



5Ws of investing

Answering your questions

You work hard for your money – and investing is a smart way to get your money working for you. We hope this brochure will help you find out what you want to know. Visit our website, www.iiac.ca, for more information or speak to your advisor.

Who?

Who should I deal with when investing and how do I know if he/she is qualified?

When looking to invest your money, the first thing you will want to consider is whether the person you are dealing with is qualified and regulated. For example, is the person registered with a self-regulatory organization such as the Investment Industry Regulatory Organization of Canada (IIROC)? Advisors registered with IIROC must meet specific regulatory requirements and continuous training designed to ensure high standards of conduct.

To verify whether an advisor is registered and for what activity, please check with IIROC (www.iiroc.ca) or your local securities commission (www.csa-acvm.ca). These organizations will not give an opinion on an individual advisor, however, they will be able to tell you whether the advisor is registered, in what capacity and who regulates the advisor.

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Why?

Why do I have to give personal information when I open an account? Will it be kept confidential?

When you meet with your advisor to open an account, your advisor is legally required under anti-money laundering, income tax, securities or other laws, rules and regulations to gather certain information about you. Your advisor may be restricted from opening your account if you do not provide this information.

Information you may be asked for includes:

- Full legal name
- Home address
- Date of birth
- Social insurance number
- Citizenship
- Name of your employer
- Your occupation and occupation of your spouse

Different laws require information for different purposes. For instance, information about your occupation and that of your spouse is required to meet various requirements such as IIROC “know-your-client rule” and federal anti-money laundering legislation, as well as to help you better plan your investment strategy.

All of your information is kept confidential. Every firm is required to have an internal policy relating to the protection and confidentiality of investor information. Ask your advisor for your firm’s confidentiality policy and measures in place to protect your information.

Why does my advisor want updates on changes in my life?

After your first meeting, IIROC “know-your-client” rules require that advisors ask you to keep them abreast of changes in your life. This will ensure that your advisor can provide

you with the best possible service, since these changes may impact your financial plan, your tolerance for risk or the administration of your account.

Your investment advisor needs to know about:

- Changes in marital status
- Relocation to another province or country
- New job or job loss
- Major increase or decrease in your resources, for example, due to inheritance.

To ensure a complete financial plan, you should also inform your advisor about:

- Death of a family member (spouse or child)
- Addition of another dependant (child, grandchild, elderly parent, etc.)
- Acquisition of property (in Canada or another country)
- Start of a business
- Sale of important assets

It is also important for you to consider changing your designated beneficiary or power of attorney if you have any major life changes. By keeping your advisor up to date, your advisor can serve you better and help you make wise investment and tax decisions. Working in partnership with your advisor will benefit you and your family.

Why do I keep getting annual reports, documents and other paper that I don’t want?

Much of the printed material, that you receive from your advisor or corporations you invest in, is required by the government or regulatory bodies. There are a number of steps you can take to limit the amount of material you receive, however, the issuer of the security has the final say in what material you receive. Talk to your advisor if you have any questions.

By keeping your **advisor up to date**, your advisor can **serve you better** and help you **make wise investment and tax decisions.**

What?

What are the advantages of dealing with an IIROC registered advisor?

The advantages of an IIROC registered advisor are:

- **The broadest choice** – IIROC registered advisors offer a broad range of investment products and services.
- **Full understanding of investor needs** – IIROC registered advisors are required to meet rigorous suitability and “know-your-client” rules. This ensures they understand your financial situation, investment knowledge and objectives, and tolerance for risk.
- **Expert knowledge** – IIROC registered advisors are required to complete extensive training to obtain their registration and meet ongoing education requirements to maintain it.
- **The utmost in integrity** – IIROC registered advisors are held to strict standards monitored by the firm and the IIROC.
- **The highest degree of professionalism** – IIROC registered advisors are required to act in your interests to provide investment solutions that meet your specific objectives and needs.
- **Protection** – All IIROC registered firms are members of the Canadian Investor Protection Fund (CIPF). Coverage is automatic when your account is with a member of CIPF. If a CIPF member goes bankrupt, coverage can total \$1 million or more (excluding loss on securities due to economic or market changes) depending on the type of accounts held. To find out if your advisor works for a firm covered by CIPF, visit www.cipf.ca.

What are the different types of investment accounts available through my advisor?

Accounts vary depending on the registration of the firm and the individual advisor you deal with. Below is a list of some accounts commonly available:

- **Cash accounts** – basic investment accounts.
- **Registered accounts** – include retirement savings plans (RRSPs), retirement income funds (RRIFs) and education savings plans (RESPs).
- **U.S. dollar trading accounts** – enable trades to be settled in U.S. dollars.
- **Margin trading accounts** – enable investors to purchase securities using funds borrowed from their investment dealer.
- **Short-sale trading accounts** – enable investors to borrow securities from their investment dealer for sale into the market and eventual repurchase.
- **Option trading accounts** – enable investors to trade listed

call and put options.

- **Futures trading accounts** – enable investors to trade listed futures contracts.
- **Discretionary trading accounts/managed accounts** – enable investors to assign day-to-day trading authority to their advisor or a portfolio manager.
- **Fee-based trading accounts** – charge an annual or quarterly fee based on the size of the account rather than charging a commission for each transaction.

Speak to your advisor to find out what types of accounts are available and suitable for you.

What are the risks when I invest?

Most investments involve some form of risk. It is important to understand the different types of risks as well as your comfort with and ability to accept risk. Risks vary, depending on the products you select. The most common risks are:

- **Market risk** – your investment may drop in value due to unfavourable market developments.
- **Credit risk** – chance the company you invest in may go bankrupt or may not be able to pay interest or dividends.
- **Interest rate risk** – changes in interest rate levels which may affect your investments.
- **Liquidity risk** – if you are not able to sell your investment quickly or for a price close to the price of the last sale in the marketplace.
- **Currency risk** – investments and income in non-Canadian dollars may lose value because of a change in the exchange rate.

Generally speaking, a higher return means higher risk. Your advisor will work with you to determine your risk tolerance and create a portfolio that meets your needs.

What does it mean to diversify my portfolio?

Diversification means not putting all your eggs in one basket. By putting your money in different investments and investment types, investors generally reduce their overall risk. You can diversify by type of security (e.g., bonds or stocks), company, industry, maturity, currency or geographic location.

What is an accredited investor?

An accredited investor is someone who meets specific income and asset thresholds established by securities regulators who is generally considered to have sound knowledge of financial affairs. This type of investor has a greater tolerance for risk and is eligible to invest in a wider range of investment products.

When?

When and what kind of tax information can I expect to receive from my advisor?

Your advisor is required to send you information for tax reporting purposes. You usually receive this information between January and March, but some of it may be sent throughout the course of the year, depending on your transactions and account holdings. Some tax information commonly issued includes:

When I am in the United States, why can't I trade securities with my Canadian advisor?

Unless the advisor is registered in the U.S., U.S. law generally prohibits Canadian advisors from dealing with clients who are physically in the U.S. In certain states, there are some exceptions for Canadian self-directed tax-advantaged retirement plans and for Canadians who are temporary residents of the U.S. Discuss your options with your advisor before you leave Canada.

When I receive "hot tips" through the Internet, are these good sources of information?

Stop right there. When you receive "hot tips" through websites, spam e-mails, discussion groups and chat rooms, consider if the sources of information are reliable. Before using online information to make investment decisions, ask yourself: Do I know the person giving advice? What qualifications does he/she have? Is the investment opportunity based on facts? Is there any conflict of interest? Does the person offering the advice have a proven track record of accurate information? Is the person being compensated and by how much? Always use credible and diverse information sources, including a discussion with your investment advisor, to make your investment decisions.

Item	Description	Delivered
T3 (Québec R16)	Reports trust unit and mutual fund income(may be issued from your dealer or from the fund)	By March 31
T4RSP/T4RIF/T4A (Québec R1 and R2)	Issued for RRSP, RRIF, RESP withdrawals; shows amounts of tax withheld (if any)	By February 29
T5 (Québec R3)	Reports dividend and interest income	Usually mailed in February
T5013 and T5013A (Québec R15)	Reports the share of partnership income received from a limited partnership	Usually mailed by March 31
RRSP Contribution Receipts	Shows all contributions to your RRSP	Usually mailed by March 31
Transaction Summaries	Lists all reportable purchases, sales, redemptions, etc. All transactions are also listed on your regular clients statements.	Usually mailed in February

Always **use credible**
and diverse information **sources**,
including a **discussion**
with your **investment advisor**,
to **make** your investment **decisions**.



Where?

Where can I get more information?

Your advisor is a good source of information; contact your advisor directly to ask questions. The websites listed below also offer useful information:

IIAC – www.iiac.ca – investor materials and links

Investor Education Fund – www.investored.ca – informative investor material

CIPF – www.cipf.ca – tells you about how you are protected

Toronto Stock Exchange – www.tsx.com/en/market_activity/glossary.html – glossary of market terminology

If you are looking for an advisor, visit www.iiac.ca for a list of IIROC registered investment firms. Remember, when choosing an advisor, find out if the advisor is regulated and has the right training and experience for your needs.

Contact Us

Toronto

Tel.: 416.364.2754

Montréal

Tel.: 514.843.8380

Vancouver

Tel.: 604.482.1790

www.iiac.ca
publicaffairs@iiac.ca

The Investment Industry Association of Canada (IIAC) advances the position of the Canadian investment industry on regulatory and public policy issues. As the professional association for investment dealers, the Investment Industry Association mandate is to promote efficient, fair and competitive capital markets for Canada while helping its member firms across the country succeed in the industry. Member firms range in size from small regional firms to large organizations that employ thousands of individuals nationwide. Our members work with Canadian investors to help build prosperity and investment security for them and their families.

The information contained in this publication is for general information purposes only and is not intended by the Investment Industry Association of Canada as investment advice or a recommendation on the appropriateness of investing.