

# **R.M.STARK & CO.,INC.**

## **MUTUAL FUNDS BREAKPOINT DISCOUNTS**

### **DISCLOSURE STATEMENT**

Before investing in mutual funds, it is important that you understand the sales charges, expenses, and management fees that you will be charged, as well as the breakpoint discounts to which you may be entitled. Understanding these charges and breakpoint discounts will assist you in identifying the best investment for your particular needs and may help you reduce the costs of your investment. This disclosure document will give you general background information about these charges and discounts. However, sales charges, expenses, management fees, and breakpoint discounts vary from mutual fund to mutual fund. Therefore, you should discuss these issues with your broker and review each mutual fund's prospectus and statement of additional information, which is available from your broker, to get the specific information regarding the charges and breakpoint discounts associated with a particular mutual fund.

#### **SALES CHARGES**

Investors that purchase mutual funds must make certain choices, including which funds to purchase and which class share is most advantageous. Each mutual fund has a specified investment strategy. You need to consider whether the mutual fund's investment strategy is compatible with your investment objectives. Additionally, most mutual funds offer different share classes. Although each share class represents a similar interest in the mutual fund's portfolio, the mutual fund will charge you different fees and expenses depending upon your choice of share class. As a general rule, Class A shares carry a "front-end" sales charge, or "load" that is deducted from your investment at the time you buy the fund shares. The sales charge is a percentage of your total purchase. As explained below, many mutual funds offer volume discounts to the front-end sales charge assessed on Class A shares at certain predetermined levels of investment, which are called "breakpoint discounts". In contrast, Class B and C shares usually do not carry any front-end sales charges. Instead, investors that purchase Class B or C shares pay asset-based sales charges, which may be higher than the charges associated with Class A shares. Investors that purchase Class B and C shares may also be required to pay a sales charge known as a contingent deferred sales charge when they sell their shares, depending upon the rules of the particular mutual fund.

## **BREAKPOINT DISCOUNTS**

Most mutual funds offer investors a variety of ways to qualify for breakpoint discounts on the sales charge associated with the purchase of Class A shares. In general, most mutual funds provide breakpoint discounts to investors who make large purchases at one time. The extent of the discount depends upon the size of the purchase. Generally, as the amount of the purchase increases, the percentage used to determine the sales load decreases. In fact, the entire sales charge may be waived for investors that make very large purchases of Class A shares. Mutual fund prospectuses contain tables that illustrate the available breakpoint discounts and the investment levels at which breakpoint discounts apply. Additionally, most mutual funds allow investors to qualify for breakpoint discounts based upon current holdings from prior purchases through "*Rights of Accumulation*", and future purchases, based upon "*Letters of Intent*". This document provides general information regarding *Rights of Accumulation* and *Letters of Intent*. However, mutual funds have different rules regarding the availability of *Rights of Accumulation* and *Letters of Intent*. Therefore, you should discuss these issues with your broker and review the mutual fund prospectus to determine the specific terms upon which a mutual fund offers Rights of Accumulation and Letters of Intent.

1. *Rights of Accumulation* – Many mutual funds allow investors to count the value of previous purchase of the same fund, or another fund within the same fund family, with the value of the current purchase, to qualify for breakpoint discounts. Moreover, mutual funds allow investors to count existing holdings in multiple accounts, such as IRAs or accounts at other broker dealers, to qualify for breakpoint discounts. Therefore, if you have accounts at other broker-dealers and wish to take advantage of the balances in these accounts to qualify for breakpoint discounts, you must advise your broker about these balances. You may need to provide documentation establishing the holdings in those other accounts to your broker if you wish to rely upon balances in accounts at another firm.

In addition many mutual funds allow investors to count the value of holdings in account of certain related parties, such as spouses or children, to qualify for breakpoint discounts. Each mutual fund has different rules that govern when relatives may rely upon each other's holdings to qualify for breakpoint discounts. You should consult with your broker or review the mutual fund's prospectus or statement of additional information to determine what these rules are for the fund family in which you are investing. If you wish to rely upon the holdings of related parties to qualify for a breakpoint discount, you should advise your broker about these accounts. You may need to provide documentation to your broker if you wish to rely upon balances in accounts at another firm.

Mutual funds also follow different rules to determine the value of existing holdings. Some funds use the current net asset value (NAV) of existing investments in determining whether an investor qualifies for a breakpoint discount. However, a small number of funds use the historical cost, which is the cost of the initial purchase, to determine eligibility for breakpoint discounts. If the mutual fund uses historical costs, you may need to provide account records, such as confirmation statements or monthly statements, to qualify for a breakpoint discount based upon previous purchases. You should consult with your broker and review the mutual fund's prospectus to determine whether the mutual fund uses either NAV or historical costs to determine breakpoint eligibility.

2. *Letter of Intent*- Most mutual funds allow investors to qualify for breakpoint discounts by signing a Letter of Intent, which commits the investor to purchasing a specified amount of Class A shares within a defined period of time, usually 13 months. For example, if an investor plans to purchase \$50,000 worth of Class A shares over a period of 13 months, but each individual purchase would not qualify for a breakpoint discount, the investor could sign a Letter of Intent at the time of the first purchase and receive the breakpoint discount associated with \$50,000 investments on the first and all subsequent purchases. Additionally, some funds offer retroactive Letters of Intent that allow investors to rely upon purchases in the recent past to qualify for a breakpoint discount. However, if an investor fails to invest the amount required by the Letter of Intent, the fund is entitled to retroactively deduct the correct sales charge based upon the amount the investor actually invested. If you intend to make several purchases within a 13 month period, you should consult your broker and the mutual fund prospectus to determine if it would be beneficial for you to sign a Letter of Intent.

As you can see, understanding the availability of breakpoint discounts is important because it may allow you to purchase Class A shares at a lower price. The availability of breakpoint discounts may save you money and may also affect your decision regarding the appropriate share class in which to invest. Therefore, you should discuss the availability of breakpoint discounts with your broker and carefully review the mutual fund prospectus and the statement of additional information, which you can get from your broker, when choosing among the share classes offered by a mutual fund. If you wish to learn more about mutual fund share classes or mutual fund breakpoints, you may want to review the investor alerts available on the FINRA Web site. See [www.FINRA.org/Investors/InvestmentChoices/Mutual](http://www.FINRA.org/Investors/InvestmentChoices/Mutual) or visit the many mutual fund Web sites available to the public.

I am purchasing the following fund(s):

Fund Name: \_\_\_\_\_ Share class: \_\_\_\_\_ Investment amount\$: \_\_\_\_\_

Fund Name: \_\_\_\_\_ Share class: \_\_\_\_\_ Investment amount\$: \_\_\_\_\_

Fund Name: \_\_\_\_\_ Share class: \_\_\_\_\_ Investment amount\$: \_\_\_\_\_

I am selling the following fund(s)

Fund Name: \_\_\_\_\_ Share class: \_\_\_\_\_ # Shares \_\_\_\_\_ Purchase date \_\_\_\_\_

Fund Name: \_\_\_\_\_ Share class: \_\_\_\_\_ # Shares \_\_\_\_\_ Purchase date \_\_\_\_\_

Fund Name: \_\_\_\_\_ Share class: \_\_\_\_\_ # Shares \_\_\_\_\_ Purchase date \_\_\_\_\_

**Detailed Reason for Mutual Fund Switch.**

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Account Number

\_\_\_\_\_

Client Signature

\_\_\_\_\_

Joint Signature

\_\_\_\_\_

Broker Signature

\_\_\_\_\_

Date

\_\_\_\_\_

Date

\_\_\_\_\_

Date

**CLIENT ACKNOWLEDGMENT**

Please accept this signed authorization as confirmation that I (we) have read and understand the Mutual Fund Disclosure Statement. Additionally, my broker has informed me (us) that I have the option of switching within the same family of funds and avoiding an additional load charge, or making a purchase from another family of funds and be subject to a sales charge.

\_\_\_\_\_

Account Number

\_\_\_\_\_

Client Signature

\_\_\_\_\_

Date

\_\_\_\_\_

Joint Signature

\_\_\_\_\_

Date

**BROKER AFFIRMATION**

I have explained breakpoints, rights of accumulation and letters of intent to my client and discussed how they apply to mutual fund purchases. My client confirms, by his/her signature that purchasing different Fund Families may inhibit or eliminate the ability to qualify for breakpoints. I affirm that if breakpoints or letters of intent are applicable, the appropriate documentation was gathered and the proper steps taken to enact such benefits for my client(s).

\_\_\_\_\_

Broker Name

\_\_\_\_\_

Date

\_\_\_\_\_

Broker Signature



