

## How advisors get paid

Many Canadians admit that they don't know exactly how their advisor gets paid. To ensure transparency, new regulations aim to clear up some of this confusion. The following scenarios<sup>1</sup> break down the costs of investing, using a hypothetical \$10,000 mutual fund investment.

### So how does your advisor get paid?

Usually it's in one of two ways: through a fee embedded in the cost of your mutual fund, or a separate fee paid directly by you.

The costs charged by the mutual fund (expressed as an MER) will vary depending on how your advisor is paid. The MER is lower under the Direct model because it does not include your advisor's compensation.

Costs charged through the mutual fund<sup>2</sup>

Cost of professional investment management and operating expenses...

**plus** GST/HST paid by fund company

**Embedded** compensation paid to dealer, through mutual fund (1%)

**Direct** compensation paid by investor to dealer (1%), plus taxes (0.1%)

GST/HST paid by dealer

Amount retained by dealer for services provided to advisor, such as:

- administration
- compliance and oversight
- client reporting
- privacy enforcement
- money laundering protection

**Investment dealership**



Amount paid by dealer to advisor for services provided to client, such as:

- financial planning
- annual review
- retirement planning
- educational planning
- tax & estate planning
- investment planning
- cash management
- trust planning

**Advisor**



Total annual cost of your mutual fund

\$10,000 mutual fund investment

**Embedded**  
(MER: 2.5%)

**Direct**  
(MER: 1.4%)

\$250

\$140

**\$130**

**\$130**

**\$20**

**\$10**

**\$100**

**\$110**

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\$10

\$35

\$35

\$65

\$65

**\$250**

**\$250**

Regardless of how an advisor is paid it is important to provide you with choice and transparency. If you understand the services your advisor provides and the costs of those services, the value of the advice you receive will be evident.



For more information on mutual fund costs, please read the Fund Facts document or simplified prospectus.

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<sup>1</sup> Assumes the value of the hypothetical investment averages \$10,000 over the course of the year. While the management expense ratios (MERs), compensation rates and percentages retained by the dealer cited are representative of real-world costs, they are highly variable.

<sup>2</sup> This is the total of the mutual fund's management fee (which includes any dealer compensation), operating expenses and GST/HST. There is no dealer compensation paid through the Direct model.

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