Investing

WITH CONFIDENCE IN THE NORTHWEST TERRITORIES

Government of
Northwest Territories

Contents

Keywords

Key Concepts:

- **Capital Gains:** The profit made from selling an asset for more than the price you paid to purchase it.
- **Income:** Regular payments received from an investment, like dividends from stocks.
- **Risk:** The potential for loss or gain while investing. Investments with higher potential returns often come with higher risks.
- **Diversification:** Spreading investments across different asset types to reduce the risk of any one type of investment.
- **Financial Advisor:** A professional who is paid to offer financial advice to clients.
- **Security:** A broad financial term used to describe a wide range of investments, including stocks, bonds, notes and limited partnership interests.
- **Registrants:** Individuals and firms who are allowed to sell securities.

Common Investment Categories:

- **Stocks:** Shares of ownership in a company.
- **Bonds:** Loans to a government or corporation.
- **Real Estate:** Property, such as land, buildings, or homes.
- **Commodities:** Raw materials, like gold, oil, barley, or coffee.
- **Mutual Funds:** Pools of money invested in assets by professional managers.
- **Exchange-Traded Funds (ETFs):** Similar to mutual funds but trade on stock exchange.

Investing

What is investing?

Investing involves purchasing assets such as stocks, bonds, or real estate with the hope that they will increase in value over time. Unlike saving, which typically involves putting money in a bank account, investing allows your money to work for you, potentially earning returns that outpace inflation and grow your wealth.

Wise investors don't leave anything to chance – they have a plan and commit money only if an opportunity or product will meet their investment objectives. By setting goals and understanding your risk tolerance, you'll start your investing journey with much more than just luck on your side.

How to start investing

To start investing in Canada, talk to a financial advisor, financial planner, or your bank/credit union or utilize online resources offered by the Canadian Securities Administrators (CSA) and the Canadian Investment Regulatory Organization (CIRO).

What is a Prospectus?

A company is generally required to publish a prospectus before selling securities to the public. The prospectus includes information like:

- a history of the company and a description of its operations
- a description of the securities being offered
- a list of directors and officers
- financial statements
- a summary of the major risk factors affecting the company
- how the company will spend the money it raises by issuing the securities.

Investing

Investing in Crypto assets?

Cryptocurrency, or crypto, is a form of digital money. They are digital assets that only exist online and are traded directly between people without needing a bank. Cryptocurrencies operate via a decentralised system, meaning they are not regulated by banks or governments. Their value, like traditional money, is based on supply and demand, and then secured by algorithms. Crypto assets are a high-risk alternative investment which requires research and understanding of both the assets and the regulations governing crypto currencies. The Canadian Securities Administers (CSA) has published up-to-date information on crypto including the different types of crypto assets, how to buy and sell them, their related regulations and how to recognize crypto risks. To read the CSA's Investor's Guide for Crypto Currencies, go to: https://www.securities-administrators.ca

Investing is the process of allocating money, with the expectation of generating income or profit in the future. It involves an investor purchasing assets, such as stocks, bonds, or commodities, with the hope that their value will increase over time. People invest money for various reasons, including:

Financial Growth:

- **Increasing Wealth:** Investing can help you grow your money over time, especially if you start early.
- **Long-term Financial Goals:** It can help you achieve long-term financial goals like buying a home, funding your child's education, or retiring comfortably.

Financial Income:

- **Regular Payments:** Some investments, such as bonds or dividend-paying stocks, can provide regular income.
- **Passive Income:** This income can be a valuable source of revenue, especially during retirement.

Financial Security:

- **Financial Stability:** Investing and setting aside funds can help you build a financial cushion to protect yourself against unexpected expenses or job loss.
- **Hedging Against Inflation:** Investments can help you maintain your purchasing power over time, especially during periods of inflation.

Retirement Planning:

- **Saving for Retirement:** Allows you to accumulate wealth over time to support you during retirement.

Ultimately, the reasons for investing are unique to everyone and often change over time. It depends on the investor's individual financial goals, time horizon, and risk tolerance. One investment may be suitable for one investor but unsuitable for another investor, so be wary of advice from other investors. While some people invest in the market as a game or casino, this approach can come with significant risk.

Remember: Investing involves risk and there is no guarantee of profit. It is essential to do your research, understand your risk tolerance, and consider consulting with a financial advisor before making investment decisions. It is important to select your investments carefully for the hope that its value will increase over time, instead of decreasing.

> "Guaranteed profits in financial markets are a myth. If someone suggests there are guaranteed profits or returns by investing with them or in a particular asset, this is impossible. This type of language is a likely indicator of a fraud and you should immediately seek professional advice and report the person to prevent others from possibly being victimized."

Rights as an Investor

Individuals who sell you security investments in the Northwest Territories must follow the rules of the Canadian Securities Administrators and adopted as law by the Department of Justice. Many of these rules protect your rights as an investor and promote an efficient market.

As an investor, many of these rules establish that you have certain rights that protect your interests, to invest with confidence.

Some common basic rights you have include:

Information:

- **Disclosure:** You have the right to receive accurate and timely information about the investment, including its risks, potential returns, and the issuer's financial status free of charge.
- **Periodic Reporting:** You should receive regular updates on the performance of your investment, such as annual reports and regular statements.
- **Knowledge:** In Canada, your advisor/registrant has an obligation to know you, your goals, risks, and objectives. This process is called "Know Your Customer" or KYC. Your advisor/registrant should also understand the investment products that are purchased and sold or recommended to you through a process called "Know Your Product" or KYP.

Voting:

- **Shareholder Voting:** If you own shares in a company, you may have the right to vote on important matters, such as electing the company's board of directors.

> **“It is important to understand your specific rights as an investor and to exercise them to protect your interests. If you have any questions or concerns, you may want to consult with a financial advisor or legal professional.”**

As an investor, you have the right to:

- Be treated fairly, honestly and in good faith.
- Receive advice that is suitable for you and puts your interests first.
- Receive accurate information including details about your fees, costs, investment performance and/or how to sell your investments.
- Be informed if your advisor has a conflict of interest.
- Make a complaint.

Why should you have a Financial Advisor?

There are many good reasons to work with an advisor when making financial decisions. Let us look at three reasons for consulting a financial advisor:

1. You are not sure how to manage your finances or investments

If you are not sure how to choose investments that can help you reach your financial goals, you might want to work with an advisor. If you need advice on balancing spending and saving, or managing debt, an advisor with financial planning expertise can help. Some advisors may also be able to help you make decisions about insurance coverage, tax planning and estate planning.

2. You do not have time to manage your investments

It is possible you have been meaning to get help to manage your finances or investments but have been overwhelmed or just have not had time to do so. If so, you are not alone.

If you do not have time to actively monitor and manage your investments, you could choose to have an investment adviser do this for you.

3. You are not interested in managing your investments

If you want to invest but do not want to be involved in the day-to-day steps, working with an advisor may be right for you. Some investors choose to work with an investment advisor because they simply are not interested in managing their own investments.

> "It's important to do your research and consider seeking advice from a trusted financial advisor before making any investment decisions."

Selecting a Financial Advisor

One of the ways the CSA helps protect you as an investor is to make sure not just any company or any person can sell securities to you. The system for allowing companies (usually called firms) and individuals to sell securities is called "registration." Individuals who sell securities must pass exams and other requirements. Individuals and firms who are allowed to sell securities to you are called "registrants."

Choosing a financial advisor is a crucial decision that can significantly impact your financial future. Here are some key factors to consider:

- **Interview Multiple Advisors:** Meet with several advisors to compare their qualifications, approaches, and fees. Ask questions.
- **Ask About Their Fiduciary Duty:** Ensure the advisor has a fiduciary duty to act in your best interests.
- **Consider a Second Opinion:** Seek a second opinion from another professional if you are unsure about an advisor's recommendations.

Fees and Compensation:

- **Fee Structure:** Determine how the advisor will be compensated. All services come with some kind of fee. Common fee structures include hourly rates, flat fees, or a percentage of assets under management (AUM).
- **Transparency:** Ensure the fee structure is clear and that you are aware of the cost. Sometimes the cost is displayed as a percentage of the investment, but you have a right to know the exact amount.

Qualifications and Experience:

- **Credentials:** Look for advisors with professional designations.
- **Experience**: Consider an advisor's experience in the industry and their specific expertise in areas relevant to your financial goals.

Communication:

- **Alignment:** Ensure the advisor's investment philosophy aligns with your risk tolerance and financial objectives.
- **Communication Style:** Look for an advisor that communicates effectively and in a way you can understand.
- **Trust:** Consider the advisor's personality, demeanor, and their ability to listen to your needs. Trust is essential.
- **Approach:** Understand their approach to investing, including their use of investment strategies and asset classes.

References and Reviews:

- **Ask for References:** Request references from previous clients to get their feedback on the advisor's services.
- **Check Online Reviews:** Look for online reviews and testimonials from clients.

> "By carefully considering these factors and conducting thorough research, you can select a financial advisor who can provide valuable guidance and help you achieve your financial goals."

Selecting a Financial Advisor

6 things you should expect of your advisor:

1. Make clear and specific recommendations and explain how their recommendations will help you meet your goals.
2. Explain the risks involved with every investment they recommend.
3. Answer your questions about investment products and strategies.
4. Keep your personal information safe.
5. Get your permission before buying or selling investments on your behalf and confirm it in writing (unless you have a discretionary account, or you have given someone else trading authority or power of attorney over your account).
6. Send regular account statements and meet with you at least once a year to review your information, progress and update your plan, if appropriate.

3 things you should NOT expect of your advisor:

1. Guarantee market performance, returns or profits.
2. Buy or sell investments with unclear instructions.
3. Achieve unrealistic expectations of profit or always recommend profitable products.

Check the background, qualifications, and disciplinary history of investment advisors before you invest. You can use the Canadian Securities Administrators (CSA) National Registration Search. Check the CSA's Investor Alerts page for a list of firms to avoid. You can subscribe to updates from the CSA to know when new alerts are issued.

Selecting a Financial Advisor

Be open and honest with your advisor.

Your advisor needs to know about your financial situation, knowledge, and experience to make recommendations that are appropriate for you. They also need you to be clear about your objectives and tolerance for risk. Be sure to tell your advisor about any big changes in your life so they can make any necessary adjustments to your investments or financial plan.

Understand what you are investing in.

Read the reports you receive so you are aware of what is happening with your investments. Know how your investment strategy works, and if you have questions, talk to your advisor. Be aware of what is happening in financial markets so you can understand how your investments might be affected.

Markets can go up and down significantly regardless of what your advisor has or has not done. It is your right to review their performance and if the investments are still appropriate for your goals and risk tolerance.

Ask questions.

If you have questions about your investments or their performance, ask your advisor. A good advisor will want you to be informed and will welcome your input. When your advisor recommends an investment, ask:

- How does this investment work?
- Why should you buy it?
- How will it help your reach your goals?
- What is the level of risk?
- What are the costs to buy, hold and sell the investment?
- When can you sell your investment?
- Will you pay fees or penalties if you need to get your money out sooner?

Common Red Flags

Promises of High Returns with Little to No Risk:

This is a classic warning sign. Be wary of anything that sounds too good to be true.

Pressure to Act Quickly:

Scammers often try to rush you into making a decision. They might claim it's a "limited-time offer" or that you'll miss out on a "once-in-a-lifetime opportunity."

Unregistered Investment Professionals:

Check if the person or company is registered. Be especially careful of investment "tips" from people you meet online. Romance scams often involve investment pitches.

Vague or Complex Explanations:

If the investment is difficult to understand or the person explaining it can't provide clear answers to your questions, be wary.

Lack of Documentation:

Always ask for written documentation about the investment, and check the documents in SEDAR+. SEDAR+ is a web-based system used by various financial institutions and firms for filing, disclosing, and searching information in Canada's capital markets.

Guarantees of Profits:

No investment is guaranteed to make profit. Anyone who guarantees you a specific return is likely trying to scam you.

Unusual Payment:

Be wary of requests to send money through wire transfers, cash, or cryptocurrency. These methods are often preferred by scammers because they are difficult to trace.

You've heard the saying, "If it sounds too good to be true, it probably is." It's good advice but how can you tell what's too good to be true? One-third of fraud victims are scammed for less than $1,000. Another 28% are taken for between $1,000 and $5,000. Most scams have some common warning signs that are easy to spot. Before you invest, ask yourself these questions:

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1. Were you promised a high return on a low-risk investment? ☐ ☐ One of the first rules of investing is that higher return equals higher risk. In other words, the more money you can potentially make on an investment, the higher the risk of losing some or all of your investment.

2. Did you have enough time to make a decision? ☐ ☐
You should never feel pressured into buying an investment on the spot. If you hear things like "Act fast," "One-time opportunity" or "Buy now before it's too late," the person you're talking to likely has something to hide.

3. Were you given confidential or "inside" information? ☐ ☐
A scam artist may claim to have information that nobody else knows about a company. You have no way of knowing if this "inside" information is true. And even if it is, trading on inside information is illegal in Canada.

4. Can you verify the investment with a credible source? ☐ ☐
If you receive an unsolicited investment opportunity, get a second opinion from your registered financial adviser, lawyer or accountant.

5. Is the person who contacted you registered? ☐ ☐
Anyone who tries to sell you an investment or give you investment advice must be registered unless they have an exemption. You can contact your local securities regulator, listed on the back cover of this guide, to check if someone is registered.

Scams or Fraud

Sometimes people pretend to offer you investments but are really trying to steal your money. In other cases, advisors/registrants selling real investments take advantage of you.

You should report all scams or fraud to the Canadian Anti-Fraud Centre (CAFC), even if you were not a victim.

The CAFC collects and provides information on fraud and identity theft to protect Canadians. This information may help assist law enforcement with their investigations.

If you or someone you know think you have been a victim of this or a similar scam, immediately contact your bank, local police, the Office of the Superintendent of Securities in the Northwest Territories, and the CAFC.

Making a Complaint About an Investment

If you believe you have been the victim of investment fraud or misconduct, here are the steps you can take:

Step 1 - Gather Evidence:

- **Documents:** Collect all relevant documents, such as account statements, contracts, and correspondence.
- **Notes:** Keep detailed notes of your interactions with the investment firm or individual.

Step 2 - Contact the Investment Firm:

- **Complain Directly:** Reach out to the firm's customer service department or compliance officer.
- **Be Specific:** Clearly outline the nature of your complaint and provide supporting evidence.

Step 3 - Escalate the Complaint:

- **Contact a Supervisor:** If your initial complaint is not resolved satisfactorily, request to speak with a higher-level manager.
- **Consider Mediation:** Mediation can sometimes help resolve disputes without resorting to legal action.

Step 4 - Involve a Regulatory Body:

- **Identify the Appropriate Regulator:** Determine which securities regulator has jurisdiction over the investment firm or individual.
- **File a Complaint:** Submit a formal complaint to the regulator, providing detailed information and supporting documentation. A list of organizations and their roles can be found on page 20.

Step 5 - Seek Legal Advice:

- **Consult with a Lawyer:** If you believe you have suffered significant financial losses or believe your rights have been violated, consider consulting with a lawyer specializing in securities law.

Roles of Organizations

The Northwest Territories has its own securities legislation that regulates the sale and trading of securities, the licencing of financial professionals, and protects investors from fraud. In addition, there are the following organizations:

Canadian Securities Administrators (CSA): The council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets. https://www.securities-administrators.ca/

Canadian Investment Regulatory Organization (CIRO): A national self-regulatory organization under the CSA that oversees all investment dealers and their representatives in Canada. It sets rules and enforces compliance with securities laws. https://www.ciro.ca/

Investor Education Fund (IEF): A non-profit organization that provides financial education and resources to Canadians. https://www.getsmarteraboutmoney.ca/

Ombudsman for Banking Services and Investments (OBSI): The federal ombudsman for banking in Canada. OBSI provides an independent and impartial service to resolve disputes between consumers and federally regulated financial institutions, such as banks, credit unions, and trust companies. https://www.obsi.ca/

Canadian Foundation for the Advancement of Investor Rights (FAIR): A non-profit organization that advocates for investor rights and protection. https://faircanada.ca/

The Office of the Superintendent of Financial Institutions (OSFI): An independent agency of the Government of Canada whose mandate is to supervise federally regulated financial institutions and pension plans in Canada to contribute to public confidence in the financial system. https://www.osfi-bsif.gc.ca/en

Canadian Anti-Fraud Centre (CAFC): The national agency that collects and analyzes information about fraud and scams. CAFC provides resources and advice to the public and law enforcement agencies. https://antifraudcentre-centreantifraude.ca/index-eng.htm

Royal Canadian Mounted Police (RCMP): Canada's national police force that investigates various types of fraud, including financial crimes. https://rcmp.ca/en

Financial Consumer Agency of Canada (FCAC): A federal agency that protects consumers' rights and promotes financial literacy. FCAC provides information and resources to help consumers avoid scams and frauds. https://www.canada.ca/en/financial-consumer-agency.html

Contact

The Office of the Superintendent of Securities in the Northwest Territories is responsible for regulating the capital markets.

For more information, please contact:

Office of the Superintendent of Securities
Department of Justice
Government of Northwest Territories

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