

MEMO# 7507

December 21, 1995

RESEARCH ON SHAREHOLDERS' USE OF PROFESSIONAL FINANCIAL ADVISERS

December 21, 1995 TO: BROKER/DEALER ASSOCIATE MEMBERS No. 26-95 INDUSTRY STATISTICS COMMITTEE No. 32-95 MEMBERS - ONE PER COMPLEX No. 111-95 RESEARCH COMMITTEE No. 53-95 SALES FORCE MARKETING COMMITTEE No. 63-95 RE: Research on Shareholders' Use of Professional Financial Advisers

The Investment Company Institute has for many years undertaken a program of market research for the benefit of its membership under the guidance of the Research Committee. In many instances this research is financed by member dues; but from time to time projects are undertaken which benefit only a segment of the membership and participating members are asked to bear the cost of that research. This year the Institute is planning a participant-financed evaluation of accumulated data about professional financial advisers and is pleased to invite your organization to participate. Background Since 1986, the sales force channel--which comprises full service brokerages, financial planners, insurance companies, and bankers--has experienced a steady loss of market share to the direct market channel, as depicted by Exhibit 1. This study will seek to identify some of the factors contributing to this shift in market share by examining shareholders' perceptions of investment advisers using data from past ICI research. The study will compare the demographic, psychographic, and financial characteristics of shareholder segments who expect to remain customers of the sales force channel with those who do not. The study will also report whether sources of investment information and advice have had an impact on shareholders' use of investment advisers. Benefits to Participating Companies The results of the study will assist ICI members who use the adviser channel in understanding shareholders' perceptions of investment advisers and how these perceptions relate to the loss of market share against the direct channel. The study's findings will also provide a basis for initiating actions to strengthen customer relationships, to educate shareholders about the role of investment advisers, and to customize promotional efforts in order to achieve healthy market share figures. Scope of the Research To date, very little survey data are available on investor perceptions of professional financial advisers and the Institute's Research Department seeks to fill that information gap. The broad objective of this study is to identify and summarize the demographic and financial characteristics of shareholders who use professional financial advisers and the factors that motivated them to use this channel. Specific objectives of the study will include: ` To identify the shareholder segments who are shifting away from purchasing mutual funds from investment advisers. ` To identify the shareholder segments who expect to remain loyal to investment advisers. ` To outline the demographic, financial, and behavioral characteristics of these segments. ` To identify the perceptions shareholders associate with their investment advisers. Participant Fees Only companies that agree to participate in this study will receive the

results of this study. The cost of the research on ShareholdersG Use of Professional Financial Advisers will be shared by the participants in proportion to their managed mutual fund assets in June 1995. This research will be undertaken at ICI and will consist of a review of current ICI research on this topic. It will not require that a new survey be undertaken. This impacts on the relatively low overall cost of the undertaking and on the relatively short timetable for this research. Fees will be assessed when the study is completed in March 1996. The overall cost of the study includes the direct and indirect costs encountered by ICI. This cost will be assigned to each participant on the basis of June 1995 assets under management according to the following schedule. Total Fund Assets June 1995 Participation Fee Over \$20 bil \$2,250.00 \$2 bil to 20 bil \$1,750.00 \$.25 bil to 2 bil \$1,000.00 < \$.25 bil \$ 750.00 The research is expected to be completed in March 1996. ICI members wishing to participate must indicate their support before January 26, 1996 by completing the attached form. Responsibilities Companies that agree to participate in the research on ShareholdersG Use of Professional Financial Advisers will need to : ` Assign a manager to serve as a point of contact with ICI on this project; ` Agree that ICI members who do not participate in supporting this research will not receive the final report; and ` Agree to pay the proportionate share of the cost of the study. Action Requested So that we may proceed with this project as quickly as possible, it is important that we hear from you promptly as to your interest in participating in the research on ShareholdersG Use of Professional Financial Advisers. Please return the attached form to the Institute before January 26, 1996 via fax at 202/326-5924 or by mail to indicate whether or not your organization will participate. Please contact me at 202/326-5912, if you have any questions regarding this important industry project. Sandra J. West Director Marketing & Policy Research Attachment INVESTMENT COMPANY INSTITUTE 1996 RESEARCH ON SHAREHOLDERSG VIEWS OF PROFESSIONAL FINANCIAL ADVISERS Participation Form CHECK ONE: [] The organization listed below agrees to participate in the 1996 Investment Company Institute Study of ShareholdersG Views of Professional Financial Advisers. The obligations are to 1) assign a manager to serve as a point of contact with ICI on this project; 2) agree that the final report will be available only to those ICI members who participate in this research; and 3) agree to pay the appropriate participate fee. [] The organization listed below will not participate.

COMPLETE: ORGANIZATION: _____ ADDRESS: _____

 _____ RESEARCH CONTACT:
 _____ TELEPHONE NUMBER:

 _____ Authorized Signature
 _____ Name -----

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 Sandra J. West Director, Marketing & Policy Research Investment Company Institute 1401 H Street, N.W., 12th Floor Washington, D.C. 20005 Fax: (202) 326-5924 Phone: (202) 326-5912

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