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**From:** Alex J. Pollock [mailto:APollock@AEI.org]  
**Sent:** Thursday, April 22, 2010 8:42 AM  
**To:** EBSA, E-ORI - EBSA  
**Subject:** FW: Comments on Lifetime Income Options

April 22, 2010

The U.S. Department of Labor  
Office of Regulations and Interpretations  
Employee Benefits Security Administration  
Washington, DC 20210

Attention: Lifetime Income RFI

Re.: Comments on Lifetime Income Options

Dear Sirs/Mesdames:

Thank you for the opportunity to comment on the very important question of the proper use of annuities in retirement finance. I respectfully submit the following thoughts:

Considerations

1. Annuities can be an expensive form of investment and should not be overused.
2. Retirement finance can be helpfully divided into savings for one's expected life and longevity insurance against the risk of living longer than expected and so outliving the savings. Deferred annuities which begin paying at an advanced age, say 80 or 85, are a useful form of longevity insurance.
3. The purchase of annuities involves substantial and fundamental timing risk. If a purchase of an annuity is forced at a particular point in time, and that point happens to be one of very low long-term interest rates, the annuity will be particularly expensive. Should that period be followed by one of high inflation and high interest rates, the annuity purchase will have been a disaster.

## Recommendations

1. Advanced age deferred annuities, or longevity insurance, are a sensible part of a retirement finance portfolio to address longevity risk, in addition to savings.
2. Large purchases of annuities should not be required or forced at a single point in time, since this subjects the purchaser to imprudent timing and interest rate risk.
3. It would be better to smooth the purchase of deferred annuities over time and over financial cycles, preferably throughout working life, for example as part of 401(k) accounts. This would allow purchase of relatively inexpensive longevity insurance at younger ages. The retirement portfolio would thus build up over time a mix of savings and longevity insurance.

Thank you for your consideration. It would be a pleasure to provide any other information which might be helpful.

Yours truly,

Alex J. Pollock  
Resident Fellow  
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Washington, DC