

Preparing for Retirement

Choosing Whether to Accelerate Your Benefit

Hi, my name is Richard McLeod. I am one of the counselors for the Teachers Retirement Association. This is a little video on our accelerated options. I generally tell members in my office, if you pick the date to retire, that is your biggest decision; which retirement plan for you is the next big decision, but the third key choice is probably, do I want to accelerate?

At TRA, we sometimes refer to acceleration as “front loading” your pension. I have heard members refer to it as a “bridge to Social Security.” Acceleration is a way for you to get a bigger check from us up to age 62 or 65, or your normal retirement age at Social Security. So, it gives you a bigger check up to that birth date, but then a lower payment after that birth date. It is designed to work with Social Security, but the decision you make with Social Security is totally separate and independent from what you do at TRA.

So, I give you some examples here of how this works with the different ages. We will just use our top, No Refund Plan as the example here. The regular, no acceleration amount for the No Refund plan is \$2,715 per month. If the member takes that no acceleration option, the payment would never go lower, it would just grow over the years with any potential raises that might come down the pike. But, in this example, the member is 59, so could actually choose to accelerate to age 62, 65 or normal retirement age. And, for this member, normal retirement age is 66. So, when we look at that option, I can accelerate to 62, and instead of \$2,715 per month, I could get a higher amount or \$4,252, up to the month that I turn 62. I get that bigger payment up to my 62nd birthday, and then after 62, I will have a lower amount. In this example, my payment drops to \$2,319. But, remember, at 62, I could now start my Social Security. So, my Social Security payment would be added on to the TRA post-62 amount.

I can also choose to go to 65. So, if I accelerate to 65, that is now 6 years, from age 59 to 65. If I accelerate to 65, I get a slightly lower amount, up to my birthday - \$4,013 per month up to 65. But, I have now had that for a longer period – I have had that payment for 6 years. That’s the good news. The bad news is there will be a slightly bigger drop at 65. In this case, now I drop to \$1,912 after 65. But, the logic here is, if I had waited until 65 to start my Social Security payment, that would be a higher amount because I have left my Social Security until that later age. So, I would add that higher Social Security payment to my post-65 TRA amount.

Now, for the last few years, it has now been possible to accelerate to your normal, full retirement age at Social Security. For a lot of members we are seeing now, that is age 66. That is the example here. This member could accelerate from 59 until 66 – 7 years – and get \$3,936 up to the month that he or she turns 66. They will have a lower amount after 66; in this case, it drops to \$1,776. But, again, remember, if this member

chose to leave the Social Security untouched until age 66, that is full, normal retirement age, there would be no penalty or discount at Social Security. So, that would be a higher amount. The higher Social Security payment would help to offset TRA's drop at 66.

Now, those amounts we just talked about are the full or maximum accelerated amounts that person could choose. The full amount to 62, 65 or 66. Be aware, however, that you can actually customize or personalize that accelerated amount. You don't have to do the full maximum benefit. So, we have a slide here on someone doing less than maximum acceleration. If my regular amount is \$2,715, I can do the full acceleration all the way up to \$4,252. But, I don't have to do that full amount, I can choose any figure in between. So, in this example, the member has chosen to do a partial or less than maximum acceleration to the amount of \$3,500 a month. So they have done more than the regular benefit, but not the full accelerated amount. And, because they've done a partial or reduced accelerated amount, they don't have as big a drop when I turn 62. So, I would have \$3,500 up until 62. When I turn 62, my TRA drops, but not quite as far; it only drops to \$2,513. So, be aware that you can accelerate to these different ages, 62, 65 or your normal retirement age at Social Security. But, you can also pick any dollar amount you want from no acceleration to a maximum acceleration, or anywhere in between.

So, this is an important decision whether or not to accelerate. If you have questions, feel free to contact TRA. We can discuss your options and show you some different examples.

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