

Prepared by:

Innovative Research Group, Inc.

Toronto • Vancouver

www.innovativeresearch.ca



Public Opinion Research ▶▶

2012 CSA Investor Index



**Canadian Securities
Administrators**

**Autorités canadiennes
en valeurs mobilières**

2012 CSA Investor Index

These materials are intended for use as general information to understand investor behaviour and the estimated incidence of investment fraud in Canada. They are not intended to provide specific investment, tax, legal, or accounting advice and should not be relied on for that purpose.

The conclusions drawn and opinions stated are those of the authors. Research for this study was conducted in May 2012.

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This report has been prepared by Innovative Research Group Inc. for the Canadian Securities Administrators, Investor Education Committee.

About the Canadian Securities Administrators

The Canadian Securities Administrators (CSA), the council of securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets. The CSA protects Canadian investors from unfair, improper, or fraudulent practices and fosters fair and efficient capital markets. Part of this protection is educating investors about the risk, responsibilities and rewards of investing. Through its Investor Education Committee, the CSA works to facilitate access to objective investment information and to help retail investors make informed investment decisions.

To learn more about the CSA, visit www.securities-administrators.ca.



About Innovative Research Group

Innovative Research Group, Inc. (INNOVATIVE) is a national public opinion research and strategy firm with offices in Toronto and Vancouver. The firm provides critical information needed to assess and overcome public affairs and corporate communications challenges, identify and evaluate potential solutions, and monitor outcomes.

To learn more about INNOVATIVE, visit www.innovativeresearch.ca.



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About the 2012 CSA Investor Index

Background:

The *2012 CSA Investor Index* is the third survey on investment knowledge, investor behaviour, and incidence of investment fraud among Canadians conducted by the Canadian Securities Administrators (CSA). The previous two surveys were conducted in 2006 and 2009. The information and analysis from these surveys are intended to help the CSA Investor Education Committee develop and deliver programs to help investors make appropriate investment decisions, and recognize, avoid and report suspected fraudulent investments.

Research objectives:

The CSA commissioned Innovative Research Group (INNOVATIVE) to design and conduct the *2012 CSA Investor Index*. Similar to the previous surveys, the 2012 survey looked at investment knowledge, investor behaviour, the incidence of “self-reported” investor fraud and awareness of securities regulators.

New areas of research in 2012:

The 2012 survey also includes new questions in the following areas:

- **Investor knowledge:** Three standardized investment knowledge questions used in similar international studies were added to allow the CSA to gauge the financial literacy of Canadians.
- **Market expectations:** New questions were added to measure expectations about reasonable rates of return.
- **Role of social media in investing:** Several questions were added to understand the use of blogs and other social media tools as a source of investment information and investors’ reliance on social media for investing.

Methodology and Approach

Methodology

The *2012 CSA Investor Index* was conducted by Innovative Research Group Inc. (INNOVATIVE) using a mixed methodology that combined a random digit dialing telephone survey with an in-depth online survey.

- The online survey consisted of a representative sample of 6,911 Canadians, 18 years or older. This survey was used to develop an in-depth profile of Canadians and their investment behaviour.
- The online survey was conducted between May 17th and 31st 2012 in both French and English, using INNOVATIVE's national research panel, Canada 20/20™, as well as respondents drawn from nationally representative samples managed by SSI and uThink.
- These online panels are recruited from a wide variety of sources to reflect the age, gender, region and language characteristics of the country as a whole. The survey is administered to randomly selected samples from the panels and weighted to ensure that the overall sample's composition reflects that of the actual target population according to Census data to provide results that are intended to approximate a probability sample. INNOVATIVE provides each panellist with a unique URL via an email invitation so that only invited panel members are able to complete the survey. Panel members can only complete a particular survey once.
- The online sample has been weighted by age, gender and province using 2011 Statistics Canada Census data to reflect the actual demographic composition of the population. To ensure a proportionate representation of Canadians, while not over-estimating the reliability of the sample in any particular region of the country, the sample was weighted down to n=5,198.
- A probability sample of this size would have an estimated margin of error of +/-1.4 percentage points, 19 times out of 20. The estimated margin of error would be larger within each sub-grouping of the sample.
- In addition to weights derived from Statistics Canada Census data, the online sample was also weighted by the results of a May 2012 national telephone survey of 2,006 Canadians, 18 years of age or older. The telephone survey was used to verify distributions from the online survey on key weighting variables including incidence rates for particular investment behaviours and the number of Canadians who believe they have been a victim of investment fraud.
- Where possible, research findings were tracked from previous surveys including the 2006 and 2009 *CSA Investor Index* studies.

Note: *Graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers.*

Previous Studies

2009 CSA Investor Index

The 2009 CSA Investor Index was conducted online between July 20 and 27, 2009. Nationally, 6,319 Canadian adults completed the survey, including a general population sample of 5,521 respondents and an oversample of 798 respondents who had identified themselves as victims of fraud in an earlier survey. In the general population sample disproportionate sampling was used in order to provide reliable provincial samples. Separately, telephone interviews were conducted among 1,004 Canadian adults between July 21 and 23, 2009 in order to verify distributions from the online survey on key weighting variables. The online sample was weighted by region, age, gender and the incidence data on fraud victims from the telephone survey.

2006 CSA Investor Index

The 2006 CSA Investor Index was conducted online between August 10 and 31, 2006. Nationally, 5,568 Canadian adults completed the survey, including an oversample in New Brunswick. Because of this disproportionate sampling, and in order to not overstate the reliability of the sample in any given region, the total sampled was weighted down to 3,000. Separately a telephone study was conducted among 2,000 Canadian adults in order to verify distributions from the online survey on key weighting variables. The online sample was weighted according to telephone data on Canadian investing behaviour and 2001 Census data on age, gender and region in order to accurately reflect a representative cross-section of Canadians.

Sample distribution

Province/Territory	Actual Sample	Weighted Sample
Newfoundland and Labrador	251	82
Prince Edward Island	213	22
Nova Scotia	276	147
New Brunswick	548	120
Quebec	1,796	1,247
Ontario	2,077	1,984
Manitoba	218	181
Saskatchewan	212	155
Alberta	607	550
British Columbia	696	695
Territories: Yukon, NWT, Nunavut	17	15
National	6,911	5,198

**Weighted
national
n=5,198
+/- 1.4%***

This general population sample consists of 6,911 respondents, who were disproportionately sampled by province in order to provide reliable provincial samples.

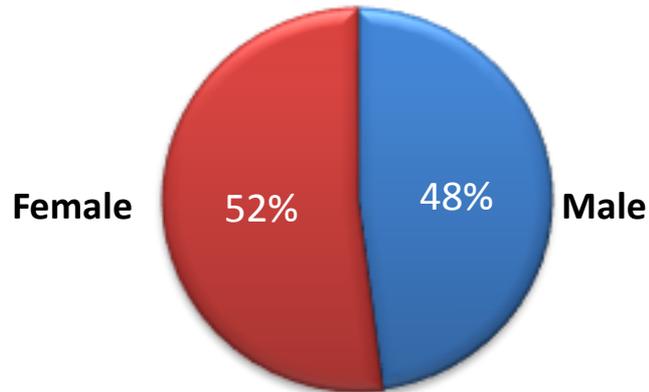
Respondent Profile

Saving and Investing Profile of Canadians

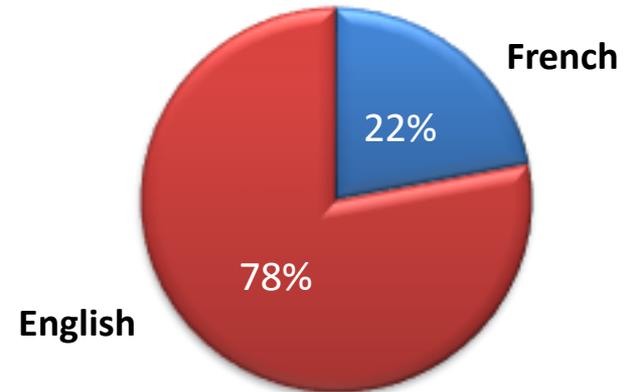
- More Canadians are saving, with 72% having money set aside for the future. This is up from 65% in 2009 and 70% in 2006.
- Slightly more than one-quarter (28%) of Canadians reported having no savings or investments set aside for the future. 17% have some savings, but do not own securities outside a company-managed pension plan, RRSP or RRIF.
- 55% of Canadians own securities outside a company-managed pension plan, RRSP or RRIF. 34% are “passive investors” – adjusting their investment portfolios once or twice a year – while 21% are “active investors” – reviewing their portfolios and making adjustments at least once a quarter. Most investors (64%) describe their investment style as conservative or risk-averse.
- The top three most commonly held investment products are mutual funds (62% of those with savings or investments set aside), term deposits or GICs (45%) and individually held stocks (33%).
- At the time the survey was conducted (May 2012), investors were more optimistic about achieving their investment targets in the next 5 years (52% optimistic) than in the next 12 months (39% optimistic). Just over half (51%) of investors believed they would be able to maintain or increase their level of current income in the coming 12 months.
- In terms of general conditions in the economy over the next 12 months, investors were more optimistic about economic growth (36% optimistic vs. 32% pessimistic). However, more investors were pessimistic than optimistic about the performance of the stock market, unemployment rates and inflation in the next 12 months.

Demographics: Respondent profile

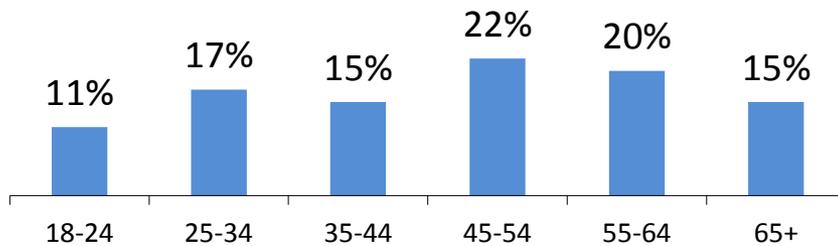
Gender



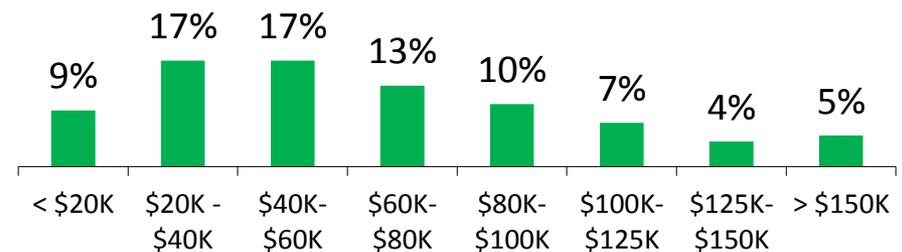
Language of Survey



Age



Household Income



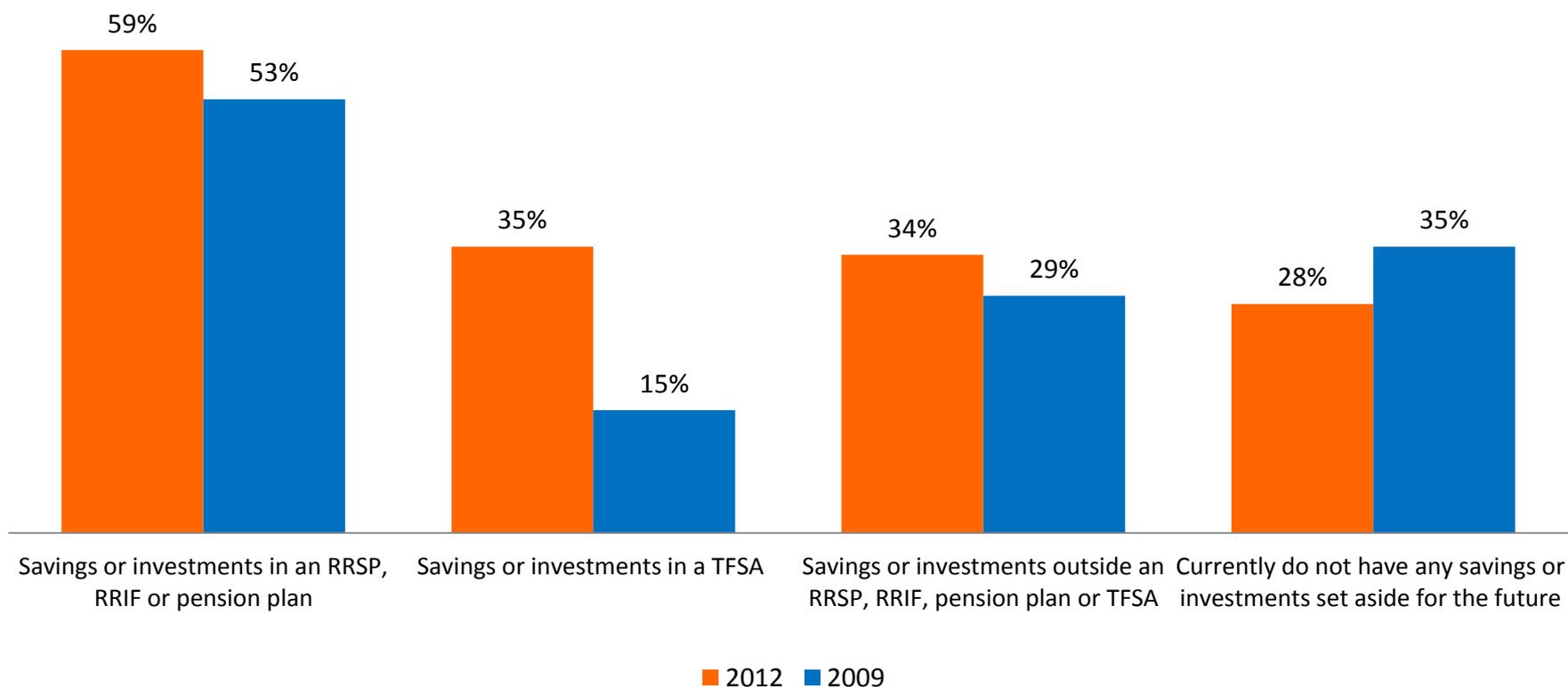
Note: 'Prefer not to say' (15%) not shown

Investor profile: More Canadians are saving, with 72% having money¹³ set aside for the future

Q

Do you personally have any savings or investments set aside for the future? This could be either in or outside of an RRSP (Registered Retirement Savings Plan), RRIF (Registered Retirement Income Fund) or TFSA (Tax-Free Savings Account). Check all that apply.

[asked of all 5,198 respondents; multiple answer selections allowed]

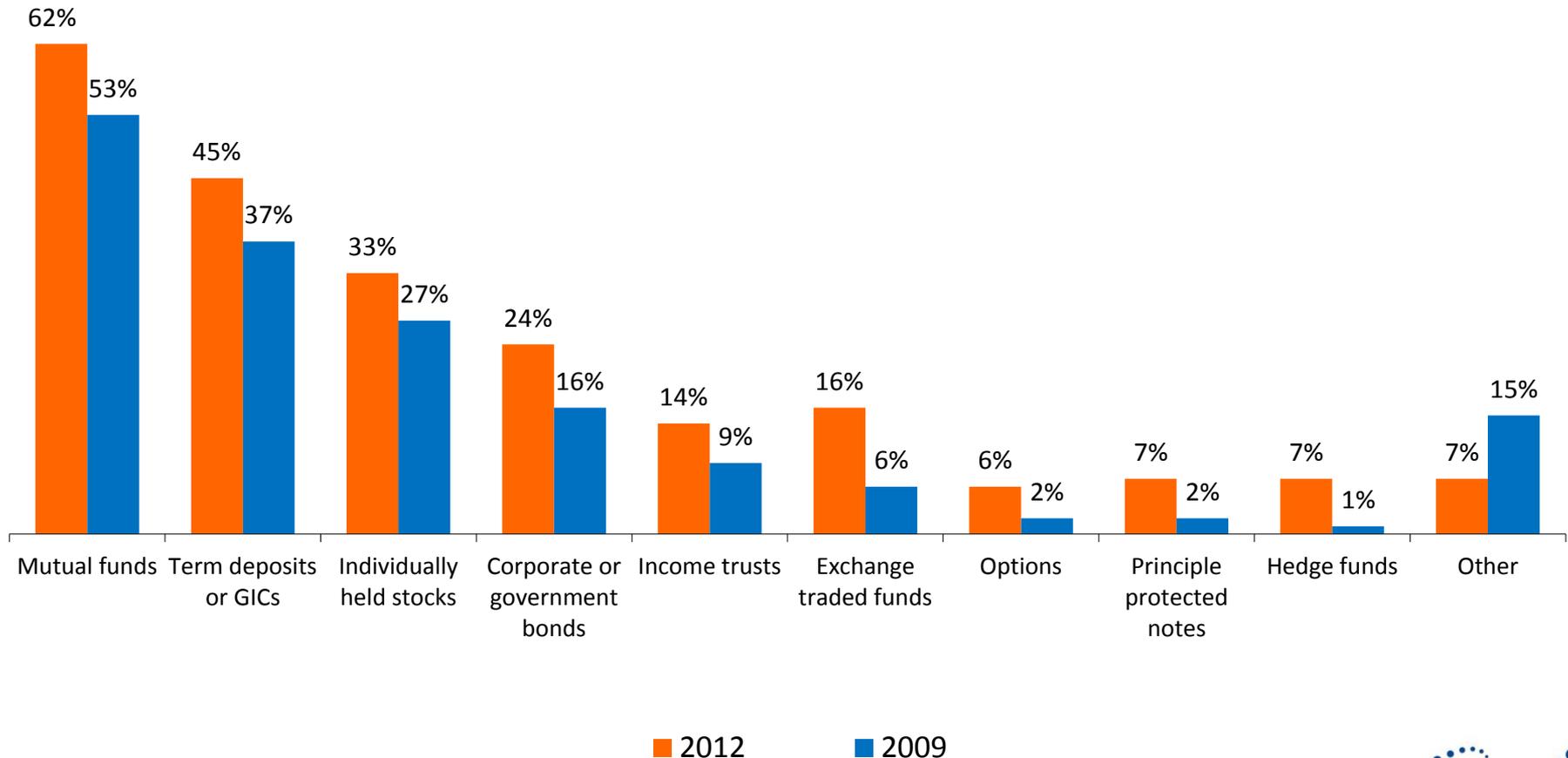


Investor profile: Mutual funds continue to be the most common investment – and gaining in popularity

Q

Which of the following savings or investment products do you own?

[asked only of those who indicated they currently have investments or savings set aside for the future; multiple selection allowed; n=3,749]



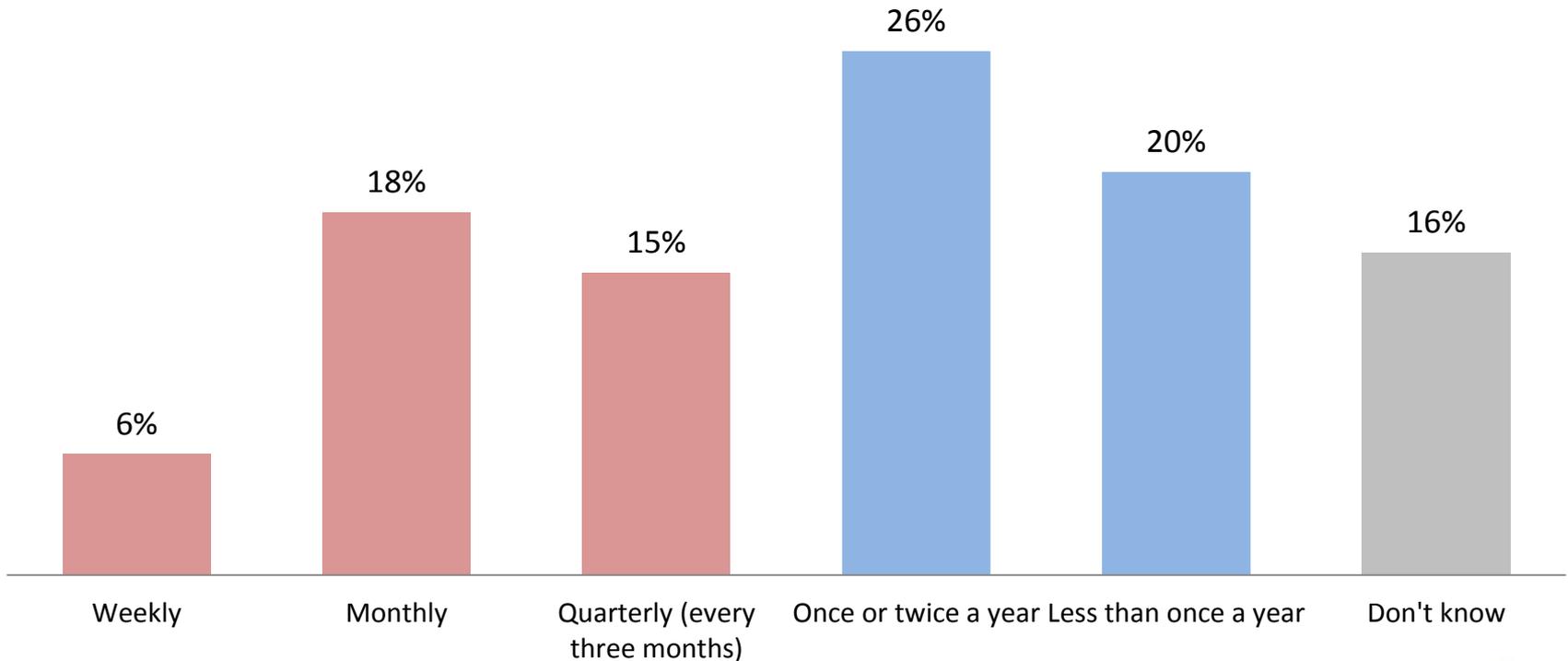
Note: 2009 n=4,253

Investor profile: Frequency of investing

Q

In general, how often do you – or your financial advisor on your behalf – buy or sell investments like stocks, bonds, mutual funds or other investments in the financial markets?

[asked only of those who own at least one investment product other than term deposits or GICs; n=2,873]

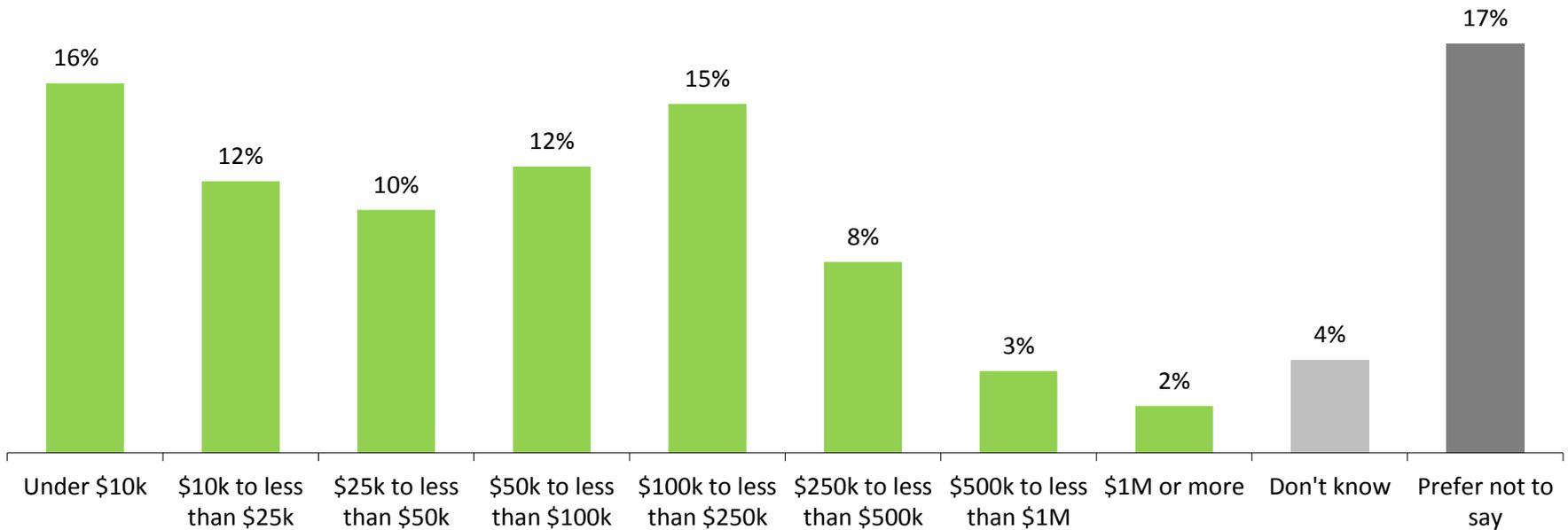


Investor profile: Portfolio size

Q

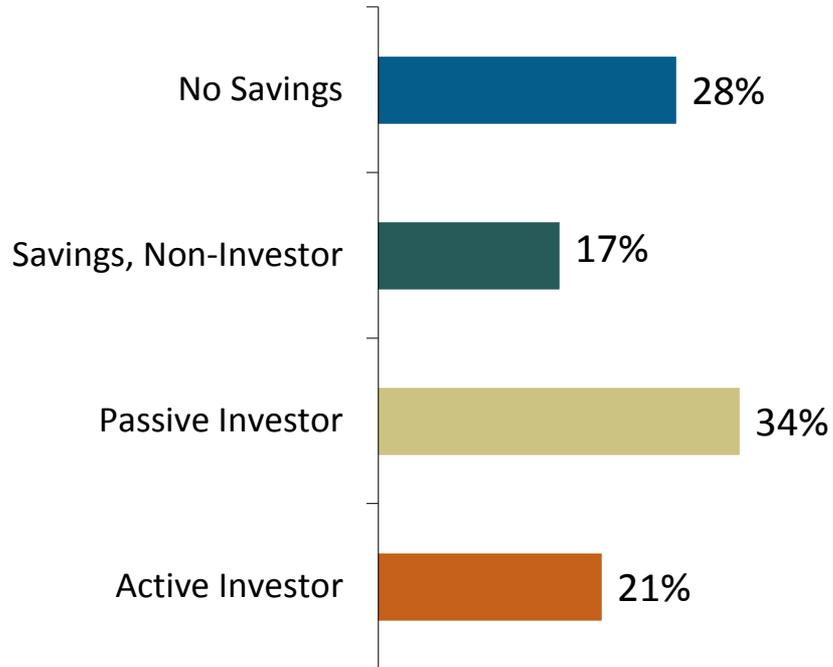
How large would you say your investment portfolio is today?

[asked only of those who have investments; n=3,742]



Investor segmentation

72% of Canadians have savings set aside for the future.



No Savings: those who currently do not have any savings or investments set aside for the future.

Savings, Non-investor: those who have savings, but do not own securities such as stocks, bonds, or mutual funds outside a pension plan, RRSPs or RRIFs.

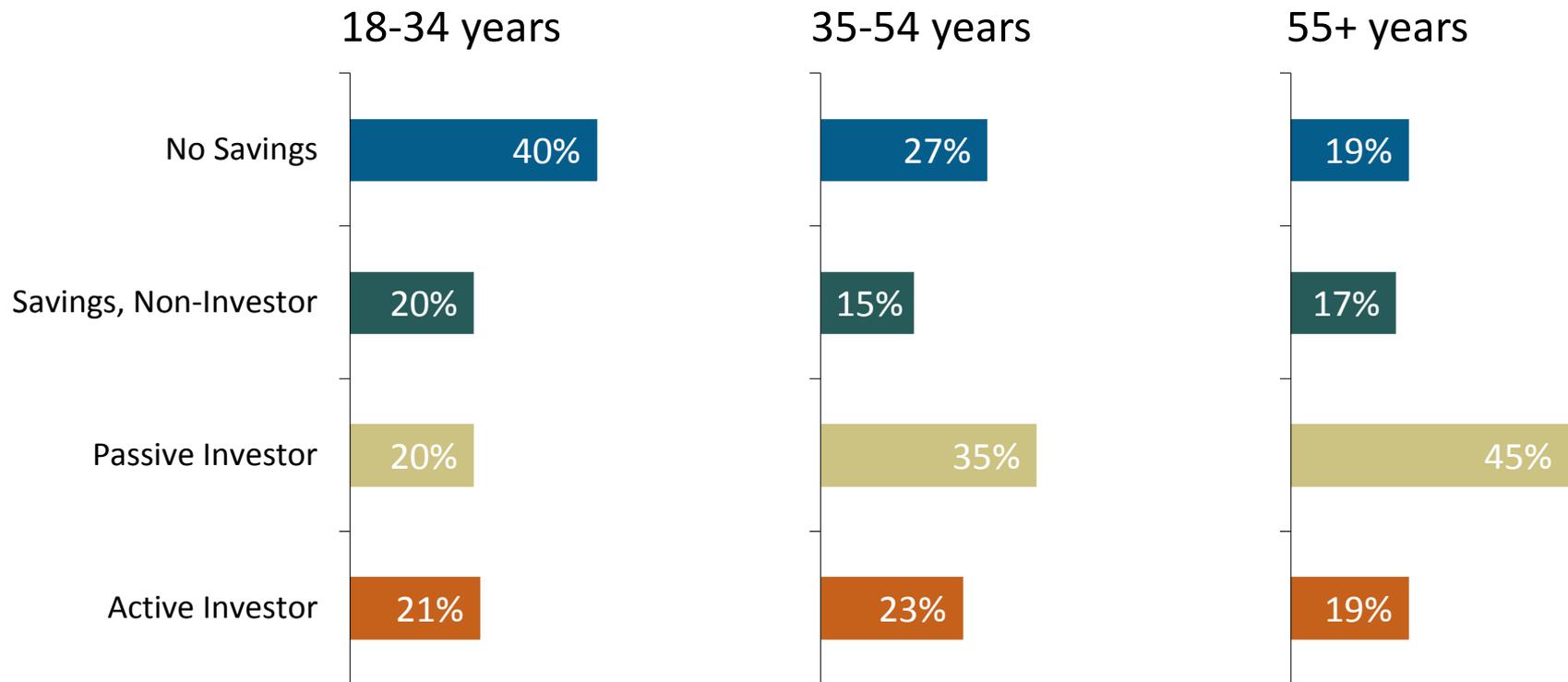
Passive Investors: those who own securities such as stocks, bonds, and/or mutual funds, but adjust their investment portfolio no more than once or twice a year.

Active Investors: those who own securities and adjust their investment portfolio at least once a quarter.

In this document, “respondents” and “Canadians” refers to the entire sample. “Investors” refers to the portion of the sample that has money set aside for the future, either through RRSPs, RRIFs, TFSAs, pension funds or securities, such as stocks, bonds and/or mutual funds.

Investor segmentation within age groups

Non-savers are more prevalent among the 18-34 year-old age group. Passive investors make up a larger proportion of the 35-54 and 55+ age groups. The size of the active investor segment is similar across age groups.

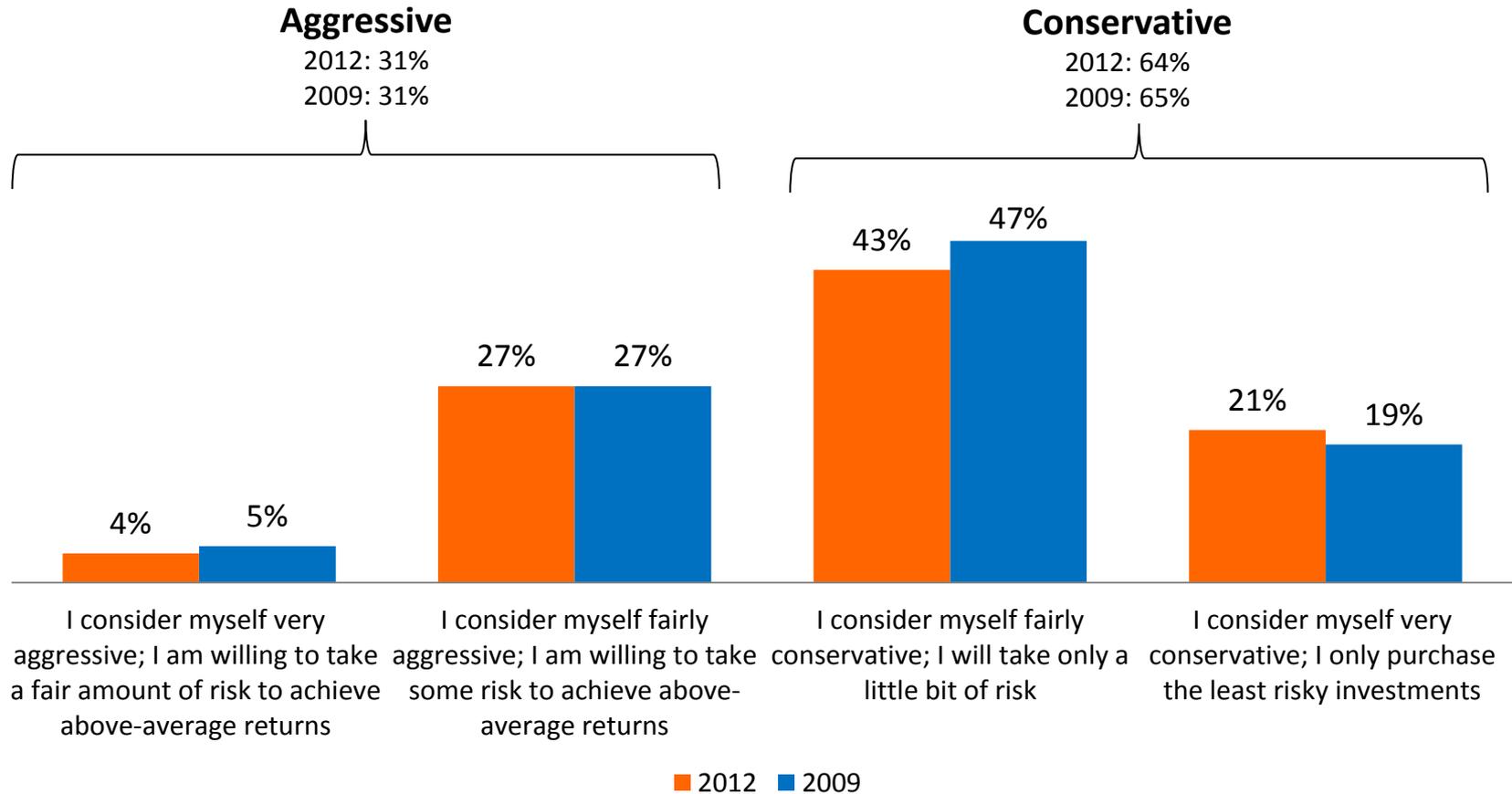


Investor risk orientation: Nearly two-thirds (64%) of investors describe their investment style as conservative and risk-averse



Which of the following best describes your investment style?

[asked only of respondents with financial investments; n=3,749]



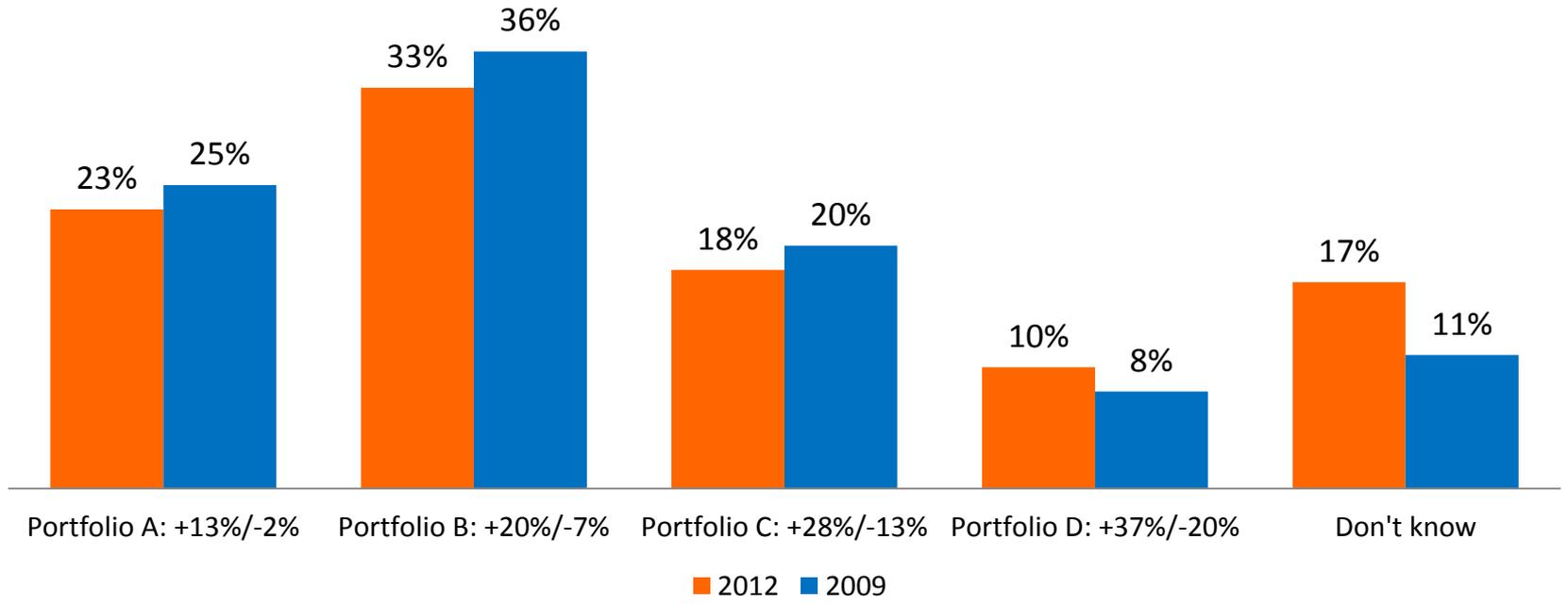
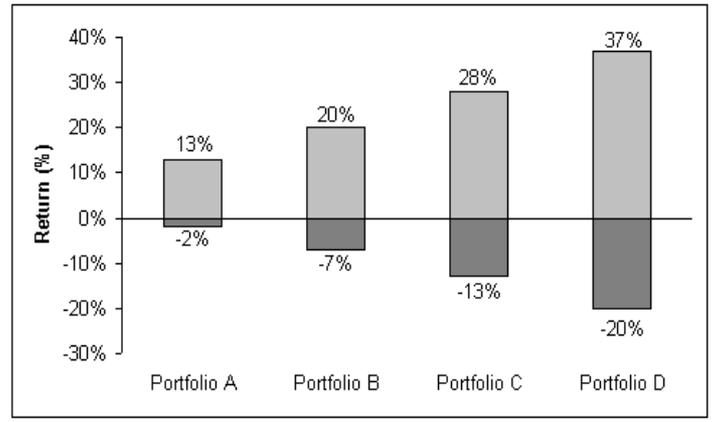
Note: 2009 n=3,518; 'Don't know' not shown.

Investor risk orientation: For short-term investments, most Canadians prefer Portfolio B – the second least risky



A portfolio is a basket of different investments. The returns earned by a specific portfolio depend on the mix of investments that make up the portfolio. The following graph shows the probable range of returns (from best to worst) of four hypothetical portfolios over a one-year period. Which of these portfolios would you prefer to invest in?

[asked of all 5,198 respondents]

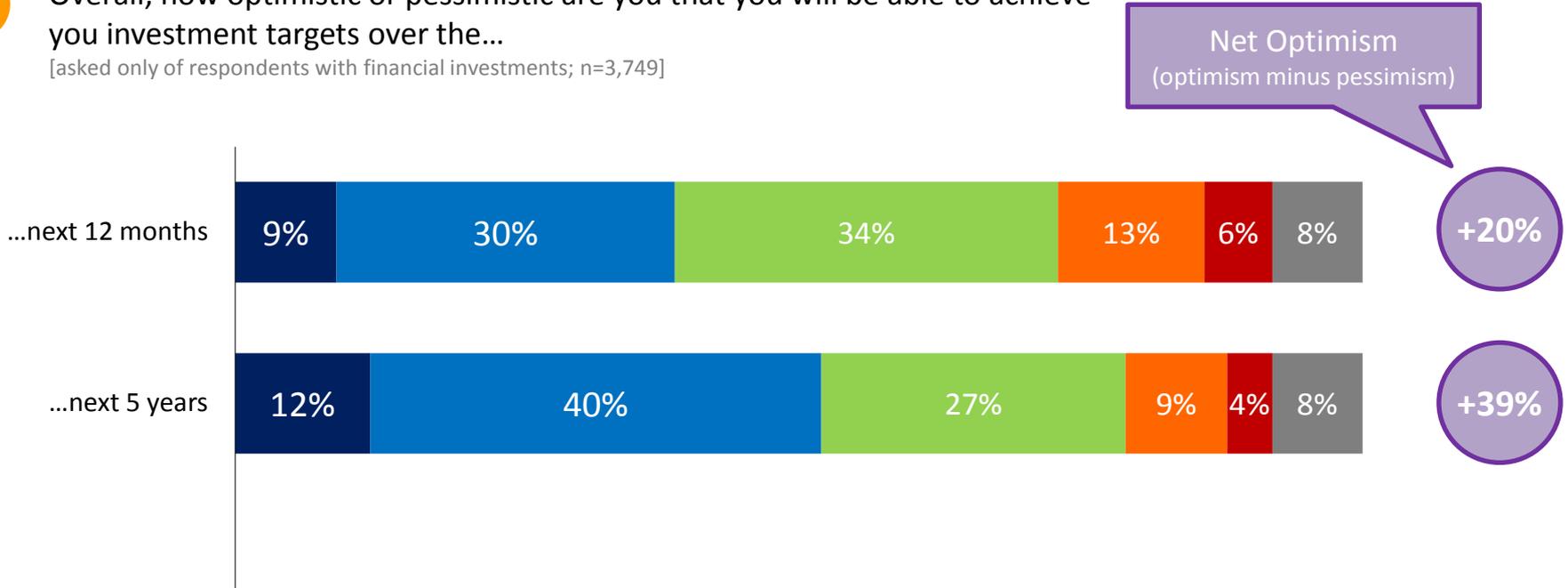


Note: 2009 n=3,518



Personal optimism: Investors are more optimistic about achieving their investment targets in the more distant future than in the next year²¹

Q Overall, how optimistic or pessimistic are you that you will be able to achieve you investment targets over the...
[asked only of respondents with financial investments; n=3,749]



Q How would you rate your ability to maintain or increase your current income over the...



- Very optimistic
- Somewhat optimistic
- Neither optimistic nor pessimistic
- Somewhat pessimistic
- Very pessimistic
- Don't know

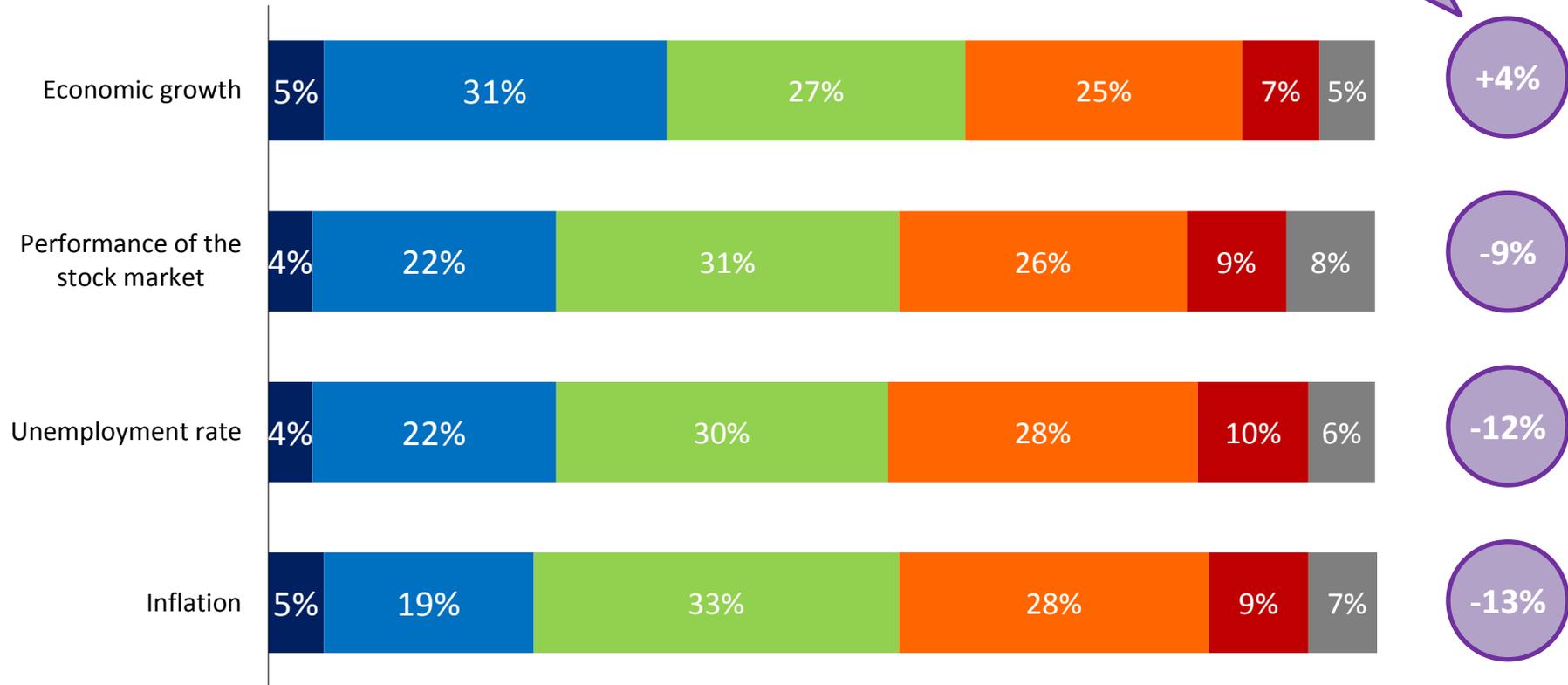
General optimism: Investors most optimistic about economic growth in the next 12 months; least optimistic on employment and inflation



As far as the general condition of the economy is concerned, how would you rate the following over the next 12 months?

[asked only of respondents with financial investments; n=3,749]

Net Optimism
(optimism minus pessimism)



- Very optimistic
- Somewhat optimistic
- Neither optimistic nor pessimistic
- Somewhat pessimistic
- Very pessimistic
- Don't know

Investment Fraud in Canada

Experience with Investment Fraud

Canadians are still being approached with fraudulent investment opportunities

- Just over one-quarter of Canadians (27%) believe they have been approached with a possible fraudulent investment at some point in their life. Over half of Canadians (56%) agree they are just as likely to be a victim of investment fraud as anyone else.
- The estimated incidence of fraud victimization remains relatively unchanged since 2009 and 2006. 4.6% of Canadians believe they have been a victim of fraud, compared to 4.2% in 2009 and 4.0% in 2006. Just over half of victims (56%) lost all of the money they invested in the most recent fraudulent investment, down from 70% in 2006.

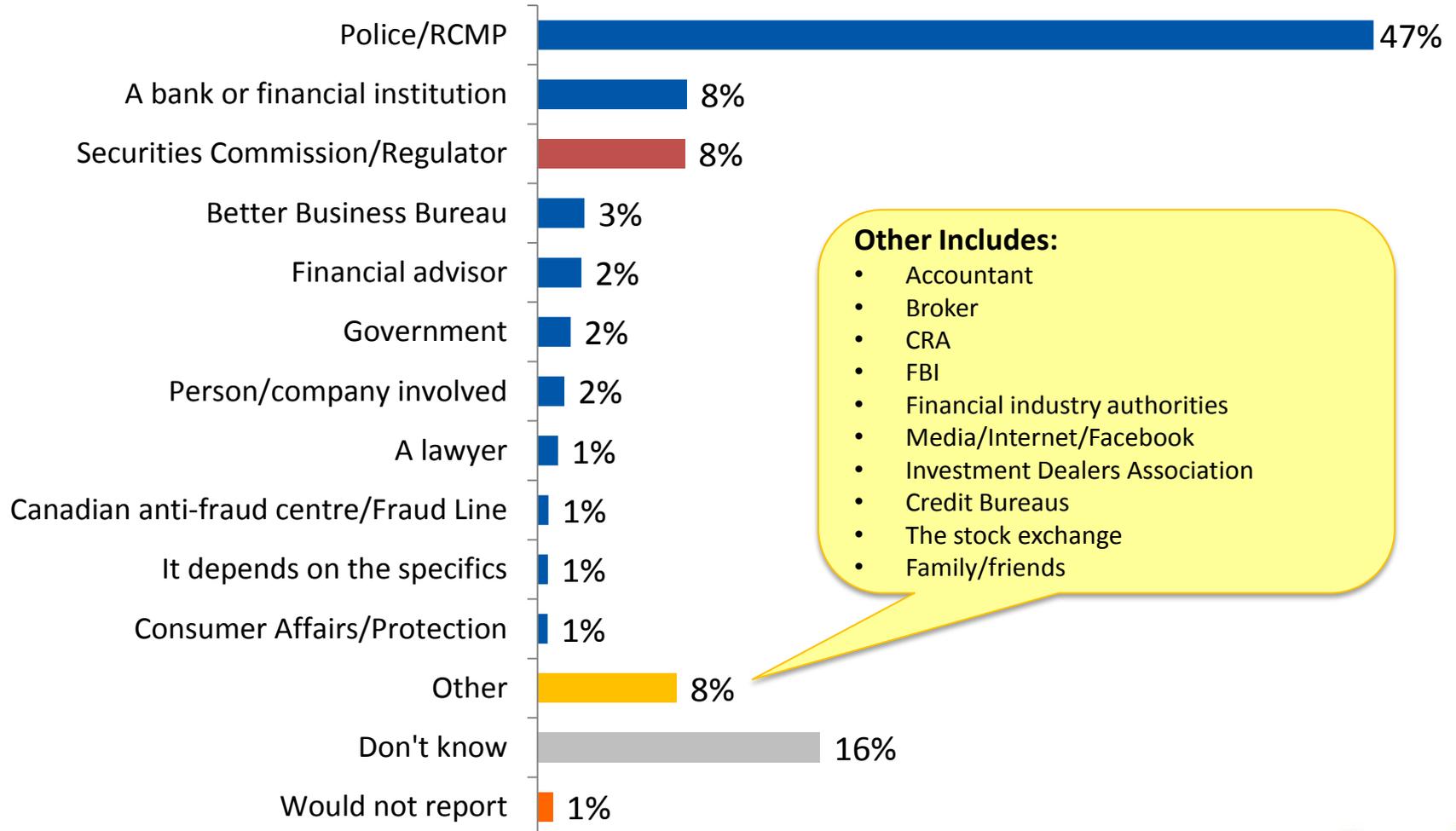
Canadians are reporting suspected fraud, but rates remain relatively low

- The majority of Canadians (69%) disagreed with the statement “Reporting a fraudulent investment is more trouble than it’s worth”. Yet just 3-in-10 (29%) of those who believe they have been approached with a fraudulent investment said they reported the most recent occurrence to the authorities. Half (50%) reported it to either local police or the RCMP, while 4% reported it to their provincial or territorial securities regulator.

Reporting investment fraud: Almost half of Canadians (47%) would report suspected fraud to the police or RCMP

Q Where would you go to report a suspected investment fraud?

[asked of all 5,198 respondents; open-ended question]

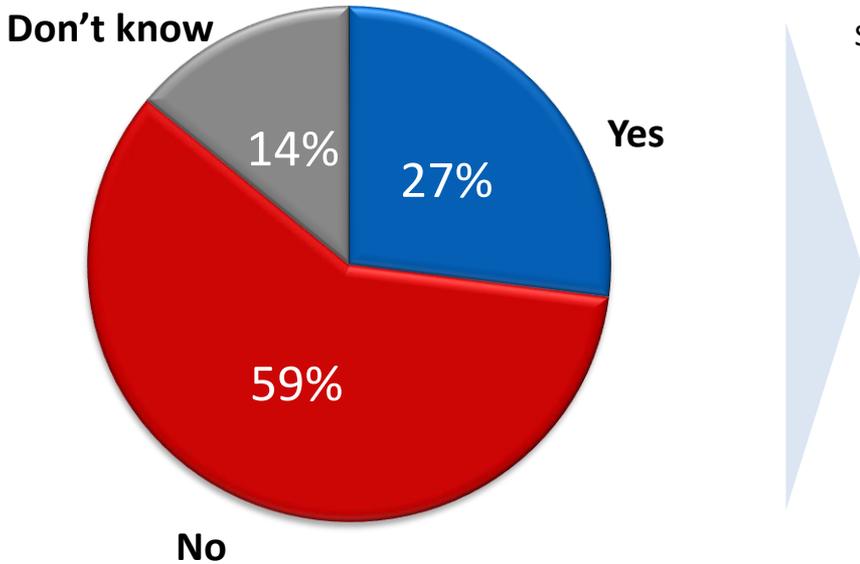


Fraud attempts: Just over one-quarter (27%) of Canadians believe they've been approached with a possible fraudulent investment



Do you think anyone has ever approached you with a possible fraudulent investment?

[asked of all 5,198 respondents]



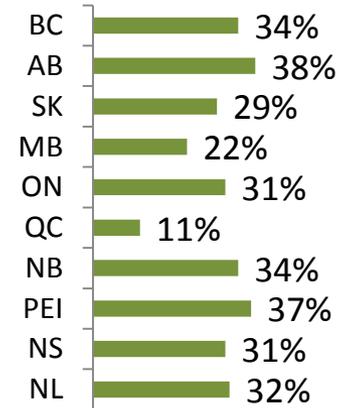
2012 Sample Breakdown ▶▶

Those who say "yes"

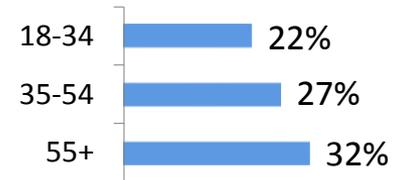
Investor Segments



Provinces



Age



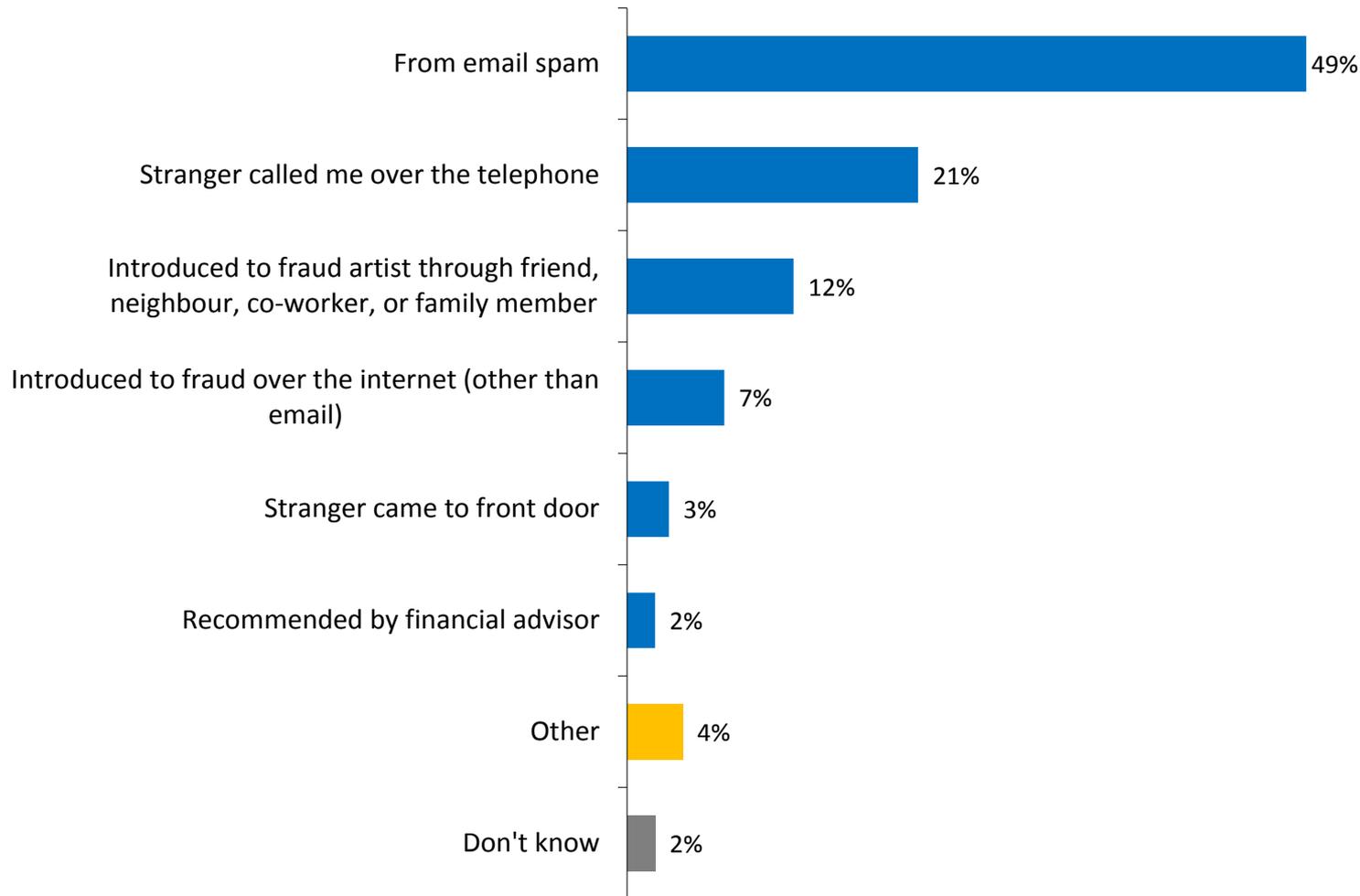
Please note that the positioning of the question, "Do you think anyone has ever approached you with a possible fraudulent investment?" in the 2012 CSA Investor Index was different from the previous Indexes. In 2006 and 2009, the question was introduced (or "primed") with information about common investment fraud approaches. In 2012, this information was excluded in order to observe "unprimed" responses. This may have impacted responses, resulting in what looks to be a lower rate of fraud approaches compared to 2006 and 2009. Therefore, please use caution in making comparisons with results from 2006 (36%) and 2009 (38%) as the drop in percentage may be attributed to this.

Method of approach: For half (49%), the most recent investment fraud encountered was through email



How were you introduced to the **most recent** investment fraud you encountered?

[asked only of those who believe they have been approached with a fraudulent investment; n=1,411]

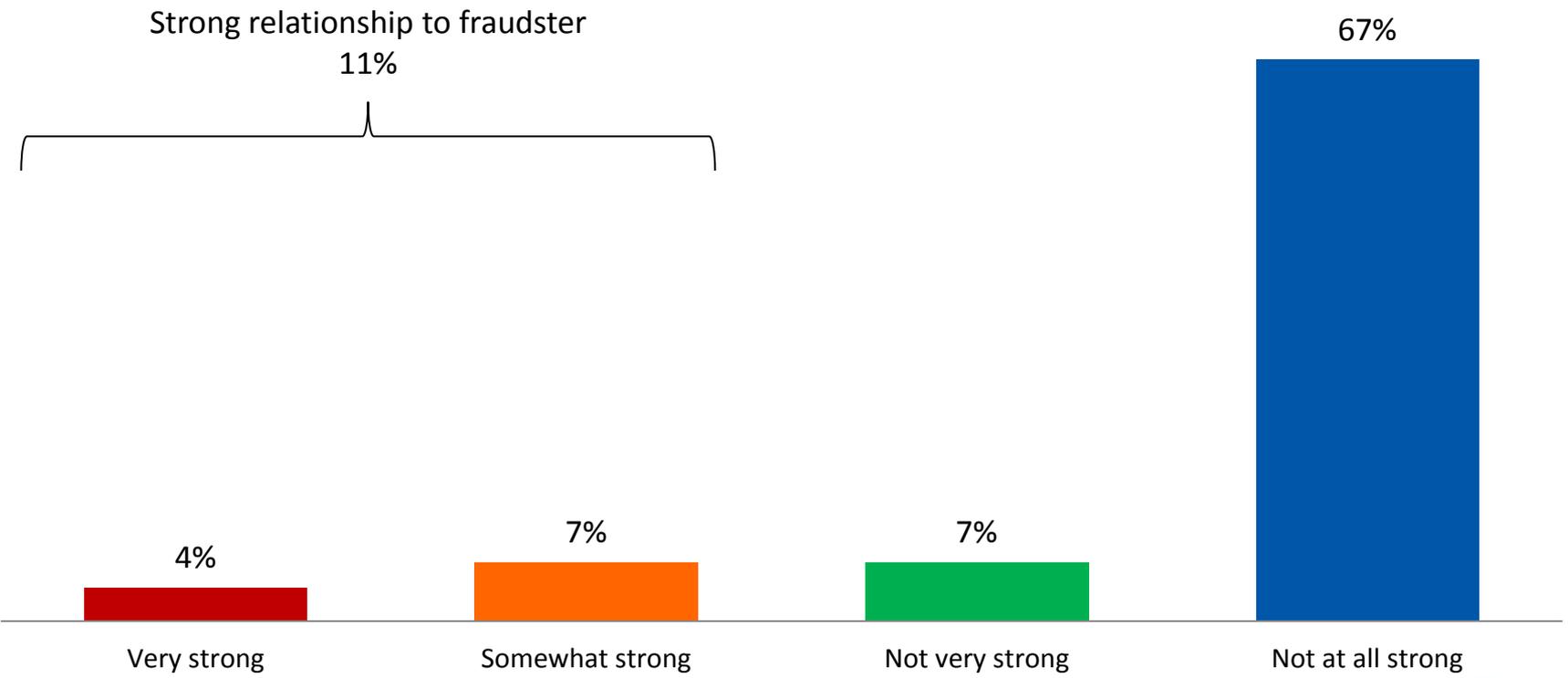


Level of trust with fraudster: Two-thirds (67%) did not have a strong relationship at all with the suspected fraudster



How would you describe the level of trust you developed with the person or persons who **most recently** approached you with a fraudulent investment opportunity?

[asked only of those who believe they have been approached with a fraudulent investment; n=1,411]



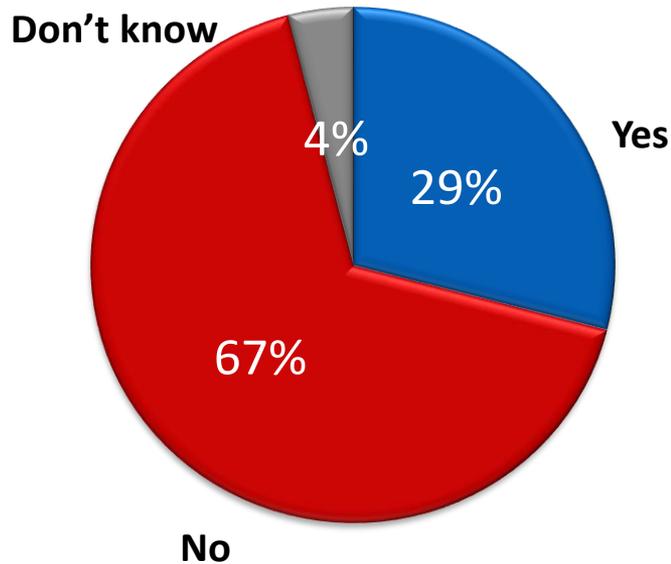
Reporting fraud: 29% reported the most recent suspected fraud attempt; highest among those who came across it on the Internet

Q Once you realized this **most recent** investment opportunity was fraudulent, did you report it to the authorities?

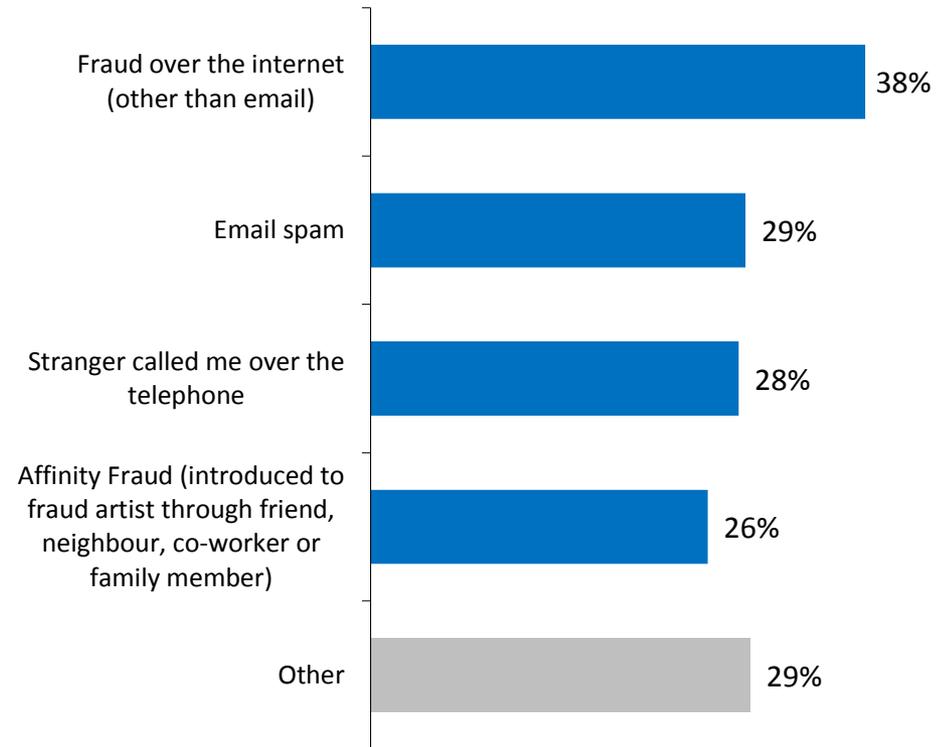
[asked only of respondents who have been approached with investment fraud; n=1,411]

2012 Sample Breakdown ▶▶

Those who reported the most recent suspected fraud to the authorities.



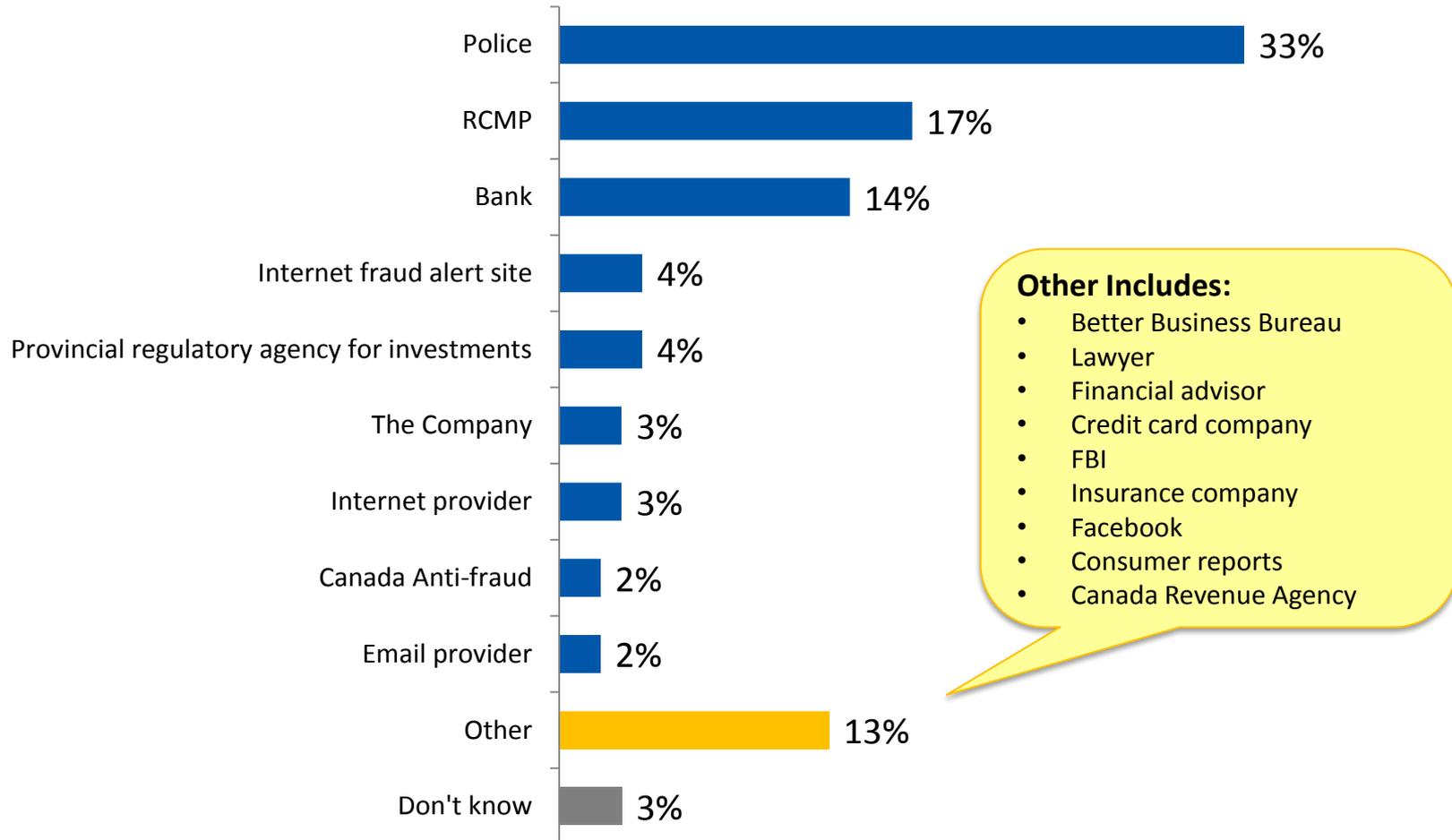
Type of Most Recent Suspected Fraud Attempt



Reporting fraud: Half (50%) reported suspected fraud to local police or the RCMP

Q Where did you go to report the suspected investment fraud?

[asked only of respondents who believe they were approached with a fraudulent investment and reported it to the authorities; open-ended question; n=408]

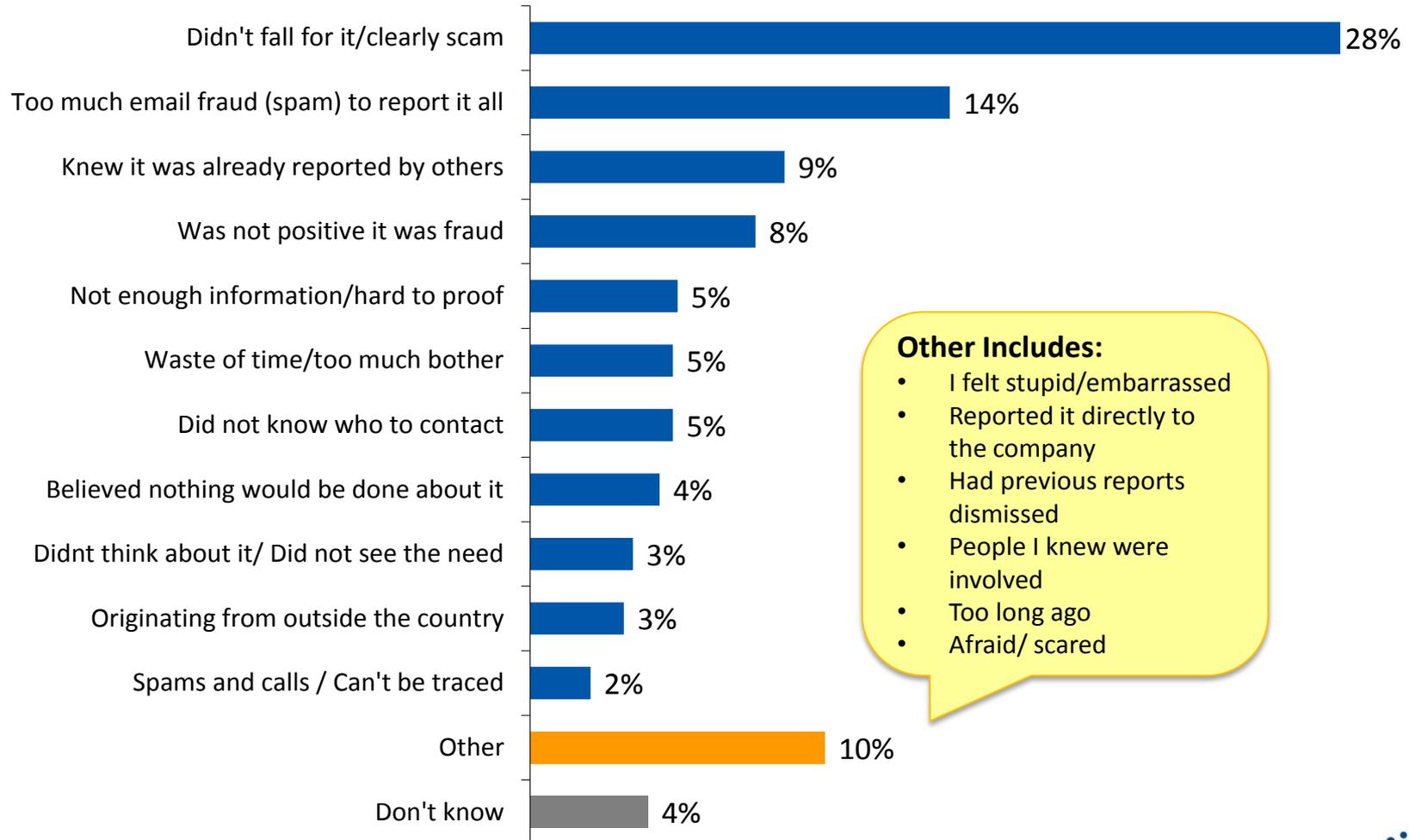


Top 3 reasons for not reporting fraud: “Didn’t fall for it”, “Too much spam to report it all” and “Knew it was reported by others”



Why didn't you report it to the authorities?

[asked only of those who believe they have been approached with a fraudulent investment but did not report it; open-ended question; n=1,320]



Other Includes:

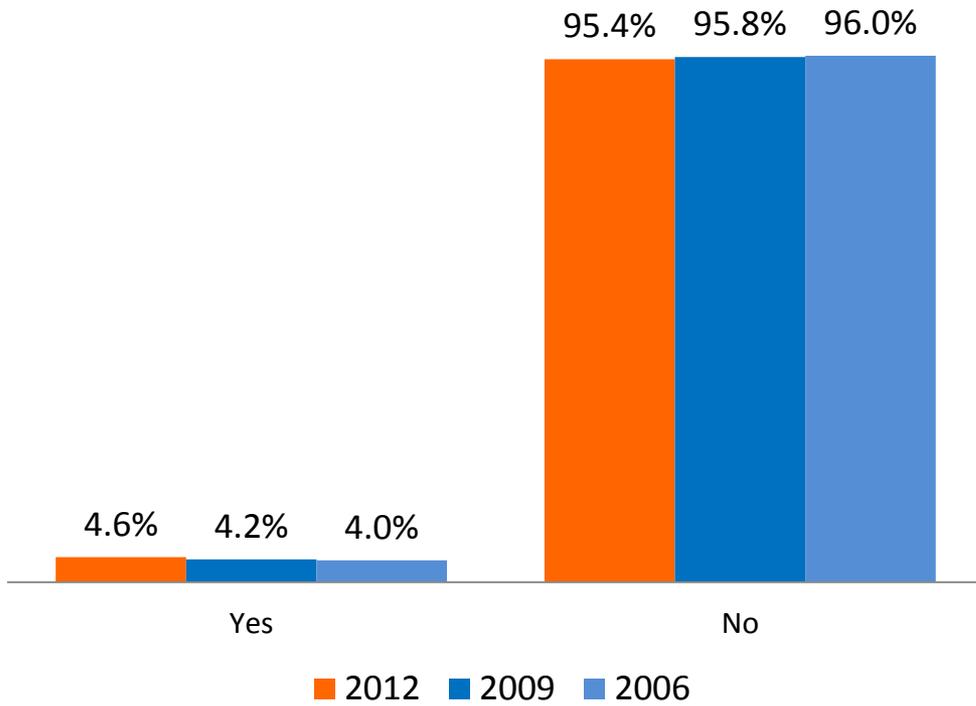
- I felt stupid/embarrassed
- Reported it directly to the company
- Had previous reports dismissed
- People I knew were involved
- Too long ago
- Afraid/ scared

Fraud incidence rate: 4.6% of Canadians believe they have invested money in what turned out to be a fraudulent investment



Have you ever invested money in what turned out to be a fraudulent investment?

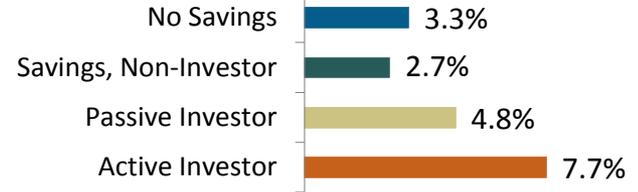
[asked only of respondents who have been approached with investment fraud n=1,411; percentages in graph calculated based on the total number of respondents]



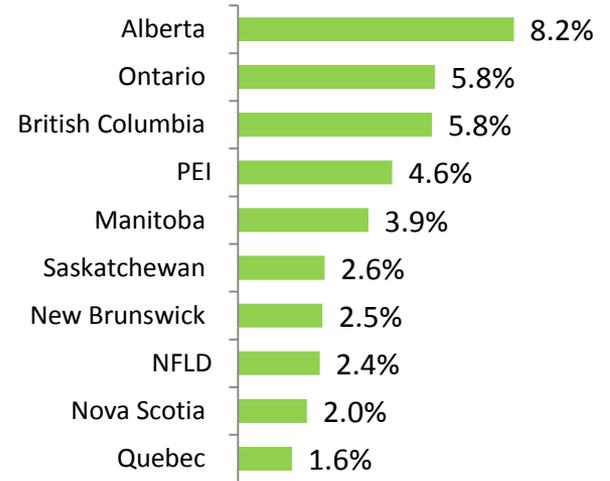
2012 Sample Breakdown ▶▶

Those who believe they have been victims of fraud

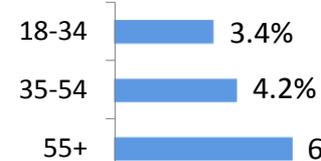
Investor Segments



Estimated Incidence of Investment Fraud Victimization



Age



Note: 2009 n=2,396, 2006 n=1,069

Amount invested in fraudulent investment: Half of those defrauded (50%) invested less than \$5,000

Q

How much money did you invest in the most recent investment fraud?

[asked only of those who invested in a fraud; n=241]

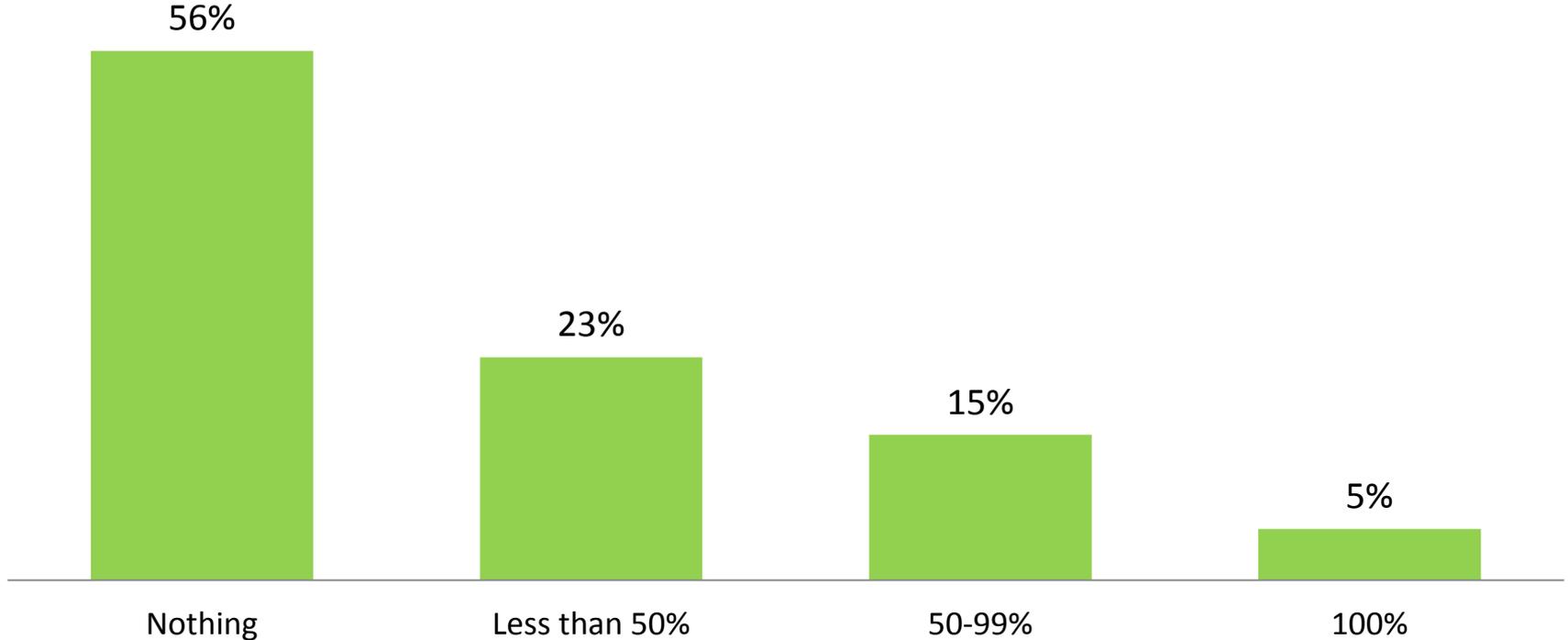


Amount recovered from fraud: Over half (56%) lost all of the money they invested in the fraudulent investment

Q

Did you recover any of your money from this most recent fraud, and if so, how much?

[asked only of respondents who invested in a fraud; n=241]

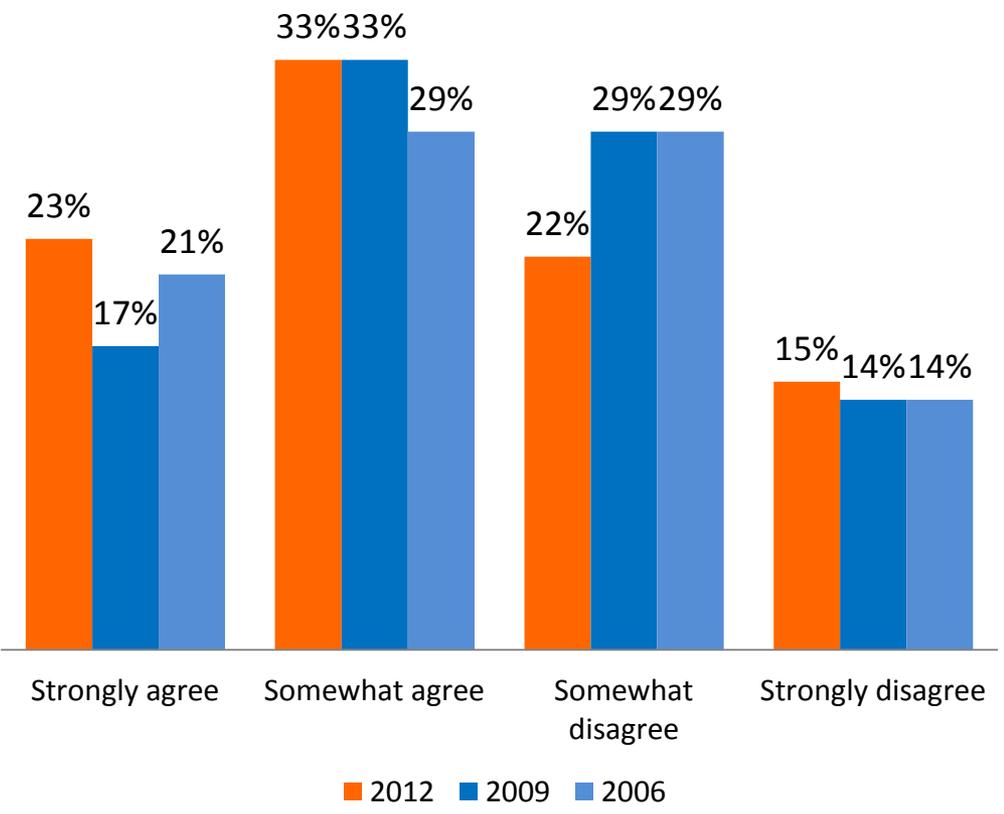


Precursor values: Over half (56%) agree they are just as likely to be a victim of investment fraud as anyone else

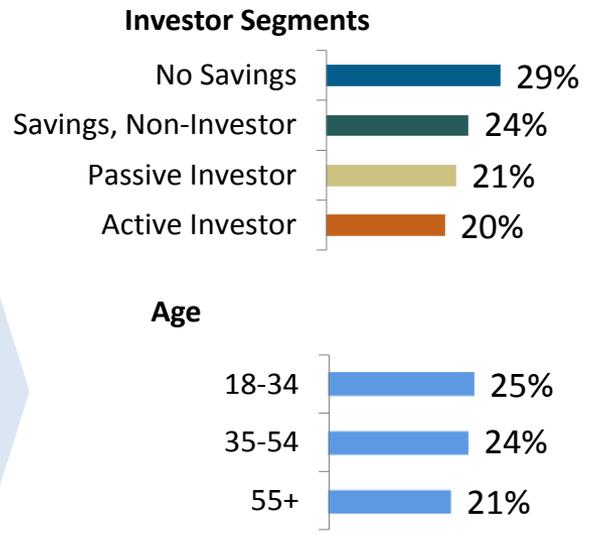


For each of these statements please indicate if you agree or disagree:
I am just as likely to be a victim of investment fraud as anyone else.

[asked of all 5,198 respondents]



2012 Sample Breakdown ▶▶
Those who say "strongly agree"



Note: 2009 n=6,319, 2006 n=3,000; 'Don't know' not shown



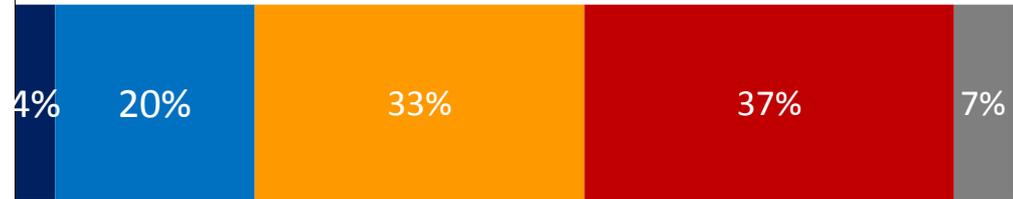
Precursor values: Half (51%) of Canadians strongly disagree with statement that reporting fraud is more trouble than it's worth

Q

For each of these statements, please indicate if you agree or disagree:

[asked of all 5,198 respondents]

You can usually trust someone who is promoting an investment if you have a friend who has already invested with them.



Reporting a fraudulent investment is more trouble than it's worth.



■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree ■ Don't know

Investment Knowledge

Investment Knowledge

2-in-5 Canadians failed the general investment knowledge test

One objective of the *2012 CSA Investor Index* was to assess the investment knowledge of respondents. Seven knowledge questions were used to create the *Investment Knowledge Index*. Three were standardized questions used in similar international studies and related to the concepts of simple compound interest, real compound interest and investment risk. The other four questions related to diversification, mutual fund returns, warning signs of fraud, and the relationship between interest rates and bonds.

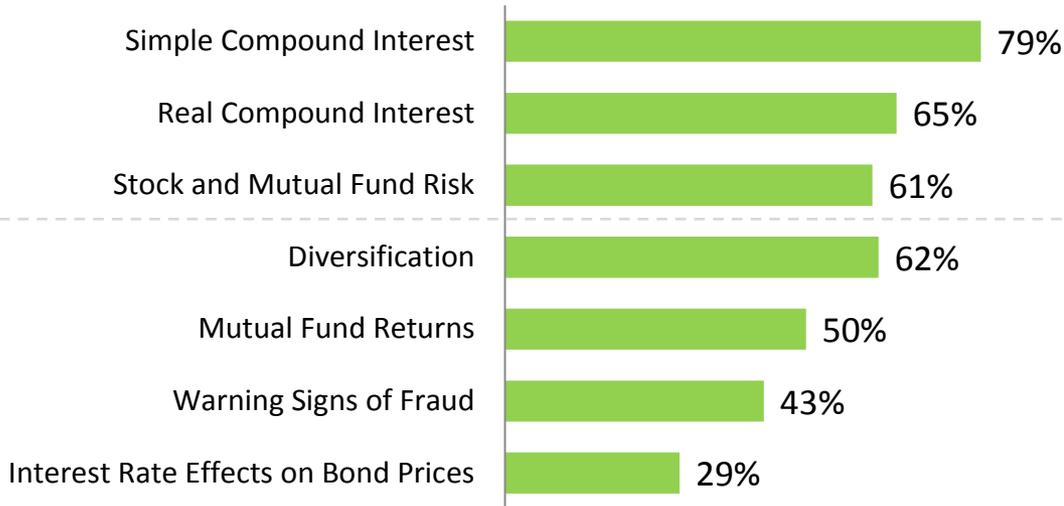
Overall, 2-in-5 Canadians failed the general investment knowledge test included in the survey, answering fewer than four of the seven questions correctly. Based on the number of correct answers, 40% of respondents were categorized as low investment knowledge (0-3 correct answers), 34% as medium investment knowledge (4-5 correct answers) and 26% as high investment knowledge (6-7 correct answers).

Observations relating to demographics include:

- Older Canadians are more likely to be in the high knowledge category, while the majority (56%) of younger Canadians (18-34 years) fall into the low knowledge category.
- The majority (55%) of Canadians with annual household income under \$40,000 are in the low knowledge category, compared to 21% of those with a household income of \$100,000+.
- 63% of Canadians with no savings are considered low knowledge, compared to 23% of active investors.

Investment knowledge index: 2-in-5 Canadians failed the investment knowledge testing component

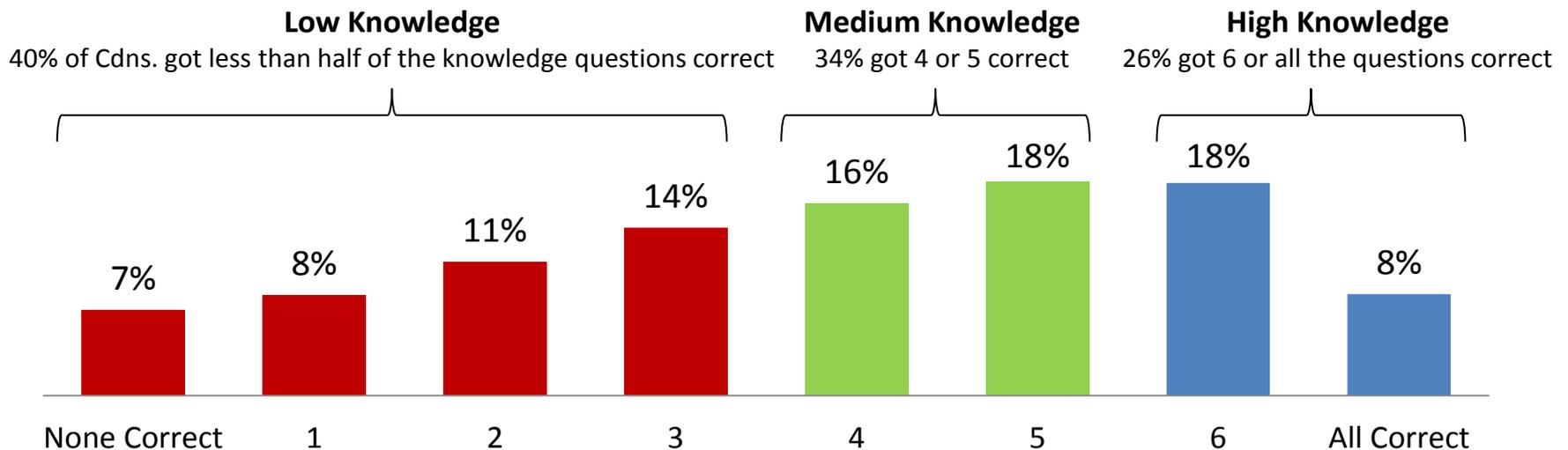
Percentage Choosing Correct Answer [asked of all 5,198 respondents]



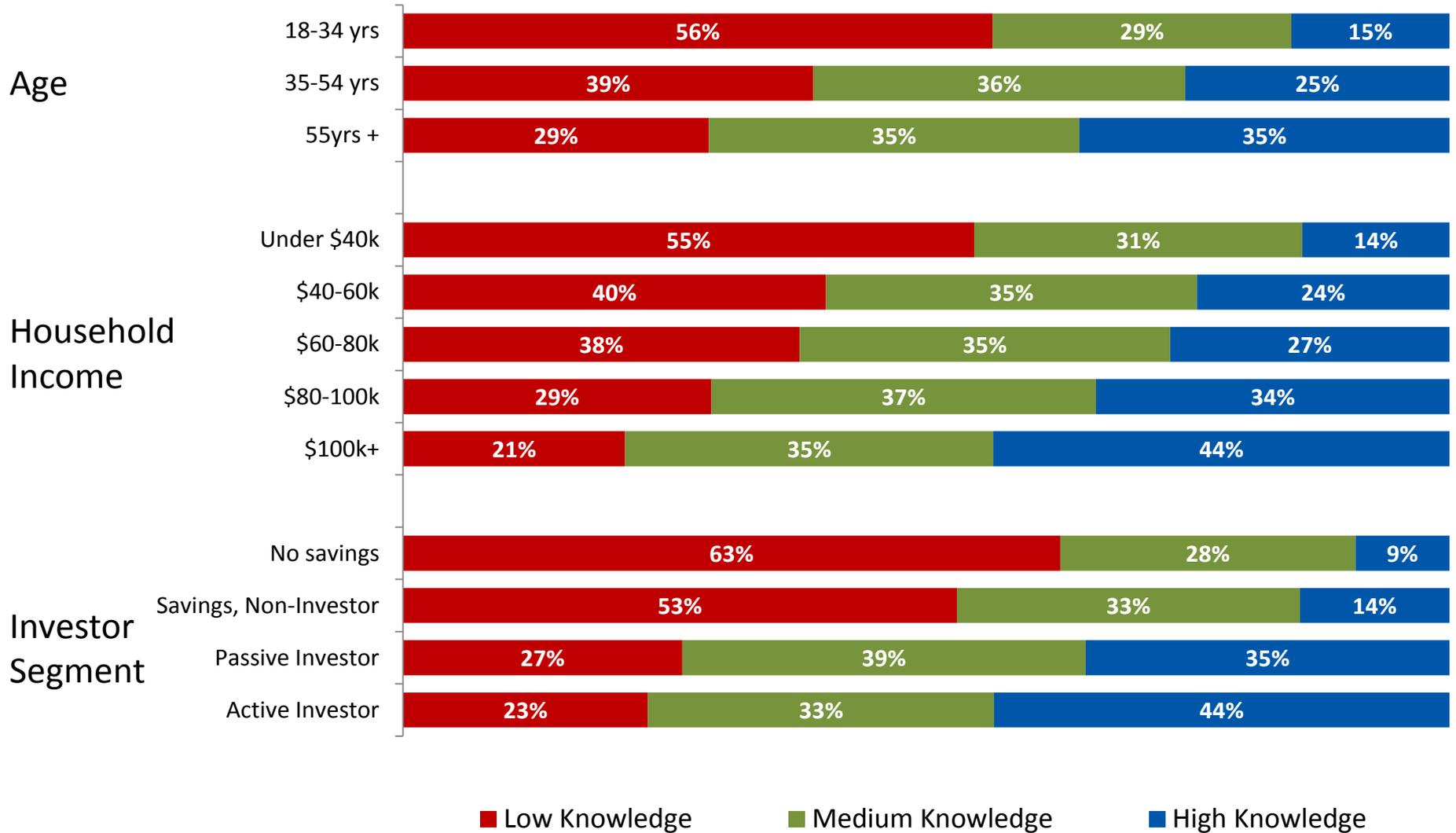
Financial Literacy Around the World:

The top three questions have been used in similar international studies and were added to allow the CSA to gauge the financial literacy of Canadians.

The remaining four questions, together with the top three, make up the *investment knowledge index* and allows us to group Canadians by level of knowledge when it comes to investing.



Investment knowledge segmentation: Strong correlation between knowledge and age, household income, investor segments

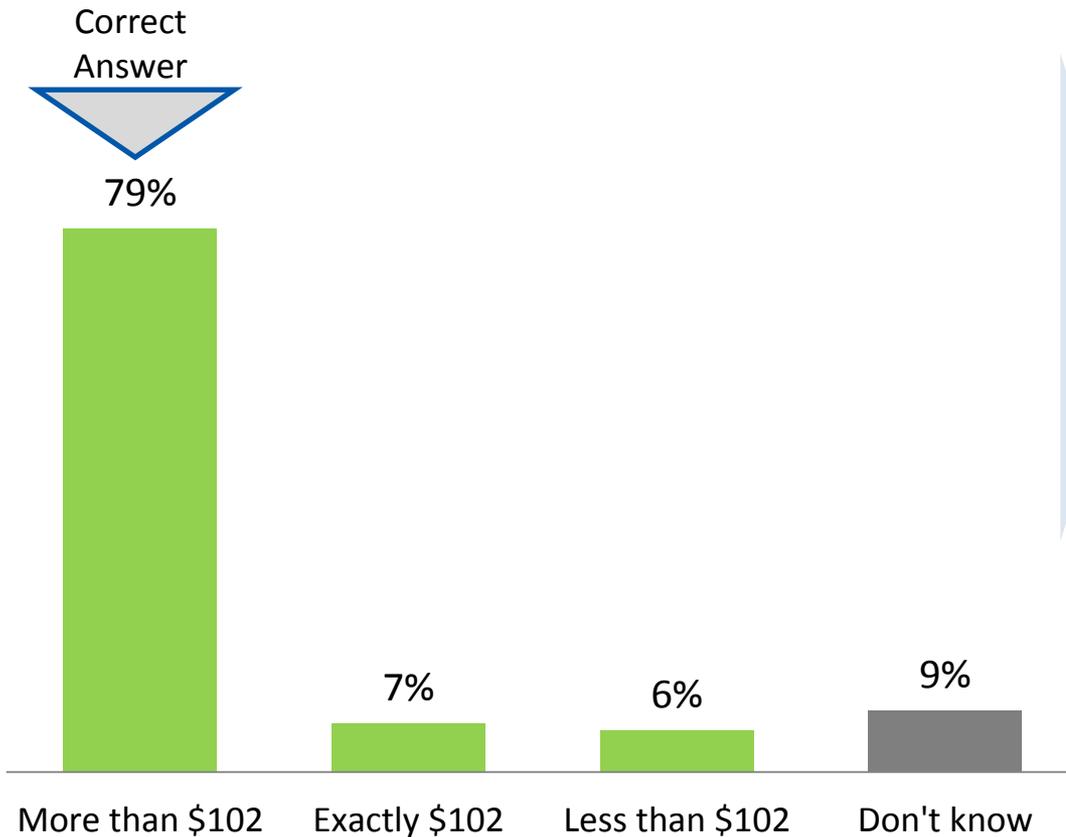


Simple compound interest: Most (79%) Canadians understand this concept



Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

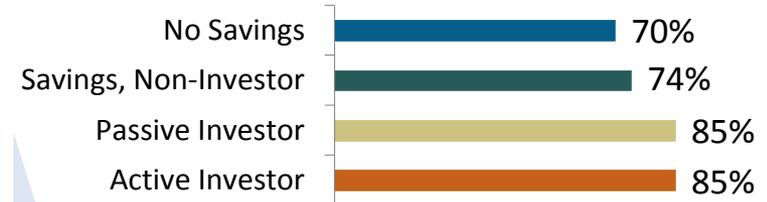
[asked of all 5,198 respondents]



2012 Sample Breakdown ▶▶

Those who answered correctly

Investor Segments



Age

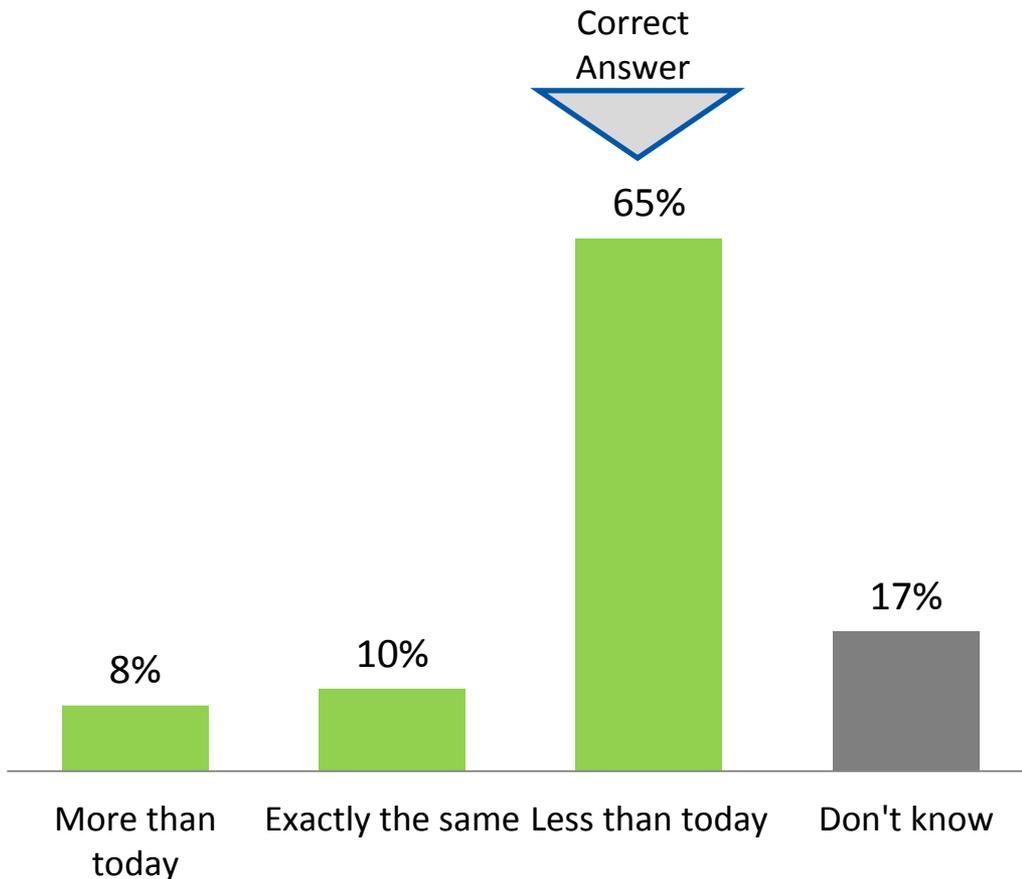


Real compound interest: Nearly 2-in-3 (65%) answered correctly



Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

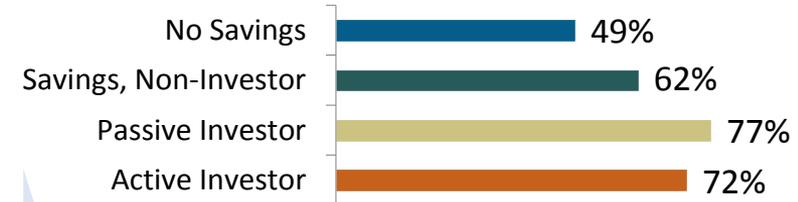
[asked of all 5,198 respondents]



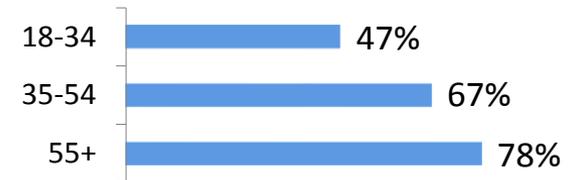
2012 Sample Breakdown ▶▶

Those who answered correctly

Investor Segments



Age

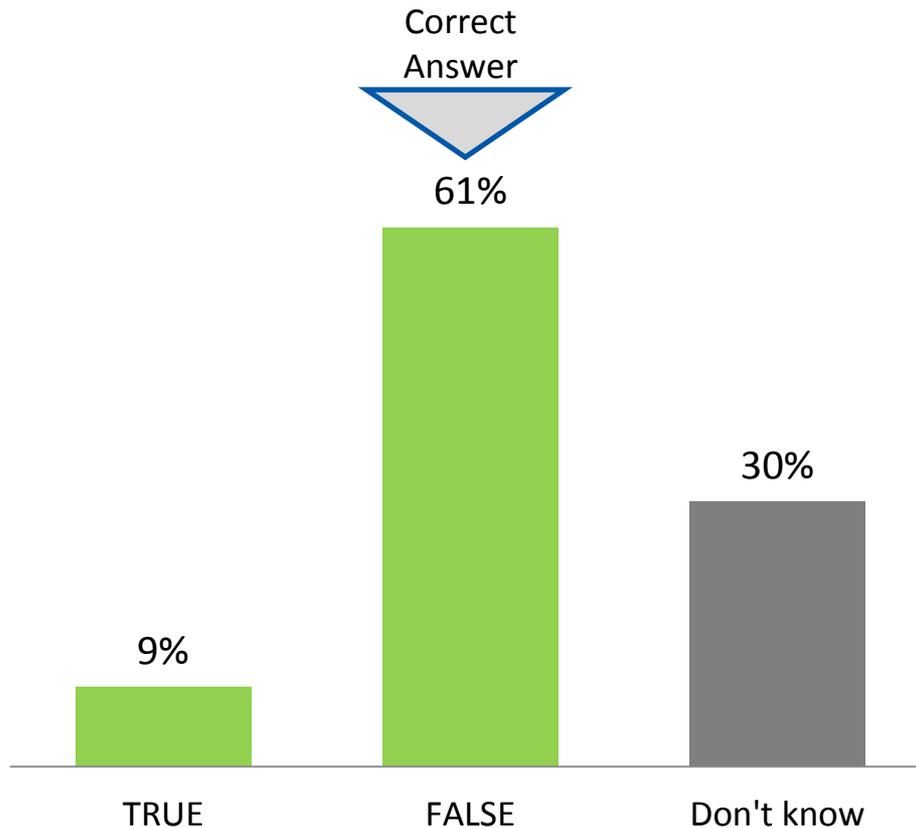


Stock and mutual fund risk: 6-in-10 (61%) understand that stock mutual funds are less risky than a single stock



Buying a single company's stock usually provides a safer return than a stock mutual fund.

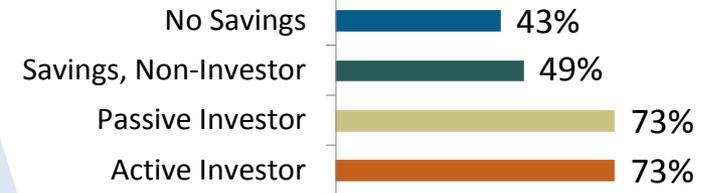
[asked of all 5,198 respondents]



2012 Sample Breakdown ▶▶

Those who answered correctly

Investor Segments



Age

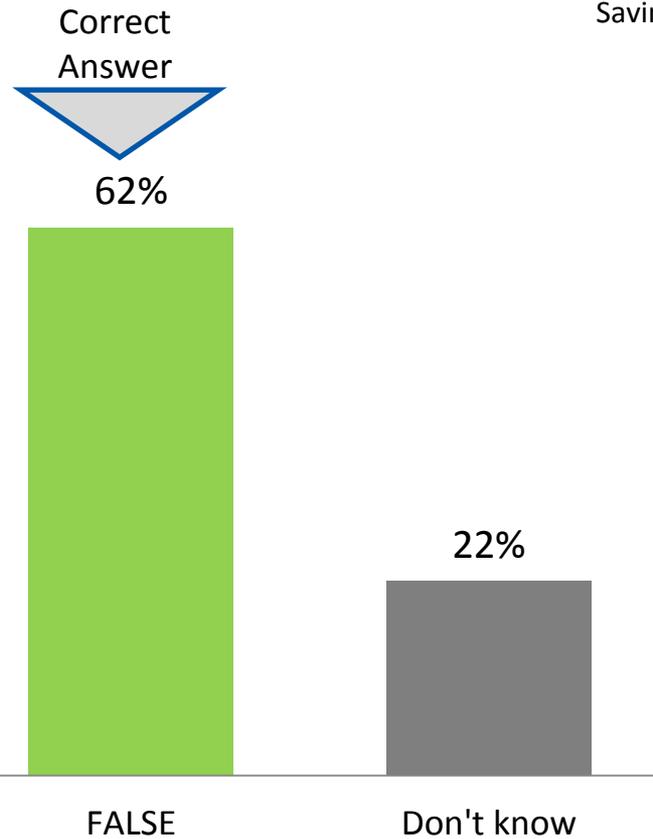


Diversification: 2-in-3 understand the concept of minimizing risk by diversifying investments



When an investor diversifies his or her investments, the risk of losing money increases.

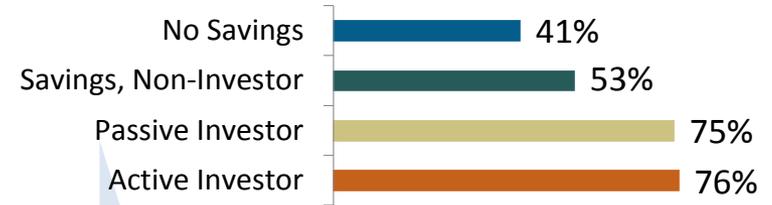
[asked of all 5,198 respondents]



2012 Sample Breakdown ▶▶

Those who answered correctly

Investor Segments



Age

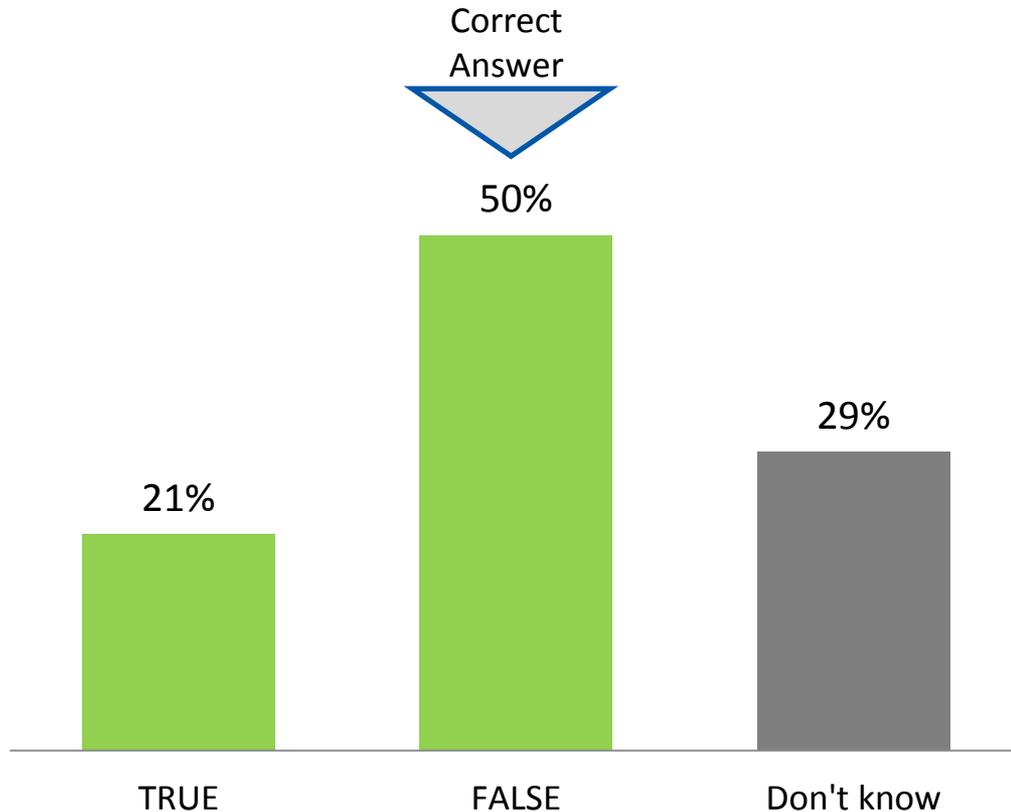


Mutual funds: The most popular investment vehicle for Canadians, yet 1-in-2 don't understand that returns are not guaranteed



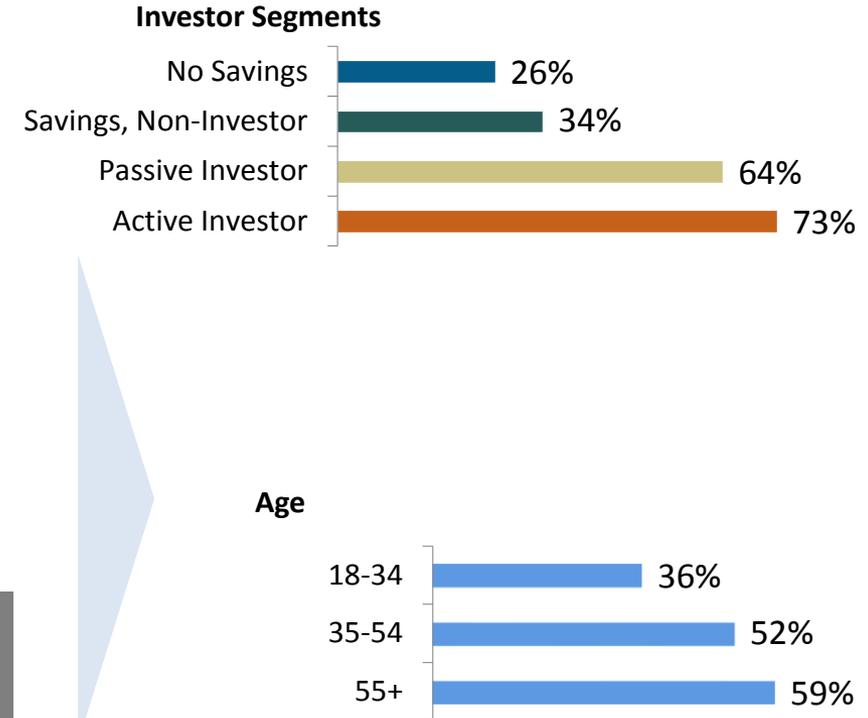
Mutual funds pay a guaranteed rate of return.

[asked of all 5,198 respondents]



2012 Sample Breakdown ▶▶

Those who answered correctly



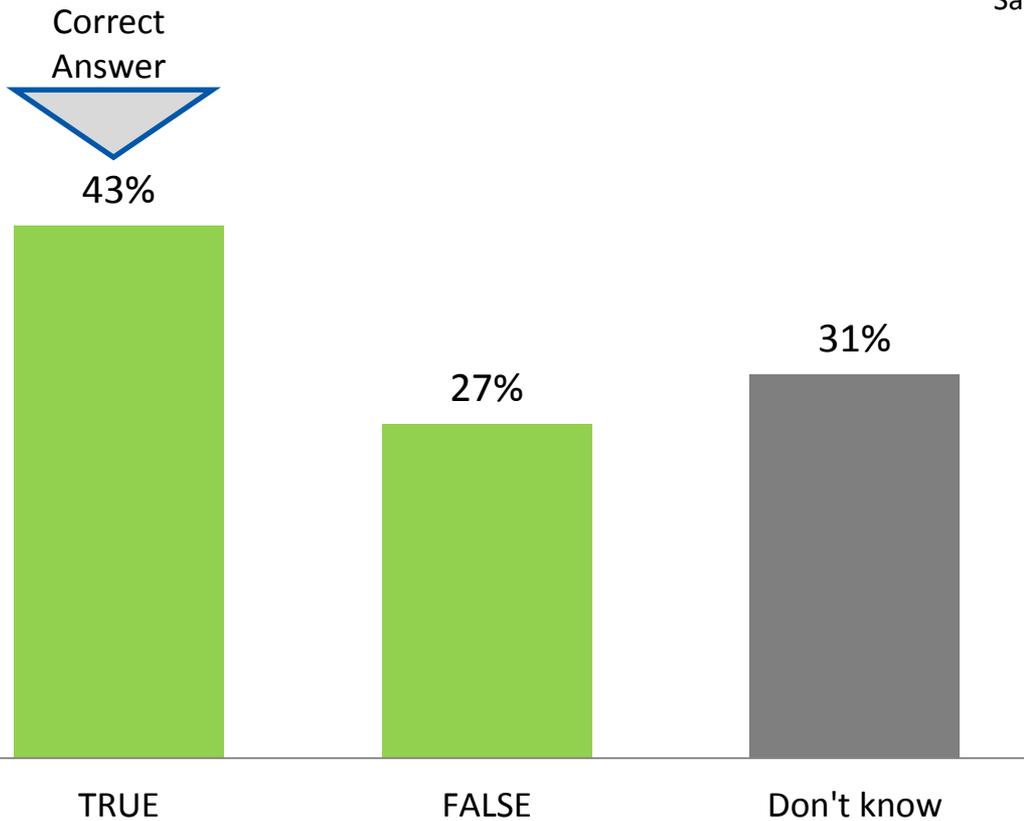
Note: While the most commonly-held savings vehicles are mutual funds, only 50% of Canadians recognize that mutual funds do not pay a guaranteed rate of return.

Warning sign of fraud: Almost 6-in-10 (58%) do not understand the fundamental principle of risk-reward tradeoff



Investments that offer a higher-than-market rate of return and little to no risk are almost always fraudulent.

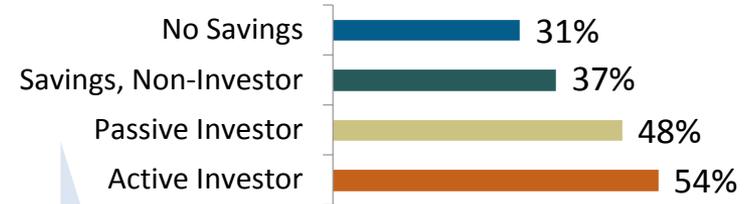
[asked of all 5,198 respondents]



2012 Sample Breakdown ▶▶

Those who answered correctly

Investor Segments



Age



Effect of interest rates on bond prices: Most (71%) Canadians do not understand how interest rates affect bond prices



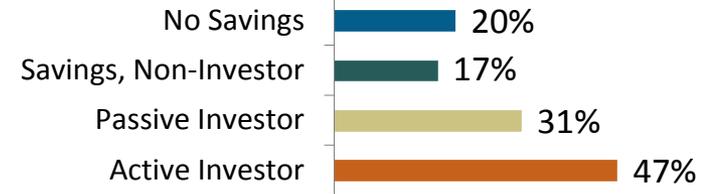
Bond prices go up when interest rates go down.

[asked of all 5,198 respondents]

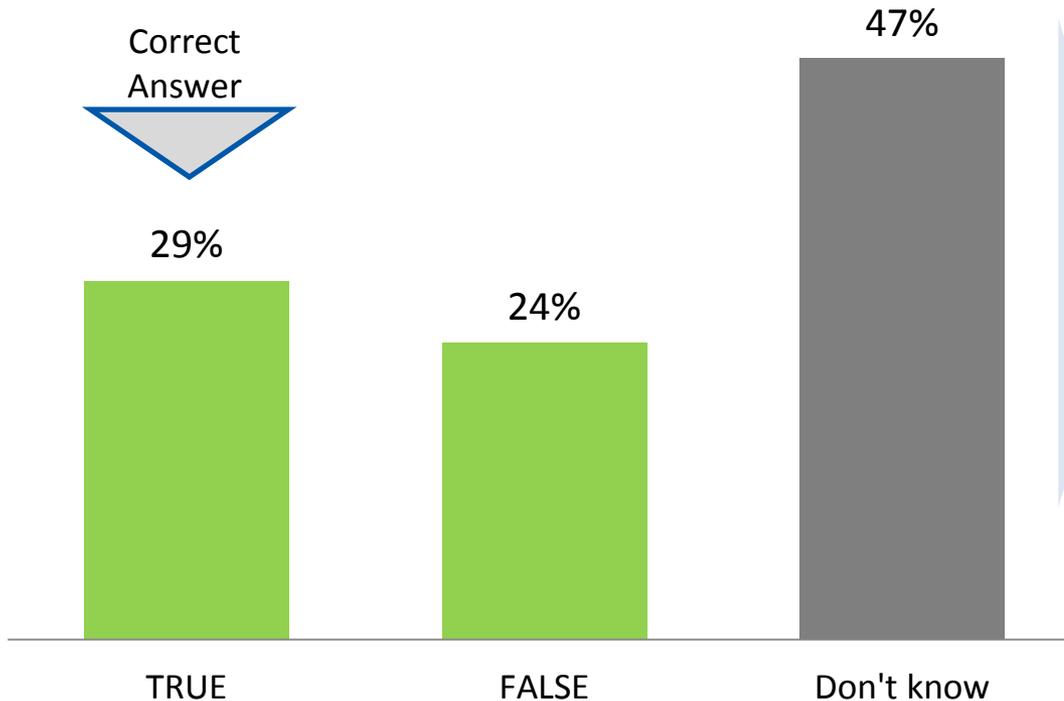
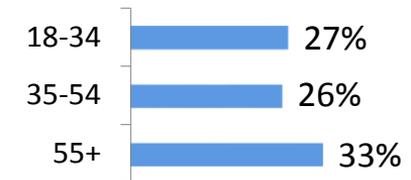
2012 Sample Breakdown ▶▶

Those who answered correctly

Investor Segments



Age



Investor Behaviour

Investor Behaviour

Investor behaviour results are mixed

Almost 6-in-10 (57%) of Canadians say they are confident when it comes to making investment decisions. Investor confidence is higher (66%) among those who have savings and investments set aside for the future. However, results are mixed when it comes to investor behaviours, such as having a written financial plan, regularly reviewing and understanding their investment risk tolerance, and asking the right questions of their financial advisor.

- Nearly half (49%) of Canadians say they have a financial advisor, up from 46% in 2009 and 42% in 2006. However, 60% of those with a financial advisor have never done any form of background check on their advisor. Among the 38% who have done a background check on their advisor, the top sources used were the Internet and the advisor's employer.
- 60% of Canadians with financial advisors say they are very comfortable raising concerns and questions with their financial advisor. This is down slightly from 2009 (63% very comfortable raising concerns and questions).
- Nearly one-quarter (23%) of Canadians with a financial advisor don't know how they are compensated for their service. Whether or not they know how their financial advisor is compensated, 56% are unaware of how much they actually paid their advisor over the past year.
- Just over 3-in-10 Canadians (31%) say they have a formal written financial plan, up from 25% in 2009. Although more Canadians have a financial plan, they are reviewing it less frequently (78% say they reviewed their plan in the past 12 months, down from 83% in 2009).
- Of those who have savings or investments set aside for the future, almost half (49%) have within the past year thoroughly reviewed the level of investment risk they are willing to take. This is statistically the same as in 2009. Furthermore, most (81%) investors believe they understand how risky their investments are today.

Knowledge and Investor Behaviour

Observations relating to investor behaviour include:

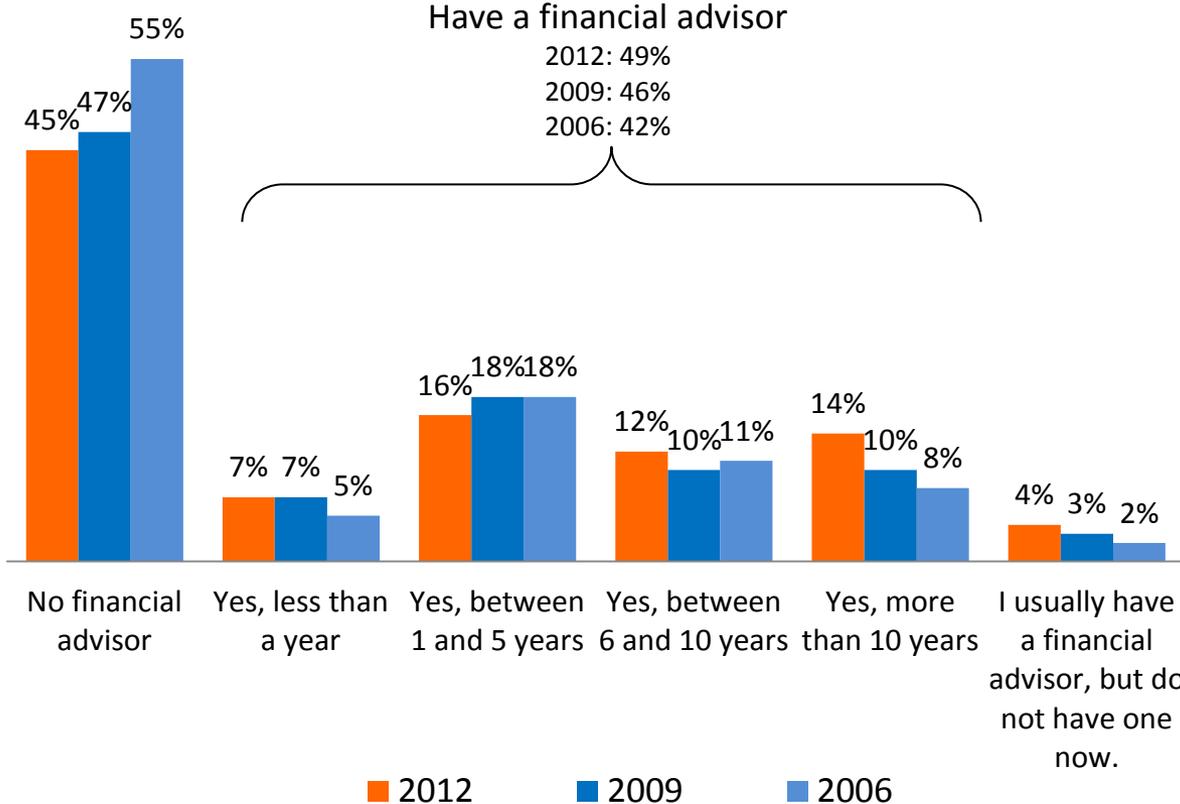
- 60% of high-knowledge respondents say that in the past year, they have thoroughly reviewed the level of risk they are willing to take, compared to 51% of medium-knowledge and 36% of low-knowledge respondents.
- Among those with a financial advisor, high- (43%) and medium-knowledge (37%) respondents are more likely than low-knowledge (34%) respondents to do a background check on their advisor.
- High- (38%) and medium-knowledge (36%) respondents are equally likely to have a formal, written investment plan. Among low-knowledge respondents, only 22% have a written financial plan.
- High-knowledge (60%) investors are more likely than mid- (51%) and low-knowledge (36%) investors to thoroughly review the level of risk they're willing to take with their investment portfolios on an annual basis. Furthermore, high-knowledge (90%) investors are more likely than mid- (83%) and low-knowledge (67%) investors to agree they understand how risky each of their investments is today.

Use of financial advisors: Half (49%) of Canadians currently have a financial advisor, up from 42% in 2006



Do you have a financial advisor and, if so, how long have you had your current advisor?

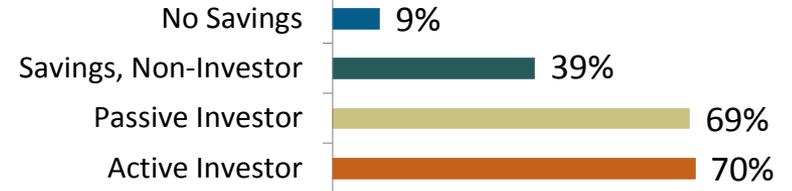
[asked of all 5,198 respondents]



2012 Sample Breakdown ▶▶

Those who have a financial advisor

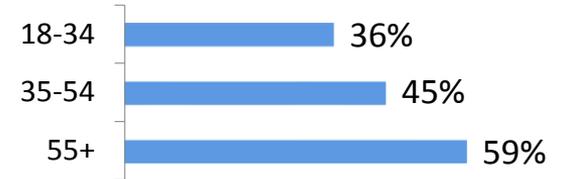
Investor Segments



Investment Knowledge



Age



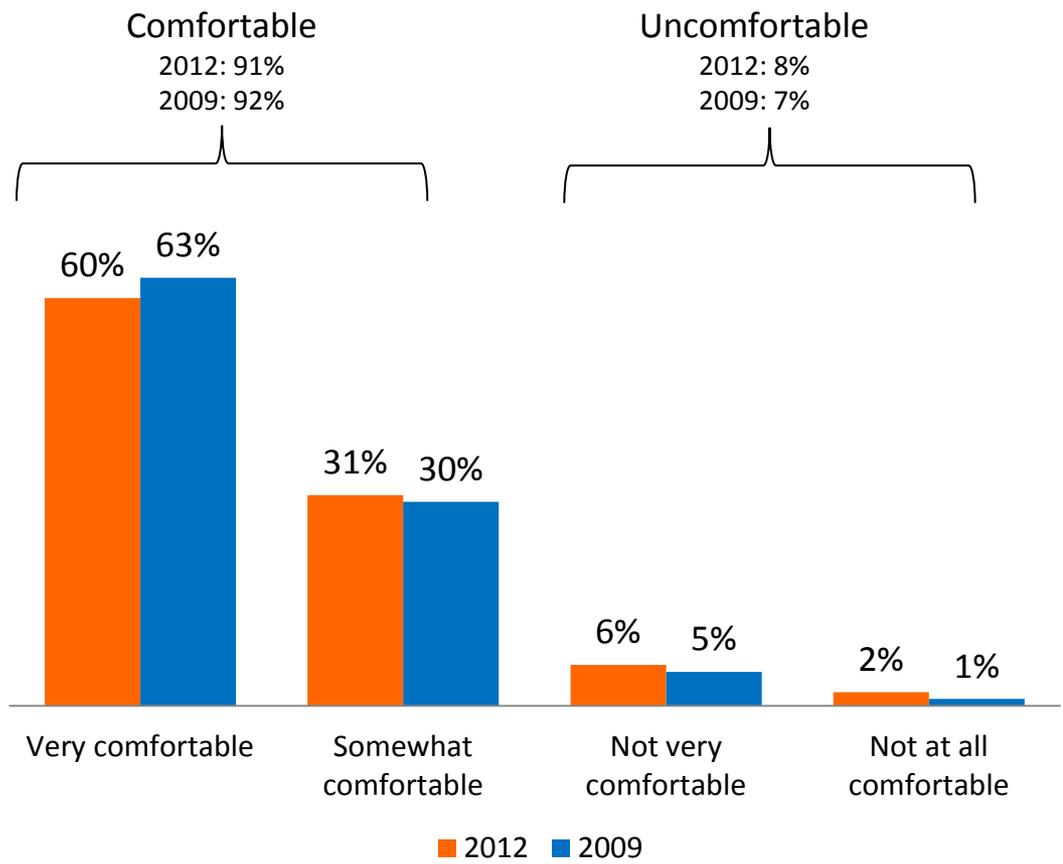
Note: 2009 n=6,319, 2006 n=3,000; 'Don't know' not shown

Comfort with advisors: 9-in-10 are comfortable raising questions and concerns with their advisor



How comfortable do you feel bringing forth concerns and questions when speaking with your financial advisor?

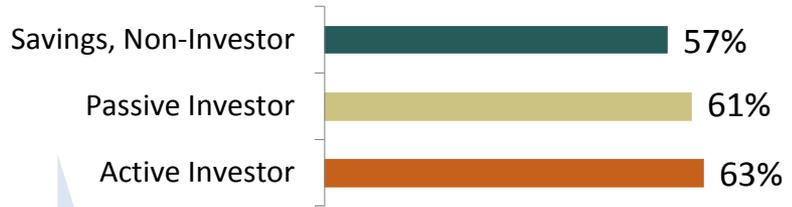
[asked only of respondents who have a financial advisor; n=2,646]



2012 Sample Breakdown ▶▶

Those who say "very comfortable"

Investor Segments*



Investment Knowledge



Age



Note: * "No Savings" not shown because of small sample size.

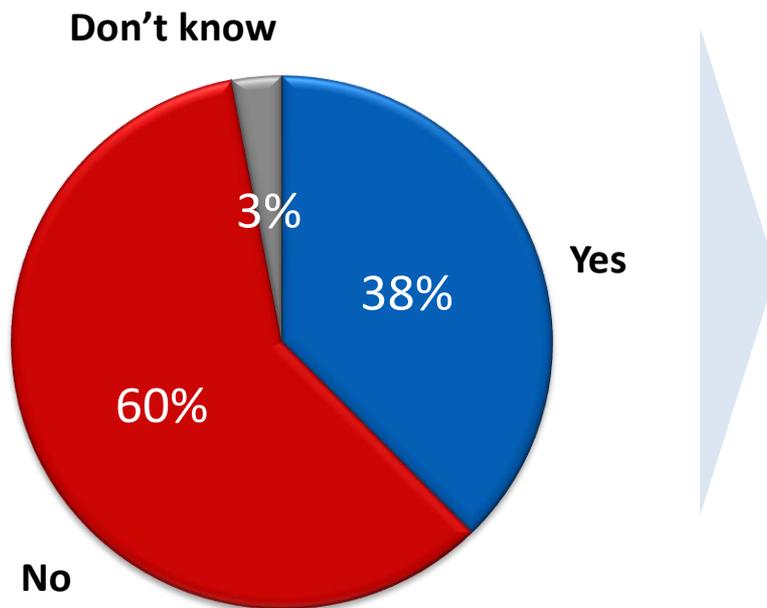


Advisor background check: 60% have never done a background check on their advisor



Have you ever checked into the background of your financial advisor in any way?

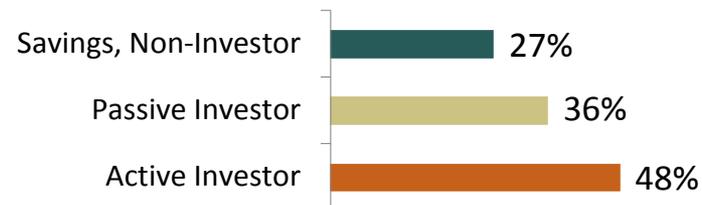
[asked only of respondents who have a financial advisor; n=2,646]



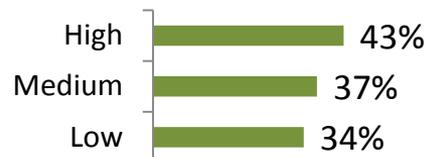
2012 Sample Breakdown ▶▶

Those who say "yes"

Investor Segments*



Investment Knowledge



Age



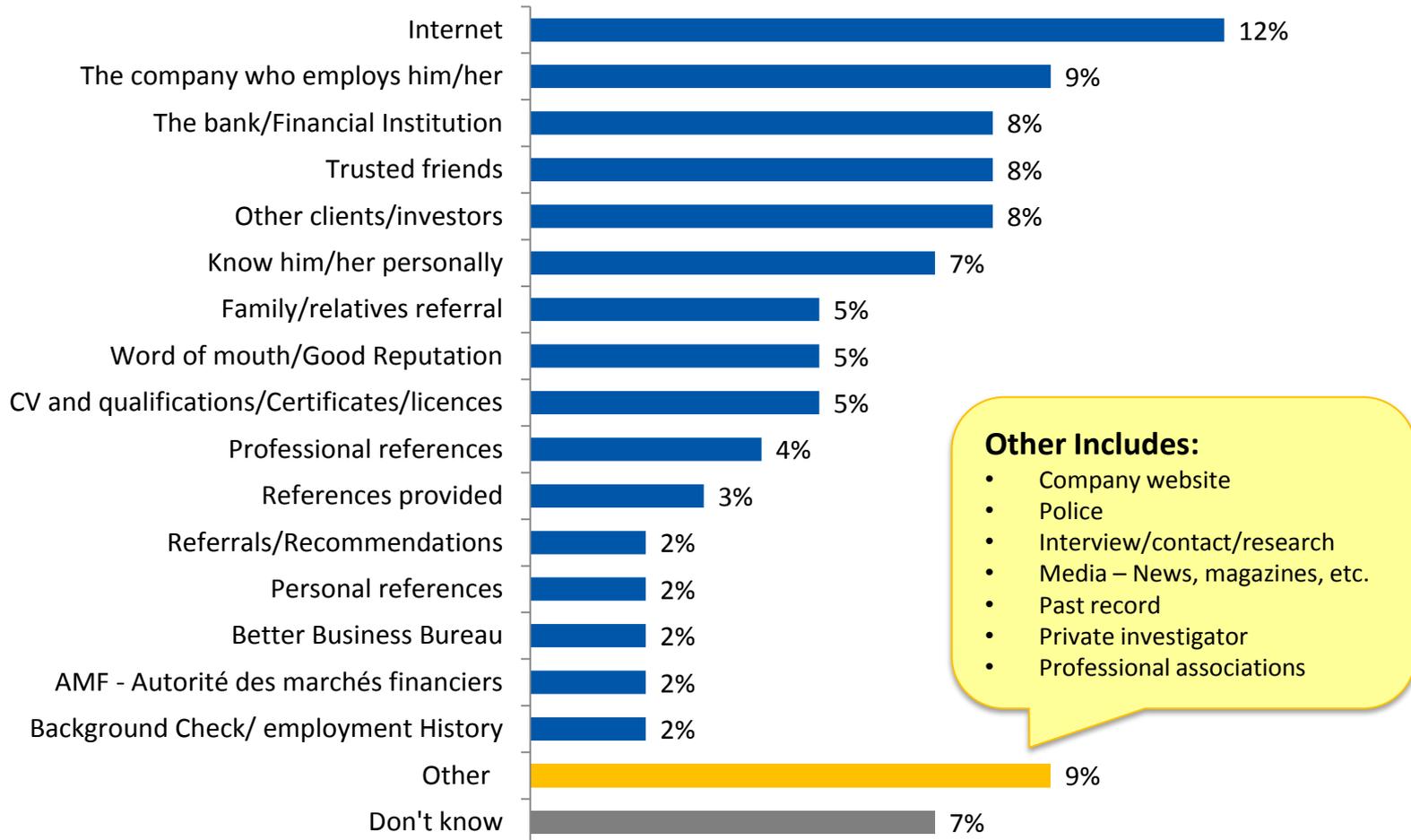
Note: * "No Savings" not shown because of small sample size.

Top sources for checking advisor background: Internet and advisor's employer

Q

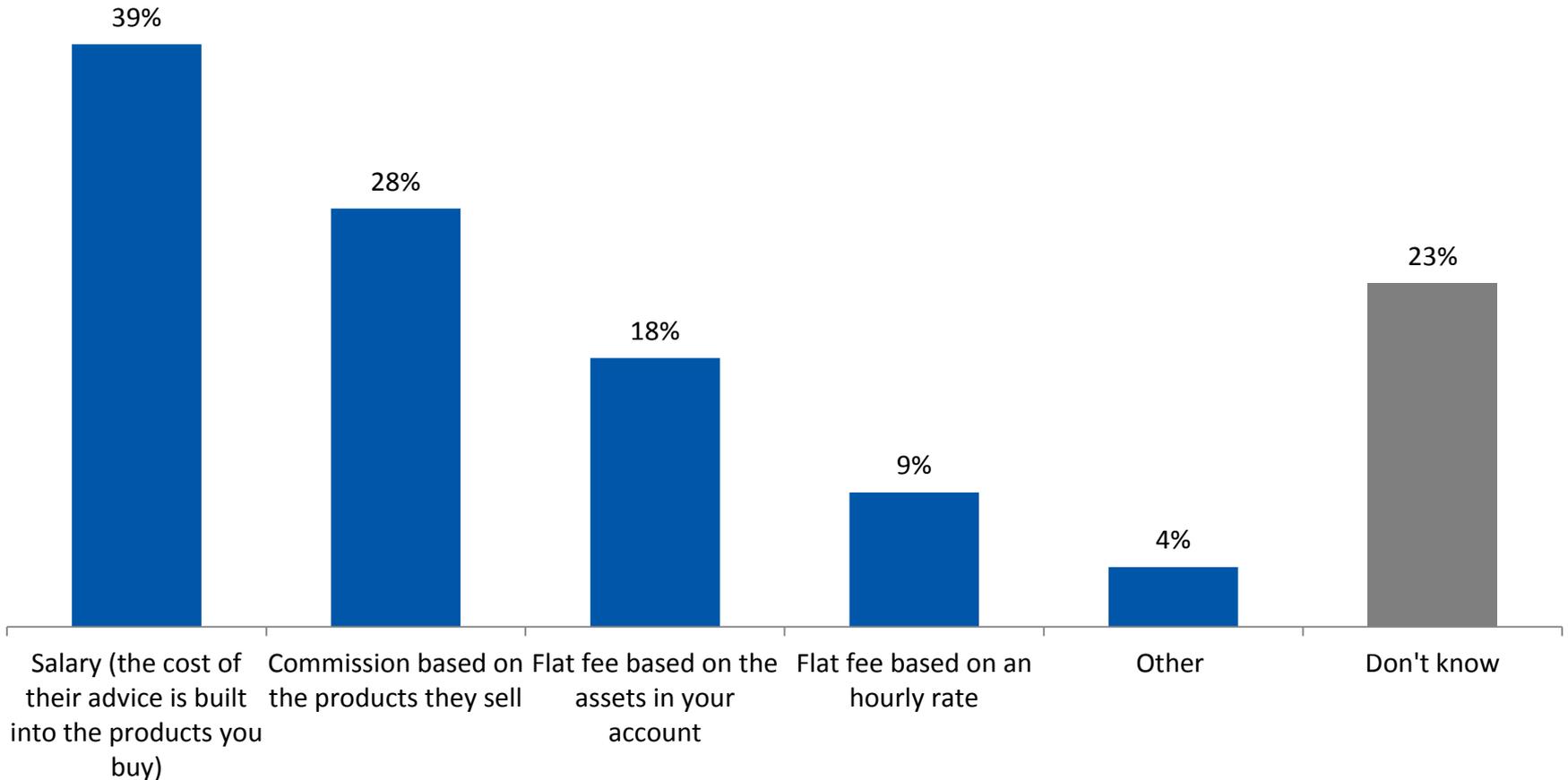
What sources did you use to check the background of your financial advisor?

[asked only of respondents who have checked into the background of their financial advisors; open-ended question; n=998]



Advisor compensation: Nearly one-quarter (23%) do not know how their financial advisor is being paid

Q Is your financial advisor being paid by any of the following methods?
[asked only of respondents who have a financial advisor; multiple selections allowed; n=2,646]

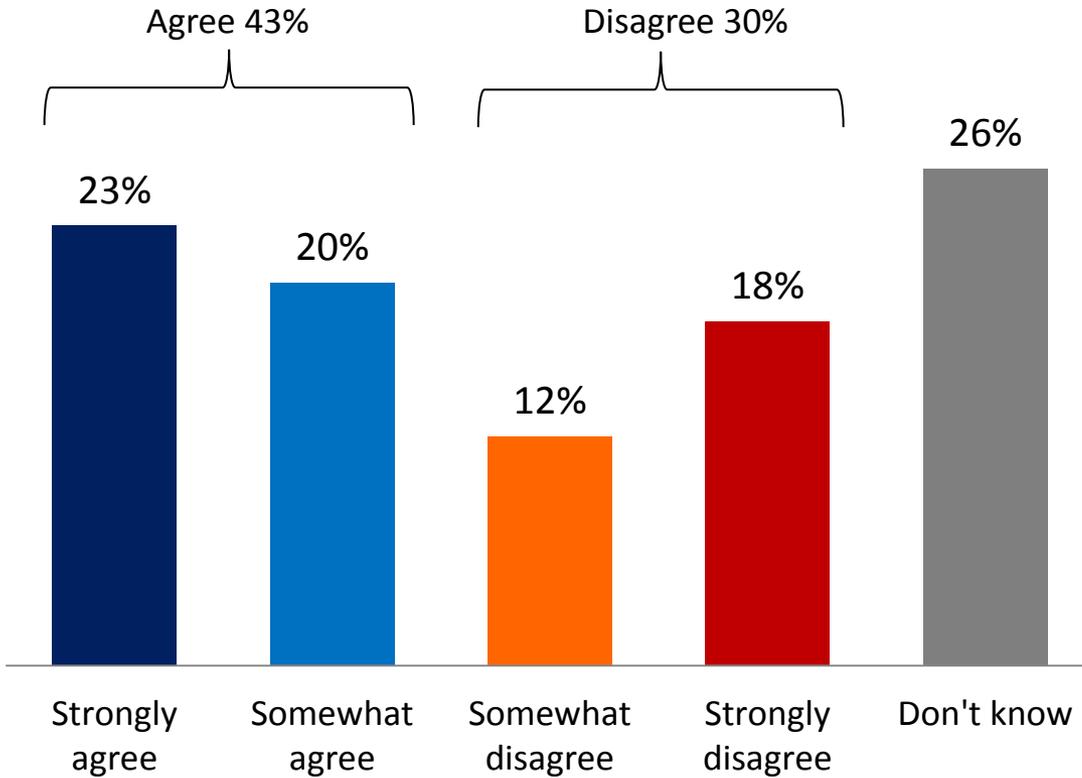


Advisor compensation: Most (56%) are unaware how much they pay their advisor



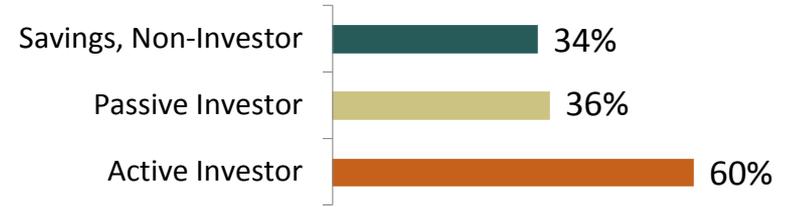
Do you agree or disagree with the following statement:
I know exactly how much I have paid my financial advisor in the past 12 months.

[asked only of respondent who have a financial advisor; n=2,646]

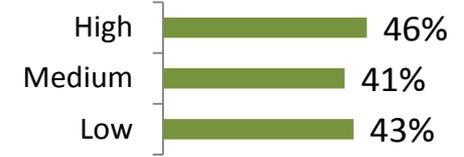


2012 Sample Breakdown ▶▶
Those who say agree

Investor Segments



Investment Knowledge



Age

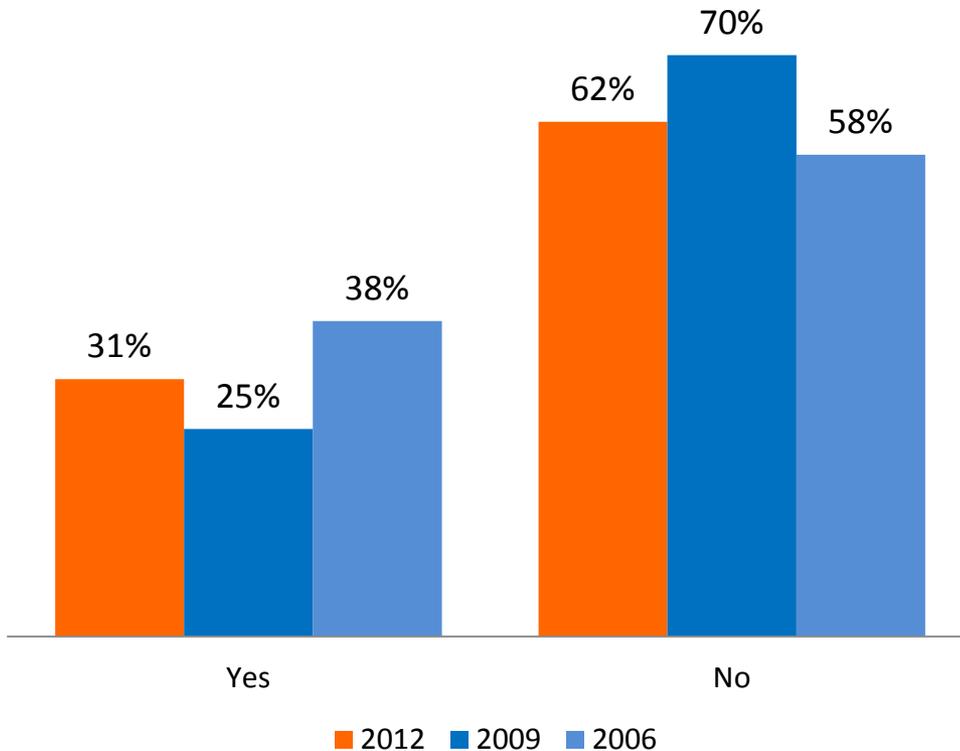


Financial plan: 1-in-3 Canadians have a formal written financial plan, up from 1-in-4 in 2009



Do you have a formal, written financial plan that includes clear investment goals?

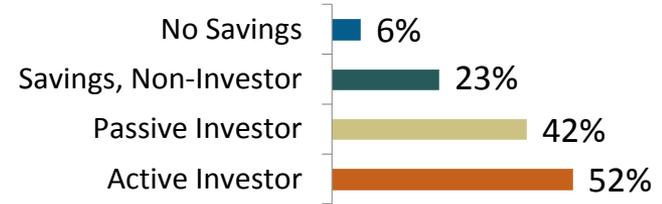
[asked of all 5,198 respondents]



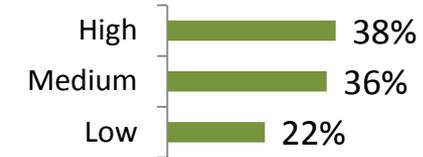
2012 Sample Breakdown ▶▶

Those who say "yes"

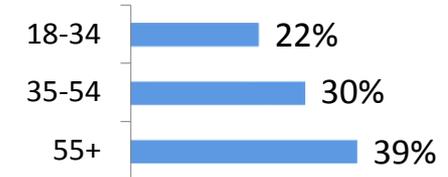
Investor Segments



Investment Knowledge



Age



Note: In 2006 respondents were asked, "Do you have a financial plan that includes clear investment goals?"

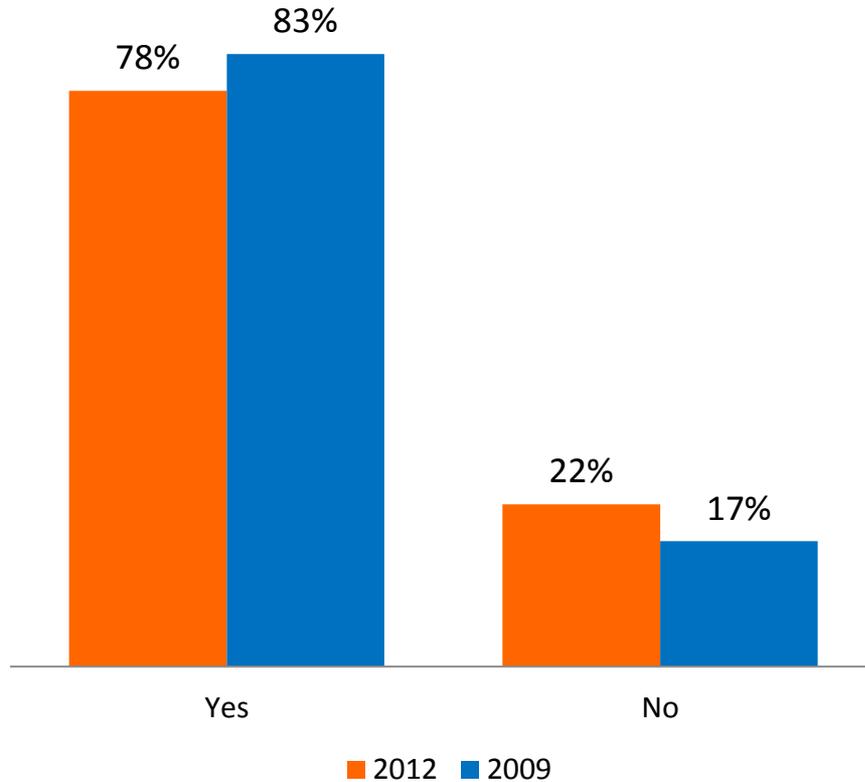
2009 n=6,319, 2006 n=3,000; 'Don't know' not shown

Financial plan: Although more Canadians have a financial plan than in 2009, slightly fewer are reviewing them on an annual basis



Have you reviewed your financial plan in the **past 12 months**?

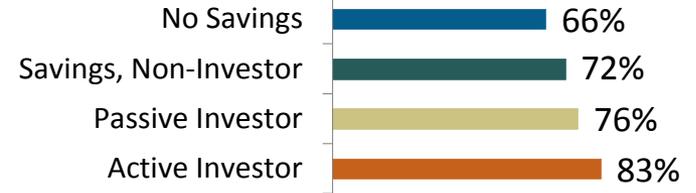
[asked only of respondents with a formal written financial plan; n=1,608]



2012 Sample Breakdown ▶▶

Those who say "yes"

Investor Segments



Investment Knowledge



Age



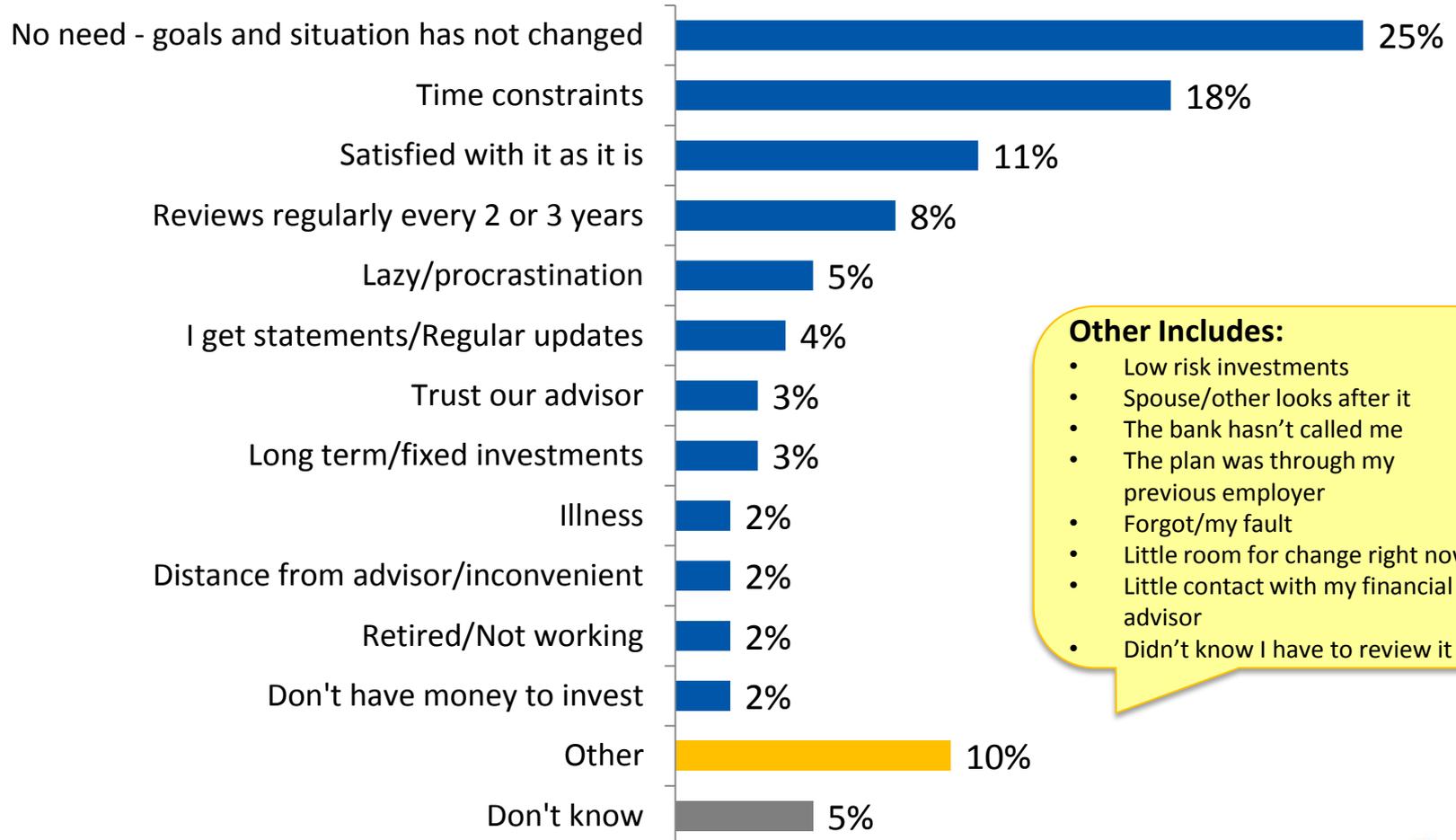
Note: 2009 n=1,613

Top 3 reasons for not reviewing financial plan: Lack of need, time constraints and satisfied with it as is

Q

What is the main reason you have **not** reviewed your financial plan in the **past 12 months**?

[asked only of respondents who did not review their financial plan in the past 12 months; open-ended question; n=352]



Other Includes:

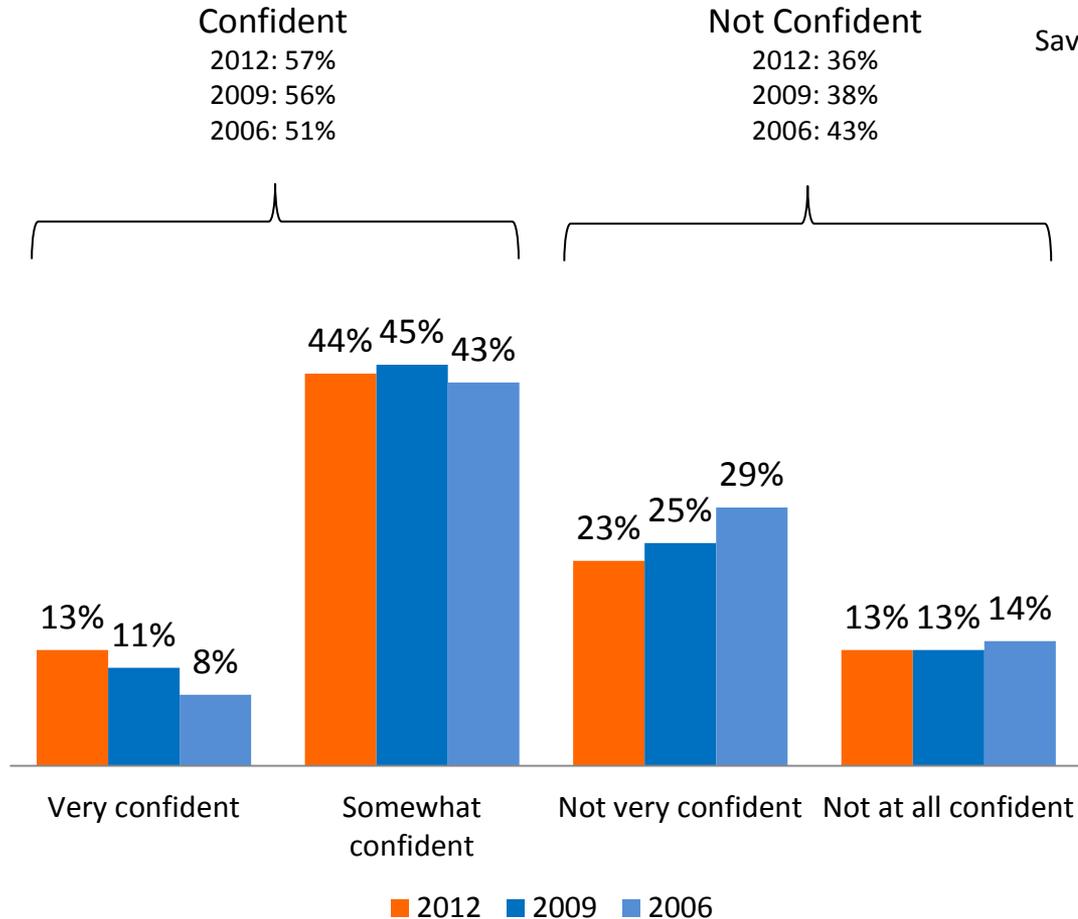
- Low risk investments
- Spouse/other looks after it
- The bank hasn't called me
- The plan was through my previous employer
- Forgot/my fault
- Little room for change right now
- Little contact with my financial advisor
- Didn't know I have to review it

Investor confidence: Almost 6-in-10 (57%) Canadians are confident in making investment decisions



How confident are you when it comes to making investment decisions?

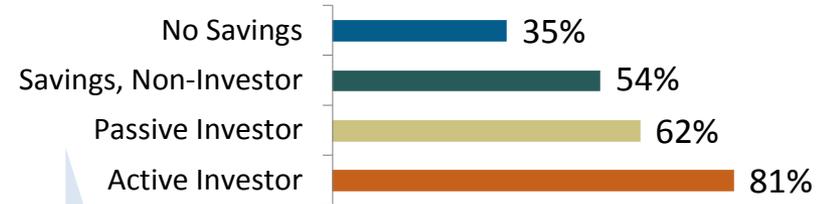
[asked of all 5,198 respondents]



2012 Sample Breakdown ▶▶

Those who are confident

Investor Segments



Investment Knowledge



Age



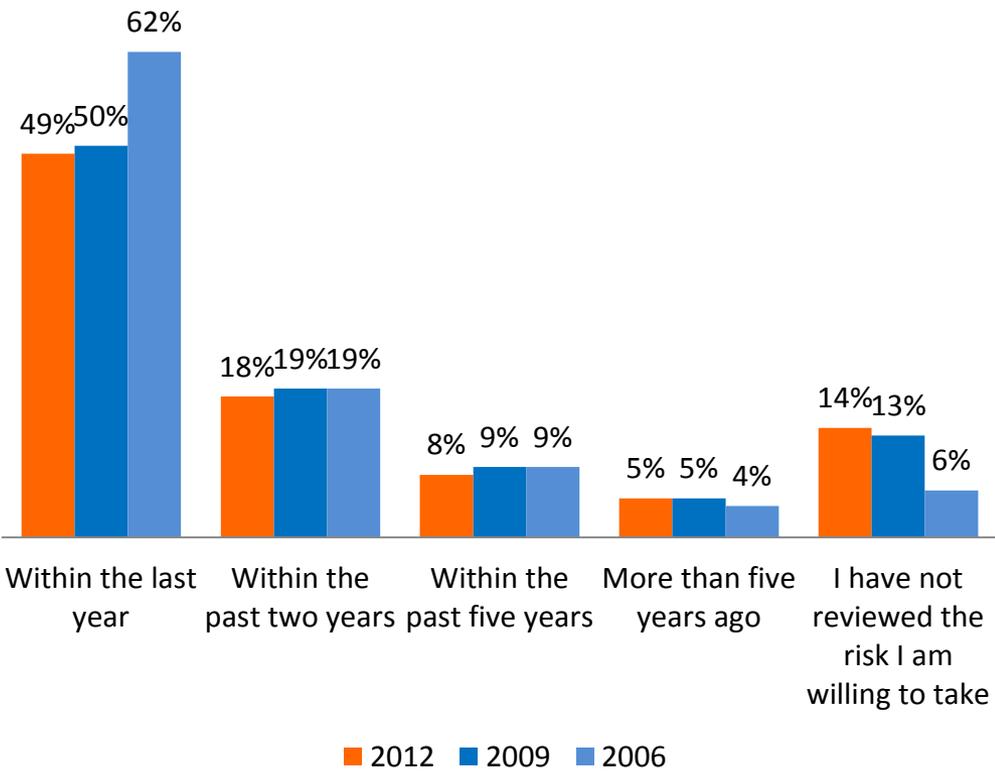
Note: 2009 n=6,319, 2006 n=3,000 ; 'Don't know' not shown

Risk-tolerance review: Half (49%) within the past year thoroughly reviewed the level of risk they are willing to take on their investments



When was the last time you thoroughly reviewed the level of risk you're willing to take with your investments?

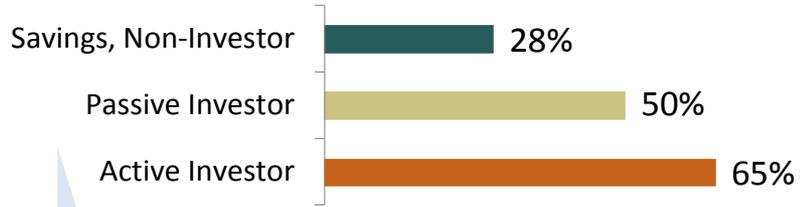
[asked only of respondents with financial investments; n=3,749]



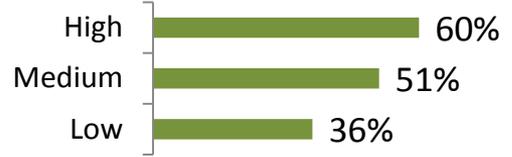
2012 Sample Breakdown ▶

Those who say "within the last year"

Investor Segments



Investment Knowledge



Age



Note: 2009 n=3,518, 2006 n=1,583 ; 'Don't know' not shown



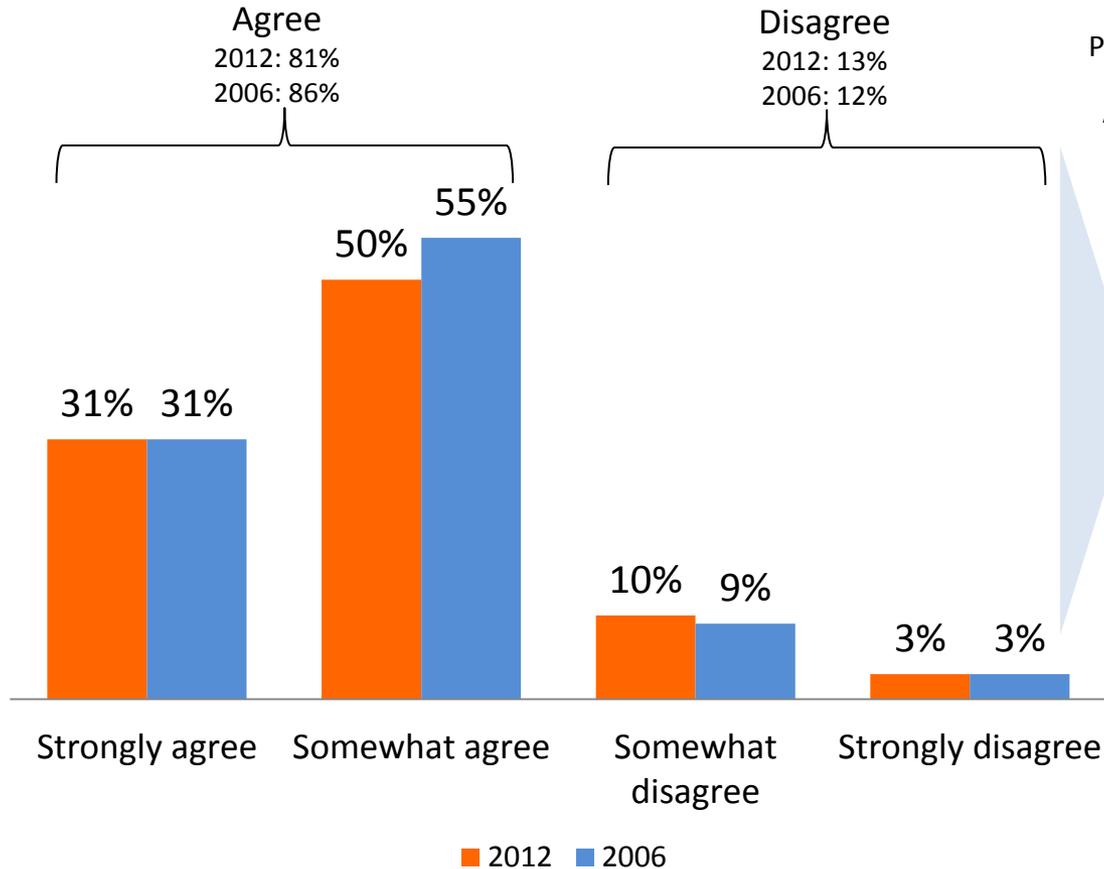
Understanding of risk: 81% of investors believe they understand how risky their investments are



Please indicate if you agree or disagree with the following statement:

I understand how risky each of my investments are today.

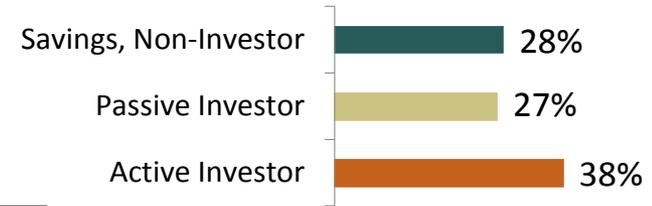
[asked only of respondents with financial investments; n=3,749]



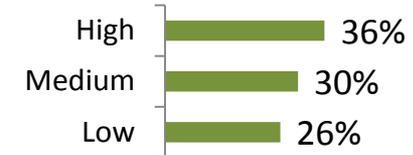
2012 Sample Breakdown ▶

Those who strongly agree

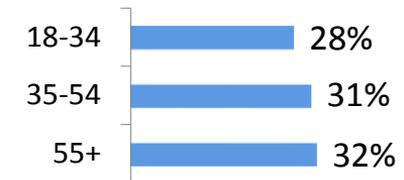
Investor Segments



Investment Knowledge



Age



Note: 2006 n=1,583, 'Don't know' not shown.

Market Expectations

Market Expectations

Many Canadians have unrealistic expectations of market returns

- For the purposes of this study, a “reasonable” market rate of return was considered to be anything less than an annual return of 4%.
- When asked what they think the annual rate of return on the average investment portfolio is today, 12% of Canadians gave a realistic estimate, 29% provided unrealistic estimates and 59% explicitly chose not to hazard a guess.
- Results were similar when asked about the annual rate of return on their personal investment portfolio: 17% of investors had realistic expectations, 33% had unrealistic expectations and 51% of respondents said they did not know.
- Looking at the results against the *Investment Knowledge Index*, almost one-quarter (24%) of high-knowledge investors had realistic expectations of the annual rate of return on their personal investment portfolio, while 16% of medium-knowledge and 9% of low-knowledge investors had realistic expectations.

Calculating “reasonable” rate of return

For the purposes of this study, the authors consider a “reasonable” market rate of return today as anything less than 4%. This is based on the 5-year nominal return of 4.1% on 3-month treasury bills, all Canadian bonds, and the TSX Composite Index between 2007 and 2011.

‘Nominal’ Return

	2007	2008	2009	2010	2011	5 year average
3-month T-bills	4.3%	2.8%	0.5%	0.5%	0.9%	1.8%
All Canadian Bonds	3.7%	6.4%	5.4%	6.7%	9.7%	6.4%
TSX Composite Index	9.8%	-33.0%	35.1%	17.6%	-8.7%	4.2%
Equal weighted average across asset classes	5.9%	-7.9%	13.7%	8.3%	0.6%	4.1%

Source: BCSC

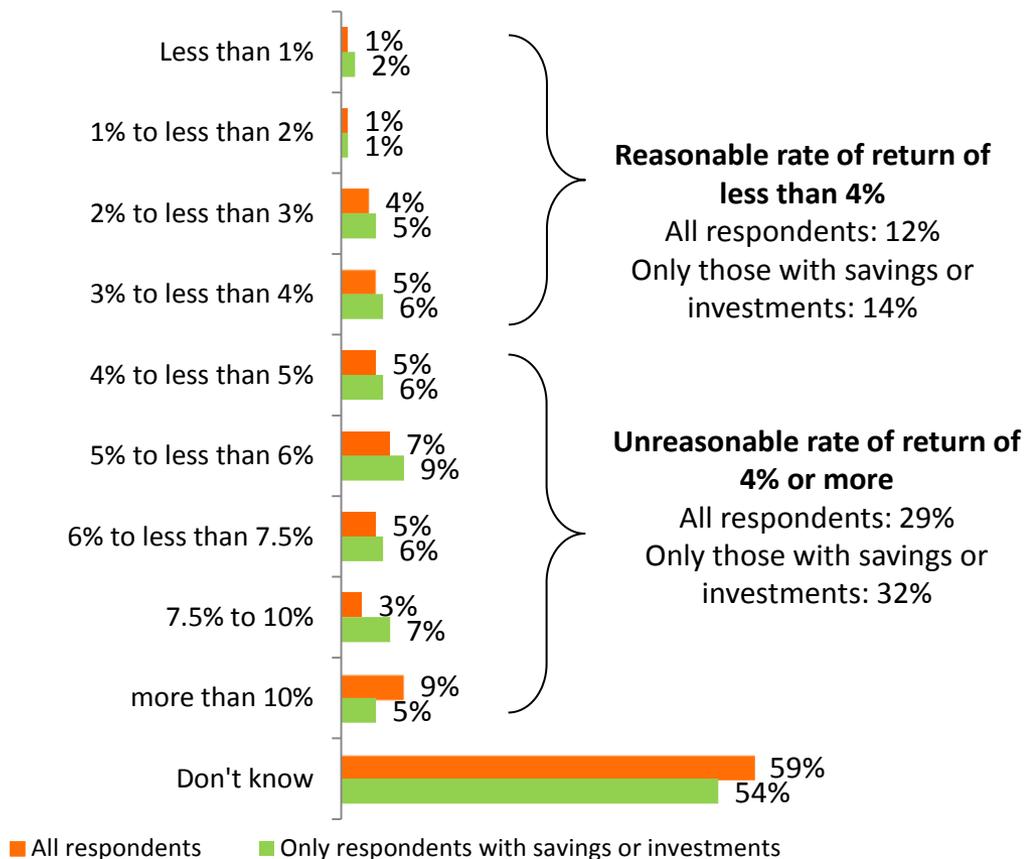
Note: Nominal is the stated return, while real is stated return minus inflation rate.

Market returns: 6-in-10 (59%) don't know the average rate of return; 3-in-10 (29%) have unreasonable expectations



What do you think is the annual rate of return today on the **average investment portfolio**?

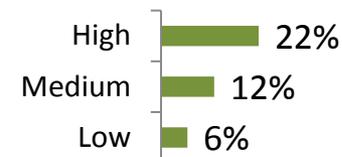
[asked of all 5,198 respondents; open-ended question]



2012 Sample Breakdown ▶▶

Those who have reasonable expectations

Investment Knowledge



Weighted Average Expected Rate of Return

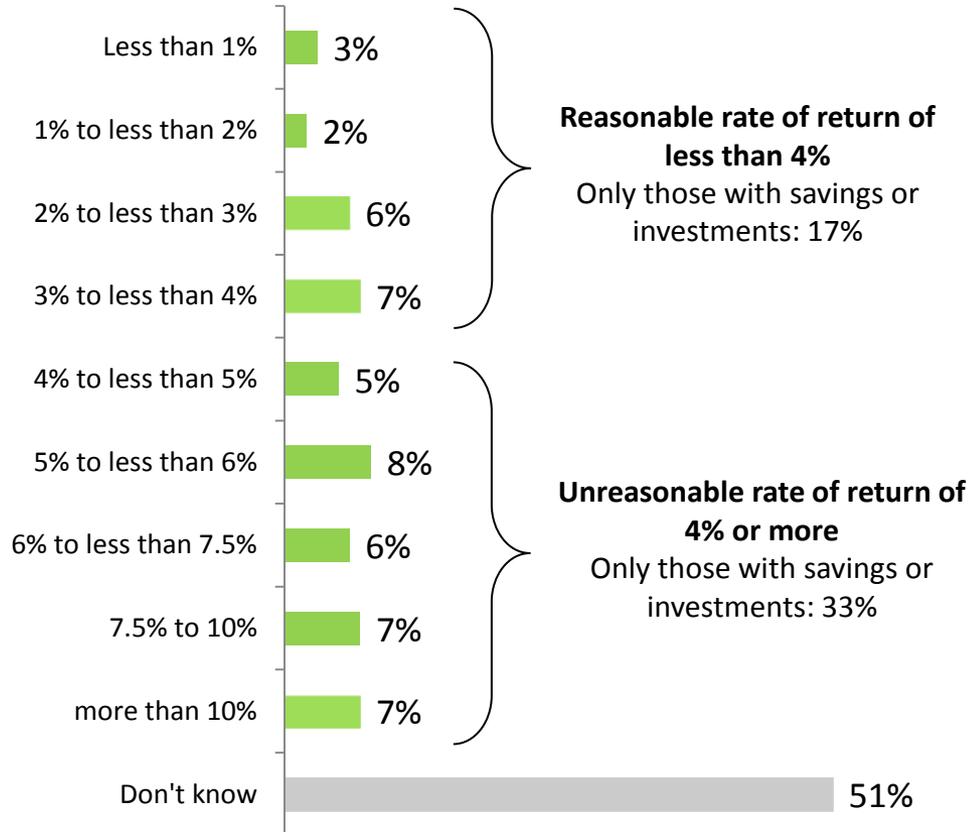
- *all respondents: mean 7.89%, median 5%*
 - *those with savings or investments only: mean 7.20%, median 5%*
- [Those who say "don't know" are not included in this calculation]

Individual investment portfolio returns: 1-in-3 investors have unreasonable expectations



What do you think is the annual rate of return today on **your investment portfolio?**

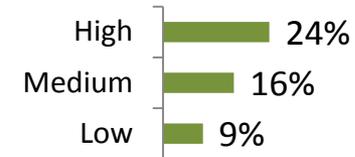
[asked only of respondents with savings or investments; open-ended question; n=3,749]



2012 Sample Breakdown ▶▶

Those who have reasonable expectations

Investment Knowledge



Weighted Average Reported Personal Rate of Return

- those with savings or investments only: mean **7.48%**, median **5%***
[Those who say "don't know" are not included in this calculation]

Social Media and Investing

The Role of Social Media in Investing

Canadians are starting to use social media as an investment tool

With millions of Canadians now using Facebook, Twitter and LinkedIn, social media is changing the way people obtain and share information. As such, the CSA wanted to know what role, if any, this new medium is playing among Canadian investors, and whether or not social media influences their investment decisions. The CSA plans to use this information to identify and monitor emerging trends, and to track the impact and role of social media in future studies.

Canadians are starting to use social media as a source of investment information, but traditional channels still dominate:

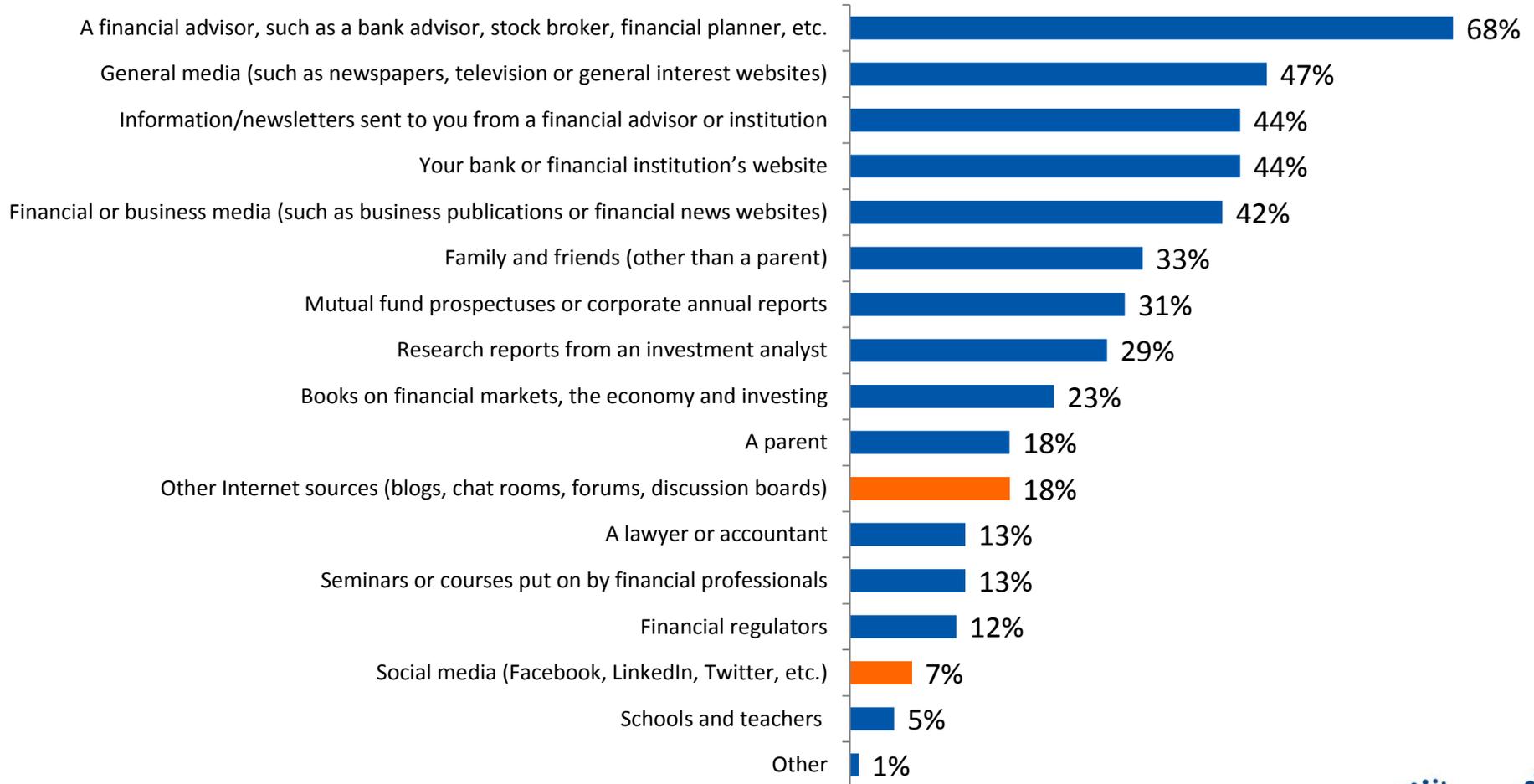
- 7% of Canadian investors said they used social media as one of their sources when they last looked for information about investing. The most common source of information is traditional finance professionals (68%), such as financial advisors, planners, bankers or brokers.
- However, when provided with a list of social media platforms, 35% of Canadians said they used at least one of them as a source of information about investing. This number is higher among younger respondents (52% of 18-34-year-olds).
- Almost one-quarter of Canadians (24%) have seen investment opportunities advertised on social media, and 4% of Canadians have pursued an investment opportunity that they learned about through social media.
- Facebook was the most prevalent platform, reported by 42% of those who further pursued an investment opportunity they learned about through social media.
- 70% of those who further pursued investment opportunities through social media said that they independently verified the information about the last investment they pursued. However, the most commonly cited source for verification was “the Internet”.
- However, when Canadians were asked about the reliability of a number of potential investment information channels, Facebook was near the bottom, ranking just above online classifieds and just below SMS text messages.
- More traditional information channels, such as face-to-face meetings, were deemed the most reliable source when making investment decisions.

Investment information: Most (68%) investors looked to traditional finance professional; only 7% used social media tools

Q

When you last looked for information about investing, what sources of information did you use?

[asked only of respondents who are investors; multiple selection allowed; n=3,749]



Social media: Only a small percentage of Canadians, mostly younger people, use social media and web tools for investment research



Do you use any of the following social media websites or services as sources of information about investing?

[asked of all 5,198 respondents; multiple selection allowed]

	National	18-34	35-54	55+		Investors	Savings, Non-investor	Passive investor	Active investor
Google or Yahoo! Groups	22%	33%	20%	16%		20%	17%	17%	27%
Facebook	16%	30%	14%	8%		12%	11%	7%	19%
YouTube	14%	26%	12%	5%		10%	7%	7%	16%
Blogs	11%	17%	11%	5%		11%	7%	10%	18%
Online classifieds (Craigslist, Kijiji, etc.)	11%	18%	10%	5%		8%	8%	5%	12%
RSS News Feeds	8%	12%	9%	5%		9%	5%	7%	14%
Twitter	7%	15%	6%	2%		6%	4%	3%	13%
LinkedIn	5%	8%	6%	3%		5%	3%	4%	10%
MySpace	3%	6%	2%	1%		2%	1%	1%	6%
FourSquare	2%	4%	1%	0%		2%	1%	1%	4%
None	65%	48%	67%	76%		68%	73%	73%	56%

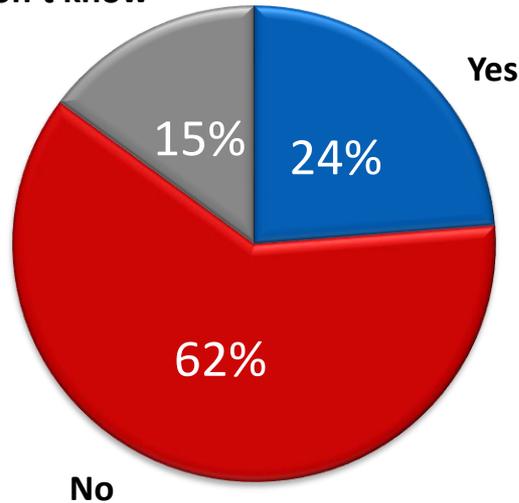
Investment ads on social media: 1-in-4 have seen investment ads on social media; 1-in-6 of those pursued the investment

Q

Have you ever seen information on investment opportunities advertised on social media?

[asked of all 5,198 respondents]

Don't know

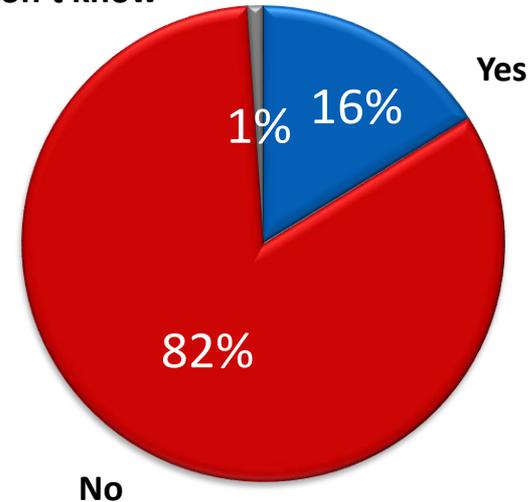


Q

Have you ever further pursued an investment opportunity that you came across through social media?

[asked only of those who have seen investment info ads on social media; n=1,222]

Don't know



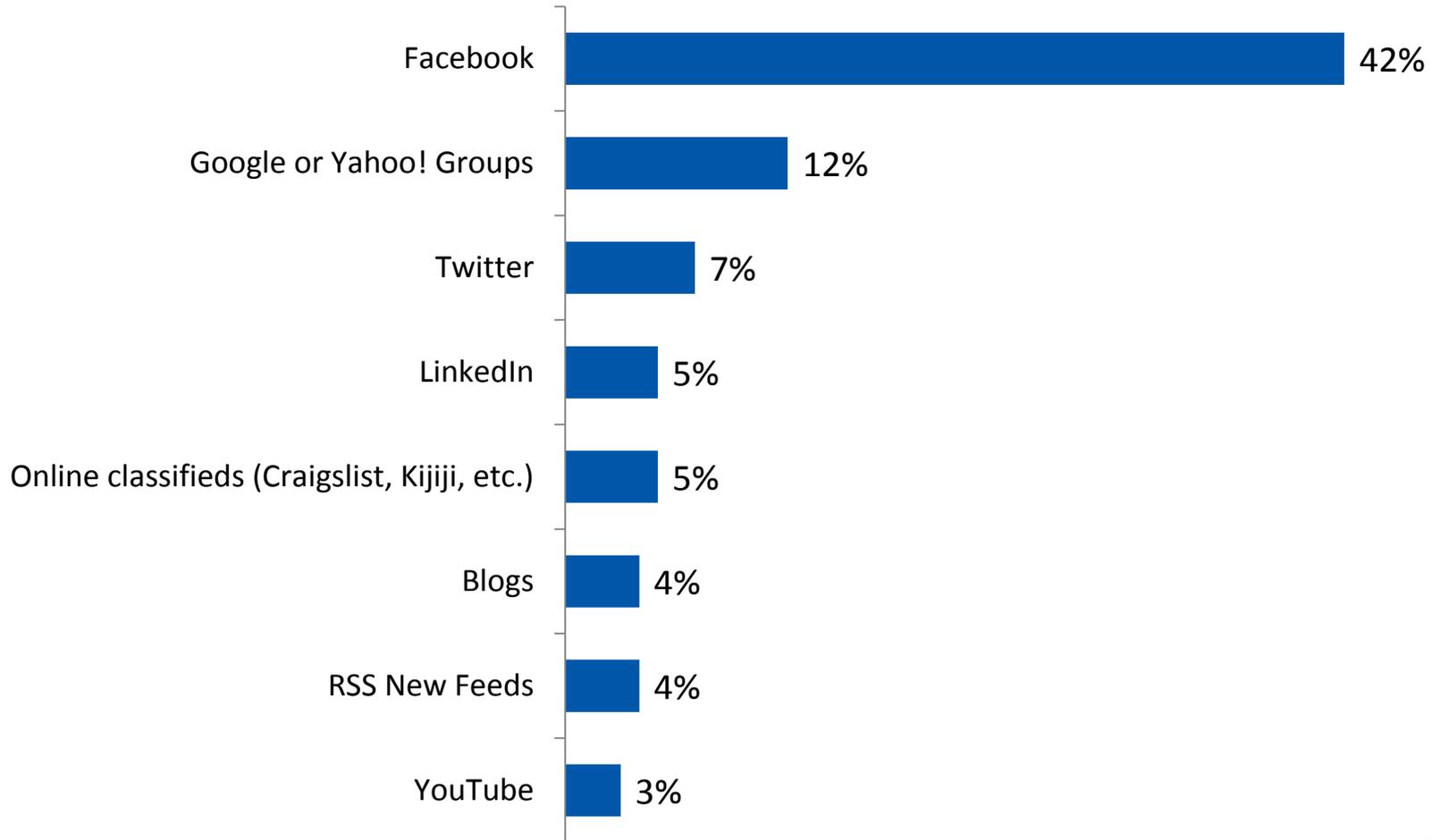
Of the overall Canadian population, 4% have pursued an investment opportunity that they came across through social media

Social media platforms: Facebook is the most prevalent platform for those who found and pursued investment ads on social media

Q

On which social media platform did you find this investment opportunity?

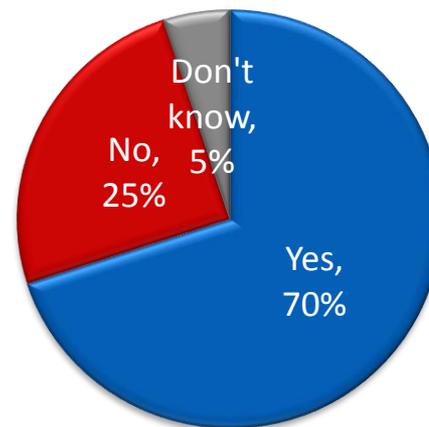
[asked only of those who have seen and further pursued investments advertised on social media; n=199]



Independent verification: Majority who further pursued investments found on social media independently verified the info

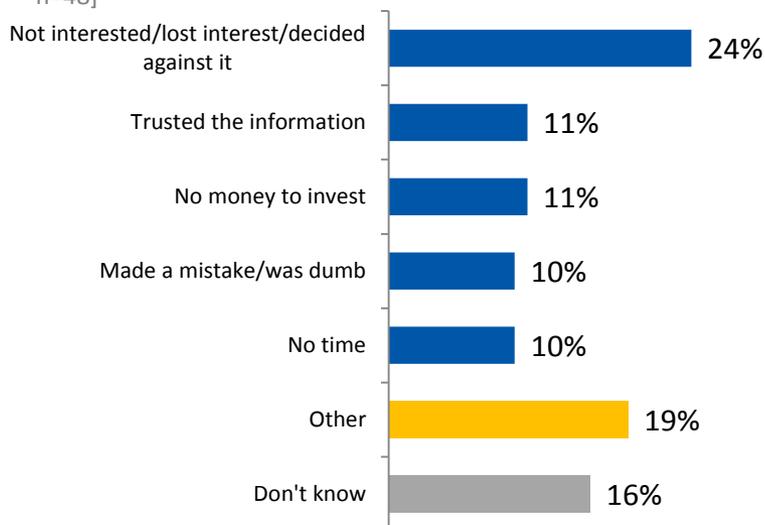
Q Thinking about the **last time** you pursued an investment opportunity that you came across through social media, did you take any steps to independently verify the investment information?

[asked only of those who have seen and further pursued investments advertised on social media; n=199]



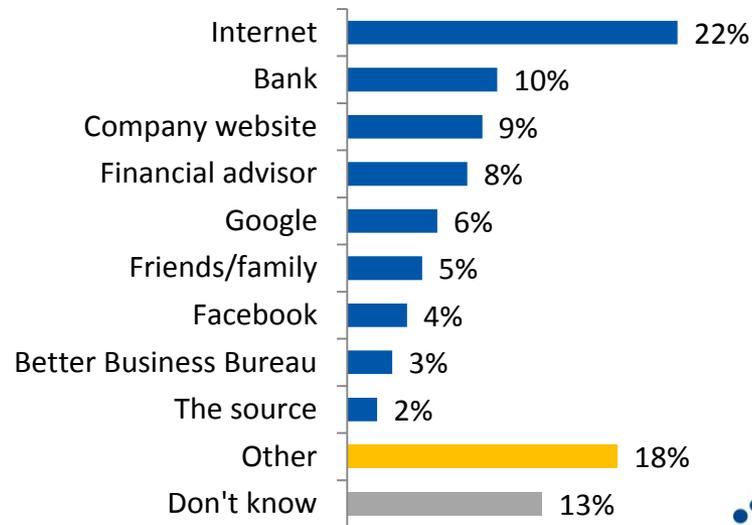
Q Why did you not verify the information?

[asked only of those who further pursued the ad without independently verifying the investment info; open-ended question; n=48]



Q Where did you verify the information?

[asked only of those who did independently verify the investment info; open-ended question; n=138]



Note: Due to very small sample size, numbers in the above graph should be considered directional only

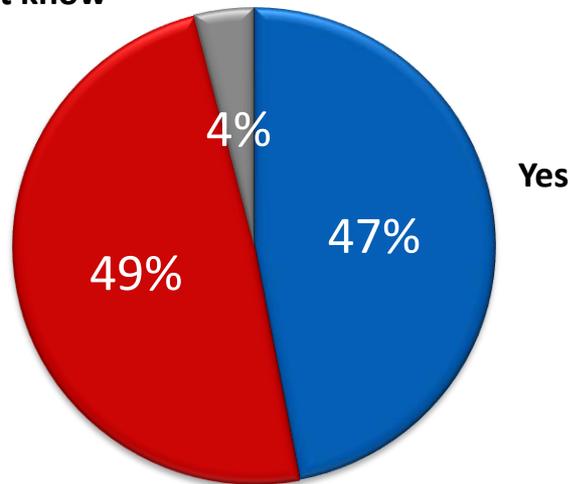
Social media: Almost half (47%) who saw and further pursued investment opportunities on social media ultimately invested

Q

Did you ultimately invest in this last investment opportunity discovered through social media?

[asked only of those who have seen and further pursued investments advertised on social media; n=199]

Don't know



Yes

Of the overall Canadian population, 2% invested in the last investment opportunity discovered through social media.

No

Reliability of investment information sources: Canadians are generally skeptical of most sources, especially social media



Each of the following is a potential way for an investor to obtain information before making investment decisions. On a scale from 0 to 10, where 0 is completely unreliable and 10 is completely reliable, please indicate how reliable you would rate each potential medium.

[asked of all 5,198 respondents]

	Weighted average score	Very Reliable (10 to 9)	Somewhat Reliable (8 to 6)	Not Reliable (5 to 0)
Live face-to-face meetings	6.44	21%	46%	33%
Websites	4.37	4%	29%	68%
Postal mail	4.33	6%	26%	68%
Electronic Newsletter	4.11	3%	25%	72%
Telephone call	3.89	6%	23%	71%
Email	3.70	5%	20%	75%
Google or Yahoo! Group	3.29	3%	16%	81%
LinkedIn	2.74	2%	10%	88%
SMS Text Messages	2.57	2%	9%	89%
Facebook	2.53	2%	9%	88%
Online Classifieds	2.38	2%	8%	90%

Awareness of Securities Regulators

Awareness of securities regulators

2-in-5 Canadians are aware of their provincial securities regulator

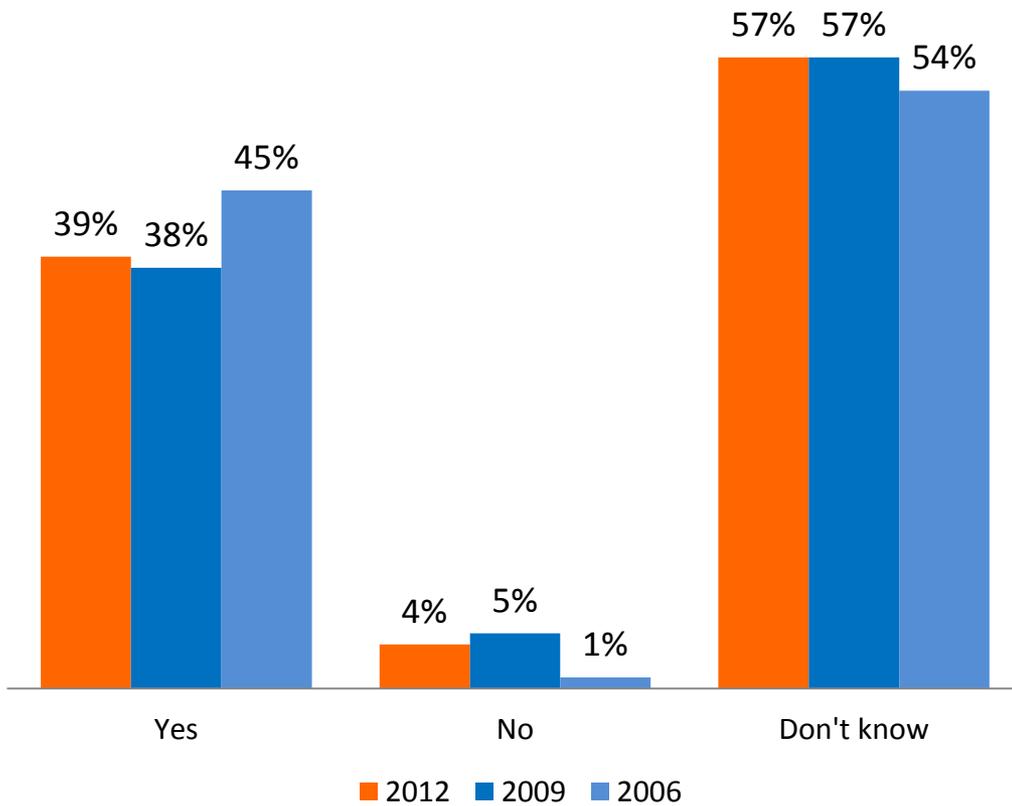
- Nationally, 2-in-5 respondents (39%) know there is a provincial or territorial government agency responsible for regulating financial investments in their province or territory (38% in 2009).
- When prompted with the name of their securities regulator, 36% of Canadians said they are “very” or “somewhat” familiar with the agency.
- Nationally, 10% of Canadians have visited their provincial securities regulator’s website at least on one occasion. Aside from visiting their regulator’s website, 5% of Canadians have ever contacted their agency.
- The primary reasons for visiting the website and/or contacting a provincial regulator were for general information, curiosity and research.

Awareness of securities regulator: 2-in-5 (39%) Canadians know there is an agency that regulates capital markets in their province or territory



Is there a government agency responsible for regulating financial investments in your province or territory?

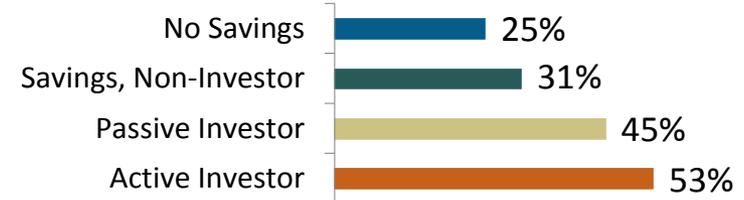
[asked of all respondents; n=5,198]



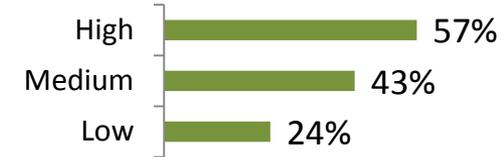
2012 Sample Breakdown ▶▶

Those who say "yes"

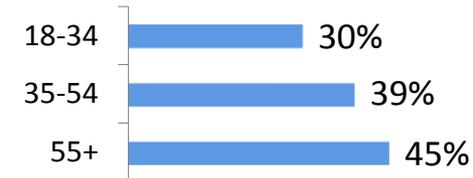
Investor Segments



Investment Knowledge



Age



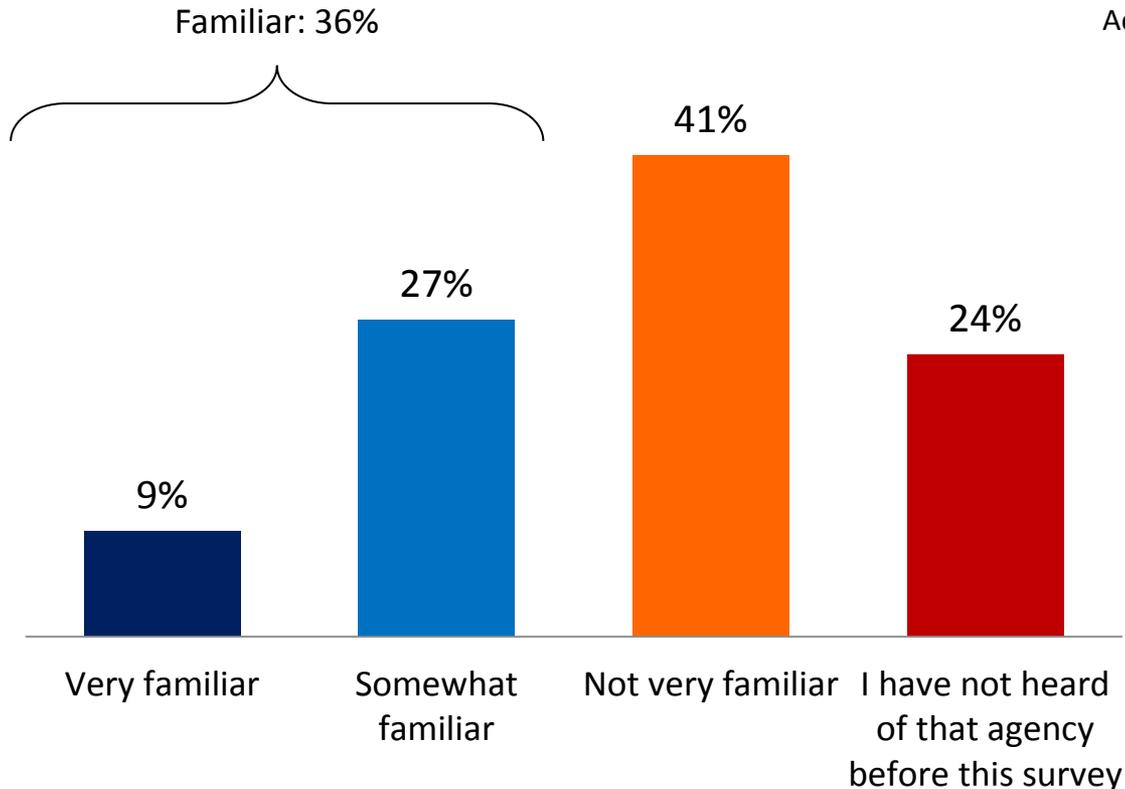
Note: 2009 n=2,396, 2006 n=1,069

Familiarity with regulators: 36% of Canadians are familiar with their regulator

Q In fact, there is a provincial/territorial agency in {**Insert province/territory**} responsible for regulating financial investments called the {**agency name**}.

Now that we have mentioned the {**agency name**}, how familiar would you say you are with this agency?

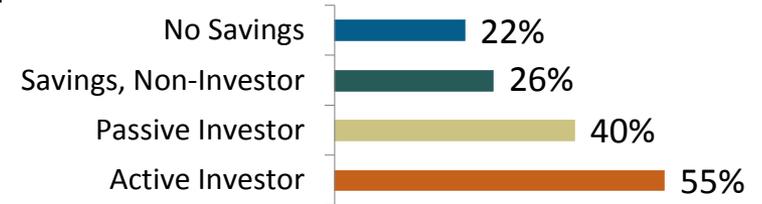
[asked of all respondents; n=5,198]



2012 Sample Breakdown ▶▶

Those who say they are familiar with their securities agency.

Investor Segments



Regulator website: 1-in-10 Canadians have visited their securities regulator's website on at least one occasion



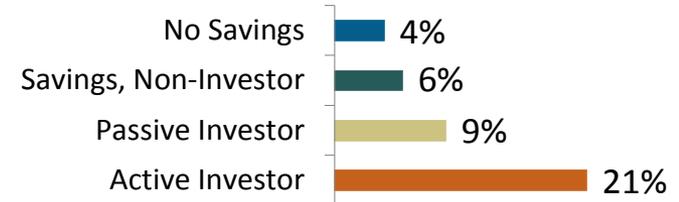
Have you ever visited the website of the {agency name}?

[asked only of those who have heard of their securities regulator before; n=3,951]

2012 Sample Breakdown ▶▶

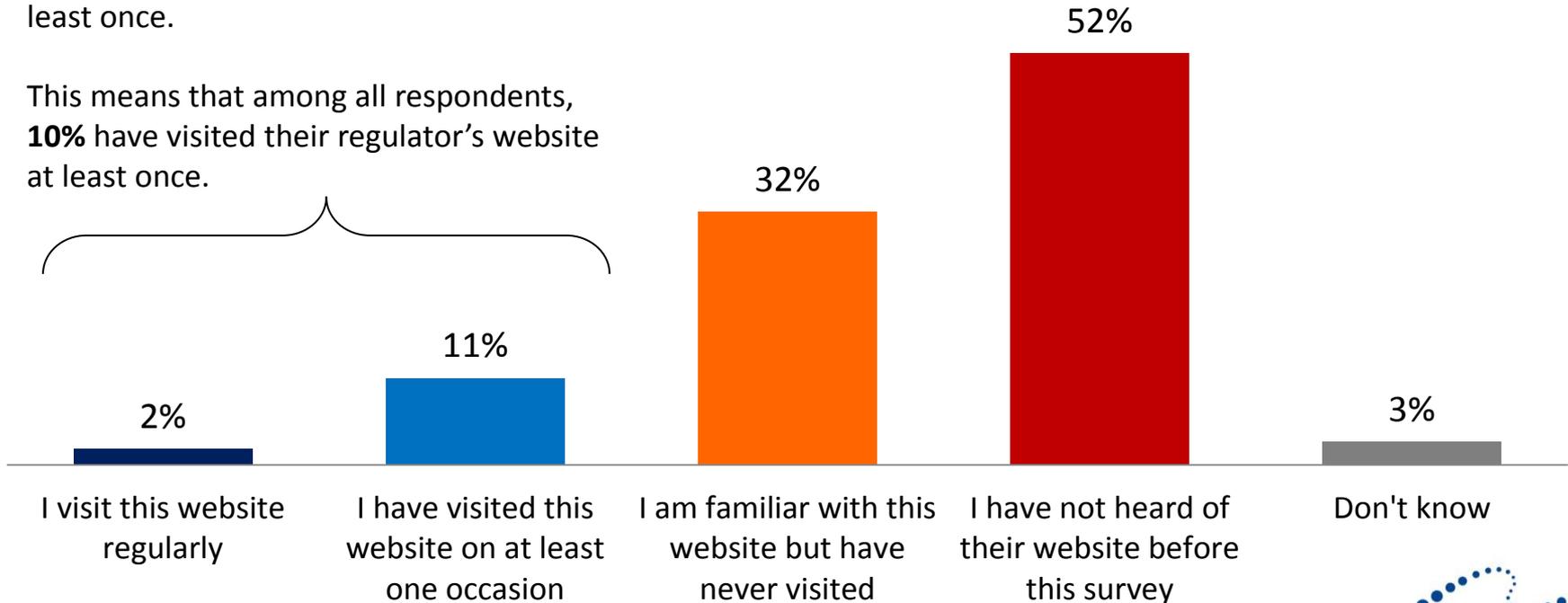
Those who have visited their securities regulator's website on at least one occasion

Investor Segments



13% of respondents who have heard of their regulator have visited their website at least once.

This means that among all respondents, 10% have visited their regulator's website at least once.

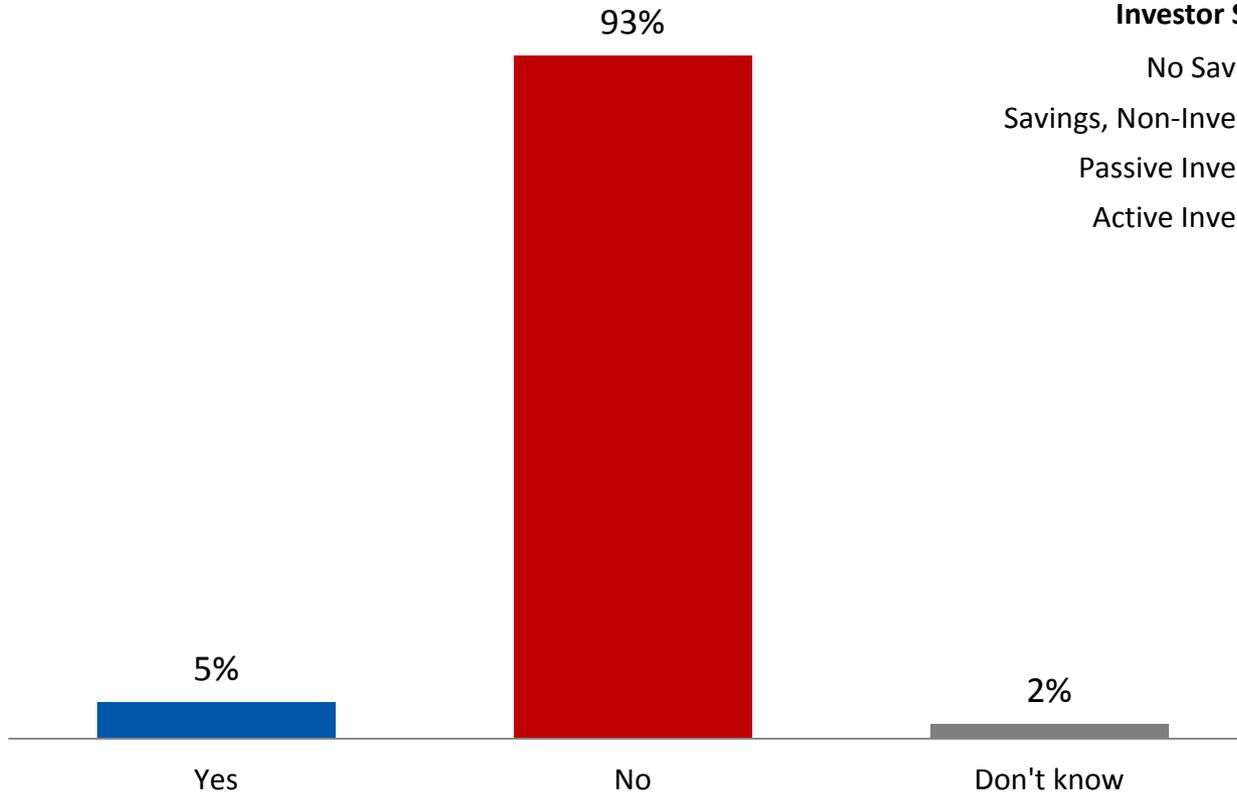


Contacting the regulator: Of those who know about their securities regulator, only a few have contacted them

Q

Beyond visiting their website, have you ever contacted the {agency name}?

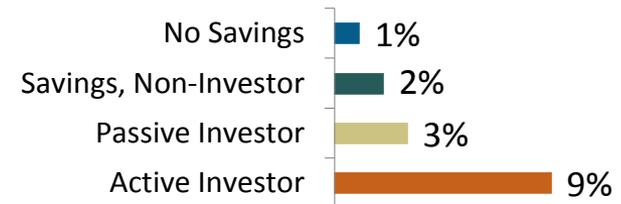
[asked only of those who have heard of their securities regulator before; n=3,951]



2012 Sample Breakdown ▶▶

Those who have contacted their securities regulator (aside from through website)

Investor Segments



Top 3 reasons for seeking out the regulator: General info, curiosity and research

Q Why were you visiting the website and/or contacting the {agency name}?
[asked only of those who have contacted their securities regulator before; open-ended question; n=560]

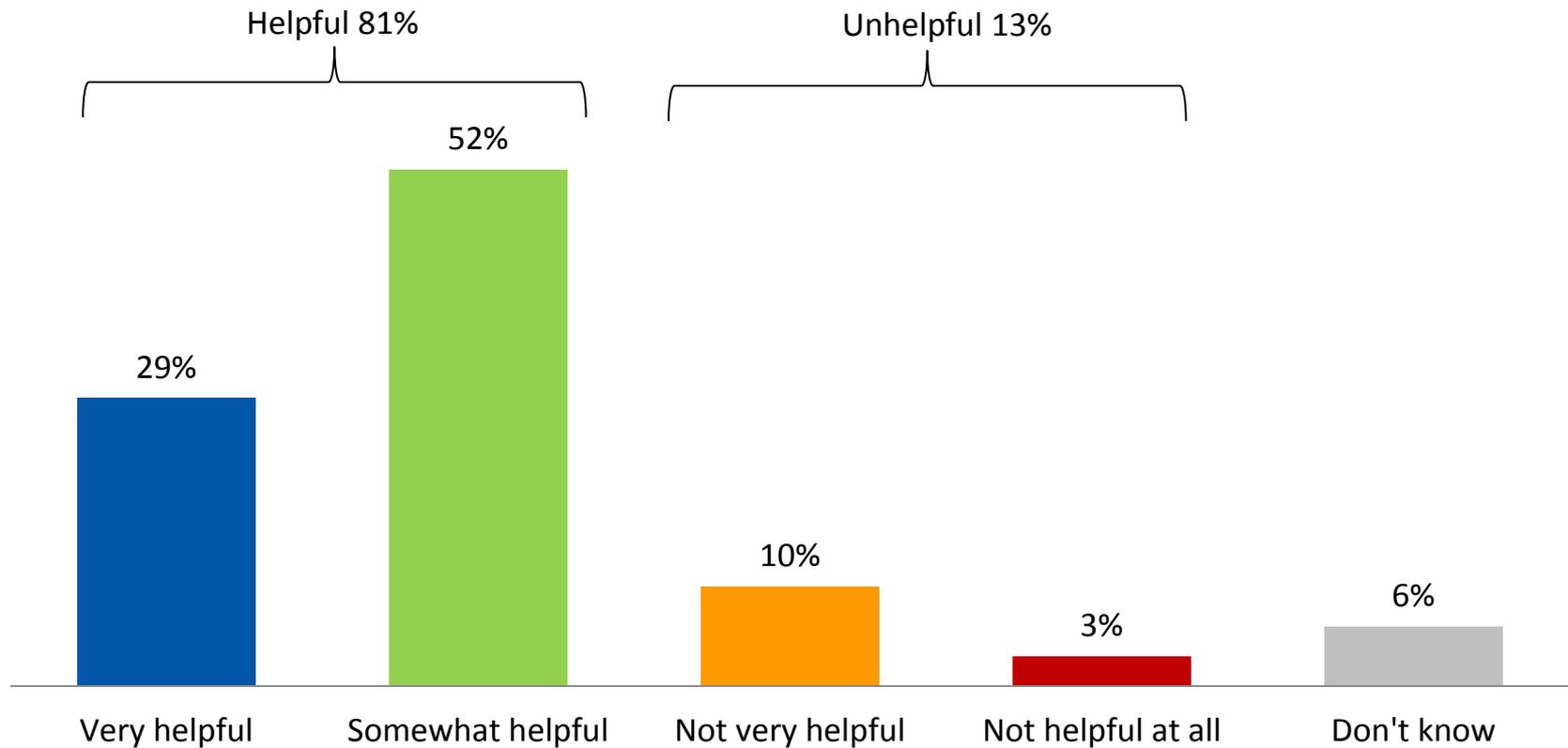


Helpfulness of the regulator: A large majority (81%) of those who contacted their securities regulator found them to be helpful



Did you find the information and/or advice provided by {agency name} to be helpful?

[asked only of those who have contacted their securities regulator before; n=560]





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For more information, please contact:

Innovative Research Group Inc.
56 The Esplanade, Suite 310
Toronto ON | M5E 1A7

(t) 416.642.6340

(f) 416-640-5988

www.innovativeresearch.ca