

need to support relatives unable to care for themselves. He may have unforeseen expenses in providing for his family. His income may not keep pace with increases in the cost of living.

Moreover, disclosure is helpful primarily in evaluating the *present* merit of an investment. In the case of the contractual plan, we deal with long periods during which there may be significant changes in the investor's personal situation, in the general economy, and in the performance of the underlying fund. The planholder's investment goals may change. If he bought a plan in a balanced fund, he may later decide that it is more desirable that his investment henceforth should be in a growth fund. Or an investor may decide that the management of the fund he has been investing in has not lived up to his expectations and that he wishes to allocate his future savings to another fund with different investment goals. Other mutual fund investors can and do make such decisions.

The contractual plan investor is penalized to a uniquely heavy extent if he decides to invest elsewhere in the future. The disclosures and the refund privilege offered him at the time of his purchase have no bearing on these future contingencies.

Mr. KEITH. Mr. Chairman, you have given our committee and the Congress and the country much food for thought, consideration, and action, I suspect. But when you say none of your proposals would hurt the mutual fund industry, you attempt, it seems to me, to dis-credit the entire presentation of the case by those seeking to defend themselves. I think it is this committee's responsibility to make that judgment. I certainly am not going to buy that conclusion. I don't think you have proven that point as yet. You have given us cause for thought.

Mr. COHEN. Mr. Keith, so that I can understand what you are pointing to, when you say the mutual fund—

Mr. KEITH. I am not pointing at anything. I am just pointing out, and I took it down as well as I could, a sentence in your concluding commentary to the effect that "certainly none of our proposals would hurt the mutual fund industry."

Mr. COHEN. I am talking about the mutual funds. I am not talking about the sellers and I am not talking about the managers. Obviously, our proposals will have some impact on them.

Mr. KEITH. So you are saying it wouldn't hurt the mutual funds. Mr. COHEN. That is what I said, and as to the latter point, if you wish to put it to me, I would be glad to expand my answer in those areas, but I want to make it perfectly clear I am talking about the mutual fund as an investment vehicle.

Mr. KEITH. I see.

Mr. COHEN. Our purpose here is not to hurt them, but to improve them, to make them more attractive, to make them easier to sell.

Mr. KEITH. I am quite certain that your purpose is that. I don't question your purpose. It may be a matter of semantics as to where one leaves off and the other begins, but at any rate you are now pointing out that the word "industry" was not intended or perhaps not in fact present in that quote that I made.

Mr. COHEN. Well, if I misled you I am sorry, Mr. Keith.

Mr. KEITH. No, that is all right.

Mr. COHEN. I meant to emphasize that none of our proposals are directed at mutual funds as such, their viability, continued viability, growth, and usefulness. Our concern is with respect to the charges which are levied upon investors in acquisition of an investment in such a fund, and the maintenance of such an investment.