

# Protect Your Money

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From Financial Fraud and Abuse



ēducaloi

INFORMATION EMPOWERS

## About Éducaloi

Éducaloï is a non-profit organization that explains the law to Quebecers in everyday language. To learn more, go to the About section at [www.educaloï.qc.ca](http://www.educaloï.qc.ca).

This guide was made possible thanks to these partners:



Department of Justice  
Canada

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### **Important!**

The law changes. This guide is up to date to October 6, 2017. The information in this guide is not meant as legal advice. If you need advice on a specific situation, consult a lawyer or notary. The legal information in this guide only applies in Quebec. This guide is the exclusive property of Éducaloï.

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# Financial Fraud: Three Precautions

At some point, you might use the services of a financial professional.

Before trusting that person with your savings, take a few precautions.



1. Check if the professional has a permit.



2. Make sure the professional looks at your specific situation.



3. Make sure you can trust the professional.

# 1. Check if the professional has a permit.

Most professionals need a permit to give you financial advice or sell investments.



## **It's free to check for a permit. Here's how:**

- Consult the “Register of firms and individuals authorized to practise” of the Autorité des marchés financiers (AMF). Go to [www.lautorite.qc.ca](http://www.lautorite.qc.ca), then “General Public,” then “Search in the registers.”
- Or call the AMF information line at 1-877-525-0337.

The AMF is an organization that oversees financial services and products in Quebec.

**Tip:** To check for a permit, use the information on the business card the professional gave you.

If the professional has a permit, it can reduce the risk of fraud. This is because these professionals are regulated. Here are examples of what it means to be regulated:

- To keep their permits, these professionals must take courses and follow rules about how they act (“ethics” rules).
- They must be members of organizations that watch over them.
- You might have access to an “indemnification fund.” This is money that can be used to pay you if you lose money because of fraud.

## Types of Investment and Financial Professionals

There are several types of professionals. Here are the ones you are most likely to deal with:

### **Investment dealers, representatives or advisers**

The type of product they sell depends on the permit they hold. Here are examples of investment products:

Shares (or “stocks”) – A piece of ownership in a company. Many companies pay dividends (payouts) from time to time to people holding shares.

Investment funds – The money of many investors is pooled and managed by a fund manager. These funds can hold a variety of products: shares, etc.

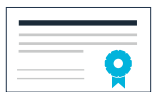
Guaranteed investment certificates (GICs) – They guarantee regular interest payments for a certain period. At the end of that period, the amount you initially paid for the certificate is returned.



Permit to sell investments

## Financial planners

A financial planner prepares an action plan and gives you advice on your finances.



Diploma from the Institut québécois de planification financière (financial planning institute)



Financial planner permit



A financial planner must have a separate licence to sell you investments or insurance.

## Insurance brokers, representatives or agents

The type of insurance they can sell depends on the permit they have (e.g., life, health, accident, home or car insurance).



Training recognized by the Autorité des marchés financiers (AMF)



Permit to sell insurance



### Insurance brokers and agents ... the same thing?

**No!** A broker can offer you products from many different companies. An agent can only offer products from one company.

## 2. Make sure the professional looks at your specific situation.

Financial and investment professionals must make sure their advice fits your situation. To ensure this, they will fill out a form with you that asks questions about your situation, your financial goals and your tolerance for risk. They must ask you to sign it and give you a copy to keep.

A professional who suggests investments must explain the risks and benefits of each investment.



### Form

- Your financial situation
- Your goals
- Your investor profile

### **Examples of questions the professional should ask you:**

#### **Your financial situation**

- Do you own property or have investments?
- Do you have any debts?
- Do you have money set aside for emergencies?







### **Your goals**

For example, you want to ensure the financial security of a spouse or partner after your death:

- Would your spouse or partner be able to maintain his or her lifestyle and pay the bills without help?
- Do you have life insurance? A will?
- Have you found out how much tax must be paid at your death?

### **Your investment profile**

A good professional should evaluate how much risk you are comfortable with, and your level of knowledge about investments.

- Can you live with short-term losses if you make money over the long term?
- Are you familiar with stocks and mutual funds?

### 3. Make sure you can trust the professional.

Before letting a professional handle your finances, ask yourself these questions:



	Yes	No
1. Were my questions answered clearly?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the person have reliable sources to back up information provided (statistics, reports, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>
3. Did the person listen to my needs?	<input type="checkbox"/>	<input type="checkbox"/>

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	<b>Yes</b>	<b>No</b>
4. Was my particular situation considered?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do I feel comfortable discussing my finances with this person?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the person have experience?	<input type="checkbox"/>	<input type="checkbox"/>
7. Did the person explain how much her services cost?	<input type="checkbox"/>	<input type="checkbox"/>
8. Did the person explain how he gets paid?	<input type="checkbox"/>	<input type="checkbox"/>
9. Will I get regular updates?	<input type="checkbox"/>	<input type="checkbox"/>
10. Does the person deal with clients similar to me?	<input type="checkbox"/>	<input type="checkbox"/>
11. Will the person provide names of people I can contact to check the quality of her services?	<input type="checkbox"/>	<input type="checkbox"/>
12. Did I get an explanation of the risks of investments suggested and expected profits?	<input type="checkbox"/>	<input type="checkbox"/>

# Red Flags

Even if you take precautions, it can still be difficult to identify fraud. Here are examples of situations you should be careful of:



## **No permit**

The person offering you investments is not listed in the “Register of firms and individuals authorized to practise” of the Autorité des marchés financiers (AMF).

Does the name **Earl Jones** ring a bell? He was found guilty of illegally taking investors’ money. Checking the AMF register would have shown he did not have a proper permit.



## **Too good to be true**

The professional promises high profits and no risk of loss. Or the professional says that the profit is “guaranteed.”

**Tip:** Try to find out what the normal profit range is on the type of investment suggested (stocks, GICs, etc.) and compare this with what the professional is promising.



### **Insider information**

The professional claims to have “inside information” about an investment. Insider information means it is not available to the public. It can be illegal to use it because other investors don’t have access to it.



### **Please sign quickly!**

You are pressured to sign a contract or form immediately. The professional refuses to give you some information before you sign or is not giving you enough time to think about it.

# Examples of Financial Fraud

There are, unfortunately, many kinds of financial fraud. Here are some common examples:

## Investment Lectures and Seminars

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You might have heard about these events in the media, by mail or from a friend or family member. Admission is free, and they are often held in hotels or public places. Some of these events are legitimate, but some are not.

Organizers of these events present investments that supposedly offer high returns with little risk, or that let you pay less income tax or none at all.

They might ask you to buy a membership card, attend additional expensive training sessions or recommend that you invest quickly to benefit from “amazing” opportunities.

These people usually overload you with information, but they are unable to provide any valid background documents about the investments they offer. They also discourage you from getting a second opinion from a professional, such as an accountant or tax specialist.



## Unsolicited Emails, Letters and Calls

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A stranger contacts you and tries to get you to provide personal or banking information. This person might also ask you to send money and promise to pay you back later.

Here are examples how this person might get you to hand over money:

- Offer you an investment opportunity in a new company that is about to offer its shares to the public. But to qualify for this opportunity, you have to provide false financial information.
- Invite you to invest overseas to save taxes and earn high returns. You are given little information about the risk of loss and how you can withdraw your investment.



### **Calls and emails to ignore**

Banks and other financial institutions will never call you or send you emails asking you for personal information, such as passwords and user names you might use to bank online. Be careful of this kind of request, even if it seems to come from your bank or other financial institution.

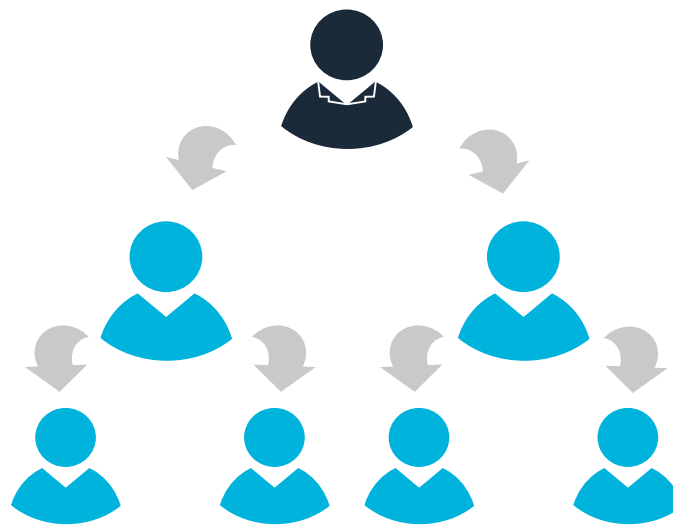
If you are unsure about what to do, check with your bank or other institution to see if it was really trying to contact you.

## Pyramid Sales

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Pyramid sales involve recruiting participants who are paid to sell subscriptions or products to other participants who, in turn, are paid for selling to yet more participants.

Pyramid sales are also called “multi-level marketing plans.” They are designed to provide the greatest benefit to the people at the top of the pyramid.



Some kinds of pyramid sales are legal. But they are illegal in these situations:

- Participants are paid to recruit other participants.  
OR
- Participants must buy products at a price higher than what the product cost the seller.  
OR
- Participants must buy an unreasonable amount of the products.  
OR
- The rules on returning products are unreasonable or participants are not told about the rules on returns.



## Ponzi Schemes

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Ponzi schemes promise much higher returns than traditional investments. Under these schemes, the scammers don't invest their clients' money. Instead, they use the money to pay profits they promised.

The scheme falls apart when there are not enough new investors to pay the earlier investors. Then the scammers take off with the money. Or the scheme collapses when the authorities discover it.

The Earl Jones and Bernie Madoff cases, which received a lot of media coverage, are examples of Ponzi schemes.

# Naming Someone to Manage Your Affairs

Sometimes you can't or don't want to manage your affairs yourself. This can happen if you are out of the country, end up with health problems or simply want to make things easier to manage.

This section explains two different documents you can use to name someone to handle your affairs.



## Power of Attorney

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A power of attorney lets you name someone you trust to manage your money, property or a business. This person can be a friend, relative, spouse, etc. You can prepare a power of attorney on your own, or a notary or lawyer can make one for you.

Signing a power of attorney does not mean giving up control over your affairs. You have a right to ask for information and watch over the person acting for you.



### **Sample power of attorney**

The Autorité des marchés financiers has a sample power of attorney on its website. It is a fairly detailed model. For the sample, go to [www.lautorite.qc.ca](http://www.lautorite.qc.ca). Look for “General Public”, then “Publications” at the bottom of the page. Then go to “For General Public” and “Entrusting the management of your affairs to someone.”



### **Power of attorney forms**

Most financial institutions and investment professionals have their own power of attorney forms.

When it is a power of attorney for investing, the form is sometimes called “Client’s Agreement to . . .”

By signing a power of attorney for investing, you are giving someone permission to manage your investments according to what the power of attorney says.

Read these forms carefully to make sure you understand exactly what powers you are giving. Ask questions!

Here are tips for preventing misuse of a power of attorney:

- Include specific limits and rules. For example, you can limit the kinds of investments that can be made using your money.
- Supervise the person acting for you by, for example, asking for reports.
- Think about making the power of attorney for a specific time period. You can always renew it if you have to.
- You can end a power of attorney at any time. If you do, you must notify the investment professional and anybody he or she did business with, such as brokers and financial institutions. You can ask that the power of attorney be returned to you. You can also destroy it.

**To learn more**, see the articles on powers of attorney at [www.educaloi.qc.ca](http://www.educaloi.qc.ca) or order Éducaloi's print guide on the topic. To order the print guide, go to Contact Us on the website.

## Protection Mandate

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In a protection mandate, you can name someone to care for you and your affairs if a court finds that you are incapacitated. Incapacity means a health issue is seriously interfering with your ability to make decisions or express your wishes. This could happen, for example, if you are in a coma or have advanced Alzheimer's disease.



In the protection mandate, you can list which powers your representative will have.

Note that if a court finds you to be incapacitated, a power of attorney can no longer be used. But the power of attorney can be used during the process of putting the mandate into place.



### **Form to make a protection mandate**

The Curateur public du Québec (public curator) has a free form to make a mandate. To get the form, go to [www.curateur.gouv.qc.ca](http://www.curateur.gouv.qc.ca). Then see “Preparing your mandate in three steps.”

You can protect yourself by adding these things in your protection mandate:

- Specific instructions on how you want your money managed. For example, you can require the person acting for you to consult a professional or to get permission from other people before making certain decisions.
- Requiring the person acting for you to report to one or more people you trust.

You should tell people close to you that you have a protection mandate, where you keep it and if they have a role to play if you become incapacitated.

**To learn more**, see the articles on protection mandates at [www.educaloi.qc.ca](http://www.educaloi.qc.ca) or order Éducaloi's print guide on the topic. To order the print guide, go to Contact Us on the website.

# Problems? Places to Turn

## Complaints About a Financial Professional

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You have a problem with a professional you dealt with?

For example, you feel you were not given enough information, or you were encouraged to buy products that did not suit you?

Don't know where to turn? Here are some suggested steps:

### Step 1

Does the person work for a firm? If so, contact the person or department at the firm responsible for customer service.

- manager
- complaints department
- ombudsperson
- customer service
- etc.

### Step 2

Not satisfied with the result of Step 1? Try calling the Information Centre of the Autorité des marchés financiers (AMF).

The AMF regulates financial products and services in Quebec. It is a “one-stop shop” for people who have complaints about a financial professional. If they can't handle the complaint, they direct you to the right place.

- 514-395-0337
- 418-525-0337
- 1-877-525-0337

# Other Places to Turn

Making a complaint is not always the best solution to your problem.

You have other options. You can use more than one of these options at the same time. To learn more, consult our tool **Protect Your Money - Remedies and Useful Resources**.

It has a list of remedies and resources that can help you.

## Report financial abuse of a senior

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### Purpose

- Protect the senior and end the abuse.
- Act quickly in emergencies.

### Advantages

- Easy, fast, free
- Anonymous

### Disadvantage

- You might not get your money back.

### Contact

- Quebec's public curator (Curateur public)
- Quebec's human rights commission (Commission des droits de la personne et des droits de la jeunesse)
- Ombudsperson (Protecteur du citoyen)



## Report fraud or suspicious behaviour

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### Purpose

- Put the professional out of business.
- Professionals found guilty of a crime will have a criminal record and might go to jail.

### Advantages

- Easy
- Prevents others from becoming victims
- Anonymous

### Disadvantage

- You might not get your money back.

### Contact

- Local police
- Provincial police (Sûreté du Québec)
- Canadian Anti-Fraud Centre

## Ask for financial compensation

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### Purpose

- Get your money back.

### Advantages

- Easy
- Usually free

## Disadvantages

- There's a maximum amount you can claim.
- Strict eligibility requirements
- Short time limit to file a claim (e.g., one year)

## Contact

Fill out a form and send it to the appropriate organization:

- Autorité des marchés financiers (AMF)
- Investment Industry Regulatory Organization of Canada (IIROC)

## Take the professional to court

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### Purpose

- Get your money back.

### Advantages

- No maximum amount
- Usually three years to make your claim

### Disadvantage

- Long, complex legal process
- Expensive if you must hire a lawyer
- You might not get your money back even if you win the case, for example, the professional becomes bankrupt.

### What to do

- File a claim at the courthouse and follow all steps in the legal process.
- A lawyer can help and tell you about your options.

# To learn more about investments and the law

## **Éducaloi**

[www.educaloi.qc.ca/en](http://www.educaloi.qc.ca/en)

## **Autorité des marchés financiers (AMF)**

[www.lautorite.qc.ca/en](http://www.lautorite.qc.ca/en)

Go to “General public.”

- 418-525-0337
- 514-395-0337
- 1-877-525-0337

## **Canadian Securities Administrators**

[www.securities-administrators.ca](http://www.securities-administrators.ca)

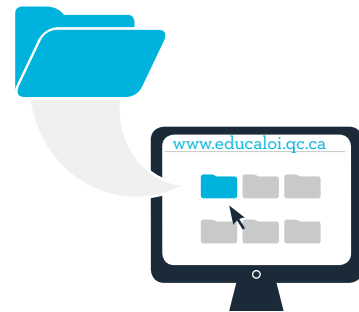
Go to “Investor Tools.”

# Éducaloi explains the law to Quebecers in everyday language.



Read about these and other topics at [www.educaloi.qc.ca](http://www.educaloi.qc.ca):

- Estates
- Wills
- Protection mandates
- Powers of attorney
- Fraud and abuse: how to protect yourself
- Health care issues



## Print Guides and Pamphlets

To order print guides or pamphlets, go to Contact Us on our website.

# Protect Your Money:

## Tips for Finding a Reliable Financial Advisor

### 1. Does the person have a permit?



- Check the online “Register of firms and individuals authorized to practise” of the Autorité des marchés financiers. Or call the information centre: 1-877-525-0337.

### 2. Did the advisor consider your particular situation?



- Personal situation
- Finances
- Your goals
- Level of risk you will accept
- Your knowledge about investments
- Investments appropriate given your age, etc.
- Risks and other characteristics of each investment

### 3. Is the advisor trustworthy?






- Level of experience
- Listens to your needs
- Takes time to analyze your situation
- Clearly answers your questions
- Has reliable sources (reports, statistics, etc.)
- Good comfort level with this person

TURN OVER...

## Think twice!



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Be extremely careful about dealing with someone who . . .

-  Does not have a permit listed with the Autorité des marchés financiers
-  Offers investments that seem too good to be true
-  Pressures you to invest quickly

## Watch out!

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-  Emails, letters or calls from people you don't know
-  Requests to give personal information online

## Who can help?

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- Start with the information centre of the Autorité des marchés financiers: 1-877-525-0337

## Need more information?

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- See Éducaloi's guide *Protect Your Money From Financial Fraud and Abuse*: [www.educaloi.qc.ca/seniors](http://www.educaloi.qc.ca/seniors)
- See Éducaloi's tool *Protect Your Money - Remedies and Useful Resources*: [www.educaloi.qc.ca/seniors](http://www.educaloi.qc.ca/seniors)
- For paper copies of these guides, go to "Contact Us" on our website: [www.educaloi.qc.ca](http://www.educaloi.qc.ca)

Éducaloï thanks these partners for their support for the Protect Your Money project: