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John H. Kaighn

July 14, 2006

Ms. Nancy M. Morris, Secretary
Securities & Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RECEIVED
JUL 19 2006
OFFICE OF THE SECRETARY

Re: File #SR-NASD-2004-183, Amendment #2

Dear SEC:

I would like to comment on the NASD's proposed 2nd amendment to variable annuity sales and practice NASD Rule 2821. I have reviewed the proposed changes to the variable annuity sales practices and supervisory standards. I am a Registered Representative with Transamerica Financial Advisors and I think the current supervisory and variable annuity sales practice rules are more than adequate to make sure clients are given the tools to make effective investment decisions regarding variable annuities.

It is my opinion, variable annuities play an important role in helping today's aging population provide for a secure retirement and not outlive their assets. Not only do they guarantee a minimum death benefit which is very important to many families, they also offer living benefit income guarantees, and account appreciation guarantees, which serve to assure our clients of lifetime income regardless of poor market performance. It is clearly spelled out in all sales literature these benefits are what separate variable annuities from other investment vehicles, and incur an additional expense for the insurance they provide on account values.

Contrary to the opinions of the press, I do not feel there are widespread abuses in our industry with regard to variable annuities. It is not in anyone's best interest to penalize the entire investment community because of a few unethical and immoral representatives who conduct themselves poorly. There will always be people who skirt the rules in any industry. I believe that the NASD and SEC already have the proper rules and regulations in place. Much of the increased scrutiny and paperwork, due to terrorism, Enron and the mutual fund scandals has added much repetition and mistrust to the client/advisor relationship. While I understand the need for safeguards, how many additional forms will it take to "fix the unscrupulous rep".

In regard to you're requiring a certain amount of investment experience for an investor to invest in a variable annuity, I see this as a huge injustice to clients who need the possible growth of principal and who are currently invested in non-equity products, or equity products with no downside risk coverage. Part of the educational process in working with our clients is to help them understand how inflation will increase the amount of income they'll need at retirement. Prohibiting an investor from investing in a variable annuity because they don't have the proper "length of investment experience" unfairly penalizes that investor.

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Before the 2000 market debacle, variable annuity death benefits were considered by many people to not be worth the mortality and expense charge. Ask any widow or widower whose husband or wife's assets were invested in a variable annuity whether or not the death benefit they received (that preserved their retirement income) was worth the additional cost after suffering a 40% or 50% loss in the US markets. Today's products go much further, at a very small cost, to provide guaranteed growth of anywhere from 4% to 7%, depending on the company, and still have exposure to the equity markets. Assuming this risk can't be done for FREE! It is appalling to me to see the fees being charged by hedge funds, which have absolutely NO DOWNSIDE protection, and yet all this heat and bad press is being heaped on the insurance community, because some people think there should be no fees on anything. These products are more straightforward than many investment advisors, (of which I am one), who charge up to a 2% annual asset fee. A commission broker gets a one-time commission and a ¼ % trail annually. This is a far cry from the fees being charged by the hedgies & RIA's. In my opinion, the only product available to the investing public that gives them the potential for growth of principal yet assuring them of no less than lifetime income, based on the monies they invest is the variable annuity

Even though I have a high opinion of the need for variable annuities with living benefits riders, I realize these are not necessarily for every client. I use mutual funds, stocks, bonds and even money market accounts with my clients, depending on their needs. I always put my client's needs above my own, and I personally own just about all of the products, which I use with my clients. This is the reason I take exception with the over regulation, which I hope has about run its course. It really bothers me to make clients sit through all of the arbitration agreements, disclosure forms & replacement forms, which all say the same thing. Since I go over all of these topics, to have to subject the client to so many forms that say the same thing just seems so redundant and time consuming, mostly for the client, who trusts me implicitly!

Anyway, thank you for listening to my comments.

I urge you not to make any changes to the excellent checks and balances already in place with regard to variable annuities sales and supervision and slow down a bit on the regulation. It may be time for a bit of a breather, to see how the last 6 years worth of litigation and legislation works out.

Sincerely,

John H. Kaighn
Transamerica Financial Advisors, Inc.
"A Registered Broker Dealer"