Fidelity INVESTMENTS

MONEY GAINS MAKING IT COUNT

Lesson 2

Fee detective handout

Split into six groups. Each group will analyze investor profiles to identify and calculate common investing fees, reinforcing your understanding of concepts like commissions, MER, account maintenance fees, trailer loads and tax impacts. Complete the profile using the handout below. Then create a presentation (slideshow, whiteboard, chart paper, etc.) that discusses the fees, total costs, strategies to reduce costs and savings investigation, and present it to the class.

Profile 1: DIY Dana

- **Account type:** Tax-Free Savings Account (TFSA)
- **Account balance:** $10,000
- **Trades this year:** 20 stock trades
- **Mutual fund investment:** $2,000
  - **MER:** 1%
- **Withdrawals:** $500
- **Withdrawal fee:** $50
- **Inactive for three months:** $25
- **Platform charges:** $50 annual account fee unless balance is over $15,000
- **Goal:** Save for a down payment in 5 years

Step 1: Identify all applicable fees (use handout as an aid).	
Step 2: Calculate total fees paid this year.	
Step 3: What strategy would you recommend for reducing overall costs? Hint: How might Dana cut down on the number of trades? Explore other options that might lower trading costs.	
Step 4: If Dana made only five trades instead of 20, and avoided the withdrawal fee, how much would she save?	

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Profile 2: Mutual fund Max

- **Account type:** Non-Registered Account
- **Account balance:** $25,000
- **Trades this year:** 0
- **Mutual fund investment:** $25,000
- **MER fee:** 2.5%
- **Front-end load fee:** 3%
- **Withdrawals:** $2,000
- **Tax:** None
- **Goal:** Long-term growth but unsure about fund fees

Step 1: Identify all applicable fees (use handout as an aid).	
Step 2: Calculate total fees paid this year.	
Step 3: What strategy would you recommend for reducing overall costs? Hint: Explore how switching to a different type of fund or investment strategy might reduce upfront costs and ongoing fees.	
Step 4: If Max switched to a fund with no front-end load and an MER of 1%, how much would he save this year?	

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Profile 3: Active trader Asha

- **Account type:** Registered Retirement Savings Plan (RRSP)
- **Account balance:** $50,000
- **Stock trades:** 100
- **Commission fee:** $5 per stock trade
- **EFT trades:** 20
- **ETF commission fee:** None
- **Mutual fund investment:** None
- **Withdrawals:** None
- Platform charges $20/month for active trading tools
- **Real-time market data fee:** $15/month
- **Goal:** Maximize returns with active trading

Step 1: Identify all applicable fees (use handout as an aid).	
Step 2: Calculate total fees paid this year.	
Step 3: What strategy would you recommend for reducing overall costs? Hint: Consider how Asha could lower these costs by reducing the frequency of trades or choosing different types of investments.	
Step 4: If Asha reduced her trades to 50 and chose commission-free ETFs, how much would she save?	

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Profile 4: Balanced Bob

- **Account type:** Non-registered account
- **Account balance:** $15,000
- **Trades this year:** five stock trades
- **Commission fee:** $5 per trade
- **Mutual fund investment:** $10,000
  - MER 2%
  - Back-end load 5%
- **Withdrawals:** $1,000
- **Capital gains:** $400
- **Capital gains portion:** 50% of capital gain
- **Tax owed:** 20% of capital gain portion
- Inactive for six months, $25 fee
- **Goal:** Moderate growth but doesn't monitor accounts often

Step 1: Identify all applicable fees (use handout as an aid).	
Step 2: Calculate total fees paid this year.	
Step 3: What strategy would you recommend for reducing overall costs? Hint: Think about how Bob could avoid extra fees, particularly when it comes to withdrawing funds or making fewer trades.	
Step 4: If Bob moved to a no-load mutual fund with a 0.5% MER and avoided inactivity fees, how much would he save?	

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Profile 5: Advised Alice

- **Account type:** RRSP (through a financial advisor)
- **Account balance:** $60,000
- **Trades this year:** ten trades made by advisor
- **Advisor fee:** $100
- **Mutual fund investment:** $30,000
  - **MER:** 2.2%
  - **Trailer load:** 1%
- **Withdrawals:** None
- **Taxes:** None
- **Goal:** Wants help with retirement planning but is fee-conscious

Step 1: Identify all applicable fees (use handout as an aid).	
Step 2: Calculate total fees paid this year.	
Step 3: What strategy would you recommend for reducing overall costs? How might Alice reduce costs while still getting the help she needs with retirement planning? Explore alternative fee structures and investment choices.	
Step 4: If Alice switched to index ETFs (MER 0.2%) and a flat-fee advisor charging $500 a year, how much would she save?	

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Split into six groups. Each group will analyze investor profiles to identify and calculate common investing fees, reinforcing your understanding of concepts like commissions, MER, account maintenance fees, trailer loads and tax impacts. Complete the profile using the handout below. Then create a presentation (slideshow, whiteboard, chart paper, etc.). that discusses the fees, total costs, strategies to reduce costs and savings investigation, and present it to the class.

Profile 6: Retirement Rita

- **Account type:** RRSP
- **Account balance:** $80,000
- **Trades this year:** 0
- **Mutual fund investment:** $80,000
  - **MER:** 2%
  - **Front-end load:** 2%
  - **Trailer load:** 0.5%
- **Withdrawals:** $5,000
- **Withdrawal fee:** $50
- **Capital gains tax:** 20% of withdrawal amount
- **Maintenance fee:** $50
- **Goal:** Retired and living off her investments

Step 1: Identify all applicable fees (use handout as an aid).	
Step 2: Calculate total fees paid this year, with taxes and without taxes.	
Step 3: What strategy would you recommend for reducing overall costs? Hint: Think about how Rita might reduce some of her load costs, especially the ones tied to withdrawals or ongoing account maintenance.	
Step 4: If Rita switched to ETFs (MER 0.25%) and avoided the front-end load, how much would she save this year (before tax)?	

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Lesson 2

Fee detective handout answer key

Split into six groups. Each group will analyze investor profiles to identify and calculate common investing fees, reinforcing your understanding of concepts like commissions, MER, account maintenance fees, trailer loads and tax impacts. Complete the profile using the handout below. Then create a presentation (slideshow, whiteboard, chart paper, etc.) that discusses the fees, total costs, strategies to reduce costs and savings investigation, and present it to the class.

Profile 1: DIY Dana

- **Account type:** Tax-Free Savings Account (TFSA)
- **Account balance:** $10,000
- **Trades this year:** 20 stock trades
- **Mutual fund investment:** $2,000
  - **MER:** 1%
- **Withdrawals:** $500
- **Withdrawal fee:** $50
- **Inactive for three months:** $25
- **Platform charges:** $50 annual account fee unless balance is over $15,000
- **Goal:** Save for a down payment in 5 years

Step 1: Identify all applicable fees (use handout as an aid).	**Stock trade fees:** 20 trades × $5 = $100 **MER (on mutual fund):** 1% × $2,000 = $20 **Withdrawal fee:** $50 **Account Maintenance fee:** $50 **Inactivity fee:** $25
Step 2: Calculate total fees paid this year.	**Total fees** = $100 (trades) + $20 (MER) + $50 (withdrawal fee) + $50 (account fee) + $25 (inactivity fee) = **$245**
Step 3: What strategy would you recommend for reducing overall costs? Hint: How might Dana cut down on the number of trades? Explore other options that might lower trading costs.	**Reduce the number of trades** (20 trades = $100; fewer trades would save money). Switch to a **platform that doesn't charge a $50 account fee** for low balances. **Avoid TFSA withdrawal fees** by choosing a provider that offers free TFSA withdrawals. Keep account **active** every month to avoid inactivity fees. If possible, **increase the account balance** over $15,000 to qualify for fee waivers. Consider moving mutual fund money into a **low-cost ETF** with even lower MER than 1%.

Lesson 2

Step 4: If Dana made only five trades instead of 20, and avoided the withdrawal fee, how much would she save?	**Original fees:** • **Trades (20 × $5):** $100 • **MER:** $20 • **Withdrawal fee:** $50 • **Account Maintenance fee:** $50 • **Inactivity fee:** $25 **Original Total fees = $100 + $20 + $50 + $50 + $25 = $245** **New fees:** • **Trades (5 × $5):** $25 • **MER:** $20 (still the same — mutual fund size didn't change) • **Withdrawal fee:** $0 (avoided) • **Account Maintenance fee:** $50 (still applies) • **Inactivity fee:** $25 (still applies) **New Total fees = $25 + $20 + $0 + $50 + $25 = $120** **Savings = Original Total fees – New Total fees** **Savings = $245 – $120 = $125**

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Split into six groups. Each group will analyze investor profiles to identify and calculate common investing fees, reinforcing your understanding of concepts like commissions, MER, account maintenance fees, trailer loads and tax impacts. Complete the profile using the handout below. Then create a presentation (slideshow, whiteboard, chart paper, etc.) that discusses the fees, total costs, strategies to reduce costs and savings investigation, and present it to the class.

Profile 2: Mutual fund Max

- **Account type:** Non-Registered Account
- **Account balance:** $25,000
- **Trades this year:** 0
- **Mutual fund investment:** $25,000
- **MER fee:** 2.5%
- **Front-end load fee:** 3%
- **Withdrawals:** $2,000
- **Tax:** None
- **Goal:** Long-term growth but unsure about fund fees

Step 1: Identify all applicable fees (use handout as an aid).	**Front-End Load:** 3% × $25,000 = $750 **MER:** 2.5% × $25,000 = $625 **Withdrawal fee:** $50
Step 2: Calculate total fees paid this year.	**Total fees** = $750 (front-end load) + $625 (MER) + $50 (withdrawal fee) = **$1,425**
Step 3: What strategy would you recommend for reducing overall costs? Hint: Explore how switching to a different type of fund or investment strategy might reduce upfront costs and ongoing fees.	**Switch to no-load mutual funds** or **ETFs** to avoid the 3% front-end load. Consider **low-cost index funds** or **ETFs** with a lower MER. **Reduce the frequency of withdrawals** to avoid the withdrawal fee.
Step 4: If Max switched to a fund with no front-end load and an MER of 1%, how much would he save this year?	**Original Total fees = $1,425** **New fees:** • No front-end load = $0 • MER = 1% × $25,000 = $250 • Withdrawal fee = $50 • Total = $250 + $50 = $300 **Savings = $1,425 – $300 = $1,125**

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Split into six groups. Each group will analyze investor profiles to identify and calculate common investing fees, reinforcing your understanding of concepts like commissions, MER, account maintenance fees, trailer loads and tax impacts. Complete the profile using the handout below. Then create a presentation (slideshow, whiteboard, chart paper, etc.) that discusses the fees, total costs, strategies to reduce costs and savings investigation, and present it to the class.

Profile 3: Active trader Asha

- **Account type:** Registered Retirement Savings Plan (RRSP)
- **Account balance:** $50,000
- **Stock trades:** 100
- **Commission fee:** $5 per stock trade
- **EFT trades:** 20
- **ETF commission fee:** None
- **Mutual fund investment:** None
- **Withdrawals:** None
- Platform charges $20/month for active trading tools
- **Real-time market data fee:** $15/month
- **Goal:** Maximize returns with active trading

Step 1: Identify all applicable fees (use handout as an aid).	**Stock trades:** 100 × $5 = $500 **Platform fee:** $20/month × 12 = $240 **Market Data fee:** $15/month × 12 = $180
Step 2: Calculate total fees paid this year.	**Total fees** = $500 (trades) + $240 (platform) + $180 (data fee) = **$920**
Step 3: What strategy would you recommend for reducing overall costs? Hint: Consider how Asha could lower these costs by reducing the frequency of trades or choosing different types of investments.	**Cut stock trades in half** and focus more on commission-free ETFs. Use a platform where **market data fees are waived** with lower trade minimums. Find an active trading platform that **doesn't charge platform fees** for RRSP accounts. Consider **passive investing** to avoid both trading and platform-related costs.
Step 4: If Asha reduced her trades to 50 and chose commission-free ETFs, how much would she save?	**New fees Breakdown:** • **Stock trades:** 50 × $5 = $250 • **ETF trades:** Let's assume she switches entirely to commission-free ETFs = $0 • **Platform Subscription fee:** $20 × 12 months = $240 (same) • **Market Data fee:** *Waived if 100+ trades in a month, but with fewer trades, this still applies* = $180 • **MER:** $0 • **Taxes:** $0 (RRSP) **New Total fees:** • $250 (trades) + $0 (ETFs) + $240 (platform) + $180 (market data) = $670 **Original Total fees** = $920 **New Total fees** = $670 **Savings** = $920 – $670 = $250

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Profile 4: Balanced Bob

- **Account type:** Non-registered account
- **Account balance:** $15,000
- **Trades this year:** five stock trades
- **Commission fee:** $5 per trade
- **Mutual fund investment:** $10,000
  - MER 2%
  - Back-end load 5%
- **Withdrawals:** $1,000
- **Capital gains:** $400
- **Capital gains portion:** 50% of capital gain
- **Tax owed:** 20% of capital gain portion
- Inactive for six months, $25 fee
- **Goal:** Moderate growth but doesn't monitor accounts often

Step 1: Identify all applicable fees (use handout as an aid).	**Commission fee:** $5 each = 5 x 5 = $25 **MER:** 2% × $10,000 = $200 **Back-End Load:** 5% × $1,000 (withdrawal) = $50 **Inactivity fee:** $25 **Stock trade fees:** 5 trades × $5 = $25 **Capital Gain Taxable Portion:** 50% × $400 = $200 **Tax Owed on Capital Gain Portion:** 20% × $200 = $40
Step 2: Calculate total fees paid this year.	**Total fees** = $25 (trades) + $200 (MER) + $50 (back-end load) + $25 (inactivity) + $40 (tax) = **$340**
Step 3: What strategy would you recommend for reducing overall costs? Hint: Think about how Bob could avoid extra fees, particularly when it comes to withdrawing funds or making fewer trades.	Switch to no-load mutual funds to avoid back-end load fees (saving $50 this year). Move to low-MER index funds or ETFs to reduce the 2% MER. Avoid unnecessary withdrawals to prevent triggering capital gains tax and back-end load fees. Consolidate trades to fewer, larger transactions to minimize the $5 trade fees. Maintain regular account activity to avoid the $25 inactivity fee. Consider using a TFSA for investments if eligible — this would have sheltered Bob from both taxes and capital gains.

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Step 4: If Bob moved to a no-load mutual fund with a 0.5% MER and avoided inactivity fees, how much would he save?	Original Total fees (with tax) = $340 **New fees:** • No back-end load = $0 • MER = 0.5% × $10,000 = $50 • No inactivity fee = $0 • Stock trades = $25 (same) • Tax (same) = $40 Total = $25 + $50 + $40 = **$115** **Savings = $340 – $115 = $225**

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Profile 5: Advised Alice

- **Account type:** RRSP (through a financial advisor)
- **Account balance:** $60,000
- **Trades this year:** ten trades made by advisor
- **Advisor fee:** $100
- **Mutual fund investment:** $30,000
  - **MER:** 2.2%
  - **Trailer load:** 1%
- **Withdrawals:** None
- **Taxes:** None
- **Goal:** Wants help with retirement planning but is fee-conscious

Step 1: Identify all applicable fees (use handout as an aid).	**Advisor fee:** $100 **MER:** 2.2% × $30,000 = $660 **Trailer Load:** 1% × $30,000 = $300
Step 2: Calculate total fees paid this year.	**Total fees** = $100 (advisor fee) + $660 (MER) + $300 (trailer load) = **$1,060**
Step 3: What strategy would you recommend for reducing overall costs? How might Alice reduce costs while still getting the help she needs with retirement planning? Explore alternative fee structures and investment choices.	Alice can **switch to a flat-fee advisor** or **robo-advisor**, which could be more affordable than paying trailer fees. Consider using **low-cost ETFs** or **index funds** with a lower MER than the mutual fund Alice is using. Avoid funds with **trailer loads** by investing in **no-load funds** or **ETFs**. If Alice is comfortable managing her own investments, she can switch to a **DIY approach** to avoid the advisor fee altogether.
Step 4: If Alice switched to index ETFs (MER 0.2%) and a flat-fee advisor charging $500 a year, how much would she save?	Original Total fees = $1,060 **New fees:** • Trades = $100 (same) • MER = 0.2% × $30,000 = $60 • No trailer load = $0 • Advisor fee = $500 • Total = $100 + $60 + $500 = **$660** **Savings = $1,060 – $660 = $400**

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Profile 6: Retirement Rita

- **Account type:** RRSP
- **Account balance:** $80,000
- **Trades this year:** 0
- **Mutual fund investment:** $80,000
  - **MER:** 2%
  - **Front-end load:** 2%
  - **Trailer load:** 0.5%
- **Withdrawals:** $5,000
- **Withdrawal fee:** $50
- **Capital gains tax:** 20% of withdrawal amount
- **Maintenance fee:** $50
- **Goal:** Retired and living off her investments

Step 1: Identify all applicable fees (use handout as an aid).	**Front-End Load:** 2% × $80,000 = $1,600 **MER:** 2% × $80,000 = $1,600 **Trailer Load:** 0.5% × $80,000 = $400 **Withdrawal fee:** $50 **Account Maintenance fee:** $50 **Capital Gain Tax:** 20% x $5000 = $1000
Step 2: Calculate total fees paid this year, with taxes and without taxes.	**Investment fees Total with Taxes** = $1,600 (front-end load) + $1,600 (MER) + $400 (trailer load) + $50 (withdrawal fee) + $50 (maintenance fee) + $1000 (taxes) = $4,700 Investment fee without Taxes: $3,700
Step 3: What strategy would you recommend for reducing overall costs? Hint: Think about how Rita might reduce some of her load costs, especially the ones tied to withdrawals or ongoing account maintenance.	**Switch to no-load mutual funds** or **ETFs** to avoid the 2% front-end load. Move to **low-cost ETFs** with **lower MERs** to cut the 2% MER and the 0.5% trailer load. If Rita doesn't need frequent withdrawals, **avoid withdrawal fees** by choosing investments that don't have withdrawal penalties. **Eliminate account maintenance fees** by choosing a platform with no maintenance fee or by maintaining a higher balance (if applicable). **Minimize advisor reliance** and consider a **DIY investment approach** to avoid ongoing advisor fees.

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Step 4: If Rita switched to ETFs (MER 0.25%) and avoided the front-end load, how much would she save this year (before tax)?	**Original Total fees without Tax: $3700** **New fees:** • Front-End Load = $0 • MER = 0.25% × $80,000 = $200 • Trailer Load = $0 • Withdrawal fee = $50 • Account Maintenance fee = $50 • Total = $200 + $50 + $50 = $300 **Savings = $3,700 – $300 = $3,400**

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