

# Working with a financial adviser



## **Canadian Securities Administrators**

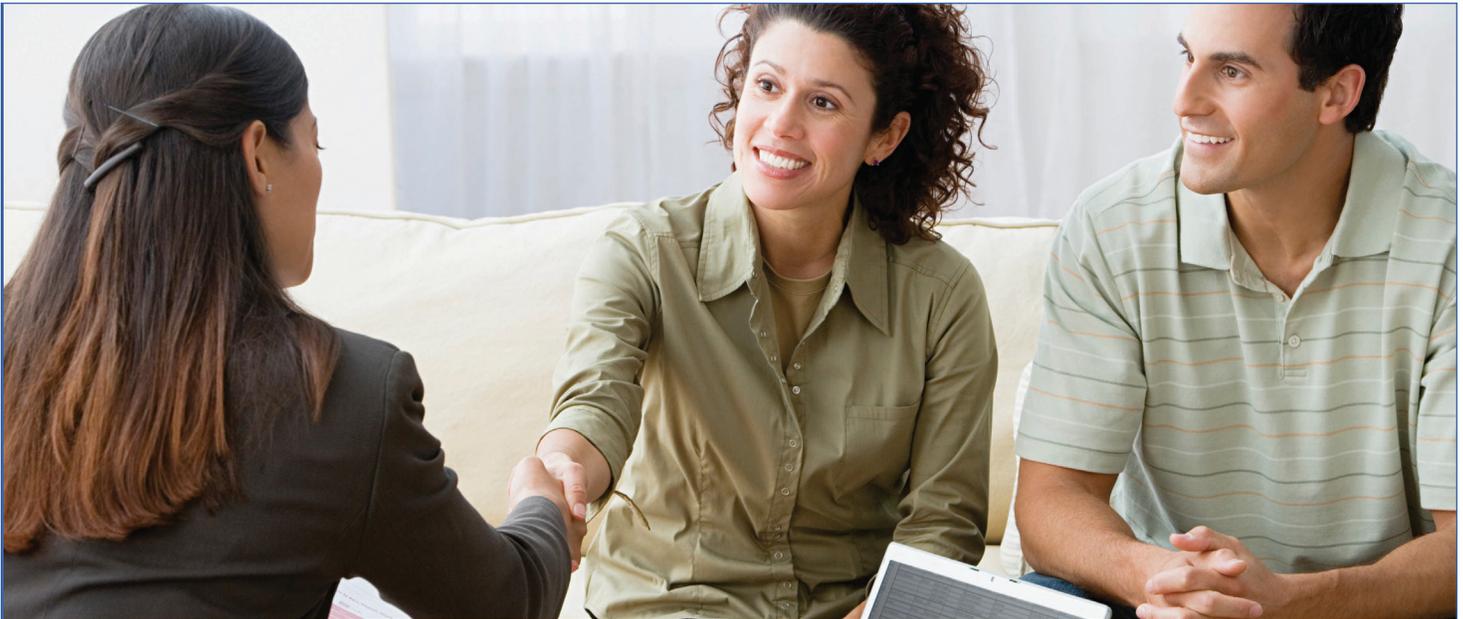
Securities regulators from each province and territory have teamed up to form the Canadian Securities Administrators, or CSA for short. The CSA is primarily responsible for developing a harmonized approach to securities regulation across the country.

[www.securities-administrators.ca](http://www.securities-administrators.ca)



Canadian Securities  
Administrators

Autorités canadiennes  
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Good investment advice is important and so is choosing the right adviser.

The **Canadian Securities Administrators (CSA)** have put together this guide to help you get started. The CSA includes the 13 securities regulators of Canada's provinces and territories. If you have questions or want more information, contact your local securities regulator listed on page 8.

In this guide, the term “adviser” refers generally to someone who provides investment advice to you or helps you buy and sell investments.

## Benefits of working with an adviser

Getting advice may be worth it if you're not comfortable putting together an investment plan or choosing investments on your own. For example, you may not have the time, interest or knowledge to build a portfolio that fits your investment goals and comfort level with risk.

# What an adviser can do for you

An adviser can help you:

- set your investment goals
- build an investment plan
- design a portfolio
- choose suitable investments
- track your progress, and help you adjust as necessary

You can look to an adviser for answers to your questions about investment products and strategies. They can also act as a sounding board for your ideas and keep you motivated to stay with your plan.

## Getting the help you need

Start by asking yourself these questions:

- How much advice do you need? Are you looking for basic investment advice or do you need help with other financial matters like taxes and estate planning?
- What is your investment knowledge and experience? If you're an experienced investor, you may want an adviser who offers a wide range of products and lets you choose. If you're newer to investing, you may be more comfortable with fewer choices and more guidance from your adviser.
- How much are you planning to invest? Someone with less than \$10,000 to invest will likely have simpler needs than someone who has \$250,000 to invest. In addition, some advisers require you to have a minimum amount to invest.

# What kind of help do you need?

The right adviser for you will depend on what products and services you need, and how much you're willing to pay for advice.

Advisers can work at banks, mutual fund firms, brokerage firms and investment management firms. Not all advisers offer the same products and services or have the same expertise. Some specialize in certain kinds of investments. Others can offer you a wide range of investments and services.

Advisers are usually paid by salary, commission, a flat fee, or a combination of these methods. If an adviser is paid by salary, the cost of their advice is built into

the products you buy. Many advisers are paid a commission for every product they sell. Others charge a flat fee based on an hourly rate or a percentage of the value of your account.

Commissions and other incentives may influence an adviser to recommend one investment over another. Make sure you understand how your adviser is paid and think about how this may impact the advice they give you. Before you invest, be sure to understand how the fees and other costs will affect your returns and ask about other investments that may be suitable for you at a lower cost.

# How to find an adviser

Start by asking for referrals from friends, family, work colleagues and professionals you trust, like your accountant or lawyer. Keep in mind that what's good for one person may not be good for another.

You can also contact your local securities regulator to find out who is registered in your area. The Mutual Fund Dealers Association of Canada (MFDA) and the Investment Industry Regulatory Organization of Canada (IIROC) can give you a list of registered member firms. You can also contact the Portfolio Management Association of Canada (PMAC), the Financial Planners Standards Council (FPSC) or the Institut québécois de planification financière (IQPF) for additional information.



# What to look for in an adviser

Choose an adviser who has the necessary qualifications and experience, who is registered with your local securities regulator and who you believe is trustworthy. Just as important is choosing someone you are comfortable with.

Start by screening candidates over the phone. Find out if they are taking on new clients and what type of clients they work with. Once you've narrowed your list, set up meetings with each candidate at their office. This will give you a sense of how they run their business. Gauge how comfortable you would be working with them. Do they listen to you and answer your questions clearly? Do you have a good rapport with them?

Expect the adviser to have some questions for you as well. They will probably want to know what financial goals you want to achieve and what kind of services you're looking for.

## Check qualifications

Find out if the adviser is qualified to give you the help you need. To help you decide, ask:

- What is your education and professional experience?
- How long has your firm been in business?
- How long have you been with the firm?
- Are you and your firm registered with a securities regulator?
- What products and services do you offer?
- How will you help me reach my goals?
- What kind of account reporting will you provide?
- How are you paid for your services (salary, commission or flat fee)?

- What fees will I be charged and how will they be reported to me?
- Who are your clients?
- Can you give me references from clients who are like me?

Your local securities regulator can tell you or confirm if an individual or firm is registered, the kind of registration they hold and if they have a record of any disciplinary action.

## About registration

In general, anyone selling securities or offering investment advice in Canada must register with their local securities regulator. Registration helps protect investors because securities regulators will only register individuals and firms if they are properly qualified.

Individuals and firms are registered by category. Each category has different education and experience requirements, and permits different activities.

For example, a person registered as a “dealing representative” of a mutual fund dealer can sell and provide advice on mutual funds, but is not qualified to sell or provide advice on stocks and bonds, unless they hold further registrations.

An individual's title won't tell you if they're registered or in what category, so ask and be sure. Common business titles include financial adviser, investment adviser, investment consultant, investment specialist and seniors consultant. These titles are not legally defined terms or official registration categories.

## Before investing follow these simple steps:

1. Check registration (CSA National Registration Search and local regulator)
2. Check disciplinary history (CSA Disciplined Persons list, CSA Cease Trade Orders database and local regulator)
3. Check the news and search the Internet

# Making the most of the relationship

Think of your relationship with your adviser as a partnership, with both of you working to achieve your financial goals. You both have responsibilities in making it a success. And like in any relationship, open and honest communication is key.

## What you should expect from your adviser

The role of your adviser is to give you helpful, informed advice as you build and carry out your investment plan. Your adviser is obligated to deal with you fairly, honestly and in good faith and to recommend investments that are suitable for you.

To do this, your adviser will need to take the time to get to know you and get a clear understanding of your financial situation, your goals and how you feel about risk. Once your plan is in place, your adviser should tell you about investment opportunities and any changes that could affect your investments. They should be available to answer your questions, especially during market lows when you may be tempted to act on your emotions.

You can expect your adviser to:

- make clear and specific recommendations
- explain the reasons for the recommendations
- point out the strengths and weaknesses
- outline the risks involved

Your adviser must get your permission before they take action like buying or selling investments for you, or withdrawing money from your account. The only exception is if you have given your adviser “discretionary” authority. Your adviser will send you a written confirmation of any transactions they make for you and will send you regular account statements.

## What you should *not* expect from your adviser

Your adviser will not be able to:

- predict the performance of the markets with certainty
- recommend investments that are always profitable
- act on vague or general instructions to buy or sell investments
- meet unrealistic goals or expectations of profit

## Your responsibilities as a client

Advisers appreciate clients who are clear and honest about their financial situation and expectations because it means they can give better advice. Remember, you are paying for this advice.



# Making the most of the relationship cont'd

Here are some things you can do to make the relationship with your adviser a productive one:

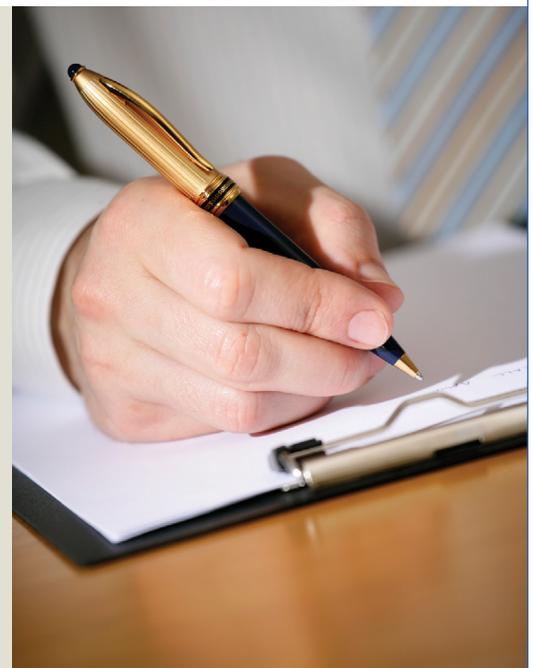
- **Be prepared for each meeting.** Treat each meeting with your adviser like a business meeting. Take some time before the meeting to review your investments and jot down what you want to discuss. Bring all relevant information, such as recent account statements and tax assessment forms.
- **Ask questions and take notes.** Make sure you understand the investments your adviser recommends and how they fit with your plan. If you don't understand something, ask for clarification. Take notes of conversations you have with your adviser and what you agree to.
- **Be informed.** Read documents that you receive about investments you're considering. Learn as much as you can about the investment world through courses, books, newspapers, websites and other media.
- **Stay on top of your investments.** Keep a file of all account-related documents such as transaction confirmations, account statements and tax slips. Review these documents as soon as you get them. Make sure they reflect what you discussed and contact your adviser right away if there are any problems.
- **Keep your adviser up to date.** Tell your adviser when your personal or financial circumstances change. Major life changes such as marriage, the birth of a child, divorce or the death of your spouse can have a significant impact on your financial well-being and the types of recommendations your adviser makes for you.

## Get it in writing

Your adviser should discuss the terms of the relationship with you up front. This includes clearly outlining how they are paid and what services you will receive for that money. They are also required to disclose certain conflicts of interest.

You and your adviser should agree on the level of service you can expect. How often will you meet to review your plan? How often will you receive progress reports? How quickly will your phone calls and emails be returned?

It's always helpful to get this information in writing. That way, you can both refer to it if a dispute arises.



# Making the most of the relationship cont'd

## **If you have a problem**

If you believe you were treated unfairly or were given poor investment advice, you may want to make a complaint or consider finding another adviser.

Here's what to do if you want to make a complaint:

### **1. Start with your adviser or their firm.**

Be clear about what went wrong and when. State the outcome you expect (for example, an apology, getting your account corrected or getting your money back).

## ***If you're not satisfied***

### **2. Ask about the firm's complaint process.**

Follow the steps suggested. This could involve contacting a manager or the firm's compliance department. Put your complaint in writing. Be sure to keep notes of who you spoke to and what was discussed.

## ***If that doesn't work***

### **3. Contact your local securities regulator.**

They can tell you what your options are, depending on the type of complaint you have. In most cases, you have to go through the firm's complaint process first.

You may also want to consult a lawyer to get advice on your rights and options.

**Remember to act quickly and document all the steps you take to resolve the dispute.**



## **"Know your client" form**

Your adviser is required to keep on file a form that accurately describes your financial situation, investment objectives, knowledge, experience and risk tolerance. This is called "know your client" information. It may be part of your account application or on a separate form. There is no standard form.

While this information may seem overly personal, it's critical for determining what investments are suitable for you. The form is also a key document if something goes wrong. Make sure the information is correct and that you understand it before you sign. If it's incorrect, it could lead to unsuitable advice and erode your legal protections if you have a dispute.

Contact your adviser to update this information whenever your personal or financial situation changes and be sure to get a copy of your updated "know your client" information.

# Know where to go for help

Securities regulators oversee Canada's capital markets and the advisers who sell and manage securities traded in those markets. We strive to protect investors from unfair, improper and fraudulent practices while fostering a fair and efficient marketplace.

Our free, objective guides can help you learn more about investing and how specific investments work. They're available on the Canadian Securities Administrators website at [www.securities-administrators.ca](http://www.securities-administrators.ca) or by contacting your local securities regulator.

**Investing basics: Getting started**

**Investments at a glance**

**Understanding mutual funds**

**Protect your money: Avoiding frauds and scams**

## Members of the Canadian Securities Administrators [www.securities-administrators.ca](http://www.securities-administrators.ca)

### Alberta Securities Commission

[www.albertasecurities.com](http://www.albertasecurities.com)  
403-297-6454  
1-877-355-4488

### British Columbia Securities Commission

[www.investright.org](http://www.investright.org)  
604-899-6854  
1-800-373-6393

### Manitoba Securities Commission

[www.msc.gov.mb.ca](http://www.msc.gov.mb.ca)  
204-945-2548  
1-800-655-5244  
(Manitoba only)

### Financial and Consumer Services Commission, New Brunswick

[www.fcnb.ca](http://www.fcnb.ca)  
1-866-933-2222  
(New Brunswick only)

### Superintendent of Securities, Newfoundland and Labrador

[www.gs.gov.nl.ca/securities/index.html](http://www.gs.gov.nl.ca/securities/index.html)  
709-729-5661

### Office of the Superintendent of Securities Government of Northwest Territories

[www.justice.gov.nt.ca/SecuritiesRegistry](http://www.justice.gov.nt.ca/SecuritiesRegistry)  
867-920-3318

### Nova Scotia Securities Commission

[www.beforeyouinvest.ca](http://www.beforeyouinvest.ca)  
902-424-7768  
1-855-424-2499

### Nunavut Registrar of Securities

[nunavutlegalregistries.ca](http://nunavutlegalregistries.ca)  
867-975-6190

### Ontario Securities Commission

[www.osc.gov.on.ca](http://www.osc.gov.on.ca)  
416-593-8314  
1-877-785-1555

### The Office of the Superintendent of Securities, P.E.I.

[www.gov.pe.ca/securities](http://www.gov.pe.ca/securities)  
902-368-6288

### Autorité des marchés financiers (Quebec)

[www.lautorite.qc.ca](http://www.lautorite.qc.ca)  
1-877-525-0337

### Financial and Consumer Affairs Authority of Saskatchewan

[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)  
306-787-5645

### Office of the Yukon Superintendent of Securities

[www.community.gov.yk.ca/corp/securities\\_about.html](http://www.community.gov.yk.ca/corp/securities_about.html)  
867-667-5466  
1-800-661-0408 ext 5466  
(Yukon only)