FIDELITY *or* TIAA?

One of the first decisions many educational, medical, and municipal workers face as they enroll in their employer sponsored retirement plans*, is choosing whether to sign up with Fidelity or TIAA. These two investment companies dominate the retirement space, managing hundreds of billions of dollars, and servicing many thousands of retirement plans across the country. Very often, there are competing service providers of the same employer retirement plan, leaving employees asking:

> *Fidelity or TIAA, which one is right for me?*

*Explained: Non-profit institutions, such as universities, hospitals, and municipalities often have retirement plans known as 403(b), 401(a), or 457 plans.

FIDELITY *or* TIAA?

The answer to this question depends on what's important to you and what kind of investor you are (or want to be). Let's walk through a comparison of Fidelity and TIAA to try to find out.

INVESTMENT CHOICES & MANAGEMENT STYLES: FIDELITY

Fidelity manages over **200 different mutual funds*,** spanning a very wide range of asset classes, economic sectors, geographic regions, and investment styles. They offer both passive investment management, in the form of index funds, and actively managed funds**. If there is a type of mutual fund you're looking for, chances are pretty good that Fidelity has it covered.

**Explained: Some retirement plans will offer a slimmed down menu of Fidelity or TIAA funds, instead of the whole universe of funds these companies offer.*

***Explained: Passive & Active investing*

A passive investing approach is commonly known as "buy & hold" or "index investing". It is a method that seeks to keep fees low and attempts to match market index returns.

An active investing approach is a strategy whereby a portfolio is adjusted to correspond to changing market dynamics. Goals of active investing include risk management (conservation of capital in down markets) and shorter term opportunities to profit.

INVESTMENT CHOICES & MANAGEMENT STYLES: TIAA

TIAA, on the other hand, has a more concentrated offering of **between 50 and 60 funds and annuities.** They have actively managed funds as well as passively managed funds that may be desirable for those looking to utilize an index investing approach. In addition, TIAA offers some very unique investment options such as their Traditional Annuity (an annuity that pays a specific amount of interest plus the potential for additional amounts of interest) and a Real Estate Account which offers direct ownership in various types of real estate holdings.

The TIAA Traditional annuity can sometimes be confusing. Some contracts can be fully liquid while others can require distributions to be taken over an 84-month or 10 year period. That being said, the illiquid versions of TIAA Traditional can pay higher rates of interest. Not sure what's right for you?? Just call us and we can explain in detail.

Both Fidelity & TIAA platforms will often sprinkle in a few offerings from Vanguard. Also, in a lot of retirement plans, Fidelity & TIAA offer an expanded platform of additional mutual funds (we're talking thousands), known as **Brokeragelink** (Fidelity) and **Brokerage Window** (TIAA).

*You could probably guess from the word "**Brokerage**", but there are additional expenses on these platforms*

PRO TIP

Although the CREF annuities have very low expenses, there is usually a comparable TIAA-CREF mutual fund version available for an even lower cost. If you aren't considering annuitizing for income, then the mutual fund may be a better option.

FIDELITY vs. TIAA?

Fidelity		TIAA
bring it on	When faced with decisions, do you prefer many choices or a few solid options?	less is more
trail blazer	Do you prefer going with the flow or standing out from the crowd?	if it isn't broke...
premium package	Do you pay a bit more for extra features or prefer the basic package?	discerning saver
I want it all	You won the lottery! Taking the lump sum or lifetime income?	I want options

In the long run, investors can be successful with an active or a passive approach or a combination. Most important is to understand the nature of each approach and properly interpret portfolio performance in this context.

Provizr can help ;-)

REALITY CHECK!

Whether your answers indicated TIAA or Fidelity, it's not a great idea to base your retirement strategy on a quiz in a free guide you downloaded. For customized (FREE!) advice, connect with Provizr to really figure out which is best for you.

INVESTMENT CHOICES
FIDELITY & TIAA

EXPENSES

All mutual funds have expenses. **Fidelity**, in general, has low cost mutual funds, averaging lower than the 30th percentile of expenses when compared to peers.* Keep in mind, though, that because of Fidelity's wide range of offerings, there is also a fairly wide range of comparative costs, so you want to be cognizant of when an investment option comes at a premium.

TIAA, in general, also has very low cost mutual funds, averaging around the 15th* percentile when compared to peers.

*According to Morningstar Research, Fidelity & TIAA

REALITY CHECK!

While the actual percentage expense is important, context matters. A fund that charges 0.25% may be a better bargain than a fund that charges 0.15%, depending on the fund category and how it compares to its peers. Making apples to apples expense comparisons can be difficult in practice.

PRO TIP

Fidelity has among the lowest expenses around for their lineup of Index funds; TIAA has some of the lowest expenses for Target Date funds.

looking for more clarification? Provizr can help! :)

Shameless plug

FIDELITY *or* TIAA?

When you take money out of your employer sponsored retirement account, it is generally required that you report this as income on your tax return. Because these distributions are taxable, Fidelity and TIAA both require tax withholding.

If you're at or near the stage of your life where you need to take a distribution or regular income from your retirement accounts, you should be aware of the processes and parameters of your plan. Many of these rules are dictated by your employer, but there are some subtle differences between plans utilizing Fidelity and TIAA.

INCOME & DISTRIBUTION: FIDELITY

REALITY CHECK!

Calibrating income and tax withholding can be a bit arduous and difficult. To do properly, you need to take into account the aggregate of your income sources, the ever changing tax laws, and other details of your tax profile.

Fidelity generally* **uses IRS published guidelines** to calculate and dictate the minimum federal withholding for your distributions. This can make it difficult to predict ahead of time what your net income will be, but Fidelity does allow you to adjust the withholding by increasing it by a customized percentage or dollar value.

**Explained: If your distribution is determined by Fidelity to be sustainable for less than 10 years, they will allow you to customize your federal withholding, with a minimum of 20%.*

INCOME & DISTRIBUTION: TIAA

TIAA also follows the **IRS guideline of 20% federal withholding,** but allows you to customize a larger withholding amount if you so desire, This allows you to easily pinpoint your after tax distributions, but with the high floor on withholding, you might end up overpaying your taxes.

TIAA also provides the option of converting your retirement assets into a lifetime income stream, a process known as annuitization. This is an option for money invested in any of their variable or fixed annuities. There are several annuitization options and the process is usually irreversible, so be sure to plan carefully.

PRO TIP

You don't have to hold the annuities for a long time to be able to annuitize for income. It is possible to grow your accounts in lower cost mutual funds and then exchange into a CREF annuity if you want a lifetime income. That being said, the TIAA Traditional provides for potential higher payouts based on how long you have been invested in it. Confused? We can help you determine which direction is right for you.

So, Where does that leave us?

& INVESTMENT CHOICES OUR FINAL SUMMARY: FIDELITY

Fidelity funds are great for those who want to craft and manage their portfolios to specification. With low cost funds and vast choices, there's a wide array of risk/reward possibilities – for better or for worse. Fidelity is a solid platform for the high information investor and a favorite of those who want to maintain constant control of their investments.

THE BOTTOM LINE

An investor who doesn't know what they are doing can certainly go off on the wrong path with the Fidelity platform. Those investors that wish a more granular approach to building a portfolio, however, will find the diversity, depth, and breadth of the Fidelity funds more attractive.

& INVESTMENT CHOICES OUR FINAL SUMMARY: TIAA

TIAA funds are great for those investors who want a less confusing, low cost, and low maintenance portfolio. It is also a favorite for those investors seeking an indexing approach to investing. Also, it's hard to go wrong with their very low fees.

THE BOTTOM LINE

TIAA offers a solid investment lineup that can keep things simple for investors. They offer some unique investment options such as the TIAA Traditional and their Real Estate Account and also offer the option of lifetime income payments (annuitization).

Good Luck and happy investing!

Thanks for checking out our Fidelity vs TIAA guidebook

Need more to master all your retirement options? We can help!

One more shameless plug

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The prospectus, and if available, the summary prospectus, contains this and other information about the investment company. You can obtain a prospectus from us. Please read carefully before investing. Alternative investments may not be suitable for all investors and involve special risks such as leveraging the investment, potential adverse market forces, regulatory changes and potentially illiquidity. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses. Bond mutual funds are subject to market and interest rate risk. Bonds and bond mutual fund values may decline as interest rates rise and bonds are subject to availability and change in price. Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets, as well as weather, disease, and regulatory developments.

Credit risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises whenever a borrower is expecting to use future cash flows to pay a current debt. Investors are compensated for assuming credit risk by way of interest payments from the borrower or issuer of a debt obligation. Credit risk is closely tied to the potential return of an investment, the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors. International and emerging markets investing involves special risks, such as currency fluctuation and political instability, and may not be suitable for all investors. Investing in stock or stock mutual funds includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not insure against market risk. Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

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