INVESTOR RIGHTS & PROTECTION

LEGAL INFO NOVA SCOTIA

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To learn more about protecting your rights as an investor, visit legalinfo.org and click on the Investor Rights and Protection link on our front page. You will find a comprehensive guide, investor tools, audio podcasts and other resources. Please be aware that the information presented is not legal advice or investment advice.

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1. Investing is doing something with your money that you know or expect will make it grow into more money over time.

2. The money that you make from investing is taxable income and is called your return on investment.

3. By investing your returns as they are earned over time, you can make your investments grow much more quickly. This is called the "magic of compounding."

4. Return can be the interest from a guaranteed investment certificate, a payout from owning shares in a company (dividends), or the extra money you get when you sell an investment for more than you paid for it (capital gain).

5. Most investments do not guarantee you will make a return. You could make no money or even lose money and there is a direct relationship between risk and return.

6. When you choose an investment that has a good chance of making a high return, there is always the risk that it will make a low return, no return, or a negative return (capital loss).

7. You can choose low-risk investments that guarantee a return, but these guaranteed returns are always lower than the potential returns from a higher-risk investment.

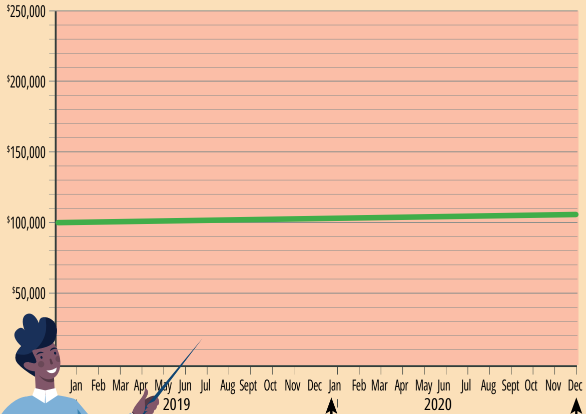
8. Common financial investments include buying individual shares in a company or buying units of a fund that holds shares of different companies. These funds are called mutual funds or exchange traded funds.

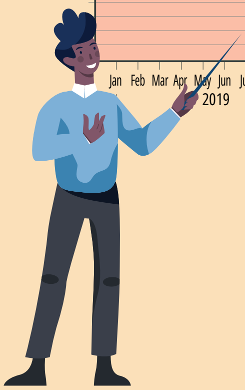
9. The federal government encourages Canadians to invest. You can save or delay paying income tax when you hold your investments in special accounts that are registered with the Canadian government. Examples are RRSP accounts, TFSA accounts and RESP accounts. Each type of account has a different purpose and different tax rules.

10. Your age, your stage of life, and your goals will determine which investment products (for example, shares, bonds, or mutual funds) you choose and which registered or non-registered accounts you choose to hold them in.

Risk & Return

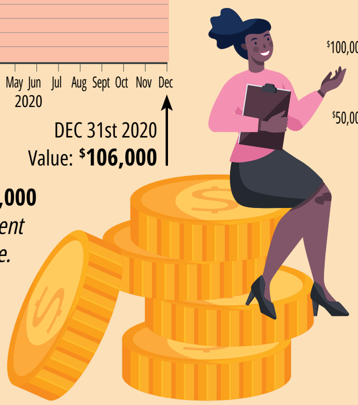
$100,000 3% Guaranteed Investment Certificate (GIC)





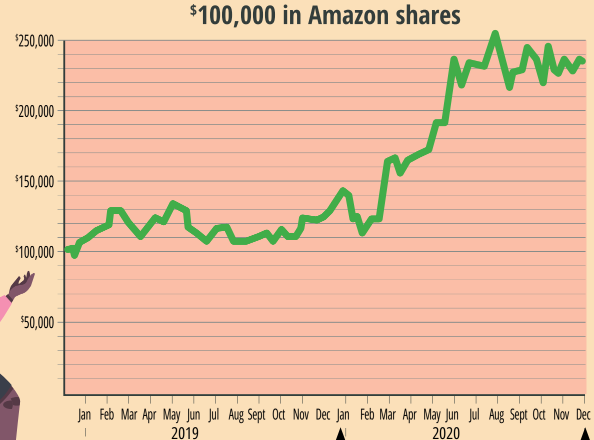
DEC 31st 2020
Value: $**106,000**

DEC 31st 2019 Value: $**103,000**
Growth is slow, consistent and known in advance.



amazon

$100,000 in Amazon shares

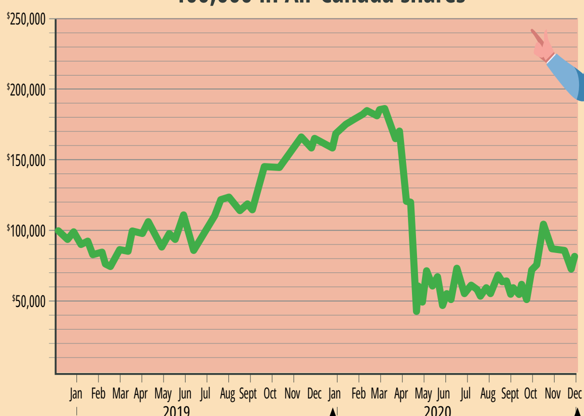


DEC 31st 2020
Value: $**233,786**

DEC 31st 2019 Value: $**125,214**
Ups and downs, high return over both years.

AIR CANADA

$100,000 in Air Canada shares

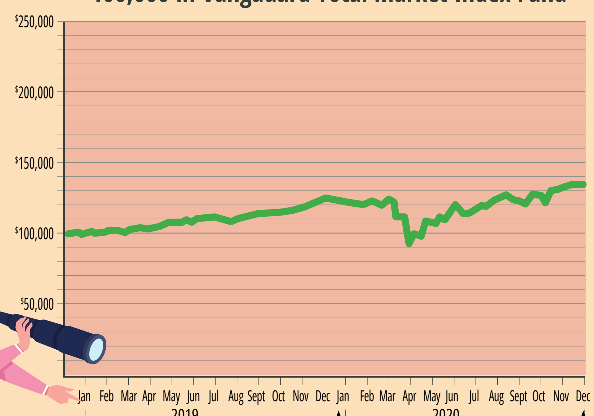


DEC 31st 2020
Value: $**80,952**

DEC 31st 2019 Value: $**185,714**
Ups and downs, high return in year one, big loss in year two.

Vanguard

$100,000 in Vangauard Total Market Index Fund



DEC 31st 2020
Value: $**134,286**

DEC 31st 2019 Value: $**122,857**
Performance reflects the stock market.

Investments 101

Investing can help you save money to do the things you want to do: go to college or university, travel the world or buy your first car.

Read on to learn about different kinds of investments and how they work.

Cash and cash equivalents

Cash includes the money in your bank account and other "cash-like" investments that can earn you interest. These include savings bonds, treasury bills and guaranteed investment certificates.

Cash investments are generally very safe, or "low risk," and give you quick access to your money. However, they often have lower rates of return than other types of investments.

Risk and return
Risk means the possibility of losing money on your investment. Return is the amount of money that you earn on an investment. Usually, the higher the potential return, the higher the risk.

Bonds

When you buy a bond, you are lending your money to a government or company for a certain period of time. In return, they promise to pay you a fixed rate of interest at certain times and to repay the "face value" at the end of the bond's term (its maturity date).

Bonds typically offer better rates of return than cash investments because you're taking on more risk by lending out your money for a longer period. Many bonds come with a guarantee and are relatively safe. Others offer much higher rates of return, but can be very risky and have no guarantees.

What is face value?
The face value is the value the bond was issued at and is the value you receive when it matures. Interest payments are based on the face value. For example, a bond that has a face value of $1,000 and an interest rate of 5% would pay you $50 a year.

Stocks

When you buy stocks or "equities," you become a part owner in a business. Depending on the size of the business, there could be hundreds or thousands of other part owners, or shareholders. You will receive any profits the company allocates to its shareholders. These profits are called dividends.

You can make money on a stock in two ways: if the stock increases in value and if the company pays a dividend. However, there are no guarantees that a stock will make money or that the company will pay a dividend. The value of a stock can go up or down—sometimes frequently and sometimes by a lot.

Stocks can provide higher returns than other types of investments, but you also have a higher risk of losing some or all of your investment.

Part ownership
As a part owner of a company, you may be entitled to vote at the shareholders' meeting. However, you won't be involved in the company's day-to-day decisions.

TFSA vs RRSP Decision Guide

Both tax shelters help your investments compound tax-free for the long term, but there are important differences. Work through these steps to help figure out which is best for you.

TFSA

RRSP

1. Default Option

The TFSA is flexible and easier to use, so if you don't have the time to figure it out exactly, or lack clarity to optimize, go with the TFSA—you can always switch to an RRSP later.

2. Emergency Access

Any money you'll need in an emergency has to be accessible. Have a cash emergency fund, but also consider keeping some of your long-term savings accessible in your TFSA, just in case.

3. Free Money

Always take free money when offered. If your employer matches your RRSP contributions, sign up for that program. (This may also point you towards making RESP contributions a priority)

4. Behaviour

RRSPs can only beat TFSAs if you're making RRSP contributions **pre-tax** (i.e. contributing your refund too so more goes in the RRSP). If you fritter away your refund, go straight to the TFSA.

5. Low Income

If you're lower income (<$40k/yr)—in particular if you may be eligible for GIS in retirement—then look towards the TFSA. The claw-back on GIS from RRSP withdrawals will be too high.

6. Special Situations

Buying a house? The RRSP HBP lets you use pre-tax money for your down-payment, which helps you avoid CMHC fees. An upcoming mat/pat leave may also let you use tax arbitrage early.

7. Tax Arbitrage

Most comparisons skip straight to this step. If there are no other strong factors, then the RRSP will be better for people who have a lower tax rate in retirement than in their contribution years.

See more details on this decision tool at http://www.holypotato.net/?p=1403

Prepared by John Robertson, author of *The Value of Simple*. Check it out for information on *how* to invest within your RRSP and TFSA. http://ValueofSimple.ca

INVESTOR RIGHTS: Top 10 Takeaways

1. When you buy investments from a registered financial advisor in Canada, you have the right to timely and accurate information; the right to receive your advisor's best recommendations; and the right to know if your advisor has a conflict of interest.

2. The Nova Scotia Securities Commission has rules for the sale of investments in Nova Scotia. One rule is that only people who are registered with the Securities Commission can legally sell investments.

3. We will call the people who are registered to sell investments "advisor/registrants" because the title "advisor" is also used by people who are not registered.

4. Rules about how your advisor/registrant must treat you help to protect your rights as an investor. But the Securities Commission cannot guarantee your advisor/registrant will follow the rules. Even when they do your rights are not fully protected.

5. Before you buy a specific investment, you will receive a fact sheet about it. After you buy, you will receive quarterly and annual reports as long as you own the investment.

6. Fact sheets and reports from your advisor/registrant are timely and accurate. But the information might be incomplete, overwhelming, or hard for you to understand.

7. The rules in Nova Scotia say advisors/registrants must give you suitable advice and recommendations. They do not say that they must give you their best advice and recommendations.

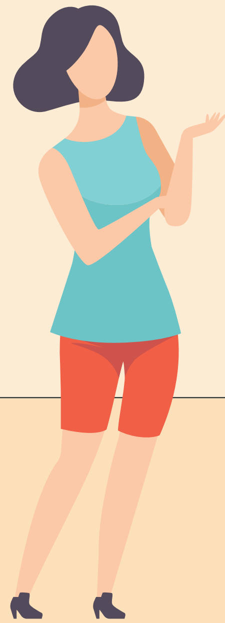
8. When what is best for you is not what is best for your advisor/registrant, your advisor has a conflict of interest. They might recommend an investment which is suitable, but not best, for you because it is best for them.

9. An advisor/registrant might recommend an investment which suits your risk and timing needs but has high fees because high fee investments make your advisor/registrant more money. A better investment for you would be a similar one with lower fees.

10. You need to know your rights as an investor. You need to understand how these rights are, and are not, protected. You need to be ready to stand up and protect your rights yourself.

SECURITY-TYPE INVESTMENTS:

Know Your Rights



YOU HAVE THE RIGHT TO:	*YOU CAN PROTECT YOUR RIGHTS BY:*
Know if Your Advisor has a Conflict of Interest	Finding out how your advisor is paid Finding out what range of products your advisor can sell Asking about availability of similar products with lower fees
Receive Your Advisor's Best Recommendations	Keeping your personal info and risk profile up to date Finding out why a particular investment is being recommended Considering whether advice is "best" versus "suitable"
Receive Timely and Accurate Information	Reviewing your quarterly statements Reviewing your annual performance report Following up to see that all transactions are processed accurately

INVESTOR RIGHTS

When you work with an investment advisor, you have some essential rights:

- **You have a right to know if your advisor has a conflict of interest.**
  - If your advisor has an interest that could affect his or her advice to you, such as a sales commission or ownership of an investment, you have a right to know of any possible conflict.
  - If a conflict of interest is disclosed, you can decide whether you want to accept the advice or look for independent advice.
- **You have a right to receive your advisor's best recommendations based on your stated investment goals.**
  - Your advisor's recommendations should lead you toward meeting your goals, within the level of risk that you have discussed.
- **You have a right to timely and accurate information.**
  - Your advisor is required to send you an investment account statement regularly.
  - The information your advisor gives you about an investment must be accurate and contain all the details you need to know.
  - You have a right to receive official documents describing an investment, such as a prospectus, within a set time.
  - From January 1, 2011, mutual funds companies must provide investors with a "Fund Facts" document that highlights key information about the fund, including risks and costs of products.

If you feel that your rights have not been respected by your advisor, talk to him or her about it. There may be a simple misunderstanding that can be easily corrected.

For a more serious issue, you may also wish to file a formal complaint.

- **Contact the advisor's supervisor. Most financial organizations have a complaints investigation process.**
- **Contact the securities regulator for your province or territory. For contact information, visit the Canadian Securities Administrators website.**
- **Contact the Investment Industry Regulatory Organization of Canada (IIROC), which regulates all investment dealers in Canada. Go to the Making a complaint page on the IIROC website.**
- **Contact the Mutual Fund Dealers Association of Canada (MFDA) for issues about firms that sell mutual funds in Canada. Go to the Complaints page of the MFDA website.**
- **Contact the Ombudsman for Banking Services and Investments (OBSI) for disputes involving banking institutions and participating investment organizations. In Quebec, you can contact the Autorité des marchés financiers (AMF).**

If you are not comfortable talking to your advisor, look for another advisor that you feel meets your needs.

INVESTOR RESPONSIBILITIES

Investors also have responsibilities to their advisors.

- **Know yourself, your investments and your advisor.**
  - You have to know your own investing goals and preferences. Your advisor can help, but you have to know what is important to you.
  - It's also important that you know the basics about your investments and know what services your advisor does—and doesn't—offer.

- **Communicate your goals and instructions to your advisor.**
  - Your advisor will ask for information about you (often called a Know Your Client or KYC form). This information helps your advisor make the best recommendations for your personal situation. Be sure that the information you give is complete and accurate.
  - Let your advisor know if there are changes, such as an increase or decrease in your family income, your marital status or the birth of a child. This will allow him or her to talk to you about adjusting your plan if necessary.
  - When you give instructions, be sure they are clear and the advisor understands them.
  - Take notes of all meetings or conversations that you have with your advisor. This may include, for example, discussions about strategy, instructions to your advisor and questions about the investments that you hold.

Financial Consumer
Agency of Canada

From the Financial Consumer Agency of Canada:
www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/investing/investing-4/9.html

Financial Consumer Agency of Canada | Agence de la consommation en matière financière du Canada | Canada

Your Financial Tool Kit

Developed by the Financial Consumer Agency of Canada, the Investor Education Fund and l'Autorité des marchés financiers

Investment account statement review

First questions—Check these on every statement you receive.	
☐	Your name and address, account number and advisor information is correct.
☐	The opening balance (if there is one) matches the closing balance on your last statement.
☐	Any new cash deposits and contributions during the statement period were properly credited.
☐	The list of what you bought and sold matches your confirmation slips and records.
☐	Any automatic withdrawals were processed on the correct business day.
☐	In RRSP accounts, that the beneficiary information is correct.
More questions—Analyze your statement in more depth at least once a year. Discuss any questions you are not sure of with your investment advisor.	
☐	What is my rate of return (net income per year divided by purchase price)?
☐	Is my rate of return acceptable (compared to other investments of the same type)?
☐	Am I on track to meet my investment goals? (Am I ahead of or falling behind where I want to be?)
☐	What are my total costs, including all fees?
☐	Are my total costs acceptable (compared to other investments of the same type)?
☐	Are my level of risk and asset mix near the levels I agreed on with my investment advisor?
☐	How does my rate of return compare to other comparable investments?

Autorité des marchés financiers | Financial Consumer Agency of Canada | Investor Education Fund — A Canadian non-profit organization

INVESTMENT FRAUD & OTHER CONCERNS: Top 10 Takeaways

1. Investment fraud is when you pay for an investment that is not real, or is not what the seller said it was, or is sold by someone who is not allowed or registered to sell investments in Nova Scotia.

2. Investment fraud can happen to any investor of any age or with any level of investment experience or knowledge.

3. To learn if an investment is legitimate, your first step is to check whether the person trying to sell it is registered with the Nova Scotia Securities Commission.

4. Fraudsters have many different schemes, and they are always coming up with new and creative ways to scam you.

5. Examples of common investment fraud schemes are affinity fraud, pump and dump, boiler room, and Ponzi schemes.

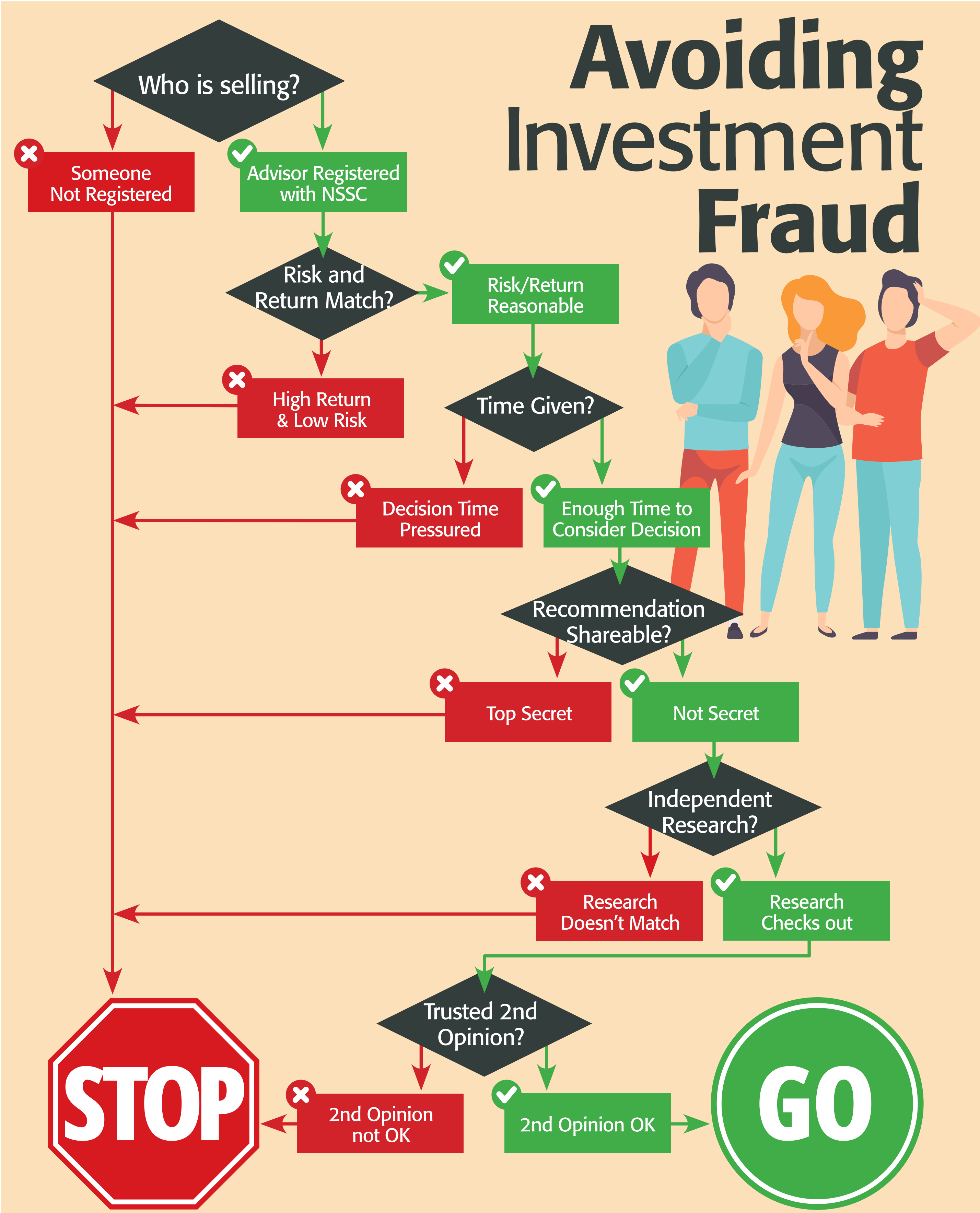
6. There are warning signs that an investment is not legitimate. These include offers of high returns with no risk, or investments with little information to back them up. Someone who pressures you to act quickly or tells you to keep the information secret is likely trying to scam you.

7. People who are registered with the Nova Scotia Securities Commission to sell investments can also commit fraud. To protect yourself, never pay your advisor/registrant directly; money should go only to their investment firm. And always check to make sure that they bought what they said they would buy or sold what they said they would sell.

8. An advisor/registrant can take advantage of you in ways that are not fraud or against the rules, but which still cause you to lose money. You can help make sure this does not happen to you. Always get satisfactory answers to your questions. Carefully review all documents and pay attention your investment returns and fees.

9. If you are offered an investment by someone who is not registered, or if you suspect investment fraud or advisor wrongdoing, contact the Nova Scotia Securities Commission immediately. They will help you.

10. If you have been a victim of investment fraud, do not be ashamed or keep it a secret. Report it to help yourself and to protect other people.


Avoiding Investment Fraud
Who is selling?
Someone Not Registered
Advisor Registered with NSSC
Risk and Return Match?
Risk/Return Reasonable
High Return & Low Risk
Time Given?
Decision Time Pressured
Enough Time to Consider Decision
Recommendation Shareable?
Top Secret
Not Secret
Independent Research?
Research Doesn't Match
Research Checks out
Trusted 2nd Opinion?
2nd Opinion not OK
2nd Opinion OK
STOP
GO

Investment Fraud Prevention Checklist

Before you make any investment decision always do your due diligence. You can never have too much information or ask too many questions when it comes to investing and keeping your money safe.

Check Registration ☐

Anyone advising or selling securities in Nova Scotia must be registered.

Check Disciplined Persons List ☐

If a firm or individual has been disciplined for past misconduct it can be found using the CSA Disciplined Persons List.

Check Investor Alerts Database ☐

All investor alerts issued by the Nova Scotia Securities Commission are on their website. Investor alerts issued by any securities regulator in Canada can be found on the CSA website.

Does this investment pass the "red-flag"test? ☐

- Were you promised high returns for low risk?
- Must you act now with no time to consider the risks of the investment? Were you pushed with high-pressure sales tacitcs?
- Were you given "inside" or "secret" information?
- Is the investment legitimate? Can you find corroborating evidence from a credible source?
- Were you required to pay for your investment with a credit card or wire transfer?
- Were you required to provide direct payment to the adviser or salesman?

These are all major red flags of investment fraud!

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http://nssc.novascotia.ca NSSCinquiries@novascotia.ca @NSSCommission

NOVA SCOTIA
Securities Commission

INVESTING & FINANCIAL PLANNING: Top 10 Takeaways

1. Investing should always be done as part of an overall financial plan that considers your income, expenses, debt, stage of life, and investment goals.

2. Advisor/registrants may offer free financial planning, but they may not be the best choice for this kind of advice. Most advisor/registrants are salespeople who earn their money through high fees on the mutual fund investments that they recommend and sell to you. Their main goal is sales, not advice.

3. Free financial planning sounds appealing, but a fee-for-service/advice-only financial planner is a better option to ensure you receive unbiased, big-picture, financial planning advice.

4. Fee-for-service/advice-only financial planners are professionals who do not sell investment products or make commission or other income from you buying investments. Only advisor/registrants can sell or recommend specific investment products to you.

5. Because fee-for-service/advice-only financial planners are not paid for selling investments, they offer more objective financial planning advice than advisor/registrants.

6. Fee-for-service/advice-only financial planners are paid for their financial planning advice, which covers more than just investing. They can help you make a budget, manage expenses, buy a house and pay down debt. You pay them directly for this advice.

7. Fee-for-service/advice-only financial planners are more likely than advisor/registrants to pay attention to the investment fees you are paying. By helping you understand these fees and showing you ways to keep them low, they can help you make more money from your investments.

8. You can pay lower investment fees by choosing options other than traditional high-fee mutual funds. For the lowest possible fees, you can choose and buy investments yourself using a low-cost, user-friendly online platform. Another option is to get a balanced portfolio of low-fee exchange traded index funds online using a roboadvisor.

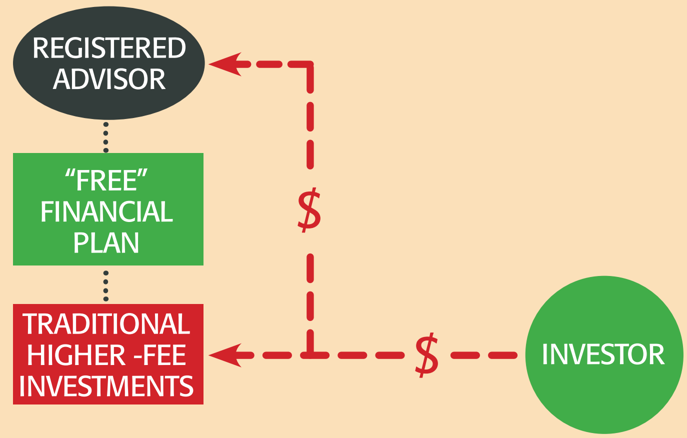
9. A fee-for-service/advice-only financial planner can help you see the pros and cons of these options so you can choose what is best for you. If you have the knowledge, time and interest, the no-advice, self-investing option might be perfect for you since it has the lowest fees. If you want fees lower than the traditional option, but also need some advice and support, a roboadvisor might be a better choice.

10. Financial planning in Nova Scotia is not regulated the way buying and selling securities is. It is offered by people with different credentials, backgrounds and motives who often use business titles that can mislead you. When choosing a financial planner, do not rely on business titles. Find out how they are paid and check education, experience and other background information.

Financial Planning Options

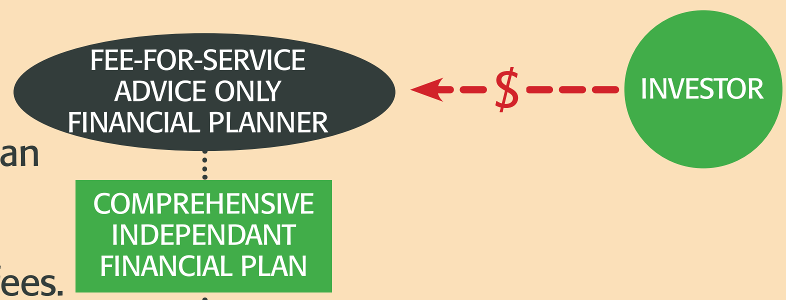
OPTION 1

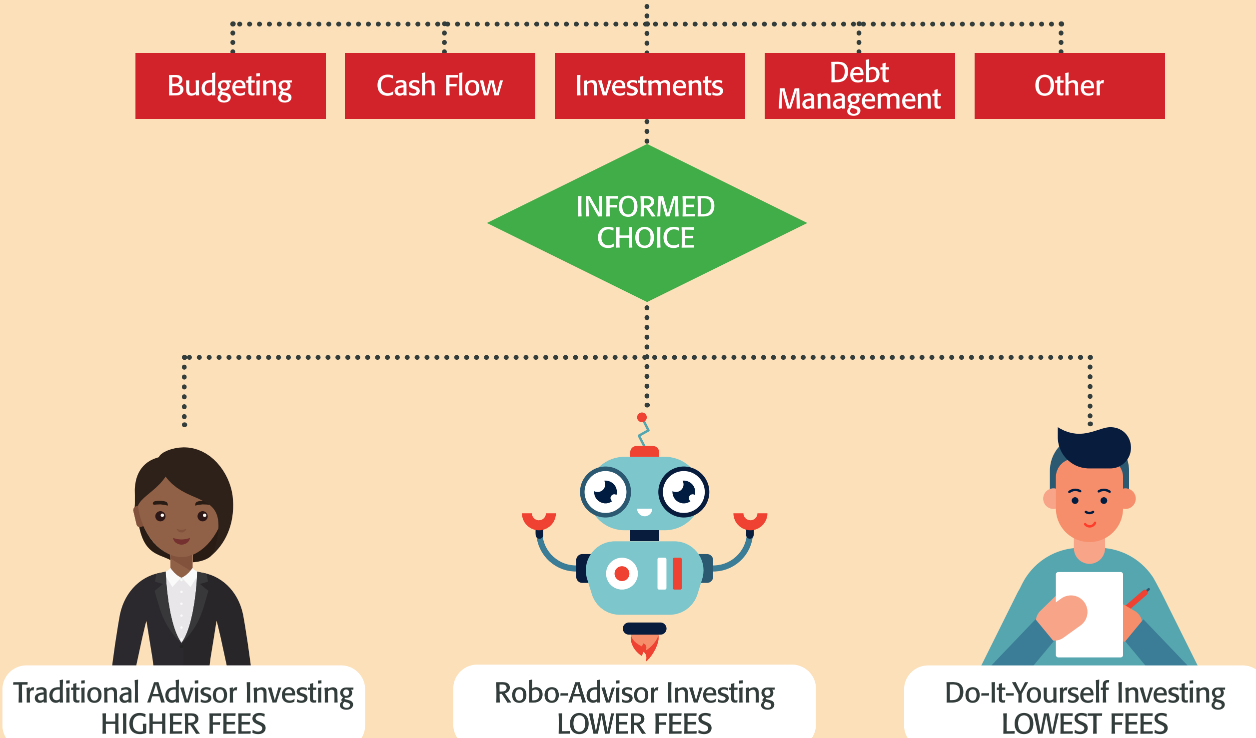
Free Financial Planning, advisor is paid through on-going sales commissions and fees when you purchase investments.



OPTION 2

Planner is paid for doing your Financial Plan by flat fee or hourly. Not paid by on-going sales commissions or fees.





Q's & A's FOR FINANCIAL ADVISORS

Learn what questions to ask before your hire a financial advisor

By Enriched Academy

Enriched
ACADEMY
....because everyone deserves financial awareness


"If we command our wealth, we shall be rich and free.
If our wealth commands us, we shall be poor indeed." - Edmund Burke

DO YOU NEED A FINANCIAL ADVISOR?

ASK YOURSELF...

Do you feel **confident** when it comes to investing?

■ YES ■ NO

Can you dedicate at least **30** minutes per month?

■ YES ■ NO

Are you **comfortable** using a computer?

■ YES ■ NO

***If you answered "no" to any of these questions... you need a financial advisor!**

QUESTIONS & ANSWERS FOR A POTENTIAL FINANCIAL ADVISOR

1. How do you get paid?

This question is powerful because it's the one question that gives you multiple answers.

First, you can determine if they are paid based on financial products they sell or not.

Second, are they straightforward and to the point? You want an advisor that keeps things simple so you can learn from them. If they beat around the bush or give you a long answer that's confusing, that's a red flag.

Examples:

- ✔ "I am paid a one-time fee to do your financial planning."
- ✔ "I am paid X percent of the money you invest."
- ✕ "I am paid a trailing commission prorated monthly based on your average monthly assets."

Q

2. How much do you get paid?

Most Canadians do not know how much their advisor gets paid and are scared to ask. Understanding how much your advisor is paid is critical because it compounds.

Every year you pay a fee on what you have invested. It doesn't matter if you make or lose money, you are paying your advisor a percentage of what you have invested through them. Now, the percentage may seem small (can be anywhere from 1- 5%), but the different between 1% and 2% can be hundreds of thousands of dollars.

This should also be answered in a clear, straightforward manner.

Examples:

✔ "I am paid a one-time investment of $4,500 to do your financial planning and $2,500/year after that."

✔ "I am paid 1% of the money you invest. So, if you invest $100,000 I am paid $1,000/year."

✕ "You don't pay me anything!" (You always pay a fee)

✕ "When you invest it's great because you are investing in funds that have a solid track record. There are many investments from which you can pick the one that's right for you. I will help you do that. When you make these investments there is sometimes a fee that the mutual fund charges. Everyone pays a fee, but it really doesn't matter because your investments will make you more money than the fees you pay."

A

Q

3. What is your financial planning process for new clients?

In asking this question, you can see if the advisor has a clear system. Imagine you hire a personal trainer and they said, “Here is the plan. Each day meet me at 8 AM and we will hit the weights and try a bunch of stuff.” That doesn’t instill a lot of confidence that they know what they are doing.

A great advisor, like a great personal trainer, will have a very thorough system. It will be clearly explained, and they may even have visuals or a package they share with you.

Examples:

✔ “As a new client you will enter our 6-month financial freedom program. Each month we will have a call and some homework for you to complete. Month 1 is analyzing your financial situation. Month 2 is cashflow management. Month 3 is investing or debt elimination. Month 4 is creating your personal financial strategy. Month 5 is executing on your plan. Month 6 is accountability.”

✕ “Yeah, so when you become a client, we’ll send you a bunch of forms to fill out and you’ll be good to go! I’ll also sit down with you for about 30 minutes to an hour and ask you some questions to get a better understanding of where you are at and your goals. After that I will make some recommendations and we are off to the races.”

A

Q

4. What is your communication/accountability process?

The last thing you want is an advisor that never responds to you. An underrated factor to financial success is accountability. Those that are held accountable are more likely to reach their goals. Having an advisor with a system to keep you accountable is a game changer.

Examples:

✔ "Each month for the first 6 months you will be assigned homework based on our call. If you have questions you can reach out to me via text or phone. After that first 6 months, we will have a quarterly call."

✕ "If you have questions I will answer them and you can call me or email me whenever you would like. . "

A

Q

5. What is your investment approach?

You are looking for an approach that is highly personalized with an emphasis on asset allocation and passive investing.
As soon as you hear outperformance in the public markets, that should raise a red flag. Remember 92% of actively managed fund fail to outperform the market.

Examples:

✔ ”Our approach is different for each client. First, we have to understand your goals, risk tolerance and liquidity needs. From there we are going to put together your asset allocation. Your asset allocation is basically where your money goes. After we have nailed that, we’ll select low fee index funds or ETF’s.”

✕ “We can easily get 10-12% returns even more. We are going to do our best to outperform the market and make you as much money as possible!”

A

Q

6. What would it cost me to get out of these investments?

These are known as redemption fees. A fee you pay for selling your investments. The most common are DSC (Deferred Sales Charge) and LL (Low Load). These fees range between 1%-5% on the value of your portfolio.

The answer to this question should be $0.

- ✔ "$0"
- ✕ Anything over "$0"

A

Q

7. Should I pay off high-interest debt or invest?

This is a ninja question because it is a test. The advisor is only paid when you invest, not when you pay off debt. So, if they say you should invest, you know they are more concerned about their best interest not yours.

Examples:

✔ "You should pay off high interest debt, when you pay off 19.99% interest you are getting a guaranteed returns. It's impossible to get a guaranteed 20% return when investing."

✕ "It depends on the situation." (it never depends, paying off high interest debt should always be top priority.)

✕ "Taking advantage of investing and getting your money moving is critical. You can take the money that your investments earn to pay off your debt."

A

Q

8. What are your designations?

Understanding what designations the financial advisor holds is important but the designation doesn't determine the service you will get. We have seen great advisors that are CFP (Certified Financial Planner – highest designation) and horrible advisors that are CFP as well. At the same time, we have seen great and horrible advisors that are not CFP.

You also want to make sure their designations align with the advice you are looking for. If you are seeking insurance advice, it helps if they have an insurance designation. In fact, it's mandatory if you are going to buy insurance products.

A


Thank you for taking advantage of
this helpful resource. We wish you
all the best with your search for
the perfect financial advisor.
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....because everyone deserves financial awareness