

The Key To Success - Trust Relationships

A Higher Standard In The Canadian Group Retirement Industry

By Paul Rainford, MBA, CLU, Vice President & Director, — HighView Financial Group

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Trust Is The Foundation

All successful relationships, whether business or personal, are predicated on a foundation of trust. No one has ever felt comfortable in a relationship unless trust is present. Have you ever entered into a business venture or relationship where you lacked a belief that the people you were dealing with had a desire for an outcome similar to your own? It is not a pleasant experience. If you have ever been involved in this type of transaction, you will not duplicate it.

What then is the definition of trust? One definition states that trust is; *“a reliance on the integrity, strength, ability or surety of a person or thing; confidence.”* Another definition states that trust is; *“confidence in the certainty of future payment for property or goods received.”*

In law, trust takes on a greater level of obligation. The definition of trust under law is as follows; *“a fiduciary relationship in which one person (the trustee) holds the title to property (the trust estate or trust property) for the benefit of another (the beneficiary).”*

The Fiduciary Relationship

When the trust relationship is such that one of the parties contracts services from another party for the benefit of a third party, such as in the case of an employer sponsored Group Retirement plan for the benefit of their employees, the obligation becomes more critical and the stakes become higher.

The legal fiduciary responsibility for the prudent operation of a Group Retirement plan rests with the plan sponsor (the employer, union, association etc.). This accountability and obligation cannot be delegated to sub contractors, only the responsibility. It is incumbent upon the plan sponsor to choose wisely when subcontracting services for plan design, recordkeeping, administration and investment services.

Group Retirement Plan Trusts – The International Standard

The retirement plan landscape internationally is dominated by trustee arrangements. In these arrangements, a trustee is appointed to bear the responsibility of ensuring the safety of the assets entrusted to this legal entity.



Normally, in trustee arrangements a series of providers are contracted together to cover the services necessary to meet the obligations of properly running the plan.

Other than the largest of plans, the Canadian group retirement marketplace has been dominated by the Insurance industry. The services offered by the Insurance Industry are ‘packaged’ services. All necessary services ranging from plan design through administrative and investment services are offered through that single provider. This is an anomaly internationally since conventional wisdom dictates that no one organization has the skill set, knowledge, ability or resources to provide “Top Tier” services in every area.

Trustee led programs contract the services of subject matter experts in each area. Specialization of services has conventionally been viewed as the most effective means to ensure best in class services. There is no guarantee that specialization will provide a higher degree of care, but if the level of care is not delivered, that provider can be replaced. This is not the case with a packaged solution.

Investment Management Challenges

Although each of the services necessary in the operation of a group retirement program have significant importance, the Investment Management portion is the area that most perplexes both plan sponsors and members. Properly constructed risk management in this area will provide the greatest opportunity for gain for the plan member. Poorly constructed investment management will negatively affect the outcome more than any other service in within the plan.

The major challenge with investment management in Money Accumulation Programs offered in Canada is that *the responsibility for choice lies with the individual, who seldom has the understanding of the complexity of the task*. In the Insured world that dominates the Canadian group retirement marketplace, providers supply “*information and education*” to assist the plan member in making informed choices. Industry statistics have proven that these efforts have not provided the member with sufficient protection in achieving their financial goals and those members now find themselves financially challenged in accumulating the resources necessary to meet their retirement needs.

With the trend toward Globalization in business, the group retirement landscape is changing. The demand for “Top Tier” providers is paramount in all aspects of business today. This should be no less important in providing benefits to the corporation’s most important resource, their people. Globalization has opened the eyes of senior managers to the operation of retirement plans in other jurisdictions.



All aspects of business demand risk management tactics. If the accountability for properly operating the retirement plan lies with plan sponsor, the sponsor must ensure that each area is properly populated.

The Fiduciary Manager Opportunity

Since the main area of challenge in the majority of Money Purchase Pension Programs is in relation to Investment Management, changes must be made. This area can function most effectively by removing the mystique from both the plan sponsor and the plan member. By contracting the services of a Portfolio Management firm that has been charged with the focused responsibility of Investment Management, the duty of care of a fiduciary can manage the risk in operating an effective program.

These **Fiduciary Management Services** are typically offered through an unbundled Trustee arrangement. A major shift in thinking occurs when a trustee program is contracted. Instead of information and education, advice is provided to both the plan sponsor and the plan member. This advice is not hypothetical but time-tested advice with the following features:

- Unwavering objectivity, due diligence and transparency in architecting financial portfolios that are in clients' best interests given that these Fiduciary Managers do not engage in any related investment management businesses.
- A fiduciary (legal and ethical) responsibility for their clients' assets.
- Only compensated for their advice through transparent client fees for objective and experienced advice and research.

The result of such an approach to advice is that a higher standard of processes and disciplines are created to deliver what is necessary in order to mitigate the risk to both the plan sponsor and the plan member. This means that professional advisors are more than simply "purveyors of investment product" but actually "*stewards of client wealth*".

HighView As A Fiduciary Manager

As a Portfolio Manager, HighView Financial is legally required to operate with an elevated standard of care. Whether we are working with high net wealth investors, foundations, endowments or retirement assets, the process that we employ is the same. It becomes the foundation and cornerstone of our offering. The individual points in the process are not unique but the application of these points in a structured process is.



These broad tenants of operation create a higher level experience for all of the stakeholders. They allow the plan sponsor and the plan member to achieve the best possible results since, in partnership with us, we both *'sit on the same side of the table'* working toward common goals. We become Stewards of Wealth, which requires us to conduct ourselves with a standard of care above that of the general marketplace.

This process can be best summarized by HighView's Chairman and Co-Founder;

"It is our belief that our Industry must earn back the loyalty and trust that has been lost - that will require us to get 'Back-to-Basics'. As Wealth Stewards, we will have to do three things:

- 1. Conduct ourselves with a fiduciary mindset.*
- 2. Spend more time understanding the goals, expectations and desires of our clients' realities.*
- 3. Deploy objective, comprehensive asset management practices that align with those realities.*

The solutions we deliver must provide our clients with the clarity they seek in order for them to be comfortable and confident about their future. This is the only way the loyalty and trust will be reestablished."

Gary Brent, Chairman, HighView Financial Group

Contact

HighView is based in Bronte Harbour in Oakville, Ontario. The Town of Oakville is a beautiful community situated on Lake Ontario, just 30 minutes from Downtown Toronto.

Corporate Office

Tel: (905) 827-8540
Toll Free: (888) 827-8540
Fax: (866) 590-8234
77 Bronte Road, Suite 201
Oakville, Ontario
L6L 3B7

Gary Brent Chairman

Email: gbrent@highviewfin.com
Office: (905) 334-6657

Mark Barnicutt, CFA President & CEO

Email: mbarnicutt@highviewfin.com
Office: (905) 510-5183



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