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175 COOPER ROAD
ROCHESTER 17, NEW YORK

CONGRESS 6-0029

June 28, 1971

Honorable Frank Horton
Congressman
House of Representatives
Washington, D.C.

Dear Mr. Horton:

I would like to discuss personally the inadequacy of re-investment in a Mutual Fund under the Keogh Plan. However I'll try to explain the situation as I see it. The reason for my complaint is that a Part-time worker is penalized practically all of his capital gain and dividend in fees, since the investment is so small, and especially if these are spread over 3 Funds. Yet if the Mutual Funds were purchased without being connatated Keogh Fund the re-investment would be made at Net Asset Value, or Bid which is 8 1/2% above cost. (Market Value).
Example below:

FUND	PERSONAL PURCHASE	KEOGH PLAN PURCHASE
One Wm Street Fund (no load)	No purchase price fee	$5.00 yearly service, plus 25¢ quarterly service for reinvestment. Custodian, State Street Bank and Trust Co.
	Re-investment at 25¢ quarterly.	
Rowe Price New Era No load.	No purchase price. 50¢ quarterly re-investment.	$5.00 yearly service and 50¢ quarterly, by the same Bank as above.
Wm. L. Morgan Open End Fund.	8 1/2% above cost plus re-investment at net/Bid asset. (No service charge).	Re-investment 8 1/2% above cost plus $5.00 yearly service, by the same Bank as above.

This goes on with each Fund. They have two prices, one on Keogh Bases which is the same contract if purchased outright, but cost more since it has in addition a yearly charge plus or minus quarterly service charge.

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As you can see from examples that a $10.00 investment return--re-invested in the Keogh Plan would cost 8 1/2% above cost, but the Keogh Fund would be 8 1/2% above cost plus $5.00 service charge which would amount to almost 60%. In a regular Fund, custodial fees are paid by the Fund which on Group Contractual bases are probably less than individually.

Now if you have in addition a Voluntary Plan (which is in addition) to the involuntary Plan (Keogh Plan)--you should be able to lump them together and avoid an additional $5.00 service charge--but one is an additional service charge plus or minus quarterly re-investment.

I have such a plan and would like I.R.S. confirmation to lump them together, and connotate in my records that it is two--or rather have no charge at all except for reinvestment. It should also seem proper if one is spread too thin by having more than one Fund that the I.R.S. should grant mutual exchange of shares into one of the Funds in order not to reduplicate fees 3-4 times and thus have greater amount left for reinvestment.

Very truly yours,

Patrick P. Badamy, M.D.

PPB/kb