

Five Tips to Getting a Great Group RSP for Your Company

1. Understand the fees you pay – and what you should be paying.

- No group plan should be paying 2%+ for fund management
- If your company has \$50 million or more in a group plan, you should be able to negotiate average fees under 0.75% on average.
- If your company has \$10 million to \$50 million in a group plan, you should be able to negotiate average fees around 1%.
- If your company has \$1 million to \$10 million in a group plan, you should be able to negotiate average fees around 1.3%.

2. Choice is a good thing. Don't limit choices to just the basics.

- We do not recommend having 40 fund choices for employees, but there are probably about 12 to 18 choices needed to cover their options properly.
- Given that each employee has different needs in terms of ages, spousal pensions, other investment assets, among others, it is important to allow them to build a Group RSP that is appropriate to their situation.
- Investment options should cover GICs, money market, government bonds, corporate bonds, preferred shares, income trusts/REITs, Large cap Canadian Equities, Small cap Canadian Equities, US Equities, European Equities, Latin American Equities, Asian Equities, and a few major sector funds (financials, energy, commodities).

3. Investment performance is easy to measure – no reason to have long term underperformance.

- Don't worry too much about every fund, but if 70% of employee assets are going into 4 funds, it is important to really measure the 3 year+ performance on those funds. Morningstar.ca can help you see quickly if your funds are 3rd or 4th quartile performers (meaning that performance is below average). If that is the case, then it is time for a change.

4. Don't be on the hook for poor employee decisions. Ensure your Group RSP plan comes with professional support for employees.

- In the United States, companies have been sued by employees because they lost money in their Group plans, and were never provided any meaningful guidance. This risk can and will likely come to Canada. Be prepared.
- By ensuring that there is real support for employees, such as a phone number they can call to ask questions of a Certified Financial Planner, is a huge support to the employee and good risk management for the company – as long as the CFP is clearly independent of the company.

5. Shop the market

- Make sure the people you are dealing with have access to several providers, and can help you to determine which provider is best suited to meet your needs. Be wary of someone that offers only Group RRSP solutions of one bank or insurer.

