



## Mutual Funds Breakpoint Discounts Disclosure Statement

**This *Mutual Funds Breakpoint Discounts Disclosure Statement* is provided for informational purposes only and is not intended to replace a mutual fund prospectus. Before investing money, please obtain a copy of the prospectus for each mutual fund under consideration, and review it carefully, as it contains more specific information about the sales charges, expenses, management fees and breakpoint discounts associated with a particular fund.**

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 sales charges and discounts. However, sales charges, expenses, management fees, and breakpoint discounts vary from mutual fund to mutual fund. Therefore, you should discuss these items with your Registered Representative and review each mutual fund's prospectus and statement of additional information, which are available from the mutual fund sponsor, to obtain the specific information regarding the charges and breakpoint discounts associated with the particular mutual fund.

### **Sales Charges and Share Classes**

Investors that 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 objective. 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 fund shares. 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 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 or C shares may also be required to pay a sales charge known as a Contingent Deferred Sales Charge ("CDSC") when they sell their shares, depending upon the structure of the particular mutual fund.

**Class A shares – Customers investing \$25,000 or more may receive a breakpoint discount on the sales charge for their purchase, depending on the fund.**

**Class B shares – NEXT Financial Group, Inc. ("NEXT") limits total purchases in Class B shares to \$100,000 per fund family, per household or the limit specified in the prospectus, whichever is lower.**

**Class C shares – NEXT limits total purchases in Class C shares to \$1,000,000 per household or the limit specified in the prospectus, whichever is lower.**

### **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 charge 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 items with your Registered Representative 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 count 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, most 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 Registered Representative about those balances. You may need to provide documentation verifying the holdings in those other accounts to your Registered Representative if you wish to rely upon balances in accounts at another firm to qualify for *Rights of Accumulation* breakpoint discounts.

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 Registered Representative 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 Registered Representative about these accounts. You may need to provide documentation to your Registered Representative if you wish to rely upon balances in accounts at another firm to qualify for breakpoint discounts.

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 confirmations or monthly statements, to qualify for a breakpoint discount based upon previous purchases. You should consult with your Registered Representative and review the mutual fund’s prospectus to determine whether the mutual fund uses either NAV or historical costs to determine breakpoint discount 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 a \$50,000 investment 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 charges based upon the amount that the investor actually invested. If you intend to make several purchases within a 13 month period, you should consult your Registered Representative 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. Therefore, you should carefully review the mutual fund prospectus and its statement of additional information when choosing among the share classes offered by a mutual fund.

We are committed to servicing you and ask that you always provide us with complete and accurate information so we make the best recommendations for your account(s).

*Additional investor information can be found on the FINRA website at [www.finra.org/Investors](http://www.finra.org/Investors).*