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## What to Look for in a Retirement Plan Provider

**When choosing a retirement plan provider, make sure the company offers the following important features.**

You may be tempted to think that all retirement plan providers are pretty much the same. However, there can be significant differences between retirement companies' investment performance, fees and the quality of their products — which can all have a major impact on the amount of money you're able to build during your working years.

Important features to look for:

**Broad investment choice.** Make sure the company offers a wide range of investment options. For example, look for a firm that has account or fund offerings in different asset classes, such as stocks, bonds, guaranteed, money market and real estate. Diversifying your retirement dollars among at least three asset classes can reduce overall volatility. (Note, however, that diversification does not guarantee against loss.)

**Solid investment performance track record.** Look for a company that has a solid and consistent performance track record. Carefully read the prospectuses of the various accounts and funds to learn about their investment objectives to see if they fit your investment preferences, tolerance for risk and goals. Morningstar Inc. ([www.morningstar.com](http://www.morningstar.com)), the well-known investment research company, is another good source of information on fund investments and performance. And while you want to identify a company that has a good overall track record, remember that a fund's past performance is no guarantee of future returns.

**Low fees.** The management fees and expenses investment companies charge can significantly affect returns, particularly over the long term. While it's true that the differences between fees from fund to fund may seem small — say, at most, a 1% to 2% differential between two funds — these small variations can really add up over time. For example, over a 20-year period, a 1% fee differential can have an almost 30% difference in the annual income from a

long-term fund investment. To learn more about an account's or fund's fees, look for information on current expenses in the prospectuses. Morningstar Inc. is another good source of information on mutual fund and annuity expenses.

**Flexible retirement income options.** When you choose a retirement provider, you're not only selecting the firm with which you'll be investing your money, but also the company through which you'll *receive* your money when you retire. It's a good idea to look for a company that offers flexible income options for receiving your funds. Typically, these options include: lifetime annuities; lump-sum or systematic cash withdrawals; interest-only options and a minimum distribution option (for satisfying federal withdrawal requirements from most tax-favored retirement plans). Annuities,<sup>1</sup> which are insurance contracts in which the insurer agrees to make regular payments to the annuitant for life or for a fixed period, can be a good choice for receiving at least some of your money in retirement.

Hopefully, these points give you a good overview of important issues to think about when selecting a retirement investment company. Also, consider reading articles in financial magazines, newspapers and on the Web.

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<sup>1</sup> A **guaranteed annuity** is backed by an insurance company's claims-paying ability, and guarantees principal and a specified minimum interest rate. It may also offer the opportunity for additional amounts in excess of the guaranteed rate.

A **variable annuity** is a contract that provides future payments, usually at retirement. Future payments depend on the performance of the portfolio's securities.