
The Price of Advice:

Discuss your fees with Data-Based Evidence that Puts a Value on
your Services

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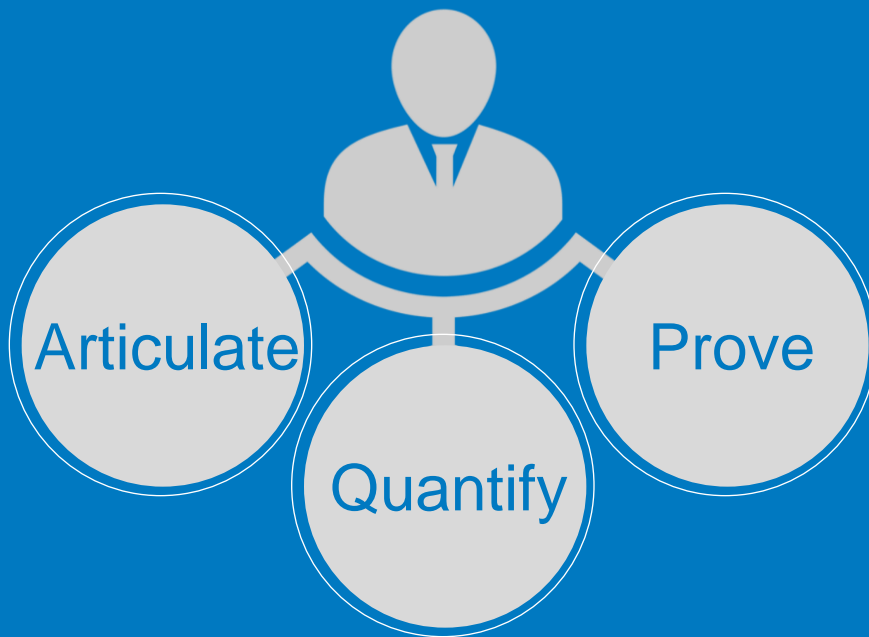
CRM-2 makes fee conversations more important than ever

- Media says fees in Canada are too high
- New disclosure rules will require more fee transparency
- Provides an opportunity to clearly explain and prove your value

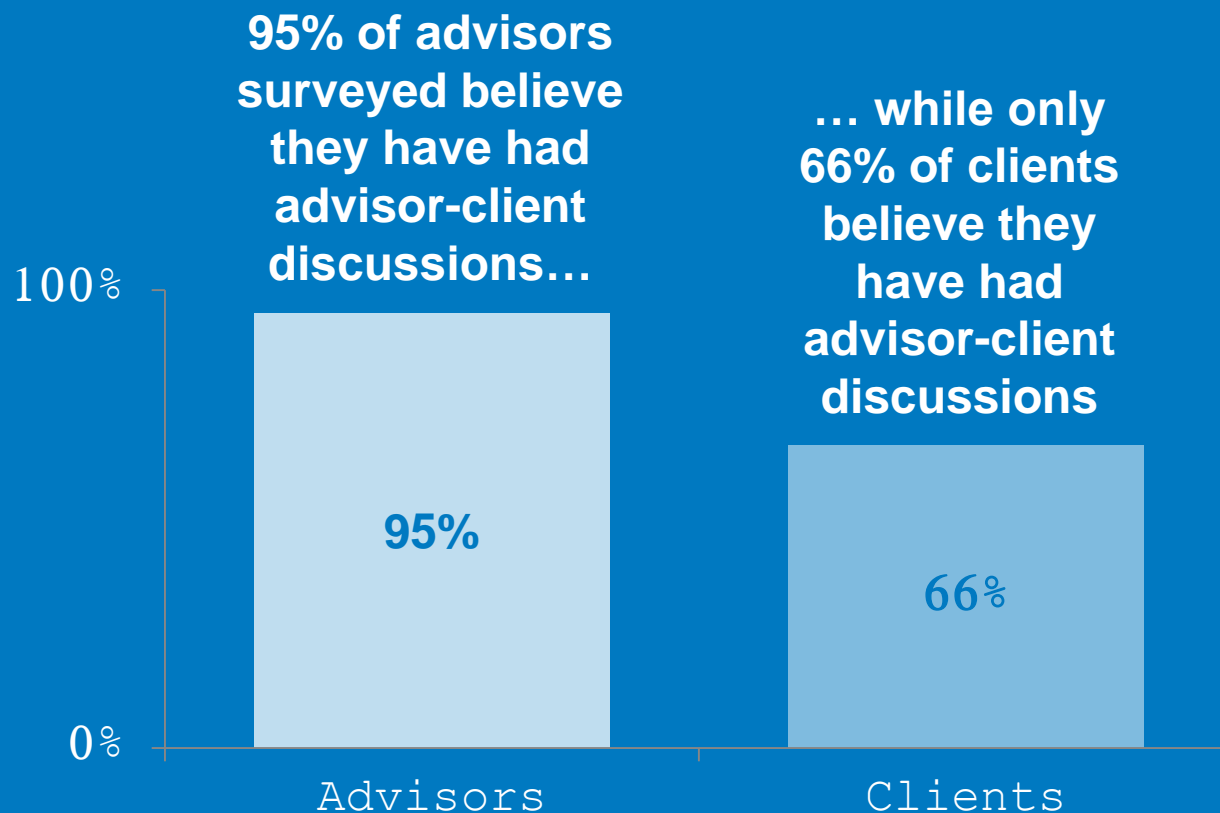


Agenda: The spotlight is on fees ... and your value

- Articulate your value in a way clients understand
- Quantify your value
- Prove that your value is worth the fees you have earned
- Have positive fee discussions with clients (we'll provide some tips)



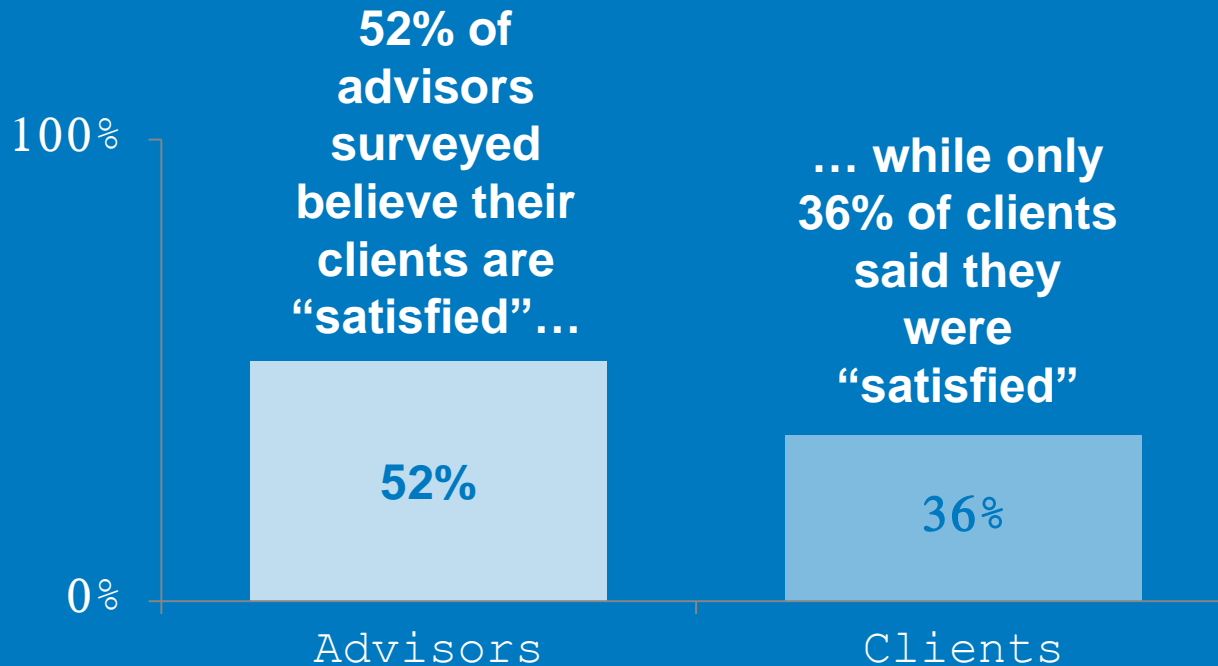
Do advisors hold fee discussions with clients?



Perception is reality; clients see things differently

Source: The Wharton School of the University of Pennsylvania, "Bridging the Trust Divide: Advisor Best Practices for Communicating Value and Discussing Fees," 2007.

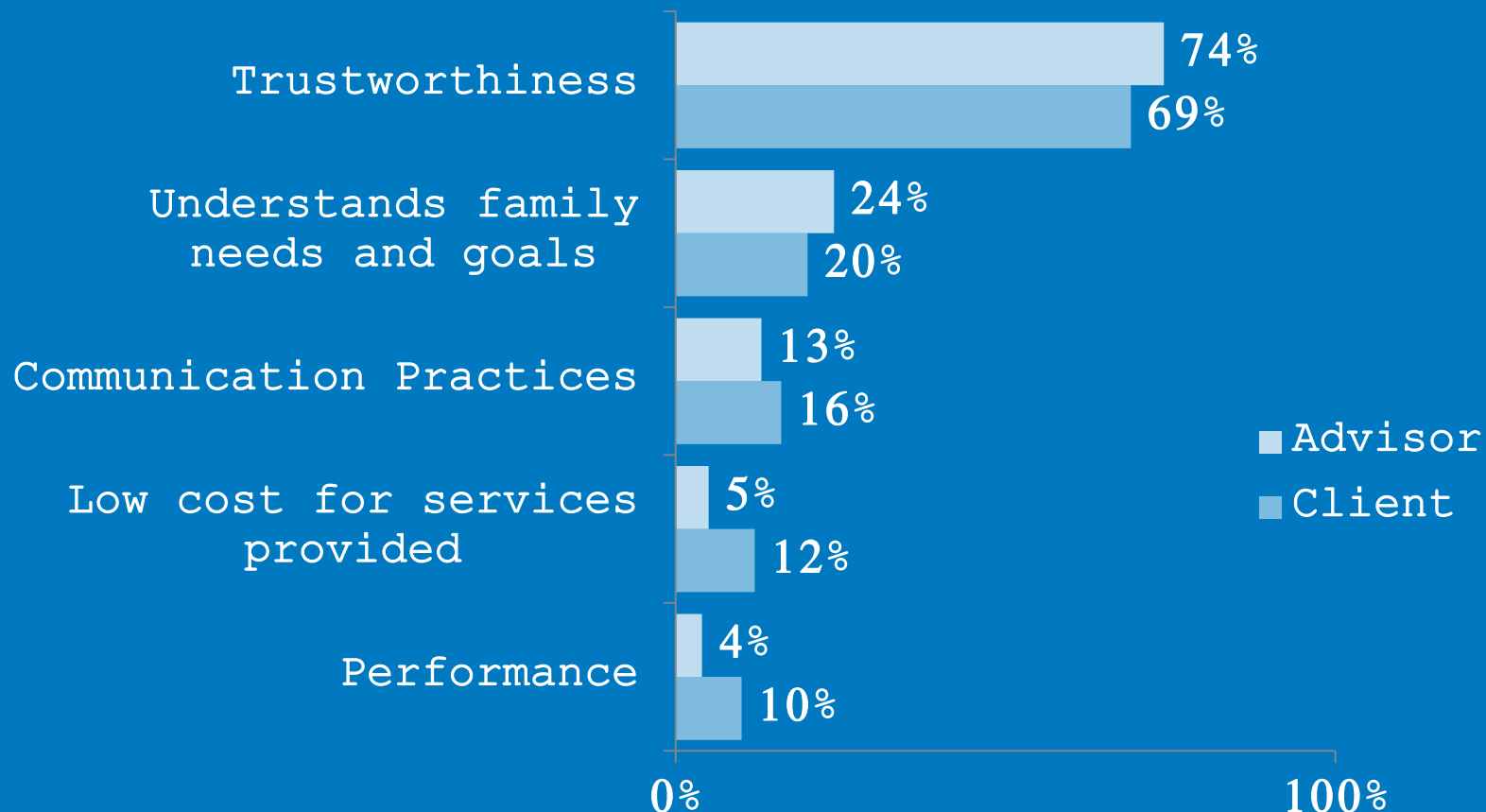
Are clients satisfied with the value they get from their advisor?



Explain your value clearly to close this gap

Source: The Wharton School of the University of Pennsylvania, "Bridging the Trust Divide: Advisor Best Practices for Communicating Value and Discussing Fees," 2007.

Most important characteristics of a financial advisor



Source: The Wharton School of the University of Pennsylvania, "Bridging the Trust Divide: Advisor Best Practices for Communicating Value and Discussing Fees," 2007.

Since the spotlight is on you, we'll look at how to ...

- Have clear, productive fee conversations
- Assign specific values to your services based on what you believe is fair, not on what competitors are doing
- Prove that you earn the fees you charge
- Enhance your confidence when speaking about fees



How do clients see your worth?

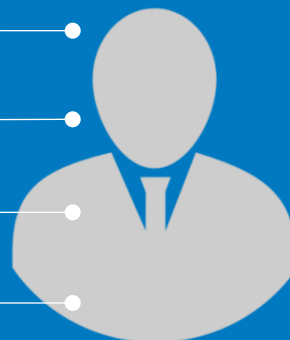
Are you worth **\$15,000** an hour?

Services that advisors provide

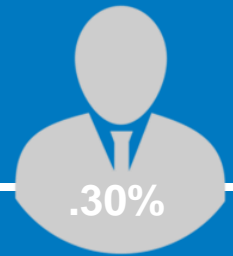
Advice	Wealth Management	Referrals	Discipline	Education
Meetings	Estate Planning	Tax Planning	Goal Setting	Risk Management
Insurance Consulting	Retirement Savings	Educational Savings	Tracking	Research

Measurable contributors to your value

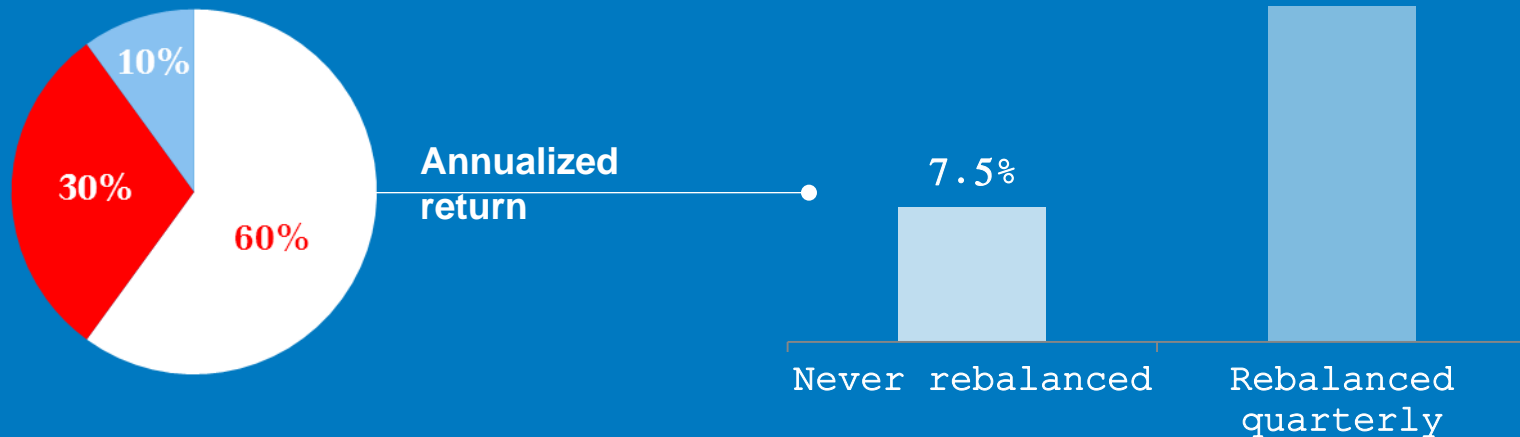
- Portfolio rebalancing
- Financial planning
- Behavioural coaching
- Efficient drawdown of capital



The value of rebalancing (0.30%)



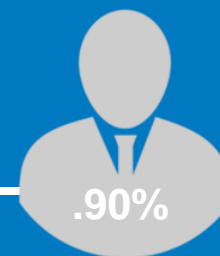
- Enhanced returns and mitigating risk:
 - **6%** larger profit (or **0.30%**)
 - Rebalancing would reduce portfolio volatility quite dramatically, providing a **19%** improvement in the portfolio's reward/risk ratio
 - Example: a portfolio comprising 60% stocks, 30% bonds and 10% commodities from January 1, 1992 to August 31, 2013



Source: BMO Global Asset Management using data from Morningstar
Direct Benchmarks: S&P 500 Index, Bank of America Merrill Lynch US Treasury Current 5 Year, Morningstar Global Commodity Index

Jan. 1, 1992 – Aug. 31, 2013

Key aspects of financial planning (0.60%)



- Wealth management
- Estate and trust planning
- General tax planning
 - Example of how to save on tax

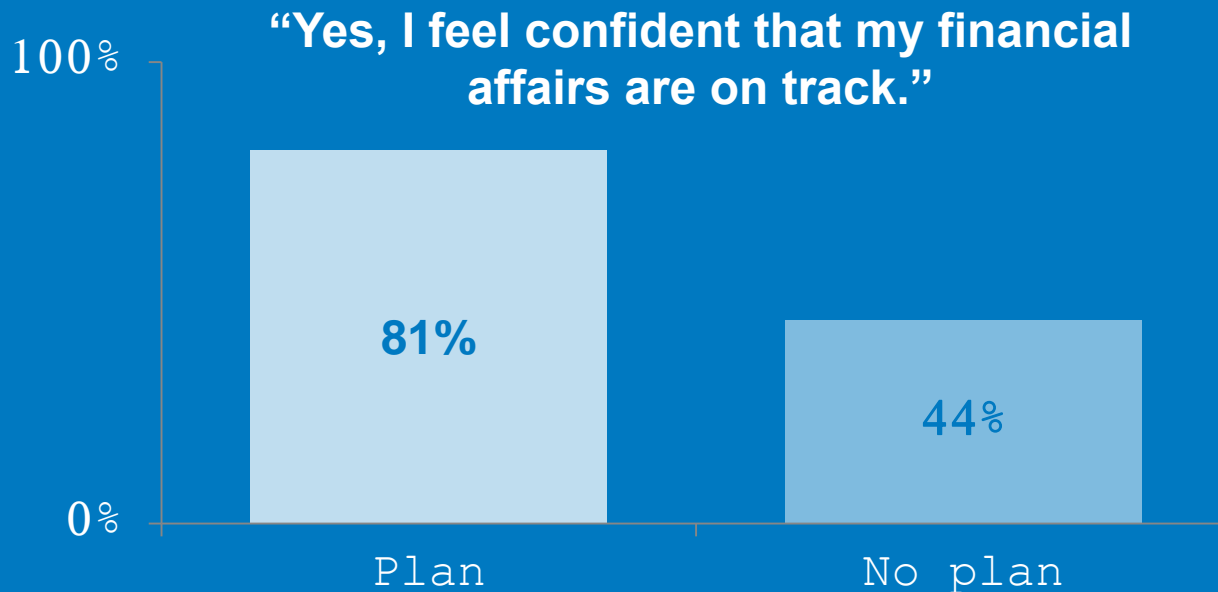
	ZAG	ZDB
Weighted Average Coupon	3.84%	2.29%
Weighted Average Yield to Maturity	2.20%	2.10%

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Sources: For the 0.60% figure: Brad Jung, "Value of an advisor is still more than 1%," Helping Advisors Blog, Russell Investments, Feb. 25, 2014.
For the ETF tax example: BMO Global Asset Management, as at December 31, 2014.

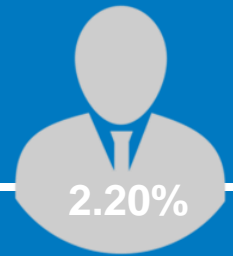
The benefits of financial planning

- Clients are much more confident when they have a plan
- Plans can be adapted to reflect changing circumstances/goals
- Specialists can be called on to provide expert help



Source: Financial Planning Standards Council survey, 2013

Key aspects of behavioural coaching (1.30%)

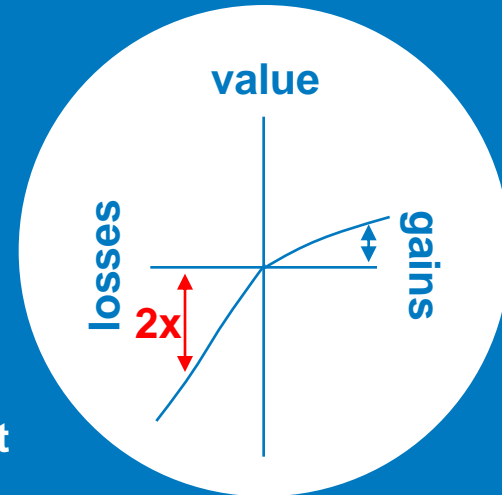


- Creates investing/saving discipline
- Helps clients take a methodical, sensible approach to their money
- Prevents irrational behaviour like anchoring, herd mentality, market timing, etc.
- Helps mitigate portfolio risk by staying true to a long-term plan

Source: Professor Dichev, Emory University, cited in *Wall Street Journal*
"Intelligent Investor" column, May 9, 2014

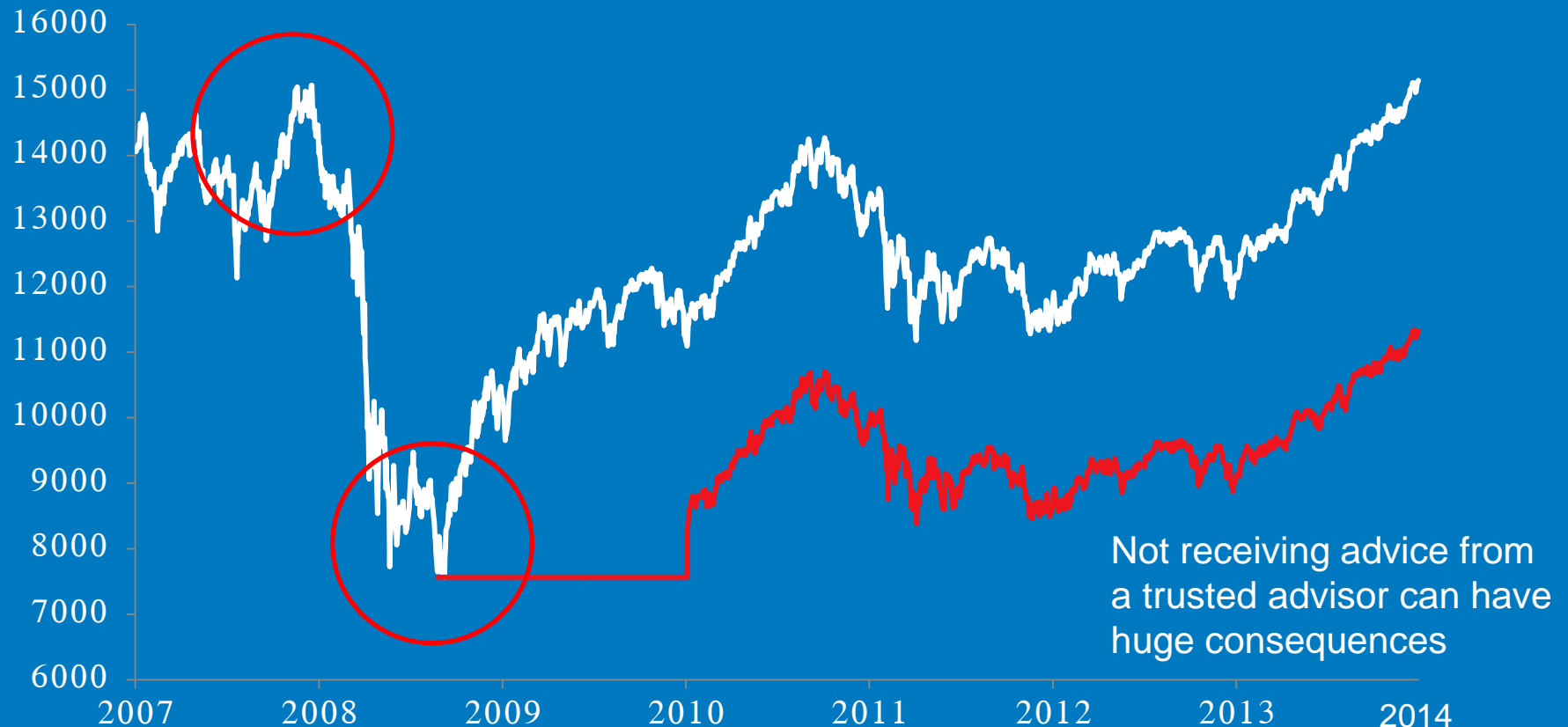
Staying invested: Behavioural coaching in action

Loss aversion theory vs. market cycle



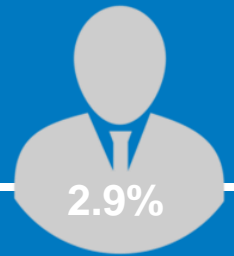
Staying invested: Behavioural coaching in action

Historical performance of S&P/TSX Composite Index (expressed in points)



Source: TMX Group, December 2014

Effective drawdown of capital (0.70%)



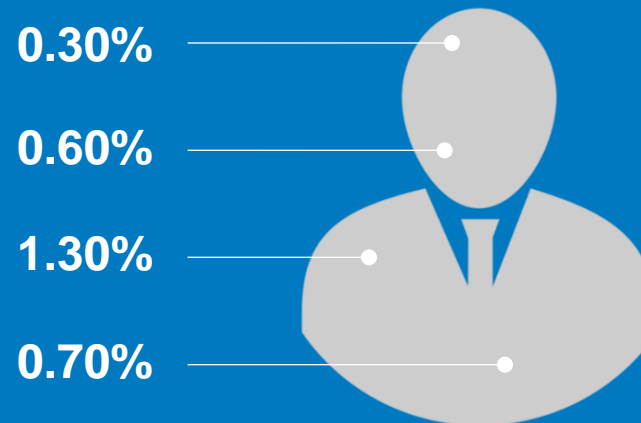
- Withdrawing capital from appropriate accounts
- Keeping distributions to the minimum from the various accounts
- Making withdrawals in the right order

Source: Putting a value on your value, Vanguard Group Inc., March 2014

The value you bring is immense!

Additional Value (not quantifiable)

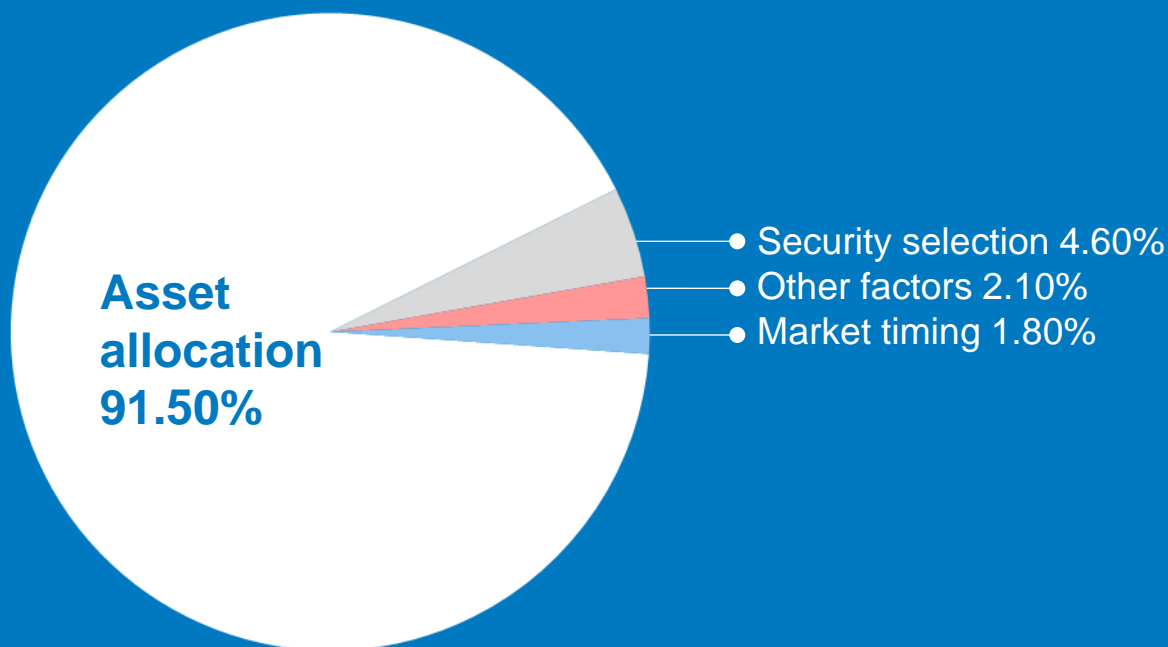
- Managing financial plan
- Sifting through securities
- First class dealership
- Enhancing quality of life
- Asset allocation
- Saving time and effort



Total Quantifiable Value: 2.90%

Asset allocation is the key

- Asset allocation explained over 90% of the variation in a portfolio's quarterly returns
- ETFs provide a new tool to develop this asset mix



Source: Brinson, Hood and Beebower, "Determinants of Portfolio Performance," 1986.

Product selection starts here

- Doing the heavy lifting for your clients
 - Create, monitor and revise a custom financial plan
 - Sift through universe of mutual funds, ETFs and stocks
 - Save clients time, effort and stress



Sources: TMX Group Inc., Morningstar Research Inc., and Bloomberg as of December 2014.

Tips for your fee discussion

- Use % or actual \$ instead of basis points (bps)
- Don't be defensive or apologetic – you should be paid for good value
- Let clients choose from a detailed range of services and fees
- Keep focus on menu of services
- Don't hold fee discussions based on performance
- Routinely inventory the services you provide
- Document everything on paper for future reference

Tips on how to have a discussion if fees are increasing

- Do not approach it defensively or begin with an apology – be direct and position it in relation to the industry
- Only 15% to 20% of clients will likely challenge you on fees – save these conversations for later so you can build some confidence first
- Provide/create documentation that shows clients how your services have expanded over time, to justify a fee increase

Your services at a glance

Advice	Wealth Management	Referrals	Discipline	Education
Meetings	Estate Planning	Tax Planning	Goal Setting	Risk Management
Insurance Consulting	Retirement Savings	Educational Savings	Tracking	Research

What we can do for you

**Comprehensive &
Innovative Product Range**

**Practice
Management
Resources**



**Unbiased
Expertise**

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