PENSION DECISION ANALYSIS

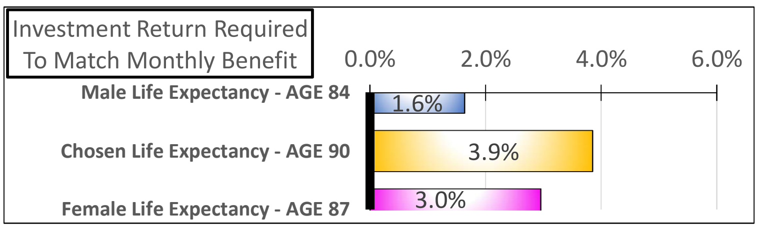
Your Pension Information

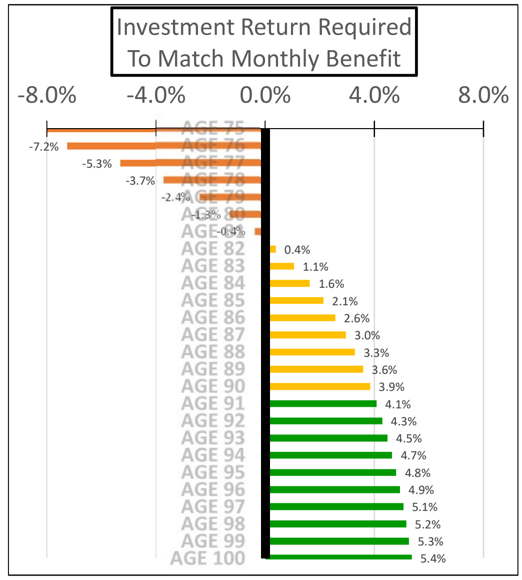
Age at Pension Start		65
Lump Sum Amount	$	356,000
Monthly Benefit	$	1,800
Life Expectancy		90
Inflation		2.50%
Expected Return		6%

The math behind your pension decision can be broken down in to what is called a "Required Return". This is the amount of growth or interest that is "required" to replicate your monthly pension. The required return will vary based on your specific pension information like the lump sum and monthly amounts or how long you live.

The chart to the right shows your required return for many ages.

The chart below highlights the required return for important life expectancy ages.





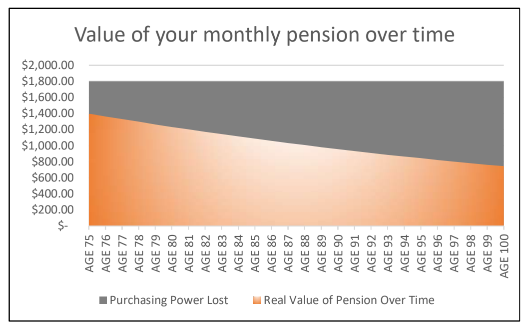
Inflation Effect

The two charts to the right are designed to show the effect of inflation on a monthly stream of income. Keep in mind that whether it comes from a lump sum monthly withdrawal or a monthly pension benefit, the effect of inflation is the same.

Often people believe that a lump sum benefit does better to combat inflation. It is often true, however, you must exceed the required rate of return.

Your Pension of 1800 per month will be worth this much in spending power in the future:

	2% Inflation	3% Inflation	4% Inflation
10 Years	$1,471	$1,327	$1,197
20 Years	$1,202	$979	$796
30 Years	$982	$722	$529



Beyond The Math

	Pros/Risks avoided	Cons/Risks assumed
Taking a Monthly Pension Benefit	Steady income Employer assumes market risk Fairly high payout rates Longevity protection, income for life	Inflexible (tax and withdrawals) Lack inflation protection, COLA (most) Inheritance of lump sum forfeited Dependency on employer to pay
Taking a Lump Sum Pension Benefit	Inheritance of lump sum Tax and SS strategy flexible withdrawal Possible inflation hedge with growth Employer no longer involved	Underperform required return Market/investment risk Spendthrift retirees overspend Emotionally difficult for low risk tolerance