

January 12, 2023

The Honourable Peter Bethlenfalvy
Minister of Finance
c/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, ON M7A 1Z1

Sent via email: submissions@ontario.ca

Dear Minister:

Re: 2023 Budget Consultations

On behalf of Advocis, The Financial Advisors Association of Canada, we are pleased to provide our comments regarding Ontario's 2023 Budget Consultations.

1. About Advocis

Advocis is the association of choice for financial advisors and planners. With over 17,000 member-clients across the country, we are the definitive voice of the profession. Advocis champions professionalism, consumer protection, and the value of financial advice. We advocate for an environment where all Canadians have access to the professional advice they need.

Advocis members advise consumers on wealth management; risk management; estate, retirement and tax planning; employee benefits; and life, accident and sickness, critical illness and disability insurance. In doing so, Advocis members help consumers make sound financial decisions, ultimately leading to greater financial stability and independence. In all that they do, our members are driven by Advocis' motto: *non solis nobis* – not for ourselves alone.

2. Our Ask for Budget 2023

Our ask for Budget 2023 is straightforward: bring about fairness for investment professionals, promote a vibrant and competitive financial advisory sector and catalyze the growth of small businesses by allowing independent investment advisors to incorporate their practices.



The existing prohibition on incorporation is unfair to investment professionals. There are more than 30,000 financial advisors in the Province of Ontario who are active in the securities/mutual fund space.¹ Unlike other professionals, such as lawyers, doctors, or accountants, investment advisors are prohibited from incorporating their practice. Investment advisors are even disadvantaged compared to other professionals in the financial advisory space, such as insurance advisors who have long been allowed to incorporate their practices in Ontario.

Making this situation even more burdensome is the fact that many advisors are dually licensed as both insurance and investment professionals so that they can provide holistic financial advice to their clients. The red tape prohibiting incorporation on the investment side significantly complicates how these professionals structure and operate their small business. It impacts their ability to get loans, lease office space, pay their staff and secure required equipment. In short, the prohibition on incorporation for investment professionals seriously harms the viability of the independent financial advisory sector. Without a vibrant independent sector, Ontario will see a further concentration of financial services amongst the big banks, leaving consumers with fewer choices and higher fees.

Ontario can modernize its small business framework by updating the *Securities Act* to permit personal corporations to register as investment representatives. In 2013, all provinces and territories, including Ontario, committed to making the necessary legislative changes to allow for full advisor incorporation.² Alberta and Saskatchewan have passed legislative amendments that would allow for incorporation of investment professionals; however, those amendments are not yet in force.

We believe that Ontario has the opportunity to lead the charge in Canada and effect the necessary legislative changes that would allow investment advisors to incorporate. Modernizing Ontario's *Securities Act* would not only level the playing field between investment advisors and other professionals, but would also bring about benefits for the Province's economy. Independent financial advisors have an entrepreneurial mindset by their very nature. These are people who build small businesses across Ontario. Opening the door to incorporation would better allow these professionals to reinvest in their businesses, creating jobs and economic growth in their local communities.

We urge Ontario to take the lead and bring about advisor incorporation for investment professionals. In taking this step, we believe Ontario's leadership would have the further salutary effect of encouraging its fellow provinces to also move forward on the issue.

¹ Mutual Fund Dealers Association of Canada, *Client Research Report 2022*: <https://mfda.ca/wp-content/uploads/2022/12/ClientResearchReport22.pdf> at page 24.

² Provincial/Territorial Council of Ministers of Securities Regulation, *Annual Progress Report, January 2012 To December 2012*: <https://securitiescanada.org/2013-0411-progress-report-english.pdf>.



We appreciate this opportunity to provide our comments to Ontario’s 2023 Budget Consultations. We would be pleased to discuss this issue further; should you have any questions, please do not hesitate to contact the undersigned, or James Ryu, Vice-President, Advocacy and General Counsel at jryu@advocis.ca.

Sincerely,

“original signed by”

Greg Pollock, M.Ed., LL.M., C.Dir., CFP
President and CEO

“original signed by”

Catherine Wood, CFP, CLU, TEP, CHS, MBA, MIST, ICD.D
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