

I recently received a newsletter from our chairman and CEO regarding the SEC's new legislation regarding 12b-1 fees. Please allow me to share my thoughts on this topic. For the sake of time, I will try to get right to the point. I will speak in terms of how my family-run firm handles business, as part of a larger Broker Dealer, Raymond James Financial Services, Inc.

My family and I are responsible for the financial affairs of a large number of clients. They trust us to help them make very important financial decisions that affect themselves, as well as their families. Doing so requires immense amounts of time and energy to determine their financial goals and the risks that affect them throughout their lifetimes. We meet with clients regularly to make sure they are on track today, and are considering potential issues they face in the future. The marketplace, our clients, want ongoing service and support that requires large time commitments on our part.

In addition, we have a staff of three full-time people and two part-time people who help us in servicing our clients' needs. We are a small business who provides good jobs to hardworking people in our community who, incidentally, are also taxpayers.

Fiduciary Standard

First, let me say that, based on my statement above, I find no alternative to being considered a fiduciary for my clients, provided this term is defended reasonably. I would certainly expect my advisor to be considered a fiduciary, just as I do my attorney, CPA and doctors. If I elected to treat them as a salesman, I could sell them nothing but high-commission products, and they would probably never know the difference.

12b-1 Fees

Instead, we charge clients ongoing fees as our primary form of compensation. The fees are disclosed upfront, and they sign an Investment Policy Statement that lists these fees in detail.

There are two basic ways to charge ongoing fees. First, as we have elected in most cases, we use Class C mutual funds. For the most part, they compensate us One Percent (1%) of the account balance per annum from 12b-1 fees. These fees are deducted automatically, and add very little to the cost of the funds

The alternative is to charge asset based fees, that are separately billed. My concern with charging clients this way is that many broker dealers charge firms like mine considerably more to administer, in most cases, about an additional 10-15 basis points. In my opinion, this is an added layer of unnecessary fees we have elected not to charge our clients.

In all honesty, our clients do not want the hassle of having the fees taken by various liquidations (many of them taxable events) of their portfolios. They want simplicity in their financial affairs, otherwise they would do it themselves. The less moving parts the better.

So long as we fully disclose the cost to our client and allow them to decide what advisor they want to use, or whether they want to do it on their own. We are at a time where sound financial advice has never been more important. Costs also need to be addressed. I think it's important that the regulators understand the ongoing client relationships and the importance they have to clients' financial success.

Summary

The creation of a fiduciary standard of care should be carefully created, with full fee disclosure on all financial and insurance products. This will prevent the sale of high commission products from being sold to the masses. Please note the world we live in today is extremely complex, and the financial world is no exception. The knowledge too low to understand today's financial products, not to mention the markets and retirement.

Next, I truly believe that we should stop delineating between fees and commissions **SO LONG AS ALL COSTS ARE FULLY DISCLOSED TO CLIENTS**. Only then will the consumer be able to understand how much they are paying! When they have full disclosure of fees, they can decide how much they want to pay, and to whom. The best service model will win. That is how capitalism works, isn't it?

Mr. Paul Marrella

CFP

Raymond James Financial Services Inc.