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Definition of the Term ‘Fiduciary’; Conflict of Interest Rule—Retirement Investment Advice; Notice of proposed rulemaking and withdrawal of previous proposed rule.

Comment On: EBSA-2010-0050-0204

Definition of the Term Fiduciary; Conflict of Interest Rule- Retirement Investment Advice

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Submitter Information

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General Comment

I have an IRA that is too small to last a lifetime for both me and my family ... at the normal 5% annual growth that can be expected. Investing for the "long haul" is a good description when you are BUILDING your retirement fund, but when you are drawing from your retirement fund, the short term becomes VERY IMPORTANT. Selling call options against the stocks that I own gives me guaranteed income, no matter if the stock goes down or not. This DECREASES my risk of stock ownership. A brief example might serve to illustrate my point.

Assume that on -1 September I purchase 1,000 shares of AT&T at \$32 per share. I would have \$32,000 invested in my IRA with this transaction. By selling a covered call option against these shares at \$33 dollars for the next month, I would receive about a \$400 "premium" for selling the call option (at normal option pricing). If the price of the AT&T stock goes up to \$33 or more, I would keep the \$400 premium, the shares would be "called" away at \$33 and I would keep the profit of \$1 per share. This is all a good thing. However, should the stock price go down to \$30, I would still keep the \$400 and retain ownership of the 1,000 shares and then simply place another covered call for the next month (and as many subsequent months as necessary until the stock price recovers) . By using this covered call strategy, I am NEVER forced to sell stocks that have declined in price and take that loss ...I can hold them, place covered calls against them and generate income while I wait for the stock price to recover. I think you can easily see that the ability to place covered calls on stocks that I own in my IRA REDUCES my risk of stock price fluctuations. I have used option selling to reduce my risk and actually grow my IRA in retirement.

PLEASE do not take this valuable tool away from me and my family. Without this ability to protect our investments, we would be forced to withdraw stocks when they decline in value and our IRA would be depleted long before our need for it would stop. It will not last a lifetime if it only grows at 5% a year and our withdrawal rate exceeds that (which it does). Placing covered calls is a powerful way for a small individual investor to REDUCE the risk of stock market investment ... which is the only investment that has any hope of providing acceptable returns in our retirement years.

I know that your intentions are to protect the individual investor, but if you remove the ability to place covered calls on stocks that are owned inside an IRA you will be doing just the opposite ... you will (unintentionally) be INCREASING our risk by exposing us to stock market fluctuations with no ability to buffer them with option premiums.

Please reconsider this decision as it pertains to self directed options trading within an IRA.