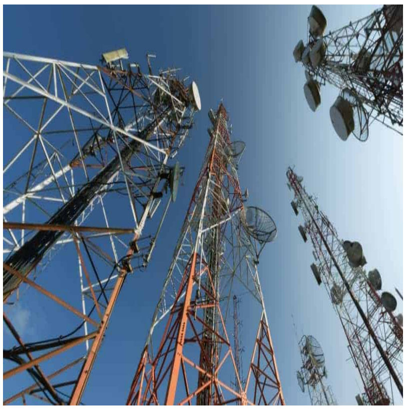

Canadians: 3 Investing Secrets Your Financial Advisor Isn't Telling You

Description

Millions of Canadian investors depend on their financial advisors, hard-working folks who guide investment decisions, prepare families for retirement, and ensure seniors [don't run out of cash](#).

While there are thousands of good financial advisors out there, these folks have to make a living. This means that, at least sometimes, the best advice is eschewed for something that generates the advisor a little extra cash.

Most advisors have a knowledge advantage over their clients. They know the ins and outs of the financial services industry, including where the biggest knowledge gaps exist. This unfair advantage gets used against clients, ultimately making them poorer.

The good news is this stops today. After reading this, you'll be well equipped to identify your advisor's most common tricks, ultimately putting more cash in your pocket. Here are three of the more common ways your financial advisor is making you poorer.

Expensive funds

Although mutual fund fees are slowly coming down in Canada, there are still millions of Canadian investors who are paying way too much to invest in lackluster mutual funds. This is ultimately hurting investment returns.

Your advisor will tell you that a 2% fee isn't much. But if stock markets return 8% going forward and your fund matches the performance of the underlying market, you'll net a mere 6% after fees. That's 25% of your total return going off the top and into the pockets of your advisor and the fund company.

Wouldn't you like to keep more of your cash? I know I would.

The solution is to sell those terrible funds and rotate your capital into a diverse portfolio of ETFs. You'll save up to 90% in fees — no, that's not a typo — and put more cash in your pocket.

It really makes a difference, too; $100,000 invested over 30 years at a 6% return ends up being worth just over $574,000. The same amount invested at an 8% return will be worth over $1 million.

Insurance

Many financial advisors also offer insurance products, including one of the most controversial products out there, whole life insurance. This product combines insurance and investing into one convenient package.

It has other advantages too, including tax protection when the owner dies and the ability to borrow against the policy because it retains value.

Whole life insurance products are useful for certain high-net-worth folks who want to ensure a tax-free windfall to pay the taxes owing on their estate.

It's a poor way to invest for most everyone else because of high fees, monthly payment requirements, and virtually zero flexibility, and yet thousands of financial advisors recommend these products to average Canadian investors.

If you're in a whole life insurance product, you might want to reconsider your options.

Buy and hold works

Many smart investors agree. The best investment strategy is to buy Canadian blue-chip stocks and hold them for a long time, steadily reinvesting the dividends. But good luck finding a financial advisor who will help you with such a plan. They're few and far between.

Take a stock like **Telus Corporation** (TSX:T)(NYSE:TU) for example. The third-largest Canadian telecom provides wireless and wireline telecom services for millions of Canadians, as well as an interesting push into healthcare.

Shares offer a nice 4.8% yield, a steadily growing payout, and trade at approximately 15 times 2020's projected earnings, a decent valuation.

Telus shares are never going to double in a year or two. The company has a secure market share in a part of the economy that doesn't grow much, but that doesn't mean the stock can't provide nice returns.

Over the last decade, assuming you reinvested your dividends into more Telus shares, a $10,000 investment in the company would be worth approximately $41,500 today. That's an annual return of 15.3%.

Plus, Telus delivered those returns while being considerably less volatile than the average stock. It has a beta of 0.52, meaning that it's about half as volatile as a typical **Toronto Stock Exchange** member.

The bottom line

Similar to tennis or golf, investing is mostly about avoiding mistakes. Investors can do that by minimizing fees, avoiding unneeded products, and buying solid blue-chip companies. If your financial advisor tells you something differently, perhaps it’s time to consider different options.

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