



February 10, 2017

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

Submitted by Email: [submissions@ontario.ca](mailto:submissions@ontario.ca)

Dear Minister Sousa,

Independent Financial Brokers of Canada (IFB) is pleased to provide our input to the Ontario pre-budget consultation process.

IFB is the only Canadian association dedicated to representing the interests of independent financial professionals. Our members value the independent business model because it allows them to offer clients advice and services from a broad range of providers. IFB members are not career insurance agents or employees of a financial services institution. They are typically self-employed, and operate small to medium-sized financial firms in their local communities. The majority of IFB members live and work in Ontario and are licensed to sell life/health insurance and/or mutual funds. Many hold licenses, or credentials, that allow them to provide complementary financial services to consumers, including securities, scholarship plans, and financial planning so they can more effectively address the financial needs of their clients.

The Ontario government has expressed concern over the inadequate savings strategies of many consumers, which have led some to high levels of debt or lack of preparedness for retirement. Our members are at the forefront of working with consumers every day to help address these inadequacies. Yet, increasingly, the viability of independent financial advice is threatened by the regulatory and legislative changes being contemplated in Ontario. We urge this government to prioritize not only the importance of financial advice, but ensure its availability to consumers of all financial means.

IFB was pleased to attend, and present our input at, the pre-budget consultation in Mississauga on January 31, 2017. Our remarks from that stakeholder session form the basis of this response. Should you wish to discuss our remarks further, please contact the undersigned.

Yours truly,

A handwritten signature in black ink that reads 'Nancy Allan'.

Nancy Allan  
Executive Director  
Email: [allan@ifbc.ca](mailto:allan@ifbc.ca)



# 2017 Pre-Budget Submission

SUBMITTED TO: THE HONOURABLE CHARLES SOUSA,  
MINISTER OF FINANCE  
FEBRUARY 2017

The government's commitment to promote financial literacy and education and advance savings strategies for consumers within a transparent and fair financial marketplace complements the focus of IFB members, who live and work in Ontario communities, and focus on helping their clients prepare for a better financial future.

## Financial Services Regulation

Ontario has shown leadership in financial services regulation by initiating the consultations on financial advice and financial planning, and the review of the mandates of FSCO, DICO and the FST. IFB has actively participated in these discussions from the beginning, both at roundtables and through written submissions.

### *FSCO Mandate Review*

IFB supported the FSCO, DICO and FST mandate reviews. Of particular interest is in the future of FSCO, because the majority of IFB members in Ontario are regulated by FSCO. It was clear from the Expert Panel's findings that FSCO is overburdened - presenting risk to all sectors it regulates, including life insurance. Auto insurance has consumed a disproportionate amount of its time and resources and, as the Auditor General pointed out in her report, many of Ontario's defined benefit pension plans are severely underfunded. Steps must be taken to address this and protect the interests of the thousands of Ontarians who are relying on these plans to fund their retirement.

The Financial Services Regulatory Authority (FSRA) promises to be a more modern regulatory body - better positioned to address the needs of Ontario's growing financial services sector. How the FSRA evolves into a functioning entity, however, will determine how successfully it meets this expectation.

The life insurance industry in Canada has a long history of cooperation between its regulators and those it regulates, and FSCO has been one of the most consultative. Canadian insurance regulators have relied on a principles-based approach, and regulatory solutions developed in cooperation with life insurance industry stakeholders. We trust that this approach will continue under the FSRA, and we look forward to enjoying the same mutually respectful relationship with the FSRA that we have had with FSCO.

### *Financial Planning Consultation*

We look forward to the final report of the Expert Committee, and any policy position arising from the financial planning consultation. We are concerned, however, that certain regulatory initiatives currently underway may contribute to a fragmented approach, leading to greater confusion for the public, the industry, and advisors who work every day with clients whose needs and financial resources range widely.

In December, IFB attended a roundtable discussion hosted by the Ontario Securities Commission (OSC) on the Canadian Securities Administrator's consultation proposing ten targeted reforms and possible implementation of a best interest duty (BID). It was clear at this event that the OSC intends to proceed on implementing a BID in advance of the Expert Committee's final report and the government's review of the Committee's findings.

Similarly, the MFDA recently consulted on restricting the use of business titles by advisors, and in particular advisor's use of the title "financial planner". IFB has always taken the position that advisors should only use titles which properly reflect their proficiency. This view has not changed, however, because the outcome of both the CSA and Ontario-led consultations are still outstanding, we declined to comment on this MFDA consultation. We believe that, should the MFDA proceed with a Rule change at this stage, it risks taking a regulatory approach that may be inconsistent with the CSA's and the Ontario government's final policy position.

### *Impact of Regulation*

New and innovative technologies, and regulatory pressures -- particularly in the securities sector -- are driving rapid change throughout the financial services industry. Change is good and healthy, but it can lead to unintended, and potentially negative, consequences. We urge this government to be mindful of the many excellent financial advisors who truly care about their clients' well-being, when considering regulatory change that will impact everyone.

Many financial advisors are small business people who provide personalized service to clients in their local community. Many do not live or work in large urban centers, nor do they serve the well-heeled investor with significant resources. The average yearly income in Ontario is just under \$40,000.<sup>1</sup> These are the individuals and families that many IFB members serve, and these clients benefit as much from the savings strategies and tailored advice their financial advisor provides, as they do from the investments themselves.

Some of the regulatory initiatives under consideration will have real consequences to the ability of these advisors to continue in the business of providing financial advice to ordinary citizens. Rising costs will reduce the availability of advice - particularly for small investors, and in small and rural communities across Ontario -- to the detriment of both consumers and small financial businesses. We do not believe regulatory or public policy should adversely limit choice in the marketplace.

### *Balancing the Needs of a Diverse Investor Population*

Finally, we are increasingly seeing regulation that is tailored to the large cohort of baby boomers who make up the so-called 'grey shift'. Protection for senior and vulnerable investors is important, and always will be. But we cannot forget that there are other investors who have a much longer investment horizon, a greater tolerance for risk, and more comfort with technological solutions. Furthermore, some 'seniors' are very sophisticated and capable investors, and chafe at well-meaning rules that limit their ability to invest as they see fit. In this regard, regulation designed to protect a vulnerable sector must be balanced with regulation that allows for choice, innovation, and a variety of investing and savings vehicles appropriate for consumers at all life stages.

IFB looks forward to continuing to work with the Minister, Ministry officials, and other stakeholders to ensure the financial services industry in Ontario remains vibrant, competitive and accessible to all.

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<sup>1</sup> Ontario Factsheet. January 2017. <http://www.fin.gov.on.ca/en/economy/ecupdates/factsheet.html>