



# MAKING A STATEMENT! PLAN ADMINISTRATORS' NEW ILLUSTRATION REQUIREMENT

Starting in 2022, plan administrators are required to implement a new *Lifetime Income Disclosure Rule* into participant statements. Here is what you need to know.

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 had a substantial effect on retirement plans and retirement planning in general. Clients soon will see one of those changes incorporated into the retirement statements they receive. The Department of Labor unveiled an interim final rule (IFR), which implements provisions of the SECURE Act (Section 203). The provision requires plan administrators to illustrate a lifetime income stream of payments. The IFR is the Lifetime Income Disclosure Rule, and it became effective on September 18, 2021. Here are some insights and how it may help clients plan for retirement.

## 1. Effective Date

You may be asking, is the incorporation of the lifetime income illustration mandatory for all plans by the 2021 year-end statements because the rule became effective September 18, 2021? Not quite. Per Section 203 of the SECURE Act, the lifetime income disclosure needs to be on one statement in a 12-month period. Participants should expect the illustrations in 2022. However, some may see them by the 2021 year-end statement.

## 2. What to Expect

Under the IFR, the illustration should show how a participant's defined contribution balance will convert into monthly annuity payments. The administrator must illustrate both a single-life income stream as well as

joint-life and survivor-life income streams at least once a year on the benefit statements:

- The defined contribution balance on the statement date will be used for the calculation. Projected balance, future contributions, or investment returns will not be reflected in the calculation.
- The calculation will be based on the participant's age of 67, the Internal Revenue Service mortality table, and the yield of the 10-year Treasury bond.

## 3. Discussion Opportunities

The intent of the new rule, as passed by Congress, is to educate employees and clients on how their retirement savings vehicle translates into numbers they can understand. Below are some ways to consider talking with your clients about their lifetime income illustrations:

- Let's talk IRAs. As clients near retirement, review lifetime income resources and determine whether planning for lifetime income now makes sense. This may involve repositioning assets.
- Just how much is \$1 million worth for retirement savings? The safe withdrawal rate introduced by William Bengen 30 years ago was 4%. In recent studies, however, that has reduced to a little over 3%. The lifetime income illustration is an organic opportunity to show potential income insufficiency and offer retirement income strategies with protected retirement income.

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- Bridging the gap. The asset also can be used to help bridge the gap from retirement to age 70 in order to increase Social Security retirement benefits utilizing delayed retirement credits. Based on the income shown on the statement, it could be a path to consider an in-service withdrawal rollover to an annuity with an income benefit.
  - Legacy planning and guaranteed death benefits also could be a point of focus during the discussion. As balances increase, and clients become more comfortable with the numbers illustrated, perhaps consider rolling over a portion to an annuity to lock in guaranteed death benefits for the beneficiaries. Always check with the plan regarding in-service distributions.

The beauty of this rule is that it makes it easier for financial professionals to have the protected retirement income discussion with clients. Requiring the plan administrators to show lifetime income on worker statements becomes the icebreaker for the conversation. Before the SECURE Act, clients might see what they feel is a large dollar amount and think it's plenty for retirement. The incorporation of the new illustration in their statements will put into perspective exactly what the lump sum will produce in monthly income and may help clients consider different strategies for retirement.

The SECURE Act, when implemented, created some disarray for qualified plans and retirement strategies. However, it also introduced transparency, clarity, and education to enhance retirement planning for workers by adding the provision of lifetime income estimates on statements.

## Additional Resources and Links

[The SECURE Act: Key Retirement Plan Provisions](#)

[Retirement Income Translator Tool](#)

For more information about retirement planning,  
please contact our Retirement Strategies Group at  
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