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BRITISH COLUMBIA SECURITIES COMMISSION

Capital Ideas 2008

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TRANSCRIPT OF PROCEEDINGS

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MR. HYNDMAN: Good morning, and thank you all for coming to our annual Capital Ideas Conference. As your host for today's event, I have the great honour and pleasure to introduce to you the Honourable Colin Hansen, B.C.'s Minister of Finance and Minister responsible for the Olympics. Prior to this appointment, Minister Hansen served as the Minister for Economic Development and the Asia Pacific initiative and the Olympics. Minister Hansen also served as Minister of Health from 2001 to 2004.

He was first elected to the legislature of British Columbia in 1996 to represent the constituency of Vancouver-Quilchena which makes him my representative in the legislature as well as my boss. So please join me in welcoming Minister Colin Hansen.

MR. HANSEN: Thank you very much, Doug, and welcome to everybody here. You know, I was thinking as I was driving downtown this morning that when Doug's team first started to put this conference together, who would have thought? Who would have thought that we would be living in a world that is so different today than it was when Doug's team started to plan for this day and this conference today. Because it really is very much a very changing environment for all of us as I'm sure everybody in this room knows and appreciates.

But I think one of the things that's important for us to reflect on is that we have actually a very strong economy relative to other parts of the world. We've got very strong financial institutions relative to other parts of the world. I think that as Canadians and as British Columbians, as we weather these challenges that lay before us, there's probably no better place to be than here in British Columbia for a couple of reasons.

I think one of them is that we actually have a relatively strong economy. We see low unemployment rates in British Columbia. We've seen record job creation over the last number of years and the forecasts are that, in spite of some of the economic clouds that are out there, we will continue to see strong labour demand in British Columbia. In fact, as I go around the province and talk to companies, somewhere on the top of their list of priorities is still labour shortages, not looming high unemployment rates around the province.

I think the other thing is that we have some pretty strong underpinnings that -- things like our commodities that may not be as high demand today as they were a couple of months ago, but over the long term, we know that this province is well positioned and has tremendous opportunity.

I think whenever we look at crises, as the one that we're facing today, we also have to recognize that in every crisis there is opportunity. I'm not talking about the opportunity on the short-term buy or what something is trading at this morning versus what it was trading at yesterday afternoon. I'm talking about the opportunities in terms of how we position our economy and our province and our country as we go forward in the recovery that will eventually come, and I guess that's the big question as to when, and that's why many of you in this room get paid lots of money to try to figure that out on behalf of your clients.

Today your focus is going to be on the seniors, on the senior tsunami. In the three-and-a-half years that I spent as Health Minister in this province, I can tell you that was something that was very much in our minds, the looming senior tsunami and the implications that it's going to have on health care in British Columbia and health care in Canada.

But the senior tsunami is something that is very real to each of you, because we need to make sure that the investments of our seniors can be properly managed and properly protected and the appropriate risks are taken to manage for each individual that is counting on your advice and your intelligence.

So I think in British Columbia we do have some pretty strong fundamentals. I'll tell you one of the reasons why I think we're lucky to be in British Columbia and why British Columbia has strength. That's actually the B.C. Securities Commission. I think the B.C. Securities Commission is actually a model and I think increasingly as we start to look back on the challenges that the world markets have faced over these last number of weeks, I think it's going to become more and more evident that the model that we have right here in British Columbia is actually a model that works well. We have lots to learn obviously. We've got improvements that could be made, but the B.C. Securities Commission is actually one that is serving this province incredibly well, and I'd like to pay tribute to Doug Hyndman in particular, because I think when it comes to security regulators around the world, Doug may be at least one of the best, if not the best, and he shows tremendous leadership. I don't say that just because he's a constituent, honest.

But I think he has shown tremendous leadership right across Canada. I think British Columbia and the model that Doug has developed for the B.C. Securities Commission is one that is being emulated in other parts of Canada, and one that I think will increasingly be duplicated and strengthened, I think, as we go forward.

So I thank you for being here today. I look forward to the outcomes of your deliberations and I wish you all well in these turbulent times. I know that the seniors of British Columbia and their investments are counting on you and your good advice. Thank you very much.

MR. HYNDMAN: Well, Minister, thank you very much for those inspiring remarks and for leading off our discussion. You've set the stage for what's going to be, I hope, a very interesting and topical discussion of the challenges facing investors in these very interesting times.

I'd like to thank all of you for taking time away from your busy lives to join us. Many of you and most of our panellists have travelled from parts very far away. I'd also like to thank those of you watching the archived webcast online. I'll say a bit more about that in a minute.

When we chose the theme for this year's conference a few months ago, as the Minister said, we had no idea how topical it would be today. It's been a roller coaster for investors for the past few weeks, and no one can predict with confidence when things will settle down. I realize that market instability has made it even more difficult for many of you to get away from your day jobs, but they say the world is changed by the people who show up, so let's see where the discussion leads us today.

We have a lot of experience here in the room. Our panellists are very knowledgeable about the area we're going to discuss today, but the audience is also filled with many people who deal with investor challenges from a variety of perspectives. We have an opportunity today for a great discussion of some very important issues related to the challenges that investors face.

In addition to setting the rules for securities trading, ensuring compliance with those rules and taking enforcement action when needed, we at the B.C. Securities Commission focus on educating investors and industry as a key part of our work. Informed and empowered investors can avoid the pitfalls, hold market professionals accountable, and contribute to a well-functioning market. Through our investor education website, investright.org, and our program of investor seminars around the province, we aim to give investors the tools to protect themselves.

Today we're posting a new e-book called "How To Work With Your Investment Advisor" on our website to provide practical advice on managing this important relationship.

We also help to educate high school students to improve their financial life skills and prepare themselves for the challenges they'll face in saving, investing and managing their own financial affairs. Four years ago, the Commission developed a comprehensive financial life skills program for the Planning 10 course that is mandatory for all students in B.C. More recently, we worked with the Financial Consumer Agency of Canada to develop and launch "The City", a web-based program that offers an entertaining and engaging way for young people, or anyone else, to hone their financial skills.

We're releasing today the results of an online study of Canadian investors conducted in July with key questions updated just last week. If you look at the brochure that was sitting on your chair when you came in, you'll see on the back a section called "The 21st century investor - research highlights". This summarizes the key findings of the July research about investor attitudes and behaviours.

Today's panel of experts, from diverse backgrounds, will use the survey results as a springboard to broader questions about investors today. This is an opportune time to have this discussion given the confusion and anxiety among both investors and market professionals from the recent gyrations in securities markets around the world.

We look forward to hearing the views of our panel members and the audience on the challenges investors face and possible responses to those challenges. The understanding we gain will help us better focus on the needs of investors, not only in our investor education programs, but also in developing regulatory rules and policies and in conducting compliance reviews and enforcement. The goal of today's discussion is to advance effective investor-focused securities regulation. Effective regulation depends on regulators, investors and market professionals all working together. We can use what we learn today about investor challenges to improve 21st century regulation and make sure it is up to the task. Whether you're a retail investor, an academic or a market professional, we hope you'll leave today's discussion with new ideas from our panel of national and international experts. They also hope to get new ideas from you.

We have four people with microphones ready for you to ask questions. Please feel free to raise them when appropriate during the flow of the discussion. We're also looking for your feedback on today's conference. We have electronic survey machines in the lobby and I encourage each of you to sign on and provide your feedback as the day goes on. It's easy to operate and gives us very useful feedback to help in planning future conferences.

We'll begin the panel discussion shortly. Then we'll have a break for networking, and then the panel will resume. At noon, we'll have a box lunch available for you in the next room. If you need to go back to your office, you can take it with you, but I encourage you to stick around and discuss with others what you've heard. This morning's dialogue will be available by archived webcast on the BCSC's website by November 1st. We'll send you all an e-mail with the link when it goes live.

I'm not going to introduce the panellists. You have their pictures and their bios in the brochure. You'll get to know them as the discussion goes on. So let me begin by introducing our moderator, Ian Hanomansing, who will lead the discussion. Ian is an award-winning journalist at CBC and has moderated our Capital Ideas conference for the past two years. He recently featured in CBC's coverage of the Beijing Olympics. Today's event might not be as colourful but it promises to showcase skills of a different kind.

So, Ian, I want to thank you very much for being with us today. We're all looking forward to the discussion and I'd ask the panellists to now please take their places at the podium. Thank you.

MR. HANOMANSING: Good morning, everyone. For those of you who haven't been at the two previous sessions, you may be thinking, as you see us sitting up here facing each other and with our backs to some of you, that something has gone horribly wrong in the setting up of this. But there is a method behind the seating plan and it's worked very well the last couple of years. It allows us to have a conversation and obviously with the video cameras, you can see the people whose backs are to you. It's supposed to encourage us to have an engaging free-flowing conversation, and as you heard Doug say, you are encouraged to be part of that conversation as well by putting up your hand or somehow identifying yourself to the people who will then tell me that you have questions. We are looking forward to having an interesting discussion, and of course the timing of which, we've pointed out and it's already been pointed out by the Minister of Finance, couldn't be better.

One of the intriguing things is you have this demographic situation, the silver tsunami, which is already an interesting phenomenon, but what's really intriguing to a lot of us is how the market uncertainty and the meltdown of the last few days, couple of weeks, has affected investor confidence and you have the numbers. In fact, what I'll do is, as we heard, the resumés for everyone here are in your brochure, but when you first speak, if you can just give kind of a two-sentence description of who you are and why you're here, then we can kick off the conversation.

Greg, let's start with you, with that self-introduction and also the latest numbers.

MR. LYLE: Sure. I'm Greg Lyle with Innovative Research Group, and although the brochure says I'm from Toronto, I'm actually a B.C. boy just with my main office in Toronto.

In terms of the silver tsunami, is there a shift in behaviour? Absolutely, there is, and this is happening at two levels. When we looked at it last summer and we did the in-depth research, we looked at -- we asked people to tell us -- to describe their risk profile ten years ago, today and ten years from now. We asked them some attitudes about what should people do as they approach retirement, and Canadians clearly understand that as you get closer to retirement, you reduce your risk, and they report doing all those things.

But then we looked at where people stood now after the economic crisis or in the midst of the economic crisis - we'll see when this thing ends - and what we found was that people are responding at two different levels. At one level, when they look to retirement and we asked them, "Will you have enough money in retirement?" things didn't change a lot from the summer. Now, in the summer, about half of Canadians were concerned they wouldn't have enough money, but they weren't alarmed about it. There was not a lot of intensity about it, and while four or five percent more now say that they won't have enough money in retirement, that's all happened in the "somewhat" category, in the less intense category.

When we look at what's happening right now, though, people are pulling back dramatically. We have twice as many people today that pick the lowest level on the seven-point scale of risk for where they're prepared to go from 12 percent in the summer to 24 percent today. It was a four-to-three conservative versus aggressive profile when we were in the summer. Today it's a two-to-one conservative to aggressive. So clearly Canadians are pulling back, but they still remain convinced that the ending will be as happy as it was ever going to be.

MR. HANOMANSING: All right. Now, we often compare ourselves to the United States and we will do that this morning quite a few times, but the country that probably is a good comparison, and we don't often get the opportunity, is Australia. So, as you hear those numbers I don't know -- I know you haven't been in the field surveying in the last few days, but how does that strike you?

MS. RICKARD: Look, it sounds very similar -- first of all, my name is Delia Rickard. I'm from ASIC, which is Australia's securities regulator, and one of the things that I do is look after our investor/consumer education.

It sounds very similar to the Australian situation. We know that as people approach retirement, on the whole, they tend to become more conservative with their investment decisions. The research we've been doing recently, though, has shown us that they -- that's what they want to do, but many people don't understand what is a conservative product, what is a safe product and what's a risky product. So we've been recently seeing a lot of investors in a failed debenture, a couple of failed debentures actually, who had gone in there because they heard the sort of ads for fixed-interest rates, thought it was safe, put their life savings in there and they've lost everything.

So what we're seeing is they get the message if it sounds too good to be true, don't invest in it, but they don't know what truth is, what is a reasonable expectation.

MR. HANOMANSING: And speaking of reasonable expectations, there's the financial side. Actually, let's pour ourselves some water. I didn't give people an opportunity to do that, so while you do, I'll ask this question.

You should know that Delia has come not only all the way from Australia, but there are two other things to keep in mind. First of all, she's heading back on Wednesday which seems like a shame that you have to do that, but I guess your work beckons. Also, that your suitcase is somewhere between Australia and Canada right now, so we appreciate your soldiering on for us.

So you talk about uncertain financial

expectations and there's also the uncertainty in sort of the happy uncertainty demographically. In other words, people are likely going to live a lot longer than they thought they were going to, and that has a big impact on their plans.

MS. RICKARD: Look, that's right. And one of the things that we're concerned about is people becoming too conservative. Because let's say you're a 55-year-old woman, and if you're an Australian 55-year-old now, and I suspect it's the same as here, you've got a -- your average chance is that you'll live to 85, and you've got a ten percent chance you're going to live to 103. That's a long time for your retirement money to have to last.

So we're trying to encourage people to get some sort of realistic expectations around how long their money needs to last and if you've got to have it last that long, then you can't be too conservative with your investment choices if you've got enough at retirement to actually invest in some kind of income-stream product. So we're encouraging people to do planning, to work out what their life expectancy is, what their monetary needs are going to be, and to try and pace the money to keep up.

MR. HANOMANSING: Mm-hmm. Now, the American perspective. Tanya?

MS. SOLOV: So "American" meaning the United States?

MR. HANOMANSING: Yes. Oh, I see, yes, yes.

MS. SOLOV: I had a South American correct me and say, "You call yourselves Americans, but we are also."

Thank you for having me here. I am from Chicago, Illinois. I'm the Director of the Illinois Securities Department and, as you know, Chicago is vying for the 2016 Olympics so I thought I'd scope out Vancouver, see if I can get any ideas while I'm here.

Certainly in the U.S., Americans are very concerned about what is happening. They see the market going up 700 points -- or 500 points, dropping 700 points. At first there was just real astonishment and I think people were very worried. I'm afraid some people are getting a little bit numb now to the fact the market's going up, the market's going down.

But certainly individuals are being more careful. They are pulling back as they see their retirement statements come in and they're showing a drop in their funds there. They're a little bit concerned about all the new products. We saw that the fanciest products that individuals did not know much about turned out to be problematic. We know that some of the brightest minds in Wall Street made mistakes, so I think investors are thinking, "Can we really trust people? Maybe the better thing to do is just to put my money in a bank, certificate of deposit, where I can might get three or four percent." At least that's better than nothing, and it's certainly better than losing money.

MR. HANOMANSING: So in the United States, no doubt in Canada as well, the sense of uncertainty, disappointment, maybe even feeling angry about investments.

David, you can explain your perspective here at this table, and what you're seeing when investors feel like they have been badly treated.

MR. AGNEW: Yeah, I'm David Agnew. I'm the Ombudsmen for Banking Services and Investments, so we -- we do dispute resolution between consumers, clients of investments firms and banks when they can't resolve a dispute on their own. I'm here because Doug Hyndman told me to. So that's -- when Doug speaks...

Well, it's interesting to listen to the experiences in other countries, and frankly to show how, in a sense, we are walking the same path. We have a peculiar or a particular view of the industry which is not its happiest side because, of course, we're dealing with people who have complaints and things that they can't resolve with the firm. But certainly we get a lot of complaints from people who -- it's not just that they don't understand the risk, they say they weren't informed about the risks. Of course, what we're seeing and as part of that silver tsunami that's coming through, is there's been a shift, that we all know, from defined benefit plans at work where you had a pension that was going to be based on your years of service and your contributions, to the defined contribution where, essentially, at retirement you get some money, and now you're the pension manager, and people are inadequately prepared to do that.

So we see this as a -- as a pretty steady source of complaints for us where people are really not understanding, until something goes very wrong, that they're not in what they would consider suitable investments that matches their risk profile or in fact their needs. Of course, these are the times when -- you know, an up market hides a multitude of sins and a down market exposes. And so when people open their statements, if they have the courage, go to, you know, one of their relatives or even seek some second or third opinion, that's when they see they have some problems.

MR. HANOMANSING: Is it too soon for you to be seeing that increase of files that end up on your desk? Because a lot of those statements, if they'd been opened, have only been opened in the last week or two.

MR. AGNEW: That's right. And for us, there's a lag time because, of course, in our world, we encourage the consumer, the client, and the firm to try to resolve it first. So we're seeing it at the end of that process.

But we certainly see it in phone calls. And the markets have been volatile not just in the last couple of weeks, but for a while.

MR. HANOMANSING: Tom, let's bring you into the conversation and, again, you can introduce yourself in a couple of lines and talk about what investors ought to be doing when it comes to risk and uncertainty at this time.

MR. BRADLEY: I'm Tom Bradley, President of Steadyhand Investment Funds, and I'm the -- I guess the representative of the beaten-up money managers everywhere in the world, certainly feeling that way. And I guess also -- I had brown hair at the beginning of this year.

I just first of all wanted to echo Delia's comment. You know, when you think about how long somebody's investment horizon is or how long they invest, maybe they start in their mid-twenties or late twenties. We'd love them to start earlier, but they don't. They go till 80, 90 or 103. From the research Greg did, you know, a large -- what was the percentage of people that are already starting to dial back risk in their fifties? It was a pretty large percentage. And if you think if somebody at 57, 58 already dialling back the risk when they could have 40 years of investing to go, really basically destined to have lower returns for the next 40 years, I think it's a huge challenge.

You know, people have asked me is there a risk that people don't take enough risk, and I think there absolutely is, and especially now. I think the next few years we will have people with money under their pillows and under their mattresses.

So I think that's a challenge the industry has. If you look back over the last ten years to September, balance funds have done -- Canadian balance funds have done five, six percent, some worse, but that's sort of the core. GIC's have done 3.5 to 3.7. So even in a period where we've had two bear markets, still you were rewarded for taking some risk in your portfolio. So I think that's going to be the challenge we have.

MR. HANOMANSING: All right. Now, Larry, we will come to you throughout the conversation and jump in at any time. But what I'd like to do now is just ask Delia and Tanya from the Australian and United States of America perspectives, if your sense of whether regulators -- what they ought to be doing right now?

MS. RICKARD: Look, I think it's very hard to work out what the actual messages for this exact moment are, because I don't think any of us are really all that certain about exactly where the markets are going still. But I think you can always rely upon basics, and so I think as regulators we need to be working hard to improve the financial literacy of our populations so that they understand the investing basics.

I think for a long time, certainly in Australia and I think elsewhere, we've relied upon disclosure and some basic -- a few basic rules around advice to ensure that everything is okay. I think in this day and age where products are becoming increasingly more complex, where there's a greater reliance upon the individual to take care of their long-term financial well-being, and with much longer to live, that we need to step back a bit and say, "Is disclosure enough? Are there cleverer things we can be doing to help people?"

So we're starting to see some really interesting innovations. For instance, sometimes around product design -- there's a U.S. company, Vanguard, who is also in Australia who I've seen do fantastic things around what we call embedded advice for their products. So, for instance, as people go through different life stages, it changes the settings within a managed fund or a retirement savings fund in terms of what the investment option is, in terms of the amount for insurance that’s set. So that's one of the sorts of things we could look at. We can look at how we can influence behaviour beyond just disclosure, since people aren't reading it.

I think there's a whole lot that we can be doing and thinking beyond our traditional tools of disclosure is where we're coming from.

MS. SOLOV: I agree. I think what Delia said applies nationally, internationally, and in general. In the United States, of course, there are many different regulators, and I think we have to make certain that the regulators have their roles defined and they're not competing with each other.

I think it's also important -- we at the Securities Department at the state level now have the challenge of not only investors being afraid to invest in the market because they don't know if they can trust the market, but pulling out of the market and investing in some alternative investments that are not with registered investment advisors or broker dealers, so of course we're seeing many more of those complaints. I don't know if people are putting their money under their pillow 'cause they're afraid their home may be taken and there goes the money and the bed and all of that.

But disclosure is very important in fact, but we need to make sure that the disclosure is not just thrown at the investors and they're expected to read it and understand it. There's a challenge to get people to read disclosure, especially if you have too many pages of it and the fine print. There's a challenge to make sure that they understand it, so I think from a regulatory perspective, what I'd like to see is some accountability on the part of our broker dealers, our brokers and our investment advisors, that they really exercise the fiduciary obligation and do what's best for their clients. As regulators, we need to make sure that we not only have the right regulations in place for that, but that we're also enforcing them.

MR. HANOMANSING: So for any of you at any time, feel free to jump in and add to that or raise questions, and you don't even have to ask permission. Just leap in. Those of you in the audience, remember we're encouraging questions. I don't think we have any right now, but, you know, the phenomenon -- oh, there's a gentleman here that has a question, so someone is going to come over to you with a microphone or you go over to them.

As we wait for that question, let me point out a phenomenon that I see in lots of panel discussions is that at the beginning, very few people actually want to ask a question because they figure they don't want to be the first or second, and then towards the end, we're trying to jam all those questions in. So don't hesitate at all to be one of the first to ask, and you are the first, sir.

MR. PASCUTTO: Well, you can see, and people who know me know I don't hesitate enough probably. My name is

Ermanno Pascutto and I'm the first executive director of the newly-established Canadian Foundation for Advancement of Investor Rights, a non-profit organization that was established this year to advance the rights of investors in this country.

I wanted to comment on financial literacy and throw something out and see if you react to that. I want to say the financial literacy or the attempts at investor education of the adult population has been unsuccessful, that at least in Canada, that the adult population is illiterate and that the people who are involved in investor education really don't know how effective their programs are. But it is certainly my submission that the Canadian population is financially illiterate and so we do have to look at alternatives to investor education and a couple were mentioned.

My thought is that if you are serious about educating investors, you have to start much earlier. What we need in this country is a national financial literacy program that's targeted at our youth. We need financial literacy made mandatory in high schools across the country.

I want to compliment Doug and the B.C. Securities Commission because they have started that process and there is a mandatory course. I don't know how comprehensive it is, but there's a mandatory course in high school. Right now, we are graduating a population of people who do not know what mortgages are, they do not know what credit cards are, they don't know what a stock is or what a bond is, what an RRSP is. They know nothing about financial products when they come out or financial markets when they come out of high school, and then we expect them to be able to fend for themselves.

MR. HANOMANSING: Okay.

MR. PASCUTTO: And then we throw investor education at them and that, I would say, is like trying to build on a house that does not have a foundation.

MR. HANOMANSING: All right. Well, thank you very much for the question and comment, and it's interesting 'cause -- well, it's changed now. See, the panellists were avoiding making eye contact with me and I thought it's because they didn't want to be the first person who responds, but now everybody's looking at me. Who'd like to jump in, in response to that?

MR. AGNEW: Well, I don't think there's probably too many people in the room who would disagree with what Ermanno is saying, at least parts of it. You know, there is a phenomenon of sort of bolting the door after the horse has gone, and I think that it's -- there is a real challenge in taking people and, you know, just sort of -- from our files, taking people in their retirement years, people who have -- their spouse or their partner has always taken care of their financial affairs and suddenly because of circumstances, they're thrust into it. It's very difficult to turn them into financially literate, savvy, sophisticated investors.

So, yes, the answer is to start early and, like you, I think B.C., if I'm not mistaken, is actually the only province in the country that has a mandatory financial literacy type course, and I think it's in Grade 10 here, which, based on my daughter's cell phone usage, may be a bit late.

So it's -- when I talk financial literacy, it's a long-term strategy, there's no question. It's not going to -- and some of the things that we've been talking about here, both -- in all the countries represented here around disclosure and improving disclosure, and improving people's ability to understand that disclosure. I mean, I call it the Monty Python phrase book problem where you give someone a set of questions to ask that they can completely -- they can articulate them very well, but they can't understand the answer, and that doesn't really advance us. So it goes deeper than that.

MR. HANOMANSING: Well, we can jump -- yeah, go ahead.

MS. RICKARD: Look, I want to say a couple of things in relation to that. I mean, I agree, financial literacy is essential and it is a generational thing. We actually have been working on this quite a long time in Australia and we now have it as a compulsory learning outcome for all school kids, and it's, as of this year, being taught from kindergarten through to what we call year 10 -- I think you might call sophomores.

So it's there and it's a long process which I'll talk about later, but two things: First of all, the people who are probably the most at risk at the moment are those baby boomers who are approaching retirement who don't have enough, particularly older women who, certainly in Australia, have the lowest financial literacy levels. So as well as doing the next generations through the schools, we need to work out how we can get some basic messages to them around just simple things like diversification, et cetera, or when to ask a question. I really like the title of this -- in Australia – surf-life savvy probably isn't a big thing here, but everyone knows that "swim between the flags" means if you swim between the flags at a surf beach, you might get eaten by a jellyfish, but you're less likely to get taken by a shark or taken by a rip. So the silver tsunami, I'm going to take this language home and build it into the campaign.

But you need to be targeting those groups as well. But the other thing that always concerns me when we get onto debates about financial literacy is this tendency to think, oh, well, we'll just make everyone more literate; that will take care of the problem. Some of these issues are so complex that people, even if they know the basics, are not going to be able to work it all out for themselves. So it's like disclosure. It's part of the problem but it can't be seen as the entire solution.

I could go on for ages, but I'll --

MR. HANOMANSING: But -- yeah, go ahead.

MS. SOLOV: I agree with Delia, what she said. We also try to teach financial literacy in our schools and our Department of Securities goes out and conducts free seminars. We provide free information. It is a requirement also in Illinois schools that students have a certain number of hours of economic sort of education, so that is important. I think the upcoming generation will have a leg up. In fact, we've had parents tell us, "Oh, our kids are teaching us so much about this." So that's really great.

But also there is going -- always going to be a limit. Part of it is that there are always new products. So what we need to do is we need to teach people to look for the right advice and to know where to go, to call their securities departments to make sure an individual doesn't -- is registered in fact and properly licensed, to know where to go if they don't understand a question.

Because, for example, even with the recent issues we had in the United States of auction-rate securities, that was a new one on many people, and, I mean, we could start teaching about auction-rate securities but probably it's not going to be a big market in the future. It seems that in some ways we're kind of behind, depending on what is happening.

But I agree we need to teach people to ask the right questions and to seek out advice when they're not certain.

MR. WAITE: I agree with both what Ermanno said and what Delia said. I mean, everybody says, going back to Glorianne Stromberg in her report in the early '90s, that we should focus on elementary school, high school -- and yes, we should, but as you pointed out, Delia, the ticking time bomb is the aging population.

I kept a letter in my office at the OSC in the Enforcement Branch from a widow who -- and I kept it there for 15 years -- that her husband died, she got the life insurance and she got cold-called because of the obituary in the paper and had a choice of paying off the mortgage or investing in a penny stock scheme. Unfortunately, she invested, lost her money. But the letter said, "I don't want my money back. I just want enough money -- I'm now living in my son's basement apartment. I just want enough money to bury myself." That generation, that's the huge ticking time bomb.

If we're to devote resources now, yes, the other is necessary and it's a generational issue. But boy, oh, boy, I think we've got a huge ticking time bomb with our seniors, and David sees it and we see it in our Enforcement Branch.

MR. LYLE: One thing that -- when you look at risk, there's been a lot of comment that there's a concern that people will not take enough risk now, that if you're going to be around till 95, you can't invest a portfolio at 65 like you would have 20 years ago.

The one thing we know is that people who are more literate are more likely to take more risk. The more you know, the more likely you are to invest appropriately. We also know, though, that people who know more are more likely to be over-confident or more vulnerable to fraud. So literacy brings its own challenges to it.

The other thing that we know absolutely for sure is no matter how good the education system is, no matter how good the material is, some people won't learn. There is always going to be a range of financial literacy and the solutions that we put in place have got to work for people that don't have financial literacy. Part of that is habits. We happen to have some good habits that protect us from not knowing much, but also it's in codes and standards. So one thing we find is people know more about their risk profile than are likely to have a financial plan. And I don't think it's an accident that it's required to go over your risk with your broker, but it's not required that you have an updated financial plan.

MR. HANOMANSING: Also, there's literacy and there's prudence, right? You can't necessarily teach or legislate good judgment.

MR. AGNEW: But it puts the premium on good advice. I mean, it is because, you know, there's a range of reactions that people have, what's happening out there today, and it's interesting that, you know, your numbers say that twice the number of people basically say I'm going very conservative. There are probably going to be a portion who, either on their own or can be convinced to double down and, you know, listen to the worry about running out of money and take an excessive amount of risk at that time when they've seen what was happening.

So therein lies the challenge, particularly for the advisory community, in getting it right.

MR. HANOMANSING: So thank you very much for the question and comments, and that certainly triggered an interesting discussion.

Let's go on to the second topic that we want to look at this morning and that is retirement, and it segues nicely from what we were just talking about. Greg, let's start with you and the numbers once again.

Are we working longer?

MR. LYLE: We think we're going to be working longer. The current generation retired pretty young and they retired younger than they thought they were going to. The current generation expects to retire older than the current generation of retirees, and they -- or they actually plan to retire older by a couple of years. The older generation was trying to retire in the early sixties. The current generation is trying to retire around 65 but they expect they're going to retire later.

The other thing that's really interesting is that if they don't hit their financial goal, which is now probably more likely than not, they intend to stay in the work force which, ironically, is -- the Minister, as he's juggling health care, financial stability and sustainability, is worried about what's happening to the increasing dependency factors. More and more people are retired and fewer people are supporting them. Ironically, this says if they haven't met their goal, they're going to help fix that problem by staying in the work force longer.

What's not happening is -- there's a lot of books out there on the market talking about we need to bring down our expectations, that we're sort of the prisoner of our own desires or wants as opposed to our needs. People don't seem to be paying any attention to that.

MR. HANOMANSING: Yeah, I'm just thinking of the -- you know, Canadians here will know the slogan "Freedom 55" which was a great advertising slogan, but probably a huge disservice to potential investors.

MR. AGNEW: I mean, I think for -- on a numbers basis for the majority of Canadians it wasn't going to be a realistic goal, certainly not in any comfort -- in any sense of comfort that they could have in that retirement. And it's -- I'm sympathetic. I know it's very tough to bring down those expectations, to be the bearer of bad news, but it's absolutely essential to get people on a more realistic plain. I mean it wasn't that long ago that people were sort of being presented with, "Well, did you want seven percent growth annually or did you want ten percent," in some cases, you know, leading up to the tech bubble. Things were -- and so we sometimes have trouble learning those lessons.

But, you know, there again, we sort of -- we turn back to the sort of thoughtful balanced independent advice delivered, you know, appropriate to the client's needs, and having to have, you know, a frank discussion about what is realistic in the environment.

MR. BRADLEY: I agree with David, but, you know, where we sit today, given what's happened in the markets, we actually probably can expect ten percent plus returns for a few years. I'm one --

MR. AGNEW: I'm just going to write that down.

MR. BRADLEY: Yeah, guarantee.

MR. AGNEW: Yes.

MR. BRADLEY: I'm in the camp. I take people through the math. We've got three-and-a-half, four percent interest rate, so that's your baseline. We add on a risk premium for owning equities. That's -- is that two, three, five percent? You know, there's academics, make a career debating that. It isn't eight, ten, twelve percent. So you add three-and-a-half, two to five, you get that kind of equity return, what, six to nine percent.

So a conservative silver tsunami investor, their expected return, I've got to think, is in the four to six percent range. Somebody -- some of the youths in the crowd here, you know, it's probably seven to nine. They're mostly equities and they can take the risk.

But, as I say, having said that, I think given where we are, that this is an insensitive kind of industry and we're all feeling pretty gloomy, but we probably have set ourselves up for some "Freedom 55" for people that are young enough.

MS. SOLOV: Well, I think when individuals get their statements and they show their retirement income, they tend to make decisions at the moment that they open it. "Whoops, it looks like I'll have to work, you know, five years longer. Look, I'm way down."

But there's another reason why I think people now are not retiring quite as early, and that is just their costs. They have -- they're paying more for necessities these days. They're in -- in the States, they're paying more for a college education of their children. That's taking a chunk out of their current income. Also, there's always the concern about health care and health insurance, and many people continue to work so they can get health benefits. So there are other reasons, I think, why people tend to play and to work longer.

MR. HANOMANSING: That's interesting, because I have always noticed, long before the financial meltdown, even in very, very good times, the 75-year-old Wal-Mart greeter, for example, just south of the border. I wonder why, and I'm sure health benefits are probably a key reason for somebody continuing to work.

Do you have any sense -- and I mean we're only talking a matter of weeks, but do you have any sense of people -- of more people working longer now as opposed to a year ago?

MS. SOLOV: Yes, I believe in the States, research has shown that in the '90s, people tended to retire a little bit earlier. Now, people are retiring later unless, of course, you're part of a downsizing and, you know, there is a percentage of the population that is retiring and they don't want to retire, because either their factories have closed down or they've had a health issue, et cetera. But the trend seems to be for people to work longer now.

MR. HANOMANSING: Delia, what does retirement planning look like in Australia?

MS. RICKARD: Look, it's actually quite different. Sort of on the age thing, yes, we're working longer and our treasurer is encouraging us to work longer and there are also tax incentives to work part-time.

But I guess the big difference between retirement in Australia and Canada and the U.S. is we actually have a mandatory compulsory retirement savings scheme which came in back in 1992. Under this scheme, basically, employers are required to put nine percent of the value of an employee's income into a government-regulated retirement savings plan which we call a superannuation plan. These plans are taxed at a lower rate so they're taxed at 15 percent. Once the money is in there, you can't get it out -- there's some very, very limited exceptions -- until you've reached what we call the preservation age. Now, that used to be 55, in fact, one month after my birthday is the cut-off. It's now 60, and it may well go up again, so just another indication there.

Employees can choose which fund their money goes into, but if they don't choose, each employer has to have a default fund that the money automatically goes into. So for the generation approaching retirement now, this has only been in place for a short time but, you know, if you're a high school kid, just got your first job packing at the supermarket or whatever, you're starting to acquire superannuation from the time you're 18.

I must just go on for one more minute 'cause it gives context to the rest of my comments. There are quite strong links between the trade union movement in Australia and our retirement income policy. So it used to be part of union awards that you would have to get -- you'd get money paid into a retirement account. That's pre the -- pre the compulsory system. So we now have four different types of funds. We've got the not-for-profit industry superannuation funds which have, for the last ten years, performed the best, in part because they don't pay trail commissions and therefore they've got a much lower fee structure.

We've got the retail funds which are sold through the planners. We've got an ever-dwindling number of corporate funds, and then about 25 percent of this big superannuation industry, which is now worth more than a trillion in Australia, is what we call self-managed super funds or DIYs which is quite a tightly controlled and regulated sector where, again, you can't take the money out. There are strict limitations upon what you can invest in, so you can't just go and invest in the family home, et cetera.

The other thing to mention is when this was first introduced, the plan was that it would eventually rise up to 15 percent, because the expectation was that you needed to be putting away about 15 percent from when you started working to have a decent retirement income. It hasn't got to 15 percent, so it's still at nine percent. So there are a lot of incentives for people to pay extra of their own money into their superannuation accounts including, for low income people, there's means-tested government co-contributions for every dollar you put in. Up to a certain amount, the government will put in a 1.50.

So that's the basic landscape there.

MR. HANOMANSING: Again, we're welcoming questions from the floor. And I want to go back to something that we talked about in the conversation when Tom talked and maybe surprised some people with ten percent being not an unrealistic goal, maybe even a realistic goal.

Larry, you haven't had a chance to introduce yourself. You're the head of the Mutual Fund Dealers' Association. From your perspective, what about that ten percent return or the promise of it, not that you were making a promise, but for those who do.

MR. WAITE: David wrote it down, so I think you were making a promise. I was very -- one of the surprises for me in Greg's research was the fact that the expectation was ten percent. I was very surprised at that.

What our staff see, whether it's in the Enforcement Branch, or whether it's going out and doing compliance reviews, are that there's absolutely zero focus on risk. When an investor goes in and talks to an advisor, the focus of discussion is on rate of return, it's not on risk. And it's not until something goes wrong, as David says, in a down market, the sins all come to the surface. We find that there's very little discussion of risk. Investors that we see have no concept of risk. They don't even connect between a higher return and a higher risk, so there's not even that basic connection.

I don't know -- number one, I don't know why investors expect ten percent when it is unrealistic and how that comes about, whether it's advisor-driven, whether it's client-driven. It's probably a combination of both.

MS. SOLOV: Well, I think -- sorry.

MR. BRADLEY: I was just going to say, just following along, you know, the first thing people think of is, then, how do I get a higher return? You know, they do the math and the assets are going to produce this income. They want -- they need a higher return. So they ask whoever they're talking to, or they maybe go down the street looking for a higher return.

I think this meltdown is going to be interesting because despite what Greg's recent research says, I do think people are going to stage two, which maybe should be stage 1, is how am I going to save more? And is, in our industry, in the investment industry, that's never part of the dialogue. "Mrs. Smith, you actually should put a little more aside."

But I actually think this meltdown is going to -- maybe there's a lag, but I think we're going to get to that point where, yes, they may say, "Dammit, how can I get more return, but also I've got to put more in the bank." That hasn't been part of the dialogue for my whole 25 years in the business.

MR. WAITE: But how do you bring risk to the surface of the initial discussion? I mean, that -- again, from our limited experience, we don't see that that actually takes place at the beginning.

MR. BRADLEY: Yeah, I agree with that.

MS. SOLOV: Well, I think --

MR. HANOMANSING: So, okay, go ahead, and then I want to ask --

MS. SOLOV: Part of the problem is -- I mean part of the blame really lies with the financial service providers. I think that individuals have this expectation that when they go to a broker or advisor, they're going to look out for their best interest. These expectations are not unrealistic given what our consumers are shown on television --

MR. WAITE: That's true.
MS. SOLOV: -- and in the advertising.
MR. WAITE: The advertising.
MS. SOLOV: I mean, when you see an advertisement and they tell you you could, you know, sleep easily, your nest egg is being watched over by your broker and don't worry about it, and here you are now, and here you are in retirement, you know, on some wonderful island. If you can't take your children to their soccer games, your broker will.
So when you see those sorts of -- the advertising from the industry, certainly individuals expect that, when they walk into a firm, that person will avoid conflicts of interest and do what's in their best interest. I think that's why they're not asking about the risks. They're inundated with these advertisements about the broker really taking care of them. Also, they're thinking if I want to accept risk and do my own trading, I can trade through, you know, a company that charges me 9.99 a trade. But if I'm paying more than that, if I'm paying, you know, a few hundred or a few thousand dollars in fees, then I'm getting more than just trade execution.
MR. HANOMANSING: Right.
MS. RICKARD: Ironically, one of the good things about a downturn is hopefully some of the risk messages come across.

MR. HANOMANSING: Yes.

MS. RICKARD: We've had some terrible collapses recently, and we do a tracking survey every two years with national financial literacy and year after year, people have understood, in theory, the difference between risk and return or the relationship, but in the same survey we always ask would they invest in an investment that was advertised as having returns well above market rate at no risk, and for the first time this year we saw a five percent drop of the people who would in fact invest in that.

We're doing things like building tools where you can go online and say, well, "I'm looking to invest in this. What would be a suitable return, and what's the risk," and try and present things visually. I mean, you have to get people to use those tools.

But I think out of disasters come some learnings, but you have to perpetuate those to people then.

MR. HANOMANSING: We have a question from the floor to my left, I think. So in that corner. Yes, sir?

MR. DONEY: We don't regulate performance reporting and we don't regulate risk ratings on an aggregate client account. Is that something that we should be doing?

MR. HANOMANSING: Who would like to answer that?

MR. WAITE: Well, I'll start, and Brad, I guess the simple answer is, yes, we should be. I'll just leave it at that, but don't ask me how.

MR. BRADLEY: Oh, we do.
MR. WAITE: We do to a certain extent, I mean CRM is . . .
MR. BRADLEY: Being beholden to Larry as an MFDA dealer, we have to categorize our clients to make sure they know they are a high-risk investor or a medium-risk investor, so we do it to some extent.
MS. RICKARD: In terms of risk ratings on products, we've started doing -- we've done around debentures and some of those sorts of products, we've started doing an if not, why not, form of regulation saying, "You need to tell people what your risk rating is if you've got one, and if you haven't got a risk rating from one of the agencies, then you need to explain why you haven't got it." So it's the first step, but that's been the last 12 months.
MR. HANOMANSING: Do you have a follow-up or is that -- go ahead.
MR. DONEY: You talked about clients opening their monthly statements over the past week or so. But any client looking at that statement, all they're going to see is whether they lost money vis-à-vis their previous statement. They don't know what their risk profile is because it's not reported to them in their statement. Neither do they know what their long-term account performance is. I think those are two big failings.
MR. WAITE: Yes, and I agree.
MR. BRADLEY: And I -- you know, having started a new

company in the last year and a half, we started with a fresh sheet of paper and -- so it's easier for us, maybe, than someone who's got tens or hundreds of thousands of clients. But I can tell you it isn't that hard to do. It isn't that hard to do and clients love it. So why our industry obscures how somebody is doing, which is what they really care about, what they're paying, is beyond me.

But as you see, our industry is horrendous -- I don't know how it is in your two countries, but we go out of our way to obscure those two facts, so I couldn't agree more. But it is not that hard to do.

MR. HANOMANSING: So should it be regulated? Should it be mandated that that kind of disclosure or explanation is on statements?

MR. BRADLEY: Well, you know, we've got this --

MR. WAITE: CRM, client relationship.

MR. BRADLEY: -- client -- study going on about documents, point-of-purchase documents. The point we made to the joint forum was that the one thing that we know everybody reads is their statement. Now, having said that, I've told a few people at the table last night that everybody tells me they're throwing it in a drawer and they're not looking at it this quarter.

But the one thing, four times a year, people read their statements, or maybe monthly depending on how they're reported to. So that's where we should have the risk profile. That's obviously where we should have what they're paying and the performance and all these other issues we talk about.

MR. HANOMANSING: And so these things should be mandated, you figure?

MR. BRADLEY: I think they should.

MR. HANOMANSING: Yeah.

MS. SOLOV: Well, I think in the States they are to a certain extent. The -- formerly the NASD, but the financial industry regulatory authority has rules that apply to this area. Certainly when somebody comes in to a brokerage account -- to open a brokerage account, you have to develop a profile of that client. Even brokers who have a slightly lower standard currently than investment advisors in terms of fiduciary obligations, are still responsible for recommending suitable investments. So you need to know what is suitable for a particular investor.

But certainly I think in the States we get the same complaint. The account statements vary from firm to firm and some of them are not readable even for a regulator.

MR. WAITE: And when you try and enforce that -- and there is a project going on across Canada right now -- you hear from industry that you're talking, you know, millions and millions of dollars in infrastructure, and whether that's true of an existing firm, I don't know the answer to that but --

MR. BRADLEY: They can afford it.

MR. WAITE: I think they can too, yeah. And you would know, Tom.

MR. BRADLEY: But it is a big issue. I mean, the public always supports more transparency, and they really like it when there's more accountability that doesn't involve them having to do more work. What makes them nervous is when they hear millions and millions of dollars, because there is a pain threshold in terms of how much people are willing to pay, and it goes back to the comment that you were making about the difficult times that many people are having. People see so many fees going up. The last thing they want to do is see it cost them more to invest their money.

MR. HANOMANSING: All right. We have a question over here.

MS. HASKINS: I'm Linda Haskins. I'm a financial advisor. One comment first. Tom, you said that people don't get any -- ever get advised to invest more money, whether they're just seeking a higher return. When we do a projection and there's a shortfall, we always say, "You've got two alternatives. You can invest your money to get a higher return, or you can put in more money." I mean, that's -- that's just a given.

MR. BRADLEY: Yeah.

MS. HASKINS: But what I really wanted to talk about was the whole question of risk, and I think that's where a lot of problems arise. The industry tends to use risk meaning volatility, as a synonym for volatility. But there's all kinds of other risk. There's currency risk, there's the risk of not having enough money, and investors get very confused. I would really like the industry, where you mean volatility, to use the word "volatility", and when we have to fill out the forms showing investor tolerance, it should be clearly tolerance for volatility that we're talking about, because that's what's being measured. I think the word "risk" has so many meanings that investors get very, very confused with it.

MR. HANOMANSING: All right. Thank you. And let's go on to the next question which is over -- yes, sir -- yes, ma'am.

MS. KAEPPLEIN: I'm Kristi Kaepplein from the U.S. Securities and Exchange Commission, and for Mr. Bradley, actually, I wanted to ask about the role you think that systemic risk played in this crisis. Really, I certainly can't argue with more transparency or more disclosure of risk around individual products, but isn't a big part of what's happening right now due to the systemic risks that individual investors or institutional investors were unknowingly taking on more and more of without really being cognizant of that?

MR. BRADLEY: My ten percent comment has kind of stirred --

built my profile. I'm going to throw that open. I'm sort of -- I'm sort of at -- I'm lost on that one, I'll admit. Anybody have any other thoughts?

MS. SOLOV: Well, I think --

MR. HANOMANSING: Who's moderating this panel?

MR. BRADLEY: Trying to take over . .

MR. WAITE: He's found a takeover . .

MR. BRADLEY: Sorry, but I'm just...

MS. SOLOV: I agree with you. I think there are different risks. Certainly there are risks associated with a particular product. You know, we mentioned the auction-rate securities. They were classified as cash, they were classified as fixed income and individuals were not -- were told, you know, you can have this in seven days if necessary, so certainly there were risks with that product that weren't disclosed and many individuals needed that particular disclosure and did not need the risk of the markets freezing.

There are also systemic risks - and I agree with that - and that's the big debate we're having now. Should we have greater regulation over credit default swaps and other sorts of products and practises there, and I think that's right.

MR. BRADLEY: I think the -- sorry, the one -- I mean, it's one thing that the investors don't know the systemic risk, but I'm not sure the industry did either, and maybe that's your point. But I -- I mean, there were people in the industry that absolutely knew what the risk was, the risk there wouldn't be liquidity at the right time or whatever it is. But it's when -- absolutely some of the investors should have known or we need to inform them better, but I don't think the industry was always in a position to inform 'cause they didn't think there was any risk either.

MR. HANOMANSING: Let's go back to the microphone again. Yes?

MS. KAEPPLEIN: That is in fact part of my point, is who is responsible for watching the ramp up in systemic risk? So if I look back at previous bubbles bursting, right, in 2000 in the technology bubble, I could say that at least investors were warned. Plenty of people were saying that the values for technology companies were too high, et cetera. I can also point to, at least in the U.S., plenty of people pointing to a housing bubble and the fact that it would burst.

But no one talked about the risks to the financial system due to excessive use of leverage, a confluence of many factors like, you know, housing prices appreciating year over year in incredible ways combined with cheap money and, you know, government policy and what impact that might have on our financial system. So I'm kind of asking, you know, aren't we focused on a rare event where even if you disclosed all the risks to individual investors about their particular products, we have really seen the system stressed in a way that we just haven't before, and that the place to address that is by watching the systemic risks so that all these individual outcomes, they might not have occurred had we -- had we buckled down on the systemic risks.

MR. BRADLEY: I agree with that, although I think it's very tough, because if we look at -- in our country, the one that stares us in the face - you may not be familiar with it - is the ABCP, asset-backed commercial paper. That just blew up in our faces.

If you look at who was responsible there, you could -- there's a myriad of people, whether it's the buyer, it's the advisor, it's the person who manufactured it, it's the regulator, on and on and on. And the reason I think it's a challenge to deal with -- I can't say it -- risk, is that we're so bloody innovative, and there's so many smart people that are coming up with new ways to do things, and I think it's -- I don't think we should kid ourselves. There will be another -- maybe not a meltdown like this, but there will be another in ten years and we'll say why didn't we learn? But it will happen, so...

MR. HANOMANSING: But I think -- you know, one of the --

MR. BRADLEY: I don't want to be doom and gloom, but I think that's a reality.

MR. HANOMANSING: One of the interesting points, though, in the question is the fact that some of these other bubbles, the information was out there and the people -- we run into this in newsrooms. I'm sure all of you run into it in your offices where people will say, "Well, why didn't somebody tell us?" You think, "Really? You weren't reading the paper? It was all there."

This time was different. It really wasn't there, I don't think, at least speaking as a lay person when it comes to financial markets. Should investors have been given better information, more warnings? And maybe the answer is no. Maybe you can't prepare everyone for everything. But if the answer is yes, then who should have been providing those warnings?

MR. AGNEW: I'm not going to venture into that, not being a regulator. But I think it's hard to argue that perhaps we may have ended up at the same place, but the debate and the journey might have been different with a lot more transparency because certainly I think it's fair to say that unlike the tech bubble days when there was a lot of accusations -- well, it was really just investor greed and people kind of lost their sense of -- you know, you work for companies that have big television screens telling you what the minute-by-minute stock price was and so on.

I don't think most Canadian investors thought they were being greedy in the last little while. A lot of them were in pretty blue chip -- you know, nice safe dividend-paying stock or, as Tom mentioned, you know, a piece of paper that was sold as an analog to a T-bill or a GIC. They -- so they weren't feeling greedy when they got -- but I do think that they felt that there was information they didn't have, or the people who were selling the product didn't have either.

All right, go ahead?

MR. WAITE: The real -- I guess the real question is when you're buying a money market fund, who knew that there was the asset-back product in that -- that money market fund? And if they didn't know that that -- it wasn't as liquid as it should have been, then they should have known. I mean, I think that -- those are the -- and that'll come out in the future, I hope.

MR. HANOMANSING: Let's move on to another element of this same topic, and, Tom, I'll put the question to you. McKinsey & Company reporting that two-thirds of boomer households are financially unprepared for retirement. What about among your clients? Are you seeing anything close to that?

MR. BRADLEY: You know, we're still pretty small but we do see it. I think that -- and I'll use the baby boomer as an example, that the people that are -- or maybe they're the late stage of the baby boomer, the people that are starting to think about retirements in their horizon now and they've got a few hundred thousand or even a million plus in the bank and they're feeling pretty good about that, and then it comes back to what we talked about earlier. They do the math on what four or five percent is going to earn them, and suddenly they're thinking that isn't quite the lifestyle I had planned for retirement.

So are they prepared? No, I don't think they are. You know, the issue about low interest rates are that if -- 25 or 15 years ago, whatever, you got on -- on the bandwagon and you had long-term assets, long bonds or stocks, you've built up a really good nest egg and so you can afford to live off four or five percent.

But the people that didn't get on that bandwagon 'cause they got blown up at some past crisis or whatever and were only in GIC's, didn't get the nest egg built up. Three-and-a-half, four percent is pretty painful.

So I don't know, throw it open, but I think -- there I go hosting it again.

MR. HANOMANSING: That's fine.

MR. WAITE: You're very good at that.

MR. BRADLEY: I think baby boomers are surprised that they're -- that they don't have as much as they thought they were going to have.

MS. SOLOV: Although I think some of them are lowering their expectations for how they expect to live in retirement to sort of adjust for that.

Surveys have been done also in the United States and individuals in their fifties say, "I wish I had started sooner." It's a little bit like music lessons. "I wish my mother made me take music and made me stick with it." That's what they're saying. "We wish we had set aside more money." "We wish we started setting aside this money earlier." But many of them are looking at their retirement savings and just saying, well, I may need to live in a smaller house. I may not, you know, have a second vacation home. I may not travel as much as I would like to, and so I think that they are making those adjustments in their minds already in terms of expectations for retirement.

MR. LYLE: Are there -- sorry.

MR. HANOMANSING: No, go ahead.

MR. LYLE: Well, there does seem to be a gap between expectation and experience. People expect to live less well in retirement when they're working. But the people that are retired say they're actually doing pretty well, that they don't feel their quality of life has gone down. There's a lot of things that we pay for. I mean all the -- you know, who knows how much the wardrobe around this table cost?

But the -- you're not going to need that in retirement.

MR. WAITE: -- your suit.

MS. SOLOV: I plan to keep mine for retirement.

MR. LYLE: There you go. So the -- there's -- one thing we've seen in the research is that the people that are retired report being pretty happy in that retirement, and I'm -- and I'm wondering whether there's not a transition that we go through when we realize what retirement is really all about that leaves us feeling better off than we think we're going to feel.

MR. HANOMANSING: What should I be expecting to wear? I'm not clear enough about the sort of mandated retirement savings in -- and paying into it in Australia to know if that either raises awareness or protects people from the sort of lack of proper planning that we're seeing in Canada and the United States.

MS. RICKARD: Look, I think it's a bit of both. I think for some people, they say, "Well, the government said, you know, my employer has to put away nine percent, so nine percent must be all that I need. Therefore I just won't think about it anymore."

But I think for others that it does help to raise awareness. There's -- I mean there's so many -- you're being bombarded from every direction in society these days about the need to save and plan. So it's definitely a bit of both.

But what we're seeing is people are becoming - especially baby boomers - are becoming more realistic about the standard that they can expect. But there's also a subset of that group who are going to be much more susceptible to dodgy investment offers -- which is like is where you sit is where you stand, and we see the ones that fall for that and that's our real concern with this particular generation who clearly don't have enough.

MR. AGNEW: I suspect -- and it's way out of my bailiwick, but in behavioural terms, I mean, people look at those -- at that age expectancy and demographics and say, wait a minute, if I retire now, I've got, you know, 35, 40 years at home, and maybe that's not what I was thinking about. So maybe I'll keep working part-time and -- if I can, and you know, making -- so it's a different kind of transition to retirement. And frankly, for some people, it would be an easier one given what they do have to fall back on.

MR. HANOMANSING: Let's go back to some numbers, now, Greg, and that moment sort of demographically where debtors become savers.

MR. LYLE: Well, I mean, that's very much tied to lifestyle. I mean, it's -- and if you want to find someone who's a saver, you're going to find someone who's married, someone who has kids that have left the home, someone who is doing better financially obviously.

On the flip side of that, if you find someone that's low income, single parent, kids at home, forget about it. They're in a hole and they can't get out of it. So we're very much captured by our demographics in terms of whether we're able to turn. But most people seem to be able to turn. Somewhere around 45, we move from owing more than we've got in terms of assets, to having more assets than owing things. And by the time we get to retirement, it's a five-to-one, six-to-one, I've got more assets than debt versus I've got more debt than assets.

It is a pretty scary world for that small minority that are net debtors by the time they get to 65. That creates its own unique social program -- or problem. But the -- you can see that transition happening, and it makes perfect sense, and for most people, it leaves them in a situation where they're actually pretty happy in retirement.

MR. HANOMANSING: Just thinking of the demographic factors you mentioned, you know, raising kids, I mean, single or married. You didn't mention the big demographic factor that Tom and I are both struggling with which is house renovation, which has completely changed the entire economic equation, at least for me.

Delia, let's move to a topic that I think you enjoy speaking about a lot, behavioural economics, and in particular, how it affects people's economic decisions in relation to retirement planning.

MS. RICKARD: Okay. Look, I think most of us when we sort of start off learning about this area, get given, you know, economics number one, that human beings are rational, we give them perfect information, they will make optimal choices. As we all know, that's not true. In fact, I always laugh to think that someone could get the Nobel Prize for economics a few years ago for telling us that consumers, in fact, don't behave rationally. You just have to look around.

So behavioural economics is really the study of what people do, what investors actually do as opposed to what this model perfect investor would do. I think it's got lots of good learnings for all of us who are involved with trying to help people to make better choices, make better decisions, and it's a reasonably new science I guess. There's a number of themes of the work so I won't go through all of them.

But one -- one -- I guess the best-known theme is around choice overload and I suspect a lot of people in this room are familiar with the jam jar example. You go into a supermarket and they've got set up 40 jars of jam there. Lots of people stop, almost no one buys. Over here, you've got a supermarket with sort of six jars of jam. Not as many people stop, but about 30 percent of the people buy. I think what consumers are confronted with in terms of investment products these days is such a myriad of products out there that it almost leads to paralysis. It just gets too hard.

So in terms of designing retirement income products or any other sort of financial thing, there are real lessons in there about the optimum number of investment options you want to fund to offer, for instance -- I mean, in Australia, we're seeing funds that offer 200 different investment options. It leads to people making no decisions and therefore not even engaging with those products.

We're also seeing -- they've also done a lot of work around what they call hyperbolic discounting, which is fancy language for telling us, again, what we all know, that it's easy to engage with the here and now and the concrete than it is to engage with the abstract and the future. So that tells that there's lessons for us there if we're trying to encourage people to start saving for retirement from an early age, about how we do this. A lot of this is what advertisers seem to have known instinctively forever, and bureaucrats are just playing catch-up.

Well, how do we, you know, talk to a school kid about why it's important to be putting money into a superannuation or a savings plan now? We've just done a big thing for high school kids around this. I don't know how successful we've been, but it's about trying to bring immediacy and a sense of the here and now, the concrete, to something that for them is really quite abstract.

Another big area of their work is around framing which tells us that -- and again, this is -- it sounds like such common sense when you talk about it, and again, is typical for advertisers to understand this and you've already alluded to it a couple of times this morning. The decisions we made are based so often about the context within which they're presented to us, how they're framed. And investment advertising is a classic here. We went back and looked at the advertisements for a number of products that have caused us concern -- like including one of the ones that collapsed which we knew investors thought was safe. We went back and played -- replayed the radio ads and one of the ads went something like this:

You hear a person snoring and then the voice-over says, "Listen to that. What a beautiful sound. It's the sound of "x" investor sleeping soundly. "X" investors invest with certainty and earning up to 9.7 percent per annum," so not outrageously high. Now, that's a great rate, and with a fixed interest. So, you know, how you frame and present that, it plays to all of those concerns with safety, all of the things that we know people are looking for.

The other bit of work that's been done in this area is around what they call the default buyers 'cause they -- we keep looking at this saying, well, how do we use this research which is ever-growing to help us to get people to make better decisions? I think this has huge implications for public policy, and New Zealanders have certainly used it.

What we know, to use an example, if you look at Europe and organ-donor raids which is highly relevant, obviously not to this particular topic. But in those countries where the default is that you will give your organs -- donate your organs if you die, without doing anything, that's just the standard position, something like 90 percent of people are organ donors regardless of whether or not it's a religious country or not.

In those other countries where the default option is you won't unless you sign a piece of paper, then I think the rates are around about 15 percent despite massive campaigns trying to get people to do it.

So the New Zealanders have just introduced a sort of not-compulsory retirement income system but somewhere on that journey. Their default option is if you're starting a new job, employment, that your employer will put "x" percent away for retirement savings unless you sign something that says, well, no, I don't want you to, I want to keep that money.

Employers are starting to help their staff put in place -- there's some savings programs by agreement saying, you know, you sign up beforehand. We know that it's easier to do sensible things with money we don't have in our pocket than with money we've got there and we're used to allocating. So you sign up and say, well, I will put half of my next pay increase into a savings account.

So I've done a lot of work around default buyers so I won't keep going on it 'cause I know it goes too long, but it's a really interesting body of research. I guess the bottom line is that, as regulators, we need to consumer-test everything we do. We put in place what we think are good policies and then we find that sometimes they have perverse effects.

So we found that disclosure about commissions, which we all think will help bring transparency -- they've done some research in the U.S. that shows that it builds trust in the advisor because even though it's being done compulsorily and by law, the consumer says the commission disclosure says, well, that must be an honest bloke for telling me that. So consumer-test everything.

MR. HANOMANSING: Well, the default system, our cable TV companies have learned that very well, negative billing, and that's how I ended up with the Ecuadorean soccer channel and didn't even realize I had it, for years.

We have about ten minutes before our break, so we have a bunch of stuff we want to get through quickly here. Greg, why don't you tell us the numbers about what -- how investors do make their investment choices?

MR. LYLE: Well, I mean, let's just build on those comments. The most important thing to understand about investors is the way they see themselves, that we are emotionally driven. The single most important thing we learn in the work that we did with the Commission with the Grade 10 Planning tool was the single biggest win they could achieve. These kids come into that program as Grade 10 students with no sense that they would be investors, no sense that they needed a plan, no sense of any of these things, and coming out the other side saying, "I could be and should be an investor."

Once you have that motivation, once you say, "That's me," then you start seeking out information. Information is going to change. We talked about that. Going through a training exercise that has kids answer true and false questions well, but at the end of the session say, "Well, that was the most boring thing ever and I don't get how it's useful to me and I'm never going to learn another thing about it," is almost the opposite of what you want.

So what we see in decision choices is it's those sort of emotional anchors that drive the whole exercise. It's absolutely true that the average Canadian knows very little in terms of financial facts. But it's also true that we have these emotional shortcuts, habits or values, that drive us to safety. Now, that may actually -- and I hadn't really thought about it until I was listening at this table -- that may actually be bad. I mean we have a tendency as Canadians to go to safety. It's our habit, it's our value. And we also know, as Canadians, one thing we do know, is that when we retire, we're probably going to be around 20, 30, maybe more, years and we have to live off those savings. We're not connecting that. We don't -- we are not connecting that going to safety may mean we don't have enough money at the exact time that we want to be living in dignity, and that I thought was the most interesting thing we've heard here.

You can see those, the emotional connection coming together and these habits and values that are protecting us in this downturn, potentially limiting our ability to live the life we want to live in retirement.

MR. HANOMANSING: Larry, what about the role of a registered advisor in all of this?

MR. WAITE: Well, the benefits of people using a registered advisor are that there's certain minimum standards, there's a minimum level of proficiency that you can expect from a registered advisor. There's supervision, both by the dealer of the advisor and there's also supervision by the regulator of the dealer and the advisor.

There's a standard of conduct, there's conflicts, there's rules that they have to apply to, and there's also access to OBSI and the MFDA complaint process as well. So are you better off using a registered advisor? Absolutely. You're now in the regulatory environment.

MR. HANOMANSING: So using a registered advisor, David, but what about the dangers that you see or the risks of complete reliance on that advisor?

MR. AGNEW: Well, I mean, look, in the perfect world, you'd go to the advisor and you'd get balanced thoughtful advice. You'd get it free of conflict, you know, independently delivered according to your risks and you've just enjoyed your hour with Tom. And actually I think most advisors would say that is the way it works. You know, that's the way it ought to work and Larry's outlined the -- sort of the regulatory environment around there.

Of course, you know, my view through the telescope is a different one and it's -- so we see where it doesn't go well. And it's not just the people aren't being matched -- you know, it's not just the -- there's sort of two ends of suitability. There's product suitability and there's -- and then there's client, you know, when you're measuring the suitability of what works in your client's financial circumstances and personal circumstances. I guess we've talked a little bit at this table about, you know, what happens when in fact the advisors aren't really on top of their products, 'cause that can lead to a -- that can lead to problems as well.

MR. HANOMANSING: Tom? Just in terms of, you know, from your perspective and clients coming in and relying on you, what sort of due diligence do you use?

MR. BRADLEY: Well, we sub-advise our funds and so the kinds of things we do, we do think clients should do as well, so we're very transparent about our process ultimately translating through to the clients. But -- so you want to look for somebody who's got experience. I'm an MBA, but I don't want somebody two years out of MBA school running one of our funds or, I think, running our clients' money. So we look for experience, we look for organizations that give those experienced people the opportunity to do what they do best.

Interestingly, we look for alignment between the manager and the client. Does the -- whoever is managing -- I'm personalizing it, but whoever is managing our money, our funds' money, do they have their own money there? I think that's something that this industry, if you could regulate that - and I know we can't - but if we could regulate that, I think the world would be a very different place.

And then we translate that through to the client, what -- you know, who are our managers, what's their background, what's their experience, what's their record and those kind of things.

MR. HANOMANSING: Delia?

MS. RICKARD: I think -- look, I think the world needs more Toms. We certainly do in Australia.

Look, we've got a much lower usage of advisors in Australia. I think only about 34 percent of Australians have ever seen an advisor. Probably the -- partly the compulsory system is to blame for that, but it's also about the fact that there's a high level of distrust. There's a combination of reasons why people don't use advisors. There's distrust, there's concern around trails and the potential for buyers. But there's also over-confidence in thinking, well, look, I can do it myself. And there's a shortage of good quality advisors for people who don't have a lot of money to invest, and they just -- and just getting access to them.

So it's a huge area of work, I think, probably everywhere in -- because people do need advice. It's just too hard to do it by yourself, getting the setting right with industry so that you can build that trust and confidence and it's affordable and accessible.

I think in the meantime, though, that there are things that we can be looking to do which are a halfway house for simple decisions. So new technology provides us with all sorts of opportunities to provide people with tools. If you work through things particularly problem by problem as opposed to complex plans, to actually give a degree of personalized advice that people can have confidence in or that they can run advisors, things against.

So now that we've got a greater appreciation of the need for advice, I think we need to be thinking not just how we work with industry to get that delivered, but also, well, for those people who aren't ever going to be able to afford accessible advice, what other alternatives could we start providing people with?

MR. BRADLEY: I think -- it's interesting, because I don't think Canadians feel any different about their advisors than the description you've given, but our proportions - and Larry may know the numbers - is way higher. I mean, I think the people that use, in a bank branch or through a brokerage firm or whatever, use some kind of advisor is really high.

MR. WAITE: Much -- I don't know the exact number, but

you're right.
MR. LYLE: It's about half.
MR. HANOMANSING: So, Larry, when you look at what your member firms are doing in terms of due diligence and marketing, what have you seen over the years?
MR. WAITE: Well, we've -- we did our first compliance examination six years ago. Prior to that, the Commissions were doing it directly and the first round, there was very, very little due diligence. There was next to nothing.
The second round, it's getting better. Our expectations are that the more complex the product, the thicker the due diligence file should be. But not only should the member or the dealer be doing the due diligence, it should be downloaded to the advisor. I mean, no advisor in this country should sell a product that they don't understand. That's all part of the due diligence process.
April of 2005, we issued a "Know Your Product" notice to all our members. It's on our website. It was an attempt to say here's -- here are your responsibilities. You have to know what it is you're selling and so do your advisors.
MR. HANOMANSING: So we have two or three minutes here before the break and we'll resume after that with more topics and more questions, but I just want to quickly deal with one last part of this topic and conversation

which we touched on earlier. That is getting information to investors, to individuals, that they'll actually understand, and also that they'll even try to understand and read.

You know, the way things go in our house is we get our statements in the mail, my wife goes through it line by line, I put it straight in recycling. I just find it not that interesting. So any concrete advice on how to make those piles of paper comprehensible but also make people like me actually want to look through them? Well think about that. Think about that.

MS. SOLOV: You are our challenge.

MR. HANOMANSING: We'll talk -- you know, what, though, I don't think I'm alone. I don't think I'm alone in that at all. You can make people literate, but, you know, what --

MR. WAITE: You can't just then --

MR. HANOMANSING: Yeah.

MR. WAITE: And you can't make him read a prospectus.

MR. HANOMANSING: No. But there must be some way that we can do that. I see there's a comment from there. We'll maybe go to that after the break. You can go ahead, Tom.

MR. BRADLEY: Well, to your point, I think it's in the first 30 seconds after they open that statement. If you want them to know something, it's got to be when

that envelope opens or, in our case, we deliver it on line. But it's got to be right there.
MR. HANOMANSING: Maybe cartoon graphics. That might work.
MR. AGNEW: No, but I think that's -- I think that's the key. I mean if -- and we should -- maybe we should just talk about this.
MR. BRADLEY: There he goes.
MR. AGNEW: What do you see when you open that up? And if it's not something that you can relate to, as someone who isn't, you know, particularly trained or enamoured by the topic, then you're going to put it aside or give it someone like your wife who does have an interest and does go through it. So partly it's the incomprehensibility and the lack of reference point.
So as the questioner said earlier, if all -- if it doesn't really tell you very much at all, then it's not a valuable document for you.
MR. LYLE: But at the end of the day, codes and standards is the only way to be sure that something is going to get through. There's just a reality that a certain number of people are going to disregard e-mail and mail, and if it is -- if we really think it's critical, like doing a risk review every year or every couple of years, then we're going to have to make it mandatory as part of the relationship. It's the only way things that must happen will happen.
MS. RICKARD: And it's got to be simple, it's got to be

short, relevant and personalized, and preferably all on that one page, and telling people things that they want to know that gives -- and contextualize, I guess, is the other thing. So if you're just saying a number at the bottom of the page, well, what does that tell you about what you're going to have in the future? So maybe you look at, well, what does that mean for me, you know, in terms of what I'll have to spend per fortnight in the future which is sort of stuff that's being played around. But more personalized.

MR. LYLE: My advisor's company, which will remain nameless, sent me a flyer at the beginning of October, a regular monthly newsletter, on vacation spots in the wine country of California. Not that it's not very nice, but it really wasn't what I wanted to read about.

MR. HANOMANSING: All right. Well, thank you very much. We're going to take our break now. Keep in mind we have the survey machines outside and, as you heard Doug say, you're encouraged to fill out that survey and you can win your choice of $150 gift certificate to Harry Rosen, Holt Renfrew or donation to charity of your choice. If you get the Holt Renfrew certificate, you can pass it on to Delia who needs to buy a new wardrobe -- well, at Holt Renfrew, maybe a new pair of gloves.

MS. RICKARD: Yes, I was going to say.

MR. HANOMANSING: Our panellists will be taking a break. Also some of them will be talking to the media, and we will be back in about 30 minutes. Feel free to mingle with the panellists during the break as well. So see you soon.

--- PROCEEDINGS RECESSED

--- PROCEEDSINGS RESUMED

MR. HANOMANSING: Welcome back, everybody. I hope you enjoyed the break. Now we're into the sprint towards the end of this. We have lots of topics to cover. I'm sure it will be as equally interesting and engaging as the first session was before the break, and we're going to begin with some questions, because I know that some of you have been very patient waiting to ask your questions. The first question is right where I'm pointing. Yes, sir.

MR. ADAMSON: Well, my name is Robert Adamson. I'm the Executive Director of the CIBC Centre for Corporate Governance and Risk Management at the Segal Graduate School of Business. I've been very fascinated in the conversation this morning, particularly in the discussion of tools that we already have built in, such as disclosure, materiality, fiduciary duty. Building on that acknowledgement, and in light of the discussion about what might yet be inadequate, even with those tools that we have, and in light of the fact that those tools weren't enough to protect not only investors, but very sophisticated investors, from things like the ABCP, asset-backed commercial paper, ending up with these investments that people, even sophisticated investors didn't really know about, including pension plans, et cetera, and linking that, perhaps that acknowledgement of some of the gaps that still exist at the regulatory level, so that -- that aren't captured even when you get this financial statement, that it's just not adequate because a lot of the information just isn't known to disclose.

The question is how do we anticipate -- how do people -- how do investors ask for, how do institutional -- how do advisors deliver, how do pension funds capture this growing complexity of financial instruments from collateralized debt obligations and securitized instruments and asset-backed commercial paper? And in the future, perhaps as the world becomes more liberalized in the trade of financial instruments, you can potentially have Chinese banks and Russian banks marketing even more complex investment instruments, and even with less disclosure potentially, depending on how that regime unfolds.

I know it's a futuristic question, but I'm wondering what the panellists think of any of those issues.

MR. HANOMANSING: All right. Thank you very much for the question. Who would like to jump in?

MR. BRADLEY: Well, in my -- I'm very simple-minded in this respect that I would only start it off by saying I think there's two questions we have to ask the regulators -- and users -- but the regulator should ask the product manufacturers and that is, is it good for the client and are they invested in it? Are you, the producer, invested in it?

I tell that story only because -- or I have a story related to that, and that is in my former life, at a much bigger firm, having I-bankers come in and talk to me about how they could use our management skill in some kind of fancy product. I always ask that question. I said, "Is this good for the client?" And I never got -- whenever I didn't get a straight answer, it was a very short meeting and it was over. And they'd tell you it will sell, we can market it, but there was never that -- when the answer wasn't there, we left it -- well, we left them all, really.

But -- so I don't know, it's a very simple approach, but, "Is it good for the client," is -- if they stumble over that, I think it's pretty telling to a regulator, to a client, whatever.

MR. HANOMANSING: Anyone else want to jump in? Delia?

MS. RICKARD: I should first of all say I'm speaking as an individual, not on behalf of ASIC at this particular point in time. But, look, I think that we have reached a stage with such complexity that we do have to go back and, darest I say it, look at, well, is there any product regulation in some instances? Are some products so complex and so inherently dangerous that we need to be doing some tinkering with them? We'll talk about some of those later.

The other thing which -- issue that's come up is should retail investors be able to invest in some of these particularly complex and dangerous products? I know there are a range of views around that, but I think the time has come when, you know, there needs to be a proper and informed debate around some of these solutions.

MS. SOLOV: I think that's right. And I know many firms do have - speaking of the brokerage firms and other financial services firms, product development groups, new product development groups, and really, in that area they need to take a better look and say are we creating this product as a money-maker for the firm because we're in the business of keeping ourselves going and making money, or is this product something useful for an actual client?

So I agree, you have to ask those questions, and I do think that there is room for more -- more regulation. I know there's been a debate about regulation being expensive and, to some extent, certain regulation is. But you have to balance and say do we want to get to the point where we're just allowing everybody to self-regulate themselves? Because that obviously doesn't work. We see now with this mess we have, it's not worked. So I think that there is some room there for regulation and certain products should not be marketed.

MR. HANOMANSING: Oh -- I'm sorry, yes.

MR. AGNEW: Well, it's a variant and it's certainly simple. It's a variant of Tom's questions which is basically, I think, whether it's the investor -- or certainly the advisor to the investor is -- can -- is this something that they can comprehend? Is this something they can get their mind around? And if it isn't, you have to ask yourself very seriously, "Is that something that you can sell to that person?" If they can't understand it, they don't know the basics of how it's going to work and -- and certainly we know that with these more complex alphabet-soup products, there's a big knowledge gap even amongst the advisor community and the firm community, because these things are remarkably complex. So it's a simple test, but it -- I think it speaks volumes.

In Ontario, there's an effort going on right now with the MFDA, with IIROC, with the OSC and ourselves, asking questions of basically the investing public around product suitability and what in fact -- what in fact regulators ought to be doing. We're going to --

it will be interesting to see the range of views that's expressed, but I don't think many people think the status quo is where we need to be.

MR. WAITE: And one of the questions in the project David mentioned is should we be banning certain products to retail investors, and I think that's an open question. As David says, know your product is the key, and if you don't understand it, don't sell it.

MS. RICKARD: And don't buy. That's what --

MR. LYLE: Yeah, don't buy it.

MS. RICKARD: If you don't understand it, don't buy it.

MR. WAITE: Even more important.

MR. HANOMANSING: All right, thank you. We have a question from this side of the room now.

MR. NOVIN: Farid Novin and I am -- I have a number of hats. I am representative of the Bank of Canada, but the question I am asking is from -- I teach capital markets at various universities, and also I want to ask this question as somebody that's very close to retirement.

Well, my question also relates to the question that lady asked, systematic risk, and I want to use another word that Tom can really relate to that’s probably better and can pronounce it. It's called paradigm shift. What that means is that when I was teaching capital markets I was talking about six hours about the differences between Japanese investment environment and North America. I still cannot wrap around my mind that we don't have, suddenly Wall Street has been disappeared. Five of the investment banks are not any more.

Not only that, we are seeing now Federal Reserve deciding about mortgages, who should get mortgage or not. Not only that, Federal Reserve now calling nine banks and there was a -- this Friday, an article in *Wall Street Journal* saying that this was voluntary but it was like soldier is voluntarily doing a task. So in that sort of environment when everything is now becoming -- we are -- we're really are not anymore -- I don't think that we are in old markets, market economy anymore.

As somebody who is close to retirement, I'm thinking that the next five to seven years, what sort of environment we are living, and how risk and regulation and rate of return can be determined in a market which a congressman, for example, can decide what firms can have access to credit, and which one not have that sort of ability. It's kind of like -- reminds me of Soviet Union, sort of. So I appreciate if you can answer me.

MR. HANOMANSING: All right. Thank you very much. That's for Larry, I think.

MR. WAITE: No, I gladly hand it over to David.

MR. HANOMANSING: Well, I mean, I guess -- you know, let's look at the question broadly, is that we are on the verge of, you know, breaking new ground here when it comes to the way governments are involved in the market, the size of -- the scope of this meltdown. And so in that kind of environment, how do you properly give advice to clients, for example, or even figure out the terrain on your own?

MR. BRADLEY: Well, Delia sort of touched on it. I think it will -- there's some really positives that come out of this and there are real by-products, believe me, 'cause I think people will boil back to more simple basics.

What we talk to people about, even though we're an active manager, is -- is where's everybody's baseline? Well, everybody's baseline is buying through a discount broker, an ETF that gives them exposure to long-term assets or domestic equities and foreign equities, and sort of that's the baseline. Then they decide whether they want to go active and they want to do some more exotic things from there.

So I do -- I'm optimistic that this will get us back to more sort of basic concepts, and I think people will be better investors as well, but as a result.

MR. WAITE: I guess -- I think one of the questions, will there be more regulation as a result of what's happened, and I -- speaking for myself, I sincerely think there will be more regulation. I guess the hope is that it'll be -- it'll be focused and effective and not overkill.

MR. LYLE: Well, focused and effective regulation is interesting, be interesting to see if it can be achieved. But the -- I think the reality is that this is all politicized now, right? We've nationalized the risk, right, we nationalized the downside. Central banks and governments across the developed world have bailed out financial institutions all over the place and in many cases now, are actually participants in those companies. It hasn't happened here, but happened almost everywhere else.

The taxpayers aren't just going to sit there and say, okay, well, then go off and do it again and, you know, you're not accountable to me. I mean, they paid the price and they're going to demand accountability.

The other thing that you know about this is that, you know, Wall Street and the equivalent all across this world is now one of the easiest political targets there is. I mean, if you're running a campaign, the best thing you can do is get the other guy on the side of the "Fat Cat" Wall Street people that don't want to be accountable for the money they've received from Main Street. That's just not sustainable. Any politician that's out there that isn't looking at regulation is going to feel tremendous heat.

MR. AGNEW: I think that's the reality. It's -- the dialling back or the exiting of what has been forced on many governments and many markets, to retreat to where those governments clearly, across the board almost, can feel more comfortable, is going to have to come at a price and it's going to be, as Greg suggests, easy pickings for those who just say, well, the crisis over, there you go back, we're now in our traditional spot. No, they're going to demand, I think, some of those things that we've been talking about, more transparency, more accountability, more regulation.

MR. LYLE: And on the product side as well.

MR. AGNEW: And on the product side as well. That -- I mean, that's -- that would appear to be where we are. But, of course, you know, the other realities in life, that things that are temporary can become quite long-lasting, and we just don't know how this is going to play out, obviously.

MS. SOLOV: I think that we will have more regulation, but it's relative. Because at some point in time, you know, we had more regulation and then we had less regulation over the years. Even with the example of the mortgages and the banks, local state governments had some regulatory authority, and then we had a few Supreme Court decisions and one of them involved the bank that now had to be bought out by another bank recently. Although I understand that they vacation in the Greek Islands, I guess that was a parting gift to themselves or something like that.

But anyway, you know, the court decisions went against the state regulators. You know, they attempted to control some of the predatory lending, and they said, no, that's not within your scope and jurisdiction. So I think we've had some de-regulation, and now we're going back to more regulation, and even more than that, and as a necessity. So that's the environment.

But it happens. I mean, when -- this is not too different -- well, some analogies can be drawn to what happened with Enron. I remember reading in detail Enron -- and there, there were transactions that were made and book-entries were put on the books and people didn't really understand it. But people on the firm side, well, you know, we have the brightest MBAs from Harvard running this area. We don't understand it, but surely they do.

And that happened a little bit, you know, on Wall Street. We have the brightest people running, you know, Lehman Brothers and others. We don't understand what they're doing, but surely they do. I think now we have to question it, and the auditors have to question what's on the books, and if you don't understand it, you need to have it explained. I think that's where we're heading.

MR. HANOMANSING: All right.

MS. RICKARD: I think regulation -- the whole science of regulation these days has come a long way from a few years back. So it is all swings and roundabouts. Any new regulation these days, whether it's in Canada, the U.S., Australia, goes through a whole cost-benefit regulatory impact, what are the options, what's the least cost benefit. So that I don't think we'll see a lot of the really bad regulation we've seen in the past. There is a lot more testing, even when we're having emergency responses, to get regulation up these days. So I don't know that it's something we have to be totally scared of.

MR. HANOMANSING: Let's go to our next question now, which is in this area. Yes?

MR. PASCUTTO: It's Ermanno from FAIR Canada. There is a regulatory issue that's coming to the forefront right now in Canada which is an impact on most Canadian investors, certainly Canadian investors who purchased mutual funds, and it's referred to as the "point of sale". It's a simple one sheet of paper -- two sides of one sheet of paper, disclosure of the key points of a mutual fund.

That project, from beginning to finish, is going to be -- is going to have taken ten years. Now, I know, and I think everyone else knows, that it's more likely that the investor will read that one sheet of paper, two-sided sheet of paper. So I have a couple of questions to the regulators. Why aren't you getting on with it? Why don't you move it forward more quickly?

To the industry which is -- which is opposing it, essentially on the basis that there'll be more disclosure about their fees, to the industry, the question is rather than arguing that it puts you at a competitive disadvantage to disclose your fees, why don't you turn it around and say we are going to give our clients more transparency than the people who sell other products, and that is an advantage on dealing with us. So turn this issue into something that's positive for the industry instead of resisting more disclosure to retail investors.

MR. HANOMANSING: All right. Thank you. The one-page two-sided statement, why don't we have it?

MR. WAITE: Well, Ermanno is right. It's morphed in -- over the last ten years, it's morphed into this, because this product, it's a CSA initiative. They're working closely with both IIROC and the MFDA and I believe it's about to come out.

Again, the criticism we've heard from the industry is why, why only mutual funds, why not equities? Why is this document being focused on the mutual fund industry? It's a lot better than the prospectus. People will read it, Ermanno's right about that, and it's information that the investor needs and will read.

From the industry's point of view, I just turn it over to Tom.

MR. BRADLEY: Well, I don't think the industry is -- I think the industry has accepted it. The industry has said it's an improvement. There are some sensitivities on fees, I'm sure, but I think everybody has kind of said, no, this is a good thing.

My reading on it is that the industry is saying if you're going to add another piece of paper and another part of the process, then what are we going to drop? Are we going to change the prospectus? Are we going to change the AIF? You know, is it just another document we're going to add?

So that's certainly my view, but I think the industry is saying that. I think Larry's right, I think it's -- why are we going to push people out of very well-regulated mutual funds? As a dealer and a producer, I can tell you they're well regulated -- into -- potentially into products that are less regulated, and in some cases, where it's the Wild West.

So I think that's where the industry is coming from. I don't think -- but the bigger one you haven't mentioned, Larry, is delivery.

MR. WAITE: Yes.

MR. BRADLEY: Do you have to deliver it before somebody does the transaction, and I think the industry has got some good points there. I think the clients will be irate if they can't get a trade done before the close on Tuesday because you've got to deliver this document. That's what we're working out right now.

MR. WAITE: And that's been the main complaint that we've heard from the industry as well.

MR. HANOMANSING: So a lot of these investments are complex and incomprehensible to the average person. There's one area that many people feel that they understand very simply which is real estate. Let's move on to that topic now. What does your research -- and I guess this is the research that was done in July -- tell us about real estate and the role in people's investment profiles.

MR. LYLE: Well, I mean, the big -- we have, I think, positive news on this one. First, two-thirds of people do own their own home and that increases as you get older. It's clearly associated with having more assets. But people don't tell us they're depending on their home to pay for their retirement. They are expecting other assets. In fact, there's -- it's not just that they're not expecting to rely on their home, they're not expecting to rely on the government, they're not expecting to rely on their kids. They're expecting that they're going to have to rely on their own savings.

Now, they know there's some money coming to them from the government and they know they need some place to live. But most people are not depending on their home. We did ask if people are more concerned about their ability to retire because of their home price, words to that effect, and that didn't change dramatically.

What we did find is where their sensitivity comes back to the comment made before about the cost of living, and a big concern isn't among investors and people with assets. The big concern is among the people that still have their mortgages. Their concern, if there was a rise in the cost of capital, a rise in interest rates, that that could create a squeeze for them. But, at the moment, that's not a particular concern here in Canada.

MR. HANOMANSING: I don't know how big your sample was in terms of being able to look at this regionally, but I wonder if you saw or if there likely would be a difference between places like Metro Vancouver, where the house prices are so unbelievably high and, let's say, you know, any -- pick a -- Edmonton, let's say.

MR. LYLE: Right. Well, they -- what is true about B.C. and Vancouver on this is that people are better off in terms of the asset mix. But they still say, even though their houses are worth more, that they're not depending on them. They are, though, very concerned about that -- again, if they have a mortgage, they're very concerned about the cost of that mortgage and that would be even more so here where the mortgages have to be bigger.

I won't use Edmonton as an example because I've seen house prices there lately. But you might want to think about -- actually, it's pretty hard to figure out an area that hasn't had a big price spike in housing. Well, let's pick southwestern Ontario. The -- overall, people are not as dependent. We were concerned people would be dependent, that people were depending on their houses to pay for retirement. Just not true, and they're not any more sensitive to that as a result of the downturn, and the main concern there is among the people that are not investors, that a rise in the cost of mortgages would prevent them from starting the investments that they've already delayed.

MR. HANOMANSING: Tom, what are you seeing in terms of real estate and your clients' plans or expectations?

MR. BRADLEY: You know, I think there's -- we've had a long cycle and we've been, until very recently, immune to what's been happening in the States and I don't think we'll have nearly the -- we don't have the credit practices they have, so I don't think our down cycle will be as much. But I do find as -- we're talking stocks and bonds, but there's assumptions about the real estate component of somebody's assets that's a little naïve, I think, and it's because the cycle has been long and we have short memories. So people just kind of expect -- oh, maybe it's going to flatten out. That's what you hear the most, is it's going to flatten out. I see there's a few "for sale" signs around, but they don't really think that it could go down.

So I -- we don't talk real estate with our clients, but I would say people are a little bit -- they're very conscious of their stock portfolio going down. I don't think they think their house is going to go down in value.

MR. HANOMANSING: I'm fascinated to hear the answer from south of the border because obviously it's a much different real estate market there.

MS. SOLOV: Yes, we have a word for it: bust. This is really, actually, a very complex area. Now we know that many of the homeowners, who Tom mentioned had different credit and spending histories than Canadians, are blamed for contributing to the entire downfall of the financial markets, although you claim they're going to go up ten percent or something soon.

I think it is a complex area. Certainly in the States, home ownership was encouraged. From one perspective, it was encouraged because people tend to take care of what they have. So if you own your home and you care about it, that's a good thing, versus renters, ah, you know, they're living there for a while and they may move on, et cetera.

Unfortunately it became very easy to get a home that was beyond the means of paying that mortgage. Not only were people -- certain people buying homes, and they were encouraged by certain mortgage brokers to do it, that were too big and too expensive for them. But then, on top of that, they were anticipating that the price of that home would just continue to rise. So then they obtained home equity loans.

This is, you know, some examples that we have in our office. Some individuals were encouraged and obtained home equity loans to make investments in other real estate development projects. We had a huge fraud in the Hispanic community in Chicago, into the millions, where individuals bought homes and then they were conned into taking out home equity loans and investing it in other products so they could make money. So that piece of real estate really became not only your home where you would live in, but was viewed as an investment.

Unfortunately, due to individuals not being able to pay off their homes, these mortgages being sold and repackaged and resold again and again, and then of course there was always an area -- a group of individuals who just bought speculatively, especially in some of our more southern warmer climates where they anticipated they would buy a condo in Florida and then they would flip it, et cetera. Unfortunately, people now have lost some jobs due to downsizing, can't pay off their mortgages, and then with the other issues, we've got ourselves a real problem.

MR. HANOMANSING: David, the home equity loan scenario in Canada, you must be seeing that?

MR. AGNEW: We do, and it's troublesome when we see it because usually what it means is that it's typically perhaps someone -- Tom was describing those people coming up to the retirement age, or even those folks who've come off the defined contribution plan and there isn't enough.

So what, as their advisor and sort of advisors who specialized in this and even some firms who make a practice of it, go through your "Know Your Client" and, you know, total up your assets and there's a house. And you've either -- maybe you're still paying on it, but you've got some equity, particularly thanks to the lift in real estate markets across Canada, so why don't we borrow against that and do some investing, because it -- you know, we'll hurry up and build your portfolio faster.

Of course, what's not disclosed, that in fact you're magnifying your risk by doing that. If you -- you know, the truly toxic combination is you've done that and then you've got some inappropriate investments and you're not -- you're way behind the eightball at that point. That's very sad, particularly when you're seeing this in people at retirement age or close to it. They just don't have the time to make it up and they're stuck with a bill besides. So it's a particularly bad brew.

It's not inappropriate in all circumstances; that's not the message. But certainly it's wildly inappropriate in circumstances.

MR. HANOMANSING: Delia, in Canada, we have lots of ads for reverse mortgages. Tell us whether that's happening in Australia and what the impact is.

MS. RICKARD: Look, it is happening in Australia. I think we've had less time than you have, so really about four years ago reverse mortgages started to appear in our market. There's clearly a need for it. There's a whole range of people who hit retirement who are asset rich, cash poor. We've had a number of large concerns about these products. When they first started to appear, they appeared without any -- no negative equity guarantees. They had a whole range of very minor things, you know, you don't paint your house every three years, it would trigger default.

We also found that there's a real lack of good quality advice around that. Where they were being sold, they were commission-driven sales and people were ending up borrowing a lot more than they'd planned to. We've done a survey recently of people who've taken out these loans, and what we've found in almost every case is they've borrowed more than they originally intended to, and where they've taken it as a lump sum, they've spent it much more quickly than they intended to and there's a real risk that they're going to run out of any kind of access to money from that home very quickly.

So it's an area where there's a big debate in Australia around what's needed. We've worked with industry quite closely so that most of those products now do have a no negative equity guarantee. We've got rid of most of those, you know, very petty things that could trigger default.

But there's still a debate out there about whether more regulation is needed, whether or not you need to be setting any kind of loan to value, loan to age ratio sorts of settings. In the meantime, though, the last six months, whilst the demand I suspect will just continue to increase after recent events, supply is drying up quite rapidly. Over 50 percent of the people who are in the market offering these loans have stopped offering the loans, so I'm not quite sure where that's going to go.

MR. HANOMANSING: But given this level of controversy and public debate, are people gun shy when they see those ads on TV, let's say, about getting into this, or do they do it 'cause they're desperate, or they still just think it's a good deal?

MS. RICKARD: I think debates like that are happening around tables like this. They're not happening out there in consumer-land and in the suburbs where people are seeing the ads and they -- you know, they're like any retirement ads. They're offering you hope, lifestyle, you know, access to those dreams you can't otherwise afford -- with slick sales people.

So I don't think a lot of the dangers have permeated -- I know in the U.S. they did, at least until recently, have a very good system of pre-independent advice that people had to access before they could get these products. We don't have that, but we quite like the model. But I don't know if it's going to go there.

The other -- I just want to say one other interesting thing on the real estate thing which I've been reading about recently is for those people who are dependent upon real estate, the changing demographics mean that the big family home, which, you know, people have relied upon, well, eventually we'll sell that and we'll downsize and it will be cheaper and we'll live off the profits. What we're already starting to see a little bit of, as demographics change and there are more people wanting to downsize than there are wanting to upsize, the values of properties are changing in that area too. So it's another one of -- another conundrum.

MR. HANOMANSING: Larry, what sort of other real estate products are you seeing being offered?

MR. WAITE: Well, we're -- David touched on it. We're seeing an increase in leverage loans -- you know, taking out loans based on your home equity and buying mutual funds. And we've created leverage risk documents that have to be disclosed.

We're also seeing two types of products. One is the land banking, where the investor puts the money in, the developer buys the land, gets the rezoning changed and then sells it and supposedly you get your 15 percent return. You also see land development where they buy the money and buy the property, develop it, build and sell. It's being -- it's being sold. It's not very big, it's probably in the tens of millions right now that we're seeing it and it's being sold both within the securities regulatory system and it's being sold in the exempt market, so it's -- we don't really have a fix on how big it is.

But it's being sold. It's huge commissions, 15, 18 percent commission to the advisor, and it's also being sold as this is tangible. This isn't some airy-fairy share in a company. This is raw land that's very tangible. So I would expect, as a result of the current crisis, to see this increase.

MR. HANOMANSING: You'd said earlier that up markets can paper over a lot of potential problems, and the real estate market obviously in Canada between 2000 and 2007 has been soaring up. So these kinds of, you know, land banking and other investment vehicles, have they ended up in front of the ombudsman, or are we still a few steps away from that?

MR. AGNEW: No, it -- I mean, in a broader category, the off-book transactions where people -- and this is -- really speaks to some of the -- I think the frustrations that the industry would express around, you know, certain areas of the investment world are regulated, and some would say very highly regulated, and certain aren't, and yet they can be presented to certain investors on a level playing field. And that's the problem, that we're not able to impose -- you know, we're talking about transparency and disclosure and documents and so on in certain parts of the industry, of the investment industry, that's being offered to people aren't subject to that.

What we're frustrated with, of course, is we don't cover the entire investment --

MR. WAITE: That's right. You get regulatory arbitrage.

MR. AGNEW: Absolutely. And the bad guys know that.

MR. HANOMANSING: We're in the home stretch now, the last 20 or 25 minutes, so if you have questions, make sure you bring those to the attention of the people who are controlling the microphones. We have a question maybe right now over here to my left.

MR. BARTA: Sorry, my question is about regulation which was before the discussion on real estate. My name is Victor Barta; I'm a student at UBC law. It seems that a lot of the burden on managing disclosure versus information overload and education of investors and investment dealers, and even motivating people like Ian not to put their statements in the recycle bin, is falling squarely on the shoulders of the regulators.

Now, in our very first securities regulation class, our professor told us that there's only two countries in the developed world that don't have a national securities regulator, Canada and Bosnia-Herzegovina. So my question is that in terms of having a national and cohesive strategy to educate and ultimately protect the investors, as well as educate the investment dealers, is -- what are your thoughts on the merits? Nobody wants to legislate themselves out of a job, but what do you think about the merits of having a national securities regulator here in Canada to make more efficient the process of protecting investors?

MR. WAITE: You're asking us this question in Vancouver?

MR. HANOMANSING: You can't make a joke and then not answer the question.

MR. BRADLEY: And then defer to somebody else?

MR. HANOMANSING: We have very few ground rules and that's one of them, so...

MR. WAITE: Well, the national securities commission is an idea, it's been around for years or as long as I have, has been talked about for probably 40 years. There are some huge benefits to it, there are some drawbacks that parties on both sides of the debate have articulated very clearly.

My own personal view? I think there should be a national securities commission and I think they should roll the self-regulation -- the two SROs in this country into it so you have one regulator across this country. There is so much time -- I won't go on and on -- but there's so much time and energy spent by trying to be collaborative and everybody has the best of intentions, but I think if we could ever get there -- and I'm sure Doug, who's our main overseer of the MFDA, will disagree, and we've disagreed in a very reasonable way. But that's my own personal view.

MR. HANOMANSING: So it's a big complicated country and it's not just in the financial sector that trying to get everything under one set of rules is difficult. Tom, as somebody who's been in this industry for a long time, if you were to give odds on the likelihood of one national regulator in the near term, the short term, how likely do you think that is?

MR. BRADLEY: I think it's pretty low odds. I think the barriers that have stopped it for 40 years, as Larry says, are still there: provincial interests and Quebec. There is conversations -- it's not just Quebec but there are differences across the other nine provinces and the territories. But I don't think we should kid ourselves that they're necessarily going to buy into this. So that is a very easy out for some other province to say, well, Quebec isn't there.

I don't want to offend our host because Doug has been a great host here today and it's great event, but -- and they've been good to us as a start-up company. But I do think we've got to get there. I think having to license people in five or eight or ten provinces, they're cooperating but it's -- in this competitive world where Canada has got to really chin ourselves up and fight for everything we get, I think it's crazy.

MR. HANOMANSING: Okay. We're going to turn your microphone off now.

MR. WAITE: But Australia in the -- I mean, you did it. You have the same mess we -- or you have the same situation we have.

MS. RICKARD: We do have the same -- look, I obviously -- there's a lot of benefits to having a national regulator and you've got a national industry. More and more we're dealing with global industries and we've got to have mutual recognition, things internationally between countries. It makes sense but, you know, you could argue about both things. I'm an outsider, right outside this debate.

MR. LYLE: I think practically, given that what stopped the Harper government from making majority was Quebec, that you're unlikely to see this initiative go forward. It just -- you know, it just -- the real politics of it. The -- and in the meantime, hopefully, agencies can be encouraged to continue to do things like passport and things like that, to try and smooth out the burden.

One thing I would say just from a social marketing perspective is my experience has been provincial agencies do a much better job in general of reaching real people than national agencies do. So if we're going to have the system, let's at least try and leverage the strengths that we've got, because we had a long discussion about what -- the benefits of having people know more and be better educated, and this system actually does have advantages in that respect.

MR. WAITE: Can I disagree with Greg, please? I think this -- the situation now with what's going on worldwide, we've got a perfect storm to make this happen which we've never had in the past 20 attempts. So I think I agree with Tom. Is it 50-50? Maybe. But I think we're at a situation economically where it may happen because of what's currently going on. Again, that's my personal view.

MR. HANOMANSING: Okay, thank you. Let's move on to our next topic now, financial planning, and as we have with each of these subject heads, let's begin with the numbers, Greg, and what the research says about people preparing financial plans.

MR. LYLE: Well, people who are not retired, only 42 percent of them plan for retirement. Obviously that's skewed towards older people rather than younger, but most of the people that have a plan for retirement say they started it in their twenties. So we have an issue in that half the people that are of working age don't have a plan for retirement, more than half.

Among retirees, it's seven in ten that have a plan. You might wonder why 30 percent don't, but a big chunk of the 30 percent that don't have a plan, don't really have any assets. So there's -- that's a big issue there, and again, they're a policy challenge because not everyone is going to be an investor and you can see that reality.

I think a couple of things that are good news that I mentioned briefly before, but only 15 percent of working Canadians expect they're going to be able to rely on CPP and OAS, and they make not bad guesses at how much money they would likely get from OAS and CPP. So we're not perfectly informed on that, but we have pretty good information.

So the real issues, if we don't have any illusions about our governments going to be there to save us, and if we think that we should have plans, then the question is what can we do to make sure that that over 50 percent that don't have a plan, get one.

MR. HANOMANSING: And where are people going in Canada to -- those who do get the financial plan before they retire, who's doing the planning for them?

MR. LYLE: It's a whole array of people. They get it from lawyers, from accountants, from financial planners, from anyone that sells financial services. It's all over the map.

MR. HANOMANSING: Okay. Now, in Australia, you've talked to us already about the compulsory retirement scheme. What about retirement planning?

MS. RICKARD: Look, I think I was saying earlier, less -- around about 30-some percent of Australians have a plan and it's skewed towards the older people. I mean, we have a saying there that, you know, nobody wants to know about retirement planning before they're 40, and once they hit 40, 45, it becomes their religion. You know, it's a “barbecue stopper”, as we say.

However, despite the fact that they might sit around the barbecue and talk to each other and get their advice from Joe across the fence, they're not making plans. I think for a long time there was a sense that, well, there'll always be the pension and now there's super, so there's a lot of work being done to try and encourage people to do some planning.

We've got very strict regulation around giving advice which has a whole lot of documentation that goes with it, but we're looking at things -- since everyone in Australia is in a superannuation fund of what we call intrafund advice, but being able to get advice from your fund which isn't recommending switching products, et cetera, to encourage it. In terms of as the regulator, what we're looking to do, is -- this is my big vision. Is we're completely rebuilding our consumer website, and -- we've always had lots of information. I think we're all quite good at building websites that give you information. We've got a range of tools, too, that can, you know, compare products, et cetera, for you.

But what we want to do -- and while I think there's lots of scope for industry regulators, everyone to be doing, is to take people on a journey from acquiring knowledge to actually getting some personal advice on simple things, and then getting them to set their own goals and being there. I sort of describe it as Weight Watchers comes to financial services. But supporting, encouraging, sending tips, just doing all those things you can do on the web. So that's one thing that we're really looking at seriously to try and encourage planning and to make it easier.

I think there's so many reasons why people don't plan, and we need to understand what those reasons are if we're going to break down the barriers. But one is around complexity, size, scope, not even knowing where to start. So if we can start chunking things for people and making it easier, we're hoping that that's one way that we can start to have a bit of a dent in the low planning stats.

MR. HANOMANSING: You talked earlier this morning about the financial literacy requirements in schools. So talk to us a little bit more about that and how long it's been going on and what people learn, and also if there's any link between that and financial planning or otherwise making good financial choices.

MS. RICKARD: Look, I think I was mentioning it. We've done a lot of work over the last decade around financial literacy and so we do now have it as -- we're a bit like Canada. We've got nine jurisdictions including the Commonwealth, and within each jurisdiction you have three school systems. You've got the government, you've got the Catholic and you've got the independent. So you're really dealing with 27 or 28 --

MR. WAITE: Sounds like securities regulators.

MS. RICKARD: -- different jurisdictions. It's your basic bureaucratic nightmare and they've each got a separate bureaucracy associated with them. So one of the -- probably the biggest win we've had in a long, long time in Australia is to get national agreement that financial literacy and certain aspects should be a key learning outcome for all Australian school kids. As of this year, people are starting to teach it from kindergarten to Grade 10.

Rather than talk about what they are learning, I might just tell you some of our big learnings as we've gone through this journey, and the first of which -- and probably two things, if you're looking at doing anything similar here. We got a lot of opposition when we even started talking about this from teachers, not because they didn't think financial literacy was important, because they said to us, look, the curriculum already is so crowded. Every new social course that comes along, they want us to teach and, you know, there's got to be some room for maths, English, etc., etc., Quebec French.

So what we've done is we've approached them a slightly different way and we've realized that you can integrate financial literacy into the core compulsory subjects, into English, into maths. We're even finding it's being taught in science now. So what we're doing is we're developing materials and then we're linking it back to -- I presume this system is sounding sensible -- curriculum, and so telling teachers, well, this is what you could teach here in maths and, you know, this is how you'll meet both your maths goals and your financial literacy outcomes.

The other thing that we found, very quickly, was teachers won't teach what they don't feel comfortable with, and they don't feel comfortable with a lot of these concepts. So what we've started doing from this year is rolling out professional development training to teachers at all levels, plus finding some of the leaders in the field 'cause it's a whole different bureaucracy and a whole different language to ours to help us work with that. That's been really, really important.

So you need to do, I think, probably both of those things hand in hand.

The third thing which we haven't managed yet is they don't -- what's tested is taught basically is the rule, and we've yet to get any kind of national testing regime. I wouldn't even say this in Australia, but since I'm long way away from home, that's the next goal, to get a national testing regime because then it really will be taught. And then you try and -- you know, you use all your educational principles to make it relevant to kids to link -- you know, not just getting knowledge, but linking that to behaviour to doing, et cetera.

So we're at the very beginning of the journey, but we're hopeful that it will have an impact going forward in terms of getting people to plan and having the skills and knowing the questions to ask.

MR. HANOMANSING: In the United States, what's the situation with financial planning?

MS. SOLOV: I think we're going to see more financial planning in the future. For starters, this current economic or financial crisis has really brought this issue to the kitchen and dining room table. We see -- or hear from listening to even our presidential candidates, it's become part of the great debate whereas months ago, it really wasn't.

So I think people, if anything, are more in tune now about their finances and potentially the need for some financial planning and advice and what they might do in retirement.

I had a conversation during our break with a few people and we talked about how our parents, and maybe even our grandparents, keep their finances private. They're more likely to show you their last appendix scar than to show you their account statement. So I think there's still that attitude about "my money is my money and you don't need to know how much money I have," but I think that is going to change as people recognize that they do need to plan for the future. The government is not going to be there.

We don't have the same sort of pension plans that we used to get from companies. You know, you pretty much retired and you thought, well, I'll have some social security and then I'll have my pension and then the savings account. Fifteen years ago, I started with the securities industry -- Securities Department, and I remember putting out some press releases from NASA saying we're becoming a nation of investors. We're moving from a nation of savers to investors. There were more programs on television that talked about the financial industry and the markets. Now there are almost as many stations on TV talking finances and talking the markets than any other subject.

So I think that as this is being brought to the forefront, people will recognize that they need to do some financial planning because they're not going to be able to rely on the company pension, and the government's social security program is not going to be adequate, that they need to have a plan for taking care of themselves in retirement.

MR. HANOMANSING: Now, speaking of the company pensions, the research here apparently, Tom, shows that most people in Canada are relying on company pension plans.

So what will be the impact be of the move from defined benefit to defined contribution plans, group RRSPs, et cetera.

MR. BRADLEY: You know, Ian, I think it'll be huge. I think it -- just an anecdote. We have somebody come in, somebody that we haven't met before who's laying out what they've got and what their situation is. When I hear they have a defined benefit plan, I just breathe easier. It's a different conversation than if they've got a DC plan or they have no plan and it's all in their own bailiwick.

So, you know, you've gone from plans that -- I'm not saying they're perfect. I've been in the pension world for a lot of that 25 years and they make mistakes. They chased tech in '99, they do all kinds of things. But there's careful and educated oversight in the pension world. The fees tend to be reasonable. And the mix maybe not -- doesn't fit every employee, but tends to be down kind of in the middle of road balanced. So it's not perfect, but we're going to -- what this whole conversation has been about, we're taking that transfer of risk from that careful oversight and the corporate balance sheet, government balance sheet, whatever, and moving it onto the personal balance sheet.

That is a -- we're all aware of it, but it is just a huge factor and so the people that aren't 60 or

50 or 70 today, more than likely, are coming in without that DB plan in their pocket, and that's sort of the next level of conversation we have to have, I think.

MR. HANOMANSING: So, Tom, what are you seeing in terms of struggles or problems people are having with DC plans or --

MR. AGNEW: That would be David.

MR. HANOMANSING: Sorry, David, yes. Thank you. Well, Jim, let me put it this way...

MR. AGNEW: No, we've talked about it before. It's a big problem when suddenly at 65 you've -- you've stopped doing whatever you're doing and now you've got the title "Pension Manager" and you just -- you're not equipped to do it. The financial plan is a great discipline, properly done, for, frankly, both advisor and client 'cause it really forces you to set down on paper and think through some issues. It's, you know, again, properly done, it's an educational tool that really does allow people to have some better comprehension of where they're headed and what they need to do.

You know, it's -- Tanya was talking about the kind of barrier to talking about money. We were -- some of us in this room were at a financial literacy conference a few weeks ago in Montreal, and they had a very charismatic American speaker who was making the argument that the other great taboo that we didn't used to talk about, sex, has now dropped and it's really only money. I don't know if that's true, but it is a challenge to make the subject of money something that we do feel comfortable talking about, that we are -- can be open about it, and it's something that we spend some time on.

One of the strategies used in the U.K. while people are looking also to places like Australia which has blazed a trail for Canada, which is I think behind, they're actually giving every kid in the U.K. -- I can't remember what the sum is. It's 250 or 300 pounds, upon birth essentially, and it gets invested. It's something that they can then teach around because this is -- at age 16 or 17, that money is yours, which is a pretty interesting strategy. But it does -- it makes it tangible. It's not just a -- it's not just a bean-counting exercise. This is your money and this is what's happening to it.

MR. HANOMANSING: So how long has that been in effect? Is it a recent thing, just in the last few years?

MR. AGNEW: Last few years, yeah. It was one of the -- it's -- the government there has adopted a very comprehensive plan around not just financial literacy but asset building as they call it, and this is one of the --

MR. HANOMANSING: That's fascinating. I hadn't heard about

that at all.
MR. WAITE: I wonder if Doug could swing that. Doug?
MR. HANOMANSING: I know I saw your eyes light up. Everyone with that four or five-hundred dollars upon birth.
MR. WAITE: I don't have much to add that Tom hasn't already said, and Tanya. But it's going to put a huge burden on the advisors and investors alike. I mean, as Tom said, they've downloaded the risk now to the pensioner and they'll need the services of an advisor even more so.
MR. HANOMANSING: All right. We have about --just under ten minutes left, so if there are any final questions, this is your last opportunity to do that, and as you mull that over, let me ask each of the panellists to weigh in on the final question, and keep in mind we have probably about ten minutes for all of your answers together.

It's the broad one, about what investors, market participants, regulators can do to address these challenges. Now, I believe your name is David. I have that right now. Let me start with you.
MR. AGNEW: Well, at the risk of repeating myself, just go through very quickly the three sort of areas we've been talking about.

On the investor side, yes, we hear a lot about investor responsibility, but I think we have to be realistic, particularly given levels of knowledge and so on that that's not going to turn around over night, and I do think, and we've talked about it before, that given the level of fees and advice that people can expect to have, they can be -- they can be demanding of their advisors and I think that's a reasonable -- I think that's a reasonable expectation from their point of view.

Market participants, it's all about -- in the last couple of annual reports I've said it's really -- I mean, suitability, yes, but it's really all around disclosure and good communication. That goes a long way towards, frankly, eliminating a lot of the problems that we see in our office around where -- how investors are in fact interacting with their advisor, with the market, and understand what's going on in their lives.

Regulators, lots of advice has been offered today, but I do think it's -- just to hone in on one point that we did touch on briefly, is there's a lot of -- a lot of what, I think, people -- particularly, I think, on a rebound out of this -- this very troubling and chaotic time, there's a need for a more level playing field amongst all the investment opportunities that people are going to be given, and I think that would go a long way towards in fact making people feel more comfortable about being in the marketplace again.

MR. HANOMANSING: Tom?

MR. BRADLEY: Chatting with some people outside on the break, I realized that this kind of conversation is all focused on the weak spots and the negatives, and of course we're in a very negative environment. But I should say -- 'cause my comments may not reflect that, but I do think we've come a heck of a long way. I mean, I think of the clients today positioned into this downturn, where might have been in '99 or '98 when they were loaded up on tech? They might -- some of them are loaded up on commodities, but probably not. They've probably got a pretty balanced portfolio and I think the advice they're getting, you know, providing a good steady hand to the clients is better. I just want to get that in because I think we're picking at things.

I may be just focused on the market participants where I come from and where I get on my soapbox, but I do think, as I said, I think people -- the market participants have to ask themselves is this something that I want to invest in or want to put my mother in? I don't think that's happening enough. Hopefully, some oversight from both the feds and the regulators will help there.

I think the other thing I'd say is stop being so obscure. This is an industry that really is trying to obscure the -- what's really important to people for marketing purposes or just lack of effort, and I think to ourselves and all my competitors, I think that's -- those are the keys for me.

MR. HANOMANSING: All right. Thank you. Tanya?

MS. SOLOV: Well, I think that there is room for investors, the industry regulators and government to act in this area. Certainly investors do need to accept some level of responsibility for their actions, for their, you know, funding actions, for their working habits, for their saving habits, et cetera.

But as was indicated by the research, we -- the industry also, and regulators, need to recognize that certain investors just are not ever going to be capable of, you know, deciding amongst 50 products which one is going to be the best one for them. So I think that's where regulators and government needs to step in also, and to make sure that the industry is doing the right thing.

As a regulator, I think our focus should be on investor protection, and if there are current regulations or current laws that we feel are inadequate, I mean, we should be up there in those hearings before congress advocating for the right and adequate laws and not allowing industry to say, oh, the lawsuits are killing us, the regulations are too expensive, because often if you dig deep enough, you might find, well, compliance is expensive but you're counting your CEO salary as cost of compliance.

So I think we need to say what we think is investor protection oriented.

MR. HANOMANSING: Larry?

MR. WAITE: I totally agree with what Tanya said and can't add much. But I'd like to pick up on your comment on investor responsibility. Over my career, I've talked to hundreds of people who've lost their life savings, and there's sort of three common denominators. Number one, they didn't know what they were doing. They didn't -- we've talked about education, investor education. Number two is they had absolute total blind trust in their advisor. The third thing that a lot of them would say, they would spend more time researching the purchase of a vacuum cleaner than they would turning over their life savings to an advisor. And I'm not in any way being critical of investors, but somehow we have to fix that and we've talked today about a number of ways of fixing that.

MR. HANOMANSING: Greg?

MR. LYLE: I think when we look at investors in this market, investors are doing surprisingly well. They haven't given up in terms of the long term. They have pulled back, maybe even too much in terms of the short term, but they've definitely moved to a more conservative slant. I do think we need to think about that question of the senior investor, the healthy 65-year-old that may have to live off this money for 20, 30 years. Are they actually in the risk profile they should be?

But if we put that aside, the biggest challenge that we've got in this country is actually getting more investors. Right now what's happening is that couples and better-off people somewhere around 45 shift from owing more than they own to owning more than they owe. That's a lifestyle-driven exercise for people living a certain lifestyle.

A lot of other people aren't living that lifestyle and they're not making that change. If we want to see them living in financial security, we're going to have to look at examples like the U.K. and say what can be done to get more asset-building going on among people that don't fit the standard profile.

MR. HANOMANSING: This is like a wedding reception where we acknowledge and commend the person who's travelled the furthest to be here. So -- and we do that by giving the last word to Delia.

MS. RICKARD: I wish I got it at home. Thank you. I think I was really just about repeating some of the things that everyone has said so far. I think we do need to work to improve literacy. We do need to get better at shorter, punchier, more relevant disclosure that people will read, but we need to recognize the limitations of leaving things up to the individual.

We need to improve access to good quality independent reliable advice. That means by working with the financial planning industry. And we do need to tackle the remuneration structures and look at the issues around those and have that debate.

We need to look at technical solutions and we need to look at good product innovation and public policy settings that encourage savings and sensible decision-making.

MR. HANOMANSING: And on a perhaps less important note - maybe not - did you get your luggage? Did I overhear you say that you got your luggage? No?

MS. RICKARD: No, I haven't got my luggage. Nobody knows where it is and I don't want to think about it.

MR. HANOMANSING: Sorry. Well, I'm glad I brought it up.

Well, thanks to all of you. You're obviously smart but also articulate and candid. I appreciated the candour, made it very interesting to listen to, and really, I have to, first of all, read the next statement I get, just at least give it the old college try. Now, that I've revealed that I put them straight in the recycling, I think I need to buy a shredder as well, so just in case any of you know where I live.

Thank you very much and hopefully everybody appreciated what they heard. Thanks.

MR. HYNDMAN: Well, on behalf of the audience, I want to give my thanks to Ian and the panel. I think that was a tremendous discussion that we all had the opportunity to watch today. I certainly am not going to attempt to sum it up. I think I couldn't do anywhere as near as well as the panellists just did themselves.

I just want to offer a few observations that occurred to me as I listened and thought about what I might say here. The first question that entered my mind is, after some of the discussion earlier about MBAs coming out and creating all these problems with complex products, was whether I have to admit that I'm an MBA. I guess my effort is to try and regulate these complex products rather than creating new ones.

There were some themes here, and again, I won't try and touch them all, but just a few that maybe left hanging a little bit. We had some discussion of disclosure and the need for getting better clearer disclosure to investors in a form that they will actually read. We had the question about the "point of sale" document that we've been working on at the Canadian Securities Administrators for -- going on for a decade. Not as long as we've been working on the national securities commission question, but for a while.

There are some issues. I think Tom mentioned the delivery challenge that industry is concerned about, the logistics of putting this document in the hands of investors before they make a decision. My feeling has always been it's not very useful to produce clear and understandable disclosure and give it to somebody after they've made a decision. I'm hopeful that we can find a way in the 21st century with all the technology we have to at least give investors the opportunity to see simple understandable disclosure before they actually put their money down and make a decision.

But there's still some time. We're not going to have this done soon. We'll be coming out with the next iteration shortly, hopefully before the end of this week, but before we nail down all the logistics of delivery. There's further discussions to be had, but I'm hopeful we can crack that one.

We had interesting discussions about new and complex products, those ones created by MBAs, and some concern about, you know, should we ban retail investors from getting into these products. But I guess my observation would be the problems that we're experiencing now aren't really, to a large extent, from retail investors investing in them. It's from the institutional market. We've traditionally, in this country and probably most others, taken the attitude that, well, we don't have to worry about institutional investors buying these complex products.

We don't need to regulate that area, we don't need to ensure there's adequate disclosure because they know what they're doing. They're big boys and girls, they can ask for all the information we need.

And, you know, when we see the whole problem we had, the discussion of asset-back commercial paper and we see a big institutional investor that put $13 billion into that, apparently without fully understanding what it was they were buying, I think we have to, as regulators, step back and say, well, maybe not. Maybe that model of regulation has to be rethought. I'm not sure where we're going to come out on that and I think it's too soon to reach a conclusion. But some of the old assumptions, I think, we're going to have to question again.

Having said that, I mean, Greg made the comment about, you know, Wall Street being an easy target now. And I think we are at a risky time sort of in the political/regulatory world where there's an impetus to do something, let's bring in some new rules, let's do something to show that we're dealing with the crisis, we're going to solve the problems. I think we should learn from the last time that happened, which was the post-tech bubble, post-Enron, Sarbanes-Oxley legislation. If that kind of regulation solved the problems, why are we where we are today? Why do I hear people now saying we have to do something to get boards of directors to think about risk. Well, I kind of thought that's what we were working on four or five years ago and it didn't seem to work that time, so hopefully in the next -- the next couple of years, we'll work on smarter regulation, not necessarily more regulation. I think we have to learn the lessons from this crisis, but let's learn them and do things smarter than we have before.

I guess it was inevitable that would get into the national regulation debate. I was telling someone earlier that I've been in the job for 21 years and the first time I faced the national regulation debate was two weeks after I started my job, so it's been going on for all those years. I have no way of predicting whether things are going to change, whether the current crisis is going to cause governments to come together and create a single regulator in Canada.

I think it's interesting as we kind of look in this room, we've got three different models. We have Australia which used to have state regulation like we have in Canada, and morphed into the Australia Securities and Investments Commission, a national regulator that was created through cooperation between the Commonwealth and the states, so they made the transition that many people in Canada would like to see.

The U.S. has a different model. They have both federal and state regulation. Many people in the U.S., particularly the state regulators, would insist that both of those levels are essentially, and certainly for a country that spans many time zones, you know, we need some way of dealing with the regional as well as the national issues. In Australia, they do it by having very strong regional offices in every state and territory. In the U.S. it's -- you know, we have a big federal regulator and then you have state regulators in each of the 50 states and District of Columbia.

In Canada, we've stayed with a decentralized system. Who's to say which is the best model? I'm not -- I'm not going to argue that a single regulator would necessarily be a bad idea, but I think Greg's point is important, that there are some things you can do better regionally than you can do nationally. Whatever comes out of this, I think we have to preserve the benefits that we have in the current system.

My personal advice to governments would be to get behind the initiatives that regulators are working on now, development of a passport system in Canada that is further integrating our de-centralized system. That might evolve into a single regulator, it might not. But either way, it's going to provide us a more efficient regulatory system at the same time that we focus our -- most of our attention on dealing with the current challenges rather than on what's the organization chart going to look like in a new regulator that's created nationally which will distract everyone for several years.

So those are a few random comments that occurred to me. I'm sure each of you would take away different things from today's discussion. I found it extremely invigorating and useful at a time that, as regulators, as investors, as market professionals, we all need to be thinking about how we can do better in the future. I think what we've heard from our panellists today has been extremely useful and will help us going forward.

So I want to thank all of you in the audience for coming and joining us today. I want to thank Ian for moderating the session. I want to thank each of our panellists, all of - except for Tom - have come from out of town, greater or lesser distances. We all learned a lot from you, and we greatly appreciate your time here today.

I want to remind everyone there's the machines outside for you to complete the survey on today's event, which is very useful to us. This event will be webcast in a couple of weeks, so watch for that when it shows up on our website. And, to protect the environment, I encourage you to take your name badge and throw it in the box on the desk as you leave.

Lunch will be served next door as soon as we're done here. I invite you all to stay and chat as we conclude. So thanks, everyone, again. Bye.

--- PROCEEDINGS CONCLUDED