

FREEFELLOW

LIMITS & THRESHOLDS

# SERIES 66

NASAA · Combined State Law

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## LIMITS &amp; THRESHOLDS

## ECONOMIC FACTORS AND BUSINESS INFORMATION

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The market portfolio has a beta of **1.0** by definition, so a stock with beta **1.5** tends to move 1.5% for every 1% market move.

A fund returning +50% then -50% has an arithmetic mean of **0%** but a geometric mean of **-13.4%** per year, leaving the account down **25%**.

A Sharpe ratio of **1.0** is solid, **2.0** is excellent, and **below zero** means the portfolio underperformed the risk-free asset.

Using CAPM with a 4% risk-free rate, 10% market return, and beta 1.2, the required return equals **11.2%**.

## INVESTMENT VEHICLE CHARACTERISTICS

8 items

FDIC insures deposits to **\$250,000** per depositor per bank per ownership category; SIPC covers brokerage to **\$500,000** total with a **\$250,000** cash sublimit.

Negotiable CDs trade in the secondary market and are issued in minimum denominations of **\$100,000**, targeting **institutional** buyers.

Commercial paper has a maximum maturity of **270 days** to qualify for the Securities Act Section **3(a)(3)** registration exemption.

The investment-grade threshold is **BBB-** (S&P) / **Baa3** (Moody's); anything below is high-yield, also called junk or speculative-grade.

Annuity withdrawals before age **59½** trigger a **10%** IRS penalty on gains, taxed as **ordinary income**.

Gold ETFs holding physical metal are taxed at the **28%** collectibles rate, while mining-stock ETFs are taxed at standard **15%/20%** LTCG rates.

FINRA caps 12b-1 fees at **0.75%** marketing plus **0.25%** service, for a **1.00%** maximum, and over **0.25%** disqualifies no-load status.

REITs must distribute at least **90%** of taxable income, and distributions are taxed as **ordinary income**, not qualified dividends.

## CLIENT/CUSTOMER INVESTMENT RECOMMENDATIONS AND STRATEGIES

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Asset allocation explains roughly **90%** of portfolio return variation across time, while security selection and market timing explain the rest.

ERISA **§404(c)** provides a fiduciary safe harbor when participants direct their own investments and the plan offers diverse options.

At a **32%** federal bracket, a 4.5% municipal bond delivers a tax-equivalent yield of **6.62%**, computed as  $4.5\% \div (1 - 0.32)$ .

Active funds typically charge **80-150 bps** while passive index funds charge **5-25 bps**, and fewer than **25%** beat their benchmark over 15-year periods.

The Net Investment Income Tax adds **3.8%** on investment income for MAGI above **\$200,000** single or **\$250,000** married filing jointly.

The 2026 IRA contribution limit is **\$7,000** (**\$8,000** age 50+) and the 401(k) elective deferral limit is **\$23,500**.

Reg T initial margin is **50%** and FINRA maintenance margin is **25%** long and **30%** short.

2026 HSA contribution limits are **\$4,400** self-only and **\$8,750** family, with a **\$1,000** catch-up at age 55+.

The Form ADV annual updating amendment is due within **90 days** of fiscal year end, while material changes require a prompt amendment generally within **30 days**.

A written customer complaint is U4-reportable if it alleges damages of **\$5,000** or more, or if settled or adjudicated for **\$15,000** or more.

A state-registered IA must switch to SEC at **\$110M** AUM and a federal IA must deregister below **\$90M**; **\$100M** is the federal-registration minimum.

NASAA's IAR CE rule requires **12** credits per year split into **6** Products and Practice plus **6** Ethics and Professional Responsibility.

The USA civil rescission window runs the earlier of **2 years** from discovery or **3 years** from sale, whichever is earlier.

Performance-based fees require a qualified client with **\$1.1 million** net worth (excluding primary residence) or **\$2.2 million** AUM with the adviser.

AML rules require a CTR for cash transactions over **\$10,000** filed within **15 days** and a SAR for suspicious activity at or above **\$5,000** filed within **30 days**.

Under the Uniform Securities Act, the criminal maximum is a **\$5,000** fine and **5 years** in prison, with a statute of limitations of **5 years** from the violation.