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Center for Financial Management One

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July 10, 2006

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OFFICE OF THE SECRETARY

Nancy Morris
Secretary- Securities and Exchange Commission
100 F St. NE
Washington, DC 20549-1090

Dear Nancy:

I am currently working as a Registered Investment Advisor and Registered Representative in Troy Michigan. I have worked in the financial services industry for close to 30 years. I am affiliated with Mutual Service Corporation, an independent broker-dealer.

I am writing to express my opinion on the proposed regulations regarding variable annuities. I am not going to comment per se on each individual part of the proposal, but want to share with you the difference that variable annuities have made in the lives of my clients over the years.

Your new proposals, if enacted as stated, will have a chilling effect on the right of clients to purchase the appropriate type and amount of annuities, because their representatives will conclude that it is just too much trouble to place a client into an (appropriate) annuity, too fraught with pitfalls that an eager lawyer can pursue against the advisor, and the amount of compensation won't be worth the potential trouble. You may say that the proposal won't actually prohibit clients from buying the annuities, but if I don't propose it to them, they will never know the opportunity that they may have had to purchase the annuity, and will be the poorer for it, in my opinion.

In the past 30 years that I have handled variable annuities, they have always suffered from poor press. Most of the financial press consists of young people who have no money to invest to speak of, and they have a hard time appreciating the value of VA's. My clients tend to be wealthy, and are not using all of their funds at a given time, so an opportunity to tax-defer their earnings is very attractive to them. You may say…then why not put the extra funds into a municipal portfolio? Because the yields are not comparable to that of a diversified portfolio, that is why. Costs too high? A VA is comparable to a diversified portfolio of mutual funds, with an asset management fee added on, as it would be outside of a VA, plus a little bit for the death benefit. Ordinary income vs. capital gains? If purchased appropriately for a long term horizon, the seven year hold will overcome that particular problem. The new lifetime benefits are really beneficial to clients, even with the cost of the rider, because older people DO NOT want to risk a repeat of our recent bear market on the amount of their annual income available. So, yes, VA require more explanation, but they are ultimately very beneficial to clients, especially large amounts that are being rolled over to IRA's because of some of these built in protections.

So it is too bad that you don't consider these products worthy of being treated just the same as other products such as mutual funds, private placements, etc. when it comes to disclosure. This added burden will cause the placement of VA's to swoon, I am afraid, and the investing public will be the poorer for it as I have said. Please reconsider your proposed regulations, and make them no less, or no more onerous than those that you place on other financial products. I am also a CFP, and support what changes the FPA is recommending you make to these proposals.

I can be reached at 248-649-1144 for any other additional questions you may have for me.

Sincerely,

Lynn M. Vance

Lynn M. Vance Certified Financial Planner ™

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Registered Representative offering securities through Mutual Service Corp., Member NASD/SIPC