

# Optimizing your pension plan.

You earned it. But making the wrong decision with your pension plan could potentially cost you and your spouse hundreds of thousands of dollars. If you want to optimize the benefits you both receive, there's an important decision you're going to have to make.

## Like many people, you probably expect your pension to provide:

- A stable income in retirement to help pay expenses and to do the things you've worked your whole life to be able to afford.
- The security of income for life for your spouse, if you die first.

Achieving both these goals, while maximizing the amount you receive, depends on how you choose to take your benefit payments.

While there are many pension income options to choose from, you typically choose from one of the two more common options upon retirement: **the single life option** or **joint and survivor option**.<sup>1</sup>

## This sample illustrates how each option may affect your monthly income.<sup>2</sup>

**The single life option** provides a higher monthly income, but payments end once you die, leaving your surviving spouse without the security of that monthly check.

- Maximum monthly income for the retiree.
- Payable as long as the retiree lives—whether to age 66 or 106.
- Nothing left to spouse at retiree's death.



**The joint and survivor option**<sup>3</sup> generally provides a lower monthly income, but it provides your spouse with that income for life, should you die first.

- Reduced monthly income to retiree.
- Reduced benefits continue to the spouse at retiree's death.



Guaranteed income for life for you and your spouse—albeit at a lower amount—sounds good, right? Perhaps, but not when you consider that \$600 less per month over 20 years is **\$144,000 passed up!**

$$\text{\$600 per month} \times 20 \text{ years} = \text{\$144,000}$$



## We have a simple **two-step** alternative:

### step 1. **Purchase a permanent life insurance policy.**

A permanent cash value life insurance policy has two valuable features:



**A significant death benefit** providing your spouse with a one-time cash payment that can be used for lifetime income should you die first—generally income tax free, or left alone to increase the legacy you leave your loved ones.



**A vehicle for building cash value** that can be accessed to pay for living expenses.

### step 2. **Choose the single life option at retirement.**



By choosing this option, you will receive the **maximum monthly payment** from your pension as long as you live.<sup>4</sup>

## Evaluating your options under four possible scenarios:

	Your spouse dies first.	You die first.	You both die together.	You both live long lives.
<b>The single life option plus permanent life insurance</b> Please note there will be an ongoing cost to keep your permanent life insurance policy in force.	You receive the higher monthly pension income AND still have a life policy that maximizes your legacy. You can also access the cash value from your policy to supplement your retirement income if needed. <sup>5</sup>	While both options can work in this scenario, with the single life option plus permanent life insurance, you leave your spouse the death benefit of the life policy AND you had been receiving the higher monthly pension income as a couple while you were alive.	The life insurance proceeds can help you pass wealth on to your heirs, generally income tax free.	You have higher monthly pension income and can access cash value in the life policy <sup>5</sup> or leave as a legacy.
<b>The joint and survivor option<sup>3</sup></b>	You have the lesser pension income and no cash value from a life policy.	With the joint and survivor option, you leave your spouse the pension income, but the lower monthly value and NO life policy death benefit.	Relying solely on the joint and survivor pension income in this situation would leave nothing to beneficiaries.	You receive the lower monthly pension income as a couple, with no life cash value to access or death benefit to leave as a legacy.

Permanent life insurance **+** Single life option **=** Maximum monthly pension payments **&** Lifetime protection for your spouse

## Evaluate your options today to get the most out of your pension tomorrow.

Your New York Life agent can review your situation and concerns to help you find the solution that's best for you.

When making a decision on which option is best for you, be sure to keep in mind all factors such as cost, tax treatment of income, and simplicity of income. Moreover, life insurance application is subject to underwriting.

<sup>1</sup> Check with your benefits administrator for all of the options available through your specific pension plan.

<sup>2</sup> This is a hypothetical example for illustration purposes only. Your actual benefit will depend on your individual situation.

<sup>3</sup> Assumes a 100% survivor option.

<sup>4</sup> Before choosing this option, check with your employee benefits administrator. In some cases, selecting the single life option may forfeit your continued health insurance benefits to a surviving spouse or beneficiary.

<sup>5</sup> Loans against your policy accrue interest and decrease the death benefit and cash value by the amount of the outstanding loan.

### New York Life Insurance Company

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