

## Helping Teachers Save for Retirement

Teachers are some of the hardest working people in America. They educate our children and often pay out of their own pockets for books and other supplies when school budgets are tight. These and other invaluable, uncompensated acts by teachers help ensure our children are prepared for the future.

Teachers rarely enter their profession for the money, which is why helping them plan for a financially secure retirement is essential.

For generations, life insurers have helped provide this retirement security. Since the 1950s, annuities offered by life insurers have funded “403(b)” savings plans, named after the tax code provision related to these plans.

Much like 401(k) plans, 403(b) plans offer a variety of long-term investment options and savings that grows tax deferred. 403(b) plans funded with annuities also offer guaranteed fixed rates, guaranteed lifetime income and death benefits, similar to traditional “defined benefit” pensions. For many teachers, these features, which help to protect against market and longevity risk, are the best solutions to meet their retirement needs.

For teachers eligible for pension benefits, 403(b) plans offer an opportunity to supplement the pension. For teachers not eligible for a pension, 403(b) plans funded with annuities offer a way to save and secure monthly income in retirement.

In recent years, some states and school districts have shifted to offering 403(b) plans alone to teachers as state and local governments have failed to adequately address their pension obligations. As a result, 403(b) plans have become more important than ever for many teachers.

### Key points about 403(b) plans:

- 403(b) plans are offered to teachers throughout the country. For many, a 403(b) plan represents the sole means for teachers to save for retirement at work.
- With a strong network of agents and other financial professionals, life insurers may be the only financial services providers in certain parts of the country offering ways for teachers to plan and save for retirement.
- Life insurers typically offer annuities inside 403(b) plans. In addition to investment options, annuities are distinguished by, among other things, their guarantee of lifetime income in retirement.
- Many 403(b) plans provide additional value by offering participants access to education and information that can play a critical role in a participant’s long-term investment success.
- Like all financial products, annuities come with fees. These fees vary depending upon the benefits offered, the investments offered, and other administrative services that may be provided.
- Life insurers may work with school districts or teacher unions to educate teachers on the 403(b) plan and the annuities offered under the plan. Such activities are regulated by state insurance rules. For

private school teachers, federal retirement law known as the Employee Retirement Income Security Act also applies.

- All 403(b) plans are regulated by the Internal Revenue Service (IRS) with rules regarding participation, investments, contributions, and withdrawals. IRS rules also require 403(b) plans to include a document that explains all the terms and conditions for eligibility, limitations, and benefits under the plan.
- Some employers sponsor a 403(b) plan for their employees, which means that the employer assumes all responsibility for the plan. Other employers have a more limited administrative role and let employees choose from arrangements offered by multiple plan providers.

Teachers, like all Americans, are living longer than ever before and must prepare for retirements lasting 20 years or more. 403(b) plans help teachers not only save for retirement but offer solutions that guarantee a stream of lifetime income.