

Management Expense Ratio Explained

As an investor, it's important to be aware of the costs associated with a mutual fund so you are clear about what you are paying for and the value you receive. It starts with understanding the management expense ratio (MER).

A breakdown of an MER

The MER covers a number of costs involved in the oversight of a mutual fund. The mutual fund company collects the MER, which includes a management fee. From the management fee, a portion called the trailer fee is paid to the investment dealer, who may then pay a percentage of that to the financial advisor that sold you the fund. The MER also goes towards covering costs associated with the day to day administration of the fund, and applicable taxes. Below are some examples of the services and expenses that may be covered by the MER of a typical balanced fund:

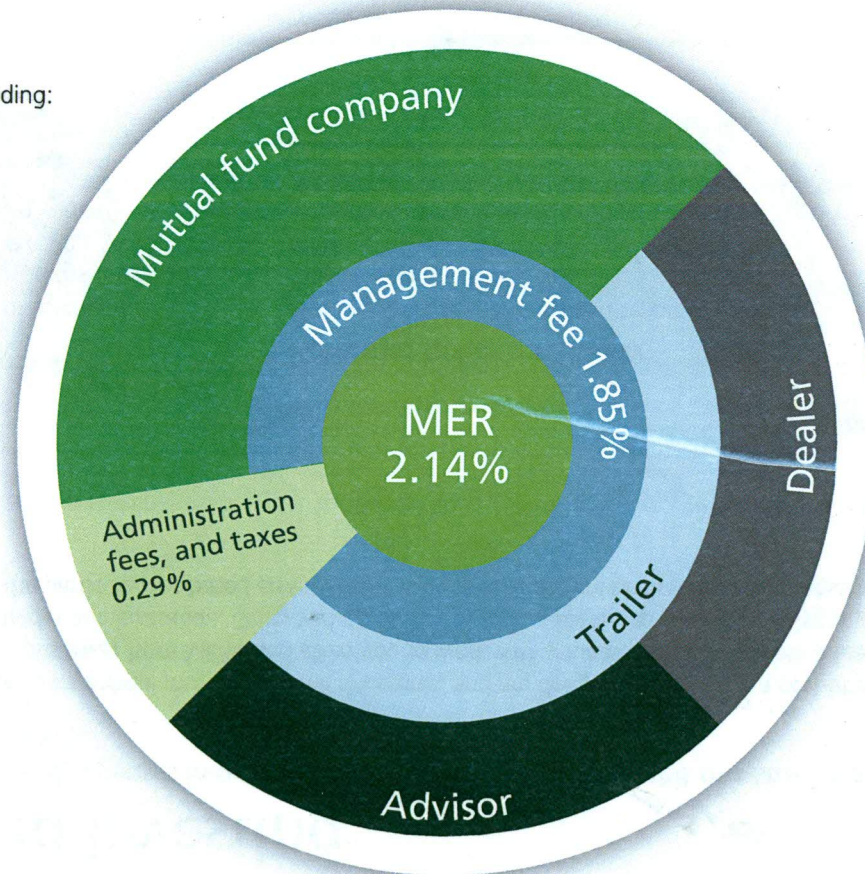
Mutual fund company

- Investment management expertise, including:
 - Investment research
 - Ongoing fund monitoring
 - Security acquisition and disposition
- Investor and advisor education

Administrative fees, and taxes

(paid by the mutual fund company on your behalf)

- GST or HST as applicable
- Custodian services
- Fund accounting
- Auditing
- Record keeping



Dealer

- Account openings
- Transaction processing
- Production, printing, and mailing of account statements and transaction confirmations
- Regulatory compliance
- Physical office space

Advisor

- Financial planning expertise for retirement and other life stages
- Fund recommendations
- Portfolio consultation
- Ongoing portfolio monitoring and rebalancing
- Strategies to help you achieve tax-efficiency
- Estate planning