

Mr. KOSTMAYER. I have no reason to think that this has been the factor to keep them out, correct, and I certainly have no reason to believe, knowing the natures of the organizations who have not joined, that they have stayed out because they are in fact the bad guys as distinguished from the good guys.

Mr. KEITH. Well, I think that misrepresentation must take place upon occasion, such as overly optimistic portrayals of the benefits of the plan. It does in almost any business. You learn by trial and error as to what salesmen have character, ability.

Mr. DAY. May I comment on that, Mr. Keith, on that point?

Mr. KEITH. Certainly.

Mr. DAY. I think the thing that bears importantly on that is that your contractual plan salesman in a typical \$25 a month plan would collect only the first 2 months payments at the time he makes the sale, so that means he gets \$12, \$6 for each of the payments.

Now it seems to me that it would be poor tactics on his part to use as a typical matter a type of high pressure, misrepresenting salesmanship, so that as soon as he goes away, that is soon going to wear off, and the fellow is going to wish the salesman had never bought the plan, because he is going to end up with only peanuts as far as compensation is concerned.

The salesman has to use the type of sales efforts so that it will stick, and he gets this first year payment, which he only gets after the whole year of payments has taken place, which as you know is somewhat of a contrast to life insurance, where it is very frequent practice to attempt to get the full first-year premium at the time the sale is made. This man typically only gets the commission based on 2 monthly contractual payments.

Mr. SPRINGER. Would the gentleman yield for a question on that?

Mr. KEITH. Yes, certainly.

Mr. SPRINGER. Might I ask whoever is qualified here two questions, which is one question really in two parts. How much of the total salesmen in the country involved in this have front-end load payment, what percent of the total salesmen?

Mr. KOSTMAYER. I think it is difficult, Mr. Springer, to answer it in terms of total salesmen. About 25 percent of all of the mutual fund sales are made with front-end loads, and this comes to roughly some 10 percent of the total volume.

Mr. SPRINGER. But you don't know what percent of the people involved are salesmen in this field?

Mr. KOSTMAYER. No. Mr. Roach, do you have any figures on that?

Mr. ROACH. I would estimate that of the some 90,000 registered representatives who are engaged in the offering or are entitled and authorized to offer mutual funds and contractual plans, of that number, I would say somewhere around 25,000 are actively engaged in offering contractual plans.

Mr. SPRINGER. Between 25 and 30 percent.

Mr. ROACH. That is right.

Mr. SPRINGER. Now what total of all the volume of the sales of mutual funds involve front-end load?

Mr. KOSTMAYER. Numerically it is about 25 percent. In terms of volume it is about 10 percent.

Mr. SPRINGER. In terms of dollars it is 25 percent.