

Investor Readiness for Better Investing 2016-2017 Panel Study: Part 3

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BC SECURITIES
COMMISSION



Research Objectives & Methodology

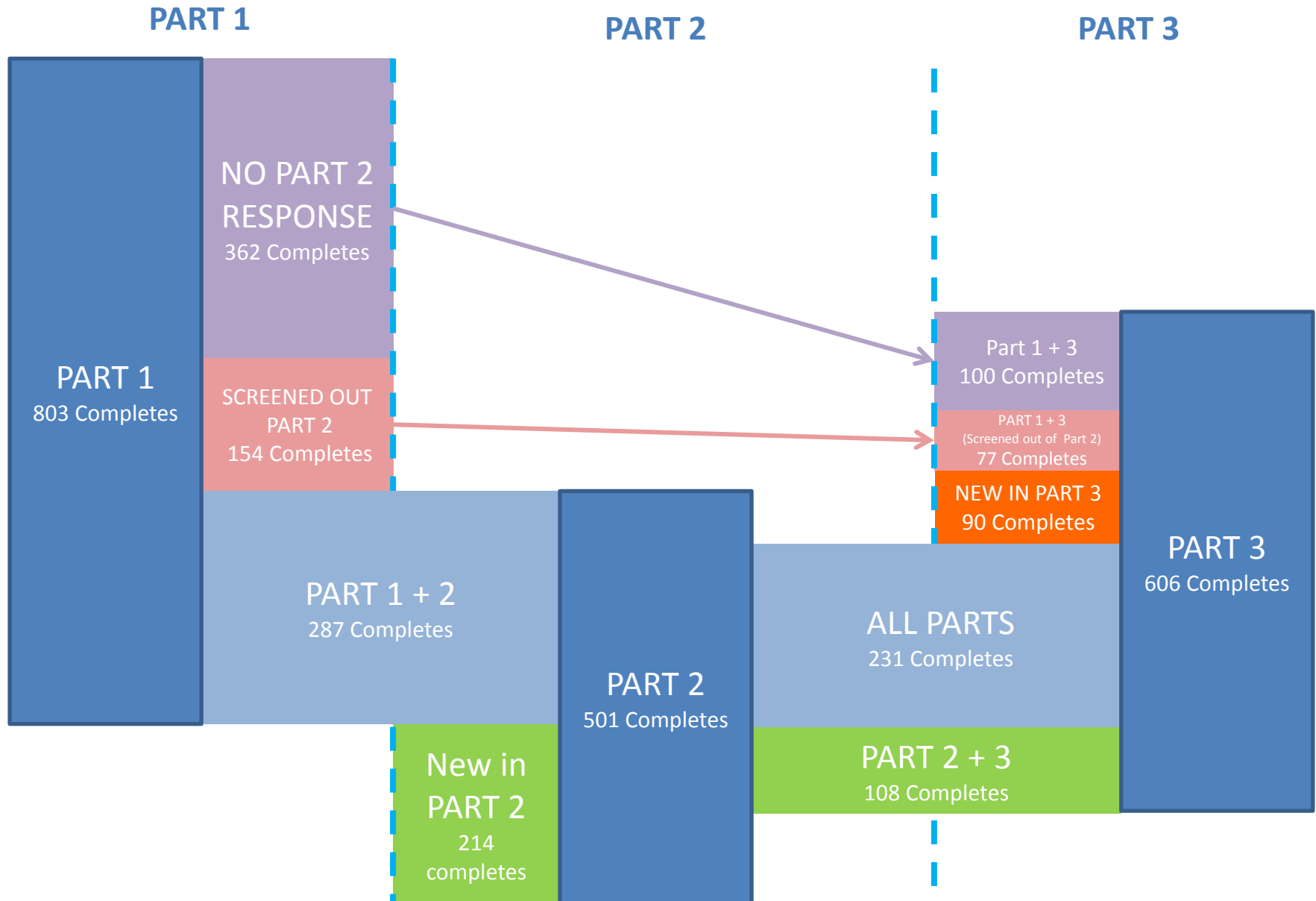
Research Objectives

- The final phase of Client Relationship Model, Phase 2 (CRM2) came into effect in July 2016. The new securities rules mandate disclosure by investment advisors in the form of annual fee and performance reports for clients. The reports detail what the client is paying the advisor directly, what compensation their advisor receives from third parties for the securities the client holds, and the performance of each security in their portfolio.
- The British Columbia Securities Commission (BCSC) wants to understand and explain the effect of the CRM2 annual reports on the knowledge, attitudes, and behaviour of investors and engaged Innovative Research Group (INNOVATIVE) to conduct a longitudinal study of BC investors who hold securities and invest through an advisor.
- The research goal was to explain changes in knowledge, attitudes, and behaviour that occurred after investors received their annual fee and performance disclosures for the first time.
 - The key benefit of a longitudinal study is that as many of the same respondents as possible are re-interviewed in each part. This way, the research can clearly identify real changes in individual respondents' answers over time and seek to explain not just how much, but *why*, people's knowledge, attitudes, and behaviours changed.
- This research has three parts. Part 1, conducted November/December 2016, surveyed 803 BC investors who work with a registered advisor *before* they received their first CRM2 annual reports. Part 2, conducted March/April 2017, surveyed 501 BC investors who had received their CRM2 reports, including repeat interviews with 287 of the respondents from the first part and 214 new interviews.
- This report covers the third and final part of this research, conducted in June 2017. Part 3 reports on 606 completed surveys with BC investors, both those who did and did not receive a CRM2 annual report. There were 90 new respondents, 231 who completed all three surveys, 108 who completed the second and third surveys, and 177 who completed the first and third.
- The surveys also include a large number of demographic, attitudinal, personality, and knowledge segmentation questions that will help provide concrete explanations for any changes that are observed.

Methodology

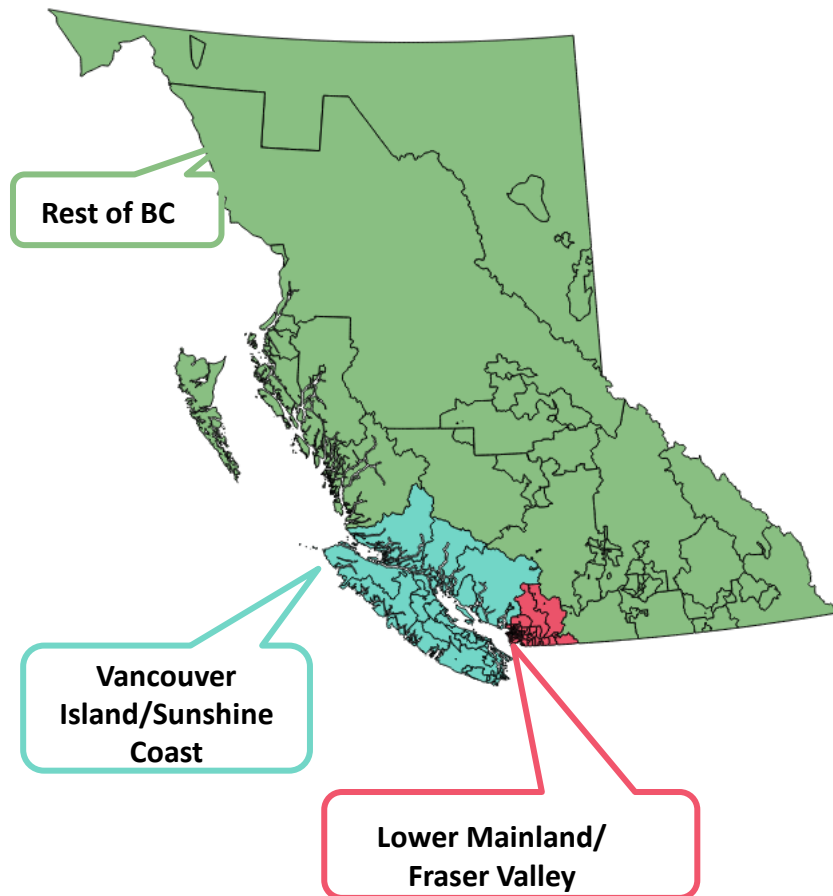
- These are the findings of an INNOVATIVE survey conducted from June 8 to 22, 2017.
- Respondents to this online survey come from INNOVATIVE's Canada 20/20 panel with additional respondents from Survey Sampling International (SSI), a leading provider of online samples.
- INNOVATIVE provides each panelist with a unique URL via an email invitation so that only invited panel members are able to complete the survey and they can only complete a particular survey once.
- Only respondents who hold securities and invest through an advisor were eligible for the study. In addition, only respondents who had already received their 2016 CRM2 reports were eligible to participate in Part 2.
- The sample is weighted according to Statistics Canada census data by age, gender, and region, of the entire population who responded to a survey invitation, before non-qualifying investors were screened out.
- All 501 respondents who participated in Part 2 were contacted to participate in the final, Part 3, survey. Of these, 339 responded (68% re-contact rate). The re-contact rate was notably higher among those who had participated in both Parts 1 and 2: 231 of the 287 (80%) responded and completed the final survey. We invited Part 3 participation from the 571 respondents who participated in Part 1, but either did not respond to the invitation to participate in Part 2 (362) or were screened out because they had not received a CRM2 report (154). Of these, 100 Part 1 respondents (28% re-contact rate) and 77 no CRM2 report respondents (50% re-contact rate) completed the Part 3 survey.
- This is a representative sample; a margin of error cannot be calculated, however, because the online survey was not a random probability based sample. The Marketing Research and Intelligence Association prohibits statements about margins of sampling error or population estimates with regard to most online panels.

Respondent Sample Structure



Region

The respondents for this survey come from the following regions in BC:



BC Regions	Part 1	Part 2	Part 3
Lower Mainland/ Fraser Valley	61% (490)	61% (306)	61% (367)
Vancouver Island/ Sunshine Coast	22% (176)	20% (100)	22% (133)
Rest of BC	17% (134)	19% (95)	17% (100)
Total	n=800	n=500	n=600

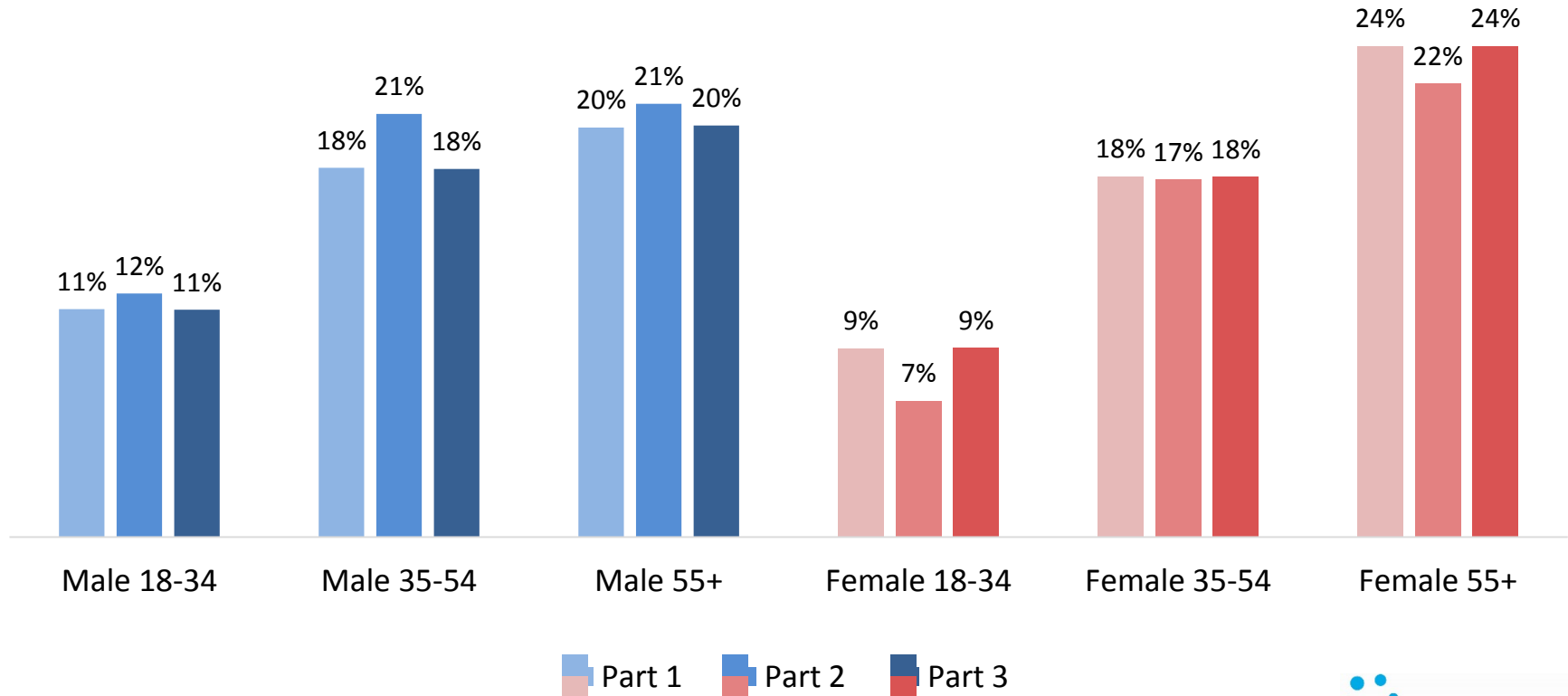
Demographics



Part 3: 49%
Part 2: 54%
Part 1: 49%



Part 3: 51%
Part 2: 46%
Part 1: 51%



Report Outline

Executive Summary

Page 9

Overall Results

Page 16 – Potential drivers of change: What are the frequencies of the potential drivers of changes in knowledge, attitudes, and behaviour measured throughout the study. This section also introduces a key segmentation used throughout the report: more confident vs. less confident investors.

Page 28 – Key segmentation demographics: Outlines demographic differences in the key segmentation variable.

Page 34 – Overall tracking results: Overall tracking results between Parts 1 and 3, broken out by demographics and our key segmentation variable.

The longitudinal data: Understanding individual changes over time

Page 54 – Longitudinal tracking: Looking at tracking questions over all three parts among repeat panelists. This shows the dynamics of individual changes in answers over the study period.

Page 60 – Intention vs. Action: Comparing intentions expressed in Part 2 to action in Part 3. This demonstrates the degree to which intentions were followed through on.

Page 64 – Changes in knowledge and understanding: Looking at individual level changes in specific fee knowledge and general fee understanding and seeking to explain what factors correlate with these changes.

Page 77 – New actions: Looking at individuals who took **new** actions after receiving their CRM2 report and seeking to understand who they are and why they acted.

Regression analysis

Page 85 – Regression analysis: Using regressions to sort out what drivers predict new action once all other variables are held constant.

Executive Summary

Introduction

The BCSC's longitudinal study on *Investor Readiness for Better Investing* tracked a panel of investors who work with advisors between November 2016 and June 2017. Although all investors should have received their first annual CRM2 reports in the first half of 2017, the study shows that not all investors were aware of the reports, with some saying they did not receive them.

- Overall, the study showed that more confident investors who received the CRM2 report followed through on their intention to communicate more with their investment advisor, change their fee arrangement, change the mix of products in their portfolios, or change their advisor or firm.
- By contrast, less confident investors showed a greater increase in knowledge and awareness of the fees they paid, but did not follow through on intentions to communicate more with their investment advisor, change their fee arrangement, change the mix of products in their portfolio, or change their advisor or firm.

This distinction between more confident investors and less confident investors is used throughout the report to explain differences in the panel over time. More confident investors are those who know how to look for and evaluate firms, advisors, and investment products, are comfortable dealing with investments and confident making investment decisions, and tend to rely on their own knowledge when investing.

- More confident investors are more likely to be men over 55 and less likely to be women 35 to 54. They are more likely to have a post-graduate education than less confident investors and are more likely to have larger investment portfolios (over \$500,000) and larger household incomes (over \$150,000).
- More confident investors are also more likely to be those people who always read statements from their investment advisors and when they do they read the entire statements.

Regression analysis showed that the most important factors underlying confidence are market competence (know how to choose between investments or firms) and emotional barriers (whether investors feel overwhelmed by investing or enjoy it).

- Those with more market competence started out with more knowledge and regression analysis showed they were less likely to increase knowledge or change their behaviours. On the other hand, the regression analysis showed that emotional barriers prevented investors from increasing their knowledge or changing their behaviours, all else being equal.

Tracking Findings Pre- and Post-CRM2

Knowledge of specific and general investment fees increased between Parts 1 and 3, especially among those who were less familiar before receiving a CRM2 report. But this increase is not enough to close knowledge gaps between more confident and less confident investors.

- Overall familiarity with direct and indirect fees paid by investors increased between Parts 1 and 3, with net familiarity rising 15%. More said they were familiar with both the total direct fees they paid (net agreement up 8% to 35%) and the indirect fees paid by third parties to advisor firms (net agreement increased from 0% to 9%).
- More knew that some fees can be negotiable (net agreement up 8%), that similar products can have different fees (up 11%), and that every dollar paid is one less earned (7%).
 - Increase in fee knowledge was higher among less confident investors, with net familiarity with direct and indirect fees increasing by 15% over the seven-month study. Investors with smaller portfolios (less than \$50k) showed significantly improved fee knowledge, with net familiarity and agreement increasing about 15%.
 - Women and investors with smaller portfolios were also much more likely between Parts 1 and 3 to agree that fees can be negotiable (11% and 10% increase respectively) and that similar products can have different fees (15% and 21% increase).
 - Although notable, these improvements did not close an important gap revealed by the study, namely the knowledge gap between more confident and less confident investors and those with larger and smaller portfolios. When surveyed for Part 1, more confident investors knew more than less confident investors; when surveyed seven months later for Part 3, they still knew more (net agreement 79% versus 32% on direct fees). Between Parts 1 and 3, investors with smaller portfolios similarly knew less than those with larger portfolios (66% net agreement versus 80% net agreement that similar products can have different fees).

Trust and satisfaction remain high, small decline following receipt of CRM2 reports

- Trust in advisors remained high overall, with 83% describing their trust as very or somewhat strong despite a three point drop from Part 1. The decline was slightly larger among smaller investors, women, and less confident investors (4-6%).
- Looking at net satisfaction in the client-advisor relationship, e.g., value for fees paid and investment performance, the study showed generally high satisfaction, although satisfaction with value for fees (+53%) ranked behind relationship (+70%) and investment performance (+63%), and net satisfaction with communication from advisor dropped by 6% from +71% to +65% between Part 1 and Part 3.
 - Satisfaction with fees increased among less confident investors by 5% and decreased among more confident investors by 9% during the study period. Overall, however, more confident investors remain more satisfied than less confident investors with the value they receive for the fees they pay (77% are satisfied versus 60% are satisfied).

Changes in Fee Knowledge and Understanding Over Time

In this report we look at changes over time in two different ways. First, changes between the Parts 1 and 2 overall samples, which show overall changes in investors in a seven-month period. Second, longitudinal changes within the sample of investors who completed all three surveys, which show real change among the same set of investors over time.

The study shows an overall increase in fee knowledge among less confident investors. The longitudinal sample shows, however, that many of those whose knowledge increased in Part 2 declined again by Part 3 of the study. Clearly, knowledge fades.

- Among those who completed all three surveys, we see that large net agreement gains in awareness between Parts 1 and 2 reversed themselves in Part 3, for both awareness of fee types paid and how much paid.
- Within the overall sample of all investors, knowledge of both total direct and total indirect fees paid increased slightly between November and June (51% to 57% and 34% to 41% respectively). These gains were concentrated among less confident investors (+7% and +5% for each). By contrast, more confident investors, who had started off in November with greater fee knowledge, showed little change.

Knowledge increased moderately in three areas, namely that: some fees can be negotiable; every dollar in fees is a dollar less in returns; and similar products can have quite different fees.

- The most notable increase was among less confident investors, on the subject of similar products having different fees (up 13%). Agreement here started very high among more confident investors and also increased 7%.
- With the exception of total fee knowledge noted above, net knowledge was mostly sustained between Parts 1 and 2 in the longitudinal sample. For example, net agreement that similar products can have different fees improved from +68% in Part 1 to +83% in Part 2, and remained at +81% in Part 3.

Tracking Satisfaction/Trust and Intention vs. Action

When it comes to satisfaction and trust in investment advisors, there was little change overall between Parts 1 and 3 among investors who received a CRM2 report. Among those who did not receive the report, however, overall relationship satisfaction, and satisfaction with advisor communication, dropped substantially.

- Among those who received reports, overall net satisfaction with overall advisor relationship was relatively stable in the dimensions of value for fees, performance, and communication, with the largest change a 6% decline in satisfaction with communication.
- But among those who did not receive reports, there was a 15% decline in satisfaction with the overall relationship and a 20% decline in satisfaction with communication with their advisor.
- A similar pattern stands out in the dimension of advisor trust. Overall, 'Very strong' and 'Somewhat strong' trust were relatively stable (35% and 48%) in both Parts 1 and 3 among those who received the reports while 'Very strong' and 'Somewhat strong' trust declined 10 points from 83% to 73% among those who did not.

A key finding of Part 3 is that most respondents did not follow through on the intentions to act they had expressed in Part 2. But intentions clearly do matter: those who expressed 'Very likely' intentions to take certain actions such as talk to their advisor about fees or performance, change their product or fee structure, or change advisors or firms were much more likely to take those actions. Confidence also matters: more confident investors who expressed specific intentions in Part 2 were the most likely to have followed through on those intentions by Part 3.

- There was a large difference between those who said 'Very likely' and 'Somewhat likely'. One in three who said they were 'Very likely' to talk to their advisor about fees did so, compared to just 17% who said they were 'Somewhat likely'.
- There was also a marked difference in follow-through when it came to which actions investors intended to take. Although 42% of those 'Very likely' and 20% of those 'Somewhat likely' to talk to their advisor about performance did so, fewer than one-in-ten who said they were Somewhat or 'Very likely' to change their fee arrangement did.
- More confident investors who said they were 'Very likely' to act were the most likely to do so. Fully 60% followed through on their intention to talk to their advisor about performance, 46% followed through to talk to their advisor about fees, and more than one-third followed through and changed their advisor or firm, or their products mix. By contrast, only between 11% and 25% of less confident investors followed through on the actions they intended to take.
- When the study introduced an educational video in Part 2, we saw respondents' intentions to act increase, but the effect seems to have been short-lived. Only 24% of those who saw the video and said they were 'Very likely' to talk to their advisor about fees followed through. By comparison, 49% of those who did not see the video and expressed the same intention did follow through.

Dynamics of Changes in Knowledge and Awareness

Because this longitudinal study speaks to the same investors over a seven-month period, we can see at an individual level which respondents' knowledge and behaviour changed over time. The results show that receiving a CRM2 report increased knowledge most among less confident investors and those who did not regularly connect with their advisor. In the dimension of behaviour, however, receiving a CRM2 report had the greatest impact on more confident investors, those who already connect with their advisor, and those with larger portfolios.

Changes to knowledge and understanding between Parts 1 and 3

- Overall, knowledge of specific fees paid improved among 34% of respondents, while for 35% there was no change, and for 31% it worsened. General fee knowledge improved for 47% , while 31% showed a decline in fee knowledge.
- 42% of less confident investors showed an overall increase in their knowledge of the specific fees they pay, with more than half of these showing improved general fee knowledge.
 - By contrast, only 30% of more confident investors showed an increase in specific fee knowledge and 38% actually showed a decline. General fee knowledge increased among 46% of more confident investors, while among 28% of more confident investors it decreased.
- Knowledge improvements were also greater among conscientious respondents (37%), those who are cognitively engaged (39%) and those more comfortable reading statements (35%).
- Among investors who talk to their advisor less than once a year, knowledge of specific fees improved 40% while 36% of those who talk to their advisor more frequently (at least quarterly) showed a decline in knowledge.

Changes to behaviour

- We looked at behaviour changes singling out respondents who, as of November 2016, had not had recent communication with their advisor or had not made recent changes to their account, but who, as of March or June 2017, had **newly** taken any of these steps.
- Overall, 56% took no new action after receiving their CRM2 report. **At most**, 13% engaged in new communication with their advisor, 21% changed products or fee arrangements, and 9% went so far as to change their advisor or firm.
- less confident investors were more likely than more confident investors to take **no** action (57% and 48% respectively). Those who talk to their advisor infrequently (less than once a year) were the least likely to take some action, with 76% taking no new action after receiving their CRM2 report.

Highlighting Age Differences

Many of the changes over the study period were seen among investors younger than 55.

- Increased awareness of the amount of fees paid was concentrated among 35-54 year olds. This group saw a 13% increase in awareness of direct fees paid and an 11% increase in awareness of indirect fees. Looking at younger investors, aged 18-34, we saw awareness of direct fees paid decline 1% and awareness of indirect fees increase 3%. Those over 55 showed a 5% increase on both types of fee awareness.
- Looking at individual level changes, 39% of those 35-54 showed improvements in fee knowledge while for 26% fee knowledge declined. Among 18-34 year olds, fee knowledge was more likely to decline (28%) than improve (19%). Increased fee knowledge among those over 55 were evenly split (36% vs. 37%).
- When it comes to general fee knowledge, the results were more mixed. On the question of whether a 1% difference in fees does not make much difference to returns, where we look for a decrease in agreement, agreement among 18-34 year olds increased from 40% to 50%. Yet the same age group correctly showed the greatest increase in agreement on the question of similar products having different fees, with a 17% increase compared to 7% among 35-54 year olds, and 13% among those 55 and older.
- Looking across four knowledge questions at individual-level changes over time, we see that all age groups were more likely to generally improve than to decline. However, those over 55 were most likely to change in all areas (84%), while those 18-34 were most likely of any age group to remain unchanged (34%).
- When it came to taking new steps, there were no substantial differences across age groups on taking any kind of new step, with 57% of those 18-34, 58% of those 35-54, and 55% of those 55+ taking no action.
- There were some differences on the types of actions taken. Those *over* 55 were more likely to change their fee arrangement or product mix (26%, vs. 17% among 35-54 year olds and 19% among 18-34 years olds). And, those *under* 55 were more likely to change their advisor or firm (14% among 18-34 year olds, 12% among 35-54 year olds) than those over 55 (6%).

Potential Drivers of Change

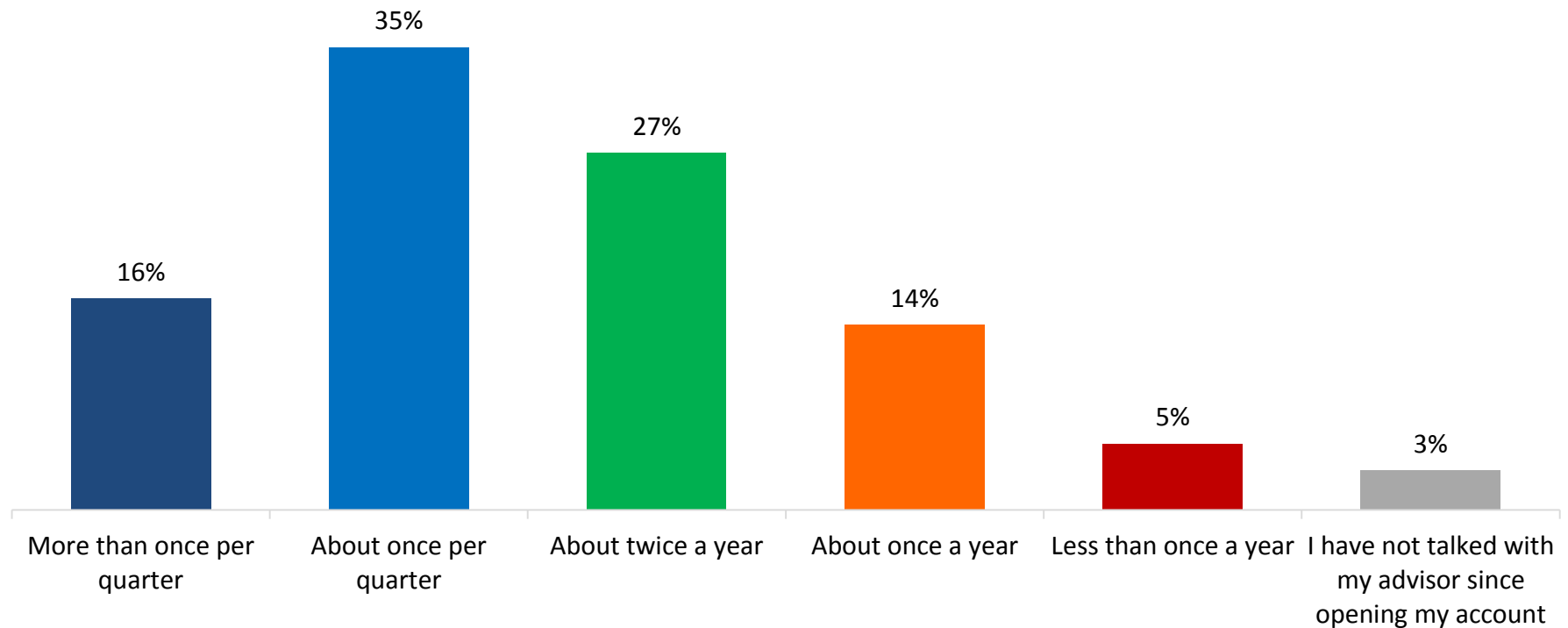
The questions in this section were asked of every participant in the study only once. Some of them are used to drive a key segmentation: more confident vs. less confident investors. All of them are used later in the report to help understand what factors underlay the dynamics of changes in the panel over the study period.

Potential Drivers

- This section shows the topline results for questions that were asked of every respondent the first time they completed a part of the longitudinal study.
- Results are shown for the weighted sample of Part 3 respondents.
- These are questions that measure a range of likely drivers or barriers for changes in knowledge, attitudes, or behaviour over the course of the study.
- Some of these measures are also used to create a key segmentation used throughout the report (more confident vs. less confident investors).

Advisor Communication: 1-in-3 investors say they communicate with their advisor about once per quarter

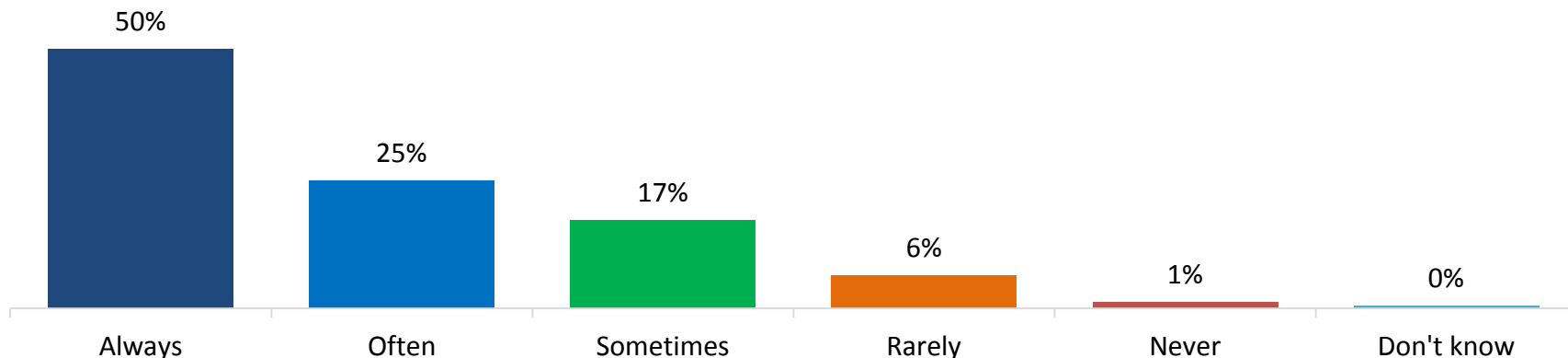
Q How often do you communicate with your investment advisor about your investments?
[asked of all respondents, part 3 n=600]



Statements: Half of all respondents (50%) always read statements, less than 1-in-10 rarely or never read them

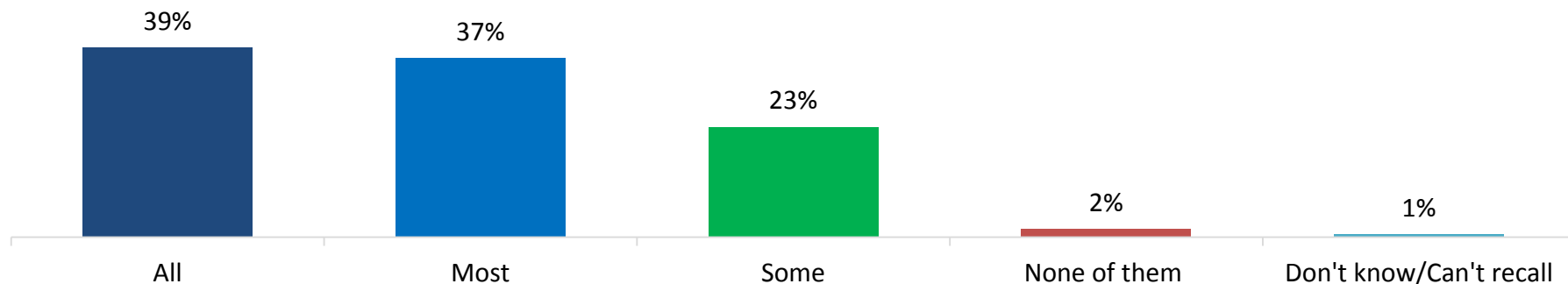
Q

When you receive your investments statements, how often do you read them? This includes reading the whole thing or only looking at certain parts of them. [asked of all respondents, part 3 n=600]



Q

When you do review your statements, do you generally read all, most, some, or none of them? [asked of those who at least rarely review statements; n=590]

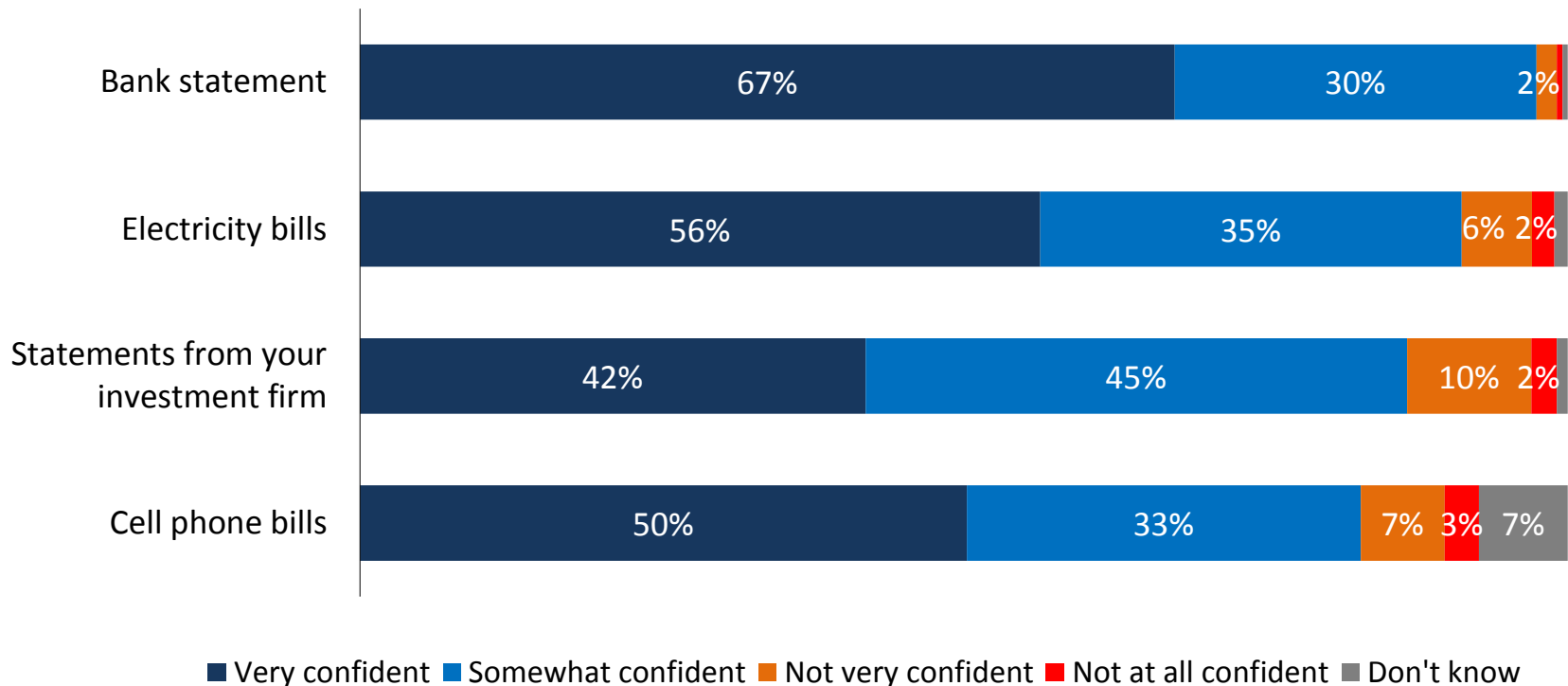


Statements Literacy: Nearly all respondents confident in their understanding of their statements and bills

Q

There are a number of basic services that provide statements on a regular basis. These can include your investment firm, a bank, your cell phone provider, or your electricity company. How confident are you when it comes to understanding the following types of statements?

[asked of all respondents, part 3 n=600]

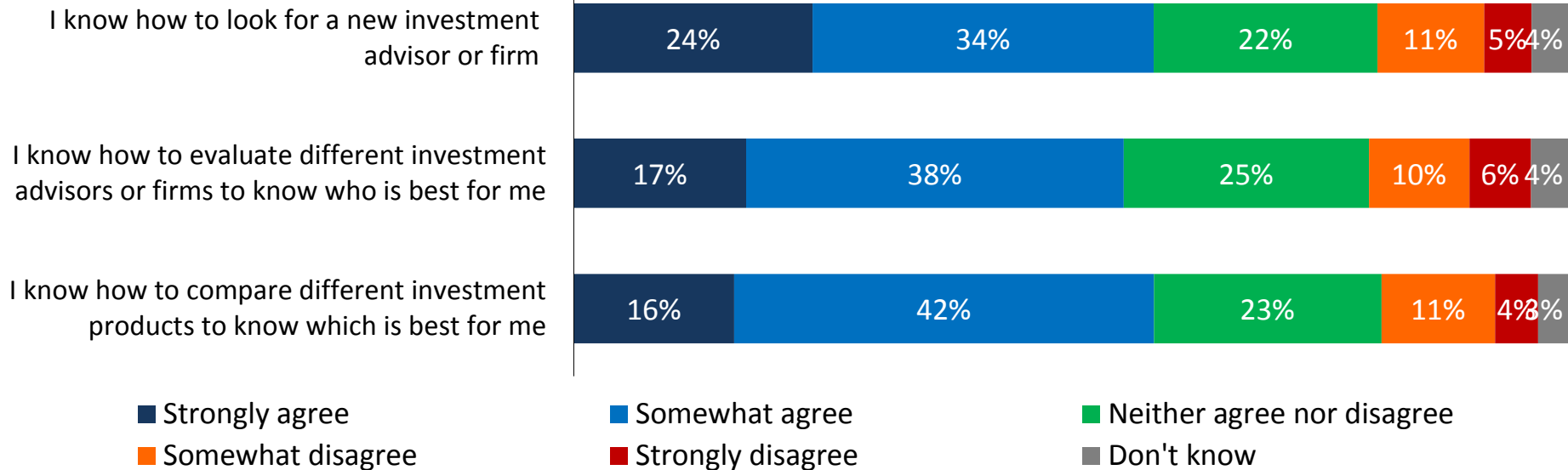


Market Competence and Barriers: Majority feel they know how to compare investment advisors, products

Q

Do you agree or disagree with the following statements?

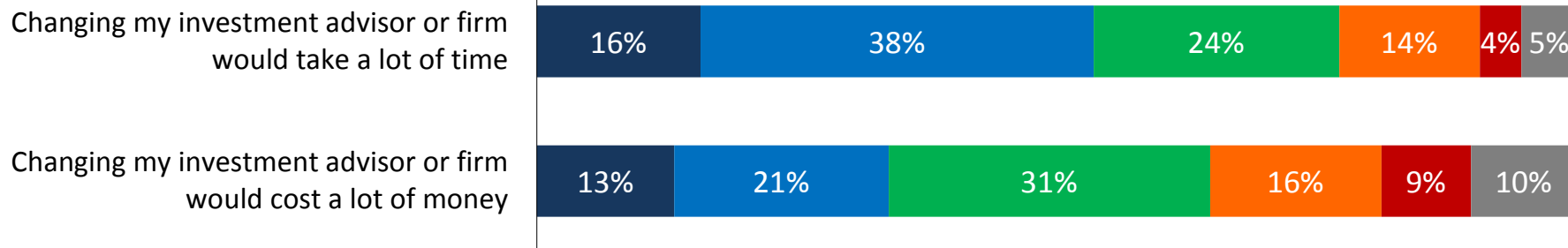
[asked of all respondents, part 3 n=600]



Q

Do you agree or disagree with the following statements:

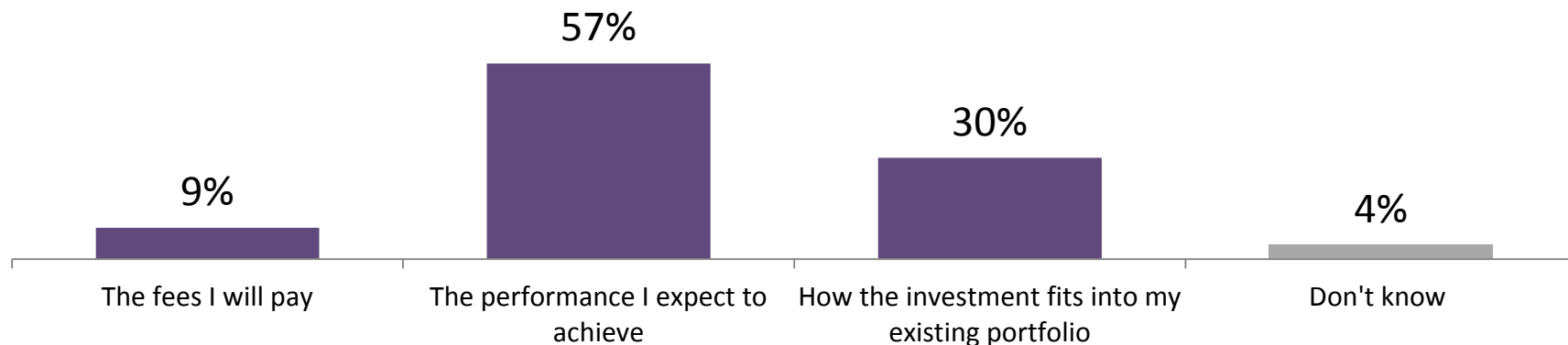
[asked of all respondents, part 3 n=600]



Investment Priorities and Preferences: Nearly 6-in-10 consider performance most important over fees, then fit

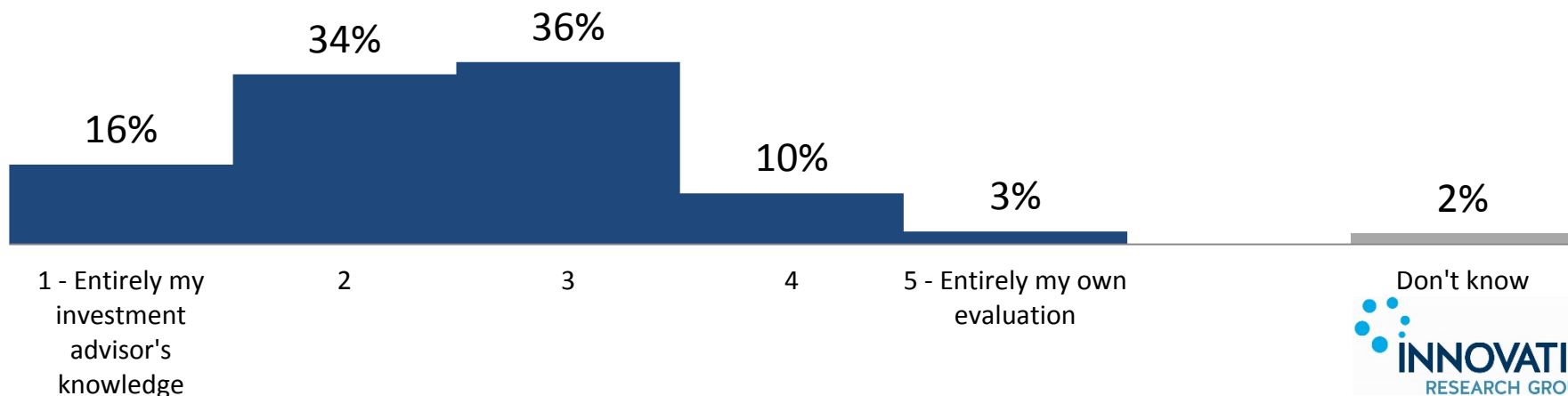
Q

From the following, please indicate which is the **most** important consideration for you when making an investment decision? [asked of all respondents, part 3 n=600]



Q

And when you are making these considerations, do you rely more on your investment advisor's knowledge of the investment or your own evaluation? [asked of all respondents, part 3 n=600]



Investment Confidence: A plurality (47%) feel overwhelmed²³ when making decisions, but 70% say they are confident

Q

Do you agree or disagree with the following statements?

[asked of all respondents, part 3 n=600]

I enjoy doing research about investments



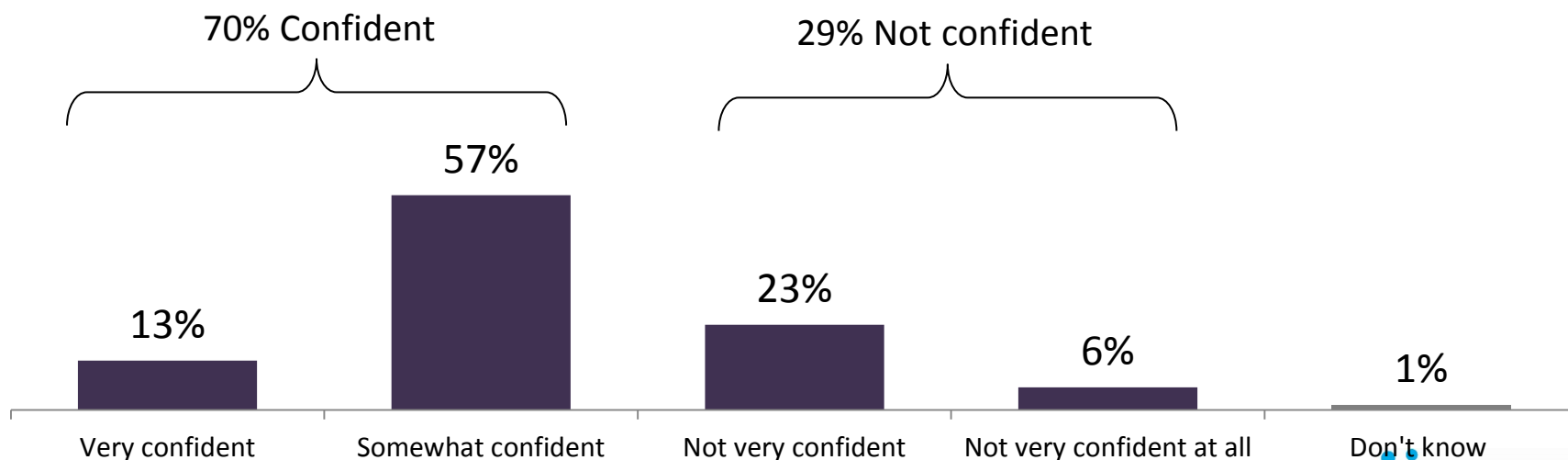
I feel overwhelmed when I try and make investment decisions



■ Strongly agree ■ Somewhat agree ■ Neither agree nor disagree ■ Somewhat disagree ■ Strongly disagree ■ Don't know

Q

How confident are you when it comes to making investment decisions? [asked of all respondents, part 3 n=600]

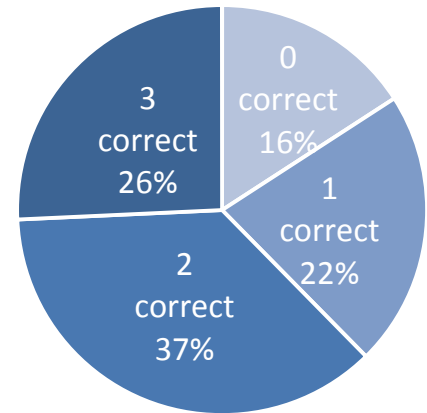
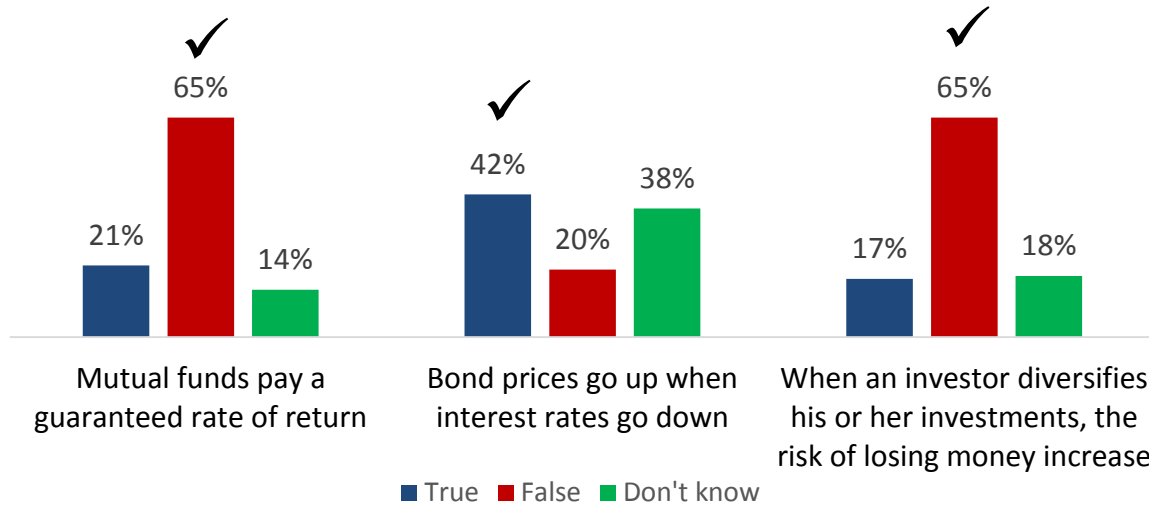


Financial Literacy & Cognitive Engagement: Majority get 2/3 ²⁴ literacy questions correct, 52% find abstract thinking appealing



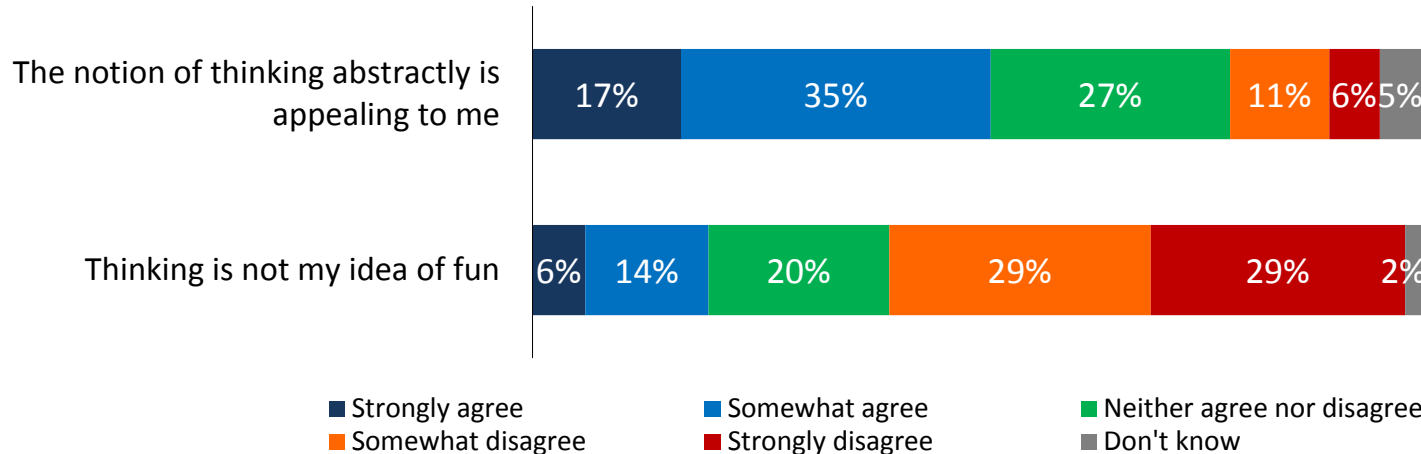
Are the following statements true or false?

[asked of all respondents, part 3 n=600]



Do you agree or disagree with the following statements?:

[asked of all respondents, part 3 n=600]



These two statements are combined into an overall measure of **cognitive engagement**

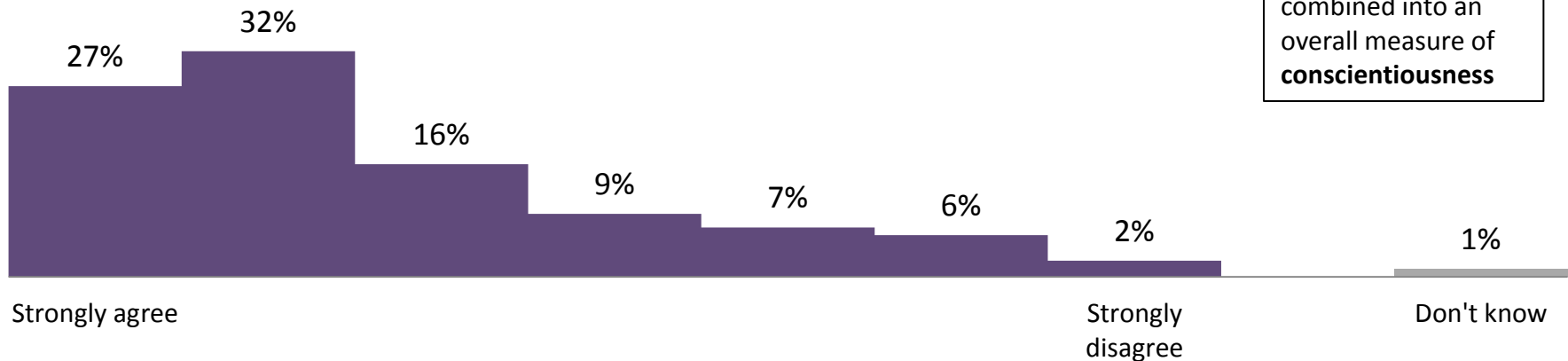
Personality Traits: 6-in-10 identify with positive traits (dependable, self-disciplined), disagree on negative ones



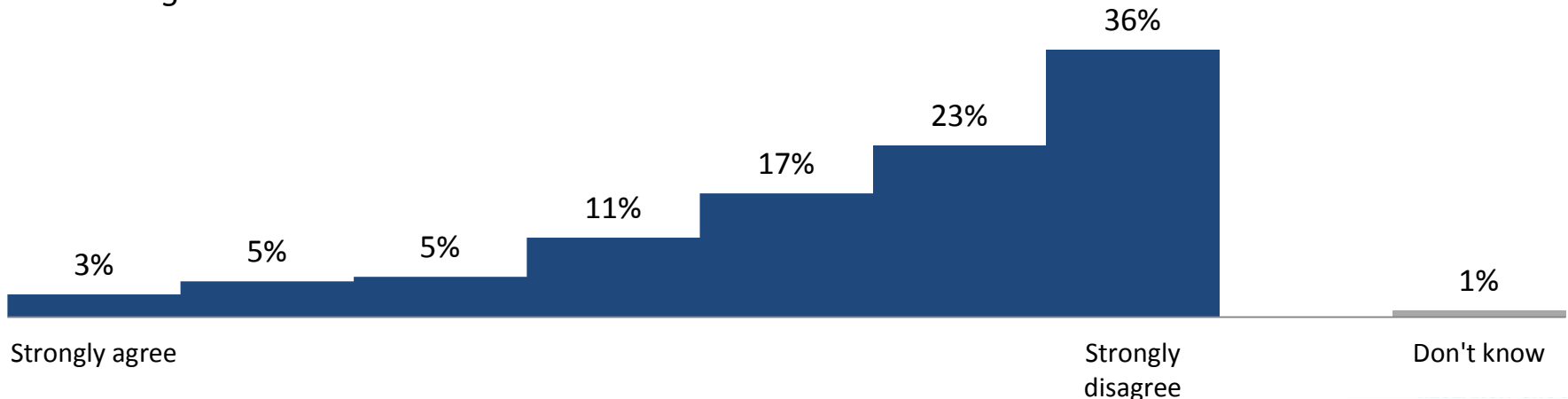
Below are some personality traits that may or may not apply to you. Please select a number next to each statement to indicate the extent to which you agree or disagree with that statement. You should rate the extent to which the pair of traits applies to you, even if one characteristic applies more strongly than the other.

[asked of all respondents, part 3 n=600]

I am dependable and self-disciplined



I am disorganized and careless



Types of investors: The Confidence Spectrum

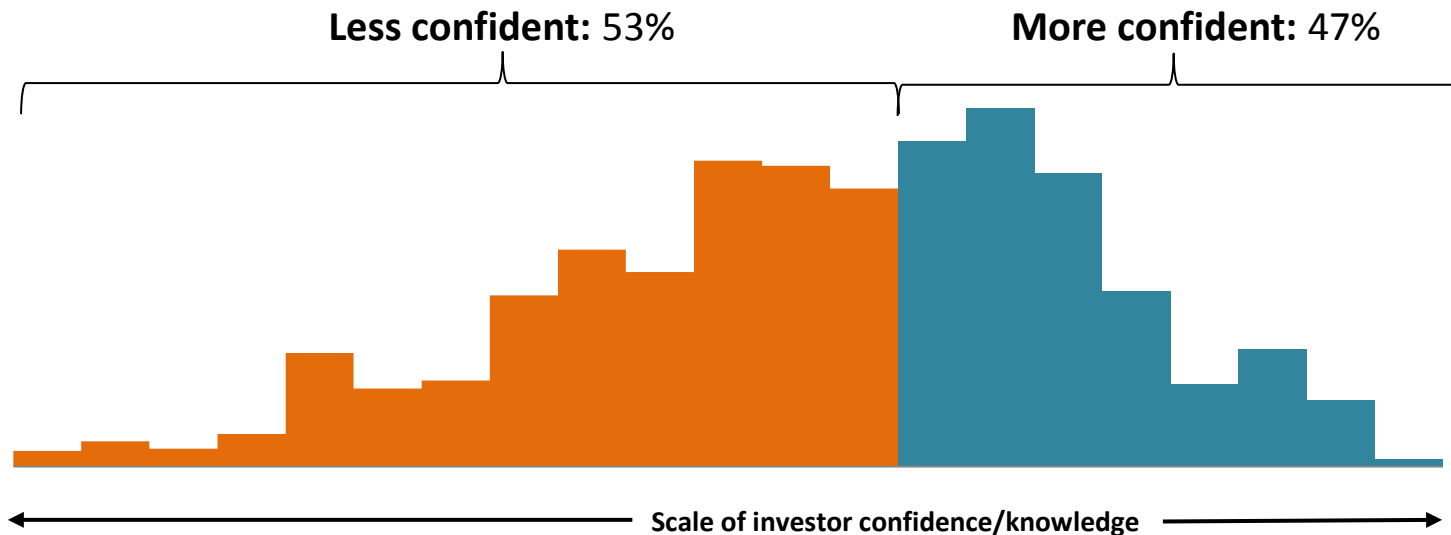
Investor confidence and knowledge lies on a spectrum, but we found important differences when comparing the surveys results for those in the top half of the range with those in the bottom half.

Less confident, Less knowledgeable

- Less likely to say they know how to look for, evaluate, and compare firms, advisors, or investment products
- Rely more on their advisor's advice
- More likely to feel overwhelmed making investment decisions and to not enjoy researching investments
- Are less confident making investment decisions
- Are less financially literate

More confident, More knowledgeable

- More likely to say they know how to look for, evaluate, and compare firms, advisors, or investment products
- Rely somewhat more on their own point of view rather than their advisor's advice
- Less likely to feel overwhelmed making investment decisions and to enjoy researching investments
- Are more confident making investment decisions
- Are more financially literate



Key Segmentation: CRM2 report and confidence

	Less confident	More confident
Report <i>not</i> receiving a CRM2 report	14%	5%
Report receiving a CRM2 report	39%	42%

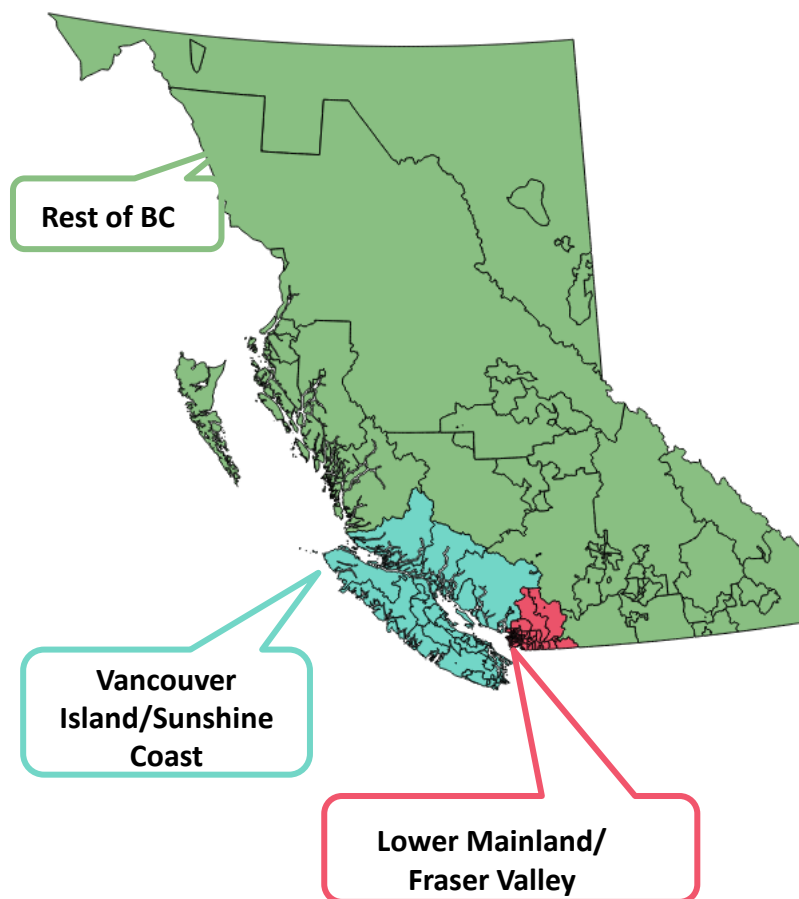
Received CRM2 report		
Did not receive CRM2 report (19%, n=117)	Less confident (39%, n=233)	More confident (42%, n=250)

Key Segmentation Demographics

This section briefly outlines the demographic differences within our key segmentation.

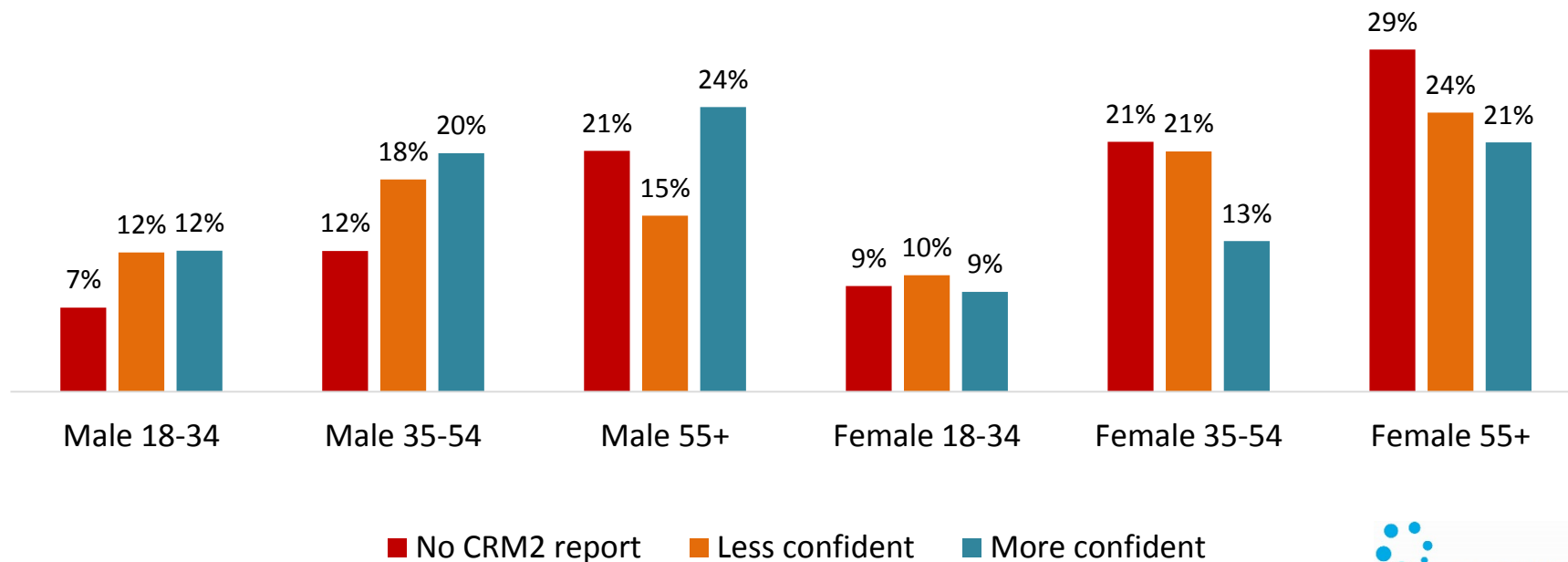
Region: By investor confidence

The respondents for the first and second parts of this survey come from the following regions in BC:

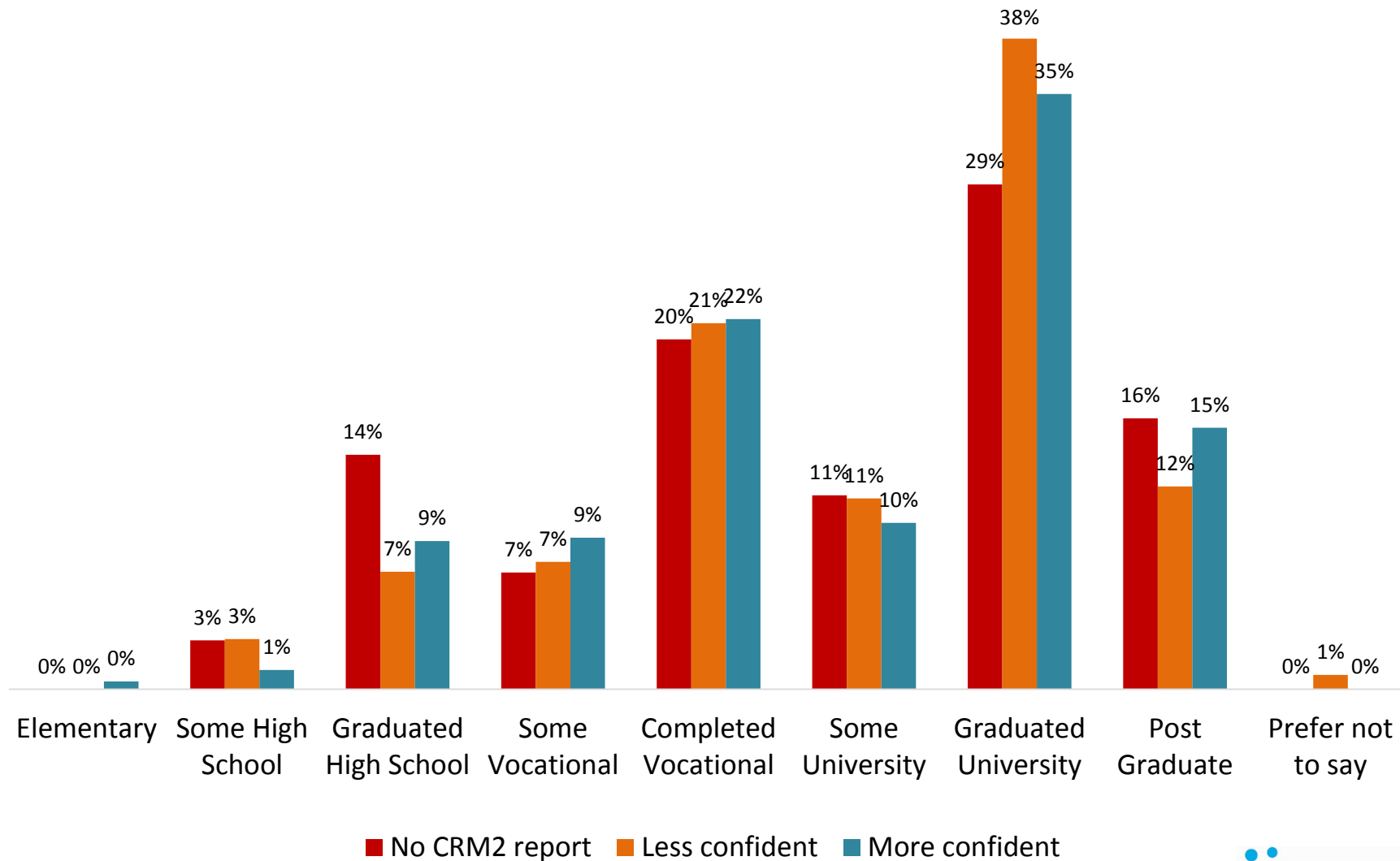


BC Regions	No CRM2 report	Less confident	More confident
Lower Mainland/ Fraser Valley	64%	62%	59%
Vancouver Island/ Sunshine Coast	25%	20%	23%
Rest of BC	11%	18%	18%

Demographics: Respondent age-gender profile

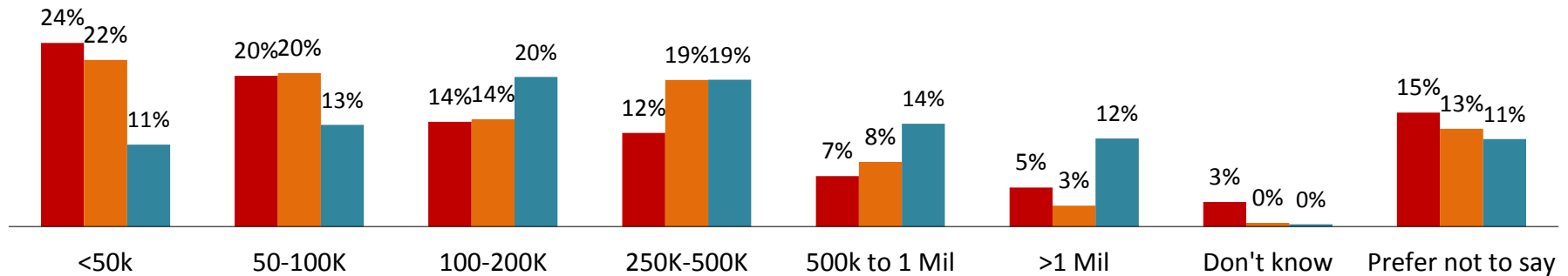


Highest Level of Education Completed: A majority have completed some form of post-secondary education

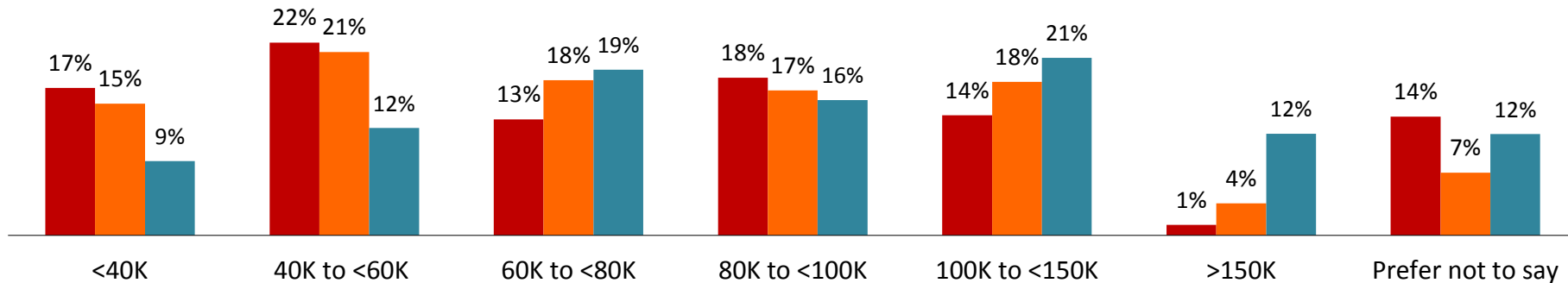


Investments and Family Income: More confident investors typically have larger portfolios and earn higher incomes

Investment portfolio



Household income

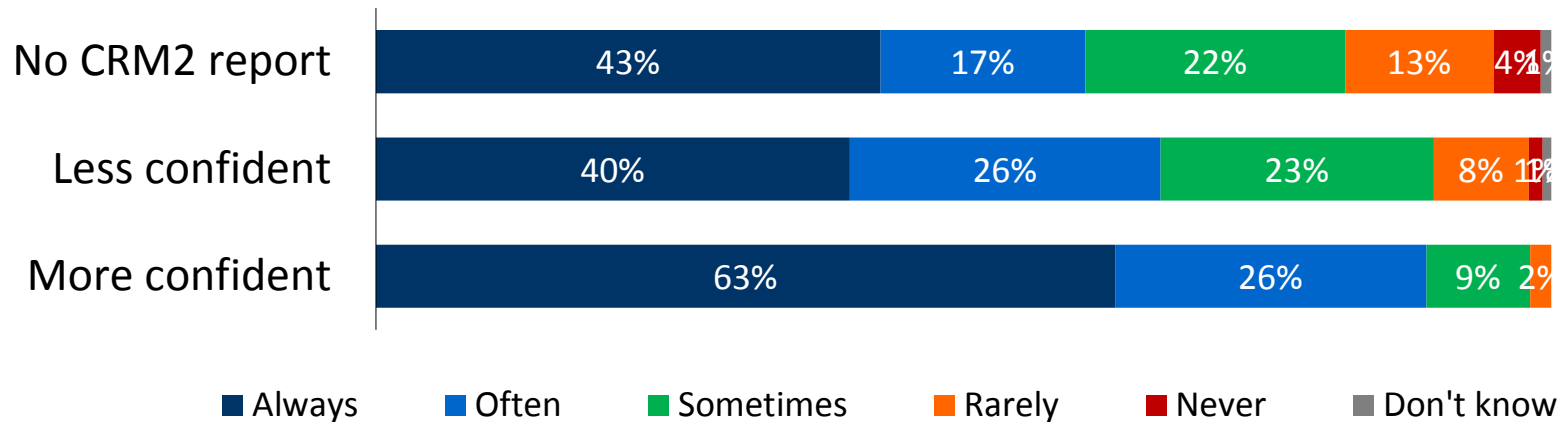


■ No CRM2 report ■ Less confident ■ More confident

Investment Statements: A majority of investors read their statements often or always, almost all read at least some

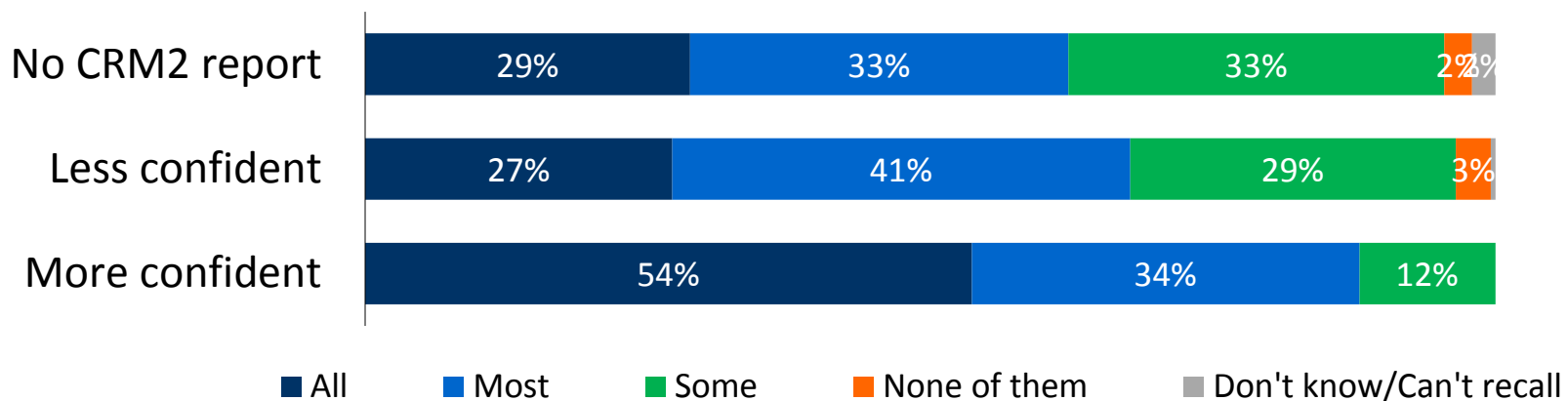
Q

When you receive your investments statements, how often do you read them? This includes reading the whole thing or only looking at certain parts of them. [asked of all respondents, part 3 n=600]



Q

When you do review your statements, do you generally read all, most, some, or none of them? [asked of those who at least rarely review statements; part 3 n=590]



November 2016 – June 2017

Changes to knowledge, attitudes, behaviour

These slides show tracking results from the Part 1 sample in November to the final Part 3 sample in June. Here we are comparing all investors before CRM2 reports to all investors afterwards. The Part 2 results are not used in this section because they only include investors who were aware of their CRM2 reports.

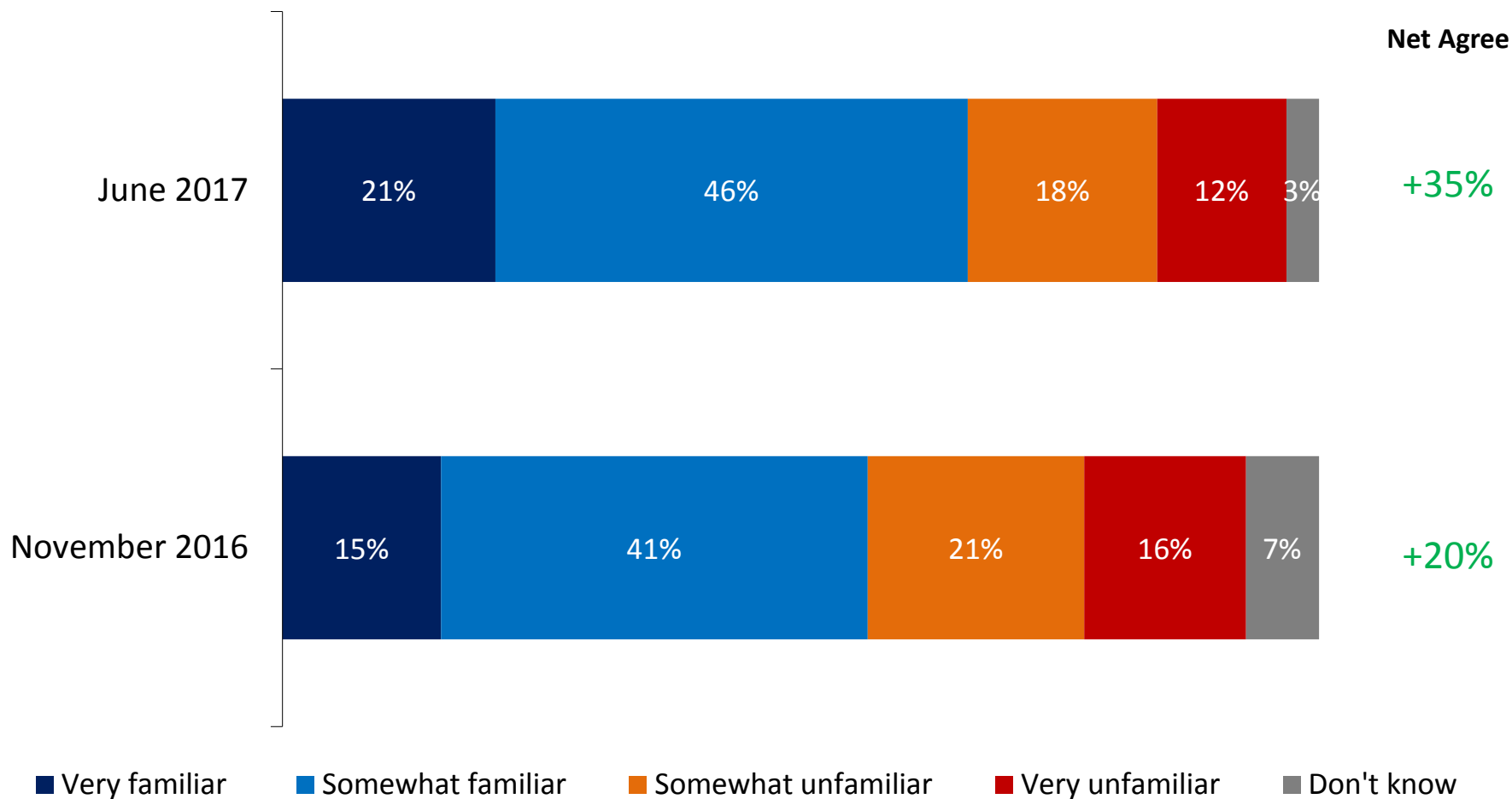
Fee Familiarity: Net familiarity with fees has increased 15 points since Nov. '16

35



How familiar are you with the two types of fees you pay on your primary investment account?

[asked of all respondents; part 3 n=600]



Fee/Performance Awareness: 8-9 point increase in net awareness on fees and commissions paid

Q Do you agree or disagree with the following statements. I know....

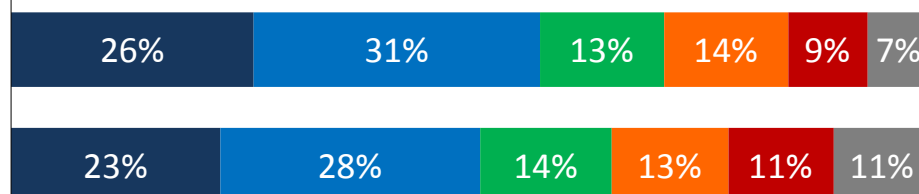
[asked of all respondents; part 3 n=600]

Net Agree

Total amount of fees I paid to my advisor to make transactions on and administer my investment account in the last 12 months.

June 2017

November 2016



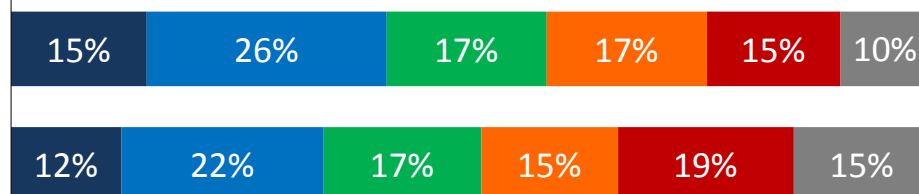
+35%

+27%

Total amount of fees and commissions paid to my [firm type] by other companies because of the investments that I purchased and/or held in the last 12 months.

June 2017

November 2016



+9%

0%

How much more or less my portfolio is worth this year than it was last year.

June 2017

November 2016



+77%

+78%

Strongly agree

Somewhat disagree

Somewhat agree

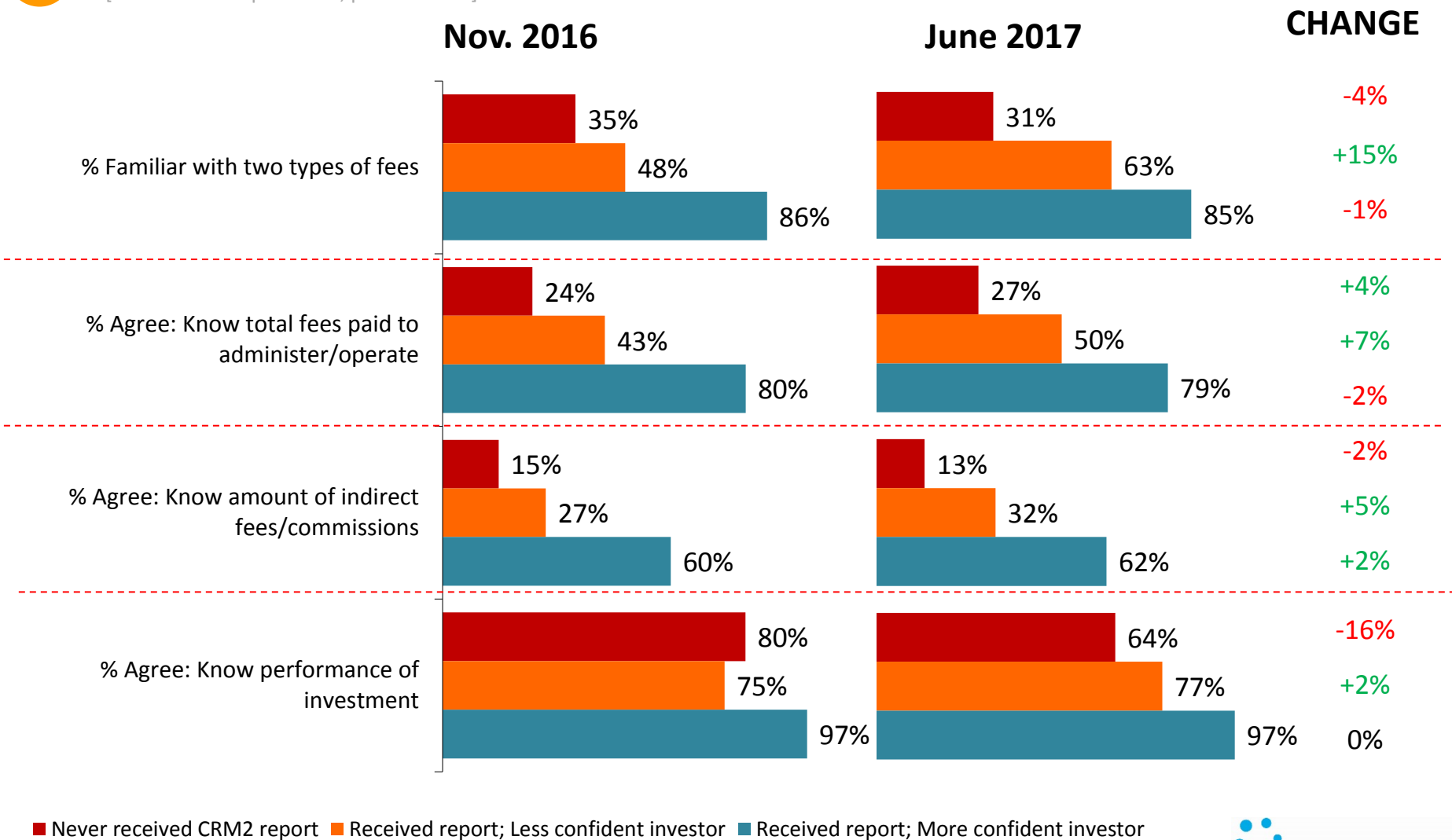
Strongly disagree

Neither agree nor disagree

Don't know

Fee/Performance Awareness: Less confident investors show 15 point increase in fee familiarity since Nov. '16

Q Do you agree or disagree with the following statements. I know....
[asked of all respondents; part 3 n=600]



Fee Awareness: Largest increase in awareness re: fees among smaller investors

		BC Region			Gender		Age			Investment Portfolio				
		LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k to \$250k	\$250k to \$500k	Over \$500k
% Familiar: with investment fees	Nov. 2016	57%	49%	65%	65%	48%	69%	54%	53%	35%	53%	64%	67%	75%
	June 2017	66%	59%	75%	75%	57%	76%	68%	60%	50%	68%	67%	73%	78%
	Change	9%	10%	11%	10%	9%	8%	14%	7%	15%	15%	4%	6%	4%
% Agree: know total direct fees paid in last 12 months...	Nov. 2016	49%	53%	57%	57%	45%	67%	44%	49%	29%	50%	59%	55%	65%
	June 2017	55%	59%	66%	66%	49%	66%	57%	54%	43%	55%	61%	61%	73%
	Change	6%	6%	9%	9%	4%	-1%	13%	5%	14%	5%	2%	6%	7%
% Agree: know total indirect fees paid in last 12 months...	Nov. 2016	35%	28%	36%	40%	28%	56%	35%	23%	18%	37%	45%	35%	38%
	June 2017	40%	39%	45%	47%	35%	59%	46%	28%	33%	47%	50%	37%	45%
	Change	5%	11%	9%	6%	7%	3%	11%	5%	15%	10%	4%	2%	6%
% Agree: know performance over last 12 months...	Nov. 2016	81%	89%	82%	84%	82%	75%	78%	91%	72%	83%	91%	89%	88%
	June 2017	79%	87%	91%	87%	79%	81%	75%	90%	71%	85%	86%	88%	93%
	Change	-2%	-2%	8%	3%	-3%	6%	-2%	-1%	-1%	3%	-5%	0%	5%

[asked of all respondents; part 3 n=600]

General Fee Understanding: Agreement increases on “negotiable fees”, “one less dollar”, and “different fees”



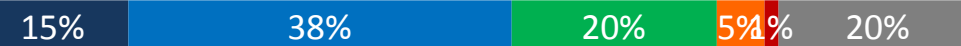
Do you agree or disagree with the following statements.

[asked of all respondents; part 3 n=600]

Net Agree

Some fees charged by investment advisors may be negotiable.

June 2017



+47%

November 2016



+39%

A 1% difference in fees would not make much difference to my return over time.

June 2017



-17%

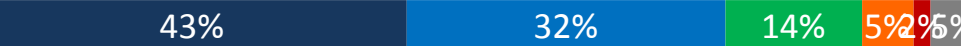
November 2016



-15%

Every dollar more that I pay in fees is one less dollar I earn in returns.

June 2017



+68%

November 2016



+61%

Similar investment products can have quite different fees.

June 2017



+74%

November 2016



+63%

Strongly agree

Somewhat agree

Neither agree nor disagree

Somewhat disagree

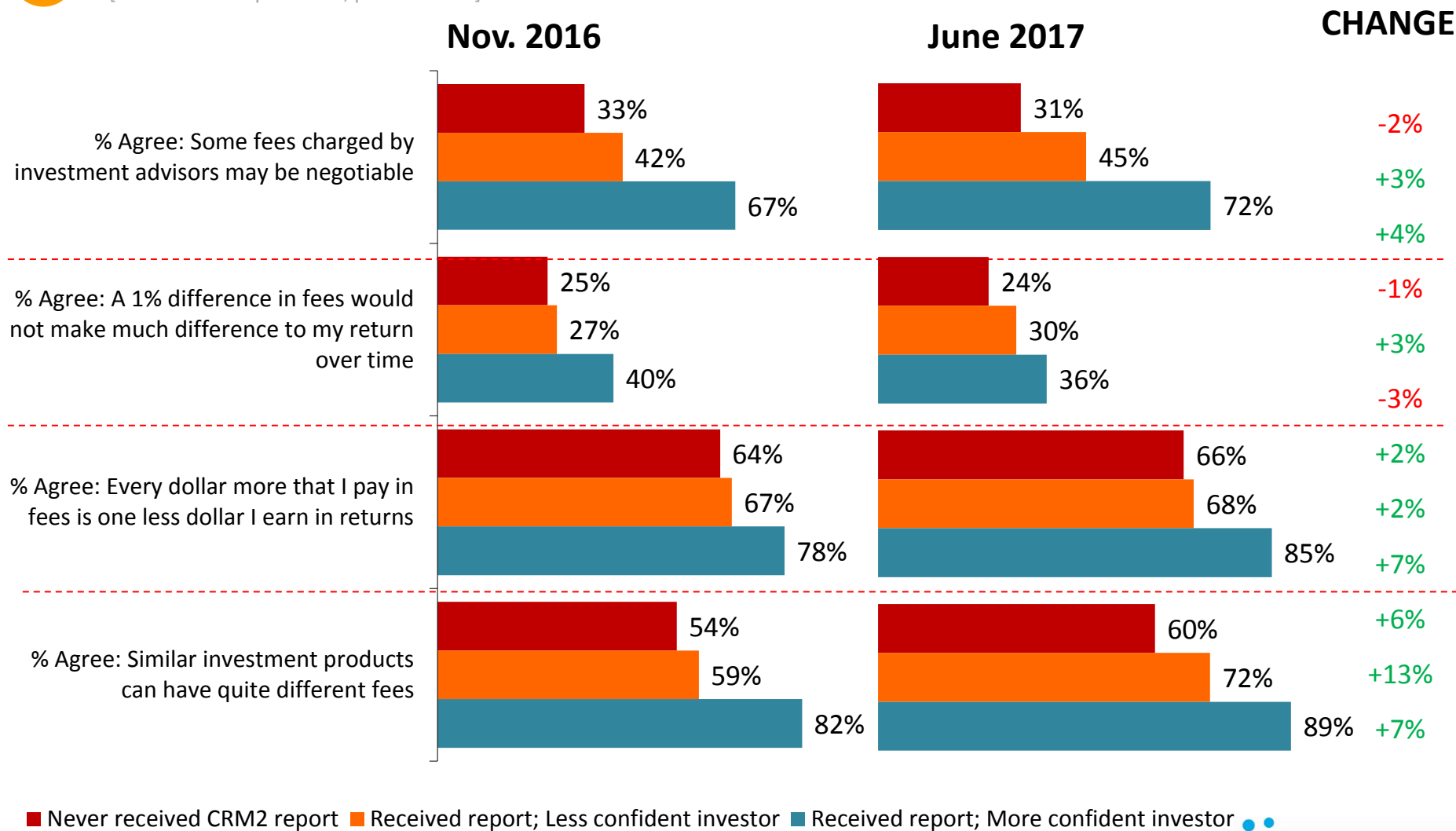
Strongly disagree

Don't know

Note: Shows net disagreement for impact of fee change.

General Fee Understanding: Less confident investors understanding of different fees up by 13 points since Nov. '16

Q Do you agree or disagree with the following statements. I know...
[asked of all respondents; part 3 n=600]



Note: Shows disagreement for impact of fee change.

General Fee Understanding: On negotiable fees, largest increase among rest of BC, women, 55+, and small investors

		BC Region			Gender		Age			Investment Portfolio				
		LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k to \$250k	\$250k to \$500k	Over \$500k
% Agree: some fees charged by investment advisors may be negotiable	Nov. 2016	47%	42%	51%	56%	38%	57%	45%	43%	31%	48%	52%	53%	61%
	June 2017	52%	51%	62%	57%	50%	58%	52%	53%	41%	53%	60%	56%	68%
	Change	5%	8%	11%	1%	11%	1%	7%	9%	10%	4%	8%	3%	6%
% Agree: a 1% difference in fees would not make much difference to my returns over time	Nov. 2016	26%	34%	33%	31%	28%	40%	28%	25%	22%	36%	33%	25%	29%
	June 2017	32%	28%	34%	30%	32%	50%	29%	25%	25%	39%	38%	31%	29%
	Change	6%	-6%	0%	0%	4%	10%	0%	0%	3%	3%	4%	6%	0%
% Agree: every dollar more that I pay in fees is one less dollar I earn in returns	Nov. 2016	69%	70%	61%	70%	66%	69%	65%	70%	60%	63%	74%	79%	69%
	June 2017	76%	70%	78%	79%	71%	76%	74%	75%	67%	73%	80%	79%	80%
	Change	6%	0%	17%	9%	5%	8%	9%	4%	7%	10%	6%	0%	11%
% Agree: similar investment products can have quite different fees	Nov. 2016	67%	61%	62%	71%	59%	68%	64%	65%	44%	67%	71%	74%	74%
	June 2017	77%	75%	79%	79%	74%	85%	71%	77%	66%	81%	82%	80%	86%
	Change	9%	14%	17%	8%	15%	17%	7%	13%	21%	14%	11%	6%	12%

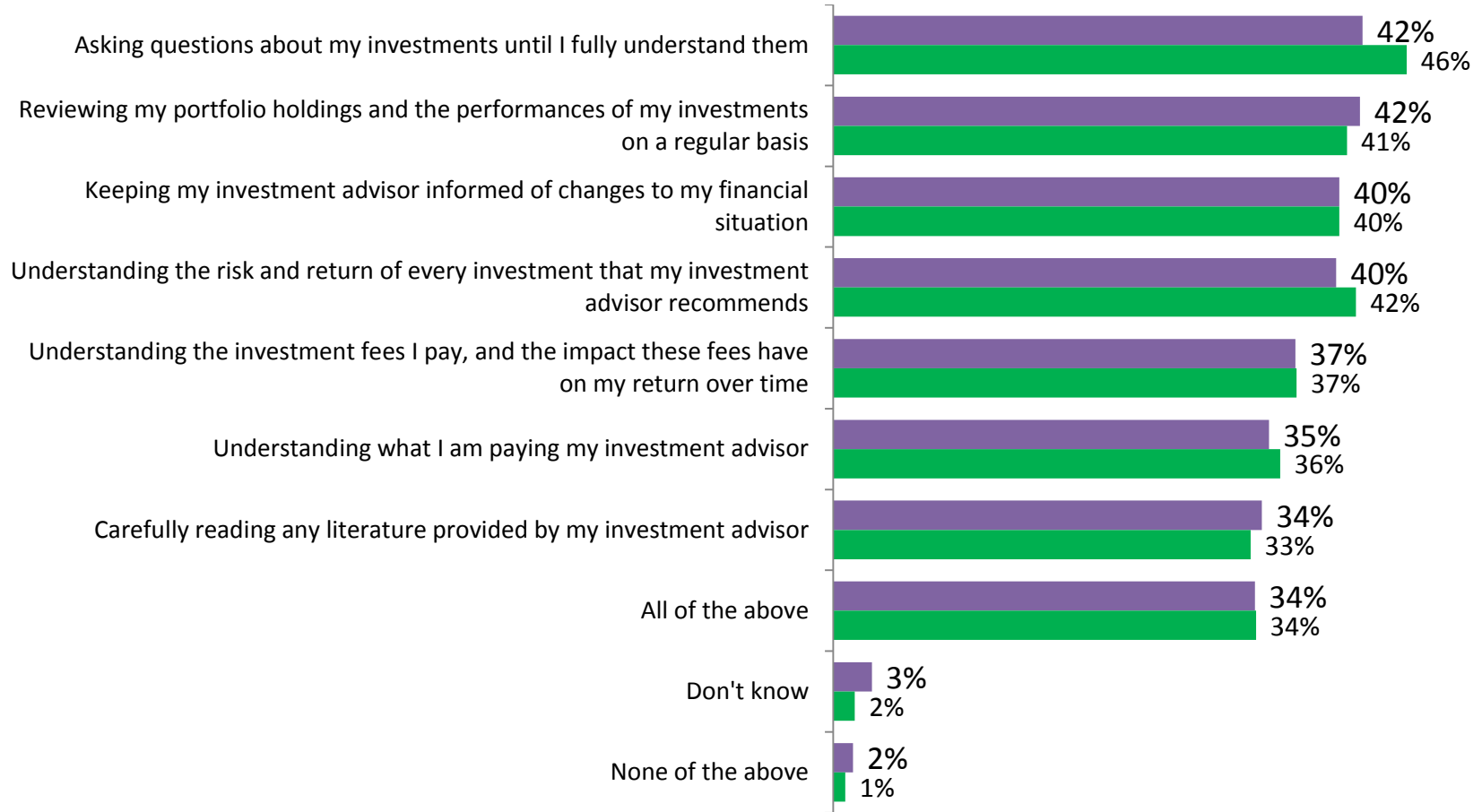
[asked of all respondents; part 3 n=600]

Client Responsibilities: Top responsibilities asking questions about investments, reviewing holdings on regular basis



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

[asked of all participants, part 1 n=800, part 3 n=600, multiple mentions]

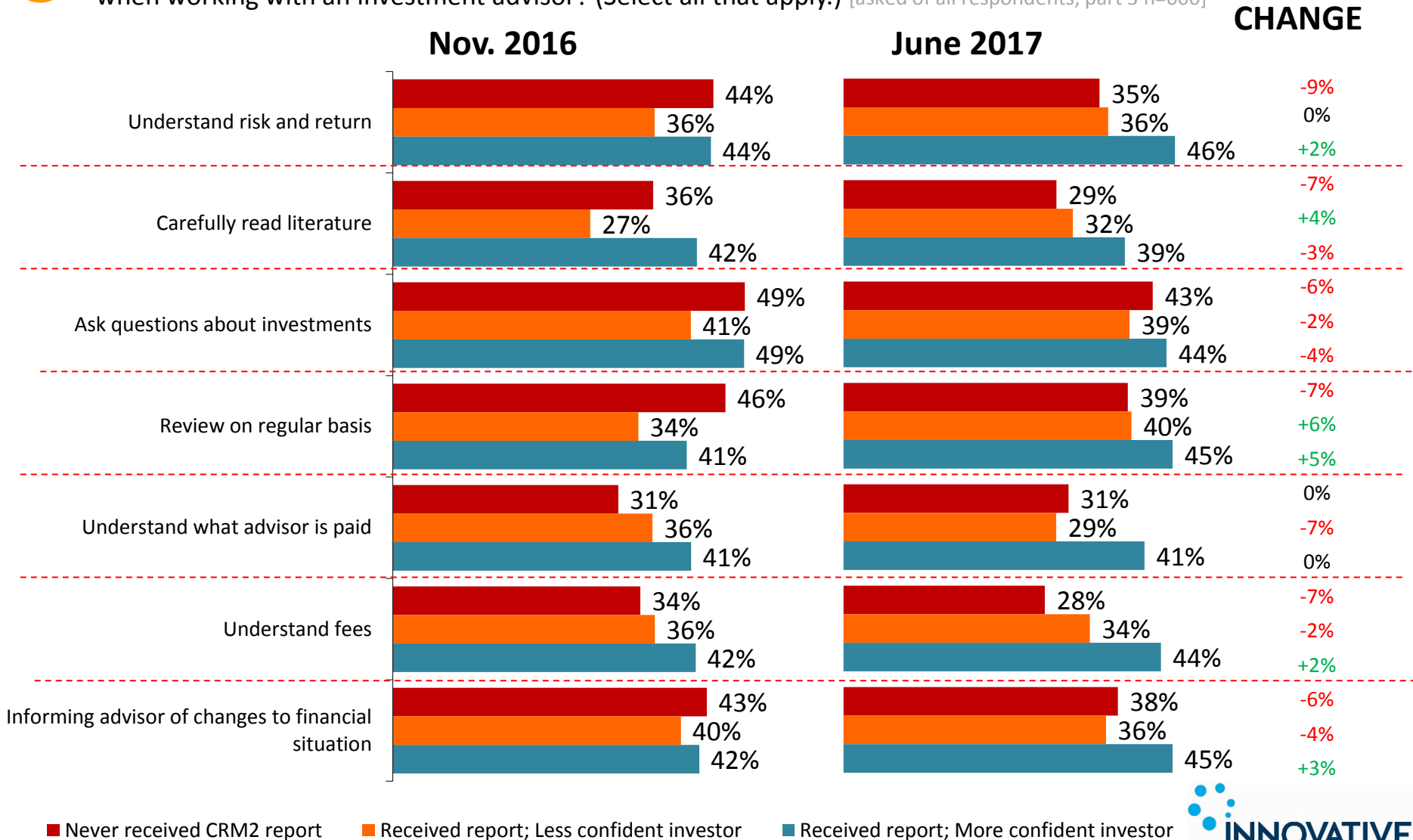


■ June 2017 ■ November 2016

Client Responsibilities: Understanding risk and return down 43 by 9 points for those who never received the report

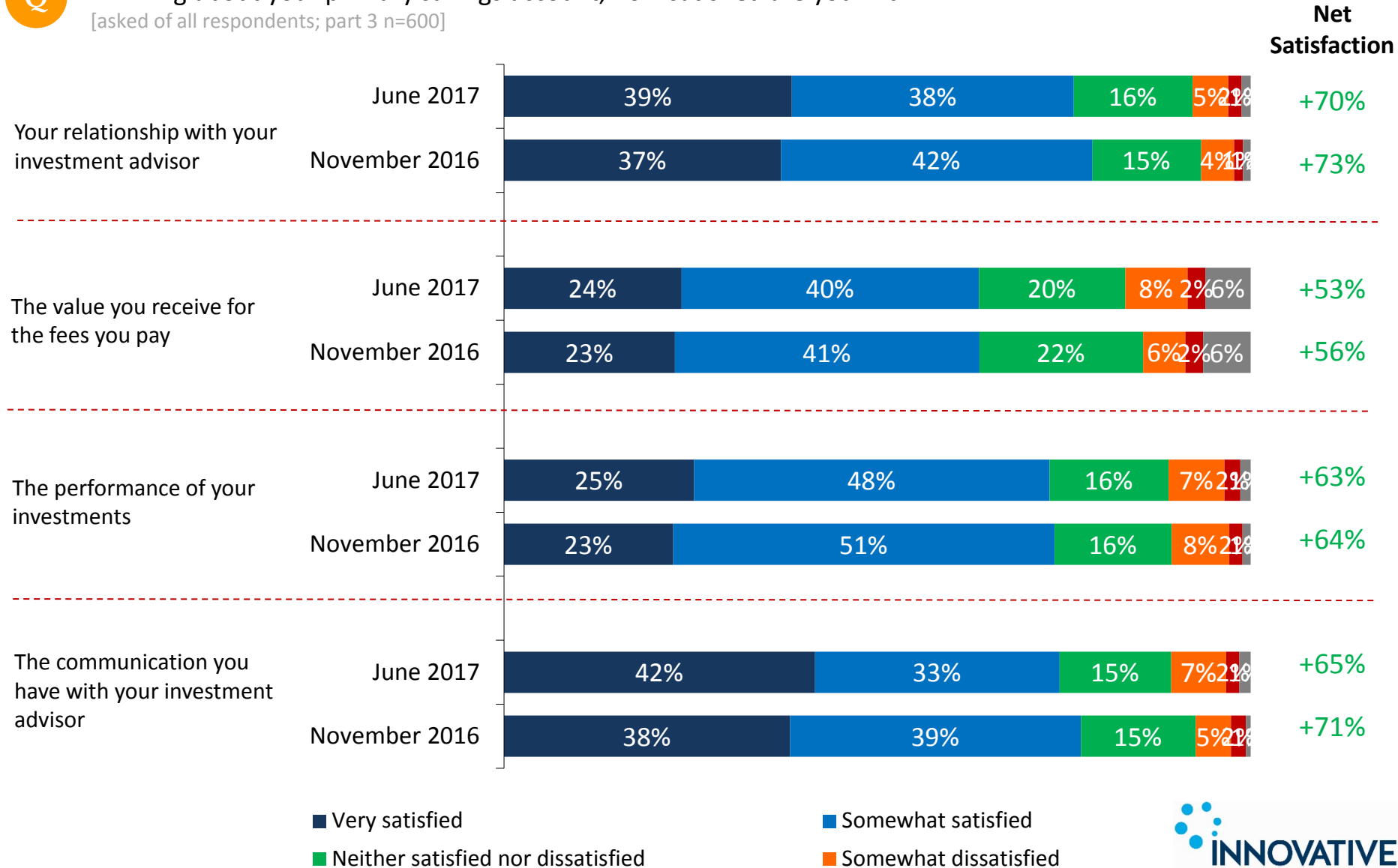


As a client, which of the following things do you believe are either wholly or partially your responsibility when working with an investment advisor? (Select all that apply.) [asked of all respondents; part 3 n=600]



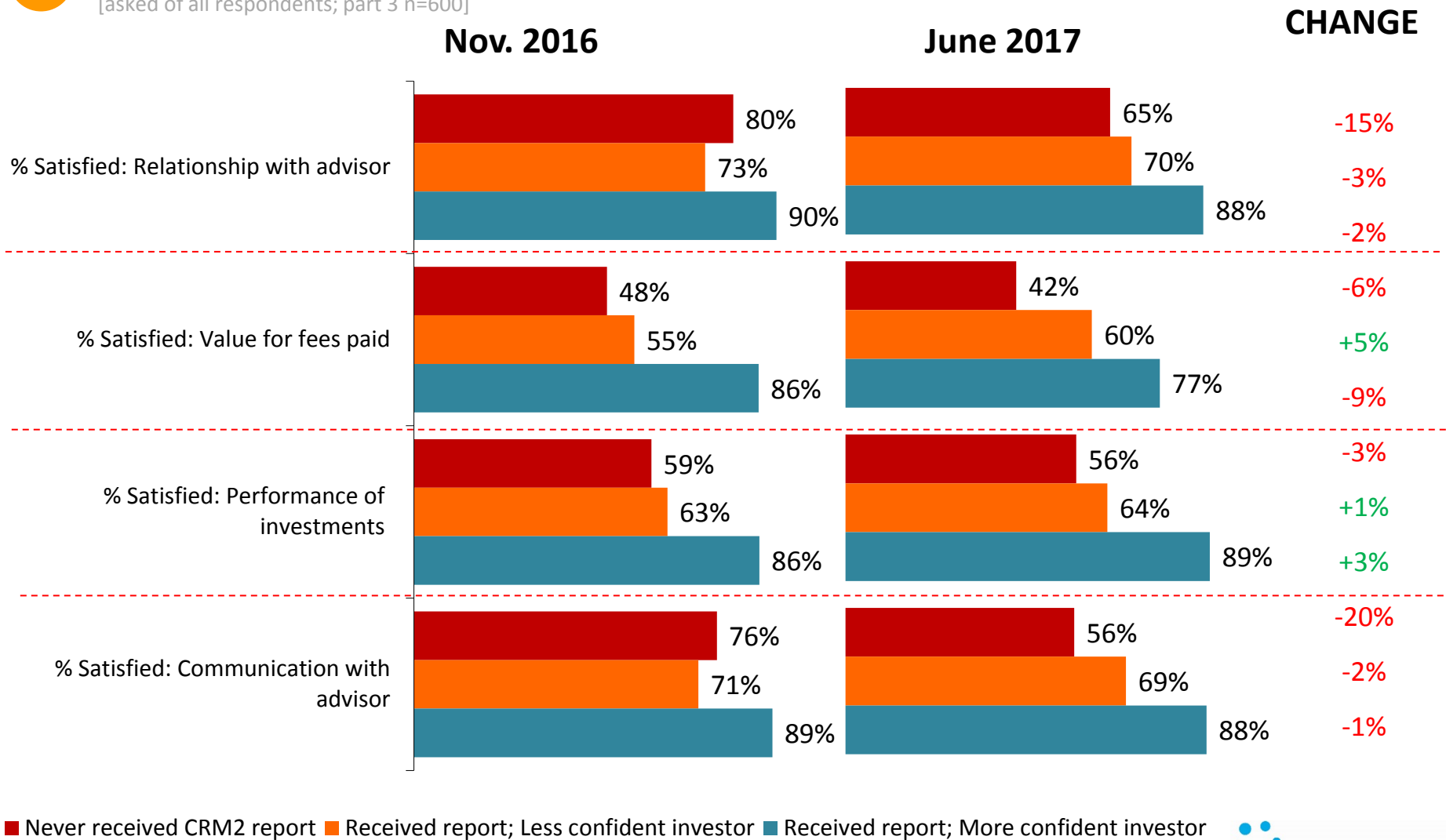
Satisfaction Tracking: Strong net satisfaction on all measures;⁴⁴ communication satisfaction down 6 points since Nov. '16

Q Thinking about your primary savings account, how satisfied are you with....
[asked of all respondents; part 3 n=600]



Satisfaction: Relationship and communication with advisor down by 15 and 20 points for those who didn't receive report

Q Thinking about your primary savings account, how satisfied are you with....
[asked of all respondents; part 3 n=600]



Satisfaction: Drop in satisfaction on value and performance for Interior and North of BC ⁴⁶

		BC Region			Gender		Age			Investment Portfolio				
		LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k to \$250k	\$250k to \$500k	Over \$500k
% Satisfied: relationship with advisor	Nov. 2016	77%	81%	82%	80%	77%	75%	73%	86%	62%	77%	80%	90%	87%
	June 2017	75%	77%	79%	78%	75%	74%	67%	85%	58%	78%	71%	88%	88%
	Change	-2%	-4%	-3%	-2%	-3%	-1%	-6%	-1%	-4%	0%	-8%	-2%	0%
% Satisfied: value for fees	Nov. 2016	61%	67%	67%	67%	60%	64%	59%	67%	43%	63%	72%	77%	77%
	June 2017	62%	70%	60%	66%	62%	69%	57%	66%	51%	64%	67%	68%	73%
	Change	1%	3%	-8%	-2%	1%	5%	-2%	-1%	8%	1%	-5%	-8%	-4%
% Satisfied: performance of investments	Nov. 2016	72%	72%	82%	76%	72%	71%	70%	78%	62%	74%	76%	81%	86%
	June 2017	72%	77%	71%	77%	69%	70%	69%	78%	56%	72%	80%	78%	87%
	Change	0%	4%	-11%	1%	-3%	-2%	-1%	0%	-5%	-2%	4%	-3%	1%
% Satisfied: communication with advisor	Nov. 2016	76%	78%	82%	77%	77%	71%	70%	86%	57%	75%	86%	85%	89%
	June 2017	73%	76%	78%	77%	72%	67%	67%	84%	51%	72%	79%	87%	84%
	Change	-3%	-2%	-4%	-1%	-5%	-3%	-3%	-2%	-6%	-3%	-7%	2%	-4%

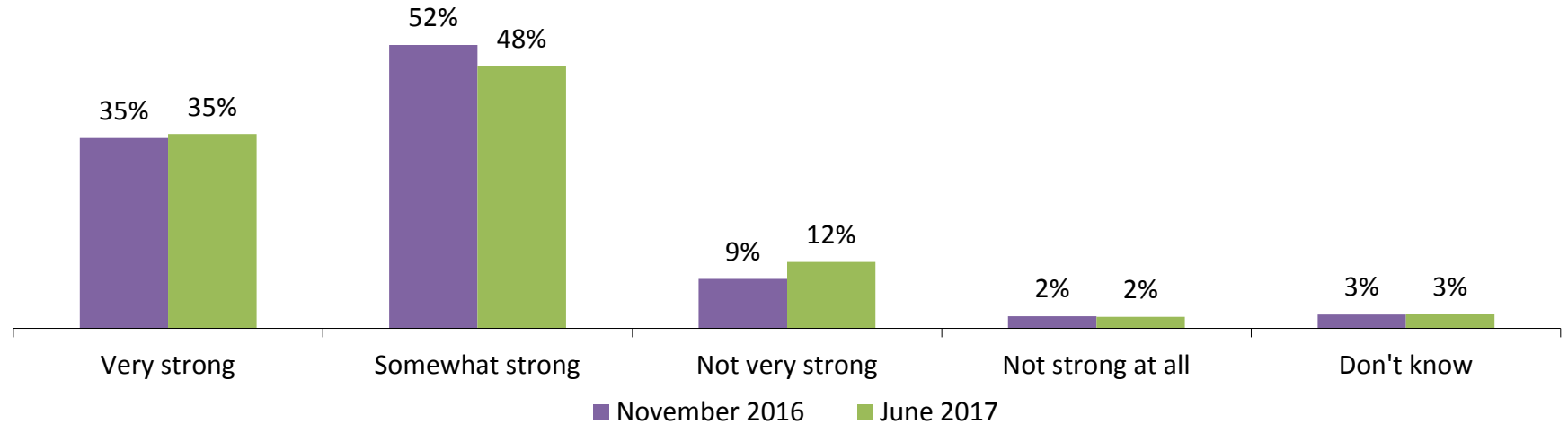
[asked of all respondents; part 3 n=600]

Trust in Advisor: Trust dips slightly overall, down 4-6 points among smaller investors; 10 points among no CRM2 ⁴⁷



In general, how would you describe the level of trust you have in your investment advisor?

[asked of all respondents; part 3 n=600]



BC Region

Gender

Age

Investment Portfolio

Investor Segment

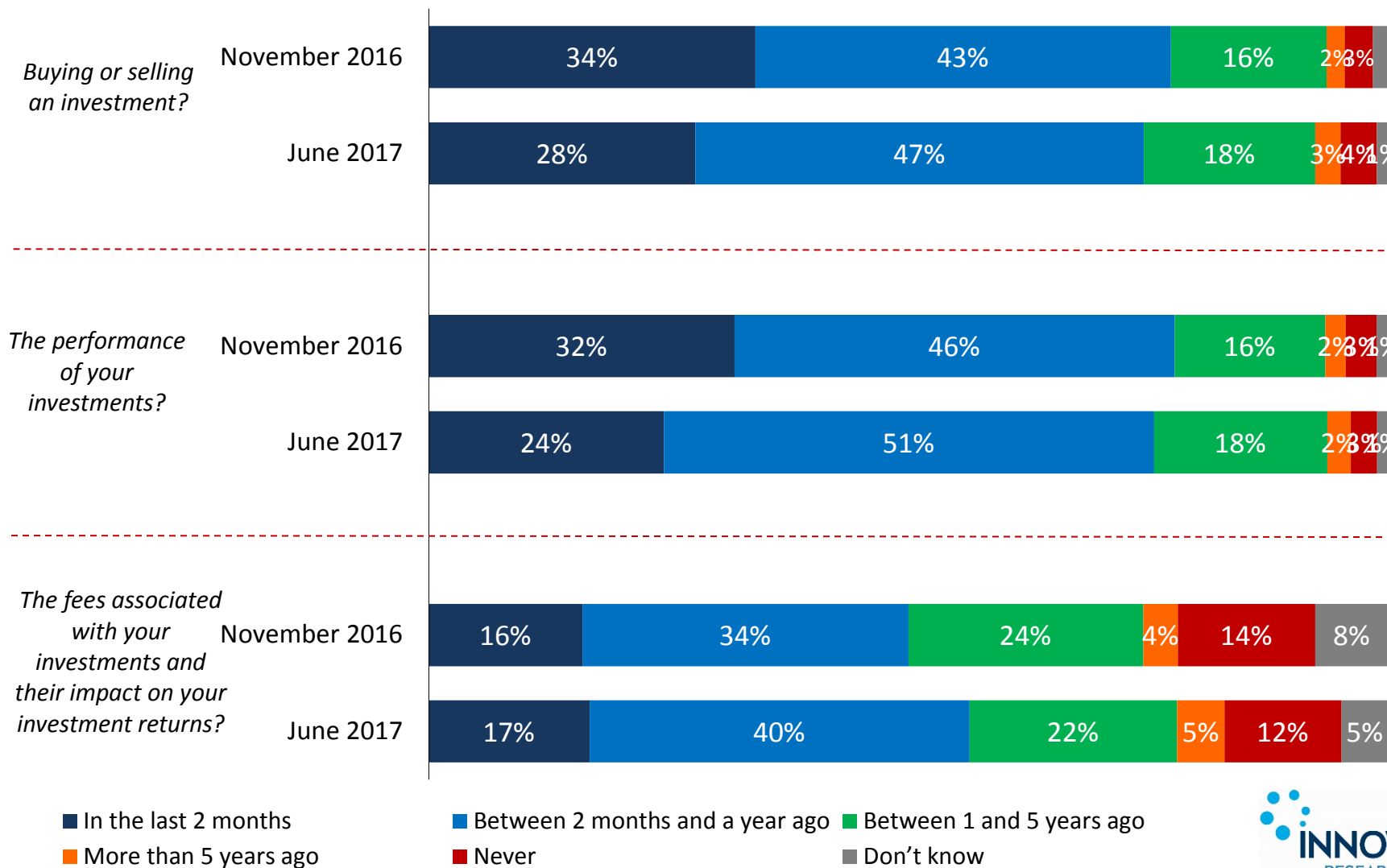
% Strong	LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k - \$250k	\$250k - \$500k	Over \$500k	No CRM2	Less confident	More confident
Nov. 2016	85%	87%	89%	86%	87%	83%	84%	90%	76%	89%	89%	94%	89%	83%	85%	94%
June 2017	82%	83%	86%	84%	83%	79%	78%	89%	72%	83%	84%	92%	90%	73%	79%	92%

Communications with Advisor: 3-in-4 have discussed performance, buying, and selling investments in last year



When was the last time you and your investment advisor discussed...

[asked of all respondents; part 3 n=600]



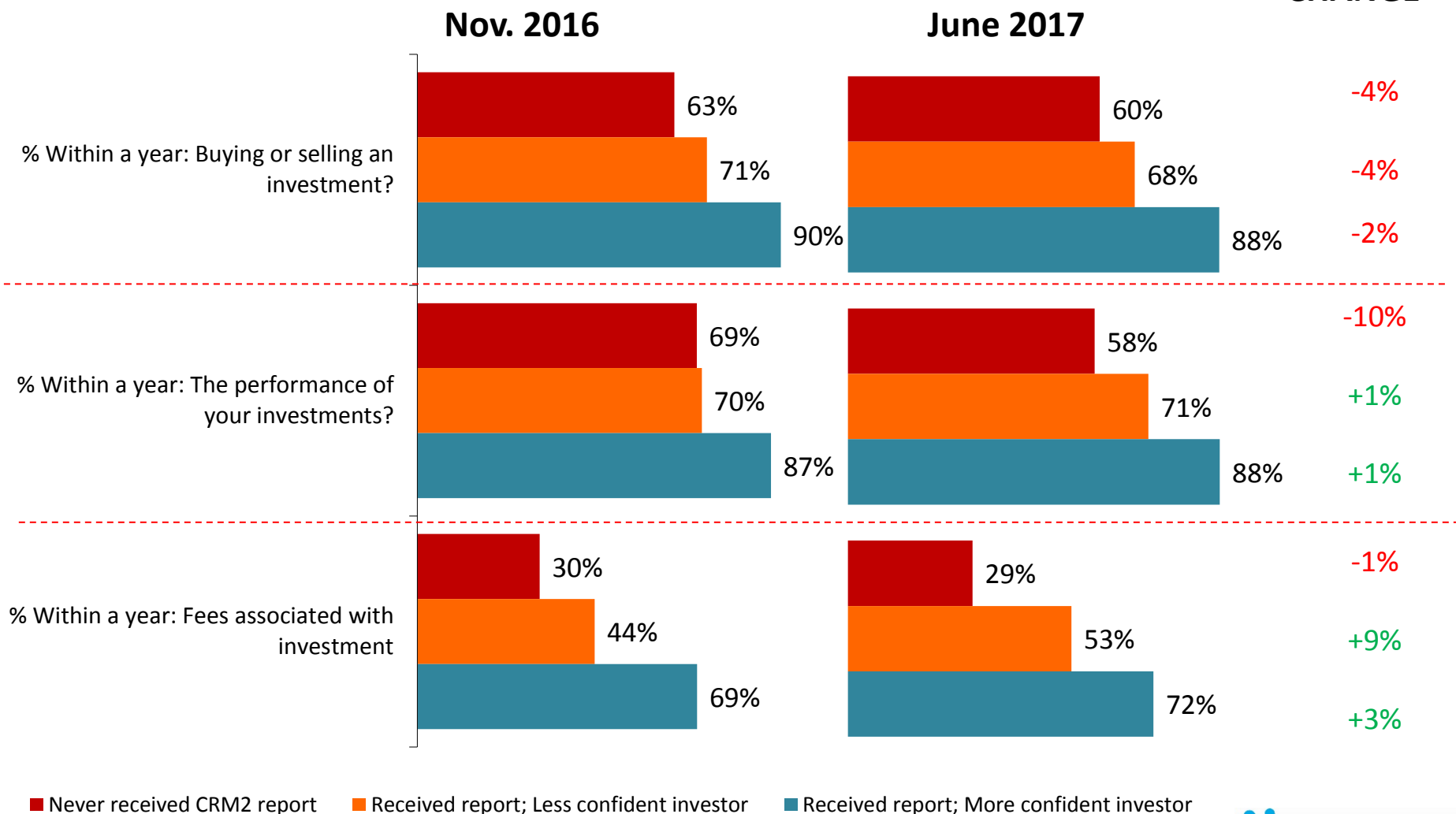
Communication: Less confident investors discussing fees within the past year up by 9 points since Nov. '16



When was the last time you and your investment advisor discussed...

[asked of all respondents; part 3 n=600]

CHANGE



Communication: Increase in fee conversations concentrated⁵⁰ among those 55+, not seen in other age groups

		BC Region			Gender		Age			Investment Portfolio				
		LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k to \$250k	\$250k to \$500k	Over \$500k
% Within a year: buying or selling an investment?	Nov. 2016	78%	74%	81%	81%	73%	78%	70%	83%	56%	70%	83%	90%	95%
	June 2017	74%	74%	76%	80%	69%	67%	67%	84%	51%	78%	75%	86%	89%
	Change	-3%	0%	-5%	-1%	-5%	-12%	-3%	1%	-5%	7%	-8%	-4%	-6%
% Within a year: the performance of your investments?	Nov. 2016	77%	78%	80%	80%	75%	76%	72%	83%	60%	72%	80%	88%	93%
	June 2017	75%	75%	79%	81%	71%	71%	68%	83%	54%	80%	76%	88%	89%
	Change	-2%	-4%	-2%	0%	-4%	-5%	-4%	0%	-6%	8%	-4%	0%	-4%
% Within a year: fees associated with investment	Nov. 2016	48%	52%	55%	56%	44%	65%	48%	45%	38%	54%	54%	50%	62%
	June 2017	58%	47%	62%	62%	51%	67%	51%	55%	45%	57%	60%	64%	63%
	Change	10%	-4%	7%	6%	6%	2%	4%	11%	7%	3%	5%	15%	1%

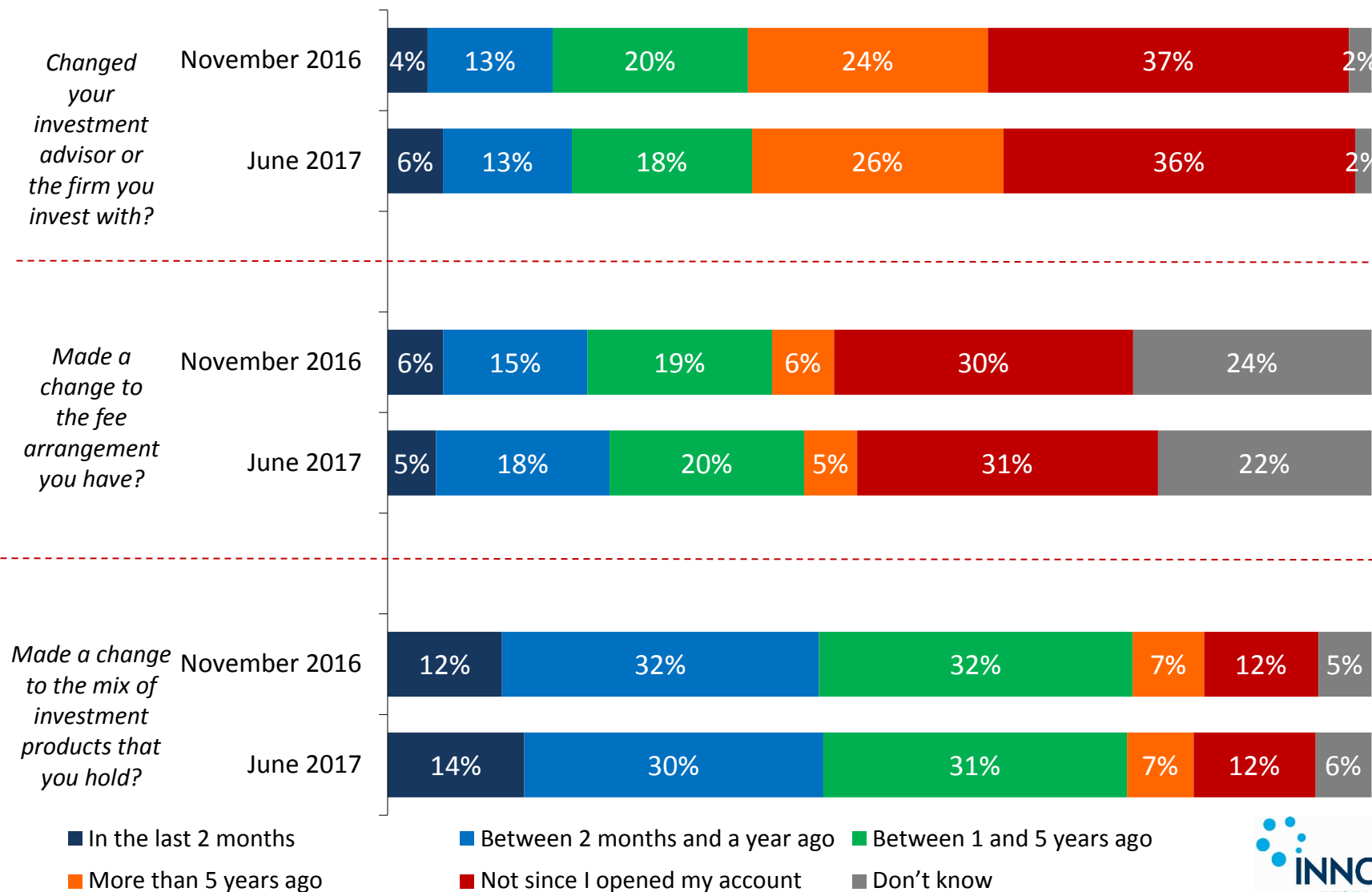
[asked of all respondents; part 3 n=600]

Major Changes: Plurality have changed their mix of investments, most have stayed with advisor in last year



When was the last time you

[asked of all respondents; part 3 n=600]



Major Changes: More confident investors changing fee arrangements within the past year down by 7 points



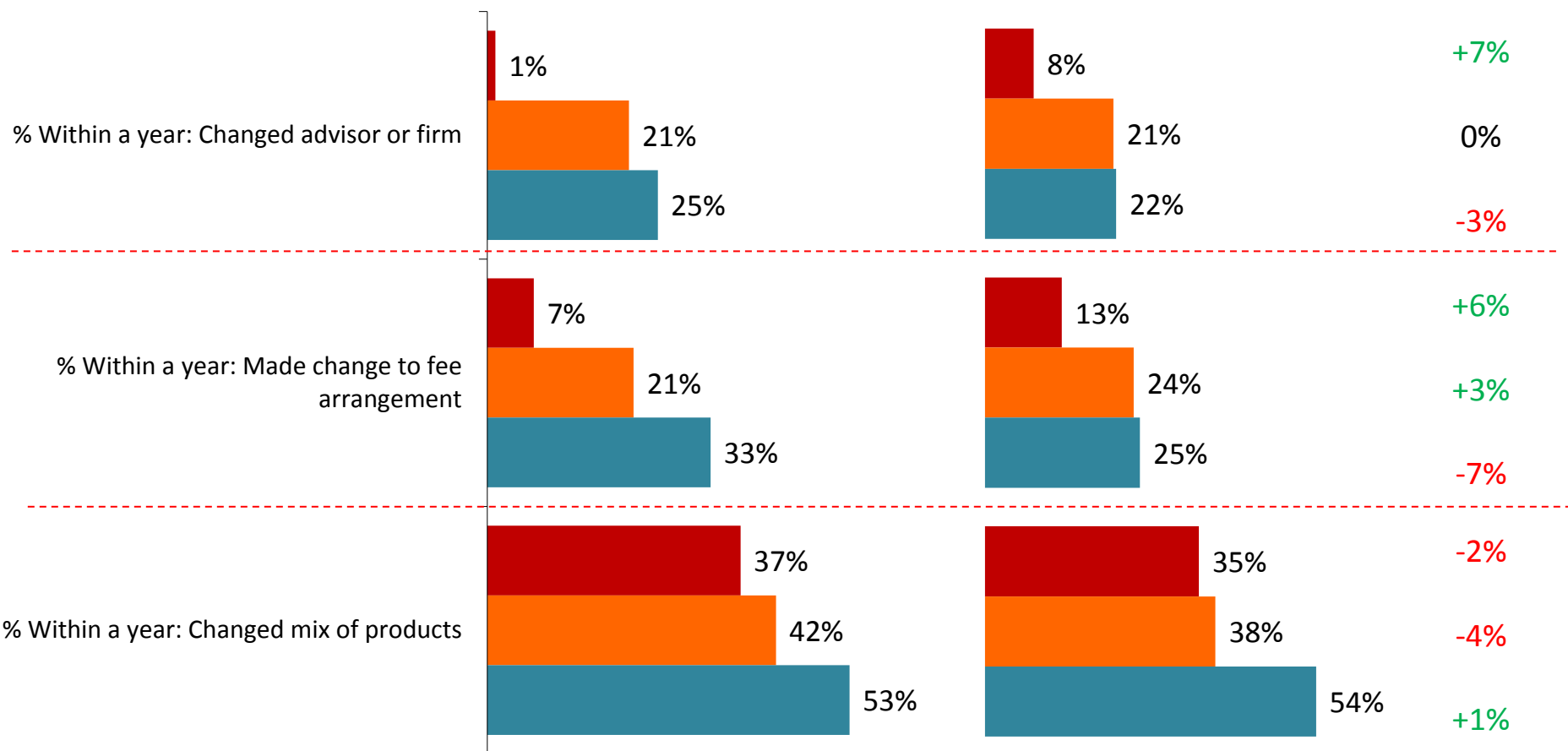
When was the last time that you...

[asked of all respondents; part 3 n=600]

CHANGE

Nov. 2016

June 2017



■ Never received CRM2 report

■ Received report; Less confident investor

■ Received report; More confident investor

Major Changes: 8-12 point increase among \$500k+ investors on all three major changes

		BC Region			Gender		Age			Investment Portfolio				
		LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k to \$250k	\$250k to \$500k	Over \$500k
% Within a year: changed advisor or firm	Nov. 2016	16%	15%	22%	22%	12%	35%	19%	6%	14%	19%	25%	22%	8%
	June 2017	20%	14%	22%	23%	14%	33%	25%	7%	12%	24%	20%	24%	20%
	Change	4%	-1%	0%	1%	2%	-2%	6%	1%	-3%	4%	-5%	2%	12%
% Within a year: made change to fee arrangement	Nov. 2016	20%	16%	26%	26%	15%	40%	20%	11%	18%	22%	31%	23%	15%
	June 2017	22%	21%	29%	27%	18%	38%	25%	14%	17%	28%	23%	27%	26%
	Change	1%	5%	2%	1%	3%	-2%	4%	3%	-1%	6%	-8%	3%	10%
% Within a year: changed mix of products	Nov. 2016	43%	43%	49%	46%	42%	53%	36%	46%	28%	46%	44%	58%	51%
	June 2017	46%	40%	41%	48%	40%	52%	37%	47%	21%	43%	49%	59%	59%
	Change	4%	-3%	-8%	3%	-2%	-2%	1%	1%	-6%	-2%	5%	2%	8%

[asked of all respondents; part 3 n=600]

Tracking Results Across Parts

*This section shows the tracking results for respondents who completed more than one part.
This shows real changes in these investors' opinions over time.*

Fee/Performance Awareness: Awareness of types of fees up by 9 points after CRM2 report, then somewhat plateaus

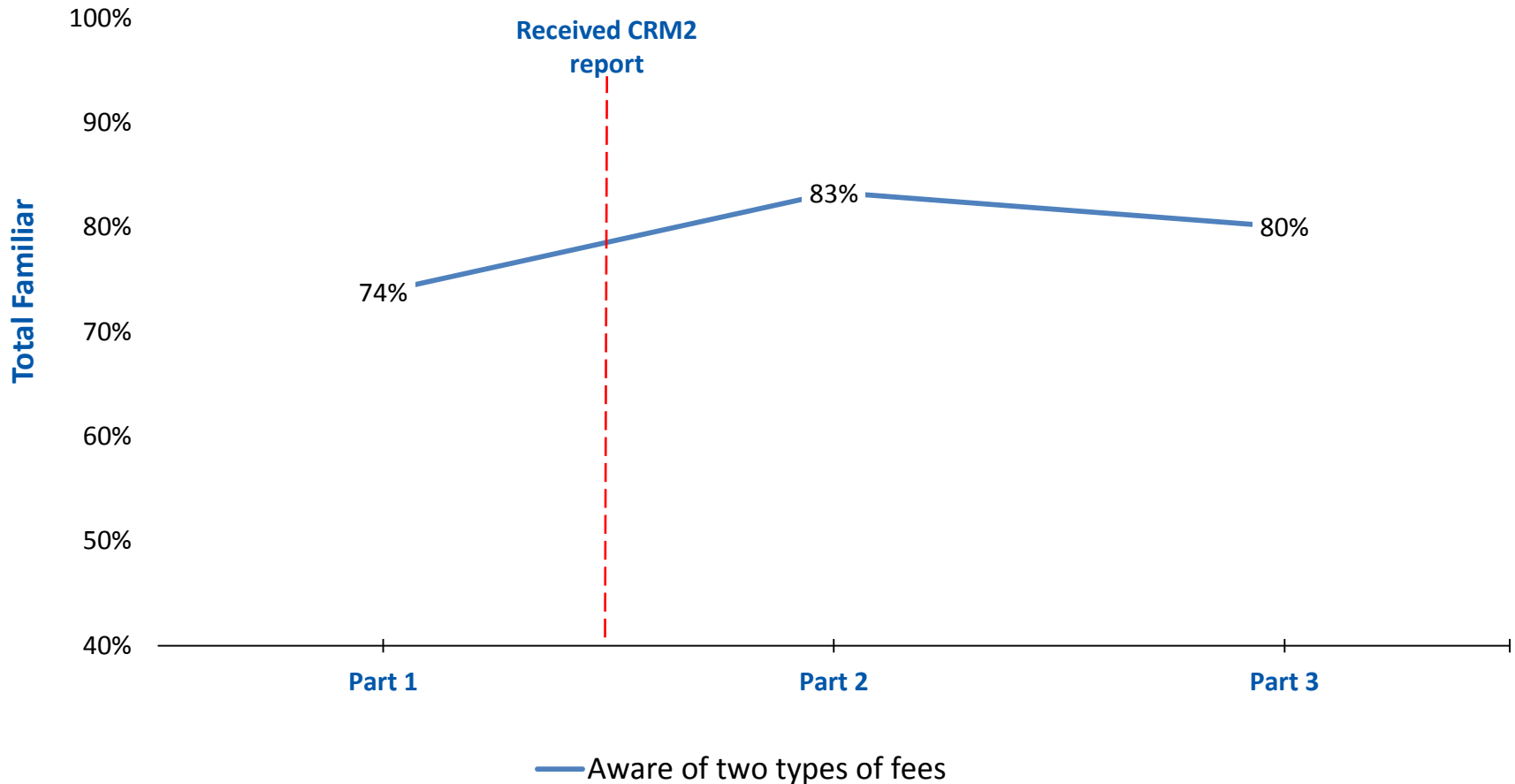
55



How familiar are you with the two types of fees you pay on your primary investment account?

[Total familiar = Very + Somewhat familiar]

[showing all respondents who completed parts 1, 2, and 3; n=233]



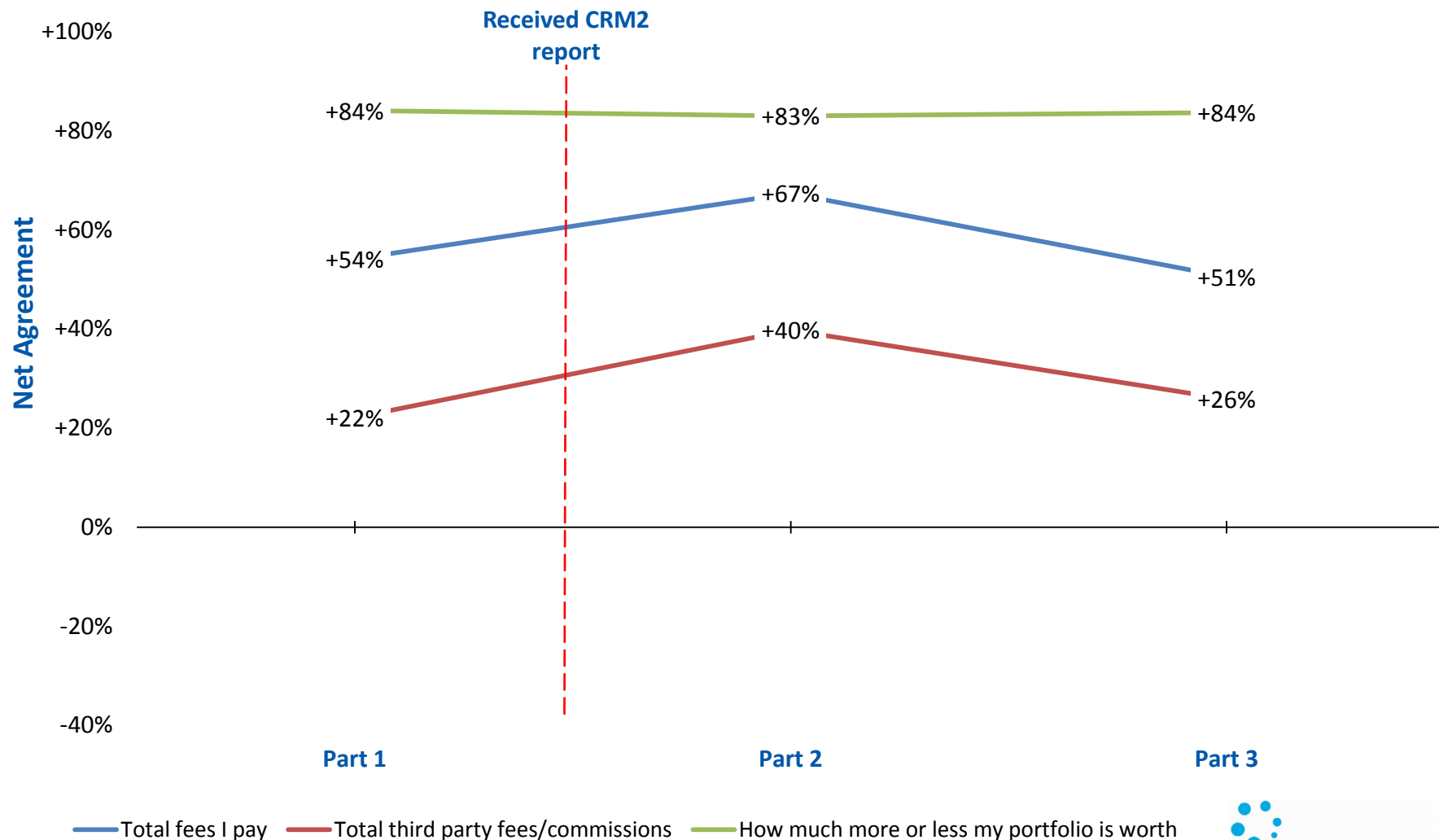
Fee/Performance Awareness: Awareness of all fees peaks after CRM2 report; performance knowledge stable



Do you agree or disagree with the following statements. I know...

[Net agree = Agree - Disagree]

[showing all respondents who completed parts 1, 2, and 3; n=233]



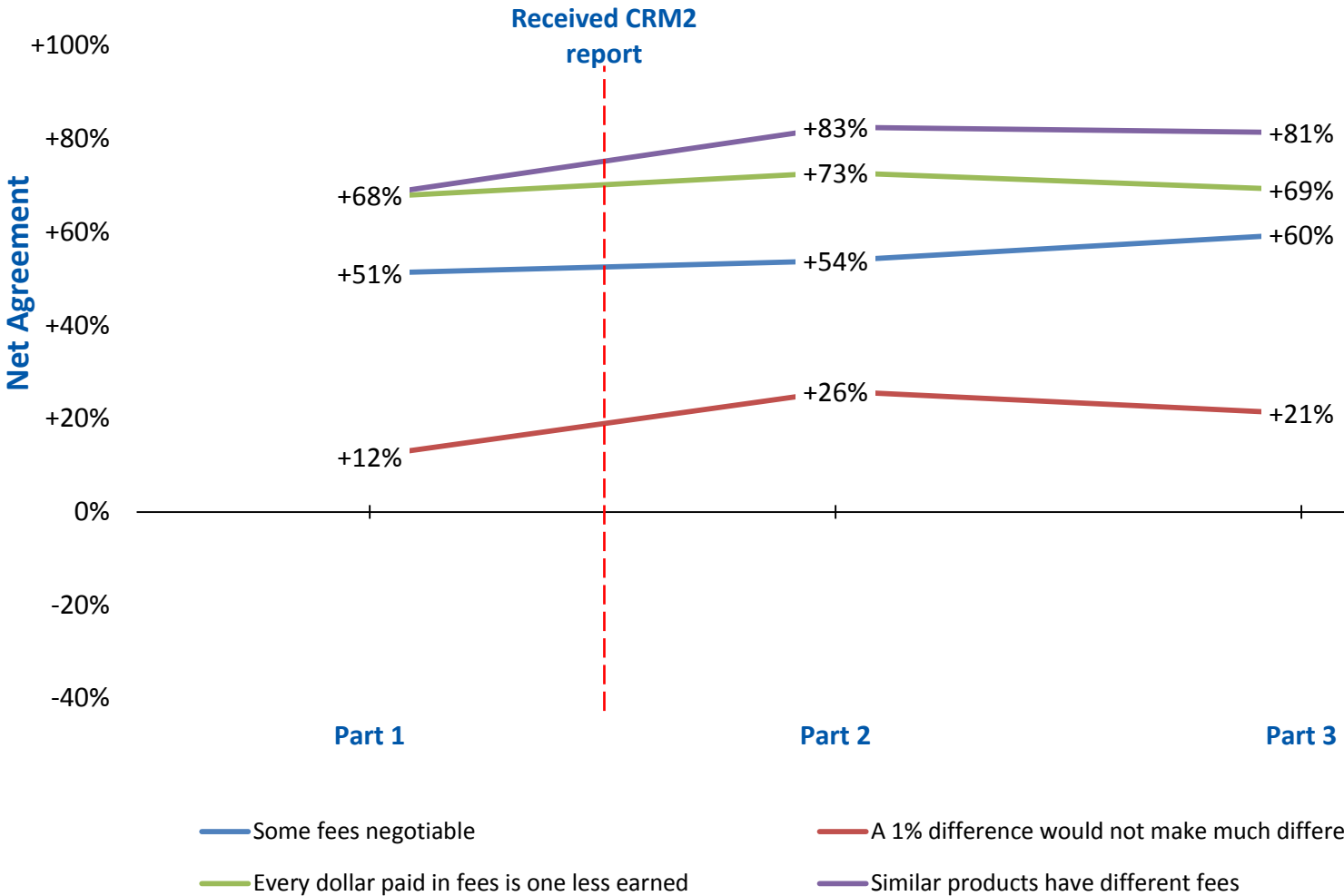
General Fee Understanding: “1% difference in fees makes little difference” sees net agreement fall by 9 points from Part 1



Do you agree or disagree with the following statements...

[Net agree* = Agree – Disagree]

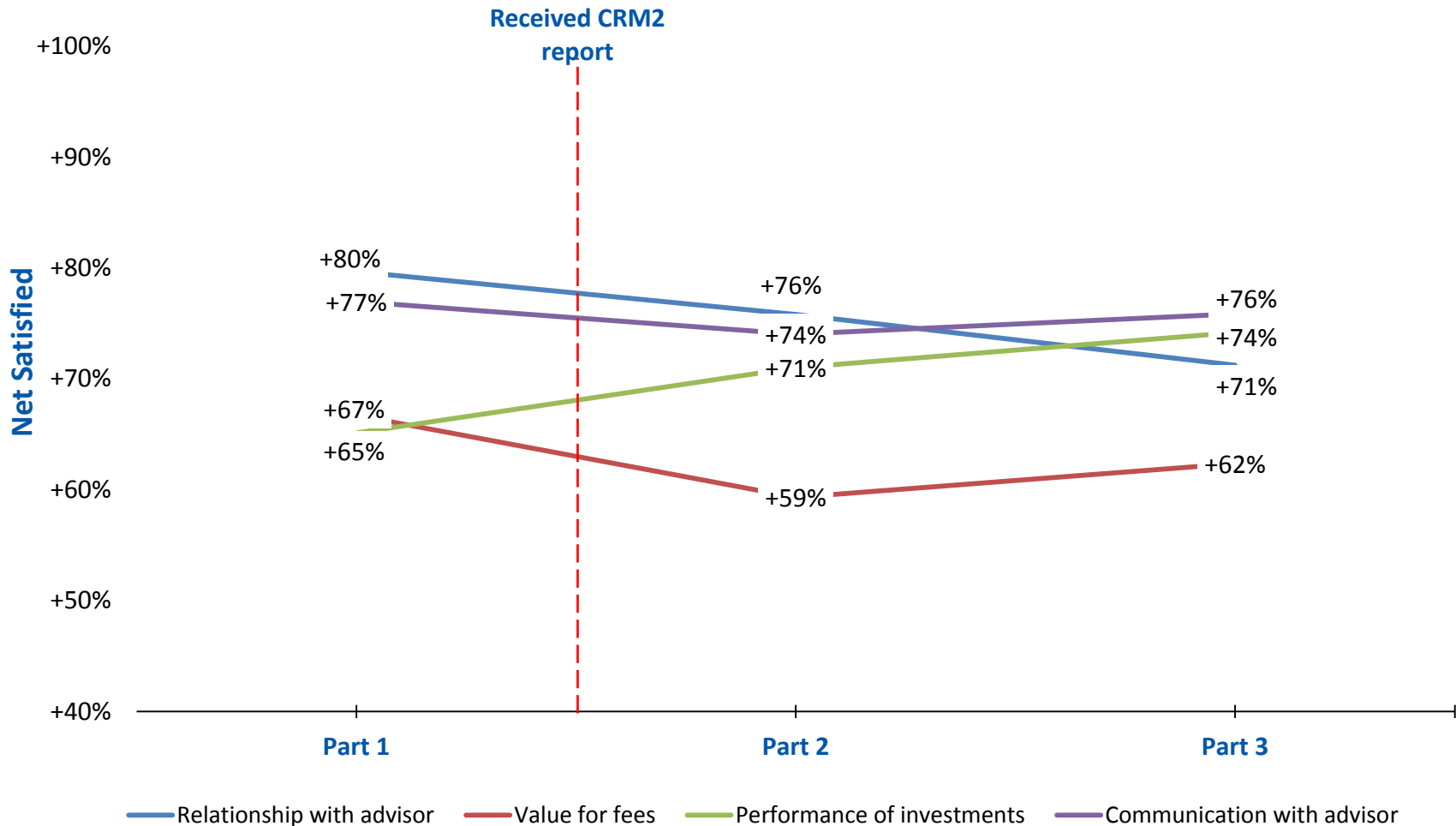
[showing all respondents who completed parts 1, 2, and 3; n=233]



Note: Shows net disagreement for impact of 1% change.

Satisfaction: Relationship with advisor sees a steady decline from Part 1, down by 9 points by Part 3

Q Thinking about your primary savings account, how satisfied are you with...
[Net agree = Agree - Disagree]
[showing all respondents who completed parts 1, 2, and 3; n=233]



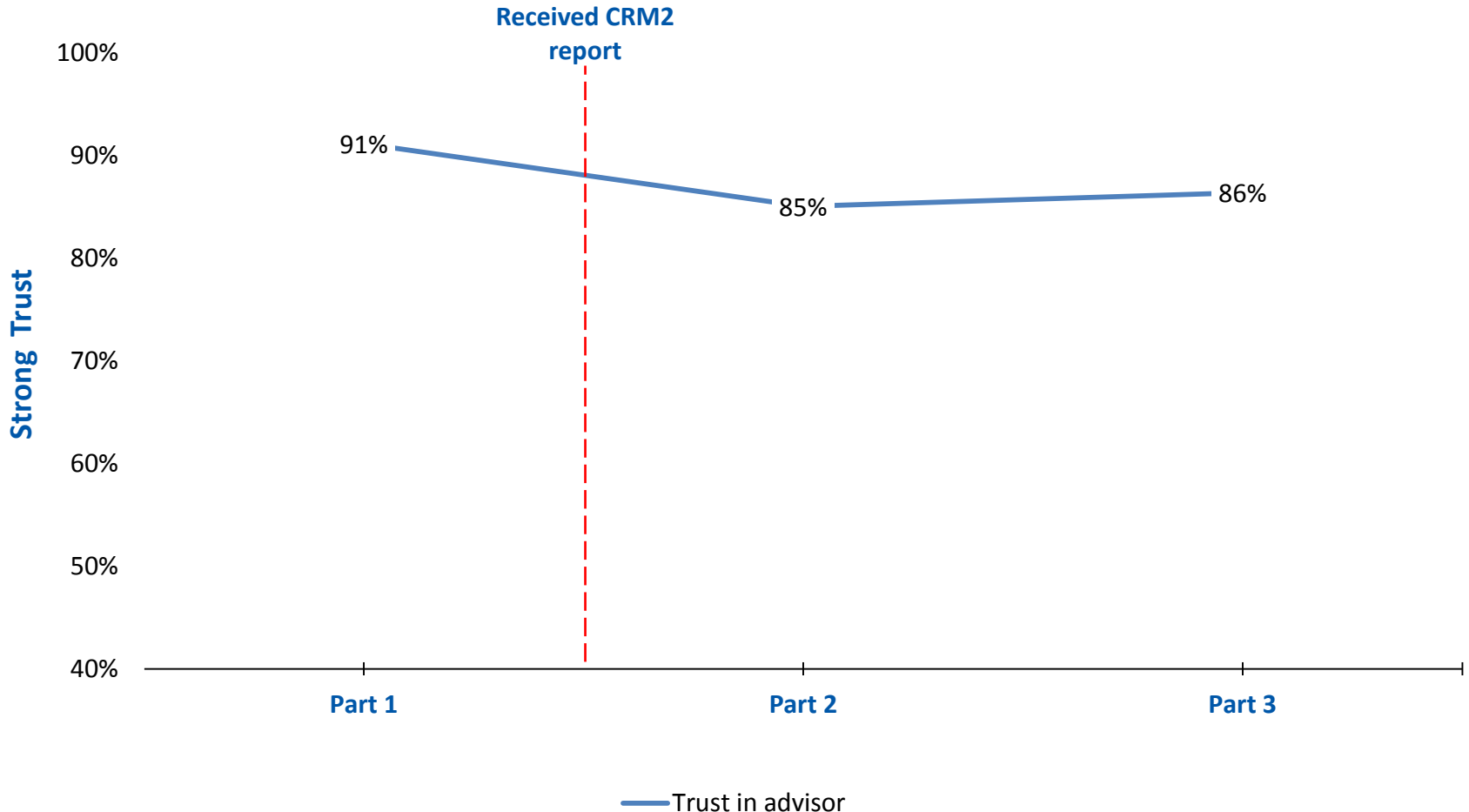
Strength of Trust in Advisor: Trust in advisor highest in Part 1, then declines moderately after receipt of CRM2 report⁵⁹



In general, how would you describe the level of trust you have in your investment advisor?

[Strong trust = Very + Somewhat strong]

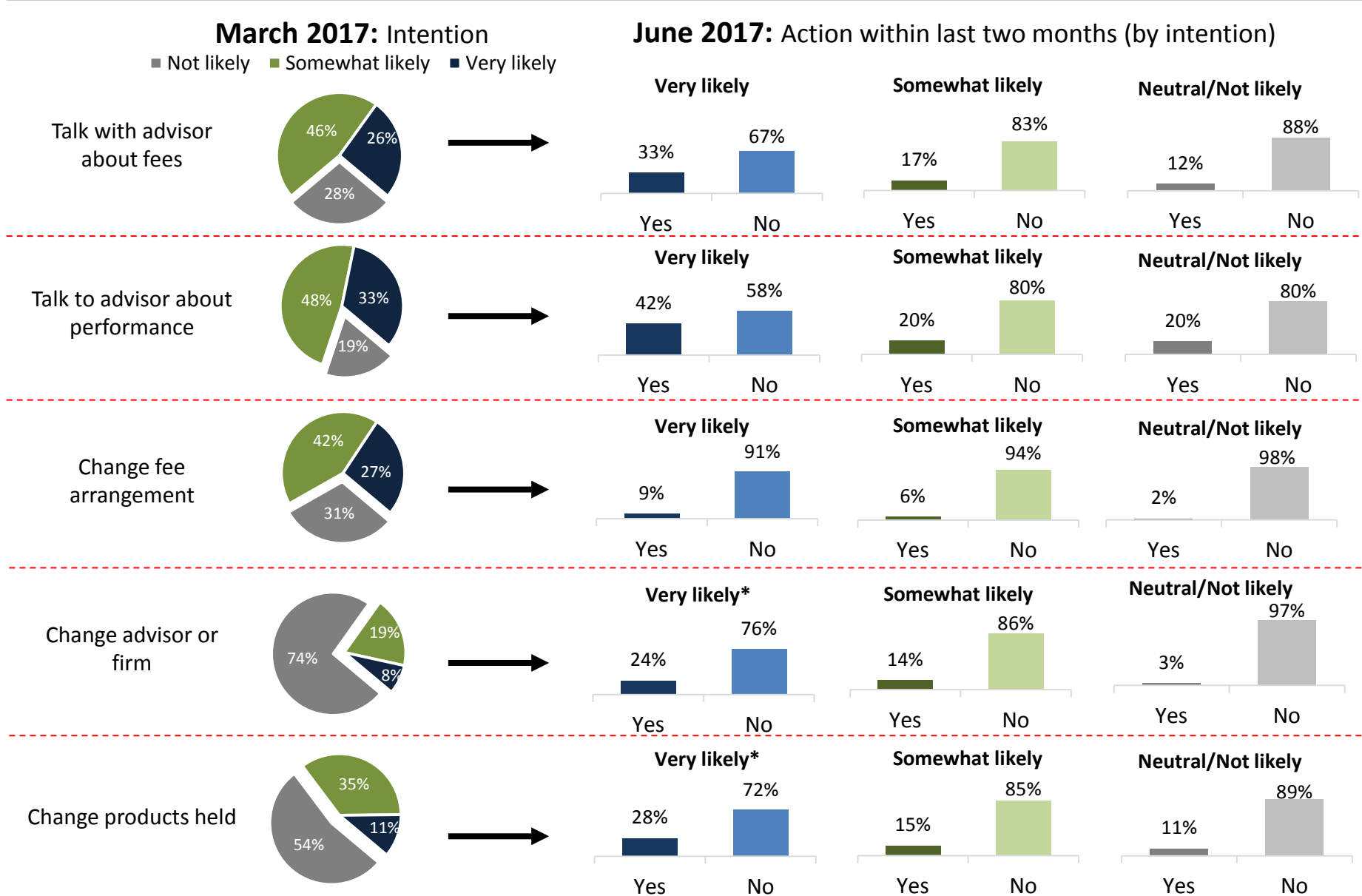
[showing all respondents who completed parts 1, 2, and 3; n=233]



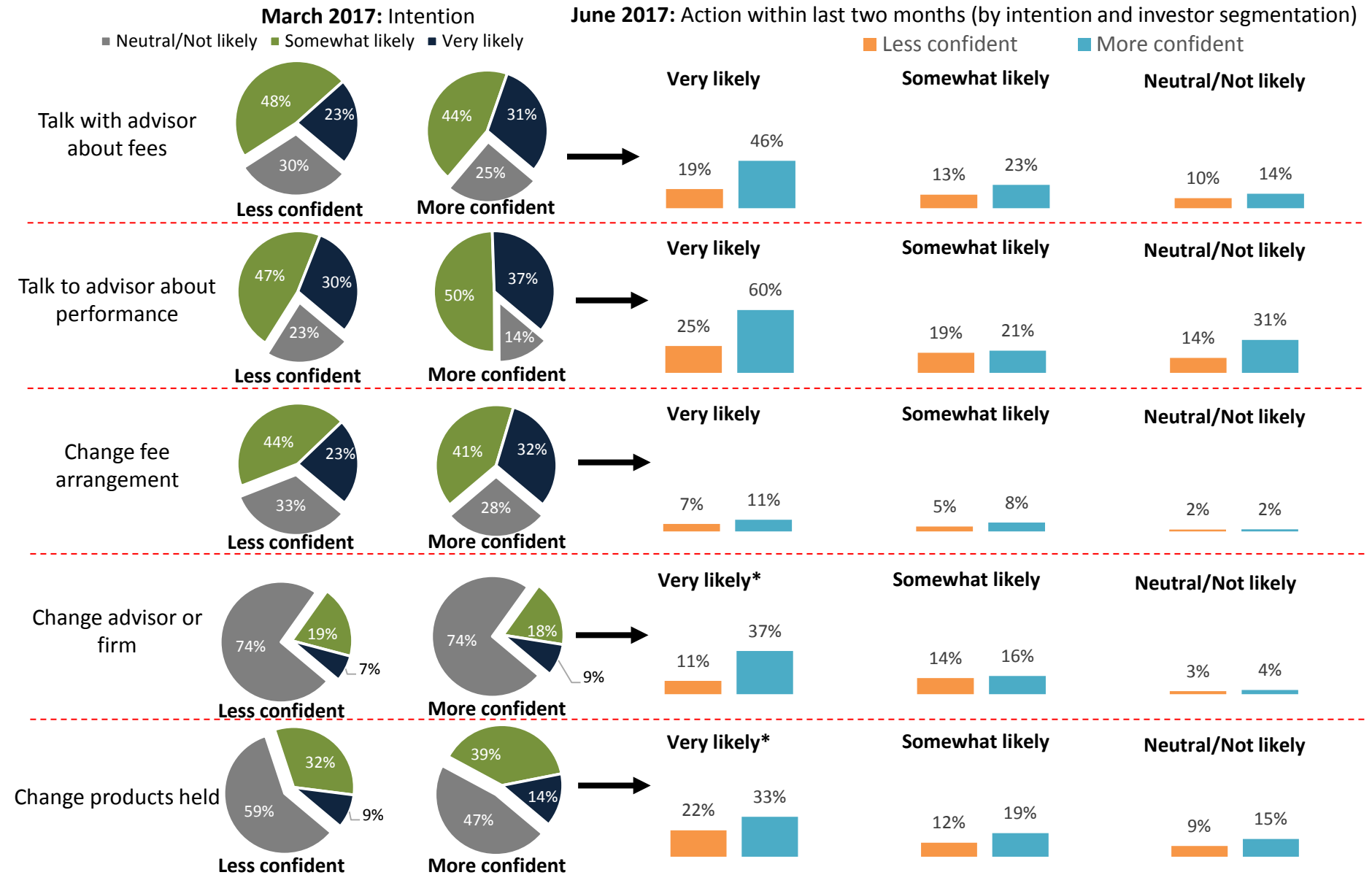
Intention and Behaviour

This section shows how intentions expressed in Part 2 were related to actions between Part 2 and Part 3.

Intentions: Most respondents do not act on intentions, large difference between ‘Somewhat’ and ‘Very likely’ ⁶¹



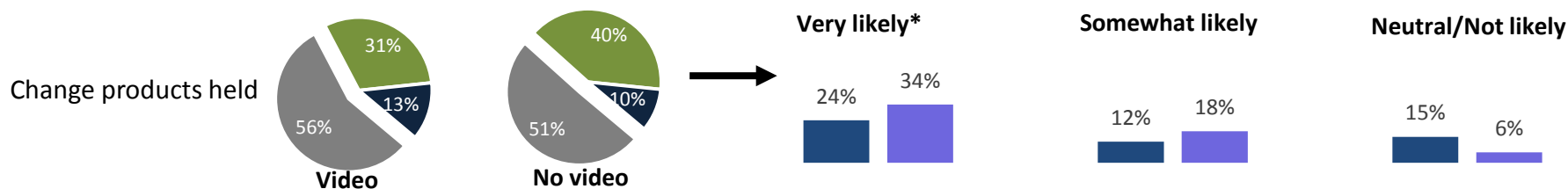
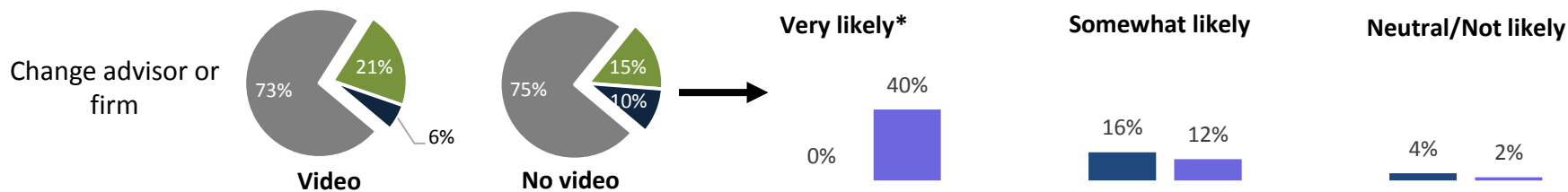
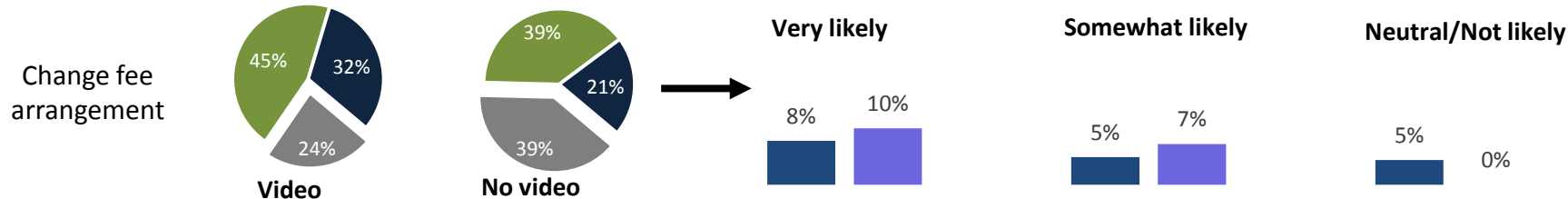
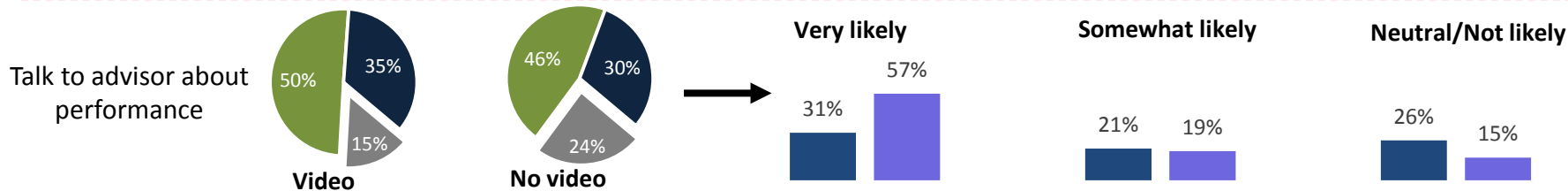
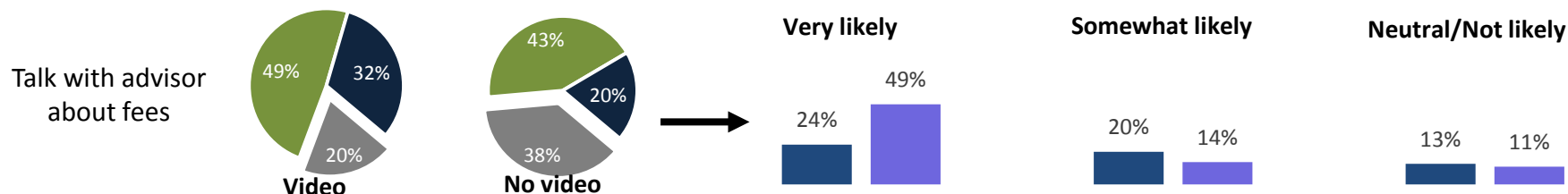
Intention: More confident investors much more likely to follow through on intentions to talk about fees or performance



Intentions and BCSC video: Increased intentions caused by the video appear to have seen less follow-through in action

March 2017: Intention
 ■ Neutral/Not likely ■ Somewhat likely ■ Very likely

June 2017: Action within last two months (by intention and investor segmentation)
 ■ Video ■ No video



*Due to small n-sizes, results should be treated with caution.

[showing all respondents who completed parts 2 and 3; n=337]

Changes to Knowledge

This section details the dynamics of individual level changes in specific fee knowledge and fee understanding between Part 1 and Part 3.

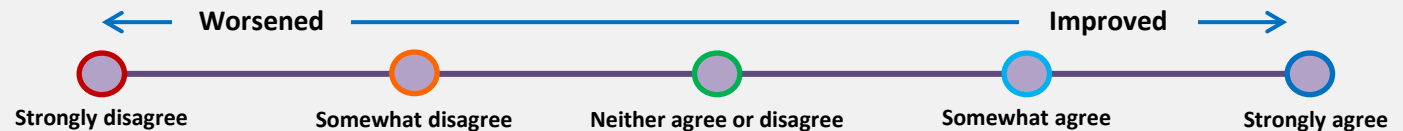
Changes to Specific Fee Knowledge: Near equal split between improved, worsened, and static knowledge

Respondents were asked knowledge questions on specific fee knowledge each time they responded to a part of the survey. Between parts, their level of knowledge may have changed. The key determinant of an increase in knowledge of specific fees is an increase in agreement. The following segmentation illustrates the change in knowledge regarding specific fees.

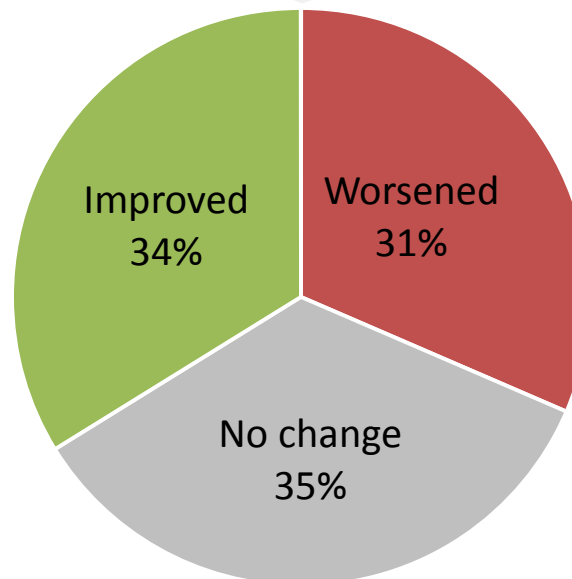
Specific Fee Knowledge

Do you agree or disagree with the following statements. I know...

- Total amount of fees I paid to my advisor to make transactions on and administer my investment account in the last 12 months.
- Total amount of fees and commissions paid to my [firm type] by other companies because of the investments that I purchased and/or held in the last 12 months.



Among respondents who participated in Parts 1 and 3:
[n=400]



Change in Knowledge Analysis: Worsening of specific fee knowledge found by 47% of those with portfolios over \$500k

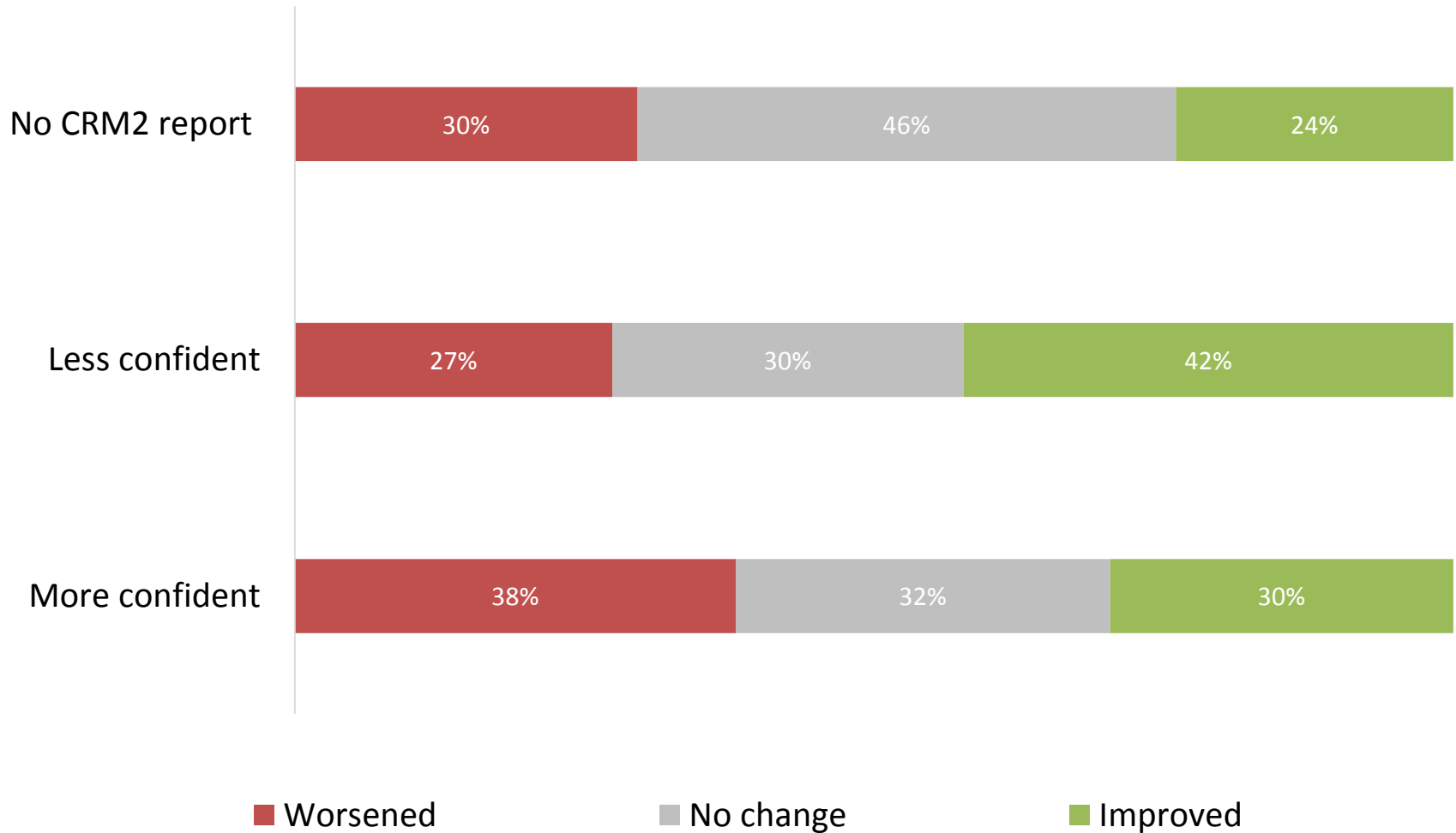
Change in Specific Fee Knowledge **by** region, gender, age, and investment portfolio.

[among respondents who participated in Parts 1 and 3, n=400]

	BC Region			Gender		Age			Investment Portfolio				
	LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k to \$250k	\$250k to \$500k	Over \$500k
Worsened	31%	30%	34%	30%	33%	28%	26%	37%	28%	30%	32%	24%	47%
No change	36%	37%	27%	34%	35%	52%	36%	26%	38%	38%	32%	30%	30%
Improved	33%	33%	39%	36%	32%	19%	39%	36%	34%	32%	36%	46%	23%

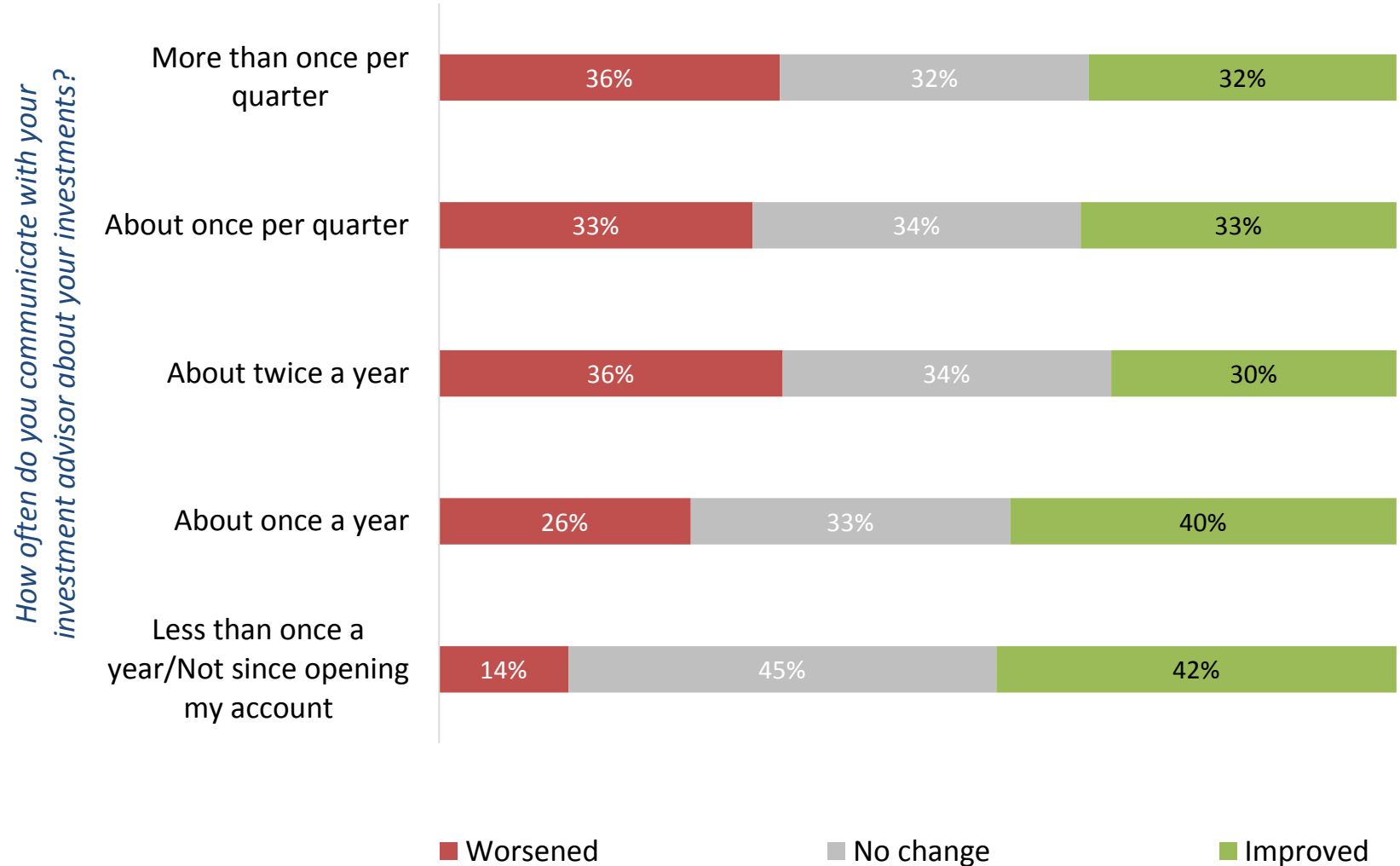
Report Receipt Analysis: Improvement to knowledge greatest among less confident investors (42%)

[among respondents who participated in Parts 1 and 3, n=400]



Communication Frequency Analysis: Improvements to fee knowledge highest for those who communicated less

[among respondents who participated in Parts 1 and 3, n=400]

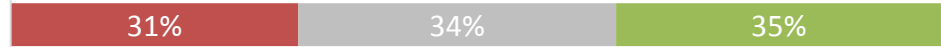


Change in Specific Fee Knowledge: By market barriers and preferences

[among respondents who participated in Parts 1 and 3, n=400]

*Changing firm/advisor
would take a lot of
time.*

Agree

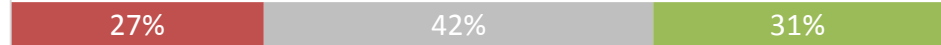


Disagree



*Changing firm/advisor
would cost a lot of
money.*

Agree



Disagree

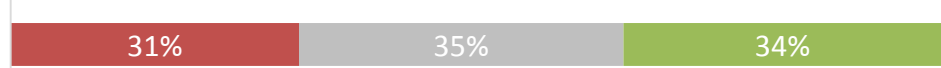


*From the following,
please indicate
which is the **most**
important
consideration for
you when making
an investment
decision.*

The fees I pay



The performance I expect
to achieve



How the investment fits
into my existing portfolio



Don't know



■ Worsened

■ No change

■ Improved

Potential Barriers: Largest improvements among cognitively engaged and conscientious

[among respondents who participated in Parts 1 and 3, n=400]

Conscientiousness

Conscientiousness is determined by the following two agree/disagree statements:

- I am dependable and self-disciplined.
- I am disorganized and careless.

Conscientious

29%

34%

37%

Not conscientious

34%

35%

31%

Cognitive engagement

Cognitive engagement is determined by the following two agree/disagree statements:

- Thinking is not my idea of fun.
- The notion of thinking abstractly is appealing to me.

Cognitively engaged

34%

27%

39%

Not cognitively engaged

29%

44%

27%

Statement literacy

There are a number of basic services that provide statements on a regular basis. These can include your investment firm, a bank, your cell phone provider, or your electricity company. How confident are you when it comes to understanding the following types of statements?

- Statements from your investment firm
- Bank statement
- Cell phone bills
- Electricity bills

Comfortable

36%

29%

35%

Less comfortable

26%

41%

32%

■ Worsened

■ No Change

■ Improved

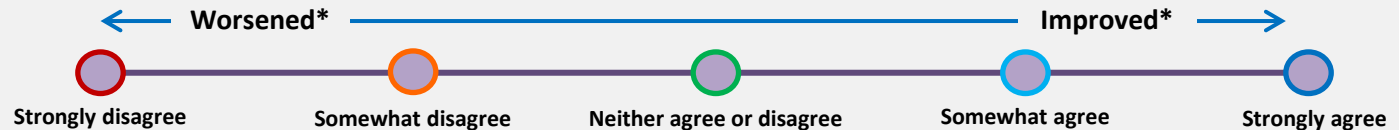
Changes to General Fee Understanding: Near majority (47%) improved in general fee understanding

Respondents were asked knowledge questions on general fee understanding each time they responded to a part of the survey. Between parts, their level of knowledge may have changed. The key determinant of an increase in understanding of general fees is an increase in agreement, with the exception of the "1% difference in fees" question. The following segmentation illustrates the change in knowledge regarding general fee understanding.

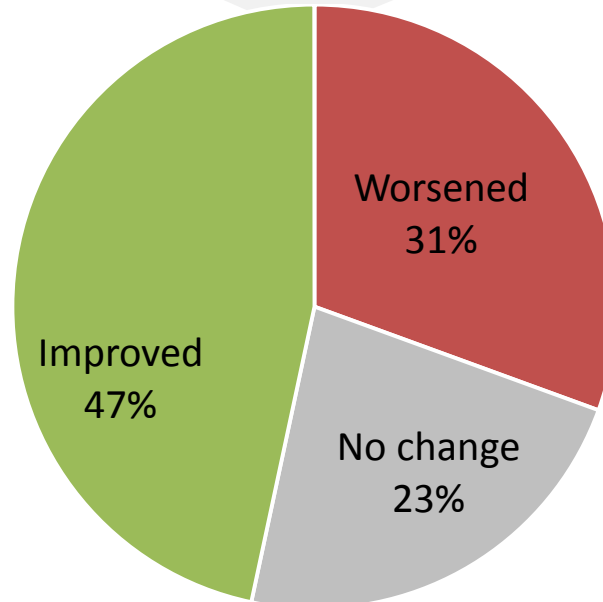
General Fee Understanding

Do you agree or disagree with the following statements:

- Some fees charged by investment advisors may be negotiable (Agree).
- A 1% difference in fees would not make much difference to my returns over time (*Increase in disagree indicates increase in knowledge).
- Every dollar more that I pay in fees is one less dollar I earn in returns (Agree).
- Similar investment products can have quite different fees (Agree).



Among respondents who participated in Parts 1 and 3:
[n=400]



General Fee Understanding Analysis: Improvement to general fee understanding high across all demographic groups

General Fee Understanding **by** region, gender, age, and investment portfolio.

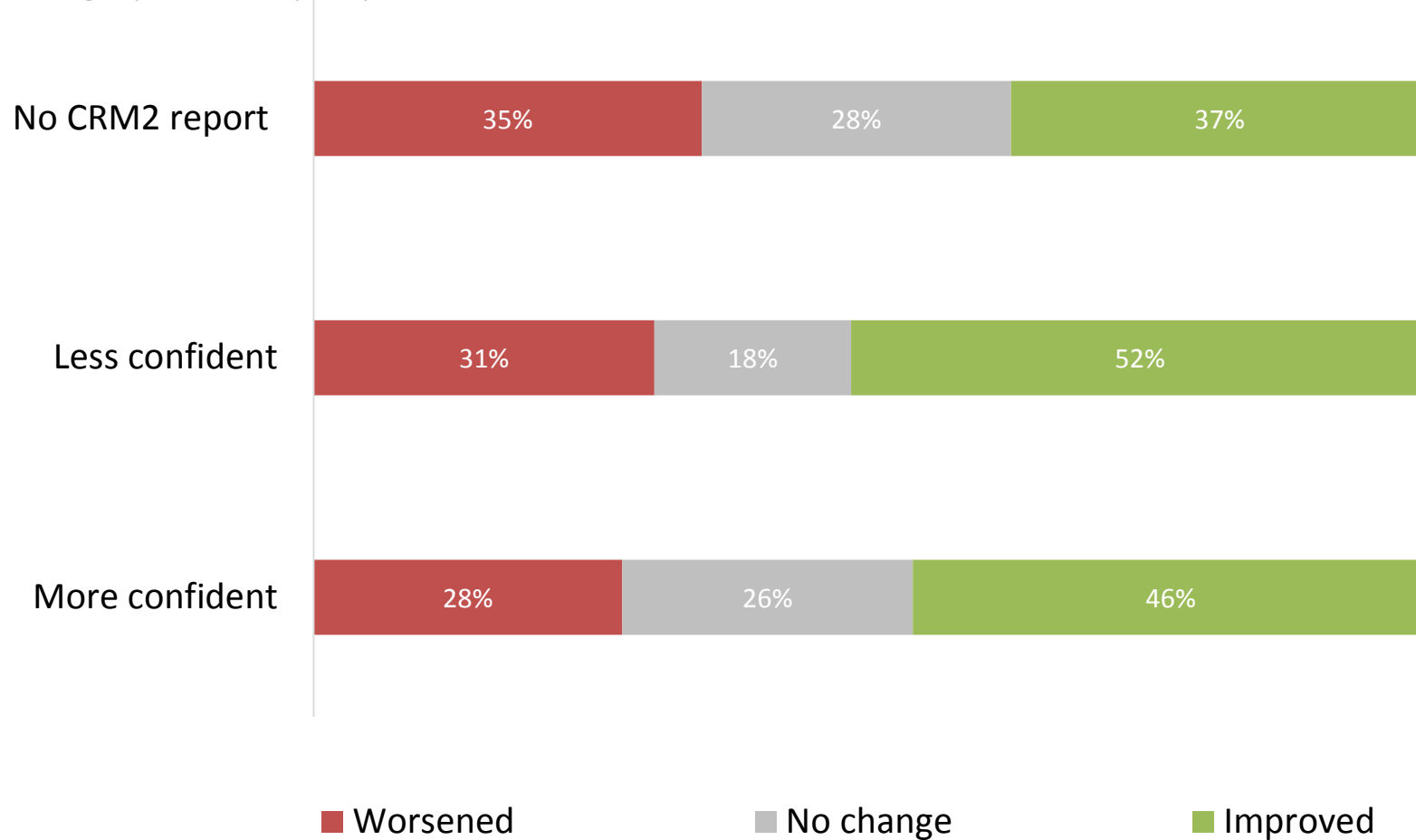
[among respondents who participated in Parts 1 and 3, n=400]

	BC Region			Gender		Age			Investment Portfolio				
	LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k to \$250k	\$250k to \$500k	Over \$500k
Worsened	31%	26%	33%	29%	32%	23%	29%	34%	32%	30%	30%	32%	27%
No change	23%	24%	19%	22%	24%	34%	25%	16%	22%	26%	22%	25%	16%
Improved	45%	50%	48%	49%	44%	42%	46%	49%	46%	44%	48%	43%	57%

General Fee Understanding: More than half (52%) of less confident investors had improved general fee understanding

General Fee Understanding **by** confidence and CRM2 report tracking segments.

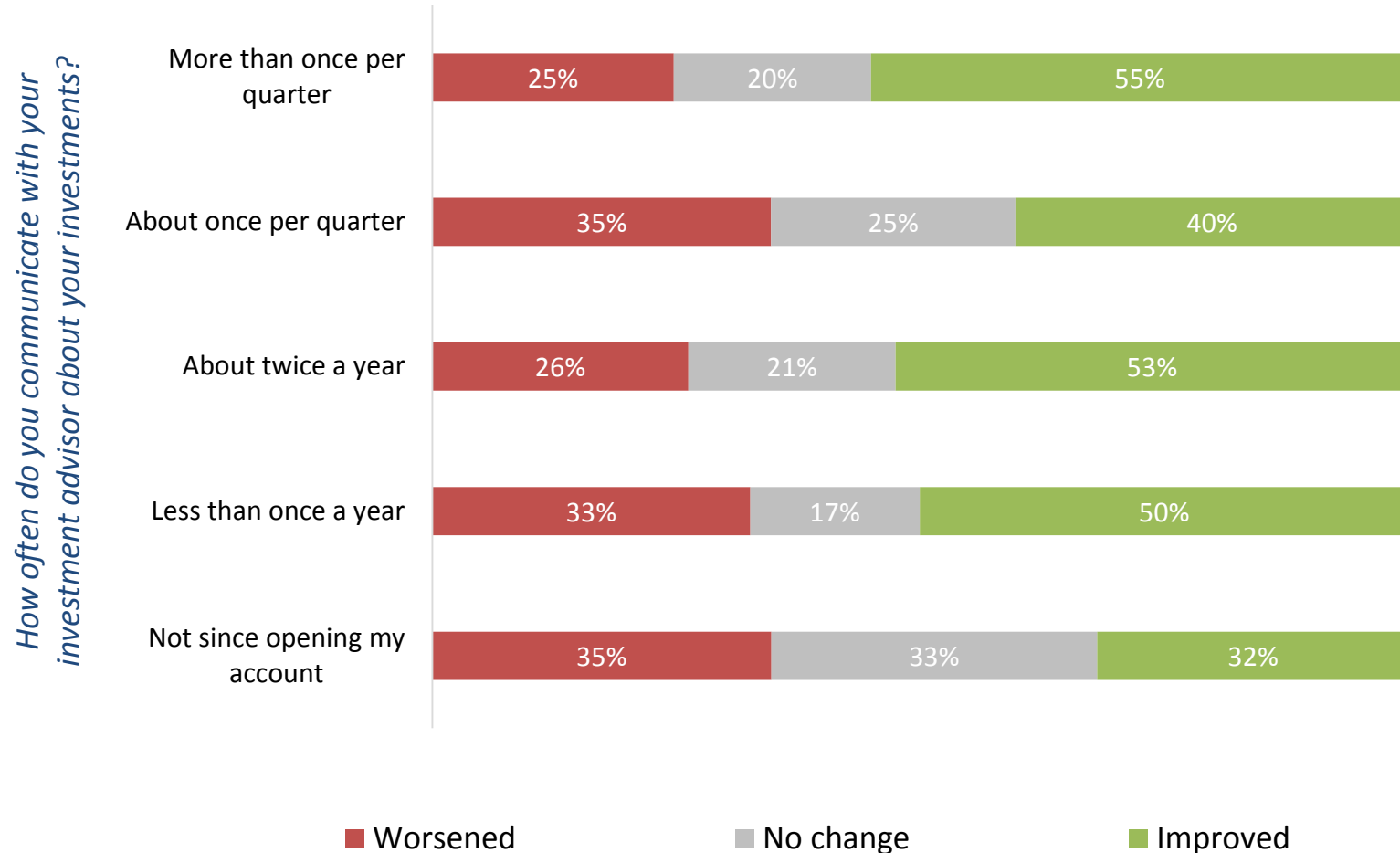
[among respondents who participated in Parts 1 and 3, n=400]



Communication Analysis: Investors who frequently talk to advisor improved general fee understanding the most

General Fee Understanding **by** frequency of communicating with advisor.

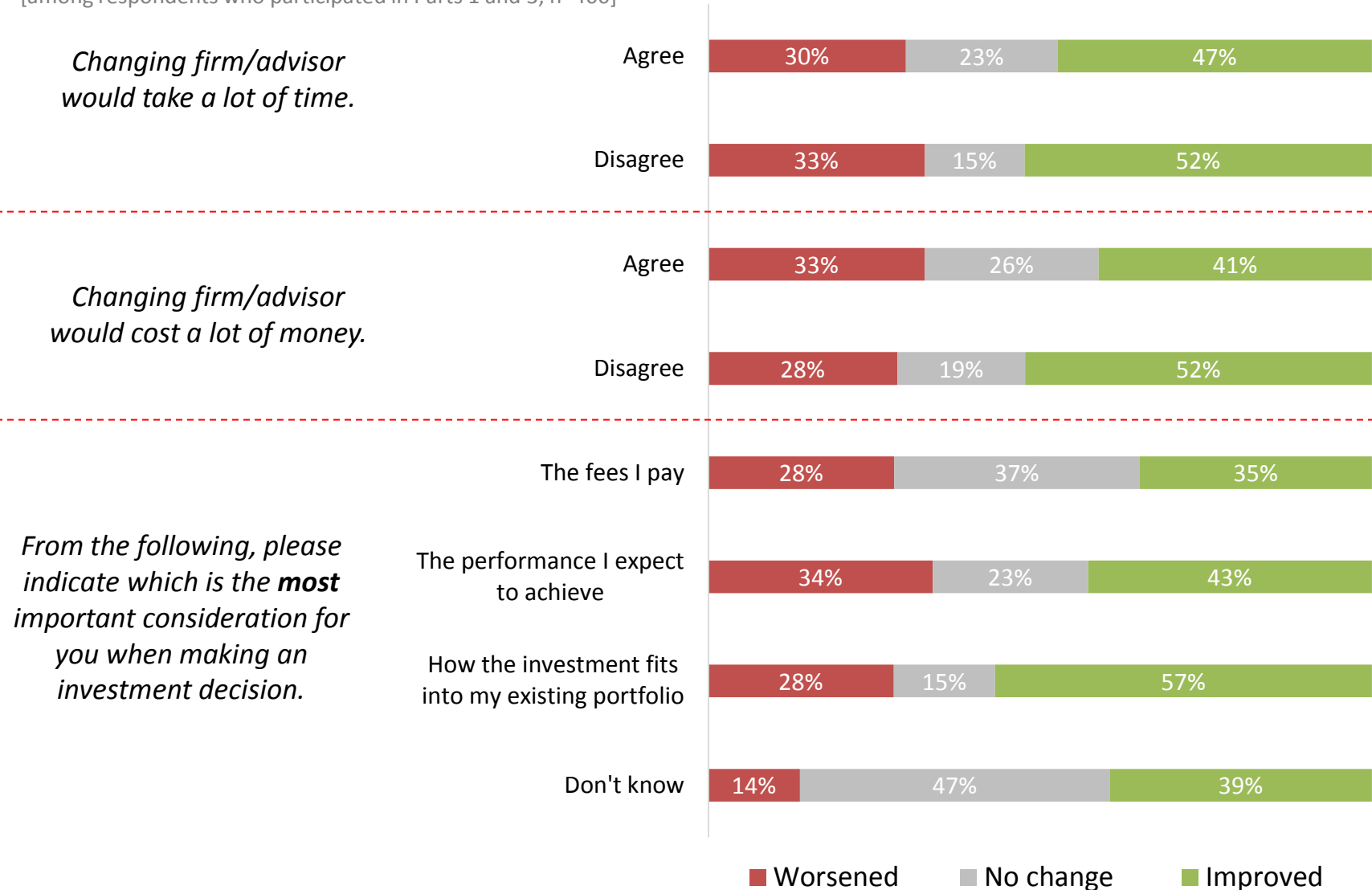
[among respondents who participated in Parts 1 and 3, n=400]



Market Barriers/Preferences: General fee understanding improved among those without perceived market barriers

General Fee Understanding **by** market barriers and preferences.

[among respondents who participated in Parts 1 and 3, n=400]



Potential Barrier Analysis: Improvements higher among those comfortable reading statements

[among respondents who participated in Parts 1 and 3, n=400]

Conscientiousness

Conscientiousness is determined by the following two agree/disagree statements:

- I am dependable and self-disciplined.
- I am disorganized and careless.

Conscientious

32%

22%

47%

Not conscientious

30%

24%

46%

Cognitive engagement

Cognitive engagement is determined by the following two agree/disagree statements:

- Thinking is not my idea of fun.
- The notion of thinking abstractly is appealing to me.

Cognitively engaged

30%

21%

49%

Not cognitively engaged

31%

25%

44%

Statement literacy

There are a number of basic services that provide statements on a regular basis. These can include your investment firm, a bank, your cell phone provider, or your electricity company. How confident are you when it comes to understanding the following types of statements?

- Statements from your investment firm
- Bank statement
- Cell phone bills
- Electricity bills

More confident with statements

30%

20%

50%

Less confident with statements

31%

26%

43%

■ Worsened ■ No Change ■ Improved

Changes to Patterns of Behaviour

This section shows how actual behaviours changed from Part 1 to Part 3. We look at new actions, and explore who is and is not taking new actions since the CRM2 reports were distributed.

Determining a New Action: Post-CRM2 report

Q

When was the last time... [you and your advisor discussed the performance of your fees/you changed your investment advisor/you made changes to the mix of products you hold etc.]

[among respondents who participated in Part 1 and at least one of Part 2 and Part 3, n=504]

Defining new action

- Answered “in the last two months” in either Part 2 or Part 3

AND

- Indicated that it had been more than two months in the previous surveys

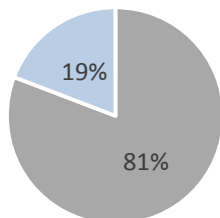
OR

- Answered “between two months and a year” in Part 3

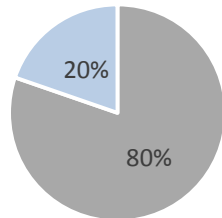
AND

- Indicated it had been more than one year ago in their most recent previous survey.

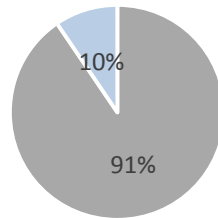
Talk to advisor about performance



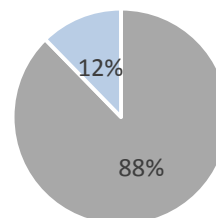
Talk with advisor about fees



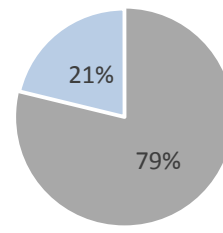
Change advisor or firm



Change fee arrangement



Change products held



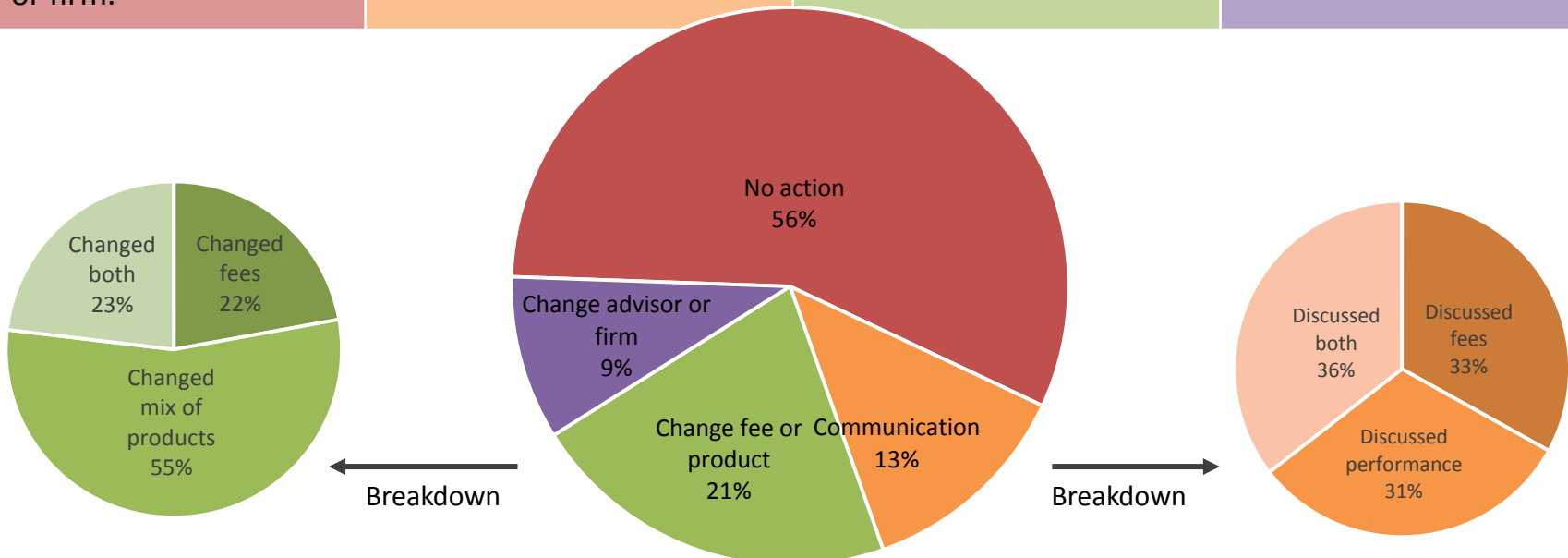
■ No new discussion ■ New discussion

■ No new action ■ New action

Changes in Patterns of Behaviour: 13% engaged in new communication, 21% made changes to products or fees

[among respondents who participated in Part 1 and at least one of Part 2 and Part 3, n=504]

No action	New communication	New change to fees or products	New change to advisor or firm
<ul style="list-style-type: none"> Has not discussed fees, performance with advisor since receiving CRM2 report; Did not change fee arrangement, mix of products; Did not change advisor or firm. 	<ul style="list-style-type: none"> Discussed fee arrangement or performance of investment – or both – with advisor since receiving CRM2 report; Did not make any major changes. 	<ul style="list-style-type: none"> Made a change to fee arrangement or mix of products or both since receiving CRM2 report; Did not change advisor or firm. 	<ul style="list-style-type: none"> Changed advisors or firms since receiving CRM2 report.



Level of Engagement: 1-in-3 of those earning \$250K+ have changed fee arrangement or products since CRM2 report

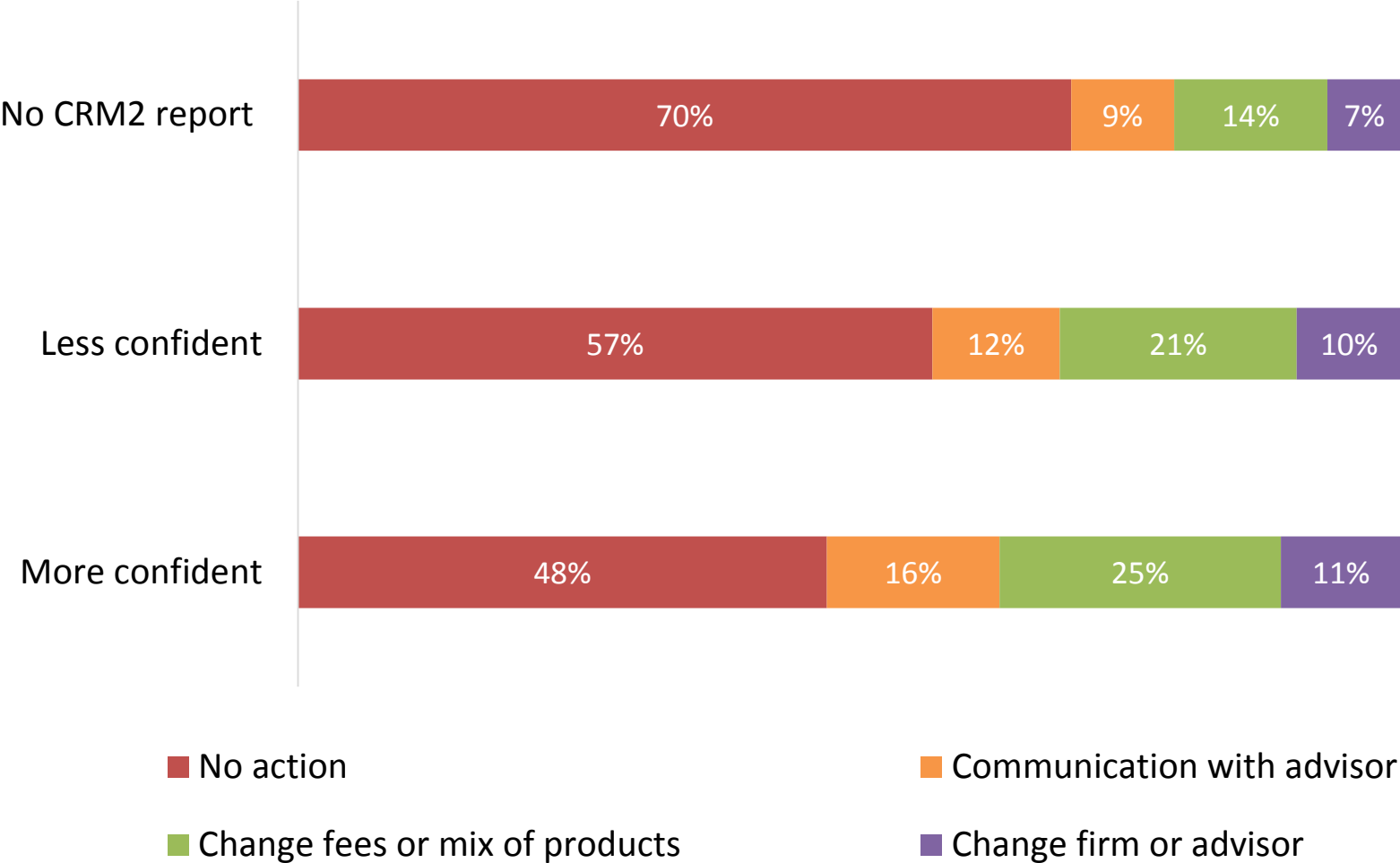
Engagement Segmentation **by** region, gender, age, and investment portfolio.

[among respondents who participated in Part 1 and at least one of Part 2 and Part 3, n=504]

	BC Region			Gender		Age			Investment Portfolio				
	LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k to \$250k	\$250k to \$500k	Over \$500k
No action	57%	61%	49%	53%	60%	57%	58%	55%	74%	61%	56%	45%	48%
Communicate with advisor	14%	11%	10%	12%	14%	10%	13%	13%	7%	15%	11%	15%	10%
Change fee arrangement or mix of products	21%	19%	26%	25%	18%	19%	17%	26%	10%	9%	22%	33%	34%
Change advisor or firm	9%	8%	14%	10%	9%	14%	12%	6%	9%	14%	12%	6%	8%

Investor Confidence and Behaviour Change: More confident⁸¹ investors more likely to take new action post-CRM2

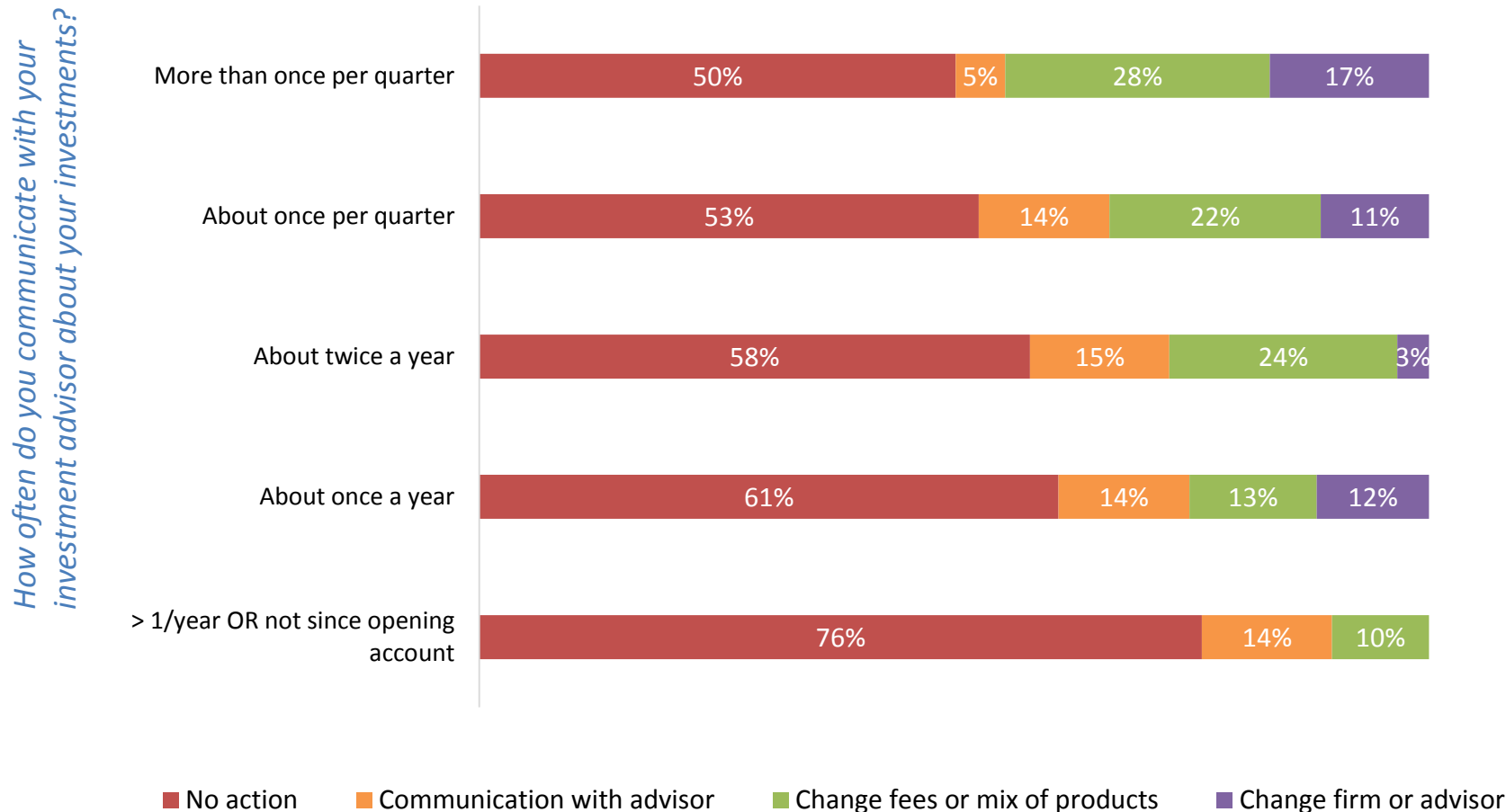
Engagement Segmentation **by** confidence and CRM2 report tracking segments.
[among respondents who participated in Part 1 and at least one of Part 2 and Part 3, n=504]



Engagement by Frequency of Communication: Non-action increases with those who communicate less with advisor 82

Engagement Segmentation **by** frequency of communication with advisor.

[among respondents who participated in Part 1 and at least one of Part 2 and Part 3, n=504]



Engagement by Market Barriers and Preferences: 13% of those who cite fees as most important changed advisors

Engagement Segmentation **by** market barriers and preferences.

[among respondents who participated in Part 1 and at least one of Part 2 and Part 3, n=504]

Changing firm/advisor would take a lot of time.



Changing firm/advisor would cost a lot of money.



*From the following, please indicate which is the **most** important consideration for you when making an investment decision.*

The performance I expect to achieve

How investment fits into my existing portfolio

Don't know



■ No action

■ Communicated with advisor

■ Change in fee arrangement or products

■ Change advisor or firm

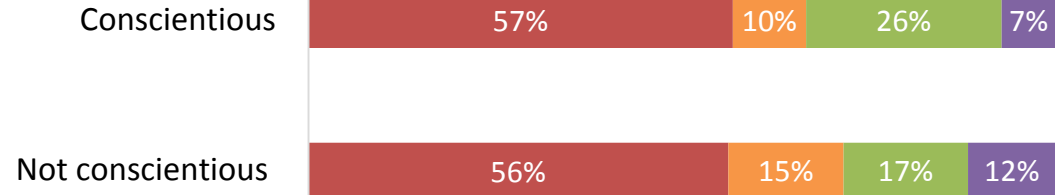
Potential Barrier Analysis: Conscientious people more likely to have changed fee arrangement or products

[among respondents who participated in Part 1 and at least one of Part 2 and Part 3, n=504]

Conscientiousness

Conscientiousness is determined by the following two agree/disagree statements:

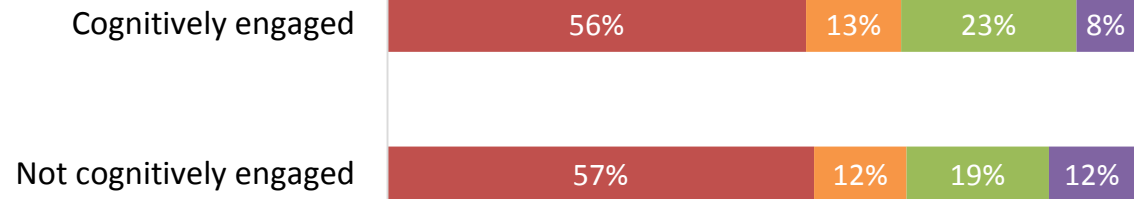
- I am dependable and self-disciplined.
- I am disorganized and careless.



Cognitive engagement

Cognitive engagement is determined by the following two agree/disagree statements:

- Thinking is not my idea of fun.
- The notion of thinking abstractly is appealing to me.



■ No action ■ Communicated with advisor ■ Change in fee arrangement or products ■ Change advisor or firm

Regression Analysis

This final section uses multiple regression analysis to parse out which factors were most important in predicting changes over time, holding other factors constant.

Dependent variables

Regression models are a way of determining what the most important questions are that explain an outcome we are interested in, while holding other factors constant. In this section we have used regressions to try to explain the three key changes that we've explored throughout the report:

Specific fee knowledge:

Change in specific fee knowledge is determined through the levels of agreement/disagreement with the following questions:

- I know the total amount of fees I paid to my **[specific financial institution]** to operate and administer my investment account in the last 12 months.
- I know the total amount of fees and commissions paid by other companies to my **[specific financial institution]** because of investments that I purchased and/or held in the last 12 months.

General fee understanding:

Change in general fee understanding is determined through the levels of agreement/disagreement with the following questions:

- Some fees charged by investment advisors may be negotiable.
- A 1% difference in fees would not make much difference to my returns over time.
- Every dollar more that I pay in fees is one less dollar I earn in returns.
- Similar investment products can have quite different fees.

New actions:

New actions are based on people who said they recently did one of the following – whereas previously they had not been:

- When was the last time that you and your investment advisor discussed the performance of your investments?
- When was the last time that you and your advisor discussed the fees associated with your investments and their impact on your investment returns?
- When was the last time that you changed your investment advisor or the firm you invest with?
- When was the last time that you made a change to the fee arrangement you have with your **[specific financial institution]**?
- When was the last time you made a change to the mix of investment products that you hold?

Potential barriers

The study measured a number of potential questions that assessed potential barriers to changes in awareness, understanding, or action. These have been included in the regression models using the following descriptions:

Statement reading frequency: When you receive your investment statements, how often do you read them?

Statement literacy: How confident investors are reading:

- Statements from investment advisors
- Bank statements
- Cell phone bills
- Electricity bills

Market competence:

- I know how to look for a new investment advisor or firm (Agree).
- I know how to evaluate different investment advisors or firms to know who is best for me (Agree).
- I know how to compare different investment products to know which is best for me (Agree).

Market barrier: Changing my investment advisor or firm would cost a lot of money.

Market barrier: Changing my investment advisor or firm would take a lot of time.

Emotional barriers:

- I feel overwhelmed when I try to make investment decisions (Agree).
- I enjoy doing research about investments (Disagree).

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

Financial literacy:

- True/False: Mutual funds pay a guaranteed rate of return (False).
- True/False: Bond prices go up when interest rates go down (True).
- True/False: When an investor diversifies his or her investments, the risk of losing money increases (False).

Cognitive engagement:

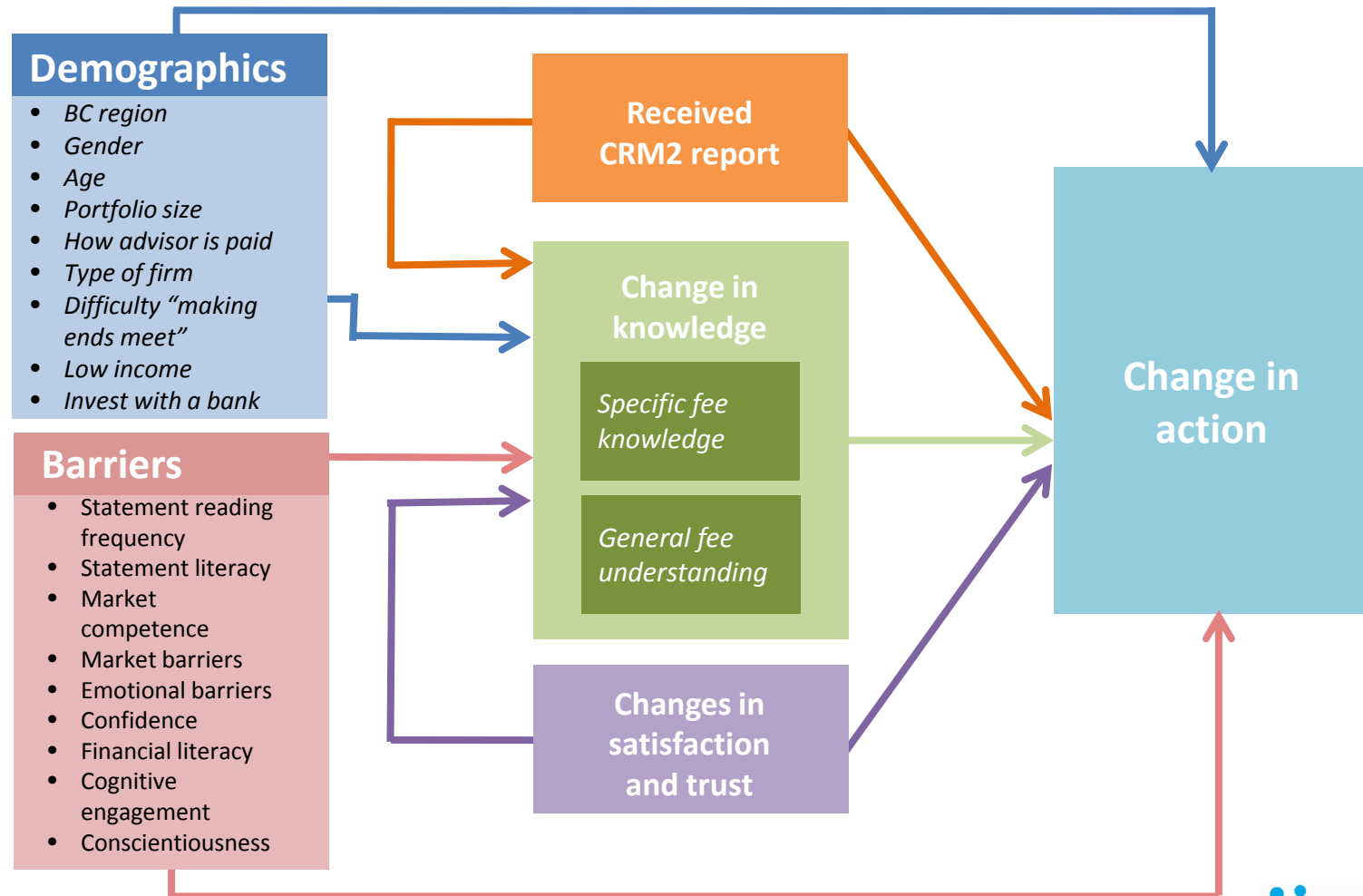
- Thinking is not my idea of fun (Disagree).
- The notion of thinking abstractly is appealing to me (Agree).

Conscientiousness (personality trait):

- I am dependable and self-disciplined (Agree).
- I am disorganized and careless (Disagree).

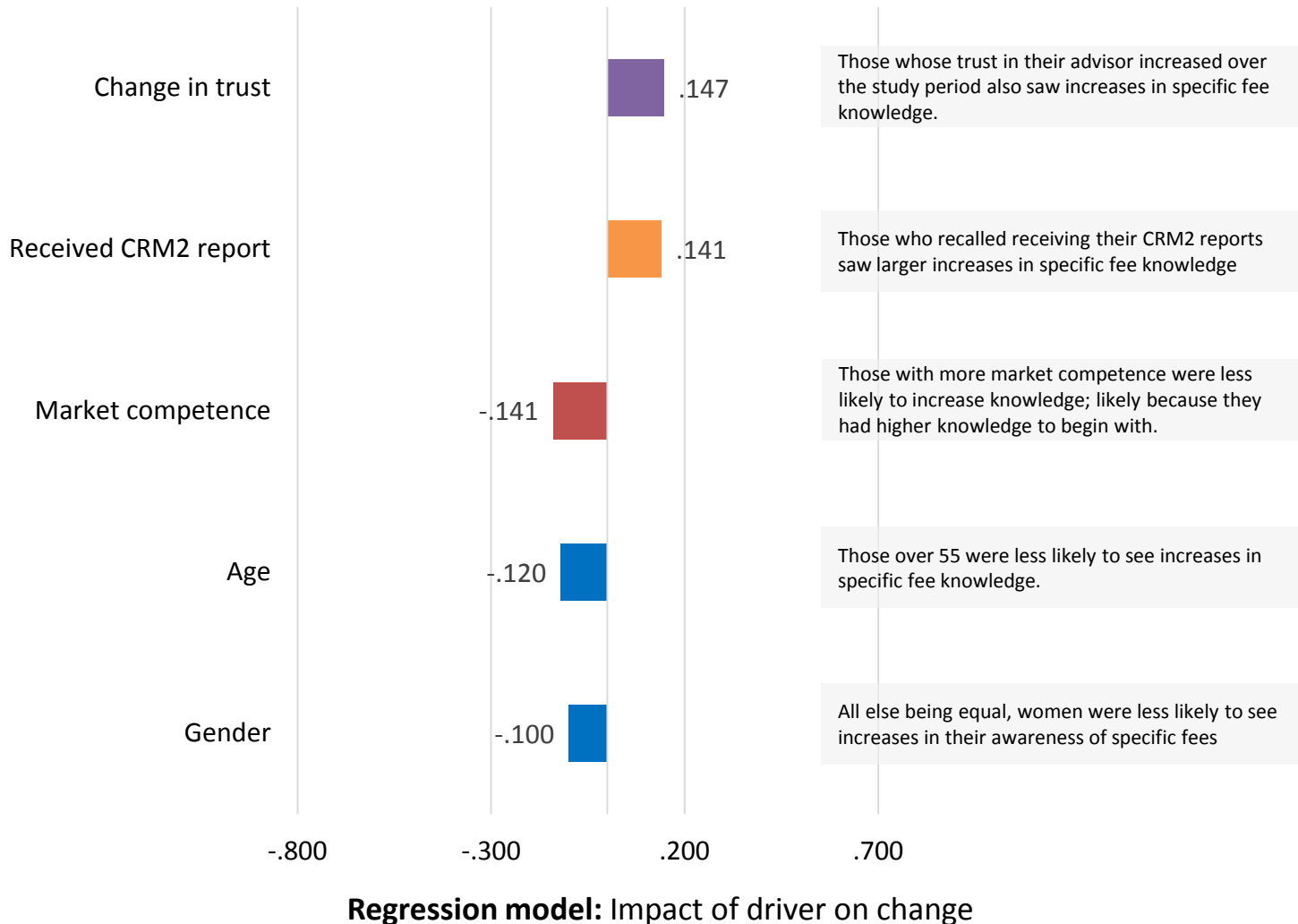
Overall model

Overall, the model tests demographics, barriers, whether or not the investor recalled receiving a CRM2 report, and changes in satisfaction/trust in their advisor between Parts 1 and 3 to explain changes in knowledge and behaviours between Parts 1 and 3. The changes in knowledge are also included as part of the regression model seeking to explain changes in action.



What Drives Change in Specific Fee Knowledge?

The following regression models what drives an increase in specific fee knowledge. The inputs are determined in the regression introductory slide. Numbers reflect standardized coefficients.

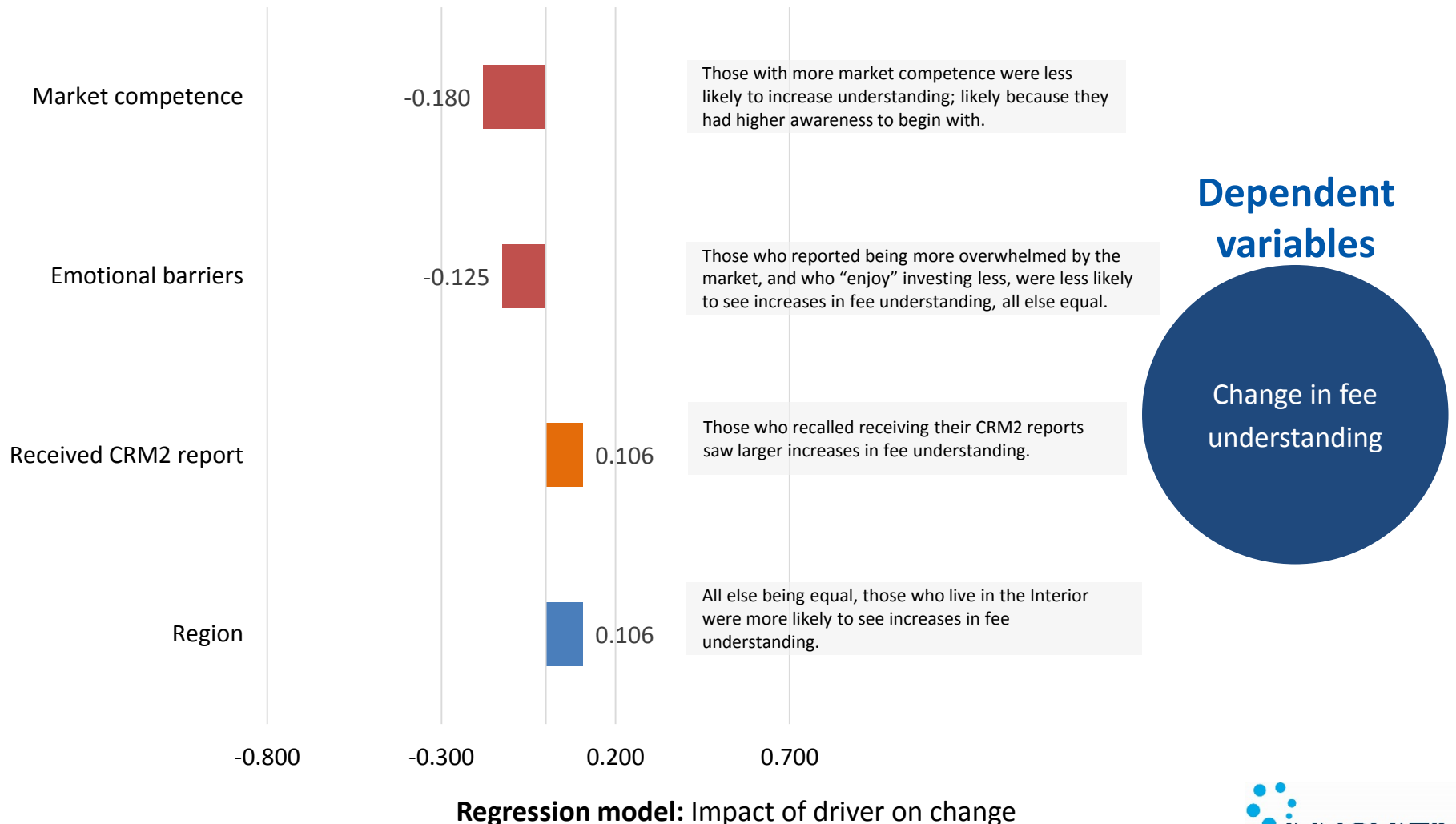


Dependent variables

Change in specific fee knowledge

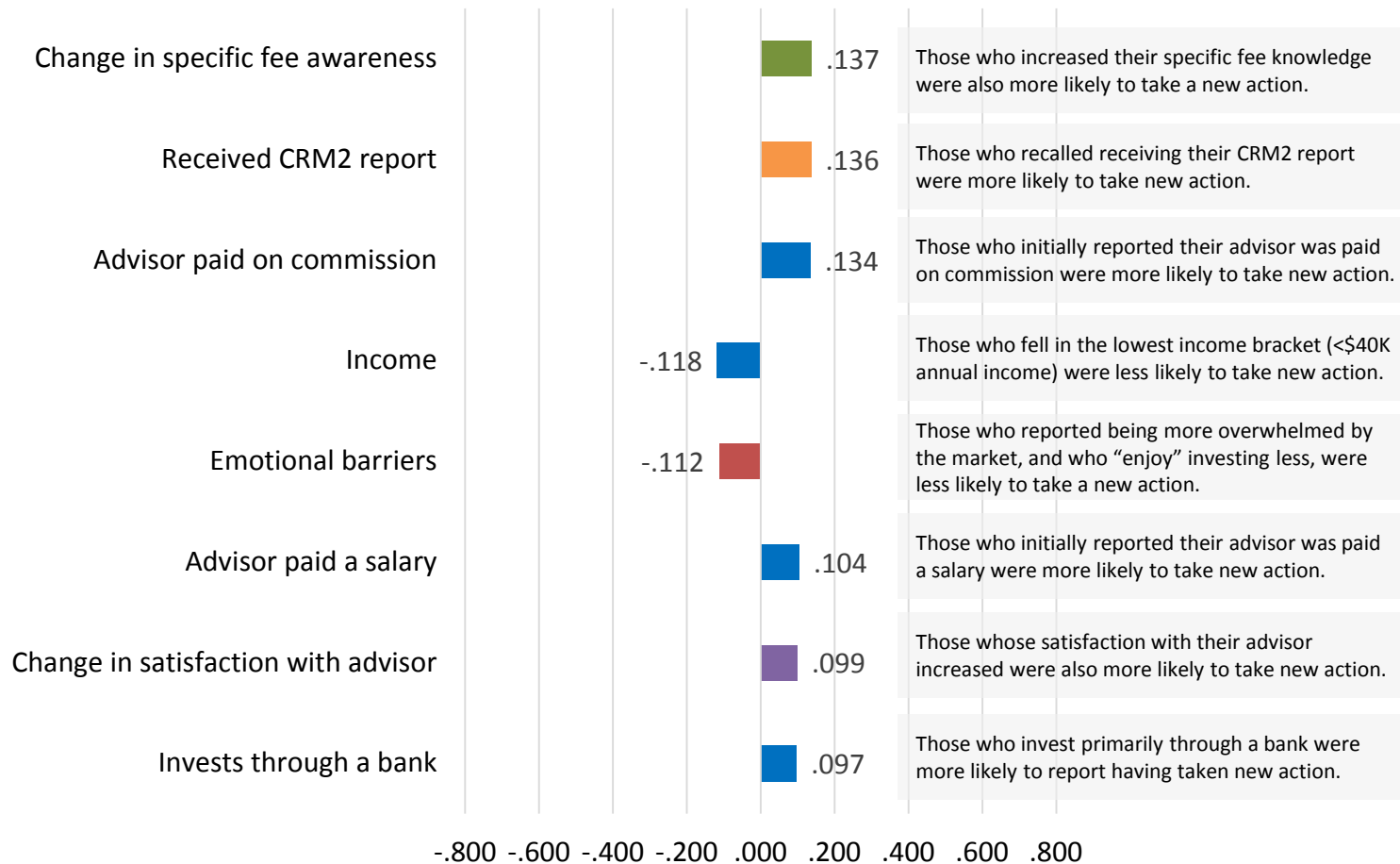
What Drives Change in Fee Understanding?

The following regression models what drives an increase in fee understanding. The inputs are determined in the regression introductory slide. Numbers reflect standardized coefficients.



What Drives Taking a New Action?

The following regression models the drivers of taking a new action. The inputs are determined in the regression introductory slide. Numbers reflect standardized coefficients.



Dependent variables

Taking a new action

Regression model: Impact of driver on taking a new action



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