Mr. KEITH. If he is buying on the installment plan, he would be paying 8 percent over a period of years?

Mr. ALLEN. Yes.

Mr. KEITH. And if he bought a lump sum of $1,000 each year, he would be paying $80 or 8 percent?

Mr. ALLEN. That is correct, the difference being that on a contractual plan, of course, that the major portion of the sales charge comes out the first year, but in the end when the man completes the plan——

Mr. KEITH. He is paying everything in the first year if he only puts in the lump sum. He is paying the 8 percent.

Mr. ALLEN. No. Let me give you an example if I may.

Let's assume a man is just buying $1,000 worth of XYZ fund.

Mr. KEITH. Yes.

Mr. ALLEN. He buys $1,000 worth of shares, that is, minus 8 percent. He buys $920 worth of shares. The 8 percent is the sales charge to him. And then if I may, I would like to show you how this is divided.

The dealer concession generally is 6 percent. We as dealers, have managers under us who receive 5 percent, leaving 1 percent for the house, so to speak, for us as the dealers. Now this breakdown of course will vary somewhat with other dealers. Although there is only so much one can work with, some firms will vary these percentages slightly.

I am using our firm as an example here. Salesmen generally will receive 4½, 4, or 3½ percent, depending upon the level of accomplishment, length of service, or whether they are working their way into management and so on.

Now it is a little hard for us to understand that if the overall sales charge were reduced to 5 percent, how we could work out a system of compensation for our salesmen which would hold them, which would keep them with us as salesmen, and frankly, how we could stay in business.

Mr. WATKINS. How could you sell if you did not have salesmen? People do not come to you like they would a doctor, do they?

Mr. ALLEN. No, that is correct, very seldom. The longer one is in the business, the more this does happen, but it is an occasional thing. No, we just could not operate.

Mr. WATKINS. In other words, what you are saying, if you cut it down to 5 percent you are out of business then?

Mr. ALLEN. Absolutely.

Mr. WATKINS. That is what I want to hear you say here. All this going around the bushes about some of this other I am not interested in.

Mr. ALLEN. In our opinion this is exactly what would happen, because we could not compensate salesmen to go out and sell this service. The only kind of dealership that we could have would be one where I suppose my partners and I would be alone in the business, and let's say the concession to the dealer was 3½ percent. Proportionately I guess it would be something like that.

So that we as principals would be the only ones selling and we would be receiving a 3½-percent commission on what we personally would sell. Well, it is pretty obvious we would get out of this business and go into some other business.

Mr. WATKINS. Mr. Allen, how many men did you say you employ in your firm of Allen, Rogers & Co.?