

# The Value of Advice



Live *your* dream.

In many media forums there is a focus today on management fees and the cost of financial advice. While a controversial topic these days, a proper discussion of investing fees is sorely needed. It is ultimately an issue of value... **let's talk about value.**

So why should you work with a Financial Advisor? What are the specific benefits of working with a Financial Advisor? And why wouldn't you just invest on your own?

Studies show investors who work with an Advisor tend to choose the right investment vehicles to optimize their investment outcomes, are more likely to choose the right asset mix based on their circumstances, risk tolerance & objectives and are more prepared for retirement (Source: The Value of Advice Report, 2012 Investment Funds Institute of Canada).

There are tangible and intangible benefits to many things in life, as with when receiving financial advice. Tangible benefits are measurable (i.e. growth in assets), while intangible benefits are difficult to measure and not easily identifiable. For example, many clients during the "technology stock mania" of the 1990's were intoxicated by "the ride" – I, as their advisor was "the designated driver". Fortunately, they didn't end up in the ditch.

As for the advisors I utilize personally, I trust them explicitly because I ultimately know it is difficult to know "what you don't know" – and I believe that is true with financial planning and investing. For instance, there are many instances that I introduce a form of investing that is very new to clients (e.g. income trusts or high yield debt securities for instance). And I also trust that my advisors are working in my best interests.

## Tangible benefits of working with me...

- Financial growth is apparent, calculable and reportable (monthly, quarterly statements).
- Time; managing wealth is a full time, continual effort, and many people do not have the time to manage their financial affairs on a constant basis. My profession entails a greater than full-time effort, and it is my hope that my service allows you to enjoy your time with family, friends and hobbies.
- Expertise; many people do not have the expertise to manage their financial affairs on an ongoing basis. For example, you may be in a high tax bracket and require specific investment solutions to minimize tax in a particular year.
- I introduce investments that clients may not be aware of (i.e. high yield bonds, income trusts, certain fixed income investments, emerging market stocks, commodities etc.).

## Intangible benefits of working with me...

- Outstanding service level and financial advice. And I enhance my greater than 20 years of experience with continual education.
- Trust.
- Investment portfolios are not created via tips, emotion or newspaper clippings. Portfolios are constructed through a disciplined and unemotional process (the Strategic Asset Allocation being the core) and continual research. And a crucial function of the financial advisor is to protect investors from themselves. One of the greatest costs in investing is the emotional implications involved in investment decisions – we have all heard the term “buy low, sell high” – well, studies have proven the average investor does the exact opposite (due to emotional exhaustion). A properly devised and detached investment portfolio takes into account many factors, the least of which is an investor’s personal cash flow, debt, tax and estate situation versus their risk profile, objectives and investing environment.
- A detached, objective conscience; a counselor who provides context, who helps you develop reasonable expectations and the counselor who helps you keep your emotions in check when your emotions can lead to bad financial decisions. There are many examples of this over the years – the “technology stock mania”, “Bre-X”, Asian financial crisis, and many instances where enormous opportunity costs would be incurred (i.e. the client is “out of the market” without good reason).
- I tirelessly conduct research to ensure a proper asset allocation (and re-balance this asset allocation) to ensure your portfolio reflects current and future opportunities.

The importance of Asset Allocation cannot be stressed enough, and may be one of the greatest determinants of wealth. The simplistic statement that an investor can bypass “active management” and advisors and simply invest in an ETF for relatively nothing is exactly that – simplistic. Let’s take a very real example:

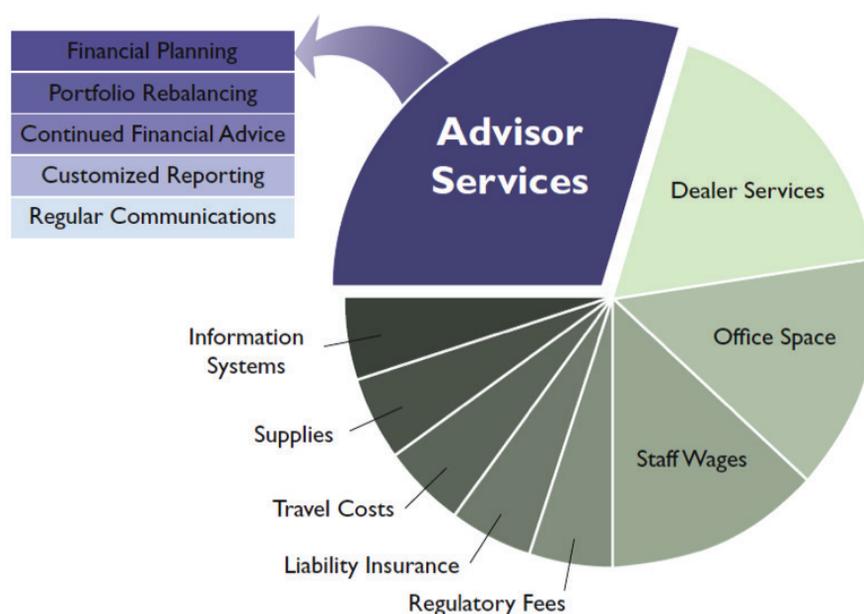
Having observed that the US stock market enjoyed positive returns in the 1990’s (past performance is not indicative of future performance they say!) an investor bought the S&P 500 index (ETF). On January 3<sup>rd</sup>, 2000 the S&P 500 (an ETF would track the index) closed at 1455 points. **Ten years** later on January 4<sup>th</sup>, 2010 the S&P 500 closed at 1132 points, representing a loss of 20.5% in simple terms.

If one had invested in an ETF representing the S&P 500 and paid no fees to a financial advisor they would have lost 20.5%. On the other hand, a proactively, professionally managed diversified portfolio can maximize returns and minimize risk.

*As your Financial Advisor I do the following:*

- Map and execute a professional financial plan encompassing all areas of wealth management particular to your circumstances
- Provide professional, objective, ongoing advice encompassing all areas of financial planning (i.e. cash and debt management, investing, tax, estate, etc.)
- Review, revise and readjust your plan throughout its lifecycle

The following table highlights just some of the costs of running my advisory practice:



**Dealer services:** Every qualified Financial Advisor must utilize an Investment Dealer (IPC Securities Corporation) in order to operate an advisory practice. And the costs entailed include (but are not limited to) research costs, trading costs, trust & custodial services, tax reporting, transaction reporting, operational platform costs, compliance, technical support, technology, HST, etc.

Not everyone can be Warren Buffett...not everyone can have the expertise, the emotional discipline, the time to devote to excellent wealth management. In the end value must be determined tangibly and intangibly. Let's talk...

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