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Barbara Stewart Page 6

TOP DIVIDEND YIELDS FOR U.S. COMPANIES PAGE 33

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Portfolio *Confidential*

Barbara Stewart

Real world confidential portfolio discussions:

I've recently graduated from university and have a new job with a salary, benefits and pension. After consulting with a friend who works at a bank, I have set up an automatic payroll deduction plan to save $1,000 per month. Half of this amount is being invested in a mutual fund "TD Comfort Growth Portfolio" as a conservative longer term investment strategy and the other half is going into a safe mutual fund "TD Monthly Income" to save for upcoming furniture and moving expenses. Can you please take a look at these funds to make sure I am on the right track?

I don't like being the bearer of bad news but the "TD Comfort Growth Portfolio" is probably not the best option for you. Google the factsheet and pay close attention to all of the details. There is an expense ratio of 2.13% - this means that if the fund goes up by 10% you make just under eight per cent because you are paying an exorbitant fee for being in this fund. To maximize your return potential, it is wise to keep fees to a minimum and there are plenty of ways to accomplish this.

I will be blunt: the word "Comfort" is a marketing term to attract unsuspecting investors into a "fund of funds" – the most expensive product in the investment industry. Bank salespeople are incentivised to sell these products but they are often the worst way to invest. On top of this, they will charge you a two per cent redemption fee to get out of it. My recommendation is to pay that fee and get out as soon as possible, stop the bleeding, and move into a low fee ETF such as VUS.TO - Vanguard US Total Market Index ETF (CAD-hedged). Their expense ratio is only 0.16% and the five year compound annual performance return is 15.5%. The five year return for the "Comfort" fund of funds is 6.1%. (As at May 31st).

I don't love the "TD Monthly Income" fund either – once again, check out the fact sheet. The majority of the underlying investments in this fund are in stocks so this isn't a very conservative option if you are looking at it as a savings account. The fee isn't as high at 1.43% but this is still high! It has also been a below-average performer. I don't think there is a fee to get out of this one. Given your short term objective, I would keep the money in a high interest savings account as you are planning to use this money for future furniture purchases, etc. You won't generate much income, but there is also much lower risk from a drop in equity markets.

I am a 30-year-old professional makeup artist currently living with my parents. I now have an opportunity to share an apartment with a friend and I would very much like to move out! Unfortunately, up until this point I've never paid much attention to my finances but I now feel ready to take control of my life. Could you please review my situation and let me know what you think? And can you please recommend a budgeting tool?

There's more to this article -- if you want to find out how it ends, you need to become a Canadian Money Saver subscriber. Use my code RICHB for a 20% discount on a one year print or on-line subscription at:

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