INVESTOR GUIDE:
MANAGING YOUR INVESTMENTS

InvestRight
by BC Securities Commission

ARE YOU A SAVER OR AN INVESTOR?

An important first step of your investor journey is to identify whether you are a saver or an investor. Our research shows that British Columbians, even those who hold investments, have trouble seeing themselves as “investors”.

You are a saver if:

- You have money set aside for the future, but have only placed money into savings accounts
- You use the following accounts to hold your savings:
    - Bank savings accounts
    - High Interest Savings Accounts (HISAs)
    - Tax-Free Savings Accounts (TFSAs)
    - Registered Retirement Savings Plans (RRSPs)

You are an investor if:

- You use accounts or buy financial products that have the potential to earn more interest than a traditional savings account
- You purchase investments through registered accounts, such as TFSAs and RRSPs
- You hold any of the following common investment types: bonds, stocks, mutual funds, exchange-traded funds (ETFs), guaranteed investment certificates (GICs)

Understanding Risk and Return

Saving and investing are both options that can help grow your money over time. Understanding your risk tolerance (how much money you’re willing to lose on an investment) is a key aspect of being an empowered investor and making informed decisions. Saving money in a typical savings account can carry risks – rising inflation rates can decrease your purchasing power, and, while rare, a bank could declare bankruptcy and you could lose some or all of your savings. However, investing carries a greater risk level.

Investments can generate higher gains than a typical savings account provides. But it’s important to understand that typically, the higher the return on an investment, the higher the risk.

Your investment advisor will work with you to build your risk profile, which includes your risk tolerance, financial position, and ability to absorb possible declines in your investment portfolio. When discussing your risk profile with your advisor, it is critical that you are clear and truthful. You don’t want to find yourself feeling uncomfortable or uneasy about the investments in your portfolio.

Tip: It’s good practice to regularly assess your investment knowledge. Overestimating your knowledge can make it difficult for your registered advisor to help you.

MANAGING YOUR MONEY

This guide is meant to help you work effectively with a registered investment advisor. But it's important to know there are other options available to you to manage your investments. These include using a robo-advisory service, or taking a self-directed investing route.

Using a Registered Investment Advisor

A registered investment advisor is someone who provides advice on various investment products and helps you build your investment portfolio. You may choose to work with a registered advisor if you're not comfortable putting together an investment plan or choosing investments on your own. For example, you may not have the time, interest, or knowledge to build a portfolio that fits your goals and risk profile.

If you choose to work with one, your registered advisor will work with you to determine which investments may be most suitable for you and your financial goals. There are specific guidelines registered advisors must follow in order to make sure they are recommending appropriate investments and putting your interests first.

The word "registered" is key – investment advisors who trade securities or provide advice must be registered by the securities regulator in each province or territory where they do business. The firm they work for must also be registered.

Robo-advisors

Robo-advisors are online investment advisors that use technology to lower investing costs and create automated processes, such as rebalancing your investment portfolio. Some robo-advisors will regularly adjust your portfolio according to factors like your risk tolerance and financial circumstances. Robo-advisors typically require minimum or no direct human interaction.

Self-directed Investing

Self-directed, or do-it-yourself (DIY) investing, is where investors build and manage their own investment portfolios without outside advice. Self-directed investors usually make trades through a discount broker, and will pay lower fees. This strategy may work for you if you're an active investor with thorough knowledge on how to research, buy, sell, and monitor your investments.

Tip: Make a list of advantages and disadvantages of each strategy above to help you choose the one that works best for you.

WORKING WITH A REGISTERED INVESTMENT ADVISOR

Whether you're in the process of choosing a registered investment advisor or you're currently working with one, these practices will help protect you as a client, and can help you make the most out of your client-advisor relationship.

Do a Background Check

Knowing an investment advisor's credentials and background is a necessary practice of empowered investing. It's important to conduct a background check before you choose your advisor, or even if you have an advisor, because you'll have a better understanding of what services the advisor can and cannot offer. Do a background check with these four steps:

1. **Check registration.** Use the National Registration Search from the Canadian Securities Administrators (CSA).
2. **Check for disciplinary history.** Dig into whether the investment advisor or firm you are considering has ever been disciplined for bad practices.
3. **Search the internet.** Enter the person's name into a search engine and see what information you can find online.
4. **Interview your advisor.** Ask questions to find out if your potential or current advisor is a good match for you.

Find more details about each of these steps on our Advisor Check web page.

Tip: You can find out a lot about an individual or a firm from an internet search.

Make Decisions Together

The advisor you choose will work for you, and is required to put your interests first.

Whether you like to be actively involved or play a more passive role, it's important to communicate with your advisor. Your advisor has certain responsibilities to understand your personal and financial situation, investment knowledge, and risk tolerance. Your advisor also has certain responsibilities to understand the investment products offered at their firm before making any investment recommendations to you. These are known as the "Know Your Client (KYC)" and "Know Your Product (KYP)" obligations.

But this is a two-way conversation. Know what you're paying for and how your investments will make you money, and ask questions if you don't. Pay attention to information you receive from your advisor – account-opening documents, research materials, transaction records, and statements. Make sure the only transactions and fees on your statement are ones that you approved. Never sign a blank form or cheque, and never pay your advisor directly – payments should be made to the firm.

Client Focused Reforms

Client Focused Reforms are a new set of rules created to protect retail investors in their dealings with investment advisors and firms. These changes are also meant to provide greater transparency for investors, and create a uniform standard for advisors and firms across Canada.

Conflicts of Interest

Registered advisors and firms are required to identify, address, and disclose any material conflicts of interest. They must resolve all material conflicts in your best interest and let you know specifically how the conflict has been or will be addressed. Part of this communication must also include the risks the conflict poses to you.

Relationship Disclosure

The new reforms include the following disclosure requirements:

- A general description of the products and services the registered firm will offer to clients, and whether the firm will primarily or exclusively offer their proprietary products to clients.

- They must inform clients about any limits attached to products they offer, as well as the associated risks and costs.

- A general explanation of the potential impact on a client's investment returns from fees such as investment management fees.

Client Relationship Model Phase 2 (CRM2)

CRM2 is a set of securities laws designed to help improve disclosure to investors, and build more informed relationships with their advisors. Under the CRM2 rules, investors must receive essential information about the cost of their advisor's advice and how their investments have performed. Your investment firm is required to share an *Annual Charges and Compensation Report* and an *Investment Performance Report* with you. The reports include the following information:

Fee Disclosure

- What it will cost to buy and sell an investment, both now and later.

- The annual dollar amount of fees your account generated for the firm from direct charges to your account and fees paid to the firm by outside sources, such as mutual fund managers.

Annual Performance

- How much you deposited to your account and what your account is worth.

- Deposits and withdrawals during the past year and since the account was opened.

- Your personal rates of return over 1, 3, 5, and 10 years and since the account was opened. Your advisor will tell you about the calculation method they use and explain to you in plain language what the return calculation takes into account.

Tip: Fees are a part of investing. Knowing what fees and charges you will pay to trade securities can help you make better decisions.

OLDER CLIENTS

As Canadians age, they enter new life stages and their financial needs and goals will change. This means there is a need for advisors to provide tailored investment advice for older investors, and understand how to best approach a client's unique life stage as well as vulnerabilities that may surface. Not every older Canadian investor is considered vulnerable and unable to protect their own interests.

Understanding Vulnerabilities

Vulnerabilities can arise across different age groups and can impact a person at varying periods of time. It's important to recognize indicators that may cause a person to become vulnerable. Some of these include:

- Diminished or limited physical, cognitive, or psychological capacity
- Employment status
- Illness and/or injury

What to Expect From Your Advisor

In order to prevent financial exploitation, registered investment advisors are in a position to respond to challenges older or vulnerable clients may face. Here's what you should expect from an advisor:

- Communication methods may need to change if a client's ability to communicate has been impacted by changes to their hearing, vision, or mobility. An advisor should communicate using the client's preferred method whenever possible (i.e. in-person, on the phone, or online).
- An advisor should be prepared to cover important information in more than one format to help an older or vulnerable client understand it. For example, an advisor could provide information in a letter, via email, or in person.
- An advisor should ask open-ended questions to spot any areas of concerns or misunderstandings. Documenting conversations and summarizing them in follow-up communications may help with comprehension.
- An advisor should understand an older or vulnerable client's support structure, which includes a Trusted Contact Person. It may also include a power of attorney.

Establishing a Trusted Contact Person

A "Trusted Contact Person" (TCP) is someone who you have authorized as a point of contact for your advisor if your advisor has concerns you are being financially exploited or are showing signs of diminished mental capacity.

Your TCP cannot make financial decisions on your behalf, nor can they make transactions or changes to your account. They also cannot be given access to information about your account. You can appoint more than one TCP, and you can change them at any time. We've provided a form that can help you name a TCP and provide the documentation to your advisor.

Tip: Your Trusted Contact Person(s) should be trustworthy, independent, and familiar with your personal situation. It's also a good idea to ask them if they are comfortable with taking on the role.

About This Guide

The *Investor Guide: Managing Your Investments* is published by the British Columbia Securities Commission (BCSC). The BCSC is the independent provincial government agency that provides unbiased investing information through its investor education website, InvestRight.org. The BCSC protects investors by overseeing the *Securities Act*. Our job is to ensure compliance with the *Act*, take enforcement action when it is breached, and educate British Columbians about how to protect their money from unsuitable and fraudulent investments.

The Guide provides information for educational purposes only and does not constitute either investment or legal advice. The BCSC is not responsible for any losses or inconveniences suffered by persons using this information. We encourage readers to seek investment advice from a registered advisor, or independent legal advice, as necessary.

Contact the BCSC

We welcome your questions, comments, and concerns about investments, advisors, or firms. If you suspect investment fraud, report it immediately. You can call, email, or report it through our online complaint form.

BCSC Corporate Website: bcsc.bc.ca
BCSC Investor Education: InvestRight.org

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TRUSTED CONTACT PERSON

This form should be completed and given to your Trusted Contact Person.

Note: Your advisor may present you with a Trusted Contact Person form that you can sign and take away. You can also use this form if you choose to. If you do, ensure that your advisor keeps a copy on record. You should also keep a copy, and it's a good idea to give one to your TCP.

I, ______________________, have named you, ______________________, as my Trusted Contact Person on ______________________.

Name of Investment Firm:	
Name of Financial Advisor:	
Address:	
Account Type:	
Phone:	
Email:	

If you are not comfortable acting as my Trusted Contact Person, please let me know.

What to Do If Contacted

The financial advisor may ask you questions about me. The information you provide may assist them in protecting my account(s) or investments. The conversation may raise topics that are difficult in nature.

You can answer their questions to the best of your ability, although you are under no obligation to do so. If you don't know the answer or wish not to answer, it's okay to say so.

You may also involve law enforcement, elder abuse organizations or the provincial or territorial public guardian and trustee office if there are concerns about financial exploitation or abuse.

Make sure the person you are talking to is from my investment firm. If you are unable to verify that an unsolicited call is legitimate, hang up. Use the above contact information to call my financial advisor or investment firm.

The Role of a Trusted Contact Person

As my Trusted Contact Person, you may be asked to assist my financial advisor in protecting my investment account. You may know more about my personal situation, my family dynamic or health information. You may be asked questions about me if there are concerns about financial exploitation or diminished mental capacity, or if there is an emergency.

As someone I trust, you may know more about my personal situation, my family dynamic or health information than my financial advisor and you may be asked to help protect my account if there is an emergency.

For my financial advisor to contact you, I have provided them with your name, address, email address and/or phone number.

When a TCP Might Be Contacted

I have given my financial advisor permission to contact you under these circumstances (check all that apply):

- ☐ To confirm my contact information
- ☐ To confirm my legal representative(s)
- ☐ If financial exploitation is suspected
- ☐ If there are concerns about mental capacity
- ☐ Other (please specify): ____________________

Types of Questions a TCP Might Be Asked

My financial advisor may ask you questions depending on the situation. For example, you may be asked to confirm my contact information if the financial advisor is unable to reach me after several attempts. Or, if there are concerns about mental capacity, my financial advisor may ask if you have noticed changes in my behaviour.

Note: A Trusted Contact Person cannot make financial decisions or account changes. An individual named as a Trusted Contact Person is not a legal representative, guardian or trustee.

Visit InvestRight.org for more information about the role of a Trusted Contact Person and protecting investment accounts.