

# TD Wealth Private Investment Advice Relationship Disclosure



**TD Wealth**

Thank you for choosing TD Wealth Private Investment Advice as your wealth management provider. We are committed to providing you investment advice and recommendations to help you meet your financial goals. TD Wealth Private Investment Advice is a division of TD Waterhouse Canada Inc., a subsidiary of The Toronto-Dominion Bank. It all begins with your relationship with your Investment Advisor, and an understanding of the role of your Investment Advisor and the services we offer.

This Relationship Disclosure document is subject to change. Should there be a significant change, we will inform you. If you have any questions related to the content of this document, please contact your Investment Advisor.

## **Our Relationship with You**

### **We will**

- Go through a discovery process and complete the New Account Application Form with you, also referred to as the “Know Your Client” (KYC) form, to understand your investment goals, your risk profile and circumstances
- Help you to clarify and define your specific financial goals
- Work with you to develop a tailored investment and wealth plan to align with your priorities, and set out timeframes for marking progress towards your goals
- Access the full spectrum of capabilities at TD, to help you reach the goals set out in your investment plan

### **Our ask of you**

Your input as we go through the discovery process and complete the New Account Application Form, or the KYC form, is essential to help us meet your expectations. Our advice to you will be based on the information you provide. Having accurate information helps us tailor our advice to your needs to help you achieve your investment goals.

For this reason it is very important that you:

- Provide complete and accurate information on the KYC form and supporting documents
- Provide us with updates when there are material changes in your information
- Inform us in a timely manner of any other changes that could impact your financial situation or your investment needs and objectives

## **The Services and Products Offered**

### **Services**

TD Wealth Private Investment Advice offers four types of accounts, each of which is discussed in more detail in the next section. The accounts are:

- Advised: Fee-Based Accounts
- Advised: Commission-Based Accounts
- Managed Accounts
- Externally Managed Accounts

We will work with you to determine which account would be appropriate for your investment goals and financial circumstances.

In addition to the tailored investment and wealth plans we provide, we offer you access to other professionals in TD who can provide expertise in areas such as estate planning, philanthropic giving, and business succession planning.

### **Available Investment Products**

We offer the following investment products:

- Cash equivalents such as T-Bills and other money market instruments and high interest savings accounts
- Fixed income or debt securities such as bonds and debentures
- Guaranteed Investment Certificates (GICs)
- Equities including warrants
- Investment funds including mutual funds and exchange traded funds (ETFs)
- Other investments such as Principal Protected Notes (PPNs), Principal at Risk Notes (PARs), Hedge funds, Options, etc.
- TD managed account programs, including TD Strategic Managed Portfolios, TD Premier Managed Portfolios, TD Privately Managed Portfolios and TD Core Managed Portfolios (in fee-based accounts only. The mutual fund securities invested in do not pay TD Wealth Private Investment Advice a trailing commission)

Investment Advisors with TD Wealth Private Investment Advice who are licensed to sell life insurance products with TD Waterhouse Insurance Services Inc. can offer you life and health insurance products.

TD Wealth Private Investment Advice offers a comprehensive range of products and services. Your Investment Advisor may choose to incorporate some or all of these products into a recommended portfolio. In most circumstances, you will be able to transfer-in and hold products that are not offered by TD Wealth Private Investment Advice. However, you will not be able to make new investments in those products. TD Wealth Private Investment Advice may not allow the transfer-in of certain types of products or may place limits on the amount that can be purchased or held in your account.

For more information, please refer to the investment explanations in the Investments at a Glance, a booklet prepared by the Canadian Securities Administrators (CSA) for financial consumers. This booklet, along with other educational information, is available on the CSA website at [securities-administrators.ca](http://securities-administrators.ca) (see investor tools)

### **New services and products**

As additional services and products are developed, you can find out about them by reading the information included with your statements and other communications from us. You can also speak with your Investment Advisor at any time to discuss these products and whether they are appropriate investment options for you.

### **If you move**

If you move outside of Canada, or you plan to appoint a representative outside of Canada, it could affect our ability to serve you or your representatives. Investment dealers must comply with the rules and regulations that are specific to where their clients and their representatives reside. This limits our ability to provide services abroad. Similarly, some investments can only be sold to investors in particular countries. Please contact your Investment Advisor about how our ability to offer products and services may be affected by your move.

## **Account Types and How They Operate**

### **Advised account(s)**

Advised accounts may be commission-based or fee-based accounts. Your Investment Advisor is responsible for helping you decide which kind of account is appropriate for you, as well as providing suitable investment recommendations to you. The account type and investment recommendations will be based on the KYC information that you have provided. You can use the investment recommendations we provide to determine the trading activity in your Advised account. All trading activity in an Advised account must be approved by you, or your authorized representative, prior to execution.

### **Managed account(s)**

Managed accounts are governed by an Investment Policy Statement, prepared by your Investment Advisor in consultation with you, which will guide all investment activity in the account. Your Investment Advisor is licensed as a Portfolio Manager with the Canadian Investment Regulatory Organization (CIRO) and will manage your investments on a discretionary basis. Your Portfolio Manager is responsible for making all investment decisions in the account (you do not make any investment decisions) and to ensure all holdings and activity are consistent with the details of your Investment Policy Statement. You can expect to meet with your Portfolio Manager at least annually to review and, if required update your Investment Policy Statement.

### **Externally Managed Account(s)**

Externally managed accounts are managed on a discretionary basis by TD Waterhouse Canada Inc. in accordance with one or more investment strategies or mandates under the direction of external Portfolio Manager(s). Your Investment Advisor is responsible for recommending a suitable investment mandate to you based on the KYC information

that you have provided. A description of the mandate's investment strategy, the identity of the Portfolio Manager(s) making the investment decisions in it and a description of the types of products that will be held in it including cash, fixed income, equities, mutual funds and exchange traded funds will be provided to you. You or your authorized representative must select the investment mandate in writing prior to our opening an externally managed account. Once selected, as in a managed account, you will not be required to approve the day to day trading decisions occurring within the mandate(s).

## **Fees and How They Are Calculated**

The fees you will pay, either directly or indirectly, will vary depending on whether you have a commission-based account, a fee-based account or a managed account. When considering the fees charged to your account, you should note that a fee charged to your investment account will compound over time as a deduction to the overall value of your account. Every dollar taken out of your account to cover fees is one less dollar left to invest in the portfolio to compound and grow over time.

Fees may include the following:

### **Commission-based account(s):**

Commission-based accounts do not pay a fee to us based on the value of the assets in the account. Instead, we receive compensation from the commissions we charge on trades made by you or indirectly from the trailing commissions on securities held in your account. The following provides more detail on how we receive these fees:

### **Equities and other securities trading on a recognized exchange**

We charge a commission on every trade we make for you. Commissions applied to trades on your Advised account(s) will be established between you and your Investment Advisor and be confirmed at the time of trade and they will be included on the transaction confirmations we send to you.

### **Debt securities**

We receive remuneration on a spread basis for debt securities that trade "over-the-counter". Where a spread has been charged on a transaction, the trade confirmation we provide to you will disclose the spread we receive.

### **Mutual funds, including ETFs**

Mutual fund managers usually receive a management fee equal to a specified percentage of the net assets of the fund. These management fees, as well as operating costs payable by the funds are set out in the prospectus documents, including the Fund Facts or ETF Facts for each fund. Management fees and operating costs for funds are described as being the "management expense ratio" or MER of the fund. The MER of a fund is important because the fees and expenses affect the return on your investments. Fund managers pay us a portion of their management fee called a trailing commission for the ongoing services we provide to you. As an example, if you have invested \$10,000 in a fund, a trailing commission of 0.50% would pay us \$50 annually.

In some circumstances you may also be charged other fees in connection with mutual fund transactions such as early redemption fees, switch fees, etc. As mutual fund fees and costs vary by fund manager and product type, you should speak with your Investment Advisor to understand the charges related to any particular transaction or you can refer to the *TD Wealth Private Investment Advice – Statement of Disclosure of Rates and Fees* document and the prospectus documents for each fund.

### **Other Investments, including PPNs, PARs, GICs**

When you invest in certain other investments, including a PPN, PAR, or GIC, the manufacturer of such note may pay us a commission fee. You do not pay this commission fee. The price you pay or rate you receive is net of any commissions received by us.

**Fee-based account(s):**

Fee-based accounts (which TD Wealth Private Investment Advice calls Cornerstone accounts) can be advisory, where you make the investment decisions based on the investment recommendations we provide to you, or they can be managed on a discretionary basis (in either the Privately Managed Portfolios program or an externally managed account) where the investment decisions are made for you.

Fees for fee-based accounts are calculated as a percentage of the assets in these accounts and will be charged against your Private Investment Advice account(s). You will complete the appropriate TD Wealth Private Investment Advice agreement with your Investment Advisor, which will set out this fee and the manner of payment. Fee-Based Accounts are designed to hold investment products which do not pay a trailing commission and for which you do not pay any sales charges. Where securities that pay a trailing commission to us are held in the fee-based account, we will not include the value of the security in determining the asset total of your account for the purpose of calculating your account fee. This means that you will not pay a direct fee to us on securities which pay a trailing commission to us *and* they will not be included in determining the fee tiers which are applicable to the calculation of your account fee. Similarly, investment products which may pay us a commission fee or a trailing commission will not be included in determining the asset total of your account for the purpose of calculating your account fee.

**Fees related to Alternative funds**

Alternative funds generally pay a management fee to the fund manager in respect of a series of the fund and all expenses of the fund allocable to that series. These fees and expenses form the management expense ratio which is charged to the alternative fund and not directly to investors in the fund. Some alternative funds may also pay a performance fee in addition any other fees and expenses which are payable by the investment fund. The manager of the alternative fund may charge the performance fee on the entire return or on the profit above a high watermark or a hurdle rate. The fees, expenses and compensation structure of any fund will be outlined in the offering documents of the fund.

Account fees (fee-based accounts) which you pay to us for the advice and services we provide is in addition to any fees and expenses (including management, performance and/or administration fee) accrued and paid within the alternative fund.

**Other fees and charges**

TD Wealth Private Investment Advice may also charge other fees related to the operation of your account and the holdings of securities in the account. For complete details of these fees and charges please refer to the *Private Investment Advice – Statement of Disclosure of Rates and Fees* document.

**Assessing the Suitability of Your Portfolio**

We will assess the suitability of investments held in your accounts at various points in time to make sure they align with your objectives and risk profile. In assessing suitability according to the following factors, we will put your interests ahead of our own. These suitability factors are informed by:

1. Your current financial situation: We will review your financial assets (liquid, fixed) and liabilities (debt, mortgage) including the sources and amount of your income, as well as its stability given your liquidity needs – we will consider the size of any transaction compared to the overall value of your net financial assets (assets minus liabilities).
2. Your current investment knowledge and experience: Whether you consider yourself, or we understand you to be, a novice investor, an investor with some knowledge of and experience investing in financial products or an investor that understands complex financial products and has extensive experience in investing in different types of financial products.

3. Your current investment objectives: Your investment objectives are what you want to achieve when investing, such as capital preservation, income generation, capital growth, or investing in accordance with your personal values. Your specific financial goals will help us determine how to structure a portfolio to help you meet your investment objectives, which could include protecting your principal, generating income, and/or generating capital growth from your assets.
4. Your expected time horizon: How long you expect to keep the majority of your assets invested will impact your investment strategy and the types of assets which are appropriate for you. It is important to consider when you may need a substantial portion of your capital.
5. Your risk profile: In any investment there is a risk of loss of capital. That risk is greater with some investments than others. We will take the below factors into consideration when determining your overall risk profile:
  - Your risk capacity, which relates to how much risk you can afford to take on. It is your financial capacity or ability to absorb losses in the value of your portfolio as you pursue higher potential returns. This will be assessed by collecting information from you about your personal and financial circumstances, including how much time you have to invest, your marital status, occupation, income, net worth, and number of dependents.
  - Your risk tolerance, which relates to how much risk you are willing to take on to achieve your financial goals. It is your willingness to accept volatility and possible losses in the value of your portfolio. This will be assessed by collecting information about your beliefs, investment knowledge and experience
6. Investment portfolio composition and risk level: How the mix of particular securities in your account will affect the overall investment risk of your account, as well as the concentration of securities within the account and the liquidity of those securities.
7. The potential and actual impact of costs on the returns from your account.
8. The reasonable range of alternative actions available to us to make for your account at the time of determining suitability.
9. Whether the actions taken for your account put your interests first, ahead of our own.

We will provide you with a copy of your KYC form at the time of account opening and any time material changes are made to it.

We conduct suitability assessments for investments in your TD Wealth Private Investment Advice account. The suitability assessment will determine that any investment action taken, recommended or decided on, for your account, is suitable for you and puts your interests first, including when securities are received into or delivered out of your account by way of deposit, withdrawal or transfer. The suitability assessment will not consider investments in accounts with other TD lines of business or outside of TD.

#### **Advised accounts:**

Before your Investment Advisor provides recommendations for your account, or acts on your trading instructions, they will first determine whether the investment is suitable for you according to your most recent KYC information and the above-noted suitability factors. That is why keeping KYC information up to date and accurate is very important.

#### **Managed accounts:**

A discussion with you about the suitability for you of individual investments is not required as your account will be managed according to your KYC information and the terms of your Investment Policy Statement (IPS). Your account holdings will be rebalanced from time to time in accordance with your KYC information and IPS to ensure ongoing suitability using the above-noted suitability factors.

## **Externally Managed Account**

As described above, externally managed accounts invest in an investment mandate for which investment decisions are made an external Portfolio Manager. Your Investment Advisor will recommend a suitable investment mandate to you based on your KYC information and the above-noted suitability factors. Based on that recommendation, you will instruct us on which investment mandate you wish to invest in.

For managed accounts and externally managed accounts, your Investment Advisor will endeavor to review your KYC information with you on a regular basis, at least annually, to determine whether the IPS and investment mandate, as applicable, continues to be suitable for you.

## **Suitability Review Timing**

In the context of the suitability factors listed above we will assess the suitability of the investments in your account(s) when:

1. Accepting each of your orders and on an on-going basis for your managed accounts and externally managed accounts
2. Recommending the purchase, sale, exchange or holding of any security or mandate
3. You deposit or transfer securities into your account on an "in-kind" basis
4. You advise us of a material change in your personal or financial circumstances, your investment objectives or risk profile. In that case we will update your KYC information and ask you sign a KYC Update Form, or an updated New Account Application Form as confirmation of our understanding
5. There is a change in the Investment Advisor responsible for your advised account.
6. For advised accounts at least every 36 months, and annually for managed accounts and externally managed accounts, when we will contact you to go over your KYC information and review the ongoing suitability of the investments in your account.

Given most clients invest for the long-term; we do not automatically review the suitability of the investments in your advised account(s) when there are market fluctuations. Your Investment Advisor is happy to discuss the effect of market fluctuations on your portfolio with you at your request. We encourage you to speak with your Investment Advisor if you have any questions or concerns, and especially if you anticipate that you will be:

- converting your invested assets to cash in the near future;
- considering major changes (for example, a major purchase such as a house);
- shifting your retirement timeline, or;
- other important updates to your KYC information.

## **Borrowing to Invest**

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only.

You should note that if you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same, even if the value of the securities purchased declines.

An investment strategy that uses borrowed money could result in far greater losses than an investment strategy that does not use borrowed money. There may also be tax consequences to you if assets in your account must be sold in order to meet any obligations to repay the borrowed money or any interest owing.



## **Our Reporting To You**

### **Trade Confirmations (not applicable to managed accounts or externally managed accounts or purchases of mutual funds through a Systematic Investment Plan other than initial purchases)**

When you buy or sell securities, we will send a trade confirmation within two business days of the trade date by your choice of electronic or postal delivery.

It will contain the details of the transaction including but not limited to:

- Security name, marketplace and dates
- Amount paid by you for your purchase or paid to you on a sale
- Amount of any commission, spread, charge or fee applied

### **Account statements**

You will receive an account statement:

- Monthly if activity occurs in your account (excluding interest and dividend payments) in the preceding month or upon request
- Quarterly, whether or not there has been activity in your account

Each statement for the reporting period will include but is not limited to:

- Your name, address, account type and account number
- Name, address and telephone number of the Investment Advisor and branch where the account is maintained
- Book cost and market value of all holdings in the account
- Activity that occurred in the account for the reporting period
- Account performance and personal rates of return since inception and for 1, 3, 5 and 10 year periods, as applicable

### **Annual Report on Charges and Other Compensation**

Each year, you will receive a report, for the 12 months ended December 31st which will set out the following:

- the fees and charges related to the operation of your account;
- the amount of any trailing commission received by us in relation to securities held in your account; and
- any compensation, other than trailing commission, received by us from an issuer of securities or another dealer or adviser such as referral fees.

## **Investment Benchmarks**

Investment benchmarks generally provide a broad measure of the return generated by specific asset classes over a given period. An investment benchmark can be used as a standard against which the performance of a security or investment portfolio can be measured. The most common form of investment benchmark is an index, such as a stock or bond index. Some common broad based market benchmarks include the S&P/TSX Composite Index, FTSE Canada Universe Bond Index, and the S&P 500 Index.

**We do not provide you with benchmarks in your performance report, but your Investment Advisor will be able to discuss suitable benchmarks with you.**

### **Investment Risks**

Investing in securities involves some risks. Risk is often measured by the extent to which the value of the securities fluctuates. This is referred to as volatility.

The more frequent and greater the fluctuations, the more volatile the security. Each investor has a different tolerance for risk. Some investors are significantly more conservative than others when making investment decisions. Risk can be reduced by diversifying investments

across the three main asset classes: money market investments for security, bonds for income and equity investments for growth. The common types of investment risks that may be applicable to a portfolio of securities include, but are not limited to:

- An issuer of a fixed income security may be unable to make interest payments or pay back the original investment.
- A high concentration of assets in a single or small number of issuers may reduce diversification and liquidity within a portfolio and increase its volatility.
- Equity securities are affected by stock market movements, and equity securities of certain companies or companies within a particular industry sector may fluctuate differently than the overall stock market because of changes in the outlook for those individual companies or the particular industry.
- Some securities may be illiquid because of legal restrictions, the nature of the investment itself, settlement terms, a shortage of buyers or other reasons. Generally, investments with lower liquidity tend to have more dramatic price changes and may subject the investor to losses or additional costs.
- The value of securities denominated in a foreign currency will be affected by changes in foreign currency rates or the imposition of foreign exchange controls.
- The value of a portfolio that invests in bonds, mortgages and other income producing securities is affected by changes in the general level of interest rates.
- Investments in foreign securities involves additional risks resulting from different reporting standards and regulatory requirements, the amount and reliability of publicly available information, and the volume and liquidity of some foreign stock and bond markets.

Alternative funds include, but are not limited to, hedge funds, fund of hedge funds, private equity funds and real estate funds. Alternative funds typically have more flexible investment strategies than conventional mutual funds. Many seek to provide performance under all market conditions by borrowing money to increase investment exposure, short-selling and other investment practices that are not often used by conventional mutual funds.

Some alternative funds are publicly offered, in which case they are regulated in similar ways to conventional mutual funds, other than in respect of investment restrictions and practices.

#### **Privately Offered Alternative funds are not regulated.**

Alternative funds that are not offered by prospectus are not subject to the same regulations which govern the investment practices of conventional mutual funds or alternative funds offered by prospectus. Managers of alternative funds are subject to requirements similar to other market participants and owe a fiduciary duty to the funds they manage.

Privately offered alternative funds are not required to provide the same level of disclosure as conventional mutual funds to their investors, including certain periodic reporting and valuation information. Privately offered alternative fund documents are not reviewed or approved by securities regulators. As a result, it can be more difficult to evaluate the terms of an investment in these alternative funds.

#### **Alternative funds may employ speculative or risky investment strategies**

Alternative funds, both publicly or privately offered, may employ a unique strategy which may not have a comparative benchmark or index. Alternative funds may be leveraged (including highly leveraged) and their performance may be volatile. There is no guarantee that an alternative fund's investment goals, objective or targeted returns will be reached. Strategies intended to hedge risk may be partly or wholly unsuccessful. Some alternative funds may use a single advisor or employ a single strategy, which may mean a lack of diversification and higher risk. Some alternative funds may execute all or a portion of their trades on over the counter markets which may involve a higher degree of risk.

Alternative funds may have limited liquidity or may be illiquid and there may be significant restrictions on redeeming or transferring interests. An alternative fund's fees and expenses, which may be substantial regardless of any positive return, will offset the fund's profits. In the case of a fund of funds, fees and expenses are charged at both the fund and underlying funds levels. As a result, the fees charged will be higher than they would be if an investor invested directly into the underlying funds.

This brief description does not disclose all of the risks and other important aspects of investing in securities and the use of derivatives within a portfolio. 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.

## **Conflicts of Interest**

TD Wealth Private Investment Advice and your Investment Advisor must act fairly, honestly and in good faith with you and our other clients. We may have conflicts of interest in providing you with services. These conflicts may be actual conflicts of interest or you may perceive that we have a conflict of interest. Either way, we disclose the material conflicts of interest we have identified and cannot avoid, how they could impact you and how we work to address those conflicts in your best interests.

For more information, please see our Conflicts of Interest Statement. The most current version is available at our website [td.com/tdwcoi](http://td.com/tdwcoi).

### **Trusted Contact Person and Temporary Holds - *For Clients who are individuals***

Canadian securities laws require us to ask you for the name and contact information for a person that you trust and who is familiar with your personal circumstances ("Trusted Contact Person" or "TCP"), so that we may contact your TCP to assist us in protecting your financial interests and assets in certain circumstances. You must immediately let us know of any change in your TCP's contact information and you can change your TCP at any time by contacting us and completing our TCP change process. You are not required to provide us with the name and contact information of a TCP but if you do, you confirm to us that your TCP is aware that you will give us this information and your TCP has agreed to act in this capacity.

We may contact your TCP if we notice signs of financial exploitation or if you exhibit signs of diminished mental capacity which we believe may affect your ability to make financial decisions relating to your account(s). We may also contact your TCP to confirm your contact information if we are unsuccessful in contacting you after repeated attempts, particularly if our failure to contact you is unusual. We may also ask the TCP to confirm the name and contact information of a legal representative such as an attorney under a power of attorney. Unlike a legal representative, a Trusted Contact Person has no authority to make decisions about your account. We will not accept instructions on your account from the Trusted Contact Person unless they are also your legal representative.

We may stop or refuse transactions on your account or even place a hold on your account, including in the circumstances noted below, until we have taken the steps necessary to ensure that we have complied with our legal and regulatory obligations in respect of your account. We may share our concerns with our affiliates, including any actions we may take.

If we reasonably believe that you are vulnerable and are the subject or target of financial exploitation or that you are experiencing diminished mental capacity which may affect your ability to make financial decisions, we may place a temporary hold on your account or a particular transaction. We will provide you with a verbal or written notice of the temporary hold and the reasons for placing the hold. We will regularly review the facts around placing the temporary hold to assess whether the temporary hold should continue. We may contact your TCP to discuss our reasons for placing or lifting the temporary hold and seek the TCP's assistance to resolve the matter.

## Other Helpful Information

### Client Problem Resolution Process

We look forward to serving you. Our policy is to establish open communication in order to build and maintain a strong relationship between you and your Investment Advisor. However, misunderstandings and mistakes can occur. If you have a complaint, please do not hesitate to let us know. A summary of our **Client Problem Resolution Process** is included for your reference in the *TD Waterhouse Canada Inc. Account and Services Agreements and Disclosure Documents* booklet which is provided to you at the time of account opening.

### Checklist of Documents

We will provide you with copies of the following documents pertaining to your account:

1. A copy of the New Account Application Form containing your completed KYC information
2. TD Waterhouse Canada Inc. Account and Services Agreements and Disclosure Documents
3. TD Waterhouse Canada Inc. Conflicts of Interest Statement
4. This Relationship Disclosure Document
5. TD Wealth Private Investment Advice – Statement of Disclosure of Rates and Fees
6. Strip Bond Disclosure Document
7. Canadian Investor Protection Fund (CIPF) Brochure
8. How to Make A Complaint
9. How CIRO Protects Investors

