

Pension Transfer

After many years of long employment Mrs. Smith decides to retire. As she transitions into retirement she is faced with some important decisions which may impact the remainder of her financial life. For example, "Should I commute my pension to an individual LIRA/ LIF plan or simply accept the default options provided? Paul has outlined the points below to consider:

Advantages of commuting:

- Most pensions offer a 60% residual income to a spouse but then nothing upon the death of the last surviving spouse. If you have no spouse or any health concerns it may be advantageous to commute your pension.
- Commuting your pension will ensure your children will get any residual value of your pension.
- You control how your pension assets are invested.
- Avoid your employers potential default risk towards the pension
- Customize payments to suit cash flow needs.

Disadvantages of commuting:

- No longer guaranteed lifetime income
- Exposure to market volatility

Additional pointers:

- Defer bonus and/or severance until January to potentially reduce the taxes owing.

I am never too busy to help any of your friends, family members or work colleagues.