



**NATIONAL ASSOCIATION OF
INSURANCE AND FINANCIAL ADVISORS**

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April 6, 2015

The Honorable Michael Crapo
Senate Committee on Finance
Co-Chair, Savings & Investments Working Group

The Honorable Sherrod Brown
Senate Committee on Finance
Co-Chair, Savings & Investments Working Group

Re: Tax Reform, Life Insurance Products, and Retirement Savings

Dear Senator Crapo and Senator Brown:

The National Association of Insurance and Financial Advisors (NAIFA) appreciates the opportunity to submit our views to the Committee's bipartisan working group that is currently analyzing existing tax laws related to savings and investments.

With 10,000 people reaching retirement age every day for the next 16 years, it is important that public policy incentivizes and encourages families to save and plan for retirement and the financial burdens that accompany an aging society. As you consider various approaches to tax reform, we urge you to ensure that families and workers can continue to protect against the financial hardships of death, long term illness, and disability. Life insurance, annuities, long term care insurance and disability income insurance can help minimize these risks and are important elements of retirement readiness planning. The current tax treatment of life insurers and life insurance products helps families prepare and plan for the future and thus relieves pressure on already strained government programs.

Life insurance and annuities represent a substantial portion of the financial safety net for working and retired families. Current tax rules do not tax earnings on life insurance policy values unless there is an actual distribution. This tax treatment is consistent with general tax principles and is a necessary component of the affordable pricing structure of life insurance products. Policy premiums are paid with after-tax dollars, and if taken, distributions are taxed at ordinary income tax rates. Negative changes to how products and product providers are taxed would make it more difficult and more expensive for families to properly manage risks or adequately plan for retirement.



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In addition to minimizing risks, public policy should incentivize and encourage employers and employees to offer and participate in qualified retirement plans. Eliminating or diminishing the current tax treatment of employer-provided retirement plans and individual savings arrangements would jeopardize the retirement security of tens of millions of American workers. Employees do a better job saving for retirement when an employer plan is available, and many report that the immediate tax savings from their plans are a big reason to contribute. Changing the tax treatment and/or lowering contribution levels will result in lower retirement savings and fewer workers being offered retirement plans by their employers.

With federal entitlement programs and state and local budgets experiencing unprecedented stress, now is not the time to make it harder or more expensive for families to build their own financial safety net. We strongly believe that public policy must continue to encourage families to plan and protect their financial and retirement security.

Sincerely,

A handwritten signature in black ink that reads "Juli McNeely". The signature is written in a cursive style and is contained within a thin black rectangular border.

Juli Y. McNeely, LUTCF, CFP, CLU
NAIFA President 2014-2015
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A handwritten signature in black ink that reads "Michael E. Gerber". The signature is written in a cursive style and is contained within a thin black rectangular border.

Michael E. Gerber
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About NAIFA:

Founded in 1890 as The National Association of Life Underwriters (NALU), NAIFA is one of the nation's oldest and largest associations representing the interests of insurance professionals from every Congressional district in the United States. NAIFA members assist consumers by focusing their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members. For more information about NAIFA, visit www.naifa.org.