



September 17, 2010

**SUBMITTED ELECTRONICALLY**

Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090.

RE: File Number 4-606  
Request for Comments; Study Regarding Obligations of Brokers, Dealers, and Investment Advisers

Dear Commissioners:

We are writing in reference to your recent request for comments regarding the effectiveness of existing legal and regulatory standards of care for brokers-dealers and investment advisers. As a dually registered firm, First Command Financial Planning, Inc. ("First Command") recognizes the need to re-assess the current standards of care and appreciates the opportunity to comment. *Study Regarding Obligations of Brokers, Dealers, and Investment Advisers*, SEC Rel. No. 34-62577 (July 27, 2010). In short, we strongly support a uniform fiduciary standard of care for all broker-dealers and investment advisers.

As background, since its inception more than 50 years ago, First Command's focus has been serving the financial planning needs of middle-income Americans (primarily military members and their families) by developing and delivering financial plans to assist such persons in their efforts to reduce debt, build wealth, and pursue their lifetime financial goals and dreams. Prior to 2005, we operated part of our business as a registered investment adviser and part of it as a broker-dealer. In 2005, we chose to apply the fiduciary standard to all of our dealings with clients regardless of whether the particular service was considered broker-dealer, advisory or insurance. We are proof that operating under a uniform fiduciary standard is a viable model. In addition, we strongly believe that it is the appropriate model for everyone in the securities industry, whether engaged in brokerage or advisory activities. As the Rand Study demonstrates, clients don't understand the distinction between advisers and brokers, and the lines between the two are increasingly being blurred.

To ensure investor protection, it is important to create an even regulatory playing field for all financial services firms (broker-dealers and RIAs) as part of this reform. That being said, we recommend

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distinguishing between dually registered firms that already have substantial regulatory oversight and RIA-only firms, which have no SRO supervision at this time, and are often overseen by States with limited resources. Furthermore, the Commission should take this opportunity to streamline and harmonize broker-dealer and RIA regulation for greater effectiveness and to eliminate redundancies. Doing so will ultimately result in greater investor protection and reduced regulatory forum-shopping by those in the industry that gravitate to the weakest form of regulatory oversight. Currently, differences between regulatory structures and standards encourage firms to structure their businesses to avoid important regulatory safeguards. These differences must be addressed in order to make meaningful improvements to investor protection.

As part of this process, we also ask that the Commission consider middle-income American's access to financial services. The problem for most middle-income Americans is that they are not being serviced by financial services firms, most of which focus almost exclusively on high net worth individuals. They are underserved; the problem is not that they are being overcharged. That lack of access to financial services typically has devastating consequences. As such, we recommend that you allow free market forces to develop appropriate compensation arrangements, as long as there is full disclosure and arms length transactions. If the Commission restricts or prescribes compensation structures, even fewer advisors will be able to find a profitable business model that will allow them to work with small investors, who are in greatest need of financial guidance.

Finally, to protect investors and give them meaningful disclosures, the Commission should look for ways to improve required disclosures. Current disclosure requirements are driven by a regulatory approach that can at times be overly legalistic and result in clients being overloaded with technical information that they neither want nor understand. We suggest that the Commission use middle income investor focus groups to determine what kind of disclosure and what amounts of disclosure would actually be helpful to average investors, and then take that input to revise the current disclosure requirements.

It is our hope that the comments and suggestions provided in this letter will be helpful to the Commission in its analysis of the standards of care applicable to broker-dealers and investment advisers. If we may provide any other information, please do not hesitate to contact us at [hasimpson@firstcommand.com](mailto:hasimpson@firstcommand.com) or [adaraujo@firstcommand.com](mailto:adaraujo@firstcommand.com) or to the address provided herein. We very much appreciate your consideration.

Sincerely,



Hugh A. Simpson  
Executive Vice President,  
General Counsel and Secretary



Adán D. Araujo  
Senior Vice President,  
Chief Compliance Officer