

LETTERS

(RE: Rebundling Passive Performance by Norm Rothery, June 2008, AER)

I have two comments: "Bravo" and "you may be missing the point."

Let me commend you for raising this point. Even though my firm uses index funds for a portion of our client portfolios, I too have always been bothered by the omission of adding the advisor compensation to an index fund before comparing their performance to actively managed funds. In the future, it would be nice to see a real world S&P Index Versus Active Funds Scorecard with an amount included for the advisor fees and trading cost.

My second point has to do with the comment on the com-

petitive costs of professional advice. One of the advantages to the fee model is that you now have the ability to set your own fee level based on the value and level of service you bring to the client. Some advisors will choose to offer a high-level service and charge more than the competition. Also, taking on a new client, no matter how small the size of the assets, requires a minimum amount of work. Before my firm adopted a tiered fee-based pricing strategy (similar to the one described) we found that we were being underpaid for smaller clients and potentially overpaid for larger ones. The point being that pricing strategies should focus primarily on the value and service, secondly the ideal client you want to target, and lastly price competition.

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(RE: IFB Summit: Prepare For Tax Changes by Romana King, June 2008, AER)

I would like to take issue with Peter Wouter's assertion that the TFSA is simply a "tax-deferred investment vehicle." He states that funds withdrawn from a TFSA are subject to tax. In fact, this is not a tax deferral vehicle but a "tax-free" investment vehicle. The growth of the funds inside the TFSA are completely free of tax upon withdrawal regardless of the amount of growth.

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If you have any questions, comments or compliments, please contact **AER** through email, phone, fax or postal mail.

PERCENT OF ACTIVE FUNDS OUTPERFORMING INDEX: Q1 2008

Category	Comparison Index	Last Quarter	Year To Date	One Year	Three Years	Five Years
Canadian Equity	S&P/TSX Composite Index Total Return	8.20	8.20	14.49	8.42	4.13
Canadian Equity	S&P/TSX Capped Composite Index Total Return	8.20	8.20	14.49	8.42	4.13
Cdn Small/Mid Cap Equity	S&P/TSX Completion Index Total Return	24.07	24.07	43.86	n/a	n/a
Cdn Dividend & Income Equity	S&P/TSX Canadian Dividend Aristocrats Index Total Return	100	100	92.59	3.12	0
U.S. Equity	S&P 500 Total Return Index C\$	35.63	35.63	37.36	13.42	10.34
International Equity	S&P/Citigroup World PMI Index Total Return C\$	31.82	31.82	18.18	16.95	13.12
Global Equity	S&P/Citigroup World PMI Index Total Return C\$	41.38	41.38	48.78	19.36	11.93
Cdn Focused Equity	50% S&P/TSX Composite Index TR + 25% S&P 500 Index TR C\$ + 25% S&P/Citigroup EPAC PMI Index TR C\$	46.32	46.32	51.58	35.63	43.04