September 15, 2015

Subject: DOL Proposal to exclude options trading within IRA Accounts
To: DOL IRA Proposal Comments

I am writing to voice my concerns over a proposal by the Department of Labor to limit options trading and trading education within IRA accounts. This is especially ironic because a little while back I received a notice came from AARP about seniors who were being charged excessive fees to manage their IRAs. This was a particularly sore point with me and I decided to write an e-mail to several of my representatives regarding the subject.

I am very familiar with having someone manage my financial affairs and charging me excessive management fees for basically doing nothing. I had a "financial adviser" that charged me a fee so that he could pass my account over to a third party to actually manage the portfolio. The third party also charged me trading fees. I also had a different "financial adviser" (first Edward Jones and then Morgan Stanley) charge me an account management fee and then purchase loaded mutual funds within my account. I saw these practices as fees on top of fees. Suffice to say, I found both of these practices to be extremely unethical.

I have been retired for about two years. However, when I was working, my company had a firm (Hewitt Financial) managing all of the employees retirement accounts. After I retired, I received a notice from the company that they would start charging me an annual fee for having the account with them - even if no changes were made in their limited selection of funds. Rather than keeping the non-managed account within them, I elected to the roll my retirement account over to TD Ameritrade. At that time, I had a small ROTH IRA with them that was started about 10 years before. I had always been impressed with their emphasis on market and trading education. TD Ameritrade has done an excellent job of providing the needed training materials to get me up to speed and allow me to properly manage my assets. All of my investing is entirely self-directed. I never speak to a broker in regards to trading ideas, placing any trades or managing my account. Almost all of my trading education came through web broadcasts provided by TD Ameritrade. They have an excellent trading platform that gives me access to all of the publicly available information that I need to intelligently buy and sell stocks, ETF's, and options.

This evening I received an e-mail from TD Ameritrade notifying me that a new law was being prepared by the Department of Labor that would limit my ability to trade options within my retirement account. I am rather upset that someone thinks that this ability should be removed from the general public for IRA accounts because I am being charged excessive fees and am being excessively charged for the "advice". Nothing could farther from the truth. My two prior financial advisers would still be able to charge me for their "advice" and along with the high trade commissions without really doing anything that actually benefited my portfolio.

TD Ameritrade has taken the approach that it is best to have highly educated self-directed investors. This is an excellent business model as it represents a win/win scenario for both the investor and the broker. Winning trades by the investor in turn generate more trades for the broker. I think they have one of the best financial educational programs in the industry. They are extremely ethical in all of their business dealings and have done an excellent job of eliminating conflict of interests in their trading or account management processes.

I trade options in my IRA accounts. I learned how to use them through my training at TD Ameritrade. According to TD Ameritrade, under the new proposed DOL ruling my account would be considered a "broker-advised" IRA and I would no longer be eligible for options trading. Under the new ruling, many of the existing tools, research and information services would be deemed "advice" and subject to the "best interest" standard. This hardly seems to be in the interest of the self-director investor. I have worked very hard to learn proper investing techniques, strategies and risk management. I know how to recognize market and sector trends, stock support and resistance points and how to position size my trades to control my trade risk. I worked very hard to learn these skills. It is not magic. It just takes commitment and hard work. I realize that most of the general public does not understand the stock market or the various trading instruments available to them. I also know from my prior experience with my former "financial advisors" that they were pretty much following the herd (or doing nothing) and collecting their commissions as they went along. In any case, I also know that the uneducated "typical" investor never had a chance. The DOL proposal will not change the full-service business models used at Edward Jones, Morgan Stanley, or Hewitt Financial. The uneducated investor is still going to get service-charged to death by the full-service brokers of the financial industry.

Taking away the educational programs and market information provided by companies like TD Ameritrade is doing a great disservice to the self-directed investor. Why make it harder for the average self-directed investor to make and keep a buck? I urge you to look at the DOL proposal from the self-directed investor's perspective. The full-service broker will charge a fee for his "advice" and then charge a percentage for each trade. TD Ameritrade provides convenient access to the publicly available information, gives no trading advice, and charges a flat rate for the trade, no matter how many shares. Options also have a flat rate cost per contract. If the self-directed investor can work within that trading environment, why shouldn't he get a break on the trading fees? This only seems fair.

Thank you for your consideration on the subject.