What is Pension Plan?

In general, a pension is an arrangement
provide people with an income when they a
no longer earning a regular income fr
employment. Pensions should not
confused with severance pay; the former
paid in regular installments, while the latte
paid in one lump sum.

The terms retirement plan or superannuat
refer to a pension granted upon retireme
Retirement plans may be set up
employers, insurance companies,
government or other institutions such
employer associations or trade unions. Cal
retirement plans in the USA, they a
commonly known as pension schemes in
UK and Ireland and superannuation plans
super in Australia and New Zeala
Retirement pensions are typically in the fo
of a guaranteed life annuity, thus insur
against the risk of longevity.

A pension created by an employer for the benefit of an employee is commonly referred to as an occupational or employer pension. Labor unions, the government, or other organizations may also fund pensions. Occupational pensions are a form of deferred compensation, usually advantageous to employee and employer for tax reasons. Many pensions also contain an additional insurance aspect, since they often will pay benefits to survivors or disabled beneficiaries. Other vehicles (certain lottery payouts, for example, or an annuity) may provide a similar stream of payments.

The common use of the term pension is to describe the payments a person receives upon retirement, usually under pre-determined legal and/or contractual terms. A recipient of a retirement pension is known as a pensioner or retiree.