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From: David Pare [mailto:davefairtex@aim.com]
Sent: Tuesday, February 02, 2010 10:31 PM
To: EBSA, E-ORI - EBSA
Subject: RIN 1210-AB33

Summary:
1) additional information and options are good
2) mandated annuities as my only choice for my IRA/401k - bad
3) if annuities were my only option, I would withdraw my money from my current plan
4) mandated annuities will result in a windfall for wall street - more fees, higher expenses, and ultimately less return for retirees. We go back to the days of 5% load mutual funds.
5) if you disagree with #4 - are you kidding me?
6) annuities should be benchmarked against cash flows expected from no load mutual funds assuming same mortality, principal withdrawl, risk taken, etc.
7) hiding risk in annuity does not eliminate the risk. but it will hide the (higher) expenses.

I think providing additional information and options is a fine thing. However, I think the tone of all these changes goes beyond providing information, and in fact attempts to change the retirement options available to investors into annuities under the premise that they are somehow safer or more secure. While I like more options and information, I strongly disagree with any changes to the current system that would mandate annuities as my only option. I like my current set of options - adding to them would be great. Reducing my options would most definitely not be.

My guess is, however pure the motives of the people behind this current concept, mandating that all retirement accounts be annuities would become completely corrupted by Wall Street.

First, annuity providers have the same issues of expected returns that private investors do, and the annuity is only as safe as the carrier that provides it and the risks that carrier decides to take. Large pension funds often lose money - witness all the pension funds that are "underfunded" now. You think perhaps that AIG or Met Life will do better than, say, CALPERS at investing my money? I don't think so.

And in terms of total return to the retiree, the investment expenses of an annuity will be higher, simply because we are now layering an entire collection of hidden costs (sure to be higher than, say, Vanguard's no load low expense mutual fund options) which will in effect provide a gold mine for the annuity providers, at the expense of the retirees. Annuity fund managers will receive larger salaries and bonuses, and with the costs carefully hidden you can be sure the fees will grow and grow. Everyone knows about expense ratios because mutual funds are transparent. This will absolutely not be the case with annuities.

Wall Street and finance have a long and storied history of extracting maximum value from the "customer", and the more complicated the product is, the more they extract. That's just how things work there.

Annuities are no exception, and things will be worse because there will be no transparency.

[I may sound like I work for a mutual fund company. I do not. I'm just an individual - a self employed software engineer, and I value choice and competition because I believe they decrease costs and increase returns]

I feel that any description of "lifetime benefits" should include an apples-to-apples comparison with, say, the expected cash flows with a similar amount invested in existing vehicles, such as an S&P 500 index fund and a medium term bond fund, with low expense ratios, with the same assumptions of mortality, expected market returns, principal withdrawl, and most specifically the amount of risk they are taking. If my annuity provider levers up 500% and invests my retirement in pork bellies, the risk of catastrophic loss should somehow be a part of the disclosure.

Without information and transparency,investors cannot make an informed choice, and annuity providers will skim way too much cream from the retirement system. I expect if everything is properly explained, annuities will be hard pressed to compete with the low expense options that currently exist - and that to compete successfully, they will end up taking more risk, and eventually they will blow up - and have to be bailed out by my tax dollars.

Ultimately, this is my money. I earned it. I saved it with the understanding I would be able to control the particulars of where that money is invested. During the crash I was able to select investments that were able to largely preserve my retirement account, unlike most of the large pension funds. I believe my money, under my control, is more likely to be there for me at retirement because of this.

I have stopped contributing to my retirement plan because of the uncertainty surrounding this issue, and I will absolutely withdraw my money if a mandated annuity program were to be my only option. Absolutely. Withdraw. My. Money. Penalties and all.

I know you are trying to do what's right for me, but please remember, its not your money, its my money. My. Money. I worked my lifetime to save it, and I have earned the right to decide how to best invest it. Capitalism is about choice - and sometimes the freedom to fail is a part of that choice. Please let me continue to have that freedom.

Thank you

Sincerely,

David Pare