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**From:** Scott Leverenz [mailto:sl@growingmymoney.com]  
**Sent:** Wednesday, February 17, 2010 7:58 PM  
**To:** e-ORI@dol.gov.  
**Subject:** RIN 1210-AB33

I would like to comment on RIN 1210-AB33, Request for Information Regarding Lifetime Income Options for Participants and Beneficiaries in Retirement Plans.

I have been an independent personal financial planner for 19 years.

My primary focus is Financial Planning for individuals and also have some 401-k plans.

I use variable annuities with lifetime guarantees often for my clients. To use these products correctly, one must spend a lot of time explaining the products available and coordinate it with other types of investment products. It is not often that an individual would want their entire portfolio in these types of products. Financial PLANNING is the key so the products actually work. I generally spend 12 to 20 hours per client when doing this individual planning. It is important to understand the clients risk tolerance, cash flow needs, investment experience, etc. and then take a lot of time to show him a variety of products with lifetime income options. Also, there are a variety of different options available with a variety of different types of guarantees, which would not be found in a 401-k plan. One would be complex enough for most 401-k plan participants let alone offering multiple types of products.

It is much harder to educate 401-k participants on these products due to the fact that many people simply are not that interested. Also 401-k meetings and education are generally conducted in a group setting so personal attention to each clients individual needs is lacking. It is not at all practical or economical to spend 12 to 20 hours with each 401-k participant. If an individual wants this kind of help they need to come in and go over their planning needs individually with a good financial planner who understands many types of investments including products with lifetime income options.

One must be CAREFUL products with lifetime income streams for the following reasons:

Most people will sign up for the "guarantee" and not really understand how to keep the guarantee. They will only hear the word "guarantee", and pay extra for this feature but will never use the guarantee.

Most lifetime income streams only allow in the area of 5% income to come out of the guarantee base per year. This would mean if a retiree had a \$100,000.00 balance and decided to utilize the guarantee, to keep the guarantee they are only allowed \$5,000.00 per year. What if you want \$10,000.00 per year? You just VIOLATED THE GUARANTEE!

If the individual takes MORE than the 5% out, the guarantee is basically damaged, if not voided all together in a short period of time.

The plan participant will have to pay extra for this guarantee income return and most people will pay for nothing as most people will exceed the guarantee limit and damage the guarantee. Why on earth would a person want to tack on an extra charge which will reduce their rate of return and never see an advantage to it.

Most people do not have the knowledge to forecast their cash flow needs. They will sign up for these guarantees and pay extra for them, only to see they will not work. Again, this is because most people will need more than the 5% allowed to take out annually.

Most people do not even understand a basic mutual fund selection available in a 401-k , let alone add a guarantee , again which has an extra cost to it. I would assume most people would only hear the word “guarantee”, and really not understand the limitations on the income they would be able to take if they did use the guarantee. These products are simply too complex for most people to understand on their own or even in a one hour educational meeting.

If a person would change jobs they would want to potentially roll over the current retirement plan to another. These products lack portability of the guarantees. If one decided they wanted to move their retirement plan to another retirement plan all the guarantees would be lost and the plan participant would have paid for nothing.

The only winner here is the company who collected the extra fees for the guarantee that most people will not use anyway.

These types of products have a place in a portfolio but they must be purchased with a lot of thought and understanding of how to use them so one actually gets the benefit from them. I think the only place they really belong in a client portfolio is when they meet with a personal financial planner who is knowledgeable about the different types of products available and can advise the client as to which type of these products are most appropriate and how much of their money should actually go into these products. These products and the planning process are far too complicated for most people to utilize with basic knowledge.

To recap the above, I believe most people who would purchase these in their retirement plan would be paying extra for something they would never use anyway. There is absolutely no value to that.

Best regards,

**Scott T. Leverenz, CRPC\***  
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