

August 20, 2008

17 CFA parts 230 and 240, the proposed rule to regulate equity indexed annuities

Dear SEC

Insurance salesman are soliciting securities investments as sources of funds to be placed into equity indexed annuities. This is improper and patently unsuitable. EIAs are being used as a panacea for retirement planning by insurance agents where almost all or all of a senior's investments assets are being placed into EIAs. THIS IS WRONG AND IT MUST BE STOPPED. Thirdly, investors don't get any dividends from the index and the participation rates and crediting methods further water down the returns to the point that the products are being misrepresented in the potential return to the investor, largely because of a lack of regulatory oversight.

Congress will have to change the law as to what constitutes a security and include EIAs as part of the definition in order to regulate these products across the board.

Almost all seniors need some part of there overall investment portfolio to garner 9% or 10% returns, even if only 10% or 20% of the total investment pie, with the risks properly balanced in order to make their money last as long as they will. Indexed annuities are, at best, a 5 or 5 1/2% return product being paraded as an "Alternative to the stock market with similar returns". Nothing could be further from the truth. After taxes, investors won't keep up with inflation with these products. Products that are being marketed as a panacea for senior citizen investment planning that actually erode senior's wealth after taxes and inflation are VERY BAD for our society.

Insurance departments around the nation are woeful at regulating these sales and there is almost no compliance at this juncture.

Unless the law is changed and EIAs are required to be registered products and regulated accordingly, you will continue to see enormous problems chief among these being the wealth of the average senior citizen.

Have some guts, stand up to insurers and do the right thing for senior citizens and other investors. Get congress to change the law regarding what constitutes an investment, require EIA products to be registered, and then regulate them accordingly.

Sincerely,

Aaron Wilbanks
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