

PORTFOLIO STRATEGY

Three ways to get a second opinion on your investment portfolio



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A client came to Money Coaches Canada recently for a second opinion on the investment portfolio her adviser designed for a \$2-million inheritance.

“She just wasn’t sure he was doing the right thing for her, given that she knew that he made his money on the basis of investments,” said Money Coaches chief executive and co-founder Karin Mizgala. “She liked him, she kind of trusted him, but she felt kind of vulnerable.”

As long as there have been investment advisers, there have been clients who wanted second opinions on their work. Money Coaches Canada provides this service with a human touch, while online versions are available from the independent stock analysis firm 5i Research and a software company called Wealthscope. All three work just as well for do-it-yourselfers as for people who have advisers.

Money Coaches has just launched the On Your Side Investment Report Card, a service that offers a thorough portfolio review by people who get paid a flat rate for their work and are not compensated through the sale of investments. The cost for a single person is \$600, and that includes three different accounts (a tax-free savings account and a pair of registered retirement savings plans, for example). Couples pay \$950 and get five accounts included.

Clients receive a personalized portfolio report that includes a one-hour consultation using the online meeting software called Zoom. This allows people from across the country to use the On Your Side service.

About one-third to half of new Money Coaches clients have what Ms. Mizgala describes as “suboptimal” relationships with their adviser. The woman who brought her \$2-million portfolio for a second opinion was found to be paying a fee of 1.8 per cent in total, which is huge for such a big account. Ms. Mizgala said returns weren’t great when compared with benchmarks and the adviser had also brushed off the client’s interest in socially responsible investing (SRI).

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There are some limitations to the On Your Side Investment Report Card. The reviews are done by certified financial planners (CFPs), who aren't licensed to sell investments and thus can't provide recommendations on specific holdings. They can discuss more important matters such as whether you have the right mix of investments, whether your returns and risk level match your needs and whether you'd be best served by investing through an online broker, a robo-adviser or a human adviser.

Another potential issue is that clients have to input their portfolio details into an online template for submission – chasing down the details is going to involve some work, even if it is essential to helping get that second opinion.

The appeal of having a portfolio evaluated by a second set of eyes is widely understood in the investment advice business. Do a Google search for “investments second opinion” and you'll find any number of advisers – both human and robo – offering portfolio evaluations, at no cost in many cases.

Treat these second opinions as a come-on designed to lure new clients. It's possible you'll get an objective opinion on your portfolio, but the likely outcome is a stern critique of your portfolio that is designed to – subtly or not – pry you away from your current adviser.

Investment advisers are compensated in two different ways for the most part – through commissions generated on the sale of investments or by an advice fee set as a percentage of your account holdings (1 per cent to 2 per cent as a rough range). When an adviser adds new clients, their accounts add to the block of assets on which fees and commissions are charged. Is this who you want a second opinion from?

At least a couple of attempts have been made in the past to create an advice business based on providing second opinions for a fee. Paid directly, the provider of the second opinion has no incentive to issue a thumbs up or down on a portfolio.

The flaw in this model has been that there aren't enough people willing to pay a fee for help with their finances. But the existence of Money Coaches suggests attitudes are changing. The company now has 17 coaches plus Ms. Mizgala and co-founder Sheila Walkington, and 2,500 clients. The coaches are located in British Columbia, Alberta and Ontario, but people in other cities can be served electronically. The full financial plans that Money Coaches offer cost \$3,000 to \$4,000.

Money Coaches has resisted the “modular” approach that some financial planners are using today. Basically, these planners tackle a specific and limited goal such as buying a house or reducing debt and charge accordingly.

The On Your Side Investment Report Card suggests Money Coaches is rethinking its strategy. “What we're

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Portfolio Analytics is a new offering from 5i Research, which is a provider of independent research on small and medium-size Canadian companies with strong fundamentals. The cost of a subscription to 5i's reports and Portfolio Analytics is \$390 a year (stock research alone is \$176.95 a year).

Ryan Modesto, 5i's CEO, says Portfolio Analytics walks investors through the process of developing an ideal mix of stocks and bonds and then helps them compare this ideal portfolio with their actual holdings. The emphasis is on diversification in terms of individual securities, sectors and regions. Cost-base data for portfolio holdings will be added in the next few weeks (to track the price paid for securities, for tax purposes).

Portfolio Analytics works equally well for DIY investors and people who have an adviser. "The results you get from Portfolio Analytics versus what your adviser has done could very well be different, and the adviser might be totally right," Mr. Modesto said. "But at least it starts a conversation [with the adviser]. It gives people a chance to say, 'what's happening here, explain it to me.'"

Wealthscope has been operating for a year as a free service built by a team that includes Pauline Shum-Nolan, a professor of finance at York University's Schulich School of Business. Online broker Virtual Brokers has since add Wealthscope to its portfolio analysis tools, and Qtrade has targeted this summer for adding the service to its own platform.

The freestanding version of Wealthscope allows you to link your existing accounts at a variety of brokerage firms, or input your holdings directly. Your holdings are graded on performance, downside risk, fees, diversification and dividends. The overall presentation is slick and easy to use. Definitely give it a try if you need a quick second opinion.

Where to get a second opinion on your investment portfolio

These three services will look at your holdings and tell you how well they are working as a cohesive portfolio. They do not provide buy/sell opinions on the securities you own.



SERVICE	WHO OFFERS IT	COST	HUMAN TOUCH OR ONLINE	AREAS COVERED
The On Your Side Investment Report Card	Money Coaches Canada, a fee-for-service financial planning firm that does not sell investments	\$600 for an individual, \$950 for couples	Clients input their account details online, then get a personalized report and a one-hour consultation via online meeting	Fees, performance relative to benchmarks, alignment with goals, asset allocation, asset location (registered vs. non-registered accounts)
Portfolio Analytics	5i Research, an independent provider of stock research	\$390 per year (includes 5i stock)	Online	Portfolio construction, including diversification on several levels and comparisons to benchmark portfolios tailored to client risk profile

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SERVICE	WHO OFFERS IT	COST	HUMAN TOUCH OR ONLINE	AREAS COVERED
Wealthscope	PW Portfolio Analytics Inc.	Many features available at no cost	Online	Performance, downside risk, fees, diversification, income flow

Source: Company websites

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