



Vancouver Pacific Financial Group



Maximizing Your Pension

If you are a member of a pension plan, you will have to make some choices when it comes to the amount of monthly income you will receive when you retire. The choice you make could significantly reduce your income. Although there are many choices depending on the type of plan, these are the three most common:

- Option #1 Single Life – maximum monthly income, but no additional income at your death to your spouse.

- Option #2 Joint & Last Survivor – You receive a reduced monthly income during your lifetime and your spouse receives the same amount after your death.

- Option #3 Joint & 50% Survivor – You receive a reduced monthly income, but greater than Joint & Last Survivor and your spouse receives 50% or the original amount on your death.

Which would you select?

By selecting options #2 or #3, you have:

1. Reduced your income for life;
2. Can never change the beneficiary; and
3. Provided for your spouse, but if your spouse dies first, you cannot change your plan and you receive a reduced pension that will not benefit anyone.

The solution is to plan early and utilize a Universal Life policy and you would:

1. Receive maximum pension income for life;
2. When you die, the life insurance proceeds pays cash to provide for your spouse and it is tax free;
3. If your spouse predeceases you, you can cancel the insurance and save the premiums and get cash back; and
4. Change the beneficiary anytime.

This is usually done before you retire and, therefore, the insurance can be paid up while you are working and you would not have premium payment when you retire.

In almost all cases, the cost of the insurance is much less than the reduction in pension benefits. Make sure you get a personal review on your own circumstances before going ahead.

*Information courtesy of Transamerica Life Insurance Company of Canada
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