Invest for success

5 principles you need to know

How you invest is as important as how much you save

Your future financial health depends on the actions you take now. In addition to making regular contributions to your retirement plan and practicing good money management, make sure you understand the principles of investing. This may make a big difference for your future.

5 principles of investing for retirement

This guide summarizes the key principles to follow when making investment decisions now and as your circumstances change over time.

1 – Take advantage of time

2 – Make use of tax-advantaged saving options

3 – Commit to regular contributions and stick to them

4 – Choose an appropriate investment mix

5 – Review your strategy and investments regularly

Talk to us for help

If you have questions along the way, don't hesitate to talk with a TIAA financial consultant for help with your planning. There's no extra cost for TIAA account holders.

Take advantage of webinars

Stay in-the-know about saving for retirement and other money matters with the help of TIAA's educational webinars. Visit TIAA.org/webinars for scheduled or on-demand presentations on financial topics that could make a difference for you.

Schedule a call with a TIAA financial consultant.

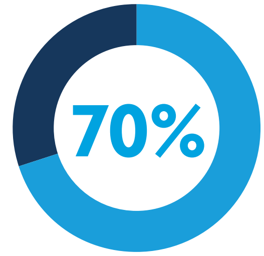
Visit **TIAA.org/schedulenow**

Or call **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET)

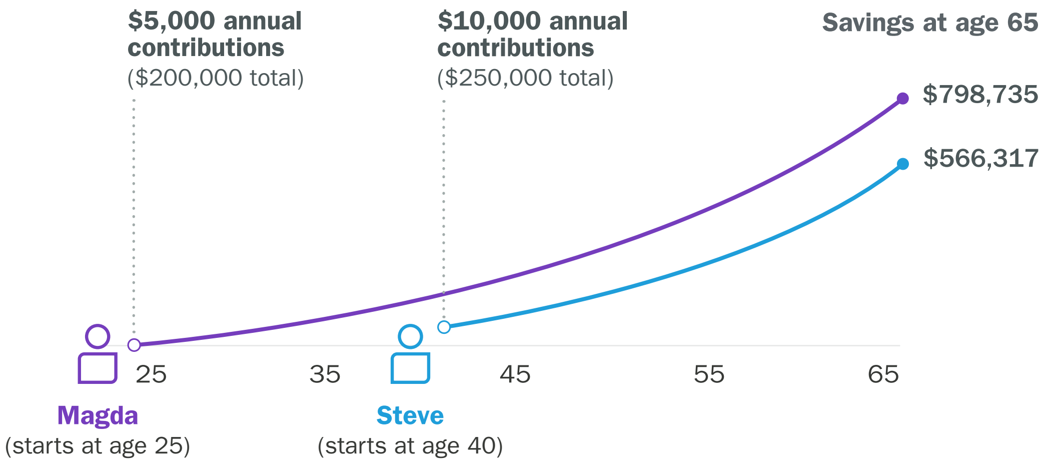
Principle 1 – Take advantage of time

Waiting may cost you

When retirement feels years away, it's easy to put off saving—or saving more—until later. But every day you delay you miss the opportunity to earn more money from compounding interest, which can help your money add up beyond what you contribute yourself.



of retirees say they wish they had started saving earlier.[1]



Hypothetical illustration only. Not intended to represent the past or future performance of any investment. Assumes contributions are made monthly with a 6% annual effective return, compounded monthly. Actual performance will vary with market conditions. Source: "Investing 101," TIAA.org/public/learn/personal-finance-101/investing-101.

Principle 2 – Make use of tax-advantaged saving options

Start with your workplace retirement plan

- Contributions are pretax, lowering your taxable income. No taxes are due until you withdraw your money in retirement.[2]
- Your employer may offer a matching contribution to help you save even more.
- Your retirement savings are yours to keep even if you change jobs.
- Workplace plans also provide lots of support for your planning needs.

IRAs also offer tax advantages for saving

An individual retirement account, or IRA, lets you save additional money outside your workplace retirement pan. You can also consolidate previous workplace plans in an IRA if you have multiple retirement accounts.[3] This can help you keep track of and manage your money more easily. There are two types of IRAs: Traditional and Roth.

TRADITIONAL IRA	ROTH IRA
• Tax-deductible contributions up to income limit • Tax-deferred growth • Income taxes due upon withdrawal[2]	• No tax-deductible contributions • Tax-free growth • Tax-free withdrawals[4]

Open a high-yield savings or money market account.

Set aside 6 months of expenses.

Start with what you can, and contribute regularly until you reach your goal.

Principle 3 – Commit to regular contributions and stick to them

Once you start contributing to your retirement account, don't think of it as something you stop and start based on financial needs or market volatility. Rather, consider it a long-term commitment. There are two important reasons to stay the course.

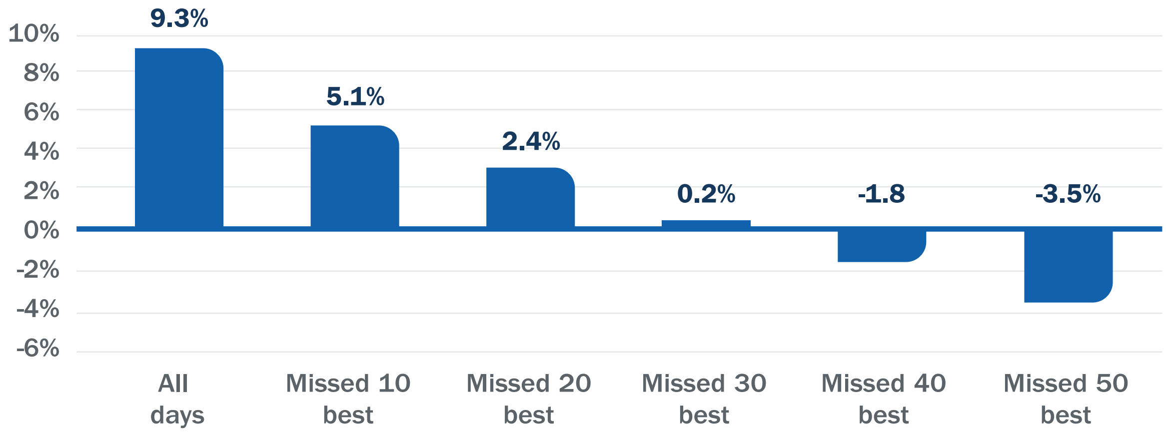
Regular contributions spread out your risk over time

Contributing regularly helps spread out your investment risk over time through a concept called dollar-cost averaging. Instead of putting in a large chunk of money all at once and getting the share price on one day only, you contribute smaller amounts at regular intervals and take advantage of different prices on different days. That way you're able to purchase more shares when prices dip and less when prices are high, helping you manage the risk of fluctuating prices and buying too high all at once.[5]

Missing the best days in the market may set you back

It can be tempting to stop contributions during market downturns, but you may miss the best days on the market that happen during eventual recoveries. Regular contributions at a steady pace allow you to buy during the lows, not just the highs, and take advantage of potential gains all the way up.[5]

Average annual return on all days vs. missing best days in the market (2002–2022)



The returns are average annual over the past 20 years from 2/28/2002 to 2/28/2022. The bars represent what would have happened if the investor had "missed" the best 10/20/30/40/50 days for the equity markets during that 20-year period. Past performance is no guarantee of future results. This is for illustrative purposes only. This is not indicative of any investment. An investment cannot be made directly in an index. The S&P 500 index is based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. © 2022 Morningstar. All Rights Reserved.

Principle 4 – Choose an appropriate investment mix

Your asset allocation affects your returns

When you invest your retirement savings, it's not just about choosing different investments. It's about understanding the different *types* of investments, or asset classes, and how to divide your savings among them to help manage risk. This is called asset allocation. You have the option of putting your money into five primary asset classes, each with a different level of risk and different reactions to market conditions. Spreading your money across different asset classes may help you offset losses in one class with opportunities in another.[6] In fact, your asset allocation has a bigger impact on your overall returns than the selection of any individual investments.

The asset classes have different risks and rewards

Higher **RISK** Lower

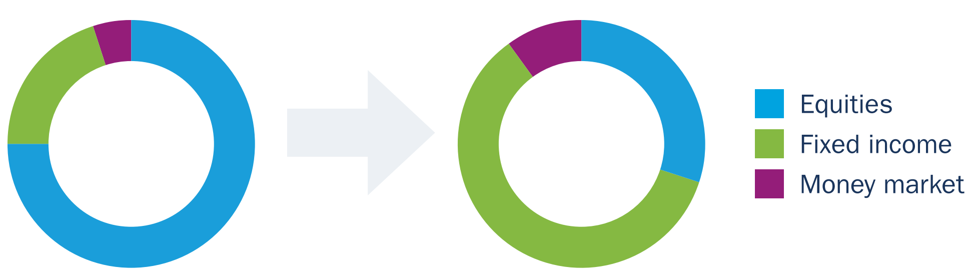
Equities (stocks)	Real estate[8]	Fixed income (bonds)	Money market (cash)	Guaranteed[9]
Shares in publicly held companies. More volatile in short term, but historically outperform other classes long term.[7]	Funds that invest in commercial real estate, helping diversify beyond the stock market.	More conservative and can help offset higher risks of stocks. Value can still fluctuate.	Safe, but offers little growth and is unlikely to keep up with inflation.	Protected from market volatility and offers lifetime income in retirement.

Review your asset allocation even if you have a target-date fund

You may already have your savings invested in a target-date fund, either because you chose it or that was the default investment when you joined your plan. A target-date fund is a single fund with a diverse mix of investments and a predetermined asset allocation based on your likely retirement year. Over time, it automatically adjusts to give you a more conservative mix of investments as you get closer to retirement.[6]

A target-date fund is a great way to start investing quickly and easily. However, it does not include the guaranteed asset class, which can provide lifetime income when you retire and be an important part of your long-term saving and investing strategy.[9] So it's still important to review your asset allocation even if you have a target-date fund.

Becomes more conservative over time, but does not include guaranteed assets



For illustration only. The principal value of a target-date fund isn't guaranteed at any time, including at the target date. Target-date 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 target-date funds, there is exposure to the fees and expenses associated with the underlying mutual funds.

Try the Asset Allocation Evaluator at TIAA.org/aae.

Answer 6 quick questions to see what mix may be right for you.

Or get an overall saving and investing strategy at TIAA/retirementadvisor.

Choose an asset allocation that's right for you

You know yourself better than anyone else, so start there. Here are a few things to consider:

How far are you from retirement?

The further you are from retirement, the more aggressive you may want to be—with a higher percentage of stocks for greater growth potential. The closer you get to retirement, the more conservative your mix should become since you'll have less time to make up any market losses that may occur closer to retirement.

What are your goals?

Is your savings on track, or are you looking to catch up and potentially take on higher risks for higher growth? What risk is worth taking based on your circumstances?

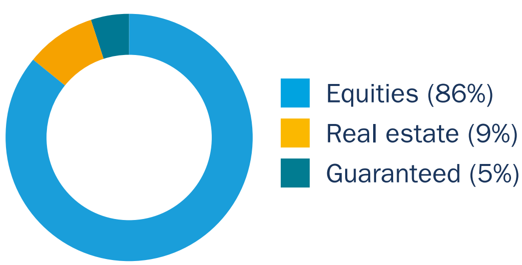
What is your tolerance for risk?

If you have trouble sleeping at night when the stock market takes a downturn, then you may want to shift to a more moderate asset allocation. But remember, being too conservative can also jeopardize your savings goal if your investments are not earning enough to keep pace with inflation. Always keep your eye on the longer term.

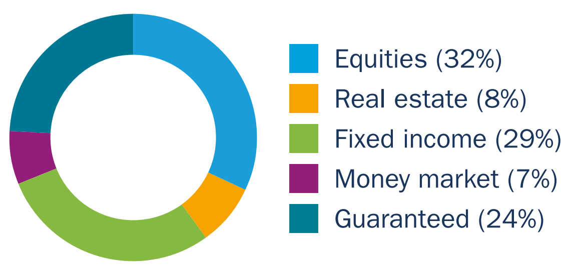
Consider these examples for different types of investors

These examples can help you see what asset allocation may be most appropriate for you. Note that in all these examples, guaranteed assets play an important role. Even in the aggressive portfolio, 5% is still going into guaranteed assets, with 29% going there in the most conservative mix. This helps keep your savings diversified and prepares you for having an additional source of lifetime income in retirement alongside Social Security and/or pension income.[9]

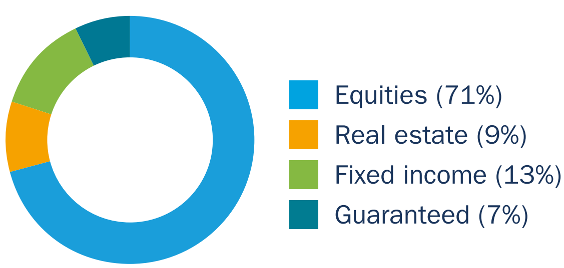
Aggressive portfolio



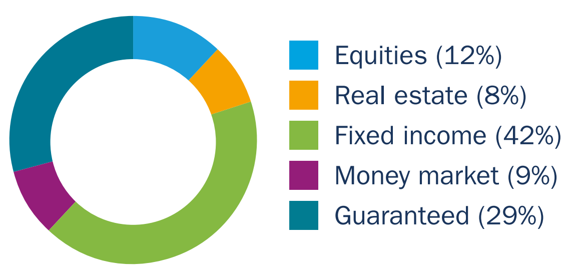
Moderately conservative portfolio



Moderately aggressive portfolio



Conservative portfolio



For illustration only. Actual allocation amounts should be based on your personal circumstances. There are inherent risks in investing in securities. There is no guarantee that asset allocation reduces risk or increases returns.

Principle 5 – Review your strategy and investments regularly

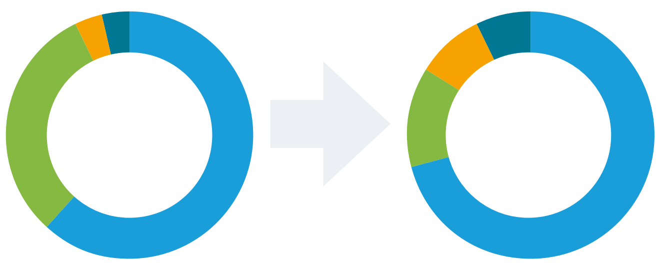
Based on how your investments perform, your asset allocation will start to change and become "unbalanced." In addition, as you move through career and life changes, your asset allocation should change too. Be sure to review and update your asset allocation regularly, either on your own or with the help of a TIAA financial consultant.

You may need to make adjustments to your asset allocation

Example A: If certain investments do well, you'll end up with a higher percentage of your savings in those funds compared to others. Be sure to "rebalance" your investments to get them back to your intended mix.

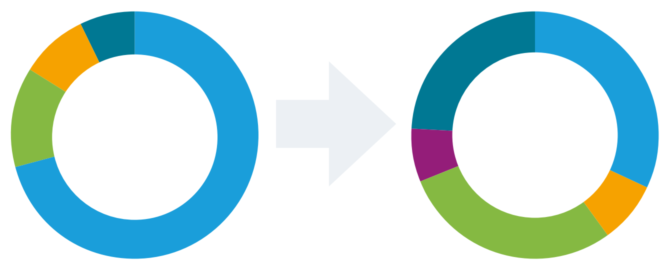
Example B: As you get close to retirement, your mix should likely become more conservative to protect more of your savings and help prepare you for steady, lifelong income in retirement.[9]

Rebalance to maintain your asset allocation



Unbalanced mix due to market returns — Desired mix

Adjust your asset allocation to reflect your changing circumstances



More aggressive — More conservative

Equities | Real estate | Fixed income | Money market | Guaranteed

For illustration only. Actual allocation amounts should be based on your personal circumstances.

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Or call 800-732-8353, weekdays, 8 a.m. to 8 p.m. (ET)

Additional resources

- Asset Allocation Evaluator
- Retirement Advisor tool
- TIAA IRA information
- TIAA webinars
- Investing 101

[1] Bridget Bearden, "Retiree Reflections," EBRI Issue Brief No. 561, Employee Benefit Research Institute, June 16, 2022, ebri.org/content/retiree-reflections.

[2] Withdrawals before age 59½ may be subject to a 10% tax penalty.

[3] Before rolling over assets, consider your other options. You may be able to leave money in your current plan, withdraw cash or roll over the assets to your 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 TIAA consultant and your tax advisor regarding your situation. Learn more at **TIAA.org/reviewyouroptions**.

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.

[4] Withdrawals from a Roth IRA are completely tax free after age 59½ if owned for at least five years. On withdrawals prior to age 59½ or less than five years after funding your account, earnings only are subject to income taxes and a 10% tax penalty.

[5] A periodic investment plan such as dollar-cost averaging does not assure a profit or protect against a loss in declining markets.

[6] Diversification is a technique to help reduce risk. It is not guaranteed to protect against loss.

[7] Tom Lauricella, "3 Charts That Show Why Investors Should Stay the Course Throughout Market Turmoil," Morningstar, March 16, 2020, morningstar.com/articles/972119/3-charts-that-show-why-investors-should-stay-the-course-throughout-market-turmoil.

[8] The real estate industry is subject to various risks including fluctuations in underlying property values, expenses and income, and potential environmental liabilities.

[9] Guarantees are based on the claims-paying ability of the issuing company.

The **Asset Allocation Evaluator** is intended to serve as an educational tool to help you identify a mix of asset classes that could be used to help you create a diversified portfolio that is consistent with your individual preference to assume investment risk. The asset allocation models in this tool are based on generally accepted investment theories that take into account the historical returns of different asset classes (e.g., equities, bonds, or cash) over defined periods of time. The asset allocation models in this tool do not recommend specific investments and should not be deemed to be investment advice. This tool may provide you with access to information about the specific investments in your retirement plan or IRA for educational purposes only. That information should not be considered a recommendation to invest in any specific investment product. Your circumstances are unique and you need to assess your own situation and consult with an investment adviser to receive more personalized advice. You should consider your other assets, income and investments before making any investment decisions. All examples used are hypothetical and are designed for illustrative purposes only.

In considering these model allocations for your portfolio, keep in mind that they are based solely on your responses to a questionnaire that is designed to gauge your tolerance for investment risk. The model allocations do not take into account your other assets, other sources of retirement income, your future retirement income need, or the impact that the model allocation will have on your ability to achieve that income need. It's therefore important that you consider your entire personal financial situation in evaluating the proposed portfolio. In addition, your circumstances may change over time so review your financial strategy periodically to make sure it continues to meet your goals and needs.

The ultimate decision on asset allocation is yours to make. It is up to you to implement this asset mix if you choose to do so.

Nothing contained herein is a recommendation to buy, sell or exchange any fund or account. We cannot guarantee the suitability or potential value of any investment and we are not responsible for any losses incurred on any investment.

The **Retirement Advisor** does not monitor your retirement assets or personal circumstances. The purpose of the retirement income tool is to show how the performance of the underlying investment accounts could affect the participant's policy cash value and the resulting retirement income. It is not intended to project or predict investment results. The advice may vary over time and with each use. There may be other investments not considered by the Retirement Advisor that have characteristics similar or superior to those being analyzed. The tool's advice is based on statistical projections of the likelihood that you will achieve your retirement goals. The projections rely on financial and economic assumptions of historical rates of return of various asset classes that may not reoccur in the future; volatility measure and other facts; as well as information you have provided.

IMPORTANT: Projections and other information generated through the Retirement Advisor regarding the likelihood of various investment outcomes are hypothetical, do not reflect actual investment results and are not a guarantee of future results. The projections are dependent in part on subjective assumptions, including the rate of inflation and the rate of return for different asset classes. These rates are difficult to accurately predict. Changes to the law, financial markets or your personal circumstances can cause substantial deviation from the estimates. This could result in declines in the account's value over short or even extended periods of time.

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