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To: Comments, Public
Subject: FINRA Special Notice - 6/30/21
Date: Saturday, July 10, 2021 7:49:30 AM

FINRA Special Notice - 6/30/21
Request for Comments
"Effective Methods to Educate Newer Investors"

Since soon after the Credit Crunch, investor education became everyone's solution for all the ills of the market. Web pages filled up on all the government and industry sites. Every business soliciting the public created their own selection of educational articles. Blogs and podcasts are now de rigueur. Joe Public is drowning in financial advice.

Maybe simply providing Spanish+ copies of all those existing web pages would be the most effective additional benefit at this point. Finance uses normal English words to have very specific and different meanings from ordinary use. I would guess that causes all kinds of problems for the ESL public.

And I disagree with your conclusions from the study "Investing 2020: New Accounts". I have participated for a decade on social media sites where opinion/advice is solicited. The frequency of teenagers asking how they can convince their parents to drop the 2%-fee-active-mutual-fund-advisor / friend ... is astounding. The kids (presumably newer investors) know about MERs and active-vs-passive. It is the adults that have not kept up. The kids understand the advisor's conflicts between their own income and best advice. It is the adults who have chosen to remain ignorant and trust/rely on that conflicted advice.

A Better Use of Your Efforts Now

I would ask you, before adding to the endless advice already existing, that you correct the factual information you already publish. I advised FINRA in Sept 2020 of an important error, and sent the proofs. (https://www.advisorperspectives.com/articles/2019/05/25/how-to-properly-frame-401-k-benefits [advisorperspectives.com]) Your response was silence, and a continuation of the wrong public advice.

You wrongly claim about the Traditional 401k and IRA accounts' benefits ...

"The money is invested automatically in the plan, before your pay is taxed, which helps to stretch your savings". But the example shows how you don't keep any of the $400 from the tax reduction or the the $1,464 additional profits earned by the $400. It all goes to fund the $1,864 withdrawal tax. Think of it like your best friend Bob gave you his $400 to invest alongside your own, however you like. You never thought his $400 was **your** gain, or that the $1,464 earned by his money was **your** profits and not his.

"Tax Benefits: Any earnings your tax-deferred contributions produce during the time they remain in your account are also tax deferred. This means the combined amount has the opportunity to compound at a faster rate, since everything is being reinvested and no money is being taken out to pay taxes." But the profits are not tax-deferred. Profits are 'permanently' tax free, both yours and Bob's. Your permanently tax-free profits (on the after-tax savings) produce the same $560 benefit as the Roth.

"The tax you eventually pay depends on your income tax rate at the time of the withdrawal. Although there's no way of predicting what your income tax rate will be when you withdraw from your account, many people have less income in retirement than they did when they were working, and so pay tax at a lower rate." But the withdrawal tax is not a cost or negative benefit. Most of it is simply Bob taking his own money back. It is only the **change** in tax rates that matters. There is a possible x% bonus (or penalty) from withdrawals at tax rates x% lower (or higher) than at contribution. the 10% difference creates a 10% * $4,661 = $466 bonus.

Why don't you teach that the Trad's main benefit is tax-free profits ... not taxed while in the account AND not taxed at withdrawal? Everyone agrees that $outcomes of Roth and Trad accounts are equal when tax rates at contribution/withdrawal are the same. Everyone agrees that the benefit of Roth accounts is tax-free profits. So why does everyone claim the **opposite** for Trad accounts? Where is Occam's razor? The conceptual model that does explain outcomes is that the withdrawal tax is an allocation of principal between you and Bob. Bob is taking his own money back.

The IRS's claim that profits are taxed on withdrawal is false and should not be repeated by you. The proven outcome is that everyone always get the benefit from permanently tax-free profits, so it must be false.

Conclusion

I would suggest that instead of creating yet more English educational material, it is more productive to translate what exists into other languages. And rethink the validity of what you are teaching in the first place.

Chris Reed