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RE: Canadian Securities Administrators Discussion Paper and Request for Comment 81-407 *Mutual Fund Fees*

I understand the OSC is interested in submissions from the public on mutual fund fees and I thank you for the opportunity to give you my perspective as I see it for the everyday hard working Canadian/Ontarian trying to build a nest egg to live through a "comfortable" retirement.

Let me prelude by saying that the majority of Canadians approaching retirement these days do not have the luxury of company defined benefit pensions of yesteryear. As you well know, most companies in the private sector have done away with defined benefit pension plans or simply do not offer employee pension plans at all. That leaves the responsibility of funding a 20 to 30 year retirement up to each individual to fend for themselves and navigate through the very complex business of investing hard earned savings. In this day and age, it is not easy to have money left at the end of the month to invest given the high costs of living in this country. It is well documented that it is 20% to 25% more expensive to live in Canada than our U.S. neighbours.

Like me, most Canadians have very little knowledge about the investment industry and naively depend on their "financial advisor"/"financial planner, etc" to manage their investments efficiently/wisely to maximize returns on investments. The average investor has no idea about the inner workings of the investment firms, how they are remunerated and how they are incented to buy certain investments versus others, even though they may not be the wisest choice for their client due to high MER rates.

I personally have had my eyes opened wide through some bad experiences.

I first started investing for my retirement in my 30's when my cousin became a financial planner with one of the big investment companies. Because I knew her and trusted her, I did not pay attention to, nor did I even understand that there were hidden fees. During the time she managed my investments I was mildly satisfied with the returns but at no time was there any disclosure of MER fees that I later find out were among the highest in the industry. These fees over the years eroded a significant portion of the returns.

After the 2008 downturn in the market, my cousin left the business and handed my file over to someone whom I did not know or even met. It was around the same timing that my employer decided to change our pension plan from a defined benefit plan to a defined contribution plan. I knew that I personally did not have the knowledge/experience to manage my pension funds on my own, so I took the commuted value and turned it over to that same financial advisor to manage. Once again, there was no discussion or disclosure of fees or penalties. I simply got a phone call from the financial planner during the middle of my work day, telling me if I locked in the money, I would benefit from lower fees, she did not advise what the repercussions would be i.e. penalty fees, etc. and she did not provide anything in writing. I was in a hurry to get to a sales call so I just went ahead and gave her the o.k. without fully understanding what I was committing to.

That same financial planner suggested about 6 months later that the file be transferred to someone in their Owen Sound office because they were closer geographically to me; in other words, once she made the upfront commission, she was no longer interested in providing the service. I became concerned with the lack of service and performance on my portfolio. During that time I was introduced to an "Investment advisor" with another institution who said she could manage my portfolio even though my investments were in proprietary funds and could not be transferred and could not be "cashed in" without incurring penalty fees. I believe that advisor was not aware that the MER fees would remain with the initial investment firm when she took on my account and once she became aware of it, tried to get me to accept the penalty fee which was around $12,000 at the time. I did not want to incur that financial hit to my portfolio and did not act upon her "advice", hence she became disenchanted with providing any kind of service as she was not being rewarded financially with the "trailer fees" she expected. I was caught in a dilemma.

About a year later, I was fortunate enough to meet a friend's husband who was very well versed in the world of investing. He advised me to look into the MER fees being charged on mutual funds as they tend to be high and can significantly erode investment returns. I confided in him my dilemma with my "locked in" investments. He suggested that I may want to write a letter to the compliance officer of the investment firm asking for them to waive the penalty fees in view of the fact that all the pertinent information was not disclosed to me. I did so, and the investment firm conducted a complete 90 day review of the financial planner's files and determined that in fact, there was no evidence of disclosure. They offered to credit back the remaining penalty fees which at the time were about $8,000 **if I signed an agreement letter stating I would not divulge this information to anyone.**

As I said earlier, my eyes have been opened very wide through this experience and this time around I did my research, interviewing several professionals, asking the hard questions and having the fee discussion upfront. I am happy to say I hired a highly credentialed investment advisor in 2011 who works on a fee basis and I have been very satisfied with his services knowing there is no "trailing commissions" conflict. I am also very happy that my portfolio is performing on strategy or better.

With this experience in mind, I would highly recommend the following standards be adopted so that the average hard working Canadian investor does not have to trust blind luck that their "investment advisor/planner" will work in their best interests.

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1. Adoption of mandatory full disclosure of fees PRIOR to opening accounts. It would be mandatory for the agent to both verbally discuss fee structure <u>and</u> provide a clear written document outlining specific terms and what services are rendered for such fees. The document would require both the agent and client's signatures.
2. Full and transparent disclosure of all fees **on an ongoing basis** via quarterly statements including YTD totals that are easily read and understood by ordinary investors.
3. Eligibility of all investing fees for income tax deduction, whether inside Mutual Funds or not, and whether in or out of registered plans such as RRSP's.
4. Outlawing the practice of "proprietary" investment products that are not transferrable to other management companies and/or advisors.
5. Elimination of "locked-in" time periods that impose penalty fees for early withdrawal.

In closing, I would also highly recommend that the OSC do a much better job in educating the public of their existence and their "key mandate of providing protection to investors".

I am hopeful this letter provided some insight into what some of the pitfalls are for the average investor and that my suggestions are seriously considered for adoption in the very near future.

Sincerely,

Annette L. MacDonald

Wasaga Beach, Ontario