MEMO# 16254

July 1, 2003

INSTITUTE LETTER CONCERNING H.R. 2458, THE "SECURE ANNUITY INCOME FOR LIFE ACT OF 2003," INTRODUCED BY REPRESENTATIVE POMEROY

[16254] July 1, 2003 TO: BOARD OF GOVERNORS No. 32-03 FEDERAL LEGISLATION MEMBERS No. 10-03 PENSION MEMBERS No. 28-03 PENSION OPERATIONS ADVISORY COMMITTEE No. 34-03 RE: INSTITUTE LETTER CONCERNING H.R. 2458, THE "SECURE ANNUITY INCOME FOR LIFE ACT OF 2003," INTRODUCED BY REPRESENTATIVE POMEROY The Institute recently sent the attached letter concerning H.R. 2458, the “Secure Annuity Income for Life Act,” to the bill’s cosponsors. H.R. 2458, which was introduced in the House of Representatives by Congressmen Earl Pomeroy (D-ND), Johnny Isakson (R-GA), Phil English (R-PA) and Rob Andrews (D-NJ), would allow taxpayers to exclude from income a portion of their retirement distributions received in the form of an annuity from defined contribution plans, defined benefit plans or IRAs. In the letter, the Institute recommends that should Congress provide favorable tax treatment to annuitized distributions from retirement plans, the same treatment should apply to comparable forms of distribution, such as periodic payments distributed over life expectancy or other extended periods. The letter observes that a periodic payment method may be more suitable for an individual for a number of reasons. For example, periodic payments: (1) provide an easy-to- understand, structured form of income stream over life expectancy or another long-term period, much like that provided by an annuity, but typically at lower cost; (2) provide a greater measure of flexibility to receive additional amounts to meet immediate, unexpected financial needs (such as medical emergencies or other unforeseen events that may occur during an individual’s retirement years); (3) allow an investor’s assets, while they may still be substantial, to pass to one’s heirs following death; and (4) allow investment flexibility depending on an individual’s level of risk-tolerance or other annuitized assets, such as benefits under Social Security or a defined benefit plan. Matthew P. Fink President Attachment (in .pdf format) 2 Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (http://members.ici.org) and search for memo 16254, or call the ICI Library at (202) 326-8304 and request the attachment for memo 16254.

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