

Ontario Securities Commission - inquiries@osc.gov.on.ca

C/O:

The Secretary

Ontario Securities Commission

20 Queen Street West

22nd Floor, Box 55

Toronto, Ontario M5H 3S8

Fax: 416-593-2318

comments@osc.gov.on.ca

“1. Clients are not getting the value or returns they could reasonably expect from investing: in their suitability analysis, some registrants fail to consider all of the factors relevant to helping clients meet their investing goals.”

It is apparent to me that where ‘registrants fail to consider all of the factors relevant to helping clients meet their investing goals’, these registrants are often operating in the limited capacity of an investment / insurance advisor or salesperson, and not that of a professional financial planner. The issue is that the client may believe the advisor has education and skills they do not possess. This is largely due to the confusion in the marketplace created by the many titles and designations that exist. I believe it is also due to the success of using ‘financial planning’ as a marketing tool to sell insurance and investment products. This can be seen by the degree to which clients cannot distinguish true financial planning from investment advisory services or insurance advisory services.

In my opinion, to ensure that clients get value from their relationship with their advisor, it is necessary to limit the use of the title financial planner and financial planning to those professionals who actually do this work.

Using financial planning software to produce a financial plan is not the same as client-focused comprehensive financial planning, which takes into account the need to understand a client’s unique personal goals, preferences and limitations which will most assuredly change over time. As a member of the IAFP (Institute of Advanced Financial Planners) and an R.F.P.® designee, it is a requirement that I approach the client engagement in a holistic manner whereby they obtain all information relevant to the client’s stated goals, concerns or questions. Investing is only one component of a true financial plan.

The *Six-Step Financial Planning Process* required includes these essential steps with every client:

Step 1: Gather data and summarize the client's current situation

Step 2: Establish client goals, priorities and concerns

Step 3: Identify problems and opportunities

Step 4: Provide written recommendations and alternative solutions

Step 5: Take action on implementation

Step 6: Perform periodic reviews, updates and revisions to the plan

I strongly support the CSA's intent to review "titles and designations, including the use of "advisor" in the near future". I believe the success of any new regulation that may be imposed will be determined by how effectively the myriad of financial designations and titles are rationalized to resolve this key concern. Specifically, titles should reflect the activity and competency of the title holder.

I encourage you to work with other industry participants and governmental agencies to adequately restrict the use of the title financial planner to include only those registrants who have the appropriate education, skills and experience to implement the Six-Step Process as outlined above. In my estimation, this would be limited to R.F.P.s, CFPs (Certified Financial Planners) and the Planificateur Financier.

"2. Expectations gap: clients often have misplaced reliance on or trust in their registrants, which exacerbates the agency problem inherent in the client-registrant relationship and can result in sub-optimal investment decisions."

I welcome changes that 'require registrants to promote the best interests of clients and put clients' interests first.' As R.F.P.® designee, I agree to abide by the IAFP Code of Ethics, Canon 1 of which is (and has been since at least 2003) "Members shall act in the best interests of their clients and shall place the interests of their clients above their own."

"3. Conflicts of interest: the application in practice of the current rules is, in many instances, less effective than intended in mitigating conflicts of interest."

I also welcome changes that would 'clarify for clients what they should expect from their registrants.' It is a requirement of all who hold the R.F.P.® designation that the nature of client engagements is clearly documented in a Letter of Engagement that is co-signed with the client. The Letter of Engagement must include disclosure of any conflicts of interest, as well as method and sources of compensation, registrations held by the R.F.P. and the scope of services to be provided.

Setting this as a standard for professional financial planners, and a concentrated effort to educate the client as to the difference between professional financial planners and product advisors / salespeople would go a long way to resolving this issue.

“4. Information asymmetry: the current regulatory framework is, in many instances, less effective than intended in mitigating the consequences of the information and financial literacy asymmetry between clients and registrants.”

Professional financial planners should be required to prove that they can produce a financial plan and that the financial plan include educate the consumer in addition to providing alternatives and recommendations. Uniquely, The R.F.P. is the *only* designation that requires aspiring designees to qualify by submitting a sample financial plan for approval before being granted Professional status and thus permission to use the designation on an annual re-qualification basis. Establishing this as a standard for professional financial planners would improve the financial literacy of Canadians. I believe that these standards should apply to all professional financial planners.

“5. Clients are not getting outcomes that the regulatory system is designed to give them: this over-arching concern is to a large extent due to the combined effect of the concerns listed above.”

We know that Canadians want, need and value professional financial planning. “The Value of Financial Planning”, commissioned by the *Financial Planning Standards Council* (FPSC, May 1, 2013 <https://issuu.com/fpsc/docs/value-of-financial-planning>) in conjunction with the *Financial Planning Foundation*, provides a comprehensive evaluation of the financial planning activities of Canadians by measuring its perceived impact on emotional and financial well-being.

Those with comprehensive plans feel:

- More on track with their financial goals and retirement plans
- That they have improved their ability to save in the past five years
- More confident that they can deal with financial challenges in life
- Better able to indulge in their discretionary spending goals

I believe that to mitigate the CSA’s key concerns, the number of titles currently in use in the financial services industry should be reduced and that the remainder be made more product specific. In particular, I believe that the use of any title that includes the word ‘planner’ be restricted to those individuals who can demonstrate by exam and example that they are capable of producing a credible, understandable, educational financial plan. Other advisory titles should include product registration

(eg. Insurance advisor, mutual funds advisor, securities advisor) so the client very aware of the capabilities and limitations of the individual they are working with.

It is clear to me that Canadians need, want and benefit from comprehensive financial planning. Therefore it is a concern to us that the CSA would consider implementing proposals that would reduce Canadians' ability or inclination to pursue an ongoing relationship with a qualified financial planner. I am referring specifically to the proposed restriction of Referral Fees where external Referring Parties be limited to 25% of total Management Fees charged with a maximum payment period of 36 months (NI 31-103 Section 13.8.0/1). I believe that this proposed change would have the opposite effect to that intended and would be detrimental to clients of practicing professional financial planners. This proposed restriction could compromise consumers and their ability to achieve the "outcomes the regulatory system is designed to provide".

I provide financial plans and ongoing financial planning advice in tandem with a registered Portfolio Manager for a number of my clients. The current disclosure requirements for R.F.P.s and my licencing clearly identify the responsibilities and limitations of each party. Current disclosure requirements also clearly identify the compensation paid to each party. In my experience, my clients benefit from this arrangement in that they receive both expert financial planning advice and separate investment management services for one low and clearly defined fee. Rather than a one-time referral, it is an ongoing, synergistic and client-focused relationship.

By limiting the amount and duration of referral payments, two potential outcome are that clients will receive financial planning advice for a finite period of time, after which they may be forced to seek out other portfolio arrangements that carry higher costs (in a hidden, embedded format that they do not understand or acknowledge in any way) in order to continue receiving much needed financial planning advice. Or they may relinquish established, trusted relationships with a compensation structure that they understand and acknowledge.

I recognize that some advisors or salespeople may be receiving compensation for services they are not providing, and agree that this is not in the clients' best interest. In particular, I know of instances where an advisor or salesperson receives ongoing embedded commissions on a portfolio of mutual funds or segregated funds without providing ongoing financial planning or advice. Further, there are also instances where an advisor or salesperson receives an ongoing asset management fee on a portfolio of ETFs or individual securities without providing financial planning services or advice.

I would encourage the CSA to take steps to address this particular example of how "Clients are not getting the value ... they could reasonably expect from investing"

In conclusion, I congratulate the CSA on its intent to strengthen protection for the public through examination and regulation of those who provide investment advice

and services. I strongly encourage you to reinforce the distinction between investment / insurance sales advice and comprehensive financial planning services by restricting the use of the terms financial planner and financial planning to those who have demonstrated their competency in those areas. Further, I ask that the CSA ensure there is an even hand applied in matters relating to compensation for all participants in the financial services arena.

Yours truly,

A handwritten signature in cursive script, appearing to read "Skinner".

Jacquie Skinner BA, CFP, R.F.P., FDS
Premier Financial Planning Services Inc.
9170 County Road 93, Suite 305
Midland, ON L4R 4K4