

of the commissions on the first, and every other, \$25 payment made. This just isn't enough incentive to encourage a salesman to seek out these investors. Most voluntary plans are opened when a salesman seeks out a customer who can make a substantial purchase of shares. If the salesman succeeds in making a substantial sale of shares, he may also offer the voluntary plan for share accumulation accounts as an additional service—as a convenient open account, or even as a plan program for future accumulation. Sometimes, he is disappointed in an effort to make a substantial cash sale and will end up by selling only a voluntary plan.

The contractual plan salesman, on the other hand, is willing to devote his time and effort to explaining his offering and its advantages to a responsible citizen who has a reasonably established income, and who may be convinced that it is to his advantage to use some of it to accumulate future capital. The fact that the contractual plan salesman devotes his time and effort to this end is demonstrated by the SEC report itself, which states that the average sale of a contractual plan requires three visits and the expenditure of a total of 3 to 4 hours by the salesman. Clearly, the investor who requires 3 to 4 hours of educational effort is not the one who walks into a brokerage house office and says that it occurs to him that he needs a monthly investment plan with diversification and professional management, and one that offers him a hedge against inflation.

Where the contractual plan is not available, however, most of these people are never approached by a salesman and never have the opportunity to accumulate capital through periodic investment in American business.

Nor does the voluntary plan offer the same stimulus to systematic investing which is created by the front-end load feature of the contractual plan. This point was raised by representatives of the Association of Mutual Fund Plan Sponsors with the SEC staff in August of 1963 when the "Report of the Special Study of Securities Markets" was released. Association representatives then suggested that the SEC staff make a study of voluntary plans to see whether they could establish the extent of persistency of payments in voluntary plans as contrasted with contractals. This is something that was not done.

This is something they did not do, but we have assembled sufficient figures to establish beyond question that contractual plans are much more effective in encouraging people systematically to save and invest than are voluntary plans.

For example, in the case of one mutual fund in a 3-year period studied, there were an average of 7.9 payments per year per account on contractual plans, as against an average of eight-tenths of one payment per account on the voluntaries; that is in the same fund. And in the case of another mutual fund in the same 3-year period, the discrepancy was still greater—an average of eight payments on contractals, as against an average of seven-tenths of one payment on voluntaries. There are additional studies to a similar effect with which I will not burden you in my oral presentation.

If I might digress for just a moment again, the message is clear, I think. Modification of the front-end load will reduce the stimulus to regular investing at great harm to investors.