



## PRESS RELEASE

### MAJORITY OF CANADIAN FINANCIAL ADVISORS SEE SHIFT TO FEE-BASED BUSINESS MODEL: VANGUARD REPORT

#### **Advisors say moving to fee-based business has had a positive impact on client trust and revenue growth**

TORONTO (November 14, 2016) — An overwhelming majority of Canadian financial advisors (98%) see a shift towards a fee-based rather than commissioned-based practice, according to a survey report from Vanguard Canada. In fact, among advisors who have made the transition, 86% said it had a positive impact on client trust with a majority indicating it had a positive impact on revenue growth (77%), asset growth (73%) and client satisfaction (72%).

“We are in the midst of a period of great change in the financial advice sector, driven partly by the second phase of the Client Relationship Model (CRM2) reforms requiring advisors to provide greater transparency on investment cost and compensation,” said Jason McIntyre, head of distribution for Vanguard Investments Canada Inc. “But this also presents an opportunity for advisors to discuss the value and benefit they provide to clients, including offering more relationship-oriented guidance rather than trying to outperform the market.”

#### **Transitioning to a fee-based business model**

*Following a New Path*, a new survey report from Vanguard Canada, explores several practical approaches to transitioning a fee-based business model, based on in-depth interviews with financial advisors across Canada who have made the change. Many advisors indicated that this transition is an opportunity to define their value to clients along with building deeper trust.

“Financial advice is one of the fundamental values in putting investors on the path to success, but it’s incumbent on the advisor to articulate and demonstrate that value to clients, particularly within a fee-based model,” added McIntyre. “While many advisors are considering a shift to fee-based, not knowing where to start can be a big barrier. Our intent with this report is to remove that barrier and provide a clear path forward.”

## Client retention and increasing assets top of mind for advisors

When asked what defines a successful practice for advisors, client retention (31%) and increasing assets (27%) were the top two measures. The number one best practice observed by financial advisors was shifting to a fee-based compensation structure, based on increased value and trust. Over eight-in-ten advisors (83%) said a fee-based model was better for their practice, compared with commissioned-based.

Among financial advisors who have made the move to a fee-based model, 39% indicated their entire business is fee-based and 32% say they plan to be entirely fee-based over the next few years.

Vanguard Advisor's Alpha program for financial advisors emphasizes certain holistic wealth management services such as behavioural coaching, goal-setting and helping clients maintain investment discipline amid volatile markets – while utilizing simplified top-down portfolio construction and a low-cost approach.

The report identifies 12 common motivations spurring advisors to transition to a fee-based business:

• Belief in transparency for clients	• Consistent income stream for advisor
• Focus on relationship building	• Reduced client and business risk
• Alignment of advisor and client interests	• Ability to deliver an institutional-level offer
• Reduced cost for clients	• Improved tax efficiency for clients
• Industry trends in this direction	• Less focus on performance, more focus on value to clients
• Greater sustainability of the practice	• Service efficiency

To read Vanguard's summary survey *Upheaval and opportunity*, click on the following link:  
<https://www.vanguardcanada.ca/documents/global-advisor-trends-en.pdf>

## About Vanguard

Vanguard Investments Canada Inc. is a wholly owned indirect subsidiary of The Vanguard Group, Inc. and manages more than CAD 9 billion in assets. The Vanguard Group, Inc. is one of the world's largest investment management companies and a leading provider of company-sponsored retirement plan services. Vanguard manages more than USD 3.8 trillion in global assets, including over USD 500 billion in global ETF assets. Vanguard

has offices in the United States, Canada, Europe, Australia and Asia. The firm offers more than 350 funds, including ETFs, to its more than 20 million investors worldwide.

Vanguard operates under a unique operating structure. Unlike firms that are publicly held or owned by a small group of individuals, The Vanguard Group, Inc. is owned by Vanguard's U.S.-domiciled funds and ETFs. Those funds, in turn, are owned by Vanguard clients. This unique mutual structure aligns Vanguard interests with those of its investors and drives the culture, philosophy, and policies throughout the Vanguard organization worldwide. As a result, Canadian investors benefit from Vanguard's stability and experience, low-cost investing, and client focus. For more information, please visit [vanguardcanada.ca](http://vanguardcanada.ca).

### **About the Vanguard Global Advisor Trends Survey**

The Vanguard Global Advisor Trends Survey was conducted by Ipsos, a leading global research firm. The research was conducted in two parts in 2015 with qualitative interviews conducted by phone and answers to larger quantitative survey questions collected online. Ipsos surveyed 906 financial advisors around the world, including 164 in Canada on behalf of The Vanguard Group, Inc., and Vanguard Investments Canada Inc. Qualitative interviews were conducted from February 3-26, 2015. Online quantitative surveys were conducted from July 16 to September 1, 2015. These survey findings may not be representative of the overall industry. All survey information is as of the date indicated. If surveyed again, respondents may answer differently. Vanguard Investments Canada Inc. has not taken any additional steps to update, verify or interpret survey information. This material contains only selected highlights of the survey and is not the complete survey.

Vanguard Investments Canada Inc. partnered with Toronto-based financial industry consultant Julie Littlechild who, in 2015, conducted in-depth interviews with 50 Canadian advisors, all of whom had completed the transition to a fee-based business. The participants reflect a broad range of experience with respect to when and how quickly that transition was made and all believe strong that the process had a positive and meaningful impact on their business.

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