2024 · SHOULD I TAKE MY PENSION AS A LUMP SUM?

Bautis Financial

Start Here

Do you have health issues or other concerns that your life expectancy (or joint life expectancy, if married) might be shorter than average?

No

Yes

Do you trust that the financial health of your pension plan is reasonably secure?

Yes

No

Will your other sources of retirement income (e.g., Social Security, investment accounts) cover your expected fixed costs in retirement?

No

Yes

Consider choosing a lifetime income option to guarantee a steady income stream throughout your lifetime.

Consider taking a lump sum if you have serious doubts about the viability of your plan (understanding what protection, if any, may be offered by PBGC or your state, etc.).

Does the value of the lump sum exceed the value of the lifetime income that you expect to collect?

No

Yes

Consider taking a lump sum to maximize the value that you receive.

Do you want the ability to transfer your pension assets to your heirs as a legacy?

Yes

No

Consider taking a lump sum to take ownership and control of the assets, with the ability to transfer any amount remaining at your death.

Are you concerned about overspending and/or longevity risk?

No

Yes

Consider choosing a lifetime income option to maximize the value that you receive.

Does the value of the lump sum exceed the value of the lifetime income that you expect to collect?

Yes

No

Consider taking a lump sum to maximize the value that you receive.

You may be able to choose between a single life annuity and a period-certain life annuity (which could offset loss due to an untimely death).

Compare a single life annuity to joint and survivor options, considering payments of 50%, 75%, or 100% after your death.

Compare your plan's lifetime income quote to alternatives available in the open market, and consider strategies paired with life insurance.

Note that you may need to take RMDs and will assume all investment risk.

To defer income taxation, roll the distribution to an IRA or qualified retirement plan when possible.

Are you married?

No

Yes

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