

19. Adaptable to Gifts and Trusts.
 (a) Revocable and Irrevocable.
 (b) Gifts to Minors.
 (c) Profit Sharing Plans.
 (d) Keogh Self-employed Retirement Plans.
 (e) Short-term Trust.
20. Year-end Tax Information.

Mr. Moss. The gentleman may summarize the statement.

Mr. ALLEN. I shall try, Mr. Chairman, to exercise as much restraint as I can.

The thing that we find out there in the field is that, generally speaking, most people do a rather poor job of personal financial planning, and I think all the statistics will bear out that after a lifetime of work in the wealthiest country that has ever been on the face of the earth, that many, many people end up quite broke. Those of us in the sales end of this business, I think, are in the forefront of an endeavor to try and bring into focus the needs of people and correlate them with their ability to set money aside and to correlate it also with the economic times in which we live, and offer plans and programs to that end.

And what this industry has done, and primarily through the sales representative, has been to send thousands of young men and women to college, has resulted in a dignified retirement for hundreds of thousands of older citizens, has protected millions of people against the ravages of inflation, and if we may be a little prejudicial, given people the best plan that has ever been devised to offer a participation in the growth and earning power of American industry. And I submit to you that mutual funds are a product or a service which is sold and not bought, very similar to life insurance. Very few people go down to Prudential or Metropolitan or John Hancock and walk in and say, "I would like to buy some life insurance."

Mutual funds are pretty much the same. People do not generally seek out this service. It must be brought to them. And this requires salesmen who spend long hours prospecting, interviewing, planning, and if they are progressive in their thinking, probably correlating it with life insurance. They deal with attorneys in setting up trusts, work with self-employed retirement plans and with profit-sharing and pension plans in industry, and it is simply our contention that they should be paid for these services. It would seem that the SEC would want this compensation reduced and to decide just how much it should be.

If I may, I should like to break down the sales charge on a lump-sum investment. The client generally pays about 8 percent. This is assuming it is not a no-load fund. The dealer concession usually is about 6 percent.

Mr. KEITH. You mean if somebody puts a lump sum down they pay 8 percent at that time?

Mr. ALLEN. Yes. If a man invests \$1,000, the sales charge is \$80, the sales charge to the client.

Mr. KEITH. At the time he puts it down, the total commission on a plan other than a lump sum, it works out to be about the same thing, if you see what I mean.

Mr. ALLEN. No, I am sorry, I do not follow you.