

Pension Maximizer Analysis

For: Ted Deardon and Virginia Deardon



Retirement Plan



Presented By: _____

[Licensed user's name appears here]

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A Review of the Problem

Selection of the maximum retirement income (Option 1) by the worker could create a situation where a surviving spouse has no continuing income stream.

Alternatively, to assure the surviving spouse of continued income, the worker must select a plan (Option 2) that may provide inadequate income to both.

Client Information	Worker	Spouse
Name:	Ted Deardon	Virginia Deardon
Current age:	65	62
Age at worker's retirement:	65	62
Life expectancy at worker's retirement:	20 years (to age: 85)	22 years (to age: 84)

Projected Monthly Retirement Income	Worker Receives		Spouse Receives	
	Monthly	Annualized	Monthly	Annualized
Option 1: No survivor benefit:	\$3,600	\$43,200	\$0	\$0
Option 2: With survivor benefit:	\$2,500	\$30,000	\$2,500	\$30,000

A Solution to the Problem (Interest and Principal)

The goal is to provide funding at a reasonable cost so a worker can select Retirement Option 1 yet still provide the spouse with the same survivor's benefit available in Option 2. The goal is designed to offer the following retirement income advantage to the worker:

Monthly increase in benefit to worker:	\$1,100
Annualized increase in benefit:	\$13,200
Life expectancy at retirement:	20 years
Total increase via Option 1:	\$264,000

The goal is made possible through the purchase of an insurance policy with the spouse as beneficiary in an amount sufficient to provide the needed Retirement Option 2 spousal income. This procedure is intended to allow the worker to elect Retirement Option 1 without forsaking spousal survivor income.

Further, the policy's cash value belongs to the worker if the spouse predeceases, a provision totally unavailable if Retirement Option 2 is selected and the same situation occurs. Such cash values could be used to supplement further the worker's retirement income.

Finally, residual value of the insurance proceeds may be passed income tax free to heirs, a feature unavailable with either retirement option presently available.

The amount of recommended insurance is based on the amount necessary at 6.00% to provide the spouse with the annualized spousal benefit of Retirement Option 2, i.e., \$30,000 a year.

This would require \$365,992 if principal and interest from the policy death benefit are used over the spousal life expectancy of 22 years. Unlike the pension income, which is fully taxable, a substantial portion of the income derived from the principal and interest solution is tax free. A detail of the yearly account activity of such a plan is provided on the following page(s).

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Interest and Principal Calculations

Death Benefit Paid to Spouse: **\$365,992**

Assumed Spousal Investment Rate: 6.00%

Year	Benefit Account Activity				Taxable/Non-Taxable Analysis	
	(1) Beginning of Year Balance in Benefit Account	(2) Annualized Spousal Withdrawal from Benefit Account	(3) Year End Value in Benefit Account at 6.00%*	(4) Taxable Portion of Benefit Account Withdrawals	(5) Non-Taxable Portion of Benefit Account Withdrawals	(6) Total Income from Benefit Account (4) + (5)
1	365,992	30,000	357,727	21,735	8,265	30,000
2	357,727	30,000	348,952	21,225	8,775	30,000
3	348,952	30,000	339,636	20,684	9,316	30,000
4	339,636	30,000	329,745	20,109	9,891	30,000
5	329,745	30,000	319,244	19,499	10,501	30,000
6	319,244	30,000	308,095	18,851	11,149	30,000
7	308,095	30,000	296,259	18,164	11,836	30,000
8	296,259	30,000	283,692	17,434	12,566	30,000
9	283,692	30,000	270,351	16,659	13,341	30,000
10	270,351	30,000	256,187	15,836	14,164	30,000
11	256,187	30,000	241,149	14,962	15,038	30,000
12	241,149	30,000	225,184	14,035	15,965	30,000
13	225,184	30,000	208,234	13,050	16,950	30,000
14	208,234	30,000	190,238	12,004	17,996	30,000
15	190,238	30,000	171,133	10,895	19,105	30,000
16	171,133	30,000	150,849	9,716	20,284	30,000
17	150,849	30,000	129,314	8,465	21,535	30,000
18	129,314	30,000	106,451	7,137	22,863	30,000
19	106,451	30,000	82,178	5,727	24,273	30,000
20	82,178	30,000	56,407	4,230	25,770	30,000
21	56,407	30,000	29,047	2,640	27,360	30,000
22	29,047	30,000	0	953	29,047	30,000
		660,000		294,010	365,990	660,000

*The above calculations are annualizations of presumed monthly activity.

Note 1: It is assumed that all pension income is taxable. Thus, this variation of the Pension Maximizer plan has the added advantage of creating a portion of its income as non-taxable.

Note 2: The above figures assume worker's death occurs at retirement age of 65.

Note 3: Investment of benefit account is at the discretion of the spouse. The interest rate is illustrative only.