



DISCLOSURE STATEMENT

529 Plans and Mutual Fund Breakpoint Discounts

Member FINRA/SIPC

DISCLAIMER: THIS DISCLOSURE STATEMENT IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE A JUDGMENT OR RECOMMENDATION REGARDING WHETHER MUTUAL FUNDS, PARTICULAR MUTUAL FUND SHARE CLASSES OR 529 PLANS ARE APPROPRIATE INVESTMENTS FOR YOU.

529 PLAN DISCLOSURES

Depending upon the laws of your home state and the laws of the designated beneficiary's state, favorable state tax treatment or other benefits may be available if you invest in your home state's 529 college savings plan. Any state-based benefit offered with respect to a particular 529 college savings plan should be just one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances, and you may wish to contact your home state or any other 529 college savings plan to learn more about the features, benefits, and limitations of that state's 529 college savings plan. Mutual funds are an essential component of 529 college savings plans and the following discusses share classes, sales charges, fees and breakpoint discounts.

MUTUAL FUND BREAKPOINT DISCOUNTS

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 cost of your investment. This disclosure document provides 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 investment professional and review each mutual fund's prospectus, which is available from your investment professional, to get the specific information regarding the charges and breakpoint discounts associated with a particular mutual fund.

Share Classes

- **Class A** – This class usually carries a front-end sales charge. This means a sales charge is deducted from your investment each time you purchase additional shares, and is paid at the time of your investment. Typically, Class A shares have a lower expense ratio (total annual fund operating expenses as a percentage of the mutual fund's assets) compared to the other share classes of the same mutual fund, which means that your on-going costs may be lower than the costs associated with other share classes. Many mutual funds offer "breakpoint" discounts for large investments. These breakpoints are described in the mutual fund's prospectus.
- **Class B** – Rather than imposing a sales charge at the time of initial investment, Class B shares are characterized by a backend or contingent deferred sales charges (also known as a "CDSC"), which means that you may pay a sales charge when you redeem (sell) mutual fund shares. The amount of the CDSC as a percentage of your investment normally declines over time and eventually is eliminated the longer you hold your shares (the period of decline may last anywhere from 5 to 8 years depending on the particular mutual fund). Once the CDSC period has ended, Class B shares usually convert to Class A shares. Until this conversion takes place, Class B shares will generally have higher 12b-1 fees than Class A shares and, as a result, the overall expense ratio for Class B shares will be generally higher than that of Class A shares.
- **Class C** – Similar to Class B shares, Class C shares are generally characterized by a CDSC. However, unlike Class B shares, the possibility of incurring a CDSC if you sell your shares generally is eliminated after a short period of time (usually 1 year). Class C shares also generally have higher 12b-1 fees than Class A shares, but may have the same or comparable 12b-1 fees as Class B shares. As a result, Class C shares will almost always have a higher total operating expense ratio than Class A shares, while Class C shares have total operating expense ratios that are generally comparable to Class B shares during the CDSC period. However, Class C shares generally do not convert to Class A shares.

Sales Charge

Investors who purchase mutual funds must make certain choices, including which funds to purchase and which share class 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



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rule, Class A shares carry a "front-end" sales charge or "load" that is deducted from your investment at the time of purchase. This 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 pre-determined 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 who purchase Class B or C shares pay asset-based sales charges, which may be higher than the charges associated with Class A shares. Investors who 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 and the length of time the shares have been owned.

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 who 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 investment professional and review the mutual fund prospectus to determine the specific terms upon which a mutual fund offers Rights of Accumulation or Letters of Intent.

1. **Rights of Accumulation** - Many mutual funds allow investors to combine the value of previous purchases 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, some 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 a breakpoint discount, you must advise your investment professional about those balances. You may need to provide documentation establishing the holdings in those other accounts to your investment professional 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 accounts 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 investment professional or review the mutual fund's prospectus 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 investment professional about these accounts. You may need to provide documentation to your investment professional if you wish to rely upon balances in accounts at another firm.

2. **Letters of Intent** - Most mutual funds allow investors to qualify for breakpoint discounts by signing a Letter of Intent, by which the investor states his/her intention to purchase 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 a \$50,000 investment on the first and all subsequent purchases made pursuant to the Letter of Intent. 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 stated in the Letter of Intent, the fund is entitled to retroactively deduct the additional sales charges based upon the total amount that the investor actually invested. If you intend to make several purchases within a 13 month period, you should consult your investment professional and the mutual fund prospectus to determine if it would be beneficial for you to sign a Letter of Intent.

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. You should discuss the availability of breakpoint discounts with your investment professional and carefully review the mutual fund prospectus, which can be obtained from your investment professional, when choosing among the share classes offered by a mutual fund. Furthermore, the Financial Industry Regulatory Authority (FINRA) maintains a Mutual Fund Expense Analyzer tool on its website at www.finra.org that may help you in making a decision on the right share class for you.