Investment Advisors
Steady as You Grow

2015 2nd Quarter Public Sector Newsletter

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RETIREMENT ROADMAP

The April 2015 quarterly newsletter is part of a series of newsletters discussing your retirement roadmap.

How to Take a Pension Payout

If you're fortunate enough to be among the 29% of Americans with a company-funded pension plan or a government/public sector employee, you probably have to make a one-time, irrevocable decision to select what form you want to receive your benefits.

Step 1: Understand your options

Regular periodic payments

By law, a pension plan must provide a life annuity option. A typical life annuity pays the same amount every month for the rest of your life or for at least for a specified period of time, often with payments continuing for the life of your beneficiary (typically your spouse). The appeal? It provides a steady stream of income during retirement, and helps ensure that you (and potentially your spouse) don't prematurely run out of money.

Taking a lump sum

Your pension plan may offer a one-time lump-sum payment in lieu of or in addition to a life annuity. The payment options available to a participant are governed by the plan. The lump sum is typically determined using interest rate and life expectancy assumptions, and equals the total of your expected lifetime annuity payments, discounted to today's dollars.

Taking a lump-sum payment can give you more flexibility with your money. You decide how to invest it and can use it when and how you want. Also, when you pass away, you may have some of it left for your heirs. But, unlike an annuity, it will be up to you to ensure that your lump sum will last in retirement. This likely means investing some of it in the stock market to potentially generate capital appreciation. So you would need to be comfortable with volatility and changes in the value of your investments. When you take your lump-sum distribution, the obvious choice to consider is rolling it directly into an IRA to avoid a taxable event.

You could also use some or all of the lump sum to purchase a guaranteed lifetime income annuity from an insurance company. This may provide options that your employer's plan doesn't, such as inflation protection or a cash refund, or it may pay out more monthly income. That said, it is critical to choose a highly rated carrier to help minimize the possibility of default.

Combination of regular payments and lump sum

If your plan allows it, you could take part of your benefit as an annuity and the rest as a lump sum. Your monthly payment and lump sum would be smaller than if you selected only one payment form, but, in total, both are intended to be approximately equivalent to the normal life annuity under the plan. A combination option could give you the accessibility and liquidity of a lump sum plus the "guaranteed" stream of income from the life annuity. (See our previous articles discussing the disadvantages of insurance company annuities.)

Step 2: Determine which option is right for you

Seeing how various retirement and benefit start dates would affect your benefits can help with your decision. You may find it makes sense to work a little longer to accrue more benefits, or begin your benefit early if your plan offers an early retirement package. Your employer may have an online tool that evaluates different scenarios. If not, obtain all the information you can about your plan and then request pension estimates for each of the options. To compare options, use the relative values from the estimates.

CPS in the News

Events this quarter

"**CPS First Thursdays**:"

Florida Southern College,
Hollis Room,
11:30 AM to 1:30 PM

May 7th, 2015 :
Alternative Medicines by Jeanne Supple of Supple Hands Massage Therapy, Dr. William Palmer of the Chiropractic Center of Lakeland, and Adelsia Jones of Midtown Dental.

RSVP to:

CPS Investment Advisors
1509 S Florida Ave
Lakeland, FL 33803
863-688-1725 or
Esther@cpalliance.com
Lunch Provided

Contact us for more dates

Step 2 Continued
Consider your essential expenses first when determining which type of distribution to take. For instance, if you have enough "guaranteed" income from other sources, a lump sum may be most appropriate. On the other hand, while you don't want cash-flow shortfalls in retirement, you don't want to lock up too much money in inflexible investment options (insurance company annuities), which may limit your long-term growth and tie up more of your money than necessary.

Step 3: Implement wisely

One of the best ways to help make informed decisions about retirement is to have an income plan. It can help you see if your essential and discretionary expenses will be covered throughout retirement, which in turn can help you make an informed decision about your pension distribution.

When choosing a life annuity (pension):

- **Choose the right payment option provided by your pension plan**
- **Ensure your beneficiary's are up-to-date**
- **Consider major health issues (shortened life expectancies)**

When taking a lump sum distribution:

- **Consider rolling over your distribution to an IRA to avoid a taxable event.** A direct rollover, from your employer to your IRA provider (trustee-to-trustee transfer), is the best way to preserve the tax-deferred status of your pension money.
- **Invest wisely for retirement** with an appropriate mix of investments in your IRA.
- **Manage withdrawals** by determining how much you can safely withdraw throughout retirement.

So, the take away is simply this:

Retirement/financial planning should be an ongoing process throughout your lifetime. In particular, health care costs during one's retirement years are increasing at an alarming rate. Everyone should have a comprehensive retirement/ financial plan to assist and guide them towards achieving their retirement/financial goals. You should take (or make) the time to contact your trusted financial advisor and discuss these critically important issues.

Learn more about these retirement/financial planning issues at www.cpsinvestmentadvisors.com and click on the Publication Library tab for additional information.

Everyone's economic and life circumstances are unique, and I always keep that foremost in mind when providing retirement/financial planning advice. I firmly believe that personalized service is essential when matching individual clients with the appropriate retirement/financial planning strategies.

As a financial advisor, I am committed to learning about your personal retirement/ financial goals. Working together as a team, we will use your goals to build a retirement/ financial plan focused on your specific needs and help you achieve ***"financial security and peace of mind"*** during your lifetime.

I look forward to hearing from you. Please contact me at CPS Investment Advisors at 863-688-1725, mlawton@cpalliance.com

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Source:

Thank you for the many kind referrals sent to us. Referrals are the truest measure of your confidence in our firm and we appreciate the loyalty of our clients.