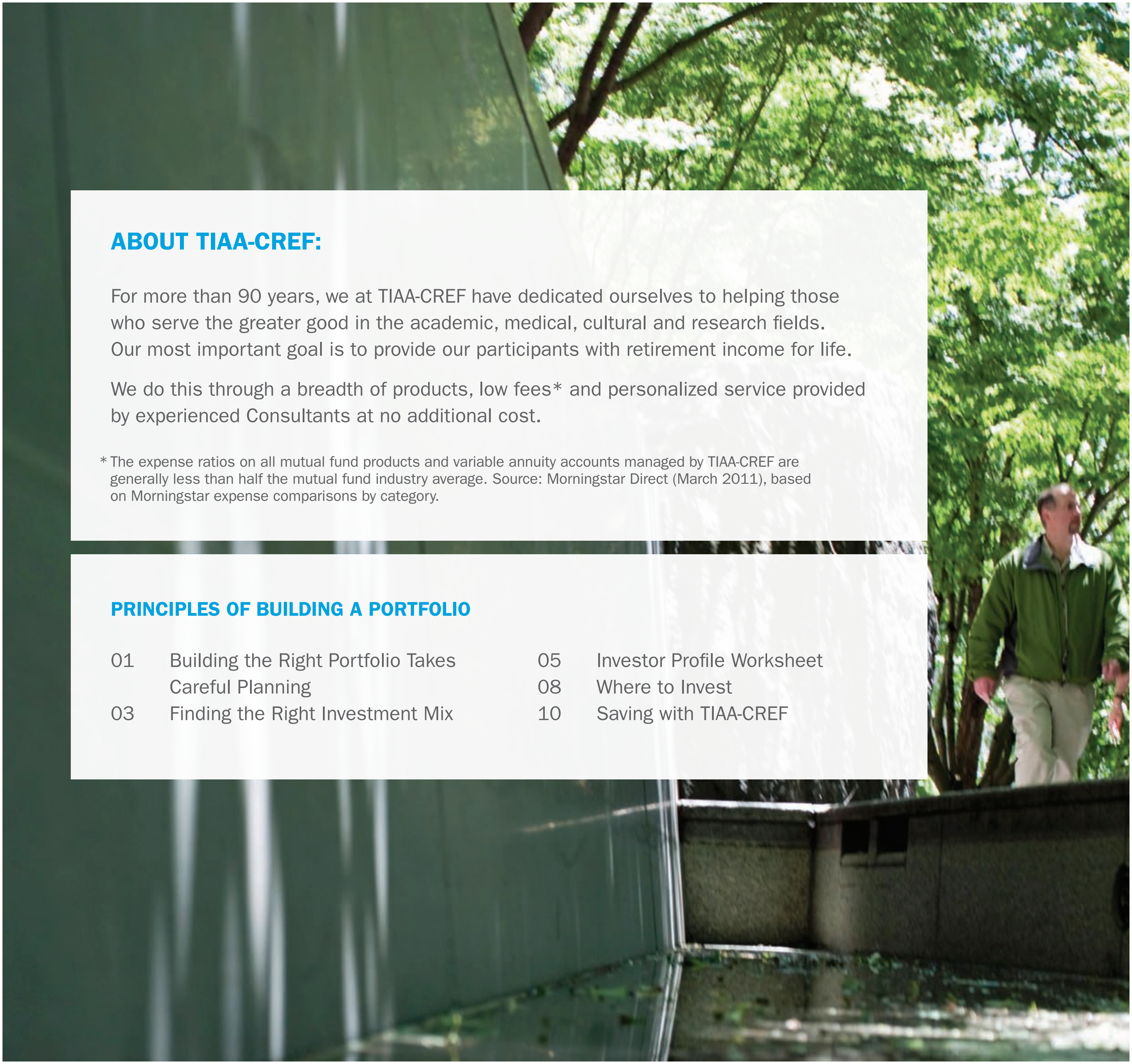
# Building Your Retirement Portfolio

WITH THE HELP OF TIAA-CREF

TIAA CREF
Financial Services



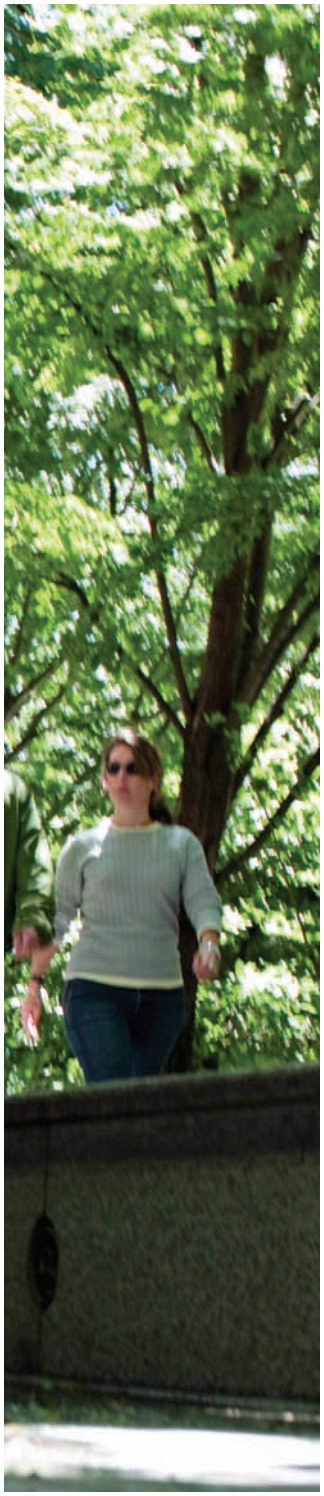
## ABOUT TIAA-CREF:

For more than 90 years, we at TIAA-CREF have dedicated ourselves to helping those who serve the greater good in the academic, medical, cultural and research fields. Our most important goal is to provide our participants with retirement income for life.

We do this through a breadth of products, low fees* and personalized service provided by experienced Consultants at no additional cost.

* The expense ratios on all mutual fund products and variable annuity accounts managed by TIAA-CREF are generally less than half the mutual fund industry average. Source: Morningstar Direct (March 2011), based on Morningstar expense comparisons by category.

## PRINCIPLES OF BUILDING A PORTFOLIO



# BUILDING THE RIGHT PORTFOLIO TAKES CAREFUL PLANNING

TIAA-CREF is here to help you build a retirement portfolio tailored to your specific needs and objectives. Our objective advice and tools are designed to help you choose the right investments for your unique situation and goals — empowering you to create a plan that allows you to invest with confidence. We will help you identify and understand the principles of investing so that you can make informed asset allocation decisions.

## PRINCIPLE **1**
### RISK AND RETURN

The cornerstone of any savings or investment plan is the relationship between risk and return. As a rule, the potential gain (or potential loss) for any investment corresponds to its level of risk.

Generally, a higher level of risk means more volatility — the likelihood that the investment will have wider swings in performance. But investments with higher risk may provide the best opportunity for better returns over time.

Most experts agree that while you shouldn't take unnecessary risks with your savings, you should take enough risk to help build the assets to finance the retirement you want.

## PRINCIPLE **2**
### YOUR TIME HORIZON

While historical returns are no guarantee of future performance, consider stocks for your long-term goals since they may give you the best potential for growth. Of course, with greater potential for gains comes greater risk. But with 10 years or more to invest before you retire, you may have the opportunity to ride out and recover from most downturns in the stock market in exchange for the potential of greater gains.

Since your money will still need to work for you even when you stop working, we consider anyone saving for retirement to have a long-term time horizon. As you near retirement, however, you may want to move some savings into more conservative investments to help meet your need for income in retirement.

PRINCIPLE **3**
## DIVERSIFICATION: THE KEY TO A SUCCESSFUL PORTFOLIO

You can help manage risk by diversifying — or spreading the risk — over a variety of investments. Since certain investments will perform differently over time, diversification may help offset the volatility of a single investment. The upward movement of one asset class may help reduce losses from the downward movement of another.

You can diversify in two ways:

- You can build your portfolio using a combination of asset classes, such as stocks, bonds, real estate and money market holdings.
- You can further diversify within each asset class by investing in a variety of companies, industries and countries. You can also choose between different capitalizations (large-cap, mid-cap, small-cap) and investment styles such as value and growth.

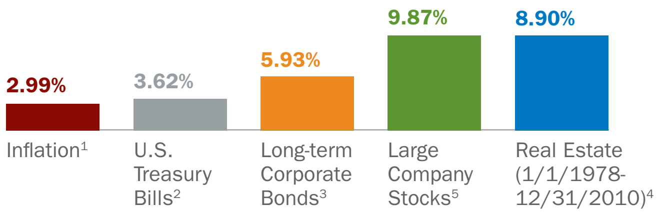
Diversifying does not guarantee that you won't lose money, but it can keep you from being overexposed to a major downturn in a certain investment.

### Don't forget about inflation

Even though many investors consider loss of principal to be the greatest risk they face, you shouldn't forget about inflation risk. Annual inflation of only 3.5% will reduce the purchasing power of $100 to about $50 in 20 years — half of what it's worth today. This is, of course, a hypothetical example and actual inflation rates may be higher or lower, causing results to vary.

Be sure to include investments in your portfolio that have the best opportunity to keep pace with, or surpass, inflation. Stocks, real estate and certain bonds have generated returns that have been shown to exceed inflation over the long term.

**Average Annual Nominal Total Returns** (1926-2010)




Source: © Ibbotson Associates, a wholly owned subsidiary of Morningstar, Inc. Hypothetical value of $1 invested at year-end 1925. Assumes reinvestment of income and no transaction costs or taxes. Chart illustrates returns from 1/1/1926 to 12/31/2010. Benchmarks: S&P 500 Index, Ibbotson U.S. Long-Term Corporate Bonds, Ibbotson U.S. Long-Term Government Bonds, Ibbotson U.S. 30-Day Treasury Bills, U.S. Consumer Price Index for All Urban Consumers (CPI-U). You cannot invest directly in an index.

[1] U.S. Consumer Price Index for All Urban Consumers (CPI-U)
[2] Ibbotson U.S. 30-day Treasury Bills
[3] Ibbotson U.S. Long-Term Corporate Bonds
[4] NCREIF Property Index
[5] S&P 500® Index

# FINDING THE RIGHT INVESTMENT MIX

Now that you've started to save for retirement, you'll need to choose how best to invest those savings. In making your choices, consider the following:

**What are asset classes?**
Asset classes refer to standard sets of investments. They typically include:
- Equities (stocks)
- Fixed Income (bonds)
- Money Market
- Real Estate
- Guaranteed

You'll also see subcategory asset classes within each of the major categories above.

**1.** Determine how comfortable you are with investment risk by completing the Investor Profile Worksheet.
Some people look for stability with little or no risk of loss to their capital. Others are willing to accept varying levels of risk for the possibility of greater growth. Your responses to the Investor Profile Worksheet on page 5 will determine where you fall on the risk-tolerance scale. We'll then give you a sample portfolio that most closely matches your investing style. Keep in mind, it is only an example and may not be the best portfolio for your situation.

**2.** Understand that markets and economic cycles fluctuate over time.
Become familiar with the five major asset classes and see how each can fit into your investing style to help achieve your long-term goals. Choose an allocation that makes sense for your needs and do your best to stick with it.

**3.** TIAA-CREF offers the range of choices you need to create your own long-term portfolio.
Depending on the type of account you have, you can choose not only from TIAA-CREF annuities and mutual funds, but those from other financial services companies as well. Review the investment descriptions and prospectuses before you make your investment choices.

**4.** Find out which investments are available through your plan.
Log in to your account at **tiaa-cref.org** to view detailed information on the types of investments offered, and to build or change your allocation.

**5.** TIAA-CREF is here to help.
If you're looking for more personalized guidance for building your retirement portfolio, **contact one of our experienced retirement consultants at 800 842-2252**. You can get a personalized consultation at no extra cost. We offer objective advice. If your plan offers funds from both TIAA-CREF and other companies, the consultation will provide unbiased portfolio recommendations on both.

## TIAA-CREF'S INVESTMENT EXPERTISE AND TIME-TESTED APPROACH TO LONG-TERM PERFORMANCE

Whatever your goals, TIAA-CREF offers investments to help you plan for — and live well in — retirement.

For more than 90 years, TIAA-CREF has been committed to meeting your retirement savings and other financial needs with enduring performance and exceptional value. We strive for a distinct combination of consistent long-term returns, prudent risk control, and low costs to help meet your goals.

# INVESTOR PROFILE WORKSHEET

How much risk are you comfortable with? This worksheet will help you come up with the answer. Once you've completed it, you will be directed to one of the model portfolios on pages 8 or 9, which can serve as a starting point for an asset allocation that suits you.

Answer each of the following six questions on the next three pages by circling the number value (in parentheses) that corresponds to your answer. Add up the circled numbers to determine your score.

**1.** Inflation. Price increases over time can erode your investment return. Long-term investors should be aware that if portfolio returns are less than the inflation rate, their purchasing power in the future might actually decline. Bear in mind that portfolios with long-term returns that significantly exceed inflation are associated with a higher degree of risk.

Which of the hypothetical portfolios listed to the right is most consistent with your investment philosophy?

**a.** Portfolio 1 will most likely exceed long-term inflation by a significant margin and has a high degree of risk. (18)
**b.** Portfolio 2 will most likely exceed long-term inflation by a moderate margin and has a high to moderate degree of risk. (12)
**c.** Portfolio 3 will most likely exceed long-term inflation by a small margin and has a moderate degree of risk. (6)
**d.** Portfolio 4 will most likely match long-term inflation and has a low degree of risk. (0)

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**2.** Short-term volatility. Portfolios with the highest average returns also tend to have the highest chance of short-term losses. The table below provides the average dollar return of four hypothetical investments of $100,000 and, for each, the possibility of losing money (an ending value of less than $100,000) over a one-year holding period.

Select the portfolio with which you are most comfortable.

| | Possible Average Value at the End of One Year | Chance of Losing Money at the End of One Year |
|---|---|---|
| Portfolio **1** (0) | $106,000 | 16% |
| Portfolio **2** (8) | $107,000 | 21% |
| Portfolio **3** (12) | $108,000 | 25% |
| Portfolio **4** (18) | $109,000 | 28% |



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# INVESTOR PROFILE WORKSHEET (CONT'D)

**3.** Risk and return. Historically, investors who have realized high long-term average returns have experienced greater fluctuations in the value of their portfolios and more frequent short-term losses than have investors with more conservative investments.

Considering this, which statement best describes your investment goals?

**a.** Protect the value of my account. In order to minimize the chance of loss, I am willing to accept the lower long-term returns provided by conservative investments. (0)

**b.** Keep risk to a minimum while trying to achieve slightly higher returns than the returns provided by investments that are more conservative. (5)

**c.** Balance moderate levels of risk with moderate levels of returns. (10)

**d.** Maximize long-term investment returns. I am willing to accept large and sometimes dramatic fluctuations in the value of my investments. (15)

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**4.** Market downturns. Historically, markets have experienced downturns, both short-term and prolonged, followed by market recoveries. Suppose you owned a well-diversified portfolio that fell by 20% (i.e., a $1,000 initial investment would now be worth $800) over a short period, consistent with the overall market.

Assuming you still have 10 years until you begin withdrawals, how would you react?

**a.** I would not change my portfolio. (15)

**b.** I would wait at least one year before changing to options that are more conservative. (10)

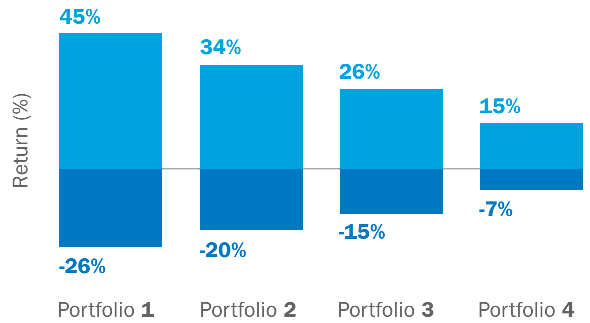
**c.** I would wait at least three months before changing to options that are more conservative. (5)

**d.** I would immediately change to options that are more conservative. (0)

**5.** Performance over a one-year holding period. The graph to the right shows the hypothetical results of four sample portfolios over a one-year holding period. The greatest potential gains and greatest potential losses are presented in each. Note that the portfolio with the greatest potential gain also has the greatest potential loss. Which of these portfolios would you prefer to hold?

**a.** Portfolio 1 (19)
**b.** Portfolio 2 (12)
**c.** Portfolio 3 (7)
**d.** Portfolio 4 (0)

**Annual Return:** Four Sample Portfolios

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**6.** Large declines for higher returns. I am comfortable with investments that may frequently experience large declines in value if there is a potential for higher returns.

**a.** Agree (15)
**b.** Disagree (8)
**c.** Strongly disagree (0)

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Your total score: ___________

# WHERE TO INVEST

The descriptions below provide a sample of common investment portfolios. Generally, financial planning professionals recommend that people nearing retirement invest more conservatively. To determine the right mix for you, contact a TIAA-CREF retirement consultant.

Your total score from the preceding page can provide guidance on which sample investment portfolio might be right for you.

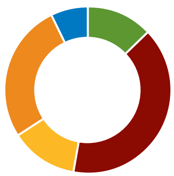
If you scored **0-19**, you probably want greater stability and a lower level of risk. Look at the Conservative portfolio.

If you scored **20-39**, you're probably looking to strike a balance between safety and growth but are still very concerned with preserving your existing accumulation. Look at the Moderately Conservative portfolio.

If you scored **40-59**, you're probably looking to strike a balance between safety and growth. Look at the Moderate portfolio.

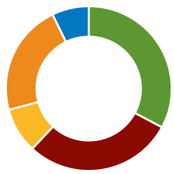
## SAMPLE PROPOSED ASSET ALLOCATIONS*

### CONSERVATIVE



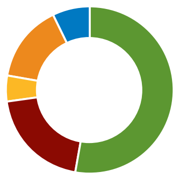
- 12% Equities
- 41% Fixed Income
- 10% Cash/Money Market
- 29% Guaranteed
- 8% Real Estate

### MODERATELY CONSERVATIVE



- 32% Equities
- 28% Fixed Income
- 8% Cash/Money Market
- 24% Guaranteed
- 8% Real Estate

### MODERATE



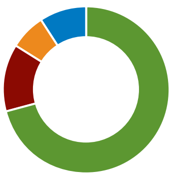
- 53% Equities
- 19% Fixed Income
- 5% Cash/Money Market
- 16% Guaranteed
- 7% Real Estate

If you scored **60-79**, you're probably willing to take somewhat more risk to achieve greater growth potential. Look at the Moderately Aggressive portfolio.

If you scored **80-100**, you're probably comfortable with a higher level of risk. Look at the Aggressive portfolio.

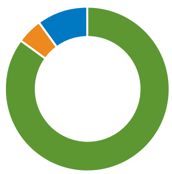
To find out which investment choices are offered through your employer's plan, you can contact your organization's plan administrator or call us at **800 842-2252.**

## MODERATELY AGGRESSIVE



- 72% Equities
- 13% Fixed Income
- 7% Guaranteed
- 8% Real Estate

## AGGRESSIVE



- 85% Equities
- 5% Guaranteed
- 10% Real Estate

# SAVING WITH TIAA-CREF

### LIFECYCLE FUNDS: AN ALL-IN-ONE APPROACH

If you prefer to leave your asset allocation decisions to a professional, a TIAA-CREF Lifecycle Fund may be right for you. Lifecycle funds provide a ready-made portfolio consisting of investments in stocks, bonds and real estate investment trusts. Designed with your planned retirement date in mind, these diversified portfolios change over time to help meet your objectives.[1]

You simply select the portfolio that matches your situation and we'll reallocate it over time to keep you on track. To find out if your plan offers lifecycle funds and whether they are right for you, call us at **800 842-2252.**

As with all mutual funds, keep in mind that the principal value of a lifecycle fund isn't guaranteed. Also, please note that the target date of a lifecycle fund is an approximate date when investors may begin withdrawing from the fund.

## UNIQUE INVESTMENT OPTIONS

### REAL ESTATE INVESTING WITH TIAA

TIAA-CREF is one of the largest institutional real estate investors in the nation. The TIAA Real Estate variable annuity account seeks long-term growth potential through rental income and capital appreciation of the properties it holds. While real estate investing is subject to various risks, including fluctuating property values, lower than expected income, and potential environmental problems and liability, historically the correlation between real estate and the stock market has been shown to be low — meaning one may not typically move in the same direction as the other. That can provide your portfolio with additional diversification.

### GUARANTEED INCOME FOR LIFE

By guaranteeing your principal and a minimum interest rate (based on TIAA's claims-paying ability), the TIAA Traditional Annuity offers a solid base from which to build your portfolio. You also have the opportunity for additional amounts beyond the guaranteed rate, when the TIAA Board of Trustees declares them.[2]

### OTHER SAVINGS AND INVESTMENTS

To make sure your allocations align with your needs, coordinate your TIAA-CREF holdings with any assets you have with other financial companies. One way to do this is to consolidate[4] your assets with TIAA-CREF, where you can take advantage of our investment expertise, wide choice of investments and low fees.[3]

**Our unique IRA**

Our no-fee Traditional, Roth or SEP IRAs allow you to consolidate your assets and choose from TIAA-CREF's Lifecycle Funds, mutual funds and annuities.[5]

**Consolidating offers you these benefits:**

- **Potentially save on expenses.** Our expenses are less than half the industry average.[3]
- **Save time.** You'll get one easy-to-read quarterly statement that details all your accounts.
- **Manage your retirement money better.** You'll be in a better position to track your potential returns and make sure they're in line with your retirement time horizon. Also, it may be much easier to review and fine-tune your asset allocation strategy.

Another way to expand your diversification is to add a brokerage feature to your IRA, which allows you to invest in numerous mutual funds and exchange-traded funds from leading fund companies, as well as individual stocks, bonds, CDs and money market instruments (brokerage fees may apply).

For informed advice on all aspects of IRAs, call one of our retirement consultants at **800 842-2252**.

1 Please note that TIAA-CREF Lifecycle Funds share the risks associated with the types of securities held by each of the underlying funds in which they invest. In addition to the fees and expenses associated with the Lifecycle Funds, there is exposure to the fees and expenses associated with the underlying mutual funds as well. TIAA-CREF Lifecycle Funds are actively managed, so their asset allocations are subject to change and may vary from those shown or discussed. Approximately seven to ten years after a Lifecycle Fund's target date, the fund may merge into the Lifecycle Retirement Income Fund or a similar fund.

2 Such additional amounts, when declared, remain in effect for the "declaration year," which begins each March 1. There is no assurance that additional amounts will be declared.

3 The expense ratios on all mutual fund products and variable annuity accounts managed by TIAA-CREF are generally less than half the mutual fund industry average. Source: Morningstar Direct (March 2011), based on Morningstar expense comparisons by category.

4 Before transferring assets, be sure to carefully consider: differences in features, costs, charges, services; possible IRS penalties and other adverse tax consequences; and the potential loss of vested benefits when moving retirement assets into a new account.

5 There is no account fee to own a TIAA-CREF IRA; however, brokerage transaction fees may apply. In addition, investors are subject to the underlying funds' portfolio management fees and expenses.

You may also find it simpler, once you retire, to manage your income if all your assets are with one financial company.[4]

## REBALANCING: WHEN TO CONSIDER MAKING PORTFOLIO CHANGES

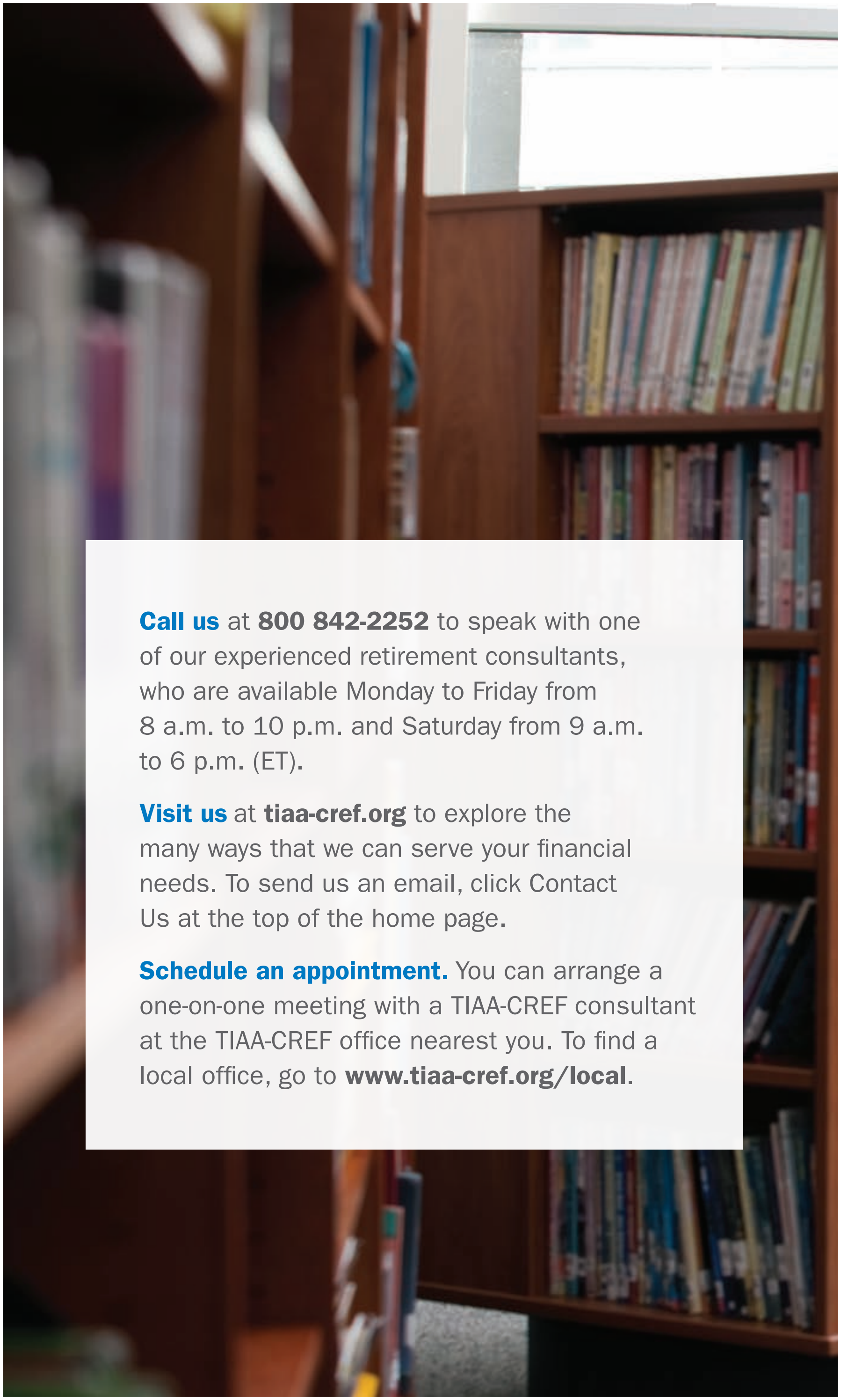
Over time, your accounts will increase or decrease in value, resulting in a portfolio that may not reflect your original asset allocation. For example, after a strong run in the stock market, your original allocation of 40% to stocks may grow to represent 55% of your account balance — skewing your original intentions and increasing the potential risk in your portfolio.

Extended economic trends may also persuade you to make a change to your asset allocation strategy. During lengthy periods of low interest rates, for example, it may not make sense to keep your long-term savings in a money market account when there may be better investment opportunities elsewhere. And, when we offer new investment choices, you may want to consider adding that option to your portfolio. Finally, your investment preferences are likely to change over time.

As a result, we recommend that you revisit your asset allocation at least once a year. You can also set up annual automatic rebalancing of your portfolio.

## TAKE THE NEXT STEP

Contact us today for more information, advice or help opening an account. It's easy to reach us.



**Call us** at **800 842-2252** to speak with one of our experienced retirement consultants, who are available Monday to Friday from 8 a.m. to 10 p.m. and Saturday from 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 us an email, click Contact Us at the top of the home page.

**Schedule an appointment.** 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**.

**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. Read the prospectus carefully before investing.**



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