Question
SERVING WHISTLER AND PEMBERTON

YOUR MONEY

APRIL 30, 2009

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Whose advice is best for you?

In 2008 the TSX dropped an astounding 4,939 points. With more than a 35% drop in wealth, investors faced the dilemma of what to do with their portfolios in order to recoup losses. It has led many to try new strategies and, in the search for new ways to rebuild their portfolios, many have decided to act alone.

They've become disillusioned with the investment industry and feel they were caught off guard in 2008. Perhaps they didn't hear from their advisor often enough; were unhappy with advice; or were simply tired of paying fees. Whatever the reason, many have gone to the discount brokerage industry, which has opened a record number of new accounts.

I recently met with one such investor. He'd been working with another advisor but was so disappointed with the quality of advice that he pulled his portfolio and decided to fly solo. Investing quickly became his full time job and, where he was once enjoying his retirement, he was instead burdened with the task of monitoring his investments and sifting through some rather misleading information.

In his quest for knowledge, he read articles on various websites and subscribed to a number of newsletter writers. Unfortunately, many of these sources are obscure day traders whose intentions appear to be more about accumulating subscription fees than providing valuable or correct information.

As a result of being influenced by these subscription sites, this man's entire investing outlook changed. A once conservative investor, he ventured into very risky territory, investing in untested futures strategies and various venture situations. And he saw his portfolio drop further.

Using a discount brokerage is analogous to any do-it-yourself undertaking; some people have the aptitude, skills and knowledge while others do not. The key question to consider is whether it's the right move for you, and it's important to examine all aspects of the issue.

For sophisticated investors with the time and energy required to manage their portfolios, a discount brokerage might make sense. These individuals are knowledgeable, confident in their skills, and able to separate the wheat from the chaff in analyzing data. They know their comfort zone of risk and have the discipline to stay within it. They have sufficient computer savvy to set up complicated spreadsheets for monitoring and reporting on their investments, including those with compounding interest. Discount brokerages are not all the same and these knowledgeable investors are better able to assess the choices.

The full service model suits other sophisticated investors who just don't have time to manage their portfolios. Their time is money better spent elsewhere. Time is just as important for investors who prefer to spend it in activities that enhance their quality of life. Both groups want the freedom of personal guidance accompanied by professional research, analysis and reporting. They also want those things that discount houses cut, in order to offer lower fees, but which directly affect financial health - tax and estate planning, education funding, insurance for personal and business goals, and new issue opportunities.

Deciding to change the way you invest should receive the same scrutiny as an investment purchase. Whatever you decide, it must be the right move. If you are unhappy with your current situation, I encourage you to voice your dissatisfaction with your advisor before acting… and be clear. Ask for a strategy; request a portfolio review; and demand transparency. In these markets, it's important to remain updated and know where you stand.

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