



# Relationship Disclosure Document

As a member of the Mutual Fund Dealers Association of Canada (*MFDA*), Educators Financial Group (*"Educators"*) is required to provide all clients (*new and existing*), core information about the nature of their relationship between Educators and its financial advisors. The objective of the relationship disclosure requirement is to ensure that clients understand their obligations upon opening an account, as well as the obligations of Educators in regards to informing clients about service levels and costs.

## Nature of the Advisory Relationship

As a client of Educators, you are responsible for making your investment decisions. However, you may rely on the advice given by your designated financial advisor – as the financial advisor is always responsible for the advice given, and for ensuring that the advice is suitable based on the client's investment needs and objectives.

## Nature of Products and Services Offered

Educators offers the ability to choose from thousands of mutual fund products, including its own family of mutual funds. Our services include free financial planning, webinars, workshops, and for clients looking to purchase securities other than mutual funds, we have partnered with third party service provider, Qtrade and Virtual Wealth. In addition, Educators is also a Mortgage Brokerage firm offering mortgages to clients, as well as lines of credit and loans through various lending partners.

For more detailed information on the specific products and services offered, clients can visit [educatorsfinancialgroup.ca](http://educatorsfinancialgroup.ca), or call **1.800.263.9541** and ask to speak to an Account Manager. Any cost of borrowing or other required disclosure under the *Mortgage Brokerages, Lenders and Administrators Act, 2006 (Ontario)* will be provided to you if you arrange a mortgage through us. If a referral is made to one of our lending partners for a line of credit or a loan, a separate disclosure document regarding our relationship with the lending partner will be provided to you.

## Type of Client Accounts

Educators offers investment accounts such as Registered Retirement Savings Plans (*RRSPs*), Registered Retirement Income Funds (*RRIFs*), Registered Education Savings Plans (*RESPs*), Tax-Free Savings Accounts (*TFSAs*) and Non-Registered (*Cash*) accounts.

### Commission and Fee-Based Accounts

#### Commission-Based Account

When you purchase Educator Mutual Funds, you pay a fee indirectly in the form of the Management Expense Ratio (*MER*). The *MER* includes an annual management fee that is calculated daily and is paid to Educators Financial Group to manage the Educators mutual funds and their investments, including the Portfolio Managers who make the investment decisions. Educators receives a trailing commission when your purchase 3<sup>rd</sup> party securities. This represents a portion of the *MER* that you pay indirectly to the 3<sup>rd</sup> party company.

#### Fee-Based Account

In a fee-based account, you pay a fee based on a percentage of the value of the money you have invested



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in the account. If you are in a fee-based account, Educators will not receive a trailing commission. Since no trailer fee is paid, the MER of the securities held in a fee-based account will be lower than the same security held in a nonfee based account.

### Procedures Regarding Handling of Cash and Cheques

Educators does not accept cash deposits. All payments must be provided by cheque (*personal or certified*) or electronically through the client's financial institution. All cheques must be made payable to Educators Financial Group and should never be made payable to a financial advisor.

### Suitability of Orders Accepted/Recommendations Made

Educators is required under securities legislation, and MFDA rules to:

- Ensure each investment recommendation is suitable for the client in relation to the client's investment objectives, risk tolerance, and other personal circumstances; and
- To perform a suitability assessment of all trades proposed by you, regardless of whether or not a recommendation is made

In addition, when any of the conditions noted below occur, we are required to perform a suitability assessment of the investments held in your account(s):

- When you transfer assets into an account at Educators;
- When Educators or your financial advisor becomes aware of a material change in your personal information such as your stated risk tolerance, time horizon and investment objective; or
- When there is a change in the financial advisor responsible for your investment account(s)

### Definition of KYC (*Know Your Client*) Terms

We are required under securities legislation to collect certain personal information about you and your financial condition, pursuant to our KYC obligations. We do this through the KYC form and account application that you complete in order to open an account. This information also helps us perform our required suitability review when securities are traded in your account. It is therefore very important that this information be kept up to date. Please contact your financial advisor if any of the personal information provided to us changes materially. Material changes would generally be any significant changes relating to your annual income, investment objectives, risk tolerances, time horizon or net worth. For a full description of KYC terms, including Risk Tolerance, Investment Objective and Time Horizon, please refer to your Educators KYC form and application.

### Investment Risks

All investments have some level and type of risk. Simply stated, risk is the possibility you will lose money, or not make money on your investment. Each investor has a different tolerance for risk. Some investors are more conservative than others when making their investment decisions. It is important to take into account your own comfort with risk as well as the amount of risk suitable for your financial circumstances and goals. The risks associated with investing in a mutual fund are similar to the risks associated with the



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securities in which the mutual fund invests. Generally, the higher an investment's anticipated return, the greater the risk you must be prepared to take.

When deciding how much risk is right for you, think about how much time you have until you need the money: If you are investing for less than a year, you should not take undue risk. There may not be enough time to recover the full amount of your investment if the mutual fund falls in value. A longer time horizon allows you to take on more risk. Although the value of your investments may drop in the short term, longer investment horizons may help to lessen the effects of short-term market volatility.

It is important that you understand the risks associated with the funds held in your account. All of our funds have been assessed by us for their relative level of risk, and are rated as either: low, low-medium, medium, medium-high, or high, as applicable. The risk rating of any particular fund is set out in the Fund Facts sheet for that fund. There is also a detailed discussion of the risks associated with investing in mutual funds generally, as well as the risks associated with each fund, and a description of the various risk rating categories in the funds' simplified prospectus. We encourage you to review this material or speak to your financial advisor. For the specific risks associated with a particular fund, refer to the fund's simplified prospectus or speak to your financial advisor.

## Risks associated with borrowing money to invest

Borrowing money, often referred to as leveraging, to invest is risky and should only be considered if you are:

- Comfortable with taking risk
- Are investing for the long-term
- Have a stable income and
- Are comfortable with taking on debt to purchase investments that may go up or down in value

If you use leveraging to invest, you may end up losing money:

- If the investments go down in value and you have borrowed money, your losses would be larger than had you used your own money
- Whether your investments make money or not you will still have to pay back the loan plus interest
- You may have to sell other assets or use money you had set aside for other purposes to pay back the loan
- If you used your home as security for the loan, you may lose your home
- If the investments go up in value, you may still not make enough money to recover the costs of borrowing

## Conflicts of Interest

Under securities regulations, Educators Financial Group is required to identify material conflicts of interest that could arise between Educators Financial Group, including each individual acting on its behalf, and its clients. Furthermore, if an investor would expect to be informed of the nature and extent of an identified conflict of interest, Educators Financial Group must do so. The purpose of this disclosure is to provide you with a description of such conflicts and the measures Educators Financial Group has taken to prevent, avoid, and mitigate such conflicts.



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All conflicts will be addressed in a fair and transparent manner, consistent with the best interest of our clients. We will try to avoid conflicts where possible, and in all other cases we will manage it through internal controls and policies. If a conflict can't be managed in your best interest, it will be avoided.

The following are potential conflict of interests and how they are managed in your best interest:

## Advisor Compensation

Educators Financial Group Advisors are compensated through a combination of salary and incentive compensation. They do not receive any commission for selling specific products. The incentive compensation is based on achievement of metrics related to asset gathering, client acquisition, and other corporate metrics which may change from time to time. An Advisor may refer you to our Lending Services team if you are looking for a mortgage. A commission may be paid in the event you move forward with a mortgage through Educators Financial Group.

## Educators Mutual Funds

Educators Financial Group offers proprietary mutual funds, available only from us and available exclusively to members of the education community and their family members. To ensure that the products we make available are in your best interest, controls are in place that include:

- Educators Advisors do not receive any benefit from recommending our proprietary mutual funds over the 3<sup>rd</sup> party mutual funds that are available through the organization
- Educators Investment Committee monitors our family of mutual funds on a regular basis to ensure that they remain competitive versus similar products made available by other 3<sup>rd</sup> party mutual fund companies
- Educators Mutual Funds charge a management fee which is disclosed in our Fund Facts document and provided to you in advance of a purchase. On an annual basis, we will report the total management fees on your Annual Charges and Compensation Report
- Educators Financial Group makes the 3<sup>rd</sup> party mutual funds on our product shelf as easily accessible to our clients as our family of mutual funds

## 3<sup>rd</sup> Party Mutual Funds

Educators Financial Group may receive compensation from 3<sup>rd</sup> party mutual fund companies based on their products we sell you, in the form of a "trailing commission". In these instances, we will disclose the compensation in advance of the purchase and provide the Fund Facts document that outlines the compensation associated with that product. On an annual basis, we will report to you the total amount of trailing commissions received on your Annual Charges and Compensation Report.

## Referral Arrangements

Educators Financial Group may enter into a referral arrangement with other registrant firms when we are unable to offer you a certain product or service that is determined to be in your best interest. In such instances, the other registrant firm may pay a referral fee to Educators Financial Group. The referral fee is a negotiated amount between the other firm and Educators Financial Group. The details of the relationship between Educators Financial Group and the other firm will be provided to you prior to account opening.

## Outside Business Activities



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Educators Financial Group Advisors may engage in business activities that are outside of our business activities. In these instances, the Advisor must get approval from us to engage in any such activity. Activities where a conflict of interest may exist will be avoided if it can't be addressed in your best interest.

## Content and Frequency of Reporting

Educators sends out four types of reporting documentation: trade confirmations, quarterly statements, annual charges and compensation report and an annual performance report. Trade confirmations are sent out whenever a new transaction is processed through your account and are mailed within four business days from the date of the transaction. The confirmations include: the name of the fund(s), the type of transaction (*i.e. purchase, redemption, switch*), the unit price, the quantity transacted and trade date, as well as other pertinent information.

Account statements are sent out on a quarterly basis and consist of a detailed transaction history, an overall account summary showing the unit balance, unit price and market value for each fund, opening market value, and closing market value. Account rates of returns are also provided on statements of accounts. For more specific content, clients can refer to their respective trade confirmations and quarterly statements. We encourage you to review trade confirmations and quarterly statements carefully, so that you understand the transactions that have occurred in your account, your account holdings and performance.

Charges and compensation reports are sent out on an annual basis and provide you with details about the money received by Educators Financial Group throughout the year to provide dealer services to you. This report includes details about commissions from GICs, trailing commissions from 3<sup>rd</sup> party funds and High Interest Savings Accounts (HISA), and the Management Expense Ratios (MER) for Educators Financial Group funds.

Performance reports are sent out on an annual basis and provide you with details about how your accounts with Educators Financial Group have performed. The report includes details about your deposit and withdrawals and change in market value for the year and since inception. The report also includes your personal rate of return using a calculation known as the "money weighted method" for the periods of 1, 3, 5, 10-year and since inception.

If you have any questions about the various reporting provided, please speak to your financial advisor.

## Compensation and Reference to Other Sources of Information

Educators charges an aggregate management fee plus HST for its combined services as investment fund manager and principal distributor to our fund—a portion of that management fee is used by us to pay the third-party portfolio advisers to our funds. We do not charge administration costs against our funds for regulatory filing fees, record keeping or accounting. Consistent with industry practice, the only additional costs charged to our funds in addition to our management fees are the fees and expenses of the Independent Review Committee and brokerage costs. If clients choose to close their account, Educators charges a \$150 fee plus HST for the full transfer of holdings in a registered account (*excluding RESPs*), as well as a non-registered account to another financial institution.

Further information with respect to fees and costs in respect of our funds can be found in our simplified prospectus, Fund Fact sheets, Annual Information Form (AIF), online at [educatorsfinancialgroup.ca](http://educatorsfinancialgroup.ca), or



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clients can speak to their financial advisor.

In addition, if we as a mutual fund dealer sell a third-party fund to you, we do not levy any sales charges for doing so. We may, however, receive trailer fees (*also known as service fees*) from that third-party fund in accordance with its policies in this regard for so long as the fund in question remains in your account with us. If we receive revenue in respect of any referral fee arrangements with others, we will provide you with specific disclosure regarding that referral arrangement and the associated fees we receive in accordance with regulatory requirements.

## Performance Benchmarks

We do not currently use benchmarks in order to assess the relative performance of your account. We have, however, for many of our funds, established a benchmark, or a blended benchmark, consistent with the types of securities that the fund may hold, that we use to assess the effectiveness of the portfolio adviser appointed for that fund and to decide when a change of portfolio adviser would be appropriate.

## R Digital Client Portal - Electronic Delivery of Quarterly Statements

Educators Financial Groups R Digital client portal offers you the ability to receive your quarterly statements electronically. By changing your preference to electronic in the client portal, you consent to Educators Financial Group delivering your quarterly statement by this method only. No paper copy will be mailed to the address we have on file once the preference is changed.

Our electronic delivery is currently limited to our quarterly statements at this time. Trade confirmations and tax slips will continue to be mailed to the address on file.

### Electronic Delivery of Quarterly Statement

1. When your quarterly statements are posted to the client portal, you will receive an email notification to inform you that your statement is now available
2. If your email address has changed, you will need to update it directly in the client portal or contact our office so that we may update our records to avoid any delivery disruptions

### Access to Quarterly Statement

1. Your quarterly statement is easily accessible in the client portal. Once logged into the client portal, simply select client documents from the menu option to view them
2. Your quarterly statements will remain available to you indefinitely. Should the retention policy change, you will be notified prior to the implementation of any new retention policy
3. You will have the ability to download and save as well as print the quarterly statements delivered electronically
4. If you wish to go back to receiving a printed copy of your quarterly statement by mail, you can simply update your delivery preference in the client portal to mail

### Unsuccessful Delivery

Internal processes are in place to ensure that an email notification is successfully delivered to notify you about your quarterly statements being available. If the email notification delivery is unsuccessful, a paper copy of your statement will be mailed to your address on file.

### Confidentiality of Documents



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All necessary steps have been taken to ensure the confidentiality of your personal information as well as the information contained in your quarterly statement throughout the electronic delivery process. You may view a copy of our Privacy Policy here: <https://www.educatorsfinancialgroup.ca/privacy-policy-legal-notice>