

Know your client (KYC)

To make sure they have a full understanding of their client, the advisor must make sure to thoroughly comprehend the client's personal and financial situation. To do so, they must collect data from their client. This can be done by the advisor, by a non-certified individual or even via an online platform. **However, it is the advisor's responsibility to make sure they have all the necessary information required to carry out a financial needs analysis.** If they do not have sufficient information for this task, they will have to make sure that they, or the person who was initially in charge of collecting the data, fulfills this obligation. This CSF tool mirrors the steps of the information collection process and includes a series of questions. It is not intended to replace the forms used by various firms, dealers and financial institutions, but a tool providing concrete examples of questions to ask their clients to get to know them better through open discussions.

The list of questions is not exhaustive, and not every question is relevant for each client depending on the circumstances. Using this list as a source of inspiration, advisors may also develop other questions. They must ensure that the answers are accurate and complete.

Using this tool does not necessarily guarantee that advisors are fulfilling all their ethical obligations. Advisors must obtain relevant information about their clients in order to provide them with the appropriate recommendations.

1. Identify client's goal

Identify the client's goals by finding out about their aspirations, projects, and dreams.

- Make sure to understand their goals.
- Set a timeline for each of the client's goals, according to their own deadline into short, medium and long term.
- Prioritize goals according to the client's order of importance.
- Estimate the cost of the goals by determining the sums needed.
- Translate each of these into insurance or investment objectives (liquidity, security capital, income, growth).

2. Determine current situation

Taking into account the client's goals, obtain all the necessary information about their personal and financial situation.

Questions

Here are some sample questions to identify client's goals and establish their personal and financial situation.

Personal information and family situation

- What's your date of birth?
- Were you born in Canada? Are you a Canadian citizen? Do you have dual citizenship?
- Are you married? In a civil union? In a common-law partnership? Divorced? Separated? Widowed? Since when?
- Do you have a marriage contract? If so, what kind of matrimonial regime did you choose: partnership of acquests, separation as to property, community of property, other?
- Do you have plans for marriage or cohabitation?
- Do you have plans to divorce or separate?
- Are you officially divorced? Did a court approve your mediation or separation agreement?
- Do you have children? If so, how old are they?
- Do you have any maintenance obligations? Please specify.
- Would you like to have or adopt any children?
- Are you looking after a family member (elderly parent, handicapped person, foster child, etc.)?
- How is your health?
- Is your life expectancy affected for any reason (degenerative illness, family history, etc.)? Have you assigned a power of attorney for your property? Do you have a mandate in case of incapacity?
- What do you do for a living? Are you employed? Self-employed?
- Are you happy with your job?
- Do you have outside interests or hobbies that are particularly important to you?
- Do you have any plans or goals you'd like to achieve?

- Do you intend to pay for someone's education?
- Do you make use of professional advisors (lawyer, notary, stock broker, etc.)?
- What are your goals and priorities with respect to your personal and family situation?

Financial situation

- What is your salary?
 - Are you eligible for a bonus?
 - Do you have any reason to believe that you'll be receiving a significant salary increase?
- Do you have any income other than from employment (rental income, investments, etc.)?
- Do you receive any alimony? For yourself or your children? What are the terms? Is it taxable?
- Do you pay any alimony? For your children or your ex-spouse? What are the terms? Is it tax deductible?
- What are your financial assets? Including any real estate or other assets. What is the total value?
- Do you own any assets outside of Canada?
- Do you own any other valuable assets, such as works of art, collections or vehicles?
- Are your valuable assets insured?
- Do you own a business?
 - Since when?
 - What kind of business is it?
- Do you have any debts (mortgage, credit card, personal loans, business debts that are secured by you personally, etc.)?
- Are your loans insured with a lending institution in the event of death, critical illness or disability?
- Are you living paycheque to paycheque?
- Are you a big spender, saver, or a bit of both?
- What are your approximate monthly expenses?
- Lets review your monthly expenses. Are there any recurring expenses not shown?
- Do you have a systematic savings plan?
- Do you have any particular reason to want to save (short-, medium- or long-term project, dream, etc.)?

- Do you have an investment strategy?
- Do you have an emergency fund to cover unforeseen events?
- Do you have any plans that will require a significant amount of capital (buying a home, leave of absence, etc.)?
- Would your financial situation be different if you were single?
- Do you expect to receive an inheritance that could significantly alter your financial situation?
- Have you filed your tax returns in the past five years?
- Do you pay income tax?
 - Do you want to pay less tax?
- Have you ever considered optimizing your after-tax investment income?
- Have you ever assessed the structure of your business and related compensation methods?
- What are your goals and priorities with regard to your financial situation?

Retirement

- How do you picture your retirement?
- At what age would you like to retire?
- Do you plan to continue working in retirement?
- Do you expect to make any lifestyle changes when you retire?
- Do you plan to take up any particular activities (golf, motorcycling, boating, traveling, etc.)?
- Will you need different levels of income in retirement?
- Do you have an RRSP, RRIF, TFSA or another registered savings or retirement income plan?
- Do you have any retirement accounts (LIRAs, Locked-in RSPs)? If so, were they acquired by sharing the family patrimony or transferring an employer pension plan?
- Do you have a pension plan with your current employer?
 - If so, is it a defined contribution plan, a defined benefit plan or a VRSP?
- Have you ever considered using income-splitting strategies?
- Do you want to ensure you have enough to retire on?
- What are your goals and priorities in retirement?

Death

- Do you have life insurance?
- Do you have a will?
 - If so, is it up to date?
 - Is it notarized, handwritten or witnessed?
- If you died tomorrow, would your dependents be able to maintain their lifestyle?
- Do you have any obligations that will continue after your death (child or spousal support obligations)?
- Do you have enough assets to cover the costs of your death?
- Would your estate be able to cover the death taxes and expenses related to your death without liquidating family assets (house, car, etc.)?
- Do you want to make sure you have enough money to pay your outstanding debts, including loan payments, borrowing and tax expenses, and your spouse and children's needs, after your death?
- When you die, are there any special donations you would like to make (charity, school, hospital, etc.)?
- Do you want to protect your insurability and be able to purchase insurance without submitting evidence of insurability?
- Do you have any registered plans, such as RRSPs, which will result in a tax payment when withdrawn?
- Do you want to accumulate tax-advantaged funds?
- Do you have an inheritance objective (protection of the value of inheritance assets)?
- If you have a business, can it « survive » your death?
 - Do you have a contingency plan for its continuation?
 - Do you have a successor for the company?
 - Are they capable of taking over the company?
 - Has the value of the business already been determined?
- What are your goals and priorities in the event of your death?

Disability

- Do you have disability insurance?
- Are you self-employed?
- Do you have disability insurance through work?
 - What are the definitions and exclusions?
 - Does the definition of total disability change after two years?
 - Is the definition of total disability a person's inability to perform their own occupation or any occupation?
 - In the event of a gradual return to work, will you be compensated for the loss of income?
 - Does it cover you until retirement?
 - What is the coverage amount?
 - Does your coverage meet your current needs (cost of living) and future needs (retirement savings)?
 - Will you keep this coverage even if you change employers or become self-employed?
 - Are the benefits taxable?
 - Would your contributions or your employer's contributions be waived if you became disabled?
 - Are the benefits indexed to inflation?
 - What are your waiting periods?
 - Will your emergency fund be enough to live on before you receive the first benefit?
 - Would you have to pay for business expenses during an illness?
- Could you maintain the same lifestyle and continue saving for retirement if you became temporarily or permanently disabled?
- How would you cover all your expenses, such as loan, mortgage, rent, utilities, groceries, personal and medical care, transportation, and education, if you became temporarily or permanently disabled?
- Would you be able to pay for new expenses related to your disability, such as a homecare, medication, equipment, faster treatment abroad, a career change, retrofitting your home?
- Do you want to be able to pay for long-term care?
- Is a large portion of your income going towards a family member's needs?

- Would you live in a CHSLD or a private care home if you became temporarily or permanently disabled?
- Are you willing to postpone your goals or retirement a few years?
- Do you want to avoid emotional problems or family tension if you can no longer work?

Critical illness

- Do you have critical illness coverage?
- If you were diagnosed with a critical illness, could you afford the medication, necessary equipment or quicker treatment abroad?
- Would you like to make up for the loss of income not covered by your disability insurance?
- Would you like to maintain your standard of living and continue saving for retirement despite a critical illness?
- Do you want to protect your family from the financial impact of a serious illness?
- Would you want to compensate for the loss of income for the person taking care of you while you recover?
- Would you want to pay for a holiday to help you recover?
- Would you want to be able to take paid leave to care for a sick child?

3. Determine client investment knowledge, investment horizon and risk tolerance

If the client has specific investment goals (segregated or mutual funds), advisors must determine the investment horizon and risk tolerance for each goal.

- Investment knowledge: Measure the client's investment knowledge. This evaluation is closely linked to the advisor's obligation to provide advice, and must therefore be adapted accordingly.
- Investment horizon: Fix a time horizon for each investment goal. This represents the period of time that they intend to invest their money and let it grow before using some or all of the sums invested.
- Risk tolerance: Determine the client's risk tolerance for each investment goal. This means their willingness to assume the risk of losing their savings, as well as their financial ability to cope with a decrease in the value of the portfolio. There is therefore both an emotional and factual aspect to risk tolerance.

Advisors should make sure that the information provided is consistent with the comments made by the client, especially if there are discrepancies in their answers.

Questions

Here are some sample questions to assess the client's investment knowledge, investment horizon and risk tolerance:

Investment knowledge

- Do you follow financial news?
- Do you have an interest in investments?
- Tell me about past investments you have made.
 - Have any of them made you uncomfortable?
- Have your investments always been made in registered plans?
- Do you know the tax differences between an investment in a registered account and a non-registered account?
- What do you know about the different fees attached to mutual funds investments or segregated funds investments?
- Have you ever made an investment decision without getting advice from a financial services professional? If so, explain? Did you learn something?
- Are you likely to follow investment advice from someone who is not a financial services professional?
- If a financial services professional advised you to invest a certain sum of money, what would you do? Would you follow their advice blindly or would you ask them to explain their rationale?

Investment horizon

- What are your short-, medium- and long-term goals?
- What is your age or the age of your beneficiary?
- How long do you intend to keep working?
- How long do you plan to invest your money and let it grow?
- What amount and how long do you plan to contribute?
- Are you planning on making any withdrawals?
- When will you need to withdraw some of your money for retirement?
- Will you have to pay for additional health care costs?

- Do you plan on staying in your home or selling it when you retire?

Risk tolerance

- How important is protecting your assets?
- Have you ever lost money as a result of an investment?
 - If so, how did you feel?
 - Was it a significant loss?
- Is there an amount or potential loss percentage that would make you uncomfortable to the point you would consider selling the investment?
 - If the money came from an outside source, such as an inheritance, would your answer be different?
- If an investment lost value, how long would you be willing to wait to recoup your losses?
- How would you feel if I told you that you had just lost a sum of money, and that loss could jeopardize an upcoming project?
- Do you understand the proposed investment strategy and the risks involved?
- What are your investment goals and priorities?