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Guardian Expands Program to Help Protect Retirement Plan Contributions

NEW YORK, N.Y., March 31, 2009—The Guardian Life Insurance Company of America (Guardian) has announced a number of enhancements to a special program that offers individual disability income insurance protection specifically to help protect retirement plan contributions.

The Retirement Protection Plus (RPP) program 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.

In defined contribution plans, the employee or the employer (or both) contribute to the employee's individual retirement account under the plan, sometimes at a set rate, such as 5% of earnings annually. These contributions generally are invested on the employee's behalf. Examples of defined contribution plans include 401(k) plans, 403(b) plans, employee stock ownership plans and profit sharing plans.

As the U.S. shifts toward a defined-contribution model for retirement in which more Americans have personal responsibility for their retirement savings, the need for such a program was underscored last year¹ by the Social Security Board of Trustees, which projected that tax revenues will fall below Social Security program costs in 2017 and that Social Security Trust Funds will be exhausted by 2041.

“With the anticipated shortfall of Social Security retirement benefits, Americans could be at risk if they are not protecting their ability to save for retirement,” said **Laura E. Hahn**, Director of Core Segment Marketing at Berkshire Life Insurance Company of America (Berkshire), the Guardian company that issues disability insurance coverage as part of the RPP program.

¹ Social Security Board of Trustees, 2008 Annual Report to Congress, March 25, 2008.

“If they’re unable to work for a period of time due to an accident or illness and their retirement contributions stop, they may be forced to stay in the workforce longer to make up for the lost savings or, even worse, retire without an adequate nest egg,” Hahn noted.

The current economic crisis highlights the risk in relying on defined contribution plans. A 2008 Guardian study, *Insurance & Behavior: Life Without Income*, revealed that 41% of employees with 401(k) or 403(b) accounts said they would be willing to borrow from their retirement funds to cover lost income.

More coverage, easier than ever to obtain

Fortunately, Berkshire has increased the limits for the amount of coverage it may issue under the RPP program, thanks to the Internal Revenue Service’s decision to allow retirement contributions of up to \$49,000 annually for those under age 50 and up to \$54,500 for those 50 and older. As a result, monthly policy benefits may be as much as \$4,090 for applicants under age 50 and as much as \$4,550 for older applicants.

Available nationwide, these higher limits apply regardless of whether a consumer obtains coverage as a standalone policy, as an optional benefit rider to Berkshire’s individual disability income insurance offering or as part of a worksite group through Berkshire’s multi-life disability income insurance.

In addition, applicants under the RPP program no longer need to provide proof of actual contributions or the existence of a qualified plan to obtain this valuable coverage.

“We are always looking for ways to streamline and improve our application process. 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, especially in the current economy, so we simplified the process for them.”

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 verify on the application for insurance that he or she participates in a qualified plan.

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.

The financial impact of those lost contributions can be significant:

A 45-year-old making annual \$10,000 contributions to a defined contribution plan would accumulate almost \$500,000 (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 nearly \$300,000 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. Based on the above assumptions, a two-year disability could mean that his or her plan could lose nearly \$62,000 in individual contributions by age 65; a five-year disability could result in almost a \$137,000 shortfall.

“Most Americans know that depending on Social Security to fund a secure retirement may not be sufficient. Accordingly, they’re flocking to defined contribution plans in ever-growing numbers,” said Berkshire’s Hahn. “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.”

How does it work?

If a policyholder becomes totally disabled under the terms of the policy and is not gainfully employed, monthly policy benefits are placed into a trust set up specifically for this purpose.

A trustee 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.

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.

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.

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 individual 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.