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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
B- 42814

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2004 AND ENDING 12/31/2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: TBG FINANCIAL & INSURANCE SERVICES CORP.
DBA TBG FINANCIAL
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
2029 CENTURY PARK EAST, 37th FLOOR

OFFICIAL USE ONLY
FIRM I.D. NO.

LOS ANGELES, CA 90067
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
DEANNA B. MCMAHON (310) 203-8770
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

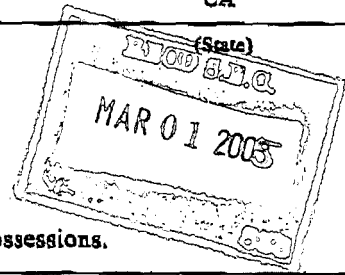
INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
KPMG LLP

355 SOUTH GRAND AVENUE LOS ANGELES, CA 90071
(Address) (City) (State) (Zip Code)

PROCESSED

MAR 31 2005

THOMSON
FINANCIAL



CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

AM
3/29/2005

YKOO
3/23/05

OATH OR AFFIRMATION

I, DEANNA B. MCMAHON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of TBG FINANCIAL & INSURANCE SERVICES CORPORATION, as of DECEMBER 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Deanna B. McMahon
Signature
Executive Vice President
Title

Benjamin P. Hamer
Notary Public * See Attachment

This report ** contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of LOS ANGELES } ss.

On MARCH 22, 2005 before me, BENJAMIN P. LLAMAS

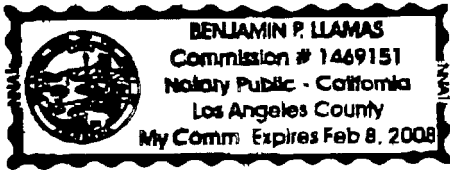
Date Name and Title of Officer (e.g., Jane Doe, Notary Public)

personally appeared DEANNA B. McMAHON

Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Benjamin P. Llamas
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: ANNUAL AUDITED REPORT FORM X-17A-5 PART III

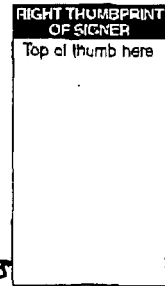
Document Date: MARCH 22, 2005 Number of Pages: 1

Signer(s) Other Than Named Above: N/A

Capacity(ies) Claimed by Signer

Signer's Name: DEANNA B. McMAHON

- Individual
- Corporate Officer — Title(s): EXECUTIVE VICE PRESIDENT
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: TBG FINANCIAL & INSURANCE SERVICES CORP.



**TBG FINANCIAL & INSURANCE
SERVICES CORP.**
dba TBG FINANCIAL
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Financial Statements and
Supplemental Schedule

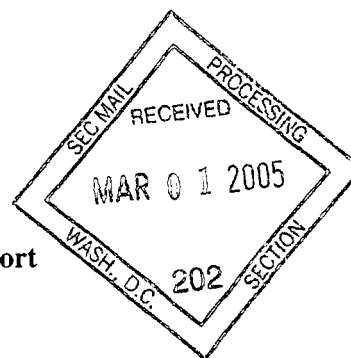
December 31, 2004

(With Independent Auditors' Report Thereon
and Supplemental Report on Internal Control)

Filed in accordance with
Rule 17-5(e)(3) as a
PUBLIC DOCUMENT.



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568



Independent Auditors' Report

The Board of Directors
TBG Financial & Insurance Services Corp.:

We have audited the accompanying statement of financial condition of TBG Financial & Insurance Services Corp. dba TBG Financial (a wholly owned subsidiary of TBG Insurance Services Corporation) (the Company) as of December 31, 2004 and the related statements of income, changes in shareholder's equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TBG Financial & Insurance Services Corp. dba TBG Financial as of December 31, 2004 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

February 24, 2005

**TBG FINANCIAL & INSURANCE
SERVICES CORP.
dba TBG FINANCIAL**
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Statement of Financial Condition

December 31, 2004

Assets

Assets:

Cash and cash equivalents	\$	2,171,651
Commissions receivable		477,420
Prepaid taxes		1,410
Prepaid other		51,275
Deferred taxes		142,590
Receivable from Parent (see note 3)		4,722,336
		4,722,336
Total assets	\$	7,566,682

Liabilities and Shareholder's Equity

Liabilities:

Commissions payable (see note 3)	\$	741,913
Taxes payable		35,415
Commission chargebacks reserve		150,000
		927,328
Total liabilities		927,328

Shareholder's equity:

Common stock at \$1 par value. Authorized 100,000 shares; issued and outstanding 1,000 shares		1,000
Additional paid-in capital		1,001,508
Retained earnings		5,636,846
		6,639,354
Total shareholder's equity		6,639,354
Total liabilities and shareholder's equity	\$	7,566,682

See accompanying notes to financial statements.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.
dba TBG FINANCIAL**
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Statement of Income

Year ended December 31, 2004

Revenue:		
Commissions (see note 3)	\$	35,770,948
Less allowance for commission chargebacks		<u>30,000</u>
Net commissions		35,740,948
Interest income		<u>5,795</u>
Total revenue		<u>35,746,743</u>
Expenses:		
Commissions (see note 3)		18,122,810
Employee-related expenses		8,090,447
Office expense		3,448,822
Selling expense		900,050
Other operating expenses		<u>142,250</u>
Total expenses		<u>30,704,379</u>
Income before provision for income taxes		5,042,364
Provision for income taxes		<u>1,951,165</u>
Net income	\$	<u><u>3,091,199</u></u>

See accompanying notes to financial statements.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.
dba TBG FINANCIAL**
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Statement of Changes in Shareholder's Equity
Year ended December 31, 2004

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total shareholder's equity</u>
December 31, 2003	\$ 1,000	1,001,508	2,545,647	3,548,155
Net income	—	—	3,091,199	3,091,199
December 31, 2004	<u>\$ 1,000</u>	<u>1,001,508</u>	<u>5,636,846</u>	<u>6,639,354</u>

See accompanying notes to financial statements.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.
dba TBG FINANCIAL**
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Statement of Cash Flows

Year ended December 31, 2004

Cash flows from operating activities:	
Net income	\$ 3,091,199
Deferred taxes	(79,352)
Reserve for chargebacks	30,000
Increase in operating assets:	
Receivable from Parent	(1,432,467)
Commissions receivable	(453,727)
Prepaid other	(7,073)
Increase (decrease) in operating liabilities:	
Accounts payable	(41,231)
Commissions payable	500,308
Income taxes payable	14,459
	<hr/>
Net cash provided by operating activities	1,622,116
	<hr/>
Net increase in cash and cash equivalents	1,622,116
Cash and cash equivalents, beginning of year	<hr/> 549,535
Cash and cash equivalents, end of year	\$ <u><u>2,171,651</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year ended December 31, 2004 for income taxes	\$ 40,625

See accompanying notes to financial statements.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.
dba TBG FINANCIAL**
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Notes to Financial Statements

December 31, 2004

(1) Description of the Company and Summary of Significant Accounting Policies

(a) Description of Business Activity

TBG Financial & Insurance Services Corp. dba TBG Financial (the Company) specializes in selling variable life insurance contracts to corporations, corporate executives, and individuals located in the United States of America, all customers of TBG Insurance Services Corporation (the Parent). The Company's stock is wholly owned by the Parent.

Nationwide Financial Services, Inc. (Nationwide Financial), the parent of Nationwide Insurance (Nationwide Insurance), owns 62.7% of outstanding shares of the Parent.

(b) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash in banks and short-term investments, which consist of money market accounts.

The Company places its temporary cash investments with a high-credit quality financial institution located in Southern California. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

(c) Revenue Recognition

Commission income is recognized when the insurance products have been underwritten, the policies have been issued, and the premiums are paid to the insurance carriers. While commission revenue is subject to chargeback, the Company's experience has been that less than 1% of commission revenue recognized has been subject to such chargeback provisions. The Company currently maintains a chargeback allowance based on historical chargebacks.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management's knowledge and experience. Actual results could differ from these estimates.

(2) Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus any deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in those years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment dates.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.**
dba TBG FINANCIAL
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Notes to Financial Statements

December 31, 2004

The Company files its federal and certain state tax returns on a consolidated or combined basis with its Parent and other subsidiaries of the Parent. For financial statement purposes, the Company's income tax provision is calculated separately from its Parent.

At December 31, 2004, the Company had \$35,415 in state taxes payable. As of December 31, 2004, the Company had tax-related amounts payable to the Parent of \$1,789,859, which have been offset against amounts due from the Parent in the accompanying financial statements.

The Company's provision for income taxes is summarized as follows:

Current	\$	2,027,664
Deferred		<u>(76,499)</u>
Total	\$	<u><u>1,951,165</u></u>

The tax effect of the temporary differences that give rise to the Company's deferred income tax assets are primarily the treatment of franchise taxes.

The total income tax expense differs from the amount computed by applying the statutory federal income tax rate of 34% for the following reasons:

Expected tax expense	\$	1,714,404
State income taxes		<u>236,761</u>
Total income tax expense	\$	<u><u>1,951,165</u></u>

(3) Related Party Transactions

(a) Expense Allocation

The Company's Parent incurs certain expenses on behalf of the Company and provides administrative and marketing services for the Company. The Parent allocates these expenses to the Company based on various cost drivers. During 2004, the Company was allocated \$8,090,448 for employee expenses, \$3,448,822 for office expenses, and \$900,050 for selling expenses. At December 31, 2004, the Company had a \$4,722,336 receivable from Parent as the result of payments to the Parent in excess of the expenses allocated to the Company from the Parent.

(b) Other Related Parties

The Company received approximately \$13,764,000 in commissions from Nationwide Insurance in 2004.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.
DBA TBG FINANCIAL**
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Notes to Financial Statements

December 31, 2004

(c) *Commissions Paid and Payable to Officers of the Parent*

During 2004, the Company has paid and payable commissions to six registered representatives who are also officers of the Parent. Commissions expenses related to these representatives amount to \$9,926,801 and commissions payable to these representatives was \$454,068 as of December 31, 2004.

(4) Regulatory Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital not exceed 15-to-1. In addition, the rules of various regulatory agencies provide that equity capital may not be withdrawn or cash dividends paid if the regulatory net capital ratio would exceed 10-to-1. At December 31, 2004, the Company's net capital for regulatory purposes of \$1,721,743 exceeded the net capital requirement of \$61,822 by \$ 1,659,921, and the Company's ratio of aggregate indebtedness to net capital was 0.5386-to-1.

The Company is exempt from Rule 15c3-3 under paragraph (k)(1) of the Securities Exchange Act of 1934 relating to the determination of reserve requirements because it does not maintain customer accounts or take possession of customer securities.

(5) Chargebacks

When insurance policies sold by the Company are canceled or rewritten during the policy refund period, the Company may incur a charge from the underwriter for refunds paid to the customer. During the year ended December 31, 2004, the Company incurred approximately \$361,500 of chargebacks, which were charged against current revenue. The registered representatives who sold the policies and received a commission from the sale are charged back by the Company for their portion of the commission on the chargebacks. During the year ended December 31, 2004, the Company charged registered representatives approximately \$42,900 for commissions on chargebacks. As of December 31, 2004, the Company maintained a chargeback allowance, based on historical chargebacks, of \$150,000.

(6) Significant Unrelated Insurance Providers

During 2004, approximately 34% of the Company's revenues were received from two unrelated insurance providers.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.
dba TBG FINANCIAL**

(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Computation of Net Capital under Rule 15c3-1
of the Securities and Exchange Commission

Year ended December 31, 2004

Shareholder's equity, December 31, 2004	\$ 6,639,354
Less nonallowable assets:	
Prepaid taxes	(1,410)
Prepaid other	(51,275)
Deferred taxes	(142,590)
Receivable from Parent	<u>(4,722,336)</u>
Net capital	<u>\$ 1,721,743</u>
Minimum net capital required (greater of \$5,000 or 6-2/3% of aggregate indebtedness)	\$ 61,822
Excess net capital	1,659,921
Excess net capital at 1,000%	1,629,010
Aggregate indebtedness	927,328
Ratio of aggregate indebtedness to net capital	0.5386

Note: A reconciliation between the above computation and the Company's corresponding unaudited Form X-17A-5, Part II, filed with the NASD, on February 18, 2005, is not required as no material differences exist.



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5

The Board of Directors
TBG Financial & Insurance Services Corp.
dba TBG Financial:

In planning and performing our audit of the financial statements and supplemental schedule of TBG Financial & Insurance Services Corp. dba TBG Financial (a wholly owned subsidiary of TBG Insurance Services Corporation) (the Company), for the year ended December 31, 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004 to meet the SEC's objectives.

This report is intended solely for the information and use of the board of directors, management, the SEC, the National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 24, 2005