Dear SEC,

I have been a licensed registered representative since 1998. Prior to making a career change in 1998, I was a practicing attorney for 7 years with a focus on estate planning and wealth transfers. The reason that I became a financial advisor was because I could not believe the amount of bad advice my legal clients were receiving from their "financial advisors" in the process of reviewing their assets when it came to preparing an estate plan. I would offer the following comments when it comes to your recent proposal concerning mutual fund distribution and servicing fees.

I actually work in both worlds right now. The majority of my business has shifted to a fee based business in which I charge an annual fee based on a percentage of assets under management. However, I did purchase a large book of business from an old school registered representative who sold nothing but Class A shares. I do support the proposal as it applies to renaming the 12b-1 fees as a service fee. This makes sense because I simply would not be able to provide any service or guidance to those clients who own Class A shares. As an example, say a client has $250,000 of Class A shares that he purchased 15 years ago. I did not receive any of the up- front sales charge that applied and now am only receiving the 0.25% under the 12b-1 fee. That 12b-1 is only $625 per year going forward. This fee basically covers the cost of me having a once per year meeting with the client to review their situation and make sure the investment is still appropriate. You may think that $625 per hour seems high for a one hour meeting but I have to pay staff, rent, utilities, etc., and this fee also has to cover the numerous telephone calls a client makes because of something he or she sees or hears on CNBC. If you were to eliminate this fee, I simply would not be able to even answer this client's telephone call. If the 12b-1 fees were eliminated the only way this client would get any service from me or any other financial advisor is for them to go into a fee based account. Trust me, this would definitely benefit me because instead of 0.25% on that $250,000, I would now be able to charge 0.80%-1.00% to that client for my services. This definitely helps me but does not help the client when it comes to total cost.

The part of the proposal that does not make sense is the goal of encouraging retail price competition. If you require mutual fund companies to establish a new share class that is at NAV but then require the broker dealer to establish what if any sales charge up front would be associated with that purchase, I think you will end up with the middle to lower end investor having no advice at all when it comes to their financial security. If you have an investor who believes in buy and hold, then investing $100,000 with one mutual fund family and paying a sales charge up 3.5% is entirely appropriate. It is not expensive, and that investor can receive the appropriate diversification within the choices that exist at that mutual fund company. According to Morningstar the average annual expense of a large cap growth mutual fund is 1.40%. Mutual funds that have sales loads associated with them, allow them to offer annual ongoing expenses at a rate much lower than what Morningstar says is average.

If you allow broker dealers to set the rate and not the mutual fund company, I have no doubt that you will end up with a complete mess and more problems than benefits. Some of these broker dealers are tier 3 level, have lousy management, and recruit any warm body that will sell what is put in front of them. The cheapest option is not the best alternative for an individual especially when it comes to his or her financial future. I think you would end up with a large number of "financial advisors" simply churning clients money every 2 years because the sales charge is only 1% up front or 2% up front on this new NAV mutual fund. The reality is that Class C shares are a better option for a client rather than causing a "race to the bottom" by allowing broker dealers to set the sales charges and break point levels.

Frankly, if you want a good example, take a look at the American Funds options, A shares, C shares, F1 shares, and F2 shares. These classes work, the A share up fronts are reasonable and the annual ongoing are less than half of what Morningstar says is the average Class A fee. The C shares convert to the lower cost A shares after 10 years, and the F1 and F2 are designed for the fee based arena. If you need an example, that is the one you should follow.

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