Whose Retirement Is Washington Protecting?

Congress is expanding access to financial certainty. States are protecting access to retirement options. Why is the Administration trying to lock people out of guaranteed lifetime income?

- **The Need for Annuities**

In 2024, the largest number of Americans in history will turn age 65. Most do not have pensions and are self-funding through 401(k)s, other employer plans and IRAs. Millions without protected lifetime income stand the chance of running out of money. Social Security provides a safety net but, for many, it isn't enough to live a comfortable retirement.

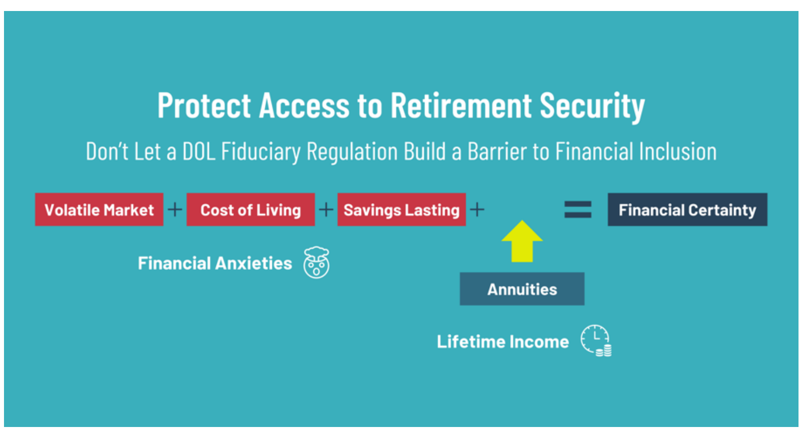
In a recent Morning Consult survey, 54% of pre-retirees 45 to 65 years old report today's economy has them considering "a guaranteed lifetime income product that pays out like a pension."

A strong majority of middle-income Americans (71%) reported in a Greenwald Research survey for ACLI that they viewed the guaranteed lifetime income from annuities as valuable and a majority also expressed strong interest in these products.

The median household income among annuity owners is $76,000 a year. Median household income is $63,000. Annuities are a middle-income product.

- **Retirees Increasingly Rely on Annuities for Financial Certainty**

Traditional pensions are no longer the norm, and annuities empower people to create their own stream of guaranteed lifetime income. Annuity ownership is up, and these products help people navigate anxieties about their savings lasting throughout retirement, the effect of volatile markets on 401(k)s and IRAs and the high cost of living.



- **Protections Already Exist for Consumers**

The proposal from Washington ignores strong and effective leadership by the National Association of Insurance Commissioners (NAIC). State-based regulators across the country are already protecting consumers against conflicts of interest and doing so by also protecting consumer access to retirement security options.

Since 2020, with bipartisan support from state legislatures, governors and commissioners, states have implemented NAIC best interest enhancements to the Suitability in Annuity Transactions Model

Regulation. In November, the NAIC said the Administration's characterization of these consumer protections as inadequate "suggests either ignorance of, or willful disregard for, the hard work of the 40 states and counting that have worked diligently to enhance protections for consumers by adopting the NAIC's Suitability in Annuity Transactions Model Regulation." These 40 states represent nearly 76% of U.S. consumers who are covered by enhanced consumer protections without losing access to retirement options.

This state-based protection aligns with the federal regulation best interest adopted by the U.S. Securities and Exchange Commission in 2019.

- **Congress Reaffirmed the Importance of Lifetime Income**

  Since 2019, Congress has passed two landmark bipartisan bills removing barriers to guaranteed lifetime income in workplace retirement savings plans. The first SECURE Act made it easier for employers to include annuities in retirement plans, and SECURE 2.0 expanded access to Qualified Longevity Annuity Contracts (QLACs) in these plans. With a QLAC, Americans can pick a date, up to age 85, that they will begin receiving guaranteed monthly payments for the rest of their lives.

- **The Bottom Line: Proposed Federal Regulation Harms Consumers**

  The 2016 regulation struck down by a federal court resulted in more than 10 million American workers' retirement accounts, totaling $900 billion in savings, losing access to professional financial guidance, according to a 2017 Deloitte study. A 2021 Quantria Strategies study estimates that reinstatement of the 2016 fiduciary-only approach would:
  (1) reduce the projected accumulated retirement savings of 2.7 million individuals with incomes below $100,000 by approximately $140 billion over 10 years; and
  (2) level the most adverse effects on Blacks and Hispanics, reducing projected accumulated IRA savings by approximately 20% over 10 years and contributing to an approximately 20% increase in the wealth gap attributable to IRAs for these individuals.

Fiduciaries typically charge ongoing fees and impose account minimums that moderate-income savers cannot afford.

The new proposal will directly harm savers who rely on financial professionals in their own communities, as well as small, mid-size and large employers seeking to improve the financial security of their workers.

Annuities are the only financial vehicle that guarantees income throughout retirement, distinguishing them from mutual funds and other investments. There is a wide variety of annuities. Some provide immediate income and other income later in life. Some annuities offer market exposure and liquidity. Others provide protection against loss of principal. There are costs to providing annuity guarantees. Retirement savers are paying for financial certainty when they purchase annuities.

The renewed push this fall by the U.S. Department of Labor to change the rules for retirement savers is a mistake. The Administration is taking action to mandate a strict fiduciary-only regulation. It will cut off retirement options – despite the realities of the retirement savings gap – and build a barrier to financial inclusion.