

Management Expense Ratios explained

THE MER - IS THIS NEW?

The Management Expense Ratio, or MER, is a fee charged on mutual funds for the costs associated with running the fund. It's not a new fee. In fact, the MER has applied to mutual funds since they were introduced in the 1980s.

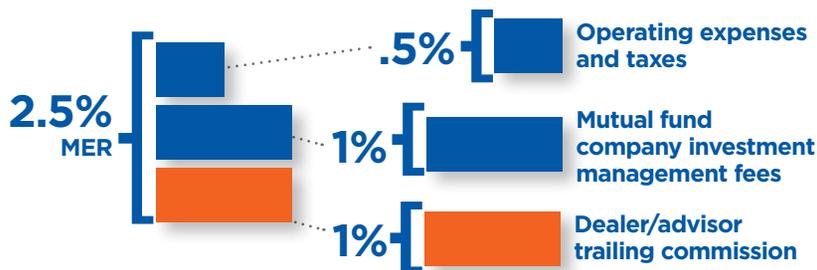
Recent changes in mutual fund regulations, designed to ensure that investors are clear on the fees they are being charged have brought the MER into focus. The MER now appears on all mutual fund statements, so investors can see what they're paying.

HOW MUCH DO I PAY?

The mutual fund MER can range from about .5% to 4% depending on the type. Actively managed equity funds, for example, are more expensive to run than bond funds or passive investments like ETFs, but they have the potential to offer higher returns.

WHERE DOES THE MONEY GO?

Looking at an example of a mutual fund with a 2.5% annual MER, you'll see that the fee is allocated between two parties: the mutual fund company that manufactures the fund and the mutual fund dealer who distributes it. The dealer in turn compensates the advisor who recommended the fund.



Hypothetical example.

.5% Operating expenses and taxes

Fee component	Mutual fund company
Operating expenses The cost of day-to-day management of the fund	<ul style="list-style-type: none"> • Reporting and administration • Fund valuation and trustee services • Safekeeping and custodial services • Registrar and transfer agency • Regulatory document production, mailing and filing • Annual and semi-annual fund preparation and production • Accounting, legal, compliance and audit services
Sales tax Each fund must pay HST on the Management Fee and Operating Expenses of the fund	<ul style="list-style-type: none"> • Administration and remittance of tax

1% Mutual fund company investment management fees

Fee component	Mutual fund company
Investment management fees Pays for the professional managers involved in making effective investment decisions	<ul style="list-style-type: none"> • Product development • Investment research • Investment selection • Tactical asset allocation and diversification • Risk management • Currency management • Tax optimization • Ongoing investment monitoring

1% [] Dealer/advisor trailing commission

Fee component	Dealer/advisor
Dealer services The cost of managing and administering an advisory firm	<ul style="list-style-type: none"> • Advisor hiring, management and administration • Advisor licensing dues • Advisor support • Compliance • Business insurance • Investment Policy Statements • Client statements and reports • Advisor compensation
Advisor services The cost of providing financial advice to investors plus the advisor's cost of running their business.	<ul style="list-style-type: none"> • Wealth planning <ul style="list-style-type: none"> – Personalized financial planning – Cash management – Retirement planning – Insurance planning – Trust and estate planning • Client goal assessment • Risk tolerance evaluation • Understand financial needs • Professional, objective financial advice • Keep clients on track • Continual portfolio review and rebalancing • Tax-efficiency advice • Ongoing research and education • Advisor office overhead, e.g. rent, hydro, office equipment, staff, etc.

HOW DO I PAY FOR THE MER?

The MER is calculated once a year based on the net assets of the fund. Fees are accrued daily and paid monthly. The investor does not pay the MER directly. The mutual fund company deducts the fees from the fund.



Hypothetical example.

HOW WILL I KNOW WHAT THE MER IS FOR MY FUND?

Feel free to ask your advisor. They can tell you everything you should know about MERs. Alternatively, fund MERs can be found on mutual fund company websites, the fund prospectus and Fund Facts sheets.

For more information, please contact your financial advisor.