

REGULATORY REFORM HANDBOOK:

BEST PRACTICES AND TOOLS





TABLE OF CONTENTS

| Торіс | Page |
|--------------------------------------|--------|
| Introduction and Details | |
| Background | 5 |
| New Fee Disclosure Timing | 6 |
| New Investment Performance Reports | |
| Impact | 7 |
| Bottom Line | 7 |
| How To Get Ready | |
| Overview | |
| Enhance Your Value | |
| Best Practices | 21-23 |
| Embrace the Rules | 24 |
| 31-103 Tools | |
| Overview | 25 |
| Advisor Practice Evaluation Form | 26 |
| Client Equilibrium Test | 27 |
| The Litmus Test | 28 |
| 31-103 Game Plan - Client | 29 |
| 31-103 Game Plan - Practice | |
| Conversation Planner | 31 |
| Value Summary | 32 |
| Appendix | |
| Sample Account Statement | 33 |
| Sample Investment Performance Report | .34-35 |
| Sample Fund Facts | |





INTRODUCTION AND DETAILS

HOW TO USE THIS HANDBOOK

This handbook is designed to provide you with the strategies and tools you need to tackle 31-103 legislation with ease. In this handbook you will find details on the regulations and their impact, implementation ideas and best practices based on our research.

You can find blank tools in the back section of this handbook to complete as you prepare to implement your 31-103 strategy. Some of the tools will be available in an editable electronic format on our website.

Additional tools and information can be found on our website: <u>www.ci.com/pd</u> or speak to your CI wholesaler for additional assistance.







BACKGROUND

In March 2013, the Canadian Securities Administrators (CSA) announced that they would implement amendments to the existing National Instrument 31-103 Client Relationship Model (CRM2). Commencing July 15th, 2013, these amendments are being phased in over three years and must be adopted by all MFDA and IIROC advisors.

Below you will find the prevailing issues and subsequent amendments introduced to address them:

| Issue | *Amendment Objectives | Changes |
|--|---|---------------------------------------|
| Low levels of investor awareness regarding fees paid | To ensure investors receive clear and complete disclosure of all charges and compensation associated with the investment products and services they receive | New Fee Disclosure Timing |
| Low levels of investor awareness regarding performance | To ensure investors receive meaningful reporting on how their investments perform | New Investment Performance Reports |

*According to the CSA

Additional details on the changes may be found on the following page.







1. NEW FEE DISCLOSURE TIMING

•

| Account Opening | • | Relationship Disclosure Information: products and services being offered and charges the client should expect to pay. |
|-----------------|---|---|
| | | |

- Time of Transaction Transaction costs and any deferred costs (if applicable).
- Annually
- Summary in dollar terms of compensation received by the dealer and costs incurred by the client.



See appendix for samples which illustrate the required information and CSA's expectations of layout.

2. NEW INVESTMENT PERFORMANCE REPORTS

Below is a list of the details clients will see when 31-103 is fully implemented:

| Contributions: | Opening value of cash and securities. Account withdrawals for reporting period and since inception. |
|----------------|--|
| Capital: | Net invested capital for the reporting period and since inception expressed in dollar terms. Distributions from investments must be included. |
| Returns: | Percentage returns over one, three, five and 10 years. Returns since account was opened. Performance returns, net of fees. |

See appendix for samples which illustrate the required information and CSA's expectations of layout.





IMPACT

Under the new CRM2 rules, advisors are required to:

- Disclose the amount of compensation received by the dealer on an account basis.
- Disclose all fees in an 'unbundled' way (breakdown of total fees in dollar terms).
- Provide detailed performance reports to clients including the effect of fees on performance.
- Prove that the required information has been provided to clients at the appropriate time (i.e. pre-trade).

We believe these changes will significantly impact our industry. Increased media scrutiny and heightened client awareness will force advisors to evaluate their practice and make the necessary adjustments. Under the new rules, we see benefits to both advisors and clients through:

- Greater levels of trust
- Better quality relationships
- A deeper understanding of the value and services that advisors provide to the client

This handbook is designed to provide the strategies and tools required for successful implementation of the CRM2 rules.

THE BOTTOM LINE

Advisors will have to evolve their practices and highlight their value proposition to clients in a tangible and visible way.







HOW TO GET READY

OVERVIEW

We believe that in order to be legislation-ready, you must do two things; enhance your value and embrace the rules. This section will provide detailed steps on how to deliver value to your client that goes far beyond returns and the actions necessary to embrace the new CRM2 rules.



ENHANCE YOUR VALUE

As previously mentioned, the new amendments to the legislation focus on addressing investors low awareness of fees and charges paid and investment performance net of all fees and charges.

Full transparency will make clients fully aware of the costs they incur and their effects on returns. With a greater emphasis on the numbers, many clients may not be able to assess the true value of your advice.

The goal of enhancing your value is to provide a balance between what the client is paying in fees and what the client is receiving from your services and advice. The next section will address how to ensure you close any gaps and maximize your value.

THE ULTIMATE GOAL: FIND THE BALANCE

WHAT THE CLIENTIS PAYING



WHAT THE CLIENTIS RECEIVING





ENHANCE YOUR VALUE - STEPS FOR SUCCESS

Under the new Client Relationship Model, the most successful advisors will be those who continuously find ways to add value and increase their service offering. To assist in your planning, we have created a 4 step strategy that will maximize your success under the new rules. The following table illustrates and explains each step, including a list of the tools associated with each. A detailed explanation on how to use each tool can be found starting on page 10. A sample of each completed tool is included for your reference.

| STEP | ACTION | DESCRIPTION | TOOLS |
|------|------------------------------------|--|--|
| 1. | Evaluate your practice | Provides a snapshot of your practice that can lay the groundwork to drive improvements, increase efficiency and enhance your relationships with clients. | 1. ADVISOR PRACTICE EVALUATION FORM |
| 2. | Assess your top clients | Determines your current readiness to have the fee conversation with your top clients. Assess the balance between the intangible value and concrete services you are providing against the fees incurred by your client. Here you can identify the services and actions required before engaging the client in the fee conversation. | CLIENT EQUILIBRIUM TEST LITMUS TEST |
| 3. | Formulate a game plan | Takes the information you have provided during the previous two steps and helps you create a detailed action plan to prepare yourself for the fee conversation. | GAME PLAN - PRACTICE GAME PLAN - CLIENT |
| 4. | Prepare for the conversation | The final step prepares you for the value conversation with your clients. The strategies and tools provided will help you stay on track as you convey your value. | CONVERSATION PLANNER VALUE SUMMARY |





STEP 1 : EVALUATE YOUR PRACTICE

How to complete the ADVISOR PRACTICE EVALUATION FORM:

1. Under "INTANGIBLE VALUE", list and describe what you provide that your client might not be aware of.

Examples:

- Your "BRAND" (Biography, Reasons for what you do, Actions you take, Niche served & Differences) see Branding on www.ci.com/pd for examples
- Your unique Value Proposition
- Qualitative services offered (i.e. life transitioning, business coaching etc.)
- 2. Next, review the "CONCRETE SERVICES" you offer. Place a 🖌 in each subcategory where you have established a detailed business process AND are currently providing the service to your most important clients.
- 3. Review the "CONCRETE SERVICES" you did not check. Determine and prioritize which of these services you would like to add to your business or improve upon. Identify your highest priority service with a "1", next highest priority with a "2" and third highest priority with a "3". You may wish to focus on improving/adding services that will add the most value to your business. (i.e. services that cannot be easily done by the client on a do-it-yourself basis.)
- 4. Lastly, segment your client base. This will serve you in two ways: to determine an estimate of the work you'll need to do with your clients and as a baseline for evaluating the success of your implementation. Below is a high level example of criteria for segmentation.

| A Clients | B Clients | C & D Clients |
|---|--|--|
| Personal relationship Utilize the majority of your services Represent your top tier, most valuable clients Consistent & robust communication & support | Consultative relationship Utilize many of your services Represent your second tier, valuable clients Consistent communication & support | Transactional relationship Utilize your core services Represent the remainder of your clients Limited communication & support |

See the following page for a completed **ADVISOR PRACTICE EVALUATION FORM** sample.





| | | INTANGIBLE V | Al | INTANGIBLE VALUE PROVIDED | | | |
|---------------------------------|--------------|--|--------|---|---|-------------------------------|-----|
| itíon a | INC | strong communication and support during market fluctuations | cuat | ions | | | |
| lace to | PL | Excellent team in place to provide clients a complete wealth planning experience | h pla | anníng experience | | | |
| top p | rot | Províde a network of top professíonals to assíst ín other areas of their líves | eas | of their lives | | | |
| L adv | /LCE | Personalíze financíal advice that employs the most cost ef | ffect | most cost effective and risk adjusted returns | S | | |
| | | CONCRETE SEI | R S | CONCRETE SERVICES PROVIDED | | | |
| Financial Management | | Asset Management | | Tax Planning | | Risk Management | |
| | $\mathbf{>}$ | Portfolio/Pension Analysis | Y | Tax An Uysis | | Life Insurance –Term/Perm | |
| | > | Diversified product offering | | K Keturn Coordination | | Critical Illness & Disability | 7 |
| | > | Retirement/Education/Saving | > | In Depth Personal Tax Planning | Y | Long Term Care Insurance | |
| | | Repositioning/Rebalancing | | Business Tax Planning | | Other | |
| | > | Regular Reviews | | Regular Reviews | Y | Regular Reviews | |
| Retirement Planning | | Estate Planning | | Life Transition Planning | | Engagement Process | 6 |
| Retirement Income Analysis | $\mathbf{>}$ | Estate Planning Analysis | н | Eldercare Issues | | Deep client discovery | |
| | く | Wills and POA | - | Workplace Transitions | | Client Action Plan | |
| Retirement Expenses Analysis | | Charitable Giving | > | Healthy Living | | Regular status reports | |
| Retirement Cash Flow Projection | > | Business Succession Planning | > | Referral to other professionals | 3 | Consistent communication | 7 |
| | く | Regular Reviews | | Regular Reviews | | Proactive problem resolution | 1 |
| | | CLIENT SE | G | ENT SEGMENTATION | | | |
| 359 | | TOTAL A CLIENTS 44 | | TOTAL B CLIENTS | | TOTAL C & D CLIENTS | 24F |
|) | | | | | | | |

11

(C) Investments



STEP 2 : ASSESS YOUR TOP CLIENTS

The next step in the planning process is to assess each of your top clients (A's and B's) to determine your readiness to have the fee conversation. The client assessment step contains two tools: the "CLIENT EQUILIBRIUM TEST" and the "LITMUS TEST" which are used concurrently.

How to complete the **CLIENT EQUILIBRIUM TEST**:

- 1. Select a client and determine the period you will assess. We recommend evaluating the previous 12/24 months.
- 2. Using your CRM notes and knowledge of the client, list the specific and unique qualitative and quantitative value you have provided under the "INTANGIBLE VALUE" section i.e. business lawyer referral, actions taken resulting in \$15,000 savings in taxes payable, etc.
- 3. Next, review the "CONCRETE SERVICES" this client currently utilizes. Refer to the Advisor Practice Assessment completed in the previous step for more details and examples of each category. Place a ✓ beside each of the services you're providing to this client.
- 4. Next, determine the fees this client has incurred. This will depend on your fee structure and/or compensation method for your client. Use this section to provide a breakdown of the fees charged for all of the services you have provided. i.e. fee for service totals, DSC fees, transaction costs, administration fees, fees for creating a formal financial plan, etc.
- 5. Once both sides have been completed, conduct a subjective assessment of your value based on what you have provided the client (left-side) and the total of all fees incurred by the client (right -side).
- 6. Research the competitors in your market (personal website, advocis.ca) to ensure your fees are in line with industry standards.
- 7. If you believe the fees incurred by the client are higher than the value you've provided, review the CONCRETE SERVICES that you are not offering this client and create a plan to add these services before conducting the fee conversation.

How to complete the **LITMUS TEST**:

- 1. Using the Client Equilibrium Test as your guide, answer "Yes" or "No" to each statement. Place a ✔ in either the "Yes" or "No" column for each statement.
- 2. Total the number of "Yes" and "No" answers. The greater the total of "Yes" answers, the greater the chances of having a successful fee conversation. (Note: You may wish to focus on these clients first when scheduling appointments to have the fee conversation.)
- 3. For clients that contain a significant amount of "No's", determine the actions you must take before conducting the fee conversation. You may list these actions in the "Comments" section and use these as you create your 31-103 Game Plan found in step 3 on page 16.





CLIENT NAME: Bob Smíth

FOR PERIOD ENDING Dec 31, 2013

| INTANGIBLE | INTANGIBLE VALUE PROVIDED | FEES | S | |
|--|---|---|---|--|
| Referred Bob to car dealership, | Referred Bob to car dealership, received a discounted no haggle price | What fee structure / compensation method do vou use with this client? | thod do vou use v | vith this client? |
| Eucouraged Bob to stay invested during 2009 crash | ed during 2009 crash | | | |
| Províded advíce when Bob aske | Provided advice when Bob asked about long term care for his father | Fee-Only Embadded Feet | | |
| | | Commission (| | |
| CONCRETE S | CONCRETE SERVICES PROVIDED | | S LL LL LL LL LL LL LL LL LL LL LL LL LL | COMMISSIONS |
| Financial Management | ✓ Retirement Planning | |)] - | |
| Asset Management | K Estate Planning | dees charged (fund company 1) | \$ 1750 | \$400 |
| Tax Planning | Life Transitioning Planning | Fees charged (fund company 2) | \$1038 | \$300 |
| Risk Management | Engagement Process | | ± 10.01 |)) + |
| C | COMMENTS | | |) } } |
| | | Fees charged (all others) | \$118 | \$100 |
| SAVER BOB \$19,000 IN TAXES THYOUGH COMP CLASS STRUCTURE | hrough Corp Class structure | - All other fees paid | | |
| | | | ≺ ₩ | 1 0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 |
| | | - IOIAL | - | |
| | | | | |





CLIENT NAME: Bob Smith

| | | Yes | No |
|---------------|--|--------------|--------------|
| | I have conducted a deep discovery of this client and have provided a tailored and formal financial plan to meet all their goals. | \checkmark | |
| Intangible | My years in the industry and expertise are above average in my market. | \checkmark | |
| Value | I have expanded my services to include support beyond financial advice for this client. | \checkmark | |
| | I have set, communicated and abide by high service standards with this client. | \checkmark | |
| | The value I am providing to this client is spread over four or more categories of concrete services. | \checkmark | |
| Concrete | The products and services I am providing to this dignt sufficiently support and/or address most of their life goals. | \checkmark | |
| Services | The concrete services I provide to this client or uldriot easily be converted to a do-it-yourself approach (i.e. self-lirected investing vs. estate planning) | \checkmark | |
| | This client does not focus only on reformance. | \checkmark | |
| | My client knows the exact dollar arcunts of all their fees and charges. | | \checkmark |
| | My client's assets do not surrestly include embedded fees. | \checkmark | |
| Fees | I would feel comfortable exclaining how the fees charged balance with the value and services in nave provided this client. | \checkmark | |
| | Upon seeing the fees my client has incurred, I do not feel they are likely to obtain a second opinion from a competitor. | \checkmark | |
| | I am the sole and only advisor this client uses. | | \checkmark |
| | I have created a relationship involving a high level of trust with this client. | \checkmark | |
| Other | The impact of this client moving their assets elsewhere would not significantly affect my business. | | \checkmark |
| | I have communicated at least 6 times with this client in the last 12 months. | | \checkmark |
| | Total | 12 | 4 |
| Comments: | | | |
| Relationship | began in 2001. Client is happy and provides referrals. | | |
| Good relation | ship—should schedule as one of the first to have fee conversation | wíth. | |





STEP 3 : FORMULATE A GAME PLAN

How to complete the 31-103 GAME PLAN - CLIENT:

- 1. Create a separate version of the Game Plan for each of your top clients (A's & B's). We recommend starting with your "A" Clients with the highest numbers of "No" answers on the Litmus Test.
- 2. Once you have selected your client, review the Concrete Services section in their CLIENT EQUILIBRIUM TEST. List the Concrete Services they are not currently utilizing that you believe fill a key need for that client.
- 3. Incorporate an action plan that can be implemented over the next 12 months to add the services listed above to this client.
- 4. With your team, determine the actions or steps required to implement or improve the services listed and assign action items in the Responsibilities/Requirement section.
- 5. Finally, establish a list of the roles and responsibilities needed to achieve the actions required. For each service added or improved, you are one step closer to scheduling the value conversation with the client.

How to complete the **31-103 GAME PLAN - PRACTICE**:

On the following page you'll find a sample game plan based upon industry research and best practices. In the final row, list the top three Concrete Services you would like to add to your business as identified in the **ADVISOR PRACTICE EVALUATION.** A customizable version is also included in this package should you want to create a version specific to your practice.

Best Practices:

- Involve your team early to maximize buy-in.
- Review previous notes from client meetings to determine any additional services you can offer.
- Consider specializing in a specific service (i.e. estate planning) and determine how you can improve your knowledge.





CLIENT NAME: Bob Smith

| state Planning | Deeper client discovery |
|--------------------------------|---|
| | |
| | |
| Action Plan for the next 12 | months: |
| Contact client within 30 days | to conduct interim review and offer estate planning |
| Organíze group clíent event re | : healthy lifestyle in retirement |
| | |
| | $\Delta \mathbf{V}$ |
| | |
| Responsibilities/Requirem | |
| Who: | What: |
| | Review astronaeting notes |
| | Cinta Cowholesaler regarding presentation |
| Advísor | on climat discovery |
| | \odot |
| | <u>_</u> |
| | |
| | Pull file for review |
| | |
| Advísor Team Member | Pull file for review |
| Advísor Team Member | Pull file for review Book appointment |
| | Pull file for review Book appointment |
| Advísor Team Member Notes: | Pull file for review Book appointment |
| | Pull file for review Book appointment |
| | Pull file for review Book appointment |



| Professional Development Realize Your Potential | |
|---|--|
| 8 | |

| Client Type | 2014 | 2015 | 2016 |
|--------------------|---|---|--|
| ۷ | Perform Client Equilibrium Test and Litmus Test to determine value gaps. Highlight value through a Client Value Summary based on services delivered and intangible value. Focus on offering additional concrete services to the client to maximize your share of wallet. Set up meetings for face-to-face discussions. Target 10 meetings per week. | Perform Client Equilibrium Test and Litmus Test to determine value gaps. Highlight value through a Client Value Summary based on services delivered and intangible value. Review new statements and fee disclosure at review meeting. | Perform Client Equilibrium Test and Litmus Test to determine value gaps. Highlight the value you have delivered. Update clients on progress & ensure they understand new statements. |
| ۵ | Perform Client Equilibrium Test and Litmus Test to determine value gaps. Highlight value through a Client Value Summary based on services delivered and intangible value. Focus on offering additional concrete services to the client to maximize your shree of wallet. Set up meetings for face to face discussions. Target 5 meetings per week. | Perform Clieper Lunibrium, lest and Litmus Test to diternine value gaps. Highligh halde through a Client Value Suthmar, based on services delivered. Rev twod w statements and fee of clorure at review meeting. | Perform Client Equilibrium Test and Litmus Test to determine value gaps. Highlight the value you have delivered. Discuss new statements & disclosure at review meeting. |
| C&D | Phone clients to discuss new statements and fee disclosure. | Highlight the value you have delivered. Review new statements and fee disclosure at review meeting. | Highlight the value you have delivered. Discuss new statements & disclosure at review meeting. |
| My top 3 | My top 3 Concrete Services that I will add/improve upon over the next 12 months are: | r the next 12 months are: | |
| 1: <u> Esta</u> | Estate Planning | 2: Build referral network | 3: Deeper client discovery |



17



STEP 4 : PREPARE FOR THE CONVERSATION

Advisors who have created maximum value for their clients should initiate the fee conversation early. By waiting, you may be allowing your competition to have the conversation with your clients first or your clients may find out about fees themselves at the risk damaging your relationship. Use the Conversation Planner and Value Summary tools concurrently to prepare and keep your discussion on track.

How to complete the **CONVERSATION PLANNER**:

- Introduction: Keep it simple and well rehearsed. Focus on the positives and avoid the terms "legislation" or "regulations". Example: "I wanted to speak to you about some interesting changes to enhance the level of service we provide."
- Focus on your value: Be specific about the range of services you provide and the intangible value that is not reflected on the client's statements. Highlight your value quantitatively and qualitatively. Create a Value Summary (see page 21 for a sample) to visually illustrate exactly what you have done for the client and the value of your advice.
- 3. Highlight the fee and reporting changes: Discuss what you will be providing and what they can expect.
- 4. State your fees: Establish an easy-to-read fee schedule, use terminology the client will understand and be confident in describing the fees charged. You may also wish to include responses to possible client objections when completing this section.
- 5. Summarize the benefits: The new Client Relationship Model benefits both parties when implemented successfully.

How to complete the VALUE SUMMARY:

The Value Summary is a tool that you may use to illustrate and summarize the value you have provided to the client since your relationship began.

- 1. In the first column, list the Concrete Services/Intangible Value you have provided.
- 2. Provide the specific details in the middle column. Be sure to show the robust services that fall under each category.
- 3. The final column is used to show the history including the value/benefits received by enlisting your services. Here you can describe how each has been incorporated into the client's customized financial plan and the quantitative and qualitative benefits derived from using your services.





| Client: Bob SI | níth Appointment Date: July 29th, 2013 |
|--------------------------|---|
| | - Spoke last year about compensation structure |
| Introduction | - Excíted about new changes to enhance fee transparency |
| | - Will be implemented over the next 3 years |
| | |
| | - Refer to Value Summary |
| Value provided | - Highlight value provided since relationship began in 2003 |
| | - Mention total tax savings of 719,000 through corp class |
| | -Pre-trade: More information soout the services you'll |
| | receive for the charge you are paying |
| Highlight the Changes | - Annual summing in \$\$ of compensation received by |
| C C | dealer and costs sourred by client |
| | - detailed performance reports, money-weighted information. |
| | - Províded pated fee schedule in March 2013 |
| | - Receive compensation of around 1% of AUM, last year this |
| State your fees | amounted to \$5265 |
| | |
| | - A more open relationship |
| | - Enables you to be more confident when making |
| Summary of benefits | investment decisions as you'll have the full picture |
| | |
| | |



| Professional Development | Realize Your Potential |
|-----------------------------|------------------------|
| 0 | |

| Client: Bob Smith | £ | Date: July 15, 2013 |
|--|---|--|
| | Services Provided | History |
| Engagement Process for Our Services | Understand your thinking: goals, attitudes, lifestyles, opinions and values Family: children, spouse, extended family | Initial discovery: 02.15.2003 Meeting with Mr. Smith's parents regarding long term care: 06.19.2004 |
| Tax Planning Strategy | •Tax mitigation •Estate planning & Charitable giving •Education planning | Tax mitigation through hold co since: April 2006 Comprehensive estate plan completed: 08.08.2007 |
| Asset Management | Repositioning of portfolio to target allocations Portfolio Tax Optimization | •Portfolio construction based on KYC and IPS 03.20.2003 |
| Estate Planning Strategy | •Wills •Power of Attorney •Accountancy se vices | •Wills & POA completed by Anderson Smith law firm: 04.06.2009 •Tax filing through recommended accountant, James Jones, since: April 2006 |
| Life Transition Management | Retirement Job change/loss Divorce Business transition/succession | Retirement plan and cash flow forecast: 07.03.2003 Business succession plan completed: 09.15.2008 RESP set up: 07.07.2003 |
| Value-added Service | Investment Policy Statement Clear Service Agreement Regular, tailored communication Risk assessment Performance assessment Update on personal situation, goals and adjust plan accordingly | Original IPS provided: 03.20.2003 Risk assessment conducted: 03.20.2003 Updated IPS and service agreement provided: 09.21.2007 Average communication: twice per month since 2003 Annual Client Appreciation Events Annual reviews including re-discovery, update on situation, revised cash flow forecast: every March since 2003 |





BEST PRACTICES

INTIATE THE CONVERSATION



Demonstrate initiative and leadership by being first to address fees.

Demonstrate confidence in discussing all topics to build trust.

Keep it simple; have well-rehearsed answers to potential client questions and focus on clarity.

OPENING STATEMENT

Best phrases...



"I wanted to speak to you about some interesting changes to enhance the level of service we provide."

"I'm excited to tell you about some adjustments we've made to improve your investment experience."

What not to say...



"I'm being legislated to tell you how much you pay me."

"The regulators say I have to provide more information to you than I used to."





FOCUS ON CONCRETE SERVICES & INTANGIBLE VALUE

- Be specific about the range of services you provide: drill down to the unique benefit for each client.
- Demonstrate the services you have provided in detail using the Value Summary Tool.
- Highlight the intangible value you provide, such as helping your clients stay calm and on track during market turmoil, tailored communication, non-financial advice, etc.



CLEARLY DESCRIBE FEES



- Provide an easy-to-read fee schedule to new and existing clients.
- When describing fees, use terminology that is simple to understand stay on track and be concise.
- Be confident in describing the fees charged for the services you provide.







THE "VALUE" CONVERSATION

1. Practice the conversation with your favourite clients

Your initial conversations should be with clients you have the best relationship with and believe will handle the conversation well.

Once you have perfected your approach, it will be easier to conduct the conversation with clients who may be more challenging.

2. Remind your clients you're there for the long term

Ensure you convey that you have your clients' best interests at heart.

Your service offering, financial plan and fees are based on a long-term, successful relationship.

3. Be ready for objections

Some clients will ask further questions or challenge your fees for the services you provide.

Have well-prepared responses to these questions and be confident in your answers.

4. Your client's success is your success

Highlight that your income rises and declines in tandem with the client due to trailer fees.

Reiterate that your business depends on their long term success.

5. Focus on the money you have saved your client

Summarize the cost-savings you have provided, such as integrating multiple accounts, tax mitigation strategies or the progress they have made towards their financial goals.







EMBRACE THE RULES

CRM2 is your opportunity to build greater levels of trust with your clients. Embracing the changes will demonstrate your commitment to putting your investor's interests first and enable you to develop stronger relationships.

IMPLEMENTATION TIMELINE

In the table below, you'll find the requirements and their implementation dates. The first column titled "Preparation Runway" is the timeframe we recommend you use to prepare your practice for the disclosure requirements shown below.

| Preparation Runway | Requirements | Implementation Date |
|-----------------------|--|------------------------|
| Now* | Regular quarterly account statements (or monthly if requested) 60 days notice for clients regarding new or increased operating charges Relationship Disclosure Information (RDI) containing a complete description of operating and transaction charges for new and existing clients | July 15, 2013 |
| 2013* | Pre-trade disclosure of all charges, DSC or trailing commissions Enhanced content of trade confirmations (disclosure of all charges) | July 15, 2014 |
| 2014* | More thorough account statements to include: registration information market value of each security whether the account is covered under an investor protection fund and which securities in the account might be subject to a DSC if sold position cost information | December 31, 2015 |
| 2015* | Increased information on trade confirmation (transaction charges, DSC or other charges, includes fixed income spreads) Report summary on charges and other compensation Annual performance reporting: money-weighted basis | July 15, 2016 |

*All requirements are ongoing

Note: The following is our interpretation of the new rules. For more information, we recommend you consult with your dealer.





31-103 TOOLS

The Professional Development Team at CI Investments is committed to your ongoing success. We have compiled extensive research to ensure the strategies and tools provided will help you adapt and thrive in the face of the new legislation.

Blank versions of each tool can be found in this section. For additional tools, visit www.ci.com/pd. For further information or assistance, contact your CI Wholesaler.







| | INTANGIBLE V/ | BLE VALUE PROVIDED | |
|---------------------------------|------------------------------|---------------------------------|-------------------------------|
| | | | |
| | | | |
| | CONCRETE SER | TE SERVICES PROVIDED | |
| Financial Management | Asset Management | Tax Planning | Risk Management |
| Mortgage & Debt Analysis | Portfolio/Pension Analysis | Tax Analysis | Life Insurance –Term/Perm |
| Cash Flow Analysis | Diversified product offering | Tax Return Coordination | Critical Illness & Disability |
| Cash Flow Projection | Retirement/Education/Savings | In Depth Personal Tax Planning | Long Term Care Insurance |
| RRSP/Leverage Loans | Repositioning/Rebalancing | Business Tax Planning | Other |
| Regular Reviews | Regular Reviews | Regular Reviews | Regular Reviews |
| Retirement Planning | Estate Planning | Life Transition Planning | Engagement Process |
| Retirement Income Analysis | Estate Planning Analysis | Eldercare Issues | Deep client discovery |
| Assessment of Objectives | Wills and POA | Workplace Transitions | Client Action Plan |
| Retirement Expenses Analysis | Charitable Giving | Healthy Living | Regular status reports |
| Retirement Cash Flow Projection | Business Succession Planning | Referral to other professionals | Consistent communication |
| Regular Reviews | Regular Reviews | Regular Reviews | Proactive problem resolution |
| | CLIENT SEC | NT SEGMENTATION | |
| TOTAL CLIENTS | TOTAL A CLIENTS | TOTAL B CLIENTS | TOTAL C & D CLIENTS |



26

Professional Development Realize Your Potential

CLIENT NAME:

FOR PERIOD ENDING_

| INTANGIBLE / | INTANGIBLE VALUE PROVIDED | FEES | ES |
|----------------------|-----------------------------|---|------------------------------------|
| | | What fee structure / compensation method do you use with this client? | ethod do you use with this client? |
| | | Fee-Only | |
| | | | |
| CONCRETE SE | CONCRETE SERVICES PROVIDED | | FEES COMMISSIONS |
| Financial Management | Retirement Planning | Fees charged (fund company 1) | |
| Asset Management | Estate Planning | | |
| Tax Planning | Life Transitioning Planning | Fees charged (fund company 2) | |
| Risk Management | Engagement Process | Fees charged (fund company 3) | |
| COV | COMMENTS | Fees charged (all others) | |
| | | All other fees paid | |
| | | | |
| | | TOTAL | |
| | | | |





CLIENT NAME:

| | I have conducted a deep discovery of this client and have provided a tailored and formal financial plan to meet all their goals. | |
|------------|--|--|
| | tailored and formal mancial plan to meet all their goals. | |
| Intangible | My years in the industry and expertise are above average in my market. | |
| Value | I have expanded my services to include support beyond financial advice for this client. | |
| | I have set, communicated and abide by high service standards with this client. | |
| | The value I am providing to this client is spread over four or more categories of concrete services. | |
| Concrete | The products and services I am providing to this client sufficiently support and/or address most of their life goals. | |
| Services | The concrete services I provide to this client could not easily be converted to a do-it-yourself approach (i.e. self directed investing vs. estate planning) | |
| | This client does not focus only on performance. | |
| | My client knows the exact dollar amounts of all their fees and charges. | |
| | My client's assets do not currently include embedded fees. | |
| Fees | I would feel comfortable explaining how the fees charged balance with the value and services I have provided this client. | |
| | Upon seeing the fees my client has incurred, I do not feel they are likely to obtain a second opinion from a competitor. | |
| | I am the sole and only advisor this client uses. | |
| | I have created a relationship involving a high level of trust with this client. | |
| Other | The impact of this client moving their assets elsewhere would not significantly affect my business. | |
| | I have communicated at least 6 times with this client in the last 12 months. | |
| | Total | |





CLIENT NAME:_

| Services not curr | ently being provided that this client would most benefit from: |
|--------------------|--|
| | |
| | |
| | |
| Action Plan for th | e next 12 months: |
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| Client Type | 2015 | 2016 | 2017 |
|----------------|--|----------------------------|------|
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| My top 3 | My top 3 Concrete Services that I will add/improve upon over the next 12 months are: | ir the next 12 months are: | |
| ÷- | 2. | | 3 |
| | | | |





| Client: | Appointment Date: |
|-----------------|-------------------|
| | |
| Introduction | |
| introduction | |
| | |
| Value provided | |
| | |
| | |
| Highlight the | |
| changes | |
| | |
| | |
| | |
| State your fees | |
| | |
| | |
| Summary | |
| of benefits | |
| | |





| Date: | History | | | |
|---------|-------------------|--|--|--|
| | Services Provided | | | |
| Client: | | | | |





APPENDIX A

SAMPLE ANNUAL COST DISCLOSURE STATEMENT

Including required information as prescribed by the regulators



XYZ WEALTH MANAGEMENT Annual Charges and Compensation Report

Mr & Mrs Client 123 Fee Street Toronto, Ontario M6K 3Z3 Account Number: 12345678

June 20th, 2013

This report summarizes the compensation that we received directly and indirectly in 2013. Our compensation comes from two sources:

- 1. What we charge you directly. Some of these charges are associated with the operation of your account. Other charges are associated with purchases, sales and other transactions you make in the account.
- 2. What we receive through third parties.

Charges are important because they reduce the profit or increase your loss from investing. If you need an explanation of the charges described in this report, your representative can help you.

| Charges you paid directly to us | Amount | Total | |
|---|--------|---------|--|
| RSP Administration fee | \$100 | | |
| TOTAL CHARGES ASSOCIATED WITH THE OPERATION OF YOUR ACCOUNT | | | |
| Commissions on purchases of mutual funds with a sales charge \$101 | | | |
| Switch fees \$45 | | | |
| TOTAL CHARGES ASSOCIATED WITH TRANSACTIONS WE EXECUTED FOR YOU | | | |
| TOTAL CHARGES YOU PAID DIRECTLY TO US | | | |
| Compensation we received through third parties | | | |
| Commissions from mutual fund managers on purchases of mutual funds (see note 1) | | | |
| Trailing commissions from mutual fund managers (see note 2) | | | |
| TOTAL COMPENSATION WE RECEIVED THROUGH THIRD PARTIES | | | |
| TOTAL CHARGES & COMPENSATION WE RECEIVED IN 20XX | | \$1,035 | |

Notes:

- 1. When you purchased units of mutual funds on a deferred sales charges basis, we received a commission from the investment fund manager. During the year, these commissions amounted to \$503
- We received \$286 in trailing commissions in respect of securities you owned during the 12-month period covered by this report.

Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission depends on the sales charge option you chose when you purchased the fund. You are not directly charged the trailing commission or the management fee. But, these fees affect you because they reduce the amount of the fund's return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund.





APPENDIX B

SAMPLE INVESTMENT PERFORMANCE REPORT Including required information as prescribed by the regulators



Your Investment Performance Report: For the period ending December 31, 2030

Mr & Mrs Client 123 Fee Street Toronto, Ontario M6K 3Z3

Account Number: 12345678

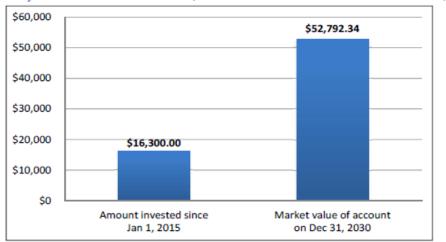
This report tells you how your account has performed to December 31, 2030. It can help you assess your progress toward meeting your investment goals

Speak to your representative if you have questions about this report. It is important that you tell your representative if your personal or financial circumstances have changed. Your representative can recommend adjustments to your investments to keep you in track to meeting your goals.

Total value summary

Your investments have increased by \$36,492.34 since you opened this account Your investments have increased by \$2,928.85 during the past year

| Amount invested since you opened your account on January 1, 2015 | \$16,300.00 |
|--|-------------|
| Market value of your account on December 31, 2030 | \$52,792.34 |



Amount invested means opening market value plus deposits including: the market value of all deposits and transfers of securities and cash into your account, not including interest or dividends reinvested.

Less withdrawals including: the market value of all withdrawals and transfers out of your account.





CONTINUED FROM PREVIOUS PAGE



Changes in the value of your account

This table is a summary of the activity in your account. It shows how the value of your account has changes based in the type of activity.

| | Past year | Since you opened your account |
|--|--------------|----------------------------------|
| Opening market value | \$51.063.49 | \$0.00 |
| Deposits | \$4,000.00 | \$21,500.00 |
| Withdrawals | \$(5,200.00) | \$(5,200.00) |
| Change in the market value of your account | \$2,928.85 | \$38,492.34 |
| Closing market value | \$52,792.34 | \$52,792.34 |

Your personal rate of return

The table below shows the total percentage return of your account for periods ending December 31, 2030. Returns are calculated after charges have been deducted. These include charges you pay for advice, transaction charges and account-related charges, but not income tax.

| | Past year | Past 3 years | Past 5 years | Past 10 years | Since you opened your account |
|--------------|-----------|--------------|--------------|---------------|-------------------------------------|
| Your account | 5.51% | 10.92% | 12.07% | 12.90% | 13.09% |

Calculation method

We use a money weighted method to calculate rates of return. Contact your representative if you want more information about this calculation.

What is percentage total return?

This represents gains and losses of an investment over a specified period of time, including realized and unrealized capital gains and losses plus income, expressed as a percentage.

For example, an annual total; percentage return of 5% for the past three years means that the investment grew by 5% a year in each of the three years.

The returns in the table directly above are your personal rates of return. Your returns are affected by changes in the value of the securities you have invested in, dividends and interest paid and also deposits and withdrawals to and from your account.

If you have a personal financial plan, it will contain a target rate of return, which is the return required to achieve your investment objectives. By comparing rates of return you actually achieved (shown in the table) with your target rate of return, you can see whether you are on track to meet your investment objectives.

Contact your representative to discuss your rate of return and investment objectives.





APPENDIX C

SAMPLE OF FUND FACTS



FUND FACTS

XYZ Canadian Equity Fund – Series B

June 30, 20XX

This document contains key information you should know about XYZ Canadian Equity Fund. You can find more details in the fund's simplified prospectus. Ask your representative for a copy, contact XYZ Mutual Funds at 1-800-555-5556 or investing@xyzfunds.com, or visit www.xyzfunds.com.

Before you invest in any fund, consider how the fund would work with your other investments and your tolerance for risk.

| | Quick facts | | | | | |
|---|---|----------------------|---|----------------------------|--------------|--|
| | Fund code: | XYZ123 | Fund manager: | XYZ M | utual Funds | |
| | Date series started: | March 31, 2000 | Portfolio manager: | Capital Asset Mana | gement Ltd. | |
| | Total value of fund on June 1, 20XX: | \$1 billion | Distributions: | Annually, on D | ecember 15 | |
| | Management expense ratio (MER): | 2.25% | Minimum investment: | \$500 initial, \$5 | D additional | |
| | | | | | | |
| | What does the fund invest in? | | | | | |
| | The fund invests in a broad range of stocks | of Canadian companie | They can be of any size and | from any industry | | |
| | The charts below give you a snapshot of the | | | | | |
| | | | | | | |
| | Top 10 investments (June 1, 20XX) | | Investment mix (June 1 | , 20XX) | | |
| | Royal Bank of Canada | 7.5% | | Industry | | |
| | 2. Toronto-Dominion Bank | 7.1% | | Financial services | 34.0% | |
| | Canadian Natural Resources | 5.8% | | Energy | 26.6% | |
| | The Bank of Nova Scotia | 4.1% | | Industrial goods | 16.5% | |
| | Cenovus Energy Inc. | 3.7% | | Business services | 6.4% | |
| | 6. Suncor Energy Inc. | 3.2% | | Telecommunication | 5.9% | |
| | 7. Enbridge Inc. | 3.1% | | Hardware | 3.7% | |
| | 8. Canadian Imperial Bank of Commerce | 2.9% | | Healthcare services | 2.3% | |
| | 9. Manulife Financial Corporation | 2.7% | | Consumer services | 2.1% | |
| | 10. Canadian National Railway Company | 1.9% | | Media | 1.9% | |
| | Total percentage of top 10 investments | 42.0% | | Consumer goods | 0.6% | |
| | Total number of investments | 93 | | | | |
| | | | | | | |
| _ | | | | | | |
| | How risky is it? | | Risk rating | | | |
| | The value of the fund can go down as well as up. You could lose | | XYZ Mutual Funds has rated the volatility of this fund as medium. | | | |
| | money. | | This rating is based on how much the fund's returns have | | | |
| | One way to gauge risk is to look at how mu | ch a fund's returns | changed from year to year. It doesn't tell you how volatile the | | | |
| | change over time. This is called "volatility". | 6 | | The rating can change over | time. A | |
| | In general, funds with higher volatility will h | ave returns that | fund with a low risk rating can still lose money. | | | |

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.



For more information about the risk rating and specific risks that can affect the fund's returns, see the Risk section of the fund's simplified prospectus.

No guarantees

Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest.





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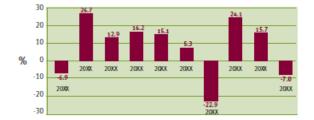
XYZ Canadian Equity Fund - Series B

How has the fund performed?

This section tells you how Series B units of the fund have performed over the past 10 years. Returns are after expenses have been deducted. These expenses reduce the fund's returns.

Year-by-year returns

This chart shows how Series B units of the fund performed in each of the past 10 years. The fund dropped in value in 3 of the 10 years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.



Best and worst 3-month returns

This table shows the best and worst returns for Series B units of the fund in a 3-month period over the past 10 years. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

| | Return | 3 months ending | If you invested \$1,000 at the beginning of the period |
|--------------|--------|-------------------|--|
| Best return | 32.6% | April 30, 2003 | Your investment would rise to \$1,326. |
| Worst return | -24.7% | November 30, 2008 | Your investment would drop to \$753. |

Average return

The annual compounded return of Series B units of the fund was 6.8% over the past 10 years. If you had invested \$1,000 in the fund 10 years ago, your investment would now be worth \$1,930.

Who is this fund for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of stocks of Canadian companies
- can handle the ups and downs of the stock market.
- Don't buy this fund if you need a steady source of income from your investment.

A word about tax

In general, you'll have to pay income tax on any money you make on a fund. How much you pay depends on the tax laws where you live and whether or not you hold the fund in a registered plan, such as a Registered Retirement Savings Plan or a Tax-Free Savings Account.

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.





XYZ Mutual Funds

How much does it cost?

CONTINUED FROM PREVIOUS PAGE

XYZ Canadian Equity Fund – Series B

| now indefined to stere | | | | | | |
|--|--|--------------|--|--|-----------------------|--|
| The following tables show the fees and expenses you could pay to buy, own and sell Series B units of the fund. The fees and expenses — including any commissions — can vary among series of a fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other funds and investments that may be suitable for you at a lower cost. | | | | | | |
| 1. Sales charges You have to choose a s | sales charge option | when you | buy the fund. Ask abou | It the pros and cons of each option. | | |
| Sales charge option | W | /hat you p | Day | How it works | | |
| | in per cent (%) | | in dollars (\$) | | | |
| Initial sales charge | 0% to 4% of the a you buy | mount | \$0 to \$40 on every \$1,000 you buy | You and your representative decide or The initial sales charge is deducted fro buy. It goes to your representative's fir | m the amount you | |
| Deferred sales charge | If you sell within: | | \$0 to \$60 on every \$1,000 you sell | The deferred sales charge is a set rate from the amount you sell. | e. It is deducted | |
| | 1 year of buying 2 years of buying | 6.0% 5.0% | \$1,000 you sen | When you buy the fund, XYZ Mutual Fi | unds pays your | |
| | 3 years of buying | 4.0% | | representative's firm a commission of 4.9%. A sales charge you pay goes to XYZ Mutual Fund You can sell up to 10% of your units each year paying a deferred sales charge. You can switch to Series B units of other XYZ M Funds at any time without paying a deferred sales charge schedule will be based of the second second | 4.9%. Any deferred | |
| | 4 years of buying | 3.0% | | | | |
| | 5 years of buying | | | | ach year without | |
| | 6 years of buying | 1.0% | | | hor XV7 Mutual | |
| | After 6 years | nothing | | | eferred sales charge. | |
| The deferred sales charge schedule will be based or date you bought the first fund. 2. Fund expenses You don't pay these expenses directly. They affect you because they reduce the fund's returns. As of March 31, 20XX, the fund's expenses were 2.30% of its value. This equals \$23 for every \$1,000 invested. | | | | | | |
| Annual rate (as a % of the fund's value) | | | | | | |
| This is the total of the fu commission) and operat the fund's expenses. If i | Management expense ratio (MER) This is the total of the fund's management fee (which includes the trailing commission) and operating expenses. XYZ Mutual Funds waived some of the fund's expenses. If it had not done so, the MER would have been higher. 2.25% | | | | | |
| Trading expense ratio (These are the fund's tra | | | | 0.05% | | |
| | | | | | | |

Fund expenses

More about the trailing commission

The trailing commission is an ongoing commission. It is paid for as long as you own the fund. It is for the services and advice that your representative and their firm provide to you.

XYZ Mutual Funds pays the trailing commission to your representative's firm. It is paid from the fund's management fee and is based on the value of your investment. The rate depends on the sales charge option you choose.

2.30%

| Sales charge option | Amount of trailing commission | | | | |
|-----------------------|---|---|--|--|--|
| | in per cent (%) in dollars (\$) | | | | |
| Initial sales charge | 0% to 1% of the value of your investment each year | \$0 to \$10 each year on every \$1,000 invested | | | |
| Deferred sales charge | 0% to 0.50% of the value of your investment each year | \$0 to \$5 each year on every \$1,000 invested | | | |





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