

## Advisor Frequently Asked Questions

### Understanding Total Cost Reporting

#### What is total cost reporting?

Total cost reporting (TCR) is a new industry-wide regulatory initiative from the Canadian Securities Administrators and the Canadian Council of Insurance Regulators. It builds on our commitment to clarity and transparency by giving clients a more complete, standardized view of the total cost of investing, including:

- Previously embedded product-level costs.
- Itemized product-level costs.
- More personalized and detailed performance information.

TCR does not alter how costs are calculated or charged. The reform affects only what clients see, not what they pay.

#### Why are regulators introducing TCR?

The goal is to increase transparency and investor understanding. By showing clients the total cost of investing, regulators aim to help Canadians:

- Strengthen trust in the client-advisor relationship.
- Make more informed financial decisions.
- Better compare products and services.
- Understand how costs relate to the value of advice.

For advisors, this shift creates a pivotal moment: handled passively, it may feel like a threat, but embraced proactively, it becomes a powerful opportunity to showcase your value and strengthen relationships.

#### How is TCR different from Client Relationship Model – Phase 2 (CRM2)?

CRM2 required disclosure of:

- direct charges (account and advisor costs), and
- investment performance information.

TCR builds on this foundation by adding embedded product costs, such as management expense ratios (MERs), fund management costs, insurance (guarantee) costs for segregated funds and trailing commissions, into a single, total cost view.

## Implementation timeline

### When does TCR take effect?

TCR disclosures will first appear on 2026 calendar year statements, delivered to clients in January 2027. Since timing may vary slightly between firms or product type (securities vs. insurance), advisors should prepare clients in advance.

## What will clients see

### What will your clients see on their statements?

Clients will see:

- Total cost summary (in dollars) – The total investment costs for the year, including both advisor/dealer charges and product-level costs.
- Total cost as a percentage of average account value – The client’s total annual cost of their average account value over the year.
- Personalized rate of return calculations – Money weighted rate of return that reflects each client’s unique behaviour, such as deposits and withdrawals, and will also show their rate of return since the date they opened the contract.
- Additional notes – Statements may also include explanatory notes clarifying that product costs are deducted within the investment, not directly charged to the client’s account.

## Scope of cost

### What costs are included?

TCR combines:

#### Direct charges

- Advisor or account costs.
- Front-end load commissions.
- Insurance guarantees.
- Transaction charges.

#### Product costs

- Management costs.
- Operating expenses.
- Insurance guarantees for segregated funds.

### **What costs are not included?**

Certain costs fall outside TCR's scope, including:

- income taxes,
- capital gains taxes,
- trading spreads or foreign exchange costs,
- costs for financial planning services (if not charged through the investment account),
- costs for third-party services not related to investment products, and
- advisor commissions.

## **Client reaction and advisor preparation**

### **How might clients react to the new disclosures?**

Some clients may be surprised by the total dollar figure. It's important to remind them that:

- These costs are not new. They have always existed and are now shown together for clarity.
- The intent of TCR is transparency, not a cost increase.
- The total includes both the cost of professional advice and the cost of managing the investment products themselves.
- Clients' investment returns are reported net of costs – meaning costs have already been deducted. The new disclosure simply shows the gross cost alongside the net return, helping clients better understand the relationship between the two.

### **What if a client fixates on the dollar amount?**

We expect that this might happen with some clients. Your role is to guide the conversation toward:

- What the number represents.
- What it does not represent.
- The value of professional guidance, planning and long-term outcomes.

### **What if a client is concerned after seeing the total cost for the first time?**

This reaction is normal. TCR is designed to encourage informed conversations. Advisors can use the enhanced reporting as a starting point to:

- Revisit goals and time horizons.
- Explain how advice and product features support outcomes.
- Reinforce the long-term value of professional guidance.

### **What if a client asks why this wasn't shown before?**

Explain that this reflects a regulatory change, not a change in costs. Costs have always existed. TCR brings them together into a clearer, standardized format. It's appropriate to acknowledge that reporting has evolved. Just like statements, technology and regulations evolve over time.

### **Are we expecting increased complaints or scrutiny?**

Increased questions are possible, especially earlier on. This is normal when information is presented in a new way. Advisors can manage this through:

- clear language,
- consistent messaging, and
- prepared responses.

And most importantly, getting ahead of client reactions by starting conversations now. Remember: cost is only a deterrent in the absence of value. TCR is an opportunity to highlight the value you deliver through your guidance, service, and commitment to helping clients make informed decisions.

## **Advisor action plan**

### **How should advisors prepare for client questions?**

Start early. Review sample statements as soon as they're available. Be ready to explain:

- What's included in "total cost" and how it's calculated.
- The value of your advice and the services they receive.
- How professional guidance, planning, and support contribute to long-term success.

Use plain language and focus on value and outcomes rather than just cost. This can help keep the conversation positive and productive.

Most importantly, approach these conversations with care, compassion, and support. Clients may feel unsure or concerned when they see new information on statements. Your calm, empathetic guidance can reassure them, reinforce your value, and help them feel confident in their decisions.

### **Should advisors proactively reach out to every client before statements go out?**

Prepare for likely questions, prioritize higher-touch relationships, and address TCR as part of regular review conversations. This will help ensure a smooth and seamless transition.

### **How can advisors turn TCR into an opportunity?**

TCR enables advisors to:

- Demonstrate transparency and professionalism.
- Reinforce the value of advice, ongoing service and planning.
- Differentiate themselves from competitors.

- Engage clients in more meaningful conversations about their goals, performance, and outcomes.
- Differentiate your practice by proactively guiding clients through the change.

## Product and data considerations

### What if a fund's expense information is estimated or unavailable?

For new funds:

- Full historical data may not yet be available.
- Estimates will be disclosed clearly.
- Actuals will replace estimates once available.

This reflects a timing consideration, not a change in costs or uncertainty about the product.

## Industry impact and value

### Is this going to make me look more expensive than competitors?

No. All firms must disclose costs using the same framework. What will differentiate advisors isn't the number itself, but how clearly they explain value, service and outcomes.

### How does TCR support better advisor-client conversations?

By bringing cost information into one clear view, TCR:

- reduces confusion,
- encourages transparency,
- supports meaningful, outcome-focused discussions,
- builds trust, and
- creates opportunities for referrals.

### Will this change affect what products or services we offer?

No. TCR changes how information is presented and explained, not the products or services themselves.

### Will TCR help us deliver more value?

Yes. TCR supports informed decision-making, reduces confusion or surprise around costs, reinforces the role of advice in achieving outcomes, and builds trust through transparency.

## Key takeaways for advisors

### What is the key takeaway for advisors?

Transparency builds trust. Advisors who approach these conversations confidently, clearly and proactively will build stronger, more informed, and more engaged client relationships.