



Hapanowicz & Associates Case Study: Pension Lump Sum or Pension Annuity?

Jane Miller has 29 years of service as an Associate at Verizon. She has decided to retire by the end of this year. For the last several years, Jane has been working with her advisor at H&A to build a retirement income plan and optimal portfolio withdrawal strategy. A big component of her plan is whether or not she would elect the Pension Lump Sum or Pension Annuity option for her benefit. She was unsure of the pros and cons of each option, and how her decision would affect her Retirement Plan.

First, Jane's advisor talked her through the pros and cons of the Lump Sum option vs the Annuity option, looking at that decision as a solo event, without taking into account any of her other investments or income sources. Once Jane had a good understanding of the pros/cons, her advisor then applied each choice to her Retirement Income Plan. They reviewed all of her other income sources which included Social Security, her husband's monthly pension benefit and a monthly annuity payment she gets. They also reviewed her legacy wishes, and confirmed that she wished to leave some money to her kids as well as her husband.

Since Jane had multiple other sources of income that are considered "guaranteed", and since Jane wanted to make sure her financial legacy also included leaving some assets to her children, Jane decided that the Lump Sum option was the right choice for her.

Choosing between a Pension Lump Sum and Annuity option is a big decision that many Verizon associates and managers will need to make. There are many factors that should be taken into account when making this decision. The overwhelming majority of the time, it is not just a matter of picking between the pros and cons of each option, but also applying it to your overall Retirement Plan.

H&A has been working with Verizon employees for over 20 years and has help countless associates and managers make the important decision between a Pension Lump Sum benefit and a Pension Annuity benefit.

If you would like some assistance in making this decision, give us a call and we would be happy to help you.

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Sources: Verizon Savings Plan for Management Employees; Mid-Atlantic Plan SPD; SPD for the Survivor Benefits Program for Mid-Atlantic Associates. All sources as of 3.3.21.