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Via Electronic Mail to Rule-Comments@sec.gov

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington DC 20549-0609

Re: Confirmation Requirements and Point of Sale Disclosure Requirements for Transactions in Certain Mutual Funds and Other Securities, Reopening of Comment Period and Supplemental Request for Comments, File No. S7-06-04

Dear Mr. Katz:

We appreciate the opportunity to comment on the SEC's proposed rule changes related to new point-of-sale and confirmation disclosures for mutual fund and variable annuity transactions. We agree that the current disclosure practices associated with mutual fund and variable annuity transactions require reevaluation and commend the SEC for its initiative in this regard. However, we believe that the approach set forth in the SEC's current proposal would have unintended adverse consequences for the brokerage and mutual fund industries. While we generally support the comments filed by the Securities Industry Association ("SIA"), dated on or about April 4, 2005, we would like to take this opportunity to address an issue not directly contemplated by the SIA's comments -- the unique impact that the SEC's proposal would have on firms like ours, that seek to deliver financial services to the under-served, middle-income market.

PFS Investments Inc. (PFSI), a member of the Primerica group of companies and a subsidiary of Citigroup, markets mutual funds and variable annuities to the middle-income market throughout the United States and Puerto Rico. Our target market has been and continues to be over-looked by most large, wire-house broker-dealers. To reach the middle-income market is not an easy task. Our customers are often married couples that work full-time while juggling family responsibilities and commitments. Typically, our representatives meet with potential customers in the customers' homes, most often after normal business hours to accommodate the

customers' hectic schedules. Our representatives make presentations face-to-face and, as we like to say, "across the kitchen table." Our sales model includes the delivery of a prospectus at the time of the solicitation for each mutual fund discussed.¹ Often, our customers need to open an IRA to begin saving for retirement, start a college-savings program, or save for an emergency. Most of our customers begin by investing small balances (\$25 or \$50), but make the commitment to continue monthly investments in order to begin a meaningful savings program. While we appreciate the SEC's efforts to protect investors through additional point-of-sale disclosure requirements, the proposed rule would so dramatically increase our costs that we believe it may jeopardize our ability to deliver financial services to these middle-income investors.

The SEC's proposal would require separate standardized disclosures for each of the hundreds of mutual fund products PFSI sells. Preparing a database that accurately reflects the particularized information relevant to each of these funds, and keeping this information current, would be an enormous burden for PFSI, both administratively and financially. Furthermore, the SEC's proposal would require representatives to deliver a "personalized cost disclosure" upon request by the customer. The SIA's comment on this point seems to presuppose that representatives would have computer systems available to aid them in making these on-the-spot calculations. For PFSI, this would mean providing each of our representatives with a laptop computer and portable printer, which the representative would then be required to carry into the homes of his or her customers. The laptop would have to be wirelessly connected to a home office system or contain a program that is constantly updated to contain up-to-the-minute information on the hundreds of mutual funds we offer. The expense of maintaining and delivering the proposed point-of-sale disclosure would inevitably be passed on to consumers and erode their potential returns. Because many of our customers invest such small amounts, these increased costs could make their investments all together economically unfeasible. In addition, the cost of the small trade would rise to such an extent that it would no longer be cost effective for PFSI to serve this market. Our only other option would be to have our representatives make these on-the-spot calculations manually, which is impractical and would introduce the risk of unintentional error.

Moreover, we are concerned that requiring a "personalized cost disclosure" would simply not be possible for a significant portion of our business. PFSI performs a large number of retirement account rollovers, resulting from a customer's retirement, job change or job loss. Almost universally, at the time of the solicitation the customer does not know the exact amount of the contemplated transfer. This is usually because the funds are currently invested and the value will continue to fluctuate until the liquidation occurs, because the customer is unsure of the maturity date of a fixed investment, or because the customer may have a final contribution pending. Requiring a personalized cost disclosure for this type of transaction would mean that customers and representatives would be guessing at the amount to be transferred, which will certainly lead to inaccurate calculations of the costs of the investment. Inaccurate calculations would only lead to customer confusion, increased potential for litigation, and other problems that are contrary to the Commission's goals.

¹ In addition, we have implemented a three- page disclosure with detailed information on share classes, revenue sharing and other information entitled "Important Information About Your Mutual Fund Investment." This document is also delivered at the point-of-sale.

Not only could the proposed disclosures be prohibitively expensive for firms like PFSI, they also fall short of satisfying the SEC's goal of providing meaningful disclosure to investors. As the SIA points out in the following passage, the detailed proposed disclosures contain too much information for the average investor to digest in a single meeting:

It simply would not be practical for investors to read the . . . Commission's proposed disclosure, in paper form during meetings with their registered representatives. . . Consider an ordinary interaction where a registered representative suggests three different possible mutual funds to an investor. Under the Commission's proposal, the registered representative would have to give the investor nine separate pieces of paper – one of each of the share classes (A, B and C shares) under consideration for each of the three funds . . . While important, it is simply too much information – the investor could not hope to read it all and make a decision while the registered representative waited . . .

This important point is even more true in our model of delivering financial services to the middle-income market across the kitchen table. As stated above, our representatives meet with potential customers at the customers' homes usually after normal business hours. Generally, the potential customer has worked a full day and has a limited amount of time to devote to making a decision to start an investing program. Adding the requirement to present and discuss the additional disclosures may have the unintended effects of focusing these meetings on issues that are less important to our customers, limiting the options presented to the customer, or necessitating that a second meeting be scheduled, further delaying the customer's desire to begin a savings program. Moreover, some second meetings will never occur leaving those customers' desire to start a savings program wholly unrealized.

For these reasons, we respectfully recommend that the Commission not require physical delivery of paper point-of-sale documents that vary by fund, which would substantially impede our ability to deliver financial services to the small investor. We believe that the SEC's goals of protecting mutual fund and variable annuity investors would be better served by creating a succinct and meaningful disclosure statement, that does not vary by fund, that would be made available to customers over the Internet. Investors could then review and digest this information at the time and place most convenient to them. In the event that, despite our comments, the Commission determines that the physical delivery of point-of-sale disclosures is necessary, we urge the SEC to require delivery of a succinct and meaningful disclosure statement that does not vary by fund. As described herein, fund-specific and/or personalized point-of-sale disclosure requirements are particularly incompatible with PFSI's customer base and face-to-face presentation style.

Very truly yours,

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