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

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I am David Stanley, Organizer of the Guelph ShareClub and Contributing Editor of the Canadian MoneySaver magazine.

Thank you for the opportunity to comment on mutual fund fees.

It is well known that high mutual fund fees are a primary cause of Canadian mutual fund underperformance (http://www.investoradvocates.ca/viewtopic.php?f=1&t=11). To get a real return of 5% on an equally mixed stock and bond portfolio one would need to stocks to realize a gain of more than 9% per year, which seems unlikely at current interest rates. Because most people wind up in reasonably balanced portfolios, it is more critical than ever for Canadians to avoid high fund fees.

Distribution channels that provide access to mutual funds at lower than industry average cost are gaining share over channels that have been slower to adapt to the changing demands of the investor. At the same time, companies that have failed to offer investors the opportunity to lower their costs, other than through the size of their portfolio, have been challenged to retain the interests of advisors and investors alike (https://www.ific.ca/Content/Document.aspx?id=7477&LangType=1033).

For these reasons I have the following recommendations:

1. Require that fund manufacturers allow retail investors to buy F class funds directly or create a special class of funds that have distribution costs/trailer fees stripped out.
2. Hold fund manufacturers to their Simplified Prospectus

disclosure so that they do not use fund assets intended to provide advice for any other purpose. Essentially this means that trailer fee payments to discount brokers would be prohibited.

3. Protect seniors from salespersons using misleading titles . The CSA should implement NASAA Model Rule On The Use Of Senior-Specific Certifications And Professional Designations Adopted March 20, 2008 (http://www.nasaa.org/wpcontent/uploads/2011/07/3-Senior_Model_Rule_Adopted.pdf). According to this document: "The use of a senior specific certification or designation by any person in connection with the offer, sale, or purchase of securities, or the provision of advice as to the value of or the advisability of investing in, purchasing, or selling securities, either directly or indirectly or through publications or writings, or by issuing or promulgating analyses or reports relating to securities, that indicates or implies that the user has special certification or training in advising or servicing senior citizens or retirees, in such a way as to mislead any person shall be a dishonest and unethical practice in the securities, commodities, investment, franchise, banking, finance, or insurance business ..."

4. Revise all educational materials to include a section demonstrating the long-term impact of fund fees on returns. Most people think of fees as 'just' 2-3 % per year

without realizing the compounding impact over 40 years of investing.

I hope this is useful to you and I look forward to seeing your conclusions. Timely implementation and strict enforcement of current and new investment regulations are the best ways to address the problems facing Canadian individual investors.

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