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## Guardian Expands Program to Help Protect Retirement Plan Contributions

**NEW YORK, N.Y., April 30, 2008**—The Guardian Life Insurance Company of America (Guardian) has announced a number of enhancements to a special program that offers individual disability income (IDI) insurance protection specifically to help protect retirement plan contributions.

The Retirement Protection Plus (RPP) program—introduced to the IDI marketplace five years ago by Berkshire Life Insurance Company of America (Berkshire), a wholly owned stock subsidiary of Guardian—remains one of the few programs that will cover up to 100% of retirement contributions made to a qualifying defined contribution plan in the event that they were suspended or stopped permanently by a career-threatening disability. The need for such a program was underscored by the findings of a late 2006 Guardian study, *Insurance & Behavior – Spotlight on IDI*, which revealed that nearly half (48%) of Americans would probably have to stop making contributions to their retirement account should they become disabled.

“This statistic is very alarming as we shift toward a defined-contribution model for retirement in which more Americans have personal responsibility for their retirement savings,” said **Laura E. Hahn**, Director of Core Product Marketing at Berkshire.

The Social Security Board of Trustees recently projected<sup>1</sup> that tax revenues will fall below Social Security program costs in 2017, and that Social Security Trust Funds will be exhausted by 2041.

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<sup>1</sup> Social Security Board of Trustees, 2008 Annual Report to Congress, March 25, 2008.

“Given the anticipated shortfall of Social Security retirement benefits, Americans are at particular risk because they are not protecting their ability to save for retirement,” Hahn noted. “If they are unable to work for a period of time due to accident or illness, they may be forced to stay in the workforce longer than desired to make up for the lost savings, or worse, forced to retire without an adequate nest egg.”

Fortunately, Berkshire has increased the limits for the amount of IDI coverage it may issue under the RPP program, thanks to the Internal Revenue Service’s decision to allow retirement contributions of up to \$46,000 annually for those under age 50 and up to \$51,000 for those 50 and older. As a result, monthly policy benefits may be as much as \$3,840 for applicants under age 50 and as much as \$4,250 for older applicants.

And applicants may boost their IDI coverage under the RPP program even further by applying for Berkshire’s popular Future Increase Option (FIO) rider. Prior to 2006, the total of an individual’s monthly benefit and FIO amount could not exceed the IRS’s annual defined contribution limit; today, as long as an applicant is seeking coverage of 100% of his or her current contributions, the FIO amount may be up to 2 times the base coverage applied for, and total coverage (base plus FIO amount) can be as high as \$6,000 per month under the RPP program. The amount of coverage available through the FIO rider is based on the insured individual’s disability insurance in force, as well as his or her income.

### **All-new additional enhancements offer ease, flexibility**

In addition to the higher issue limits and higher combined limits with the FIO rider, Berkshire has implemented a significant underwriting enhancement: essentially eliminating the need to obtain proof of actual contributions or proof of existence of a qualified plan.

“We are always looking for ways to streamline and improve our application process. In this case, we found that clients didn’t always know the exact level of their annual retirement contributions or employer match and it was sometimes cumbersome to verify the information,” Hahn explained.

“We’re trying to reward clients for taking the necessary steps to secure this important level of protection, so we simplified the process for them.”

Under Berkshire’s new practice, clients may now apply for a benefit of up to 15% of their earned income (19% when the retirement plan is employer paid) without actual proof of retirement contributions or existence of a qualified plan. To do so, the client need only indicate on the application for insurance that he or she participates in a qualified plan.

As another expression of Berkshire's commitment to ease and flexibility, coverage under the RPP program (previously available only as a stand-alone policy) will be available as an optional benefit rider to Guardian's enhanced individual disability income insurance offering, ProVider Plus, launched this month. It is also available to worksite groups in Guardian multi-life disability insurance cases.

### **Why is RPP important?**

While traditional individual disability income insurance helps cover personal living expenses when a policyholder is too sick or injured to work, coverage under the RPP program goes one step beyond income replacement by helping to replace retirement plan contributions—both an individual's and any made by his or her employer—that are lost due to total disability.

“When you run the numbers on a case-by-case basis, the financial impact of those lost contributions is truly eye-opening,” observed **David B. Harrington**, Market Segment Manager for Berkshire.

For example, a 45-year-old making annual \$10,000 contributions to a defined contribution plan would accumulate \$494,229 (assuming an annual investment return of 8% compounded) by age 65 just on his or her contributions alone, let alone an employer's. If the same 45-year-old were only able to make five \$10,000 contributions before becoming disabled at age 50, he or she would have \$293,243 less as a result of having to stop making individual contributions. And, the employer's contributions could also stop.

Even if the disability weren't permanent, the 45-year-old could still experience a dramatic loss in retirement plan value. A two-year disability could mean that his or her plan could have \$61,094 less in individual contributions by age 65; a five-year disability could result in a \$136,788 shortfall, based on the same annual investment return of 8%..

“Most Americans know that they can't just depend on Social Security to fund a secure retirement. Accordingly, they're flocking to defined contribution plans in ever-growing numbers,” said Harrington.

“But those plans are largely dependent on a person's ability to earn a paycheck. Not only do individual contributions cease in the event of total disability; the employer match stops as well.

“The cruel irony of such a situation is that severe disabilities don't necessarily mean a shorter life span,” Harrington concluded. “Medical science can often keep people alive until normal retirement age, but it can't fund a retirement plan.”

### **How does it work?**

If a policyholder becomes totally disabled under the terms of the policy and is not gainfully employed, monthly policy benefits (up to \$4,250, as stated above, with the ability to increase coverage up to \$6,000 with the FIO rider) are placed into a trust set up specifically for this purpose.

As trustee, the Guardian Trust Company, FSB, invests the monies received at the policyholder's discretion, according to his or her investment objectives, until age 65, at which point the trust assets are distributed to the insured individual. A broad range of investment options is available, including tax-deferred annuities, giving the insured individual the benefit of tax-deferred growth. There is no trust administration fee under the RPP program.

In the event the disabled individual dies prior to age 65, the trust assets are distributed to his or her estate. If, on the other hand, the person recovers prior to age 65, the trust will distribute the assets to the insured individual at age 65.

Like Berkshire, Guardian Trust Company, FSB, is a wholly owned subsidiary of Guardian. It is a federally chartered savings bank and is a Registered Investment Advisor.

### **About Guardian**

Founded in 1860, The Guardian Life Insurance Company of America, New York, NY (Guardian) is one of the largest mutual life insurance companies in the United States. As of December 31, 2007, Guardian and its subsidiaries had \$41.3 billion in assets (on a consolidated statutory basis). With close to 3,000 financial representatives and 80 agencies nationwide, Guardian and its subsidiaries protect individuals, small business owners, and their employees with life, disability, health, long-term care, and dental insurance products, and offer 401(k), annuities and other financial products and trust services. Specializing in the small to midsize business market, Guardian's Group business unit serves more than 120,000 employers, 6 million employees and their families. More information about Guardian can be obtained at [www.GuardianLife.com](http://www.GuardianLife.com).

### **About Berkshire**

Berkshire Life Insurance Company of America, Pittsfield, Mass. (Berkshire), is a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, N.Y. Its key missions are to grow Guardian's disability income and long-term care lines of business and to research and develop new insurance products. More information about Berkshire can be obtained at [www.BerkshireLife.com](http://www.BerkshireLife.com).