AMERICAN ACADEMY of ACTUARIES

NEWS RELEASE

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Know Your Options: Does Your Defined-Contribution Plan Offer Lifetime Income Options Encouraged by Federal Law Changes Since 2019?

WASHINGTON—A new issue brief from the American Academy of Actuaries, *Decumulation Strategies: Creating Lifetime Income from Defined Contribution Plans*, reviews both traditional plan payout options in defined-contribution plans, and less-common lifetime income options which Congress encouraged to be offered within these plans through legislation enacted since 2019.

"Federal law changes in the last six years permitted or encouraged employers to make insured lifetime income options more widely available to employees participating in their defined-contribution plans," said Maria Carnovale, chairperson of the Academy's Defined Contribution Subcommittee which authored the issue brief. "Congress supported expanding the availability of these solutions to help address a serious risk to financial security at older ages: the risk of outliving one's assets. Employers with defined-contribution plans may find it valuable to consider providing insured options, and evaluate whether their plans allow employees to easily implement common drawdown strategies like the ones discussed in the paper."

The Academy has long communicated to the public, Congress, regulators, and retirement stakeholder groups on the value of lifetime income options being more widely available to retirees in the current retirement landscape, where defined-contribution plans predominate. Two laws enacted earlier this decade—the initial Setting Every Community Up for Retirement Enhancement (SECURE) Act and a later, follow-on law known as SECURE 2.0—eased the way for employers to offer more insured lifetime income options to plan participants that can be purchased within plans using accumulated assets. Insured options include single-premium immediate annuities, deferred income annuities, qualified longevity annuity contracts, and/or guaranteed lifetime withdrawal benefits.

Non-insured options commonly available to defined-contribution plan participants, which the Academy's issue brief also reviews, include: required minimum distributions; spreading payments over N years (1/N); withdrawing a fixed percentage of the account (e.g., the 4% rule); and spreading payments over N years, but with experience adjustments (X% over N years).

An executive summary of the issue brief is also available. Learn more about the Academy's public policy work on retirement issues at actuary.org.

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