If am a financial advisor who actively serves middle-class American families. I provide service 7-days a week.morning, afternoon & evenings. Over the years I recall receiving calls, emails and making home visits on just about every day of the year, except perhaps Christmas. It`s a model of service excellence.

I maintain a virtual office. With my cell phone, Blackberry for email connection throughout the day and netbook computer that is networked via Verizon, I can take care of almost all client needs wherever I am in the US at the moment. I often get back to clients within minutes of their email message to me. I have even corresponded in the middle of the night.

I meet regularly with clients and have contact with them via e-newsletters, email, phone and in person at least 20 times per year.

I decided to go to this service-based model in 2002, and ever since then I have also established a compensation arrangement that is uniform across all financial products that I offer to clients.

Specifically, for mutual funds I always use C shares, for larger business I may use a 1% wrap fee on an advisory-based platform, and when using variable annuities, I elect the levelized compensation payout.

When I selected my broker-dealer, I needed to be fiercely independent, and not be unduly incented to sell one product or another.

Thus, I am properly positioned to have a level playing field, meaning my compensation is in complete alignment with my recommendations and long-term service to clients.

This follows a sales model called "counselor selling." A term that was understood in the 1970s. Now days it would be understood based on the book called, SPIN Selling.

I have grave concern with part of the 12-b2 proposal. If implemented, part of it will destroy my business, and I will in time, leave the business. Heretofore, I never planned to retire, except perhaps to hang it up when I am 80 years, or so.

We have many examples of late of government over-fixing problems. Here is another example of creating severe new problems, in some attempt to fix others.

I believe the SEC should command disclosure but should NOT destroy compensation.

Hence, I support efforts to enhance disclosure on mutual funds. On the expense side, there is fine disclosure for all the advisory-based business for my clients. Perhaps some parallel could be created for mutual funds.

On the compensation side, regulation as proposed to cap the 1% (all totaled) 12-b1 fee for C shares mutual funds will mean I`d be a "mutual fund peddler." I WILL NOT do that. Now the SEC may not realize it, but they are throwing financial advisors back to a push-the-product-and-answer-objections model that had its origin in sales, I believe back to the 1910s or 20s.

Now to help you understand, here is what the SEC proposal will do. Please understand the importance of "will." It`s not "may." And to an extent, in anticipation of the onerous consequences of an SEC 12-b2 rule, I have already taken steps to counter your devastating regulation.

In the past prospects have sometimes asked me if they have enough money to be my client. I tell them not to worry, as I help everyone who seeks my assistance.

I will now establish a minimum client size. I haven`t finalized the number, but it will be $50-75,000.

This means I will no longer provide service in the following situations, except probably for existing clients:

-I will not set up 529 educational savings plans
-I will not help people who are starting up a small Roth IRA or IRA account
-I will not help people who would like a municipal bond fund to provide a bit better potential return than from their bank savings account or CD
-I will not help anyone with a small rollover from their 401(k) plan

Many years ago when I was a principal officer for a Fortune 500 financial services company, I would work with Mathew Greenwald and EBRI on their annual study of American family preparedness for retirement. As is still the case, Americans are ill-prepared.

The SEC regulation at hand will make this matter even worse, because fewer middle & lower income Americans will ever have access to a willing financial advisor like me. People in their 20s & 30s, just starting out in life, and certainly not schooled in investments and economics, like me, for example, will fail in their retirement savings plans at an even greater rate than today.

Let me close with one current example. Sue is a client with $165,000 in an IRA. She & I are awaiting her divorce settlement. She says she will be calling me as soon as it is final so we can reposition her money.

Without your 12-b1 threat, I would normally set her up in a good, conservative (based on her risk tolerance profile) mutual fund.

But since you are interfering in my on-going compensation structure, suitably aligned with a life-time service arrangement, I will be placing her into an advisory-based mutual fund platform. Since advisory-based pricing is a bit higher than going directly to the mutual fund company, she will be paying about 25 basis points more per year than if I would have used a simple C-share arrangement.

I have already forewarned some mutual fund companies, like Franklin Templeton, Putnam & Transamerica not to expect much direct business from me any more.

What is the end game under 12-b1 for me? Well, I have a solid business model with $25 million in assets under management.

Over the next few years as my C shares get converted, my profit margins will significantly shrink. I will probably suffer a 40% loss in income. My broker-dealer who will be getting squeezed may lower my payout percentage. I pay a great deal already in licensing fees. They will probably go up, just like I saw a 167% increase in my Wisconsin licensing fees a year ago.just because they can sock it to me. I`ll gradually eliminate special services to all clients.

Then the lights will go out.

Larry Peterson
Investors Capital Corporation