

Retirement Savings Plan settlement options



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In my last article I gave an overview of the Mutual Benefit Association’s (MBA’s) Retirement Savings Plans (RSPs). In this article I will explain what settlement options are available when the time comes that you wish to start receiving payments from your RSP.

More than 4,500 active and retired letter carriers and their families participate in the MBA RSPs. As covered in my January article, the RSPs are available as traditional individual retirement accounts (IRAs), Roth IRAs and non-qualified deferred annuity policies.

Both career and non-career letter carriers and their family members use these plans to prepare for a secure financial future. By making contributions while they are employed, they will receive a lifetime of benefits during their retirement years.

The MBA RSPs provide many different settlement options when it is time to start receiving benefits from the policy. The benefit amount will depend upon the age of the annuitant, the amount of money in the plan, and the specific option chosen.

The following settlement options are outlined in the MBA Retirement Savings Plan policies; however, the MBA may allow other settlement options requested by the annuitant:

- **Life annuity:** Monthly payments will be made to the annuitant as long as they are alive. No further benefits will be paid after the date of the annuitant’s death.
- **Life annuity with 10 or 20 year period certain:** Monthly payments will be made for a specified period of 10 or 20 years and will continue after the expiration of the specified period as long as the annuitant is alive. If the annuitant dies during the specified period, monthly payments will continue to the end of the period to the beneficiary designated in the supplemental contract.
- **Joint life annuity:** Monthly payments will be made during the joint lifetimes of two annuitants and after the death of one annuitant during the lifetime of the surviving annuitant. The amount

of the monthly payments is determined by the ages of the annuitants on the date the supplemental contract is effective.

- **Full cash refund annuity:** Monthly payments will be made as long as the annuitant is alive. At the death of the annuitant, we will pay to the annuitant’s beneficiary any remaining proceeds of the policy.

At the time of choosing a settlement option, some letter carriers decide to forego taking a payment for the rest of their lives, and instead choose a specific dollar amount to be paid each month or a specific number of months (or years) to be paid a monthly benefit. For these options, the annuitant will receive a monthly check for the designated period of time. Upon receiving the full benefits outlined in the supplemental contract, the benefits end.

The RSP settlement options are available to the policy owner at any time. However, any funds distributed from a RSP prior to age 59½ will be subject to an early withdrawal penalty from the IRS.

As life circumstances can change, the choice of an RSP settlement option is not made until the time the policy owner wishes to start receiving the benefits. If a settlement option has not been chosen prior to the maturity date of an RSP (as defined in each MBA policy), the MBA will send a letter to the policy owner informing them of the upcoming maturity date and the settlement options available.

When a settlement option has been chosen and the monthly benefits begin, the option may not be changed. Therefore, when considering choosing a settlement option, contact the MBA executive office and ask for a list of the monthly benefit amounts that you would receive under each option. Our knowledgeable representatives can provide you with information to make an informed decision about your supplemental contract payments.

MBA’s Retirement Savings Plans are excellent choices for adding to retirement planning for letter carriers and their families. These plans are not intended for short-term savings. The earlier you begin saving through your MBA RSP, the more money you will have for your retirement years!

For more information about the MBA RSP or any of the MBA products, please call the MBA office at 202-638-4318, Monday through Friday, 8 a.m. to 3:30 p.m. Eastern time. You may also visit our website at nalc.org/mba.