and does it in a relatively short time. In the mutual fund end of it, the salesman goes out and sits down with the client or brings him into the office and, as I said before, correlates this whole program for him and tries to set up a plan and a program to meet his needs, his objectives, his hopes, his dreams for his children's education and his own future, and so on.

So let's assume that a representative has 50 of these open accounts going. It means that he will get $1.75 every month if this client puts in $50. If he has 50 of these plans going let's say, this is $87.50 a month income to him. Assuming 20 percent attrition along the way, this is more like $60 a month income to the salesman, if all he sold was open accounts.

On the contractual, on the other hand, a man puts in $100, the salesman would make something like $22.50 out of the first $100 and $11.25 out of each $50 in the first year, and if the salesman, the representative, had 50 of these plans going, this would be $562.50 monthly income to him, and again assuming that the same attrition involved here is 20 percent, which incidentally, our records prove would not be so because people carry out contractual plans and they don't carry out open accounts to anywhere near as high a degree. However, this would result in about $450 a month income to the salesman as compared with $60 a month in the case of the open accounts, or level charge plans.

I think you will agree this is not a very high income, average or below average. So the registered representative would have to have many, many more than 50 plans going, and in the case of the average representative, it will take him at least a year to institute 50 plans.

Well, if we had to sell only the open account, as I said before, we would just be out of business. The only other alternative would be for the registered representative, and we ourselves as dealers, to deal only with wealthy people who could put in thousands of dollars, and thereby we could get an adequate commission and income for ourselves, or we could go into another business.

Mr. Moss. Mr. Allen, do I understand you to say that this condition would arise if you did not have the contractual plans, the front-end load plans?

Mr. Allen. Yes, sir.

Mr. Moss. How do you explain then the strange phenomenon of my State of California, where with about 10 percent of the population of the Nation, we merchandise 23 percent of the mutual fund shares? There isn't another State that equals it.

Mr. Allen. I understand that.

Mr. Watkins. It is a large State.

Mr. Moss. Does that give the selling forces more vigor, more initiative?

Mr. Allen. I think that one interesting statistic to investigate would be what the average sale is in California.

Mr. Moss. We are going to do that.

Mr. Allen. Because in order for a salesman representative to make a decent income in California or anywhere else, he would have to make relatively large sales, and it would seem to me that this might