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OFFICE OF THE SECRETARY

Tuesday, August 07, 2007

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: REVIEW OF SEC RULE 12b-1

Dear Ms. Morris:

I am writing to express my concerns about the SEC's ongoing review of Rule 12b-1. Middle class Americans need the continuing service, guidance and support that are provided by financial advisors to achieve their stated investment goals. The benefits of 12b-1 fees are numerous and include:

Expanding Investor Choice – the multiple share classes made possible by Rule 12b-1 give investors choices by providing them with options in how they pay their financial advisor. The flexibility allows financial advisors to tailor a portfolio to their client's specific needs.

Supporting Financial Literacy – Mutual funds send their investors monthly statements, confirmations, prospectuses, annual reports and tax statements. Financial advisors serve the vital role of educators by helping investors to make sense of these essential materials. 12b-1 fees are the compensation financial advisors receive for these efforts.

Managing Client Expectations – We all know the common mistakes investors make; buying high and selling low, chasing fads and past performance and harboring unrealistic expectations. 12b-1 fees provide financial advisors with compensation to manage their clients' expectations and protect them from falling into this common investor trap. Imagine investors the day after the 9/11 debacle not having a financial advisor to call to help remind them of their long-term goals? According to the Quantitative Analysis of Investor Behavior, over the last 20-year period, investors have held individual stocks for an average of only 2.9 years, while they held bond funds for 3.2 years. Unfortunately, this short-term turnover of funds has led to dramatically reduced returns. American Funds shareholders, whom I am proud to represent, hold their funds on average approximately 10 years. These funds are represented only through financial advisors.

Insuring That Small Accounts Receive Service – Investment advisory services are simply out of the reach of many small account holders. Financial advisors must have another means of being fairly compensated for servicing these accounts. 12b-1 fees provide the mechanism to insure that small investors receive the support and service they need to achieve their financial goals. Even in the current fee environment, smaller accounts are a losing proposition for financial advisors, but without the 12b-1 fees, they would not find any planners willing to "donate" their time to service them. This in itself would be a great tragedy, since all investors must start somewhere building assets.

Subsidizing Additional Services – Financial advisors offer their mutual fund clients a variety of additional services, including: consolidated account statements, periodic portfolio planning and review meetings, quarterly newsletters, cost basis research, and tax guidance, to name a few. Other services would be helping clients to understand and calculate the required minimum distribution on their iras, as well as discussing options on accounts when death occurs, such as a wife inheriting her husband's IRA's or the children inheriting mutual funds from a deceased parent. I encounter these, as well as many more servicing issues on a daily basis. These important services are made possible by the 12b-1 fee.

In conclusion, while it is reasonable to review the investor benefits of 12b-1 fees, it is obvious that the repeal of 12b-1 has the potential to cause great harm to thousands of individual investors who need the support and service of a trained financial advisor. As a current CFP who started in the industry in 1981, I would literally have to quit the business in order to support my family. Because servicing existing accounts takes up more than 50 percent of my time, I must have some method of compensation for this service. Without compensation, financial advisors would then be forced to recommend that clients liquidate their accounts and place their funds in other higher-fee accounts. Clearly this would not be in their best interest. As a result, I urge the SEC to allow Rule 12b-1 to continue to support my efforts to provide needed financial services to middle class American investors pursuing their financial goals. When fully understood, this is by far the least expensive method of investing the public has available when using a professional to help them manage their money.

Sincerely,

Paul R. Massa

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