

Service expectations of financial advisors

What level of service is reasonable to expect from a financial advisor? What must a financial advisor do in order to meet the regulatory requirements? What kinds of things do *great* financial advisors do for their clients?

Using the findings from the [Mystery Shopping for Investment Advice](#) report, we've identified key areas of service and have listed both the compliant practices and what's considered "best practices" or "gold star service" for each. Use this list when working with a financial advisor to ensure you get a level of service you deserve and are satisfied with.

SERVICE	 EXPECTED STANDARDS	 BEST PRACTICES
Providing information about products and services	<p>The advisor gives you a general overview of the products and services they offer.</p>	<p>The advisor provides you with a detailed explanation of the services and products they offer, which can include written materials that you can review more thoroughly.</p> <p>The advisor also discusses what is outside of their area of expertise or offerings.</p>
Discussing the risk/return relationship	<p>The advisor provides you with a general and balanced explanation of the risk/return relationship. Both risk and return are mentioned along with how they relate to each other.</p>	<p>The advisor uses graphics, charts or figures to explain the risk/return relationship. This can include showing benchmarks that compare the returns from different kinds of financial assets (e.g. GICs vs. stocks vs. bonds) and investment sectors, along with an explanation of the risks associated with them.</p>
Understanding your circumstances and investment goals	<p>The advisor asks questions and discusses your short- and long-term goals regarding the money you plan to invest.</p> <p>If it becomes clear to the advisor that you have unreasonable expectations about how much money you can make from investing, the advisor explains what can be reasonably achieved.</p>	<p>In addition to specific goals about the money you plan to invest, the advisor asks questions and engages in a detailed discussion with you about your life and financial goals, both for the short and long term.</p> <p>If the advisor believes your goals aren't realistic or that your priorities don't align with your situation, they will provide you with relevant feedback, insight and advice.</p>

SERVICE	 EXPECTED STANDARDS	 BEST PRACTICES
Collecting your personal and financial information	<p>The advisor accurately gathers personal and financial information about you and asks about your investment experience. This is part of a required process that is known in the industry as the Know Your Client (KYC) information. This includes details about your investment objectives and goals, your income and net worth, your investment experience, your time horizon (how soon you'd like to reach your goal or how long you're willing to keep money invested) and your willingness to accept risk.</p> <p>The advisor must also explain to you what the information being collected is for and how it will be used to help make investment recommendations.</p> <p>If certain products are being recommended to you (such as leveraged products where money is borrowed to fund the investment or exempt market products), the advisor has an obligation to collect information from you to support the recommendation.</p>	<p>The advisor is methodical in getting accurate information about your personal and financial circumstances, including your investment experience.</p> <p>The advisor will also get a full understanding of your investment objectives, risk tolerance, time horizon, investment knowledge, and tax situation by asking you a set of questions. In the case of understanding your risk tolerance, for example, the advisor might accomplish this by bringing up hypothetical financial scenarios and asking how you'd feel or react to them.</p> <p>The advisor will be sure you understand why this information is being collected and how it will be used to make recommendations.</p>
Recommending investment products and services	<p>The advisor makes a recommendation that is suitable to your needs and situation. This means that their advice aligns with your tolerance for risk, your goals, income and time horizon.</p> <p>The advisor presents this to you in a fair and balanced way that clearly outlines the benefits, risks, key features, costs and fees of the recommended investment product or strategy. The advisor will also show you how this recommendation aligns with your goals and risk tolerance.</p> <p>The advisor must tell you if there is a conflict of interest in the recommendation. For example, if the advisor gets extra commission by selling the product to you, the advisor must be upfront about this.</p>	<p>The advisor provides you with various options with a clear recommendation, explaining the benefits, risks, features, and the costs and fees of everything presented.</p> <p>In addition to explaining how the recommendation meets your investment goals, the advisor explains how the investment strategy and products align with your short- and long-term life and financial goals, as well as your comfort level with risk, as determined by the KYC information.</p> <p>The advisor, if they are a portfolio manager, would provide a written Investment Policy Statement (IPS). This document outlines the strategic direction you want your advisor to take to meet your goals.</p>

SERVICE	 EXPECTED STANDARDS	 BEST PRACTICES
Communicating information and concepts	<p>Information (be it in writing, in-person or over the phone) is provided to you in an understandable manner that is clear and in plain language.</p> <p>The advisor informs you that the past performance of an investment product is not a reliable indicator of future performance.</p> <p>The advisor answers all of your follow-up questions in a clear and understandable manner.</p>	<p>The advisor uses various tools and resources (such as charts, graphs and analogies) to ensure that you understand the products, services and investment concepts being discussed. Questions are welcomed and answered clearly.</p> <p>The advisor ensures you understand your responsibilities as an investor, which may include reviewing your statements, informing your advisor of changes to your financial situation and the frequency you'd like to review your portfolio with your advisor.</p>
Discussing fees, costs and how the advisor and firm are paid	<p>The advisor has a discussion with you about the charges and fee structures that apply to your purchase of investment products.</p> <p>The advisor provides you with a general overview of the commissions (if any) they receive from your investment products and how they and their firm are paid.</p> <p>If an account is opened, the advisor provides you with a copy of a relationship disclosure document.</p> <p>Any conflicts of interest relating to commissions, fee structures and charges are raised.</p>	<p>The advisor provides you with specific information about all the types of fees (such as fee-based vs. commission-based payments) involved in your investment. How fees are calculated, the frequency of billing and any other related charges are clearly communicated. The advisor will also provide examples of a fee calculation that shows you the cost of investing.</p> <p>The advisor is clear and upfront with you about how they and their firm are compensated and paid. This includes a discussion about trailer fees, bonus structures, referral fees, promotions and other incentives, noting where there are areas of conflict of interest.</p>