

## Mutual Funds Breakpoint Disclosure

Mutual funds often offer discounts on front-end sales charges or loads for larger investments. The investment levels at which the discounts become available are called "Breakpoints." For example, a mutual fund might charge you a front-end sales load of 5.75% for all purchases of less than \$50,000, but reduce the load to 4.50% for investments between \$50,000 and \$99,999, and further reduce or eliminate the sales load for even larger investments.

### How Breakpoints Work

When your dollar amount of mutual fund purchases reaches a specified level, called a breakpoint, you are entitled to pay a smaller sales load. For example, a purchase of \$49,500 in mutual fund shares may be charged a front-end sales load of 5.75% or \$2,846.25, while a purchase of \$50,000 in fund shares might be charged a sales load of 4.50% or \$2,250. In this example, by choosing to invest \$500 more in funds, you would have \$596.25 more invested in fund assets. Typically, there are several breakpoints, and if you invest more and reach each of these thresholds, the greater the reduction in the sales load.

You may be entitled to a lower front-end sales load based on a single mutual fund transaction if the dollar size of the transaction exceeds one or more breakpoints. In addition, you may become entitled to receive a breakpoint discount based on rights of accumulation or by using letters of intent.

#### Sample Breakpoint Schedule

Class A Shares (Front-end Sales Load)

Investment Amount	Sales Load
Less than \$25,000	5.0%
\$25,000 but less than \$50,000	4.25%
\$50,000 but less than \$100,000	3.75%
\$100,000 but less than \$250,000	3.25%
\$250,000 but less than \$500,000	2.75%
\$500,000 but less than \$1 million	2.0%
\$1 million or more	0.0%

### Rights of Accumulation

A right of accumulation (ROA) typically gives you a discount on your current mutual fund purchases by combining both your current and previous fund transactions to reach a breakpoint. For example, if you are investing \$10,000 in a fund today, but previously had invested \$40,000, those amounts can be combined to reach a \$50,000 breakpoint, which will entitle you to a lower sales load on your \$10,000 purchase.

### Letter of Intent

What if you can't immediately invest the minimum amount necessary to trigger a breakpoint discount? If you are planning to make additional investments over the coming months, you might still be able to obtain a reduced sales charge by means of a letter of intent (LOI). An LOI is a statement you sign that expresses your intent to invest an amount over the breakpoint within a given period of time specified by the fund. Many fund companies permit you to include purchases completed within 90 days before the LOI

is signed and within 13 months after the LOI is signed in reaching the dollar amount of the breakpoint threshold. If you expect to invest regularly in a fund with a front-end sales load, it's worth finding out if a LOI can help you qualify for a reduced charge.

**Caution! If you fail to invest the amount stated in your LOI, the fund can retroactively collect the higher fee.**

## Family Discounts

In the case of either ROAs or LOIs, you usually may credit mutual fund transactions in other related accounts, in different mutual fund classes, or in different mutual funds that are part of the same fund family, toward your discounts. For example, a fund may allow you to get a breakpoint discount by combining your fund purchases with those of your spouse or children. You also may be able to credit mutual fund transactions in retirement accounts, educational savings account, or in accounts at other brokerage firms.

Each mutual fund and family of funds set their own breakpoints and the conditions through which discounts are available. These terms and conditions differ from one fund to another, and they also can change. You can find information on breakpoints in the mutual fund prospectuses or Statements of Additional Information and on many mutual fund company Web sites.

## Protecting Yourself

There are a number of steps you can take to make sure you are paying the lowest possible price for a fund that charges a front-end sales load:

- Understand how breakpoints work. Read the mutual fund prospectus or Statement of Additional Information, check a mutual fund company's Web site, or ask a financial professional for information on the terms and conditions of any available breakpoints.
- Review your mutual fund holdings. Before making a mutual fund purchase, review your account statements and those of your family to find amounts of investments in a particular mutual fund or family of funds to see if these transactions can be combined to obtain a breakpoint discount. Don't limit your review to accounts at a single brokerage firm. You may have related mutual fund holdings in accounts at other brokerage firms or with the mutual fund company itself that can help you reach a breakpoint discount.
- Keep your broker informed. Be sure that you tell your broker about your mutual fund holdings and those of your family, including holdings at other brokers or with the mutual fund itself. Also tell your broker about any plans you may have for making any additional purchases. With this information, your broker can make sure you get all available breakpoint discounts.

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