

Thursday, January-03-13

The Secretary  
Ontario Securities Commission  
Toronto  
sent via commnets@osc.gov.on.ca

Subject: Comment on Mutual funds Fees

Understand what the motivation is and you will understand how it works.

The motivation for the investor when buying mutual funds is the belief they are buying a safe investment which will grow in value over time. They are sold on the concept that the mutual fund company have the expertise to invest wisely, safely and provide excellent rates of return. Most investors who buy mutual funds do so in the hope that they will have enough value to retire comfortably.

The motivation for the Mutual fund company is to gather a large pool of funds from which the can draw a yearly management fee (MER) and make a profit using other peoples money.

The motivation for the "Investment advisor" is to make commission money selling mutual funds to investors and to keep them around for many years collecting a retainer fee.

Now let's be honest, most "Investor Advisors" are really sales people who have passed various courses on what they can tell their clients and how to fill out the various forms required. Most Advisors have little actual investment experience and really do not understand how the market works. For this they get paid a commission when they sell the product and then a retainer or trailer fee to keep you invested.

Why do Mutual fund companies even pay trailer fees to advisors during your first seven years when you can't leave without incurring pro rated penalties if you withdraw your investment?.

I have just over \$720,000. in mutual funds and my advisor earned about \$7,200 in retainer fees for a few hours of work. It is my money and this year I made 1.79% or \$13,680. This hardly seems fair. The mutual fund company made more than I did since the average MER is 2.4% they made about \$17,800. Approximately \$4,000 more than me.

So I'm looking at how to move my mutual funds into a self directed investment account. Even if I just buy TSX index stocks I will do better.

The system should be in the interest of the Investor. We should have an open efficient securities trading system for Mutual funds. I can accept a MER of less than 1.25% for legal, accounting and research expenses, but nothing for trailer fees, and only an administration fee to purchase.

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