

are working and 25 percent are going, because you know you will pick up a few of their relatives and a few of their friends on some policies and get some business, but it is very minimal income that they are going to earn during that period. I do not think that justifies it.

If you want to you can characterize it as "mamma knows best" or paternalism, but I do not think it is a fair or adequate system of compensation, and I do not think increasing the amount which might be permitted would cure the basic defect in the sales organization of most life insurance agencies.

And I am not convinced that the testimony has indicated it would solve the problem of turnover here in the sale of front-end load systems.

Now Mr. Kostmayer, you made some very interesting allusions to the makeup of the population in my State. I think it is younger than the average in its overall population makeup, not older.

I am going to do a very careful job of a cross section of the population of California, and ask permission at the appropriate time to include it in this record, but I do not think it will bear out your conclusion that the phenomenal success of mutual funds there is because of those who are retiring there. I think most of those retiring in California come there with retirement income. They are not the investors.

Now I have some knowledge of the area you represent, where there is a very good market for mutual funds, an excellent market, and I do not think it is being sold to the older folks only. I think there are a lot of young investors in it. So I cannot accept that as being an accurate analysis of the reason for the success in California, notwithstanding the fact that a front-end load has been foreclosed.

I have a number of very close friends in this business, very successfully, and I will ask them about some of their age groupings and try to get a little fuller understanding. But it would certainly be contrary to your statement in my opinion.

When I served in the legislature there, I used to be told all the time that our great problem there was that the people who came there to retire were so poor that they were all on relief, which hardly matches the picture you have drawn of these older folks who come in and start to buy mutual funds.

I think it is far more helpful to the committee if, in citing things of this type, there be a careful research, so that it becomes fully reliable for us.

We are seeking the facts. We are not wanting to hurt anyone here on this committee. I do not think there is a member of it who has any desire to injure needlessly any segment or sector of the American economy.

In your statement, Mr. Kostmayer, you also stated that you recognized the need for measures to be taken to minimize early plan terminations and consequent losses. I would like to know what suggestions have been made to the Commission and what suggestions you might offer this committee to minimize these losses from early plan terminations.

MR. KOSTMAYER. Several of the things, Mr. Chairman, that I mentioned in my formal paper have been suggested to the Commission and are recommended to the committee for consideration. We think