

# Are All Fees Created Equally?

The fees you pay to purchase, sell or hold an investment will differ depending on the type of security and the terms surrounding its purchase, sale and ongoing maintenance. Since fees reduce the overall return of an investment, it's important to understand why and when a fee is charged, how the fee is calculated and the benefit derived. The following is a summary of the most common types of fees and charges based on the type of investment product.

## Commissions/transaction fees

A commission (or transaction fee) is charged to cover the cost of executing a buy or sell transaction in a commission-based account. Commission is charged at the time of purchase and when the security is sold. Investors must be informed of commission charges prior to executing the trade.

For equities the commission is usually based on the dollar value of the transaction. **Appendix A** details BMO Nesbitt Burns' standard Equity Commission Schedule for transactions in a commission-based account.

For fixed income investments the commission is embedded into the security's purchase/sale price and is generally based on the dollar value of the transaction and the term to maturity of the security. **Appendix B** details BMO Nesbitt Burns' standard Fixed Income Commission Schedule for transactions in a commission-based account.

## Mutual Funds

### Purchases

**Front-end load mutual fund** – A front-end load mutual fund charges a commission at the time of the purchase and is generally calculated as a percentage of the purchase value. Investors must be informed of the commission charge prior to purchasing a front-end fund, and there is usually no charge to sell a fund that's been purchased with a front-end commission.

**Back-end load mutual fund** – There is no upfront fee to purchase a back-end load mutual fund; however, if the fund

is sold within a specified timeframe, the investor must pay a redemption fee to the fund company based on a declining structure, which generally reduces to zero over the course of the schedule. Investors must be informed of the redemption fee schedule specific to the mutual fund prior to purchase. Some back-end funds also allow investors to redeem (or sell) a fixed percentage (e.g., 10%) of their mutual fund holding each year without having to pay a redemption fee to the fund company.

### Management expense ratio

The management expense ratio (MER) represents the annual cost of owning and maintaining a mutual fund investment and includes the management fee, operating expenses, taxes and, for certain mutual funds, performance fees. The MER is calculated as a percentage of the mutual fund's total assets and is deducted from the mutual fund throughout the year by the mutual fund company to cover these costs. The performance of a mutual fund is reported net of the MER (i.e., after the MER has been deducted).

### Trailing commission/trailer

A trailing commission (or trailer) is an ongoing payment made by the mutual fund company to the financial advisor who sold the mutual fund to provide them with payment for the advice and services they provide to the client for the duration of their ownership of the fund. Not all mutual funds pay a trailing commission to the financial advisor. The cost of the trailing commission is included in the management fee and is reflected in the mutual fund's MER.

### Switch fee

Regardless of how the mutual fund is purchased, a switch fee may be charged when an investor transfers from one mutual fund to another within the same family of funds.

### Short-term trading fee

To discourage investors from selling a mutual fund within a short period of time after the purchase date (generally 30 to 90 days), the mutual fund company may charge a short-term trading fee.

### Exchange Traded Funds (ETF)

Like equities, a commission is charged at the time of the purchase and sale of an ETF. The commission is usually based on the dollar value of the transaction and investors must be informed of the commission charge prior to executing the trade.

**Appendix A** details BMO Nesbitt Burns' standard Equity Commission Schedule which also applies to ETF transactions in a commission-based account.

Similar to mutual funds, ETFs are subject to a management expense ratio (MER) and the ETF may pay a trailing commission to the advisor. For more information on MERs and trailing commissions, please see the previous section on Mutual Funds.

### Fee for advice solutions – Managed assets and fee based programs

Investors looking for more transparency in the fees they pay often choose a fee for advice solution for their investment portfolio. Fee for advice programs provide investors with a better understanding of how much they're paying for the investment advice and services they receive. From a tax perspective, investors can generally deduct the annual fee for their non-registered accounts.

BMO Nesbitt Burns offers a comprehensive suite of fee for advice programs that are designed to help investors reach their wealth management objectives – all for a transparent and competitive fee. Based on their situation and preferences with respect to how actively they want to be involved in the investment process, investors are able to select a program and fee schedule that best meets their needs.

### Annual fee

One fee generally covers all costs including portfolio management, trade execution, administration and other wealth management services provided by your BMO Nesbitt Burns Investment Advisor.

The fee is calculated based on the asset value and/or asset classes (i.e., cash, fixed income and equity) of the investments held in your portfolio and is deducted on a monthly or quarterly basis.



Please contact your BMO Nesbitt Burns Investment Advisor if you would like more information about our fee for advice solutions or if you have any questions about the fees and charges associated with your account. Your Investment Advisor can explain all applicable fees and how he/she is compensated for managing your investments.

## Appendix A – BMO Nesbitt Burns Equity Commission Schedule

| Trade Principal From | Trade Principal To | Commission Payable                    |
|----------------------|--------------------|---------------------------------------|
| \$0                  | \$1,749            | Lesser of 10% of TRADE VALUE or \$175 |
| \$1,750              | \$4,999            | \$175                                 |
| \$5,000              | \$7,499            | \$200                                 |
| \$7,500              | \$9,999            | \$250                                 |
| \$10,000             | \$12,499           | \$300                                 |
| \$12,500             | \$14,999           | \$350                                 |
| \$15,000             | \$19,999           | \$400                                 |
| \$20,000             | \$24,999           | \$500                                 |
| \$25,000             | \$34,999           | \$600                                 |
| \$35,000             | \$49,999           | \$800                                 |
| \$50,000             | \$74,999           | \$1,000                               |
| \$75,000             | \$149,999          | \$1,250                               |
| \$150,000            | \$300,000          | \$2,000                               |

## Appendix B – BMO Nesbitt Burns Fixed Income Commission Schedule

| Term        | \$5,000 to \$100,000 | \$100,001 to \$500,000 | \$500,001 to \$1,000,000 | \$1,000,000+    |
|-------------|----------------------|------------------------|--------------------------|-----------------|
| 0-6 Months  | \$0.25 / 51 bps      | \$0.25 / 51 bps        | \$0.15 / 33 bps          | \$0.10 / 22 bps |
| 6-12 Months | \$0.25 / 25 bps      | \$0.25 / 25 bps        | \$0.15 / 15 bps          | \$0.10 / 10 bps |
| 1 Year      | \$0.25 / 25 bps      | \$0.25 / 25 bps        | \$0.15 / 15 bps          | \$0.10 / 10 bps |
| 2 Years     | \$0.50 / 25 bps      | \$0.40 / 20 bps        | \$0.30 / 15 bps          | \$0.20 / 10 bps |
| 3 Years     | \$0.75 / 25 bps      | \$0.60 / 20 bps        | \$0.45 / 15 bps          | \$0.30 / 10 bps |
| 4 Years     | \$1.00 / 25 bps      | \$0.80 / 20 bps        | \$0.60 / 15 bps          | \$0.40 / 10 bps |
| 5 Years     | \$1.25 / 25 bps      | \$1.00 / 20 bps        | \$0.75 / 15 bps          | \$0.50 / 10 bps |
| 6-7 Years   | \$1.375 / 20 bps     | \$1.25 / 18 bps        | \$1.05 / 15 bps          | \$0.70 / 10 bps |
| 8-9 Years   | \$1.375 / 18 bps     | \$1.25 / 17 bps        | \$1.10 / 15 bps          | \$0.80 / 10 bps |
| 10-15 Years | \$1.50 / 13 bps      | \$1.375 / 12 bps       | \$1.20 / 10 bps          | \$1.00 / 8 bps  |
| 16-25 Years | \$1.50 / 7 bps       | \$1.375 / 7 bps        | \$1.25 / 6 bps           | \$1.10 / 5 bps  |
| 26 Years+   | \$1.50 / 6 bps       | \$1.375 / 6 bps        | \$1.25 / 5 bps           | \$1.15 / 5 bps  |

\* Dollar commission stated is per \$100 face value.

\*\* Basis points equivalent represents estimates only and are approximated using similar maturity Government of Canada Bonds based on current market yields (June 2015).

\*\*\* Fixed Income trades are subject to a minimum commission based on the lesser of 10% of TRADE VALUE or \$175.



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