

NEWS RELEASE

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Study Finds 92 Percent of 12b-1 Fee Income Is Used to Compensate Financial Advisers and Others for Providing Shareholder Advice and Account Servicing

Washington, DC, February 24, 2005 - The Investment Company Institute (ICI), the national association of the U.S. mutual fund industry, today released the findings of [a new survey into the 12b-1 fees collected by mutual funds](#). Since 1980, when the U.S. Securities and Exchange Commission instituted 12b-1 fees, these charges have provided funds and their shareholders greater choice and flexibility in ways to compensate financial advisers. Prior to 1980, individual investors had only one way to compensate advisers: pay a front-end sales load – a one-time, upfront payment.

The growth of 12b-1 fees, which totaled \$10 billion in 2004, reflects a shift by mutual funds and their investors away from front-end sales loads to 12b-1 fees as a mechanism to compensate advisers and other intermediaries who provide assistance to shareholders. ICI Chief Economist Brian Reid said that the typical front-end sales load has declined from 8 percent in 1980 to 5 percent in 2004. “Over the past 25 years, as fund assets have grown 60-fold, total 12b-1 fees have registered strong growth,” Reid noted.

Among its findings, the ICI study reveals that 92 percent of the 12b-1 fees mutual funds collect from investors are allocated to financial advisers or other intermediaries to compensate them for assisting shareholders before and after purchasing funds. The survey also found only a small fraction of 12b-1 fees, sometimes called distribution and shareholder servicing fees, is used for advertising and promotion.

“For the vast majority of investors to reach their long-term investment goals, the advice and ongoing services of professional financial advisers is of great value,” said ICI President Paul Schott Stevens. “Clearly, 12b-1 fees have become an important vehicle through which shareholders pay for the advice and services they receive.”

The findings of the ICI survey are in a Fundamentals report, “[How Mutual Funds Use 12b-1 Fees](#).” The survey is based on responses from mutual fund complexes that manage 75 percent of the assets of mutual funds with 12b-1 fees.

The Investment Company Institute (ICI) is the national association of the U.S. mutual fund industry. U.S. mutual funds represent more than 92 million individual shareholders and manage \$8.101 trillion in investor assets.

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