

Simple Investing Handout – 2019

Speaker: John Robertson, author of *The Value of Simple*

Take-home messages:

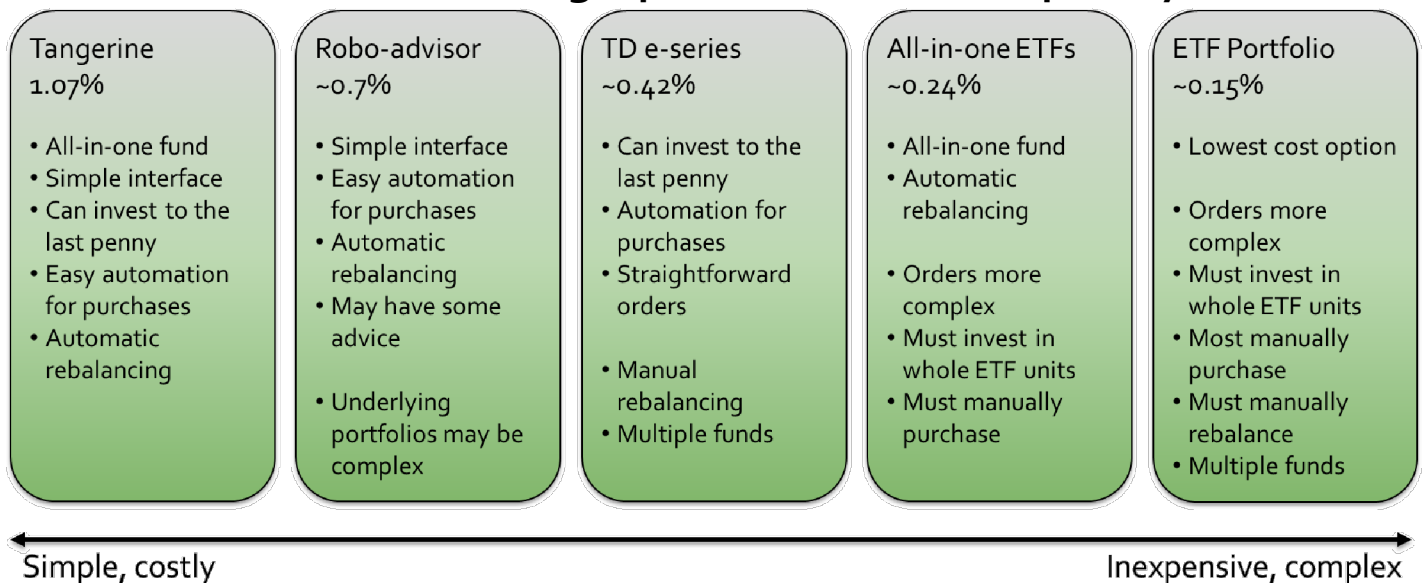
- Fees are important, but consider value-for-money. Some things are worth paying for.
- There's value to simplicity. Create a plan that you will be able to successfully follow for *decades*. Bear in mind that behaviour is very important in investing, and good processes to manage it can be more important than the specifics of what you invest in.
- The implementation of DIY investing can be new and scary, but you *can* learn it.

The Importance of Fees

- Fees compound over time, so that a small-sounding percentage for a year adds up to a large portion of growth over many years (e.g., over 30 years; MERXXX).
- Larry Bates calls this a "T-Rex score", and has a calculator at larrybates.ca/t-rex-score/
- Fees are one of the best predictors of future performance (i.e. not paying them improves your performance) and are one of the few factors known *in advance*.
- But bear in mind the trade-offs: the choices with the lowest fees also generally require more work to implement and maintain.

| Investment | MER | MERXXX (30-year Impact) |
|-------------------------------------|--------|-------------------------|
| [Big FundCo] Canadian Balanced Fund | 2.71% | 56.1% |
| Typical equity fund | 2.4% | 51.8% |
| Steadyhand Founder's Fund | 1.34% | 33.3% |
| Tangerine all-in-one funds | 1.07% | 27.6% |
| Robo-advisor (all-in fee) | ~0.7% | 19.0% |
| TD e-series | ~0.42% | 11.9% |
| Vanguard all-in-one ETF | ~0.24% | 7.0% |
| 4-ETF portfolio | ~0.15% | 4.4% |

Passive Investing Options: Cost vs Complexity



Simple Investing Handout – 2019

Some handy links:

- Reading guide: holypotato.net/?p=1327
- TFSA-RRSP decision guide: holypotato.net/?p=1403
- Financial planning reference sheet: goo.gl/8BfUbX
- Risk assessment questionnaire:
<https://www.vanguardcanada.ca/individual/questionnaire.htm>
- Canadian Couch Potato a long-standing blog from Dan Bortolotti with a popular model portfolio, podcast, and commentary. Lots and lots in the archives on index investing (indeed, many people call it “CCP-style investing”). canadiancouchpotato.com
- Robo-advisor fee comparison calculator: autoinvest.ca
- The MoneySense guide to robo-advisors contains a good section describing the hybrid model, where a planner will help with the plan and a robo-advisor handles the investments to meet it: <https://www.moneysense.ca/save/investing/an-investors-guide-to-robo-advisors-2018/>
- What are normal stock market returns? A good post pointing out that while investing may average some decent single-digit percentage return over the long term, *most years will be outside the “normal” range*:
<https://canadiancouchpotato.com/2012/06/25/what-are-normal-stock-market-returns/>
- As Easy as ACB white paper from PWL, describing how to track cost base and calculate capital gains for taxable (“non-registered”) accounts: <https://www.pwlcapital.com/resources/as-easy-as-acb-understanding-and-tracking-your-adjusted-cost-base-with-etfs/>
- ACB tracking sheet: holypotato.net/?p=1274
- A web-based tool for tracking ACB: <https://www.adjustedcostbase.ca/>
- A whitepaper from Vanguard helping to show why *some* home bias in asset allocation works: <https://www.vanguardcanada.ca/documents/global-equities-advisor.pdf>
- CPP calculator: holypotato.net/?p=1694
- When salespeople try to sell high-fee funds because “all that matters is fees after performance” remember that *in investing, nobody knows you’re a cat*: holypotato.net/?p=1637
- RRSPs hold pre-tax funds, which means part of your investments are “the government’s portion”, this post helps explain that concept and common misunderstanding; michaeljamesonmoney.com/2014/03/debunking-rrsp-myths-with-pictures.html
- The world’s worst market timer story:
<https://awealthofcommonsense.com/2014/02/worlds-worst-market-timer/>
- Directory of fee-only planners: directory.valueofsimple.ca
- This handout: <http://www.valueofsimple.ca/spring-2019-at-the-toronto-public-library/>

More from John:

- Book: *The Value of Simple* valueofsimple.ca
- Blog: holypotato.net
- Course: *Practical Index Investing for Canadians* course.valueofsimple.ca
- *Because Money* podcast: becausmoney.ca