Live with confidence in retirement

5 steps to creating your retirement income plan

Get ready for your transition to retirement

After saving for so many years, your savings will become your income, and you'll be spending your hard-earned money to support yourself in retirement. It's a big switch, but with a good income plan in place, it can be a smooth transition.

Why an income plan?

Your income in retirement can come from different places, kick in at different times, be subject to tax rules and other regulations and have different outcomes for you and your beneficiaries. A good income plan can help you maximize your savings, reduce the risk of running out of money, know what you can safely spend and avoid pitfalls that can undermine your financial security.

Follow the 5 steps for creating an income plan

Knowing how income in retirement works and what to look out for can help you in your planning.

STEP 1 – Start with your expense estimate

STEP 2 – Understand your income sources

STEP 3 – Build your strategy for lifetime income

STEP 4 – Plan how to withdraw your retirement assets

STEP 5 – Review your income plan regularly

We've detailed each step in this guide to help you get started!

Talk to us for help

You don't have to do it all alone. Talk with a TIAA financial consultant for help with your planning. There's no extra cost for TIAA account holders.

Take advantage of webinars

Explore more about planning for retirement. Visit **TIAA.org/webinars** to attend webinars on topics like:

- Understanding Social Security
- What to know about estate planning

Schedule a call with a TIAA financial consultant

Visit **TIAA.org/schedulenow**.

Or call **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET)

STEP 1 – Start with your expense estimate

Add up your monthly expenses to determine how much income you may need in retirement.

Calculating your expenses will help you determine how much you may need to save for retirement. Using the monthly expense worksheet, start by listing your current monthly expenses and then adjust the numbers up or down based on your plans for retirement. When you fill in the fields digitally on the PDF, your expenses will tally up automatically, giving you a picture of your income needs in retirement.

TIP: If you're not sure what you can afford, start with your ideal scenario. Then, when you see what your monthly income will be, you can adjust it based on your priorities. List "essential" and "discretionary" expenses separately to help you find ways to modify spending if needed.

STEP 2 – Understand your income sources

Lifetime income sources provide the foundation for your retirement.

Add up your income sources with the retirement income worksheet.

Your retirement income will come from a variety of sources. Understanding which income sources are guaranteed and how long they'll support you in retirement can help you create a stronger income plan.

Lifetime income

Monthly income that's guaranteed for the rest of your life.[1] This includes:

- Social Security
- Pensions
- Fixed and variable annuities

Other monthly income

Extra income you may have that likely won't last indefinitely. This includes:

- Part-time work
- Alimony or child support
- Rental income

Withdrawals from retirement assets

Income from your retirement savings that can change in value and is not guaranteed to last. This includes:

- Retirement accounts
- Stocks, bonds, mutual funds (brokerage account)
- Cash and savings
- Inheritance money

Retirement income has evolved over time

The responsibility for retirement security has mostly shifted to individuals.

In addition to Social Security, workplace retirement plans play a key role in supporting people through retirement. Yet these plans have been changing over time. Traditional retirement savings plan investments are not guaranteed for life and come with risks. For those seeking greater retirement security, adding guaranteed options that can provide additional lifetime income in retirement to your investment mix offers a solution.[1,2]

MOST COMMON BEFORE 1980s

Pensions

Majority of income guaranteed for life

Secure but inflexible

SHIFT FROM 1980s TO NOW

Savings plans

Majority of income *not* guaranteed for life

Flexible but not secure

2019 INDUSTRY SHIFT PIONEERED BY TIAA[3]

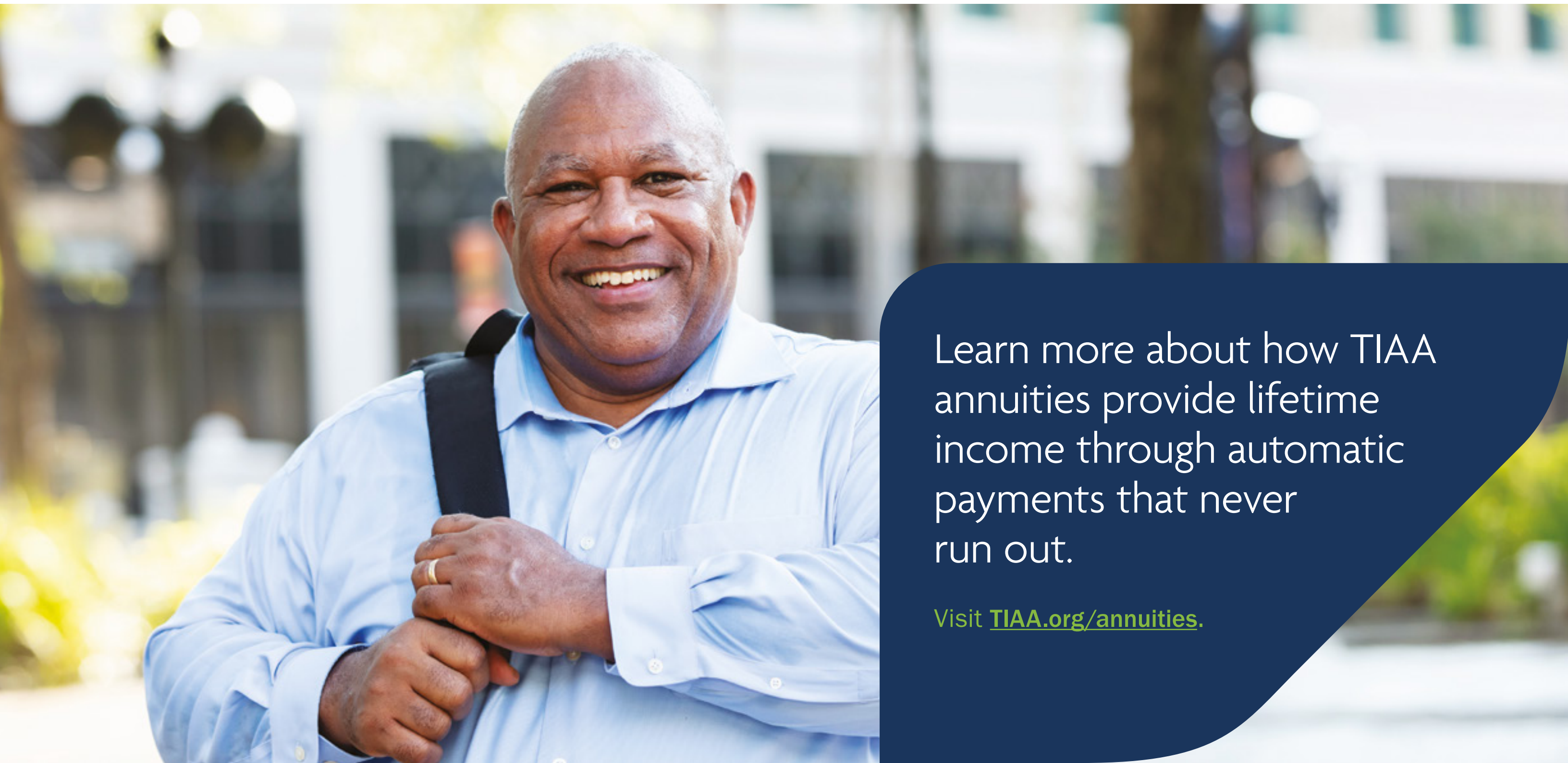
Savings plans with lifetime income options

Majority of income guaranteed for life (with annuities alongside Social Security/pension)

Balance of security and flexibility

A path to greater financial security for the future

A greater share of lifetime income helps you balance the risks of investments tied to the stock market. It's a way to further diversify your investments while you're saving *and* diversify your income sources in retirement.[4] In retirement, that gives you both reliable income you can count on for everyday expenses along with investments that can provide growth potential to help you keep up with inflation, cover additional expenses or pursue other goals.



Learn more about how TIAA annuities provide lifetime income through automatic payments that never run out.

Visit **TIAA.org/annuities.**

Step 3 – Build your strategy for lifetime income

Set a goal to cover 2/3 of your income needs with lifetime income.

In today's economic and financial environment, TIAA believes you should try to cover 2/3 of your income needs with lifetime income sources, including Social Security, pensions and annuities.[5]

Start with your Social Security strategy

The age at which you choose to take your Social Security benefits has the biggest impact on the amount. While you can claim anytime between the ages of 62 and 70, you'll get substantially less if you claim at age 62 rather than age 70. So it's definitely worth the wait if you can afford it. Coordinate benefits with your spouse, if you're married, since there are different ways to claim benefits.[6]

Try out different options to see what's best for you at ssa.gov > my Social Security.

Add in your pension benefits

If you have a pension, you might have the option of taking it as a lump sum when you retire. Consider carefully whether a lump sum or lifetime income would be in your best interests. Your age, life expectancy, potential spousal benefits, taxes and economic and financial market conditions should all play into your decision.

Ask your employer for your pension income estimate.

Make up the rest with annuities

To reach the 2/3 target, make up the difference with a mix of fixed and variable annuities, which helps protect income and offers potential growth.

- A fixed annuity provides a guaranteed amount of monthly income for life.
- A variable annuity gives you the opportunity for market growth while still providing lifetime income. Your income payment will vary based on how financial markets perform.[7]

To get an estimate of how much to put into a fixed annuity to get a certain amount of monthly income, you can go to TIAA.org/IncomeCalculator. To see how much lifetime income may be right for your savings goals now, go to the online Retirement Advisor tool at TIAA.org/setyourgoals.

The remaining 1/3 of your income would come from your savings.

- Work income, real estate income, alimony
- Employer plans (401(k), 403(b)) and traditional IRAs
- Roth IRAs
- Investments (mutual funds, stocks, bonds, CDs, etc.)
- Bank accounts

Benefits of the 2/3 lifetime income strategy

- Gives you income you can count on for life to help meet everyday expenses
- Helps reduce the risk of running out of money
- Provides automatic deposits every month in retirement
- Reduces the amount of income that requires investment management
- Relieves pressure on your savings to cover everyday needs, potentially helping your money last longer

STEP 4 – Plan how to withdraw your retirement assets

Know the different types of assets and how to decide which to withdraw first.

How your assets are taxed is a critical factor to consider when creating your income plan. We recommend you speak with your TIAA financial consultant and a tax advisor before making any decisions.[8] You can get started by understanding how different types of accounts work.

Employer retirement plans, traditional IRAs

- Available without penalty at age 59½
- Mandatory withdrawals (RMDs) beginning at age 72
- Ordinary income tax due for the year withdrawn[9]
- Large or lump sum withdrawals may push you into a higher tax bracket, costing you more in taxes

Roth IRAs and contributions

- Available without penalty at age 59½ if owned for at least 5 years
- No mandatory withdrawals
- No taxes when withdrawn, even on gains
- 10% penalty plus taxes for early withdrawal of gains only

Nonretirement investment and bank accounts

- Easy to access
- No minimum withdrawal age
- No mandatory withdrawals
- No ordinary income taxes
- May owe capital gains taxes on assets that are sold

Consider conventional wisdom for withdrawing assets

Think of your assets as falling into three categories: now, later and last. Keep in mind there can be a lot of exceptions to this conventional wisdom depending on your circumstances, so you may need to look at other strategies to address your needs. Consider consolidating accounts to make planning and withdrawals easier.[10]

NOW

After-tax assets

- **Bank accounts (checking, savings, money market)**
  Your go-to source for immediate needs
- **Investment accounts**
  Easy to access, taxed only on gains

LATER

Tax-deferred assets

- **Workplace retirement plans, traditional IRAs**
  Can grow tax-deferred until withdrawal.[9] Required withdrawals at age 72.
- **CDs**
  Accessible once they mature

LAST

Tax-free assets

- **Roth IRAs**
  Can be withdrawn tax free. Can leave tax-free savings to heirs.[11]
- **Life insurance**
  Generally tax-free death benefits. Can replace income for beneficiary (spouse/partner) or create legacy for heirs.

STEP 5 – Review your income plan regularly

Take a look at your plan each year and address changing circumstances.

Once you've created a plan for your retirement income, it's important to review and update it as your expenses or circumstances change. Your TIAA financial consultant can help you review your plan and make adjustments as needed. The most important thing is that your plan helps you and your loved ones look to the future with more confidence.

Create your income plan, and live with confidence in retirement.

As things change, consider the following

- Are you spending more or less than you thought?
- Do you have an emergency expense to cover?
- Are you selling a house or other asset?
- Is your monthly income changing?

Talk to a TIAA financial consultant for help with your retirement and income planning.

To schedule a call, go to TIAA.org/schedulenow.

Or call **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET).

Additional resources

- **Monthly retirement expense and income worksheets**
- **Lifetime Income Calculator**
  TIAA.org/IncomeCalculator
- **Social Security estimates**
  ssa.gov
- **Retirement Advisor**
  TIAA.org/setyourgoals
- **TIAA educational webinars**
  TIAA.org/webinars

1. All guarantees are based on the claims-paying ability of the issuer.
2. Converting some or all of your savings to income benefits (referred to as “annuitization”) is a permanent decision. Once income benefit payments have begun, you are unable to change to another option.
3. Congress passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act in 2019, which made it easier for employers to offer annuities as part of their retirement plans. TIAA helped lead this change and has been offering annuities for more than 100 years. TIAA created the first variable annuity in 1952. And TIAA annuities today are more flexible than ever, with options that can help provide additional security not just for you but for your beneficiaries as well.
4. Diversification is a technique to help reduce risk. It is not guaranteed to protect against loss.
5. This point of view is designed to be a starting point for the retirement income conversation. It is not a recommendation.
6. Alaska, Colorado, Louisiana, Maine, Massachusetts, Nevada and Ohio may have different rules regarding Social Security and/or disability benefits for public employees.
7. Variable annuity payments are not guaranteed and can rise or fall based on investment performance. Loss of principal is possible.
8. The tax information in this guide is not intended to be used, and cannot be used, to avoid possible tax penalties. The TIAA group of companies does not provide legal or tax advice. Please consult with your legal or tax advisor.
9. Withdrawals from a retirement account or annuity are subject to ordinary income tax, plus a possible federal 10% penalty if you make a withdrawal before age 59½.
10. Before rolling over assets, consider your other options. You may be able to leave money in your current plan, withdraw cash or roll over the assets to your new employer’s plan if one is available and rollovers are permitted. Compare the differences in investment options, services, fees and expenses, withdrawal options, required minimum distributions, other plan features, and tax treatment. Speak with a TIAA consultant and your tax advisor regarding your situation. Learn more at **TIAA.org/reviewyouroptions**.

    Before transferring assets or replacing an existing annuity, be sure to carefully consider the benefits of both the existing and new product. There will likely be differences in features, costs, surrender charges, services, company strength and other important aspects. There may also be tax consequences associated with the transfer of assets. Indirect transfers may be subject to taxation and penalties.
11. Withdrawals of earnings prior to age 59½ are subject to ordinary income tax and a 10% penalty may apply. Earnings can be distributed tax free if distribution is no earlier than five years after contributions were first made and you meet at least one of the following conditions: age 59½ or older or permanently disabled. Beneficiaries may receive a distribution in the event of your death. For governmental 457(b) plans, withdrawals are only allowed following separation from service or when you reach age 70½.

Investment, insurance, and annuity products are not FDIC insured, are not bank guaranteed, are not deposits, are not insured by any federal government agency, are not a condition to any service or activity, and may lose value.

Investment products may be subject to market and other risk factors. See the applicable product literature, or visit **TIAA.org** for details.

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The TIAA Retirement Advisor is a brokerage service provided by TIAA-CREF Individual & Institutional Services, LLC, a registered broker-dealer, Member FINRA, SIPC.

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