



## Paying Yourself: Income options in retirement

When it's time to consider a little payback

**LIVING IN RETIREMENT: A TIAA FINANCIAL ESSENTIALS PROGRAM**





# Retirement savings eventually become retirement income

You've spent years putting away money so that, one day, you'll be able to retire. When that time comes, all of those dollars you've saved—plus the money those dollars have earned—become your income. When that moment finally arrives, do you know where your income will come from?

## Many investments. One goal.

Maybe you've got a 401(k) or a 403(b). And you've got an IRA as well. And a few stock accounts and a mutual fund. And there's always Social Security, right? All of these things pay you back for savings, but they all do it a little differently and have different rules. Knowing those rules is the key to managing the tax burden and maximizing your retirement income.

## The monthly budget worksheet

To figure out what you'll have to live on in retirement, estimate what your monthly income will be. Then, project what your essential expenses (your income floor) and discretionary expenses will cost. The worksheet asks you to predict expenses and income. It isn't going to be exact, but it will give you a good idea of what your future finances could look like.

## Lots of little checks or one big one?

Different investments need to be managed differently and are taxed differently, so you may want to learn about consolidation.<sup>1</sup> It's an option that may make management a lot easier and can reduce your risk of finding yourself on the wrong side of the IRS.

## The retirement asset cheat sheet

It's not exhaustive, but it'll point you in the right direction. Check this quick reference for a list of how different retirement accounts typically behave. There are exceptions! Consult your tax advisor before making big decisions.

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# The “Who am I?” interactive game

**Income option 1** Sure, the income I offer in retirement is taxable. I already offer a fixed benefit regardless of what the markets are doing. The good news is that almost everyone has access to me no matter who the employer is.

**Income option 2** You can't rely on Social Security for everything, you know. You can invest in me up to the maximum amount allowed. If you're lucky, there may even be what some people call “free” money on hand to add to the mix. I have the potential to grow until you're ready to hit the retirement trail. After that, what you do with me is up to you.

**Income option 3** I was created to help people who didn't get any help creating retirement savings. The government was kind enough to bring me into being many years ago, though they've been messing with me ever since. The IRS keeps a close eye on the money I generate. Don't like it? You'll want to talk to my little brother.

**Income option 4** I guarantee you an amount of income in retirement. My issuer's ability to pay may be called into question from time to time, but I wouldn't worry about that. Once you decide when you want to get started, I'll start sending checks. Don't start too early or the benefit gets shaved. Don't thank me. It's my job.

**Income option 5** So you want a certain amount of money for the rest of your life? I think we can help make that happen. We can play the market if you want, or I can insulate you from it. That's your call. Tired of tracking down your other retirement investments? You can bring them to me.

**Answer choices:**

- A. 401(k)/403(b)    B. Social Security    C. Defined Benefit Plan    D. IRA    E. Annuities

## Quick reference guide

### Social Security

**Income traits:**

- Taxable, fixed monthly income from the government

**Income options:**

- Fixed benefit

### Defined Contribution Plans 401(k) and 403(b)

**Income traits:**

- Taxable, variable monthly income from your employer-sponsored account

**Income options:**

- Lump-sum withdrawal
- Leave it alone
- Can be rolled into an IRA
- Take periodic distributions
- Can purchase an annuity

### Defined Benefit Plans

**Income traits:**

- Taxable, fixed monthly income from an employer-sponsored and managed account

**Income options:**

- Fixed benefit based on company's formula

### The Traditional IRA

**Income traits:**

- Taxable, variable income from a personal retirement investment account

**Income options:**

- Take it in a lump sum
- Periodic disbursements
- Can be rolled<sup>2</sup> into another Traditional IRA

### The Roth IRA

**Income traits:**

- Qualified withdrawals are tax-free, variable income from a personal retirement investment account

**Income options:**

- Take it in a lump sum
- Periodic disbursements
- Can be rolled<sup>2</sup> into another Roth IRA

### Annuities

**Income traits:**

- Customized income from a contract with a financial services company

**Income options:**

- Guaranteed income (based on company's ability to pay)
- Customized disbursements

## How to use this worksheet

Enter your best estimates into the form fields that follow. If a field doesn't apply, just leave it blank or enter zero. For each column, add the numbers up and enter the subtotals at the bottom. At the end of the worksheet, plug those subtotals into the simple equation and you'll find out what your monthly income—after expenses—could be!

## Monthly budget worksheet

### Essential Budget Items (A)

#### Household Expenses

|                     |    |
|---------------------|----|
| Mortgage/Rent       | \$ |
| Utilities/Telephone | \$ |
| Gas/Oil/Water       | \$ |
| General Maintenance | \$ |
| Household Supplies  | \$ |

#### Meals

|                        |    |
|------------------------|----|
| Groceries              | \$ |
| Beverages              | \$ |
| Essential Entertaining | \$ |

#### Debt

|                                       |    |
|---------------------------------------|----|
| Credit Cards                          | \$ |
| Student Loans ( <i>self, family</i> ) | \$ |
| Home Equity Loans                     | \$ |
| Other                                 | \$ |

#### Tax Considerations

|   |    |
|---|----|
| Income ( <i>federal, state, local</i> ) | \$ |
| Property Tax                            | \$ |
| Capital Gains/Dividends                 | \$ |
| Other                                   | \$ |

#### Insurance

|                      |    |
|----------------------|----|
| Life                 | \$ |
| Auto                 | \$ |
| Homeowner's/Renter's | \$ |
| Health/Dental        | \$ |
| Other                | \$ |

#### Miscellaneous

|                             |    |
|-----------------------------|----|
| Professional Services       | \$ |
| Dues ( <i>memberships</i> ) | \$ |
| Childcare                   | \$ |

**Subtotal A** \$

### Discretionary Budget Items (B)

#### Household Expenses

|                  |    |
|------------------|----|
| Home Improvement | \$ |
| New Purchases    | \$ |
| Cable TV         | \$ |
| Internet         | \$ |
|                  | \$ |

#### Meals

|              |    |
|--------------|----|
| Dining Out   | \$ |
| Entertaining | \$ |
|              | \$ |

#### Debt

|  |    |
|--|----|
|  | \$ |
|  | \$ |
|  | \$ |
|  | \$ |

#### Tax Considerations

|                          |    |
|--------------------------|----|
| Charitable Contributions | \$ |
| Gifts                    | \$ |
| Capital Gains/Dividends  | \$ |
| Other                    | \$ |

#### Insurance

|                |    |
|----------------|----|
| Long-term Care | \$ |
| Other          | \$ |
|                | \$ |
|                | \$ |

#### Miscellaneous

|                       |    |
|-----------------------|----|
| Professional Services | \$ |
|                       | \$ |
|                       | \$ |

**Subtotal B** \$

Transfer Subtotal A and Subtotal B to their spaces on the next page.

# Monthly budget worksheet

## Essential Budget Items (C)

### Leisure & Hobbies

|  |    |
|--|----|
|  | \$ |
|  | \$ |
|  | \$ |
|  | \$ |
|  | \$ |
|  | \$ |
|  | \$ |
|  | \$ |

### Personal Care

|                                       |    |
|---------------------------------------|----|
| Clothing ( <i>purchase/cleaning</i> ) | \$ |
| Products/Maintenance                  | \$ |

### Healthcare & Wellness

|                            |    |
|----------------------------|----|
| Medicare                   | \$ |
| Medical/Supp. Insurance    | \$ |
| Out-of-Pocket Copayments   | \$ |
| Dental/Vision/Hearing      | \$ |
| Eye Doctor/Glasses         | \$ |
| Medical Equipment          | \$ |
| Prescription and OTC drugs | \$ |
| Other                      | \$ |

### Transportation

|                                    |    |
|------------------------------------|----|
| Car Payments                       | \$ |
| Maintenance/Fuel                   | \$ |
| Taxes, Registration, etc.          | \$ |
| Other ( <i>bus/train/airfare</i> ) | \$ |

|                                     |    |
|-------------------------------------|----|
| <b>Subtotal C</b>                   | \$ |
| <b>Subtotal A (from prev. page)</b> | \$ |
| <b>Total Essential Budget</b>       | \$ |

## Discretionary Budget Items (D)

### Leisure & Hobbies

|   |    |
|---|----|
| Health Club ( <i>exercise classes</i> ) | \$ |
| Vacation/Travel                         | \$ |
| Dining                                  | \$ |
| Movies, Theater, Rentals                | \$ |
| Education                               | \$ |
| Other ( <i>books, hobbies</i> )         | \$ |
| Discretionary spending                  | \$ |
| Gifts and Holidays                      | \$ |

### Personal care

|                      |    |
|----------------------|----|
| The Extras           | \$ |
| Products/Maintenance | \$ |

### Healthcare & Wellness

|                          |    |
|--------------------------|----|
| Out-of-Pocket Copayments | \$ |
|                          | \$ |
|                          | \$ |
|                          | \$ |
|                          | \$ |
|                          | \$ |
|                          | \$ |
|                          | \$ |

### Transportation

|                      |    |
|----------------------|----|
| Discretionary Travel | \$ |
| Vacations            | \$ |
| Upgrades             | \$ |
| Other                | \$ |

|                                     |    |
|-------------------------------------|----|
| <b>Subtotal D</b>                   | \$ |
| <b>Subtotal B (from prev. page)</b> | \$ |
| <b>Total Discretionary Budget</b>   | \$ |

## Monthly Income Sources

(net of taxes)

|                                      |    |
|--------------------------------------|----|
| Pension/IRAs                         | \$ |
| 401(k)/403(b)/457(b)                 | \$ |
| Social Security                      | \$ |
| Dividends/Interest                   | \$ |
| Alimony/Child Support                | \$ |
| Employment                           | \$ |
| Royalties                            | \$ |
| Real Estate ( <i>rental income</i> ) | \$ |
| Other                                | \$ |

|                             |    |
|-----------------------------|----|
| <b>Total Monthly Income</b> | \$ |
|-----------------------------|----|

|                            |          |
|----------------------------|----------|
| Total Essential Budget     | \$ _____ |
| +                          |          |
| Total Discretionary Budget | \$ _____ |
| =                          |          |
| Total monthly expenses     | \$ _____ |

|                        |          |
|------------------------|----------|
| Total monthly income   | \$ _____ |
| -                      |          |
| Total monthly expenses | \$ _____ |
| =                      |          |
| Funds available        | \$ _____ |

# TIAA is here to help

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## Tools and calculators

Retirement Advisor

Retirement Goal Evaluator

Preparing for Retirement: [TIAA.org/pfr](https://TIAA.org/pfr)

You can visit: [TIAA.org/tools](https://TIAA.org/tools)

## TIAA resources

 [facebook.com/tiaa](https://facebook.com/tiaa)

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<sup>1</sup> Before consolidating assets, 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 or other penalties associated with the transfer of assets. Indirect transfers may be subject to taxation and penalties. Consult with your own advisors regarding your particular situation.

<sup>2</sup> Prior to rolling over, consider your other options. You may be able to leave money in your current plan, withdraw cash or rollover the assets to a 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 consultant and your tax advisor regarding your situation. Learn more at [TIAA.org/reviewyouroptions](https://TIAA.org/reviewyouroptions).

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