

To: Department of the Treasury

From: Scott Stolz, President, Raymond James Insurance Group

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Re: Request for Information on Lifetime Income Options for Participants and Beneficiaries in Retirement Plans, RIN 1210-AB33

In considering what action should be taken on income annuities within retirement plans, the Treasury should keep in mind one important factor – Americans need and want their pensions back. Unfortunately, the pensions many retirees have come to rely upon over the years will continue to become a thing of the past. Therefore, the question is, how can we provide future retirees with a suitable alternative? I believe the answer lies within creation of a simple lifetime income option within existing defined contribution plans.

It seems a bit ironic that plans set up to allow individuals to save for retirement, rarely contain a means to provide a lifetime income once the participant actually retires. Of course participants always have the option of using the assets accumulated in the plan to purchase a lifetime annuity on their own. Yet, virtually no one does that. Reasons for this include:

1. Since plans rarely offer an income option, participants lack information and knowledge of how to reposition retirement assets into the appropriate annuity.
2. Financial advisors are reluctant to turn a significant percentage of a client's money over to an insurance company in exchange for a lifetime income. They do not perceive that the benefits of providing a lifetime income guarantee are worth the cost of giving up control of the assets.
3. There is a perception by both financial advisors and retirement plan participants that when buying a lifetime income annuity, they are betting against the insurance company. The general belief is that the insurance companies have stacked the odds in their favor.
4. Many individuals believe that they can adequately manage the distribution of their retirement assets on their own. Unfortunately, this often turns out not to be the case.

#### **How to Make This Work**

1. **Provide a projected income quote on retirement plan statements.** When I receive my annual statement for Social Security, I am given a projected income rather than an account balance. This information greatly simplifies the retirement planning process. Retirement plan statements should be similarly designed. In addition to providing an account balance, they should provide a projected income (based on current annuity rates).
2. **Allow retirement plan participants to purchase a future income stream with existing assets.** Each retirement plan should offer a future income stream as an investment option. The plan would quote a monthly income amount per \$10,000 investment at a specified year in the future. For example, a plan participant could elect to exchange \$10,000 of plan assets for \$400 per month of income beginning in 2025. The statement could then list not only the projected

income discussed in item #1 above, but the actual purchased and guaranteed income. In addition, participants should be able to establish a systematic income purchase plan within the retirement plan. Each participant should be able to designate a specific % of contributions to be used to purchase future income payments and/or sweep any amount above a specified account balance. For this to work however, any purchased income payments must remain in the form of future income payments.

3. **Income payments must be 100% guaranteed.** Participants would be unlikely to purchase future income payments if they have any doubts that the payments will be made. Therefore, only the biggest and strongest insurance companies should be allowed to offer income plans. In addition, the income payments must be guaranteed by the Federal Government. The government guarantees could be financed through insurance payments made by the insurance companies that are allowed to participate. Since the insurance companies would factor the cost of the insurance into the quotes, the guarantees would essentially be backed by all of the participants that are benefiting from the plan.

If these changes are made, over time, retirement plan participants will begin to think of their defined contribution plan as more of distribution tool than an accumulation tool. They will begin to think of their retirement plan as a pension substitute. It may be a pension that they are funding themselves, but it will be a pension none the less.