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Retirement Section News

3 Chairperson's Corner

By Deb Tully

**5 A View from the SOA's Staff
Fellow for Retirement**

By Mary Stone

6 Notes From the Editor

By Mathieu Laurendeau

**8 Perspectives From Anna:
Thinking about Using Assets
During Retirement**

By Anna Rappaport

**12 Guaranteed Lifetime Income—
How Much Do You Need?**

By R. Evan Inglis

**16 Perspectives of Plan Sponsors and
Service Providers on Retirement
Payout and Support Options:
An Interview with Neil Lloyd**

By Anna Rappaport

**21 Beneficiary Forms in an Era of
Expanding Family Structure**

By Linda Koco

**25 Update on the Committee
on Post-Retirement Needs
and Risks as of March 2019,
Including Information on the
Aging and Retirement Strategic
Research Program**

By Anna Rappaport

Perspectives
From Anna:
Thinking
about Using
Assets During
Retirement

By Anna Rappaport

Page 8

Retirement Section News

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To join the section, SOA members and non-members can locate a membership form on the Retirement Section webpage at <https://www.soa.org/retirement/>

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Chairperson's Corner

By Deb Tully

As I reflect on the Retirement Section Council's most recent meeting in San Diego, two clear themes were repeatedly discussed and debated. How can the Retirement Section modernize and meet the needs of millennial actuaries practicing in the area, and what role should and will retirement actuaries play in a predominantly defined contribution world? These two questions naturally intersect, and both address topics that are broad in nature and pose more questions than solutions when one starts digging deeper into them.

On the question of what role actuaries can play in a defined contribution world, the Retirement Section Council has convened a group of volunteers to explore this question with the goal of identifying and executing on actionable steps that the Society of Actuaries (SOA) can take to bolster the actuarial practice in the context of defined contribution plans. As actuaries, we are experts in evaluating and managing risk. The shift from defined benefit to defined contribution retirement plans does not eliminate risk but instead transfers it to a different party—from employer to employee. Risk remains present in a defined contribution world,

and as actuaries, there are roles we can and should play in this new world. At the outset, the volunteer working group quickly identified a variety of ways in which the role of the actuarial profession in a defined contribution world can be explored and further developed. There are small plan and large plan considerations. There are accumulation phase and decumulation phase considerations. There may be a need to provide educational resources to the actuarial profession, including exam content, webcasts and in-person meeting sessions, and there may be a need to further educate the consumer population (e.g., the plan sponsors, investment managers, participants) on the role the actuary can play in defined contribution plans. Given the many possible approaches to this question, the defined contribution project group will be working on short- and long-term goals in this area for the Retirement Section and the SOA and expects this to become a multiyear initiative that will continue to evolve and develop over time.

The question posed previously regarding what the SOA can be doing for younger actuaries in the retirement profession fits well with a broader SOA Board of Director's initiative to focus on meeting the new generation of actuaries' needs. It is no mystery that as defined benefit plans decline so does the influx of younger actuaries focusing on retirement; but defined benefit plans are not all disappearing tomorrow, and, as a matter of fact, some will be around for some time. We continue to have a solid cross section of millennial actuaries currently practicing in the retirement section. Not only do we want to help blaze a career path for these emerging retirement actuaries through the development of the defined contribution initiative mentioned earlier



We continue to have a solid cross section of millennial actuaries currently practicing in the retirement section.

we also want to make sure we are hearing directly from this group of actuaries to understand their interests, concerns and what they would like to get out of the SOA Retirement Section. During 2019, the Retirement Section Council will be exploring this very issue. If you are a millennial retirement actuary and are interested in participating directly in this initiative, I encourage you to reach out directly to me or any of the Retirement Section Council members listed on page 2 of this newsletter and on the Retirement Section webpage. We would love to hear directly from you.

Further, if you are interested in volunteering on this and/or the defined contribution initiative, we would welcome your

participation. In my previous Chairperson's Corner, I spoke about the benefits of volunteering; following along that theme, volunteering is the path to having an impact on topics such as the two I am addressing here. Stay tuned for more developments in both of these emerging areas.

Finally, as I close out this edition of the Chairperson's Corner, I am excited to welcome Mary Stone as the new Staff Fellow—Retirement at the SOA, filling the role that Andy Peterson previously held. Mary brings energy and enthusiasm for the role and for advancing the professional interests of the retirement actuary. Her depth and breadth of expertise as a retirement actuary who has taken on a variety of roles herself uniquely qualifies her for this new role, and I have no doubt that she will do great things in her new position. Welcome, Mary! ■



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SOA DISTANCE LEARNING PROGRAM

In need of EA credits? The SOA distance learning program offers a cost-effective way to get EA credits without the need to travel to a meeting. You may subscribe to the SOA distance learning program for \$499 for Retirement Section members or \$599 for non-Retirement Section members. The subscription lasts for 12 months or 12 credits, whichever comes first. You have access to many sessions and can pick those that are suited to your specific area of practice or that fulfill the credit type you need (core and non-core sessions are available). To receive credit, you write a summary, no more than two pages in length, that reflects your understanding of the materials and submit the summary online.

A View from the SOA's Staff Fellow for Retirement

By Mary Stone

I am pleased to introduce myself as the new staff fellow—Retirement. I am very excited to have this position and help advance the actuarial profession in retirement. I am grateful to Andy Peterson for the support he has provided as I take on this new position. His great work over the past 10-plus years has helped make the Retirement Section an active group of volunteers supporting the role of actuaries in retirement.

Although I have been an actuary for more than 30 years, I am struck by how little I knew about the Society of Actuaries' (SOA) activities. Perhaps like some of you, I had primarily focused on the SOA's education role from initial credentialing through continuing education. Since joining the SOA staff, I have been in awe at the breadth of the SOA's research. The network of volunteers supporting all aspects of the SOA's mission is truly inspiring.

Since changing its name to the Retirement Section, this section has been broadening its focus beyond the traditional defined benefit actuary role. We will continue to explore opportunities for actuaries to contribute to other types of retirement plans. One key initiative is the Future of Retirement Practice for Defined Contribution Plans. This initiative's mission is to create a robust career path for actuaries who practice in the retirement and/or investment field and encourage actuaries to design defined contribution plans that are more efficient than current plans and that specifically address both the accumulation and decumulation phases; asset/liability management; and longevity, investment and other risks. This initiative resonates with me, because my most recent role before joining the SOA was as a retirement consultant advising clients on investments, plan design and compliance primarily for defined contribution plans. I firmly believe actuaries have a lot to contribute to the defined contribution retirement field. Watch for more updates on this initiative in the coming months.



As announced last year, the first of the SOA's theme-based research programs, Aging and Retirement, was launched with a study of the financial perspectives on aging and retirement across the generations. Building upon more than 20 years of SOA research regarding the financial knowledge, priorities and strategies of Americans in and nearing retirement, the new research seeks to understand how retirement planning and savings fit in for Americans for five different generations: millennials, Gen X, early boomers, late boomers and the Silent Generation. The study of the generations identified similarities and differences across the generations, shedding light on how younger people may be expected to fare versus those before them and identifying areas where further work can be done to find ways to improve Americans' retirement security. With the increased focus on defined contribution plans, many factors impacting millennials present challenges for a secure retirement. Actuaries have much to offer in addressing these challenges through innovative plan designs.

In closing, I encourage everyone to consider volunteering for the SOA. There are many opportunities to choose from, allowing you to pursue a topic of interest within the time you have available. Give it a try . . . you won't regret it. ■



Mary Stone, FSA, EA, MAAA, FCA, is staff fellow—Retirement for the Society of Actuaries. She can be contacted at mstone@soa.org.

Notes From the Editor

By Mathieu Laurendeau

In this issue of the *Retirement Section News (RSN)*, you will find different points of view concerning one of the biggest questions arising in a world where defined contribution arrangements are the reality for the majority of new retirees: how to secure an appropriate level of income during retirement.



Annuities are one of the potential solutions, but the ultimate guarantee comes at a cost that many retirees do not have an appetite for.

So, what are the alternatives? During the past two years that I have been the editor of the *RSN* and on the Retirement Section Council, I came to appreciate the creativity that actuaries have when it comes to creating new solutions.

Our most prolific contributor to the *RSN*, Anna Rappaport, is also the head of the Committee on Post-Retirement Needs and Risks (CPRNR). This group is conducting a lot of research, and you will find in this issue an update of its work. I particularly like the different documents that guide new retirees in making important financial and lifestyle decisions that have an impact on individuals' economic security for the rest of their lives.

Here is a sample of the CPRNR's voluminous library of knowledge that has accumulated since the group's establishment at the turn of the century: <https://www.soa.org/research-reports/2012/research-managing-retirement-decisions>.

You will also note that *RSN* is now available in a new digital format for the readers' benefit since our last issue. ■



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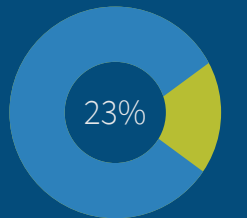
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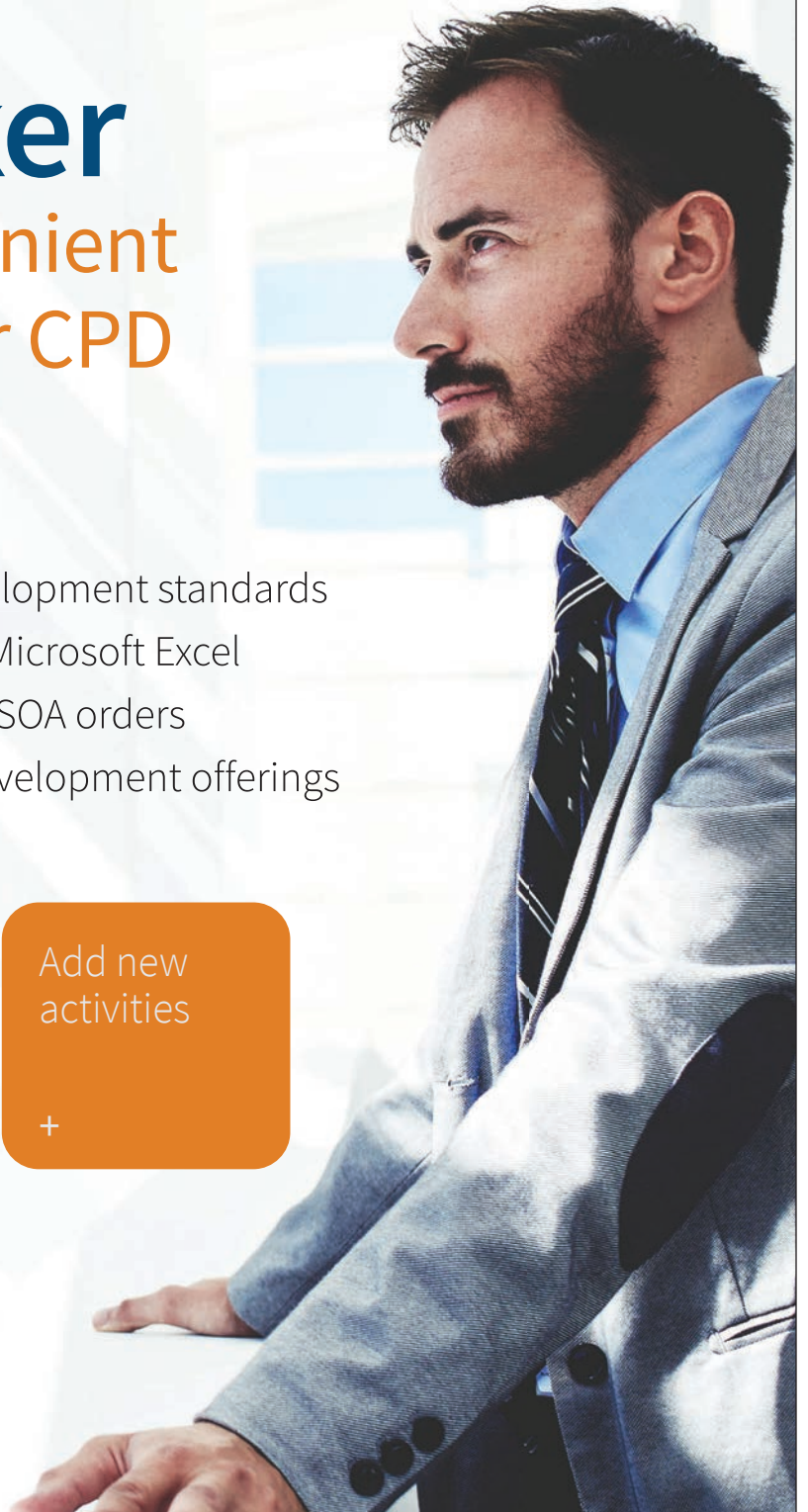
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Perspectives From Anna: Thinking about Using Assets During Retirement

By Anna Rappaport

I have been thinking about managing accumulated assets during the post-retirement period for more than 20 years. As a result of the research and discussions in the Society of Actuaries (SOA) Committee on Post-Retirement Risks, I have gradually changed some of my thinking about the use of annuities and assets during the post-retirement period and about what solutions may work in different situations.

Much of my career was spent as a retirement consultant in a large firm where most of the clients had defined benefit plans. Many of those clients also had defined contribution plans. For those people who had both types of plans, the idea was that the defined benefit plans would provide income in addition to Social Security and that the defined contribution plan would provide a pool of assets. This worked well for people with long careers under both types of plans but not for many others.

I have always been a strong proponent of lifetime income, longer-term thinking and planning, informed decision-making and risk management. For many years, I had an expectation that longer-term thinking was a key part of retirement planning and that people could be expected to think about the long term. I thought that annuities were a retirement solution for many people. Focus groups, in-depth interviews and surveys that the SOA conducted have changed my thinking about what is realistic for many people. I now understand that there are a variety of solutions that can fit different needs and that we need to focus on a range of solutions for various situations.

SOME CHARACTERISTICS OF THE U.S. RETIREMENT SYSTEM

Economic security during retirement can come from Social Security, employer plans, personal resources and continued work.

- Social Security is the largest share of retirement income for many Americans and actually for most Americans, if we exclude the 25 percent with the greatest wealth. For some of this group, Social Security is the only source of income.

- Social Security replacement ratios are higher for the lower income levels.
- Social Security-claiming age is extremely important. The amount of monthly income is about 75 percent greater for those who claim at age 70 versus those who claim at age 62.
- For married couples, the Social Security benefits claimed by the higher earner also affect the survivor's benefits, if the higher earner dies first. This can be extremely important to many widows.
- Many people do not have employer-sponsored benefits.
- Of the people who were employed by employers who offered retirement programs, those with long service did much better than those with sporadic employment. Defined benefit plan benefits are generally better for those people with long service, and defined contribution plan values are generally greater for those people who have long participation in the plan.
- Personal savings can be a big part of retirement security, but many people do not have much financial assets beyond the amounts provided through employer-sponsored benefits.

WHAT SOA RESEARCH TOLD US ABOUT RETIREES

In a series of focus groups and surveys, retirees told the SOA how they thought about retirement planning and income. Some key findings include:

- Many people do not think long term. It is common for people to plan by looking at their current regular bills and cash flow and trying to get them into balance. Many people felt they were OK if they could pay their regular bills over the next couple of years.
- Some people do not do any formal planning.
- Many people prefer to hold onto their assets rather than develop a systematic plan to use them during retirement.
- Many people do not plan for significant unexpected expenses or shocks. They commonly said "I will deal with it when it happens."
- Even more individuals do not plan for long-term care.
- People are resilient, and some are willing to make significant reductions in spending.
- When we think about the combination of holding onto assets and not doing risk management, the implied plan

is that the assets they hold can be used for emergencies if necessary.

- Professionals are busy figuring out how to get people to develop income plans that protect from risk, but often they do not recognize the way the average retiree thinks about retirement finances.
- Family is often a huge source of help when help is needed. Help is often hands-on, and it is unclear how people without family manage through some of the challenges that require everyday help.
- When people have a major long-term care event requiring paid care, it can be a big problem. If they spend down their assets, they may have to rely on Medicaid or family, if they have one.

RETIREES ARE FACED WITH BIG TRADE-OFFS

Retirees who want to use their assets systematically in retirement are faced with many options and important and complex trade-offs.

- Using assets gradually over time by systematically withdrawing from an asset account provides the retiree the flexibility to change their mind later. It preserves liquidity for the remaining balance. However, investment and longevity risk remain with the retiree.
- Buying a life annuity transfers the investment and longevity risk to an insurance company. But the decision is irrevocable, and there is little or no liquidity.
- There are also options that combine these two strategies and blend some liquidity and some guarantees. For example, while a pure life annuity has no return of capital on death, some annuities have limited return of capital on death, based on their provisions.
- There is another trade-off between spending and doing more now versus saving for later. I often remember that it is important to “Do it while you can.” If plans for retirement include physically ambitious activities, it is important to remember that abilities often change. And couples never know how long both will be capable (or even there) to pursue their interests.

ANALYZING THE TRADE-OFFS

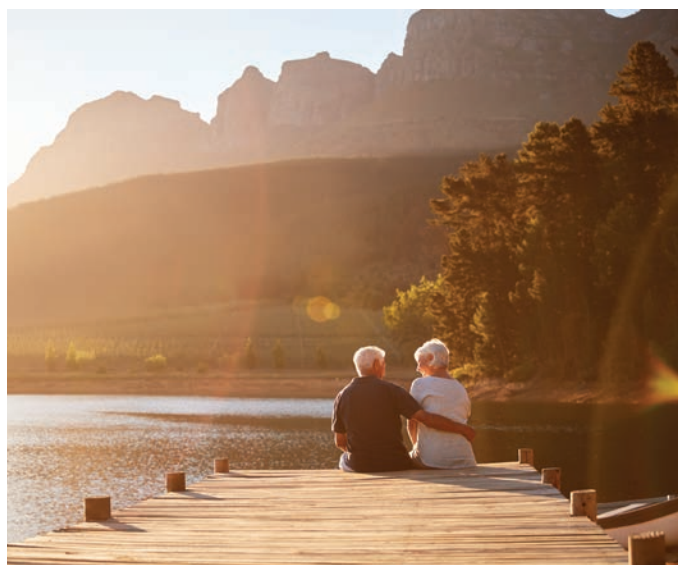
Understanding what is involved in the trade-offs of asset use is complex, and the analysis is not easy. The challenges are even greater when one realizes that there are many different income options available. In partnership with the Stanford Center on

Longevity, the SOA sponsored several projects on different forms of lifetime income and a framework for analysis and measurement of the trade-offs. The analysis used a form of “efficient frontier” particularly focused on the payout period.

Anyone who wants to compare income options and understand the pros, cons and trade-offs should look at this work. Steve Vernon, Wade Pfau and Joe Tomlinson authored the reports, which are found at <https://www.soa.org/research/topics/research-post-retirement-needs-and-risks/#income>. Some of this work is also summarized in the 2018 Securing Future Retirements essay collection, at <https://www.soa.org/essays-monographs/2018-securing-future-retirements>.

The first report sets up a framework for using income options in defined contribution plans. One of the reports focuses on the analysis of options that are suitable for use in a 401(k) or other employer-sponsored defined contribution plan. Another report focuses on options that are suitable for individuals, including the use of reverse mortgages. One of the reports focuses on the legal framework that plan sponsors could use to incorporate income options into defaults.

A fifth report, which is currently in draft form, focuses on the use of a strategy that combines late claiming of Social Security with required minimum distributions (RMD). That strategy provides for a transition fund to help the individual reach the delayed Social Security claiming age. The report authors demonstrate why they believe that this type of option would be a suitable default option in an employer-sponsored plan, and I agree with them. Plan sponsors must choose which, if any, income options to include in their plans, and this is a valuable paper for them. The authors also demonstrate that this option could be good for Americans with up to about one million in savings who do



not want to go through a lot of complex analysis. However, they also provide indications of how to use the option as a starting point and to tailor it to individual needs. Actuaries interested in retirement income planning should study this work and see how it fits in.

There is a lot of personal preference involved in these trade-offs, and a scientific answer, such as those provided in the papers, is helpful. But it is still up to the individuals, with their plan sponsors' or administrators' support, to choose.

With regard to the trade-off about doing more now versus later, I do not have any specific analysis to cite. People generally do not know what will happen or when, but they still must make decisions.

There is a big need for a better process for thinking about housing as part of retirement planning.

THE RISKS AND THE EARLY STAGES OF THE SOA RESEARCH

The SOA research started about 20 years ago with the identification of post-retirement risks and the construction of a risk chart titled “Managing Post-Retirement Risks.” In 2019, the SOA is working on the fourth edition of the risk chart that will be significantly expanded. There are more than 15 risks in the 2011 version of this publication. Some risks can be protected against by insurance or financial products, but others cannot. The complexity of the risks and methods of protecting against them may serve as a barrier to formal risk management. The cost of risk protection is also a barrier. The financial products may cover one, two or three risks. This research confirms the complexity and range of risks.

Another of the earlier stages of the SOA research focused on the assets held by middle market people nearing retirement and in retirement. That work, “Segmenting the Middle Market,” used data from the federal government’s Survey of Consumer Finances. The important findings from that survey were that for the mass middle population, the value of nonfinancial assets—primarily housing—was substantially greater than the value of financial assets. The results of that study raised major questions about what options are feasible for the mass middle population. For many of them, there were not significant financial assets to be invested and spent down. For me, this work changed my outlook so that whenever I thought about a big retirement financial topic, it was important to ask where housing would fit into the discussion.

OPTIONS WITH REGARD TO HOUSING AND THE BALANCE BETWEEN RETIREMENT INCOME AND SPENDING

We learned several important things about housing:

- Housing costs are the biggest expense for retirees.
- Home repairs are a big source of unexpected, unbudgeted expenses.
- For many middle market households, housing values were the largest part of retirement assets (not counting Social Security).
- Many people were entering retirement with mortgages. Whether to pay off the mortgage or not was a big financial decision that changed the retirement spending picture and, therefore, the needs for income. I prefer paying off the mortgage when it is feasible to do so.
- Most people want to stay in their own homes. They can then ultimately sell their home if they need to. However, they may need to make modifications along the way if they have mobility or other limitations.
- While many people believed that investing in housing would produce a good return, results were very variable depending on timing of retirement and location. Many people suffered large declines in housing values in 2008 that at times were devastating. There were also many mortgage foreclosures during 2008 and the period after that, partly due to very liberal mortgage lending rules and practices up to that time.
- Reverse mortgages offer a way to stay in your home and get some of the money out of the home to help finance retirement.
- There is a big need for a better process for thinking about housing as part of retirement planning.

PUTTING THIS TOGETHER—WHERE AM I TODAY?

Successful management of the post-retirement period remains an important topic. These are some important aspects:

- There is a lot of value to having a longer-term plan, but many people fail to do this. Employers and the media should stress the value of having a longer-term plan.
- For middle-income Americans, Social Security is a vital part of their retirement income, and it remains the sole source of income for some of them.

- Late claiming of Social Security is often an advantageous strategy. It is important that everyone evaluate their options before making a choice. In the evaluation, don't forget to consider tax issues; to use your actual earnings history if you are near retirement; and for couples, that the evaluation needs to focus on both people.
- People with mortgages should explore the possibility of paying them off before they retire. Better tools would be beneficial to help people blend this into the decision-making at this life stage. Paying off the mortgage reduces regular expenses.
- Everyone needs emergency funds that are easily accessible. Many people have not thought about unexpected expenses and how to provide for them.
- People who do not have adequate retirement income to retire comfortably at age 65 have a variety of strategies available to them. Working longer is a strategy available to most of them, and more needs to be done to help individuals and encourage employers to support better job options. Reducing expenses is another strategy. These are the best bets for people who reach retirement age without enough assets. Saving early is important.
- For people with defined benefit plans, these plans serve as an additional source of income beyond Social Security. If they offer a variety of payout options, care is needed in the decision about the payout option. The SOA offers a decision brief to help with this.
- For people without defined benefit plans but with assets, there are a variety of options: Delaying Social Security to 70 and then withdrawing the RMD will work for many people.
- For those who want income in excess of the RMD and who have assets, there are a variety of options for generating income and major trade-offs involved in the choice. I hope that Vernon, Pfau and Tomlinson's work, which the SOA and the Stanford Center on Longevity jointly sponsored, will lead to new user-friendly tools and easier default options to help people make these choices efficiently.
- That work from Vernon, Pfau and Tomlinson demonstrates that a thoughtful systematic withdrawal plan significantly invested in stocks can produce higher lifetime income than an annuity, most of the time but not always. And we can't predict in advance when "not always" happens. This is why that work suggests a diverse portfolio of retirement assets and income.
- One of the newer forms of annuities is a deferred annuity starting payments at a high age, such as age 85. This increases income at age 85 and enables a broader range of choices in the interim. These annuities are a good addition to retirement portfolios, and they are currently underutilized.
- Having a plan for long-term care financing is important, whether it includes long-term care insurance or not. Those who do not have insurance need more savings to pay for expenses as they are incurred. The SOA has a decision brief to help people think about these issues.
- It is important not to forget about health insurance. Medicare is a big part of the picture after age 65, but there are ongoing decisions that are needed. The SOA has a decision brief to help people think about these issues.
- For people with a significant house value and not a lot of financial assets, a reverse mortgage may help. It also may help to sell the house and downsize to a less-expensive home.
- As we think about these issues, we need to remember that many people are not planning for the longer term. A big challenge for actuaries and retirement planners is understanding what people actually do and how they think. The solutions that are offered need to include options for those people who do not plan for the longer term.
- I value guaranteed life income highly, but I recognize that people are in many different situations and that the choices they make will not always focus on guaranteed income. People with larger amounts of assets may also not focus specifically on annual income. They may rather think more about the progression of the assets if they spend what they want. Trying to hold onto assets is a popular strategy that has worked out well for many people. It gives them some flexibility to deal with a variety of risks.
- We all need to work to help people plan effectively for the post-retirement period and develop strategies to fill in the gaps when it looks like they will not have enough. ■



Anna M. Rappaport, FSA, serves as chairperson of the Committee on Post-Retirement Needs and Risks and the Steering Committee for the Aging and Retirement Strategic Research Program. She can be contact at anna.rappaport@gmail.com.

Guaranteed Lifetime Income—How Much Do You Need?

By R. Evan Inglis

You've saved your whole life to be able to afford a comfortable retirement, hopefully free from significant financial stress. Now the time is approaching, and it may seem pretty stressful already! Do you have enough saved? How much can you spend? Should you have an annuity? Fixed annuity or variable annuity? There are a lot of questions! This article aims to answer the key question: How much guaranteed lifetime income should you have?

To answer that main question, you'll need some information:

1. Your estimated account balance at retirement.
2. Your desired level of spending.

And you'll need a retirement spending strategy. If you don't have one already, use the "Feel Free" retirement spending approach. It's simple and safe, so you can feel confident using it. That makes it perfect for helping you to determine how much guaranteed income you need. Divide your age by 20 and feel free to spend that percentage of your wealth each year. If you are 65, you can feel free to spend 3.25 percent of your wealth. At age 80, you could feel free to spend 4.0 percent of your wealth.

Guaranteed lifetime income comes in many forms—fixed annuities, variable annuities, deferred income annuities and more.

Guaranteed lifetime income comes in many forms—fixed annuities, variable annuities, deferred income annuities and more. This article won't delve into an explanation of those products, but see the appendix for a glossary with brief descriptions. The key about all these products is that they last for your lifetime. That means that you are able to spend the proceeds without worrying about this source of income running out. With your

savings, you need to spend conservatively to make sure you don't run out but not so with a lifetime income source.

Use the following process to determine how much guaranteed income makes sense for you.

1. Estimate your account balance plus other savings at retirement. For most portfolios, using a 5 percent return until retirement should provide a reasonable estimate. (TotalSavings)
2. Determine your desired level of spending, adjusting the amount with estimated inflation by 2.5 percent per year between now and retirement. (TotalSpendAmt)
3. Subtract any anticipated income, including Social Security or pensions, from TotalSpendAmt to determine the spending that you will cover with your savings. If you want to retire before your income starts, reduce the anticipated income amount by 5 percent for each year that your retirement start date precedes the income start date. (DesiredSpendAmt)
4. Determine your safe spending level at retirement as a percentage of your savings using any spending strategy that you feel comfortable with. Using the "Feel Free" strategy, at age 70, your safe spending level is 70/20 or 3.5 percent. (SafeSpend%)
5. Determine your safe spending amount by multiplying your TotalSavings by your SafeSpend%. (SafeSpendAmt)
6. Determine whether you need guaranteed lifetime income.
 - a. If your DesiredSpendAmt is less than your SafeSpendAmt, then you're set. You can spend from your savings without too much concern that you will run out of money. You are likely to be able to fund a significant bequest. Stop here and look forward to a wonderful retirement, but keep saving to make sure your account balance at retirement reaches the TotalSavings estimate.
 - b. If your SafeSpend% is greater than your retirement age divided by 10, then you should consider working longer or cutting back your planned spending. You won't be able to spend at your desired level without a significant chance of running out of money.
 - c. If your DesiredSpendAmt is greater than your SafeSpendAmt but not larger than your age divided by 10, then purchasing a lifetime income product will help you reach your spending goal. Go to step 7.
7. Determine the percentage income that an annuity will provide. If you don't have an actual annuity quote, then use

your retirement age divided by 10 as a rough approximation until you get a more accurate number. Different types of annuities provide different percentages of income. Variable annuities are likely to provide the highest potential spending. (AnnuityIncome%)

- The amount that you should spend on an annuity to meet your desired spending goal is equal to

$$\frac{(\text{DesiredSpendAmt} - \text{SafeSpendAmt})}{(\text{AnnuityIncome\%} - \text{SafeSpend\%})}$$

Buying this amount of annuity income will enable you to spend at a safe level and is likely to preserve your level of savings through retirement.

Chart 1 illustrates this process.

Note that your safe level of savings will change throughout retirement as you get older and as future returns and your actual spending change the value of your portfolio. However, you will need to determine purchase guaranteed lifetime income early in your retirement. Most people spend less as they get older because their level of activity goes down, which is unfortunate because the safe level of spending goes up as individuals grow older. If you feel comfortable with it, you can adjust the process above by increasing the safe spending level just a little to account for this. On the other hand, you may want to be saving for potential long-term care needs.

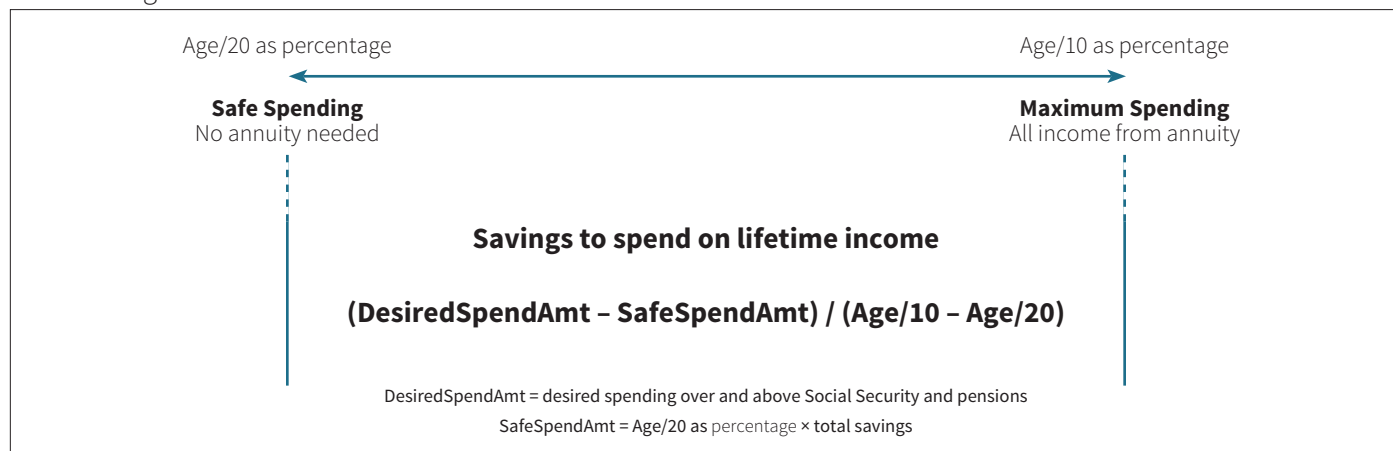
Note that a variable annuity may provide a significantly higher level of income (in step 7, pg. 12), especially if it is a simple product with no guarantees or return of premium features. It comes with investment risk, but is likely to deliver significantly more income over time than a fixed annuity. In most situations,



a variable annuity will provide the essential lifetime guarantee that enables higher spending in a way that maximizes the safe level of spending in retirement.

Not everyone needs annuity income to provide for the spending they want to do in retirement. However, for those who want to increase their level of spending or need to spend more than is advisable based on a reasonable spending strategy, additional guaranteed lifetime income (i.e., above Social Security) will help. Whatever savings is left over after purchasing some type of annuity is likely to be preserved to a large extent and available as a bequest. Spending down savings in retirement isn't something that most people will want to do and will certainly complicate the objective of being able to spend from retirement savings for your entire lifetime.

Chart 1
Determining Lifetime Income Needs



EXAMPLE

The following example illustrates how you can determine a desirable level of lifetime income. Rather than divide your age by 10 to determine the income from an annuity, whenever possible get an actual quote for the type of annuities that you are considering.

Data

- Age = 65
- Savings = \$1,000,000
- Desired Spending = \$75,000
- Social Security (at 65) = \$25,000

$$\text{DesiredSpendAmt} = \$75,000 - \$25,000 = \$50,000$$

$$\text{SafeSpend\%} = 65 / (20 \times 100) = 3.25\%$$

$$\text{AnnuityIncome\% (estimate)} = 65 / (10 \times 100) = 6.5\%$$

$$\text{SafeSpendAmt} = \$1,000,000 \times 3.25\% = \$32,500$$

Savings to Spend on Lifetime Income

$$(\$50,000 - \$32,500) / (6.5\% - 3.25\%) = 538,461$$

Spending Breakdown

- From Annuity = $538,461 \times 6.5\% = \$35,000$
- From Savings = $461,539 \times 3.25\% = \$15,000$
- From Social Security = \$25,000
- Total = $\$35,000 + \$15,000 + \$25,000 = \$75,000$

APPENDIX—ANNUITIES

The options for obtaining guaranteed lifetime income can be identified with one of the categories in the following list. There are numerous variations available within each category.

- **Single premium immediate annuity (SPIA):** pays a fixed amount for your lifetime or a slightly reduced amount if you choose to have the payments continue to your spouse if he or she lives longer than you.
- **Inflation-indexed annuity:** the same as an SPIA except that the initial amount is smaller, and it grows with inflation or by a fixed amount such as 2 percent per year.
- **Variable annuity or indexed annuity:** pays a higher amount than a SPIA initially, and then the amount varies based on investment returns in underlying investment funds or market indexes.
- **Deferred income/longevity insurance:** payments start at some point in the future, for example at age 85, and then continue for the remainder of your lifetime. ■



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Perspectives of Plan Sponsors and Service Providers on Retirement Payout and Support Options: An Interview with Neil Lloyd

By Anna Rappaport

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This issue of *Retirement Section News* is focused on retirement income and support options. Neil Lloyd is responsible for research for the Defined Contribution and Financial Wellness practice of Mercer; he chairs the Retirement Income Committee of the Defined Contribution Institutional Investments Association (DCIIA); and he is the research chair for the Employee Benefits Retirement Institute. In 2018, he testified to the ERISA Advisory Council on retirement income and the employer on behalf of DCIIA. *Retirement Section News* interviewed Neil to learn about his views about plan sponsors and how they are responding to the need to help their employees manage during retirement.

Anna Rappaport (AR): What is your impression of how much plan sponsors are doing to encourage and provide options for the post-retirement period that provide for the regular payout of income?

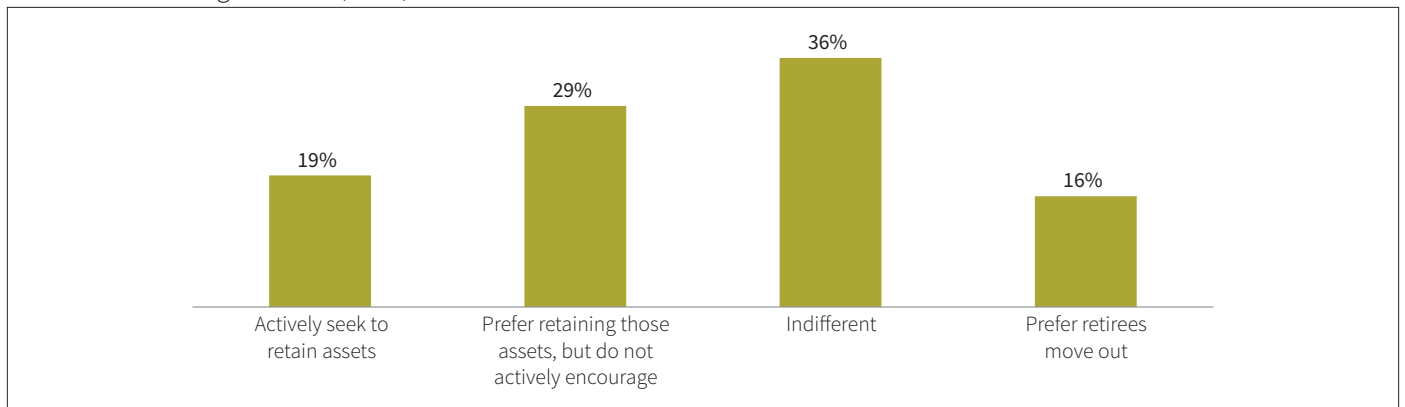
Neil Lloyd (NL): Our experience is that there is a general realization that for the retirement system to be successful, retirees need assistance. Retirees see a multitude of options facing them, and it is pretty clear that retirees need help if they are going to maximize the retirement resources they have, which in many cases is less than would be ideal.

Many plan sponsors have been actively focusing on encouraging retirees to stay in the plan after retirement, and as part of that evolution, we are seeing more plan sponsors allowing partial withdrawals to be taken from the plan. Arguments in support of encouraging retirees staying in the plan and taking partial withdrawals include:

- Larger asset base generally translates to lower asset management costs for all participants; the younger age cohorts also benefit from the scale of the retained older cohorts' assets.
- Retirees can access the same robust plan governance and low costs they had when employed by retaining assets in the employer's plan, which may improve retirement income.

However, it's important to be aware that not every plan sponsor has the same view. The "PIMCO Defined Contribution Consulting Support and Trends Survey" (See Fig. 1) in 2018 showed these varying views. While the survey suggested that 38 percent of plan sponsors supported retaining retirees, 36 percent were indifferent and 16 percent preferred retirees to move out.

Figure 1
Views on Retaining Retirees (2018)



Source: PIMCO Defined Contribution Consulting Support and Trends Survey, April 2018

Probably the biggest reason mentioned as to why a plan sponsor would not want to encourage retirees to stay in the plan is that the employer would be assuming continuing fiduciary responsibility for retiree assets for a group of people who are no longer producing for the company. The other practical reality is that employers only have so much time to devote to their plans, and they may be focused on other issues.

AR: So, what are some employers doing?

NL: Last year I represented the Defined Contribution Institutional Investments Association (DCIIA) in providing testimony to the ERISA Advisory Council that was exploring the issue of lifetime income in defined contribution (DC) plans. At the time, we asked a group of plan sponsors about which lifetime income products they offered through their plans. The answers are shown in Figure 2.

It was noticeable that the most common lifetime income options being used were various diversified investment options and managed accounts. Annuities or annuity support services were less than half as popular. We also need to note that this was probably a more engaged plan sponsor group, since they were a group who were engaged with DCIIA and they had responded to the survey (i.e., with a typical group of plan sponsors, utilization was most likely less).

AR: What barriers do you see that are stopping them from doing more?

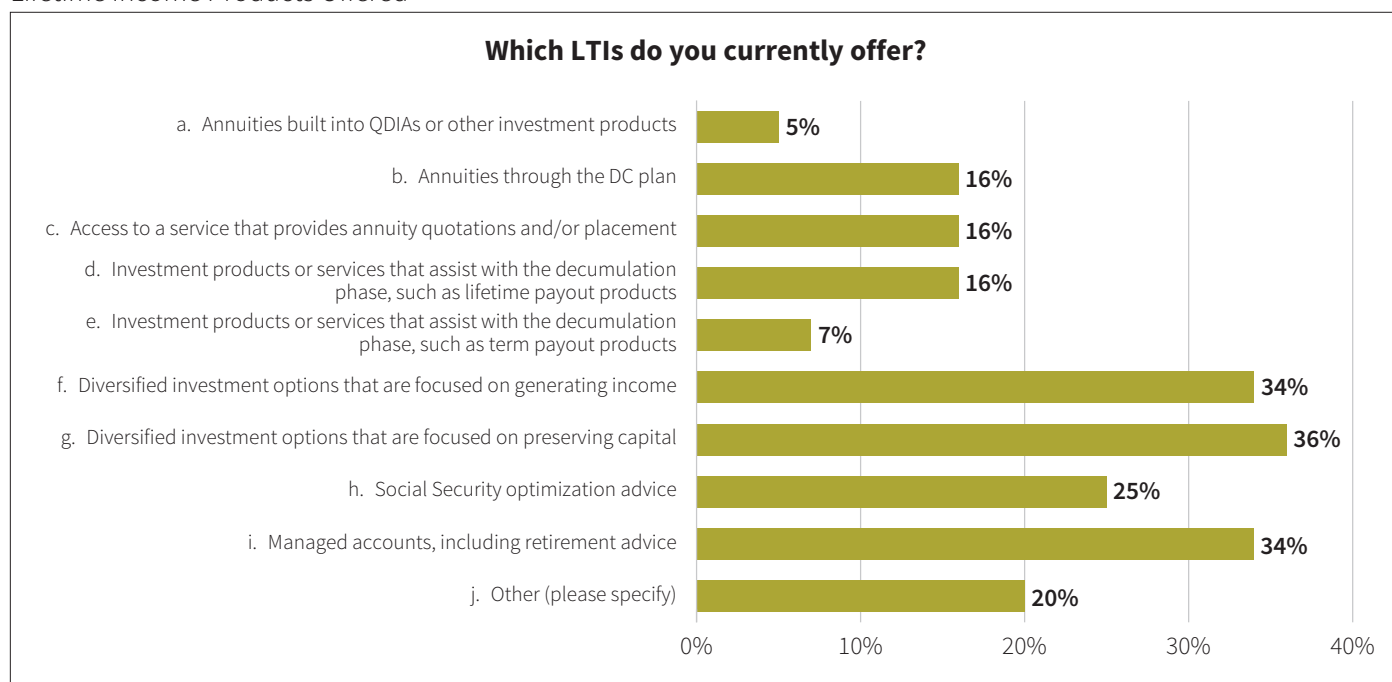
NL: We also asked this question. We actually asked the question of the industry and of plan sponsors and overall the responses were very similar. Figure 3 (Pg. 18) shows the plan sponsor responses.

Unsurprisingly, the biggest deterrent was the absence of a fiduciary safe harbor to implement lifetime income products or services. What is interesting about this is that there are a number of legislative proposals at the moment that would put in place an annuity safe harbor.

In the discussion that took place around these results, an analogy was made with a Matryoshka doll (the set of wooden dolls of decreasing size placed one inside another where you remove one layer only to find another doll). Even if we obtain an annuity safe harbor, there may be another layer of issues to address before widespread adoption. These issues would include high costs, complexity, portability and more.

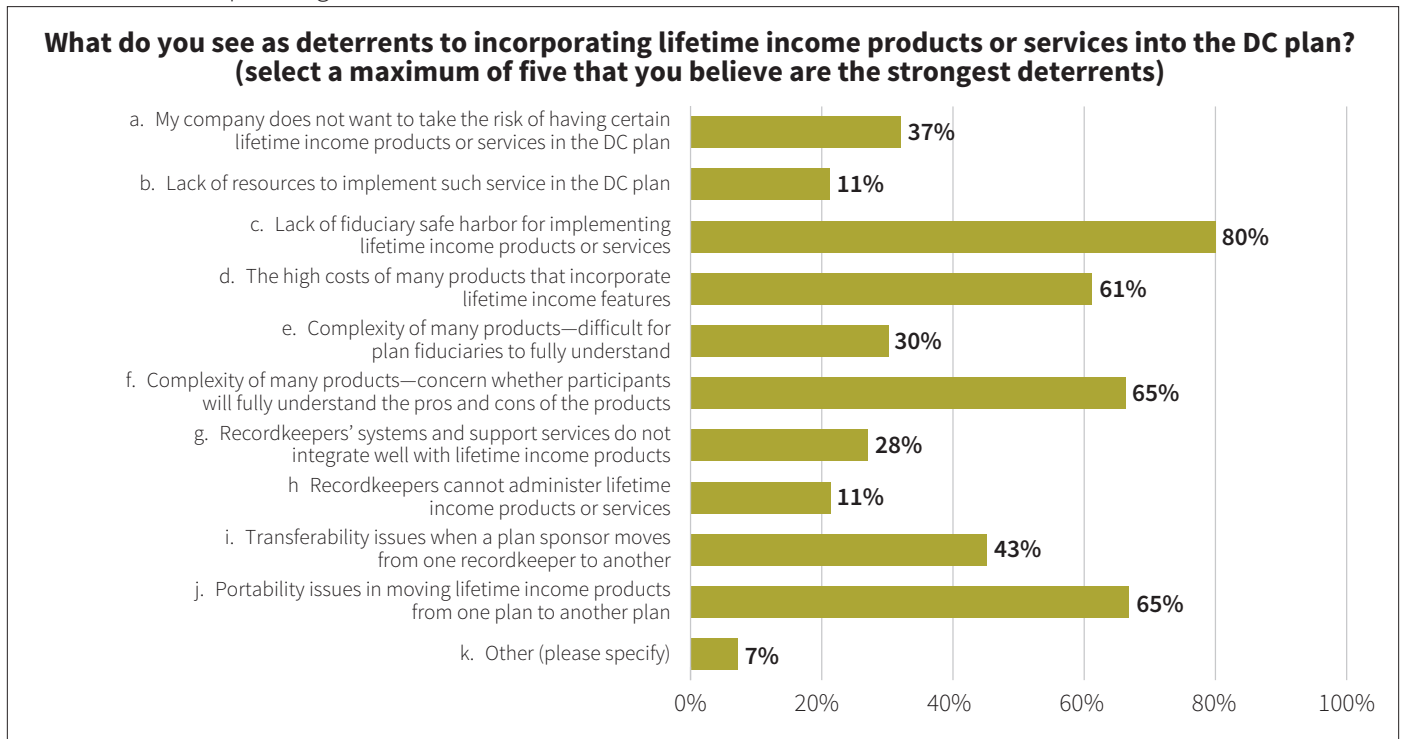
AR: What is your impression of how financial service products are evolving to encourage and provide options for the post-retirement period that provide for the regular payout of income? What are the key features of the products that seem to be gaining the most acceptance?

Figure 2
Lifetime Income Products Offered



Source: Testimony before the ERISA Advisory Council on Employee Welfare and Pension Benefit Plans, *Lifetime Income Solutions as a Qualified Default Investment Alternative (QDIA), Focus on Decumulation and Rollovers*, DCIIA, June 19, 2018.

Figure 3
 Deterrants to Incorporating Lifetime Income Products or Services Into DC Plans



Source: Testimony before the ERISA Advisory Council on Employee Welfare and Pension Benefit Plans, *Lifetime Income Solutions as a Qualified Default Investment Alternative (QDIA), Focus on Decumulation and Rollovers*, DCIA, June 19, 2018.

NL: For a long time, we have seen annuity-based products in the marketplace, and we have seen attempts to integrate lifetime income features, sometimes annuities, into target date funds so they could be included in the plan's Qualified Default Investment Alternative (QDIA). However, while these products have apparently led to some very engaging discussions, there has been limited take-up of these products.

What we have been seeing is the development of less-complex investment offerings that are being positioned as ideal for retirees. These typically have daily liquidity and pricing, institutional type fees (i.e., fees that are not too high) and are not that dissimilar to (in fact, they may be the same as) investment options already in the plan lineup. Based on an informal survey that Mercer conducted of a series of managers in 2017, we ended up classifying these products into four groups:

- Managed/target payout options: investment funds designed in some way to generate (payout) a certain pattern of income.
- Income-oriented asset class portfolios: typically, high-yielding equity or fixed-income funds.

- Multi-asset class funds: that will invest in different asset classes depending on market circumstances all with the purpose of trying to create stable income.
- Other: a catchall for any strategy that did not fit into the other three categories. For example, stable value funds, short duration bond funds, low-volatility equity strategies.

While the idea of retiree-focused investments originally resonated quite well, there were some challenges:

- Newer products had very limited track records and often were investing little more than seed capital.
- It was unclear who was going to explain these products to retirees and how they would fit with existing advice tools in place.

Our impression is that for the products that have been more successful, where success is defined as having added these funds to lineups, it has seemed to be cases with a combination of an existing track record and an existing trusted relationship with the plan sponsor—for example, where the plan sponsor is already using that asset manager.

In addition, we have seen increased interest in managed account solutions. These solutions are not new, but they have enhanced their ability to assist retirees with retirement planning aspects beyond pure investments. Today they will often provide additional advice on social security optimization, Medicare/Medicaid choices, asset location advice, items that can be shown to add real value. In addition, from an investment perspective, they provide a solution more tailored to individual circumstances, and there is general agreement that as one ages, there is increasing heterogeneity and a one-size-fits-all solution is less successful.

In the past when looking at the retirement challenge, there has been too much focus on creating a perfect solution.

AR: How much are they doing to communicate such options?

NL: In the case of managed accounts, the managed account provider will clearly promote their services and actively reach out to retirees and near-retirees.

But otherwise, communication can be a challenge, since the typical communication and recordkeeping infrastructure is not really designed to deal with decumulation; it has been designed for accumulation. For example, typical investment decision tools are not typically focused on drawdown strategies. This is beginning to change, and recordkeepers are evolving in this regard, but this does remain a challenge.

AR: What trends are emerging?

NL: The focus today is increasingly on the concept of the “retirement tier.” A retirement tier is a more holistic concept and can comprise any product, solution, tool or service that simplifies or facilitates the decisions that need to be made by plan participants prior to, at and during retirement, taking into account their own household circumstances in order to ultimately generate income.

Essentially it is a way of looking at your plan where you agree to consider what can be done to assist those near, at or in retirement.

In practice, in creating a retirement tier, you do need to consider plan design, in particular whether or not you wish to allow partial withdrawals, since that influences what else you may want to

do. In addition, you need to consider the role the recordkeeper can play and the optionality they provide—this is critical since the recordkeeper is a key point of contact, particularly for those in retirement.

But beyond that, there is a wide range of solutions that can be included, some examples being:

- Targeted communication
- Diversified (nonguaranteed) investments solutions
- Tools and advice
- Products with guarantees (e.g., annuities)
- Consolidation service

AR: Why do you think the retirement tier may be more successful than other approaches?

NL: I think our feeling is that in the past when looking at the retirement challenge, there has been too much focus on creating a perfect solution—the silver bullet or creating a very in-depth menu of options for retirees. In many cases, the thought of going through such an extensive exercise has been too much, given all



the other pressures facing employers, whether it be other plan issues or simply their job outside of the DC plan.

With the retirement tier, increasingly the focus is on encouraging plan sponsors to look for something that can be done that can assist retirees, and that's simple to do. We would rather see lots of plan sponsors taking one small step forward; over time, the retirement tier can be fleshed out: We don't need to make it an overwhelmingly complex and time-consuming undertaking.

AR: How do you see the future of the employer/plan sponsor role in providing income post-retirement?

NL: While there is no doubt that the support employers have provided to U.S. workers has been a key reason why many do have reasonable retirement resources, but there is an interesting question as to what type of system is best at supporting post-retirement initiatives. As mentioned earlier, not all employers believe they need to focus on retirees.

There are current proposals dealing with the introduction of Open Multiple Employer Plans (MEPs) and Association Retirement Plans. What is interesting with these initiatives is that the overseas experience has shown that similar open plans have quickly focused on lifetime income initiatives in a way for these plans to retain assets in retirement as a commercial imperative—an incentive employers do not have.

So, while I certainly hope we see more employers warming to the retirement tier concept, I am pretty sure that if we get Open MEPS or similar, retirees will be a focus for them.

AR: Are there any references you recommend on these topics?

NL: In the current environment, I would recommend that anyone involved with a DC plan to keep an eye on regulatory and legislative developments. There is a lot of retirement legislation being proposed at the moment, almost all of it including lifetime income features. In addition, retirement legislation seems to be bipartisan in nature, so the prospects for legislative change are much greater than in some other areas.

Finally, in my view, I find many people within the industry fall into the trap of thinking about retirement as a math or engineering problem. That's a mistake—retirement is an essentially human experience with a lot of behavioral biases behind the decisions we make that influence what we truly aspire to in retirement. I believe it is absolutely essential to do what we can to understand what retirees' needs and wants truly are—not just focus on what we think retirees' needs and wants should be. With this in mind, I highly value the work performed by the SOA Post-Retirement Needs and Risks Committee and find their work with surveys and focus groups absolutely essential to understand what retirees are truly interested in—and it's often not what you think. ■



Anna M. Rappaport, FSA, serves as chairperson of the Committee on Post-Retirement Needs and Risks (PRNR) and the Steering Committee for the Aging and Retirement Strategic Research Program. She can be contacted at anna.rappaport@gmail.com.

Beneficiary Forms in an Era of Expanding Family Structure

By Linda Koco

Editor's note: This article first appeared in the May 2019 Society of Actuaries monograph "Family Structure, Roles and Dynamics Linked to Retirement Security." It is reprinted here with permission. Copyright © 2019 Society of Actuaries. All rights reserved.

It's not the same old, same old with beneficiary designation forms. The forms have been changing over recent decades, actually expanding in the information sought and the information and education provided. This includes beneficiary forms in insurance, banking, brokerage and employee benefit plans, among others.

The shift is interesting by itself, but made even more so by another expansion that seems to have occurred during roughly the same period. This is the expansion of the American family structure from the nuclear family that dominated the American scene during much of the second half of the 20th century to the slow but steady rise in nontraditional families or new American families.

The two trends are not causally related, but they do have interplay. That has meaning for financially oriented businesses,



which may see in the trends the groundwork for more expansion in beneficiary forms in the future. This paper looks at what has happened in this area and what enhancements could lie ahead in light of the expansion in family structures.

First, some words about family structure. The Census Bureau defines a "family household" as one maintained by a householder who is in a family (i.e., at least one is a person related to the householder by birth, marriage or adoption), and includes unrelated subfamily members and/or secondary individuals who may be residing there.¹ By that measure, family could include the traditional nuclear family (two parents and children born to or adopted by them) as well as household groupings such as single parent, stepparent and grandparent.

Broader depictions of family have arisen too in everyday conversation. These include cohabiting partners, community living groups or "tribes," skill-based teams at work, married but childless, and solo/elder orphans living in "framily" (friends and family) settings. The people who speak of these groupings aren't talking bloodline or law, but they are talking feelings, expectations and sometimes kinship-style support: "These are my people. They're not relatives, but they're mine."

In a 2015 whitepaper, researchers for Allianz Life Insurance Company of North America identified additional "modern family types." These include, among others: multigenerational; same-sex couples married or unmarried with or without children; parent/s age 40+ with very young children; and boomerang (parents with an adult child who has returned to live with the family).²

At first blush, it may seem that beneficiary designation forms have nothing to do with the expanded concept of family. After all, Americans have always been able to include names of nonkin individuals as well as traditional family relatives on the forms, whether as primary or secondary beneficiaries. In addition, they could always name charities and other institutions as beneficiaries too.

The National Association of Insurance Commissioners (NAIC) put any doubts about that to rest 10 years ago. The organization issued a statement saying, among other things: "You can name your spouse, domestic partner, children, grandchildren, relatives, friends, charities, businesses, trusts or your estate as your beneficiary."³

CONFUSION

Some people remain confused, however. They say they've heard that nonrelatives who are named on a beneficiary form "will never collect." Others aren't sure how to fill out the forms "the right way" so this won't happen. Still others don't know how to

decide whom to name. Some don't know they can write down several people, and on it goes. These comments bubble up in private conversations, financial seminars, community gatherings and general buzz. Though not quantified by consumer polls, many people expressing this confusion seem to be individuals in nonnuclear families.

To some extent, such assumptions may be expected. The nuclear family was by far the most dominant type of family for much of the second half of the 20th century. In 1960, according to the U.S. Census Bureau, the proportion of children younger than age 18 living with two parents (i.e., a nuclear family) was roughly 87 percent in 1960 (see Figure 1).⁴ It is not a stretch to see that nuclear family ideation could, and probably has, influenced people reared during that era. In some cases, this influence can be powerful enough to cause even those now living in nontraditional family structures to focus on naming only bloodline or adopted beneficiaries.

A final factor that may be contributing to consumer confusion is the beneficiary forms themselves. Some are simplified forms that typically ask for the primary beneficiary's name, relationship, mailing address, phone number and maybe a contingent beneficiary, but they tend not to include definitions or relevant

education or information about filling out the forms. In today's market, simplified forms like this might go to applicants for small face amount life policies (mail order policies), a young adult's first bank savings account or other basic products.

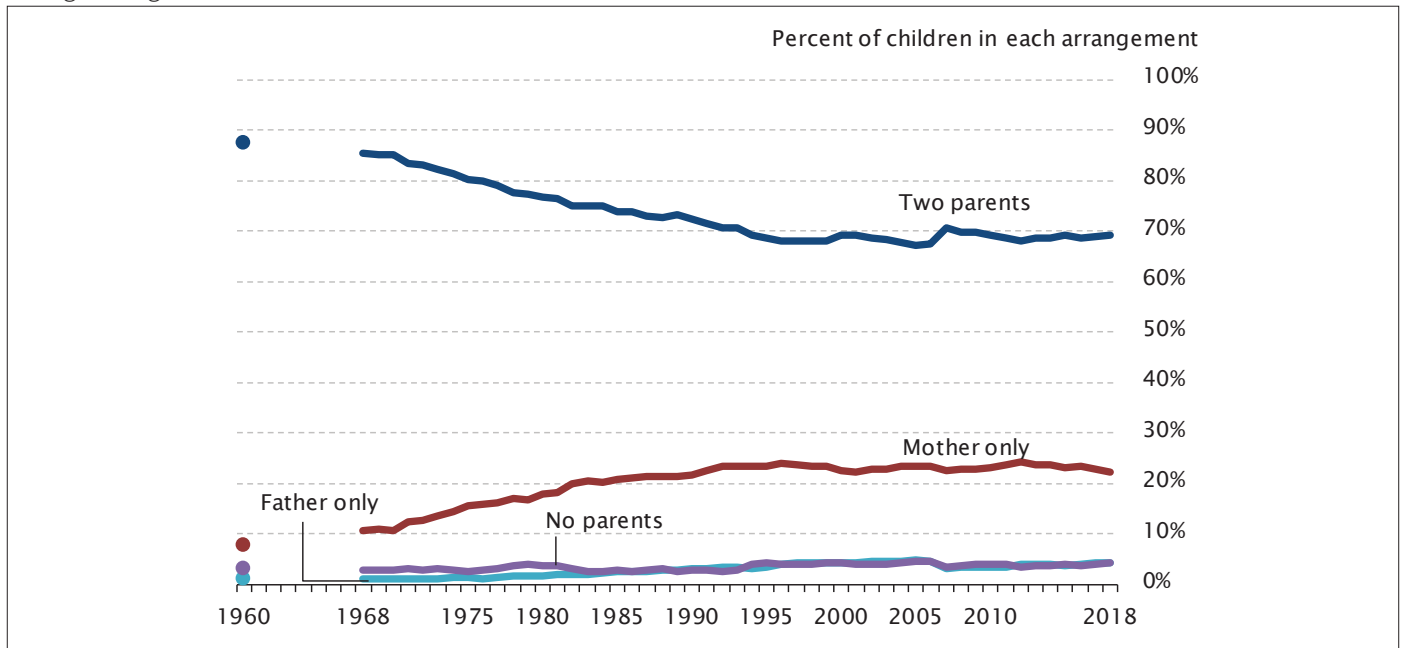
The problem is, the lack of informative content does little to enlighten people who live in nontraditional family settings but who still believe they must enter names of bloodline or adopted relatives for the beneficiary question. They could always ask around or do some research to learn if that is so, but how many will bother? This author has met people who walk away rather than check it out.

INNOVATIVE RESPONSE

Some leading insurance/financial/banking/benefits concerns have taken a different tack. The beneficiary forms they provide include fairly extensive beneficiary materials, including expanded forms plus accompanying educational information.

It is difficult to say that expanding family structures "caused" these firms to move in this direction. Many socio/economic trends influence design. However, it is noteworthy that the expansion has occurred even as the proportion of nuclear families has declined and the proportion of nontraditional family

Figure 1
Living Arrangements of Children: 1960–Present



Note: Direct identification of both parents began in 2007, resulting in the ability to identify children living with two unmarried parents.

Source: U.S. Census Bureau. Current Population Survey. Accessed Nov. 18, 2018. <https://www.census.gov/content/dam/Census/library/visualizations/time-series/demo/families-and-households/ch-1.pdf>; U.S. Census Bureau, Decennial Census, 1960, and Current Population Survey, Annual Social and Economic Supplements, 1968 to 2018.

structures has risen. Figure 1 from the U.S. Census Bureau shows that dramatic shift.

How have beneficiary forms changed during this period of expansion? Some examples follow. They point to a decided effort to provide consumers with more education on the forms and on beneficiaries in general.

Family structures are less rigid than some people may think. They evolve due to a myriad of trends.

Offer a Separate Guide to Understanding Forms

These are educational sheets or brochures, usually available online. They tell what beneficiary designations are for, include some definitions, and point out that people can have multiple beneficiaries, primary and contingent, whether related by bloodline or not. A few list things to think about before writing down names. Some indicate whether and how to make changes.

Who benefits: Just about everybody who is not well-versed in financial forms could benefit, whether the product is insurance, banking, securities or employer-based. Some people may want to write names of not only relatives but also certain close others, and perhaps charities too. They may be wondering how to go about doing that in a fair, equitable and legal way. A guide like this could help.

Provide Examples

In addition to listing steps for filling out the form, a few firms include an example or two of how a form might look when filled out properly (using fictional names, etc.). A few explain why it could be filled out that way,

Who benefits: Again, just about everyone with questions could benefit, especially if they are in a nontraditional family structure and trying to figure out what is allowed and what is not.

Put the Beneficiary Section in a Table

People can write the name of one primary beneficiary on each line, with the necessary identification and contact information in the adjacent boxes, including amount of bequest. In another section, or a similar table, the person can write the name of contingent beneficiaries if desired and their associated contact information.

Who benefits: People who like orderly presentations will appreciate seeing a form like this. The table format helps organize

thinking, as opposed to forms that simply list name, address, relationship, and so on, down the page. Also, the lines for entry of several names sends a subtle message that yes, you can have more than one or two primary beneficiaries and contingent beneficiaries if you want.

Include Instructions about Marital Status

This educational section typically has a few short sentences that include some pointers about each status—married, divorced, unmarried, engaged to marry or widowed.

Who benefits: Many times, people are in expanded family structures for a period in their lives—while waiting to marry, divorce, and so on. Such individuals could find that such a section clarifies issues or brings to the fore some points not previously considered.

Include a Reminder Section

A lot of forms today remind the person to

- Add a separate sheet if he or she wants to add more beneficiaries.
- Change beneficiaries should divorce, remarriage or other major changes occur that make this advisable.
- Update contact information of primary beneficiaries who relocate.
- Check to be sure that listed beneficiaries are in sync with one's will or other legal instruments, especially when updates have been made.
- Be sure, in qualified benefit plans, that the chosen beneficiary names are in accord with legal requirements.

Who benefits: The reminders make clear this is not a set-it-and-forget-it form and that it is smart to check the named beneficiaries periodically. At time of bereavement, the updated forms should make things easier for all parties concerned.

Include Beneficiary's Social Security Number

A number of financial institutions are requesting this information as one more detail to help identify and locate the beneficiary when the time comes.

Who benefits: Providers say this information can help them speed the process of locating and verifying, which can be important for recipients. However, as discussed later, not everyone wants to enter this information, so firms need to research their options here carefully.

A TEAM APPROACH HELPS

Some upgrade ideas may raise legal, compliance or process issues that designers have not anticipated. For that reason, most developers recommend seeking input from legal and other experts early in the design process.

WHAT'S NEXT?

Some potential areas for future enhancements include:

- **Include a list of categories of people and institutions that can be named as beneficiaries.** NAIC's list could be a start. These lists can easily fit the parameters of the simplified beneficiary forms still in use today as well as of more extensive forms. The list helps reinforce the message that beneficiary options are wide, not narrow, and can include relatives but also others. Reviewing the list may spur people to evaluate what they really want to accomplish.
- **Provide access to online information about beneficiary forms.** This applies to firms and institutions that continue to use simplified forms. Some firms may not want to “clutter” those simple forms with explanations. Providing an online link to an information page would not add clutter and could help interested consumers who have computer access. Call center and email support can also help.
- **Emphasize the value of choosing beneficiaries carefully.** People living in nontraditional families may need to be encouraged to consider everyone in their sometimes very broad, or surrogate, family network. Who may have the greatest need? Who will put a bequest to good use? Who might have no need for money at all?
- **Consider asking for the Social Security numbers of human beneficiaries.** This can be a sensitive area. Although the information can help financial firms confirm identity and speed delivery, some people resist. They may not have the numbers of loved ones, regardless of family structure but especially in nontraditional families. Some do have the numbers but are reluctant to give them out due to privacy concerns. Others hesitate to request the number from a loved one because they do not want to disclose beneficiary status. Some who do request the number get a firm “no” plus some ruffled feelings. Others get a flat “yes, and I will phone it to the company tomorrow” but the call never occurs. A possible workaround: Ask for the beneficiaries’

Social Security numbers, but don't make it mandatory. Also, request a working email address.

FINAL THOUGHTS

Adult orphans have beneficiary issues too. As people age, nuclear family members often predecease them, become disabled or are otherwise absent. Some elders who are “orphaned” this way create or enter support networks with friends, neighbors and community groups. Some now term these support networks “framilies,” meaning friends who function as family. Some even name family members as their powers of attorney and include them in, yes, their beneficiary designation forms.

Nonkin networks like this are not a new phenomenon. Throughout American history, people who are not related by bloodline or law have banded together to help one another, and even live together, like family. The family is a modern-day expansion of that. Insurers, banks, brokerages, employers and other financial providers might want to stay abreast of this development along with other family structure trends. This may help determine how best to reshape their beneficiary forms in new and relevant ways.

In sum, family structures are less rigid than some people may think. They evolve due to a myriad of trends. The job of the financial sector is to keep up with the trends and anticipate how to respond effectively to needs as they arise. ■

Linda Koco, MBA, is a writer and editor specializing in retirement trends, insurance and financial products, and related issues. She can be reached at koco4insight@outlook.com.

ENDNOTES

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Update on the Committee on Post-Retirement Needs and Risks as of March 2019, Including Information on the Aging and Retirement Strategic Research Program

By Anna Rappaport

This is an update about the Society of Actuaries (SOA) Committee on Post Retirement Needs and Risks' (CPRNR) activities and work. This work is a part of the activity of the Aging and Retirement Strategic Research Program. The SOA greatly appreciates the CPRNR's work of and that of the other groups within the SOA that have contributed to aging- and retirement-related research. That work is very important in recently expanded research efforts.

RESEARCH

Integrated Strategic Research Programs for the SOA

The SOA Board committed in October 2017 to establishing several areas for integrated larger research programs as part of a strategic initiative. Five initial programs will be launched over the coming years with the first program launched in October 2018 covering all of the SOA's aging- and retirement-related research. The CPRNR's work is an important part of this program. The steering committee for the Aging and Retirement Research Program has met regularly over the last nine months to launch the effort and focus on new projects to be added in 2019. Anna Rappaport is chairing the steering committee. In addition to proceeding with open projects, the CPRNR is also working with the steering committee of the new program to help with program efforts.

A special survey titled "Financial Perspectives on Aging and Retirement Across the Generations" was released as part of

the Aging and Retirement Strategic Research Program launch. More information on this is noted below.

CPRNR Categories of Research

The CPRNR work includes research on public knowledge and attitudes, public and consumer information, a series of projects on retirement income solutions, calls for essays and more.

Public Attitude Research

The SOA's public attitude research program started nearly 20 years ago. This has been the core repeated work of the CPRNR, and it has been a consistent source of good press coverage for the SOA. The SOA has several active and recent projects that include public attitude research.

"Financial Perspectives on Aging and Retirement Across Generations"

As a major part of the launch of the Aging and Retirement Strategic Research Program, the SOA has conducted a survey of financial attitudes and concerns across five generations. This was a new direction for the public attitude research. This work includes information on how financial attitudes and behaviors vary across the generations and how they are the same. It includes a special report on financial fragility and one on impact of family. There is also a special report on millennials that goes in-depth on issues and results on this generation.



Risk Survey Series

The biennial risk survey is CPRNR's major ongoing Committee project. 2017 is the most recent completed survey year. Greenwald & Associates, the survey vendor since the first report, conducted the survey on the same online basis as in 2013 and 2015. The four topics of special interest explored in this iteration of the survey were long-term care, caregiving, financial wellness and housing. Planning has started for the 2019 risk survey. Preliminary results are expected to be released at the 2019 SOA Annual Meeting & Exhibit.

Life Journey Study

Interviews and survey of adult children of people deceased later in life: Greenwald & Associates is conducting this project to fill in some of the missing pieces in understanding the retirement period through the end of life and some of the issues related to different family situations. This survey will focus on children with parents who died older than 85 using interviews to help inform the survey questions.

Recently Completed

Age 85 and over interviews and surveys: One of the selected topics for 2016 was the age 85 and over population and understanding these individuals' experiences. One of the goals of the project was to fill a major gap in our understanding: what happens at age 85 and over. An in-depth interview study has been completed with participants in the U.S. and Canada.

Two surveys—a telephone survey of this age group and an online survey of children with parents in this age group—were also completed and the report is on the SOA website. Survey results are generally consistent with the interviews.



PUBLIC AND CONSUMER EDUCATION PROJECTS

These are ongoing projects that started in earlier years.

Updates to Managing Retirement Decisions briefs: This effort is focused on updating the existing Managing Retirement Decisions briefs series as well as creating a new one on taking lump sums. Six of the 11 original decision briefs have been updated and posted on the SOA website along with the new brief on lump sums. Other updates are in process.

Retirement Literacy Public Education

We are partnering with Financial Finesse to do a series of fairly short pieces offering retirement education aimed at consumers and suitable for plan sponsors' use. The first three pieces—"Retirement Health and Happiness," "Retirement Planning from Start to Finish" and "A Spending Plan for Retirement"—are completed and posted. These publications will work well as a companion to the Managing Retirement Decision Briefs and Longevity Infographics series (see next section). The fourth piece is on selecting retirement planning tools and is nearing completion.

Communicating About Longevity Risk—An Infographic Series

This effort was focused on creating a series of infographics related to longevity. Five are completed. The first infographic used results from the SOA/AAA Actuaries Longevity Illustrator. It was extremely well-received and promoted further interest in the Longevity Illustrator, which calculates life expectancy, etc. The second infographic was on shocks, the third was on inflation, the fourth on housing, and the fifth on long-term care.

Essay Series

The CPRNR has decided to make a call for essays an annual event. The 2015 Diverse Risks call for essays led to 18 essays, and a collection posted in 2016, plus sessions at the 2016 SOA Annual Meeting.

The 2016 Financial Wellness call for essays led to 14 essays that were submitted and published in a collection released in April 2017. Two sessions were held at the 2017 SOA Annual Meeting. This topic was also explored in the *2017 Retirement Risk Survey*.

The 2017 call for essays topic was "Securing Future Retirements: Innovations in Planning Strategies, Financial Products, and Employee Benefit Plan Structure." A collection of 18 essays was released in late May 2018, and prize-winning essays were published in the Retirement Section News, spaced out over the year. There were two 2018 Annual Meeting sessions on these essays.

Family structures and issues in retirement is the 2018 essay topic and eight essays have been accepted for publication. Publication of the essays is slotted for mid-spring 2019 with prizes for several essays to be announced at that time. A topic for 2019 will be chosen soon.

RETIREMENT INCOME SOLUTIONS PROJECTS

These projects are all in collaboration with the Stanford Center on Longevity. Steve Vernon is the lead researcher on all of these projects, working with Joe Tomlinson and Wade Pfau. There are five projects in this series. Four are completed, all primarily dealing with retirement income in employer-sponsored defined contribution plans. The fourth project extended the optimal retirement income modeling work to the retail world and individual market, including reverse mortgages. It was issued in December. SOA participation in this fourth project included the CPRNR, the Retirement Section Council and the Retirement Section Research team.

A fifth project is nearly complete and focuses on a retirement drawdown strategy of late claiming of Social Security, plus taking the required minimum distribution as a default option.

Making Our Work More Accessible:

A series of reports “Understanding and Managing Post-Retirement Risk” combines findings from prior SOA research (and in some cases, other research) to provide an integrated report on a topic and good references to the sources where the topics are explored. These reports offer a way to get a consolidated and accessible view of the CPRNR research. They are good for meeting handouts, giving to clients, etc. Five are complete to date: *Post-Retirement Risks and Related Decisions*, *Shocks*

and the Unexpected, *How People Plan for Retirement*, *and Women and Post-Retirement Risk*, *and Retirement Experiences of People Age 85 and Over*.

Committee Discussions

There have been several online discussions between the committee’s interested parties that turned out to be very enlightening. We are working to turn these into reports of the key points raised, grouped by topic. We published the first one in December focused on cognitive decline issues: <https://www.soa.org/research-reports/2018/cognitive-conversation>.

Presenting Our Work

The CPRNR has been actively working to present our work to a range of different audiences. Carol Bogosian, Anna Rappaport and Cindy Levering have presented the work at a number of SOA and other organization conferences. Select presentation venues include annual meetings and conferences for the SOA, NAGDCA and the Plan Sponsor Council of America (PSCA), among many other organizations. More presentations are scheduled and upcoming in 2019. As mentioned earlier in this article, there has been consistent press coverage in many media outlets of the work with articles. To round it out, there have also been several SOA podcasts highlighting this work that are available on the SOA website. ■



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