

January 27, 2017

Statement on behalf of myself to the Ontario Securities Commission

Hello there,

Let me tell you a little story. I recently visited with my father over the holidays. He is a smart man, retired at 54 and has an investment portfolio of over \$1 Million (mostly in registered accounts) with a financial advisor for a large bank. I spoke briefly with him about the new changes coming in 2017 for advisor fees reporting (namely "CRM2") - he had no idea. When he confidently proclaimed that he only pays about %1 in advice fees, he was taken back to realise that that really accounts for over \$10,000/year and immediately scheduled a meeting in the new year with his advisor to discuss possibilities of reducing his rate as a high-net-worth investor.

Here's the thing, as you can imagine as he didn't fully grasp the concept of his %1 advice fee, he had *no idea* that the trailer fees on his mutual funds (which make up more than %65 (!) of his portfolio) could be an additional hidden cost that may be greater than the advice fee he had just been taken back by.

I'm starting to worry that my father isn't the exception, but the rule. A large population of baby boomers that have continuously amassed wealth over many years and have stuck with their "down-the-street-big-bank" that they walked into 40 years ago when they started to accumulate more money than a savings account justified.

Embedded, or "trailer", fees are secretive, underreported and misalign the interests of advisors and advisees. At least when I pay 'hidden' airport upgrade, tax and fueling fees when purchasing a flight, I am told about these fees at the time I pay. Hidden trailer fees are predominantly never reported in monthly statements, despite being a serious drag on investor's pockets. This is borderline robbery and investors shouldn't have to dig through 30 pages of mutual fund pdf information packets online to find the true cost of owning a product.

I am strongly for the elimination of embedded fees in mutual fund products, or at least, the mandatory reporting of fees on a monthly statement in *dollars*.

The argument that it will become more difficult for investors to obtain financial advice if the fees are eliminated is absolutely **laughable**, and a desperate argument from the large fund managers and salespeople across the country that are accustomed to having their pockets filled with investors' unknown money. There are a plethora of options available today to investors including, but not limited to, low-cost index funds and ETFs, independent brokers, fee-based advice and Robo-advisors. WealthSimple, Nest Wealth, BMO SmartFolio and an abundance of others would be more than happy to take on the additional accounts (big or small) and would more than likely be better for investors.

Thank you for taking my comments into consideration,
JR Tobias (Toronto)