

An Opportunity to Strengthen Your Relationships with Clients

Early in 2017, investors will begin receiving new information about the fees that they pay and the performance of their investments under an initiative known as the Client Relationship Model – Phase 2, or CRM2.

One goal of CRM2 is to strengthen the relationships between advisors and clients through better conversations about clients' investments and fees.

Some of your clients might be quite knowledgeable about investing. Others might not have the time, knowledge or interest to learn about how to manage their own investments. They are turning to you, a trusted advisor, to help them devise a meaningful plan to achieve their goals.

Answering Your Clients' Questions about the new CRM2 Reports

This is the first in a special three-part series of Advisor Insights. The series focuses on helping advisors have better conversations with clients about their investments as the final stages of CRM2 are implemented.

The other bulletins in the series are:

- *Advisor Insights: Answering Your Clients' Questions about the **Performance of their Investments**.*
- *Advisor Insights: Answering Your Clients' Questions about **Services and Fees**.*

These materials have been prepared to help the industry achieve the goals of CRM2 – to improve the investor experience and to enhance investors' knowledge and confidence to make better decisions about their investments.

For more information, visit IFIC.CA > **Members**.

Beginning early in 2017, you can find our CRM2 tools at our new Advisor Centre, located at IFIC.CA > **Advisors**.



Are you ready to talk to your clients about fees and performance?

Whether you've been preparing for months or are just now turning your attention to CRM2, here are some guiding principles to help frame your conversations:

Put yourself in your clients' shoes. If you are like most people, when you are purchasing a cell phone or a car, you want to make an informed decision that meets your needs. Imagine you are the client, choosing an investment with limited financial knowledge. What information would you want to have in order to make an informed decision?

Be your clients' "financial coach". Help them understand their financial position and the options they can choose from in order to achieve their goals. Provide them with relevant information and insights. Encourage them to ask questions and make sound decisions.

Focus on key concepts. Provide enough information to increase your clients' understanding without providing so much detail that they become overwhelmed. Different clients will have different levels of knowledge and this will impact what information will be most useful to them. For example:

- On the fees side, it is important to explain that the new report covers dealer fees, not fund manager fees, and to describe the services that the investor receives in return.



- On the performance side, it is important to explain that the rate of return on their new report is specific to their account and won't match the rates of return published by their fund manager(s), or the returns of others who bought the same securities at a different time.

Use plain language. Everyday terms and examples will make it easier for your clients to understand their new reports and to ask meaningful questions. Visit IFIC's glossary for plain language descriptions of terms.

Prompt your clients to ask questions.

The regulators' goal is to improve client understanding. Dealers, advisors and the industry as a whole will be measured by how well we do this. Having your clients ask questions is an excellent way for you to gauge their understanding so that you will know what new information to provide to them. Asking questions will also help them build the confidence to have better conversations with you about their investments and to make informed decisions.

Know the basics

As a starting point, be sure you are prepared to discuss these items with your clients:

Advisor Talking Points on the Report on Investment Performance

- This report provides **your personal rate of return**. This is something that many dealers are providing for the first time and will tell you exactly how your investments performed over the past year.
- Your personal rate of return is based on:
 - Your specific deposits into and withdrawals out of your account,
 - Dividends and interest earned from your investments and credited to your account, and
 - Changes in the value of the securities held in your account.

Since each investor has a different combination of deposits and withdrawals and a different mix of investments, each investor will have a different personal rate of return.

Clear answers to your clients' questions

For clear answers to clients' questions about the new reports, refer to:

- *Advisor Insights: Answering Your Clients' Questions about the Performance of their Investments.*
- *Advisor Insights: Answering Your Clients' Questions about Services and Fees.*

Early in 2017, we will release new materials aimed at investors to help them understand more about their investments.

- Benchmarks may help us understand how a fund has performed relative to a group of similar securities over a period of time but they are not relevant comparisons to your personal rate of return. One main reason for this is that benchmarks do not take into account the timing of your individual deposits or withdrawals. It is more meaningful to compare your personal rate of return to your target rate of return to evaluate whether you are on track to meet your investment goals.

Advisor Talking Points on the Report on Charges and Compensation

- This report provides you with details about the fees received by your dealer firm over the previous year to provide services to you. It does not indicate how much of these fees were paid to the advisor. Each dealer firm determines this amount differently, based on its business model and split in responsibilities between the firm and the advisor.

Fund Facts will help you explain the securities held by a fund, its risks, how well it performed (time-weighted) and approximately how much it costs.

- This report does not include all of the fees you paid to hold your investments. For example, for mutual funds, it does not include the amount paid to your investment fund manager(s).
- For an understanding of the total cost of a mutual fund, you can review the fund's management expense ratio (MER), as well as the trading costs of a fund. This information is in the *Fund Facts* document for each mutual fund, as well as the fund's financial statements.
- The MER of a mutual fund includes some of the fees that are shown on the new report. Your advisor can explain the total amount you are paying for your type of account and any other fee options that may be available to you,
- This new report is **not** an invoice. The amounts were paid by you, directly or indirectly, to your dealer for the purchase of your investments or by direct withdrawal from your account.

Regulatory Resources

Securities regulators have developed helpful materials for investors. Visit the securities regulator in your province to learn more.

Canadian Securities Administrators

<http://www.csa-acvm.ca/>

British Columbia

<http://www.bcsc.bc.ca/>

Alberta

<http://www.albertasecurities.com/Pages/home.aspx>

Saskatchewan

<http://www.fcaa.gov.sk.ca/>

Manitoba

<http://www.mbsecurities.ca/>

Ontario <http://www.osc.gov.on.ca/>

Quebec <http://www.lautorite.qc.ca/en/index.html>

New Brunswick <http://www.fcncb.ca/FinancialConsumer.html>

Nova Scotia

<http://nssc.novascotia.ca/>

Prince Edward Island

<http://www.gov.pe.ca/securities/>

Newfoundland & Labrador

<http://www.servicnl.gov.nl.ca/securities/index.html>

Yukon http://www.community.gov.yk.ca/corp/securities_about.html

Northwest Territories

<https://www.justice.gov.nt.ca/en/divisions/legal-registries-division/securities-office/>

Nunavut

http://nunavutlegalregistries.ca/sr_index_en.shtml

Industry Resources

The mutual funds industry is developing materials to help advisors build stronger relationships with clients so that investors will be better informed and make better decisions.

Our publication *Advisor Insights* provides updates on important topics and industry trends to help you serve your clients. Issues related to CRM2 include:

- *Answering Your Clients' Questions about the Performance of their Investments*
- *Answering Your Clients' Questions about Services and Fees*
- *CRM2 Myths and Facts*
- *Advice Creates Strong Value for Canadians*
- *Benchmark Disclosure*
- *Pre-Trade Disclosure*
- *The Real Cost of Owning Mutual Funds in Canada and the U.S.*

Other IFIC resources include infographics and white label brochures. In addition, a number of IFIC members have made their CRM2 materials available to other IFIC members.

Visit **IFIC.CA > Member Centre** to view our full list of CRM tools.

Beginning early in 2017, you can find our CRM2 tools at our new Advisor Centre, located at **IFIC.CA > Advisors**.

IFSE Institute (IFIC's education arm) has a continuing education module designed to teach financial advisors about CRM2 requirements.

Investor Materials

IFIC has an investor centre that addresses a wide range of topics. You can refer to these resources in your meetings with clients. Our infographics illustrate key concepts to aid investor understanding. In 2017, we will be releasing new investor tools on CRM2 topics.

We are improving our Investor Centre. Watch for our announcement in the first quarter of 2017 so you can check out our new look!

Prepared by



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