## Loblaw to buy Shoppers Drug Mart

Loblaw Cos. Ltd., Canada's largest food retailer, said it will buy Shoppers Drug Mart Corp. for $12.4 billion. The offer of $61.54 in cash and stock represents a premium of 27% to Shoppers Drug Mart's Friday closing on the Toronto Stock Exchange.

# Don't crowd financial eggs in one basket

**BARBARA STEWART**
Special to 24hrs


Crowdfunding can mean raising small amounts of money from hundreds or even thousands of small investors, rather than the more traditional route of getting a large sum from one or two investors. FOTOLIA

Jonathan Medved, CEO of Israeli start-up OurCrowd, spoke to about 300 people in Toronto last week on the topic of crowdfunding. That term describes the collective effort of individuals who network and pool their money, usually via the Internet, to support efforts initiated by other people or organizations.

It is a brilliant concept and can be used to support great causes, such as disaster relief, scientific research and inventions development. Most people are familiar with crowdfunding portals like Indiegogo and Kickstarter, where investors get a non-monetary return, like a producer credit or a copy of a new computer game.

But crowdfunding can also mean raising small amounts of money from hundreds or even thousands of small investors, rather than the more traditional route of getting $500,000 from one or two angel investors or venture capitalists. This concept is exciting for those who want to participate in start-up companies, but have not been able to come up with the minimum level of investment required, usually $150,000 or more per investment. Imagine owning seed shares in the next Facebook.

A company like OurCrowd does the work of researching and selecting the best ideas, posts them on the website and then leaves it to the potential investors to decide which of the deals they want to participate in. But it's only for accredited investors (there are various tests, but in Canada one rule is more than $1 million in assets, not counting your house).

The process is simple — you can go to their website, verify that you are an accredited investor using the definitions of your own country (every country is different), search for promising business ventures, click a button, and invest $10,000 or more to help support your preferred idea. You feel part of the project and you are helping to build a company that may one day have real value. You are immediately connected to investors from around the world — all united by being involved in the same start-up.

Regulators in Canada and the U.S. are looking at changing the laws around equity crowdfunding for those who aren't accredited investors, but that hasn't happened yet.

In my experience, regardless of whether you are an accredited investor or not, the rules of human nature apply. I have met many people who deeply regret making snap investment decisions such as betting their retirement on one stock (!) or liquidating their entire portfolio based on a scary headline. Medved is a leading Israeli venture capitalist and serial entrepreneur. Not only is he one of the most compelling speakers I have seen in more than 20 years in the investment industry, he was also refreshingly honest during the question and answer period. When asked whether an investor should select just one or two companies from the list to start the ball rolling, he responded with a clear "no."

Even for accredited investors, it is critically important to understand that you need to put together a portfolio of five to 10 companies. The reason? Half of the companies are probably not going to make it.

Whether we are talking about crowdfunding or any other type of investing, Medved's advice is wise. Make sure your portfolio is protected against the specific risks related to the companies in which you are invested.

The best protection is good old diversification. Stand apart from the crowd and take care of your own nest egg.

— Barbara Stewart, CFA, is with Cumberland Private Wealth Management Inc. Visit her website at barbarastewart.ca

# Adviser fees currently a hot issue in the investment world

**KIM INGLIS**
Special to QMI Agency

Lately, buzz in the investment world has revolved around trailer fees paid to advisers. This follows a recent roundtable discussion held by the Ontario Securities Commission and the release of a report late last year from the Canadian Securities Administrators deliberating the issue.

Currently, some advisers are compensated by mutual fund companies via trailer fees embedded in management expense ratios. This is typically done in lieu of charging clients a separate fee for investment services and professional advice. For the most part, these advisers do not earn a salary but instead rely on this compensation structure.

Investor advocates argue this practice lacks the transparency investors need to make educated decisions about their portfolios. I believe the argument has merit, although I think the focus is somewhat misdirected and the discussion should be wider than trailer fees.

The key issue isn't whether or not advisers should be paid. Advisers provide a professional service and should be compensated according to the quality of their advice. Simply put, fees are paid in any industry, trade or profession for services rendered. Nobody works for free.

**Nobody works for free**

The focus of the debate should instead be directed toward educating investors and creating an environment where fees are openly discussed and completely disclosed. Investors should be fully apprised of the cost of doing business and they should understand what they are getting in return for the fees. These are important issues, which must be addressed accordingly.

Surveys have shown that many investors are unaware of the fees they pay. The number of investment products has increased, translating into a variety of fees with some embedded in the cost of the product and others charged separately. It's no wonder investors are confused.

To remedy this, investors should have the entire fee structure clarified in detail and provided in writing. When contracting for any kind of service, a customer gets a price — and investing should not be different. Neither should advisers wait for investors to ask before disclosing fees. Costs should be part of the discussion before the investor signs on as a client.

Advisers should fully explain what the fees are paying for. What services can the investors expect in return? Is the fee associated purely with the cost of the investment transaction or will other services be included, such as financial planning? All too often fees are an afterthought that is only discussed when an issue arises. This needs to change. Advisers must take a more active role in the fee education process.

No matter what the industry, there is always a cost of doing business. However, in the investment world, a change is needed and that change is transparency. Investors must fully understand their costs so they can be confident in their investments and can make informed decisions. Without that openness, the industry will remain mired in distrust and there will forever be a disconnect between adviser and client.

— Kim Inglis, CIM, PFP, FCSI, AIFP is an Investment Adviser and Portfolio Manager. She can be contacted via reynoldsinglis.ca. The views in this column are solely those of the author.