

FINRA Review Letter FR2007-1010-0137/H

Attached is a FINRA review letter of 5 newsletter articles. Of five articles reviewed, 2 required modifications and those modified articles are attached to this file with the modifications highlighted.



Financial Industry Regulatory Authority

October 12, 2007

Lisa Mays
FINANCIAL TELESIS INC
4340 Redwood Highway Suite #A23
San Rafael CA 94903

Reference: **FR2007-1010-0137/H**

Org Id :00031012

REVIEW LETTER

1. Newsletter

Articles:

- Allocate your investments to achieve your retirement goals
- Don't get overtaxed on your IRA distributions
- Do you know this about your IRA?
- Can you benefit by setting up a charitable trust?
- Longevity Insurance – guaranteeing income late in life

Rule: 2210

5 pages

Fee: \$100

Total Fee: \$100

Attention: Lisa Mays

It is our understanding based on your October 8, 2007 E-mail to Brian L. Finnell, of the Advertising Regulation Department, that the filing cover sheet included in this submission consists of 5 articles that will be presented in the above-referenced newsletter.

In addition, please be advised that we have reviewed the newsletter with the assumption that the final version of the material will prominently identify the member firm name, Financial Telesis, Inc., in accordance with Rule 2210(d)(2)(C)(i). If our assumption is inaccurate, please advise us, as additional comments will be necessary.

Revisions are necessary for the articles titled "Longevity Insurance – guaranteeing income late in life" and "Do you know this about your IRA?" to be consistent with applicable standards. We offer the following specific comments:

We note the article "Longevity Insurance – guaranteeing income late in life" discusses providing a guaranteed income stream. However, to provide a fair and balanced presentation, pursuant to Rule 2210(d)(1)(A), the newsletter must include a statement that the guarantees are available based on the claims-paying ability of the insurance company.

As a related matter, we assume the discussion of longevity insurance refers to a fixed life insurance product and not to a form of variable life insurance. Thus, to clarify this matter a disclosure to this effect must be offered. If this assumption is inaccurate and the longevity insurance refers to variable life insurance, then this issue must be clarified with additional disclosure that alerts readers to the associated risks with a variable insurance product.

The article “Do you know this about your IRA?” refers to an IRA as ‘Individual Retirement Arrangement.’ However, generally the acronym for an IRA is referred to as an individual retirement account. Thus, to ensure the clarity of this information and avoid confusion, this reference must be revised in accordance with IM-2210-1(3), ‘Guidelines to Ensure That Communications With the Public Are Not Misleading.’ Similarly, the description of tax-free compounding with respect to an IRA also has the potential to create confusion since an IRA offers tax-deferred compounding. Thus, this information must be clarified to prevent any confusion regarding the tax treatment of a non-Roth IRA.

Remaining Articles

The remaining articles appear consistent with applicable standards.

We take this opportunity to remind the firm of its responsibility to ensure the accuracy of the information including, but not limited to, Charitable Remainder Trusts, Charitable Lead Trusts, Charitable Lead Annuity Trusts, and Charitable Lead Unit Trusts, discussed in the newsletter.

If you have any questions regarding these comments, please contact me at (240) 386-4500.

Sincerely,



Derek A. Ashworth
Associate Supervisor

daa

NOTE: *As a FINRA member, you are responsible for determining whether any communication with the public, including material filed with the Department, complies with all applicable requirements. The views expressed herein are solely advisory and do not constitute findings of compliance with, or violations of FINRA or SEC rules. It is assumed that the material does not omit material facts, contain statements that are not factual, or offer opinions that do not have a reasonable basis.*

Longevity Insurance – guaranteeing income late in life.

If you think you'll have enough income for most of your retirement, you can guarantee your unexpected longevity with 'longevity insurance'. This product is a repackaged deferred annuity which guarantees an income stream starting at a predetermined future time. It warrants your consideration (note that guarantees are based on the claims paying ability of the insurance company).

Longevity insurance, a type of fixed insurance, provides a guaranteed income typically starting after you turn 85. However this guarantee requires you to make an initial investment some 20 years earlier – at 65. You can make a single premium payment at 65, or make a series of level premium payments which should be completed before payouts begin. Money within the contract grows tax free.

Your payouts beginning when you turn 85 are fixed. They can cover you and your spouse for as long as you live –if you choose a joint life option.

IRS¹ gives a 65 year old male a life expectancy of 15 years and for a female, 18.2 years. Based on these life expectancies, a year old has slightly more than a 50% chance of not living long enough to begin collecting on his longevity insurance. With such a circumstance, longevity product variations exist. As an example, your longevity insurance may hold a certain amount that can be paid out to your beneficiary if you die before the payout age.

As a hypothetical example, a stripped down longevity insurance payout at 85 – for a \$10,000 purchase 20 years previous - gives about \$710/mo for the remainder of your life. But there are no death benefit or withdrawal options –like an annuity. No opportunities to take advantage of stock market increases, either. If cost of living adjustments are not included, you may find that your projected payout 20 years away is woefully lacking.

What might be an alternative investment?

If you invested the \$10,000 in the stock market for 20 years, at a hypothetical 6% growth rate, you'd accumulate \$32,000. If it grew no more, you could take \$710/mo out for 4 years. What's interesting, though, is that if you do make it to 85, your life expectancy then is 5.7 for a male, and 7.5 for a female.

Longevity insurance should be considered a minor backup at most. You shouldn't put too much into it...perhaps 10 % of your savings just to guarantee that something will be there if you are too.

Give us a call or fill out the card so we can help you determine if you should include some longevity insurance in your retirement planning –or better alternatives.

The purchase of life insurance involves costs, fees, expenses and potential surrender charges and depends on the health of the applicant. Not all applicants are insurable. If a policy is structured as a modified endowment contract, withdrawals will be subject to tax as ordinary income and withdrawals prior to age 59 ½ are subject to a 10% penalty.

¹ IRS Pub. 939 Actuarial Table 1 – single life

Do you know this about your IRA?

Many of you are somewhat familiar with the traditional **Individual Retirement Account** (IRA) is. It's a type of retirement account that you can open yourself; it's not run by your employer. Whatever you contribute to it grows **tax deferred** until you withdraw money. Your money is taxed as ordinary income in the year you withdraw it.

For 2007, you can deduct your yearly contributions of up to \$4000 if you're not covered by a retirement plan at work. If you are covered, then you can deduct this full amount if you file single (or head of household) with a modified adjusted income of \$52,000 or less or file married filing jointly with income of \$83,000 or less. For every \$1,000 you're over these income limits, your maximum deductible contribution is reduced by \$200. Nondeductible contributions aren't taxed when you take them out – only their earnings.

Tax-deferred compounding of your investment is the key aspect of an IRA. Deductible contributions help you to get more money in. If you're taxed at the same or lower rate when you retire then that's another plus.

That's pretty much the basics. But what else might be important to know for decisions you make as you approach or begin your retirement?

What can we do to increase our IRA savings?

For those of you 50 or over, be sure to contribute the extra 'the catch up' amounts of \$1,000 – beyond the standard \$4,000. And you can do this for your spouse too. A spousal IRA is an IRA to which a couple contributes on behalf of a nonworking spouse, even when that person earns little or no income. If your spouse is 50 or over too, she can contribute the full \$5000.

You can contribute to a traditional IRA until year before you turn 70½. This gives you a lot of time to take advantage of catch-up contributions to increase your retirement savings. When you reach 59½, you're no longer subject to a 10% penalty on withdrawals. But remember, you must begin withdrawing at least the minimum required distribution the year after you turn 70½.

What about bankruptcy?

The new bankruptcy law says that retirement accounts are protected from creditors in a bankruptcy. It's best to consult a lawyer about your IRA assets if you do file bankruptcy.

What else can I use my IRA to invest in beyond the usual investments?

Although not well-known, you can buy unencumbered real estate (i.e. condos, apartment buildings, single family homes, etc) directly with your IRA. Of course, you can also use your IRA to buy real estate indirectly through a corporation or a real estate investment trust (REIT). But, you can't use your IRA to buy your home or vacation property that you live in, or property that you use in your business.

Give us a call or fill out the card so we can help you grow your IRA savings.