Canaccord Genuity Wealth Management

# Financial Focus

Becker Orr Wealth Management

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## Understanding Client Statements

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In the last few years regulators have introduced new rules forcing financial firms to provide more information to clients. I agree with the spirit of the new rules, transparency is important. However, two years after the changes, I find some folks are inundated with data and are having trouble making sense of it all. Part of the issue is that each financial firm uses a different format for their client statements. Lots of data, in a variety of formats, it can be confusing. I encourage folks to start with the basics, when you look at your statements try to answer three key questions.

**How are we doing?**

Are we making money? Has there been a set back? Most client documents I have seen provide a measure of portfolio performance. It is common to provide a comparison to past statements. For example, the statement might show the total of your portfolio as of the end of July and compare it to the total at the end of June. While a measure of short-term performance is helpful most investments are long term. The statement to statement comparisons will not provide an accurate gauge of your long-term performance. Some firms will provide long term performance metrics on their regular statements. The regulatory changes I mentioned above mandate that all financial firms, at least annually, provide clients with a rate of return of report. Most firms provide these reports in January and they reflect the return for the prior calendar year. A common approach is for financial firms to provide short term performance metrics on the regular statements and once a year provide a report with longer term performance data.

**What is the cost?**

How much do we pay? Unfortunately, this question is a little harder to answer. Some firms will list management fees on the regular client statements. Often these charges will be listed as an activity and show up in the activity section of your statement. However not all firms follow that format. As well the type of investment you own makes a difference. For example, if you own a mutual fund, it is likely that your regular client statements will not provide any information on the cost.


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Regulators have attempted to address this issue, they force financial firms to provide an annual report detailing the fees they have received. These reports are often combined with the rate of return report mentioned above and are sent in January. This annual report will list the amount of money you paid your financial institution. For most clients this annual report will help them determine how much they pay. Unfortunately, there are some investment products that contain buried fees, which are not be listed on these reports.

**What do we own?**

Where does the money go? Do we own some of the products mentioned above that have buried fees? Client statements usually have a section that lists the holdings. However, if there are additional costs or buried fees related to those products it may not listed on the client statement. Regulations stipulate that important information on investment products needs to be provided prior to their purchase. That disclosure typically is in the form of an additional document.

There is lots of jargon and paperwork in the financial world. I believe answering the 3 questions will allow you to sift through the documents and help you get a better understanding of your portfolio. If you are unsure, ask. Most financial firms have a representative that can assist you if you are having trouble deciphering the documents.

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