<u>Simple Investing Handout – 2019</u>

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

Tangerine 1.07%

- All-in-one fund
- Simple interface
- Can invest to the last penny
- Easy automation for purchases
- Automatic rebalancing

TD e-series ~0.42%

Robo-advisor

• Simple interface

• Easy automation

for purchases

• Automatic

advice

• Underlying

complex

rebalancing

• May have some

portfolios may be

~0.7%

- Can invest to the last penny
- Automation for purchases
- Straightforward orders
- Manual rebalancing
- Multiple funds

All-in-one ETFs ~0.24%

- All-in-one fund Automatic
- rebalancing
- Orders more complex
- Must invest in whole ETF units
- Must manually purchase

ETF Portfolio ~0.15%

- Lowest cost option
- Orders more complex
- Must invest in whole ETF units
- Must manually purchase
- Must manually rebalance
- Multiple funds

Inexpensive, complex

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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: becausemoney.ca