

Background:

I have been a Financial Planner for the past 15 years. As with all new advisors, I started my practice based solely on the DSC commission basis. For the past 5 -6 years I have transitioned to a Front End 0% charge with the trailers or servicing fees my sole income stream.

I recently read an article in the Investment Executive July 2012 "Shining a light on fees". What a timely piece. I have been trying to find fund companies that would split the servicing fee from the fund company fee and show this on the clients statements, mostly for fee deductibility on the non registered accounts but also to let clients know that they have a right to call anytime because that is what I am being paid for. Most clients will say "I meant to call but didn't want to bother you". If the clients saw what they were paying for, I believe a lot more would be pro active and stay in touch more frequently. I am sure you have heard from many advisors about clients who invest but seem to think that annual reviews are not necessary until a problem arises. I am fully convinced that if the fees were visible (on quarterly statements) that clients would become more involved. I also believe that this would reduce the abusive use of DSC fees especially on large transactions if the client would see a \$30,000 fee on a \$600,000 account take over.

My research is ongoing with the fund companies. All will disclose fees separately but on a "high net worth" basis only. Most propose that a client has \$100,000 in one fund or \$250,000 per account (\$50,000) per fund or a minimum of \$500,000 in order for the show the imbedded fees. I do not understand why this should be so difficult as the fund companies have the information already. They already know what their fees are and they already send the imbedded fee for servicing commissions to the dealer. It is my understanding from one of two of the fund companies that part of the problem is with the central clearing centre FUNDSERV.

When an advisor places a trade on FUNDSERV for an F class share or any other share class that unbundles the fees, there is no mechanism to record what the percentage of commission that the advisor has negotiated with the client, therefore an additional form must be signed by the client. This in turn is a manual transaction at the fund company level which is costly to them.

I think in a low growth/low return/high risk environment, it is more important that ever to show clients what they are paying their advisor for and how they are being charged for those services/advice.

I have a problem with only the high net worth clients getting the information when they are probably 20% of the mutual fund client base. Each hard working client who trusts an advisor to make recommendations based on their situation deserves to know what the cost is so they can make an informed decisions on what is value for money. I am only sorry to hear that this will take another two years to be resolved. I hope that it will not be watered down as I see tremendous value in the full proposals.

I don't know how I can help but if you need someone who works directly with clients to be involved, please feel free to contact me.

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