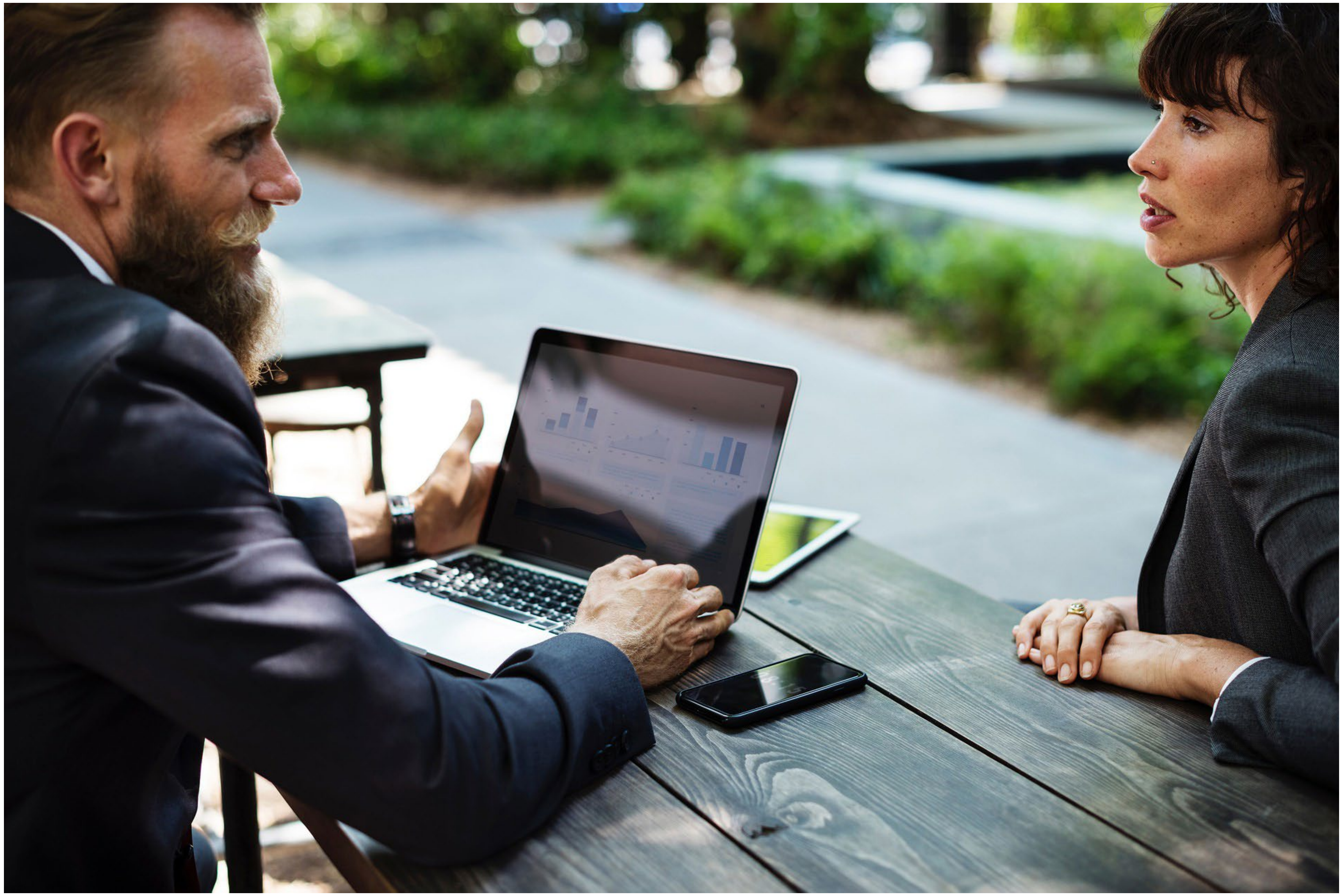
Working with an adviser:

getting the most out of the client-adviser relationship



Nova Scotia Securities Commission

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Why do I need an adviser?

Working with an adviser can help you set investment goals, build an investment plan, design a portfolio, choose suitable investments, track your progress and help you adjust as necessary.

Getting an adviser to help you meet your investing goals instead of doing it yourself typically comes down to at least one of three things…

Lack of knowledge
How much do you really know about investing? Do you know the difference between different types of investments? What is more beneficial for meeting your short-term and long-term goals? Do you understand the relationship between risk and returns? There's plenty of information out there for someone who wants to tackle investing on their own, but that's not always the best option.

Lack of time
Managing your investment portfolio isn't a one-off thing. Truly managing a diverse portfolio of investments takes time. Your investments need to be monitored on an on-going basis and reviewed during major life changes, such as getting married, having children or changing jobs, as well as when there are changes in the market.

Lack of interest
Everyone should be interested in how their money is working for them. However, taking an interest in your retirement or other savings and being fully involved in the process are two very different things.

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How do I find an adviser?

Choosing the right adviser is very important. Do you want someone to help you with a financial plan or do you just want to invest in securities or insurance? Not only will you be trusting this person with your hard-earned money, you'll also be trusting them to make the right investment recommendations to you.
Here are some key questions to ask:

What products and services do they offer?

Not all advisers offer the same products and services. Insurance agents are licensed to sell insurance products. Anyone in the business of advising on or trading in securities in Nova Scotia must be registered with the NSSC. Individuals offering financial planning services may be certified and have certain proficiencies in financial planning. NSSC only regulates those advising on or dealing in securities.

The category of registration that a securities adviser has will tell you what products or services they are licensed to sell. This is important to know so you understand the products that will be available to you. For example, a mutual fund dealer is only licensed to deal in mutual funds. If you want to invest in other securities such as equities and buy stocks, you would need to see an investment dealer. Always be sure to look into an adviser's category of registration so you know what you're getting, and also what you're not.

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Are they registered?

In Canada, anyone trading securities or in the business of advising clients on securities must be registered with their provincial or territorial regulator. It is essential to make sure anyone you are doing business with, or will be managing your money, is **registered**. Securities regulators, such as the Nova Scotia Securities Commission, will only register firms and individuals that are qualified by passing the necessary courses and meeting the requirements for registration. You should also check the **disciplined list** to see if they have been disciplined or sanctioned for any past wrong-doings.

What is their background?

What kind of education or training do they have? How many years experience do they have in the industry? How many clients do they have? Have they ever been sanctioned or had any disciplinary action against them from a regulator? When you find out their education or training you may want to research that as well, as not all education and training are considered equal.

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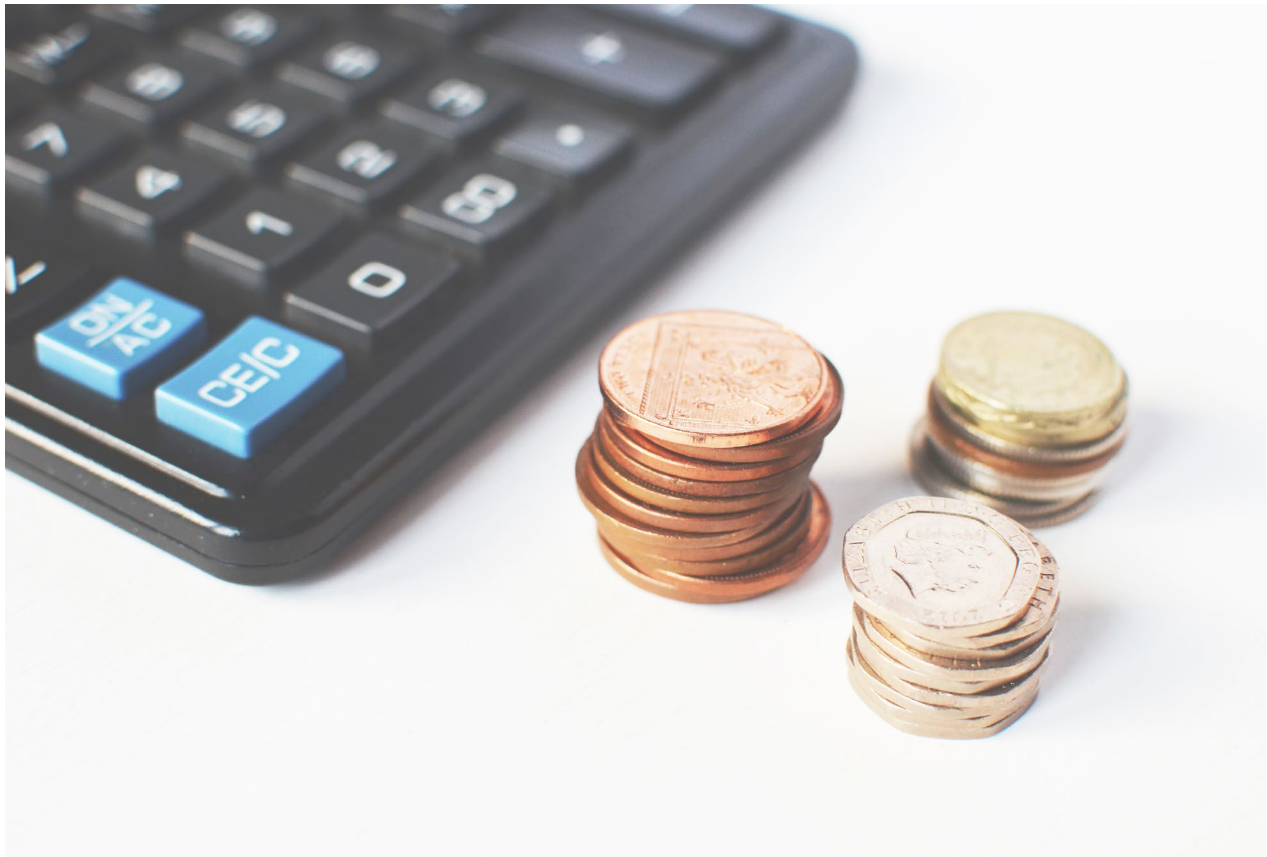
How are they paid?



You should always know how your securities adviser is being paid. There are a number of different ways securities advisers are paid, including by salary, commission, flat fees, or possibly a combination of these options. By understanding how a securities adviser is paid, you will have a better idea how much it will cost you to do business with that adviser either through direct payment or fees included in the products you invest in.

What level of service can I expect?

This is a good question to ask to ensure the expectations you have will be met by your securities adviser? If you simply want regular statements and an occasional check-in, all securities advisers are legally required to provide that. However, if you want more frequent contact or updates, make sure this is adequately communicated before you become a client of an adviser. It is important to check in with your securitise adviser if there is a change in your financial circumstances.

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What should I expect from my adviser?

In the securities adviser-client relationship, there are responsibilities on both sides. You are expecting honest and knowledgeable advice and recommendations from your adviser and your adviser is expecting honest and truthful answers to their questions so they can help you achieve your investment goals and objectives. With that being said, there are key expectations you should have and not have for your adviser:

An adviser should always…

- know their client and have a clear understanding of their financial goals
- make clear and specific recommendations
- explain the reasons for the recommendations and why they are suitable
- point out the strengths and weaknesses
- outline the risks involved

However, an adviser cannot and should not…

- set unrealistic goals or expectations of profit
- guarantee investments will always be profitable
- act on vague or general instructions to buy or sell securities
- predict the performance of the markets with certainty

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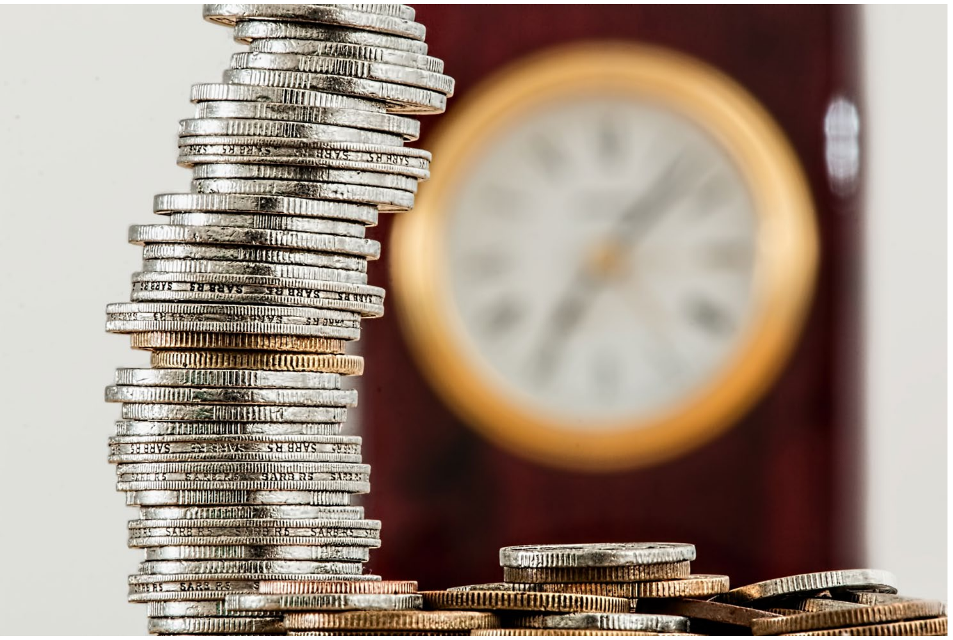
How is my adviser paid?

If you have a securities adviser you're paying him or her in some way for the services they provide to you. Advisers need and deserve to be compensated for their services. There are a number of different ways a securities adviser can be paid and you should know which method of payment your adviser is using to understand how much you are paying for their advice and services.

Individual advisers are typically paid in at least one of the following ways…

- **Salary**
- **Commission**
- **Flat Fees**
- **A combination of these**



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Salary:

An investor is charged a service fee from the adviser's firmwhich may cover part of the adviser's salary and is added on to the cost of the investment for services rendered. The service fees that a firm charges for investments in securities are now required to be set out on statements that are sent to investors semi-annually.

Commissions:

Certain investment products will pay a commission to your securities adviser when purchased. If an adviser makes a stock trade for you they will receive a percentage of the trade or a fixed fee. For mutual funds, there are generally two types of commissions – **front end and deferred sales charges (DSC)**.

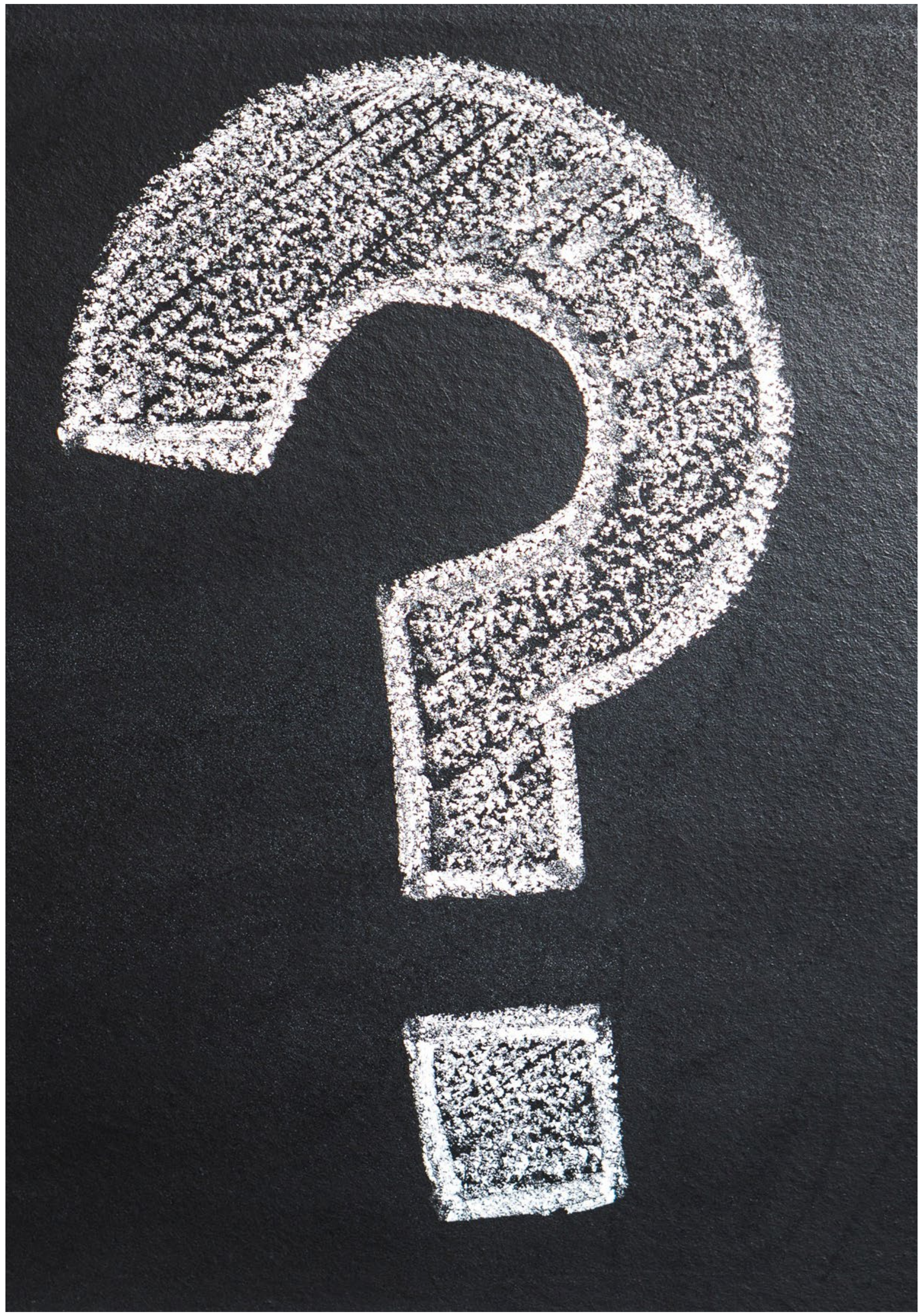
A **front end commission** is a percentage of the transaction amount deducted from the amount invested up front. As an example, if you had $1,000 to invest in mutual funds and your front end fee was 1.5%, your securities adviser would get $15 and the remaining $985 would be invested in the mutual fund.

A **DSC** is paid to the securities adviser by the mutual fund company. On the same $1,000 investment with a typical 5% DSC, the adviser would receive $50 from the mutual fund company at the time of purchase. This does not decrease the value of your investment, but if you withdraw money from the fund before a certain period of time (often 7 years), you will have to pay a DSC redemption fee out of the proceeds of your investment. In addition, the securities adviser may also receive a trailing commission from the mutual fund company.

Trailing commissions (also referred to as trailer fees) are built into the management expenses of mutual funds (management expense ratio or MER). They are ongoing embedded commissions paid to a securities adviser by the mutual fund as long as you own the fund. They usually run from 0.25% to 1% annually, but can be higher. For example, if your statement reflects a 4% rate of return on your $1,000 investment in a mutual fund and the MER was 1%, then your $1000 investment actually earned 5%. When purchasing mutual funds, always ask what the MER is so you know how much of your potential investment is going to your adviser.

Flat fees are fees your securities adviser charges to do things such as purchase or sell stocks or mutual funds.

What if I have a problem with my adviser?



Disputes between securities advisers and their clients are rare, but they can occur. Even if an investor holds up their end of the adviser-client relationship and does all the necessary due diligence, disputes and problems can arise.

Investors should know their options, and what they can do should a problem arise.

Losing money or seeing a decrease in the value of your investments should not be the sole reason for a complaint. Markets are unpredictable, even for the most experienced securities adviser. Losing money does not necessarily mean negligence or fraud. Talk to your securities adviser, make sure you understand what happened and why, and if necessary, request changes to your investment profile, such as your risk tolerance.

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Sometimes a complaint is necessary and legitimate. Encountering one of the following types of concerns usually means you should submit a complaint:

- Issues around registration, such as restrictions that were not communicated to you, or lack of registration altogether.

- Unauthorized use of your money, such as withdrawals from your account or purchases of securities that you did not authorize.

- Purchases or sales of securities that are not suitable for you or do not correspond with your investment goals or your risk tolerance.

- Recommendations or suggestions to 'make life easier for you,' such as signing blank forms or providing cash or deposits directly into your adviser's personal bank account

If any of these issues arise, the first step is to take your complaint to your securities adviser. Many disputes can be worked out with a conversation between a client and their adviser. If you're not satisfied with the outcome of this conversation, your next step should be to contact the branch manager or compliance officer within your adviser's firm. Registered firms often have well established policies and procedures for resolving disputes or complaints.

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If you are still not satisfied, you can take your concerns to the self-regulatory organization under which your adviser and firm fall: either the **Investment Industry Regulatory Organization of Canada (IIROC)** **or the** **Mutual Fund Dealers Association of Canada (MFDA)**.

At any point during this process you can also raise your concerns with the **Ombudsman for Banking Services and Investments**, or with your provincial/territorial securities commission. OBSI may be able to assist you in recovering some of your financial losses. Your provincial/territorial securities commission will take action to deter your adviser/firm and others from engaging in non-compliant activity.

If your securities adviser is not regulated by IIROC or the MFDA, or your suspect fraud, please contact the Commission directly.

To make a complaint directly to the Nova Scotia Securities Commission you can use our **online form**, or contact us by **email**. Be sure to give as much detail as possible. The information you provide will be used to determine what action, if any, can be taken. Someone from the commission will then contact you to discuss next steps. For more information on what to expect when making a complaint to the Commission, please see our **Guide for Complainants**.

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