

Investment Counsel Firms

To fully appreciate the benefits of an Investment Counsel Firm one must consider the present realities of being a financial advisor. Most spend their time trying to communicate with clients to receive confirmation to execute a trade for which they are compensated. With hundreds of households to serve they dedicate their most time and energy to larger accounts where it is more advantageous and profitable. Each account is dealt with on a case by case basis which is both time consuming and inefficient but for which all their licensing allows. Over time, it is entirely reasonable to expect that hundreds of different clients have different products in their accounts making it even more difficult to manage. A push towards mutual funds eases the burden somewhat but they can be costly. Good advisors may provide a whole range of services like financial planning but burn-out is common. Everyone needs the occasional vacation leading to the question, "who is managing my money?"

So, what is an investment counsel firm? Once reserved for only the wealthy, access to investment counsel firms have become more commonplace in recent years.

At minimum, one requires obtaining a Portfolio Manager designation or similar and the granting of a license from the BC Securities Commission with all related initial requirements of experience, capital, insurance and ongoing regulatory compliance.

Potential advantages of this structure to an investor may include increased freedom, transparency, lower fees and potential tax advantages.

Unlike a traditional account where each individual transaction must be confirmed with a client, investment counsel firms have discretion to execute trades within the objectives of the account. This frees the client from day-to-day participation in investment decisions and its' related stresses.

Safeguarding of a client's assets is held with a firm known as a Custodian which also provides monthly statements, tax receipts and any and all cash requirements.

The management firms are required at minimum to provide Quarterly Reports detailing all securities held, transactions and performance relative to applicable benchmarks. Some firms provide additional services like financial and tax planning while most partner with financial planners, accountants and lawyers.

These firms work on a fee for service basis usually as a percentage of assets under administration. Consideration is made for the type of investments held and price point breaks reward those with greater capital invested. This arrangement avoids retail commissionable activity and eliminates the question of inherent conflicts of interest.

Unlike a mutual fund, securities are mostly individually owned providing transparency and more flexibility for year-end tax planning. The fees also tend to be lower than those associated with a mutual fund and compare favourably to a stock and bond portfolio with limited turnover.

A significant benefit for some is that CRA rules allow a taxpayer to deduct all fees paid for advice in the buying or selling of a specific security from income. What this means is that management fees charged by investment counsel firms are tax deductible for non-registered accounts.

This structure is best suited to those with more capital to invest. Regional firms may consider accounts of \$200,000 or more although some in larger centers will demand much higher minimums. Each firm will have a different approach so it is best to interview several before making a commitment.

With future returns likely to be constrained by economic growth one way an investor can improve their overall returns is by seeking the most cost-effective and tax efficient strategy for their needs.

I presently maintain relationships with 2 investment counsel firms and I'd be happy to discuss whether they may make sense for you. In most cases, I can partner with them providing all of the ancillary services like financial planning, client communication and working with your tax and legal advisors from within the fees they would normally charge you if you went directly to them. This also allows an ongoing and objective discussion of the structure and performance of your accounts.

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