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## Honorable Mention

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By Editorial Staff    *Thu, Dec 17, 2020*

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*Retirement Income Journal takes a holiday break; Fed to buy at least \$120 billion in bonds per month; Global Atlantic adds \$8.5 billion in reinsurance deal; Roth IRA assets surpassed \$1T in 2019.*

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### **Retirement Income Journal takes a holiday break**

As the toboggan-ride of a year slides to a snowy close—we received a foot of frosty flakes here in Emmaus, PA, yesterday—RIJ will begin its annual two-week hiatus. We will publish next on January 7, 2021. Thanks to all our subscribers, advertisers, and sources for all your support last year and in the coming year. Happy holidays from RIJ.

### **Fed to buy at least \$120 billion in bonds per month**

The Federal Reserve strengthened its commitment to support the U.S. economy, promising to maintain its massive asset purchase program until it sees “substantial further progress” in employment and inflation, Bloomberg News reported today.

At their final meeting of the year, policy makers led by Chair Jerome Powell on Wednesday voted to maintain monthly bond purchases of at least \$120 billion and scrapped their previous pledge to keep buying “over coming months.”

They didn’t announce changes to the composition of purchases in their [statement](#), declining to shift them toward longer-term maturities as some economists had recommended.

Powell called the new language on asset purchases “powerful,” but declined to specifically define what inflation and unemployment rates would trigger a future change in the buying campaign.

### **Global Atlantic adds \$8.5 billion in reinsurance deal**

Global Atlantic Financial Group Ltd., a U.S.-focused retirement, life insurance and reinsurance company that agreed last summer to be acquired by KKR, announced a reinsurance transaction with Unum Group involving a closed block of seasoned individual disability income business backed by \$8.5 billion in assets.

The transaction will close in two phases, with approximately \$7 billion in assets closing concurrent with signing and the remaining \$1.5 billion expected to close in the first quarter

of 2021, pending receipt of any required approvals and consents. This is the third block reinsurance deal for Global Atlantic in 2020, totaling over \$16 billion of assets.

Over 95% of the block is comprised of spread-based claim reserves that pay a steady income stream to the policyholder, similar to fixed payout annuities. The balance of the block is active life policies not on claim.

Additionally, Unum will provide a volatility cover on these active lives, thereby reducing any material disability risk for Global Atlantic on this business. Unum will continue to administer the business and retain all policyholder servicing and operations functions.

Manu Sareen, president of Global Atlantic's Institutional business, said in a release, "This is a seasoned run-off block of business with a rich history of data and stability of cash flows that are very attractive to Global Atlantic."

The previously announced Ivy co-investment vehicle will invest alongside Global Atlantic's subsidiaries. Business ceded to Ivy will be managed using Global Atlantic's risk and investment management capabilities. In total following this transaction, Ivy will have deployed approximately 60% of its capital commitments.

With this deal, Global Atlantic further advances its position as a leading reinsurance franchise in the U.S. life and annuity marketplace, having reinsured approximately \$50 billion of assets since its inception in 2004. I

n July 2020, Global Atlantic agreed to be acquired by a subsidiary of KKR & Co. Inc. The transaction, which is expected to close in early 2021, is subject to required regulatory approvals and certain other customary closing conditions.

### **Roth IRA assets surpassed \$1T in 2019**

Roth individual retirement account (IRA) assets grew to more than \$1 trillion in 2019 from \$600 billion in 2014 and represent the fastest-growing segment of the U.S. retirement market, according to the latest *Cerulli Edge—US Retirement Edition*.

"The Roth IRA market has exhibited sustained asset growth, and prospects for this segment are strong," the report said. "Investor contributions and market appreciation were the largest sources of asset growth. Roth IRAs display stronger organic growth (i.e., independent of market performance) [than traditional IRAs] and are well positioned for future expansion."

Demographic factors support the bullish outlook for Roth IRA rollovers. Individuals under the age of 30 are more likely to own a Roth IRA, while those over the age of 50 favor traditional IRAs, according to a Cerulli survey of retirement investors.

“Most Roth owners are in the phase of accumulating wealth for retirement and continue to grow their account balances,” said Anastasia Krymkowski, associate director, in a release. “Traditional IRA owners are more likely to be drawing down their savings to fund their retirement needs.”

Roth options within employer-sponsored defined contribution (DC) plans are increasingly common. As more participants accumulate Roth balances in a DC context, Roth IRAs will experience more growth from rollovers. Annual rollovers to Roth IRAs have steadily increased over the past decade.

Legislative changes could motivate individuals to save on a Roth basis or convert to Roth. The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 eliminated the so-called stretch IRA. The law now requires non-spousal beneficiaries to draw down the entire IRA balance within 10 years of the account owner’s death. This could motivate IRA account holders (especially those with high earning beneficiaries) to favor Roth accounts, allowing for tax-free distributions in the future.

President-elect Joe Biden has proposed a tax credit (rather than a deduction) to all contributing 401(k) plan participants regardless of income level. Some view this as a potential catalyst for increased Roth 401(k) contributions.

“Higher-income individuals, who would no longer benefit from a sizable reduction in taxable income, may switch their savings basis from pre-tax to Roth,” said Krymkowski. Cerulli believes that retirement industry constituents should consider the implications of any potential revisions to the tax code.

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