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INVESTMENT ADVISERS, INC.

JULIE JASON, PRESIDENT

June 28, 2012

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

RE: File Number 4–626 Comment Request on Existing Private and Public Efforts to Educate Investors

Dear Ms. Murphy:

Thank for you the opportunity to provide input to the financial literacy study mandated under section 917 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

You have requested and received comments from providers of investor education programs. It is important not to forget educational resources prepared by individual authors such as myself who are focused on investor education. An example of such as resource is the **"AARP Retirement Survival Guide: How to Make Smart Financial Decisions in Good Times and Bad."** The 352 page book, published by Sterling Publishers (2009), which contains reference material, self-tests, and Q&A's, was priced by the publisher to be affordable to all and is available through online retailers such as amazon.com for under $10. The goals for the project and synopsis are provided below.

Investor education goals:

- To reach retirees and pre-retirees of all financial means (and levels of investment experience) with a message of empowerment: "No matter how much or how little you've saved or prepared for retirement, let's see if we can improve your situation."
- To help readers help themselves by providing them with fresh insights and innovative self-assessments, Q&As, illustrations, tools, and explanations that they can apply in their own situations.
- To help readers develop a healthy dose of skepticism as they approach making important financial decisions with their lifelong savings.

The book is a resource that helps individuals of all financial means address how to approach decision-making in retirement based on six premises that are described in the synopsis below.

Synopsis

Premise #1: Studies show that many people approaching retirement don't have the skills to structure a retirement income program. Creating retirement income is presented as a personal exercise, since each individual has a different cash flow equation to manage. The beginning chapters of the book show the reader how to do this, with examples explaining the importance of categorizing expenditures (essential vs. discretionary), managing cash flow ("You can't retire on plastic" – page 14), and how to factor in longevity and inflation.

To make budgeting "Baby-Boomer-do-able," the book introduces the concept of a Lifestyle Register (page 19). On the income side of the equation, the book reviews replacement ratios, sources of income (including a chapter on Social Security), and introduces the theme of how to create retirement income.

Many people believe there is a magic number that retirees can withdraw from their portfolios over a lifetime without running out of money. As addressed in Chapter 5, "Will your money last as long as you do?," what works for one retiree may not work for another, since each retiree's cash needs are different, as well as their financial circumstances, health, and longevity expectations. Their portfolios will be structured differently based on investment goals and experience, inflation assumptions, risk assumed, size, the payout period, and assumed terminal value.

The book helps quantify some of the uncertainty every retiree faces (Monte Carlo modeling), and provides case studies illustrating realistic retirement income plans, but does not offer a withdrawal rate that works for all. Instead, the book provides tools for the reader to use to create his own retirement-income (Chapter 21), by providing a step-by-step path to creating a personalized retirement-income plan based on self-assessment tools, such as a "Retirement Readiness Test" (page 290) to determine whether the reader is ready to retire; a "Quick-Test Factors," (page 292) which show how much one needs to have saved for retirement, along with different withdrawal rates and holding periods in Appendix C; and a "Retirement Risk Self-Assessment" (page 294) to use after retirement.

In addition, the book presents a series of next steps to move the reader to action to devise a personal retirement strategy as well as a case study used by educators to train advisers (courtesy of InFRE in Appendix D).

For people who have not saved enough for retirement, the book introduces the concept of reverse compounding (page 64) to show the logic behind the value of saving even small amounts of money, and demonstrates how to salvage even the worst of situations using target decade management techniques (Chapter 6). For people who think they can't afford to participate in their 401(k)s at work, the book shows readers how to earn the maximum match without cutting back on take home pay (Chapter 15 page 211).

Premise #2: The financial services industry is marketing financial products that create retirement income, some of which promise not only life-long income, but also downside protection and upside potential, by definition making them complicated (and suspect to the initiated) and highly attractive (to the inexperienced). Because many of these products are easily misunderstood, readers need a framework for evaluating them in advance of a purchase, which is the subject of Part II of the book.

Based on a review of thousands of pages of product disclosure and vendor and customer interviews, the book provides a five-point rating system to help readers compare and contrast these investments (page 102):

1) How motivated is the salesperson?

2) Complexity

3) Safety

4) Value

5) Overall Recommendation

This analytical foundation prepares readers to look beyond the glossy brochure to make certain there are no misunderstandings as to what they are buying (see page 103). To portray a realistic picture of how a sale can be made, the book includes notes (page 124-125) from a salesman's presentation, which illustrate how easily a retiree can misinterpret what is being sold. An article based on two chapters (Chapters 8 and 9) from Part II of the book was recognized by the NY State Society of CPAs Award for Excellence in Financial Journalism.

Premise #3: Studies confirm that consumers are not aware of the different legal standards to which investment advisers vs. brokers are held. Consequently, consumers do not know:

- How to distinguish between different types of advisers
- How to react to a recommendation
- How to determine whether they need a financial adviser
- And, if they do need an adviser, how to find one that can create retirement income.

Since titles don't tell the story, the book presents a way for the reader to discern who's who based on accountability. The differences are explained in Chapter 7 and summarized in two tables (pages 84 and 87) so that readers can understand what to expect from their advisers and, importantly, how to manage them (page 91).

Premise #4: Not all readers need a financial adviser. A self-test helps the reader determine if he needs a financial adviser or can act as his own (page 276). In chapter 20, those who need an adviser will discover how to find one suited to their particular needs, along with <u>lists of interview questions</u> to ask potential advisers and what to make of the answers (pages 279 – 284). The book includes an annotated "<u>Prospective Adviser Notepad</u>" (Appendix A) for readers to use when interviewing candidates. The book also provides a <u>list of questions</u> to use when interviewing clients (page 285 and Appendix B).

Premise #5: Some consumers place themselves in compromising situations (such as free-dinner presentations), opening up the possibility of buying a product or service that they don't need, or worse, a product or service that can cause them to lose significant retirement assets. Chapter 19 of the book is based in part on undercover research that exposes tactics used to persuade retirees to make a "buy" decision that may be counter to their best interests. By raising awareness of these persuasion techniques, readers will spot and avoid potential mistakes. To make it easier to apply these principles in real life, the book provides a set of "<u>Don't-Be-Fooled Rules</u>" (page 269 -273) that readers can use when preparing to meet with a financial adviser.

Premise #6: Married couples tend to divide up financial responsibilities not realizing that someday, the survivor may not be equipped to carry on, a concept introduced early in the book (page 10) with examples of what works for couples and what doesn't. So that husband and wife can each be prepared to make financial decisions in retirement, the book presents how to best move from a potentially ineffective one-person-in-charge mode of operating to an effective retirement that is truly a "joint venture between spouses" (page 288).

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Books such as this can be helpful to consumers who are motivated to educate themselves at their own initiative, in programs presented by their employers, or in continuing education programs. It is a first step in educating consumers with respect to financial intermediaries, investment products, and investment services. It introduces the need for the consumer to seek information about expenses and conflicts of interest in transactions involving investment services and products. Finally, and probably most importantly, this sort of educational material can assist the consumer in effectively transitioning from pre-retirement to post-retirement investing.

A sequel to the book is **"Managing Retirement Wealth"** (Sterling, 2011), which takes the retiree through the decision-making process of structuring a retirement portfolio. Both books were recognized with the EIFLE Award (Excellence in Financial Literacy Education) for their contributions to advancing financial literacy.

Respectfully Submitted,

Julie Jason

Julie Jason, Author