PFA Study Group

CHAPTER PROGRAM

PRACTICE DEVELOPMENT SERIES

Module 8
Fine Tuning Your Financial Advisory Practice

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Learning objectives

As you continue to grow and develop your financial advisory business, it is likely you have already worked through the Client Relationship Cycle several times with new clients. You have developed a comfort level with this cycle and learned to customize parts of it to suit your unique financial advisory practice. As you continue to develop your business, it is important to conduct a preliminary review of your business operations. In this section, you will learn how to:

- Review your existing work habits and explore more effective ones
- Review your personal and business goals and targets
- Review your marketing plan and results

The seven most effective habits financial advisors can acquire

A habit is a tendency or disposition to act in a particular way. Even early in your career as a financial advisor, you have developed tendencies to act in particular ways. Some habits are positive and will help you develop your career. Others are negative and will hinder your progress. It is up to you to review your actions and determine which behaviours you want to continue to include in your financial advisory practice and which ones you would like to eliminate or reduce. It can take considerable concentration and effort to replace a bad habit with a good one.

Working effectively calls for a combination of two major elements: proper work habits underpinned by well-designed support systems. We will discuss support systems in Section 2: Best Practices for Protecting Your Business and Yourself.

Two personal qualities that will help a financial advisor acquire effective work habits are persistence and self-discipline. Persistence (also known as grit and determination) will help you stick with your effective work habits no matter what else is going on (in your life, at the office, in the markets, etc.). Through self-discipline (your ability to control and motivate yourself), you will learn not to let other people, events or circumstances distract you from your daily work effort. By adhering to these qualities, you become the architect of your own success.

Here are seven work habits that contribute greatly to financial advisors' success.

1. Work the Activity Action Plan

Goal-oriented financial advisors have a clear vision of themselves as successful — in whatever form that takes. As a result, they establish meaningful personal and business goals with targets and create Activity Action Plans that enable them to progressively achieve the goals the plan outlines. Recall from *Practice Development Module 1, Business Planning*, that developing an Activity Action Plan involves creating specific tasks that will help you achieve your goals and further breaking down these tasks into manageable daily, weekly, monthly and annual activities. You experienced this first-hand when completing Activity 1.5 in Module 1. Used effectively, an Activity Action Plan is your roadmap for each day, week or month, itemizing the activities you should undertake to move you towards achieving your goals.

An Activity Action Plan is a tool a financial advisor can use to act in a proactive and deliberate manner.

Being proactive means causing events to happen rather than responding to them. In the context of your business, proactivity places the responsibility to make things happen for your business in your hands. Proactive financial advisors can anticipate future problems, needs or changes in their business. This contrasts with reactive behaviour, where financial advisors merely respond to external situations and conditions, ceding control to those things.

Using an Activity Action Plan also enables financial advisors to act in a deliberate manner. Envisioning where you want to be in the future is the first step in writing your personal and business goals. To create an Activity Action Plan, you have to begin with the end goal in mind and work deliberately through the Activity Action Plan to get there. It's important to stay focused on the right things. Busy can look quite productive; however, busy can also be misleading and counterproductive. You need to be busy doing tasks that will help you achieve the goals you have written into your Activity Action Plan.

2. Manage your time

You're in the business of meeting with clients and acquiring new ones. You're motivated to help your clients by providing them with unbiased financial planning and advice. However, you're also running a business. You need to strike a balance between meeting with clients and the activities that allow you to market and build your business. This is what your Activity Action Plan does for you.

Getting through your Activity Action Plan each day, week or month may feel daunting at times — especially with all the other demands on your time. It makes sense to maximize contact with clients during the prime contact hours of the day, and then use non-prime time to focus on lower-return activities. However, many financial advisors find it challenging to do this in practice.

It takes discipline to instill urgency in yourself to focus on the important things, instead of letting the urgent things dictate your actions. For example, it is tremendously difficult for many financial advisors to ignore a ringing phone. Your first instinct is naturally to answer the call. However, you have to ask yourself whether answering the call right away is truly serving your best interests — especially if you are in the middle of completing one of the higher-priority tasks in your Activity Action Plan. What happens if you let the call go to voicemail and continue working on the task? The message will be waiting for you when you are ready to listen to it.

Setting priorities is a balancing act. It is a challenge for everyone to separate urgent tasks from non-urgent tasks and important activities from less-important activities. With the frantic pace of modern life, we are constantly inundated with demands for our attention. At times, it is difficult to know what is urgent and what is important.

Urgent tasks cause us to react, stop what we're doing and address the critical task that cannot wait. Important tasks lead us to achieve long-term goals and often require planning, organization and initiative. Most urgent tasks are visible (or audible, like the ringing phone) and they press on us, but they do not help us achieve our long-term goals. Important tasks, on the other hand, are directly related to results and your Activity Action Plan. Important tasks assist you in realizing your mission, values and high-priority goals. If your attention is constantly distracted by urgent tasks, you will miss getting to the important tasks.

How do you make the distinction between the urgent and the important? With discipline and patience, it is possible to learn to identify urgent tasks that really need your immediate attention and tasks that are important and should not wait.

In *The 7 Habits of Highly Effective People*, Stephen Covey applied a matrix to the dilemma of distinguishing the urgent from the important:[1]

Table 1: Stephen Covey's Urgent-Important Matrix

	Urgent	**Not Urgent**
Important	I Crises such as pressing problems and deadline-driven projects	II Goals and planning such as prevention, relationship building, recognizing new opportunities
Not Important	III Interruptions such as some calls, some mail, some reports, some meetings	IV Distractions such as trivia, busy work, some mail, some phone calls, time wasters

[1] Covey, Stephen R. 1989. *The 7 Habits of Highly Effective People*. New York: Simon & Schuster. 151.

People have made many adaptations to this matrix. The one below is our adaptation of a coaching tool used by The Coaching Tools Company.com, a Canadian coach training and resources organization (www.thecoachingtoolscompany.com/products/urgent-important-matrix/). We customized it with crises, goals and planning, interruptions, and distractions that financial advisors typically face. This matrix can help you distinguish the urgent from the important in your financial advisory practice.

Feel free to add extra tasks in each quadrant.

The Urgent-Important Matrix for Financial Advisors

Table 2:

	Urgent	Not Urgent
Important	**Crises** Unexpected market correction Disgruntled client Insurance (death, disability, critical illness claim) Compliance issue Unexpected personal/family health issue Quadrant 1	**Goals and Planning** Building and maintaining centres of influence Goal-setting and tracking goals Proactive communication with clients Prospecting Marketing and business planning Tracking business results Achieving Activity Action Plan goals Continuing education Documentation and compliance Maintaining and refining value proposition and target client market Work-life balance Quadrant 2
Not Important	Quadrant 3 **Interruptions** Interruptions from others Unimportant meetings Unimportant phone calls Unimportant emails/mail Other people's minor issues Unscheduled office visitors (clients, colleagues) Reactive electronic communications (email notifications) Unscheduled meetings	Quadrant 4 **Distractions** "Busy" work Some phone calls Your own special time wasters Avoidance behaviours "Escape" activities Irrelevant mail or email Binge-watching the latest television series Pointless web surfing Excessive relaxing, sleeping Self-critical thoughts Engaging in water cooler conversations

Quadrant 1: urgent and important

Tasks that fall into this category are both urgent and important; they cannot be delayed and require your immediate attention. Urgent and important tasks can arise at any time in your practice. For example, a client can come to you with a life insurance claim, concerns about a market correction or a family emergency. You could also face a disgruntled client or compliance issue. Each of these situations is both urgent and important.

If you spend a lot of time in this category, over time you will find yourself stressed and exhausted, and potentially even at risk of burnout. Work to reduce the amount of time you spend on crises by learning to prioritize and delegate tasks and putting in place systems and processes to streamline whatever tasks you can. Your attention should be on the tasks in Quadrant 2. The more time you spend in Quadrant 2, the better you will be able to manage the tasks that will inevitably arise in Quadrant 1.

Quadrant 2: not urgent and important

This quadrant is highlighted in green because this is where you should ideally be spending most of your time when you are not meeting with clients. Here you will build relationships with your centres of influence (COIs), pursue continuing education credits, prospect for new clients and track business results, among other important tasks.

Many financial advisors resist time spent business planning and documenting client files; they would rather be out “doing” — meeting with clients and building relationships. However, those who spend time planning and preparing, developing a COI network and looking after their health can save themselves time and grief over the long term — and perhaps spend less time fighting fires in Quadrant 1.

Quadrant 3: urgent and not important

Activities in this quadrant draw you away from Quadrant 2. They are interruptions such as colleagues popping into your office to chat about the weekend, email and text notifications, and unimportant meetings.

If you spend a lot of time in this quadrant, you will feel as though you are not accomplishing what you need to and may find yourself falling behind in your targets. This may also make you feel frustrated and stressed out. When you find yourself in this trap, go back to your Activity Action Plan and/or the tasks in Quadrant 2. By focusing on these responsibilities, you may be able to find ways to say “no” to unimportant meeting requests and impromptu office visits from colleagues. If you struggle to reduce these interruptions, consider tracking them by type and frequency. This will help you identify patterns and the source of interruptions so you can proactively avoid them.

Quadrant 4: not urgent and not important

The activities in this quadrant are distractions. There are as many possible distractions as there are financial advisors. We’ve listed some of the possibilities in the table above, but you will have your own set of distractions — everyone does. Time spent on these activities takes you away from the tasks in Quadrant 2. These activities waste your time and cause you to avoid important and necessary work.

Too much time spent in Quadrant 4 will cause you to run late for meetings, miss targets, and feel stressed, exhausted and ineffective. In the extreme, pursuit of these activities could also lead you to be fired. In small doses, however, some of these activities may energize you. Know your limit and use your time to your advantage.

The urgent-important matrix for financial advisors is simply a tool you can use to become more aware of the interruptions and distractions you face in your financial advisory practice. That increased awareness will help you give priority to important tasks, plan more effectively and delegate to others.

► Complete Activity 8.1, Create your own urgent-important matrix.

Working through your own urgent-important matrix can empower you to manage your time in the best way possible, while managing and avoiding crises.

3. Use resources and support

The role of a financial advisor is multifaceted. Not only do you need to be an expert in your field (investment management, insurance strategies, financial planning), but you must also continuously learn about new products, solutions and strategies. In addition, you need to be able to educate your clients in such a way as to motivate them into action. You are also expected to be an expert at building a clientele, marketing, prospecting, completing administrative paperwork, following compliance rules and the many other requirements of running a business.

When you first start your business, you will probably do everything yourself. This is partly because of the cost of hiring an assistant, but it may also be because you initially have only a few clients to meet and therefore have the luxury of time to be involved in all areas of the business. However, as your business grows, you will soon realize that it is impossible for you to do everything you did when your business first started. This is normal and to be expected; after all, time is a scarce resource.

It is a best practice to be aware of the time you spend on non-client-facing activities. By tracking your time and reviewing it objectively, you may find you can delegate some of these activities to others.

In the medical field, it is widely accepted that a general practitioner or family physician is the primary care provider who may call on other specialists or team members to assist with patient cases. As a financial advisor, you should also consider how to provide the best possible service to your clients by employing other experts to address specific or otherwise time-consuming activities. It is important to use resources and other support available to you effectively and to streamline your activities.

Many resources can help you maximize profit. Consider, for example, your product suppliers — life insurance companies, mutual fund companies and your wholesaler. Among other things, they may offer support with:

- Product brochures
- Marketing materials
- Training and continuing education
- Resource people to help with administration
- Answering tax or estate planning questions
- Providing sales and marketing training and development
- Helping with illustration and portfolio modelling software
- Suggesting a client management system

In addition, many support systems are available to help financial advisors with investing, portfolio management and business building. Remember, it is not always necessary to start from scratch or reinvent the wheel. Start by reviewing what is available and make use of the resources that are appropriate for your business. Here are some ideas you may find helpful:

- Rather than develop your own, use tools and templates available from organizations such as Advocis.
- Cultivate relationships with people who are willing and able to assist you as you build your business. This could mean building relationships with more seasoned financial advisors, as well as other professionals such as lawyers, accountants and real estate agents. See *Practice Development Module 3, Prospecting,* for information on building a network of centres of influence.
- Consider using model portfolios and fund of funds solutions where appropriate, rather than trying to develop individual investment portfolios for clients.
- Leverage technical articles or newsletters written by professionals instead of trying to create your own. Writing is a skill that takes time to master. It may be cost-efficient to hire an experienced financial writer to create content and assist in distributing it to clients. In many cases, financial institutions may have professional articles available for financial advisors to use for distribution to clients.

Delegation

Another form of effective resource use is delegation. If you have been working on your own for some time, it may be difficult to let go and you may feel that you are unable to delegate many of the activities that consume your time. However, if you give some administrative tasks to another capable resource, such as an assistant, you free up valuable time to spend in front of clients or prospecting for new clients.

Delegate to an assistant

Whether assistants are licensed or not, they can be a valuable asset to your business. That said, it is very important not to delegate activities to a non-licensed assistant that only a qualified or licensed individual should perform. This includes any face-to-face meetings with clients or prospective clients. Tasks you can delegate to a non-licensed assistant include summarizing survey results, inputting information into a customer relationship management (CRM) system, and sending out invitations or thank you notes.

Delegate to technology

If you haven't already, automate as much as you can. If you haven't yet purchased a CRM tool, consider it now. It is too time-consuming to keep manual records of your activities. Use technology solutions wisely to help manage client meetings and communications and track business results. This saves an incredible amount of time and clears your mind to focus on building client relationships.

Delegate to other professionals

In addition to the informal team you have built with professionals in your COI circle (e.g., lawyers, accountants, estate planners, trust officers, bankers, investment advisors and insurance agents), working with another financial advisor whose skills complement your own allows each advisor to focus on what that advisor does best. Many advisors have realized that operating within a formal team enables them to meet the complex and diverse needs of their clients, because each advisor brings specific skills and expertise to the team. One example is a newer advisor partnering with a more experienced one. A team of multi-generational advisors appeals to families in which parents and their adult children (who are beginning to build their own net worth) prefer to work with an advisor who specializes in their particular stage of life.

4. Conduct efficient client interactions and meetings

Efficient client meetings begin well before the actual meeting takes place. It is a best practice to email an agenda to clients (or prospective clients) a week or two before the scheduled meeting. In your email, invite clients to add agenda items, reserving several lines at the top of the agenda for the things they would like to address. During the meeting, cover your client's agenda items first. To ensure clients can follow along, work through the agenda line by line, in order. These tips are likely very familiar to you from *Practice Development Module 4, Engagement*, and *Practice Development Module 5, Discovery*. Review the agenda at the end of the meeting, checking in with clients to ensure you addressed their agenda items to their satisfaction.

Before compiling an agenda, review everything you know about your client. You should have notes from every encounter you've ever had with this individual. Recall that in Activity 4.1 you systematically answered these questions (and more) to prepare to meet with a prospective client in a professional manner:

- How did the prospective client make the decision to meet with you?
- What do you know about the prospective client's concerns or potential concerns?
- What was the prospective client's stated reason for meeting?
- What do you know about the prospective client's history of investing?
- Is there an immediate need the prospective client is looking for you to solve?
- What issues did the prospective client identify after receiving the agenda?

You can use the full list of questions from Activity 4.1 both to prepare your agenda before you send it to your client or prospective client and to prepare for your meeting.

Another best practice for running an efficient client meeting is to anticipate client needs — and allocating time to prepare for the meeting makes this possible. As suggested above, check your notes from previous meetings. Are there outstanding issues this meeting needs to cover? Did you provide your client with everything you promised in the previous meeting? Is it an annual financial planning review meeting? Most often, there will be a reason for the meeting. Again, some of the questions from Activity 4.1 will help you prepare the client file for the meeting. You can anticipate client needs by:

- Including information clients requested before the meeting (e.g., when they called to book the meeting if it is not a regular review appointment)
- Assembling collateral material to explain specific solutions or concepts to clients based on the agenda items they proposed
- Preparing material (e.g., illustrations and marketing brochures) to help you answer questions based on all agenda items

It can be challenging to anticipate how clients will react to strategies designed to address the gaps in their financial plan. *Practice Development Module 7, Advice Delivery*, is a tremendous source of information to help you understand clients and what motivates them, as well as how best to communicate complex financial information to them. Review this module before meetings to build your confidence in the way you plan to communicate advice to a client.

Finally, always follow up on client requests, whether your client raises them in a phone call or during a meeting. When you follow up, it strengthens your client’s confidence in you, builds trust and ultimately fosters satisfying long- term relationships.

5. Address compliance and regulatory responsibilities

Throughout the coursework you have completed for the PFA designation program so far, you have read much about the compliance and regulatory responsibilities of the financial advisor. Section 2 of this module focuses on practical measures you can take in your business to ensure it complies with financial services industry regulatory requirements. If your practice complies with industry regulations, it runs smoothly and is well positioned to defend itself against potential client complaints.

Get to know your compliance team — they are there to help you

The financial services industry is highly regulated and places heavy obligations on its participants; financial advisors need to be aware that a breach of privacy, ethics, rules and regulations can quickly end a career.[2] The compliance department is an integral part of any firm operating in the financial services industry. It functions to supervise trades and provide guidance and education to the firm’s managers, senior executives, advisors and administrative staff. According to Ellen Bessner, “The compliance department has (historically) been perceived as an expense that interferes with advisors building their book. However, the reality is that advisors who do not value compliance will not survive in this industry.”[3] Having a positive and collaborative relationship with your

[2] Bessner, Ellen. 2008. *Advisor at Risk: A Roadmap to Protecting Your Business*. Toronto: P. 18 Shore & Associates.

[3] Bessner, Ellen. 2018. *Advisor at Risk: A Roadmap to Protecting Your Business*. Toronto: P. Shore & Associates. 18.

compliance department, along with an understanding of how they fit in with your practice, allows you to view your compliance department as a valuable resource as opposed to an annoyance.

Working together with your compliance department means you will be better prepared in the event of client complaints. The knowledge of compliance and regulatory issues you gain from your governing bodies through licensing, courses such as the PFA designation coursework, and your compliance department will help you identify problems before they occur. The compliance department is a valuable resource for the financial advisor who wants to build a sustainable financial advisory practice and keep clients happy.

Dealers are required by law to hire compliance officers, who are responsible for supervising trades and regularly sending memos and/or emails alerting financial advisors to potential violations. Your compliance department is also tasked with interpreting the rules the regulators lay out and developing internal processes so employees in your organization fulfill their roles within the regulatory regime — be it insurance, mutual funds, securities or all three.

When financial advisors and branch managers identify a danger signal or a potential compliance problem, they can turn to compliance officers for answers. Having access to this resource enables advisors, supervisors and dealers to successfully withstand challenges and stay in business over the long run.

However, Bessner reminds her readers, “Advisors and branch managers should not be lulled into a false sense of security — relying exclusively on compliance officers to alert them to danger.”[4] Compliance officers do not

[4] Bessner, Ellen. 2018. *Advisor at Risk: A Roadmap to Protecting Your Business*. Toronto: P. Shore & Associates. 139.

participate in the day-to-day activities of the financial advisor — nor do you want them to. So, it is up to you to ensure you adhere to procedures that keep your practice compliant with industry regulations.

Be proactive

A best practice for financial advisors is to ensure you are aware of the possible issues that could arise in your practice. This gives you the opportunity to identify problems before they happen. For example, carrying out a thorough discovery exercise with each new client and then documenting it (see *Practice Development Module 5, Discovery*) allows you to really understand who your client is and what your client's current and potential needs are. The discovery exercise is not, however, a one-time event. Changes in a client's life can affect financial goals and actions taken to address gaps in the financial plan. It is a best practice to review or refresh the results of each client's fact find, the financial goals and the solutions that resulted from the financial plan. It is also a best practice to document actions taken to address gaps in the financial plan (or recommended actions your client did not accept) and to confirm these in a letter to your client.

6. Monitor business results

Routinely monitoring your business results helps you maintain your focus on your goals and provides you with valuable feedback on your performance. The profitability of your financial advisory practice reflects the effectiveness of your client meetings and indicates the effectiveness and productivity of your Activity Action Plan. Reviewing your performance ratios and profitability to understand your effectiveness gives you an opportunity to take corrective measures before it's too late. Learn more about monitoring your business results later in this module.

7. Prioritize rest and rejuvenation

As a newer financial advisor, you are undoubtedly putting in long hours to establish your financial advisory practice. It's well known that when anyone starts a business, long hours are simply a part of it. However, you will burn out very quickly if you do not spend some time every day and every week doing something that helps you renew yourself. Covey includes this idea in *The 7 Habits of Highly Effective People*. He maintains we need to renew ourselves in all four aspects of our natures:

1. Physical — exercise, nutrition, stress management
2. Spiritual — value clarification and commitment, study, and meditation
3. Mental — reading, visualizing, planning, writing
4. Social/emotional — service, empathy, synergy, intrinsic security[5]

All four dimensions exist in Quadrant 2 of the urgent-important matrix and link intrinsically with your ability to perform optimally, as a financial advisor or in any role you choose in life.

In the physical dimension, the goal is to care for your body on a regular basis so you preserve and enhance your capacity to work, reduce your stress and increase your satisfaction with life.[6]

The spiritual dimension is highly personal; it means something different to each of us. In Covey's words, "It's a very private area of life and a supremely important one."[7] Some care for the spiritual dimension through prayer and bible study. Others nurture it through meditation, immersion in

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[5] Covey, Stephen R. 1989. *The 7 Habits of Highly Effective People*. New York: Simon & Schuster. 288.

[6] Covey, Stephen R. 1989. *The 7 Habits of Highly Effective People.* New York: Simon & Schuster. 291.

[7] Covey, Stephen R. 1989. *The 7 Habits of Highly Effective People.* New York: Simon & Schuster. 292.

music or great literature. Whatever form it takes, the result is a renewal of self and a sense of inner peace.

Like many others, Covey subscribes to the philosophy of lifelong learning. Take courses, read a variety of books, write a blog or a personal journal, expose yourself to a diversity of different thinkers and exercise your critical thinking skills — all to further your learning journey. It's also important to take time in your day to plan. Recall the methodology for building your Activity Action Plan? You start with your goals and work backwards to identify activities to help you achieve each one. Devoting time to planning improves your ability to make decisions, the quality of your relationships and the way you handle challenges in your business and personal life.

The fourth dimension focuses on enhancing your ability to communicate with others, listen to varying opinions to learn about different points of view, and collaborate with others. *Practice Development Module 7, Advice Delivery*, describes many of these skills and provides tips to hone your abilities. This dimension also includes service work or volunteerism. You can gain tremendous benefits from helping others in a meaningful way.

However you choose to rejuvenate, ensure you build this into your daily, weekly and monthly routine. You will benefit — and if you are better for it, then so are your clients!

Review business goals and targets

In the financial services business, operating at the highest level of your capability means being face to face with clients and prospective clients most of the time. However, to continue to generate new client relationships and revenue, you also need to spend time marketing, prospecting, communicating and working on client financial plans. All these activities take up precious time. Financial advisors who enjoy writing financial plans or solving a client's insurance needs but neglect marketing and prospecting will soon find their client base and revenues reach a plateau or, worse, begin to shrink.

Your business plan maps out how you intend to market to your target client market and develop your COI relationships. Recall that in *Practice Development Module 1, Business Planning*, we defined a business plan as a blueprint or instruction manual for running your business. When you developed this vital document, you outlined the goals for your practice and provided details on how you will achieve them. As your practice grows and matures, your business plan remains an important resource. It is a "living" document because it is designed to grow and evolve with your goals.

At a high level, a business plan helps you:

- Outline your business objectives
- Identify the types of clients you are going to serve and the problems and pain points you are going to help them solve
- Put together a marketing strategy that will target your ideal client
- Assess your competitive environment and how you plan to stand out from other financial advisors
- Determine your human resources and staffing requirements, if applicable
- Forecast your revenues and expenses over time and the capital you will need to launch, break even and grow your business
- Measure, track and assess results

You execute the business plan through your Activity Action Plan. Let's examine some of the typical activities for a newer financial advisor and how you can approach a review of these activities.

Prospecting for new clients

A business goal that every newer (and seasoned) financial advisor includes in the Activity Action Plan is the acquisition of new clients. There are many ways to fulfill this goal, but the bottom line is that you need to come face to face with prospective clients on a regular basis. To find yourself in meetings with prospective clients, you need to spend some of your day, week or month prospecting.

At this point in your development as a financial advisor, you have had some experience converting prospective clients into clients. As discussed in *Practice Development Module 1, Business Planning*, your conversion ratio is the number of clients you acquire divided by the number of meetings you hold with prospective clients. Not every meeting with a prospective client will result in the acquisition of a client. You should now have a fairly good idea of your conversion ratio. You should also have a fairly good idea of the number of initial meetings that result from a certain number of cold calls. Here are some questions you can ask yourself when you review your prospecting activities for the year:

- How does your conversion ratio compare with that of more seasoned financial advisors in your office and of other newer financial advisors?
- How does your conversion ratio compare with the goal you set for yourself?
- Has your conversion ratio improved over the last year?
- If it has, what processes or changes to your client acquisition process did you implement to improve the ratio?
- What changes do you think you should make to your Activity Action Plan to improve your conversion ratio?

- Do the prospecting activities in your Activity Action Plan support your prospecting goal?

If, after you review your prospecting activities, you find you can be doing better, the following activity may help you. Some financial advisors adopt a “10 by 10” policy in their financial advisory practice to help them focus on the important task of reaching out to prospective clients. Following this methodology, advisors make 10 phone calls (or other equally effective proactive contact) to prospective clients in their target client market before 10 in the morning. The purpose is to secure a first meeting with one or more prospective clients. Advisors who do this find it quite effective because it helps them achieve the goal of meeting prospective clients and allows them to focus on this task before they get busy with the other tasks that make up their day.

Let’s now review your experience with first meetings with prospective clients. You should be able to look back to your notes and determine how you first obtained the names of each of the prospective clients you met with in the last year. Was it a referred lead? An answer to a direct mail letter or social media campaign? A personal acquaintance? Someone you met at a social event? A fellow club member? Or the parent of one of your children’s friends? Now ask yourself:

- Were you able to meet the goal you set for each prospective client meeting? If yes, where did you have the greatest success in attracting prospective clients? Where did you have the least success? What do you believe made you successful? If you weren’t successful, consider your approach. Where did prospective clients lose interest? How was your quick elevator speech received?
- How many touch points or communication pieces were necessary before the prospective client came in for a meeting? What touch points did you

use (e.g., email, newsletter, social media campaign, invitation to a seminar or event)?

- How many prospective clients were referrals? What were the referral sources? How many times did you ask for referrals? Whom did you ask for referrals?

Asking for referrals

What strategies have you developed to ask for referrals? Has this been incorporated into your client process? When and how do you ask existing clients for referrals? In *Practice Development Module 3, Prospecting*, we introduced you to the concept of referred leads and provided you with a sample Referred Lead Sales Track. This is essentially a dialogue you can follow to ask an existing client for a referral to someone you do not know. Activity 3.5 guided you through the process of writing your own Referred Lead Sales Track. Did you set a goal to use and practise your Referred Lead Sales Track? How are you tracking against this goal? Has it resulted in referrals? If it has not, have you revised your approach or the dialogue you use when asking your clients for referrals? How did you incorporate the request for referrals into your Activity Action Plan? Did you write your own Referred Lead Sales Track? Or did you develop another strategy for making requests for referrals? Did you build other activities into your Activity Action Plan to request referrals?

As you build your client base and networks, referrals will be an important source of continued growth. Referrals do not just happen; you need to make yourself referable and you need to let people know you are open to receiving referrals. Consider your experience over the last six to 12 months acquiring new clients through referrals:

- Did you get any referrals and from whom?

- Did you have to ask for the referral or was it offered up freely by your client, friend, COI or another source?
- Did the referral become a client? If no, why not? Do you need to address how you are asking for referrals so you attract the right kind of client?
- Did you thank the individual who made the referral and keep that person informed of the outcome?

Developing COI relationships

A key element in developing your financial advisory business is building a network of professional alliances and community and business leaders. These are individuals who can amplify your credibility and access to prospective clients and ultimately help grow your business. Ideally, you will include individuals who are influential community leaders within your ideal target market. Your COIs can act as your advocates, sending you referrals and raising awareness of your services. Like any good relationship, it’s often a two-way street. These are individuals whom you want associated with your practice, and who in turn want to be associated with you. These networks are a vital part of building your business.

When you developed your business plan and Activity Action Plan, you likely identified a number of networking events you felt would be important for you to attend to help build your COI network. Before attending one of these events, you probably spent some time strategizing how you would spend your time. For example, if you had advance access to a list of invitees to the event, you could strategically target individuals you wanted to meet to make the most efficient use of your time at the event. You may also have identified what you wanted to learn about each of the possible COI contacts.

Your objective is to add to your list of COIs so you can broaden the expertise you can call on for your clients and, in return, receive referrals of clients from the members of your COI network. You may not see success right away. However, after cultivating these relationships over a period of time, you will find your referral list strengthens and the quality of client referrals improves.

Take a critical look at the members of your COI network. Have you received any referrals from these relationships? Were the referred clients in your target client market? Were you comfortable sending your clients to your COIs to take advantage of their expertise? Did your clients receive the level of service you expected? Were your COIs able to help your clients?

After completing your review, you may want to make changes to your COI network. For example, to improve the quality of referrals you receive from your COIs, you could develop a regular communication strategy to let them know more about your business, your values and your target client market. Or, if you found there was not a good alignment with the services you expected from your COIs, perhaps you need to improve your knowledge of the COIs' area(s) of expertise. You could do this by subscribing to their newsletters, participating in their events or taking some time to meet in person over lunch or dinner.

Establishing yourself as a trusted professional requires you to attend networking events and get to know other professionals who can help build your business. Think back to the events you attended and the individuals you met:

- How many events did you participate in?
- What kind of events were they, and will you attend future events hosted by the same group?

- How many events have you identified for future weeks or months?
- How many professionals (COIs) have you added to your network as a result of attending these events? Do they have varying skills and expertise that complements your business?
- How are you staying connected with your COI network? How often have you communicated with your COIs and what was the communication?
- Have you sent any business to your COIs?

Measuring the effectiveness of meetings

It is common for a newer financial advisor to have a weekly target for face-to-face client meetings, included in the Activity Action Plan. A considerable portion of these meetings will be substantive connections with prospective clients. While it is important to maintain a relatively high pace of activity with face-to-face meetings, also consider how effective these interactions are.

The ultimate goals of a client meeting (and the ones that shows up in your business plan) are to convert a prospective client into a client and/or to add new assets to your book of business. Financial advisors execute both goals by engaging with the client, conducting a thorough discovery exercise, analyzing the client’s data, identifying gaps in the client’s financial plan, and then communicating the findings of their analysis and collaborating with the client on the solution(s) to address the gap(s). The same discipline and process apply to clients who are on a maintenance schedule.

Convincing a prospective client to meet with you through your marketing efforts (including asking for referrals) is the first step, but converting that prospective client into a client you will work with to develop a fulfilling long-lasting relationship is ultimately how you will build your business. Reflecting on past meetings, consider the skills you learned from *Practice Development Module 7, Advice Delivery*:

- Did you spend time before your presentation meeting considering how to present your findings to your client or prospective client to ensure maximum effectiveness?
- Did your client receive the financial plan you prepared ahead of your presentation meeting?
- Did you establish a receptive atmosphere for the meeting?
- Did you ask about your client's goal(s) for your time together at the beginning of the meeting?
- Did you provide your client with a roadmap of what you will cover during your time together by reviewing and confirming the agenda at the beginning of the meeting?
- Did you accurately gauge your client's willingness to make changes to behaviour (so your client will accept and enact your recommendations)?
- When you presented recommendations that required a behavioural change, did you use the Recommend Action (RA) — Intended Outcome (IO) — Emotional Rationale (ER) Model?
- Did you incorporate multiple modalities into your explanations of findings and recommendations?
- Did you use motivational interviewing skills to learn more about your client's objections?

It can be difficult to assess how effectively you incorporated softer skills into your meetings. You may want to consider having a colleague sit in on one of your meetings to provide you with feedback on how effectively you communicated your findings and delivered your recommendations, the quality of the modalities you included in your presentation, and your motivational interviewing skills. While acquiring these skills can be a challenge, they will yield results for you with practice. Ultimately, the measure of your success is tied to the acquisition of new clients and an increase in your assets under management.

Achieving and optimizing your targets

When you prepared your Activity Action Plan in *Practice Development Module 1, Business Planning* (Activity 1.5), you created a list of the things you needed to do to achieve your business and self-improvement goals and you kept a log of your activities. Now it is time to review your activity log and examine which activities you are performing on a regular basis, how long each activity takes to complete, whether the activity contributes to your business or personal goals, and the amount of effort required to complete the activity. It is also time to examine the activities you thought were important when you created the plan but have neglected to do. Is it because the activity was too complicated? Did it take too much time to complete? Were you concerned it would not result in success? Perhaps you did not feel there was a tangible connection between the activity and the goal? Or did you simply not like the activity and therefore chose to ignore it?

The purpose of this exercise is to optimize your efforts. Optimization means focusing your efforts so you spend the maximum amount of time operating at the highest level of capacity. Reviewing your progress lets you know if you are on track towards achieving your goals and it serves to hold you accountable. Without keeping good records of your activities and conducting a thorough review of the results, you cannot determine whether you are on schedule to meet your goals or falling behind, or if you need to adjust your goals or Activity Action Plan to reflect new realities.

While this module appears only once in the curriculum, you should get into the habit of reviewing business goals and targets as frequently as weekly, and at a minimum monthly. Technology makes it easy to track your progress. If your goals involve metrics, consider summarizing them on a dashboard. In the first few years of a newer financial advisor’s practice, this should be on the top of your to-do list. If you want to get better at what you’re doing, you need to find ways to improve your approach, actions and results. Even seasoned advisors are continuously looking at ways to improve their business by becoming more efficient, overcoming weaknesses and focusing on approaches that work best for them.

When reviewing your progress, it is important to keep a critical eye. The analysis you conduct should be in-depth and cover all aspects of the business plan. You want to know where there is room for improvement, but you also want to celebrate successes and positive achievements. Such a review also allows newer financial advisors to gain some insight into their business strategy. Perhaps the marketplace is more competitive than you thought. Or maybe you need to refocus your marketing efforts on a specific need that was not clear when you originally designed the business plan. Perhaps you have developed a new skill, resulting in a new type of client, which changes the business strategy. All of these are important considerations as you continue to fine tune your approach.

When reviewing your goals and targets consider:

- Do your activities align with the business and self-development goals you set, or are you spending time on activities that are failing to help you achieve those goals?
- Did you meet the goals or targets you set for various activities?

- Were your goals and timelines realistic?

Review all activities and consider what went well so you can make sure you do more of that activity. Look at activities that did not go well so you can make some changes. In addition, set up your Activity Action Plan to also act as a tracker or activity log.

Financial advisors should reflect frequently on their actions and look for areas for improvement. When you review your activities and accomplishments, look for success in what you achieved and how you achieved it. Without such a detailed review, you lack insight into which behaviours and actions result in positive outcomes. Refine successful behaviours to achieve even better results in the future. Don’t focus on achieving targets in isolation. For instance, if one of your goals is to book 30 client meetings, achieving that goal doesn’t tell the whole story. It’s more important to analyze the meetings themselves and consider every aspect that contributed to a positive outcome and every aspect that caused the meeting to go off track.

Review your investment in marketing initiatives

An integral part of every business plan is the marketing plan. Having an effective marketing plan in place is critical to building your business and will help distinguish you from your competition. In the final section of this section, you are going to evaluate the investment you’ve made to attract new clients to your financial advisory practice. We have compiled a list of questions for you to consider as you reflect on the marketing initiatives you’ve undertaken in the last 12 months. Ultimately, your marketing efforts result in face-to-face meetings with prospective clients. What successes have you experienced converting those prospective clients into clients you’ve assisted with financial planning goals?

To evaluate your marketing practice, ask yourself:

- Who are the clients you've brought into your financial advisory practice in the last 12 months?
- Who are you (really)?
- What is your value proposition and your ideal target client?

Who are your clients?

Review the new clients you've brought into your practice and work to understand who they really are. Start by examining the information you've gathered in the discovery process:

- What do your clients do for a living, and what do your notes tell you about their social network, family, hobbies and goals?
- What demographic information do you have about your clients, including age, gender, life-cycle stage, lifestyle and ethnicity?
- Why did they sign on with you as clients? Did you solve a particular problem for them? Did you complete a comprehensive financial plan for them? Are there outstanding gaps in their financial plans that you haven't yet addressed? Are you able to address these gaps or do you need to acquire experience and/or education?
- Were your clients referred to you from the same individual (e.g., a COI, family member or client)?
- Who are your favourite clients, and what are their most notable characteristics? As you think about the clients you enjoy working with and why, ask yourself if they are cooperative and receptive to your recommendations.

Reflect also on the possible ways you can help your new clients in the future. Their life-cycle stage (described below) will provide you with clues. Consider also the value each client brings to your financial advisory practice. That value is so much more than current assets under management or the annual commission generated from the client's portfolio. Your clients have tremendous potential to add to your business with referrals, a process amplified when referred clients in turn make referrals to you. Think about the people each of your clients knows. Are there untapped COIs hidden in your book of business?

Contemplate the life cycle of the clients in your practice and how you can assist them at each stage. Essentially, you want to meet your clients' financial planning needs "from cradle to grave." Every client follows the life cycle, regardless of income, career or cultural background — and while clients proceed at their own pace, each decade has typical features.

Clients in their 20s are building a foundation for financial independence. They are very likely finishing higher education and paying off student debt. Once they finish their college or university studies, they are attempting to get their foot on the career ladder. Perhaps they are also starting a family and entering the housing market — although, depending on the career and the city, these steps could be delayed into their 30s. For 20-somethings with job security and little debt, saving in a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP) is an option. Life insurance to cover their outstanding debt may be a consideration for those with substantial student loan (and credit card) balances who do not want to burden their parents if they die prematurely.

Career consolidation, debt reduction and building wealth is the focus for **clients in their 30s**. They may have just settled down with their life partner, launched a career and started to climb the corporate ladder. Depending on the career and housing market, they may have purchased a first home or be saving to purchase a home. They are likely to be concerned with paying off student loans, as well as other debts. They may be considering starting a family or have already done so. If debt repayment isn't a tremendous burden, they are beginning to think about their future and wealth accumulation. RRSPs and TFSAs will continue to be of interest. If they have started families, then life insurance is a necessity and Registered Education Savings Plans (RESPs) and education savings will become a growing priority.

The focus for **clients in their 40s** has shifted from debt repayment to wealth accumulation. Clients in this decade have continued to consolidate their careers or have made significant career changes. As a result, their earnings are likely rising. They are very interested in saving for their children's post-secondary educations. For clients in their 40s with debt, repayment should be a focus as retirement is around the corner. With rising earnings, there is the possibility of increased savings and the accumulation of wealth. Protecting their health, their families and their homes or businesses through insurance programs is also a prevalent concern in this life-cycle stage.

Clients in their 50s entertain fantasies of freedom — or, at the very least, are giving serious consideration to their desired or realistic retirement date. In this decade, clients have likely launched their children's post-secondary educations. Without a lucrative inflation-indexed defined benefit pension plan, retirement in this decade is unlikely. These are typically the peak earning years, and clients are usually dedicated to wealth accumulation. With RRSP and TFSA contributions maximized, clients may be looking for alternative tax-sheltered investments. They may also be considering estate planning and possible taxation issues. If clients in their 50s still have debt, repayment should be a focus to ensure all debt is repaid before or upon retirement.

Clients in their 60s may be financially secure enough to consider full retirement, semi-retirement, optional work or part-time work. Their children may be finished their post-secondary educations and have launched their own careers. Clients in their 60s are more likely to know their desired retirement date. They are probably considering options such as starting a second career, continuing their current role in a full-time or part-time capacity, and volunteerism. Clients in their 60s are also likely thinking about when to take their Canada Pension Plan (CPP) and Old Age Security (OAS) benefits.

Clients in their 70s have very likely retired in the traditional sense. Health concerns are probably a greater focus than in previous decades. Although work is still an option for clients in their 70s, they are more likely to be de- cumulating their wealth and planning to leave a legacy through estate planning.

Who are you (really)?

Allow yourself some time to really understand who *you* are.

- Are you developing expertise in a particular area? Could this lead to clarifying your ideal target client?
- Do you truly have the expertise required to help the clients that fall into your ideal target market?
- Are you willing to acquire the skills and knowledge to be able to address the problems of clients in your ideal target market?

- Does your COI network support the needs of your ideal target market? Do you need to expand your COI network so you are set up to receive referrals or so you have expertise in your network to assist clients from your ideal target market?
- Do you have the interest or ability to change or modify your ideal target client?
- Do the clients you are attracting have the capacity to support your business plan (i.e., do you earn enough from their business to support you, your business and your family)?
- Do you enjoy working with your ideal target market?

What is your value proposition and your ideal target market?

As part of the activities in *Practice Development Module 2, Marketing*, you defined your value proposition. In *Practice Development Module 3, Prospecting*, you defined your ideal target client. The value proposition communicates your value to your ideal target client. Ask yourself these questions as you review both your value proposition and your description of your ideal target client:

- Have you been able to attract your ideal target client?
- How do the clients you've signed on compare with your ideal target client?
- Have you found that the clients you've attracted have a similar background?
- Are they coming to see you with similar challenges?
- Have you developed a new area of expertise so you can help clients with a different financial planning area?

- Do you need to make changes to your marketing tactics to attract more of this type of client? Do you need to revisit your value proposition?
- Should you consider revising your ideal target client based on your expertise and the clients you enjoy working with?

The questions in this section were intended to guide a review of your prospecting efforts, success at mining referrals from existing clients, progress at improving your COI network, effectiveness in meetings, and marketing initiatives strength. Now that you have answered them, it is time to evaluate your successes and determine strategies to make improvements.

► Complete the exercises in Activity 8.2, Review your business and marketing results.

Summary

In this section, you reviewed your existing work habits and learned about the seven most effective habits a financial advisor can acquire:

1. Work the Activity Action Plan
2. Manage your time
3. Use resources and support
4. Conduct efficient client interactions and meetings
5. Address compliance and regulatory responsibilities
6. Monitor business results
7. Prioritize rest and rejuvenation

You also used the urgent-important matrix for financial advisors as a tool to prioritize and make decisions that ensure you are focusing on the highest-value activities that will help to further your business, career and wellness. As your business matures, this section provides you with a framework to assess the goals and targets you initially set in your business plan and evaluate their effectiveness. This includes evaluating your marketing initiatives and ideal target client to make sure your focus and strategies are effective and consistent with your goals as you continue to develop and grow as an advisor.

Section 2: Best Practices for Protecting Your Business and Yourself

There is no simple formula for ensuring that you never have to defend yourself from a client complaint, civil action or regulatory investigation. While having a successful financial advisory career can be rewarding, the path will not always be a straight line. Financial markets experience tough times and clients may have unreasonable expectations. Whatever the reason, the best defence is to be prepared. It is critical that financial advisors have robust policies, as well as guidelines and processes that govern all aspects of their practice, to help protect them professionally and financially in the event of error, negligence or allegations of this nature (valid or not).

It's important to know that, even if you are following proper procedures, a client can still file a complaint or even threaten litigation. Clients may file a complaint or sue their financial advisor if an investment loses value, even if the risks were well known to them and documented in their Know Your Client (KYC) form. Potential errors, grievances, dissatisfaction and misunderstandings may arise in several areas, including:

- Breach of confidentiality
- Errors in cancellation of life insurance
- Failure to handle a matter in a timely manner
- Failure to secure appropriate life insurance coverage
- Improper instructions in presenting an insurance claim
- Mishandling of funds
- Misrepresentation of investment risks or insurance coverages

- Conflicts of interest
- Use of pre-signed transaction forms

If you build and operate your practice based on the guidance, recommendations and direction set out in the previous modules of the Professional Financial Advisor designation program, you will have a professional practice that is well prepared in the event of a complaint or lawsuit. Above all, you will have a disciplined practice that offers you a reasonable level of peace of mind, knowing that your business is protected and risk is mitigated.

Protecting your practice can break down into three categories. Some have overlapping elements:

1. Regulatory responsibilities (including Errors and Omissions (E&O) insurance, client confidentiality, holding out, and disclosure)
2. Client interaction (thorough discovery process and analysis, as well as documentation, file management, disclosure, Know Your Client (KYC), Know Your Product (KYP), and Reason Why letter)
3. Advisor development (including continuing education (CE) and mentorships)

Financial advisors who implement prudent procedures governing these three categories will be in a stronger position if a complaint ever arises.

Learning objectives

In this section, you will learn how to:

- Understand the importance of E&O insurance, ensure you are in compliance with your regulator’s minimum coverage amounts and secure appropriate coverage for your practice
- Manage client expectations and avoid complaints related to confusion, ambiguity or misunderstanding
- Follow privacy standards and procedures to ensure your clients’ private data is protected
- Adhere to proper file management and maintenance best practices
- Meet mandatory disclosure requirements and understand the consequences of non-compliance
- Take advantage of educational and mentorship opportunities to complement and enrich mandatory CE programs

Regulatory responsibilities

A considerable number of by-laws, rules, regulations and legislation govern financial advisors. These can vary between financial sectors (based on the types of securities and financial solutions an advisor is selling) and provincial regulators. You are responsible for being aware of, and compliant with, all the regulatory requirements that come into play for your financial advisory practice. Keep in mind that your dealer, managing general agent (MGA) or company policies may differ slightly from regulatory requirements, and tend to be stricter.

Regulatory requirements fall into these categories:

- Satisfying your competency provisions (such as product knowledge and training)
- Ensuring client or consumer protection (such as client disclosure, E&O insurance, privacy, conflicts of interest and advancing your knowledge by fulfilling CE obligations)
- Maintaining administrative requirements (such as regulator disclosure, file management and regulatory compliance)

For additional context, here are notable statistics on disciplinary cases. The top three sources of disciplinary cases the Mutual Fund Dealers Association of Canada (MFDA) opened in 2018[8] were:

- Pre-signed forms (16%)
- Commissions and fees (11%)
- Suitability — investments (9%)

Meanwhile, 50% of the disciplinary cases the Investment Industry Regulatory Organization of Canada (IIROC) opened in 2018[9] were related to:

- Unauthorized and discretionary trading (24%)
- Unsuitable investments (26%)

While the insurance licensing process has been harmonized throughout Canada, the regulation of insurance agents is the responsibility of the provincial and territorial insurance councils. In Ontario, the Financial Services Regulatory Authority (FSRA) oversees the audit of life insurance

[8] "Enforcement Statistics." Mutual Fund Dealers Association of Canada. mfda.ca/enforcement/enforcement-statistics/(accessed February 25, 2020)

[9] "Enforcement Statistics." Investment Industry Regulatory Organization of Canada. www.iiroc.ca/industry/enforcement/Pages/Statistics.aspx (accessed February 25, 2020)

agents and their practices. In 2017–2018, the Financial Services Commission of Ontario (FSCO),[10] the predecessor of the FSRA, found in its audit of life insurance agents in Ontario that the most pervasive non-compliance issues included failing to:

- Disclose in writing all insurers represented by a licensed insurance agent
- Comply with the CE requirement
- Maintain valid E&O insurance coverage

The most common best practice issues included failing to document:

- Client acknowledgement if clients did not purchase agents' recommendations
- Client discussions
- Recommendations to clients
- Needs assessments

As you can see, there are myriad ways to violate rules and regulations. Financial advisors have many demands on their time and bandwidth. It's not surprising that committing these breaches is often unintentional and boils down to lack of awareness, carelessness or negligence. It is rarely because of a blatant disregard for regulatory requirements. As such, preventing these types of breaches requires vigilance and awareness.

To avoid potential breaches, you must be knowledgeable about the regulatory requirements that apply to your financial advisory practice and have processes in place to ensure compliance with all regulatory requirements in a timely manner. The consequences of a regulatory breach can have a significant impact on your practice. First, there is the time

[10] Ibid.

required to respond to the regulator and any disciplinary process that results. Second, there are the direct costs, which can include fines, investigation costs and legal fees.

If the breach results in disciplinary action, there are additional costs and challenges. A disciplinary decision results in a decision being made public, and the decision will include your name and the name of the organization you work with. This can have reputational impacts on both you and your firm. Consider this: any subsequent internet search of your name will include a link to the decision, and it could be at or near the top of the search results for quite some time. Any client, family member of a client or competitor who conducts a search will likely find a description of the disciplinary action easily. No matter how minor the breach, it will reflect on your competency and credibility.

There are also disclosure requirements that come with a disciplinary decision. If you are licensed or registered with more than one regulator, you must provide timely disclosure to all the regulators with which you are registered. You will also have to notify your E&O provider, and this may result in higher premiums and possibly reduced insurability.

Moreover, you must notify any MGA, insurance company, dealer or firm with whom you have a contract (it is a condition in many contracts). This may affect your ongoing relationships, as some insurers and MGAs have zero-tolerance policies that terminate contracts in the event of disciplinary action.

The best practice to avoid an unintentional breach is to remain current on all your regulatory requirements. You can accomplish this in a number of ways.

Maintain knowledge: Taking CE courses that address regulatory requirements (rules, by-laws, codes of conduct, ethics and standards) is an educational requirement for you to maintain a licence or registration. However, it is a prudent practice to include these courses as a regular part of your CE program. It is also beneficial for you to take courses offered by E&O insurance providers on how to avoid E&O situations on a regular basis.

Review regulator publications: Regulators regularly publish notices, guidelines, discussion papers and directional guidance. You have a duty to review the publications of the regulatory regime that licenses or registers you to determine if and how the guidance may affect your practice. Not being aware of a regulatory requirement is not a defence and could be viewed as a competency issue if you are found to be unaware of your regulatory responsibilities. As a normal course of business, you will receive a lot of different content on a daily basis, including notifications, emails and regulatory updates. It is prudent to have processes in place to identify regulatory publications and ensure that you review them in a timely manner. This should include a review of disciplinary decisions. Disciplinary decisions are useful because they provide actual scenarios of how a financial advisor failed to act properly. A review of these decisions and how regulations are interpreted and enforced provides you with the opportunity to “stress test” your practice by considering how these scenarios would have played out for you. Then you can make proactive improvements and adjustments to your practice, if necessary.

Implement prudent procedures: Avoiding administrative breaches often requires you to integrate important deadlines and proper recordkeeping into your processes. It is essential to implement prudent procedures to protect against breaches. Examples include diarizing E&O insurance renewal dates, tracking CE credits, implementing file management practices that ensure proper recordkeeping, enacting disclosure requirements for both clients and regulators, and maintaining good business practices.

Regulatory compliance is a critical part of your practice. If you are a sole practitioner with no support staff, regulatory compliance requires a significant amount of your time. Unfortunately, there are no shortcuts to maintaining regulatory compliance, and not doing so can result in reputational and even practice-ending consequences. The best approach when managing regulatory responsibilities is to ask yourself “are there any regulatory consequences?” whenever a material or significant event occurs in your life (regardless of whether it is business-related or personal). Remember, even a move from one residence to another requires disclosure to the regulators that must occur within a prescribed time.

If you have support staff who can assist with proper compliance practices, you are still ultimately accountable and need to have procedures in place to ensure that oversight occurs on a regular basis. It is also your responsibility to ensure that oversight activities are well documented and that you conduct regular audits or checks to ensure that oversight is occurring.

In this section, we will examine some best practices for complying with your regulatory responsibilities. Topics include E&O insurance, mandatory disclosure requirements and conflicts of interest.

Errors and Omissions (E&O) insurance

E&O insurance is a form of professional liability insurance. According to Glenda Wertz of InsuranceJournal.com, E&O insurance “covers your company, or you individually, in the event that a client holds you responsible for a service you provided, or failed to provide, that did not have the expected or promised results."[11]

Most E&O insurance policies cover judgements, settlements and defence costs. If the complaint goes to court and the allegations are found to be untrue, it is still an expensive endeavour for the professional to mount a defence against the lawsuit. Without the protection of professional liability insurance, the experience can bankrupt an independent financial advisor or a smaller company and leave a lasting effect on the finances of a larger company.

E&O insurance typically covers both court costs and any settlements up to the amount the insurance contract specifies. However, according to Investopedia, "E&O insurance may or may not cover temporary employees, claims stemming from work done before the policy was in force or claims in various jurisdictions. These policies do not cover criminal prosecution and certain liabilities that may arise in civil court not listed in the policy." In addition, E&O insurance may not cover any portion of the loss or damages that the insurer attributes to the client's responsibility.[12]

Who needs E&O insurance?

Anyone in a professional advice-giving or service-providing business needs E&O insurance. This includes insurance brokers, insurance dealers, registered investment advisors, financial advisors, financial planners and other financial professionals. Everyone makes mistakes, even professionals with the most comprehensive policies and procedures in place for

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[11] Wertz, Glenda. 2004. "The Ins and Outs of Errors and Omissions Insurance." *Insurance Journal* (July). www.insurancejournal.com/magazines/mag-features/2004/07/19/44745.htm (accessed February 25, 2020)

[12] Frankenfield, Jake. 2019. "Errors and Omissions Insurance (E&O)." *Investopedia* (April). www.investopedia.com/terms/e/errors-omissions-insurance.asp (accessed February 25, 2020)

themselves and their staff. In the following paragraphs, we discuss E&O insurance in the context of life insurance agents as it is a condition of licensing by provincial and territorial insurance regulators. However, it is common for advisors operating in Canada to maintain multiple licences: life insurance or accident and sickness insurance licences and either MFDA or IIROC registrations.

Licensed life insurance agents operating in Canada are required by their provincial or territorial insurance regulator to carry E&O insurance. Policies generally express the amounts as a minimum amount per claim (typically $1 million) and an annual aggregate amount (ranges from $1 million to $5 million). Check with your provincial or territorial insurance council for details on minimum amounts of coverage and your duty to inform.

How you obtain E&O insurance varies. In some cases, your employer, insurance company, dealer, firm or MGA provides coverage. In other cases, purchasing E&O insurance is your own responsibility. Regardless of how you obtain E&O coverage, it is your responsibility to be in compliance.

If you are an independent life insurance agent, it is your responsibility to research E&O providers to find a policy that best suits your financial advisory practice. It is also your responsibility to thoroughly review your policy each year on renewal to ensure it continues to protect your business. If your financial advisory practice writes multi-million-dollar insurance policies or markets disability insurance to professionals, a $1 million annual limit on claims may not be sufficient. At every E&O renewal date, you should consult with your E&O insurance provider to discuss the unique aspects of your business and put in place the coverage that best meets your needs — not the coverage that has the lowest cost.

As you research E&O insurance, you will find that not all policies are created equal. It is important to understand what and who an E&O policy covers. Is the coverage limited to just your insurance business? What if a complaint arises as a result of tax advice or the marketing of a non-insurance product? Does the coverage protect non-licensed staff? If you change E&O insurance providers, will your new provider respond to new allegations or claims against you for work you did before you purchased the new policy? These are all important questions to consider and discuss when assessing E&O coverage. E&O insurance customized to your practice provides you (and your clients) with protection should an error occur.

Mandatory disclosure requirements

The various financial regulators have established numerous prescribed disclosure requirements. Some occur at the initial client meeting, some are ongoing and some relate to specific types of transactions. Furthermore, some include a requirement to maintain a copy as proof that disclosure occurred, while many do not. As a best practice, you should always keep a copy on file with notes on when (date) and where you provided disclosure. Ideally, clients will initial the file copy to demonstrate they reviewed the file with you.

In addition, with each disclosure, you should include notes about the discussion that occurred with your client, demonstrating an understanding of the purpose and reason for the disclosure. To rely only on the disclosure and proof you provided it to the client will not likely be an adequate defence (i.e., the client received the required disclosure before the transaction occurred and therefore made an informed decision) should a complaint arise at some future time. Therefore, the file documentation should include notes on what steps you took to ensure your client understood the disclosure and, if necessary, notes demonstrating that you confirmed your client’s understanding in a follow-up communication.

Here are two examples of situations in which it was necessary to provide and document disclosure to the client beyond the prescribed disclosure a regulator required.

Example

When a life insurance agent and a client decide that it is in the best interests of the client to replace one life insurance policy with another, insurance regulators require the life insurance agent to provide prescribed written disclosure describing the potential risks associated with policy replacement. However, replacing an insurance policy can involve significant and complicated issues that are not adequately addressed by providing only the prescribed disclosure.

As a best practice, you should discuss the consequences of replacement in more detail, be satisfied the client understands the consequences of replacing the policy and document these discussions in the client's file. While not mandatory, you should consider following up on those discussions with a Reason Why letter.

Learn more about the Canadian Life and Health Insurance Association's (CLHIA's) approach by following the link in the footnote.[13]

13 Canadian Life and Health Insurance Association. 2016. "The Approach: Serving the Client Through Needs-based Sales Practices." www.clhia.ca/web/clhia_lp4w_lnd_webstation.nsf/resources/Guidelines/$file/The_Approach.pdf (accessed February 25, 2020)

Example

This example explores securities offered to the public without the protections a prospectus provides.[14]

Examples of activity in the exempt market include:

- Canadian and foreign companies, both public and private, selling securities to institutional investors and qualified investors
- Canadian and foreign hedge funds and pooled funds selling securities to institutional investors and qualified investors

Generally, securities offered to the public in Ontario must be offered under a prospectus, which is a document that provides detailed information about the security and the company offering it. However, there are some exceptions to this rule that allow securities to be offered without a prospectus, called prospectus exemptions. These prospectus exemptions can help a company raise money without the time and expense of preparing a prospectus.

Investors who buy securities through prospectus exemptions generally do not have the benefit of ongoing information about the security they are buying or the company selling it. As well, they often cannot easily resell the security.

According to the Ontario Securities Commission website, GetSmarterAboutMoney.ca, “Investing in the exempt market offers investors an opportunity to participate in early-stage companies with innovative products that are not large enough to be a public company. It also provides them with another option for diversifying their investment portfolios with asset classes other than stocks, bonds and cash.”[15]

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14 Ontario Securities Commission. “What Is the Exempt Market?” www.osc.gov.on.ca/en/exempt-market.htm#what-is-the-exempt-market (accessed February 25, 2020)

15 Ontario Securities Commission. “The Exempt Market Explained.” www.getsmarteraboutmoney.ca/protect-your-money/investor-protection/regulation-in-canada/the-exempt-market-explained/ (accessed February 25, 2020)

The sale of exempt securities requires a prescribed disclosure of risks, such as:

- The risk of losing your entire investment
- The lack of company information (the level of disclosure with a prospectus exemption may not be the same as that for a security offered with a prospectus)
- The potential inability to sell your investment when you need or want to

As with the insurance example, the best practice is to document your discussion with your client about the risks of an exempt investment and to follow up with written communication outlining the risk.

In both examples, if you only included a copy of the prescribed disclosure, without any notes on the actions you took to ensure your client understood the purpose and content of the disclosure, your documentation may not adequately demonstrate that the client understood the disclosure or made an informed decision should an issue arise.

Conflicts of interest

Conflicts of interest come in different forms and it is your responsibility to ensure clients understand when a conflict of interest exists or has the potential to exist. We discussed conflicts of interest in *Compliance and Regulatory Topics for Financial Advisors Module 1, Marketing and Communications.* Conflicts of interest typically arise from compensation structures, performance targets or performance management criteria, especially if they do not appropriately align with a client's interests.

You have an obligation to avoid conflicts of interest arising with your clients and should be mindful of actions, conduct or situations that could potentially lead to a conflict of interest.

You have an obligation to provide appropriate disclosure to your clients, in sufficient detail, of all real, potential or perceived conflicts of interest to ensure they can make an informed decision regarding a financial transaction. The standard of disclosure should be reasonable and prudent for the circumstances. Your disclosure should include:

- An explanation of the conflict of interest
- Its relevance to the transaction

You should provide disclosure before you ask your client to make a decision about whether or not to proceed with the financial transaction. In all cases, when disclosure is required, you should make it in writing. If a conflict of interest is not identified until after a financial transaction has occurred, disclosure should be made as soon as possible.

Conflicts of interest come in one of the following forms:

- Real, where you have a personal, financial or professional interest that could influence your duties and responsibilities to a client
- Potential, where you could reasonably foresee that a personal, financial or professional interest may at some future time influence your duties and responsibilities to your client
- Perceived, where a reasonable person could perceive a conflict of interest as a result of your personal, financial or professional interests, causing the reasonable person to believe your judgement may be inappropriately influenced (regardless of whether this is actually the case)

In some cases, a conflict of interest may be of such significance that — regardless of the disclosure provided or the agreement of your client — you should not act on behalf of your client. In such cases, it is prudent to refer your client to a qualified third party to advise and assist your client with the relevant transaction.

When managing (potential) conflicts of interest, remember to:

- Take all reasonable steps to identify and avoid or manage conflicts of interest and communicate these through appropriate policies and procedures
- Place a client's interests first:
    - When relying on disclosure for managing conflicts of interest, use it appropriately and ensure it does not put an unreasonable onus on your client, especially if your client is not likely to fully understand the conflict or its implications
    - When conflicts of interest cannot be managed satisfactorily, you must decline to act on behalf of your client

If you are found to have acted improperly in a conflict of interest situation, it can have a significant negative impact on your practice, including jeopardizing the advisor-client relationship and, depending on the circumstances, resulting in civil action. In the event of a breach of conflict of interest guidelines, disciplinary action can bring into question your suitability (competence and trustworthiness). Disciplinary action involving conflicts of interest usually results in significant licence or registration suspensions or cancellations. Even if you maintain your licence or registration, disciplinary action can lead to the cancellation of contracts with insurers, MGAs, dealers and firms. To review the guidelines your licence or registration requires you to follow, visit the website of your regulatory body or consult with your compliance department.

While you cannot anticipate every potential conflict of interest, you must provide written disclosure in all cases when there is a reasonable likelihood that a client would consider the conflict important when entering into a proposed transaction. In any such situation, you should always err on the side of caution and provide disclosure, no matter how remote the potential conflict.

The following examples summarize three disciplinary cases related to conflicts of interest. These cases have been published in full on the regulator’s website.

Example

Insurance Council of British Columbia vs. McIntosh

The licensee, Ms. Roberta Merlin McIntosh, was engaged for a number of years in the business of selling both life insurance and mutual funds. After a period of time, Ms. McIntosh decided to leave the mutual fund industry to pursue an opportunity with an exempt market security issuer named Dexior Financial Inc. (Dexior). With her departure from the mutual fund industry, Ms. McIntosh chose to maintain her licence as a life insurance agent and actively continued to sell life insurance products. Once Ms. McIntosh moved to Dexior, she then solicited her former mutual fund clients to invest in Dexior, bringing more than $3 million into the organization. According to Ms. McIntosh, she left it up to her clients to conduct their own research and due diligence to determine whether they wanted to invest in Dexior and also left it up to her clients to decide how much of the security they should hold in their asset mix.

Ultimately, the Insurance Council of British Columbia (the Council) did not agree with Ms. McIntosh that her clients were responsible for deciding the suitability of the investment on their own. Due to her prior relationships with the clients, the Council determined she played a role in influencing them to invest, which was ultimately a conflict of interest between Ms. McIntosh and her clients.

In their disciplinary decision, the Council assessed that Ms. McIntosh knowingly disregarded her clients' interests and engaged in the sale of Dexior for personal benefit. Included in the Council's investigation was evidence that Ms. McIntosh portrayed Dexior (an unregulated and risky financial product) as being safer than a regulated financial product.

The Council deemed that Ms. McIntosh was unsuitable to hold a licence. The consequence of this disciplinary case was the cancellation of Ms. McIntosh's life and accident and sickness insurance licence for five years (based on sections 231(1)(g) and 238 of the *Financial Institutions Act*).[16]

Example

MFDA vs. Addison

Mr. Blair Harcourt Addison (the Respondent) was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with Desjardins Financial Security Investments Inc. (the "Member"), a Member of the MFDA from May 26, 2005 to September 15, 2017.

According to the Hearing Notice from the MFDA, Mr. Addison faced the following four allegations:

[16] Insurance Council of British Columbia. "Decision and Order Under Sections 231 and 238 of the Act: Roberta Merlin McIntosh." www.insurancecouncilofbc.com/getattachment/455a2ff7-f169-4946-a27d-382872801607/Roberta-Merlin-McIntosh-(LIF)-(Licence-Cancell-(1) (accessed February 25, 2020)

Allegation #1: Commencing on at least August 1, 2008, the Respondent misappropriated, or failed to account for, approximately $1,390,890 solicited or received from at least eight clients and six individuals, thereby failing to deal fairly, honestly and in good faith with clients, failing to observe high standards of ethics and conduct in the transaction of business, and engaging in business conduct or practice that is unbecoming and detrimental to the public interest, contrary to MFDA Rule 2.1.1.

Allegation #2: Commencing on December 16, 2009, the Respondent borrowed approximately $107,302 from clients BH and IH, thereby engaging in personal financial dealings with the clients, which gave rise to a conflict or potential conflict of interest that the Respondent failed to disclose to the Member or ensure was addressed by the exercise of responsible business judgement influenced only by the best interests of the clients, contrary to the Member's policies and procedures and MFDA Rules 2.1.4, 2.1.1, 2.5.1 and 1.1.2.

Allegation #3: Between May 8, 2012 and September 30, 2014, the Respondent misled the Member and MFDA staff during an investigation into his conduct, contrary to MFDA Rule 2.1.1.

Allegation #4: Commencing on September 27, 2017, the Respondent failed to cooperate with MFDA staff's investigation into his conduct, contrary to MFDA By-law No. 1.

The consequences for Mr. Addison were expensive. Because of the seriousness of Mr. Addison's contraventions, the Hearing Panel imposed a number of penalties:[17]

[17] Mutual Fund Dealers Association of Canada. "In the Matter of a Disciplinary Hearing Pursuant to Sections 20 and 24 of By-law No. 1 of the Mutual Fund Dealers Association of Canada: Blair Harcourt Addison, Notice of Hearing." mfda.ca/notice-of-hearing/noh2018128/ (accessed February 25, 2020)

- The Respondent is permanently prohibited from conducting securities-related business in any capacity while in the employ of or associated with any MFDA Member, pursuant to section 24.1.1(e) of MFDA By-law No. 1
- The Respondent shall pay a fine in the amount of $1,608,192.00, pursuant to section 24.1.1(b) of MFDA By-law No. 1
- The Respondent shall pay costs in the amount of $14,700.00, pursuant to section 24.2 of MFDA By-law No. 1

Example

MFDA vs. Agarwal

Satya Prakash Agarwal (the Respondent) was registered in Ontario as a mutual fund dealing representative from 2006 to 2013. He was registered as a mutual fund salesperson from 2002 to 2006.

Mr. Agarwal admitted that between 2010 and 2013 he facilitated investments for clients in a real estate business his wife was involved in. This gave rise to a potential conflict of interest that Mr. Agarwal failed to disclose to his firm, disclose in writing to the clients or ensure was addressed by the exercise of responsible business judgement. Mr. Agarwal was also engaged in a number of other violations.

The MFDA Hearing Panel imposed the following penalties on Mr. Agarwal:[18]

- A prohibition from conducting securities-related business while in the employ of, or associated with, any MFDA Member, for a period of five years
- A fine of $35,000
- Costs of $5,000

[18] Mutual Fund Dealers Association of Canada. “In the Matter of a Disciplinary Hearing Pursuant to Sections 20 and 24 of By-law No. 1 of the Mutual Fund Dealers Association of Canadae: Satya Prakash Agarwal, Reasons for Decision.” mfda.ca/case/201504/ (accessed February 25, 2020)

Knowing and managing your regulatory responsibilities is as important to the success of your practice as good file management, product knowledge, sales techniques and general business practices. Failure to stay on top of your regulatory obligations could eventually cost you financially. At greater stake, however, is the possible loss of credibility with your clients, insurers and colleagues.

Client interactions

In this section, we will examine some best practices for managing client interactions, keeping in mind that managing client expectations is the foundation for maintaining beneficial client interactions. We will also examine the importance of the Client Engagement Letter, documentation and file management procedures.

Client expectations

Managing client expectations is one of the most important things a financial advisor can do. It is very important to outline and explain details clearly to avoid confusion, ambiguity or misunderstanding. The Client Engagement Letter is a valuable tool that helps eliminate ambiguity upfront in relation to potential conflicts of interest, compensation and holding out (the way you represent your qualifications and experience to clients and prospective clients).

According to Ellen Bessner, client complaints or dissatisfaction arise as a result of “the gap in understanding and communication between advisors and their clients.”[19] You can prevent client confusion and misunderstanding

[19] Bessner, Ellen. 2018. *Communication Risk: How to Bridge the Client-Advisor Gap to Protect and Grow Your Business*. Toronto: Page Two Books. 5.

when you allow yourself the space and time to get to really know your clients (i.e., what are their goals and financial objectives?) and engage them in the financial planning process. All of this takes time, but the result is a better client-advisor relationship.

Setting proper client expectations begins with the Client Engagement Letter (see *Practice Development Module 4, Engagement*) and carries on throughout the relationship. The Client Engagement Letter is your first opportunity to explain to a client how your practice operates. This includes basic information such as:

- The services you provide (insurance, mutual funds, retirement planning, tax planning, estate planning, etc.)
- How you hold yourself out, disclosing all direct and indirect business relationships (firm or dealer's name, relationship with an MGA) and any relationships that could represent an actual or potential conflict of interest
- How you are compensated (fee for service, commission)

Check with your compliance department or your governing regulatory body for guidance and direction on disclosure requirements.

You should review the Client Engagement Letter with each client to make sure all your clients understand:

- Who you are
- What products and services you provide
- The nature of your relationship with your clients

It is a best practice to include an explanation of any regulatory disclosure requirements that apply to your relationship.

While this will vary from client to client, you should consider following up with a letter unique to each client, particularly if you have any doubt the client fully understands any part of the Client Engagement Letter.

It is advisable to revisit the items covered in the Client Engagement Letter on a regular basis (annually if there have not been any material changes to a client's circumstances, and more frequently when there have). By regularly revisiting these issues, you can address any misconceptions a client has and tackle these misalignments before they become a problem.

One common misconception relates to **compensation**. While securities and mutual fund salespeople have mandatory disclosure requirements regarding compensation, the same does not apply to insurance. Regardless of whether there is mandatory disclosure, you should regularly discuss your compensation model with clients and take additional steps to ensure they understand how you are compensated and the value clients receive from your advice.

With insurance transactions, as a best practice, you should put processes in place to ensure your clients understand how you are being compensated. This discussion should occur as part of any recommendation to purchase or cancel an insurance product. Referencing compensation in a Client

Engagement Letter alone is not adequate. You should reference or discuss it on a regular basis and, in particular, when you are making a specific recommendation.

Another common point of confusion is **holding out**. Recall from *Compliance and Regulatory Topics for Financial Advisors Module 1, Marketing and Communications*, that holding out properly requires financial advisors to accurately represent their qualifications and experience to clients and prospective clients. Advisors must only hold out to the public with the name(s) that appears on their securities registration and/or insurance licence. This applies to individual names, trade names and corporate names. To use a name that is not consistent with one authorized by the regulator can lead to client confusion (and potential problems with the regulator).

The following scenarios reflect concerns around holding out to the public with the correct title:

1. If you use a name that is not consistent with the name on file with a regulator, potential clients could search a regulator’s database as part of their due diligence before meeting with you. Failing to correctly identify you or inadvertently confusing you with another person on a regulator’s database could cause your prospective client to go elsewhere.
2. If you refer to yourself using a title that is inconsistent with your registration with either MFDA or IIROC, clients and prospective clients may be misled and mistakenly assume you provide services, expertise or results that you are unable to deliver. *Compliance and Regulatory Topics for Financial Advisors Module 1, Marketing and Communications* includes information on holding out and titling.

Making it a practice to ensure your clients’ expectations are consistent with the services you provide prevents any ambiguity or confusion and thereby reduces the likelihood of client complaints. This applies from your first meeting and continues throughout your client relationship. Of course, any time you improve client-advisor communications, the level of trust also increases.

Documentation and file management

From an E&O perspective, good file management and documentation procedures make an E&O claim easier to defend. If you are not sure your file management or documentation processes and procedures are adequate, consider contacting your E&O provider for guidance and/or consider enrolling in a CE course with a focus on E&O insurance.

Client files are the written history of client interactions. A properly documented file permits a third party — such as an internal auditor, regulator or legal authority — who possesses no previous knowledge about your client-advisor history to review the file and come away with a clear understanding of the decisions made and the reasons for those decisions. When you are considering the purchase of a book of business, it is a prudent best practice to avoid buying the business if the client history is absent or not well documented. A properly documented book of business is valuable to the purchaser. And, if files are properly documented, it also lends confidence that the financial advisor provided the client with sufficient information to make informed decisions.

Note-taking using the SOAP methodology

The SOAP framework for notetaking has its roots in the field of medicine. In recent years, it has been adapted by other professionals, including financial advisors and planners. Just as in medicine, the quality of the notes you take can affect the quality of service your clients receive from you and the members of your financial advisory team. We present the SOAP methodology as a framework for recording your notes from impromptu client calls and meetings, and not as a substitute for comprehensive financial planning notes describing your client's situation and the analysis and recommendations that result.

The four stages of note-taking that correspond to each letter of the acronym SOAP are: **S**ubjective, **O**bjective, **A**ssessment and **P**lan. When everyone on your team uses this methodology for taking notes, communication among team members is more efficient — both for those who are writing the notes and for those responsible for following up and executing the plans.

In the **Subjective** phase, you gather information from clients, such as their reason for calling or meeting with you. You can also record anything clients tell you about their situation. If a partner or family member accompanies clients, you can record that individual's comments here as well.

During the **Objective** phase, you make observations from an impartial point of view. These notes round out what your clients told you. What observations can you make about their situation? Write them down as factually as possible. The objective phase is concerned only with raw data, not conclusions or solutions. Record any measurable data, such as the results of a risk tolerance survey.

Your **Assessment** phase combines information from the Subjective and Objective phases of your process. Here, you document your impressions and analyze or interpret the information you gathered. Your assessments will vary in length depending on the complexity of a client's situation.

The **Plan** brings together the previous three phases and determines the course of action for your clients. You or someone on your team will help your clients with the implementation of the plan. (Note that although this phase of the framework is called "Plan," it does not refer to a client's actual financial plan.)

Example

Here are SOAP notes in action:

S: Nick called today to discuss topping up his RRSP contributions for this tax year.

O: Nick will receive a $5,000 bonus from his employer in two weeks. According to the notes in this client's file, he has room to contribute $2,000 for this tax year. Nick confirmed this on December 3.

A: Given Nick's risk tolerance profile (confirmed in the annual review meeting four months ago), his $2,000 contribution in two weeks' time should go to the ABC Canadian Bond Fund. Nick agreed with the recommended purchase.

P: Schedule a call for two weeks from today to execute the trade.

Tips for writing your own SOAP notes include:

- Find the ideal time to take SOAP notes. Avoid writing SOAP notes during a client meeting. You should, of course, take personal notes during the meeting that you can use to write the SOAP notes later.
- Don't wait too long after your client meeting to write the SOAP notes because your memory of the details will fade.
- Maintain a professional voice in the notes. Avoid using industry jargon, slang or subjective descriptions. Use objective descriptions of client reactions you observe in your meeting.
- Use precise language and be as specific and concise as possible. Avoid overly wordy descriptions and be careful with the use of pronouns.
- Avoid using overly subjective statements without evidence. Be accurate and non-judgemental about your client's situation and the emotions your client displays.

The desktop aid “SOAP Method for Documenting Client Meetings” is in the Resource section of the Advocis Learning Environment. It serves as a reminder of the framework for documenting impromptu phone calls and client meetings.

The following examples of disciplinary cases highlight the importance of adequately documenting the client-advisor relationship.

Example

Insurance Council of British Columbia vs. Johl

In this case, the licensee, Ms. Patie Kaur Johl, failed to ensure clients understood the investment risks and guarantees involved in universal life (UL) insurance policies. Ms. Johl wrote new policies and cancelled existing policies without her clients fully understanding the implications of the transactions. She also misled the insurer about the identity of the people paying the premiums by obtaining personal money orders from her corporate account, and then having her clients sign the money orders to create the appearance that they were the ones paying the premiums.

The Insurance Council of British Columbia (the Council) determined that Ms. Johl’s letter to clients informing them that their policy would be fully paid in 20 years’ time, when in fact additional premiums had to be paid after that period, was both misleading and incorrect. The Council was also concerned about Ms. Johl’s file management and storage practices.

- Pursuant to sections 231, 236 and 241.1 of the Financial Institutions Act, the Council decided to:[20]

[20] Insurance Council of British Columbia. “In the Matter of the *Financial Institutions Act* and the Insurance Council of British Columbia and Patie Kaur Johl: Order.” www.insurancecouncilofbc.com/getattachment/ed2774ed-3f77-4de9-9b5f-a97ee3a54a09/Patie-Kaur-Johl-(LIF)-2Mar17 (accessed February 25, 2020)

- Impose a condition on Ms. Johl's life and accident and sickness insurance licence that requires her to be supervised by a qualified life and accident and sickness insurance agent until she accumulates an additional 24 months of active licensing
- Impose a condition on Ms. Johl's life and accident and sickness insurance licence that requires her to successfully complete Advocis's Getting Established course within 12 months of the date of the Council's order
- Fine Ms. Johl $5,000.00
- Charge Ms. Johl the Council's investigative costs of $5,587.50

Example

Insurance Council of British Columbia vs. Aul

A client asked the licensee, Ms. Charanjit Kaur Aul, for investment suggestions to supplement the 3% interest the client was earning on two insurance policies. Ms. Aul referenced an investment she had heard could earn 10% interest, with the ability to take funds out after six months. Ms. Aul introduced her client to Mr. Samji, who was effectively operating a Ponzi scheme. The client contributed an initial $50,000 to the scheme, followed by an additional $15,000. A month later, the client was informed the investment had "gone sideways" and the money was lost.

Ms. Aul received a 1.5% commission payment every six months for each client who placed funds with Mr. Samji. Ms. Aul claimed she was not aware of these commission payments and assumed the funds she received represented a return on her own investments with Mr. Samji.

Ms. Aul also submitted pre-signed forms from the three clients she signed up for this scheme, alleging that she had done this for their convenience and that the forms were not to be used for an improper purpose.

One of the Insurance Council of British Columbia's (the Council's) concerns regarding this case was the fact that Ms. Aul did not maintain a clear record of her recommendation against the Samji Ponzi scheme investment. This documentation would have been in the form of a letter from Ms. Aul to each of her clients clearly indicating that she did not believe the investment was appropriate and actively advising against it. The Council also ultimately did not believe Ms. Aul did not knowingly receive commissions and concluded she had failed to act in a trustworthy manner. The Council found that Ms. Aul's improper practices included having her clients pre-sign forms and failing to maintain a record of her direction not to invest in the Samji Ponzi Scheme.

Pursuant to sections 231, 236 and 241.1 of the *Financial Institutions Act*, the Council decided to:[21]

- Suspend Ms. Aul's life and accident and sickness insurance licence for a period of six months
- Impose a condition on Ms. Aul's life and accident and sickness insurance licence that requires her to be supervised by a qualified life and accident and sickness insurance agent until she accumulates an additional 24 months of active licensing
- Fine Ms. Aul $2,500.00
- Charge Ms. Aul the Council's investigative costs of $3,062.50

[21] Insurance Council of British Columbia. "In the Matter of the *Financial Institutions Act* and the Insurance Council of British Columbia and Charanjit Kaur Aul: Order." www.insurancecouncilofbc.com/getattachment/bed72246-6c16-4678-8861-964c681681bf/Charanjit-Kaur-Aul-(Licence-Suspension)-(LIF)-14Oc (accessed February 27, 2019)

MFDA also examined this case and enforced the following penalties:[22]

- The Respondent shall be permanently prohibited from conducting securities-related business in any capacity while in the employ of or associated with any MFDA Member, commencing from the date of the Hearing Panel's order, pursuant to section 24.1.1(e) of MFDA By-law No. 1
- The Respondent shall pay a fine in the amount of $35,000, pursuant to section 24.1.1(b) of By-law No. 1
- The Respondent shall pay costs in the amount of $2,500, pursuant to section 24.2 of By-law No. 1

File management

At the beginning of every client relationship, you need to create a new client file. Client files can be paper-based, electronic or a combination of both.

Excellent file management software packages are available, some specific to financial advisors, which make file management easier and more effective. A client file provides the record (history) of the client-advisor relationship and, when done properly, represents a comprehensive picture of what has occurred on behalf of the client.

A prudent financial advisor will establish file management policies and procedures. These policies and procedures will vary depending on the type of practice and the number of staff and advisors the financial advisory practice employs. The more staff and advisors, the more detailed the

[22] Mutual Fund Dealers Association of Canada. "In the Matter of a Disciplinary Hearing Pursuant to Sections 20 and 24 of By-law No. 1 of the Mutual Fund Dealers Association of Canada: Charanjit Goody Aul, Reasons for Decision." mfda.ca/wp-content/legacy/reasons-for-decision/pdf/Reasons201429.pdf (page 3) (accessed February 25, 2020)

policies and procedures will be. However, even an individual advisor with no staff should have well-documented file management processes.

File management includes not only how client files are documented, but also how files are safeguarded, who has access to the files, how long files should be retained, and when and how to dispose of them. Safeguarding client files is your primary responsibility. Client files often contain a lot of confidential information about your client (social insurance number (SIN), bank accounts, birth dates, addresses, health matters, tax information, etc.). If you have to inform your client(s) that information was lost, stolen or compromised, it will very quickly damage your relationship and the reputation of your practice.

Every financial advisor is bound by protection of privacy legislation. Recall from *Compliance and Regulatory Topics for Financial Advisors Module 2* that the federal *Personal Information Protection and Electronic Documents Act* (PIPEDA) governs the collection, use or disclosure of personal information. In addition, each province and territory has applicable privacy legislation, and each provincial financial regulator may have specific privacy requirements. Advisors must properly maintain client information and not share it without a client's express consent. You should protect the information you collect about a client with appropriate security safeguards to prevent unauthorized access, disclosure, copying, use, modification, loss or theft.

If you are an employee, your employer will have privacy standards and procedures you should use to protect a client's data. If you are an independent financial advisor, you must establish your own privacy procedures. If you have employees, you must ensure they understand and adhere to all privacy and file handling procedures developed to protect your clients' information. Good file management procedures should address who can access the file (if you have staff or work with other advisors) and how files will be stored. If files are paper-based, they should be locked up when not in use. If files are electronic, they should be password-protected. Your procedures should also provide guidance on how to handle files when they are removed from the office.

If there are staff or other financial advisors in your office, there must be clear guidelines on who can access client files and under what circumstances. Client confidentiality is a critical part of every advisor's practice, and a breach of that confidentiality has a negative impact on the trust that exists between advisors and their clients.

Additional caution is required when client files are removed from the office. A prudent practice is never to leave files unattended in a vehicle, even for short periods. Moreover, it's a good practice never to review private or sensitive information while using public transportation or in a public area.

Transport files in a secure manner — for example, using a locked briefcase or password-protected files on a tablet. Storage can also be cloud-based. Financial advisors should transport briefcases, knapsacks, tablets and laptops in the trunk of their vehicle to help deter theft. If you plan to leave a vehicle for even a short period of time, take the files with you or find a secure place to leave them. A common scam is for thieves to sit in parking lots of places such as golf courses, restaurants and movie theatres and watch drivers lock briefcases, laptops and valuables in the trunk. Depending on the location, practised thieves can break into an advisor's vehicle or trunk within minutes — so, even though a trunk is safer, you should still exercise caution.

In an age when cybersecurity is an issue, files stored electronically come with additional challenges. When you keep client files on a server or hard drive, appropriate security measures must be in place to avoid data being hacked and the risk that clients' private information will be compromised. A cyber incident is not only dangerous for your clients due to sensitive financial information being exposed; it could also lead to identity theft. Therefore, firms are investing heavily in systems that help prevent cybersecurity threats, hacking and other such malicious criminal activity.

If you are an independent financial advisor, you will need to invest in the proper systems and protocols to help keep client data safe. Larger firms and MGAs likely already have security measures in place. In addition, it is essential to maintain regular file back-up procedures. These should specify where back-up data is stored, how often a back-up is done, and the steps to eradicate client information from storage devices when old equipment (PCs, laptops, servers, etc.) is sold or destroyed.

As an alternative to manual processes, digital client relationship management (and documentation) solutions that take advantage of cloud computing are increasingly available to financial advisors. "The cloud" simply refers to software and storage solutions that are available via the internet. When investigating the system and processes that best meet your needs for safeguarding and storing client data, take stock of both manual and digital solutions and look for choices that can also accommodate your firm as it grows.

With today's increasing cyber risks, it is not possible to guarantee you will not be hacked. However, you can mitigate these risks by implementing prudent security procedures, including:

- Password-protected and encrypted files
- Password-protected laptops/desktops, tablets and mobile devices
- Password-protected and encrypted emails to clients when you are including confidential information
- Using only reputable service providers

In a worst-case scenario, if you or your firm is hacked, having prudent cybersecurity procedures in place can significantly reduce the likelihood of disciplinary action.

Paper file destruction is another challenge. Under no circumstances should files go into the garbage, civic recycling boxes or landfill. The only options are to use a company that specializes in secure file destruction or to use a good-quality paper shredder. When files are destroyed, keep a record of the date and method of destruction.

If a privacy breach occurs, it is your duty to act quickly to notify:

1. Your company or MGA, as applicable
2. The clients affected
3. The appropriate regulatory bodies

Ongoing file maintenance

How you develop and maintain each client file is also critical. If you hold both a securities or mutual fund registration and an insurance licence, you must maintain two files for a client — one related to securities activities and one related to insurance. Maintaining client files with sub-files helps simplify file management. You may consider maintaining three sub-files for clients:

- A general file, which contains basic information about the client that is common to both insurance and securities, including the information you collected in the fact-finding exercise and through the KYC process (when you centralize all key client information in one place, you only have to update the general file if a client's information changes)
- A securities file, which contains information related to transactions, disclosure, KYP and recommendations (including general correspondence) specific to securities or mutual fund transactions

- An insurance file, which contains information related to transactions, disclosure, KYP and recommendations (including general correspondence) specific to insurance transactions

Maintaining separate files means you can provide access to regulators, dealers, firms or agencies without first having to vet the file.

File management protocols should consider joint clients as a separate entity from the clients as individuals. For clients who are in a married or common-law relationship, a joint file for the couple would contain only information on accounts held jointly. Further, if it is common to meet with both clients at the same time, the files should include written authorization from each client permitting discussions of their holdings in front of the other client. This authorization should also include a provision that if one client rescinds authorization, the other client's authorization is automatically rescinded as well. This avoids complications if the relationship ends.

Good file management requires discipline. It is easy to develop poor file management habits or stray from your usual practice. Poor practices include having clients sign blank forms or applications or signing a client's name on the client's behalf (even if it is at the client's request) on a form or application. Both represent improper practices and will result in disciplinary action if discovered. There is no circumstance under which you can sign a client's name. To do so is to create a forgery, even if the client approves it.

The motivation for a financial advisor to use a pre-signed form is usually only client convenience, particularly for clients who travel frequently or who live in remote locations. In addition to the fact that such conduct is prohibited, it can lead to bigger problems for the advisor, as the next example shows.

Example

A financial advisor maintains a number of blank signed applications and forms for a client who is frequently out of the country. The client has a lengthy discussion with the advisor from a location overseas and decides to conduct a specific financial transaction, providing the advisor with verbal consent over the phone.

The financial advisor executes the mutual fund trade using one of the pre-signed transaction forms. Shortly after the transaction is executed, an unexpected event occurs in the stock market that causes the mutual fund the client just purchased to lose a significant percentage of its initial value.

This could open the door for the client to complain that the transaction occurred without consent and demand return of the full value of the transaction. The fact that the client was out of the country on the date the transaction was supposedly “signed” would support the complaint. If this occurs, the regulatory and civil actions that result for the financial advisor could be significant and career damaging.

Once in place, you should review your processes and procedures on a regular basis. With regular review, it takes less effort to update processes and procedures when necessary due to regulatory changes or modifications in your financial advisory practice, such as the addition of staff. If you have staff or are working in partnership with other financial advisors, they too should be knowledgeable about your file management processes. Your partners and staff members should also commit to reviewing your file management processes on a regular basis and confirm that they have done so.

A key benefit of good file management is that you will be able to easily access and demonstrate, at some future date, what discussions and reasoning went into decisions you made related to a client's financial affairs. Properly maintained client files are one of your best assets in making your case if there is a dispute. File management is an ongoing process, but when done properly, diligently and consistently it allows financial advisors to both provide professional service to clients and protect themselves against unsubstantiated client complaints.

File documentation

File documentation encompasses many important elements you gather through all phases of the Client Relationship Cycle. These elements include notes you develop through the initial interview stage, subsequent KYC process and relevant KYP processes, as well as copies of all mandatory disclosure requirements, notes from all your meetings or discussions with the client and all follow-up written communication with the client.

Client file documentation should include (but is not limited to):

- Client discovery
- KYC forms and updates
- KYP documentation
- Detailed notes on all recommendations, meetings, and phone or email conversations with clients
- Copies of all client correspondence
- Copies of all account and insurance applications
- Prescribed and mandatory disclosures
- Client consents
- Details regarding relevant sub-brokering or referral arrangements
- Relevant conflict of interest discussions

Multiple stakeholders and regulatory organizations will shape your file documentation procedures and requirements. Every financial regulator has requirements governing recordkeeping and file documentation, and it is your responsibility to be aware of the requirements (e.g., KYC and KYP processes and mandatory disclosure) and tailor your procedures to ensure you meet regulatory requirements. In addition, MGAs, insurers, dealers and securities and mutual fund firms may have documentation requirements over and above what a regulator requires, and these must be incorporated into your processes and procedures. At this point, a financial advisor will have the basis for the *minimum* requirements for file documentation.

Example

According to MFDA Policy No. 5 (a policy that guides the procedures to follow in a branch review), financial advisors must examine client files to verify there is proper account opening documentation on file and that branch client files are appropriately safeguarded. In addition, advisors must review KYC information within the client file to:[23]

- Assess completeness
- Confirm client files include back-up for any changes
- Verify KYC information on the back-office system matches information recorded in the file

[23] Mutual Fund Dealers Association of Canada. "Branch Review Requirements." 2017 (January). mfda.ca/policy/policy05/ (accessed February 27, 2020)

No one enjoys “paperwork,” but maintaining proper and complete file documentation is one of the most critical aspects of your practice. Failure to have robust processes and procedures to ensure client files include proper documentation and remain up to date may eventually result in problems. Your procedures may include ensuring your practice documents all meetings and discussions in the file in a timely manner. As a best practice, you should document a meeting as soon as it is complete; however, as this may not always be possible, the next best practice is to document the meeting at least by the end of the same day it occurred. The greater the time that passes without documentation, the more likely it is that you will miss including certain facts or won’t create any documentation at all, resulting in an incomplete file.

As suggested above, you must also keep the information in client files current. Fact-finding/discovery and KYC information can change, and you should revisit these topics at every meeting. You should also encourage clients to reach out to you when a significant life change occurs (e.g., a new job, promotion, marriage, divorce or birth). However, you should not rely on clients to remember to do this. Having a process in place to ensure regularly scheduled client meetings occur at least once per year (and more frequently depending on the stage in the Client Relationship Cycle that represents your client’s journey and needs) allows you to stay informed of material life events occurring and evolving with each client.

Once you have documented a client meeting, consider follow-up communication. Did you feel there was the possibility your client did not fully understand the discussion? Is there the possibility your client simply agreed to the recommendation because the client was unsure what questions to ask to learn more? Depending on the content of your meeting, it may be appropriate to follow up with clients in writing, summarizing what you discussed or decided. Insurance advisors can access sample Reason Why letters (from CLHIA's The Approach) at www.clhia.ca/advisor.

This type of communication helps to reinforce what you discussed with a client, the key issues related to any decision and why it is a suitable course of action for the client at this time. This best practice helps ensure you and your client are in agreement about a situation or recommended course of action. If a complaint arises in the future, client correspondence provides support to the file notes (meeting notes, KYC, KYP) and proves you provided the client with sufficient information to make an informed decision. Follow-up communication also gives your clients an opportunity to contact you with any additional questions.

Example

A financial advisor has an elderly client (over 80 years old) with approximately $500,000 invested in mutual funds. The client has no debt and sufficient income from pensions to cover everyday expenses. When the client and the advisor discussed the asset allocation for this investment, the client expressed a strong desire to have at least 60% of the portfolio invested in riskier equity-based mutual funds. He wanted the opportunity to grow the portfolio to enhance his children's inheritance. At the time the client passed away, the portfolio had experienced some significant losses. The client's family complained to the regulator that the advisor had acted incompetently by placing the client's investment portfolio in riskier mutual funds.

A review of the client's file demonstrated that the financial advisor had had many discussions with the client about his investments, making sure the client understood the risks and the consequences of his investment decisions. The advisor had a completed and recently updated KYC on file, and the client file contained complete notes on their meetings, as well as copies of communications between the advisor and the client, including the advisor's caution about the risks that came with the client's investment choice.

As the client was deceased, the regulator had to rely on the client file to determine whether the client understood his investment decisions and the related risks. As the financial advisor had recognized and noted the potential risks if the client pursued investment options that were inconsistent with the advisor's recommendation(s), and all discussions and decisions were well documented, the regulator dismissed the complaint. If the file had not been properly documented, the advisor would probably have faced questions about his competency, which may have resulted in disciplinary and/or civil action.

Advisor development

Developing and maintaining a sound practice includes one final piece: continuing your growth and maturity beyond licensing requirements. You have chosen an ever-evolving profession, and committing to upgrading your knowledge and skills is critical to your success. Prioritizing and implementing a focused education program is essential to ensure your knowledge and skills continue to grow.

There are several ways to pursue your professional development. Enrolling in designation programs relevant to the delivery of financial advice, such as the Professional Financial Advisor designation, is one way to significantly expand your knowledge of practice development and management, technical knowledge, and compliance and regulatory topics for financial advisors. Other designations worthy of your consideration include Certified Financial Planner (CFP), Registered Retirement Consultant (RRC), Chartered Financial Analyst (CFA), Chartered Life Underwriter (CLU) and others — depending on how you plan to develop your financial advisory practice in the future and your interests and skills.

In this final section of the module, we focus on the benefits of continuing education and mentoring for financial advisors.

Continuing education (CE)

Even though most regulators have mandatory CE programs for financial advisors, you are also responsible for identifying the appropriate, relevant education opportunities that best suit your professional development.

Most CE programs set out minimum educational requirements (e.g., a minimum of 30 hours per year, technical vs. professional development, and a minimum number of hours dedicated to ethics) and provide a level of flexibility. However, during the first 10 years of your career, the minimum is likely not sufficient to address all you need to learn.

As CE requirements vary from regulator to regulator (life insurance, IIROC and MFDA) and even between jurisdictions, you need to be aware of these differences and select CE courses that ensure you meet the minimums each applicable regulator requires.

Where to begin?

Your organization may map out a CE program for newer financial advisors. However, if you are an independent advisor, you may not have this guidance and you will need to objectively assess your weaknesses and select courses that enable you to develop the technical knowledge you need to work competently with your clients or your target client market.

► Complete Activity 8.3, Financial Advisor Self-Assessment and Personal Professional Development Plan, to begin to map out your CE pathway.

Once you have determined the areas that require your focus and more education, prioritize them and then research organizations that offer programming that addresses your specific needs. There are many providers of CE courses in the marketplace. With your membership in

Advocis, you have access to a wide variety of CE opportunities, including local chapter programs, online courses and networking events.

The financial services industry has grown tremendously over the last 20 years, and you may never acquire all the expertise necessary to service every need for every client. As you know, you must understand the limits of your knowledge and experience, appreciating when you do not have the expertise to properly discuss and explain a specific financial product or strategy. When these situations arise, consider turning to your firm, dealer, MGA, insurer or trusted colleague for assistance. You should not hesitate to bring in another financial advisor with the required expertise when necessary. The objective is always to provide your client with the most appropriate advice, and this may be best accomplished with the assistance of a product expert. Having a strong support system (including a diverse COI network) goes a long way towards building a strong practice, particularly in the early years when you are simultaneously growing your business and earning your clients' trust.

Another approach to building your knowledge is to read relevant books. These can open your eyes to new best practices, knowledge and concepts you had not considered. As the field of financial planning and advice is evolving quickly, it is also worth staying current by reading reputable industry publications and blogs covering financial advice, investing, practice management, leadership, client strategies, marketing and business development.

► Complete Activity 8.4, The Financial Advisor's Book Club.

Developing a CE program customized to your financial advisory practice and goals demonstrates you are continuously working to improve your knowledge and competency so you can provide the best possible service to your clients. CE is a regulatory obligation, but it is really the pathway to being a knowledgeable and competent financial advisor. By developing and maintaining a CE program, you show your clients you are committed to being knowledgeable about the financial products and services you provide to them and are open to acquiring the industry's best practices.

Mentoring

Being a financial advisor is a great career; however, it is often a lonely one, especially when you are new to the profession and concerned you won't make it. Having a mentor provides a connection and the opportunity to learn from a seasoned advisor about topics and insights you won't find in a book or CE course. Many experienced advisors credit their success in part to the benefits they gained from having a mentor during the early stages of their career. A mentor is a more experienced professional in the same field as the "mentee" (the professional who is mentored). With a mentor, you have the opportunity to gain practical knowledge and insight from the perspective of a seasoned advisor who has achieved a level of expertise to which you aspire. Mentors can share information about their own career path, as well as providing guidance, motivation, a sounding board for ideas and challenges, emotional support and role modelling.

Successful mentoring relationships have a foundation of mutual trust and respect. The mentor and mentee must communicate regularly through face-to-face or virtual meetings to exchange ideas and discuss the mentee's progress. Important elements of these discussions are goal-setting for the mentee and reflecting on results.

Forms of mentoring include traditional one-on-one mentoring, distance mentoring and group mentoring.

Traditional one-on-one mentoring

Traditional one-on-one mentoring matches a financial advisor with a mentor, either through a formal program developed to match mentees and mentors or through the advisor's own network. Mentee-mentor partners agree to a structure and timeframe and participate in a mentoring relationship.

Distance mentoring

The internet has truly revolutionized how relationships can work. Distance or virtual mentoring occurs when the two parties are in different locations. Technology enables this, but it is still just a tool that makes the mentoring relationship possible.

The benefit of distance mentoring is that it enables a mentee and mentor to connect based on their interests and experience without being hampered by distance. For example, if a mentee in Alberta who is licensed to sell securities is seeking a mentor with experience selling alternative investment solutions, that mentee can look outside the province (if needed) to connect with a mentor with that type of expertise.

Distance mentoring options include using video conferencing for regular meetings, supplemented by in-person visits to reinforce the bond. It's important throughout the mentoring experience to follow effective communication practices. The mentor still has to ascertain that the mentee is receiving the appropriate messages or insights. To get the most from the relationship, the mentee has to feel comfortable enough to ask questions and get clarification without the benefit of the full array of body language and visual cues. In this setting, it is important for both the mentee and mentor to "play back" messages to one another and develop ways to achieve rapport without the advantages of frequent in-person meetings. The mentor should pay special attention to ensure the mentee is making progress and absorbing messages.

While distance mentoring is powerful because it enables greater flexibility in matching needs with unique skills and experience sets, it requires commitment and a dedication to overcoming communication barriers that do not exist in person. That said, when they develop an effective rapport and means of communicating, mentees and mentors can enjoy a rewarding relationship that overcomes distance and scheduling barriers.

Group mentoring

Mentoring doesn't always have to occur one-on-one. Group mentoring counters mentor burnout and encourages a plurality and diversity of perspectives. If a financial advisor has a specialized skill set and there aren't enough people who possess the same set of skills (for example, financial advisory practices focused on female clients), group mentoring can enable many people to benefit from one person's experience and wisdom.

Group mentoring can take place face to face or virtually. Either way, it makes it possible for one individual (or individuals) to share knowledge with several others who are eager to learn and who may benefit from hearing each other's questions and progress. In a way, this indirectly enables "peer mentoring," which allows peers with common challenges to learn from and be accountable to one another, supported by a culture of learning.

While a facilitator is optional, this role can enhance group mentoring arrangements by helping to provide structure. Importantly, the facilitator can ensure each mentee gets enough "airtime" with the mentor and that no one person dominates the conversation. The facilitator can also help to arrange or curate issues and topics of interest for the group, so the group can explore the areas of greatest interest to all members. For example, if the mentoring group is interested in intergenerational wealth transfer topics, the facilitator can dedicate several sessions exclusively to this subject. The mentor may even bring in subject matter experts and special guests to give the team a richer experience.

Clearly articulating the group's goals, structures and expectations from the start can help ensure success with group mentoring. As with any team, there should be frequent temperature checks to ensure everyone is aligned with the goals of the group mentoring arrangement.

Where to begin?

Start by determining the mentoring method that works best for you and the opportunities that are available based on your time and the culture of your organization (and this may change or evolve with time). While traditional mentoring involves a face-to-face relationship, mentoring has evolved to offer mentees and mentors many potential arrangements, including distance and group formats.

The first challenge is finding the right mentor. Potential mentors are all around — it is a matter of knowing where to look. Possibilities include industry associations (such as Advocis), local chambers of commerce and business groups, and your MGA or dealer/firm. You may even be able to approach a mentor in an industry or leadership group on LinkedIn. Be patient and understand that, once you find a good mentor, the benefits to you (and as a consequence to your clients) are limitless.

Both mentee and mentor benefit from a mentoring relationship. Benefits for mentees include:

- Exposure to practical ideas and ways of thinking not in licensing courses
- Objective advice on developing strengths and overcoming weaknesses
- Introduction to the mentor's COI and guidance to develop your own
- Guidance on professional and business development
- Opportunity to develop new skills and knowledge

Benefits for mentors include:

- Recognition as a subject matter expert and leader
- Exposure to fresh perspectives, ideas and approaches
- Opportunity to reflect on their own goals and practices
- Development of their personal leadership and coaching styles

Summary

In this section, you reviewed and learned about proactive measures and best practices you can take to protect your practice and yourself. There is no guarantee that a client complaint, lawsuit or regulatory investigation won't arise. The best defence is to be prepared. That's why you learned how to implement prudent policies and procedures in your practice to fulfill your regulatory responsibilities, including:

- Satisfying your competency provisions (such as product knowledge and training)
- Ensuring client or consumer protection (such as by addressing client disclosure, E&O insurance, privacy and conflicts of interest, as well as advancing your knowledge by fulfilling CE obligations)
- Maintaining administrative requirements (such as regulatory disclosure, file management and regulatory compliance)

By protecting your practice and being diligent on all these fronts, you are avoiding important reputational and business risks and also providing your clients with quality service and protection — which serves as a foundation for strong and rewarding client relationships.