

Welcome to Module 3: Choosing your Financial Advisers

Choosing financial advisers is an important first step towards successful investment planning. Having sound, objective financial advice will be key to your long term financial success. With that in mind, you should take the time to choose your financial advisers just as carefully as you would a family doctor or a lawyer.

In this video, you can learn about

- a) Financial Advisers
- b) Financial Planners (and the differences between the two)
- c) Getting Started
- d) Responsibilities and Expectations

As with the other modules, there are supporting materials for download if you want to review any of the material presented here or would like to refer to them as you begin to explore the world of investing.

We'll start by looking at Financial Advisers. What are they and what do they do?

In Canada, securities laws require anyone trading securities or in the business of advising clients on securities to be registered with (licensed by) the provincial or territorial securities regulator, unless a registration exemption applies. Both the company employing the trader and the individual representative trading or advising in securities must be registered in the province where you, the investor resides. This regulatory system ensures that all registered dealers and advisers meet certain minimum standards. It does not mean that they are all equally skilled, that they provide the same services, or that they charge the same fees.

What types of financial advisers are there?

Dealers

Dealers are firms or individuals that are registered with securities regulators to buy or sell securities on behalf of clients. This registration also allows them to provide advice to clients about the purchase or sale of securities. There are many different types of dealers offering different products and services and specializing in different areas.

Advisers

Advisers are firms that specialize in providing advice to clients about investing in securities, but do not offer the trading services that are provided by dealers. You would look to a registered adviser purely for investment advice or if you wanted someone to manage your investment portfolio on your behalf.

Financial Planners

What about financial planners?

Financial Planners determine how individuals can meet their life goals through proper management of their financial resources and offer financial services such as personal budgeting, cash and debt management, retirement and tax planning. You can check with your provincial or territorial securities regulator to find out whether in your jurisdiction individuals need to be registered in order to give financial planning advice. If, however, a financial planner wants to trade in securities, he or she must become registered under the securities legislation. Without that registration, financial planners cannot trade securities for their clients or recommend the sale or purchase of specific securities.

It is important to know that not all financial planners are qualified to give advice and you must find out what professional qualifications the person has. A list of professional qualifications to look for is available for download from the “Resource” section of this website.

(For download)

- CFA
- RFP
- CLU – Canadian Institute of Chartered Life Underwriters and Chartered Financial Consultants
- CFA
- CIM – Canadian Securities Institute
- CGA
- CMA
- PFP – Institute of Canadian Bankers
- CA
- CFP)

Getting Started

How do I start?

When you start your search for a dealer or adviser, remember that you want to have confidence in and be comfortable with both the firm and the individual representative who will service your account. Find out if the firm focuses on certain sectors of the market or on certain types of securities. Make sure the firm's style and the individual representative's style match your own. Decide what kind of investment services you need.

Where do I look?

Word of mouth can help in finding capable financial professionals. Ask for recommendations from your accountant, your lawyer, your family, or friends whose judgment you trust.

Your local Yellow Pages™ can provide you with the names of many or all of the dealers and advisers in your area under headings such as 'bonds – investment', 'brokers – stocks and bonds', 'financial planning', 'investment advisory services', 'investment dealers', 'investment management' and 'stocks and bonds'.

You may also want to contact the Investment Dealers Association of Canada (IDA), the Mutual Fund Dealers Association (MFDA) or the Investment Counsel Association of Canada or one of the stock exchanges to obtain a list of the member firms that are registered in your area. In some jurisdictions, you may also be able to contact your provincial or territorial securities regulator to get a list of all of the registered dealers and advisers in your area.

What questions should I ask?

-  **1. What is your background?**
Both education and experience are important.
-  **2. What kind of services do you offer?**
Do you simply recommend and sell products or do you provide complete financial plans?
-  **3. What are your credentials and designations?**
There are a number of affiliations that indicate experience, education and ethical requirements
-  **4. How do you select your investment recommendations?**
Do you conduct your own research or rely on your firm's recommended list?
Does the firm focus on certain sectors of the market or on certain types of securities?
-  **5. How are you compensated?**
Are you paid a salary, a fee or fee and commission or commission only?

Opening an account

After you have chosen a firm and an individual within the firm, you and your new financial representative will complete a number of forms to open your account. Some of these forms (for example, the cash or margin account agreements) describe the nature of your account(s) and the legal rights and remedies available to both you and the firm in case of a dispute. You should read and understand the forms before you sign.

Responsibilities and Expectations

What are my responsibilities as a client?

No matter how well intentioned the dealer or adviser, no one will ever care as much about your financial health as you do.

As an investor, you must be prepared:

- to research and monitor your investments, ask questions of your financial advisers, and educate yourself about investing.
- to communicate clearly and honestly with dealers and advisers so they understand your financial circumstances, investment objectives and experience.
- to be realistic in your expectations of profit.
- to appreciate that investing can involve risk.
- to read any offering documents that are provided to you in connection with an investment (such as a prospectus or offering memorandum).
- to read and retain your confirmation slips and statements of account, as well as notes of conversations between you and your dealer or adviser. This will enable you to alert your dealer or adviser immediately if there are errors in or problems with your account.
- to ask questions about investment matters that you do not understand.

What should I expect from my dealer or adviser?

You should expect your dealer or adviser:

- to be competent and ethical, and to act in your best interests at all times.
- to deal with you fairly, honestly, and in good faith.
- to find out your general investment needs and objectives.
- to make recommendations that are consistent with those investment needs and objectives.
- to disclose the risks associated with their recommendations.
- to disclose any conflicts of interest that they may have concerning their recommendations to you.
- to provide prompt written confirmation of trades made on your behalf, with details of the value of the transaction as well as the commissions or fees charged.
- to provide regular statements of accounts detailing the transactions in your accounts, the fees charged and the securities held on your behalf.
- to obtain your express authorization in advance of every trade made on your behalf (unless you have provided proper written trading authority or power of attorney to someone else).

You should not expect your dealer or adviser:

- to be successful in every investment recommendation they make. No one can predict future market performance with certainty.
- to know what investment opportunities might be suitable for you unless you discuss your financial position, your objectives and your risk tolerance with them in detail.
- to be aware of changes in your financial situation or investment objectives unless you tell them.
- to act on vague or general instructions to buy or sell securities 'when the time is right'. Unless you have given proper written trading authority to someone else, registrants can only act on specific instructions from you.
- to charge all clients the same commissions. Commissions are negotiable and larger clients may be able to negotiate lower commission rates.

What should I do if a problem arises with my dealer or adviser?

Here are some tips to help you deal with problems quickly and effectively:

- Make written notes of your conversations with your dealer or adviser, particularly when you give instructions to buy or sell a security.
- Retain copies of all the forms, confirmation slips, account statements and correspondence concerning your investments.
- If you identify a problem, notify your dealer or adviser immediately. Follow up in writing if possible. Do not wait to see if the error works out in your favor.
- If the problem is not resolved promptly, contact the firm's manager or compliance officer, preferably in writing.
- If the problem still cannot be resolved, or if you think there has been misconduct, contact the securities regulator. If your dealer is a member of the IDA, MFDA or stock exchange, contact that agency first. If your dealer or adviser is not a member of a self-regulatory organization, direct your complaint to your provincial or territorial securities regulator.
- You may also want to seek legal advice about the remedies available to you.

What can I expect from the regulators?

In Canada, the provincial and territorial securities regulators and the self-regulatory organizations play a role in registering firms and individuals in the securities business. They can be important sources of information about registrants and about the securities in which you might invest.

Depending on the jurisdiction, the regulator may be able to give you information that includes:

- whether or not a firm or individual is registered in your jurisdiction.
- a firm's or individual's category of registration.
- whether or not they have terms and/or conditions on their registration.
- whether or not they have been subject to disciplinary proceedings.

You can also expect the regulators to help you understand your rights as an investor, and the laws and rules that govern the conduct of people under their jurisdiction.

Finally, you can expect the regulators to look into legitimate complaints about the conduct of a dealer or adviser (or of anyone engaged in market activities) under their jurisdiction.

Keep in mind that regulators are authorized to discipline those who engage in misconduct, but most do not have the power to order the payment of financial compensation to investors. That is the exclusive territory of the courts.

Thank you for watching this presentation on Choosing your Financial Advisers. For more information and to educate yourself further, you can access the Investor Education Fund's Account Statement Tool and tutorial on How to Work with a Financial Adviser at www.investorED.ca.

In the next module, we will look at how to avoid fraud. Although there are rules to protect your investments and regulators to enforce those rules, you and the knowledge you have are the best protection against fraud.