

Things to Consider- Taking a Pension Plan Distribution Now or Later

As you weigh your pension payment options, keep in mind that there are individual circumstances that may take affect when you take a distribution:

Your expected retirement expenses. You'll want to examine if your expected retirement expenses are fixed (e.g., rent, mortgage) or variable (e.g., vacations, home improvements). In addition, during retirement certain expenses may go away, such as savings for retirement or your children's education.

Your risk tolerance and investment return. If you choose a lump sum payment, you make investment decisions and you should be comfortable with the fluctuations of your investments. While the return on your investment is uncertain, you should consider a variety of options for investing your lump sum. We recommend consulting with a tax advisor and/or financial planner.

Your estate planning needs. Providing for the financial security of your heirs may also be a consideration when developing your retirement plan. If so, it is important to develop a financial plan that enables you to provide for them and still enjoy your retirement.

Annuity Considerations. The pension plan is a final average pay plan which means that the amount of your normal retirement annuity is based on years of service (how long you worked) and your average monthly earnings. This also illustrates that the rates DO NOT impact your normal retirement annuity. This is why when you run pension estimates, the annuity continually increases the longer you work but the lump sum can fluctuate up or down. The decision to take your in-service distribution as an annuity is very different than if you take it as a lump sum.

Projecting future pension plan value. Interest rates are updated annually and may continue to fluctuate up or down in future years, at the same time, your pension benefit will continue to grow through additional years of service and average monthly earnings as long as you continue to work.

Retirement income sources. A concern many people have as they plan for retirement is whether or not they will outlive their retirement income resources. Remember that your pension plan benefit is only one source of retirement income. You should take an inventory of all your anticipated retirement income sources.

Your life expectancy. The longer you live, the longer your retirement income must last. While estimating your projected lifetime involves uncertainty, you should consider factors such as your retirement age, health, heredity and lifestyle when thinking about how long you will need your retirement savings to last.

This list of considerations is not exhaustive. There may be additional considerations not listed that are appropriate for you based on your individual circumstances. You should discuss the options with your family and consult with personal financial, legal and/or tax advisors to make sure you are making the best decision for you.