

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 can then tailor the benefit payout options.

Procedure

1. On the **Incomes** category – **Defined Benefit Pensions** tab, click **Insert**, and then select the appropriate family member and pension plan from the list.
2. The *Defined Benefit Pension* dialog box opens. You can base each client's pension on their average salaries for the appropriate number of years, and then adjust the values under *Pension Formula* if applicable.

Defined Benefit Pension
?
✖

General

Benefit Calculation

Benefit Payments

Pension Details

Description: Owner:

Linked Incomes

	Description	Amount
<input checked="" type="checkbox"/>	Salary	\$100,000

Years of Service Details

Total years of pensionable service:

Pension participation start date (first of Month):

Salary

Base the pension on average salary of last years

Override

Annual salary for the past 5 years (oldest salary first):

Pension Formula

per year of service, to a max. of:

Estimated annual benefit when benefits begin:

Accrue pension credits while Disabled

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

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Cancel
OK

- Once you have completed entering information on the *General* tab, go to the **Benefit Calculation** tab.

The screenshot shows the 'Defined Benefit Pension' window with the 'Benefit Calculation' tab selected. The 'Benefits Begin' section shows Plan Owner Age: 60, Date: Jan 2026, and Survivor Age: 84, Date: Jan 2052. The 'Benefit Payout Options' section is circled in red, with 'Income Stream' selected and 'Lump Sum' set to \$0. The 'Survivor Benefits' section shows 0.0% for various percentages. The 'Early Retirement' section shows a normal retirement age of 65 and a qualifying factor of 90.

- Under *Benefit Payout Options* you have two options:
 - Income Stream** – Use this option to indicate that the pension will pay out on a regular basis and will 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**. A list under *Transfer Payout to* becomes available. Select an IRA asset to transfer the lump-sum pension payout to. Enter the appropriate value of the lump sum in the *Payout Amount* field.

If your client does not have an IRA asset to transfer a lump-sum payment to, select **Create New IRA Asset**.

When you select *Create New IRA Asset*, NaviPlan automatically creates an IRA asset called *Transfer from Pension Plan*, which you can also see on the *Assets* category – *Qualified* tab.

- If the benefits begin at retirement, then the lump sum is transferred to the client's IRA at the client's retirement date.

Benefits Begin

Plan Owner: Age: Date: at Retirement when Disabled

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

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

Asset Summary
Grant's IRA (Retirement)

Test
New Plan (2005)

Year	Start of Year Market Value	Buys	Transfers from Trust	Sells	Total Reinvested	Deferred Growth	End of Year Market Value
2025	300,000	0	0	0	0	0	300,000
2026	300,000	100,000	0	0	0	4,000	404,000
2027	404,000	0	0	0	0	4,040	408,040
2028	408,040	0	0	0	0	4,080	412,120
2029	412,120	0	0	0	0	4,121	416,242
2030	416,242	0	0	0	0	4,162	420,404

Asset Summary
Transfer from Pension Plan (Grant/IRA)

Test
New Plan (2005)

Year	Start of Year Market Value	Buys	Transfers from Trust	Sells	Total Reinvested	Deferred Growth	End of Year Market Value
2025	0	0	0	0	0	0	0
2026	0	100,000	0	0	0	1,000	101,000
2027	101,000	0	0	0	0	1,010	102,010
2028	102,010	0	0	0	0	1,020	103,030
2029	103,030	0	0	0	0	1,030	104,060
2030	104,060	0	0	0	0	1,041	105,101