

Mr. LOEFFLER. No, sir. It is all forms of life insurance, ordinary life, term life, reducing life, sold independently of a purchase of fund shares.

Mr. KEITH. No tie-in sales?

Mr. LOEFFLER. No, sir.

Mr. KEITH. There are some that have tie-in sales, are there not?

Mr. LOEFFLER. There are, although I am not terribly familiar with them, sir, and I am a little reluctant to comment. I am not sure that they would strictly be what you call a tie-in in the sense that neither may optionally be purchased separately from the other. I am just not sure. I think a tie-in means that you cannot purchase one without the other, at least as I usually understand the term, but I may be wrong on that, sir.

I may say on this, in response to your question, the IDS sales philosophy is based on what they call a four cornerstone approach, and that is that the average person should have money in the bank for immediate emergencies, cash, that he should have life insurance, that he should then have some fixed savings program of a fixed type, and then that he should have some equity investments such as a mutual fund as a hedge against inflation. That is the basic sales philosophy of the IDS sales representatives, and they are in a position to offer any form of these various investments.

Mr. KEITH. It was not inadvertent when you left out life insurance?

Mr. LOEFFLER. No, sir; life insurance I think is second. After cash in the bank, life insurance is in the foremost of the program.

Mr. STUCKEY. Is this a contractual type of plan that the salesmen are selling?

Mr. LOEFFLER. We also have a contractual plan, although I was not referring to that at the time. I can comment on that separately. It is slightly different than the industry format.

Mr. STUCKEY. So you would offer just every type I guess except a no-load?

Mr. LOEFFLER. Everything except a no-load, yes, sir, within the IDS family of packages, family of products.

Mr. STUCKEY. Right.

Mr. LOEFFLER. I thought it necessary and essential to point out the fact that IDS does not compete for dealer favor because the IDS maximum sales load is 8 percent, and it graduates down from 8 percent. A description of the effect of various options on the average commission income to IDS is contained in my written statement, particularly on pages 10 to 13. Rather than go into those, however, at this moment, the particular point I wanted to make related to the question of why, if IDS does not have to compete for dealer favor, does it necessarily have a sales load as high as 8 percent as the starting maximum.

The answer to that is solely a question of economic necessity, and this is the primary point which I did wish to make and to stress.

On page 13 of the written statement, if you have it before you, are the statistics with respect to the gross income, expenses, and then net income to IDS from distribution of mutual fund shares. This shows the data for the years 1962 through 1966, and for this year to