

FOR WOMEN: A TIAA FINANCIAL ESSENTIALS PROGRAM



## Postcards from the Future:

A woman's guide to financially ever after

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Sr. Financial Consultant

## Today's agenda



- Challenges most women face in planning for retirement
- Vision for retirement
- Exercise: Retirement readiness—Are you on track?
- Foundations for saving and investing
- Game: Advisor Think Tank



## Three challenges most women face in planning for retirement

1. May need to save more money due to longevity
2. May have fewer years to save for retirement
3. May not be able to save as much year to year

## Vision for retirement

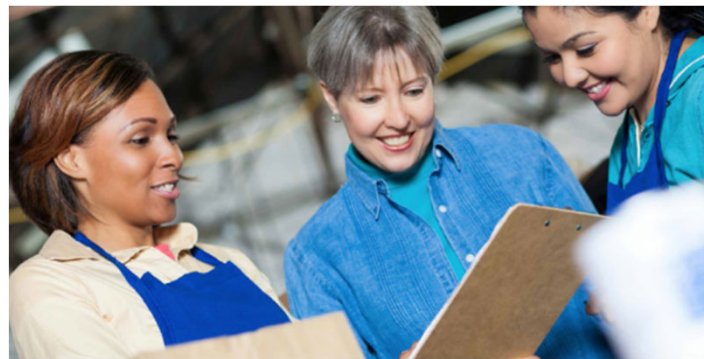


**What are you saving for?**



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## Vision for retirement



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## Getting organized and staying organized



### **Are you planning smart?**

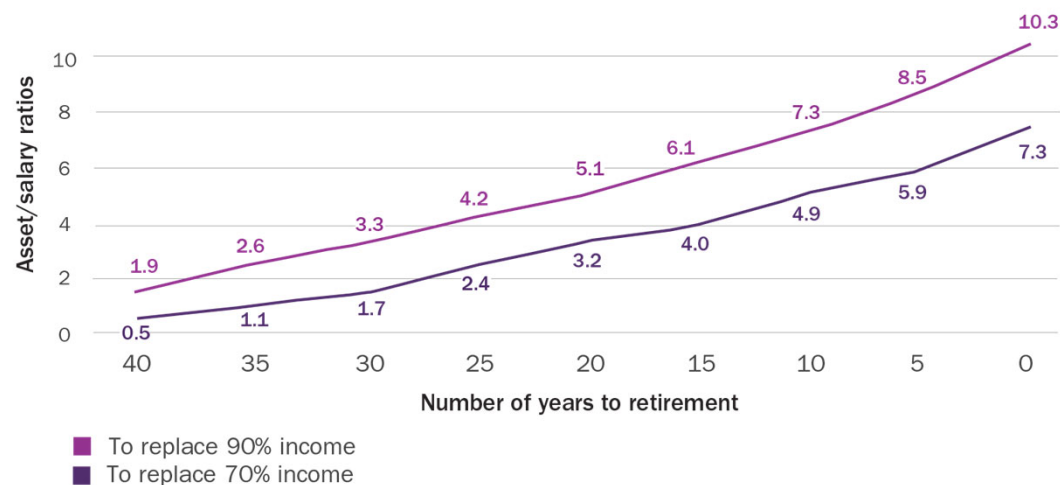
- Organizing your financial records
- Checking your credit rating
- Reviewing your cash flow
- Reviewing your net worth
- Keeping your living will updated, including your healthcare directive and powers of attorney
- Keeping your final will updated

## Calculating your retirement readiness



### Are you on track?

**Asset/salary ratios: By number of years to retirement and income replacement goal**



Assumes 4% salary growth, 6% preretirement interest rate, 10% annual contributions (including any employer match), and Social Security payment equivalent to 20% of preretirement income. At retirement (age 65), the income stream is based on a single life annuity with a postretirement interest rate of 4% annually and current TIAA mortality rates.

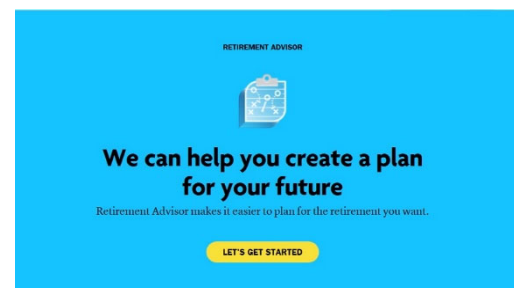
# TIAA Retirement Advisor



## Important steps to consider as you pursue your retirement goals

- Set goals
- Enter information
- Pick your strategy
- Reallocate portfolio

**TIAA.org/tools**



Retirement Advisor

[Set Your Goal](#) / [Review Information](#) / [Pick Your Strategy](#) / [Reallocate Portfolio](#)

Determine how much income you'll need in retirement. [Frequently Asked Questions](#) [See it >](#)

- How can the TIAA Retirement Advisor help me? (1)
- Why is my personal information important for this tool? (1)

Tell us about your household

Please marked with an asterisk (\*) are required.

\* Your gross annual income:

\* Age:

\* Gender: ☐ Male ☐ Female

\* What state do you live in?

\* Do you have a spouse or partner? ☐ Yes ☒ No

\* Do you currently have dependents? ☐ Yes ☒ No

Advice is provided on your employer-sponsored retirement plans administered by TIAA. TIAA does not monitor your retirement assets on an ongoing basis, nor does TIAA update your information on this tool to reflect changes in your personal circumstances. You should periodically monitor your retirement strategy as your needs and personal circumstances change. Results are not guaranteed and do not reflect actual returns on any investment. The TIAA Retirement Advisor is not a substitute for tax, legal or comprehensive financial planning advice.

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## Your employer's core retirement plan



### **Defined Benefit plan**

- Understand the benefit formula and vesting
- Understand distribution options

### **Defined Contribution plan**

- Understand employer's plan
- Plan contributions consist of:
  - Employer
  - Employee



## Your employer's supplemental retirement plan(s)

### **Tax-deferred accounts: 403(b), 401(k), 457, etc.**

- Pretax contributions
- Tax-deferred growth opportunity
- Current year limit: \$20,500
- Current year limit, if over age 50: \$27,000

### **Roth 403(b)**

- Income limits not applicable
- After-tax contributions
- Tax-free growth opportunity

## Social Security retirement benefits



- Visit **ssa.gov**
- Understand your choices for income

Year of birth	Full retirement age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 – 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

### **Traditional IRA**

- Tax-deductible contributions, if under income limits
- Tax-deferred growth opportunity
- Withdrawals are taxable as ordinary income
- Balance is subject to IRS minimum required distribution
- 10% income tax penalty if withdrawals are made prior to age 59½

### **Roth IRA**

- After-tax contributions
- Eligible if within income limits
- Tax-free growth opportunity
- Withdrawals are tax free under certain conditions
- Balance is not subject to IRS minimum distributions
- If you are over income limits, you may be able to convert to a Roth option

## IRA options



### **Important items to consider**

- Your current tax bracket
- Your projected tax bracket in retirement
- Access to funds in the event of an emergency

# Understanding market volatility

## The importance of diversification



It is difficult to predict which types of investments will do best in any given year.\*



\*Source: Data derived from Morningstar DirectSM, Morningstar, Inc., 2021. All data represents total returns for the stated period. Past performance does not guarantee future returns.

\*\*Volatility is defined as standard deviation (2007-2021); the greater the volatility, the greater the variance to the mean return of a given asset.

60/40 diversified portfolio assumes annual rebalancing.

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# Risk and reward



## Which asset classes should you choose?

The short answer is, all of them—what we call *diversification*.

A rule of thumb in investing is to try to spread your money across many asset classes. This keeps you from putting all your eggs in one basket, and serves to help reduce risk and provide a variety of opportunities for reward.

We'll get into diversification with asset allocation next. The long answer is to buy whatever you're comfortable owning based on the aspects of risk and reward. Remember, no method of investing can ensure a profit or protect against loss.

## What if you need your money now?

Different asset classes have different rules about when and how you can access your money. It's important to be careful with retirement accounts, especially when you need your money earlier than planned. Consult a financial consultant when you need to make a sudden withdrawal. There may be fees or penalties associated with early withdrawal.

## Now where did I leave my assets? Asset classes are in session

An asset class is simply a broad classification of different types of investments. Every asset class has strengths and weaknesses, risks and rewards. Here's how TIAA defines asset classes.

### Guaranteed

A guaranteed asset is one with a fixed rate and is backed by the claims-paying ability of the issuing insurer. Guaranteed assets preserve your principal amount invested and they provide a specified minimum return.

### Money market

Money market investments are relatively safe, liquid, short-term investments such as government-issued securities, CDs, banker's acceptances, euros and commercial paper. While they are less volatile than stocks and bonds, and offer a great place for short-term investments, they have a lower potential growth than other options.\*

### Fixed income

Fixed income or bond investments generally pay a set rate of interest over a given period, then return the investor's principal. They're more stable than stocks but their value may fluctuate due to current interest and inflation rates.

### Real estate

Your first thought may be your home or investment property. But look at it as shares of funds that invest in commercial real estate. It is always important to keep in mind that the real estate sector is subject to various risks, including fluctuation in underlying property values, expenses and income, and potential environmental liabilities.

### Stocks (Equities)

Equities, also called stocks, represent shares of ownership in publicly held companies. They have historically outperformed other investments but keep in mind that past performance does not guarantee future results. Stocks are the most volatile in the short term than any other asset class, which gives you the potential for big gains and big losses. Returns and principal will fluctuate and when redeemed, may be worth more or less than original cost. Timing is important.

\*You could lose money by investing in a money market fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide support to the fund and you should not expect that the sponsor will provide financial support to the fund at any time.

## What's your risk tolerance? Risk and reward

Investments almost always come with some amount of risk that you could lose money. Assuming some risk is simply part of the process but some investments carry more risk than others. Being too conservative can be inherently risky as well, thanks to inflation.

With your goal in mind, choose the available investments based on their potential ability to reach the goal balanced against the amount of risk you're willing to assume. If you have a lower risk tolerance or a short-term goal, low-risk accounts like money markets or fixed-income investments may be right for you. If you have a higher risk tolerance and a long-term goal, you may opt for higher risk investments like stocks.

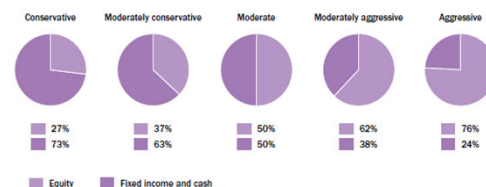


Retirement investing can involve a variety of investment classes, which will depend on how far away retirement is. It is important to consider taking enough risk to seek investments that may potentially outpace inflation. When investing for the long term, it's also important to accept that the market will fluctuate.

Although past performance doesn't guarantee future results, stocks have historically outpaced inflation and outperformed interest-bearing securities, such as bonds, over the long term.

Lastly, factor in fees, taxes and other expenses that can wither your returns. At TIAA, for example, you'll find our fees are relatively low compared to the industry at large.\*

## Sample portfolio allocations



Source: TIAA. Please note, the asset allocations represented here are for illustrative purposes only and may change in the future.

\*Applies to mutual fund and variable annuity expense ratios. Source: Morningstar Direct, June 30, 2021. 67% of TIAA-CREF mutual fund products and variable annuity accounts have expense ratios that are in the bottom quartile (or 90.50% are below median) of their respective Morningstar category. Our mutual fund and variable annuity products are subject to various fees and expenses, including but not limited to management, administrative and distribution fees; our variable annuity products have an additional mortality and expense risk charge.

The model portfolios presented here were not created specifically for you and may not take into account your particular retirement goals or investment preferences. The ultimate allocation decision is up to you after you have considered investment information that pertains to your own personal circumstances.

## Financial well-being for you and your family



- Life insurance
- Healthcare
- Disability income insurance
- Long-term care insurance
- Liability protection



## Income strategies at retirement



- A customized income stream
- Lifetime annuities
- The flexibility of cash withdrawals
- Age 72, IRS-required minimum distribution rules
- You can meet with a TIAA financial consultant at least one year prior to retirement to review options



## Early career: Starting out



### Amy

- Age: 33
- No children
- Occupation: Neurobiologist
- Retirement age goal: 70 (A girl can dream.)
- Annual salary: \$55,000
- Retirement savings to date: \$45,000
  - 100% cash
- Healthy

## Early career: Starting out



### Amy

- Asset/salary ratio
  - $1.9 \times \$55,000 = \$104,500$
- Consider making saving a priority
- If you have debt, begin paying it down. It's the most important thing you can do to help achieve financial freedom.
- Consider a roommate, but where else can you save? Start with a budget.
- Do you have a will? Have you thought about what will happen to your kids if something happens to you?

## Mid career: In gear



### Olivia

- Age: 49
- Single
- No children
- Occupation: NYPD Detective
- Retirement age goal: 68
- Annual salary: \$85,000
- Retirement savings to date: \$125,000
  - 90% equities
  - 10% fixed income
- Healthy

## Mid career: In gear



### Olivia

- Asset/salary ratio
  - $5.1 \times \$90,000 = \$433,500$
- Consider individual options to supplement savings
  - Use cash flow analysis to “find money”
- Review asset allocation
- Consider future life events
  - Is there enough in the emergency fund?
- Keep beneficiaries up to date
- Plan how to address long-term care needs

## Late career: Finishing touches



### Diane

- Age: 64
- Married
- No children
- Occupation: Attorney
- Retirement age goal: 70
- Annual salary: \$150,000
- Retirement savings to date: \$775,000
  - 10% equities
  - 90% fixed income
- Healthy

## Late career: Finishing touches



### Diane

- Asset/salary ratio
  - $7.8 \times \$150,000 = \$1,170,000$
- Make yourself a priority
- Consider individual options to supplement savings
  - Use cash flow analysis to “find money”
- Review asset allocation
- Consider household financial portfolio
- Keep beneficiaries up to date



Questions?



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## What will you do next?



- Know your asset/salary ratio
- Investigate employer-based benefits
- Learn about strategies for individuals (e.g., IRAs)
- Consider online services
- Don't be afraid to "ask for directions"



**Help make your vision a reality!**

TIAA is here for you



You can call **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET), to schedule a one-on-one session with a TIAA financial consultant.



You can schedule a session online at **TIAA.org/schedulenow**

## Sources



*In fact, in 2021, 58% of women age 75+ were widowed.<sup>1</sup>*

<sup>1</sup>US Census Bureau, "Marriage, Divorce, Widowhood Remain Prevalent Among Older Populations," April 2021

*38% of women are or have been caregivers, and nearly all of the caregivers made some work-related adjustments as a result of caregiving, such as using sick/PTO days (36%) and missing work (36%).<sup>2</sup>*

<sup>2</sup>Transamerica Center for Retirement Studies, "Twenty Facts about Women's Retirement Outlook...and 11 Steps to Improve It," October 2020

*According to the Bureau of Labor Statistics, as of the first quarter of 2021, women are earning, at most, 82.6% of men's salaries, based on median weekly earnings for full time workers.<sup>3</sup>*

<sup>3</sup>Bureau of Labor Statistics, "Usual Weekly Earnings of Wage and Salary Workers," April 2021

*In light of the pandemic, half of working Americans say their work situation has been negatively impacted. Additionally, 21% say their confidence in being able to comfortably retire has declined.<sup>4</sup>*

<sup>4</sup>Transamerica Center for Retirement Studies, 20th Annual Transamerica Retirement Survey, "Retirement Security: A Compendium of Findings About U.S. Workers," December 2020

*82% of married men and women feel confident, compared to 56% of unmarried men and women.<sup>5</sup>*

<sup>5</sup>Employee Benefit Research Institute, "2021 RCS Fact Sheet #5: Gender and Marital Status Comparisons Among Workers," April 2021

*Currently, you can maximize your after-tax savings by contributing up to \$20,500—and an additional \$6,500 if you are age 50 or older—for a total \$27,000 Roth Option contribution in one year.<sup>6</sup>*

<sup>6</sup>IRS, "Retirement Plans FAQs on Designated Roth Accounts," accessed march 2022

*Studies show that a 20-year-old worker has a 1-in-four chance of becoming disabled before reaching full retirement age.<sup>7</sup>*

<sup>7</sup>Social Security Administration, "Disability Benefits," accessed online April 2021

*People age 50 and older can contribute up to \$7,000 to an IRA each year, and contribute even more to their employer-sponsored accounts.<sup>8</sup>*

<sup>8</sup>IRS, "Retirement Topics - IRA Contribution Limits," accessed July 2021

- *51% of women guess what their retirement savings needs would be, yet only 40% of women use a professional financial advisor.<sup>9</sup>*

- *Only 17% of women say they are "very confident" in their ability to fully retire with a comfortable lifestyle.<sup>9</sup>*

<sup>9</sup>Transamerica Center for Retirement Studies, "Twenty Facts About Women's Retirement Outlook...and 11 Steps to Improve It," October 2020



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**CREATED TO SERVE.**

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