TIAA

Taking the next step

A guide for beneficiaries

What's inside

TIAA—listening, caring, ready to help

We understand that losing a loved one is difficult. At TIAA, we're here to help you take care of the assets they worked so hard to build. With this guide, we'll introduce you to some of your options. TIAA financial consultants can give you personalized advice to help you build a portfolio that suits your goals.

No amount of money can compensate for the loss of a spouse, family member or friend. Still, the legacies they leave behind may provide some of the income and security you need for the future.

TIAA can help you take the next step.

Use this guide as you make informed decisions about your financial needs and objectives. At TIAA, we're committed to helping you be comfortable with the decisions you make.

TIAA can help you take the next step. As a beneficiary, you're entitled to some or all of the retirement savings of the original TIAA account owner. The primary purpose of these assets was long-term savings to provide income in retirement. If you, as a beneficiary, don't immediately need to take any required minimum distributions (RMDs), you may choose to continue to save and invest your distributed inheritance with TIAA to help meet your own financial goals, such as retirement, a child's tuition or purchasing a home.[1]

Getting started

Preserving the assets left to you means assessing the role they can play in your overall financial plan. Take some time to consider your needs and objectives to determine how you can invest or use the funds.

Be sure to consider all your potential sources of income. Gather statements and documents for:

- Insurance policies
- Benefit plans
- Business agreements
- Loan and credit agreements
- Bank books
- Securities
- Real estate deeds
- Wills
- Income tax returns

Transfer ownership of TIAA assets

No matter what you may be planning to do with your inheritance, it's important to transfer the assets into your name. TIAA consultants can help as you:

- Complete the forms to accept your inheritance
- Designate your own beneficiaries for the account
- Allocate your assets according to your investment needs
- Prepare to liquidate the account over time in line with tax requirements

Also, consider how you can:

- Assess your income sources
- Determine your income needs
- Manage your assets
- Consider tax issues

As much as we're here to help you, keep in mind that TIAA does not provide legal or tax advice. Please consult with your professional legal or tax advisor regarding your personal financial or tax matters. To discuss your specific needs, feel free to call the TIAA Beneficiary Services team at 888-380-6428.

Plan for taking payments

Beneficiaries are required by law to take payments from the assets in inherited accounts—typically called *distributions*. This must be done within a specific period until the beneficiary receives the entire amount inherited, including any earnings on those amounts. Keep in mind that beneficiaries must take their payments on time to avoid potential tax penalties.

A distribution period depends on considerations such as the class of beneficiary, plan type and date of death. Tax law changed these rules for beneficiaries inheriting from a decedent who dies on or after Jan. 1, 2020.[2] In 2022, amendments were added to the provisions for required minimum distributions (RMDs). Be sure to discuss your options with your professional tax or legal advisor.

New laws impact individuals and beneficiaries

These tax law changes substantially reformed the retirement system to help more Americans save for the future, increase their savings and secure guaranteed income for life when they retire.

The general rule for RMDs is that a beneficiary must receive the entire inherited account within 10 years following the account holder's death, commonly called the "10-year rule." If the beneficiary inherits from an account holder who dies on or after their RMD payment date, the beneficiary must also take RMDs during the first nine years of the 10-year term; a final lump sum is due in the tenth year. Under this rule, once a distribution period is set, it continues to apply to any succeeding beneficiaries.

There are important exceptions to this rule. The main exception is for "eligible designated beneficiaries" (EDBs). There are four categories of EDBs:

- The account holder's spouse
- A disabled or chronically ill person (or a trust for their benefit)
- A minor child of the account holder until they reach age 21
- Anyone else who is older than, or not more than 10 years younger than, the account holder

Under this exception, the EDB must take RMDs according to the "at least as rapidly" rule over the applicable life expectancy (see page 6 for more information about this rule). However, in the case of a minor child of the account holder, the account must be fully liquidated by the tenth anniversary after the date the minor child reaches age 21.

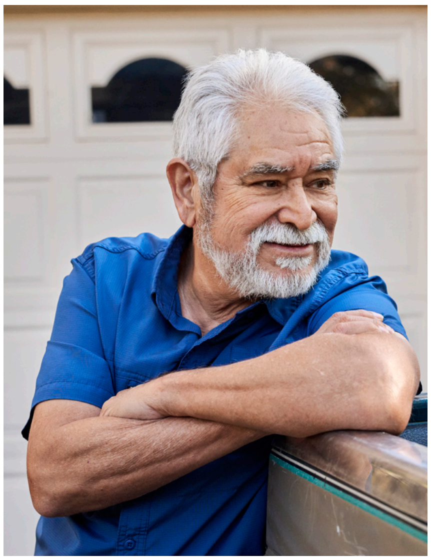
Unless the account holder who passed was already required to receive RMDs, a spouse beneficiary can choose to wait to begin RMDs until the account holder would have reached the RMD applicable age.[5] If the spouse beneficiary dies before beginning RMDs, the *spouse's* beneficiary is treated as the beneficiary of the original account holder—and, if an EDB, could receive lifetime payments as described above. Otherwise, if the spouse beneficiary dies after beginning RMDs or a succeeding beneficiary is not an EDB, they would be subject to the 10-year rule.

continued

Keep in mind

TIAA offers an array of investment options and services for beneficiaries—including managed accounts, fixed and variable annuity accounts, mutual funds, brokerage services, advice services, wealth management and fiduciary services. TIAA financial consultants can help you build a portfolio to suit your long-term financial goals.

Getting started continued



RMDs for an entity beneficiary rather than an individual—such as an estate, charity or non-see-through trust—are generally based on the original five-year version of the 10-year rule. However, if the account holder was receiving RMDs, payments to an entity beneficiary, unless accelerated, would continue over the remaining single life expectancy of the decedent.

If you're the beneficiary of a payout annuity that started before Dec. 20, 2019, you can continue to receive any remaining annuity payments or commute them according to account terms. Payout accounts issued after that date must follow federal tax rules, which may mean the remaining payments would be commuted when the allowable distribution period ends (if such payments exceed the 10-year rule).

The nuances of these rules can be complicated. Be sure to discuss your situation with your professional legal or tax advisor.

403(b) plan accounts with pre-1987 contributions

A special rule continues to apply to "grandfathered" 403(b) accounts.

If the original participant's retirement plan account was established under Internal Revenue Code Section 403(b) and:

- **The participant died before the year in which they turn age 75**, only contributions and earnings credited after 1986 are subject to the RMD rules. Contributions and earnings credited on or before Dec. 31, 1986, are "grandfathered" and can be distributed according to the provisions of the account.
- **The participant would have been age 75 or older in the year of their death**, all contributions and earnings are subject to the RMD rules.

The grandfather rule doesn't apply if you're a spouse beneficiary and roll over the assets to an IRA. In this case, the assets become subject to the rules when you reach your RMD applicable age.

Remember that there are deadlines for meeting distribution requirements, so it's important to transfer the inheritance into your name. TIAA financial consultants can help you set up a schedule for receiving required distributions and calculate the amount you must receive each year. The information on pages 5 and 6 can help you determine your required date.

To discuss your specific situation and needs, feel free to call the TIAA Beneficiary Services team at **888-380-6428**. The TIAA group of companies does not provide legal or tax advice. Please consult your legal or tax advisor.

MORE ABOUT DISTRIBUTION REQUIREMENTS FOR BENEFICIARIES (for those who passed after Dec. 31, 2019)

SPOUSE BENEFICIARIES

You, as the spouse beneficiary, may stay in the employer plan and choose to receive RMDs when your spouse would have reached their RMD applicable age or the year following death, whichever is later.[3]

As an eligible designated beneficiary (EDB), you must also continue to receive RMDs every year after that. If you miss receiving the required distributions, you may be subject to a 25% federal excise tax on the amount exceeding what you should have received as income.[4]

Example
If your spouse (the original participant) passed away in 2021 and would have reached their RMD applicable age in 2023, you must receive a minimum distribution payment by Dec. 31, 2023. If your spouse had already reached their RMD applicable age at their death in 2021, you must start minimum distributions by Dec. 31, 2022.

If you roll over the assets to:

- **Another IRA**, you must generally begin receiving required distributions when you reach your RMD applicable age.
- **Another eligible retirement plan**, you must generally begin required distributions when you reach your RMD applicable age or retire, whichever is later.

Once you set up an RMD schedule, TIAA can let you know the year you must begin and will calculate the required payment each year based on IRS rules.

In addition to automatically receiving RMDs, you can satisfy the requirement using a TIAA annuity option. Once you have transferred ownership of your inheritance, you can speak with a TIAA financial consultant or your own professional tax or legal advisor for more information.

NON-SPOUSE EDBs

When taking payments over life expectancy as an EDB, you must begin receiving at least a specified minimum amount from your account no later than Dec. 31 of the year after the original participant's death.

You must also continue to receive RMDs every year after that. If you don't receive the required distributions, you may be subject to a 25% federal excise tax on the amount you should have received as income.[5]

Example
If the original participant passed away in 2023, you must receive a minimum distribution payment by Dec. 31, 2024.

Once you schedule your RMDs, we'll let you know the year you must begin, and we'll calculate the required payment each year based on IRS rules.

In addition to automatically receiving RMDs, you can satisfy the requirement using a TIAA annuity option. Once you've transferred ownership of your inheritance, you can speak with a TIAA financial consultant or your own professional tax or legal advisor for more information.

continued

Getting started continued

MORE ABOUT DISTRIBUTION REQUIREMENTS FOR BENEFICIARIES (for those who passed after Dec. 31, 2019)

OTHER BENEFICIARIES

Individuals

Individual designated beneficiaries (other than EDBs) are subject to the 10-year rule. If the decedent had already begun RMDs, the beneficiary's RMD payments have to be taken each year under the so-called "at least as rapidly" rule of prior law until any remaining amount is withdrawn at the end of the tenth year. Be sure to discuss this with your professional tax or legal advisor.

Beneficiaries of participants who died before 2020, and those in governmental plans who died before 2022

Pre-SECURE 1.0 RMD rules apply (i.e., the rules that generally apply to deaths before Jan. 1, 2020), which generally distinguish between deaths before and after the participant is required to take RMDs. If the participant dies before their required beginning date, the beneficiary is generally allowed to receive payments over life expectancy or, if the plan allows, to elect the 5-year rule. If the participant dies after the required beginning date, the 5-year rule is not available, and all beneficiaries must take payments over the applicable life expectancy under the "at least as rapidly" rule. If the beneficiary is an individual, the applicable life expectancy is **the longer** of the beneficiary's life expectancy or the remaining single life expectancy of the decedent. An entity uses the decedent's remaining single life expectancy.

Entity beneficiaries

When a beneficiary is an entity—such as an organization, charity, estate or non-see-through trust—the inherited amount can stay invested at the financial company until the fifth year after the year of the original participant's death unless the "at least as rapidly" rule applies. This is called the "5-year rule."[6]

The trustee, executor or administrator can arrange to have the account balance paid out periodically over time or can simply have the entire account balance paid on Dec. 1 of the fifth year after the participant's death.

Fixed-period annuity option

In addition to automatically receiving RMDs, you can also satisfy the 5-year rule and 10-year rule using our fixed-period annuity option. You can speak with a TIAA financial consultant or your own professional tax or legal advisor for more information.

Ineligible and second-generation beneficiaries

Beneficiaries who inherit assets from a deceased beneficiary and not directly from the original participant (except for those inheriting from a surviving spouse who hasn't begun RMDs) are subject to the 10-year rule. If the participant had already begun RMDs, the final regulations say that the second-generation beneficiary must satisfy the "at least as rapidly" rule during the 10-year distribution period. If the deceased's beneficiary's remaining life expectancy is less than 10 years, the distribution period will be shortened.

Assess your income sources

Determine your need for income

Once you identify all your income sources and transfer ownership of the assets into your name, consider whether you need to use your TIAA assets for additional income.

Depending on your situation, you may not know right away if you need some or all of these assets now. This is especially true if you have additional financial responsibilities following the death of the original participant.

To help get a clearer picture of your finances, you may want to compare your income to your expenses. You can do this by estimating your past year's income and expenses and dividing each by 12 for a monthly average. Use the space below to do a quick calculation—simply subtract your average total monthly expenses from your average total monthly income to arrive at your average monthly net income.

Average total monthly income	$
Average total monthly expenses	-$
Average monthly net income	**$**

IF YOUR AVERAGE MONTHLY NET INCOME IS:	YOU MAY WANT TO:
Positive	Consider an income option that allows your TIAA assets to continue to be invested or earn interest until you're ready to use them.
Negative	Look at your spending patterns and what you may need to do to supplement your income.

If you find that you need at least some funds right away, take a look at what you need for supplementary income versus one-time large payments, such as paying off a mortgage.

Based on your need—now or in the future—you can consider options such as:

- Setting up a payment plan to receive immediate income as periodic payments or a single-sum payment for your current living or capital expenses.
- Saving and investing part of the assets while receiving the rest as income now.
- Saving and investing all of the assets in TIAA accounts if you don't need income right away and you are only receiving RMDs.

For more information about distribution options, see pages 10 and 11.
The options available to you as a beneficiary depend on your relationship to the original participant.

Keep in mind

It's important to consider all of your current sources of income. These may include:

- Employment
- Social Security
- Life insurance
- Personal savings
- Investments

Also, be sure to keep in mind the tax implications of receiving income from these sources.

Manage your assets

What you inherit from a retirement account may make up only a portion of the funds you'll need in retirement. You may want to consider consolidating other retirement assets into your TIAA account. This can help you better understand your overall finances—and potentially reduce the statements and mailings you'll receive. Your financial professional can provide additional information. You also may be eligible for an advice session with a TIAA financial consultant. If this is something you'd like to do, call TIAA at **800-842-2252**, weekdays, 8 a.m. to 10 p.m. ET.

Before consolidating retirement assets, carefully consider other available options. For instance, you may be able to leave money in your existing retirement account, roll over money to an IRA, or cash out all or part of the account value. Any options have their own advantages and disadvantages. You'll also want to consider such things as the investment options and services you want, fees and expenses, withdrawal options, RMD rules, tax treatment, and your personal financial needs and retirement plan.

For example, it may be tempting to use your inherited TIAA assets to pay off large debts, such as a mortgage. Keep in mind, though, that TIAA assets are tax deferred. This means they'll be taxable as ordinary income when received as cash, so they may not be the best choice for an immediate need. Also, weigh the pros and cons of using your inherited funds to pay off all your debts at once versus paying over time and setting some funds aside so you have cash available when you need it later.

In general, it's a good idea to talk with your professional financial and tax advisors about consolidating assets and taking any significant distribution.

Consider the tax implications

As you review the information below, consider speaking with your tax or legal advisor or estate planning professional; the TIAA group of companies does not provide tax or legal advice.

Estate taxes

The value of your inherited TIAA account is generally part of the original participant's estate for federal estate tax purposes. If you use trusts for estate planning or other purposes, keep in mind that RMD regulations provide extensive guidance on trusts. You should consult your professional tax and financial advisors.

Ordinary income tax

Most contributions to TIAA annuities are tax deferred (i.e., before taxes have been paid) and, therefore, benefits are taxable as ordinary income when received. Since withdrawals from your account will be taxable, they will increase your tax liability in the year that you receive them. (If the original participant made any after-tax contributions, the portion of the withdrawals representing after-tax dollars won't be subject to taxes.)

If you want to defer taxes and don't need income now, consider an option that lets you continue saving and investing. Remember, even though earnings on these assets will be tax deferred, they'll still be subject to tax when you withdraw them.

No tax penalties for early withdrawals by a beneficiary

Generally, distributions from retirement accounts prior to age 59 ½ are subject to a 10% tax penalty for early withdrawal

Yearly tax liabilities

Determine whether your assets are in pretax or after-tax accounts. Remember that money taken from pretax accounts is generally taxed as ordinary income, while money in after-tax accounts (with the exception of certain earnings) is withdrawn tax-free. It's important to know the difference between the two, especially if you're considering receiving some money in a large cash payment.

Tax

SOME GUIDELINES AROUND TAXES

Given the same investment results, tax-deferred assets grow faster than after-tax assets because you don't have to pay income tax on contributions and earnings until they're received. If you don't need income now, consider the tax-deferral advantage and allow the funds the potential for added compounding of interest and earnings.

Current marginal tax rates are important when considering liquidating a taxable asset. If you have an immediate expense, you may want to use the tax-free assets at your disposal instead of those taxable assets. (This is especially true if you expect your tax bracket to be lower in your retirement years.) Life insurance and marketable securities subject to capital gains can be liquidated without incurring an ordinary income tax liability.[7]

Review the options you have with TIAA

Now that you know some of the issues that can impact which TIAA option you select, we can help you evaluate what may be best for you. Your choices will depend on how much income you'll need and how long you'll need it.

For example, if you don't need income right now, your assets can remain in the same investments under the TIAA and CREF fixed, variable and mutual fund accounts, where you can continue saving and investing. This may be a good idea if you want to use these funds to add to your own retirement savings or for other long-term income needs.

On the other hand, if you need to receive payments right away, perhaps to supplement your income or pay for a particular expense—such as outstanding debt, funeral expenses, or a child's tuition—you can focus on the options that will provide income now.

Since your financial priorities can change, options are flexible to help meet your needs. Also, your options may be impacted by when the account holder passed, the type of beneficiary, and tax law provisions. Finally, please understand that there are laws dictating how long funds can remain "unclaimed" before they are considered abandoned property and sent (*escheated*) to the state of the decedent. To avoid this, be sure you transfer ownership as quickly as possible.

Keep in mind

You can choose among multiple options for managing your inherited TIAA assets.

CONSIDER YOUR OPTIONS BASED ON YOUR FINANCIAL GOALS

Saving and investing

- Stay in the plan of the original account owner and automatically receive RMDs (as applicable)
- Reinvest RMDs with TIAA
- Roll over assets to an IRA or inherited IRA
- Consolidate other inherited assets into an account at TIAA

Meeting current income needs

- Lifetime income
- Fixed-period income
- Single-sum cash payment or periodic cash withdrawals

Choices to suit your goals

GOAL: SAVING AND INVESTING

CHOICE	BENEFITS
Leave assets in the existing plan and receive RMDs*	• Your assets can continue to earn interest and participate in the investment experience of the plan's investment choices. • You can maximize the tax deferral of assets. • You can receive RMDs based on IRS regulations.* • You can take partial cash withdrawals or set up systematic withdrawals. • Spouse beneficiaries can roll over these assets to an IRA or to their own retirement accounts later; non-spouse beneficiaries can roll over these assets to an inherited IRA later. RMD regulations include guidance on rollovers. You should consult your professional tax or legal advisor for information specific to your situation.
Reinvest RMDs with TIAA	**Individual brokerage** • You can select from a variety of investment choices, such as stocks, exchange-traded funds, mutual funds, bonds, FDIC-insured certificates of deposit (CDs) and money market accounts. **Nuveen mutual funds** • You can choose from our selection of mutual funds, which includes single-fund solutions from our Lifestyle series. **Managed account** • You can work with our investment professionals for a fee. They can create and manage your portfolio based on your specific goals and objectives.
Roll over assets to an IRA (available for spouses only)	**Both Traditional and Roth IRAs** • Your assets can earn interest and participate in the investment experience of the IRA's investment choices. • There are flexible income options ranging from lifetime income to periodic and one-time cash withdrawal plans. • You can maximize the tax deferral of assets. • You can preserve the interest and investment earnings potential of assets. **Traditional IRA only** • Your rollover is generally tax-free. • You can take withdrawals anytime. • Withdrawals are penalty free after age 59 ½ or if certain IRS requirements are met. **Roth IRA only** • Your rollover is generally taxable. • Earnings on your contributions are tax-deferred (and, under certain circumstances, tax-free when distributed). • You have the potential for tax-free income. • Minimum distributions are not required for original owners (beneficiaries have RMDs).

* If RMDs are required.

continued

Choices to suit your goals continued

GOAL: SAVING AND INVESTING

CHOICE	BENEFITS
Roll over assets and establish an inherited IRA (available to spouse, non-spouse, estate beneficiaries and see-through trust beneficiaries through TIAA Brokerage)*†	You have a diverse selection of investment choices, including individual stocks, exchange-traded funds, mutual funds, bonds, FDIC-insured CDs and money market accounts. TIAA and CREF annuity accounts aren't available in inherited IRAs. • Spouse beneficiaries don't have to take minimum distributions until the original participant would have reached their RMD applicable age or the year after their death, whichever is later. They can also roll over these assets to their own IRAs. • There is no additional tax penalty for withdrawals before age 59 ½.

GOAL: MEETING CURRENT INCOME NEEDS

CHOICE	BENEFITS
Receive lifetime income (available to spouses or eligible designated beneficiaries, excluding minors)	• You can't outlive income (subject to the claims-paying ability of the issuer). • You automatically meet the minimum distribution requirements. • You can transfer among the TIAA and CREF variable annuity accounts and to the TIAA Traditional Annuity while receiving income.
Receive fixed-period income	• You receive the highest temporary income. • You have payment flexibility, including the ability to stop periodic income and receive cash.
Take a cash withdrawal	• You can receive cash immediately.

Note: There are potential tax advantages and disadvantages with the choices detailed in these tables. Please see the *Consider the tax implications* and *Some guidelines around taxes* sections on page 9 for more information. Please keep in mind that if you choose to invest in variable annuity accounts, your money will be subject to the inherent risks associated with investing in securities. In addition, payments from the variable annuity accounts aren't guaranteed, and will rise and fall based on investment performance. If you move TIAA Traditional funds from the existing retirement account to a new IRA, these funds will be credited with the current guarantees and crediting rates.

* If you roll over assets to establish an inherited IRA through TIAA Brokerage Services, we won't automatically calculate your RMDs. Please contact Brokerage Services to review your options for taking RMDs. These calculations are complex and include several variables. To protect you from unwanted tax consequences, we recommend that you consult your professional tax or legal advisor. TIAA doesn't give tax advice.

† Estate beneficiaries can transfer to an inherited IRA only when inheriting an IRA; other plan types are not rollover eligible for estate beneficiaries.

Adding it all up

TIAA has the experience, investment options and services to help you manage your inherited assets. It's in our interest to serve your interest.

What's more, as your needs change, TIAA gives you the flexibility to adjust your asset allocation. And remember, whether you choose to continue saving and investing these assets, receive income from these assets, or initiate a combination of these options, we're here to help.

Phone

888-380-6428

Beneficiary Services team consultants are available weekdays, 8 a.m. to 7 p.m. ET.

Online

tiaa.org

Learn more about TIAA and what we offer.

TDD/TTY direct line

800-842-2755

For hearing- or speech-impaired participants using text telephones, representatives are available weekdays, 8 a.m. to 10 p.m. ET.

[1] Federal law limits tax deferral by specifying the period over which a beneficiary must receive inherited assets.

[2] SECURE 1.0 went into effect Jan. 1, 2020, for distributions from retirement plans and IRAs with respect to employees or owners who pass after Dec. 31, 2019 (Dec. 31, 2021, for governmental plans).

[3] SECURE 2.0, Section 107, updated the required beginning date for RMDs made on or after Dec. 31, 2022, with respect to individuals who attain age 72 after such date. A participant or IRA owner must begin taking minimum distributions from their IRAs (other than Roth IRAs) and employer retirement plan accounts by their required beginning date of Apr. 1 of the year following the calendar year in which they reach their RMD applicable age (or retirement, if later, for employer retirement plan accounts). "RMD applicable age" is age 70 ½ if you were born before Jul. 1, 1949; age 72 if you were born on or after Jul. 1, 1949, or in 1950; age 73 if you were born between 1951 and 1959; and age 75 if you were born in or after 1960.

[4] RMD applicable age is age 70 ½ if you were born before Jul. 1, 1949; age 72 if you were born on or after Jul. 1, 1949, or in 1950; age 73 if you were born between 1951 and 1959; and age 75 if you were born in or after 1960.

[5] SECURE 2.0, Section 302, reduced the excise tax for taxpayers who fail to take an RMD from 50% to 25% for taxable years after Dec. 29, 2022. The 25% excise tax may be reduced to 10% if the missed RMD is corrected within a correction window as defined in Section 302 of SECURE 2.0. Please consult your professional tax advisor for guidance regarding your personal tax situation.

[6] The "at least as rapidly" rule for an entity is in lieu of the 5-year rule; so, unlike individuals who also remain subject to the 10-year rule, entities can stretch payments over the decedent's remaining life expectancy beyond five years.

[7] Please see IRC 101(a) for exceptions regarding the receipt of death benefits.

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