

Understanding plan fees

When it comes to planning for retirement, plan fees should be considered when making investment decisions — just as you would consider how investment performance, your contribution amount, and asset allocation strategy all impact your retirement savings.

At TIAA-CREF, we also believe in transparency when it comes to your plan fees and information. The topics below address some of the most frequently asked questions regarding the new regulation, our plan fees and the value we provide to our customers.

Plan fees and who pays for them

Generally, there are three types of costs involved with a workplace retirement savings plan:

1. General administrative services

There are numerous services that are necessary for the day-to-day operation of your employer's workplace retirement savings plan. These may include the following:

- Recordkeeping, accounting, legal services, website support available on tiaa-cref.org
- Customer service and phone support
- Ongoing participant communications

2. Personalized services

Personalized service fees apply to specific services that you request. If a plan allows for loans and you apply for one, you may pay a one-time loan initiation fee and/or annual loan maintenance charges. These fees are typically charged directly to your account – if and when you use the service.

3. Specific investment services

Investment expenses typically represent the largest portion of a plan's cost, and you pay these fees only for the investments you actually use. These fees are not deducted directly from your account; they are paid indirectly through what is known as an "expense ratio."

How are expense ratios calculated?

An expense ratio is the percentage of assets an investment provider charges each year in exchange for its services. It goes toward:

- Expenses to run the fund
- Accounting and legal fees
- Fund manager's compensation
- Advertising

For example, an expense ratio of 1.5% means that each year 1.5% of the fund's total assets are used to cover these expenses.



Expenses can vary among investment options due to factors such as the risks and complexities of the fund's investment strategy.

For example, fees for international stock funds are typically higher than fees for domestic stock funds, and actively managed fund fees are typically higher than passively managed (index) funds.

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An expense ratio is important to understand because it affects your return. It is deducted from the fund's assets – total return is “net” of these fees. In other words, return is calculated after these fees have been deducted from the fund. This allows you to compare the performance of funds charging higher or lower fees.

The chart below compares a \$10,000 investment with the same investment return and two different expense ratios – illustrating the effect of each on potential savings. As you can see, even small differences in fund expense ratios can translate into sizeable differences in returns over time.

Example of Expense Ratio and Impact on Savings*

	Fund A	Fund B
Amount Invested	\$10,000	\$10,000
Rate of Return	8%	8%
Expense Ratio	.50	1.30
Amount after 10 years	\$20,610	\$19,127

Keep in mind that fees do not necessarily correlate with performance. If an investment fund has a high expense ratio, it may not mean that it has better performance.

Some investment options also charge transaction fees or have restrictions on exchanges or withdrawals (such as a short-term redemption fee). It's important to be aware of these fees and/or restrictions when you choose your investments.

All things considered

Fees are important, but they are just one factor in the retirement planning decision-making process. In addition to fees and expenses, you should consider a fund's past performance and be sure your investment choices reflect your personal risk tolerance, the time frame until your retirement, and the appropriate asset allocation to suit your investment needs. Past performance is no guarantee of future results.

TIAA-CREF is committed to providing great value for all retirement plan participants. There are a number of ways we help you pursue your financial goals, including:

- Professional, unbiased, asset allocation advice and guidance based on your needs**
- Disciplined investment approaches designed to seek competitive, risk-adjusted returns
- Comprehensive access to educational resources available online, by phone, or in person

Learn more

Beginning in 2012, you will receive information from your employer that will make it easier to review retirement plan and related fee information. In the meantime, you can visit us at tiaa-cref.org/fees or call us at **800 842-2273** to speak with one of our experienced Financial Consultants.

*This is a hypothetical example and is for illustrative purposes only. It is not intended to predict or project investment results/future values. The calculations assume no withdrawals during the period indicated and do not reflect any redemption fees. Total returns and the principal value of investments will fluctuate and results will vary.

**Using an advice methodology from Ibbotson Associates, Inc.

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

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