

a. How many have liquidated at a loss?

To our knowledge neither the Exchange, the odd-lot firms, nor the Commission houses have any data which could show how many MIP's have been liquidated at a loss. In fact, on termination not all accounts are liquidated—some customers ask for possession of their certificates so there is no way of telling when or at what price they eventually sell them.

b. What is the lapse ratio on M.I.P.?

Inasmuch as the Monthly Investment Plan is for no stated fixed term, it is not wholly appropriate to speak of them as "lapsing." In this framework, we are advised that the life span of the average MIP is about 3 years. Merrill Lynch's experience has been that over this three year period an average of about one year's payments are made, but the average payment is about twice the amount of the minimum installment called for by the plans. Thus the average MIP investor pays in an amount equivalent to the minimum periodic installments for the first two years of his plan. At the time of termination only about $\frac{1}{3}$ of the investors ask that their MIP accounts be liquidated—the rest either ask to have their certificates sent to them, leave the account dormant or go into another security. This is one of the reasons why it is difficult to determine if a customer has sustained a loss at the termination of the plan.

c. What is the average percentage sales charge paid by M.I.P. Investors?

The Exchange and Merrill Lynch estimate that the "sales charge" paid by the average MIP investor is approximately 8%, considering his cost in and out and taking into account the odd-lot differential. The maximum commission charge is 6% of money invested for transactions of \$100 or less. Since the average payment is a little over \$100, the commission is slightly under 6%. At termination the average account has a value of \$1500 and the commission upon liquidation is \$20 or 1.3 percent. The remainder consists of the odd-lot differential.

d. What sales material and other disclosures does the purchaser receive?

The investor receives a booklet called "Investing on a Budget" which includes an order blank, together with any financial or research reports he asks for.

e. How is the suitability of the investment for the investor determined?

The suitability of the security selected by the customer is determined for the most part on the basis of the same factors used in determining suitability for other customers. The Exchange's rule on "Know your customer" is equally relevant for MIP accounts. Overall, the MIP is intended to appeal to the long range investor who has only limited funds available for investment and seeks the advantages of dollar-cost-averaging.

An indication of the type of securities chosen is reflected by the 10 most popular securities in MIP accounts as of mid-May, 1967:

1. American Tel & Tel
2. General Motors
3. Radio Corp of America
4. General Tel & Electronics Corp.
5. Int'l Business Machines Corp.
6. Sears, Roebuck
7. General Electric Co.
8. Eastman Kodak Co.
9. Tri-Continental Corp., (a closed-end investment company)
10. Standard Oil of New Jersey

More than 50% of the total MIP accounts are in these securities.

f. What advice and service does the purchaser receive?

The primary advantage provided by the Monthly Investment Plan is the opportunity to purchase fractional shares of stocks on a budget, and the option of having his dividends automatically reinvested.

The MIP customer is given the same general advice and service that is given to regular customers of the broker/dealer. For instance, the member firm holds his securities without charging a custodial fee. In addition, MIP customers of Merrill Lynch receive at least three times a year a publication called *Market Highlights* which gives a concise summary of general economic trends together with a succinct report concerning the customer's security among others. This service is available only to MIP customers of Merrill Lynch.