



3 REASONS WHY YOU SHOULD

TAKE A LOOK AT YOUR INVESTMENT FEES

BC SECURITIES
COMMISSION



FEES MATTER & HERE'S WHY

1.

Investment fees reduce your profits or increase your losses from investing.



2.



When you understand your fees, you can evaluate the true cost of the investments in your portfolio and the services you receive from your investment advisor.

3.

Knowing what you paid to buy, sell, or hold an investment in a given year can help you make better investment decisions.



FEE FICTION & FACT

FICTION

Fees have little or no effect on my returns.

FACT

All fees reduce your returns—so you need to know what they are, what you'll get for them, when you'll pay them, and where they'll be deducted.

FICTION

Advisors provide their services for free.

FACT

Investment advisors are paid by their clients directly, the firms they work for, or by the institutions whose investment products they sell. You can find out exactly what you paid your advisor's firm last year—and what the firm received from others—from your annual investment fee report, also known as the Annual Charges and Compensation Report. Your advisor's firm must send this report to you by July 2017.

FICTION

Investment fees are set in stone.

FACT

Lower fee options often exist, even among very similar products. And some fees may be negotiable. Make a habit of asking your registered investment advisor about the fees you will pay for the products you buy and the services you receive. Always ask your investment advisor if there's a lower fee option that's right for you.

TAKE A CLOSER LOOK AT COMMON TYPES OF INVESTMENT AND CHARGES



FEES

Fees and other charges are part of investing. You need to know what direct and indirect fees and other charges you are paying for your investment, and/or for investment advice. Some fees and other charges may be negotiable. Here are some of the common fees and charges you should look for and ask about.

FEES PAID TO INVESTMENT BROKERS/DEALERS

Management fees

Portfolio managers and many advisors charge a fee based on a percentage of the portfolio's value. This fee is negotiated at the beginning of your client-advisor relationship and pays for the cost of managing your overall portfolio.

Discount broker fees and other charges

Discount brokers vary in the services they offer and the amounts they charge. Generally, they charge a basic amount per trade, but may also charge additional amounts related to the number of trades and the size and scope of the account.

Brokerage commissions

These are amounts charged per transaction based on buying and selling stocks and bonds. The risk with a commission-based account is that an unscrupulous advisor could trade more than is warranted to increase their income.

Fees for service

For fee-only services, the advisor charges a set (often hourly) rate and does not collect commissions. Fee-only advisors can avoid conflicts of interest and provide unbiased advice because they do not earn fees from the products they recommend.

FEES ASSOCIATED WITH MUTUAL FUNDS

Management expense ratio (MER)

Each mutual fund pays its own operating expenses, including legal, accounting, and management expenses. The MER is the total of all expenses, expressed as a percentage of the fund's value.

If a \$100 million fund has \$2 million in annual expenses, its MER is 2%. You can learn more about MERs in the fund's Fund Facts document.

Trailing commissions

If you own shares or units of a mutual fund, the fund manager may pay an annual commission to your investment advisor's firm. Trailing commissions may bias the advice you receive from the advisor. Ask your advisor directly if the fund has a trailing commission, and how it compares to the commissions of other funds. You can find information about trailing fees paid to your firm in your annual investment fee report.

Deferred sales or back-end load charges

Some mutual funds only charge you when you sell, not when you buy. Charges paid at the time of redemption vary depending on how long you have held the fund. Fund companies do not charge this if you hold the fund for the required number of years. Information on deferred sales charges for funds you hold must be included in your monthly or quarterly account statements and in your annual investment fee report.

How is my advisor paid?

Your investment advisor's firm is compensated for its services through fees and other charges. These fees and charges will vary by firm and by type of service, so it's important to understand how your advisor is paid:

Salary: if your registered investment advisor earns a salary, then the cost of their advice is built into the products you buy.

Transaction fees: some investment advisors charge a fee for each trade.

Trailing commissions: if your investment advisor sells mutual funds, their firm may receive a trailing commission from the mutual fund company as long as you own units in the fund.

Value-based fees: portfolio managers and many advisors at full-service firms specializing in high-net-worth investors charge a fee based on a percentage of the portfolio's value. The time to negotiate this fee is at the beginning of the relationship with your investment advisor.

Fees-for-service: advisors who charge an hourly rate, like fee-for-service financial planners, may or may not be licensed to sell investment products. Be sure to protect yourself by checking that they are properly registered to provide the services they offer.

When should my advisor explain the fees and charges I will have to pay?



When opening an account

When you open an account with a registered investment advisor, they must provide you with information about:

- Fees and other charges you will pay to their firm for operating your account and making transactions
- Compensation the firm may receive from other sources for the investments you hold

Before buying or selling on your behalf

Your investment advisor must explain the fees and other charges you will have to pay before accepting an instruction from you to buy or sell an investment product.

After buying or selling your investment

Your investment advisor's firm must provide you with information on the fees and other charges you paid to the firm after you buy or sell an investment.

On your account statements

In your monthly or quarterly account statements, your investment advisor's firm must tell you which investments are subject to a deferred sales charge should you sell them.

The Annual Charges and Compensation Report

New securities laws require investment firms to provide all clients with an annual investment fee report, called in law the Annual Charges and Compensation Report. This report details all operating, transaction, and other fees and charges received by the firm for each client's account. Firms must deliver their first report to you not later than July 2017 and, thereafter, once a year.

LEARN HOW TO
TAKE A LOOK
AT YOUR
INVESTMENT FEES

InvestRight.Org





[SAMPLE]

ABCD INVESTMENTS

Your Account Number: 123456

ANNUAL CHARGES AND COMPENSATION REPORT

J. Doe
1st Street, Suite 1100
Vancouver, BC L2L 3L1

This report summarizes the compensation that we received directly and indirectly in 20XX.
Our compensation comes from two sources:

1. What we charge you directly. Some of these charges are associated with the operation of your account. Other charges are associated with purchases, sales, and other transactions you make in the account.
2. What we receive through third parties.

Charges are important because they reduce your profit or increase your loss from investing. If you need an explanation of the charges described in this report, your representative can help you.

Charges you paid directly to us

| | | |
|---|-------|--------------|
| RSP administration fee | \$100 | |
| Total charges associated with the operation of your account | | \$100 |
| Commissions on purchases of mutual funds with a sales charge | \$101 | |
| Switch fees | \$45 | |
| Total charges associated with transactions we executed for you | | \$146 |
| Total charges you paid directly to us | | \$246 |

Compensation we received through third parties

| | | |
|---|-------|----------------|
| Commissions from mutual fund managers on purchases of mutual funds (see note 1) | \$503 | |
| Trailing commissions from mutual fund managers (see note 2) | \$286 | |
| Total compensation we received through third parties | | \$789 |
| Total charges and compensation we received in 2016 | | \$1,035 |



[SAMPLE]

ABCD INVESTMENTS

Your Account Number: 123456

Notes:

1. When you purchased units of mutual funds on a deferred sales charge basis, we received a commission from the investment fund manager. During the year, these commissions amounted to \$503.
2. We received \$286 in trailing commissions in respect of securities you owned during the 12-month period covered by this report.

Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission depends on the sales charge option you chose when you purchased the fund. You are not directly charged the trailing commission or the management fee. But, these fees affect you because they reduce the amount of the fund's return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund.

Our current schedule of operating charges

[As part of the annual report of charges and compensation, registrants are required to provide their current operating charges that may be applicable to their clients' accounts. For the purposes of this sample document, we are not providing such a list.]