

Retirement Income Planning: Lifetime Income Illustrations



One of the most common questions that retirement savers ask themselves is “how much do I need to be saving for retirement?” To help you gain some perspective on the answer, an illustration is now included on your quarterly account statement.

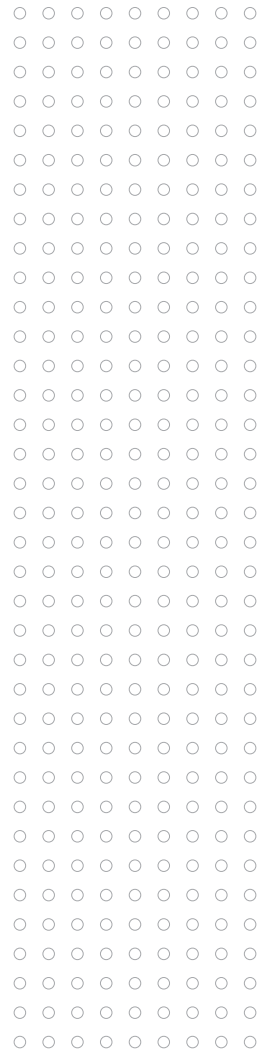
The Lifetime Income Illustration appears on your statement at least once a year, and perhaps more frequently. Here are some general questions and answers regarding this saving tool.

What Are The Lifetime Income Illustrations?

The SECURE Act (Setting Every Community Up for Retirement Enhancement), signed into law back in 2019, requires a retirement savings balance to be included on your account statements as both a current account balance and as an estimated lifetime stream of payments. Using assumptions set forth in the legislation, plan administrators must now show you a projection of your retirement savings as monthly income under two potential scenarios. The first scenario is as a single life income stream (sometimes referred to as a “single-life annuity payment”), which is based on your life expectancy. The second scenario is as an income stream that factors in a survivor benefit (sometimes referred to as a “qualified joint and survivor annuity payment”, or QJSA). This means a continued benefit payment to a surviving spouse, partner or other dependent.

How Will This Help You With Retirement Planning?

The goal of this new legislation is to help you understand how your savings translates into retirement income. Retirement plan savings are meant to last you through many years of retirement. Seeing what your balance could mean in terms of an estimated monthly dollar amount can help you fine-tune your retirement planning from both a savings and spending perspective.



What Assumptions Are Used in the SECURE Act Retirement Income Projections?

The lifetime income projections that you will now see on your account statement include these basic assumptions and additional information:

- Normal retirement age of 67, chosen to reflect when most people reach full retirement age for Social Security claiming purposes (versus the typical retirement age of 65 years).
- Benefit start date and age assumptions.
- Projections are based on the your current balance and assume no further contributions.
- Interest rate (very conservative) is based on the 10-year Constant Maturity Treasuries (CMT) securities yield rate for the first business day of the last month of the period to which the benefit statement relates.¹
- Marital and mortality assumptions.
- Definitions of single-life annuities (SLAs) and qualified joint and survivor annuities (QJSAs) and how they work.
- Language illustrating that these illustrations are estimates only.
- The fact that estimated monthly payments aren't adjusted for inflation.
- Other factors to consider which may significantly influence monthly payments.

What if You Have Already Been Receiving an Income Projection on Your Quarterly Statement?

You may have already been provided with an income projection on your quarterly account statement that is calculated by your plan's recordkeeper. These projections estimate the amount you will have at normal retirement age (which is 67 for many people) if you continue to contribute at the same saving rate. Lifetime income illustrations under the SECURE Act require illustrations based on your current account balance (as opposed to projecting it to normal retirement age) and assume no further contributions. Going forward, some plan recordkeepers may continue to provide additional illustrations to supplement (but not replace) those illustrations required by the SECURE Act.

Should you have any questions regarding the lifetime illustration requirement, please don't hesitate to contact your plan advisor at HUB Retirement & Private Wealth.

¹ As an example, the rate as of March 1, 2024 was 4.19%.

Sources: Pension Benefit Statements: Lifetime Income Illustrations – Interim Final Rule (Department of Labor): <https://www.dol.gov/agencies/ebsa/laws-and-regulations/rules-and-regulations/public-comments/1210-AB20-2>

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors or will yield positive outcomes. Investing involves risks including possible loss of principal. Any economic forecasts set forth may not develop as predicted and are subject to change.

HUB Retirement and Private Wealth employees are Registered Representatives of and offer Securities and Advisory services through various Broker Dealers and Registered Investment Advisers, which may or may not be affiliated with HUB International. Insurance services are offered through HUB International, an affiliate.