



Why I'm Avoiding IGM Financial Inc. Like the Plague

Description

IGM Financial Inc. ([TSX:IGM](#)) is a Canadian financial services company that specializes in the sale of mutual funds with ridiculously high fees. The company currently has over \$144 billion worth of assets under management through its two fund divisions: Mackenzie Funds and Investors Group.

It's no mystery that Canadians pay among the highest mutual fund fees in the world, and this is because of the average Canadian's inability to decipher what the mutual fund management fee actually will cost them in the long run. This is a huge problem, as the average Canadian's lack of financial literacy could cost them their retirement.

Mackenzie Funds and Investors Group offer a wide selection of mutual funds that range from fixed income to global growth. The management expense ratio (MER) on most of these funds are north of 2.5% annually.

This is the cost the investor pays the fund manager for their investment decisions, and although 2.5% may not seem like much, it's actually a ridiculous amount when you consider the fact that this is a fee you pay whether or not the fund makes money.

A large chunk of the profit comes from these hidden fees that investors really don't understand. Securities regulators are proposing a huge change in the way mutual funds are sold across the country.

In the future, we may have a mutual fund sales model that bans hidden fees like MERs. There's clearly a conflict of interest when an advisor offers advice so they can make a commission from the sale of their ridiculously expensive mutual funds.

The Canadian investor has been getting robbed blind, and this will all change once the regulations are in place.

If these regulations are put forward, then you can bet that IGM's top and bottom line will take a huge hit. The company will have to offer direct payment for financial advice over the trailer fees model.

I believe this model will not work out well for IGM Financial because the average Canadian will know

whether or not they can afford to pay an amount up front. If they can't, then they will simply take their business elsewhere and buy an index fund or an ETF, both of which have very low fees.

ETFs continue to rise in popularity among both active and inactive investors. Going forward, there will be a wider selection of low-cost, easy-to-understand ETFs available for Canadians.

Mutual funds are a relic of the past, and IGM Financial is going to get crushed once the average investor ditches mutual funds after they figure out that they've been getting ripped off with high mutual fund fees for all of these years.

The stock of IGM Financial is ridiculously cheap with a 12.94 price-to-earnings multiple. The dividend yield is also very high at 5.93%. While this stock looks like a value play, it's not. It's your typical value trap.

The mutual fund business is dying, and the dividend will inevitably get cut once regulations are put in place. I wouldn't advise anyone to touch this stock with a 10-foot pole. If you're looking for dividends, then look elsewhere.

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Author

joefrenette

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