



CANADIAN INVESTORS' COURSE

Session 9 – The Investment Industry: Products and Fees Commentary



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So much confusion!



****refer to CIC Session 8 Commentary that discusses this topic as well****



Financial Planners

There are generally 3 types of Planners:

1. 'Fee-for-Plan' Planner
2. Product Seller or Restricted Planner (MFDA)
3. Portfolio Manager (IIROC)

Please refer to Sessions 6 and 7 re: Financial Planning



Product Sellers

1. **Proprietary Product Sellers**

- Banks, Trust Companies, Credit Unions, Individual Insurance companies
- Planning firms – e.g. Investors Group

2. **Non-Proprietary Product Sellers**

- Have NO internal product mandate
- Ironically most large non-proprietary product sellers are owned by proprietary product sellers and they compete with each other for your money ... that's Canada?!?



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Proprietary Product Sellers

Proprietary sellers sell their company's internal product.

An example of this would be a bank like Bank of Montreal selling their own GICs.

You would not expect to be sold a TD or Scotia Bank GIC at BMO or vice versa.

Same goes, generally, for all other financial products that these proprietary product sellers offer.

Be careful of the 'third party' product selling terms/terminology.



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Non-Proprietary Product Sellers

These Financial product sellers tend to be IIROC licenced.

These firms or individuals have NO financial product of their own, they sell everyone else's product (no internal product mandate, with the exception of WRAP accounts).

Using the GIC example previously; a non-proprietary seller would have access to many financial institutions' GICS, which allows you to shop around. They can choose from over 20 different institutions.

Independent financial planners are non-proprietary mutual fund, GIC and/or insurance sellers.



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Guideline to Follow:

1. Do I want choice? Is my Advisor/Planner restricted? (Proprietary or Non-Proprietary)
2. What type of services do I want?
3. What type of products do I want access to?
4. Do I need help making investment decisions?
5. Do I want my fees hidden?
6. Do I want transactional fees (commissions) or a flat fee (i.e. 'all-in')?
7. Do I want Discretionary or Non-Discretionary management?
8. What is the Advisor's style? Buy and Hold or Buy and Rule ®?
9. What experience does the Advisor have? (except for Proprietary product sellers)
10. Does the Advisor's Investment Style repertoire include **true** Rules-Based Investing with Buy and Rule ®??



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Make Good Use of This Site

The banks tend to be proprietary sellers but they all own non-proprietary sellers. In many cases there is internal competition for your money. To get around this bias, and after all they really want to do what is best for you, you have to ask to be referred to their non-proprietary 'arm' which truly are Full-Service IIROC-regulated financial advisors.

Not all advisors practice true Rules-Based Investing (in Session 15).

Do what is best for you. Go to the Resources section of this website to obtain an Investment Professional Selection Guide that will help you decide which one best suits your needs. You can bring in these questions, and guidelines with you when you are ready to invest and find a professional to work with.

Remember.... CRM2 is here! (Please review Session 8 Commentary as well)



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