

**STATEMENT OF THE HONORABLE
Wm. Lacy Clay
Before
The Subcommittee on Capital Markets, Insurance and Government Sponsored
Enterprises**

“Mutual Fund Industry Practices and Their Effect on Individual Investors”

March 12, 2003

Mr. Chairman, I commend you for holding this hearing. There are in excess of 95 million individuals who own mutual funds in the United States. This represents nearly half of all households in the country. The majority of these households are in the working, middle class of the population, and over 30% of the total households have their mutual funds in retirement plans. Since such a broad spectrum of the population is affected by the issues relating to these funds with cost considered to be among those having the most impact, transparency is necessary.

Transaction costs are the largest expense to the investor in the mutual fund market. Often times these costs have exceeded the profits of the investor. These figures are almost never disclosed and are regarded as the “routine cost of doing business.” Congress and the SEC have many times provided direction to lower costs in the market.

Transaction costs are not the only costs: there are sales charges, management fees, expense ratios and other charges that are applied without transparency. Investment returns seem at times to be the least of the concerns of the industry. They are not the least of the concerns of the investor.

We must have cost information that is shared by the investor so that reasonable decisions can be made in regard to their investments. The better the investing public is informed about mutual fund costs; the likelihood is that prices will stabilize as investors know the true value of the funds.

Mr. Chairman I ask unanimous consent to submit my statement to the record.