

Not only is there a difference in charge but a more significant difference is that of method, purpose and planning involved. The average customer's man in a brokerage firm must make several trades a day usually over the telephone or with the client in his office watching the board, in order to make a decent income.

On the other hand, the Mutual Fund representative takes a different approach, since he is interested in overall financial planning for his clients. He spends hours prospecting, personally interviewing to determine needs, abilities and long term goals, planning programs to meet such objectives as education of children, retirement plans, or current income needs from investments. If he is progressive, as he ought to be, he also plans and coordinates life insurance programs, works with attorneys on trusts, sets up corporate and personal tax-sheltered retirement plans. Instead of several sales a day, he is fortunate to make two (2) sales a week and many times spends weeks on a single case. His job is to tailor a plan to individual, family or business needs.

He believes that only *after* such things are taken care of should a person indulge in the more precarious practice of playing the stock market.

The Mutual Fund Industry is one which:

1. Sends thousands of young men and women to college.
2. Provides a dignified retirement for hundreds of thousands of older people.
3. Protects millions of people from the ravages of inflation.
4. Gives people of all walks of life the best plan ever devised to provide a sound method of participating in the growth and earning power of American Industry.

D. THE CONTRACTUAL PLAN

Experienced persons in financial planning know that the vast majority of people, even though they live in the wealthiest country the world has ever known, end up broke after a lifetime of work. The reason for most is that they never had any plans to end up any other way. Since most people do not have \$2,000, \$5,000, \$10,000, \$50,000 or \$100,000 to invest, their only salvation to achieve the above goals, is to save out of their income. This should be done on a planned systematic basis rather than on a hit or miss basis. The only plan that makes real sense is the Systematic Investment Plan or so-called Contractual Plan.

The advantages of this plan far outweigh the one disadvantage. The *only* disadvantage is that if the shareholder liquidates in the early years he would probably withstand a loss. It is the same disadvantage one finds in a mortgage, life insurance policy, buying a car on time, etc.

The client has this fully explained to his satisfaction before he embarks on a program. A plan for education of children or for retirement is extremely important in financial planning. This plan provides a self-imposed semi-obligatory program to accumulate capital to take care of future inevitable financial needs. It gives all the possible advantages and conveniences of an investment in American Industry and reduces the risk to a minimum.

See exhibit A—"Contractual Plan Results" which shows values of plans at various stages of accomplishment as well as salesmen's commissions earned.

See exhibit B—"Some Advantages of the Contractual Plan."

E. HIRING AND TRAINING PERSONNEL

Because of the high standards required for registration and licensing, it takes about two (2) to three (3) months of study and training and examinations before an applicant is qualified to solicit sales. Our firm has hired, trained and released about 500 people in 6 years to retain the present 250 representatives. Most firms operate on a straight commission basis. No draw or salary. Many representatives are part time. It is difficult to ascertain why all this is so if salesmen in this industry are paid such a high commission, as alleged by the S.E.C. Why do not more customer's men leave the individual stock business and sell Mutual Funds exclusively, if there is so much money in it?

F. CONCLUSIONS

1. Well-informed citizens, who believe in the free enterprise system, are capable of judging the value of Mutual Fund purchases, i.e. costs vs results.