

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



Canadian Securities
Administrators

Autorités canadiennes
en valeurs mobilières



Good 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. Our members include 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.

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What an adviser can do for you

Most people turn to a financial adviser for help simplifying their life and reaching their financial goals.

An adviser can help you:

- set your goals
- build a plan
- choose suitable investments
- track your progress
- adjust your plan, when needed

You can look to an adviser for answers to your questions about investment products and strategies. An adviser 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 places like banks, financial planning 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 can be 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. Other advisers charge a flat fee based on an hourly rate or a percentage of the assets in your account.

How to find an adviser

Now that you have an idea of what you need, the next step is coming up with a short list of potential advisers to interview.

Ask friends, family, work associates and other professionals you trust, like your accountant or lawyer, for referrals. 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 Investment Counsel Association of Canada (ICAC), 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 work with people like you. 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. Does the adviser 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're hoping to achieve and what kind of services you're looking for.

Ask and be sure

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?
- How are you paid for your services (salary, commission or flat fee)?
- Can you give me references from clients who are like me?

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



Why registration is important

Registration helps protect investors because securities regulators will only register firms and individuals if they are properly qualified. Firms and individuals are registered by category—each category has different education and experience requirements, and permits different activities.

Under securities law, there are two main categories of registration: dealers and advisers. The terms “dealer” and “adviser” are legal terms that describe a broad range of people who can deal in or give advice on securities. They may use a variety of titles, such as investment advisor, financial advisor, financial planner, investment consultant or investment specialist. These titles are not legally defined terms or official registration categories.

A person's registration is more important than their title because it tells you the type of products or services they can offer. For example, a person registered as a mutual fund dealer can sell and provide product advice on mutual funds, but they are not qualified to sell or provide advice on equities unless they hold further registrations.

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 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 plan. Your adviser is obligated to act in your best interests at all times 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. Your adviser 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 exceptions are if you have given your adviser “discretionary” authority or you have given someone else trading authority or power of attorney over your account. 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



The CSA's *Your investment planning worksheet* can help you prepare for your first meeting with your adviser. Use it to figure out where you are now financially, what your goals are and how comfortable you are with risk.

Making the most of the relationship cont'd

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. Ultimately, you have to make the decisions and live with the results.

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.** Review your transaction confirmations and account statements 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.

Use the CSA's *Take notes!* notepad to record details of phone calls or meetings with your adviser and any recommendations they make.

Put 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.

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 e-mails be returned?

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



Making the most of the relationship cont'd

If you have a problem

If you believe that your adviser is not working in your best interests, 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.



“Know your client” form

Unless they have an exemption, your adviser is required to keep on file a form that accurately describes your financial situation, investment objectives, knowledge, experience and risk tolerance. There is no standard form. This “know your client” information may be part of your account application or on a separate 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.

Ask your adviser to update this information whenever your personal or financial situation changes and be sure to get a copy.

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.

You can contact your local securities regulator listed on the opposite page to check the registration of an individual or firm, and to find out if they have been involved in any disciplinary actions.

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 or by contacting your local securities regulator.

Investing basics: Getting started
Your investment planning worksheet
Investments at a glance
Take notes! notepad
Understanding mutual funds
Protect your money:
Avoiding frauds and scams

Members of the Canadian Securities Administrators www.securities-administrators.ca

Alberta Securities Commission

www.albertasecurities.com
(403) 297-6454
1-877-355-4488

British Columbia Securities Commission

www.investright.org
(604) 899-6854 or
1-800-373-6393 (BC & AB only)

Manitoba Securities Commission

www.msc.gov.mb.ca
(204) 945-2548
1-800-655-5244 (MB only)

New Brunswick Securities Commission

www.nbsc-cvmnb.ca
(506) 658-3060
1-866-933-2222 (NB only)

Financial Services Regulation Division Newfoundland and Labrador

www.gs.gov.nl.ca
(709) 729-4189

Northwest Territories Registrar of Securities

www.justice.gov.nt.ca/SecuritiesRegistry
(867) 920-3318

Nova Scotia Securities Commission

www.gov.ns.ca/nssc
(902) 424-7768

Nunavut Registrar of Securities

(867) 975-6587

Ontario Securities Commission

www.osc.gov.on.ca
(416) 593-8314
1-877-785-1555

Prince Edward Island Office of the Attorney General

www.gov.pe.ca/securities
(902) 368-4550

Autorité des marchés financiers (Québec)

www.lautorite.qc.ca
(418) 525-0337
(514) 395-0337
1-877-525-0337

Saskatchewan Financial Services Commission

www.sfsc.gov.sk.ca
(306) 787-5645

Yukon Registrar of Securities

www.community.gov.yk.ca/corp/secureinvest.html
(867) 667-5225