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Putting your advisor under scrutiny

It's your money

We've had more than a year of negative news stories - some related to the markets and others involving crooks who stole clients' money. If there's an upside, it is that investors are examining their holdings and how they are managed. It should be done periodically anyway, but some investors are unsure where to start. I think you can accomplish a lot by asking yourself and your advisor a few pertinent questions.

Do you understand your statement? A recent Strategic Counsel survey states that over 60% of investors spend little or no time reading information from their advisors. Some account statements may be difficult to read but that should not be a hindrance to ascertaining portfolio performance. Your advisor should explain the statements clearly and/or offer alternative reports to display what you need.

How does your advisor address your problems? You should not be ignored once you have signed on. Part of your advisor's value proposition must be that they will pay attention to you, which includes responding to your issues in a timely and meaningful fashion.

How are market conditions presented? Be wary if your broker puts an optimistic spin on everything, and even warier of anyone claiming they always generate positive results. The markets are not static and it's illogical to think that you can have permanent investments free from care. Consider this: Could Bernie Madoff have accomplished his scam if he hadn't got a lot of people to believe something unbelievable?

Is there a conflict of interest? Reasons for potential conflicts are many, from fees to an overabundance of in-house products, and a multitude between. If you believe there's a conflict between your interests and

those of your advisor, take action. The conflict may just be perceived in which case you're worrying for nothing. However, it may also be real, in which case you must resolve it. That's accomplished by tabling your concern.

If the conflict turns out to be real you need to make an important decision. If the conflict was only perceived you will have strengthened the relationship between yourself and your advisor by confirming open and honest communication. In either case, you win.

Some conflicts are avoidable with honest talk at the beginning. Fees are an example. A recent JD Power and Associates survey says nearly half (48%) of investors are unaware of the fees they pay. That is an astounding figure that should not be. Your advisor should be happy to clarify the fee structure and provide a written statement of fees.

Have I been pressured into buying complex investments I don't comprehend? Until you understand a product fully and know exactly how much it is going to cost, say no. If you don't understand it, don't own it.

Never write a cheque directly to your broker. If the advisor asks you to write a cheque to them personally or to a private holding company, there is only one thing you should do - find the door and use it. Cheques should only be written to a third party custodian such as a bank or registered investment company.

Finally, if you're unsure about either your advisor or the state of your portfolio, get a second opinion and be sure that it is comprehensive. The analysis should cover a range of aspects such as fees, asset allocation, liquidity, and portfolio performance. Remember: it's *your* money.

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The views in this column are solely those of the*

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