February 15, 2017

To Whom It May Concern:

As an advisor and PM for the past 20 years I have been fortunate enough to survive an industry where 90% of my Midland Walwyn peers in my graduating class are no longer in the industry. Thankfully, owing to a supportive wife and some persistence through lean years, I have been able to forge a successful career. Nevertheless, I am deeply concerned about the future of our industry.

I'm sure I don't need to inform you that the average advisor is 59 years old (so I've been told). I'm also fairly certain that precious few of these people got into this business due to a love of paperwork, although this is now the status quo. No doubt you are also aware that financial education in this country is practically non-existent and that front line bank employees are often lacking in experience and knowledge through no fault of their own. Despite all of this, you are contemplating major changes to an industry that just finished implementing 3 years' worth of major changes, which we have yet to be measured for effectiveness.

Embedded commissions are not a perfect solution but they are certainly better for some clients -- especially those with smaller amounts to invest. It is the 25 and 35 year olds that really need our help as advisors, not the 60-year-olds where shrewd planning and decent returns have less time to change lives. I liken the situation to medical advice, which to me is the only type of advice more important than financial. Here, our society chooses to bill everyone through taxes, knowing full well that people would often not pay the thousands of dollars needed for care when needed. Medical advice is deemed too important to not charge people for, irrespective of whether they use the services. As regulators, you know that financial help is almost as critical and for young people, likely more so. I have seen a few clients choose to leave our practice over the years because they don't like the push to direct fee-billing and they have moved to online investing. I still wonder how these people are doing sometimes, because I've seen through experience, that not many have the skill to properly manage all aspects of investment management and financial planning.

In fact, I think this is really the crux of the debate. If we know that limiting billing options may lead to some advisors choosing to retire, and less choice as the banks and others are unlikely to go on a hiring spree; then the question becomes where do we want people to get the advice from? The internet seems to be a great place to get a lot of information but also a lot of "alternative facts". Online accounts, ones I've seen, almost always lead to pathetic returns or too much or too little risk. A new alternative, robo-advice is in its infancy, and it remains to be seen if this will produce superior results to online, diy accounts. I suspect that it may for some, but not for all.

Whatever, you decide, and I'm sure your minds are largely made up, my business interest is not why I'm writing. At 45 I can adapt, and my clients are generally content, well-served, and frequently referring others to us. That said, I fear the future costs of your pending review, to those who may not be able to access quality advice, will be immense.

Over 20 years, I have seen so many lives ruined from prospectus-exempt investments where people lose 100% of their money. I've seen depression caused by this. On another occasion I've called in to report fraudulent misrepresentation, only to be told there was nothing that can be done. Clients of mine almost lost their life savings in this scam, and I know of several non-clients that did lose everything. Furthermore, I have seen lives ruined by needlessly complex and grossly overpriced insurance product. And I've seen the negative impact of poor or improper investment return disclosure over long periods. Some of these have been recently fixed, to your credit. Never have I seen lives ruined by an extra .3% charge on a mutual fund. If this is a major concern, there are much simpler ways to fix this issue without limiting investor choice.

The actions you are contemplating are important but to me will clearly have both positive and negative effects for investors. I would urge you to give the full weight of your contemplation to this The work I do effects the lives of a couple hundred families. Your work will affect millions for many years. Choose wisely.

Stan Penner | CFA, CFP, FCSI
Investment Advisor / Portfolio Manager