The practice of receiving client funds into the investment house and then charging the client any percent commission on the portfolio value is flawed.

Example: I bring $100,000.00 to an investment advisor to which, in one year's time, without any due care and attention paid to that $100,000.00 would be entitled to receive typically anywhere from 1-3% in fees. Where is the service, or at minimum, how is the commission tied to performance - especially at or better than the closest equivalent index net of said fees? While market forces cannot overcome people who choose to spend money on services that add no value, the practice of charging anything for what the client has previously, and through time and effort, amassed in his or her own accord does not give the investment advisor a claim to such profiteering before their time.

My position of proper investment practices should involve:

* Pay for performance where the investment advisor stands to gain or lose in relation to the gain or loss of their client.
* Pay should be based on 1) losing less than the comparable index during a period of market decline or 2) growing more than the comparable index during a period of market advance. Either 1) or 2) must be considered in context of: investment objectives, risk tolerance, and time horizon.
* Investment advisors ought not to charge commissions or fees on funds brought to them by their clients as they have not been involved in earning or growing that portfolio. However, investment advisors ought to be generously rewarded for less loss or greater gain - net of fees - than the equivalent and most tax and trading efficient index.

So, in summary, the practice of charging fees for anything a new client brings to the investment advisor should not be permissible. It could be likened to a novelist who writes a story, gives his manuscript to a focus group/editor and then that party publishes the manuscript and collects royalties ad infinitum for another's prior work: such claims on another's efforts should not be tolerated unless service in analysing its composition or adding value (or avoiding greater loss) can be demonstrated.

I have met with a number of investment houses through the banks to try and offer them the opportunity to put their money where their mouth is but, surprisingly, they have all declined my challenge. It should be noted that I offered substantially higher percentage commission to those where performance was better than the market gain (during bull times) and less loss (during bear times) than the closest passive index so I am not against commission for both efforts AND results.

When considering the approach to investment fees, not only should the method of * how * they be determined be included, but also on what amounts ought to be deemed eligible be considered.

If you would like to speak further, I would be more than willing.

Thank you for your time.

Sincerely,

Andrew Todd
Calgary, AB.
Mobile: 403-470-1198