



The Rising Popularity of Fee for Service Accounts

Overview:

Many Advisors are converting to Fee for Service as it gives them increased *control* over their business. Fee for Service allows Advisors to charge a pre-arranged fee for producing a financial plan. The fee can be hourly, flat or a percentage based on the size of the assets. The Advisor has *flexibility* over what they want to charge—*minimizing any conflict-of-interest* and allowing them to *focus on the client's best interest*. In this type of arrangement, the Advisor is seen more as a consultant than a salesperson, where the relationship with the client is *long term, relationship-oriented* and *value-driven*.

Comparison between the Traditional Commission Model and the Fee for Service Platform:

Traditional Commission Model:

- Advisor gets paid by selling a product. Gives advice away for free.
- If the Advisor does not sell something, they are not compensated.
- If client/prospect does not act on the Advisor's advice, there is no compensation.
- Purely a transaction based compensation.
- The Advisor-client relationship may be viewed as short term, transaction-oriented, and measured on assets under management.

Fee for Service Platform:

- Advisor gets paid for giving advice, while giving the product away for free.
- Effectively, the Advisor's advice is their 'product'.
- Prospect perceives value in a "financial plan" and is motivated to take action.
- Not a transaction based compensation.
- Eliminates the perceived conflict of interest.
- The Advisor-client relationship is typically seen as being long term, relationship-oriented, measured on clients under management, and Advisor is viewed as a consultant.

Advantages to the Fee for Service Platform:

- **Perceived as more professional.** For example, lawyers and accountants charge a fee; real estate agents and car salespeople charge a commission. As the compensation is tied to the engagement, it is tied to the work involved with each client.
- **Conflict-of-interest is minimized.** In a Fee for Service environment, the Advisor can solely focus on the client's goals, provide ongoing advice, and not worry about making a sale in order to compensate for work and time. The client, on the other hand, can feel a little bit more confident that their financial plan is drawn up from an honest professional opinion, uninfluenced by the motivation to sell a product.
- **Existing clients may be more profitable for the Advisor.** In a fee practice, there is recurring revenue stream from existing clients.
- **Advisor is in control of the compensation.** In a fee practice, the Advisor decides on the amount to charge.
- **Offers clients more transparency.** The MFDA and IIROC have long been advocating for transparency in advisor/broker compensation and there already seems to be a movement towards this direction. Proposed *National Policy 33-103* details the "Fair Dealing Model" and /or "Registration Reform" paper(s), which talked about 3rd party compensation and full disclosure of fees. A shift to Fee for Service inherently helps to deal with these issues.



Make Your Transition to Fee for Service at Canadian Western Trust!

Demonstrating our continued commitment to the Independent Financial Advisor, Canadian Western Trust (“CWT”) offers the most cost effective Fee for Service solution in the industry

Key Benefits:

- ✓ A set annual trustee fee regardless of asset size.
- ✓ Adoption of best practices suggested by provincial security regulators.
- ✓ Dealer compliant friendly.
- ✓ Opportunity to sell F-Class Mutual Funds
- ✓ Easy to establish new accounts or upgrade existing CWT accounts to the Fee for Service Platform
- ✓ Customizable advisor fee for your client accounts
- ✓ Flexible payment options

In addition to our already established SDRSP/RIF account, advisors will enjoy:

- ✓ Nominee platform allows Advisors to own their book of business.
- ✓ Consolidated reporting of all assets held in the accounts, including publicly-traded securities and GICs.
- ✓ 24/7 online access to accounts on CWeb.
- ✓ Non-competitive platform, CWT is not a product manufacturer!

How to open an account?

1. Complete a Canadian Western Trust (“CWT”) account application form and a CWT application Rider for Fee for Service arrangement.
2. New accounts require the CWT Account Application and Fee for Service Rider to be completed in its entirety and signed by the advisor and their client. Management Fee Schedule and redemption forms are required.
3. Existing accounts can be upgraded to a Fee for Service Account by fully completing the Fee for Service Rider and submitting this along with the Management Fee Schedule and redemption forms.

Fee:

- ✓ A flat annual trustee fee of \$200.00, regardless of asset size.
- ✓ Non-Fee for Service Accounts can be linked to a primary Fee for Service Account and enjoy reduced pricing.
- ✓ F-Class mutual fund orders can be placed electronically over FundSERV at no cost.

How can we help?

For more information or forms please call 1-800-663-1124
Forms can also be accessed from CWeb via www.cwt.ca

Important Info:

- *It is the responsibility of the dealer and the advisor to operate this account in accordance with all provincial and federal laws and regulations.*
- *Trailer commission and other compensation relating to an asset held within a plan may arise from time to time. Advisors and their dealers are responsible for determining eligible assets and fees earned and/or charged within an account.*
- *The CWT Fee Collection Service Agreement outlines the responsibilities of the dealer and the advisor. The dealer is responsible for ensuring eligible status of an investment within an account.*
- *Collection of the advisor fee is the responsibility of CWT and is paid to the dealer on a monthly basis.*