

## Defined benefit pension payout options

In the *Incomes* category you can enter defined benefit pension plans for your clients. Once you have entered the pension plan for your client, you have the opportunity to tailor the benefit payout options.

### Procedure

1. Go to the **Incomes** category – **Defined Benefit Plans** tab, and then click **Insert** to select the appropriate client and pension option from the list.
2. The *Defined Benefit Pension* dialog box opens on the *General* tab. You can base the pension on client's average salary for the last appropriate number of years and adjust the pension formula if applicable.

**Defined Benefit Pension**

General | Benefit Calculation | Benefit Payments

**Pension Details**

Description: Pension Plan      Owner: Sara

**Linked Incomes**

Description	Amount
<input checked="" type="checkbox"/> Employment Salary	\$70,000

**Years of Service Details**

Total years of pensionable service: 5.25

Pension participation start date (first of Month): Jan 2001

**Salary**

Base the pension on average salary of last 5 years      Annual salary for the past 5 years (oldest salary first):

Override      \$73,150    \$76,442    \$79,882    \$83,476    \$87,233

**Pension Formula**

2.0000% per year of service - to a max. of: 70.0%       Accrue pension credits while Disabled

Estimated annual benefit when benefits begin: \$8,404

Note: To override the calculated benefit, modify the values in the **Benefit Payments** tab.

<< Back    Next >>      Cancel    OK

3. Once you have completed entering information in the *General* tab, proceed to the *Benefit Calculation* tab.

4. Under *Benefit Payout Options* you have two options:

**Defined Benefit Pension**

General | **Benefit Calculation** | Benefit Payments

**Benefits Begin**

Plan Owner: Age: 55 Date: Apr 2006 OR  at Retirement  when Disabled

Survivor: Age: 94 Date: Jan 2041 OR  Death of Owner  Survivor's Retirement

**Benefit Payout Options**

Income Stream

Lump Sum Payout Amount: \$0

Transfer Payout to:

IRA Asset

N/A

**Survivor Benefits**

Percentage of pension payable to survivor: 0.0%

Benefit reduction for survivor coverage: 0.0%

**Benefit Indexing**

Indexed by Inflation + 0.0%

Maximum Indexing %: 3.0%

**Early Retirement**

Normal retirement age: 65 Qualifying Factor: 90

% Penalty per year for Early Retirement: 0.0% Min. retirement age for unreduced benefits: 65.0  Override min. retirement age

<< Back Next >> Cancel OK

**Income Stream** – Use this option to indicate that the pension will pay out on a regular basis and provide the client with an income stream.

**Lump Sum** – Use this option to indicate that the pension will be paid out in one lump-sum payment.

5. Select **Lump Sum**. The *Transfer Payout to* field becomes available, and you can select an IRA asset to transfer the lump-sum pension payout to. You must also enter the appropriate value of the lump sum in the *Payout Amount* field.

**Benefit Payout Options**

Income Stream

Lump Sum Payout Amount: \$100,000

Transfer Payout to:

IRA Asset

Sara's IRA

N/A

Sara's IRA

If your client does not have an IRA asset to transfer a lump-sum payment to, then the *Transfer Payout to* field is not available, and NaviPlan Extended automatically uses the *Income Stream* method.

- If the benefits begin at retirement, the lump sum will transfer to the IRA at the client's retirement date.

**Benefits Begin**

Plan Owner: Age:  Date:  OR  at Retirement  when Disabled

Survivor: Age:  Date:  OR  Death of Owner  Survivor's Retirement

You can verify that the lump sum has transferred to the client's IRA by generating a *Single Asset Summary* report. Go to the **Reports** menu, and then select – **Net Worth – Single Asset**. Select the client's IRA from the *Asset Selection* dialog box, and then select **Single Asset Summary** from the *Reports* button.

Single Asset Summary								
Sara's IRA								
Murphy								
Recommended Plan (2001)								
Year	Start of Year Market Value	Buys	Sells	Total Reinvested	Deferred Growth	End of Year Market Value	End of Year Market Value (Buying Power)	
2001	20,000	0	0	0	0	20,000	20,000	
2002	20,000	0	0	0	0	20,000	19,324	
2003	20,000	0	0	0	0	20,000	18,670	
2004	20,000	0	0	0	0	20,000	18,039	
2005	20,000	0	0	0	0	20,000	17,429	
2006	20,000	100,000	0	0	0	120,000	101,037	
2007	120,000	0	0	0	0	120,000	97,620	
2008	120,000	0	0	0	0	120,000	94,319	
2009	120,000	0	0	0	0	120,000	91,129	
2010	120,000	0	0	0	0	120,000	88,048	
2011	120,000	0	0	0	0	120,000	85,070	