

Dear Ms. Sweeney:

I have reviewed your NTM 04-45 on which you requested public comment. The undersigned has reviewed your cautions in "Attachment A" and we can agree that it addresses most, if not all of the abuses. Further, it seeks to prevent them. Compliance and enforcement may prove to be another matter.

Let me address our concerns:

1) These items with accompanying bells and whistles (high water mark optional annual life insurance benefits and Guaranteed Income) are too often being sold as "no risk" investments. This investment only wins when the equities markets go straight up, the annuitant dies during the surrender period, or the annuitant annuitizes after a minimum holding period. Even then, the guaranteed interest during the annuitization period is seldom emphasized, discussed, or understood.

2) The assumed expenses are grossly understated in NTM 04-45. It is my experience that the insurance component averages 140 bp or more; that bells and whistles add 20-50bp; that internal management fees of sub accounts are 75-175bp additional. These annual totals of 235-365bp make it nearly impossible for the average investor over time to have any real rate of return after maintenance during the holding period plus taxes on withdrawal or pre-mature withdrawal. Your introductory expense estimates are only about 50-65% of the total picture. 1.3% never occurs, as the insurance component alone averages a larger amount. 2.2% would seem to occur only when a very competitively price VA is sold without bells and whistles add-ons.

3) The emphasis on VA's in a tax deferred account is almost NEVER an advantage. There may be a case one could construct in the hypothetical, but we have never seen the case in a tax-deferred account where other product at lesser expense could not achieve better net results. This could be better emphasized in the material, i.e. that a Variable Annuity in a tax-deferred account is a huge red flag.

4) Finally, I call your attention to the possibility of extra regulatory reporting when a 1035 surrender is effected or when any penalty or surrender charge is involved to create the initial premium payment from any former investment whatsoever. I find it to be more common than previously thought that incentive products for the

Reg. Rep. (sometimes the client as well) all too often result in surrender charges being rationalized and the penalty period being renewed or extended an additional 6-18 years.

I thank you for your tireless efforts to protect the Public Customer and this communication is intended to praise your efforts to cure whilele do point out and emphasize possible additional needs.

Very truly yours,

ALAN L. SACHS, ESQ.