



NYLIFE Securities

### **Mutual Fund Investing At NYLIFE Securities**

Mutual funds are a popular investment choice that can help clients achieve their financial goals. NYLIFE Securities offers clients over 10,000 individual mutual funds representing 240 fund families. These funds cover the universe of investment objectives and sectors.

Generally, mutual funds are not intended for short-term investing (excluding money market funds). Potential investors should have at least three to six months of liquid assets to meet day-to-day living expenses, other major anticipated obligations, and emergencies in addition to the amount invested. As with any type of investment, there are many factors to consider before making a decision to invest in mutual funds, including:

- Your risk tolerance;
- Your time horizon (i.e., how long before you will need to access the funds you are investing);
- Your investment objectives;
- Your need for diversification;
- The amount of funds you have available to invest;
- The expenses associated with each mutual fund share class (as explained more fully below); and
- Whether you qualify for any sales charge discounts and/or waivers.

*Please contact your Financial Services Professional for a prospectus for the particular mutual fund you are considering. Investors are asked to consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus contains this and other information about the investment company. Please read the prospectus carefully before investing. An additional document, known as the *statement of additional information*, contains supplemental information concerning the fund's investment practices and policies. It can be obtained by contacting the Mutual Fund family, please refer to the prospectus for the particular Mutual Fund's contact information.*

### **What are the Costs of Investing in Mutual Funds?**

A fund's prospectus contains a fee table listing the charges associated with the fund. Sales charges and annual operating expenses vary depending on the share class selected. It is important to understand the costs associated with the sale and operation of a mutual fund, as those costs affect return on investment.

For example, a fund may impose a sale or redemption charge, often referred to as a *load*, on transactions in fund shares. Funds also incur ongoing administrative and operating expenses. Operating expenses are not paid directly as a fee, but are deducted from the fund's assets, reducing investment returns. Other charges include payments made to service providers such as custodians, transfer agents and accountants. In addition, mutual funds incur trading costs in buying and selling portfolio securities.

### **What are Mutual Fund Share Classes?**

Mutual funds may be sold either with or without a sales charge. Mutual funds sold without a sales charge are called no-load funds. Mutual funds sold with a sales charge are typically offered in three share classes – A, B, and C shares – as described below. Each class has different fees and expenses, which affect the overall rate of return. You can find out if a mutual fund has different classes by reading the prospectus or by asking your Financial Services Professional.

**Class A Shares** – When you purchase Class A shares, you generally will be assessed a front-end sales charge, or load, that will be deducted from your initial investment. Class A shares are generally not subject to a sales charge when they are redeemed or sold. In determining whether to invest in class A shares, you should consider the following:

- **Fees** – Class A shares are subject to service and/or distribution fees (known as “12b-1 Fees”), which are generally lower than those of Class B or C shares. Lower 12b-1 Fees will ordinarily result in lower total annual fund operating expenses and higher investment returns.
- **Breakpoint Discounts** – Class A shares generally offer volume discounts, called breakpoints, which may reduce or eliminate the amount of the front-end charge.
  - Although each fund company is different, many fund families offer substantial sales charge discounts for investments at or above the \$50,000, \$100,000, \$250,000, \$500,000 and \$1 million levels.
  - Many fund families will allow you to purchase Class A shares without assessing a front-end sales charge if you invest \$1 million or more. However, if you purchase Class A shares under such circumstances, you may be charged a fee (for example, 1%) if you redeem or exchange such shares within a specified period (e.g., one year) of their purchase.
  - Generally, for investors who qualify for such breakpoint discounts, and in light of the lower 12b-1 Fees imposed on Class A shares, an investment in Class A shares may result in lower overall fees and expenses than the same investment in Class B or C shares of the same fund family.
  - Over the long term, an investment in Class A shares at levels that qualify for a reduced sales charge will generally outperform the same investment in Class B or C shares of the same fund family.

Breakpoints may also be obtained through “Rights of Accumulation” or “Letters of Intent.”

- **“Rights of Accumulation”** permit you to aggregate the value of your holdings with those of certain family members’ current holdings (or the amount of your and certain family members’ prior purchases in Class A, B, or C shares) in the same fund family to reach a breakpoint.
  - Note that any breakpoint achieved by accumulation of assets in one fund family will be applied only to purchases in excess of the breakpoint. In other words, this will not result in a retroactive reduction of an amount previously paid for a Class A share purchase.
- **“Letters of Intent”** permit you and certain family members to receive a volume discount by committing to purchase an amount of fund shares above a breakpoint within a specified time period (e.g., within 24 months for the MainStay Funds).
  - Investors are generally allowed to include the dollar amount of funds purchased within 90 days prior to the date the Letter of Intent is established.
  - If the Investor(s) fails to reach the stated breakpoint amount within the prescribed time period, the funds may retroactively assess the higher sales charge against all purchases made within the Letter of Intent period.
- **Combining Investments to Achieve Breakpoints** – To determine if you are eligible for a breakpoint, you should consider all of the funds held with the same mutual fund company, including those held at other broker dealers. Please provide your Financial Services Professional with documentation reflecting shares held elsewhere, so that these shares may be considered when determining breakpoints.
  - Some fund families also permit aggregation of other holdings, such as Class M or T shares, Section 529 plan holdings, or variable annuity sub-accounts to achieve breakpoints.
  - Certain purchases, such as those involving money market funds, may not be eligible for aggregation to achieve breakpoints.

- **Diversification vs. Breakpoints** – While you may choose to purchase shares in a variety of fund families for diversification purposes, breakpoint discounts generally apply only to purchases within a single mutual fund family. Purchases involving different fund families will not assist you for purposes of obtaining breakpoint discounts, including those available pursuant to Rights of Accumulation or Letters of Intent.

The circumstances under which you may be entitled to breakpoint discounts and a description of Class A share fund operating expenses, including 12b-1 Fees, are more fully described in the fund prospectus and/or Statement of Additional Information.

Ask your Financial Services Professional about the particular fund family's rules before investing to receive any available discounts, as each mutual fund's rules about Rights of Accumulation and Letters of Intent differ.

**Class B Shares** – When you purchase Class B shares, you will not be assessed a front-end sales charge. If you sell Class B shares within a certain number of years after purchase (typically 6 years), your proceeds may be reduced by a contingent deferred sales charge (CDSC).

In determining whether to invest in Class B shares, you may wish to consider the following:

- 12b-1 Fees for Class B shares are higher than those of Class A shares. Higher 12b-1 Fees will ordinarily result in higher total annual fund operating expenses and lower investment performance.
- The CDSC amount declines over time as outlined in the prospectus and is eliminated after a set number of years.
- Class B shares generally convert to Class A shares after a period of time, as outlined in the prospectus.
- Selling Class B shares during the period in which the CDSC applies can significantly diminish the overall return on an investment. Thus, this class of shares may be more appropriate for investors who are not eligible for breakpoints and have a time horizon that extends beyond the time in which the CDSC applies.
- NYLIFE Securities will not accept purchases in Class B shares if the client's purchase would result in the client owning \$50,000 or more of combined Class A, B, or C shares of one fund family.
- NYLIFE Securities will not accept purchases in Class B shares if the client's purchase would result in the client owning \$100,000 or more of Class B shares across all fund families.

Additional information concerning Class B share conversion features, contingent deferred sales charges, and fund operating expenses, including 12b-1 Fees, are contained in the fund prospectus and/or Statement of Additional Information.

**Class C Shares** – When you purchase Class C shares, you will not be assessed a front-end sales charge. If you sell Class C shares within a certain number of years after purchase (typically one year), the amount you receive may be reduced by a contingent deferred sales charge (CDSC).

In determining whether to invest in Class C shares, you may wish to consider the following:

- Class C shares typically have higher annual fund operating expenses than Class A shares, due primarily to higher 12b-1 Fees. Class C shares typically do not convert to Class A shares and instead continue to charge higher annual expenses – including 12b-1 Fees – for as long as the shares are held.
- The CDSC for Class C shares is typically lower than that of Class B shares and typically applies for a shorter period (e.g., one year)

- Class C shares may be less expensive than other classes of shares for individuals who have a shorter-term investment horizon because the sales charge will be lower. However, your annual expenses could be higher than Class A or B shares if the Class C shares are held for the long term.
- NYLIFE Securities will not accept purchases in Class C shares if the client's purchase would result in the client owning \$250,000 or more of combined Class A, B, or C shares across all fund families.

Additional information concerning Class C share contingent deferred sales charges and fund operating expenses, including 12b-1 Fees, are contained in the fund prospectus and/or Statement of Additional Information.

- **Reinvestment/Buy Back Privileges may apply to all classes of shares** – Many fund families offer investors the right to repurchase a portion or all of the funds' shares that were recently sold (usually within the preceding 90 days) without assessing a new front-end sales charge for A share purchases, or applying a pro rata credit for the amount of the CDSC incurred on Class B or C shares. Generally, if a fund family offers this privilege, the repurchase of any of the funds within that fund family may qualify. In other words, you do not have to repurchase the same fund that you sold, but you do have to purchase within the same fund family. You should review the applicable prospectus or Statement of Additional Information or consult with your Financial Services Professional for specific details regarding the reinvestment privilege prior to placing a transaction.
- **Mutual Fund NAV Transfer Programs** – Mutual fund NAV (Net Asset Value) transfer programs allow clients to use the proceeds from the sale of a loaded fund, Class A, B or C shares, to purchase Class A shares at NAV in another fund family. You should consult the applicable prospectus and/or Statement of Additional Information for specific details regarding NAV transfer privileges. If the monies that you are investing represent the proceeds of a mutual fund liquidation, you should advise your Financial Services Professional, to determine if you may qualify for an NAV transfer privilege on your new investment.

### **How are NYLIFE Securities and Your Financial Services Professional Compensated for the Sale of Mutual Funds?**

NYLIFE Securities and our Financial Services Professionals receive compensation when clients invest in mutual funds. While your Financial Services Professional does not act as your fiduciary, he or she has an obligation to recommend products that are suitable for your needs. One factor that will have an impact on the recommendations made to you by your Financial Services Professional is his/her familiarity with the fund and/or the fund family. Although your Financial Services Professional will have thousands of funds from which to choose in making a recommendation to you, because NYLIFE Securities has a special marketing arrangement with MainStay Funds, our Financial Services Professionals will have a greater level of familiarity with MainStay Funds. MainStay sponsors mutual fund marketing and educational programs for our Financial Services Professionals and representatives from MainStay are invited to participate at New York Life sales conferences. As a result our Financial Services Professionals may have a greater level of familiarity with MainStay Funds, which may lead them to focus on those funds when making a recommendation instead of on funds from providers that do not commit similar resources for educational, marketing and other promotional efforts. The MainStay Funds are managed by New York Life Investment Management ("NYLIM"), which is an independently-managed, wholly-owned subsidiary of New York Life Insurance Company, and an affiliate of NYLIFE Securities. NYLIM earns ongoing investment management and other operating fees from MainStay Funds.

There are also certain aspects of the compensation structure that may influence your Financial Services Professional's recommendation. The cash compensation that NYLIFE and your Financial Services Professional receive can vary based on a fund's sales charge and breakpoint schedules, and you should consult the fund's prospectus. Your Financial Services Professional typically receives greater compensation when Class B shares are purchased as compared to Class A or Class C shares. Experienced Financial Services Professionals who have recently joined New York Life generally participate in an expense allowance program pursuant to New York Insurance Law during their first two or three years with the Company. The amount of the expense allowance paid to these Financial Services Professionals is partially based on sales of MainStay funds; sales of other mutual funds are not permitted in the expense allowance calculation. Finally, in order for your Financial Services Professional to be eligible to receive group insurance benefits from New York Life, he/she must meet productivity standards as

measured by sales of products issued by affiliates, including mutual fund and insurance products.

For more information on mutual funds you should contact your Financial Services Professional or NYLIFE Securities at 800-695-4785 and select the Investor Relations option.

Bates # 340867CV (Exp. 11/30/2009)

IS203 (12/07)