THE FIVE HABITS OF HIGHLY SUCCESSFUL INVESTORS

TIAA-CREF Offers Time-Tested Tips to Help Reach Retirement Goals for National Save for Retirement Week

National Save for Retirement Week, October 18-24, is a great time for anyone looking to save for retirement to get started. With that in mind, Brett Hammond, TIAA-CREF's chief investment strategist, offers these Five Habits of Highly Successful Investors.

1. SET A GOAL

Setting a goal is a very personal activity. For some, it's buying a first home. For others, it's paying down a mortgage. Still others might want to retire sooner rather than later. In any case, success comes by having and working towards a vision.

After establishing a goal, success is in the details. Translate goals into reasonable time frames and monthly target amounts for savings. Objective counsel from trusted advisors, who do not receive commissions,[1] can help with this process.

Remember these goals are not static and are very much subject to change. Be realistic and flexible, and revisit your goals whenever there has been a major life change such as a marriage, the birth of child, or the purchase of a home.

2. TAX-DEFER AS MUCH AS POSSIBLE

One of the ways to build a retirement nest egg is to use tax-deferred products such as tax-deferred annuities or Individual Retirement Accounts (IRAs). You pay less in taxes now and can contribute more for your future – with money that would otherwise go to taxes. The additional amounts invested can compound over time and can have a sizable impact.

Of course there are caveats. Past performance is never a guarantee of future performance and everyone's tax situation is a little different. Vehicles that defer taxes have restrictions – age and income being common ones – on when you can access the money you've invested. Again, talking to an advisor to measure the pros and cons for your particular circumstances is recommended.

3. DIVERSIFY YOUR PORTFOLIO

Prudent investors don't rely on a few hot stocks or sectors. Instead, they spread their holdings across a range of investments. According to a well known 1995 study by Brinson, Hood, and Beebower,[2] 90% of returns result from asset allocation. A well-diversified investment portfolio can help provide a measure of stability by insulating you from the ups and downs of any one type of security or market because various types of investments – equities, fixed income, cash and alternatives such as direct real estate for example – perform differently under changing economic conditions.

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Also, consider guaranteed income as part of your retirement plan. Even an appropriately well-diversified portfolio will move with the market somewhat – but an annuity that provides guaranteed income[3] can be a valuable complement to a well-diversified investment portfolio, especially in light of the recent market downturn. Diversifying spreads risk across different asset classes and may reduce overall portfolio volatility. Time also helps manage risk when rates of return are averaged over years and even decades. Of course, diversification cannot eliminate the risk of investment losses and offers no assurance that a consistent growth objective will be met.

4. DON'T TRY TO TIME THE MARKET

Successful market timers need to be right twice – buying near the lowest point and selling near the highest point. That strategy is extremely difficult to do consistently and is quite risky. For example, those who sold equity investments at the end of 2008 have missed out on a significant rally for the year-to-date. General market wisdom is that investors should buy and hold over the long term, given that missing just a small percentage of the market's best days can significantly reduce investor returns.

Rather than trying to time the market, long-term investors should build their wealth by investing on a regular basis. You can do this either through your employer by having it come right out as pre-tax dollars from your paycheck or, consider starting an investment plan that transfers money automatically from your checking account into an investment account such as a mutual fund on a regular basis. This strategy, commonly referred to as dollar cost averaging, does not assure a profit or protect against a loss in declining markets. Because such a strategy involves periodic investment, you should consider your financial ability and willingness to continue purchases through periods of low price levels.

5. PAY ATTENTION TO EXPENSES

Wise investing means researching essential data before making an investment. Interested in a mutual fund? Look at the company's investment track record, individual fund charges or loads. Expense charges can make a substantial difference in your investment returns. Higher fees do not necessarily translate into higher returns. Do not meddle too much with your investments, and keep redemptions to a minimum. Selling may generate capital gains taxes, which when added to broker costs, may reduce overall profits.

To download an audio podcast of Brett Hammond discussing the "The Five Habits of Highly Successful Investors" and other perspectives on the markets, the economy and your investments visit **TIAA-CREF.org** or search iTunes for TIAA-CREF *Market Insights*. You can also connect with TIAA-CREF on Twitter (Twitter.com/TC_Talks) and Facebook (Facebook.com/TIAA-CREF).

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[1] **TIAA-CREF compensates the advisors through a salary-plus-incentive program based on client service excellence and financial results. Advisors will only recommend products that help achieve our clients' goals.**.

[2] Determinants of Portfolio Performance, *Financial Analysts Journal*, Jan-Feb 1995.

[3] Annuity guarantees are based on the claims-paying ability of the issuer. Returns from the investment accounts are variable and rise and fall based upon the performance of the underlying funds.

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