



Statement for the Record

Submitted to the

United States Senate
Committee on Health, Education, Labor, and Pensions

The Future of Retirement

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On behalf of

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The American Council of Life Insurers (ACLI) is pleased to submit this statement for the record on “*The Future of Retirement*”. ACLI thanks Chairman Bill Cassidy (R-LA) and Ranking Member Bernie Sanders (I-VT) for holding this important hearing and commends you for your continued efforts to put the retirement needs of the American workforce at the forefront of policy discussions.

AMERICAN COUNCIL OF LIFE INSURERS

ACLI members’ core business is financial security for all, and retirement security is a critical mission. Life insurers invest in stability, so families can count on security that lasts a lifetime. Ninety million American families rely on our members’ products for financial protection and retirement security. As society and work change, the life insurance industry is committed to solutions that protect all Americans, regardless of where and how they work, their life stage, or the economic status of their household. Life insurance companies seek to expand the availability, accessibility and affordability of products and services that provide financial protection for all.

Life insurers offer unique financial protection products that support Americans’ retirement income and financial security. Life insurers’ guaranteed products help people live and retire with predictable income and financial peace of mind. While there are many retirement income strategies available for Americans planning their retirement, the only true lifetime income product in the marketplace – one that guarantees retirees won’t outlive their savings - is the annuity that only life insurers can offer.

ACLI member companies provide annuities and other insurance contracts and investment products and services to employment-based welfare benefit and retirement plans, including defined benefit pension plans, 401(k), SIMPLE, SEP, 403(b), and 457(b) plans, and to individuals through annuities and individual retirement accounts (IRAs). To provide context on the extent to which the life insurance industry helps Americans prepare for retirement, in 2024 alone, American families received \$109.8 billion in annuity benefit payments, \$88.5 billion in life insurance death benefits, \$20.8 billion in disability income insurance benefits, and \$10.0 billion in long-term care insurance benefits. Through these products and other qualified offerings, Americans plan, save and guarantee those savings to secure income throughout retirement.

THE FINANCIAL STRENGTH OF THE LIFE INSURANCE INDUSTRY

For over 175 years, life insurers have kept their mission simple: to be there when people need them the most, whether that’s tomorrow, next year or decades from now.

Life insurers invest for the long term to keep their promises to their policyholders. The life insurance industry’s investment portfolio is well-balanced and secure. Life insurer investments include stocks, bonds and other high-quality assets designed to generate steady long-term returns and meet future obligations. In the life insurance industry’s general accounts, which back the industry’s guaranteed products, 63.1 percent of holdings are invested in stable, long-term bonds, 98 percent of which are investment-grade.

In 2020, life insurer payments to the beneficiaries of life insurance policies increased by 15.4 percent over 2019 levels due to the COVID-19 pandemic, the largest year-to-year increase since the 1918 influenza pandemic. That was a record payout more than \$90 billion. At the same time, insurers helped stabilize the bond market. While other investors were selling assets, the life insurance industry purchased \$2.5 billion in bonds between March 6 and 19, 2020.

THE IMPORTANCE OF ANNUITIES

Since 2024, America has been experiencing the era of Peak 65. There are now 11,200 Americans per day reaching age 65, up from 10,000 per day in prior years. That means more than 4.1 million Americans will turn 65 each year through 2027.¹

Planning for retirement continues to remain a challenge for many Americans. Fewer companies offer traditional lifetime pension benefits to new employees. More Americans rely on 401(k) plans and similar defined contribution retirement savings plans at work. Americans are living longer – sometimes 30 years or more after they retire. For many, Social Security’s protected income is not enough for a secure retirement. According to the Alliance of Lifetime Income (ALI), 60 percent of American households could enter retirement with Social Security as their only means of protected income. These savers will need additional guaranteed lifetime income.

That is why retirement savers are increasingly turning to annuities as part of their plan for long-term financial security. ALI’s 2025 Protected Retirement Income and Planning study revealed that following an inheritance, 69 percent of Gen Xers preferred the security of an annuity over the unpredictability of the stock market.²

An annuity product is a contract between a consumer and a life insurance company. The consumer pays the insurer, which then pays the consumer per the terms specified in the contract. Annuities allow retirement savers to replicate a pension plan’s guaranteed lifetime income stream. And unlike traditional defined benefit plans, in which the employer assumes the financial risk, with an annuity, the insurance company assumes the financial risk.

Life insurers provide annuities, the only product that guarantees retirees will not outlive their savings. There are no other retirement income distribution strategies besides annuities that fully address longevity risk. Annuities empower retirement savers and financial providers to create retirement income streams that are guaranteed and predictable, helping 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.

There are several types of annuities, with different features to best fit an individual’s needs and financial objectives. An immediate annuity provides immediate access to income in exchange for a lump sum. If retirement is still years away, a deferred annuity will help grow your savings until you are ready to begin receiving payments. Annuities are the only individual financial product that replicates a pension and offers a guarantee of lifetime income and the peace of mind that comes from knowing that one will never outlive her retirement savings.

Stringent state and federal consumer protections regulate the sale of annuities. Since 2020, all 50 states have adopted the new enhanced consumer protections in the National Association of Insurance Commissioners (NAIC) updated model regulation on annuity transactions. The NAIC updated model regulation aligns with the U.S. Securities and Exchange Commission’s Regulation Best Interest.

¹Fichtner, Jason, 2024, “The Peak 65[®] Zone Is Here – Creating a New Framework for America’s Retirement Security” at https://www.protectedincome.org/wp-content/uploads/2024/01/Whitepaper_Fichtner.pdf.

²Alliance for Lifetime Income’s 2025 Protected Retirement Income and Planning (PRIP) study at <https://www.protectedincome.org/wp-content/uploads/2025/09/2025-PRIP-Study-Chapter-2-FINAL-091225.pdf>

A study by economists Mark Warshawsky and Gaobo Pang revealed that a strategic and tailored approach featuring annuities coupled with regular withdrawals will lead to optimal retirement results. The study confirmed that annuities provide retirees with a stable flow of income, while easing the burden on their remaining retirement balance and still accommodating ongoing principal growth. This research shows that people retiring with \$250,000 or less would most benefit from annuitizing higher portions of their retirement savings, if not all of it.³

In 2024, life insurers paid \$110 billion in annuity benefits, the most ever.⁴ But more work needs to be done to ensure that American's retirement income is protected for life.

LEGISLATIVE PRIORITIES TO ENSURE RETIREMENT SECURITY

It is vitally important that all Americans continue to have access to information from financial professionals about savings options, especially annuities, the only financial product that guarantees an income stream for the rest of an individual's life.

As more Americans recognize the importance of guaranteed lifetime income in their retirement planning, it is essential that public policy is aligned to ensure savers' access to annuities. To that end, ACLI developed policy to ensure better retirement security of the American worker through the increased visibility and use of annuity products. ACLI proposes new legislative items to promote guaranteed lifetime income in retirement. ACLI wants to work with Congress to pass the following ideas into law.

- Require Annuity Options in Defined Contribution Plans – this proposal requires defined contribution plans, like 401(k) or 403(b) plans, to offer participants the option to choose an immediate single life or joint and last survivor annuity for all or a portion of the participant's account balance.
- Update Retirement Plan Liquidity Rules – this proposal updates the qualified default investment alternative (QDIA) liquidity rules in the Internal Revenue Code and similar liquidity rules under Section 404(c) of the Employees Retirement Income Security Act (ERISA) to permit annuities, with required disclosures to properly inform participants of any liquidity restrictions.
- In-Service Rollovers for Annuity Purchases – this proposal creates a new optional retirement plan design feature to allow participants aged 50 and older to take an in-service rollover to purchase an annuity.
- Model Rollover Notice Update – this proposal simplifies and updates the model rollover notice under Section 402(f) of the Internal Revenue Code to highlight the option to rollover retirement savings to an individual retirement annuity under Section 408(b) of the Internal Revenue Code.

CONCLUSION

³Pang, Gaobo and Mark Warshawsky, 2024, "Evaluating the Role of Life Annuities in Retirement Income Strategies with Stochastic Simulations" at https://acliresearch.org/wp-content/uploads/2024/10/LifeAnnuitiesInRetirementIncomeStrategies_StrengthsAndExecutions.pdf.

⁴ACLI 2025 Life Insurer Fact Book at <https://www.acli.com/about-the-industry/life-insurers-fact-book/2025-life-insurers-fact-book>

Congress has an opportunity to enact legislation that will help more people retire with peace of mind — increasing the availability, accessibility and affordability of annuity products for all Americans. ACLI and our members are ready to assist Congress in enacting these critical proposals into law as soon as possible.