

CURRICULUM – LLQP

MODULE: Segregated funds and annuities

DURATION OF THE EXAM: 75 minutes - NUMBER OF QUESTIONS: 35 questions (including 5 pilot questions that do not count in the candidate's score)

Competency: Recommend segregated funds, individual annuities and group pension plans adapted to the client's needs and situation

%	COMPETENCY COMPONENTS
35	<p>1. Assess the client's needs and situation</p> <ul style="list-style-type: none"> 1.1. Determine the client's situation, investment objectives, and investor profile 1.2. Assess the appropriateness of the client's existing coverage in regard to his or her situation 1.3. Articulate the client's needs based on the risks that could affect his or her financial situation
30	<p>2. Analyze the available products that meet the client's needs</p> <ul style="list-style-type: none"> 2.1. Analyze the types of investments that can constitute a segregated fund and that meet the client's needs 2.2. Analyze the advantages of segregated funds in comparison to other types of investments in regard to the client's needs 2.3. Analyze the types of annuities that meet the client's needs 2.4. Analyze the types of group retirement and investment plans that meet the client's needs
25	<p>3. Implement a recommendation adapted to the client's needs and situation</p> <ul style="list-style-type: none"> 3.1. Propose a recommendation adapted to the client's needs and situation 3.2. Confirm the requirements that must be met to implement the recommendation
10	<p>4. Provide customer service during the validity period of the coverage</p> <ul style="list-style-type: none"> 4.1. Validate the appropriateness of contract amendment, renewal and termination applications in regard to the client's situation 4.2. Inform the claimant of the claims process

COMPETENCY: RECOMMEND SEGREGATED FUNDS, INDIVIDUAL ANNUITIES AND GROUP PENSION PLANS ADAPTED TO THE CLIENT'S NEEDS AND SITUATION

%	COMPETENCY COMPONENTS	COMPETENCY SUB-COMPONENTS	CONTENTS
35	1. Assess the client's needs and situation	1.1 Determine the client's situation, investment objectives, and investor profile	<div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p>Individual client's personal situation</p> <ul style="list-style-type: none"> • Health concerns • Longevity of the client • Power of attorney • Will <p>Individual client's financial situation</p> <ul style="list-style-type: none"> • Documents for review <ul style="list-style-type: none"> – Income tax return (for the individual and his or her spouse, and business for the small business owner) – Mortgage statement – Statement of registered retirement savings plan (RRSP) contributions – Pension plan statements – Credit card statements – Bank statements – Line of credit or Home Equity Line of Credit (HELOC) statement – Other sources of income and debt, such as investment real estate, royalties, family support obligations, personal loans – Non-registered investment account statements • Preparation and analysis <ul style="list-style-type: none"> – Basic balance sheet (assets and liabilities, including creditor liabilities) – Budget – Net worth statement – Cash flow statement </div> <div style="width: 48%;"> <p>Investor investment objectives</p> <ul style="list-style-type: none"> • Account purpose • Financial goals • Need for guaranteed investments • Time horizon <p>Investor profile</p> <ul style="list-style-type: none"> • Current savings • Risk tolerance • Knowledge of investments • Investment experience • Tolerance of volatility • Results of financial review • Results of needs review • Results of income survey <p>Group plan intention</p> <ul style="list-style-type: none"> • Composition of the group • Short term or long term needs • Funding commitment and payroll contributions • Timing of plan implementation </div> </div>

COMPETENCY SUB-COMPONENTS	CONTENTS	
<p>1.2 Assess the appropriateness of the client's existing coverage in regard to his or her situation</p>	<p>Government retirement pensions</p> <ul style="list-style-type: none"> • Eligibility, contributions, and benefits <ul style="list-style-type: none"> – Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) – Old Age Security (OAS) – Guaranteed Income Supplement (GIS) – Allowance • Tax characteristics <ul style="list-style-type: none"> – Non-deductibility of mandatory government plans – Taxation of benefits <p>Group pension plans</p> <ul style="list-style-type: none"> • Group plan eligibility, contributions and benefits: <ul style="list-style-type: none"> – Defined benefit pension plan (DBPP) – Defined contribution pension plan (DCPP) – Deferred profit-sharing plan (DPSP) – Group registered retirement savings plan (GRRSP) • Locked-in plan restrictions and benefits <ul style="list-style-type: none"> – Life income fund (LIF) – Locked-in retirement account (LIRA) – Locked-in retirement savings plan (LRSP) or Locked-in RRSP – Locked-in retirement income fund (LRIF) – Prescribed registered retirement income fund (PRRIF) – Restricted life income fund (RLIF) <p>Individual or group registered plans</p> <ul style="list-style-type: none"> • Pooled registered pension plan (PRPP) • Tax-free savings account (TFSA) 	<p>Individual registered plans</p> <ul style="list-style-type: none"> • Registered retirement savings plan (RRSP) <ul style="list-style-type: none"> – Spousal RRSP • Registered retirement income fund (RRIF) <ul style="list-style-type: none"> – Income splitting • Registered disability savings plan (RDSP) • Registered education savings plan (RESP) <p>Individual non-registered plans</p> <ul style="list-style-type: none"> • Non-registered accounts <ul style="list-style-type: none"> – Savings – Investments • Life insurance <ul style="list-style-type: none"> – Insurance policies – Annuities <p>Group plan coverage</p> <ul style="list-style-type: none"> • Plans available • Form of existing plan

COMPETENCY SUB-COMPONENTS	CONTENTS	
<p>1.3 Articulate the client's needs based on the risks that could affect his or her financial situation</p>	<p>Risks facing the individual investor</p> <ul style="list-style-type: none"> • Economy as a whole • Investment risks <ul style="list-style-type: none"> – Inflation risk – Interest rate risk – Market risk – Liquidity risk – Foreign exchange risk – Credit risk – Industry risk • Client-specific financial risks <ul style="list-style-type: none"> – Low level of financial literacy – Risk of job loss – Risk of outliving money (longevity) – Risk of bankruptcy – Liquidity issues 	<p>Needs</p> <ul style="list-style-type: none"> • Need for income <ul style="list-style-type: none"> – Individual – Spouse – Couple • Need for retirement income <ul style="list-style-type: none"> – Individual – Spouse – Couple • Need for estate planning • Need for emergency fund • Need for creditor proofing • Need for lump-sum savings • Return on investment <ul style="list-style-type: none"> – Capital preservation – Growth – Inflation protection • Diversification • Investment management

COMPETENCY: RECOMMEND SEGREGATED FUNDS, INDIVIDUAL ANNUITIES AND GROUP PENSION PLANS ADAPTED TO THE CLIENT'S NEEDS AND SITUATION

%	COMPETENCY COMPONENTS	COMPETENCY SUB-COMPONENTS	CONTENTS
30	2. Analyze the available segregated funds and annuities that meet the client's needs	2.1 Analyze the types of investments that can constitute a segregated fund and that meet the client's needs	<p>Types of segregated funds</p> <ul style="list-style-type: none"> • Money market funds • Bond funds • Income funds • Mortgage funds • Equity funds • Dividend funds • Real estate funds • Balanced funds • Index funds • Fund of funds • Specialty funds <p>Fund analysis</p> <ul style="list-style-type: none"> • Current offerings • Client needs vs. products available • Application of basic taxation principles <ul style="list-style-type: none"> – Investment allocations and dispositions triggering capital gains or losses – Withholding tax on income and fund surrenders

COMPETENCY SUB-COMPONENTS	CONTENTS	
<p>2.2 Analyze the advantages of segregated funds in comparison to other types of investments in regard to the client's needs</p>	<p>Other types of investments</p> <ul style="list-style-type: none"> • Stocks • Bonds • Real estate • Mutual funds • Exchange-Traded Funds (ETFs) • Guaranteed Investment Certificates (GICs) • Canada Premium Bonds (CPBs) • Canada Savings Bonds (CSBs) <p>Advantages of segregated funds for individual investors</p> <ul style="list-style-type: none"> • Issue as individual variable insurance contract (IVIC) • Guarantees <ul style="list-style-type: none"> – On maturity – On death • Creditor protection • Reset option • Exemption from probate • Income benefit <ul style="list-style-type: none"> – Guaranteed Minimum Withdrawal Benefit (GMWB) – Guaranteed Lifetime Withdrawal Benefit (GLWB) • Managed volatility • Professional management • No requirement for ongoing decisions • Allocations • Switches between funds • Ability to withdraw • Diversification • Assuris coverage • Right to cancel • Ongoing deposits • Absence of medical underwriting 	<p>Advantages of segregated funds for groups</p> <ul style="list-style-type: none"> • Lower management expense ratio • Forced savings • Professional management • No requirement for ongoing decisions • Allocations • Member participation <ul style="list-style-type: none"> – Fund switches – Rebalancing of assets – Withdrawals • Absence of medical underwriting <p>Tax implications</p> <ul style="list-style-type: none"> • Capital gains or loss on redemption of non-registered annuity contracts (segregated funds only) • Tax treatment of death guarantee and maturity guarantee top ups of segregated fund annuity contracts • Tax treatment of GMWB and GLWB plans

COMPETENCY SUB-COMPONENTS	CONTENTS	
<p>2.3 Analyze the types of annuities that meet the client's needs</p>	<p>Types of annuities</p> <ul style="list-style-type: none"> • By type of contract <ul style="list-style-type: none"> – Single-life – Joint first and joint last to die – Registered and non-registered annuities – Annuities for group • By duration <ul style="list-style-type: none"> – Term certain annuity – Straight life annuity (guarantees, e.g., number of payments, instalment refund, cash refund) – Impaired life annuity • By need for income <ul style="list-style-type: none"> – Immediate annuity – Indexed life annuity – Deferred annuity – Variable annuity • By form of taxation <ul style="list-style-type: none"> – Prescribed rate – Accrued rate • By capitalization <ul style="list-style-type: none"> – Accumulation annuity – Defined contribution pension (DCP) and locked-in retirement account (LIRA) transfer – Registered retirement savings plan (RRSP) maturity transfer • By need for estate planning <ul style="list-style-type: none"> – Insured annuity 	<p>Advantages of annuities for individual investors</p> <ul style="list-style-type: none"> • Income security • Ease of understanding • Creditor protection <p>Tax implications</p> <ul style="list-style-type: none"> • Accrual reporting vs. prescribed annuity contract reporting • Income tax on registered annuity contracts <p>Factors affecting annuity payments</p> <ul style="list-style-type: none"> • Withdrawal rights and market value adjustment • Guarantees • Annuity rate • Length of benefit period

COMPETENCY SUB-COMPONENTS	CONTENTS
<p>2.4 Analyze the types of group retirement and investment plans that meet the client's needs</p>	<p>Group plans providing savings and investment for retirement</p> <ul style="list-style-type: none"> • Registered plans • Non-registered group investment account • Group plans converting registered savings into pension income <p>Sponsor's needs in setting up a group plan</p> <ul style="list-style-type: none"> • Attract and retain top-quality employees • Assist with retirement saving • Serve group members short term and long term needs • Contributions linked to business profitability <p>Factors that impact the analysis of group plans</p> <ul style="list-style-type: none"> • Funding • Costs • Sponsor characteristics • Group members • Administration

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25	3. Implement a recommendation adapted to the client's needs and situation	3.1 Propose a recommendation adapted to the client's needs and situation	<p>Recommendation for segregated fund for the individual investor</p> <ul style="list-style-type: none"> • Minimum deposit and funding • Type of fund and its specific characteristics <ul style="list-style-type: none"> – Total value – Date of inception – Portfolio turnover rate – Portfolio manager – Minimum investment – Performance data (average return, year-over-year returns) – Fund Facts – Adjusted cost base – Notional units – Financial statement – Taxation – Net asset value and market value • Value of guarantees <ul style="list-style-type: none"> – Death guarantee – Maturity guarantee – Enhanced death benefits – Guaranteed Minimum Withdrawal Benefit (GMWB) and Guaranteed Lifetime Withdrawal Benefit (GLWB) riders and withdrawals • Time value of money • Reset rules • Tax considerations <ul style="list-style-type: none"> – Tax treatment of maturity guarantee – Tax treatment of death benefits • Riders • Fund options • Maturity date <p>Limitations of segregated funds for the individual investor</p> <ul style="list-style-type: none"> • Specific sales charge applied • Management expense ratio (MER) of fund • Trailing commission of fund • Principal risks of fund • Age restrictions • Penalties applied <ul style="list-style-type: none"> – Early termination and surrender 	<p>Recommendation for segregated fund for the group</p> <ul style="list-style-type: none"> • Selection of appropriate plan for the group • Presentation of alternatives <p>Recommendation for annuity for the individual investor</p> <ul style="list-style-type: none"> • Timing: immediate or deferred • Value of guarantees <ul style="list-style-type: none"> – Life annuity – Riders • Annuity rate <ul style="list-style-type: none"> – Variable – Fixed • Taxation • Benefit payment • Type of annuity and its specific characteristics • Creditor protection <p>Strategies for tax efficiency</p> <ul style="list-style-type: none"> • General strategies <ul style="list-style-type: none"> – Leveraging or borrowing to invest – Income splitting – Gift strategies • Credits and deductions <ul style="list-style-type: none"> – Charitable donations or tax credit – Using tax credits in higher or lower income spouse's name – Tax-advantaged returns in investing – Tax deductibility of interest on leveraging for non-registered plans • Insurance-specific strategies <ul style="list-style-type: none"> – Prescribed annuities • Tax deferral plans <ul style="list-style-type: none"> – Tax Free Savings Account, Registered Retirement Savings Plan (RRSP), spousal RRSP – Home Buyers' Plan and Lifelong learning Plan as RRSP strategies

- Withdrawals

Limitations of segregated funds for groups

- Absence of guarantees
- Mandatory contributions
- Vesting period

Limitations of annuities for the individual investor

- Interest rate risk
- Inflation risk
- Risk of loss of capital at death
- Penalties
 - Early termination and surrender
 - Withdrawals

COMPETENCY: RECOMMEND SEGREGATED FUNDS, INDIVIDUAL ANNUITIES AND GROUP PENSION PLANS ADAPTED TO THE CLIENT'S NEEDS AND SITUATION

COMPETENCY SUB-COMPONENTS	CONTENTS	
<p>3.2 Confirm the requirements that must be met to implement the recommendation</p>	<p>Individual investor</p> <ul style="list-style-type: none"> • Application form • Rider election form • Beneficiary form • Correct form of account <ul style="list-style-type: none"> – Proper client identification for account opening purposes – Ascertaining owner, annuitant and beneficiary • Consideration (payment) to accompany application or specifying the source of funding, i.e. transfer of registered retirement savings plan (RRSP) or locked-in retirement account (LIRA) • Delivery of information folder and Fund Facts • Determining fund value • Notice of confirmation with signatures and date 	<p>Group</p> <ul style="list-style-type: none"> • Role of group administrator • Data from group administrator • Documentation to group members • Application form • Payroll contributions • Eligibility of members • Need for annual review

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10	4. Provide customer service during the validity period of the coverage	4.1 Validate the appropriateness of contract amendment, renewal and termination applications in regard to the client's situation	<div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p>Service needs of individual investors</p> <ul style="list-style-type: none"> • Follow-up • Monitor and review <ul style="list-style-type: none"> – Scheduled review – Annual review – Change in client circumstances – Change in product • Deposits • Fund switches • Change of beneficiary • Reset • Renewal • Withdrawals • Surrender </div> <div style="width: 48%;"> <p>Service needs of group plan members</p> <ul style="list-style-type: none"> • Follow-up • Monitor and review <ul style="list-style-type: none"> – Annual review – Change in client circumstances – Change in product • Locked-in account transfer • Change of beneficiary • Withdrawals • Purchase of annuity • Termination of employment <ul style="list-style-type: none"> – Transfer to another group plan – Transfer to individual locked-in account </div> </div>
		4.2 Inform the claimant of the claims process	<div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p>Agent's role in the claims process</p> <ul style="list-style-type: none"> • Describing the claims process • Knowing where to access and send forms and how they should be completed • Understanding the carrier's expectations of the agent's role <p>Claims information for group members</p> <ul style="list-style-type: none"> • Notice of change • Death • Withdrawal by member </div> <div style="width: 48%;"> <p>Claims information for individual investors</p> <ul style="list-style-type: none"> • Death • Withdrawals • Surrender • Maturity • Power of attorney <p>Factors affecting claim</p> <ul style="list-style-type: none"> • Maturity guarantee • Death benefit guarantee • Market value adjustment • Allocations • Sales charge </div> </div>