

## **Financial Advisory & Financial Planning Policy Alternatives**

### **Comments on the Recommendations Report from the Expert Committee to Consider Financial Advisory and Financial Planning Policy Alternatives (May 3, 2016).**

Good afternoon. My name is Alan Goldhar and I am the Chief Investment Officer with the Attorney General, Public Guardian & Trustee.

The Public Guardian and Trustee (OPGT) is part of the Ministry of the Attorney General. The mandate of the OPGT is to provide financial, trust, legal and guardianship services to mentally incapable adults in Ontario who have no one else available or willing to act on their behalf.

I would like to thank the committee for giving us this opportunity to speak to your Recommendations Report.

Regulations and formulization of the financial advisory/financial planning profession is long overdue. It is unfortunate that it has come to this “state for crisis” before those in favour of regulation could be heard.

That being said, I want to congratulate the committee for your report.

Many aspects of the report are dead on point.

The **requirement for standardized credentials** is fundamental to all professions and will form the foundation upon which the financial planning profession will build on.

**Statutory Best Interest requirement** for clients is also long overdue and will also form the foundation of our profession.

Lastly, **the licensing and proper use of titles and credentials** goes directly to the credibility of the professionals who work as financial planners.

So did your report cover all of the issues and concerns within the mandate of this committee?

**No, it did not.**

***So what's missing?***

***In my opinion, the following important issues have not yet been addressed in your recommendations to the Ministry:***

- 1. The report is missing compelling answers to the question “Why is change needed now”?***

Coming from a government background, I know that this is a fundamental question that is always asked before any legislative changes are introduced.

The need for our services in a regulatory environment has never been greater. We have all seen the news articles and bank-sponsored commercials about Canadians not being ready for retirement. Proposals for CPP enhancements and the proposed Ontario Retirement Pension Plan are needed because the financial advisory industry has failed the average investor. An unregulated, weak financial advisory industry will be very costly to the Ontario government in the long run as its citizens are unprepared for retirement and require government retirement funding to live above the poverty line. With a greater percentage of the population in Ontario turning 65 within the next 5 years, this situation is only going to get worse if we do not act now.

- 2. Special status for senior investors.***

Because of their vulnerable situation and shorter investment time horizon, they require special status and a special duty of care—a fiduciary duty of care. It is not enough for the financial advisory to invest their money in a “suitable” manner. Investment advisors must take responsibility for all financial aspects of the senior client’s, which unfortunately these days often includes debt management too. Merely offering investment or financial training or webinars does not work for most of this classification of investors. Even IIROC, in recognition of the special concerns over investment services for seniors, recently came out with detailed guideline for its members for these types of accounts.

### ***3. Transparency and Plain English Documents Throughout the Industry***

Your report correctly makes reference to the need for transparency with regards to “Referral Arrangement”. While this may be a good place to start, this report recommendation needs to go much further. Your report should focus on the need for proper disclosure and consistent documentation within the industry. For example, account document (Know Your Client forms and Investment Policy Statements) must be written in a manner that is understandable by all investors, especially seniors. The last investment account opening form that I was asked to review was 18 pages and just full with legalize and incomprehensible explanations about the account fee structure. If these forms are difficult for me to understand, I wonder how comfortable senior investors are reading through them and then signing that they agree with the terms of the account.

In closing, I trust that the Ministry of Finance officials will see the need to finalize their hearings on this important matter as soon as possible and to put into place the policies that are so desperately need by investors, especially for our seniors.