Hello,

As a retail DIY investor, I personally know the advisers get most of their compensation through trailing commission. In Canada, average Canadian retail investors are ripped off billions of dollar each year by their advisers getting less or without getting any valuable advice.

A lot of study reports showed that most the mutual funds performed worse than the index funds, which I think the trailing commission play an important adverse role in it. The mutual fund industry should understand lowering or removing the sales and trailing commission would make them more competitive to the ETFs, which you just pay an average 50 or just several basis points MER. Although investors have to pay trading commissions to buy or sell ETF, for longer term, it is still worthwhile as long as you can control the trading commission to trading amount ratio. Some dealer like ScotiaItrade even provides commission-free ETF trading.

Actually I noticed some mutual funds do beat the index, but the higher sales commission often discourages me to buy them. Moreover, the sales commission is always vague in the dealer’s website and you are not clear how much you are going pay upfront.

I would recommend to implement two series funds:

1. No load and low trailing commission series (for DIY investors bought through discount brokers or investors just going to the branch to buy funds without the need to make a comprehensive financial plan)
The trailing commission should be capped at around 0.15%, which is used to just compensate the work the dealer does to enable investors access to those funds.

2. No load and no trailing commission series funds
This is for investors who wants a adviser's comprehensive financial services, the fee of which should be negotiated between advisers and investors. it can be based on the asset under service or a fixed amount as long as both sides agree.

I hope the reform to the mutual fund fee structure can happen as soon as possible.

Thanks

Joe