



Retirement Savings & COVID-19

The Issue: Planning and saving adequately for retirement and future financial security has been a challenge for those who now rely on their own savings plans, often offered by employer 401(k) plans, unlike prior generations who had access to company funded pensions that provided lifetime income. The recent economic hardships encountered by so many due to the COVID-19 pandemic have exacerbated those challenges.

Background: Thanks to the quick and decisive actions of Congress, the hardships of lost jobs, salary reductions, and furloughs, were made it easier by loosening certain rules so that people could access retirement funds during this unprecedented COVID-9 pandemic.

As the country moves from the immediate short-term needs for relief, to shoring up our savings and stability for financial security, Congress can act again to assure that families can begin to replenish and further accomplish their long-term retirement goals by:

- 1. Increasing the Required Minimum Distribution (RMD) Age to 75** - Increasing the RMD age from 72 to at least 75, adjusting mortality tables to reflect longer life expectancies plus modifying and exempting certain annuity benefits and payments from the minimum income threshold test will improve retirement security.
- 2. Removing Barriers Limiting the Ability to Insure Against Outliving Savings** - Amend current law to direct the Secretary of the Treasury to allow more than 25% of any retirement plan or IRA account balance to be rolled over to a qualifying longevity annuity contract (QLAC), increase the dollar limitation on premiums for QLACs to \$200,000 adjusted each year for inflation, facilitate joint and survivor benefits, permit a short free look period of up to 90 days, and facilitate indexed and variable annuity contracts with guaranteed benefits.
- 3. Expanding Catch-Up Contributions to Employees Affected by COVID-19** - As the nation recovers and employees return to work, they should be offered the opportunity, regardless of their age, to make retirement account catch-up contributions so they can achieve a financially secure retirement without extending time in the workforce.
- 4. Expanding Saving Opportunities to Non-Profit, Educational, and Religious Institutions** - Congress should amend the law to permit these organizations to offer their employees retirement benefits through a multiple employer plan (MEP) or pooled employer plan (PEP).
- 5. Incentivizing Small Business Participation in Retirement Savings by Clarifying Start-Up Credits** - Congress should amend current law to clarify the start-up credit applies from the time a small business joins a MEP or PEP and not from the time the MEP or PEP begins operations to encourage more recovering small businesses to offer a retirement plan utilizing MEPs and PEPs.

NAIFA Position: NAIFA fully supports the initiative lead by the Insured Retirement Institute (IRI) to develop a 5-point plan to create more opportunities for Americans to keep their tax-deferred retirement savings longer and to recoup some of the losses resulting from the COVID-19 crisis. The plan also offers employees who have been negatively impacted by the COVID-19 pandemic the means to enhance their ability to save more for their retirement during their remaining working years.

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