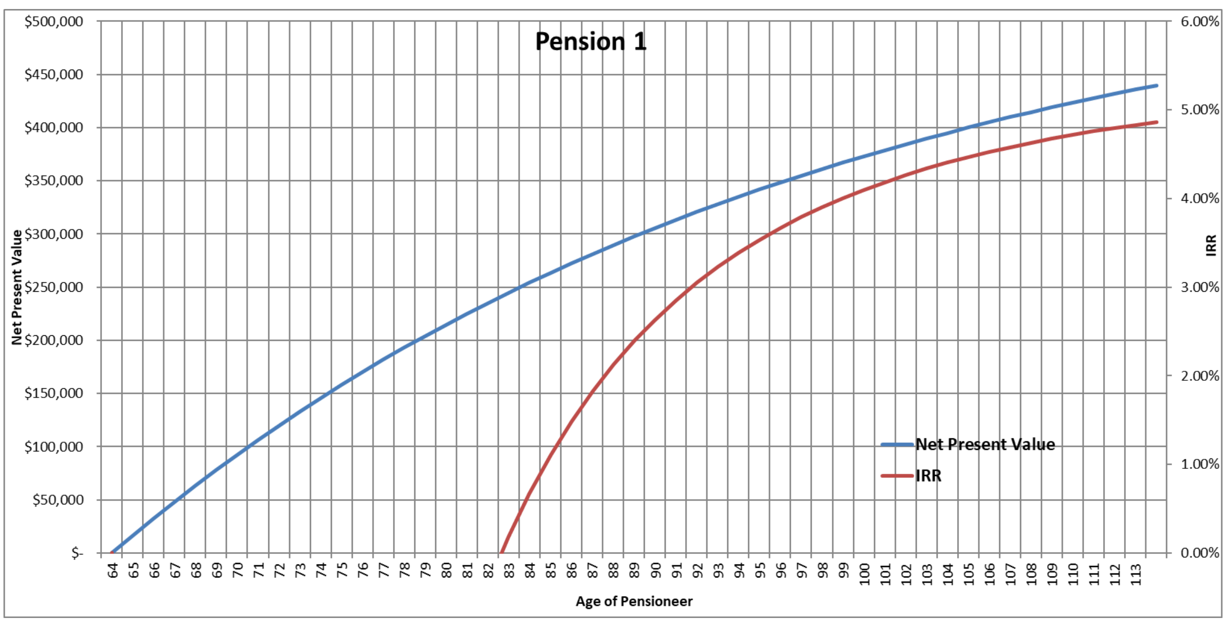
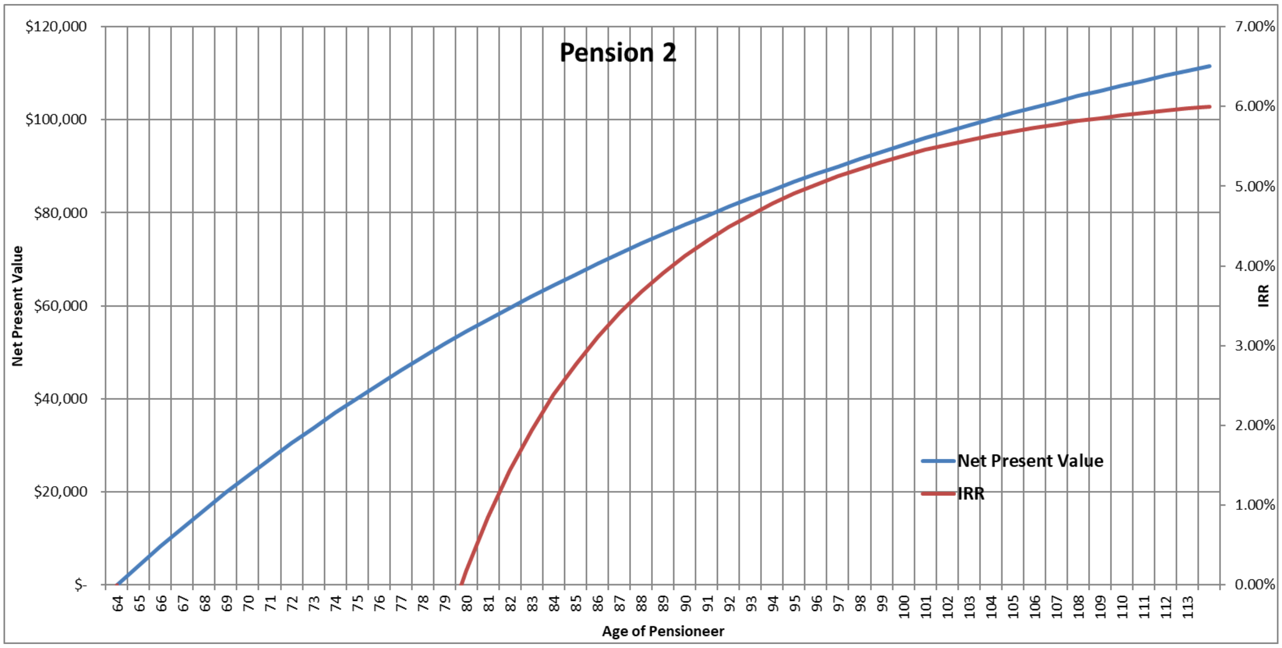
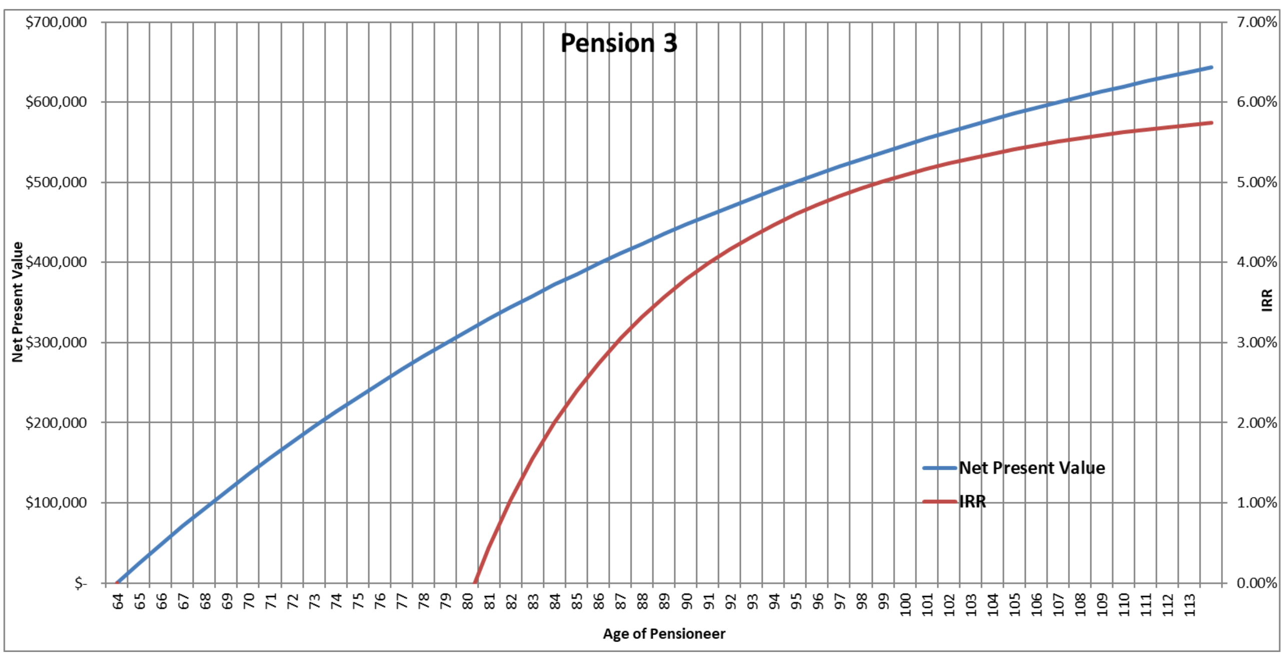
Pension Claiming/Lump Sum Analysis Example

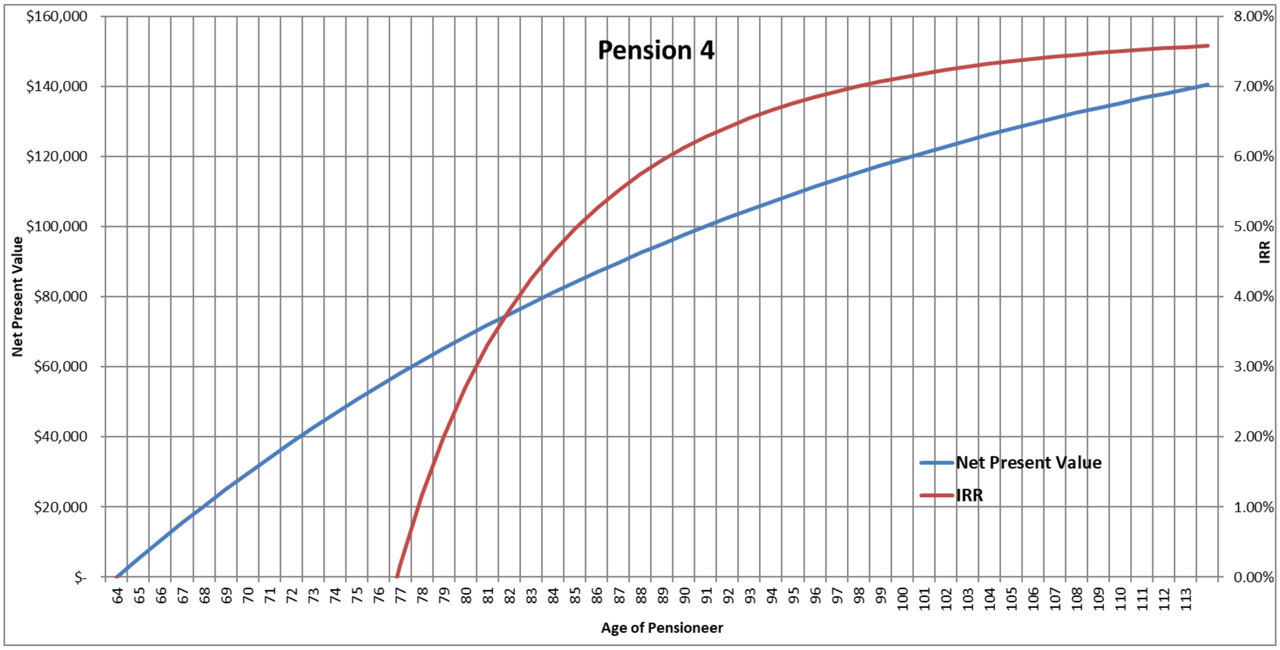
In analyzing Jeff's pensions, we solved for the internal rate of return that equates the monthly pension payments to the projected lump sum (using the 100% joint & survivor option, which is what we typically recommend to married couples). We then looked at what age this occurred and compared it to your life expectancy. The discount rate we used in calculating the net present value of the pensions was 3%, which at this time is our projected 10-year bond market expected return. Below are our findings.

a. **Pension 1:** We recommend taking the lump sum option and doing a direct rollover into your IRA, which would be a non-taxable event. Jeff would need to live to age 91 in order for the net present value of the annuity to equal the lump sum.
b. **Pension 2:** We recommend taking the annuity. Jeff would need to live to age 85 for the net present value of the annuity to equal the lump sum.
c. **Pension 3:** We recommend taking the annuity. Jeff would need to live to age 86 for the net present value of the annuity to equal the lump sum.
d. **Pension 4:** We recommend taking the annuity. Jeff would need to live to age 80 for the net present value of the annuity to equal the lump sum.




Pension 2
Net Present Value
IRR
Age of Pensioneer
Net Present Value
IRR


Pension 3
Net Present Value
IRR
Age of Pensioneer
Net Present Value
IRR



These examples are for illustrative purposes only and should not be construed as individual advice.