The Truth About Investment Fees Is Becoming Clearer

Managing Your Money

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I can't tell you how many times over the years a prospective client has sat across from me and confidently said, "I don't pay any investment fees." Some investors genuinely believed they weren't paying fees on their investments simply because they never saw a charge directly leaving their account. Unfortunately, in most cases this was not the case.

Of course, when you stop and think about it logically, the idea of "free investing" doesn't really make sense. Rarely is anything truly free in life. Banks, investment firms, and fund companies all have operating expenses like technology systems, regulatory and reporting requirements, research teams, trading platforms, administrative staff, office space, compliance departments, and more. Advisors who spend years building expertise and who guide clients through investing, retirement planning, tax strategies, estate considerations, and market volatility also need to be compensated for their time and knowledge. The real issue was never whether fees existed, because they almost always did, but rather how visible and understandable those fees were to the average investor.

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For decades, many investment fees were embedded within investment products rather than charged separately and visibly. If an investor owned a mutual fund, for example, the management costs were often deducted internally from the fund itself. The investor didn't receive an invoice or see a withdrawal from their account, so it was easy to assume there was little or no cost involved. In some cases, those fees were reasonable and appropriate for the service provided. In others, they were surprisingly high.

That lack of visibility created confusion for investors and, at times, an uneven playing field among advisors. This is one of the reasons the Canadian securities industry has been moving toward greater transparency through recent regulatory changes, like Total Cost Reporting (TCR).

Beginning in 2027, investors will begin receiving enhanced annual reports showing a clearer, dollar-based breakdown of many of the costs associated with the investments they owned during the previous year. Importantly, these are not new fees being charged. The costs already existed. What is changing is the transparency around them. The goal of Total Cost Reporting is to help investors better understand the true cost of investing and make more informed financial decisions.

At first glance, hearing more about fees may sound negative or alarming to investors. In reality, however, TCR is largely a positive development. Transparency builds trust.

Many advisors have always been highly transparent about fees and costs, even before regulators required expanded reporting. Others operated in environments where costs were less visible or more difficult for clients to fully understand. TCR helps create a more level playing field by standardizing disclosure and making investment costs easier to compare across firms and products. That consistency benefits both investors and ethical advisors.

Every investment has costs associated with it. The key is understanding what those costs are, why they exist, and whether the value received justifies them. For example, passive investments such as many index ETFs are typically designed to track a market index rather than attempt to outperform it. Because there are generally less research, trading, and active decision-making involved, these products often have lower fees.

Actively managed investments, on the other hand, involve professional portfolio managers, analysts, risk management teams, research departments, and ongoing market oversight. Those additional resources naturally increase costs.

Neither approach is inherently "good" or "bad." Each may play an important role depending on an investor's goals, risk tolerance, tax situation, and long-term financial plan.

The same principle applies across different asset classes. Managing a government bond portfolio differs significantly from managing global equities, private equity, alternative investments, hedge strategies, or real estate-focused investments. As product complexity increases, costs often increase as well. Higher fees do not automatically mean an investment is inappropriate or overpriced.

The context of the fees matters as well. What investors should focus on is value. Are the investments aligned with their objectives? Is risk being managed

appropriately? Is the portfolio diversified? Are they receiving retirement planning, estate planning, tax planning, insurance guidance, cash flow analysis, behavioral coaching during volatile markets, and ongoing strategic advice? Investment management is only one component of the advisor relationship.

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Research and industry studies consistently show that clients value trust, communication, guidance, and peace of mind — particularly during uncertain markets. Many investors are not simply looking for the cheapest product. They are looking for confidence, clarity, partnership, and a financial strategy that helps them achieve their long-term goals. Most people understand that professional expertise has value. We pay lawyers, accountants, architects, and consultants for their knowledge and guidance. Financial advice is no different.

When investors clearly understand costs, they are empowered to ask better questions: What am I paying for? What services are included? How does this compare to alternatives? Is this strategy appropriate for me? Those are healthy conversations to have.

Ultimately, Total Cost Reporting represents another step toward a more transparent, investor-focused industry, one where investors have a clearer understanding of what they own, what they're paying, and the value they receive in return. And that's a positive step for everyone. Visit our Useful Tools page for more information on the new Total Cost Reporting (TCR). https://ephtimiosmacneil.com/useful-tools

Note: For more tips and insights on managing your wealth, follow me on my Facebook page **Ephtimios MacNeil Wealth**.

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