

MFDA Investor *Bulletin*

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JUNE 2021 **SENIORS MONTH**

June is Seniors' Month and to mark the occasion the MFDA is issuing an Investor Bulletin with information to help investors make informed decisions and protect themselves from frauds and scams.



World Elder Abuse Awareness Day

The United Nations has designated June 15 as **World Elder Abuse Awareness Day**. The World Health Organization estimates that 15.7% of people 60 years and older are subject to abuse. Contrary to what may be assumed, the abuser is rarely a stranger and is often a person who is close to the victim such as a family member, a care giver or a companion. Elder abuse can be physical, psychological and financial.

Financial abuse of seniors is a particular form of elder abuse that often involves the stealing or unauthorized use by the abuser of the senior's money or property. Examples of financial abuse include:

- ✓ Pressuring a senior into giving the abuser money (can be through physical threat, emotional manipulation, or neglect of care)
- ✓ The misuse of a power of attorney by the abuser to obtain the senior's money or property

- ✓ Unauthorized purchases using the senior's money for the abuser's own benefit
- ✓ Forcing or tricking a senior into signing legal or financial documents (e.g. wills, powers of attorney, trade forms)

The MFDA is working to protect senior investors in Canada by offering assistance to MFDA Members and advisors on topics such as vulnerable clients and measures dealers and advisors can take to protect them. The MFDA recently published a **Discussion Paper on Vulnerability and Financial Advice** in addition to a **Bulletin on Practices to Protect Seniors and Vulnerable Clients** which was published in 2019.





Trusted Contact Persons

If you are asked by your dealer whether you want to name a Trusted Contact Person, it is something worth considering. Naming a Trusted Contact Person could help your dealer to respond to possible situations of financial abuse or fraud affecting your account. A Trusted Contact Person is a resource to help you and the dealer in situations where there are concerns about you or your account. Naming a Trusted Contact Person does not give that individual any authority over your account.



Anticipated Ban on Deferred Sales Charges Coming in 2022

The Canadian Securities Administrators have announced a ban on the sale of mutual funds with a deferred sales charge (DSC) fee structure. With a deferred sales charge fund you do not pay a fee when purchasing a mutual fund and may pay a fee when you sell or redeem the mutual fund. The longer you hold a deferred sales charge fund the lower the fee becomes. The typical hold period for the DSC fee to go to zero is seven years. When you purchase a deferred sales charge fund it generates a sales commission of up to 5% of the purchase amount.

The ban on deferred sales charges is expected to be in effect as of June 1, 2022. These types of fees can cause harm to investors as the commission structure creates conflicts of interest and the redemption fees limit investors' full access to their investments.

Many mutual fund dealers have already transitioned away from offering funds under the deferred sales charge model. If you invest in a mutual fund with a DSC fee prior to June 1, 2022 be aware that you will have to pay a fee if you redeem your funds prior to the end of the sales charge schedule.

Be aware that your advisor has an obligation to treat all investors fairly and must recommend suitable products that take into consideration each client's investment time horizon and liquidity needs. If your investment time horizon is less than the DSC fee period or if you believe there is any chance you might need to access your funds before that time you should not invest in a deferred sales charge mutual fund.



Investor Alert: Scams Imitating Well-Known Financial Brands

Securities regulators have become aware of scams where fraudsters have created electronic brochures and other marketing materials that appear to be from well-known financial brands. These "spoof" materials are used to direct investors to fraudulent website or phone numbers and appear very professional and realistic. These spoof materials are being used to deceive and defraud investors. To learn more about these scams and how to detect them and protect yourself please visit this [CSA Investor Alert](#).

If you are recommended a mutual fund with a DSC fee don't be afraid to tell you advisor that you prefer a mutual fund with a different fee structure. Please consult the [MFDA Bulletin on Mutual Fund Fees](#) for more information.

For further information related to seniors and investing please visit the MFDA Seniors' page at www.mfda.ca/investors/for-seniors.



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The MFDA will continue to publish Investor Bulletins related to protecting investors and providing information on COVID-19 developments. You can subscribe to receive MFDA Investor Bulletins directly through the MFDA's email subscription service at www.mfda.ca/subscribe.

In addition, investors are encouraged to review all COVID-19 related resources posted to the [MFDA COVID-19 information page](#).



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