JW S03E05 Ask the Experts

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SPEAKERS
Andrew Kirkland, Tyler Gliebe, James Gauthier, Pat Bolland, Richard Burton-Williams, Cathy Tuckwell, Isobel Russell

Pat Bolland 00:07
Well, we've assembled the team actually to answer all your questions in this "Ask the Experts" ... Andrew Kirkland is the President of Justwealth Financial Andrew. Hi.

Andrew Kirkland 00:16
Hello

Pat Bolland 00:17
James Gauthier is the Chief Investment Officer and he's the guy who takes care of all the money

James Gauthier 00:22
Hi Pat

Pat Bolland 00:23
Isobel Russell heads up operations, make sure everything runs smoothly.

Isobel Russell 00:27
Hi Pat

Pat Bolland 00:28
Tyler Gliebe is a portfolio manager with the just wealth team,

Tyler Gliebe 00:32
Hi Pat

Pat Bolland 00:33
Richard Burton Williams is the head of b2b and advisor relations been in the industry for a while, Richard.

Richard Burton-Williams 00:39
Good afternoon Pat

Pat Bolland 00:41
And Cathy Tuckwell is a compliance consultant who joins us for this event. Kathy, great to see you.

Cathy Tuckwell 00:47
Nice to see you. Thanks for having us.

Pat Bolland 00:49
Okay, let's get straight to the questions...... So James, let's start with you. Can robo advisors invest in anything other than exchange traded funds?

James Gauthier 01:23
Well, it might depend for the other robo advisors. I'm not sure what they're allowed or not allowed to do. But we are allowed to invest in other pool products. So we could use mutual funds or other broadly diversified pooled funds. ETFs happened to be the most efficient way to invest based on our opinion, they are very low cost. And they're a wonderful tool for diversification and trying to manage your portfolio efficiently. So we use primarily ETFs, because it's the best choice for client portfolios.

Pat Bolland 01:55
Okay, speaking of portfolios, why does just wealth have so many portfolios? And I get that question all the time? I think it's 60 or 70 different portfolios?

James Gauthier 02:07
Yeah, it's actually close to 80. So, yeah, I mean, what we try to do, our biggest job as portfolio managers is to make sure that we understand what client's objectives are, and try to line them up with a portfolio of investments that is highly suitable to help achieve their their objectives. So every portfolio or every account is going to have some type of goal, whether it's to grow their wealth, generate income, protect capital, whatever it might be, they're going to have a time horizon, which could be very short, medium term, long term. And they're gonna have a comfort level with risk. Everybody has different attitudes towards risk. So when you take out all the different possibilities of what those responses could be to those various characteristics, there's a lot of possibilities. And so if you're only trying to offer a set of five solutions, which is what most financial firms use, and try to fit them with all those unique objectives into one of five boxes, you might not get a very good alignment of what the investments are. It's convenient for the investment manager, but it's not necessarily suitable or the best choice for investors. So the more choices of portfolios that you have to choose from to match up with those unique objectives, the more likely you are to have suitable investments that are going to help you maximize your chance of realizing that objective.

Pat Bolland 03:33
Somebody wants to ask me, it was hard to manage that many James, are there changes that happen every single day?

James Gauthier 03:40
Oh, no, no, no. For the most part, I mean, money will come into portfolios or in accounts, I guess. And we have to put that money to work. People occasionally take money out, we have to manage that aspect, the cash flows in and out. But the port portfolios themselves are pretty stable. When you identify longer term strategies that are, you know, useful in trying to meet investment objectives. If you're changing the portfolio all the time, you're kind of losing sight of the objective. And so once you establish that structure, it's you know, for the most part, buy and hold, occasionally making adjustments as markets kind of change or evolve over time. Perfect.

Pat Bolland 04:18
I'll get back to James. Thanks.

James Gauthier 04:20
Okay. Thanks, Pat.

Pat Bolland 04:22
So let's get to Cathy because she does compliance and it's very timely. And here's a question from one of our audience with the collapse of SVB, that's Silicon Valley Bank, How were robo advisors protected in case of a bankruptcy, Cathy?

Cathy Tuckwell 05:31
That's a great question. Pat. robo advisors are typically strictly giving instructions on assets that are held by a third party, usually completely independent of the robo advisor. For instance, if the robo advisory firm ran into financial difficulties, it's the client's assets are completely protected, they are not mixed up with the assets of the robo advisor. They're held by the third party in safekeeping, and the client can just give instruction to that third party to assign another Portfolio Manager to the account or move the assets elsewhere, you're completely safe. And with respect to some advisors, if the assets are held in a brokerage account, those accounts will be protected by the Canadian Investor Protection Fund.

Pat Bolland 06:24
Okay, follow on question that seems to fit perfectly. How are robo advisors regulated?

Cathy Tuckwell 06:31
Another good question. Gro robo advisors are conducting portfolio management activities. So they are registered with the provincial Securities Commissions across Canada. And in every jurisdiction where the robo advisor is offering services, they have to be registered with that jurisdiction. In in the case of just wealth, our principal regulator is Ontario, but we are also registered in providing services to to people across Canada and in the Yukon Territory.

Pat Bolland 07:06
Okay, and then a final question we've got ... what is CI Investment Services role with a Justwealth account.

Cathy Tuckwell 07:15
CI acts as the custodian responsible for holding the assets and doing the safekeeping. They do all the record keeping the collection and dividend acting on corporate actions and making sure that the accounting for all of the assets is correct. That's where all the tax slips come from. So obviously, it's a very important thing that the records are accurate.

Pat Bolland 07:39
Is it ever Kathy? Thank you.

Cathy Tuckwell 07:42
You're welcome.

Pat Bolland 07:43
So Andrew, you're turn next? Here's a really good question from one of our participants. How do robo advisors keep their costs so low?

Andrew Kirkland 07:52
Well, that is a good question. And yeah, it's a good question, because robo advisors definitely do keep their costs low. And I would say, there's a few reasons for that. One being the product that we ultimately use within our investment portfolios are exchange traded funds. And that product and how it's manufactured, is the lower priced product relative to a mutual fund, for example, in Canada, right. So there's cost savings there. And I'm assuming that's where the questions coming from, like how to robo advisors keep the costs low, relative to maybe some other options of investments in Canada. So that would be one of the reasons. The other the other reason would be the management fee for a robo advisor to is typically lower than you would get by going to a bank or working with some other investment provider. Because a robo advisor is a very digital experience, it's a virtual experience. We don't have the bricks and mortar costs associated to other financial enterprises. So because of that, we can offer those costs that lowering costs over to the investor. So it's kind of twofold. The one the product that we're using, and to the business setup lends itself to being a more lower cost model and, and in fact, that argue, more more efficient, right, we often worked with clients to you know, get it, you know, work with them as far as understanding their objectives, you know, what are their investment accounts, want them to do for them. And we can do that in any way possible. We can do by email, we can work with them by telephone call, we can work with them via video call. So it's a very efficient kind of setup and an experience for an investor. So it's a lower cost, but at the same time, I think this the experience that someone is getting is, is very well suited for somebody who's willing to work in any avenue or any medium that they may be comfortable with.

Pat Bolland 10:02
Wow, interesting, but this it plays into the next question is, well, then how often can I adjust my investments with Justwealth or any robo advisor?

Andrew Kirkland 10:12

Yeah, that's a great question. So, and sometimes the emotions of investing Get, get the best people and they want to make movements, and they want to adjust their portfolio, they maybe you know, are one of our riskier portfolios, because that's the way we were originally decided they could take on, they could take on higher risk. But then, you know, there could be something going on in the markets that has caused them concern and they want to lower the risk level. So to be point, we can change the risk level, and we can change the portfolio whenever there's no issues on doing that. However, you don't want to do that all the time, because that tends to lead to more market timing, and trying to, you know, get get in the market, the right time, get into the market the right time. And often, that is not a recipe for a sound investment strategy. So we always try to go back and say, Okay, if you want to make a move, we can definitely do that. There's some considerations for taxable accounts, if you want to do that in a taxable account. But you know, outside of that, if it's an RRSP, or a TFSA, you can make a movement on the portfolio whenever you'd like. But we just want to make sure the movement is being made, because of a change that occurred in your life. So if you're going to be using the money sooner than you would have originally expected, you know, that would maybe be a catalyst for making a change in the portfolio. But we tried to caution people to not get sucked into the emotions of the market and keep calm during those times. Because timing the market is never a good strategy in the investment landscape.

Pat Bolland 11:44
Excellent advice to0 ... here's a product question from one of the audience will just wealth make first home savings accounts available - that's the FHSA's.

Andrew Kirkland 11:56
Yes. So that's a good question. And very topical right now. We have another acronym that we have to follow the FHSA, I guess the investment industry is riddled with acronyms. It's our TFSA, an F HSA. So we got to get that ingrained in our mind. But But yeah, so the plan is with just wealth, we will have that available. We work with our custodian, right, and everyone's all investors have just wealth or clients have just well, their accounts are set up in the accounts custodian, and we are the portfolio managers. So we we, you know, invest the money within that account at the custodian. Our custodian is CI investments services. And whenever you know, when they have that account available, we will be sure to have that account option available to our to our clients. We're recording this in q1 of 2023, just set the end of it. And, you know, the goal is to have I would say have this available in the second quarter of 2023. My understanding is that the government has made this made it a goal to have this available in q2 and 2023 is the beginning of I think the beginning of April. So as long as our custodian has that option available, we'll make it available for our investors as well. And it's, it is a very, it's a it's a great product, because it kind of combines the benefits of an RRSP Registered Retirement Savings Plan and a Tax Free Savings Account within one helping clients or helping Canadians save and ultimately fund the purchase of a home. So you know, it's there's probably another whole podcast you can do on this on this particular topics and the ins and outs of an RRSP and TFSA and an F HSA. But yeah, it's a it's a it's a great product, and I think it'll be well utilized by Canadian investors.

Pat Bolland 13:47
I think you're right, we will do one on that at some point in the future. Thanks, Andrew.

Andrew Kirkland 13:52
All right, thanks, Pat.

Pat Bolland 13:53
Tyler, you're the one who often interacts with the clients first, and I've got a question that came from a potential client. What is the difference between financial planning and investing?

Tyler Gliebe 14:04
This is a good one. And it's one that often gets confusing to clients, because they often think that investment plan is a financial plan, or vice versa. So I think it's best off look at it in an example. Let's start with the financial plan or the financial planning process. So let's say we're going to do a financial plan for you, Pat. Yep. And we'll we'll probably use it. Okay, so, one, a financial plan, as a definition would be the continuous process or monitoring of the financial situation of a person or a family. So that's, it's an overarching definition. There's a lot there, but we'll unpack it in this example. So it all starts with the individual or the family depending on the situation. But what we're trying to do at the onset is figure out what the goals are for that individual. So, you pat, we would try to figure out your goals, whether that's short term long term that could be buying a boat next year, that can be, you know, I wish delay delaying some type of trip in the future. It could even range out to an estate plan for the children, the grandchildren, etc. So there's a lot there in a financial plan. And it really depends on that individual and what they're trying to achieve. So one is trying to figure out those goals to that particular person's situation. Now two is assessing the current situation of the client. So we would look at what you have going on pot, and then we will try to link it to step one. So we would assess what you currently have your current situation, whether that's a savings plan, an income plan, what your current investments look like, and then we would tie it to your goals. Are you on track to meet those goals? Is there a shortfall, we can really bridge the two at that point once we have a good assessment of your current situation. So oftentimes, clients that don't have a financial plan, or haven't put much thought into a financial plan will often see a gap or a shortfall. Or they'll realize that, oh, geez, I'm not on track to achieving the goals that I wanted to achieve, or I need to make some drastic changes. So at that point, it's really identifying those gaps, and then talking about it. So then that brings us to the next step, which would be okay, well, what do we do now? How can we fill in those gaps? How do we fill those holes, holes, so that we could get to your initial goals that we talked about in step one. So this is the strategic, I guess, step, if you will. So we would implement strategies, whether that's an investment strategy, whether that's a risk strategy, which is, you know, insurance, whatever the goals are, in step one, we will look at implementing a strategy on how to achieve those goals. So, right there, there's a lot going on. And that can be overwhelming for a lot of clients. So it's best to look at it in bite size forms, where we could look at implementing strategies that are probably easier to implement, and to actually get going, and then that, you know, provides confidence and it gets the ball rolling. So then you're putting clients on the right path, and they know that they're going on the right path to achieve those goals. So that's the strategic portion of the financial planning process, and then sort of to wrap it all up would be the ongoing assessment or monitoring the financial plan periodically. So making sure that we are in fact still on track to those goals. Another important point would be, perhaps those goals have changed. And we need to reroute and figure out some new strategies. But that is essentially the financial planning process. In a nutshell, there's a lot a lot going on, you're touching on many different aspects of a client's

financial situation or anyone's financial situation rather. So anything that has to deal with money would be lumped into this financial planning process. And not typically. Sorry, go ahead.

Pat Bolland 18:16
Oh, no, no, no, no problem. More practical question here. How much should I be putting away in my Registered Education Savings Plan - RESP? And not me, in particular, but I guess it's from this person.

Tyler Gliebe 18:31
Right. And this is a perfect example on how we can utilize the financial plan to answer some of these questions. So not only is this limited to a specific account type you this question could very well work for TFSA is RSPs. But let's go back to your initial question for our ESPs. So we can look at the financial plan, look at our budgeting plan, which is basically a sub plan of the overall financial plan. And then we could look at, okay, what is the budget look like? Do we have money to allocate to the RSP? Let's assume that we do. And then we could look at things like maximizing government grants, do we want to overload the RSP a little bit more and surpass those limits, because we can do that depending on on the rules. But it really gives us a clean picture when we do see the full financial situation. And we know how much capital we can allocate to the RSP. Where, you know, we're not breaking the bank, and then we're obviously using or utilizing such a great government program for our children. Indeed. So it's very, it's very unique. It's a very much it depends answer. But having that financial plan in place really helps you answer that question.

Pat Bolland 19:49
Perfect. Thanks Tyler ...

Tyler Gliebe 19:50
No problem

Pat Bolland 19:51
So Isobel, you know, the website has been updated recently. It looks really cool, but we've got a question already from one of our customers. The website A portal is fairly new. Can I get tax documents there yet?

Isobel Russell 20:06
Yes, you can. Our new client portal has been really well received by our clients. It has all our clients tax documents. From the main dashboard, clients will need to click on the Documents button in the left hand menu, and then click on tax documents to retrieve the tax slips. We actually have a video demonstration to show clients how to access them.

Pat Bolland 20:29
Wow, that's cool. And that's all on the website as well.

Isobel Russell 20:32
That is yes.

Pat Bolland 20:33
Okay. Here's another one that's more practical as well. How do I contribute to my account? And for that matter, you might as well go through how you open an account too for some of you that might not be here.

Isobel Russell 20:45
Yes, yeah, for new clients, we will welcome you. And you can just go to www. justwealth.com. And on the main Play page, hit the get started button and go through our account opening process. Now for existing clients, the simplest way to send a contribution into your investment account with us, it's to go into your client portal and use one of our three buttons. They're all on the main dashboard, and you can click on one time contribution... transfer. And the last one is automatic contributions.

Pat Bolland 21:21
Okay, so I could literally have an RSP at a different financial institution, I can transfer it into Justwealth.

Isobel Russell 21:28
You sure can. Yes, yeah.

Pat Bolland 21:30
Wow. That's amazing that the technology is phenomenal, isn't it?

Isobel Russell 21:35
Yes, yeah, you just click on transfer button, and then follow the steps in the drop down and it'll take you through, you'll just have to enter your existing account number and then hit submit.

Pat Bolland 21:46
And I can also track whatever's going on using the website and including those contributions, or can I track performance? I don't know on the website?

Isobel Russell 21:55
Yes, you sure can. Yeah. And performance specific to your account would be in your client portal. In the left hand menu, there's a button called performance.

Pat Bolland 22:06
Isobel, thank you so much.

Isobel Russell 22:08
You're so welcome, Pat.

Pat Bolland 22:09
So Richard, it's your turn. You've got years of experience in the industry. So we saved the hardest question for you. Here's a person ... I have a group RRSP at work, that my employer setup. But we're required to invest with another company that charges higher fees. And I'm not too happy about the

returns. Wow, sounds like a client here. And service ... does Justwealth offer group plans? And how would my company be able to move our group plan to just wealth? Richard, take it away?

Richard Burton-Williams 22:45
That's a great question, Pat. Just well does offer group savings plans that you can access via your employer. It's something we've been doing for a number of years now, as we found that a lot of the benefits that we saw, going out to the traditional investor also carried over into this part of the market, the at work company plan. So if your company has an existing group RSP, or if it's something your company is planning to add as a new benefit, we can definitely help you in both cases. When we think about group plans, and when we speak about this topic, we believe that there's a number of benefits, who would just wealth group plan versus what we see an existing market from traditional providers. So first of all, just like any other group plan, we support direct contributions from payroll. So both your contribution and your employer's matching contribution will go directly to your just wealth account, from your payroll check. You don't need to do anything, the money shows up into your account. Easy does it, it's there you see it come up in your pay stub, all that is taken care of. But additional benefits that we think we have and that we offer is that, first of all, you have access to the same investment portfolios as any other just wealth client, you gain access to the same, just wealth, personal portfolio managers, just any other just wealth client, you have access to the same just with client portal. And just while support team is any of adjustable clients. So you see a theme developing here, I hope. And it's that no matter how you come to us as a client, no matter what platform you come to us from, we treat our clients on the group side the same as we treat our retail clients. It's important to us as a company, in terms of that whole concept of providing justice to our clients, that we provide the same best in class investments, advice client support to all of our clients, no matter what platform they access just well from

Pat Bolland 24:44
Wow. Okay, this may be a little bit redundant given that explanation, but I can't I think kind of fits because I was talking to Tyler about financial planning earlier. Here's the question... I work with finance with a financial planner. Can I still be a just wealth client?

25:00
Great question. And yes, that is a very important part of our business and what we do. So something called the just wealth advisor partnership program is how we work with financial planners, we work the number of planners and advisors and their clients through that program, the aipp, that just wealth advisor partnership program. So the way that it works is that your financial advisor will continue to work with you, to provide you with your holistic financial advice, your insurance planning, your estate planning, your cash flow management, and just being your overall trusted and kind of friendly adviser someone you can talk to about life, right? Yeah, that's the wealth on the other side will take care of your investments, you'll have access to the just wealth, personal portfolio manager, access to just well support team, access to our best in class investments are best in class investment advice, et cetera, et cetera. Again, that same theme of no matter what platform you come to us from, we're treating you the same and giving you what we think is best in class service, and advice. And really, when you think about how your relationship with their financial planner is today, and how it might change, we think we actually enhance it. Because with just wealth now handling the investment side, acting as a true partner to your advisor, he or she is freed up to spend more time with you on the relationship side on the other

sides of the planning side, they still get access to see how your investments are doing through our just wealth advisor portal. And you are now in portfolios and we believe are probably more appropriate for you from your investment goals that for sure are likely to be lower cost versus the mutual funds that you might have been in before. So really is a win win. When we think about enhancing your relationship with your advisor, providing you access to just wealth investments, and just having a whole kind of a broader team partners, just well, Aiden, your financial planner working together to look out for your well being. So again, when we're on many fronts, and you're just having a stronger, bigger team looking out for your financial well being.

Pat Bolland 27:19
Sounds like a great idea. Richard, thanks... I want to finish up by going back to James on this question. Because target date portfolios have been in the news, people leaving target date portfolios, what are your thoughts on that, number one, and then how should target date portfolios be viewed.

James Gauthier 27:38
So there is a pretty specific use for target date portfolios. Any anytime you have a well defined time horizon, that allows you to be able to plan how you your investment should evolve over that defined time, you can create a schedule of how to invest those assets during that time period. So for example, saving for child's education, that's a pretty specific time period, kids typically go to school when they're 18. They're in school for four years. So you really have a 22 year window on how to invest those assets. So when you know that you can set appropriate risk levels through that entire 22 year period on a year by year basis, and manage that automatically so that you don't have to go in there and constantly Tinker or evaluate when you should be changing your risk level risk levels. It's all set for you. Retirement is another scenario where, you know people tend to retire at age 65, I think it's becoming less and less that so going forward

Pat Bolland 28:38
... as we get older and older...

James Gauthier 28:41
I think I'm up to 75. Now, when if you do have a defined time period, you can kind of figure out what that risk level should be over time. And you can create that path from how you should be investing now to when you hit that retirement date, and then what you should be doing afterwards. So when it's something predictable from a timeframe, you can create these these portfolios that make a lot of sense because it really takes the guesswork out of the risk management part of portfolio management.

Pat Bolland 29:13
James great chat, thanks so much for your time, thanks to the whole team. Andrew, Isobel, Tyler, Richard, Cathy.