Whose Retirement Is the Labor Department Protecting?

Congress is expanding access to financial certainty. States are protecting access to retirement options. Why is the Labor Department locking people out of guaranteed lifetime income?

- **The Need for Annuities**

Between 2024 and 2030, 30.4 million Americans will turn age 65, according to the Alliance for Lifetime Income's Peak 65 Economic Impact Study. Most do not have pensions and are self-funding their retirement through 401(k)s, other employer plans and IRAs. Millions without protected lifetime income are at risk of running out of money. Social Security provides a safety net but, for many, it isn't enough to live a comfortable retirement.

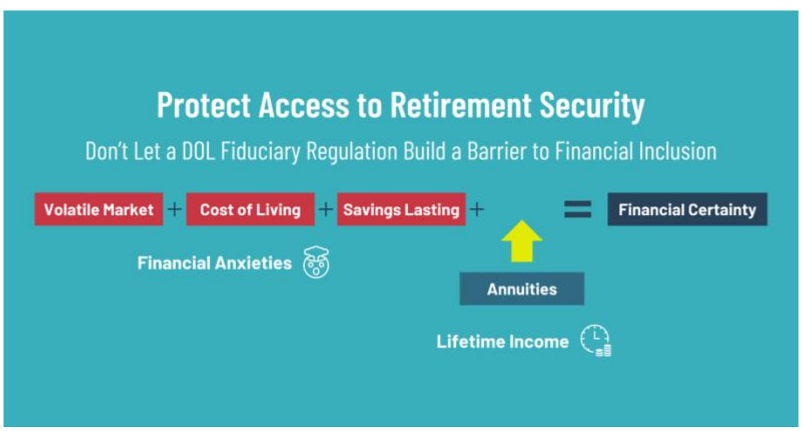
In a Morning Consult survey for ACLI, 54% of pre-retirees 45 to 65 years old report today's economy has them considering "a guaranteed lifetime income product that pays out like a pension."

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 regulation from the Labor Department ignores strong and effective leadership by the National Association of Insurance Commissioners (NAIC). State policymakers across the country are already protecting consumers against conflicts of interest while also protecting access to retirement options.

Since 2020, 45 states have implemented the NAIC's Best Interest enhancements to the Suitability in Annuity Transactions Model Regulation. More than 90% of Americans now live in a state that has adopted a Best Interest standard for annuity sales. This state-based protection aligns with the federal Regulation Best Interest adopted by the U.S. Securities and Exchange Commission in 2019.

Many state legislators, insurance commissioners and others have spoken against the Labor Department's fiduciary-only regulation, including the NAIC. Earlier this year, Iowa Insurance Commissioner Doug Ommen said, "When 50 state regulators, all dedicated to protecting consumers, are joined by the SEC in rejecting a uniform fiduciary standard in order to protect consumers' access to services and products, the (DOL) should listen."

- **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: The Fiduciary-Only Regulation Harms Consumers**

The final fiduciary-only regulation has the same flaws and hazards for retirement savers as the 2016 regulation. Before it was struck down by the Fifth Circuit Court of Appeals, the 2016 regulation 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.

Fiduciaries typically work with clients with a minimum of $100,000 to invest, far more than most working-class Americans have in savings.

The 2024 regulation directly harms 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 Labor Department's actions to mandate a fiduciary-only regulation is a mistake, and the harm to retirement savers is clear. This approach cuts off retirement options like annuities – despite the realities of the retirement savings gap – and will build a barrier to financial inclusion.