

Pension Decision Checklist

Lump sum or monthly income | Reviewed October 2026

The two offers

	Lump sum	Monthly for life
Amount		
Survivor option		
Cost-of-living increases?		
Deadline to choose		

Questions to ask the plan

- ☐ Which month's interest rate sets my lump sum?
- ☐ How much does each survivor option reduce the monthly amount?
- ☐ Is the plan insured, and who guarantees the payments?

Tax points

- ☐ A **direct rollover** to an IRA is not taxed now and has no withholding.
- ☐ If paid to me, **20% is withheld**; I must replace it within 60 days to roll over everything.
- ☐ Under 59 1/2: a 10% additional tax may apply (separation in or after the year I turn 55 is one exception).
- ☐ A taxable lump sum raises my income and may raise Medicare premiums two years later.

My household

- ☐ My spouse and I discussed the decision together.
 - ☐ I know what other income we have if one of us dies.
-
-
-

Sources: General education only. Figures from IRS, Social Security and Medicare sources, reviewed October 2026. Sources: IRS Notice 2025-40, IRS Topic 413, Publication 575, Publication 590-B.