April 9 , 2013

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

**CONSULTATION ON MUTUAL FUND FEES**

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**Ref** : http://www.osc.gov.on.ca/documents/en/Securities-Category8/csa_2012123_81-407_rfc-mutual-fund-fees.pdf

It is a wonderful idea to give investors a chance to comment on mutual funds and Mutual Fund Fees .This is greatly appreciated. My personal experience with mutual funds has been awful .I was surprised right away when I wasn't given a copy of the Prospectus when I was sold the funds . I had to ask for it numerous times. When I got it , I found it very hard to understand with all the legal and industry terms.

Extensive academic literature finds that fund investors are unaware of the basics of their funds, pay insufficient attention to fund costs, and chase past performance despite little evidence that high past fund returns predict future returns. Advisors should be helping people avoid these problems but instead they are sold costly funds , exposed to account churning and told to borrow more money to invest. Funny how we're not told to pay off credit card debt first.

I was told advice was free and that such advice would help me plan my retirement. I never realized that my contact person was actually being paid by the mutual fund Company. No wonder I was sold expensive funds and encouraged to take out a Home equity loan. There is a clear conflict-of-interest at play here. The fact that trailer commissions as a percentage of "adviser" income has risen since 1996 is not generally known to retail investors .The lack of disclosure has added to investor risks and may explain the rapid rise of mutual fund wrap accounts and borrowing to invest.

As I now understand it, the trailer commission is really a sales commission . He only gets paid if he sells me mutual funds. I have no problem paying for professional advice but I object to paying for conflicted recommendations. I actually received no advice on saving, investment or tax saving ideas.

The DSC sales charge option was never explained to me. If it had, I would never have been convinced to buy it at my age.

Investing my life's savings is not like buying a car.

Since you are asking for comments I have these suggestions :

(a). Provide investors Fund Facts when they are being sold the mutual fund not AFTER!

(b) Disassociate trailer commissions fund fees from the MER so investors can determine if they want to pay for advice and nature of advice required . Charging for advice directly gives investors freedom of choice and a basis on which to assess their advisors.This will lead to better financial outcomes and in the end, an improved reputation for the mutual fund industry .

(c) Ban the sale of mutual funds that mostly provide an investor's own money back. This is deceptive and leads to many, many problems.

(d). Do not allow DSC funds to be sold to seniors- it only leads to trouble..

(e). Initiate a program to protect seniors from abusive advisor practice. Because seniors have more accumulated savings they are great targets and highly vulnerable. According to the 2012 Ombudsman for Banking Services and Investments Annual Report ,the major cause of complaints is unsuitable investments and excessive leveraging and seniors are disproportionate targets. Advisors that were not so dependent on sales commissions would help build nest eggs rather than destroy them .

In **The Changing State of Retirement in Canada** – Fidelity ( Oct. , 2007) http://m.twmg.net/state_of_retirement_cda.pdf a survey of more than 2200 households shows that Canadians are on track to replace only 50% of their pre-retirement income. To maintain a comfortable lifestyle they may need as much as 80% of pre-retirement income. That's one reason that investing fees and expenses are so very important. They can mean the difference between a happy retirement and a very stressful one.

(f) Require those giving out advice to have professional qualifications commensurate with the advice they are dishing out. Financial advisors are not car salesmen, they are playing with people's retirement. The trailer commissions turn well intentioned advice givers into salespersons. People need professionals like doctors and engineers they can trust with their money.

A blog entitled **Financial Abuse** ( this insightful exposition was written several years ago before the IDA morphed into IIROC ) is a real eye opener. Author Andrew Teasdale is an expert on suitability, KYC and portfolio construction)
http://moneymanagedproperly.com/new_folder/rights%20and%20abuse/financial%20abuse.htm **"**
**"...Trailer fees:** Trailer fees are annual fees paid by a mutual fund company to an investment advisor for recommending the mutual fund. The investor does not need to be told about this even though the money is paid from the investor's own funds. Likewise the advisor has no obligation to do anything for the client to earn these fees. Trailer fees and other referral type fees are an abuse of the client -advisor relationship and, unless these fees are disclosed and used to offset valid and identifiable services performed by the advisor, they increase costs and are detrimental to an individual's financial position. The greed of the industry has seriously affected the ability of mutual funds to meet the objectives and needs of the individual. Indeed, the benefits of one of the most efficient investment vehicles ever invented have been submerged under the self interests and costs of an industry that has lost sight of its reason for being...."

I hope this feedback is useful to you.

Sincerely ,

Ben Yevzeroff , Investor

**REFERENCE:**

**CFA Institute Global Market Sentiment Survey 2013**
"Investment professionals are cautiously optimistic about the global economy in 2013, but ethical culture within financial firms needs to be addressed to solve systemic problems that led to the fiscal crisis. "
http://www.cfainstitute.org/about/research/surveys/Pages/global_market_sentiment_survey_2013.aspx

cc British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Yukon Territory

Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut