



Financial Planning Standards Council

Senate Committee on Banking, Trade and Commerce Submission on Bill C-28

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Financial Planning Standards Council
902-375 University Avenue
Toronto, ON M5G 2J5
416 593 8587 www.fpsc.ca

Introduction

Financial Planning Standards Council (FPSC®) is pleased to provide comments to the Standing Senate Committee on Banking, Trade and Commerce regarding Bill C-28, An Act to amend the Financial Consumer Agency of Canada Act.

Founded in 1995, FPSC is a not-for-profit national organization dedicated to seeing Canadians improve their lives by engaging in financial planning. We do this through certifying financial planners, developing and enforcing professional standards and raising the awareness of the importance of financial planning. FPSC has received ISO 17024 accreditation from the Standards Council of Canada (SCC) for its role as the certifying body for the CERTIFIED FINANCIAL PLANNER® certification program in Canada. Currently there are over 17,500 CFP® professionals in Canada who serve over three million Canadians in communities across the country.

FPSC is also a member of the Financial Literacy Action Group (FLAG), a coalition of seven organizations that work to assist and improve the financial literacy of Canadians. The other participating organizations in FLAG are: ABC Life Literacy Canada, Canadian Foundation for Economic Education (CFEE), Credit Canada Debt Solutions, Investor Education Fund (IEF), Junior Achievement, and Social and Enterprise Development Innovations (SEDI). We have collectively made a joint submission to the committee on Bill C-28 as well.

Building a Brighter Financial Future

FPSC believes that helping Canadians achieve their financial goals begins with giving them a sound base of financial knowledge to draw upon. Many Canadians have difficulties with their finances—from learning how to budget to setting a plan for retirement, or reading their credit card statements—Canadians often feel overwhelmed as many lack the knowledge or skills to make responsible and sound financial decisions.

In the 2009 Budget, the Government announced its intention to establish a national task force to examine financial literacy in Canada. Throughout 2010, the appointed Federal Task Force on Financial Literacy (the Task Force) heard from individual Canadians and organizations including FPSC on the issue.

FPSC's submission to the Task Force addressed the need to improve the financial literacy of Canadians through the viewpoint of a not-for-profit standard-setting organization. Our submission emphasized three points:

1. That improving the financial literacy level of Canadians must include an emphasis on understanding and changing financial behaviour at the earliest possible stage in life;
2. Canadians must understand the importance of financial planning in achieving not only their retirement goals, but also their short- and medium-term goals; and

3. Canadians need a minimum standard of what we refer to as “hiring literacy”. In other words, they need to first understand when to seek professional financial advice and then how to identify someone who is qualified to provide that advice.ⁱ

We were pleased to see similar themes included in the Task Force’s final report to the Minister.

Implementing the Leader is the First Step

The proposed legislation before the Committee would enact the first of the 30 final recommendations of the Task Force, which is to appoint an individual to serve as a dedicated national leader, to oversee the National Strategy, to implement the recommendations of the Task Force, and to champion financial literacy on behalf of all Canadians.

FPSC is strongly supportive of the implementation of a Financial Literacy Leader and therefore of this legislation. We also believe that the recommendations included in the Task Force’s final report should be used as the guiding framework for the Leader’s future actions.

Hiring Literacy is the Critical Next Step

FPSC firmly believes that it is the Leader’s duty to not only guide the collective efforts to raise the financial literacy of Canadians, but also to inform Canadians of how to recognize when they may need professional advice and how to properly seek out the services of a qualified financial professional.

Specifically, we would like the Leader to implement recommendation 8 of the final report which states “That the Government of Canada, in partnership with stakeholders, provide tools to help Canadians become better informed about the role and benefits of professional financial advice, as well as how to choose a financial practitioner.”

Many Canadians currently do not perform due diligence when choosing a financial practitioner. According to a recent study by the Investor Education Fund, of those who do seek out financial advice, two out of three respondents knew little about their financial advisor when they entered the relationship. Further, 60% have never done any form of background check on their advisorⁱⁱ including looking for a history of disciplinary actions. In practice, the most common way for an individual to get a financial professional is to have one assigned by a bank or financial institution.ⁱⁱⁱ

Choosing the proper financial practitioner can be daunting for many Canadians, as the titles used by financial practitioners can be misleading to consumers. Titles such as ‘financial planner’ or even ‘financial advisor’ imply a higher degree of expertise but the reality is that these titles

ⁱ FPSC’s full submission to the Task Force on Financial Literacy can be viewed on our website at [https://www.fpsc.ca/sites/fpsc.ca/files/documents/Submission to the Task Force on Financial Literacy new 2 .pdf](https://www.fpsc.ca/sites/fpsc.ca/files/documents/Submission%20to%20the%20Task%20Force%20on%20Financial%20Literacy%20new%202.pdf)

ⁱⁱ Canadian Securities Administrators 2012 Investor Index: Executive Summary p.3

ⁱⁱⁱ “Investor Behaviour and Beliefs: Advisor relationship and investor decision making.” 2012 p.1

are not regulated (with the exception of Quebec) and the majority of Canadians - seven out of ten, in fact -^{iv} wrongly believe that they are.

Consumers need to understand that titles and designations do not necessarily make a financial representative qualified to give them advice, and further to this, they require the skills to identify those practitioners who are capable of providing it to them.

Some financial designations can be completed as quickly as in a weekend, while others such as the CFP designation can take years to obtain. The prerequisite education, relevant work experience, successful completion of rigorous standardized examinations and ongoing commitment to professional standards are key points of distinction in credentials such as the CFP designation that many consumers are unaware of.

We recommended that tools such as FPSC's "10 Questions to Ask a Financial Planner"^v and the Financial Consumer Agency of Canada's "Your Financial Toolkit" section on 'Financial Professionals' be promoted as sources of information to the general public when they are seeking out financial advice.

Conclusion and Recommendations

FPSC recommends that the Senate Committee pass Bill C-28, An Act to amend the Financial Consumer Agency of Canada Act, so that a Financial Literacy Leader be implemented and begin the much needed work to promote and implement a National Strategy for financial literacy in Canada. We also recommend that the Leader work diligently to implement the 30 recommendations from the Task Force on Financial Literacy report, with particular emphasis on expanding the awareness of the need for professional financial advice as a tool to help Canadians make responsible and sound financial decisions.

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^{iv} Seven out of 10 Canadians believe an individual must have a specific license to be called a financial planner. Statistics are from an October 2011 survey conducted by The Strategic Counsel on behalf of Financial Planning Standards Council. "Quarterly Pulse: Financial Planning Standards Council" October, 2011.

^v www.fpsc.ca/node/311