

AT&T Employees Risk Substantial Pension Lump-Sum Losses as Inflation & Interest Rates Rise

San Diego, California Feb 28, 2022 ([IssueWire.com](https://www.issuewire.com)) - AT&T employees could see a significant reduction in the value of their pension lump-sums if interest rates continue on their current trajectory. [When interest rates move up or down, an employee's pension lump-sum amount will move in an inverse relationship](#). The November interest rates, which were released in December, are what AT&T uses to determine lump-sum values for those who retire in 2022. New monthly segment rates, which were just released in February, show that interest rates are continuing to rise.

Interest rates have been steadily increasing over the past year and we are very likely to see a reduction in lump-sum values for AT&T employees who retire in 2023. AT&T interest rates decreased in 2020 causing 2021 lump sums to hit record highs. Based on the current trend of interest rates, and monetary policy announcements, it is likely that rates seen in 2020 will be the lowest for the foreseeable future. This means that lump-sum values for AT&T employees who retired in 2021 will likely be the highest for the foreseeable future.

[The Retirement Group has launched a new webinar series](#) to help AT&T employees avoid making big retirement mistakes. The Retirement Group states on their website that one of the biggest mistakes AT&T employees make is retiring on a wrong day.

Interest rates, and an AT&T employee's retirement date, have a large impact on pension amounts. On average, a 1% change in interest rates can equate to an 8% to 12% change in an AT&T employee's lump sum. So, as an example, someone with a \$500,000 lump sum could see a move of about \$50,000. A \$1,000,000 lump sum would drop by roughly \$100,000. While rates have not increased by 1% since the 2020 low quite yet, the 10 year Treasury rate has soared. This is typically seen as an early indicator that rates will continue to rise.

Among other dangers, The Retirement Group discusses the outcomes that rising inflation can cause. Inflation can be detrimental to either pension option. Inflation can often cause a rise in interest rates which, as discussed earlier, reduces lump-sum values. Inflation also hurts the annuity option, since it is a fixed payment. If inflation increases by 10% in the next year or two, an employee's annuity payment would become 10% less valuable.

Given the current interest rate environment, The Retirement Group [suggests that AT&T employees discuss their options with an advisor](#) who can monitor the rates and keep employees up to date on any changes. The Retirement Group states on their website that it is important to remember the annuity option may be a better fit no matter how attractive the pension lump sum looks.

Every situation is unique, and a cash flow analysis will allow employees to compare all pension options. [The Retirement Group can provide a complimentary cash flow analysis to show AT&T Employees how various retirement dates may play out.](#)

Disclosure: The Retirement Group is an independent financial advisory group that focuses on transition planning and lump-sum distribution. Neither The Retirement Group nor FSC Securities provide tax or legal advice. Please call the office at 800-900-5867 for additional questions or for help

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Media Contact

The Retirement Group

thill@theretirementgroup.com

(800) 900-5867

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