Portfolio *Confidential*

Barbara Stewart

We've used the same wealth management company for decades, but the advisors have changed over the years due to retirement and illness. The fellow who had advised us for the longest gradually convinced us to put more and more funds into Russell Multi-Asset Income Strategy SR B (303). The Management Expense Ratio (MER) on this fund is 2.16% and the funds now represent 65% of our total assets! He was a persuasive guy, but now we feel foolish to have listened to him.

My non-registered account currently has about 58% in Multi-Asset Income Strategy, 14% BNS Tiered Investment Savings Account A NL (600), 9% RBC Global Dividend Growth Fund (565), 8% RBC Bond Fund Series A NL (270), 7% RBC U.S. Mid-Cap Growth Equity Fund (336), and 4% Brookfield Renewable Power Pref EQ INC FLT RT PFD CL A S2. The most recent/new broker managing our accounts does not have a lot of experience. For my non-registered account, she is suggesting she put together a portfolio of 70% Canadian stocks so I get dividends, and 30% in a bond mutual fund. What do you think? I do not need income at this point, and our time horizon for investing is long, considering that our estate will eventually be passed on to our kids.

Yikes! I'll be blunt—this is outrageous. The fund that represents 65% of your total assets is not only expensive, but it also has an average annual return from inception (2004) of 3.2% placing it firmly in the fourth quartile. The fourth quartile for a Canadian mutual fund denotes the poorest performance within its specific category of peer funds over a given period. Quartile rankings are used to compare the performance of a fund against all other funds in the same category.

Adding fuel to the fire, all your other equity funds have MERs of over 2% and your bond fund has an MER of over 1% which is highway robbery for a bond fund. This portfolio doesn't make any sense to me —why are each of these funds there? Why are there such wildly different percentage weightings in each? Did anyone attempt to explain each selection and the role it played in your long-term plan? I understand your reluctance to continue dealing with this wealth management company, and I don't recommend moving forward with the new broker's (probably random) "strategy." You should consult with your tax advisor before making any changes, as this is a taxable account, but otherwise, I would liquidate these holdings. From there, I encourage you to either interview a few properly qualified advisors or consider managing your own portfolio using low-fee Exchange-Traded Funds (ETFs). If you or any other readers need help finding trustworthy advisors, I am happy to help, but you could easily build your own ETF-based portfolio of dividend stocks and some fixed income exposure…if that's what you really want?

I want to gift $100,000 to both of my 18-year-old twin sons for investment purposes, but I'm worried that they don't have enough knowledge to make sound choices. What do you suggest I do? I worry, given their age, they might be influenced by online advice from social media and other influencers, some of whom seem pretty suspect.

I just heard about a free course offered by McGill: McGill Personal Finance Essentials https://www.mcgillpersonalfinance.com/. The eight core modules include personal finance, budgeting, saving, understanding debt, the future value of money, the art of investing, retirement planning, real estate, behavioural finance, responsible investing and cryptocurrencies. The reader who told me about this course made sure that her daughter passed all modules before she gave her money to invest. What a great idea! I suggest you do the same.

Another excellent free resource for financial education is Financial Basics: https://www.canada.ca/en/financial-consumer-agency/services/financial-basics/financial-basics-workshop.html. This course was developed by the Financial Consumer Agency of Canada and the Ontario Securities Commission, in collaboration with author and journalist Ellen Roseman, whom I happen to know, and think she's great!

In an era where TikTok is a major player in the world of financial advice, knowledge is the best revenge. And regulations are becoming more important than ever.

According to Rhodri Preece, CFA, Senior Head of Research at CFA Institute, "People should be wary of financial advice offered via online communities—there is a need to scrutinize the purported investment performance and look for disclosures such as financial, employment and personal relationships with a brand." In an analysis by the CFA Institute, only 20% of online content containing recommendations included any form of disclosure.

Regulators around the world have begun to issue guidance to both finfluencers and their followers. A recent Financial Times article discussed South Korea's new regulations that require all retail investors to watch a training video before they invest in risky investment products such as leveraged or inverse ETFs. Brokerages will automatically block trades from those who can't provide the certification number for completion of the training.

Apparently, South Korean amateur investors are known for their aggressive trading strategies and high-risk tolerance. Anyone investing in derivative products overseas has to do a three-hour mock training session. As per the FT, "…this follows a record surge of Korean money into U.S. equities, up more than 50% this year to a record $161B at the end of November, according to the Korea Securities Depository."

I am 71 and hold a joint non-registered investment account with my husband. We both have kids from our previous marriages. The account size is $500K, and half of that was funded by my inheritance. My Will states that the inheritance funds of $250K go to my children. Am I set up properly?

Shaun Doody, a Tax and Wills/Estates Lawyer with Fogler Rubinoff, kindly offered his advice on this important topic:

"If the woman's account is joint with her husband, then the whole thing will go to her husband on her death, regardless of what her Will says. This is because joint property passes to the surviving joint owner directly on death, not through the estate of the first to die; because it doesn't pass through their estate, it's not affected by whatever the Will might say.

It's possible that there can be supplemental documents that could affect this (for example if the wife and husband signed a separate document stipulating that, although the account is held jointly, and will therefore pass to the survivor of the two of them on the death of the first, the survivor of the two of them will actually be treated as if they were holding such amount (or maybe a portion of such amount) in trust for the estate of the first to die; if this were the case, that amount held in trust would pass pursuant to the Will of the first to die).

I'm assuming that this is not the case in this situation, or the reader presumably would have mentioned it. If they want assets to pass under their Wills, I would suggest that they separate the account so that they each hold their own share in their own account that's just in their name."

Do you have questions about your own investment portfolio?

Consider calling The Rich Thinking® Financial Advice Hotline. This will be a win-win: you get a free 30-minute confidential Zoom chat offering an independent, unbiased perspective on your financial situation with no sales pitch! In exchange. I get to use the anonymized data that will come from these conversations to make my Rich Thinking research even better.

Email me to book your Zoom discussion:
barbara@barbarastewart.ca