Why I’m Closing Down my Primerica Deferred Sales Charge (DSC) AGF Account

Posted on January 13,2015 by Wayne Taylor

Last Update to Dialogue: 15-01-14 It seems this is turning into a dialogue which I will update as they come in. I will put the date of the most recent response at the top of the blog post. Below is my response to my Primerica sales rep when he asked why I was shutting down/transferring out my AGF DSC account. I thought it was interesting enough to share since not that many people do their due diligence, like me, and may be stuck in a similar deal or considering purchasing one: Names removed for the privacy of rep: --- Hey PRIMERICA REP, Thanks for your reply and for your instructions on how to close down my DSC 'investment'. Since you asked for details... brace yourself.... I'm a straight shooter and I do wish you the best because I like you as a person and I still like the Primerica term life insurance so I will give you the straight goods.   In fact, I might even blog about this at some point and remove your name from the article because it has been a most interesting experience for me. On one side, you won my business and trust with the term life insurance story and showing me what a bad deal it was compared to whole life. I totally agreed and signed up for the deal. I still agree. Then, once the trust was established, you sold me a DSC (Deferred Sales Charge) 'investment'. Note: I do not deny that you sold it to me legally and according to Canada's industry guidelines. But you can sell tobacco legally, too. Being in sales, I cannot blame you and I even understand more than most people might. You sold me the thing that gives you the most commission and I know the temptations to do this. In my sales position I'm often tempted to charge a 'tad' more if someone doesn't know the market rates at all. Theoretically, that would be fully legal in a 'buyer beware' sense. They didn't do their homework, after all. Unfortunately, though, when you sold me the 'investment' I was in a peculiar position of vulnerability in the following ways:

1. I was under personal psychological duress as a result of my painful business loss.
2. I was in financial hardship and still am as a result of #1
3. I didn't know anything about investing in funds or the like. Even to this day I'm a baby/beginner (but much better than last year).

I have made the decision to take my personal investments into my own hands because I don't believe my best interest has been taken into consideration. I just finished my realtor licensing course and realtors have an actual *fiduciary duty* to their clients. It's exactly the same as with lawyers and their clients. We must, by law, look out only for our client's best interest. This fiduciary duty clearly doesn't exist in this 'investment' world. The conflicts and temptations are insurmountable. If there was a fiduciary duty, there is no way you would be allowed to sell me a DSC. It has been deemed by most people that DSCs are not just a bad deal, but actually unethical. http://business.financialpost.com/2013/01/02/the-death-of-the-deferred-sales-charge/ or this one: http://www.huffingtonpost.ca/tim-paziuk/mutual-funds_b_4682413.html I now agree fully with these views. It's my money and I should be able to do with it as I please. In my life I only get a few hours and I used those hours to earn money with hopes of maximizing the leverage for my retirement and my children's future. In the future, if I use a financial advisor of any kind it will be a pay-per-visit / pay-per-hour advisor such as Asante (they were my customers at the shop when I owned it). It was a hard lesson to learn but I'm very thankful I learned it with minimal collateral damage (imagine if I needed to suddenly access the money and it was a much larger amount!) I hope this answers your question as to why I'm leaving the investment side of our relationship, but also my parents set up an account as well so I'm just going to clear this off my mind and to do list so I can free myself a bit. To answer your question about what you could have done better? I think that's pretty easy: you should not have sold me a DSC. Simple as that. Or, you could have *fully disclosed* that a DSC is frowned upon in most of the investment circles around the world and that the main purpose of selling it to me is to get a bigger up-front cheque. Thanks for hearing me out and I wish you the best 2015 for the rest of your non-DSC product line. Sincerely, Wayne -- Good morning Wayne, Thank you for the extensive feedback. Before you blog about your experience, here are some other things you may want to consider. You made quite a few assumptions on the transaction that we did. Let me clarify a few things regarding your investment. You purchased an RESP in the beginning of 2013 for [5yr old daughter's name] who at the time was 3 years old. A DSC investment works on a deferred sliding scale so that after 7 years, there is no fee. Why did I sell you this? Well, if [5yr old daughter's name] is only 3 and we assume that she will go to school around the age of 18/19, the 7 year issue is a non-issue. In other words, for this long-term investment, you would have had to pay no fee out of your pocket. Now, if [5yr old daughter's name] was 17 when we met, I would have not recommended a DSC investment because that would have meant you would have to pay fees when withdrawing the money. The same goes for an investment that a client would like to hold for a short-time such as an emergency fund. I'm not sure how it makes sense then to work with a company that will charge you per visit/per hour as you say. If you're under financial hardship, isn't not paying a fee better than paying one? As for commissions, yes I got paid $30 for the transaction. I could have put in you in a front end load and made more. I'm curious as to how much companies charge that work on a pay per visit/pay per hour basis? As for the management expense ratio as one of the articles mentioned being higher in a DSC fund: As I mentioned yesterday, your investment has generated just under 12% per year. That means that you're up 24% since we began. I think that's pretty good. The MER is deducted prior to what you get as a net return. This means that you made 12%/year after all fees already being deducted. Yes we do have a fiduciary duty as well. I know that what I did was the best for you given the parameters of your investment need. As for the articles, you may want to look at the feedback/comments that the first article generated. As a side note, there are a lot of "good" articles on why whole life insurance is the best and to stay away from term insurance. One can paint a picture in many ways. So one has to wonder--who should I trust/believe? I think that it's great that you have taken such an interest in learning about your money and the industry. I always say that an educated client is always better off than one who isn't. This is one of the reasons that I've been somewhat persistent in trying to sit down with you over the last year to give you some more insight on fees... Why not join us just to get your investment license...? Not only will you learn a lot about this subject but you could then control your own investment. Just a thought. Thanks, Wayne. PRIMERICA REP ===================================

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