

Jerome Wallsten

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Slave Lake, Ab. ██████████

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Denise Weeres
Manager, Legal, Corporate Finance
Alberta Securities Commission
250 – 5th. St. SW
Calgary, Ab. T2P 0R4

attached by e-mail:
denise.weeres@asc.ca

Dear Madam:

Even though I am a Dealing Representative with a fairly broad client base, most of my personal investments are in the exempt market space, with good reason. I do not have a public or private pension that would pay an income in retirement but rather rely on assets that I have accumulated. Therefore, please regard this letter as a communication coming from a private person.

I am very concerned about the proposal to limit the yearly investment in exempt market products to \$30,000 per year. This would severely affect the earning potential of my investments and the ability to enjoy a reasonable retirement income, which is currently provided by CPP and my own portfolio.

I began to build up a retirement nest egg many years ago, using mutual funds and a small stock portfolio, and have experienced many negative results. The dotcom bubble burst, sending my mutual funds down in value. The next few years saw an increasing market and subsequent uptake in the value of my holdings, only to have at least 50% of that wiped out in a few short months in 2008 – 2009. My stock portfolio has continued to lose value.

If I had continued to rely on those types of investments to provide an income, I would be in the poorhouse. When I learned about exempt market opportunities, I jumped at the chance to diversify out of the systemic risk of having only one type of investment by owning a piece of a private REIT, a share of some commercial properties, a share of a hotel development close to the Calgary airport, partial ownership of thousands of acres of Saskatchewan farmland, and the list goes on! These are investments that I understand and personally investigated prior to buying in, not like blindly dumping funds into a mutual fund, paying an MER, only to watch helplessly as the values drop as the manager still gets paid. The other alternative would be bank GICs, some of which have lately returned less than the inflation rate. It seems ludicrous that the ASC would allow Albertans to put unlimited funds into investments that

have little personal control and no guarantee of growth, like equity mutual funds, and then propose to negate an opportunity appropriately diversify into other investment classes that can balance a portfolio to provide reasonable gains and spread the risk.

When my exempt market investments mature or get paid out, I hope to re-invest in order to take advantage of the compounding effect. If there is a \$30,000 annual limit compounding will no longer be available. If I need to re-invest more than \$30,000, I will be forced to buy GICs, or mutual funds, which I refuse to do again. This is unfair and will only benefit the GIC and mutual fund entities. My experience with them has shown that they are willing to over-allocate into single investment classes. I am sure that the ASC is not trying to enact this legislation to the benefit of GIC and mutual fund dealers.

You are likely very aware of the income needed to provide for a reasonable existence, which includes living in my own home, driving a six-year-old car, supporting the local grocery stores, enjoying a bit of entertainment, and other normal activities. CPP and OAS do not even make a dent in paying normal living expenses. Retirees may qualify for CPP and OAS benefits of about \$1,500 per month after tax. Municipal taxes on a home, insurance and maintenance on that home, car payments or replacement costs, and insurance and maintenance on that car typically cost more than \$1,500 per month. Where is the rest to come from? In many cases, from their own investments.

Your proposals fly in the face of responsible people providing for themselves by severely restricting my choices of where and when I invest my assets, which I had hoped would continue for the next 15 to 20 years. If others in similar circumstances to mine hope to create reasonable wealth for retirement, investing just \$30,000 per year could create a huge shortfall in assets needed, let alone forcing them to forsake diversification and a sense of comfort in choosing their own portfolios.

PLEASE DO NOT PROCEED WITH THESE PROPOSALS!

I am grateful for this opportunity to express my beliefs and concerns. Hopefully reason will prevail.
Thank you very much. I remain,

Yours truly,

A handwritten signature in black ink, appearing to read "Jerome Wallsten". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jerome Wallsten