

MFDA Investor *Bulletin*

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OCTOBER 2021 INVESTOR EDUCATION

In recognition of World Investor Week 2021 and Investor Education Month the MFDA is issuing an Investor Bulletin to provide investors with key information to help them make informed decisions when investing.



Verify That Your Investment Professional is Licensed

Any advisor who advises or trades in securities such as mutual funds, stocks, and bonds must be registered with provincial or territorial securities regulatory authorities.

You can check whether an advisor is properly registered by using the **National Registration Search Tool** at www.aretheyregistered.ca. A person whose name does not appear in the search cannot trade in or advise on securities, and you should not deal with such a person for those purposes.

Investing with a properly registered investment professional provides you with many benefits including:

- ✓ The protection of a strong and effective regulatory system
- ✓ Qualification and proficiency standards for advisors
- ✓ Complaints handling standards that require dealers to handle complaints fairly and promptly

- ✓ Publicly available records and disciplinary histories for both advisors and dealers



Good to Know

Be very cautious when dealing with any unregistered person who refers you to another registered individual in order to complete a transaction. In such situations you may not benefit from all of the regulatory protections that would apply when dealing with a registered investment professional directly.



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels



Know the Red Flags of Investment Fraud

Would you know how to spot a fraudulent investment if you were offered one? Below are some red flags to watch out for when investing. You should be very cautious if you encounter any of these situations. Never invest your money in an investment that you do not fully understand or do not feel comfortable with. Remember if it sounds too good to be true it probably is!

GUARANTEED AND RISK FREE INVESTMENTS

There is no such thing as a low-risk high-return investment. This is because risk and return are directly related – the higher the return the higher the risk – this is always the case when it comes to investing. Deposit instruments such as a GIC from a chartered bank are low risk investments and typically provide for returns that range from less than 1% to just over 2% per year depending on the term of the investment. If you are offered an investment with a significantly higher rate of return and are told that it is risk free or guaranteed, you should consider this a serious red flag.

HIGH PRESSURE SALES TACTICS

Do not invest money if you feel that you are being pressured to invest. Fraudsters often use high-pressure sales tactics in order to coerce individuals into investing in their fraudulent products. One technique used to pressure individuals involves limiting the time that an investment is available for purchase. This creates pressure on a person to purchase and limits their ability to think things through and make a considered decision. A time-limited investment should be considered a red flag, especially if the time limit is very short. For example, if you are told that an opportunity to invest is only available for a few hours it is highly likely to be fraudulent.

SOLICITATIONS BY PHONE AND EMAIL

Receiving a sales call or email from a person that you do not know is a red flag. When making an investment you should only deal with an advisor that you are familiar with, or a representative from a dealer where you already have an account or business relationship. Always check the registration of an individual before you open an account and invest.



Plan for the Unexpected

The COVID-19 pandemic has brought about rapid and sometimes confusing changes to the lives of all Canadians. These changes have caused many Canadians to feel stressed and uncertain about the future.

When it comes to financial matters, a good way to help with worry and concern is to create a plan to deal with situations that might arise in the future. Now is a good time to have a discussion with your advisor about actions you can take to prepare for the unexpected.

Consider discussing:

- ✓ How you can prepare both mentally and financially for any future market volatility
- ✓ Whether you want to start saving for an emergency fund or make changes to one you have in place
- ✓ How to access your emergency fund or other savings in case of a financial emergency
- ✓ Whether your risk tolerance has changed and whether there should be any corresponding changes to your portfolio



Stay Informed: Subscribe to MFDA Investor Bulletins

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 <http://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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