Helping employees “to and through retirement” is a foundational objective of an employer-sponsored retirement plan. The “to” part is what employees have heard all along: Contribute to the plan, diversify across asset classes, and review/rebalance over time. But what about the “through” part? Retirement security requires more than just accumulating savings—people also need protection against outliving their assets.

You can strengthen your organization’s retirement plan and help achieve better outcomes by including options designed to create lasting income in retirement. After all, a diversified retirement income portfolio is just as important as a diversified savings portfolio.

In-plan menu options designed for both savings and income fortify a comprehensive diversified strategy

Today’s workers may be in retirement for decades, and yet:

- Only 39% have estimated how much income they would need each month in retirement.¹
- Only 23% say they are “very confident” about having enough money for a comfortable retirement.¹

Consider an approach to help build employee confidence—and your ability to better manage your workforce. You can add fixed and variable annuities to your plan’s menu to offer opportunities for both saving and lifetime income. Fixed and variable annuities can work together to help reduce the risks that can erode retirement savings, such as market volatility, inflation and outliving assets. Often available at a much lower cost than retail alternatives, in-plan annuities make it possible to accumulate savings through regular contributions. Later, they help fortify a diversified retirement income plan by allowing employees to convert their savings into income that never runs out.²

An approach to building employee confidence is to offer in-plan fixed and variable lifetime income options designed to work together to help mitigate the risks that can erode retirement savings.
Income diversification: A strategy for pursuing better retirement outcomes

**A combination of options helps diversify retirement income**

A strategy of using fixed and variable annuities for lifetime income along with other investment withdrawal options can promote potential growth and sustainable income during a long retirement. Such a strategy also addresses the concerns many retirees face.

Consider how inflation can affect a retiree’s income. Social Security benefits and some pensions may help retirees fight off inflation through annual cost-of-living adjustments. In-plan variable annuities complement these with their potential to provide increased income during favorable market periods. Of course, payments from variable annuities can decrease in down markets.

Living longer, market volatility, and cognitive decline can also significantly impact retirement savings and income. A portfolio diversified with fixed and variable annuities helps mitigate the downside of these risks. While each source of income is inherently risky, combining them can help manage the risk of each. A withdrawal strategy using different types of investments can mean receiving regular monthly “paychecks” in retirement as well as potentially more income.

Diversification to help manage risks can help give employees the confidence they want as they pursue their retirement goals.

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**A diversified income strategy can help address the concerns employees face in retirement.**

<table>
<thead>
<tr>
<th></th>
<th>Guaranteed income payments (fixed annuity)</th>
<th>Lifetime income payments (variable annuity)</th>
<th>Investment portfolio withdrawals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Longevity risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cognitive risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity in retirement</td>
<td>With partial annuitization, access to some assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opportunity to leave an estate</td>
<td>With partial annuitization, potential for larger estate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opportunity to preserve assets</td>
<td>Partial annuity with a guaranteed period</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Any guarantees under annuities issued by TIAA are subject to TIAA’s claims-paying ability. Payments from variable accounts will rise or fall based on investment performance.
Income diversification: A strategy for pursuing better retirement outcomes

With the dependability of receiving lifetime income from annuities, retirees may choose to be more aggressive with other parts of their portfolios. Less concern about the risk of market volatility can mean greater confidence that they can help meet their everyday expenses with income that lasts a lifetime.

The value of a diversified retirement income strategy
Employees can create a diversified income strategy by combining different types of income.

- **Fixed annuity income payments**
  - Guaranteed lifetime income
  - Payment amounts guaranteed

- **Variable annuity income payments**
  - Payments guaranteed for life
  - Payment amounts may fluctuate with market performance
  - Access to professional management

- **Investment portfolio withdrawals**
  - Post-retirement liquidity
  - Access to professional management

- **Diversified income plan for life**
  - Guaranteed income that never runs out
  - Growth potential
  - Access to professional management
  - Post-retirement liquidity
  - Bigger legacy potential than a typical withdrawal strategy

Guarantees are based on the claims-paying ability of Teachers Insurance and Annuity Association of America.

- **Fixed annuities** offer growth while employees are saving, with a minimum guaranteed crediting rate regardless of market performance. In retirement, they can use fixed annuities for dependable income that never runs out. Employees typically can rely on this guaranteed income to help with everyday necessities.

- **Variable annuities** bring together the power of diversified investing with regular income payments during retirement. Even while retirees are taking income, variable annuities remain invested across their specific asset classes, strategies, styles, and sectors to potentially grow and help weather inflation and other risks. Because variable annuities adjust with market performance, the amount of a given payment may increase or decrease.
Case study
Income from a mix of fixed and variable annuities as well as investment portfolio withdrawals may improve outcomes

Below is a hypothetical illustration of how a diversified income strategy can help improve retirement readiness. This example is not intended to predict or project performance of any account. Actual returns will vary.

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### David is 68 years old

#### Financial goals in retirement
- Income stability to meet his essential costs
- Income growth potential to maintain his lifestyle and help his family
- Retirement income for the rest of his life
- Opportunity to leave a legacy for his family

#### Amount saved
- $750,000

#### Preretirement annual income
- $80,000

#### Annual retirement income goal
- $60,000 (75% of preretirement income)

#### Annual income from Social Security and pensions
- $24,000

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*After receiving $24,000 from Social Security and pensions, David needs to generate $36,000 a year to meet his annual retirement income goal of $60,000.*

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### Scenario 1:
Using typical 4% withdrawals from investments along with Social Security/pensions

Using the industry rule-of-thumb 4% systematic withdrawal rate, David’s savings of $750,000 would generate $30,000 each year. To achieve his goal of $60,000, he needs to generate $36,000, in addition to his $24,000 income from Social Security and pensions. This income strategy leaves him with an annual shortfall of $6,000.

In a scenario of using 4% withdrawals alone, David would need to have saved $150,000 more to achieve his income goal—$900,000 vs. the $750,000 he has today. In this case, David not only can’t meet his retirement income needs, but he also won’t have the benefit of guaranteed income payments that protect his savings from market volatility, steady lifetime income that helps keep up with rising costs, and the confidence of knowing he won’t outlive his savings.

<table>
<thead>
<tr>
<th>Withdrawal amount base</th>
<th>Payout rate</th>
<th>Savings required</th>
</tr>
</thead>
<tbody>
<tr>
<td>$60,000 - $24,000 =</td>
<td>$36,000</td>
<td>$900,000</td>
</tr>
<tr>
<td>$30,000</td>
<td>4%</td>
<td>$750,000</td>
</tr>
</tbody>
</table>

**Annual income shortfall:** $6,000

**Total savings shortfall:** $150,000
Scenario 2: Adding annuity income to investment portfolio withdrawals and income from Social Security/pensions

In this hypothetical example, David fares much better by complementing his retirement income portfolio with fixed and variable annuities. David still has an annual income goal of $60,000.

He generates one-third of his income needs by using the typical 4% systematic withdrawal rate from his investments. But now he generates the remaining two-thirds using fixed and variable annuities that will give him lifetime income along with Social Security and pensions.

He selects a portion of what he’s accumulated in his variable annuity ($112,500) and fixed annuity ($119,000), and receives $8,000 in annual lifetime income payments from each. Now David has $16,000 in income from his annuities and $24,000 from Social Security and pensions—half of his income goal.

To receive the remaining $20,000 to achieve his goal, David needs to use only $500,000 for his 4% systematic withdrawals.

<table>
<thead>
<tr>
<th>Withdrawal amount base</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/3 using Social Security, pensions and lifetime income annuities</td>
<td>$40,000</td>
</tr>
<tr>
<td>$60,000 x 2/3 =</td>
<td></td>
</tr>
<tr>
<td>Less amount from Social Security and pensions</td>
<td>– $24,000</td>
</tr>
<tr>
<td>Amount remaining to annuitize</td>
<td>$16,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ ½ variable annuities</td>
<td>$8,000</td>
</tr>
<tr>
<td>▪ ½ fixed annuity</td>
<td>$8,000</td>
</tr>
<tr>
<td>1/3 using 4% systematic withdrawals</td>
<td>$500,000</td>
</tr>
<tr>
<td>$60,000 x 1/3 =</td>
<td>$20,000</td>
</tr>
<tr>
<td>Total savings required:</td>
<td>$731,500</td>
</tr>
</tbody>
</table>

In Scenario 2, David has enough assets saved to meet his $60,000 retirement income goal—and has $18,500 remaining to use in other ways, such as the legacy he’d like to leave for his family. By annuitizing a portion of his fixed and variable annuities, he reduces the risk of depleting his retirement savings, has money for his family, and receives monthly income in retirement guaranteed to never run out.
Insight: A menu designed with fixed and variable annuities can help drive better outcomes

With the possibility that Social Security benefits may change, there is a greater need than ever for participants to have a diversified income plan or access to diversified investment options that can help promote retirement readiness and provide income that lasts a lifetime.

A diversified portfolio that includes lifetime income from fixed and variable annuities, available through the plan, can provide participants with more confidence, better outcomes, the ability to retire on time, and the reliability of having income for life.

As the example illustrated, the efficiency of realizing income goals by using annuities can potentially leave a retiree with more of their portfolio available for other pursuits. A retiree may choose to continue to invest that portion to provide a legacy to heirs.

Diversifying an income plan can also help provide protections against the risks retirees face, such as market fluctuations or outliving their savings.

In all, a retirement plan structure that includes in-plan annuities can help create the type of compelling benefits program you can use to better manage your workforce—from recruiting to retaining to retiring. Providing the resources that promote retirement readiness and the confidence of having income in retirement that never runs out can help employees retire on time and maintain their standard of living in retirement.

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.

Diversification is a technique to help reduce risk. However, there is no guarantee that diversification will protect against a loss of income. No strategy can eliminate or anticipate all market risks, and losses can occur.

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