

Friday, January 27, 2017

Good afternoon,

First, I would like to thank each one of you for your time and dedication you put into the roles you play, that help to shape the financial services industry in Canada for the better.

All of the discussion and conversations in the industry show there is much work to be done to ensure clients are served well, and that the trust they place in the industry is not placed in vain.

I am writing as one small voice in a sea of many Advisors, I am 30 years old and have had the pleasure of being in the financial services world since I was 21. This business has been a great way to support my wife and 4 kids, and be involved in a very rewarding career.

Over the last few years especially, this business is evolving quickly, In your positions, I know your quite familiar with current and coming changes. My reason for writing comes from a frustration of not knowing who it is the advisor can go to share our concerns, and comments on how our business is changing, it seems in many ways that the ones who' have so much time, and money wrapped up into the business, the ones who are at the ground level are not entitled to have an opinion. It almost seems as if regulators feel the advisor should not have the write to help shape the way their own industry evolves. Though in many ways through licenses, fees and taxes we help employ the very people who regulate us.

With that said, I very much understand the reasons for all of this change. Over my 9 short years I have seen many cases where clients were sold something, an advisor profited greatly, but the client was not better off, or worse yet, disadvantaged. Though I can't say I have done a perfect job for my clients, I do take very seriously the trust they put in us for advice that puts them and their interests first.

With the implementation of CRM2 I think it is a very healthy thing that clients see what we get paid, and the advisor insure that the client is getting value for each dollar spent.

I guess my biggest concern is the direction we are headed. It seems as if we are taking into account the practices of poor advisors and regulating everyone based on them. When I hear the discussions of what's coming next, it feels like we are trying to draft legislation that assumes that the advisor will always take advantage of the client unless regulators step in to force them be honest and care for their clients.

Well before we have ever seen if CRM2 is working we are now moving to remove embedded commissions, even though, there are many lower-middle class families who benefit greatly from this structure. Many of my clients fall into that category, and as I work to help them reach their financial goals I can honestly say for many of them, they have had more time and advice then they could afford to pay for. One thing I have never read is an article about what the industry is going to do to compensate Advisors who spend time to help families, and build them into good clients, no one is worried about how, in many cases an advisor has worked with people even though their compensation was minimal, any new advisor will have a hard time surviving in this

business if he/she only served low-middle income families. I think this has been proven true in other countries who have adopted the fee-for-service only model, the smaller clients no longer receive financial advice.

Even though there are many advisors who would serve us all well to leave the business than to keep giving the business a bad name, lets not forget the studies that have clearly shown that in the final analysis people in Canada have done better with a financial advisor than without one.

One of the things that has been a huge focus is clients disclosure, now I don't know what the answer to this is, but when opening a simple TFSA feels to clients more like buying a house (as far as paperwork is concerned) I think we have to think hard on its effectiveness. Though I don't know the answer, it seems these things are serving to simply protect our dealers from lawsuits but as the burden of reading and disclosure increases I'm not sure the clients are more informed, even though we do our best to get them to ready everything carefully.

One other regulation I hear being contemplated is the idea that every product offered by a dealer needs to be understood by both advisor and branch manager. For this I would encourage you to step into our shoes, there are thousands of funds in Canada. We do our best work to comb through and find quality funds and then make sure we understand the ones we have chosen. It is almost as unreasonable to tell someone working in the Walmart electronics section that they need to understand every single product in the whole store inside and out, or they have no job. I think they would be better served knowing well the products they actually sell, and their clients would be better served as well. The cause and effect to this will again impact our clients. Dealers will no longer to be able to offer much choice, smaller boutique fund companies will close, and our clients will be left with a lot less choice to invest in. Does this really help the client? I think its great for banks or big fund companies, but not our clients who deserve choice.

The increased pressure on outside activities seems like it is becoming overreaching, in my spare time I organize a small recreational hockey team, I realized this week that I need to be compliance approved in order to offer my son and other families a more affordable option so they can play hockey. It just seems that common sense always gets sacrificed in the name of regulation. As in every business there will always be those who use their reputation, position, and authority and leverage it for their own gain, no matter how heavy the regulation people with that intent seem to find a way. I agree we need something to keep an eye on what else advisors are doing, but I would have to think there is a better balance, not every one, in fact I would guess it's a low percentage of people, who are using their volunteer positions, or religion to undermine those who trust them, so is there a way to not overburden the majority because of the minority?

Often I have heard the stat that the average age of a financial advisor in Canada is 55 years old. If I am a regulator, this is one of the biggest problems we face. What are we going to do to ensure the generation coming up can have access to financial advice. For the ethical advisor, who is not going to sell DSC funds and whole life insurance to anyone with a pulse, starting this business is very challenging. For an advisor to start, and start right, a great deal of their business will be term insurance, and front end load funds with 0% front end commission. You are all well aware of the challenge it would be to make a living off of those, especially if you're a younger advisor, working with younger families. So my question to you is, how are you encouraging younger people to get into this business? If we continue to make it more expensive and continue

to increase the regulatory burden without more balance, it will be too expensive to start (it probably already is) and too much of a compliance burden to maintain. When I am retiring the question will not be “are advisors paid too much?” it will be “where can I find a financial advisor?” That to me is the issue that should keep us all up at night, because the future of any industry will be its ability to bring in and train younger people to take it over. I know a number of people in their 20’s & 30’s who entered the business, but could not afford to stay in it.

Today the average income for a financial advisor is in the neighborhood of \$47,000, I am guessing many of you would not keep the jobs you have now if that is all that it paid. In fact I would further argue, since you know more than anyone the current regulation and upcoming regulation, that many of the people making these regulations would not want the responsibility put on financial advisors today if they were only going to make \$47,000 per year.

As the industry continues to develop with regulation, and seeks to improve the quality of service offered by our industry, my simple request would be to bear in mind the many practices and livelihoods that are effected positively or negatively by the decisions you make.

As you all go home from work each day to your families, please keep in mind that the average advisor does the same thing. We are people trying to serve our clients with good advice, and ultimately make a living for our families. Everything you do to change our business, to make it more difficult, more expensive and less profitable effects us and our families, please keep this in mind.

At the end of the day I think our goal should be, a well informed client, who is able to make choices, instead of having a regulator making those choices for him.. An environment where ethical advisors are encouraged to grow, and regulation that assists in this. And spending more time cleaning up the industry so that the everyday advisors life is not further burdened by regulation meant for the unethical one.

I say all of these things with the utmost respect for your position, and an appreciation of what you do. As much as you do not see the business through my lense, I do not see the business through yours. The lenses of the client, regulator and advisor are all necessary in order for regulations to be effective, without all three perspectives they will not have the desired intent.

Thanks so much for taking the time to read this!

Thanks,

*Ben Davies*