

Mr. KEITH. I guess we could really explore this at some depth and I would like to, but I think it would be a rather long procedure, because we have several areas in which we have differences of opinion.

Mr. LIVINGSTON. Mr. Congressman, may I add this. On annuities in an insurance plan, if I am correct, which is much more comparable to a mutual fund contractual plan, the sales commission in the first year is only 15 to 20 percent, or 10 to 15 percent, according to a book by Dan M. McGill, "Life Insurance."

Mr. KEITH. Well, we have heard here about books pro and con. Figure lie and liars figure.

Mr. LIVINGSTON. Well, I am trying not to lie.

Mr. KEITH. I know. And I don't mean Mr. McGill has done that, but the compensation for selling an annuity is not as great as for selling life insurance, and there are probably adequate sales and social reasons for that. But let me just say this, to get specific here, and I am not agreeing with all that you have said. We can pursue it perhaps at a later date when I get the record straight between us.

On these no-load funds, the law, it seems is quite specific. It prohibits them spending any money on sales if they conform in other respects to the basic law. I would think that if we loosen up that section to permit no-load funds to advertise in the way savings banks do in Massachusetts, that the public would have these facts which you now are afraid they don't have.

Mr. LIVINGSTON. They advertise.

Mr. KEITH. They don't advertise except institutional ads. They don't really try to motivate people to come in. They don't say "Buy a no-load fund and save the agent's commission." They don't say "Do it yourself and save money." They just advertise the fact that they are a no-load fund, as I recall the advertisements.

I am talking about more motivating sales literature mailed out to the prospects, and through the financial sections of the newspapers and magazines. They might loosen up a bit and get somewhat away from the no-sales load to some sales load to cut out the agents to some extent.

Now I in taking your advice bought a no-load fund, and it was one of these where you buy it at a discount. I guess that is the term used.

Mr. LIVINGSTON. Well, that would be a closed-end fund.

Mr. KEITH. It was a closed-end fund. And I sold at a discount.

Mr. LIVINGSTON. That is right.

Mr. KEITH. That brought a factor into play that I didn't really count on, but I wasn't an authority in this field. I didn't buy, as I hoped to simply a cross section of a diversified portfolio. I had that discount on the way in and on the way out.

So these no-load funds are of two sorts. You have the closed end and the open end, and those that are sold at a discount you don't necessarily get what you think you are getting, because of the introduction of this fluctuation in the market at the time; is that not correct?

Mr. LIVINGSTON. Well, it is correct within the limits of the statement. When you buy a closed-end fund that is selling at a discount—let's take, for example, Tri-Continental Corp. which was selling at a discount—

Mr. KEITH. Were you looking over my shoulder?