

Clientel



*The central message of Clientel is that I value my clients.
I'm as close as your telephone, and available
and delighted to serve you.*

David Chalmers BA, FLMI, CLU, CFP, RFP, CHFC

Welcome to another edition of Clientel. In this issue I shall discuss:

- A Statement about Statements (and an explanation of a “Carrying Broker” relationship)
- My September Absence
- Congratulations Jeanette

A Statement about Statements

Our clients receive statements from our “carrying broker”(NBCN). (An explanation of this term is to follow.) Clients also receive statements from various financial institutions and portfolio reports from our firm, Rogers Group Financial. I thought that it might be timely to review the statements and reports you receive from various entities.

Before explaining the overall system of portfolio reporting, I felt that it would be helpful to explain why we have a “carrying broker” (NBCN), who NBCN is, and why some statements are produced by NBCN.

A Carrying Broker Relationship

In 2001, Rogers Group Financial became a full securities dealer. This greatly expanded our

ability to offer financial products and solutions to our clients. Prior to this conversion, we could not place individual stocks and securities for clients, nor could we place certain fixed-income products such as individual bonds. Since the time of our conversion, we have been able to offer these solutions.

Over the past four years, this has proven to be very helpful to us and to our clients. For example, I and my team have been able to reduce the expenses in a number of client accounts by utilizing products such as “index securities” or “exchange-traded funds.” My most recent “Andex” letter outlined the benefits for some clients of holding the “Central Fund of Canada” as a proxy for gold or holding the individual security “Berkshire Hathaway.” We would not be able to offer these solutions if we were not a full securities dealer.

Many clients have asked us to take over the management of individual securities accounts that they held elsewhere and to integrate those accounts with their Rogers Group Financial account.

There is a tremendous amount of infrastructure required in order to be able to buy and sell and to report on individual securities for clients. (When a stock is bought or sold, hundreds

of thousands or even millions of buyers and sellers are linked together through a complex computer system that matches the buyers and sellers and thus produces the “bid and ask” prices for the stock).

The infrastructure requires substantial computer and operational systems. Only a handful of companies in Canada have this infrastructure (for the most part, the larger banks). A number of these institutions make their infrastructure available (at a cost, of course) to smaller independent financial advisory firms. The provider of services is referred to in our industry as the “carrying broker” and the purchaser of the services is usually referred to as the “correspondent.”

When we researched the various carrying broker relationships that were available, we chose the services offered by National Bank as being the most appropriate for our clients. National Bank refers to its “network” of “correspondents” as the National Bank Correspondent Network or “NBCN.”

One of the services that NBCN provides is the production of client statements. In fact, Canadian securities regulations require that (where there is a carrying broker relationship in place) statements must be produced by the carrying broker. These regulations also dictate the frequency with which statements must be produced and some of the minimum content that must be included in each statement.

In addition to being a securities dealer, we provide for our clients a number of products that are not “securities.” For example, we place life, disability and critical illness insurance for our clients. We often use “pooled pension funds” as an investment or estate planning solution. We also often place guaranteed investment certificates, RRSPs or RRIFs directly with a financial institution (such as Coast Capital Savings) rather than including that product in our client’s securities account.

Here is a bit of jargon that is used in the financial services industry and by me and my support team.

- When a particular investment is held inside a securities account with our carrying broker, the investment is referred to as being “on-book.”
- When an investment is held directly with a financial institution (and thus is not connected in any way with our carrying broker), it is referred to as being “off-book.”

Statements Produced by Our Carrying Broker

NBCN produces client statements for you that show all of your on-book investments. The off-book products are not included in the NBCN statements.

While these on-book statements are produced by NBCN (and are mailed to you directly from Toronto), they display our firm’s name and logo.

You receive reporting of your off-book products directly from the financial institution with whom those products are placed. For example, if we have arranged a guaranteed investment certificate directly with Coast Capital Savings, then Coast Capital sends you an annual statement for that GIC.

Of course, each financial institution would only send you a statement for the products that you hold with them. And NBCN statements only include the products held (on-book) with NBCN.

This means that many of our clients are receiving statements from a number of different sources. These statements are also produced in different formats and at differing intervals. For example, NBCN produces statements at the end of each calendar quarter for all accounts (as required by the Canadian securities industry protocol).

In addition to the quarterly statements, NBCN produces an “off-quarter” statement at the end of each month for any account in which there has been “activity” during the month. This ensures that our clients see a report of all of their account activity no less often than monthly.

In the past, NBCN has produced the off-quarter statements to reflect activity that included the sale or purchase of investment products and the crediting of interest or dividends. (NBCN is changing this system so that, in the future, a report will not be produced if the only activity in the month is the crediting of interest or the payment of a dividend).

NBCN also reports to the “holder” of the account. Thus, if Ricky Ricardo has an RRSP, he will receive a statement for his RRSP. If Lucy has an RRSP, she will receive a separate statement for her RRSP. If they have a joint investment account they will receive a statement for their joint investment account. The Ricardo family will receive three statements every calendar quarter and, in addition, there will be a statement produced (for the account holder) at the end of each month in which there is activity in the account.

Until recently, NBCN amalgamated certain types of accounts together on a single statement. For example, if Ricky Ricardo had both an RRSP and a locked-in RRSP, they would appear on a single statement. NBCN has now separated those accounts into two different statements. I am pleased that NBCN has made this change, as it allows clients to quickly see the different amounts in different accounts.

When products are held directly with a financial institution, statements will be produced by that financial institution. These statements may be produced quarterly, semi-annually or annually.

So a family with multiple accounts and a combination of on-book and off-book products

receives a variety of statements from different sources at different times.

At this point, let me say that Rogers Group Financial has no wish to confuse our clients with multiple statements. We do, however, strive to find the best possible financial products for our clients and to provide the combination of those products that optimizes the client's position. Sometimes, this will necessitate holding multiple accounts.

Rogers Group Reporting

In recognition of the fact that our clients are receiving statements from a variety of sources, we produce our own consolidated summary of each client's account. The heading on this report is “Consolidated Portfolio Summary.” (Internally, we call this summary a “Client Consolidated Investment Report” or “CCIR.”) Our report brings all of your accounts through our firm together into a single summary. It shows all of your on-book and off-book investments and annuity products. Our report also shows your overall family “asset allocation” and organizes all investments by “beneficial owner.” (It would show all of Ricky's investments in one section, all of Lucy's investments in one section, all investments held in trust for Little Ricky in one section, etc.)

For many of our clients, we have also implemented life, critical illness or disability insurance products. We produce a separate summary of these insurance products (which we append to the Consolidated Portfolio Summary).

Our Consolidated Report also shows assets held by a corporation or holding company and includes corporate accounts such as individual pension plans.

We produce a CCIR semi annually for all clients. Our current approach is to produce these reports in early January (so that they reflect values as close to the prior year end as possible) and in July (half way through the year).

In addition, my team and I prepare a CCIR for each client meeting and we prepare and send a CCIR whenever a client asks for one.

The next time you receive one of our Consolidated Client Investment Reports, please let us know if there are any suggestions that you could make to improve the format. The cumulative feedback that we receive from our clients forms the basis of our reporting strategy.

Please note that we can't always implement every suggestion that is made. Our ability to produce consolidated reports for clients is dependant upon the manner in which data is electronically provided to us by NBCN and by the dozens of individual financial institutions with whom we place products on behalf of our clients.

I hope that this review of our reporting protocol has been helpful. Please don't hesitate to call me or any member of my support team if we can provide any further information.

My September Absence

In September, my wife Barbara and I will be taking our third annual European vacation. We shall be departing for Italy on Labour Day and I shall be back in the office on October 3. During my absence, my very capable support team will be looking after things. I also will be periodically checking my office e-mails so

that I will be able to respond to any issues that require my input.

Congratulations Jeanette

I am delighted to announce that my assistant, Jeanette is expecting her first child. She will be commencing her maternity leave in November. I wish her all the best and I hope that she will be returning to us in late 2006. In the meantime, I'll be looking for some additional help. If I'm really lucky, I'll find somebody with as cheery a disposition as Jeanette.

Clientel

Thank you for reading this edition of *Clientel*. Please don't hesitate to contact me or any member of my advisory and support team if we can provide any additional information to you or if you have any feedback for us.

The next issue of *Clientel* will be published in the autumn. The planned content is "A Review of Some Basic Estate Planning Principles" and will be written by my new associate Dylan Reece.

As always, the central message of this newsletter is that our clients are very important to us and we are always as close as the phone.

David N. Chalmers, Financial Advisor

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The views expressed are those of the author and not necessarily those of Rogers Group
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