MONEY CONCEPTS

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April 12, 2013

Attn:

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55

Dear Sirs / Madames:

Re: CSA Discussion Paper 81-407: Mutual Fund Fees

I am a 37 year old Certified Financial Planner, and have been working within this busienss now for 13years. I attribute my successful career to the hand-up provided by my father, who started in this business back in 1985, and brought me on as a successor. I also received training within one of the large 5 banks for a couple of years prior to joining the family business. I work on the Mutual Fund Dealers Association platform, and love the financial planning side of the business. However, I've also come to see how this profession is really not very professional in many ways, which is part of why I believe that mutual fund fees and disclosures are needed, but not at the risk of creating an unlevel playing field between bank-owned firms and the independent advisor. My suggestions are as follows:

1. Any person advising clients on anything other than what investment to purchase should have a designation approved by the CSA. Such a designation might be in the form of mandating the completing of the CFP, or CA, or CFA, etc. That would do wonders to improve the professionalism within this industry. I have known and worked with advisors who have only completed their mutual fund registration course, or Cdn Securities course, and have no ongoing CE requirements, nor further training.

2. If you are a licensed advisor who does not have one of the approved designations, then compensation for ongoing advice in the form of trailers should be eliminated / minimized. Perhaps the commission you receive for the advice on investment selection and asset allocation should be separated from the advice you receive for financial planning which should require a letter of engagement. If you don't have the designation and financial planning process in place, you shouldn't be able to earn the same trailer fees as someone who has those proficiencies.

3. The use of Deferred Sales Charges and Low Load commission structures should be banned. We should all be required to only sell investments on an up-front basis only, and negotiate what that up-front cost, if any, would be. No more back-door, undisclosed commission structures. Part of the issue with disclosing trailer fees under the current proposal is the fact that trailer fees on the Deferred Sales Charge structure is lower than that on the

Front-end commission or Low Load commission structure. So, as a result, clients will think they are getting a better bargain by an advisor who used the DSC structure. In reality, that advisor received north of 5% up front to put that client into that investment, with very little compensation going forward. If you decide to pursue disclosing trailer fees, then there may be a number of advisors who move all their clients into DSC type of structures to reduce the ongoing trailer amounts that would appear on their dealer statements once these rules are implemented.

4. Please ensure that these proposed disclosure rules apply to any person who sells mutual funds, regardless of whether they are selling these investments and receiving a salary, or an advisor who utilizes fee for service or commissions, or an insurance related segregated mutual fund, which currently are not even considered in the context of these disclosures! Many advisors have dropped their mutual fund licenses and have gone to insurance licensing only as a way to circumvent the many rules associated with the Mutual Fund Dealers Association as well as these proposed new rules. The total fee of all investments, including margins on GICs, or fees associated with bond spreads, costs on any type of mutual fund, including seg funds, etc. should be disclosed. If there are bonuses given to employees of companies based on their production or type of investments selected, this should also be disclosed on the client statement. When I worked at the branch level as an Account Manager, it was perceived by many that a salaried employee works more in the best interest of the client. However, with the extremely high sales targets and bonus structures, this, in my opinion, is not the case. I believe this is why Canadians have acquired so much debt relative to investments, and little in the way of debt management advice. If we're going to have full transparency, then it should make sense across all lines of financial products and services, not just investments.

I appreciate the opportunity to comment, and hope that whatever rules are implemented, are done with the insight of how these may impact competition moving forward, and the ability of advisors to service the low to middle class clients who, over the years, often develop into middle to high class clients with our guidance and advice.

Laura Thompson, BSc.Ag, CFP
President & Owner
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