

Comparison of 401(k) Plan vs. WCT Pension Plan



A Ten-Year Analysis

Through December 31, 2016



What Experts are saying...

HUFFPOST BUSINESS

THE BLOG

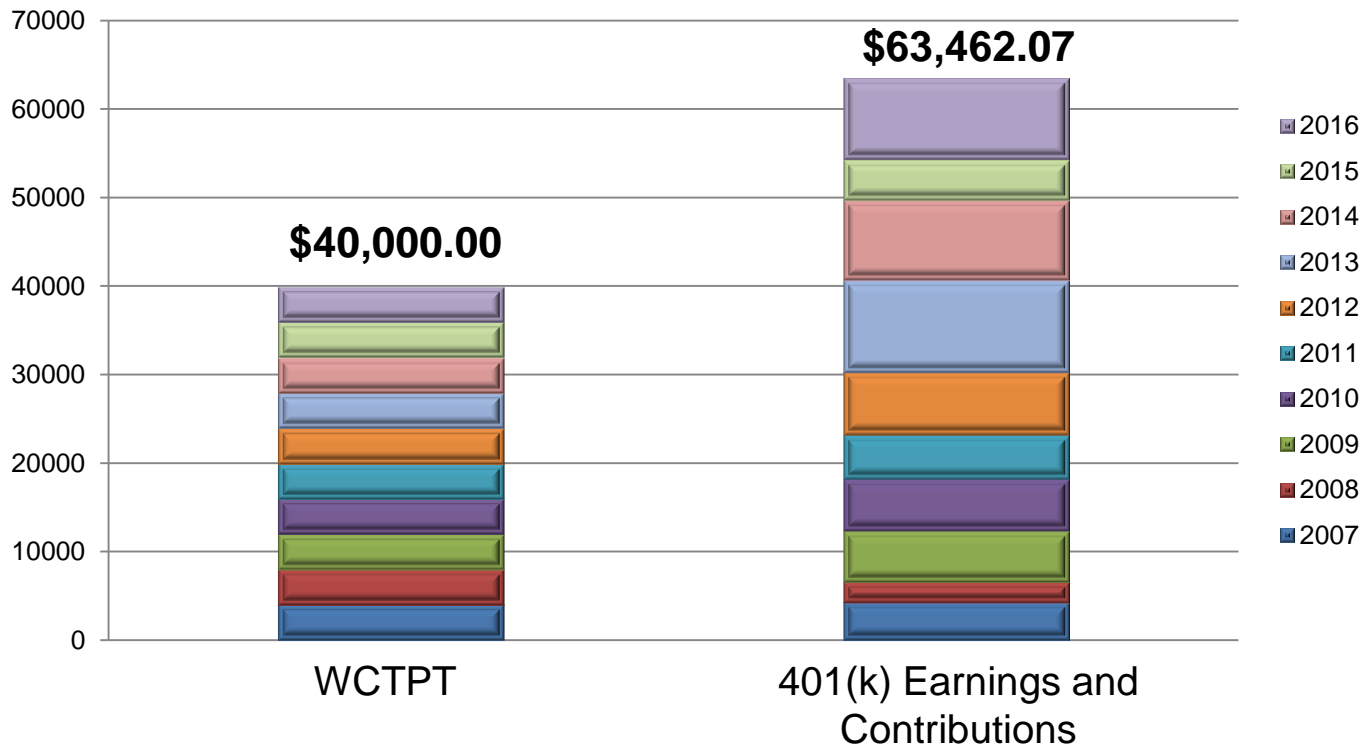
Five Reasons Why Traditional Pensions Are Still the Best Way to Provide Retirement Security

🕒 10/19/2015 11:02 am ET | Updated Oct 19, 2015

1. Defined benefit plans guarantee a reliable retirement benefit for life.
2. Defined benefit plans pool risks, are professionally managed, and yield the best returns.
3. Defined benefit plans can absorb market fluctuations.
4. Defined benefit plans attract and retain people who are committed to the long-term success of their employer.
5. Defined benefit plans are the most cost-effective retirement savings method available.



Compare: WCTPT vs. 401(k) Earnings and Contributions 2007 – 2016 (10 Years of Contributions)



- In this slide, we compare \$40,000 in contributions (\$4,000 each year) made to WCT Pension Plan (WCTPT) and a 401(k) plan, each over the latest 10-year period (2007 – 2016).
- At the end of the ten years, the WCTPT has \$40,000 in contributions paid on behalf of the Plan member; the 401(k) plan has \$40,000 in contributions plus another \$23,462.07 in investment earnings, assuming those contributions were invested 60% in stocks and 40% in Bonds during the 10 years (the S&P 500 and Barclays Bond Index – which is the most favorable comparison that can be made over this period). In total, the 401(k) plan has an account balance of \$63,462.07 at the end of 2016.



What can \$63,462.07 buy?

According to ImmediateAnnuities.com, you can purchase a fixed income annuity for your lifetime:

Add to My Report	Immediate Annuity Single Life & Period Certain Options Income Starts Immediately	Est. Monthly Income
<input checked="" type="checkbox"/>	Life	\$321
<input type="checkbox"/>	Life & 5 Years Certain	\$323
<input type="checkbox"/>	Life & 10 Years Certain	\$318
<input type="checkbox"/>	Life & 15 Years Certain	\$310
<input type="checkbox"/>	Life & 20 Years Certain	\$300
<input type="checkbox"/>	Life with Cash Refund	\$298
<input type="checkbox"/>	5 Year Period Certain	\$1,065
<input type="checkbox"/>	10 Year Period Certain	\$572
<input type="checkbox"/>	15 Year Period Certain	\$416
<input type="checkbox"/>	20 Year Period Certain	\$343
<input type="checkbox"/>	25 Year Period Certain	\$308

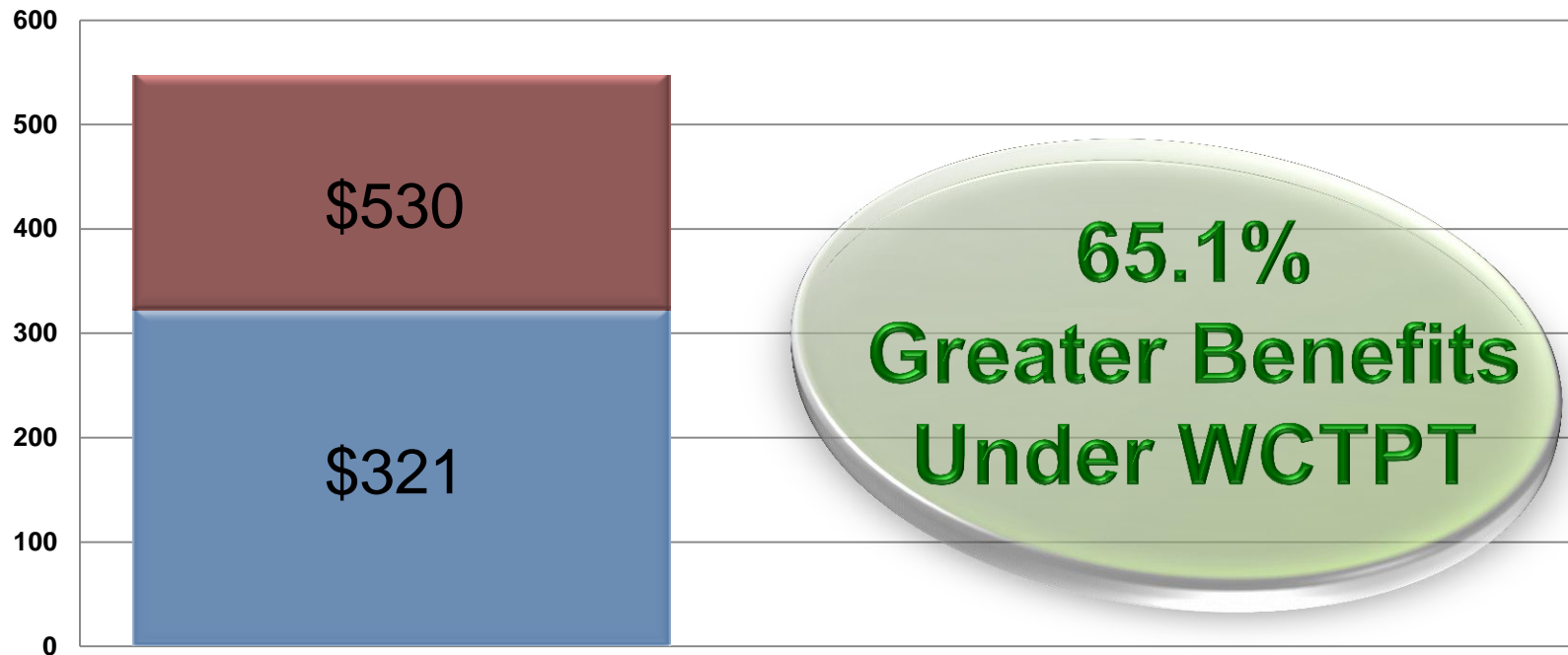
Premium \$63,462 (Male 62). These quotes are estimates. To get exact quotes, check the "Add to My Report" box next to any annuity options and continue to step 2.

← \$321.00

- With the 401(k) account balance of \$63,462.07, how much of a monthly benefit does this generate if we convert it to a monthly annuity for a male beginning at age 62?
- According to ImmediateAnnuities.com (April 13, 2017), with a sum of \$63,462.07 you can purchase a fixed income annuity for the person's lifetime and receive \$321 per month.



Monthly Benefit Earned: 2007 - 2016 (10 Years of Contributions)



- How does the \$321 per month purchased as an annuity from the 401(k) balance compare with the monthly benefit earned under the WCTPT?
- The monthly benefit provided by the WCTPT, based on the \$40,000 in contributions from 2007 – 2016, is \$530.00 beginning at age 62, assuming the Recent Coverage test is met (at the accrual rate of 1.2%).
- The difference in benefits is \$209.00 per month, or **65.1% greater benefits under the WCTPT** than offered by the 401(k) plan!



Total Benefits After 20 Years of Retirement: 2007 - 2016 (10 Years of Contributions)

Year	WCTPT Monthly Benefit \$530	401(k) Monthly Benefit \$321
2017	\$6,360.00	\$3,852.00
2018	\$12,720.00	\$7,704.00
2019	\$19,080.00	\$11,556.00
2020	\$25,440.00	\$15,408.00
2021	\$31,800.00	\$19,260.00
2022	\$38,160.00	\$23,112.00
2023	\$44,520.00	\$26,964.00
2024	\$50,880.00	\$26,964.00
2025	\$57,240.00	\$30,816.00
2026	\$63,600.00	\$34,668.00
2027	\$69,960.00	\$38,520.00
2028	\$76,320.00	\$42,372.00
2029	\$82,680.00	\$46,224.00
2030	\$89,040.00	\$50,076.00
2031	\$95,400.00	\$53,928.00
2032	\$101,760.00	\$57,780.00
2033	\$114,480.00	\$61,632.00
2034	\$120,840.00	\$65,484.00
2035	\$120,840.00	\$69,336.00
2036	\$127,200.00	\$73,188.00

– The Payoff –

Looking at the benefits paid over 20 years under the WCTPT versus the 401(k) purchased annuity, we find:

- The breakeven point for contributions paid (\$40,000) versus benefits received from the WCTPT is seven (7) years (at the end of 2023), when \$44,520 in benefits will have been received. At this same time, the 401(k) annuity will have paid benefits totaling \$26,964.00.
- It isn't until the end of 2034 (after nearly 17 years of retirement) that the 401(k) annuity will reach its breakeven point, when \$65,484.00 in benefits will have been paid (to exceed the annuity purchase price of \$63,462.07). At this same time the WCTPT will have paid benefits totaling \$120,840.00
- After 20 years of retirement benefit payments: Under the WCTPT, a retiree will have received \$127,200; under the 401(k) annuity, the retiree will have received \$73,188.00.



WCT Pension Plan vs. 401(k) Plan

Conclusions:

- 401(k) Plans are excellent savings vehicles, but they are not designed to provide true lifetime security.
- Even after a 10-year period (2007– 2016) that was very good for stocks (a 85.5% cumulative return with dividends reinvested), the WCT Pension Plan compares very favorably to any lifetime benefits offered by a 401(k) plan.
- And in years when the investment markets are unstable or even negative, the WCT Pension Plan will continue to accrue steady, positive benefits. Contrast that with a 401(k) plan where a major market downturn at the time your annuity is purchased could reduce your account balance, leaving you no options to recover the amount you were expecting.
- In addition, the WCT Pension Plan provides an umbrella of security, with child and spousal survivor benefits and disability benefits, as well as predictable monthly retirement benefits – not so, the 401(k).
- The Western Conference of Teamsters Pension Plan is:

-Retirement Security for a Lifetime-