

date; it shows that throughout that period, for 5 of those years, IDS lost money from distribution in 3 of the 5 years, made a slight profit in 2 of the 5 years, and in 1967 so far is again in a loss position.

Out of a total gross income from the sales load, from the commission charges of over \$172 million during that period, the net income to IDS was \$65,000. It becomes abundantly clear that there is no profit to IDS from the distribution of fund shares, notwithstanding a maximum of 8 percent sales load as the starting point.

Mr. KEITH. Except of course as you get additional funds over which you can—

Mr. LOEFFLER. From the management fee?

Mr. KEITH. Yes.

Mr. LOEFFLER. We do realize a profit from the management fee. Otherwise, we would not even be in the business.

Mr. KEITH. This is the kind of point I have been making right along through these hearings, that the genesis and the sustenance of these mutual funds is in the investment company.

Mr. LOEFFLER. Yes, sir; and this is a subject which I would like to get to as a separate point. Perhaps I could get to it later unless you would wish me to get into it at this moment.

Mr. KEITH. Not at all. Go ahead.

Mr. LOEFFLER. The question on the distribution side that immediately arises in view of this result to IDS is what do our sales representatives make, since the major expense is the commission to the sales force, the sales representatives and their supervisors. Are they making exorbitant or excessive incomes?

On page 14 of the statement, is the average income of the sales representatives of IDS and of the district sales managers of IDS for the period from 1962 to date.

The difference between a sales representative as shown there and a district sales manager is that a district sales manager will spend approximately 50 percent of his time in sales and about 50 percent of his time supervising other sales representatives, generally an average of about five sales representatives to a district sales manager.

As indicated there, the average income to an IDS sales representative in 1966 was \$8,000 per year, and for a district sales manager was \$14,000. These are full-time career sales representatives. I think it is abundantly clear that this is a minimum amount necessary to attract and to keep well-trained, qualified career sales representatives.

As an actual matter and in practice, what happens is that the sales representatives, those who are qualified and able, naturally move on to becoming district sales managers, because \$8,000 normally will not retain a good man on a permanent basis, and that is the progression which occurs.

The entirety of the point which I wish to make from this is that it is abundantly clear that the reason for the level of our sales loads is strictly a matter of economic necessity. It is a matter of the economics of distribution, the amount which is necessary to maintain an adequately compensated and an adequately trained and a properly supervised sales force.

I might say that we would be happy, too, if we could cut that maximum and reduce it. It would be good business and we would like to do