



# Investor Readiness for Better Investing 2017-2018 Panel Study: Part 4

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BC SECURITIES  
COMMISSION



# Research Objectives & Methodology

# Research Objectives

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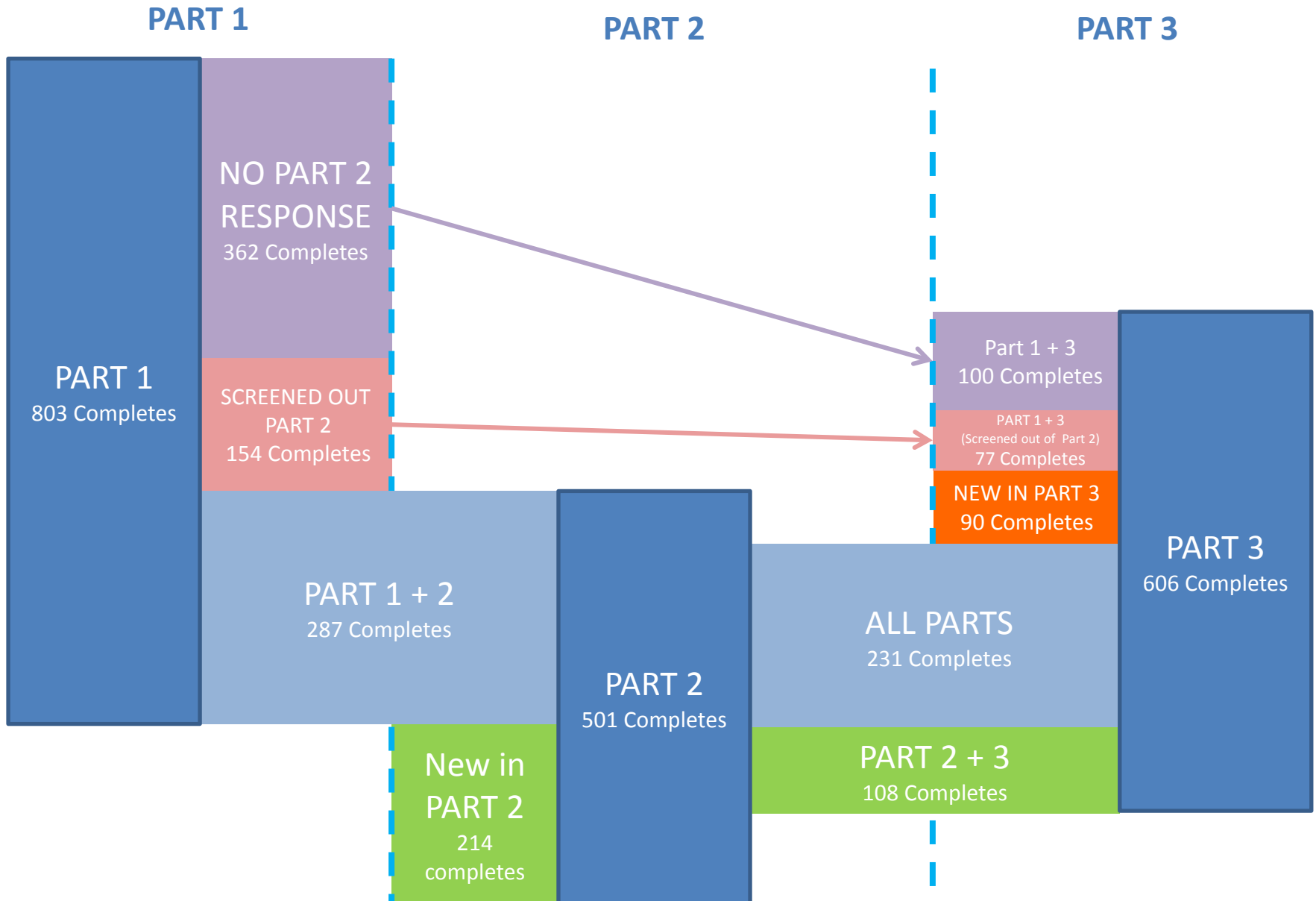
- The final phase of Client Relationship Model, Phase 2 (CRM2) came into effect in July 2016. The new securities rules mandate disclosure by investment advisors in the form of annual fee and performance reports for clients. The reports detail what the client is paying the advisor directly, what compensation 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 four 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. Part 3, conducted in June 2017, had 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.
- This report covers Part 4, conducted in February 2018. Part 4 reports on 643 completed surveys with BC investors, both those who did and did not recall a CRM2 annual report. There were 176 new respondents, 164 who completed all four parts, and 268 who completed at least parts 1, 3, and 4.
- 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

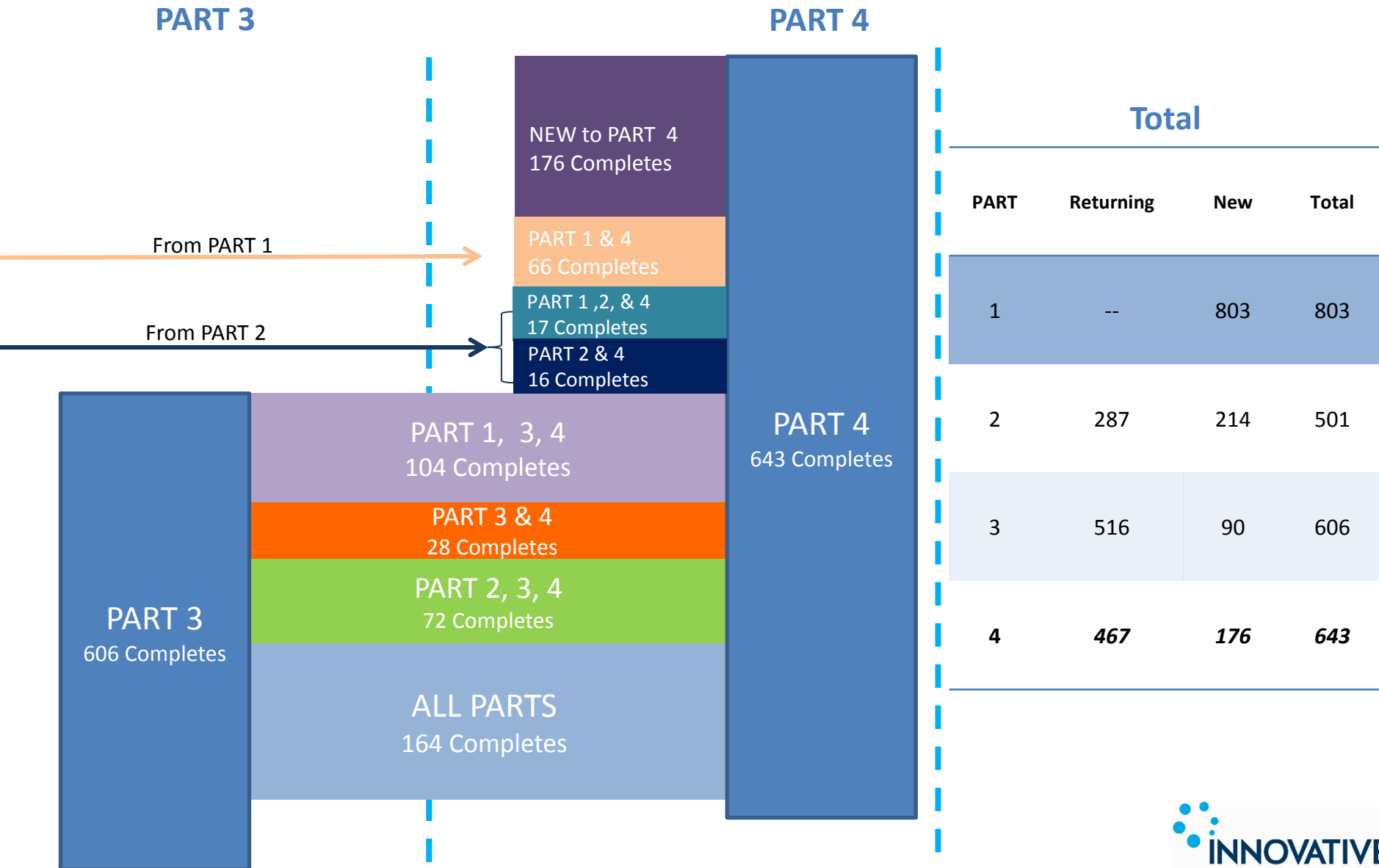
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- These are the findings of an INNOVATIVE survey conducted from February 26<sup>th</sup> to March 26<sup>th</sup>, 2018.
- Respondents to this online survey come from INNOVATIVE's Canada 20/20 panel with additional respondents from Survey Sampling 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 1,107 respondents who participated in any of the first 3 parts were contacted to participate in the Part 4 survey. Of these, 467 responded (42% re-contact rate). The actual response rate is higher after accounting for the fact that 87 panelists were no longer active and could not be sent invitations. This response rate, among those who received an invite to the Part 4 survey, was 46%.
- The re-contact rate was notably higher among those who had participated in all of Parts 1 through 3: 164 of the 231 (71%) responded and completed the final survey. Similarly, of the 408 who completed at least parts 1 and 4, 268 of 408 (66%) responded to complete the final survey. Full details of the disposition of past respondents from part to part are provided on the following slides.
- 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

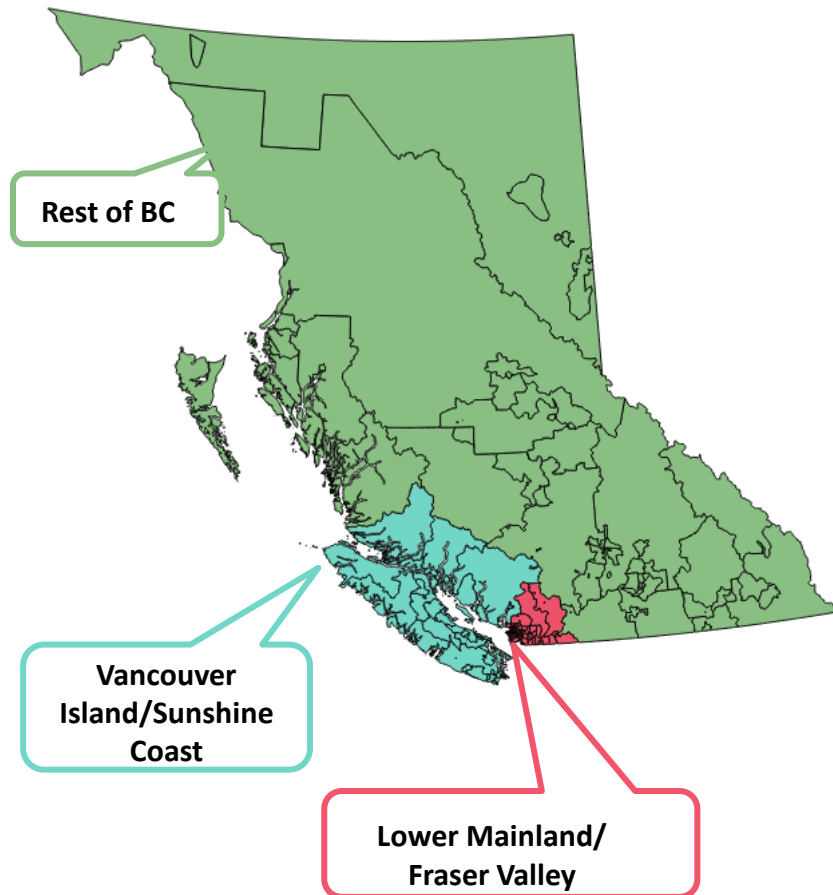


# Respondent Sample Structure



# Region

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



BC Regions	Part 1	Part 2	Part 3	Part 4
Lower Mainland/ Fraser Valley	61% (490)	61% (306)	61% (367)	62% (370)
Vancouver Island/ Sunshine Coast	22% (176)	20% (100)	22% (133)	22% (129)
Rest of BC	17% (134)	19% (95)	17% (100)	17% (101)
<b>Total</b>	<b>n=800</b>	<b>n=500</b>	<b>n=600</b>	<b>n=600</b>

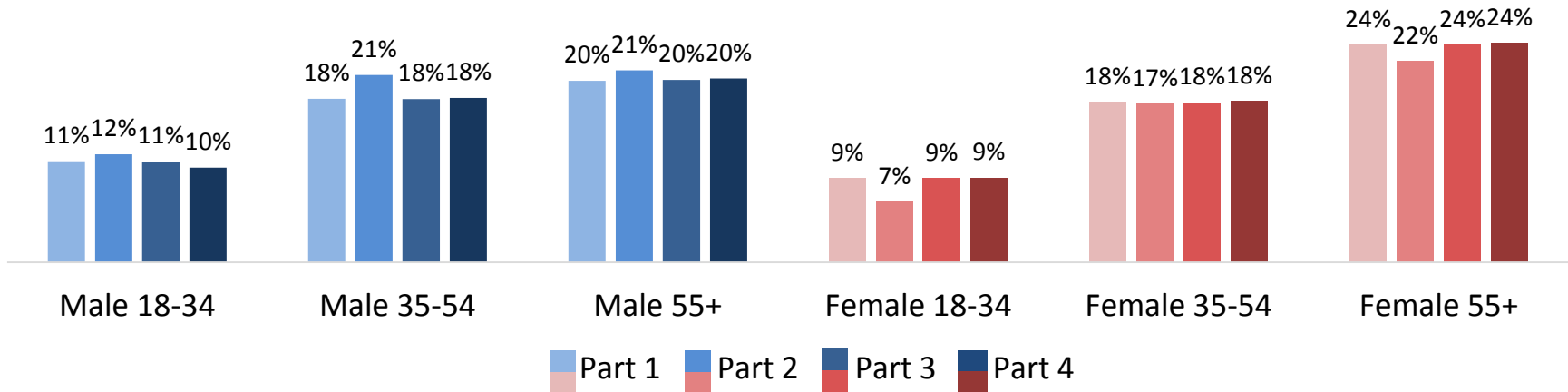
# Demographics



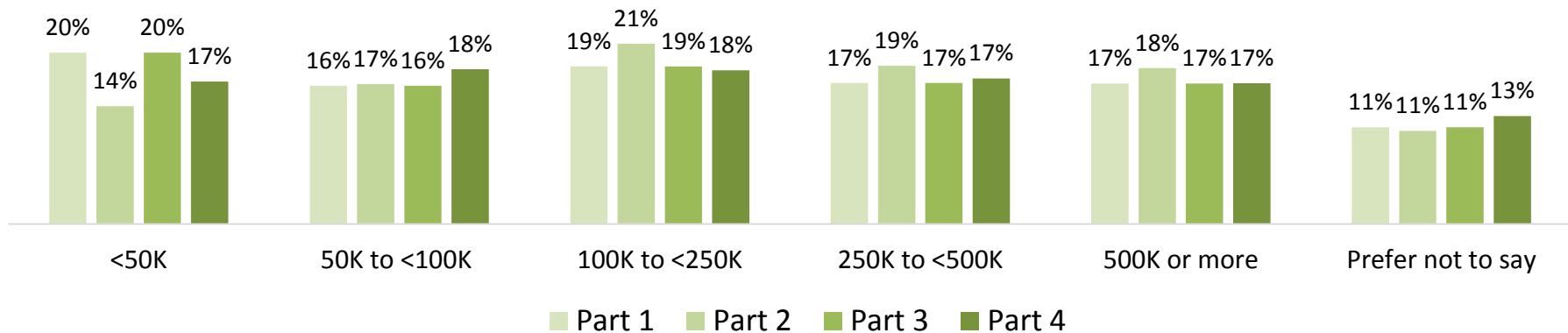
**Part 4: 49%**  
**Part 3: 49%**  
**Part 2: 54%**  
**Part 1: 49%**



**Part 4: 51%**  
**Part 3: 51%**  
**Part 2: 46%**  
**Part 1: 51%**



## Portfolio Size





# The Confidence-Knowledge Spectrum

Investor confidence and knowledge lies on a spectrum, but in Part 3 we found important differences when comparing the surveys results for those in the top half of the range with those in the bottom half.

Part 4 continues to use this segmentation, allowing us to update our assessment of the relationship between behaviour and knowledge.

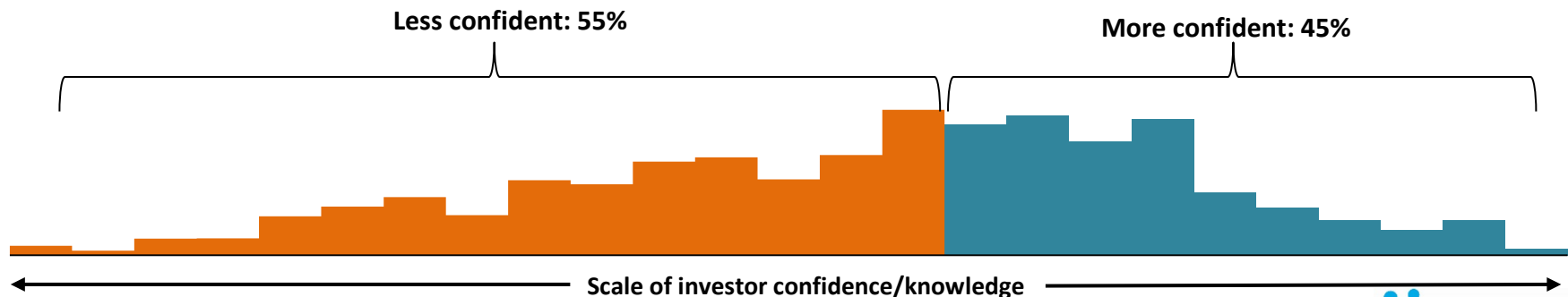
We later expand on this analysis by using the new questions (inspired by the 2017 focus groups) to complete a more thorough analysis of the barriers and enablers to behaviour and knowledge change (see “Potential Drivers of Change” starting on slide 49).

## 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 Themes

# Key Themes: Improvements to Knowledge

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There has been a steady increase in knowledge since the first CRM2 report in 2017.

Evidence from both our overall and panel results indicate that there has been an increase to both general and specific fee knowledge among advised investors. More now know the total fees they pay and the third-party fees associated with their account (net agreement up 12% and 10% points in the overall results, and up 11% and 15% points among those who participated in all four Parts of the survey). Investors were also more likely to know that a 1% difference in fees can make a difference to their returns over time and that similar products can have different fees (up 11% and 8% points in the overall results, and 17% and 14% points when we look just at those who participated in all four parts). Gains in knowledge were sustained – 47% saw a long-term improvement to their specific fee knowledge and 55% had a long-term improvement to their general fee knowledge.

Regression analysis reveals receiving either CRM2 report was positively related to improvement in specific fee knowledge, even after controlling for other enablers and barriers.

There is evidence of a short-term boost in fee awareness – and decrease in satisfaction with value for fees – directly following each years' CRM2 report.

Among respondents who completed all four panels and recall receiving at least the 2017 Report, the percentage who said they know the fees they pay, both direct and indirect, increased between Part 1 and Part 2, after they received their first CRM2 Report. This awareness had dipped slightly in June 2017, before rebounding again after they received their second year of CRM2 Reports. Similarly, net disagreement with “a 1% difference in fees would not make much difference to my return over time” increased substantially after the first CRM2 report in March of 2017 (from +11% to +30%), dropped by June of 2017 (+21%) and then rebounded again in March of 2018 after the second Report (net disagreement +28%). Net satisfaction with value for fees paid dropped from +65% to +60% following the first CRM2 Report.

Improvements to knowledge on the panel were concentrated among those who need it most.

Long-term improvements were most common among groups that need it most – those with lower investment confidence, lower market competence, and lower investment knowledge, as well as those who talk to their advisor twice a year or less. For example, among those who received their reports, 53% of investors who lower levels of confidence and knowledge saw long term improvements to their specific fee knowledge, compared to 50% of those with higher confidence and knowledge. Similarly, 55% of those with lower market competence saw a long-term improvement to their general fee knowledge, 6% points higher than those with higher market competence to begin with (49%).

## Key Themes: Improvements to Knowledge cont'd

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But personality features, market knowledge, and investment attitudes act as barriers to specific fee knowledge, including numeracy, statement literacy, and investor disengagement.

Those with lower levels of cognitive engagement, conscientiousness, and numeracy were less likely to see long-term improvements to their knowledge of the fees they pay, as were those with higher investment anxiety and avoidance, feelings of being overwhelmed by investing, and higher levels of disengagement. The extent to which investors understand their statements also matters - a smaller proportion of those with lower statement literacy were observed to have a long-term improvement when compared to those with higher statement literacy (44% to 56%).

General understanding seems to be more accessible than specific fee knowledge.

As with specific fee knowledge, numeracy, cognitive engagement, and investor disengagement are all barriers to increased general fee knowledge. In the case of general fee knowledge, however, investors who do not enjoy and who are not self-reliant when it comes to investments saw more improvements to their knowledge (60% long-term improvement compared to 50% of those who enjoy/are self-reliant). Similarly, there were also more improvements among those who read their statements infrequently (61% vs 53%), among those who are more anxious about and tend to avoid investing (61% vs 48%) and investors with less investing confidence (65% vs 51% of those with more investing confidence). The results of the multiple regression analysis confirmed the important influence of both anxiety about investment and enjoyment/self-reliance. Higher levels of either factor were related to less improvement in general fee understanding, after controlling for other barriers and enablers.

# Key Themes: Changes to behaviour

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## All in all, behaviour has not changed much

Overall, the distribution of how recently investors have talked to their advisors about performance, fees, or buying and selling has not changed much. Investors do not frequently change their advisors, firms or fee arrangements, and they do not do so any more frequently now than they did before the CRM2 Report. The exception is a small increase in the percentage of investors who have made a change to the mix of products they hold, but this change is concentrated among those with larger portfolios. Most notably, 56% of those with portfolios between \$250k and \$500k say they made a change to their products, ten points higher than in Part 1 (46%).

Additionally, in Part 4, far fewer respondents say they “don’t know” whether they have ever made a change to their fee arrangement (13% in Part 4, compared to 22% in Part 3 and 24% in Part 1). This group has shifted to “not since opening my account”, indicating that these investors might be *learning* that doing so is possible even if this increased knowledge is not matched by a change in behaviour.

We do see some evidence that new behaviour taken since receiving the report is related to both recall of the report itself and the key barriers and enabler.

## When investors act, they don’t do so quickly

Using our panel results, we have some sense of when investors act – and they don’t act quickly. Among investors who told us in Part 2 that they were likely to make changes, like talking to their advisor about their fees or making a change to the products held, only a minority say they did so in the following four months between March and June of 2017. Many more say that they did so between June of 2017 and March of 2018. For example, among those who said they were very likely to make a change to their fee arrangement, only 5% report doing so within the first four months, while five times as many say they did so later in the year (25%). Again, just 13% of investors who said they were “somewhat likely” to talk to their advisor about fees report doing so so within three months, while more than half (51%) say they did in the following eight months.

Moreover, about half of new activity investors said they had undertaken since the first CRM2 report has come between June 2017 and March 2018. When it comes to talking to advisors about fees, 18% of panel participants said they did so sometime between November 2016 and June 2017, another 19% said they did so after June 2017. Similarly, of the 37% who say they have made changes to their products since the first CRM2 report, half did so in the first six months while the other half reported acting much later, sometime between June 2017 and March 2018.

# Key Themes: The gap between knowledge and behaviour

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Some groups with the most to gain saw long-term improvements to their knowledge, but this did not translate into action.

While respondents with smaller portfolios saw improvements to their general and specific fee knowledge in greater numbers than those with larger portfolios, they were by far the least likely to have taken any action – 65% of those with portfolios smaller than \$50k have done nothing since the first CRM2 report, compared to just one-in-five of those with portfolios over \$250k. Similar patterns are observed based on lower levels of confidence-knowledge, market competence, and investment confidence. While more than half of those who received their statement and have lower levels of confidence and knowledge saw long-term improvements to their specific fee knowledge (53% compared to 50% of those with higher levels), 42% took no action, 24-points more than those with higher knowledge-confidence.

Investors might be learning, but they don't always seem to know what to do about it.

Despite the fact that they were more likely to see a long-term increase to their general and specific fee knowledge (more than half did), nearly half (45%) of those with lower market competence took no action. This may suggest that they still don't know how to go about acting on their new understanding. Similarly, despite having significant improvements to knowledge, especially general fee knowledge, investors with lower levels of investing confidence were 20 points more likely to take no action than those with higher confidence (44% vs 24%).

Changing investment advisor or firm – the easier way out?

For some investors, it appears that changing their firm or advisor is easier than seeking a change to their mix of products or fee arrangement. Those who have lower levels of conscientiousness, cognitive engagement, and emotional stability are actually more likely to change their firm than those with higher level, despite being otherwise more likely to have taken no new action at all. Those with higher levels of conscientiousness, cognitive engagement, and emotional stability, on the other hand, were more likely to make a change to their products or fee arrangement. For example those with lower levels of cognitive engagement were six points more likely than those with higher levels to switch firms or advisors (19% vs 13%), but 14 points less likely to make changes to products/fees. Similarly, investors who are less knowledgeable, more disengaged and overwhelmed, and who have higher levels of avoidance and anxiety are all more likely to change firms or advisors.

# Key Themes: Barriers and Enablers

A new, expanded set of barriers and enablers were tested. Their results are shown below.

The table below summarizes gaps in the changes to knowledge and behaviour over the course of the study – after receiving a CRM2 report either year – comparing those who are higher on each factor to those who are lower. We see three main kinds of result:

- **Consistent impact:** Items such as numeracy, cognitive engagement, anxiety and avoidance, and general statement literacy. Their impact is consistently in one direction. They helped or hindered both knowledge and action.
- **Switched impact:** Items such as market competence, and enjoyment/self-reliance that were related to a leveling in knowledge/understanding between the high and low groups, but still saw an impact on action for the higher group.
- **Isolated impact:** Items that only have a clear impact on one outcome. For example conscientiousness on specific fee knowledge, or conflict avoidance on action, or disengagement on both knowledge/understanding measures.

	Higher VS. Lower GAP		
	Long-term improvement: General fee understanding	Long-term improvement: Specific fee knowledge	ANY new actions taken since CRM2 reports
<b>Personality Traits</b>			
Conscientiousness	-7%	+15%	+3%
Emotional Stability	-1%	+5%	+11%
Procrastination	0%	+2%	-1%
Conflict Avoidance	+2%	-4%	-14%
Cognitive engagement	+5%	+9%	+9%
Numeracy	+11%	+18%	+11%
<b>Investment Knowledge/Competence</b>			
Market Competence (self-assessed)	-7%	-6%	+25%
Investment Knowledge	+3%	-3%	+1%
General Statement Literacy	0%	+12%	+11%
<b>Investment Attitudes/Emotions</b>			
Perceived Market Barriers	-6%	+1%	+4%
Overwhelmed by Investing	-2%	+9%	-16%
Anxiety and Avoidance	-13%	-8%	-12%
Disengagement	-11%	-11%	+3%
Enjoyment and Self-Reliance	-10%	-1%	+17%
Overall Confidence	-14%	+5%	+20%

The results in red-highlighted cells were also observed in our regression analysis

# Key Themes: Millennial investors

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## Millennials were aware of and responsive to CRM2 and they improved their understanding of investment fees, but were also the least loyal to their advisors.

In the study, millennial investors were aware and responsive to the new CRM2 fee disclosure reports.

Millennials (those 18-34) were more likely than older generations to recall both their 2017 and 2018 fee reports over the course of the 16-month study (62% did so, compare to 53% of those 35 and over). Additionally, 76 per cent of male millennials and 74 per cent of female millennials agreed the CRM2 fee disclosure reports provide the information they need to better understand the fees they pay for the investments they hold and male millennials were by far the most likely to report they discussed the fee report with their investment advisor after receiving it (60% versus 31% overall) .

Millennials improved their general fee understanding, while knowledge of the specific fees they paid started high but declined over the course of the study.

Looking at individual-level improvements across the four attitudes that we used to measure general understanding of investment fees, half (49%) of millennial investors saw sustained improvement in their general understanding of investments fees under CRM2. This is in line with 55% overall who saw such an improvement. Those attitudes included the idea that a 1% difference in fees makes a big difference in returns over time, and similar products can have quite different fees.

Millennials also started out as the most likely age group to agree that they know how much they have paid in direct fees over the past 12 months (66%, compared to 44% for those 35-54 and 49% among those 55+). By the end of the study this direct fee knowledge declined 11 points among millennials, while it rose between 12 and 15 points for older age groups.

Under CRM2 millennials were no more likely to make new changes to how they invest; but when they did more of them left their advisor or firm than other age groups.

We asked respondents each wave how recently they had made a series of major changes to how they invest and how often they communicate with their advisor. We analysed responses at an individual level to find out who made *new* changes *after* they first received the CRM2 fee disclosures. In this analysis, we saw that millennials were no more likely than others to take some kind of new action (63% did so, versus 68% for 35-54 and 66% for 55+). When they did act, however, they were the most likely to change their advisor or firm (28% versus 20% and 7%).



# CRM2 Report

*This section shows how many advised investors in BC recall receiving their CRM2 Report. It also considers who does and does not recall their statement.*

# CRM2 Report

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- This section focuses on the latest results for how many respondents recalled their CRM2 reports in 2018.
- It shows the topline results from Part 4 and compares them to the tracking from Part 2. This shows the annual change in recollection of and reaction to the CRM2 reports in March of each year.
- A similar share of respondents recall receiving their annual report this year as did last year. More confident/knowledgeable investors and those with larger portfolios were the most likely to report receiving their CRM2 reports this year.
- Of those who recall receiving their report, there has been an increase in the share of respondents who agree the report was easy to understand, as well as an increase in the share of respondents who agree that it contained the information they needed. Agreement was highest for young men, more confident/knowledgeable investors, and investors with larger portfolios.
- There was a small decline since 2017 in the percentage of respondents who say they discussed their report with their advisor. This decline was largest for young women; 50% reported discussing their reports in 2017 compared to only 25% in 2018.

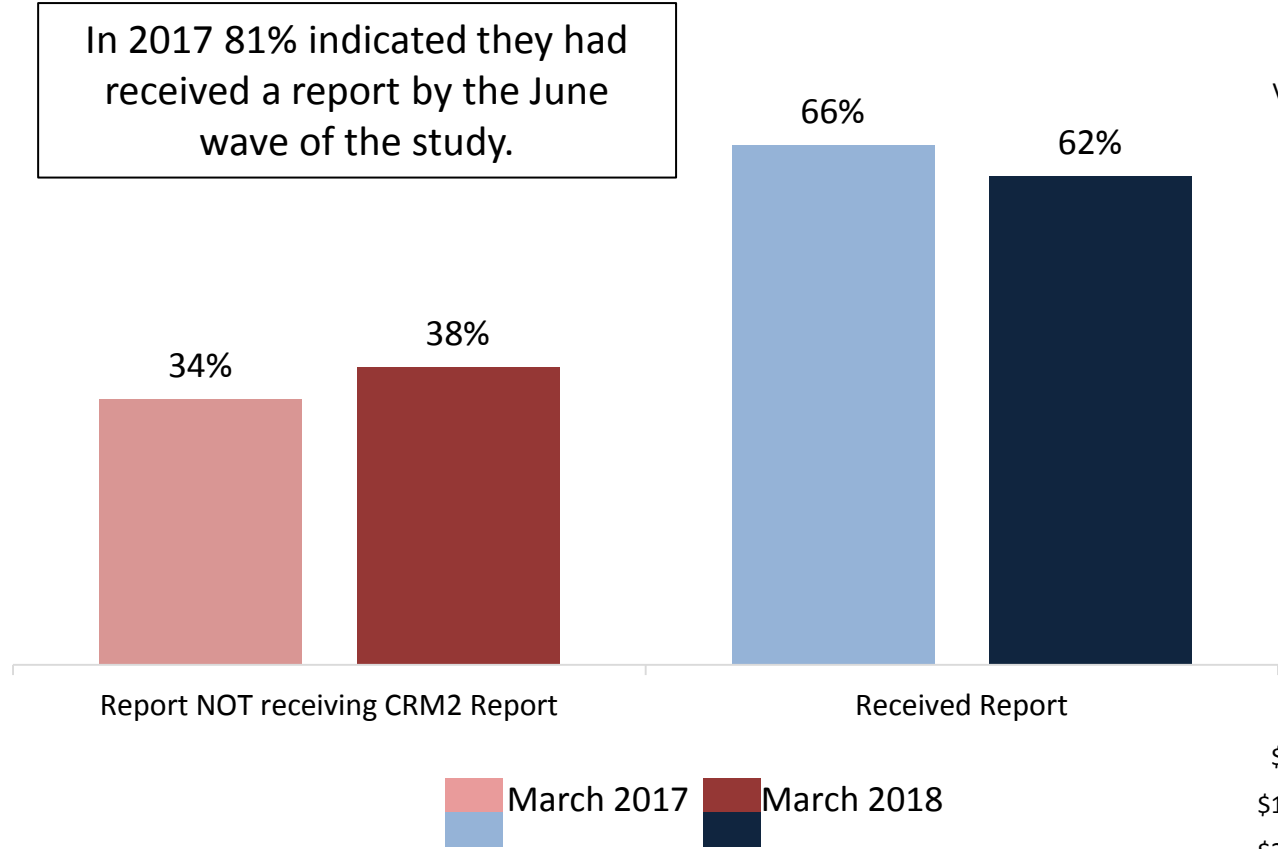
# Received CRM2 Report: Six-in-ten (62%) advised investors report receiving their report, down slightly from 2017 (66%)



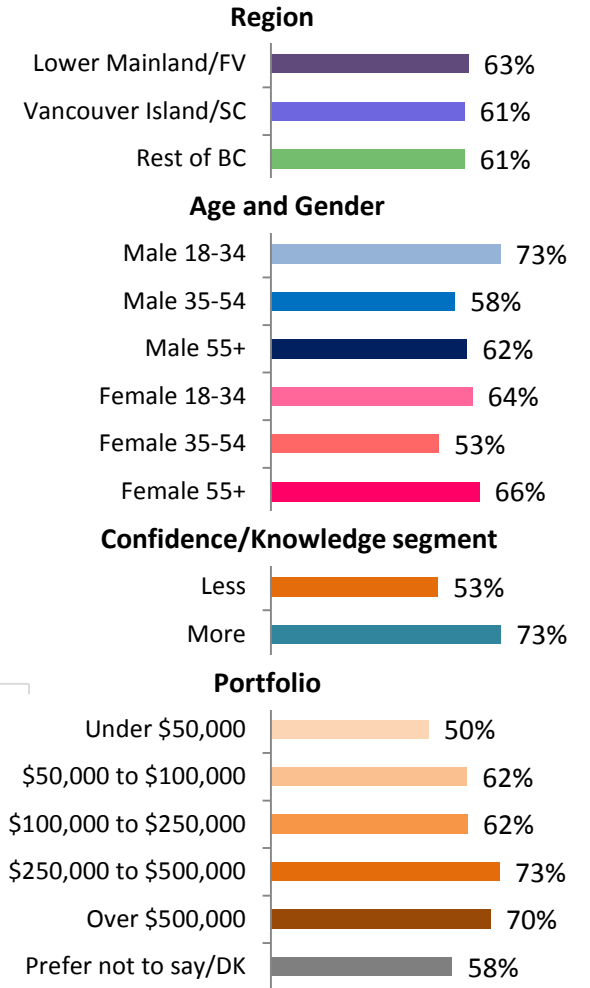
Have you received and read an annual report from your investment firm on the fees you paid in 2017?

[asked of all respondents; part 4 n=600]

In 2017 81% indicated they had received a report by the June wave of the study.

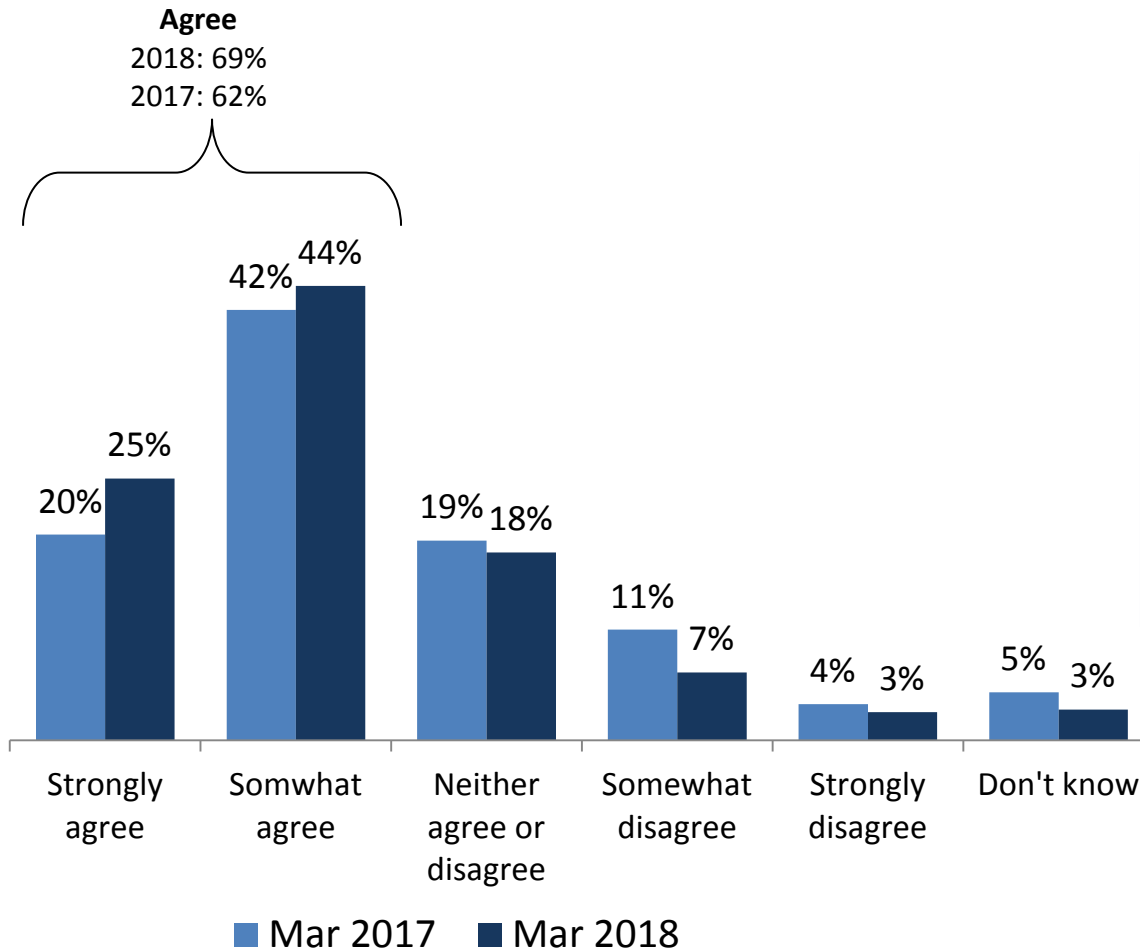


## Percentage who Received Report in 2018

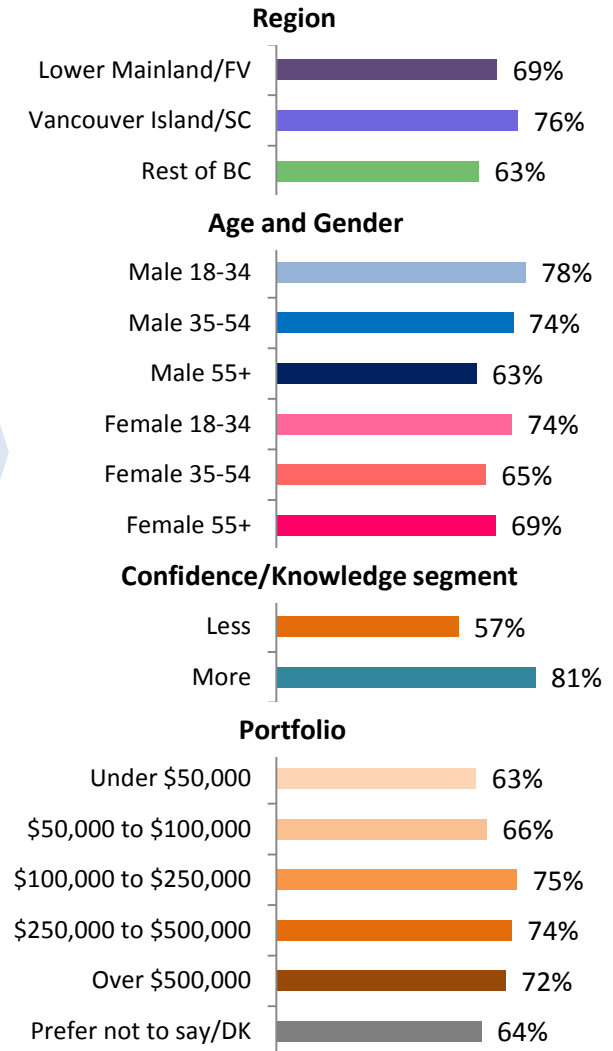


# CRM2 easy to understand: Seven-in-ten (69%) agree, higher<sup>20</sup> among those with more confidence and knowledge (82%)

**Q** Thinking now about the annual report for 2017 that you received from your [firm type], would you agree or disagree with the following? The report was easy to read and understand.  
[asked of respondents who received their CRM2 reports, part 2 n=500; part 4 n=373]

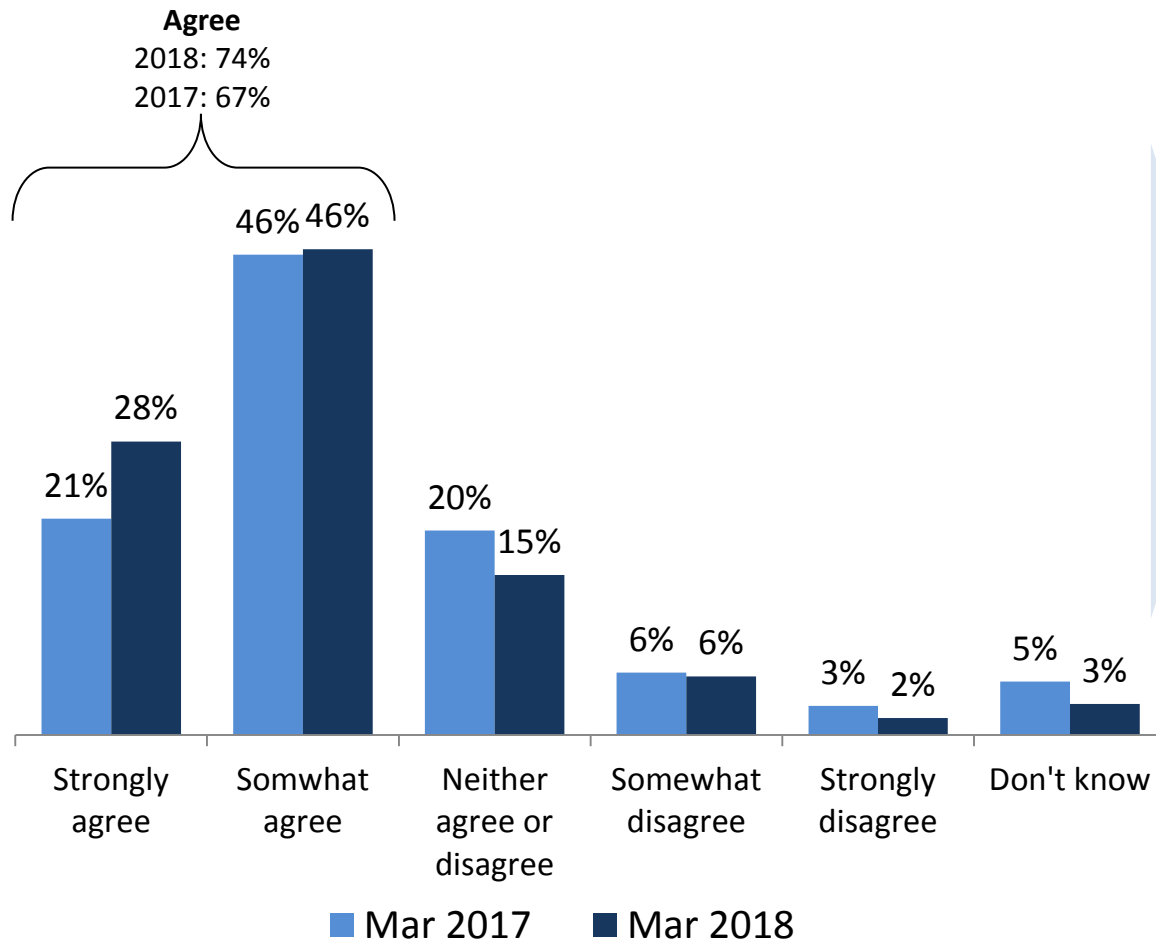


## Percentage who agree in 2018

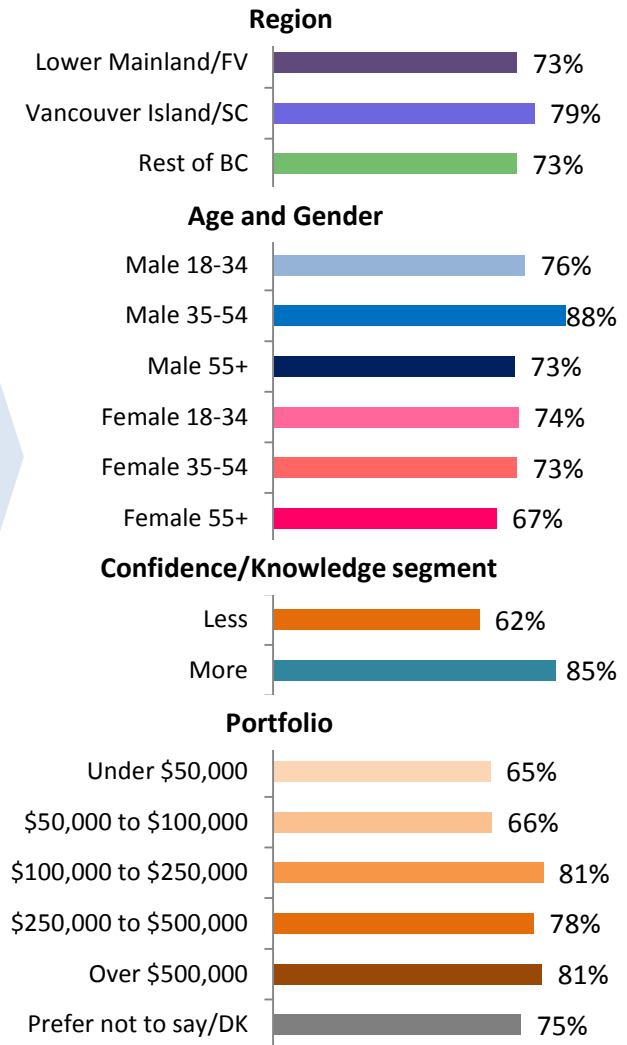


# CRM2 provided information I need: 74% agree, up from 2017<sup>2,1</sup>; investors with smaller portfolios less likely to agree (65%)

**Q** Thinking now about the annual report for 2016 that you received from your [firm type], would you agree or disagree with the following? The report provided the information I need to better understand the fees I pay.  
[asked of respondents who received their CRM2 reports, part 2 n=500; part 4 n=373]



## Percentage who agree in 2018

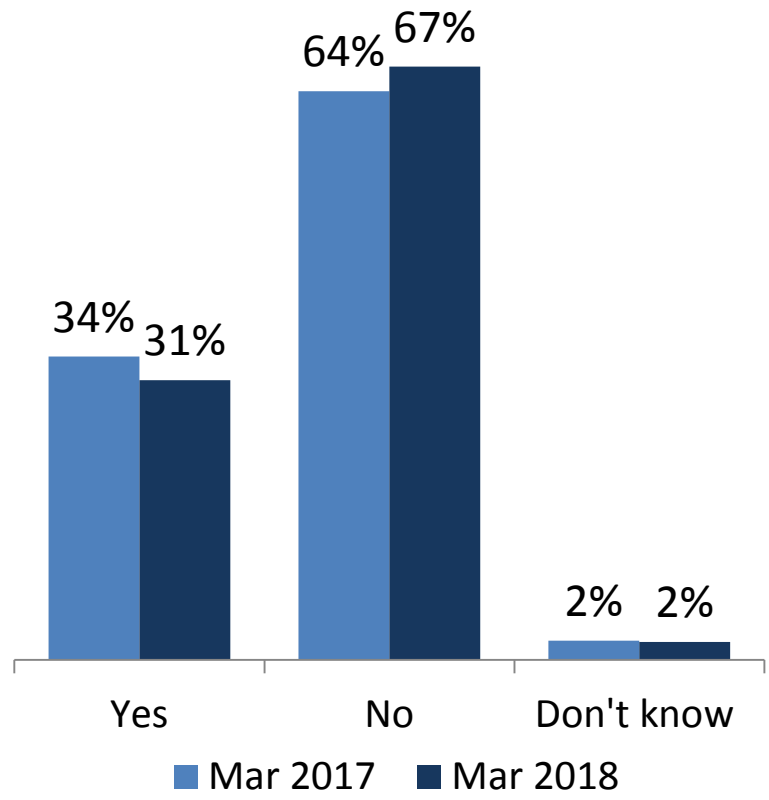


# Discussed CRM2 with advisor: 31% say they discussed the report with their advisor, young men by far most likely to (60%)

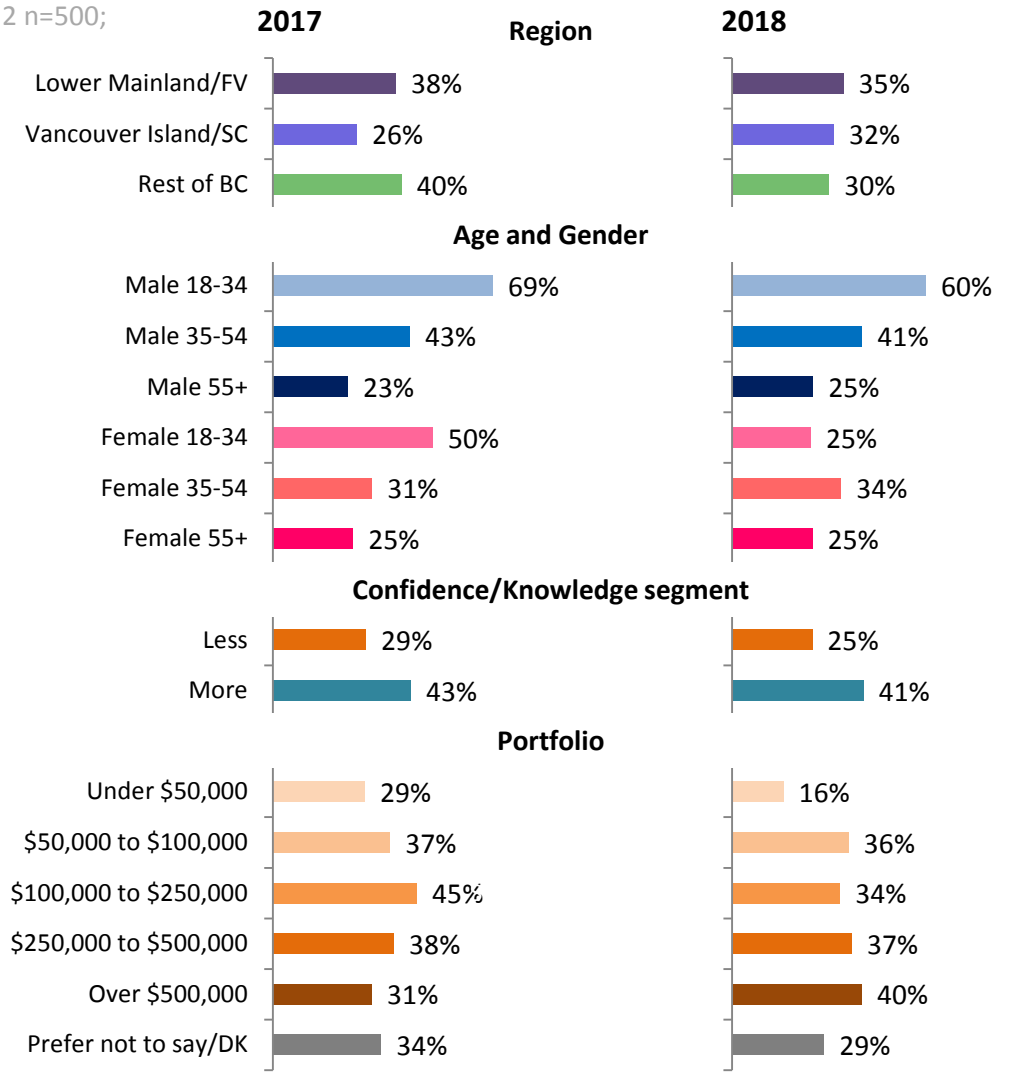


After you reviewed the annual report, did you discuss it with your investment advisor?

[asked of respondents who received their CRM2 reports, part 2 n=500; part 4 n=373]



## Percentage who said "Yes"



# CRM2 Report

## Tracking Results Across Parts

*This section shows the results for respondents who completed multiple parts. This shows real changes in these investors' behaviour over time.*

## CRM2 Report – Four Wave Tracking

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- This section focuses on whether respondents recalled their reports both years, or only one year or the other.
- The results are panel analysis of respondents from Part 4 who also completed either Part 2 or Part 3.
- Of the 78% of these respondents who recalled receiving their reports in 2017 only 70% also recalled receiving their report in 2018. This means that overall a majority (54%) of these respondents recalled receiving both CRM2 reports. Only 14% did not recall receiving a report in either year.
- More confident/knowledgeable investors are far more likely to recall receiving **both** reports than less confident/knowledgeable investors (65% of more confident/knowledgeable investors, compared to only 45% of less confident/knowledgeable investors).
- As portfolio size increases, recall of **both** years of reports increases as well. Those with portfolios over \$100,000 are more likely to recall both than any segment with smaller portfolios, and those with portfolios over \$250,000 are more likely in turn than those with between \$100,000 and \$250,000.

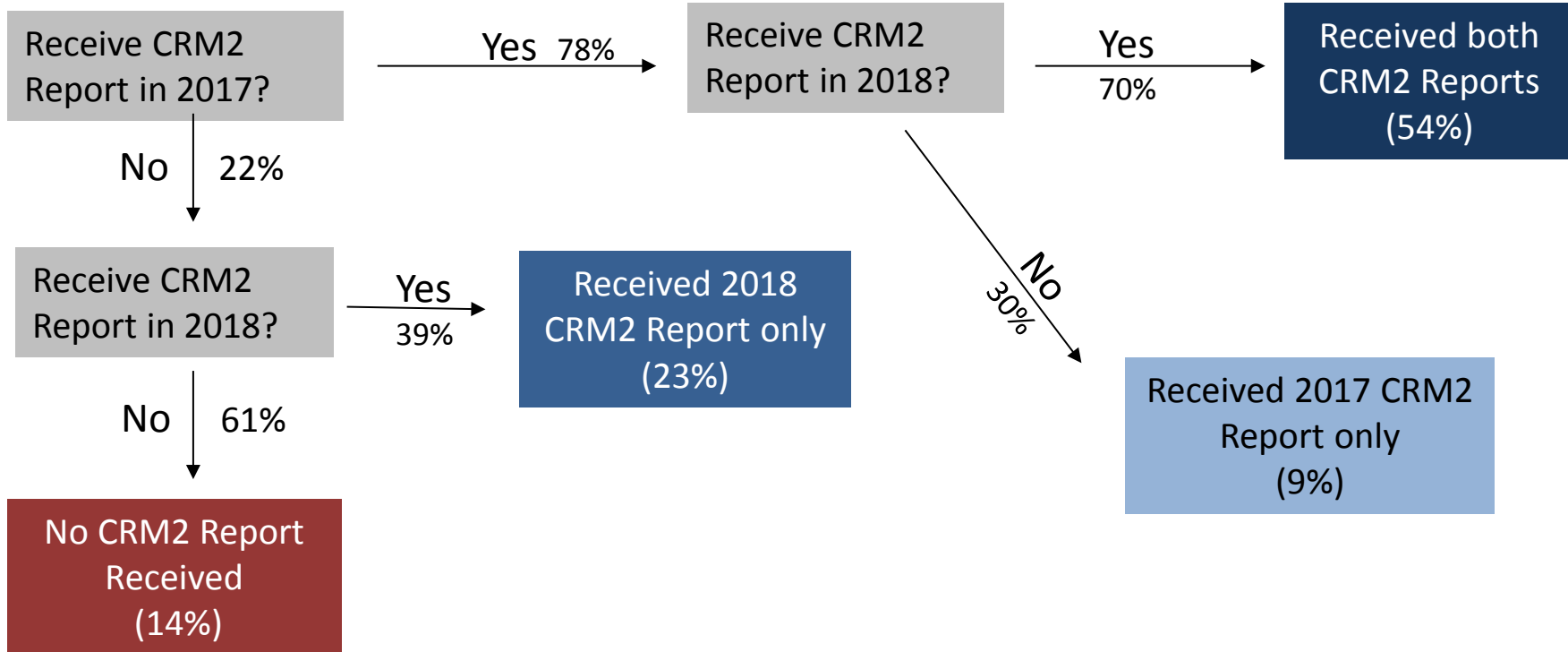


# Received CRM2 Report: Majority of those who recall 2017 report, also recall 2018 report (70%)



Have you received and read an annual report from your investment firm on the fees you paid in 2017/2018?

[showing all respondents who completed parts 2 or 3 and 4; n=412]

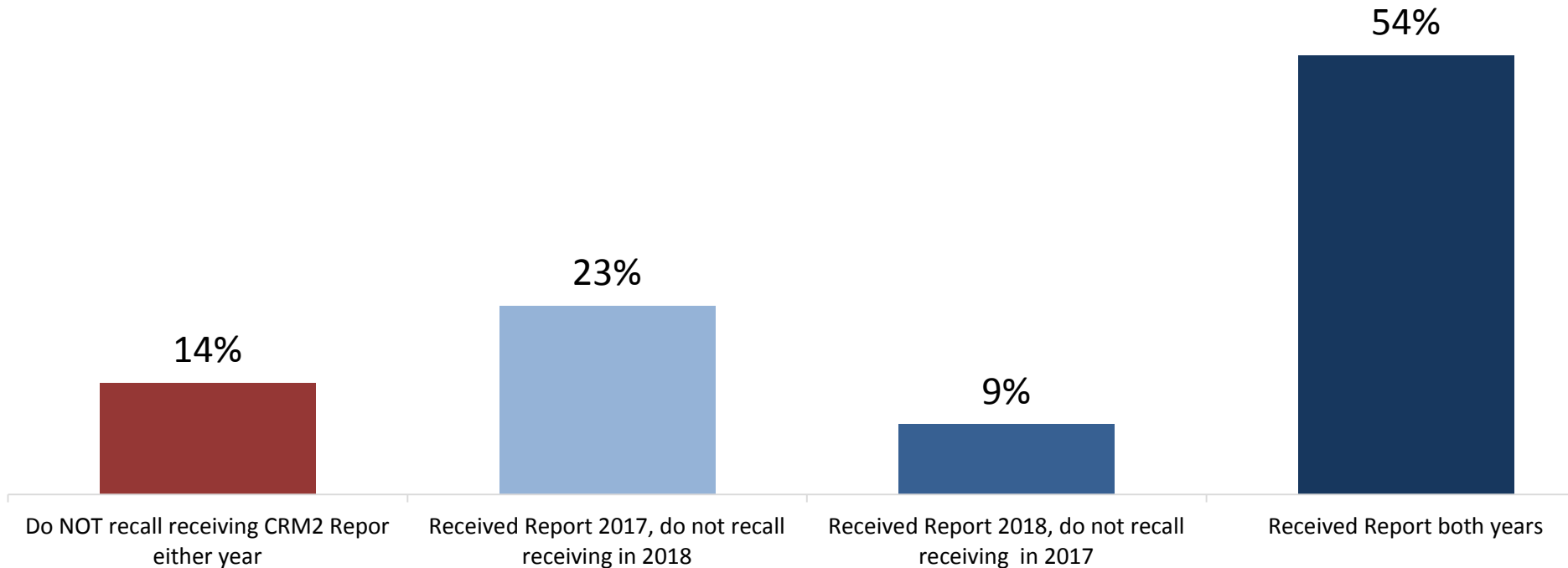


# Received CRM2 Report: After two years of reports, 86% recall receiving a report on fees in either or both years



Have you received and read an annual report from your investment firm on the fees you paid in 2017?

[showing all respondents who completed parts 2 or 3 and 4; n=412]



# Received CRM2 Report: At least 80% in every group recall at least one out of the two years' worth of reports

	BC Region			Gender		Age			Investment Portfolio					Confidence/ Knowledge	
	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	Less	More
Report not receiving CRM2 report 2017 & 2018	14%	15%	10%	11%	16%	10%	10%	18%	20%	19%	12%	10%	7%	20%	6%
Received CRM2 report in 2017 only	22%	24%	27%	26%	21%	24%	31%	18%	28%	25%	22%	16%	23%	24%	22%
Received CRM2 report in 2018 only	9%	10%	6%	6%	11%	5%	5%	12%	10%	11%	9%	6%	6%	11%	6%
Received CRM2 report both years	55%	51%	57%	56%	52%	62%	53%	53%	42%	45%	57%	67%	65%	45%	65%



# November 2016 – March 2018

## Changes to knowledge, attitudes, behaviour

*These slides show tracking results from the Part 1 sample in November to the 2018 Part 4 sample. 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.*

# Changes to Knowledge, Attitudes, and Behaviour

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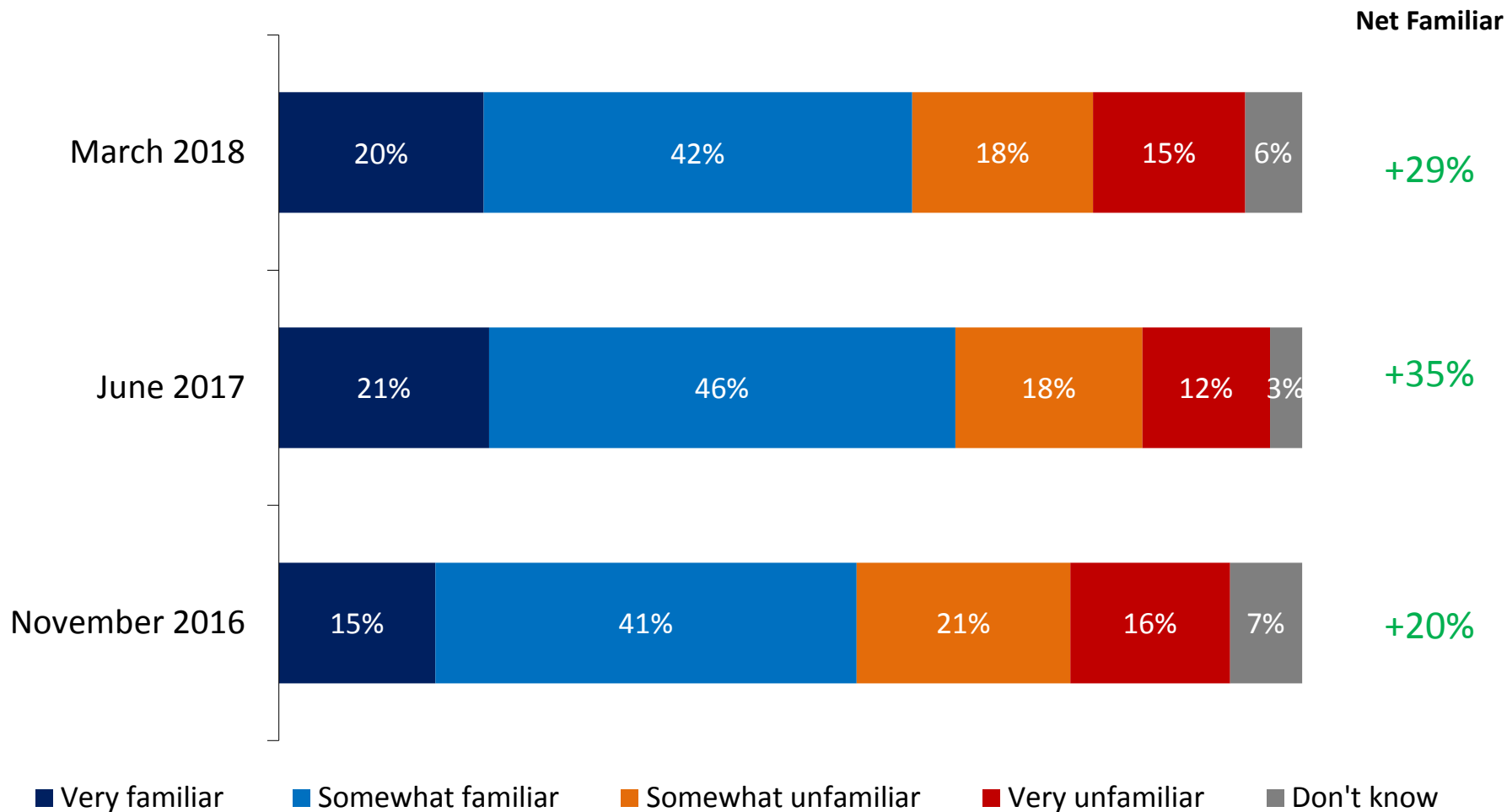
- This section compares the overall results for our core set of tracking questions across Parts 1, 3, and 4.
  - Part 2 is excluded because it screened out those who did not recall receiving their CRM2 report. This leaves only the Parts with samples that are representative of the entire population of investors.
- We can see a steady increase in fee knowledge since the 2016 baseline. While there has been a decline in fee familiarity since Part 3, knowledge of total fees paid as well as commission/third party fees has increased from part-to-part.
- These increases are consistent for every subgroup except young men who saw a decrease in awareness of direct fees paid between Part 1 and Part 4, but still showed a small increase in knowledge of indirect fees. Improvements are most concentrated within groups that most needed them. Groups that started out with lower levels of knowledge tend to see the largest gains between Parts.
- Most groups have seen small declines in trust with advisor as well as net satisfaction with value for relationship and communication with advisor, value for fees, and performance.

# Fee Familiarity: Net familiarity still higher than before CRM2<sup>30</sup> Reports, but improvement in Part 3 not sustained



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

[asked of all respondents; part 4 n=600]

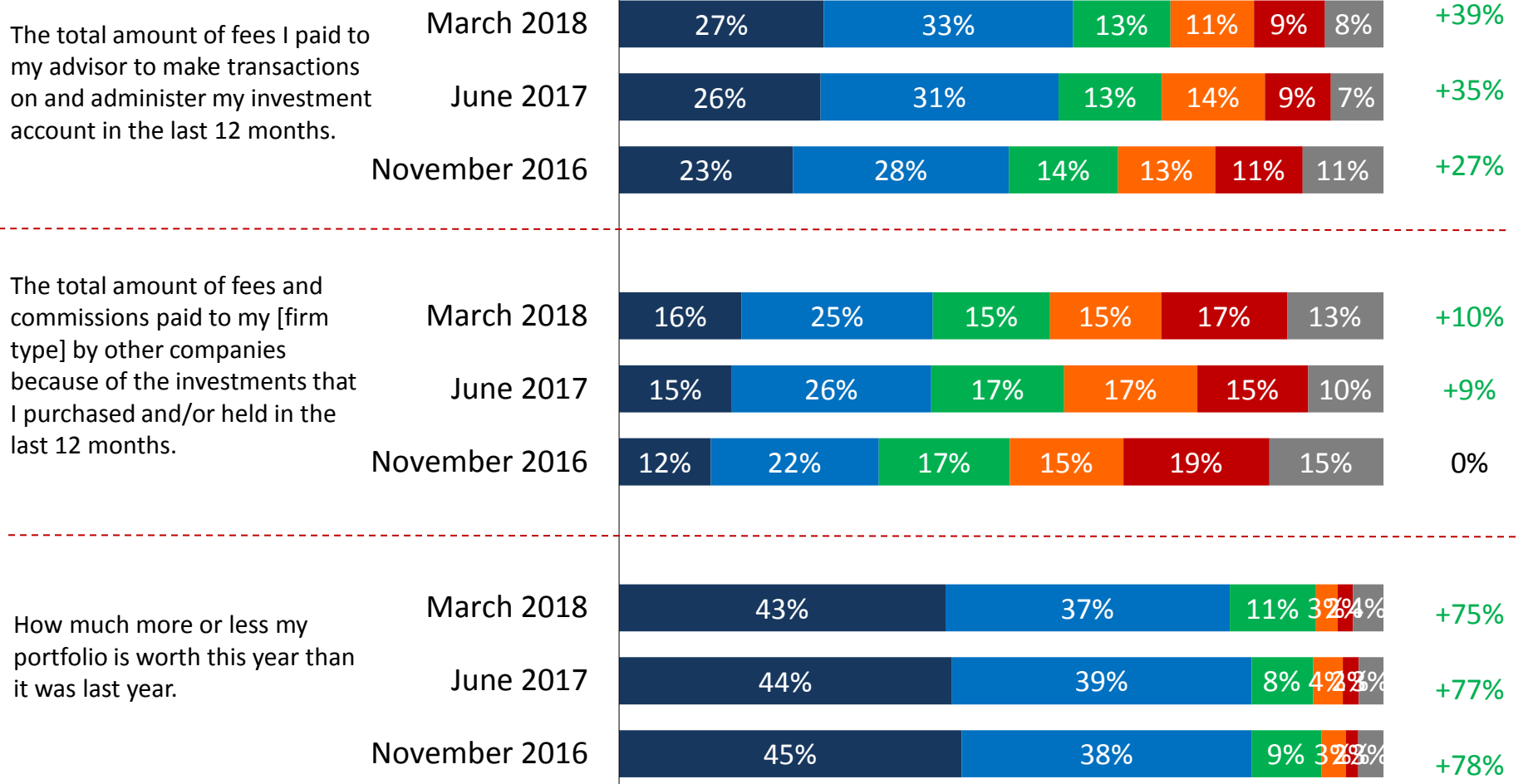


# Fee/Performance Knowledge: Knowledge on fees & third party commission consistent with 2017 and higher than 2016



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

[asked of all respondents; part 4 n=600]



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



Overall    Advised Investors

# Fee Knowledge: Increases higher among those with lower confidence/knowledge

		BC Region			Gender		Age			Investment Portfolio					Confidence/ Knowledge	
		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	Less	More
% Familiar: with investment fees	Nov. 2016	57%	49%	65%	65%	48%	69%	54%	53%	35%	53%	64%	67%	75%	38%	79%
	June 2017	66%	59%	75%	75%	57%	76%	68%	60%	50%	68%	67%	73%	78%	51%	83%
	Mar. 2018	64%	56%	63%	70%	54%	64%	66%	58%	34%	65%	72%	73%	82%	48%	79%
	Change*	+7%	+7%	-2%	+5%	+6%	-5%	+12%	+5%	-1%	+12%	+8%	+7%	+7%	+9%	0%
% Agree: know total direct fees paid in last 12 months...	Nov. 2016	49%	53%	57%	57%	45%	66%	44%	49%	29%	50%	59%	55%	65%	32%	75%
	June 2017	55%	59%	66%	66%	49%	66%	57%	54%	43%	55%	61%	61%	73%	42%	75%
	Mar. 2018	58%	59%	64%	65%	54%	55%	60%	61%	39%	50%	68%	69%	81%	45%	77%
	Change*	+10%	+6%	+8%	+8%	+9%	-11%	+15%	+12%	+11%	0%	+9%	+15%	+15%	+13%	+2%
% 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%	20%	51%
	June 2017	40%	39%	45%	47%	35%	59%	46%	28%	33%	47%	50%	37%	45%	25%	59%
	Mar. 2018	41%	38%	47%	50%	32%	57%	43%	32%	28%	41%	47%	47%	52%	30%	55%
	Change*	+5%	+9%	+11%	+10%	+5%	+2%	+8%	+9%	+10%	+4%	+2%	+12%	+13%	+10%	+4%
% Agree: know performance over last 12 months...	Nov. 2016	57%	53%	53%	57%	55%	62%	57%	52%	53%	59%	60%	60%	52%	51%	62%
	June 2017	64%	58%	76%	68%	61%	72%	65%	61%	57%	75%	69%	66%	69%	56%	75%
	Mar. 2018	60%	52%	58%	60%	56%	54%	60%	58%	48%	66%	62%	61%	65%	49%	69%
	Change*	+3%	-2%	+5%	+4%	+1%	-8%	+3%	+7%	-5%	+7%	+2%	+1%	+14%	-2%	+8%

\*Note: Change denotes increase or decrease from Part 1 (November 2016) to Part 4 (March 2018)



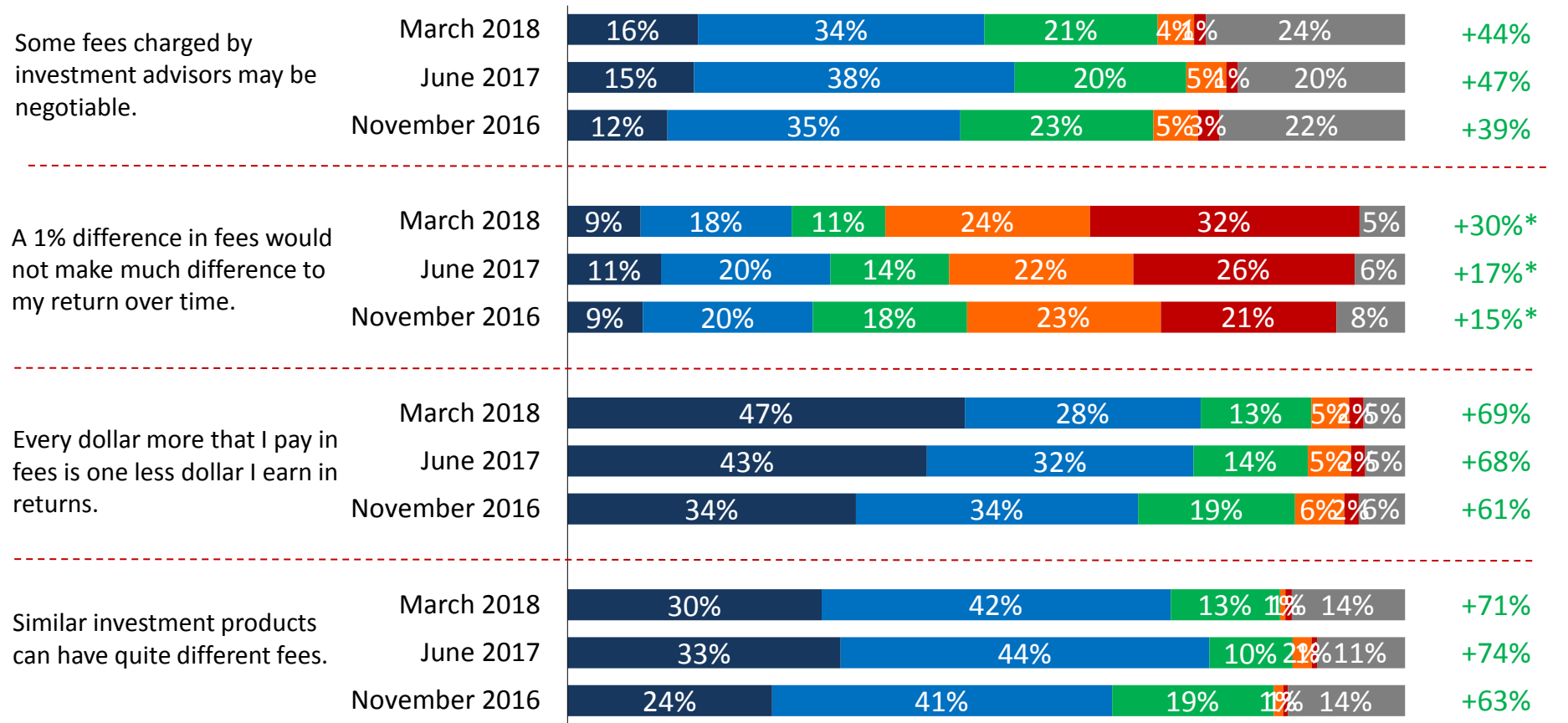
# General Fee Understanding: Increases from 2016 sustained into 2018; largest gain for “1% difference in fees”



Do you agree or disagree with the following statements.

[asked of all respondents; part 4 n=600]

Net Agree\*



\*\*Note: Shows net disagreement for impact of fee change.

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



# General Fee Understanding: General fee understanding has improved across most demographic groups 34

		BC Region			Gender		Age			Investment Portfolio					Knowledge/ Confidence	
		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	Less	More
% 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%	32%	65%
	June 2017	52%	51%	62%	57%	50%	58%	52%	53%	41%	53%	60%	56%	68%	40%	69%
	Mar. 2018	50%	50%	55%	59%	44%	55%	50%	50%	40%	48%	59%	49%	72%	36%	69%
	Change*	+3%	+7%	+4%	+3%	+6%	-2%	+5%	+7%	+9%	0%	+7%	-4%	+10%	+4%	+4%
% Disagree: a 1% difference in fees would not make much difference to my returns over time	Nov. 2016	47%	39%	40%	48%	41%	32%	41%	52%	35%	35%	49%	53%	51%	41%	48%
	June 2017	49%	51%	42%	53%	44%	35%	47%	56%	48%	39%	46%	50%	61%	44%	53%
	Mar. 2018	55%	56%	50%	56%	53%	40%	52%	64%	50%	51%	58%	56%	69%	50%	61%
	Change*	+8%	+17%	+11%	+9%	+13%	+8%	+10%	+12%	+15%	+16%	+9%	+3%	+18%	+8%	+13%
% 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%	61%	77%
	June 2017	76%	70%	78%	79%	71%	76%	74%	75%	67%	73%	80%	79%	80%	66%	85%
	Mar. 2018	77%	74%	70%	80%	71%	72%	74%	78%	63%	74%	83%	79%	82%	67%	85%
	Change*	+8%	+4%	+9%	+9%	+5%	+3%	+9%	+7%	+3%	+12%	+10%	0%	+13%	+6%	+8%
% Agree: similar investment products can have quite different fees	Nov. 2016	67%	61%	62%	71%	59%	68%	64%	65%	44%	67%	71%	74%	74%	53%	80%
	June 2017	77%	75%	79%	79%	74%	85%	71%	77%	66%	81%	82%	80%	86%	66%	89%
	Mar. 2018	75%	68%	70%	78%	68%	70%	73%	73%	56%	77%	80%	76%	86%	60%	88%
	Change*	+8%	+7%	+7%	+7%	+8%	+2%	+10%	+9%	+11%	+10%	+9%	+2%	+13%	+7%	+8%

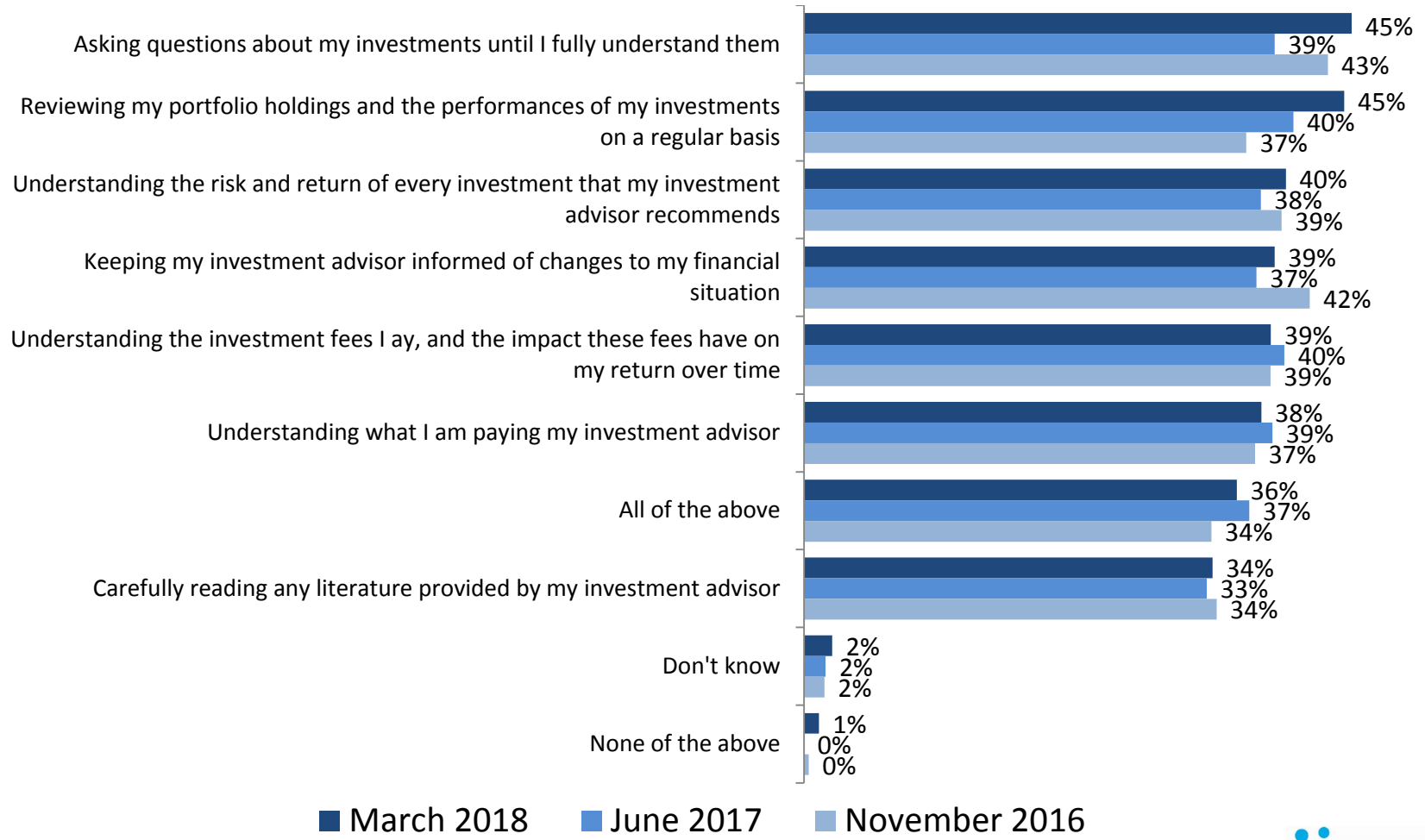
\*Note: Change denotes increase or decrease from Part 1 (November 2016) to Part 4 (March 2018)

# Client Responsibilities: 'Asking questions' up 6 points to 45%<sup>35</sup> in 2018; mostly steady since 2017



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.)

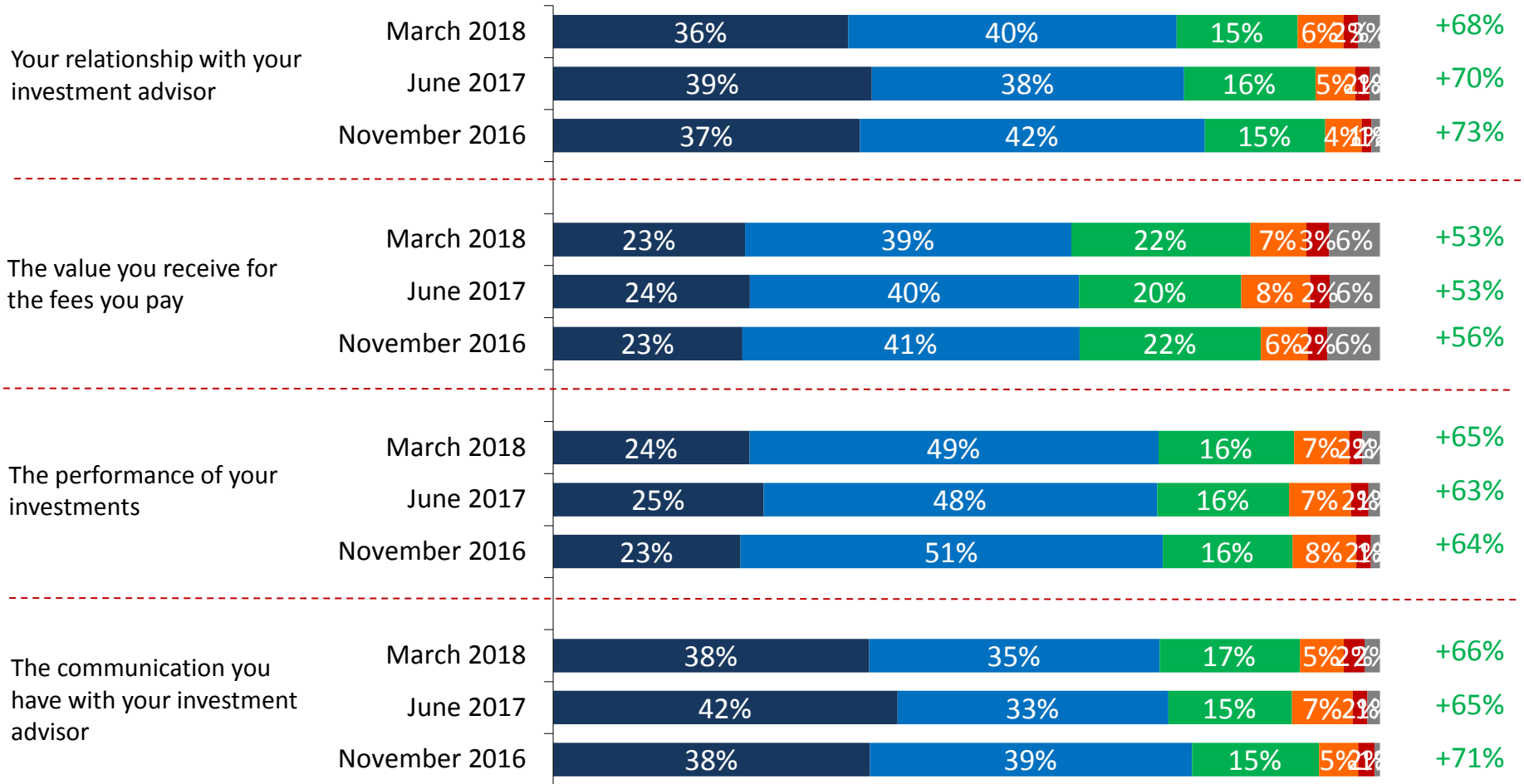
[asked of all participants, Part 4 n=600, multiple mentions]



# Satisfaction Tracking: Net satisfaction remains high, but largely unchanged since 2016

**Q** Thinking about your primary investment account, how satisfied are you with....  
 [asked of all respondents; part 4 n=600]

**Net Satisfaction**



■ Very satisfied     
 ■ Somewhat satisfied     
 ■ Neither satisfied nor dissatisfied  
■ Somewhat dissatisfied     
 ■ Very Dissatisfied     
 ■ Don't know

# Satisfaction: Small decreases in net satisfaction since Part 1

		BC Region			Gender		Age			Investment Portfolio				Knowledge/ Confidence		
		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	Less	More
% Satisfied: relationship with advisor	Nov. 2016	76%	83%	83%	81%	77%	75%	72%	86%	64%	78%	79%	90%	86%	73%	92%
	June 2017	75%	79%	79%	79%	74%	73%	67%	85%	57%	76%	72%	88%	88%	69%	90%
	Mar. 2018	76%	79%	80%	81%	74%	72%	69%	84%	61%	75%	80%	89%	84%	72%	87%
	Change*	0%	-4%	-3%	0%	-3%	-3%	-3%	-2%	-3%	-3%	0%	-1%	-2%	0%	-5%
% Satisfied: value for fees	Nov. 2016	61%	68%	68%	68%	60%	64%	58%	67%	45%	63%	72%	76%	76%	53%	86%
	June 2017	62%	71%	61%	65%	62%	68%	57%	67%	50%	62%	67%	68%	74%	56%	76%
	Mar. 2018	61%	66%	70%	67%	60%	58%	59%	68%	47%	64%	70%	71%	74%	55%	80%
	Change*	0%	-2%	+3%	0%	0%	-6%	+1%	+1%	+3%	+2%	-2%	-6%	-2%	+2%	-6%
% Satisfied: performance of investments	Nov. 2016	71%	74%	80%	76%	71%	71%	69%	78%	63%	75%	76%	81%	85%	67%	88%
	June 2017	72%	77%	71%	77%	69%	69%	68%	78%	54%	70%	80%	78%	88%	64%	88%
	Mar. 2018	73%	75%	77%	75%	73%	67%	70%	78%	56%	77%	78%	80%	82%	68%	86%
	Change*	+1%	0%	-3%	-1%	+1%	-4%	1%	0%	-7%	+2%	+2%	-1%	-3%	+1%	-3%
% Satisfied: communication with advisor	Nov. 2016	75%	80%	82%	78%	77%	70%	70%	86%	59%	74%	86%	85%	88%	71%	92%
	June 2017	73%	77%	78%	77%	73%	67%	66%	84%	50%	71%	79%	87%	85%	66%	89%
	Mar. 2018	74%	75%	77%	78%	72%	70%	68%	80%	56%	65%	80%	84%	86%	68%	88%
	Change*	-1%	-5%	-5%	0%	-5%	0%	-2%	-6%	-3%	-9%	-6%	-1%	-2%	-3%	-3%

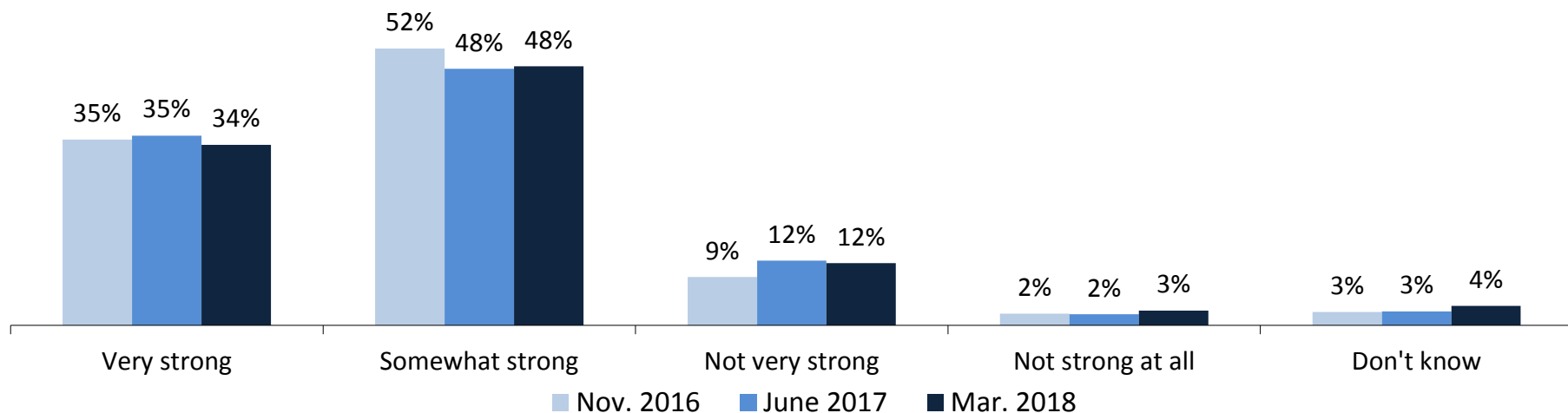
\*Note: Change denotes increase or decrease from Part 1 (November 2016) to Part 4 (March 2018)

# Trust in Advisor: Trust down slightly; declines largest among those with portfolios of less than \$100k



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

[asked of all respondents; part 4 n=600]



% Strong	BC Region			Gender		Age			Investment Portfolio					Knowledge/ confidence	
	LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k - \$250k	\$250k - \$500k	Over \$500k	Less	More
Nov. 2016	85%	87%	89%	86%	87%	83%	84%	90%	76%	89%	89%	94%	89%	81%	92%
June 2017	82%	83%	86%	84%	83%	79%	78%	89%	72%	83%	84%	92%	90%	76%	92%
Mar. 2018	83%	83%	78%	83%	81%	79%	78%	86%	69%	74%	85%	91%	90%	75%	90%
Change*	-3%	-4%	-11%	-3%	-6%	-4%	-6%	-3%	-8%	-14%	-4%	-2%	+1%	-6%	-2%

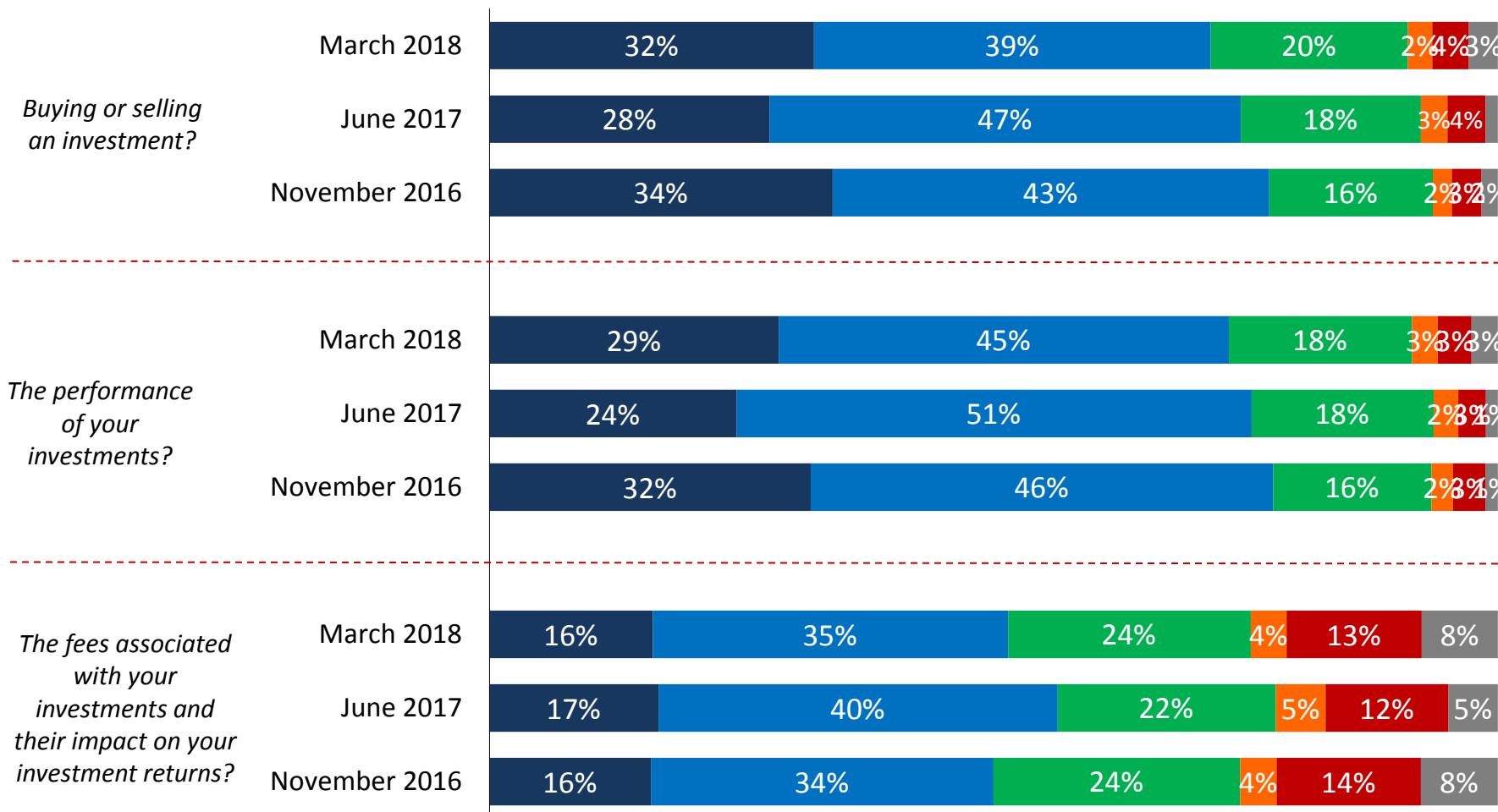
\*Note: Change denotes increase or decrease from Part 1 (November 2016) to Part 4 (March 2018)

# Advisor Communications: Three-in-ten have discussed buying/selling (32%) or performance (29%) in last 2 months



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

[asked of all respondents; part 4 n=600]



■ In the last 2 months

■ More than 5 years ago

■ Between 2 months and a year ago

■ Never

■ Don't know

# Advisor Communications: Fee discussions down for younger investors/those with smaller portfolios

		BC Region			Gender		Age			Investment Portfolio					Knowledge/ Confidence	
		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	Less	More
% Within a year: buying or selling an investment?	Nov. 2016	78%	74%	81%	81%	73%	78%	70%	83%	56%	70%	83%	90%	95%	68%	89%
	June 2017	74%	74%	76%	80%	69%	67%	67%	84%	51%	78%	75%	86%	89%	64%	86%
	Mar. 2018	72%	74%	66%	76%	67%	63%	64%	81%	47%	66%	79%	83%	89%	58%	88%
	Change*	-5%	-1%	-15%	-5%	-6%	-15%	-5%	-2%	-9%	-4%	-4%	-7%	-6%	-9%	-2%
% Within a year: the performance of your investments?	Nov. 2016	51%	46%	53%	52%	50%	60%	49%	48%	49%	51%	53%	59%	46%	49%	53%
	June 2017	54%	54%	59%	56%	54%	55%	54%	55%	47%	58%	56%	63%	55%	51%	59%
	Mar. 2018	51%	44%	43%	50%	47%	49%	46%	50%	29%	48%	58%	56%	54%	42%	56%
	Change*	+0%	-2%	-11%	-2%	-2%	-11%	-2%	+2%	-20%	-3%	+5%	-3%	+9%	-7%	+3%
% Within a year: fees associated with investment	Nov. 2016	48%	52%	55%	56%	44%	65%	48%	45%	38%	54%	54%	50%	62%	38%	65%
	June 2017	58%	47%	62%	62%	51%	67%	51%	55%	45%	57%	60%	64%	63%	46%	68%
	Mar. 2018	53%	45%	54%	56%	47%	55%	51%	50%	31%	52%	57%	59%	65%	39%	67%
	Change*	+5%	-7%	-1%	+1%	+2%	-10%	+3%	+5%	-7%	-1%	+3%	+10%	+3%	+1%	+2%

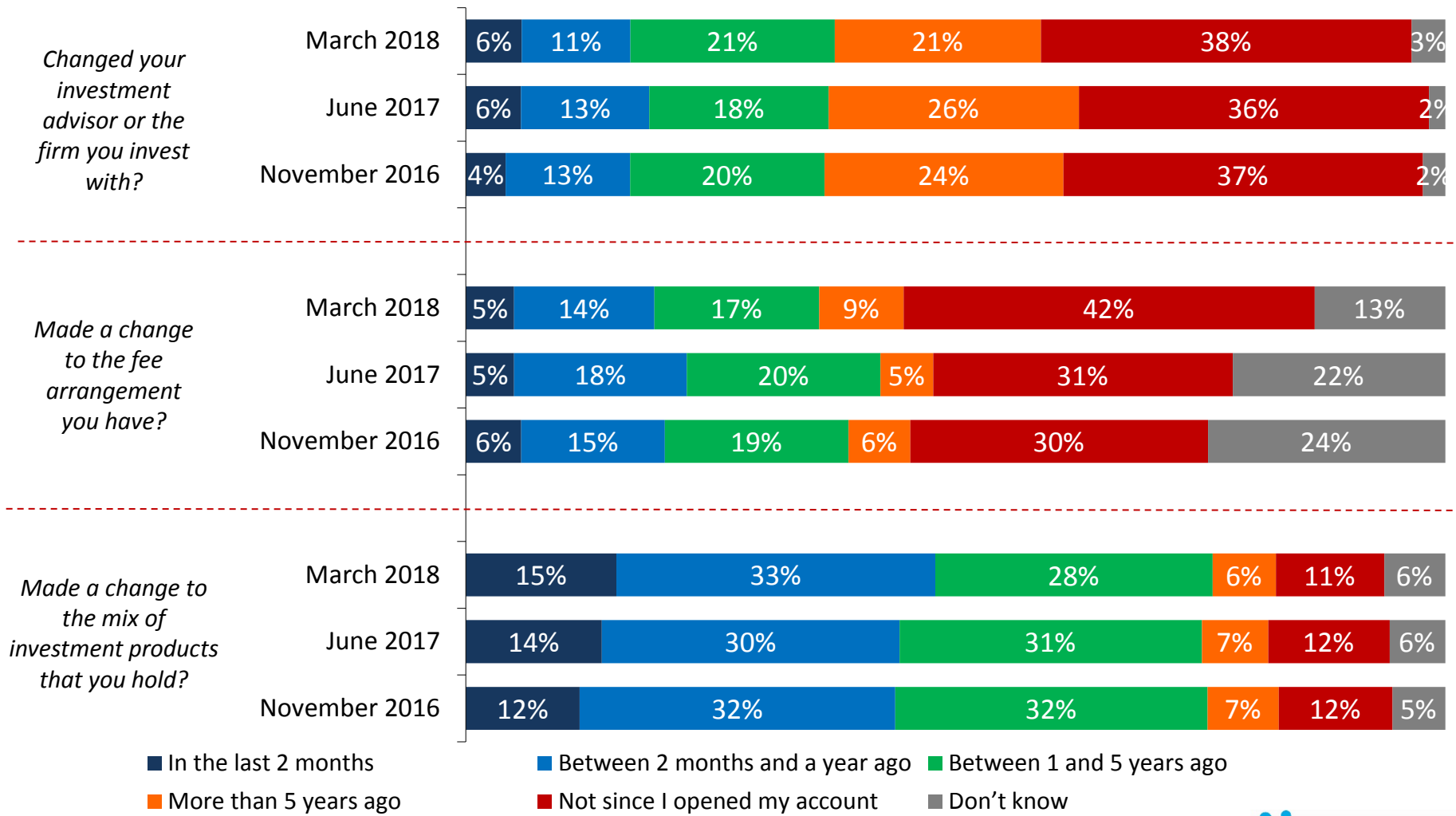
\*Note: Change denotes increase or decrease from Part 1 (November 2016) to Part 4 (March 2018)



# Major Changes: Almost half (48%) have changed products within the year, but far fewer changed fees, advisors, or firm



When was the last time you ...  
[asked of all respondents; part 4 n=600]



Overall    Advised Investors



# Major Changes: Most increases in changes since 2016 concentrated among 35-54 year olds

		BC Region			Gender		Age			Investment Portfolio					Knowledge/ Confidence	
		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	Less	More
% Within a year: changed advisor or firm	Nov. 2016	16%	15%	22%	22%	12%	35%	19%	6%	14%	19%	25%	22%	8%	13%	21%
	June 2017	20%	14%	22%	23%	14%	33%	25%	7%	12%	24%	20%	24%	20%	17%	20%
	Mar. 2018	18%	12%	19%	21%	13%	25%	25%	7%	11%	22%	22%	17%	18%	16%	18%
	Change*	+2%	-3%	-3%	-1%	+1%	-10%	+6%	+0%	-4%	+3%	-3%	-5%	+10%	+2%	-3%
% Within a year: made change to fee arrangement	Nov. 2016	20%	16%	26%	26%	15%	40%	20%	11%	18%	22%	31%	23%	15%	14%	28%
	June 2017	22%	21%	29%	27%	18%	38%	25%	14%	17%	28%	23%	27%	26%	20%	25%
	Mar. 2018	20%	16%	21%	23%	16%	33%	25%	9%	12%	23%	20%	25%	21%	14%	25%
	Change*	-1%	+1%	-5%	-3%	+1%	-7%	+4%	-2%	-6%	+1%	-11%	+2%	+6%	-0%	-2%
% Within a year: changed mix of products	Nov. 2016	43%	43%	49%	46%	42%	53%	36%	46%	28%	46%	44%	58%	51%	38%	51%
	June 2017	46%	40%	41%	48%	40%	52%	37%	47%	21%	43%	49%	59%	59%	36%	53%
	Mar. 2018	49%	44%	47%	51%	45%	54%	45%	48%	28%	47%	56%	60%	58%	37%	62%
	Change*	+7%	+1%	-2%	+6%	+2%	+0%	+9%	+2%	+0%	+1%	+12%	+2%	+6%	-1%	+11%

\*Note: Change denotes increase or decrease from Part 1 (November 2016) to Part 4 (March 2018)

# Intention and Behaviour

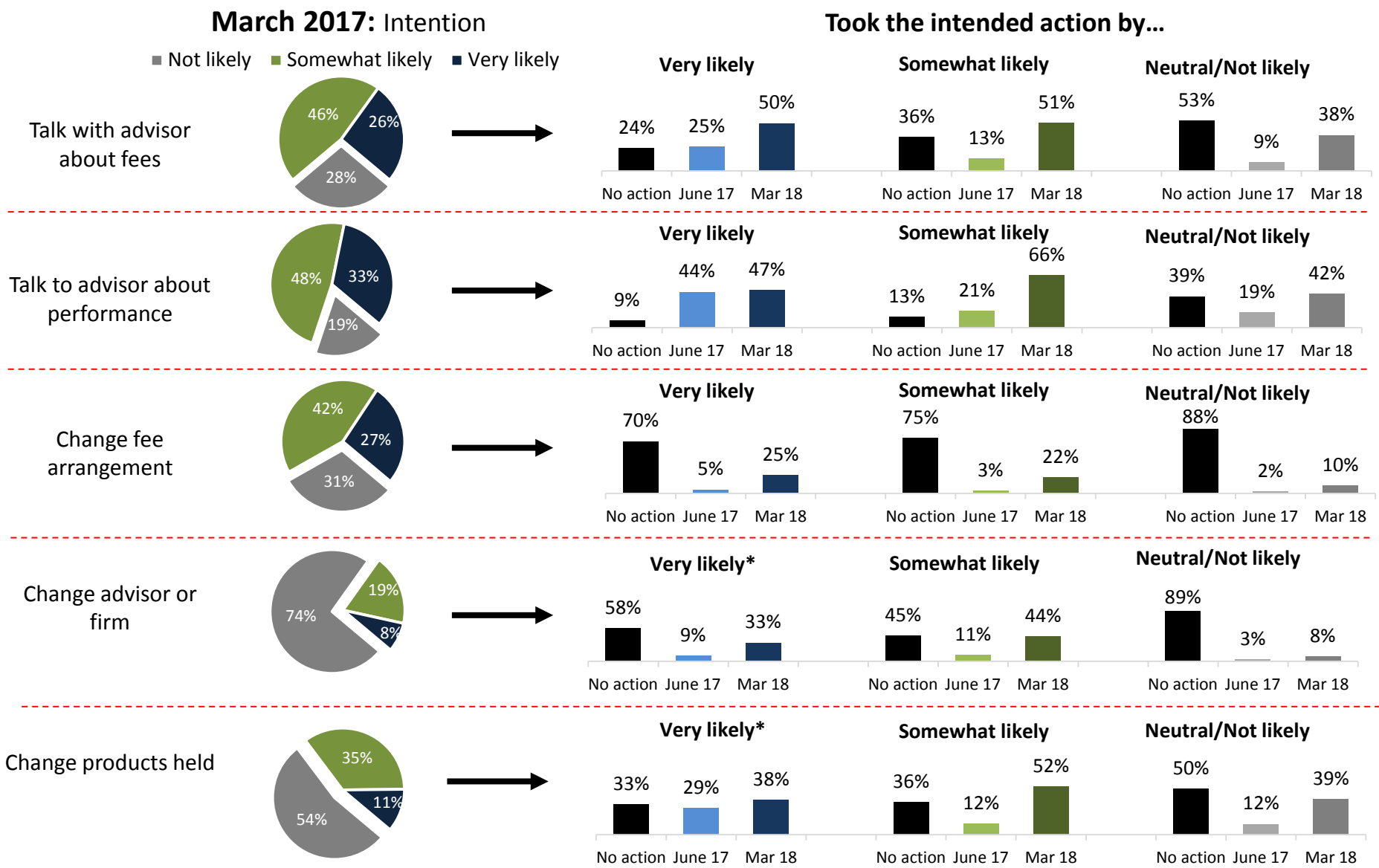
*This section shows how intentions expressed in Part 2 were related to actions between Part 2 and Part 3, and Part 3 and 4.*

# Intention and Behaviour

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- This section shows the translation of intentions into reported action for respondents who completed Parts 2, 3, and 4.
- In Part 2, these respondents were asked about their intention to communicate with their advisor and make changes, then in Parts 3 and 4 we track questions about their recent behaviours. This shows the real translation of intention to action for this group of respondents.
- As we saw in Part 3, many investors who said they were “Very likely” to take an action in Part 2, reported that already had by Part 3, whereas much fewer of those who were “Somewhat likely” reported they had acted by Part 3.
- However, the Part 4 results show that investors who said they were only “somewhat likely” took more time but eventually many did report taking action: we now see a substantial increase in reported action among the “somewhat likely” group between Parts 3 and 4.
- While the gap in following through on intentions between more and less confident/knowledgeable investors was quite large in Part 3, it narrowed between Parts 3 and 4. The gap narrowed the most for communication with advisors, while it remained larger for changes to advisor, firm, fee arrangement, or products held.

# Intentions: Those who were “very likely” acted right away, but many “somewhats” took action between parts 3 and 4



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

# Intention to action Part 3: More confident investors much more likely to follow through on intentions by June 2017

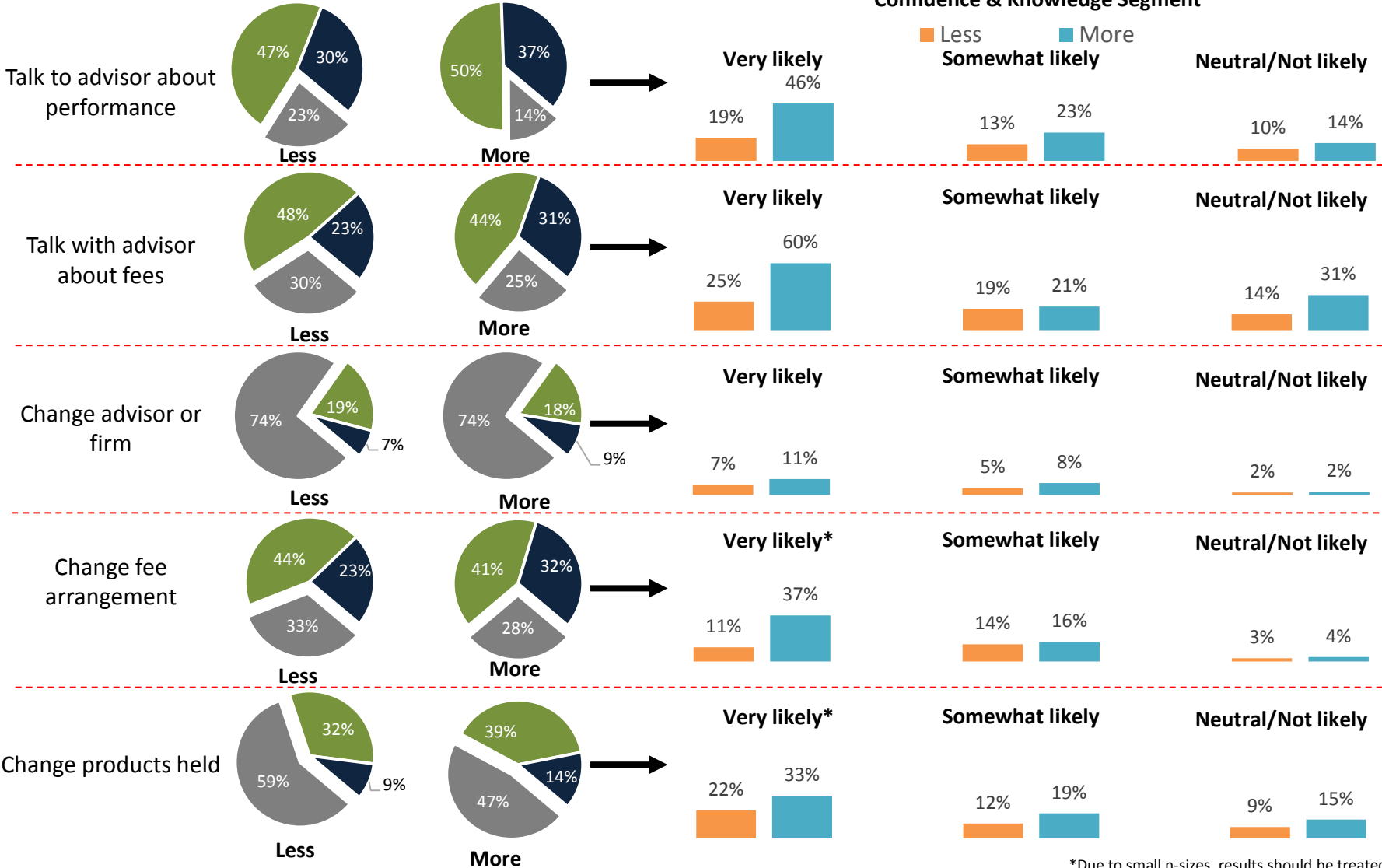
March 2017: Intention

■ Neutral/Not likely ■ Somewhat likely ■ Very likely

Took Action by June 2017 (by intention and investor segmentation)

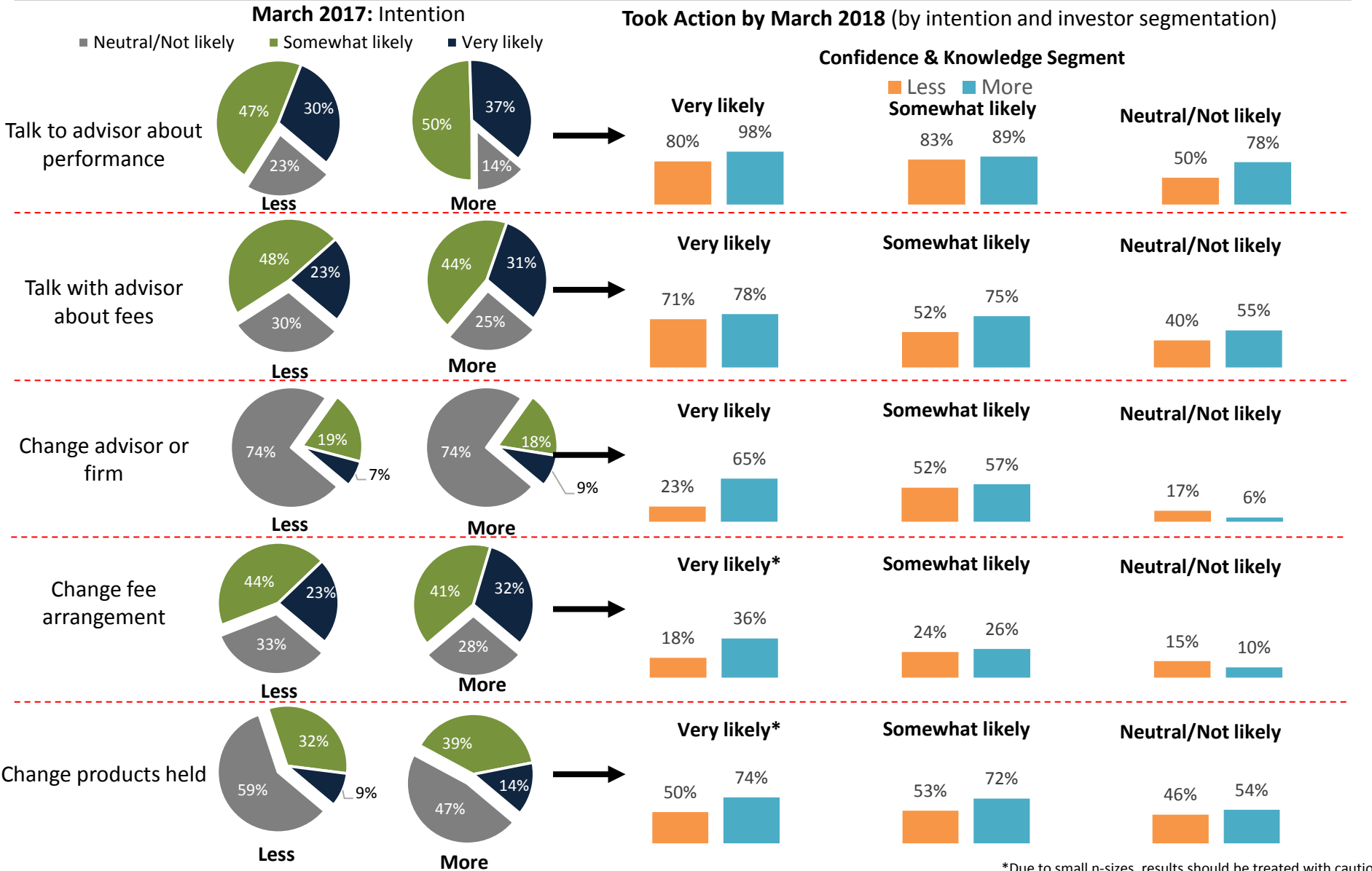
Confidence & Knowledge Segment

■ Less ■ More



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

# Intention to action Part 4: With more time to act, the gap between more and less confident/knowledgeable is smaller



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

# Tracking Results

*This section shows the tracking results for respondents who completed **at least** Parts 1, 3, and 4. It shows real changes in these investors' opinions over time.*



# Tracking Results

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This section shows the panel results for respondents who completed at least Parts 1, 3, and 4. Because it follows the same respondents in each Part, it shows real changes in these investors' opinions over time.

By including participants who did not complete Part 2, it shows results of respondents who both did and did not recall receiving a CRM2 report in 2017. This means the sample is comparable to the general population of advised investors in BC.

- We see consistent improvements across the Parts in fee familiarity, general fee understanding, and most portions of specific fee awareness. There is a small decline in awareness of overall performance.
- Net satisfaction has generally rebounded slightly after a dip from Part 1 to Part 2. Only net satisfaction on “value for fees” has seen a continued decline since Part 2.
- Trust in advisors remains high but there has been no reversion of the decline between Part 1 and Part 2

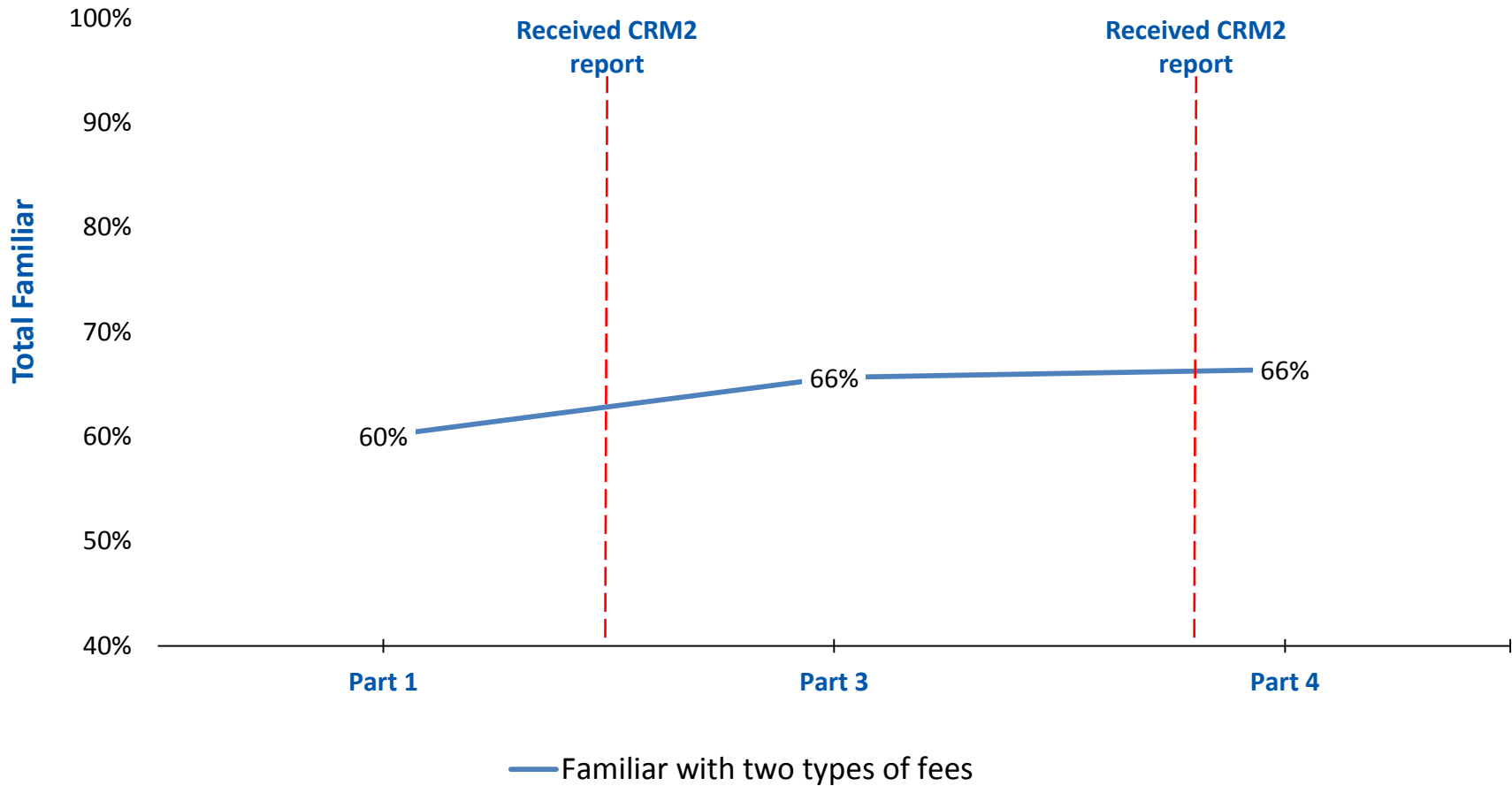
# Fee familiarity: Two-thirds say they are familiar; familiarity up compared to Part 1 (60%), steady since Part 3



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, 3, and 4; n=268]



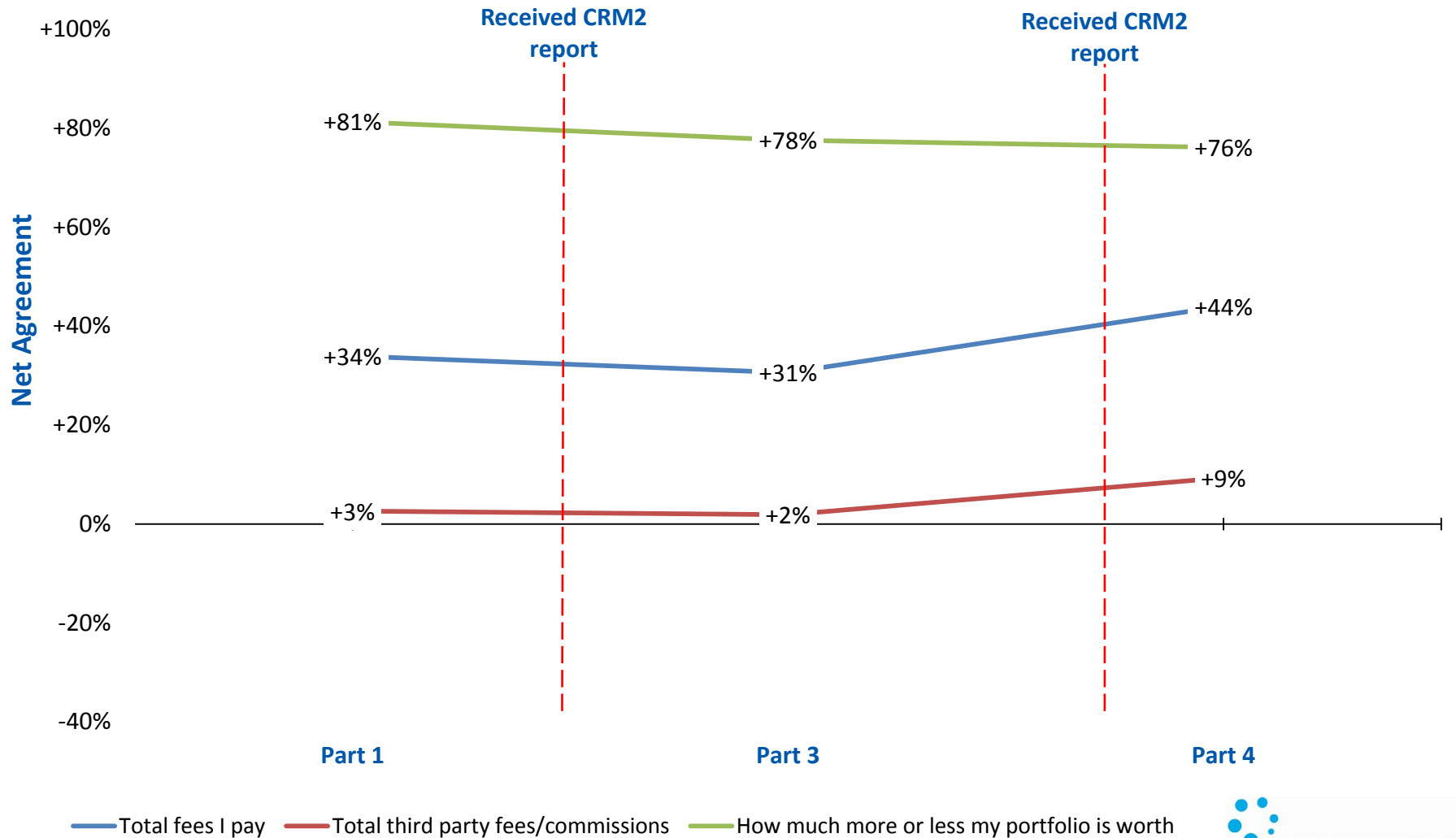
# Specific fee awareness: More say they know about total and third party fees than in Part 1 or Part 3



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

[Net agree = Agree - Disagree]

[showing all respondents who completed parts 1, 3, and 4; n=268]



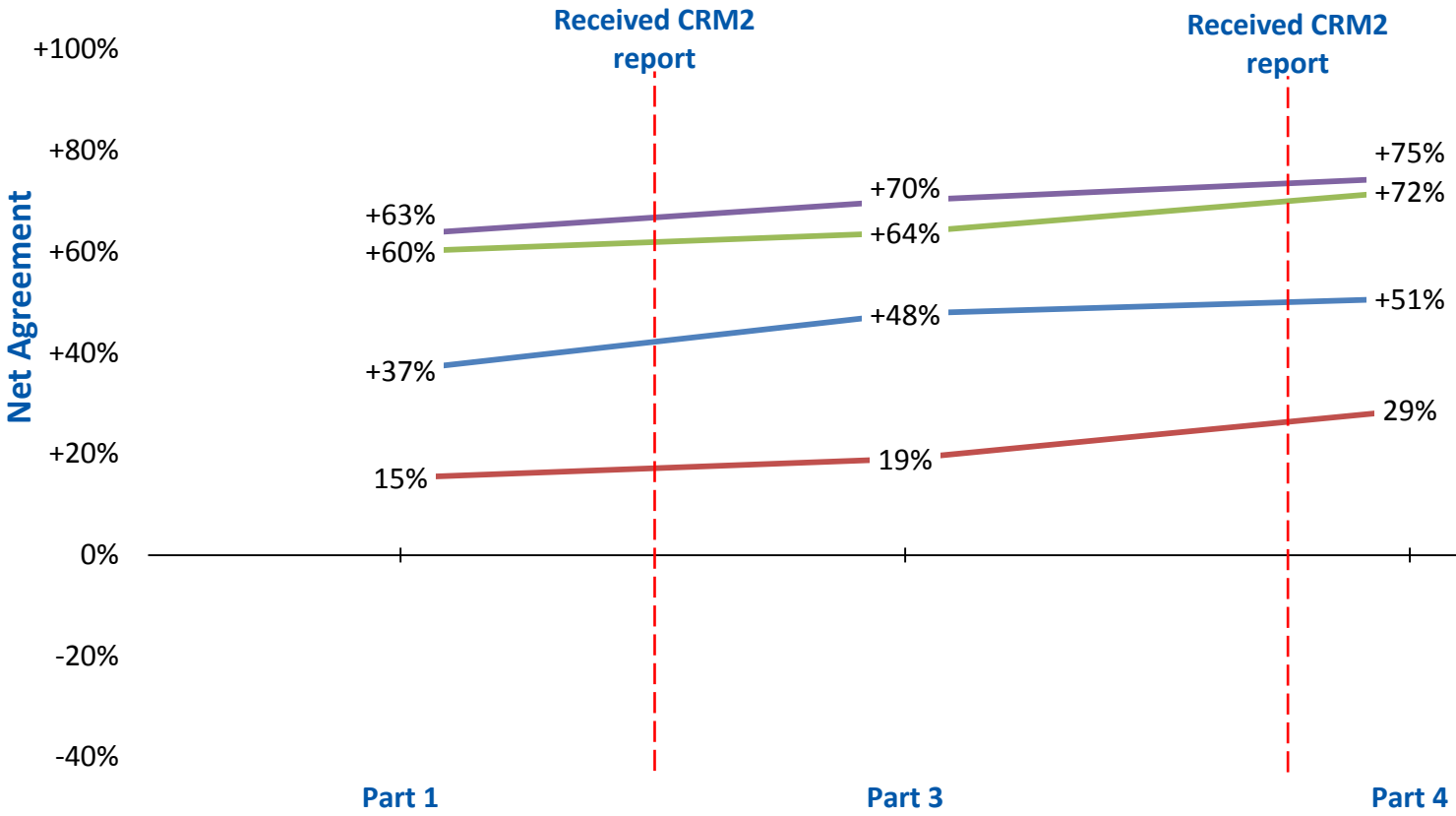
# General Fee Understanding: Improvements seen in every Part; substantially more respondents understand fees now



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

[Net agree\* = Agree – Disagree]

[showing all respondents who completed parts 1, 3, and 4; n=268]



- Some fees negotiable
- Every dollar paid in fees is one less earned
- A 1% difference would not make much difference\*
- Similar products have different fees

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

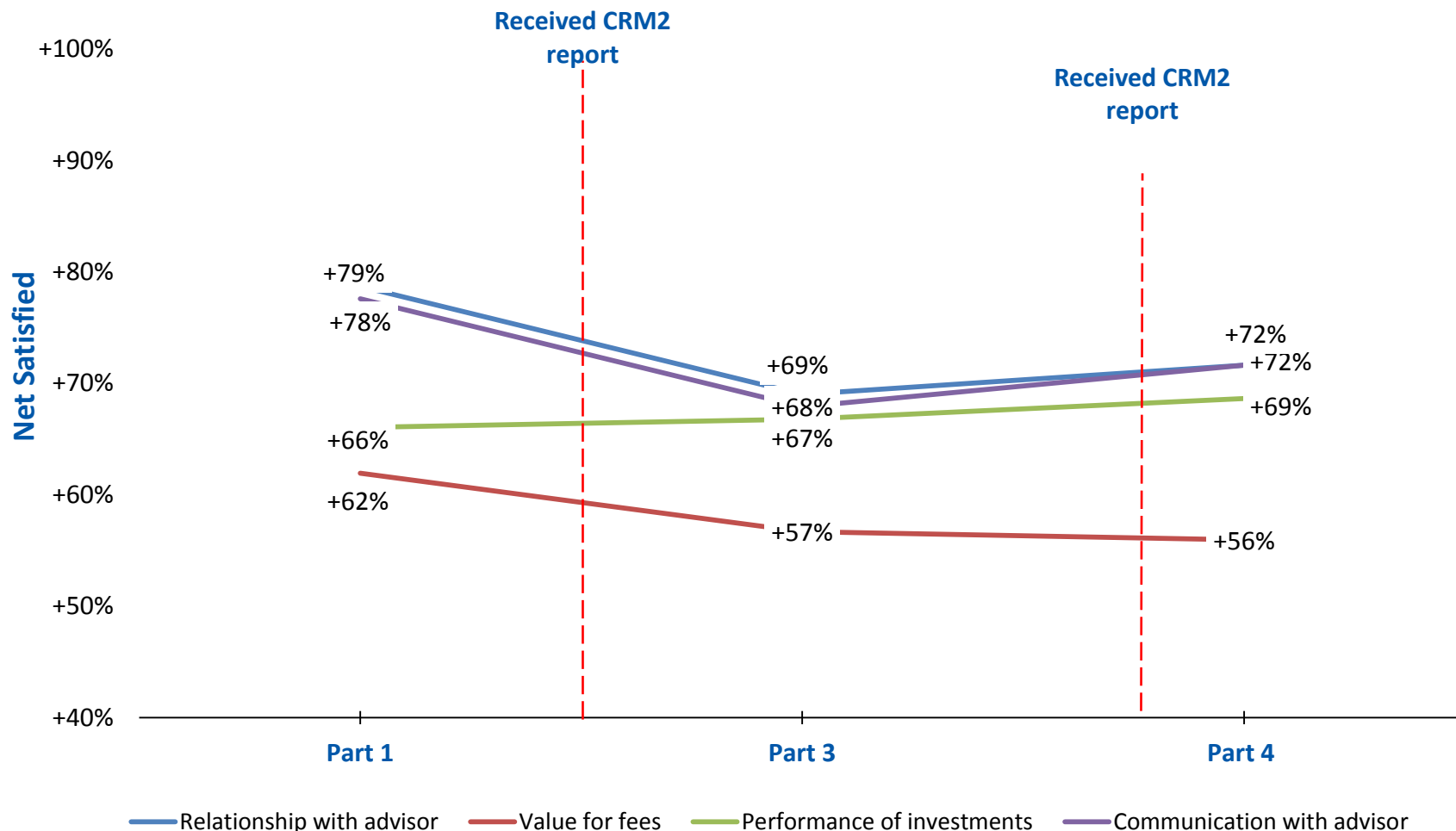


# Satisfaction: Satisfaction with relationship, communication has rebounded slightly but remains below Part 1 levels

Q Thinking about your primary investment account, how satisfied are you with...

[Net agree = Agree - Disagree]

[showing all respondents who completed parts 1, 3, and 4; n=268]



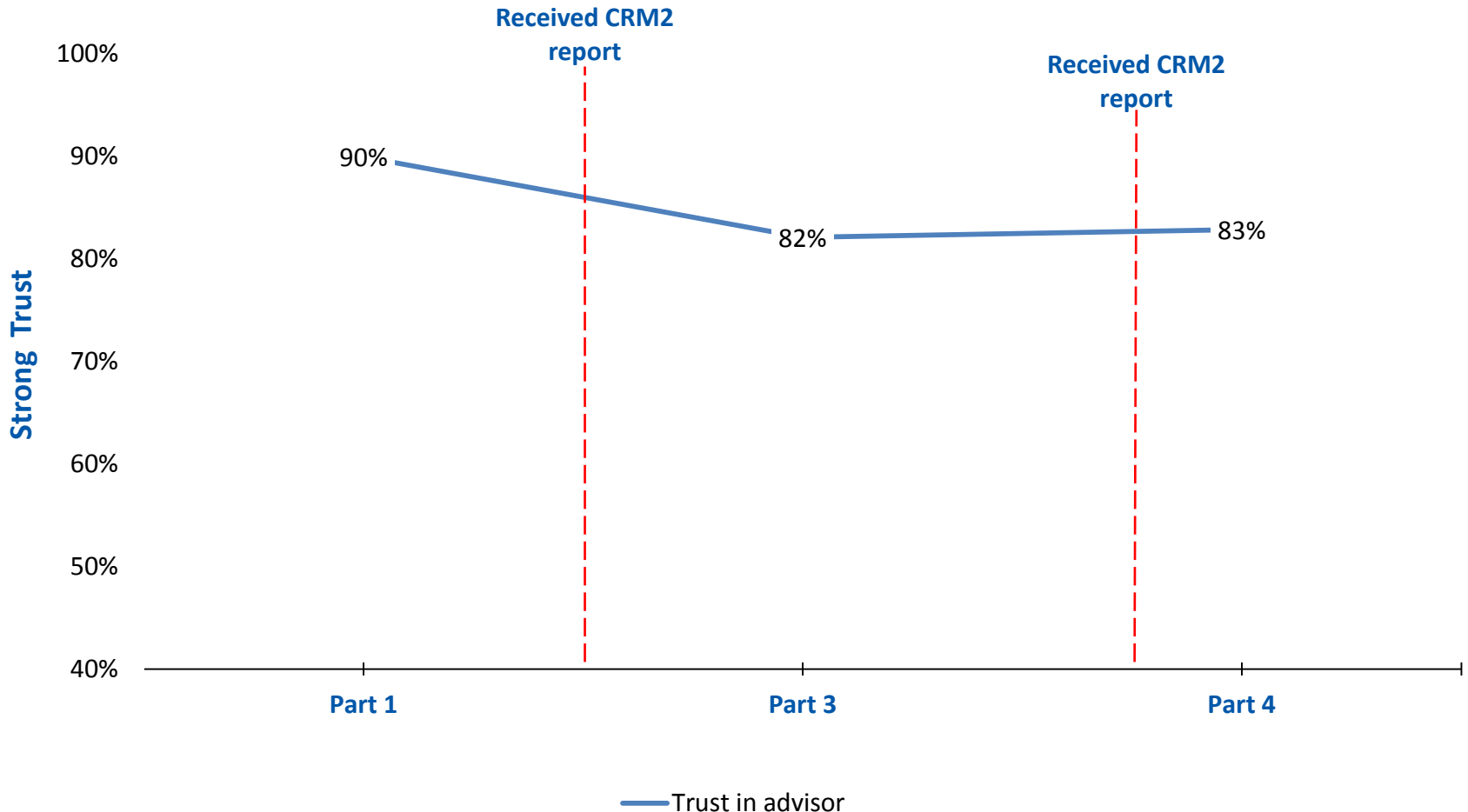
# Trust in Advisor: More than 8-in-10 (83%) trust their advisor, while high, it remains below 2016 levels (90%)



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, 3, and 4; n=268]



# Tracking Results Across All Four Parts

*This section repeats the slides in the last section, but includes only those who completed all four parts. Respondents who participated in all four waves received at least one CRM2 Report (in 2017). This shows real changes in these investors' opinions over time.*

# Tracking Results Across All Four Parts

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This section shows the panel results for respondents who completed all four Parts. Because it follows the same respondents in each Part, it shows real changes in these investors' opinions over time.

By including all 4 Parts of the study, we can see short-term impact of recently receiving the report in Parts 2 and 4, compared to the Part 3 results that are slightly more removed in time.

- Specific fee awareness seems to respond to the recency of the reports. Knowledge of both total amount of fees paid and amount third party fees/commission paid both saw increases after the first CRM2 reports in Part 2, followed by dips in Part 3, and then further increases in Part 4. No similar pattern appears to exist for knowledge of their portfolio's value.
- General fee understanding also shows small seasonal variations in most areas, with only "some fees are negotiable" showing consistent increases across all four Parts.
- While net satisfaction with advisors has rebounded slightly since Part 3, net satisfaction with the value for fees paid has continued to slip. Satisfaction with performance and communication with advisor have both held steady.
- Trust in advisor continues to remain steady at its new level after a decline between Part 1 and Part 2.



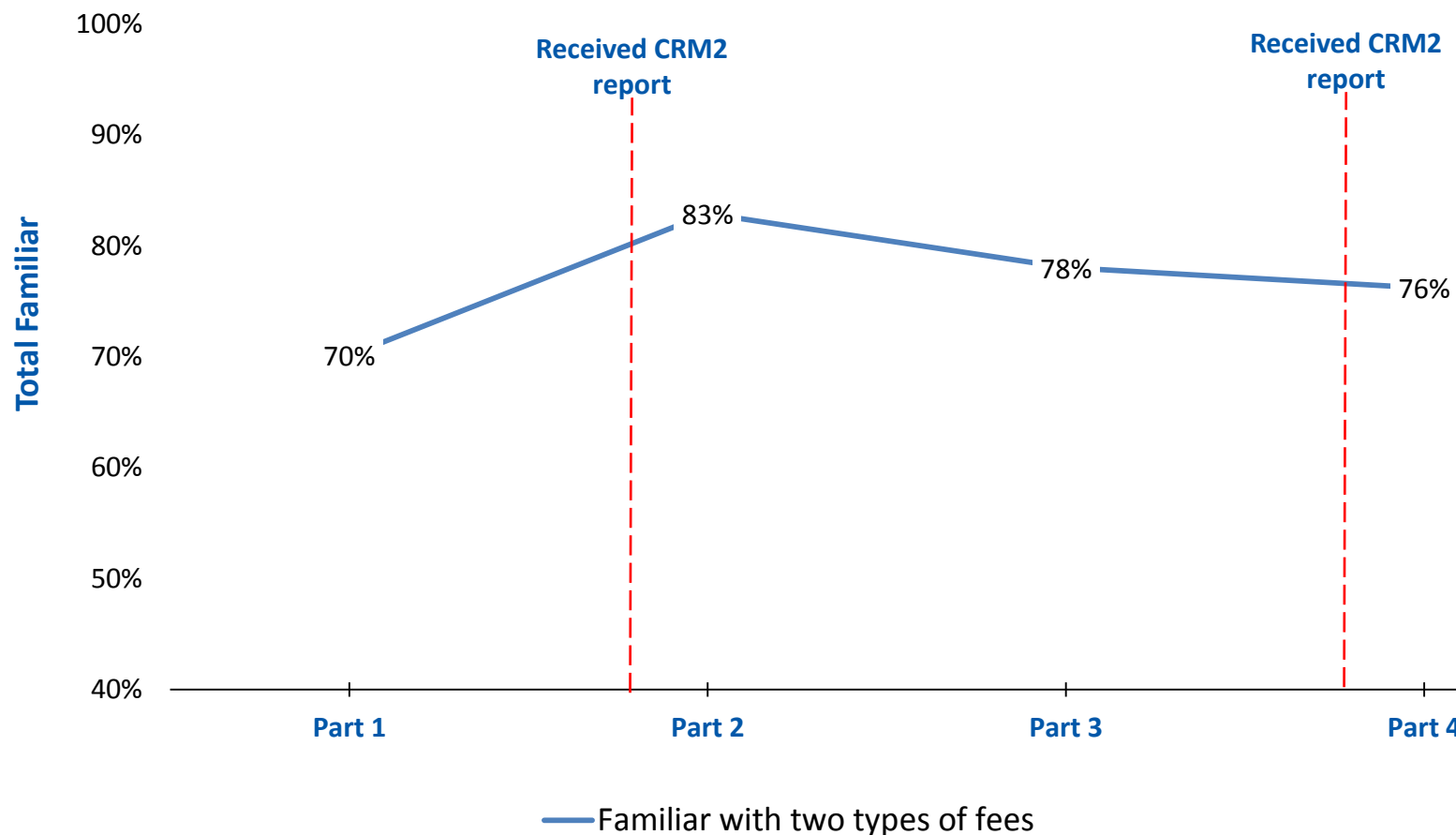
# Fee familiarity: 76% are familiar with the two types of fees they pay, up from Part 1 (70%), but down from Part 2 (83%)



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, 3, and 4; n=164]



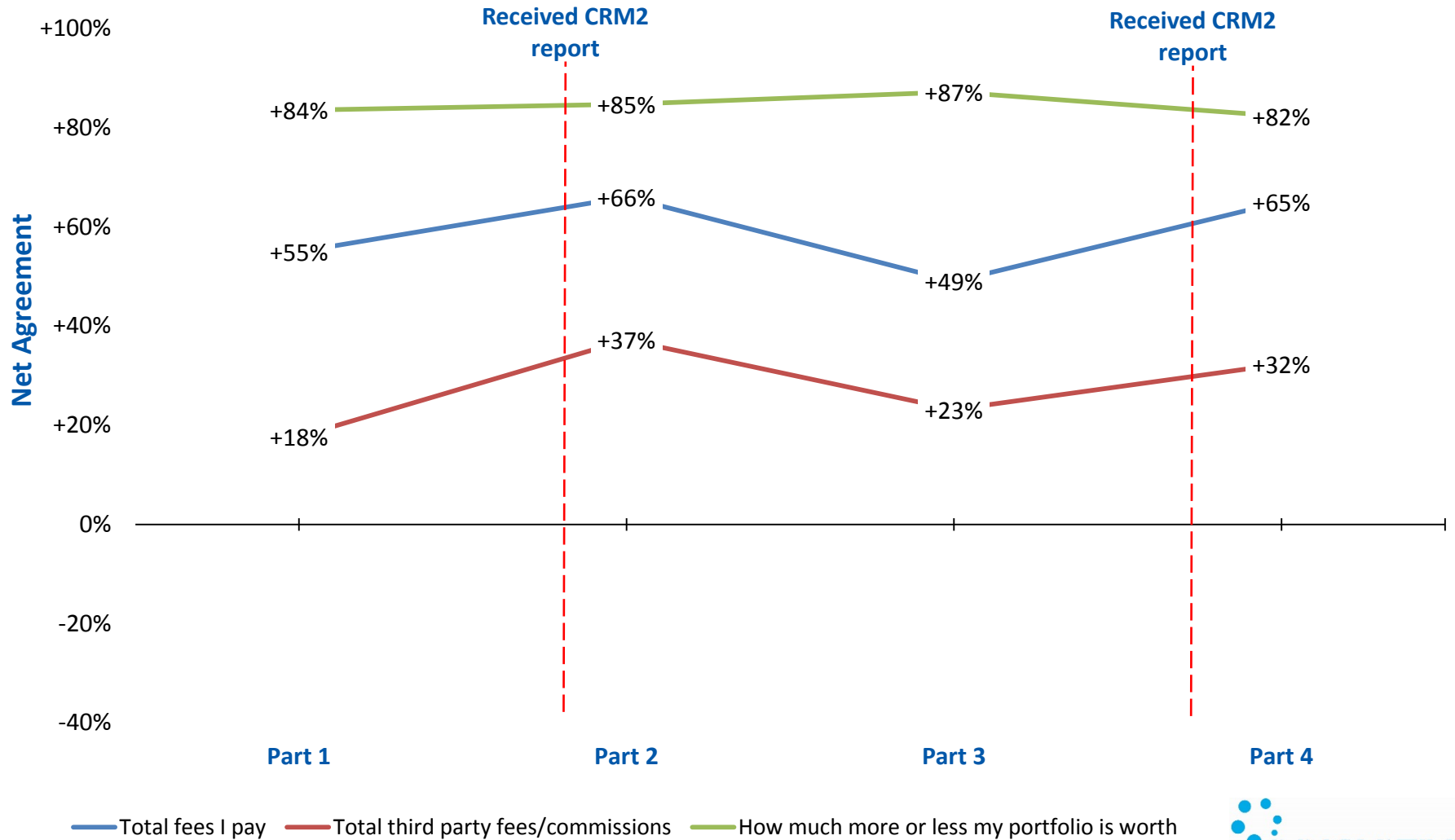
# Specific fee awareness: Awareness of total and third party fees has rebounded to Part 2 levels after decline in Part 3



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

[Net agree = Agree - Disagree]

[showing all respondents who completed parts 1, 2, 3, and 4; n=164]



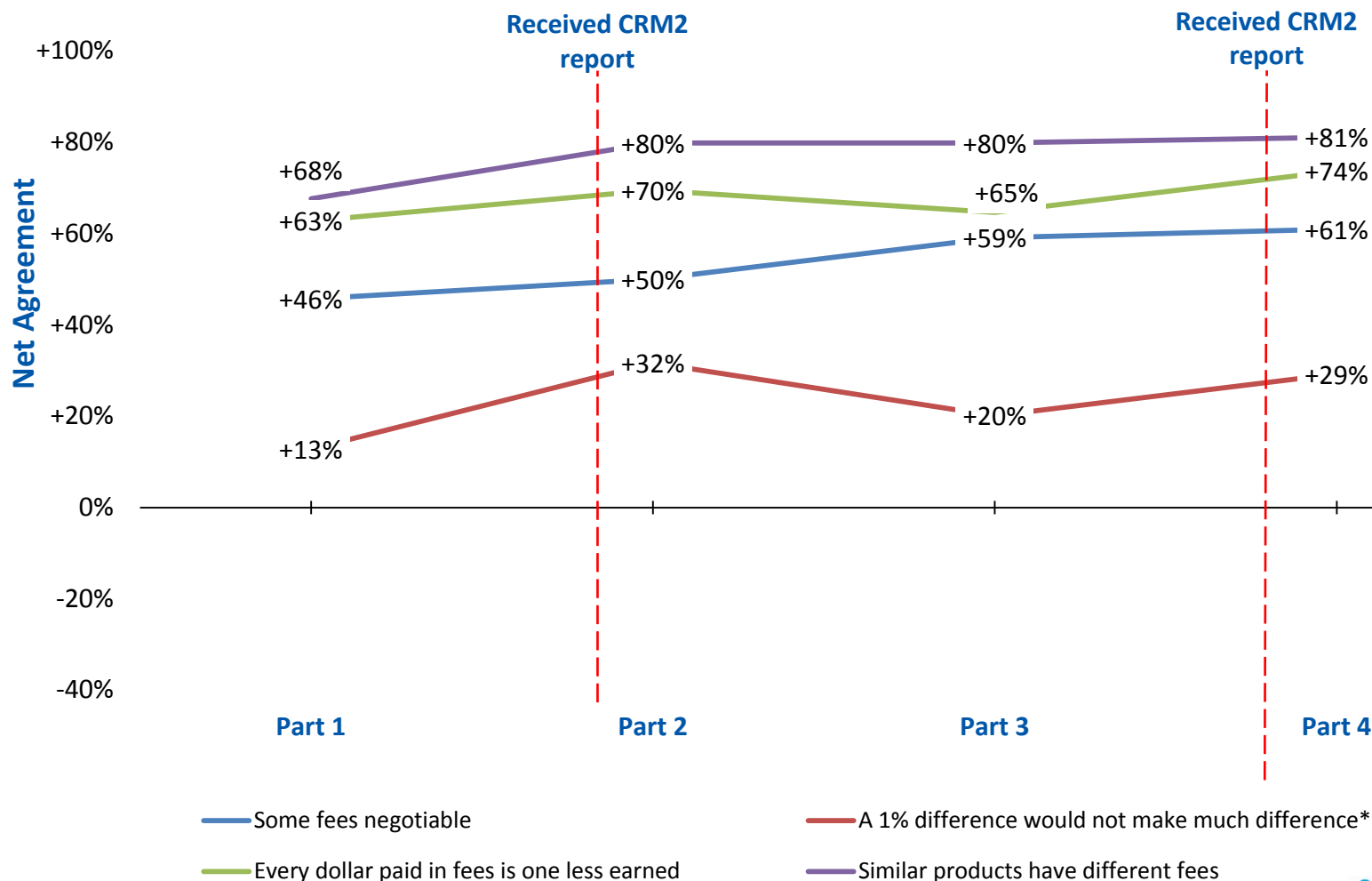
# General Fee Understanding: Understanding substantially higher than in Part 1; gains in Part 2 sustained or improved



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

[Net agree\* = Agree – Disagree]

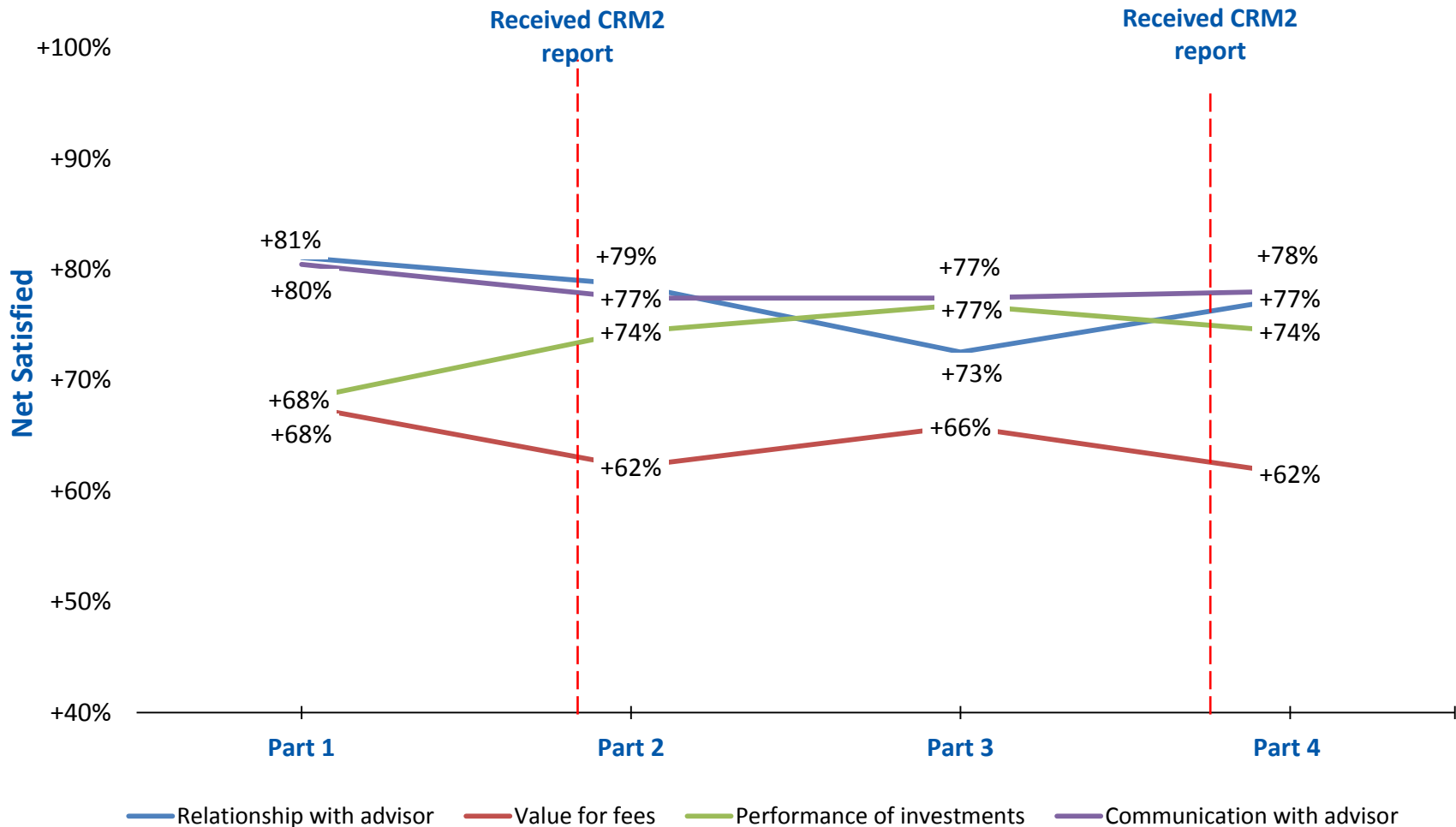
[showing all respondents who completed parts 1, 2, 3, and 4; n=164]



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

# Satisfaction: Net satisfaction with advisor, value for fees consistent with levels following last CRM2 Report

Thinking about your primary investment account, how satisfied are you with...  
 [Net agree = Agree - Disagree]  
 [showing all respondents who completed parts 1, 2, 3, and 4; n=164]



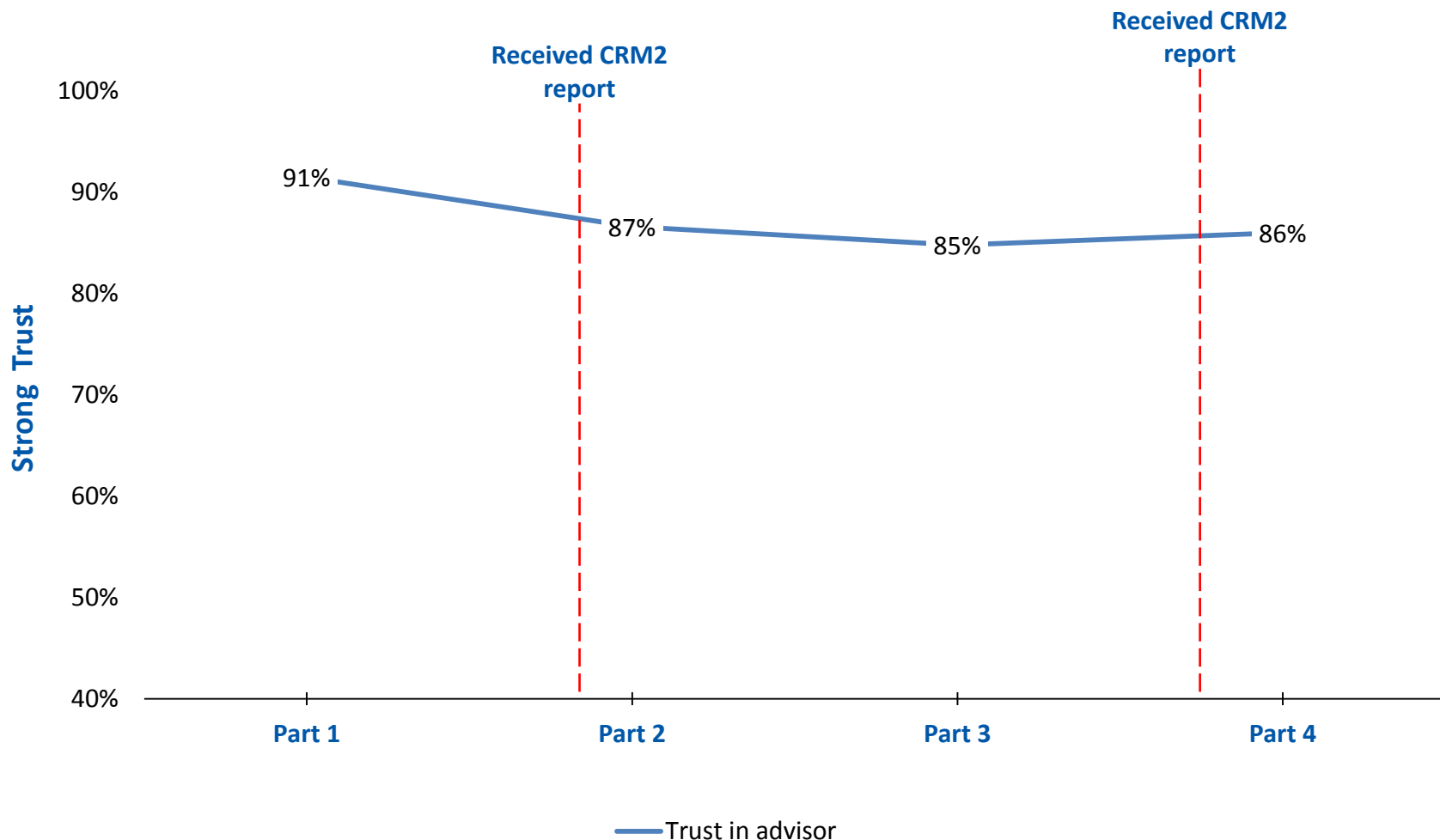
# Trust in Advisor: Investors' trust in advisors remains high, but has declined since 2016 before the first CRM2 report



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, 3, and 4; n=164]



# Potential Drivers of Change

*The questions in this section were asked of every participant in the study only once. They are used to understand investor personality, investment knowledge & competence, investment attitudes, and pre-cursor behaviour. These drivers of change are used to help understand the factors that underlay the dynamics of changes in the panel over the study period.*

# Potential Drivers of Change

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After Part 3, focus groups identified five likely barriers to behaviour and behaviour changes. In the focus groups these barriers were framed as:

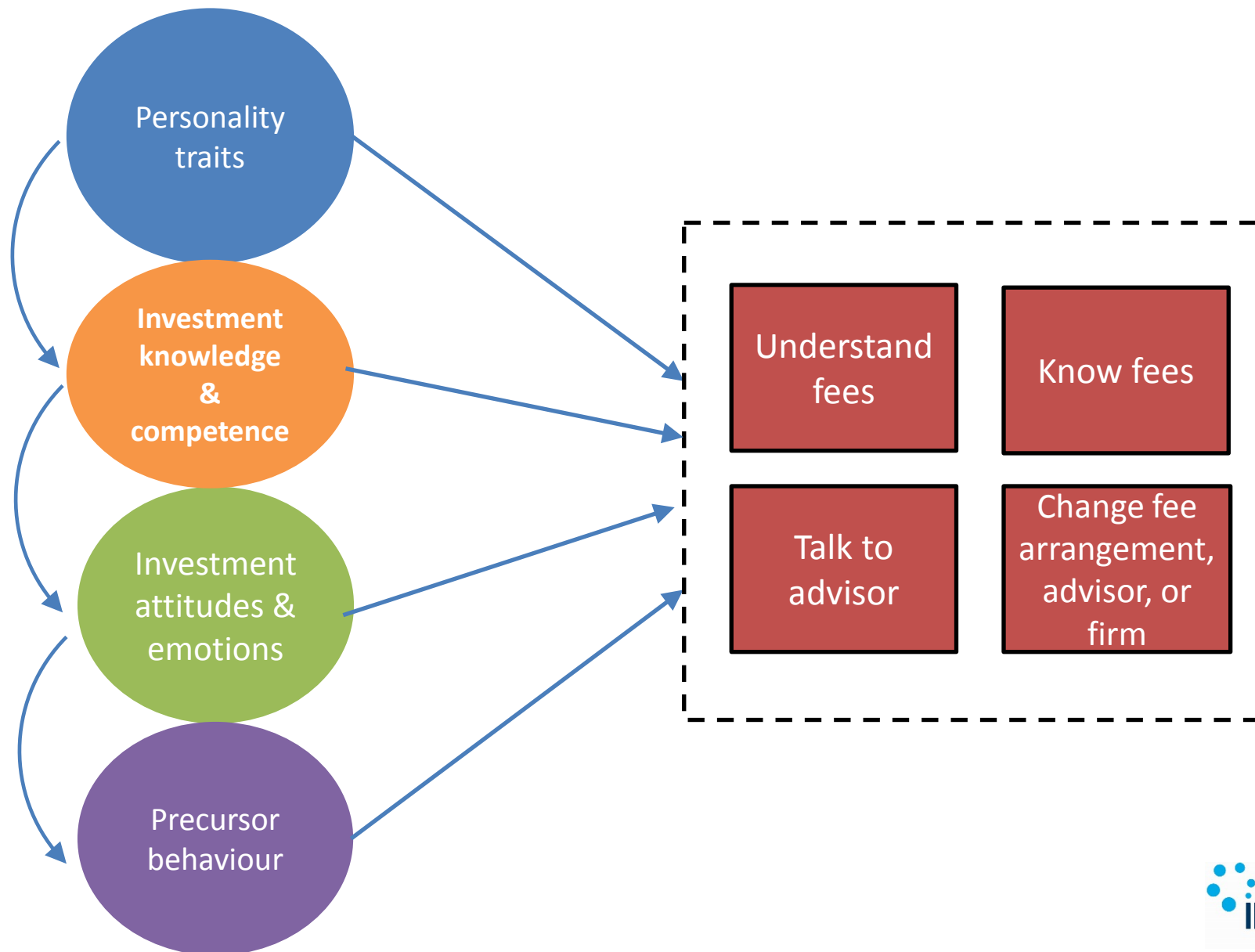
- Anxiety
- Lack of knowledge/interest
- Time/money barriers
- A “not my job” attitude
- Focus only on performance

In the 4th wave of this study, new questions were added to existing questions to ensure a full understanding of these drivers of action or inaction.

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. It also shows the results for questions added to Part 4 for the first time. Results are shown for the weighted sample of Part 4 respondents.

Questions focus on **investor personality, investment knowledge and confidence, investment-specific attitudes and investments, and pre-cursor behaviours.**

# Potential Drivers of Change





# Personality Traits: Four questions capture conscientiousness and emotional stability

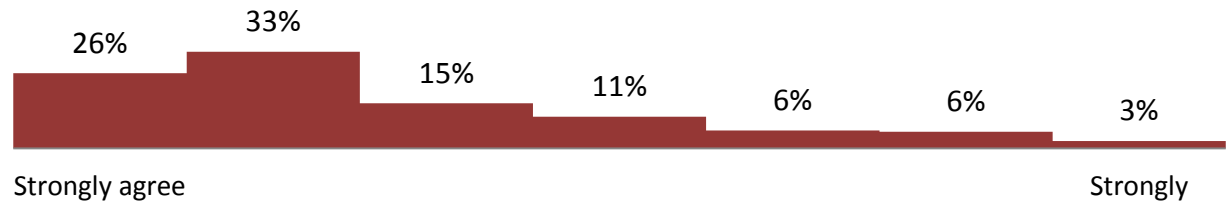


Below are some personality traits that may or may not apply to you. Please select a number next to each statement to indicate the extent to which you agree or disagree with that statement. You should rate the extent to which the pair of traits applies to you, even if one characteristic applies more strongly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

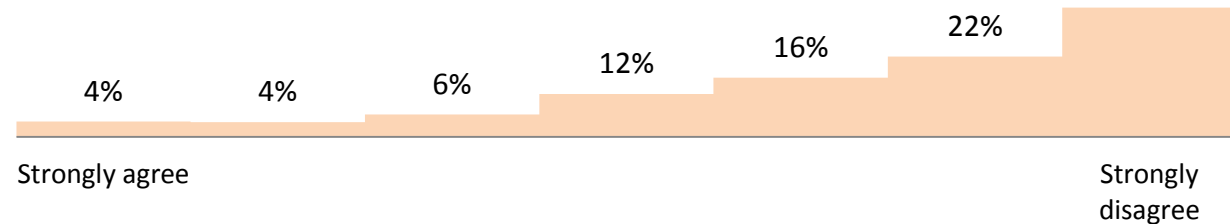
[asked of all respondents, part 4 n=600]

Combined into an overall measure of conscientiousness.

*I am dependable and self-disciplined*

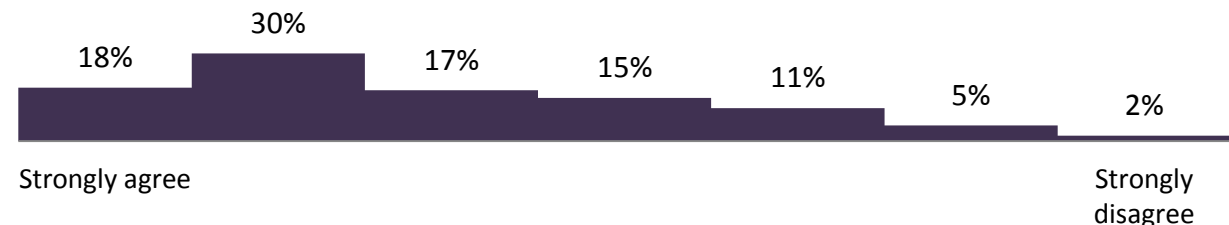


*I am disorganized and careless*

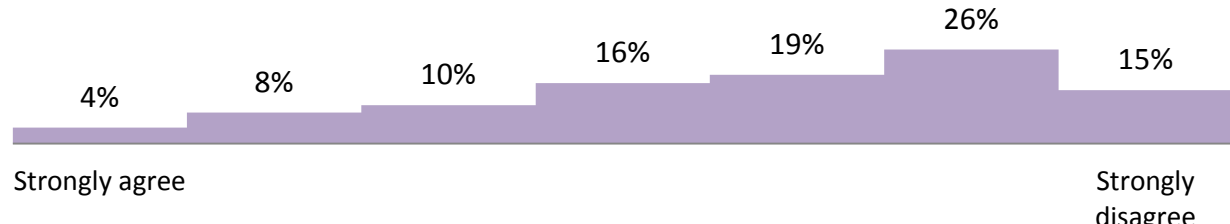


Combined into an overall measure of emotional stability.

*I am calm, emotionally stable*



*I am anxious, easily upset*



# Personality Traits: Questions measure investor's tendency to procrastinate and their inclination towards math, numbers



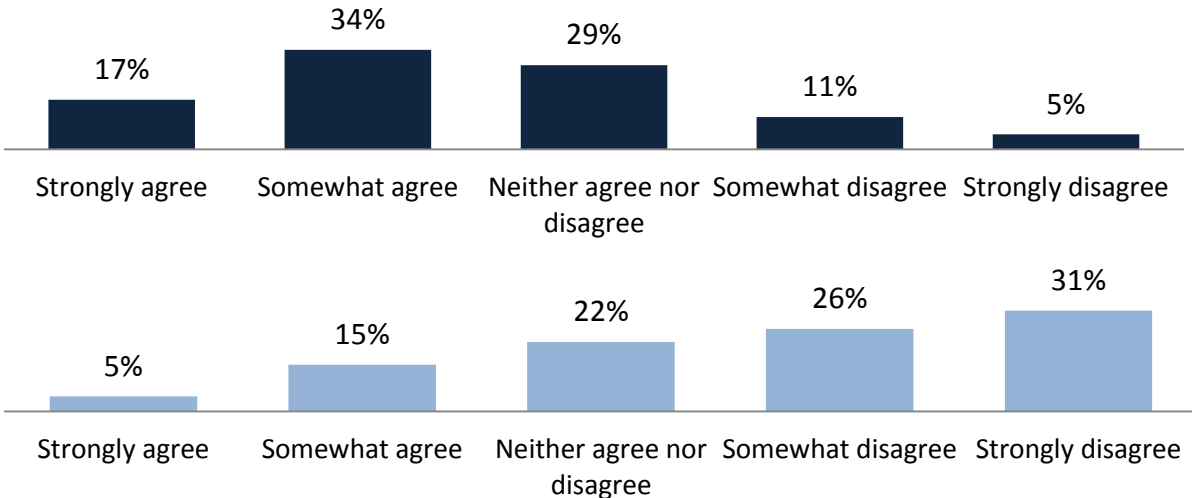
Do you agree or disagree with the following statements?:

[asked of all respondents, part 4 n=600]

Combined into an overall measure of cognitive engagement

*The notion of thinking abstractly is appealing to me*

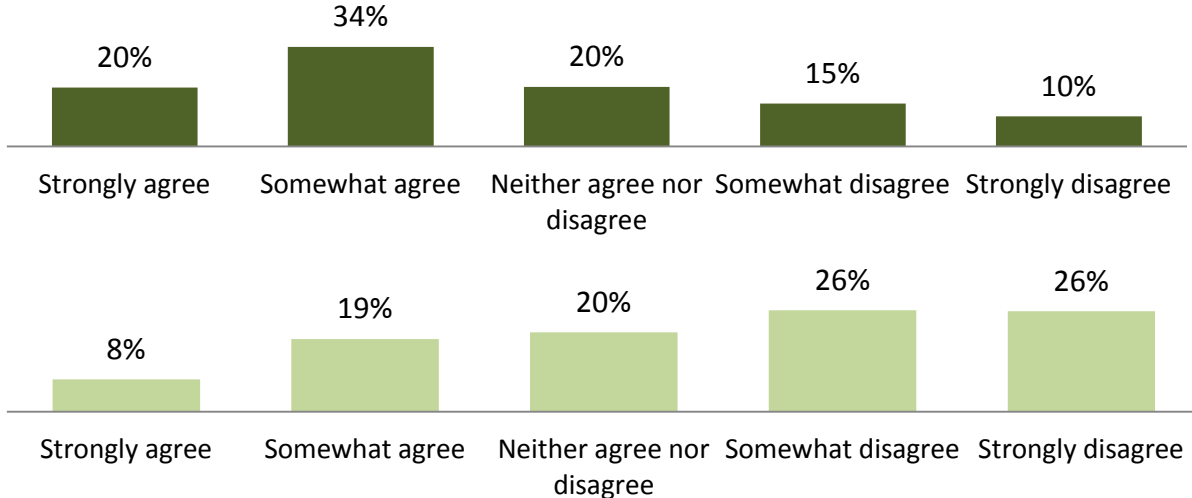
*Thinking is not my idea of fun*



Combined into an overall measure of numeracy

*I enjoy number puzzles*

*I am just not a math person*



# Personality Traits: Two questions capture procrastination; another two measure conflict avoidance among investors



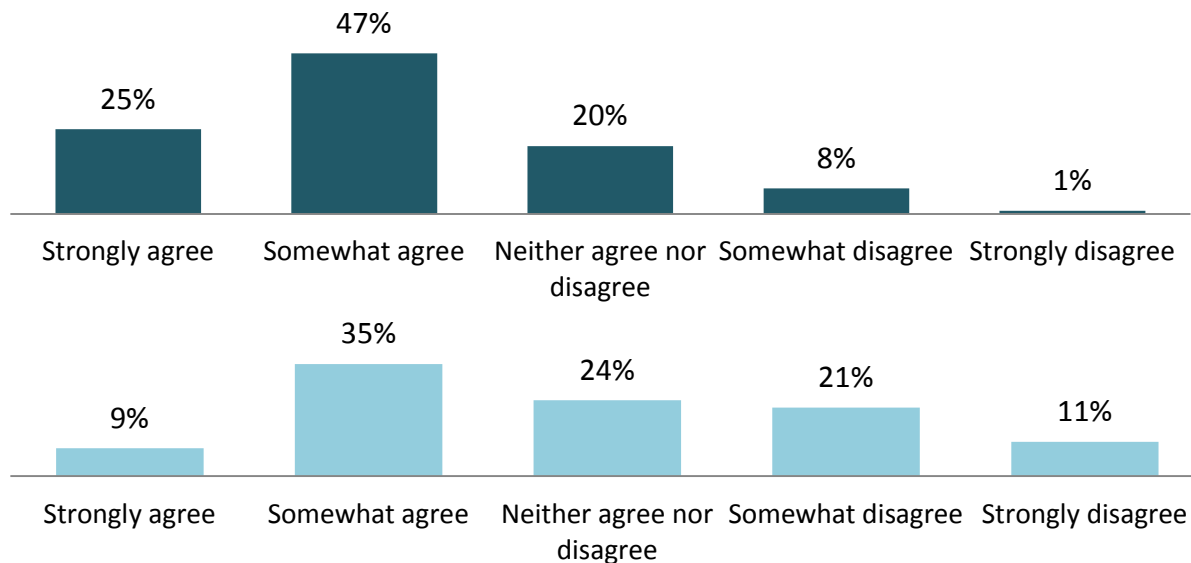
Below are some personality traits that may or may not apply to you. Please select a number next to each statement to indicate the extent to which you agree or disagree with that statement. You should rate the extent to which the pair of traits applies to you, even if one characteristic applies more strongly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

[asked of all respondents, part 4 n=600]

Combined into an overall measure of procrastination.

*I would rather get something done now than put it off in the future*

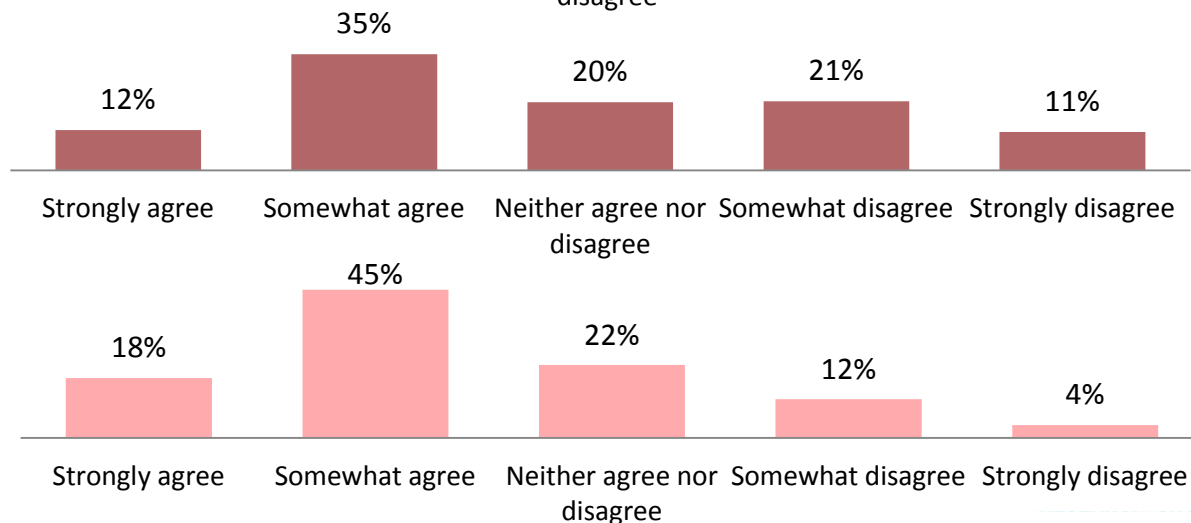
*I often procrastinate*



Combined into an overall measure of conflict avoidance

*I am very comfortable having awkward conversations when necessary*

*I tend to avoid conflict*

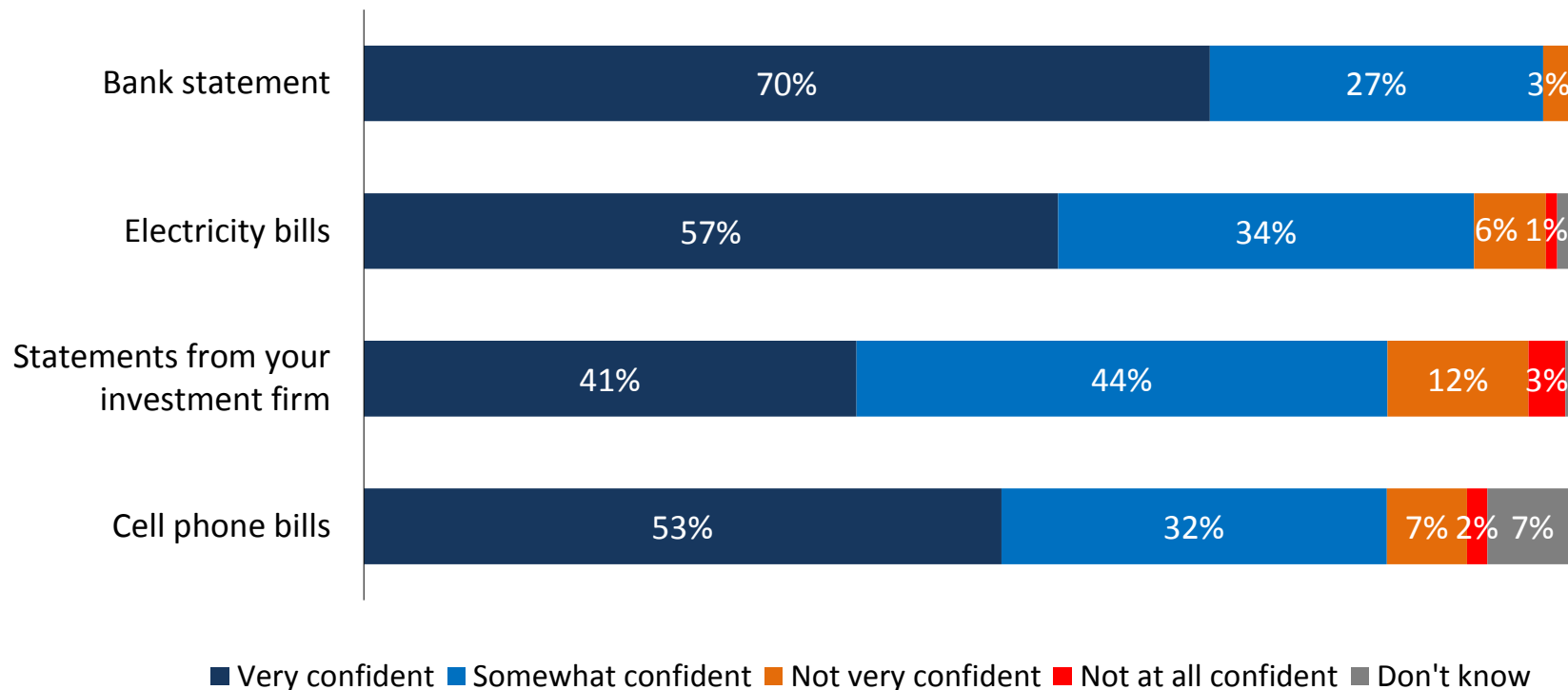


# Statement Literacy: Most respondents comfortable with statements; 'very confident' lowest for investment statements

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 4 n=600]

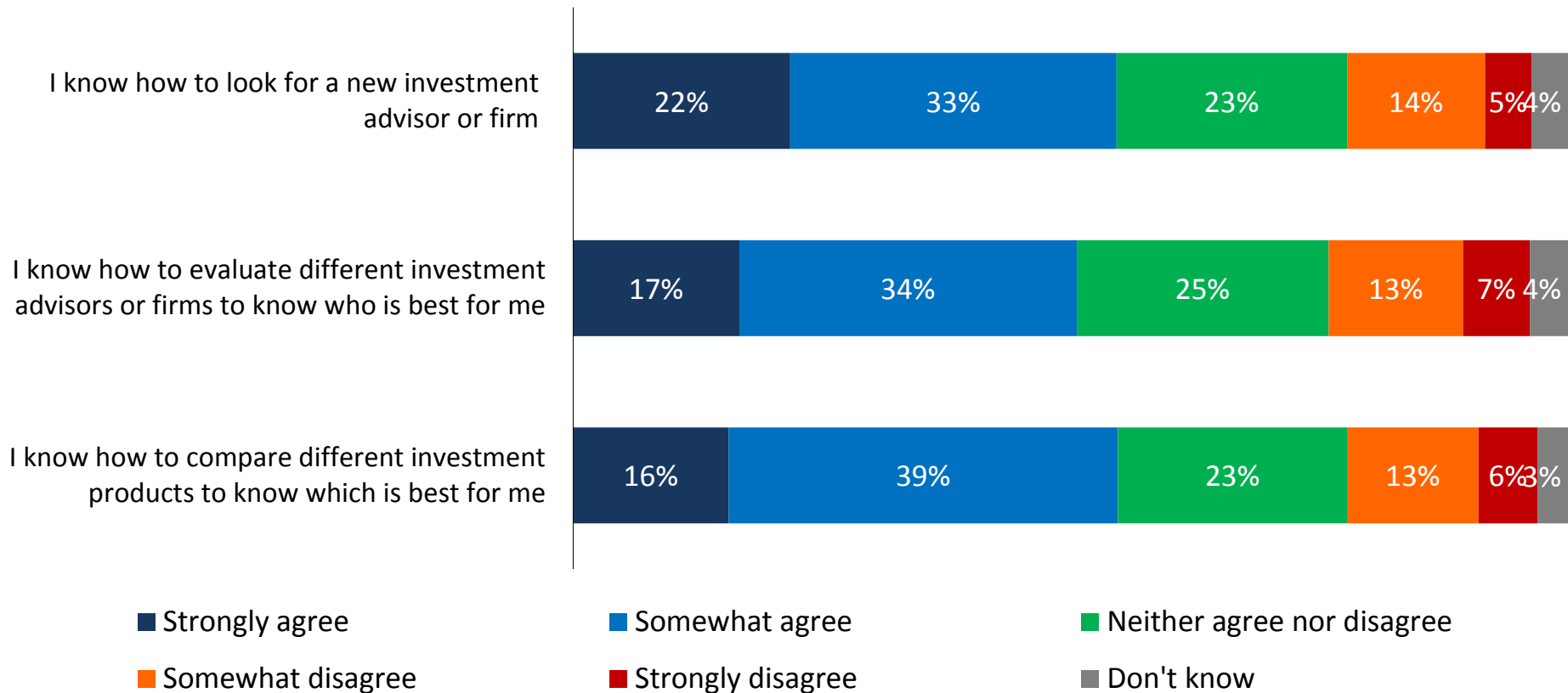


# Market Competence: A majority agree they know how to look for a new firm, evaluate firms, and compare products

Q

Do you agree or disagree with the following statements?

[asked of all respondents, part 4 n=600]

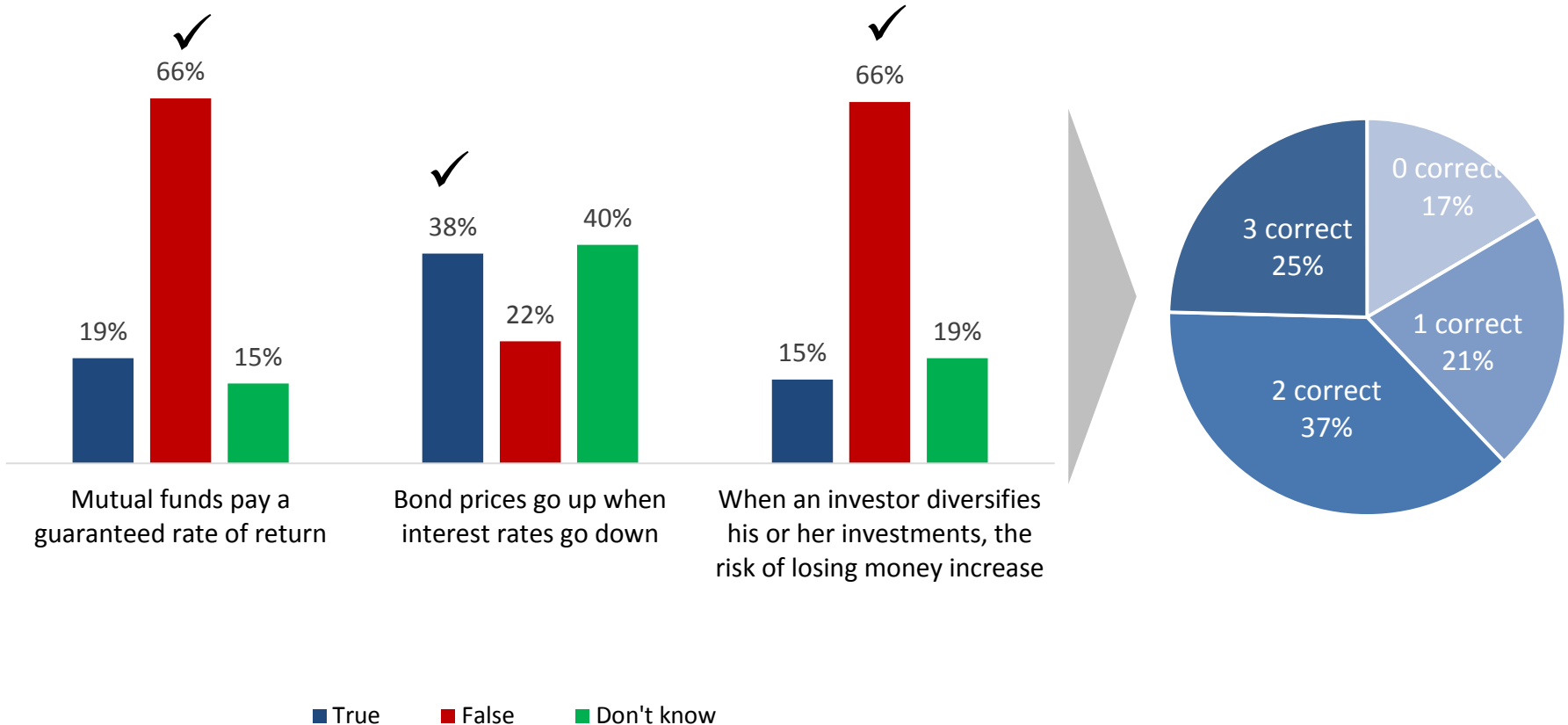


# Investment Knowledge: A majority (62%) answer 2 or 3 correctly, 38% know the answer to one or none of the questions



Are the following statements true or false?

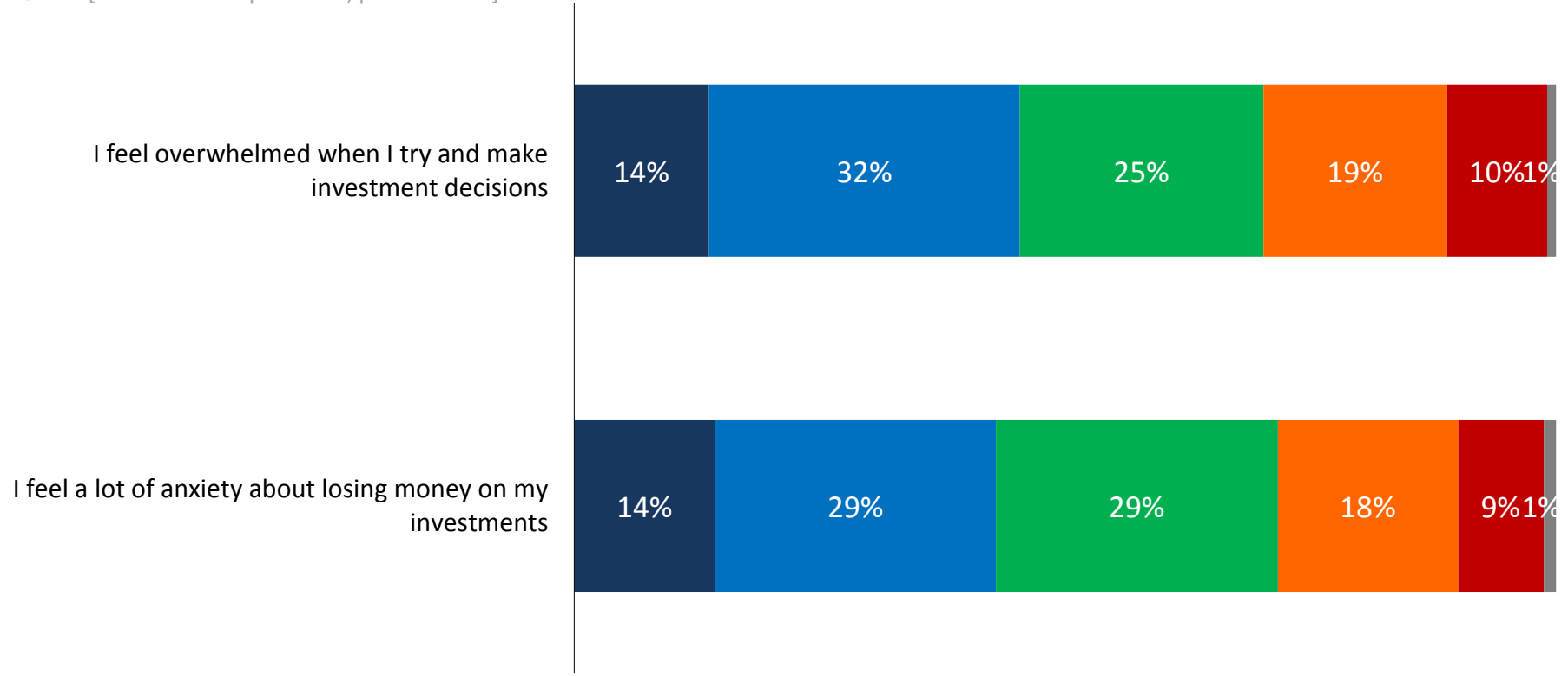
[asked of all respondents, part 4 n=600]



# Investor Anxiety: More than four-in-ten feel overwhelmed by investing (45%), and anxious about losing money (43%)



Do you agree or disagree with the following statements?  
[asked of all respondents, part 4 n=600]



■ Strongly agree

■ Somewhat agree

■ Neither agree nor disagree

■ Somewhat disagree

■ Strongly disagree

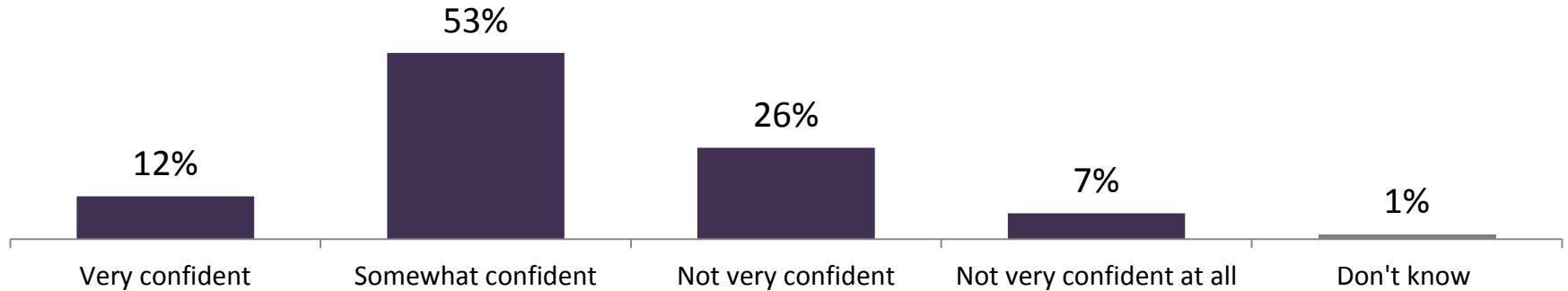
■ Don't know



# Investor Interest & Self-Reliance: A majority (65%) are confident, but far fewer enjoy doing research (36%)

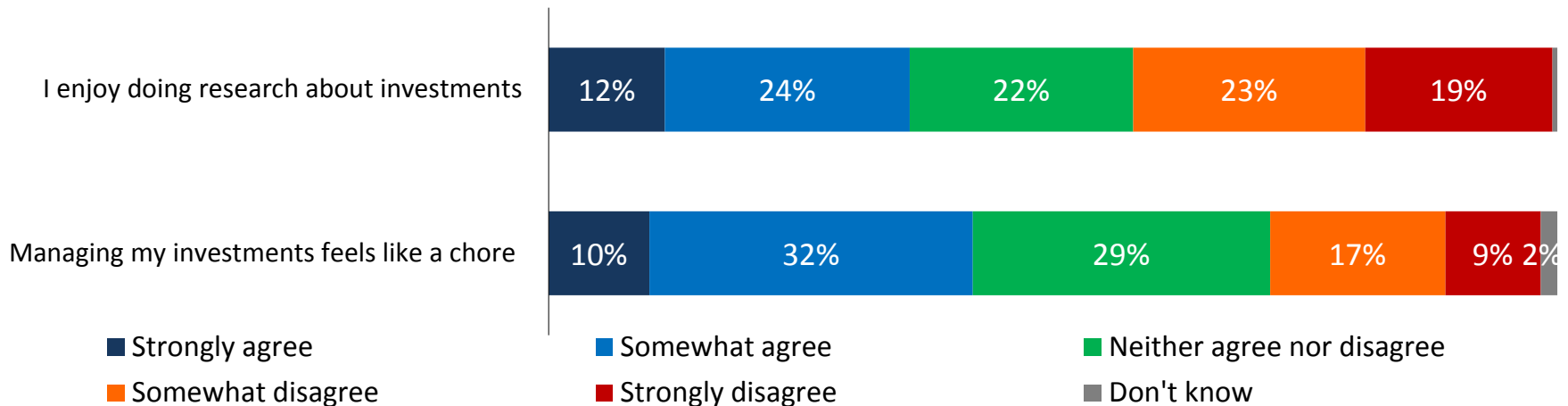


How confident are you when it comes to making investment decisions? [asked of all respondents, part 4 n=600]



Do you agree or disagree with the following statements?

[asked of all respondents, part 4 n=600]



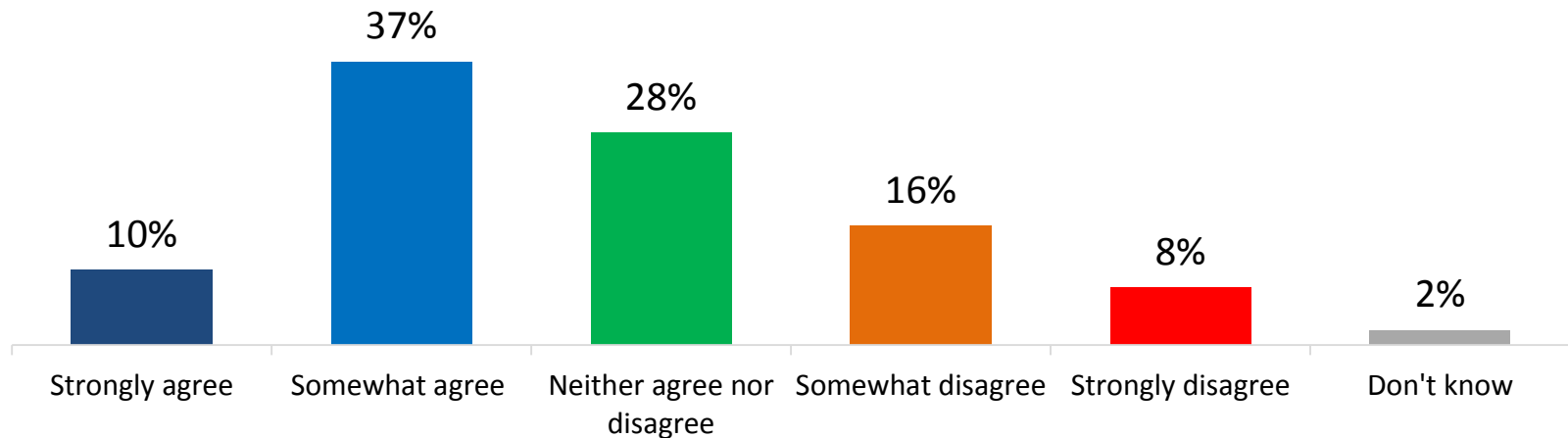


# Performance Motivated: Nearly half (47%) say fees don't matter if performance meets expectation

Q

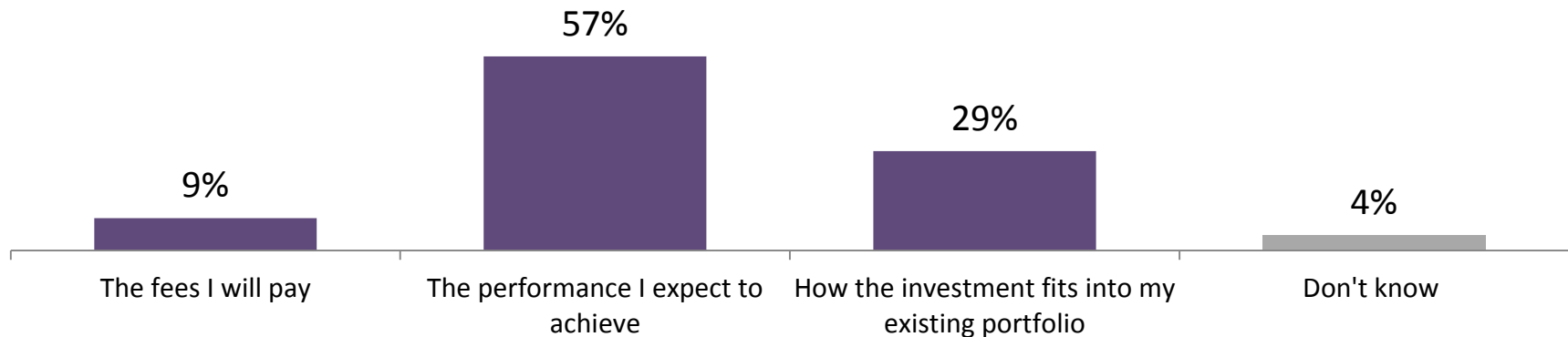
Do you agree or disagree with the following statements? If my investment performance meets my expectations then the fees I pay don't really matter.

[asked of all respondents, part 4 n=600]



Q

From the following, please indicate which is the **most** important consideration for you when making an investment decision? [asked of all respondents, part 4 n=600]

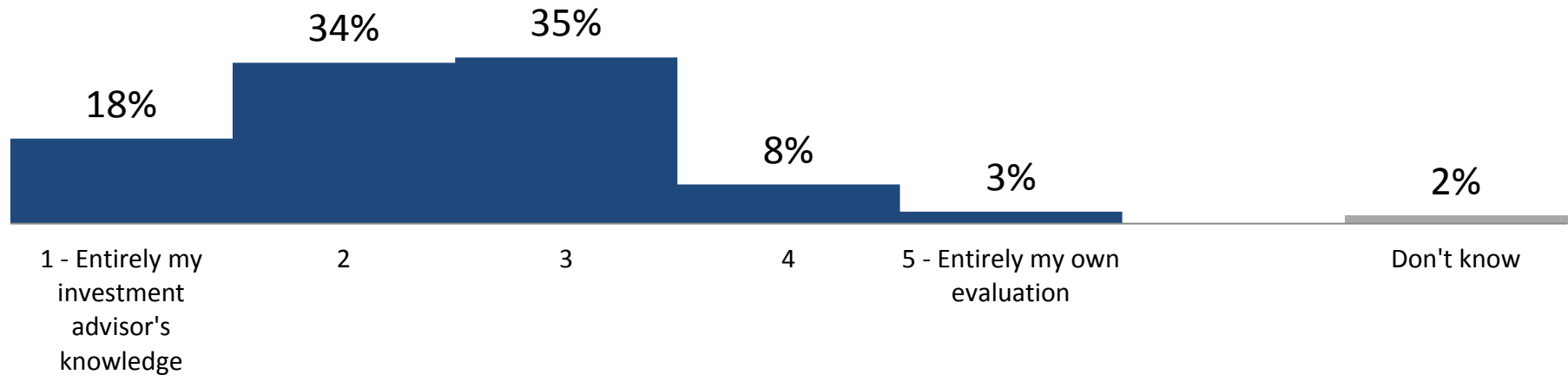


# Investor Disengagement: A majority (52%) rely mostly or entirely on their advisor's knowledge

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?

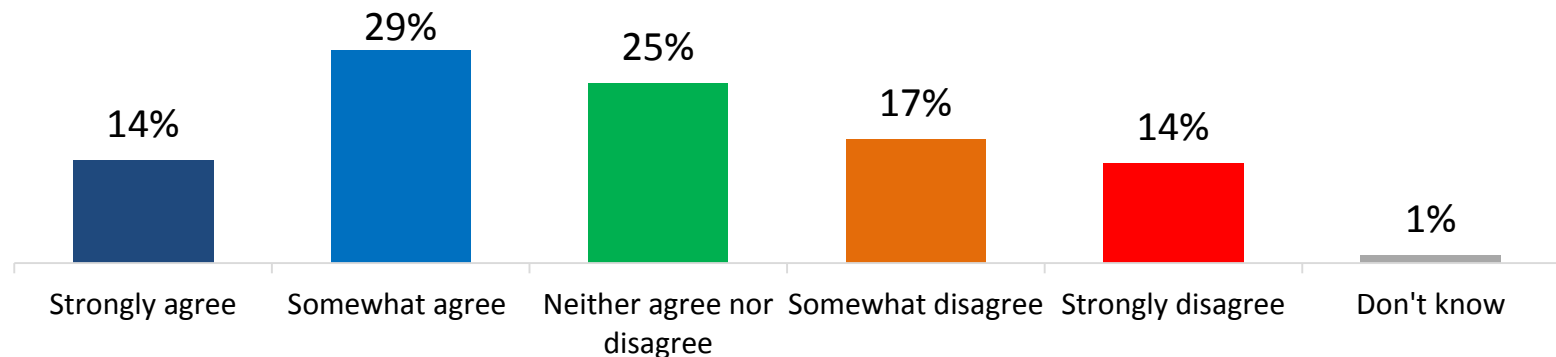
[asked of all respondents, part 4 n=600]



Q

I have an investment advisor so that I don't have to worry about understanding my investments.

[asked of all respondents, part 4 n=600]

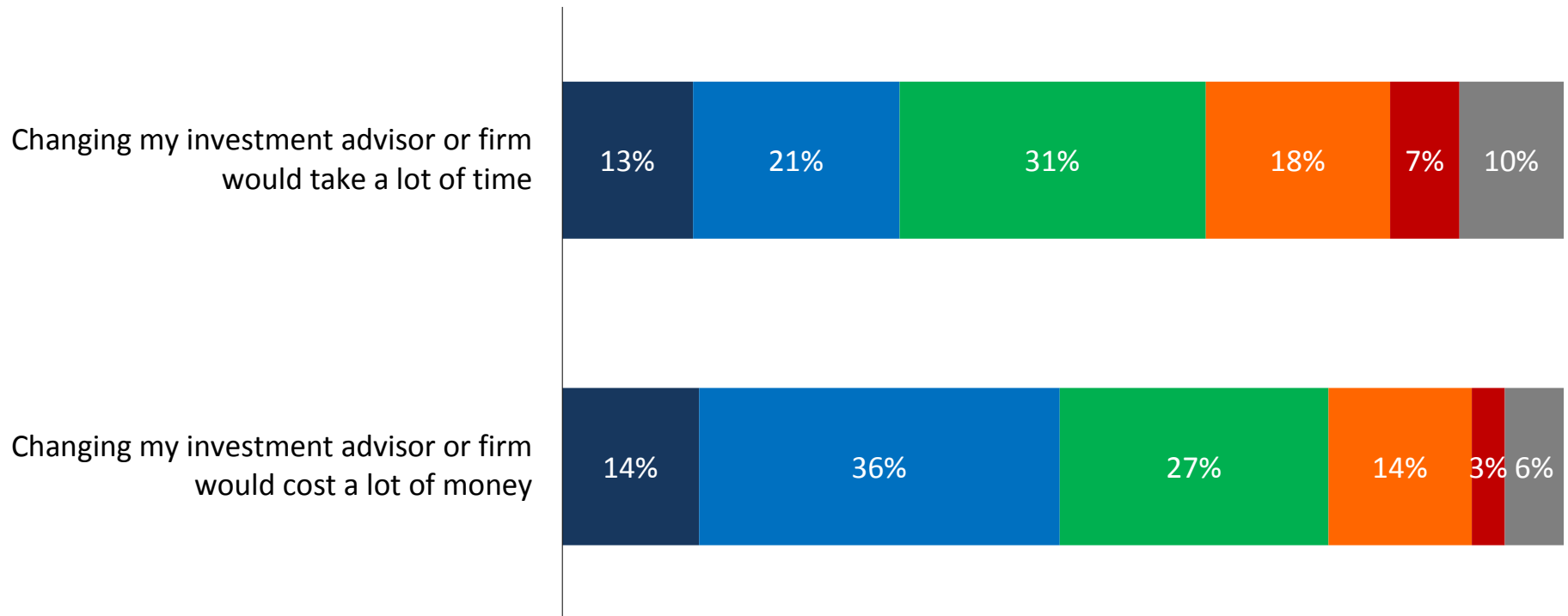


# Perceived Barriers to Change: Half (50%) of investors think changing their advisor or firm would cost a lot of money <sup>75</sup>



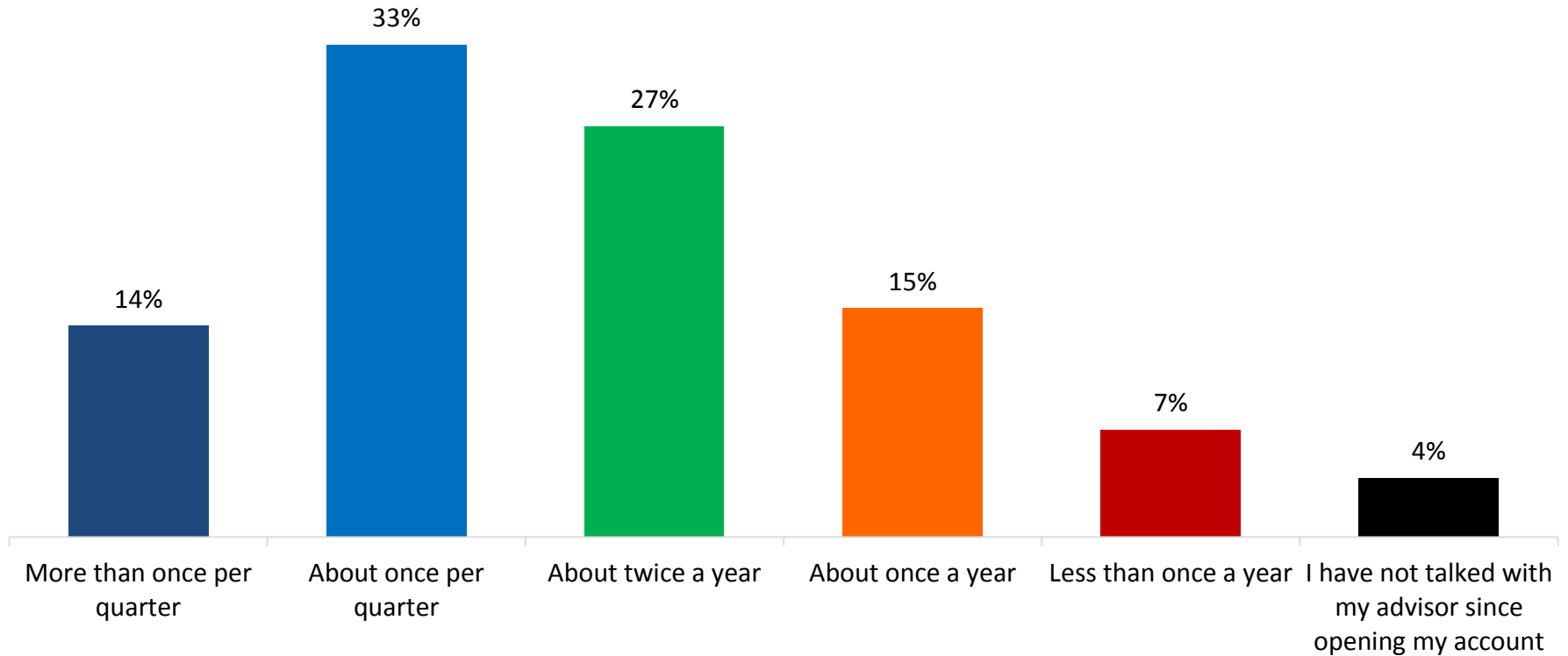
Do you agree or disagree with the following statements?

[asked of all respondents, part 4 n=600]



# Precursor Behaviour - Advisor Communication: 47% of investors talk to their advisor four times a year or more

Q How often do you communicate with your investment advisor about your investments?  
[asked of all respondents, part 4 n=600]

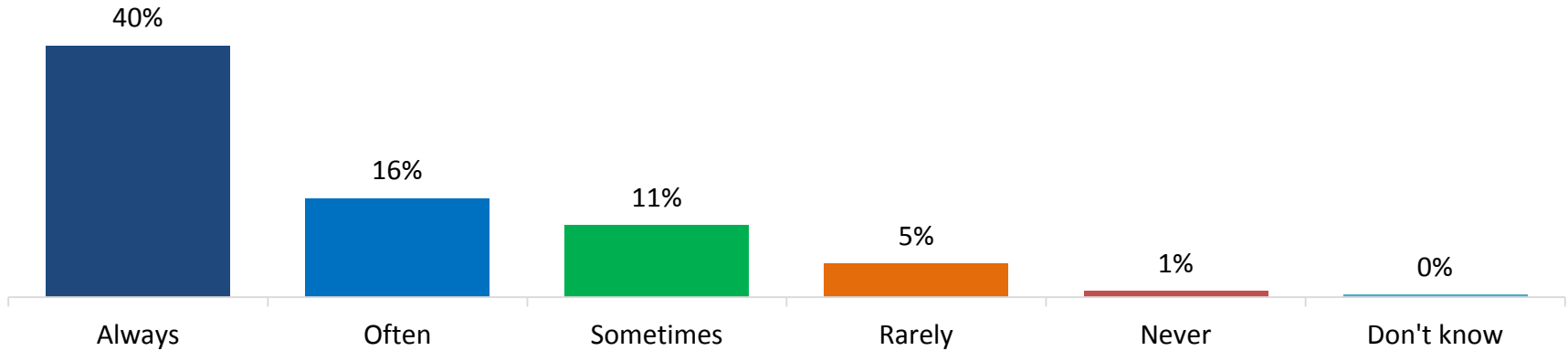


# Precursor Behaviour - Statements: Most investors always read their statements, and most read all or most of them

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.

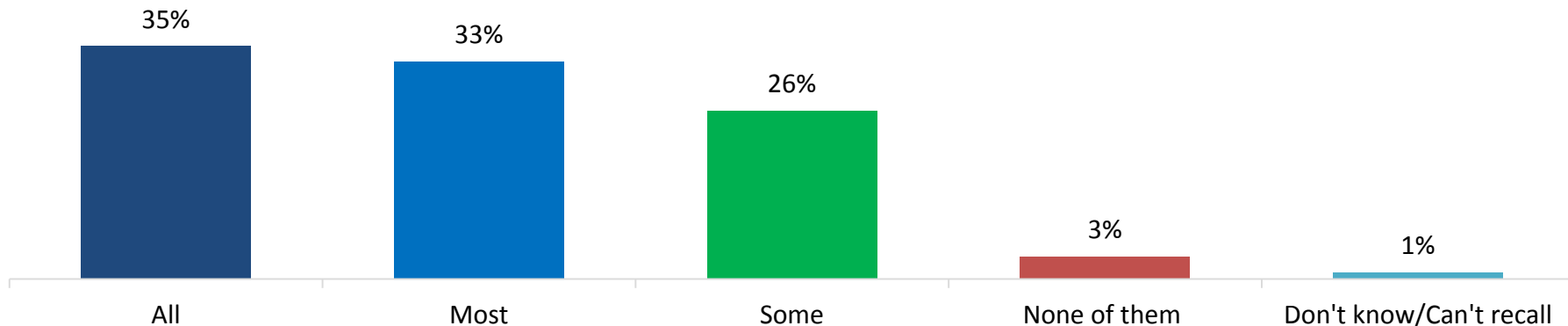
[asked of all respondents, part 4 n=600]



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 4 n=592]



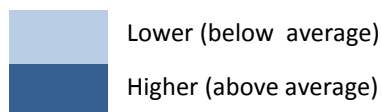
# Factor Analysis

*This section provides the factor analysis used to combine the large set of pre-cursor questions on personality, knowledge, attitudes, and behaviours into a smaller set of specific measures of the underlying drivers and enablers at play.*

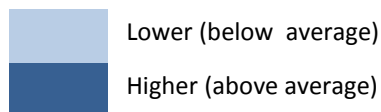
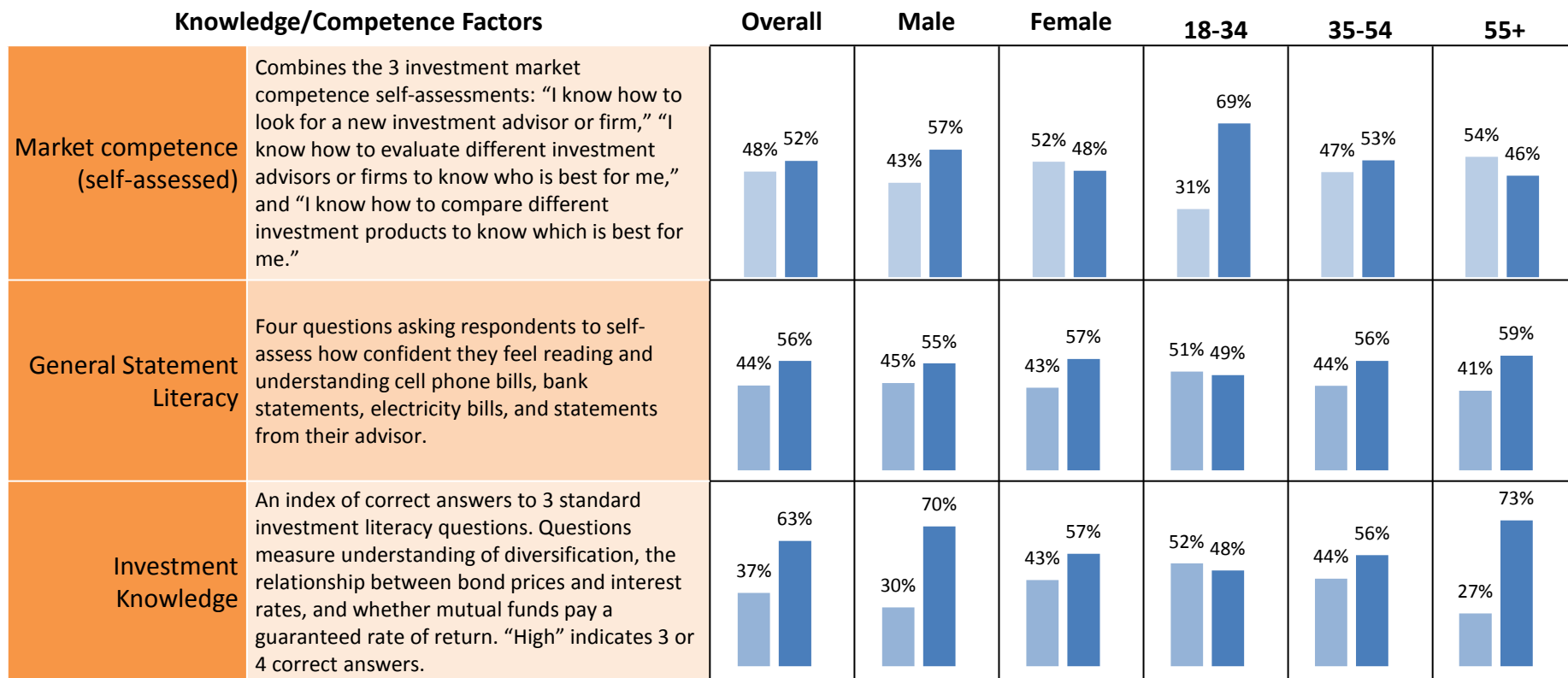
# Factor Analysis: Personality Traits

In many cases we wrote questions with the intention of combining them together to measure a single idea. For example the two questions measuring conscientiousness or the three that measure self-assessed market competence. In these cases the factor analysis is used to confirm that the measures do indeed combine with each other in practice. In other cases we were not sure going in how certain attitudes might combine together and factor analysis helps us to make those decisions.

Personality Factors		Overall	Male	Female	18-34	35-54	55+
Conscientiousness	Combines two items: "I am dependable and self-disciplined" and "I am disorganized and careless" (reversed).	50% 50%	53% 47%	47% 53%	67% 33%	52% 48%	42% 58%
Emotional Stability	Combines two items: "I am anxious, easily upset" (reversed) and "I am calm, emotionally stable."	50% 50%	48% 52%	52% 48%	65% 35%	58% 42%	42% 58%
Procrastination	Combines two items: "I would rather get something done now than put it off in the future" (reversed) and "I often procrastinate."	54% 46%	53% 47%	55% 45%	48% 52%	50% 50%	58% 42%
Conflict Avoidance	Combines two items: Whether someone is comfortable with awkward conversations (reversed) and "I tend to avoid conflict."	54% 46%	56% 44%	52% 48%	63% 37%	51% 49%	53% 47%
Cognitive Engagement	Combines two items: "Thinking is not my idea of fun" (reversed) and "The notion of thinking abstractly is appealing to me."	57% 43%	54% 46%	59% 41%	63% 37%	60% 40%	52% 48%
Numeracy	Combines two items: "I am just not a math person" (reversed) and "I enjoy number puzzles."	60% 40%	54% 46%	65% 35%	60% 40%	63% 37%	58% 42%

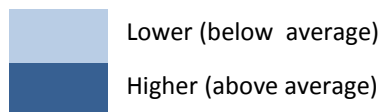
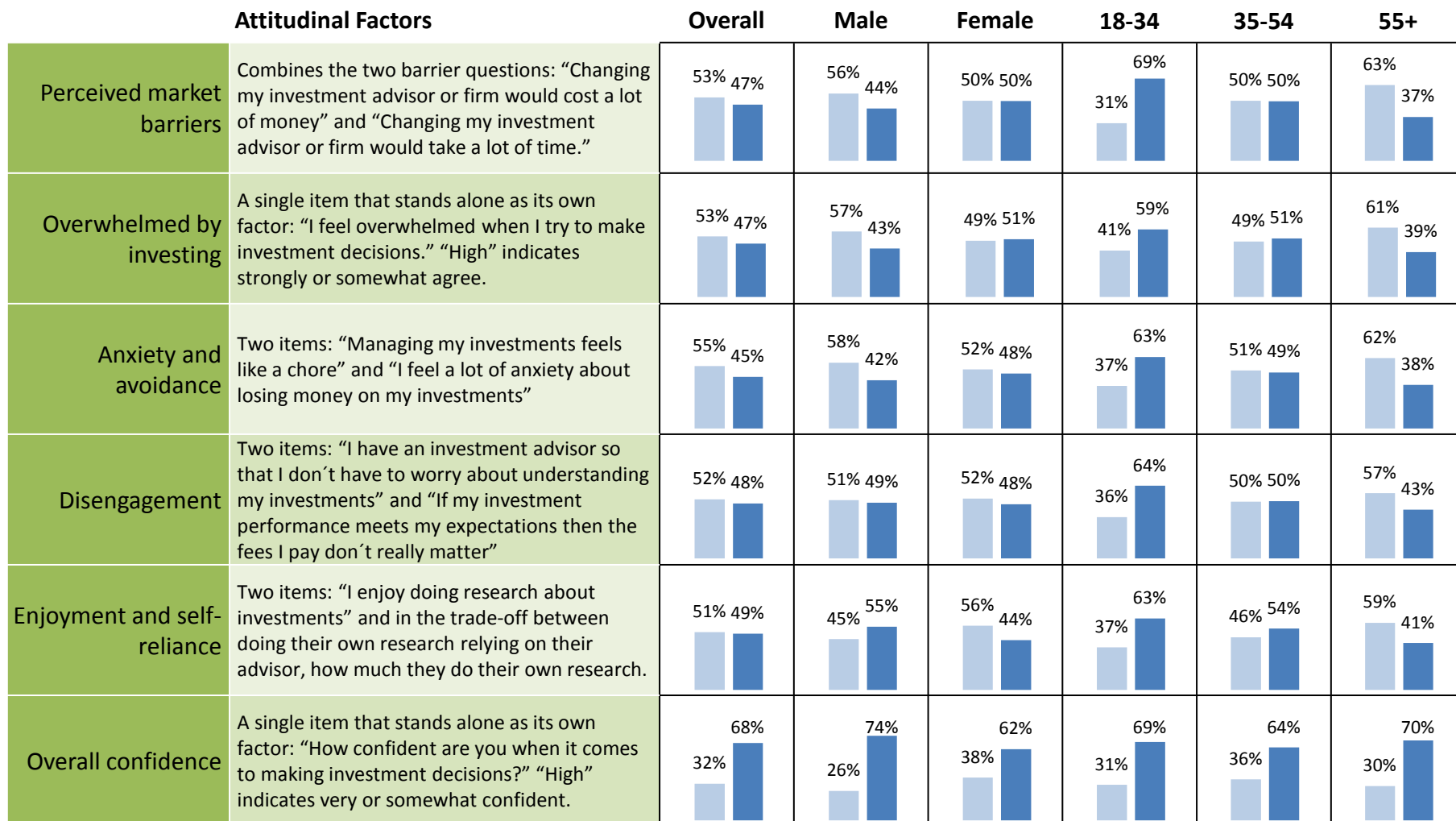


# Factor Analysis: Investment knowledge and competence





# Factor Analysis: Investment-specific attitudes



# Changes to Knowledge

*This section details the dynamics of individual level changes in specific fee knowledge and fee understanding between Part 1 and Part 4. We compare those who recall receiving a CRM2 report in at least one year to those who do not, and consider a break down of those who recall a report by the barriers and enablers to change.*

# Changes to Knowledge

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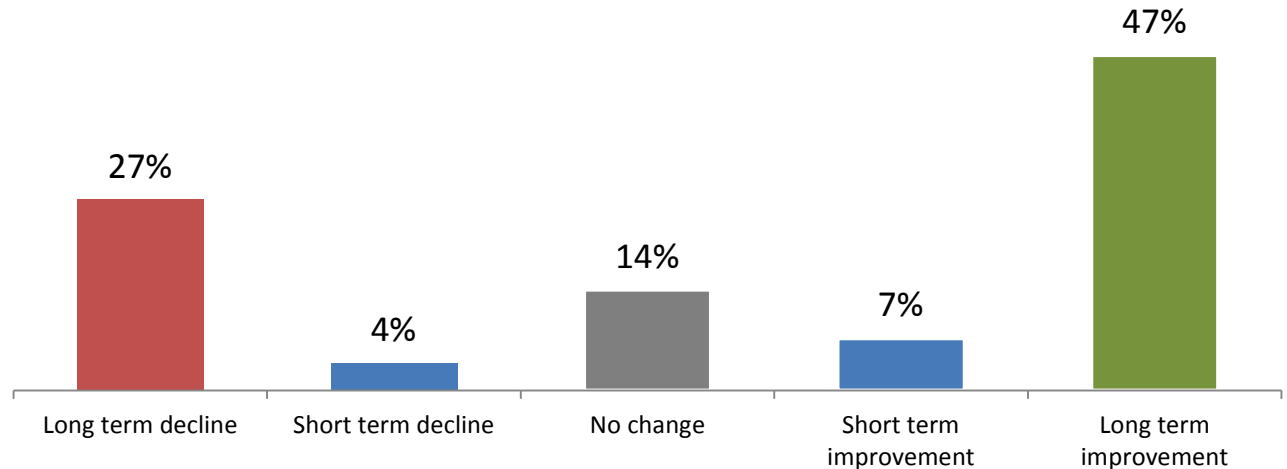
- This section shows panel analysis of changes in knowledge among participants who completed Parts 1, either of 2 or 3, and 4. Because this uses the panel data, this section shows the actual changes from part to part in the knowledge of each investor who participated.
- Long term improvements in specific fee knowledge and general fee understanding were both concentrated strongly among those who recall receiving CRM2 reports. It was then further concentrated among less confident/knowledgeable respondents who recall receiving their report (i.e. those with the most room to improve).
- Long term improvements in only specific fee knowledge were most common among older investors, as well as investors outside of the Lower Mainland and Vancouver Island. Long term improvements to general fee understanding were more concentrated in investors with larger portfolios as well as older investors.
- Low levels of numeracy, low levels of cognitive engagement, and higher levels of investor disengagement were most closely related to both increased specific fee knowledge as well as general fee understanding.

# Changes to Specific Fee Knowledge: Nearly half of investors saw a long term improvement to their specific fee 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... <ul style="list-style-type: none"> <li>Total amount of fees I paid to my advisor to make transactions on and administer my investment account in the last 12 months.</li> <li>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.</li> </ul>				
Knowledge Decline	No Overall Change			Knowledge Increase	
<b>Long term decline:</b> Knowledge declined 2016 to 2017, decline was sustained or worsened in 2018.	<b>Short term decline:</b> Knowledge declined 2016 to 2017, but decline was reversed in 2018.	<b>No change:</b> No improvements or declines in knowledge since 2016	<b>Short term improvement:</b> Knowledge improved in 2017, but gains were not sustained to 2018.	<b>Long term improvement:</b> Knowledge improved 2016 to 2017, gains were sustained or improved in 2018.	

**Among respondents who participated in Parts 1, 2 and/or 3, and 4:**  
[n=317]

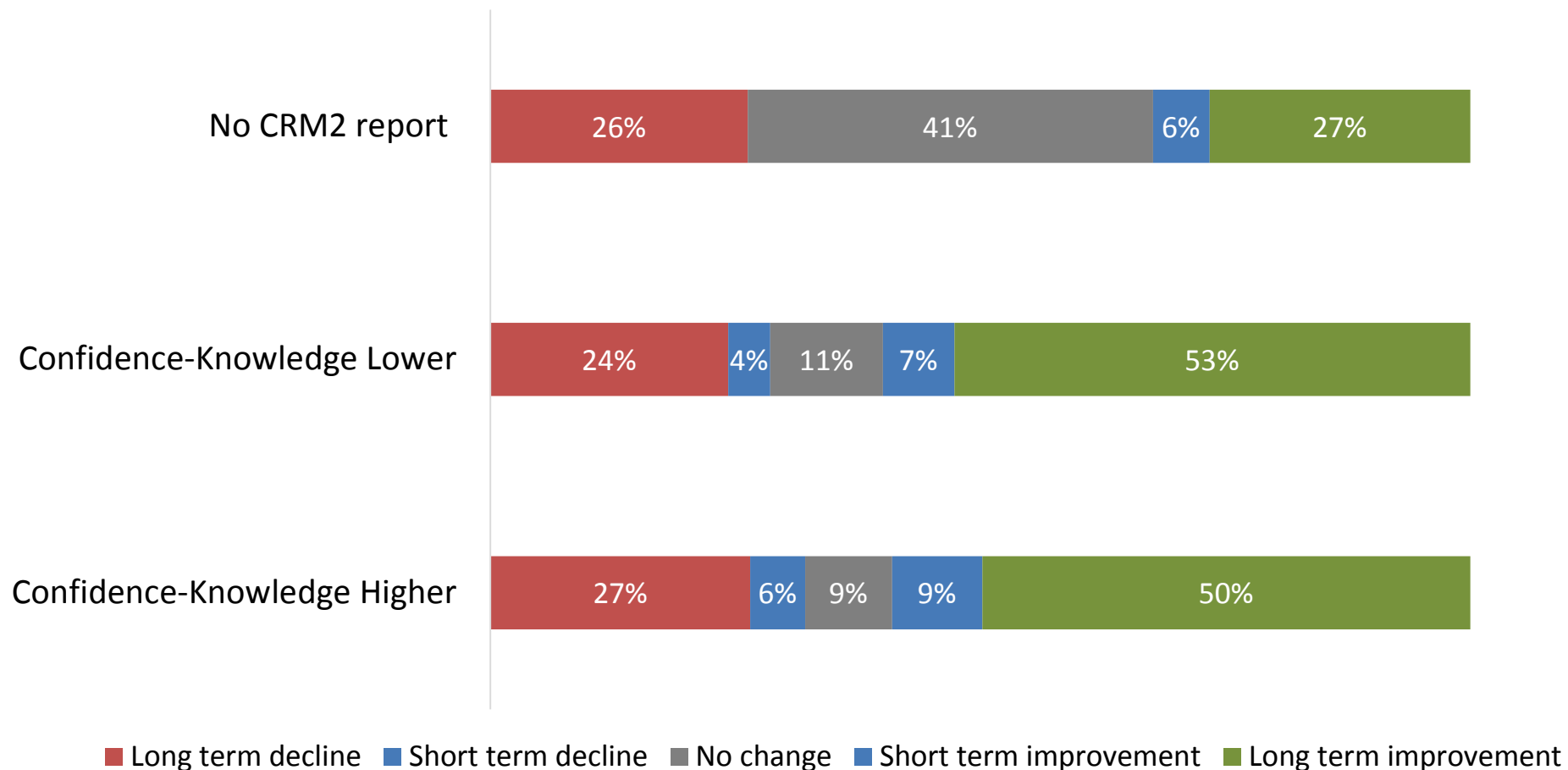


# Changes to Specific Fee Knowledge: Young investors were most likely to see a long term decline in specific fee knowledge

	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
Long term decline	27%	25%	30%	28%	26%	36%	21%	28%	23%	35%	25%	22%	28%
Short term decline	4%	5%	3%	2%	6%	1%	4%	4%	0%	5%	4%	0%	8%
No change	14%	21%	6%	16%	13%	21%	15%	11%	18%	17%	14%	9%	8%
Short term improvement	9%	5%	5%	6%	9%	3%	8%	8%	4%	6%	8%	13%	9%
Long term improvement	47%	44%	56%	49%	46%	39%	51%	48%	55%	37%	48%	56%	47%

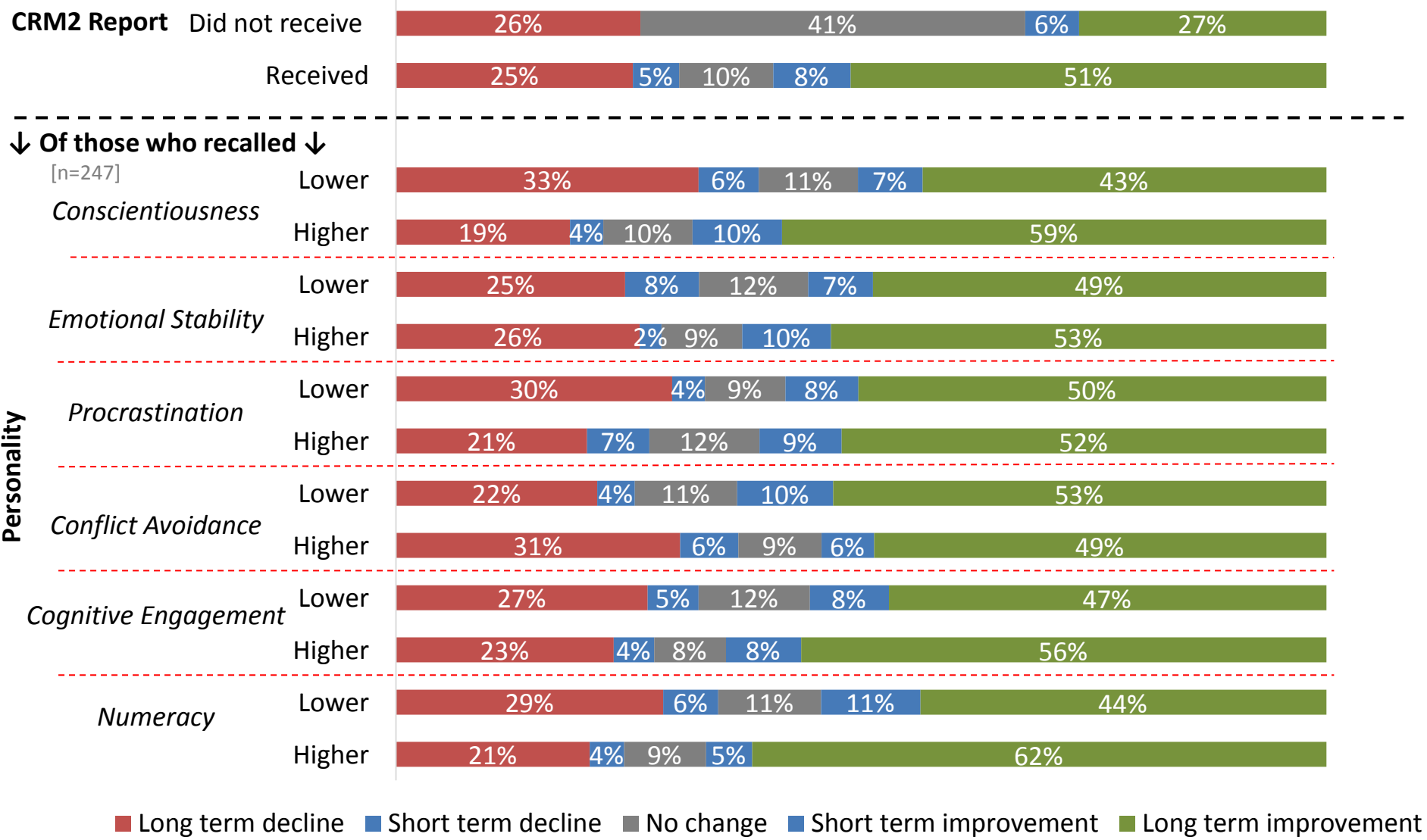
# Report Receipt Analysis: Those with lower confidence-knowledge only slightly more likely to see improvement

[among respondents who participated in Parts 1, 2 and/or 3, and 4, n=317]



# Specific Fee Knowledge: Investors who are conscientious, cognitively engaged, or good with numbers saw improvements

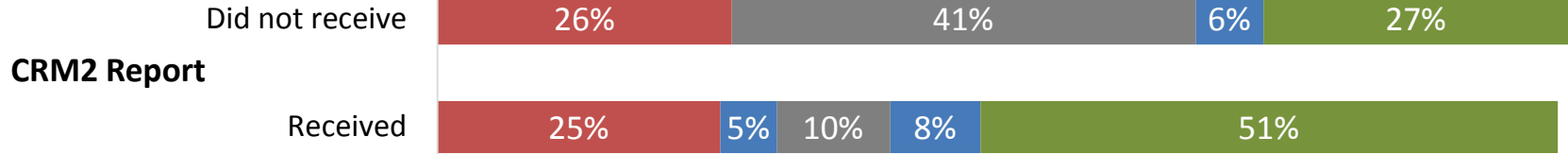
[among respondents who participated in Parts 1, 2 and/or 3, and 4, n=317]



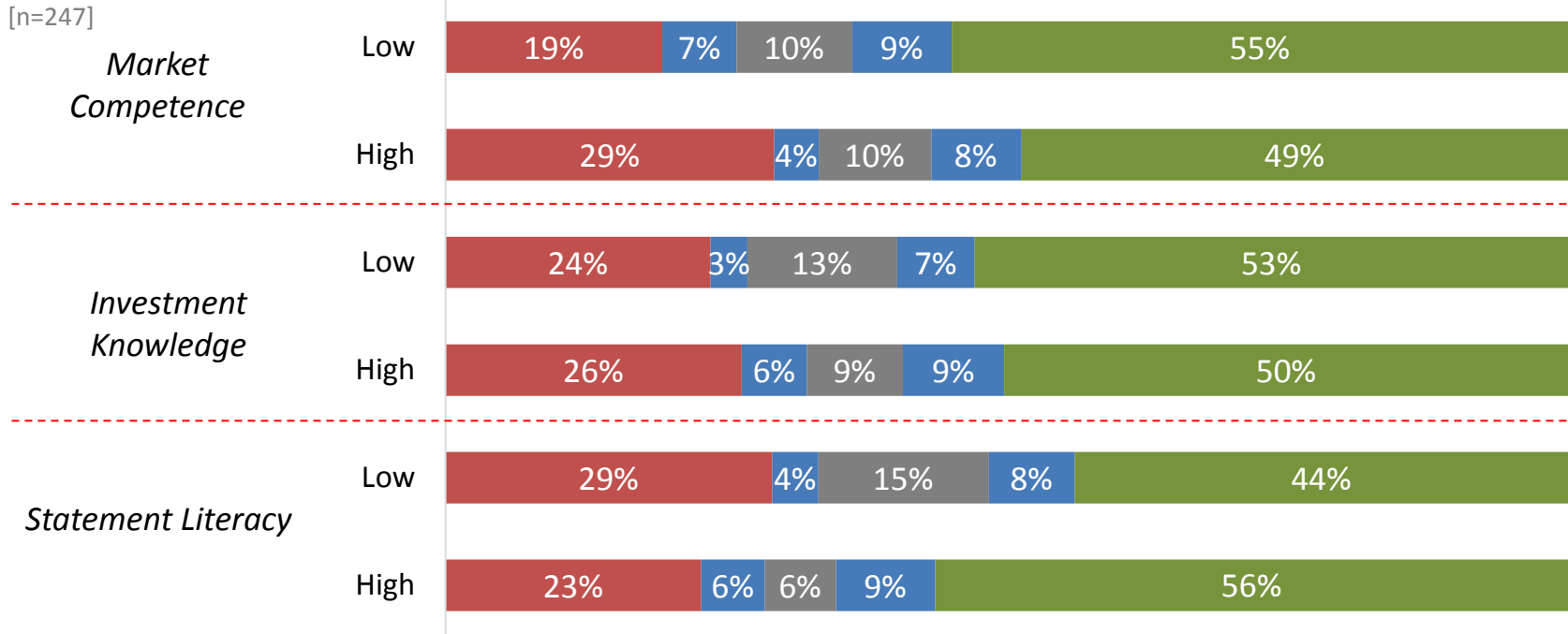
■ Long term decline 
 ■ Short term decline 
 ■ No change 
 ■ Short term improvement 
 ■ Long term improvement

# Specific Fee Knowledge: A majority (55%) of those with lower market competence saw long term improvements

[among respondents who participated in Parts 1, 2 and/or 3, and 4, n=317]



↓ Of those who received ↓

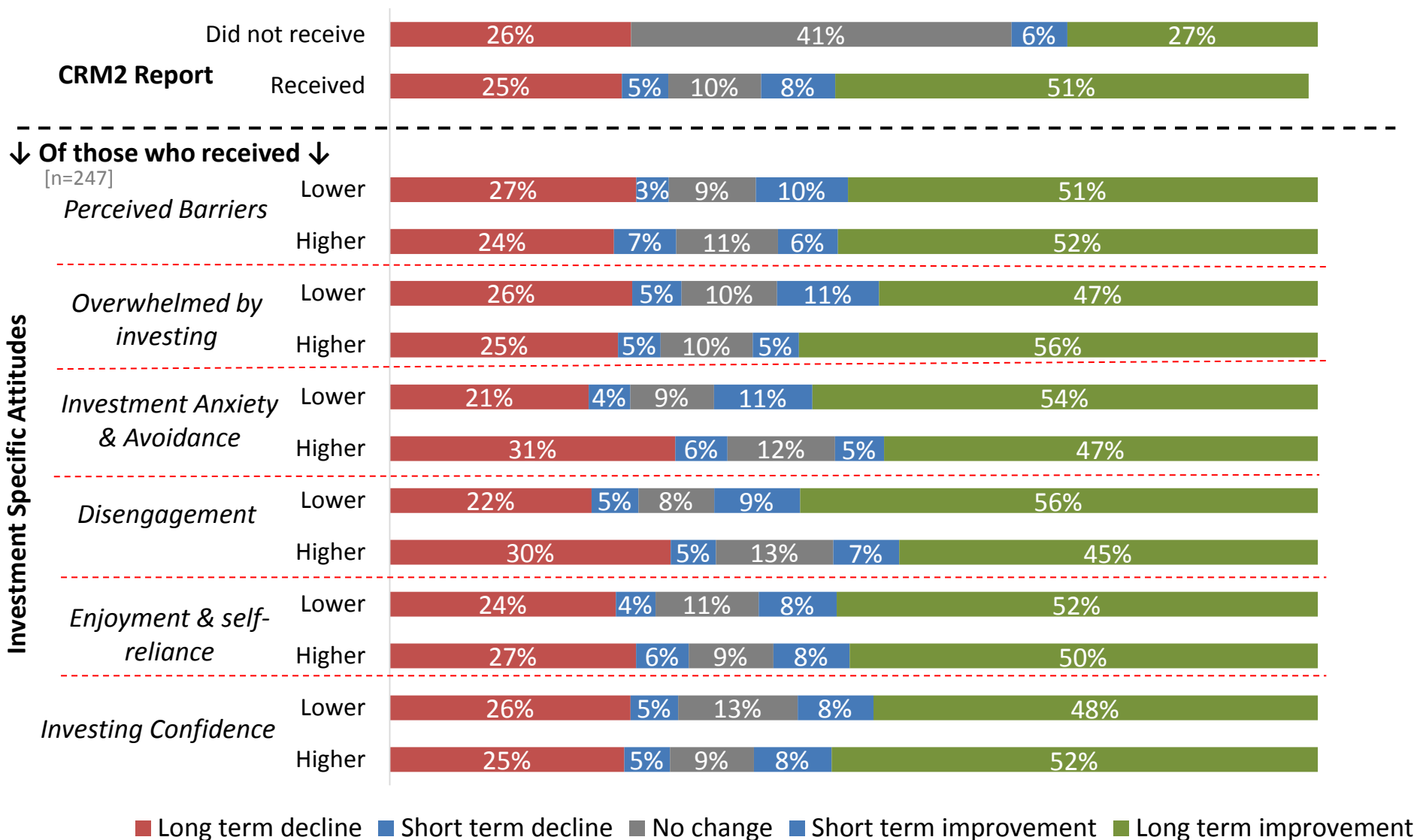


■ Long term decline ■ Short term decline ■ No change ■ Short term improvement ■ Long term improvement



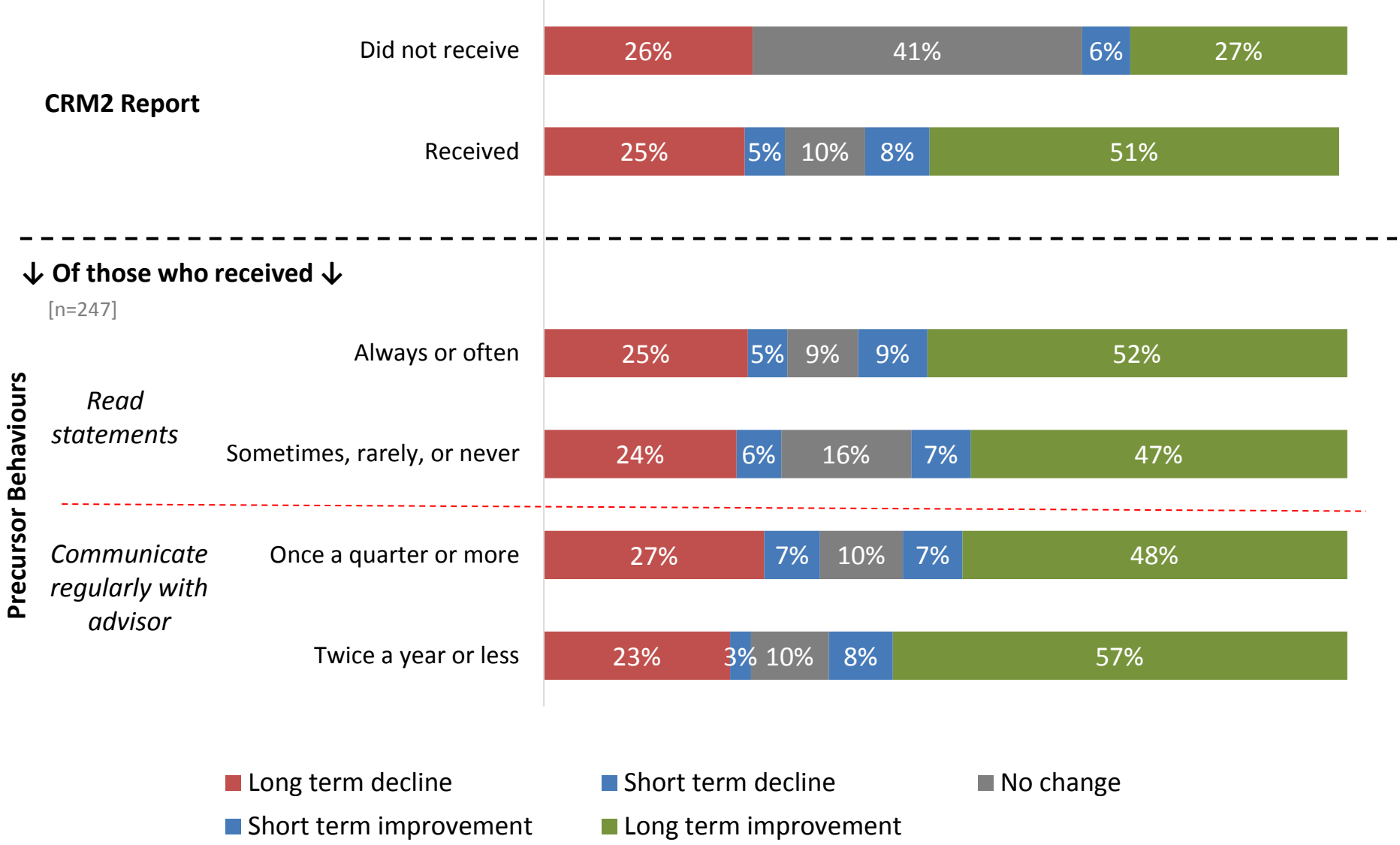
# Specific Fee Knowledge: Fewer disengaged investors saw long term improvement (47%)

[among respondents who participated in Parts 1, 2 and/or 3, and 4, n=317]



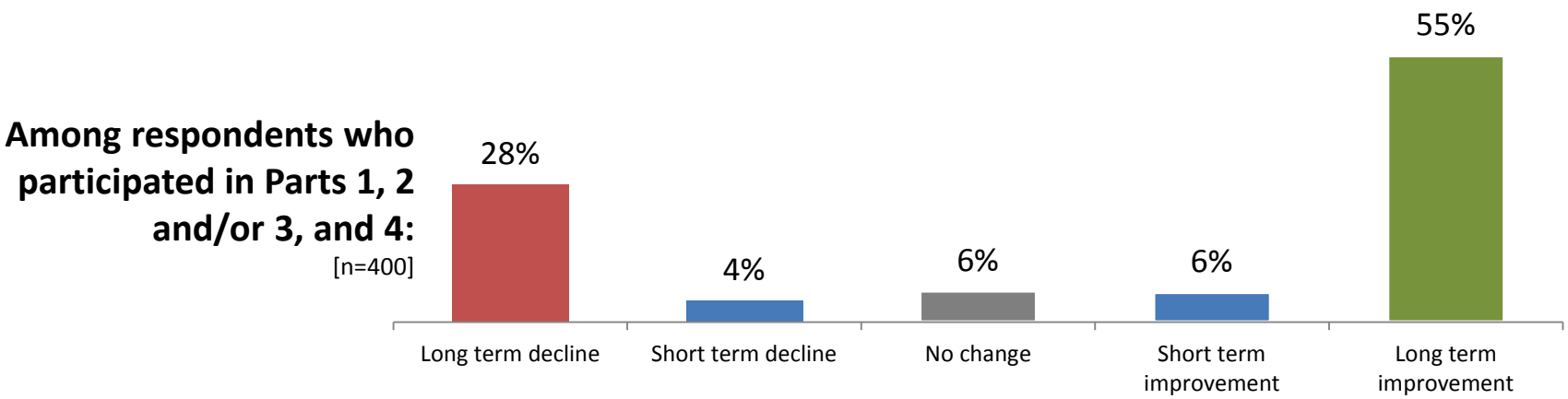
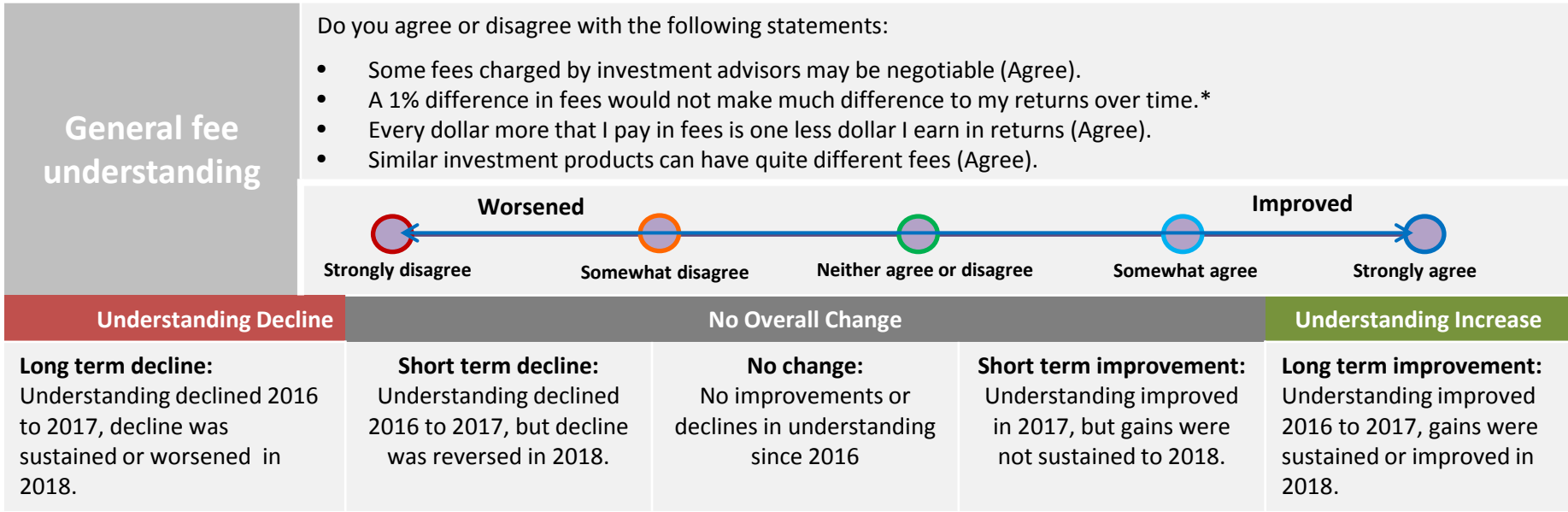
# Specific Fee Knowledge: Reading statements, more frequent communication associated with long term improvement<sup>90</sup>

[among respondents who participated in Parts 1 , 2 and/or 3, and 4, n=317]



# Changes to General Fee Understanding: More than half of investors saw a long term improvement in their understanding

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



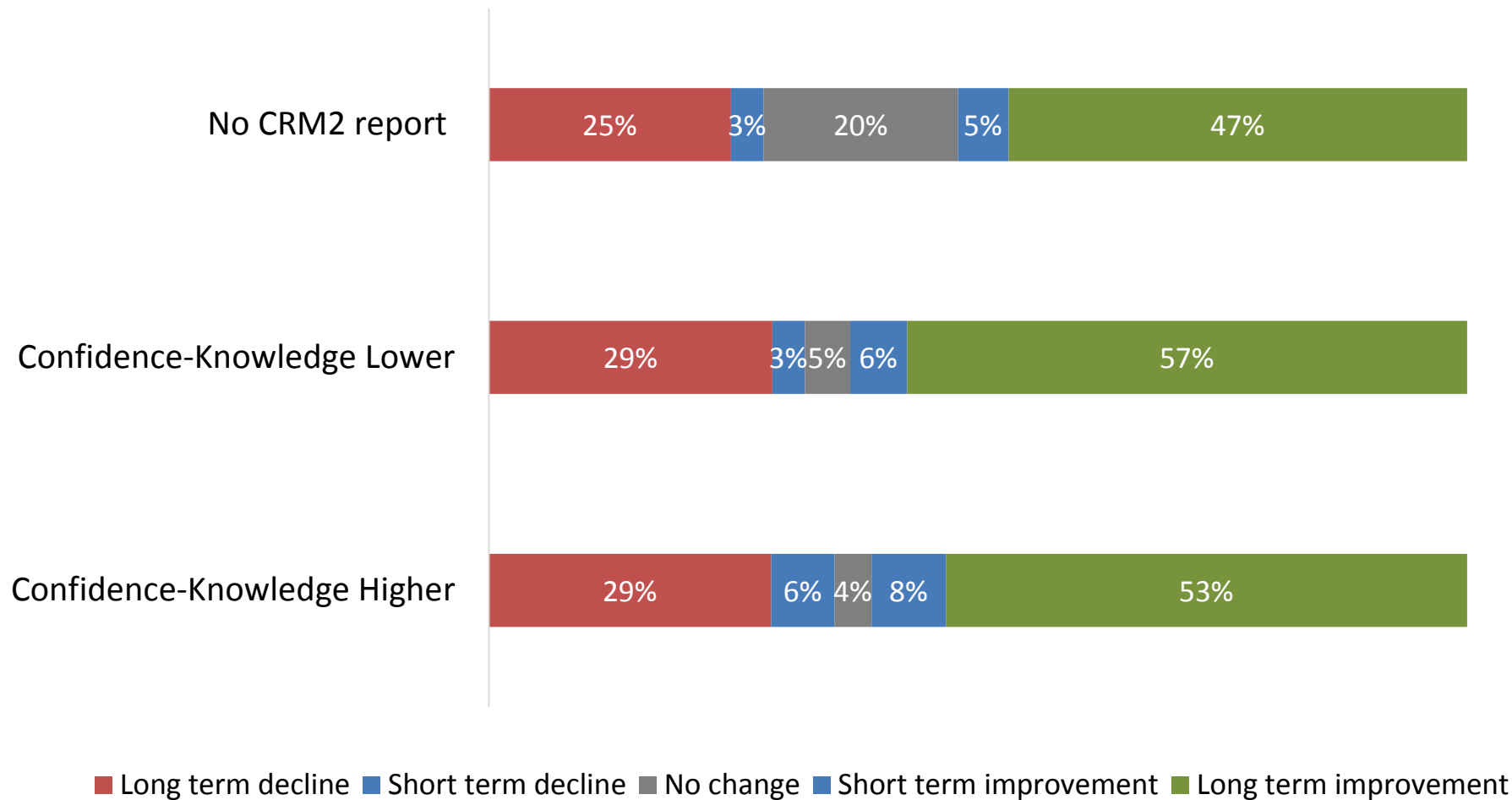
\*Increase in disagree indicates increase in understanding.

# General Fee Understanding: Notable improvement at all portfolio sizes; improvement higher among older 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
Long term decline	27%	27%	33%	26%	31%	35%	28%	27%	27%	34%	18%	35%	21%
Short term decline	5%	5%	3%	5%	4%	2%	6%	4%	3%	2%	6%	4%	5%
No change	7%	5%	6%	8%	5%	13%	8%	4%	7%	9%	4%	7%	0%
Short term improvement	5%	9%	7%	6%	7%	2%	7%	7%	6%	2%	8%	5%	11%
Long term improvement	56%	55%	51%	55%	54%	49%	52%	58%	57%	53%	64%	49%	64%

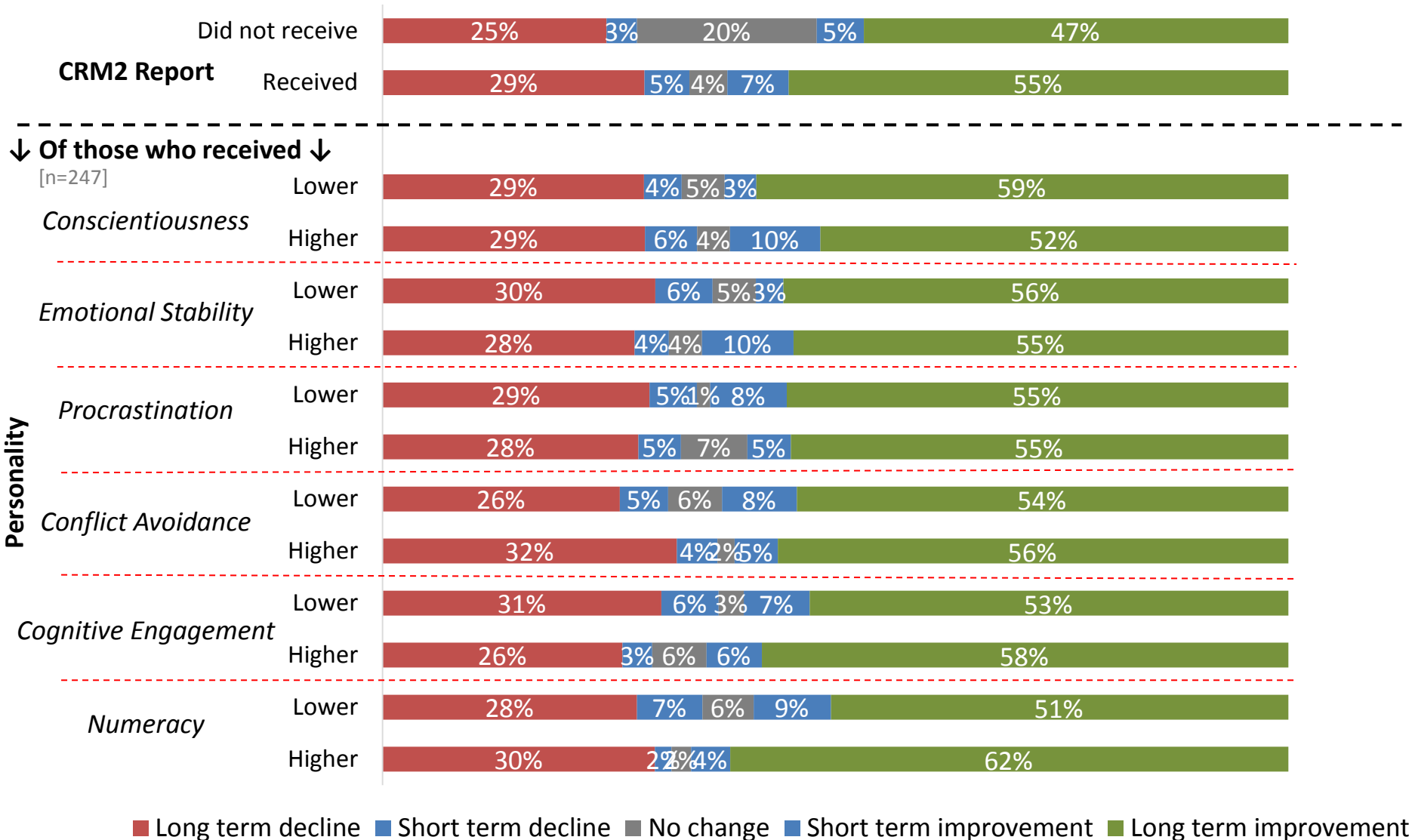
# Report Receipt Analysis: Change more likely among those who received report; few differences on Lower vs. Higher

[among respondents who participated in Parts 1, 2 and/or 3, and 4, n=317]



# General Fee Understanding: Long term improvement higher among those with higher numeracy

[among respondents who participated in Parts 1, 2 and/or 3, and 4, n=400]



# General Fee Understanding: 60% of those with lower market competence saw long-term improvements

[among respondents who participated in Parts 1, 2 and/or 3, and 4, n=400]

## CRM2 Report

Did not receive



Received



## ↓ Of those who received ↓

[n=247]

### Market Competence

Lower



Higher



Knowledge & Competence

### Investment Knowledge

Lower



Higher



### Statement Literacy

Lower



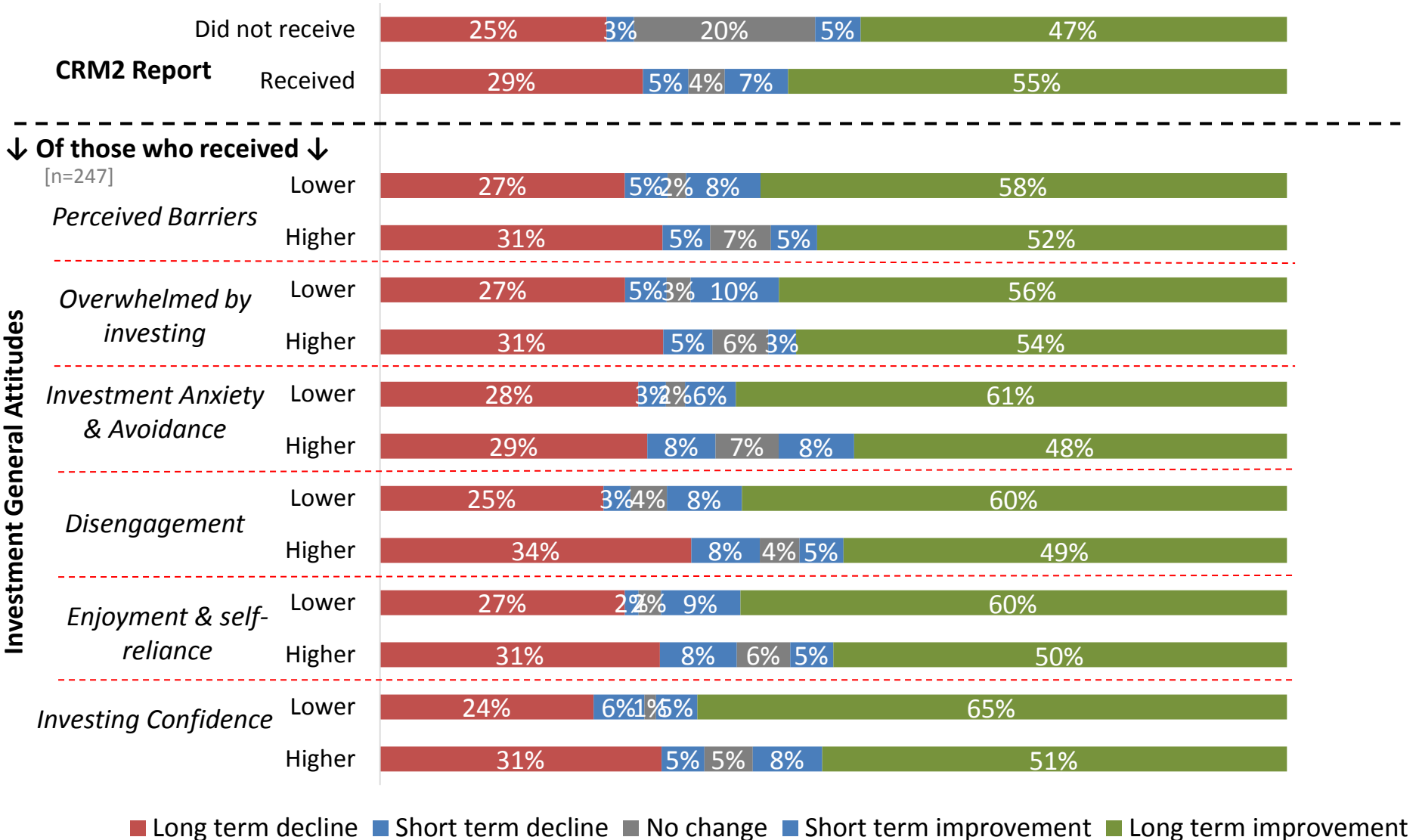
Higher



■ Long term decline ■ Short term decline ■ No change ■ Short term improvement ■ Long term improvement

# General Fee Understanding: 65% of investors with lower investment confidence had long-term improvements

[among respondents who participated in Parts 1, 2 and/or 3, and 4, n=400]

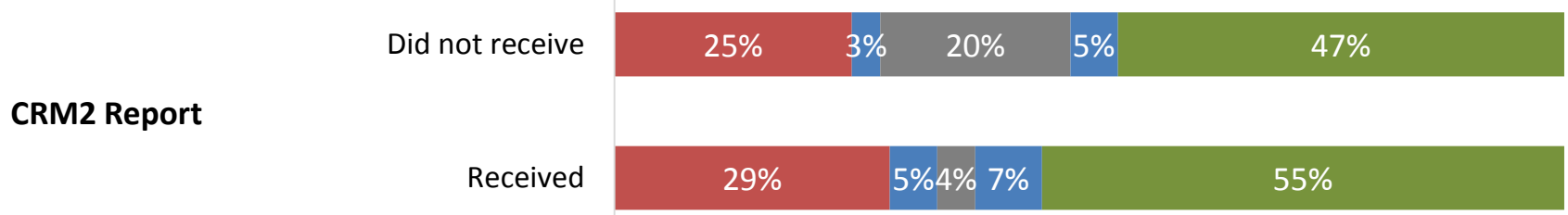


■ Long term decline 
 ■ Short term decline 
 ■ No change 
 ■ Short term improvement 
 ■ Long term improvement



# General Fee Understanding: Largest long term improvement<sup>97</sup> among those who read statements, communicate less often

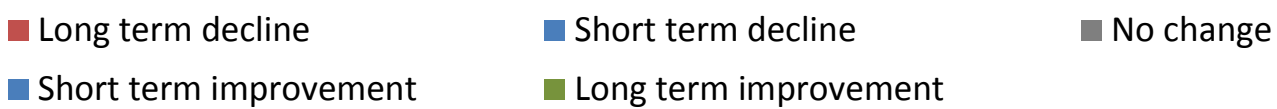
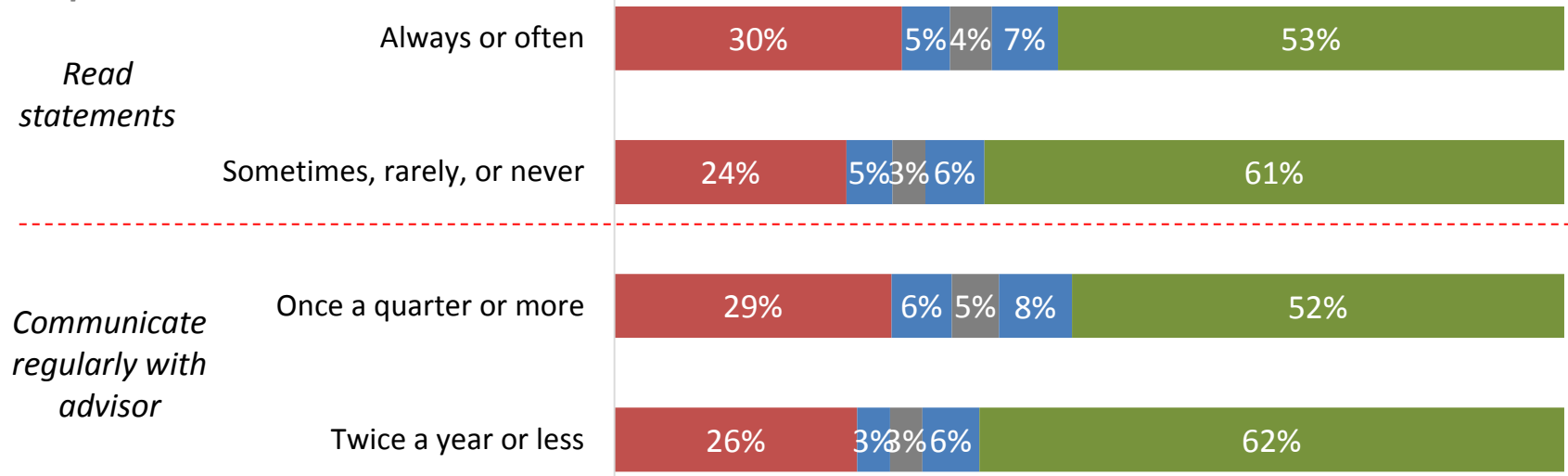
[among respondents who participated in Parts 1, 2 and/or 3, and 4, n=400]



↓ Of those who received ↓

[n=247]

Precursor Behaviours



# Changes to Patterns of Behaviour

*This section shows how actual behaviours changed from Part 1 to Part 4. We look at new actions, and explore who is and is not taking new actions since the CRM2 reports were distributed.*

# Changes to Patterns of Behaviour

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- This section shows panel analysis of changes in behaviour among participants who completed Parts 1, either 2 or 3, and 4. Because this uses panel data, this section shows actual changes in reported behavior over time among each investor who responded.
- About as many respondents reporting taking new action between Part 3 and Part 4 as did between Part 2 and Part 3, for each new discussion or change we asked about. Still, 34% say they have not taken any new action since Part 1.
- Investors who are most confident/knowledgeable and who received a CRM2 report are far more likely to report taking new action than less confident/knowledgeable investors or those who did not recall receiving their CRM2 report.
- Among those who received their report, those with higher levels of market competence, investment competence, or who communicate with their advisors more often were more likely to say they took any new actions. Also among respondents who received their report, those with higher levels of conflict avoidance or investment anxiety were less likely to report taking any new actions.

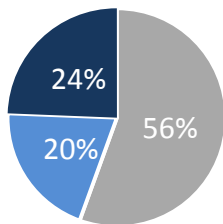
# Determining a New Action Post-CRM2 report

To determine whether advised investors made changes since they first should have received their CRM2 reports, we define 'new action' in the following ways:

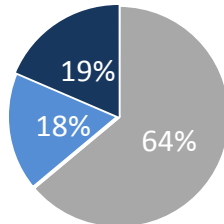
Defining new action			
2017	<ul style="list-style-type: none"> <li>Answered "in the last two months" in either Part 2 or 3 <u>AND</u></li> <li>Indicated that it had been more than two months in the previous surveys</li> </ul>	<u>OR</u>	<ul style="list-style-type: none"> <li>Answered "between two months and a year" in Part 3 <u>AND</u></li> <li>Indicated it had been more than one year ago in their most recent previous survey.</li> </ul>
2018	<ul style="list-style-type: none"> <li>Answered "in the last two months" in Part 4</li> </ul>	<u>OR</u>	<ul style="list-style-type: none"> <li>Answered "between two months and a year" in Part 4 <u>AND</u></li> <li>Indicated it had been more than one year ago in their most recent previous survey.</li> </ul>

Some investors made changes by 2017 (in Part 3), others made changes by 2018 (Part 4). In the following slides, we focus on whether, but not when, advised investors have undertaken any new action since the CRM2 regulations were implemented.

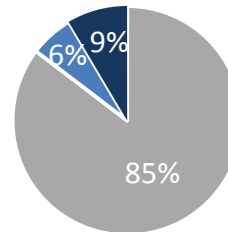
Talk to advisor about performance



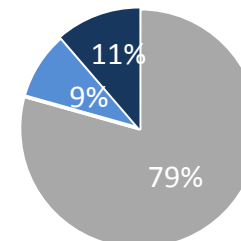
Talk with advisor about fees



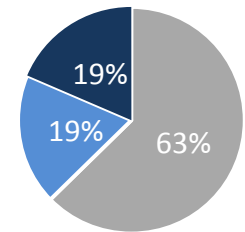
Change advisor or firm



Change fee arrangement



Change products held



■ No new discussion ■ By 2017 ■ By 2018

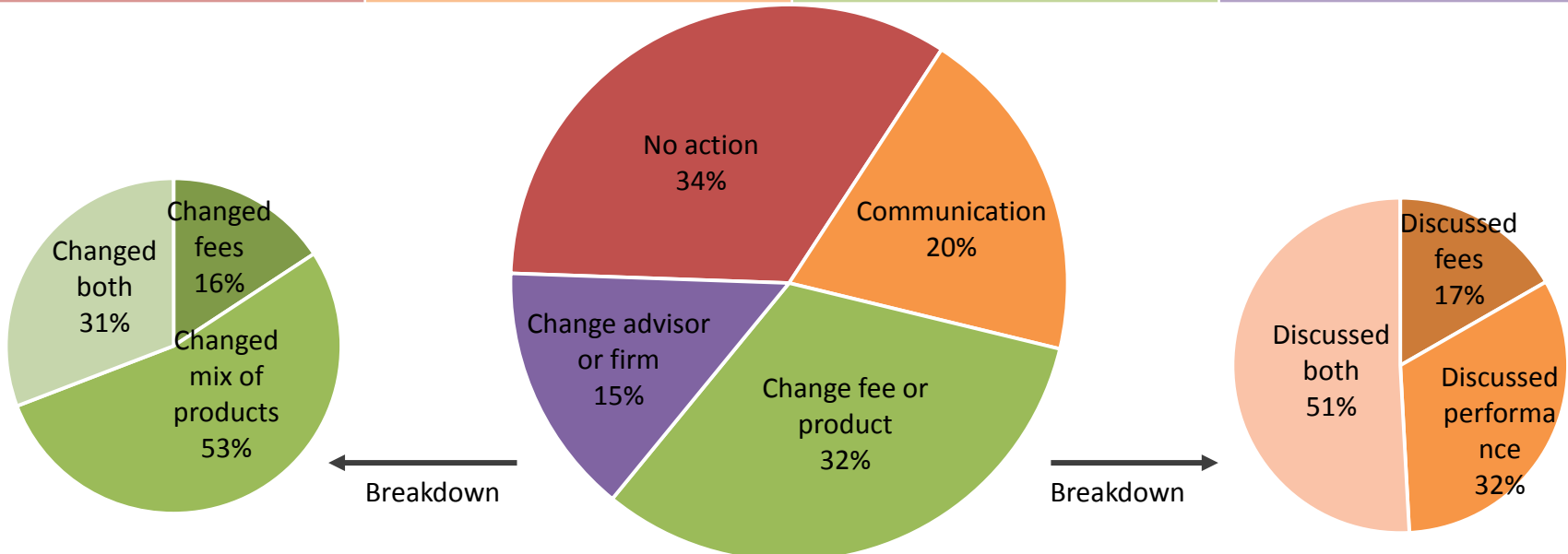
■ No new discussion ■ By 2017 ■ By 2018

# Changes in Patterns of Behaviour: Just one-in-three (34%)<sup>101</sup> have taken no action, 33% change fees or product

[among respondents who participated in Part 1, 2 and/or 3, and 4, n=333]

## New action taken since Part 1

No new action since Part 1	New communication	New change to fees or products	New change to advisor or firm
<ul style="list-style-type: none"> <li>Has not discussed fees, performance with advisor since receiving CRM2 report;</li> <li>Did not change fee arrangement, mix of products;</li> <li>Did not change advisor or firm.</li> </ul>	<ul style="list-style-type: none"> <li>Discussed fee arrangement or performance of investment – or both – with advisor since receiving CRM2 report;</li> <li>Did not make any major changes.</li> </ul>	<ul style="list-style-type: none"> <li>Made a change to fee arrangement or mix of products or both since receiving CRM2 report;</li> <li>Did not change advisor or firm.</li> </ul>	<ul style="list-style-type: none"> <li>Changed advisors or firms since receiving CRM2 report.</li> </ul>



# Level of Engagement: No action most common among those with the portfolios under \$50k (65% took no action)

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

[among respondents who participated in Part 1, 2 and/or 3, and 4, n=333]

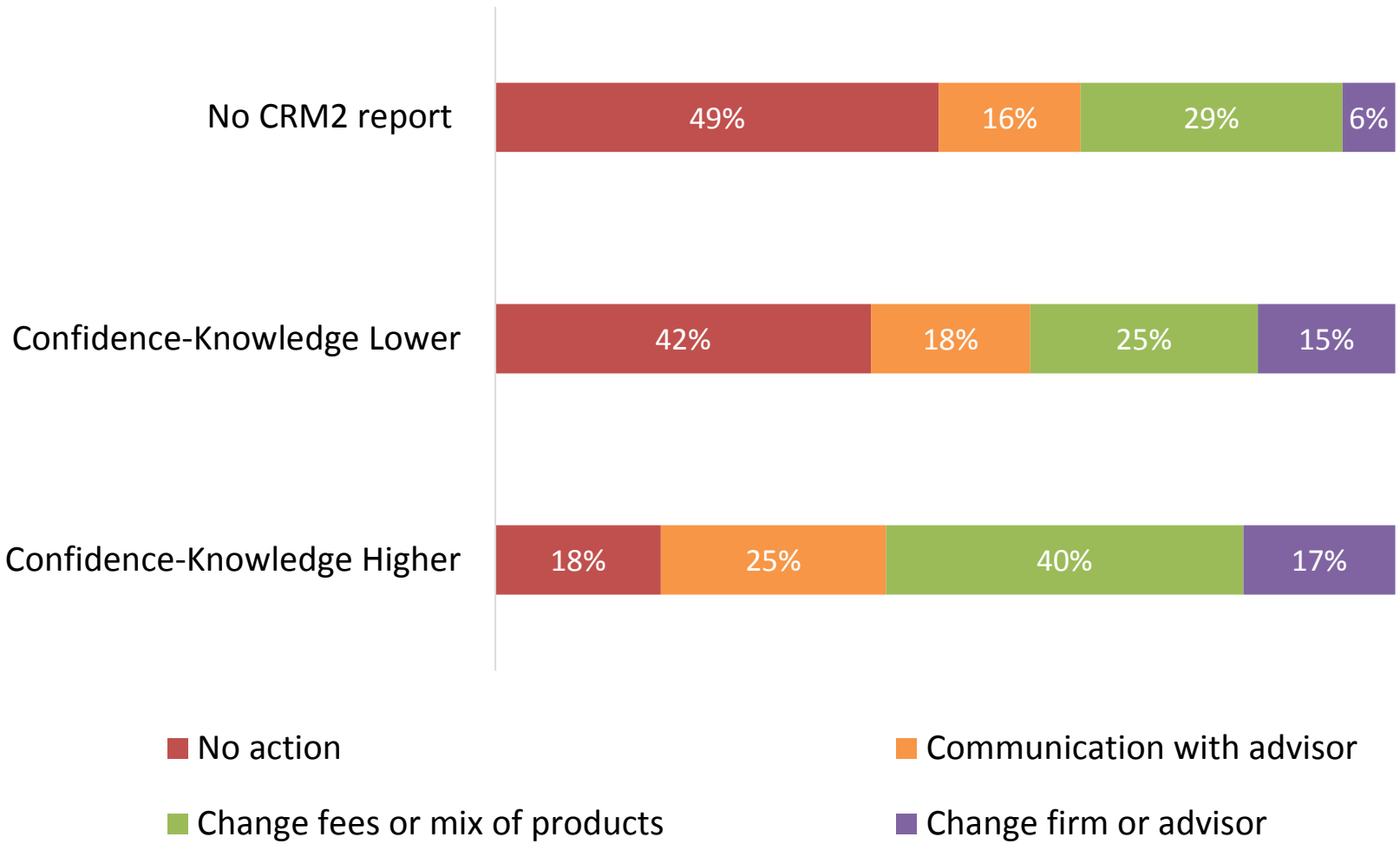
	BC Region			Gender		Age			Investment Portfolio				
	LM/ FV	Van. Island	Rest of BC	Men	Women	18-34	35-54	55+	> \$50k	\$50k to \$100k	\$100k to \$250k	\$250k to \$500k	Over \$500k
<b>No action</b>	33%	38%	30%	32%	35%	37%	32%	34%	65%	42%	27%	21%	18%
Communicate with advisor	18%	21%	24%	16%	23%	7%	21%	23%	12%	17%	24%	21%	21%
Change fee arrangement or mix of products	36%	23%	30%	34%	31%	28%	28%	36%	16%	24%	33%	47%	42%
Change advisor or firm	13%	18%	17%	18%	11%	28%	20%	7%	7%	17%	15%	11%	20%

New action taken since Part 1

# Investor Confidence and Behaviour Change: Receiving report increased action in both “confidence-knowledge” groups

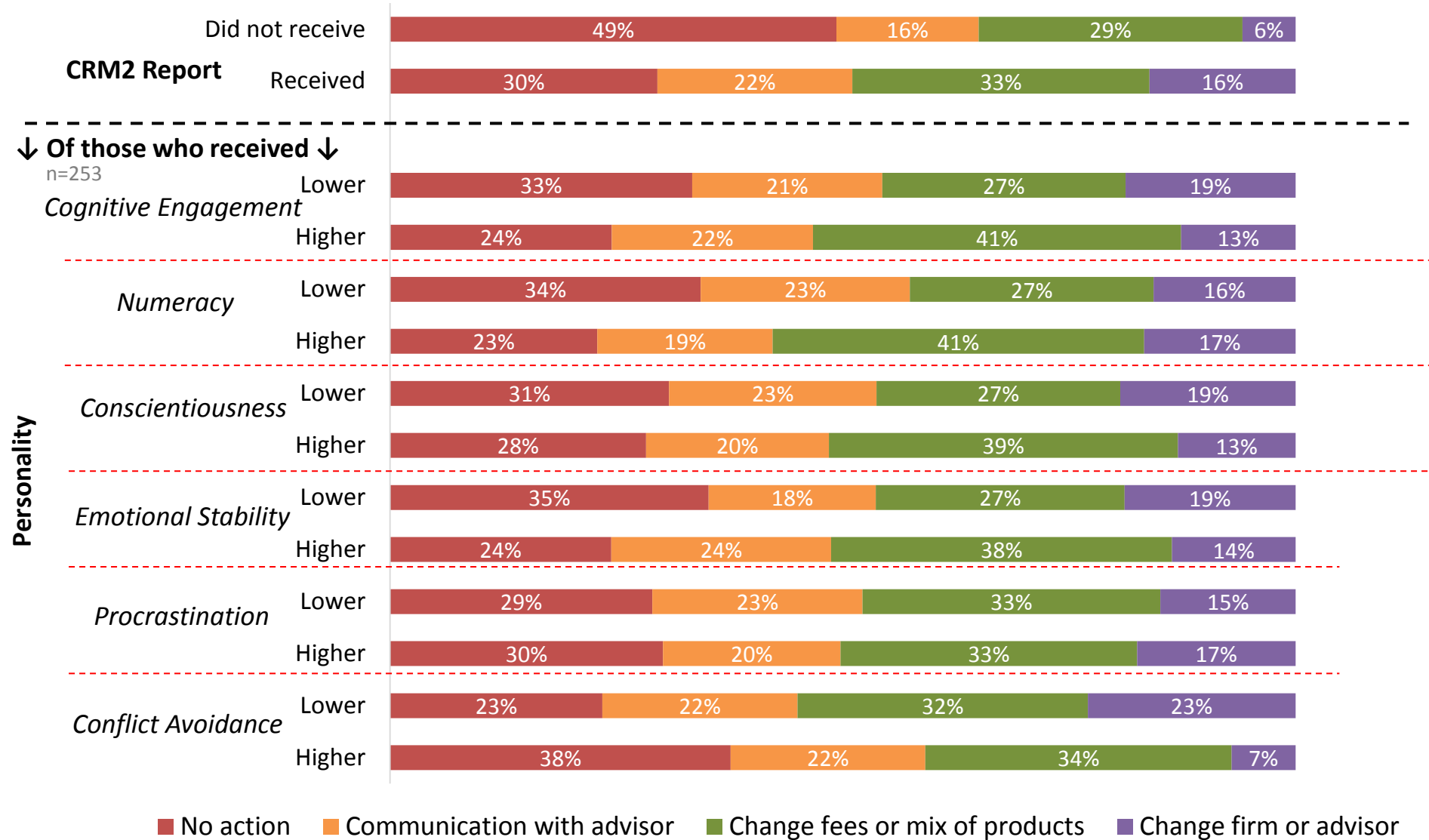
Engagement Segmentation **by** confidence and CRM2 report tracking segments.

[among respondents who participated in Part 1, 2 and/or 3, and 4, n=333]



# Specific Fee Knowledge: Action most impacted by numeracy, emotional stability, and conflict avoidance

[among respondents who participated in Part 1, 2 and/or 3, and 4, n=333]

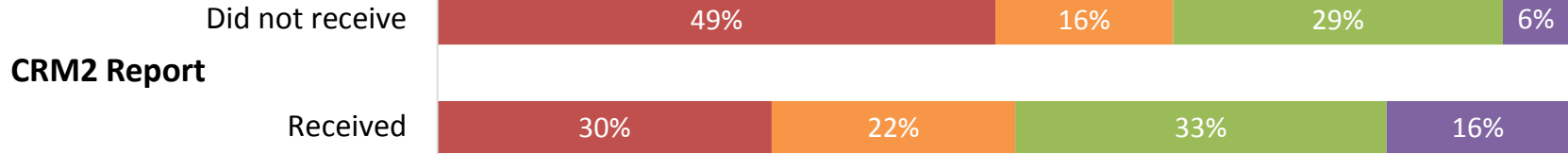


■ No action   
 ■ Communication with advisor   
 ■ Change fees or mix of products   
 ■ Change firm or advisor



# Specific Fee Knowledge: Lower market competence group looks similar to those who don't recall report at all

[among respondents who participated in Part 1, 2 and/or 3, and 4, n=400]



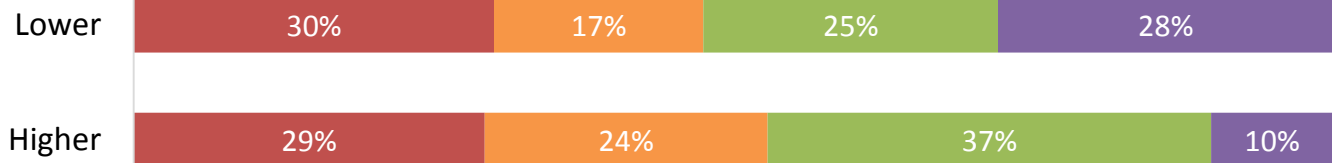
↓ Of those who received ↓

n=253

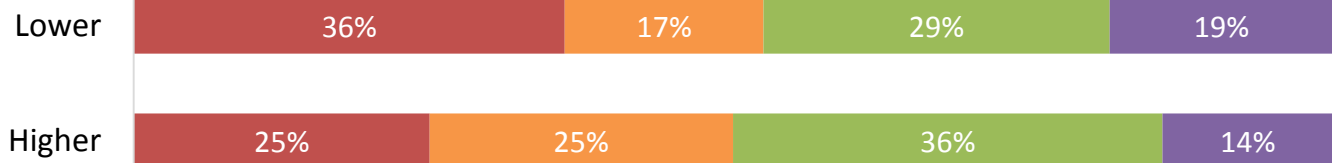
*Market Competence*



*Investment Knowledge*



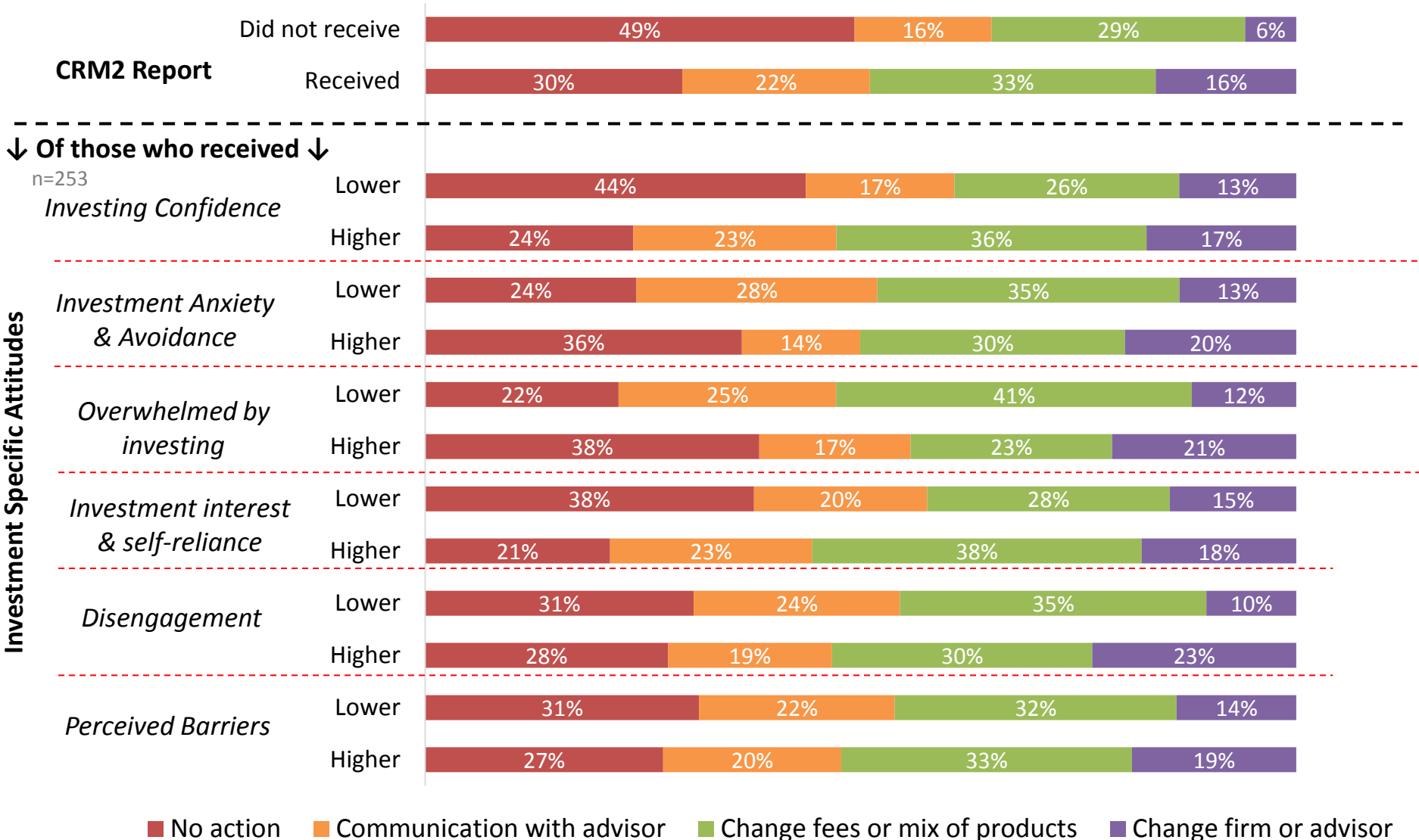
*Statement Literacy*



■ No action   
 ■ Communication with advisor   
 ■ Change fees or mix of products   
 ■ Change firm or advisor

# Specific Fee Knowledge: More inaction among those with lower confidence, higher anxiety, lower interest

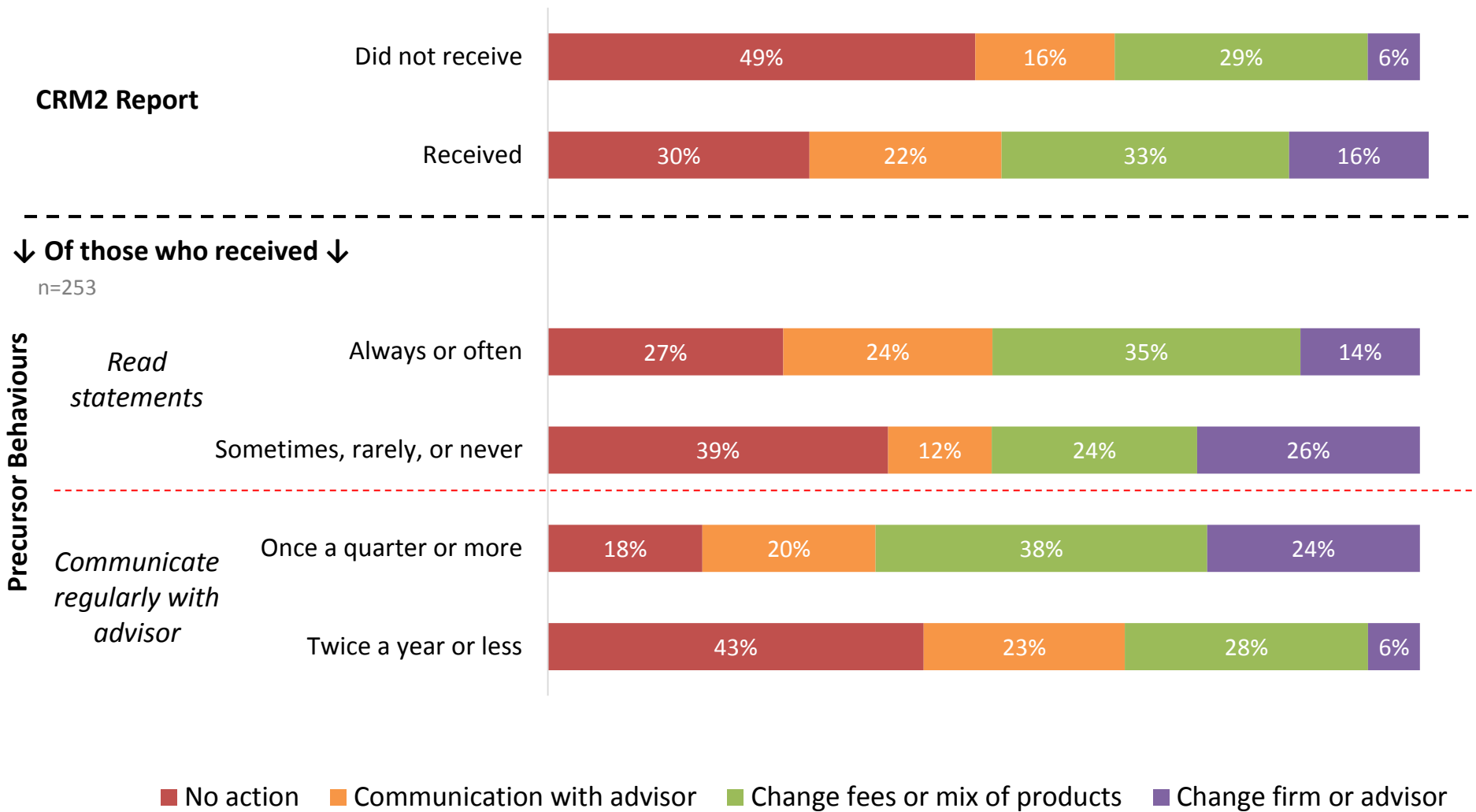
[among respondents who participated in Part 1, 2 and/or 3, and 4, n=400]



■ No action  
 ■ Communication with advisor  
 ■ Change fees or mix of products  
 ■ Change firm or advisor

# Specific Fee Knowledge: Those who read their statements, communicate with advisor took more action <sup>107</sup>

[among respondents who participated in Part 1, 2 and/or 3, and 4, n=400]



■ No action  
 ■ Communication with advisor  
 ■ Change fees or mix of products  
 ■ Change firm or advisor

# Regression Analysis

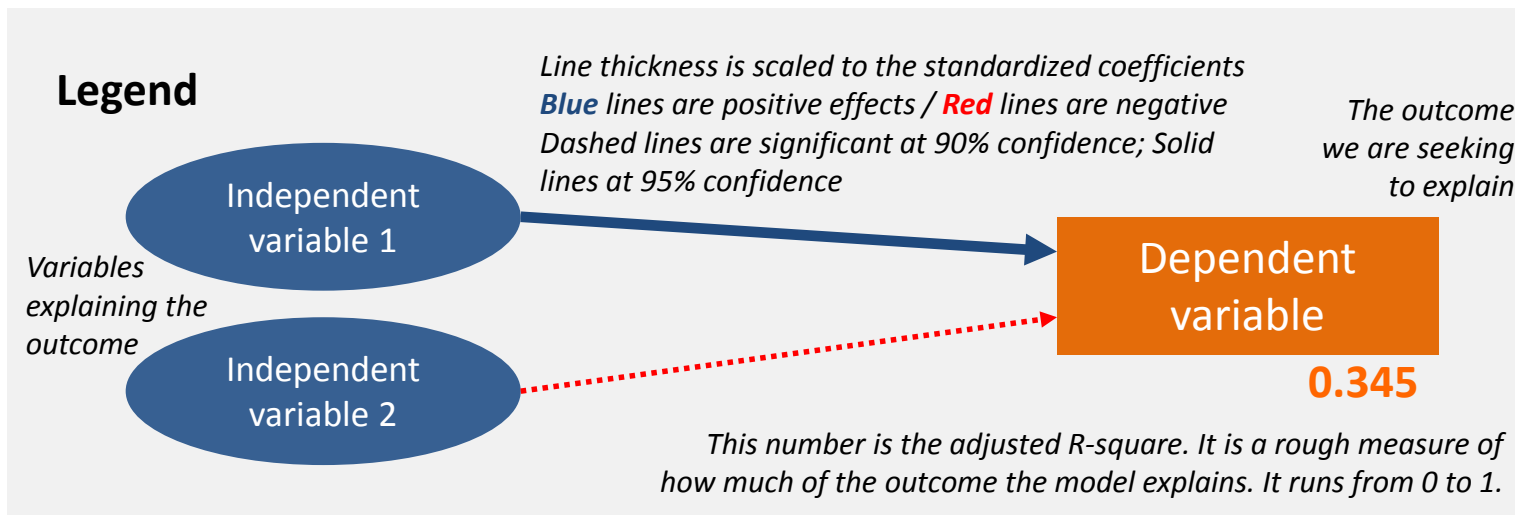
*This final section uses multiple regression analysis to parse out which factors were most important in predicting changes over time, holding other factors constant.*

# Regression Analysis

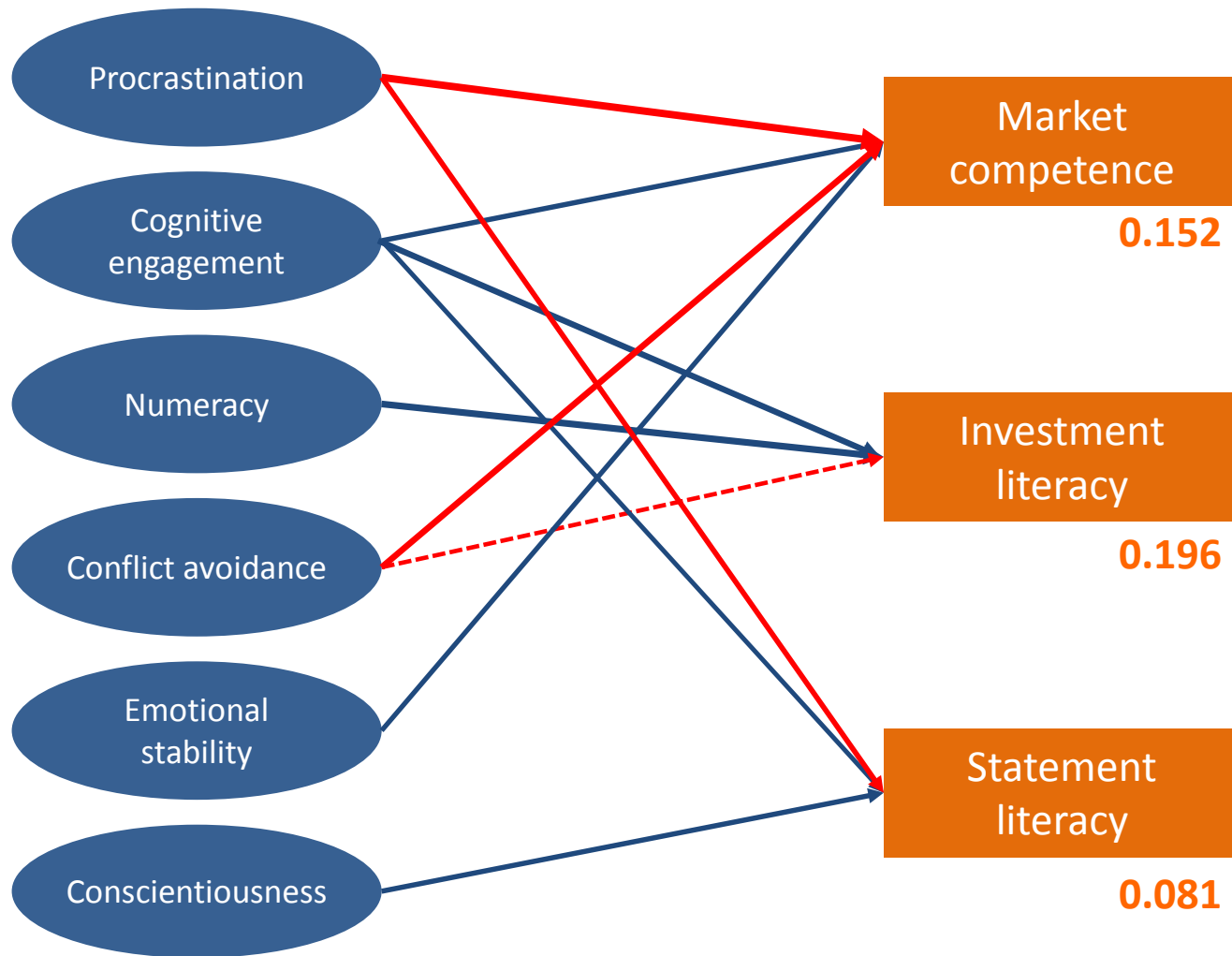
Regression models are a way of determining what the most important questions are that explain an outcome we are interested in, while holding other factors constant. In this section we have used regressions to try to explain:

- How the different levels of barriers and enablers relate to each other
- What barriers and enablers explain **initial** levels of fee understanding, specific fee awareness, frequency of advisor discussions about fees, and recall of CRM2 reports
- What factors explain **changes** in fee understanding and specific fee awareness
- What factors explain **new action** taken over the course of the study

These models build on the regression models from the Part 3 report, but explore how the expanded set of barriers and enablers change what we know about how investors act and are responding to the new CRM2 reports.



# What drives knowledge/competence?

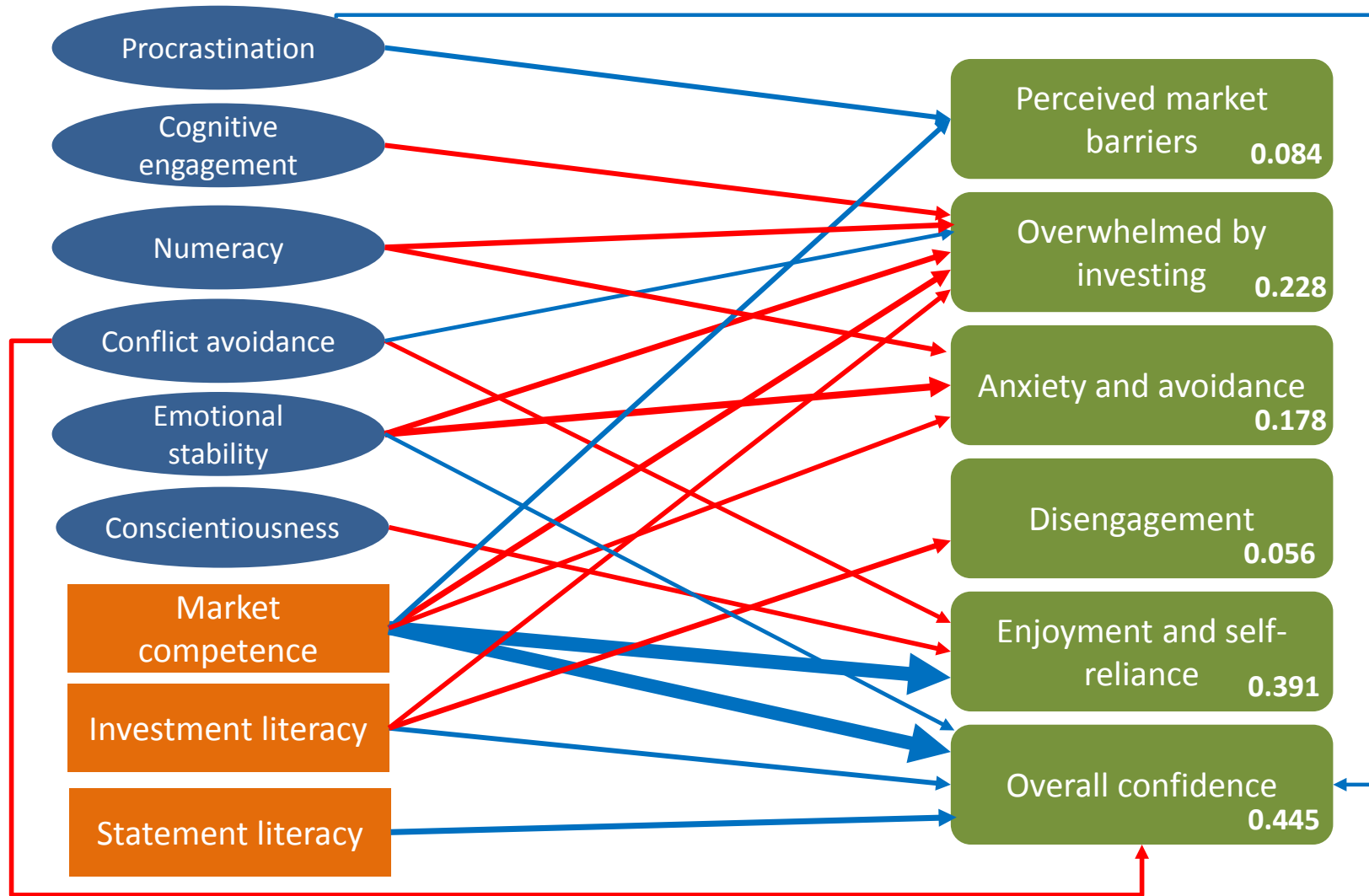


*Line thickness is scaled to the standardized coefficients*

*Blue lines are positive effects / Red lines are negative*

*Dashed lines are significant at 90% confidence; Solid lines at 95% confidence*

# What drives barrier/enabler attitudes?

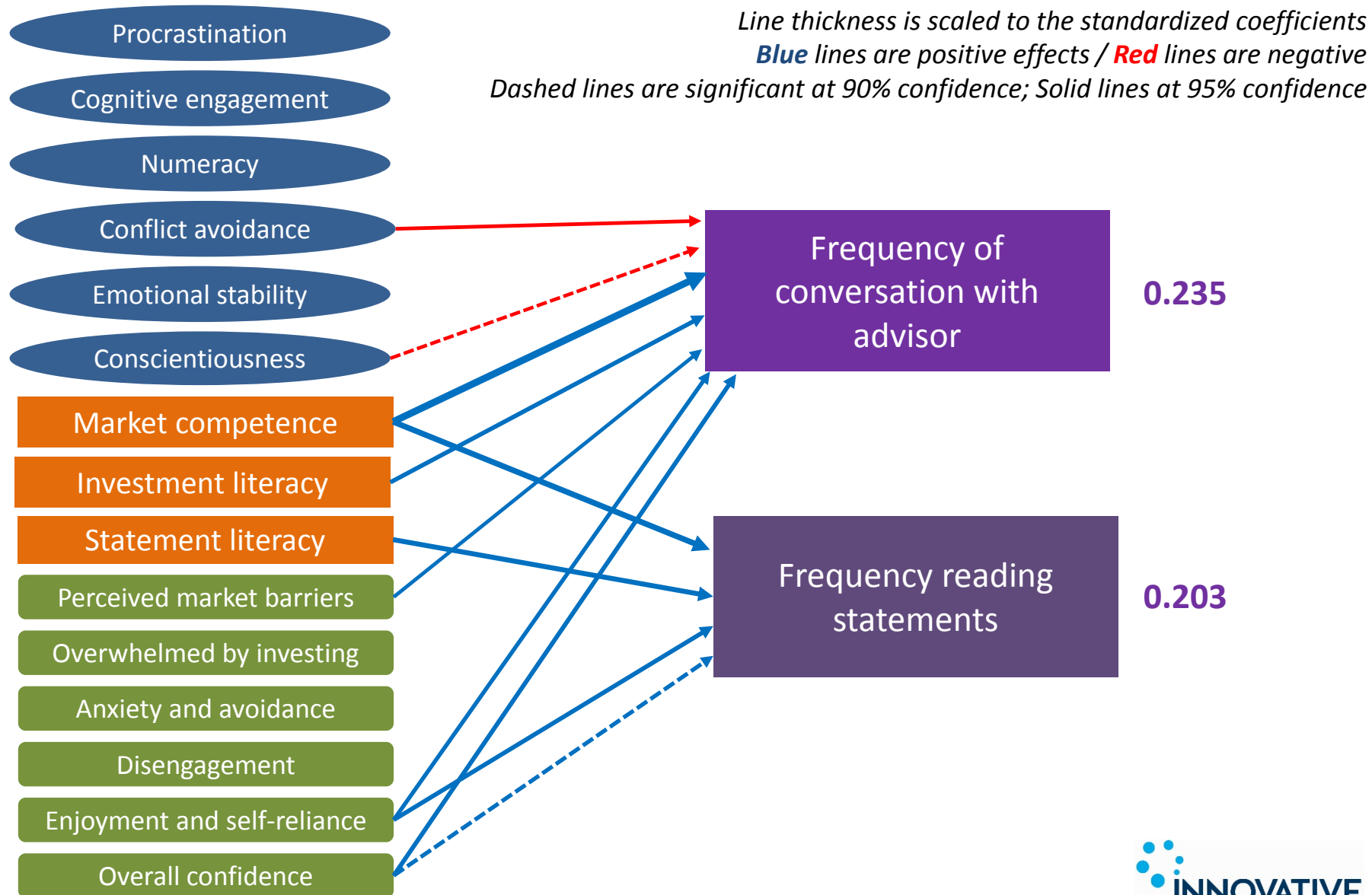


Line thickness is scaled to the standardized coefficients

Blue lines are positive effects / Red lines are negative

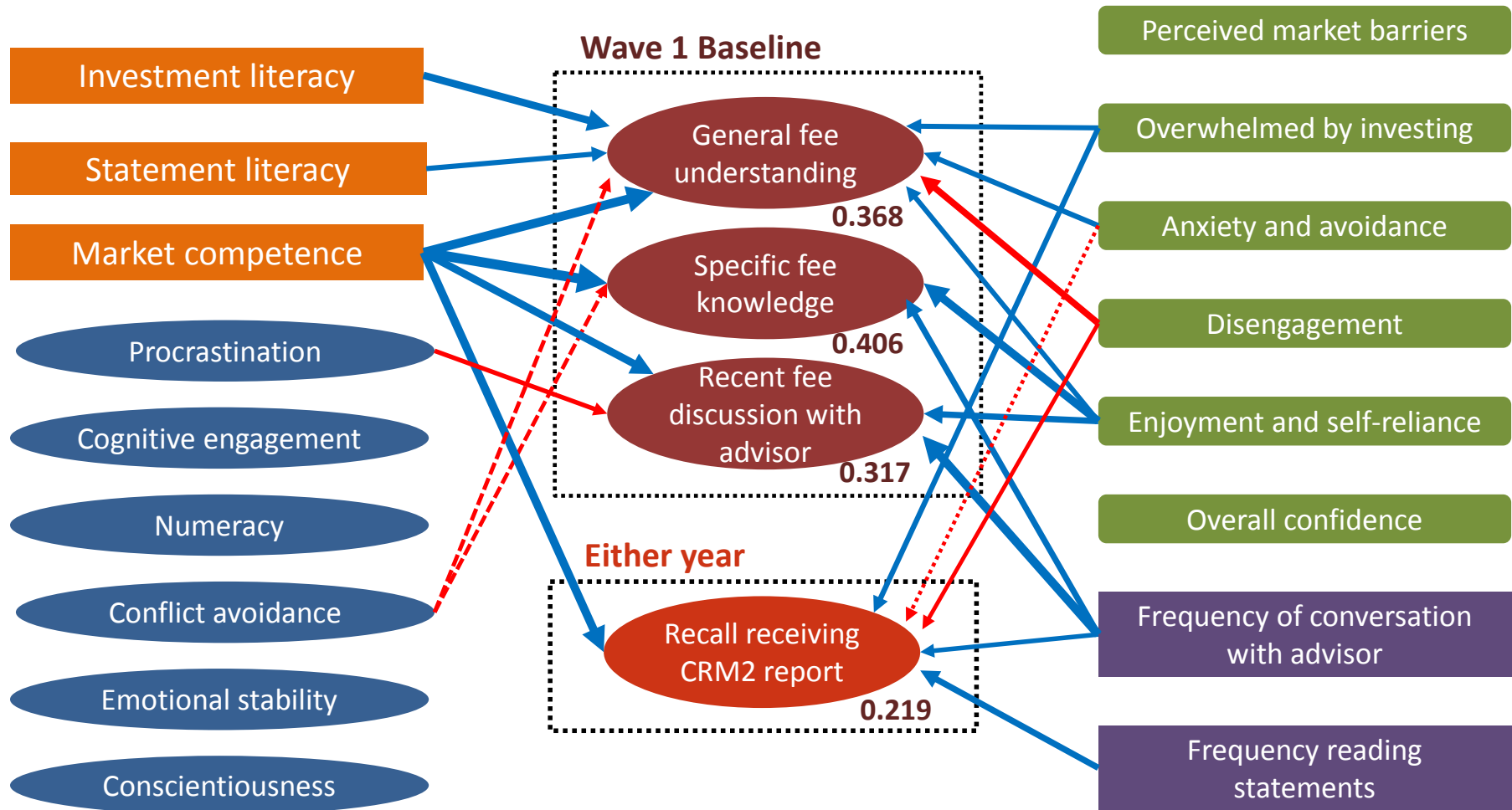
Dashed lines are significant at 90% confidence; Solid lines at 95% confidence

# What drives pre-cursor behaviours?





# What drives *initial* knowledge and behaviour?

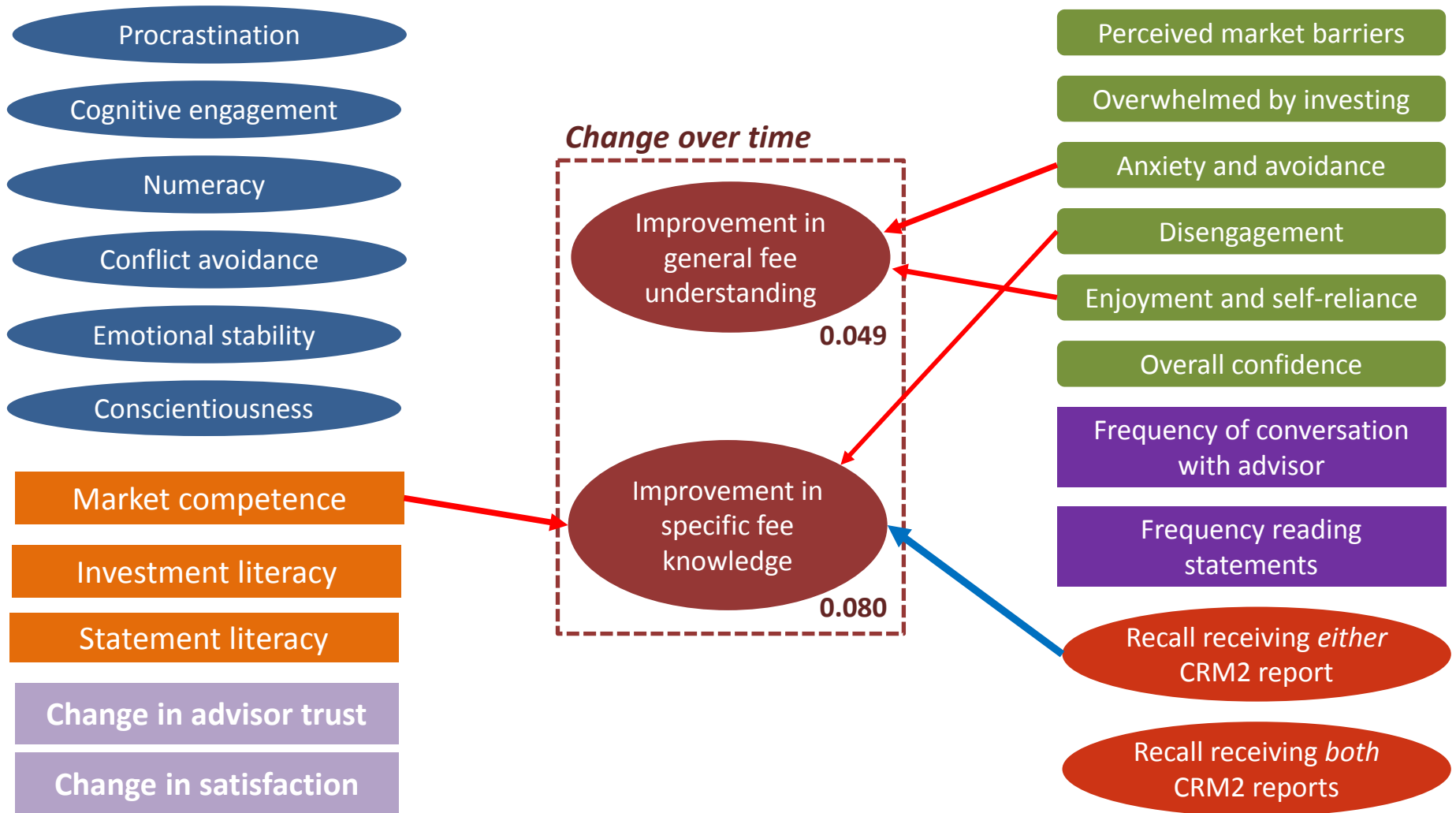


Line thickness is scaled to the standardized coefficients

Blue lines are positive effects / Red lines are negative

Dashed lines are significant at 90% confidence; Solid lines at 95% confidence

# What drives *changes* in knowledge over time?

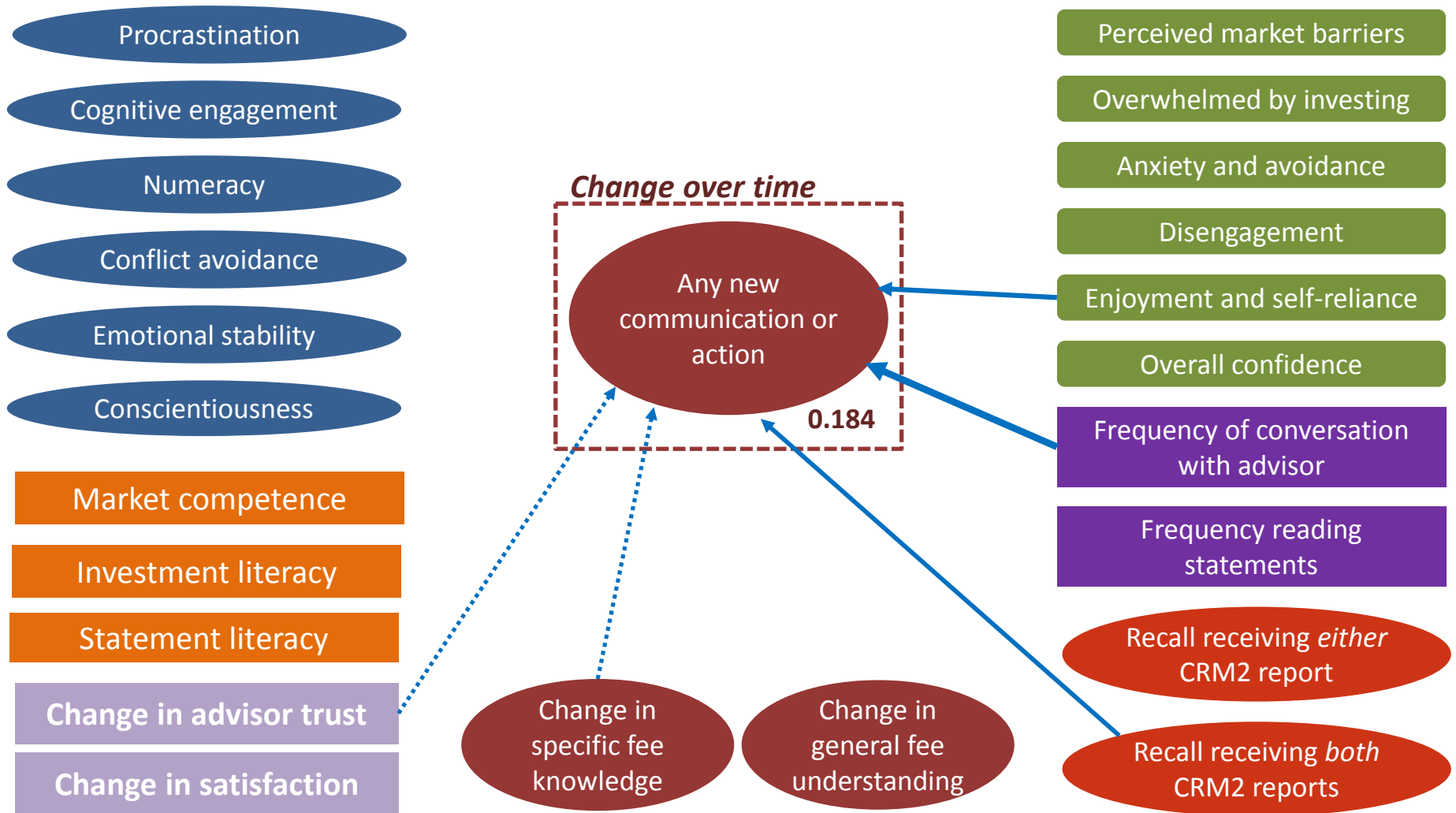


Line thickness is scaled to the standardized coefficients

**Blue** lines are positive effects / **Red** lines are negative

Dashed lines are significant at 90% confidence; Solid lines at 95% confidence

# What drives *changes* in action over time?



Line thickness is scaled to the standardized coefficients

**Blue** lines are positive effects / **Red** lines are negative

Dashed lines are significant at 90% confidence; Solid lines at 95% confidence

# Regression takeaways

---

The regression models help us understand 3 key questions:

- How do the barriers/enablers we have measured relate to one another
- What barriers/enablers best explain overall knowledge and behaviour
- What barriers/enablers best explain *changes over time* in knowledge and behaviour

By first examining how the barriers/enablers relate to each other we can see how some things that might not have a direct impact, do have an indirect effect on knowledge/behaviour. Where it is relevant we will refer to these relationships below.

In the models of overall knowledge and behaviours, the reasonably high adjusted R-square values suggests that our set of barriers/enablers is explaining much of the differences between investors:

- Market competence, enjoyment and self-reliance, and frequency of conversation with advisors are strongly and positively related to these baselines.
- We also see negative effects of disengagement impacting baseline levels of general fee understanding as well as likeliness to recall receiving either CRM2 report.
- Frequency of conversation with advisor is interesting not only in it's own right, but also because of what indirect effects run through it. Frequency of conversations is itself partially driven by several barriers/enablers including perceived market barriers and conflict avoidance.
- We are also interested in the indirect effects that run through market competence, which include conflict avoidance and procrastination.

## Regression takeaways cont'd

---

The final models show how the barriers/enablers measured predict changes to knowledge and behaviour over time. The adjusted R-square values for these models are low, reflecting the fact that change is noisy and can have many complex causes, but nonetheless the models do show that certain variables have had an influence.

When it comes to improvements in general fee understanding, both enjoyment and self-reliance, as well as anxiety and avoidance were found to be significant negative drivers.

- Enjoyment and self-reliance is an interesting driver in itself, but it is also interesting because it was very strongly driven by market competence suggesting that market competence has an indirect impact on general fee understanding.

Improvements in specific fee awareness were driven by market competence, disengagement, as well as receipt of the CRM2 report. Lower levels of market competence and disengagement, as well as receiving either CRM2 report caused improvements in specific fee awareness.

Reported change in behaviour over time, meaning either a change in action or communication, was impacted by enjoyment and self-reliance, frequency of conversations with advisors, as well as receipt of the CRM2 reports.



# Building Understanding.

*Personalized research to connect you and your audiences.*

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