SecureFamily.ORG
Security 75 million American Families COUNT ON

Senate Finance Committee Working Groups
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About Us

Americans to Protect Family Security is a partnership of America's life insurance companies, agents, and financial advisors that is dedicated to educating policy-makers about the role our products play in the financial lives of 75 million American families. Across the nation, life insurers pay out $1.5 billion every day to American families and business. More than 1 out of every 6 dollars of Americans' long-term savings is in life insurers' products.

Public policy should encourage families to plan for and attain financial and retirement security through life insurance, disability and long-term care insurance, annuities and other retirement savings plans—not make it harder or more expensive for them to build their own financial safety nets.

The Need

Financial Protection: American families need protection against life's financial uncertainties. Most experts suggest life insurance coverage should equal seven to 10 times annual income. Today, about 60 percent of families have enough life insurance to provide financial support for, on average, five years or fewer. In addition, about 40 percent of families do not own this important financial protection.

Savings: American families worry about retirement savings. According to the Gallup Economy and Personal Finance poll taken in April 2014, 68 percent of Baby Boomers aged 50-64 and 50 percent of Millennials aged 18-29 are worried about not having enough money for retirement. The fact that fewer workers have traditional pension plans to rely on, combined with the stress on government programs like Social Security, add to Americans' concerns.

Lifetime retirement income: Americans underestimate their longevity. About 10,000 Americans will turn 65 every day for the next 15 years. Yet, a recent Society of Actuaries study found that more than 40 percent of retirees underestimated their life expectancy by five years or more. This means they likely will miscalculate how long their retirement savings need to last and risk spending their senior years in financial stress.

As Congress considers tax reform proposals, it should continue to support public policies that encourage Americans to protect their families' futures. Families need the financial safety net that life insurance companies and the professionals who represent them provide through life insurance, disability income and long-term care insurance, and retirement annuities. These products provide peace of mind and help Americans save for retirement and safeguard their retirement years with lifetime income guarantees.

ACLI Financial Security...for Life. AALU GAMA INTERNATIONAL IRI NAFA NAILBA NAIFA SECURING AMERICA'S FINANCIAL FUTURE

The Role of the Life Insurance Industry

Only life insurers provide products that protect families from the impact of certain financial risks, such as mortality, disability, and long-term care needs. And only life insurers deliver income guarantees through annuities that address longevity—the risk of outliving your retirement savings. These protections and guarantees are not available from any other financial services companies. Our products are vital to a well-functioning society and, for millions of middle-income families, build on the floor of financial security that government programs provide.

Yet, many tax reform proposals contain recommendations that would raise taxes on life insurers, resulting in products that may cost more or offer fewer benefits. The cascading effect would be families who are less financially secure than they are today, a result that no policy-maker wants to see.

In efforts to reform the tax code, Congress should look to the life insurance industry as a partner that encourages responsible financial decision-making. The products that our policyholders use to protect their financial and retirement security are appropriately taxed. Likewise, our companies should not be viewed as a revenue source as they already bear a significant tax burden under current law.

- Life insurance and retirement savings products are taxed appropriately under current law. The savings that build up in life insurance and annuities do not escape taxation. They are taxed at ordinary income tax rates when people make withdrawals from their annuity or cash in their life insurance policies if protection is no longer needed. Additionally, life insurance and annuity owners pay premiums with after-tax dollars.

- Life insurance companies already bear a significant tax burden under current law—accounting for 2.5 percent of corporate sector tax revenue, but representing only 1.7 percent of corporate profits.[1]

- Congress has recently considered proposals that would have increased life insurance companies' net tax liability by 26 percent over the next decade, compared to a 1 percent increase on all other industries. Proposals to raise taxes on life insurers would result in products that cost more, offer fewer benefits, or may no longer be available.[2]

- Higher corporate taxes would directly impact product design, availability, and pricing: life insurers' products are capital intensive, and tax increases would negatively affect the level of protection and guaranteed benefits provided by life insurance, long-term care and disability income insurance, and annuity products.

The protection and income guarantees provided by life insurance, disability income and long-term care insurance, and retirement annuities cannot be duplicated by other financial products.

The Life Insurance Industry: Financial Protection Through All Stages of Life

Life insurance protects families against financial loss from the death of a loved one. It provides a source of reliable liquid assets when the need arises to pay for death-related expenses, including medical bills and funeral costs. It also provides funds to replace lost income that helps families cover daily living expenses, mortgage and tuition payments, and child care.

[1] Ernst & Young calculations based on BEA data, IRS data, BLS data and Ernst & Young tax model, October 2014.
[2] Ernst & Young analysis of tax liability impact of the Camp tax plan on the US business sector and life insurance industry based on Joint Committee on Taxation revenue estimates, September 2014.

- The recommended amount of life insurance is determined by the financial needs of individuals and families. Experts suggest coverage should equal seven to 10 times annual income. It is impossible for most families to save enough money to manage the financial consequences associated with the death of a wage-earner or caregiver. Life insurance makes managing these risks affordable through the pooling of risk. Industry data shows that in 2013 there were 144 million individual life insurance policies in force.

- Life insurance allows Americans to take individual responsibility for the financial futures of their families. It also is important for businesses of all sizes, which often purchase life insurance to protect jobs after the death of an owner or key employee and to finance employee benefits, including important survivor and supplemental retirement benefits.

The Life Insurance Industry: Providing Retirement Security

Life insurers are leading providers of retirement products, including 401(k)s, 403(b)s, 457s, IRAs, and annuities. Life insurers manage 20 percent of all defined contribution plans and 12 percent of all IRAs. In addition, life insurers provide disability income and long-term care insurance, products that provide important financial security protections during working years and in retirement.

- Employer-sponsored retirement plans offer more than 83 million American workers and their families the opportunity to accumulate savings.

- Nearly 80 percent of full-time workers have access to a workplace retirement plan, and more than 80 percent of workers with access participate. IRAs and individual annuities are available for all workers without access to employer-sponsored plans as well as to supplement retirement savings.

The Role of Public Policy

Raising taxes on life insurance companies and products would result in products that cost more, offer fewer benefits, or may no longer be available. New taxes and further limits on retirement savings would weaken financial security, discourage small business plan sponsorship, and reduce participant savings.

To help all American families prepare for retirement, the life insurance industry is committed to working with policy-makers to advance solutions to expand access and increase savings.

- The life insurance industry supports public policies to increase retirement savings: auto-enrollment in plans; auto-escalation of contributions in plans; simplifying start-up rules for small businesses; providing workers with information about how their retirement savings translate into guaranteed monthly income; and making lifetime income from annuities more available through employer plans.

- Limiting the use of company-owned life insurance would affect businesses' long-term planning, affect jobs upon the death of an owner or key employee, and hurt businesses' ability to provide competitive employee benefits, including important survivor and supplemental retirement benefits.

- New taxes also would severely limit the use of nonqualified supplemental retirement benefits—a proven savings vehicle for close to 4 million individuals.

The Life Insurance Industry: Building the Economy

Life insurers' products help employers of all sizes and give businesses more stability and certainty, fueling economic growth. The industry also is a cornerstone of the economy.

- The life insurance industry generates approximately 2.5 million jobs in the U.S., including direct employees, those who sell life insurance products, and non-insurance jobs supported by the industry.

- The life insurance industry has $5.6 trillion invested in the U.S. economy, making it one of the largest sources of investment capital in the nation.

- Life insurers invest in American business for the long term. More than one-third (37 percent) of general account bonds held by life insurers had a maturity of more than 20 years at the time of purchase. More than two-thirds had a maturity of more than 10 years.

- Life insurers are the largest institutional source of bond financing for American businesses, holding 20 percent of all U.S. corporate bonds.

- Of the $727 billion in government and agency bonds held by life insurers, the overwhelming majority, $690 billion, are in long-term obligations.

- Life insurers provide long-term capital to the commercial mortgage market, directly financing more than $286 billion, or nearly one-eighth, of U.S. commercial mortgages.

Moving Forward

Americans need more personal financial protection and savings that result in greater self-reliance and less strain on government programs. Public policy should not make it harder for families to plan for the long-term or more expensive for families to secure their financial and retirement security.

American families turn to life insurance companies and trusted agents and advisors to protect their financial futures with life insurance, long-term care and disability income insurance, and retirement annuities.

Life insurance companies, agents, and advisors hope to be a partner as Congress seeks solutions to protect families from life's financial uncertainties.

The **American Council of Life Insurers (ACLI)** is a Washington, D.C.-based trade association with approximately 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. In addition to life insurance and annuities, ACLI member companies offer pensions, 401(k) and other retirement plans, long-term care and disability income insurance, and reinsurance. ACLI's public website can be accessed at www.acli.com. LEGISLATIVE CONTACT: Mo Goff, [redacted] or Alane Dent, [redacted]

The **Association for Advanced Life Underwriting** (AALU) is the leading organization of life insurance professionals who are a trusted voice on policy issues involving Americans' financial security and retirement savings. The AALU also offers professional development tools and learning opportunities to help members grow their practices. Founded in 1957, the AALU counts more than 2,200 insurance professionals as members. www.aalu.org. LEGISLATIVE CONTACT: Marc Cadin, [redacted]

GAMA International is a worldwide professional association serving 5,500 field leaders in the insurance and financial services industry. Its members recognize their critical role in finding, building and inspiring the next generation of top performers who will, in their turn, lead the industry into the future. To help build these leaders, the association provides its members with professional development resources and opportunities, including educational, networking and leadership. GAMA International's website is located at www.gamaweb.com.

The **Insured Retirement Institute (IRI)** is the leading association for the retirement income industry. IRI proudly leads a national consumer coalition of more than 30 organizations, and is the only association that represents the entire supply chain of insured retirement strategies. IRI members are the major insurers, asset managers, broker-dealers/distributors, and 150,000 financial professionals. As a not-for-profit organization, IRI provides an objective forum for communication and education, and advocates for the sustainable retirement solutions Americans need to help achieve a secure and dignified retirement. Learn more at **www.irionline.org**. LEGISLATIVE CONTACT: Lee Covington, [redacted]

The **National Association for Fixed Annuities** (NAFA) is a trade association exclusively dedicated to educating regulators, legislators, journalists and industry personnel about the value of fixed annuities and their benefits to consumers. NAFA's membership represents every aspect of the fixed annuity marketplace, covering 85 percent of fixed annuities sold by independent agents, advisors and brokers. NAFA was founded in 1998 and recently celebrated its 15th year of serving the fixed annuity industry. To learn more, visit www.NAFA.com. LEGISLATIVE CONTACT: Scott Hinds, [redacted] or Cliff Andrews, [redacted]

The **National Association of Independent Life Brokerage Agencies** (NAILBA) is a nonprofit trade association with over 370 member agencies in the U.S. and Canada. NAILBA is the premiere insurance industry organization promoting financial security and consumer choice through the use of independent brokerage distribution. The purpose of NAILBA is to serve as the national association of life, health and annuity insurance distributors. www.nailba.org. LEGISLATIVE CONTACT: Marc Cadin, [redacted]

Founded in 1890 as The National Association of Life Underwriters, the **National Association of Insurance and Financial Advisors (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. www.naifa.org. LEGISLATIVE CONTACT: Diane Boyle, [redacted]