

# OUTSIDE EDGE

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## AGE WAVES

A changing population is changing everything.

**Prospects for the Canadian wealth management industry are very good, despite recent market turbulence. And one of the driving factors is the aging population in Canada.**

As the needs of this oncoming tsunami of senior citizens change our marketplace, our industry is responding with innovative solutions that are more complex than traditional investments. The result is increased pressure: on advisors to fully understand and explain these products; on manufacturers to provide the necessary training and support; and on regulators to help ensure investors are getting all the information they need to make informed decisions.

As baby boomers reach the traditional retirement age, seniors are expected to constitute 20% of the Canadian population by 2026, compared to only about 12.5% in 2001—and the proportion of seniors will continue to grow for many years to come. Indeed, 70% of wealth-management assets will be held by people 55 or older by the year 2016.

No longer satisfied just with traditional fund types, investors have embraced emerging new investment structures that focus on risk management, tax efficiency and income solutions. And that means con-

tinuing to generate innovative ideas to meet investors' changing needs is the key challenge for fund manufacturers.

Investing in new types of mutual funds that provide some form of guarantee is one way investors who are approaching, or in, retirement are hedging against market volatility. Consider the rise in popularity of guaranteed lifecycle funds—which can provide exposure to growth-oriented asset classes with the security of a guarantee. Other quite different forms of maturity guarantees are provided by investment products such as segregated funds and principal-protected notes.

The ongoing development of these new investment structures places greater demands on advisors to keep abreast of new product developments in order to counsel clients wisely. What's more, these trends are taking shape against a backdrop of increasing regulation. In recent years, the bar has been raised by regulators and the courts when it comes to an advisor's obligation to understand and evaluate

the suitability of new products. And these regulatory requirements will only increase with proposed NI 31-103 (Registration Reform), the Client Relationship Model (CRM) and the Point-of-Sale initiatives.

While the benefits of guaranteed investment products are easy to understand, the mechanics are somewhat complex and differ significantly from product to product. These are the kinds of vehicles that are designed to meet the concerns of an aging population, which is shifting its attention to capital preservation as well as growth.

This is further complicated by the stratification of the population as it ages. Baby boomers (and now what some are calling Zoomers—highly active boomers who belie the senior label), followed by Gen X-ers and Gen Y, all place different challenges on advisors. Those groups that followed the boom generation have shorter windows of peak earning power, which means they'll want (and perhaps need) to achieve financial independence much faster.

It's up to us as an industry to continue adapting to the changing marketplace, to provide the information and education necessary for everyone to make informed choices, and it is up to regulators to provide ongoing guidance in terms of informing investors. <sup>AE</sup> **SCANDIFFIO**