

American Agriculture Movement
American Agri-Women
American Corn Growers Association
American Council of Life Insurers
American Homeowners Grassroots Alliance
American Small Business Coalition
Association for Advanced Life Underwriting
Black Women Enterprises
Business and Professional Women/USA
Citizens Against Government Waste
Committee of Annuity Insurers
Federation of Southern Cooperatives
Financial Services Roundtable
Hispanic Alliance for Progress Institute (HAPI)
Hispanic Business Roundtable
Hispanics Impacting Public Policy
Intertribal Agriculture Council
The Latino Coalition
National Association for Female Executives
National Association for Variable Annuities
National Association of Farmer Elected Committees
National Association of Hispanic/Latino Farmers and Ranchers
National Association of Independent Life Brokerage Agencies
National Association of Insurance and Financial Advisors
National Association of Small Disadvantaged Businesses
National Caucus and Center on Black Aged
National Community Pharmacists Association
National Consumers League
National Taxpayers Union
Oklahoma Farmers Union
Small Business and Entrepreneurship Council
Soybean Producers of America
U.S. Chamber of Commerce
Women Entrepreneurs, Inc.
Women Impacting Public Policy
Women in Need Industries
Women's Institute for a Secure Retirement
Women Involved in Farm Economics



April 16, 2010

Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655
U.S. Department of Labor,
200 Constitution Avenue, NW
Washington, DC 20210,
Attention: Lifetime Income RFI

Re: Request for Information RIN 1210-AB33

Americans for Secure Retirement is pleased to submit this comment letter in response to the Request for Information on lifetime income arrangements (RIN 1210-AB33) (the "RFI"). We commend the Obama Administration and the Departments of Treasury and Labor (the "Agencies") for turning their attention to the promotion of guaranteed lifetime income for Americans. Given the increasingly difficult retirement challenge facing Americans, we strongly support encouraging and providing incentives for Americans to secure a steady stream of guaranteed income in retirement.

Americans for Secure Retirement ("ASR") is a broad-based coalition of more than 70 member and affiliate organizations committed to raising awareness of the increasing challenges Americans face in having a financially secure retirement. In particular, ASR often focuses on those Americans with little or no access to employer sponsored plans. Our coalition includes organizations that advocate for Hispanics, women, small business, farmers and others, all united in an effort to ensure that all Americans have access to guaranteed streams of retirement income that cannot be outlived.

As the Agencies recognized in the RFI, the United States is facing a looming retirement crisis. People are living longer, and traditional sources of guaranteed retirement income, like pensions and Social Security, cover less and less of what they need in retirement. At the same time, fewer Americans workers have access to any kind of employer-sponsored retirement plan. For those whose employers do offer a retirement plan, defined contribution plans, such as 401(k)s, have become far more common than defined benefit plans. Making matters worse, the recent stock market declines have driven the average balances in 401(k) plans down to about \$60,000. In fact, workers aged 45-54 who have been making contributions to a 401(k) plan for at least 20 years saw the value of their retirement fund decrease by nearly 30 percent in 2008.¹

¹ Employee Benefit Research Institute, 401(k) Balances and Changes Due to Market Volatility – Data. January 20, 2009,
<http://www.ebri.org/pdf/jan%2020, %202009%20update%20full%20universe.pdf>

As a result, the opportunity for many Americans to enjoy a financially successful retirement increasingly depends on their ability to manage their retirement savings in such a way that they can achieve a steady stream of income for 20 to 30 years of retirement.

This is a very steep mountain to climb, especially for middle income Americans. A study recently commissioned by ASR and prepared by Ernst & Young found that three out of five Americans entering retirement at age 65 can expect to outlive their financial assets. To avoid outliving their savings, the report indicated that Americans retiring today with no guaranteed source of income beyond Social Security will have to reduce their standard of living by an average of 32 percent. Americans who are seven years away from retirement will most likely have to reduce their standard of living by an average of 45 percent. This study also found that those with guaranteed retirement income beyond Social Security, such as lifetime annuities, are much better prepared for retirement than those without.² Similarly, a recent Gallup Poll found that annuity owners felt much more secure and prepared for their retirement because of the stream of income received from this retirement vehicle.³

The challenge is even greater for particular segments of the American population, including women, Hispanic Americans, small business owners and those who work in the agricultural sector. In general, these groups lack access to traditional employer-sponsored retirement plans. They may also be affected by unique factors that limit their opportunities to build up and manage their retirement assets, including income disparities, unpredictable income based on commodity prices, limited access to traditional savings vehicles and, for women, longer life expectancy. Consider the following:

- **Women.** Women face unique retirement challenges over their male counterparts. On average, women have fewer full-time working years than men and have median annual earnings that are about \$10,000 less than those of working men. Women typically live longer than men and are likely to spend some of their retirement years alone due to widowhood or divorce. These disparities lead to lower savings and retirement income and smaller payouts from Social Security, ultimately resulting in a greater risk of poverty in retirement.⁴
- **Hispanic Americans.** While Hispanics work in all sectors of the economy, they are more heavily concentrated in jobs that lack traditional retirement options and typically earn a lower income, affecting their ability to save for retirement. For example, a recent study conducted by The Hispanic Institute and ASR reported that only 25.6 percent of Hispanics are covered by pension plans, compared to 42.5 percent of whites and 40 percent of

² Americans for Secure Retirement: Updated Retirement Vulnerability Analysis: The likelihood of outliving their financial assets, by Ernst & Young LLP, June 2009; (http://paycheckforlife.org/userfiles/file/Updated%20Retirement%20Vulnerability%20Analysis_2009_FINAL.pdf)

³ The Committee of Annuity Insurers, 2009 Survey of Owners of Non-Qualified Annuity Contracts; by The Gallup Organization and Matthew Greenwald and Associates; (<http://annuity-insurers.org/pdfs/09.17.09.atta.Final2009GallupSurvey.pdf>)

⁴ Americans For Secure Retirement: The Female Factor, 2008; by Cindy Hounsell, WISER (Women's Institute for a Secure Retirement); (http://paycheckforlife.org/uploads/ASR-white_paper_FINAL.pdf)

African-Americans. Recent trends indicate that Hispanics have actually become less prepared for retirement over the past few years.⁵

- **Small Business.** Small business owners face unique challenges that put them at risk of falling short in retirement. Many small business owners reinvest significant portions of their income into their businesses, and therefore cannot afford the cost of establishing and maintaining traditional defined benefit or defined contribution plans for themselves and their employees. These entrepreneurs often expect to use the proceeds from the future the sale of their business to finance their retirement.
- **Rural and Farming Communities.** America's rural and farming communities are influenced by factors that make obtaining a secure retirement uniquely difficult. Farmers are less likely to be covered by traditional pensions, forcing them to rely on Social Security at a much greater rate than those in other sectors at a time when Social Security on average only covers two-thirds of retirement needs. In addition, there is extreme variability in farm income due to largely uncontrollable fluctuations in commodity prices, weather, and macroeconomic policies making it more difficult for farmers to adequately plan and save for retirement.⁶

To address these challenges, Americans for Secure Retirement strongly supports providing incentives that make secure retirement vehicles such as annuities more accessible and affordable. Annuities are the only product that can provide Americans with a guaranteed stream of lifetime income through retirement - a "paycheck for life" – to ensure that they will not outlive their income. To that end, we urge the Agencies to develop rules that will remove obstacles and provide incentives to encourage employers to provide their employees with the option to annuitize all or a portion of their defined contribution retirement accounts, and to encourage employees to take advantage of such options. In addition, the Agencies should develop rules to provide similar incentives for the large number of Americans whose retirement savings are held outside of employer plans, such as in individual retirement accounts and annuities. The need for guaranteed lifetime income vehicles to help manage retirement savings is not limited to participants in employer based retirement programs. Americans for Secure Retirement stands ready to assist the Agencies in developing or refining rulemaking proposals.

We appreciate the opportunity to provide our input in this process.

Sincerely,

⁵ Hispanics And Retirement: By The Hispanic Institute, For Americans For Secure Retirement 2009, (<http://paycheckforlife.org/uploads/white-paper-hispanics-and-retirement-english.pdf>)

⁶ Lifetime Income Crucial to Farmer's Retirement Security," American Corn Growers Association and Americans for Secure Retirement, (http://paycheckforlife.org/uploads/Ag_Issue_Brief_FINAL.PDF)



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