

FEBRUARY 2016

Smarter Investor Study: BC Report

Public Opinion Research

BC SECURITIES
COMMISSION



National Smarter Investor Study

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About this Study

Understanding the knowledge, attitudes, and behaviour of BC investors is critical to the **British Columbia Securities Commission (BCSC)** mission to educate and protect financial consumers. Over the years the BCSC, on its own and in cooperation with other Canadian regulators, has commissioned leading-edge studies of investment attitudes and behaviours with a strong emphasis on good investment behaviour and fraud prevention.

In this study, the BCSC has engaged **Innovative Research Group Inc.** to generate new understanding and insight into client knowledge and perceptions about investing among Canadians aged 35 and older (“those most likely to invest”) with a particular emphasis on probing the relationship with advisors in more detail than in the past.

What is the perceived impact of investing with an advisor?

Through a series of preliminary questions, the study segmented respondents into categories based on whether or not they invest, and, when they do, whether or not they have an advisor.

The study explored the relationship of investors and advisors through a series of new descriptive questions. The report compares Canadians who invest with advisors to other groups to measure how the perceptions and knowledge of Canadians with advisors differ from the perceptions and knowledge of other groups.

What is the current state of client-advisor relationships?

This study asks Canadians with advisors what they Know, Feel, and Do in their client-advisor relationships. For example, do they think they understand the fees they pay and do they ask their advisors about compensation? As it turns out, many Canadians do not.

Other findings

The BCSC’s previous research has often focused on investment fraud, including its social impacts and what makes people vulnerable. Fraud is always a key concern when it comes to investor protection. While this study shifts the focus to *Smarter Investing*, we take a brief look at the current state of investment fraud in Canada.

This study also introduces a new lens for understanding investing behaviour: Personality. We identify five main personality types in the sample based on the Big 5 personality traits and show that your personality matters when it comes to how you invest.

This survey tested what investors know, feel, and do

We know from previous research that what investors know, feel, and do is important. Here are some of the ways we measured these concepts in this study

Know

Client-Advisor Relationship

- *Know how your advisor is paid*
- *Know how much you are paying your advisor*
- *Understand statements from your advisor*
- *Know your role in the client-advisor relationship*
- *Know whether advisors can buy/sell with discretion*
- *Know if advisors need to be registered*
- *Know that investing with an advisor does not provide “insurance” against losses*

Feel

Client-Advisor Relationship

- *Attitude towards role of advisor*
- *Reasons for not discussing compensation*
- *Reasons for not reading statements*

Attitude Towards Advisor

- *Trust*
- *Comfort asking questions*
- *Satisfaction with communication*

Do

Client-Advisor Behaviour

- *Advisor background check*
- *Discuss compensation*
- *Reading statements*

Good Investing Behaviour (generally)

- *Conduct independent research*
- *Consult an advisor*
- *Refer to financial plan*
- *Consult a third party*
- *Wait before investing*

Methodology and Approach

Methodology and Approach

The *National Smart Investing Study* 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 2,407 Canadians aged 35+. This included an oversample of 1,002 residents in BC.
- The online survey was conducted using INNOVATIVE's national research panel, Canada 20/20™, between August 4 and 12, 2015, in both English and French.
- The Canada 20/20 Panel is recruited from a wide variety of sources to reflect the age, gender, region, and language characteristics of the country as a whole. Each survey is administered to a series of randomly selected samples from the panel 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 region using the latest available Statistics Canada Census data to reflect the actual demographic composition of Canadians 35+.
- The online sample was also weighted by the results of a June 2015 national telephone survey of 1,000 Canadians, which provided the incidence rates for particular investment behaviours.
- The final data is weighted to a representative sample of 1,219 at the national level, while the BC oversample is weighted to a representative sample of 1,000. Probability samples of this size would have an estimated margin of error of +/-2.8 percentage points for the national sample and +/-3.1 percentage points for the BC sample, 19 times out of 20. The estimated margin of error will be larger within each sub-grouping of the sample.

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.*

Study Objectives

The *Smarter Investor Study* had the following core objectives:

- Understanding what Canadians who have investment advisors know, feel, and do in their client-advisor relationships
- Assessing good investment behaviours and knowledge about investment advisors among all Canadians, whether or not they currently work with an advisor
- Measuring four key components of *Smarter Investing*, how they differ by whether or not an investor works with an advisors, and how differences in *Smarter Investing* between Canadians with advisors can be explained by what they know, feel, do, and what they say their advisors do

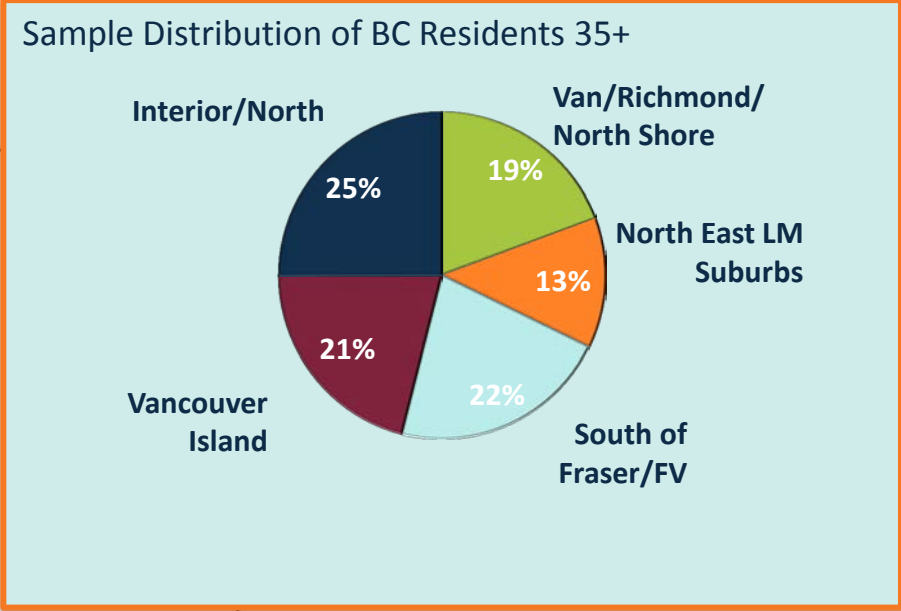
This report focuses on the results from the oversample of 1,000 BC residents, taking a close look at their investing behaviours, and their relationships with investment advisors.

Smarter Investing is about being empowered and capable when it comes to your investments. In this study it is measured in four aspects: understanding your investments, feeling confident that your investments are suitable for you, knowing your investment goals, and feeling confident making investment decisions. Together these form our *Smarter Investor Index* which will be used throughout the study to understand the impact that certain behaviours, attitudes, and knowledge have on investing.

To understand the client-advisor relationship in particular, we look at what Canadians who work with investment advisors know, feel, and do in their client-advisor relationship. We also look at what they say their advisors do. These four aspects of the relationship each provide a unique lens through which we can understand how the client-advisor relationship relates to *Smarter Investing*.

Regional Segmentation (BC sample)

BC Respondents
Weighted n = 1,000
Unweighted n = 1,002



Lower Mainland/ Fraser Valley Regions:

Van/Rich/NS
Weighted n= 191
Unweighted n= 202

North East LM Suburbs
Weighted n= 127
Unweighted n= 130

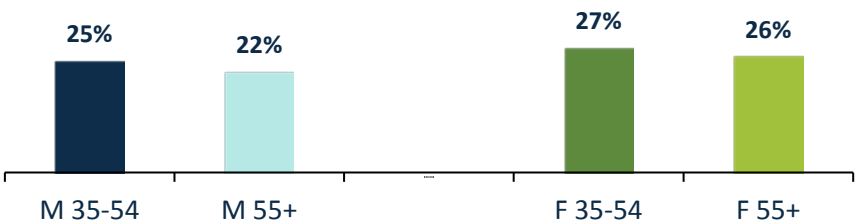
South of Fraser/FV
Weighted n= 215
Unweighted n= 204

Interior/North
Weighted n= 248
Unweighted n= 243

Vancouver Island
Weighted n= 207
Unweighted n= 214

Demographic Segmentation

Age-Gender

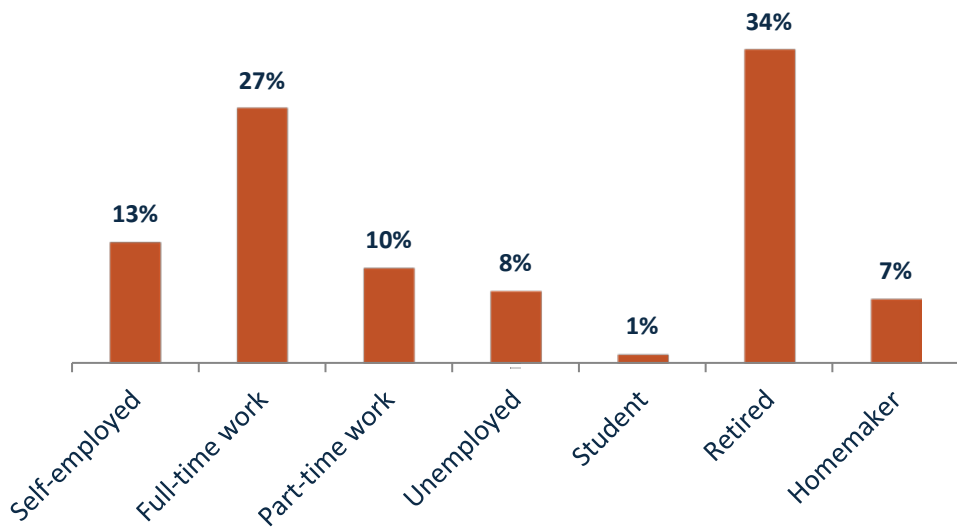


Household Income

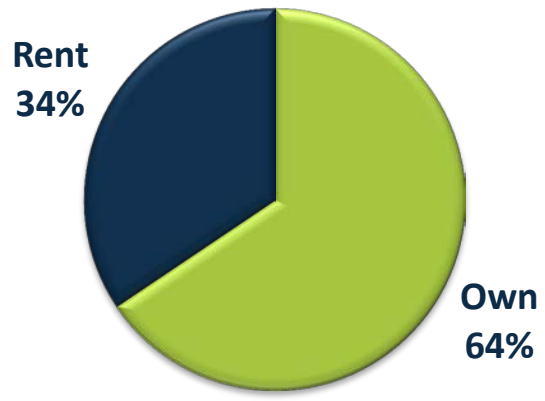


Prefer not to say not shown

Work Status



Home Ownership

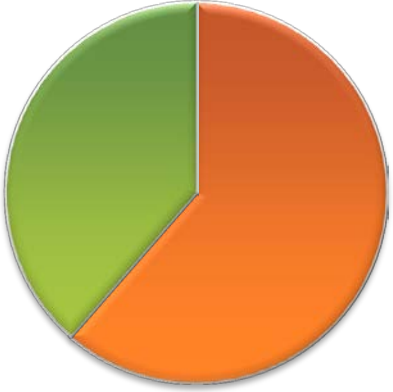


Neither not shown

Demographic Segmentation

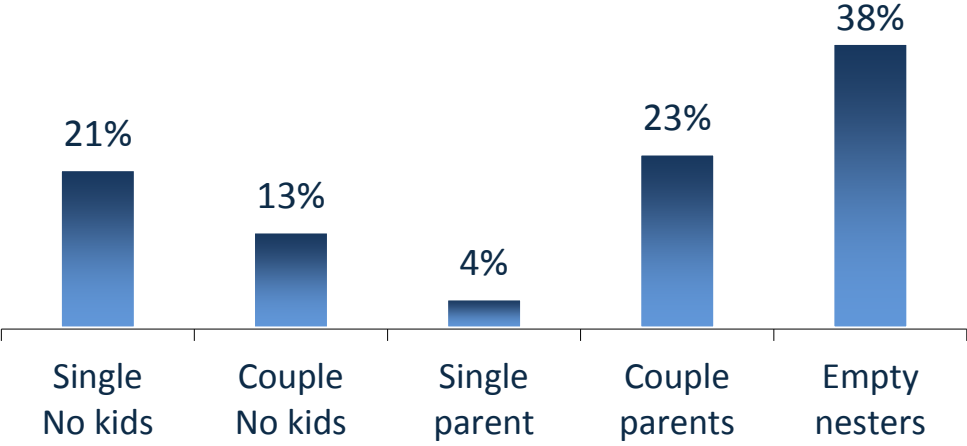
Marital Status

Not married
39%



Married or common law
61%

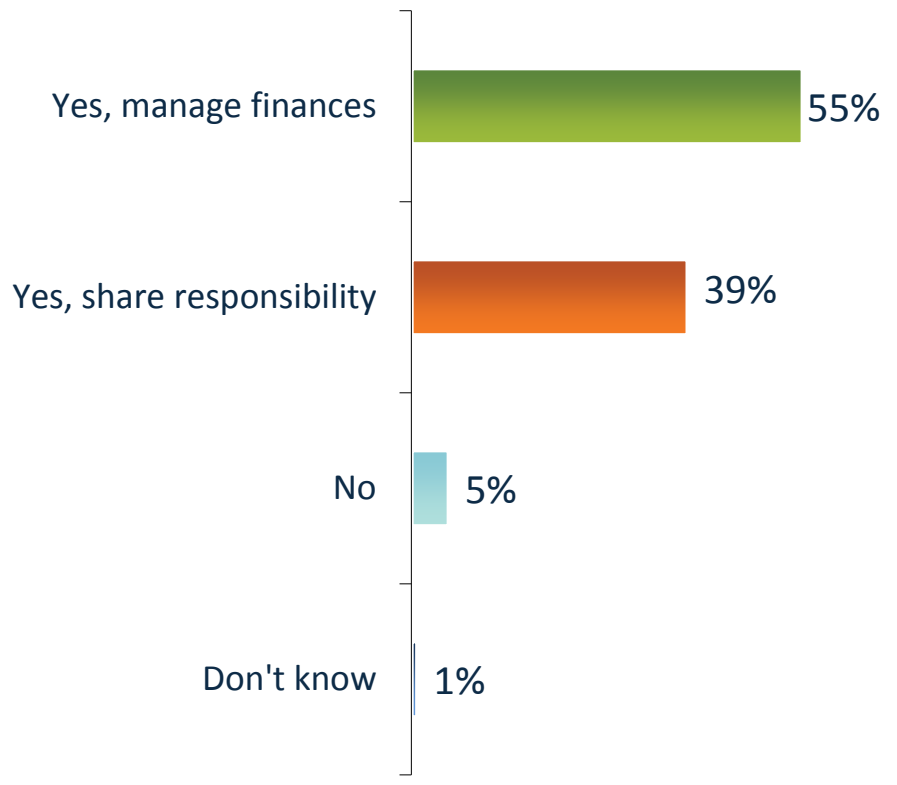
Family Status



Financial Management



Are you responsible for your household's financial management?



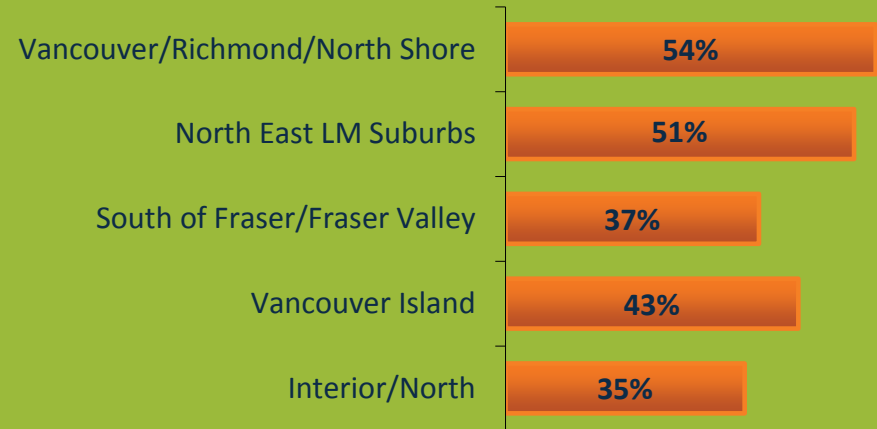
Report Highlights

Investors in Vancouver and its closest suburbs invest more than those elsewhere in the province

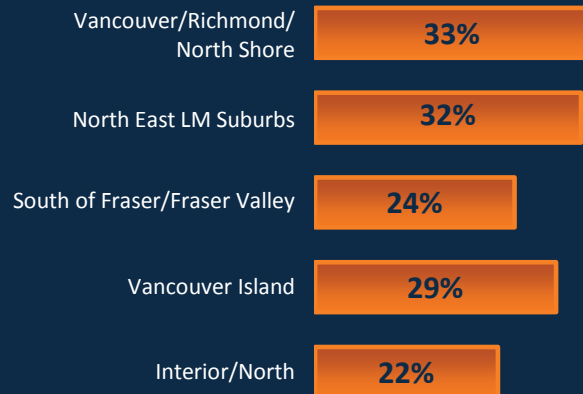
We grouped British Columbians into 5 regions of comparable population size, along important geographical boundaries.

The greater number of investors are found in the Lower Mainland, with 54% in Vancouver, Richmond, and the North Shore investing, and 51% in the North East suburbs (including Burnaby, New Westminster, the Tri-Cities, Pitt Meadows, and Maple Ridge).

Investors in BC



Investors with Advisors in BC



The same regions are also the most likely to have people who invest and do so through an advisor. About 1-in-3 British Columbians in Vancouver, Richmond, and the North Shore or the North East suburbs of the Lower Mainland work with an investment advisor.

On the other hand, just 1-in-5 (22%) of those in the Interior and the North are working with an investment advisor.

British Columbians know they have responsibilities, but don't always act on them

British Columbians agree they have responsibilities in Client-Advisor relationships

Asked about 8 key aspects of their relationship with an advisor, between 49% and 79% acknowledged that each is their own responsibility. Asking questions until you fully understand was the top response (79%), while conducting your own research was the lowest (49%).

However, just because we think we are responsible for something doesn't mean we do it

Compared to 49% who said it is their responsibility, only 22% of investors with advisors always/often conduct their own research.

While 58% said they're responsible for knowing what their advisor is paid, only 40% have asked about it more than once.

74% acknowledged they're responsible for reading their account document, but just 62% always read their statements.

The role of trust helps to explain these gaps

90% said they have a strong level of trust in their investment advisor. Among those who don't always ask about compensation, 74% agreed they don't need to ask because they trust it is fair and reasonable. Of those who don't always read their statement, 62% agreed trust in their advisor's management is a key reason. When it comes to understanding their investments, 1-in-3 (36%) agreed that they do not need to fully understand an investment's risks and benefits as long as their advisor does.

% of BC respondents with an investment advisor who believe this action is their responsibility*



**See full report for exact wording of question and each responsibility*

Client-advisor relationships in BC

On the one hand, respondents outside the Lower Mainland and Fraser Valley are more likely to be diligent in their client-advisor relationships

Respondents outside the Lower Mainland and Fraser Valley are 5 points more likely to say they checked into the background of their advisor than those in the Lower Mainland/FV. They are also more likely to have discussed the compensation their advisor receives more than just once (44% compared to 37%).

On the other hand, respondents outside the Lower Mainland/FV are more likely to defer their responsibilities to a trusted advisor

Respondents outside Lower Mainland/Fraser Valley are more likely to agree that they do not need to understand all their investments' risks and benefits as long as their advisor knows all of the details (40% agreement versus 32% agreement in Lower Mainland/Fraser Valley).

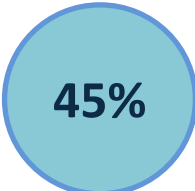
A large majority of respondents agreed that they hold certain responsibilities when working with their advisor. However, on 6 of the 8 responsibilities we asked about, respondents from the 'Rest of BC' were up to 7 percentage points less likely to agree that they hold these responsibilities than those from Lower Mainland and Fraser Valley.

**Lower Mainland/
Fraser Valley**

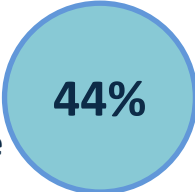
Rest of BC



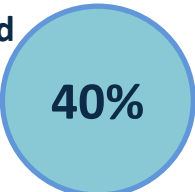
Checked
advisor's
background



Discussed
compensation
more than once



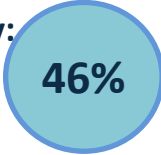
Agree: Don't need
to understand,
As long as
advisor does



My
responsibility:
Ask questions
until fully
understand



My responsibility:
Doing my own
research



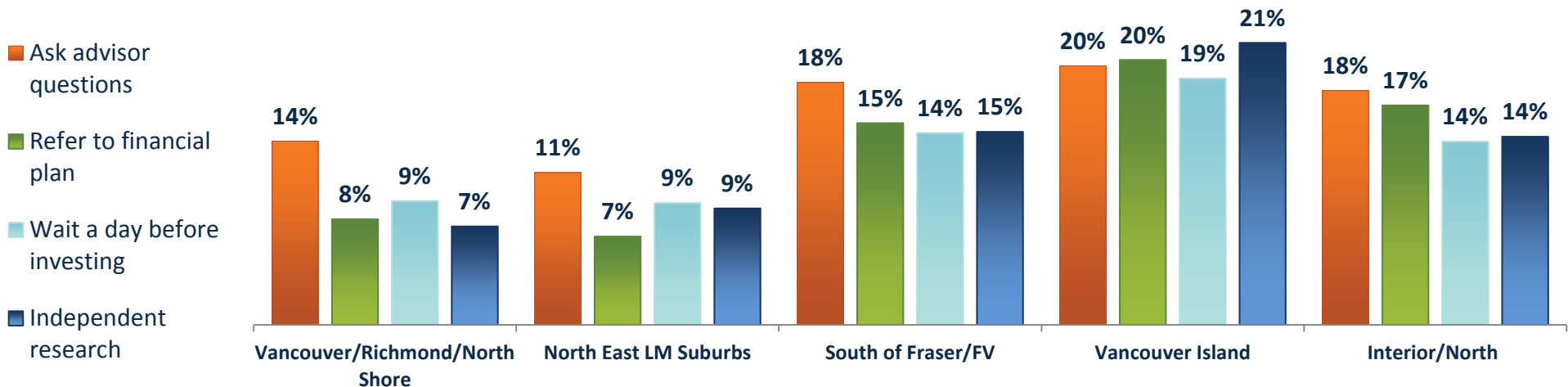
Vancouver and suburbs north of the Fraser are less likely to do the right things when considering an investment

British Columbians in Vancouver and suburbs north of the Fraser are consistently doing the right things less often than those from the rest of the province.

Looking at who those said they “always” take each of these important steps before deciding on a new investment opportunity, Vancouver/Richmond/North Shore respondents are least likely to ask advisors questions about investment suitability, while North East LM suburbs respondents are least likely to refer to their financial plan. Across the board, respondents from the Lower Mainland north of the Fraser are less likely to answer “always” to things they would do when considering an investment than respondents from other regions in BC.

For example, 11-14% of respondents from these two regions always ask their advisor questions about an investment’s risks/benefits, compared to 18-20% everywhere else in the province. Similarly, in these north of the Fraser Lower Mainland communities, 7-9% always do some independent research, compared to 14-20% elsewhere. The region that most consistently takes each of these steps is Vancouver Island.

% who say they *always* do these things when deciding on a new investment



Outcomes

Understanding Investments: majority (55%) of respondents understand investments; highest among DIY investors

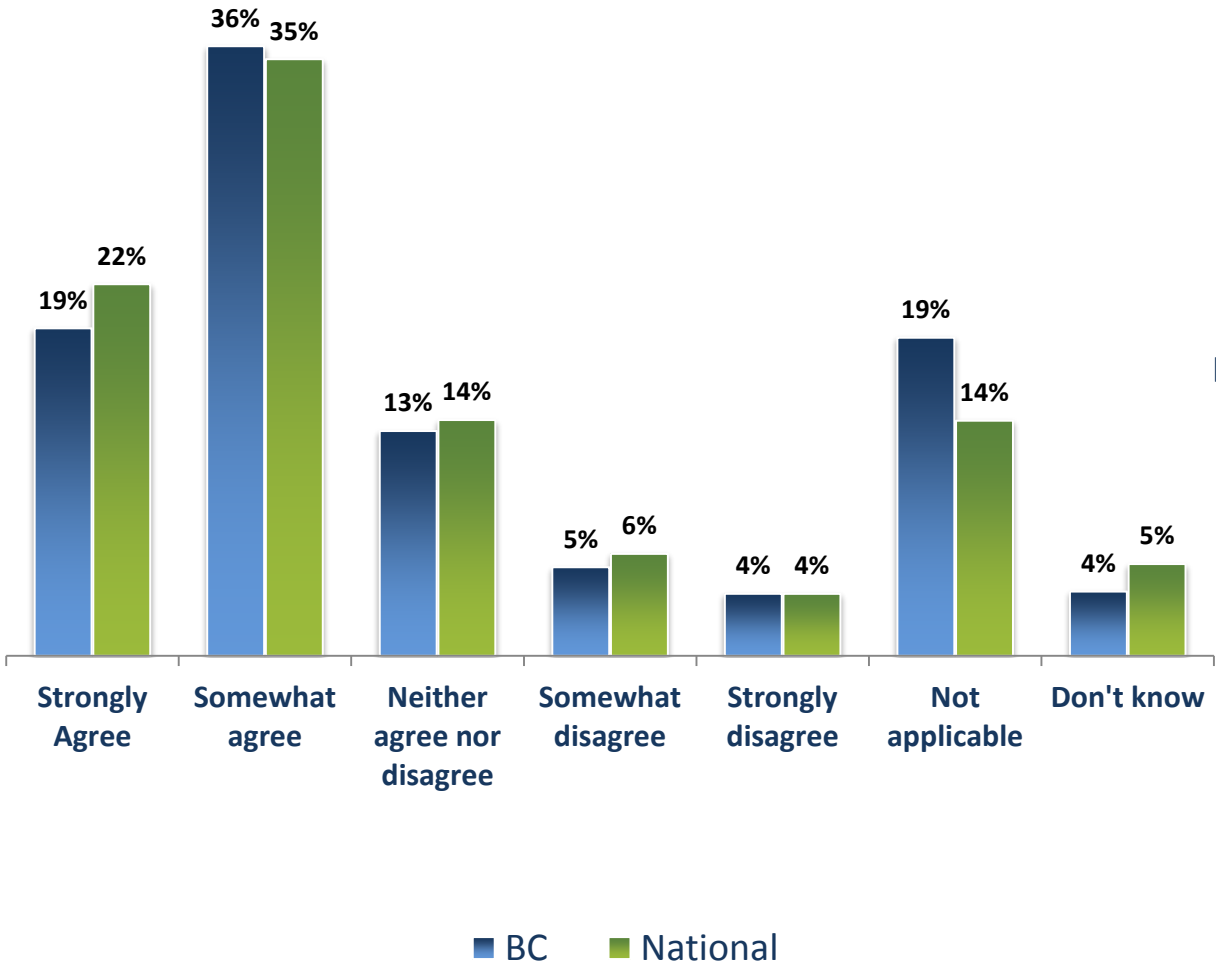


Do you agree or disagree with the following statements?

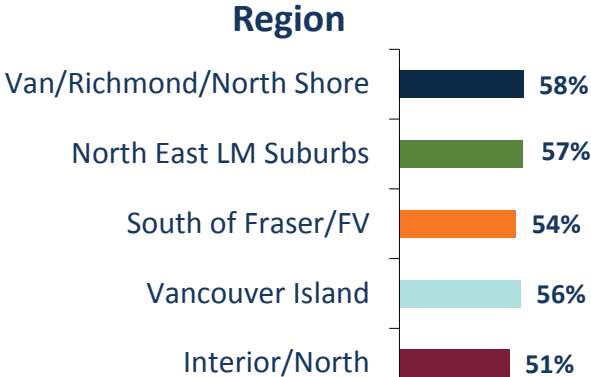
I understand all of my current investments and what risks and benefits they entail

[asked of all respondents]

BC Respondents



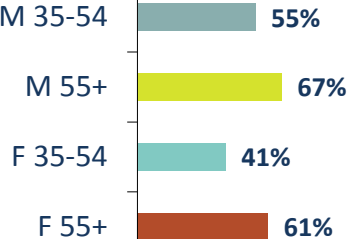
BC Segmentation (those who say "Agree")



Investor Segmentation



Age - Gender



Investment to Risk Confidence: over half (53%) of respondents confident that their investments are matched to risk tolerance

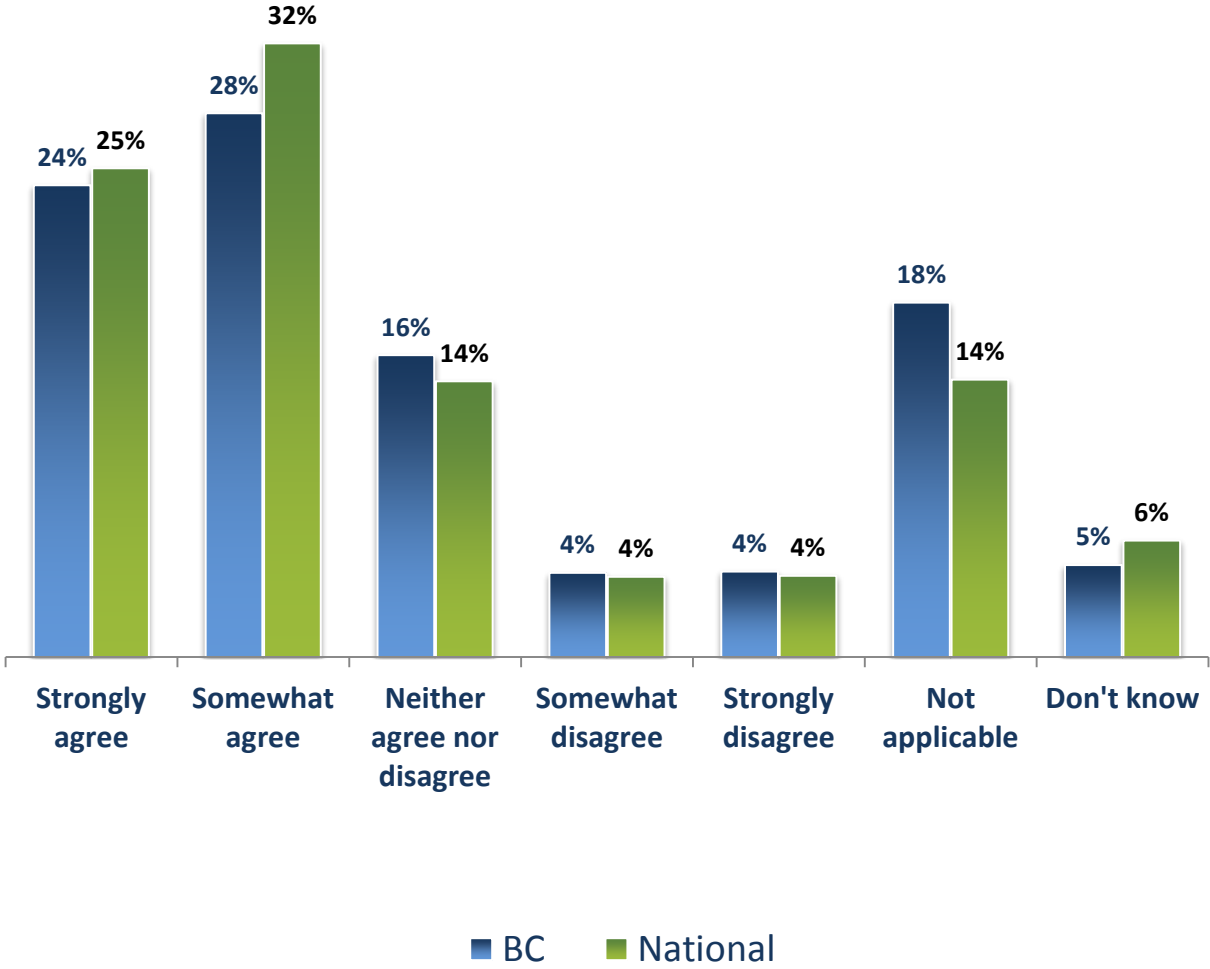


Do you agree or disagree with the following statements?

I am confident that my current investments are well matched to my risk tolerance

[asked of all respondents]

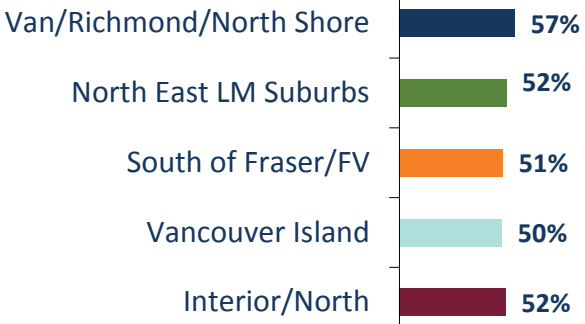
BC Respondents



BC Segmentation

(those who say "Agree")

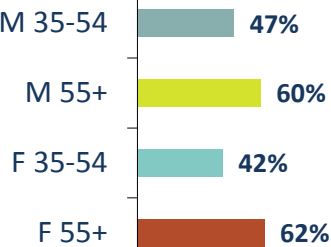
Region



Investor Segmentation



Age - Gender

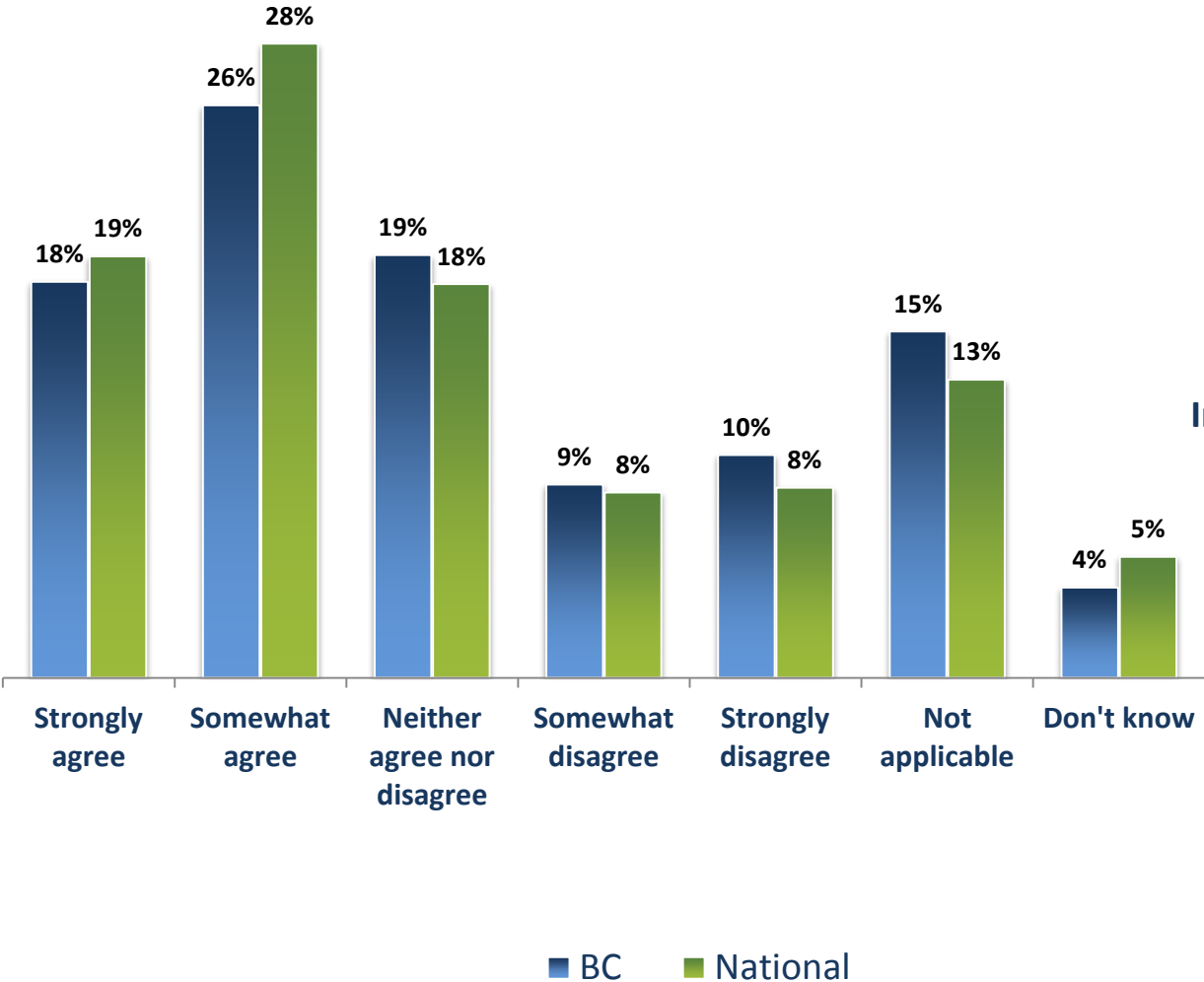


Investment Goal Awareness: over 2-in-5 (43%) know investment goals and believe they are on track to meet them



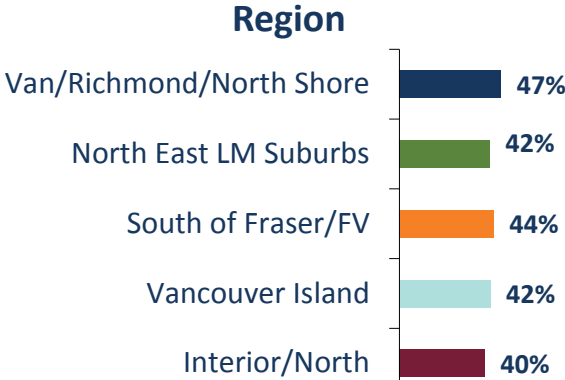
Do you agree or disagree with the following statements?
I know what my investment goals are and I am on track to meet them
 [asked of all respondents]

BC Respondents



BC Segmentation

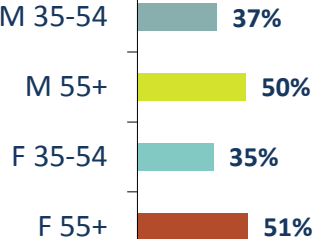
(those who say "Agree")



Investor Segmentation



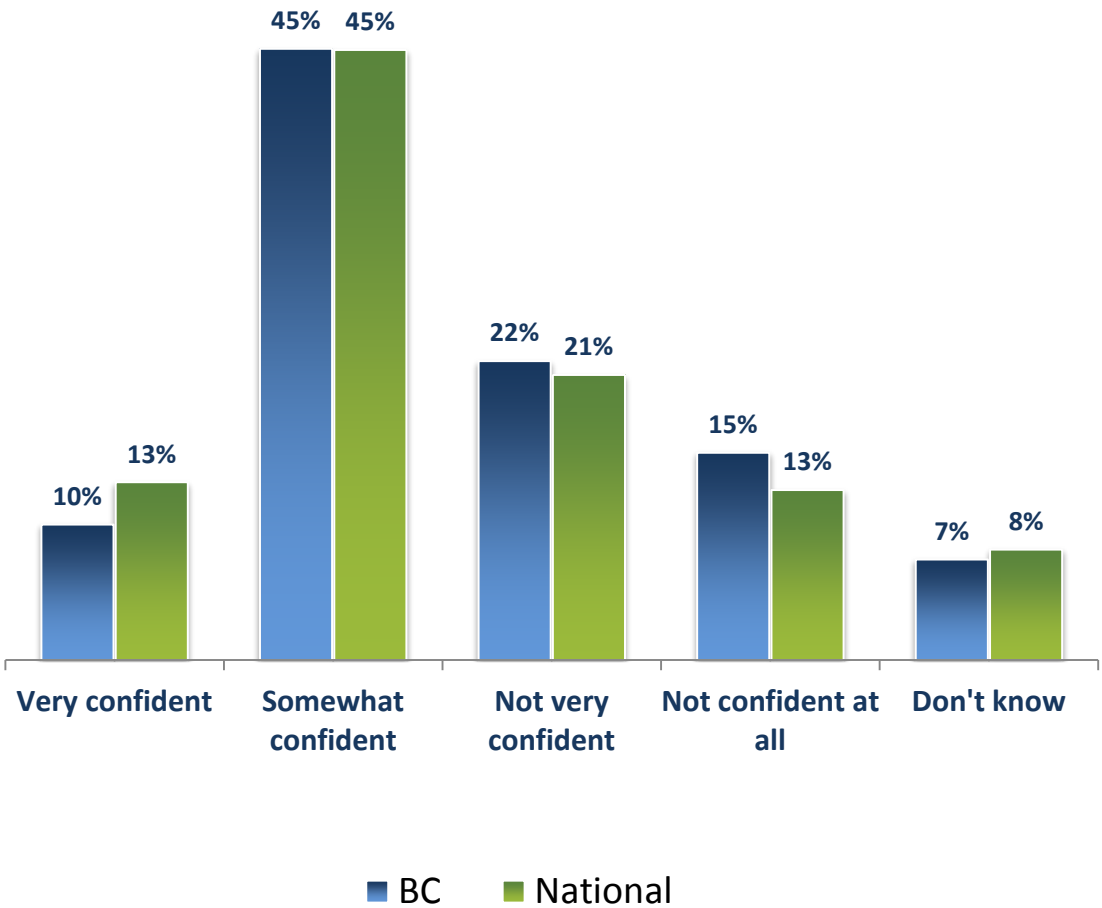
Age - Gender



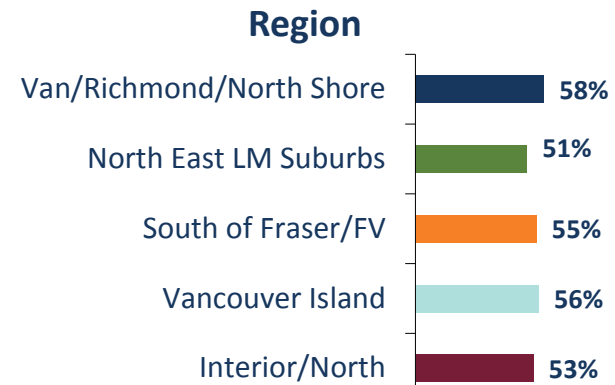
Investment Decision Confidence: majority (55%) confident making investment decisions; highest among DIY investors

Q How confident are you when it comes to making investment decisions?
[asked of all respondents]

BC Respondents



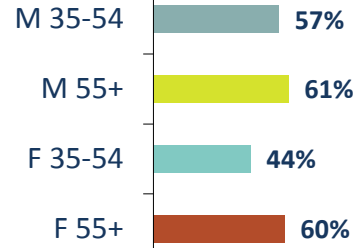
BC Segmentation (those who say "Confident")



Investor Segmentation



Age - Gender



BC Regional Investment Behaviour: Van/Rich/NS more likely to understand their investments and be confident



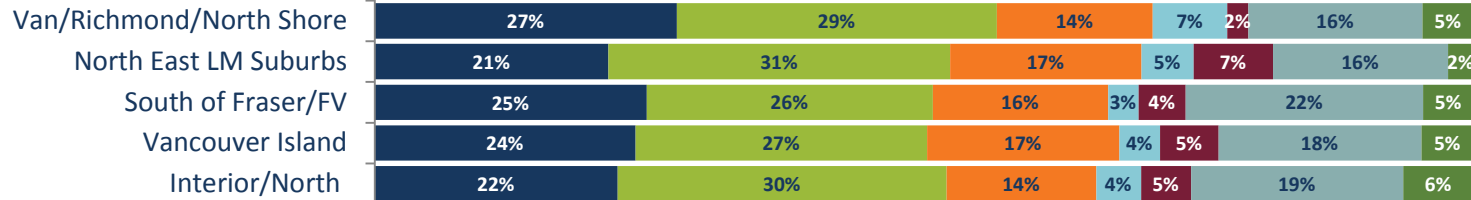
Do you agree or disagree with the following statements?

[asked of all respondents]

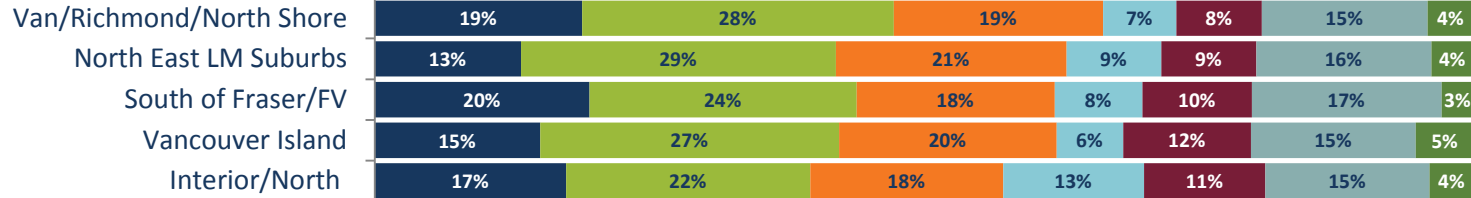
I understand all of my current investments and what risks and benefits they entail



I am confident that my current investments are well matched to my risk tolerance



I know what my investment goals are and I am on track to meet them

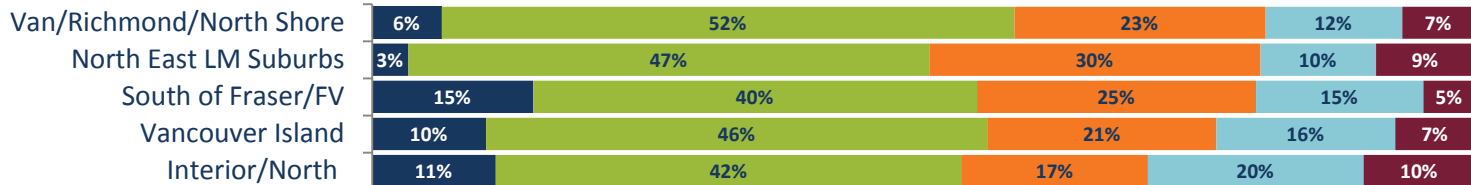


■ Strongly agree
 ■ Somewhat agree
 ■ Neither agree nor disagree
 ■ Somewhat disagree
■ Strongly disagree
 ■ Not applicable to me
 ■ Don't know



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

[asked of all respondents]

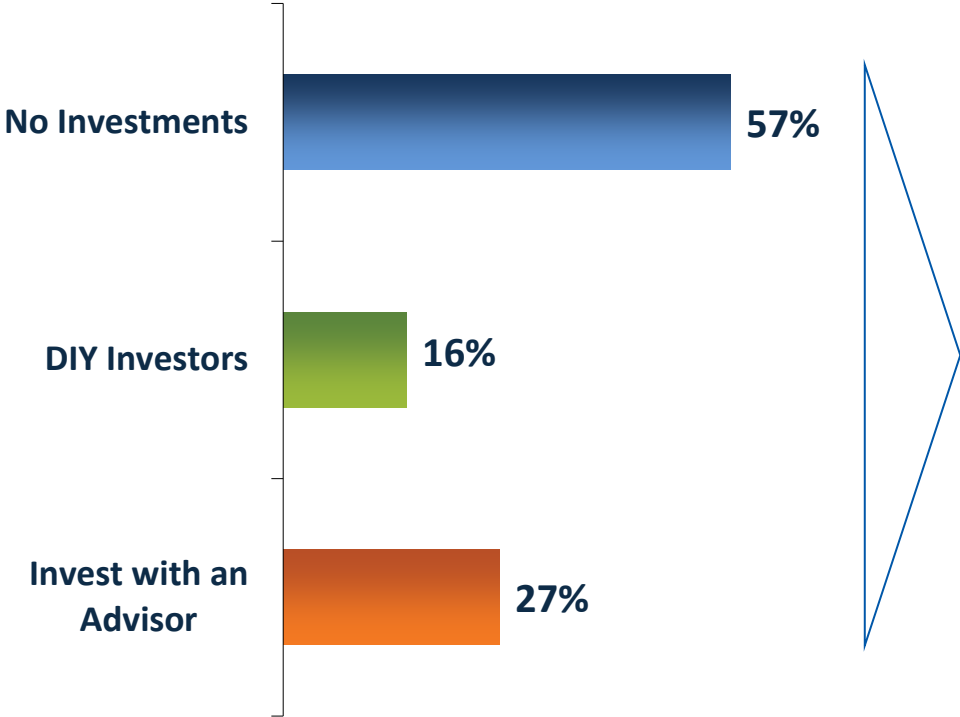


■ Very confident
 ■ Somewhat confident
 ■ Not very confident
 ■ Not confident at all
 ■ Don't know

Client-Advisor Relationship

Advisor Segmentation

27% of British Columbians 35+ invest through an advisor.



No Investments: those who say they do not invest with an advisor, and also that they have no investments in general.

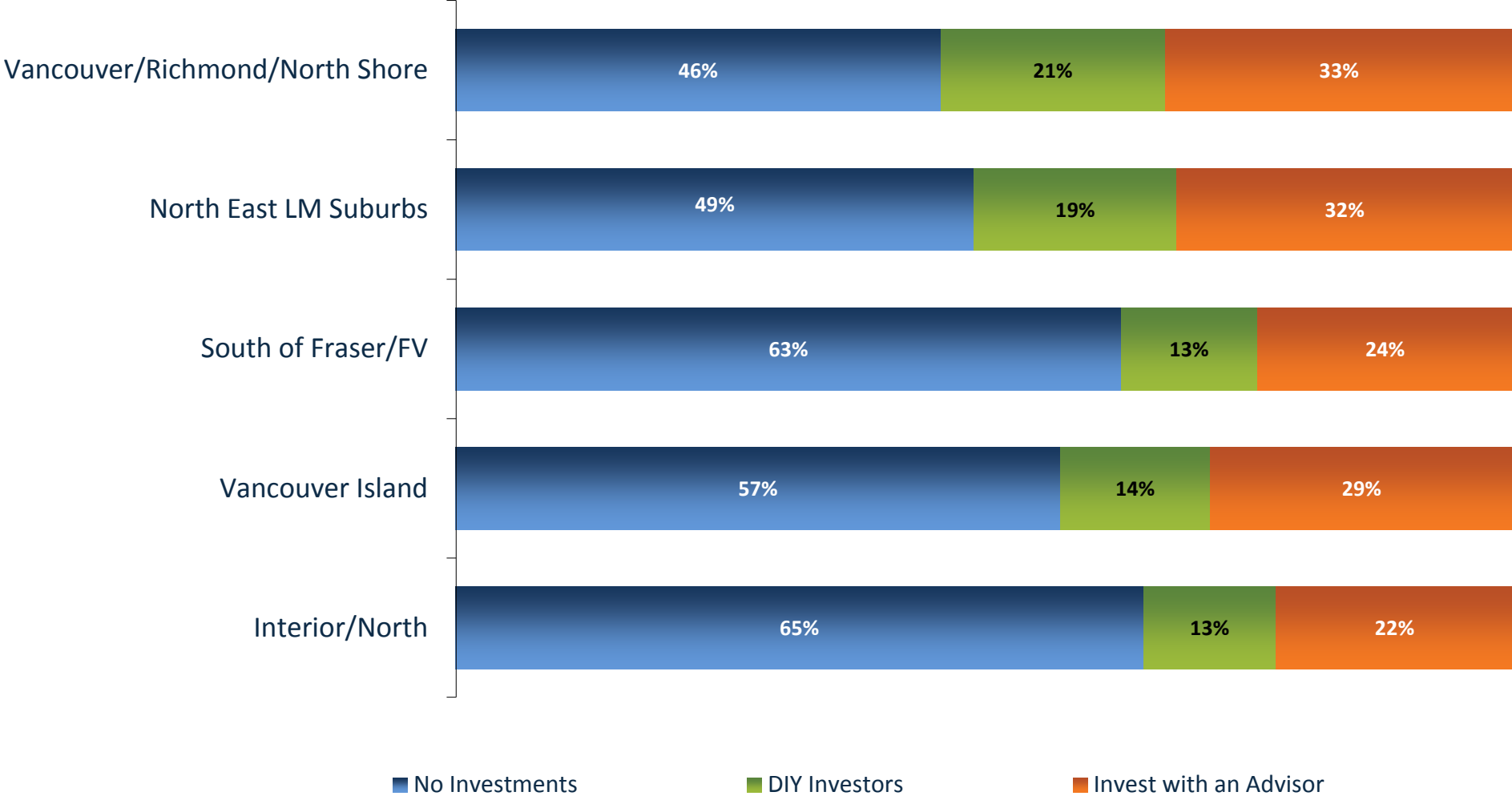
DIY Investors: “do-it-yourself” investors say they do not invest with an advisor, but do say that they have investments.

Invest with an Advisor: Those who say that they invest with an investment advisor.

We also asked those who do not currently work with an advisor whether they ever had in the past. About a quarter (24%) had worked with one in the past, 75% never, with 2% saying they didn't know.

Advisor Regional Segmentation: More respondents in South of Fraser/FV, Island, & Interior/North don't have investments

BC Respondents



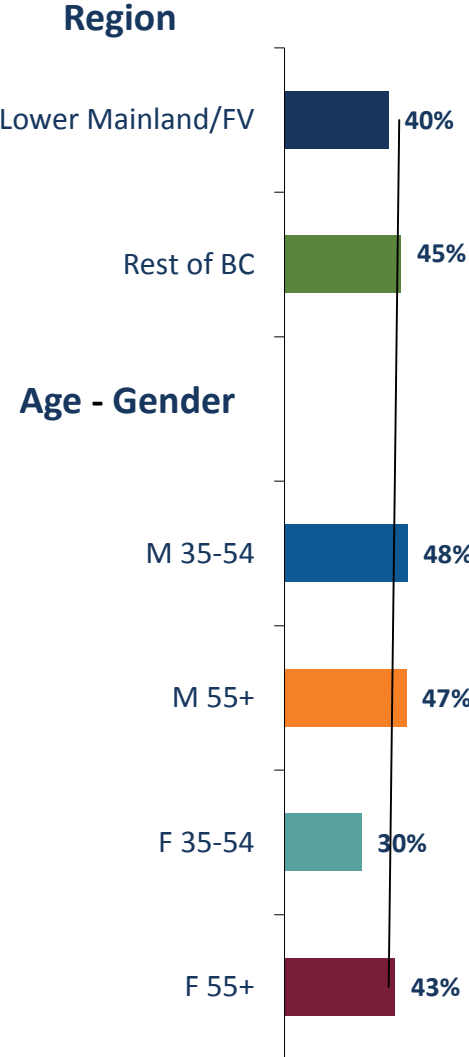
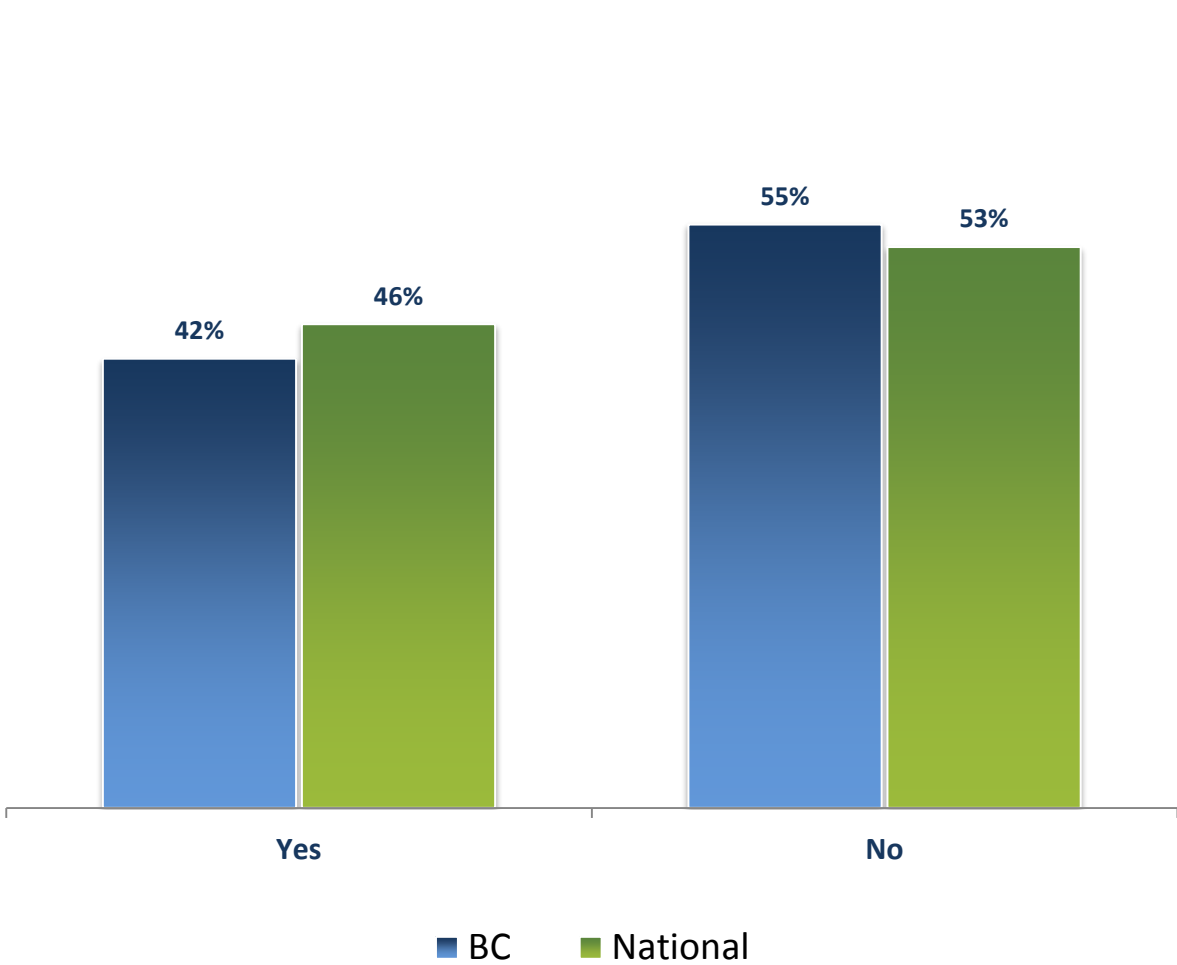
Advisor Background: the majority (55%) of respondents have not checked the background of their investment advisor



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

[asked only of those who currently or usually work with an advisor]

BC Segmentation
(those who say "Yes")



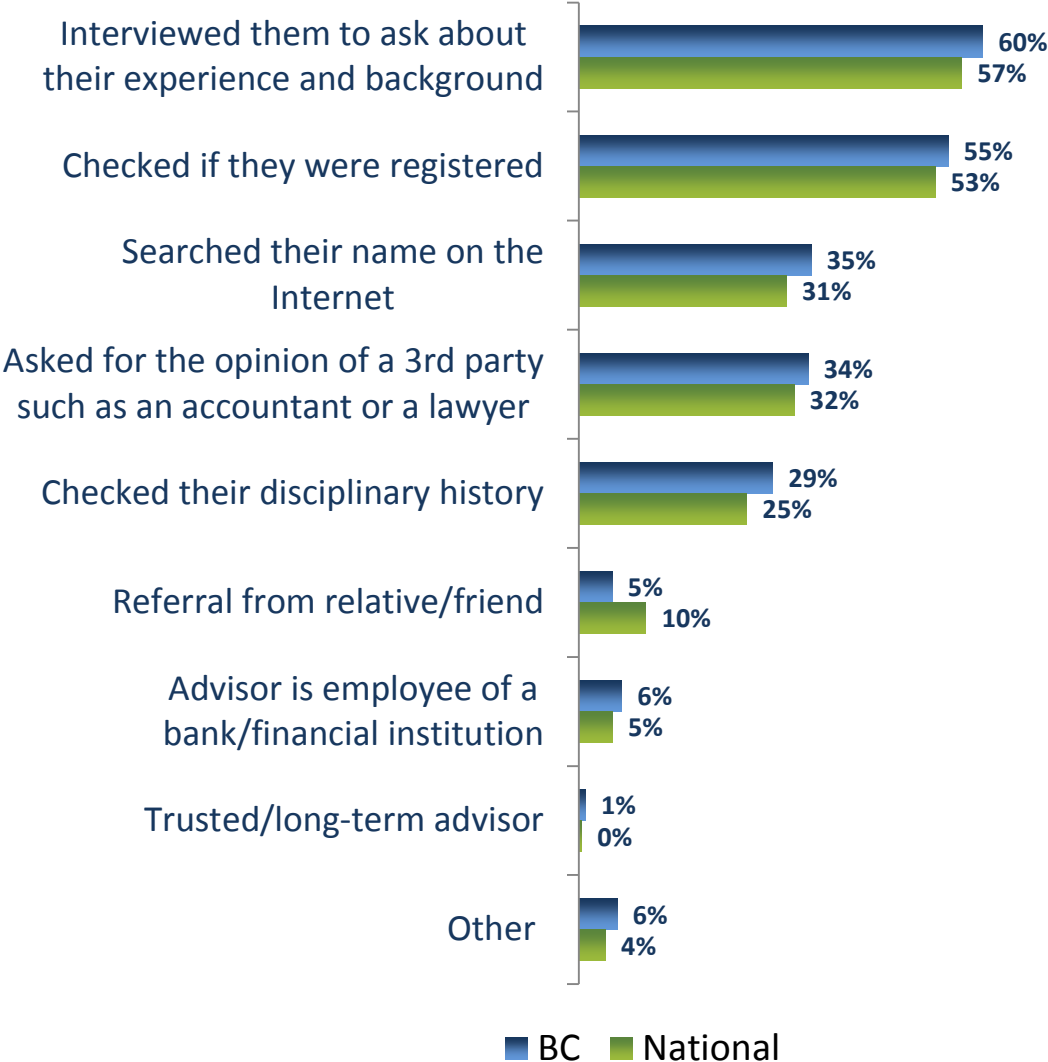
Note: Don't know not shown

Advisor Background Check: majority (55%) who checked into their advisor's background did so by checking registration

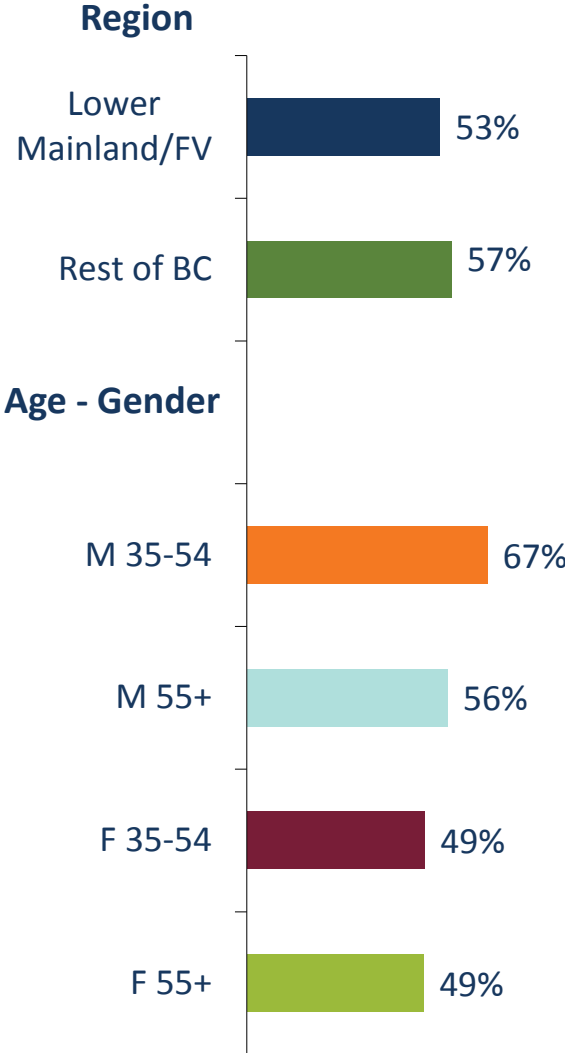


In which of the following ways did you check the background of your investment advisor? Check all that apply.

[asked only of those who have checked into their advisor's background]



BC Segmentation (those who say "Checked if they were registered")



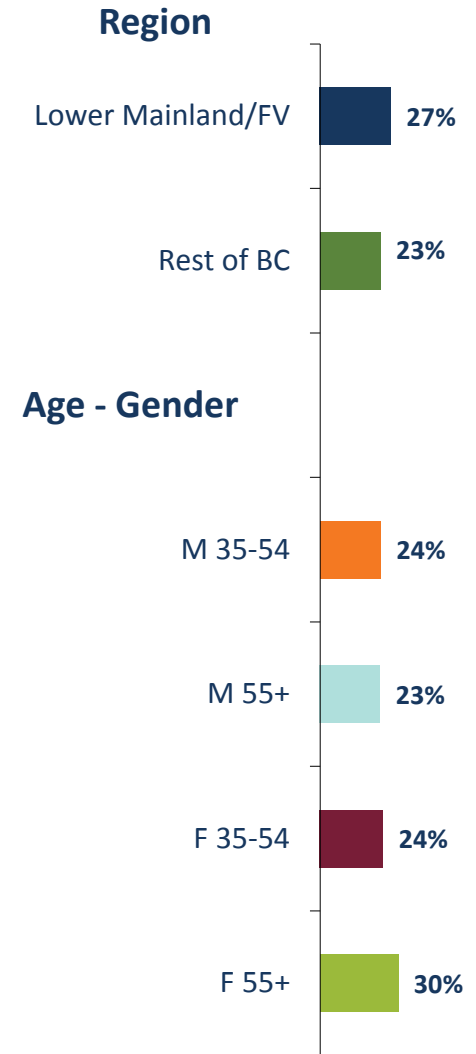
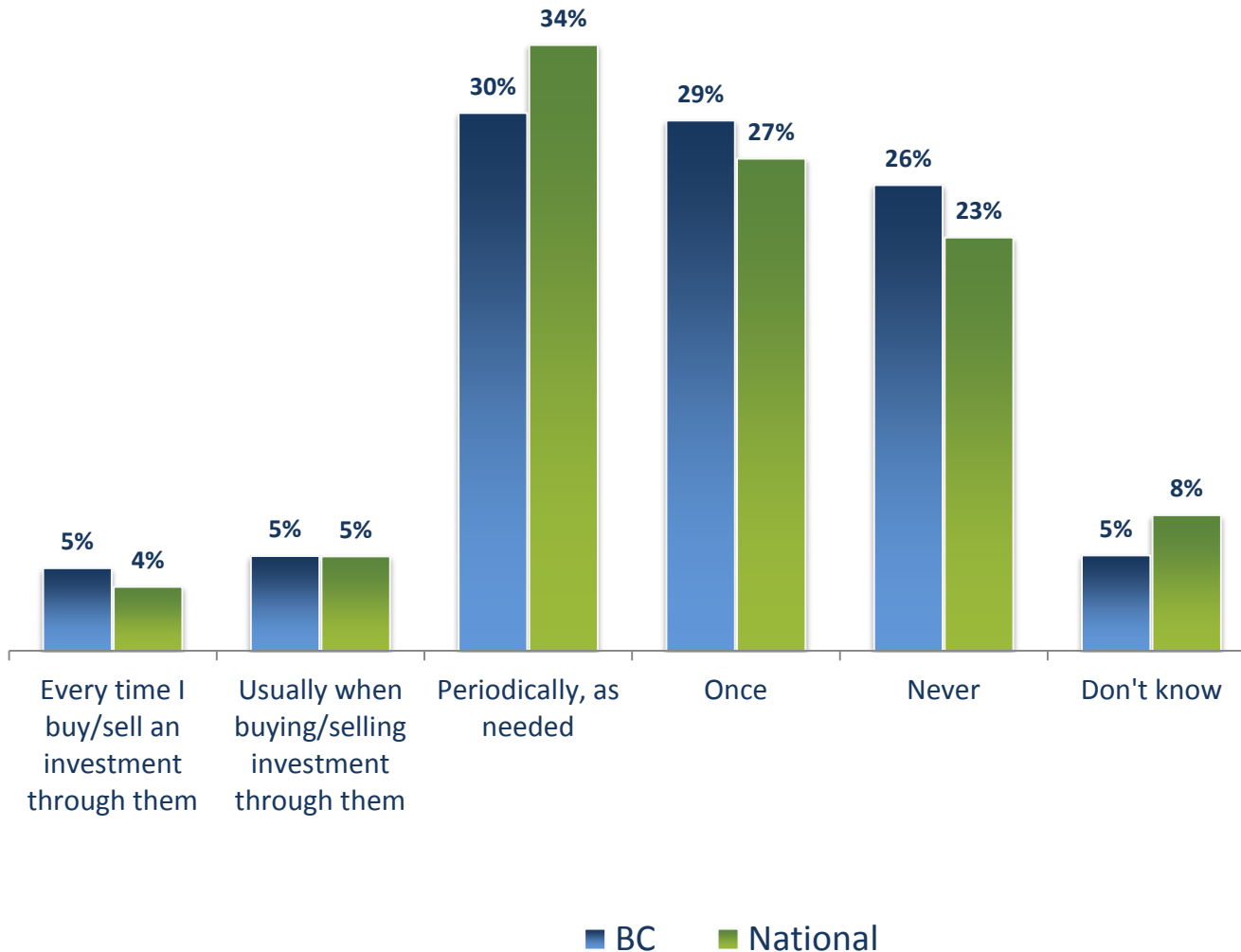
Discussing Compensation: 1-in-4 (26%) reported that they have never discussed compensation with their advisor



How often do you have discussions with your investment advisor about how they are compensated for investments that they buy or sell on your behalf?

[asked only of those who currently or usually work with an advisor]

BC Segmentation
(those who say "Never")

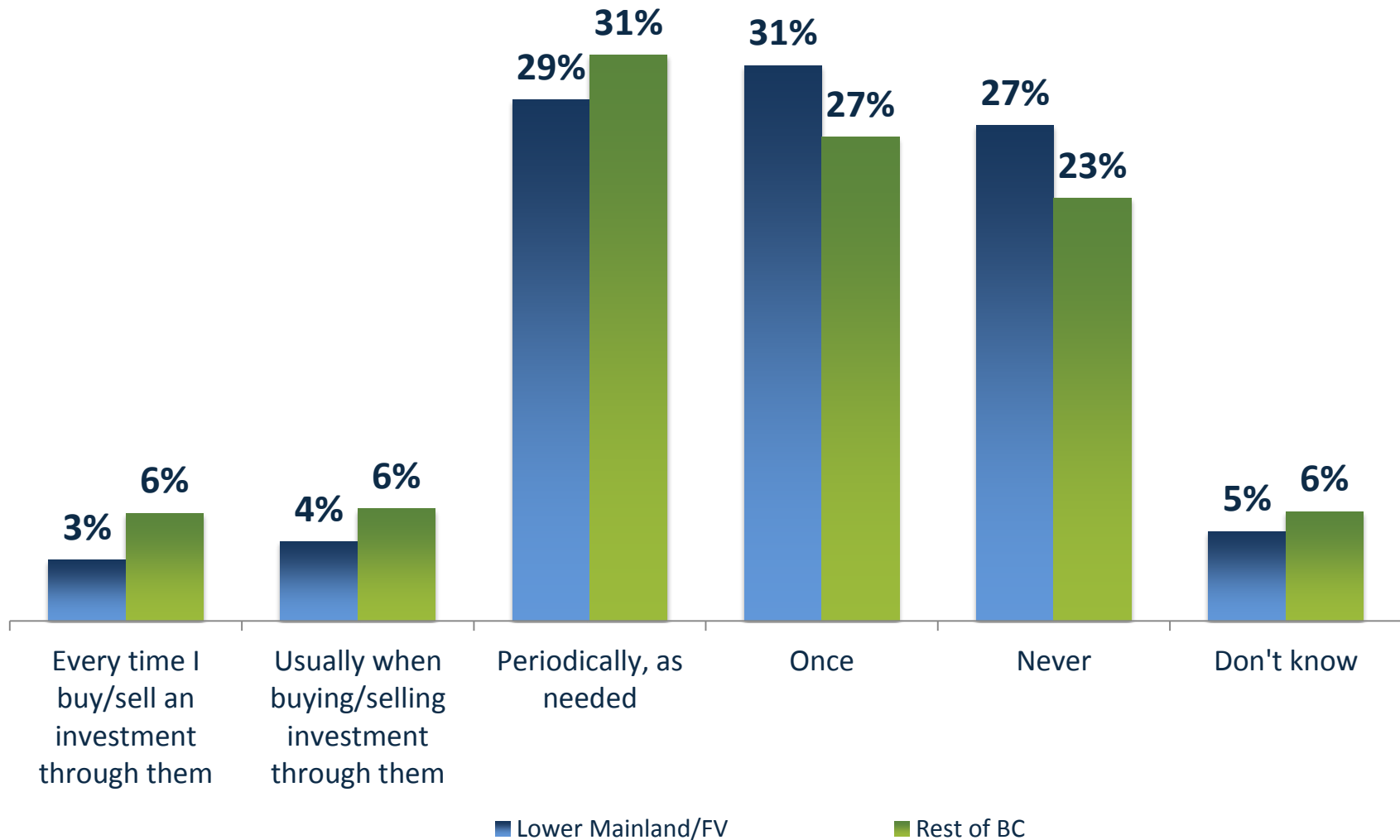


Discuss Compensation by Region: 'Rest of BC' respondents report slightly higher levels of discussions about compensation



How often do you have discussions with your investment advisor about how they are compensated for investments that they buy or sell on your behalf?

[asked only of those who currently or usually work with an advisor]



Trust is the main reason that respondents don't ask about compensation more often

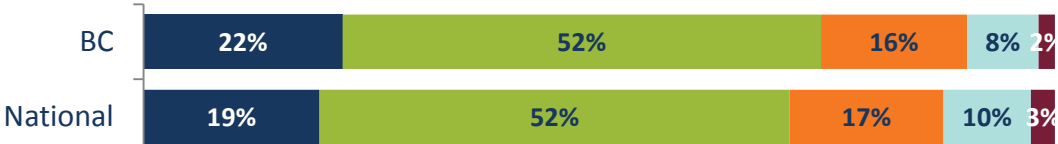


Below are some reasons people give for not asking their advisor about their compensation. For each please indicate if you personally agree or disagree.

[asked only of those with an advisor who don't discuss compensation every time they make an investment]

The less often investors discuss compensation, the more they agree that trust plays a role: Overall, 74% agree trust is a factor.

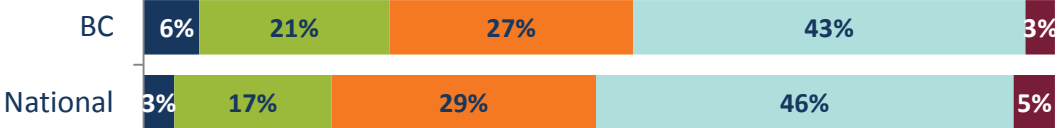
*I don't need to ask my advisor about their compensation more often because I **trust** that it is fair and reasonable*



I would ask my advisor about their compensation more often if I had a better understanding of how investment fees and commissions worked



It would be rude to ask my advisor about their compensation more often than I already do



If I asked my advisor about their compensation more often than I do, I think I would get worse service from them



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

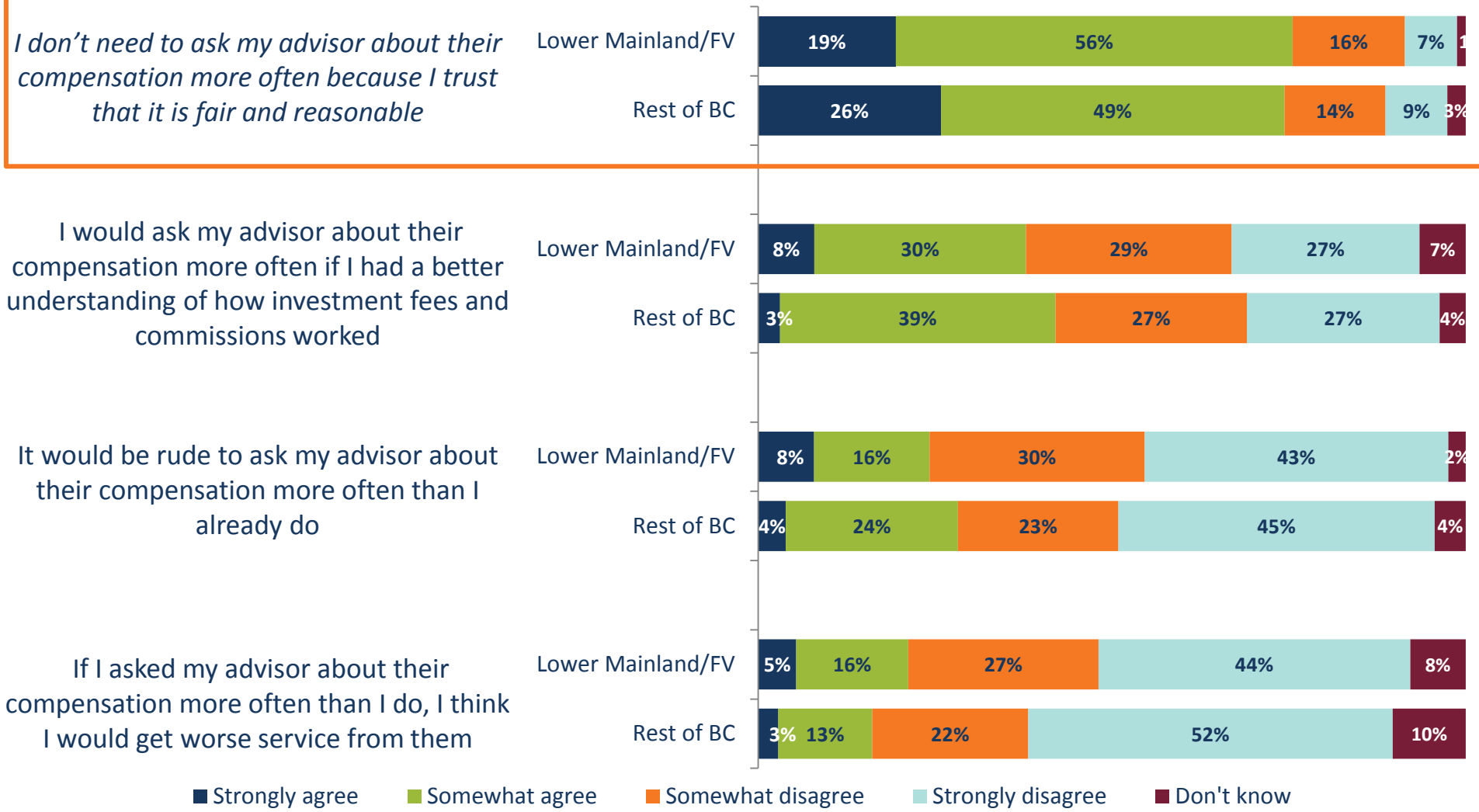
Trust in advisor main reason not to ask about fees, regardless of region



Below are some reasons people give for not asking their advisor about their compensation. For each please indicate if you personally agree or disagree.

[asked only of those with an advisor who don't discuss compensation every time they make an investment]

The less often investors discuss compensation, the more they agree with that trust plays a role: Overall, 74% agree trust is a factor.

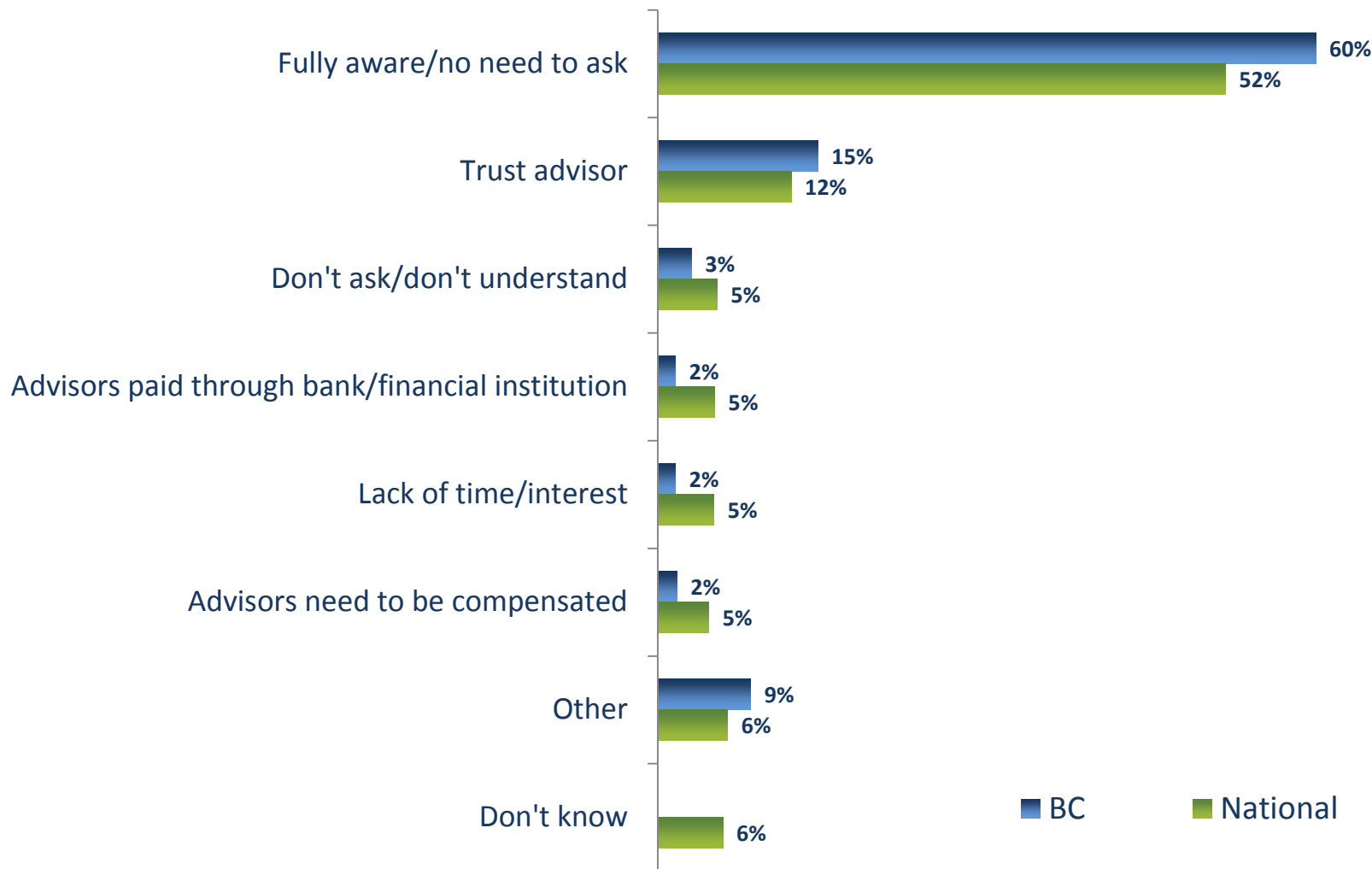


Advisor Compensation Discussion: Majority of respondents (60%) have no need to ask about their advisor's compensation



Other than those above, is there any other reason that you do not ask your advisor about their compensation more often? **“Yes”**

[asked only of those who currently or usually work with an advisor]

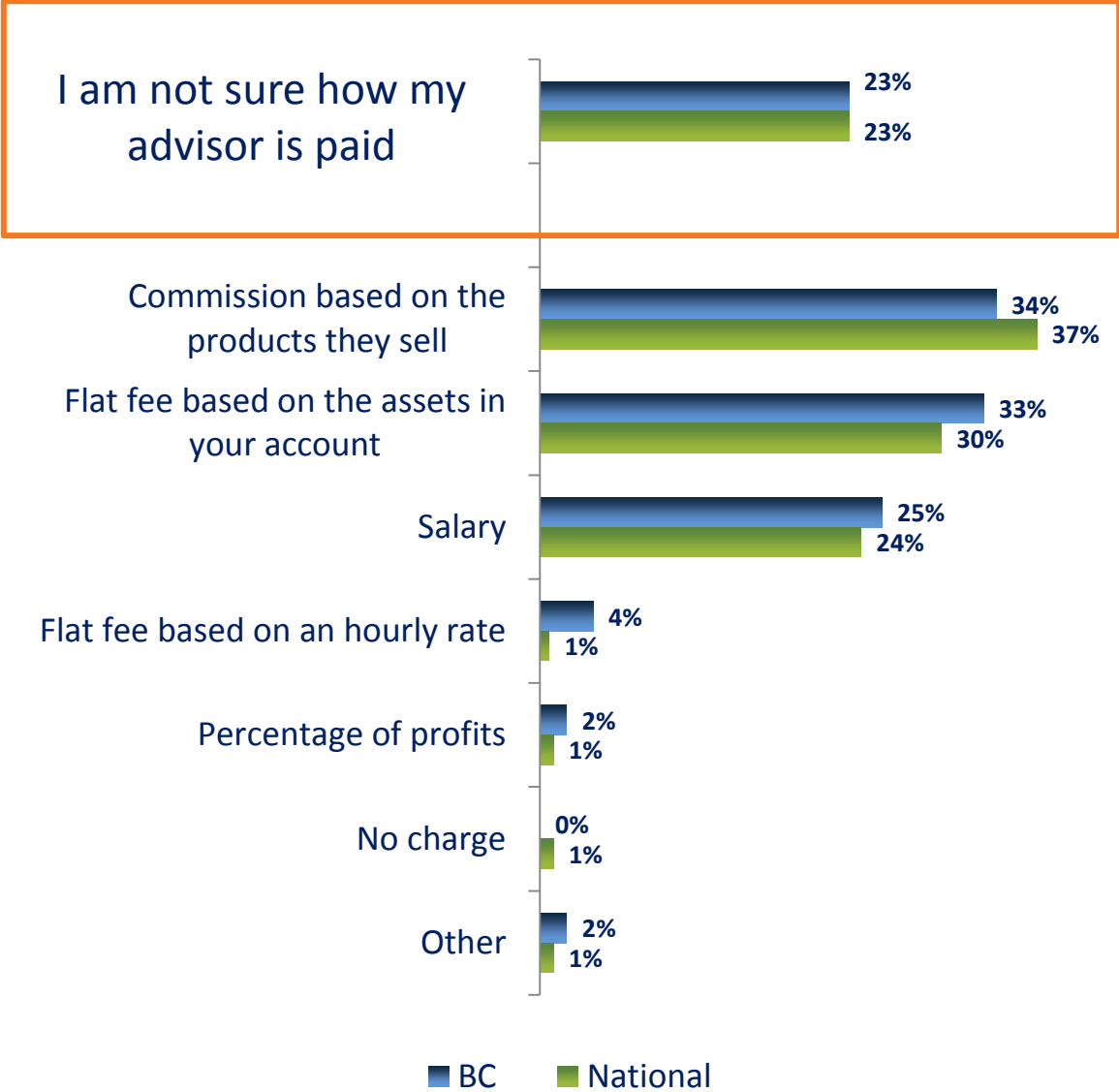


Note: None not shown.

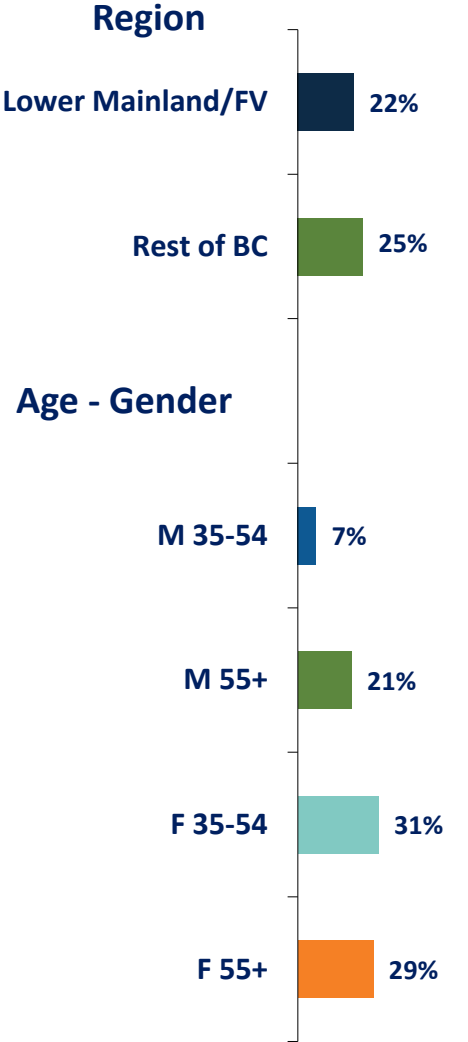
Payment Methods: almost 1-in-4 say they are not sure how their advisor is paid, as high as 3-in-10 among women



Is your investment advisor being paid by any of the following methods? Check all that apply.
[asked only of those who currently or usually work with an advisor]



BC Segmentation (those who say "Not sure")

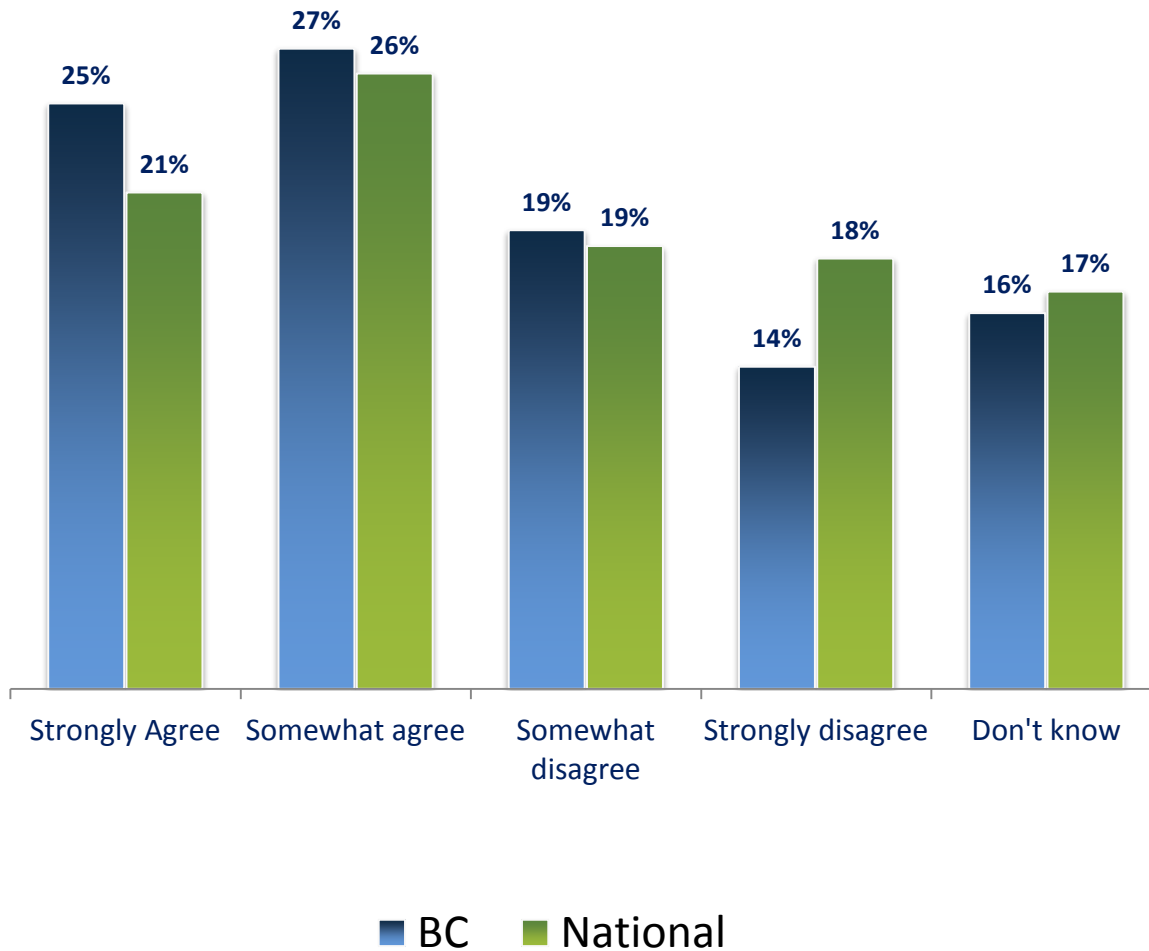


Half of British Columbians (51%) with advisors know exactly how much they paid their advisors in the last 12 months



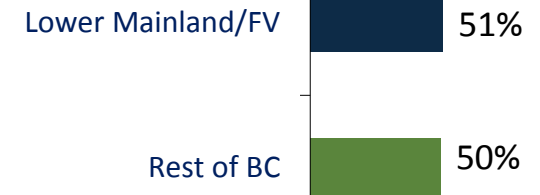
Do you agree or disagree with the following statement: *I know exactly how much I have paid my investment advisor in the past 12 months.*

[asked only of those who currently or usually work with an advisor]

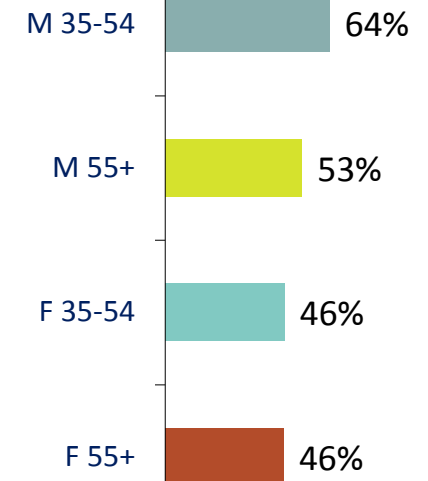


BC Segmentation (those who say "Agree")

Region

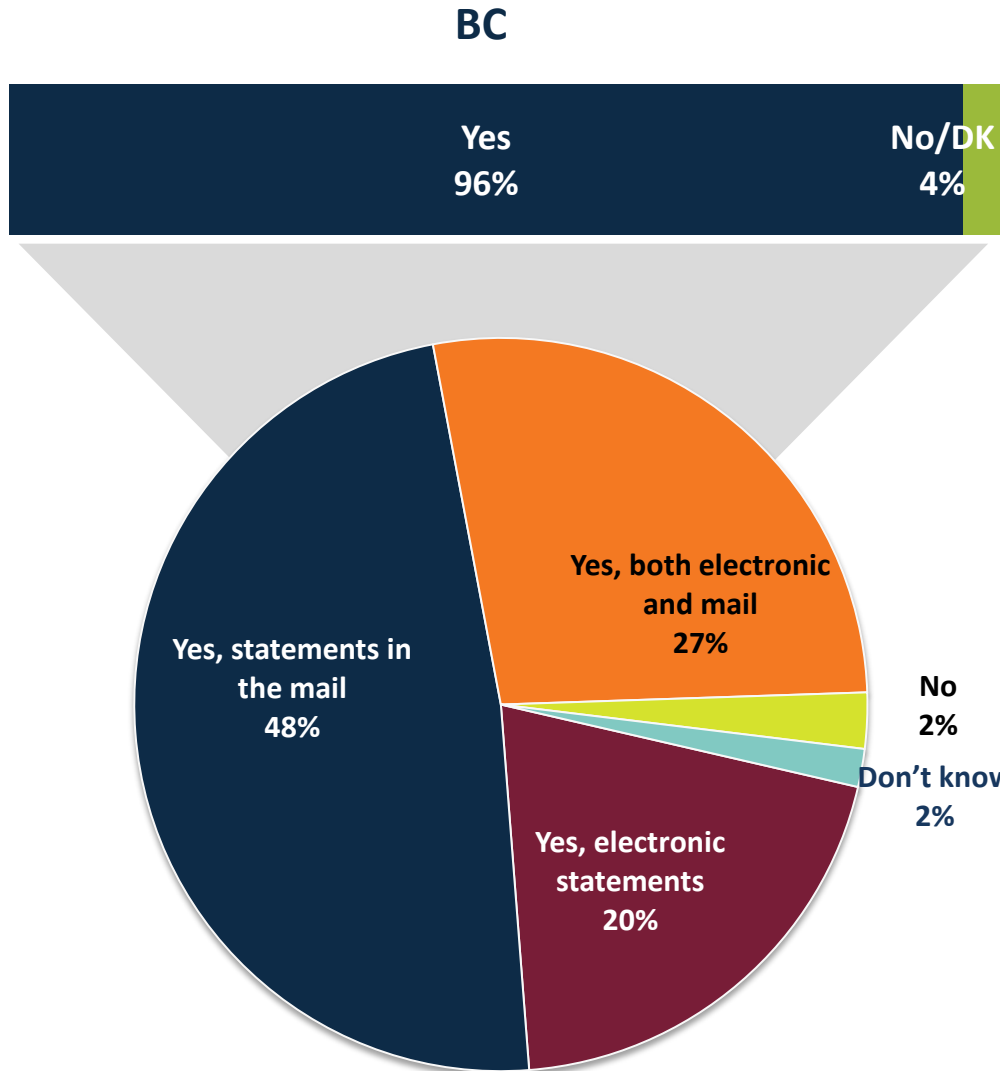


Age - Gender

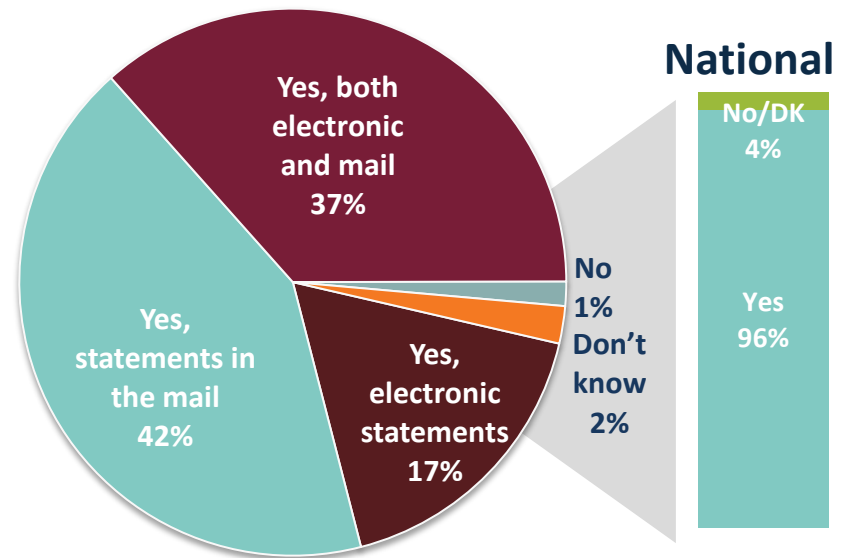
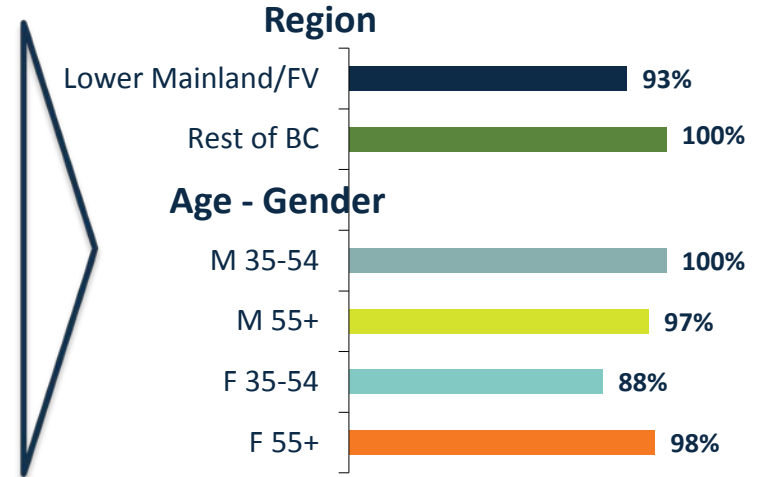


Investment Statements: nearly everyone with an advisor says that they receive a statement of some sort

Q As far as you know, does your investment advisor provide you periodic statements about your investments and their performance?
[asked only of those who currently or usually work with an advisor]

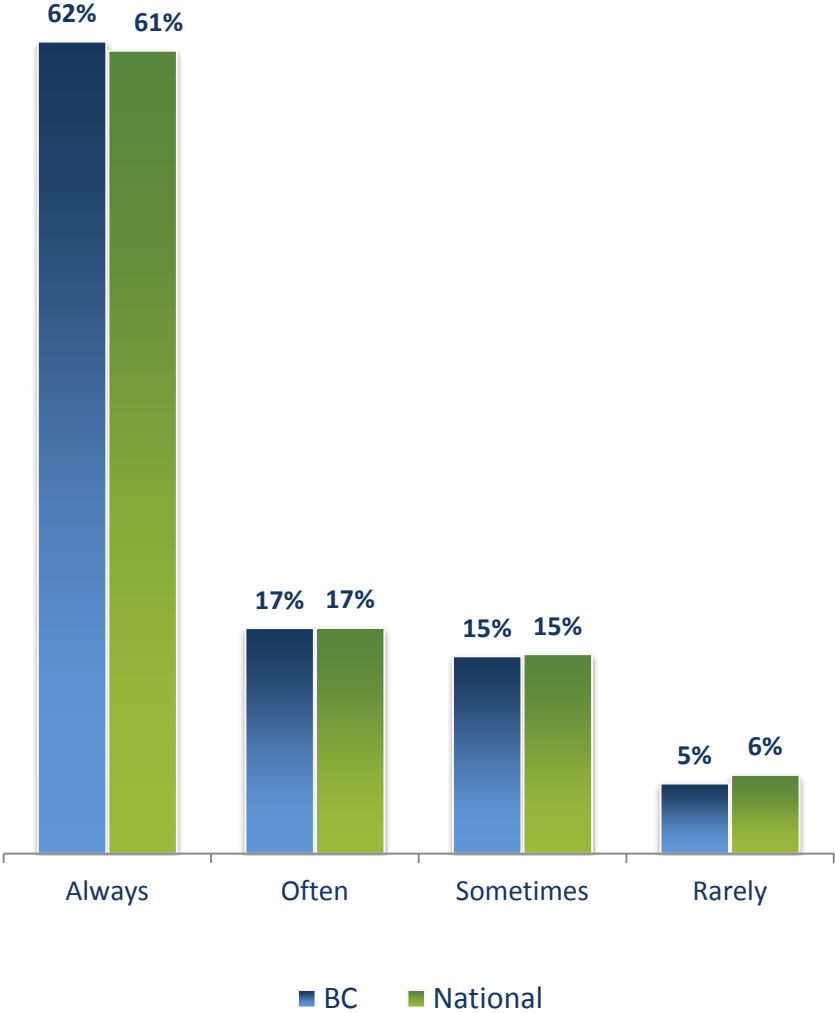


BC Segmentation (those who say "Yes")



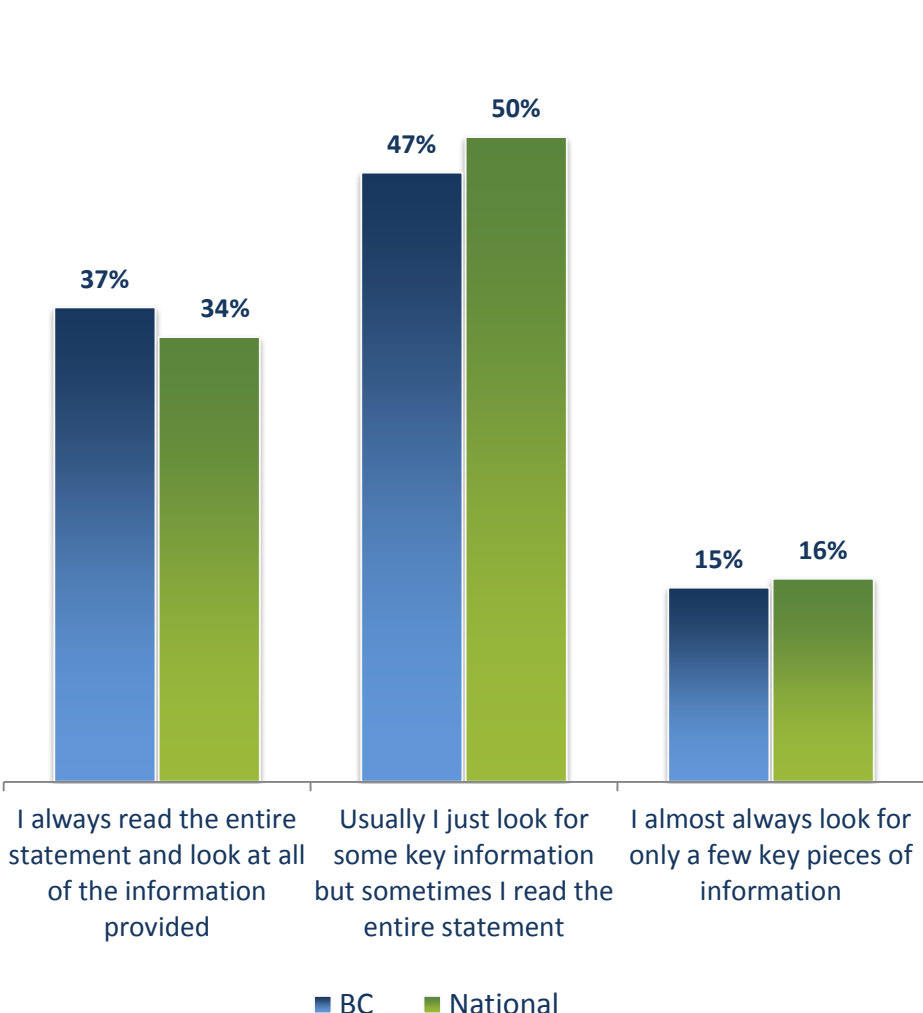
Investment Statements: just over 3-in-5 report always reading their statements

Q When you receive these statements, how often do you read them? This includes reading the whole thing or only looking at certain parts of them.
[asked only of those who receive a statement]



Note: Never/Don't know not shown

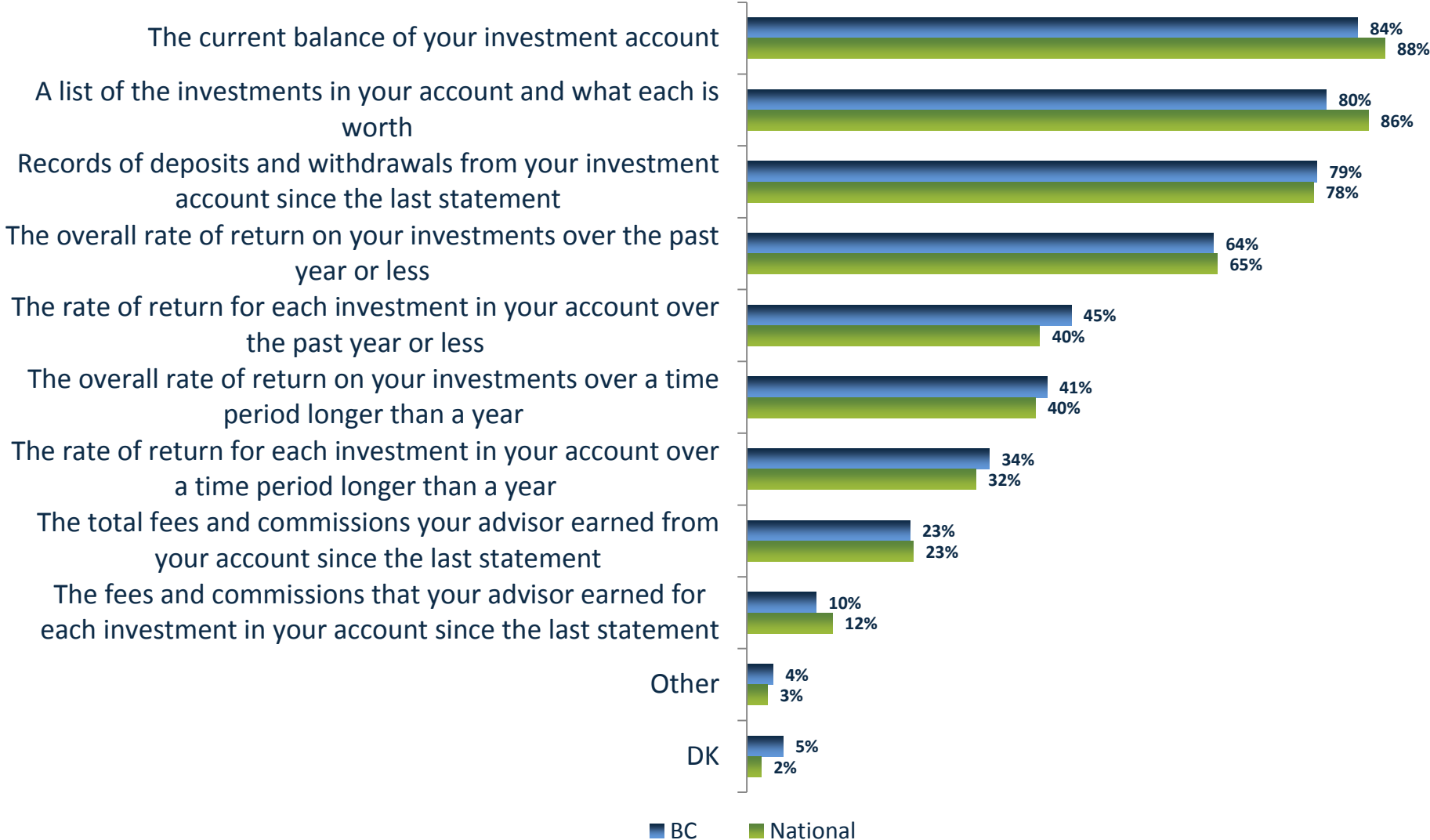
Q When you read your statements, which of the following best describes how you read them?
[asked only of those who receive a statement]



Note: Don't know not shown

Investment Statements: currently, just over 1-in-5 (23%) say their statements show the fees and commissions they pay

Q What information is included in these statements? Please select all that apply
 [asked of those who receive statements]

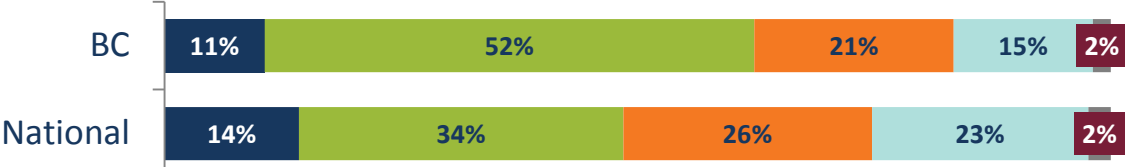


Trust inhibits most British Columbians from reading their statements; ease of understanding also a big barrier

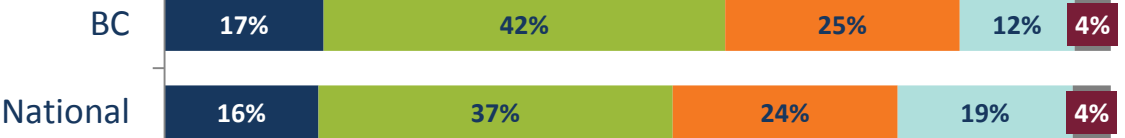


Below are some reasons people give for not reading statements from their investment advisors. For each please indicate if you personally agree or disagree.
 [asked of those who don't always read their statements]

I don't need to read my investment statements very often because I trust that my advisor is taking care of my money



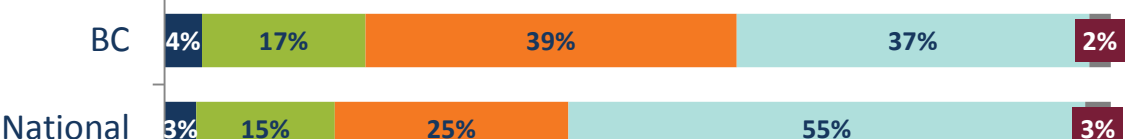
I would read my investment statements more often if they were easier to understand



I would read my investment statements more often if they included more useful information



I don't like to read my investment statements because I am afraid to see if I have lost money



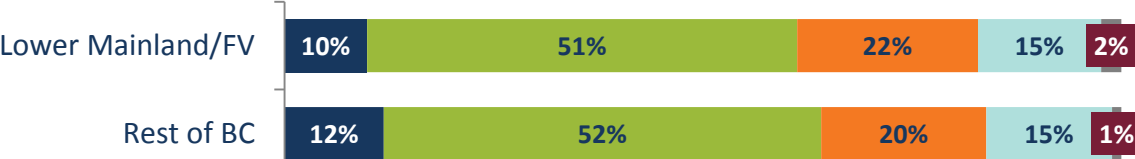
■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree ■ Don't know

Respondents from 'Rest of BC' slightly more likely to agree trust prevents them from reading their statement

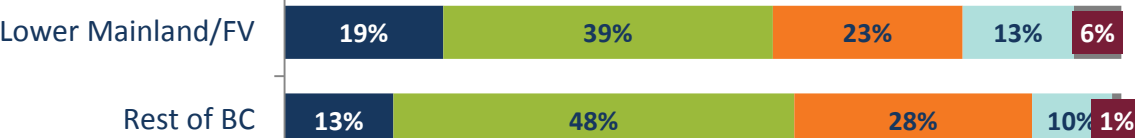


Below are some reasons people give for not reading statements from their investment advisors. For each please indicate if you personally agree or disagree.
 [asked of those who don't always read their statements]

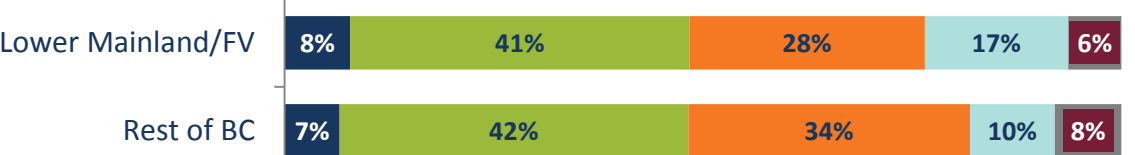
I don't need to read my investment statements very often because I trust that my advisor is taking care of my money



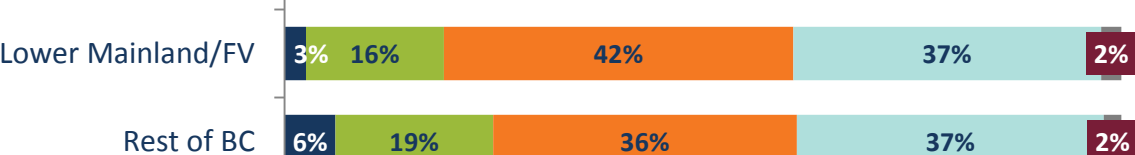
I would read my investment statements more often if they were easier to understand



I would read my investment statements more often if they included more useful information



I don't like to read my investment statements because I am afraid to see if I have lost money



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

Investment Statements: 1-in-5 do not read statements due to lack of interest or time



Other than the reasons above, is there any other reason that you do not read statements from your investment advisor more often? “Yes”

[asked of those who don't always read their statements]



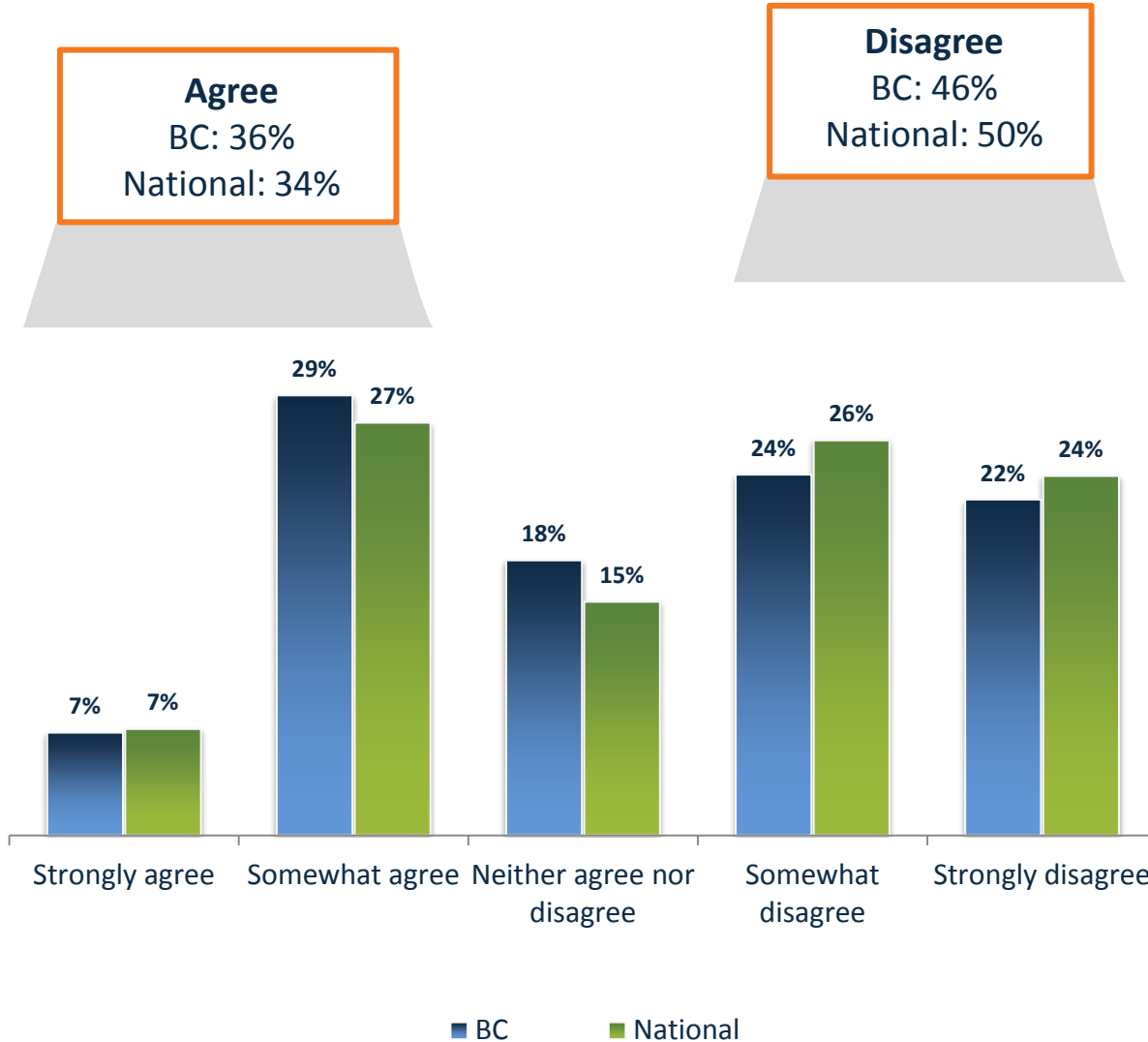
Note: None not shown.

1 in 3 agree that they do not need to understand risks so long as their advisor does



Do you agree or disagree with the following statement: *I do not need to understand all of the risks and benefits of my investments as long as my advisor knows all of the details.*

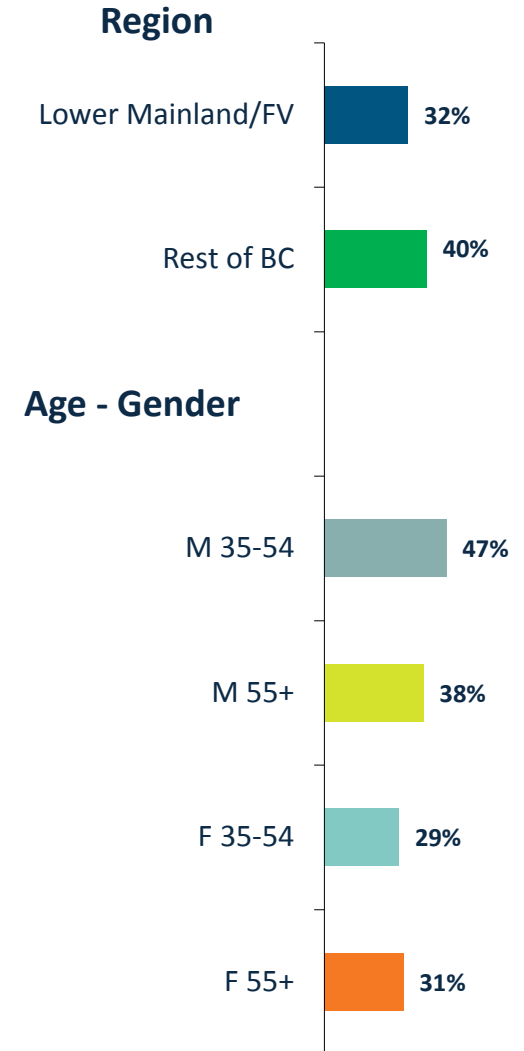
[asked only of those who currently or usually work with an advisor]



Agree
BC: 36%
National: 34%

Disagree
BC: 46%
National: 50%

BC Segmentation (those who say "Agree")



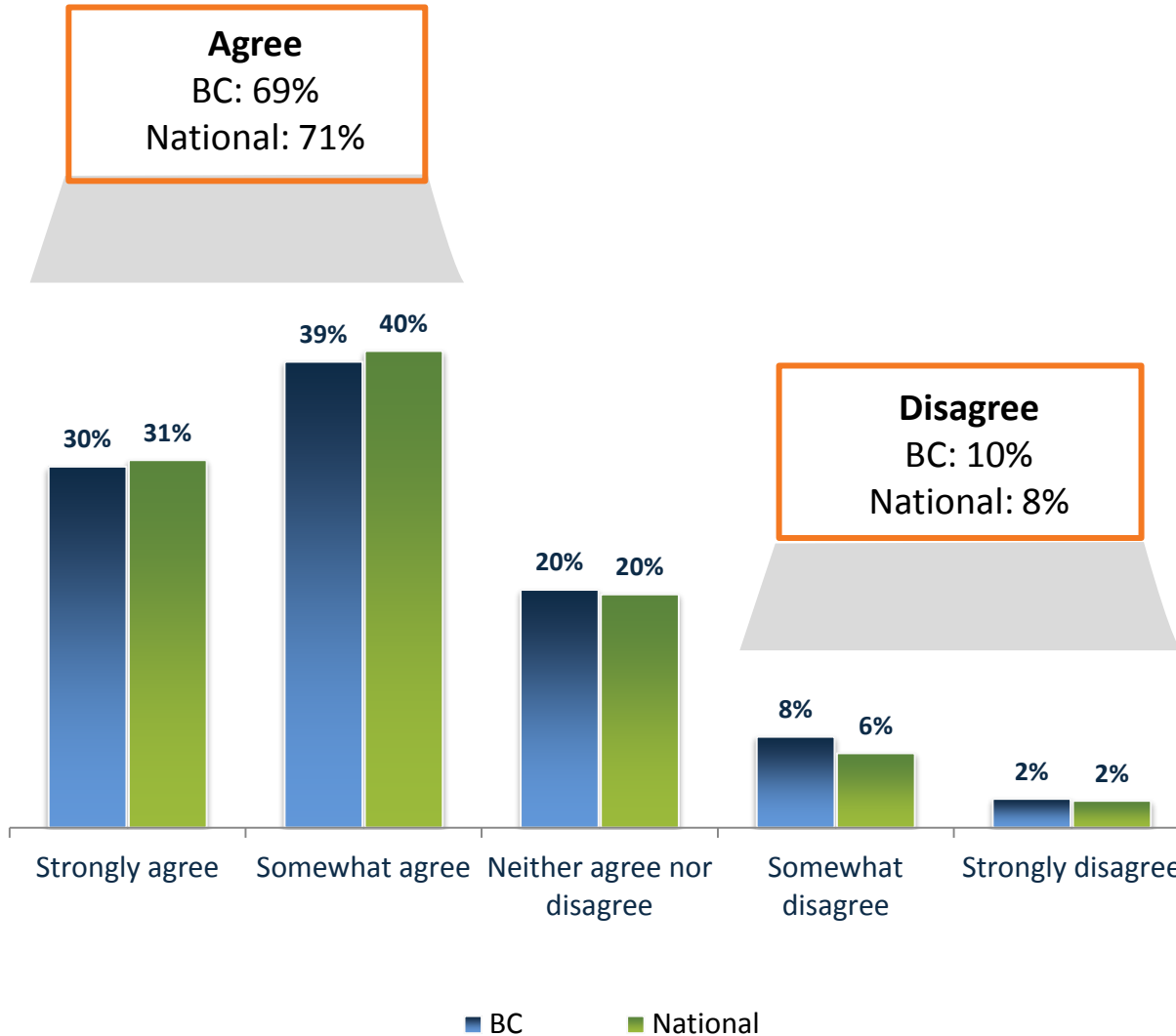
Note: Don't know not shown

Almost 7-in-10 respondents agree their advisor made their own role and responsibilities clear

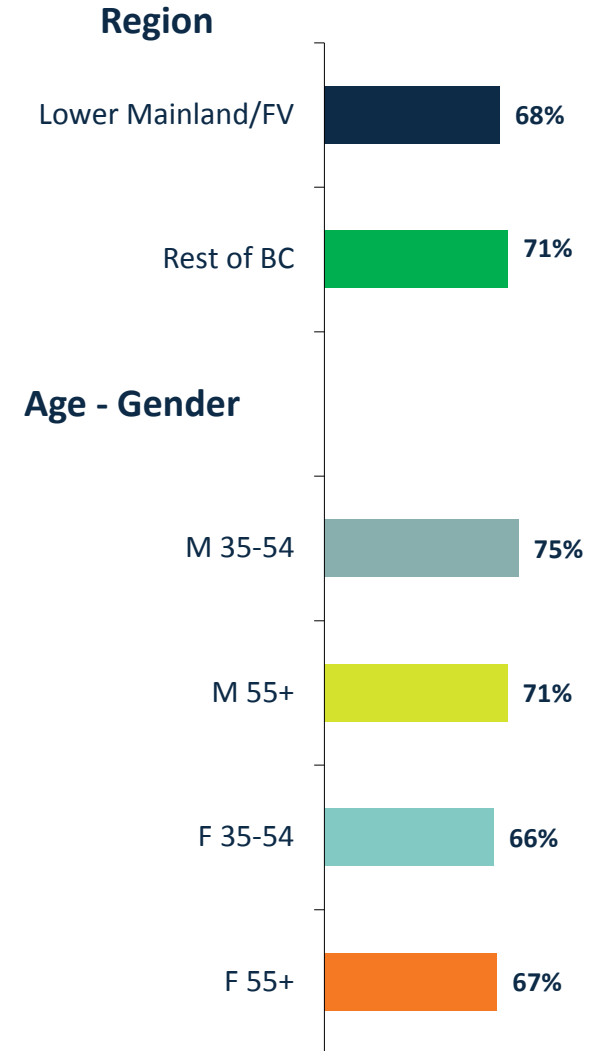


Do you agree or disagree with the following statement: *My investment advisor has made it clear to me what my role and responsibilities are when it comes to my investments with them.*

[asked only of those who currently or usually work with an advisor]



BC Segmentation (those who say "Agree")



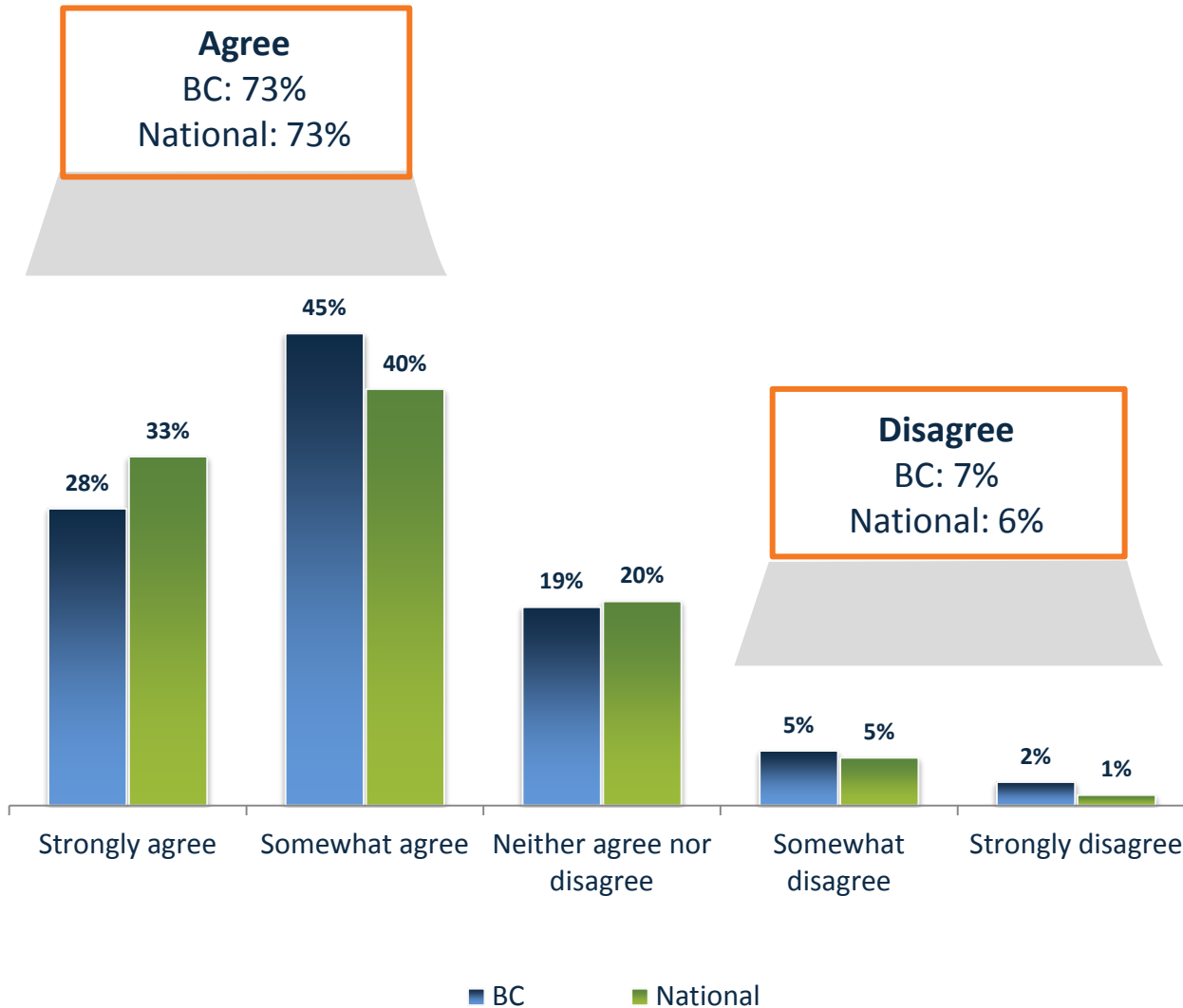
Note: Don't know not shown

Over 7-in-10 respondents with an advisor agree they are encouraged to stay involved

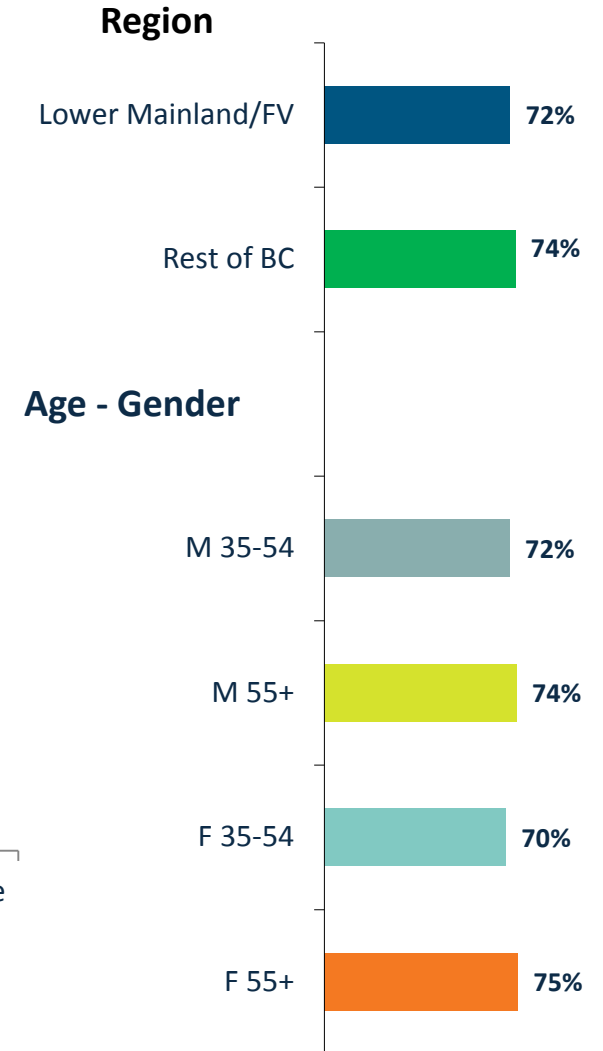


Do you agree or disagree with the following statement: *My investment advisor helps and encourages me to stay involved with my investments.*

[asked only of those who currently or usually work with an advisor]



BC Segmentation (those who say "Agree")

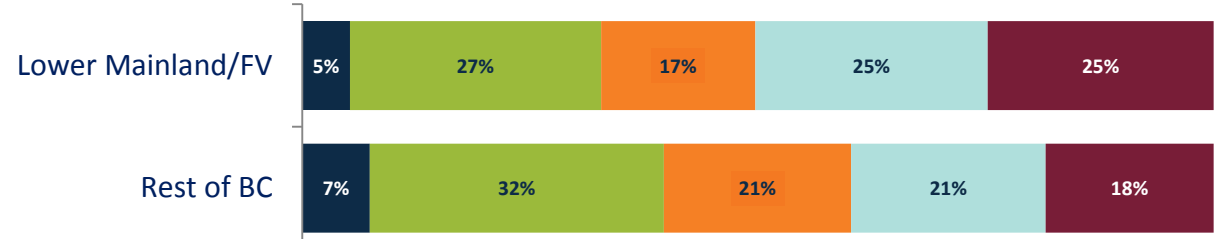


Advisor attitudes by region: respondents from both regions show relatively similar attitudes about advisors



Do you agree or disagree with the following statement:
[asked only of those who currently or usually work with an advisor]

I do not need to understand all of the risks and benefits of my investments as long as my advisor knows all of the details.



My investment advisor has made it clear to me what my role and responsibilities are when it comes to my investments with them.



My investment advisor helps and encourages me to stay involved with my investments.



Strongly agree
 Somewhat agree
 Neither agree nor disagree
 Somewhat disagree
 Strongly disagree

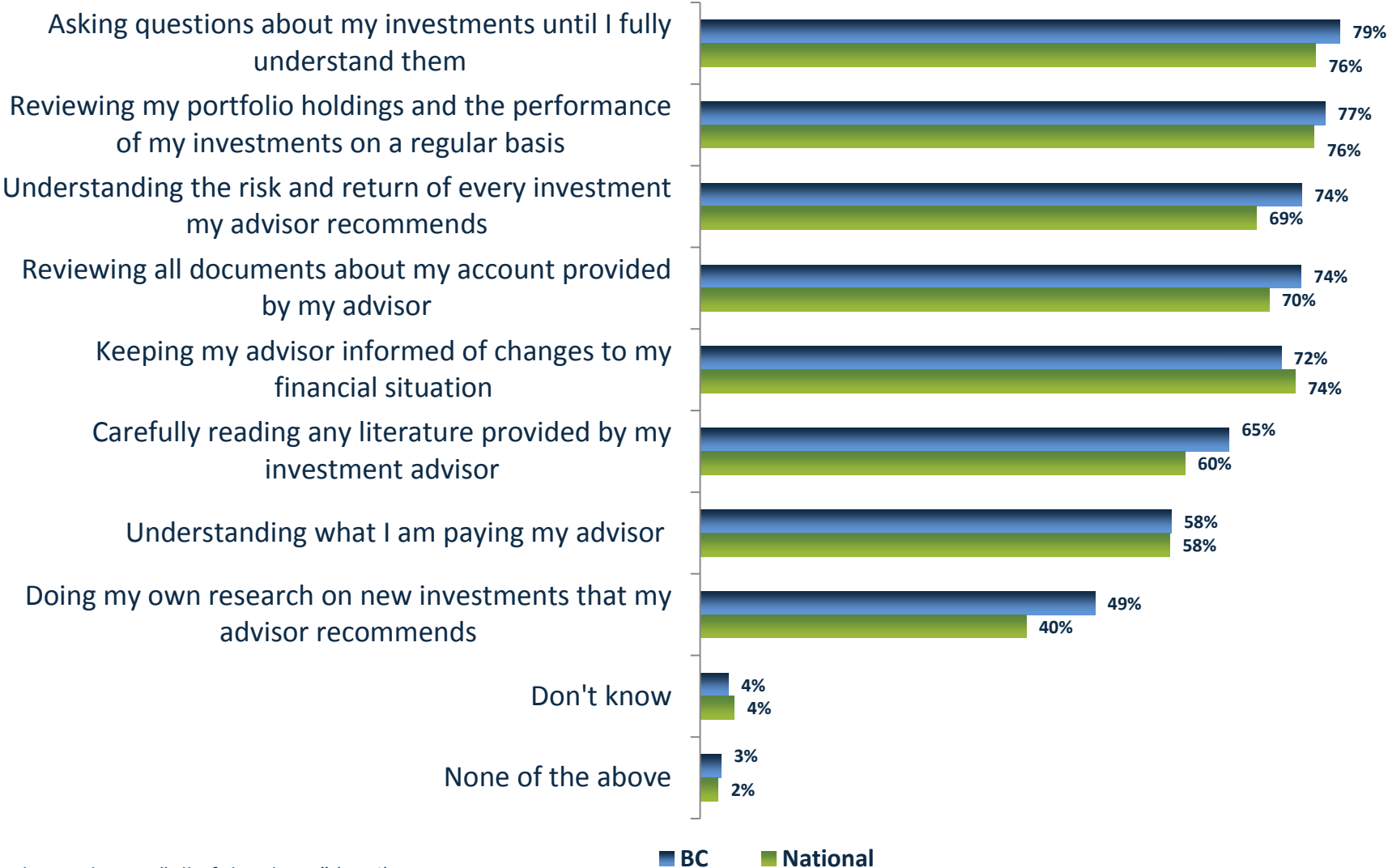
Note: Don't know not shown

Client Responsibilities: asking questions and reviewing portfolio holdings more likely to be seen as their responsibility



As a client, which of the following things do you believe are either wholly or partially your responsibility when working with an advisor? Select all that apply.

[asked only of those who currently or usually work with an advisor]



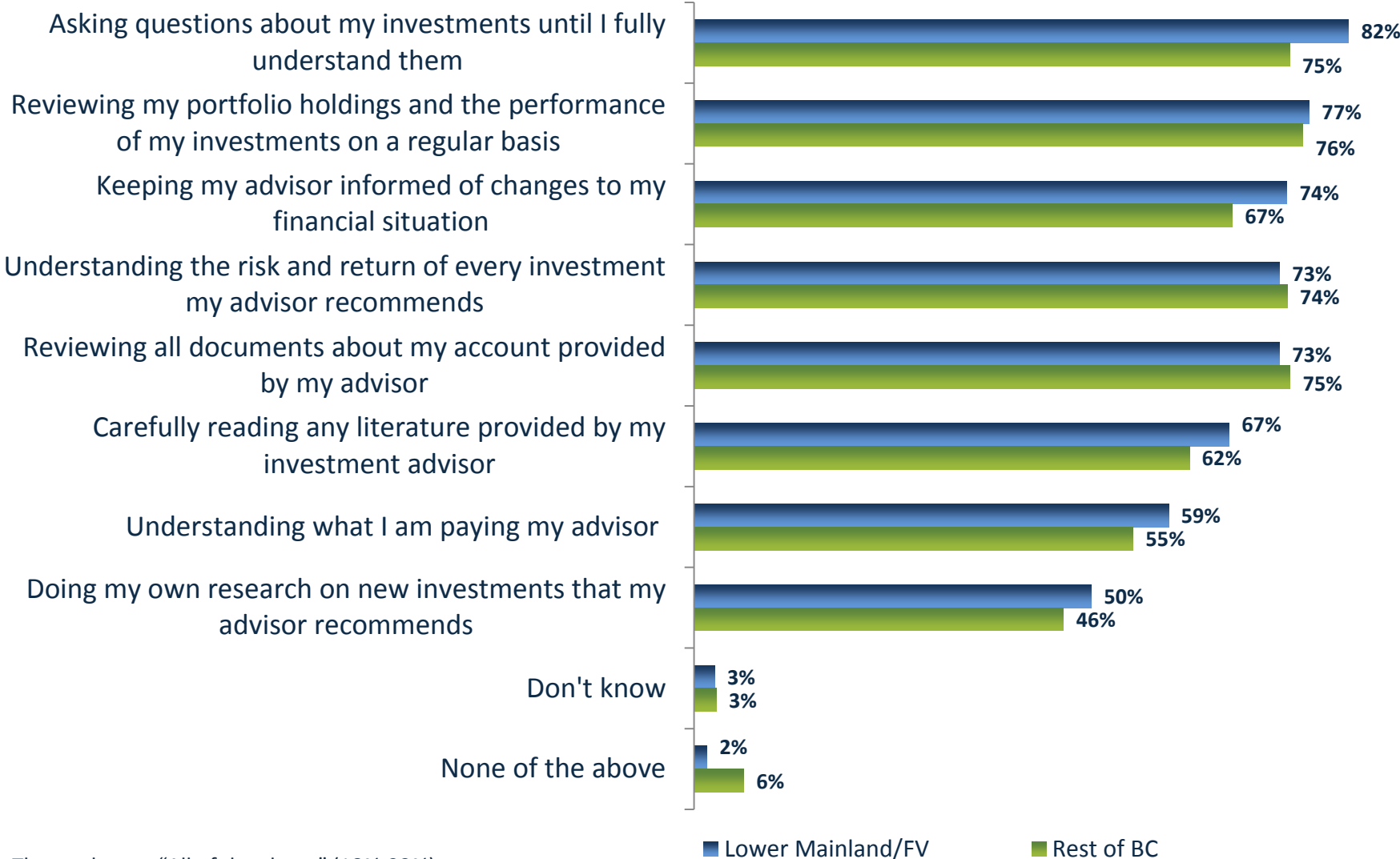
Note: Those who say “All of the above” (20%) are counted as selecting each possible response

Client Responsibilities: asking questions and keeping advisor informed more likely to be seen as responsibility of LM/FV



As a client, which of the following things do you believe are either wholly or partially your responsibility when working with an advisor? Select all that apply.

[asked only of those who currently or usually work with an advisor]

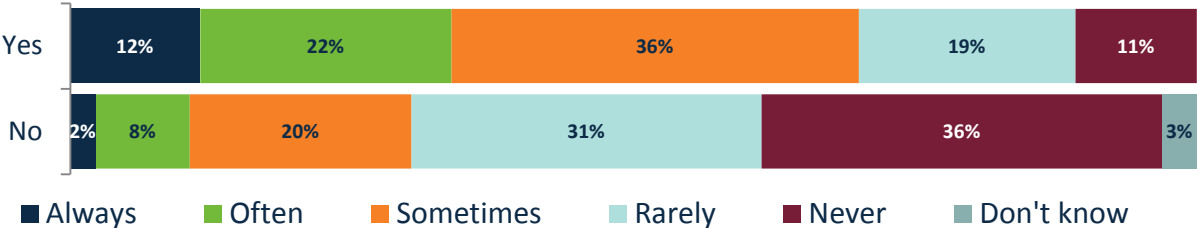


Note: Those who say “All of the above” (18%-23%) are counted as selecting each possible response

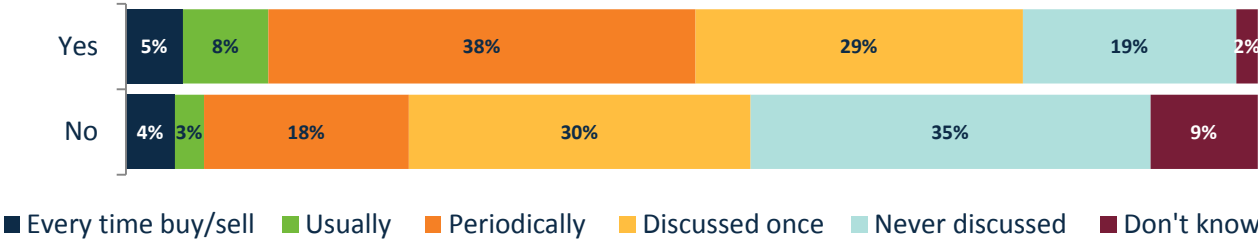
Effect of Responsibilities: belief in responsibilities matters, but does not guarantee the right behaviour

Each of these charts compares respondents answers to questions asking if they believe they are responsible for a particular aspect of the client-advisor relationship with a separate question measuring a related behaviour. For full details for each question and response code wording, please see the corresponding slide.

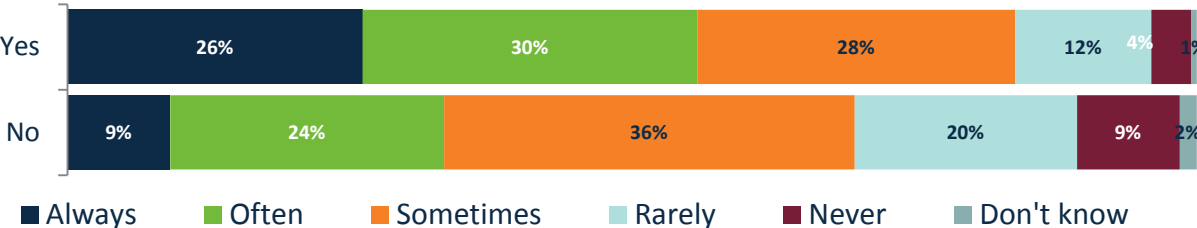
Frequency of conducting independent research BY belief they are responsible for doing own research on investments



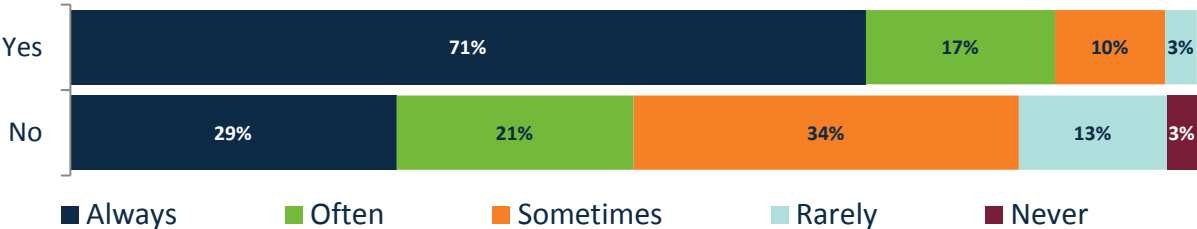
Frequency of discussing advisor’s compensation BY belief they are responsible for understanding what they pay their advisor



Frequency of asking advisor about investments’ suitability BY belief they are responsible for understanding investment risks and returns



Frequency of reading statements BY belief they are responsible for reviewing all documents about their account



Health of Relationship

Client Comfort: 88% of BC investors are comfortable bringing concerns and questions to their investment advisor

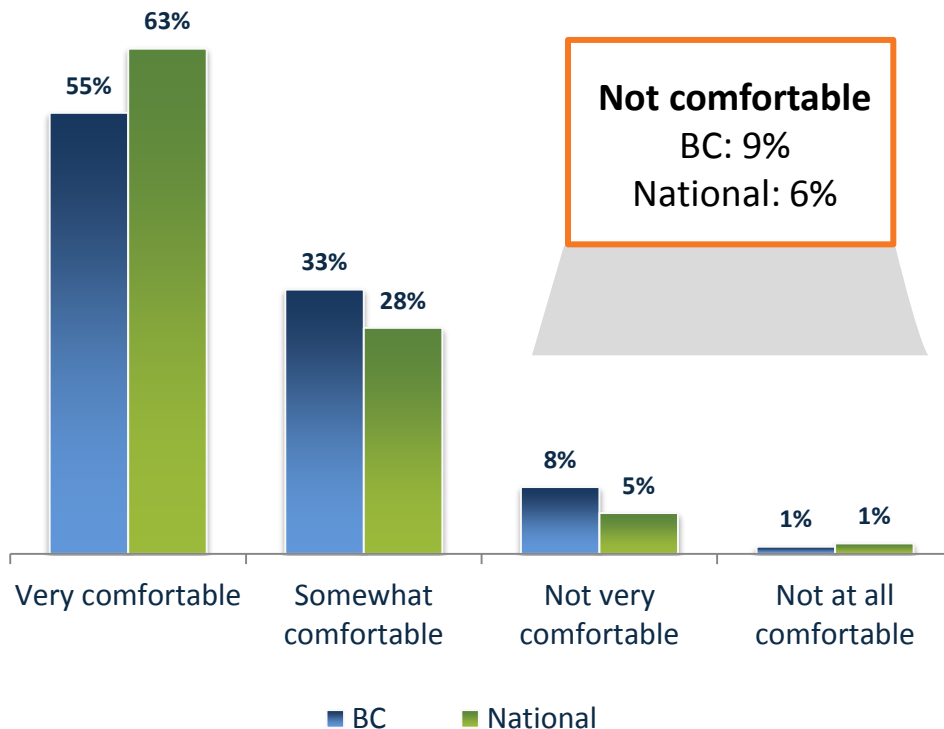


In general, how **comfortable** do you feel bringing forth concerns and questions when speaking with your investment advisor?

[asked only of those who currently or usually work with an advisor]

Comfortable
BC: 88%
National: 91%

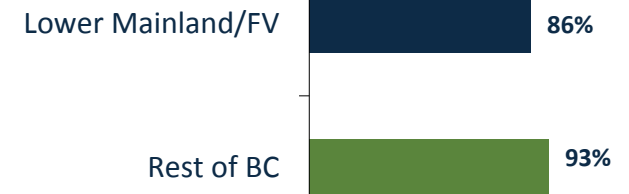
Not comfortable
BC: 9%
National: 6%



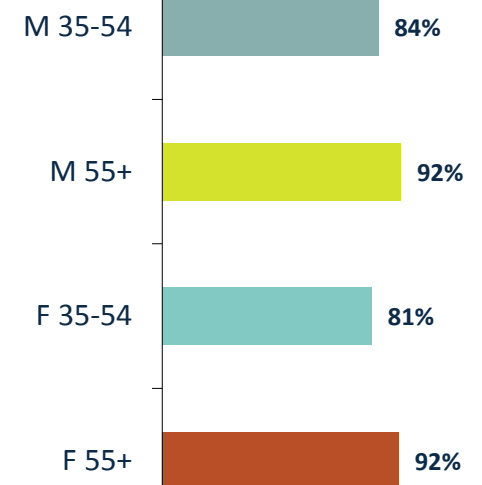
BC Segmentation

(those who say "Comfortable")

Region



Age - Gender

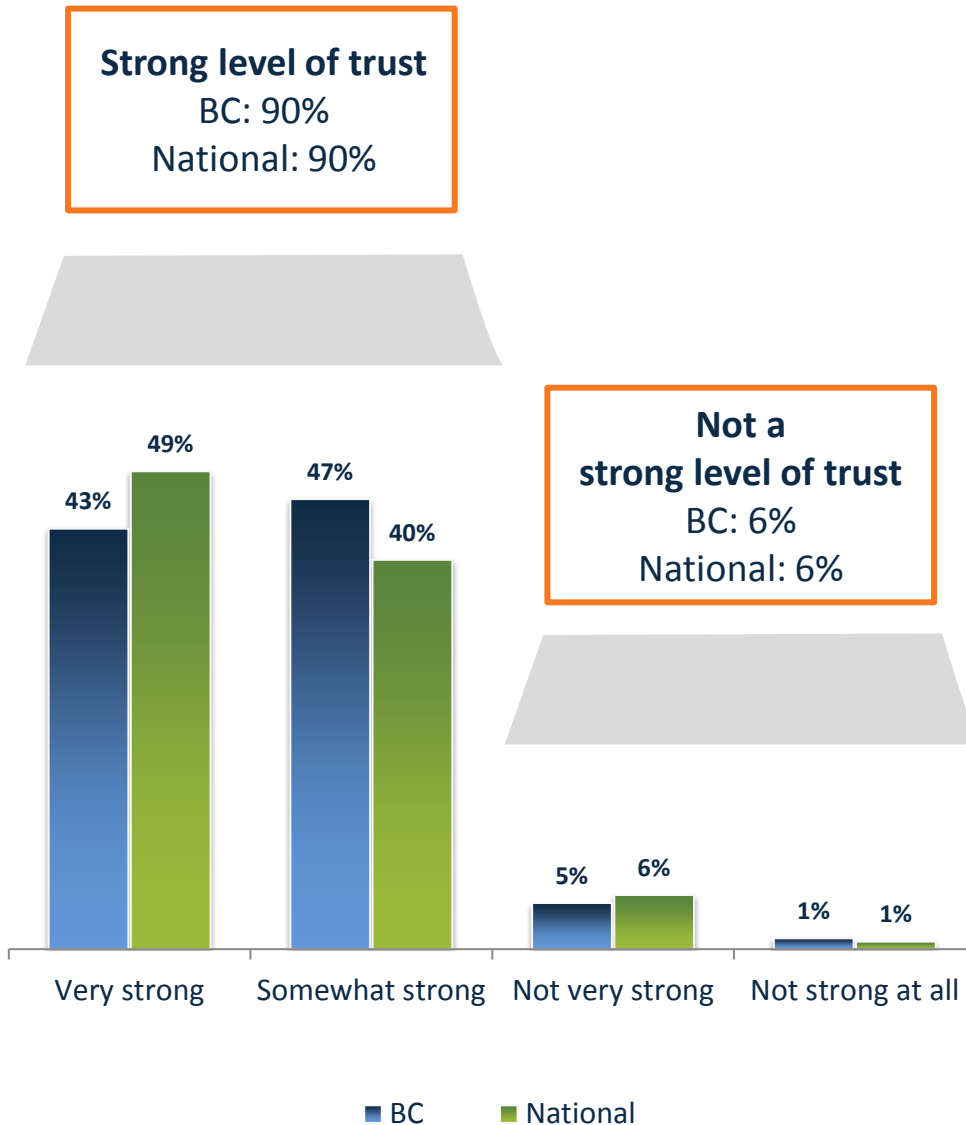


Note: Don't know not shown

Client Trust: over 2-in-5 (43%) of BC respondents have a very strong level of trust in their investment advisor

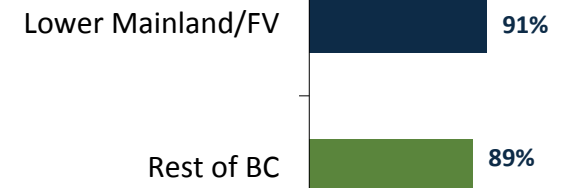


In general, how would you describe the level of **trust** you have in your investment advisor?
[asked only of those who currently or usually work with an advisor]

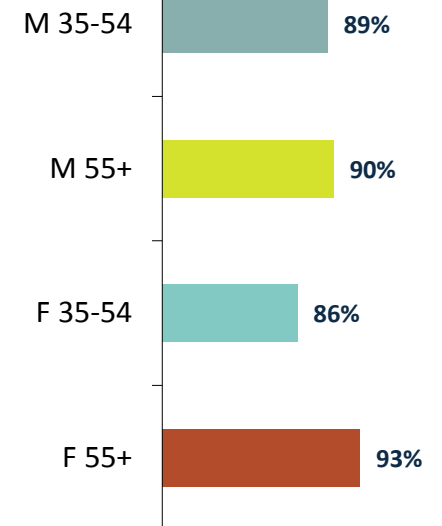


BC Segmentation (those who say "Strong")

Region



Age - Gender



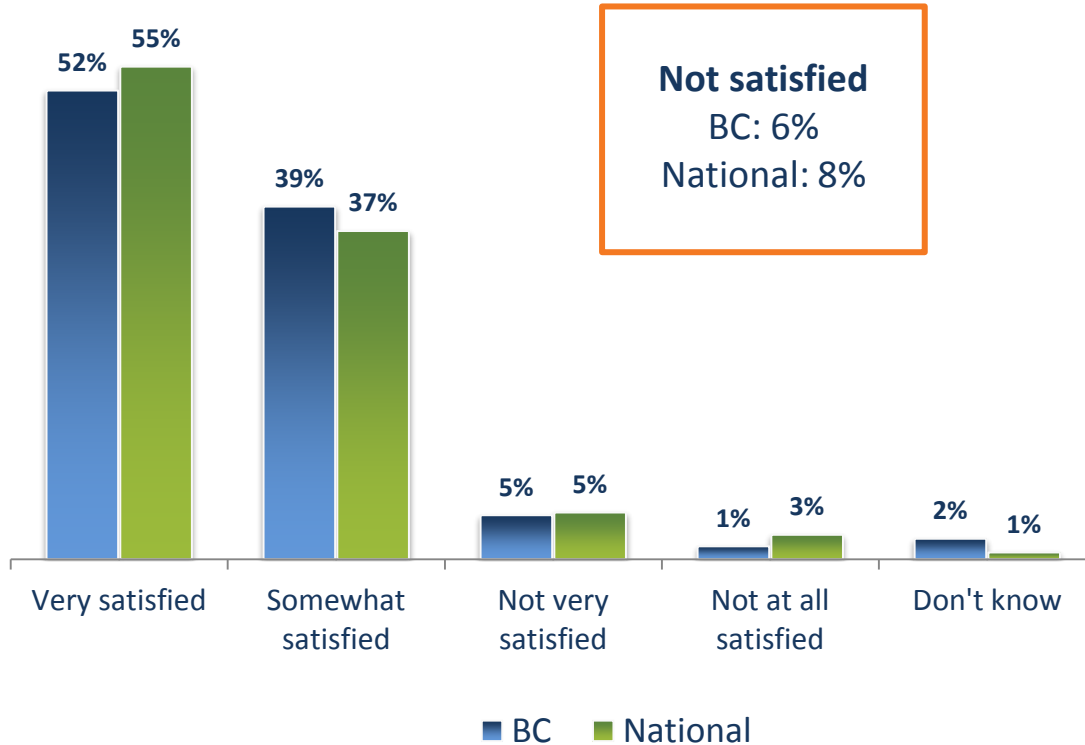
Note: Don't know not shown

Advisor Communication: more than half (52%) are very satisfied with their investment advisor communications



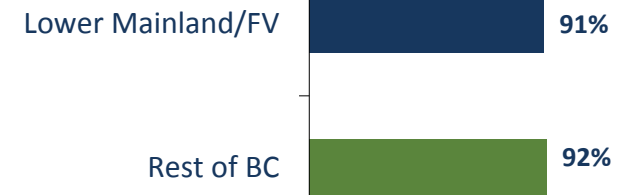
How satisfied are you with the level of **communication** you have with your investment advisor?
 [asked only of those who currently or usually work with an advisor]

Satisfied
 BC: 91%
 National: 91%

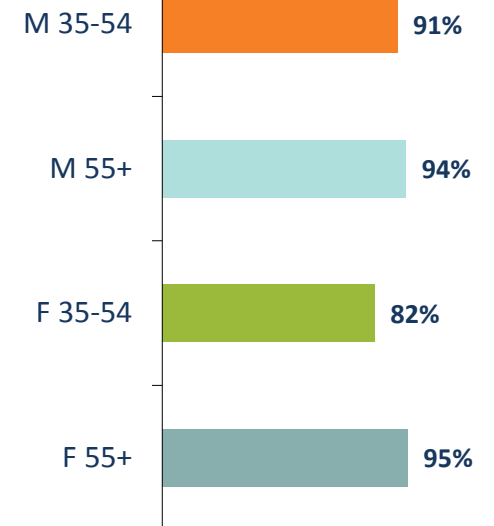


BC Segmentation (those who say "Satisfied")

Region



Age - Gender

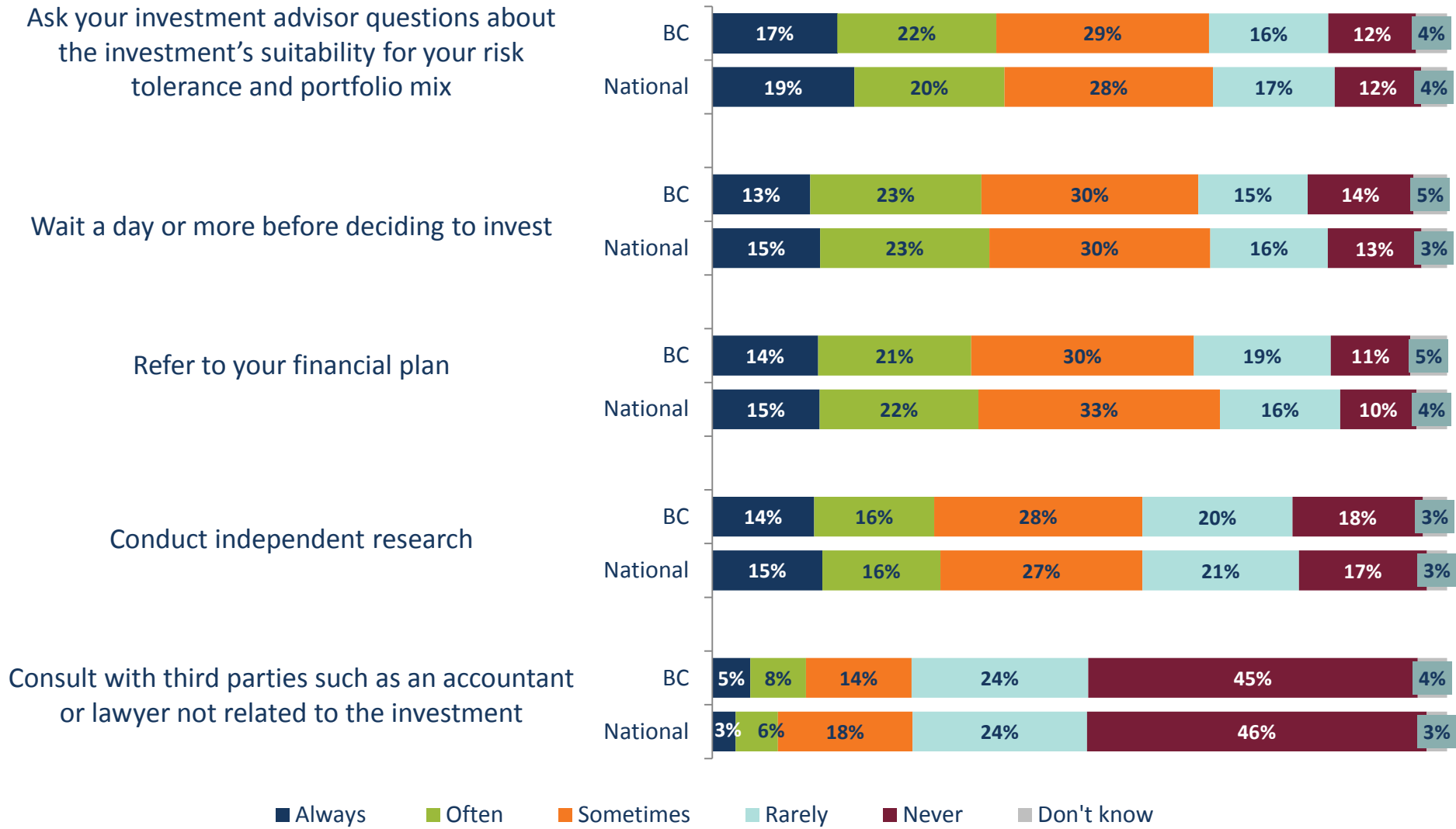


All British Columbians: Investment Behavior

Among those who say each behaviour is applicable to them, nearly 1 in 2 say they never consult a 3rd party



How often do you take the following steps to ensure that an investment you've been offered is suitable for you and your risk profile?
[asked of all respondents]



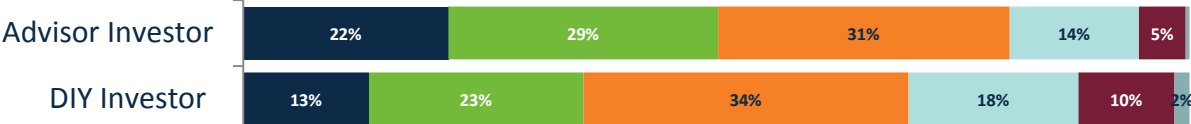
Note: Respondents could also indicate that each behaviour was "Not applicable to me," in which case their answers were excluded from the results.

Advisor vs. DIY Investor Behaviour: DIY investors are more likely to wait before deciding to invest



How often do you take the following steps to ensure that an investment you've been offered is suitable for you and your risk profile?
[asked of all respondents]

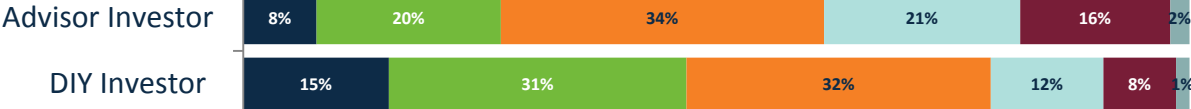
Ask your investment advisor questions about the investment's suitability for your risk tolerance and portfolio mix



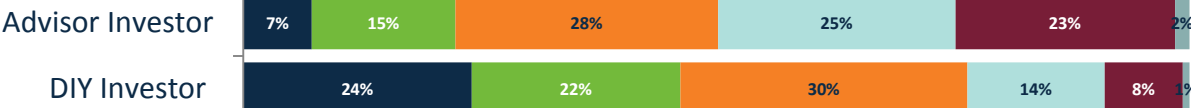
Refer to your financial plan



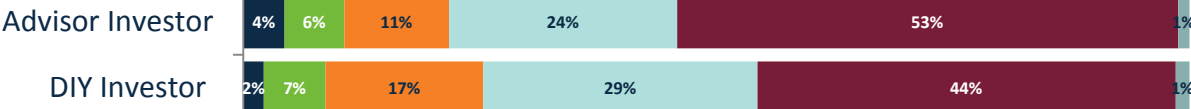
Wait a day or more before deciding to invest



Conduct independent research



Consult with third parties such as an accountant or lawyer not related to the investment



Legend: Always (dark blue), Often (green), Sometimes (orange), Rarely (light blue), Never (maroon), Don't know (grey)

Note: Respondents could also indicate that each behaviour was "Not applicable to me," in which case their answers were excluded from the results.

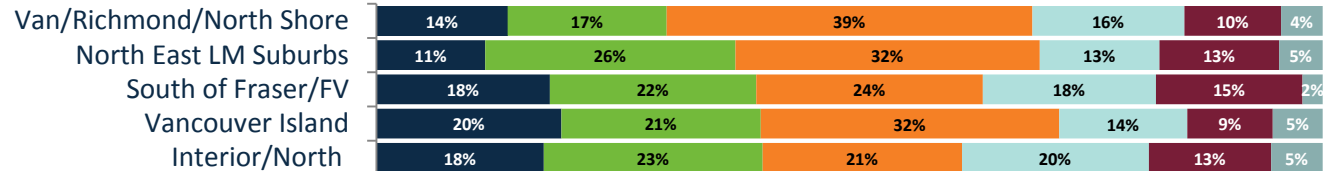
Regional Investment Behaviour: Van/Rich/NS least likely to ask advisors; NE LM Suburbs least likely to refer to financial plan



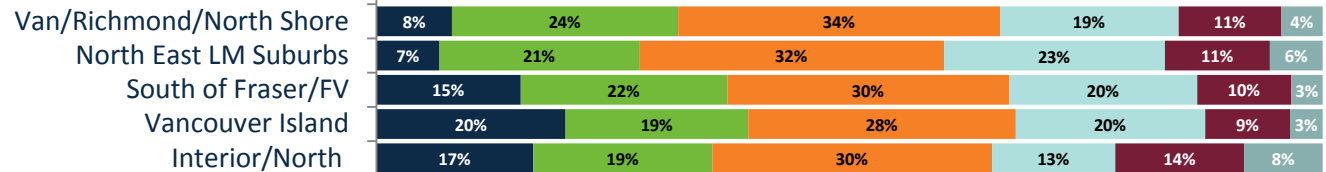
How often do you take the following steps to ensure that an investment you've been offered is suitable for you and your risk profile?

[asked of all respondents]

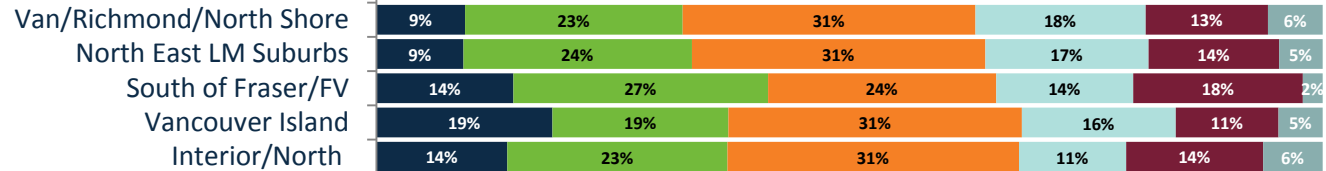
Ask your investment advisor questions about the investment's suitability for your risk tolerance and portfolio mix



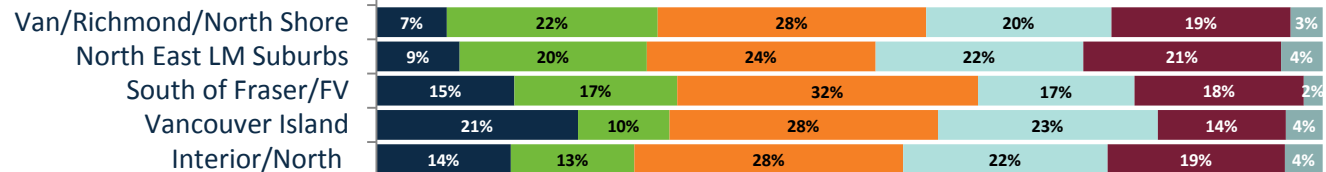
Refer to your financial plan



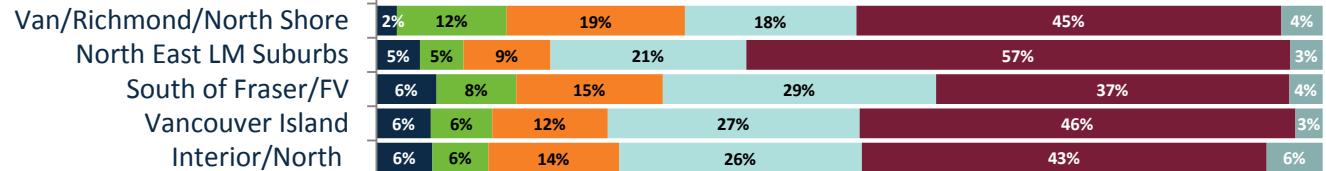
Wait a day or more before deciding to invest



Conduct independent research



Consult with third parties such as an accountant or lawyer not related to the investment



■ Always
 ■ Often
 ■ Sometimes
 ■ Rarely
 ■ Never
 ■ Don't know

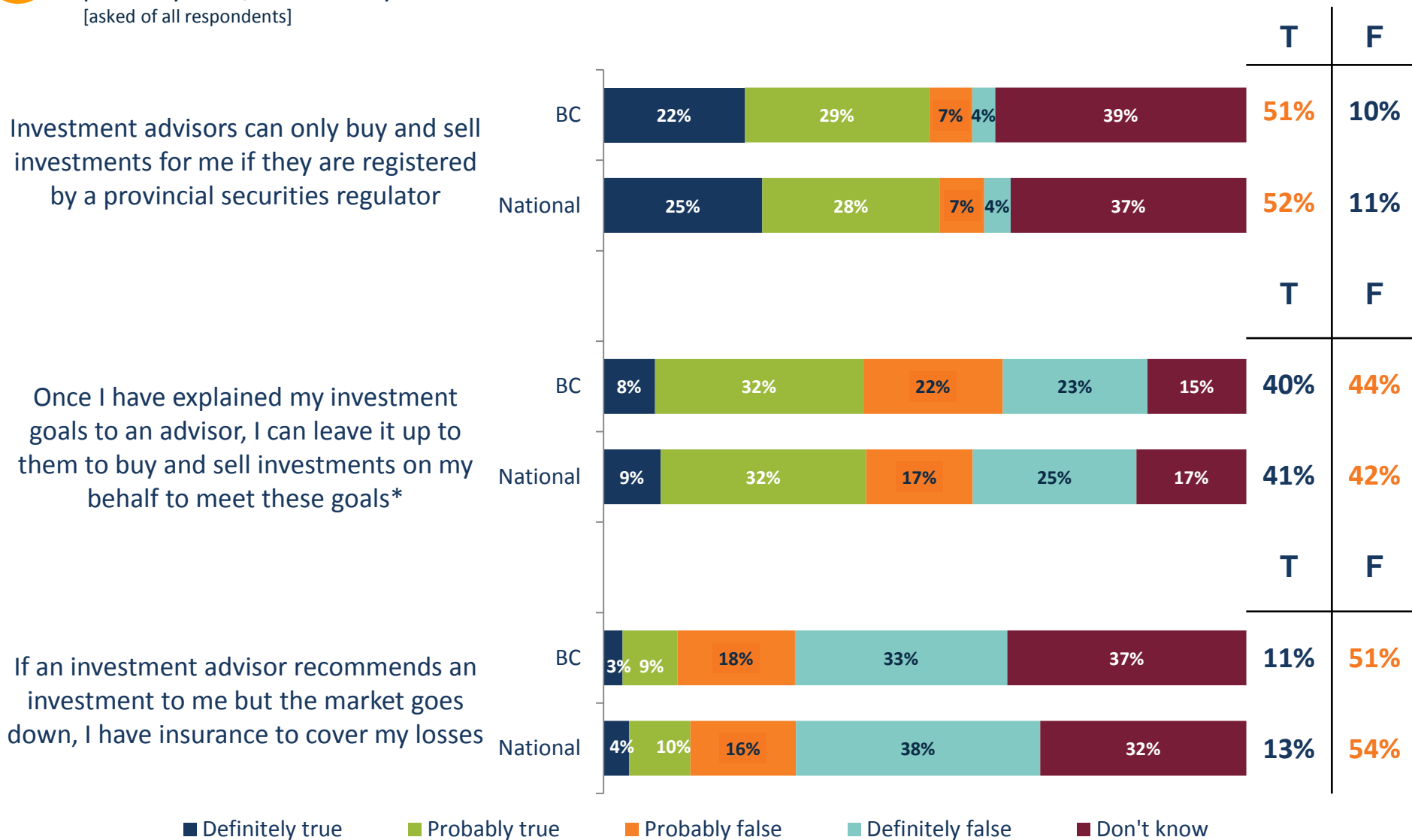
Note: Respondents could also indicate that each behaviour was “Not applicable to me,” in which case their answers were excluded from the results.

All British Columbians: Advisor Knowledge

Only about 1 in 2 BC respondents know the correct answers to important questions about working with an advisor



For each of the following statements, please indicate if you think the statement is definitely true, probably true, probably false, or definitely false:
[asked of all respondents]



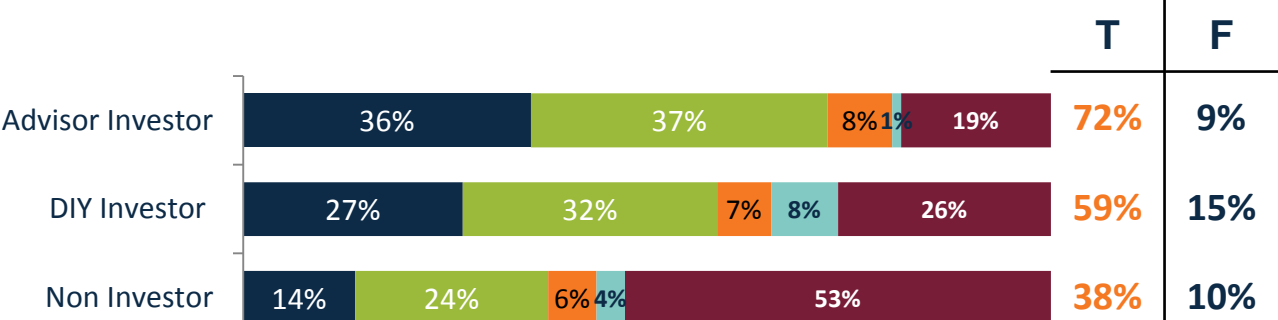
*Note: Results for the second question exclude respondents who say they work with Portfolio Managers, as the correct answer is generally “true” for this group

BC Investors: advisor investors more likely to know the correct response to question about provincial securities regulation

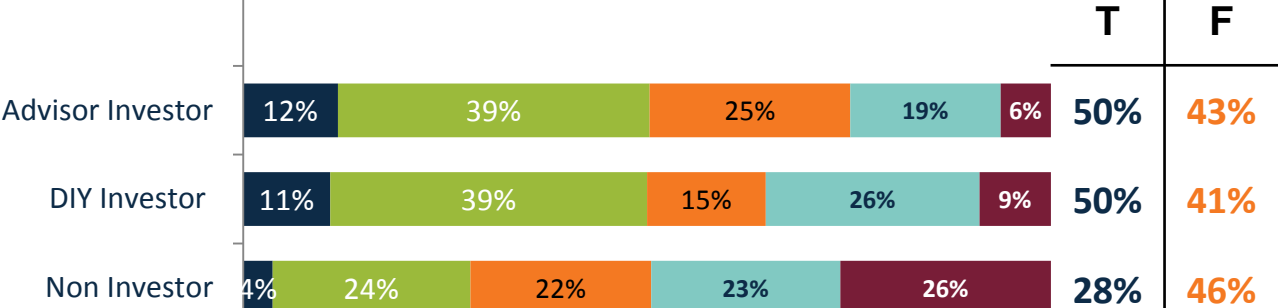


For each of the following statements, please indicate if you think the statement is definitely true, probably true, probably false, or definitely false.
[asked of all respondents]

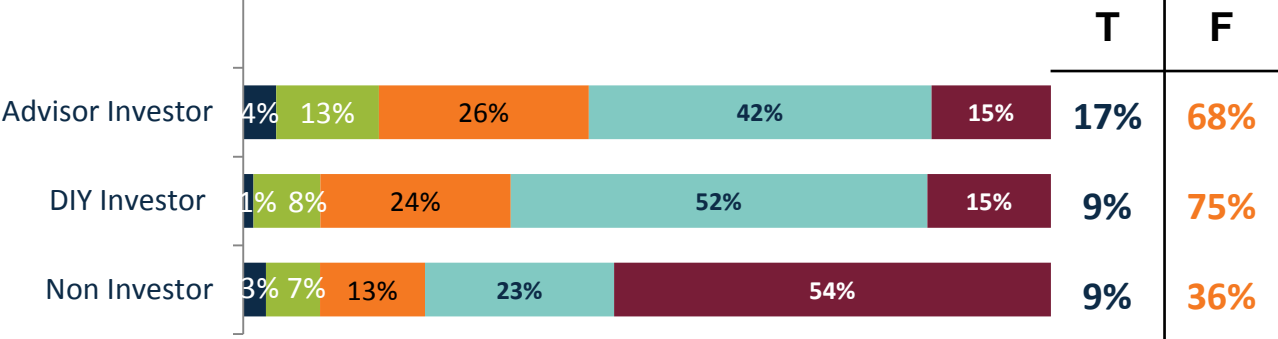
Investment advisors can only buy and sell investments for me if they are registered by a provincial securities regulator



Once I have explained my investment goals to an advisor, I can leave it up to them to buy and sell investments on my behalf to meet these goals*



If an investment advisor recommends an investment to me but the market goes down, I have insurance to cover my losses



■ Definitely true
 ■ Probably true
 ■ Probably false
 ■ Definitely false
 ■ Don't know

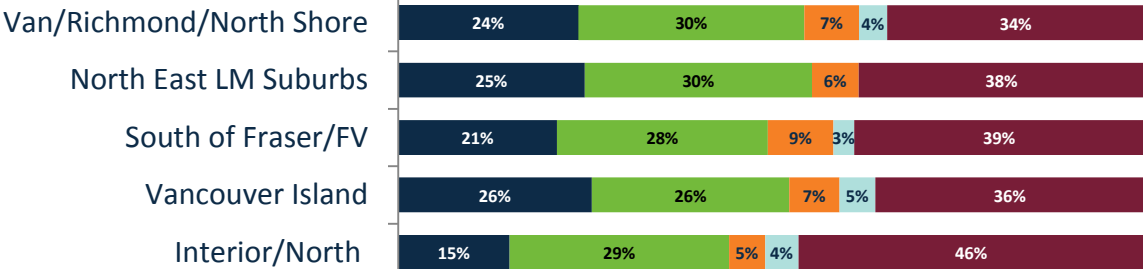
*Note: Results for the second question exclude respondents who say they work with Portfolio Managers, as the correct answer is generally “true” for this group

BC Regions: Interior/North less likely to know the correct answers to questions about working with advisors



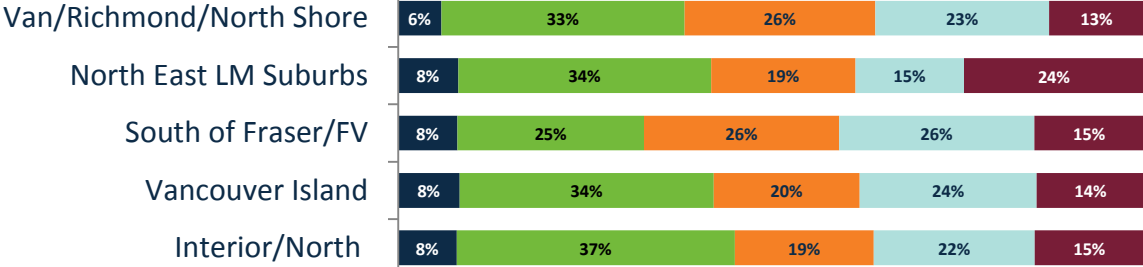
For each of the following statements, please indicate if you think the statement is definitely true, probably true, probably false, or definitely false.
[asked of all respondents]

Investment advisors can only buy and sell investments for me if they are registered by a provincial securities regulator



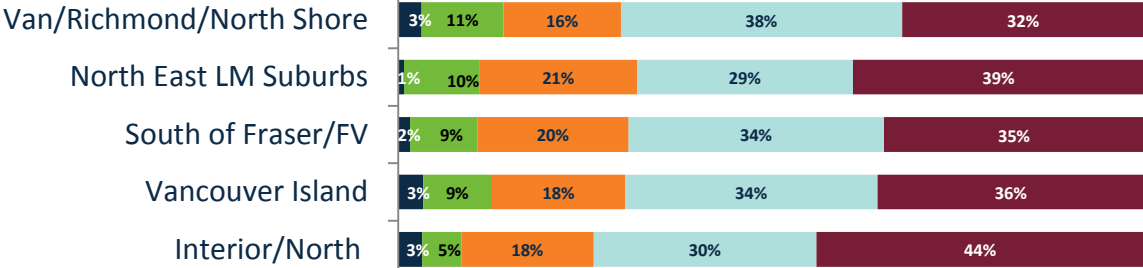
T	F
54%	11%
55%	6%
50%	12%
52%	11%
45%	9%

Once I have explained my investment goals to an advisor, I can leave it up to them to buy and sell investments on my behalf to meet these goals*



T	F
38%	49%
42%	34%
33%	52%
42%	43%
45%	40%

If an investment advisor recommends an investment to me but the market goes down, I have insurance to cover my losses



T	F
14%	53%
11%	50%
11%	54%
13%	52%
8%	48%

■ Definitely true ■ Probably true ■ Probably false ■ Definitely false ■ Don't know

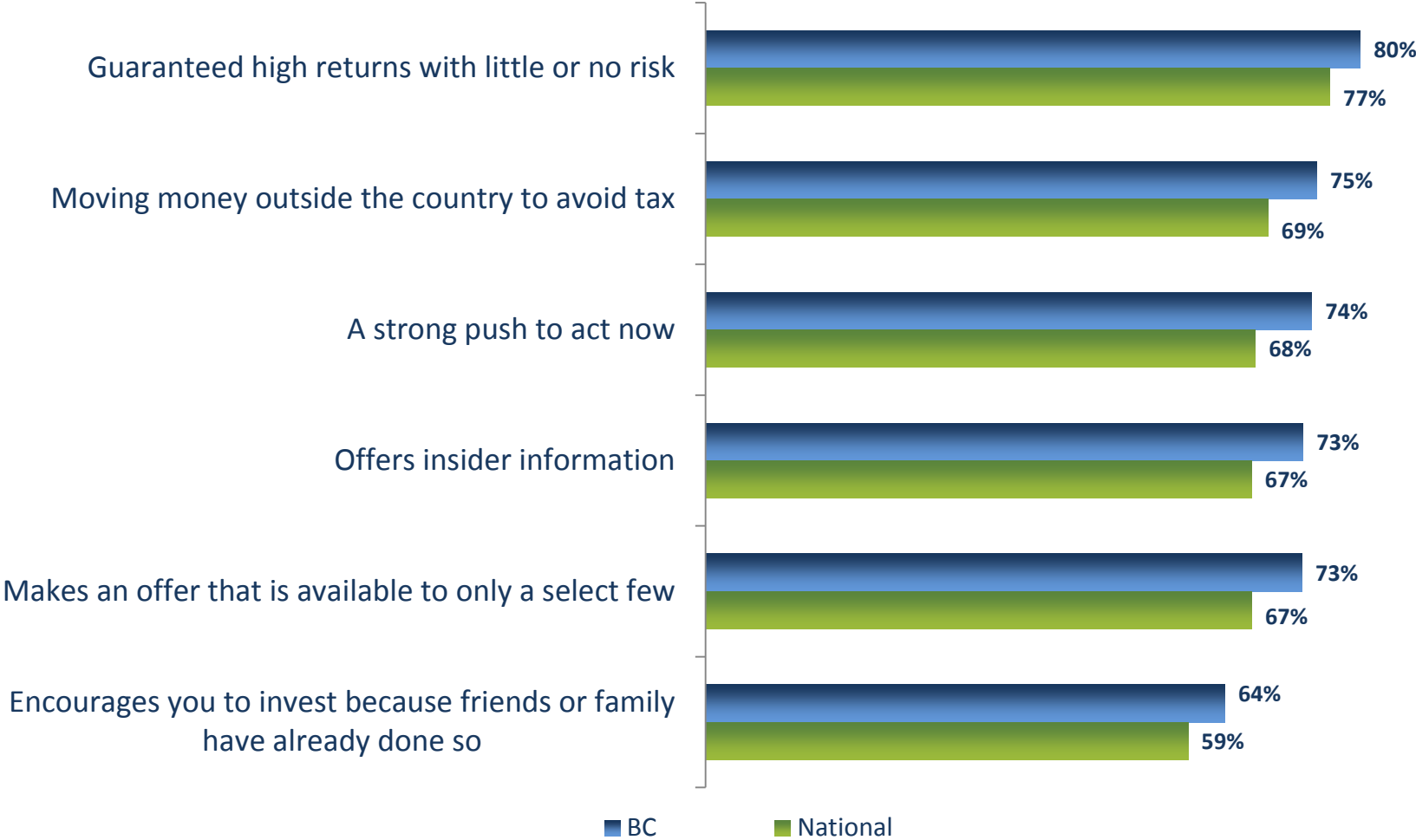
*Note: Results for the second question exclude respondents who say they work with Portfolio Managers, as the correct answer is generally "true" for this group

Understanding Investment Fraud

BC respondents better informed on all fraud warning signs



From what you have read, seen, or heard, which of the following do you think are indicators of a possible fraudulent investment?

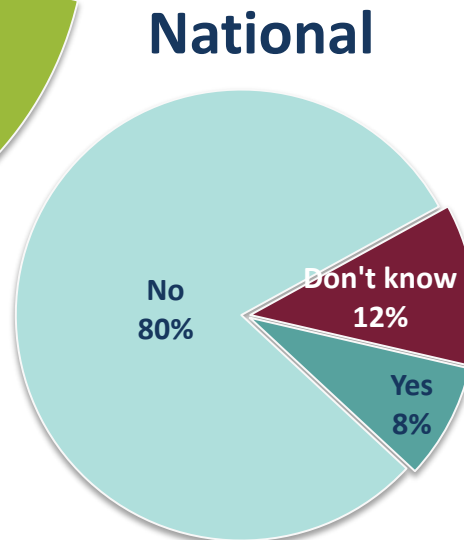
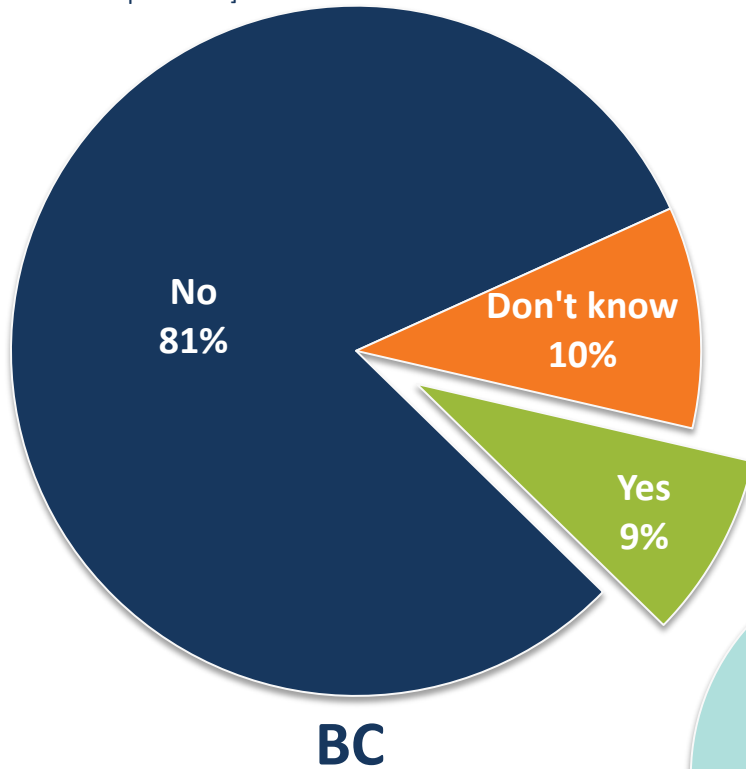


Fraud Victims: advisor investors and DIY investors more likely to report being victims



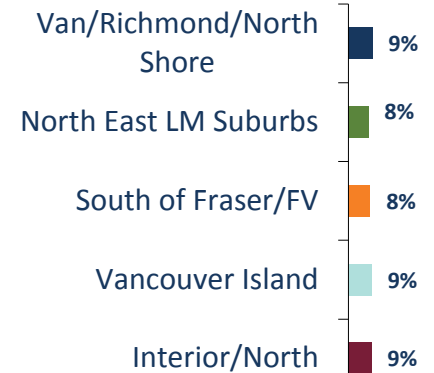
In fact, all of the above are red flags that may indicate an attempted fraud. To remind you, these are [warnings signs listed]. As a reminder, your responses to this survey are completely confidential. Like all the questions you've answered, the following questions will be used only for classification purposes. *Based on what you have read so far and what you already know, do you think you have ever invested money in a fraudulent investment?*

[asked of all respondents]



BC Segmentation (those who say "Yes")

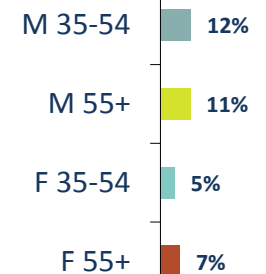
Region



Investor Segmentation



Age - Gender



The median amount invested was \$5,000-\$10,000, but 1 in 5 invested more than \$25,000



How much money did you invest in this investment fraud?
[asked only of those who have invested in a fraudulent investment]

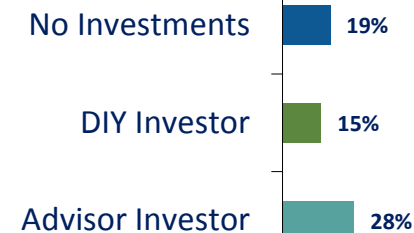
BC Segmentation

(those who say more than \$25,000)

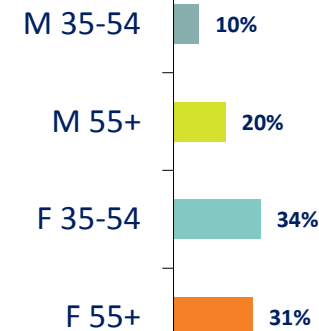
Region



Investor Segmentation



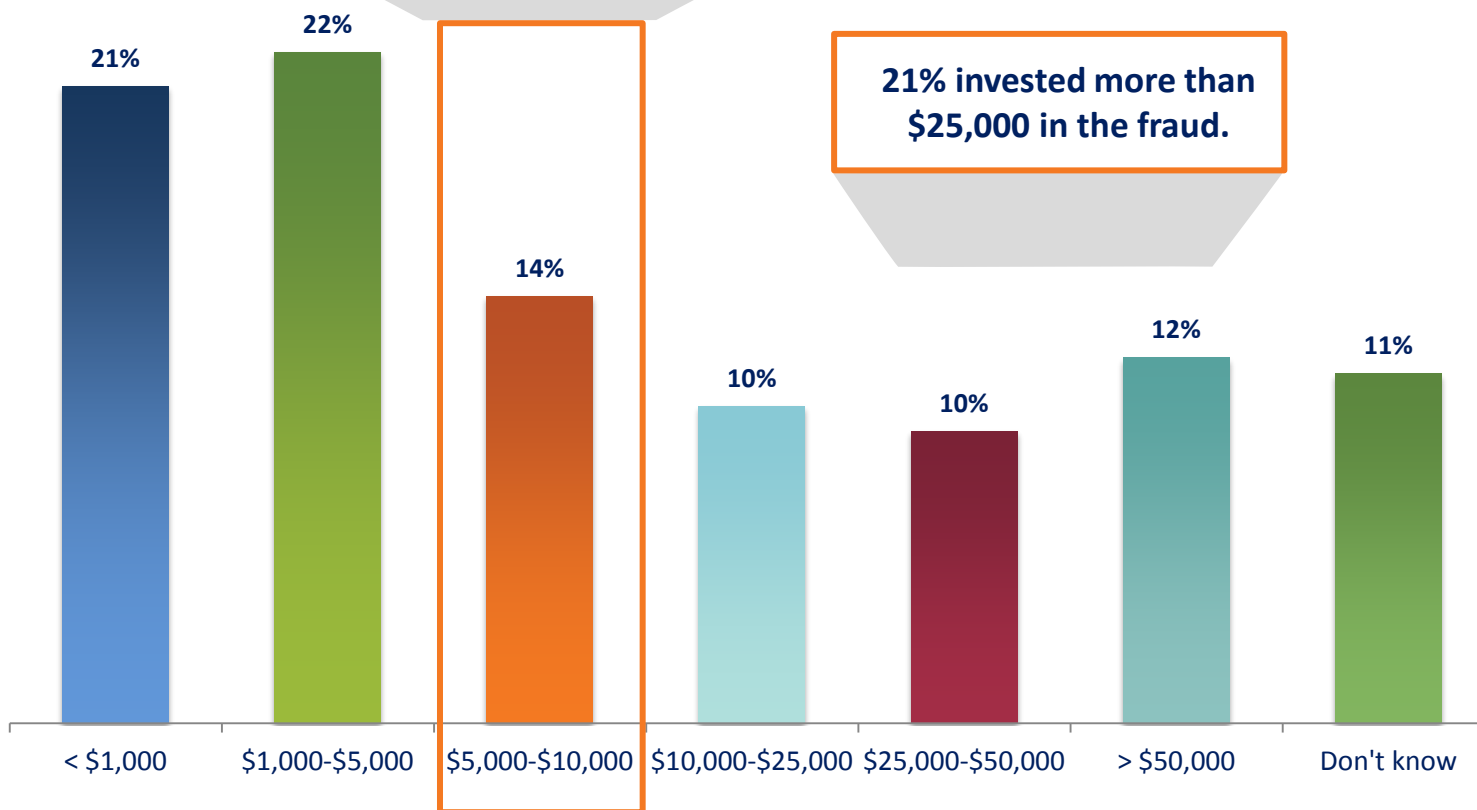
Age - Gender



Median: \$5,000-\$10,000

The median size of fraud was fraud between five and ten thousand dollars.

21% invested more than \$25,000 in the fraud.



Personality:

What role do personality traits play in investing?

The Big 5 personality traits

The Big 5 personality traits represent a significant stream of research in the psychology community over a set of five personality traits that jointly measure most of what is distinct about individual personalities. The scale that we used to measure the Big 5 for this study is the Ten-Item Personality Index or TIPI.*

Each of the five traits is measured as the average response to two of the items. Each trait is made up of one item where agreement places the respondent higher on that trait and one item where disagreement does so (reversed).

Trait	TIPI Items	Explanation**
Extroversion	Extroverted, enthusiastic Reserved, quiet (reversed)	People who are warm, assertive, active, excited, and positive
Agreeableness	Sympathetic, warm Critical, quarrelsome (reversed)	People who are trusting, altruistic, compliant, modest, and straightforward
Conscientiousness	Dependable, self-disciplined Disorganized, careless (reversed)	People who are competent, dutiful, disciplined, deliberate, and orderly
Emotional Stability	Calm, emotionally stable Anxious, easily upset (reversed)	People who are stable, not anxious, calm, in control
Openness to experience	Open to new experiences, complex Conventional, uncreative (reversed)	People who are curious, cultural, intellectual

*Gosling, S. D., Rentfrow, P. J., & Swann, W. B., Jr. (2003). A Very Brief Measure of the Big Five Personality Domains. *Journal of Research in Personality, 37*, 504-528.

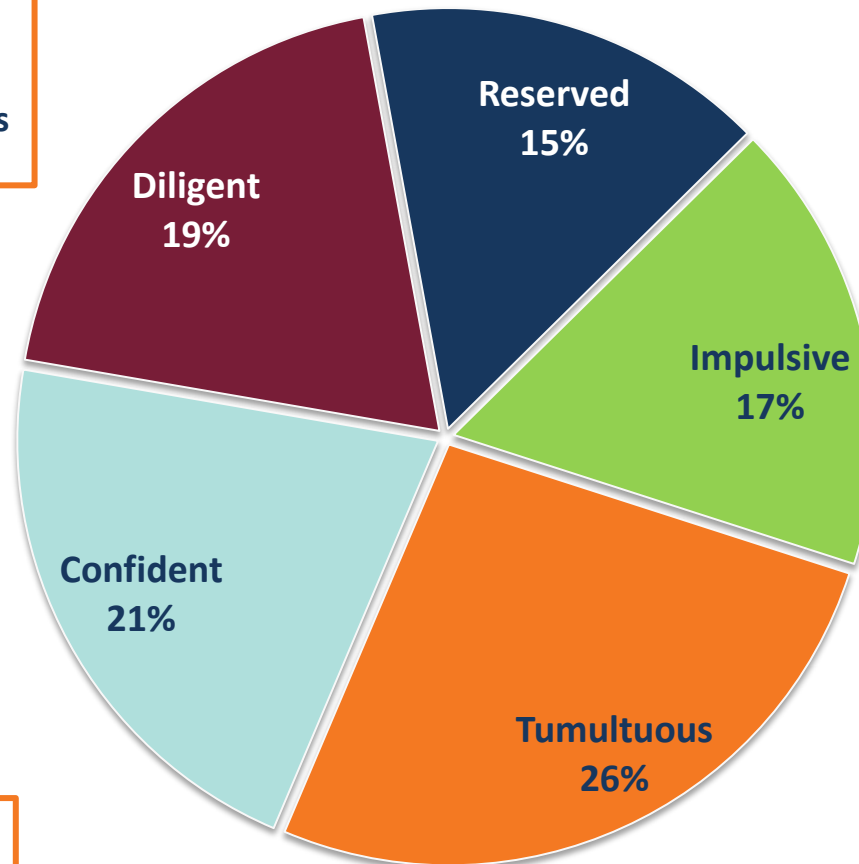
**Adapted from: Matthews, Gerald; Deary, Ian J.; Whiteman, Martha C. (2003). *Personality Traits* (PDF) (3rd ed.). Cambridge University Press. Page 24.

Five personality types

We grouped British Columbians into five personality types. The study shows that each personality type exhibits a different approach to investing and working with an advisor.

Diligent people are characterized by high scores on all traits except extroversion – they are like confident investors but are introverted

Reserved people are characterized in particular by being introverted and not open to experience



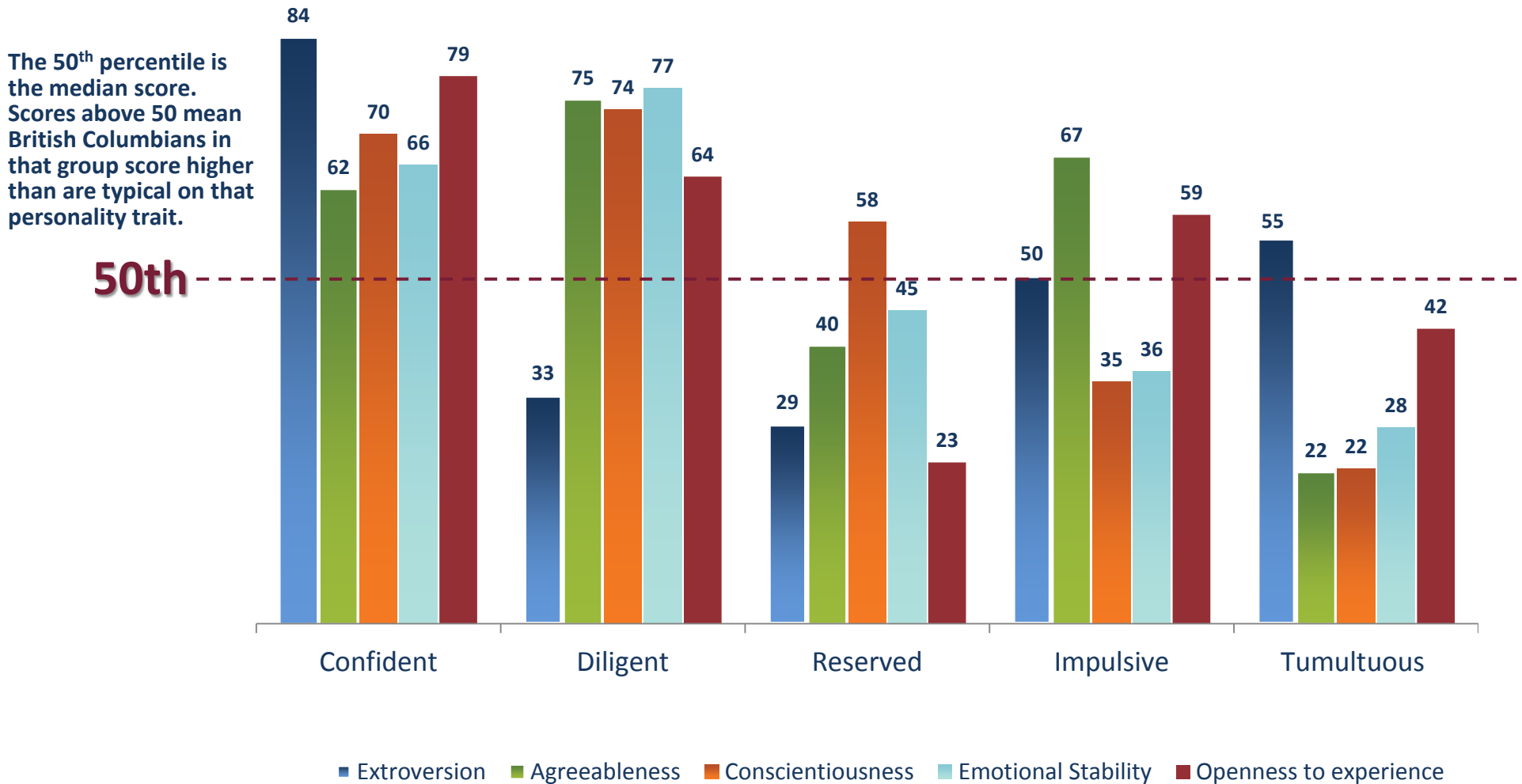
Impulsive peoples' personalities are defined by their high agreeableness but lower scores on emotional stability and conscientiousness

Confident peoples' personalities are characterized by giving themselves high scores on all 5 personality traits

Tumultuous people are slightly above average on extroversion and below average on agreeableness, conscientiousness, and emotional stability

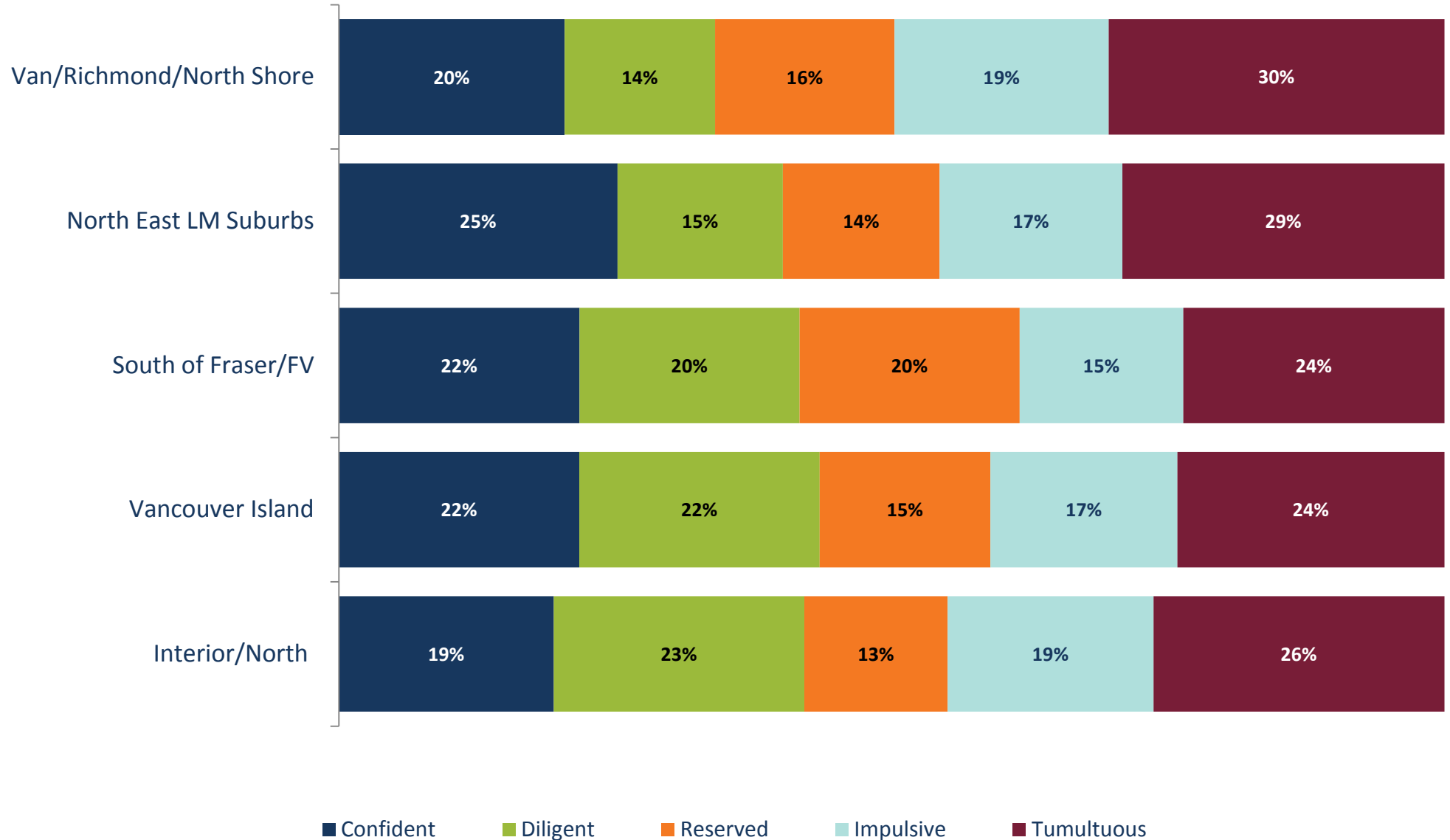
What are the personality traits of each group?

This chart shows the average percentile score on each trait among each of the groups.



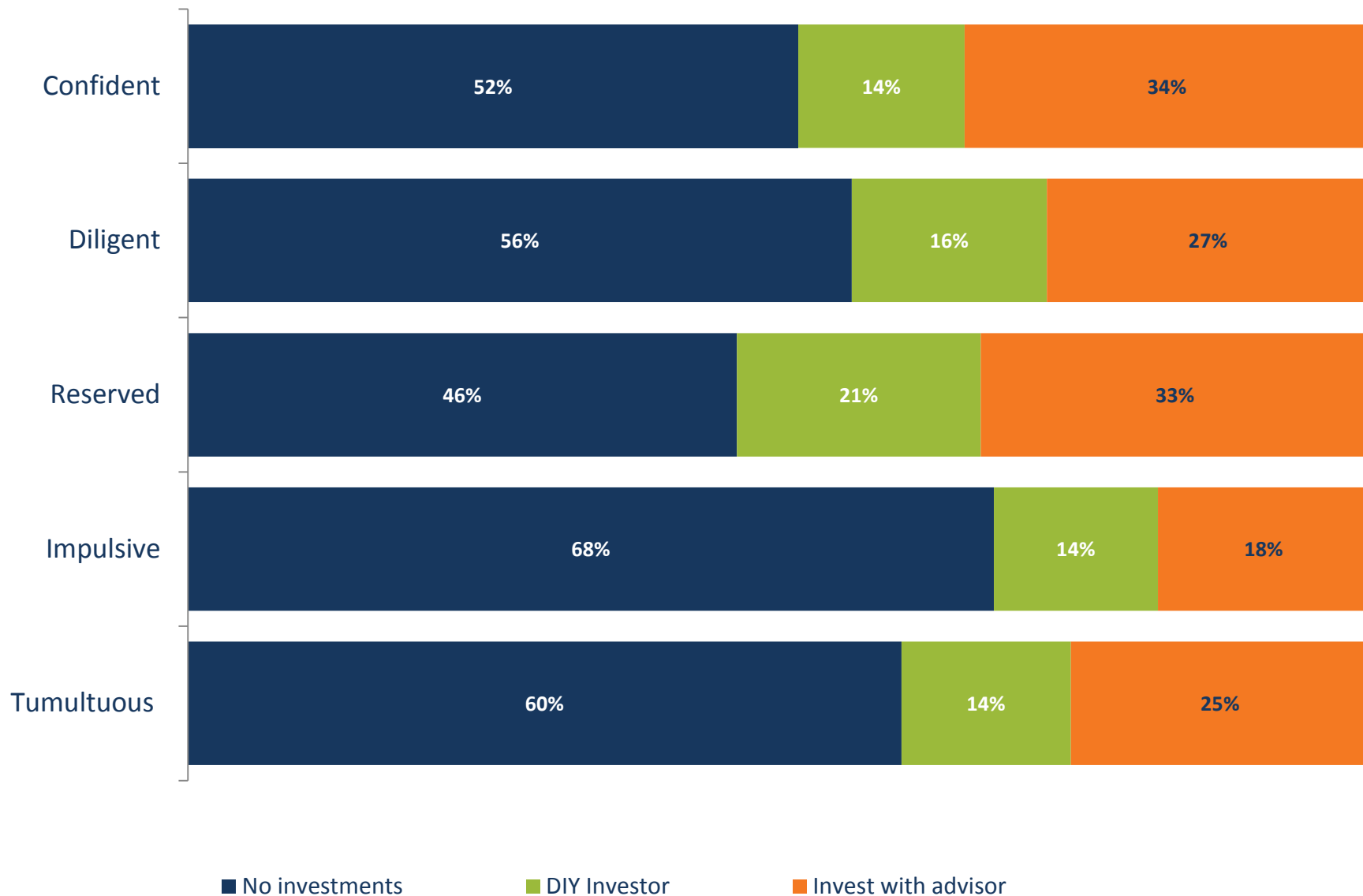
Personality Type by Regions: Van/Richmond/North Shore has much less diligent investors than Interior/North

Regional segmentation:



Reserved most likely to invest; confident and reserved are more likely to work with advisors

Advisor segmentation:



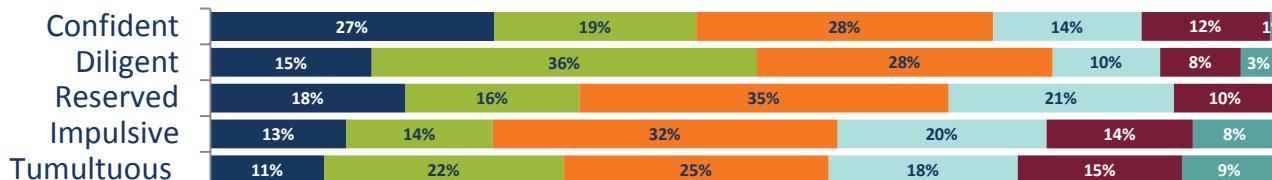
Impulsive least likely to wait, conduct research, or ask questions; tumultuous don't wait or refer to financial plans



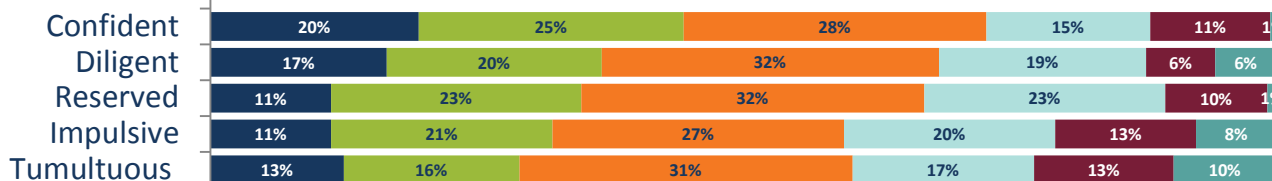
How often do you take the following steps to ensure that an investment you've been offered is suitable for you and your risk profile?

[asked of all respondents]

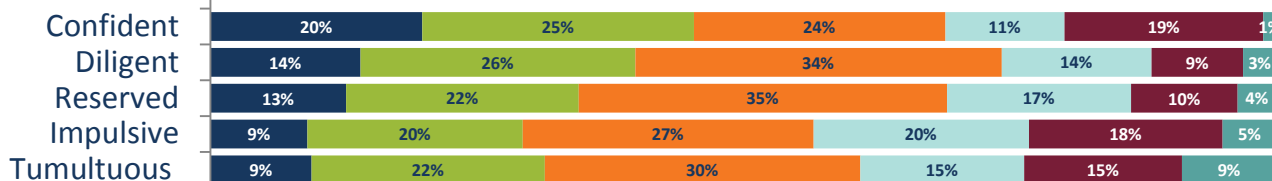
Ask your investment advisor questions about the investment's suitability for your risk tolerance and portfolio mix



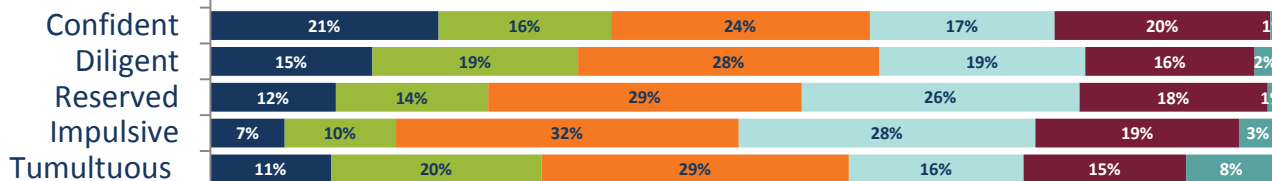
Refer to your financial plan



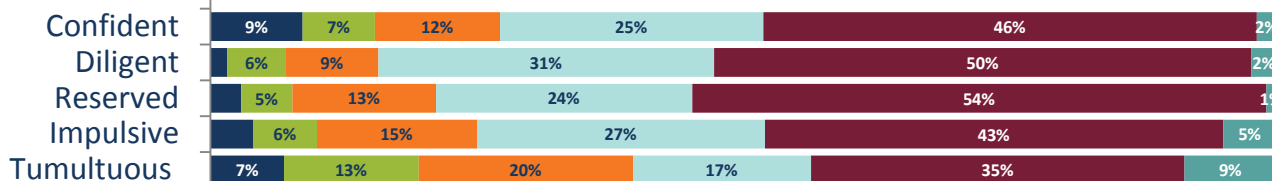
Wait a day or more before deciding to invest



Conduct independent research



Consult a third party, such as an accountant or lawyer not related to the investment

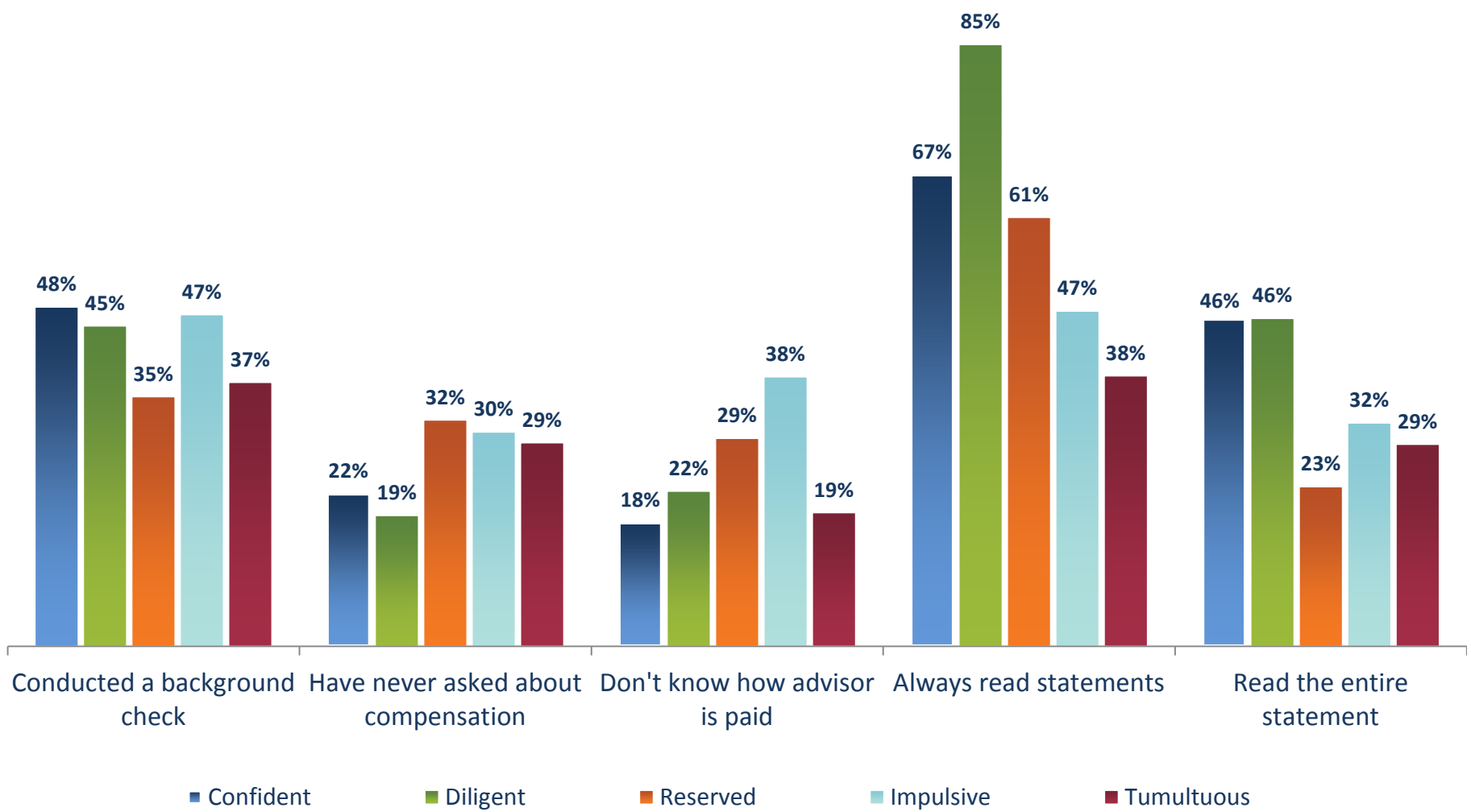


Always Often Sometimes Rarely Never Don't know

Note: Those who say the behaviours are not applicable to them are not shown

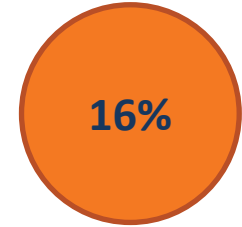
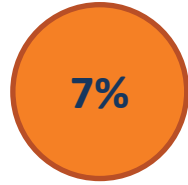
Diligent people more likely to report always reading statements, but less likely to report having asked about compensation

Key behaviour and knowledge in the client-advisor relationship:



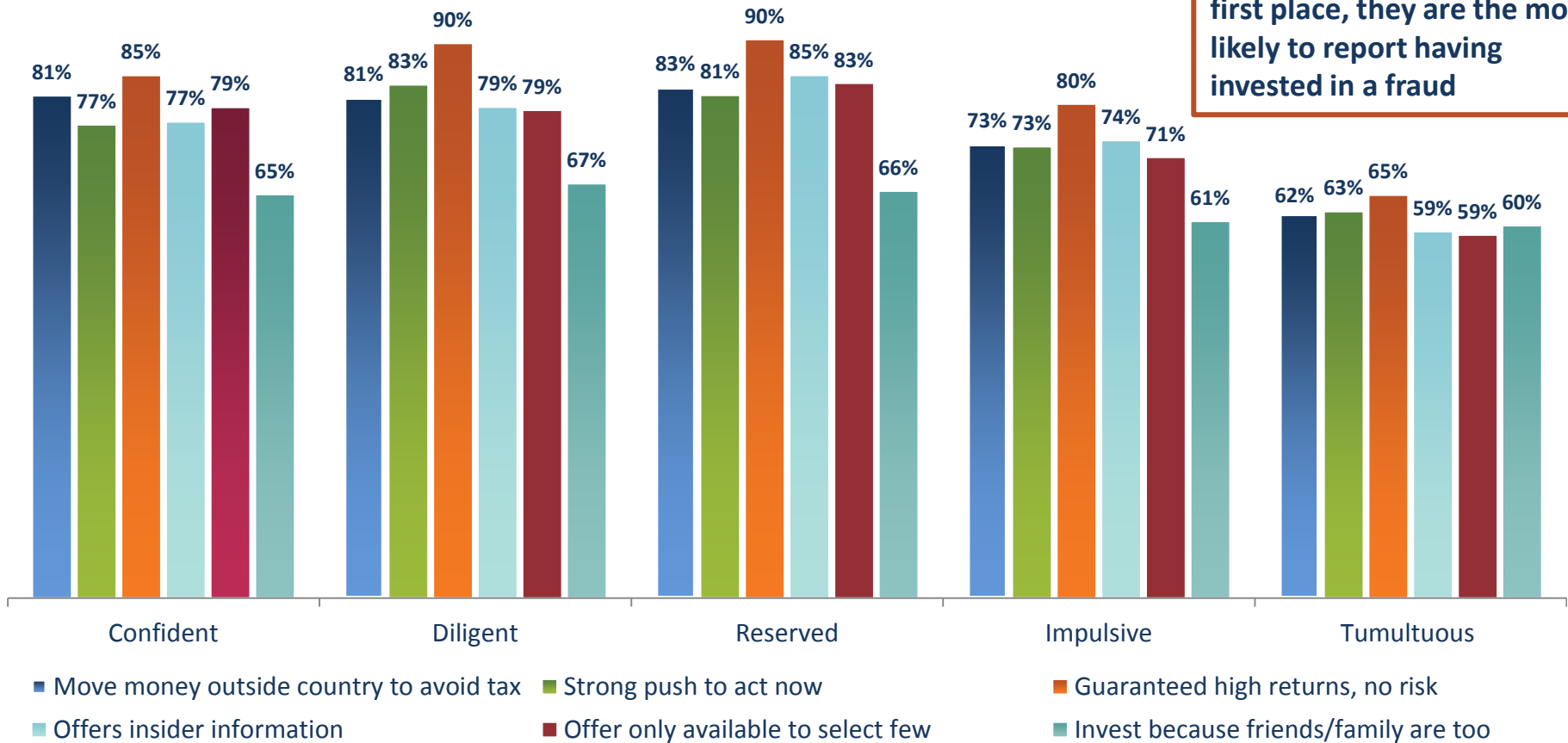
Tumultuous people are not able to recognize warning signs but are more likely to report being victims of fraud

To what extent did each personality type report having invested in a fraud?



Who is able to recognize warning signs of fraud?

Although tumultuous are the least likely to invest in the first place, they are the most likely to report having invested in a fraud



British Columbia Securities Commission & InvestRight

BC SECURITIES
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bcsc.bc.ca
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The BC Securities Commission's mission is to protect and promote the public interest by fostering a securities market that is fair and warrants public confidence and a dynamic, competitive securities industry that provides investment opportunities and access to capital.

A key goal of the BC Securities Commission is to help investors protect their financial interests. Our investor education website, InvestRight.org, provides investors with the tools to research and assess potential investments in order to protect people from unsuitable or fraudulent investments.

Innovative Research Group



www.innovativeresearch.ca

Innovative Research Group Inc. is a national public opinion research and strategy firm with offices in Toronto and Vancouver.

We provide critical information needed to assess and overcome public affairs and corporate communications challenges, identify and evaluate potential solutions, and monitor outcomes.

Appendix:

Note on Cluster Methodology

Cluster methodology

The use of cluster analysis to group respondents by patterns of personality traits is part of the “person-centered” approach to personality (Sava and Popa, 2011). As Sava and Popa note, most of this work originates from Block and Block’s (1980) three cluster approach and subsequent studies have found personality typologies to have as much or more explanatory power than multivariate analysis using individual traits. This makes the approach especially useful given the added parsimony it provides and the fact that results are straightforward to present and interpret.

The cluster centers here were arrived at using k-means clusters and are based on the prototypes identified in the literature by Sava and Popa and, in particular, the cluster centres identified in their own research. However, we also observed some differences in this sample of Canadians aged 35 or above compared to other results discussed in the literature. The relationship between the prototypes described in Sava and Popa and our own results are presented below.

Cluster	Closest prototypes	Characterized by
Confident	Resilient	High scores on all 5 traits
Diligent	Resilient (but introverted)	High scores on all traits except for extroversion
Reserved	N/A	Low scores on extroversion and openness to experience
Impulsive	Strain	High scores on agreeableness and low scores on emotional stability and conscientiousness
Tumultuous	Under-controlled	Low scores on agreeableness, emotional stability, and conscientiousness