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Index	Value	%Chg
TSX	11,274.24	0.00
Nasdaq	2,150.87	0.00
S&P 500	1,070.52	0.00
USD/CAD	1.0668	-0.21
TSX-V	1,474.53	0.00
Oil	74.08	0.35
Gold	1,081.10	0.37

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CAN YOU TRUST YOUR FINANCIAL ADVISOR?

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Each month Bruce Loepky will write an article touching on important financial and investing issues that apply to the everyday investor. In his column Bruce will provide valuable insights and opinions backed up by years of experience in the investment industry.

Can You Trust Your Financial Advisor?

By Bruce Loepky | Tuesday, February 09, 2010

The Fund Library

There was a recent Nanos Research poll that examined the most trusted professions (where honesty and ethics were the main criteria) in Canada and to the surprise of nobody; doctors and pharmacists top the poll at 77% and 72% respectively. Also in the top five were teachers, police officers, and clergy. At the bottom of the list (18 professions were used in total) were stockbrokers, business executives and car salespeople. For arguments sake, let's say Financial Advisors would be ranked closely to stockbrokers. Having worked as a financial advisor for 13 years, I am saddened that our profession is: a) near the bottom and b) anywhere close to car salespeople. We are on the whole much better educated and most of us continually take educational courses, either because we have requirements to keep designations or we simply want to keep current in an ever-changing, fast paced business. When a financial advisor/broker is found guilty of wrongdoing like in the cases of Bernie Madoff(U.S.), Bertram Earl Jones(Montreal), or Ian Thow(Victoria), the story deservedly so receives a lot of bad press. This certainly doesn't help the reputation of the profession as a whole. Doctors do make mistakes and we often hear about litigation proceeding against this profession, yet they still rank number one with trust and ethics. Why is that? I think the answer lies in the fact that when a doctor is sued, it is due to an **error of judgement**, or an alleged mistake with an operating procedure. When financial advisors/brokers get sued or receive bad press, it is mostly a case of a wealthy advisor **taking client assets to fund an extravagant lifestyle**. That type of action by a few really damages the profession as a whole. Doctors are paid for their services, but do not usually bill clients directly, whereas financial advisors/brokers either charge clients directly or get paid through commissions or ongoing management fees (MER's) Another factor in this low ranking is undoubtedly the fact that some financial products are "sold" and not "bought". Doctors don't have to "sell" anything, although they prescribe medications based on advice from pharmaceutical company's representatives. These companies are some of the biggest and most profitable on the planet and they are motivated by profit. Products like life insurance, disability insurance, and often investments must be "sold" to clients who could use this money to buy more stuff for the home, or take a vacation. It's not easy to convince a client that buying something that may reward him (or his family) years down the road are better than a purchase that he can start using tomorrow. That is our dilemma and we hope to work with a clientele that understands what it means to be financially independent and are willing to sacrifice something today to improve their tomorrow. **To achieve financial independence, it is critical for people to have adequate life and disability insurance, plus prepare for retirement and their children's post secondary education.** Those are just the basics.

"Remember, this is your money and your future at stake..."

Steps to Protect Yourself



1. Don't ever write a cheque to a financial advisor/broker in his/her name. It must always be to the fund company, the mutual fund dealer in trust, or the broker firm. In many of the advisor fraud cases, cheques were written to the financial advisor/broker. If the cheque is written "In Trust" and invested with a fund company, your money is held by a third party and is protected by safeguards.
2. Be **wary of real estate "deals"** that offer interest rates of over 10%, limited time offers, exclusive techniques for building wealth and offshore investing.

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3. Is your financial advisor/broker recommending you to buy equity shares/units at the top end of the market? You might want to question the wisdom of this strategy. Usually, it's a surefire strategy to help you lose your money. Although we invest to make money, we also need a defensive strategy, to ensure principal infringement is kept to a minimum in times of market correction.

4. Is your financial advisor/broker "selling" you the merits of leverage strategy when markets are historically high, or when the strategy isn't right for you?

5. Is your financial advisor/broker recommending you buy mutual fund units on a DSC(deferred sales charge)basis, or front end(FE) 2-3%,where by investing \$100,000 sees only \$97 or 98 thousand going towards your fund, because the other \$2000-3000 went into your financial advisor/brokers pocket via this commission? **You can buy on a FE 0% basis and have more freedom and less costs.**

6. Is your financial advisor/broker recommending you take matured (or fee free) units and move them to a DSC fund? This means he/she will get paid again with another commission and you will be tied to the fund company for another 6-7 years, unless you pay a management fee to get out. This fee is in fact charged by the fund company to ensure they don't lose money, as they paid the advisor upfront on the DSC purchase. This process of taking matured units and moving back to a DSC fund is called "**churning**" and is a frowned upon practice within the industry.

7. Are you asked to buy stocks you don't understand and have frequent buy/sells within you stock portfolio? Your broker normally gets paid per stock transaction, so excessive trading can erode your portfolio, while padding your broker's pocket.

8. Do you understand your statements? If you are getting to an age where simplification is what you desire, let your financial advisor/broker know this. Complicated portfolios that you don't understand make it easier for you to be "ripped off" by unscrupulous financial advisor/brokers. As we age, keeping it simple can be better.

The above list represents **a few of the red flags** that you can watch for and be aware of as you navigate the uncertain and complicated world of investing. Due to these complications and changes that frequently occur after government budgets, you need a financial advisor/broker that not only knows his stuff, but is also honest and has the integrity to do what's right for you. I've always operated by the principal that if I do the right thing for my clients, even if there are better paid options for me, my practice will be survive and prosper in the long run.

If you have doubts/concerns about your financial advisor/brokers motives, don't sign anything, and show the proposal to a financially literate friend/colleague. Ask questions. Remember, this is your money and your future at stake.

Generic Mutual Fund Disclaimer

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated.

Personal Opinions & Recommendations Disclaimer

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