

fund does not receive a large cash flow from sales. Therefore, it would have to sell some of its holdings, possibly at a loss, to reduce its common-stock risk. Is that correct?

SIZE VERSUS FLEXIBILITY

A. Hardly. Most load funds are larger than no-load funds. Consequently, the cash inflow through selling would be larger than to no-load funds. But proportionate to size, there is no great difference. This is borne out by two separate statistical studies, one covering all funds by the Investment Company Institute, a trade association consisting largely of load funds, the other based on the sales of the ten largest load and the ten largest no-load funds.

Conclusion: No-load funds have as great a flexibility in declining markets as load funds. Indeed, it can be argued that they have greater flexibility. They are smaller. Therefore, they are not laden with large blocks of shares which might be hard to dispose of during a decline. And though they don't have salesmen pushing their shares, satisfied investors often become "salesmen."

Q. I have been accumulating shares in a mutual fund under a front-end load contractual plan. The salesman explained that half of my first year's payments would be sales commission. But I didn't know of the existence of no-load funds until I read your column. Should I discontinue my plan now, considering that I've already paid a substantial part of the commission?

DOVETAILED INSURANCE

A. This is a matter of arithmetic and judgment. If the fund you purchased has an excellent record, you may want to keep on with the plan even though you continue to pay commissions. After the first year, the commission generally amounts to 3% to 4% on each payment. On large amounts, it's less.

If a no-load appealed to you, you could make a contract with yourself to buy it periodically. Then by dropping the contractual plan, you'd save commissions.

Contractual plans often offer an option—group term life insurance which declines automatically as the investor's payments cumulate. This adds to the cost but is a feature many persons like. It assures completion of payments in case of death. You, yourself, can buy term insurance but the amount would not dovetail exactly into your investment plan.

Q. Where can I get a list of no-load funds? I've asked customers' men several times but they seem not to hear or they change the subject.

NO-LOAD LIST AVAILABLE

A. This is understandable. Brokers make no money on no-load funds. I can provide names and addresses. Send a self-addressed, stamped envelope, marked "No-Load List" to J. A. Livingston, The Bulletin, Philadelphia, Pa. 19101.

Q. Do you consider mutual funds a good investment for the average investor?

A. Yes. For the person who prefers to let someone else manage his money, the mutual fund is an excellent way to purchase a diversified stake in American industry. But a word of caution is in order. Common stocks entail risk.

The United States has enjoyed unparalleled prosperity since the end of World War II. Common stocks have appreciated 500%. There is no assurance that this will continue or be repeated.

In selecting a mutual fund, load or no-load, the buyer must carefully consider which type of fund he wants—a go-go-go speculative venture or a balanced investment in long-term American progress.

(Last of three articles.)

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THE BUSINESS OUTLOOK—ARE MUTUAL-FUND BUYERS LIKE UTILITY CUSTOMERS?

(By J. A. Livingston)

William Van R. Cadmus, head of a Livingston, N.J. firm handling mutual funds and various types of insurance, feels that I "have done a great injustice" to mutual funds. He writes: