8 **QUESTIONS** TO ASK BEFORE ACCEPTING A *PENSION BUYOUT*

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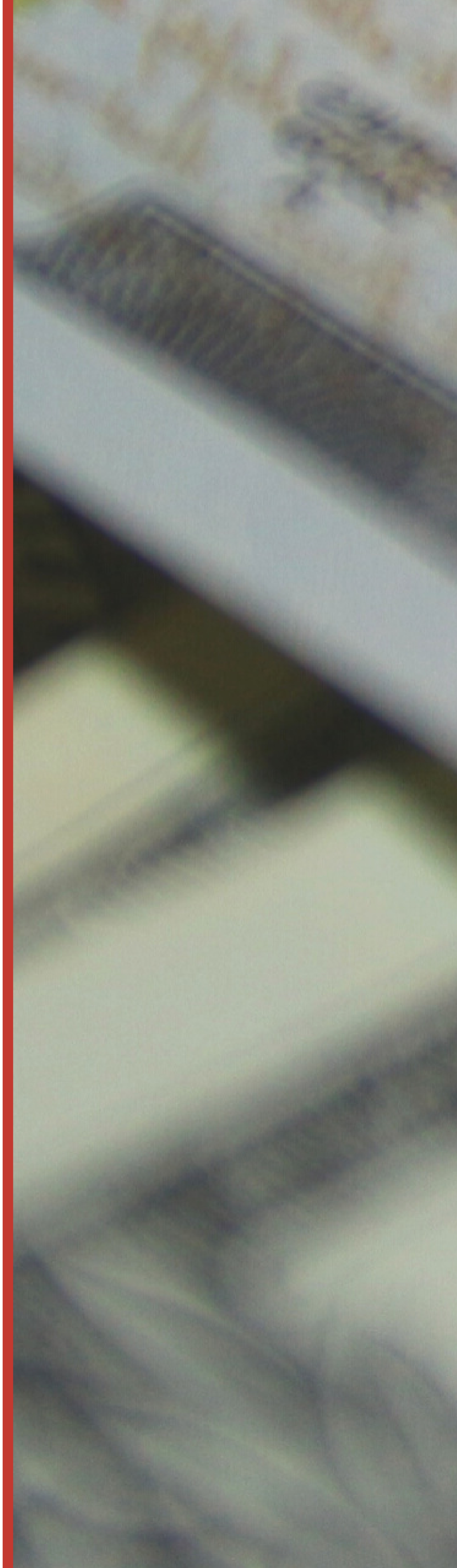
Introduction

Your company pension can be one of the most valuable retirement assets you own, especially if your employer matches contributions. Years of committed service can yield an important source of retirement income.

However, should you face a pension buyout, you may be lost as what to do. In this scenario you likely have two options: keep your pension as is or accept the buyout offer. This is not an easy choice to evaluate.

To help you evaluate your options, this document presents eight key questions you should ask yourself before accepting a pension buyout.



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What are my current pension benefits now and at retirement?

Another way of looking at this question is how far away from retirement am I? and how much more can I expect to be contributed to the pension? Will the combined amount of your current pension value and anticipated contributions result in a sustaining retirement amount? Will your pension still be there, considering that companies typically only offer buyouts because they are unsure of meeting future obligations?

2

What is the pension buyout option and how was it calculated?

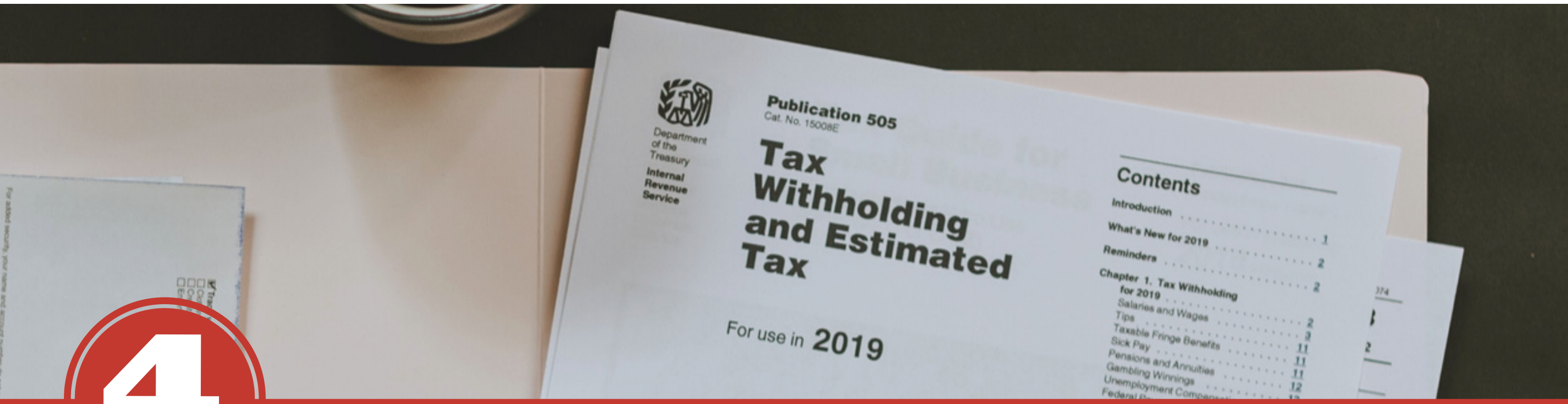
Should you receive a buyout offer, it is important you understand all of the stipulations surrounding the payout and how the amount was determined. What formula was used? What is the difference between the buyout and projected pension amount?

3

What is the projected income from the pension lump sum at retirement vs my current pension options?

This is a very tricky question to answer. A lump sum paid to you likely won't have much of a growth component to it, especially if you sock it away into a simple savings account. On the other hand, the lump sum can open you to other advantaged retirement vehicles and financial products, such as cash value life insurance and annuities.

And what about your pension options? What will your benefit amount be if you continue on your current track? How long will benefits last and will they be enough in retirement? These are questions your company or benefits administrator are unlikely to help you answer.



4 What are the tax implications of accepting a lump sum?

If you accept a lump sum without directing the funds to a qualified vehicle, you may face a tax liability. Additionally, depending on the structure and sequence of this action, you could face an early withdrawal penalty. The tax treatment of your options will depend on your specific situation, so it's best to work with a professional that can offer tailored guidance.

5 What paperwork needs to be filled out and over what time frame?

Since we are dealing with retirement accounts and plan administration, there will be some paperwork, as you can imagine. But what forms do you need to complete? And by what deadline? Often your company's HR will only be able to assist in a limited capacity since many businesses rely on third-party administrators. So, properly evaluating and executing your choices will depend on you contacting the right people, filling out the right forms, and following the right steps, all of which may be tricky if you have to navigate several entities and are unaware of what questions to ask.

Where can I put my lump sum for retirement?

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Should you elect to take the lump sum, you have a number of options to make the money work for you. Of course, you could stash the cash (and face a tax liability / early withdrawal fees) or you could:

Employ A Direct Pension Rollover
In this scenario, your lump sum is directly transferred into a qualifying IRA or retirement plan. You will likely defer taxes since the IRS will see that you've chosen a rollover option. And you will have a choice for what is used as the underlying vehicle of the IRA. For instance, with an annuity you will be able to receive features similar to what you were going to get with your base pension—namely an income stream and, in some cases, income that cannot be outlived.

Employ an Indirect Pension Rollover
In this scenario, the money is paid directly to you. You will then have up to 60 days to redeposit the funds into a qualifying retirement account. Your employer may withhold 20% of the pension distribution for income tax purposes, which will then require you to have the 20% on hand, within the rollover period, to properly complete the transfer.

7

What is my specific financial situation?

Your financial needs and objectives are unique to you and your household. This means that any significant financial decision (and a pension buyout is certainly one) should work in harmony with your big picture goals.

8

What is my life expectancy?

This question gets to the heart of retirement planning. How long will you need regular income? What benefit amounts will you receive on a periodic basis? Because people in general are living longer and facing medical conditions that used to be life-threatening, determining how much you need for retirement can be a complicated task.

Did these questions raise more questions for you?

Do you need professional assistance to walk you through your pension buyout options?

Please do not hesitate to contact us at Entingh Financial Services. Reach out now for your complimentary plan review.

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