

Dear Sirs/Ladies:

I believe that the elimination of the ability of mutual fund companies to charge 12b-1 fees would be a disservice not only to advisors who are providing ongoing support for clients but to the clients who want the ongoing assistance of a financial advisor. In fact, I believe the typical 1% fee charged on class C shares represents the best option for clients who want continuing advice, but do not want to have a fee based account.

I will give one example. I may have a client who has a traditional commission based account with a large bond portfolio that has very little turnover. Now this client wants to put a portion of the portfolio into some equity mutual funds. I present the client with the funds I believe are appropriate for proper diversification, given the client's risk tolerance. I always let the investor choose between A shares with an upfront fee, and C shares with no upfront load, but higher ongoing fees. I tell them it will take them anywhere from three to seven years (depending on the breakpoints on larger purchases) to reach the breakeven point between the A & C shares. I also tell them it doesn't matter to me which way they choose to pay me. If they choose A shares with a 3 – 6% upfront fee and in one or two years one of the funds in our asset allocation performs poorly, or the manager leaves, I may recommend that they change to another fund. If, for example, this fund filled the mid-cap growth part of our allocation and there is no good mid-cap growth fund in that particular fund family, they will pay another 3 – 6% to another company (assuming they want to stick with the A class). My experience has been that more than 90% of the investors choose to invest in the class C shares.

I have no problem with disclosure of the 12b-1 fee, because I do it now anyway. I actually prefer fee based accounts for the appropriate clients where 12b-1 fees are usually not an issue. However, a fee based account is not appropriate in all situations. This should be clear from the recent litigation regarding these types of accounts.

I ask you not to force advisors to use a one size fits all approach that makes clients who want our help choose between fee based accounts or to pay an upfront fee every time they want to buy or change a mutual fund in their portfolio. I firmly believe the best course of action is to let clients decide how they want to pay for the services provided to them. For the investor who wants to invest on their own in no load funds with no 12b-1 fee, they have thousands of funds from which to choose.

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