Chamber of Commerce offers blueprint for private retirement industry

By Editor Test *Wed, Apr 25, 2012*

America's #1 business cheerleader recommends keeping the tax deferral for long-term savings and removing obstacles to the purchase of longevity insurance (aka long-dated deferred income annuities).

In a new whitepaper, "Private Retirement Benefits in the 21st Century: A Path Forward," the U.S. Chamber of Commerce, a lobby for business owners and advocate of private enterprise, articulates its recommendations for national retirement policy. Among other things, it calls for preservation of tax advantages for retirement saving and for an exception to the Required Minimum Distribution rules for purchasers of deferred income annuities ("longevity insurance").

"While we work to enhance the current private retirement system and reduce the deficit, we must not eliminate one of the central foundations—the tax treatment of retirement savings—on which today's successful system is built. Doing so would imperil the existence of employer-sponsored plans and the future retirement security of working Americans," said the introduction to the whitepaper.

"The purchase of longevity insurance could reduce retirees' exposure to the risk of running out of income," the whitepaper added. "A way to encourage this purchase would be to exclude money used to buy the product from the RMD rules. Also, as with long-term care insurance, longevity insurance could be purchased through a cafeteria plan or with 401(k) plan savings."

The Chamber also called for the removal of legal barriers to the expansion of "phased retirement" strategies, so that employers can more easily employ key workers in part-time capacities if anticipated labor shortages occur as a result of the retirement of the Baby Boom generation.