

Public Opinion Research

**British Columbia
Investment Fraud
Vulnerability
Insights**

Key Highlights



MARCH 2015



These materials are intended for use as general information to understand investment fraud vulnerability in British Columbia. 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 publisher. The data is current as of March 2015.

All rights in these materials are reserved except that the British Columbia Securities Commission grants permission to media and non-profit organizations involved in fraud awareness and investor education to reproduce, without modification, excerpts for educational use and policy-making purposes in Canada.

Copyright © 2015 British Columbia Securities Commission

The British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, BC
V7Y 1L2

Find the full report [here](#).

About this Study

The **British Columbia Securities Commission** (BCSC) engaged **Innovative Research Group Inc.** to survey the extent of fraud vulnerability among British Columbians aged 50+ (“older British Columbians”).

Previous research tells us that anyone can fall victim to investment fraud. Much of it comes down to trust – the way in which fraudsters get to their victims. Young or old, rich or poor, financially literate or not, the power of trust transcends all barriers when it comes to the likelihood of falling victim to investment fraud.

While anyone can be a potential victim, what you **think, feel,** and **do** matters when it comes to investment fraud vulnerability. This means thinking about investments the right way, feeling confident and financially secure, and taking steps to avoid risky situations.

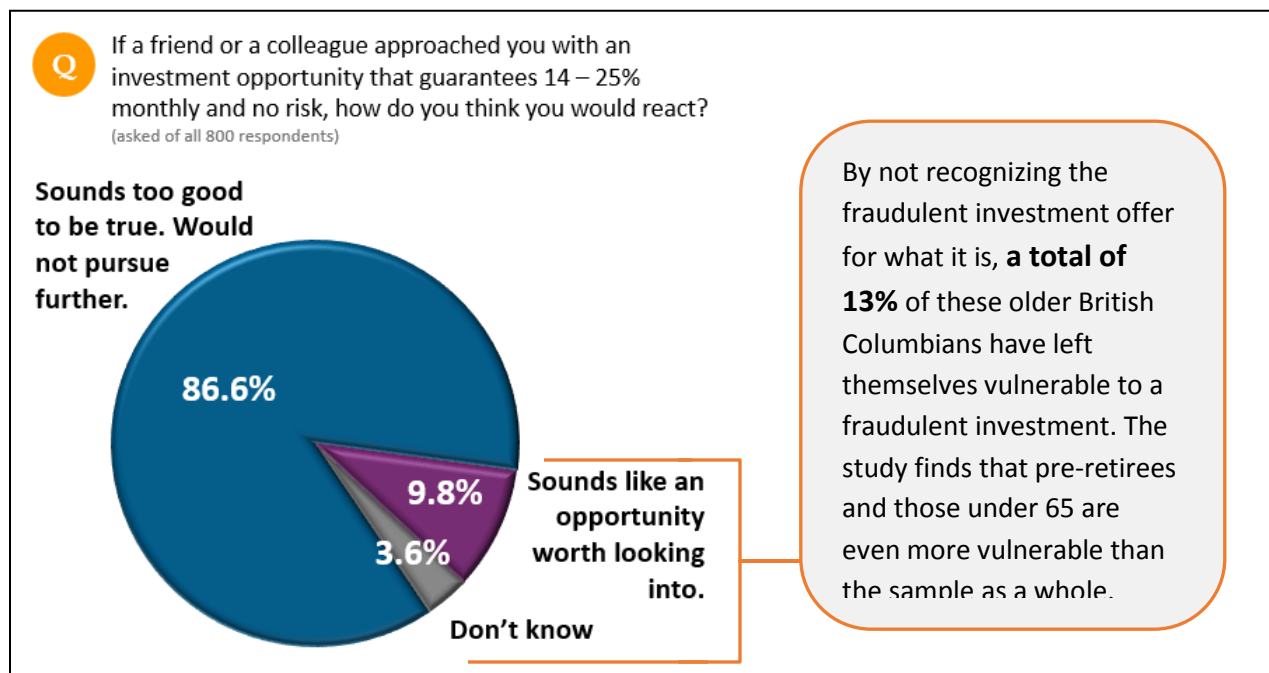
The present study goes beyond an examination of overall levels of vulnerability by testing a key example of each of the think, feel, and do principles, showing that each has its own distinct impact on vulnerability to investment fraud.

A key component of the BCSC’s mandate is to protect and promote the public interest by fostering a securities market that is fair and warrants public confidence. Having a better understanding of British Columbians’ vulnerability to investment fraud helps the BCSC provide more targeted and effective investor protection programs.

Key Highlights

1-in-8 British Columbians 50+ are vulnerable to investment fraud. What you think, feel, and do matters to how vulnerable you are when it comes to investing.

The *British Columbia Investment Fraud Vulnerability Insights* study tested how older British Columbians would react to a clearly fraudulent investment offer. Survey respondents were asked: *If a friend or a colleague approached you with an investment opportunity that guaranteed a 14–25% monthly return and no risk, how would you react?* When confronted with this fraudulent offer there is only one right answer: that’s just too good to be true. Of those surveyed, **13% leave themselves vulnerable to investment fraud** because they would actively consider the offer or don’t know what they would do.



Why do people consider the offer?

The study finds that expectations about rate-of-return matter for vulnerability. This was underscored when we asked respondents who thought that the offer was worth looking into why they would consider it, they told us that they wanted to make money, the rate-of-return looked attractive, and it sounded like a good investment.

What you think, feel, and do matters

The study shows that **what you think, feel, and do matters** to how vulnerable you are when it comes to investing. We looked at three key correlates of investment fraud vulnerability and found that each of them matters when it comes to fraud vulnerability:

- **THINK—Rate-of-return:** Those who have reasonable expectations about current rates of return on investments¹ are significantly less vulnerable than those who have unreasonable ones or just don't know.
- **FEEL—Fear of running out of money:** Older British Columbians who told us they were afraid of running out of money in retirement were twice as likely to be vulnerable as those who were not afraid
- **DO—Good investment behaviours:** the survey asked respondents whether they conducted background checks on their advisors and found that those who often or always do so are less vulnerable

THINK – Rate-of-return			
	Response to fraudulent offer:		
	Worth looking into	Don't Know	Total vulnerable
<i>Reasonable</i>	7%	1%	8%
<i>Unreasonable</i>	14%	2%	16%
<i>Don't Know</i>	10%	9%	19%

Rate-of-return:
Those with reasonable expectations have significantly lower vulnerability (8%) than those with unreasonable ones (16%)* or those who don't know (19%)*

FEEL – Fear of running out of money			
	Response to fraudulent offer:		
	Worth looking into	Don't Know	Total vulnerable
<i>Afraid</i>	15%	3%	18%
<i>Neutral</i>	10%	6%	16%
<i>Not afraid</i>	6%	3%	9%

Fear of running out of money:
Agreeing that they are afraid of running out of money (18%) leaves respondents **twice** as vulnerable than those who are not afraid (9%)*

DO – Advisor background check			
	Response to fraudulent offer:		
	Worth looking into	Don't Know	Total vulnerable
<i>Always/often</i>	8%	2%	10%
<i>Sometimes</i>	12%	5%	17%
<i>Rarely/Never</i>	11%	4%	15%
<i>No advisors</i>	9%	5%	14%

Advisor background checks:
There is higher vulnerability among those who only sometimes (17%) or rarely/never (15%) check their advisor's registration or disciplinary history, than among those who do always/often do so (10%).**

* These differences are statistically significant with 95% confidence
 **This difference is statistically significant with 90% confidence

¹ The BCSC looked at the nominal rate-of-return for three common investment types—3-month T-bills, Canadian bonds, and Canadian equities. The 5-year average nominal return on such a portfolio between 2010 and 2014 was 4.85%. For the purposes of this study, a “reasonable” market rate-of-return today is considered as anything 5% or less.

Methodology

British Columbia Investment Fraud Vulnerability Insights is based on a random digit dialing telephone survey conducted by Innovative Research Group Inc. (INNOVATIVE).

The survey consisted of a representative sample of 800 British Columbians aged 50 and above between March 16th and 23rd, 2015.

The 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 50 years of age or older.

A random probability sample of this size has an estimated margin of sampling error of +/-3.5 percentage points, 19 times out of 20. The margin of error is larger within each sub-grouping of the sample.

About the British Columbia Securities Commission



The [BC Securities Commission](#) mission is to protect and promote the public interest by fostering:

- A securities market that is fair and warrants public confidence
- A dynamic and 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 website, [InvestRight.org](#), provides investors with the tools to research and assess potential investments in order to protect people from unsuitable or fraudulent investments.

About Innovative Research Group



[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.