

Sun Life Global Investments – RRSP Loan Program– Suitability Guidelines

The following is summary of your obligations where a Client is borrowing to invest in a Segregated Fund including for loans used to invest in an RRSP. It is adapted from FSCO/FSRA Bulletin No. G-05/04

Key Points to take into consideration

- You need to make sure that:
 - You provide a copy of the <SLGI RRSP Loan disclosure document > to the Client and retain a signed copy in your file. A separate disclosure form is required for each account that has an RRSP Loan.
 - You provide the Client a Reasons Why Letter when required
 - You inform the Client that RRSP Loans are generally NOT tax deductible and that if the loan is repaid with proceeds from their RRSP the withdrawal will be taxed, and the contribution room lost
 - You conduct the necessary fact finding and needs assessment
 - You determine that the RRSP Loan and Segregated Fund are clearly suitable for the Client
 - You adequately inform the Client about the product and any financial implications or risks
 - You discuss both the upside and downside implications of the loan
- Remember that SLGI does NOT allow the use of DSC or LL for borrowing to invest. **If these load types are used the transactions may be delayed or reversed at your expense.**

Identifying the risks

It is your responsibility to determine your Clients' risk tolerance and make recommendations that are appropriate to that risk tolerance.

You must make Clients aware that borrowing to invest in a segregated fund may increase investment risk and that there are additional costs and obligations associated with these arrangements.

You should explain to Clients that:

- borrowing to invest in a segregated fund involves greater risk than purchasing using cash
- they will need to repay the loan in full
- they will need to pay all accumulated interest
- there is a risk that the value of any related investment may decline over time
- borrowing to invest magnifies both gains and losses
- both interest rates and investment value will fluctuate, and returns are not guaranteed

Ensuring suitability

You have a duty to ensure that the products you recommend are suitable. You must determine suitability on a case-by-case basis, considering the Client's risk tolerance, insurance needs, financial

position, and other relevant circumstances. The recommendations made should address the needs that have been identified and you should explain the rationale for your recommendation.

Before recommending that a Client borrows to invest, you must consider factors including the Client's risk tolerance, investment knowledge, income, life stage, cash flow and ability to withstand loss.

Borrowing money to invest in a segregated fund, is rarely suitable for Clients who

- have a low tolerance for risk,
- are investing for a short period of time, and
- intend to rely on income from the investments to pay living expenses.

Complaints

If your Client has a complaint about their Segregated Fund or RRSP loan, inform your firm immediately.

Regulators have cautioned that where the Client has borrowed to invest in a segregated fund, the advisor will be required to demonstrate that:

- the product was clearly suitable for the Client
- the Client was adequately informed about the product and any financial implications or risks
- the necessary fact finding and needs assessment were done and there was a rationale for the recommendation
- both the upside and downside implications of the loan were discussed with the Client; and
- the Client provided a written acknowledgement of the risks associated with the purchase decision, especially where the Client proceeds with a transaction against your recommendation.

Regulators will not consider simple evidence of the Client's signature on the relevant documentation to be sufficient proof that the Client was adequately informed about the product and the risks.

Their expectation is that you ensure that recommendations, analyses, and disclosures are documented in writing, and where appropriate, written acknowledgements are obtained.

For this reason, it is essential for you to maintain appropriate documentation including:

- disclosure documents
- letters of engagement
- needs assessments
- illustrations
- approved marketing materials/brochures
- records detailing Client discussions

Resources:

Link to:

[IVIC Suitability](#)

[The Approach](#)