

Planning Your Retirement

A Retirement Paycheck Better Than A Pot Of Gold

(NAPSA)—Retiring from the workforce will mean a lot of changes in your life—and some big decisions about what to do with the money from your pension or 401(k). Taking all the money as a lump sum—or “pot of gold”—may be tempting, particularly since this may be the most money you’ve ever had at one time. However, there can be significant drawbacks with a lump sum, according to a recently released study by MetLife.

For its Paycheck or Pot of Gold Study,SM MetLife commissioned Harris Poll to survey individuals who participated in a workplace retirement plan, such as a defined benefit (DB) pension, or 401(k) plan, which is a type of defined contribution (DC) plan.* The survey probed individuals on the choices they made with their workplace retirement savings. Namely, did they take their savings as a lump sum payment, a guaranteed stream of income (also known as an annuity) or both?

Running Out of Money

Taking all your retirement savings in the form of a lump sum can be daunting because of the hassle, risk and worry of overseeing a retirement portfolio. Plus, there is no way to ensure that the money will last as long as you need it. In fact, one in five retirement plan participants (21 percent) who took a lump sum either from a DB plan or DC plan depleted their lump sum, on average, in 5½ years.

For those who have not yet depleted their lump sums, one in three (35 percent) is worried about the money running out. That’s not surprising, since 65 percent of Americans aged 65 will live to age 85 and 25 percent will live to age 95, with some living well beyond to age 100 or more.** That means many people can expect to live 20 to 30 years or more in retirement. Yet, those who have money remaining from their lump sum expect it will last, on average, just short of 17 more years. Of those who are concerned their money will run out, 38 percent have cut back on spending.

Spending and Gifting Regrets

People commonly make hasty and unwise choices when coming into a sudden financial windfall, often with remorse later on when the money is needed but no longer available. Of the indi-



A steady stream of income is key to a successful retirement.

viduals who took a lump sum from their retirement plan, 63 percent made major purchases within the first year and 22 percent gifted a significant portion of it. Roughly one-third (31 percent) of those with major spending regret their spending in hindsight and 23 percent who gave money away lament their generosity. When asked about specific regrets, one 54-year-old DC plan participant commented that, “Once spent, [the money] will never be available for my future.” Another, 66-year-old DC plan participant said, “I didn’t need the money then but I need it now.”

Retirement Paychecks Go the Distance

Ask your employer about how you can convert your retirement plan savings into a retirement paycheck because, even with the best planning, there’s simply no way to know with certainty how long you will live and need your money to last. Rather than taking the proverbial “pot of gold,” a guaranteed stream of income makes planning and budgeting easier and helps avoid the risk of overspending or underspending in retirement. For more information about the MetLife study, visit www.metlife.com/paycheckstudy.

**The study was fielded between June 16 and July 11, 2016, among 1,069 adults in the U.S., including 712 adults ages 50–75, who received a lump sum of at least \$25,000 if they had a defined benefit (DB) plan or had a balance of at least \$25,000 upon retirement in their defined contribution plan (DC), or monthly annuity payments of at least \$500 from a DB or DC plan.*

***Society of Actuaries Annuity 2000 Mortality Table with 100 percent AA projection to 2016 and 150 percent projection thereafter, with mortality blended 50 percent male and 50 percent female.*