

**Defined**Benefit  
Patent Pending. **401(k)**<sup>™</sup>

Briefing  
Document

# Redefining Retirement Planning with Defined Benefit 401(k)<sup>™</sup>

## 1. The Core Problem: America's Retirement Security Crisis

- **The Premise:** We argue that the US faces a significant retirement security crisis. This crisis is driven by factors like:
  - Longer life expectancies
  - Rising healthcare costs
  - The disappearance of traditional defined benefit pension plans
  - The shift from defined benefit plans to defined contribution plans, like 401(k)s.
- **Key Quotes Highlighting the Crisis:** "America's retirement crisis is a ticking time bomb. With longer life expectancies and rising healthcare costs, many retirees are struggling to make ends meet." - *Bernie Sanders*
- "The retirement security crisis is a wake-up call for individuals to take charge of their financial planning and for policymakers to create an environment conducive to savings and investment." - *Ben Carson*
- "In a world where traditional pension plans are disappearing, and many Americans lack access to retirement savings plans at work, we need to find innovative solutions to address the retirement security crisis." – *Elizabeth Warren*
- **Statistical Evidence:** The dramatic decrease in "traditional households" (single-wage earner, married with children) from 70% in 1960 to 7% in 2023 signifies a change in family structures and potentially increased reliance on individual retirement savings.
- The loss of 56,000 employer-sponsored defined benefit pensions highlights the decline in traditional retirement safety nets.
- **The Shift to Uncertainty:** Larry Fink (CEO of Blackrock) is quoted as saying, "The shift from defined benefit to defined contribution has been, for most people, a shift from financial certainty to financial uncertainty." This highlights the core issue – a lack of guaranteed income in retirement.

## 2. The Issue with Existing 401(k)s and Focus on Income

- **Wealth vs. Income:** The document stresses that in retirement, income, not wealth, is the key factor determining standard of living.
- "In retirement it is your income, not your wealth, that creates your standard-of-living." - *Robert C. Merton, Nobel Laureate.*
- The example of a retiree with \$1 million seeing their monthly interest income plummet from \$6,000 in 2000 to only \$75 in 2020 vividly illustrates how the focus on wealth accumulation in a 401(k) doesn't guarantee a reliable income stream.
- **Lack of Income Focus:** We argue that 401(k)s and other investment vehicles lack a "retirement income context" and that people should turn focus towards income. It points out that "almost no one can answer the most important of all financial questions" which is, "What's my income?"

### 3. Our Solution: Defined Benefit 401(k)

1. **What it is:** A "patent pending technology" that transforms a traditional 401(k) account into a personalized, defined benefit pension. The goal is to provide participants with a reliable retirement income stream.
2. **Key Features: Simplicity, Transparency, and Investor Empowerment:** DEFINED BENEFIT 401(k) aims to be user-friendly and give participants more control and understanding of their retirement plans.
3. **Focus on Income:** The system is explicitly designed to shift the focus towards generating a specific income in retirement, rather than just accumulating wealth.
4. **Personalized Defined Benefit Plans:** Participants tailor their own defined benefit plan based on personal parameters.
5. **How it Works: Participant Decisions:** The individual makes five key decisions to establish the parameters of a personal defined benefit plan: (1) targeted retirement income, (2) number of years to invest, (3) age when income payout begins, (4), baseline rate-of-return, and, (5) income payout option.
6. **Planned Systematic Investment:** The application calculates the required annual investment to achieve the targeted retirement income.

7. **Annual Performance Assessment:** The system annually informs participants on the required deposit, up or down, to keep the investor on track due to actual investment performance. This addresses the uncertainty of investment returns by adjusting contributions to ensure the predefined income goal is still achievable.

#### 4. Benefits for Recordkeepers and Participants

- **Recordkeeper Benefits: Personalized Retirement Solution:** DEFINED BENEFIT 401(k) allows for tailored retirement plans.
- **Enhanced Engagement:** By involving participants deeply, it fosters ownership and confidence.
- **Higher Deferral Rates:** Education on inflation and purchasing power is meant to motivate increased contributions and match levels.
- **Appeal to Younger Generations:** Stability and predictability should make DEFINED BENEFIT 401(k) attractive to Millennials and Gen Z.
- **Participant Benefits: Guaranteed Income (Target):** The core benefit is a planned and predictable income stream in retirement.
- **Focus on "Outcome":** We aim to focus younger generations on the desired income as the outcome for their planning, which is different than a focus on overall wealth accumulation.
- **Sense of Security:** By creating a defined benefit structure that is personally owned it offers a sense of security and confidence in their retirement plan.

#### 5. DEFINED BENEFIT 401(k) as an Alternative to Current Annuity Integration Strategies and Addressing the Retirement Advice Gap

- **401(k) Annuities:** The document notes that in-plan annuity sales are slow and that many plan sponsors struggle to understand their value.
- "The survey found that 63% of plan sponsors surveyed said they are unable to articulate the value and importance of annuities." - *Source: TIAA*
- **Preference for Lifetime Income:** Data indicates strong interest in lifetime income among 401(k) participants:
  - 51% expressed a desire for lifetime income.
  - 46% indicated they would want to know in advance the amount of their retirement income.

- 41% responded that it is important to make a retirement savings plan look more like a pension.
- **Mobile Technology and Younger Generations:** DEFINED BENEFIT 401(k) is designed to utilize mobile technology to provide income advice to younger Americans. It also addresses the concern that:
- "72% of Millennials believe that Social Security won't be there for them when they retire."
- By offering a personalized defined benefit approach, this potentially can resolve the retirement income advice problem.

## 6. Key Takeaways and Calls to Action

- **Call to Action:** Americans need to shift their focus to income and need an enabling system. The document's conclusion is that it's time to bring back the defined benefit pension in a new and improved way.
- **Transformation:** DEFINED BENEFIT 401(k) aims to transform 401(k)s from simple investment accounts into "lifelong strategies for retirement income security."
- **Disruption:** We are positioning DEFINED BENEFIT 401(k) as a disruptive technology within the 401(k) space and a better alternative to traditional annuities.

## 7. Target Market

- The document identifies people in the 40-69 age bracket as the most interested in a DEFINED BENEFIT 401(k) solution.

### In Conclusion:

We argue that Defined Benefit 401(k) is the solution to the perceived inadequacies of current 401(k) systems in providing secure and predictable retirement income. It addresses the issues of a lack of retirement income planning and a lack of control with a technology-driven, personalized approach. The document makes a strong case for a shift in focus from wealth accumulation to income generation and positions DEFINED BENEFIT 401(k) to restore the security of defined benefit plans within a modern 401(k) framework.