I am a Certified Financial Planner serving, since 1982, clients with investment assets ranging from $5,000 to $500,000 and with uncomplicated estate planning needs.

Beginning in 1994 my business has been built largely around 12b1 fees or charging an hourly or project fee as opposed to commission-based compensation.

I offer clients the option of paying with an asset based fee (typically 12-b1 oriented) or a hard dollar fee. Asset based fees typically take the form of compensation from A shares (front load up to 5.75% with trailing 25bps) or from C shares (100 bps trail). My least expensive hard dollar fee is $150 per quarter ($600 annually) under an RIA arrangement.

Most people opt to pay me with compensation from C shares even though they know they will be paying me more over time. They like that their success is linked to my success. They tell me they just don't want to separately write a check for several reasons. One reason being the hard dollar fee is subject to the 2% AGI limitation so in most cases it cannot be written off nor offset capital gains. Many just don't want to have to pay one more bill. All of them like being able to easily judge the return net of all fees which the 12-b1 type fees facilitate.

Often people come to me and are paying higher annual expenses in "no-load" funds, funds that haven't outperformed their relative index or peer funds. Working with me they have been able to increase their return, get additional advice and lower their costs, even when using C shares. Many of the funds that I work with have track records exceeding 40 years and have all outperformed their relative indices over rolling 5 year time periods; this after all fees and expenses.

A typical client works for a company, invests in their 401k plan and invests in a Roth IRA (meaning their AGI is less than $150k for a married couple or $95k for a single person). The average person might invest $4,000 or $5,000 per year.

Using C shares this translates into $40 or $50 in revenue to me which is reduced to 85% to 90% of that amount and this flows through to me gross of all my business expenses. As client assets grow so does my revenue but this still might be only $80 to $100 per year for the first several years.

For this they get advice on their entire financial picture, tremendous value. I spend a considerable amount of time with clients up-front.

All people that come to me are required to complete a 15 page questionnaire which encompasses their assets, estate planning and insurance. All (100%) people that have met with me have told me they are significantly better off since doing so. I always find exposed areas in their financial lives, whether it involves being underinsured, getting more for the fees they are already paying, recommending better funds in their 401k plan (that I am not paid) or other areas.

I do not sell property/casualty/umbrella insurance, that being the area where I find new clients most exposed, and do not collect revenue from such products. My clients reward me by being long-term clients which makes working with them economically viable for me.

If you repeal the 12b1 fee arrangement I would not be able to serve this segment of our population. Even though my clients are aware of how much I get paid they most likely would not write a check for that amount. They like that the fee is subtracted (12-b1) and at the end of the day they receive good returns net of such fees.

Frankly, neither I nor most investment professionals are interested in billing and collecting $50 or $100 amounts and I don't think my clients would be interested in paying them. I don't know of many planners who would step in to serve this market in the absence of 12-b1 fees and certainly the wire houses are clearly not interested in this segment either.

Most wire houses have a minimum $100 commission per transaction which must be generated in order for the broker to get paid anything. Then that minimum amount is usually paid the lowest net payment 22 – 25% or so.

Clients who come to me with assets held elsewhere often times hold A shares where a front end load has already been paid. Sometimes it is a fund that I recommend the client keep and with the 12-b1 I can get paid the 25 bps trail. If the 12b1 fee is repealed the client would need to pay me some other way or be faced with changing funds in order to pay me, which I would certainly not recommend. What is in the client's best interest?

Yes, perhaps the role of the 12b1 fee has changed from what it was originally intended but it shouldn't be rescinded, perhaps just the definition should now change. If it is rescinded, you need to ask yourself if this less affluent population that I serve would be better off or worse off?

In proposing any changes there is always the risk of unintended consequences which I think would be very grave: this marketplace would not get any assistance or if it did investors would pay significantly more for it. Deducting the 12-b1 from fund returns effectively makes the fee tax deductible while paying the fee in cash, with after tax dollars makes the cost of this service more expensive.

So how would these people be better served by repealing the 12-b1 fee? Please don't restrict client's ability to choose how to pay for services while also removing the tax deductibility of it.

Thank you.

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