

vised—managed—by experts. As small investors they need more protection than the salesman who contacts them.

Mutual fund sales charges are far out of line with the cost of purchasing most securities. The salesman takes no risk whatsoever. Neither does the broker nor sales organization. On most normal transactions, 5 percent is considered a maximum reasonable brokerage or sales fee. The standard sales load on most mutual funds today is far above that. As has already been indicated, it is about 9 percent.

As for the front-end load contractual commission, it is so high as to approach the unconscionable. There is no justification whatever for charging a sales fee on an investment that is to be made in the future.

I might add in response to some of the last questioning that I don't think it is the duty of the SEC and Congress to protect salesmen in this industry. The responsibility is to protect the investor who is putting up his savings and doesn't know in all cases exactly what he is buying and is dependent upon what the salesman tells him.

Mr. Moss. Mr. Livingston, would you like to have these four columns included as part of your testimony?

Mr. LIVINGSTON. I think that would be very nice if you would be so kind.

Mr. Moss. Without objection, then, this will be done.

(The articles referred to follow:)

THE BUSINESS OUTLOOK—AUNT NELLIES STIMULATED NO-LOAD MUTUAL FUNDS

(By J. A. Livingston)

False ideas about mutual funds abound—particularly about no-load funds, those that don't charge a sales commission. My recent series on load versus no-load funds brought questions from hundreds of readers. Here, synthesized, are the questions most asked—with answers:

Q. About two months ago I purchased two well-known mutual funds. Then I read your articles pointing out that in a no-load fund all the money invested goes to work, whereas in a load fund the commission is taken out first. Should I sell my load fund and switch the money into a no-load?

A. No. You have already paid the sales commission. You don't gain anything by disposing of the shares you already own and shifting to a no-load. Additionally, you'd have tax complications: Capital gain or loss?

HARD TO SELL?

Q. I attended a meeting of investors and someone raised the question of no-load mutual funds. The speaker said we'd have a hard time buying them and an even harder time selling them because no broker would touch them. Is that true?

A. It is true that brokers rarely deal in no-load funds. There's no money—commission—in them. Therefore, such shares have to be bought by writing directly to the funds.

It is totally untrue that a shareholder in a no-load fund will have a hard time cashing in his shares. No-load funds, like load funds, are required to redeem shares at a net asset value. This can be done by tendering shares to the fund—in writing.

Q. How does a no-load mutual fund defray its sales costs?

A. In theory, there are no sales costs. In theory, no-load funds are sold "over the transom," or by word of mouth. One person tells another. The origin of no-load funds is pertinent.

Many no-load funds are operated by investment counsel firms. These firms supervise accounts of \$100,000 or up for well-to-do clients. Such clients often have Aunt Nellies who need lots of investment help for small amounts of money—\$5,000 or less.