

FRONT END LOAD



“Most entrepreneurs live and breathe their businesses and it’s very difficult to strip one part away from the other.”

LORI VOOYS, RICHARDSON PARTNERS
FINANCIAL LIMITED, CALGARY

READ
IT
THIS
ISSUE

SHE’S

GOT IT : page 14

REGULATION NATION

JUMPING THE FENCE

AS soon as they’re trained, they leave for greener pastures.

So said reports from audits of the Investment Dealers Association released last month by Canada’s provincial securities regulators. While much more complimentary than a June audit released by the Alberta Securities Commission, the reports still highlighted core areas in which the regulatory body needs to improve—particularly in the area of staffing and resources.

The provinces noted staff turnover was a problem for IDA, and said sales compliance officers tended to be lured away to jobs at member firms. That staff instability led to delays in the issuing of

SPOUSAL TRUST

FOR richer for poorer; in sickness and in health; in “do I take the job or not?”

According to a recent study developed by staffing service company Accountemps, nearly half of respondents (46%) looking for a job change will first turn to their significant others for advice. The poll results indicate a 4% climb from 2002.

Additional responses from among the 150 U.S. senior executives who participated in the study show that mentors follow close behind spouses in the go-for-job-advice category.

For example, 41% surveyed said they would con-

sult their mentors first, an increase of 13% from 2002.

“The advice of mentors, colleagues and other confidants helps when weighing the pros and cons of a career transition, but a job change has personal and family implications,” says Max Messmer, chairman of Accountemps and author of *Job Hunting for Dummies* (2nd edition, John Wiley & Sons, inc.).

“A spouse or significant other is not only familiar with a partner’s overall priorities and motivators, but also has a stake in the outcome of his or her career decisions.” —Heidi Staseson

STATS

Advice Ally

	2007	2002
Spouse or significant other	46%	42%
Mentor	41%	28%
Co-worker	4%	13%
Other family member	4%	5%
Friend	3%	11%
Someone else	2%	1%
	100%	100%

Source: Robert Half, Accountemps, 2008

reviews, and completion of scheduled reviews by the sales compliance staff, according to the reports.

For example, in its submission the Ontario Securities Commission noted 81% and 79% of sales reports issued in 2004 and 2005 respectively came within 15 weeks of the completion of fieldwork by IDA staff. But from January 1, 2006 through August 31 of that year, only 33% of reports were issued within the 15-week timeframe.

In response to the reports, IDA says it’s working hard to retain staff. The actual audits by the provincial commissions were conducted during the fall of 2006.

—Philip Porado

DON'T DO THAT

Clients invested in Franklin Templeton's corporate class funds recently learned just why these types of funds are referred to as tax-efficient—as opposed to tax-proof. On January 10, Franklin Templeton sprung a surprise distribution on its corporate class investors, leaving some with an

unforeseen tax-bill. Many advisors are understandably mad, but this is one case of non-disclosure designed to protect investors rather than mislead them, explained Franklin Templeton's chief financial officer, Dennis Tew. Fund companies find investors in corporate class funds will pull their money out if they know a distribution is coming, leaving those who stay in with an overly large tax bill. Explains Tew: The incentive to keep them in isn't there, in the corporate class world, "because they can switch [the money] between classes tax-free." —Mark Noble

NIT PIX

BOOK: *The J Curve: A New Way to Understand Why Nations Rise and Fall*, by Ian Bremmer
Review by Steven Lamb



With North American and European economies expected to stagnate in 2008, investors may be tempted to look to the emerging markets to boost their returns. But in addition to the usual investment risks, many emerging economies also offer political risk. In *The J Curve* author Ian Bremmer, president of the Eurasia Group, explains the relationship between stability and the openness of a society.

Political stability has a huge impact on financial markets, far more than the economy itself. When rebels seize control of oil facilities in the Niger Delta, for example, markets in the U.S. will fall, demonstrating the importance of understanding political risk in the global economy.

Bremmer explains as societies become more open—to foreign nationals, investment, and political discussion—stability inevitably rises, but not in a straight line. Closed-off societies also tend to be quite stable—even more so in extreme examples where the regime quashes any threats. So as a society initially opens up, stability decreases dramatically, creating the lower section of the “J” in the curve.

RETIREMENT ROUNDUP INCOME OPTIONS

FIDELITY Investments Canada is one-upping current industry withdrawal products by launching the country's first major mutual-fund-based retirement income product. With boomers racing toward the career finish line, the insurance industry has been devoting its resources to developing investment portfolios that provide retirement incomes with the ability to grow assets quickly enough to mitigate the risks of clients outliving their money.

Compared to traditional retirement products such as bonds and fixed-income mutual funds, other current dominating products can be relatively expensive to buy and liquidate. Launched in mid-January, Fidelity's Income Replacement Portfolios are a cheaper and more flexible way for investors to create retirement income and investment growth.

The offering consists of a flexible suite of 11 portfolios with investment horizons ranging from 10 to 30 years. Currently, the horizon dates last from 2017 to 2037. Based on the time horizon, Fidelity sets an annual target payout that increases proportionately to the net asset value of the portfolio each year to account for inflation. The money that's not withdrawn continues to be allocated to a number of exist-

ing Fidelity funds. The company assures investors maintain full access to their capital and can turn payments on and off in accordance with changing income needs.

Darren Farkas, vice-president of Fidelity product solutions, says that for the 30-year time horizon, the asset allocation looks like a standard balanced fund, with 60% allocated to equities and 40% in fixed income. As the investment matures, it becomes more conservative so that by the final year, only 3% of the portfolio is allocated toward equities. The product rolled out on U.S. markets last fall and has since chalked up strong sales.

Says Farkas: "We are excited that we can bring this new product solution to Canadian investors so quickly ... We are offering another alternative to investors and advisors."

He suggests considering the portfolios as a retirement income alternative to cover discretionary spending—about 20% of a retiree's expenses. And he expects the MERs on the portfolios to vary, ranging from 2.10% to 2.30% based on the equity exposure within the portfolios—about 75 to 100 basis points lower than the GMWB products.

"Ten or 15 years down the road, you may have unexpected expenses for things like healthcare. You need access to a portion of your retirement savings and a full income. These portfolios certainly give you full access throughout."

—Mark Noble

BE THERE

February 19, 7th Annual Canadian

Credit Derivatives & CDO Symposium, "The Global Credit Squeeze, the Canadian ABCP Market and CDOs" and "Time to Re-evaluate," Metro Toronto Convention Centre (North), Toronto, www.insightinfo.com.