



# Relationship Disclosure Document

As a member of the Mutual Fund Dealers Association of Canada (*MFDA*), Educators Financial Group (“*Educators*”) is required to provide you with information about the nature of your relationship with Educators and its financial advisors. The objective of the relationship disclosure requirement is to ensure that you understand your obligations upon opening an account, as well as the obligations of Educators to inform you 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 financial advisor. The financial advisor is responsible for the advice given, and for ensuring that the advice is suitable based on your investment needs and objectives.

## Nature of Products and Services Offered

Educators offers you proprietary mutual fund products managed by Educators Financial Group. Educators also offers an approved list of third-party mutual funds, Guaranteed Investment Certificates (GICs), High Interest Savings Accounts (HISAs) and Principle Protected Notes (PPNs). These products are considered a complement to our proprietary mutual funds. These products may have different management styles, fall under a different sector or asset class, or fill a gap not covered by Educators’ mutual funds. In addition, other third-party mutual funds may also be purchased in a commission-based account where a client is looking for a specific mutual fund or asset class not available through our product list. These purchases, along with any other investment, would need to be suitable for you.

Our services include financial planning advice, webinars, and workshops. For clients looking to make their own investment decisions and access a greater variety of securities, or for those who wish for a lower cost platform with no advice, we have partnered with a few financial institutions. In addition, Educators provides competitive mortgages and secured lines of credit to our clients through various lending partners.

Educators Financial Group is registered as both a mutual fund dealer and an investment fund manager under securities legislation. Our registration as a mutual fund dealer permits us to offer the products outlined above. Our registration as an investment fund manager permits us to offer our Educators proprietary mutual funds.

If you decide to transfer your Educators account to another financial institution, you may not be able to transfer all of the assets over in-kind and will need to sell them. This would depend on whether the other financial institution has a dealer agreement to hold the specific products and/or whether they distribute them.

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 advisor. 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 secured line of credit, a separate disclosure document regarding our relationship with the lending partner will be provided to you.

## Compensation Information

Educators charges a management fee plus HST for its combined services as investment fund manager and



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principal distributor to our mutual funds. This fee is expressed as a Management Expense Ratio (MER). An MER represents the costs associated with owning a mutual fund. It indicates how much a fund pays in management fees and operating expenses (including taxes) on an annual basis. An MER is expressed as a percentage of daily average net assets during the year. 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. You do not pay the MER directly, but these expenses affect you because they reduce the fund's return. This can add up over time. The MER is charged regardless of how the mutual fund performs.

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

If we sell a third-party mutual fund to you, we do not levy any sales charges for doing so. However, an MER would also apply to these products. While Educators doesn't charge the MER in these instances, we may receive a trailing commission from the third-party fund company as long as the fund remains in your account with us. A trailing commission is a commission the fund company pays to Educators for the ongoing services and advice we provide, and represents a portion of the MER. In addition to third-party fund companies, a financial institution that offers HISAs may also pay a trailing commission. A trailing commission wouldn't be paid for any product that is held within an Educators fee-based account.

If you open a fee-based account with Educators, an account fee will be charged on a monthly basis. The account fee charged is determined by the overall market value of all the related fee-based accounts you hold every month. Details about the account fee rates can be found on the fee agreement that you reviewed and signed prior to opening a fee-based account.

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.

In addition, 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.

### 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

When opening an account with Educators, you will have access to either a commissioned-based or fee-based account type.

#### Commission-Based Account



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When you purchase Educator Mutual Funds in a commission-based account, the dealer's compensation is embedded into the mutual fund's 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. Third-party mutual fund MER's also include a trailing commission. This is paid by the fund company to Educators for providing ongoing advice and service on those third-party mutual funds.

## Fee-Based Account

In a fee-based account, you pay a fee based on a percentage of the value of the securities you have invested in the account. Educators will not receive trailing commissions from the funds invested in a fee-based accounts. 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 commissioned-based account.

## Procedures Regarding Handling of Cash and Cheques

Educators does not accept cash deposits. All payments must be provided by personal cheque or electronically through the client's financial institution. All cheques must be made payable to Educators Financial Group Inc. 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 you and puts your interests first, based on your investment needs and objectives, risk profile, Investment time horizon, and personal and financial circumstances
- 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
- When Educators or your financial advisor becomes aware of a change in an investment in your account that could result in the investment no longer being suitable
- When Educators or your financial advisor performs a periodic review of your Know Your Client information
- When there is a change in the financial advisor responsible for your investment account(s)

## Definition of Know Your Client (KYC) 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 when opening an account. This information also helps us perform our



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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 needs and objectives, risk profile, investment time horizon or net worth. For a full description of KYC terms, including risk profile, investment objective and investment time horizon, please refer to the Educators KYC form and appendix A of the application form package.

## Trusted Contact Person

A Trusted Contact Person (TCP) is an individual that you know who we may contact in the event:

- We suspect that you are experiencing financial exploitation or mistreatment
- We become concerned about your ability to understand your financial situation, make financial decisions in your own interests, or understand the consequences of a financial decision that you made or want to make
- We are unable to reach you and are seeking your current contact information or the contact information of your legal representative.

Educators is required to take reasonable steps to obtain TCP information from you at account opening and to keep the information up to date.

In the event that one of the situations listed above is identified, we may place a temporary hold on your account for the time it takes to address the concerns about you. If a temporary hold is to be placed on your account, you will be contacted by Educators before the hold is placed.

Please refer to the TCP consent form included in the application form package and as a standalone document available on our website for more information.

## 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 consider 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 securities in which the mutual fund invests. If you want a higher return, you need to take more risk.

When deciding how much risk is right for you, there are several factors that you need to consider. For instance, how much of your overall net worth does the investment account represent. If it represents a significant portion, you may not want to take on much risk. Think about how much time you have until you need a significant portion of the money. If you require it in the short term, you may also want to avoid much risk. If you have a long term investment time horizon, stable income and the investment account represents a small percentage of your net worth, additional risk may be appropriate.

It is important that you understand the risks associated with the funds held in your account. All of our Educators mutual funds have been assessed by us for their relative level of risk, and are rated as: low, low-medium and medium as applicable. The risk rating of any particular fund is set out in the Fund Facts document 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



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categories in the funds' simplified prospectus. These documents can be found in the corporate governance and regulatory document section of our website. 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 to invest, often referred to as leveraging, is risky and should only be considered if you are:

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

If you use leveraging, 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 you 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.

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 conflicts of interest 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 by Educators to the advisor in the event you move forward with a mortgage through Educators Financial Group.



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## Educators Mutual Funds

Educators Financial Group offers proprietary mutual funds, available only from us and available exclusively to you, members of the education community and your 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 third-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 third-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 third-party mutual funds we offer as easily accessible to you as our family of mutual funds

## Third-Party Mutual Funds

Educators Financial Group may receive compensation from third-party mutual fund companies based on their products that 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

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, an 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.



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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. 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 third-party mutual funds and High Interest Savings Accounts (HISA), and the Management Expense Ratios (MER) for Educators Financial Group funds and fee-based account fees.

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 1, 3, 5, 10-year periods and since inception.

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

## Performance Benchmarks

We do not use benchmarks in order to assess the relative performance of your account. We do, however, establish a 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.

## Client Portal - Electronic Delivery of Quarterly Statements

The Educators Financial Groups 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 via 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. Trade confirmations and tax slips will continue to be mailed to the address on file.

## Electronic Delivery of Quarterly Statement

When your quarterly statements are posted in the client portal, you will receive an email notification to inform you that your statement is now available. 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

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. 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. You have the ability to download and save as well as print the quarterly statements delivered electronically. If you wish to go back to receiving a printed copy of your



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quarterly statement by mail, you can simply update your delivery preference in the client portal back to mail.

### Unsuccessful Delivery

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

### Confidentiality of Documents

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>