



## INVESTMENT COMPANY INSTITUTE

PAUL SCHOTT STEVENS  
PRESIDENT

October 4, 2004

The Honorable J. Dennis Hastert  
Speaker of the House  
H-232 The Capitol  
Washington, DC 20515

Re: H.R. 5011, the "Military Personnel Financial Services Protection Act."

Dear Mr. Speaker:

On behalf of the Investment Company Institute, I am writing to support House passage of H.R. 5011, the "Military Personnel Financial Services Protection Act," as reported by the Committee on Financial Services. This legislation addresses reported abusive practices involving the sale of certain financial products to our nation's military personnel.

As many of members of the Committee observed, when it comes to decisions about their long-term financial goals and insurance needs, America's uniformed military personnel deserve the best possible financial advice and complete and accurate information that is clearly and fairly presented. A broker's or financial advisor's obligation to assure the suitability of a particular investment, including so-called contractual plans for investment in mutual funds, is especially compelling when the investor is a member of the U.S. Armed Forces.

In years past, contractual plans were designed, and served as a vehicle, for investors to invest small amounts at regular intervals over an extended period of time. For investors that maintained the intended long-term commitment, the unique sales charge structure associated with contractual plans (under which payments made early in the contractual period were used to compensate a selling broker) were not necessarily disadvantageous to the investor, as compared to traditional sales loads. Accordingly, contractual plans were regarded as a means to encourage a pattern or habit of investing over many years, assuming the investor was properly advised of the nature of such plans, the risks of early termination and the availability of other suitable investment products.

In more recent years, however, we have witnessed a great number of innovations in investment products and services, many of them also designed to encourage long-term savings and investment and to serve the needs of small investors, like military personnel and their families. These modern investment alternatives do not have the sales charge structure associated with traditional contractual plans and do not pose the same pitfalls. They effectively have supplanted contractual plans in the financial marketplace, and we see no logic or need to perpetuate the sale of such plans.

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H.R. 5011 would recognize these changes in our financial markets by eliminating future contractual plan offerings. We commend the Committee for their leadership in this regard, and we are pleased to support this important bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Schott Stevens". The signature is fluid and cursive, with a large initial "P" and "S".

Paul Schott Stevens  
President

cc: The Honorable Michael G. Oxley  
The Honorable Barney Frank  
The Honorable Richard H. Baker  
The Honorable Paul E. Kanjorski