A guide to payment options for employees of tax-exempt institutions

457(b) Deferred Compensation Plan

Income choices from TIAA-CREF
TIAA-CREF: leaders in retirement planning

After you stop working for your employer, you generally must make an immediate decision about when you want to begin receiving payments from your employer’s 457(b) Deferred Compensation Plan.

You will also have to decide how you want the funds in your account distributed, although you can make that decision at a later date. Leaving your savings in the plan allows funds to continue to earn interest in the TIAA Traditional Annuity and participate in the investment experience of the variable annuity accounts, which may be worth more or less when redeemed.

In this booklet you’ll find questions and answers about TIAA-CREF’s income options for deferred compensation plans of tax-exempt institutions. If you need more details about any of the options described, we’ll be glad to answer your questions and send you the forms you need. Please contact us at 800 842-2252 to speak with one of our consultants, Monday to Friday from 8 a.m. to 10 p.m. and Saturday from 9 a.m. to 6 p.m. (ET).

As you consider the income choices, note that the availability of some options may be limited by your institution’s plan rules. Your plan may also provide you with the option to defer your decision to a later date. Additionally, your employer owns the funds in your account. They are part of your employer’s general assets and are subject to the claims of its creditors until you take a distribution.
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Your income choices

What’s the best choice? That varies from person to person and depends on many factors. And your needs may change over your lifetime. We have designed our income choices to help meet your financial needs, personal situation and preferences. Answering some basic questions can help narrow your choices.

- Is a guaranteed stream of income important?
- Are you in good health?
- Will someone else be dependent upon your income?
- What other sources of income do you have?
- Do you need income from all of your resources now?
- What are your expenses?
- Will you have a large, one-time immediate expense?
- Is it important to leave funds to your beneficiaries?

As you review the features and benefits of the various income options, keep in mind the answers to these and any other questions you may have. Whatever your circumstances are, there is an option available to help meet your retirement income needs.

Your 457(b) deferred compensation plan may offer the following options (based on the rules of your employer’s plan) to receive income from your account:

- Lifetime income*
- Fixed-period income
  (2 to 30 years)
- Minimum Distribution Option
- Lump-sum withdrawal

* Based upon the issuer’s claims-paying ability. Payments from the variable accounts will rise or fall based on investment performance.
Lifetime income
Receive payments for your lifetime

What is a lifetime annuity?
A lifetime annuity is a series of regular payments that continue for as long as you live. Lifetime annuity income spreads the payout of your savings over your lifetime, regardless of how long you live.

Lifetime income is an ideal choice for many people. Each payment draws down a portion of your principal and earnings, but guarantees that payments will last your lifetime. Guaranteed income relieves you of the worry of spending too much or too little principal in trying to manage a withdrawal plan on your own. It can also help make budgeting easier; knowing that you will receive a “salary” for life can help ease your financial concerns in retirement.

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

Once you begin receiving income under any of the lifetime annuity options, you cannot change to another lifetime annuity option or to a fixed-period annuity, the Minimum Distribution Option or a cash option. In addition, the annuity contract is endorsed to reflect that it remains an asset of the institution and subject to its creditors until all payments have been distributed.

If I choose a lifetime annuity, can I still transfer among accounts after I begin receiving income?
Yes. You can change the source of your variable annuity income by transferring among the variable accounts or to TIAA Traditional. In addition, if you start receiving income from TIAA Traditional under the Graded Payment Method, you can later change to the Standard Payment Method. You can also transfer lifetime income from TIAA Traditional’s Standard or Graded Method to the CREF equity accounts over a 5-year period or up to 20% per year.
What if I die while receiving lifetime income?

Your choice of annuity options will determine whether benefits continue to someone after your death. With a one-life option, you receive income as long as you live, but lifetime payments stop upon your death. You can add a guaranteed period of 10, 15 or 20 years that ensures payments will continue to your beneficiary(ies) if you die during the period chosen. Payments continue after your death to your beneficiary(ies) for the rest of the guaranteed period.

A two-life option provides income for as long as either you or a second person, called your annuity partner, is alive. Similar to the one-life annuity, you can also add a guaranteed period of 10, 15, or 20 years. If both you and your annuity partner die within the guaranteed period selected, payments continue to your beneficiary(ies) for the rest of the chosen period. Please note, the guaranteed period does not limit the length of time you will receive income; you and your annuity partner will receive income for life regardless of the guaranteed period selected.

Fixed-period income
Receive payments for a set number of years

What is a fixed-period annuity?

A fixed-period annuity makes regular payments for a specific number of years that you choose — from 2 to 30 years. By the end of the period, principal and earnings are paid in full, and the payments will stop. Fixed period does not mean fixed income. The income may increase or decrease with the investment experience of the accounts from which you are receiving income. In addition, the fixed-period annuity contract is endorsed to reflect that it remains an asset of the institution and subject to its creditors until all payments have been distributed.

If I choose a fixed-period annuity, can I still transfer among accounts after I begin receiving income?

Yes. You can change the source of your variable annuity income by transferring among variable accounts or to TIAA Traditional.
What if I die while receiving fixed-period income?
If you die during the fixed period, your beneficiary can continue receiving payments for the rest of the period or receive a single-sum payment representing the present value of the remaining payments.

Minimum Distribution Option
Preserve your savings

What if I want to preserve as much of my savings as possible?
You can defer receiving your income until April 1 following the year you reach age 70½ or retire, whichever is later, and then begin receiving Minimum Distribution Option payments.

This payment method is designed to help you meet the federal minimum distribution requirements without having to either request payments each year or start lifetime annuity income. We will calculate and pay you the minimum amount of income you are legally required to take from your deferred compensation account each year. The balance of your accumulation will remain invested in the accounts you have selected. However, please note that if you select this payment method, you will only be able to receive the annual minimum distribution amounts required — no other cash options will be available in the future.

When deciding whether to choose the Minimum Distribution Option, remember that while the option may preserve deferred compensation assets, there is a potential tax cost. The assets that remain in the contract after your death can be subject to both estate and income taxes. In addition, the balance of the account remains an asset of the institution and subject to its creditors until all payments have been distributed.

If I choose this payment method, can I still transfer assets among the investment funds available within my account after I begin receiving income?
Yes. You can transfer among the TIAA and CREF accounts or any other investments available under your plan.
What if I die while receiving income under this option?
If you’re receiving income under the Minimum Distribution Option, subject to the rules of your employer’s plan, your beneficiary(ies) will receive the total remaining balance as a death benefit.

Lump-sum withdrawal
Receive a cash payment
Can I take part of my savings in a lump sum and the rest under a different option?
No. Only one income option can be selected for your entire account balance. You can choose a lump-sum payment, a lifetime annuity, a fixed-period annuity or the Minimum Distribution Option (if you are over age 70½).

When is a lump-sum cash withdrawal appropriate?
You might consider taking a lump-sum withdrawal if you need to make a one-time, large payment. For example, you might take a cash withdrawal to finish paying off a mortgage, to put a down payment on a new home, or for other larger purchases.

Tax issues
Is all of my income from a 457(b) deferred compensation plan taxable?
Yes. Since your 457(b) account consists of pretax contributions and earnings, your deferred compensation income is fully taxable upon withdrawal. You will be issued a W-2 statement for all distributions made each year.

How are lump-sum withdrawals taxed?
Distributions are fully taxable as ordinary income during the year received. Therefore, depending on the amount withdrawn and your additional taxable income, a lump-sum withdrawal can drastically increase your tax liability.

How are lifetime income, fixed-period income and Minimum Distribution Option payments taxed?
Pretax contributions and earnings are fully taxable upon withdrawal and your payments are taxable as ordinary income during the year they are received.
Frequently asked questions

When do I have to start receiving income?
Federal minimum distribution requirements applicable to 457(b) deferred compensation plans generally require you to receive a distribution by April 1 following the year you reach age 70½. However, if you are working as of the date you turn age 70½, you may defer receiving minimum distribution payments under your current employer’s plan until the April 1 of the year after the year in which you retire. To meet the requirements, you should begin receiving lifetime annuity income or Minimum Distribution Option payments as of March 1 of the applicable year.

You can also request a lump-sum withdrawal of your savings to satisfy the requirement.

What if I die before taking any income?
Subject to the rules of your plan, your beneficiary(ies) will receive the total value of your TIAA-CREF savings. This can be paid in any of the following options: lump-sum, lifetime annuity, fixed-period annuity and Minimum Distribution Option payments.

Can I choose more than one income option?
No. You must select one of the income options available, according to the terms of your plan, for your entire account balance.

Can I roll over my account to an IRA?
No. However, you can transfer your account to another 457(b) plan of a tax-exempt institution, provided the rules of both your plan and the receiving institution’s plan allow for the transaction.

Are all of the income options mentioned available to me?
The options available depend on your employer’s plan rules. To find out what is available to you, please contact us at 800 842-2252.
Our investment experience, coupled with our broad range of income options and our competitive expenses, allows us to provide the tools and resources necessary to help you accumulate the assets for retirement and produce an income stream that meets your retirement needs.

Other ways TIAA-CREF can help you save for the future

At TIAA-CREF, we are committed to providing you with superior customer service, diverse investment choices and comprehensive investor education.

The TIAA-CREF group of companies offers you and your spouse additional financial products and services including:

- Mutual funds
- Life insurance
- After-tax annuities
- IRAs
- Private asset management and personal trust services
- Brokerage services
- College savings
- Retirement healthcare program

The products and services referenced above are offered by various entities within the TIAA-CREF group of companies.
Contact us

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

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

In person
You can arrange a one-on-one meeting with a TIAA-CREF Consultant at the TIAA-CREF office nearest you. To find a local office, go to **www.tiaa-cref.org/local**.
TIAA-CREF products may be subject to market and other risk factors. See the applicable product literature, or visit tiaa-cref.org for details.

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You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877 518-9161 or log on to www.tiaa-cref.org/prospectuses for a prospectus that contains this and other information. Please read the prospectus carefully before investing.

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