

# INFOETHICS ESSENTIALS

FOR PROFESSIONALS OF  
ALL FIELDS OF PRACTICE

## KNOW YOUR CLIENT

Identifying them + Discovering their goals + Determining their profile



Chambre  
de la sécurité  
financière

## TABLE OF CONTENTS

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<b>KNOW YOUR CLIENT</b> .....	<b>3</b>
<b>1. Identifying the client</b> .....	<b>4</b>
<b>2. Learning about their projects, dreams, and aspirations</b> .....	<b>4</b>
<b>3. Analyzing the client's current situation</b> .....	<b>5</b>
For all clients _ 5	
Personal information and family situation _ 5	
Financial situation _ 5	
Coverages _ 7	
Retirement _ 8	
Business _ 9	
Death _ 9	
<b>4. Additional information</b> .....	<b>10</b>
Investment knowledge _ 10	
Investment horizon _ 11	
Risk tolerance _ 11	



## INTRODUCTION

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# Know your client

To fully know their client, an advisor needs understand their personal and financial situation. This requires obtaining information about the client. This can be done by the advisor themselves, a non-certified individual, or even via an online platform. **However, it is the advisor's responsibility to ensure they have all the information required to proceed with a financial needs analysis for the client.** If they do not have sufficient information to carry out their mandate, the advisor will have to make sure that they, or the person who was initially in charge of collecting the data, fulfills this obligation. The CSF has developed this guide to summarize the steps needed to obtain said information. As such, the guide contains a list of recommended questions that pertain to each step. This document is not intended to replace the forms issued by firms, dealers, or financial institutions. It is however designed to be a practical tool that can be used to foster open discussions which will allow the advisor to better know their client.

Please keep in mind that the list of questions in this document is not exhaustive. Moreover, not all questions are appropriate for every situation. Questions must be adapted to each client and their specific circumstances. The advisor may also formulate their own questions, but they must always make sure the answers obtained are specific, complete, and coherent.

Using this document does not automatically mean the advisor fulfills all their ethical obligations. An advisor must obtain all the relevant information about their client in order to provide them with the appropriate recommendations.



## KNOW YOUR CLIENT

### 1 Identifying the client

First and foremost, the advisor must identify the client from whom they receive the mandate. Shortly after obtaining information about the client, they must confirm the identity of the client by checking a government-issued document.



### 2 Learning about their projects, dreams, and aspirations

Secondly, the advisor must define the client's objectives by finding out about their projects, dreams, aspirations. It's important to understand every project in detail and establish priorities.

- + Place each of the customer's objectives in time: short, medium or long-term.
- + Prioritize objectives according to how important they are to the client.
- + Quantify objectives by evaluating the sums required to achieve them.
- + Transpose each of these objectives into insurance or investment objectives (liquidity, capital security, income, growth).

- What are your short, medium, or long-term projects?
- Tell me more about your projects.
- What have you done so far to carry these projects out?
- What kind of support would you like to carry these projects out?
- When do you plan to carry these projects out?
- How much do you think your projects will cost?

### 3 Analyzing the client's current situation

#### Personal information and family situation

- What's your date of birth?
- What nationality are you?
- What is your marital status?
- What type of marriage contract do you have?
- What projects do you and your spouse have planned?
- Tell me more about your family.
- What obligations do you have toward them?
- Is your family situation going to change (expecting a child, children leaving the home, adoption)?
- Are you a caretaker for someone in your family (aging parent, disabled person, foster child, etc.)?
- How is your health?
- Do you have any hobbies?
- Do you have any professional projects?
- Are you planning on withdrawing money to finance your studies or to help pay for someone else's education? If so, when, how much, and for whom?
- Have you consulted other professionals (accountant, tax specialist, lawyer, etc.)? If so, who?
- What are your goals and priorities regarding your personal or family situation?

#### Financial situation

- How would you describe your financial situation?
- How do you feel about your current financial situation?
- What are your goals and priorities with respect to your financial situation?
- How do you save?
- What motivates you to save?
- What is your investment strategy?

#### *Income*

- What type of salary do you receive for your work?
- Tell me about your income.
- Are you eligible for a salary increase or a bonus?
- Do you foresee any major changes in your income? If so, will your income go up or down?
- What other sources of income do you have?
- Do you receive spousal support (alimony)? What are the terms of this support? Is it taxable?

### 3 Analyzing the client's current situation (continued)

#### Expenses

- What are your monthly expenses/payments?
- What type of loan protection do you have?
- Do you live paycheque to paycheque?
- Do you consider yourself a big spender or someone who saves every penny? Or somewhere in between?
- How much do you estimate your cost of living (annual expenses) to be?
- Let's take a look at all your monthly expenses. Are there any recurring expenses we haven't discussed?
- If you were in a couple/single, would your financial situation be different?
- Are you expecting to receive an inheritance that could significantly change your financial situation?
- Do you pay taxes on your income?
- Is your goal to reduce the amount of taxes you pay?
- What are your strategies for optimizing your after-tax investment income?
- What strategies do you employ with your tax refunds?
- Do you pay support to children or a former spouse? What are the terms of this support? Is it tax deductible?

#### Balance sheet (assets and liabilities)

- Please list your assets (financial, real estate, other). What is their total value?
- Do you own any assets outside of Canada?
- Do you own other valuable assets such as works of art, collections, or vehicles?
- Are your valuable assets insured?



### 3 Analyzing the client's current situation (continued)



#### Coverages

- What type of insurance do you have?
- How much coverage does it provide?
- What steps have you taken in the event of a disability?
- What steps have you taken in the event of a death?
- What steps have you taken in the event of a critical illness?
- What steps have you taken to protect your loved ones?
- When was the last time you assessed the coverage for your personal property?
- When was the last time you assessed your personal insurance?

## 3 Analyzing the client's current situation (continued)

### Retirement

- Are you retired?  
**No** : Accumulation section  
**Yes** : withdrawals section

### Accumulation

- How do you picture your retirement?
- At what age do you want to retire?
- Do you plan to continue working after your retirement?
- How much do you think you'll need before you can retire?
- Do you expect to make any lifestyle changes when you retire?
- What kinds of activities do you want to take part in once you retire?
- Will you need different levels of income in retirement?
- Do you have any projects for your home(s)?
- What type of investment vehicles and plans do you have?
- Does your employer/company offer a pension plan?
- If you have a pension plan, is it a defined contribution plan, a defined benefit plan, or a VRSP?
- Are you familiar with income splitting strategies?
- What are your goals and priorities when it comes to your retirement?

### Withdrawals

- How is your retirement going?
- What activities do you take part in?
- What are your current sources of income?
- Is this income stable or will it fluctuate over the next few years?
- What withdrawal strategies do you employ?
- How much in taxes do you owe at the end of the year?
- Do you have any projects for your home(s)?
- Do you foresee any exceptional needs in the coming years?





### 3 Analyzing the client's current situation (continued)

#### Business

- Do you own a business or are you a shareholder in one?
- If so, since when?
- What kind of business is it?
- What is the juridical form of your/this company (registered, incorporated, etc.)?
- Are you the sole owner? What share of the company do you own?
- How would you describe the company's financial situation?
- What are the company's short, medium, and long-term projects?
- Have you assessed its business structure and modes of remuneration, if any?
- Are you indebted to your/this company? Please specify.
- Does the business owe you money? Please specify.
- Do you stand surety (are you acting as a personal guarantor) for the financial obligations of your/this business?
- Who will take over your business (following a transfer or death)?
- How do you see the handover of the company? How do you plan to be involved in the process?
- What steps have you taken regarding the transfer or sale of your business?
- When would you like to transfer or sell?
- In a perfect world, how much would the sale go for?
- How was the transfer or sales price been established? Or how will it be established?
- Do you have a strategy in place in the event one of the shareholders passes away or becomes ill?
- If you own your company, could it "survive" if you pass away?
- What is the contingency plan in the event of a death?

#### Death

- Have you planned for your death (will, mandate, funeral expenses, etc.)?
- What type of will have you made?
- Is your will and mandate up to date?
- What legacy do you plan to leave upon your death?
- Do you have a plan for your succession (protecting the value of the assets that are part of your succession)?
- Do you plan on making any bequests (charitable organizations, schools, hospitals, etc.)?
- How do you plan on financing the taxes payable on your registered plans or illiquid assets upon your death?
- If you were to pass away tomorrow, would your dependents be able to maintain their lifestyle?
- Without liquidating assets, how will your succession be able to ensure your heirs can maintain their lifestyle?
- What would you like to see happen to your children's or grandchildren's quality of life in the event of your death? Do you want to protect your insur-ability so that you can take out insurance without having to undergo a medical examination?
- What strategy have you put in place to pay outstanding debts (loans, mortgages, lines of credit, etc.) in the event of death?

## KNOW YOUR CLIENT

### 4 Additional information

If your client has investment goals, you need to fill out their investor profile **for each of his projects**. Now that you have information about your client's personal and financial situation and have translated their plans into investment objectives, you need to assess the following:

- + Your client's investment knowledge, the investment horizon of the project in question, and their risk tolerance with respect to the project.



#### Investment knowledge

Advisors need to find out how much their client knows when it comes to investments. This step is intrinsically linked to the advisor's duty to provide advice because any recommendations must be tailored to the client.

- Do you follow financial news?
- Do you have an interest in investments?
- What investments have you already made?
- Are there any investments you are or were not fully comfortable with?
- In what type of plan were or are your investments in?
- Do you know the tax difference between an investment in a registered account and a non-registered account?
- What do you know about the different fees attached to mutual funds investments or segregated funds investments?
- Have you ever made an investment decision without first consulting a financial services professional? If so, what was this investment decision? Have you learned any lessons from this experience?
- How would you react if a financial services professional advised you to invest a specific amount of money? Would you blindly follow this advice or question them about the rationale behind their recommendations?

### 4 Additional information (continued)

#### Investment horizon

The advisor needs to set a horizon **for each investment goal**. This horizon represents the period during which an investor intends to invest their money and let it grow before withdrawing the sums invested, in part or in full, in line with their objectives.

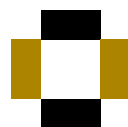
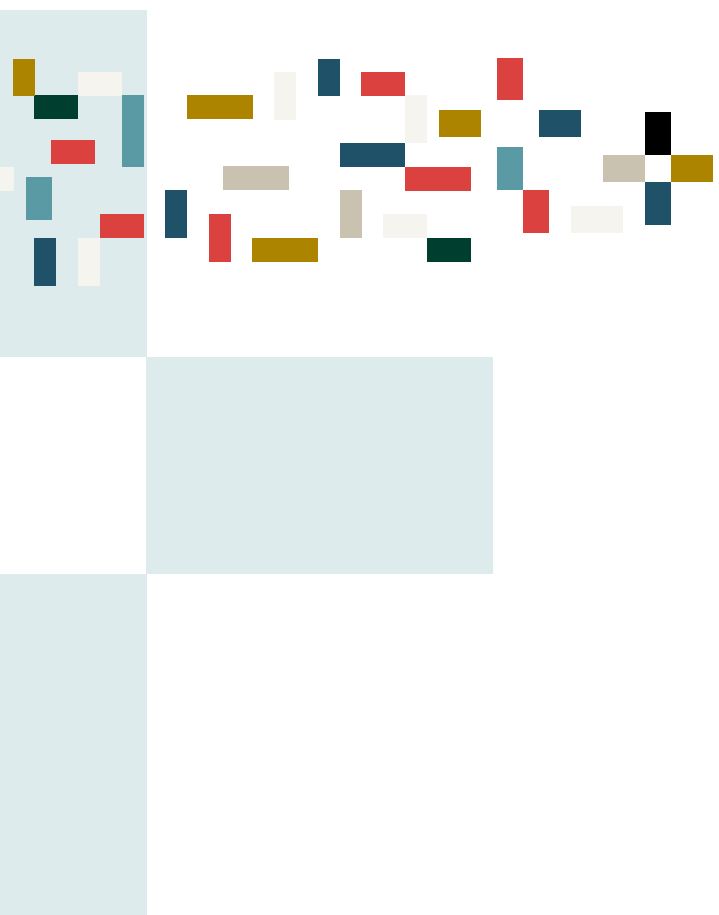
- What are your short, medium, or long-term projects?
- What is your age or the age of your beneficiary?
- Until what age do you expect to earn an income?
- How long do you intend to invest your money and let it grow?
- What contributions do you plan to make and for how long?
- What withdrawals do you plan on making?
- When will you need to withdraw part of your retirement money?
- Do you anticipate having to pay additional health-related costs for yourself or a loved one?
- After you retire, do you intend to remain in your home or sell it?

#### Risk tolerance

The advisor must assess their client's risk tolerance **for each investment goal**. This is the investor's willingness to assume the risk of a loss of their savings and their financial capacity to cope with a decline in the value of their portfolio. In other words, there are two aspects to the concept of risk tolerance: the emotional aspect and the factual aspect.

The advisor must ensure that the information provided by the client is consistent, especially when some of the client's answers seem to be contradictory.

- How important is it to protect your assets?
- Have you ever lost money in an investment?
- If so, how did you feel about this loss?
- Was the loss significant?
- Is there an amount or percentage of potential loss that you are not comfortable with and that would drive you to sell your investment?



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