



Dan Reisinger, MS (Financial Services), CLU, ChFC
PO Box 188
Kemblesville, PA 19347
Direct 610.389.1231
Fax [484.371.8102](tel:484.371.8102)

Lump Sum Pension Options Growing in Popularity

Over the almost 30 years I have worked in the financial services industry – I have evaluated a bucket full of lump sum pension options for clients and contacts. The most valuable caution that I share with folks is their need to answer a very personal question – how disciplined they are. When someone takes a lump sum from their previous employer's pension plan – they now must exert a level of discipline that they may not be used to in their lives. When retirement funds sit in an employer's account – they are often difficult (if not impossible) to get ones' hands on – there is no "ATM Card" that come with employer plans. On the other hand – if someone decides to transfer (roll over) funds from their employer plan into their own IRA – their access to those funds become much easier. I have witnessed multiple clients that have either rolled over funds or inherited money and over a few years – the temptation to take the funds (even paying sizable taxes) is too great. They end up with a greatly depleted account when the time comes to retire.

Today there are more and more companies that are trying to get the burden of the management of their employees' pension funds off the table. With all the mergers and acquisitions, the fact that people are living longer, and the ongoing management expenses of maintaining and paying the funds over decades – companies are more apt to offer employees competitive lump sum options. Also - there seems to be a growing distrust amongst former employees concerning their past employers – and that distrust is increasing the popularity of these employees to pull the funds from the corporate plans and place them into their personal IRAs.

Over the years when I would complete an analysis of a lump sum option – it was rare that a commercial annuity carrier would beat the offered life time payout option offered by the corporate pension plan. However – recently I have noticed that with certain employers in my region that have either merged or been acquired, or have decided to greatly reduce their employment force – the commercial annuity carriers are meeting and even sometimes exceeding the offered plan benefits from the corporate plan.

In these instances - then the decision to roll over the funds gets easier – but the point that I raised in paragraph 1 – discipline – needs to be addressed and understood. One of the worst things that can happen is when a person in their 50's decides to take a lump sum option with every intention to roll it over and let it sit and grow for their future – and then over the next 10-15



Dan Reisinger, MS (Financial Services), CLU, ChFC
PO Box 188
Kemblesville, PA 19347
Direct 610.389.1231
Fax [484.371.8102](tel:484.371.8102)

years they chip away at the account by taking early withdrawals only then to find themselves with a significantly smaller pot of money and therefore a smaller monthly payment throughout their retirement years.

Also – in making a social security payment decision coupled with the decision of what monthly payment option to take with employer based funds (either through a corporate plan or a commercial annuity plan) – it is very important to consider the impact of a person dying prematurely and what that may do to a surviving spouse. I have been involved with widows (widowers) who have been left in difficult financial situations because their spouse chooses to take the highest benefit amount (based on their lifetime only) and then died early. It is very important to seek out counsel when making social security and pension elections which generally cannot be modified once selected.

In closing – if you are faced with a lump sum option from a pension sitting at a former employer – take time to evaluate the option. I would encourage getting some professional advice and counsel to better assure that you have as much information in front of you to make the best decision possible.