National Association of Insurance and Financial Advisors

Statement for the United States House of Representatives, Committee on Financial Services, Subcommittee on Oversight and Investigations
and Subcommittee on Capital Markets and Government Sponsored Enterprises

"Preserving Retirement Security and Investment Choices for All Americans"

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National Association of Insurance and Financial Advisors

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Good morning Chairmen Duffy and Garrett, Ranking Members Green and Maloney, and Members of the Subcommittees. My name is Juli McNeely, and I am testifying today on behalf of the National Association of Insurance and Financial Advisors ("NAIFA") for whom I currently am serving as President. Thank you for giving us this opportunity to share our perspective on "Preserving Retirement Security and Investment Choices for All Americans."

Founded in 1890 as The National Association of Life Underwriters (NALU), NAIFA is one of the nation's oldest and largest associations representing the interests of insurance professionals from every Congressional district in the United States. NAIFA members assist consumers by focusing their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members.

I also am a small business owner as I own my own agency – McNeely Financial Services, Inc. based in Spencer, Wisconsin. I am licensed to do both fee and commission-based work but the vast majority of my work is done on a commission basis because that compensation mechanism generally makes the most sense for my clients. I have 52 small-business clients, most of which have fewer than 25 employees, and 484 individual clients who have an average account size of $70,982. We offer the small business clients group benefit and retirement plan products and advice; we offer individual clients a full range of investment and retirement products and advice, including retirement planning, college funding and investing for other future goals. Many of my clients start out as new savers, and I believe that many of them would not have become savers at all without my assistance and advice.

I intend to focus my testimony today on three core themes:

1. The critical need for main street Americans to access financial advice. We continue to have a savings crisis in this country and impeding the providing of advice will only exacerbate that problem.

2. We are concerned that the Department of Labor "fiduciary duty" proposals – while well-intended – will impose a wide range of new administrative requirements along with a "best interest" standard that invites litigation regarding what satisfies that standard. Through the imposition of these requirements on advisors who are paid on a commission basis, the proposal implicitly favors a fee-for-service model that does not work for most Americans of modest means. The Department has expressed its commitment to revising the proposal to address many of the identified concerns, but they do not appear to intend to issue a re-proposed rule meaning that we will not receive a clean opportunity to fix

issues that inevitably will arise when revisions of this magnitude are made. At a minimum, we hope that the Members of these Subcommittees will encourage the Department to re-propose the rule if it intends to proceed with this rule-making process.

3. If enacted, H.R. 1090, the "Retail Investor Protection Act" ("RIPA") would stay the Department of Labor fiduciary duty rulemaking process until the Securities and Exchange Commission ("SEC") has reported to Congress regarding whether the imposition of new duties and obligations is advisable and until the SEC has had the opportunity to issue any such rules if it concludes that it is advisable. Moreover, the one issue the Department of Labor cannot rectify unilaterally is the disharmony that its proposal will create between investments sold through Individual Retirement Accounts and those sold outside of the retirement context; only the SEC can issue rules that would impose a uniform standard in both contexts. To the extent any SEC action in this space does not (or cannot, by statute) mirror the Department's rule-making, advisors will be faced with multiple complex and potentially contradictory compliance regimes, none of which would advance any legitimate public policy objectives. For these reasons, NAIFA supports RIPA.

After a brief background section on NAIFA, its members and our clients, I discuss these points in more detail below. In addition, we also are submitting copies of the two comment letters we filed with the Department of Labor which outline our specific concerns with individual elements of the Department's proposals in more detail and which suggest ways in which some of the proposed elements we believe are damaging or burdensome can be ameliorated or corrected.

Background

NAIFA members—comprised primarily of insurance agents, many of whom are also registered representatives—are Main Street advisors[1] who serve primarily middle-market clients, including individuals and small businesses. In some cases, our members serve areas with a single financial advisor for multiple counties. And often, our members' relationships with their clients span decades and various phases of clients' financial and retirement planning needs.

These long-term relationships between advisors and clients begin with a substantial investment of time by the advisor to get to know the client and to develop trust. For an individual client, an advisor commonly holds multiple initial meetings to discuss the client's needs, goals and concerns in both the short and long term. During the course of the advisor-client relationship, our members provide advice during the asset accumulation phase (when clients are saving for retirement), as well as the distribution phase (during retirement), which is especially critical for low- and middle-income investors. For small business owners, our advisors initially encourage them to establish retirement savings plans for their employees, and then, following in-depth discussions to ascertain specific needs and concerns, help them to implement those plans.

[1] For purposes of this comment letter, the term "advisor" refers generally to a NAIFA member who provides professional advice to clients in exchange for compensation.

Most of our members work in small firms—sometimes firms of one—with little administrative or back office support. Often, their business practices are dictated by the broker-dealer with whom they work, including the format and provision of client forms and disclosures. They are also subject to transaction-level oversight and review by the broker-dealer.

The retirement products most commonly offered by NAIFA members are annuity products (fixed and variable) and mutual funds. Some of our members are independent advisors working with independent broker-dealers; others are affiliated with (or captives of) product providers and are restricted to some degree in the products they are permitted to sell. It is our belief that nearly all of our advisors, regardless of whether they are independent or affiliated, will be significantly impacted by the Department's proposal.

Virtually all NAIFA members working in the individual IRA space will have to rely on the Department's proposed Best Interest Contract ("BIC") Exemption, which represents a far more onerous compliance regime than any of our members have previously faced. Thus, the proposal portends a *dramatic* shift in the way our members will interact with their clients and conduct their businesses, and a significant increase in the cost of doing business. NAIFA does not oppose a "best interest" fiduciary standard for its members. However, any new standard must be operationalized in a fashion that is workable for Main Street advisors and their clients.

Despite Secretary Perez's statement before Congress on June 17, 2015 that the Department's proposal makes things "simpler" by imposing a uniform fiduciary standard on investment advisors, the proposal is anything but simple. The proposed DOL rules are complex and contain extensive conditions that will put a tremendous burden on advisors who serve the middle market.

FORESEEABLE CONSEQUENCES OF THE DEPARTMENT'S PROPOSAL FOR NAIFA MEMBERS AND THEIR CLIENTS – LESS ACCESS TO MORE EXPENSIVE ADVICE

During a hearing of the House Education and Workforce Subcommittee on Health, Employment, Labor, and Pensions on June 17, 2015, Secretary Perez acknowledged that "we have a retirement crisis" in this country and "we need to save more."[2] This problem should not be underestimated. According to the Federal Reserve, one in five people near retirement age have *no money saved.*[3] As reported by the *Washington Post*, "[o]verall, 31 percent of people said they have zero money saved for retirement and do not have a pension. That included 19 percent of people between the ages of 55 and 64, or those closest to retirement age."[4] Roughly 45% of people said they plan to

[2] Hearing of the House Education and Workforce Subcommittee on Health, Employment, Labor, and Pensions, *Restricting Access to Financial Advice: Evaluating the Costs and Consequences for Working Families and Retirees*, June 17, 2015 (hereinafter "June 17 Hearing"), hearing webcast available at http://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=399027.

[3] Marte, Jonnelle, *Almost 20 Percent of People Near Retirement Age have not Saved for It,* Washington Post, Aug. 7, 2014.

[4] *Id.*

rely on Social Security to cover expenses during retirement, whether they have personal savings or not.[5]

In other words, it is more important than ever that Americans are encouraged to save, have access to professional advice, and have access to appropriate retirement savings products. Specifically, employers need reliable advice on the design and investment options of their retirement plans, and employees need to be educated on the importance of saving early for retirement, determining their risk tolerance, and evaluating the investment options available through their workplace retirement plan. Employees also need professional advice when rolling over retirement plan assets from one retirement plan to another plan or an IRA, and when taking distributions during retirement. And individuals without access to an employer retirement plan need education and guidance about other retirement savings vehicles.

Simply put, American investors need *more* personalized assistance and more options with respect to retirement planning and saving, not less. Unfortunately, the Department's proposed rule, along with its proposed amendments to existing prohibited transaction exemptions ("PTEs"), threatens to be counterproductive with respect to this country's retirement crisis by making it both more expensive and harder, not easier, to provide investors—particularly those who need it most—with the services and products that could help them live independently during their retirement.

A. Fewer Services and Less Education for Small Businesses and Small Account Holders

As drafted, the proposed rule and proposed PTE amendments will result in less retirement education and services for small businesses and individuals with low-dollar accounts.

First, faced with a multitude of new fiduciary obligations, which entail substantial cost and administrative burdens, brand new business models and fee structures, as well as increased litigation exposure, some advisors may no longer offer services to small plans or individuals with small accounts.

Second, given the proposed rule's restrictive definition of investment "education," advisors who do not wish to trigger fiduciary status will no longer be able to provide any meaningful education to their clients.

Third, even when an advisor is willing to serve in a fiduciary capacity, unsophisticated investors and low-income clients will be reluctant to sign complicated, lengthy contracts (as required under the Best Interest Contract Exemption for fiduciary advice to retail investors) and unwilling or unable to pay upfront out-of-pocket fees, and thus will forego advisory services. In fact, a NAIFA survey found that two-thirds of advisors anticipate that the Department's proposal will result in the loss of clients because they believe clients will be intimidated or unwilling to sign the contract required under the proposal, and because the proposal's burdensome requirements would make it impossible for advisors to continue to serve small or medium-size accounts.

And finally, the proposal could result in some advisors exiting the market entirely, which for some rural communities, could result in a complete void of professional financial services. The

[5] *Id.*

proposal's burden on independent advisors and registered representatives is tremendous, and some advisors simply will not be in a position to bear the cost of compliance.

Reduced access to advisors, fewer services, and less education is not a desirable outcome, and we know is not the aim of the Department. The fact is, advisors help people plan and save for retirement by helping employers set up retirement plans and by providing advice to individual investors outside of the workplace. Overall, advised investors are better off than non-advised investors.

An Oliver Wyman survey from 2014 found that 84% of individuals begin saving for retirement via a workplace retirement plan, and workplace-sponsored defined contribution plans represent the primary or only retirement vehicle for 67% of individuals who save for retirement with a tax-advantaged retirement plan.[6] And small businesses that work with a financial advisor are 50% more likely to set up a retirement plan (micro businesses with 1-9 employees are almost twice as likely).

Moreover, according to a May 2015 LIMRA Secure Retirement Institute Consumer Survey, 18% of households that do not work with a financial advisor have *no retirement savings*, compared to only 2% of advised households.[7] Similarly, an Oliver Wyman study published July 10, 2015, found that advised individuals have a minimum of 25% more assets than non-advised individuals, and for individuals aged 65 and older with $100,000 or less in annual income, advised individuals have an average of 113% more assets that non-advised investors.[8] The LIMRA survey also shows that *consumers want more education* with respect to retirement planning, not less.[9]

B. <u>More Expensive Advice for Small Businesses and Small Account Holders</u>

For low- and middle-income clients who do continue to receive professional retirement advice, that advice is likely to get more expensive for them under the proposed rule. The Department's proposal (including the proposed rule and PTE amendments) effectively leaves advisors with three choices:

(1) do not give investment advice, as defined under the proposed rule, and avoid becoming a fiduciary;

[6] Oliver Wyman Study, The Role of Financial Advisors in the US Retirement Market (July 10, 2015) (hereinafter "Oliver Wyman Study"), at 5 (citing Oliver Wyman Retail Investor Retirement Survey 2014).

[7] LIMRA Secure Retirement Institute 2015 Consumer Survey (hereinafter "LIMRA Survey"), at 3 (a copy of which is attached to the DOL Comment Letters as Exhibit 3).

[8] Oliver Wyman Study, at 6.

[9] LIMRA Survey, at 13.

(2) become a fiduciary and turn all of your compensation arrangements into flat fee-for-service arrangements or wrap accounts (with no third-party compensation); or

(3) become a fiduciary, retain current compensation arrangements, and comply with a PTE.

As discussed above, the first option leaves clients with no meaningful guidance whatsoever because investment "education" is defined so narrowly under the proposal. The second and third options will harm consumers by increasing their costs.

With respect to the second option, traditional commission-based compensation models can—as discussed below—*benefit* low- and middle-income investors and should not be discouraged. Unlike for high-wealth consumers, the alternatives—upfront flat fees and wrap account arrangements—are not workable or palatable for our members' Main Street clients. First, clients who are deciding whether they have the resources to save for retirement at all will be unable or unwilling to pay a substantial out-of-pocket fee that represents a significant portion of the assets they may have to invest. For those who are rolling over retirement account balances, opting to pull these fees from the rollover amount will have tax implications and result in greater cost. Moreover, fees will have to be set high enough to compensate for anticipated services during a given timeframe, taking into account the fact that client needs can vary dramatically at various times (e.g., during the initial strategy phase, while transitioning between accumulation and distribution phases, in light of major life events, etc.).

These fee-based arrangements only make sense—and in fact, are only currently used—for accounts with high balances. Indeed, advisory fee-based accounts usually carry account balance minimums. The Oliver Wyman study estimates that 7 million current IRAs would not qualify for an advisory account due to low balances.[10] The study also reports that 90% of 23 million IRA accounts analyzed in 2011 were held in brokerage accounts, and found that retail investors face increased costs—73% to 196%, on average—shifting to fee-based advisory compensation arrangements.[11] Thus, ultimately, fee-based models actually will raise costs for many investors with small or mid-level accounts, or cut them off from advisory services entirely.

This is in part because fee-based arrangements generally impose fees on all of the assets under management whereas commission arrangements generally only generate compensation for the purchase of new assets. The attached Exhibit 1 shows an illustration of this. In the example, an investor opens a new mutual fund account and deposits $1,200 annually in the new account for 20 years. The assumed commission load for a managed account – 5.75% – would be paid on new contributions that are made to the account but the only "trailing" compensation that is generated on the overall assets in the account is a standard 0.25% 12b1 fee. Generally, no new contribution commission is paid when an investor moves money between funds in the same fund family and, for that reason, I work closely with my clients to ensure that they keep their investments within a single fund family. Over the 20 year period, the commission model would generate $2,344.54 for the advisor under this example.

[10] Oliver Wyman Study, at 6.

[11] *Id.*, at 7.

The exhibit also shows two fee arrangements, both of which are very conservative especially for relatively small asset accounts like these. Using a fee of just 1.2%, the amount of fees generated for the advisor over the same 20 year period – $4,521.39 – is almost double what the commissioned advisor received.

Under the third option, for advisors who keep commission-based arrangements and rely on a PTE, low-and middle-income and small business clients will still wind up paying more. The *high* cost of compliance with the proposed PTEs (particularly the BIC exemption, upon which many of our members ultimately will have to rely) will be borne by someone. The regulated entities (e.g., broker-dealers, advisors, registered reps) will look for ways to pass on those costs. Inevitably, consumers will bear some part of that cost burden, which may be significant.

Naturally, more paperwork and new contractual and disclosure requirements will mean increased costs. But the cost burden on advisors goes further. New litigation exposure will dramatically increase the overall risk and cost of doing business through ongoing compliance and monitoring, and through actual litigation expenses. According to NAIFA's survey, 87% of advisors anticipate that the Department's proposal will result in higher errors and omissions ("E&O") insurance premiums for their practices; and 58% of those said they expect premiums to increase "substantially." The Department's proposal will also cost advisors and investors a substantial amount of time. For instance, NAIFA members believe that 77% of their existing clients would require a face-to-face meeting to explain and execute the Department's proposed BIC exemption contract.

Adding to the overall cost of the Department's proposal is the real threat of conflicting regulatory regimes if and when the SEC proposes its own fiduciary rules for advisors dealing in securities products. Section 913 of the Dodd-Frank Wall Street Reform Act gives the SEC authority to promulgate a rule-making on a standard of care for advisors who serve retail investors. Specifically, the SEC is authorized to impose the same fiduciary standard as that currently in place under the Investment Advisers Act and to require certain limited disclosures. To the extent any SEC action in this space does not (or cannot, by statute) mirror the Department's rule-making, advisors will be faced with multiple complex and potentially contradictory compliance regimes. Again, this could cause some advisors to exit the market, and dual regulation could also lead to consumer confusion surrounding different standards and disclosures.

All of these costs will have real consequences for consumers. If the Department's proposal is enacted, NAIFA members anticipate that, on average, they will not be able to affordably serve clients with account balances below $178,000. Currently, only 26% of respondents to NAIFA's survey have minimum account balance requirements for their clients. Not surprisingly, 78% of NAIFA members say that, under the Department's proposal, they will have to establish minimum account balances or will have to raise their current minimum balance requirements, further diminishing availability of services for small account holders.

C. Fewer Guaranteed-Income Products Will Be Sold

The Department's proposal also will result in fewer annuity products being sold, which again, is especially harmful to low- and middle-income consumers. This result is also contrary to the Department's goals, which include encouraging lifetime income payout options like annuities.

We are aware of only three ways to receive guaranteed income in retirement—annuities, Social Security, and defined benefit pensions—which explains why the Department has traditionally held a favorable view of most annuity products. Somewhat ironically, however, the Department's proposal imposes a heightened burden on advisors who offer annuity products to non-fee-paying clients. Furthermore, the proposal's structure for annuities is particularly complex and confusing (i.e., splitting up rules and requirements for annuities by both investor type and by type of annuity product), which will only make offering these products more difficult and costly.

Notably, high-end, fee-for-service providers (many of whom, not surprisingly, support the Department's proposal) do not sell annuity products because their client base can self-annuitize extensive investment portfolios.[12] On the other hand, low- and middle-income Americans rely heavily on annuity products of all kinds to provide them income security in retirement. These products should continue to be available, and to be available in a broad enough range (i.e., fixed, indexed, variable) to preserve investor choice and provide sufficient options for individual investors' particular needs and retirement savings goals.

D. Proposal Must Accommodate Proprietary Products

Another problem posed by the complex best interest contract element of the Department's proposed rules involves the situation in which the advisor is a registered representative of a broker-dealer that restricts the products that the advisor can sell. This is the proprietary products issue. Because of complex ERISA self-dealing rules, when an advisor can offer only his or her own broker-dealer's products, it becomes difficult—perhaps impossible—for that advisor to comply with the best interest contract PTE at all. This would foreclose the ability of this kind of advisor to help his or her clients save for retirement at all unless he or she charged the client upfront non-product specific fees for advice. As explained earlier, this is simply not an option for most middle income Americans whose modest means make such a fee-for-advice model unaffordable or unappealing to the retirement saver. The Department's proposal simply must be modified to accommodate that slice of the market that involves the sale of proprietary products.

E. Confusion and Uncertainty in the Marketplace for Financial Institutions, Advisors, and Investors Alike

Between its proposed rule and proposed PTEs, the Department is attempting to usher in a brand new fiduciary regime in the retirement space. Overall, the proposal is dense, complicated, and extremely confusing. Even long-time ERISA practitioners are having a difficult time deciphering the proposal's elements and requirements. This does not bode well for every-day advisors and consumers.

It will take a substantial amount of time and resources for financial professionals and investors to fully digest and become comfortable operating under the Department's new structure. In the

[12] The disproportionate burden, discussed in detail above, placed by the Department's proposal on advisors to middle-market clients could very well be a boon to more expensive providers who are hoping to capitalize on advisors exiting the market and potentially capture clients on the upper-middle-market cusp.

meantime, the proposal threatens to introduce a substantial amount of uncertainty into the marketplace. Presumably, financial institutions will err on the side of caution and adopt overly conservative and restrictive policies and practices, rather than face potential liability for violations of the new rules. As a result, their agents and registered representatives will follow suit. Ultimately, these developments will likely result in a near-term contraction of services and advice.

As impacted parties become more acquainted with the new rules—and perhaps more importantly, as litigation and penalty risk becomes clearer—policies and practices may be adjusted. But financial institutions and advisors in the securities space will also have to monitor and adjust to the interplay between Department rules and securities laws and regulations, which could also undergo change in the future. All of these developments will be costly and confusing, and again, will most heavily burden professionals serving the middle market and their clients.

In sum, for all of the foregoing reasons, the weight of the Department's proposal falls squarely on advisors to small businesses and ordinary Americans, and unless the proposal is significantly modified, the Department will end up penalizing those it purportedly is seeking to protect. A full discussion of NAIFA's specific issues and concerns with the proposed rules – as well as many suggested potentially corrective measures – is included in the comment letters NAIFA filed with the Department which are attached hereto as noted above.

NAIFA SUPPORTS H.R. 1090
AS A WAY TO ENSURE SAVERS HAVE ACCESS TO AFFORDABLE RETIREMENT ADVICE

In response to concerns that investors were confused about what duties were owed to them when advisory services were provided by an "Investment Advisor" as opposed to when the services were provided by a "Broker-Dealer Representative," Congress directed the SEC in Section 913 of the Dodd-Frank Wall Street Reform Act to harmonize the duties between investment advisors and representatives. This was done in part because of the perceived success of similar reforms in the United Kingdom. Just last month, however, the UK announced that it will conduct a Financial Advice Market Review to examine how financial advice could work better for consumers who are now perceived to be experiencing a shortage of access to investment advice in part because of the burdens imposed by those reforms.

If enacted, H.R. 1090, the "Retail Investor Protection Act" ("RIPA"), would stay the Department of Labor fiduciary duty rulemaking process until the Securities and Exchange Commission ("SEC") has reported to Congress regarding whether the imposition of new duties and obligations is advisable and until the SEC has had the opportunity to issue any such rules if it concludes that it is advisable.

Moreover, the one issue the Department of Labor cannot rectify unilaterally is the disharmony that its proposal will create between investments sold through Individual Retirement Accounts and those sold outside of the retirement context; only the SEC can issue rules that would impose a uniform standard in both contexts. To the extent any SEC action in this space does not (or cannot, by statute) mirror the Department's rule-making, advisors will be faced with multiple

complex and potentially contradictory compliance regimes, none of which would advance any legitimate public policy objectives. Any SEC rules that are issued necessarily will cover the sale of all securities-based products while the DOL rules jurisdictionally are limited to those sold only through employer retirement plans or Individual Retirement Account vehicles.

We understand that the Department is operating within the jurisdiction of ERISA while the SEC's actions are governed by Dodd-Frank and the Investment Advisors Act. These are different statutes with different goals and parameters. It is, nevertheless, imperative that these differing statutory approaches accommodate each other or retirement savers will pay the price for confusing, potentially contradictory rules. Because the SEC's jurisdiction is broader, especially in the context of IRAs, it makes sense for the SEC to start the process of regulatory modification.

For these reasons, NAIFA supports RIPA.

IF THE DEPARTMENT PROCEEDS WITH ITS RULEMAKING, IT SHOULD RE-PROPOSE THE RULES BEFORE ISSUING FINAL RULES

By imposing a wide range of new administrative requirements along with a "best interest" standard that invites litigation regarding what satisfies that standard, the proposal implicitly favors a fee-for-service model that does not work for most Americans of modest means. The Department has expressed its commitment to revising the proposal to address many of the identified concerns, but they do not appear to intend to issue a re-proposed rule meaning that we will not receive a clean opportunity to fix issues that inevitably will arise when revisions of this magnitude are made. At a minimum, we hope that the Members of these Subcommittees will encourage the Department to provide interested parties—both within the financial services industry and among the consumers who will be most impacted by the new rules—an opportunity to review the changes the Department says it will make as a result of what it acknowledges has been helpful and important stakeholder input to date. The extent of the changes the Department itself says it will make suggest that a re-proposal (or some other form of pre-finalization review and opportunity for input) will be crucial to the possibility of a workable rule that indeed would serve the best interests of retirement savers.

CONCLUSION

The Department of Labor's proposed "fiduciary duty" rules present complex challenges to advisors and their clients. Thank you for giving us the opportunity to outline our views on these important issues and to present our concerns. I welcome the opportunity to address any questions you may have.

Exhibit 1

Commission-based
versus
Fee-based
Arrangements

	New $ In	COMMISSION - A SHARE				FEE BASED EXAMPLES			
		EOY Balance	Upfront 5.75% on New Money*	Portion of 12b1 fee broker receives to service acct .25%	Total broker fees paid each year	EOY Balance	Fee Based Acct 1.5% AUM**	EOY Balance	Fee Based Acct 1.2% AUM**
Year 1	$ 1,200	$ 1,215.00	$ 69.00	$ 3.04	$ 72.04	$ 1,266.00	$ 18.00	$ 1,269.60	$ 14.58
Year 2	$ 1,200	$ 2,515.05	$ 69.00	$ 6.29	$ 75.29	$ 2,535.63	$ 38.03	$ 2,543.24	$ 30.52
Year 3	$ 1,200	$ 3,906.10	$ 69.00	$ 9.77	$ 78.77	$ 3,875.09	$ 58.13	$ 3,890.74	$ 46.69
Year 4	$ 1,200	$ 5,394.53	$ 69.00	$ 13.49	$ 82.49	$ 5,288.22	$ 79.32	$ 5,316.41	$ 63.80
Year 5	$ 1,200	$ 6,987.15	$ 69.00	$ 17.47	$ 86.47	$ 6,779.07	$ 101.69	$ 6,824.76	$ 81.90
Year 6	$ 1,200	$ 8,691.25	$ 69.00	$ 21.73	$ 90.73	$ 8,351.92	$ 125.28	$ 8,420.60	$ 101.05
Year 7	$ 1,200	$ 10,514.64	$ 69.00	$ 26.29	$ 95.29	$ 10,011.28	$ 150.17	$ 10,108.99	$ 121.31
Year 8	$ 1,200	$ 12,465.66	$ 69.00	$ 31.16	$ 100.16	$ 11,761.90	$ 176.43	$ 11,895.31	$ 142.74
Year 9	$ 1,200	$ 14,553.26	$ 69.00	$ 36.38	$ 105.38	$ 13,608.80	$ 204.13	$ 13,785.24	$ 165.42
Year 10	$ 1,200	$ 16,786.98	$ 69.00	$ 41.97	$ 110.97	$ 15,557.28	$ 233.36	$ 15,784.78	$ 189.42
Year 11	$ 1,200	$ 19,177.07	$ 69.00	$ 47.94	$ 116.94	$ 17,612.94	$ 264.19	$ 17,900.30	$ 214.80
Year 12	$ 1,200	$ 21,734.47	$ 69.00	$ 54.34	$ 123.34	$ 19,781.65	$ 296.72	$ 20,138.52	$ 241.66
Year 13	$ 1,200	$ 24,479.88	$ 60.00	$ 61.20	$ 121.20	$ 22,069.64	$ 331.04	$ 22,506.55	$ 270.08
Year 14	$ 1,200	$ 27,417.47	$ 60.00	$ 68.54	$ 128.54	$ 24,483.47	$ 367.25	$ 25,011.93	$ 300.14
Year 15	$ 1,200	$ 30,560.70	$ 60.00	$ 76.40	$ 136.40	$ 27,030.06	$ 405.45	$ 27,662.62	$ 331.95
Year 16	$ 1,200	$ 33,923.94	$ 60.00	$ 84.81	$ 144.81	$ 29,716.71	$ 445.75	$ 30,467.06	$ 365.60
Year 17	$ 1,200	$ 37,522.62	$ 60.00	$ 93.81	$ 153.81	$ 32,551.13	$ 488.27	$ 33,434.15	$ 401.21
Year 18	$ 1,200	$ 41,373.20	$ 60.00	$ 103.43	$ 163.43	$ 35,541.44	$ 533.12	$ 36,573.33	$ 438.88
Year 19	$ 1,200	$ 45,493.33	$ 60.00	$ 113.73	$ 173.73	$ 38,696.22	$ 580.44	$ 39,894.58	$ 478.73
Year 20	$ 1,200	$ 49,901.86	$ 60.00	$ 124.75	$ 184.75	$ 42,024.51	$ 630.37	$ 43,408.46	$ 520.90
TOTAL	$ 24,000		$ 1,308.00	$ 1,036.54	$ 2,344.54		$ 5,527.15		$ 4,521.39

Assumes $1200 annual deposit earning 7% (net of mutual fund fees).

*Broker doesn't receive all of this. Some goes to fund family and some to broker dealer. Upfront sales charge is also reduced by breakpoints.

**Most broker dealers have a platform fee of .20%. So the broker receives 1.3% or 1% in these examples.