From: editor@theinsidersguides.com [mailto:editor@theinsidersguides.com]
Sent: Tuesday, March 02, 2010 1:26 PM
To: EBSA, E-ORI - EBSA
Subject: RIN 1210-AB33

Have you considered the bias of allowing insurers to sell annuities inside 401k plans?
I have been in the financial services business for 20 years. I managed bank and BD annuity sales programs. http://www.sec.gov/rules/proposed/s70604/dkeppel5068.htm

1. Why would the US government provide this FREE opening for insurance companies to suck all the gains out of an employee's 401K retirement plan? Deferred annuities are a very expensive ways to defer taxation. Annuities cost 2-3% of the contributions per year.

2. The SEC has already told employees NOT to buy annuities inside their tax deferred accounts--IRAs, etc. There is NO benefit from double deferral--insurance contract and deferred account. http://www.sec.gov/investor/pubs/varannty.htm

3. Since sellers and employers are not required to disclose TOTAL costs in plain English, employees in plans that already offer annuities inside deferral vehicles like 403b are being robbed of the tax deferral accumulations because of double-fee cost--agent/broker who sold it and the fees associated with plan maintenance. Clients of mine experience total costs in the 4-5% range. It would be poor public policy for DOL to endorse this strategy.

4. If annuities are added to the 401k plan, participants will be double charged when they are forced to borrow or terminate their account. Annuities have surrender charges of up to 12%. Second, there may be plan fees for a loan. Third, participants may be subject to a penalty since many laid off workers use their retirement funds prematurely. Society will pay a heavy price later for robbing workers of retirement savings over time.

5. There is a much better way to obtain guaranteed lifetime retirement payments.
It called an **immediate or income annuity**. At the time of retirement or separation from service, employees can be offered them by the plan administrator. There are a number of insurers that are cost effective providers. They are priced with current interest rates and mortality tables at the time of purchase. Participants can also chose to buy a deferred annuity if they do not need the money at that moment. Prices vary greatly:
http://www.immediateannuities.com/

Conclusion: Uncle Sam should not encourage an expensive strategy. Retirees will have very little income even though insurers will guarantee it. Instead, employers should be given incentives to offer mutual fund plans with total costs and benefits clearly labeled. My clients have never been able to understand their 401k plan costs. DOL should require employers to offer cheap index funds and post an Ibbotson chart with the other DOL postings. http://corporate.morningstar.com/ib/asp/subject.aspx?xmlfile=1296.xml