

Understanding **mutual fund fees** and the **value of advice**



What is a Management Expense Ratio (MER)?

It's the **total fee charged to investors** by the various entities involved in the management of a fund, including the fund company, the advisor and the firm they work with, as well as CRA (yes, even mutual funds are taxed). In essence, the MER is the fee paid for the day-to-day operation, management, service and advice related to a mutual fund. The breakdown of these components varies from fund to fund; **below is an example.**

$$\text{MER} = \text{MANAGEMENT FEE} + \text{OPERATING EXPENSES} + \text{ADVICE} + \text{HST}$$

| Fee Component | Who gets paid | The value to you |
|-----------------------------|------------------------------|--|
| HST | Canada Revenue Agency | <ul style="list-style-type: none"> • Tax payable on management fees and operating expenses |
| OPERATING EXPENSE | Fund Company | <ul style="list-style-type: none"> • Fund valuation & custodial • Audit & legal, record keeping & tax reporting |
| MANAGEMENT FEE | Fund Manager | <ul style="list-style-type: none"> • Asset mix optimization • Investment selection by top money management teams • Risk management (ongoing monitoring of money managers and sector exposure, currency management, portfolio rebalancing) • Tax effectiveness (i.e. corporate class) • Portfolio Management |
| DEALER FEE | Sun Life | <ul style="list-style-type: none"> • Fund valuation & custodial • Audit & legal, record keeping & tax reporting • Market analysis and research |
| SERVICE & ADVICE | Monarch Financial | <ul style="list-style-type: none"> • Personalized planning and recommendations (investments, estate, tax, retirement) • Developing an investment portfolio to match your goals, risk tolerance and timelines • Optimization: allocating RRSP, RESP, TFSA, etc. • Reviewing progress and providing service to you on an ongoing basis |

The Value of Advice

**WORKING WITH A FINANCIAL ADVISOR
OVER TIME CAN CREATE
UP TO 2.3X MORE WEALTH***

2.3X



*More on the Value of Financial Advisors, by Claude Montmarquette and Alexandre Prud'Homme, CIRANO, 2020. The average household with a financial advisor for 15 years or more had asset values 2.3x higher than an average "comparable" household without a financial advisor.



What we can do for you

- Investment fund selection
- Ongoing progress review
- Portfolio analysis
- Access to professional advisory network
- Cash flow analysis & projections
- Retirement income planning
- Comprehensive financial planning
- Tax minimization strategies
- Estate & family wealth planning
- Life, disability & health insurance
- Insurance needs analysis
- Guidance with group benefits plan options and pension guidance options

For more information, ask us for a copy of "Inside MER" and "Fund Facts: A Guide to Understanding your Mutual Fund Investment".

Note: There may be other fees on the purchase or redemption of a mutual fund.

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