Pay your Investment Advisor Less
and your Portfolio More

The money management industry has a long history of charging fees that investors do not see or fully understand.

As competition in this market place builds, there should be more scrutiny of fees charged and their consequences to the capital managed.

In the US for some time, consumer pressure has led to a gradual reduction of industry management fees. The average mutual fund in the US, now charges 1.08% per year. * In Canada however, it is still quite common for mutual funds and wrap account programs to charge 2.5% to 2.75% as a Management Expense Ratio. Some specialty or foreign funds charge 3% or more. Not only that, but the fees are internally charged and therefore usually cannot be tax deducted by the investor. When one looks at the long- term cost of fees to the assets managed, both from the withdrawals themselves, and from lost growth on the amounts withdrawn, we see that this should be a serious issue for investors.

To place these numbers in context, consider that for a $545,000 RSP account, Management Fees of 2.75% will consume $15,000 per year in good markets and in bad, which is more than one's entire maximum annual contribution room. For fees like that, one needs to gain a lot more than glossy brochures from their investment advisor.

At the end of the day, investors without the expertise or desire to "do it yourself" must pay for professional portfolio management. The question is: what is a fair and transparent fee for this service. Some of this will be dictated by asset size. As in other areas, volume dictates better rates. But basically a rate of 1.5 to 1% of the market value of the account per year is a reasonable standard. In addition investors must be very aware of what other fees may be tacked on to the annual portfolio management fee. In mutual funds for example, many advisors and financial planners are still selling funds on a front end, back end, and switch-fee basis. These additional 1-6% fees are utterly voracious to a client's invested capital. On top of this there is often annual admin fees, brokerage fees and commissions. While some of these fees are readily "visible" to the client, many of them are not so evident without digging.

In summary then, one must consider the following:

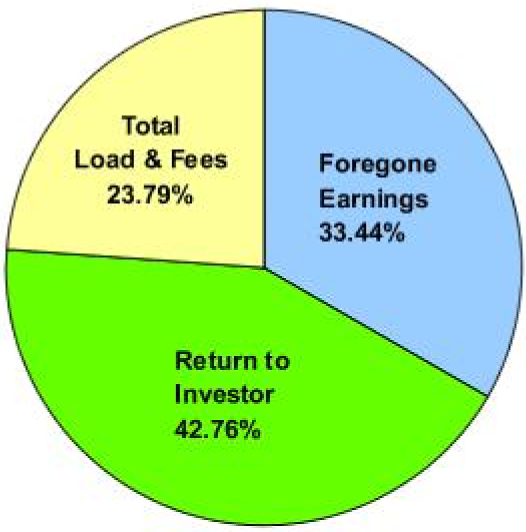
What are the total investment fees I am paying, both in annual expense ratio and any additional loads, transaction fees or admin costs? Make sure you get a straight and complete answer on this. If it totals more than 1.5% per year, seek an independent opinion as to whether or not this is a fair fee in your circumstances, and whether or not there may be a better fee structure for you, one that pays your advisors less and your portfolio more.

In money management as in other services, keeping fees transparent and accountable is the only reasonable approach.

*Source: Forbes Magazine, Feb 2, 2004

What do I keep of the growth on my money?

Mutual Funds and Wrap Accounts (2.75% MER)



(25 Year holding period, assumes 8% annual return)**Less than 43%!!**

Source: www.investored.ca

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