

NAIFA and several other industry groups sent this joint letter March 24 to members of Congress to encourage them to remove the tax on individual annuities and focus instead on encouraging Americans to prepare for retirement.

March 24, 2010

We urge you to reconsider a provision in the Health Care Reform Reconciliation Bill that proposes a 3.8% Medicare contribution on income received from individual annuities. These annuities are used by millions of Americans to achieve retirement security. In the wake of the worst economic crisis since the Great Depression, this is not the time to discourage responsible retirement planning.

Unlike previous generations who enjoyed access to defined benefit (DB) pension plans, most members of the baby boom generation—and those younger—are unable to rely on an employer-provided DB pension as a means to secure retirement income. This means that individuals must be prepared to manage their savings to last throughout retirement, a difficulty compounded by the fact that today's retirees may spend 20, 30, or more years in retirement. Consequently, Americans are being asked to manage longevity, investment, and inflation risks throughout their lives.

Individual annuities are an important tool used by millions of Americans to accumulate retirement savings and to secure lifetime retirement income. This is particularly true for the 78 million working Americans who lack access to a workplace retirement plan. The 3.8% Medicare contribution on income received from individual annuities would serve as a disincentive to save in a product that uniquely allows an individual to accumulate retirement savings and to guarantee that savings can never be outlived.

We particularly question the inclusion of annuity income in the Reconciliation bill since the Administration's Middle Class Task Force clearly recognizes the value of guaranteed lifetime income:

"Promoting the availability of annuities and other forms of guaranteed lifetime income, which transform savings into guaranteed future income, reducing the risks that retirees will outlive their savings or that their retirees' living standards will be eroded by investment losses or inflation"

In today's savings-poor environment, policy-makers need to create **incentives** for retirement planning. The recently introduced Retirement Security Needs Lifetime

Pay Act (H.R. 2748) and the Lifetime Income Disclosure Act (S. 2832) both encourage retirees to take lifetime income payments from annuities. The Reconciliation bill's taxation on individual annuity income will have the undesired effect of discouraging Americans from saving for retirement and guaranteeing a source of income today or at any time in the future.

We encourage legislators to remove the tax on individual annuities and focus instead on encouraging Americans to prepare for retirement.

Respectfully,

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