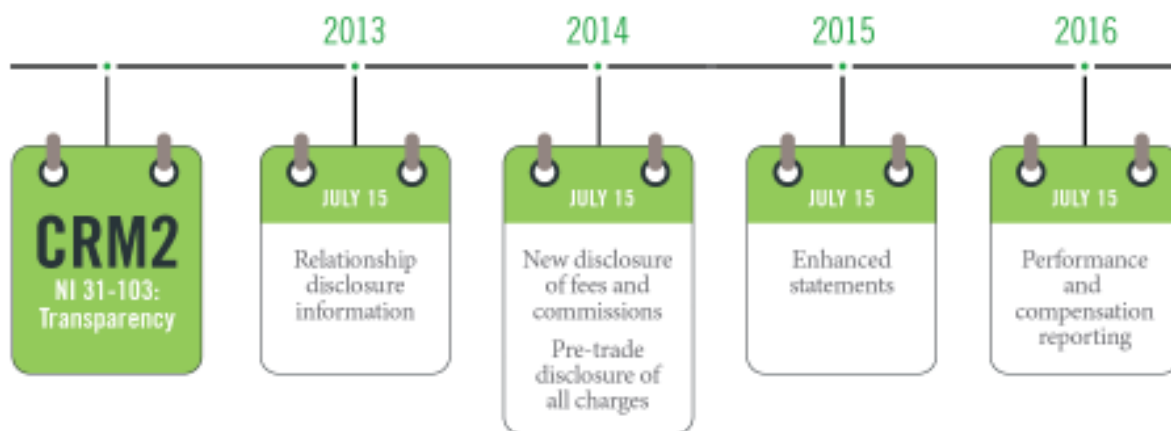


January 18, 2017

Client Relationship Management Statements

Three years ago the financial services industry started down the path to make investment accounts more transparent when it comes to the COSTS charged and the RATES of RETURN generated. The industry deemed the initiative “Client Relationship Management” or CRM2 for short.



For clients and advisors both this was welcome news. **Clearly, transparency when it comes to your money is a good thing!** Canadian (Bridgewater Research) data shows that **rates of return** and **costs** are the two most valued pieces of information client’s desire on an annual basis.

Personally, I was happy to see CRM2 implemented since I use very few investment vehicles where “*management expense ratios*” (MERs) are hidden from sight...think mutual funds. Therefore, the move to better transparency for the industry typically puts the portfolios I manage on a more “apples to apples” cost comparison relative to “mutual fund portfolios” bought through banks and broker/dealers.

Over the three year implementation period there were a number of industry negotiations as to exactly what the final CRM2 statements would look like...**so how successful is CRM2 at accomplishing its stated goal of greater transparency?** I would only give the initiative a “B” letter grade to be honest. It started out on the path to earning an A+ but the original “transparency template” got lost for reasons that are still unclear to me. (I will define these issues a little further on in the text.)

Let me make the most important point that I need to stress in this communication.

When you receive these new ANNUAL statements at the end of January please realize that your costs to run your portfolio have not changed due to the new reporting!

The goal is transparency...not a change in your portfolio costs.

Over the years, a lot has changed in the investment services industry. When I started in 1988 there was very little transparency. Commissions on stock transactions were clearly shown, but the costs associated with bond trading and mutual funds were almost never shown. Transparency improvements have come steadily over the past 30 years...CRM2 is the next positive step in this evolution!

The other massive change is in the area of "Wealth Management". As financial advisors today we no longer solely manage money. At RBC Dominion Securities I work with an impressive group of professions from virtually EVERY nook and cranny of the financial services industry to provide you with comprehensive advice and resources in the areas:

- Financial planning
- Estate planning
- Wills and Trusts
- Insurance Advice
- Tax smart strategies
- Planned giving ideas

Clearly, the favourite part of my job is managing money and interacting with the financial markets, but it seems with every passing day "Wealth Management" strategies grow in importance to my clients. Really it all makes perfect sense...**financial lives are more complex today than ever before and that is why developing your personalized long-term strategy to address the needs of your financial life has grown in importance.**

By switching between the many "financial hats" required to help you with your personal plan, we at RBC Dominion Securities believe we give you the best service platform for you to base your important financial decisions upon.

Earlier I stated that CRM2 only rated a "B" letter grade in its final version. CRM2 started off being completely transparent as to what **your total costs** are in your portfolio but, in the end, there was a major change and it was decided to only report **the cost of advice, not the cost of advice AND the management costs of the investment products.**

Earlier this year in a weekly comment I included a quote from a Globe and Mail article that described the final version of CRM2 in the following way: *"It's like you're having a new muffler put into your car and they give you a bill for the labour, but they don't tell you how much the muffler cost."*

What the quote refers to is that if you own a mutual fund with a management expense ratio (MER) of 2.2% you will not see that total cost to you on your CRM2 report. You will see the typical 1.0% “trailing commission” that is paid out to the advisors’ firm, **but the remaining fee taken by the fund managers themselves will NOT be shown. (In this example that cost to you is another 1.2% of the dollars invested).**

Unfortunately, this change defeated the goal of total transparency.

In summary, please let me reiterate: **The costs you pay on your portfolio have NOT changed.** The goal is to create a better environment of COST and RATE OF RETURN transparency. At the same time, I know, there is likely to be some confusion because I have read the legal description you are going to be receiving in the mail.

My solution to what may prove to be a confusing situation is to invite you to come meet with me and sit down to discuss, not only your RBC Dominion Securities CRM2 notices, but all of the notices you receive! We can go through them together to clarify exactly what your costs are AND if there are any changes we can make to improve on your costs without sacrificing quality of service!

Transparency is the correct goal for the investment industry to strive for...I wish it could have been done better in CRM2. I’m sure it will continue to improve...

Please feel free to contact me and book your appointment to do a review.

Sincerely,

Nick