

## Ramon's Decision: Rolling Over or Cashing Out?

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### ABSTRACT

This case is based on an actual investment decision that was made by an investment advisor's client. Ramon Perez has recently left a major employer in a mid-sized, Midwestern city. His employer had a defined contribution pension plan. Ramon must decide between a number of payout and reinvestment options by his 40<sup>th</sup> birthday, a month from now. In addition, Ramon feels he has about an equal probability of retiring at 60, 65, or 70 years of age. His actuarial life expectancy is 80 years. The case is designed to give undergraduate and MBA students' exposure to the determination of an optimal pension payout in a realistic setting. The students will assume that they have just been hired by a large firm as an investment advisor. They will consider what information they need to make a recommendation; calculate the future value of each option under several long-term return assumptions; calculate the after-tax future values; and calculate the monthly annuity due payments Ramon may take out after retirement. An earlier version of the case has been used for a number of years in finance coursework.

Keywords: Pension, Re-investment, Future Value, Annuity Due, Tax Considerations

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**TASK**

You just finished your finance program and have been hired by a large firm, in a mid-sized, Midwestern city, as an investment advisor. You are, of course, very interested in doing a good job and impressing your firm. The first client you have been assigned is Ramon Perez. Ramon has just left his current employer with a defined contribution pension plan. He has been offered several possible payouts from the pension plan. He will be 40 years old in one month and must decide which option he will select. You will use your finance training to develop an analysis and recommendation for your client.

**PAYOUT OPTIONS**

1. \$104,301.42 lump sum at age 40
2. \$540.12 monthly payments starting at age 40
3. \$1520.50 monthly payments starting at age 60
4. \$2,280.80 monthly payments starting at age 65

**STEP 1 - QUESTIONS**

Develop a list of questions you would like to have answered to help complete your analysis and recommendation. *Your instructor will provide questions and answers before you start the next step.*

**STEP 2 – FUTURE VALUE AT RETIREMENT - IGNORING INCOME TAXES**

Ignoring income taxes, calculate the future value of Ramon's investment at retirement for each of the four payout options, below, using the three retirement options and the three expected return estimates listed in the assumptions from step 1, above:

1. \$104,301.42 lump sum at age 40 / 4%, 6%, and 8% return / retire at 60, 65, and 70
2. \$540.12 monthly payments starting at age 40 / 4%, 6%, and 8% return / retire at 60, 65, and 70
3. \$1520.50 monthly payments starting at age 60 / 4%, 6%, and 8% return / retire at 60, 65, and 70
4. \$2,280.80 monthly payments starting at age 65 / 4%, 6%, and 8% return / retire at 60, 65, and 70

**STEP 3 – AMOUNT OF LIFETIME MONTHLY ANNUITY PAYMENT AT RETIREMENT  
– IGNORING INCOME TAXES**

Ignoring income taxes, calculate the lifetime monthly annuity due payment that each of the payout options' future values would provide at retirement from step 2, above. Recall that Ramon's life expectancy is 80 years.

**STEP 4 – TOTAL AMOUNT OF LIFETIME ANNUITY PAYMENTS AT RETIREMENT  
– IGNORING INCOME TAXES**

Ignoring income taxes, calculate the total payout that each of the lifetime monthly annuities would provide from retirement through death.

**STEP 5 –PRESENT VALUE AT AGE 40 – IGNORING INCOME TAXES**

Ignoring income taxes, calculate the present value at age 40 for each of the payout options using the three retirement options and the three expected return estimates.

**STEP 6 –RECOMMENDATION – IGNORING INCOME TAXES**

Ignoring income taxes, what would be your recommendation for Ramon?

**STEP 7 –PRESENT VALUE AT AGE 40 – INCLUDING INCOME TAXES**

Now, including income taxes in your analysis, recompute Steps 2 through 5.

**STEP 8 –RECOMMENDATION – INCLUDING INCOME TAXES**

Including income taxes, what would be your recommendation for Ramon?



**Teaching Note: - Pension Plan Case Study**

This case involves decision-making related to a pension plan upon leaving a company. The case can be used in a finance course, an individual taxation course or an accounting course.

**Learning Objectives:**

1. Financial Analysis: Assess the available pension options including rolling over to a new plan, cashing out, or transferring to a new employer's plan.
2. Tax Implications: Analyze tax consequences including early withdrawal penalties, rollover rules and long-term strategies.
3. Decision-Making: Develop a structured approach to advising a client based on their financial goals, risk tolerance, and life situation.

**The case can be completed in 2 parts.**

Give students the basic factual scenario and have the students identify additional facts necessary to make a recommendation to the client. This can be done by having each student submit questions to the client in the form of a professional letter or an email. Alternatively, students can engage in role-play where one student acts as the advisor and another acts as the client.

This case focuses on Ramon's options for his defined contribution plan after leaving his employer. This does, however, provide the instructor an opportunity to discuss broadly the different types of retirement plans<sup>1</sup> and, more specifically, employer-provided defined benefit and contribution plans covered by The Employee Retirement Income Security Act (ERISA)<sup>2</sup>. A defined benefit plan provides participants with a specific monthly payout upon retirement based on plan contributions.<sup>3</sup> The value and resulting payout for a defined contribution plan, however, will change based on the contributions and the investment performance.<sup>4</sup> With a contribution plan, the instructor has the option of delving deeper into the differences between 401(k), 403(b), ESOP and profit-sharing plans.

***SOLUTION AND ASSUMPTIONS - STEP 1 (GIVE TO STUDENTS PRIOR TO STEP 2)*****Ramon's personal information:**

- Is he married? Yes
- Does he have children? Yes, 6 and 8 years old.
- Is he healthy? Yes
- Does he need these funds to finance his children's education? No.
- Does he need the lump sum today? No, he has a household income of \$200,000 and limited debt.
- What does he plan to do with the proceeds? He will reinvest the proceeds until he retires. At that time he will take out annuity due payments for the remainder of his life.

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<sup>1</sup> <https://www.dol.gov/general/topic/retirement>

<sup>2</sup> 29 U.S.C. Chapter 18.

<sup>3</sup> I.R.C. § 414(j).

<sup>4</sup> I.R.C. § 414(i).

- What is Ramon’s actuarial life expectancy? 80 years.
- When does he plan to retire? Hopefully 60, maybe 65 or 70. (Equal chance of retiring at each age.)
- What is his investment risk tolerance? Moderate – prefers around a 70% Stock, 30% other (bond, real estate portfolio).
- What are long-term investment expected returns on the above portfolio? Investment professionals expect this type of portfolio to provide between 4% and 8% long-term return. (Use 4% - lower risk, 6% - moderate risk, and 8% - higher risk for analysis.)
- What is his current tax rate? 30% average during his career; 15% at retirement.

#### **APPENDIX A - CALCULATIONS FOR RAMON’S DECISION: STEPS 2-5**

Future Value at Retirement (Ignoring Income Taxes)

Amount of Lifetime Monthly Annuity Payment at Retirement (Ignoring Income Taxes)

Total Amount of Lifetime Annuity Payments at Retirement (Ignoring Income Taxes)

Present Value at Age 40 (Ignoring Income Taxes)

#### **APPENDIX A – CALCULATIONS FOR RAMON’S DECISION: STEPS 2-5 (WITH TAXES)**

Employee contributions to a defined benefit or contribution plan are generally made with pre-tax income, allowing individuals to defer income tax on the amounts contributed until retirement. There are annual limits on the amount that can be contributed on a pre-tax basis. on the ability to make pre-tax contributions. For the 2024 tax year, the elective deferral limit is \$23,000. The instructor can make a note here regarding amounts contributed to a pension above the limitation. Such amounts will be subject to double taxation – once at the time of “deferral” and again at distribution – unless the employee withdrawals the additional funds before April 15.<sup>5</sup>

In addition to employee contributions, employer matching contributions to these plans are generally excluded from the employee’s gross income.<sup>6</sup> Unlike employee contributions, there are no annual limits on employer matching contributions.

If contributions to the plan are solely from pre-tax income and employer contributions, there are no immediate income tax consequences to the formation and funding of the plan. The tax implications arise when the employee begins receiving distributions from the plan.<sup>7</sup>

The next part of this case involves analyzing Ramon’s options considering his tax rates. He is presented with the options of taking a lump sum beginning in October of the current year, taking monthly payments beginning in October of the current year, or starting monthly payments at retirement. Here, the instructor should note that if all funds from the pension are from deferred income or employer-matching contributions, Ramon will be taxed on distributions at his marginal tax rate.<sup>8</sup> This applies whether the amount is taken as a lump sum or paid out in periodic payments. The instructor can discuss the different tax rates based on filing status,

<sup>5</sup> <https://www.irs.gov/retirement-plans/how-much-salary-can-you-defer-if-youre-eligible-for-more-than-one-retirement-plan>.

<sup>6</sup> I.R.C. §§ 401, 403, 501(a); HOWELL v. U.S., 57 AFTR 2d 86-768 (CA7 1985).

<sup>7</sup> I.R.C. § 408(d)(1).

<sup>8</sup> I.R.C. § 72.



discuss the progressive income tax structure, and look at the Excel spreadsheets (with taxes) to provide an after-tax distribution analysis.

As a second point of note, the rules for taxation of pensions at the state level vary by state. Students will need to know the state tax rules for the state where Ramon lives when he takes the distribution(s). The instructor can assign students to analyze different states which will result in a different overall tax effect for Ramon depending on the law of the assigned state.

The instructor should emphasize the early withdrawal penalty and the applicable exceptions for taking distributions from retirement funds before age 59 ½.<sup>9</sup> If Ramon opts for a lump-sum payment in October of the current year, he will not only pay tax on the distributed funds at his marginal rate, he will also pay a 10% penalty on the early distribution.<sup>10</sup> There is a list of exceptions to avoid the 10% penalty including medical withdrawals, education withdrawals, and substantially equal periodic payments (SEPP).<sup>11</sup> The IRS has approved 3 methods to apply the SEPP exception that would specifically apply to Ramon's situation if he chooses periodic payments beginning in October of the current year.<sup>12</sup> He would still be subject to income tax on the distributions, but if he structures his payments within one of the three safe harbors approved by the IRS, he will avoid the 10% penalty.

The instructor should clarify that rolling over funds to another retirement account does not count as a taxable distribution.<sup>13</sup> Ramon has 60 days to roll the funds over to another account. The tax event for rolled-over funds occurs when the distributions are taken. Moreover, If Ramon moves his pension into another retirement account and delays distributions to age 60, 65, or 70, the 10% penalty no longer applies.

Finally, students should review basic rules for required minimum distributions (RMDs). If Ramon delays his retirement until 70 or later and postpones taking money from his pension, he needs to be aware of the rules for RMDs.<sup>14</sup> The current rules mandate regular distributions once a taxpayer reaches the age of 73. This number will increase to 75 starting in 2032. Failure to take required distributions by the age date established can result in excise taxes of up to 50% on the undistributed amounts.

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<sup>9</sup> I.R.C. § 72(t).

<sup>10</sup> I.R.C. § 72(t)(1).

<sup>11</sup> I.R.C. § 72(q)(2), (t)(2).

<sup>12</sup> <https://www.thetaxadviser.com/issues/2008/oct/substantiallyequalperiodicpaymentsfromanira.html>.

<sup>13</sup> Treas. Reg. § 1.402(c)-2.

<sup>14</sup> I.R.C. § 401(a)(9).

Appendix A

**STEP 2 - FUTURE VALUE AT RETIREMENT - NO TAXES:**

RETIRE AT 60 YEARS		RETIRE AT 65 YEARS		RETIRE AT 70 YEARS	
Months to 60 Years	Total CF	Months to 65 Years	Total CF	Months to 70 Years	Total CF
<b>4% Annual Return Compounded Monthly</b>					
Lump sum now - Age 40	\$ 104,301.42	240	\$ 231,818.47	300	\$ 283,049.56
Monthly Payment - Age 4	\$ 540.12	240	\$ 198,782.65	300	\$ 278,617.23
Monthly Payment - Age 6	\$ 1,520.50	0	\$ -	60	\$ 101,143.62
Monthly Payment - Age 6	\$ 2,280.80	0	\$ -	0	\$ -
<b>6% Annual Return Compounded Monthly</b>					
Lump sum now - Age 40	\$ 104,301.42	240	\$ 345,259.03	300	\$ 465,702.69
Monthly Payment - Age 4	\$ 540.12	240	\$ 250,805.32	300	\$ 376,171.40
Monthly Payment - Age 6	\$ 1,520.50	0	\$ -	60	\$ 106,615.76
Monthly Payment - Age 6	\$ 2,280.80	0	\$ -	0	\$ -
<b>8% Annual Return Compounded Monthly</b>					
Lump sum now - Age 40	\$ 104,301.42	240	\$ 513,872.53	300	\$ 765,590.78
Monthly Payment - Age 4	\$ 540.12	240	\$ 320,282.65	300	\$ 517,092.83
Monthly Payment - Age 6	\$ 1,520.50	0	\$ -	60	\$ 112,466.37
Monthly Payment - Age 6	\$ 2,280.80	0	\$ -	0	\$ -

**STEP 3 - MONTHLY ANNUITY PAYMENT AT RETIREMENT - NO TAXES:**

RETIRE AT 60 YEARS		RETIRE AT 65 YEARS		RETIRE AT 70 YEARS							
Months to 80 Years	Second Annuity Payment	First Annuity Payment	Total Annuity Payment	Months to 80 Years	Second Annuity Payment	First Annuity Payment	Total Annuity Payment	Months to 80 Years	Second Annuity Payment	First Annuity Payment	Total Annuity Payment
<b>4% Annual Return Annuity Due</b>											
Lump sum now - Age 40	\$ 1,400.11	\$ -	\$ 1,400.11	180	\$ 2,086.73	\$ -	\$ 2,086.73	120	\$ 3,487.43	\$ -	\$ 3,487.43
Monthly Payment - Age 4	\$ 240	\$ 540.12	\$ 1,740.58	180	\$ 2,594.17	\$ 540.12	\$ 2,594.17	120	\$ 3,795.38	\$ 540.12	\$ 4,335.50
Monthly Payment - Age 6	\$ 240	\$ 0.00	\$ 1,520.50	180	\$ 745.66	\$ 1,520.50	\$ 2,266.16	120	\$ 2,266.81	\$ 1,520.50	\$ 3,787.31
Monthly Payment - Age 6	\$ 180	\$ 0.00	\$ 2,280.80	180	\$ 0.00	\$ 2,280.80	\$ 2,280.80	120	\$ 1,530.98	\$ 2,280.80	\$ 3,811.78
<b>6% Annual Return Annuity Due</b>											
Lump sum now - Age 40	\$ 2,461.24	\$ -	\$ 2,461.24	180	\$ 3,910.31	\$ -	\$ 3,910.31	120	\$ 4,477.97	\$ -	\$ 4,477.97
Monthly Payment - Age 4	\$ 240	\$ 540.12	\$ 2,328.03	180	\$ 3,158.56	\$ 540.12	\$ 3,698.68	120	\$ 3,887.06	\$ 540.12	\$ 4,427.18
Monthly Payment - Age 6	\$ 240	\$ 0.00	\$ 1,520.50	180	\$ 895.21	\$ 1,520.50	\$ 2,415.71	120	\$ 1,785.19	\$ 1,520.50	\$ 3,305.69
Monthly Payment - Age 6	\$ 180	\$ 0.00	\$ 2,280.80	180	\$ 0.00	\$ 2,280.80	\$ 2,280.80	120	\$ 1,140.07	\$ 2,280.80	\$ 3,420.87
<b>8% Annual Return Annuity Due</b>											
Lump sum now - Age 40	\$ 4,269.77	\$ -	\$ 4,269.77	180	\$ 7,267.93	\$ -	\$ 7,267.93	120	\$ 9,477.35	\$ -	\$ 9,477.35
Monthly Payment - Age 4	\$ 240	\$ 540.12	\$ 3,201.18	180	\$ 4,908.98	\$ 540.12	\$ 5,449.00	120	\$ 4,894.18	\$ 540.12	\$ 5,434.30
Monthly Payment - Age 6	\$ 240	\$ 0.00	\$ 1,520.50	180	\$ 1,067.67	\$ 1,520.50	\$ 2,588.17	120	\$ 1,691.25	\$ 1,520.50	\$ 3,211.75
Monthly Payment - Age 6	\$ 180	\$ 0.00	\$ 2,280.80	180	\$ 0.00	\$ 2,280.80	\$ 2,280.80	120	\$ 1,018.91	\$ 2,280.80	\$ 3,299.71

**STEP 4 - TOTAL AMOUNT OF RETIREMENT ANNUITY PAYMENTS - NO TAXES:**

RETIRE AT 60 YEARS		RETIRE AT 65 YEARS		RETIRE AT 70 YEARS	
Months to 60-80 Years	Total Annuity Payment	Months to 65-80 Years	Total Annuity Payment	Months to 70-80 Years	Total Annuity Payment
<b>4% Annual Return Annuity Due</b>					
Lump sum now - Age 40	\$ 1,400.11	180	\$ 2,086.73	120	\$ 3,487.43
Monthly Payment - Age 4	\$ 240	180	\$ 2,594.17	120	\$ 4,335.50
Monthly Payment - Age 6	\$ 240	180	\$ 745.66	120	\$ 3,787.31
Monthly Payment - Age 6	\$ 180	180	\$ 2,280.80	120	\$ 3,811.78
<b>6% Annual Return Annuity Due</b>					
Lump sum now - Age 40	\$ 2,461.24	180	\$ 3,910.31	120	\$ 4,477.97
Monthly Payment - Age 4	\$ 240	180	\$ 3,698.68	120	\$ 4,427.18
Monthly Payment - Age 6	\$ 240	180	\$ 2,415.71	120	\$ 3,305.69
Monthly Payment - Age 6	\$ 180	180	\$ 2,280.80	120	\$ 3,420.87
<b>8% Annual Return Annuity Due</b>					
Lump sum now - Age 40	\$ 4,269.77	180	\$ 7,267.93	120	\$ 9,477.35
Monthly Payment - Age 4	\$ 240	180	\$ 5,449.00	120	\$ 5,434.30
Monthly Payment - Age 6	\$ 240	180	\$ 2,588.17	120	\$ 3,211.75
Monthly Payment - Age 6	\$ 180	180	\$ 2,280.80	120	\$ 3,299.71

**STEP 5 - PRESENT VALUE AT AGE 40:**

Payment		Total		Present Value	
Number of Payments	Total Payments	Number of Payments	Total Payments	Age	Present Value
<b>4% Annual Return Compounded Monthly</b>					
Lump sum now - Age 40	\$ 104,301.42	1	\$ 104,301.42	Age 40	\$ 104,301.42
Monthly Payment - Age 4	\$ 540.12	480	\$ 259,257.60	Age 40	\$ 129,665.12
Monthly Payment - Age 6	\$ 1,520.50	240	\$ 364,920.00	Age 60	\$ 251,752.12
Monthly Payment - Age 6	\$ 2,280.80	180	\$ 410,544.00	Age 65	\$ 114,001.79
<b>6% Annual Return Compounded Monthly</b>					
Lump sum now - Age 40	\$ 104,301.42	1	\$ 104,301.42	Age 40	\$ 104,301.42
Monthly Payment - Age 4	\$ 540.12	480	\$ 259,257.60	Age 40	\$ 98,656.33
Monthly Payment - Age 6	\$ 1,520.50	240	\$ 364,920.00	Age 60	\$ 213,293.73
Monthly Payment - Age 6	\$ 2,280.80	180	\$ 410,544.00	Age 65	\$ 60,836.75
<b>8% Annual Return Compounded Monthly</b>					
Lump sum now - Age 40	\$ 104,301.42	1	\$ 104,301.42	Age 40	\$ 104,301.42
Monthly Payment - Age 4	\$ 540.12	480	\$ 259,257.60	Age 40	\$ 78,198.14
Monthly Payment - Age 6	\$ 1,520.50	240	\$ 364,920.00	Age 60	\$ 182,994.18
Monthly Payment - Age 6	\$ 2,280.80	180	\$ 410,544.00	Age 65	\$ 32,731.55

STEP 2 - FUTURE VALUE AT RETIREMENT - TAXES:

RETIRE AT 60 YEARS				RETIRE AT 65 YEARS				RETIRE AT 70 YEARS						
	Total CF	Months to 60 Years	FV Age 60 Retirement		Total CF	Months to 65 Years	FV Age 65 Retirement		Total CF	Months to 70 Years	FV Age 70 Retirement			
4% Annual Return Compounded Monthly														
Lump sum now - Age 40	\$ 62,580.85	\$ 62,580.85	240	\$ 139,091.08	Lump sum now - Age 40	\$ 62,580.85	\$ 62,580.85	300	\$ 169,829.74	Lump sum now - Age 40	\$ 62,580.85	\$ 62,580.85	360	\$ 207,361.53
Monthly Payment - Age 4	\$ 378.08	\$ 90,740.16	240	\$ 139,133.86	Monthly Payment - Age 4	\$ 378.08	\$ 113,425.20	300	\$ 195,032.10	Monthly Payment - Age 4	\$ 378.08	\$ 136,110.24	360	\$ 263,283.67
Monthly Payment - Age 6	\$ 1,292.43	\$ -	0	\$ -	Monthly Payment - Age 6	\$ 1,064.35	\$ 63,861.00	60	\$ 70,800.54	Monthly Payment - Age 6	\$ 1,064.35	\$ 127,722.00	120	\$ 157,247.75
Monthly Payment - Age 6	\$ 1,938.68	\$ -	0	\$ -	Monthly Payment - Age 6	\$ 1,938.68	\$ -	0	\$ -	Monthly Payment - Age 6	\$ 1,596.56	\$ 95,793.60	60	\$ 105,203.13
6% Annual Return Compounded Monthly														
Lump sum now - Age 40	\$ 62,580.85	\$ 62,580.85	240	\$ 207,155.42	Lump sum now - Age 40	\$ 62,580.85	\$ 62,580.85	300	\$ 279,421.61	Lump sum now - Age 40	\$ 62,580.85	\$ 62,580.85	360	\$ 376,897.89
Monthly Payment - Age 4	\$ 378.08	\$ 90,740.16	240	\$ 175,963.72	Monthly Payment - Age 4	\$ 378.08	\$ 113,425.20	300	\$ 263,319.98	Monthly Payment - Age 4	\$ 378.08	\$ 136,110.24	360	\$ 361,600.02
Monthly Payment - Age 6	\$ 1,292.43	\$ -	0	\$ -	Monthly Payment - Age 6	\$ 1,064.35	\$ 63,861.00	60	\$ 74,631.03	Monthly Payment - Age 6	\$ 1,064.35	\$ 127,722.00	120	\$ 175,297.11
Monthly Payment - Age 6	\$ 1,938.68	\$ -	0	\$ -	Monthly Payment - Age 6	\$ 1,938.68	\$ -	0	\$ -	Monthly Payment - Age 6	\$ 1,596.56	\$ 95,793.60	60	\$ 111,949.00
8% Annual Return Compounded Monthly														
Lump sum now - Age 40	\$ 62,580.85	\$ 62,580.85	240	\$ 308,323.52	Lump sum now - Age 40	\$ 62,580.85	\$ 62,580.85	300	\$ 459,354.47	Lump sum now - Age 40	\$ 62,580.85	\$ 62,580.85	360	\$ 694,367.28
Monthly Payment - Age 4	\$ 378.08	\$ 90,740.16	240	\$ 224,183.95	Monthly Payment - Age 4	\$ 378.08	\$ 113,425.20	300	\$ 361,964.98	Monthly Payment - Age 4	\$ 378.08	\$ 136,110.24	360	\$ 567,237.60
Monthly Payment - Age 6	\$ 1,292.43	\$ -	0	\$ -	Monthly Payment - Age 6	\$ 1,064.35	\$ 63,861.00	60	\$ 78,726.46	Monthly Payment - Age 6	\$ 1,064.35	\$ 127,722.00	120	\$ 196,016.74
Monthly Payment - Age 6	\$ 1,938.68	\$ -	0	\$ -	Monthly Payment - Age 6	\$ 1,938.68	\$ -	0	\$ -	Monthly Payment - Age 6	\$ 1,596.56	\$ 95,793.60	60	\$ 118,092.28

STEP 3 - MONTHLY ANNUITY PAYMENT AT RETIREMENT - TAXES:

RETIRE AT 60 YEARS				RETIRE AT 65 YEARS				RETIRE AT 70 YEARS						
	Months to 80 Years	Second Annuity Payment	First Annuity Payment	Total Annuity Payment		Months to 80 Years	Second Annuity Payment	First Annuity Payment	Total Annuity Payment		Months to 80 Years	Second Annuity Payment	First Annuity Payment	Total Annuity Payment
4% Annual Return Annuity Due														
Lump sum now - Age 40	240	\$840.06	\$ -	\$840.06	Lump sum now - Age 40	180	\$1,252.04	\$ -	\$1,252.04	Lump sum now - Age 40	120	\$2,092.46	\$ -	\$2,092.46
Monthly Payment - Age 4	240	\$840.32	\$ 378.08	\$1,218.41	Monthly Payment - Age 4	180	\$1,437.84	\$ 378.08	\$1,815.92	Monthly Payment - Age 4	120	\$2,656.76	\$ 378.08	\$3,034.85
Monthly Payment - Age 6	240	\$0.00	\$1,292.43	\$1,292.43	Monthly Payment - Age 6	180	\$521.96	\$1,064.35	\$1,586.31	Monthly Payment - Age 6	120	\$1,586.77	\$1,064.35	\$2,651.12
Monthly Payment - Age 6	180	\$0.00	\$1,938.68	\$1,938.68	Monthly Payment - Age 6	180	\$0.00	\$1,938.68	\$1,938.68	Monthly Payment - Age 6	120	\$1,071.68	\$1,596.56	\$2,668.24
6% Annual Return Annuity Due														
Lump sum now - Age 40	240	\$1,476.74	\$ -	\$1,476.74	Lump sum now - Age 40	180	\$2,346.19	\$ -	\$2,346.19	Lump sum now - Age 40	120	\$2,686.78	\$ -	\$2,686.78
Monthly Payment - Age 4	240	\$1,251.54	\$ 378.08	\$1,629.62	Monthly Payment - Age 4	180	\$2,210.99	\$ 378.08	\$2,589.07	Monthly Payment - Age 4	120	\$2,720.94	\$ 378.08	\$3,099.03
Monthly Payment - Age 6	240	\$0.00	\$1,292.43	\$1,292.43	Monthly Payment - Age 6	180	\$626.65	\$1,064.35	\$1,691.00	Monthly Payment - Age 6	120	\$1,249.63	\$1,064.35	\$2,313.98
Monthly Payment - Age 6	180	\$0.00	\$1,938.68	\$1,938.68	Monthly Payment - Age 6	180	\$0.00	\$1,938.68	\$1,938.68	Monthly Payment - Age 6	120	\$798.05	\$1,596.56	\$2,394.61
8% Annual Return Annuity Due														
Lump sum now - Age 40	240	\$2,561.86	\$ -	\$2,561.86	Lump sum now - Age 40	180	\$4,360.76	\$ -	\$4,360.76	Lump sum now - Age 40	120	\$5,686.41	\$ -	\$5,686.41
Monthly Payment - Age 4	240	\$1,862.75	\$ 378.08	\$2,240.83	Monthly Payment - Age 4	180	\$3,436.22	\$ 378.08	\$3,814.30	Monthly Payment - Age 4	120	\$3,425.93	\$ 378.08	\$3,804.01
Monthly Payment - Age 6	240	\$0.00	\$1,292.43	\$1,292.43	Monthly Payment - Age 6	180	\$747.37	\$1,064.35	\$1,811.72	Monthly Payment - Age 6	120	\$1,183.88	\$1,064.35	\$2,248.23
Monthly Payment - Age 6	180	\$0.00	\$1,938.68	\$1,938.68	Monthly Payment - Age 6	180	\$0.00	\$1,938.68	\$1,938.68	Monthly Payment - Age 6	120	\$713.24	\$1,596.56	\$2,309.80

STEP 4 - TOTAL AMOUNT OF RETIREMENT ANNUITY PAYMENTS - TAXES:

RETIRE AT 60 YEARS				RETIRE AT 65 YEARS				RETIRE AT 70 YEARS			
	Months to 60-80 Years	Total Annuity Payment	Total Payments		Months to 65-80 Years	Total Annuity Payment	Total Payments		Months to 70-80 Years	Total Annuity Payment	Total Payments
4% Annual Return Annuity Due											
Lump sum now - Age 40	240	\$840.06	\$201,615.45	Lump sum now - Age 40	180	\$1,252.04	\$225,366.59	Lump sum now - Age 40	120	\$2,092.46	\$251,095.18
Monthly Payment - Age 4	240	\$1,218.41	\$292,417.61	Monthly Payment - Age 4	180	\$1,815.92	\$326,865.62	Monthly Payment - Age 4	120	\$3,034.85	\$364,181.68
Monthly Payment - Age 6	240	\$1,292.43	\$310,182.00	Monthly Payment - Age 6	180	\$1,586.31	\$285,536.36	Monthly Payment - Age 6	120	\$2,651.12	\$318,134.13
Monthly Payment - Age 6	180	\$1,938.68	\$348,962.40	Monthly Payment - Age 6	180	\$1,938.68	\$348,962.40	Monthly Payment - Age 6	120	\$2,668.24	\$320,189.13
6% Annual Return Annuity Due											
Lump sum now - Age 40	240	\$1,476.74	\$354,418.09	Lump sum now - Age 40	180	\$2,346.19	\$422,313.74	Lump sum now - Age 40	120	\$2,686.78	\$322,413.56
Monthly Payment - Age 4	240	\$1,629.62	\$391,108.64	Monthly Payment - Age 4	180	\$2,589.07	\$466,033.08	Monthly Payment - Age 4	120	\$3,099.03	\$371,883.02
Monthly Payment - Age 6	240	\$1,292.43	\$310,182.00	Monthly Payment - Age 6	180	\$1,691.00	\$304,379.25	Monthly Payment - Age 6	120	\$2,313.98	\$277,678.17
Monthly Payment - Age 6	180	\$1,938.68	\$348,962.40	Monthly Payment - Age 6	180	\$1,938.68	\$348,962.40	Monthly Payment - Age 6	120	\$2,394.61	\$287,352.86
8% Annual Return Annuity Due											
Lump sum now - Age 40	240	\$2,561.86	\$614,846.96	Lump sum now - Age 40	180	\$4,360.76	\$784,936.58	Lump sum now - Age 40	120	\$5,686.41	\$682,369.53
Monthly Payment - Age 4	240	\$2,240.83	\$537,799.03	Monthly Payment - Age 4	180	\$3,814.30	\$686,574.32	Monthly Payment - Age 4	120	\$3,804.01	\$456,481.50
Monthly Payment - Age 6	240	\$1,292.43	\$310,182.00	Monthly Payment - Age 6	180	\$1,811.72	\$326,109.35	Monthly Payment - Age 6	120	\$2,248.23	\$269,787.19
Monthly Payment - Age 6	180	\$1,938.68	\$348,962.40	Monthly Payment - Age 6	180	\$1,938.68	\$348,962.40	Monthly Payment - Age 6	120	\$2,309.80	\$277,175.82

STEP 5 - PRESENT VALUE AT AGE 40:

	Payment	Number of Payments	Total Payments	Present Value	
4% Annual Return Compounded Monthly					
Lump sum now - Age 40	\$ 73,010.99	1	\$ 73,010.99	\$ 73,010.99	Age 40
Monthly Payment - Age 4	\$ 378.08	480	\$ 181,480.32	\$90,765.58	Age 40
Monthly Payment - Age 6	\$ 1,292.43	240	\$ 310,182.00	\$213,989.30	Age 60
Monthly Payment - Age 6	\$ 1,938.68	180	\$ 348,962.40	\$262,967.96	Age 65
6% Annual Return Compounded Monthly					
Lump sum now - Age 40	\$ 73,010.99	1	\$ 73,010.99	\$ 73,010.99	Age 40
Monthly Payment - Age 4	\$ 378.08	480	\$ 181,480.32	\$69,059.43	Age 40
Monthly Payment - Age 6	\$ 1,292.43	240	\$ 310,182.00	\$181,299.67	Age 60
Monthly Payment - Age 6	\$ 1,938.68	180	\$ 348,962.40	\$230,889.10	Age 65
8% Annual Return Compounded Monthly					
Lump sum now - Age 40	\$ 73,010.99	1	\$ 73,010.99	\$ 73,010.99	Age 40
Monthly Payment - Age 4	\$ 378.08	480	\$ 181,480.32	\$54,738.70	Age 40
Monthly Payment - Age 6	\$ 1,292.43	240	\$ 310,182.00	\$155,545.06	Age 60
Monthly Payment - Age 6	\$ 1,938.68	180	\$ 348,962.40	\$204,217.05	Age 65