

August 2, 2019

Re: Ethan Schwartz Opinion Piece dated July 29

To: Mr. Mark Whitehouse, Editor, Bloomberg Opinion

Dear Mr. Whitehouse,

I am writing in response to Ethan Schwartz's opinion piece published July 29, "Congress's SECURE Act Could Ruin Your 401(k)," and its unfounded criticism of annuities and of House Ways and Means Committee Chairman Neal. First, I want to be clear that I represent the National Association for Fixed Annuities (NAFA), and we support the SECURE Act that incorporates long-supported bipartisan and bicameral provisions that will provide robust new retirement savings options and enhancements for millions of Americans. Significantly, the bills stand to increase retirement savings and improve the employer-provided retirement system by expanding small-employer retirement plan coverage and promoting worker participation and education. NAFA is especially encouraged that the bills will facilitate enhanced annuity options within small-employer retirement plans, something that will help address longevity issues and other risks by providing American workers with a source of stable lifetime income throughout retirement.

As with any legislation, there have been several criticisms of the SECURE Act; however, this legislation is based on compromise and choices of many constituencies in our Republic. Collectively, the SECURE Act changes are critically important in addressing the present retirement crisis. We applaud Chairman Neal and the other 58 co-sponsors of the legislation, including 36 Democrats and 22 Republicans, whom Mr. Schwartz failed to mention. In addition, the House passed the Secure Act with a 417-3 vote, which is a true testament to its sound public policy.

Interestingly, Mr. Schwartz opines that 401(k) plans have a "mediocre track record" and that track record is with plan sponsors and providers having a "fiduciary" obligation to participants. His solution is to compare annuities to low-cost bond and equity funds, and this is simply a false narrative due to the lack of analyzing the needs of various participants in 401(k) plans. Participants in the retirement income stage have unique needs and face different risks than those in the accumulation stage. Will Mr. Schwartz's investment alternatives guarantee a lifetime income to a 401(k) participant or offer protection from sequence-of-return risk during the inevitable market downturns in a potential 20, 30 or even 40 years of retirement? While the suggested investment alternatives are pivotal to an overall 401(k) plan, they cannot by

themselves provide a stable lifetime income to its participants. That is why it is prudent to offer alternatives that mitigate participants' respective risks.

The other misleading premise in this article is the notion that 401(k) providers will be dupes to "insurance agents who typically peddle the worst products." First, the SECURE Act specifically provides that a 401(k) sponsor must provide a reasonable, objective, thorough and analytical search for the annuities offered to participants; this includes an analysis of costs and benefits. Second, I take offense to Mr. Schwartz's unfounded and egregious characterization of the annuity marketplace, a trillion dollar industry that provides much-needed retirement security to millions of Americans. Maybe he should spend more time educating the public on the importance of understanding the various risks associated with their potential years in retirement, as well as the products and solutions available to address those needs and risks, rather than evidencing his clear bias for certain products. I believe that is part of his obligation as a financial advisor.

As we search for opportunities to help close the retirement savings gap and to improve the financial security of American families, we applaud Congress's efforts to pass the SECURE Act and focus on delivering actionable ways to help consumers move from saving and accumulating assets to maximizing stable retirement income and securing their golden years.

Sincerely,

A handwritten signature in black ink, appearing to read "C DiVencenzo", with a stylized flourish at the end.

Chuck DiVencenzo
President & CEO
NAFA, the National Association for Fixed Annuities