Wealth Management
Dominion Securities

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Simplify your financial life

Strategy 2 –Consolidation of assets

Diversification is one of the golden rules of investing to reduce risk and boost your return potential over time. Investor surveys indicate that wealthy investors open multiple accounts of the same type, with different financial institutions and different advisors, either because it simply happened this way over time or because they believe it to be an effective way to diversify. But diversification is really about how you invest your money — not where you keep it.

Investing through multiple accounts and multiple advisors instead of consolidating your assets with one trusted advisor may impede proper diversification and potentially expose you to greater risk.

The benefits of consolidating your assets with one advisor include:

Reduced costs

Consolidation is a well-known way to reduce costs. By consolidating your investable assets with one trusted advisor, you will typically pay lower fees, assuming the fees are based on a sliding scale, as they are with many investment accounts and programs. By spreading your investments among multiple advisors and multiple financial institutions, you lose these economies of scale.

Simplified administration and consolidated reporting

With consolidation, you bring together all your investment accounts with one advisor, which makes it much easier to keep track of your investments and their overall performance. The paper statements you receive in the mail are minimized and the tax reporting for your investment income and dispositions becomes easier to manage and more accurate. Your tax preparation fees may also be reduced, since your accountant will be spending less time sorting through all the statements and determining the average cost base of identical investments.

Easier estate settlement process

Having investment and bank accounts spread among many different financial institutions will make your estate settlement process more administratively difficult for your executor/liquidator, and potentially more costly. By consolidating assets, you have peace of mind knowing that, after you pass away, your surviving spouse or other beneficiaries will have one point of contact that you trust to manage their overall assets and ensure they have adequate income.

Consolidation of your assets can help your advisor maximize your after-tax retirement income.

Access to comprehensive wealth management services

Consolidation may help you reach a certain level of assets with an advisor so that you may then be eligible for certain specialized services, such as advanced tax and estate planning, comprehensive financial planning, managed investment programs and private banking.

More tax-efficient retirement income planning

Consolidation also enables you to manage your investments more effectively, helping you structure your investments to generate the retirement income you need. In retirement, you may have many different income sources, such as government pensions, employer pensions, Locked-in Retirement Savings Plans, Registered Retirement Income Funds, nonregistered income and part-time employment income. If you have one trusted advisor managing your investments, it's easier for that advisor to determine how and in what order you should be withdrawing from all the different income sources to maximize your after-tax retirement income.

For convenience alone, consolidation is a strategy worth considering. With consolidation, you work with one advisor who sees the big picture – who understands your overall financial situation and provides the customized advice you need.

Please contact us for more information.

Family wealth management tip

Sometimes, investors decide against consolidating their assets with one advisor, thinking that they can "diversify by advisor." This is particularly true of investors with portfolios of $1 million or more. The idea is that if one advisor doesn't do well, the other might. Unfortunately, this is a myth. By dividing your investments among multiple advisors, you actually make it more difficult to properly manage your investments.

Since each of the advisors doesn't know what the others are doing, it often results in over-diversification, conflicting advice and needless duplication of your investments. Furthermore, it's difficult to know how your investments are performing overall by having your assets spread among more than one advisor.

A better option is to consider consolidating your assets with one knowledgeable advisor who can provide you with a properly coordinated financial strategy.