

BIG BOX, BOUTIQUE, . . . OR THE CORNER STORE?

An editorial

Long predicted is that Canada has space for only two classes of financial advisor: those employed by the banks, and those employed by the truly wealthy.

Financial advisors who cater to the majority are pressured to upscale, or to leave the business. Some stock brokers have been ordered to assign their small accounts (those holding less than \$100,000) to call centres. Some mutual fund representatives have received letters from their dealers advising them to grow big quickly -- or to ship their accounts to those who will.

Traditional practice among mutual fund dealers and life insurers provides a better rate of commission to the big players, rewarding them for dealing with a wealthier clientèle. Those dealing with commoners receive less. Now, in a new twist, comes "negative commissions" -- where the representative is charged for the privilege of representing a mutual fund dealer.

As of June, one dealer will be charging its representatives \$7500 annually -- but will rebate this new fee to its high end representatives, those already receiving a heftier commission cut.

The smaller representatives are in serious trouble. Not supersales fund floggers, they maintain mutual funds on the investment shelf to fulfil their clients' needs. No other dealer is willing to take them on. It's back to "grow big . . . or leave the business."

Those who cater to smaller markets, such as the Discovery Islands, are thoroughly challenged. The mutual fund is the Canadian investment vehicle of choice. Unless one can find a responsible and ethical alternative, the small market advisor must continue to provide the product to his or her clients. And pay the dealer for the privilege. Losing income on every transaction.

The future, as always, is in the hands of the consumer. The High Net Worth White Guys with Big Toys have already spoken. They prefer the suits. And the farther away the suit, the more cachet. ("My suit in Toronto trumps your suit in Courtenay.")

But the majority islander, what do they prefer? Which do **you** prefer? An independent financial advisor? Or humongous bank?

You vote with your investment dollar.

