



NEWS

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Fee-Only Financial Advisors Urge The SEC To Review 12b-1 Fees:
NAPFA believes investors are confused about “total fees and costs” of mutual funds

Arlington Heights, IL (July 25, 2007) – In an opinion letter to the Securities and Exchange Commission (SEC) regarding the use of 12b-1 fees by mutual fund companies, the National Association of Personal Financial Advisors (NAPFA) outlined several recommendations for the SEC to consider.

“The Commission is concerned that 12b-1 fees are becoming a replacement for sales fees in no-load mutual funds and we agree,” said Dick Bellmer, CFP[®], national chair of NAPFA. “These fees are supposed to help offset the marketing and distribution costs incurred by mutual fund companies. However, when you peel back the layers you see that some mutual fund companies are making a profit on 12b-1 fees.”

NAPFA, the leading professional association of Fee-Only financial advisors, points to two main areas of concern. First is the need for **Enhanced Descriptors and Disclosures of 12b-1 Fees** to help consumers understand the role 12b-1 fees play in mutual fund investing. NAPFA recommendations include:

- Rename 12b-1 fees to be more precise and descriptive (i.e. “brokerage firm compensation” or “brokerage firm reimbursement for account maintenance expenses”)
- Disclosures of a mutual fund’s “total fees and costs,” including 12b-1 fees, should be reflected in quarterly account statements

Second is the need for **Point-Of-Recommendation and Point-Of-Sale Disclosures** to help advisors and brokers fully disclose the expenses and “hidden costs” of pooled investment vehicles at the time of recommendation and the time of sale.

“Fees associated with investments must be treated like an ‘open book’ that is easily understood by all potential investors. Without clearer disclosure, consumers may not be able to make the most educated decision possible,” concluded Bellmer.

The NAPFA opinion letter is available to interested parties. To obtain a copy of the letter, or for more information on NAPFA, please contact Benjamin Lewis of Perception, Inc. at 301-963-7555 or benjamin.lewis@perceptiononline.com.

ABOUT THE NATIONAL ASSOCIATION OF PERSONAL FINANCIAL ADVISORS (NAPFA)

Since 1983, The National Association of Personal Financial Advisors (NAPFA) has provided Fee-Only financial planners across the country with some of the strictest guidelines possible for professional competency, comprehensive financial planning, and Fee-Only compensation. With more than 1,600 members across the country, NAPFA is the leading professional association in the United States dedicated to the advancement of Fee-Only comprehensive financial planning.

For more information on NAPFA, please visit www.NAPFA.org.

To learn more about NAPFA's Focus on Fiduciary initiative, please visit www.FocusonFiduciary.com.

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