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Switch your mutual funds into ETF's or stocks, but check all sales charges first.
Put the difference in ongoing management fees in your pocket, not the adviser's

Many of you still own lots of mutual funds and are resistant to do anything about it.

Ridiculously high management fees, poor investment performance and no tax planning are a few examples of why you should be liquidating these securities as soon as possible.

As you have all discovered most mutual funds are sold with deferred sales charges that still apply after six years of holding them. In my opinion it is not a great strategy to invest in a fund with high ongoing management fees where one incurs a fee for liquidating of up to 5.5% of the initial investment for the first few years of ownership. This is a recipe for disaster in my opinion. Where is the accountability for poor performance? There is none.

There is a cost efficient method to get rid of your funds. Every year you are entitled to redeem your fee free units without incurring any deferred sales charges. Normally this amounts to about 10% of your initial investment, but this varies by company. You can obtain this information by calling the head office of the mutual fund company to request this information. You can also ask them for the final date of expiry of the sales charges and the total cost of the sales charges remaining. Every year you will need to call the head office of the fund company to obtain the fee free units for the year in question.

The second thing you will need to do is to stop making any new additional monthly contributions to these mutual funds. Every time you make a new contribution it will take about seven years before the investment will be free of any sales charges.

Your adviser has a vested interest to keep you invested regardless if the investment is performing and what the fees are. It must be pointed out that your adviser in most cases will not recommend you switch from mutual funds into lower fee exchange traded ones. The reason for this is solely monetary. Your adviser makes much more income from your investments when they are in mutual funds than exchange traded ones. It is really your ultimate responsibility to take full ownership and control of your investments. This will encourage you to make the hard decisions that are absolutely critical to improve your net worth.

Your adviser may recommend a switch out of deferred sales type funds into ones where there are no ongoing sales charges. However you really need to determine if the new funds recommended by your adviser are low fee ones or simply high fee ones without the sales charges.

In most cases you will be better served to permanently get out of all your mutual funds regardless if they have deferred sales charges or not.

This is not rocket science. If your goal is the following you should make the decision to switch out of your mutual funds:

Substantially lower ongoing management fees

Increase your net worth

Maintain the same level of portfolio risk

Course of Action

Before you start liquidating, you will need to determine what deferred sales charges are remaining and what is the annual management expense ratio (MER) of the funds held.

Under no circumstances would I advise you to sell all your mutual funds and possibly be hit with a hefty maximum DSC fee of 5.5%.

Find out exactly what the remaining deferred sales charge fees are as summarized above.

Find out what the market value and the actual number of fee free units you can sell every year without incurring any sales charges. You will need to do this every year to determine exactly the amount and number of fee free units.

Once you have found this info out, you can sell all the fee free units as soon as possible.

Cancel all new mutual fund contributions immediately to avoid any additional sales charges.

Once your fee free units have been sold, determine the remaining total dollar value of the deferred sales charges.

Compare the annual ongoing MER fees for both your mutual funds and for comparable exchange traded funds that you are considering buying.

Determine the number of years for you to breakeven as follows:

If the difference in annual fees is 1.25% and you have $300,000 invested this works out to an annual savings of $3,750

If the DSC sales charge remaining is $3,750 you will breakeven in one year only by switching into exchange traded funds. If the DSC fee is $7500 you will breakeven in 2 years.

Determine a breakeven compromise that makes sense for you. After making these calculations you may decide to only liquidate the 10% fee free units yearly, but it is still really important to have all your facts before making any decisions.

Conclusion

Lowering your ongoing management fees is normally a prudent strategy to follow.

Most exchange traded funds have very similar risk parameters to mutual funds and are often managed by the same portfolio managers.

This will put more capital into your hands instead of your advisers' and will enable you to retire earlier with a more secure future.

Take ownership of your investments and make the best decision for you.