



Wealth  
Management



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# Financial documentation

Getting familiar with some common types of contracts and financial documentation

Over the course of your lifetime, you'll likely come across many kinds of financial documentation. These documents can be broadly categorized into three main types: contracts, account opening documents and legal planning documents.

## Common types of contracts

Contracts are legally binding agreements that detail the rights and obligations of each party involved.

### Common examples:

1. **Purchase Agreement:** A contract between a buyer and a seller. It indicates a promise to pay, or confirms payment, for an item or a service that you've received (e.g. a simple receipt for a store purchase, or a more detailed written agreement for larger purchases such as a car or a home).
2. **Credit Agreement:** The technical name of the contract when you borrow money for a purchase and pay it back later. It includes the terms of the loan such as the interest rate, fees, credit limit and repayment schedule (e.g. a credit card agreement and some smartphone contracts).
3. **Lease Agreement:** A contract between a user and an owner for the use of the owner's asset. Instead of buying the item, the

lessee has exclusive use for a period of time. A lease agreement will specify the length of time, payment amount and frequency, and the residual value of the asset at the end of the term. One example is a car lease. You make predetermined payments for a period of time. At the end of the period, you can either return the vehicle or pay out the residual value to buy it.

4. **Rental Agreement:** Similar to a lease agreement, in that it's an arrangement between a user and an owner for the use of the owner's asset for a period of time. There's often no expectation to purchase the asset at the end of the term. One example is renting an apartment. The rental agreement specifies the payment amount and frequency, the length of the term, and the rights and obligations of both the landlord and the tenant.

## Account Opening Documents

Account opening documents are required when you want to open a new bank account or investment account.

Some of the most common account opening documents:

1. **Client Account Agreement:** Provided by your bank or investment institution. It outlines



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the responsibilities you and the institution have with respect to your account. These agreements may address fees, how many transactions are included and if you can borrow on the account.

2. **Joint Account Agreement:** Addresses accounts where you and another person (or persons) own the account holdings together.
3. **Know Your Client Form (KYC):** Provides the institution with detailed information such as full name, address, marital status, account type, investment objectives, time horizon, risk profile, and investment experience. The KYC protects both the client and the firm by making sure the clients' intentions and goals are well-documented.
4. **Trading Authorization (TA):** Provides a list of any other parties authorized to provide trading instructions on an account. This means the other parties listed can decide what to buy or sell in the account, but they can't access the funds in the account.
5. **Investment Policy Statement (IPS):** A signed agreement between a client and an advisor that outlines how the money in an account is to be invested and managed. It

describes the client's investment goals or objectives as well as risk tolerance, and explains the strategies the advisor may employ to achieve these.

### Legal planning documents

Some legal documents help you plan for your future, manage your assets and address some risks you may be exposed to. These documents are optional, but often recommended so that your wishes and intentions are clear.

#### Most common legal planning documents:

1. **Will:** Instructs your family how you'd like your assets distributed after your death. A Will can be amended or redrafted to reflect life changes such as a change in your family situation.
2. **Beneficiary or Successor Designation:** Allows you to select a beneficiary for your registered account(s). The funds in that registered account pass on to the recipient without passing through your estate. In most provinces, this allows the account to avoid the probate process. In Quebec, you must name both beneficiaries and successors in the Will.

3. **Power of Attorney (POA):** Allows you to give someone the authority to act on your behalf. There are versions of a POA for finances and legal affairs and for healthcare. POA is known as a mandate in Quebec.
4. **Preuptial or Cohabitation Agreement:** Used when entering into a marriage, or a marriage-like relationship, to address assets brought into the relationship. This type of agreement details how assets will be divided in the event of divorce or the end of the relationship, and can also specify the terms of how children are to be raised.

