

Questions for Financial Advisor Annual Portfolio Reviews

The Canadian Securities Administrators and the Financial Consumer Agency of Canada set out certain expectations for meeting with an investment advisor on an annual or semi-annual basis. This is my listing of questions, in addition to what you, my advisor, may have to add.

1. Portfolio Performance

When you review my investment portfolio, can you tell me my rate of return as a whole

- ☐ for this year to date (if it is late in the year)?
- ☐ for the last calendar year?
- ☐ over the longer term (e.g., 5 and 10 years)?
- ☐ What were my rates of return in each asset class, such as the stock market and the fixed income portions of the portfolio, as well as in Canadian and foreign allocations?
- ☐ Can you provide me with my returns compared to appropriate benchmarks by asset class?¹ Are these before fees or after fees (or a mix)?
- ☐ How is my portfolio performing in relation to your projected retirement plan? If I do not have a written plan, is this something that you can do as part of the fees I pay, and that we can monitor going forward?
- ☐ For the mutual funds I own, am I consistently making more money on them after paying the fees than I could make on an Exchange Traded Fund that tracks a similar index ?
- ☐ What are your comments and reasons for my performance being what it is (above, below or just average) over the past few years? What is your expectation for the future?

2. Investment Allocation & Strategy

- ☐ Based on the performance as well as my current personal circumstances, are you recommending sale or purchase of any securities?
- ☐ How much of my portfolio do you think should be in safe versus riskier investments? Should we make any changes to my balance to change my risk level?
- ☐ What is your opinion of investing outside of Canada these days after considering the related risks such as the political, economic and war activities in other countries, as well as currency fluctuations, and higher tax rates on foreign dividend income?
- ☐ For withdrawals over the next few years, if the stock market drops just before it is paid to me, is there a system to ensure I do not lose any money?
- ☐ What are your predictions for changes to the value of my portfolio in the next few years?
- ☐ What do you think would be the worst case scenario for my portfolio in a down market?
- ☐ Are there any concerns I should have or planning to do regarding my portfolio position for when I die?

¹ Examples of appropriate indices for benchmarking could be:

| | |
|-------------------|--|
| Canadian Equities | S&P/TSX Composite Index |
| U.S. Equities | S&P 500 or Russell 300 or Nasdaq Composite, as appropriate |
| Global Equities | MSCI World Index or MSCI All Country World Index (ACWI) |
| Canadian Bonds | FTSE Canada Universe Bond Index |
| Global Bonds | Bloomberg Global Aggregate Bond Index |

3. Advisory Fees

What rates of fees (including HST) am I paying on my accounts and securities:

- ☐ For accounts where my fees are based on assets under management (AUM) (where advisor fees are deducted from my account and shown separately on my account statements), what rate(s) am I paying? Is it one rate, or does it vary? Please provide the individual rates if they vary by account or by type of security (for example, on my TFSA, RRSP, non-registered accounts, etc.) or by allocation (e.g., bonds, equities, ETFs, etc.).
- ☐ Am I paying lower advisory fees on the accounts holding ETFs and mutual funds because of lower requirements for you to do the security picking?
- ☐ For mutual funds in my portfolio, how much are the amounts of management fees (MERs) and expenses deducted from the these?
- ☐ For Exchange Traded Funds (ETFs), how much are the embedded fees and costs within these funds?
- ☐ What were the dollar amounts of these paid for the most recent year?
- ☐ I want you to be paid fairly for the advice you provide. Can you explain how much input you have in picking the individual securities in each account and what your role is in managing my account? What are the services to which I am entitled for these fees and am I taking advantage of them?
- ☐ How much of the fees I pay do you receive and how much goes to others who manage the account and what do they do?
- ☐ How are my fees impacted if you sell me more stock market securities versus bonds or GICs? Do you receive bonuses, commissions or other rewards for sales, and if so, is it based on each sale or as a continuing payment as long as I hold the security?
- ☐ Can you put together a schedule of the fees paid on my accounts for a year, including all of the costs deducted from my securities in one way or another, and compare that to my rate of return? Below is an example of one possible presentation.

| Account (Non-registered, RRSP, TFSA, etc.) | Investment type (stock, bond, mutual fund, ETF) | Description of securities (all stocks, all bonds, individual mutual funds, individual ETFs) | Current Balance | MER % | MER \$ (annual) | Trailer fee % | Trailer fee \$ (annual) | AUM fee % | AUM fee \$ (annual) | Total Rate of Return % (annualized) after MER, before AUM fees | Total Rate of Return % (annualized) after fees |
|--|---|---|-----------------|-------|-----------------|---------------|-------------------------|-----------|---------------------|--|--|
| Non-Registered | Stocks | All stocks | \$500,000 | | | | | 1.50% | \$7,500 | 6.50% | 5.00% |
| Non-Registered | ETF | ABC S&P/TSX 60 index | \$100,000 | 0.17% | \$170 | | | 1.50% | \$1,500 | 6.25% | 4.75% |
| RRSP | Mutual Fund | XYZ mutual fund (code X450-A) | \$50,000 | 2.09% | \$1,045 | 0.90% | \$450 | | | 4.50% | 4.50% |
| TFSA | Bonds/GICs | All securities | \$100,000 | | | | | 1.50% | \$1,500 | 4.50% | 3.00% |

4. Firm Changes

Were there any changes in your local office that will affect my services, and were there any investment manager changes on funds or accounts that may impact my returns?

5. Reports

My monthly statements are complex, and I would find it helpful if we could review a recent monthly statement together so you can explain what the various details mean, and review the individual securities to help me understand what I own and why.