



SHAH FINANCIAL PLANNING INC.

Keeping You Informed on Tax & Investments

Greetings!

Reduce the Investment Costs & Increase the Investment Returns

The Financial Industry, specifically the Mutual Fund Industry continuously changes with its regulation, products and costs, operations and services. The Client Relation Model Phase 2 (CRM2) is currently being implemented. This is a milestone change for mutual fund dealers and advisors.

This gives an opportunity to investors/clients to reduce their investment costs and increase their returns on investments. Shah Financial Planning Inc. (SFP) requests clients to meet their financial advisor and discuss how they can reduce investment costs in the view of the following facts and impacts.

Facts & Impacts:

- * There are managing and servicing costs for mutual funds just like any other goods and services business.
- * Clients will receive new annual reports called *Annual Charges and Compensation* and *Investment Performance*, in January 2017.
- * The *Annual Charges and Compensation* report will show the annual administration fees, sales charges, switch fees and transactions charges directly paid by the client. Also, this report will show the upfront and trailing commissions paid by mutual fund companies to the Dealer-Advisor for their Advice and Services to the client.
- * The *Fund Facts* is provided to clients by the financial advisor, when a client is investing into a new mutual fund. This document provides information on Sales Charges with sales charge option and Fund Expense with Management Expense Ratio (MER) and Trading Expense Ratio (TER). The MER is the total of the management fee (including trailing commission), fixed administration fee and any operating expenses not covered by the fixed administration fee. The TER is the fund's trading costs for the fund.

* The Dealer-Advisor upfront and trailer commissions are a part of the MER. Alternatively, the commissions can be replaced by the Dealer-Advisor fees, with reduced MER, using a Fee-based Account. The Dealer-Advisor compensation (Commissions/fees) is for their advice and services to clients.

* Clients have only one of the following two choices to pay the Dealer-Advisor:

- *Fees-based Account:* where the MER is reduced and fund units are quarterly redeemed to pay the Dealer-Advisor fees, with an agreed fee between the FA and the client - it is known as Unbundle Costs.
- *Commissions-based Account:* where the fund managers pay the Dealer-Advisor commissions (upfront and trailer) from MER - it is known as Embedded Costs.

* Clients can reduce their total investments costs with a larger size of accounts (\$100K+) within one fund company - it is known as Preferred Pricing. Similar to the price variations when you buy retail or wholesale for goods and services.

* Certain Financial institutions such as the big Banks have been marketing "No Loads" on their mutual funds for years. With this new CRM2 initiative you will now see the compensation that the bank branch has been receiving every year on your investments.

This is a great time to meet your financial advisor to consolidate your investments and discuss how they can reduce your investment costs

We are at your service. If you require further information/assistance, please do not hesitate to contact your [financial advisor](#) at Shah Financial Planning Inc.

Head Office Hours

Monday to Friday ► 9:00 am to 5:00 pm
Thursday by Appt. ► 5:00 pm to 6:00 pm
February to April ► Saturdays ► 11:00 am to 5:00 pm

No Inner Peace Without Financial Security

www.ShahFinancial.ca

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