

TABLE OF CONTENTS

List of diagrams and tables xix
 List of abbreviations xx

CHAPTER 1

INVESTMENT AND SAVINGS

1.1 Investment and saving principles 2
 1.1.1 Concept of investing 2
 1.1.2 Investment basics 3
 1.1.2.1 Compounding (compound interest) 3
 1.1.2.2 Investment returns 4
 1.1.2.3 Asset classes 5
 1.1.2.4 Diversification 6
 1.1.2.5 Liquidity 6
 1.1.3 Time value of money 6
 1.1.3.1 Present value 7
 1.1.3.2 Future value 7
 1.2 Investment objectives 8
 1.2.1 Account purpose 9
 1.2.2 Financial goals 9
 1.2.3 Need for guaranteed investments 10
 1.2.4 Time horizon 10
 1.2.5 Tax-advantaged investing 11
 1.3 Types of investments 11
 1.3.1 Segregated funds 12
 1.3.1.1 Advantages and disadvantages of segregated funds 12
 1.3.1.2 Where and how to buy segregated funds 13
 1.3.1.3 Types of segregated funds 14
 1.3.1.4 Returns and guarantees of segregated funds 14
 1.3.1.5 Risks of investing in segregated funds 16
 1.3.1.6 Investor protection 17
 1.3.2 Annuities 17
 1.3.2.1 Advantages and disadvantages of annuities 18

1.3.2.2	Where and how to buy annuities.....	18
1.3.2.3	Types of annuities.....	19
1.3.2.4	Return and guarantees of annuities.....	19
1.3.2.5	Risks of investing in annuities.....	19
1.3.2.6	Investor protection.....	20
1.3.3	Stocks.....	20
1.3.3.1	Advantages and disadvantages of stocks.....	20
1.3.3.2	Where and how to buy stocks.....	21
1.3.3.3	Returns and guarantees of stocks.....	21
1.3.3.4	Risks of investing in stocks.....	21
1.3.3.5	Investor protection.....	22
1.3.4	Bonds.....	22
1.3.4.1	Advantages and disadvantages of bonds.....	23
1.3.4.2	Where and how to buy bonds.....	23
1.3.4.3	Types of bonds.....	23
1.3.4.4	Returns and guarantees of bonds.....	24
1.3.4.5	Risks of investing in bonds.....	26
1.3.4.6	Investor protection.....	26
1.3.5	Savings accounts.....	26
1.3.5.1	Advantages and disadvantages of savings accounts.....	26
1.3.5.2	Types of savings accounts.....	26
1.3.5.3	Returns and guarantees of savings accounts.....	27
1.3.5.4	Risks of holding savings in a savings account.....	27
1.3.5.5	Investor protection.....	27
1.3.6	Guaranteed Investment Certificates (GICs).....	27
1.3.6.1	Advantages and disadvantages of GICs.....	27
1.3.6.2	Where and how to buy GICs.....	28
1.3.6.3	Types of GICs.....	28
1.3.6.4	Returns and guarantees on GICs.....	29
1.3.6.5	Risks of investing in GICs.....	29
1.3.6.6	Investor protection.....	29
1.3.7	Mutual funds.....	30
1.3.7.1	Advantages and disadvantages of mutual funds.....	30
1.3.7.2	Where and how to buy mutual funds.....	31
1.3.7.3	Types of mutual funds.....	32

1.3.7.4	Returns and guarantees of mutual funds	32
1.3.7.5	Risks of investing in mutual funds.....	33
1.3.7.6	Investor protection	33
1.3.8	Exchange-Traded Funds (ETFs).....	33
1.3.8.1	Advantages and disadvantages of ETFs	34
1.3.8.2	Where and how to buy ETFs	34
1.3.8.3	Types of ETFs	35
1.3.8.4	Returns and guarantees of ETFs.....	35
1.3.8.5	Risks of investing in ETFs.....	35
1.3.8.6	Investor protection	36
1.3.9	Real estate	36
1.3.9.1	Advantages and disadvantages of real estate	36
1.3.9.2	Types of investment real estate	37
1.3.9.3	Returns and guarantees of real estate.....	37
1.3.9.4	Risks of investing in real estate	37
1.3.9.5	Investor protection	37
1.3.10	Canada Premium Bonds (CPBs) and Canada Savings Bonds (CSBs)	37
1.3.10.1	Advantages and disadvantages of CPBs and CSBs	38
1.3.10.2	Where and how to buy CPBs and CSBs	38
1.3.10.3	Returns and guarantees of CPBs and CSBs.....	38
1.3.10.4	Risks of investing in CPBs and CSBs	39
1.3.11	Group plans.....	39
1.3.11.1	Advantages and disadvantages of group plans.....	39
1.3.11.2	Where and how to buy a group plan	41
1.3.11.3	Types of group plans.....	41
1.3.11.4	Returns and guarantees of group plans	42
1.3.11.5	Risks in offering a group plan.....	42
1.3.11.6	Risks in participating in a group plan.....	42
1.3.11.7	Plan member protection	42
1.4	Risks of investing	42
1.4.1	Economy as a whole	43
1.4.2	Inflation risk	43
1.4.3	Interest rate risk	43
1.4.4	Market risk.....	44
1.4.5	Liquidity risk	45

1.4.6 Foreign exchange risk	45
1.4.7 Credit risk	45
1.4.8 Industry risk	45
1.4.9 Other investing risks	45

CHAPTER 2

SEGREGATED FUNDS

2.1 Advantages of segregated funds	47
2.1.1 Guarantees	48
2.1.1.1 Maturity guarantee	49
2.1.1.2 Death benefit guarantee	50
2.1.2 Growth secured by reset	52
2.1.3 Funding flexibility through ongoing deposits.....	53
2.1.4 Guaranteed income.....	53
2.1.4.1 Guaranteed Minimum Withdrawal Benefit (GMWB) and Guaranteed Lifetime Withdrawal Benefit (GLWB).....	54
2.1.5 Professional management.....	55
2.1.6 Diversification	55
2.1.7 Tax benefit of allocations.....	55
2.1.8 Switches between funds.....	57
2.1.9 Ability to withdraw (redemption)	58
2.1.10 Exemption from probate fees.....	58
2.1.11 Investor protection	59
2.1.11.1 Guarantee exceeds market value	59
2.1.12 Creditor protection	60
2.1.13 Absence of medical underwriting	60
2.1.14 Right of rescission	60
2.2 Types of segregated funds	61
2.2.1 Money market funds.....	61
2.2.2 Bond funds	62
2.2.3 Equity funds	62
2.2.3.1 Equity funds by market capitalization.....	63
2.2.4 Income funds.....	63
2.2.5 Balanced funds	64

2.2.6	Dividend funds	65
2.2.7	Mortgage funds	65
2.2.8	Real estate funds	65
2.2.9	Index funds.....	66
2.2.10	Fund of funds.....	66
2.2.11	Specialty funds	66
	2.2.11.1 Industry-specific funds.....	67
	2.2.11.2 Geographically specific funds.....	67
2.2.12	New introductions	68
2.3	Segregated fund limitations	68
2.3.1	Risk to capital.....	68
2.3.2	Sales charge	69
	2.3.2.1 Front-end sales charge.....	70
	2.3.2.2 Deferred sales charge (DSC).....	70
	2.3.2.3 No sales charge.....	71
2.3.3	Management expense.....	71
	2.3.3.1 Trailing commission	72
2.3.4	Penalties	72
2.3.5	Age restrictions	72
2.4	Segregated fund taxation	73
2.4.1	Tax on deposits.....	73
2.4.2	Tax on allocations	73
2.4.3	Tax on withdrawals	74
2.4.4	Tax on maturity guarantee and death benefit guarantee.....	74

CHAPTER 3

ANNUITIES

3.1	Advantages of annuities.....	77
	3.1.1 Easy to understand concept.....	77
	3.1.2 Income security	77
	3.1.2.1 Lifetime income.....	78
	3.1.2.2 Spousal income	78
	3.1.2.3 Temporary income.....	78
3.1.3	Creditor protection.....	79

3.1.4	Estate planning benefits	79
3.1.4.1	Insured life annuity	79
3.1.5	Annuitant protection (Assuris coverage).....	80
3.2	Types of annuities.....	81
3.2.1	Purpose of the annuity	81
3.2.1.1	Payout annuity	81
3.2.1.2	Accumulation annuity.....	81
3.2.2	Lives covered	82
3.2.2.1	Single life contract	82
3.2.2.2	Joint life contract.....	82
3.2.3	Duration of the annuity	82
3.2.3.1	Term	82
3.2.3.2	A life or two lives	84
3.2.3.3	A shortened life.....	84
3.3	Funding an annuity	85
3.3.1	Lump sum deposit.....	85
3.3.1.1	Transfer from a registered account.....	85
3.3.2	Regular deposits	85
3.4	Annuity income	86
3.4.1	Immediate income	86
3.4.2	Deferred income.....	86
3.4.3	Level income	86
3.4.4	Indexed income.....	86
3.4.5	Variable income	87
3.5	Factors affecting annuity payments	87
3.5.1	Annuity rate	87
3.5.1.1	Interest rate.....	88
3.5.1.2	Age of annuitant.....	88
3.5.1.3	Gender of annuitant	88
3.5.1.4	Deposit amount.....	88
3.5.1.5	Payment schedule	88
3.5.1.6	Length of payment period	89
3.5.2	Guarantees	89

3.5.2.1	Guarantee period and guaranteed capital.....	90
3.5.2.2	Guaranteed survivor income.....	91
3.5.2.3	Return of premium guarantee.....	91
3.6	Limitations of annuities.....	91
3.6.1	Risks.....	92
3.6.1.1	Interest rate risk.....	92
3.6.1.2	Inflation risk.....	92
3.6.2	Loss of capital.....	92
3.6.3	Restrictions on withdrawal or surrender.....	93
3.6.3.1	Withdrawals.....	93
3.6.3.2	Surrender.....	93
3.7	Taxation of annuities.....	94
3.7.1	Taxation of registered payments.....	94
3.7.2	Taxation of non-registered payments.....	95
3.7.2.1	Prescribed annuity.....	95
3.7.2.2	Accrual annuity.....	95
3.7.3	Tax on guarantees.....	97
3.7.4	Tax on surrender.....	97
3.7.5	Tax benefits.....	97
3.8	Annuity classification.....	98

CHAPTER 4

INVESTOR PROFILE

4.1	Financial situation of the investor.....	100
4.1.1	Review of assets.....	101
4.1.1.1	Income tax return.....	101
4.1.1.2	Registered retirement savings plan (RRSP) statement.....	102
4.1.1.3	Non-registered investment account statements.....	103
4.1.1.4	Pension plan statements.....	103
4.1.1.5	Bank statements.....	104
4.1.1.6	Life insurance policies.....	104
4.1.1.7	Other asset sources.....	104
4.1.2	Review of liabilities.....	104

4.1.2.1	Mortgage statement.....	105
4.1.2.2	Line of credit statement.....	105
4.1.2.3	Credit card statements.....	105
4.1.3	Financial position of client.....	105
4.1.3.1	Net worth statement.....	106
4.1.3.2	Cash flow statement.....	107
4.2	Personal factors that affect investment.....	108
4.2.1	Personal values.....	108
4.2.2	Health concerns.....	108
4.2.3	Legal considerations.....	109
4.2.3.1	Family law.....	109
4.2.3.2	Will.....	109
4.2.3.3	Power of attorney.....	110
4.2.4	Personal risks.....	110
4.2.4.1	Low level of financial literacy.....	110
4.2.4.2	Risk of job loss.....	111
4.2.4.3	Longevity risk.....	111
4.2.4.4	Risk of bankruptcy.....	111
4.2.4.5	Risk of leveraging.....	112
4.3	Investor needs.....	112
4.3.1	Need for income.....	113
4.3.1.1	Individual or household income needs.....	113
4.3.2	Need for retirement income.....	113
4.3.2.1	Income splitting.....	114
4.3.3	Need for tax efficiency.....	115
4.3.4	Need for emergency fund.....	115
4.3.5	Need for creditor proofing.....	115
4.3.6	Need for liquidity.....	116
4.3.7	Need for estate planning.....	116
4.3.7.1	Charitable giving.....	116
4.3.8	Need for diversification.....	116
4.3.9	Need for investment management.....	117
4.3.10	Other specific investment needs.....	117
4.4	Government retirement pension income.....	117

4.4.1	Old Age Security (OAS)	118
4.4.1.1	OAS eligibility	118
4.4.1.2	OAS contributions	119
4.4.1.3	OAS benefits	119
4.4.1.4	Taxation of benefits	119
4.4.2	Canada Pension Plan (CPP) and Québec Pension Plan (QPP)	120
4.4.2.1	CPP eligibility	120
4.4.2.2	CPP contributions	120
4.4.2.3	CPP benefits	121
4.4.2.4	Taxation of benefits	122
4.4.3	Benefits for low income earners	123
4.4.3.1	GIS eligibility, contributions and benefits	123
4.4.3.2	Allowance eligibility, contributions and benefits	123
4.5	Employer-provided retirement pensions	123
4.5.1	Defined benefit pension plan (DBPP)	127
4.5.1.1	DBPP eligibility	127
4.5.1.2	DBPP contributions	127
4.5.1.3	DBPP benefits	128
4.5.2	Defined contribution pension plan (DCPP)	129
4.5.2.1	DCPP eligibility	129
4.5.2.2	DCPP contributions	129
4.5.2.3	DCPP benefits	130
4.5.3	Pooled registered pension plan (PRPP)	130
4.5.3.1	PRPP eligibility	130
4.5.3.2	PRPP contributions	130
4.5.3.3	PRPP benefits	131
4.6	Employer-provided savings plans	131
4.6.1	Deferred profit sharing plan (DPSP)	131
4.6.1.1	DPSP eligibility	131
4.6.1.2	DPSP contributions	131
4.6.1.3	DPSP benefits	132
4.6.2	Group registered retirement savings plan (GRRSP)	132
4.6.2.1	GRRSP eligibility, contributions and benefits	132
4.7	Individual registered savings plans	132

4.7.1	Registered retirement savings plan (RRSP).....	133
4.7.1.1	RRSP eligibility and contributions	134
4.7.1.2	RRSP spousal plan.....	135
4.7.1.3	RRSP withdrawals	136
4.7.1.4	RRSP maturity	137
4.7.1.5	Death of RRSP owner.....	137
4.7.2	Registered retirement income fund (RRIF).....	138
4.7.2.1	RRIF withdrawals.....	138
4.7.2.2	Death of RRIF owner	140
4.7.3	Tax-free savings account (TFSA).....	140
4.7.3.1	TFSA contributions	140
4.7.3.2	TFSA withdrawals	141
4.7.4	Registered education savings plan (RESP)	141
4.7.4.1	Types of RESPs	141
4.7.4.2	RESP contributions.....	142
4.7.4.3	RESP withdrawals	142
4.7.5	Registered disability savings plan (RDSP).....	143
4.7.5.1	RDSP eligibility	143
4.7.5.2	RDSP contributions	143
4.7.5.3	RDSP payments	144
4.8	Investor profile	144
4.8.1	Results of financial review.....	144
4.8.2	Results of needs review	145
4.8.3	Determination of risk tolerance.....	145
4.8.4	Investor profile goal.....	145

CHAPTER 5

SEGREGATED FUND AND ANNUITY RECOMMENDATION

5.1	Finding for a segregated fund	147
5.1.1	Fund analysis	148
5.1.2	Supporting the segregated fund recommendation	148
5.2	Segregated fund recommendation.....	149
5.2.1	Identification of fund and its characteristics	149
5.2.2	Deposit and funding	150

5.2.2.1	Lump sum deposit	151
5.2.2.2	Transfers.....	151
5.2.2.3	Periodic deposits	151
5.2.3	Value of guarantees	152
5.2.3.1	Maturity guarantee	152
5.2.3.2	Death benefit guarantee	153
5.2.4	Contract maturity date	153
5.2.5	Principal risks of segregated funds	153
5.2.6	Reset.....	154
5.2.7	Contract riders.....	155
5.2.8	Fund taxation	155
5.2.9	Fund sales charge.....	156
5.2.10	Fund management expense ratio (MER).....	157
5.2.11	Fund details	158
5.2.11.1	Delivery of Fund Facts	158
5.2.11.2	Delivery of financial statements.....	159
5.2.11.3	Total value of fund.....	159
5.2.11.4	Fund units, net asset value per unit and market value	159
5.2.11.5	Date of inception	159
5.2.11.6	Performance data.....	160
5.2.11.7	Fund manager.....	160
5.2.11.8	Portfolio turnover rate.....	160
5.2.12	Fund penalties	161
5.3	Finding for an annuity	161
5.3.1	Annuity analysis	161
5.3.1.1	Current offerings	162
5.3.2	Supporting the annuity recommendation.....	162
5.4	Annuity recommendation	163
5.4.1	Type of annuity and its characteristics	163
5.4.1.1	Minimum and maximum investment	164
5.4.1.2	Maturity date	164
5.4.2	Timing of payments.....	165
5.4.2.1	Immediate payments.....	165
5.4.2.2	Deferred payments	165

5.4.3	Annuity rate	165
5.4.3.1	Fixed-income annuity	165
5.4.3.2	Variable income annuity	166
5.4.4	Value of guarantees	166
5.4.4.1	Life annuity guarantees	166
5.4.4.2	Return of premium guarantee	167
5.4.5	Principal risks of annuity recommendation	167
5.4.6	Annuity penalties	167

CHAPTER 6

SEGREGATED FUND CONTRACT

6.1	Contracts	169
6.1.1	Individual variable insurance contract (IVIC)	169
6.2	Investor requirements	171
6.2.1	Application form	171
6.2.1.1	Registered or non-registered form	172
6.2.1.2	Naming annuitant and beneficiary	172
6.2.1.3	Rider election form	173
6.2.1.4	Client identification requirements	174
6.2.2	Funding the account	175
6.3	Agent requirements	175
6.3.1	Meeting carrier expectations	176
6.3.2	Document delivery	176
6.3.2.1	Information folder	176
6.3.2.2	Fund Facts	176
6.3.2.3	Confirmation	181
6.3.3	Ongoing service requirements	181
6.3.3.1	Post-sale follow-up	181
6.3.3.2	Need to monitor client	181
6.3.3.3	Need to monitor product	182
6.3.3.4	Annual review	182
6.3.3.5	Handling deposits	182
6.3.3.6	Making a fund switch	182
6.3.3.7	Resets	183

6.3.3.8	Change of beneficiary	183
6.3.3.9	Renewing a contract	183
6.4	Claims	184
6.4.1	Claims process.....	184
6.4.1.1	Claim forms.....	184
6.4.2	Types of claims	184
6.4.2.1	Maturity claims and death claims	185
6.4.2.2	Termination and surrender claims	185
6.4.2.3	Withdrawal form.....	185
6.4.2.4	Power of attorney claim	186
6.4.3	Factors affecting claims.....	187
6.4.3.1	Maturity and death benefit guarantee	187
6.4.3.2	Allocations	187

CHAPTER 7

ANNUITY CONTRACTS

7.1	Contract	189
7.2	Investor requirements	190
7.2.1	Application form	190
7.2.1.1	Registered or non-registered annuity.....	191
7.2.1.2	Naming annuitant and beneficiary	192
7.2.1.3	Owner identification requirements	193
7.2.2	Funding the contract	193
7.3	Agent service requirements	195
7.3.1	Contract delivery	195
7.3.2	Ongoing service requirements	195
7.3.2.1	Change of beneficiary.....	195
7.3.2.2	Handling deposits	196
7.4	Claims.....	196
7.4.1	Claims process.....	196
7.4.2	Types of claims	197
7.4.2.1	Death claims	197
7.4.2.2	Transfer of annuitants in joint contract.....	198

7.4.2.3	Surrender and withdrawal claims	198
7.4.2.4	Power of attorney claims.....	199
7.4.3	Factors affecting claims.....	199

CHAPTER 8

GROUP RETIREMENT AND INVESTMENT PLANS

8.1	Group plan structure	202
8.1.1	Group plan sponsor.....	202
8.1.1.1	Role of plan sponsor.....	202
8.1.1.2	Funding commitment by plan sponsor	202
8.1.2	Group pension plan administrator	204
8.1.2.1	Role of group pension plan administrator	204
8.1.2.2	Data provided by group pension plan administrator.....	205
8.2	Group retirement and investment plans	206
8.2.1	Existing plan.....	207
8.2.2	Plans available	207
8.2.2.1	Defined benefit pension plan (DBPP)	209
8.2.2.2	Defined contribution pension plan (DCPP)	210
8.2.2.3	Group life income fund (LIF)	211
8.2.2.4	Group registered retirement savings plan (GRRSP).....	212
8.2.2.5	Deferred profit sharing plan (DPSP)	213
8.2.2.6	Group registered retirement income fund (RRIF).....	214
8.2.2.7	Group tax-free savings account (TFSA).....	215
8.2.2.8	Pooled registered pension plan (PRPP)	216
8.3	Group plan investment options	217
8.3.1	Segregated funds for groups.....	217
8.3.1.1	Types of funds available	217
8.3.1.2	Advantages and disadvantages of group segregated funds	218
8.3.2	Annuities for groups	218
8.3.2.1	Types of annuities available.....	218
8.3.2.2	Advantages and disadvantages of group annuities	219
8.4	Group plan recommendation.....	219
8.4.1	Review of plan specifications	220

8.4.2	Recommendation for a plan and its investments.....	220
8.4.3	Pension credits and adjustments	221
8.5	Group plan documents.....	222
8.5.1	Application.....	222
8.5.1.1	Member forms.....	223
8.5.2	Account transfer	223
8.5.2.1	Transfer options.....	224
8.6	Agent service requirements	225
8.6.1	Review plan with sponsor.....	225
8.6.1.1	Annual review	226
8.6.1.2	Change in circumstances.....	226
8.7	Claims by group members	226
8.7.1	Claims for exceptional circumstances	227
	CONCLUSION	228
	BIBLIOGRAPHY	229