

PURSE STRINGS ATTACHED: TOWARDS A FINANCIAL PLANNING REGULATORY FRAMEWORK



Written By: Jonathan Bishop and John Lawford
Public Interest Advocacy Centre
1204 – ONE Nicholas St
Ottawa, Ontario
K1N 7B7

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The Public Interest Advocacy Centre
(PIAC)
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ONE Nicholas Street
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K1N 7B7

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Executive Summary

In our previous report on financial planning and financial advice, *Holding the Purse Strings: Regulating Financial Planners*, PIAC found financial planning in Canada was poorly articulated by those who claim to be financial planners as well as their clients. This report is a follow-up report that contends the time remains ripe for the provinces to regulate financial planning in the public interest, using the "Québec model" as a guide, in order to protect Canadian consumers.

The current report examines the necessary steps towards creating a certain regulatory framework that is consistent across Canada, so that all Canadians can continue to benefit from financial planning, with robust consumer protection. Outstanding issues in designing such regulation are the standard of care of planners, disclosure of fee structures, definition of what constitutes financial planning and whether similar rules should be applied to all financial advisors.

The report also traces efforts by major financial planner and financial advisor self-regulatory associations to craft a code of consumer conduct and to professionalize the practice of financial advice-giving. These efforts, while moving in the right direction, clearly are incremental and will not proceed past the discussion stages without governmental leadership.

International developments in regulating financial planners and financial advice are also traced to look for innovations and better practices that will serve investors while allowing the financial advice industry to properly serve consumers. We examine regulatory developments in the U.K., the U.S. and Australia, ultimately recommending Canadian regulators look to elements of the U.K. and Australian models.

Finally, we attempt to show the kinds of costs faced by consumers under the embedded fee model of financial planning as opposed to a fee-only approach. This difference informs our recommendations, which, besides coordination of regulatory efforts by government, also include a requirement for financial advisors to choose between fee only (independent) and embedded fee (restricted) practice (with disclosure of the difference to clients before they agree to use the services); a trigger

for client to re-visit the compensation method of their financial advisor every five years or when their investments reach a certain level (likely between \$100,000 and \$200,000). Lastly we recommend the creation of a tax credit for those persons who employ a fee-only financial planner in order to incent investors to move to the fee-only (independent model).

Acknowledgment

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General overview of current financial planning market

In an era where the average Canadian household has just 63 cents of disposable income for every dollar of debt,¹ it is surprising that financial planning in Canada remains an industry where roles are unclear, rules are vague, and the question of who is accountable for any potential wrongdoing goes largely unanswered. When PIAC previously studied the Canadian financial planning industry in 2009, it described a few of the outstanding issues concerning the industry as well as provided a general direction for potential regulation to operate in, without proceeding in detail on the implementation of that regulation. This study will examine how to move towards a national, comprehensive regulatory framework for the regulation of financial planning in Canada.

In *Holding the Purse Strings: Regulating Financial Planners*, PIAC found financial planning in Canada was poorly articulated by those who claim to be financial planners as well as their clients. However, professional bodies for financial planners and some provincial regulation generally define financial planning as advice from an independent financial expert on the following six major financial determinants in life:

- Cash and debt planning
- Income Tax planning
- Investment planning
- Retirement and Financial Independence planning
- Insurance and Risk planning
- Estate planning²

Under the terms set out by legislation and financial planner organizations, financial planners are compelled to review all of these areas with clients and provide a written financial plan, which is then periodically reviewed for accuracy given the changes of life a financial circumstances of the client over time. Moreover, financial planners may assist with “implementing” the financial plan, through the purchase of investments to satisfy investment planning goals or referring clients to agents for insurance coverage. This lead PIAC to pose whether these roles produce a conflict of interest, since the disclosure to clients of remuneration arrangement for financial planners is not fully transparent. This conflict of interest potential has lead to the development of “fee only” planners who maintain they do not receive commissions on sales of investment products or referral fees. Rather, they simply bill the client for the financial planning services. PIAC questioned whether such a model was too expensive for consumers, and also took into

¹ “Saving doesn’t just happen, it has to be planned,” *Globe and Mail*, November 20, 2012, Page FP6.

² Public Interest Advocacy Centre, *Holding the Purse Strings: Regulating Financial Planners*, December 2009, Page 4.

consideration that many Canadians believe financial planning is offered as a free extra from their financial institution.

Another concern raised in *Holding the Purse Strings* was the existence of numerous associations, titles and designations related to financial planning that are used throughout Canada, except for the province of Quebec. PIAC determined that Canadians largely ignore these groups and titles because these designations remain unclear. Moreover, it was found that generally, most individuals calling themselves financial planners in Canada either perform only some of the financial planner six steps described above or create a financial plan largely as a method to convince the clients of the need to invest in securities, especially mutual funds.³ Attempts have been made within the industry to introduce further oversight on financial planners; however, these efforts have met considerable resistance.

The notion that individuals calling themselves financial planners in Canada perform only some of the six steps was again identified during the focus groups conducted for this investigation. Specifically, analysis of the discussions revealed that client communication and maintaining professional standards are key obligations of a financial planner. However, few focus group participants believed a financial planner operating in Canada is obliged to provide a tailored personal financial plan.⁴

As a result, PIAC contends the time remains ripe for the provinces to regulate financial planning in the public interest, using the Quebec model as a guide in order to protect Canadian consumers. In Quebec, financial planners are regulated by a comprehensive provincial financial services framework requiring financial planners to meet standards set by the Institut québécois de planification financière (IQPF), be subject to fines and discipline for malpractice and fraud, to follow continuing education, to disclose conflicts of interest and prohibits most self-dealing.⁵ The Quebec regime prohibits operating financial businesses under confusingly similar titles to financial planner, and has also effectively curtailed the self-regulatory financial planners from operating in Quebec, unless an agreement with the IQPF is reached.⁶ In PIAC's view, present financial planner self-regulatory bodies could play a role in preparing candidates for provincial registration and regulation, and possibly in setting provincial standards, by concluding mutual recognition agreements with provincial authorities setting up financial planning regulatory schemes.⁷

The purpose of this examination is not to question the validity of the need for financial planning in Canada. To the contrary, a study commissioned by Financial Planning Standards Council (FPSC) and conducted by The Strategic Counsel indicates that Canadians engaged in comprehensive financial planning are experiencing significantly lower emotional stress than those engaged in either limited planning or no planning. In fact, those engaged in comprehensive financial planning were 60% more likely to agree

³ Public Interest Advocacy Centre, *Holding the Purse Strings: Regulating Financial Planners*, December 2009, Page 5.

⁴ Financial Planner Focus Group Transcript, October 3, 2011 – 5:30 p.m., at p. 14.

⁵ Public Interest Advocacy Centre, *Holding the Purse Strings: Regulating Financial Planners*, December 2009, Page 5.

⁶ Public Interest Advocacy Centre, *Holding the Purse Strings: Regulating Financial Planners*, December 2009, Page 5.

⁷ Public Interest Advocacy Centre, *Holding the Purse Strings: Regulating Financial Planners*, December 2009, Page 5-6.

that they have “peace of mind” versus no planning.⁸ Moreover, those engaged in comprehensive planning are almost three times as likely to feel on track to reach their desired lifestyle in retirement and are achieving their life goals versus those that had no planning.⁹

The current project will examine in detail the necessary steps towards creating a certain regulatory framework that is consistent across Canada, so that all Canadians can continue to benefit from financial planning, with robust consumer protection. Outstanding issues in designing such regulation are the standard of care of planners, disclosure of fee structures, definition of what constitutes financial planning and whether similar rules should be applied to all financial advisors.

PIAC maintains the Consumer Measures Committee of provincial and federal ministers responsible for consumer protection should meet on the issue of financial planner regulation and issue policy recommendations. These recommendations would serve as the basis for a draft provincial law regulating financial planning undertaken by the Uniform Law Conference of Canada, with input from multiple stakeholders such as the financial services industry, securities regulators and consumers.¹⁰ Moreover, PIAC continues to call upon “fee-only” financial planners to self-organize or for the senior financial planner self-regulatory organizations to create a service mark or designation to allow consumers to easily find a fee-only planner.¹¹ This organization then can participate in negotiations with provincial regulators to provide training and certification services for the province to achieve the required standards under each provincial regulatory system.¹²

If financial planning in Canada is indeed a profession, the question of what constitutes a profession needs to be addressed. It can be argued that professions are founded on the following generally accepted principles:

- *There exists a clearly defined and articulated body of knowledge, skills and abilities that define the profession.* That is, the combined competencies ascribed to members of the profession are unique to that profession and are clearly understood by society.
- *Professionals are held accountable for their competence and their actions by a professional body.* A distinguishing feature of a profession is that members of the profession are willing to submit themselves to accountability for a

⁸ Financial Planning Standards Council, *Value of Financial Planning*, June, 2010, Page 3. Last accessed on November 20, 2012, at <http://www.fpsc.ca/sites/default/files/documents/backgrounder-value-financial-planning-study.pdf>

⁹ Financial Planning Standards Council, *Value of Financial Planning*, June, 2010, Page 3-4. Last accessed on November 20, 2012, at <http://www.fpsc.ca/sites/default/files/documents/backgrounder-value-financial-planning-study.pdf>

¹⁰ Public Interest Advocacy Centre, *Holding the Purse Strings: Regulating Financial Planners*, December 2009, Page 6.

¹¹ Public Interest Advocacy Centre, *Holding the Purse Strings: Regulating Financial Planners*, December 2009, Page 6.

¹² Public Interest Advocacy Centre, *Holding the Purse Strings: Regulating Financial Planners*, December 2009, Page 6.

common standard of care that will serve to protect the public interest, which, in turn, offers the profession integrity in the eyes of the public.

- *Professions exist first and foremost for the welfare of society.* While professionals certainly can and should be able to exist as successful business propositions in the interests of their stakeholders, the businesses must be grounded in dedication to public service where the well-being of society comes before the well-being of any individual professional or organization.¹³

In a recent examination into the possible unification of the accounting profession and how that experience can aid the development of the financial planning profession, the President and CEO of the Financial Planning Standards Council, Carey List, noted that members of a profession uphold the following core values:

- Ethics: professionals agree to act honestly and in good faith.
- Altruism: professionals are devoted to serving clients and society, ahead of their own personal interests.
- Personal responsibility: Professionals support the tenets of the profession (described above) and behave in a responsible matter; they take responsibility for their actions and those of their subordinates.
- Commitment to the profession: Professionals identify with the profession and take part in professional organizations while articulating the values of the profession to the public.
- Competence: Professionals demonstrate the ability to think critically and to apply theory and technical knowledge in the performance of their duties.
- Commitment to continuous learning: Professionals develop themselves professionally and personally with formal and informal continuing education.¹⁴

Mr. List also suggested that these principles and values must be embodied by professionals who participate in a unified professional membership and who avoid anti-professional activities.¹⁵

Methodology

To undertake this research, PIAC participated as a stakeholder in discussions amongst established stakeholders as they work forwards the goal of comprehensive national regulation of financial planners. In addition, PIAC undertook direct discussions with financial planners, both informally at conferences and like events as

¹³ List, Cary, "The Case for Unifying a Profession", *Accounting Perspectives*, Volume 11, No. 2, Summer 2012.

¹⁴ List, Cary, "The Case for Unifying a Profession", *Accounting Perspectives*, Volume 11, No. 2, Summer 2012.

¹⁵ List, Cary, "The Case for Unifying a Profession", *Accounting Perspectives*, Volume 11, No. 2, Summer 2012.

well as in structured stakeholder interviews. PIAC also performed structured interviews with financial services regulators and self-regulatory bodies such as the Financial Planners Standards Council (FPSC), ADVOCIS, Institute of Advanced Financial Planners and other bodies, including investors' rights groups.

PIAC conducted focus groups of financial services customers to determine what benefit they would gain from comprehensive financial planning, what barriers exist to accessing it now, how much they would pay if there were fees, and what consumers would expect in terms of consumer protection from such a service.

The focus groups revealed the participants' experience and knowledge of the obligations of financial service providers in Canada, as well as their awareness regarding the state of regulation within this industry. They also undertook to uncover Canadians knowledge of the compensation avenues available to financial planners, and obtain their opinions on the methods in which financial planners are or could be remunerated. In addition, it sought participants' views to the regulation of the financial planning industry in their own province, and current and proposed regulatory models for the financial planning industry in other jurisdictions. Moreover, the focus groups discovered the participants' knowledge of consumer protection measures relevant to the financial planning industry within their jurisdiction. Comprehensive information on the methodology of the focus group research is contained in the Environics Report on the focus groups, found in the full Environics Report at Appendix 2.

Who's the Boss? – National Bodies for Financial Planners and Investment Advisors

Within the medical profession, there are a series of specializations due to the complexities of the human body. The same holds true for the financial services profession. Due to the array of financial services vehicles available to consumers, there are various avenues to access the financial services industry. However, while the medical profession in Canada has a small number of established overarching national bodies that coordinate provincial designating bodies such as College of Physicians and Surgeons, the financial services industry has yet to reach this level of organizational maturity. This is reflected in the presence of a number of designating bodies within the financial services market. So while it is rare in Canada to mistake a doctor with a nurse, it is common to confuse a Certified Financial Planner with a Chartered Financial Consultant, since each of the financial planning bodies employs designations that, to a certain

degree, can be confused with the term financial planner. The following is a sample listing of those position titles, as well as their respective designating bodies:

Figure 2-1 Designating Bodies in the Canadian Financial Services Industry

<u>Designation</u>	<u>Designating Body</u>	<u>Designating Body Location</u>
Certified Divorce Financial Analyst (CDFA)	Institute for Divorce Financial Analysts	Southfield, MI
Certified Employee Benefits Specialist	International Foundation of Employee Benefits Plans (also Dalhousie U for Canada)	Brookfield, WI
Certified Financial Planner (CFP)	Financial Planners Standards Council	Toronto
Chartered Life Underwriter (CLU)	Advocis	Toronto
Registered Health Underwriter (RHU)	Advocis	Toronto
Certified in Management (CIM)	Canadian Institute of Management	Barrie
F. CIM (Chartered Manager Diploma/Designation)	Canadian Institute of Management	Barrie
Chartered Financial Analyst (CFA)	Association for Investment Management and Research	Charlottesville, Virginia
Chartered Accountant (CA)	Chartered Accountants of Ontario	Toronto
Certified General Accountant (CGA)	Certified General Accountants of Ontario	Toronto
Chartered Financial Consultant (CH.F.C)	Advocis	Toronto
Chartered Management Accountant (CMA)	Certified Management Accountants Ontario	Toronto
Canadian Investment Manager (CIM)	Canadian Securities Institute (CSI Global Education Inc.)	Toronto
Financial Management Advisor (FMA)	Canadian Securities Institute (CSI Global Education Inc.)	Toronto
Investment Advisor (IA)	Canadian Securities Institute (CSI Global Education Inc.)	Toronto
Investment Counsellor (IC)	Canadian Securities Institute (CSI Global Education Inc.)	Toronto
Personal Financial Planner (PFP)	Institute of Canadian Bankers	Toronto
Planificateur Financier (Pl. Fin)	Regulated by Bill 188	Quebec
Registered Employee Benefits Consultant (REBC)	Advocis	Toronto
Financial Divorce Specialist (FDS)	Academy of Financial Divorce Specialists	Sudbury
Registered Financial Planner (RFP)	Institute of Advanced Financial Planners	Delta, B.C.
Registered Health Underwriter (RHU)	Advocis	Toronto
Registered Professional Accountant (RPA)	The Society of Professional Accountants of Canada	Toronto

Specialist in Financial Counselling (SFC)	Institute of Canadian Bankers	Toronto
Specialist, Trust Institute (STI)	Institute of Canadian Bankers	Toronto
Trust and Estate Practitioner (TEP)	Society of Trust and Estate Practitioners Canada	London England (Headquarters), Toronto, Montreal, Winnipeg, Calgary, Edmonton, Vancouver

Source: PIAC, *Holding the Purse Strings: Regulating Financial Planners*, 2009, Page 40.

History of Recent efforts by Financial Planners and Advisors to create a self-regulatory framework

The table above highlights the diversity of Canada's financial services market, making it easy to see why attempts to consolidate the industry's designations into one that will resonate with consumers, such as Certified Financial Planner, have been met with limited progress. However, there have been some recent discussions on the issue within the industry.

In May 2011, five financial planning standards organizations united to form the Coalition for Professional Standards for Financial Planners (the Coalition) to work towards establishing a common set of national standards which would provide Canadians with clarity and better protection when engaging financial planners.¹⁶ Coalition members include the Canadian Institute of Financial Planners (CIFPs), Financial Planning Standards Council (FPSC), the Institute of Advanced Financial Planners (IAFP), Advocis, the Financial Advisors Association of Canada and the Institut québécois de planification financière (IQPF).

Upon the announcement of this coalition, the groups also agreed to the following statement of principles (preamble removed):

Points of Agreement Amongst the Coalition

Coalition members agree to the following principles:

1. **Individuals must be held accountable to professional oversight if they:**
 - Call themselves a financial planner or advertise a financial planning designation; or
 - Claim to offer financial planning services; or
 - Claim to prepare financial plans; or
 - Create an expectation that consumers are dealing with a provider of professional financial planning.

This professional oversight is not meant to encroach on the activities of financial advisors or insurance advisors who routinely undertake needs analyses but who do not claim to be offering financial planning and who are not preparing formal financial plans, nor is it intended to take the place of the regulation of products and product-based advice.

¹⁶ Coalition for Professional Standards for Financial Planners, *Five Organizations Work Together Towards a Common Set of National Standards to Better Protect Canadians*, Press Release, May 31, 2011. Last accessed November 12, 2012 at <http://coalitionforprofessionalstandards.ca/news-and-contacts/five-organizations-work-together-towards-a-common-set-of-national-standards-to>

2. **In order to avoid conflicts of interest, this professional oversight of financial planners must be undertaken by organizations whose principal purpose is to serve the public interest.**

The individuals identified in item 1, above, must:

3. **Meet the following minimum requirements before they can call themselves a financial planner:**
 - Achieve a prescribed level of education related to financial planning;
 - Obtain a minimum prescribed amount of work experience related to the discipline of financial planning;
 - Pass a prescribed examination that demonstrates competence in financial planning;
 - Agree to be held accountable to a Code of Ethics, Practice Standards and rules and regulations of a professional body; and
 - Agree to engage in prescribed continuous education.
4. **Meet the following minimum professional duty of care:**
 - Put their clients' interests ahead of their own;
 - Act with the skill, care, diligence and good judgment of a professional;
 - Disclose all material facts including conflicts of interest;
 - Avoid conflicts of interest; and
 - Fully disclose and fairly manage, in the clients favour, unavoidable conflicts of interest.

The professional duty of care set out above describes the obligations that a financial planner should owe to his clients in all situations, regardless of the specific engagement or nature of the relationship.

While this list of principles adopted by the Coalition is not meant to be exhaustive, the Coalition fully endorses these fundamental key principles as the basis for moving forward to ensure the public is well served by those offering financial planning services to their clients, and invites others who support the principles set out above to work with the coalition.¹⁷

Since that time, the Coalition notes it has been actively engaged with government, regulators and other stakeholders, informing them about the need for professionalization and consistent standards for those who claim to offer financial planning or who hold themselves out as financial planners.¹⁸ One of the Coalition's original members, Advocis, has since chose to remove itself from the Coalition and expand its focus to encompass all

¹⁷ Coalition for Professional Standards for Financial Planners, *Statement of Principles*, May 31, 2011. Last accessed November 13, 2012 at <http://coalitionforprofessionalstandards.ca/statement-of-principles>

¹⁸ Coalition for Professional Standards for Financial Planners, *Update: July 2012*, July 26, 2012. Last accessed November 13, 2012 at <http://coalitionforprofessionalstandards.ca/news-and-contacts/update-july-2012>

advisors.¹⁹ Meanwhile, the Coalition continues to pursue a model for professionalization of financial planning and financial planners specifically.

In January, 2012, Advocis revised its Code of Professional Conduct, after Advocis members voted overwhelmingly in favour of amending the Code so the long-established tenet *priority of client's interest* would become the number one position.²⁰

Advocis members has also been consulted by their leadership in an effort to address the issue that anyone can call themselves a financial advisor, which means consumers face significant and unnecessary risk exposure.²¹ Advocis proposes that the term “financial advisor” be regulated, and financial advisors be required to belong to a professional association that would put the interests of consumers first and provide them with proficient professional service.²² The proposal contends persons who hold themselves out to the public as financial advisors, regardless of whether or not they are licensed or registered to sell particular financial products, must be required to meet defined professional standards and be subjected to governance and discipline by a recognized professional association of their choice.²³ In extreme cases, an advisor could even have their association membership revoked and would be therefore banned from acting as a financial advisor in the industry.²⁴

Advocis explains that provincial governments could mandate membership for financial advisors in government-approved, membership-based professional associations.²⁵ Currently existing associations would be accorded government recognition, through a process outlined in either legislation or regulation, if they met the qualifying criteria. Membership in such professional associations will enhance the professionalism of all financial advisors and bolster their duty to clients. This proposed model of multiple professional associations for financial advisors can be achieved in a way that does not require significant government action or resources.²⁶

¹⁹ Coalition for Professional Standards for Financial Planners, *Update: July 2012*, July 26, 2012. Last accessed November 13, 2012 at <http://coalitionforprofessionalstandards.ca/news-and-contacts/update-july-2012>

²⁰ Advocis, *Advocis Members put Clients First*, News Release, January 31, 2012. Last accessed October 30, 2012 at <http://www.advocis.ca/media/MR12/announcement-jan31-12.html>

²¹ Advocis, *Raising the Professional Bar: Greater Consumer Protection through Higher Professional Standards*, (2012), page 1. The document initially used by PIAC during this investigation was a summary of a more detailed confidential study undertaken by Advocis produced in April, 2012. Advocis provided PIAC a copy of the detailed confidential study during the course of our investigation.

²² Advocis, *Raising the Professional Bar: Greater Consumer Protection through Higher Professional Standards*, (2012), page 1.

²³ Advocis, *Raising the Professional Bar: Greater Consumer Protection through Higher Professional Standards*, (2012), page 1.

²⁴ Advocis, *Raising the Professional Bar: Greater Consumer Protection through Higher Professional Standards*, (2012), page 1.

²⁵ Advocis, *Raising the Professional Bar: Greater Consumer Protection through Higher Professional Standards*, (2012), page 1.

²⁶ Advocis, *Raising the Professional Bar: Greater Consumer Protection through Higher Professional Standards*, (2012), page 1.

Under this proposed regime, professional associations would establish initial proficiency standards for financial advisors, and would require that members fulfill mandatory continuing education requirements designed to ensure that they maintain a high standard of proficiency.²⁷ A regulatory requirement that advisors must be in good standing with a professional association would prevent unscrupulous individuals from simply moving to a different financial sector and seeking licensing or registration.²⁸ The resulting regulatory umbrella created by professional associations would close current gaps in the enforcement and disciplinary reach of regulators, by ensuring that individuals who violate industry requirements in any one sector would not be permitted to continue activity in the industry without proper review.²⁹

While this proposal appears to address numerous concerns recently expressed by industry commentators, the suggestion that enforcement and disciplinary authority be placed largely in the hands of industry associations may leave something to be desired. For instance, it can be argued, that it is the industry associations themselves who are responsible for the delay in addressing issues currently facing the financial planning industry, to the detriment of consumers. The Investment Industry Regulatory Organization of Canada (IIROC), for example, has a section in its rule book explaining that financial service providers are precluded from offering specific constructive recommendations for substantive change if and when those recommendations are deemed to be portraying the industry in an unfavorable light.³⁰ Thus, if members of an industry association are effectively being muzzled, how would one objectively conclude that same industry is mature enough to wield the enforcement and disciplinary authority proposed by ADVOCIS in a responsible manner?

Although the Coalition for Professional Standards for Financial Planners did not specifically ask for enforcement and disciplinary authority in its Statement of Principles, a media outlet reported these professional organizations have been asking the provincial securities regulators for 25 years to delegate the ability to enforce professional standards to these professional organizations.³¹

Another outstanding issue regarding these efforts by ADVOCIS and the Coalition was the limited emphasis placed on the establishment of a complaints mechanism for investors. The ADVOCIS proposal mentions that “professional associations would offer consumers

²⁷ Advocis, *Raising the Professional Bar: Greater Consumer Protection through Higher Professional Standards*, (2012), page 2.

²⁸ Advocis, *Raising the Professional Bar: Greater Consumer Protection through Higher Professional Standards*, (2012), page 2.

²⁹ Advocis, *Raising the Professional Bar: Greater Consumer Protection through Higher Professional Standards*, (2012), page 2.

³⁰ De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 122.

³¹ Christianson, David, “Financial Planners Join to Form Coalition,” *Winnipeg Free Press*, June 3, 2011. Last accessed November 19, 2012 at <http://www.winnipegfreepress.com/business/finance/financial-planners-join-to-form-standards-coalition-123086663.html>

an accessible complaints mechanism,” but offers few details in its proposal.³² Meanwhile, the Coalition’s Statement of Principles neglects the subject entirely.

Currently, all members of the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) are required to participate with the Ombudsman for Banking Services and Investments (OBSI) as a dispute resolution process, according to rules of IIROC and the MFDA.³³ In addition, many investments firms participate in OBSI on a voluntary basis, including all members of the RESP Dealers Association of Canada (RESPDAC).³⁴

On November 15, 2012, the Canadian Securities Administrators (CSA) published proposed amendments requiring all registered dealers and advisers outside of Quebec use OBSI as their provider of dispute resolution services. The CSA proposal would expand OBSI’s membership to include all portfolio managers, exempt market dealers and scholarship plan dealers.³⁵ The CSA’s goal in making this proposal is to ensure the independence of dispute resolution services and consistency in expectations and outcomes.³⁶ The listed reasons for mandating OBSI as the common dispute resolution service include:

- No perception that competition for business from registered firms might influence the recommendations of for-profit dispute resolution service providers;
- Complaints handled to a uniform standard; and,
- Reduced investor confusion.³⁷

Upon release of this proposal, the CSA began a consultation process that remains ongoing.

The CSA initiated a separate consultation process with investors and market participants on December 13, 2012, by publishing a discussion paper examining the mutual fund fee structure in Canada and identifying potential investor protection issues arising from that structure.³⁸ Among the topics for consideration is the implementation of a definition and

³² Advocis, *Raising the Professional Bar: Greater Consumer Protection through Higher Professional Standards*, (2012), page 1.

³³ Ombudsman for Banking Services and Investments, *CSA Proposes Expanded Mandate for OBSI*, Press Release, November 15, 2012.

³⁴ Ombudsman for Banking Services and Investments, *CSA Proposes Expanded Mandate for OBSI*, Press Release, November 15, 2012.

³⁵ Ombudsman for Banking Services and Investments, *CSA Proposes Expanded Mandate for OBSI*, Press Release, November 15, 2012.

³⁶ Ombudsman for Banking Services and Investments, *CSA Proposes Expanded Mandate for OBSI*, Press Release, November 15, 2012.

³⁷ Ombudsman for Banking Services and Investments, *CSA Proposes Expanded Mandate for OBSI*, Press Release, November 15, 2012.

³⁸ Canadian Securities Administrators, *Canadian Securities Regulators Publish Discussion Paper on Mutual Fund Fees*, Press Release, December 13, 2012.

disclosure of the purpose of trailing commissions, as well as a minimum level of ongoing services that financial service providers must provide to investors in exchange for the payment of these commissions by mutual fund manufacturers.³⁹ Currently, there are no rules or guidance that articulate the purpose of trailing commissions or define the services that an advisor is expected to provide in exchange for a trailing commission.⁴⁰

In addition, the discussion paper proposes the removal of the trailing commission component from a mutual fund's management fee and instead charge and disclose it as a separate asset-based fee to the fund.⁴¹ Furthermore, the paper considers a proposal to impose a cap on this separate asset-based fee, in order to mitigate perceived conflicts of interest and the lack of alignment of advisor compensation and the services they provide.⁴²

The CSA paper also proposes for consideration the outright ban of sales and trailing commissions to financial service providers that are set by mutual fund manufacturers.⁴³ Under this model, financial service providers would need to discuss with their clients how they will be paid for the sale and ongoing servicing of mutual fund investments and obtain the client's agreement to the proposed fee-for-service model.⁴⁴ The CSA admits this option would "be the most straightforward way to align the interests of both the mutual fund manufacturers and the advisors with those of investors."⁴⁵

The CSA is accepting comments for the proposals outlined in the discussion paper until April, 2013. They note all comments will be considered in the CSA's decision and next steps, and also assist in the development of a roundtable the CSA plans to hold with investors and industry participants in 2013.⁴⁶

³⁹ Canadian Securities Administrators, *CSA Consultation Paper 81-407 Mutual Fund Fees*, (December 13, 2012), 35 OSCB, page 11268,

⁴⁰ Canadian Securities Administrators, *CSA Consultation Paper 81-407 Mutual Fund Fees*, (December 13, 2012), 35 OSCB, page 11260, While section 3.2 of CSA's National Instrument 81-105 *Mutual Fund Sales Practices* imposes conditions around the calculation of the amount of the trailing commission, it does not define the term "trailing commission," nor does it mandate the provision of any services by the financial service provider in exchange for the payment of such commission.

⁴¹ Canadian Securities Administrators, *CSA Consultation Paper 81-407 Mutual Fund Fees*, (December 13, 2012), 35 OSCB, page 11269,

⁴² Canadian Securities Administrators, *CSA Consultation Paper 81-407 Mutual Fund Fees*, (December 13, 2012), 35 OSCB, page 11270,

⁴³ Canadian Securities Administrators, *CSA Consultation Paper 81-407 Mutual Fund Fees*, (December 13, 2012), 35 OSCB, page 11271,

⁴⁴ Canadian Securities Administrators, *CSA Consultation Paper 81-407 Mutual Fund Fees*, (December 13, 2012), 35 OSCB, page 11271,

⁴⁵ Canadian Securities Administrators, *CSA Consultation Paper 81-407 Mutual Fund Fees*, (December 13, 2012), 35 OSCB, page 11271,

⁴⁶ Canadian Securities Administrators, *Canadian Securities Regulators Publish Discussion Paper on Mutual Fund Fees*, Press Release, December 13, 2012.

Future of the Coalition and ADVOCIS Proposals

If past progress of the introduction of new standards is any indication, the future of proposals such as those brought forward by the Coalition, the CSA and ADVOCIS may be modest in scope and incremental in nature. As noted earlier, financial planning and investment designating bodies have been asking the provincial securities regulators for the ability to enforce professional standards for over 2 decades. Even if this responsibility is eventually delegated to these professional organizations, there is no guarantee this would result in tangible benefits for the consumer. The continued presence of rules that apparently contradict the notion that the industry requires a move towards greater transparency remains unfortunate.

It is apparent based on the number of industry-led proposals for reform that changes to the financial planning industry are coming. The outstanding question remains, will this change be undertaken through a consultative process occurring within the industry, or, after exhausting the patience of governments and regulatory authorities, will this change be dictated to the industry? Regardless of the method employed, it is imperative that any future industry or regulatory framework needs to be consistent across Canada, and provide robust consumer protection. The cost of doing nothing is very high indeed, since the integrity of the entire financial services industry could be called into question.⁴⁷

International Developments in Regulating Financial Planners

Australia

In April 2010, the Australian government announced the *Future of Financial Advice* (FOFA) reforms, created to “tackle conflicts of interest that have threatened the quality of financial advice that has been provided to Australian investors”⁴⁸ in response to a 2009 Parliamentary Joint Committee report on the collapse of the high-profile securities firms, Storm Financial and Opes Prime.⁴⁹ The FOFA package included a number of proposed changes, including a prospective ban on conflicted remuneration structures, a statutory fiduciary duty, and the expanded availability of low-cost “simple advice.”⁵⁰ The Treasury carried out public consultations on several aspects of the package over the following two years, including publishing a consultation paper in 2011⁵¹ and a final report

⁴⁷ De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 146.

⁴⁸ Chris Bowen, Minister for Financial Services, Superannuation and Corporate Law, *Overhaul of Financial Advice* (26 April 2010), online: Australian Treasury <<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2010/036.htm&pageID=003&min=ceba&Year=&DocType=0>>.

⁴⁹ Parliamentary Joint Committee on Corporations and Financial Services, *Inquiry into Financial Products and Services in Australia* (2009), online: Parliament of Australia <http://www.aph.gov.au/binaries/senate/committee/corporations_ctte/fps/report/report.pdf>.

⁵⁰ *Ibid.*

⁵¹ Richard St. John, *Review of Compensation Arrangements for Consumers of Financial Services* (2011), online: Australian Treasury

in 2012⁵² on a statutory compensation scheme for clients who had suffered damage or incurred loss as a result of misconduct by actors in the financial services sector.

The resulting statutes – the *Corporations Amendment (Future of Financial Advice) Act 2012*⁵³ and the *Corporations Amendment (Further Future of Financial Advice Measures) Act 2012*⁵⁴ (collectively, the “FOFA Acts”) – were granted assent in June 2012. As regulations for these Acts are still being drafted,⁵⁵ compliance with the new FOFA rules will not be mandatory until July 1, 2013.⁵⁶ Meanwhile, the Australian Securities and Investments Commission (ASIC) has published draft guidance papers on the conflicted remuneration ban,⁵⁷ the best interest duty,⁵⁸ and scaled advice.⁵⁹

The FOFA Acts mandate several important reforms in the Australian financial services market. The first is a ban on conflicted remuneration structures, including commissions and any form of volume-based payments relating to advice for retail financial products.⁶⁰ The ban exempts some products, such as general insurance, basic banking products, and financial product advice given to wholesale clients.⁶¹

The second key change is the introduction of a qualified “best interests” duty for financial advisors. It requires advisors to place the best interests of their clients ahead of their own when providing advice to retail investors.⁶² However, the standard is subject to

<http://futureofadvice.treasury.gov.au/content/Content.aspx?doc=consultation/compensation_arrangements_CP/default.htm>.

⁵² Richard St. John, *Compensation Arrangements for Consumers of Financial Services* (2012), online: Australian Treasury

<http://futureofadvice.treasury.gov.au/content/Content.aspx?doc=consultation/compensation_arrangements_report/default.htm>.

⁵³ Act No. 67 of 2012.

⁵⁴ Act No. 68 of 2012.

⁵⁵ Relevant regulations already published include *Corporations Amendment Regulation 2012 (No. 4)*, SLI 2012 No. 170, and *Corporations Amendment Regulation 2012 (No. 8)*, SLI 2012 No. 234.

⁵⁶ Australian Treasury, “Implementation,” online: Australian Treasury

<<http://futureofadvice.treasury.gov.au/content/Content.aspx?doc=implement.htm>>.

⁵⁷ ASIC, *Consultation Paper 189 – Future of Financial Advice: Conflicted Remuneration* (2012), online: ASIC <[http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/cp189-published-28-September-2012.pdf/\\$file/cp189-published-28-September-2012.pdf](http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/cp189-published-28-September-2012.pdf/$file/cp189-published-28-September-2012.pdf)>.

⁵⁸ ASIC, *Consultation Paper 182 – Future of Financial Advice: Best Interests Duty and Related Obligations – Update to RG 175* (2012), online: ASIC

<[http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/CP182-published-9-August-2012.pdf/\\$file/CP182-published-9-August-2012.pdf](http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/CP182-published-9-August-2012.pdf/$file/CP182-published-9-August-2012.pdf)>.

⁵⁹ ASIC, *Consultation Paper 183 – Giving Information, General Advice and Scaled Advice* (2012), online: ASIC <[http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/CP183-published-9-August-2012.pdf/\\$file/CP183-published-9-August-2012.pdf](http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/CP183-published-9-August-2012.pdf/$file/CP183-published-9-August-2012.pdf)>.

⁶⁰ Minister for Financial Services, Superannuation and Corporate Law, *The Future of Financial Advice Information Pack* (2010), online: Australian Treasury

<http://ministers.treasury.gov.au/Ministers/ceba/Content/pressreleases/2010/attachments/036/Future_of_Financial_Advice_Information_Pack.pdf> at 4.

⁶¹ ASIC, “Future of Financial Advice,” online: ASIC

<<http://www.asic.gov.au/asic/ASIC.NSF/byHeadline/Future%20of%20financial%20advice>> [ASIC FOFA].

⁶² *Ibid.*

a “reasonable steps” qualification, meaning that the advisor would only be required to take reasonable steps to discharge the duty.⁶³ The Australian government has emphasized that the duty focuses on a person’s conduct in providing advice rather than the outcome of that conduct.⁶⁴ Furthermore, an advisor would not be expected to broker the entire market of products to identify one suitable for their client (unless that service is offered). However, compliance with the duty will be examined in light of what is “reasonable in the circumstances”⁶⁵ of each individual client, including that client’s specific needs. Non-compliance could result in a banning order against the advisor, although any financial liability would be shouldered by the advisor’s respective institution or entity.⁶⁶

Finally, the FOFA Acts create a mandatory renewal ‘opt-in’ obligation every two years where an ongoing advice fee is charged to a client. This allows clients to reconsider whether they would like to continue with an ongoing service, and prevents financial advisors from charging “open-ended fees”⁶⁷ while providing little or no service. The reform also requires advisors to provide an annual disclosure notice that lays out all fee and service information for the previous and coming years. The Acts allow ASIC to exempt certain advisors from the opt-in obligation.⁶⁸

Speculations on the market impact of the new FOFA reforms have varied. A 2012 Rice Warner report commissioned by the Industry Super Network and submitted to the Parliamentary Joint Committee on Corporations and Financial Services concluded that the superannuation industry would continue to grow at an average of 9.6% a year over the next 15 years.⁶⁹ The report also found that the reforms would likely result in an increase in the total number of pieces of financial advice given to Australians to 1.77 million by 2025/2026, compared to about 831,000 pieces of advice pre-FOFA reforms.⁷⁰ This would be principally driven by a steep increase in scaled advice. Moreover, the report concluded that there would likely be a short-term boost in total adviser employment after the FOFA reforms – notably in the area of scaled advice – before a settling towards levels of employment similar to those pre-FOFA.⁷¹ However, other groups have differed. AMP Financial Services told the Joint Committee that job losses could mount to 25,000

⁶³ Australia, *Future of Financial Advice Information Pack* (2011), online: Australian Treasury <<http://ministers.treasury.gov.au/Ministers/brs/Content/pressreleases/2011/attachments/064/064.pdf>> at 12.

⁶⁴ *Ibid.*

⁶⁵ *Ibid.*

⁶⁶ *Ibid* at 13.

⁶⁷ *Ibid* at 8.

⁶⁸ ASIC FOFA, *supra*.

⁶⁹ Rice Warner Actuaries, *The Financial Advice Industry Post FoFA* (2012), online: Industry Super Network <<http://www.industrysupernet.com/financial-advice-reforms-a-win-for-consumers-and-industry>> [Rice Warner Report] at 3.

⁷⁰ *Ibid.*

⁷¹ Rice Warner Report at 5.

and the Association of Financial Advisers testified that over 6,800 adviser jobs would be at risk and over 30,000 jobs in total.⁷²

United Kingdom

Since 2007, all investment firms based in the European Union (EU) – including the UK – have been required to act “honestly, fairly and professionally in accordance with the best interests of [their] clients.”⁷³ In addition to the EU directive, the UK Financial Services Authority (FSA) launched the *Retail Distribution Review* (RDR) in June 2006. Since then, the RDR has issued several policy statements and consultation papers on different aspects of retirement and investment planning, most notably a policy statement on the delivery of the RDR⁷⁴ concerning the distribution of retail investments.

The RDR introduces several new rules. The most controversial is a ban on commissions set by product providers for all personal recommendations provided to a retail client. Rather, financial advisors will be remunerated through “adviser charges” only.⁷⁵ These charges will be set by the advisors, preferably based on the level of service they provide rather than type of product, and should be disclosed to and agreed upon by consumers up front.⁷⁶ Furthermore, ongoing charges may only be applied where an advisor and client has agreed on an ongoing service.⁷⁷

The RDR also requires investment firms to describe their advice to clients as either “independent” or restricted.”⁷⁸ The standard for independent advice is that a personal recommendation is: (a) based on a comprehensive and fair analysis of the relevant market, and (b) unbiased and unrestricted.⁷⁹ A financial advisor would therefore need to consider a wide range products and providers that could meet a client’s needs

⁷² Parliamentary Joint Committee on Corporations and Financial Services, *Corporations Amendment (Future of Financial Advice) Bill 2011 and Corporations Amendment (Further Future of Financial Advice Measures) Bill 2011* (2012), online: Parliament of Australia <http://www.aph.gov.au/parliamentary_business/committees/senate_committees?url=corporations_ctte/future_fin_advice/report/index.htm> at 130-131.

⁷³ *Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC*, art. 19(1).

See also: FSA, *Conduct of Business Sourcebook (COBS)*, online: FSA <<http://fsahandbook.info/FSA/html/handbook/COBS>> [COBS], COBS 2.1.1 R.

⁷⁴ FSA, *Distribution of Retail Investments: Delivering the RDR – Feedback to CP09/18 and Final Rules* (2010), Policy Statement 10/6, online: FSA <http://www.fsa.gov.uk/pubs/policy/ps10_06.pdf> [FSA Policy Statement 10/6].

⁷⁵ See: COBS, COBS 6.1A.4 R.

⁷⁶ FSA, *FSA Factsheet for Financial Advisers*, online: FSA <http://www.fsa.gov.uk/smallfirms/your_firm_type/financial/pdf/rdr_adviser.pdf> at 1.

⁷⁷ *Ibid.*

⁷⁸ FSA Policy Statement 10/6 at 1.

⁷⁹ FSA, *Finalised Guidance – Retail Distribution Review: Independent and Restricted Advice* (2012), online: FSA <<http://www.fsa.gov.uk/static/pubs/guidance/fg12-15.pdf>> at 3.

and be responsible for providing unbiased advice. On the other hand, restricted advice is a personal recommendation concerning a retail investment product that is not independent advice in that it is “restricted” in some way.⁸⁰ An advisor’s key responsibility would be to disclose the restricted nature of that advice and be “fair, clear and not misleading”⁸¹ in how they describe their advice services.

Finally, the RDR puts in place several professionalism requirements, including that retail investment advisors must hold a Statement of Professional Standing if they want to provide independent or restricted advice.⁸² Advisors are also required to complete at least 35 hours of Continuing Professional Development a year⁸³ and meet an FSA list of qualifications or qualification “gap-fills” by the end of the year 2012.⁸⁴

The RDR rules are set to come into effect on January 1, 2013. Meanwhile, the FSA is in the process of undertaking an RDR post-implementation review,⁸⁵ just as two external consultants, Deloitte and Oxera, have carried out market impact analyses on the new RDR reforms. In its May 2009 report, Deloitte found mixed views from the provider community on the impact of RDR.⁸⁶ Many providers did not expect the RDR to significantly change the retail investment business of their firms or the way in which their organization distributed products.⁸⁷ A small minority of directly-authorized retail investment intermediaries expected to move from the independent to the non-independent advice sector.⁸⁸ Smaller, largely commission-based firms were the most likely to believe that the RDR would negatively affect their retail investment business and that they would experience difficulties adopting the new reforms.⁸⁹ Oxera’s March 2010 report similarly concluded that the overall impact of the RDR reforms on the number of advisors leaving the market would be limited and would, based on a survey of those firms that were “very” or “quite” likely to exit the market, result in an 11% reduction in the number of advisers, a 9% reduction in advisory firms’ revenues, and a 11% reduction in terms of clients advised.⁹⁰ Overall, the report concluded that the post-RDR landscape would likely feature fewer small independent IFAs, some of which would leave the market

⁸⁰ *Ibid* at 7-8.

⁸¹ *Ibid* at 8.

⁸² FSA, *Distribution of Retail Investments: Delivering the RDR – Professionalism – Feedback to CP10/14 and CP10/22 and Final Rules* (2011), Policy Statement 11/1, online: FSA <http://www.fsa.gov.uk/pubs/policy/ps11_01.pdf> at 14.

⁸³ *Ibid* at 24.

⁸⁴ FSA, “Professionalism,” online: FSA

<<http://www.fsa.gov.uk/about/what/rdr/firms/professionalism>>.

⁸⁵ FSA, *RDR Post-implementation Review: Measuring Progress and Impact* (2011), online: FSA <<http://www.fsa.gov.uk/static/pubs/rdr-baseline-measures.pdf>>.

⁸⁶ Deloitte, *Firm Behaviour and Incremental Compliance Costs: Research for the Financial Services Authority* (2009), online: FSA <<http://www.fsa.gov.uk/static/pubs/other/fbicc.pdf>> at 9.

⁸⁷ *Ibid*.

⁸⁸ *Ibid*.

⁸⁹ *Ibid*.

⁹⁰ Oxera, *Retail Distribution Review Proposals: Impact on Market Structure and Competition* (2010), online: FSA <http://www.fsa.gov.uk/static/pubs/policy/oxera_rdr10.pdf> at 6.

entirely, and others of which would join larger firms or networks.⁹¹ However, Oxera spotted a potential advisor bias towards products that were not covered by the RDR.⁹²

United States

In January 2011, pursuant to s. 913 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*⁹³, the U.S. Securities and Exchange Commission (SEC) released a study⁹⁴ on the effectiveness of existing legal or regulatory standards of care for providers of personalized investment advice to retail clients. The study pointed out that investment advisers and broker-dealers were regulated under different regimes. Investment advisers were subject to a fiduciary duty to serve the best interests of their clients, as well as to duties of loyalty and care.⁹⁵ Meanwhile, broker-dealers were mainly subject to the antifraud provisions of U.S. federal securities laws, to Financial Industry Regulatory Authority rules, as well as to self-regulatory organization rules, together which require them to deal fairly with their clients and to meet a suitability obligation in recommending products to their clients.⁹⁶ However, the study found that retail investors did not understand the differences between investment advisers and broker-dealers or the difference in standard of care applicable to each group.⁹⁷ Furthermore, many investors found the standards of care confusing and believed that both investment advisers and broker-dealers were required to act in the best interests of their clients.

Based on its findings, the SEC study made two key recommendations:

- The creation of a uniform fiduciary standard that would apply to both investment advisers and broker-dealers providing personalized investment advice to retail customers; and
- The harmonization of investment advisor and broker-dealer regulation in areas such as advertising, supervisory requirements, licensing and registration of firms, and continuing education and licensing requirements.

The SEC has not yet set a target date for adopting a uniform fiduciary standard.⁹⁸ However, the concept has become a heated topic of discussion in the U.S. A 2010 Oliver Wyman and SIFMA survey of retail brokerage firms concluded that the wholesale

⁹¹ *Ibid* at ii.

⁹² *Ibid*.

⁹³ H.R. 4173, 111th Congress (2010).

⁹⁴ SEC, *Study on Investment Advisers and Broker-Dealers* (2011), online: SEC <<http://www.sec.gov/news/studies/2011/913studyfinal.pdf>> [SEC study].

⁹⁵ *Ibid* at iii.

See also: *Investment Advisers Act of 1940*, 15 U.S.C. § 80b-1 to 15 U.S.C. § 80b-21.

⁹⁶ SEC study at iv.

⁹⁷ *Ibid* at v.

⁹⁸ Timothy Spangler, "SEC Delays Uniform Fiduciary Duty Standard for Brokers," *Forbes* (18 January 2012), online: *Forbes* <<http://www.forbes.com/sites/timothyspangler/2012/01/18/sec-delays-uniform-fiduciary-duty-standard-for-brokers/>>.

adoption of the fiduciary standard for broker-dealers would generate a negative impact on consumers.⁹⁹ The report found that 95% of retail investors held commission-based brokerage accounts and that the fee-based advisory model was much less popular (5%) because those services were typically more expensive.¹⁰⁰ Furthermore, the report claimed that the reform could result in reduced investor access to certain products such as municipal and corporate bonds.¹⁰¹ However, a 2012 academic study conducted by Michael Finke and Thomas Langdon examining state broker-dealer common law standards of care found that the number of broker-dealers (based on a percentage of total households) did not vary significantly among states with stricter fiduciary standards.¹⁰² The study also found “no statistical differences between the two groups in the percentage of lower-income and high-wealth clients, the ability to provide a broad range of products including those that provide commission compensation, the ability to provide tailored advice, and the cost of compliance.”¹⁰³

In a separate, yet related initiative, the SEC has also moved to reform the way trailing commissions are used in the United States. In July 2010, the SEC proposed an amendment to the *Investment Company Act of 1940* that will replace the existing Rule 12b-1 with Rule 12b-2. The proposed rule and related amendments would allow funds to continue to bear promotional costs, within certain limits, and would preserve the ability of funds to provide investors with alternatives for paying sales charges (e.g., at the time of purchase, at the time of redemption or through a continuing fee charged to fund assets).¹⁰⁴ However, the new rule and related amendments would limit the cumulative sales charges each investor pays, regardless of the manner in which they are imposed.¹⁰⁵

These changes are designed to protect individual investors from paying disproportionate amounts of sales charges in certain share classes, promote investor understanding of

⁹⁹ Oliver Wyman, *Standard of Care Harmonization: Impact Assessment for the SEC* (2010), online: SIFMA <<http://www.sifma.org/issues/item.aspx?id=21999>> at 3.

¹⁰⁰ *Ibid* at 4.

¹⁰¹ *Ibid*.

¹⁰² Michael S. Finke & Thomas Patrick Langdon, *The Impact of the Broker-Dealer Fiduciary Standard on Financial Advice* (2012), online: SSRN <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2019090> at 1.

¹⁰³ *Ibid*.

¹⁰⁴ Ropes & Gray, *SEC Proposes New Rule and Related Amendments to Replace Rule 12b-1*, July 29, 2010. Last accessed on January 21, 2013 at http://www.ropesgray.com/files/Publication/15ac9375-ae8d-49b2-b71f-66c7c95e51e1/Presentation/PublicationAttachment/f82e140d-33c9-4958-83d2-0cf54f4926c3/07292010_IM%20Alert.pdf

¹⁰⁵ Ropes & Gray, *SEC Proposes New Rule and Related Amendments to Replace Rule 12b-1*, July 29, 2010. Last accessed on January 21, 2013 at http://www.ropesgray.com/files/Publication/15ac9375-ae8d-49b2-b71f-66c7c95e51e1/Presentation/PublicationAttachment/f82e140d-33c9-4958-83d2-0cf54f4926c3/07292010_IM%20Alert.pdf

fees, eliminate outdated requirements, and provide a more appropriate oversight role for fund directors.¹⁰⁶

Rule 12b-2 would require disclosure of the “marketing and service fee” and “ongoing sales charge” as separate line items in the mutual fund prospectus, expressed as a percentage of net asset value.¹⁰⁷ It would further require disclosure of such fees in the trade confirmation as follows:

- (i) annual amount of each fee, expressed as a percentage (%) of net asset value,
- (ii) the aggregate amount of the “ongoing sales charges” that may be incurred over time, expressed as a percentage (%) of net asset value; and,
- (iii) the maximum number of months or years that the investor will incur the “ongoing sales charge”.¹⁰⁸

At the time of publication, Rule 12b-2 of the *Investment Company Act of 1940* has yet to come into force.

Building a Nest Egg or Lining Your Pockets? Financial Planners Versus Financial Salespeople

In an era where more than two-thirds of Canadians surveyed have felt anxious or lost sleep thinking about their finances in 2012, it was surprising that two-thirds of investors know little about their advisor when they entered this relationship.¹⁰⁹ According to a

¹⁰⁶ Ropes & Gray, *SEC Proposes New Rule and Related Amendments to Replace Rule 12b-1*, July 29, 2010. Last accessed on January 21, 2013 at http://www.ropesgray.com/files/Publication/15ac9375-ae8d-49b2-b71f-66c7c95e51e1/Presentation/PublicationAttachment/f82e140d-33c9-4958-83d2-0cf54f4926c3/07292010_IM%20Alert.pdf

¹⁰⁷ Canadian Securities Administrators, *CSA Consultation Paper 81-407 Mutual Fund Fees*, (December 13, 2012), 35 OSCB, page 11265,

¹⁰⁸ Canadian Securities Administrators, *CSA Consultation Paper 81-407 Mutual Fund Fees*, (December 13, 2012), 35 OSCB, page 11265,

¹⁰⁹ Canadian Press, “Financial Planning: Canadians Admit Lottery Winnings, Inheritance All A Part Of The Scheme,” Huffington Post, October 30, 2012. Last accessed on October 31, 2012 at http://www.huffingtonpost.ca/2012/10/30/financial-planning-canada-lottery-inheritance_n_2045437.html, and The Brondesbury Group, *Investor behaviour and beliefs: Advisor relationships and investor decision-making study*, 2012, Page 1. Last accessed on October 31st at <http://www.getsmarteraboutmoney.ca/en/research/Our->

recent study conducted for the Investor Education Fund, the most common way Canadians get an advisor is to have one assigned by a bank or financial institution, while only one-third hires an advisor through a referral.¹¹⁰

In *Holding the Purse Strings: Regulating Financial Planners*, PIAC found financial planning in Canada was poorly articulated by those who claim to be financial planners as well as their clients. In the past, the dominant model for retail investors involved working with a stockbroker, mutual fund representative or insurance agent who earned commissions while constructing a portfolio of individual securities or selling insurance products.¹¹¹ The problem with this scenario for the investor was that it rewarded each transaction, regardless of result. Over the past 20 years or so, there has been a progression from investing in individual securities to investing in mutual funds, and some investors have progressed again into investing in exchange traded funds.¹¹² A core issue, according to industry commentator and Vice President of Burgeonvest Bick Securities Limited, John J. De Goey, is that many investors still do not know exactly how products like mutual funds and exchange traded funds work, what they cost or how financial service providers are compensated.¹¹³

For most Canadians, their experience with the financial planning industry does not involve actual financial planning at all. What it does include is a meeting with an individual who has a title that leads consumers to believe they are receiving financial planning advice. However, in reality consumers are dealing with financial salesperson who is employed by organizations to solicit a specific product or series of products. While it was noted previously that anyone can call themselves a financial planner in Canada, the notion that most individuals in the financial planning industry are merely salespeople is so prevalent that even most financial planning students don't bother completing the Certified Financial Planner designation.

Current Ontario Securities Investor Advisory Panel member and York University instructor Alan Goldhar has noted graduating finance students are often disillusioned by the true nature of the entry-level jobs they find in the industry.¹¹⁴ "It's like graduating from medical school and then being allowed only to check temperatures and change bandaids," said

[research/Documents/2012%20IEF%20Adviser%20relationships%20and%20investor%20decision-making%20study%20FINAL.pdf](http://www.getsmarteraboutmoney.ca/en/research/Our-research/Documents/2012%20IEF%20Adviser%20relationships%20and%20investor%20decision-making%20study%20FINAL.pdf)

¹¹⁰ The Brondesbury Group, *Investor behaviour and beliefs: Advisor relationships and investor decision-making study*, 2012, Page 1. Last accessed on October 31st at

<http://www.getsmarteraboutmoney.ca/en/research/Our-research/Documents/2012%20IEF%20Adviser%20relationships%20and%20investor%20decision-making%20study%20FINAL.pdf>

¹¹¹ De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 19-20.

¹¹² De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 20.

¹¹³ De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 20.

¹¹⁴ *National Post*, 'Financial Planning is Still about Selling,' October, 2009. Last accessed on November 21, 2012, at <http://www.financialpost.com/personal-finance/wealthy-boomer/story.html?id=2b669450-6b4f-42b0-9e21-c0834ab0e299>

Goldhar.¹¹⁵ At York University, 90% of those who enroll in financial planning don't take the advanced "Capstone" course, which includes real-life case studies.¹¹⁶ The reason they quit, according to the professor, is "the industry has jobs for investment sales people, not for professional financial planners."¹¹⁷

As another indication of the infrequent use of actual financial planning in Canada, Professor Goldhar previously served as the Manager for the Ontario Public Trustee. The Public Trustee takes over the finances for people that are mentally unable to make financial decisions. During Mr. Goldhar's tenure, they were responsible for over \$500 million in investments on behalf of 10,000 clients, most of which had a financial planner, broker or bank advisor.¹¹⁸ The Public Trustee interviews the client and the family and then send in a team to obtain all financial documents. It is interesting to note that of those 10,000 clients take over by Mr. Goldhar's staff, none of them had a proper written financial plan prepared in Canada.¹¹⁹

In response to a 2011 Financial Post article written by Jonathan Chevreau, an unnamed financial planner described the current state of the industry as follows:

"As a CFP who works directly with a major financial institution providing financial planning advice I can attest to the fact that providing "real" financial plans to clients is not occurring. In the end we are not financial planners but asset consolidators firstly. We are trained to believe that providing a financial plan will allow us to consolidate assets more easily, but in the end it comes down to the skills as a salesperson not as a financial planner to bring in the dough. I should also mention the tremendous pressure that individuals who work with major financial institutions are under to gather assets as opposed to providing financial planning advice.

¹¹⁵ National Post, 'Financial Planning is Still about Selling,' October, 2009. Last accessed on November 21, 2012, at <http://www.financialpost.com/personal-finance/wealthy-boomer/story.html?id=2b669450-6b4f-42b0-9e21-c0834ab0e299>. Rempel, Ed, 'Why Don't Most Financial Planners Plan Finances?,' www.MillionDollarJourney.com, last accessed on November 21, 2012, at <http://www.milliondollarjourney.com/why-don%E2%80%99t-most-financial-planners-plan-finances.htm#Ob8YsG3xu2w3WpLC.99>

¹¹⁶ National Post, 'Financial Planning is Still about Selling,' October, 2009. Last accessed on November 21, 2012, at <http://www.financialpost.com/personal-finance/wealthy-boomer/story.html?id=2b669450-6b4f-42b0-9e21-c0834ab0e299>

¹¹⁷ National Post, 'Financial Planning is Still about Selling,' October, 2009. Last accessed on November 21, 2012, at <http://www.financialpost.com/personal-finance/wealthy-boomer/story.html?id=2b669450-6b4f-42b0-9e21-c0834ab0e299>

¹¹⁸ Rempel, Ed, 'Why Don't Most Financial Planners Plan Finances?,' www.MillionDollarJourney.com, last accessed on November 21, 2012, at <http://www.milliondollarjourney.com/why-don%E2%80%99t-most-financial-planners-plan-finances.htm#Ob8YsG3xu2w3WpLC.99>

¹¹⁹ Rempel, Ed, 'Why Don't Most Financial Planners Plan Finances?,' www.MillionDollarJourney.com, last accessed on November 21, 2012, at <http://www.milliondollarjourney.com/why-don%E2%80%99t-most-financial-planners-plan-finances.htm#Ob8YsG3xu2w3WpLC.99>

If we were true financial planners we would not be paid differently for selling one product over another. We are product driven, transactional agents who are able to provide limited financial planning advice due to our licensing issues with regards to insurance and our once again mentioned pressure to sell product. If we focus all of our attention on providing strong financial planning advice then we will miss our product push targets and be disciplined accordingly, thus making financial planning even more of a undesirable activity with our clients.

This I believe is truly a shame because it's the industry that controls what CFPs do. With the major banks controlling the vast majority of clients' wealth and wanting more of it, I find it sad that the majority of Canadians who do not have financial plans blame it on themselves.

In truth, it is the industry that is at fault here."¹²⁰

While it is agreed that the industry is at fault, it would be unfair to place the entire blame for the problem at the feet of the financial planning industry. Consumers also have an ongoing obligation during their relationship with a financial services planner. In a recent interview, former Ontario Securities Commissioner Glorianne Stromberg provides a clear assessment of what consumers need to do in order to improve their financial planning health:

"No one takes issue with the fact that when they work with a personal trainer, they will have to exert some effort if there are going to benefit from the relationship. Similarly, when you work with a financial services provider, you need to exert some effort. You need to identify your investment objectives, your timelines and your tolerance for risk. You need to understand what you are investing in. This includes obtaining and reading prospectuses and annual reports, reviewing your account statements and reviewing your performance with your financial services provider in the context of your investment and financial plan."¹²¹

While raising the level of consumer awareness would be beneficial, Certified Financial Planner John De Goey contends that consumers rely heavily on advice from

¹²⁰ Chevreau, Jonathan, 'Radical Concept: financial planners should give clients financial plans,' *Financial Post*, October 24, 2011. Last accessed on November 21, 2012 at <http://opinion.financialpost.com/2011/10/24/radical-concept-financial-planners-should-give-clients-financial-plans/>

¹²¹ De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto:Insomiac, 2012) page 27.

intermediaries.¹²² Unfortunately, consumers are largely unable to gauge the quality of the advice, since it is often compromised by the incentive effects of embedded commissions paid by product providers.¹²³

What are Embedded Commissions and Fees?

Most investment products sold today involves embedded compensation going to the financial service provider for completing the sale.¹²⁴ The existence of embedded compensation and it being undisclosed or under-disclosed to consumers is at the heart of the debate concerning the financial service planning industry in Canada. Many consumers currently hold the misguided view that the financial institution they currently discuss their retirement planning and investment matters with provide this advice as a free service. This is simply not the case. While it may not be clear, it is always the client that pays for the financial services provider.¹²⁵ Until the financial planning industry resolves these inherent conflicts within its compensation structure, it will struggle to be recognized as a profession.

As with any substantial debate, there are many sides to this discussion. Financial service providers who collect embedded compensation through trailer fees argue the elimination of these fees would remove the flexibility to choose the business model that suits them and their client's best.¹²⁶ They point out that 59% of Canadian mutual fund investors surveyed prefer to pay their planner through embedded compensation.¹²⁷ The reality in Canada is most investors had less than \$25,000 in assets when they engaged their financial planner.¹²⁸ Therefore, financial service providers supportive of an embedded

¹²² De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 160.

¹²³ De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 160.

¹²⁴ De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 24.

¹²⁵ De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 159.

¹²⁶ Lamb, Steven, *Advisors Needs Compensation Flexibility*, October 20, 2011. Last accessed on November 22, 2012 at <http://www.advisor.ca/news/industry-news/advisors-need-flexible-payment-options-62293>

¹²⁷ Lamb, Steven, *Mutual Fund Investor Confidence Rises*, October 12, 2011. Last accessed on November 22, 2012 at <http://www.advisor.ca/news/industry-news/mutual-fund-investor-confidence-rises-61358>

¹²⁸ Lamb, Steven, *Mutual Fund Investor Confidence Rises*, October 12, 2011. Last accessed on November 22, 2012 at <http://www.advisor.ca/news/industry-news/mutual-fund-investor-confidence-rises-61358>

compensation scheme contend an upfront fee for a financial plan may push investors into the arms of a discount brokerage that provides no advice or planning.¹²⁹

Critics of this approach note the problem lies with a lack of transparency between the financial service provider and the investor. It is one thing to be compensated by the provider of an investment vehicle through a commission, it is quite another to not advise your investor client the exact terms of this remuneration. In alternative terms, consider you had to pay for a knee replacement surgery. Imagine a doctor deciding (as opposed to advising) you will have a knee replacement with a specific product simply because the manufacturer of that product will pay the doctor a higher commission. Then imagine the doctor not advising you how much he was getting paid by the manufacturer. It can be claimed that this type of arrangement, in essence, is occurring between financial service providers and investors throughout Canada today.

The flip side of this discussion is the argument that financial service providers' interests are aligned with investors in that growth of assets increases compensation.¹³⁰ The temptation to increase compensation through higher risk-taking is mitigated by the knowledge that a complete loss would not only wipe out compensation altogether.¹³¹ Regardless of their position in this debate, financial service providers who collect embedded compensations may do so through the use of some of the following fees that may apply during the process of owning investment funds:

Trailer Fees (Service Fees): Trailer fees are an ongoing type of service commission paid by fund companies to dealers and brokers for the continued advice and service they provide to investors. They are usually based on the value of the units of the funds that their clients hold. It's clear the importance of trailer fees as a source of revenue for financial service providers is growing. In 1996, trailing fees accounted for slightly more than one quarter of the advisor's compensation, compared to 64% in 2011.¹³²

¹²⁹ Lamb, Steven, *Advisors Needs Compensation Flexibility*, October 20, 2011. Last accessed on November 22, 2012 at <http://www.advisor.ca/news/industry-news/advisors-need-flexible-payment-options-62293>

¹³⁰ Lamb, Steven, *Advisors Needs Compensation Flexibility*, October 20, 2011. Last accessed on November 22, 2012 at <http://www.advisor.ca/news/industry-news/advisors-need-flexible-payment-options-62293>

¹³¹ Lamb, Steven, *Advisors Needs Compensation Flexibility*, October 20, 2011. Last accessed on November 22, 2012 at <http://www.advisor.ca/news/industry-news/advisors-need-flexible-payment-options-62293>

¹³² Canadian Securities Administrators, *CSA Consultation Paper 81-407 Mutual Fund Fees*, (December 13, 2012), 35 OSCB, page 11251-11252, and Investor Economics, *Investor Economics Insight Monthly Update* (March 2012), at page 9.

Management Fee: Each fund pays a fee for management services. The management fee is a percentage of an investment and varies by fund. It does not include a fund's operating expenses related to the operation of the fund.

Sales Commissions (Load): Investors may be required to pay a commission when they buy (front-end load) or sell (back-end load) a fund.

Back-end Load (Deferred Sales Charge): Under a back-end load option, investors may be required to pay a fee if they redeem their fund units within a specified number of years after your purchase. Some fund companies offer both a Standard Deferred Sales Charge option and a Low Load Deferred Sales Charge option (i.e. over a reduced number of years).¹³³

It is obvious that financial service providers are now left with a series of choices. Those that have been paid through embedded compensation without being completely transparent with their client can continue to do so. The risk here is that if they are forced to change their business practices due to legislative or regulatory amendments, they may risk facing the wrath of their clients or exit the industry entirely. Alternatively, one can assume there are financial service providers who, in the face of impending change, may choose to proactively disclose the various commissions they receive. Currently, only 51% of investors surveyed recall discussing advisor compensation the last time they purchased a mutual fund, and 63% recall their financial service providers discussing fees with them.¹³⁴ Surely, these numbers would rise if a significant number of financial service providers chose to fully disclose their embedded compensation.

The notion that financial service providers are not obliged to disclose how they are compensated was reflected in focus groups that were conducted as part of this analysis. For instance, when asked if financial planners are actually obliged to disclose their compensation or fee structures, a few of the response were as follows:

"I would prefer if they did. In my industry I'm forbidden from earning a secret profit. The way they get paid, I would end up in a lot of trouble."¹³⁵

"And they're all mature people and they all know what they're doing and they've all been doing business transactions and they know. And I find it a little distasteful when there isn't disclosure."¹³⁶

¹³³ Bank of Montreal, *BMO Guardian Funds – Glossary*, Last accessed on November 22, 2012 at <http://www.bmoguardianfunds.com/advisor/controller/knowledgecentre/glossary/view>

¹³⁴ Investment Funds Institute of Canada, *Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry*, 2012, Page 27. Last accessed on November 22, 2012 at <https://www.ific.ca/Content/Document.aspx?id=7344&LangType=1033>

¹³⁵ Financial Planner Focus Group Transcript, October 3, 2011, 5:30 p.m., at page 27.

“I think that’s something that’s coming out. On certain things I think they need to. I’m pretty sure.”¹³⁷

“I don’t know if they have to because I think that that would probably make their industry shrink rapidly overnight, so I don’t think they have to. But I mean we’d love to know.”¹³⁸

In an attempt to improve this situation, there may be those financial service providers who wish to move from an embedded compensation model to one where their clients pay an upfront fee for service. In this scenario, financial service provider has to explain to their client how, after perhaps 20 years, they might be better off if they started paying the provider a direct fee rather than continue the status quo.¹³⁹ This is not so far-fetched since, on average, mutual fund investors have been using the services of advisors for 18 years.¹⁴⁰ Another challenge for those financial service providers wishing to switch to a fee-based model is that their employers are used to the existing system of embedded compensation, and there is no guarantee a move to a fee-based model will lead to increased revenue. As a result, there are most likely some financial service providers who would like to change compensation models, but they are prevented from doing so by their employers.¹⁴¹

Fee-Based Financial Planners

As noted in *Holding the Purse Strings*, fee-only financial planners are a newer business model, and these financial service providers do not take any commission from the products they may recommend.¹⁴² As was the case in 2009, there remains no independent association of such fee-only planners in Canada such as the National Association of Personal Financial Advisors (NAPFA) that has been operating in the United States since 1983. The key difference between the fee-based financial planners and the traditional financial planners is that fee-based planners charge a fee directly to

¹³⁶ Financial Planner Focus Group Transcript, October 3, 2011, 5:30 p.m., page 27.

¹³⁷ Financial Planner Focus Group Transcript, October 3, 2011, 5:30 p.m., page 11.

¹³⁸ Financial Planner Focus Group Transcript, September 29, 2011, 5:30 p.m., page 38.

¹³⁹ De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 161.

¹⁴⁰ Investment Funds Institute of Canada, *Canadian Investors’ Perceptions of Mutual Funds and the Mutual Fund Industry*, 2012, Page 22. Last accessed on November 22, 2012 at <https://www.ific.ca/Content/Document.aspx?id=7344&LangType=1033>

¹⁴¹ De Goey, John, *The Professional Financial Advisor III: Putting Transparency and Integrity First*, (Toronto: Insomiac, 2012) page 163.

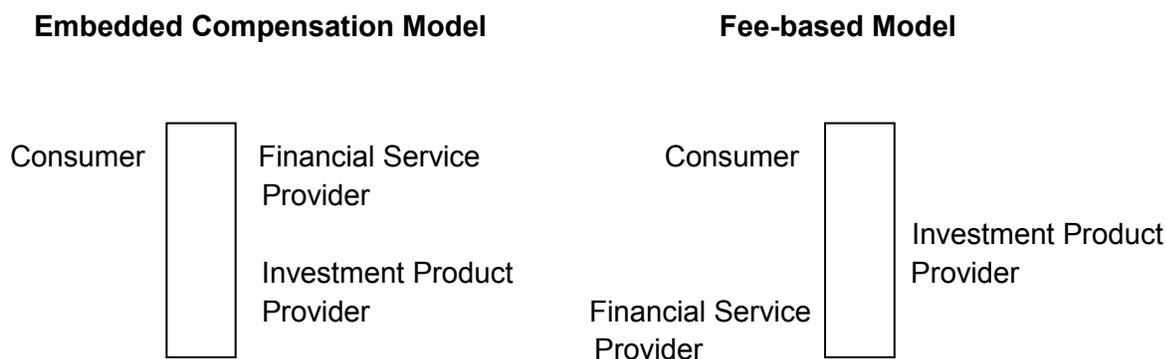
¹⁴² Public Interest Advocacy Centre, *Holding the Purse Strings: Regulating Financial Planners*, December 2009, Page 35.

their clients whereas traditional financial advisors receive a commission from mutual fund and insurance companies for placing their client's money into their respective products.¹⁴³

The following illustration reveals how the choice between a fee-based financial service provider and a traditional financial service provider receiving embedded compensation appears to affect both the consumers' relationship with the provider, as well as the relationship between the financial service provider and the investment product provider:

¹⁴³ Campanella, Fabio, 'Fee-based Financial Planning isn't for Everyone,' *Financial Post*, May 3, 2012. Last accessed on November 23, 2012 at <http://business.financialpost.com/2012/05/03/fee-based-financial-planning-isnt-for-everyone/>

Figure 4.1 – The Consumer – Financial Service Planner – Investment Product Provider Relationship¹⁴⁴



As you can see, under the Embedded Compensation Model shown above, it can be claimed the loyalty of a financial service provider may have the appearance of leaning towards the investment product provider. The evidence for this assertion is based on the fact investment product providers are the party providing the commissions to the financial service provider. As a result, the financial service provider, in the absence of any legal or regulatory responsibility to work in the best interest of the consumer, may choose an investment product that generates the largest return for them, to the detriment of the consumer. This is not to say that a majority of Canadian financial service providers operate in this manner. However, merely the appearance of a conflict of interest that allows this possibility to exist is cause for great concern. Since many of the financial service providers who work under this model are salaried employees of financial institutions or large investment firms, the level of oversight provided by their employer is also questionable and requires further study.

Under the Fee-based Model, the financial service provider relieves themselves of the apparent conflict of interest by being paid directly by the consumer. As a result, this frees the financial service provider to invest in whatever investment product deemed to be in the best interest of the consumer.

In 2011, the Investment Funds Institute of Canada asked investment product consumers whether they preferred paying for their advisor’s advice through fees that are part of their mutual funds (Embedded Compensation Model), or through a separate annual payment (Fee-based Model), *assuming both methods cost the same amount*. Under this

¹⁴⁴ De Goey, John, The Professional Financial Advisor III: Putting Transparency and Integrity First, (Toronto: Insomiac, 2012) page 162.

assumption, 59% of respondents supported the Embedded Compensation Model, while one third said they would prefer the transparency of unbundled advice costs.¹⁴⁵

However, one can argue the assumption in the question posed by the Investment Funds Institute of Canada, that both methods cost the same amount to the consumer, represents a substantial leap of faith.

Rob Carrick, a personal finance columnist for The Globe and Mail, once outlined a comparison between the Embedded Compensation Model and the Fee-based Model. Carrick noted the typical cost of owning a mutual fund sold by a financial service provider would be 1.5% to 2.5%, depending on the type of fund.¹⁴⁶ Fund companies deduct these fees from the returns generated by their products and then hand a portion over to advisers who sell their products (Embedded Compensation Model). Financial service provider must share these payments, called trailing commissions, with their firms.

Mr. Carrick used an example of someone at age 45 that has built a \$150,000 portfolio. He compared One account has an all-in fee of 1.5% (Fee-based Model), the other a fee of 2% (Embedded Compensation Model). After 10 years, Mr. Carrick concluded the lower-cost account would be an extra \$11,887, assuming returns for both accounts of 7% before fees.¹⁴⁷

Certified Financial Planner John De Goey goes through a similar exercise in his latest work, *The Professional Financial Advisor III*. If a portfolio earned 9.5% annually before costs, after 30 years, a \$100,000 investment would yield the following results:

¹⁴⁵ Investment Funds Institute of Canada, *Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry*, 2011, Page 18. Last accessed on November 23, 2012 at <https://www.ific.ca/Content/Document.aspx?id=6842&LangType=1033>

¹⁴⁶ Carrick, Rob, 'When Size Matters: Fee-based Pricing,' January 19, 2012. Last accessed on November 23, 2012 at http://blog.getsmarteraboutmoney.ca/rob-carrick-when-size-matters-fee-based-pricing#.UK_Hemcizvc

¹⁴⁷ Carrick, Rob, 'When Size Matters: Fee-based Pricing,' January 19, 2012. Last accessed on November 23, 2012 at http://blog.getsmarteraboutmoney.ca/rob-carrick-when-size-matters-fee-based-pricing#.UK_Hemcizvc

Figure 4.2 - Embedded Compensation Model vs. Fee-based Model for a \$100,000 over 30 years (based on a 9.5% annual growth before costs)¹⁴⁸

Expense	Embedded Compensation Model	Fee-based Model
Product Overhead	1.5%	0.5-1.5%
FSP Compensation	1.0% (non variable, set by manufacturer)	1.0% (variable, set by advisor)
Total Expenses	2.5%	1.5-2.5%
Resulting Investment after 30 years	\$761,225.50	\$761,225.50 - 1,006,265.70

Under De Goey's model, the consumer using a financial service provider who employs the Fee-based Model could earn over \$245,000 more over 30 years when compared with a financial service provider using the Embedded Compensation Model. Therefore, it is fair to at least raise the question do both the embedded compensation model and the fee-based model cost the same amount to the consumer? Consumers have to ask themselves how much they value the advice provided by their financial services provider. Is it worth paying an additional \$245,000, or potentially 24% of your nest egg, (based on the example above) over 30 years?

In summary, it can be argued the retention of a fee-based financial service provider can provide the following list of benefits:

- greater overall professionalism
- transparency of product and service pricing
- elimination of bias in product recommendations
- clear delineation of services to be provided – with reciprocal client obligations
- possible tax deductibility
- possible reduced consumer cost
- focus on what is important
- clear alignment of financial service provider and client interests¹⁴⁹

¹⁴⁸ De Goey, John, The Professional Financial Advisor III: Putting Transparency and Integrity First, (Toronto: Insomiac, 2012) page 143-145. This example involves a securities-licensed financial service provider substituting actively managed mutual funds for index funds and exchange-traded funds. This substitution typically achieves a saving in product overhead of 1%.

¹⁴⁹ De Goey, John, The Professional Financial Advisor III: Putting Transparency and Integrity First, (Toronto: Insomiac, 2012) page 198.

Out from the Shadows of Ignorance - The Need for Fiduciary Duty?

There has been a substantial debate within the financial planning industry in Canada and around the world over the past number of years regarding the application of a fiduciary duty to financial service providers. As noted in Chapter 3 of this investigation, other jurisdictions have recently either made changes to their financial planning services regulatory regime regarding the implementation of a best interest standard to clients, or are considering one. Most, if not all of these debates considered the question of whether financial services providers have an absolute fiduciary duty to their clients. If they do not, would the implementation of such a standard improve the relationship between consumers and their financial service providers in order to ensure effective protection for Canadian investors? Are there other policy solutions would be more effective?

For Australia, this debate concerning the establishment of a best interest standard to clients resulted in the introduction of a qualified “best interests” duty for financial advisors. This duty is subject to a “reasonable steps” qualification, meaning that the advisor would only be required to take reasonable steps to discharge the duty.¹⁵⁰ In the United Kingdom, the *Retail Distribution Review* imposes on financial service providers a duty to describe their advice to clients as either “independent” or restricted.”¹⁵¹ Independent advice is unbiased, unrestricted, and based on a comprehensive analysis of the relevant market. Restricted advice is not independent advice where financial service providers are responsible to disclose the restricted nature of that advice. In the United States, this debate is ongoing, and the Securities and Exchange Commission recommended in January 2011 that a uniform fiduciary standard apply to both investment advisors and broker-dealers providing personalized investment advice to retail customers.

Perhaps the obvious questions to ask after all of this debate is exactly what is a fiduciary duty, and, should it be applied to financial services providers in Canada? According to recent consultation paper issued by the Canadian Securities Administrators, a fiduciary duty is a duty of a person to act in another person's best interests.¹⁵² A fiduciary duty applicable to financial services planners means that the adviser or dealer (the fiduciary) would have to act in the best interests of her client, ensuring that:¹⁵³

¹⁵⁰ Australia, *Future of Financial Advice Information Pack* (2011), online: Australian Treasury <<http://ministers.treasury.gov.au/Ministers/brs/Content/pressreleases/2011/attachments/064/064.pdf>> at 12.

¹⁵¹ FSA Policy Statement 10/6 at 1.

¹⁵² Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9560, from Leonard I. Rotman, *Fiduciary Law* (Toronto: Thomson-Carswell, 2005) at 309. See also *Galambos v. Perez*, [2009] 3 S.C.R. 247 at para. 66, online: <http://scc.lexum.org/en/2009/2009scc48/2009scc48.html> [*Galambos*].

¹⁵³ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9560.

- Client interests are paramount,
- Conflicts of interest are avoided,
- Clients are not exploited,
- Clients are provided with full disclosure, and
- Services are performed reasonably prudently.¹⁵⁴

Fiduciaries must ignore all considerations other than single-mindedly serving the interests of their clients in all matters related to the service provided -- they must place their clients' interests ahead of their own.¹⁵⁵ All other fiduciary obligations emanate from this foundation duty.¹⁵⁶ Fiduciaries must scrupulously avoid placing themselves in a possible or potential conflict of interest with their beneficiaries, and these cannot be cured by disclosure alone.¹⁵⁷ Rather, the client must explicitly consent to allow a fiduciary to place them in an actual or potential conflict of interest.¹⁵⁸ This may require the fiduciary to advise the client to seek independent advice before the client decides whether to give their consent.¹⁵⁹ In addition, fiduciaries must carefully avoid any personal pursuit inconsistent with the best interests of the client. If fiduciaries learn of an opportunity as a result of acting as a fiduciary for a client, the fiduciary must not take advantage of the opportunity even if the client cannot take advantage of it themselves.¹⁶⁰

While in certain types of relationships, such as lawyer/client, doctor/patient or trustee/beneficiary), a fiduciary duty is automatic under the law, in other kinds of relationships, whether they are fiduciary in nature depends on the factual circumstances

¹⁵⁴ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9560

¹⁵⁵ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9560, from Leonard I. Rotman, *Fiduciary Law* (Toronto: Thomson-Carswell, 2005) at 339. See also *Galambos v. Perez*, [2009] 3 S.C.R. 247 at para. 66, online:

<http://scc.lexum.org/en/2009/2009scc48/2009scc48.html> [*Galambos*], and *Shelanu Inc. v. Print Three Franchising Corp.* (2003), [2003] O.J. No. 1919 (Ont. C.A.).

¹⁵⁶ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9560.

¹⁵⁷ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9560.

¹⁵⁸ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9560.

¹⁵⁹ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9560.

¹⁶⁰ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9560.

of the relationship.¹⁶¹ These are called *ad hoc* fiduciary relationships, and Canadian courts have identified five interrelated factors to be considered when determining whether "financial advisors" stand in a fiduciary relationship to their clients:¹⁶²

- Vulnerability: the degree of vulnerability of the client due to such things as age or lack of language skills, investment knowledge, education or experience in the stock market.
- Trust: the degree of trust and confidence that a client reposes in the advisor and the extent to which the advisor accepts that trust.
- Reliance: whether there is a history of relying on the advisor's judgment and advice and whether the advisor holds him or herself out as having special skills and knowledge upon which the client can rely.
- Discretion: the extent to which the advisor has power or discretion over the client's account or investments.
- Professional Rules or Codes of Conduct: such rules and codes help to establish the duties of the advisor and the standards to which the advisor will be held.

These five factors are not intended to be exhaustive and evidence relevant to one factor may be relevant to a consideration of one or more of the other factors.¹⁶³

Securities Legislation in Canada imposes a duty on registered advisers and dealers to deal fairly, honestly and in good faith with their clients.¹⁶⁴ However, the question of

¹⁶¹ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9561.

¹⁶² Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9561, and *Hunt v. TD Securities Inc.* (2003), 2003 CarswellOnt 3141 (Ont. C.A.).

¹⁶³ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9561-9562.

¹⁶⁴ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9563. See section 2.1 of OSC Rule 31-505 *Conditions of Registration*; section 14 of the *Securities Rules*, B.C. Reg. 194/97 [B.C. Regulations] under the *Securities Act* (British Columbia), R.S.B.C. 1996, c. 418 [B.C. Act]; section 75.2 of the *Securities Act* (Alberta) R.S.A. 2000, c.S-4 [Alberta Act]; section 33.1 of the *Securities Act* (Saskatchewan), S.S. 1988-89, c. S-42.2 [Saskatchewan Act]; subsection 154.2(3) of *The Securities Act* (Manitoba) C.C.S.M. c. S50 [Manitoba Act]; section 160 of the *Securities Act* (Québec), R.S.Q., c. V-1.1 [Québec Act]; section 39A of the *Securities Act* (Nova Scotia), R.S.N.S. 1989, c. 418 [N.S. Act]; subsection 54(1) of the *Securities Act* (New Brunswick) S.N.B. 2004, c. S-5.5 [N.B. Act]; section 90 of the *Securities Act* (Prince Edward Island), R.S.P.E.I. 1988, c. S-3.1 [P.E.I. Act]; subsection 26.2(1) of the *Securities Act* (Newfoundland and Labrador), R.S.N.L.1990, c. S-13 [Newfoundland Act]; section 90 of the *Securities Act* (Nunavut), S.Nu. 2008, c. 12 [Nunavut Act]; section 90 of the *Securities Act* (Northwest Territories), S.N.W.T. 2008, c. 10 [N.W.T. Act]; and section 90 of the *Securities Act* (Yukon), S.Y. 2007, c. 16 [Yukon Act].

whether this obligation is equivalent to a best interest standard remains in doubt, since no court or regulatory decision has concluded that this duty creates, or is equivalent to, a fiduciary duty.¹⁶⁵ Currently four provinces, Alberta, Manitoba, Newfoundland and Labrador, and New Brunswick, have a statutory requirement that when advisers or dealers have discretionary authority over their clients' investments, the adviser or dealers must act in the clients' best interests, or owe the client a fiduciary duty.¹⁶⁶ While financial service providers in these provinces have a fiduciary duty under these narrow circumstances, should this duty be expanded to all planners under all circumstances?

Adopting a full-on fiduciary standard undoubtedly completely kills the existing embedded compensation model. Indeed, the equitable obligations of fiduciary duty developed at common law are specifically designed to avoid the exact compensation structure that has developed in the financial advice industry.

Given the size of the industry, Canadians' present reliance on the embedded compensation model and the relative lack of legal framework around investment advice and financial planning services, an incremental approach is suggested.

As in the U.K., Canada may only be ready for a legal framework where the advisor is allowed to choose between offering "independent" and "restricted" financial planning or financial advice.

"We all understand that choice has served us very well in this industry," according to one industry operator said. "If we try to put all our eggs into one basket around a single compensation model, there are significant disadvantages to many segments of clients out there."¹⁶⁷

Yet it is also clear that many Canadians would value conflict-free financial advice. Given the costs of the embedded compensation model to consumers, providing an opportunity for consumers to make the choice and then actually creating points at which they were forced to consciously exercise that choice, would appear to be the right course.

For example, were the U.K. model adopted, the financial advisor could be required to describe the possible fee structures and ideally distribute a provincial financial regulatory authority approved description of each, then obtain the client's explicit consent for the model offered by the advisor, prior to any relationship beginning. Later in the relationship, either on an anniversary date of this initial relationship or when the client's portfolio reaches a certain size, the same choice would have to be consciously made by the client in order to continue the relationship. This is a modified version of the Australian

¹⁶⁵ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9563.

¹⁶⁶ Canadian Securities Administrators, *CSA Consultation Paper 33-403 The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, (October 25, 2012), 35 OSCB, page 9564. See subsection 75.2(2) of the Alberta Act; section 154.2 of the Manitoba Act; subsection 26.2(2) of the Newfoundland Act; and section 54 of the N.B. Act.

¹⁶⁷ Lamb, Steven, *Advisors Needs Compensation Flexibility*, October 20, 2011. Last accessed on November 26, 2012 at <http://www.advisor.ca/news/industry-news/advisors-need-flexible-payment-options-62293>

requirement to confirm advisor compensation every two years. This period may be too sudden a change for most Canadian advisors and clients may not require such a short period before reviewing compensation structures. As a result, provinces could consider their own time periods, such as every 5 years, or financial thresholds, likely in the range of \$100,000 to \$200,000 in invested assets.

Conclusion

Although the financial planning and financial advisor industries have recognized a need for reform of standards of care towards investors and have acknowledged the need for disclosure of, and transparency of, fee and commission structures, their progress towards solving the issue has been slow. Reforms in this area continue apace in other jurisdictions: the U.S., the U.K. and in particular Australia have tackled the difficult issues of compensation structure and disclosure, as well as duty to clients head-on. Canada has, by contrast, a large vacuum in political leadership on reform efforts in financial services advisors. In part this may have been due to uncertainty involving the efforts to reform the financial services industry under the Proposed Canadian Securities Act; however, that federal effort has been turned back by the Supreme Court of Canada and in any case, it is now clear on any theory of jurisdiction that regulation of market intermediaries such as financial advisors is a matter of provincial law. Therefore the time is ripe for provincial consumer and finance ministries to work towards a regulatory framework for financial advisors and, in addition, if thought beneficial, a regulatory regime for financial planners in each of the provinces. As noted above, PIAC's view has not changed that a financial advisor legal framework such as that in Québec is clearly the most beneficial to consumers and should be adopted with local modifications by all provinces.

Recommendations

Provincial governments and the federal consumer affairs section of Industry Canada, with the participation of the Department of Finance, should convene under the aegis of the Consumer Measures Committee with industry stakeholders, consumers and regulators around the issues of financial planning definition, financial advisor definition, discussion of a statutory duty for financial advisors that is "fiduciary-like", discussion of compensation arrangements, disclosure and conflicts of interest. The result should be a uniform provincial legal framework to address the issues that the industry is struggling with in financial advisor reform. The CMC should set targets for implementation of provincial reforms in an effort to achieve a coordinated response amongst the provinces.

Such a group should consider such details as trigger dates or monetary investment limits to (re-)confirm compensation arrangements of advisors with their clients. This will provide clients with an opportunity to engage financial advisors on a "fee only" basis, who may be by then subject to a more fiduciary-like duty, when investors are ready and can afford to make the change but not so late as to trap them into expensive compensation structures. PIAC recommends that this be undertaken at 5 year intervals or when a client's portfolio reaches a predetermined threshold, likely between \$100,000 and \$200,000. Financial advisors should be required to describe their services as fee only (independent) or restricted. If "restricted" is selected, all compensation arrangements should be fully disclosed to the client, who must positively acknowledge and approve the arrangement.

The CMC should consider recommending a potential income tax benefit (tax credit) for using a fee-based planner, in order to incent clients to switch to this method. Clients are reluctant to change from a model that appears costless to one which clearly has an upfront cost. However, a tax credit for fee-only advice may cause some investors to inquire into the amount of the compensation he or she already is funding under the embedded fee model.

Appendix 1 - Transcripts of Focus Groups

PROJECT: Attitudes towards Regulation of Financial Planners

PN#: 7001

GROUP: Toronto

DATE: September 29, 2011 – 5:30 p.m.

M: So why don't we go around the table and maybe you could each introduce yourself to the group and maybe tell us a bit about yourself, like what sort of work you do if you work outside of the home or if you're retired what you used to do before you retired. And also, as you know from the questions, we asked you to recruit you to this session tonight, we're going to be discussing the whole issue of financial planning and financial planners. So maybe if you could also each tell us what sort of financial planner you have in terms of who they work for and how long you've worked with them or how long you've had a relationship with that person. So, would you like to begin?

R: I'm Helen. I'm a retired teacher.

M: I've done lots of focus groups with teachers too.

R: Yes, I'm sure you have. I don't really know a lot about investing or investments, but I do have some. Lately I've been investing in real estate - my daughter's real estate. But, you know, these things happen. Oh and I worked with maybe franchisee, Edward Jones. It's probably a franchise, right – Edward Jones?

M: Yeah, that would be a franchise.

R: Like it's not a bank.

M: It's not a bank, but it's also not something completely on the run with just a shingle.

R: Right.

0:03:30.9

M: So how long have you had ...?

R: Since I retired – about nine years.

R: Navraj. I'm in IT. I work at IBM. I went to school at the University of Western. I coach a football team of eight and nine-year-olds, full contact. I love sports. I have investments with RBC Dominion Securities.

M: So do you have one person there who's ...?

R: One contact, yeah.

M: And so when you say that you have one contact there, would you consider them to be your advisor?

R: Yeah, I would consider him to be my advisor?

R: Sharon. And I work part-time. I'm just finishing up school full-time and I have one advisor and I've been with him for about eight years.

M: And so who does he work for?

R: Brownstone Investments.

M: So when you say he's your advisor, what (inaudible, coughing).

R: (Inaudible, coughing). It's just good to have somebody who does everything for me.

0:04:50.6

M: To sort of take care of all the transactions or whatever.

R: Yes.

R: Corinne. I'm working as a freelance illustrator at the moment, but I was an insurance broker, so the money that I made and invested was made at that time in a family business where we have an independent advisor who's taking care of basically all of my finances and still is.

R: I'm Stan. And I am a retired police officer. I retired three years ago – three and a bit.

M: Do you miss it?

R: I did 35 years on the job and it was just a great, great, great time, but no, it's time to move on and enjoy retirement. I'm sort of a live in the present kind of a guy. I don't bemoan the past. I just keep on ...

M: There are times when I wish I was 20 years older, so I could just retire and do what I want.

R: It will come fast enough.

M: Yes. Yes. But there are down sides to be 20 years older also I'm sure.

R: And I'm with Edward Jones. I have all my portfolio with them. They look after some RSPs and some other investments.

M: And so how long have you had the same advisor then?

0:06:15.4

R: Okay, let me think. We probably moved into our place around '89, so probably from around, my guess is around '92 maybe.

M: Almost 20 years.

R: Almost 20 years.

M: M'hmm.

R: I'd say it was exactly the same person that was in that office the whole time.

M: Un-huh. Okay. And?

R: Marlene. I'm an assistant. I work for a not for profit organization. We have about 12 homes where we put people with mentally challenging problems.

M: Like residential places for them to live.

R: Yes. Correct. Because they can't be looked after at home. I've only been there for the last two years because my previous company got sold, so I got let go after 19 years. I used to work for the Bank of Commerce, so 99.9% of my investments are with them. But last year I went with a friend who had advised me of this great ... My mom's in a long-term facility only as of a year, so I had to sell her house. So what I got for her house, I needed some place other than where I had my own money to put it. So I went to this other company; it's called FundEX. And it's run by two people that I've met.

M: So now you've got them as your advisors.

R: Actually it's for my mother's money.

0:07:58.6

M: Right.

R: Yeah.

M: And then at CIBC do you have an advisor as well or someone who you deal with there?

R: The people have switched so often, I just ... no. I call the 1-800 number, you know, the telephone banking number, yeah. And I get advice. And I don't take the first person I talk to. I call back a couple of times.

M: And then you get someone who's ...

R: Really knowledgeable, yes.

M: Okay. And?

R: I'm Monique and I work for the LCBO. I'm also a blogger, you know, us evil people.

M: What do you blog about?

R: I used to be really fat, so it's a weight-loss blog-in.

M: How I lost weight and kept it off kind of thing?

R: Yeah. I'm with the Bank of Montreal for my investments. I've been there for maybe 17 years. But it's different because my mom used to work there so she set it all up and now one of my friends works there so she's my investment planner and she does everything for me there.

0:09:05.1

M: And finally.

R: Greg. I just retired at the end of last year and I worked in a technical field of industrial automations and stuff like that. So it's nice to be retired. The investments in the past have always been in the form of spousal RSP contributions to my wife's RSP. And we originally had an investment advisor who was ... I don't remember the name of the company but basically an independent firm. And at some point we got switched over to Scotia McLeod, so that's where we still have my wife's investments.

M: And did the planner or advisor you have follow you?

R: No, he moved away. My wife joined a group of ladies and they were doing investment syndicate meetings where they educate themselves.

M: A syndicate.

R: Yeah. So they educated themselves and had guest speakers come in. I think the person who was the advisor became her advisor at Scotia McLeod, was one of the speakers who came to the group. And that's how he got, and so a number of them invested with him. So that person's actually moved on, so we're with another person and still in the same thing, the same group. We've been cottagers all our lives. That's where I met my wife. So we were fairly heavily in debt recently. To finance a cottage arrangement that we got into, so actually we just converted her RSP into a self directed mortgage, so I can get rid of the mortgage I had with the bank and actually draw our own funds from the RSP and

now we're paying that back into the RSP. So actually going forward, we have to work with this full service advisor at Scotia McLeod because now the cash is going to go back into monthly payment back into the RSP. So I borrowed from it and you have to pay it back over, you know, you set up a regular mortgage and so on. We had to determine where we went. They had to go back into kind of an investment as the cash goes back into the account.

0:11:19.8

M: Okay, so now that we've heard a bit from each other, what we're going to do just to get things started is I'm going to have you work together in pairs. So Helen and Navraj will work together, and Sharon and Corinne, and Marlene and Stan, and Monique and Greg. And what I want you to do is talk with your partner and maybe one of you can get a piece of paper, just draw a list, a line down the middle of the page. And first of all I want you to make a list of what does a financial planner actually do. In other words, what is their job description? What do they do for you, but also what are they supposed to do in theory. What are the duties of a financial planner? And then I'd also like you to make a list which may overlap a bit, which is, what are the obligations of a financial planner? In other words, what, if anything, are they obliged to do as part of their job – particularly what are their obligations towards their clients or whatever? So if you want to interact with one another.

(Transcriber's Note: Respondents complete a paired exercise and chat amongst each other.)

M: Okay, has everybody come up with some of what they do and what their obligations are? Why don't we start off with the first question, which is what does a financial planner actually do? Why don't we start with Navraj and Helen? What does a financial planner do?

R: Well, one of the things that we think they do, what we think they should do is assess the client's situation. So what are their current circumstances? And then establish some goals.

M: Establish goals. Okay.

0:17:02.8

R: And then probably build a road map or a plan to sort of reach those goals and targets.

M: So a financial planner should develop a plan.

R: I would hope so.

M: Anything else in terms of what they do?

R: That's all we had for duties.

R: Yeah, that's all we really had.

M: We'll get to obligations afterwards. What about Corinne and Sharon?

R: We said disclose financial penalty. If you want your money earlier than you had put it in for. And we also said know your personal situation.

M: So assessing your personal situation.

R: Yes. And best return for your money.

M: So best return.

R: I struggled a little bit with duties and obligations. I would almost feel like your duty is an obligation.

M: Yeah. Well I guess what I should have called the first one is more just the job description of what they do as opposed to obligation is more what must they do. What else do you have, Sharon?

0:18:12.1

R: That's pretty much it.

M: That's pretty much it in terms of what they do? What about Stan and Marlene?

R: I think they should be educating their clients with respect to investments and strategies and provide statements so they have certain records. And the others are pretty well covered.

M: Marlene, what else? What do they do? Like if you try to imagine?

R: Well, we were saying what you folks just talked about, how they should know their client. How they should know us and what we want. When I had gone to the bank once, they got you to fill out something – whether you're a gambler or you're high risk or low risk or whatever, to see how to put your investments. That's why I'm saying that whoever your financial planner is they should know you so that they can advise you what you'd be comfortable with.

M: Greg and Monique, what do you have in terms of what they do?

R: Well, some of it's the same just different wording – the same thing. Monique said they should set you up financially for life. In other words, they should look at the big picture for yourself from your current age right to end stage.

M: In other words plan your ...

R: Yeah. So of course, different aspects of that. I don't know if you want the specific stages.

M: Like what would be?

0:19:42.2

R: Well first of all, like your current stage they should look at your cash flow, your income, and make sure that you have a reasonable budget for your expenses so that your cash flow and your money management are workable for you. And of course they want to be sure that you're covered by insurance wherever you might need insurance to protect for your obligations, your own obligations to family or other individuals.

M: But you'd expect them to advise you on.

R: Talk about insurance, yes, to make sure that you have suitable coverage if needed. There's retirement planning, estate, wills planning, and tax planning.

M: Tax planning. Okay, so that gives us a bunch of ideas about that. Now, what I'm going to show you is here are the actual core duties of a financial planner according to the Financial Planning Standards Council. So this is what a financial planner is actually supposed to do. Cash and debt planning, income tax planning, investment planning, retirement and financial independence planning, insurance and risk planning and estate planning. So when you see this list, what I'm curious about is what's your reaction to that? I mean you all have financial planners or advisers. Does that seem like what your financial planners do for you now?

R: Everything minus the estate planning. Those are discussions that I've yet to have with him.

R: And I don't think I've talked about insurance.

M: Insurance and risk planning.

R: Well, oh yeah, I guess I did because that questionnaire that I had right at the beginning to establish my risk. Yeah, okay, I did that.

0:21:45.3

M: But the other things, do they seem like the sorts of things that your planner ...? Like Helen does your planner do all of these things for you?

R: Income tax planning – no. But all the others – yeah.

M: Navraj?

R: All the others minus the estate planning.

M: Stan, what were you going to say?

R: No. Mine does investment planning and retirement and financial independence planning. That's about it. Nothing else.

M: So when you see this list that these are all the things that this is what their job is supposed to consist of, does it surprise you at all?

R: Yeah.

M: How so?

R: Well, for me that's if he's got the same list as you have, they're not doing that job with me.

M: You're only getting two out of six.

0:22:38.5

R: I mean he's never discussed income tax planning with me, cash and debt planning – never.

M: Estate planning?

R: Estate planning – no, not a word.

M: Even though you're retired now, right.

R: Yeah, I guess he goes over stuff. I was just telling Marlene by the time I'm out of that office, which is about half an hour, 45 minutes later, I'm, geez I'm in great shape. And my wife says, oh what did you discuss? I can't remember now. But it all made sense at the time while he was sitting there. But then again he encourages questions. I can ask him anything and he'll explain ... he'll give me answers to my specific questions, but basically everything is great and then he just says, okay now I suggest you move this to this and here's why, and it all makes sense at the time.

M: But you don't know what the grand plan is.

R: On yeah. I guess there are two grand schemes. One is to ensure that I have that independence down the road. And certainly when I'm forced to pull out some RSPs at 70, and there are other investments that I have that are supposed to be ... they're doing the best that they can. And I guess the other one is to keep him in business. That makes sense.

M: And Corinne, do you get all these things?

R: Yeah, I think our advisor is pretty thorough. In terms of estate planning, it's the whole family who's in the estate. And then my disposable income comes out of that and then whatever investments we have, as Stan was saying, I sort of go and listen once in a while and it really kind of goes in one ear and out the other.

0:24:28.6

M: Sharon, does your planner do all of these things?

R: Yes he does. And when I wanted to go back to school, I was able to get my money and not pay a penalty. So he's well aware of income tax and he's always up-to-date on what's going on.

M: Marlene, what's your reaction when you see this list of what their duties are?

R: Well, as I say, this new person I've just been with for the past year and that was basically for my mom. And she's invested it and I get a statement from them every month and it's doing great, so I think she did a good job. But other than that, she does our income taxes because she had to figure out a bunch of stuff for my mom and she's never even met my mom, so she's just going about what I'm informing her, what I'm telling her.

M: Monique, when you look at that list, does that jive with what your planner does for you or what's your reaction to that?

R: Yeah, they do everything. The only thing was I noticed is that there were things that I brought up. Like the estate planning, I want to get buried with my family in Jamaica. So I went to her; she didn't come to me and be like oh well where do you want to be when you die in forty or fifty years or whatever. But everything as long as I've been with her has been covered.

M: And Greg?

R: Yeah, the person we currently work with has been more of an investment advisor, so not a financial planner. But in the early years when we were first making those investments,

it was a financial planner and he certainly went through all those topics and made us aware of all those areas. So I would say everything was covered off at that time.

0:26:24.4

M: Is there a difference between an advisor and a planner?

R: I was just thinking that.

R: This gentleman's an investment advisor with a bank, like an investment house.

R: I wondered what Edward Jones has on his shingle now. I can't picture what they say on their door. Investment planning?

M: But it's sort of like you hear the two terms used a bit interchangeably I think sometimes.

R: Well I would hope that they're interchangeable. I mean your investment portfolio's an investment portfolio. Then your financial planning is your own sustainability for growth.

R: They're two separate areas.

R: I would think they're two separate areas, personally.

M: Although it's obviously overlap I guess.

R: I think the gentleman I went to in earlier years was a financial planner and now it's just an investment advisor and that's all they're concerned about is the money we have available to invest with them. That's all they're concerned about.

0:27:22.1

M: When I asked you about obligations, so what are a financial planner's actual obligations? What do they have to do, Monique and Greg?

R: Well we said they had to be available, you know, accessible for you. They needed to have some accreditations – some kind of certification or accreditations.

M: Do they have to have?

R: Well, I'm not sure about that. I know there's a couple of different words for financial planning, a couple of different organizations.

M: What were you saying, Navraj?

R: I think my guess is anybody can just sort of put, I'm a financial planner. I don't know that there's any ... I mean you can get a certification. I don't know if it's a requirement.

R: Like to be a broker though, you have to have your Canadian Securities, don't you?

M: Yeah, planners are not all brokers.

R: Yeah, I know, okay.

M: Anything else?

R: So in terms of obligations, well we said they should be truthful. You should be able to rely on what they tell you. So there's a better word for that. I just can't think what it is at the moment.

R: Ethical.

0:28:56.9

R: Yeah, and they should be reliable and knowledgeable. So whether those are obligations.

M: Stan and Marlene, do you know what their obligations are?

R: Well I guess I'm a little bit ... yeah; I am confused about the difference between a planner and an advisor. If my guy's a planner then I look at him more as an investment advisor. That's all that he's ever provided me. That's all I've ever used him for. So I don't quite

know. But as far as he's concerned, I think he has to provide statements. I think he has a legal obligation to provide statements and he has a legal obligation to register all the investments.

M: All the transactions.

R: Transactions.

M: Anything else? Corinne and Sharon?

R: We said education. And I think having your best interests first.

M: To be acting in your best interests.

R: Yes, because I think sometimes they could have a bigger commission if they invest your money in certain companies and it might not be the best thing for that individual.

M: And Navraj and Helen, did you have any other obligations that occurred to you?

R: I don't think so. I think they've covered everything.

0:30:24.5

R: Well maybe we had to notify you of any policy changes or anything like that.

R: Yeah, to keep you up-to-date with the markets.

M: There are a few things nobody mentioned. What about disclosing their fee structure, like how they make their money?

R: Definitely. That's a given.

M: Are they legally obliged to do that?

R: If you ask, they have to answer you.

M: Greg, is that an obligation of theirs to tell you how they're making their money?

R: I don't know. It certainly would be ethical. It would be desirable. I couldn't say for sure, no.

M: Stan?

R: I suspect they have an obligation to.

M: Has your planner ever told you?

R: Yeah, early on in our relationship, very early on. So I know that, I mean I pay some fee annually.

M: Oh, so you pay an annual fee.

0:31:28.8

R: I pay an annual fee for him to manage my accounts, but I understand that there is also some kind of payment from the companies that are commissions. I know that exists somehow.

M: What about conflicts of interest? Like do they have any obligation to inform you or to avoid conflicts of interest?

R: I would certainly think so.

M: What's a conflict of interest for a financial planner?

R: Well he could be the owner of an investment firm or some kind of investment portfolio and then he'd advise you to invest in that.

R: Yeah, he could get some kind of rebate from a company that he wants you to invest in.

M: So that would be an example of a ... Navraj do you have a sense of how, like how could a financial planner have a conflict of interest?

R: Could it happen on the other end where because of who I am, that he's now in a situation where it's a conflict of interest.

M: You mean he could have a conflict of interest with you?

R: Right. Based on who I am, where I work, or my finances, it's a conflict of interest that I work with him. I couldn't maybe draw one up, but I suppose maybe.

M: Helen, do you have a sense of what would be ...?

0:32:59.8

R: Those were good. I can't think of another one.

M: What about due diligence? Like in other words, what does due diligence mean?

R: Do your due diligence.

R: It means like investigating a situation and making sure that there are no surprises, any adverse conditions that might happen to you as a result of not learning about.

M: Like if you don't do due diligence then it's like negligence or something.

R: Almost.

R: It's their responsibility to be thorough – the opposite of being negligent.

M: So do they have an obligation to show due diligence?

R: Yes.

M: Does a financial planner have an obligation to create a written financial plan? If someone calls themselves a financial planner, would they have an obligation to sort of draw up a plan?

R: Yes.

R: They should.

M: Marlene, you look?

0:34:03.5

R: No, not unless you ask.

M: Unless you ask them for it.

R: Yeah.

R: If it's an obligation, you're obliged by whom? We think that this is what should be an obligation of theirs or are they being actually obliged by ...

M: Are they legally obliged.

R: Are they legally or is there a governing body that obliges them to do this?

R: You see as an insurance broker, there's RIBO, which is Registered Insurance Brokers of Ontario, and IBAO. And everything is regulated. You actually are obliged by law to find the best coverage for the lowest premium. I don't know if there's any kind of ...

R: Yeah, if there's no governing body, then they're not obliged to do anything. We're giving you what we suppose they should be obliged to do.

M: No, and this is interesting.

R: Isn't there an Investment Dealer's Association? Don't they have some kind of guidelines and rules?

M: That's part of it, but not all planners are investment dealers because they're not necessarily dealing.

R: And that plan would always change due to somebody's personal situation. Is there a death in the family? Kids are going to school. So you might have a plan in place but I think your personal situation would change that plan.

0:35:21.8

M: Does your planner have an obligation to bring your file up-to-date? Is it part of their job to follow up with you about whether your financial circumstances have changed or whether there are changes in the market that might affect your portfolio?

R: For me there's a difference between obligation and expectation. Like they might not be obliged to do it but that's what I expect. I expect a written update. I expect you to send me exactly where my money's going. So I don't know if it's an obligation per se for their job and they have to do it.

M: For the obligation it implies the legal.

R: Exactly. Like for their job to be in this position, they have to do this, I'm not sure. But if you're not doing it, then you're not going to be my financial planner.

M: Corinne, do you have a sense?

R: Well I don't know. I know that I'm diligent, so I don't need them to be. Whether or not they feel obliged to be, then I don't know. I constantly check my finances.

M: I know we touched on this a little bit, but how did each of you actually choose your financial planner? Like, Corinne, first of all how did you find them and did you?

R: Well, he's an accountant that worked for my family business.

M: So it went from that.

0:36:45.6

R: And also he's extremely competent.

M: Did you check any references or do you know what qualifications he has?

R: Well I grew up with him.

M: So it's word of mouth. You're your own reference. Stan, how did you find your?

R: I was looking for somebody at about the time that I went with him and I asked a friend of mine who was quite high up in the Investment Dealer's Association, that's how I even know the thing exists.

M: The Association.

R: The Association. Really I'm not in that area. That's not what I'm interested in my life. And I asked him who do you think I should go with and he gave me several companies, several names, and we just happened to have an Edward Jones in a little plaza where I live.

M: In your neighbourhood.

R: So when I asked him again, I said, oh what about this? He said listen they're a huge, huge firm. And nothing that I was told anyway. Nothing this guy does, does he do independently anyway. All your stuff is reviewed, looked at by head office, and he has access to like an international team of experts. So in that sense, he says there's nothing wrong with them, and they're fine. Even though he couldn't say yes, go with him.

M: Go to that individual.

0:38:09.9

R: That's right. He couldn't do that, but he certainly made me feel comfortable. This is good. This is convenient to go here and that way you're just around the corner to say, hey, what's up.

M: Monique, how did you find your planner?

R: Yeah, my mom used to work for the Bank of Montreal. So she used to do all my finances. When she left I was working with one of her friends and then one of my friends went to school for financing and now she works at the Bank of Montreal. She took all my money.

M: So your financial planner is also someone you are personal friends with then.

R: Yeah.

M: So did you check her references?

R: Well, we were friends when she was in school.

M: Greg?

R: As I mentioned before, I think the gentleman that we first went with was one that came out to speak to my wife's investment group. So there was a connection made there. He probably made a good impression to the group when he spoke with them. So people, my wife included, decided to go with him for those planning services.

M: Do you know whether he had any particular qualifications?

0:39:16.1

R: It's been too long now, but I'm sure he did. I'm sure he would have had whatever the normal qualifications were at the time. He was a young fellow. He wasn't an older gentleman. He was probably only a few years older than ourselves, probably 30 years old or so at the time.

M: Helen, how did you find your planner?

R: Well I remember I had just retired. It was June. I finished school, cleaned out my desk, and I was doing some gardening at the front of the house, and this guy comes along and starts talking to me. Oh how are you? What are you doing? He says I'm ... and he showed me his card.

M: So he actually approached you while you were gardening.

R: Yeah, he did, while I was gardening. And I thought oh my God, who does this guy think he is. But anyway, I took his card and then I checked around and there was one in the neighbourhood, an Edward Jones in the neighbourhood. I checked with some friends and went to listen to what ... because I had a retirement gratuity, like a lump sum when you retire, so I didn't know what to do with it because I just knew I'd be taxed if I didn't do something with it. So anyway, I went to listen to what his plan was and checked with

the bank and a few other places. And he had the best plan so I went with him. But it was totally coincidental.

M: Yeah, that's interesting. I wonder if that's a tactic of theirs that they kind of case the neighbourhood.

R: Well he says he every once in a while walks through the neighbourhood.

M: Well, I've heard of real estate agents knocking on doors, hey do you want to sell your house or whatever. Navraj, how did you?

0:40:46.3

R: I did the research, I looked online, spoke to friends, and I'm with RBC Dominion Security so it was more from an investment point. So I really looked at who's going to give me the best rate with medium risk as where I wanted to be at and who could pretty much say here's what we've done the last five years, here's what we expect to do this year. So I went with where I thought I'd get the best rate of return on my money.

M: So did you look into whether your planner had any particular certifications or anything or did he mainly just make a good impression on you?

R: I chose the firm that he's with.

M: Oh, I see.

R: And then they assigned him. And that's when I built the relationship with him. I don't know that he's got anything that's directly related to that. I know he has his MBA from somewhere. I remember seeing that on the wall in his office. But I don't remember any certifications.

M: Sharon, how did you find your planner?

R: My advisor, he's a part-time teacher and my mother was enrolled in his class, and she has a financial background and she liked his style and he was very honest and I think we met with him a couple of times and then we decided to invest our money with him.

M: By the way, are there any obstacles to finding a qualified financial planner or can anyone find one and be their client? Like for example, do you need to have a portfolio that's over a certain value for them to take you, or do you have to be rich to have one?

0:42:32.4

R: I know with some investment firms you have to have a certain amount of money to open an investment.

M: Like your portfolio has to be more than a certain amount.

R: I remember trying to open an account with Gluskin Sheff and I didn't have enough capital to get it.

R: Like Wood Gundy you'd probably have to have a huge portfolio, wouldn't you?

M: Define huge.

R: I don't know. I mean you're talking to someone who's working as an illustrator.

M: No, but that's what I mean. But for just the average person, can anyone have a financial planner that actually does all the things that we talked about, or are there obstacles?

R: At the bank you can definitely. That shouldn't be a problem at all.

R: I think the independents would also be willing to take on any clients. And even if you're relatively minimal income and disposable money, I think any financial (inaudible) would be pleased to sort of get an association or a relationship going with individuals who can get on our ladder before the elevator goes up.

R: Hopefully it will go up, right.

M: Otherwise they'll be a bankruptcy trustee or something like that.

R: If you can start a life-long relationship with somebody.

0:43:49.3

R: Can you have more than one financial advisor?

M: Yeah, I don't think you sign ... but I guess ultimately somebody has your money. I guess you could have money with more than one person.

R: Of course.

M: Of course, yeah. But I don't know whether you'd necessarily have two different financial ... I guess you could get two different people to do a financial plan for you and see how they compare or something. But what about being able to afford fees? I mean do you have to pay?

R: I think they normally take them out of your investments. Yeah, so you're not upfront actually paying them anything.

M: Yeah.

R: I have a choice with mine. I can actually pay him something or he can take it out of one of my accounts. I allow him to take it out of the account.

M: So in other words, for the average person on the street, do you think anybody could get a financial planner?

R: Yes.

R: Or ask the right questions at the bank. Because some of the bank employees are very knowledgeable. They want your money just as much as anybody else. I think if you don't have any money and you're just starting out, find somebody you trust at the bank.

0:45:06.0

M: You mean a teller or ...?

R: No, I don't mean a teller. I mean if you want to set up a credit line, you're borrowing money for a car. You know, when you're 20/25, you can establish a relationship somewhere.

M: By the way, as far as you know, like if you wanted to find a planner who was accredited or certified, I mean do planners actually have to be certified?

R: I have no clue. I hope so.

M: Does anyone know?

R: It's kind of scary now that that topic came up. I really do hope so.

R: I think the answer is no, but I think there are two bodies, two different accreditations you can get, but I don't think you have to be.

M: Navraj, do you know? Do they have to be certified?

R: No.

R: Well most places too they train you. They're not just going to put someone in blind and be like oh I like you. So here's a million dollars to do this with someone's money. I'm sure there's an extensive training program before they get into it even if they're not certified by a college or university.

M: But is financial planning actually a profession? You're laughing.

0:46:22.4

R: I'm sure they think it is.

R: Sure, I think it is.

M: What were you going to say, Navraj?

R: Yes. I mean it's built that way.

M: But it is like a legally recognized profession?

R: No. So like when we said legally recognized, that's like a police officer or doctor or lawyer. No, not at all.

R: Well, couldn't they put that down on their income tax form when they're doing their own income tax and their occupation is financial planner. That's accepted. I would think that's legal. I don't know. What's the definition of legal? I don't know what that means.

M: Well, you're a teacher. What's the difference between a professional and an occupation?

R: A profession is a professional. It means he's got to have professional delegation to be able to do it.

R: Accreditation.

R: And occupation is whatever you choose.

R: Yeah, and you're responsible to a higher body. Like as a teacher, I'm responsible to the College of Teachers, and a doctor has the OMA. I don't know. Maybe Edward Jones has a group that they responsible to.

0:47:29.9

R: To the best of my knowledge, a police officer is not a professional. To the best of my knowledge, it's a career.

M: It's a career not a profession.

R: Interesting. Career.

M: Well it's interesting because in fact being a financial planner is not actually a legally recognized profession.

R: Oh, so they don't have to have a license that says financial planner.

M: No. I mean some of them may have things, but they don't actually have ... like it's one of those things. It's a bit like being a therapist. To call yourself a psychologist, you have to have a degree to be a psychologist or psychiatrist. But if you call yourself a therapist, it just means nothing. But anyway, that's not to say that a lot of them may not have certification of some kind, but you don't have to have any kind of certification to have a business card that says financial planner.

R: But if you do have such a certification and you've gone to school and you get whatever. We're talking about a recognized school.

M: Yeah.

R: Get a recognized diploma of whatever it may be, why can't he call himself a professional at that time?

0:48:39.1

R: I don't think there's a degree or a diploma associated with being a financial planner.

R: But, at the same time, when my friend was in school, they did extensive financial planning, so she was very knowledgeable. They had to set up portfolios, pretend portfolios, all of that stuff. So I can't remember what she got her degree in. But if she's not the closest thing to a financial planner as a recognized profession, I don't know what it would be.

R: Isn't CFP, Certified Financial Planner?

M: Certified Financial Planner.

R: Well how was that term confirmed?

M: But you don't have to have a CFP to draw up a financial plan.

R: But if you do, you still can't call yourself a professional?

M: No, because it's not obligatory. But you can still have it on your card.

R: Who's the body that issues those CFPs?

M: That's a good question. I don't actually know.

R: Like can they go online and just take a bunch of courses and now I have my CFP card?

0:49:37.7

M: Well I think you do have to write an exam of some kind, so it's not that simple. I want to go back to the whole issue of how financial planners get paid. How do they make their money? Helen, what do you think?

R: I know I pay a yearly fee. And I don't know for sure because I haven't really studied too much about what's going on in my portfolio lately. But I think certain transactions they get a percentage. I think there are two ways – either the fee or percentage.

M: Or some combination thereof.

R: Some combination thereof, yes.

M: Navraj, how does it work with you and your planner?

R: There's a fee for the transactions, but again that's from the investment side. If I were to take a guess on the financial planner's side, I think they probably get some incentive or some pay based on their membership. So, you know, if I'm a financial planner and I represent X number of people or X number of dollars, then I'd get paid based on that from my own internal organization.

R: Why? I don't understand. Why would your organization pay you a dime if you're not bringing them money, you're investing it outside. I don't get it.

R: If I'm part of an organization and there are two of us and I bring in five people and she brings in ten. That's more money that we have to play with and that's money that we're sitting on, and as money makes ...

R: Well that's the investment part.

0:51:14.3

R: Right.

R: But the planning part, without the investment part, doesn't make any money. See I'm just right now disassociating the actual planning from the investment because I've had virtually very little planning in my life but just investment advice. So I know how they make money on the investment.

M: Although I think a lot of them think ... I guess a lot of times part of financial planning is ...

R: Give me your money.

M: Yeah, giving them money to invest.

R: There you go. So, in other words, it's your money that pays them. End of story. That's the bottom line. Without your money, they don't make a dime.

M: Sharon, how does it work with your guy?

R: The company pays him. So if I invest my money and I wanted to go into CI funds, CI would pay him a commission bringing that money in. So it's not based on coming out of my account. But I think if I break that money within five years, then there's a penalty to me. He just asks when do you need this money. Is it long-term? And he just knows where and which companies to invest the money in.

M: Greg, how does it work for you?

R: Well I recall that you had an opportunity to do it just on a basic fee for service basis.

0:52:39.7

M: This is what I charge per hour.

R: Yeah, I just charge you an amount for my advice. You can do whatever you want with your investments and so on. But it's also been my experience that there's been the commissions and trailer fees with investments that were made.

M: What is a trailer fee? Can you explain that to us?

R: Oh, it's just an ongoing amount of money that's paid to the investment professional or planner based on the amount of money you have invested in some specific thing. So every month they get a small amount of money from that.

M: Almost like a residual.

R: M'hmm. As long as it's there they get paid that small trailer fee.

M: Monique, how does your planner?

R: I think she has a base salary but they also get a bonus. And the bonus is dependent on how well you do in your job. So I would guess that would be her commission.

M: But do you pay her anything?

R: I pay fees to the bank, so that would be my payment. But to her directly – no.

M: Are there management fees or do you think she gets some commission from the funds that she puts her money into?

R: I don't think she does personally. I think that her bonus is extra compensated for what she does.

0:53:52.3

R: This is within the traditional bank?

R: Yeah.

R: Which is a little bit different than some of the independent planners.

M: Marlene?

R: As I say, this is a new firm I went with for the year. But I know she had told me that it had to stay in at least for a year, because if it didn't, I would be charged. So I think because she's made that investment for me, she's going to get commission because of what she invested. So it won't actually ... well it comes out of the money that I make, but she's not asking me for.

M: You're not paying it directly.

R: Yes, exactly.

M: So that makes it okay?

R: Well you've got to go somewhere. Everybody's got to be paid.

M: Corinne, how does it work for you? Like do you pay a fee?

R: Well he's a chartered accountant and he's on salary. And I don't know if he gets bonuses on top of that, commission, or residuals.

0:54:54.5

M: But do you pay the firm something?

R: Do I personally? Yes.

M: So it's fee based basically.

R: Yes.

M: With your planner have you ever seen any kind of a disclosure document? Like when you first started dealing with them, did they ever say here's how I make my money and here's my disclosure to you?

R: I remember something about that, yeah. Like how much it would be a year.

M: Anyone else?

R: I don't remember.

R: Yeah. I definitely got that. It was too long ago and I can't remember all the details.

M: Was it complex?

R: No, no, it was pretty simple to understand.

R: And definitely with Scotia McLeod they send out every year to their clients brochures on what their fees are and disclosure along with the different terms and conditions. They update them yearly and send them out. And in my case with Scotia McLeod you pay a fee every year for your account - \$125.00 a year.

0:56:06.0

M: Does your planner actually disclose to you ... like are they obliged to tell you if they're getting commissions or bonuses on the sales of certain investment products? Because there might be some things that they put your money into that they make more money off of than others.

R: Yeah, there are probably all kinds of stuff we don't know. I think what you said about if they've got a certain number of clients, because with this firm I'm with, I think if they get too big, they split. They put another one in the area. So there must be something about their money is based on their number of clients and how much money they bring. There must be something.

M: Just the value of those.

R: I have strongly suspected for quite some time. I'm not enamoured with my guy. As much as he's a friendly, really nice guy, over the years I've talked to several people that look after their own investments – several. Some are very knowledgeable, some not so knowledgeable, but every one of them more knowledgeable than me. So it's only my laziness that is costing me all this money. But without question, according to my friends, I'm paying a good amount of money for very little return.

M: Sort of invisibly you mean.

R: Invisibly. So your net return, which is a lot less than anything they charged, because you've got to deduct those fees. And every time they make a trade, every time they move your money to somewhere else, you're paying. You could be doing all that yourself. They even tell me how to educate myself and I just never got around to it. It's just this inertia, which is really unfortunate. But I was sorely tempted a few times just to pull it all out.

0:57:49.4

M: Do you think that you'd actually be surprised if you found out like in an average year how much your investment planner was actually making in commissions off of your money?

R: Yeah, I would be.

R: I think most of us would be, especially when we look at our rate of return and then you look at what they made and then ...

M: I mean not that I'm trying to kind of put the investment planners on the slaughter or whatever.

R: You just did.

M: Do they have to tell you that okay this is the way I make commissions, because in some ways it is a bit of a conflict?

R: I don't know if they have to because I think that that would probably make their industry shrink rapidly overnight, so I don't think they have to. But I mean we'd love to know. But how many of us if we knew, would actually use them. It's almost like a catch 22.

R: But everyone has to make their money somehow. Real estate agents don't always disclose how much money they're making off of the sale.

M: You mean the commission?

R: Yeah.

R: But isn't it.

0:58:57.0

R: They most certainly do. Real estate agents do; they have to.

R: Okay, sorry; let me take that back. I meant this was because I was thinking about Freakonomics. So there was an example in there that said that if you're selling your house and you want to make another \$10,000 off of it, a real estate agent will say, oh don't bother, take your best plan. Because they're only making \$200.00 more from that

\$10,000. That's what I meant. I used the wrong example. So, yeah, I understand that I do. I want to know how much you make and whatever the case may be. But an obligation – no. Everyone has to make their money some way. Everyone's making commission in different areas. So, no, they really don't have to tell us.

M: Well, it's not that they shouldn't be allowed to make commissions. It's more an issue of should they have to tell you what their commissions are because theoretically there could be some places that they may not necessarily be putting your money into what's best for you. They may put your money into what gets them the most commission.

R: Well, does a retailer have to tell you what their commission is?

R: Doesn't everyone do that?

R: You know, you buy a t-shirt for \$100.00 and it cost them 50 cents.

M: Although the stakes are a bit higher with the financial planner.

R: I guess the question that really comes up is that conflict of interest again. That's where the real question lies. I mean if I get a t-shirt, it's irrelevant. This is where you're considering they're going to take my money and put it somewhere. Are they doing that with a bias? I think that's the biggest concern.

1:00:27.4

R: Good point.

R: We actually had the situation where we had a moderate lump sum of money to invest in a mutual fund for my wife's RSP. And so we asked the financial planner where is the best place to invest this in terms of mutual funds and so on. I know there are lots of choices on the market there. So he chose a couple of different mutual funds, and then we heard after the fact that if the investors, the advisors, got a certain amount of sales in those funds, they could win a trip, they could go to Hawaii and so on. So it wasn't really commission per se, but the point is it was an incentive for them to direct money in one way and another, which wasn't made known to us at all at the time. And that one didn't perform that well in the long-term either.

R: I'm curious. What did you mean by bias? I'm not sure I understand.

R: I've a \$1 million from you. If I invested with Monique and I invested with Greg, if Monique is going to give me more money for putting your \$1 million there, well now I'm biased to put that money with Monique versus Greg even though it may be in your best interest to be with Greg based on what you're looking at (inaudible, over-talking).

M: He might have a better rate. She might be paying a higher commission. That would be an example.

R: But if he knows that Monique's company is going to go belly up within the next year or so or they have some serious problems, then I think it's negligence on the part of the planner. If you know the amount of money they make on insurance, that is a lot more than investments. That's why the insurance premiums are so high. There's a big difference between premiums when you go through a broker than if you do it

independently or somebody at the company does it for you. So if they're selling you products that you don't really need, then there's something seriously wrong. And I think if you go to a person and you want their advice but at the end it always comes back to the individual. You have to educate yourself. You have to know what's best for you. When you go to the doctor ...

1:02:44.8

M: We're not doctors, so we

R: Doctors also push their own medications that the other pharmaceuticals want to try, so everybody is always pushing something.

M: Everyone's got a racket.

R: Yeah.

R: Even if they do it 90% of the time, that 10% of the time when they take the commission.

R: If you say that you want your money in two years and it's not there and it's gone, then they're accountable and you will tell the next ten people and that's ...

R: That's a good point.

R: But actually (inaudible, over-talking).

M: But is there consumer protection? Like what happens if a ...?

R: \$200,000. Yes. I believe there's \$200,000 per either I'm covered with the institution. I think it might be with the institution. So with Edward Jones, I think I'm covered. There's a \$200,000 insurance on something. Exactly how that works I'm not sure. But for instance any money that I have with Toronto Dominion Bank, if Toronto Dominion goes belly up, I'm covered for up to \$200,000.

1:03:53.2

M: But that's if the entire bank went belly up as opposed to just if your portfolio performed badly.

R: Oh that's a different story.

M: That's a different story.

R: Is it \$60,000.

M: I thought it was \$60,000.

R: No, no, they went up.

R: (Inaudible, multiple over-talking.)

M: Well this whole issue of fees. If you had a choice of paying just a flat fee to your financial planner and the financial planner did not take any commissions or referral fees but you were going to get comprehensive service and you knew that you were just paying an annual fee and that was it. Would that be preferable to let's say not paying a fee but having ...?

R: If they could demonstrate you get a better rate of return overall for your investment, you just have to look at the pros and cons of it.

R: On the flip side, not that I'm a financial planner and I'm not working for fees and commission, am I going to work as hard as if I would if I had to work for fees and commission?

1:04:48.6

M: But working hard for whom?

R: For my client. Like if I know I'm not going to be paid. My salary is done. No commissions, no extra fees, none of that, I'm not going to work as hard.

M: But then at the same time, let's say you're a financial planner and let's say you're not going to get any commissions, but I'm paying you an annual fee and if I don't like the service I'm getting from you, I might fire you and go to another financial planner. So you still need to keep me happy because I'm still.

R: I'm going to keep you happy no matter what; it's my job. But there's keeping you happy and going above and beyond. I'm not always going to go above and beyond, especially if your portfolio is smaller.

M: But if the portfolio is smaller, there won't be much in the way of commissions anyway.

R: Smaller, I'm not.

M: Marlene?

R: No, I'm agreeing with her.

R: I would so ... I would jump at that. Because to me this is a free market thing. If you charge me whatever fee, once I agree to that fee, I figure well that's great. Now I'm going to be keeping an eye on him. I still have access to all kinds of people and information to say hey, wait a second. How come my buddy who's pretty similar, his return last year was way better than mine? I would have some serious questions with this guy, and he better bud up. Because if I smell a dance, he's gone and he knows that and I think they would all know that. Any flat fee and that kind of thing, I would jump at it, because now my guy wants to move stuff around. I have no idea whether he's doing it because of a bias or because he's doing it really in my best interest. At the end of day,

not that he's giving me bad advice, he's not giving me something that's going to be belly up, he's not going to sabotage me, but is he really working in my best interest? I don't know. I don't think I'll ever know.

1:06:42.8

R: That's a good question.

M: But tell me, if you were actually let's say paying your financial planner let's say \$1,000 a year to manage your portfolio. I'm just making up a number. Do you think that you would feel like because you were actually physically giving the person a cheque as opposed to them possibly making much more than that in invisible commissions, would you almost feel like you had higher expectations from the planner because you were actually paying them directly?

R: Well the problem is how would you know, because the system of payment to the investment people is completely hidden?

M: But for all you know they could be making \$10,000 a year.

R: So you could have front end loaded or rear end loaded mutual funds.

R: It almost seems like if you get the flat fee, now you're giving them the flat fee and they still might not have your best interest because they're still going to get that extra commission from the mutual funds they put the money in.

M: Unless there was some deal where if you pay them a flat fee, they had to renounce any commissions or fees.

1:07:53.8

R: Yes.

R: Yeah, that would have to be part of their ... I guess. Wow, I'd love to see that.

M: By the way, as far as you know, is there any consumer protection in Ontario with regard to financial planners? Like do you have any recourse? Let's say you had a planner who screwed things up or who you felt was negligent somehow, who would you complain to?

R: Maybe the Better Business Bureau. I mean if they've done something very unethical, maybe I'd go to the Better Business Bureau.

M: Let's say they didn't tell you about a conflict of interest or if they didn't I don't know.

R: I think that's the only avenue I would try and consider.

R: Or with this company, you know, Edward Jones, you'd go higher up in the organization. But, you know, I trusted my guy until I came in here.

M: This is not a witch hunt here.

R: All these unknowns now that I'm thinking about.

R: If there was true negligence in some way, if your advisor just makes a bad choice on what to put your money into and you agree to it.

M: Yeah, because there's medical malpractice now right.

R: There are no guarantees on how things are going to perform unless it's clearly stated that at least you'll get your principal back or it's a guaranteed return.

1:09:04.6

M: But, you know, if you have lawyer who is negligent or if you have a doctor who is negligent, there are procedures. What do you do if you have a financial planner who's negligent?

R: I don't know. Consumer and Corporate Affairs.

R: Sue privately.

R: Yeah, just sue.

R: You have to have a lot of knowledge.

R: (Inaudible).

R: Then you have to deal with lawyers and all that if you're going to sue.

M: Now there is a federal Office at the Ombudsman for Banking Services and Investments that can investigate complaints of consumers against financial planners with regard to specifically about investments. Has anyone ever heard of that?

R: No.

R: No.

M: What about the Mutual Fund Dealers Association? Has anyone heard of them?

R: Yeah.

1:09:57.4

M: Who are they? What are they? You've just heard the name.

R: Yeah, I've heard the name enough times, but I've never really thought about who they are. I guess it's probably a self organizing body of all the people who are literally dealers and people involved in the mutual funds industry.

M: Has anyone ever heard of IIROC, the Investment Industry Regulatory Organization of Canada?

R: No.

M: Well anyway.

R: Are the certified planners obliged to tell you about all these bodies?

M: No, I don't think so. I guess what I'm curious about is we talked earlier about the obligations, like when we talked here about how a planner is obliged to be truthful and ethical and to have your best interests at heart and to keep things up-to-date. So if they were to not do those things, what's the consequence? To them that is. We know what the consequence is to you as the customer. Like what can you do about it?

R: You don't recommend them and you go somewhere else.

R: Move.

R: Yeah, move your ...

R: Walk with your fees.

1:09:57.4

M: But what if you've already lost a bunch of money?

R: If someone's negligent with your money, like if I lost a million dollars because I felt they were negligent, I'm going to find a way. Like I would probably find out about the associations that you just told me about and I would go after them.

R: Sometimes it's beyond the control of the financial planners.

M: Yeah, it's not necessarily their fault that your portfolio.

R: Right. It's the company.

R: Well that's not negligence, but your talking about (inaudible, over-talking).

R: But the first person you will blame is your financial planner. That would be the first thing, well you told me to get into this.

1:11:38.2

M: But you could have a situation where maybe you found out that they put all your money into a couple of funds that offered them a free trip if they sold a lot of it, but those funds ended up performing really badly and they maybe didn't inform you.

R: So then they intentionally misled you in terms of what you should do.

M: Yeah, it's not that they necessarily knew that the fund was going to perform badly, but they cared about the fact that selling that fund was going to get them closer to the free trip as opposed to it was going to give you. I mean that's just a hypothetical situation.

R: Yeah, but your financial planner shouldn't be making your decisions. If a financial planner comes to you and says okay I think you should put your money in this because this is making $\frac{1}{2}$ % interest more than if you put it in this one, but I've never ever had anybody tell me what to do, but they say but it's your decision. You think about it and let me know what you want to do. I think it's against their code to say I think you better put your money in this. I don't think they're ...

M: But I thought maybe they often tell you.

R: They tell you what the best thing is, but don't they always come to you and say but it's your decision?

R: Oh, absolutely.

R: Yeah, because they can't make a decision for you on your money – no.

R: They can't make the decision for you. But he tells you why he thinks this is it. And you would have to have some evidence to know that he's misrepresented something that is substantial.

M: By the way, has anyone ever heard of the extent to which financial planners are regulated in Quebec?

R: Probably not.

R: Are they regulated differently than in other parts of Canada?

M: Well actually Quebec is the only province that has laws regulating financial planners. Had anyone ever heard of that?

R: No.

M: Did you have some idea of that? Well, I'm going to give you something to take a look at.

1:13:46.9

R: Just pass one around?

M: Yeah. There's stuff on the other side of the page too, but we're going to concentrate on the first side which is the regulation of financial planners in Quebec. We'll put aside, there's some stuff from Australia. And I want to just read this and then we'll discuss it. But this is basically a summary of what the law in Quebec says.

(Transcriber's Note: Respondents read a handout).

R: It covers all the stuff we've been talking about.

R: Yeah.

R: We don't know what the six aforementioned areas are.

M: It's the one I showed you earlier.

R: Oh, okay.

R: Wow, they've got a fine structure too.

M: So has everybody had a chance to read the whole thing? So I'd like to go around the table and just particularly focusing on the situation in Quebec. Navraj, what stands out to you; what's your reaction to this?

R: I would probably want to say that this is a reaction to something so that there's probably a lot of this that has gone on, so good on the Quebec Provincial Government for taking actions. So I don't think this is a pro-active measure. I think it's a very reactive measure.

1:15:45.5

M: You mean there might have been a bunch of scandals or something.

R: Yeah, which is again ringing alarm bells in my head.

M: So what do you particularly like here?

R: One question I had is who creates the compensation fund for involvement? It says the Quebec regulations also create a compensation fund for instances involving fraud, fraudulent tactics or embezzlement. So is that something that the government sets up a fund that's sort of collected through tax payer's money in the event that somebody is frauded out by these guys and there's a fund?

M: I'm not actually certain. I'll ask whether the government actually pays for the fund or whether maybe they charge annual fees at the industry to create the fund. Just like there's a fund if travel agencies go bust or you're stuck in Jamaica or something.

R: I like the fact that not only do they outline steps to protect you, there's an actual fund in the event that you're violated as well.

M: Helen, what's your reaction to this?

R: I think it's good. It's all the things we've talked about and protection for you as a client.

M: So which particular points do you think are the most important?

R: Well it's sort of a whole package, isn't it? I think it's great. This last point about compensation is interesting too. I'm very surprised that there wouldn't be one in Ontario. You just sort of assume that every profession or every job has its ... I can't call it a profession ... every group has their sort of overseers, licensing process.

1:17:17.5

M: But, for example, when they say special training, knowledge of the six areas, duty to act honestly, duty to act with competence which involves disclosure of commission and referral fees. Anything else that stands out to you specifically?

R: No.

M: Sharon, what stands out to you in this or what's your reaction?

R: I think it's just the package. I agree with everything stated.

1:17:47.0

R: Is there a reason there's a specific thing involved? Is that what you're asking us to point to?

M: No, not necessarily. But it's just that's one of the more important things in it I guess.

R: What's important to me?

M: Yeah.

R: I like the word integrity. I think with anything we do, I think people should do it with integrity. And I think if you're using other people's money, you should be extra cautious.

M: Corinne, what are your thoughts on this?

R: It's much like what the Insurance Bureau does in Ontario. I just think it creates a lot of accountability, which is really good for the clients. I'm surprised to hear that they have to send a renewal notice every 30 days.

M: I think that's on the flip side of the page.

R: Oh we're just looking at this side. Oh, sorry. Okay.

M: Were there any particular points in this that stood out to you as being the most attractive or the most important?

R: The duty to act honestly and loyally towards the clients.

R: That would be hard to measure.

R: Just like for instance, I mean that would be hard to apply basically.

1:19:12.0

M: But I think also in Quebec there is a certification. In Quebec you can't just call yourself a financial planner, you have to be certified.

R: The fact that they have to have ongoing education is very good too.

M: Stan, what's your reaction?

R: I have three areas. The first was ongoing education. The fact that they have a legal obligation set up by the province that their education has to be ongoing, that's phenomenal. I think that's great. That really struck me as big. Second is the word duty. It's mentioned three times. And duty means a legal duty. That's fabulous. So they have to do ... which means there's got to be some kind of oversight body to ensure that the duties are being acted upon. And the third is not to advise the consumer to invest in anything in which the financial planner has significant interest. Significant could mean, well I figured what's significant but it doesn't matter. Between the words significant and the bolded part, it covers everything. If it's insignificant, not really significant by some legal definition or interpretation, then you've already got it covered anyway because he has a duty to disclose commission and referral fees. So I thought, well you know what, I think that covers it all. Those three things are huge to me.

M: Marlene?

R: That's the one that got me, the last one that you just talked about.

M: Which was?

R: The last one – the duty not to advise the consumer to invest in anything in which the financial planner has significant interest.

M: That addresses what could be a problem.

R: Yeah.

M: Monique, what do you think?

R: I think it's the whole package too. I'm just more excited because this is what I expected from my financial planner already. But the fact that it's actually regulations and it's on paper, it just makes me wonder what's really going on with my money now because they have regulations and we don't. Yeah, the whole package.

R: I'm just curious to find now that it says the duty to disclose. I wonder if we all went to our financial planners tomorrow and said disclose to me any interest or commissions that you get.

M: What would they tell you?

1:21:32.0

R: I wonder if they would say yes or some will say it's our policy to say none of your business, some will say sure we'll tell you. But I'm definitely going to ask the question.

M: Greg, what's your reaction?

R: The disclosure requirement is what really stands out for me. They can obviously tell you all sorts of things when you sit down in a meeting, but it's what's not said to you. You don't know what they don't tell you about. I think there's some saying about our conversation is hearing what is not said and that's the main thing for me here.

R: How does this change having any sort of legal recourse. Like would this be ... would this hold up in court?

M: I think yes. In fact you'll notice the second to last point: oblige financial planners to pay fines for their failure to act with competence.

R: Yeah, that brings up a point. Who's policing this? Like is somebody policing it and they're going to say okay.

R: It would have to be a government appointed position.

R: Yeah, there would have to be, especially since they have to pay a fine for their failure to act and then who...?

R: Yeah, they're policing it.

M: Well I guess it becomes a legal issue.

1:22:39.9

R: And then who pays the legal fees and all that?

R: Yeah, it seems rather complicated.

R: It's maybe internal.

R: Well, there's a structure of their industry there in Quebec.

R: It's probably internal.

R: That's alright. That's what our tax money is for.

R: Exactly.

R: That's exactly what our tax money is for.

R: To protect us.

R: Yeah.

M: Now by the way when thinking about when we talk about the disclosure of compensation, if your financial planner disclosed all their fees and commissions and other compensation they get that might affect their investment advice or their recommendations to you. Let's say, for all eight of you, your planner said okay I'm going to disclose everything to you. I get this commission for putting your money here, here and here. And with this particular fund if I sell more than x amount I get a free trip to the Bahamas. They basically put all their cards on the table. What would you do?

R: I don't know if it results in an action. So at least one thing it does immediately is it keeps me informed. But it doesn't make me take an action until I see something in that information that concerns me. So I think that the first step is it informs me. I don't know that it right away makes me change something or act different or have a different perception of it.

1:23:52.4

M: Like for example, I mean some people might say well I don't want to do business with you if these are all the commissions that you pay.

R: I wouldn't take that step.

M: Or what about would you maybe ask the planner to give you comparisons of other investments which they don't receive a commission or a bonus for putting your money into? Do you think you might do that? Is that something that you might do? Corinne, you were nodding.

R: Yeah. I think they should be obliged to actually ... I know I keep talking about insurance, but you're actually obliged as a broker to find the best policy for their premium, otherwise one company could be giving you all sorts of rebates for bringing them tons of business. And that's just illegal in the insurance industry. So they should have to show you all your options right upfront.

M: What about doing your own research to find alternatives? Like if your planner had ...

R: The best search I thought.

M: Yeah, so you wouldn't want to have to do your own research?

R: No, why am I paying you?

1:25:03.0

R: If I was smart enough to argue with my guy, I wouldn't even use one.

M: That's a good way of putting it.

R: It's always good to check, something like do a double check. You don't have to investigate the whole range of things. But if you just look in a couple of areas and see is what they're telling me does it check out by what other people are saying.

M: Well, what about getting a second opinion? Stan?

R: In my personal case, there's no doubt in my mind that all my investments are solid, smart investments. But that's not what we're talking about. We're talking about when he moved it from portfolio A or for investment A to B, and he didn't tell me. And he says, well actually, Stan, if you left it in A, I mean in your path. There are no more fees. I received all the fees. There's nothing left. And here's going to be your return now and

it's going to be for free. But if we move it into B, I think you're going to make it a little bit better but here's my fees. And now at least I have an idea.

M: And then you can decide.

R: I can decide hmm, okay for the first year I'm sort of losing but you know after that I understand what's going on. At least I make some kind of informed decision and that's why to me that would be a big deal. But that's not to say that he's giving me any bad advice. It just may not have been as good. I didn't have any options. He gives me something. I figure sure it sounds alright to me.

M: But I guess part of the point is I mean in some cases the question is always sometimes the advice they give you may be what's good for them as opposed to what's good for you.

R: Well the bias is what you're saying.

R: There's better advice out there.

M: Yeah. I mean I'm not trying to kind of cast aspersions on financial planners out there who I'm sure do very good work.

1:25:03.0

R: It's like car salesmen selling his car, and yet there's another car out there that may be better for you. But he's telling you how good his is and that sounds good to you, so you say okay I'll go for it.

M: Now by the way, in Quebec, as I mentioned, the planners pay fines if they don't act. What do you think of the idea? Should financial planners be fined for not disclosing their fees and commissions and other compensation?

R: It depends how big the fine is. Like if it's a slap on the wrist, then it's not going to matter anyways and they're still going to give you bad advice.

R: And I suppose if you join an organization and you know that you have these duties and you sign a thing saying I know that I have to pay a fine for failure. As long as you understand what that means and who's checking, like that sort of concerns me a little bit.

R: It might deter someone with bad intentions.

M: What about the idea of there being this compensation fund for victims of financial planner fraud?

R: That's good.

R: Yeah.

R: It's almost a double-edged sword, right. Because we say in one end we've got the fines to deter him from doing it. Then you've got the guy who's going to say I'm going to fraud them all out and I'm going to sleep at night because the government's got this fraud thing that's going to pay.

1:25:03.0

R: Your fines might be what are funding the fund.

M: I would imagine if it was fraud on a grand scale – the guy might go to jail or something.

R: (Inaudible, multiple over-talking).

M: Embezzlement or something. These are serious crimes. Who should pay for the fund by the way if there is a compensation fund? You guys were actually asking the question before. Should the financial planners as a whole contribute to the compensation fund or should it come out of tax revenues or should it be something that clients of financial planners chip into?

R: Financial planners.

R: Yeah, the organization should have each company put a \$1,000 or whatever.

R: I would think that the fund itself should come from the members of the body.

M: The planners and the organization.

R: And it should be disclosed again. So if I'm signing up with somebody like this that has these regulations assigned to them, they should tell me, and by the way \$5.00 or \$15.00 or whatever fee is done because this is going to be put in that fund. Rather than having it as a general tax base because I don't think that's fair.

R: The downside of that, of course, is it means you're going to make less returns on your investments because you're actually contributing to that fund.

R: You should be told that and I think that's only fair, not some guy that can't afford it.

M: Unless they make them pay. Everyone who is a certified planner has to be pay x amount per year or something.

R: Well it doesn't matter. But then ultimately it's some of your money.

M: Well some, yeah.

R: How much is going to be yours, right, if it comes out of their pocket. They're not going to turn around and charge everybody a piece of that \$20.00. It's like a real estate agent. He pays his licensing fee. He doesn't go tell his 50 clients well 50 divided by my licensing fee.

R: Anyway, would you rather it burdens the tax payers?

R: No.

R: No.

R: Yeah, but I think the taxpayer's money should probably go into the policing – so the body that actually ...

M: Yeah, but they have to enforce the enforcement.

R: The enforcements probably come out of our pocket.

M: Speaking of which, does it make sense? Would it be good if Ontario had regulations similar to what they have in Quebec?

1:30:12.4

R: I'd be all for it.

R: Absolutely.

R: The travel agency has something similar with their TICO governs ...

M: Yeah, if a travel agency goes bust and people are stranded or something.

R: And so you dish out \$3,000 for a trip, but good luck in getting \$3,000 back. You might get like \$100.00 and it's really up to their discretion. Sometimes you don't get any compensation back. So what does it really mean by compensation? It doesn't mean your full amount back. I think it's also the agency that pays into there, so it would be financial planners or their agency that would pay into this.

M: Should there be a dollar limit per complaint? Because in Quebec it can be up to \$200,000 and then you can get compensated depending on how much.

R: I think the onus is always back on the person to refer that the person was negligent.

R: If you've lost over \$200,000 and you didn't notice.

R: Well it depends what you invest in.

R: I know; I'm just kidding.

R: Well there's the Bernie Madoff's. They do exist.

1:31:19.2

R: Yeah.

R: You can have an advisor tell you to invest your money here but actually they go and put the money elsewhere and it never really got invested in your.

R: Just recently \$2 billion, one fund manager in Europe just lost that within a few days. But he's just a fund manager. There were other people who were supposed to look after and he's supposed to be accountable, but it just you know.

R: Lost its value. Now it's not going to buy more.

R: If I lose \$10 million because you were negligent, I want \$10 million back. I don't want \$200,000 back.

R: What I think is, and I could be wrong, I'm getting to the feeling where when you've got more than \$200,000, \$300,000, \$400,000 to invest, usually you're probably not going to a financial planner. You're probably dealing with ...

M: A much higher level.

R: That's right.

R: Yeah, yeah.

M: And if you have that much money, you're probably going to sue them privately.

R: So I think it's a fair amount.

1:32:25.5

M: But does it make sense to have ... like right now provinces regulate financial planners? Like obviously in Quebec they have a system. Would it make sense to have a comprehensive national regulation of financial planners? Like are there pros and cons to it being federally regulated as opposed to each province having its own? Stan?

R: I would not want a national one because the higher the agency, the more bureaucratic and costly and inefficient. I think that's a general rule. It wouldn't take long for that to become inefficient. The smaller, the better. I don't think you can get smaller than per province.

M: Right. So you wouldn't want it too small. Even in Prince Edward Island they have a hard time regulating.

R: The only benefit maybe from it being done from the federal or national level would be consistency. I agree with the point where you're going to get that consistency at a cost of efficiency.

M: But I suppose the enforcement could be at the provincial level, but the regulations themselves could be ...

R: That would be okay because then everybody has to buy in. Every province has to buy in to these set of rules and guidelines. There's nothing wrong with that.

M: Now by the way, if you turn this page over, you'll see Australia is thinking of bringing in some regulations in this area. I want you to just read this and tell me what you think.

(Transcriber's Note: Respondents read a handout.)

1:34:22.1

R: So this one is advisors and this one is planners.

M: Well, it's essentially the same thing. I think that's their terminology.

R: They're using it interchangeably.

M: Yeah. It's essentially the same thing.

R: Well what do they do now? Do they just keep charging people?

M: Well right now in Australia I think it's the same way as it is here. There are commissions that they make and stuff like that.

R: I don't understand this last statement. If the client opts out or does not respond to the notice, the adviser is prohibited from charging any fee. So I've got my \$50,000 invested and now he can't charge me any fee because I didn't respond? What happened to that \$50,000?

R: He can't charge you an increase in fees.

M: No, he can't charge ...

R: He can't charge you any fee it says.

M: No, the way it works is that ...

R: He can't charge you any fee.

R: Yeah, so your money just sits there.

1:35:13.8

R: I wouldn't get his advice but the money that's invested is still there.

M: It's still there.

R: If I have the investment, that's great.

M: Right.

R: And I'm not paying you a dime now.

R: No more services.

M: Yeah.

R: But no more services.

M: But the advisor is not making any money off you any more because since there are no commissions, their only source of income is the lump sum.

R: But it says they're banning commissions.

M: Yeah. So if commissions are banned, the only source of the money for a financial advisor in Australia is the annual fee that people pay. So if you respond to the notice.

R: Is this notice outlining a change?

R: Just every two years you have to tell your clients this is what I do for you. This is what I did for you in the last year. This is what you paid me for that and this is what I will do for you in the coming year and how much it will cost you. If you don't respond, then you're automatically ...

M: In other words, every two years you have to renew your relationship. It doesn't just go on forever if you don't do anything.

R: But the thing is, if you're my financial planner and you try and get in contact with me, and I'm like oh I don't feel like speaking to Greg.

1:36:25.4

R: Because you are busy sometimes.

R: Yeah. But my money's there. I'm making money. But why am I ever going to call him back? My money is doing well. I haven't paid any fees. Why am I calling Greg back?

R: Because I would assume the minute you opt out you are no longer collecting any interest on it. Your fund is ...

R: Is that it?

R: No, this is separate.

R: Yeah, your investments are still there collecting money. Why am I calling you?

R: Yeah, your investments still continue on but nothing will change.

R: Nothing will change, right. That's dangerous too.

R: Not necessarily.

1:36:54.0

R: Well what if I'm in a couple of funds that are going to be bad and I just keep opting out and now he doesn't have the right to change it and move it. He's not getting a hold of me and I'm sitting in a fund that's not your responsibility.

M: What's your reaction to the idea that in Australia that they would ban commissions received by financial advisors altogether? What do you think of the idea that in Australia that financial advisors and financial planners wouldn't be allowed to get any commissions? So in other words, all their money would come from straight fees from their customers. They wouldn't get any commissions from transactions or whatever.

R: Will they get free trips or there should be some other?

M: No.

R: No other incentives?

M: Well the incentive I guess is ...

R: Yeah, they probably get a regular salary too though.

R: It would totally eliminate any foul play. I mean it would just eliminate it. But is it fair though?

R: Because a financial planner will be working for a company.

R: I think there might be a way around this. Because if you're vying for people's money, so there's going to be some way that they'll reach the financial planner maybe not by ...

1:38:01.7

M: I mean obviously I guess a financial planner that does a good job is going to have more customers, right?

R: Absolutely.

R: It's that membership.

R: It's absolutely back to that membership.

R: Most of the people around here all chose their person based on personal contact. So if they like the person or they like the impression they got from them or their past behaviour performance, they'll go with that person. So, as you say, a good performing one, he'll get more clients.

M: But getting back to this idea of what they're proposing in Australia is that they would prohibit financial advisors from receiving any commissions, so they would basically work completely on a fee only basis. What do you think of that?

R: I just maybe need some clarification. Let's say I've given them x amount of dollars. And they say that my fee (inaudible) is whatever I bring back, whatever your growth is I want 2% of that. Are they saying that they're not allowed to charge me a commission or they can't get commission from the organizations they're putting the money in?

M: The latter. So in other words, if you go to a financial advisor, the only way that they make money is they say okay I will manage your portfolio and I'll do a financial plan and I'm not going to get any commissions from where I put your money. The way I make my money is by you paying me \$1,000 a year to do this or whatever amount of money it is. In other words, it's like being someone's lawyer, right? You pay based on ... In other words you're just paying them for their time.

1:39:38.5

R: Fee for service.

M: Fee for service. That's what it basically is, pure fee for service. And their incentive is the way they make money is if they do a good job, if they give good financial advice, they'll get more customers who will pay them more fees.

R: I think the fees might have to be higher than in the way that I'm used to is sort of a combination of a flat fee and commission.

M: So there are pros and cons.

R: Yeah. Like I think a combination makes more sense to me, but I don't know. I'll have to think about this.

R: I'd be okay with this as well. I wouldn't object to that. Right now in fees that come to the advisors come out of the management expense ratio of funds.

M: So you're saving that.

R: Yeah. So if the industry doesn't have to pay those fees, then the management expense ratio should drop, so your returns on your investment should increase. And the other

side of it is that the advisors, of course, will like to deliver more service to you to be able to charge more, so they're going to be more enthusiastic about making sure you have all your aspects of your financial plan covered. Well, we didn't talk about estate planning yet, or we didn't talk about tax planning. Let's get together and we'll go over that and make sure you're covered.

M: So that would be the pro, I mean that would be the advantage then of doing this.

1:41:10.3

R: Yeah.

M: Monique, what do you think? What are the pros and cons?

R: I still feel that as a financial planner, my objectives are going to change. I'm not going to work as hard. I might miss out on something that I would have given you if I was getting commission. Because if I know I'm just going to get this salary and no commission or anything at the end of the day, I'm not working as hard for my clients. I'm sorry.

M: But on the flip side, if your financial planner isn't working as hard for you, you might fire him.

R: But again, I'm not saying they're doing a bad job; I'm just saying that you're not doing the best job.

R: What I'm really struggling with is there's got to be a very good reason that the Quebec government didn't ban commissions altogether. They just required them to disclose it. And I'm not really picking on what ...

M: Should they ban commissions altogether?

R: I would suppose that if they haven't banned it, they had good reason for not banning it and just required the disclosure. I can't even think of one. So what's the argument at the other side?

R: It's just incentive.

R: I guess they maybe just don't want to collapse the industry and everybody says we're out.

1:42:18.9

M: I suppose also it may be because it's one province in Canada. Like if Quebec had no commissions whatsoever and every other province did. Like it's different, Australia is one country and it's on the other side. They can do something at the national level and it doesn't have the same issues or whatever.

R: Because it's so well ensconced in the industry here.

M: It's the whole culture.

R: You'd require a complete turnover or upheaval of the whole system.

R: Which is why they probably avoided it because it would collapse it pretty much.

M: Well it wouldn't necessarily collapse it. It would be different.

R: I would think there's a reason they didn't ban it, and I can't fathom even one of those.

M: But for you as a customer if you had, let's say, a million dollars to invest and you went to a planner, what would you prefer? To just pay that person a fee. Okay I charge \$100.00 an hour and you want ten hours of my time to give my professional advice.

R: So are you charging \$100.00 for \$50,000 and a person who has \$1 million the same?

M: Well that's what you would negotiate with them I guess. They would probably charge an hourly rate for the amount of time that you spend for however much. I mean obviously a person who has an estate worth \$10 million probably has much more complex needs than someone who has \$50,000.

1:43:53.6

R: More time required.

R: I think I'd go with someone working without commission. I personally would prefer that.

M: Why?

R: And just be prudent myself in terms of checking what I'm investing in and what the return is, instead of somebody hustling for commissions. This doesn't seem ...

R: I agree with Helen because I think it's important to have a mixture if you're paying a fee and commission because then it would be front heavy, the person would have to give money.

M: You wouldn't have to come up with all the cash yourself.

R: Yeah. Why would I want to deal with somebody who has \$5,000 when I can deal with somebody who has \$1 million? This way everybody is able to invest their money because they'll be getting money from the companies. Companies do pay a big part in the financial planners. I mean it's just not the individuals and their relationship. But the planners need to put their money somewhere. So I'm not really in agreement to ban commissions.

M: What do you think, Stan?

R: This whole business about investing, it's all predicated on hustle, all of it. I mean without hustle everything just goes right to the toilet, so it doesn't matter how bad the economy is there are always some hustlers trying to pull it out of the toilet. So they're doing their best at trying to do it because it's in their self interest. And I don't understand all of the mechanics, but it goes back to that movie with Michael Douglas, greed is good. I think it's tripe, but you know what, there's a certain amount of wisdom in that.

1:45:47.2

R: Wall Street?

R: Wall Street – that's it.

M: And Wall Street II, I saw that one.

R: Yeah. So if it all is anyway, and I know these guys are getting very rich, and at the end of the day, of course, it's us that are making them get that. But I liked the disclosure part a lot better than just this. I'm just not knowledgeable enough to be able to say categorically eliminate them. There's something that makes me think that it's built into the system for a reason.

R: So you're telling me your financial planner does not tell you how much he makes?

R: He would tell me if I asked, and I'm going to now ask. But you know what, I want to know what they're doing because you say hey this is going to be good for you da, da, da,

and this is why. Don't worry about it. And I said, well, geez, you know David, I don't think I've made any money at all this last year. Like look, this sucks. And he just says oh I understand, not compared to these other people who have lost. You haven't lost on your principal. You're way ahead compared to the other people. It all sounds great. But you know what, independent.

M: But you know what's interesting is that what they're proposing in Australia, it basically changes the whole job of a financial planner because ...

1:46:57.4

R: For the better though.

M: Yeah. Because that person instead of them essentially making money based on transactions with your money in commissions, they're all of a sudden they're professionals who are getting paid for their professional advice period. Like there's no benefit to them whether they put your money in a penny stock or in Canada Savings Bonds. They're just doing what's best for you.

R: How about if they charged you a percentage of your earnings, now we've got incentive for them to make me rich or make me as profitable as possible.

R: And a percentage of your losses too.

M: Do they pay a percentage of the losses?

R: So I think that's what they're doing here. They've banned commissions that these planners get from the organizations, but I don't think that that's when I was asking the question. It doesn't ban them from saying hey, Navraj, if I make you \$40,000 then I'm taking 2%. And I'm a lot more comfortable with that than a flat fee. You know what, if he makes me money, I'll pay you.

M: If you lose me money, you pay me.

R: Give me the first one and I'll be happy but I'm definitely not of the thought that oh well these guys need some commission. No. To me it pulls the integrity right out of the business. No matter how much of a personal connection you have, I don't care if anybody tells me until they're blue in the face, I've known this guy since I was born. Man, he's making his commissions on the back end. His advice is biased no matter what.

1:48:33.6

R: Yeah, I think the flat fee would have to be pretty high if they removed all commissions.

M: Right. So you wonder how much of a fee would you have to pay for them to still be able to make a living.

R: Yeah.

R: I definitely agree with you.

M: Now by the way, if there was a list of accredited financial planners, let's say in Ontario, provided in government documents, let's say you got your CPP or HST refunds or on an official government website, what would you think of that? Would that be useful to know that there was somewhere you could go to find out here's a list of financial planners who are accredited or certified?

R: It's like a Better Business Bureau for financial planning.

R: I think I would use it the other way around. Sort of choose a financial planner and then go see if he's there.

M: Just look them up to see if they're there.

R: This would be people who are in good standing as well?

M: Yeah.

R: In all respects?

1:49:30.8

M: Yeah, I assume they haven't been disbarred or whatever it is.

R: That would be useful.

M: Now, of course, the other issue is with a fee-only planner, is if you were a poor person but you still needed financial advice, would you be able to afford?

R: That's what I'm saying, that why I like Navraj's idea. If they make the person money, he pays them a commission off of what they make. Because if the person doesn't have a lot of money and they're going to charge let's say an extra \$1,000 for the year, that person might not be able to afford it.

M: They don't have \$1,000.

R: But if he invested \$1,000 and made him \$200 in a year, that's good money and he only pays him 2%.

M: Remember that in many cases even if you don't have any investments, financial planning could also be about having someone who educates you on how to manage your finances. I mean what about the idea that there should be some subsidy for let's say people with lower incomes to have to be able to access the service?

R: Your fees need to be a percentage of what you're putting into that investment.

R: But that's the investment. What if I need to go to a financial planner to map my goals and tell me how much I should be saving monthly to hit retirement?

M: There may not be any investments.

R: There might not be any investments, so I think that should be a flat fee.

M: Can you think of anything else that ought to be done to protect clients of financial planners or to reform the area of financial planning in general or have we flogged this horse to death? Okay, well I think that brings us to the end of our discussion for tonight. So thank you very much everybody. You've been a wonderful group. I hope everybody learned something from the experience.

END OF SESSION

JS

PROJECT: Attitudes Towards Regulation of Financial Planners

PN #: 7001

GROUP: Toronto

DATE: September 29, 2011 – 8:00 p.m.

M: Why don't we go around the table and maybe you could each introduce yourselves to the group and maybe just tell us your first name and a bit about yourself, like what sort of work you do if you work outside of the home and who lives with you in your house, be they human or canine or feline. Also, as you know from the questions we asked you to recruit you for this session, we're going to be discussing financial planning and financial planners tonight, so I'd really like you also to tell us what sort of financial planner you have, like who do they work for and how long have you had that person as your planner. So, Laura, if you want to?

R: Sure. I actually don't work outside the home. I haven't since ...

M: You work inside the home.

R: I work very hard inside the home. I haven't worked outside since 1992. I have two children. One is at university, and my daughter is 17, so she's in her last year of high

school. I'm married to a litigation lawyer, so he works pretty much enough for both of us. And my husband is the one who really finds the financial stuff a hobby, but I am involved in a lot of it. I don't get the details of it as much as he does, but I sort of have a general idea of what's going on.

M: So, the planner that you and your husband ...

R: We have a couple.

0:03:52.9

M: You have a couple of them, but do they work for a bank?

R: No. One is an American because my late in-laws needed financial planning when my husband and his sister were the executors of the estate, so he dealt with that. Do you want the names?

M: No, no, just curious.

R: And then others are ones that we found because we had some bad luck over the years and just lost our shirts on some things, and ended up through word of mouth or through recommendations and introduce that we found two others that we use faithfully now.

M: So, you've got your chips in a few different.

R: Yeah. There's no Bernie Madoff for us in our family.

M: Nobody to make off with all your money.

R: No, not at all.

M: Okay, and Greg.

R: I'm a project manager for a software company in Richmond Hill. I'm married with three kids, 14, 11 and 8, so I've got my hands full with that. The financial planner I use right now works for CIBC Wood Gundy. I've had him for about a year. I haven't seen much of him. I got him on basically a referral from somebody else because I was very unhappy with my previous one who, I think, completely forgot his fiduciary duty to me and got me into one of these charitable donation schemes, which is solely profiting him and no one else.

0:05:14.8

M: What do you mean by a charitable donations scheme, how does that work?

R: The way it worked is one time we had one of our meetings and he said, you know I do my business by referrals and I'm always looking for referrals. I said, well, before I give you a name of anybody, you have to prove that you're an indispensable business partner of mine because I can basically go out and look for mutual funds and, bingo, call just as well as you can. You've got to show me something you can do that I couldn't do, and that was

a fateful discussion because he said, look, we all love to save taxes, don't we? I said, yeah, sure, and he outlined this scheme where you donate to a charity, and basically it's a leveraged scheme. They'll give you a receipt and then donate the gift in kind to another charity, which will give you a higher.

M: It sounds like a ...

R: Oh yeah, if it sounds too good to be true, it is.

M: It is, yeah.

R: Exactly, yeah, and then you get another receipt and you claim it on your taxes, and then two years down the road the government shuts it down and audits you and you pay it all back.

M: So, it happened to you?

R: Yeah. That's exactly what happened to me, and this was a reputable firm, apparently, the Investment Planning Council. I don't know if anybody's ever heard of it.

M: Well, we can get into that more later on.

0:06:18.1

R: I'm pleased to be able to vent my ...

R: I'm Rebecca. I work in pharmaceutical sales and I live in Aurora, and I have a 2-year-old and my husband. My financial planner was with an independent company and then he moved over to the bank, but more of my time, the ten years that I've been with him was more as an independent, but he has moved to the bank.

R: I'm Carline. I work for Social Services. I'm a social worker. I have two boys. One's 17 and one's 13. My oldest is in North Carolina going to school out there right now. My financial planner's also my insurance agent, and I've been with him now for about four years.

M: Is that common that insurance agents will be financial planners as well?

R: They do seem to offer it.

R: He offered it to me and at the time I needed it.

M: So, he deals with your home insurance and car insurance?

R: Well, I didn't have my home at the time, so he was getting me ready to purchase a home, which I'm going to be doing next year. So, I just had to get all my finances together.

R: My name is Paul. For the last 11 years I've been a house husband watching over the house and doing certain matters that, obviously, the wife who works cannot do. Two girls, 28 and she's married, 25, she's still with us. We've got a TD branch right around the corner for us, very convenient to do the banking. That's who the financial planner is, and his title is a CFP, certified financial planner, or something like that.

0:08:17.6

M: And have you had the same guy for a long time?

R: This has been about a year as well. So, whatever money we had in there, GICs and whatever, they were kind of scattered all over the place, and basically he took them and put them on one page, so it's a little bit easier to follow in terms of what we do have and what we don't have. So far, so good. I don't know what the next statement's going to come out like. It's probably going to all be minus.

M: Yeah, because the past quarter hasn't been great, right?

R: Yeah.

M: Okay, and Adrian.

R: I was a sales rep for a car manufacturing parts company. I have one wife, three kids, 4 years, 5 years, 8 years. So, that is quite a handful also. So, it's more like double shift. Come home and it's like a double shift.

M: I know what you mean. I have a cat. I can relate.

R: My financial planner is through the bank, with BMO. I've been dealing with him for about a year and a half.

M: And finally?

R: Chris. Ultimately what I end up doing most of the time is driving a truck. I do Toronto, local, all over Ontario sometimes, North Bay, whatever. But I do a lot of side jobs on the side, renovations and stuff, and throughout the years I've moved around from financial planner to financial planner. The theory was that if I found a good guy, the interest is if he makes himself money then he's going to make me money. But I never found anybody better than average, and I went through a lot of recommendations. Pretty much the only stable thing I've been doing is the RESPs or whatever for my two kids.

0:10:28.3

M: Education savings.

R: Yeah. So, boom. Even that, but right now I think with the economy, you go on the internet and you Google stuff and you see all these high rates of returns, but then there's all these huge minimums you have to put down, and it doesn't apply because of whatever council, and it gets quite weird. So, we're stuck with this under four percent on any kind of safe, low, medium, moderate risk. Even then, it always seems that moderate risk always doesn't work out in your favour because they have some plan. It's like sales,

they get you. It's like if you have a little bit more than what you came in with, you're not supposed to complain because you didn't lose your shirt. That's what keeps happening to me over and over again. I think that if the economy were better, but right now I find it hard to find a good, reliable.

M: It sounds like you're a tough customer.

R: No, not tough. It's just that when somebody has your money for five, six years, you want to see some return. You know what I mean? I mean I've been with Bank of Montreal since I was like, my first bank account. I had one of those Getting There accounts. I don't know how old I was. Over the years I've put a bit of this and a bit of that, and went through this and went through that. They've reorganized a few times because this happened or that happened. I've had some kind of portfolio or another for the last 20 years, and I really haven't made a whole lot out of it, and it only gets worse.

0:12:05.6

M: In any case, getting back to the whole topic of financial planners, which we've sort of been raising already, what I'm going to have you do is work together as, since we're an odd number of people, we'll have three teams. So, Chris and Adrian will work together, and Paul and Carline, and then Rebecca and Greg and Laura will be a trio, so you might want to move that chair away or move down one. What I want you to do is talk with your partner or partners and maybe make two lists. First of all, what does a financial planner do, like what is their job description? What are they supposed to do for people? The second list is what are the obligations of a financial planner? Are there things that they are obliged to do? Interact with one another and come up with what do they do and what are their obligations.

(Transcriber's Note: Group completes exercise.)

M: Let's start with the first list of what does a financial planner actually do. So, why don't we start with Chris and Adrian? What do you have for that?

R: Invest your money and make more money.

M: So, invest money and make money.

R: Yeah.

R: Like better than what you can.

M: Hopefully better than throw your darts at a list of all the stocks.

R: We were just saying, it's like he sells car parts, and I do renos or drive a truck. So, if you ask me questions about what I do, I can tell you. We don't deal with financial things. We don't even have time to read the paper half the time. This guy's whole job is ...

0:18:22.4

M: To be an expert.

R: Yeah. Like somebody pays him X number of dollars a year based on probably what he makes for the company. So, I think that if the guy's unproductive they wouldn't keep him around, but it's like Russian roulette with these guys.

M: So, invest and make money. What else?

R: Better than you can.

M: Better than you can, yeah.

R: Then we've got advice.

M: Like towards your goals.

R: Yeah.

M: So, sets goals. Anything else from you two?

R: That's about all we had.

R: For the first one? Yeah.

M: What about Paul and Carline?

R: We were close to the goals part, sets out plans, et cetera, et cetera, for future investments. Forecasts trends in the industry.

0:19:11.7

M: So, that's another part of what they do.

R: We just have monitor and manage finances.

M: Anything else from you two?

R: No.

M: What about our trio over there?

R: We had similar, so we had the goals as well, and assess risk, the client's risk level, and make suggestions. So, be an expert in that area.

M: So, assess risk and give advice.

R: Yeah, and then we also had basically looking at what are the client's goals, what their debt level might be and income, and taking this all into account when making suggestions for where the portfolio should go.

M: Anything else? That's interesting. So, when we talked about what a financial planner does, you talked about it's to invest and make money, and hopefully make more money than you would be able to make if you picked investments at random or whatever. Give advice, set goals, set a plan, forecast trends, assess risk. Now, I'm going to show you, these are the actual, according to the Financial Planning Standards Council, here are the actual six core duties of a financial planner. Cash and debt planning, income tax planning, investment planning, retirement and financial independence planning, insurance and risk planning, and estate planning. I'm just curious, Paul, what's your reaction to this list?

0:21:13.9

R: I think it's a good list. I've seen that list before in print or computer, whatever. In terms of this overall job description, I concur with that.

M: But does your planner do all of these things with you?

R: Not yet, but I'm sure it's around the corner.

M: Adrian, does this surprise you at all?

R: This is something I expected. Planners do all the kind of (sounds like, rolling) things as they come along.

M: Does your planner do all of these things for you?

R: No, not all. Sometime we have someone else with us. Like with the taxes, I thought there was somebody else who would help with that, personally, and she does something else.

M: Chris, what's your reaction to that?

R: Honestly, to have one person do all these, estate planning, I haven't even considered, but the insurance and whatever, I do that. It's just too expensive. Their rates are phenomenal sometimes.

M: Whose rates?

R: I have a CIBC account, and I have a Bank of Montreal as well. CIBC tried to sell me insurance one day.

0:22:27.4

M: So, you're talking about the insurance, like the premiums?

R: Yeah. So, if I had my financial planning through CIBC and I bought my automotive insurance through them, the automotive insurance would blow the, it's just incredible. So, I'd go somewhere else for that. I have my apartment/condo, whatever, insurance through it, because it makes, actually, believe it or not. I never understood how they can take two different kinds of insurance, combine it and make it cheaper over all. Anyways, it doesn't matter. But the whole point is if I were to go through my bank, I'd be paying almost \$100.00 more a month.

M: But are you necessarily going through your bank, or could you have a financial planner that might be independent of them?

R: I've met with a couple of guys and they've did their quotes, like they deal with whoever, and they say, if you do your planning through this company, then you get this group rate. It's never what they say because when the black and white comes, it's not what the computer said.

M: Right. Laura, when you see this list, does it surprise you, or does it seem like what you expected?

R: No, it doesn't surprise me, but the one that we really have very little to do with the planner is the insurance and risk planning. I know that they can be combined, but it's almost like with insurance they're truly selling a product, and I think they have very little control, because they're always looking at who the providers are, and they're at the mercy of the provider.

0:23:57.4

M: But normally if you have a financial planner, is it part of their job to maybe not necessarily to sell you a policy, but give you advice on how you should work insurance into your planning?

R: What kind of insurance exactly are we talking about, like life insurance?

M: It could be life insurance.

R: Or are we talking about PLP, like public liability and damages insurance, because I know life insurance ...

M: Probably life insurance.

R: Life insurance I know that, I think after a certain amount of time, I'm not sure, I haven't really looked into it too much, but some companies, don't they have things like after 20 years or something like that, if you don't cash benefits and they mature and you can either throw it into another policy?

M: Yeah, that's part of the whole thing. Greg, what's your reaction?

R: I think most of them, in my experience, have concentrated mostly on item 4 there.

M: Retirement and financial independence planning.

R: Yeah. That's really where they spend the bulk of their time, because that's what butters their bread. I have had one planner help me with my life insurance needs when I was starting a young family, and item #2, I've had a dubious experience with income tax planning.

0:25:11.9

M: What about estate planning, have you had that at all?

R: No.

R: I hadn't really thought too much about planning my estate.

M: Rebecca, what's your ... ?

R: I agree. Mine focuses more on retirement and financial, #4. I know that he does, too, income tax planning, but I find it's only if I ask rather than being managed as a whole.

M: It was interesting, because when I asked you guys what a financial planner does, the things that you listed were kind of different. They didn't include a lot of the things on this list. You had tax planning. Carline, does your planner do all these things for you, or what's your reaction to this?

R: Basically when I started talking to my planner, I basically told him what I wanted. So, something like estate planning is not something we really discussed, or investment planning at the time. I basically talked to him about the cash and debt planning and the retirement and financial planning. So, that's what I wanted to discuss. I didn't want to go into anything else because it wouldn't have made sense at that time. So, if he does the rest of that stuff, I don't need to know.

M: But you assume that he probably does those things?

R: Yeah.

R: He probably tailors it specifically to the age group as such.

0:26:42.3

M: Now, what about what we were talking about, the obligations? What are the obligations of a financial planner?

R: Customer communication.

M: So, communication. What do you mean? Communication about what?

R: What present holdings are. It's just a consumer awareness of what the hell he's doing in relation to dollar figures, and hopefully they don't go south.

M: So, anything else that you two came up with that's obligations?

R: To inform the customer of the present holdings.

M: Anything else?

R: That's it.

M: What about you two, what do you have as obligations?

R: They took all our answers.

R: Keeping current, and act in the best interest.

M: So, act in the client's interest.

R: Yeah, like remember that he's representing you, type of thing. A lot of these guys seem to think, they don't call you back, they don't whatever. They don't seem to remember that they're actually working for you, and it's not when they have time. It is when they have time, but to a certain, you know?

0:28:21.8

M: Okay, and what about the three of you? What did you have as obligations?

R: Very similar to that, and then we also put to teach the client.

M: So, educate the client.

R: Educate the client, yeah. Also, with keeping current we had keeping up with the economy and factors that would influence your returns and so forth. We also put keeping educated for themselves, so professional.

M: Professional development, you mean?

R: Yeah. Was there anything else?

R: And maybe maintaining an ethical standard, too, as well.

M: Being ethical?

R: Yeah.

M: Was there something else you had?

R: No, it's just we said something similar.

M: What about in terms of obligations, are they obliged to disclose how they make their money, what their fee structure is?

0:29:31.9

R: Yes.

R: Yes.

R: Absolutely.

R: Yeah, but their commission is how much they're charging you and all that, and not to be wishy-washy about it.

M: But is that actually an obligation?

R: Absolutely.

R: I don't know. They've always mentioned it, to be honest.

R: Don't you sign when you invest money that there is an agreement between the two of you, and they agree to do this for you? They can't guarantee it, but they do agree, or you will agree, that for X number of dollars or X number of trades or whatever that you do, that they are entitled to X percent.

M: Right, then there's what their commission structure is or however it works. What about conflicts of interest, do they have any obligations around that?

R: If you work for a company that, I don't know, like I don't see, maybe for some of these people there might be a conflict of interest. Like if you have a certain position at IBM, you might be seen as, if you gamble on certain things, I think the conflict of interest would be more you.

M: It could, but could the planner have a conflict of interest?

0:30:43.7

R: There's always a conflict of interest, if you want to be honest, because you work for the company, okay, and ultimately you work for the company. Who's going to lose money first, the company or the customers? They're going to try and keep the customers, but ultimately the guy's working for the company first and you second, and that's what you've always got to remember.

M: Paul, what do you think? How could there be a conflict of interest?

R: You're kind of getting around what he should sell or who he should sell under the table? It's kind of a dicey area here.

M: Rebecca, what would be an example of a conflict of interest for a financial planner?

R: Well, if they're getting kickbacks in two parts. Is that what you're getting at, like if they're getting some kind of kickback from ... ?

R: Well, that would be a definite, like if they're getting an under-the-table kickback to invest your money in some company.

M: Not necessarily under the table. It could be over the table.

R: So, you're asking if they're getting bonus from this company and it (inaudible, over-talking) your money?

R: If they got a couple trips to Hawaii for bringing \$3 million into this construction company, right?

M: Yeah.

0:31:56.1

R: I think that what you're asking is if he's filtering my money into one account and he's getting a higher kickback from that account than ...

M: Another one, yeah.

R: Account A versus B, then I think that is an obligation that he should be telling me.

M: Or investing your money in a company that is something that he has a personal interest.

R: There you go. That's a simple example. That's a perfect example.

R: Wouldn't that be under the ethics? I don't know too much about the ethics code, but I know that there's a business conduct ethics. I don't know what you call it but, whether I'm watching too much on TV what you call it in Canada, but I think we're stricter here than in the States. There are a lot of clear-cut things that they can't do with your money.

M: When it comes to obligations, what about do they have to report their transactions, or things like that? Are there legal requirements if someone's a financial planner, as far as you know?

R: All I know is that when I get one of those things and they actually start investing my money, it's pages and pages sometimes of all these little five and ten-whatever, hoping they're going to go from off the board to something on the board so you can get rid of them. I've had all different ones over the years. Sometimes I've made a lot, I haven't made too much money.

M: But getting back to obligations, like a few of you mentioned this already, but does a planner have an obligation to bring your file up to date to sort of follow up with you about whether your financial circumstances have changed?

0:33:26.0

R: I think he has to report changes.

M: Let's let everybody else speak.

R: Yeah, he should, he should. Definitely there could be some things in the fine print which, as you say is written in your pages. We don't really go through all of that. If I miss a line or two, then they can get away from that scenario if the need arises, but I believe they should.

R: They're obliged to report to you whenever you ask, and provide monthly statements and account activities, just like a bank, so that you can follow it either line by line or just from month to month without too much difficulty.

M: But if they're planning your finances, do they have any obligation to sort of periodically consult with you about whether your needs have been met?

R: Yeah, to see if they're on track, to see if we're happy, to see if we want to make any changes, to see if things have changed in our life. Maybe there's been some ...

M: Someone lost their job or something.

R: Yeah, exactly, and suddenly you're saying, we're not going to do this in this period of time, we have to change it to this period of time.

R: I think that's an interesting question because I don't think they view it as an obligation, but I think that the customer often does.

M: Yeah, there's bigger obligations from our perspective that are not necessarily ...

0:34:49.9

R: It's our money and you want to see it, but I don't feel that any financial planners ...

M: By the way, let's start with you, Rebecca, how did you actually choose your planner? What was the process you went through to get your financial planner?

R: It was awhile ago, so it was a friend of the family.

M: And do you know whether he had any, like did you check any references, or do you know if he had any qualifications? I'm not trying to ...

R: No, I didn't at that point, but if I were to switch at this point, I'd probably look into those factors.

M: Carline, how did you pick a planner?

R: When I got my life insurance, that's when we started talking. I think it was my sister who recommended William to me.

M: Is he with a bank, or who does he work for?

R: He's with Sun Life, I think it is. Then we started talking about, and then he looked at my income and he's like, why don't you have a house yet? I'm like whatever, whatever, making up excuses. We started talking, and then that's when I just chose him as my financial planner.

M: But do you know whether he has any qualifications?

0:36:06.3

R: I do, based on the information that my sister's given me. I don't think she's used him for everything, but so far, so good with him. I didn't do any research into his background or anything like that, no, and that's just being lazy.

M: Paul, how did you get your planner?

R: The money was in TD all the time anyway, and this kid's a young chap, about 28. He seems fairly knowledgeable, and as I said, we've only had him for about a year.

M: But how did you end up with him in particular, he was assigned?

R: He was the TD guy. He was the TD financial planner.

M: Right. So, the bank basically sort of assigned him to you?

R: Yeah, and I think we have to pay him something. It's a menial amount, \$25.00, \$30.00.

M: Oh, so you actually do pay a pretty small ...

R: Yeah, there is a fee here.

M: Adrian, how did you?

R: It was through the bank. I didn't do the checking, but it was through a direction, a direction over a period of time, and then eventually we sat down and we put two and two, put us together, and then we took it from there. We actually, partly I'm going to

keep up because he calls with stuff every now and again. So far I haven't had any issues. Then, the others that call, taxes and the other things, were two references.

0:37:29.8

M: So, you got referrals.

R: Yeah.

M: Laura, for you and your husband, how did you actually end up with the person you have, or the people you have?

R: There are three right now.

M: Do they all know each other?

R: No. They might professionally, but they're nowhere ...

M: They don't meet together to discuss your case.

R: No, they're not located, and they handle completely different things. One was, a name came up, and there are certain companies that deal with certain types of investments. My husband, Chuck, interviewed them and checked things and checked their background

and made sure that they were qualified and registered and everything else, and checked what their success rate was. The other, I think it was the same thing. I think he went to a seminar and ended up finding that this man had sort of the ability to make decisions and help make investments, and again, Chuck checked him out and spoke to some other people, and that's how they came to him.

M: And, Greg, how did you?

R: My most recent one? I got cold called at a vulnerable time when I wanted nothing to do with the last guy.

0:38:54.2

M: Do financial planners cold call people?

R: Yeah.

R: Yeah, but I really don't normally, we're just ...

M: At home or at work?

R: It was at work. I'm not quite sure how he got my name. You know these lists where they ... ?

M: Yeah, sure.

R: And so I actually followed up on it, and I met with him thinking this isn't going to go anywhere, because a cold call, what's that? But I actually liked the guy. He seemed to tell a pretty good story and seemed pretty legitimate, and of course I'm quite vulnerable at this point, so I'm checking references out much more carefully than I would have before. It's only been a year, so it's too soon to tell, in a rough economy. I'm not ready to retire yet.

M: Right, but tell me, are there any obstacles to finding a qualified financial planner, or can anybody get one, like no matter what your income can you get a planner necessarily?

R: I've had one.

R: You might not get the same one you want, though. Some of them will only invest with you if you have X number of dollars to invest.

0:39:57.4

M: Like some of them you have to have a minimum portfolio, you mean, or whatever? In other words, are financial planners something that only rich people need, or can anybody benefit from having one?

R: I think everyone, definitely I think everyone. I think it's actually something that they should teach in schools so that young people can get themselves together.

M: You mean in terms of how to manage their money?

R: On how to manage their money and all of that.

M: Do you need to be able to afford their fees, or is that ever an issue in terms of having a planner?

R: They don't work for free.

R: You know what? Next time I go to the store I'll ask for a free pack of smokes, if they do.

R: Hopefully they make enough money for you that it doesn't become an issue that you resent with them.

M: Right, but do you pay them a fee directly, or how does it work, usually?

R: Ours comes out of our account, and into the TD umbrella. It disappears. It's kind of a nominal amount in relation to, I guess, what we have, so we really don't mind it.

M: By the way, how would you know if a financial planner was accredited or certified? Do they have to be certified necessarily? Rebecca, do you know?

0:41:24.5

R: I don't believe so.

R: Don't they have to have a certain license?

R: License number.

R: CFP?

R: They have to have a couple different licenses.

R: Yeah, there's a couple of different ones. It's a highly unregulated industry.

R: But I thought they had to pass exams in order to deal with certain.

R: You know, that's the weird thing. You can go for a course. I know they pitched me for a job.

M: For a financial planner?

R: No. I was just doing another job in sales. I was actually selling trucks at the time, and the guy came in and he says, you know, I do this thing on the side. I sell registered education savings plans. You can make \$700.00 a sale. You only have to pay for your thing. It's usually \$300.00 for the three-day course and get this license. When I looked into it, there's a license for this and a license for that. It's really strange, you wouldn't believe how many stupid, little licenses there are for how many things.

M: But to be a financial planner, do you actually need ... ?

R: I think it depends on what you sell.

0:42:34.1

R: License and a title?

M: Yeah.

R: I don't know if they're in the bank whether they do, though. That's why I'm saying I'm uncertain.

R: I hope they do.

R: If I could just go back to just hope they could find a talented guy.

M: Because, in fact, financial planners are not actually a legally recognized profession.

R: What are they, then?

M: It's an occupation.

R: A guy like me says I have experience, I could take his money home to invest it?

M: You could. There is such a thing as a CFP designation, but you don't have to.

R: And what would you find at the bank? I think you know.

R: I think you're going to get buried that way.

R: Yeah, tell us what you find at the bank.

M: You mean from someone who's a planner at the bank?

0:43:19.5

R: Yeah. If I go in and I say I want an appointment and they give me the first guy at 11:00 on Monday, what am I going to be getting?

M: With someone who's supposed to be a planner.

R: Bank of Montreal, say, I go in and I see one of those many people there.

M: Adrian, what were you going to say?

R: There's some element of risk involved that the person's not qualified to do what he's doing. So, if it's at a bank, the reputation of the bank is at stake, so I'm sure that the bank would have someone who is really qualified.

M: Yeah. I think that if someone's a financial planner and they work for a bank they probably do have some certification. But the thing is there are all kinds of financial planners that don't necessarily work for a bank, and they're not actually a legally recognized profession. So, technically you could call yourself a financial planner.

R: That's the whole thing. I think she said earlier, Laura here, I think you said Johnny-gone-lately with your money, or something like that, you don't use some kind of Johnny?

R: Oh, Bernie Madoff.

R: Yeah, Bernie made off with my money, yeah.

M: Yeah, but he may have had some certification, though.

R: Is that actually a name?

0:44:24.6

R: Yeah.

R: No, no, because I thought you said, like made off with your money?

R: Oh, interesting name. I never even thought of that.

M: Well, that was the joke, Bernie Madoff made off with the money.

R: That's always my fear, that you're going to give your money to somebody and they're going to cash in and go buy a condo somewhere in some country I've never heard of before. So, I'm always hoping with the bank.

M: But the point is they don't actually have to have any, like there's no body the way lawyers or members of the Bar Association or the Law Society or whatever. If you're a financial planner, anybody could call themselves a financial planner.

R: What bodies are there that you should look for, in your opinion?

M: I'm not here to give my opinion. There is such a thing as a Certified Financial Planner or CFP, but not everybody knows to even check whether a planner has that.

R: Is a financial guy? No, probably not, eh?

M: I don't know.

R: Banks sell different products than what a different type of planner.

R: But usually good products.

0:45:37.8

M: But remember, also, when we talk about a planner, this is not someone who just takes an order for some investments, it's someone who actually does a plan. I want to get back to the whole idea of how financial planners get paid. How do they make their money? What's the comp? How do they get it?

R: I think it comes out of my investments, like a certain percentage. I think there's a certain percentage contributed by the fund company as well. This is the grey area. You'll have to explain it to me. I look at my statements and I still don't fully understand them. I

don't think I'm entirely stupid. I may not be the sharpest guy in the world, but there does seem to be an element of ...

M: But with the planner you have now, do you actually pay them anything directly?

R: Do I write a cheque? No.

R: I think it's going to depend on what type of financial planner you have. So, if you're, say, at a bank, sometimes there's a fee for a financial planner. Otherwise, if you're just doing some mutual funds, there might be a percentage off what you're making.

M: So, with your financial planner, do you pay him or her anything?

R: No, it's just a percentage of the portfolio.

M: Carline, what's your arrangement? Do you pay your financial planner anything, or how does he make his money?

R: I don't pay him anything. I don't know how he makes his money.

M: But he makes something.

0:47:03.6

R: I know he makes something, so it must be based off of, I know I've recommended a lot of people to him who do have a lot of investments. So, for me, it's not so much investments, so I actually don't know how he makes his money.

M: Paul, do you know? What arrangement do you have?

R: I think it's just a straight fee, a very nominal fee that comes out through the account.

M: But do you actually write a cheque?

R: No, it just comes out, filters out.

M: Have they ever disclosed it to you?

R: General administration.

M: Adrian, what's your ... ?

R: Nothing. The bank, I don't really pay out anything, but information, some companies like Investor Group that is a percentage of your investment, and then there's a residual income also, which comes out literally from referencing and referencing and referencing down the lines (inaudible) the residual. So, they could get paid for 30 years straight down the line, even if your investment has stopped. If they keep on dealing with your

annuity, they're still getting paid for that, because I actually was recruited for a salesman in the Investors Group. I am not an investor, so I don't have a financial background, that's not at all relevant, but this is a scenario, I can talk to somebody, they're getting X amount for everything they do. So, there's a long trail of you should get income coming through this one and this one and this one, which then you can actually retire quickly and he has to get an income down the road.

0:48:43.1

M: Laura, what do you do?

R: We pay.

M: So, you pay like an actual ...

R: We pay an actual bill that comes to us, write him a nice cheque, and then there are also payments made to him directly from the account as part of his percentage fee. The American one was just part of an estate, so they took that from that.

M: In general, do you get the impression that financial planners tend to make their money by charging professional fees to their customers, or is it more commissions they get from where they invest your money?

R: Commissions.

R: I have no idea. I cashed in a few things last year, and I went from one of those, did you ever see the signs in the bank, if you get this much, then you get \$883.00 every month?

M: That sounds good.

R: I figured I take this and I make it two percent and I'm making nothing. If I put it in here, then I'll make this \$800.00 a month if I cash these things, and I waited for the point where I wouldn't have too many penalties. I have that, and then I have pretty much they take a certain amount from my account every month, and they spread it through these high risk and low risk and penny stocks and whatever the hell. I don't even know if they're making that up. I don't even know what they do, the whole point is. They send me this pretty printout once in awhile that's supposed to explain everything.

0:50:18.8

M: Is it simple to understand?

R: Apparently it's making money. Maybe I'm greedy.

M: What I'm curious about is how the planner makes their money. Have you ever seen a disclosure document from your planner where they explain here's how I get paid?

R: They tell me that I put in about \$10,000 to \$12,000 a year, and then I made \$10,000 a year, almost, and then that's supposed to be huge for when I retire.

M: That's like doubling your money every year.

R: No, no, it's over the years. It's accumulative. I just finished saying I cashed a whole bunch of other things I had and put it all into one other thing because they said this would be the thing to do.

M: Getting back to the issue of disclosure, Rebecca, have they ever given you an actual ... ?

R: I know when I first signed up there was a large package, but it's sign here, sign here, so you're like, okay.

M: Do you know if the financial planners get any bonuses on sales of certain, or commission?

R: I'm sure. We never had that conversation, and it could be in some type of documentation that I have.

M: In the fine print somewhere.

0:51:33.5

R: Yeah. Because I know I asked my husband one day, because I was like, so, why am I not paying him, where does he get the money, because I didn't understand it all myself. I'm pretty aware of a lot of things, but I didn't ...

R: I asked him that question point blank over the table, and it was a definitive no in terms of the commission structure and whatever else. I just wanted to see where he was coming from a focal point as far as financial was concerned. And it gets back to this what is he going to do for me, what do I think he's going to do for me, what does he actually do, to see how wound up this particular industry can be because I'm sure not too many of us know what the hell's going on from a financial standpoint.

M: If he doesn't get it, if there are no commissions, if you're not writing the guy a cheque, then how is he getting?

R: I do not know.

R: Probably take \$150.00 a month for (inaudible) whatever.

R: It's a mutual fund, so when you cash it in ...

M: You mean like the management fees and stuff like that?

R: Yeah.

R: They also get some of stocks, buying and selling stocks.

M: If they're a broker as well.

0:52:42.1

R: Yes, but the planner we have, he tries to consolidate things so that we're paying as little as possible and getting the best return as possible. So, he's not nickel and diming us.

M: Right, and you're paying him a professional fee as well, right?

R: Yes.

M: There are people who say that you may actually be better off paying a financial planner just a flat fee for their time rather than not paying any fees, but invisibly paying commissions and management fees. Have you ever heard of that?

R: No.

R: You do wonder where your money goes, but you just hope there's more left in the end for you. That's all.

M: Do you understand what I mean, Rebecca?

R: Just pay up front rather than not knowing?

M: Well, there are people who say, let's say that you paid, just like when you hire any professional, let's say that you had a financial planner and you were just paying them X amount of money per year just to sort of manage your finances. And it was just a professional fee, that you might actually be paying them less than what you're sort of invisibly paying them because they're taking commission, a percentage.

R: I think that's the unknown with investments, right?

M: Yeah.

0:53:58.3

R: So, if the market's good, then payment up front might be a little bit better, but if the market's not, then it might look to the advantage of the other way. It could be, too, that are they going to work harder for my money if they're getting a bigger percentage, because if you're bonus structured, people work harder for the money, versus me just paying a few hundred dollars?

M: They may be working harder to put your money into things that they get a bigger bonus from, but it's not necessarily making more money for you. Greg, what do you think?

R: I really don't trust them, to be honest, because if it's a flat fee, then there's no incentive to perform.

M: Except that you might fire them.

R: But that exists in any realm. If they get paid to perform a certain fee, then how do I know they're not just running out and signing up as many clients, more than they can handle, just to make sure that their income is fattened up? So, they're earning a percentage, maybe a smaller percentage when times are tough, but doing it over that many more people. I think their obligation is to keep me on the treadmill. I don't think they honestly care whether I do well or not. Their obligation is to keep the money ...

M: Well, they make the money on the transaction.

R: Of course, but I don't think they honestly care whether I make money or not. I may be cynical, but I'm cynical because what is a cynic but an optimist with experience?

R: True.

0:55:28.0

M: What do you think, Adrian? Could you see that it might be preferable to pay just a flat fee to someone to manage your finances as opposed to them getting commission?

R: I think the commission one sounds better to me. It sounds like more. What has he done ahead anyway? So, you're just hoping that you're getting good returns at the end of the day. If you're not getting good returns, then you could shut it down any way anyone else would. But, if you pay, the motivation is limited when they're paying a flat rate, but when they know that the more they do the more they get in terms of the commission, and you're ahead and you are smiling, it's not too bad. But then again, if you're ahead

and if you're smiling, I'm sure they'll be some kind of fight. You've got to see the (inaudible) and then you're out of there.

R: If they're not regulated and don't have to be specifically qualified, what's to stop the company from just hiring anybody, giving them a four-hour training course and then sending them on their way like they're selling vacuums?

M: Nothing.

R: Look at those financial things you see in the paper, make your own business. If you have a Grade 9 education, yeah, come save people's money. Get all your friends involved.

M: But I guess there's some buyer beware, I guess, if people do that. It might not.

R: There's a lot of people who get stuck.

M: But going back to this idea of paying a flat fee to a financial planner as opposed to not paying them directly but them getting commissions because they invested.

0:57:09.8

R: Wouldn't it all depend on negotiation and the size of the portfolio? Wouldn't that be a huge turning factor, like me, where I'm under \$100,000 invested? They're going to look at me differently than someone with a couple million.

M: That's going to be the case no matter what.

R: But if you're talking about fees and services, how important am I to you and how much money will you make off me? It's half a percent more than six percent off me.

M: Let's hear from some other people for a moment. Paul, what do you think?

R: Well, I'm probably biased on this thing. It hasn't hit me yet personally in terms of this commission and the fee. I suppose it depends on the individual and may depend, as Chris says, on the amount of money in a particular fund. What he can skim off it, I don't know.

M: By the way, as far as you know, is there any consumer protection in Ontario with regard to financial planners?

R: It depends on who they're certified by.

M: Like if you had a problem with your planner, what could you do about it? Who could you complain to?

R: To the governing body, whoever certifies them. If he's certified by anybody ...

R: But now that you mention it, there's no body.

R: There's no body.

0:58:21.4

R: I don't think there is a body. If there is, I don't know.

R: I trusted my husband to find that out.

M: But you don't just offhand, like if you had a lawyer who committed some sort of malpractice.

R: That would be a complaint to the Law Society.

M: But what would you do if you had a financial planner who did something unethical, who would you complain to?

R: Is he a certified investment planner, like you were saying? Well, then, I would complain to the licensing board or the governing body or the committee.

M: Rebecca?

R: It depends where your money is. If it's with an institution, then take it up with their boss, and if they're with another type of company, I'm sure that there's somebody within that company that you can complain to. But if the company folds, I don't think there's really anything that ...

M: Or they're an independent.

R: I think it really depends on a lot of factors, where your mutual funds would be, if you had mutual funds. If it was a small, independent person, then you'd have to go that route.

M: Now, has anyone ever heard of, there is, actually, a federal office of the Ombudsman for Banking Services and Investments. Has anyone ever heard of that?

0:59:34.7

R: I have.

R: No, but there's an Ombudsman for everything.

M: They investigate complaints of consumers against financial planners.

R: Is that in Ottawa?

M: Yeah. Well, that's where their office is. None of you have ever heard of it.

R: I've heard of it.

R: I'm sure I've heard of Ombudsman, but not necessarily in that area.

M: That specific. There are various Ombudsmen.

R: I feel fortunate not having to know about him.

M: Yeah, you haven't had any ...

R: You've never had to complain yet.

M: There's also a Mutual Fund Dealers Association. Would that deal with any financial planner?

R: I don't know. If you sell mutual funds, he's a member of whatever association, I guess. Isn't that kind of like a Better Business Bureau thing, or you just sign up and you meet their certain standards and you become a member and pay a monthly fee or something, that kind of thing? It's not like being a lawyer.

1:00:23.8

M: I don't think that they're, would that be someone that you would complain to? Could you actually have recourse to them?

R: Would they lose their license, or would they lose their privilege to sell that type of service if you complained, and it was they did something unethical?

M: Has anyone ever heard of IIROC?

R: The car?

R: No.

M: It actually stands for the Investment Industry Regulatory Organization of Canada. Carline, have you ever heard of them?

R: No.

M: So, right now Quebec is the only province in Canada that actually has laws regulating financial planners within the province. Has anyone heard of that before, or do you know anything about it?

R: No.

M: I'm going to show you something. There's two sides to it, but we'll look at page one first. This is a description of what the regulations are in Quebec around financial planning. So, I want you to just take a couple of minutes and just read through it and feel free to underline anything that stands out to you, that you find notable or interesting, then we'll discuss what your reaction to it is.

1:01:55.1

(Transcriber's Note: Group reads handout).

R: To be honest with you, I think I expected all these things to be done for me already.

M: Well, let's let everybody read it first. Just look at page one for now. We'll get to the other side later. Why don't we start with you, Rebecca? What's your reaction to these requirements that they have in Quebec?

R: I think it's something that I would expect to be done for me here, but it's nice to see that they actually have a regulation on things, and even things like there's fines for failure to act with confidence or integrity. I know for my financial planner, I signed off on documents and he was supposed to put money into certain funds, but for some reason it never got done, but then the market tanked, so I was okay with it.

M: So, you didn't mind. But if it had gone up, then you would have been more pissed off with him.

R: Yeah, so it's nice to see that there are fines in place for something like this and that if it's regulated, then if it had happened to the opposite way, then I could probably take it up with somebody or somehow.

M: There would be some sort of legal.

R: Yeah.

M: So, was there anything else that stood out for you, that you think is particularly good that they're doing here?

1:04:41.3

R: I think the bolded area, too, at the top where it states the disclosure of commission and referral fees, I think that's an important thing to myself.

M: Greg, what's your reaction to all of this?

R: I look at that and go, I wonder why it's not federal, why it's provincial. I think it's a good idea. I think all of these points, as Chris pointed out, I would expect would happen, but I guess obviously don't, because Quebec is the first to do it.

M: It is provincially regulated right now.

R: It is, but I think it should be federally. I guess it really doesn't matter, because the next question I would have is how much teeth does this regulatory board have? Is it a board made up of financial planners, much like the CICA, for example?

M: No, it is government.

R: It is government, okay. Like, for example, the CICA is a board of ...

M: Canadian Institute of Chartered Accountants.

R: Chartered Accountants is made up of chartered accountants, and you can complain to them about various chartered accountants, but ...

R: But they tend to protect their own.

R: But they tend to protect their own. Yeah.

R: Doctors, too.

1:05:40.6

M: No, this is the Quebec government sort of enforces it.

R: I think it's a good idea.

M: But what in particular do you find attractive here?

R: I like the idea of a compensation fund. I like the idea that it seems to have a little bit of teeth in making them pay fines for failure to act. The accordances are set out.

M: Laura, what's your reaction?

R: Mostly what Greg said. If this is only a provincial thing, does that mean if somebody defrauds a customer or embezzles money that he just has to leave the province and nobody can go after him?

R: Yeah, get a licence somewhere else or go somewhere he doesn't need a licence?

R: I just assume that there's a level of integrity and ethics and knowledge that would be inherent in it.

M: But I think the thing is that first of all, in Quebec, in order to even practice as a financial planner you need to meet these standards, et cetera.

R: They're pretty low standards, really.

R: It's a good start.

R: Yeah.

1:06:56.7

R: Actually, just to see it here, I just always assume that something like this or better was in place. With the amount of time that investments have been going on, it's not a new thing.

M: You're surprised that it hasn't been regulated already.

R: No, I'm surprised that I don't have these rights or more already. This one here about, if he mis-invests you or doesn't do something for you and you lose out, I never really thought about that one because you always just expect if they don't work with your money, then. But there have been times when I feel like I've been passed over for things because of my, the percentage off of what I make. There might be a call you up and go, I've got this great thing, do you want to liquidate this and that, whatever, and then it doesn't get done.

M: Adrian, what do you think of these regulations?

R: I also mentioned that I thought this had been done already, because it wasn't new things, but then again, the bullet points and then the last two points here I think are good.

M: The last two points, the fines and the compensation?

R: Um-hum.

R: I'm definitely going to Google somebody.

M: Paul?

R: That's the most attractive phrase here, the #2, create a compensation fund to make sure that there's something in the system, roughly to balance these guys and control them to an extent.

1:08:14.3

R: Can I ask one odd question?

M: What?

R: Is this compensation based on a percentage of what you could have made of your losses, or is it like a parking ticket where you didn't do this, so you pay \$20.00?

R: You know where that fund goes? Nowhere. The Victims' Compensation Fund, it's just a big slush fund back to the provincial government.

M: But I think in this case the compensation fund, I think it's ...

R: That's the intention, yeah.

M: It goes up to a maximum of \$200,000, and if there's some case where you've been the victim of some kind of fraud or embezzlement by your financial planner, then there's a fund that the industry pays into that you can get some sort of reimbursement from it.

R: What industry, all industries?

M: No, the financial planning industry.

R: So, it's a victims' compensation.

M: Something like that. Carline, what's your reaction to the whole thing?

R: I do like the last two points about the fines and all of that, because I know that a lot of people can be taken advantage of, if you just really don't know a lot about investments or whatever. So, I think that's important.

1:09:32.2

M: So, should we have something like this in Ontario?

R: Yes.

R: Definitely. It's the biggest province, right?

M: One of the things that they have here is it says that financial planners have a duty to disclose commission and referral fees for products sold and services provided as well as other benefits. In other words, anything that they do with your money, they have to disclose to you if they're getting any commissions from the fund that they're putting your money into or whatever.

R: They don't have to do that now, do they?

M: No, it's not obligatory now. Paul, what do you think?

R: Not necessarily.

M: What's not necessarily?

R: Disclosure.

M: What, that they shouldn't have to disclose, or they don't necessarily have to now?

R: I don't think they necessarily have to.

M: But should they have to?

1:10:36.0

R: Probably a case of morals and ethics, depending on the situation. I know what we've discussed up until now, we keep on punching this thing to death in terms of what they have to and what they don't. I'm just rereading this darn thing. They probably should, in the legal analysis of clients' money.

M: What do you think would happen, like if your financial planner actually was legally obliged to tell you about all of the fees and commissions and compensation that they get that might affect their investment advice to you? Like, let's say, Laura, if your financial advisor said, okay, I'm going to lay my cards on the table. When I put my money into this fund, if I sell enough of that fund I might get a free trip to the Bahamas.

R: I know they do that.

M: And this fund gives me a 10-percent commission, whereas other funds I don't put your money into only give me a 5-percent commission. Like if they actually were completely transparent about all of the behind-the-scenes ways in which they make money, what would you do?

R: I suppose it would depend on what I felt the benefits were. My sister had a boyfriend who sold insurance, and he went on more cruises and things as a result of what he sold insurance-wise, I was shocked at his success. But who we use now, I know that they must have regulations within their own office or within the local board that they belong to that keep them at arm's length from any investments. For instance, they can't be investing in start-up companies and then start directing you towards it. So, I would never be comfortable knowing that they had an extra ...

M: Invested your money into something that they had a stake in?

R: Yeah. I would never want to take their advice knowing that they had a personal interest.

1:12:48.0

M: But obviously they do have a personal interest. It's not necessarily that they own the company that they're putting your money into, but they are benefiting from it. Greg, what do you feel?

R: It's a different conversation if I sit down with you and say, I want to steer some of your money, 30 percent, into this fund, and this is kind of what they do today. But it's a different conversation if they say that and then, by the way, I make 10 percent on this one, and we're going to steer it away from where it is right now where I only make 5. Then, all of a sudden, ding, ding, ding. Okay, maybe I don't understand why we're moving the money. Now I get a little bit more insight than I otherwise had.

M: Yeah, so that's what I'm sort of getting at. So, if they had to tell you that they had to disclose.

R: Yeah, because then I'm able to make the delineation between who is benefiting, you, me or both of us.

M: Right.

R: It's a useful decision tool for me.

M: So, would you then stop doing business with the planner, or would you just ask more questions? What would you ... ?

R: I would become more interested than I currently am, because then I would be looking at his motivation, my motivation. If it makes sense for both of us, if you win the trip to Bermuda and I make 50 percent on it, we both win, right?

M: Right.

1:14:05.6

R: But if you're going to Bermuda and I'm sitting here flat lining, we've got an issue.

M: Rebecca, what do you think on that?

R: On the disclosure?

M: Yes.

R: I think it's great. This kind of reminds me of the industry I work in with pharmaceuticals and that. Many years ago a lot of physicians were getting kickbacks for prescribing, and going on trips and great incentives, but now they don't because there's regulations and commissions.

M: That's actually a good example because that was the situation where you as a patient, you might have been getting prescribed one drug instead of another, not because it was actually better for you, but because the doctor was getting bigger kickbacks for prescribing one thing than another.

R: Incentives, yeah. So, this kind of reminds me of that. So, many patients may not have known about that. So, this reminds me of that. So, as a client it would be nice to know the disclosures of the commissions and to be better educated as to why they're selecting that fund. Whether it's right for you or if it's right for them is always informative, and if there's a regulatory body such as what happened with pharmaceuticals, now in place to guide everybody.

M: So, in other words, you would ask more questions or do more research if you knew that that was ... ?

1:15:26.5

R: And it's in a clear language. If this is the regulation and it's clear language, that would be great, easy for everybody.

M: Carline, what do you think? If your financial planner actually had to disclose to you exactly how they were getting fees and commissions from putting your money in some places as opposed to other places?

R: I agree with what Greg had said, and it makes sense. I want to know why you're moving my money or why you're investing in it. I don't necessarily want to know if you're going to Bermuda, but I do want to know how it benefits both of us, and once it benefits both of us, then I'm okay with it. Yeah, I think it would be good if they disclosed that information.

M: Paul, what do you think? If your planner disclosed all of that, how would it change your relationship?

R: You'd want to know, I think, the beneficial structure on this thing. So, I'd agree with that point, you'd want to know.

M: We talked about the compensation fund which they have in Quebec. Who should actually pay for the fund? Should it come out of tax revenues or should the financial industry contribute to it?

R: I think that each person that's insured under the Act should have to pay, just as if you pay car insurance. It's a cost of doing business.

M: So, you mean the planners.

R: Whoever is licensed to sell such services should pay a certain percentage.

1:17:12.2

M: Adrian, what do you think?

R: Yeah, I think so.

R: I think plus tax money, though.

R: I don't agree with tax money. I think there's enough issues with our taxes right now.

M: So, who should pay for the compensation fund? Should it be the investment industry?

R: It would be nice, in a perfect world, but I think it's going to sort of be out of our pockets by investing.

M: But where should it come from?

R: I think it should come from the company.

M: Greg, what do you think? Where should they ... ?

R: I agree with Rebecca. There's three groups, right? There's the mutual fund companies, there's the agents who sell them, the promoters, the financial planners, and then there's us. But I think it should come from maybe a combination of the mutual fund companies and the financial planners, but I worry, as Rebecca says, that it's going to trickle down to me somehow in some sort of hidden way.

M: Or it might cut into the salaries of planners, I suppose.

R: I'm okay with that.

1:18:14.5

M: By the way, does it make sense for provinces to regulate financial planners, or should it be national?

R: National.

R: I think both. Each province should have their own specific rules, but there should be an umbrella law.

M: Or some national standard, you mean?

R: Yes, absolutely.

R: As long as there's communication among them. I know the law societies are provincially run, from what I understand. The accountants are across the country, although they have their provincial (inaudible, over-talking).

M: It's funny with the law society, you know how you walk by the Law Society of Upper Canada, it's a big, grand building, like at Queen and University. But when I did some focus groups in Nunavut, in Iqaluit, I walked by the Law Society of Nunavut, which is like the equivalent of the Law Society of Upper Canada, and it's just a trailer. There's probably like 30 lawyers in the whole territory or something, but it has the same grandiose title, the Law Society of Nunavut, and it's just a trailer that's not much bigger than this table.

R: There was one thing I was thinking about that you mentioned earlier, is this fines and stuff and compensation, would it be based on what you actually lost, or based on something that? Like if you make \$100,000 a year and somebody says, here's a \$10,000 fine, it's not going to hurt you a whole lot. But if you make \$100,000 ...

1:19:40.3

M: But the fine is a different issue from the compensation fund, because the compensation fund is ...

R: Well, it's all connected. What teeth does this thing have? Is it a flat rate like a parking ticket, or is it based on what they cost you?

M: The fine is a fine that is like breaking a law. You get fined for something. The compensation fund is if you're the injured party and you lose money because something's been done wrong. Right now the compensation fund will cover up to \$200,000, and I guess the thinking is that if you had a financial planner who lost you a lot more than \$200,000, then you're probably launching a civil suit or something like that because you're dealing with such big amounts. Let's turn to the flipside of the page where you'll see that Australia is thinking of bringing in some reforms on financial planners as well. So, I want you to just read through this and then we'll discuss what you think of what's being proposed in Australia and what it would mean if something similar was done here. I'll be right back.

(Transcriber's Note: Group reads handout.)

R: This is sort of weird, that last one?

R: It's kind of good, in a way. If you don't talk to them, they don't just continue without talking to you.

R: They might not do anything for you either, just let your account ...

R: Stagnant.

R: Yeah.

1:21:54.3

M: So, Greg, what do you think of these regulations that are being proposed?

R: I'm kind of crestfallen. It sounds to me like they want to go to a flat fee, and if I'm on a flat fee, I'll criticize it, but my ideal structure would be one where the fortunes of the financial planner rise and fall with mine. That's the best system. How you implement something like that, I don't know. But this is not that. This is a system that is a flat-fee system that seems to me that if I want to make a lot of money, I've got to sign up thousands of clients.

M: Although it's not necessarily a flat fee because your fee could be a percentage of your portfolio. But that's different from a commission because commissions are something that, if I'm a financial planner and you give me \$100,000 to invest, commissions are not based on a percentage, like one percent of what you're investing with me. The commissions are if I put \$50,000 of your money into mutual fund X, then mutual fund X pays me a commission for putting your money in there. So, in other words, the commission is not coming from you to me, it's a commission I make because I'm taking your money and putting it somewhere else.

R: I see. Okay.

M: So, Rebecca, what's your reaction to this?

R: I think it's very strict and that it could be beneficial for the client. But then I do worry in terms of banning some things, whether it will be in the best interest or not. I like that the client can opt out at any time from the agreement.

M: What about the fact that they have to opt in?

1:24:13.2

R: Yeah. I think this all sounds great, but it has to be, again, in clear language for the average person to understand, and sometimes the language used can be very ...

R: Opaque.

R: Yeah, and changed.

M: So, what would it mean, though, like when they say if you banned financial advisors from getting commissions from, let's say, stocks and mutual funds? So, in other words, they're only getting paid by you. They're not getting paid by the people who they invest your money with, if you understand what I mean.

R: Okay.

M: Do you get it, Greg?

R: Yeah, yeah, yeah. This was a little loud, pending U.S. hearing. Banning commissions, but commissions from who? If you're saying banning commissions from the fund companies, then I think they're working more for me and I'm more in favour of that.

M: Yeah, that's what it is.

R: So, commissions from you only and not from the companies. That makes sense. That makes a lot of sense.

R: No vacations, no kickbacks, no nothing then. Does that mean the customer covers?

M: Yeah. So, what do you think of this, Adrian? What would be the impact of that?

1:25:26.0

R: I think it will be that they will probably get a lot more clients, and they may not invest and work as hard as they're supposed to. So then, they would get worried on that. I think that's affecting how it's really supposed to be, or I'd get some shoddy advice.

M: The commissions they're getting right now are not based on them necessarily getting a higher return to you. They're getting the commissions based on who they put it with. So, they're not necessarily working harder for you anyway.

R: Yeah, but it's another opportunity to spread out and do a lot more, and if for that month they get two vacations for that month, they can work with just two clients to be able to cover that. But then if they're going to get the money just from you in terms of the flat fee, then two clients probably are not going to meet their needs. So, they're probably going to go with eight.

R: What you're trying to say is if they get their commissions currently from both me and the mutual fund companies, where's the shortfall going to come from when it can't come from the mutual fund companies now? I've got to sign up that many more people and (inaudible, over-talking).

M: Or a lot of them will just disappear.

R: But you'll work harder.

M: Or a lot of them might just disappear, like financial advisors. There just won't be as many of them.

R: The cream will rise to the top and rule out all the dead ones.

1:26:59.2

R: So, maybe a few quality people out there can do the (inaudible, over-talking).

M: It's just like, think of an analogy, like this of travel agents, for example. At one time travel agents made all their money from commissions. If you wanted to buy a plane ticket from Toronto to New York, they got whatever percent commission it was. So, basically they made their money by getting commissions from whoever they sold this to. Then airlines phased out paying commissions to travel agents, so now there are much fewer travel agents, but the ones that exist are people who are real specialists that plan elaborate trips and you pay them. Some of them will charge an hourly fee to plan a three-month trip around India or something like that. So, you're essentially hiring them for their professional services. They're no longer making commissions from who they're selling things to you for.

R: They're selling you a service instead.

M: They're selling you a service instead.

R: Strangely enough, they're regulated, aren't they?

M: Yeah, they are.

R: Financial advisors?

M: Yeah.

R: I think this could protect a broader range of people in terms of not receiving the commissions.

1:28:17.6

M: So, what do you think for you as a customer, what would it mean if you had this kind of an arrangement?

R: Like you said, I think it's just going to depend on the financial advisor you have, whether they have the ethics. So, that's why I'm saying I think it protects a broader. It's an unregulated business right now, so if you're not an educated customer in this, you could fall trap to somebody who works based on their own interests rather than the interest of their customers.

M: Paul, what are you thinking about this?

R: I'm pretty well thinking the same line where you're bringing in that flat fee, increased customer base. I think it's a good point.

M: If you did pay a fee, like let's say if we had something like this in Canada, so financial planners basically made no money whatsoever from commissions or fees that they got from mutual fund companies and they only got their money based on professional services. So, basically I decide I want to hire a financial planner and I'm going to pay that person X amount of money per year to manage my portfolio, and I'm basically just paying him an hourly rate, just like if I hired a lawyer, I would pay that person X amount. Rebecca, what would you think would be a reasonable amount of money to pay per year? I know it's difficult, but just off the top of your head, what would you?

R: What would I feel comfortable with?

M: Yeah. You obviously don't want to pay \$2.00, but ...

1:30:09.9

R: I think it could be two ways, like two percent of your portfolio or like \$250.00 or something. I think it would depend on the amount I'm getting back from them in terms of are they meeting me once a year? Then I think \$250.00 is a reasonable amount.

M: You'd almost negotiate kind of a fee for service type of thing, you mean?

R: Yeah, like if you're meeting me quarterly, then I would expect the flat fee to be higher, but if you're meeting me once a year, then.

M: And everything's kind of on cruise control.

R: Yeah, and I'm just meeting you for two hours, then I think \$250.00 is more than enough money.

M: Greg, what do you think?

R: I really don't like the idea of paying a flat fee if I'm on a losing train. It just bothers me. It's like paying for services that you're not getting.

M: What if it was a system where I have \$100,000 in my portfolio and it gains ten percent, so I make a \$10,000 profit, the planner gets ten percent of your profit? Like if you made a deal where they basically have an incentive to make you money because they get a ... ?

R: That's the only system I'd really buy into, if you win, I win. It shouldn't be the way it is right now, I lose, you still win. I don't like that.

R: That's the way it is.

R: Yeah.

1:31:30.8

R: It is, and that's a problem.

M: So, would that be something you could imagine, then, a system where they basically got, like maybe you paid them not exactly a commission, but where if they made a profit for you, they get a percentage of it?

R: Yeah, I'm okay with that. I'm very okay with that.

M: And if they lose money, then they have to pay you.

R: Well, no, they just have lean times like I do.

M: Right.

R: They do have lean times.

M: Of course.

R: Right now I'm sure they're all scrambling just to keep everybody's heads above water.

M: Laura, what do you think?

R: I think it would be fair for them to be paid a percentage.

M: Of the profit.

R: With tax put in, X percentage for this amount, an extra .25 or whatever percent up to this amount, and then it's fully capped. There would be no open-ended contracts allowed.

1:32:27.0

M: But in general, if you hire a financial planner to give you expert advice, what's it worth to you per year to have that?

R: Christmas.

M: It would have to be based on what they're doing.

R: Yeah. If I feel I'm gaining in the long run according to my goals, then I feel I'm getting value for my money. If you want a dollar amount ...

M: Like hundreds, thousands, tens of thousands?

R: Thousands, I would say, depending on what you've done for me.

M: Carline, what do you think? If you had a financial planner and you were basically paying that person a fee every year to manage finances, what do you think would be a fair amount to pay for that?

R: I think it depends on what type of financial advice you're getting from him. So, if I just wanted, say, information on mortgages, should I go bi-weekly or monthly, or something like that, it would probably be like a fee of \$250.00.

M: For like a meeting.

R: Yeah, but if it's dealing with investments.

M: Or estate planning or something like that.

R: Yeah, then I expect to pay a higher fee. I liked Laura's statement about it being capped.

1:33:55.5

M: Like a percentage but with different caps on it.

R: Yeah, definitely.

R: Plateaus, yeah.

R: That's what I would do.

M: The reason why I raise this is because it's interesting, a lot of times you go to a financial planner and you think because you're not actually writing a cheque, you think it's free. But if they're actually getting all kinds of commissions and charging management fees, you might think that paying, let's say, \$500.00 a year to get some advice from a financial planner might seem like \$500.00 you don't want to spend. But if you actually saw how much money they're making off of you invisibly from all these percentages coming off of your investments, you might actually be much better off paying just a flat fee.

R: Yeah, it makes sense.

M: Paul, what do you think? If you were just going to hire a financial planner and you were going to pay that person professional fees to manage your finances and plan your future or whatever, instead of them getting commissions, et cetera, what would you think would be a fair amount?

R: I'm probably biased on this because I already pay him a flat fee. For us, I think that's the way to go, for me personally. For somebody else it may be a different structure altogether.

M: So, approximately what does it cost to have a financial planner?

1:35:22.9

R: It's very minimal as to what's going on right now. I think it's less than \$25.00 that, as I said, comes out of the bank account.

M: But is that the real fee for what they do, or is that almost like a ... ?

R: I don't think that's indicative of the actual financial planning industry. Whether it's something inherent with TD's way of doing business from a financial nature, I couldn't tell you, but I think we're getting a pretty good deal right now.

R: If you were dealing with a bank and they've got your investments, they're going to help you out for a minimum fee, because they've got so many other products that they want to get you to sign up with, a mortgage or insurance.

M: They're making more than \$25.00 a year off of you.

R: Yeah.

R: Yes. So, this is just a complementary thing, which I don't think anybody is sweating at night over how your money's going. They'll look at it every so often with a group of other investments, and if you're not happy, well, go to the other bank.

M: Right. Adrian, what would you think would be a fair amount to pay a financial planner?

R: Again, it depends on the investment, but Laura's idea is ringing in my head (inaudible).

M: Like the more money they make for you, the more money they make for themselves?

R: The more money they save for you in terms of income tax.

1:36:50.3

M: Right, that too.

R: Yeah. Then again, if the investment is going down, would he be willing to still pay (inaudible)?

M: Maybe if the investment goes down, then they get nothing from you, or maybe they just get some very small, flat amount.

R: A hand shake.

R: A bottle of wine.

M: We talked before about accreditation. If there was a list of accredited financial planners that was on a government website or something like that, would that be something where you could actually look up whether a planner was certified or accredited? Is that something that you would make use of, or would that be a good thing to have?

R: It would be a good thing.

R: It's similar to the (inaudible) industry where most of them have a license number, and you can Google their number and it comes up.

M: You can get the reviews.

R: Yeah, reviews and stuff like that.

R: See what fines are there.

R: Yeah, sometimes there can be all kinds of stuff.

R: Yeah, see what sort of complaints they've had as well.

M: Yeah. You can't get away with anything these days.

R: Google's nice.

M: Now that we've discussed this for the last hour and a half, is there anything else you can think of that could be done to better protect clients of financial planners or to reform this whole area, or is this kind of a solution in search of a problem?

R: It sounds like a band-aid to me.

M: Laura, what do you think?

R: I really like Carline's idea of teaching from the beginning so that we have just a better understanding, a better knowledge of what it takes to live your life, live within your

means, plan for your future, and be able to have a relationship with somebody who you have put so much trust in and so much investment.

M: When you think about when you pick a doctor, do you think people take it seriously enough, like who their financial planner is?

R: Some do. I think some people have a real interest and it's something that they're passionate about, and for others it's like reading ...

M: They just want to get it over with.

1:39:17.6

R: Yeah. It's like, okay, and it's at the back of their mind because it's just another thing that they don't have a great grasp on, and the effort of learning about it is just too onerous. It's tedious.

M: That's why you hire someone else to do it for you.

R: Absolutely.

M: That's why I have a cleaning lady, because I don't like to clean my own home. I'd rather pay someone else to do what I don't like to do, so I can do something that someone else

doesn't like to do. That's how the economy works, we each do what we're good at so that other people can ... Greg, what do you think?

R: My utopian system would be you know how they have these mutual funds all ranked from top to bottom over the years? I'd like them to do that with financial planners, and it can't be that difficult because you should know how much each financial planner's responsible for in each mutual fund. In theory it could be done. It's just a matter of writing the software to do it.

M: I guess the only thing is that a large part of what a financial planner does is not necessarily investment.

R: No, and this is just one aspect of the scoring, but I'll tell you, if I could go consult a list like that and see the #1 guy ...

M: Like Consumer Reports.

1:40:24.7

R: I'm going to be willing to pay that flat fee or whatever, as Laura's pointing out. It's priceless to get the best guys. Finding them has been my challenge for 30 years, and I'm still working on it, and I know the tool is conceptually possible, but it ain't there.

R: Those are the researchers who work for the financial planners. Those are the guys doing their work, and they're spending hour after hour doing it, and that's why you hire the financial planner, because they've done the research.

R: True.

M: They have people behind them.

R: True, but there's no scoring all these guys, and I like looking at the sports page and seeing who the #1 scorer is right now. There's got to be a way to do that.

M: Rebecca, what do you think? Is there anything else we could do to better protect clients of financial planners or reform this whole area?

R: I think we touched on everything. I think everyone is saying that everyone wants to see their own money grow and to select the best person, so it would be nice to have regulations to help us select the best people to take care of our money for our futures and our needs. Regulatory bodies usually have to weed out.

M: Do you think that right now there are hucksters out there, like people who call themselves financial planners, and who knows what they actually do with people's money?

R: Sure there are.

R: Sure. You read about them in the paper.

1:41:48.0

R: I think regulatory bodies help to protect interests of the client, so therefore if there are complaints there's a clear picture of who to go to in these types of things that we're discussing.

M: Carline, do you have any final thoughts on how to best protect clients of financial planners?

R: It would be nice if you had something like, when you're travelling you can go on Travel Advisor and it tells you stay here or don't stay here, something like that. It would be nice if you had something like that.

M: There may be something like that, for all I know.

R: But I don't think we'll get that anytime soon. I think if you make your decisions based on referrals, I think a lot of times when you get a financial advisor, it's usually through a friend or through a trusted financial institution. I think you're pretty safe that way. It would be great if they had a website that you could go to and look up someone and get the information on them, and you should be covered and have a compensation fund. I do think that, just because there are a lot of people out there, and there's a lot of schemers out there.

M: Unscrupulous.

R: Yes.

M: Paul, what do you think?

R: I agree with that idea to have as much transparency as you can, probably off the web.
There is a very good example here about the Travelocity.

1:43:30.6

M: Trip Advisor.

R: Yeah.

R: Just to see and just to weed the fraudulency out here.

M: Adrian?

R: There was a program some time back on TV, W5, where the car industries supposedly did that in Toronto and in Vancouver, unscrupulous behaviours by car industries that something like 60 companies, and only 5 passed. Based on that information, I could not buy a car.

M: But imagine if they did something like that on financial planners, they'd probably find all kinds ...

R: There would be a lot of information out there. You know who is up front and you know who to deal with, who not to deal with, and then you start asking questions. So, (inaudible) and informed that their risk involved nonetheless, because now we know what to ask, we know who to talk to, we know who to avoid and stuff like that. It's information up front. So, you can get all revved up and stood up to really get the right information. But the information is key. (Inaudible, background noise), so the more information you get (inaudible).

M: We've covered everything we need to discuss, so thank you very much everybody.

END OF SESSION

SW

PROJECT: Attitudes towards Regulation of Financial Planners

PN#: 7001

GROUP: Moncton - English

DATE: October 3, 2011

M: So why don't we go around the table and maybe you could each introduce yourself to everyone and maybe tell us your name and a bit about yourself, like what sort of work you do if you work outside of the home. And also as you know from some of the questions that we asked you to invite you tonight, we're going to be talking about financial planning and financial planners in general. So maybe if you could each also tell us what sort of financial planner you have, like in terms of who they work for and how long you've had a relationship with that person. Do you want to begin?

R: Sure. My name is David. I'm a business broker. I help people buy and sell companies. I had an Investor's Group financial planner for quite some time. Before that, I was with a bank and then a friend of mine became an IG planner and I moved some stuff over with him. And now I'm still with them but with a different guy. And I have some stuff still with the bank and then I have another guy who does things like life insurance and that type of thing. And I've got some whole life policies for my kids through him. So there are investments with those.

R: I'm Lionel. I'm retired and my financial affairs are handled by BMO Nesbitt Burns and I have been with them for around 15 years I think.

M: And have you had the same person?

R: Yeah.

R: It's Carol. I'm in housekeeping. And I started with the bank, but I've been dealing with a lady that works for an insurance company now for about 14 years.

0:03:34.5

M: So you've had the same person all that time.

R: Yes.

R: I'm Melissa. Right now I'm on maternity leave but I work for Blue Cross and we have a Sun Life rep that deals with all of our insurance policies and RRSPs.

M: So you have someone with an insurance company but who also manages your investments or whatever.

R: M'hmm.

R: I'm Karen. I'm the accounting officer of Enterprise Greater Moncton, which is an economic development agency, and I guess most of mine now is mostly with the credit union actually. But we also have a pension plan which is Great West Life. And I have some insurance policies with Manulife, and that gentleman I've been with for probably eight or nine years. But after I moved back to ... I moved around quite a bit so I'm back to Moncton now.

M: So you consider him to be your advisor or planner?

R: Well I probably have, I would say, no set advisor. I'm really kind of spread out.

M: You have a council of advisors.

R: Yeah, I guess. And they all leave it up to me.

0:04:52.7

R: Tammy. I'm doing my PhD right now in business psychology. I'm also a federal government employee. Finances - I'm doing with RBC and I had a financial advisor in Ottawa from a team business group and we've recently moved back. So I've been here for about six months, so I haven't done the changes and stuff.

R: My name is Mike. I'm a partner in a printing company. I live and work out of my home here in Moncton while our business is located in Fredericton. For the past 19 years I've

had a very good financial advisor from Scotiabank in Sackville. I also have a stock broker friend who's been a best buddy since we were about 16 years old. And I'm old.

M: So does he basically just give you tips informally or does he actually ...?

R: Both. He invests for me as well.

R: Matthieu. I'm a chartered accountant and I work for a director of finance for a construction company in Moncton. Most of my stuff is actually scattered. It depends on what it is. Life policies are with the person. My investments are with somebody else. If it's business policy, it's with another person. So I have a lot of different people working on different things I guess. Mostly with the Partners in Planning it's the guy that did the funds.

M: Okay, so what I want to do for starters is I'm going to have you all work together in pairs. So Matthieu and Mike, and Tammy and Karen, and Carol and Melissa, and then Lionel and David. And what I'd like you to do is talk with your partner and one of you can make a list, but you can actually make two lists and each draw a line down the middle of the page. First of all, what does a financial planner actually do? Like when you think of a financial planner, what does their job consist of? What are they supposed to do for their clients or whatever? And then also make a list of what are the obligations of a financial planner? In other words, what, if anything, are they obliged to do as part of their job that's distinct from this? What do they do? Do they have certain obligations? So why don't you start talking to one another and we'll see what you come up with.

0:07:25.9

(Transcriber's Note: Respondents work together on a paired exercise.)

M: Well let's see what you all came up with. Why don't we start off with the first question, which was what do financial planners actually do? So why don't we start with Carol and Melissa. What is their job? What does it consist of?

R: One thing we said was they assess the financial situation of the clients.

M: So they assess you financially.

R: Yeah. They uncover the client's needs, whatever needs the client would have. And they would set up a plan to achieve the goals of the needs they uncovered.

M: So they would set up a plan to achieve your goals.

R: Yes.

M: And what about David and Lionel, what did you two have as what a financial planner does?

R: We put that they sell investments and move investments around, rebalance investments over time. And they give advice perhaps in how your investments might relate to taxes and stuff like that.

M: So give advice re tax. Anything else?

0:12:36.9

R: They should be in regular contact.

M: Be in regular contact. Or is that more of an obligation?

R: I guess it would be under the obligation category.

M: And what about Matthieu and Mike, what do you have?

R: We pretty much covered everything that's there. We had provided feedback. I guess it's provide feedback on your portfolio or on the investment markets as a whole, not just on the tax side. Invest money. So basically everything else is mentioned.

M: Have quarterly meetings?

R: Yeah, quarterly meetings. Revise portfolio but I think that was mentioned.

M: And what about Karen and Tammy?

R: Well for us like uncover needs, I guess needs in terms of retirement, insurance, investments. Other than that, that's pretty well. And also in the initial assessment, hopefully the person would sort of assess our security risk because it can change over time.

M: And reassess it.

R: Other than that, that's what we had.

M: According to the Financial Planning Standards Council, which is one of the councils that accredits financial planners, these are the actual core duties of a financial planner. Cash and debt planning, income tax planning, investment planning, retirement and financial independence planning, insurance and risk planning and estate planning. So when you see that list, what's your reaction to that? Does any of that surprise you? Mike?

0:14:27.1

R: None whatsoever.

M: Does your planner do all of those things for you necessarily?

R: We touch base on all of them, not in every meeting that we speak of, but quite often, yes.

M: Karen, what about you? Does your planner do all those things?

R: At various times in my life and I know that they can do all that. I can't say that over the last few years the people I had at the bank necessarily followed up or whatever. For a while earlier in my life when I had a little bit more and I was just recently a single mom and I had some money, a little bit, I did deal with Wood Gundy and I found them really good. But within the regular ...I'm just thinking. I was saying my son is 24 years old and he had inherited a little bit of money, which he has invested. And he invested it through RBC because it seemed like they had a good plan. I think they had him at a low risk. But since that, the market has gone up, it's tanked, it's whatever, and I don't think, except for a quarterly newsletter, I don't think anybody has ever phoned me.

M: Really followed up.

R: Followed up and say maybe you'd want to move this, maybe you'd like to do that. I'm the credit union now. I just moved recently. The girl I dealt with there I felt she was helpful. And we've dealt on other things over the years, mortgages and things like that. So I'm hopeful that at least it's going to be a bit better.

0:16:03.6

M: Melissa, what would you say? Does that surprise you at all?

R: The only thing that kind of surprises me is the estate planning. I didn't think they went as far as that, but everything else makes sense to me.

M: But does your planner do all those things for you?

R: Well with him we've only gotten into life insurance and retirement. We haven't dealt with anything else I think yet.

M: What about you, David? When you look at that list, does your planner do all those things for you?

R: It depends what he's selling that day.

R: Good point.

R: At different points, I've talked with them about different things and they always ask me, you know, when my wife and I had kids, they got very excited about life insurance for the kids. But I don't really think there's any kind of global plan. I think that I'm the one that ends up taking care of that.

M: So they more just kind of manage the transaction you mean?

R: Well I think that they present themselves as being like this, but I think that they are sales people and they have to sell things to make a living. And I sell things for people. And that's fine. If I want something planned out; if I want a house built, when I go to an architect, the architect says I'm going to charge you this money to do this for you. And I know he's working for me because I'm paying him. But I don't know if these guys are.

0:17:52.3

M: We'll get into that. We're getting ahead of ourselves a little bit.

R: So sometimes I wonder where their real interests are because I know that when I sign up for a life insurance policy and pay every month, I know that they get a very tiny trailer fee and they get a really big upfront commission. Because I've had financial planners say to me would you think of bringing your stuff over to me. And then I said, well you know maybe. Then they'll say well tell me what things you have. And I'll say well I've got life insurance, I've got a critical illness. And they say, oh you've already got a critical illness. So if you move that over, I'm not really earning any money.

M: So they're not interested. Matthieu, what are your thoughts on this?

R: Some of the stuff's there because of my background. I'm probably just as knowledgeable as them in certain thing - tax areas and stuff, cash and debt planning.

M: Does that strike you as what you think of financial planners?

R: It depends on the person. I think a lot of them come from the insurance side and I wouldn't really trust them with tax advice. I think it really depends on what the background is. Some of them I would trust and some of them I probably wouldn't. And again, I worked in the industry a little bit myself in the sales capacity and my clients were stock brokers and financial planners, so I've kind of seen both sides and how some of them are. And it's an interesting field where you have people that are just coming in and some are starving and some are really more sales people than anything else. And others

are ... they've been at the business for a long time and they're very knowledgeable and you don't get that sense that it's just about the sale. It's really about the clients.

0:19:36.3

M: But I guess it varies.

R: Exactly.

M: We have to answer the obligations as well. So why don't we start off with Matthieu and Mike. What do you have as obligations?

R: Risk management was our top one.

M: So risk management. So they have an obligation to manage your risk.

R: According to your profile.

M: And what else?

R: We had staying informed on the market, so continual education I guess and with the markets. And they have an obligation to assess their clients' needs and advise their profile accordingly.

M: And what about Tammy and Karen. What do you think their obligations are as distinct from their job description?

R: We were kind of hoping that we would get some honest feedback and I guess more concern about the follow-up portion. So hoping to get some, whether it's quarterly or bi-annually.

M: So follow-up.

R: Yeah.

0:20:54.8

M: As far as you know, are they legally obliged to do that? Are there things they're legally obliged to do?

R: That's a good question. I don't know.

R: I don't know.

M: When I said obligations, I didn't mean necessarily just legal obligations.

R: Well I mean I'm sure that there are disclosure type things that they're supposed to be doing.

M: What would be an example of that?

R: Making sure that you understand an insurance product when it would pay out money or something.

M: Like disclosure about how the product works or whatever.

R: Yeah.

M: So what else did you two come up with as obligations?

R: We put education.

M: Like educating themselves, do you mean?

R: No, educating their clients about different things they should have. And then Lionel believes they have an obligation to make money for you. (Laughter).

0:21:59.1

R: And then I got a little bit cynical. I said they probably have obligations to hit their sales targets and stuff.

M: They may have obligations at their end that we don't know anything about in other words. And Melissa and Karen?

R: We had the risk management as well and to direct the client in the direction to meet their goals, meet the clients' goals.

M: Any other obligations? We talk about obligations. What about disclosing their fee structure?

R: I think that's something that's coming out. On certain things I think they need to. I'm pretty sure.

M: But do they have an obligation to tell you this is how I get paid, like my commissions and bonuses?

R: I thought the industry was going to have that. I thought it was, yeah.

M: So you thought it was. Did anyone else know anything about that? Have any of you ever been?

R: My guy tells me.

R: Mine never told me.

0:23:03.4

M: So it's not necessarily.

R: Did he tell you a figure? Like did he say if you buy this policy, I'm going to earn this much money?

R: No, he said it percentage wise. I'll get 1% of ...

M: This is my commission.

R: Yeah.

M: What about conflicts of interest?

R: He mentioned that.

M: Do they have any obligations around conflicts of interest?

R: Well they should have. Whether they do, I don't know.

R: What kind of conflict of interest?

M: Well let me ask you, Mike. Like in your mind, what would be an example of a conflict?
How could a financial planner have a conflict of interest?

R: I guess if they were selling you a product that they would not invest with themselves I
guess.

R: If they knew there was a better product, and another product paid them more.

0:23:54.6

R: Yeah, that's a good point.

R: I run into that a lot in the mortgage brokerage field, where people go to a mortgage
broker or put into a product that isn't necessarily right for them but it pays the broker
more.

M: Right. You don't know that. What about self dealing, where they might put your money
into something that they themselves have an interest in, would that be a conflict of
interest?

R: (Inaudible, multiple over-talking). If they found out something – yeah.

R: Definitely that would be a conflict.

R: I don't know. If they were selling you a mutual fund from a bank and they happen to be a shareholder of the bank.

M: Well maybe not that as much as ...

R: Selling stocks from a company that they own.

M: Yeah, I think that's more.

R: Or they're on the board of directors or they're something like that

M: That's what they call self dealing. You're essentially investing in things that you have a personal stake in or whatever. Do they have obligations in terms of creating a written financial plan? If someone's your financial planner are they supposed to give you a plan? Have any of you ever had a plan in writing from your planner?

0:25:03.9

R: Tailored personally to my direct needs?

M: Yeah. With flow charts and graphs and everything.

R: No. I've been given the same chart that you would be given or anybody would be given.

R: I don't think that they do tailor things to people's needs. I believe that there are a limited number of programs that they try to fit you into in order to cover their own butts.

M: Getting back to obligations, do they have to report on their transactions?

R: I would think so.

R: Like to an agency?

M: Yeah. I'm not sure how it works but I guess when financial transactions take place there must be some report.

R: Somebody must audit it.

R: (Inaudible, over-talking). If they're buying stocks for you, they're going to get a statement, what you bought, what you paid for it and what the commission was.

M: I know when we talked about your financial planners, how did each of you go about choosing your planner? Were they referred by someone? Did you look into their qualifications? Melissa, why don't we start with you? What was the process?

0:26:25.2

R: It was someone my husband knew actually from work I believe. So it was kind of not a friend of a friend, but someone he knew through someone else. And he has quite a bit of experience too.

M: Did you basically take it at face value or did you look into whether that person had some sort of ...?

R: I didn't look into anything. Whether my husband did, I don't know. I know my husband knew him not well but somewhat.

M: Karen, what about you, how did you end up with yours?

R: Well the insurance agent I ended up with because the insurance policy that I bought in Newfoundland when my husband died, I bought from somebody I knew. And he was upfront with me and whatever because he was starting out in the business. But, you know, North American Life got bought out by somebody else who got bought out by somebody else.

M: So you kind of got passed on.

M: So now I've got Manulife. But I got the name from Manulife and went and met the agent I deal with now. And as I said, I feel comfortable with him about insurance products. In fact, somebody asked me the other day, I said that he actually said to me, do you really need this policy now. And they said you have insurance. He said you don't really need this much insurance anymore.

M: So that raised your trust in him I guess.

R: Yeah, a little bit. I think when I went with Wood Gundy, I think at that point in time in Newfoundland I was dealing with CIBC, and that's probably how. In other words, otherwise it was just friends who suggested somebody or you know.

M: Tammy, how did you find yours?

0:28:07.0

R: Well in Ottawa this person came to do a presentation (inaudible, voice too low.)

M: So what sort of presentation?

R: It was in regards to planning for your retirement.

M: So it was like one of those seminar type things.

R: Yeah, exactly. And then here at RBC, I don't really have a specific advisor. I have my main branch but then I'm depending what's the ability of certain people and then I kind of swap between.

M: There are different people that you interact with.

R: Yeah. And also I found that the person I dealt with three years ago, I think she grew ...

M: She got promoted.

R: Exactly. I also find there's some sort of term in the sense that I ... you know, that person that I've been dealing with for the past ten years.

M: Mike, how did you?

R: Nine or ten years ago I moved to Sackville from Halifax and I had my mortgage and car payment at that time with Scotiabank there and I started working with this lady that I had come to feel very comfortable with, given the financial planning in that end of it. I do have things outside of that.

0:29:22.1

M: When I ask this I'm not trying to cast aspersions on your financial planners, but do you assume that she has qualifications or training?

R: Well I don't assume. I don't assume anything I guess. But I've certainly seen where she has been educated and continues with education courses. Again, I feel quite comfortable with her and she's not done me wrong. And in talking with other people and comparing notes with friends and neighbours and family, I've come to the process where I just think she does a good job.

M: Matthieu, how did you?

R: It was a referral. (Inaudible, recording blip) in order to make a living. So maybe that's why sometimes people don't get the best advice.

M: And Lionel, how did you end up with your planner?

R: I started out with somebody who got hold of a mailing list. They got my name. (Laughter).

M: So they phoned you?

R: No, they sent me a letter in the mail. They were talking preferred stocks in those days and then went from one advisor to another because the other one went on to go from one brokerage firm to another to another until, and this last one now is with Nesbitt Burns, he's district manager. But I've been with him all this time so he handles the

portfolio and when there's extra in there he'll call me and he'll tell me what he wants to do and what he should do. And, of course, it's a sale, and I just leave it up to him.

M: And, Carol, how did you end up with your planner?

0:31:09.3

R: A friend referred me to this insurance person.

M: And have you ever checked their references or found out or looked into their qualifications with your friends? I mean they may be doing a good job. Are there any obstacles to finding a qualified financial planner? Can anybody basically get a financial planner or do you need to have a certain amount of money or do you have to be able to pay them a fee? How easy is it to access someone to give you, not just to sort of take orders from you over the phone, but to actually do all of the things we saw on that list?

R: I think the quality of the advice, like the more senior people will deal with people that have more money because it's just the way things are. If you come up with a \$500.00 cheque, you might not get the top person's attention.

M: So in other words, you could get someone, but if you have a very small amount of money, you might not get.

R: You'll get the new guy.

R: If you've got a certain amount of money, you're going to move up into the Wood Gundy or the RBC Security, but they're not even going to look at you. They're going to say stay in the bank if you're say under \$100,000 whatever it is. And that's just the way it is I think. I know when we went to the pension plan from work, my boss thought it was a good idea we started the pension plan. He said well they're going to send in this guy and he's the guy who works with the people who really had the money. So you guys are going to get some really good advice basically free because they want to start off this pension plan. And I basically got handed a disc and I basically got sign here, sign here. If I got 15 minutes with that guy, I ...

0:33:08.1

M: So it was very overrated.

R: What our CEO promised and what we got was very overrated. Everybody said the same thing. And we're basically all in this pension plan at, except for one or two people who know a bit more about it, I'd say everybody's in at the basic level because they just haven't got two clues if they should go here or there, and nobody has ...

M: So I guess what I'm trying to get at is if you're like the average person who doesn't have hundreds of thousands of dollars or whatever. If you have very little or you might not even have any investments at all and you're just starting to plan your financial future or whatever, can you get a financial planner just like that or are there obstacles to that?

R: You can. You'll get it.

R: (Inaudible, over-talking).

M: But does that person charge you a fee typically?

R: Well usually they don't. They make money off your investments.

R: I've never heard of one charging.

R: No, not usually.

M: By the way, as far as you know, is financial planning actually a profession?

R: Yes.

0:34:19.1

M: You think it is.

R: Yes, I think it is.

R: Well they have certification so they must.

R: Yes. There must be some education tools for them to.

M: Is it a profession, David?

R: I think that there are some professionals doing it. (Laughter). I'll be very honest with you, the two people I'm dealing with now mostly I'm pleased with. And if I had to replace one of them, I would probably ask potential financial planners. The very first thing I would ask for is a copy of their net worth statement. I'd want to see what they do with their money, if they have any. Because I think that, I take a lot of responsibility for my own wealth and managing my money and I read a lot of books. And there's one famous quote from a guy named Robert Kiyosaki and he says it takes eight months to become a massage therapist and 30 days to become a financial planner.

M: But that's actually ... you've touched on something, David, because in fact I guess it's a profession in that on a certain level everything is a profession. But what I mean is apparently in most of Canada, financial planners are not a legally recognized profession the way, let's say, a lawyer or a chartered accountant is a legally recognized profession. Because there are some professions where you're actually breaking the law if you call yourself that without having past the bar exams or having a medical degree or whatever. But being a financial planner, although a lot of them do have various forms of certification, nothing's going to happen to you if you hand out a business card saying, Derek Ribose, financial planner. Is that your understanding?

0:36:15.1

R: Well, when I think the profession, I always think of the CFP, like people with designations. That's when I think of a profession. But absolutely anybody here could start a business tomorrow and call themselves financial planners and I don't think anything.

R: Well if you pass the Securities.

R: There's a Securities Course in order to be able to.

M: Yeah, but not all financial planners necessarily.

R: Well if you want to be in the bank ones for sure, you'll have to. Because when I took my business management course after. I used to work with the federal government and came out. I actually had to go around various places to convince the government to give me the money to go back to school. And one of them I went to, he said well why are you going back to school? Why don't you take your Income Securities Course? You've got these years with the government. So basically come work with us. And that's all basically they said I would need is Income Securities Course. If you study hard, you're right; you can do it within 30 days – at least the first part of it.

M: I want to move back to the whole issue of how financial planners get paid and we've touched on this a bit already. As far as you know, how do they make their money?

R: Commissions and trailers.

R: Yeah they're commission's sales people. The trailer's the key because if they can survive long enough, they can build up enough of a client base that they ...

M: How many people here know what a trailer is, and I don't mean the kind that gets pulled behind a car?

0:37:38.0

R: It's a monthly recurring amount that they receive.

R: Like a royalty if you write a book.

R: If you sell an investment, they'll get a cheque straight upfront. But a trailer will say instead of sometimes it's both and sometimes it's okay bring me that investment and I'll give you 1% a month of the amount invested.

M: So it's like an ongoing.

R: It's an ongoing (inaudible) yeah.

M: So how do any of you, for example with you, Lionel, what arrangement do you have with your planner? Do you actually pay him anything?

R: No, I don't pay him anything.

M: Do you have any idea how he makes a living?

R: He doesn't tell me how. He does pretty well. (Laughter).

M: Do you think you might pay him indirectly? You must be paying him somehow.

R: Well there are times when I wonder if the trades he initiates or he recommends, maybe he gets a commission. He doesn't really stir the pot really, but then again it happens and sometimes you wonder well of course he's a good salesman, so he can just survive (inaudible, voice too low).

0:37:38.0

M: Carol, how does it work with your guy? Do you pay him anything?

R: Well, I'm sure I do.

M: But you don't write him a cheque though for equity.

R: No.

M: But has he ever explained to you how he gets his piece of the action, so to speak?

R: No.

M: Melissa?

R: Well I pay the premiums every month and I assume he just takes whatever percentage he told me he takes it off my premium. And in here takes the percentage off the total premiums I pay. I don't write him, you know, here's \$50.00 for being my life insurance guy.

M: Karen, do you?

R: I can remember in some of the investments I had earlier, there were commissions. Like every time they made a trade or whatever, there were commissions.

M: But did you pay those?

R: No. They were taken from my money, so I presume if I gave him \$1,000 and they took \$50.00 for commissions, then I paid them because I've only to \$950.00 left or whatever. And some of them have a certain amount per year. At least some of my investments at one point had a certain percentage a year.

0:40:03.0

M: Like a management fee or something?

R: Management fee – that's the word I'm trying to think of. And I always presumed that's part of where they got their payment would be from management fees.

M: So did you ever wonder if your planner showed you how much money they actually made off of your investments in a year, do you think it would surprise you?

R: Well they should tell you that. When you get your statements, it should be on it how much they made, like whether they went down. Oh, how much he made.

M: How much he made as opposed to how much you made. Tammy, do you know how it works when you have a financial planner?

R: For the life insurance, yeah, I'm sure they're getting a percentage of that.

M: With investments and things like that?

R: With RBC or whatever, I'm kind of hoping that they have 4(inaudible) in addition to that, a percentage of whatever. But, yeah, like honestly when I saw that list, I think it's great. Can one person have all these six or eight expertise? It's very interesting.

M: At least theoretically.

R: Yeah, which is fine, which is doable for sure. But maybe it was me, I mean I haven't been in the area for a year and (inaudible), but I feel that if you don't something exists. Like I've never been sitting here, obviously okay, I'm new like in the market. I'm a professional blah, blah, blah. What am I supposed to know? Like you need to – oh, you do retirements. So what can you do? Oh, you can help me with my whatever, other type of planning and blah, blah, blah. Like you need to ask. And, oh okay, well here's about that. I'll read what I'm finding right now on the internet with you, so we'll learn together type thing. That's my experience so far.

0:41:48.2

M: Mike, do you how they make?

R: My financial planner at the Bank of Nova Scotia that I've been working with, I've never seen how they make their money on a statement. It doesn't show me on the statement. I've never asked the question.

M: So have you ever seen any kind of a disclosure document that explains how they get paid?

R: I have not.

R: No.

M: Matthieu, have you? You probably have.

R: Well I've worked for a mutual fund revenue. I have an idea of how they get paid and I know it's taken off your return, so I know it's not physically a cheque that I'll write to my financial planner.

M: But you know that more from having worked there.

R: Exactly. So that's why it's kind of a bias.

0:42:33.2

R: But it's not typical on a quarterly basis for a regular investor.

R: No. Nobody questions it.

M: Are financial planners actually obliged to disclose their compensation or fee structure or their commissions as far as you know? David, do you know?

R: I don't know.

M: Like if you ask them, do they have to tell you, or do they have to volunteer it to you?

R: I would prefer if they did. In my industry I'm forbidden from earning a secret profit. The way they get paid, I would end up in a lot of trouble.

M: What industry are you in again?

R: I'm a business broker. I have to disclose everything to everyone. So all the parties to my transactions know how much I earn.

M: So there's total transparency.

R: And they're all mature people and they all know what they're doing and they've all been doing business transactions and they know. And I find it a little distasteful when there isn't disclosure.

M: So tell me. Here in New Brunswick is there any consumer protection with regard to financial planners? Like if you had a problem with your planner, who would you complain to or where would you go?

0:43:58.0

R: I know that there is something. Because I ended up directing one of my sister's friends to my financial planner because she was in her mid-twenties, she was a home owner, and she was advised to re-mortgage her house to put all of the funds into a very aggressive investment and was told that the payments on the debt would be made by the

investment. Everything worked out fine for about 2 ½ years, and then suddenly she got a phone call saying that she had to start making these payments. And she had no idea.

M: This was like a sub-prime mortgage.

R: Oh no. She re-mortgaged her house to put money into an investment that was supposed to pay some kind of thing probably based on income trusts or something. And the market went down and then the payments on this debt were being made by proceeds from the investment. When that money dries up.

M: So what was her recourse? Did she want to complain?

R: Her recourse was to call me. And she said what do I do? And I said there must be a process. I'll call my guy. And he got her going. And the guy who did this with her apparently had done it about 20 times with other people and it was well known.

M: So what was the recourse? Where did you turn to?

R: There is a provincial body.

R: New Brunswick Securities Commission would be the first place I would.

R: And what apparently is going to happen is the investment firm, that investment she initially bought, they're the ones that have culpability.

M: Oh, okay. So it had a happy ending.

0:45:38.2

R: Well it's not over yet. I mean it's a very long, drawn out thing.

M: But the two of you mentioned the New Brunswick Securities Commission. Does anyone else know what you would do if you had kind of a complaint as a consumer about what your financial planner was doing in terms of giving you bad advice or something like that?

R: I guess at the credit union and the bank you have recourse up the line of the bank. But if you get to the top and they won't do it, I guess your only recourse then is ...

M: Of if you're dealing with someone who worked independently.

R: Yeah, that's when you probably need your Securities Commission or something like that because I don't think there's a licensed body like the Bar Association.

M: Or the medical role, yeah.

R: Or anything like that. Otherwise we wouldn't have all these people who have lost all their hedge fund.

M: Well obviously nothing is going to prevent you from losing money if the market goes down. I guess it's a question of when is there negligence or non disclosure or something. Now there is actually a federal Office of the Ombudsman for Banking Services and Investments that's supposed to investigate complaints by consumers against financial planners with regards to their investments. Has anyone ever heard of that?

R: No.

0:46:53.6

R: I did, but I wouldn't have known how to contact them. But I did know it existed. What about the Mutual Fund Dealers Association?

R: I've heard of that before.

M: You've heard the name.

R: I've heard the name, yeah.

M: Has anyone ever heard of IIROC?

R: No.

M: It's the Investment Industry Regulatory Organization of Canada.

R: I was going to say it's not the new bar. (Laughter).

M: So what should happen to financial planners that fail to properly fulfill their duties either intentionally or unintentionally? Should there be some kind of ...?

R: Some penalty or something like that.

M: Regulatory, some penalty. What would you?

R: If you're talking about someone that is not intentionally losing money, I'm not exactly sure how you prove ...

M: Unless it's a sin of omission.

0:47:55.4

R: True. I don't know how you would be able to penalize someone.

R: But negligence would be completely a different thing.

M: I mean we penalize if there's medical malpractice, right.

R: You're an employee for a regular company working full-time. You made mistakes. You have to be responsible or liable for what happened.

M: Now Quebec actually has laws regulating financial planners within the province and it's the only province that actually has this right now. Were any of you aware of that at all?

R: Well when I worked, I worked in Quebec. Maybe that's why because I know they changed, like for example the disclosure law on fees. They need to disclose that. That's why when I kept saying earlier that I thought there was a ...

M: But it's actually just in Quebec.

R: Okay, well see that's why.

M: I'm going to give you a brief summary to take a look at. There are two sides to this, so we're just going to look at the first side first where it says Regulations for Financial Planners in Quebec. I want you to just read this description. This is what exists in Quebec or has existed for the last few years, and feel free to underline anything that you see in here and then we'll just discuss what your reaction is to the fact that these requirements exist in Quebec but not in any other province. I'll be right back.

0:49:29.0

(Transcriber's Note: Moderator leaves room briefly while respondents complete exercise.)

M: Just look at the first side for now and we'll look at the Australian thing afterwards. Has everyone had a chance to read through this? So what's your reaction to these requirements in Quebec and what stands out to you when you look at this? Why don't we start with you, Tammy?

R: I think it makes sense. It feels kind of reassuring in terms of like okay, if I'm dealing with a financial advisor I would know what his obligations are.

M: But we don't have this in New Brunswick.

R: Yeah, I know.

M: Were there any particular points here that stood out for you or that you find particularly good to have?

R: Well I think, good – like the training, as we talked about earlier, right. I think it's really good to have that. And also the ongoing education. It changes and so on and so forth. So I think that's really good. Knowledge of the six aforementioned – I was looking for the areas. But overall I think when I read it I was like oh this is good actually.

M: Mike, what's your reaction to this?

R: It's interesting. And Matthieu was saying earlier again disclosure of commission, and it is only in the Province of Quebec. I find that interesting that it hasn't gone nationwide.

M: At least not yet.

0:52:03.3

R: Oblige financial planners to pay fines for failure. The compensation fund also can be very useful I guess from people in situations where they're just at their wits end with a full mortgage out on their home again. That's life saving I guess.

M: Carol, what's your reaction to this?

R: I would like to see this active in our province.

M: Are there any particular points here that strike you as being the most important?

R: I guess just the knowledge of the six aforementioned because my person doesn't really follow that.

M: Melissa, what do you think when you read through this? Does anything stand out for you?

R: Well their duty to act honestly and loyally with the client's best interest.

M: In other words, loyal to you.

R: Yeah, loyal to the client. You talk to some and you can tell they're just kind of arrogant and they're in it for themselves; they not in it to help people.

M: Lionel?

R: Duty to obligation. I mean duty it seems they should, but, you know, an obligation would mean that they're ...

M: Legally obliged. And, David, what do you think when you read through this? Is this a step forward do you think?

0:53:38.9

R: Yeah, I think it's a big step forward. I think that any business where the people earn their money secretly. I just think if you're going to do something for someone and deliver value, you shouldn't be afraid to charge someone money for the value you deliver. Like when I go to my dentist, they charge me for fixing my teeth.

M: They don't get a commission from people who make the fillings.

R: Right. And when I go to my accountant to have my tax return done, he charges me. He gives me value and I pay him. The financial planners, mortgage brokers, there are certain ones that they show up and they just do all this stuff for you and it's magically free.

M: At least it looks free but it may not actually be.

R: Well, yeah, because I've seen promotions for example to mortgage brokers from banks saying if you bring in a client under these programs, we'll pay an extra 50 bases points commission this week. So the mortgage broker says okay well if I sign the person up with bank A, I earn \$100.00 more than if I were in bank B, which maybe might have a better program for them, but I have an opportunity to earn some more money. I just think that if everything was disclosed, I think there could be some very good financial planners who might say I'll charge you money to do an analysis of your needs and you're paying for my time and my expertise and that's what you're paying for.

M: You get what you pay for.

R: Yeah.

0:55:25.4

M: But if you look at some of the points here, some of them that we've talked about – special training and knowledge of the aforementioned areas and at the honestly. But what about the idea that financial planners should have to disclose their commissions

and referral fees for products sold and services provided as well as any other benefits?
Matthieu?

R: I think that's great. It makes them accountable for what they sell. I think in the industry, even the mutual fund companies should be willing to disclose this information. It shouldn't be hard to find.

M: You might be thinking, oh so that's why my financial planner just wanted me to put my money into this fund because they're paid this percent as opposed to.

R: Yeah.

M: Did anyone notice the fifth point here, which is duty not to advise the consumer to invest in anything in which the financial planner has significant interest, either directly or indirectly. What does that mean?

R: I wasn't quite sure about that. Let's say they're investing in Gold Star fund, they themselves are investing say in the Bank of Montreal that's going up. Does that mean that they can't invest you in the Bank of Montreal?

M: But it says that the financial planner has significant interest.

R: But if you deal with the bank, RBC. When I dealt with CIBC, I said to them, how come you get some of my money in Scotiabank but you don't have any in CIBC? And they said with

them it was an internal policy. If you were investing with CIBC, you can't invest in the CIBC. So that you couldn't say they invested in other banks. So in that case, that's good.

0:57:19.6

R: I think it relates more ...

R: I think if they disclose it more. I'd be happy if they disclose. I'm telling you this because.

M: It's not to say you wouldn't be willing to still work with them.

R: I think that's where the obligation should lie. It should be in disclosure and not the 'do not advise'.

R: I think though what it's getting at is it's not getting at investments in big things like publicly traded stock or mutual funds. It's like I know in bigger centres you'll have more opportunities to buy like limited partnership units in real estate development and stuff like this, and maybe there are people with financial planners that would try and promote that. And it's more likely in that kind of smaller scale project that they might have interests.

M: They might have a significant personal interest.

R: Because their brother could be the developer or whatever.

M: Now what about when it says here: oblige financial planners to pay fines for their failure to act with competence or integrity including not disclosing commissions or other compensation. Should financial planners be liable to possibly be fined if they are caught not disclosing fees and commissions the way they are supposed to be?

R: Yeah.

0:58:27.6

R: Sure.

R: Yeah.

R: If it's across the board that they're supposed to be disclosing to your clientele in that province, let's say in Quebec, you can't disclose to David and not to Matthieu and someone else.

M: There's got to be some (inaudible).

R: Absolutely.

M: Now what about the idea of the compensation fund for victims of financial planner fraud?

R: It's a good idea but who's going to fund it?

R: I was just going to say.

M: Yeah. Well that's what I was going to ask. Who should fund it?

R: I think we're probably all funding it in some fashion, a percentage of

R: Yeah. I was wondering if it would be something that would have a cap on it.

M: Well it's \$200,000 in Quebec.

R: Is it?

R: How much?

0:59:11.2

M: \$200,000.

R: So that's the same as having your money in the bank.

M: Deposit insurance.

R: Deposit insurance, yeah.

M: But I guess there are different ways. For example, it could be funded by the government just out of tax revenues or it could be funded by the financial industry, like any financial planner has to pay a certain amount per year that goes into the fund or ...

R: The fines.

M: The fines.

R: (Laughter). I was just going to say that. Where's all the fine money?

M: What do you think? If there's going to be a compensation fund, who should pay for the fund? Should all the financial planners or financial planner companies contribute towards it or should the government pay for it?

R: Are you saying the total fund is \$200,000?

M: No, that's the maximum to one individual.

R: So if you lost \$500,000 in fraud, the most you're going to get back is \$200,000.

1:00:08.9

M: I guess you could always sue the person. I guess the assumption is that if somebody lost you millions of dollars, you'd probably be suing them.

R: Yeah.

R: I think there should be almost like an insurance that people could kind of get in a way instead of having to pay for it.

R: Like malpractice, only financial planning insurance instead of malpractice.

R: Kind of.

R: Except for malpractice you end up suing in order to get anything.

R: But, I mean, there's such a thing called Errors and Omission Insurance, but Errors and Omission Insurance won't cover you for a fraud.

R: No.

R: So if I intentionally deceive someone, then the insurance company is going to say you're a bad apple; we're not going to cover you for an error or an omission.

M: So should we have something like this in New Brunswick?

R: Probably.

R: I think so.

R: I think it makes a lot of sense.

1:00:56.6

R: I agree.

R: For those people that have investments, it's not just \$10.00 they have invested, it's a lot of money.

M: Yeah, if you have \$10.00 in a savings account at the bank.

R: Yeah, if you look at it, your \$10.00 in your savings account at the bank has more coverage at the \$60,000 level than it does if you put your money with a financial planner.

M: But I mean like this whole idea of regulating financial planners. Because like in Quebec essentially you can't call yourself a financial planner unless you've taken courses and you've been certified. So in Quebec it's essentially a regulated profession. But that's the only province in Canada that's done that. Should New Brunswick do the same thing do you think?

R: Canada should do it. It should be a nationwide thing.

R: You're buying products throughout Canada. It should be national. It's not as if whatever I purchase is New Brunswick based.

M: That's a good question. Is this something that should be regulated nationally as opposed to provincially?

R: Well most professions are regulated at the provincial level. I can't think of any.

M: Yeah, sort of like medical and legal.

1:02:06.4

R: Psychologists, engineers, all the provincial bodies. Surely they're similar.

M: But there may be some sort of national standard for all.

R: Well there's a national standard for accountants, right?

R: Accountants, yeah. But we are regulated provincially.

R: Provincially. So maybe it could be something ... So maybe nationally the standards could be set up, but the province ...

M: Have some kind of minimum or something.

R: Yeah, and the province would have to carry on the regulatory body.

M: Okay, I'd like you to look at the flip side of the page where it mentions that Australia is thinking of bringing in some regulations in this area as well. But I need you to look at what they're thinking of doing in Australia.

R: So how would people make their money?

M: By the way, that would banning commissions that they receive from third parties.

R: Oh the extra one that they were talking about with the mortgage brokers. If they go to this bank, they get a little bit extra.

M: Yeah. Like you as the customer could still pay them a commission. But they can't get commissions for where they place the money.

1:02:06.4

(Transcriber's Note: Respondents read some material.)

M: So has everybody read through this? First of all, there are two things here. There are the bank commissions and the opt-in measure. Tammy, what's the opt-in measure all about?

R: Maybe it's being a little selfish, but I like the idea because I find myself as a consumer and client, the conflict of interest, like I feel the person would really be there for my interests in dealing with needs, versus getting that commission, which I don't know. I like it.

R: I like the section 2 part of it, that it's not just sending out say in 30 days saying hey your two year anniversary is up do you want to continue. That they have to tell you last year we charged you \$200.00 and before that \$200.00 you got. Do you want to continue on?

M: And you have to explicitly say that you do.

R: Yeah. And on like getting out of your phone bill or whatever contract, if you opt out, that's it. They don't say well you didn't tell us within the 40 days so we're going to charge you for another month.

M: So, Melissa, what's your reaction to what they're thinking of doing in Australia?

R: The same thing as she just said. You have the choice to opt out if you get your notice and you're not happy, then you had that option.

M: Well it's more than just you have a choice not to opt out. You actually have to opt in.

R: Yes.

1:05:54.4

R: So you're saying yes you're in or you're not in.

M: Yeah, like if you don't tell them anything, then you're out.

R: But that might give the advisor a chance to call their clients to keep in touch with them more often. But I like that idea.

R: But I guess if your advisor wanted to get rid of you, they could make sure that they send it to the last known address of the clients. (Laughter).

M: Yeah, well I think they rarely want to get rid of you. You'd have to be a real pain in the neck.

R: There are probably some clients, even if they have a lot of money, they're a pain in the neck.

M: So, Mike, what do you think if this was done?

R: The only thing that really comes to my mind is why is it two years? That seems to be a long time for me to be locked in I guess with an advisor.

M: I suspect you could leave at any time; it's just that every two years they have to ask you if you want to continue.

R: I think you could probably go buy something for someone else.

M: Yeah. David, what do you think?

1:07:08.7

R: I think this is great. It would force the financial advisors to actually do a good value. Because if they can't live on this little trailer fee, then they're going to have to charge people upfront for their time and then they'll have to compete with each other and say I have more education or I have more experience.

M: I'll get you more return.

R: I'll give you 100 air miles whatever. But then it will create more of an upfront market for their service.

M: So, Matthieu, what's your reaction to this?

R: I like them having to disclose and ask the person to talk about their fees and to agree to them. I don't know that banning commission would resolve the problem. I think it's trying to cut ... I think there's deeper problems than that. I don't think that just straight cutting commissions ... I think they'd find another way to make money somehow. I think you'd have more regulations.

M: How would that work do you think?

R: Well, I'll tell you. Item #1 would force the investment companies, the mutual fund companies, to actually deliver a good product, because I'll bet you could find a lot of really poorly performing investments that pay very high commissions. And the reason the money keeps coming in is because they're paid a high commission. If they weren't allowed to pay commissions, they'd have to perform.

M: Based on performance.

R: They'd have to compete.

1:08:42.2

M: If we had a law in Canada that said financial planners prohibited from receiving any commissions, what would happen?

R: They'd have to charge us.

R: They'd charge fees.

R: They charge fees anyway.

R: Of course, we don't have any disclosure in Canada, so we don't know what their fees are doing. If they brought this in, you wouldn't know what was going to ...

R: And then you would know what the fees are.

M: Are there advantages to actually paying a direct fee to a financial planner as opposed to having them get their money through commissions? What are the pros and cons of each?

R: Well on one side, you'd obviously know what you're paying. But on the flip side, I really don't think these guys would charge any less. It would come to the same whether you would have a net return that's lower because the commissions are taken off the return or if you got a cheque.

M: But it's not the commissions off the return; it's the commissions that they get.

R: Straight up, like at the initial sale do you mean?

M: Yeah. Like for example if you give your planner \$50,000, it's not that he's getting a commission because of you giving him the \$50,000; it's the commissions he gets for putting the \$50,000 into mutual fund X. So if that was ...

1:10:17.7

R: So it comes out of the same money, doesn't it? If you give him \$50,000, the commission comes back to you.

R: So it's the insurance company that pay them.

M: Right. It doesn't come out of your money.

R: Unless you to want to withdraw it too early, then you have to pay.

R: But I think that would be good. If I showed up with \$50,000 to invest and they said okay we're going to create a plan and you've taken three hours of my time, so here's a bill for \$600.00, they would have no doubt in their minds who they were working for – me. And right now I think sometimes they get confused. Because like over here, it talks about duty of disclosure and it says as well as any other benefits. I know like five financial

planners that go to places like Hawaii, California, Florida and Cancun on a regular basis and they don't pay those bills.

M: Yeah.

R: Do you think it would affect accessibility if they started charging fees for the regular Joe's?

M: People who didn't necessarily have the upfront money. Yeah, it's possible.

R: But if you've got the upfront money to invest. Even if someone said that they're going to go in and all they can do is like a \$100.00 a month plan, the financial advisor can easily say okay, well my bill's \$110.00 and I have a ten month payment.

1:11:39.6

M: But I guess you're saying if you have money to invest, then you're not going to be completely broke.

R: Well, exactly.

M: It's interesting because some people say that you're actually better off paying a financial planner a flat fee for their time rather than ... I mean right now I guess we all think that we don't pay anything because we don't actually write a cheque. But in fact, we may be

invisibly paying all kinds of commissions and management fees every time that we invest with them, with all the trailing commissions and the management fees and everything. So in other words, it's possible that you're not paying \$500.00 a year to a financial planner but there may be all kinds of percentages being taken off of your investments that might be much more than that, but you're just not aware of.

R: I think that's the case.

R: I know that you were mentioning the trips that are being paid by different funds I guess, different holders. Where are you going to place your investments or where are you going to suggest I place my investment?

M: Well I guess the big argument that may be made is that if they're getting those kinds of incentives, they are telling you to put your money into a certain place, not because it's necessarily best for you but because it gets them a trip to Hawaii.

R: So it's still not working in our best interest.

1:13:11.6

M: Well it would be. But if they were paid the flat fee, I guess the idea is that if the flat fee ...

R: Yeah, but assuming that they wouldn't.

M: That they would no longer be allowed to accept any of those.

R: Yeah, as long as they don't get commission.

M: Yeah, they wouldn't be allowed to accept any of those commissions any more.

R: It's one or the other.

M: Yeah.

R: If you get the commission, then we don't pay you upfront. Or we pay you upfront and ...

M: You're not getting any.

R: Yeah.

M: Yeah.

R: The problem with this business is ... I used to be in advertising sales. And if I hit a certain sales target, I got to go to Mexico. And when I called on people to do business with them, there was no doubt in their mind that I was there to sell them something and take their money. It was all very upfront. I'm here to sell you this advertising and you pay me.

M: But they probably assume that the advertising is going to be good for them because it's going to promote their ...

R: Oh absolutely. And it was a good product. But the basis of the relationship was I was there to sell a product and they were there to look at it and see if they were interested in buying. But in the financial planning business, the whole presentation is I'm here to help you. But in reality somebody else is there giving them directives to go in that direction.

1:14:29.5

M: How many of you have ever thought about the way that David just described it before?

R: I have.

R: Yeah.

M: Have you ever, Tammy?

R: Yes. I've questioned, you know, does my guy really care about my money?

M: Like what's the incentive for him?

R: Yeah.

M: Mike, have you ever?

R: I understand some of the products. And I guess personally I've not seen my girl go to Hawaii, but at the same time I certainly hear of interesting things. And not only in the insurance business, the mortgage business etcetera. If you can go on this month, bring all your products to this mortgage broker and bang. And you go, oh, I guess that's just reality. I'm not (inaudible, voice too low).

R: My insurance guy that is a really good guy that I trust, when I was talking with him about an insurance program, he actually said to me, do you mind if we wait until this day to put it through. And I said why. Well he says I need the qualifying period for a trip.

R: Well at least he told you.

R: (Inaudible, multiple over-talking).

R: I thought that was great and I don't have a problem with that. But how often is it not disclosed.

M: Well that's actually an interesting question. I mean what if they did.

R: (Inaudible, over-talking).

M: Actually that's an interesting point also though. If your planner did disclose all the fees and commissions and other bonuses they might get through you, like if they said to you, if I said okay, Karen, I'm going to be upfront. When you give me \$50,000 I'm going to put it here, here and here, and for putting it in this fund, this will be a step towards getting a trip to Hawaii. And for putting it into this fund, I'm going to get a trailing commission for the next five years of 1% per year. If they told you all of that, what would you do?

R: I think I would say prove to me that that fund is the best fund for me, and then I don't mind you going to Hawaii. But I would be uncomfortable necessarily saying yeah, sure, go ahead because you're going to get the trip.

M: You'd want a second opinion kind of thing.

R: Yeah, I guess. I'd want to know ...

R: Show me where you're investments are.

1:17:01.5

R: Yeah, exactly. I would want to know if that was the best fund or how it was performing at least and why.

M: What do you think, Mike?

R: I would expect that those fees would be somewhat standardized throughout the ...

M: So you might think that they get paid that no matter where they put it.

R: I don't know; not necessarily. But depending on whatever fund that they place it in, I would expect that the fund manager down the road would be getting the same commission with that same product. So in that vein, that wouldn't bother me at least. I'd know that you're not getting \$20.00 and you're getting \$50.00.

R: I'd be sceptical. I used to sell loans at 33%, so there are always goals and targets.

M: For example, some of the things you could do. I mean some people would just end the relationship with the planner, but you could also require the planner to give you comparisons with other investments which they would not get any commission or bonus for. Like say, okay well what if you put it into other things that you don't necessarily benefit from. Or you could do your own research and find alternatives. Could you do that?

R: Depending on the clientele.

M: Well the one participant said if I could do that, then I wouldn't need a planner in the first place. What about getting a second opinion from another planner? And say what do you think of?

1:18:39.4

R: I think that getting a second opinion would only work if the other planner knew that they were going to get paid, which is what's nice about having no commissions. Because I could go to one planner and pay them a couple of hundred dollars for their advice and then go to another planner and ask them their advice and pay that person too. And get two bits of feedback that I could say we'll probably ...

M: You could compare.

R: Yeah.

R: You go to a lawyer and whatever and then you want a second opinion, you pay to get a new lawyer to get legal advice.

M: To get a second opinion.

R: To get a second opinion or whatever. Similar with a doctor really.

M: I'd like to go around the table. If you did have a financial planner and, let's say, hypothetically that commissions were banned and the only way that a financial planner could make money was by billing their clients a fee directly. And it could either be a lump sum or maybe you might have an agreement with them where they'll get a percentage of the amount by which your portfolio goes up in value because then it's you're paying the commission.

R: And your interests are aligned.

M: And your interests are aligned. But if you were paying a fee, like for you David, what would you think would be a reasonable amount to pay a financial planner per year?

1:20:04.8

R: I would want to compare them with other highly educated advice givers, like if their fees were comparable to like a lawyer or an accountant, I'd be happy. So if I was going to visit with them a couple of times a year and they're going to bill me something that worked out to \$150.00 an hour or something, I'd be good with that.

M: So if it might work out to three or four hours a year or something like that.

R: You end up paying \$500.00 or \$600.00. And I knew that I was getting value for my money and getting proper advice, then I'd be happy with that.

M: Lionel, if you were going to pay a financial planner to give you advice, what would you pay them per year if you did? And don't feel like you have to match with David.

R: I don't know. The way I'm dealing with it, I feel that I'm dealing with the bank so they're getting their money; they're getting (inaudible).

M: They're making interest on ...

R: On the money they've got there. Sometimes it just sits there waiting to be reinvested or whatever and they're selling bonds and they're selling this and that all the time, which I pay commission for. And I always thought that was the extent of it, whether the advisor gets a commission from the sales side I don't know. He never pushes anything on me. It's just if something comes up and it's like the due date, then he will just tell me well, you know, I get this for that product that I think you're going to do pretty good on. And I say okay. And I never thought of it otherwise.

1:21:44.4

M: But if all of a sudden the policy changed and it was basically an open market and you had to hire a financial planner the way you'd hire a lawyer or an accountant and you had to pay them. They send you an invoice once a year to kind of manage your investments, what do you think would be a fair amount to pay?

R: Percentage wise or just as a flat fee?

M: Just as a flat fee.

R: That's hard to say. It depends on the size of the portfolio.

M: How complex.

R: It's a big portfolio then it would be more work. I don't know. I couldn't hazard a guess even.

M: Carol, do you have an idea of what you'd be willing to pay someone to ...?

R: I'd rather see them take a percentage off my return of my investment and then I'm guaranteed. Well nothing's guaranteed. Your best interest would be. Then I think they would look at your best interest that way.

M: So in other words you were paying them a commission but it was based on percentage of growth.

R: Yeah.

M: Melissa, what would you pay?

R: I agree with her, but if we had to pay, I would look at it based on what ... I would do more research I guess if I had any more money upfront. I would look at how much experience they have, qualifications. Okay, do I need four different things looked at or do I just need one.

M: Whether they're going to plan your estate and things like that.

R: Yeah. Like is this going to be an eight hour session or is it going to be a couple of hours of I have one debt to pay off, help me figure out how to pay it off kind of thing.

M: Well let's put it this way. What do you think it would be worth per hour?

R: \$100.00/\$150.00. Kind of along the same lines as he was saying.

M: Karen, do you have a sense of what it would be?

R: I think I agree more that I think I'd rather have the percentage of the growth just because even if I was paying the fair market value, I still would be wondering if they're investing my money in the best products for me or if they're still I guess. And the other thing is where are we going to decide \$100.00/\$150.00 sounds good? But if you go to see a lawyer, \$100.00/\$150.00 is usually somebody working on their own, or if you're in a larger firm, somebody that's just starting out. You want a lawyer's that's been there a while and he's going to be \$300.00 an hour or \$500.00 an hour

M: Well I would imagine the financial planners there would probably be some who would command a higher price than others.

R: I'm just not sure about the fee itself if it would still give you ... I don't know. You're not going to get assurances that your money is going to grow or anything like that. But they would still have your best interests necessarily. Maybe it should be a combination, a certain percentage of fees and a certain percentage based on the performance.

M: I could imagine you could be in a situation where maybe you'd go to someone and it's like you give them all of your financial information. This is how much I make, this is how much I own, these are my assets. And they kind of do an analysis of your finances and say okay here's my diagnosis.

1:25:22.1

R: Well I can see paying for that, but once it comes down to 'they say this is where we think you should put your money to achieve this'.

M: What would you think would be a reasonable amount to pay someone to kind of give you a financial diagnosis?

R: Well I think what David was saying - \$100.00/\$150.00 an hour probably.

M: Tammy, what do you think?

R: I guess it depends also if the credential gets to change. If it said 30 day training (inaudible) and a therapist, a cheap one is \$60.00/\$65.00.

M: But if it's like in Quebec where they actually have to go through a training.

R: Yeah, the training is fine but what are also the other credentials? And being in the consulting world, I mean if you can ...

M: Anyone can call themselves a consultant.

R: Exactly. But having New Brunswick people pay \$300.00 for one hour. Like honestly. People are like freaking out even do you have credentials.

R: My plumber charges me \$130.00 though. And my electrician charges me \$95.00.

1:26:37.3

M: Per hour.

R: Yeah.

R: A plumber charges \$80.00 or \$85.00 and it starts from the time he leaves the shop.

R: Travel fee.

R: You were asking us what we think. But I think the market will play itself out. And there's going to be more expensive ones and cheaper ones.

R: And the same with credentials and how they favoured with their clientele over their experience but it's their years of experience. Does that have any bearing as to what they

can charge? An accountant can do a relatively easy income tax I guess for me and charge \$300.00 or \$400.00. But to do an audit for my company, it's going to be \$6,000.00. So I'm looking for value. I mean my own personal value as to what I feel I've been happy to pay for and I think that can be flowing. I don't see it as across the board \$100.00 per fee.

M: Matthieu, I mean you're a Chartered Accountant so you have some experience with charging hourly rates I guess.

R: Well, the way it works is basically the more experience you've got, people assume that it's going to take you less time to do the same amount of work. That's not always true.

M: My father's a Chartered Accountant. He's 82 and he still works full-time.

R: That's the basis behind a lot of the firms that are out there. The less experience you've got, the less you charge. And the more experience you've got, the more knowledge and the quicker you are.

M: If you hired someone to be your financial planner, what would you expect to pay them?

R: That would really depend on what he's doing. To me, if he's doing an estate planning, it depends who's working on it, I would have different fees for different individuals. I'm assuming they would have juniors that I would be expected to pay less. And they would have to have top guys there to revise the file or whatever. And I would expect to pay the big fees \$150.00 an hour or whatever, but not a flat fee. I don't believe in a flat fee. I think it should be charged if there was to be a fee on the (sounds like, apt) in a way. Like it depends what you're doing.

M: A fee for service.

R: Yeah. Like I don't think they should be paid \$150.00 an hour to manage money or just to do transactions. But I think if they're doing a plan, that's something else. Like it really depends on ...

M: What you're actually asking of them.

R: Yeah.

R: It could be like a car repair where you go in and they do a diagnostic package for \$85.00 and then based on what they find, then there are other things they do related to that.

M: And they always find something. (Laughter). Have you every gone to have that done and they say oh your car's in perfect condition; nothing more needs to be done. What if there was a list of accredited financial planners provided, like on the website or that you get through government or whatever, is that something that you would want to look up your planner on if there was a way you could actually see who was accredited or who was certified?

1:29:56.3

R: Yeah.

R: Yes.

R: Through it there would be 'piece of mind' that that person has accreditation.

R: It's somewhere to start looking too. If you don't know of someone that does that, where do you start? You're not just going to open the phone book and, oh, this name looks good. Okay, we'll go with this guy.

R: And if you had that, there would probably be like an accreditation. They'd probably have to do so many courses over a period of time in order to keep that.

M: Ongoing education.

R: Yeah. In economic development a lot of the guys are working on, we call in an EcD, it's an economic development. It takes you about two years to get it, courses here and there. But then you have to have so many points over a three year period to continue, plus paying a fee to continue to put those initials after your name, that you have that. You don't just get it once and that's it.

M: Part of why we're having this discussion I guess is because partly because Quebec has brought in a whole regulatory framework around financial planners. I'm doing this research for an organization that defends consumer's rights or the consumer's perspective. And there are some people who think that the whole financial planning industry in Canada is a little bit unregulated. I mean there are obviously some financial planners that do very good work. But in many cases people entrust their money to

someone because they have financial planner on their business card and they don't realize what's actually happening behind the scenes or whatever. Can you think of anything else that ought to be done to protect clients of financial planners or to reform this area overall?

1:31:48.5

R: One of the things that I always see in the industry is the reps that go around selling these investments.

M: There are some mutual fund companies.

R: From mutual fund companies. These guys can make maybe two, three, sometimes four times what a doctor would make in a yearly wage. And you think that okay well I'm paying my advisor. I'm paying this guy. I'm paying ... like there's a lot of ...

M: There are a lot of people taking slices.

R: Exactly. I think that's one of the things that I'd look at.

M: Mike, do you have any final thoughts about what we've discussed tonight?

R: I've never jumped around. I've always stayed with that one person as a financial planner per se. I mean I'm kind of a stock broker guy myself, which I shouldn't admit to you honestly. Most days I shouldn't admit that.

M: How do you mean you're a stock broker?

R: I'm involved with a stock broker. Those are days I don't want to share. From my financial planner I've always had very good success with her and I've gotten good value from her. So I don't really have a worldly opinion.

M: You may have a good experience, but do you think that this is still an area where there?

1:33:14.9

R: I'm sure there are. I mean just listening to people tonight. There's certainly room for improvement. Even with the fee structures. I'm sure that there is a lot to be said about more transparency towards fees that are paid to brokers, as Matthieu was just saying. I mean there are the different levels of who's taking a piece of that pie. You're paying for it.

M: There are a lot of middle men.

R: A lot of middle men, no doubt.

M: Middle men and middle women.

R: Absolutely.

M: Tammy, do you have any final thoughts on what you've learned from this discussion?

R: Well I certainly learned a lot and certainly next time I'll look into the credentials of the financial advisor. I'm not sure exactly what should I look into for a good advisor, but I really like the idea of doing the regulation. As a consumer I think it would be good and (inaudible) to society, especially in New Brunswick. I think people should get more information in terms of financial planning overall in different areas and get genuine feedback.

M: Ideally should part of the role of a financial planner also to be ... should they be the ones that sort of educate people about how they should be managing their finances or is that something people should be learning in school?

R: It's part of their job. That's why you go to somebody for financial advice. Most people they pay their bills and they might have a little bit of savings, but to look 25 years down the road and say I want \$1 million when I retire.

M: This is how much you need to be setting aside.

R: Yeah. Like most normal people don't.

R: Yeah. And maybe some people should be more I guess exposed to this kind of information, to think down the road and being more like okay you know you need to start saving. Maybe you don't want to live on a bi-weekly basis. Maybe you want to ... you're laughing but I just want to say a little story. My brother's 22 and he's just fresh from college. He got a job at \$12.70 an hour and he got approved for a car for \$14,000. Zero down.

M: No down payment.

R: No down payment and no co-signer. And I did his budget and he would have basically \$30.00 left at the end of the month. And that is with like minimum budget and stuff. So just to say ...

M: And they approved him for that.

R: Yeah. And I went back today and I was like I think we're going to ... we need to find another car, just because he's got to be like really broke for the next five years. This is crazy but he still got approved. So then it really made me think. Like I spent three hours today. I was like do you really want to do this? This is really going to ... like you can do it, but I don't know. If you don't work for three weeks.

1:36:11.8

R: (Inaudible, multi over-talking).

M: It's stuff like that that's supposed to cause the financial crisis.

R: Well that's what I was thinking too. Are they really trying to like okay, here's your monthly thing. You want to think down the road.

M: But what does it also say about the banks that are willing to ...

R: Exactly. So there's no like hey, I need to sell cars. I'm going to make my commission and yes, you're approved. We're all happy. You're happy. Maybe you won't be in six months but I don't care. I was just like. I think I like the accountability of doing the whole legislation thing.

R: Those car loans though. That's just money for people that bought some mutual funds somewhere.

M: So, Karen, what are your final thoughts on this whole topic?

R: Well I think that some sort of general regulation is probably needed just because when we think over all the things that happened in the last few years and some of these people that have lost everything to people that they trusted that don't have the credentials that they said they had. So I think there should be definitely regulation of credentials and something. Fee structure – I don't know. And middle man, it makes you think of the pharmaceuticals. How many of us are taking drugs because the pharmacy rep was in to see the doctor that day.

1:37:32.7

M: Well that's actually a good example.

R: I had a friend of mine who was married to a pharmacist who refuses to work with the drug store because she's making a mint out selling for the pharmaceuticals and getting trips because of her sales for the teams.

M: Well, it's interesting because when we talk about conflicts of interest, it's actually a good analogy. It may not be allowed so much now. But there was a time when pharmaceutical companies would pay doctors sort of commissions for prescribing certain drugs. So if you went to your doctor with a certain illness, he might prescribe drug A instead of drug B because he was getting a bigger commission even though drug B might actually be better for you. I mean so you could actually have situations like that.

R: Well I think there are doctors out there who are just listening to the reps. And in fact ... well my father's dead now, but in the case of him, he went to the doctor one time at 88 or 90 or whatever and he had a pain in the back. Well instead of the doctor saying well increase your Tylenol or take this or that and come back in a month, he just gave him, it's one of the drugs I can't remember.

M: A prescription.

R: A prescription. And never said to come back or anything. And then my father starting having all these symptoms and mom took him to the Emergency. I said I'm sure it's one of these drugs he's taking, mom. And she said no, no, no. I said there's something. And

one day she just happened to open the drawer and there was the thing from the pharmacist she hadn't read. And the number one thing, my father at this time ...

M: Of all the side effects do you mean.

1:39:04.1

R: Well not only that, my father had had a heart attack, a minor one, and survived it, and had a stroke. And the number one thing is do not give this drug to anyone with a heart condition.

M: So there you go.

R: So I mean that doctor didn't even read that.

M: But getting back to financial planners.

R: Yeah, but it's much the same.

M: Melissa, what are your final thoughts and what have you learned tonight from our discussion?

R: Well I think it definitely should be more regulated over how much they get, where they get it from, whether it's flat fee or commission or whatever. But I know myself I'll certainly ask more questions. It's interesting hearing how other people have dealt with.

M: Do you get a sense sometimes, oh, they're just taking your money and I'll take care of it.

R: Yeah, sometimes. No, I've only dealt with several different people, but the first person I had was someone my parents dealt with for many years. And then when I started talking to someone else, it was like okay well maybe this guy isn't as good as what he's ...

M: What he's cracked up to be.

R: Yeah, exactly.

1:40:14.7

M: Carol, do you have any final thoughts?

R: I agree with the regulations, a flat fee, not a flat fee but something charged upfront. I would be willing to pay that and maybe a percentage just for good advice.

M: Lionel, do you have any final thoughts?

R: Yeah, I feel the same way too that it should be done. I have no problem with my financial planner. I haven't had any.

M: But you've been well served.

R: I've been well served but I think it's imperative that something is done to curtail any of these (inaudible, over-talking).

M: David, you had lots to say on all of this.

R: Yeah, but I try not to talk too much.

M: No, that's okay.

R: I think that in order for the financial planners to do a good job and deliver good value, you have to disconnect their compensation from the profit. Because in the world of investing, like what do I do with my money, there are not just stocks and bonds and mutual funds and insurance, but that's all they get paid for. So that's all they're telling you to buy. You could buy investment real estate. You could buy gold coins. You could buy an island in the Caribbean. You could do many things. But they don't get paid for advising you to buy any of that stuff.

1:41:40.3

M: So you never hear about it.

R: Right. And so I think that if you were going to sit down with a financial planner and say look I live in my house, I own this duplex, I've got tenants and you give him this holistic view of what your finances were. And they were able to say look, this is what you should do.

M: Completely from your perspective.

R: Yeah. They can say look, you know, you've got equity in the duplex, maybe you should buy another building or something, just to really give advice that suits me. And the only way I think that they can do it is if I'm paying them.

R: At the very beginning when we all started this, you asked and we said if it's a certain amount of money, you actually get a financial planner and something down below and we were talking about education. And I think about like her brother and my son who's young and doesn't have a huge amount of money but wants to start investing, but they're not being helped along ... like there doesn't seem to be within the industry any thought of this person is only 22 or 24 ...

M: Sort of like responsible advice.

R: Yeah. Maybe they've got \$15,000 now, but if we help them invest properly, maybe by the time they're 50 or 60, they will have a nice little nest egg because they've got the proper financial advice. But it does seem like if you're young or you don't have a certain level or you maybe had it and lost it or whatever, that that point in time the level of ...

M: Should there be financial advice, almost as a government service, people who will give general financial advice even to people who have no investments – just this is how you should. Let's say somebody like your brother or your son or people who don't necessarily have money to invest in RRSPs yet, I mean should they have an access to qualified advice on how they should start managing their finances?

R: I think so. If you think about like the federal government HRSDC, they'll help you with job techniques, interviews and stuff, like for starters who lost their job and that sort of support. I think it could be very interesting, something similar.

M: Like seminars or something.

R: Because a lot of people really don't understand and are living from bi-weekly to a monthly basis.

M: Paycheque to paycheque.

R: Yeah, exactly. And personally I don't see it that way. So having people with experience or whatever knowledge in the area to give feedback on the more youth population, or maybe even other people. I think about people who are older but are still not ...

M: Not to mention the financial advice you might need if you ever were going for a divorce or those kinds of things.

R: But there's also the technical part of it. I find a lot of people don't ... like I did learn a little bit when I did my business management course about mutual funds and some of this stuff. A lot of people don't have any understanding of what's a mutual fund versus what's a stock or what's a bond.

M: Did you learn that in high school?

1:45:00.3

R: No.

M: Apparently Ontario just made it part of the curriculum.

R: It should be.

R: Oh really, wow.

M: Ontario, yeah.

R: If it's there, it's there as an option for those who are interested to take it. It's not there as a required.

M: How is interest calculated?

R: Yeah, it should be a required part of the math probably.

M: Okay, well I think we covered everything we have to discuss for this evening. So thank you very much everybody. You've been a wonderful group and I hope everybody's found this a stimulating conversation. And now you can all go out and ...

R: Fire our financial planners. (Laughter).

END OF SESSION

JS

SUJET : Attitudes à l'égard de la réglementation des conseillers en
planification financière

PN : 7001

GROUP : Moncton

DATE : 3 octobre 2011

M : Vous êtes ici pour...nous voulons entendre vos opinions; pas ce que vous pensez pensent les autres, mais ce que vous pensez vous-même. Et moi je travaille pour Environics Research, qui est une maison de recherche sur l'opinion publique, et je suis basé à Toronto, mais je viens de Montréal originellement. Alors je suis un anglophone de Québec et vous êtes des francophones du Nouveau-Brunswick, alors j'espère qu'on va se...tout le monde va comprendre tout le monde parce que j'anime en français de temps en temps, mais c'est pas ma langue maternelle. Alors, si je trompe [inaudible] me corriger, mais en tout cas je suis ici plutôt pour entendre vos opinions et pas pour dire les miennes. Alors, dans mon travail j'écris des questionnaires quand nous faisons des sondages téléphoniques ou sur l'Internet, mais aussi j'anime des groupes de discussion comme ce soir et quelques fois ça peut être avec des pêcheurs de morue en Terre-Neuve ou avec des policiers ou des infirmières sur toutes sortes de sujets, mais ce soir vous êtes le grand public, on peut dire. Alors, nous faisons un enregistrement aussi de la séance pour m'aider à rédiger mon rapport, mais c'est juste pour moi à utiliser, alors y'a aucune chance que vous serez dans You Tube ou quelque chose comme ça. Et, comme je disais, j'ai un collègue qui prend des notes aussi qui fait partie de l'équipe de recherche et ceci est le dernier...nous faisons quatre groupes de discussion sur la même sujet, alors j'ai animé deux à Toronto jeudi dernier et maintenant j'anime deux ici à Moncton; le premier était anglais et maintenant j'anime une autre en français aussi pour avoir la perspective francophone, on peut dire. Alors...et l'hôtesse vous versera votre cachet à la fin de la séance. Alors, juste pour commencer, faisons un tour de table pour que chacun et chacune entre vous puisse se présenter et nous dire un peu peut-être le genre de travail que vous faites et qui vit avec vous à la maison,

comme chien, chat ou [inaudible]. Et comme vous le savez sans doute par les questions que nous avons posées lorsque nous vous avons recrutés pour ce groupe de discussion, nous parlerons ce soir du sujet des conseillers en planification financière. Alors, j'aimerais aussi si chacun d'entre vous peuvent nous raconter quel genre de conseiller en planification financière vous avez, comme avec qui est-ce qui il travaille, et depuis combien de temps est-ce que vous avez le même conseiller. Alors, est-ce que vous voulez commencer?

R : Oui, je m'appelle Bernard [inaudible]. Je demeure à la ville de Moncton...et c'est quoi d'autre vous voulez savoir?

M : Si vous avez des chiens ou des chats.

R : J'ai deux chiens, un chat et j'ai une épouse et trois enfants ensemble âgés de 7, 10 et 19 et deux à la maison et un à l'Université d'Ottawa.

M : D'accord. Et ton planificateur financier?

R : Avec une banque puis ce n'est pas toujours la même personne. Ca change assez souvent.

M : D'accord , c'est pas toujours...c'est pas comme un planificateur...

R : Ben, c'est comme un, mais là des fois ça [inaudible] parce que l'autre a changé de job ou...

M : D'accord. OK.

R : Mon nom c'est Bernard Haché.

M : Un autre Bernard!

R : Oui. Bernard Haché. Je travaille pour la compagnie Systemair à Bouctouche [inaudible]. Mon titre c'est corporate manager. J'ai un chat à la maison, on est nouvellement déménagé dans la région de Moncton; on vivait à Ottawa. On faisait affaire avec un conseiller financier, mais pas en ce moment. C'était à travers la compagnie d'assurance puis ça aussi ça change...ça change assez souvent.

M : D'accord.

R : Ce n'est pas quelqu'un...

M : C'est pas quelqu'un de stable qui est toujours là.

R : C'est pas une connaissance, c'est pas quelqu'un de stable, non.

M : D'accord.

R : Moi c'est Françoise Arsenault. Alors, je viens récemment d'arriver au pays. Ça faisait sept ans que je vivais à l'extérieur du pays. Puis dernièrement...ça fait probablement six mois que maintenant je travaille pour Telus puis...c'est ça, moi j'ai affaire...puis, c'est ça, ça fait juste six mois avec quelqu'un de RBC, une banque. Puis, c'est ça, moi je suis chanceuse parce que c'est la même femme qui me sert puis...ah, puis chez nous c'est moi puis mon chum et un chat. *That's it!* Pas d'enfants.

M : Je viens juste d'adopter un chat parce que mon frère a déménagé, alors j'ai pris son chat.

R : Ah, good, good! Ils sont pas trop difficiles.

M : Non, non, non. Il a dix ans, mais ça semble qu'il a un très bon comportement, alors... [inaudible].

R : Il est orange. Ah, OK. Le mien est noir. Tout noir.

R : Mon nom est Denise Lapointe et moi je travaille pour un courtier en assurance. On fait affaire avec l'assurance collective et les produits financiers individuels...en assurance individuelle aussi [inaudible] les produits financiers. Je reste à Moncton, j'ai un chat puis c'est [inaudible]. Puis tous les chats du voisinage! Moi mon planificateur financier c'est un courtier en assurance puis ça fait environ quatre ans que j'ai le même. Je suis chanceuse que ça a pas changé. Pas encore, du moins!

M : Oui. Non, c'est intéressant parce que y'a des gens qui ont le même planificateur financier depuis quelques années et d'autres personnes que ça change tout le temps, avec une banque ou quelque chose comme ça, mais...

R : Mon nom c'est Rachel Mills et je suis originaire de Bouctouche, mais je [inaudible] maintenant. Je travaille pour...je travaille [inaudible] et moi je vends des assurances individuelles puis en termes de...à la maison j'ai un mari puis deux enfants, une fille puis un gars, huit ans et six ans. Puis en termes de planificateurs, ça a changé beaucoup. Pour longtemps c'était avec une banque. J'ai travaillé un petit peu à Sun Life puis c'était leur...moi j'étais pas dans le côté des services financiers comme tel, c'est toujours les assurances, mais j'ai eu quelqu'un là. Mais quand j'ai changé, j'ai changé de nouveau, ça fait que j'en ai passé plusieurs.

M : D'accord, et...

R : Moi je suis [inaudible] et je travaille au scolaire [inaudible] et je suis directeur des ressources humaines, puis j'ai un gros chien de 120 livres...

M : J'ai déjà fait des groupes de discussion sur la nourriture pour chiens! Mais on n'était pas obligés de goûter!

R : Et moi je suis pas un gars à chiens, mais c'est mon épouse qui avait un chien, alors ça fait sept ans qu'on a le chien avec nous deux ensemble. Et on a adopté un chat cet été]...puis moi je fais affaire à la [inaudible] parce que en 1990 comme on a travaillé, mon épouse et moi...j'ai un cousin qui a commencé avec une compagnie indépendante, une compagnie de...qui nous a embarqué avec...y'a embarqué la famille avec lui puis on fait affaire avec eux autres depuis ce temps-là. Mais lui a changé d'emploi, mais [inaudible] à un autre représentant.

M : Et est-ce qu'il était indépendant ou est-ce qu'il était avec un banque ou...

R : Il était avec une firme d'investissement.

M : Une firme d'investissement. OK, d'accord.

R : Puis on fait affaire avec la même compagnie vraiment parce qu'on n'a pas eu de raisons à changer; on a juste continué à faire affaire avec eux autres pour nos besoins.

M : D'accord. Et...

R : Allô. Moi c'est Jacques [inaudible] et je travaille pour le gouvernement fédéral et j'ai été mis à pied à peu près le mois passé. Je suis marié, moi j'ai trois chats...

M : Beaucoup de chats!

R : ...et mon planificateur financier ça fait à peu près deux ans et demi qu'on l'a puis c'est toujours la même personne. Puis moi c'est la même chose : j'ai aucune raison de changer parce que moi je trouve qu'il est très bon puis...

M : Et est-ce qu'il est avec une banque ou avec une maison d'investissement?

R : Avec une banque, oui.

M : D'accord. Et, finalement...

R : Moi je suis Mario [inaudible], j'habite à Shediac, j'ai deux enfants, marié, deux chats...ben, un jusqu'à la semaine passée qu'on cherche un autre, là! [inaudible]

M : Si on a un déjà, c'est pas grand-chose d'en avoir un deuxième.

R : Moi, c'est ça, je fais affaire avec un indépendant et ça fait...ben, je pense qu'ils sont deux ou trois dans la même compagnie, mais [inaudible].

M : D'accord. Bon, alors, ce que nous allons faire, parce que ce soir nous allons discuter tout le sujet de comment ça marche avec les conseillers en planification financière, ou on peut peut-être dire des CPF pour comme être plus court. Je veux que vous formiez en couples. Alors, on va avoir Bernard et Bernard et France et Denise et Rachel et David et Jacques et Mario, et je veux que vous discutiez avec votre partenaire et dressez deux listes. Premièrement, c'est quoi la description des

tâches d'un planificateur financier, comme qu'est-ce que les planificateurs financiers font? Est-ce que c'est juste qu'il peut faire des placements ou quelle est la description de tâches de leur boulot? Et ensuite je voulais aussi que vous dressiez une liste de ce que vous percevez comme les obligations d'un conseiller de planification financière. Autrement dit, qu'est-ce qu'il est obligé de faire dans le cadre de son travail? En particulier, qu'est-ce qu'il est obligé de faire pour vous en tant que client? Alors, prenez le temps de discuter.

(discussion de groupe)

M : Alors, que fait un conseiller en planification financière? Quelle est la description des tâches de son travail? Alors, peut être on va commencer avec David et Rachel. Qu'est-ce que vous avez écrit?

R : Ben, on a dit qu'il fait une analyse de la situation du client.

M : Comment?

R : Ça, ça se fait comme immédiatement pour savoir l'objectif du client, si tu planifies l'achat d'une maison et de se retirer, [inaudible]...et y'a comme gérer les acomptes aussi pour dire « Si c'est ça que tu veux, c'est ça qu'il faudrait que tu fasses. »

M : D'accord.

R : Ça fait aussi partie de l'analyse.

M : D'autre chose?

R : Juste faire diriger les recommandations après ça.

M : D'accord. Et Bernard et Bernard, qu'est-ce que vous avez sur la liste des tâches?

R : [inaudible] le profile du client, puis en plus nous avons dit de faire une évaluation du risque que le client peut accepter, ce qui va être ses placements, ses actions [inaudible]...le mix, qu'il vend des produits et qu'il doit ensuite te conseiller comme un budget puis t'aider à rencontrer tes objectives puis placer des fonds.

- M : Faire des transactions?
- R : Oui.
- M : D'accord. Et France et Denise? Qu'est ce que vous avez? Quelles sont les tâches d'un planificateur financier?
- R : On a discuté un peu des mêmes choses. C'est important de bien écouter le client pour analyser leur situation et où ils sont rendus dans leur cycle de vie aussi : si c'est l'université [inaudible], enfants, le divorce, les enfants aux études...
- M : Comme si les conditions changent.
- R : Exactement. C'est important que ton planificateur soit, disons, au courant de la situation actuelle au moment.
- R : Puis c'est important aussi que y'ont une belle connaissance des produits puis la situation économique globale. Je pense que c'est comme ça, ça devrait quand même être le cas, mais y'a tellement de gens qui sont bien dans les investissements que y'en a un petit peu partout puis tu sais pas toujours si ils sont bien *accredited*; je sais pas le dire en français. Certifié? Tu le sais pas aujourd'hui parce que qu'il y en a partout, donc...
- M : Oui, on va discuter de ça plus tard aussi, toute la question de certification. Et d'autre chose?
- R : Ben, c'est ça, c'est juste de diriger l'avis puis faire des placements puis des transactions et tout ça aussi. On a dit pas mal la même chose que tout le monde.
- M : D'accord. Et Mario et Jacques?
- R : C'est un peu la même chose, comme tenir à jour les systèmes financiers juste pour être sûr que les nouveaux produits qui sortent ou des nouveaux [inaudible] ou des choses comme ça, mais c'est un plutôt [inaudible].

M : Faire la formation ou...

R : toutes ces choses là – analyser le portfolio, choses comme ça.

M : D'accord. Bon, alors, je vais vous montrer... ici est une liste qui est faite par le Conseil des normes de planification financière et ce sont les devoirs d'un conseiller en planification financière. Alors, supposément un planificateur financier est supposé de faire la planification de la caisse et de la dette, planification des impôts, planification des investissements, planification de la retraite et de l'indépendance financière, planification des assurances et des risques, et finalement planification successorale. Alors, premièrement, comment réagissez-vous à cette liste? Comme, est-ce qu'il y a des choses, plusieurs de ces postes qui vous étonnent ou est-ce que votre conseiller en planification financière fait tout ou la plupart de ces choses pour vous? Alors, David, je commence avec toi.

R : Ah, non, non...[inaudible] avec moi parce que successorale c'est pas dans mon plan.

M : D'accord, mais est-ce que ça vous étonne de voir cette liste ou est-ce que c'est à peu près ce que tu attendais comme la description de tâches d'un planificateur financière?

R : Ben, c'est comme je dis, y'a quatre éléments là-dedans que le mien fait avec moi [inaudible], ça fait que c'est pour ça que je dis ça. Ça fait du bon sens, oui.

M : Et Rachel?

R : Un qui sort c'est la planification des impôts. C'est pas souvent que j'ai eu des conseils. Je pense le premier conseiller que j'ai eu arrivait avec ça, mais les autres on dirait veulent pas le toucher. Puis si tu demandes pour des opinions ou quelque chose c'est comme...soit qu'ils sachent pas ou qu'ils veulent pas le partager là. Alors, non, c'est pas commun.

M : Et Jacques?

- R : Oui, moi aussi c'est la planification des impôts puis la planification successorale. Pas une fois qu'il a mentionné ça du tout.
- M : Mais est-ce que ça te donne une idée que tu peux poser la question avec ton planificateur financier?
- R : [inaudible], oui ça me surprend beaucoup.
- M : Et Mario, est-ce que ton planificateur fait le [inaudible]?
- R : Oui, il fait les impôts et il fait les [inaudible] pour l'endettement.
- M : Et Bernard?
- R : Oui, c'est une bonne liste puis j'aime ça, mais la planification successorale puis la planification des impôts peut-être qu'il m'en a parlé, mais pas en détail. Mais je pense que c'est bon qu'il le fasse.
- M : Mais est-ce que ça correspond à peu près à ce que, parce que c'est intéressant quand je vous avais posé la question...quand j'ai posé la question à tout le monde « Quelles sont les tâches d'un planificateur financière? » la plupart de vous n'ont pas mentionné des choses aussi détaillées que ça. Mais est-ce que c'est peut-être que le travail idéalement est supposé d'être un peu plus...
- R : Ben, pour moi la planification des impôts j'irai voir comptable, puis la planification successorale j'ai un notaire pour faire un will, un testament, donc...[inaudible].
- M : Et Bernard, comment est-ce que tu réagis à...
- R : Ben, la moitié est quand même assez étonnant parce que ça fait partie des obligations, mais on parlait aussi...c'est que malheureusement parfois ils sont un peu biaisés, dépendamment de où il vient: si il vend des assurances il va parler beaucoup d'assurances, s'il vient d'une banque il va parler beaucoup de tes avoirs puis au niveau de où les placer. Mais jamais il m'a parlé d'impôts ou de succession et ces choses-là.

M : D'accord. Et France?

R : C'est ça. C'est quelque chose qu'ils offrent mais c'est définitivement pas quelque chose qu'ils ont mentionnée dès le début puis qu'ils ont dit, comme, « C'est quelque chose aussi qu'on peut vous offrir comme service ou... »

M : Comme conseil.

R : Oui, exactement. Non, Moi ça m'a... *it definitely sticks out*...il y a une couple de choses que j'avais aucune idée que c'est quelque chose qu'ils avaient pu me conseiller là-dessus, non.

M : Et Denise?

R : Mais pas que c'est étonnant, mais je pense qu'on pense juste d'eux de la même façon quand on voit ça. Mais moi je suis toute seule, donc je peux pas dire que j'ai des gros, gros investissements, fait que j'imagine...

M : C'est pas des millions de dollars.

R : Exactement. Alors, dépendent du client, le client va aller vers, disons, un planificateur qui est...

M : Qui fait plus...

R : Exactement. Qui est très...je peux dire bien reconnu parce que je sais pas à quel point...

M : Peut-être à un niveau plus haut.

R : Exactement, parce que je leur ai parlé des impôts, mais à mon niveau c'est pas...je pense pas que c'est même...

M : Alors, je vous ai aussi demandé de faire une liste des obligations d'un conseiller en planification financière. Alors, France et Denise, qu'est-ce que vous avez écrit comme obligations? Et je sais que quelques fois les obligations sont les mêmes que les tâches, mais...

R : Oui, c'est ça, c'est un petit peu comme un *fine line*...on a dit, c'est ça, qu'il soit certifié...

M : Est-ce qu'ils sont obligés d'être certifiés?

R : Je pense que c'est provincial [inaudible], mais c'est que les *Certified Financial Planner*, CFP, mais ça c'est pas tout le monde qui a ça puis je serais surprise de savoir combien qui ont cette désignation dans la région. Moi je connais quelqu'un...

M : Donc, c'est pas obligatoire.

R : Non.

R : Ben, je pense pas.

R : Non, ça l'est pas.

R : Disons qu'on est obligé, tout dépendant de la grosseur du client, c'est des choses [inaudible].

M : En tout cas, continuez avec ces obligations. Est-ce que vous avez d'autres choses?

R : Oui, c'est ça, on a dit aussi c'est le [inaudible]...c'est avec...c'est ça, ils évaluent l'individu puis la situation, c'est vraiment de pouvoir, comme, bien leur aviser avec leurs connaissances puis garder leurs connaissances à jour, que ce soit les lois et procédures...

M : Comme on dit, de faire la diligence convenable?

R : Oui, exactement. Puis, c'est ça, aussi...*confidentiality*.

M : Confidentialité.

R : Confidentialité, merci. Ça aussi je trouve que ça serait une obligation.

M : De pas juste dire à n'importe qui « Oh, voilà ce que France a fait comme placement ».

R : Oui.

M : D'accord. Et Bernard et Bernard, qu'est-ce que vous avez dit comme obligation?

R : Ben, tantôt on a parlé aussi pas avoir...être biaisé et pas avoir de parti pris comme tel...

M : D'accord, et qu'est-ce que...quand tu dis de ne pas avoir de partis pris...

R : Ben, mettons qu'on fait affaire avec quelqu'un qui travaille pour Manu Vie ou des choses comme ça, ben y'a pas juste les produits de Manu Vie qui sont dans l'investissement; y'a d'autres choses qui peut-être *fitteraient* mieux dans le profil. C'est là où est-ce que la participation est importante parce que ça fait partie de la profession, du professionnalisme. Connaître les lois aussi c'est important. Tu veux pas faire affaire avec un conseiller pour avoir des mauvais conseils. Puis partager de l'information. Si tu poses des questions, il devrait pouvoir donner une réponse. Là que je sais a propos les impôts, lui poser la question.

M : D'accord. Et David et Rachel, qu'est-ce que vous avez écrit comme obligations?

R : Moi j'avais mis *disclosure*, mais parce qu'on parlait...

R : Divulgateion.

R : Divulgateion, mais...parce que je sais du côté des assurances il faut divulguer qu'on est payé à commission, mais je suis pas certaine mais dans le temps je travaillais avec les conseillers, mais j'étais pas conseillère, mais je travaillais avec eux autres puis je pensais qu'ils avaient la même chose de ce côté-là, mais je suis pas sûr en termes de, tu sais, moi je suis payé...

M : Est-ce qu'ils sont obligés de divulguer la façon qu'ils sont compensés?

R : Oui, je pensais que oui. Puis aussi le niveau de risque dans les fonds. Ça fait que si moi j'arrive à un conseiller puis je pose une question sur un tel fonds puis qui, tu sais, c'est pas la bonne chose pour moi d'après mon profil qu'il a déjà fait, ben, de partager cette information-là. Diligence.

M : La transparence.

R : Oui, oui.

M : Et Jacques et Mario, qu'est-ce que vous avez comme obligations?

R : Parler comme un jargon que le client que tu comprendre. C'est [inaudible] de le *confuser* que...

M : Parfait. Ça peut être très compliqué.

R : Et respecter le niveau de risque du client puis expliquer en détail si...que si un client signe quelque chose, expliquer en détail qu'est-ce que le client est en train de signer.

M : Oui.

R : Sinon, tu peux arriver avec un document de dix pages puis il signe ça puis, ben, tu sais...je vais pas m'asseoir là puis lire, on peut y faire confiance que [inaudible].

M : Oui, oui, je comprends. Alors, je sais que Rachel a discuté toute la question de divulgation de la structure des honoraires. Est-ce que les planificateurs financières ont une obligation de divulguer de façon dont ils sont payés? Est-ce qu'ils le font et est-ce qu'ils devraient?

R : Je pense pas qu'ils le font, mais je pense qu'ils devraient.

R : Moi si je lui demande il va me dire. Des fois, parfois, je le questionne un petit peu et il me dit « Je fais un dix pour cent » ou quelque chose de-même.

M : Alors, tu as posé la question ou...?

R : Oui.

R : Moi je suis pas convaincue. C'est la même chose de dire mon salaire à quelqu'un qui me demande ça. Je sais pas. Ou un autre client. Je sais pas.

M : Mais je parle pas qu'ils doivent divulguer leur salaire, mais plutôt quelle est la façon de...

R : Comment est-ce qu'ils sont payés?

M : Oui.

R : Parce que moi je le comprenais pas quand quelqu'un me l'explique. Comme, t'as des *management fees*, ça fait des fois tu sais pas, comme...OK, « Comment est-ce que tu te fais payer? » ben, là c'est comme *self-employed* puis tu mets...alors, quand quelqu'un que l'explique, comme...dans l'assurance la commission c'est plus simple, mais des fonds, tu comprends pas...

M : Oui, c'est ça. Si on donne nos argents à quelqu'un, il faut peut-être lui poser la question : si on ne paye pas des frais nous-mêmes, comment est-ce qu'ils sont...

R : Oui.

M : Récompensés.

R : Mais y'a des fois des gens qui le savent pas. Tu sais, moi je savais pas récemment que...tu sais, si je mets 1000 \$, mon 1000 \$ ils l'investissent puis si c'est un retour de dix pourcent mais le fonds a vraiment fait douze pourcent, ils gardent le deux pourcent. Ça c'est *tricky*. Comme, tu penses pas que c'est toi qui payes, mais à la fin de la journée c'est quand même toi qui payes, comme...

R : Parce que ceux qui prennent ton argent, ils transfèrent avec une autre institution, mais je pense qu'eux autres ils donnent une commission. Peut-être c'est pas souhaitable, mais c'est [inaudible]. Je suis pas certain.

M : Est-ce qu'ils sont aussi obligés de divulguer des conflits de l'intérêt ou des partis pris ou...?

R : Oui, ils devraient.

M : Quel serait un exemple d'un conflit d'intérêt chez un CPF?

R : Ben, t'es le frère à un gars qui a parti une grosse compagnie d'investissement. Ça fait une grosse différence. Je veux dire, ça fait partie des produits, mais pas juste donner le produit que pas juste donner le produit que le client prenne, mais le meilleur produit pour le client.

M : David, est-ce que t'as jamais pensé [inaudible]...

R : Les assurances vie on les a changé à quelques reprises parce que la situation changeait, donc...puis à un moment donné on m'a suggéré d'aller avec une différente compagnie parce que y'avaient de meilleurs taux. Puis là on a fait des estimés pour les montants qu'on voulait puis des fois tu te demandes « OK, ben, le taux est un petit peu meilleur, mais la raison qu'on change... » On a changé à quelques reprises de compagnie [inaudible], ça fait que « OK, on l'a fait, mais est-ce que c'est vraiment parce que c'est les meilleurs taux ou... »?

M : Est-ce que c'est mieux pour toi ou mieux pour ton planificateur?

R : Je me suis bien posé la question.

M : Oui.

R : Y'a quelque chose qui me vient à l'esprit. Quand tu parles de conflits d'intérêts, ça c'est vraiment un bon exemple parce que je le sais, je suis là. Comme, si ça fait deux ans que t'as ta police puis que t'annules, ben là t'as pas ce qu'on appelle les *charge-backs* après. Là tu fais une nouvelle commission puis ça fait...tu sais...ça aide...d'un côté investissement, comme, c'est ça. Je le sais pas parce que [inaudible] tu changes d'un fonds à l'autre c'est que y'a une implication de ce côté-là, tu sais?

M : Oui, y'a des frais de transfert ou je sais pas.

R : Oui. Ben, c'est ça, parce que je me rappelle j'ai transféré de l'argent une fois parce que j'ai partie de la compagnie après deux ans puis j'avais une bonne somme d'accumulée puis lorsque je l'ai sortie la personne qui avait mis les fonds d'une certain catégorie les avait où ce que y'avait des frais de sortis, ça fait c'est

comme... Tu sais, ils te le disent pas là, c'est signe ici « On fait le transfert » mais si tu sors avant six ou sept ans, tu sais, à chaque année y'a un pourcentage.

M : On appelle ça en anglais *trading commission*.

R : Oui.

M : Je ne sais pas comment on dit en français.

R : On dit *trading commission* (rire)

R : Mais, tu sais, ça ça serait un conflit d'intérêt; si tu expliques pas au client, tu leur donne pas le choix.

M : Oui, mais c'est rentable pour vous comme planificateur.

R : Oui.

M : Alors, comment est-ce que avez-vous choisi votre conseiller en planification financière? Comme, c'était quoi le processus? Bernard, comment est-ce que ça...?

R : On a rencontré cette personne-là dans une présentation. Y'a fait une présentation où ce qu'on voulait aller chercher de l'information, puis c'est une personne qu'on jugeait qu'on pouvait faire confiance, puis c'est quelqu'un du Québec puis au Québec y'ont besoin d'être certifié pour être planificateur, fait qu'on lui a fait confiance.

M : Est-ce que vous avez vérifié ses références ou ses qualifications?

R : Pas vraiment. Google search.

M : Et toi, Bernard? Comment est-ce que toi tu as choisi ton planificateur?

R : [inaudible]

M : Et France, c'était quoi le processus pour toi?

R : Recommandation. C'était quelqu'un que...c'est ça, mon chum [inaudible] ça fait des années qu'il l'utilise et...*that was it*.

M : Mais est-ce que tu as vérifié des références ou...?

R : Non.

M : ...si il était qualifié ou...?

R : Non, pas du tout.

M : Ça veut pas dire qu'il fait du mauvais travail...

R : Non...

M : Je voulais juste savoir le processus dont les gens trouvent un planificateur.

R : C'est ça. C'est une recommandation. Puis, c'est ça, je me suis assis avec elle pour à peu près une heure puis c'était...tu sais, là, c'était *all good* puis elle était vraiment diligente et puis elle avait vraiment tout bien expliqué puis moi je me sentais bien. Je me sentais comme je pouvais la faire vraiment confiance puis c'est ça. Mais, non, j'ai pas fait de recherche ou rien comme ça, non.

M : D'accord. Et Denise?

R : Mon patron. Aussi simple que ça. J'ai tu vérifié des références? Non, pas du tout. Mais j'y fais confiance.

M : Mais est-ce que c'est ton patron est ton planificateur financière ou c'est lui qui a référé quelqu'un?

R : Non, [inaudible].

M : OK, et Rachel?

R : Je te dirais au début c'est que on était à la banque et on changeait beaucoup puis c'était juste si on avait la chance d'arriver sur quelqu'un qui savait qu'est-ce qu'il faisait. Sinon, ben, *we stuck it out* aussi long jusqu'à temps qu'il change, que ça changeait de monde. Puis lorsque j'ai commencé à travailler dans les assurances, là j'ai comme fait beaucoup plus de contacts, ça fait que là j'ai commencé à connaître, comme, « OK, qui est-ce qui est certifié, qui est-ce qui est bon ».

M : [inaudible]

R : Mais j'ai jamais vérifié des références comme tel. Mais là parce que je connais un petit peu plus de monde comme comptable, j'imagine t'en connais quand même assez parce que t'as comme un réseau de comptables, avocats, conseillers financiers, conseillers en assurances...

M : Et beaucoup de comptables font des...donnent des renseignements financiers...

R : Oui. Ça touche la planification. C'est ça. Ça fait là, depuis, je check pas les références, mais quand même je dirais je connais mieux les gens en alentour. Je connais pas tout le monde, mais tu poses la question informelle.

M : Et David, comment est-ce que tu as trouvé ton...

R : Ben, c'est comme j'ai dis, c'est quelqu'un de la famille et j'y fais confiance; pas besoin de vérifier les références. Et y'a transféré mon dossier à quelqu'un d'autre puis c'est lui, essentiellement, qui m'a donné la référence pour cette personne-là. Et j'avais considéré changer à un moment donné, puis si j'aurais changé, ben, c'est je connais des personnes puis je demande « À qui tu fais affaire avec? » ou « Est-ce qu'il s'occupe de toi ou il t'appelles-tu juste une fois par an? ». Ce genre de question là.

M : Alors, c'est un peu de bouche-à-oreille pour trouver quelqu'un? Comme, si tu étais obligé de trouver un planificateur financière est-ce que c'est...comment est-ce qu'on trouve un planificateur qui, avec qui on peut avoir la confiance?

R : Ben, je crois que c'est tellement une petite ville que le monde ici se parle.

R : [inaudible]

R : Bouche-à-oreille.

R : Bouche-à-oreille, oui.

M : Tout le monde connaît tout le monde.

R : Oui.

R : Et y'ont eu des expériences, des bonnes et des mauvaises.

M : Si quelqu'un a eu une mauvaise expérience, je suppose que les nouvelles voyagent très vite.

R : Elles se promènent, oui.

M : Et Jacques, comment est-ce que...

R : C'est mon épouse qui travaille avec mon planificateur financier. Ils travaillent pour une banque, ça fait que c'est de cette manière-là qu'on a trouvé.

R : Moi c'est par référence.

M : Oui, et est-ce que tu as vérifié ses références ou...

R : Non, parce que la personne qui m'avait référé, je lui faisais confiance.

M : Et, dites-moi, est-ce qu'il y a des obstacles à trouver un conseiller qualifié en planification ou est-ce que n'importe qui peut-il en trouver un et être son client? Par exemple, est-ce qu'il faut être riche pour avoir un conseiller en planification financière ou est-ce qu'il faut payer des frais ou...?

R : Si oui, on serait pas ici!

M : Mais est-ce qu'il faut avoir de l'argent pour faire des investissements à la première place ou est-ce que n'importe qui peut...?

R : Je trouve que le type d'information qui est partagée change beaucoup selon ton portfolio. Parce qu'on a évolué puis 5 ans passé on n'avait pas le planificateur que maintenant puis j'aurais aimé s'il aurait dit ces informations-là [inaudible]; on aurait pu faire un nouveau décision. Mais ça change.

M : Est-ce qu'il y a des planificateurs qui vont te dire « C'est seulement si vous avez un portfolio qui est en haut de tel ou tel niveau que... »

- R : Par exemple, si c'est un courtier d'investissement, si t'as pas 10 000\$ dans ton compte ils te parlent presque pas. Puis ils font comme un placement, ben...après un certain montant, oh, ça devient une option. Oui, ben, on a aurait peut-être aimé savoir au début. On aurait sauvé.
- R : Pour un petit bout de temps j'étais avec un de mes amis. Y'a fini son cours puis là y'est allé travailler pour ING ou sais pas [inaudible]. Mais quand j'étais là, c'est vrai : y'a tel placement que y'avait comme un minimum comme 25 000\$ pour acheter ça, là. C'était tout des REERs puis il fait que t'aies un minimum de 25 000\$ ou 40 000 \$...tu sais, là? Avec cette firme-là. Mais quand je suis retourné à la banque [inaudible], mais tu payes des plus gros frais.
- M : Et, dites moi aussi, autant que vous sachiez, est-ce que le conseiller en planification financière est-il un « professionnel »? Comme, est-ce que c'est une profession juridiquement reconnue? Mario?
- R : Je penserais que oui. Il faudrait que tu sois un professionnel, même si ça fait seulement un an ou deux que tu le fais ou si ça fait une quinzaine d'années que...
- M : Comme un avocat ou un médecin est une profession juridiquement reconnue?
- R : Non, c'est pas une profession à usage restreint, mais ça tombe dans une catégorie, mais je suis pas certain...
- M : [inaudible]
- R : Non, je retourne à [inaudible] assez nouveau puis je connais pas le système ici, mais au Québec c'est beaucoup différent. Y'a différentes sortes de professions à Montréal et avocats c'est une autre catégorie qui a un titre à usage restreint. Tu peux pas t'appeler...
- M : Oui, c'est contre la loi de t'appeler ça si on n'a pas les certifications.
- R : Mais ici je pense que un peu tout le monde peut s'appeler « planificateur ».

M : Oui, parce que, en effet, hors du Québec où il y a un système de réglementation un peu spécialisé que nous allons discuter en quelques instants, dans le reste du pays, comme ici au Nouveau-Brunswick, les planificateurs financiers ne sont pas une profession juridiquement reconnue. Alors, ça veut dire, comme, il y a des gens qui ont des certifications, mais c'est pas obligatoire. Alors, n'importe quelle personne ici peut avoir une carte qui dit « Denise, Planificateur Financière » ou quelque chose comme ça. C'est pas contre la loi de se présenter comme ça. Mais est-ce que ça vous gêne du tout le fait que les conseillers financiers ne sont pas une, c'est pas une profession juridiquement reconnue ou est-ce que ça ne vous fait rien?

R : Moi je suis ingénieur puis y'a fallu faire beaucoup d'effort pour atteindre ce niveau-là puis, malheureusement, aux yeux des gens qu'est-ce qui arrive...

M : Avec les ponts et tout ça?

R : C'est l'impression que tu peux faire...[inaudible]...sans qu'il ait la formation derrière, moi ça me fait peur un peu parce que c'est la vie des gens en théorie, leurs placements, au même titre qu'un médecin, à mes yeux. C'est ça qui me fait peur un petit peu.

R : Puis y'ont toujours une bonne excuse aussi, hein?

R : C'est le marché

R : C'est vrai.

R : C'est de valeur que c'est pas plus sévère que ça que si tu veux être un planificateur financier dans quelque chose que tu dois faire tel ou tel cours, c'est pas comme ça. C'est la même chose pour un charpentier. Tu peux en prendre un qui est excellent puis l'autre, ben, il sait même pas tenir un clou comme il faut.

M : Parce que, quand même, si un planificateur financier donne un mauvais conseil, ça peut être très cher pour vous, n'est-ce pas?

R : Un mauvais conseil c'est une chose et tu peux tromper, mais le marché peut vraiment *tanker* sérieusement. Prendre des décisions puis par après tu te demandes,

« Ben, comment ça se fait qu'il m'a dirigé vers... » Je sais pas. À un moment donné, tes enfants sont proches de l'université puis

M : Puis y'a des décisions à faire

R : Oui, puis à un moment donné tu veux que ça soit des placements plus sécurés, ça fait que vois avec l'avenir.

M : [inaudible] responsabilité, on peut dire.

R : Mais c'est aussi envers l'individu comme tel, qui connaît ce que tu fais. Tu sais, je pense que moi si quelqu'un me dit...écoute, OK, j'ai 55 ans, en fait j'ai pas 55 ans. puis il dit « OK, ben, moi j'investirais dans ces stocks ici qui sont quand même assez risqués » mais je veux me retirer dans cinq ans, c'est ma responsabilité aussi de le savoir.

R : Mais les gens sont pas éduqués sur ça, comme...

M : Et souvent on a confiance avec le conseiller, oui.

R : Oui, mais, comme, en revenant au planification et ça, je vais quand même rester y'a des licences fonds mutuels, qui ont leur licence en fonds mutuels, licence] l'assurance, mais je pense que [inaudible] la désignation que tu peux avoir c'est bien. Je crois à l'éducation continue puis de te tenir à jour dans ton domaine, mais ça dépend vraiment de la personne, si c'est une personne à qui tu peux faire confiance, une personne qui est [inaudible].

M : [inaudible]

R : [inaudible]...comme, tu peux aller étudier 20 ans ou tu peux étudier cinq ans puis [inaudible] logique puis, comme on dit, *common sense*, que la personne qui a étudié toute sa vie.

M : OK, je veux retourner à toute la question de la manière dont les CPF sont rémunérés. Alors, en général, comment font-ils leur argent, croyez-vous?

R : Moi je pense à commission.

- M : Mais comment ils sont payés? Par qui?
- R : Par la compagnie qui fait les investissements. Alors, moi si j'investis avec Manu Vie à travers d'un courtier ou un représentant, je donne mon argent à Manu Vie pour qu'elle le met dans le fonds et eux autres gardent leur *management fees* pour payer leurs agents.
- M : D'accord.
- R : C'est ça que je pense.
- R : Dans ma situation je sais que c'est des *management fees* et j'imagine que y'a d'autres façons. Dépendamment des choses qu'ils font, est-ce que...y'en a qui sont plus lucratifs pour les personnes qui font ces placements-là.
- R : Mais ce qu'ils gagnent pour les avis c'est des commissions.
- R : Oui.
- M : Mais avec les investissements et les placements et les choses comme ça?
- R : C'est des *managements fees*, mais ça c'est pas à moi de payer. D'une façon ou d'une autre on paye un peu, mais je peux pas voir que ça sort de mes poches.
- M : Mais est-ce que c'est nous qui payent les commissions ou est-ce que y'a d'autres façons dont ils sont rémunérés?
- R : Mais j'imagine ça dépend. Si tu fais affaire avec la banque, c'est des gens qui sont au salaire parce qu'ils font plusieurs choses dans un emploi. Mais si c'est comme un conseiller financier privé, là c'est à travers les produits qu'il offre, ça fait que c'est soit un investissement ou c'est...
- M : Mais est-ce que...combien d'entre vous ont jamais discuté avec votre planification financière exactement comment ils sont rémunérés et est-ce que vous payez des frais ou est-ce que il a des commissions avec ton argent? Combien d'entre vous avez eu une discussion comme ça avec votre planificateur?

- R : Au tout début il avait expliqué, mais au tout début moi ça fait déjà bien des années
- M : Alors, vous avez jamais vu un document expliquant comment il est rémunéré et quelles sont les...
- R : Comment est-ce que lui est rémunéré?
- M : Pas le montant qu'il est rémunéré, mais la façon.
- R : D'habitude c'est écrit. T'as les divulgations sur le formulaire, comme tel REER ou tel fonds, puis ça va dire qu'est-ce qui est le taux, puis....
- M : [inaudible]
- R : [inaudible]
- M : Parce que je sais, comme, par exemple quelques fois on peut payer un conseiller de planifi...un CPF...on peut payer un CPF des frais directement juste pour son conseil, d'autres fois on peut...peut-être y'a des frais de gestion ou des ratios de frais de gestion (RFG). Y'a aussi des commissions qui sont payées par les placements. Alors, c'est pas comme toi qui paye les commissions, c'est plutôt si tu donnes de l'argent à ton planificateur et il place les argents dans certains fonds mutuels, peut-être les fonds mutuels vont lui payer des argents aussi. Mais si votre conseiller financier révèle-t-il s'il touche des commissions ou des primes sur la vente de certains produits d'investissement, y voyez-vous un conflit, un conflit d'intérêt du tout?
- R : Ça dépend dans le sens où ce que une personne qui a fait ses devoirs puis qui dit « OK, je vais faire avec un conseiller d'une banque », RBC, puis qui dit « OK, regarde, j'aimerais pouvoir placer dans ce fonds-là », « Ah, non, le fonds RBC est plus meilleur » là tu te poses la question : est-ce qu'il essaye de t'emmener vers celui qu'il...parce qu'il se fait rémunérer davantage avec ce fonds là ou si c'est meilleur pour toi?
- M : [inaudible]

- R : Parce qu'en théorie t'as accès à investir un peu partout. Fait que c'est là la question : est-ce que ça affecte le choix final?
- M : C'est ça que je voulais savoir. Est-ce que le fait que les CPF sont payés des commissions est-ce que ça peut avoir des implications sur si ils vont placer vos fonds dans les...vos argents dans les fonds qui sont les meilleurs pour toi ou est-ce qu'il y a quelques fois des potentiels de conflits d'intérêt?
- R : Moi je pense que oui.
- R : C'est sûr.
- R : Ah, oui. C'est comme toute autre chose qui fait une commission. Tu sais jamais. Ça c'est souvent...comme, tu rentres dans un magasin et ils disent « *I don't work on commission* » parce qu'ils veulent que tu le crois. *It's a mental thing*. C'est la même chose moi si je vends des produits puis moi je me fais des sous.
- M : Mais si je vais acheter des vêtements mon attitude c'est « Je m'en fiche si il y a une commission parce que ça veut dire que si j'achète un costume ils vont gagner leur commission quand même ». Mais c'est plutôt si la commission pour le vendeur est 20 pour cent sur ce costume ici et 30 pour cent pour celui-là, peut-être celui de 30 pourcent c'est tout à fait la mauvaise couleur pour moi, mais ils vont me convaincre de l'acheter quand même!
- R : Oui, c'est ça, exactement.
- R : C'est exactement la même chose. Tu sais jamais ce qu'ils font, s'ils le font pour toi ou pour eux.
- M : Oui. Je voulais savoir aussi, autant que vous sachiez, ici au Nouveau-Brunswick, est-ce qu'il y a des protections des consommateurs pour ce qui touche les conseillers en planification financière? Comme, avez-vous un recours si vous avez un problème avec votre CPF?
- R : Oui.

- M : Oui? Qu'est-ce qu'on peut faire?
- R : Je pense que c'est la Commission des...
- R : *Securities*.
- R : C'est ça. Commission des *Securities* du Nouveau-Brunswick. Tu peux les appeler puis si jamais ton planificateur financier a fait quelque chose qui est pas correct, t'as recours à [inaudible].
- M : Bernard, est-ce que...?
- R : J'ai pas confiance à eux du tout.
- M : Mais est-ce que le *New Brunswick Securities Commission*, est-ce qu'ils vont traiter des plaintes individuelles?
- R : Je pense que [inaudible] est employé là-dedans ou quelque chose de-même?
- R : Il fait pas grand-chose.
- M : Parce que je sais, par exemple, comme si on a des problèmes avec un avocat ou un médecin il y a des processus qu'on peut suivre, mais est-ce qu'il y a quelque chose pareil?
- R : Si c'est un avocat ou un médecin, ils sont gérés par eux autres mêmes aussi pour la certification. S'ils sont certifiés, ils peuvent perdre leur certification.
- M : Oui, donc y'a des conséquences.
- R : Oui, y'a des standards puis ils doivent atteindre ça sinon [inaudible].
- R : [inaudible] des planificateurs financiers parce que du côté des assurances on a quelque chose, comme des licences [inaudible].
- R : Ça va selon qu'est-ce que t'as à perdre. Si la personne a pas grand-chose à perdre, est-ce que le risque versus le bénéfice, si le bénéfice est beaucoup plus élevé, y'a

beaucoup de gens qui vont s'essayer. Mais si une personne que c'est sa profession et qu'il a son propre bureau avec trois ou quatre employés...

M : Et la réputation.

R : ...et y'a une réputation, il veut pas perdre ça, fait qu'il va faire attention. Alors, je pense que ça ça peut avoir plus de poids que la Commission...le *New Brunswick Commission*, là, *Securities Commission*, parce que je pense pas ça protège grand chose.

M : Mais est-ce que ça arrive des fois qu'on peut avoir des CPF qui peuvent faire le...comment est-ce qu'on dit...le *malpractice*, qu'ils donnent du conseil vraiment mauvais? Comme, par exemple, peut-être il y a quelqu'un qui a 60 ans qui veut prendre la retraite et bien le CPF qui va leur dire « Oh, je pense que ça serait une bonne idée de mettre 100 pour cent de tes placements dans des actions très haut risque » ou quelque chose comme ça. C'est vrai que c'est nous qui fait la décision, mais quand même, est-ce qu'on peut plaindre quelque part si on a un conseiller, un CPF, qui a vraiment fait des...qui a vraiment trompé ou qui a vraiment donné des conseils que n'importe qui qui est neutre on peut dire a été vraiment faux?

R : Mais je me souviens à un moment donné, je sais pas si c'était une obligation légale, mais il fallait blinder sur les formulaires quel est le degré de compréhension que ton client a...

M : Oui.

R : Je me souviens qu'il m'avait fait remplir ça.

M : Alors, c'est eux qui doivent juger...

R : Eux autre doivent juger puis il connaît toutes ses, là, donc [inaudible], tu sais ce que je veux dire?

M : Êtes-vous au courant de l'existence du bureau fédéral de l'Ombudsman des services bancaires et d'investissement qui fait enquête sur les plaintes des consommateurs contre les conseillers en planification financière?

R : Oui.

R : J'ai déjà entendu ça.

R : Fédéral ou provincial?

M : Ça c'est fédéral.

R : Parce qu'il y a un provincial.

M : Qui est au courant?

R : Oui, je suis au courant.

M : Mais est-ce que c'est un organisme avec qui on peut...qui va traiter des cas individuels ou...

R : Je savais pas de ce cas-ci, mais je suis au courant de ça, mais je savais pas que c'était relié à ça ici.

M : Ou est-ce que vous avez entendu parler de l'Association canadienne des courtiers de fonds mutuels? Non?

R : font la certification de [inaudible]

R : [inaudible]

M : Je ne sais pas. Ou le OCRCVM, l'Organisme canadien de réglementation du commerce des valeurs mobilières?

R : Non.

M : C'est pas bon comme acronyme : OCRCVM. C'est presque dire tout le...mais en anglais c'est IIROC. C'est un peu plus facile à dire.

R : [inaudible]

M : Maintenant, le Québec est actuellement la seule province qui dispose de lois réglementant les conseillers en planification financière. Est-ce que vous étiez au

courant de ça du tout, le fait que le Québec a un système de réglementation? Je crois que Bernard...tu étais au courant?

R : Oui. J'ai un collègue qui faisait sa formation puis c'est un cours de, je pense que c'est minimum deux ou trois ans, puis y'a différents niveaux. Si tu veux seulement faire des conseils de placements ou d'assurances c'est un cours un peu plus abrégé, et si c'est des investissements à la Bourse ou des choses comme ça, c'est assez intensif. Il m'a montré l'information puis c'est intéressant parce qu'en parlant avec cette personne-là il m'a donné beaucoup de *insight*, à poser des questions à mon conseiller mais je savais pas encore quoi.

M : En tout cas, ça semble qu'actuellement le Québec est la seule province au Canada qui a un système de réglementation des planificateurs, des conseillers en planification financière. Alors, je vais vous montrer sur cette feuille ici un petite sommaire de comment marche la réglementation; l'autre côté c'est d'autre chose qu'on va voir plus tard. Alors, je veux que vous lisez tout et ensuite nous allons discuter comment réagissez-vous à chacun de ces [inaudible].

M : Est-ce que tout le monde a fini la lecture? Alors, David, comment est-ce que...c'est quoi ta réaction à...

R : Ben, au début lorsque tu nous as demandé de...qu'est-ce qu'on pensait qu'étaient les obligations d'un planificateur, je souhaitais qu'y'avait quelque chose du genre qui réglementait ici au Nouveau-Brunswick aussi au niveau fédéral.

M : Alors, qu'est-ce qui est le plus important ici? Est-ce qu'il y a certains points qui...

R : Ben, on a touché, on a discuté, là, de...je trouve le dernier, «Interdire de conseiller au consommateur d'investir dans quoi que ce soit dont le conseiller en planification financière possède un intérêt important, soit directement ou indirectement », si ça peut être au détriment...ben, c'était [inaudible] le pire.

M : D'accord. Et Jacques, comment est-ce que vous réagissez à ceci?

R : Moi ce qui m'a le plus frappé c'est qu'il doit divulguer au client [inaudible] commissions pour son argent.

M : Toutes leurs commissions et... Est-ce que ça c'est une bonne chose?

R : Absolument.

M : Et comment est-ce que c'est un avantage pour toi comme client s'ils sont obligés de [inaudible]?

R : Ben, tu le sais automatiquement que s'il conseille quelque chose y'est...comme, y'est honnête. Comme, tu peux te fier sur lui parce que s'il dit, ben, tu vas investir dans tel produit ou quelque chose comme ça...

M : Tel fonds ou...

R : Oui, tel fonds, tu vas le croire parce que tu sais il te dit justement la manière qu'il gagne son argent. Alors, t'as pas le choix d'y croire parce que y'est plus honnête.

M : D'accord. Et Mario, c'est quoi ta réaction à...

R : Ben, vois pas l'obligation d'agir honnêtement. Au début on avait rencontré plusieurs personnes puis le premier qui arrivait chez nous puis qui disait [inaudible], ben là je disais « Ben, lui veux se retirer avant moi! » Alors, c'est un peu ça la... [inaudible] Mais aussi des fois ils vont avoir des gros chars puis, tu sais, tu vas penser « Lui fais de l'argent pour lui, pourquoi est-ce qu'il peut pas en faire pour moi » tu sais?

M : C'est une bonne question!

R : [inaudible]

M : Mais est-ce qu'il y a des points saillants ici qui sont les plus importants d'après...?

R : L'obligation d'agir honnêtement et loyalement avec le client.

M : D'accord. Et Bernard?

R : [inaudible] formation puis, tu sais, avoir les aspects juridiques puis les six domaines que nous avons dit. Et l'autre que j'aime c'est de déclarer ses sources de compensation, de commissions, puis que il peut pas [inaudible] où y'a un intérêt important.

M : Oui, parce que ça c'est un conflit d'intérêt aussi.

R : Puis [inaudible] aussi c'est bon c'est que y'a des amendes puis...et ils fondront attention pour la fraude parce que souvent...y'a déjà eu des problèmes avec des courtiers ou des CFP qui faisait des choses puis [inaudible] les amendes qu'ils doivent payer c'est seulement un pourcentage petit de ce qu'ils ont fait dans la fraude...mais je dis « fraude »...

M : Et Bernard, comment est-ce que tu réagis à...?

R : Ben, je lis celui-là puis c'est très similaire à toutes les autres professions, ce qui est bon signe. Le plus important ce que je trouve c'est de créer un fonds de compensation parce que le but des [inaudible] c'est de protéger le public [inaudible]. Fait que pour ceux là, de payer un pourcentage pour les actes pas très correcte, c'est bon de compenser.

M : Si nous avons à...qui devrait alimenter le fonds, le fonds de compensation? Comme, est-ce que ça devrait être les contribuables en général ou est-ce que ça devrait être l'industrie des finances ou des conseillers en planification financière? Comme, si il y aura un fonds de compensation, d'où vient l'argent?

R : Nous autres ont paye des assurances [inaudible] à payer.

M : Oui. Les CPF, tu veux dire.

R : Les CPF. Le fonds de compensation, tout le monde devrait payer une certaine...

M : Comme les agences de voyage ont quelque chose comme ça aussi.

R : Ils doivent payer pour être membre.

R : C'est la même chose dans les assurances. Ça s'appelle E&O, *Errors and Omissions*. On paye justement pour se protéger.

M : Si il y a quelque chose de catastrophique qui a lieu.

R : Exactement. Exactement.

R : [inaudible]

M : Je crois que le fonds de récompense...de compensation au Québec c'est...elle peut aller jusqu'à 200 000 \$. Alors, si on perd plus que 200 000 \$, je suppose qu'on poursuit quelqu'un en justice ou quelque chose comme ça. Alors, Denise, c'est quoi ton réaction?

R : Ben, moi la façon je vois ça c'est que je me dis si...disons au Nouveau-Brunswick, et partout sauf le Québec, t'as pas de raison d'avoir ton certification CPF. C'est tout.

M : Au Québec ils ont [inaudible].

R : Oui, exactement. Mais, c'est ça, pour les autres provinces, que tu sois obligé de l'avoir ou non, moi je trouve que c'est des points qui devraient faire partie de ce qui fait un conseiller. Il devrait posséder ces...peu importe que c'est demandé ou requis. Pour moi, en réalité, que t'aies le certificat ou pas, ça tu l'as. Disons c'est inné ça.

M : Alors, est-ce qu'il y a quelque chose de plus important ici?

R : Moi je forte dans l'honnêteté parce que tu peux avoir tout, mais si t'es pas honnête...

M : Oui. Pensez-vous que ça serait...trouveriez-vous quelque avantage personnel à ce qu'il y ait des règlements semblables ici au Nouveau-Brunswick? Comme, est-ce qu'on devrait avoir quelque chose comme ici?

R : Oui.

- R : Je savais même pas qu'on [inaudible].
- M : Mais c'est pas le Nouveau-Brunswick qui est unique comme ça. C'est seulement le Québec qui...
- R : Oui, mais c'est...d'après moi [inaudible] que les autres provinces [inaudible].
- M : Pourquoi pas?
- R : Ça me surprend, oui.
- R : C'est pas compliqué de mettre en place.
- M : Oui, on a déjà le modèle au...
- R : C'est très...*copy/paste* en anglais!
- M : Vous paraît-il sensé que les provinces réglementent les conseillers en planification financière ou est-ce que ça devrait être réglementé sur un niveau national à travers le pays? Parce que actuellement les services financiers et aussi les professions sont réglementées par les provinces, mais est-ce que avec la planification financière c'est quelque chose qui... C'est quoi la responsabilité du gouvernement fédéral en comparaison avec les gouvernements provinciales? Comme, qui devrait établir les normes? Ou est-ce que ça ne fait rien?
- R : Moi je garderais ça au fédéral parce que, je veux dire...comme, provincial c'est souvent...c'est spécifique à la province puis ça change beaucoup quand tu vas à l'ouest...de l'est à l'ouest. Puis quelque chose comme ceci, c'est pas mal...ça s'appliquerait à n'importe quelle province, n'importe quel pays, même. Comme, c'est...*it's common sense*. Puis c'est pas quelque chose qui faudrait être...
- R : Unique à chaque province.
- R : ...unique à chaque province, exactement. Donc, pourquoi pas fédéral?
- R : Mais je pense que les autres associations sont gérées au niveau provincial.

- M : Comme les médecins et les avocats et...?
- R : Oui, mais ils ont tous un organisme national puis des standards.
- M : Alors, y'a certaines normes...
- R : Qui sont établies, oui. Et ça ça devrait être la même chose.
- R : Oui, mais c'est un peu...comme une autre province qui fait quelque chose qu'ils sont pas forcés, le fédéral devrait forcer les provinces, mais chaque province devrait avoir son règlement.
- M : Leurs...ils peuvent avoir leurs systèmes...
- R : Si les lois changent dans chaque province.
- R : D'habitude, le secteur financier surtout...d'habitude ils sont pas très favorables à la réglementation.
- R : Oui.
- M : C'est sûr que l'industrie financière est contre toute cette réglementation.
- R : C'est le problème aux États-Unis, que le système bancaire canadien a pas connu de la même façon. Ça l'a sa place, la réglementation, pour diriger quand même...le consommateur, on a souvent pas une grosse voix.
- M : Et l'autre chose que je voulais savoir aussi...parce que ici au Québec ça dit que toutes les CPF doivent déclarer leurs commissions et les commissions pour recommandations et tous leurs bonus et quelques fois, si on est un CPF, on peut gagner des voyages au travail si on vend beaucoup de tel ou tel fonds mutuel ou y'a toutes sortes de commissions ou de cadeaux spéciales comme ça. Alors, si tu avais un CPF qui vous divulguait toutes les honoraires, commissions et d'autres formes de rémunération qu'il touche et qui pourraient affecter ses conseils en placement ou les autres recommandations qu'il vous fait, comment est-ce que ça

va influencer votre attitude envers lui ou qu'est-ce que vous allez faire? Est-ce que vous allez faire quelque chose différemment?

R : J'y ferais plus confiance. Je ferais plus confiance en lui.

M : Oui, si tu divulguais...

R : Oui. D'après moi, oui.

R : Ben, c'est justement une question de confiance et professionnalisme. Un bon exemple c'est que notre conseiller financier, on l'avait appelé en Ontario pour boire un café, mais y'avait pas le droit de signer les papiers en Ontario. Il fallait le faire au Québec, dans ma province de résidence. Fait que...ils nous a conseillé et on a discuté, mais ça a monté beaucoup notre confiance en cette personne-là. Fait que...une personne qui prend la peine de nous dire « Écoute, je fais des commissions » ça monte le niveau de confiance beaucoup.

M : Mais, en même temps si...est-ce que vous allez peut-être demander l'opinion d'une autre conseiller pour voir si les placements qu'il te conseille à faire...si ses conseils sont les bons conseils parce que peut-être il va te raconter quels sont toutes ses commissions, mais y'a toujours le même problème que peut-être il va te conseiller de mettre les placements dans les fonds qui lui donnent les commissions les plus hautes, mais c'est pas nécessairement les meilleurs, n'est-ce pas?

R : Moi j'ai toujours pensé et j'ai toujours dis que j'aurais aucun problème de donner deux pourcent ou 10 pourcent [inaudible], mais que moi je perde de l'argent et que lui fait plein d'argent, j'ai un peu de misère avec ça. Parce qu'ils sont pas payés pour la performance. Ils sont payés sur le montant de transferts qu'ils font.

M : C'est les transactions, c'est pas la performance.

R : Oui.

R : Faut quand même que l'individu ait sa responsabilité aussi.

R : Oui, nous ne sommes pas des experts dans, les placements.

R : Il va aller voir un autre tous les 3 ans, 5 ans, juste vérifier, si ça fait du sens. Comme l'annonce de Scotia Bank.

M : Maintenant il semble que l'Australie songe aussi à promulguer des règles dans ce domaine alors, tout le monde peut tourner la page ici. Ça c'est des réformes proposées par le gouvernement australien alors je veux avoir vos réactions à ceux-ci.

Alors que pensez-vous de ces règlements proposés en Australie?

R : J'imagine que y'en a peut-être qui vont plus faire cette job là.

R : De moins en moins

R : Tu regardes ça puis tu dis bien, je suis certaine que y'en a qui font une bonne somme. T'entends pas parler beaucoup des gens qui te chargent un taux horaire pour leur consultation. Moi j'ai pas beaucoup entendu parler de ça je sais pas pour le reste. Ça fait j'imagine que ça va rendre leur job bien plus difficile parce que c'est une bonne somme d'argent qu'ils viennent de perdre faut que tu change ta structure, tu t'adaptes, je sais pas.

R : Toute l'industrie aura une différente structure je suppose.

R : Les banques aussi.

R : Oui, parce que c'est n'importe qui qui est un conseiller financier.

R : Parce que c'est qui qui voudra vendre des produits d'investissement là?

R : Oui, mais je crois que la façon que ça va arriver c'est que si on est un cf comme un cpf pour quelqu'un on peut pas toucher de commissions provenant des fonds mutuels, c'est comme, ça fait que le CFP travaille pour toi et pas pour

R : Point vue client, le CF peut plus toucher de commissions d'investissement. Alors là il me charge un frais de consultation.

- M : Un frais de consultation, ou bien peut-être, il va prendre un pourcentage d'augmentation de ton portfolio chaque année.
- R : Ok. Comme si j'ai un dépôt de 100\$ par mois exemple, bien là on garde 20\$ par mois.
- M : Oui. 20% ça serait beaucoup mais oui.
- R : Un exemple, mais qu'est-ce qui arrive avec la compagnie d'investissement. Ma question c'est, bien ils ont les ... ça fait que moi j'ai plus d'argent d'investie, tu me suis?
- M : Oui, mais je crois que ce qui va arriver c'est que peut-être il y aura quand même les *management fees*. Comme, les incitatifs pour les CPF actuellement, parce que, un gros pourcentage de leur salaire ce sont des commissions qu'ils reçoivent, pas de leurs clients mais des compagnies d'investissement. Alors comme ça les incitatifs pour eux-autres c'est pas nécessairement de faire la meilleure chose pour toi c'est de mettre ton argent dans le fond, qui te donne le plus de commission. Alors je suppose que l'idée en Australie c'est que si on enlève les commissions complètement, toute l'industrie des CPF va changer. Ça serait comme une vraie profession où les gens qui font un bon travail seront payés des frais comme les avocats, comptables pour rendre des services professionnels.
- R : Comme client, mon inquiétude serait si j'investissais 10 000\$ avant par année puis ça c'était le retour que j'avais, puis là tout d'un coup bien il faut que je paie pour les frais de consultation chaque année.
- M : Mais en même temps c'est possible que tu paies beaucoup plus mais c'est invisible parce que dans le passé
- R : C'est ça, c'est ça que je suis pas certaine.
- M : C'est possible que même que si tu paies des frais si tu lui payes quelques centaines de dollars par année en frais directs, c'est possible que tu sauves beaucoup plus

d'argent que tu paies parce qu'ils y a toutes sortes de frais invisibles dans tes placements.

R : Les vacances, bonis

M : Oui c'est ça, mais ça c'est son problème

R : Moi je vois le pour et contre de chaque façon, je pense que je peux voir comment ça peut fonctionner puis je peux voir comment qu'y'a du monde qui aimeraient peut-être moins ça.

M : mais du point de vue du consommateur parce que on s'en fiche de ce qui est bien ou mal pour les cpf. Qu'est ce que tu penses de l'option d'adhésion, point 2, lorsque le conseiller financier facture des honoraires sur une base annuelle il est tenu de demander au client aux deux ans s'il désire continuer à recevoir ses conseils.

R : Bien je vois ça, une bonne chose. Qu'il fait qu'il doit dire, « Est-ce que t'es »

M : « T'es contente? »

R : Oui

M : Et si le client se retire ou omet de répondre le conseiller ne peut pas lui réclamer d'honoraires, alors ça veut dire que, si on ne dit rien, c'est comme, chaque deux années vous devez comme client signer que vous voulez continuer.

R : Un genre de contrat.

R : Et si on fait rien c'est brisé.

R : Pourquoi pas. Ça existe avec toutes sortes de choses.

R : Comme les forfaits, les contrats.

R : Les assurances.

- R : C'est bien cette *license*. Pour forcer le client...
- R : Ça fait penser, si je continue des années, des fois tu te dis ça se déclenche, *let's shop around see what's out there*, je peux voir que c'est une bonne chose.
- R : C'est... annuel ou, des taux, c'est pas clair.
- M : Pas de transparence
- R : Calculer toutes les transactions fois le nombre de fois, ça va coûter ça, puis ça c'est annuel, bon ça c'est moi, je vais aller là. Mais on peut pas le faire si c'est pas complet.
- R : Je me demande comment les gens le font?
- R : Non ils le font pas. C'est ça le problème
- R : C'est notre responsabilité de questionner. Oui.
- M : Ils vont te donner une réponse qui est comme. Que pensez-vous de la loi interdisant le CPF de toucher des commissions et obligeant à travailler que sur base d'honoraires,
- R : Je pense ce parti correct, par partie numéro 2 trop sauvage. Dire que si tu réponds pas t'es plus sur ma liste. Cherche à comprendre d'abord, si je vais voir un conseiller, préfère donner de l'argent *up front* pour qu'il travaille pour moi, la partie honoraires m'intéresse beaucoup.
- R : Je pense que c'est un peu trop strict, trop sévère.
- M : C'est quoi les conséquences?

Comment de fois t'oublies, tu reçois quelque chose par la poste, ah oui c'est vrai je dois signer ça et l'envoyer à quelqu'un par pour faire un suivi. Combien de clients vont oublier de faire ça?

M : Avec les médecins, y'a jamais assez de médecins, alors si on perd notre place avec un médecin on a de la misère à trouver. Alors qu'avec un conseiller financier, j'ai l'impression que si on veut retourner, leur porte est toujours ouverte. C'est pas comme

R : Ils vont dire non... moi je crois que c'est une bonne chose, *it just keeps you aware*. Et puis l'affaire est que, je trouve que c'est quelque chose qui est important. Oui, t'oublies de faire ça, mais c'est tes investissements, c'est ton argent. C'est ce que tu as travaillé pour, c'est ta vie, c'est tes enfants, c'est tout, quelque chose qui est important. Je crois pas que ça devrait être un gros problème de répondre, même si c'est dans ta liste de choses à faire dans le mois, *I can't see it being as a real issue*. Je trouve ça réveille le monde, ça dit peut-être c'est le temps d'aller voir ailleurs, peut-être il faut se poser des questions.

R : Je pense ça va changer radicalement l'industrie.

R : Oui

M : Pour le meilleur ou pour le mal?

R : Probablement, ultimement pour le meilleur, y'en a peut être qui veulent juste faire de l'argent; quand tu paies un avocat puis tu paies des frais légaux, tu exiges un service de qualité.

R : Oui, si je peux ajouter à ça. on parlait déjà de comment, du roulement qu'y'a dans l'industrie. Comme moi je connais du monde qui ont, on en connaît toutes des gens qui ont rentré dans cette affaire là, puis un an plus tard ils changent de compagnie. Ça fait, y'en a qui restent pas du tout, y'en a qui après 5 ans ils changent de carrière au complet. C'est pas comme les médecins où y'en a pas puis là tout d'un coup on va commencer à faire notre propre planification financière, parce que là

les gens ont été poussés dans une structure qu'ils sont pas adaptés. Parce que déjà on a d'autres problèmes, la province, dans d'autres provinces...

M : Mais probablement que toute l'industrie va changer parce que je suppose qu'avec un système comme ça, les gens qui sont des CPF seront tous des gens avec des qualifications, le fait que tout leur salaire vient des honoraires payés par les clients au lieu des commissions, probablement ils seront obligés d'avoir une, comme on dit, *a relationship* beaucoup plus serrée avec leurs clients et vraiment montrer « voilà comment je fais du bon travail pour vous ».

R : Ça va changer radicalement la façon

M : La façon que ça marche oui.

R : La façon que ça marche présentement, ça marchera pas pareil avec un système comme celui là. Ça me surprendrait que ça marche comme ça au Canada.

R : Si ça arrive je crois que y'en a beaucoup qui vont aller aux banques. Parce que déjà t'as des conseillers qui veulent juste faire affaire avec certains clients. Moi j'en connais assez qui sont particuliers avec ça.

M : Mais c'est comme certains disent qu'il vaut mieux payer des honoraires fixes au CPT pour son temps, plutôt que payer invisiblement des commissions et des frais de gestion chaque fois que vous investissez avec lui.

R : Ça dépend parce que si ça limite l'accès à toute la population ça devient difficile. Si la personne peut pas payer *up front*. Oui c'est mieux de payer les conseils qu'il donne chaque mois plutôt que 500\$ d'une shot mais

M : Oui, mais il y a les arrangements à avoir pour ça aussi.

R : Y'a des gens qui investissent 100\$ par mois, ils vont pas payer 100\$ d'une shot par année si les banques offrent une structure, y'aura toujours deux options.

M : Mais qu'est-ce que vous pensez est meilleur? Est-ce que c'est quand même possible que même si actuellement vous payez pas des frais directement à votre

CPF, que en fin vous payez beaucoup plus que vous pouvez imaginer avec des *management fees*, toutes sortes de frais invisibles dans votre portfolio?

R : Pour moi le choix c'est de pas savoir ce que je paye, ou savoir ce que je paye et je choisis celui-ci.

R : Oui

R : Oui. Si tu sais que tu payais 500\$ en ... puis là tu payes des *management fees* de 150\$ par année, bien là oui, mais là...

R : Mais il va y avoir plus de la compétition

R : Oui

R : peut être que certains vont changer moins.

M : Mais seriez-vous disposés à payer des honoraires fixes à un conseiller en planification financière qui ne touche pas de commission ni de commission pour recommandation pour obtenir un service complet si vous avez le choix? Est-ce que vous préférez payer des frais professionnels pour un CPF au lieu de payer rien au début mais, avec le fait qu'ils ont des commissions et des frais invisibles?

R : Mais c'est ça je voulais dire tantôt, les pours et les contres. Y'a du monde comme tu disais qu'ils ont pas assez d'argent pour donner *up front*. Moi j'aimerais mieux savoir que je paye ça puis que je vais avoir un niveau de service *through and through*, que d'avoir tout le temps à me méfier puis à me demander, *does he have me, my best interest?*

M : Oui, d'avoir à soupçonner tout le temps.

R : Oui parce que tu vas toujours te demander. Y'a beaucoup de personnes à moins que ce soit ton frère, y'a des gens qui ont des attitudes.

M : C'est pas qu'ils sont pas honnêtes mais

R : Non mais c'est motivant, c'est leur motivation. Peut-être c'est une personne honnête puis tu sais que tu vas faire un gros pourcentage ici, puis ils vont jamais savoir, tous dans ce cas là choisiraient...

M : Si tu avais un CPF qui va te donner des conseils sur comment planifier tes investissements et faire toutes tes choses ici, combien tu serais prêt à payer par heure?

R : Oui c'est une bonne question.

R : Combien d'heures qu'il passe sur ton dossier?

R : Oui, c'est ça. Comme j'imagine ce serait la même chose qu'un comptable presque.

R : Oui

R : Puis ça varie. Y'a du monde qui rente juste sur le marché et serait moins cher.

M : Ça devrait être quoi, des centaines de dollars par heure?

R : Non. Des fois ça dépend combien t'investie, si t'es un client avec des millions.

R : Pour des comptables, il va y avoir des règlements spécifiques pour la province...

M : mais si y'a une réglementation...

R : Il peut dire bien je te suggère d'aller avec 20%. Y'ont toute la même histoire. C'est comme un *guessing game*, ils peuvent juste te donner une suggestion mais, même eux ils le savent pas. C'est une job difficile moi je pourrais pas le faire.

R : Oui

R : C'est l'expérience.

R : Tu prends l'expérience que tu veux mais...

R : C'est juste des conseils qui te donne, t'es pas obligé de suivre ce qu'il te recommande

- M : Si tu voulais embaucher quelqu'un comme CPF, qu'est-ce que tu penses est juste comme taux à payer par heure?
- R : Je suis d'accord avec France c'est une question de combien tu peux investir. Puis moi dans ma situation, on parle pas de gros montants, je peux investir ce que j'ai mais, c'est pas...
- M : Mais c'est peut-être pas juste de faire des investissements chaque année c'est peut-être une personne qui va faire tout un diagnostique de tes finances et faire un plan.
- R : Je dirais 50 de l'heure, 60.
- R : J'ai pas d'idée moi non plus.
- R : Moi je paierais la même chose que les autres professionnels. Si tu vas voir un notaire c'est 100\$ minimum, voir bon notaire. Pour faire un *one stop shot* minimum 100\$.
- R : Moi je crois que ça vaut ça si il peut faire ça, mais l'affaire c'est qu'aujourd'hui ils font pas tous ça.
- R : Certainement même de faire un testament ça va coûter quelque chose, donc c'est...
- R : Exactement.
- R : Les testaments c'est rendu, passé 500\$ pour sur.
- M : J'ai juste quelques autres questions à vous poser. S'il y avait une liste de conseillers accrédités en planification financière, qu'on peut trouver sur un site web ou dans des documents gouvernementaux, est-ce que ça vous intéresse, le fait qu'y'aura une liste définie de tous les CPF qui ont tous leur accréditation ou certification?
- R : Oui, autant que la source est pas biaisée non plus. D'où a vient cette liste?
- M : Mais si c'était gouvernemental ou quelque chose comme ça?
- R : Comme les autres cadres professionnels?

- M : Oui. Comme avec les avocats ou les médecins. Je suppose qu'on peut faire de la recherche ou lire les critiques – combien d'étoiles ils ont. On peut même lire les critiques. (rires)
- M : Dernier tour de table : racontez qu'est-ce que vous appris ce soir, avez-vous des derniers mots à dire, ce que vous pensez devrait être fait pour protéger les clients des conseillers en planification financière ou reformer le domaine de la planification financière, en général. Alain si tu veux commencer.
- R : J'avais toujours vu ça comme, ce domaine là c'est risqué, j'avais jamais eu trop de confiances. Mon *background*, Bac en finances, je connais assez, j'avais pas besoin... Mais, *low, medium high*, j'avais pas besoin de trop, j'étais un peu surpris, mais je savais pas que le Québec était la seule province...
- M : avec toutes ces réglementations là, oui.
- R : Y'a des améliorations qui peuvent être faites, c'est des bonnes idées.
- R : Protéger le public je pense c'est vraiment une bonne chose, c'est une des choses les plus importantes de notre vie, notre argent, notre retraite, puis y'a personne qui check ça. Personne pan toute. Ça fait peur, c'est difficile faire confiance à quelqu'un à moins que tu connais, t'as eu des bonnes références. Puis dans ce cas là t'es quasiment obligé de faire ton éducation, ta propre éducation. Mon niveau de connaissances est moyen parce que j'ai fait beaucoup d'éducation moi-même mais, je pense à ma mère, mon père.
- R : Oui, eux-autres ils peuvent prendre avantage...
- R : Quand j'étais jeune, le gros gars dans la Cadillac, de 75 000\$ qui vient chez moi une fois par mois, tu dis bien, où est-ce qu'il paye son gaz, qu'il paye son char, mais ça arrivait parce que, mais c'était dans le temps. C'était normal. J'ai cette image là dans la tête. Y'avait pas fait 5 ans d'universitaire.

M : On ne peut pas être tous des experts sur les placements et les finances, c'est pourquoi il doit y avoir des CPF pour nous aider. Alors France, qu'est ce que tu as appris.

R : Moi j'ai beaucoup appris parce que je suis pas mal nouvelle, j'ai tellement voyagé puis j'ai été occupée avec d'autres choses puis c'est juste dernièrement que je me suis informée. Puis je suis chanceuse parce que je suis avec quelqu'un qui est vraiment expert là-dedans puis il s'occupe pas mal de moi parce que, ça prend de l'investissement puis nanana. Alors moi j'étais pas au courant que c'était, il faut pas qu'il soit certifié puis *whatever*. J'étais vraiment, vraiment pas au courant puis je suis surprise parce que, autant que tu vois un docteur pour ton *health, this is your financial health* qui est ...

M : C'est important aussi.

R : C'est autant important. *So*, moi je suis vraiment surprise que c'est pas en place. Puis moi, c'est mon opinion, ça devrait être directement transféré, du Québec au NB.

M : Ou au moins avoir les mêmes règles ici.

R : Oui, oui exactement.

R : Je pense, un petit peu de réglementation pour protéger le consommateur définitivement. Comme la même chose. J'avais une idée que t'avais pas besoin d'être certifié pour être planificateur, comme tel. Donc oui je pense un petit peu plus de réglementation. Mais je trouve aussi que il reste un certain degré de responsabilité sur le consommateur. Pas nécessairement de connaître, c'est tellement un domaine complexe, en tout cas moi je le trouve complexe. C'est peut-être pour ça que je mets un petit peu d'argent de côté puis je me dis, « j'te fais confiance ». Puis on parle pas de sommes, mais quand même, tout est relatif. Mais je devrais être plus responsable, moi-même, en termes de consommateur.

M : Et aussi toute la discussion que nous avons eue sur la façon de rémunération et de commission. Est-ce que ça ce serait quelque chose de nouveau que...?

R : Non mais je savais qu'ils étaient. Mais moi dans le domaine, disons, c'est surtout les assurances. Mais tu fais ton argent, t'es payé d'une place ou d'une autre là. Les pourcentages de commission, la façon que je vois ça, t'es payé pour ce que tu fais. Mais c'est certain que y'en a de caché.

M : Rachel?

Les 6 là, y'en a quelques uns, je connais pas grand conseiller qui font ça. Les règles au Qc, j'ai vécu au Québec pendant 4 ans, mon mari travaille dans la construction ça fait je savais qu'y'avait beaucoup plus de règles et certains programmes que moi je dirais qu'ils sont meilleurs au Nouveau Brunswick que d'autres provinces. J'aime les règles du Québec puis je serais en faveur qu'on adopte ça au Canada ou au moins au NB. Pour l'Australie je sais pas. Mon inquiétude c'est que j'ai tellement vu un roulement là-dedans j'aurais peur qu'il y aille pas assez de bons conseillers pour servir le public, puis qu'on soit en position où tout le monde a pas des services aussi facilement disons. Mais d'un autre côté en tant que consommateur si moi je peux avoir des meilleurs conseils, un meilleur service puis payer peut-être moins à la longue, ça c'est parfait parce que tout de suite ils vont faire beaucoup plus d'argent du, des commissions.

M : David?

R : Je pensais que c'était un peu plus réglementé que ça, je pense qu'on a besoin d'un peu plus de réglementations. Faut pas avoir peur... Un moment donné on parlait de déréglementer les banques dans les années 90 et 2000. Puis là, avec tout ce qui s'est passé aux États-Unis. Je pense que ça prendrait quelque chose d'un peu p l u s ...

M : Jacques?

R : Moi ça m'a surpris que c'était seulement le Québec qui avait réglementé sévèrement comme ça. Faudrait qu'y'aille plus de réglementation au Canada. Je pense aussi que si y'a plus des lois strictes, le public va être protégé et mais aussi,

le planificateur financier va être protégé aussi. Ils deviennent tous, la 1ere visite que tu les vois, automatiquement il va être protégé aussi.

M : Mario?

R : La certification, comme tout le monde a dit, je suis surpris de voir, c'est un domaine que tu penses que c'est professionnel assez, y'a une plaque qui dit...

M : Parce que le nom conseiller financier ça donne l'impression, planificateur financier ça donne...

R : Un professionnel qui...

M : C'est un peu impressionnant comme titre n'est-ce pas?

R : Je le mettrais pas dans la même catégorie que les avocats, mais c'est quand même, ...

M : Je crois que nous avons fini notre discussion pour ce soir. Je vous remercie. La terminologie financière c'est un peu plus difficile.

FIN DE SÉANCE

B&S

Appendix 2 - Environics Report on Focus Groups

FINAL
REPORT

*Focus Group Report on Attitudes toward Regulation of
Financial Planners in Canada*

Prepared for:

Public Interest Advocacy Centre

November 2011

pn 7001



33 Bloor St East

Suite 1020

Toronto, ON M4W 3H1

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Introduction

Envionics Research Group is pleased to present the findings of qualitative research conducted with clients of financial planners on behalf of the Public Interest Advocacy Centre (PIAC). This research is in support of a study being undertaken by PIAC which will examine how to move towards a national, comprehensive regulatory framework for the regulation of financial planning in Canada. This research is a follow-up to PIAC’s examination of financial planning in its report “Holding the Purse Strings: Regulating Financial Planning in Canada.” This new study will examine in detail the necessary steps towards creating a certain regulatory framework that is consistent across Canada, so that all Canadians can benefit from financial planning, with robust consumer protection.

Background

Momentum appears to be building towards a national framework for financial planner regulation. First, there has been considerable work done already by financial planner organizations towards this goal. They have had an industry task force in place for at least two years, developing a financial planning regulatory framework. The task force plans to release its draft framework in early 2012; it plans to invite consumer and other stakeholders to round tables in 2012 to discuss the draft framework.

On the consumer side, the previous study by PIAC demonstrated that consumers are daily interacting with individuals calling themselves “financial planners” who may have few skills in the areas considered

by financial planner organizations to be competent. Likewise, the recent economic uncertainty in Canada, coupled with falling savings rate and increased use of consumer credit, make finding new methods to responsibly manage consumer finances more urgent.

The Task Force on Financial Literacy will report its findings in early 2012. Momentum on consumer financial services restructuring to address some of these concerns will be high. It is anticipated that the Task Force will call for increased formal structuring of financial affairs of Canadians, even if they do not name it “financial planning.” Therefore, a regulatory framework to ensure delivery of such advice appears to be needed sooner than later.

Finally, work towards a single securities regulator or overarching framework likely will be pursued in earnest in 2012. Synergy with these consultations likely can be achieved by using the dialogue created in that consultation to consider the larger structural changes to the regulation of financial advice and planning that may be necessary.

Methodology

Four focus groups were conducted with people who are clients of financial planners; two of these groups were conducted September 29, 2011 in Toronto and two October 3, 2011 in Moncton. One of the sessions in Moncton was conducted in French.

Location	Dates	Group Composition
Toronto	September 29, 2011 – 5:30 pm	English language group
Toronto	September 29, 2011 – 8:00 pm	English language group
Moncton	October 3, 2011 – 5:30 pm	English language group
Moncton	October 3, 2011 – 8:00 pm	French language group

For each group, eight people were recruited. Each focus group session was approximately two hours in length and was conducted according to a discussion guide developed in consultation with the client team. A \$100 cash incentive was given to each participant. Guidelines were established for recruiting participants:

- A good mix of ages between 20 and 70;
- Good range of annual household incomes over \$25,000;
- All participants to have an investment portfolio with current value of \$10,000 or more;
- All participants to currently use the services of a financial planner; and
- A good mix of consumers who use a financial planner associated with a bank or major brokerage firm and consumers who use an independent financial planner.

Derek Leebosh, Senior Associate – Public Affairs, of Environics Research Group, acted as Project Director and moderated the focus groups.

All qualitative research work was conducted in accordance with the professional standards established by the Marketing Research and Intelligence Association (MRIA – previously the Professional Market Research Society and the Canadian Association of Market Research Organizations).

Statement of Limitations

The objectives of this research initiative are exploratory and therefore best addressed qualitatively. Such research provides insight into the range of opinions held within a population, rather than the weights of the opinions held, as would be measured in a quantitative study. The results of this type of research should be viewed as indicative rather than projective.

Executive Summary

This executive summary presents the key findings from qualitative research conducted by Environics Research Group on behalf of Public Interest Advocacy Centre on attitudes toward regulation of the financial planning industry. The research consisted of four focus groups conducted with people who have financial planners; two of these groups were conducted September 29, 2011 in Toronto and two on October 3, 2011 in Moncton.

Knowledge and Experience

Participants have varied experiences with financial planners:

- Some have had the same planner for 15 years or more, others have had several different planners over the years.
- Some have several planners, each of whom performs a different function, but most have only one planner, or deal only with one bank, credit union or investment company.
- Many with independent financial planners chose them through personal referral, and noted that finding a planner they could trust was important to them.
- Some with independent financial planners did some “checking up” – talking to other clients, checking on certification.

Key activities of a financial planner were identified as:

- Assessing the needs and financial situation of their client (including risk levels), establishing goals for the client, developing a plan that would enable the client to reach those goals, and advising the client on issues related to carrying out that plan.
- Managing the client’s investments effectively in order to bring about the best return, given the client’s circumstances and tolerance for risk.
- Educating clients about financial issues and strategies.
- Providing statements and ongoing communication and feedback to the client.

Most said that their own financial planner had not addressed all of the six areas outlined by the Financial Planning Standards Council, but rather focused on investments and retirement planning.

Key obligations of a financial planner were identified as:

- Client communication – regular meetings, statements and consistent follow-up; many felt their planner did not provide adequate communication.
- Professional standards – code of ethics, exercising due diligence, ongoing professional education, and maintaining strong knowledge base about current and forecast market and economic trends.
- Few considered provision of a tailored personal plan to be an obligation.

Few participants mentioned an obligation to disclose fees and commissions, conflicts of interest or the obligations of financial planners to their clients.

- Most were not sure whether financial planners were in fact obligated to make such disclosures.
- A few believed that disclosure of these issues was a legal obligation, or that changes in regulation were in place to ensure that it soon would be.
- A few were aware that disclosure is not a legal obligation in their province.

Many participants did not associate the profession with government regulation; this resulted in confusion over the issue of financial planning as a profession.

- Most were not sure whether the financial planning industry has the same kind of legally regulated status as professions such as medicine or law.
- Many were aware that there are several bodies that offer courses, administer examinations and certify financial planners (i.e., the CFP designation).
- Others said that they assumed that financial planners are certified or licensed.
- For most, the existence of certifying bodies, courses and examinations implied that the industry was a profession.
- Only a few were aware that the industry is not a regulated one, and that no training or certification is required to call oneself a financial planner.

Most participants have no clear idea of what recourse they might have or what forms of consumer protection exist with respect to the financial planning industry. There was little awareness of the federal Office of the Ombudsman for Banking Services and Investments or the Investment Industry Regulatory Organization of Canada (IIROC).

Suggested avenues of recourse included:

- Approaching the planner's supervisor or using any existing complaints process within the company;
- Approaching the certifying body, their provincial Securities Commission or the Mutual Funds Dealers Association;
- Private lawsuits; and
- Reporting problems to their local Better Business Bureau.

Issues of Compensation

Forms of compensation mentioned by participants included:

- Flat fees charged directly to the client's account by a bank or credit union;
- Hourly or flat fees charged to the client by an independent planner;
- Percentage fees;
- Commissions and trailers; and
- Management fees associated with investments.

Participants' understanding of compensation issues, especially regarding third-party commissions and benefits, was limited.

- Few were aware that most planners receive the majority of their income from third-party commissions, trailers and other benefits.
- Most assumed that any commissions received varied directly with the growth of the portfolios being managed, thus providing the planner with an incentive to choose the best possible investment vehicles for the client.
- Some were unsure of how their financial planner makes his money, and appeared to have limited interest in finding out.
- Many participants had not received full disclosure of fees and commissions, and did not understand how their planners are remunerated.
- Many did not appear to be particularly concerned about disclosure as long as their portfolio was growing.
- Many did not understand the potential conflict of interest stemming from third-party commissions.

Participants were generally in favour of regulation requiring disclosure of fees and commissions.

- Many participants felt that disclosure would encourage them to become more involved in making decisions about their portfolios.
- Most did not envision changing financial planners if disclosure was required, but wanted to work with their planner to ensure that any decisions were in their best interest.
- Most felt that if the financial planner also benefitted from these decisions, it was not necessarily a matter of concern, as long as the client's interests were paramount.

Some participants were receptive to the idea of paying their financial planner directly, either as a fee or a percentage.

- Perception that this would ensure that the planner was "working for me" rather than being influenced by other considerations such as the size of third-party commissions.
- Expectation that hourly fees would be dependant complexity of the portfolio, credentials, training and experience of the planner, and the proportion of different kinds of work performed.
- Reasonable hourly fee thought to be in the range of \$100 to \$150 per hour.
- Some preferred to pay a percentage of the growth of their portfolio, or paying a combination of flat fees and a percentage.

Others preferred that financial planners receive commissions, as they felt this would provide a greater incentive for performance and attentiveness.

- This preference may have been based on a lack of understanding of third-party commissions, as most seemed to assume that the size of the commissions was based on fund performance.
- Some did not seem to be aware that these commissions were in fact coming from third parties.

Attitudes toward Regulation

Most participants thought that measures such as those in the Quebec legislation would have been in place in their own province.

- Most agreed that similar regulation should be introduced in their province.
- Many participants said that everything contained in the legislation seemed positive and that they approved the “package” as a whole.

Specific elements of legislation that appealed to participants included:

- Requirement to disclose fees and commissions;
- Provision for fines in case of failure to fulfil the stated obligations;
- Training and ongoing education;
- Attention to the six areas of core activity specified by the Financial Planning Standards Council; and
- Ethical behaviour toward clients.

There was some debate over the provision that financial planners not advise their clients to invest in anything in which the planner has a significant interest.

- Some felt that as long as there was full disclosure, the client could consider the possible conflict of interest and make appropriate decisions.
- Some were concerned that this might preclude the planner from recommending any stock in which the planner has a personal investment.

Most were in favour of a compensation fund.

- Concerns that, in Quebec, compensation from the fund was capped at \$200,000, which would not necessarily be sufficient to cover losses.
- A few were skeptical about effectiveness of compensation funds in general.

Funding of compensation fund was a major concern.

- Some were concerned that compensation would be funded by taxpayers.
- Some felt that if financial planners were required to fund it, they would simply raise their fees and commissions, making the clients pay for their own protection against fraud. Most felt that financial planners should bear primary financial responsibility for maintaining.
- Some also felt that mutual fund companies should contribute to the compensation fund.

Many participants approved of the measure in the proposed Australian reforms that commissions be banned.

- Some felt that taking such action would protect consumers.
- Others felt it would give clients the assurance that their financial planner was in fact working for them and not for a third party.
- Some felt that this would foster competition and force planners to offer better service.
- Some thought that investment companies might become more competitive as well and improve the nature of their investment vehicles.
- A few were concerned that up-front fees could be a barrier to people with only a small amount of money to invest.
- Others felt that banning commissions would remove any incentive a financial planner might have to work hard for the client.

Response to the proposed opt-in measure was generally positive.

- Most liked the combination of required disclosure of fees and option to opt out.
- Some were concerned about consequences for investments if a client did nothing in response to the notice.

In general, participants were in favour of at least some regulation of the financial planning industry being introduced in all regions of Canada.

- Some were surprised that financial planning was not a regulated profession with a governing body.
- Clearly defined obligations and a formal method of recourse in the event of misconduct were seen as two of the key benefits of such regulation.
- Participants favoured penalties for misconduct.
- Some preferred national regulation to ensure consistency of standards and penalties.
- Others thought that since most financial products are national in scope, so should be the legislation governing their actions.
- Some worried a planner faced with charges of misconduct could easily escape penalty by moving to another province.
- Others noted that all other professions are regulated at the provincial level.
- A few expressed concern about the degree of bureaucracy that might be involved in a national regulatory body.
- Some preferred a combination of national and provincial jurisdiction, such as having minimum standards set nationally, but having the profession itself regulated by provincially-sanctioned bodies.

Other issues related to consumer protection included:

- The multiplicity of “middlemen” in the industry operating between investment opportunity and investor, all of whom are collecting fees and commissions, and adding in the long run to the price of the products while possibly obscuring information on the actual potential for return.

- The need for consumer education – and government’s role in filling that need – through such actions as the inclusion of education on basic financial issues and concerns in the public school curriculum, and the provision of programs or materials covering basic information on such issues as investments and financial planning.
- A government website listing accredited financial planners that might include information on the planner’s track record and whether the planner had ever been fined for misconduct, and have an option for the public to post reviews and complaints.

Detailed Findings

This report presents the findings from qualitative research conducted by Environics Research Group on behalf of Public Interest Advocacy Centre on attitudes toward regulation of the financial planning industry. The research consisted of four focus groups conducted with people who are clients of financial planners; two of these groups were conducted September 29, 2011 in Toronto and two October 3, 2011 in Moncton.

The research findings can be grouped into three general topics:

- Participants’ experience and knowledge of the duties and obligations, and their awareness of the current state of regulation of the financial planning industry and current consumer protection relevant to the industry in their jurisdiction;
- Participants’ knowledge of the variety of compensation available to financial planners, and their opinions on ways in which financial planners are or could be remunerated; and
- Participants’ responses to current and proposed regulation of the financial planning industry in other jurisdictions (Quebec and Australia), and their opinions on regulation of the industry in their own province.

Knowledge and Experience

Experience with Financial Planners

Participants in both Toronto and Moncton reported varied experiences with financial planners. Some have had the same planner for 15 years or more, who was in some cases the first planner they formed a relationship with. Others have had several different planners over the years; participants' reasons for making changes included retirement of a planner, moving to another area, dissatisfaction with services rendered, and changes of personnel within the financial planner's company.

Some participants reported having more than one person who provides some aspect of financial planning – for example, they may have one person who handles investment planning and another who handles insurance. Most, however, have only one financial planner, or deal only with one company that provides financial planning services.

Many reported receiving financial planning services from a planner, or planners at their bank or credit union. Others mentioned an insurance broker or an investment firm such as BMO Nesbit Burns, Wood Gundy, Edward Jones, RBC Dominion Securities or Scotia McLeod.

Many participants indicated that they chose their financial planners through some kind of personal contact – referrals from a relative, friend or colleague, or through some other personal relationship.

Some found their financial planner through other business contacts, such as an investment, insurance or real estate broker. A few responded to “cold calls” by financial planners, via mail, e-mail or personal contact, or engaged a planner after attending a financial management seminar of some kind. Many of those whose financial planner is with their bank or credit union did not actually choose their planner, but rather work with whoever was assigned to their portfolio by the bank.

The idea of finding a planner they could trust was of considerable importance to most. Several participants had had previous experiences with planners who did not manage their portfolios properly or who had recommended suspect investments, and some others who had not had such experiences personally made references to news stories about untrustworthy financial managers or planners such as Bernie Madoff.

I got him on basically a referral from somebody else because I was very unhappy with my previous one who, I think, completely forgot his fiduciary duty to me and got me into one of these charitable donation schemes, which is solely profiting him and no one else. (Toronto)

Some participants with independent financial planners reported that they did some “checking up” on their planner before entering into a business relationship. This involved talking to other clients when possible, finding out how successful they had been in helping other clients, and asking whether they were certified.

My husband ... interviewed them and checked things and checked their background, and made sure that they were qualified and registered and everything else, and checked what their success rate was. The other, I think it was the same thing. I think he went to a seminar and ended up finding that this man had sort of the ability to make decisions and help make investments, and again, [my husband] checked him out and spoke to some other people, and that’s how they came to him. (Toronto)

Most felt that there were few barriers to finding a financial planner; the only issue mentioned was that some financial planners – primarily the more experienced and senior planners – only handle clients with assets or investment portfolios above a certain value.

You might not get the same one you want, though. Some of them will only invest with you if you have X number of dollars to invest. (Toronto)

... the more senior people will deal with people that have more money because it’s just the way things are. (Moncton)

Activities of a Financial Planner

Participants were asked to identify the activities that they felt were part of a financial planner’s duties or “job description.” Most participants focused on two general areas which they saw as a financial planner’s main activities.

Most perceived the financial planner's job to include assessing the needs and financial situation of their client (including risk levels), establishing goals for the client, developing a plan that would enable the client to reach those goals, and advising the client on issues related to carrying out that plan. Such planning was spoken of in general terms, and there was no mention of written documents, charts, projections or other materials outlining such a plan being provided to the client.

They uncover the client's needs, whatever needs the client would have. And they would set up a plan to achieve the goals of the needs they uncovered. (Moncton)

...then probably build a road map or a plan to sort of reach those goals and targets. (Toronto)

...looking at what are the client's goals, what their debt level might be and income, and taking this all into account when making suggestions for where the portfolio should go. (Toronto)

The other activity mentioned by most participants was managing the client's investments effectively in order to bring about the best return, given the client's circumstances and tolerance for risk.

We put that they sell investments and move investments around, rebalance investments over time. (Moncton)

And best return for your money. (Toronto)

Other activities were mentioned, but only by a few participants. These included:

- Educating clients about financial issues and strategies;
- Providing statements;
- Providing ongoing communication and feedback to the client;
- Giving advice on taxation issues related to investments; and
- Forecasting market trends.

Following this initial discussion of what they understood a financial planner's activities to be, participants were then informed that the core duties of a financial planner (according to the Financial Planning Standards Council, a leading accreditor of financial planners) are: cash and debt planning, income tax planning, investment planning, retirement and financial independence planning, insurance and risk planning, and estate planning.

While many participants, on reflection, found nothing that was unexpected or surprising in this list of core duties, most also said that their own financial planner had not addressed all of these issues in dealing with them, but rather focused on investments and retirement planning. For some, this was because they had specified that they wanted their financial planner to focus on these areas, but others said that the other topics in this list of core duties had not, to their recollection, been discussed. Those who had more than one financial planner tended to report that most or all of these areas were dealt with, but by different planners.

Obligations of a Financial Planner

For the most part, participants did not have a clear sense of what the obligations of a financial planner would be. Some were more comfortable talking about their own expectations rather than their planner's obligations.

For me there's a difference between obligation and expectation. Like they might not be obliged to do it, but that's what I expect. I expect a written update. I expect you to send me exactly where my money's going. So I don't know if it's an obligation *per se* for their job and they have to do it. (Toronto)

Participants were most likely to mention issues surrounding client communication. They expected regular meetings, statements and consistent follow-up on matters that might affect their portfolio. However, there was a sense that most participants felt this was not actually an existing and recognized obligation, but rather something they thought should be an obligation. Several made comments that indicated that this degree of communication was something they did not receive from their current financial planner.

I don't think they view it as an obligation, but I think that the customer often does. (Toronto)

We were kind of hoping that we would get some honest feedback and I guess more concern about the follow-up portion. So hoping to get some, whether it's quarterly or bi-annually. (Moncton)

Some participants focused on what might be considered professional standards of behaviour – following a code of ethics, exercising due diligence, and engaging in ongoing professional education and maintaining strong knowledge base about current and forecast market and economic trends.

We had staying informed on the market, so continual education I guess and with the markets. (Moncton)

Keeping current, and act in the best interest. (Toronto)

And maybe maintaining an ethical standard, too, as well. (Toronto)

Participants also suggested that financial planners had an obligation to:

- Educate their clients on financial matters;
- Assess their clients' needs and advise them accordingly;
- Manage investment risk according to the client's profile; and
- Register transactions.

Most participants did not think that provision of a tailored personal plan is an obligation, and many indicated that they have not received anything like this from their planner.

I don't think that they do tailor things to people's needs. I believe that there are a limited number of programs that they try to fit you into in order to cover their own butts. (Moncton)

Few participants mentioned an obligation to disclose fees and commissions, conflicts of interest, or the obligations of financial planners to their clients. When asked specifically about disclosure, most were not sure whether financial planners were in fact obligated to make such disclosures, although some said that they hoped that potential conflicts of interest would be disclosed. Some believed that disclosure of these issues was a legal obligation, or that changes in regulation were in place to ensure that it soon would be, but most were uncertain. A few were aware that disclosure is not a legal obligation in their province. (The discussions in the Moncton English-speaking group demonstrated a greater awareness of issues surrounding third-party commissions than those in other groups, possibly because several participants in this group had personal experience with commission-based remuneration, some in the financial industry.)

I don't know if they have to because I think that that would probably make their industry shrink rapidly overnight, so I don't think they have to. But, I mean, we'd love to know. (Toronto)

I think that's something that's coming out. On certain things, I think they need to. I'm pretty sure. (Moncton)

I would prefer if they did. In my industry, I'm forbidden from earning a secret profit. The way they get paid, I would end up in a lot of trouble. (Moncton)

Financial Planning as a Profession

The question of whether financial planning is a profession or not was not well-understood by most participants. While some were aware that professions are legally regulated, this was not a commonly understood distinction. Most of those who did understand the question were not sure whether the financial planning industry has the same kind of legally regulated status as professions such as medicine or law.

Among those who were not aware of the regulated nature of professions, many were aware that there are several bodies that offer courses, administer examinations and certify financial planners – and among those who are not aware of these certifying bodies, many said that they assumed that financial planners are certified or licensed. For most, the existence of certifying bodies, courses and examinations

implied that the industry was a profession. They did not appear to draw a distinction between passing a course and receiving certification, and being part of a legally regulated profession. In terms of specific certification, several mentioned the CFP designation; others mentioned the Securities Course examinations. Only a few were aware that the industry is not a regulated one, and that no training or certification is required to call oneself a financial planner.

I'm sure there's an extensive training program before they get into it even if they're not certified by a college or university. (Toronto)

They have certification, so they must. (Moncton)

When I think of the profession, I always think of the CFP, like people with designations. That's when I think of a profession. But absolutely anybody here could start a business tomorrow and call themselves financial planners... (Moncton)

Consumer Protection

Most participants have no clear idea of what recourse they might have or what forms of consumer protection exist with respect to the financial planning industry. Most felt that if they had a problem with a financial planner who worked for a bank, credit union or investment firm, they would go to that person's supervisor, or make use of any existing complaints process within the company. Others mentioned approaching the certifying body.

It depends where your money is. If it's with an institution, then take it up with their boss, and if they're with another type of company, I'm sure that there's somebody within that company that you can complain to. But if the company folds, I don't think there's really anything that ... (Toronto)

I guess at the credit union and the bank, you have recourse up the line of the bank. (Moncton)

To the governing body, whoever certifies them. If he's certified by anybody ... (Toronto)

Other participants mentioned private lawsuits or reporting problems to their local Better Business Bureau. A few mentioned their provincial Securities Commission or the Mutual Funds Dealers Association. Awareness of the federal Office of the Ombudsman for Banking Services and Investments was very limited, and there was no knowledge of the Investment Industry Regulatory Organization of Canada (IIROC).

Issues of Compensation

Awareness of Means of Compensation

The general perception among participants was that planners associated with banks or credit unions received their remuneration from flat fees charged directly to the client, while independent financial planners received their remuneration from a variety of sources, including hourly or flat fees charged to the client, percentage fees, commissions and trailers. Many seemed unsure as to whether planners associated with banks would also receive commissions. Some participants also mentioned management fees associated with investments.

We pay an actual bill that comes to us, write him a nice cheque, and then there are also payments made to him directly from the account as part of his percentage fee. (Toronto)

I think it's going to depend on what type of financial planner you have. So, if you're at a bank, sometimes there's a fee for a financial planner. Otherwise, if you're just doing some mutual funds, there might be a percentage off what you're making. (Toronto)

I pay an annual fee for him to manage my accounts, but I understand that there is also some kind of payment from the companies that are commissions. I know that exists somehow. (Toronto)

Some, particularly those in the Moncton English-speaking group who were more familiar with commission sales, were more knowledgeable concerning the nature of commissions received by financial planners. They understood that planners received commissions and trailers from investment companies based on how much of their clients' monies were directed to their products.

They're commission sales people. The trailer's the key because if they can survive long enough, they can build up enough of a client base that they ... (Moncton)

I think that they are sales people and they have to sell things to make a living. And I sell things for people. (Moncton)

However, many participants did not appear to be aware of the nature of the commissions received by financial planners. There did not appear to be a clear understanding that most planners receive third-party commissions. Many assumed that whatever commissions the planner received were in some way tied to the income generated by investments, and that the size of the commission varied directly with the growth of the portfolios being managed, thus providing the planner with an incentive to choose the best possible investment vehicles for the client. Similarly, with financial planners who were not primarily investment managers, the assumption was that the planner's commission was directly tied to the client's money in some way.

I pay the premiums every month and I assume he just takes whatever percentage he told me, he takes it off my premium. And in here, takes the percentage off the total premiums I pay. I don't write him, you know, here's \$50.00 for being my life insurance guy. (Moncton)

I can remember in some of the investments I had earlier, there were commissions. Like every time they made a trade or whatever, there were commissions. (Moncton)

Some participants were unsure of how their financial planner makes his money, and appeared to have limited interest in finding out.

I know he makes something, so it must be based off of... I've recommended a lot of people to him who do have a lot of investments. So, for me, it's not so much investments, so I actually don't know how he makes his money. (Toronto)

I know I pay a yearly fee. And I don't know for sure because I haven't really studied too much about what's going on in my portfolio lately. But I think certain transactions, they get a percentage. (Toronto)

Disclosure of Fees and Commissions

The research suggests that not all financial planners regularly and fully disclose to their clients the fees and commissions they receive. Some participants have inquired about their planner's fees and commissions, and others said that their financial planners have made at least some disclosure about their fees and commissions; a few receive regular statements which outline their fee structure. However, many participants indicated that their financial planners do not disclose their sources of income – at least not in a way that the participants recognize and understand. Some thought that they might have been provided with documentation concerning the remuneration received by their planner, but had not read it. Few participants have made a point to ask their planner how they are paid, or what commissions or other fees they receive from their activities on behalf of their clients.

We never had that conversation, and it could be in some type of documentation that I have. (Toronto)

My financial planner at the Bank of Nova Scotia that I've been working with, I've never seen how they make their money on a statement. It doesn't show me on the statement. I've never asked the question. (Moncton)

Among those participants who had not received information concerning their planner's fees and commissions, many did not appear to be particularly concerned about disclosure as long as their portfolio was growing, although there was a general sense that "it would be nice" to know how the

planner was being paid. Some participants who were more familiar with the nature of commissions and trainers could envision the possibility of conflicts of interest, and tended to be more interested in disclosure for that reason.

It's an unregulated business right now, so if you're not an educated customer in this, you could fall trap to somebody who works based on their own interests rather than the interest of their customers. (Toronto)

I think sometimes they could have a bigger commission if they invest your money in certain companies and it might not be the best thing for that individual. (Toronto)

I think that any business where the people earn their money secretly... if you're going to do something for someone and deliver value, you shouldn't be afraid to charge someone money for the value you deliver. (Moncton)

Participants were, however, generally in favour of regulation requiring disclosure of fees and commissions, whether or not they had been accustomed to getting such information from their financial planner in the past. Some thought that if such disclosure were required, it might lead to other systems of remuneration which could be better for the client in some circumstances.

So, as a client, it would be nice to know the disclosures of the commissions and to be better educated as to why they're selecting that fund. Whether it's right for you or if it's right for them is always informative, and if there's a regulatory body such as what happened with pharmaceuticals, now in place to guide everybody. (Toronto)

I just think that if everything was disclosed, I think there could be some very good financial planners who might say I'll charge you money to do an analysis of your needs, and you're paying for my time and my expertise and that's what you're paying for. (Moncton)

Many participants felt that if they were aware of all fees, commissions and other benefits that their financial planner would receive as a result of placing their money in specific investments, they would become more involved in making decisions about their portfolios. Most did not envision changing financial planners if disclosure was required – rather, they wanted to work with their planner to ensure

that any decisions were in their best interest first. In fact, some felt that such disclosure would improve their relationship with their planner, because they would no longer be wondering if decisions were being made in their best interest, or in order to get the best commission for the planner. Others were less positive about the perceived necessity to make sure that commissions and other benefits were not influencing their planner's decisions. However, most felt that if the financial planner also benefitted from these decisions, it was not necessarily a matter of concern, as long as the client's interests were paramount.

I would become more interested than I currently am, because then I would be looking at his motivation, my motivation. If it makes sense for both of us, if you win the trip to Bermuda and I make 50 percent on it, we both win, right? (Toronto)

So at least one thing it does immediately is it keeps me informed. But it doesn't make me take an action until I see something in that information that concerns me. So I think that the first step is it informs me. I don't know that it right away makes me change something or act different or have a different perception of it. (Toronto)

I would say prove to me that that fund is the best fund for me, and then I don't mind you going to Hawaii. But I would be uncomfortable necessarily saying yeah, sure, go ahead because you're going to get the trip. (Moncton)

Flat Fees Vs. Commissions

Participants were divided on whether they would prefer a situation in which they paid their financial planner an up-front fee or percentage of earnings, or a situation in which financial planners continued to receive commissions paid by third parties. Some participants, particularly in the Moncton English-speaking group, were quite receptive to the idea of paying their financial planner directly, either as a fee or a percentage. Many participants who preferred to pay their planner directly felt that this would ensure that the planner was "working for me" rather than being influenced by other considerations such as the size of third-party commissions.

I'm probably biased on this because I already pay him a flat fee. For us, I think that's the way to go, for me personally. For somebody else, it may be a different structure altogether. (Toronto)

If I showed up with \$50,000 to invest and they said 'Okay we're going to create a plan and you've taken three hours of my time, so here's a bill for \$600.00,' they would have no doubt in their minds who they were working for – me. And, right now, I think sometimes they get confused. (Moncton)

If I want something planned out; if I want a house built, when I go to an architect, the architect says I'm going to charge you this money to do this for you. And I know he's working for me because I'm paying him. (Moncton)

On the other hand, other participants – particularly in Toronto – were more inclined to say they preferred that financial planners receive commissions, as they felt this would provide a greater incentive for performance and attentiveness. However, their comments indicated that this preference may have been based on a lack of understanding of the nature of the commissions received by financial planners from third parties – most seemed to assume that the size of the commissions was based on fund performance, and some did not seem to be aware that these commissions were in fact coming from third parties.

I really don't trust them, to be honest, because if it's a flat fee, then there's no incentive to perform. (Toronto)

I think the commission one sounds better to me. It sounds like more. What has he done ahead anyway? So, you're just hoping that you're getting good returns at the end of the day. If you're not getting good returns, then you could shut it down any way anyone else would. But, if you pay, the motivation is limited when they're paying a flat rate, but when they know that the more they do, the more they get in terms of the commission, and you're ahead and you are smiling, it's not too bad. (Toronto)

On the flip side, not that I'm a financial planner and I'm not working for fees and commission, am I going to work as hard as I would if I had to work for fees and commission? (Toronto)

Those who were interested in the idea of paying their planner a fee for their services thought that the size of the fee would be dependant on a number of considerations, including the complexity of the portfolio, the number of hours required, the credentials, training and experience of the planner, and the proportion of different kinds of work performed. Most assumed the fee would be based on an hourly rate, and some suggested that this rate might vary depending on whether the planner was performing more demanding tasks, such as creating a plan, or more routine ones, such as making a simple transaction. Suggestions as to the appropriate range for an hourly fee varied, but many suggested that a rate in the range of \$100 to \$150 per hour seemed reasonable. Others simply felt that it should be comparable to hourly rates charged by other professionals.

I would want to compare them with other highly educated advice-givers – if their fees were comparable to, like, a lawyer or an accountant, I'd be happy. So, if I was going to visit with them a couple of times a year and they're going to bill me something that worked out to \$150.00 an hour or something, I'd be good with that. (Moncton)

I don't think they should be paid \$150.00 an hour to manage money or just to do transactions. But I think if they're doing a plan, that's something else. (Moncton)

I think it depends on what type of financial advice you're getting from him. So, if I just wanted, say, information on mortgages, should I go bi-weekly or monthly, or something like that, it would probably be like a fee of \$250.00. (Toronto)

Others preferred the idea of paying their financial planner a percentage of the growth of their portfolio, or paying a combination of flat fees and a percentage. This, they felt, would provide an incentive for the planner to see that their investments performed well, but still ensure that the planner was working in their best interests.

I think it would be fair for them to be paid a percentage. (Toronto)

Maybe it should be a combination, a certain percentage of fees and a certain percentage based on the performance. (Moncton)

I'd rather see them take a percentage off my return of my investment and then I'm guaranteed. Well, nothing's guaranteed. Your best interest would be. Then I think they would look at your best interest that way.

Attitudes toward Regulation

Quebec Legislation

Participants were given the following information on the key aspects of the Quebec legislation regulating financial planners, and asked their opinions of the various measures included in the legislation:

In Quebec, financial planners must fulfill the following obligations must in order to practice within the province:

- *Special training, including ongoing education;*
- *Knowledge of the six aforementioned areas plus the element of "legal aspects;"*
- *Duty to act honestly and loyally towards their clients;*
- *Duty to act with competence and professional integrity, which involves duty of disclosure of commission and referral fees for products sold and services provided as well as other benefits;*
- *Duty not to advise the consumer to invest in anything in which the financial planner has significant interest, either directly or indirectly.*

The Quebec regulations also:

- *Oblige financial planners to pay fines for their failure to act with competence or integrity, including not disclosing commissions or other compensation;*
- *Create a compensation fund for instances involving "fraud, fraudulent tactics or embezzlement" on the part of the financial planner.*

In both New Brunswick and Ontario, most participants thought that measures such as these were in place in their own province, and upon learning that they were not, agreed that similar regulation should be introduced in their province.

Actually, just to see it here, I just always assume that something like this or better was in place. With the amount of time that investments have been going on, it's not a new thing. (Toronto)

I think it's something that I would expect to be done for me here, but it's nice to see that they actually have a regulation on things. (Toronto)

When asked what particular measures most appealed to them, many participants said that everything contained in the legislation seemed positive and that they approved the "package" as a whole. Some indicated that such legislation would give them the reassurance that their planner's obligations were clearly defined and that there were consequences if those obligations were not fulfilled.

I think it makes sense. It feels kind of reassuring in terms of like, okay, if I'm dealing with a financial advisor, I would know what his obligations are. (Moncton)

I think it's just the package. I agree with everything stated. (Toronto)

I think it's the whole package too. I'm just more excited because this is what I expected from my financial planner already. But the fact that it's actually regulations and it's on paper, it just makes me wonder what's really going on with my money now because they have regulations and we don't. Yeah, the whole package. (Toronto)

Some participants also mentioned one or more of the specific areas of the legislation as being of particular interest to them. Participants were particularly favourable toward the requirement to disclose fees and commissions, and the provision for fines in case of failure to fulfil the stated obligations – although some were concerned as to whether the fines would be large enough to serve as an effective deterrent to violations of the legislation. The requirements addressing training, ongoing information,

attention to the six areas of core activity specified by the Financial Planning Standards Council and ethical behaviour toward clients were also of interest to participants.

Oblige financial planners to pay fines for failure. (Moncton)

... the training, as we talked about earlier, right. I think it's really good to have that. And also the ongoing education. It changes, and so on and so forth. So I think that's really good. Knowledge of the six aforementioned – I was looking for the areas. (Moncton)

... and even things like there's fines for failure to act with confidence or integrity. (Toronto)

I think the bolded area, too, at the top where it states the disclosure of commission and referral fees, I think that's an important thing to myself. (Toronto)

Well, their duty to act honestly and loyally with the client's best interest. (Moncton)

There was some debate over the provision that financial planners not advise their clients to invest in anything in which the planner has a significant interest. For some, this was unnecessary – they felt that as long as there was full disclosure, the client could consider the possible conflict of interest and make appropriate decisions concerning such investments. Some were concerned that this might preclude the planner from recommending any stock in which he or she has a personal investment; others believed that this would refer only to circumstances where the planner was a major investor, and would not unduly limit the range of investment vehicles the planner could consider for his or her clients.

I think if they disclose it more. I'd be happy if they disclose. ... I think that's where the obligation should lie. It should be in disclosure and not the 'do not advise.' (Moncton)

I think, though, what it's getting at is it's not getting at investments in big things like publicly traded stock or mutual funds. It's, like, I know in bigger centres you'll have more opportunities to buy, like, limited partnership units in real estate development and stuff like this, and maybe

there are people with financial planners that would try and promote that. And it's more likely in that kind of smaller scale project that they might have interests. (Moncton)

Most participants were also in favour of the concept of a compensation fund, although there were some concerns about how useful it would be when implemented and how it would be funded.

The compensation fund also can be very useful, I guess, from people in situations where they're just at their wits' end with a full mortgage out on their home again. That's life saving I guess. (Moncton)

I like the fact that not only do they outline steps to protect you, there's an actual fund in the event that you're violated as well. (Toronto)

Some were concerned that, in Quebec, compensation from the fund was capped at \$200,000, which would not necessarily be sufficient to cover losses. On the other hand, some felt that a person who had been defrauded of more than that amount would probably be able to afford the cost of a private lawsuit. Some saw the cap on the fund as being similar to the idea of deposit insurance, which is also capped – it may not cover all the holdings of those with large portfolios, but it is enough to ensure that no one would lose everything they had. A few were skeptical about compensation funds in general, commenting that they sound like a good thing when established, but it is hard to determine if people who theoretically qualify actually receive the promised compensation.

The other main area of debate over the idea of a compensation fund focused on funding issues: "It's a good idea, but who's going to fund it?" Some were concerned that the fund would become yet another drain on taxpayers; others felt that if financial planners were required to fund it, they would simply raise their fees and commissions, in effect making the clients pay for their own protection against fraud. Even so, most felt that the primary financial responsibility for maintaining the fund should rest with financial planners, either directly or through their accrediting organizations. Some also felt that mutual fund companies and other organizations directly representing investments should contribute to the compensation fund.

There's three groups, right? There's the mutual fund companies, there's the agents who sell them, the promoters, the financial planners and then there's us. But, I think it should come from

maybe a combination of the mutual fund companies and the financial planners – but I worry that it’s going to trickle down to me somehow in some sort of hidden way. (Toronto)

Australian Proposed Reforms

Participants were given the following information on the proposed reforms for regulating financial planners, and asked their opinions of the two key measures:

Future of Financial Advice (FOFA) reforms proposed by the Australian Parliament:

1. Banning commissions received by a financial adviser.

2. “Opt-in” measure: when the financial adviser charges ongoing fees, he is required to ask clients, every two years, if they wish to continue receiving advice. Specifically, under this new rule, the adviser will be required to do the following:

- i. Send a renewal notice no less than 30 days prior to the pertinent “two year anniversary date”;*
- ii. Outline in the notice the fee that the client paid in the previous year, services that were received by him, and fee and service information for the next year;*
- iii. Inform the client that he can opt out at any time from the agreement.*

If the client opts out or does not respond to the notice, the adviser is prohibited from charging any fee.

Many participants approved of the proposal that commissions be banned. Some of these participants felt that taking such action would protect consumers; others liked the proposal because they felt it

would give clients the assurance that their financial planner was in fact working for them and not for a third party.

I think this could protect a broader range of people in terms of not receiving the commissions. (Toronto)

Maybe it's being a little selfish, but I like the idea because I find myself as a consumer and client, the conflict of interest, like I feel the person would really be there for my interests in dealing with needs, versus getting that commission, which I don't know. I like it. (Moncton)

Other participants felt that banning commissions would remove any incentive a financial planner might have to work hard for the client – most of the participants arguing this did not seem to be aware that the commissions referred to were third-party commissions that were not necessarily tied to the returns on investment for the client, and could in fact present a conflict of interest.

I'm kind of crestfallen. It sounds to me like they want to go to a flat fee, and if I'm on a flat fee, I'll criticize it, but my ideal structure would be one where the fortunes of the financial planner rise and fall with mine. That's the best system. (Toronto)

I still feel that, as a financial planner, my objectives are going to change. I'm not going to work as hard. I might miss out on something that I would have given you if I was getting commission. Because if I know I'm just going to get this salary and no commission or anything at the end of the day, I'm not working as hard for my clients. (Toronto)

Some participants commented on ways in which the adoption of this proposal might improve the industry as a whole. Some felt that if financial planners can only receive fees from their clients, this would foster competition and force planners to offer better service or otherwise improve their offerings to their clients. Some also thought that if investment companies were no longer able to offer preferential commissions to planners for placing clients' money with them, they might become more competitive as well and improve the nature of their investment vehicles.

I think this is great. It would force the financial advisors to actually do a good value. Because if they can't live on this little trailer fee, then they're going to have to charge people upfront for their time, and then they'll have to compete with each other and say I have more education or I have more experience. (Moncton)

Item #1 would force the investment companies, the mutual fund companies, to actually deliver a good product, because I'll bet you could find a lot of really poorly performing investments that pay very high commissions. And the reason the money keeps coming in is because they're paid a high commission. If they weren't allowed to pay commissions, they'd have to perform. (Moncton)

So, if the industry doesn't have to pay those fees, then the management expense ratio should drop, so your returns on your investment should increase. And the other side of it is that the advisors, of course, will like to deliver more service to you to be able to charge more, so they're going to be more enthusiastic about making sure you have all your aspects of your financial plan covered. Well, we didn't talk about estate planning yet, or we didn't talk about tax planning. Let's get together and we'll go over that and make sure you're covered. (Toronto)

A few were concerned that up-front fees could be a barrier to people with only a small amount of money to invest, or to those who sought financial advice for other matters, as there was a general expectation that if commissions were banned, the upfront fees would increase.

Well, on one side, you'd obviously know what you're paying. But on the flip side, I really don't think these guys would charge any less. It would come to the same whether you would have a net return that's lower because the commissions are taken off the return or if you got a cheque. (Moncton)

Yeah, I think the flat fee would have to be pretty high if they removed all commissions. (Toronto)

Response to the proposed opt-in measure was generally positive; participants liked the combination of required disclosure of fees and giving the client the opportunity to reassess their relationship with their financial planner on a regular basis. Some, however, were concerned about what might happen, both

for the client and the planner, if a client did nothing in response to the two years' anniversary notice – what would happen to the client's investments if the client did not take whatever action might be necessary to close their account? Who would be responsible for managing the investment?

I like the section 2 part of it; that it's not just sending out, say, in 30 days, saying 'Hey, your two-year anniversary is up, do you want to continue?' That they have to tell you 'Last year, we charged you \$200.00 and before that \$200.00, you got ... Do you want to continue on?' (Moncton)

Well, what if I'm in a couple of funds that are going to be bad and I just keep opting out and now he doesn't have the right to change it and move it? He's not getting a hold of me and I'm sitting in a fund that's not your responsibility. (Toronto)

Regulation and Consumer Protection

In general, participants were in favour of at least some regulation of the financial planning industry being introduced in all regions of Canada. It came as a surprise to many that, at the very least, legislation that placed financial planning in the category of a regulated profession with a governing body and limits on who may under that title was not already in place in their own province, and this was seen as an oversight that should be rectified. Clearly defined obligations and a formal method of recourse in the event of misconduct were seen as two of the key benefits of such regulation. Participants were also in favour of the establishment and enforcement of penalties for misconduct, although some worried that in an industry such as the financial industry where risk can be high, it might be difficult to prove negligence.

I think regulatory bodies help to protect interests of the client, so therefore if there are complaints, there's a clear picture of who to go to in these types of things that we're discussing. (Toronto)

If there's no governing body, then they're not obliged to do anything. (Toronto)

I think that some sort of general regulation is probably needed just because when we think over all the things that happened in the last few years and some of these people that have lost everything to people that they trusted that don't have the credentials that they said they had. So I think there should be definitely regulation of credentials and something. (Moncton)

There was some debate on whether regulation in this sector should be set at the provincial or a national level. Some felt that federal regulation would ensure consistency of standards and penalties across the country; others were concerned that since the products a financial planner might be offering are often national in scope, so should the legislation governing their actions. There was also concern that a planner faced with charges of misconduct would merely have to leave the province to avoid the consequences if regulation were on the provincial level. Others pointed out that all other professions are regulated at the provincial level, and expressed concern about the degree of bureaucracy that might be involved in a national regulatory body.

You're buying products throughout Canada. It should be national. It's not as if whatever I purchase is New Brunswick-based. (Moncton)

If this is only a provincial thing, does that mean if somebody defrauds a customer or embezzles money, that he just has to leave the province and nobody can go after him? (Toronto)

I would not want a national one because the higher the agency, the more bureaucratic and costly and inefficient. (Toronto)

Some felt that some combination of national and provincial jurisdiction, such as having minimum standards set nationally, but having the profession itself regulated by provincially-sanctioned bodies, would be the best solution.

So maybe, nationally, the standards could be set up, but the province ... the province would have to carry on the regulatory body. (Moncton)

I think both. Each province should have their own specific rules, but there should be an umbrella law. (Toronto)

Aside from the matter of regulation of financial planners, some participants also commented on their concern that the entire financial investment industry was in need of some restructuring. Their primary concern was the multiplicity of “middlemen” in the industry operating between investment opportunity and investor, all of whom are collecting fees and commissions, and adding in the long run to the price of the products while possibly obscuring information on the actual potential for return.

One of the things that I always see in the industry is the reps that go around selling these investments. From mutual fund companies. These guys can make maybe two, three, sometimes four times what a doctor would make in a yearly wage. And you think that, okay, well, I’m paying my advisor. I’m paying this guy. I’m paying ... like there’s a lot of ... (Moncton)

Participants also looked at actions other than regulation that governments might undertake to provide assistance to Canadians in dealing with the financial planning industry. The most frequently mentioned area where action would be welcome was with respect to consumer education. Participants agreed that many people do not have a clear understanding of the basic financial issues and concerns the average person can be expected to face in the course of their lifetime, and there was considerable support for the idea that government should provide basic information or education on such issues as investments and financial planning. Some felt that education on basic financial issues and concerns should be part of the public school curriculum, ensuring that everyone had at least some basic understanding of the topic. HRSDC was seen as an appropriate federal department to provide more detailed programs or instructional materials on financial matters.

... teaching from the beginning so that we have just a better understanding, a better knowledge, of what it takes to live your life, live within your means, plan for your future, and be able to have a relationship with somebody who you have put so much trust in and so much investment. (Toronto)

Participants also favoured the suggestion that a list of accredited and regulated financial planners be made available, and they envisioned that such a list could be hosted on a government website; there was also a desire that such a list include information on the planner’s track record and whether the

planner had ever been fined for misconduct, and have an option for the public to post reviews and complaints.

My utopian system would be, you know, how they have these mutual funds all ranked from top to bottom over the years? I'd like them to do that with financial planners, and it can't be that difficult because you should know how much each financial planner's responsible for in each mutual fund. (Toronto)

Conclusions

The Government of Canada and various consumer organizations, including PIAC, have identified financial literacy as an area of concern, and the findings of this research underline what has been seen in previous studies: that there are indeed significant gaps in Canadians' knowledge of issues involving their personal finances. Many of those Canadians who seek a guide to effective management of their personal finances turn to financial planners to serve their needs, but their own lack of knowledge about the financial planning industry, and the lack of regulation and recourse, places them at risk in their choice of, and their ongoing relationship with, a financial planner.

The current research suggests that many Canadians are unclear about the areas in which a financial planner should be able to provide advice, and are unaware of the degree to which third-party commissions and other benefits are accepted in the industry, and how this can present conflicts of interest; further, there is a clear indication that many do not fully explore the issue of compensation with their financial planners. While many are aware that there are various training and certifying bodies associated with financial planning, few know that training and certification are not required of a financial planner in any province in Canada other than Quebec, and that there is no regulation of the profession in other provinces.

Canadians trust their financial institutions and the regulation of the financial sector in Canada; they have been told that their banking system is among the most stable in the world, and they extend this expectation of stability and security to other areas of the sector, including the financial planning industry. Many are surprised – and even disappointed – to discover that financial planners are not regulated and that their avenues of recourse in the event of misconduct on the part of a financial planner are limited.

Once Canadians are informed that regulation of the industry is limited in most areas of Canada, they are highly supportive of many elements of legislation that have been considered or introduced in other jurisdictions, and express a desire to see similar regulation introduced in their own province. Measures which received strong support from the participants in this research include:

- Government regulation of the profession;
- Mandatory certifying programs;
- Adoption of professional standards of conduct covering duties and obligations;
- Mandatory disclosure of fees, compensation and potential conflicts of interest;
- Imposition of fines and penalties; and
- Introduction of opting-in arrangements.

Overall support for the establishment of compensation funds was also present, but there was a clear feeling that the costs of funding compensation should be borne by financial planners, and not by the public in general or by clients of financial planners.

There was no clear agreement on regulations concerning the acceptance of third-party commissions and other benefits, but the nature of the discussions suggests that the main argument for not regulating or even prohibiting third-party commissions – the idea that commissions provide an incentive to work harder on behalf of the client – was based in a misconception of the source and nature of the commissions more often received by financial planners. There was a distinct tendency for those participants more knowledgeable on these matters to prefer the elimination of third-party commissions and replace them with hourly or percentage fees.

There was also clearly expressed support for government initiatives to improve financial literacy, such as making information on financial issues available to Canadians through publications, websites, seminars or other means, and through the introduction of financial literacy into the educational curriculum. The concept of providing lists of accredited financial planners to Canadians was also welcomed; many proposed that this take the form of a “review” website where information such as any previous penalties for misconduct and comments by clients could also be added.

APPENDIX A
DISCUSSION AGENDA

September 27, 2011

**Discussion Guide – Final
Environics Research
Attitudes towards Regulation of Financial Planners
PN 7001
Public Interest Advocacy Centre**

1.0 Introduction to Procedures (10 minutes)

Welcome to the group. We want to hear your opinions. Not what you think other people think – but what you think!

Feel free to agree or disagree. Even if you are just one person around the table that takes a certain point of view, you could represent many Canadians who feel the same way as you do.

You don't have to direct all your comments to me; you can exchange ideas and arguments with each other too.

You are being taped and observed to help me write my report.

I may take some notes during the group to remind myself of things also.

The host/hostess will pay you your incentives at the end of the session.

Let's go around the table so that each of you can tell us your name and a little bit about yourself, such as what kind of work you do if you work outside the home and who lives with you in your house. Also, as you know from the questions we asked you to recruit you to this session, we are going to be discussing financial planners tonight. Can you each tell us what sort of financial planner you have (i.e., who they work for), and how long you have had them as your planner and what sort of services they do for you?

2.0 Paired Exercise – Financial Planner Activities and Obligations (20 minutes)

I want you to work together in pairs and spend a few minutes talking with your partner, and I want you to create two lists regarding financial planners in general. First of all, I want you to make a list of what a financial planner actually does (or is supposed to do). In other words, what is their "job description"? Then, I want you to make a list of what you see as the "obligations" of a financial planner. In other words, what, if anything, are they obliged to do as part of their job – especially what they are obliged to do for you as their client.

Once everyone has done that, I want each team to report back to the group about what they came up with.

First of all, what does a financial planner do? WRITE ON FLIP CHART

Here are the actual core duties of a financial planner [according to the Financial Planning Standards Council – a leading accreditor of financial planners] – SHOW ON A FLIP CHART

- cash and debt planning
- income tax planning
- investment planning
- retirement and financial independence planning
- insurance and risk planning
- estate planning

What's your reaction to this list? Do any of these items surprise you?

Does your financial planner do all, or most, of these things for you?

Now, what about a financial planner's obligations? What did each team come up with for that? WRITE ON FLIP CHART

PROBE IF NOT MENTIONED: fee structure disclosure [including commissions, bonuses and referral fees], conflicts of interest [including self-dealing], reporting of transactions, due diligence, creation of a written financial plan and follow-up and implementation of the plan.

What is an example of a conflict of interest for an FP?

Does your planner have an obligation to bring your file up-to-date? Do they have an obligation to follow-up with you about your financial circumstances or changes in the market that may affect your portfolio?

3.0 Choosing a Financial Planner and their duty to their client (15 minutes)

How did you go about choosing your financial planner?

Did you check the planner's references? What about their qualifications? Did you check that at all?

Are there any obstacles to finding a qualified financial planner or can anyone find one and be their client? **PROBE:** Do you need for a minimum portfolio? Do you need to be rich to have one? Do you need to be able to afford their fees?

Would you know how to find a planner who was accredited or certified? Do they have to be certified?

As far as you know is financial planning actually a “profession”? Is it an issue for you at all if it is not in fact a legally recognized profession?

How “user-friendly” is the experience of having a financial planner? Do you feel that you do enough in terms of reading what they send you and giving them all the information they need? Should financial planners do more to make the information they give you understandable?

4.0 Fees and compensation (15 minutes)

I want to discuss how FPs get paid. In general, how do you think they make their money?

What sort of an arrangement do you have with your planner? How much do you pay your FP – directly or indirectly?

PROBE: Do you pay them a retainer? [Are they on salary?] Are there management fees [also known as "management expense ratios" or "MERs for mutual funds]? Do they get a commission from the funds or products that they get you to buy?

Is there some other way in which your planner gets compensated?

Did you ever see any kind of a “disclosure document” that explains how they get paid?

Does your financial advisor disclose whether or not they earn any commissions or bonuses on sales of certain investment products? Do you see that as a conflict?

Are FPs obliged to disclose compensation/fee structure/commissions like that? Does yours?

Some people say that you are actually better off paying an FP a flat fee for their time rather than having no fees, but where you are invisibly paying commissions and management fees every time you invest with them.

Would you be willing to pay a flat fee to a financial planner that does not take commissions/referral fees to obtain a comprehensive service? IF YES: How much per year/for what service level?

5.0 Consumer protection and the Quebec and Australian models (25 minutes)

As far as you know, is there any “consumer protection” in Ontario with regard to financial planners? Do you have any recourse? If you had a problem with your FP – what could you do about it? Who could you complain to?

Is there any organization in this province that deals with these issues?

Are you aware that there is the federal Office of the Ombudsman for Banking Services and Investments that investigates complaints of consumers against financial planners, at least with regard to investments?

What about the Mutual Fund Dealers Association?

What about IIROC (Investment Industry Regulatory Organization of Canada)?

What should happen to financial planners that fail to properly fulfill their duties either intentionally or unintentionally?

Quebec actually has laws regulating financial planners within the province and it is the only province that has this. Did any of you know that?

Here is a brief summary of what the regulations around financial planners are in Quebec: HANDOUT DESCRIPTION

In Quebec, financial planners must fulfill the following obligations must in order to practice within the province:

- *Special training, including ongoing education;*
- *Knowledge of the six aforementioned areas plus the element of “legal aspects”*
- *Duty to act honestly and loyally towards their clients;*
- *Duty to act with competence and professional integrity **which involves duty of disclosure of commission and referral fees for products sold and services provided as well as other benefits;***
- *Duty not to advise the consumer to invest in anything in which the financial planner has significant interest, either directly or indirectly.*

The Quebec regulations also:

- *oblige financial planners to pay fines for their failure to act with competence or integrity including not disclosing commissions or other compensation;*
- *create a compensation fund for instances involving “fraud, fraudulent tactics or embezzlement” on the part of the financial planner.*

What’s your reaction to each of these requirements?

Thinking about disclosure of compensation, if your financial planner were to disclose all the fees, commissions and other compensation they get that might affect their investment advice or other recommendations to you, what would you do? Would you ?

- PROMPT**
1. terminate your business with the planner;
 2. require the planner to give you comparisons with other investments for which the planner would not receive a commission or bonus;
 3. do your own research to find alternatives to present to your planner;
 4. get a second opinion from another planner;
 5. trust your planner's judgment (even trust them more now they had "revealed" their compensation).]

Should financial planners be fined for not disclosing fees, commissions and other compensation?

Should there be a compensation fund for victims of financial planner fraud? Who should pay for the fund (financial planners/the financial industry in general/taxpayers/clients of the financial planners)? What \$\$ limit per complaint (in Quebec, it can be up to \$200,000)?

Would it be beneficial to you at all if there were similar regulations in this province?

Does it make sense to you for the provinces to regulate financial planners? What would you think of comprehensive national regulation of financial planners by the federal government? Are there pros and cons to this being federally, as opposed to provincially, regulated?

Australia is also thinking of bringing in some regulations in this area: HAND OUT DESCRIPTION

**Future of Financial Advice (FOFA) reforms
proposed by the Australian Parliament:**

1. *Banning commissions received by a financial adviser.*
2. *“Opt-in” measure: when the financial adviser charges ongoing fees, he is required to ask clients, every two years, if they wish to continue receiving advice. Specifically, under this new rule, the adviser will be required to do the following:*
 - i. *Send a renewal notice no less than 30 days prior to the pertinent “two year anniversary date”;*
 - ii. *Outline in the notice the fee that the client paid in the previous year, services that were received by him, and fee and service information for the next year;*
 - iii. *Inform the client that he can opt out at any time from the agreement.*

If the client opts out or does not respond to the notice, the adviser is prohibited from charging any fee.

What do you think of these regulations? Would you like to see something like this in Canada?

What do you think of a law prohibiting financial advisers from receiving commissions and, consequently, working on solely “fee-only” basis?

What would be the pros and cons of that?

Can you see advantages to paying a fee rather than having the FP get their money through commissions? What would you prefer personally?

6.0 Final thoughts (10 minutes)

What if there was a list of accredited financial planners provided in government documents, such as CPP or HST refunds sent by mail or provided on their official websites?

Would you consider a fee-only planner if the service were government-subsidized?

Can you think of anything else that ought to be done to protect clients of financial planners or to reform the area of financial planning generally?

Thanks for your participation!

APPENDIX B
RECRUITMENT SCREENER

PIAC CONSUMERS

Respondent Name:

Home Phone #: _____

Business Phone #: _____

E-mail: _____

Group #: _____ Recruiter: _____

Recruit 8 per group

GROUP 1

GROUP 2

GROUP 3

GROUP 4

Toronto

Toronto

Moncton (ENG)

Moncton (FR)

Have financial planner

Have financial planner

Have financial planner

Have financial planner

Portfolio Over \$10k

Portfolio Over \$10k

Portfolio Over \$10k

Portfolio Over \$10k

Thursday, Sept. 29

Thursday, Sept. 29

Monday, Oct. 3

Monday, Oct. 3

5:30 pm

8:00 pm

5:30 pm

8:00 pm

Hello, my name is _____ from Research House Inc., we are calling today to invite you to a focus group discussion scheduled for (SEE ABOVE DATES). Your participation in the research is completely voluntary and your decision to participate or not will not affect any dealings you may have with Research House Inc. All information collected, used and/or disclosed will be used for research purposes only and administered as per the requirements of the Privacy Act. You will also be asked to sign a waiver to acknowledge that you may be audio and/or video taped during the session. The session will last a maximum of 2 hours and you will receive a cash honorarium as a thank you for attending the session. May we have your permission to ask you some further question to see if you fit in our study?

Yes ..1

No 2 – THANK AND TERMINATE

INDICATE: Male ..1 -

Female .2 – AT LEAST 2 OUT OF 8 TO BE WOMEN

1. Are you or is any member of your household or immediate family employed in, or ever been employed in:

1

Ever

No

Yes

No

Yes

Market Research

()

()

()

()

Marketing	()	()	()	()
Public Relations	()	()	()	()
Any media (Print, Radio, TV)	()	()	()	()
Advertising	()	()	()	()
Bank / Financial Institution	()	()	()	()
Financial / Investment Industry	()	()	()	()

IF YES TO ANY OF THE ABOVE – THANK AND TERMINATE

2a. May I have your age, please?

_____ **SPECIFY**

- Under 20 years ..1 - **THANK AND TERMINATE**
- 20 – 34 years .2 |
- 35 – 44 years .3 | - **ENSURE A GOOD MIX IN EACH GROUP**
- 45 – 59 years .4 |
- 60 - 70 years ..5 |
- Over 70 years 6 - **THANK AND TERMINATE**

2b. What is your marital status?

- Married / Common – Law 1
- Single / Div. / Wid. / Sep ..2

3a. What is your current employment status?

- Full Time Employed ()
- Part Time Employed ()
- Homemaker ()
- Student () – **MAX 1 PER SESSION***
- Retired ()
- Unemployed () – **MAX 1 PER SESSION***

NB: IF WE ACTUALLY FIND ANYONE WHO IS A STUDENT OR UNEMPLOYED WHO HAS A FINANCIAL PLANNER AND INVESTMENTS WORTH OVER \$10K – THEN OK.

3b. What is your occupation?

JOB TITLE

TYPE / NAME OF COMPANY

IF MARRIED / COMMON – LAW ASK – WHAT IS YOUR SPOUSE'S OCCUPATION?

JOB TITLE

TYPE / NAME OF COMPANY

IF ANY CONNECTION TO STANDARD OR PROJECT RELATED OCCUPATION – THANK AND
TERMINATE

4a. As we need to speak with people from all walks of life, could you please tell me into which category I may place your total annual **household** income? Would that be

- Under \$25,000 1– **THANK AND TERMINATE**
- \$25,000 - \$75,000 ..2 |
- \$75,000 - \$150,000.. ..3 | - **ENSURE A GOOD SPREAD IN EACH GROUP**
- Over \$150,000.4 |

4b. Could you please tell me, what is the last level of education that you have completed?

- Some High School .1
- High School 2
- Some College / University/Trades School3
- Completed College / University/Trades School4

5. Do you currently have any money invested in stocks, bonds or mutual funds?

- Yes 1
- No ..2 – **THANK AND TERMINATE**

6. What would be approximate value of your investment portfolio? Would it be ? **READ**

- Less than \$10,000 1– **THANK AND TERMINATE**
- \$10,000 to \$25,000 2
- \$25,000 to \$50,000 3
- \$50,000 to \$100,000 4 - **GET MIX**
- \$100,000 to \$250,000 5
- Over \$250,000 6

7. Do you currently use the services of a **financial planner** for your investments – that is to say someone who gives you detailed advice about your investment goals and how you should invest your money?

Yes 1
No ..2 – THANK AND TERMINATE

8. Is your financial planner associated with a bank or major brokerage firm, or is he or she with a franchised corporate investment firm that is NOT a bank (such as Edward Jones or Investor's Group) or, does he or she work independently?

Planner associated with a bank or major brokerage firm ..1

Planner associated with a franchised investment firm ...2 – **GET MIX**

Independent Financial Planner ..3

10. Participants in group discussions are asked to voice their opinions and thoughts, how comfortable are you, in voicing your opinions in front of others? Are you .

Very Comfortable 1 – **MIN 50% PER GROUP**

Comfortable .2

Fairly Comfortable ..3

Not Very Comfortable .4 – **THANK AND TERMINATE**

Very Uncomfortable 5 – **THANK AND TERMINATE**

11a. Have you ever attended a focus group or one to one discussion for which you have received a sum of money, here or elsewhere?

Yes .1 – **MAX (50%) PER GROUP**

No ...2 – **SKIP TO Q. 12**

11b. When did you last attend one of these discussions?

TERMINATE IF IN THE PAST 6 MONTHS

11c. How many focus group or one –to-one discussions have you attended in the past 2 years?

(SPECIFY) IF MORE THAN 2 – THANK AND TERMINATE

11d. Would you please tell me the topics discussed?

IF FINANCIAL PLANNING - THANK AND TERMINATE

12. Have you been invited to another of these focus groups or interviews in the near future?

Yes ..1 – **THANK AND TERMINATE**

No

...2

Ask all

13. Sometimes participants are asked to write out their answers on a questionnaire or watch a TV commercial during the discussion. Is there any reason why you could not participate?

Yes ..1 – **THANK AND TERMINATE**
No2

NOTE: IF RESPONDENT OFFERS ANY REASON SUCH AS SIGHT OR HEARING PROBLEM, A WRITTEN OR VERBAL LANGUAGE PROBLEM, A CONCERN WITH NOT BEING ABLE TO COMMUNICATE EFFECTIVELY – THANK AND TERMINATE

IMPORTANT:

The session is 2 hours in length, but we are asking that all participants arrive 10 minutes prior to the start time of the session. Are you able to be at the research facility 10 minutes prior to the session time?

Yes.....1 No.....2 – **TERMINATE**

All participants in this study are asked to bring to the group PICTURE IDENTIFICATION. If you do not bring your personal identification then you will not be able to participate in the session and you will not receive the incentive fee. Are you going to bring along your ID?

Yes.....1 No.....2 – **TERMINATE**

The group discussion will last approximately 2 hours and we offer each participant a **\$100.00** cash gift as a token of our appreciation. I should also tell you that the groups will be audio - taped for research purposes and members of the research team will be observing the discussion from an adjoining room. Everything you say will be kept confidential.

[] CHECK TO INDICATE YOU HAVE READ THE STATEMENT TO THE RESPONDENT.

DATE AND TIME:
INCENTIVE: \$100

LENGTH OF GROUP: 2 hours