

ticularly vulnerable to alleged "high pressure" selling. The facts show, however, that this is not the case at all. A nationwide survey was conducted by Benson & Benson, Inc., of Princeton, N.J., for Investment Company Institute which provides a profile of the contractual plan investor. The survey showed that the median contractual planholder is 43 years old; is a high school graduate or better; is engaged in a profession, or as an executive, or in a skilled or semiskilled capacity; owns a home worth \$17,000; carries \$13,000 of life insurance; holds cash and savings bonds and securities aggregating \$4,500; and has a family income of \$11,000 per year.

The survey shows conclusively that the contractual planholder has two outstanding characteristics which distinguish him from other mutual fund shareholders. One of these is that he is not seeking to invest accumulated capital; instead, he is seeking to accumulate capital by the allocation of current income to an investment medium—in this case, equity securities, which provide him not only the prospect of compound accumulation, but also a hedge against inflation and depreciation of the value of the dollar. The other characteristic is that in the majority of instances the contractual planholder is not generally accustomed to investing in securities; he does not have a brokerage account and would not be likely to do so had he not been sought out by a salesman, and had the advantages of equity investing explained to him.

The SEC's statement that 3 to 4 hours per sale are required support this thesis.

That contractual plans are sold on an honest and forthright basis should be readily apparent from the fact that from 1940 to the end of January of this year, of a total of 3,656 complaints with respect to securities matters received by the National Association of Securities Dealers, only two pertained to contractual plans. The SEC would have you believe to the contrary by its constant allegations, including those made at these hearings, that the front-end load induces "high pressure" selling, although it has failed to substantiate this claim with any evidence at all.

Despite the fact that, as the statistics referred to above show, the losses incurred by planholders who terminate their plans in the early years are very small in comparison to the profits realized by or accrued to the large majority of planholders, the industry has been concerned with methods of preventing losses resulting from early terminations. Although dollar losses may be small, they can still hurt when the cause of the early liquidation of the plan is financial stress, rather than a mere change in investment strategy, and although, as I described earlier, and I think this is important, planholders have the right to withdraw up to 90 percent of the liquidation value of their shares and to reinvest an equivalent amount without additional sales charge at a later date, some planholders in financial stress do not feel they will have such funds available in the future to reinvest and therefore terminate their plans. The President directed his concern to individuals who suffer financial stress in his special message on consumer protection delivered earlier this year when he said of investors of modest means in contractual plans:

They may face a substantial loss if financial difficulties force them to withdraw from the plan at an early date.