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# Letters to the Editor: Argument is nothing but bluster

***Neil Gross's column completely ignores any of the advantages of trailing commissions — and they do exist***

By Greg Archibald | February 25, 2016 15:40

**RE: *Science-denying tactics will do the mutual fund industry no good***, by Neil Gross, Inside Track, www.investmentexecutive.com, February 22, 2016

When I see arguments of this nature, which run along the lines of, "We're right because we're better than you and because you don't know what you're doing and we do," I generally just turn off the switch.

There was nothing but bluster in this column to support the argument, leaving it about as substantial as a bag of wind. It also completely ignores any of the advantages of trailing commissions — and they do exist. These include:

> 1. The financial advisor currently gets paid an industry standard rate in most cases, providing a standard cost for smaller/newer accounts for clients who may otherwise not have access to a financial planner or may end being charged higher prices.

> 2. Advisors already have the ability to reduce both commissions and trailers with many mutual fund companies when it's warranted. As examples, Mackenzie Financial Corp. allows this; and, recently, Fidelity Investments ULC has added this ability as well.

> 3. The advisor's trailer "pay" varies directly with his or her performance. If a client's investments go up in value, I get paid higher trailer fees. If a client's investments go down in value, I get paid less. There is a clear motivation for me to try to outperform and to avoid undue risk to my clients' investments, which can affect us both adversely.

> 4. This is a big one: Clients are going to pay some form of trailer or annual management fee regardless. An advisor is not going to work for nothing. Doing away with trailer fees doesn't do away with the fee, it just shifts the fee somewhere else, and that may quite possibly end up being a larger fee, too.

> 5. If a client is referred to me, the referring person can be confident that his or her friend or relative will be charged a "fair," standard price.

Any decent advisor — and that means about 95% of us — is going to do the best he or she can for their clients' particular needs to retain their business. Changing the industry to try — probably unsuccessfully — to account for perhaps 5% of advisors who make poor efforts is liable to almost certainly create massive upheaval in the industry and achieve very little net gain in terms of fairness. Fairness is already there a great deal of the time.

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