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Which road to take: Annuity or lump sum?

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Q: I plan to retire by May and have a payment option on my pension plan. I can take a lump sum of $93,000, or an annuity of $602 per month with no inflation adjustment. I'm 67 and in relatively good health. My parents both lived through their late 80s. I'll be getting about $1,000 per month in Social Security. Which payment is better for me?

— V.V.

If you need income from the pension immediately, your best bet may be the annuity option, said Brooke Salvini, an accountant and fee-only financial planner in Avila Beach, Calif., even though inflation could significantly erode its buying power over the next couple of decades.

Even with a tame inflation rate of 2 percent, she said, your buying power will decline 33 percent over 20 years. Your Social Security benefits are inflation adjusted, however, so on a combined basis your income will "only" lose about 19 percent of its buying power, she said.

A safe monthly withdrawal rate on the $93,000 lump sum, meanwhile, would only be between $325 and $385 if you need it to last 20 years, she said.

If you don't need the money right away and can invest it for growth, you could come out ahead in the long run, the planner said. Or, if you have other money that can be invested now to one day supplement those pension payments, consider socking it away instead of using it as everyday income now.

Q: Are Roth IRA withdrawals included in income when determining whether Social Security will be taxable? I plan on retiring in four years and am trying to convert all of my investments into Roth IRAs. I hope that is a good idea.

— M.I.

A: Roth IRA withdrawals are generally not included in determining Social Security benefit taxation, but that doesn't automatically mean you should back up the Roth truck and load it with all your money.

For starters, there are still income limits attached to new Roth contributions. If you're above those limits, you can get around them by converting a traditional IRA to a Roth IRA.

For 2013, the limit for new contributions is $6,500 if you're 50 or older ($5,500 if you're younger), or