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A different perspective on retirement income sustainability: the blueprint for a ruin contingent life annuity (RCLA)

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The purpose of this article is twofold. First, we motivate the need for a new type of stand-alone retirement income insurance product that would help individuals protect against personal longevity risk and possible "retirement ruin" in an economically efficient manner. We label this product a ruin-contingent life annuity (RCLA), which we elaborate-on and explain with various numerical examples and a basic pricing model. Second, we argue that with the proper perspective a similar product actually exists, albeit not available on a stand-alone basis. Namely, they are fused and embedded within modern variable annuity (VA) policies with guaranteed living income benefit (GLiB) riders. Indeed, the popularity of GLiB riders on VA policies point towards the potential commercial success of such a stand-alone vehicle.

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