



Maximizing Your Pension Income

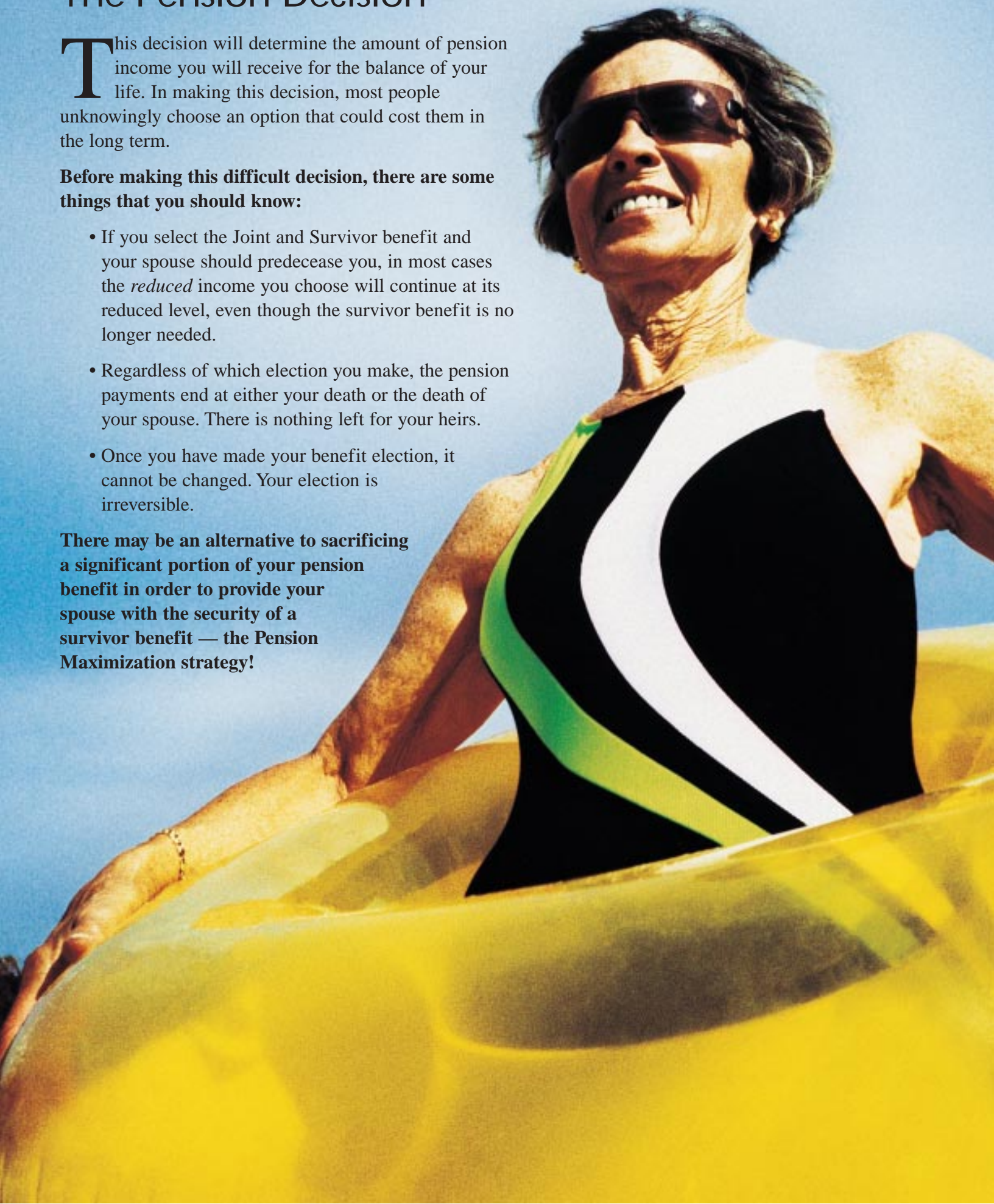
The Pension Decision

This decision will determine the amount of pension income you will receive for the balance of your life. In making this decision, most people unknowingly choose an option that could cost them in the long term.

Before making this difficult decision, there are some things that you should know:

- If you select the Joint and Survivor benefit and your spouse should predecease you, in most cases the *reduced* income you choose will continue at its reduced level, even though the survivor benefit is no longer needed.
- Regardless of which election you make, the pension payments end at either your death or the death of your spouse. There is nothing left for your heirs.
- Once you have made your benefit election, it cannot be changed. Your election is irreversible.

There may be an alternative to sacrificing a significant portion of your pension benefit in order to provide your spouse with the security of a survivor benefit — the Pension Maximization strategy!





Did you know that when you retire you will be faced with a difficult decision regarding your pension benefit — should you elect the Life Only benefit or a Joint and Survivor benefit?

■ **Life Only** — Provides the maximum income during your lifetime, but no income for your surviving spouse.

■ **Joint and Survivor** — Provides a **reduced** income during your lifetime, and a continuing income for your surviving spouse.

Consider the following hypothetical example:

Option	During Participant's Life	At Participant's Death, Spouse Receives	Cost to Participant in Lost Pension Benefits
Life Only Option Participant receives maximum lifetime benefit/spouse receives nothing after participant's death	\$2,000/month before tax income	\$0/month before tax income	Monthly - \$0 Annually - \$0 Over 10 years - \$0 (all before tax)
Joint and 50% Survivor Option Participant receives a lower lifetime benefit/spouse continues to receive 50% of participant's benefit after participant's death	\$1,600/month before tax income	\$800/month before tax income	Monthly - \$400 Annually - \$4,800 Over 10 years - \$48,000 (all before tax)
Joint and 100% Survivor Option Participant receives a significantly lower lifetime benefit/spouse continues to receive 100% of participant's benefit after participant's death	\$1,400/month before tax income	\$1,400/month before tax income	Monthly - \$600 Annually - \$7,200 Over 10 years - \$72,000 (all before tax)

How Pension Maximization Works

Step 1: You purchase sufficient life insurance (on your life) now to replace part or all of the survivor benefit that your spouse would have received if the Joint and Survivor income option had been elected. You will need to be insurable to qualify for the life insurance. Since you are buying the life insurance prior to retirement, you will be paying the premium with your own resources. Once your pension income begins, you can utilize a portion of your pension income to pay any further premiums required.

Step 2: At your retirement you elect the Life-Only income option from your pension plan (and your spouse waives the Joint and Survivor income option.)

Step 3: Upon your death, assuming the life insurance policy is in effect, an income tax-free death benefit is paid to your named beneficiary (which should ideally be your spouse, if living.)

Step 4: Your surviving spouse can now use the life insurance to replace part or all of the pension income discontinued as a result of your death. This can be accomplished by electing an appropriate life settlement option, purchasing an immediate annuity, or otherwise investing the death benefit proceeds.

Comparison of Joint and Survivor Option vs. Pension Maximization

	Joint & Survivor Option	Insured Pension Maximization
While you and your spouse are both living	A reduced pension benefit is received	The maximum pension benefit is received
If you die first	Your spouse continues to receive a reduced pension benefit	Your spouse can use the income tax-free death benefit to provide a lifetime income
If your spouse dies first	You continue to receive a reduced pension benefit for your lifetime	You continue to receive the maximum pension benefit for your lifetime and can continue the life insurance policy for your heirs or use any cash value to provide additional retirement income*
If you have a financial emergency	The pension benefit cannot be adjusted to provide emergency funds	Any cash values from the life insurance policy can be utilized*
Your heirs	Receive nothing from the pension plan upon the death of you and your spouse	Beneficiaries of the life insurance can be named

* Loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse.



Pension Maximization Considerations

- Your spouse's medical benefits may be tied to survivor pension benefits. Election of the Life Only income option may eliminate those survivor medical benefits. You should review the possible impact on other post-retirement benefits before utilizing this strategy.
- Be sure that you qualify for the life insurance policy and that it has been issued before you waive the Joint and Survivor income option. If you are uninsurable, your only option might be the survivor benefit.
- Beginning this strategy before retirement may provide other benefits, such as:
 - Providing pre-retirement death benefit protection for your family,
 - Eliminating the risk that you may subsequently become uninsurable,
 - Building up policy cash values that may help offset some or all of the premiums due after retirement.
- Since it is important that the appropriate amount of coverage be in place at your death in order to provide an income to your spouse, you may want to consider purchasing a life insurance product that provides a guaranteed death benefit.
- Your spouse may have little to no investment experience. It may be wise to consider a policy settlement option rather than having a lump-sum death benefit paid to your spouse.

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For more information about Pension Maximization, please contact your ING representative.

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