Re.: File Number SR-NASD-2004-183

Dear S.E.C. Representatives,

I need your help. Our self regulatory organization, the N.A.S.D. is proposing a sweeping rule change which would, if enacted, significantly harm the retirement security of millions of middle and lower class Americans.

How is this so? Consider three troubling issues in this rule: ambiguity (regarding a proper investment time horizon); a harmful litmus test (regarding investor suitability); and arbitrary rules - which limit the client's right to invest in the investment of their choice. First, the issue of time horizon is ambiguous. The proposed rule change does not make clear what one criterion one should use in determining the client's investment time horizon, other than it should be "long-term". Often, my retired clients assume that a long-term investment has a three to five year time horizon. In fact, one's life expectancy (or joint life expectancy) is a better proxy for a proper time horizon, when addressing the issue of retirement capital. Second, the litmus test of a "long time horizon" will harm retirees. Jane Bryant Quinn, expert personal finance journalist, agrees that variable annuities are now good for retirees who want to guarantee their retirement income without annuitizing (Newsweek, June 20, 2005 ) She now recognizes that variable annuities are the only investment product that, through the Minimum Guaranteed Withdrawal Benefit rider, can guarantee that a client will receive a minimum guaranteed cash flow for the rest of their lives, and yet still have their investment capital fully invested in the market. Often, this is the key benefit clients value most, and is the deciding factor in their investment purchase decision. I strongly recommend therefore, that time horizon remain only one factor in the investment decision process, and that the NASD not elevate it to litmus test status. Finally, I find it a strange irony that this proposed rule change, which, supposedly will help American retirees, will actually restrict their choices. The proposed rule change will limit the amount of funds one can invest in a variable annuity. I have clients that have a substantial portion of their net worth in no-load, no-surrender variable annuities. Why? Because they recognize that it is the only investment that allows them to have an attractive guaranteed minimum return, and the ability to tactically allocate their portfolio allocation with no trading costs or income tax consequences. Every article or study one reads about the costs of variable annuities assumes that everyone is a buy and hold, strategic investor. The fact is, in the real world, many clients make smart adjustments to their asset allocation from time to time, throughout the year, to overweight sectors of the economy that are performing well. The efficiency of the deferred variable annuity, for this investment purpose, is unsurpassed. 401(k)s now restricts trading, and trading non-qualified mutual funds result in taxes and trading expenses. Neither of these costs is present in a deferred variable annuity.

In summary, I strongly suggest you consider the great peril our country is in if Americans don't save and invest more for their retirement. Deferred variable annuities can not change the bad habits of the baby boomer's rate of savings, but they can at least ameliorate a difficult situation, making retirement more secure, and giving those millions of late starters more peace of mind.

I ask you to please not legislate away a very important investment tool that I use frequently to help real people solve real problems.

Thank you.

Respectfully,

Steven P. Grager, MBA, CFP