**Potential change from regulators could spell major setback for Canadians retirement savings: New report**

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Calgary – Securities regulators are debating a change to unbundle adviser fees from financial products. The rationale? If advisers receive different commissions depending on the financial products they convince their clients to purchase, the advisers could face a conflict of interest situation. There is an incentive for them to recommend products that offer them higher commissions and to turn over their sales more frequently — even if the recommendations are not in the best interests of their clients.

A report released today by The School of Public Policy and author Pierre Lortie dispels that rationale and shows that the change will almost certainly have the net effect of keeping the vast majority of Canadians from accessing financial advice. The role of financial advice is pivotal in helping people prepare for retirement. Evidence shows that the average individual’s knowledge of basic financial products and concepts is quite limited.

According to the report “Research has found that turnover is even higher in unbundled fee-for-advice portfolios and that advisers tend to recommend to their clients investments that they, themselves, place in their own portfolio. Nevertheless, one thing arguably more problematic than clients receiving potentially conflicted advice is clients not having access to any advice at all.”

In the U.K., after the decision was made to unbundle fees, the number of financial advisers fell from more than **40,000** in 2011 to just over **31,000**, and has not recovered. Major banks, meanwhile, cancelled their financial advice services for clients that had only modest assets. The opening of investment accounts worth less than 100,000 pounds fell by half. After Australia required fees to be unbundled, there was a similar effect. And there is little to suggest that Canadians would not be left with the same income-related “advice gap” were regulators to require fees unbundled here.

Simply put, many clients are unwilling to pay upfront for unknown results. And any reform that causes investors to separate from their advisers, or to never hire one, would be counterproductive to the public policy goals of helping Canadians better prepare for retirement.

 The paper can be downloaded at <http://www.policyschool.ucalgary.ca/?q=research>

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