

## How to transfer investment accounts from high fee mutual funds to low fee ETFs

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In this guide we're going to cover how to transfer your investments to [Questrade](#). There are two main benefits of doing so:

First, if you're with a mutual fund or segregated fund, having your investments with Questrade instead, and buying low cost ETFs will allow you to drastically cut the expenses that you are likely currently paying on your investments.

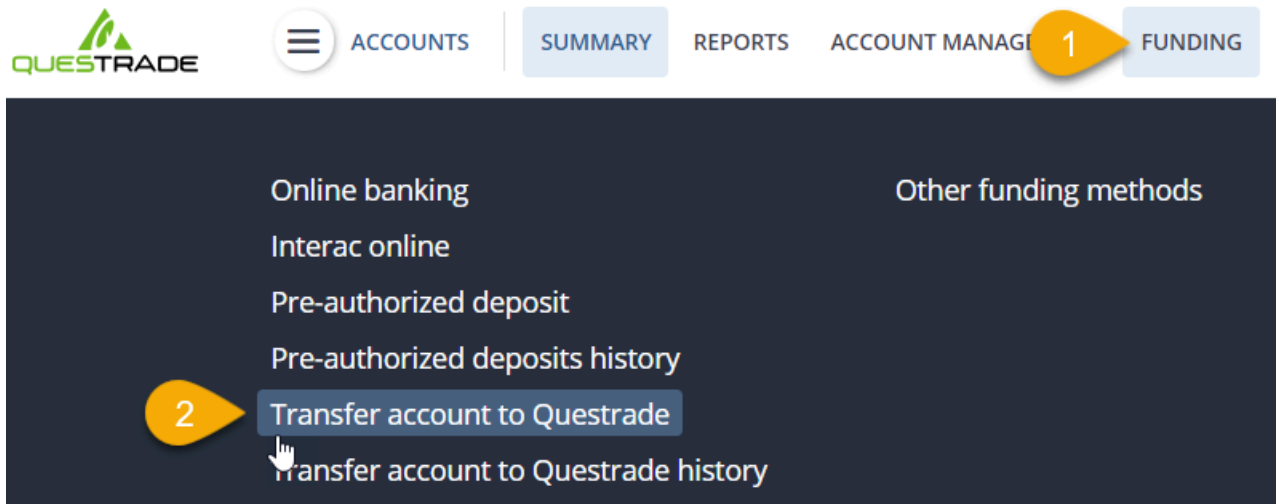
The difference can be **hundreds of thousands** of extra dollars in your pocket over the course of your investment life, so this is definitely one of the best things that you can do to increase your net worth.

Second, by using [Questrade](#) instead of another brokerage, you'll be able to buy ETFs for free indefinitely. Many brokerages charge around \$10 as their standard rate per trade, so if you're doing 4 trades a month for example (i.e. If you're investing a portion of every paycheck every month), then that's \$40 per month that you are saving. That's \$480 per year. If you invest those savings of \$480 every year, then over the course of 10 years, assuming a 6% return, you'll have an **extra \$5,847** in your pocket. Not bad, and this is just from saving that \$10 per transaction.

Obviously both of these benefits are significant, making such a switch worthwhile, so let's get into how to actually do this:

1. Open a Questrade account. If you're not sure how to do this, you can view the tutorial in the investing course.

2. Upon logging in, hover your mouse over “FUNDING” then select “Transfer account to Questrade”



3. Read the page that appears so that you are aware of all the details.
4. Select the Questrade account that you want the investments/money to be transferred to. In the dropdown menu for this field, all your current Questrade accounts will be listed.

**Make sure that you select the correct account.** For example, if you are transferring your TFSA, then make sure that you select TFSA from the dropdown menu. If you don't have that account type with Questrade yet, then open one up.

Account # ? Self-directed

Individual TFSA -

5. Next, enter your institution information. This is the bank/brokerage that you are transferring your account from. You can receive all the needed information like the address from your existing brokerage's website.

The “Contact Phone #” and “Contact Name” is where you enter the person that you are currently dealing with at your existing brokerage. If you don't have a specific person (like a Financial Advisor at that institution), then just

put “Not Applicable”.

6. Lastly, we have the “Transfer Type”. Here we have three options:

- All In cash
- All in-kind
- Partial.

This part is important and not completely obvious so I’ve explained each option below:

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#### Transferring Investments All in Cash

If you choose “All in cash” then your investments in your current account will be sold, and the money that you receive from their sale will be deposited into your Questrade account.

This is typically the option to pick for most people, especially if you’re switching from mutual funds to low cost ETFs.

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#### Transferring investments All in-kind

Transferring investments in-kind means that your existing investments will be transferred directly to Questrade, without being sold first.

This is the option to select if for example, you already have a low-cost ETF portfolio at another brokerage (like TD for example), and would like to transfer them over to Questrade because you want to be able to buy ETFs for free, instead of being charged \$10 per trade like most places.

In this case, you don’t want to sell your investments before transferring them as that will likely result in you needing to pay additional trading fees, and you may even be subject to paying tax, depending on what account you’re using and other factors.

Therefore, if you are just looking to just switch brokers (ex. Moving from TD to Questrade), then you do want to transfer in-kind to bypass these extra fees.

In other words, let's say you are already holding XIC (the Canadian Index ETF) and that you want to keep holding it as part of your low cost ETF portfolio. There is no point in selling it in your existing brokerage and then buy it back in Questrade. Therefore, you transfer "it in-kind" so that no selling takes place.

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### Partial

Partial is a combination of the 2 options above. This allows you to transfer some of your investments as cash, while choosing which ones you want to transfer without selling them.

### Next Steps

Once you are done the above, click "Continue" and follow any additional instructions that Questrade gives you. If you have any questions, just leave a comment on this page and I'll be happy to answer it for you.

Before moving on though, be sure to also read the following note on deferred sales charges (DSC)

### **IMPORTANT:**

If you're transferring from your current RRSP at the old provider, it is critical that you transfer it to an RRSP in Questrade.

The same goes for your TFSA: If you're transferring from a TFSA, make sure that you transfer directly to a TFSA in Questrade.

What you definitely **DON'T** want to do, is move from an RRSP/TFSA at your old provider to a regular taxable (non-registered) margin account in Questrade.

**(FYI:** Questrade often calls these "Margin Accounts", so when I say "taxable" or "non-registered account", that's the same as a "Margin" account in Questrade.)

The reason for this is that if you move them first to a taxable (non-registered) account so that you can later move them to a RRSP/TFSA, the government of Canada will view this as you withdrawing money from your RRSP/TFSA. This will

impact your contribution room on those accounts, and you could be subject to fees from the government if you accidentally overcontribute by doing things this way.

So, the bottom line is you need to move the investments/cash directly from RRSP to RRSP, and from TFSA to TFSA. You **do not** temporarily move it to your taxable/non-registered/margin account.

### Deferred Sales Charges (DSC)

If you are switching away from mutual funds or segregated funds, then you also want to ask your current provider if there are any deferred sales charges (DSC) that you'll have to pay.

These fees are typically worth paying to get out of the high fee mutual funds or segregated funds that you're in, in order to move to low cost ETFs. I've seen multiple instances where after just 1 or 2 years, the fees saved from moving to a low cost portfolio has more than offset the DSCs that were charged to get out of the high cost product.

In my experience, I have found that very rarely does it not make sense to just pay these fees and move on. Sure that initial fee to get out can be painful, but it's better than to potentially be paying thousands of dollars in unnecessary fees for years to come.

My primary reason for bringing up deferred sales charges (DSCs) in this guide, is just so that you know what to expect, and aren't surprised when your existing provider tells you of the fees that you have to pay to get out.

### **How to analyze this to see if it's worth to switch if you are going to be paying large fees to get out?**

#### **Step 1:**

Figure out what you would be paying in fees (the MER) on your new low-cost portfolio. If you want a shortcut, you can use **0.147%** as that is approximately the

fee that you will be paying if you build a low-cost ETF coach potato portfolio like what I talk about [in the course](#).

### **Step 2:**

Find out what you are currently paying on your mutual fund (i.e. what is the MER). Usually this is somewhere around 2% to 2.5% (sometimes even more).

### **Step 3:**

Multiply these two different fees by your portfolio size. This will give you what your fees are every year for your mutual fund portfolio vs your new low-cost ETF portfolio.

You will notice a huge amount in annual savings which is of course the reason that you are doing this switch to begin with.

### **Step 4:**

Find out from your mutual fund provider/salesperson how much it would cost to get out of the mutual funds.

Specifically ask them “Are there any deferred sales charges that I will be charged and are there any other fees that you would charge?”.

### **Step 5:**

With those numbers, you can now see how many years it will take for your savings to offset the fees.

For example, let’s say that by switching to a low-cost ETF portfolio you save \$2,000 a year in fees.

If the deferred sales charges are \$4,000 then that means that in 2 years you would have offset these deferred sales charges from the fees that you save every year.

In this case it would definitely be worth it because while it does hurt to pay \$4,000 to get out, after those 2 years you have earned that money back in the savings.

Now, every year that you are invested past those 2 years you are savings that \$2,000+ per year, every year for as long as you invest in this way.

The good news too is that you are actually saving more than \$2,000 per year, long term because as your portfolio grows, the fees that you saved get larger and larger (since fees are charged as a percent, the larger your portfolio, the more fees you would have paid).

That's all for this guide. Let me know if you have any questions and I will add the answers to the guide.

You can [use this link](#) to sign up to Questrade. When you go through that link, you'll get \$50 in free trades from them (and it'll help support the show).

Kornel

P.S. Here is the link to my investing course where you can learn how to be a DIY investor step-by-step, and pay the lowest fees possible:

[buildwealthcanada.ca/invest](http://buildwealthcanada.ca/invest)

## FAQ

**What are the tax implications of moving investments from a taxable/non-registered account at your old broker into Questrade to buy low-cost index ETFs:**

**Answer:** There are 3 different scenarios:

1. First, if you have cash at the broker that you're leaving in a taxable/non-registered account, then you can take that cash out, put it in your regular bank account, then deposit it into Questrade. I'm pretty sure Questrade can do this cash transfer for you directly too when they are transferring over your actual investments. There are no tax implications in this case because you didn't actually sell anything in your taxable account

so there is no capital gains tax that you have to worry about.

2. The next scenario, is if you have something like a high cost mutual fund in a taxable/non-registered account, through your financial advisor (which you are leaving to buy low cost index ETFs instead).

In this scenario, when you are initiating the transfer with Questrade, you are actually selling the high cost mutual fund, which then turns it into cash, and then you use that cash to buy the ETFs. Since you are doing this with investments which are located in a taxable/non-registered account, you will be subject to capital gains taxes at the end of the year for the high-fee mutual fund investments that you sold.

3. Scenario 3 is if you already have low cost ETFs in a taxable/non-registered account at your old brokerage, and you are looking to simply move those ETF(s) over to Questrade (because for example you want to be able to buy those ETFs for free and not pay \$5-\$10 per trade like you do with many other brokerages). In this case, you want to transfer those ETFs “in-kind”, as per the instructions earlier in the guide.

Since in this 3rd scenario you are just doing a straight “in-kind transfer”, you are not subject to those capital gains taxes that you saw in scenario 2 because you are not actually selling anything in this case. You’re simply moving the funds to a new brokerage with no selling taking place, which results in no capital gains tax upon transfer.

I hope that helps. Let me know if something in the above is unclear and I’ll be happy to elaborate.

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