Enhancing the Client-Financial Advisor Relationship

Presented by Onus Consulting Group

Evaluating Your Financial Advice While Gaining a Better Understanding of Canada's Retail Investment Industry

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Summary — (see Table of Contents to learn more about the key terms in 'bold'):

1) Have an **Investment Policy Statement**. Have an Investment Policy Statement. Have an Investment Policy Statement. Make sure it is complete. Among other things, it must include absolute and relative benchmarks, which is an objective meter for evaluating the success of your relationship with your financial advisor.

2) Be clear of the **compensation** arrangement you have with your financial advisor and ensure you are getting the most value for the service you are paying for (and you are paying whether you see the fees or not).

- If with a commission-based advisor...
  - Be aware of the embedded fees present in your investment products, including, when investing in mutual funds, **MERs** and **trailer fees**.
  - Be wary if there is constant trading in your account
  - When investing in mutual funds, stay away from a **Deferred Sales Charge**. It is not necessary. As well, do not pay a high front-end load fee (recruiting a **zero-load** advisor should be your preference).
- If in mutual funds, double check that your funds are not **closet indexers**. Otherwise, for less fees, consider an indexing approach for that portion of your portfolio.
- If with a **fee-based** advisor...
  - Investing in mutual funds: Make sure that the annual fee that you pay your advisor and the MER of the F-class fund add up to exactly (or less) to the MER of the same mutual fund sold by commission-based advisors.
  - Make sure your portfolio is not filled with investment products with embedded fees.

3) If a do-it–yourself investor...

- Investing in stocks and ETFs: For obvious reasons, cheaper brokerage fees are better.
- Investing in mutual funds: Depending on your portfolio size, realize that you might be very well paying the same fees as a client investing with a financial advisor. Consider hiring a zero-load advisor, as you will have all the benefits of a full-service financial advisor paying exactly the same fees. If your preference is not full-service financial advisors, check to see you if you qualify for the **D-Series funds** at RBC Direct Investing as they offer the significantly lower MERs that do-it-yourself investors are entitled to.

4) Understand the qualifications of your full-service financial advisor. It should be preferable for the advisor to have a professional designation consisting of a constant updating of their knowledge.

5) Understand the benefits and drawbacks of a **passive** and **active management** approach.

Preface — Our story

“Do not wait for leaders; do it alone, person to person.” — Mother Teresa

It is a belief in the grassroots approach that inspired the founding of the Onus Consulting Group; a realization that there were an array of standards in the retail investment industry and no mainstream method to assess those standards. Canadians deserve a transparency in their relationship with their financial advisor and the ability to decipher great from inadequate advice, a distinction that is not incredibly apparent. Our goal is to help change the financial services industry by bringing a more stringent criteria of evaluating financial advisors to the mainstream.

We do not provide financial advice. Our focus is on the client-financial advisor relationship. Whether you elect to use our service or not, we strongly suggest this booklet be kept as a ready reference tool as it will give you an idea on how we qualify our financial advisors. It must be noted that hiring a full-service financial advisor is not your only option and may not be the best one. You have an array of other options to choose from whether it be through a discount brokerage, a bank or an investment counseling firm. Each avenue has its own benefits.

Our company has carved a niche in the financial services industry of the Greater Toronto Area by matching Canadians with highly-proficient financial advisors recruited through the firm’s Advisor Indexing Program. Using a comprehensive method, which you will begin to understand, we have compiled a roster of full-service financial advisors in several brokerage firms, particularly the bank-owned ones. An evaluation is made based on our criteria, and successful advisors are recruited for our roster.

The relationship is simple. The fundamental value of our service is to bring Canadians an effective way to filter out the correct avenue for them to aid themselves in reaching their financial and retirement goals. We give Canadians the tools to make this assessment, we do not do it ourselves. If it is believed that they are not receiving the optimal financial advice, we suggest other alternatives, which could include granting a no-obligation second opinion to one of the advisors on our roster.

An arrangement is made such that our advisors will grant our clients a meeting, and up to two additional ones, to provide them added insight. From there, it is left to our client to determine if our advisor is an upgrade to their current means of financial advice and to our advisor to determine if this individual can be a fit for their practice. If this is so, we collect a referral fee from the financial advisor. The referral fee is a fixed rate which varies on the size of the portfolio being transferred over. Essentially, our financial advisors take a pay cut to receive Onus-educated clients for explaining to the public why their services are held in high esteem by us. It must be stressed that we recruit these advisors ourselves, and admission onto our roster is exclusive.

Despite suggestions to the contrary, we refrain from directly charging Canadians for this service as fees in the industry are already quite high (even with us potentially being able to reduce them while improving the service). Furthermore, there is a strong intrinsic value to any financial advisor for the recruitment of a client. Therefore, it does not make sense to have the client pay for a service that, we believe, should be universally available.

This booklet, which you had the foresight to request, will give you an idea on how we conduct our Advisor Indexing Program [our method of filing and evaluating full-service financial advisors] for our clients. We basically divide our assessment into:

1. Existence and quality of their Investment Policy Statement
2. Education and experience
    - Is there a commitment to updating their skills in a constantly changing industry?
3. Attention and accessibility
    - In an industry that is very much sales-driven, advisors are very much focussed on bringing new clients to their practice. We need to make sure it does not come at the expense of the existing ones.
    - For example, paying heed to your portfolio size versus the book size of your financial advisor (the assets your broker is managing) is a useful indicator. For example, you are less likely to be a priority client when you have a portfolio size of $300,000 and your advisor is managing $200 million. A popular ‘rule of thumb’ rule in the industry is to spend 80% of your time with the top 20% of your ‘book’ (or an advisor’s total assets under management). Make sure you are a priority client.
4. Integrity – What needs to be stressed is that the advisor community is not made up of immoral people, but they have been nurtured in an industry where generating revenue is what makes the successful advisor. They, for the most part, are victims of their circumstances. We try to find advisors that transcend such an environment.
    - Does your advisor put your portfolio together, first and foremost, based on your needs rather than that of their firm and their own? We try to discern the advisor’s thought process involved with picking one investment product over another.
    - How does the advisor charge fees?

Canadians need an avenue to make the distinction between a quality and a substandard advisor-client relationship. Hence, our inspiration. The more Canadians that use our stringent criteria to qualify their advisors, the more an advisor will be likely to adopt these characteristics for their own practice...for fear of losing their existing clients.

The goal is to raise the standards of an industry that has a great deal further to go.

I. Advisor Checklist (‘x’ marks appropriate answer)

	Yes	No
1) Do they provide you with a financial plan and a complete Investment Policy Statement prior to beginning the relationship?	x	
2) Have they set absolute and relative benchmarks with you?	x	
3) Do you understand how they are being compensated off your account?	x	
4) Do their suggestions relate to the investment strategy plan they charted out for you? Do they help you fully understand the investment you are making?	x	
5) Are they accessible when you need to reach them and without seeming rushed? Do they return your calls in a timely manner (24 hours)? Do you feel comfortable calling?	x	
6) Have the frequency of your meetings and/or phone appointments been outlined (usually in the Investment Policy Statement) and abided by?	x	
7) If in a fee-based relationship: a) Are you on a strict buy-and-hold approach? b) Is a sizable portion of your portfolio in new issues, bonds or other products with embedded fees?		x
8) If in a transaction (commission) - based relationship? a) Do you find there’s constant trading in your account? b) If investing in mutual funds, are you locked in a deferred sales charge? c) If investing in mutual funds, are you paying a front-end load greater than 2%? Take a moment to learn about a zero-load financial advisor.		x
9) Does your advisor’s education consist of professional designations, as well as a relevant academic background? Is there evidence of a continued effort to update their knowledge?	x	

II. Basic Methods of Full-Service Advisor Compensation

A. Commission-based Advisors

- For every security or product that your advisor sells, a commission is charged that varies according to the type of product they sell you — Such variations could influence an advisor to make one recommendation over the other based on a higher level of commission rather than on the merits of the investment (see ‘Trailer Fees’ on page 10 for an example of this arising with mutual funds and note our coverage of investment products in the ‘Active Management’ section).

- May allow for a conflict of interest to arise, as investment advisors are paid out according to the investment product the client invests in. Whether it does well or not bears no direct consequence to the advisor, as their fees come about as a result of the sale of the product.

- If your portfolio consists of predominantly securities with embedded fees, such as new issues or bonds, or you are simply buying and holding for a period of years, this approach is more suitable compared to a fee-based relationship.

- The financial advisor’s livelihood depends on being able to invest and reinvest their clients’ portfolios. Be wary of an advisor who constantly is trading in your account (see the ‘Churning’ section on page 19).

B. Fee-Based Advisors

- The investment advisor charges a fee per year expressed as a percentage of the client’s total investable assets. The advisor can sell as few or as many securities or investment products as the advisor chooses. Therefore, a strict buy-and-hold approach does not offer the client value.

- Mutual funds invested in through this method are referred to as F-Class Mutual Funds. Their MERs are about 1% lower than normal funds, which should offset the fee per year already paid (this is assuming 1% is the annual fee). — A client with a fee-based advisor investing in mutual funds should make sure that the annual fee paid to the advisor and the F-Class MER should add up to exactly the MER of the same mutual fund sold by commission-based advisors.

- As the client’s portfolio increases, so does their pay. This offers incentive for the advisor to do a good job. The transparency and sense of professionalism increases.

- Do not let a fee-based advisor fill your portfolio with investment products with embedded fees.

C. Fee-Only Advisors

- Fee-only advisors charge an hourly or fixed fee, so are compensated only by their clients and accept no commissions or compensation from other sources.

- Their loyalty is entirely to their client with no underlying interest to their parent brokerage or a mutual fund firm, as their pay is determined strictly by their client.

III. Understanding the Grid: The Politics between Brokerage Firms and their Full-Service Financial Advisors

The employer-employee relationship that exists between a financial advisor and their brokerage firm is not a conventional working relationship. While the financial advisor's responsibility is to recruit and service clients, the brokerage's responsibility is to provide the office, the assistant, the research and additional support to aid their advisors. A partnership is a better way to understand this relationship. The commissions charged to the client are split between the advisor and the firm. The proportion of the commission that goes to the advisor versus the brokerage is referred to as the grid. Basically, the more commissions an advisor earns off their 'book' (the term used for all an advisor's clients), the higher percentage of their commissions the advisor gets to keep. This provides an incentive for advisors to pursue greater commissions as it will mean they will keep a larger percentage of that which is charged.

When a financial advisor starts off at a full-service brokerage, they are given a starting salary for their first year only. Each year after, they earn exclusively on commissions in which expectations are placed on the amount of assets brought into the firm and the revenue being generated from those assets. These first few years are generally the toughest of an advisor's career, as the advisor starts with no clients, and it is where the highest turnover of advisors leaving the industry are seen. There is an incredible amount of pressure on them during this time to meet quotas, and as they are just starting out, they are at the lowest place on the grid (meaning they get a substantially lower piece of the commission they charge their client compared to a senior advisor).

The advisor is more accurately running their own business. They are generally given a great deal of flexibility of what they can do with their clients, and they are fairly independent. For example, an advisor has a great deal of discretion to charge however they like. Whether they have been in the business for 26 months or 26 years. Whether they have barely passed their licensing exams or hold many professional designations. There is no uniform standard of how full-service financial advisors compensate themselves. Moreover, it is not necessarily the case that a terrific financial advisor will charge high fees or that a lousy advisor will charge low fees.

For the most part, as far as the firm is concerned, their financial advisor's value is determined not by the success of their advice, but by the amount in commission being charged to their clients and going to the grid. An advisor on their brokerage's Presidents Club or Executive Club, being dubbed a Senior, Director or Vice President; are given these distinctions on account of this. It is the amount of commissions being generated from their relationships with their clients that determine the advisor's value to the firm and success in the industry. Of course, such titles do indirectly illustrate a strength in nurturing client relationships and could be an indicator of great service. But not necessarily.

Note: The following section is meant to apply to financial advisors working at full-service brokerages. This will include fee-based and commission-based advisors. This does not apply to investment representatives at discount brokerages, financial planners working at retail bank branches or fee-only financial advisors.

IV. Evaluating a Financial Advisor

A. The Importance of having an Investment Policy Statement

If there is one thing that we hammer home with our clients, it is a necessity to have an Investment Policy Statement set up at the beginning of your relationship with your financial advisor. If you do not have one, have your advisor set one up for you. If you do have one, verify that it is complete.

An Investment Policy Statement (IPS) is a document that details the dynamics of a client's relationship with their financial advisor, such as the most vital elements of a portfolio's elements and design. It is the ultimate guide to transparency between an advisor and the client. Having an Investment Policy Statement, quite frankly, makes the client's expectations clear, and the advisor will fully understand the standard he or she is being held to. The more a client knows entering a relationship with a financial advisor, the healthier that relationship will be.

An IPS should have:[1]

- A client profile and any assumptions being made
- the target average rate of return for this investment portfolio over different time periods.
- The expected range of returns for the portfolio as a whole over different time periods.
- The percentage of each asset class in the portfolio and the ranges allowed for each asset class.
- The benchmarks that will be used to evaluate actual performance (see next page).
- Possible investment constraints
- Rebalancing strategy
- All fees that will be charged (and the advisor's compensation of the total fees) — In dollars or as a percentage of total assets.
- Frequency of contact: Frequency of face-to-face reviews? Frequency of phone appointments? In what circumstances can the client expect to be contacted? How soon will a client's call be returned? In what circumstances will the advisor take care of the client's inquiry or will it be delegated to the support staff?
- Topics to be covered in the meetings.

Investment Policy Statement Vs. Know-Your-Client form:

An IPS is not to be confused with a Know-Your-Client form, which are designed to protect and limit liability of the brokerages, and "...to satisfy the industry's injunction to advisors to know their clients."[2] If there is ever a complaint of misconduct, it is the first thing that is looked at. It has been reported that financial advisors will have their clients sign the bottom and fill the rest in later.[3] Be wary of this.

B. Evaluating Performance: The Importance of Comparing Returns to the Correct Benchmark

Evaluating performance to many Canadians comes off as a subjective task. Since, for many, their annual returns are not documented in their statements, it is a little more of a challenge to determine exactly how well their portfolio has done. There is an effective way of making such an assessment: comparing your returns to the correct benchmark.

What is a benchmark?

In the investment industry, a benchmark is a standard one can use to assess the performance of an investment or portfolio. There are two types of benchmarks:

1. Setting an Absolute Benchmark

An absolute benchmark is set by you (or your financial advisor) after evaluating your circumstances (for example, your goals for retirement). It can be interpreted as the return needed each year, irrespective of how the markets are doing, for you to achieve your financial goals. For example, the absolute benchmark might be 6% a year over 20 years.

Determining your absolute benchmark beforehand will make your advisor more accountable for the results, as it shows the advisor your expectations. It is an excellent way to gauge if you are on track to achieving your financial goals.[4] It will also bring a greater transparency to your relationship with your advisor.

2. Setting a Relative Benchmark

A relative benchmark tells you the performance of your investment portfolio relative to a market index (for example, the Dow Jones Industrial Index). Money managers and investment analysts are evaluated by their ability to outperform their relative benchmark [hence, the problem of closet indexing (see page 9)]. As a client paying active management fees, you are paying for your investments to be able to do better than the respective index. Otherwise, you could seriously reduce your fees by investing in index funds or ETFs while getting better returns than an active manager. Now, it cannot be expected that you outperform your relative benchmark year after year, but you should be doing it a majority of the time otherwise it would represent poor value to the fees that you are paying.

How can I calculate my benchmark?

If your advisor and you have not predetermined the benchmark that will be used to evaluate your returns, visit www.showmethebenchmark.com set up by Warren MacKenzie and other fee-based financial advisors. Calculate your benchmark using the Benchmark Calculator and compare them to your returns. It is an excellent way of judging your financial advisor's performance. This is a very useful exercise, as advisors can compare their clients' returns to the wrong benchmark in order to make their performance appear better. For example, if your advisor compares your returns to an equity index when your portfolio is half in bonds and half in equities, it will be an inaccurate measurement.[5]

C. Overview of Common Professional Full-Service Financial Advisor Qualifications

Financial advisors come from all sorts of educational backgrounds and prior work experiences. What constitutes a competent financial advisor can be observed, among other things, by the way they regard their job, evaluating ulterior motives behind their suggestions and the level of attention paid to their clients. While these are rather subjective traits, understanding their education will help significantly. The designations below make up some of the more mainstream professional designations currently held by financial advisors. Please note that the FCSI, Ch. P, CIMA, RFP and CFP require continuing education each year.

1. Canadian Securities Institute (CSI)

The mainstream educational body that administers educational programs for the financial services community, including the courses needed to become licensed as a financial advisor (Canadian Securities Course and Conduct and Practice Handbook Course).

a. FMA: Financial Management Advisor

A financial planning designation of CSI that brought a greater aptitude of wealth management for high net-worth clients. While it is no longer offered, it is still used by financial services professionals. It has been replaced by the (Ch. P) Strategic Wealth designation.

b. CIM: Certified Canadian Investment Manager

A portfolio management designation of CSI that brings its holder the ability to manage a high-net worth or institutional clients' portfolio in the context of Canadian markets and regulatory requirements, as well as developing an innate ability to assess portfolio performance. Holding this designation allows the holder registered with the IIROC (see page 18) to apply to formally licensed as an associate or full portfolio manager. If not registered with the IIROC, level 1 of the CFA would be required, as well.

c. DMS: Derivatives Market Specialist

This designation confirms an advanced knowledge of derivative investments with a strong ability to apply risk management concepts.

d. FCSI: Fellow of the Canadian Securities Institute

The senior financial services designation given by CSI. Currently, it is regarded as a highly respected qualification in the financial services industry due to the education, consistency of continuing education and financial services experience required (5 years). One of the above designations is needed (CIM, DMS or FMA), as well as other courses, and a dedication to continuing education (42 hours per year). As well, the necessity to complete an Ethics Module and Case Study or an Ethics Seminar only improves the stature of this designation.

e. Chartered Professional (Ch. P) Strategic Wealth

A relatively new designation of CSI that confirms the holder's innate ability to build and manage net worth. With a focus on wealth accumulation, preservation, transfer and conversion, this designation enables its holder to effectively manage every financially related segment of their clients' lives. This designation verifies a knowledge well beyond basic financial planning. This designation is most suitable for advisors who work extensively with high net-worth clients. In addition to the education requirements, the designation stipulates a minimum of 3 years wealth management experience, a combined 20 hours of continuing education each year and strict adherence to a code of ethics.

2. CFP: Certified Financial Planner

A senior financial planning designation administered by the Financial Planners' Standard Council. Prospective holders must pass one exam after completing a FPSC approved education program (for example, the FMA designation), as well as maintain 30 hours of Continuing Education every year. To qualify for the exam, two years of personal financial planning related work is needed. In his books, *The Professional Financial Advisor I and II*, John DeGoey implored that the CFP be the standard that all financial advisors be held to.[6]

3. Registered Financial Planner

A senior financial planning designation administered by the Institute of Financial Planners. What's the difference between the two? Well, according to Scott Robertson, President of the IAFP, administrator of the RFP designation, while the CFP is purported to place emphasis on an educational standard, the RFP places emphasis on a practical standard with them, annually, having to prove they can do a six-step financial planning process.[7]

4. CIMA: Certified Investment Management Analyst

A senior financial services designation, which is considered by many to be the highest standard in investment consulting, based in the United States that can be achieved by candidates worldwide. The designation allows holders to provide investment advice to both institutions and individuals. As well as a week long course of study at either Wharton or Berkeley, two levels of exams must be passed. After which, an average of 20 hours of continuing education per year must be maintained and adherence to a strict code of ethics. Three years of investment consulting experience is needed to be considered for enrolment.

5. CFA: Chartered Financial Analyst

The global senior designation for investment analysis today. It'll be found that most investment analysts and mutual fund managers are holders of this designation. Three levels of exams must be passed and four years of acceptable work experience needed.

V. Active Vs. Passive Management

Introduction

If you're a passionate reader of commentary of the retail investment industry, you'll notice that there is discourse on the subject of whether an active or a passive management style is the optimal way to run your portfolio. Unfortunately, many Canadians with responsibilities and busy lives do not actively pursue such discourse. Therefore, calling the active versus passive management a debate might be a bit of an exaggeration. Active management is clearly favoured and in the mainstream, while passive investment strategies represent a smaller but quickly growing segment of the retail investment industry.

The reason for its lack of acknowledgement is simply that a great part of the retail investment industry is driven by active management. If passive management strategies hit the mainstream, what would that do to fund managers, their companies and mutual fund dealers (over seventy thousand of them in Canada alone)? This is not to say that an active management strategy is dubious at best, but as industry commentator, John DeGoey, a well-documented proponent of passive management strategies, pointed out recently regarding the debate, "It seems to me, no matter which way the majority of people act, the opposite view is likely to be more correct and appropriate since the market is like a self-correcting price mechanism."[8]

Whether an active management approach, passive management approach or combination of the two is the best method for you, you should be presented with the merits for both.

A. Active Management and the Investment Products that Fits its Strategy

Active management is an investment strategy where a portfolio is managed by a professional making specific hand-picked investments with the goal of outperforming a benchmark index. Managers may use a variety of strategies in which their general objective is to take advantage of inefficiencies in the market.

It is the appropriate strategy for critics of the efficient market theory, which is the idea that prices on assets, such as stocks and bonds, reflect all known information. The idea is to take advantage of mispricing in the market. As the strategy is in the hands of a money manager, volatility can be managed by investing in less-risky, high-quality companies rather than in the market as a whole. It can also allow investors to take on additional risk to exceed higher-than-market returns. Furthermore, investments that are not highly correlated to the market help diversify a portfolio.

With all this, there's always the chance that fund managers may make poor decisions. Furthermore, a great many statistics show passive management strategies outperform most active managers. Such a statistic can be attributed to a few factors. First and foremost, active management fees, particularly MERs (see next page) are significantly higher than in a passive management strategy. Secondly, strategies that involve frequent trading generate higher transaction costs, while, finally, capital gains resulting from trades have a poorer tax treatment than passive strategies. This cuts into a fund's returns.

Data is constantly being provided illustrating there is no definite way of consistently picking a mutual fund that consistently outperforms the index in the long-term.

1. Mutual Funds

Mutual funds are probably the most mainstream form of active management. They are investment funds operated by a company that uses the proceeds from shares and units sold to investors to invest in stocks, bonds and other financial securities. Investors have the benefit of professional management and a vehicle for a diversified portfolio regardless of portfolio size.

The mutual fund industry is quite saturated with there being an array of different types of mutual funds, which might specialize in a specific sector, geographic location and/or asset class. Typically, a financial advisor will only use the mutual funds of a few firms that he or she is comfortable with. For example, virtually every major fund company has a Canadian equity fund, a global equity fund, a Canadian balanced fund, a US equity fund and so forth. Many advisors will simply keep their clients invested in an array of funds of a single fund company or two as opposed to using six different funds at six different firms.

How do they choose which mutual fund firm to put their clients in? While financial planners at bank branches generally invest their clients in their bank's funds, full-service financial advisors have more discretion to pick which investments they put their clients in. Now, it would be great to think that an advisor uses their analytical prowess to decipher the mutual fund that is going to beat the index year-after-year. However, with no definitive way to ascertain this, the advisor's assessment of giving a mutual fund firm his or her clients' business can switch to more subjective traits. One subjective way is the size of the fund's trailer fees (see next page).

Another of these traits is their relationship with their wholesaler and the firm. In order to get financial advisors to carry their investment products, mutual fund firms employ "wholesalers," whose job it is to persuade advisors to understand why their funds are better than the rest of the industry. The wholesaler-financial advisor relationship is much like the relationship between a financial advisor and their client. For example, like financial advisors, wholesalers are responsible for recruiting their clients (the advisors) and nurturing them. To aid them in this purpose, they are given expense accounts (according to several sources, a typical expense account can range from $20000 to $50000 for a geographic area that a single wholesaler will be assigned to) to entice advisors to carry their products. In the past, such incentives were out of control with all-expense trip paid trips and more lavish attempts to win or reward a broker's loyalty. This has declined immensely over the years. That being said, a financial advisor's loyalty can be won in such ways. In fact, in many cases, it is the advisor who has come to expect special treatment in return for them investing millions of their clients' money with a specific firm.

a. Dissecting Actively-Managed Mutual Funds

i. Management Expense Ratio (MER)

An embedded fee deducted from the fund's performance to cover its expenses. When you see your mutual fund returns, the MER has already been deducted, and it, therefore, becomes a difficult fee for the client to keep track of. The MER for actively-managed mutual fund are significantly higher compared to passive management strategies (ie index funds and exchange-traded funds). Furthermore, Canada's MERs are the largest, not just compared to the US, but of 18 developed countries recently surveyed.[9]

ii. Trailer Fee

A fee paid by a fund company to a commission-based advisor for as long as their client remains invested in the fund. The purpose is to pay the advisor for ongoing services rendered to the client.

A fund company paying out a higher trailer fee than a rival company gives an advisor a stronger inclination to recommend that fund.[10] Glorianne Stromberg, the former head of the Ontario Securities Commission, pointed out that a higher trailer fee will very well result in the advisor favoring that mutual fund company "regardless of whether this benefits the clients or has tax consequences for the client."[11] Imagine, at work, having the ability to give yourself a bonus. Would you do it?

See D-Series Funds (see page 12) to learn how trailer fees are being unfairly charged to do-it-yourself investors of mutual funds.

iii. Tax Implications with Mutual Funds Distributing Units Instead of Shares [Most of Them]

With these mutual funds you do not hold in your RRSPs, all taxes on interest income, dividends and capital gains are extended to you. This includes when you are switching funds within fund families, effectively selling the fund you are moving from and buying the fund you are moving to. Furthermore, mutual funds make distributions at certain times of the year (for example, annually for the typical equity fund). A Canadian investor is taxed for the entire period regardless of when they invested in the mutual fund, essentially taxing you on gains you did not earn. For example, let's say an equity fund makes their distributions annually, and their gains for the year was 10%. If you invested at the end of the year, although your portfolio did not rise by 10%, you will face a capital gains tax for that amount as if it did.

In Canada, returns posted on mutual funds are not disclosed as after-tax returns, as they are in the United States. For a mutual fund invested outside your RRSPs, be aware of how often distributions are paid out (daily, monthly, quarterly, annually). From a tax standpoint, especially if the fund is seeing gains, it is better to invest as early in the period as possible.

iv. Closet Indexing

An active manager who doesn't stray too far from the benchmark in his stock selections. They are "....pretending to be a stock-picking manager when you're [they're] really putting together a portfolio not much different from whatever index is the benchmark for your category of fund."[11] With a closet index fund, the MER is more than 2%, which is whopping considering that an index fund or exchange traded fund (see page 17) charges significantly less.[12]

- A mutual fund manager is guilty of being a closet indexer when:[13]

  1) It has a high R-squared (gives you a correlation between a fund and its benchmark index). The closer the R-squared is to 1, the more likely a closet indexed fund.

  2) Check the annual report of an actively managed and its benchmark index fund. Check to see if similar stocks are held with similar proportions.

  3) Compare recent returns of your actively managed fund and its benchmark. Do the returns of the managed fund regularly trail the index by its MER?

b. Compensation for the Commission-Based Advisor Investing Clients in Mutual Funds

i. Front-End Load

Investing in a mutual fund with a commission-based advisor where a fee, as a percentage of the total invested, is charged prior to the client being invested. A financial advisor is given the flexibility to charge as low as 0% (see zero-load) to as high as 6%. The advisor also collects a trailer fee (1% for the average equity fund) from the mutual fund company, which, as stated, is the embedded fee given to the advisor from the MER.

Note: If this compensation method is chosen, never pay more than 2% (even that is quite high).

ii. Rear-End Load (Deferred Sales Charge)

Investing in a mutual fund with a commission-based advisor where no fee is charged when the client initially invests in the mutual fund, but rather, a fee is inflicted, as a percentage of the total invested or of the market value at time of redemption, when the client leaves the fund family. The sooner you leave, the larger the fee charged. After a 6-7 year commitment in the investment, the fee reduces to nothing.

Note: For an advisor putting their client into this option, they receive about a 5% upfront fee for the average equity fund. In essence, they are receiving a large upfront payment from the mutual fund company far in advance. This fact can create an atmosphere for negligence, as they have been paid most of their fees. The fees inflicted for leaving a fund family is more than enough incentive to get the client to stay, allowing trailer fees easy to collect for the advisor. Because of this, trailer fees are lowered by about half compared to the front-end load approach. There are very rare circumstances where it is the optimum fee choice for clients. Due to these high upfront payments, it is probably the most abused tool investors are subjected to by their financial advisors. Unless you have self-discipline problems regarding saving your money or some other extenuating circumstance, tread carefully before agreeing to commit your money into a single investment for as long as 7 years. It simply is not necessary.

Are you invested in DSC funds and are unhappy with them? How do you get out of it?

- 10% rule: Most mutual fund companies allow clients to redeem 10% of their holdings in a DSC fund and transfer the amount, for no extra cost, into a front-end load in the same family. This will also serve as a benefit to the advisor as their trailer fee will double for this portion of the portfolio.
- Another method is to switch into another fund in the same family. For example, moving from an equity fund at AGF to a balanced fund at AGF. You will still be under the Deferred Sales Charge, but you will have some flexibility to at least adjust asset allocations or investment strategies within your portfolio. Please do make sure that you're not DSC'd again and have to wait another 6-7 years.

iii. Low-Load

Same compensation structure as a rear-end load fund but with a shorter time period, which is usually 3 years. The broker's upfront payment for the average equity fund is about 3% in this method.

iv. No-load funds

No apparent fees are charged when buying or selling the mutual fund. The advisor is solely compensated through trailer fees. No-load funds are common with financial planners at banks recommending their respective bank-owned mutual funds. There are also several no-load fund companies out there, such as Phillips Hager and North.

v. Zero load funds

A commission-based advisor opting to charge nothing for the client to invest in the mutual fund. In this method, they are content and feel sufficiently compensated purely though the trailer fees collected from the fund company.

Note: Finding a qualified, attentive advisor, who harbors this belief, is an absolute goldmine. When investing your life savings, even a percent makes a difference. For example, let us say you have a portfolio of $200,000. Finding an advisor that does not charge a 2% front-end load, will save you $4,000.

c. D-Series funds? — The Travesty of Do-It-Yourself Investing with Mutual Funds

Mutual funds can be bought by do-it-yourself clients at discount brokerages. Now, while they might not charge a fee to enter or leave the fund, the MER remains the same as if the client bought it through a full-service advisor. This is ridiculous and terrible value for the client, as mutual fund firms pay out a portion of their MER as trailer fees to the advisor (you know, as discussed, to provide their expertise and such). In the case of investing in mutual funds through a discount brokerage, that same trailer fee is being paid to the discount brokerage for doing...nothing. You do have their customer service support, but you do not have the benefit of a full-service advisor working for you.

When investing in mutual funds, it will cost you the exact same whether buying the mutual funds yourself, from a zero-load investment advisor or from a fee-based advisor charging a reasonable fee. If you love doing it yourself, then of course, keep it up. But, if not so much, it would be great to have a financial advisor bringing their professional service. The value is greater, while the cost remains the same.

Fortunately, there are exceptions to this rule. Since July 3, 2007, RBC Direct Investing introduced the new D-Series funds taking into account the injustice of a do-it-yourselfer having to pay the same fees as somebody using a full-service advisor. With the condition of you being able to invest a minimum of $10,000 in the fund, these funds (about 40 of them) come with significantly lower MERs enabling these funds to outperform the other series of funds (ie bought through a full-service advisor) with the same money manager and portfolios. The concept of RBC D-Series funds is similar to the arrangement already in place by TD Asset Management, who offer a comparable arrangement for their do-it-yourself investors. Their Investor Series brings a larger selection of mutual funds to choose from with a significantly lower minimum investment requirement than RBC Direct Investing. However, their MERs are only slightly lower, if not the same, than their Advisor Series funds, making the value clearly with RBC Direct Investing.

Recently, smaller firms have made similar arrangements. Steadyhand Investment Funds, a small mutual fund firm run by Tom Bradley (of Phillips Hager & North fame), provides no-load mutual funds with no trailer fee. Questrade, a discount brokerage, now has a program to rebate trailer fees to their clients.

2. Wrap Accounts

A wrap account is when an investor's portfolio is managed for a monthly, quarterly or annual fee, which covers all administrative, commission and management expenses. While this frees up advisors from dealing with asset allocation and supervision of that portion of the client's portfolio, it will protect you from overtrading (see also 'Churning' page 19).

A drawback is that this extra 'packaging' can cost you an extra level of commissions. Furthermore, they do not necessarily outperform mutual funds, while requiring a higher initial investment of at least $25,000 to $100,000. A common rationale for an advisor to use this investment product is that they can spend more time on other elements of your financial situation, such as tax and estate planning. However, it should not be surprising that many advisors use this tool to put a clients' portfolio into a sort of 'autopilot,' enabling them to spend less time with you. This might be your preference, but if it is not, be conscious of this.

3. Principal Protected Notes: (linked notes or return notes)

Principal Protected Notes are relatively new investment products where most go into a guaranteed investment (ie GIC or bond) and the rest goes into equity, which has to be committed for a certain length of time that spans several years.

The worst case scenario is getting your principal (the amount you originally invested) back. Considering inflation, this is a loss. A perceived benefit is the fact that these notes can invest in hedge funds, which are typically unavailable to most retail investors. Keep in mind, however, the pursuit of a higher return will come with a higher risk that you will not receive any return on your investment. Not only are the fees incredibly high, but additional profits are taken from greater than expected returns.

There is nothing complicated about these instruments, and the high fees, coupled with the time commitment involved, deem them not worth it.

4. Bonds

Bonds is a debt instrument in which an investor loans money to a corporate entity or government that borrows the funds for a period of time at a predetermined interest rate. Brokerages typically acts as the principal in these transactions. This means they own the fixed-income instrument (they've already issued the debt to the entity seeking it). It is up to them to distribute it to their investors. In this capacity, it is important to note that the broker's commission is already built into the bond. While it appears free, the interest rate return you receive year to year for your loan (buying the bond) is given to you at a little bit higher a rate than the brokerage is collecting from the issuer (ie a corporation). — this is known as the bond spread and it is where the brokerage takes their commission (an embedded fee).

Your broker usually has a certain level of discretion of the return you can be getting off the bond. Unfortunately, giving you the best return will come at their expense. Keep this in mind. As the advisor does have some discretion, do not be shy to ask for a discount. It is within their scope. At the very least, inquire about the spread you are paying.

5. Bond Funds

Bond funds are mutual funds consisting of bonds. They are not fixed-income investments per se. There is no fixed yield or a contractual obligation to give investors back their principal at some later maturity date. Since a fund manager will have the discretion to trade their positions, the risk-return status is constantly changing. Whereas a bond's risk level declines the longer it is held by an investor, a fund can increase or decrease its risk exposure at the discretion of the manager.

There are benefits to bonds funds, but their average MER of 1.83% represents terrible value.[14] If investing, confirm that the MER is not so atrociously high.

6. Balanced Funds

Balanced funds are mutual funds that invest in a combination of equities and bonds. They usually have 30%-50% of their assets in bonds, which will usually have yields in the 4.5%-7% range. Not the best value to pay such high MERs (usually around 2%) when the active management on a significant portion of the fund is always nil.[15] Therefore, you can lower your fees by buying bonds directly from an advisor.[16]

While it can be argued that balanced funds represent poor value in terms of fees, the client is getting the equity-to-fixed income-to-cash ratio for that portion of the portfolio handled by professional money managers. Some may argue that that should be the job of the financial advisor.

7. Money Market Funds

Money market funds invest in a combination of short-term debt securities, such as commercial paper, certificates of deposit, bankers' acceptance and treasury bills. Generally, they are used as a temporary refuge for your money while deciding on an investment strategy or as a cash portion of your portfolio. Paying MERs on these funds can get excessively high compared to the modest returns they generate (divide the MER by the total of the fund's returns and the MER, you can see the percentage of your returns that are going into fees).

Paying such a high percentage of your returns in fees, intuitively might get you to wonder: Why? Well, let us say all your mutual funds are purchased through the Deferred Sales Charge, and your advisor wants to move you into guaranteed safety short-term. In danger of having penalties inflicted, the only option would be to move to the money market fund of that fund family. In this case, the client has no choice but to pay a MER for a 'fund' that really requires no significant expertise to manage.

High interest savings accounts are better than money market funds, as they provide the same if not higher returns with a greater liquidity.[17] Furthermore, they represent an able substitute to GICs, which requires you to commit your money for a specific period of time. High interest savings accounts allow your money to be withdrawn at any time, although their rates of return will fluctuate.

8. New Issues

New issues are investment products that are put out to the public by a company looking to raise capital for a new or growing business. As the brokerage firm acts as the principal (meaning they own the underlying security or fixed income instrument), financial advisors offer new issues without directly charging the clients (but rather through an embedded fee). With it seeming a commission is not charged, it is incredibly easy to sell them.

It is important to note that that the commission earned off new issues are some of the most lucrative in the business with a broker being able to receive roughly 3% off the top for the average equity. It is terrible value to have a fee-based advisor selling you large amounts of new issue securities.

9. Flow-through Shares

Flow-through shares are common shares that are issued by oil and mineral companies who pass the tax breaks for exploration onto the investor. For example, if you were to invest $10,000 in flow through shares, you can claim the full $10,000 on your tax return. For **Super Flow-through shares**, in the case of grassroots exploration, the same 100% deduction write-off for exploration applies (net of federal and provincial credits) and also an additional 15% in federal tax credits.

At incredibly high risk, they offer the potential of high rewards. Keep in mind, the Canadian government does not have this arrangement out of the goodness of their heart. Their reasoning, as you might guess, is to aid in getting financing for these companies that would be hard-pressed to raise money any other way. What is another way Canadian are given a full write-off? Donating to charity. That should say something. These securities should be reserved for more affluent investors.

For investing their client into such an investment product, the advisor receives a commission of at least 4%-4.25%, which the client does not see (embedded fee)*.* Whopping for a single investment product.

10. Limited Partnerships

An investment product in which the client provides only capital and are not involved in the managing of the business. Therefore, they are not liable for no more than their investment. The obligation goes to the general partner(s), who are involved in management. While the general partners are fully liable for the debts and obligations of the business, they may be entitled to a greater share of the profits.

Limited regulation increases the risk of these investment products. For investing their client into such an investment product, the advisor receives a commission of at least 4%-4.25%., which the client does not see (embedded fee).

Flow-through limited partnership is a portfolio of flow-through shares of Canadian resource companies that combines unique tax advantages with the prospect for capital appreciation. They have become used as a tax planning vehicle that converts income (the highest tax liability) into capital gains (the lowest tax liability) taxable in the future. Investors can reduce risk through a diversified portfolio instead of investing in flow-through shares of a single company. For investing their client into such an investment product, the advisor receives a commission of at least 4%-4.25%, which the client does not see (embedded fee).

11. Closed-End Mutual Funds

A closed-end mutual fund is a publicly traded investment company that raises a fixed amount of capital through an initial public offering after which it is traded like a stock on an exchange. The share price fluctuates by demand for shares, as well as the changing values of the securities in the fund's holdings.

New issues of closed-end funds work like any other new issue in which the advisor is compensated for 3-4% of the amount invested by the client. Like other new issues, the client does not see the fee charged.

12. Labour Sponsored Investment Funds

Labour Sponsored Investment Funds are corporations sponsored by labour organizations designed to invest in small and mid-size Canadian businesses that fit certain criteria (according to the Canadian Securities Course textbook, 40% of all venture capital in Canada is raised this way). Since venture capital aids Canada's economic growth, the government grants federal and provincial tax credits. The federal government grants a 15% tax credit on a maximum LSIF investment of $5000 each year. The Ontario Government also offers a 20% tax credit on research-oriented investment fund LSIFs. However, the catch is that an investment into LSIFs must remain for 8 years or the tax credits will no longer qualify.

It is important to note that these neat little products are venture capital, which means that they are very high risk. Tax credits, one of the key benefits, only applies for an 8 year long investment, so the client must have a long time horizon.

An advisor receives anywhere from 3%-5% of the amount invested in the LSIF. Again, fee is not charged directly to the client (but rather, an embedded fee).

13. Segregated Funds

Segregated funds have the growth potential of mutual funds and the guaranteed principal of GICs. These funds have the unique feature of guaranteeing that regardless of how poorly the fund performs, at least a minimum percentage of the investors payments will be returned when the fund matures. If the value of the fund rises substantially before the end of the 10-year locked-in period, you could lock in your profits for another 10 years. They provide creditor protection, in the case of bankruptcy or a lawsuit, and estate creation. While this was a pro for business owners to invest in them, it no longer holds the same merit as any registered plan now holds that same protection.

They are a benefit to individuals who are very old or are terminally ill, as they avoid the time that is taken for the estate to go through probate (as well as the probate fees). Furthermore, privacy is guaranteed and cash is more quickly available to the beneficiary.

They have become popular enough that enough segregated funds now guarantee only 75% of your original investment and require a 15 year lock-in period. Although they have come down a bit over the years, segregated funds have higher MERs then mutual funds. They should be treated more as insurance products then investment products.

B) Passive Management

Passive management is an investing strategy, consisting of either index funds and/or exchange-traded funds, that mirrors a market index or market segment.

Due to generally less trading, this strategy can bring more after-tax returns (a capital gains tax is only inflicted after a security is bought and then sold at a profit). Furthermore, since this method does not require 'human' skill and incurs less transaction fees, the fees they charge are significantly less than active managers.

The trailer fees for index funds and ETFs, if any (currently only Claymore offers such fees), offer less to a commission-based advisor compared to an actively managed fund. This might make it a little difficult for them to recommend a passive management approach, as it will require a pay cut.

Over 5 years ending June 2008, S&P 500 outperformed 68.6% of actively managed large cap funds, S&P MidCap 400 outperformed 75.9% of mid cap funds and S&P SmallCap 600 outperformed 77.8% of small cap funds.[18] The S&P, after the Dow Jones Industrial Average, is the most widely followed American index.

1) Index Funds

An index fund is a mutual fund that tracks a particular index of a specific financial market or benchmark, regardless of market conditions.

Taking fees into consideration, an index fund will always slightly underperform its index. Index funds are available at bank branches and do not require a brokerage account. There is a thin selection of them compared to Exchange-Traded Funds.

Keep in mind, since index funds do not require any professional money management, the fees paid is all the more important. If a do-it-yourselfer, check out TD Waterhouse's e-series. The e-series at TD Bank offers the lowest MERs then anywhere else. For example, their Canadian equity fund charges 0.31% compared to an average of a little less than 1% everywhere else. The one caveat: buy it online.

2) Exchange-Traded Funds (ETFs)

Exchanged-Traded Funds are securities that hold the same stocks or bonds as those included in either a specific index or have a set of rules of ownership that are held constant.

Their MERs are less than index funds. But unlike index funds, since they are traded on an exchange, they require a brokerage account to invest in. They are getting increasingly sophisticated giving investors the versatility to invest in an array of sectors. While historically index funds and ETFs tracked a specific index (usually taking the largest companies weighted through their market capitalization), recent ones are coming out that track sectors or a set of specific stocks that satisfy a specific criteria.

Although included in the passive management section, ETFs can be used by active managers due to the fact that they are liquid and easily tradable. Therefore, they can used by active managers to implement a short-term forecast for an index or a group of stocks and/or bonds. An investor can speculate whether an index is going up or down.

VII. What do you do if you are a victim of advisor misconduct?

A. Talk to the Advisor's Branch Manager and Ombudsman

Please remember, though, their loyalty is to the firm, and their suggestions will be made accordingly. Do not necessarily take it at face value. However, it might be in their best interest to help you. See what they have to say.

Convey your complaint in writing and keep a record of all communication.

B. Complain to the Investment Industry Regulatory Organization of Canada

This newly formed Self-Regulatory Organization (SRO) was the result of a merger between the Investment Dealers Association and Market Regulation Services. They are the national self-regulatory organization for the Canadian securities industry. Of their many responsibilities, one of them is to investigate complaints and impose penalties on member firms and their employees (financial advisors) found guilty.

Make a complaint to the Investment Industry Regulatory Organization of Canada (IIROC) if your advisor:

- o Advised unsuitable investments
- o Performed transactions without client approval.
- o Encouraged an excessive number of transactions (see Churning on the next page).

With the exception of extraordinary circumstances, they cannot refund your money, but they can suspend, expel and fine their financial advisors. They act as more or less as the "police force" of the industry, and the best thing an advisor has to accountability.

The IIROC also has an arbitration program that can be useful in disputes up to $100,000. The total cost of the program is between $3000-$4000 between the two parties, and the arbitrator can have one of the party's assume the cost of the other. This program is at the discretion of the client and, therefore, mandatory to the IIROC member firm (the brokerage) if the client wills it so.

C. Take it to OBSI

Ombudsman for Banking Services and Investment is a private organization that provides an independent service for resolving banking services and investment disputes. They investigate customer complaints against financial services providers, including banks and other deposit-taking organizations, investment dealers, mutual fund dealers and mutual fund firms. While their decision is not binding, their decisions are agreed to most of the time.

The services are free, and the clients can take legal action if they don't find the judgment satisfactory (subject to limitation periods, which is 2 years for civil cases in Ontario). However, while the complaint is being investigated, the clock stops on the limitation period. OBSI is a great place to go when a victim of advisor malfeasance and you want to avoid a costly legal process. It is important to note restitution is not greater than $350,000 regardless of the circumstances.

D. Court

This is the most expensive method. The vast majority of investors, who have credible cases, end up settling out of court. In every settlement, the brokerage will require the client to sign a gag order or a non-disclosure agreement that, among other things, will say that the agreement will not suggest wrong-doing by the firm in question and the plaintiff will not be allowed to talk about the case.

This really should be a last resort. The first step should be talking to your brokerage's branch manager and compliance department, outlining the misconduct in writing and keeping all subsequent documentation. The next step, if your complaint is one of the three they'll entertain, is to file a complaint with the IIROC. If funds are lacking, the Ombudsman for Banking Services and Investment is your best bet for retribution because it is free, the judgment does not have to be accepted by the client and they are willing to award the highest amount in damages short of going to court. The IIROC arbitrator's decision, while binding, does cost several thousand dollars and damages cannot exceed $100,000. Of course, hiring a lawyer gives the benefit of having unwavering loyalty at your side, representing your interests. This, however, does come at a price.

VIII) Churning: How to tell if your account is being churned

Churning is the excessive trading in a clients' account done with the intention of generating commissions for the advisor. It is rarely the reason for a clients' complaint. Usually, they complain about another aspect of their portfolio, such as losses, when churning is discovered.[19]

- A general way to assess churning: Add up the value of all purchases and sales (excluding Treasury Bills) in a year and divide the total by the value of your account in the beginning of the year. This is called turnover. If your turnover is less than 2, you are fine. If your answer is between 2 and 6, you should be conscious and start asking questions regarding the frequency of the buying and selling. Do be aware that the older you are, the closer to 2 you should be.[20]
- A more conservative method measurement of churning includes only the cost of purchases and not the cost of sales. If the answer is over 6 in this method, give your branch manager a call.[21]

Acknowledgements

This booklet, as well as our Investor Awareness Campaign, would not have been possible without the work of our nation's investor advocates, who have done their utmost to bring change to this country's financial services industry. Working within a relatively weak lobby, their work has lead to a more client-conscious industry, and there is not a Canadian out there that is not better for it. If there are individuals we leave out, forgive us. The attributes that make these individuals exemplary in our eyes will be clear, and if you exemplify such work, please accept our humblest thanks.

Glorianne Stromberg, former head of the Ontario Securities Commission, published two reports in the 1990s promoting reform, particularly with regard to mutual funds, within the industry. Controversial and sparking great discussion, it proved to be a great catalyst for change. She remains active in promoting investor education to this day. Stan Buell, President of Small Investors Protection Association, is a former victim of advisor misconduct that has set up the closest thing Canada has to an investors' special interest group committed to helping ensure fair practice in the investment industry. Ken Kivenko, President and CEO of Kenmar, has forged a name for himself assisting investors who have been victims of broker misconduct. He has written several research papers on investor advocacy and is the publisher of www.canadianfundwatch.com, a site dedicated to investor education and protection with regard to mutual funds.

Last but not least, this section would not be complete without mention of two financial advisors, who are helping to redefine industry standards. John DeGoey, author of *The Professional Financial Advisor II*, championed the idea that the industry was divided into two groups of financial advisors: STANDUP (Scientific Testing And Necessary Disclosure Underpin Professionalism) and SPANDEX (Sales Pitches And Non-Disclosure Eliminate Excellence). It is his belief that the profession is in need of a transformation. He contends this can only be achieved by bringing transparency to an advisor's fees, advocating a fee-based or fee-only approach to investment advice. This approach being embraced, not only by the advisor community, but by the public they serve will bring a strong sense of professionalism to the industry. Warren MacKenzie, President of Second Opinions Investor Services and author of the book, *The Unbiased Advisor*, is a fee-only advisor that has led the fight on a number of initiatives. His appeal to us extends further than the objective acknowledgement but that of a genuine respect. His initiatives are all saddled with the need to bring change from a grassroots level, an ambition similar to our own. Heading the Investor Awareness Project, he is circulating a petition to make it mandatory for financial institutions to provide annual portfolio and benchmark returns on a client's financial statements (visit www.showmethebenchmark.com). Recently, his firm introduced the Advisor Scorecard, a straightforward True/False evaluation of your financial advisor (visit www.advisorscorecard.ca). He recently partnered with colleague, Ken Hawkins, to write *The New Rules for Retirement: What Your Financial Advisor Isn't Telling You* (available at a bookstore near you).

Although there is a great deal more to be done, these figures have done much to pave the way. For that, they have our gratitude.

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