

-----Original Message-----

From: Dr. John Walters [<mailto:waltersj@alpenacc.edu>]

Sent: Thursday, February 11, 2010 11:32 PM

To: EBSA, E-ORI - EBSA

Subject: 401k Annuities

I am a low-income part-time wage earner with a small 401k (30k) and a small IRA (86K), which had been a 403b (prior to my dismissal when the school where I taught developed financial problems in 2000). Two years ago the IRA was double the size it is presently, though the 401k annuity with TIAA has barely grown over the last ten years. I thought about the possibility of putting the IRA into an annuity with TIAA or another insurance company, and perhaps there are companies out there like Prudential who would be able and willing to do that for me at my present age of 57. I did not do so because in my experience insurance companies charge inordinate fees for their investment products and reserve the lion's share of the investment gains for themselves rather than passing them through to their clients. I opted instead to do a SEPP or 72T Distribution after rolling my 401K into an IRA. I took the SEPP because I was out of work and had medical bills to cover (no insurance). In this instance, I kept control over my investment choices (uniformly bad though they were) and kept the fees on the account to a minimum. I am locked into monthly distributions which are now much too large for the remaining fund balance, but I cannot change them according to IRS regulations. So, it will not carry me very far into retirement. The government's regulations on IRAs, 401Ks, and 403Bs does not do very much to steer small investors safely through the minefields of economic preparation for the vicissitudes of forced early retirements and permanent lay-offs hitting older workers. I really think that Social Security needs to be revamped to permit early buy-in with proceeds taken from these self-administered retirement accounts. I would have jumped at that possibility so long as it included some sort of Medicare buy-in as well. I hope this helps you in your deliberations about 401K plan annuities as a possibility. Remember, the insurance industry is slobbering at the mouth to get their hands on all the baby boomer accounts and the securities industry is foaming at the mouth to keep the accounts where they are, much to their own profit. Here in no-man's-land between the two cannibalistic sharks a not-for-profit government program focused on those falling through the economic floor could be a very wonderful godsend.

John R. Walters
1131 Emerson Road
Herron, MI 49744