# Commuted Value

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HMECU

MONTHLY PAYMENTS AND COMMUTED VALUE

# Pension Considerations

**When it comes to retiring with a defined benefit pension, you may have options.**
Deciding which retirement pension options to take requires careful consideration.

## Receive regular Monthly Payments for life.

### Pros

**Guaranteed Income for Life**
No matter how long you live, you will receive a regular monthly income, indexed to inflation.

**No worries about Market Volatility**
Pension payments are fixed no matter what the market conditions are.

**Predictable Payments**
Budgeting is more manageable with a fixed, regular monthly income.

### Cons

**100% Taxable**
Pension income is all taxable, and the tax is spread equally with each payment over your lifetime.

**No Payment Flexibility**
Pension payments remain fixed and cannot be changed.

**No Inheritance**
The pension will stop at your death (or your spouse's death), leaving no opportunity for an inheritance.

## Receive the Commuted Value (the entire pension as a lump sum) at retirement.

### Pros

**Large Cash Payout**
You receive a large lump sum, subject to tax rules, to use however you wish based on your goals and needs.

**Flexibility**
The large payment can be invested or spent whenever and however you decide.

**Inheritance**
When you die, any remaining balance can be passed on as part of your estate.

### Cons

**No Payment Guarantees**
You must be disciplined so you don't deplete the funds set aside for retirement on shorter-term goals.

**Immediate Taxation**
The lump sum is taxed immediately. Transferring into a LIF, LIRA, or using any RRSP room can help ease the taxes.

**Market Volatility Risk**
Careful asset management is needed to ensure you have enough funds to live on.

**Carefully review the details of your pension plan with your financial professional to ensure you're choosing the best option for you.**

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