

Good advice goes a long way



C L E A R approach



Working with an advisor Canadians are more likely to have a financial plan and **be more confident** about their financial future



Advised households are **more likely** to believe they'll be prepared for retirement



Advised households averaged a **5.9 per cent** higher savings rate than non-advised households

Seeking advice from a professional can go a long way towards helping you define and reach your financial objectives. Good advice provides you with a considerable advantage when working to achieve your financial goals. In fact, households that invest with the guidance of an advisor accumulate more financial assets than those who invest on their own<sup>1</sup>.

Some people don't seek advice when they make decisions that affect their long-term financial well-being. Why? They may be unaware of the skills, services and resources these professionals provide. Understanding your dynamic and changing financial picture is complex. It takes training, experience and specialized expertise to develop and implement a successful financial plan – in fact, only six percent of Canadian investors surveyed identify themselves as meeting the criteria to be successful at being their own financial advisor.<sup>2</sup>

An advisor can enhance your financial plan in a number of ways:

- Develop a detailed analysis of your financial situation
- Create a comprehensive plan of action to help you meet your financial goals
- Help implement a disciplined savings strategy including cash flow planning and debt management
- Design and implement a customized investment strategy
- Review and rebalance your plan to keep it aligned with your financial goals
- Deliver support, guidance and set financial context to remain focused on your plan throughout market cycles
- Offer tax reduction strategies, will and estate planning

- Review your protection needs and make recommendations in the areas of life insurance, disability coverage and critical illness protection
- Provide you with access to a network of other professional services depending on your need for specialized advice such as accounting or legal

The more complete an understanding your advisor has of your objectives and overall financial picture, the better equipped they will be to build an effective plan. That's why you'll want to be thorough in selecting an advisor. It's a good idea to have them explain exactly what services they will provide and specifically how they will put your plan into action. Setting expectations and regularly reviewing your financial plan to assess its progress will help establish trust and enable your advisor to add the value you are looking for.

#### THE ROLE OF YOUR ADVISOR'S FIRM

As you work with your advisor, their firm provides support in a number of ways:

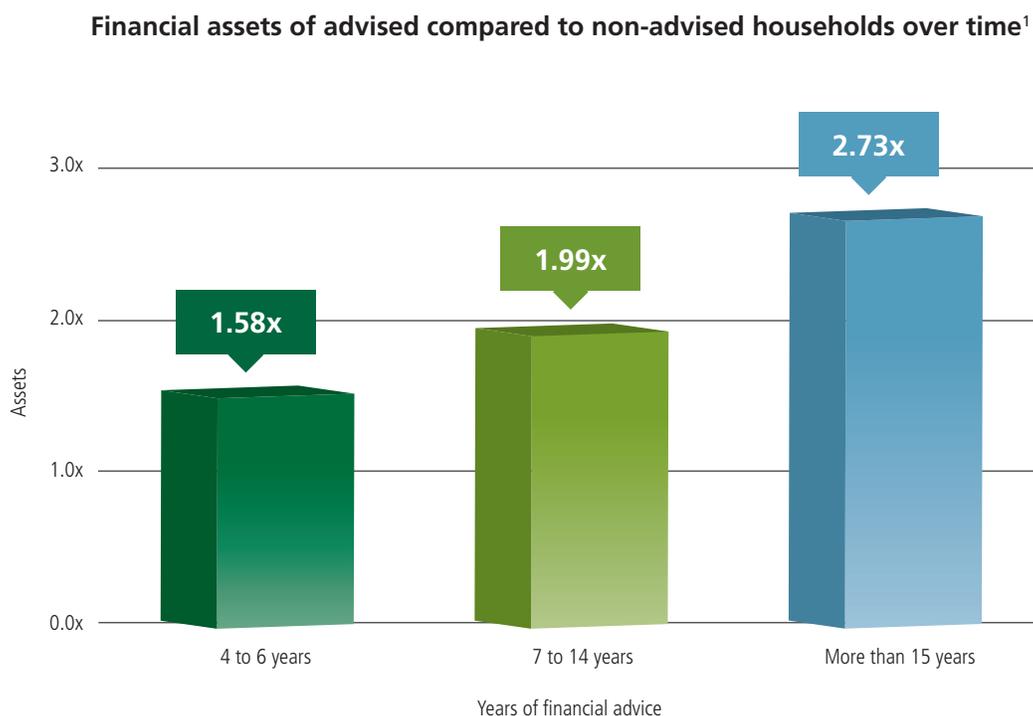
- Manages the infrastructure that supports investment distribution and client service
- Manages regulatory compliance activities and advisor supervision
- Maintains a formal issue handling processes
- Issues account statements and tax reporting
- Provides consumer protection through membership in investor protection funds

<sup>1</sup> The Value of Advice Report 2012 by the Investment Funds Institute of Canada.

<sup>2</sup> Source: CIRANO, Econometric Models on the Value of Advice of a Financial Advisor, Claude Montmarquette and Nathalie Viennot-Briot, July 2012. These are described in the CIRANO report as investors who identify themselves as their own main source of investment information and capable of self-managing their investments and exhibit greater levels of education, income and financial literacy. Montmarquette et al, CIRANO, July 2012.

## The value of advice

Good financial advice has a significant impact on your ability to achieve your financial objectives. The value of an advisor can be seen in a number of areas that contribute to your long-term financial success. Data shows that working with an advisor over time contributes positively and significantly to a household's level of assets:



<sup>1</sup>The Value of Advice Report 2012 by the Investment Funds Institute of Canada.



## How do advisors get paid?

It is important to understand how your financial advisor is paid. Fees for financial advice help pay for the valuable services, expertise and on-going guidance you receive. Have your advisor explain the options available and select the approach that works best for you. There are two main ways to pay for the services of your financial advisor:

### **Paying a fee based on the assets you invest**

In this approach, you pay a fee based on an annual percentage of the assets you hold. These payments can be made as either separate fees based on those assets, or as commissions from the products you purchase through your financial advisor.

- In a fee-based account arrangement, you pay your advisor's firm directly for advisory services. The amount you pay is an annual percentage of the assets you have with them.
- In a commission-based relationship, your advisor is paid a commission from the financial products they sell to you. In the case of mutual funds for example, commissions are paid out of the fund as a percentage of the fund assets. With embedded fees, you pay for your advisor's services through your investments in the mutual fund as part of its management expense ratio (MER).

In both cases, these asset-based fees provide you with access to the up-front stream of services to establish your plan, and for the on-going service required to ensure it remains in line with your financial situation.

### **Fee-for-service**

Your advisor is paid for the specific services they deliver. This may involve charging an hourly rate or setting a flat rate for a specific service such as developing your financial plan.

In some cases, the cost of your advisor's services will be a mix of fees and commissions. Informing yourself on the various approaches will help ensure you establish the approach that fits best with your circumstances and needs.

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Please contact your advisor for more information

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