

## **MODULE 12: Credible Financial Advice:**

### **FCAC: Choosing a financial advisor notes**

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<https://www.canada.ca/en/financial-consumer-agency/services/savings-investments/choose-financial-advisor.html>

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#### Why work with a financial advisor

Managing your investments can be complicated. You may not be comfortable investing on your own. A professional financial advisor or planner can help.

An advisor can create a detailed financial plan, which involves:

- assessing your current situation
- determining your present and future goals and needs
- giving advice on the financial products that are right for you
- reviewing and updating your investments periodically

Choosing the right advisor depends on what help you need. If you need specialized advice, look for an advisor with expertise in that area.

Meet with several potential advisors. Ask your friends and family if there is an advisor they recommend. Choose one that you're confident has the experience, expertise and credentials to help you reach your financial goals.

#### Who qualifies as a financial advisor

The terms “financial advisor” and “financial planner” are used broadly. These terms don’t always mean that a person has specific qualifications, expertise or certifications. Outside of the province of Quebec, anyone can call themselves a “financial advisor” or “financial planner.”

What sets some advisors apart from others are education, training, experience and qualifications. There are many designations for advisors. For financial planners, a type of financial advisor, there are three common designations: Certified Financial Planner, Personal Financial Planner and Registered Financial Planner. There are different requirements for each designation. Be sure to ask your

financial advisor about their education so you can determine whether someone has specialized training to help you achieve your financial goals.

[Use this glossary from the Investment Industry Regulatory Organization of Canada to understand different designations and to find financial planners and advisors.](#)

In Quebec, only certain trained individuals are allowed to use the title “financial planner”. The title is “planificateur financier” or the acronym “Plan. Fin.” in French.

This includes financial planners who:

- have a certificate issued by the Autorité des marchés financiers
- are members of a professional association with which the Autorité des marchés financiers has entered into an agreement.

[Find financial planners in Quebec who have a certificate issued by the Autorité des marchés financiers.](#)

The difference between a financial advisor and a financial planner

A **financial advisor** is a general term that can be applied to anybody who helps you manage your money. This could include an employee of your financial institution, a stock broker or an insurance agent.

A **financial planner** is a type of advisor who helps you create a plan to reach your long-term financial goals.

Some financial planners will offer you a variety of services, such as:

- help creating a budget
- identify ways you can save money on your taxes
- help planning your retirement
- provide estate planning advice

Some financial planners limit the services they offer to specific areas.

Check if a financial advisor is registered

By law, sellers of mutual funds, stocks and bonds must complete training and be registered with a provincial or territorial securities regulator.

[Use the Canadian Securities Administrators' National Registration search to check whether the advisor or firm is registered and what kind of registration they hold.](#)

Check if there has been any disciplinary action against a financial advisor

Check for disciplinary action or complaints against a financial advisor and make a complaint.

Look into whether an advisor or firm has been subject to disciplinary action, check for complaints or make a complaint through the following organizations:

- [check on disciplinary action against a financial advisor at Investment Industry Regulatory Organization of Canada regulated firms](#)
- [make a complaint against an Investment Industry Regulatory Organization of Canada regulated individual or firm](#)
- [search the Canadian Securities Administrators disciplined persons list for names of advisors disciplined by one or more provincial securities commissions](#)
- [search for past and current enforcement hearings with the Mutual Fund Dealers Association of Canada](#)
- [check for complaints through the Better Business Bureau](#)
- [in Quebec, check for complaints with l'Autorité des marchés financiers](#)

## Paying your advisor

You pay financial advisors in different ways, depending on the type of service they provide.

For example, you may pay:

- an hourly fee to an advisor helping you create a financial plan
- a commission or a trading fee to an advisor buying a stock for you
- a percentage to an advisor based on the value of the assets they manage for you, also known as the management expense ratio

If you plan on working with an advisor, it's important to know:

- what kind of services the advisor provides
- the cost of the services
- how the advisor is paid, such as through a commission, fee for service or salary

While most advisors aim to give good advice, some may be influenced by outside factors. For example, advisors paid by commission have an incentive to encourage you to invest where they will earn the highest commission. Those on salary may have an incentive to promote the products and services their employers offer.

## Where to find a financial advisor

Where to find a financial advisor will depend on the type of advice you need.

### Banks, credit unions and caisses populaires

These institutions have staff who can help you understand and buy certain types of investments, such as term deposits, guaranteed investment certificates (GICs) and mutual funds.

They can also help you start or contribute to a registered savings plan, such as a registered retirement savings plan (RRSP), registered education savings plan (RESP), registered disability savings plan (RDSP) or Tax-Free Savings Account (TFSA).

### Stockbrokers and mutual fund dealers

These are licensed individuals who can help you buy or sell investments such as stocks, bonds or mutual funds.

They can also help you start or contribute to a registered savings plan, such as a registered retirement savings plan (RRSP), registered education savings plan (RESP), registered disability savings plan (RDSP) or Tax-Free Savings Account (TFSA).

### Insurance companies

These companies have employees licensed to sell investment products such as mutual funds, segregated funds and annuities. Insurance companies also offer various types of insurance products.

### Independent financial planning companies or consultants

These companies or consultants can offer advice, or may be registered to sell financial products. Some charge you a fee. Others are paid by the companies whose products you buy.

### Questions to ask a financial advisor

Ask questions to help you decide whether a financial advisor is qualified, or if they would be a good fit to help you with your investments. Take notes and compare the responses of the different advisors you meet. Don't feel rushed into making a decision.

Ask a financial planner about the following:

- their education and professional experience
- their certification or designation
- how long the firm they work for has been in business
- how long they have been with the firm
- if they or their firm are registered with a securities regulator
- what products and services do they offer
- how they will help you reach your goals
- if they are paid by salary, commission or other fees
- how often you'll meet
- how they will keep you informed
- references from previous clients
- how they decide on appropriate investments for their clients
- are they licensed to sell any other products
- have they ever been disciplined by a regulator
- have there been any restrictions, terms or conditions placed on their registration approval
- are they currently under investigation by securities regulators in Canada

What type of information will my financial advisor ask for

Your financial advisor may ask for the following information to create a financial plan:

- age
- total annual income
- estimated net worth
- if you have any dependents
- monthly expenses
- the amount of income tax you pay
- your investment knowledge and experience
- your investment goals
- when you will need access to money you've invested
- your risk tolerance

Resources on financial advisors

Advisors belong to professional groups in their industry.

The following industry groups can be good places to start searching for more information on the industry:

- [FP Canada](#) – develops, enforces and promotes standards for financial planning in Canada
- [Financial Advisors Association of Canada \(Advocis\)](#) – provides information on designations of financial advisors
- [Institute of Advanced Financial Planners](#) – provides certification and promotes standards for financial planning in Canada
- [Investment Industry Regulatory Organization of Canada](#) – regulators of investment dealer firms
- [Mutual Fund Dealers Association of Canada](#) – regulators of firms that sell mutual funds
- [Portfolio Management Association of Canada](#) – members include investment counsellors and portfolio managers
- [Canadian Securities Institute](#) - Providing industry training and courses in financial planning, insurance and much more

Related links

- [Registered savings plans](#)
- [The basics of investing](#)
- [Setting savings and investment goals](#)
- [Savings and investments: rights and responsibilities](#)