

INFOETHICS
ESSENTIALS

FOR PROFESSIONALS OF
ALL FIELDS OF PRACTICE

FINANCIAL LITERACY

Support  Explain  Inform  And more



Chambre
de la sécurité
financière

Introduction

Financial services advisors are called upon to support clients who have a variety of needs and profiles but all with a common desire to be well advised.

To meet their clients' expectations, the advisor must first and foremost know the products and services they recommend inside out and be able to explain them in the right way. In fact, the duty to provide information is one of the advisor's professional obligations.

It actually takes real skill to provide clients with complete information – that is to say information that goes beyond the surface – and advisors need to be discerning and flexible.

Support clients who have a variety of needs and profiles

Know the products and services recommended inside out

Provide clients with complete information

Explain products and services in the right way

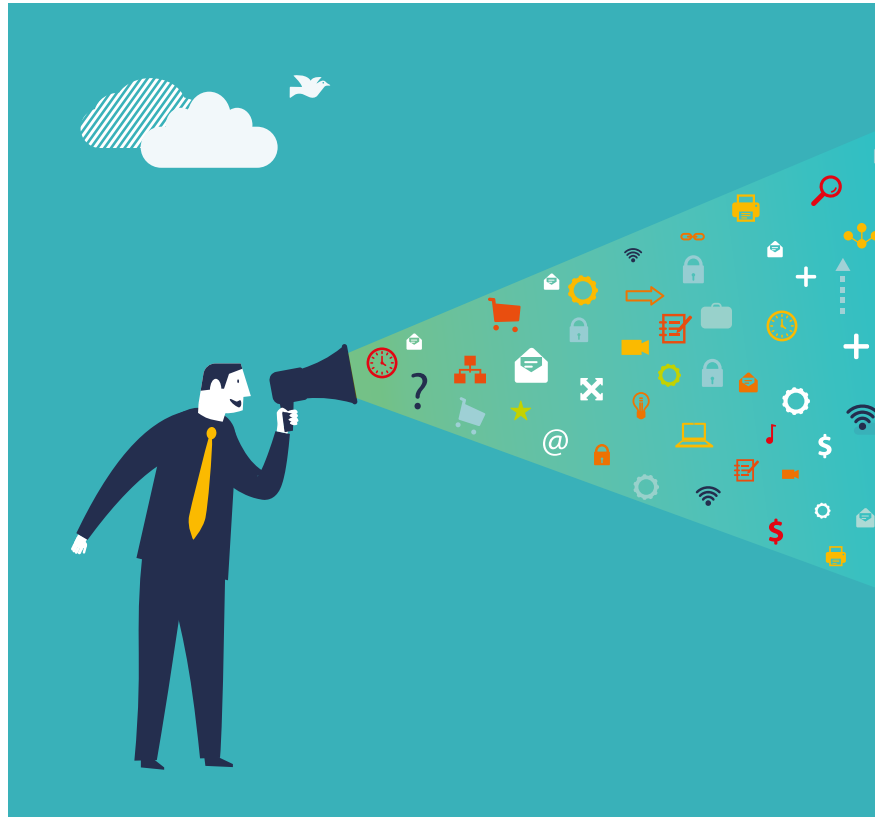
For every product or service they recommend, the advisor must provide the required information, including:

- the specifics
- the advantages and disadvantages
- the associated fees
- the level of risk



Communicating information

Information must be provided prior to the conclusion of a contract or a transaction, but also at any appropriate time, depending on the situation. Keep in mind that this information must be provided even if the client does not ask any questions.



Quality of information

The information provided about a product or service recommended must be accurate, objective, and complete.

If the advisor doesn't have all the information about a product that would meet a client's needs, they can:

- hone their knowledge through training activities or reading material
- call upon the right specialist (tax expert, legal expert, notary , etc.) by
 - + referring their client to this professional, or
 - + consulting this professional themselves

Making sure the client understands

An advisor's duty to provide information does not end once they've explained the financial service or product recommended to the client. They must make sure the client understands the information in a way that they can evaluate the product or service proposed and give informed consent. Even though some documents issued by companies may seem easy to understand to an advisor, they can prove to be quite complex for those who do not have a high level of financial literacy. In other words, simply providing a client with documentation about a product is not enough to ensure the client truly understands the recommendation.

Level of financial literacy

The way an advisor should transmit information will mainly depend on a client's level of financial literacy. Financial literacy is what helps a person make informed financial decisions. It is based on their knowledge and financial skills.

The advisor's duty to provide information means this information must be tailored to the client's knowledge. That's because what the client knows will help determine how much information an advisor needs to provide and what they need to verify.

The client's level of financial literacy is an excellent indicator to help the advisor adapt their role as educator accordingly. The less comfortable a client is with financial concepts, the more important the information they receive is. This information must therefore be clear, concise, and structured.



Factors influencing financial literacy

According to a study by *Accès au droit et à la justice (ADAJ)*, some factors may explain an individual's level of financial literacy.

Financial experience

An individual's level of financial literacy is mainly based on their first-hand financial experience. This experience is most often gained when the individual acquires financial products. For example: investments in registered plans, stock market shares, or a mortgage loan.

Not everyone has the opportunity to invest because investing requires the sufficient funds to do so. Low-income earners do not take part in many financial activities which in turn leads to a low level of financial literacy. These individuals are therefore more likely to have difficulty understanding financial reasoning and calculations, and to therefore adopt imprudent behaviors.

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Vulnerability

In addition to low-income earners, those in vulnerable situations are also at risk of having a low level of financial literacy. In these instances, advisors need to adapt their approach to meet their duty to provide information.

A person's financial literacy tends to decrease as they get older, while their confidence in their own financial decisions remains stable. Elder people tend therefore to make decisions with confidence, without realizing that they may not have enough knowledge to foresee the repercussions.

Immigrants are another category of persons who may be in vulnerable situations. Their first language is most likely not French or English and they are unfamiliar with Quebec's financial system and its rules.

In this context, the advisor's explanations and the client's understanding are of even greater importance. In addition to adapting to their clients' level of financial literacy, advisors must take into account their reality or the challenges they face that have put them in a vulnerable situation. These may include their age, language barriers, culture, etc.



Recommended practices

Here are a few recommendations pertaining to the advisor's duty to provide information when meeting a client who appears to be in a vulnerable situation or who has a low level of financial literacy.

Before the meeting

- Recommend that a member of their family, someone they trust, or an assistant officially recognized by the Public Curator attend any meetings or discussions, if this seems necessary to help the client understand financial concepts.
- Take the client's specific needs into account. For example, schedule appointments in the morning if that's what suits him best.
- If many of their clients were born in another country, the advisor may want to consider getting standard documents translated – if their organization authorizes them to do so. This will help ensure clients fully understand the strategies and products offered. Examples of documents that could be translated include documentation pertaining to data collection, consent, opening a file, or agreements.

During the meeting

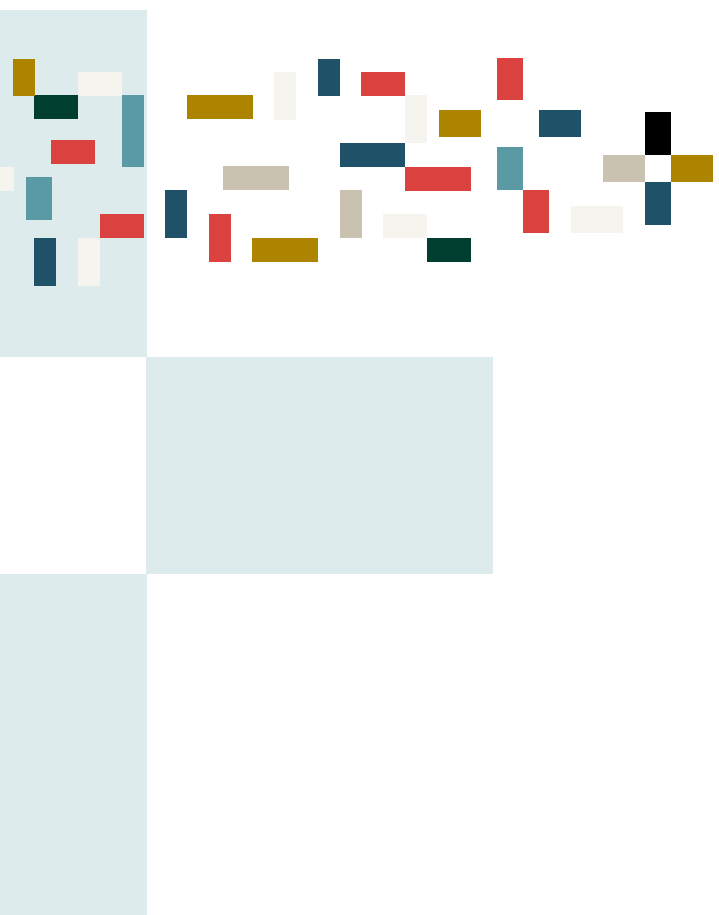
- Ensure that the client doesn't have hearing impairment, that they are able to listen to the advisor, and that they are comfortable with the advisor's communication style.
- Use efficient communication techniques. These can include metaphors, concrete examples, and simple structures that makes it easier for clients to assimilate the information conveyed.
- Pay attention to non-verbal cues to detect any form of misunderstanding or questioning.
- If the client doesn't understand, go over the notions again but in a different way. Check if the client has understood by asking them to summarize the information. This also gives the client an opportunity to express themselves.
- Quebec's financial system may seem novel and complicated to an immigrant. The advisor needs to keep this in mind and help their client become familiar with this system. Relating real-life situations may be useful to highlight any specifics of the system and describe terms in a tangible way.
- Provide the client with paper documents, if that's what they prefer, once the content has been reviewed together.

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After the meeting

- Send the client a written summary of what was discussed in the meeting. Either by mail or email depending on their preference.
- Document the discussions, such as questions asked and answers provided, in the client's file. This will allow the advisor to help demonstrate they've met their obligations and acted in the interest in the client, even many years down the line.





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