funds are aggregated with any new purchase to determine the applicable sales charge.

Furthermore, various options and privileges are available to IDS customers which significantly reduce the effective sales charge as a percentage of the total amount paid in. At IDS, capital gains distributions and investment income dividends may be reinvested without charge. In 1966, at IDS $238,332,000 was invested in that way. Also a shareholder of one IDS fund may transfer his investment to another IDS fund without sales charge or other fee. $140,211,000 was so transferred in 1966.

The effect of these various options and privileges is significant. The gross commission income of IDS in 1966 was not 8% of sales, but 6.6%. It was only 4.6% of new money invested, which included reinvested dividends and capital gains. And it was only 3.9% when free intra-fund transfers are included. The trend in all these percentages has been downward.

These are averages not applicable to particular investors. Nevertheless, these options are available to and are availed of by our customers, and with impressive results. For example, if in 1945, when Investors Stock Fund was organized, a customer had invested $1,000 at an 8% sales charge, his total cost would have been $80. By reinvesting his dividends and capital gains distributions at no charge, as 95% of Stock Fund investors do, he would have dramatically reduced the effective percentage sales charge on the money he paid in:

At the end of the fifth year he would have paid in a total of $1,245 and the effective sales charge on the money paid in would have dropped to 6.4%.

At the end of the tenth year he would have paid in $1,939 and the effective sales charges on the money paid in would have dropped to 4.1%.

At the end of the seventeenth year, the usual life of an IDS mutual fund account, he would have paid in $3,547, and the effective sales charge on the money paid in would have dropped to only 2.2%.

At the end of the twenty-second year, October 31, 1966, he would have paid in $5,422 and the effective sales charge on the money paid in would have been less than 1.5%.

In other words, this customer paid a sales charge of $80 to make an initial investment of $1,000, and paid nothing to invest an additional $4,422. If he had then redeemed his shares he would have received $9,558 with no commission charge, all generated from his original $1,000, and the effective charge on all money in and out would have been 0.53%. This is a far cry from an 8% sales load.

The results of IDS' fund sales operations are set forth in the following table showing gross sales charges, expenses, and net income or loss for each of the years 1962 through 1966 and for the period ended August 31, 1967.

| | 1962 | 1963 | 1964 | 1965 | 1966 | 8 months Aug. 31, 1967 |
|---|---|---|---|---|---|---|
| Sales charges | $23,378,844 | $22,815,100 | $32,243,610 | $40,384,875 | $35,916,149 | $18,064,581 |
| Expenses | 24,695,836 | 23,935,204 | 32,443,694 | 39,287,374 | 34,096,444 | 18,279,895 |
| Net income (loss) before income taxes | (1,316,992) | (1,120,104) | (200,083) | 1,097,501 | 1,819,705 | (215,314) |
| Net income as percent of sales | (0.38) | (0.32) | (0.04) | 0.18 | 0.34 | (0.08) |

The following table shows the average gross income of IDS' sales representatives and district sales managers for each of the past five years and as projected for 1967 from the first six months. They have no other source of earnings and must pay their business expenses from the gross set forth below:

AVERAGE GROSS INCOME FROM SALE OF ALL PRODUCTS

| | Sales representatives [1] | District sales managers [2] |
|---|---|---|
| 1962 | $7,853 | $14,734 |
| 1963 | 7,571 | 13,683 |
| 1964 | 8,753 | 15,687 |
| 1965 | 9,159 | 16,767 |
| 1966 | 8,077 | 14,292 |
| 1967 (projected) | 7,233 | 13,556 |

[1] Only representatives with more than 18 months of experience are included.
[2] Divisional sales managers, the next level of sales managers, usually have higher incomes than do district sales managers.