

for their investors. Our industry is in no way an opportunity to make a fast dollar, but rather requires a career commitment in order to make even a respectable living.

I do not feel that the Security & Exchange Commission has sufficiently considered the cost involved in selling our product, and it seems to me that the opposite of what the Security Exchange Commission wants to accomplish will result if the legislation is passed in its present form. The Security Exchange Commission has admitted that the small investor who has employed the mutual fund method of investing has benefited substantially, but they do not realize how expensive it is for us to sell and service the accounts. If the present legislation is passed, it is my opinion that the large investor and the high positioned people in the industry will be unaffected, but the average mutual fund salesman and the small investor will be adversely affected.

The investment business entails as much or more risk for those of us who are in the business as it does for the investor. It is vitally important when you accept these risks as a part of your life that there at least be the possibility of some rewards. The Security Exchange Commission legislation would so reduce the opportunity to make money that the commission structure would be dealt a shattering blow. It is almost impossible to go the fixed cost route.

Wages and costs have constantly increased throughout our land. By automating bookkeeping, and dealing with larger amounts of money, our mutual fund companies have, as their records reveal, progressively decreased their internal management fees and expenses. In the same period our expenses have progressively increased, and the industry has *not* passed this increased cost on to the investor. When in area after area it has been necessary to increase prices due to wage demands, fringe benefits, etc., the industry has a splendid record of actually reducing management fees.

Basically the agitation for this legislation has not come from our investors. We are in a highly competitive market. Our charges and costs are no more than are needed. The banks, insurance companies, savings & loan associations, etc., are able to far more aggressively solicit investment money than we are. I feel that the work we do is honorable, of long term benefit to the money market in the United States, and offers one of the best methods for the general public to be involved in our capitalistic free enterprise system.

Sincerely yours,

GEORGE D. CLELAND, JR., *Division Manager.*

OVERLAND PARK, KANS., May 25, 1967.

HON. LARRY WINN, JR.,
House of Representatives,
Washington, D.C.

DEAR MR. WINN: The SEC Mutual Fund Bill has proposed that Congress give certain authority to the Securities and Exchange Commission which would eliminate, restrict, and change certain established operations, policies, and procedures of the mutual fund industry. Although I am unopposed to beneficial elimination, restrictions or change, I cannot concur with the Bill as presented.

The following deserve additional comment:

1. *Elimination of front-end load contractual plans.*—This medium of investment is under criticism primarily due to the placing of a large part of the sales charge in the first twelve investments. Contractual Plans are a long-term investment which are sold by salesmen who must receive a commission sufficient for his labors. If sales charges and commissions were spread out over the life of the plan it would be physically impossible for the salesmen to earn \$600 per month and give the service necessary to his clients. (\$25.00 per month from 400 people at a commission rate of 6%). In addition, the Contractual Plan offers to the small investor the opportunity to share in the wealth of his nation through the inherent diversification of a mutual fund and its professional management which may not otherwise be available to him.

2. *Restriction of sales charges on lump sum investments.*—The bill as proposed seeks to set an arbitrary 5% of the net investment as the maximum sales charge. This proposal is based on the NASD's "5% mark-up policy" on listed and unlisted securities. But, they fail to state that the NASD's 5% is charged both on the