From: JERRY TAYLOR [mailto:JTAYLOR@nextfinancial.com]
Sent: Monday, February 15, 2010 7:28 AM
To: EBSA, E-ORI - EBSA
Subject: Offering Annuities to Retirees. RFI from Treasury and DOL

To Whom it May Concern,

Thank you for offering the "Public" an opportunity to add to your "education" pool. Thank you especially for offering me a chance to help in this debate. Not to braggadocio, but I have a qualified opinion in this arena, having been in the financial services (insurance and securities) industries for over 36 years and advising well over a 1000 individual people on their finances over that time, to say nothing of the Lord only knows how many qualified plans, SEP, SIMPLE, Traditional and Roth IRAs of every flavor and their Participants.

I read an article by Robert Powell in MarketWatch (http://www.marketwatch.com/story/are-you-for-or-against-annuities-2010-02-11?pagenumber=2) wherein, by his comments, someone is terribly misinformed about the subjects of both "Annuities" and "Rollover IRAs" and the investment choices available to Qualified Plan Participants/Retirees.

The first thing we must define is the main heading of "Annuities". Annuities come in two major headings with subsets in each:

I. Fixed Annuities.
   a. Single Premium Deferred
      i. So called, Equity Indexed Annuities – fixed annuities disguised as securities.
   b. Flexible Premium (ongoing contributions available, whether actually made in fact or not) Deferred.
   c. Single Premium Immediate – the one apparently under consideration.

II. Variable Annuities.
   a. Single Premium Deferred
   b. Flexible Premium Deferred

Any annuity can be "Annuitized", but, that is the <u>act</u> of converting or exchanging a capital account balance with demand rights on the capital account for a right to receive a guaranteed level distribution for specified periods of time, ranging from, literally, any term negotiable with the insurance company, but clearly, generally 10 or 20 year "period certain" with life contingency thereafter to Joint Life contingency with one's spouse to Single Life Only (risky for a married couple). These are the general options available for retirees from, I assume, all Defined Benefit Plans and the annuity pondered by the Treasury and DOL in this RFI (see I. c. supra).

There is apparently great confusion concerning "annuities"- Defined Benefit Pension Plan distributions, included.

The second issue and use of terms requires defining. An IRA is not a product; Rollover or otherwise. "IRA" is set out at Internal Code Section §408. The FUNDING of an IRA is a product, ranging from bank issued CDs to Variable Annuities, with mutual funds, certain real estate holdings and methodology and general securities (stocks and bonds) along the way.

<u>All Retirement Plan Participants have the option to Rollover their Plan assets into a Rollover IRA now and fund it with a **Single Premium Immediate Annuity**</u> and choose from among a host of competing insurance companies and their products and elect from among the several distribution/guaranteed income options as offered by Defined Benefit Pension Plans.

<u>**There are enormously more attractive options, however**</u>.

A plethora of insurance companies/variable annuities offer a guaranteed income for life of the owner/annuitant WITHOUT exchanging the capital account for a right to receive that income. Even better, these product provide the ability for that guaranteed income stream to INCREASE with the increase of the capital account, if the capital account should increase over previous "highest" value on policy anniversary date. The guaranteed "accounting" capital account and its resulting income can never decrease, and I have a whole "book" of clients whose income has increased as their capital accounts have increased over the past several years since these "living benefits" were produced by the insurance companies.

Just a short list of companies which I know manufacture such products with these features come to mind include:

1. The Hartford
2. Jackson National Life
3. Pacific Life
4. Allianz Life
5. Sun Life
6. SunAmerica Life
7. The Guardian Life
8. John Hancock Life
9. MetLife
10. Prudential Life

So, does the Treasury and DOL need to legislate new distribution rules to include a Single Premium Immediate Annuity for Qualified Plan Participants? No. They only need to make it easier for Plan Participants to seek counsel from Registered Securities Brokers who offer all of these products and between the client and the representative, they can make product decisions suitable for the client v a shoe horning of the client into something totally inappropriate for most people.

Inappropriate?

Here are your choices:

A. Exchange your cash/capital account for a right to receive a fixed income for the next, say, 20 years. 20 years which, if CPI follows past trends, would devalue from $1000 to $587 (2.7% inflation rate, 20 years on the present value of $1000).

B. Retain your cash/capital account, invested into stocks or bonds or a guaranteed fixed income account – choose-, and receive 5% of that original capital account for lifetime –

and possibily lifetime of your spouse – have access to your capital account if needed – and at death of yourself or your spouse (all elections to be made by the owner/retiree) the beneficiary receives the balance of the capital account – at a minimum! OR A DEATH BENEFIT EQUAL TO THE ORIGINAL CAPITAL CONTRIBUTION. The beneficiary can receive your remaining capital or your original contribution or the highest value of your capital on any policy anniversary over the period since you purchased it. More; at attained ages 65, 70, 75 and 80, your percentage of withdrawals on the highest capital account balance on policy anniversary date – increases – your option – but it can increase from 4%, 5%, 6%, 7%. How about a guaranteed doubling in the intial 10 years of your capital account for purposes of making those withdrawals? Age 60 purchases a VA with the features and riders described. If he makes no withdrawals over the ensuing 10 years, his "accounting" capital account is guaranteed to double for when he choses to begin distributions. There are variations on all of these generally described options among the several company's products.

Why/Who would opt for option A when B is available? I wouldn't!

I would be happy to elaborate as needed.

NEXT Financial Group, Inc.

Jerry W. Taylor, Division Manager
Investment Advisor Representative

Mailing: P.O. Box 293780, Lewisville, TX 75029-3780
Physical: 434 Frankie Lane, Lewisville, TX 75057-2162

Tel (972) 221-1700 | Toll Free (800) 580-0007 | Fax (972) 221-2109
Jerry.Taylor@nextfinancial.com | www.nextfinancial.com
Member FINRA * Member SIPC

"Predictions are hard to make, especially about the future" –Yogi Berra

Securities offered through NEXT Financial Group, Inc., Member FINRA/SIPC.
This Email is being sent by or on behalf of a broker-dealer. It is intended exclusively for the individual or entity to which it is addressed. This communication may contain information that is proprietary, privileged, or confidential, or otherwise legally exempt from disclosure. If you are not the named addressee, you are not authorized to read, print, retain, copy, or disseminate this Email or any part of it. If you have received this Email in error, please notify the sender immediately by Email or fax, and destroy all copies of this communication.

Please be advised that you may conduct securities transactions only by speaking directly with your Registered Representative. To help protect your privacy, we strongly recommend that you avoid sending sensitive information, such as account numbers and social security numbers, via email.

I cannot accept trade instructions using email or voicemail. If any trade instructions are left, they will not be acted upon.

Please be further advised that, pursuant to the Bank Secrecy Act, the USA PATRIOT Act, and similar laws, any communication in this email is subject to regulatory, supervisory, and law enforcement review.