

What happens when payouts stop at the husband's death

Alice and Ray had what they thought was a financially secure retirement--until Ray died unexpectedly following a heart attack. Alice suddenly found herself alone, with mounting medical bills and a drastically reduced income. What went wrong?

The mistake that would play out at the time of Ray's death was actually made twenty years earlier, when Ray was 62. He was retiring after 35 years as a police officer, and made a financial decision that seemed like an easy choice. He could select his monthly pension amount for as long as he lived, at \$1,650 a month. Or, he could select his monthly pension amount for as long as both he and Alice lived. That amount was \$1,150.

Who wouldn't want an extra \$500 a month, Ray thought. Combined with Social Security payments both received (Alice had worked in a local grocery store her entire career), the larger pension represented the difference between a "just get by" retirement and a retirement where travel and other perks were possible. So Ray made his choice.

This choice worked well for 20 years. But when Ray died, the consequences of the pension decision were sudden and severe. The pension stopped completely. Alice now must contend with financial anxiety as well as loneliness for Ray. Unfortunately, her story is not uncommon. The lesson: The short-term benefit of a larger payout may lead to long-term financial problems. Be sure to understand your annuity or pension payout consequences over time—and know your options.

Pension and Annuity Payout Options

Pensions and annuities offer several payout choices. Here are some of the more common (but not all) options:

Straight Life Annuity

With this type of option, payouts are guaranteed for as long as the annuitant is living. The payments cease at the annuitant's death.

Life Annuity with Period Certain

With this option, payments are guaranteed for the annuitant's lifetime and at least a specific time period, 10-, 15-, or 20-years. If death occurs before the specified

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period has elapsed, payments will continue to be paid out to a beneficiary until the stated period ends.

Period Certain

With this option, payments are guaranteed for a specific time period only, and not for as long as an annuitant lives. If an annuitant dies before the stated period has elapsed, payments will continue to your beneficiary only through the stated period.

Joint and Survivor

This payout option allows for payments, through life, for more than one beneficiary in an annuity contract. Usually, beneficiaries are husband and wife. When one of the beneficiaries dies, payments will continue to go to the surviving beneficiary. Depending on the contract, payments can be the same amount, or a reduced amount for the survivor.

Be sure to consider your particular situation before selecting an option. While it is impossible to know the future, make the best decision you can that attends to the needs of those involved.