

Hello

I would like to comment on the above paper entitled Mutual Fund Fees.

I would like to start out by saying that disclosure is lacking in our industry and needs to be improved. The main issue is that many (over 95%) advisors still use the DSC charge and make unsuitable recommendations in order to generate a higher level of compensation. Over 90% of my business is done on the front end load with \$0 sales charge and the other would be a 2 year low load schedule. I generally work only for a trailer fee which is completely disclosed and signed by each and every client in my letter of engagement. I do not receive up front compensation vs. DSC charges and discuss this with every client. If their money goes up in value, my trailer fee increase as well. On the other hand, if I do a bad job and their money decreases in value, my level of compensation decreases as well. I am vested with every clients best interests. This is the way the industry should work. I would like to see the DSC charge removed from the Mutual Fund business as it leads advisors to do things based on getting paid vs. the clients best interest. A good example of this is leveraged loans. We here about this all the time and advisors simply do this because it is a quick way to generate income. Sometimes it is in the clients best interests but for the most part it is detrimental to the client. If you remove the DSC charge, you will also remove many of the lower quality advisors as well.

Back to trailer fees. I would not like to see the dollar amount of trailer fees charged on every client statement. Even though my clients know about the charge, they know about it in a percentage term vs. a dollar amount. I could see this increased disclosure as detrimental to the entire business as it really will force smaller investors out of the market. Take the example of a simple will. Most know that they need one. How many actually have one? The reason is a simple one and it is associated with a bill and cost. Many investors will simply avoid the retirement savings that is necessary, simply because of the quarterly bill they are going to receive.

What I would recommend is a capping of trailer fees vs. an actual dollar amount disclosure. This way, if fund companies have a mandated maximum they can pay, advisors will simply look for the best products and not the ones that pay the most. Currently; I work for a 1% trailer on most accounts and negotiate it with the client on accounts larger than \$250,000. I feel that is very fair to clients and to my company. I think the 1.5% trailer fee should be banned, DSC charges should be banned and all low load structures should have a lock in period of three years or less. I understand that advisors do need to make a living and that some sort of upfront compensation is needed for smaller books of business. Also, there should be a max dollar figure that someone can low load. IE; on an account of \$250,000; perhaps a max low load of 50% of the asset value, or in this case, \$125,000. Perhaps a max trailer fee of 1% across the board makes sense. No conflict of interest if every company pays the same.

The other thing is the complex prospectus system the MFDA uses. Every client gets one, but how many even open it? Not very many. Most clients don't even want to take it and many would not even understand the language. It should be a 1 or 2 page short form that is easy to read. Many companies have a fund fact sheet. Why can't this be modified with fee information and given to the client. This simple form would definitely illustrate the Management fee, total MER and trailer fee information. To me, this makes absolute sense. An easy to read form with all the info. Clients may actually read that and it would help with disclosure.

To summarize, max trailer of 1%, outlaw DSC, shorten low load structures, and a simple prospectus outlining all the fees and trailers. The simple prospectus needs to be per fund, written in larger font and the fee summary needs to be emphasized.

Thanks for listening

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