



The Disappearing Pension

By Christina Nash | President & CEO, Knox Grove Financial

Today, most of us are responsible for saving a portion of our income each year for our future retirement. We elect to contribute money to our employer's 401(k) plans or maybe even a personally owned IRA to build our "Retirement Nest Egg." The burden of saving enough to fund our future retirement is now on us as individuals, but it wasn't always this way. Some of us can remember the days of "company pensions." An employee would work for a company until retirement age, retire, and then the company pension would pay a guaranteed income stream for the remainder of the employee's retirement years. Many pensions would also allow the employee to elect a lesser monthly amount, so that the pension would continue at a certain percentage for the spouse's lifetime. With pensions, the burden of saving enough money to fund an employee's retirement was the responsibility of the company and the employee had little to do with deciding how much to save nor the investment options.

What is happening? Why are pensions becoming a memory from the past?

It's simple, companies no longer want the responsibility (and liability) of paying out lifetime income to retired employees. Can we blame them? In 1960, life expectancy was 66.5 for males and 73.1 for females. Employees retired at 60, lived approximately seven years while collecting from the pension plan, and at death the pension payments stopped. In this example, companies were only responsible for paying out pension benefits for seven years. Today, life expectancy for females born in 2018 is 84 and for males born in 2018 the age is 77. Many of us may live well into our 90s. This means that companies offering a pension plan are potentially on the hook for pension retirement payments for 19 or more years. Ouch! I thought living longer was a good thing. Well, it is in most cases but for pension providers, it is terrifying. Longer life expectancy is only one of the many reasons that employers are moving away from providing pension benefits.

In the past few months, Bristol-Myers Squibb and Motorola have both joined the ranks of companies that have terminated their pension plans. When a company pension is terminated, employees of these companies are left to figure out what to do with their accumulated share. Do they take control of the funds within their pensions and distribute the balance as a lump sum? Do they leave it and hope that an insurance company will assume responsibility? These are the questions that our advisors at Knox Grove Financial are helping clients figure out.

Deciding what to do is a very personal decision and is dependent upon each employee's unique financial needs and goals. The decision being made can largely impact an individual's long-term retirement goals and oftentimes the decision is irreversible.

We have made it our mission to help individuals elect the choice that is best for their financial goals. If you are facing a pension termination with your company, working with an advisor will give you the knowledge and confidence to choose your best option. If your pension is being terminated and you need help making the decision that is right for you, call my office at 609-216-7440 or email me at Christina@KnoxGrove.com.

I had the pleasure of co-writing this article with Brian Hartmann of Knox Grove Financial.

Sincerely,

Christina A. Nash



Securities and investment advisory services offered through Royal Alliance Associates, Inc. member FINRA/SIPC. Royal Alliance Associates, Inc. is separately owned and other entities and/or marketing names, products or services referenced here are independent of Royal Alliance Associates, Inc.

ARE YOU ON THE RIGHT PATH?

Knox Grove Financial can be your guide.

Your Path Forward

- Fee-Only Advice Option
- Core Investment Management
- Comprehensive Wealth Management
- Retirement, Tax, and Estate Planning Strategies

KnoxGrove
FINANCIAL | YOUR
PATH
FORWARD

Knox Grove Financial, LLC
23 Route 31 North, Suite B10
Pennington, NJ 08534
P: 609-216-7440 F: 609-910-4275
www.knoxgrovefinancial.com
Info@knoxgrove.com

Securities and investment advisory services offered through Royal Alliance Associates, Inc. member FINRA/SIPC. Royal Alliance Associates, Inc. is separately owned and other entities and/or marketing names, products or services referenced here are independent of Royal Alliance Associates, Inc.