

August 2010

**Ask a trust officer:
Mutual fund fees**

DEAR TRUST OFFICER:

I've heard that the SEC has proposed changes to 12b-1 fees. What are those fees for, and what are the changes? AVERAGE INVESTOR

DEAR AVERAGE:

Mutual funds have been permitted to charge shareholders 12b-1 fees to cover the costs of marketing and advertising the fund. Such fees, which are distinct from the fees charged for managing fund investments, may be as high as 1.00% of the fund's value.

The SEC proposal would rename the 12b-1 fee a "marketing and service fee," which would be easier for shareholders to understand. Such fees would be capped at 0.25% of fund assets each year and would have to be disclosed to shareholders.

The proposal would affect sales charges for mutual funds as well. For example, say a mutual fund sells A shares with a one-time 5.25% sales commission, or "load," and at the same time offers C shares with a 1.00% sales load charged each year. Under the SEC proposal, the C shares would have to stop charging the load once the total matched the 5.25% charged for the A shares. At that point the C shares would have to be converted to a fund share class with no continuing sales charge.

The SEC proposals are now in their comment period.

If you are concerned about the role that mutual funds are playing in your portfolio, we invite you to come in to speak with our investment professionals.

Do you have a question concerning wealth management or trusts? Send your inquiry to trust@countryclubtrust.com