplemental Retirement Annuity (GSRRA) certificate form series G1250.1; Retirement Choice (RC) contract form series IGRS-01.84-ACC and IGRS-02.84-ACC; Retirement Choice certificate series IGRS-CERT2-84-ACC and IGRS-CERT3-ACC; Retirement Choice Plus contract form series IGRSP-01.84-ACC and IGRSP-02.84-ACC; Retirement Choice Plus certificate series IGRS-CERT2-84-ACC and IGRS-CERT3-ACC; Group Annuity (GA) contract form series 6008.8 and 6008.9-ACC; After-Tax Retirement Annuity (ATRA) contract form series 1000.24-ATRA; IRA contract form series 1280.2, 1280.4 (not available in all states and generally no longer issued), or TIAA-IRA-01 and Roth IRA contract form series 1280.3 or 1280.5 (not available in all states and generally no longer issued), or TIAA-Roth-01; and Keogh certificate form series G1350 (not available in all states) are issued by Teachers Insurance and Annuity Association of America, 730 Third Avenue, New York, NY 10017.

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