

You Want the Truth? You Can't Handle the Truth! Understanding Investment Fees



Its been a mild winter here in Niagara, but I've still enjoyed sitting by the fire with some reading material to unwind. I'm not much of a romance novel guy (shocking!), but I do enjoy a good solid investment statement. Nothing helps me kick back and relax like reviewing those 5 pages. What? That's not how you see your investment statements?

Let me guess: you see the Credential logo -- or whatever your investment company is -- on an envelope and you toss it aside for the mythical day when you have the brain power and magnifying glass available to figure it out?

You are not alone! Until recently, the investment industry hadn't made it easy for you to understand your investment statements. More importantly, they had not made it easy for you to understand your investment fees.

You Want the Truth?

In 2013, the Ontario Securities Commission (OSC), the regulator overseeing the investment industry implemented CRM2 (Client Relationship Model 2). It wasn't a marketing tie-in to a new Star Wars movie. It was more of a re-enactment of a Few Good Men. Stick with me as I explain

how this analogy does more than reveal my age. Much like Tom Cruise, pushing for answers – investors and the OSC wanted the truth that the industry was holding back. Despite their steely exterior, the OSC cracked the industry and got them to fess up the details. With the [CRM2, the OSC phased in the disclosure of important information](#), including investment fees, on statements.

[CRM2 requires investment dealers and advisors to provide clients with a new annual report](#) that cost and compensation report that details the amount of operating and transaction fees paid by a client, and the compensation paid to the investment firm in respect of the client's account.

You Can't Handle the Truth! (Actually, I think you can)

Although the investment industry had to be transparent, many investors weren't ready for the information they were receiving. Investing can be a confusing process. I have met many investors that didn't know they were being charged fees or how that affected their investment performance over time.

I am happy to meet members and explain their statements and clarify any fees or questions. For those of you that don't have time to visit me at the branch, or join me in front of the fire with your magnifying glass, here is a cheat sheet to help you figure it out. This is a sample Charges and Compensation Report that could appear with your investment statement:

In this report you'll see the fees charged to your account, including:

- [investment management fees](#)
- [administration fees](#)
- [operational fees](#)
- [commission on funds](#)

You'll also see a breakdown of fees earned by your asset management company from third parties, including:

- [sales commissions](#)
- [trailing commissions](#)
- other fees

If you were joining me by the fire, I'd also explain the importance of the [Management Expense Ratio \(MER\)](#) that isn't outlined on our handy cheat sheet.

Nothing but the Truth, So Help Me...

[While no one should work for free \(unless they want to!\)](#), remember that even if you really like your advisor, at the end of the day this is money coming out of your pocket! You can't control the returns of the investment markets, but you can control what you are paying.

[Investment fees matter](#) because they effect your portfolio and returns – and your future. It is important that you remain informed. You deserve to know the truth. That's where I come in (and my PenFinancial colleagues). As a financial advisor at a credit union, I am a salaried employee. Unlike independent financial advisors, I don't rely on sales and trailing commissions, or follow a military code of silence around those fees.

As a PenFinancial advisor I also don't receive compensation based on the investment you choose! That means I can offer unbiased financial advice to help you develop a portfolio that includes GICs, mutual funds, or mattresses – whatever works best for you. And I'll tell you the truth about the fees you'll be charged, try to help you minimize those fees to maximize your earnings, and explain anything that remains confusing. You can even yell at me like good old Tom in the movie. I promise not to yell back. Even though I think Jack is pretty cool. I think you can handle the truth and I'll be happy to give it to help you save for your goals.