

Advisor Info

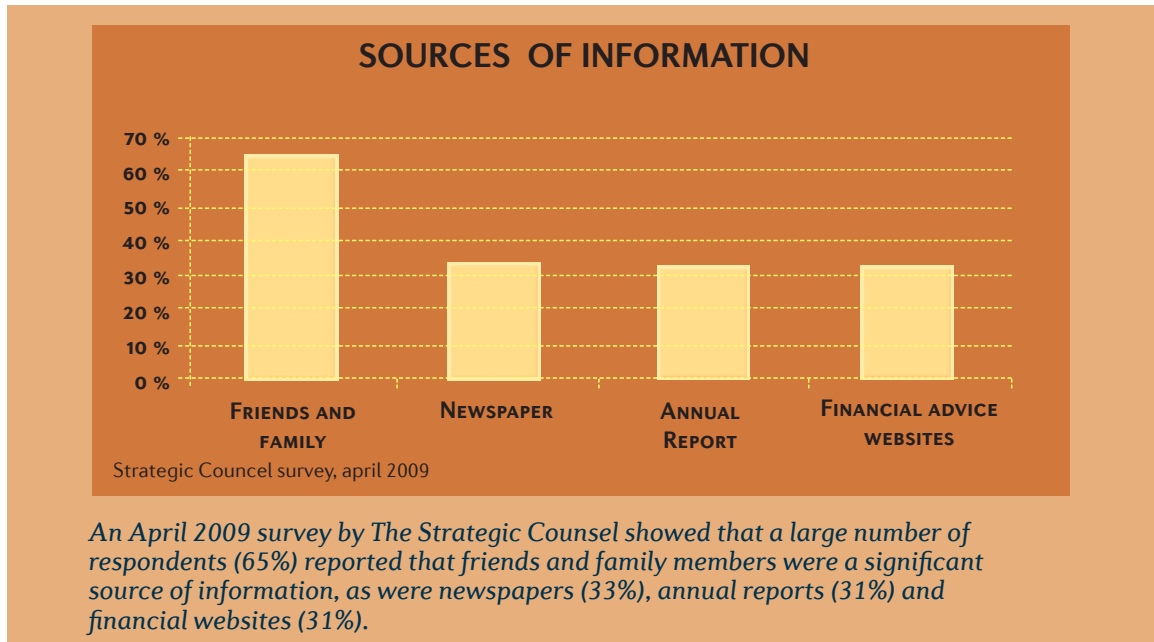
The roles of various financial sector advisors ... or how to choose an advisor

Personal Finances

- TYPES OF ADVISORS
- PRODUCTS OFFERED
- SELECTION QUESTIONNAIRE

In the chaos that reigned in late 2008 and early 2009, and in the wake of several highly publicized scandals that rocked the financial world, it's very likely that you have some questions about the role of an advisor and your real need to do business with this type of professional. First, it is normal to have a hard time figuring out who's who, as there is currently a debate underway in the industry on the use of the term "financial advisor." In truth, this term is mainly used in the media to refer to the extended family of professionals who provide financial advice. However, in Quebec, it legally refers to an individual who is a Certified Financial Planner. As such, always keep in mind that if someone introduces himself as a "financial advisor," you would be wise to ask questions about the types of abilities he has and if he is fully authorized to offer you certain financial products or services. We have prepared this document for you to help shed some light on the situation. For the purposes of this document, we will therefore use the term "advisor" in its generic sense.

Establishing your needs?



Choosing the right advisor is very important as investing your life savings requires a great deal of trust. Of course, you can ask for referrals from friends, family members, colleagues or trusted professionals, such as your lawyer or accountant, but remember that everyone has different needs. For example, while your best friend might be very satisfied with his/her advisor, this person might not necessarily be right for you. Therefore, the first step involves identifying your own needs in terms of financial products and services. Here are a few things to consider:

- Do I want basic investment advice or do I require services in a specific field, such as taxation or estate planning?
- What is my knowledge of and my experience in investing?
- Am I looking for basic solutions or more sophisticated options?
- How much money am I looking to invest?

Who are the main advisors in the financial sector?

Learn about the range of professionals available. In Canada, in order to sell financial products, a person must be registered with his/her provincial regulator. The following is a brief overview of the main types of advisors in the financial sector and the needs they can meet.

Personal banking service representatives, also known as personal financial advisors or personal bankers, have a good basic knowledge of basic financial products and services such as bank accounts, handling cash and cheque clearing. Also, many of these representatives are registered as mutual fund dealer representatives (see definition below), allowing them to sell mutual funds.

Main products offered

Credit cards - Loans - Mortgages - Credit insurance - Foreign currencies - Travellers cheques - Guaranteed investment certificates (GICs) - Savings bonds - Mutual funds

Financial planners can offer “financial planning” that takes into account your financial situation as a whole. Financial planners have a thorough knowledge of personal finance, investments, retirement, taxation, certain legal concerns, insurance and estate planning. In Quebec, the title of financial planner is given only to individuals who meet the requirements of the *Institut québécois de planification financière* and who hold a license from the *Autorité des marchés financiers*. Financial planners are also the only individuals in Quebec who can refer to themselves as “financial advisors” or “financial service advisors.” Elsewhere in Canada, planners can have more than one designation: Certified Financial Planner (CFP), Registered Financial Planner (RFP) or Personal Financial Planner (PFP) and must be certified by one of the following organizations: Financial Planners Standards Council (FPSC), Registered Financial Planner Institute (RFPI) or the CSI. The vast majority of financial planners are also registered as mutual fund dealer representatives, which allows them to recommend mutual fund purchases if necessary.

Products offered

Financial planners help clients develop a financial planning strategy by preparing an action plan that is adapted to their individual needs and takes into account their constraints and personal objectives. They then suggest strategies and ways to achieve these objectives. If they are also registered as a representative, they can also offer all investment products associated with the type of registration that they hold.

Sales representatives, sometimes known as **investment advisors or securities advisors**, are securities specialists who give advice and carry out transactions for clients in the full range of investment products available. They must be duly registered with securities regulators in the province(s) in which they do business.

Products offered

Exchange-traded securities, government and corporate bonds, mutual funds, derivatives and other financial products. To offer options, they must however have the appropriate registration.

A **financial security advisor** is a specialist in personal insurance products, namely life and disability insurance. In Quebec, financial security advisors must be duly registered with the *Autorité des marchés financiers*. In other provinces, they must meet the requirements established by the relevant authorities. Certain financial security advisors are also registered as brokerage representatives, which allows them to also offer stocks or mutual fund units.

Products offered

Products and services related to life and disability insurance They can also offer life annuities and segregated funds (mutual funds with a guaranteed component).

Brokerage representatives can recommend mutual fund purchases. Unlike sales representatives, brokerage representatives are not authorized to execute stock or bond transactions.

As you have seen in the descriptions above, the vast majority of financial sector representatives are registered as brokerage representatives in addition to their distinctive title. However, a professional may occasionally only be a **brokerage representative**.

Products offered

Some of them offer mutual funds from a variety of issuers while others only offer funds from the company they represent.

Choosing the right person

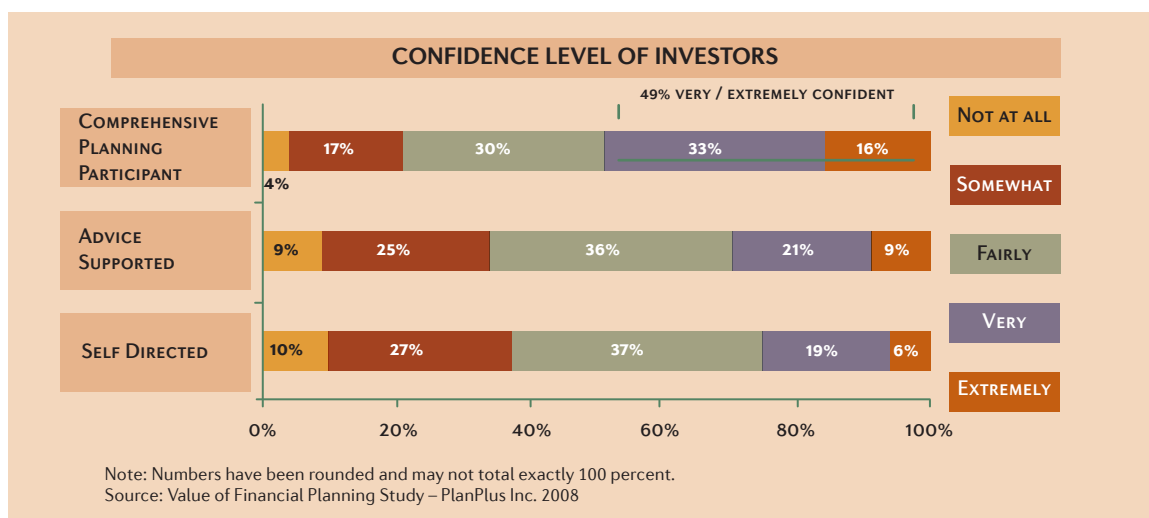
Now that you have a better sense of your needs and the type of specialist you want to deal with, the next step is choosing the right person. Obviously, the person you choose must be qualified, experienced and licensed, but, above all, you need to trust this person. The job interview technique is recommended to help you decide. Here are some questions you can ask:

- Are you registered with the provincial monitoring and regulatory organization?
- What kind of training do you have?
- How long have you been with this firm?
- What types of products and services can you offer me?
- What personal information do you collect from your clients?
- What kind of planning would you do for someone like me?
- How often do you think we would need to meet?
- How will you communicate with me?
- Do you have examples of financial documentation that I might find useful?
- Do you work with a team and, if so, what are the team members' qualifications?
- How would you go about offering me investment products?
- How many clients do you have?
- What is your clients' average portfolio?
- How are you paid?

Securities regulators monitor financial markets and various actors in the financial sector. They can be contacted to verify whether a person or business is duly registered and to determine whether they have been the subject of disciplinary measures.

Useful information

Half the individuals who make use of financial planning (general supervision by a financial planner) have a substantially higher level of confidence, followed by investors helped by an investment advisor.



Depending on his/her level of expertise, an advisor can work for different types of companies, from an independent firm to a major financial institution. However, there is an undeniable advantage to dealing with a bank, insurance company or credit union (caisse populaire), as these institutions employ the full range of specialists available. Therefore, as your financial situation changes and greater expertise is required, you have access to the specialists you need without having to change institutions.

It is important to know where your assets are held. Advisors must entrust their clients' savings to an organization that is authorized to hold them, known as a securities custodian. Typically, a trust company exercises this function.

Conclusion

Your relationship with your representative or financial planner is important and will be much more profitable for you if you work with him or her to achieve your financial objectives. Therefore, it's important that you play an active role in managing your money. Read the documentation that your representative or financial planner sends you. Keep a folder for these papers and make a note of any points of interest or questions. Be honest with yourself and your representative or financial planner. He or she must have accurate information in order to recommend the most appropriate investments for your situation. Insist on scheduling at least one meeting a year. If your personal situation changes or if any information in your file needs to be changed, do not hesitate to contact your advisor.

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