Getting Good Advice

TOOLKIT: WORKING WITH A FINANCIAL ADVISOR

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Advisor services checklist

Check off and prioritize the services that you want your financial advisor to provide.
Take this list with you when evaluating prospective advisors.

- ☐ **Personalized financial planning**
  Development of a comprehensive long-term plan to show you how to reach your goals.

- ☐ **Asset-allocation advice**
  Help determining the right proportion of cash, fixed-income and equity investments you should hold.

- ☐ **Risk/reward analysis of current holdings**
  An assessment of your current investments to see if they meet your investment objectives.

- ☐ **Portfolio rebalancing**
  A regular service to ensure that your portfolio remains true to your asset-allocation guidelines and investment objectives.

- ☐ **Recommendations on investment choices**
  Help selecting the investments needed to meet your objectives.

- ☐ **Personal portfolio management**
  Day-to-day management of your personal portfolio in accordance with your investment objectives.
  Note: This service is usually reserved for portfolios of $100,000 or more.

- ☐ **Day-to-day investment monitoring**
  A service to monitor your investments daily and make recommendations.

- ☐ **Securities trading**
  A service to execute security trades on your behalf.

- ☐ **Mutual fund and ETF investing**
  A service to buy and sell mutual funds and ETFs on your behalf.

- ☐ **Tax record keeping**
  A service to track the tax considerations of your investments for tax-reporting purposes.

- ☐ **Access to specialized research and information**
  Provides you with research, analyst reports and other sources of investment information.

- ☐ **Proactive management**
  Unsolicited recommendations of strategies, investments and products to help you achieve your goals.

- ☐ **Insurance planning**
  Development of a program to make certain that your liabilities and obligations are covered.

- ☐ **Estate planning**
  Development of a plan to ensure the orderly distribution of your estate in the most tax-efficient manner and in accordance with your wishes.

- ☐ **Tax planning**
  Development of a plan to ensure that you minimize taxes today and in the future.

- ☐ **Business planning**
  Integration of business planning with personal financial planning for self-employed individuals and small-business owners.

Checking references: Questions to ask

When prescreening potential advisors, you'll want to check their references. If you're uncertain about what to ask, try these basic questions.

How long have you worked with this advisor?

How often do you hear from your advisor?

Are you satisfied with the services you've been receiving?

Who normally initiates discussions, and for what reason?

What would you say are this advisor's strong points? Weak points?

How quickly are your calls or emails returned?

Does your advisor have any special areas of expertise?

What is it that you really value about your relationship with your advisor?

Have you ever been disappointed or surprised by anything in your relationship?

Is there any situation in which you wouldn't recommend this advisor?

Questions for advisors

Use these questions to help you evaluate an advisor's suitability.

How will you help me develop my financial plan, establish my investment goals, evaluate my risk tolerance and determine my asset mix?

How long, on average, have you worked with the majority of your clients?

If I talked to your clients, what would they say about you?

Do you only give advice, or can you help me implement my plan?

What are your areas of expertise?

What ongoing training and education have you received?

Do you, or does someone in your firm, offer special services (e.g., estate planning, tax counselling, personal portfolio management)?

Will you work together with other professionals, such as lawyers, accountants and insurance specialists, when required?

What financial products are you licensed to sell?

Questions for advisors, *continued*

Are you limited to selling products for certain companies?

How are you paid?

What is your investment philosophy?

What kind of independent research does your firm do?

What information will you provide to me on your investment recommendations?

How often will you contact me, and what will be the format?

If I contact you, when can I expect you to respond?

How often will I receive account updates?

Can I view my account online?

Do you carry liability insurance?

Responsibilities review list

The following list identifies your advisor's responsibilities and your own.

YOUR ADVISOR'S RESPONSIBILITIES

Disclosure

Your advisor should clearly outline how he or she gets paid and what you get for what you are paying. Advisors may be compensated by commissions on the products they sell, a fee on the assets they manage for you, a salary or a combination of these methods.

Discuss expectations

Your advisor should outline what's required for a successful partnership, and what level of service you can expect.

Monitor and adjust strategy

By now, your advisor should have outlined your financial strategy. But your financial plan is not static; your plan and investments should be monitored by your advisor, and adjusted when necessary, to ensure progress toward your goals.

Identify problem areas in the plan

If obstacles stand in the way of your financial success, your advisor should identify them and provide recommendations on how to deal with them. These might include excessive debt, high taxes, insufficient life insurance, the need to focus more on Registered Retirement Savings Plans (RRSPs) or poor performance by existing investments.

Make clear recommendations

Your advisor should help you develop an asset mix that allocates your investments among various asset classes. He or she should also recommend specific investments in each class, based on your tolerance for risk and your investment time horizon.

The recommendations your advisor provides should be clear and specific, as should be the reasons behind them. The strengths and weaknesses of potential investment choices should be pointed out, as well as the risks involved.

Identify opportunities

Your advisor should bring investment opportunities to your attention, based on a comprehensive knowledge of your plan and goals.

Answer questions

An advisor should be available to answer your questions, especially as financial events unfold. This is particularly important during times of market volatility, when you may be tempted to act on your emotions rather than stick to your long-term plan. Your advisor should also provide a quick response to changing tax rules or investment regulations that affect your portfolio directly.

If you have specific questions about investment opportunities, such as a new ETF or mutual fund, your advisor should be willing to research those opportunities to determine whether they fit with your financial strategy.

Responsibilities review list, *continued*

Communicate promptly

Your advisor or an assistant should promptly return your telephone calls and emails.

Report regularly

Your advisor should provide regular reports on your financial status. These may include monthly statements, quarterly performance summaries of your portfolio and confirmation of investment transactions.

Recommend other experts

Your advisor should recommend the services of other professionals when required. Outside experts may be called in for advice on matters such as insurance, tax planning and legal affairs.

YOUR RESPONSIBILITIES

Disclose information

Without a complete picture of your finances, your advisor won't be able to do a thorough job.

Look back on your initial discussions. Did you pass along all pertinent information about your finances and your goals? Sometimes it's hard to admit mistakes – such as running up significant debts or making bad investments – but your advisor needs to know about them.

Be clear about risk

The degree of risk you are willing to take in your financial affairs has a great influence on the recommendations your advisor makes.

If you've given your advisor the impression that you're willing to accept more risk than you're comfortable with, you might find yourself staying awake at night worrying about your investments.

On the other hand, if your advisor thinks that your tolerance for risk is low, your portfolio may not have as much growth potential as you would like.

Ask questions and stay informed

If you don't understand a particular recommendation, be sure to ask your advisor for an explanation. When you don't feel comfortable with a recommendation, take the time to explain your concerns so that your advisor can address them.

Keep your advisor up to date

Tell your advisor when your financial circumstances change. These changes can influence your financial strategy.

Provide constructive feedback

Everyone can benefit from constructive criticism and positive reinforcement. Tell your advisor when he or she has done a great job. And whenever you have any concerns, be sure to discuss your concerns openly and honestly.

Financial needs checklist

This checklist can be a great help when choosing an advisor. Take it with you when interviewing prospective advisors – it can help you describe your current situation and financial goals. Use it again when you first meet with the financial advisor you've chosen. This information can provide the basis for your financial plan.

Financial goals

Age at which I would like to retire:

Dollar amount or percentage of my final income with which I would like to retire:
$ %

Average return that I would like to achieve on my investments:
%

Amount per month that I will need to live on during retirement:
$

I expect to live until age:

I would like to invest for

- ☐ A house
- ☐ Retirement
- ☐ My child's education
- ☐ A vacation home
- ☐ Other:

I would like to leave the following amount to my family after my death:
$

Non-retirement personal assets

Stocks:
$

Bonds:
$

Mutual funds:
$

ETFs:
$

Other securities:
$

Life insurance:
$

Real estate:
$

Other:
$

Retirement assets

Employer-defined contribution plan:
$

Employer-defined benefit plan:
$

RRSPs:
$

Locked-in RRSPs:
$

Other:
$

Income sources (per month)

Employment:
$

Investment income:
$

Alimony:
$

Trust:
$

Other:
$

Expenses (per month)

Rent/mortgage:
$

Credit cards:
$

Utilities:
$

Personal loans:
$

Food:
$

Child care:
$

Transportation:
$

Insurance:
$

Entertainment:
$

Miscellaneous:
$

Current asset allocation

Aggressive growth:
%

Growth:
%

Balanced:
%

Fixed income:
%

Money market:
%

Bank savings:
%

Other:
%

Total:
%

Financial changes by life stage

Use this guide to help you decide which changes in your lifestyle and finances to discuss with your financial advisor. Determine your life stage, then check the items that apply to you. Take the checklist to your next meeting with your advisor. It can also be used as a roadmap to indicate where your financial plan might take you in the future.

STAGE 1: Getting started

When you're young and you've just joined the workforce, it's time to establish financial priorities. You'll have plenty of decisions to make. But at this age you'll face conflicts between spending your income on life's essentials and saving for investment purposes.

Your major financial obligations may include

- Rental accommodation
- Purchasing household furnishings and other necessities
- A car
- Repaying student loans
- Income taxes

Your financial priorities may include

- Getting started on basic budgeting
- Establishing a relationship with your financial institution
- Applying for credit cards
- Saving for a house
- Contributing to a Registered Retirement Savings Plan (RRSP)
- Contributing to a Tax Free Savings Account (TFSA)
- Taking out appropriate insurance

STAGE 2: The family years

In your twenties and thirties, you may face the costs of raising a family and moving up in the housing market. But your income will be higher, so financial planning can focus more on saving and investing.

Your major financial obligations may include

- Mortgage payments
- Home renovations
- Income taxes
- Raising children (including daycare)
- Automobile(s)

Your financial priorities may include

- Budgeting for maximum savings
- Getting maximum growth from your investments
- Life insurance
- Contributing the maximum to your RRSP every year
- Establishing a line of credit for lower borrowing costs
- Saving for your children's education
- Estate planning, starting with your will

Financial changes by life stage, *continued*

STAGE 3: The peak earning years

You can focus more on your savings and investments, as your income will likely be close to its peak.

Your major financial obligations may include

- Reduced or eliminated mortgage payments
- A vacation or retirement property
- Repaying home equity loans
- Costs associated with a more affluent lifestyle (including travel and leisure activities)
- Financial care of aging parents
- Income taxes
- Automobile(s)

Your financial priorities may include

- Reducing income taxes
- RRSP contributions
- Planning your retirement
- Reducing investment risk so you won't jeopardize your retirement savings
- Estate planning
- Downsizing in the housing market to free up capital
- Income splitting

STAGE 4: Retirement

At this stage of life, chances are that you'll be relying on your retirement savings and pension for income. At the same time, your lifestyle will change significantly, and your spending patterns will be altered.

Your major financial obligations may include

- Converting RRSP assets into retirement income
- A retirement property
- Increased travel and leisure expenses
- Increased health care costs (including medical insurance)

Your financial priorities may include

- Reducing the risk level of your investment portfolio
- Budgeting to preserve retirement income
- Tax planning
- Estate planning and reviewing your will
- Arranging a reverse mortgage on your home to generate income

Special circumstances

There are a number of events that can take place at any time during your life that may also cause you to rethink your financial strategy. These include

- Marriage
- Birth of children
- A new job or career
- Relocation
- Major changes in taxation rules
- Divorce
- Death of a spouse
- Job loss
- Major illness

Meeting checklist

Plan to make meetings with your advisor more productive by checking off the topics you want to discuss.

- ☐ Your financial plan
- ☐ Your investments' performance
- ☐ Portfolio risk-reward analysis
- ☐ Asset allocation
- ☐ Portfolio rebalancing
- ☐ General financial market and economic conditions
- ☐ Changes in your financial status
- ☐ Changes in lifestyle that will affect your finances
- ☐ Changes in your financial goals
- ☐ Major expenditures or planned expenditures
- ☐ How to prepare for upcoming financial deadlines, such as income taxes and RRSP contributions
- ☐ Retirement planning (including converting RRSPs to a retirement income stream)
- ☐ Budgeting
- ☐ Estate planning
- ☐ Life insurance
- ☐ Tax planning
- ☐ New investment products
- ☐ Business planning
- ☐ Your satisfaction with your advisor's services to date

Commissions, trailing commissions, management fees, brokerage fees and expenses may be associated with investments in mutual funds and ETFs. Please read the mutual fund or ETF's prospectus, which contains detailed investment information, before investing. Mutual funds and ETFs are not guaranteed. Their values change frequently, and investors may experience a gain or a loss. Past performance may not be repeated.

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