

Big Decisions – What to do with your GM Pension!

By James Gallagher, President Waterstone Financial

If you just received paperwork from the GM pension benefits group and are wondering what to do, there are three important considerations. This is a big decision and you certainly want to carefully weigh out the benefits and risk of each choice.

Case Studies:

- Bill retired a while ago and decided to take the max pension. He wanted to get the most he could! Three months later Bill passed away and left his entire nest egg to the pension company!
- Susan was a careful planner. She made the decision to take the full survivorship for her and her husband. But she was not sure if that was the right thing to do given that her husband was of poor health.
- Jacob told all his friends that he could do far better himself and took the lump sum. He invested heavily in a new tech company. Unfortunately for Jacob the market crashed and the tech company went out of business.

So how should you approach this problem? There are three considerations:

Health – what is the likely longevity of both the employee and spouse (if there is a spouse). Remember that if there is no pressing health issue at this point, then you should consider the possibility that you will live a long time. With our current medical technology, the likelihood of living to age 100 is now well over 10%.

Full Planning – there are ways to increase all your total retirement income by optimizing your Social Security, your other savings, and the pension choices. The only way to sort out the interactions is

to run multiple scenarios in a program that considers social security rules, longevity, survivorship, inflation, health costs, and effective returns on your investments.

Lump sum Alternatives – A pension is essentially the same thing as an annuity. Right now, pension lump sums are at an all-time high as they are based on a present value calculation using the prevailing interest rate – which is very low. As interest rates rise, the lump sum value will go down. But what to do with your lump sum and still get protection if you live to be 100? Invest in an annuity with life time income potential. There are products that can give you higher payouts, better choices on joint income, and still leave you in control of the principal.

Do You Need a Pension Analysis?

As a past GM employee and financial professional I have looked at many pension payout settlements, assessed individual goals, engineered multiple scenarios, and thoroughly tested these ideas. The bottom line is that no one solution works for everyone. We can often find the optimum solution, for this big decision ahead of you by doing a comprehensive retirement plan that shows how all of these variables work together using our pension analysis software.

James Gallagher, The Retirement Engineer

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