PFS INVESTMENTS INC.

Member FINRA®

August 30, 2010

Via Electronic Mail to rule-comments@sec.gov

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

Re: File Number 4-606

Dear Ms. Murphy:

This letter is submitted on behalf of PFS Investments Inc. ("PFSI"). PFSI appreciates the opportunity to comment on the effectiveness of standards of care for brokers, dealers, and investment advisers for the Commission's study. PFSI supports the Commission's thoughtful approach to considering whether a uniform fiduciary standard of care should be implemented for both broker-dealers and investment advisers when providing personalized investment advice regarding securities to retail customers. While PFSI supports the increased protections available to investors under a fiduciary standard of care, PFSI is concerned that implementing a uniform standard of care will significantly increase the regulatory and licensing costs on our independent contractor representatives that are striving to serve the middle-income investor, an investor that has been largely abandon by most financial services firms due to the costs of providing service. In addition, PFSI is concerned that implementing a uniform standard of care will unintentionally serve to favor more traditional business models over others, leading over time to a further erosion of investor access.

PFSI is a registered broker-dealer and an indirect wholly-owned subsidiary of Primerica, Inc. ("Primerica"), which is publicly-traded on the NYSE.[1] Primerica is a leading distributor of financial products to middle-income households in North America. Primerica assists clients by meeting their needs for term life insurance, which we underwrite, and for investments and other financial products, which we distribute

[1] Under the ticker symbol "PRI."

primarily on behalf of third parties. Primerica has been in business since 1977 and currently insures more than 4.3 million lives, and through its PFSI subsidiary, has more than two million investment clients. Primerica's clients are generally middle-income consumers, defined by us to include households with annual income of $30,000 to $100,000, which represents approximately 50% of U.S. households.

As the Commission is certainly aware, the smaller-sized transactions typical of middle-income consumers have forced most other financial services companies to focus on more affluent consumers and abandon the middle-income market. PFSI's business model is uniquely structured to reach the middle-income clients that we serve. PFSI is a limited-service firm that offers basic investment products - mutual funds, variable annuities and college savings plans - to our customers. As a result, our representatives typically hold only Series 6 and 63 FINRA registrations.[2] In any given year, more than half of all accounts opened by PFSI are individual retirement plan accounts whereby our customers begin the important task of saving for retirement. A key part of PFSI's investment philosophy is the long-term benefits of dollar cost averaging through systematic investing. Increased regulatory and licensing costs, however, would greatly hinder our efforts to serve this under-served market.

If the Commission ultimately decides to implement a uniform fiduciary standard, PFSI respectfully requests that the Commission do so in a way that will ***not*** cause increased regulatory or licensing costs for our representatives. We believe that by merely eliminating the broker and dealer exclusion from the definition of "investment adviser" under Section 202(a)(11)(C) of the Investment Advisers Act of 1940, without making other adjustments, would result in our independent contractor representatives unnecessarily being subject to two licensing and regulatory schemes, and the increase in costs that would follow. We see no reason that registered representatives that offer basic investment products and provide incidental investment advice should be required to be representatives of an investment adviser that provides investment advice for a fee. We strongly believe that this will increase costs to the middle-income consumers that we serve.[3] In addition, if a uniform fiduciary standard is to be implemented, PFSI favors the requirements of Section 913 of the Dodd-Frank Wall Street Reform and Consumer Protection Act [4], which are as follows:

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[2] Virtually all PFSI representatives are also agents of our affiliated life insurance company and hold the appropriate state life insurance licenses.

[3] A typical PFSI customer that invests $4,000 per year for 10 years in a single-family mutual fund portfolio that charges a 5.5% up-front load on Class A shares would incur a total of $2,200 in sales charges. If that same customer were to hire an investment adviser at an annual fee of 1.35%, she would pay a total of $2,970 in investment advisory fees, assuming no growth in the assets. Accordingly, the customer of the investment adviser would incur an additional $770 in fees for generally the same service.

[4] Pub. L. 111-203, H.R. 4173 (July 21, 2010).

- that the receipt of compensation based on a commission for the sale of securities shall not, in and of itself, be considered a violation of such standard;
- that the broker-dealer or registered representative shall not have a continuing duty of care or loyalty to the customer after providing personalized investment advice about securities; and
- that the sale of only a limited range of products by a broker or dealer shall not, in and of itself, be considered a violation of the standard.

Furthermore, PFSI would support a requirement of simple and clear disclosure by the providers of personalized investment advice to investors, regarding the terms of their relationship and, in particular, the details of any material conflicts of interest. When appropriate, that requirement should allow for shorter, targeted disclosures delivered to the investor, with details readily available via the internet.

We appreciate your consideration of these comments.

Very truly yours,

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