February 21, 2013,

Dear Mr. Stevenson and Mme Beaudoin,

CANADIAN SECURITIES ADMINISTRATORS DISCUSSION PAPER AND REQUEST FOR COMMENT 81-407 MUTUAL FUND FEES

I'd like to comment on the Mutual Fund Fee paper. There seem to be a lot of letters here about the negatives of mutual funds and there's been little or no effort to look at other aspects of what the MER pays for. There seem to be a lot of securities regulations requiring me to read this and sign that. In fact, there are a lot more rules and requirements about mutual fund than I have to deal with buying a mutual fund as compared to buying a car or purchasing a house, both of which involve much more in the way of unknown costs that could hurt me. And as a small investor, I don't have to worry about being charged unfairly whereas with a car and a house I believe I will always lose because it's all about negotiation - not my forte.

What else do people get for their fees? I was asked to be an executor of a will for a relation and accepted this as an honour. This was only to find how much more the relation and the beneficiary benefited from the relation's investment advisor. Based on the assets, she was paid less in comparison to the thousands the accountant who did the taxes was paid and the even larger amount that the lawyer got for the work he – or rather his legal secretary – did. The investment advisor did everything she could to make it easier for me and for me to deal with the CRA about the estate.

Let me say one more thing. There is often a debate about sales tax: should prices be tax included or tax separate? When Canada brought in the GST, unlike European countries, Canada went tax-extra pricing because of the fear that the government could increase the GST rate with impunity if it was hidden. Why do I raise this seemingly unconnected issue?

- Tax-extra GST cost businesses more to implement. And it will cost me more for mutual funds if pricing has to be changed to be fee separate.

- Unlike GST increases that might easily be missed, mutual funds can't increase the MERs without telling clients. I agree it could be easier to see fees but I think that's happening with new new really short fund summaries.
- If the value of mutual funds goes up, the fees go up but if the values come down, so do the fees: What other good or service saw a cost decrease when the stock markets and economy crumbled in 2008? Would separate fees to me for advice have gone down? I think not. I am risk-averse and prefer this downside protection (some savings to offset market losses) that I don't think I get anywhere else.
- But most of all, just like tax-in pricing helps people spend more intelligently than they would if goods or services are priced tax extra, I get mutual fund returns given to me after all fees, so I know what is most important to me – six percent after fees tells me what I want to know. Stock returns don't really.

For people that don't like these all-in mutual-fund fees, they have the choice of using ETFs or if they have more money they can get adviser-cost-free funds. ETFs are fine for people that want to spend the time monitoring and know-how. I take a car to a qualified mechanic because I don't want to change the oil or tires myself. I take my financial business to a dealer even though I can invest for myself because I don't want to. And at the lower end of the spectrum – say that first $30,000 saved, that's $600 a year – a Tim Horton's coffee and a muffin a day and less bad for your waistline. Please do not force change on to people that think the current system works for them.

Yours truly

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