

LIVING WELL IN RETIREMENT

## MINIMUM DISTRIBUTION: MAKING IT SIMPLE



Financial Services

## **TIAA-CREF: FINANCIAL SERVICES FOR THE GREATER GOOD®.**

TIAA-CREF is dedicated to serving the retirement needs of those in the academic, medical, cultural and research fields. With our strong nonprofit heritage, we subscribe to guiding principles directly influenced by the people we serve.

We are committed to seeking consistent, long-term performance and solid returns. We strive to keep our fees low to help our participants maximize their investable assets and ensure more of their money is working hard for them. We offer personalized, objective advice by highly trained consultants. And most importantly, we leverage our knowledge and expertise to provide retirement income solutions that guarantee our participants won't outlive their income.\*

The mission we embarked on in 1918 still rings true today. We are there when our participants begin their careers helping others. And we will be there to help them plan for – and live well in – retirement.

\* Guarantees are based on the claims-paying ability of the issuer.

### **REQUIRED MINIMUM WITHDRAWALS: WHAT YOU NEED TO KNOW**

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## WHAT ARE REQUIRED MINIMUM DISTRIBUTIONS?

If you're nearing age 70½, you'll need to start planning for the required minimum distributions you generally must receive from your tax-advantaged retirement plans. Federal tax rules require that you withdraw part of your savings from employer-sponsored retirement plans and IRAs (except Roth IRAs) by April 1 after either the year you turn 70½ or the year you retire, whichever comes later. You'll also need to continue withdrawing a portion of your savings in each subsequent year.

To help you through your retirement and meet these rules, TIAA-CREF offers the Minimum Distribution Option, which calculates and pays you the minimum amount you are required to receive from your TIAA-CREF retirement accounts each year.

This withdrawal choice helps you preserve your account balances while satisfying the federal requirements. If you're not ready to set up lifetime income

or you don't need to access your retirement accounts for your expenditures, the Minimum Distribution Option will help you optimize your tax-deferred savings and provide you the flexibility to set up another withdrawal plan once your needs change.

Keep in mind that your employment status generally determines how long you can defer taking your first distribution. And, if you don't comply with the rules, you could be subject to a 50% excise tax on the amount you should have received as income, but did not.

### **Help with managing the requirements**

If you have multiple retirement accounts at different financial companies, consider consolidating your retirement savings into one account at TIAA-CREF. You may find it easier to manage your savings, investment decisions and required distributions when everything is in one place. Call a consultant today at **800 842-2252** to find out if consolidating your savings is right for your situation and needs.\*

\* 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. Consult with your own advisors regarding your particular situation.

## TIAA-CREF'S MINIMUM DISTRIBUTION OPTION

With TIAA-CREF's Minimum Distribution Option (MDO), we've made it easy for you to comply with the federal rules. We calculate and pay you the minimum amount you're legally required to receive from your retirement savings each year.\* The remainder of your savings will continue to participate in the investment experience of the accounts, and any earnings will grow tax deferred.

### CONVENIENT AND FLEXIBLE

If you need more income in the future, and if permitted by your employer's retirement plan, you can withdraw additional funds whenever needed. You'll also be able to transfer funds and adjust your asset allocation strategy as your goals and financial needs change.

Through the MDO, you can tailor your withdrawals to help meet your income needs.

You can:

- Select monthly, quarterly, semiannual or annual withdrawals
- Schedule your withdrawals on any day of the month, from the 1st to the 28th
- Receive part or all of the required amount earlier than your scheduled withdrawal date
- Withdraw additional funds if you need more income than what your required distribution provides, if permitted by your employer's retirement plan
- Change any of these choices at any time during the year
- Have your withdrawal directly deposited into your bank or investment account

\* The retirement plans for employees of public colleges and universities in Illinois do not offer TIAA-CREF's Minimum Distribution Option. Participants in the Arizona Optional Retirement Plan can also use another option called the Life Expectancy Option. If you participate in the college and university state retirement plan of Arizona or Illinois and have questions, you can call us at **800 842-2252**, Monday to Friday, 8 a.m. to 10 p.m. and Saturday, 9 a.m. to 6 p.m. (ET), for information on the withdrawal options available to you for minimum distribution purposes.

# IS THE MINIMUM DISTRIBUTION OPTION RIGHT FOR YOU?

Not only does TIAA-CREF's Minimum Distribution Option help you meet minimum distribution rules, it helps preserve your tax-deferred savings for as long as possible.

## MDO may be right for you if:

- You want to receive the federal required minimum distribution withdrawals automatically.
- You don't want to worry about receiving too much or too little income, completing paperwork each year, or missing deadlines.
- You want to maximize income tax deferral and preserve your savings.
- You're not ready to start lifetime retirement income.
- You have other sources of income for your basic needs that are guaranteed to last your lifetime.

## MDO may not be right for you if:

- You want income guaranteed for as long as you live (in which case you may want to choose a lifetime annuity).
- You need more income to support your lifestyle than the minimum withdrawals provide.
- The total value of your retirement savings is small. For example, if your total account value is less than \$10,000, you may wish to withdraw the entire balance, (if available under your employer's plan) so you won't have to worry about the requirements in future years. The distribution will be fully taxable in the year of the withdrawal.

Call a consultant at **800 842-2252** to review all of your options for satisfying the requirements. You can also take cash withdrawals (if available through your employer's plan) or lifetime income to meet the minimum distribution rules. We will help you choose the right withdrawal strategy for your situation and needs.

Any guarantees under annuities issued by TIAA are subject to TIAA's claims-paying ability. Payments under CREF and the TIAA Real Estate Account are variable and will rise or fall based on investment performance.

## HOW MINIMUM DISTRIBUTIONS ARE CALCULATED

Each year we will automatically calculate your minimum distribution amount. We divide the portion of your retirement savings that's subject to the rules by the applicable life expectancy, which is a projection of how long a person at a given age will live, on average, based on the experience of a large group of people.\*

We'll calculate your withdrawal amount using the Life Expectancy Divisors (on the next page).

If, however, you name your spouse as your sole primary beneficiary and your spouse is more than 10 years younger than you, we will use your joint life expectancy, recalculated annually.

If you're participating in a 403(b) plan, the initial withdrawal will be based on the amount that has accumulated in your account between December 31, 1986 and December 31 of the year prior to the year you turn 70½, or the year you retire, whichever is later. This amount is then divided by the life expectancy factor from the IRS tables.

\* We're required to estimate life expectancy using Internal Revenue Service (IRS) mortality tables.

## Uniform Lifetime Table

This table lists the life expectancy divisors used to calculate your required minimum distribution.\*\*

Age	Life Expectancy Divisor	Age	Life Expectancy Divisor	Age	Life Expectancy Divisor
70	27.4	85	14.8	100	6.3
71	26.5	86	14.1	101	5.9
72	25.6	87	13.4	102	5.5
73	24.7	88	12.7	103	5.2
74	23.8	89	12.0	104	4.9
75	22.9	90	11.4	105	4.5
76	22.0	91	10.8	106	4.2
77	21.2	92	10.2	107	3.9
78	20.3	93	9.6	108	3.7
79	19.5	94	9.1	109	3.4
80	18.7	95	8.6	110	3.1
81	17.9	96	8.1	111	2.9
82	17.1	97	7.6	112	2.6
83	16.3	98	7.1	113	2.4
84	15.5	99	6.7	114	2.1
				115+	1.9

\*\* If your spouse is more than 10 years younger than you and is your sole primary beneficiary, we use your actual joint life expectancy recalculated annually, to determine the divisor for minimum distribution withdrawals.

# HOW MINIMUM DISTRIBUTIONS ARE CALCULATED (CONT'D)

## GRANDFATHERED ACCUMULATIONS

If you're participating in a 403(b) retirement plan, any contributions and earnings credited before 1987 are considered grandfathered and are excluded from the amount subject to the federal rules until the year you reach age 75. In that year, your grandfathered amount will be included automatically in your minimum distribution calculation, which will increase your required withdrawals.

If you take any withdrawals before you are subject to the minimum distribution requirements or you make withdrawals in excess of minimum distribution amounts, these withdrawals will reduce your grandfathered balance first.

Any retirement savings you have in IRAs, 401(a), 403(a) and 401(k) plans are not grandfathered. Your entire balance is subject to the required minimum distribution rules. And when we calculate your required withdrawal, we'll use your entire account value as of December 31 prior to the distribution year.

## Sample Minimum Distribution Option Calculations

### WITHDRAWAL 1

Must be taken before April 1, 2010

Account value as of December 31, 2009:	\$100,000
Account value as of December 31, 1986*:	– \$ 25,000
Calculation Balance	= \$ 75,000
Life Expectancy Factor (from Uniform Lifetime Table)	27.4
Minimum Distribution Withdrawal (Paid in March 2010)	= \$ 2,737

\* Only applies to 403(b) plans.



## SCHEDULING YOUR FIRST WITHDRAWAL

If you turn 70½ in 2010 and take your first required distribution during the year, you'll only need to receive one withdrawal. Your withdrawal amount is based on your calculation balance (the account value subject to the requirements) as of December 31, 2009.

If, as in the example below, you wait until 2010 (any time up until April 1) to take your first distribution, you would receive two taxable withdrawals in that calendar year. Note that the second would be based on your account value as of December 31, 2009 and paid to you in December 2010.



You can visit us online at [tiaa-cref.org](http://tiaa-cref.org) to run a calculation of your required distributions or call us at **800 842-2252** to speak with a consultant. We're available Monday to Friday, 8 a.m. to 10 p.m. or Saturday, 9 a.m. to 6 p.m. (ET).

### WITHDRAWAL 2

Must be taken before December 31, 2010

Account value as of December 31, 2010:	\$110,000
Account value as of December 31, 1986*:	– \$ 25,000
Calculation Balance	= \$ 85,000
Life Expectancy Factor (from Uniform Lifetime Table)	26.5
Minimum Distribution Withdrawal (Paid in December 2010)	= \$ 3,208

## HOW MINIMUM WITHDRAWALS ARE TAXED

Withdrawals through the MDO are generally taxable as ordinary income during the year received. If, however, you made any after-tax contributions to your accounts, a portion of each withdrawal would not be taxable. Withdrawals are reported to the Internal Revenue Service as income and each January we'll send you an annual report showing how much income you received the previous year, along with a summary of what portion was taxable and nontaxable (if any).

Depending on where you reside, you may be able to choose the amount of federal and state tax withholding from your withdrawals, or we may be required to withhold a certain percentage. Since requirements vary by state, we recommend consulting with your tax advisor.

For federal tax purposes, the value of the retirement savings passed on to your heirs is generally considered part of your estate. If your gross estate is \$5 million or less for the 2011 or 2012 tax year, your estate generally won't be subject to federal estate taxes. Also, amounts passing to your spouse qualify for the unlimited

marital deduction and are not subject to estate taxes.\*

Estate and income taxes can erode as much as 80% to 90% of the retirement assets of a large estate. So, although a retirement account may be valuable for accumulating future income, it may not be appropriate for preserving an estate.

Since the MDO is designed to pay you the minimum amount required, while preserving your remaining balance, you should consult with a tax advisor or estate planning attorney to see if it fits into your estate plan.

### Tax Tip

If you roll over your 403(b) account to another qualified retirement plan or IRA, the amounts rolled over are no longer considered grandfathered. The regular IRA or plan minimum distribution rules apply.

\* Your spouse must be a U.S. citizen to qualify for the unlimited marital deduction.

# EXCEPTIONS TO THE FEDERAL MINIMUM DISTRIBUTION RULES

Depending on your employment status and the types of retirement plans you hold, you may be able to defer withdrawing funds from your account beyond age 70½.

## WORKING PAST AGE 70½

If you work past age 70½, you can delay withdrawing funds from your current employer's retirement plan until April 1 following the calendar year of your retirement. You also can delay required withdrawals from tax-advantaged plans of previous employers (such as 403(b), 401(k), 401(a) and IRA balances) if all your retirement savings are consolidated into a single retirement account.

For example, if your current employer's plan accepts transfers from other plans, you can roll over funds from other qualified plans into your current employer's plan and defer your required minimum distributions until April 1 following the calendar year you retire.

Here are some other exceptions to keep in mind:

- If you were born before July 1, 1917 and you're still employed, you can delay beginning distributions from the retirement plans of all employers (current and previous) until April 1 following the year you retire.
- Regardless of your employment status, you have to begin minimum distributions from your IRAs (except Roth) by April 1 after the year you turn 70½.
- While the minimum distribution rules don't apply to owners of Roth IRAs, they do apply to beneficiaries.
- Retirement plans established under the Puerto Rico Internal Revenue Code of 1994 are exempt.
- If you are the 5% owner of a qualified plan, including a Keogh plan, you must receive some income by April 1 after the year you turn 70½.

## Tax Tip

If you take your first withdrawal in the year you turn 70½, you'll need to take only one withdrawal that year. If, however, you wait to take your first withdrawal in the calendar year (by April 1) after you turn age 70½, you'll have to receive a second withdrawal within the same calendar year — potentially increasing your tax liability.

## HOW TO REINVEST REQUIRED WITHDRAWALS IF YOU DON'T NEED THE INCOME

If you don't need the income you're required to withdraw, you can reinvest what you receive through the Minimum Distribution Option in a variety of ways with TIAA-CREF. Our mutual funds offer stock, bond, real estate and money market asset classes. If you prefer choosing your own investments and want a greater range of choices, we offer brokerage accounts. And unlike withdrawal rules for pretax retirement plans, our after-tax annuities allow you to defer withdrawals up to age 90.

### TIAA-CREF MUTUAL FUNDS

With a wide range of funds from which to choose, the TIAA-CREF Mutual Funds are designed to help you meet a variety of investment needs. They have the potential for growth while letting you redeem your shares upon request, and there are no penalties for early withdrawal.\* Our mutual funds are managed by the same teams that manage TIAA-CREF's retirement investments, and they have some of the lowest expense ratios in the industry.\*\*

Remember that when you reinvest your dividends and capital gains or receive them as a distribution, they will be subject to federal taxes. Keep in mind also that investing in securities comes with inherent risks.

### AFTER-TAX ANNUITIES

After-tax annuities are funded with after-tax contributions, the earnings are tax deferred. They offer a wide variety of investment choices to match your investing style. And because our goal is to help you accrue as much money as possible, they come with low annual annuity charges that decrease after ten years, no surrender charges and low expenses.

If you have questions about the choices available for reinvesting your required withdrawals, call us at **800 842-2252**. You can also visit us online at [tiaa-cref.org](http://tiaa-cref.org) for more information or to open an account. After-tax annuities are issued by TIAA-CREF Life Insurance Company, which is a wholly owned subsidiary of Teachers Insurance and Annuity Association (TIAA).

\* Although there are no penalties for early withdrawals, some funds have redemption fees and may also have other types of nonrecurring charges.

\*\* Morningstar Direct (December 2010) based on Morningstar expense comparisons by category.

## TIAA-CREF BROKERAGE SERVICES

For more personalized flexibility and choice in your investing, consider our brokerage services, where you can choose from thousands of mutual funds from some of the best-known fund families, many of which are no load and have no transaction fees.\* You can also invest in stocks, bonds, options and exchange traded funds. And we offer CDs with FDIC insurance, which covers up to \$250,000 per depositor, per institution, for each account ownership category.

## DISCIPLINED INVESTING + LONG-TERM STABILITY

TIAA-CREF seeks to deliver **competitive investment performance over time**. Our investment approach is rooted in **fundamental, time-tested principles**. Our seasoned portfolio management teams are committed to seeking **consistent growth** and strong long-term performance **with a distinct focus on retirement**.

## AN APPROACH TO LONG-TERM STABILITY

TIAA-CREF's investment approach has withstood the test of time.\*\* We are dedicated to, and practiced in, holding a steady course through good times and bad because your retirement depends on it.

We complement our fund performance with a full suite of Advice and Planning services and solutions, including objective retirement planning advice.\*\*\*

And the breadth of our products and our expertise give you the ability to consolidate your investments with us — for potentially greater efficiencies and effectiveness.\*\*\*\*

\* Other fees and expenses do apply to a continued investment in the funds and are described in the funds' current prospectuses.

\*\* Past performance cannot guarantee future results.

\*\*\* Through third-party Ibbotson Associates.

\*\*\*\* There are risks associated with investing in securities including loss of principal. Past performance is no guarantee of future results.



## **TAKE THE NEXT STEP**

Contact us today for more information, advice or help in opening a minimum distribution account. It's easy to reach us.



**Call us** at **800 842-2252** to speak with one of our experienced consultants. They are available Monday to Friday, 8 a.m. to 10 p.m. and Saturday, 9 a.m. to 6 p.m. (ET).

**Visit us** at **tiaa-cref.org** to explore the many ways that we can serve your financial needs. To send an e-mail to us, just click Contact Us at the top of the home page.

#### **Schedule a one-on-one meeting**

You can arrange a one-on-one meeting with a TIAA-CREF consultant, if your employer's plan offers this as an option. Just call **800 842-2252** to schedule an appointment at the TIAA-CREF office nearest you.

You can also check with your employer's (or if you're retired, your previous employer's) human resources department to see if you can schedule an appointment with a TIAA-CREF consultant the next time we visit your workplace.

**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 banking service or activity and may lose value.**

TIAA-CREF products may be subject to market and other risk factors. See the applicable product literature or visit [tiaa-cref.org](http://tiaa-cref.org) for details.

**You should consider the investment objectives, risks, charges and expenses carefully before investing. For a current prospectus that contains this and other information, please call 877 518-9161 or go to [www.tiaa-cref.org/prospectuses](http://www.tiaa-cref.org/prospectuses). Read the prospectus carefully before investing.**

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