Financial terms to know

You don't need to be a financial expert to make the most of your retirement account(s). Whether you create a retirement strategy on your own or work with a TIAA financial consultant, there are several key terms that can help you get the most out of TIAA's online resources and/or one-on-one retirement advice and education sessions.

Term	What it is	Why it's important
Annuity	An insurance product that guarantees the payment of income for either a stated duration or for a lifetime. Income payments during retirement are based on your contributions and the value of your account at retirement.	Other than Social Security and pensions, annuities are the only retirement option capable of providing income that's guaranteed for as long as you live.[1]
Asset allocation	An investment process that can be used to balance investment risk versus reward by adjusting the percentage of each asset in an investment portfolio according to your risk tolerance, goals and investment time frame.	An asset allocation strategy helps identify the mix of investments that may be right for you. There is no guarantee that implementing an asset allocation strategy will increase returns or eliminate investment losses.
Beneficiary	A person or legal entity designated to receive your money, property or other benefits when you die.	Naming a beneficiary helps make your wishes known. Typically, beneficiaries you name for retirement plan accounts, annuities and life insurance policies will supersede any direction included in your will. It's recommended to regularly review and/or update your designations.
Brokerage account	An account you open with a licensed brokerage firm that allows you to buy and sell investment products for a fee. The brokerage firm processes the transactions for you.	Having a brokerage account can help you address specific financial strategies using a broad range of financial products and services.
Compounding	The process of an investment generating earnings which are then reinvested to generate their own earnings.	Compounding can help an investment grow over time, which is why it's important to begin saving and investing as early as possible.
Diversification	Diversification basically means "don't put all your eggs in one basket." It's spreading your contributions across different types of investment options to help minimize overall risk.	Diversification can help offset some of the risk of investing. An upswing in one investment or account may help counterbalance the downward move of another as financial markets change. There is no guarantee that diversification increases returns or eliminates investment losses.
Employer match	Money your employer contributes to your retirement plan account when you also contribute to your account.	Don't leave "free" money on the table. Taking advantage of your employer match can help boost your retirement account balance.
Equity	Stock or any other financial security representing an ownership interest in a company.	Equities have historically outperformed other investments over the long term, but keep in mind that past performance does not guarantee future results.
Estate planning	Preparing for the transfer of your assets and property in the event of your incapacitation or death.	Having an estate plan encompasses more than just having a will. An estate plan may help you and/or your heirs pay substantially less in taxes, fees and court costs.
Fixed income	A security—often a bond—that pays a fixed rate of return.	Although generally viewed as a more conservative option compared to stocks, fixed-income investments can potentially build wealth, add diversification and help manage financial risk.

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Mutual fund	An investment made up of a pool of money collected from many investors for the purpose of investing in stocks, bonds or other securities. You own shares of a fund and can buy or sell your shares at any time.	With mutual funds, you have easy access to investments that provide both diversification and professional management.
Pretax contributions	Contributions to a retirement account or other investment before current taxes are deducted.	Pretax contributions help reduce your current taxable income. Taxes on your contributions and earnings are deferred until retirement, at which time you may have less income and may be in a lower tax bracket.
Required minimum distribution	By law, the amount that you must begin withdrawing from certain tax-deferred retirement accounts by April 1 of the year after you turn 70½. **Note:** *Different rules may apply if you're still working.*	There are stiff penalties for failing to take required distributions on time, so it's important to stay on top of the due dates as you plan ahead for retirement.
Retirement income	The money you receive in retirement from sources such as pensions, Social Security, 403(b) or 401(k) accounts, annuities, investments and bank accounts.	It's smart to compare your expected retirement income with expenses, such as costs for daily living, activities you enjoy and healthcare. If your anticipated income falls short of your expenses, you may be able to make adjustments.
Roth contributions	Contributions made to a Roth retirement account after current taxes have been deducted.	Contributions and any earnings may be withdrawn tax free in retirement, which may be beneficial if you expect your retirement income will be the same or higher than during your working years.
Target-date funds (also known as Lifecycle funds)	Funds invested in a broad range of stocks and bonds, and managed to a specific target date. The mix of investments in each fund becomes more conservative as the target date (usually retirement) approaches.	Target-date funds offer an easy way for you to choose a single fund that provides a professionally designed mix of investments that automatically adjusts over time based on your anticipated retirement date.
Vesting	The time required for employer contributions to be in your retirement account before you own them. Vesting is usually based on years of service with your employer.	You are always 100% vested in money you contribute to the retirement plan; employer contributions may take multiple years to fully vest.

You have access to retirement advice and education

Learn more about your retirement plan features and investment choices at **TIAA.org.**

To schedule a one-on-one advice and education session, visit **TIAA.org/schedulenow** or call TIAA at **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET).

[1] Any guarantees under annuities issued by Teachers Insurance and Annuity Association of America are subject to its claims-paying ability.

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You should consider the investment objectives, risks, charges, and expenses carefully before investing. Please call 877-518-9161 or go to TIAA.org for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

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