



FPSC FINANCIAL
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Financial Planning Standards Council

Q & A Regarding FPSC Submission on Third-Party Compensation

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In April 2013, Financial Planning Standards Council (FPSC®) responded to the Canadian Securities Administrators' (CSA) request for comment on Consultation 81-407 Mutual Fund Fees. Our submission generated some questions and concerns from a few stakeholders. We have prepared the following Q & A for your reference in order to provide clarity on our position regarding the issue of third-party compensation.

Regards,
Stephen Rotstein
Vice President, Policy & Regulatory Affairs

1. Is FPSC promoting the banning of third-party compensation?

No we are not promoting the banning of third-party compensation. We recognize that today, even consumers who understand and value the importance of financial planning advice may not be inclined to pay for these services directly.

2. So why are you suggesting any changes?

We believe the future of the financial services industry lies in the provision of professional financial planning related advice. Since a hallmark of any profession is transparency, we must ensure transparency in the provision of professional advice.

The vast majority of Canadians do not understand the costs embedded in the purchase of a mutual fund. Clients should understand that there are costs related to both the management and operation of the fund and the advice they are receiving; that is, that advice is not free.

Further, clients do not understand the types or levels of advice they can expect and from whom they can expect it.

3. What exactly are you recommending?

Making clear to the consumer that advice is not free by requiring that the advisory component of mutual fund expenses be fully transparent. This can be accomplished by showing the advisory component as separate from the management and operation component of the fund.



Requiring any licensed individual to outline to the consumer what services they offer and what advice they will deliver in relation to the advisory component of the fees.

Restricting the use of titles, or claims of advice, that suggest competence beyond what is required by product licensure. Only those who have met clearly established and appropriate professional standards of ethics, competence and performance for the advice offered, as CERTIFIED FINANCIAL PLANNER®/CFP® professionals have, should be permitted to call themselves financial planners.

Acting on these recommendations will ensure that clients know what they are paying, know what services or advice they can expect, and will ensure confidence in the financial planning competence of the individual delivering the advice.

4. As a CFP professional how would I benefit from FPSC's recommendations?

Our recommendations would distinguish the added value that a CFP professional brings to the table both for clients and employers.

With appropriate title restrictions, we would suggest that a CFP professional's services will be in higher demand. Your qualifications afford you the opportunity to demonstrate the greater value you add to the client relationship.

5. Aren't you implying that the appropriate business model is fee-only?

No. Our recommendations are not about promoting one model over another, but rather about ensuring transparency.

6. Wouldn't your recommendations ultimately impair consumer access to financial advice?

No. Our recommendations would not impair access to qualified financial advisors (including CFP professionals) since transparency of fees and service, and title restrictions would create no additional financial burden to the consumer.



7. Why did FPSC respond to the CSA consultation?

Any changes to compensation models are likely to have a significant impact on the delivery of financial planning services affecting consumers, CFP professionals and industry alike.

As a non-profit organization whose purpose is to instil confidence in the financial planning profession, we have a responsibility to participate in the discussion on these substantive matters.

8. I would like to share my thoughts on this issue. How would I do so?

If you have comments you would like to share, please write to us at publicpolicy@fpsc.ca

9. Where can I access your complete submission?

FPSC's submission is [available online here](#).

