OSC Web Editor's Correction Note dated 2013-03-25:
The research finding that 67% of investors under 35 have portfolios valued at $50,000 was reported, in error, as 19% in the narrative published 2013-03-18

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Strengthening Investor Protection in Ontario – Speaking with Ontarians

Prepared by Ascentum, Inc. for the Investor Education Fund and the Ontario Securities Commission Investor Advisory Panel

January 2013

This report is intended for use as general information to understand investor behaviour in Ontario. It is not intended to provide investment, financial, accounting, legal, tax or other professional advice and should not be relied upon or regarded as a substitute for such advice. The conclusions drawn and opinions stated are those of the authors. Research for this study was conducted from October to December, 2012.

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Acknowledgements

The project team would like to thank the 2,030 Ontarians who participated online and the 52 Ontarian investors who travelled to Toronto from all corners of the province to share their views on strengthening investor protection in our province. Without your contributions and insights, this project would not have been possible.

Project Team

Investor Advisory Panel

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- *Nancy Averill, Member (2010 - present)*
- *Paul Bates, Chair (2012 - present)*
- *Steve Garmaise, Member (2010-2012)*

Investor Education Fund

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January 2013

Executive Summary

Project Objective

Recognizing that a growing number of Ontarians are not covered by employer pension plans, particularly defined benefit plans, and will need to save for their own retirement, and expecting this trend to continue, the Investor Advisory Panel (IAP) and Investor Education Fund (IEF) identified a need to conduct research to better understand the investment reality of everyday investors in the province. Building on previous focus group and public opinion research, they sought to use a participatory and deliberative approach to engage a representative group of Ontario retail investors to learn more about their relationships with their financial advisers and how they perceive and use investment product information.

The purpose of this engagement was to design and conduct a deliberative public engagement process for investor research. The engagement is intended to produce both quantitative and qualitative investor research that will be used to support the IAP's submission in response to the upcoming 2012-2013 Ontario Security Commission's (OSC) Statement of Priorities and will help to guide the IEF's content and program development. Ascentum, a public participation firm, was contracted to lead the project, and the OSC served as a project sponsor.

Approach

The project used a complementary in-person-online approach to engage more than 2,000 Ontarian investors. To ensure consistency between the two streams, a "Dialogue Guide" was created to provide a common question set and agenda for the in-person dialogues and online Choicebook. The two engagement streams generated rich sets of quantitative and qualitative data.

Dialogues
Full day dialogue sessions were held in Toronto on October 20 and November 3 to dig deeper into the two key issues. The agenda combined individual reflection, small group work and whole room ("plenary") discussions based on keypad voting questions and two case studies.

Online
An online Choicebook, an innovative survey-like tool developed by Ascentum to engage citizens on complex issues, enabled a broader group of participants to learn and contribute their experience and thinking. To further help participants understand the two key issues, participants worked through two case studies that helped to bring the issues to life and served to stimulate their thinking.

Random recruitment produced a representative sample of Ontario Investors
The 2,030 online participants who completed the Choicebook and the 52 in-person dialogue participants were representative of the

investing population of Ontario. Potential respondents were randomly selected to participate in this study. A sample group of this size has a margin of error of +/- 2.17%. To engage a representative sample of Ontarian retail investors, the project team partnered with EKOS and its Prob*it* research panel. Participants had to answer screening questions to participate. Questions probed Ontarians' views on investor protection in Ontario. Demographic information on participants was also collected to allow for more detailed analysis of responses.

Analysis

Industry-leading tools were used to support a systematic analysis of participant responses: SPSS for quantitative data and QSR NVivo for qualitative data. A total of 81,809 words of qualitative data were gathered from responses to three open-ended questions in the Choicebook. These were coded in NVivo, with participant responses grouped by theme and sub-theme into a coding 'tree.' Qualitative analysis identified the top themes under each category, based on a critical mass of responses.

Key Findings

1. **The investor population of Ontario is generally older and more educated**: Over 70% are over 44 years of age, and two-thirds have graduated from university. Younger investors (less than 35 years of age) are of interest, as they are laying the groundwork of their financial future. These younger investors have smaller portfolios (67% have less than $50,000) but at the same time, have higher incomes (58% make more than $90,000 yearly). They are less engaged overall, and need more support.

2. **Investors generally trust their financial advisers, but advisers need to give their clients greater assurance that their best interest is being served:** Investors are somewhat skeptical about what their advisers are telling them: only 20% strongly agree that they trust their adviser's advice, and 25% strongly agree (39% agree – 64% overall) that advice is influenced by adviser compensation.

3. **There is strong support for a best interest duty:** Support for a best interest duty is strong across all groups, with 59% strongly agreeing that it is needed (34% agree and 93% agree overall). Large portfolio investors are more likely to strongly agree that a best interest duty is needed, with 63% of those with $250,000+ portfolios strongly agreeing. In-person dialogue participants were even more supportive of a best interest duty, with 71% strongly agreeing this is needed.

4. **Increase regulation of the financial adviser profession and enforce the rules:** Investors want clear professional standards on who can use the financial adviser title, and recommended quick prosecutions and stiff penalties to protect

against malfeasance, fraud, conflict of interest and failure to put their clients' interests first.

5. **Investor vulnerability is apparent – an investor-adviser power imbalance exists for most, but is particularly problematic for those who lack confidence in their financial literacy:** Ontarian investors lack confidence about their financial literacy – only 11% describe themselves as 'very confident'. Confidence is lower among female investors, and young investors. This places advisers in a powerful position. A majority of investors (58%) rely on their financial adviser as their main source of investment information.

6. **Institutional brands and personal recommendations are the leading factors influencing investors' choice of a financial adviser, while performance has the greatest influence on staying with an adviser:** When choosing an adviser, investors are drawn primarily to the brand affiliation of the adviser (41%) and to those who come with a personal recommendation (30%). The top reasons for investors' decision to stay with an adviser are financial performance (31%), followed by organizational brand (20%).

7. **Investors believe that their financial advisers have a positive impact on investment continuity and better financial returns:** A majority of investors (56%) see value in having financial advisers, believing their returns are higher because of their adviser. Seventy percent of investors claimed to have remained in the market despite volatility because of their adviser.

8. **Guidance from financial advisers and the use of plain language in product information, improved content and presentation of investment statements are all needed to boost investor understanding:** To help investors better understand their investments, investors recommend sitting down with a financial adviser to ask questions. They also recommend that the financial services sector provide investment statements and information about investment products that use plain, everyday language.

9. **A majority of investors say that they are willing to devote more than 30 minutes each month to understanding their investment results:** 61% of investors are prepared to commit more than 30 minutes each month to understanding their financial position and investment results- with men and investors 65 years of age and older willing to spend more time.

10. **Investors need to take more responsibility for self-education, combined with robust public education to boost financial literacy:** Investors acknowledge the important role that self-education plays in improving investor confidence. Some felt responsibility lies with the individual, while others felt it lies with industry, government, non-profit groups and schools.

Section One: Project Overview

1. Project Overview

1.1 Key Messages: Highlights of Findings

The investor population of Ontario is generally older and more educated – over 70% are over 44 years of age, and two-thirds have graduated from university.

Younger investors (less than 35 years of age) are of interest, as they are laying the groundwork of their financial future. These investors have smaller portfolios (67% have less than $50,000) and have higher incomes (58% make more than $90,000 yearly). They are less engaged overall, and need more support.

- **Investors in Ontario are generally older and more educated**

Not surprisingly, the retail investor population in Ontario skews toward an older and more educated demographic. Over 70% are over 44 years of age; 19% have been investing for less than 10 years and two-thirds have graduated from university. Women and men are equally likely to be investors.

Younger investors are important because they are at the beginning of their investment trajectories and as such warrant particular attention. As would be expected, they tend to be new to investing (42% of those under 35 have been investing less than 5 years), and have relatively small portfolios (67% have less than $50,000). However, these young investors also tend to be financially well off - 58% of them have incomes greater than $90,000. While age, years of experience and portfolio size are all inter-related, the consequence is that younger investors tend to be different than their older counterparts. Younger investors are less engaged overall – they have less confidence in their own knowledge, have less knowledge of the range of services offered by advisers (when they were choosing), are less likely to have checked their advisers' credentials, and are less supportive of a best interest (or fiduciary) duty. More needs to be done to support these new investors and to encourage more young people to start investing.

Investors are somewhat skeptical about what their advisers are telling them: only 20% strongly agree that they trust their adviser's advice, and 25% strongly agree (39% agree – total of 64%) that advice is influenced by adviser compensation.

- **Investors generally trust their financial advisers but advisers need to give their clients greater assurance that their best interest is being served**

While the research shows evidence that investors generally trust the advice of their financial adviser, two things highlight the skepticism that many investors feel. Only 20% of investors <u>strongly agree</u> that they generally trust the advice of their financial adviser, and 25% strongly agree (64% overall, when combined with agree) that how a financial adviser is paid impacts the recommendations they receive.

- **There is strong support for a best interest duty**

59% of Ontarian investors strongly support a best interest duty.

Support for a best interest duty is strong across all groups, with 59% strongly agreeing that it is needed (34% agree, for a total of 93%). Large portfolio investors are more likely to strongly agree that a best interest duty is needed, with 63% of those with $250,000+ portfolios strongly agreeing. In-person dialogue participants were even more supportive of a best interest duty, with 71% strongly agreeing this is needed.

- **Increase regulation of the financial adviser profession and enforce the rules**

Investors want strengthened regulation of the financial adviser profession and stricter enforcement of the rules.

Improving investor protection in Ontario by strengthening the regulation of financial advisers combined with stricter enforcement of the rules (e.g. protect against malfeasance, fraud, conflict of interest, failure to put clients interest first) is by far the recommendation cited most frequently by investors. Many investors called for clear professional standards on who can use the financial adviser title, including having in place rigorous educational requirements, ethics training, and professional oversight. Participants also recommend quick prosecutions and stiff penalties (including jail time), which they think would help deter misconduct and improve Ontario's reputation as a safe place to invest.

- **Investor vulnerability is apparent: an investor-adviser power imbalance exists for most but is particularly problematic for those who lack confidence in their financial literacy**

Ontarian investors lack confidence about their financial literacy – only 11% describe themselves as 'very confident'. Confidence is lower among female investors, and young investors. This places advisers in a powerful position. A

Relatively few Ontario investors are confident about their financial literacy (respondents were asked to self-evaluate their level of literacy so this is not necessarily an accurate depiction of their investment knowledge or skill). Notably, one in three female investors is not confident at all and almost 40% of younger investors also lack confidence. The fact that so many investors lack confidence makes them vulnerable and puts their advisers in a powerful position. In addition, 42% of investors do not know how their adviser is paid and 64% think that the way an adviser is paid has an impact on which products are recommended. Lack of financial literacy may help explain why only 46% of investors have checked their adviser's qualifications. Moreover, it is *majority of investors (58%) rely on their financial advisers as their main source of investment information.*

significant that one-fifth of investors are not at all confident that the right measures are in place to protect them, 65% are only somewhat confident and a small minority of 15% are very confident.

Just over a quarter of investors consistently do their own investment research (14% often do their research, and 16% always), and the majority (58%) rely on their financial adviser as their main source of information. Financial advisers are the main source of information for most investors, and more than half turn first to their adviser for advice when deciding on investments.

Brand perception and peer advice, not empirical results or philosophy, are by far the leading factors in the selection of an adviser.

- **Institutional brands and personal recommendations are the leading factors influencing investors' choice of a financial adviser while performance has the greatest influence on staying with an adviser**

By far the most important influence on the selection of a financial adviser is investors' perception of the brand/organizational affiliation (41%), followed by receiving a personal recommendation (30%). It is significant that brand perception and peer advice, not empirical results or philosophy, are by far the leading factors for selection of an adviser. On the other hand, financial performance is the number one reason for investors remaining with their financial advisers (31%), followed by organizational brand (20%) and convenience (18%).

- **Investors believe that their financial advisers have a positive impact on investment continuity and better financial returns**

When choosing an adviser, investors are drawn primarily to advisers under a brand (41%) and those who come with a personal recommendation (30%). The decision to stay with an adviser is driven by financial performance (31%), followed by organizational brand (20%).

While investor skepticism is present, at the same time, a majority (56%) of investors see a value in having financial advisers, believing that their investment returns are higher because of their financial adviser. However, it is important to temper this positive view. When one takes into account that all participants have financial advisers, it is important to acknowledge that there is a natural tendency for people to believe that advisers provide value – or they would not have one. Those who are older, have larger portfolios, or higher levels of confidence in their financial literacy were more apt to attribute higher returns to their adviser. Seventy percent of investors believe that they remained in the financial markets despite volatility because of their financial adviser. Age is closely associated with higher levels of agreement: 15% of those aged 65+ strongly agree, in contrast with 3% among those aged 34 years or less.

- **Guidance from financial advisers and the use of plain language in product information, improved content and presentation of investment statements are all needed to boost investor understanding**

A majority of investors (56%) see a value in having financial advisers, believing their returns are higher because of their adviser. Seventy percent of investors remained in the market despite volatility because of their adviser.

Investors' top two pieces of advice to others who are trying to understand their investments are to sit down with a financial adviser to ask questions (52%), and secondly, that the financial sector should provide investment statements and information about investments that use plain, everyday language (35%). Investors' emphasis on the role of financial advisers in helping people to manage their investments underscores the importance of trust in the investor-adviser relationship. When asked what one change would be most helpful to them personally in making investment product information more useful and understandable, the top two choices were tied: sitting down with a financial adviser to ask questions and the use of plain, everyday language (both garnered 39%), followed by increased support for a link within statements to an interactive website (11%). Those with less confidence in their knowledge were slightly less likely to suggest sitting down with an adviser, representing a possible tension – they acknowledge their lack of confidence, but do not necessarily think that speaking with their adviser is the best way to resolve this (perhaps because they are not confident that they know enough to ask good questions).

To help investors better understand their investments, investors recommend sitting down with a financial adviser to ask questions and suggest that the financial services sector provide investment statements and information about investments that use plain, everyday language.

Investors also want investment product information that is easier to grasp, including greater use of graphic and visual elements, benchmarks showing real rate of return over time and performance vis-à-vis general industry indices, and the clear disclosure of fees.

- **A majority of investors say that they are willing to devote more than 30 minutes each month to understanding their investment results**

A majority (61%) of investors are willing to commit more than 30 minutes each month to understanding their financial position and investment results- with men and investors older than

Overall, almost two-thirds (61%) of investors are willing to commit more than 30 minutes each month to understanding their financial position and investment results, while 39% are prepared to spend less than 30 minutes each month doing so. Gender and age are important factors here – men are more than twice as prepared as women to spend more than two hours per month (20% of men versus 9% of women), while investors aged 65 years or older are more willing to spend more time than younger investors. Those with larger portfolios and those who are confident in their own knowledge are also more willing to spend more time – for example, 31%

65 more willing to spend more time.

of those who are very confident are willing to spend more than two hours, compared with only 7% of those who are not confident.

- **Investors need to take more responsibility for self-education, combined with robust public education on financial literacy**

Investors acknowledge the important role that self-education plays in improving investor confidence. Some felt responsibility lies with the individual, while others felt it lies with industry, government, non-profit groups and schools.

While investors see a need for more regulation of the financial adviser profession, they also acknowledge the role that public and self-education must play in creating a population of informed investors. Investors assigned responsibility in two directions – some felt the responsibility lies initially with the individual to self-educate and be proactive with their investments, while others felt that the onus is on industry, government, non-profit groups and schools to do more to educate the investing and pre-investing public.

1.2 Project Overview

1.2.1 Project Convenors[1] & Purpose

Investor protection is a key mandate of the Ontario Securities Commission.

Protecting investors is at the core of what the Ontario Securities Commission (OSC) was created to do. Established in 1928, the Commission administers and enforces Ontario's securities' and commodity futures' laws for the benefit of all Ontarians. It is mandated to protect investors from unfair, improper or fraudulent practices, to foster fair and efficient capital markets, and to maintain public and investor confidence in the integrity of those markets.

The Investor Advisory Panel (IAP) represents the interests of all investors in Ontario.

Two other organizations focus on serving Ontarian investors:

1. The Investor Advisory Panel (IAP), the first of its kind in Canada, represents the interests of all investors. However, this study focuses on the interests of everyday ("retail") investors in

[1] Convenors refers to the organizations that commissioned, funded and guided the research

The Investor Education Fund (IEF) provides unbiased independent tools to help Canadians make better money decisions.

Ontario.[2] It seeks input on financial issues that matter to Ontarians and uses this and other input to advise the OSC on ways to better serve retail investors. The Panel is appointed and funded by the OSC.

2. The Investor Education Fund (IEF) is a Canadian non-profit organization established and funded by the OSC. The Fund provides unbiased and independent financial tools to help Canadians make better money decisions.

Recognizing that more and more Ontarians are responsible for saving for their retirement, the IAP and IEF identified a need to undertake research to better understand the investment reality of investors in our province.

This study was conducted on behalf of the IAP and IEF with additional funding and support provided by the OSC. Recognizing that more and more Ontarians are less likely to be covered by employer pension plans, particularly defined benefit plans, and will need to save for their own retirement, the IAP and IEF identified a need to conduct research to better understand the investment reality of everyday investors in the province. Building on previous focus group and public opinion research, they sought to use a participatory and deliberative approach to engage a representative group of Ontario retail investors to learn more about their relationships with their financial advisers and how they perceive and use investment product information.

The two key issues were: investor-adviser relationships and investment product information.

The purpose of this engagement was to design and conduct a deliberative public engagement process for investor research. The engagement is intended to produce both quantitative and qualitative investor research that will be used to support the IAP's submission in response to the upcoming 2012-2013 OSC Statement of Priorities and will help to guide the IEF's content and program development. The IAP and IEF may also make the report's findings publicly available.

1.2.2 Report Structure

This report has four sections:

Section 1 – Project overview
Section 2 – Research methodology
Section 3 – Key findings
Section 4 – Participant feedback

The report is organized into four sections. Section one provides a snapshot of key findings, an overview of the project parameters, a demographic profile of participants and an outline of the project timeline and phases. The methodology section describes the random recruitment process and explains the data analysis and synthesis methodology used to prepare this report. Section three elaborates the key findings, organized by the two dialogue issues: the investor-adviser relationship, and investment product information. The report concludes with a summary of participant feedback on the online and in-person dialogue processes.

[2] Retail investors are defined as individual investors who buy and sell securities (stocks, bonds, options and futures) for their personal account, and not for another company or organization.

Appendices provide additional information on the research process.

The appendices provide detailed information on:

1. The online approach (survey results, and participant feedback); and,
2. The in-person dialogue process (agenda, participant profile, dialogue guide and participant feedback).

1.2.3 Project Description

The project was initiated and directed by the Investor Advisory Panel and the Investor Education Fund, with the Ontario Securities Commission serving as a resource.

This project was initiated and directed by the Investor Advisory Panel and the Investor Education Fund with the Ontario Securities Commission serving as a resource as required. Ascentum was hired to undertake the project, working in collaboration with the Investor Advisory Panel and the Investor Education Fund. Working in close consultation with the partners, Ascentum created a complementary in-person and online engagement process that provided Ontarians with two distinct ways to contribute their input on strengthening investor protection in the province.

Dialogue Sessions

Two in-person dialogue sessions were held in October to dig deeper into the two key issues.

Two in-person dialogue sessions were held in Toronto in October and November 2012, engaging over 50 randomly recruited everyday ("retail") investors. The sessions gathered informed perspectives from participants, and actively engaged them in learning about and working through the subject matter to identify tangible ways to improve investor protection. The in-person approach featured the use of electronic voting keypads, which facilitate the presentation of findings in real time, identify issues for deeper discussion, reveal common ground and points of divergence, and help generate a rich data set of qualitative and quantitative data.

The online Choicebook, a survey-like tool, allowed a broader group of participants to explore the two key issues.

Online Choicebook

A "Dialogue Guide" was created to provide a common question set and flow to the dialogues and online Choicebook.

The second engagement method was an online Choicebook, a highly interactive experience that builds on the traditional survey approach, enabling informed participation and internal deliberation. Working their way through the Choicebook, participants learned about the key issues and challenges facing everyday investors, reflected and shared upon their own investment experience, and provided their perspectives on what they think is needed to ensure Ontario has a strong system in place to protect people in all phases of their investing lives.

To ensure consistency in data collection across the in-person sessions and through the Choicebook, both processes were based on a “Dialogue Guide”, which was modified slightly to suit each approach. The guide provided an overview of the key issues, challenges and options. It framed the key questions for discussion, using narrative case studies to help illustrate the dilemmas faced by investors and solicit concrete feedback on solutions. Additionally, the use of the electronic voting keypads allowed for the collection of quantitative data at the dialogue sessions, which could be compared with questions asked online – both approaches used basically the same set of questions. *The in-person Dialogue Guide is included in Appendix B of this report, with the online version of the guide in its Choicebook format in Appendix A.*

1.2.4 Scope

This project aims to speak with everyday (“retail”) investors to learn from them and solicit their ideas.

To accurately measure Ontarians’ views, a representative sample of 2,030 + 52 participants was used to collect feedback online and in-person respectively.

This random panel ensures that the findings closely match the views of Ontario’s investing public.

The focus of this project was to engage everyday (“retail”) investors in Ontario to learn from their experiences and solicit their ideas on how to strengthen investor protection in the province.

Participant recruitment for both the in-person and online streams was led by Prob*it*, a division of EKOS Research Associates Inc., a leading Canadian social research company with extensive experience in market and public opinion research. The key to reaching a representative sample of Ontarians was Prob*it*’s research panel, a rigorously constructed, state-of-the-art hybrid internet-telephone survey tool for answering research questions. The panel consists of a sample of 37,326 randomly recruited Ontarians that is representative in terms of gender, age and socio-economic status.

A total of 2,030 Ontarian retail investors completed the Choicebook, which is representative of the retail investor population in the province (a sample of this size has a margin of error of plus or minus 2.17%). Fifty-two participants, recruited from the larger pool of randomly recruited Ontarians, took part in one of two in-person dialogue sessions to explore the issues in depth. The online method provided breadth of reach, whereas the in-person dialogues provided an opportunity to dive deeper into the key issues.

For more information on participation, refer to Section 1.3 for the participant profile and Section 2.1 for the recruitment methods.

1.2.5 Timeline and Project Phases

The project was launched in August 2012. Public insights on the two key issues were collected in-person and online in October and November.

1. Strategy

In the first phase of the project, a strategy was developed including a detailed project plan.

The project kicked off with a workshop in late August 2012 with key IAP and IEF stakeholders to define high-level strategic considerations, including project objectives, timelines, issue framing, key lines of inquiry, outreach and promotion. Ontario Securities Commission staff was also invited to provide technical assistance for the research team and stakeholders. During this phase, key decisions were taken on the overall engagement approach, and the use of random recruitment.

2. Design and Development

The next phase focused on designing and preparing the "Dialogue Guide", which guided the in-person and online materials.

From mid-September to mid-October, the Dialogue Guide, in-person process and online Choicebook were created to explore the key issues set out by the project team. The Dialogue Guide, as the basis of the in-person and online processes, went through a number of drafts, including vetting by IAP and IEF members, to fine-tune the questions and achieve a high quality product.

3. Implementation

Two full-day in-person dialogue sessions were held in Toronto, on Saturday October 20, 2012

Two in-person sessions were held in Toronto, and the online Choicebook was live from November 6-23, 2012.

and Saturday November 3, 2012. The online Choicebook was live between November 6 and 23, 2012. The use of the Prob*it*-EKOS research panel ensured that we heard from a representative sample of Ontarian retail investors. During the implementation phase, Ascentum provided the project team with weekly status updates and periodic briefings on the progress of preparations for the in-person sessions and participation in the Choicebook.

4. Analysis and Reporting

The quantitative and qualitative data sets used for analysis and reporting were:

The two engagement streams generated both quantitative and qualitative data sets.

- Quantitative data from the two in-person sessions (keypad voting results, evaluation results)
- Qualitative data from the two in-person sessions (meeting notes, table worksheets)
- Quantitative data from 2,030 completed Choicebooks
- Qualitative data from three open-ended questions in the Choicebook

The findings of this report are intended to support and inform the work of the IAP and IEF.

Nearly 82,000 words of qualitative text were analyzed, roughly the same length as one and a half copies of “The Wealthy Barber Revisited”. The findings presented in this research report are intended to support and inform the work of the Investor Advisory Panel and Investor Education Fund in their efforts to strengthen investor protection in Ontario.

1.3 Participant Profile

Ontarian investors are generally older and more educated.

The retail investor population in Ontario skews toward an older and more educated demographic – over 70% are over 44 years of age; 81% have been investing for more than 10 years and two-thirds have graduated from university. Women and men are equally likely to be investors.

Younger investors are new to investing, have relatively small portfolios, but tend to be financially well off. They are less engaged overall, with less confidence in their knowledge and less supportive of the ‘best

Younger investors (about 7% [131 in all] of investors overall) are particularly interesting, as they tend to be new to investing (42% of those under 35 have been investing less than 5 years), and have relatively small portfolios (67% have less than $50,000). However, these young investors also tend to be financially well off - 58% of them have incomes greater than $90,000. While age, years of experience and portfolio size are all inter-related; the consequence is that younger investors tend to be different than their older counterparts. Younger investors are less engaged overall – they have less confidence in their own knowledge, have less knowledge of the range of services offered by advisers (when they were choosing), are less likely to have checked their *interest duty'.*

advisers' credentials, and are less supportive of a best interest (or fiduciary) duty.

1.3.1 Dialogue sessions

The in-person dialogue sessions allowed participants to dive deep into the two key issues of the project.

The purpose of these sessions was to explore some of the key issues in-depth, providing time to probe participants on their views. Participants' travel and accommodation costs were covered so no one was 'out of pocket' as a result of participation, but no honoraria or stipends were provided. The enthusiasm with which these everyday investors contributed their time and energy – on a Saturday! – is most impressive.

A total of 66 participants registered to attend one of the two sessions. However, final participant numbers were 52, due to last-minute cancellations attributed to health and other personal reasons.

Dialogue participants were representative of the investing population of Ontario, with slightly more from the north and east.

In addition to achieving participation that was representative of the retail investor population in Ontario, the project team was also interested in achieving a larger sample for the northern and eastern regions of the province. The sample was therefore allocated on a disproportionate basis to obtain a larger sample for these two regions. This oversampling ensured that the perspectives of Ontario investors outside of southern Ontario were well represented (addressing the concern that Southern Ontario investors have more opportunities to input their views than those from northern and eastern regions. *See Appendix B for a demographic profile of the participants.*

1.3.2 Choicebook

Online participants were also representative of retail investors in Ontario. This sample has a margin of error of +/- 2.17%.

To provide more breadth, a representative sample of Ontarian retail investors was invited to complete the online Choicebook. Potential respondents were randomly selected to participate in this study and were invited (by e-mail) to visit the Prob*it* site where they completed several questions, including screening questions, before they opened the Choicebook tool.

Data has been weighted to the population of Ontario to account for typical sampling bias.

A total of 2,030 participants completed the Choicebook. A sample of this size has a margin of error of plus or minus 2.17%. The margin of error for subsamples is larger. To adjust for this sampling approach, as well as the tendency for some people to be more likely to respond (e.g. higher income), the data has been weighted to the population of Ontario based on age, gender and region of people who qualified to complete the Choicebook.

Section Two:
Research Methodology

2.0 Research Methodology

2.1 Recruitment Method: The Prob*it* research panel

To engage a representative sample of Ontarian retail investors, the project team partnered with EKOS and its Probit research panel.

The Prob*it* research panel is a hybrid internet-telephone survey tool that contains 90,000 Canadians, including 37,326 in Ontario. Since the recruitment is based on probability sampling, it ensured that the 2,030 online participants and 52 in-person participants for this project were randomly recruited from a representative sample of Ontarians.
This study targeted a subsample, comprised of Ontarian retail investors.

Probit contains a database of over 37,000 Ontarian households, which closely matches the demographics of the broader public in the province – by gender and age.

Prob*it* Panel Composition Ontario	
Gender	
Male	50.8%
Female	49.2%
Age	
<25	4%
25-34	13%
35-44	18%
45-54	21%
55-64	22%
+65	22%
On/Off-Line Status	
Online	83.5%
Offline	16.5%
Household Type	
Cell Phone Only	9%
Any Landline	91%

The Probit panel has been built through a comprehensive process that allows it to accurately represent the diversity of Ontario

The process to recruit participants to join the Prob*it* research panel is thorough and comprehensive. The first step is a blended landline and cell phone recruitment campaign to introduce the concept of Prob*it* surveys to citizens and to gauge their interest in becoming panel members. The second step is having recruiters contact the individuals who expressed interest *and Canada.*

to explain Prob*it* surveys to them in greater detail, as well as to collect their demographic information. Panel members are contacted on an ongoing basis and through a variety of means to help ensure participation in future surveys.

Its recruitment process has allowed Probit to include in its panel Canadians with landlines and cellphones, allowing it to avoid the sampling challenges experienced by more common opt-in, online-only research panels.

One of the key advantages of the Prob*it* recruitment method is that it is designed to maximize coverage of the Ontarian population. For example, contacting both landline and cell phone users, and providing options for online and offline participation, are not practices followed by the more common opt-in, online-only research panels. The Prob*it* method is also unique because every single panel member has a live conversation with one of the recruiters, which adds both a 'personal touch' and an extra level of rigour in terms of confirming administrative data.

2.2 Engagement Methods

The project included both in-person and online streams, with common questions and material found in the "Dialogue Guide".

A two-pronged engagement strategy was used for this initiative. Firstly, two day-long dialogue sessions gave participants an opportunity to explore issues surrounding the financial adviser-investor relationship and investment product information in-depth. Secondly, the online Choicebook allowed the project team to hear from a larger sample of Ontarians.

To ensure consistency between the two methods, a Dialogue Guide with similar lines of inquiry and associated questions was created to assist in-person participants through the sessions, and adapted for the online Choicebook. This allowed for consistency in the presentation of the issues, case studies, and questions, while recognizing that the in-person sessions allowed participants to go much more in-depth into the material.

2.2.1 Dialogue Sessions

The two daylong sessions followed the same format, and included a combination of individual reflection, small group work and whole room ("plenary") discussions based on keypad voting questions and two case studies.

Both in-person sessions, featuring the same day-long (9:00-4:00) format to ensure consistency in data collection, were conducted by a facilitation team consisting of a professional facilitator and note-taker, with OSC, IAP and IEF representatives attending as observers (except where invited to respond to participant questions to clarify issues). The agenda combined individual reflection, small group discussions, and whole-room ("plenary") discussions based on case studies. Voting using electronic keypads at strategic points during the day allowed for participants to anonymously share their views, and see the results in real time, providing a good basis for discussion and a chance to explore the results of voting, especially to clarify rationale. The keypad voting also produced a set of quantitative data, allowing for comparisons with the broader online process.

The dialogue featured:

- Opening remarks from the project convenors and overview of the topic;
- Exploration of the investor-financial adviser relationship (issue one), through an overview of the sub-issues, keypad voting, individual reflection, group discussion and whole room discussion; and,
- Exploration of investment product information (issue two), following the same format.

Remarks and suggestions were shared by participants on large sticky notes, and added to the data set for analysis.

Throughout the day, participants had an opportunity to share remarks and suggestions on related issues on large sticky notes, which were addressed by the facilitator and project team representatives at different times. The final minutes of each session were devoted to exploring these and other suggestions on improving investor protection in Ontario.

Participants completed evaluation forms on-site, the results of which are shared in section four of this report.

2.2.2 Choicebook

Ascentum has created an innovative tool for engaging citizens on complex issues. More than just a survey, the deliberative, online Choicebook helps participants understand the advantages, disadvantages, and trade-offs before inviting them to provide informed feedback.

In contrast to a typical survey approach, Ascentum's online Choicebook fosters informed participation before asking for contributions from citizens. Through this process, the Choicebook helps individuals move beyond their 'top-of-mind, knee jerk' responses to expressing a more informed opinion on investor protection.

For this project, the Choicebook was developed to help participants learn about the key issues around retail investor protection, to explore the important questions relating to them, and to deliberate on how to best support better investor protection in Ontario.

To help participants understand the two key issues, they were presented with scenarios. This helped make a complex issue more real and accessible for participants.

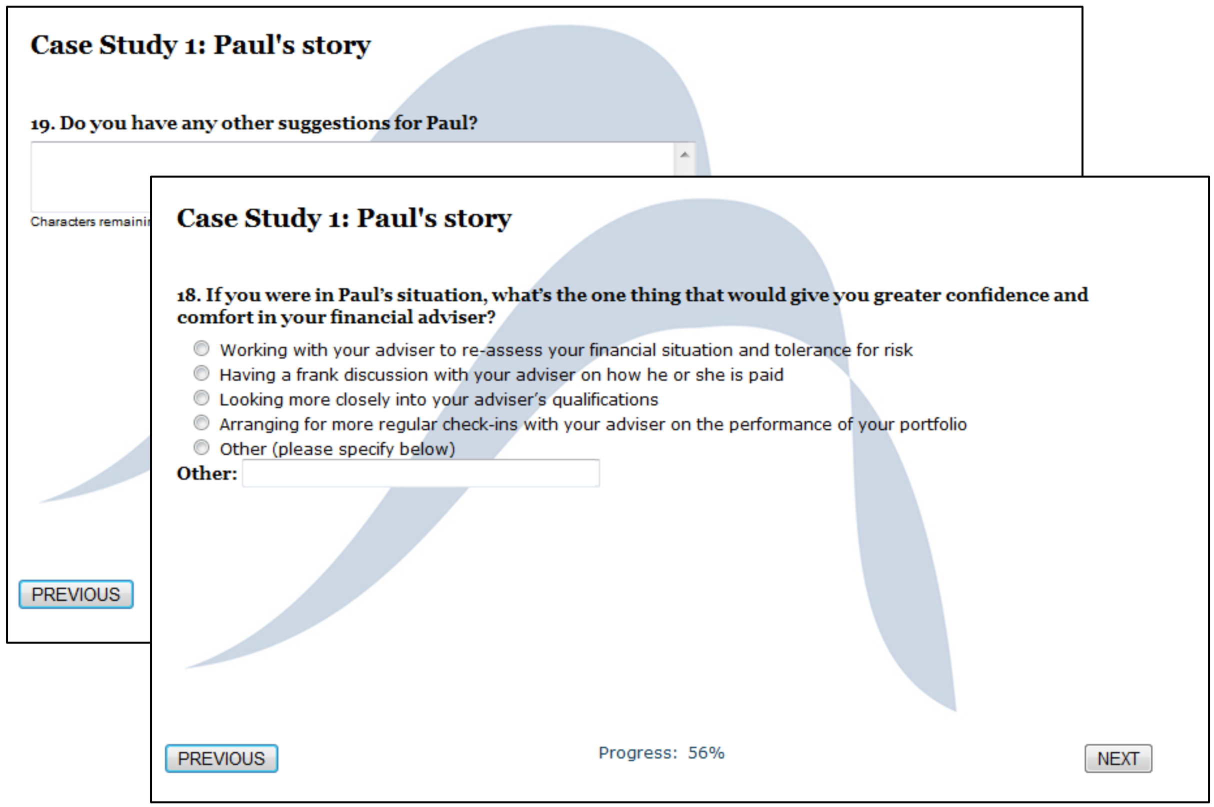
The Choicebook also offered participants an interactive learning opportunity that emphasized the relevance of the issue to their everyday lives. For example, the issue of retail investor protection was explored through two case studies. The first scenario introduced participants to 'Paul', a 30-something information technology worker in Waterloo who is questioning his investment approach after hearing of successes his friends are having with their investments. The second scenario introduced participants to Jennifer, a single mother of two whose investment portfolio has decreased in size and whose statements she finds confusing and anxiety-creating. This human-focused narrative made the Choicebook a more compelling experience than filling out a typical survey.

Participants had to answer screening questions to participate.

After passing through five screening questions (to ensure that participants were retail investors, were working with a financial adviser, but not working in the financial services sector), participants were invited to launch the Choicebook from the Prob*it* site.

Questions probed Ontarians' views on investor protection in Ontario. Demographic information on participants was also collected to allow for more detailed analysis of responses.

The Choicebook's opening 'slides' introduced participants to the topic area, the convenors of the project, and probed their experiences with financial advisers and investing – including how many years they have been investing, their level of confidence in their own knowledge and their level of confidence in the system. The Choicebook then outlined the two key issues of the study: the investor-financial adviser relationship, and investment product information, guiding participants through a series of close- and open-ended questions (see below).



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After gathering participants' views

on the two key issues, the Choicebook asked for their "big picture" views and suggestions on investor protection.

At the end of the Choicebook, participants were invited to complete a short evaluation exercise on their experience, and sign-up to receive email updates on the initiative. Over 55% chose to do so, showing a good level of interest in the project.

Once participants worked through the scenarios and provided their views on the key issues related to retail investor protection, the Choicebook probed their 'big picture' views about investor protection in general, affording them an opportunity to share additional suggestions on how to further protect Ontarians.

Feedback from the online participants is provided in section four. Responding to an invitation to stay connected with the project, 56% of participants provided their e-mail to receive a copy the project results. This is a very significant point to note – not only does it demonstrate that there is a considerable level of interest amongst Ontarians in the results, but it conveys the value of the engagement process overall.

2.3 Analysis Methodology

2.3.1 Quantitative Data

Industry-leading tools were used to support a systematic analysis of participant responses: SPSS for quantitative data and QSR NVivo for qualitative data.

IBM's SPSS (Statistical Program for Social Sciences) software was used to analyze the quantitative data for this project. All responses to the closed-ended questions in the Choicebook were coded, allowing for robust descriptive and analytic statistics, including the comparison of results using demographic data. This approach provided key insight into commonalities, divergences, and other nuances among participant responses.

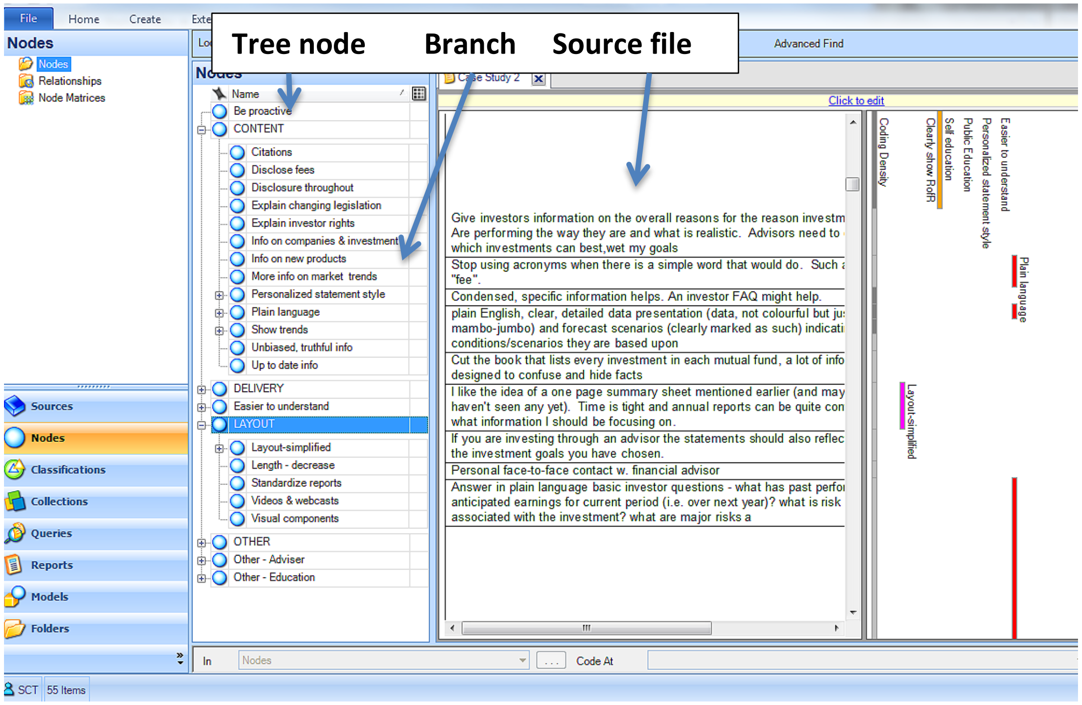
2.3.2 Qualitative Data

QSR's NVivo is qualitative data analysis software that allows for the rigorous analysis of rich, text-based data. It is designed to help users organize large volumes of qualitative data into a meaningful structure for analysis, which is necessary for determining the key findings, such as common and divergent themes among respondents.

81,809 words of qualitative data were gathered from responses to three open-ended questions in the Choicebook. These were coded in NVivo, with participant responses grouped by theme and sub-theme into a coding 'tree.'

For this project, the qualitative data from the in-person sessions and three open-ended questions in the Choicebook was particularly rich. Overall, this data totalled 81,809 words, roughly the same length as one and a half copies of "The Wealthy Barber Revisited". The first two questions, "Do you have any other suggestions for Paul" and "Do you have any other ideas to make investment product information more useful and understandable" had roughly the same amount of text (19,341 and 18,225 words respectively). The last question, "Do you have any other issues, concerns or ideas around strengthening investor protection in Ontario?" sparked the most interest among participants, with 32,589 words of text.

To systematically organize this large amount of qualitative data, NVivo was used to create a coding 'tree' for each question. Each coding tree included numerous 'branches', which represented the potential themes under which each participant response could be coded. The image below is an example of the coding tree for the question on ways to improve investment product information.



Qualitative analysis identified the top themes under each category, based on a critical mass of responses.

The feedback from each open-ended question was imported into NVivo as a source file. Each source file was then ‘coded’, which involves organizing each individual response into a corresponding branch in the tree node for each question. In the example provided above, the comment stating, “Give investors information on the overall reasons for the investment” was coded under the ‘Information on companies and investment’ branch. Some participants referred to more than one theme in their responses. As a result, many responses were coded multiple times under different branches.

Section Three:
Key Findings

3.0 Key Findings

This section of the report describes the detailed findings from the Choicebooks – completed by a representative sample of Ontarian retail investors – and findings from the two in-person dialogue sessions.

This section elaborates on the key findings emerging from detailed analysis of online input and in-person dialogue results. Statistical analysis of the quantitative online data was undertaken first to identify key themes and the quantitative in-person results were mapped to the larger online data results. Qualitative analysis of online participant responses to three open-ended questions coupled with qualitative findings from the in-person sessions were integrated with the quantitative results to add depth to the findings. Unless otherwise indicated, results from the online and in-person sessions were similar. Where differences were apparent, these are identified and explained. Investor quotes from the online Choicebook and the dialogue sessions illustrate the key themes emerging from the analysis.

The quantitative analysis highlights important trends and patterns in responses, identifying statistically significant differences across the key variables (gender, age, education, years of investment experience, income, portfolio size, and confidence in financial literacy).

The key themes are organized and presented for each issue set: investor-adviser relationship and investment product information.

3.1 Investor-Adviser Relationship

3.1.1 Institutional brand is the most important factor influencing investor choice of financial adviser followed by recommendations

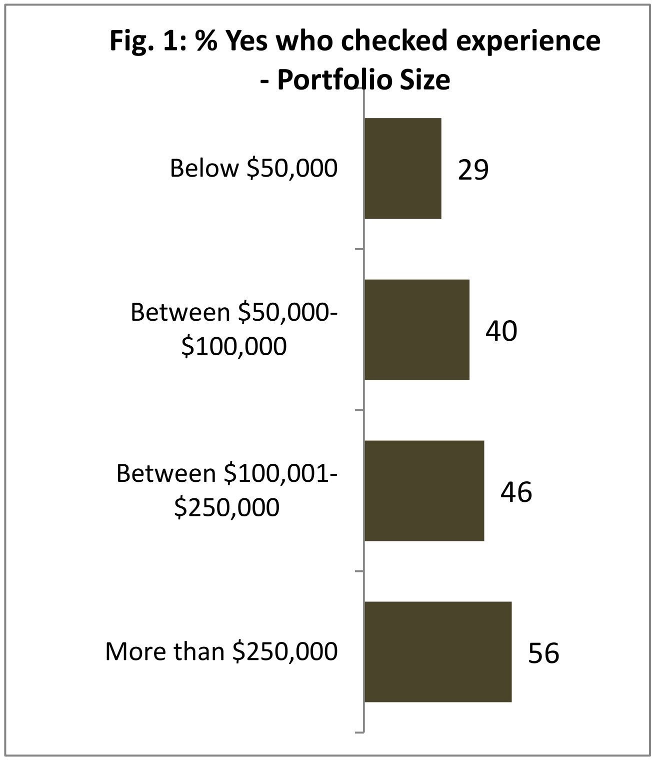
Organizational affiliation and peer recommendations are the two top factors influencing how investors choose their financial advisers.

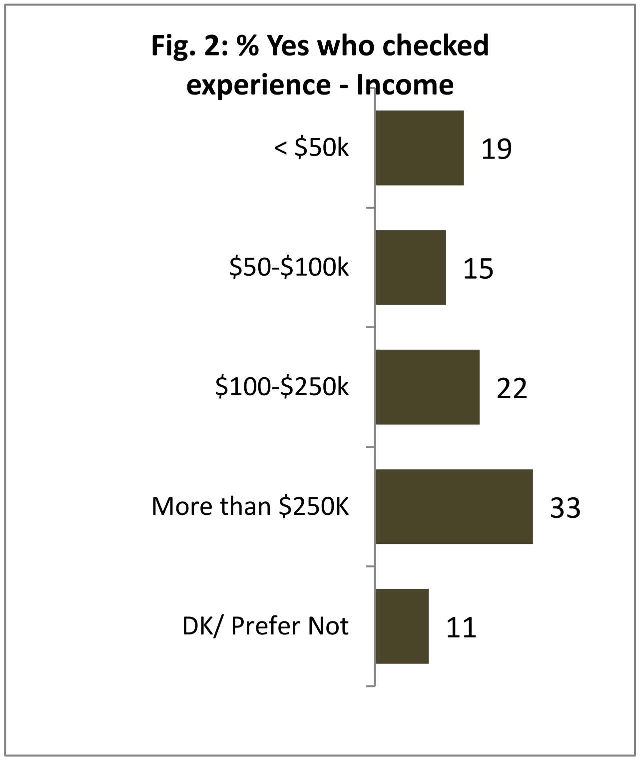
By far the most important influence on the selection of a financial adviser is investors' perception of the brand / organizational affiliation (41%) followed by receiving peer recommendation (30%). It is significant that brand perception and peer advice, not empirical results or philosophy, are by far the leading factors for selection of an adviser. Answers in the "other" field (8%) confirm the importance of brand while also highlighting convenience – some investors simply invest where they bank, with their adviser assigned by their bank, or they invest where their employers have set up retirement investment programs. Financial performance is the number one reason for investors remaining with their financial advisers (31%), followed by organizational brand (20%) and convenience (18%). Participants who answered "other" (6%) highlighted the importance of customer service, communication levels, and trust in the adviser-investor relationship.

Less than half of investors researched the experience and qualifications of their advisers.

While younger investors and those with less confidence in their financial literacy rely more on peer recommendations, older investors and those more confident in their investing knowledge look to experience in the industry (17%) and performance (9%). In addition, those who checked the experience and qualifications of their adviser are more likely to be influenced by experience and a recommendation.

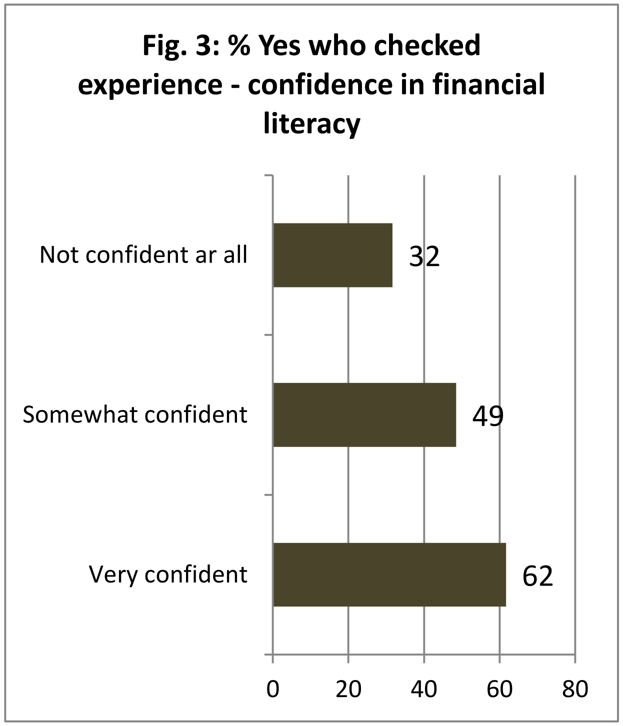
Significantly, less than half (46%) of investors researched the experience and qualifications of their advisers. This is correlated with confidence in their own financial literacy, portfolio size, income and age – that is, those more confident in their financial literacy, those with larger investment portfolios, those with higher incomes and those older than 65 were more likely to check qualifications (Figures 1-4)[3]. In-person participants were much more likely to check qualifications

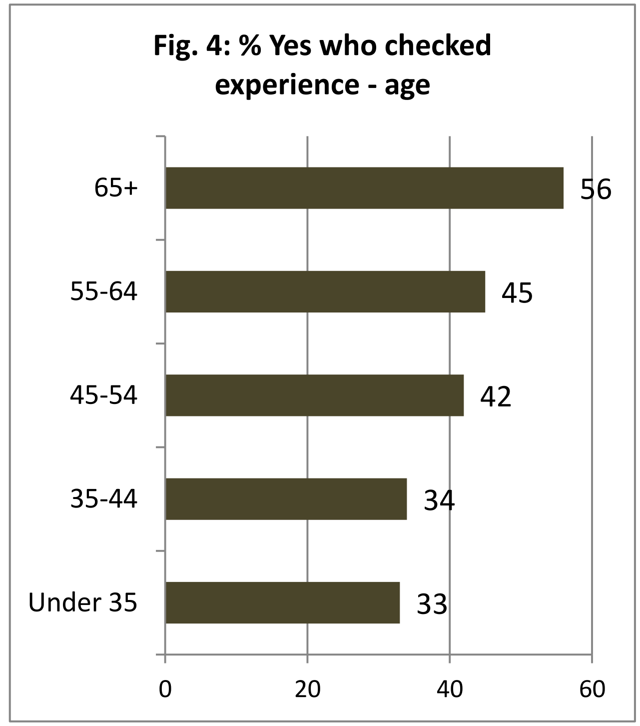




[3] Note that all charts represent data collected through the online Choicebook (i.e. does not include in-person results). Significant differences between the online and in-person results have been noted in the body of this report where relevant.

(58%), which could perhaps be attributed to them being a slightly more engaged sample of investors. It is important to note that follow-up questions in the Choicebook did not probe how investors confirmed the qualifications and experience of their respective financial advisers. They may be relying on their memories of having done this when they first started working with their advisers. This is an area that would merit further investigation to determine what methods are used to validate their advisers' qualifications and the efficacy of those methods.





Some investors do not know how to check an adviser's qualifications.

It is of note that so many dialogue participants expressed uncertainty in regard to how to check qualifications and how to choose a financial adviser – many explained that their financial institution had assigned them an adviser. Given the extent to which investors rely on institutional brand their uncertainty about how to confirm their financial advisers' qualifications and credentials is not surprising. However, it underscores the rather one-sided nature of their relationship with their advisers. It also suggests that financial institutions have more work to do to inform investors about how to check their advisers' credentials.

> **“I hired mine based on advertising. [The company] is a reputable company. I thought I was getting someone who knew what they were doing.”**

Investors are moderately aware of the services offered by financial advisers.

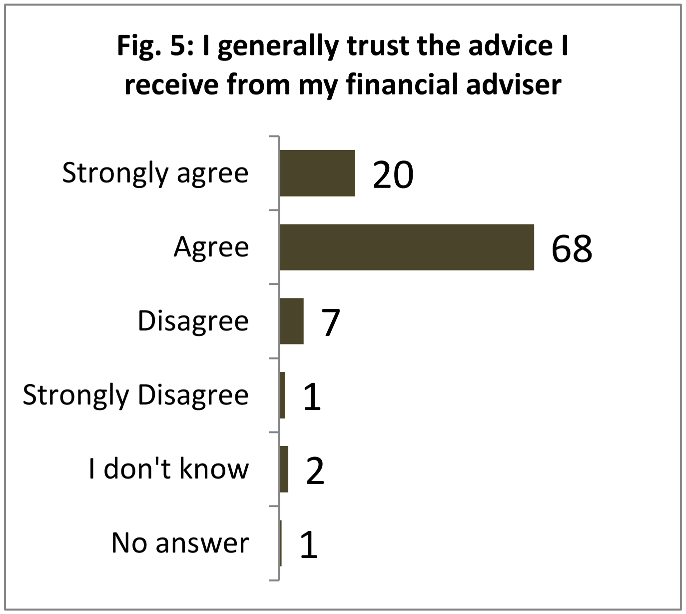
In terms of knowledge of the array of services offered by potential advisers, awareness is modest. A small percentage (18%) strongly agree that when choosing an adviser they were aware of the range of services provided, but most either only somewhat agree (56%) or disagree (24%). Awareness of services provided is higher for those who with are confident about their financial literacy and large portfolio investors. Age is also an important factor: only 7% of those under 35 years of age strongly agree that they were aware of the financial services offered. Explaining a modest level of awareness, one dialogue participant shared his difficulty with knowing what to look for in advisers:

> **“I didn’t know what he couldn’t provide. It’s like trying to decide between two mini vans. I wouldn’t have known that the middle windows didn’t roll down unless I went somewhere else and saw some that went down. I never asked ‘can I buy individual stocks from you?’ I only realized that two years later. What else didn’t they tell me?”**

3.1.2 Trust in the adviser and support for the concept of best duty care are key dimensions of the investor–adviser relationship

Three questions explored important dimensions of the investor-adviser relationship: level of trust in the adviser, frequency of contact, and the concept of best interest (or “fiduciary”) duty as a means of protecting retail investors in Ontario.

Only one fifth of investors have complete confidence in their advisers.



Only one investor in five has complete confidence in the advice of their financial adviser (Figure 5). A high level of confidence in adviser advice is found among those with higher (self-declared) levels of financial literacy, those who have large portfolios and those who are older (30% who are very confident in their financial knowledge strongly agree, 25% with portfolios larger than $250,000 strongly agree and 26% of those 65 years or older strongly agree). Dialogue participants responded in the same direction, but with more strongly agreeing (29%) and fewer agreeing (42%), resulting in an overall lower level of agreement of 71% versus 88% for online participants.

The frequency of contact with financial advisers varies, and is related to investors' confidence in their financial literacy and their portfolio size.

There is considerable variation in the frequency of contact between Ontarian investors and their advisers. At one end of the spectrum, some 16% of investors are contacted at least once per month, while at the other end, 14% are not contacted at all. Contact is correlated with level of financial literacy confidence and portfolio size – 24% of those who are 'very confident' in their investment knowledge are contacted at least once a month, as are 19% of those with a portfolio larger than $250,000). About a quarter (26%) of investors with small portfolios are not contacted at all. Age also influences contact, with 24% of investors younger than 35 much more likely to have to contact their adviser themselves.

Support is strong for introducing a best interest duty.

Support for a best interest duty is strong across all groups, with 59% strongly agreeing that it is needed (34% agree, for a total of 93%). Large portfolio investors are more likely to strongly agree that a best interest duty is needed, with 63% of those with $250,000+ portfolios strongly agreeing. In-person dialogue participants were even more supportive of a best interest duty, with 71% strongly agreeing this is needed. As one in-person participant shared about the need for such legislation:

> **"If my financial adviser tells me to invest $10,000 in a fund rather than paying off my credit card balance, is that wrong? How do you put that into law? I sometimes think I should be paying off my debt rather than investing. They just want money in their portfolios. A few years ago my cousin called to say he was borrowing money to invest in hot stocks. He already had debt to pay down. What's the best interest there?"**

The minority of dialogue participants who were either less supportive or who did not support the need for a best interest duty, provided two distinct reasons for their lack of support: the impracticality of implementation (feeling it would be very difficult to police) and the need for investors to be proactive, more educated and better informed about investment decisions.

3.1.3 Adviser compensation is not well understood, but investors believe that how an adviser is paid influences their choice of adviser and the menu of investment products offered to them

After learning about the different methods by which financial advisers are compensated, participants responded to a set of questions to probe their awareness of and opinion of their advisers' compensation, and the impact of compensation on the type of investment products offered and recommended.

40% of investors do not know how their investor is being paid: those less confident of their investment knowledge are much more likely to be unaware of adviser compensation.

More than four in ten investors in Ontario do not know how their adviser is being paid. In addition, 50% of investors reported that they had not been told how their financial adviser is paid. Investors' level of confidence in their financial investment knowledge, their portfolio size and their age are all significant factors in influencing an investor's knowledge about how his or her adviser is paid and whether an adviser has explained compensation to his or her client. Those who are more confident in their financial knowledge are more likely to know (73% agreed), compared with 45% who are not confident. Sixty-five percent of those over 65 years of age know in comparison with 41% of those under 35. Dialogue participants were less aware of adviser compensation, with only 41% indicating knowledge versus 57% online. The reason for this difference between the two groups is not clear but it may be that the dialogue participants had better recall on this question.

Half of investors have not had their adviser's payment compensation explained to them. This percentage increases substantially for investors with small portfolios.

When asked about whether their financial adviser had explained his or her method of compensation to them, there was an almost 50/50 split: half replied in the affirmative with 49% on the negative side. Breaking this down further, almost two-thirds (64%) of those who are very confident in the investment knowledge agree, 60% of those with $250,000+ in their portfolio agree (versus 39% of those with a portfolio smaller than $50,000), and 56% of those aged 65 or older all agree that compensation had been explained. As one dialogue participant shared:

"Sometimes I feel I get the [compensation] information, but it's often buried in the rest of the information. They don't dwell on it during the conversation"

This finding – half of investors indicated that their advisers had not explained how they are compensated for their services – raises questions about the extent to which the 57% of investors are in fact aware of their advisers' compensation situation. It may be that they assume that they know but are reluctant to probe the point with their advisers (especially given the unequal power relationship). Or it may be that they were told but subsequently forgot the details on adviser compensation. This topic would benefit from further research.

More than half of investors feel that the way their adviser is paid has an influence on which adviser they choose to work with.

Among those who strongly agree that they know how their current adviser is being paid, 89% agree (somewhat or strongly) that their adviser told them. The fact that such a high percentage of investors indicate knowing how much their adviser is paid is surprising given compensation can be a sensitive topic and is somewhat complex with a variety of compensation methods coming into play. It may be that investors are assuming they know how their advisers are paid but their assumptions may or may not be accurate. The Choicebook did not include follow up questions to probe further on this topic. The issue of investor knowledge of adviser compensation is one that would merit closer study.

A small percentage of those who do not know how their adviser is compensated did have the compensation explained (16% disagree and 4% strongly disagree).

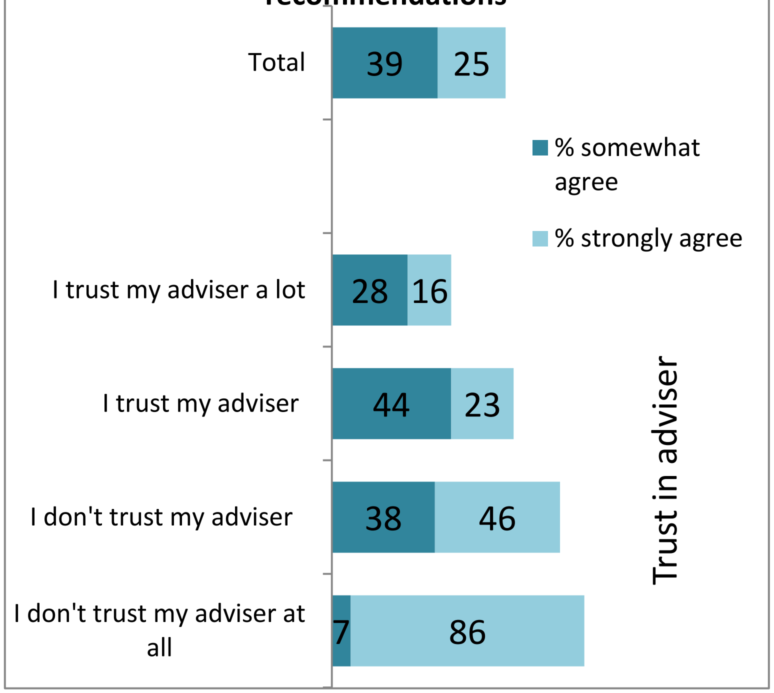
"I need clear and complete [compensation] disclosure for each choice. I need to know it before I make the decision."

Most investors believe that the way an adviser is paid impacts their decision about whom to work with.

The way that advisers are paid has a significant impact on the adviser an investor chooses to work with (16% strongly agree and 41% agree), although almost one third (29%) of investors are not impacted. Investors who are less confident in their investment knowledge, younger (less than 35), and have a portfolio smaller than $50,000 are more likely to say that they do not know what impact a financial adviser's compensation had on their choice of adviser. Participants at the in-person sessions felt more strongly that compensation had an impact on whom they choose to work with, with 27% strongly agreeing (versus 16% online).

Most investors in Ontario believe that the way an adviser is paid influences the products they recommend. However among those who trust their adviser, less than 50% think that how their adviser is paid affects their recommendations.

Fig. 6: % How adviser is paid has impact on recommendations



Investors, on the whole, believe that the way advisers are paid has an impact on which financial products and services are recommended to them. Less than one-quarter (24%) of investors do not think that compensation has an impact (20% disagree, 4% strongly disagree).

Overall, 20% of investors strongly agree that they trust their adviser, and 68% somewhat agree. The difference between those who fully trust and those who do not trust is reflected in their perceptions of how the adviser makes recommendations. In other words, the extent to which investors trust their adviser is related to their perception of the influence adviser

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compensation has on product recommendations. Among those who trust their adviser, less than half (44%) also agree that the way the adviser is paid affects the recommendations (Figure 6). In comparison, 67% of those who only somewhat trust their adviser feel this way.

3.1.4 The existence of a financial adviser has a positive impact on investment continuity and returns

More than half of investors see a value in having a financial adviser – they agree their returns are higher and they remain invested as a result of having an adviser.

Probing deeper on the compensation theme, participants were invited to think about and respond to questions about what impact their adviser might have on their returns and staying the course especially during periods of market volatility.

A majority of investors (56%) see a value in having financial advisers, believing that their investment returns are higher because of their financial adviser. However, it is important to temper this positive view. When one takes into account the fact that all participants have financial advisers, there is a natural tendency for people to believe that they provide value – or they would not have one. Those with larger portfolios, higher levels of financial literacy confidence and older were more apt to attribute higher returns to their adviser: 15% of investors with $250,000+ portfolios strongly agree, versus 5% of those with portfolios less than $50,000, and 18% of those who are very confident in their knowledge strongly agree, versus 8% with the lowest levels of financial confidence. Interestingly, dialogue participants were less convinced that higher returns are the result of their advisers – 41% agree or strongly agree, versus 56% online. As one participant explained:

> **"I didn't go in there thinking that they had a crystal ball. I had this idea of where I wanted to go, and how I wanted to balance my risk…They didn't have any role to play."**

Seventy percent of investors believe that they remain in the financial markets despite volatility because of their financial adviser. This is a strong vote of confidence in their adviser, notwithstanding investor's views that the way an adviser is paid influences the products they recommend and some skepticism about whether their advisers always adhere to 'best interest duty.' Age is closely associated with higher levels of agreement: 15% of those aged 65+ strongly agree, in contrast with 3% among those aged 34 years or less. Again, in-person participants were less convinced of the influence of financial advisers helping them keep on track and stay invested: 46% of in-person participants agree or strongly agree, versus 70% online). One dialogue participant illustrated this contrary view:

> **"I don't have investments because I have an adviser. I have an adviser because I have investments."**

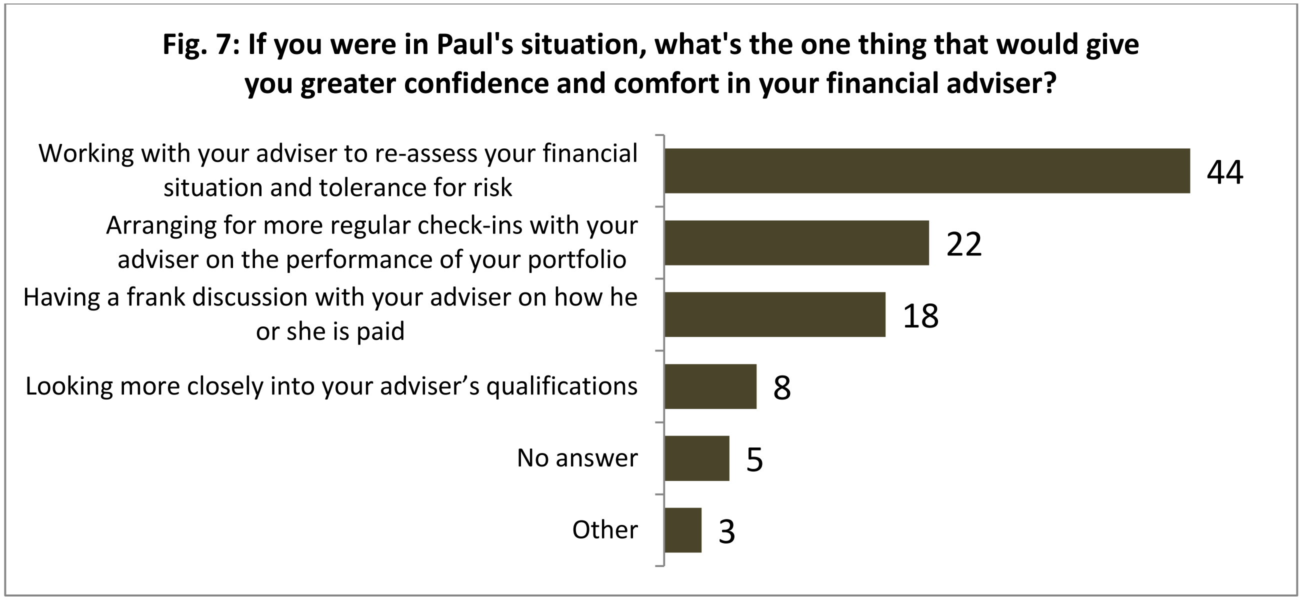
3.1.4 Investors most value their advisers' investment recommendations

Making clear and specific recommendations on investment decisions is the single most important contribution of financial advisers

Making clear and specific recommendations is the primary role assigned to advisers, and is largely the most important for all sub groups. Those more confident in their investment knowledge are more likely to emphasize the importance of the adviser's investment advice. Those with smaller portfolios place more emphasis on assistance in general terms, for example, assessing one's financial situation (23% of those with $50,000 or less in their portfolio chose this as the most important service) and helping develop financial goals (15%). Younger investors, similarly, are much more likely to see advisers as someone to help them develop financial goals (this was the top choice for 10% of those under 35 years).

Investors recommended that Paul, a fictional character questioning his investment strategy, work with his adviser to re-assess his situation and risk tolerance, and arrange for more regular check-ins moving forward.

Participants were asked to provide guidance and advice to 'Paul' - a young 30-something information technology worker who is questioning his investment strategy and the value of his financial adviser. Many identified miscommunication as being at the heart of the problem. Online, most opted to advise Paul to work with his adviser to reassess his financial situation and tolerance for risk (44%), followed by more frequent check-ins with the adviser (22%) (Figure 7).



Of those who answered "other" (3%), suggestions included "do all of the above", obtaining a second opinion, and switching advisers, the latter two which were expanded upon by participants in an open-ended question on strategies (see section 3.1.5).

3.1.5 Other suggestions for investors questioning their investment strategy

In an open-ended question about other strategies to address problems or questions with one's investments, Ontarian investors emphasized the importance of sitting down and having a frank discussion with one's adviser to work through their problems, getting a second opinion, switching advisers, and conducting more independent research. (Fig. 8).

Data gathered online in presented together with in-person contributions. The number of "references" refers to the number of times a particular idea was recommended or positively referenced by participants.

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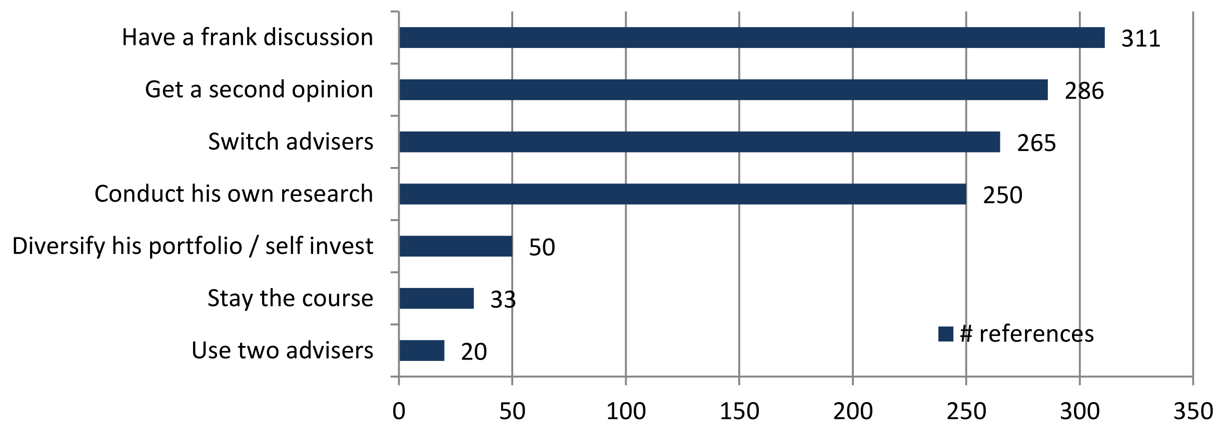
Fig. 8: Other suggestions for Paul



Investors feel that having a frank discussion with their advisers is the best way to resolve any concerns with their investments.

1. **Have a frank discussion with one's adviser** (311 references): The most common response was for investors to speak with their advisers. Many participants emphasized the importance of investors sitting down with their advisers to have a frank discussion, bringing their concerns and worries to the table. This would give the investor and financial adviser an opportunity to go over the various investment products in one's portfolio, re-evaluate risk tolerance (37 references), discuss fees (41 references), review adviser qualifications (16 references) and evaluate the adviser's performance with other clients (3 references). A few suggested scheduling more regular meetings with an adviser (20 references) to monitor progress toward one's goals. Referring to Paul's situation, they recommended that he:

"Have a frank discussion with the adviser about his…concerns and the difference in performance with his friend's investments. It's an opportunity for the adviser to explain the strategy and a head's up Paul may move on."

“Paul must ask questions and justify his investments. He needs to sit down with his adviser, find hard stats and facts as per why Paul is investing as he is. He needs to review his portfolio and ask his adviser why he has that portfolio.”

Dialogue participants similarly stressed the importance of sitting down with one’s adviser to have a frank discussion when questions or uncertainty arises, choosing it as their second-most popular recommendation. One added that sitting down with his adviser could give Paul (and other investors) an opportunity to probe whether the adviser’s workload is such that insufficient attention is given to Paul’s portfolio.

Another theme that emerged from the input is the important role an adviser plays in helping clients assess financial goals and documenting them (25 references). This, they felt, would help position investors to be in more control of their portfolio moving forward.

Many investors suggest that Paul get a second opinion on his investments.

2. **Get a second opinion** (286 references): Along with speaking directly with his financial adviser, many suggested that Paul seek out a second, or even a third, opinion to see if other advisers have different views on investment strategies. This, they felt, would give Paul more balanced information with which to make decisions. Some suggested that he seek out the advice of his friend’s adviser, while others pushed Paul in the direction of his bank or another financial institution to get some insight. A few suggested an independent, fee-based second opinion, as to avoid any conflict of interest (15 references).

“Get a second opinion from an unrelated financial institution as to the kinds of holding he has and what they might offer.”

Some feel Paul needs to

3. **Switch advisers** (265 references): Many investors recommended considering switching advisers, taking into account Paul’s dissatisfaction with his adviser, and his relatively young

consider switching advisers.

age. This was most often as a second step, if a frank discussion with Paul's initial adviser did not clarify the situation. Some recommended switching to a fee-based adviser (7 references), while others provided general criteria to help Paul and other investors choose an adviser (34 references).

"He should consider another adviser who is more in tune with him, his needs, goals, and risk tolerance. I'd also look for an adviser near his own age, as a young investor has to look for an adviser who they can deal with for many years."

Self-education is also recommended for Paul to improve his financial literacy and confidence in investing.

4. **Conduct his own research** (250 references): In addition to dealing with an adviser, the importance of self-education / self-reliance and research was underlined by many and is a recurring theme in the online Choicebook and in-person sessions. Participants encouraged Paul and other investors to be proactive in understanding and managing investments, suggesting researching and comparing rates of return of various funds (26 references), fees (18 references), his adviser's qualifications (17 qualifications), and his friends' investments (14 references). Underlying this suggestion is a push for investors to take more responsibility for their finances (21 references).

"Do your homework before accepting advice from an adviser. Paul sounds like he has enough education to understand what he is getting into."

"Keep an eye on all statements, ask questions, make sure you understand the answers, ask for changes when things aren't progressing as planned."

Self-education was the most frequently cited recommendation at the in-person dialogue sessions. Participants recommended accessing financial information online, reading magazines that discuss specific funds, reading financial help columns in newspapers such as The Globe and Mail, and joining an investment club. As one shared:

> **"Paul needs to figure out whether there's substance behind the information that is provided. He needs to be better educated. [Investors] don't always think of all the information to ask during their first meeting…He needs to do his homework and figure out how his adviser is paid."**

Investors think that Paul should have a more diversified portfolio, gradually moving away from mutual funds.

5. **Diversify his portfolio / Self Invest** (50 references): Others suggest that Paul and other investors diversify their financial holdings by moving away from mutual funds to invest in products like exchange-traded funds (ETF), real estate and blue-chip stock investments. Some advised against mutual funds outright (9 references). Self-investing was another option that was suggested as a way of diversification, with some recommending that Paul start with a small percentage of his portfolio to see how it works, and gradually increasing (23 references).

Some think Paul should ignore his friends….

6. **Stay the course / don't listen to friends** (33 references): Another group of participants advised Paul to take his friends' advice with a grain of salt, and be quite wary of investments that sound 'too good to be true'.

> **"Be careful about results achieved by friends – they will boast about their successes and are less inclined to tell you about their failures."**

…and employ two advisers.

7. **Use two advisers** (20 references): By using two financial advisers, some participants felt Paul and other investors can better evaluate investment advice in real time, while making

their advisers ‘compete’ for investment dollars.

8. **Other:** Participants also suggested “all of the above” (17 references), speaking with the adviser’s manager to discuss the situation, discussing with one’s partner to get his or her advice, having a holistic look at their financial situation to determine an overall financial strategy for debt and saving, and finding a job with a pension plan.

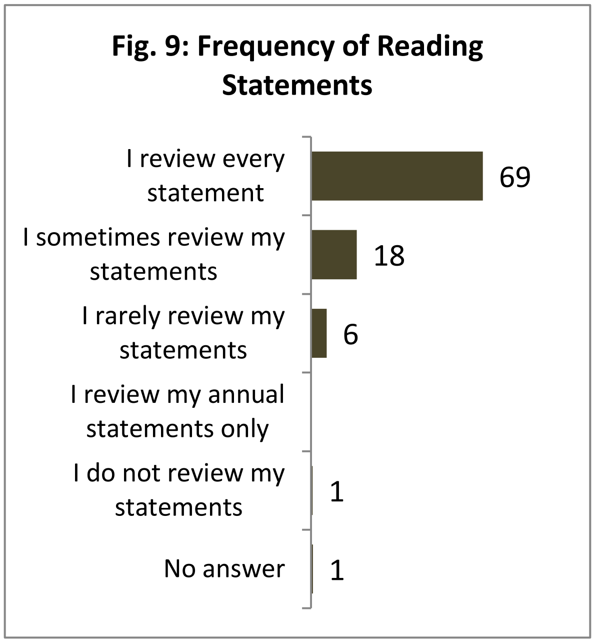
3.2 Investment Product Information

The second key issue is investment product information.

Investment product information was the second issue probed in the online Choicebook and at dialogue sessions. Participants first learned about investment information and then shared their experiences and perspectives. Questions probed participants' experience with becoming informed about investment choices, decision-making criteria when investing, and their ideas about ways to improve available information.

3.2.1 The default position is to read every statement, but certain groups are more likely to do so

Ontarian investors generally read all investment statements though it is not known how much time they devote to reviewing them. Those confident in their financial literacy, those with large portfolios and older investors are more likely to read every investment statement.



Investors in Ontario generally read all of their investment statements, with nearly 70% of online participants choosing this answer (Figure 9). What is not known is how much time they devote to reviewing these statements. There may be that some respondents are somewhat inflating the degree to which they review all statements. It would be worthwhile to probe further on this question to know more about how they review their financial statements.

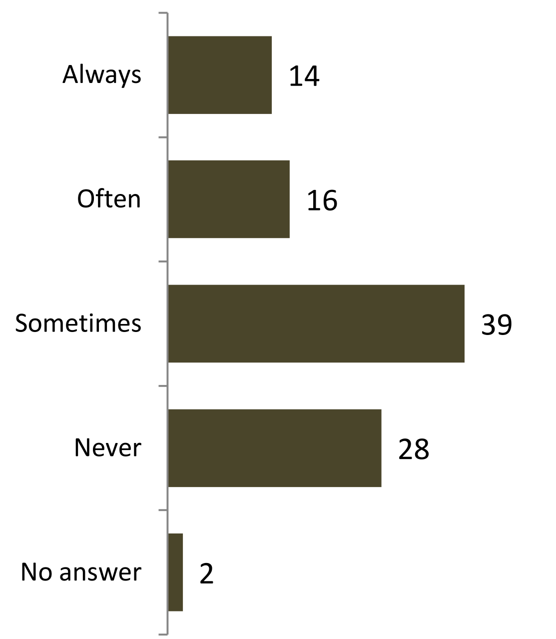
It is important to note that certain groups are more likely to do so than others: 80% of those who are very confident in their financial literacy and 77% of those with $250,000+ portfolios read every statement. This is in contrast to only 56% of those with portfolios smaller than $50,000. In addition, younger investors are also less likely to read every statement, with only 51% of those under 35 doing so.

In contrast to the Choicebook respondents, dialogue participants were less likely to read their investment statements regularly – only 50% read every statement, 27% sometimes review their statements, 12% rarely review and 8% only look at their annual statements (compared with less than 1% in the greater investment population). When probed about why they do not review statements, the following reasons were offered: their view that the statements were not transparent; feeling overwhelmed with information; and their use of online tracking which makes mailed statements out of date by the time they arrive. It may be that online respondents inflated the extent to which they review every statement. It would be worthwhile to follow up with investors to gain more insight on what information they pay the most attention to and why (e.g. performance statements versus investment statements).

3.2.2 Less than one-third of retail investors frequently undertake their own research and most investors rely heavily on their financial advisers for investment information

Only 30% of investors often or always conduct their own research. The more confident one is of his or her financial literacy, the more likely it is that they conduct their own research.

Fig. 10: Frequency of Doing Research



This core set of questions probed participant approaches to and experience with investment product information, and also explored their ideas to improve them. Only 30% of investors ‘often’ or ‘always’ conduct their own research (14% and 16% respectively) (Figure 10). It is notable that 39% only sometimes do their own research, and 28% never do. Being confident in one’s financial knowledge translates into being much more likely to always conduct research - some 40% of the very confident investors are in this category in contrast to the 4% of those who are not confident and who never undertake their own research. Also, investors with higher value portfolios are less likely to report that they never do research.

Although confidence usually aligns with larger portfolios and an older demographic, there are many among these two groups who lack confidence, which shows up as a lack of self-directed research. It is of interest that younger investors are more likely to say that they never do their own research.

Dialogue participants’ pattern of responses to this question indicated greater reliance on their own research. Forty six percent of them indicated that they conduct their own research ('always' or 'often') in contrast to 30% of online respondents. This could be attributed to this group's higher level of engagement on investment issues.

Investors generally turn to their advisers as their main source of information when investing.

A majority of investors (58%) rely on their financial adviser as their main source of information on which investments to make. Another quarter turn to the media (electronic and print) as their chief source. Among those who often or always do their own research, their main source of information is media (electronic and print) at 47%, followed by their financial adviser (24%) and industry (company websites, SEDAR[4], etc.) at 24%.

Dialogue participants' responses were similar to online results, although they were less reliant on their adviser (41% versus 58%), and more apt to use the media (36% versus 24% online) or no research at all (9% versus 4% online). One participant explained the reason for not doing research this way:

"I'm part of an investment program that has been set up from the organization I'm dealing with. I have annual reviews, but make very few investment decisions. They were made five years ago, and now I'm living with the results."

Not only are advisers the main source of financial information, they are investors' first source of information. Those who are confident in their financial literacy are much more likely to start with their own research.

Reinforcing the role of the financial adviser in providing advice, more than half of investors turn first to their adviser for advice when deciding on investments. However a key difference is that those who are very confident in their investment knowledge are more likely to start with their own research (33%) than those who are only somewhat confident (15%) or not confident at all (8%). Financially literate investors are confident in bringing their own research to their advisers and engaging in what they perceive to be fruitful discussions about investment choices. Those who are less or not at all confident are reluctant to do so.

[4] System for Electronic Document Analysis and Retrieval (SEDAR) is an official site that provides access to most public securities documents and information filed by public companies and investment funds with the Canadian Securities Administrators (CSA)

Dialogue participants were less reliant on their financial adviser, with 33% choosing it as their starting point. More of them begin with a combination of advice from their adviser and their own research when making investment decisions (31% of dialogue participants chose 'some of the above', and indicated this combination during a discussion of their answers).

3.2.3 Most investors only 'somewhat agree' that their financial adviser provides sufficient information

A majority of investors only somewhat agree that their adviser provides sufficient investment information.

While relatively few people disagree (18%), most people (54%) only somewhat agree that their financial adviser provides sufficient information to make investment decisions. However, 35% of those who are very confident in their investment knowledge strongly agree that their adviser provides sufficient information. It may be that these investors receive more information from their advisers than those investors who are less knowledgeable and with whom advisers have less contact. Similarly, those with higher value portfolios are more likely to strongly agree (30%). Younger investors, in contrast, are much less likely to strongly agree (11% versus 31% for those 65+).

Dialogue participants were less likely to somewhat agree that their adviser provides sufficient information – 38% versus 54% among the broader investor population. While one participant explained her disagreement saying, "you can never have enough information", another expressed concern that his adviser was not giving him the fullest picture of his investments:

> **"He doesn't tell me what he doesn't want to tell me, like if there's negative information about how other companies have performed in a mid-cap or small cap portfolio. He's only going to provide positive information."**

In such circumstances, the adviser may be focusing on the positive but not on the overall performance of the investor's portfolio.

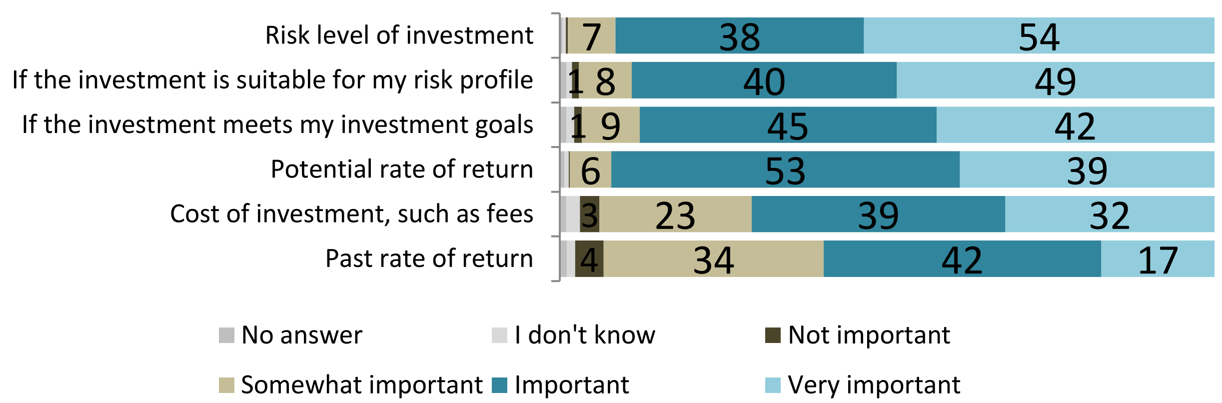
3.2.4 Investors are most concerned about risk when making an investment

Risk is the most important factor when investors are choosing

Choosing from a list of six possible factors to consider when making an investment, investors *investments.*

identified risk as the most important overall consideration, including risk level and matching investments with an investor's risk profile (Figure 11). The past rate of return, on the other hand, is the least important, preceded by the cost of the investment. Older investors place more importance on the investment's fit with their risk profile, whether it meets their goals, and the exact risk level of the investment. Investors who are very confident in their knowledge do not differ in their importance, other than placing much more importance on whether the investment meets their investment goals.[5]

Fig. 11: Rank the importance of the following when making an investment decision



Other considerations that influence the investment decisions of some investors (1%) are: ethics and environmental sustainability of companies, whether the fund's holdings are primarily in Canada or not, the advice of one's adviser, the track record of the Fund Manager, global economic factors, and the impact of a particular investment on the diversification and balance of one's portfolio.

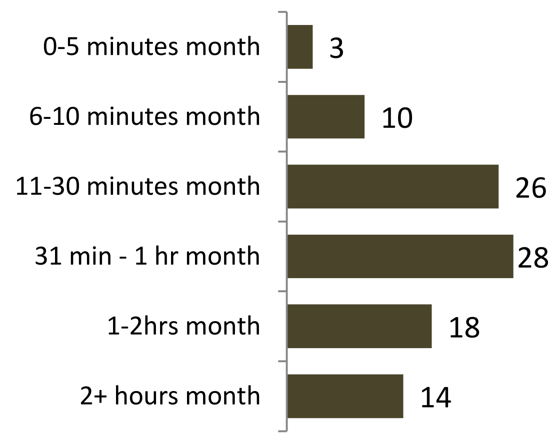
[5] This question set was not part of the in-person process.

3.2.5 A majority of investors say that they are prepared to devote more than 30 minutes each month to understanding their investment results

61% of investors are willing to spend more than 30 minutes each month understanding their financial position and results, while 39% are prepared to spend less than 30 minutes.

Overall, almost two-thirds (61%) of investors are willing to commit more than 30 minutes each month to understanding their financial position and investment results, while 39% are prepared to spend less than 30 minutes each month doing so (Figure 12). It is important to note that gender and age are important factors here – men are more than twice as prepared as women to spend more than two hours per month (20% men versus 9% women), while investors aged 65+ are more willing to spend more time than younger investors. Those with larger portfolios and those who are confident in their own knowledge are also more willing to spend more time – for example, 31% of those who are very confident are willing to spend more than two hours, compared with only 7% of those who are not confident.[6]

Fig. 12: Time Willing to Commit to understand position & results



3.2.6 Investors highlight the importance of working with one's financial adviser and using plain language in product information as key ways to improve investment understanding

In the fictional situation of Jennifer, participants suggest sitting down with her adviser to better understand her financial situation, and asking the financial sector to provide more

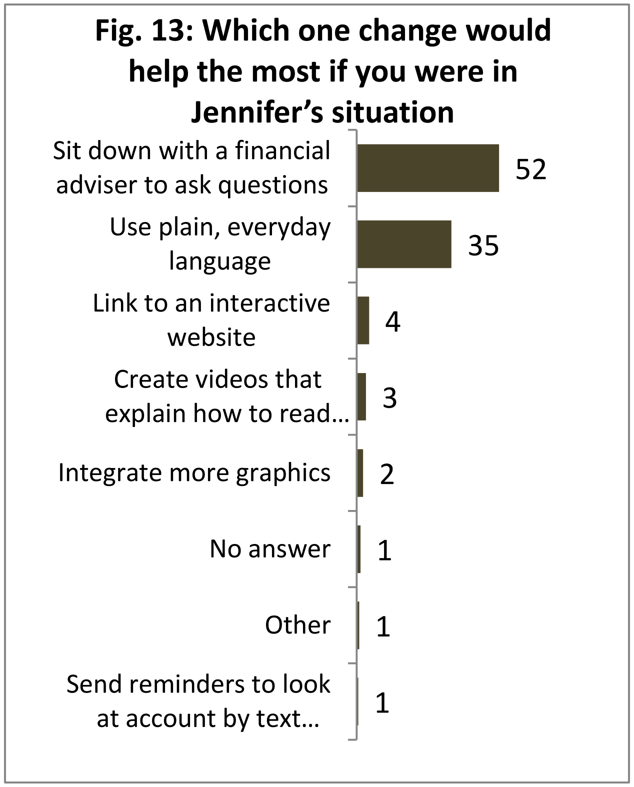
Participants (dialogue and online) were presented with a case study ('Jennifer', a single mother with two children who works full-time and is struggling to improve her financial investment knowledge) and asked to provide advice on improving her comprehension and confidence. Investors' top two pieces of advice are:

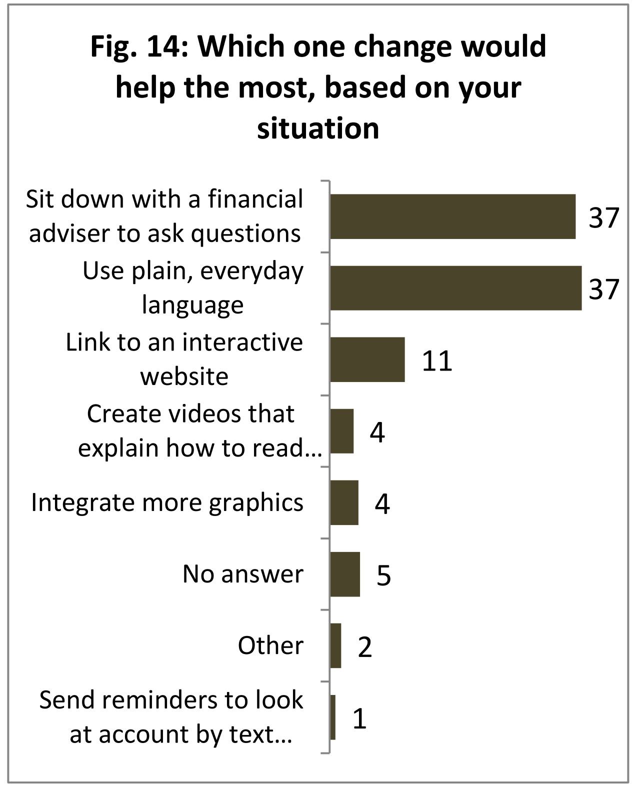
1. Sit down with a financial adviser to ask questions (52%); and,

[6] This question set was not part of the in-person process.

plain language materials.

2. Ask the financial sector to provide investment statements that use plain, everyday language (35%) (Figure 13).





The adviser plays an important role in helping investors navigate the financial investment sector but less confident investors are more reticent to seek out adviser advice.

Investors were also asked about which one change would be most helpful to them personally in making investment product information more useful and understandable (Figure 14). The results were consistent with their case study results, except that the top two choices were tied: sitting down with a financial adviser to ask questions and the use of plain, everyday language were tied in first place (both garnered 39%), followed by increased support for a link within the statement to an interactive website (11%).

Those with less confidence in their knowledge were slightly less likely to suggest sitting down with an adviser, representing a possible tension – they acknowledge their lack of confidence, but do not necessarily think that speaking with their adviser is the best way to resolve this (perhaps because they are not confident that they know enough to ask good questions). Their reticence is a barrier to improved understanding. Financial advisers should be mindful of this barrier and devise ways of overcoming investor reticence – duty of care demands no less.

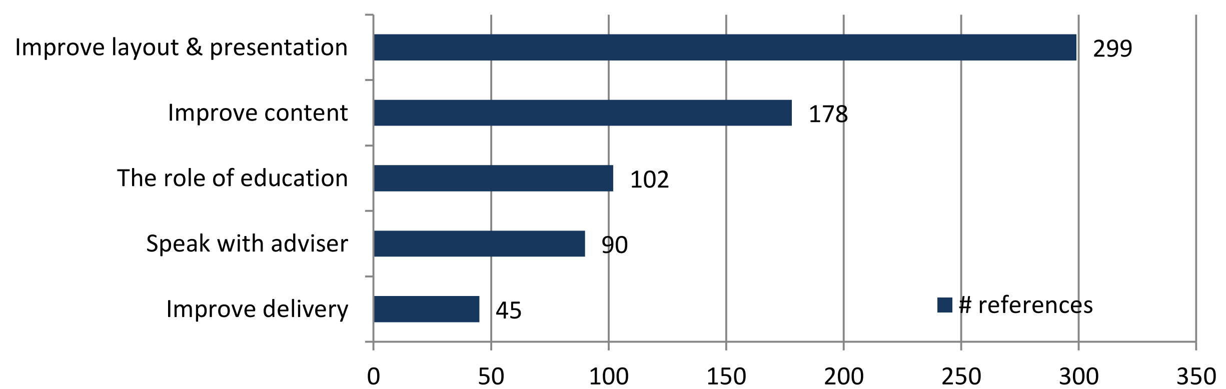
In terms of "other" suggestions (1%) in Jennifer's situation, investors emphasized the importance of self-education, and suggested bringing a friend to a meeting with an adviser to help navigate the information. For investors' own situation, "other" suggestions (2%) similarly included self-education, but also highlighted the importance of having more disclosure (showing real rate of return against one's initial investment, for example) to help investors make better decisions. These suggestions were elaborated upon in the final two open-ended questions of the process.

3.2.7 Improve the layout and content and innovate in the delivery of investment product information, while emphasizing the role of education and working with an adviser

Investors want more plain language investment product information that is attractively and clearly presented.

Participants shared a wealth of ideas on ways to improve investment product information. Data gathered online through an open-ended question is presented here together with contributions from the dialogue sessions. The number of "references" refers to the number of times a particular idea was recommended or positively referenced by participants (Figure 15).

Fig. 15: Ideas to improve investment product information



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Some investors provided general recommendations about the need to make statements and product information more easily understood (31 references), but most put forth concrete and actionable items. Their ideas have been clustered into five theme areas elaborated below:

This means more visual components on their investment statements to make them easier to read, with clearer overviews of their investments and better integration of multimedia components.

1. **Improve layout and presentation**, **and use multiple media to deliver information** (299 references): Most recommendations to improve product information relate to how information is presented. At the top of many investors' lists is a clear desire for more plain language text (121 references). A few suggested that non-industry writers be tasked with creating material, to make it comprehensible to a non-industry clientele, with others recommending that a 'definitions' or 'frequently asked questions' section be included to help investors navigate the material. As one participant shared:

   "Do not use internal jargon. Legal terminology and investment terminology should be clearly defined or put into plain, lay-person language, to provide clarity and transparency."

   Participants requested more visual components, such as easy-to-read graphs and charts, to help give a clear snapshot of their investment data (39 references). Others would like to see greater use of executive summaries and one-page overviews of portfolios (32 references), the standardization of investment statements and product information across institutions (16 references), the integration of videos, blogs and webcasts into reporting (15 references), decrease in the overall length (12 references), and the use of large print (3 references).

   "Incorporate a single-page snapshot showing performance over the past reporting period and for the entire timeframe of your investment (preferably graphic in nature)."

Other investors want improved content on their statements and other investment product information, including a better idea of a fund's real rate of return versus industry benchmarks.

2. **Improve content** (178 references): Investors want to see many improvements in terms of the content available in their statements and other investment product information. First and foremost, there is a great appetite for more information on fund performance over time, reporting on one's actual rate of return, and how growth or losses in a fund compare to industry benchmarks (90 references).

"I would like to see the value of what I put in versus the actual market value of my investment to see if I am ahead or not. With the effects of the last few years, I am not sure my portfolio is worth any more than the initial amount I put in. Have I made money?? It's hard to know sometimes."

"Provid[ing] indices or benchmarks to compare would help let me know how my particular investments are doing, and a brief explanation would be very helpful if they were above or below the index. If my fund out or underperforms, I'd like to know why."

Fee disclosure is very important for investors.

At the top of some participants' lists is a desire for more disclosure on fees, in statements as well as 'pre-sale' product information (67 references).

"Clearly state what the fees are, providing the client with clear information on how much of the money invested goes toward this."

Others want content that is tailored to them.

Others are looking for more personalized statements – for example, showing the performance of their investments in relation to their financial goals and multiple accounts on one statement (i.e. showing spouses investments on the same document) (26 references). Some want more information on the types of companies that are included in a mutual fund, both up front and on individual statements (12 references), while others are looking for analysis and reporting on broader market trends as they relate to their portfolio (10 references). Other suggestions to improve the content of investment product information include: the use of case studies; "how to read this statement" guides; analysis on changing legislation related to investing; updates on new products; explanations of investor rights; citations to help guide investors to new sources; and more disclosure in general.

Many investors emphasized the role of education and self-education, as important steps to improve financial literacy and confidence in investors' dealings with the financial sector.

3. **The role of education** (102 references): While investors provided numerous suggestions for improvements to investment statements and investment product information, they also underlined the role that education plays in creating an informed investor population. Investors were evenly split on who should be responsible – some felt the responsibility lies initially with the individual to self-educate and be proactive with their investments (52 references) while others felt that the onus is on industry, government, non-profit groups and schools to do more to educate the investing and pre-investing public (50 references). This speaks to the importance of proactive approaches to investor education. It is not enough to simply provide information; people need to be made aware of its existence and supported in making sense of the information.

Consulting an adviser is another way to improve how investment information is delivered and understood.

4. **Consult with one's adviser** (90 references): The role of the adviser was also emphasized when participants were asked for other ways to improve investment product information. Many suggested consulting one's adviser with questions about one's portfolio (42 references). They also highlighted the importance of reliability and trust in the relationship (16 references). Others felt the adviser must do more to provide investors with investment product information (such as FundFacts) before choosing investment products and updates on their performance.

"Getting/viewing prospectus(es) prior to making an investment. They arrive after the fact, full of details my adviser fails to tell me, and when I go looking ahead of time for something he's keen on, I can't find the particular one I need."

The way in which statements and product information is delivered is also important, with more online access a frequent suggestion.

5. **Improve delivery** (45 references): A number of investors (26 references) recommended accessing more investment product information online. Online material should include interactive websites to explain terminology, more in-depth content on each investment, and graphics showing industry benchmarks. A few requested mobile access to their investment information (6 references), while others emphasized the importance of paper updates (2 references). A few asked for more regular updates on their statements (6 references), while others felt updates were too frequent (2 references).

"Frankly, people need to educate themselves and take control of their own investments. Unfortunately most people can't – they don't have the smarts, or the time. This is why so many people's RSP plans underperform."

"Concepts of money management, credit and investments need to be introduced as required courses in high schools when the students are beginning to take jobs to earn their own money."

Other ideas to improve investment product information touched on more standardization of qualifications for advisers, among other suggestions.

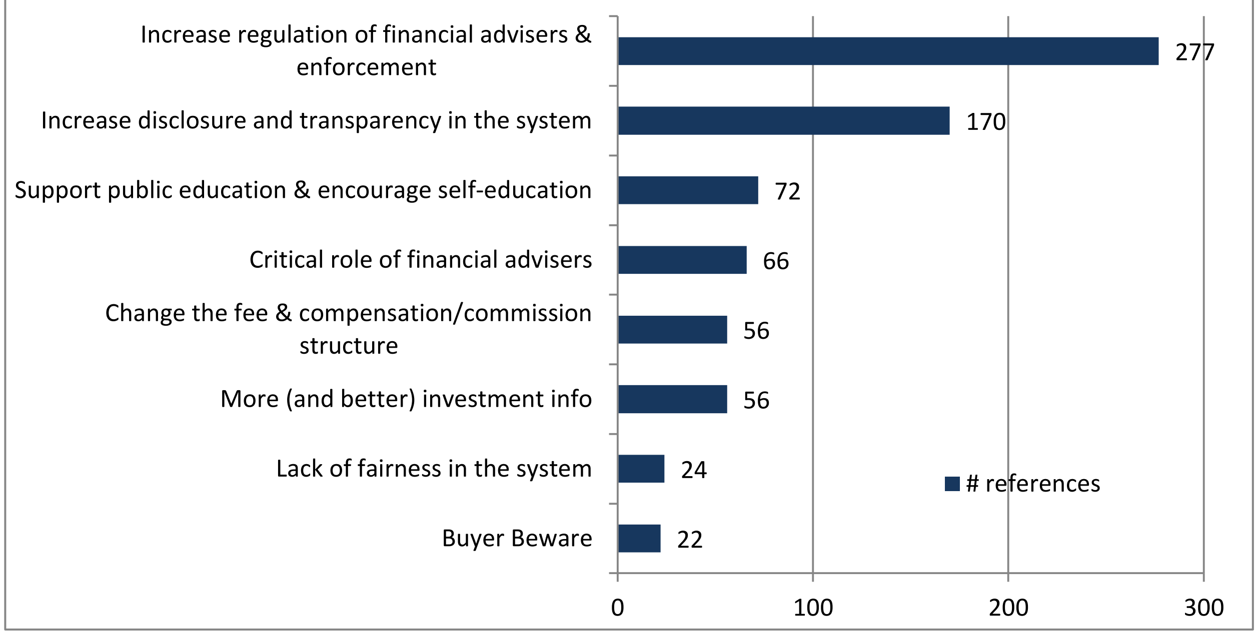
6. **Other ideas** – Investors recommend greater standardization in the required qualifications for financial advisers and see a need for more regulation of the profession (this was also a strong recommendation emerging in response to an open question about other suggestions to improve retail investor protection regime – see Section 3.3). They also would like to have a simplified range of investment offerings, more information on the socio-environmental impacts of investments when making investment choices, and having an ombudsman/complaints department within each financial institution to protect consumers.

3.3 Other suggestions to improve retail investor protection in Ontario

This section deals with other suggestions to improve investor protection in Ontario.

The online and dialogue processes furnished ample opportunities for participants to provide other suggestions to improve investor protection in Ontario. Figure 16 displays the most frequently recurring suggestions. As noted, this qualitative data was analyzed using NVivo. The number of "references" cited in the text refers to the number of times a particular idea was advanced or referred to by participants.

Fig. 16: Top suggestions to improve retail investor protection in Ontario



3.3.1 Increase regulation of financial advisers and the enforcement of rules (277 references)

Increasing regulation of the financial adviser profession, as

By far the most recurring recommendation to improve investor protection in Ontario is to strengthen the regulation of financial advisers and enforce the rules. Many investors called for clearer professional standards on who can use the financial adviser title including having in place *well as enforcement of existing investment legislation, were the top suggestions.*

rigorous educational requirements, ethics training, and professional oversight (128 references). As one investor shared:

"The number of designations/titles/needs to be drastically reduced. A college of financial managers needs to be established much like the body supervising accountants, lawyers, teachers. A clear title needs to become the standard for investment professionals. Is there a body to which a RFP (Registered Financial Planner) is accountable? Are there requirements for proven levels of education and training? If there are I don't know about such standards. I would be more comfortable if I did know. A greater differentiation needs to be made between the variety of persons who can offer retail investment advice: bank employees, insurance agents, mutual fund sales person, etc… The proliferation of sources of investment advice is a problem for individuals seeking advice."

Some suggest the creation and maintenance of a centralized online database of qualified, certified advisers that is accessible to the public. Others also would like to see the establishment of an ombudsman's office with the authority to suspend rule-breaking advisers. A few suggest that "rating" features be introduced to an online database of advisers, to allow investors to provide feedback on their experiences. Minimum service levels could also be part of regulation, a few felt, including mandating annual meetings to discuss performance, full disclosure on each investment, and updating financial goals.

Going hand in hand with regulation is enforcement – investors want to have existing, as well new regulations enforced more stringently by the Ontario Securities Commission and other relevant governing/regulatory bodies (56 references). These participants recommend quick prosecutions and stiff penalties (including jail time) which they think would help deter misconduct and improve Ontario's reputation as a rigorous investment regime.

"I have often heard that investor watchdogs in Ontario are lax in investigating possible malfeasance by investment counsellors, and penalties for out-and-out fraud or bad advice not based on an investor's risk profile is not punished severely enough. Regulations to protect investors should be toughened."

Some participants specifically called for a best interest duty put into law.

There are also relatively high levels of support for introducing a best interest (or "fiduciary") duty into Ontario (41 references).

"It would be important to have fiduciary duty for financial advisers. They are far too often in conflict of interest, putting their own interest (commissions) ahead of their clients' interests. That's particularly true for advisers in brokerage firms. There should be a separate category of advisers who are 'fee only' i.e. who don't sell investments, but only advise for a fee."

Participants recommend a range of other types of regulation including: the establishment of a compensation fund or insurance scheme similar to the Canada Deposit Insurance Corporation to insure protectors against adviser malpractice (19 references); more public information on rule breakers (11 references); a more formalized complaint process (9 references; and more auditing of investments (5 references). A few caution against over regulation, with some fearing increased costs to the investor (6 references).

3.3.2 Increase disclosure and transparency within the system (170 references)

More disclosure, especially about fees and compensation schemes, are also high on investors' list of suggestions.

Another popular theme among those providing written input is the desire for more disclosure and transparency within the system, through regulation if necessary. While some expressed this in general terms (35 references), many focused on the disclosure of fees and compensation schemes (115 references). Investors would like to have fees and compensation fully disclosed on every account statement and when investors are exploring different investments.

"I think the issue of fees needs to be clarified by financial advisers when purchasing a product. For example, the financial adviser should be required to inform the adviser what fees will be paid, when, and give an approximate dollar value on the investment type."

Participants also recommend that advisers disclose their qualifications (8 references), the risk level of each investment (4 references), the total value of funds under their watch (4 references), and sign a written agreement outlining fees, qualifications and the client's financial goals (3 references).

3.3.3 Support public education and encourage self-education (72 references)

Investors call for public education and outreach methods to promote investor knowledge and create an educated, confident and independent investor population in Ontario.

While regulation and disclosure have a role to play in protecting investors, some feel the best way to protect Ontario's investing population is to support public education through outreach and programming methods such as public awareness campaigns, seminars and workshops at financial institutions and online videos - all designed to encourage ongoing self-education. They hope that arming investors with financial knowledge and investing skills will allow them to better protect their own interests, and expand their knowledge of where to access credible information. This would also equip them to raise issues of concern to them (e.g. what to expect when investing.) Several identify a need for special attention to protect marginalized groups such as seniors, with one sharing:

"Many elderly investors appear to be wholly dependent on the advice of others, whether family members or professionals. It is apparent from news reports that their trust is too often betrayed. Efforts should be made to reach out to older investors, with a combination of questions they should ask themselves, and relatively easy means of finding appropriate answers. They should be able to reduce their degree of dependence at least to the point where they are satisfied that their interests are being served."

Another common recommendation deals with teaching high school students financial literacy to ensure the next generation of investors is well prepared to enter the financial market (18 references).

3.3.4 Critical role of financial advisers (66 references)

They also see the important role that financial advisers play in helping to navigate the system.

Reiterating a common theme, investors once again highlighted the importance of finding an honest, reliable and proactive financial adviser, and maintaining a strong relationship, to help investors navigate the investment world (32 references). Trust is a key element of this relationship, especially given investors' limited time to understand complex investment options, trends and solutions. A few noted the difficulty of finding an adviser, or switching between advisers when investing at a financial institution (16 references).

"We are not all financially trained…but it is more essential now than ever with pension plans disappearing from employment packages. We need to be able to trust in the recommendations being provided by financial advisers."

To strengthen this relationship, some investors recommend introducing minimum contact requirements to explain changes to the portfolio and explore options, regardless of one's portfolio size (17 references).

"Perhaps…some sort of required communication strategy with clients could be considered. The investor is busy and often uncomfortable discussing investments, time slips by and they get out of touch with their investments. Along with sending monthly statements, perhaps the investment adviser should be obligated to do a follow-up call, e-mail or visit with the investor every two months."

3.3.5 Change the fee and compensation/commission structures (56 references)

Some investors want to see changes in the fee and compensation structures.

Not only do some investors want simple disclosure of fee and compensation structures, others would like to see the structures changed. These investors recommend capping or eliminating management fees and lowering fees to allow moving investment dollars more easily when needed. Some would like to see fees mapped to performance, to incentivize growth. As one investor wrote:

> **"I could never understand how it is that whether an investment performs well, underperforms, or fails miserably, that the onus falls on the investor to absorb the losses. In other words, why are advisers paid on the value of investments, and not on the growth of investments?"**

Others want reforms to remove commissions and other financial incentives from the sale of investment products to remove conflict of interest from the adviser-investor relationship. On the flip side, one lone investor cautions against regulating fees too much, placing more emphasis when choosing between funds on the performance of the fund manager rather than fees alone.

3.3.5 More (and better) investment information (56 references)

Improving investment information is the best way to protect investors, according to some.

Investors emphasize the need for better investment information, asking for more plain language materials throughout the investment process (10 references), additional information on investment options (different kinds of products) (10 references), on the types of holdings in each fund (13 references), and on past and projected performance vis-à-vis other funds (12 references). As one investor shared:

> **"My investment statements provide the fund name, but provide no details as to how that fund makes its investments (e.g. tech stocks, pharmaceuticals, biotech, etc…) The statement is not meaningful beyond providing the 'bottom line'."**

They also recommend easier to read statements as one way to better protect investors (4 references), and easier access to ethical investment products (3 references).

3.3.6 Lack of fairness in the system (24 references)

Some feel there is an inherent lack of fairness in the system.

A minority of investors noted that to them the investment system is inherently unfair, created to benefit large institutional investors, and thus making it difficult to protect investors.

"I sometimes view the whole financial services industry as a bit of a 'shell game'. Once you hand over the cash, it just seems to vanish into the maze, and there seems little to do except close your eyes and hope your adviser knows what he or she is doing. Often they just hand off the cash to managed accounts…and everyone takes home a paycheque regardless of performance. Perhaps my sentiments are just rooted in current economic uncertainty, but I've never had terribly good fortune in the many years I've been in the market."

3.3.7 Buyer Beware (22 references)

Some think investors need to be more cautious when entering financial markets.

Others recommend that investors have more common sense when investing – noting that they should be aware of the risks involved, trust their 'gut' instinct when investment products sound 'too good to be true', and take more ownership over their portfolio.

"An investor, like any consumer, is fundamentally responsible for his/her own 'protection' ('caveat emptor') – accessible info to allow the investor to educate him/herself to that end is important, including, very importantly, to assess a potential financial adviser before retaining one."

3.3.8 Other recommendations to protect Ontarian investors

Investors provided a range of other recommendations to improve investor protection, including the creation of a national securities regulator (18 references), increased protection of investors' initial investments against huge losses, especially for seniors and at risk populations (18 references), reducing the confusing myriad of mutual fund choices, taxing high frequency trades, and ensuring security of personal information throughout the investment process.

It is also important to note that many wrote about positive experiences they have had working with their financial advisers, feeling particularly well protected and looked after by them (11 references).

Section Four:
Participant Feedback

4.0 Participant Feedback

4.1 Dialogue Sessions

Participants rated the in-person sessions as enjoyable, valuable, and open to their views.

Participants at the two in-person dialogue sessions rated their experience quite highly, indicating high levels of enjoyment (76% strongly agreed, 11% agreed that they enjoyed the experience), and placing value in the opportunity to contribute (71% strongly agreed, 27% agreed). They also indicated that they could express their views freely (67% strongly agreed, 33% agreed). In general, participants felt that there was sufficient time to discuss the two topics of focus in depth - 55% agreed and 35% agreed strongly there was enough time for topic one; with similar percentages for topic two (33% strongly agreed while 59% agreed).

The facilitator was rated highly (63% strongly agreed, 37% agreed), as was the travel assistance (62% strongly agreed, 31% agreed). There was also general satisfaction with the case studies (27% strongly agreed they were useful, while 64% agreed). A few suggested that the dialogue could have been 1.5-2 days in length, while others felt it was too long. Expressing satisfaction with the session in general, one participant wrote:

> **"I'm very grateful for this opportunity and look forward to hearing the outcomes. It has been absolutely wonderful, and very well organized."**

4.2 Online Choicebook

Online participants were satisfied with the ease of understanding project content, and would be willing to complete another Choicebook based on their experience.

An end-of-Choicebook evaluation revealed strong levels of satisfaction with the experience. Participants were most satisfied with the ease of understanding content, with 33% strongly agreeing that the Choicebook was easy to understand (63% agreed, 96% when combined). Based on their experience, 27% strongly agreed that they would complete another Choicebook (56% agreed, 83% when combined). Twenty seven percent of participants valued the opportunity to share their ideas and preferences (60% agreed, for a total of 87%), 18% greatly enjoyed the experience (67% agreed, for a total of 85%) and 17% felt the Choicebook helped them better understand financial services (57% agreed, for a total of 74%).

In follow-up comments, some participants shared general satisfaction with the Choicebook:

“Thanks, this was helpful and I’m glad you are looking into this.”

Some participants shared appreciation for the ‘informed participation’ aspect of the Choicebook, with one writing, for example:

“I am meeting my financial planner today, coincidentally. This survey has made me think a little more about what I am going to ask her.”

And others expressed hope that action would come out of the initiative:

“I hope for action on rules of clarity and who benefits when recommendations are made”

Strengthening Investor Protection in Ontario - Speaking with Ontarians

Appendix A - Online

Choicebook

Welcome

Welcome and thank you for taking the time to help strengthen investor protection in Ontario. We're looking forward to helping you learn about some of the key issues and challenges facing everyday investors in Ontario. We're also eager to get your feedback on what's needed to ensure there's a strong system in place to protect people when they're making investments.

We designed this online 'Choicebook' to give us the feedback we need while still protecting your privacy – so we'll only be asking a few basic demographic questions about you and you will stay anonymous.

It should take about 10-15 minutes to complete the Choicebook.

Click 'NEXT' to get started!

Progress: 2%

NEXT

About us

This Choicebook was created by two not-for-profit groups that watch out for the financial well-being of Ontarians.

The **Investor Advisory Panel (IAP)** represents the interests of everyday investors (called "retail" investors) in Ontario. We seek public input on financial issues that matter to Ontarians, and present them to the Ontario Securities Commission – the agency responsible for securities regulation in our province.

The **Investor Education Fund (IEF)** is a non-profit organization founded by the Ontario Securities Commission. We provide unbiased and independent financial tools to help Ontarians make better money decisions.

Learn More:

Click here to learn more about the Investor Advisory Panel

And click here to get a better sense of the products and services that the Investor Education Fund provides

PREVIOUS

Progress: 5%

NEXT

ascentum public participation

About this Choicebook

Through this Choicebook, and two in-person sessions, our goal is to represent your interests as everyday ("retail") investors, explore some of the current rules around investing and at the end of the process, make suggestions to the Ontario Securities Commission on how to further protect everyday investors.

In recent years, recurring themes have emerged from our discussions with investors and in our submissions to the OSC. We will explore two of these today:

1. The investor-adviser relationship
2. Investment product information

PREVIOUS

Progress: 8%

NEXT

About you

To better understand what we hear from participants, we have a few basic questions to start off with:

1. How many years have you been investing?

Choose...

2. As an investor and consumer, how confident are you in your own financial and investment knowledge (i.e. your financial literacy)?

Choose...

3. As an investor and consumer, how confident are you that the right measures are in place to protect you and your investments?

Choose...

PREVIOUS | Progress: 10% | NEXT

Context setting:
Investor protection in Ontario

As an individual, you invest your own money to achieve financial goals and financial security at various phases in your life.

As a retail investor, you make much smaller investments (and trade less frequently) than "institutional investors." These are typically organizations with large portfolios, such as banks, insurance companies, and mutual funds, that invest money on behalf of their clients.

One of the *Ontario Securities Commission's* objectives is to protect retail investors in the investment process. One way that it does this is by regulating the investor-adviser relationship, the first issue we'd like to explore with you.

PREVIOUS

Progress: 13%

NEXT

Issue 1.1: Investor-adviser relationship

A financial adviser's role is to be the interface between you and the investment world.

She or he can help you navigate through all the stocks, bonds, mutual funds and other types of investments available and make recommendations to you about your investments.

PREVIOUS

Progress: 16%

NEXT

Issue 1.1: Role of the financial adviser

There is a range of services that an adviser can provide. Some of the key services include

1. Finance and risk assessment:
   - Assessing your financial situation and tolerance for risk
   - Helping you develop short- and long-term financial goals
   - Clarifying the risks involved with investments they recommend
2. Recommendations and management:
   - Making clear and specific recommendations for investing your money
   - Managing a portfolio by making investment decisions on your behalf
3. Ongoing monitoring and assistance:
   - Providing you with regular account statements and updates
   - Answering your questions around investment products and strategies

PREVIOUS

Progress: 18%

NEXT

Issue 1.1: Role of the financial adviser

Anyone selling investment products or offering financial advice must be registered with the regulator in their province or territory.

But keep in mind…
People who provide financial advice can call themselves many things, such as 'adviser,' 'dealer,' 'representative,' or 'salesperson.' However, these titles can be unrelated to the experience and qualifications they may have. While some may have credible experience or relevant qualifications (obtained through formal education, certification or accreditation programs), others may not.

Now as we go through a couple of questions, consider your own adviser's experience and background, as well as the role she or he plays in your investment decisions.

PREVIOUS

Progress: 21%

NEXT

Issue 1.1: Role of the financial adviser

4. Before hiring my financial adviser, I checked his or her experience and qualifications

Choose...

5. Which factor has the most influence on your decision to select a financial adviser?

Choose...

Other:

PREVIOUS

Progress: 24%

NEXT

Issue 1.1: Role of the financial adviser

6. Which factor has the most influence on your decision to keep working with your financial adviser?

Choose...

Other:

7. Indicate your level of agreement with the following statement: "When I was choosing a financial adviser, I was aware of the range of services advisers provide".

Choose...

PREVIOUS

Progress: 27%

NEXT

Issue 1.1 : Role of the financial adviser

8. Which services are <u>most</u> important to you as an investor? Select the most important:

- ○ Assessing my financial situation and risk tolerance
- ○ Helping me develop financial goals;
- ○ Clarifying the risks involved with investments
- ○ Making clear and specific recommendations
- ○ Explaining how recommendations will meet my goals
- ○ Providing regular updates
- ○ Answering my investment questions
- ○ Effectively making most of the decisions, with my confirmation
- ○ Other (please specify below)

Other:

9. On average, my adviser contacts me

Choose...

PREVIOUS

Progress: 29%

NEXT

ascentum
public participation

Issue 1.2: Financial advisers' duties

Many professionals, such as lawyers and doctors, are obligated to act in the best interest of their clients. This means more than just being honest and straightforward with you – it's about putting your interest first, even before their own financial gain. This is known as the "best interest" or "fiduciary" duty.

Currently in Canada, other than for investment fund managers, it is not clear whether the "best interest duty" applies to financial advisers.

The Ontario Securities Commission, like other securities regulators around the world, is studying whether this duty should be put into law explicitly in order to protect investors.

Did you know?

70% of investors believe that there is a "best interest duty" in Ontario.

This is not currently the case.

PREVIOUS

Progress: 32%

NEXT

Issue 1.2: Financial advisers' duties

Indicate your level of agreement with the following statements:

	Strongly Agree	Agree	Disagree	Strongly Disagree	I Don't Know
10. I generally trust the advice I receive from my financial adviser					
11. I think that a 'best interest duty' is needed to protect retail investors					

PREVIOUS

Progress: 35%

NEXT

ascentum
public participation

Issue 1.3: How advisers are paid

When conflicts of interest emerge, they can undermine the investor-adviser relationship. *For example, when an adviser recommends an investment that pays a big commission but has lower returns or higher risks than a low-cost alternative.*

The line between what's best for the investor and what's best for the adviser is blurred. Often in these situations, money is at the centre of the conflict of interest.

Financial advisers can be paid in different ways. The money they receive can come from the company they work for, as well as the companies whose products they are selling (for example, a mutual fund company). As an investor, you may pay fees that can either be owed separately or can be hidden in the cost of the investment.

PREVIOUS   Progress: 37%   NEXT

Issue 1.3: How advisers are paid

An adviser's payment can include:

- **Service fees**, usually based on a set percentage of your investments with them;
- **Sales/trailing commissions**, usually based on how much they sell and are paid out every year that you own the investment *(Trailing commissions are an ongoing commission paid by mutual funds to adviser firms to compensate them for the ongoing services their advisers provide to investors after the mutual fund purchase)*;
- **Annual salary**; and,
- **Combination of commission and fees**

PREVIOUS　　Progress: 40%　　NEXT

Issue 1.3: How advisers are paid

Why is adviser pay important? *Consider how an adviser's pay could affect the advice you receive:*

Example 1: A mutual fund company might pay your adviser twice as much commission if you invest in one product over another, even if this choice is a higher risk investment ***or*** a higher cost product.

Example 2: A brokerage firm could offer your adviser more commission if you make new investments with them, even if this unnecessarily increases the fees you pay to your adviser.

PREVIOUS

Progress: 43%

NEXT

Issue 1.3: How advisers are paid

Indicate your level of agreement with the following statements:

	Strongly Agree	Agree	Disagree	Strongly Disagree
12. I know how my current financial adviser is being paid (e.g. combination of salary and sales commission)	○	○	○	○
13. My adviser has explained how he or she is compensated for the financial services provided to me.	○	○	○	○

PREVIOUS

Progress: 45%

NEXT

ascentum public participation

Issue 1.3 How advisers are paid

Indicate your level of agreement with the following statements:

	Strongly Agree	Agree	Disagree	Strongly Disagree	I don't know
14. The way an adviser is paid has a significant impact on whom I choose.	○	○	○	○	○
15. I believe that the way my adviser is paid has an impact on which financial products are recommended to me.	○	○	○	○	○

PREVIOUS

Progress: 48%

NEXT

Issue 1: Other relationship concerns

Indicate your level of agreement with the following statements:

	Strongly Agree	Agree	Disagree	Strongly Disagree	I Don't Know
16. I believe that my investment returns are higher because of my financial adviser.	○	○	○	○	○
17. I 'stay the course' and remain 'invested' because I have a financial adviser	○	○	○	○	○

PREVIOUS

Progress: 51%

NEXT

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public participation

Case Study 1: Paul's story

Meet Paul – he's in his early 30's and works at a software company in Waterloo. Over the past two years, he's been working with a financial adviser to help him plan his financial future and make the right investments.

However, Paul is unsure about his current financial adviser. He's a bit concerned that his adviser is too risk averse, or perhaps not as knowledgeable as he thought. Most of the friends he's spoken to have made more money than he has with their investments. A few have even suggested investments that his adviser told him to stay away from! Paul is also challenged by the fact that most of the high-fee funds he owns haven't been performing well.

Paul is thinking about whether his current adviser is serving his needs, which includes his long-term financial goals for retirement. What should he do?

PREVIOUS

Progress: 54%

NEXT

Case Study 1: Paul's story

18. If you were in Paul's situation, what's the one thing that would give you greater confidence and comfort in your financial adviser?

- ○ Working with your adviser to re-assess your financial situation and tolerance for risk
- ○ Having a frank discussion with your adviser on how he or she is paid
- ○ Looking more closely into your adviser's qualifications
- ○ Arranging for more regular check-ins with your adviser on the performance of your portfolio
- ○ Other (please specify below)

Other: ____________________

PREVIOUS | Progress: 56% | NEXT

Case Study 1: Paul's story

19. Do you have any other suggestions for Paul?

Characters remaining: 1250 of 1250

PREVIOUS

Progress: 59%

NEXT

Issue 2: Investment Product Information

Our next topic deals with information available to help inform your investment decisions. Retail investors are often challenged with knowing what is ***available***, what is ***important*** and ***understanding*** the information.

The right investment product information can help you better understand your investment and how it works:

- How will it make money?
- What fees are involved?
- What are the risks involved?
- Is this right for me?

PREVIOUS Progress: 62% NEXT

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Issue 2.1: Information on mutual funds

Mutual funds often make up a big part of a retail investor's portfolio. They are popular investment products since they offer diversification, are professionally managed and are supervised by a self-regulatory organization overseen by securities' regulators.

On the flip side, mutual funds come with fees (which are sometimes quite high), it is hard to know the risks involved, and investors often purchase funds based on past performance rather than whether or not they meet their investment needs.

PREVIOUS

Progress: 64%

NEXT

Issue 2.1: Information on mutual funds

Investment product information is one way to help you understand more about the mutual funds you are investing in. In particular it can provide information on:

- The type of mutual fund (e.g. money market, bond, stock);
- Investment objectives, approach or focus of the fund;
- Fees associated with the mutual fund; and
- Investments in the fund, including major investments in the fund

PREVIOUS Progress: 67% NEXT

Issue 2.1: "Fund Facts" in focus

Mutual fund companies are now required to prepare ***Fund Facts*** for each of their mutual funds. These are posted to their website, filed with the securities regulator in each province, and provided to you free of charge upon request.

FundFacts.com
The Industry Repository for Fund Fact Sheets

Fund Facts are designed to be a brief summary of most of the key information on a mutual fund, such as its total value and costs, the list of investments, its performance, and the risks involved. It also outlines how advisers are paid.

As an investor, this is a key resource for understanding your mutual funds. It is short in length, written in plain language and readily available. At this time, there is no requirement to provide it at point of sale.

PREVIOUS

Progress: 70%

NEXT

Issue 2.2: Information about individual companies

Those investors who choose to invest directly in individual company stocks or bonds can benefit from lots of available information. This information can give you a better idea of a company's performance and track record, major business opportunities and risks, and financial condition. Available documents include, but are not limited to:

- **Financial statements:** records (often audited by outside accountants) of the company's most recent financial activities;
- **Prospectus:** a legal document required when companies issue new stocks or debt, with lots of details info;
- **Management discussion & analysis:** Management's analysis and explanation of the company's performance;
- **Analyst reports:** Analysis by investment dealers or other organizations examining the business and recommending their securities
- **Financial media:** Business journalists (electronic, print and online) who analyze individual companies, interview company management and make recommendations

PREVIOUS Progress: 72% NEXT

Issue 2.2: Investment production information

Now we'd like to learn about how you get your information when making investment decisions:

20. How often do you read your account statements?

Choose...

21. When making an investment decision, how often do you do your own research?

Choose...

22. What is your main source of information on investments?

Choose...

PREVIOUS

Progress: 75%

NEXT

Issue 2.2: Investment production information

23. Please indicate your level of agreement with the following statement:

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	I don't know
My financial adviser provides me with sufficient information to make investment decisions					

24. Where do you start first when deciding on investments?

Choose...

Other:

PREVIOUS Progress: 78% NEXT

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Issue 2.2: Investment production information

Please rank the importance of the following information when making an investment decision.

	Very important	Important	Somewhat important	Not important	I don't know
25. Risk level of investment					
26. Potential rate of return					
27. Past rate of return					
28. Cost of investment, such as fees					
29. If the investment meets my investment goals					
30. If the investment is suitable for my risk profile					
31. Other (please indicate below):					

Other:

PREVIOUS

Progress: 81%

NEXT

Case Study 2: Jennifer's story

Meet Jennifer – she is in her mid-40s and is a single, full-time working mother with two school-aged children. She is the office manager of an interior design firm in Kingston. Like many people, Jennifer thinks about the future and gets nervous about her finances. She knows that balancing her current expenses will continue to get harder as she saves for her children's education and her retirement.

To help plan for the future, Jennifer has worked with a financial adviser for the past five years to make a variety of investments. But with the recession, these have not returned as much profit as Jennifer hoped. With little improvement over the last year, she has gotten very discouraged and stopped opening her monthly statements, which were hard to understand to begin with.

However, Jennifer knows that this isn't the answer. She needs to do a better job of understanding her investments and pay more attention. Jennifer feels she needs help finding information she can understand and be confident with.

PREVIOUS

Progress: 83%

NEXT

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Case Study 2: Questions

32. If you were in Jennifer's situation, which one change would be most helpful in making investment product information more useful and understandable?

- Use plain, everyday language
- Integrate more graphics
- Link to an interactive website
- Create videos that explain how to read the statement
- Send reminders to look at account by text message
- Sit down with a financial adviser to ask questions
- Other (please specify below)

Other:

PREVIOUS

Progress: 86%

NEXT

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Case Study 2: Questions

33. Based on your own situation, which one change would be most helpful in making investment product information more useful and understandable?

- ◯ Use plain, everyday language
- ◯ Integrate more graphics
- ◯ Link to an interactive website
- ◯ Create videos that explain how to read the statement
- ◯ Send reminders to look at account by text message
- ◯ Sit down with a financial adviser to ask questions
- ◯ Other (please specify below)

Other: ______________________

PREVIOUS | Progress: 89% | NEXT

ascentum public participation

Case Study 2: Other ideas

34. How much time are you willing to spend understanding your financial position and investment results?

Choose...

35. Do you have any other ideas to make investment product information more useful and understandable?

Characters remaining: 1250 of 1250

PREVIOUS

Progress: 91%

NEXT

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public participation

Final thoughts

36. Do you have any other issues, concerns or ideas around strengthening investor protection in Ontario? Please share below:

Characters remaining: 1250 of 1250

PREVIOUS

Progress: 94%

NEXT

What did you think of our Choicebook?

We'd like to know how you liked this Choicebook!

Please indicate your level of agreement or disagreement with the following statements:

	Strongly agree	Agree	Disagree	Strongly disagree	Not sure
37. I enjoyed completing the Choicebook.	○	○	○	○	○
38. The Choicebook helped me better understand services.	○	○	○	○	○
39. The information contained in the Choicebook was easy to understand.	○	○	○	○	○
40. Based on this experience, I would consider completing a Choicebook in the future.	○	○	○	○	○
41. I valued the opportunity to share my ideas and preferences.	○	○	○	○	○

PREVIOUS

Progress: 97%

NEXT

Thank you!

Thank you for taking the time to share your thoughts about the key issues and challenges facing investors in Ontario.

If you would like to receive the final report of our findings in early 2013, please share your e-mail address below.

Email address:

Thank you once again!

Click FINISH to submit your responses.

PREVIOUS

Progress: 100%

FINISH

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Online Panel Results

Prepared by
Richard W. Jenkins Ph.D.

Jenkins Research

December 2012

Methodology

The data presented here are based on a representative sample drawn from the Ekos Prob*It* online panel, which is a randomly recruited panel.

Respondents were randomly selected to participate in this study and were invited (by email) to visit the Prob*It* site where they completed several questions, including screening questions, before they entered the Choicebook site.

A total of 2030 completions were achieved. A sample of this size has a margin of error of plus or minus 2.17%. The margin of error for subsamples will be larger.

The data has been weighted to the population of Ontario based on age, gender and region of people who qualified to complete the Choicebook.

Worth Noting

Age, Years of Experience and Portfolio Size

- Naturally there is a high inter-correlation between age, years of experience and portfolio size.
  - For example, you need to be investing for a long time to have a large portfolio and by definition, younger investors have limited time to build up experience.
- Younger investors here refer to those under 45 and particularly under 35 (which represents a relatively small proportion of the population who met the screening criteria).

Preliminary High Level Findings

Skepticism about shared interest

- There is a natural tendency for people to rationalize that their financial adviser is looking out for them; they should say good things or get another adviser.
- Although there is evidence here that FA are relied upon, three things highlight the skepticism that many investors feel.
  - Only 20% strongly agree that they generally trust the advice of their financial adviser.
  - 59% strongly support the “best interest duty”.
  - 25% strongly agree (64% overall) that how FA is paid impacts the recommendations they receive.

Experience versus Inexperience

- 11% are very confident in their financial literacy and these people tend to have been investing longer, have larger portfolios, and be more engaged in investing. This group is more focused on performance and skeptical of FAs despite acknowledging their help.
- 25% have little confidence in their literacy and are therefore more reliant on the advice of FAs.

A one-sided power relationship

- The relatively few with a high level of confidence in their literacy translates into a significant group that is potentially confused.
- While people think that how FAs are paid affects the recommendations they receive, 42% don’t know how their FA is being paid.
- In addition, only 46% checked the qualifications of their DA

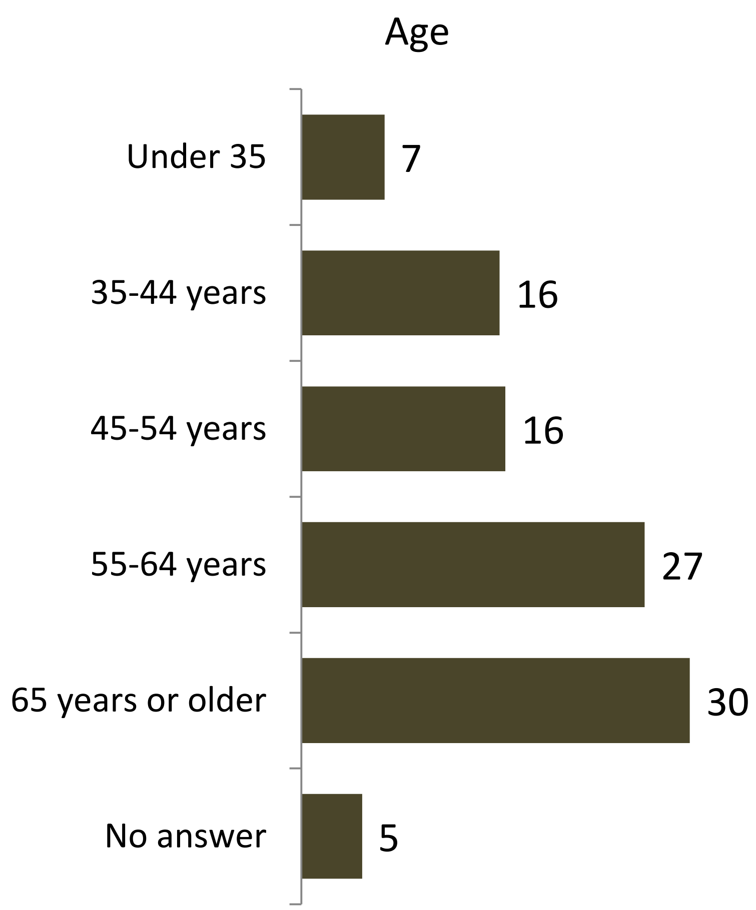
Investor Profile

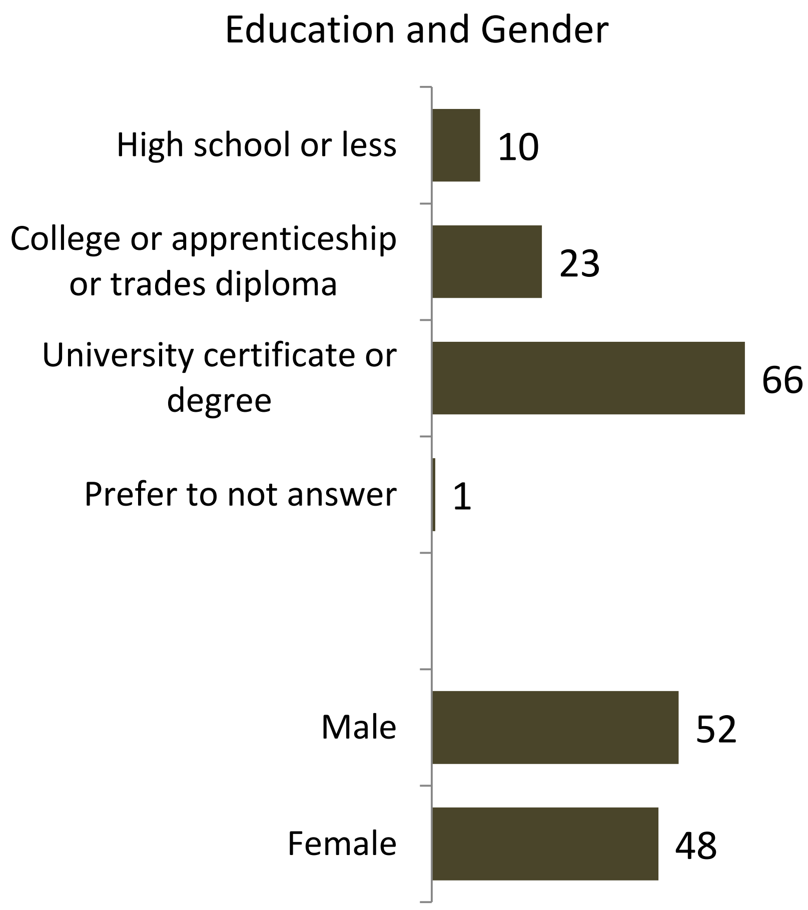
- Current investors skew toward being older, and more educated. Women and men are equally likely to be investors.
  - Only 23% of the investors were younger than 45.
  - 19% have been investing for less than 10 years

- Younger investors are interesting because they tend to be new to investing (42% of those under 35 have been investing less than 5 years) and have relatively small portfolios (67% have less than $50,000).
  - The under 35 year old investor tends to be financially well-off: 58% of those under 35 have incomes greater than $90,000. Although this is also true for those under 55, it is not as true for those 55 years and older (only 35% of those 65 plus have incomes in the highest range).
  - Younger investors are less engaged overall. They have less confidence in their own knowledge and are less supportive of a duty of care requirement.

Demographic Profile: Age, Gender and Education

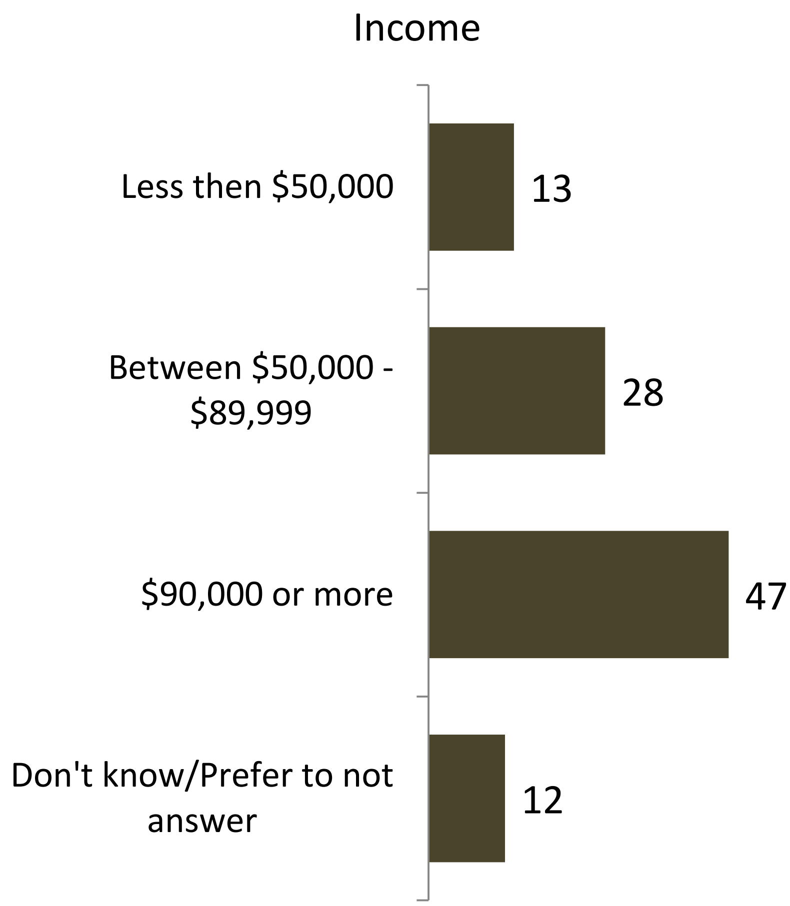
Note: The following are based on weighted data to reflect the population of people in Ontario who qualified for the survey.

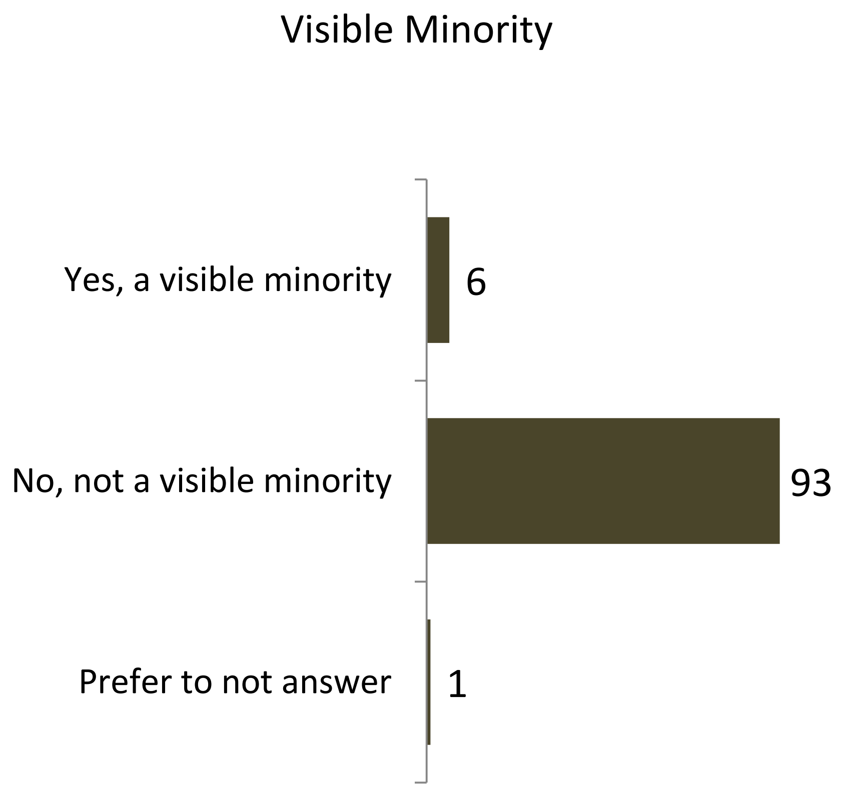




Demographic Profile: Income and Minority Status

Note: The following are based on weighted data to reflect the population of people in Ontario who qualified for the survey.

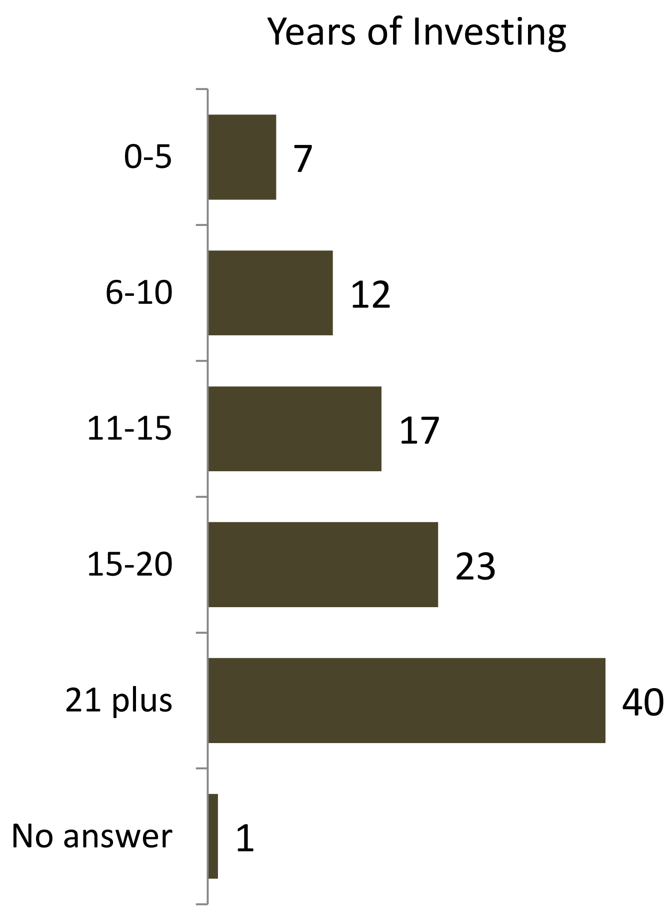


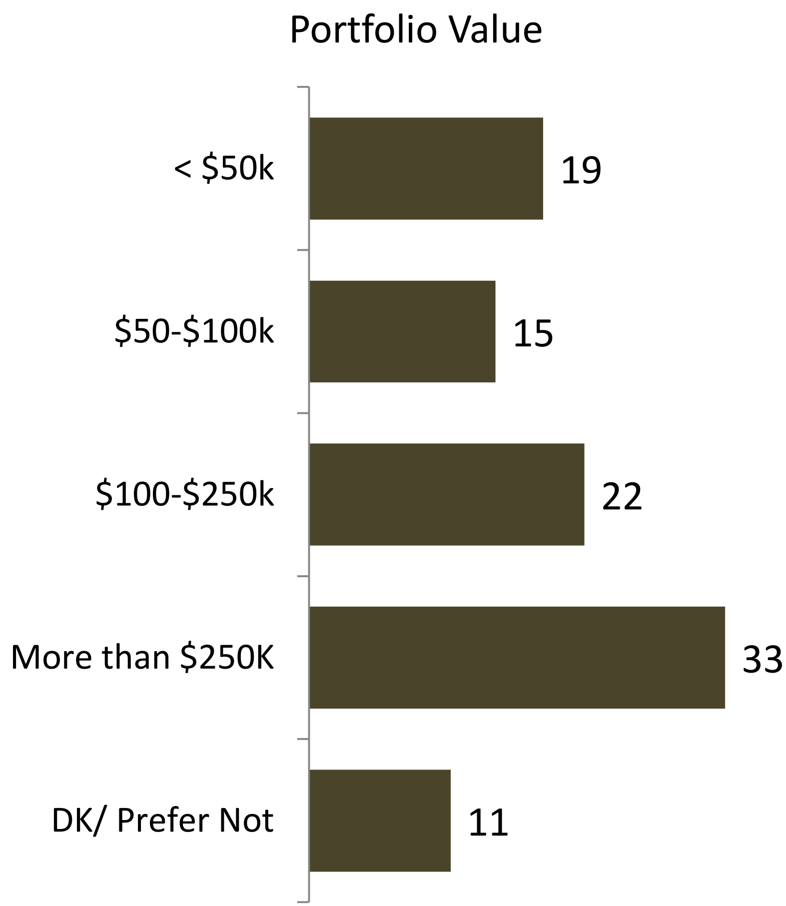


Public Data n=2030

Investor Profile

Q. How many years have you been investing?
Q. Please indicate the approximate size of your portfolio.





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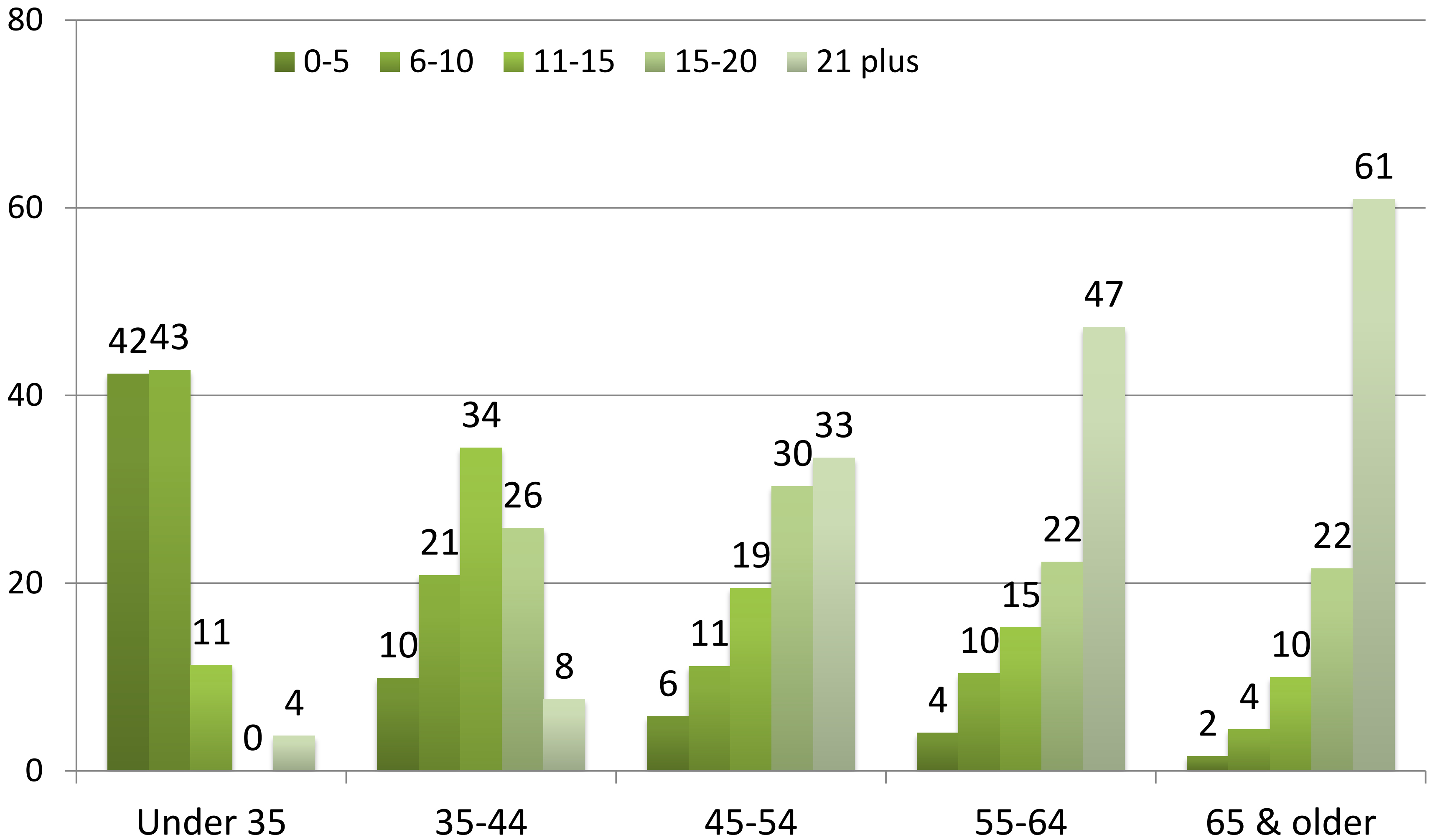
Public Data n=2030

Years of Investing Experience by Age



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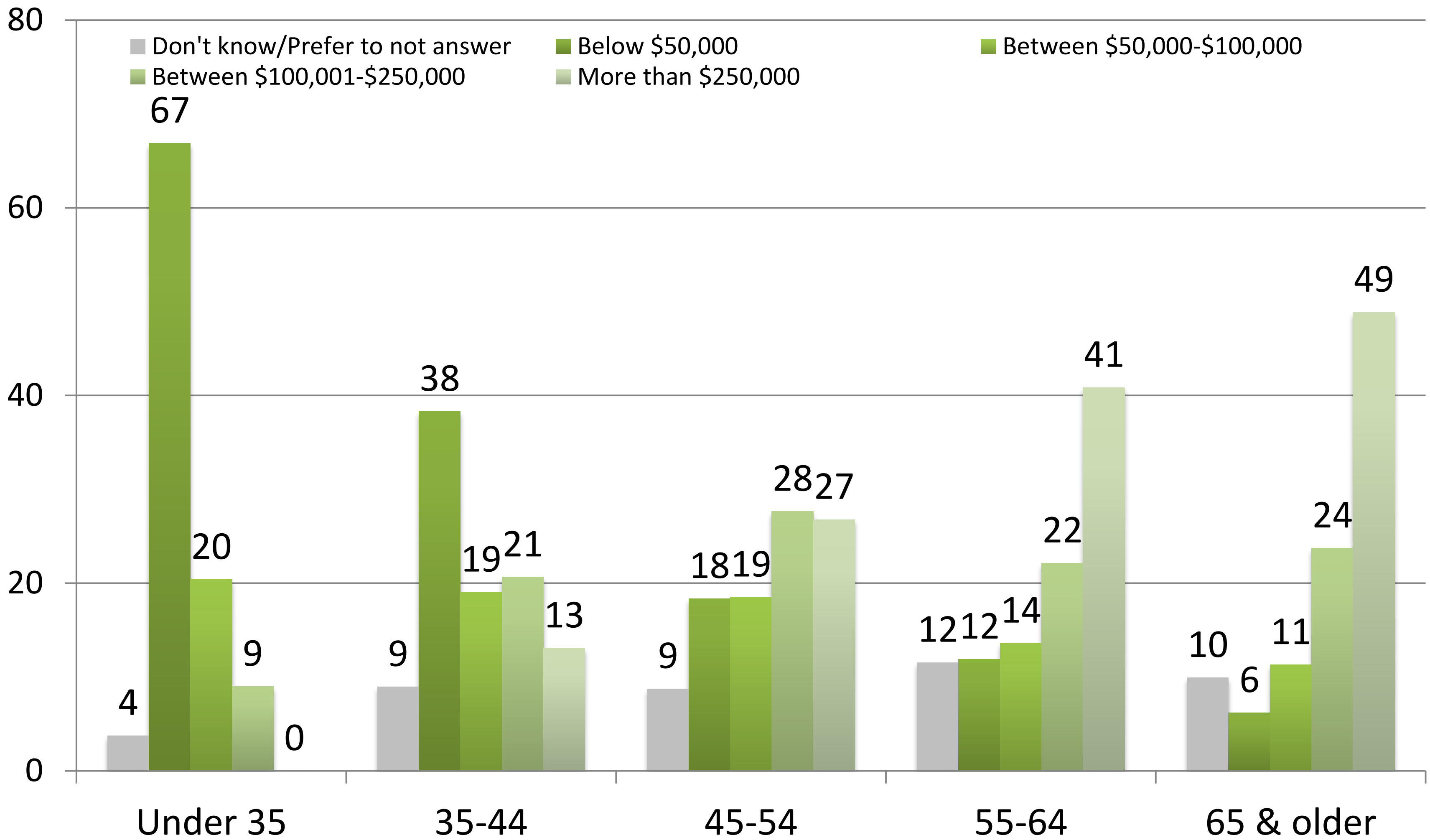
Public Data n=2030

Portfolio Size by Age



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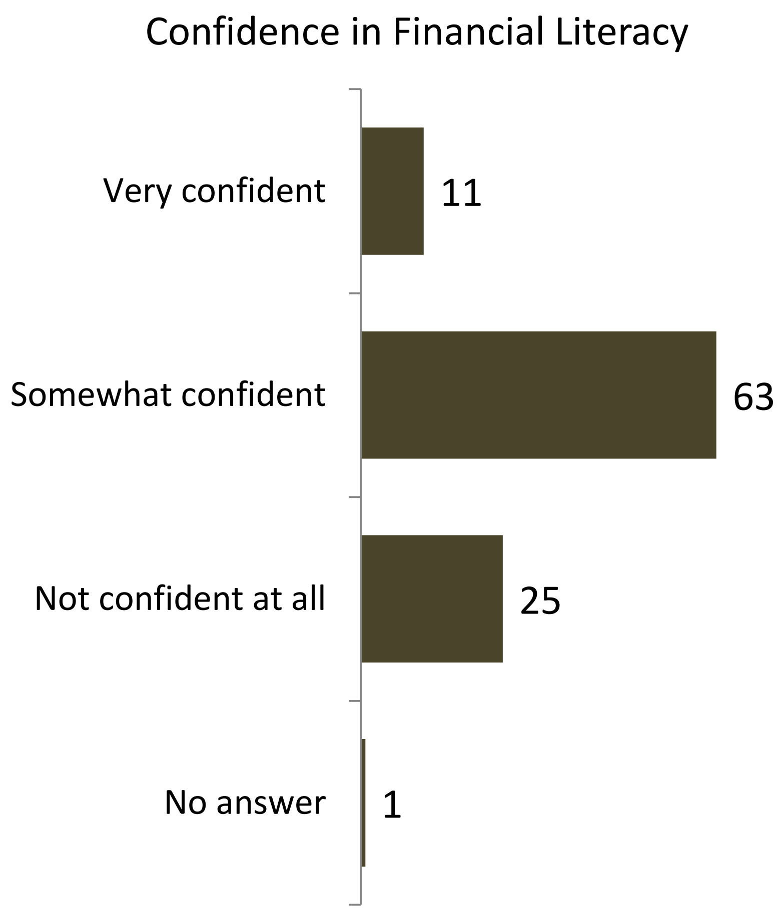
Public Data n=2030

Financial Literacy

Q. As an investor and consumer, how confident are you in your own financial and investment knowledge (i.e. your financial literacy)?

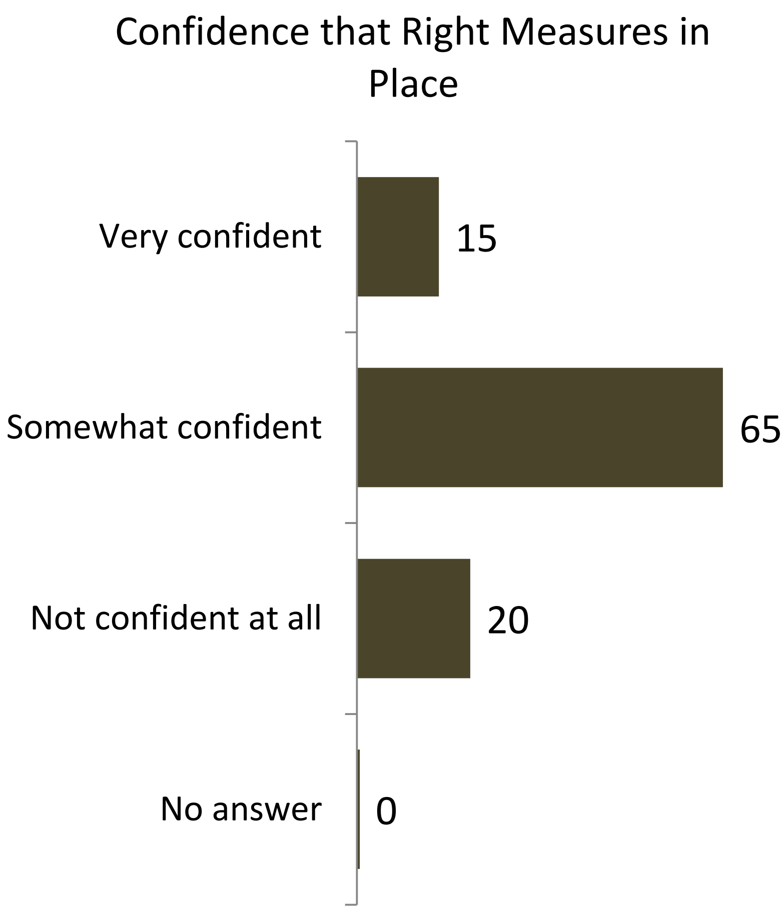


The high proportion in the middle suggests, perhaps, that for the retail investor there is considerable trepidation about their own knowledge.

- Men are twice as confident as women (15% vs. 7%) very confident. In fact one in three (34%) female investors is not at all confident.
- Young investors (under 35) are also less confident (38% not at all confident).
- People with larger portfolios are more confident but even here, 16% are not at all confident.
- Lower income groups tend to be less confident but those with less education are just as confident as those with higher education.

Confidence in Protection

Q. As an investor and consumer, how confident are you that the right measures are in place to protect you and your investments?



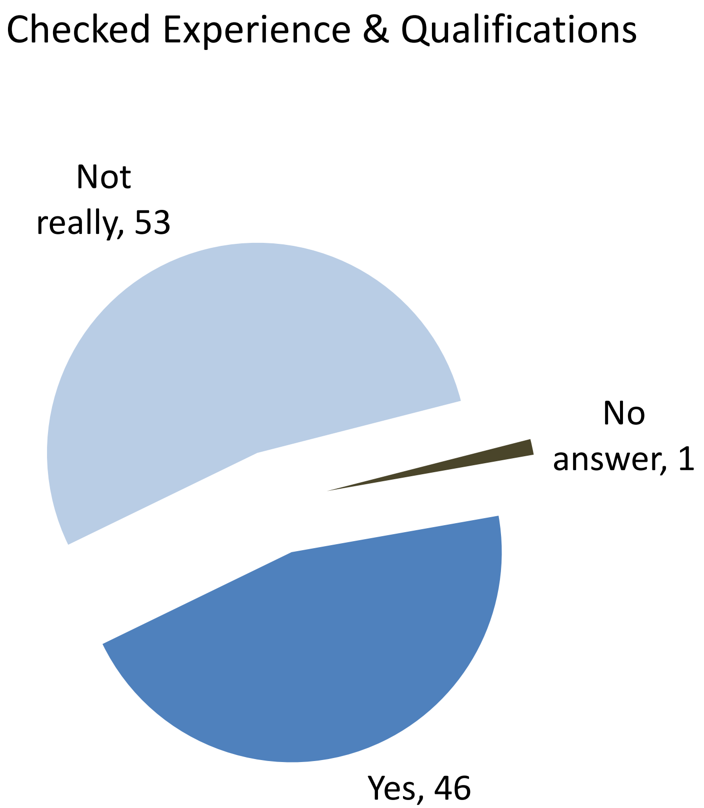
Low confidence in personal financial literacy could be made up by greater confidence that there is adequate protection for investors but only 15% are very confident.

- Importantly, it is the people with less confidence in their own personal knowledge who are the least confident that the right measures are in place.
- Men and women do not differ.
- Younger investors are somewhat less confident.

Public Data n=2030

Due Diligence Regarding Adviser

Q. Before hiring my financial adviser, I checked his or her experience and qualifications?

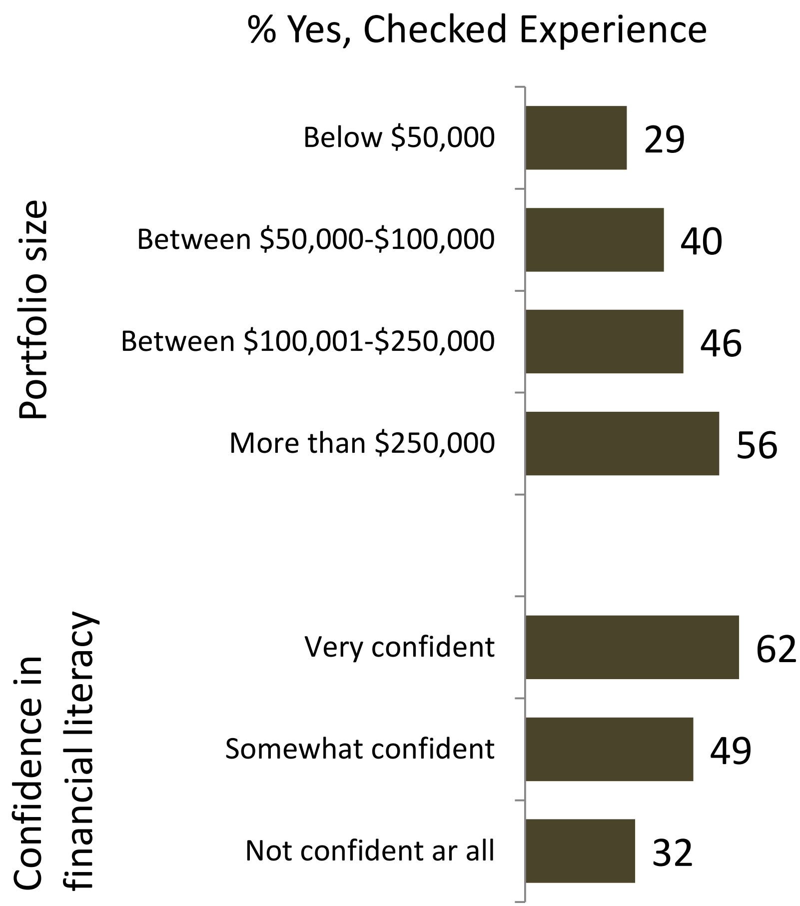


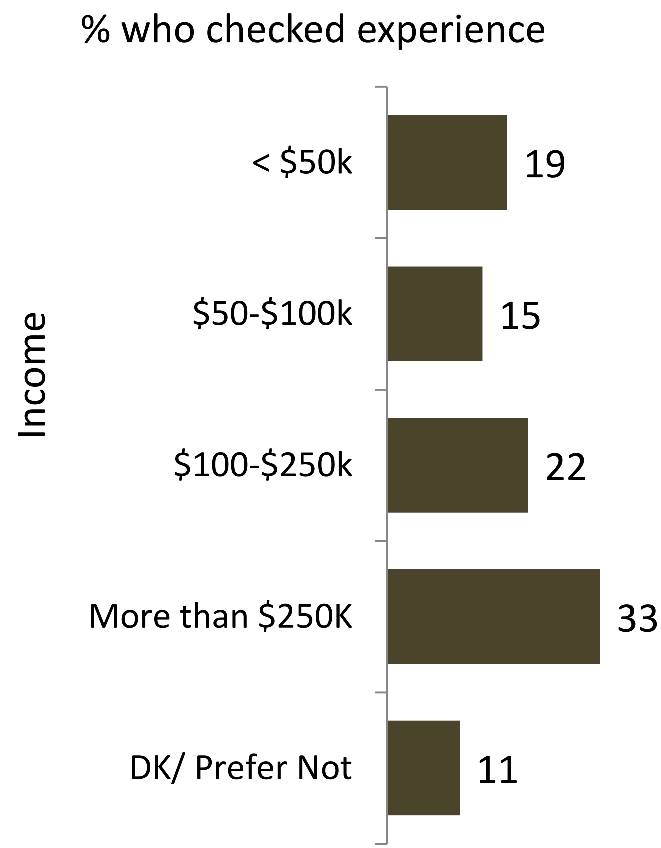
Less than half (46%) say that they checked the experience and qualifications of their financial adviser.

- Those with more confidence in their own financial literacy are more likely to have checked.
- Men and women do not differ.
- Youth are much less likely (33% of those under 35) than older investors (56% of those 65+).
- Those with smaller portfolios are less likely to have checked; only 29% of those with portfolio's under $50,000 checked.

Due Diligence Regarding Adviser

Q. Before hiring my financial adviser, I checked his or her experience and qualifications?

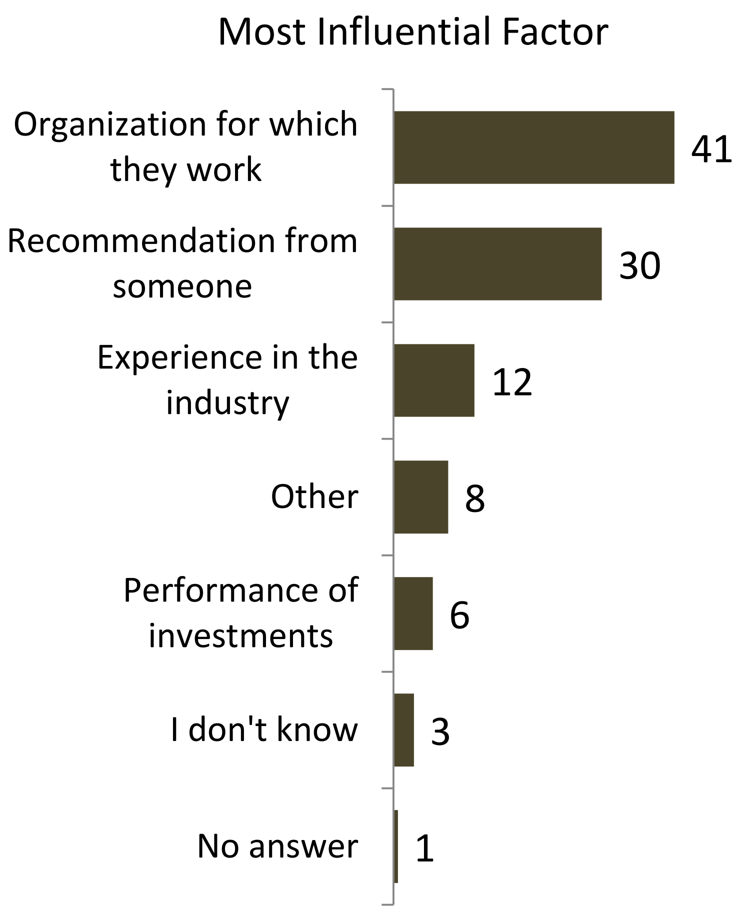




Public Data n=2030

Factors Influencing Selection of Financial Adviser

Q. Which factor has the most influence on your decision to select a financial adviser?



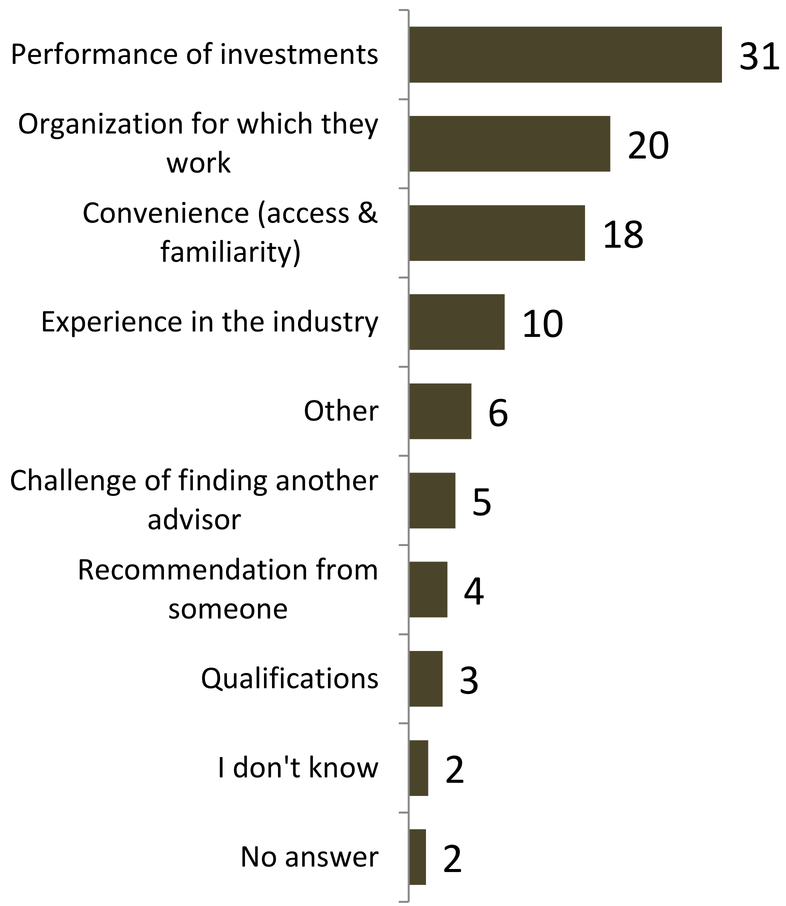
Institutional brands are the most important influence on the decision to select a financial adviser followed by a recommendation from someone.

- Those with more confidence in their own financial literacy are more likely to have checked.
- Young investors are much more likely to rely on a recommendation and older people place more emphasis on experience in the industry.
- Men and women do not differ.
- Experience (17%) and performance (9%) are more important for confident investors. People who are not confident are more likely to rely on a recommendation.
- People who checked the experience and qualifications of their adviser were more likely to be influenced by experience and a recommendation.

Public Data n=2030

Factors Influencing Decision to Keep Financial Adviser

Q. Which factor has the most influence on your decision to keep working with your financial adviser?



If brands matter for choice, performance is the most cited influence for staying with a financial adviser followed by brand and convenience.

- Those who are very confident in their knowledge are more likely to focus on performance (35%) and less on convenience (9%).
- Young investors are much more likely be influenced by convenience and older people place more emphasis on experience in the industry.
- Men and women do not differ.
- Investors with smaller portfolios are more focused on convenience and less on performance.

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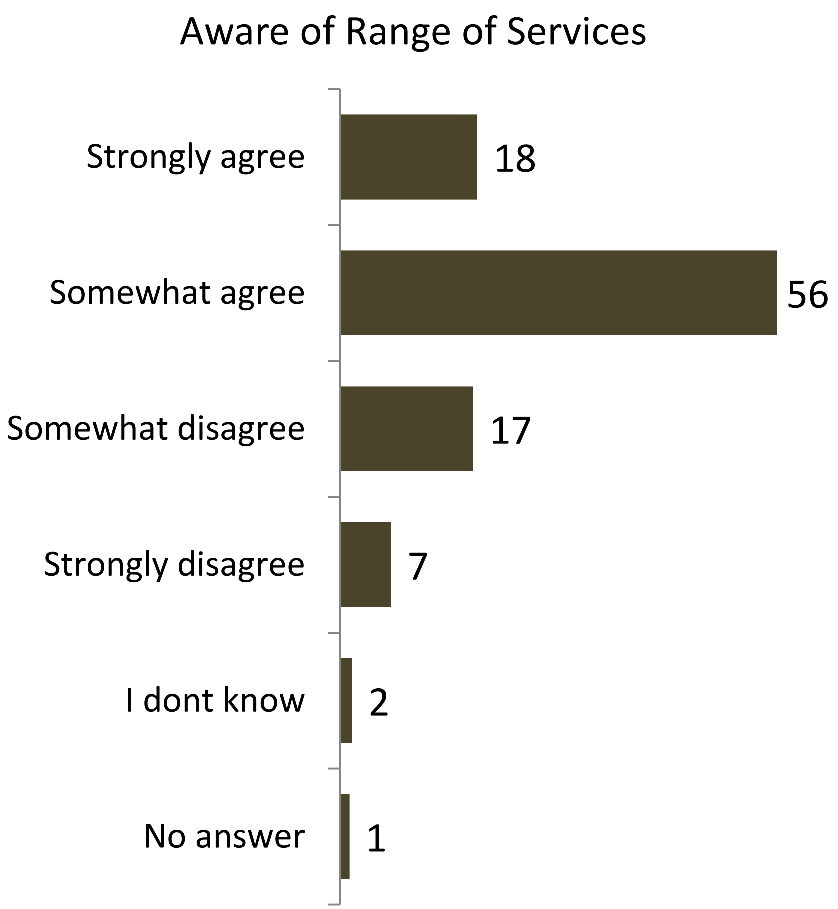
Public Data n=2030

Awareness of Ranges of Services Offered

Q. Indicate your level of agreement with the following statement: “When I was choosing a financial adviser, I was aware of the range of services advisers provide”



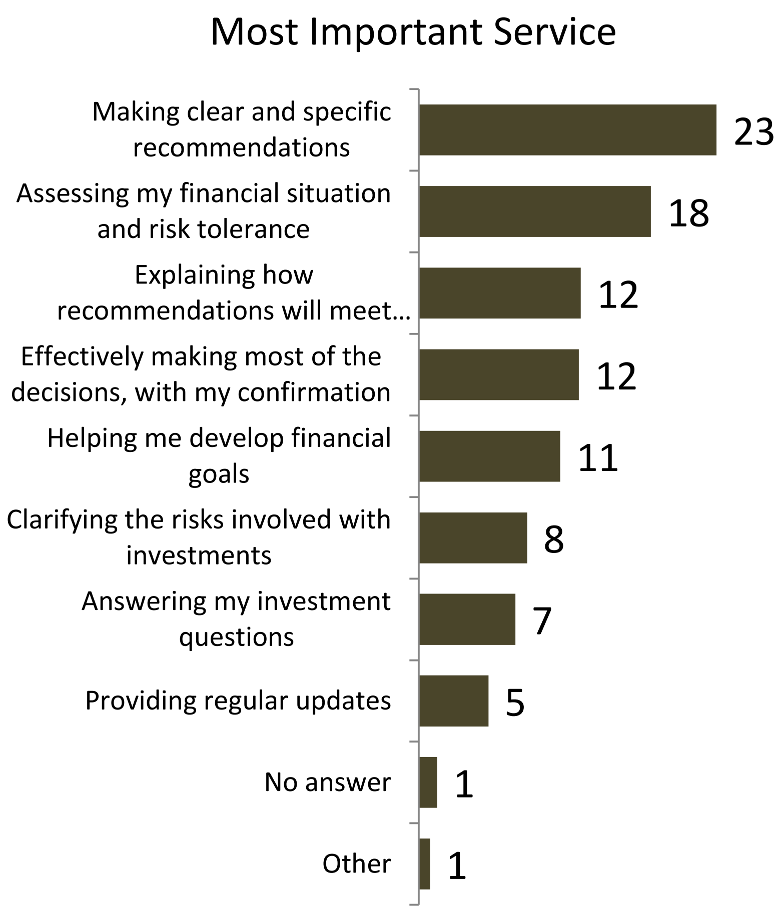
Awareness of the services offered is modest. A small proportion (18%) strongly agrees, but most either only somewhat agree or disagree.

- The more confident in one’s knowledge the more likely one is to agree with the statement.
- Large portfolio investors are much more likely to strongly agree (28% of those with portfolio’s larger than $250,000)
- Younger investors are much less likely to be aware of services (7% for those under 35 strongly agree).
- Men are slightly more likely to agree.

Public Data n=2030

Most Important Services

Q. Which services are most important to you as an investor? Select the most important:



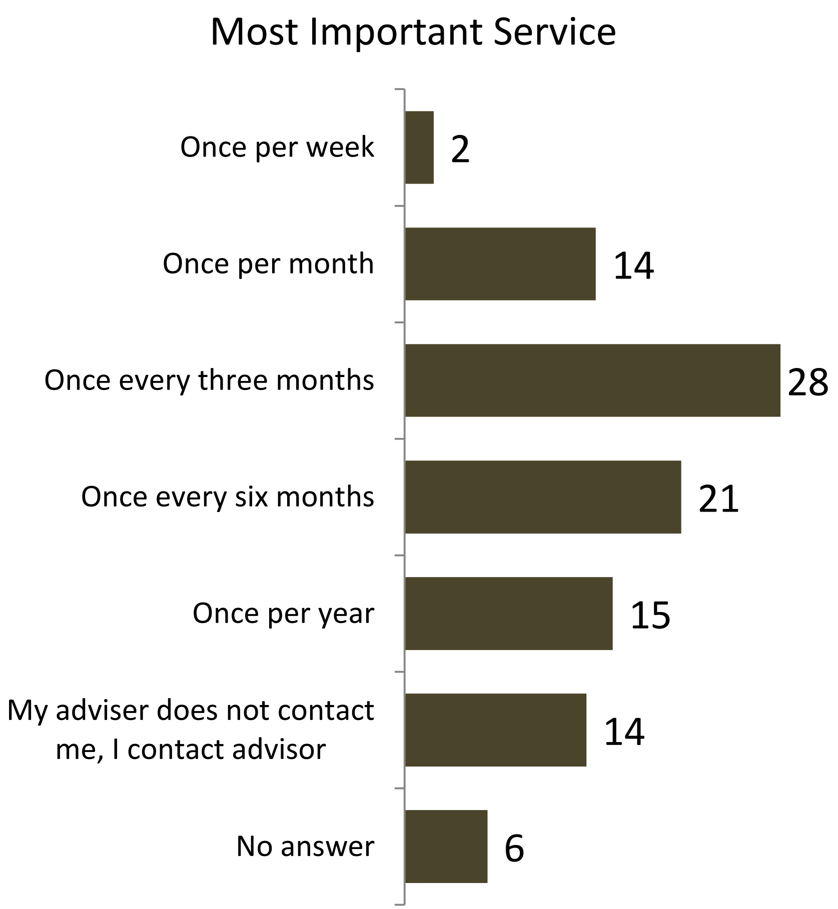
Making clear and specific recommendations is the primary role assigned to advisers and is largely the most important for all sub-groups.

- The more confident in one's knowledge the more likely the adviser is seen as someone who answers investment questions.
- Investors with smaller portfolios place more emphasis on assistance in general terms. For example, assessing my financial situation (23% for those with $50,00 or less) and helping develop goals (15%).
- Younger investors are much more likely to see the adviser in terms of helping them develop financial goals (10% of those under 35).

Public Data n=2030

Frequency of Contact

Q. On average, my adviser contacts me?

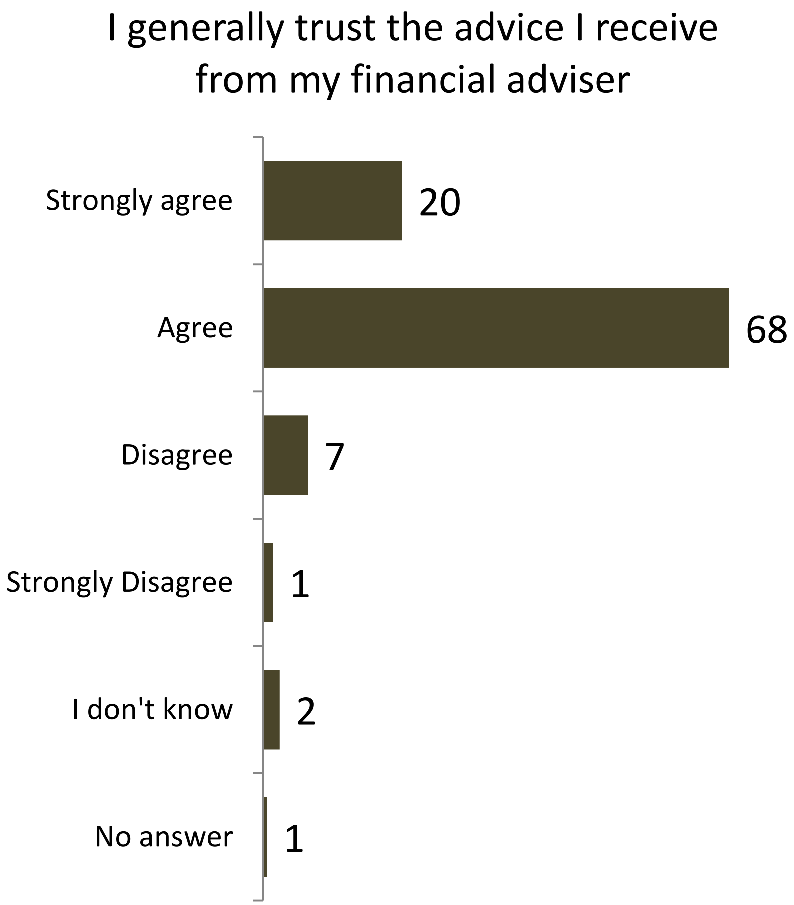


There is considerable variation in contact with advisers: 16 per cent of investors are contacted at least once per month but 14% are not contacted at all.

- The more confident in one's knowledge the more one is contacted by the adviser (24% at least once per month).
- Large portfolio investors are much more likely to have at least monthly contact (19% of those with portfolio's larger than $250,000). In fact, 26% of those with small portfolios are not contacted at all.
- Young investors (under 35) are much more likely to have to contact their adviser themselves (24%).

Trust in the Advise of Financial Adviser

Q. Level of agreement: “I generally trust the advice I receive from my financial adviser”.



Just one in five have complete confidence in the advice of their financial adviser as evidence by strongly agreeing with the statement. Agreement is stronger among:

- The more confident in one’s knowledge the more to trusting of the adviser (30% strongly agree vs only 16% of those who do not have confidence).
- Large portfolio investors are much more likely to strongly agree (25% of those with portfolio’s larger than $250,000).
- Older investors: 26% of those over 65 strongly agree compared with 7% of those under 35.

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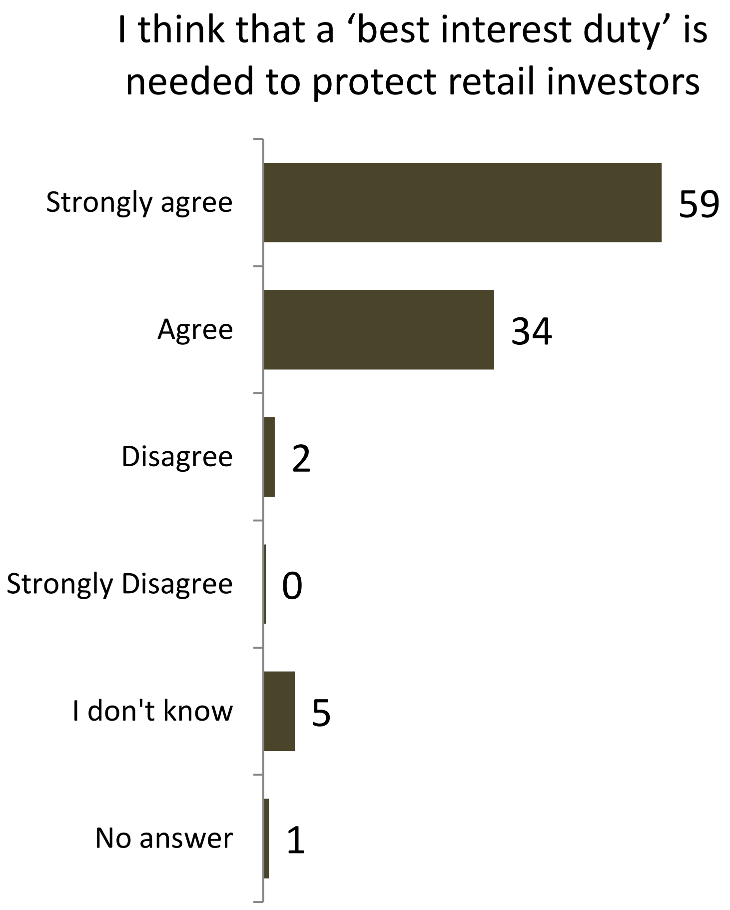
Public Data n=2030

“Best Interest” Duty

Q. Level of agreement: “I think that a ‘best interest duty’ is needed to protect retail investors”.

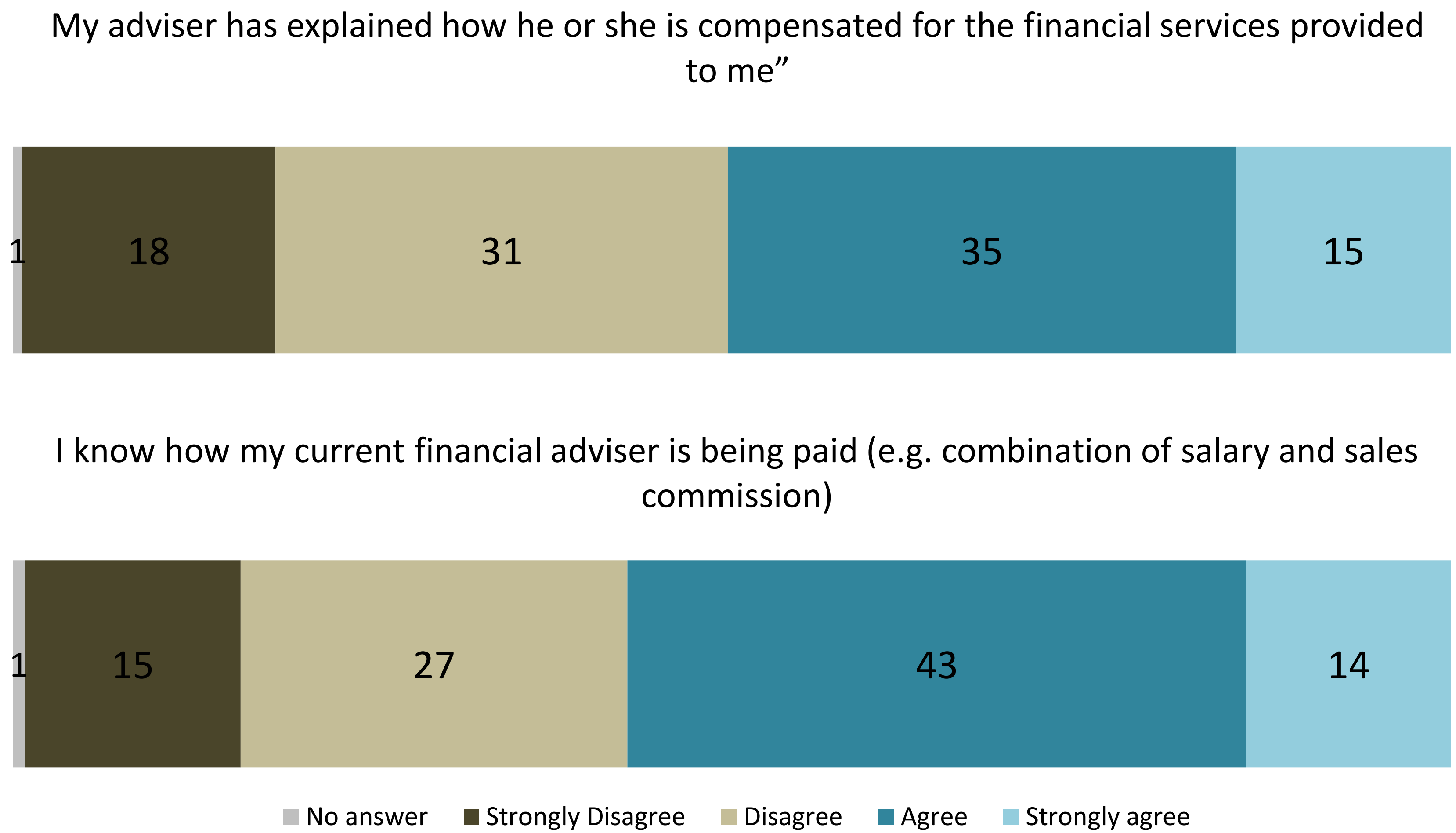


There is strong support for the idea that there should be a “best interest duty” across all groups, even among those with more knowledge and experience.

- Those who are very confident in their own personal knowledge are equally likely to think it is needed.
- Large portfolio investors are more to likely strongly agree (63% of those with portfolio’s larger than $250,000) than small investors. This may reflect their greater stake in financial investments.
- Older investors: 59% of those over 65 strongly agree compared with 40% of those under 35.

Knowledge of Compensation

Q. Level of agreement: "I know how my current financial adviser is being paid (e.g. combination of salary and sales commission)"
Q. Level of agreement: "My adviser has explained how he or she is compensated for the financial services provided to me"



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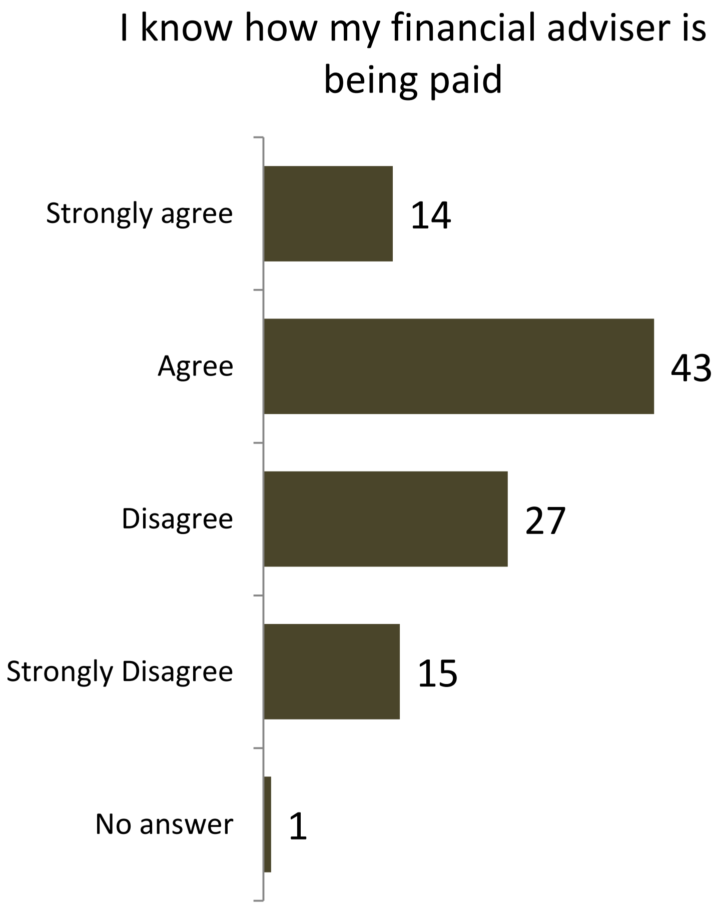
Public Data n=2030

Knowledge of Compensation

Q. Level of agreement: "I know how my current financial adviser is being paid (e.g. combination of salary and sales commission)"



More than four in ten do not know how their current financial adviser is being paid. Agreement is stronger among:

- The more confident in one's knowledge the more likely one is to know (73% agree) compared with only 45% of those who are not confident.
- Similiarly, the larger one's portfolio the more likely one knows how their adviser is being paid.
- Older investors: 65% of those over 65 agree that they know compared with 41% of those under 35.

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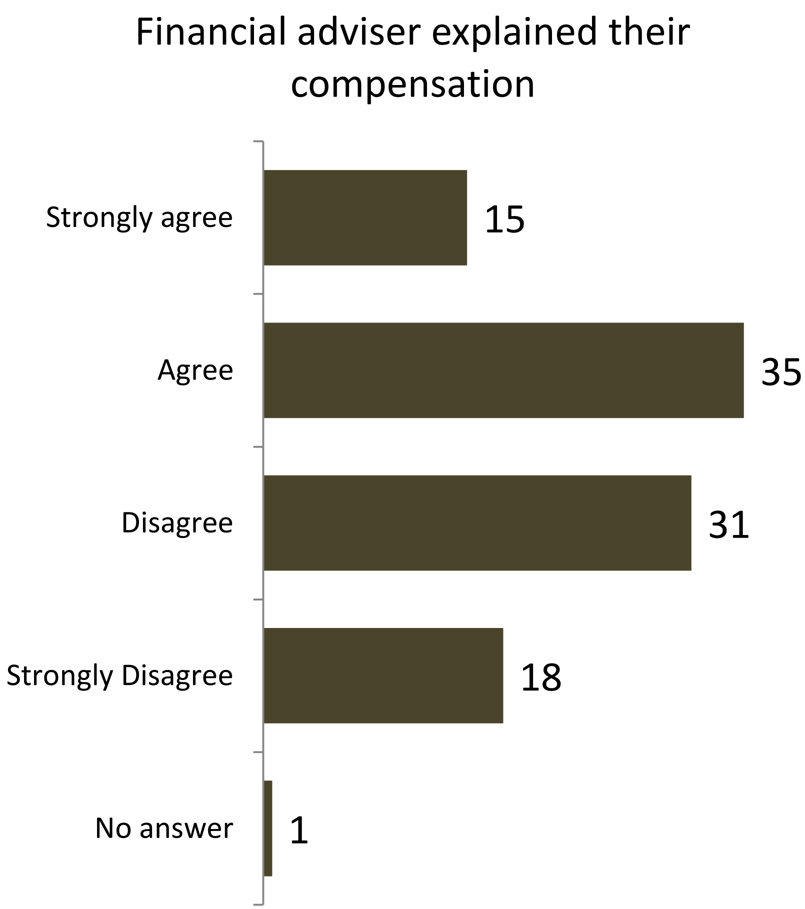
Public Data n=2030

Adviser has Explained Compensation

Q. Level of agreement: “My adviser has explained how he or she is compensated for the financial services provided to me”



About half of investors agree that their current financial adviser explained their compensation.

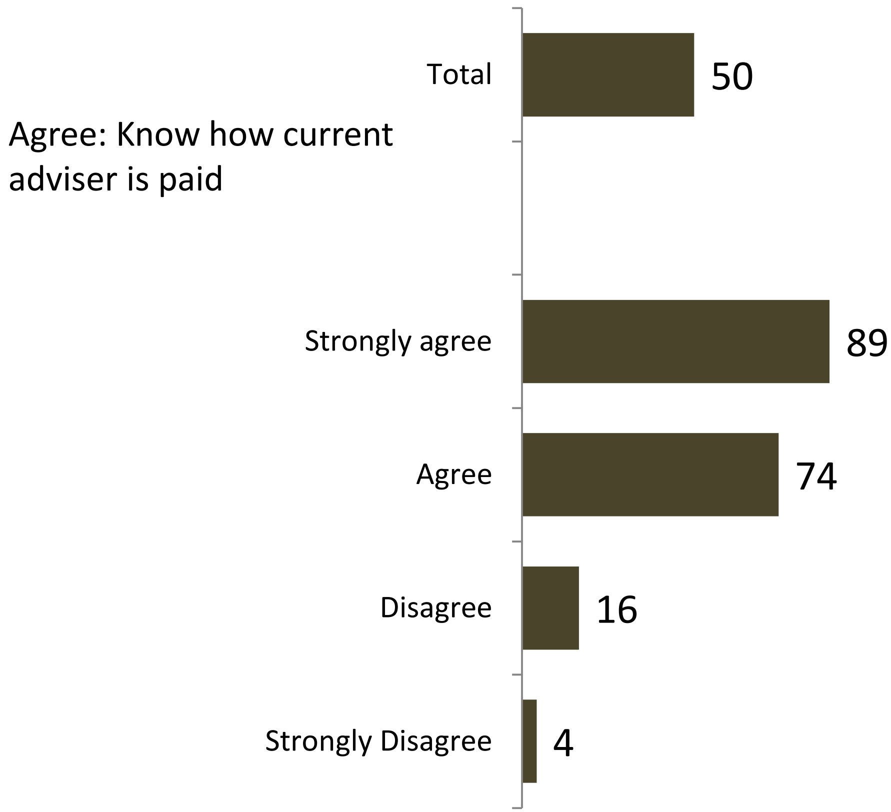
- The larger one’s portfolio the more likely one has been told how the adviser gets paid. For example, only 39% of those with a portfolio under $50,000 have been told compared with 60% of those with $250,000 or more.
- Older investors are more likely to have been told: 56% of those over 65 agree that the compensation was explained.
- The more confident in one’s knowledge the more likely one is to have had the compensation explained (64% agree) compared with only 40% of those who are not confident.

Public Data n=2030

Knowledge of Compensation

Q. Level of agreement: "I know how my current financial adviser is being paid (e.g. combination of salary and sales commission)"

% Whose adviser explained how they are compensated



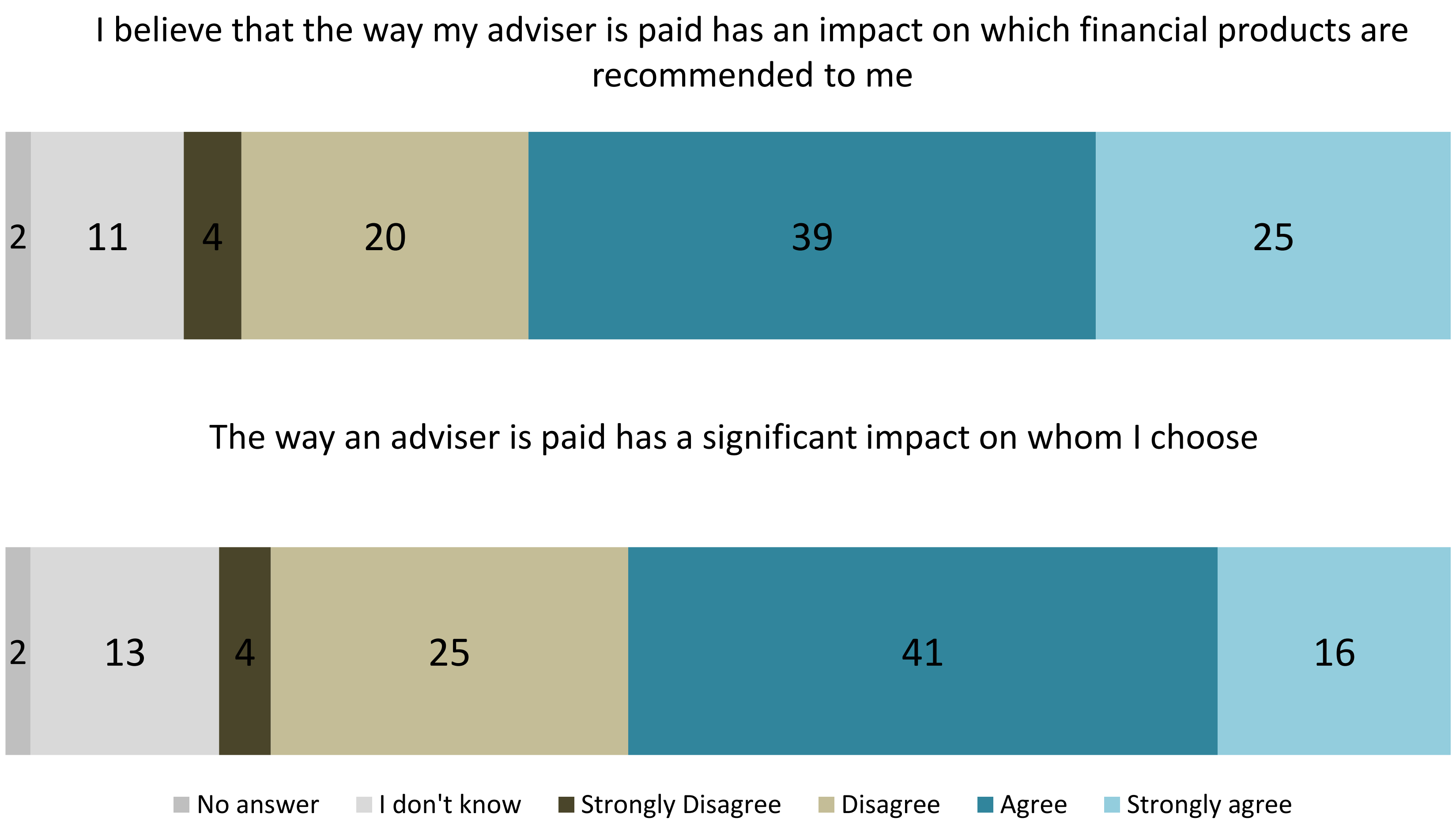
People who say they were told about the compensation scheme should now know (except for those who have forgotten the specifics but recall being told). That said, people who know may have learned the information from other sources.

Among those who strongly agree that they know how their current adviser is being paid, 89% agree (somewhat or strongly) that their adviser told them.

- A small percentage who do not know how the adviser is compensated did have the compensation explained (16% and 4%).

Impact of Compensation Mode

Q. Level of agreement: “The way an adviser is paid has a significant impact on whom I choose”
Q. Level of agreement: “I believe that the way my adviser is paid has an impact on which financial products are recommended to me”

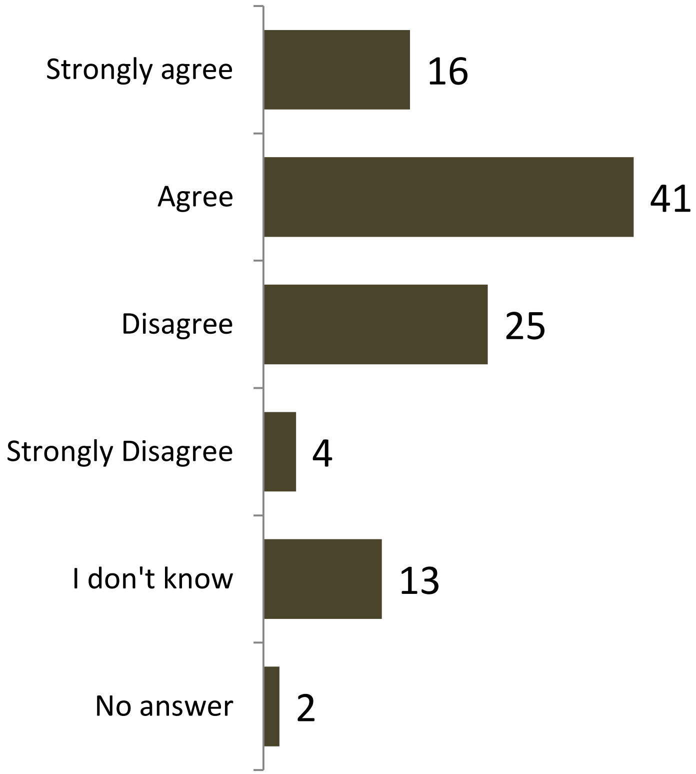


Public Data n=2030

How Adviser is Paid Impacts Whom I Choose

Q. Level of agreement: “The way an adviser is paid has a significant impact on whom I choose”

Way an adviser is paid has a significant impact on whom I choose



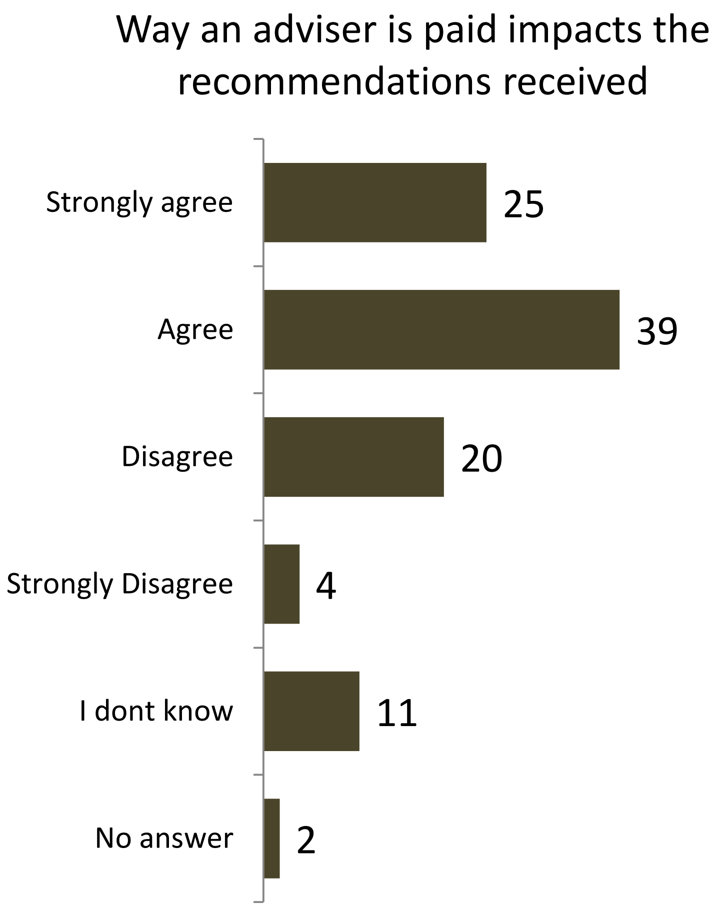
The way that advisers are paid has a significant impact for some investors but 29% are not impacted.

- Group differences are small and the noteworthy finding is that less confident, younger, and smaller dollar value investors are more likely to say that they do not know.

Public Data n=2030

How Adviser is Paid Impacts the Recommendations

Q. Level of agreement: “I believe that the way my adviser is paid has an impact on which financial products are recommended to me”

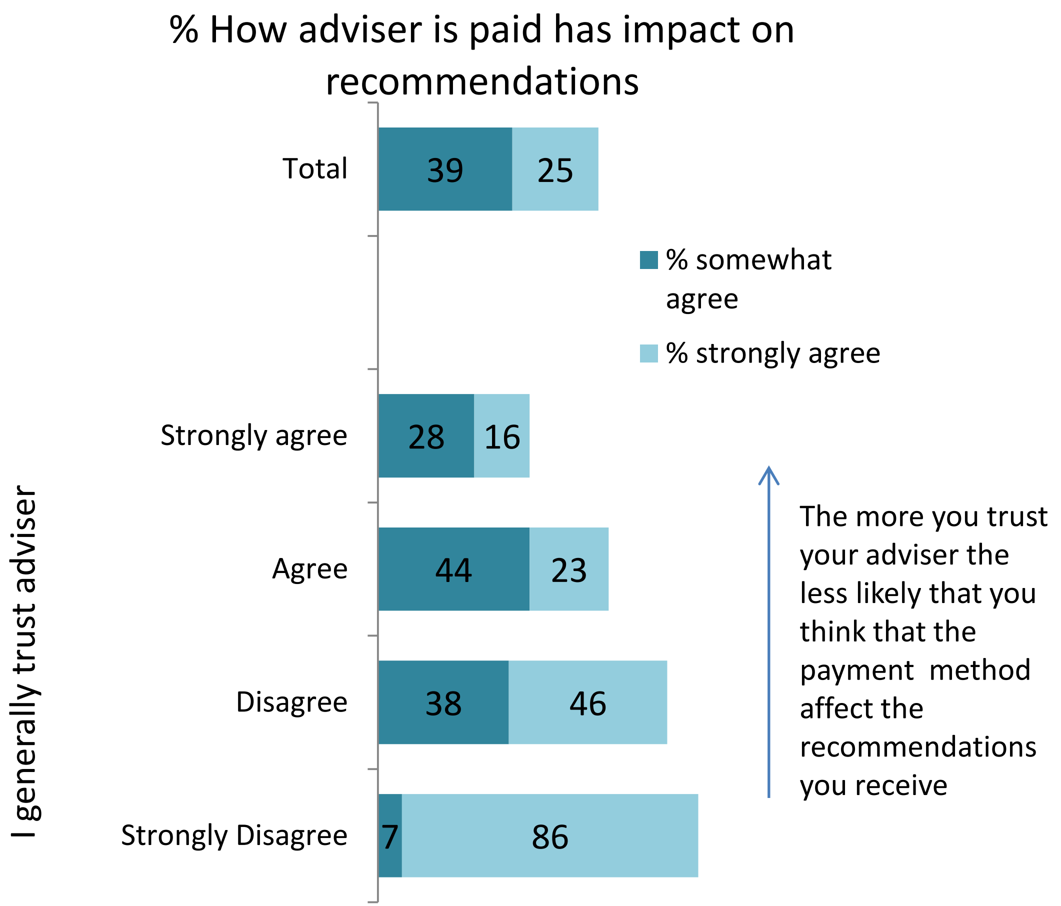


Investors on the whole believe that the way that advisers are paid has a an impact on the financial products that are recommended to them. Only 24% do not think this is true.

- Group differences are also small when it comes to this view.
- For example among those who are very confident in their knowledge, 62% agree compared with 66% of the non-confident.

How Adviser is Paid Impacts the Recommendations

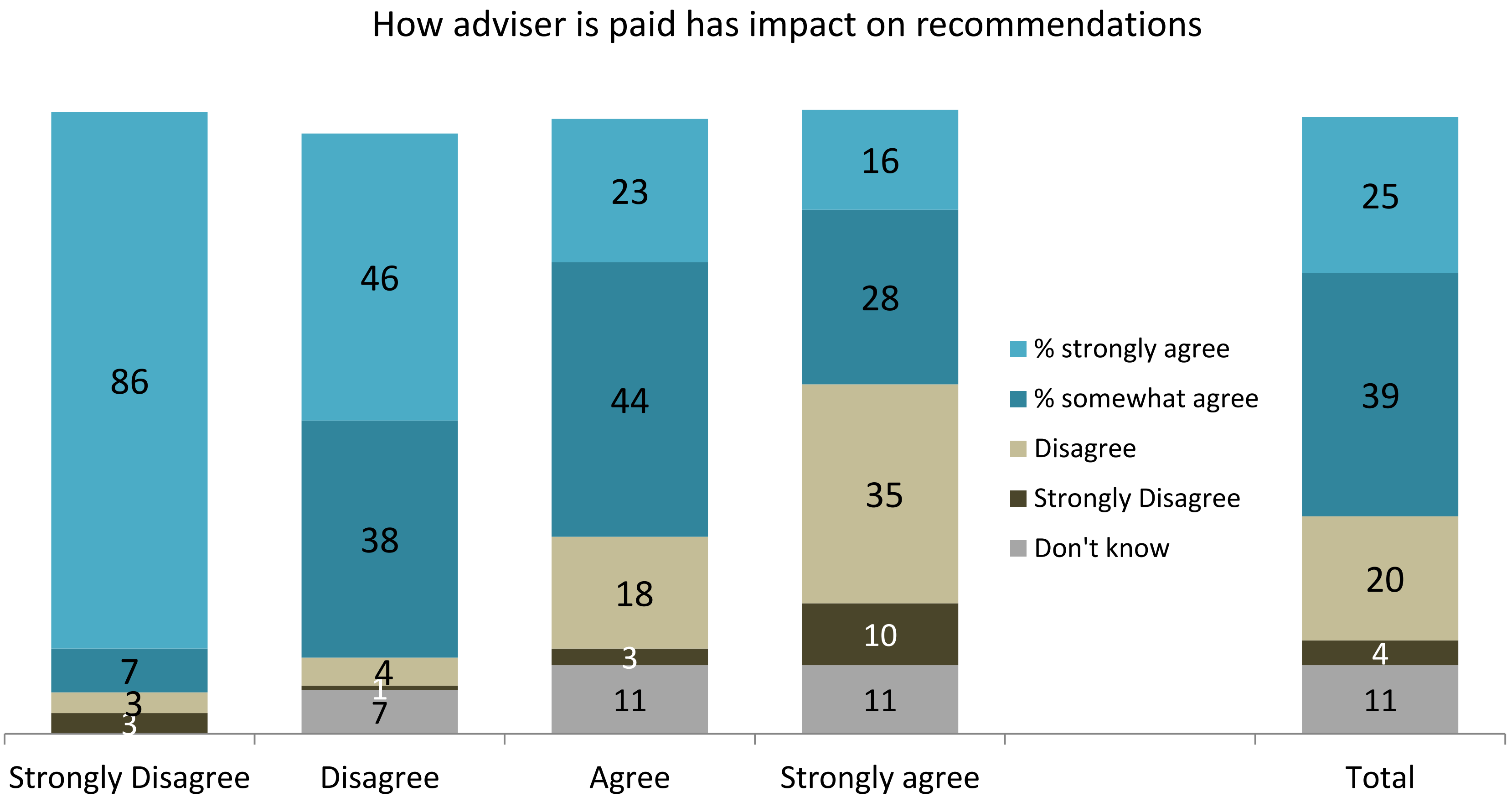
Q. Level of agreement: "I believe that the way my adviser is paid has an impact on which financial products are recommended to me"



Overall, 25% strongly agree that they way their adviser is paid affects the recommendations they receive. The difference between those who fully trust and those who don't is reflected in perceptions of how the adviser makes recommendations.

- Among those who trust their adviser, 44% also agree that the way the adviser is paid affects the recommendations. In comparison, 67% of those who only somewhat trust their adviser feel this way.
- Naturally, people who don't trust their adviser (a small group), tend to see the adviser as pursuing their own interest.

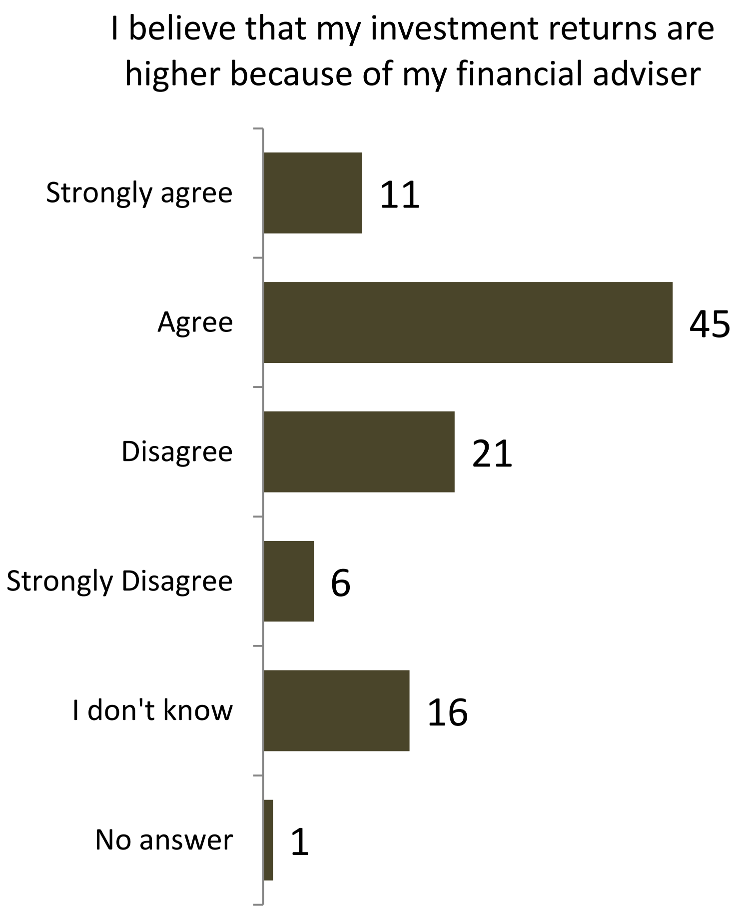
People who generally trust advice are less likely to think adviser's recommendations are affected by the way they are paid



Q. Level of agreement: "I generally trust the advice I receive from my financial adviser".

Impact of Adviser: Returns are Higher

Q. Level of agreement: “I believe that my investment returns are higher because of my financial adviser”



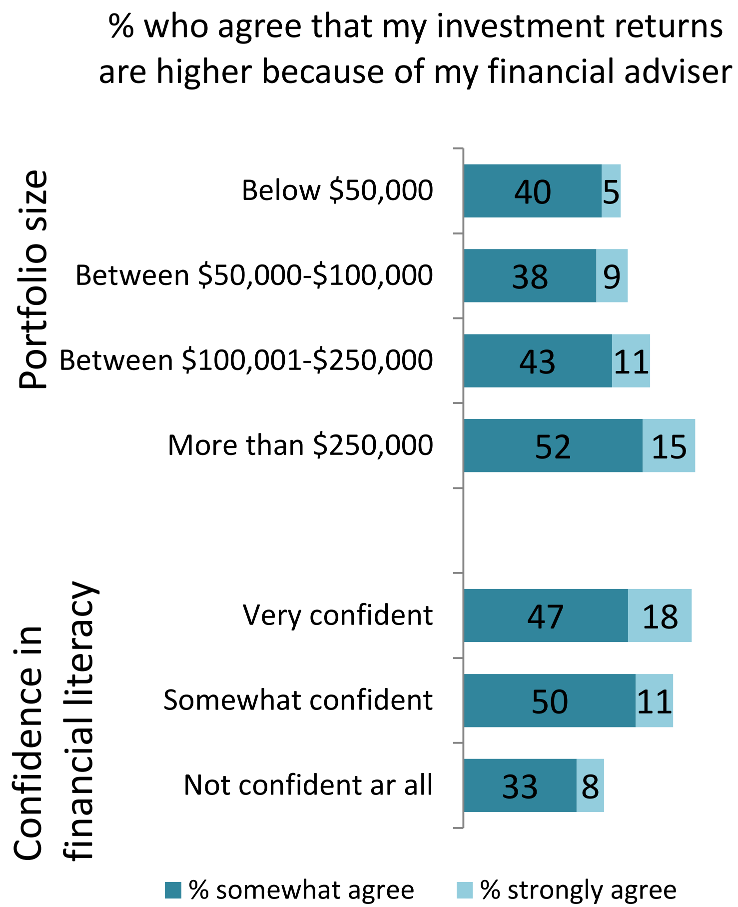
56% of investors believe that their investment returns are higher because of their financial adviser. Notably 16% do not know.

- The larger one’s investment portfolio, the more likely that a larger return is associated with the adviser (15% of the highest portfolio group strongly agree compared with 5% for those under $50,000).
- Similiarly among those who are very confident in their knowledge, 18% strongly agree compared with 8% of the non-confident.
- Older investors are also more likely to believe they get higher returns.

Public Data n=2030

Impact of Adviser: Returns are Higher by Portfolio Size

Q. Level of agreement: “I believe that my investment returns are higher because of my financial adviser”

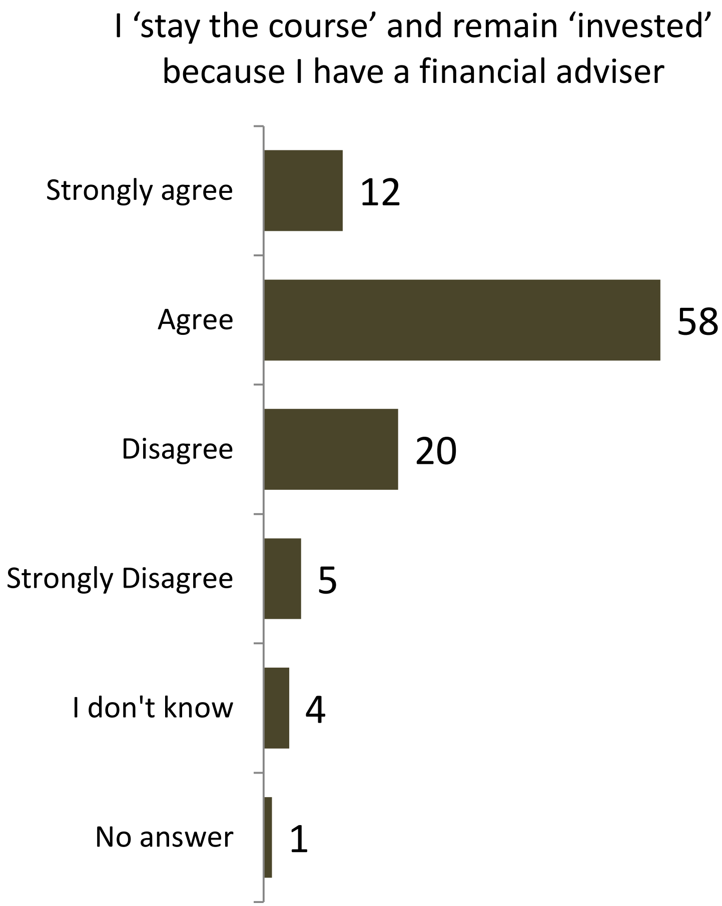


There is a clear relationship between the belief that the adviser contributes to higher returns and both portfolio size and confidence in personal financial literacy.

Public Data n=2030

Impact of Adviser on Staying the Course

Q. Level of agreement: “I ‘stay the course’ and remain ‘invested’ because I have a financial adviser”



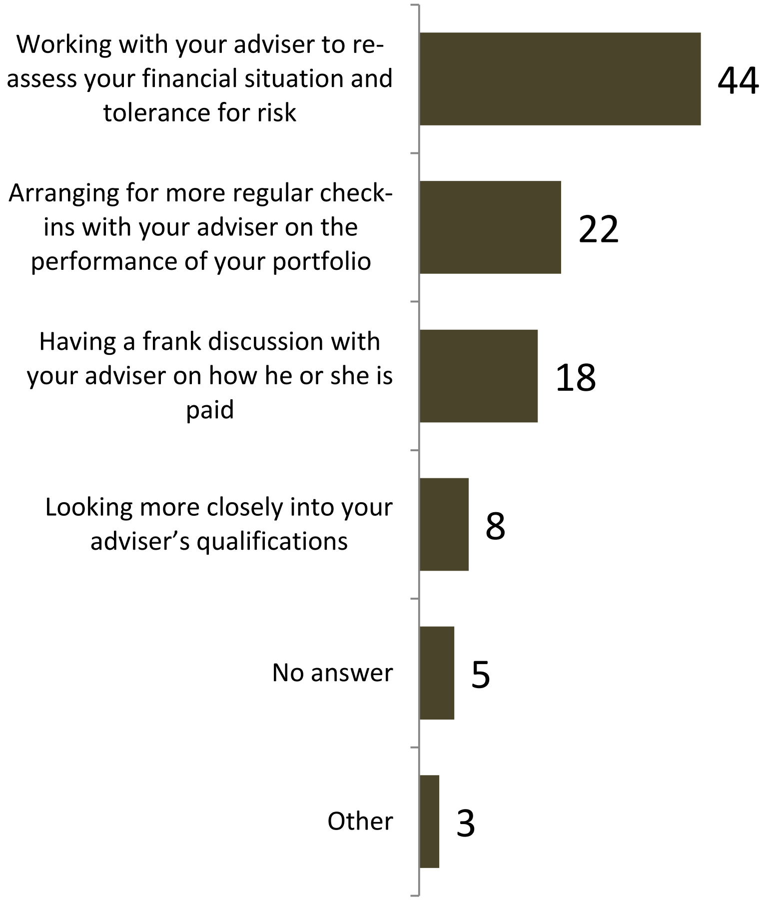
70% of investors believe that they stay the course because of their financial adviser. Experience is key with most measures of experience associated with a higher level of agreement.

- Older investors (15% of those 65+ strongly agree) are also more likely to believe they get higher returns than younger ones (3%)
- Similarly strong relationships exist for those with larger portfolios and those confident in their investment knowledge.

Public Data n=2030

In Paul's Situation What Would You Do?

Q. "If you were in Paul's situation, what's the one thing that would give you greater confidence and comfort in your financial adviser?"

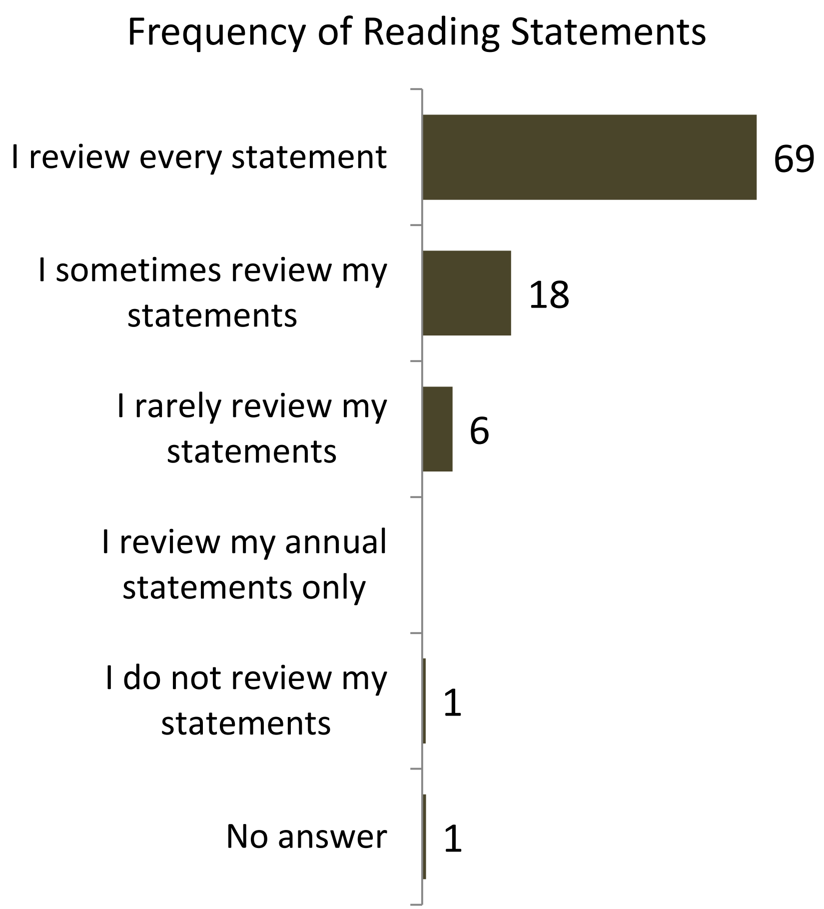


In Paul's situation, the most preferred option is to work with the adviser to reassess their financial situation an tolerance for risk followed by more frequent check-ins with the adviser.

Public Data n=2030

Engagement with Information

Q. "How often do you read your account statements?"



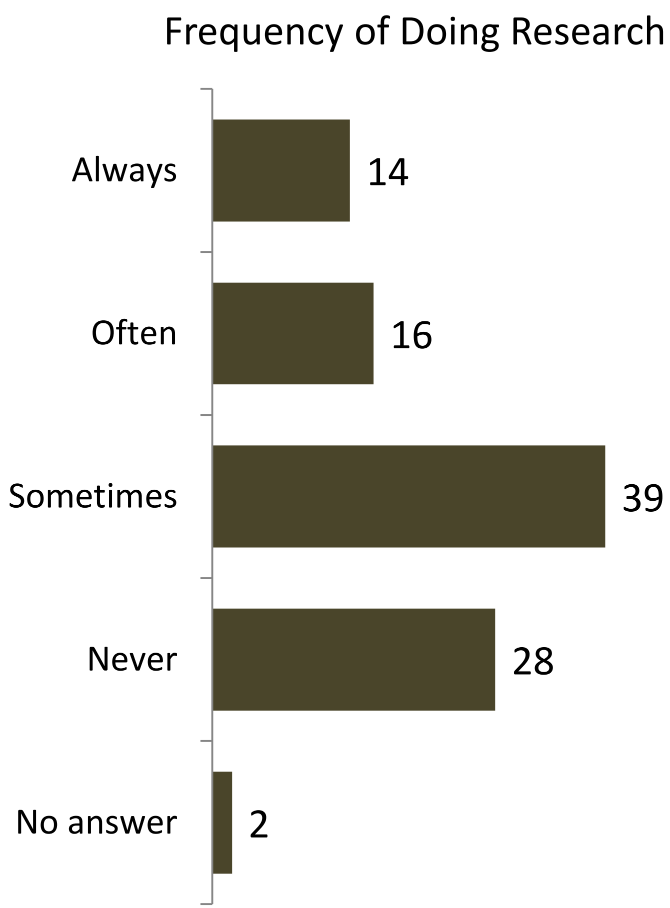
The default position is to read every statement but certain groups are more likely to do so.

- The more confident in one's knowledge the more likely one is to read every statement (80%).
- Those with higher value portfolios are more likely to read every one (77% of those with more than $250,000) compared with only 56% of those with small portfolios (less than $50,000).
- Younger investors are less likely to read every statement (51% of those under 35).

Public Data n=2030

Doing Research

Q. "When making an investment decision, how often do you do your own research?"



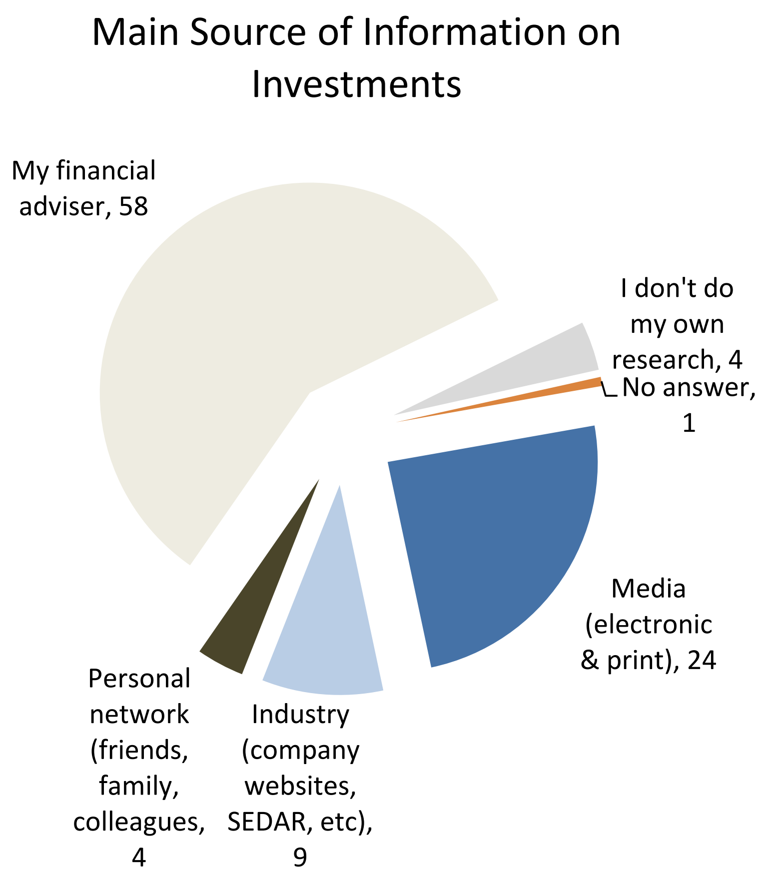
About 14% of investors always do their own research. This is higher among key sub-groups.

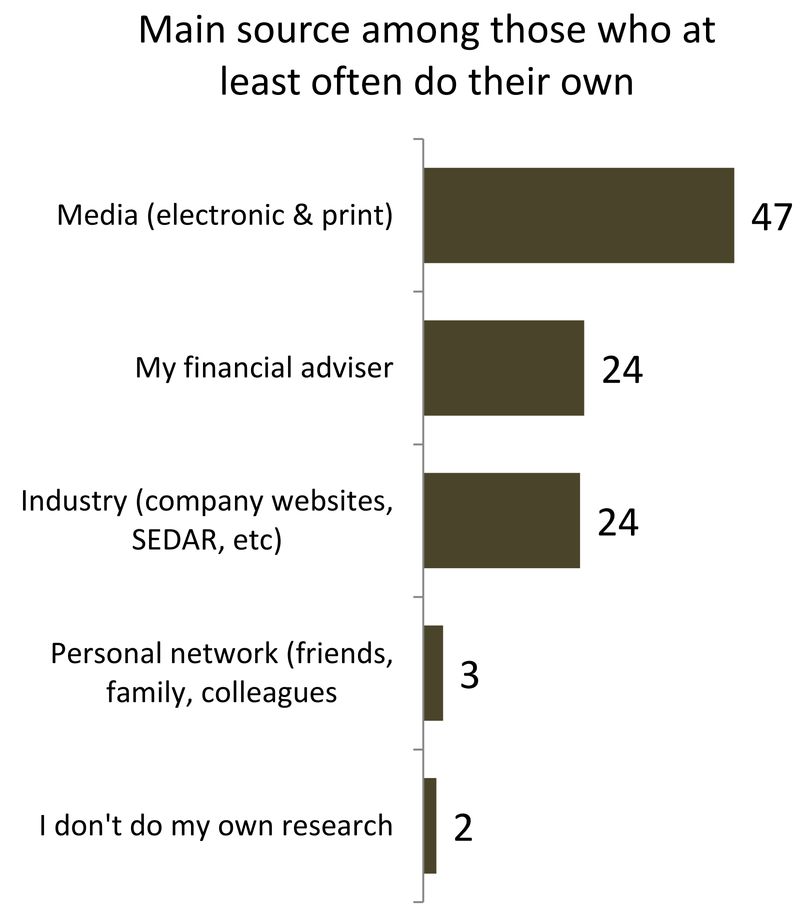
- The more confident in one's knowledge the more likely one is to always do one's own research (40%). Compare this with 4% of those who are not confident.
- Those with higher value portfolios are not really more likely to always do research but they are less likely to say never.
- Younger investors are not less likely to do research always but they are more likely to do so never.

Although confidence usually goes together with higher portfolios and age, there are many among these two groups who lack the confidence which shows up as a lack of self-directed research.

Doing Research

Q. “When making an investment decision, how often do you do your own research?”
Q. “What is your main source of information on investments?”

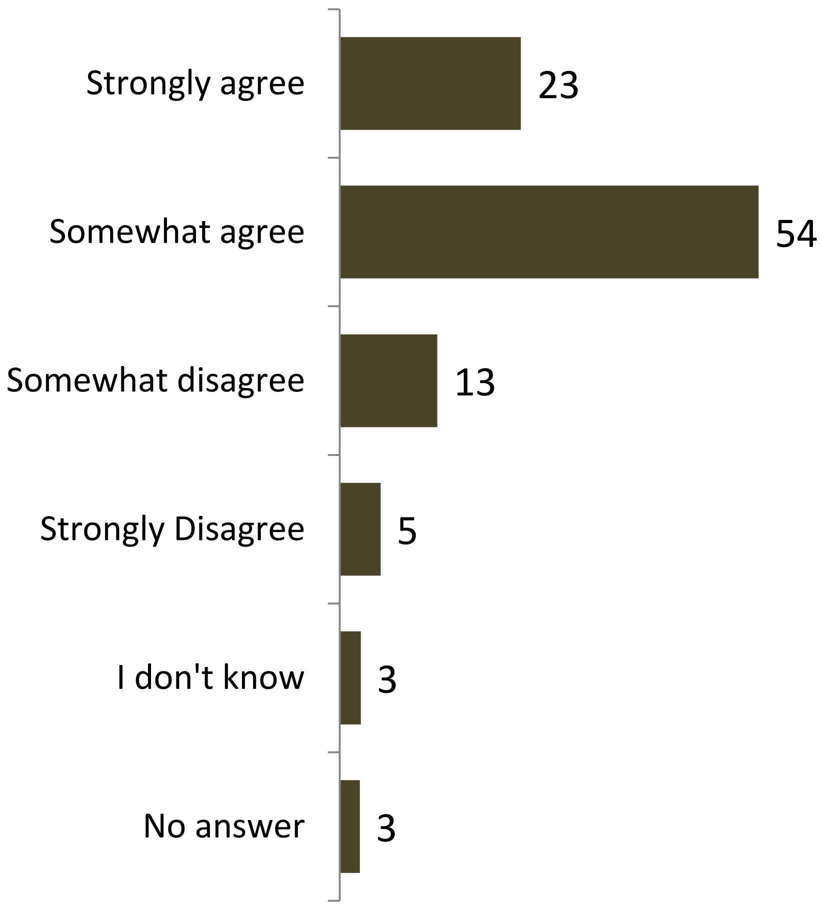




Public Data n=2030; n=610

Financial Adviser Provides Sufficient Information

Q. Level of agreement: “My financial adviser provides me with sufficient information to make investment decisions”

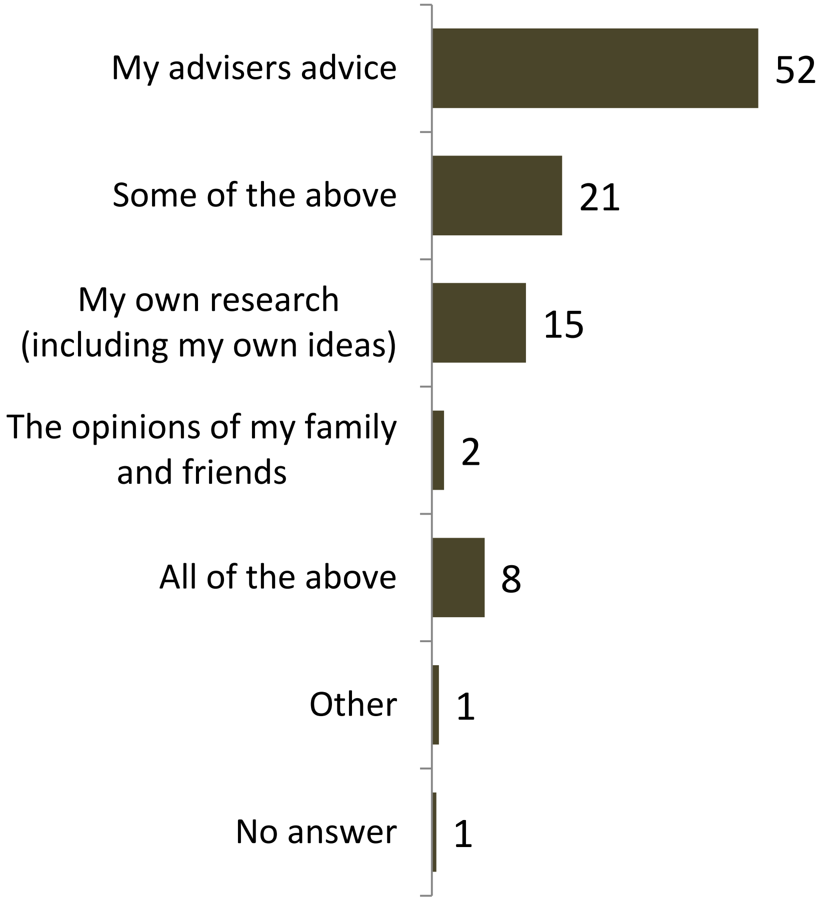


While relatively few people disagree, most people only somewhat agree (54%) that their financial adviser provides sufficient information to make investment decisions.

- The more confident in one’s knowledge the more likely one is to strongly agree that their adviser provides sufficient information (35%).
- Similiarly, those with higher value portfolios are more likely to strongly agree (30%).
- Younger investors are much less likely to strongly agree (11% of those under 35).

Where One Starts When Deciding on Investments

Q. “Where do you start first when deciding on investments?”



Advisers are central for investors in deciding on investments. More than half of investors start with their advisers advice.

- A key difference is that those who are very confident about their own knowledge are much more likely to start with their own research (33%) than those who are only somewhat (15%) or not confident at all (8%).
- Size of portfolio does not explain differences and other differences are small or insignificant.

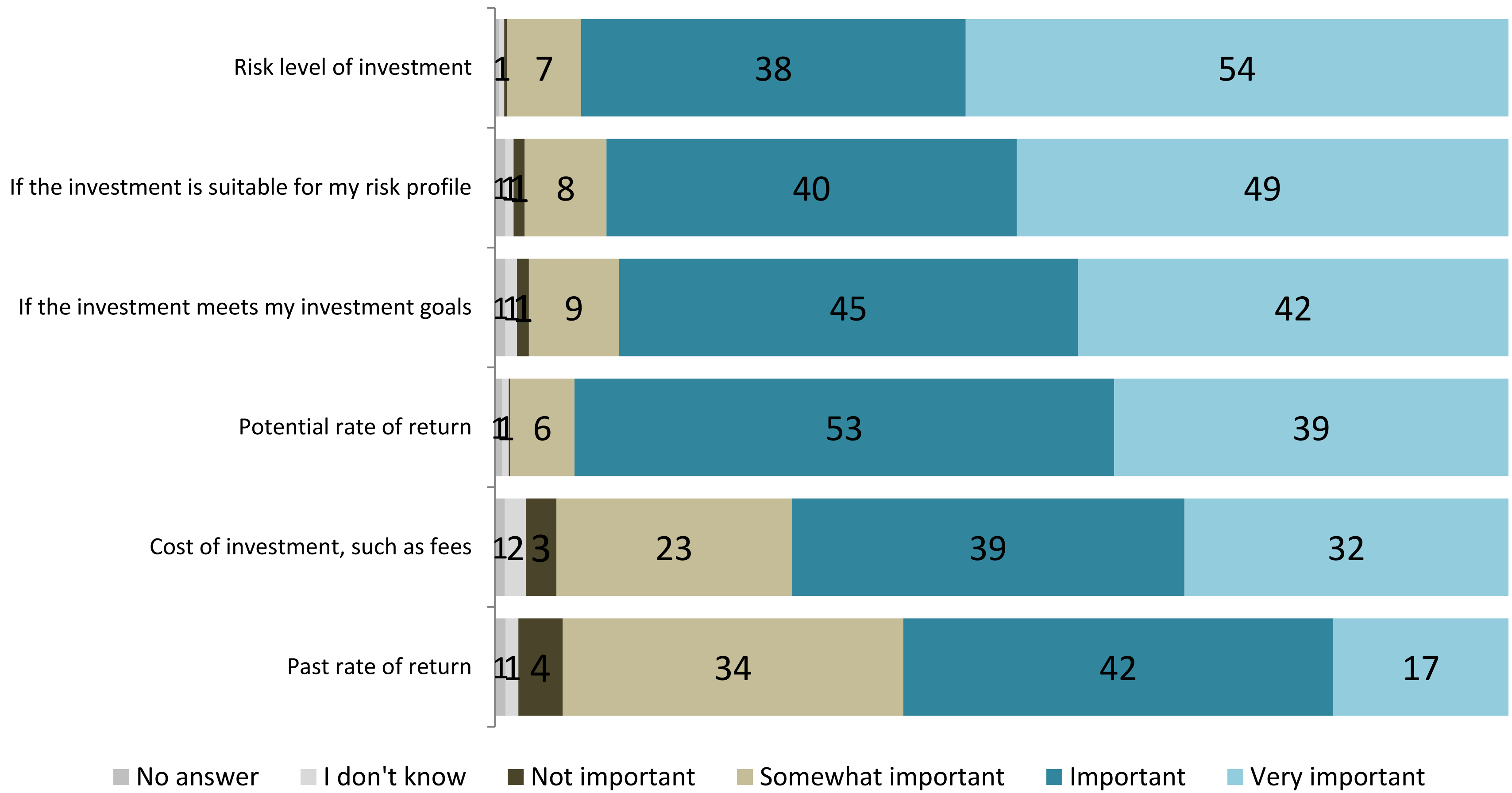
Public Data n=2030

Drivers of Investment Decisions

- The risk level is the most important overall consideration for people both directly and in terms of matching investments with their risk profile.
- The past rate of return is the least important followed by the cost of the investment.
- Older people place more importance on:
  - If the investment is suitable to their risk profile
  - If the investment meets their goals
  - The risk level of the investment
- Investors confident in their knowledge do not differ in their importance except to place much more importance on whether the investment meets their investment goals.

Importance for Making an Investment Decision

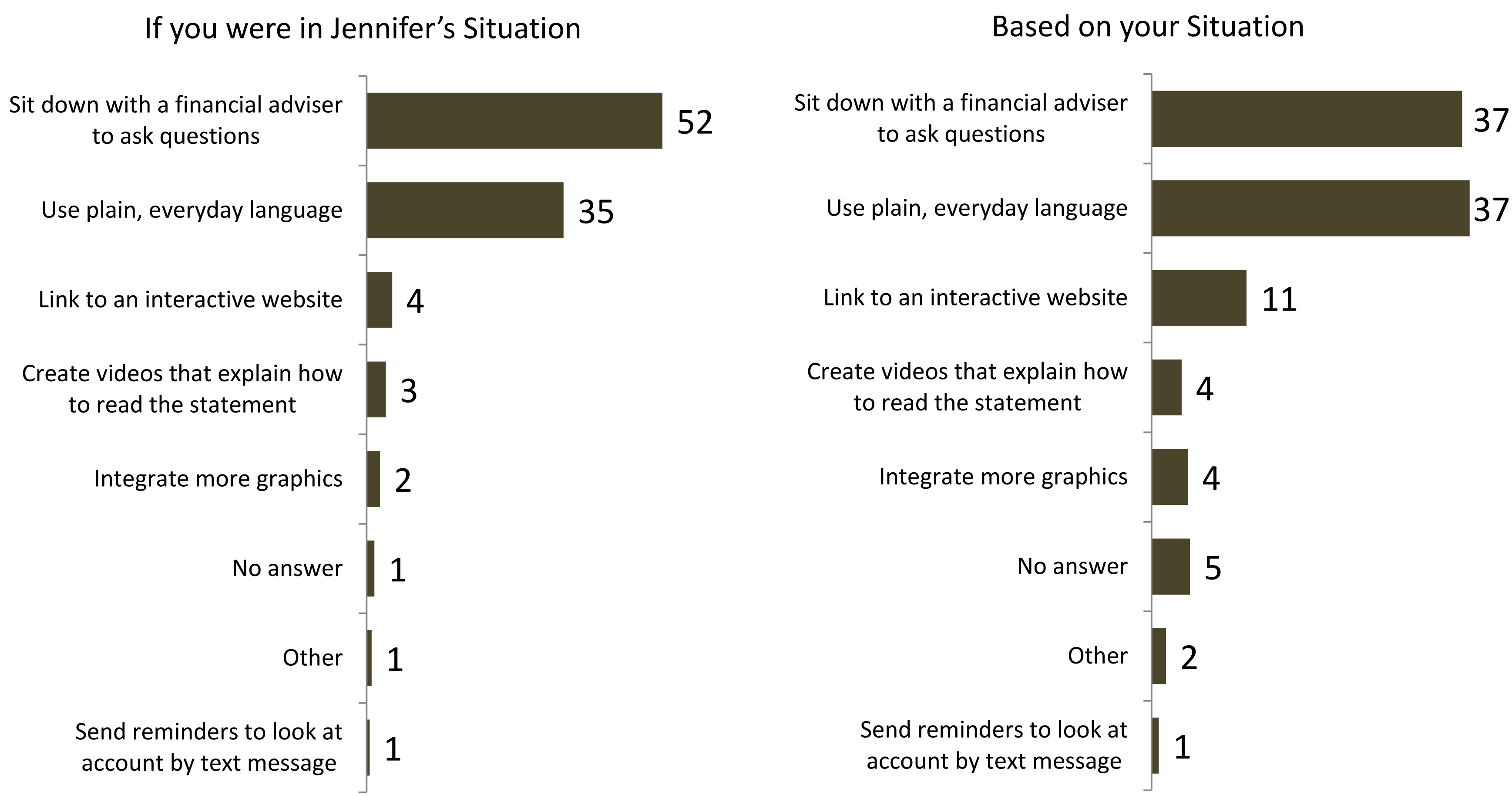
Q. “Please rank the importance of the following information when making an investment decision”



Public Data n=2030

Which Would be the Most Helpful Information

Q. "If you were in Jennifer's situation, which one change would be most helpful in making investment product information more useful and understandable?"
Q. "Based on your own situation, which one change would be most helpful in making investment product information more useful and understandable?"



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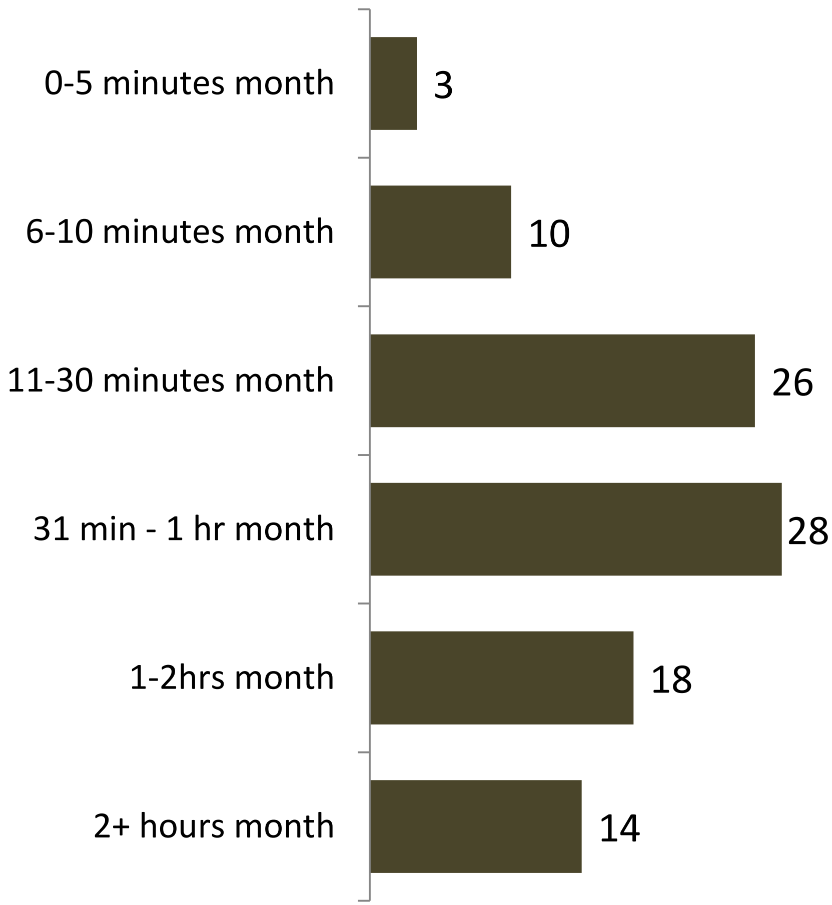
Public Data n=2030

Time Willing to Commit

Q. "How much time are you willing to spend understanding your financial position and investment results?"

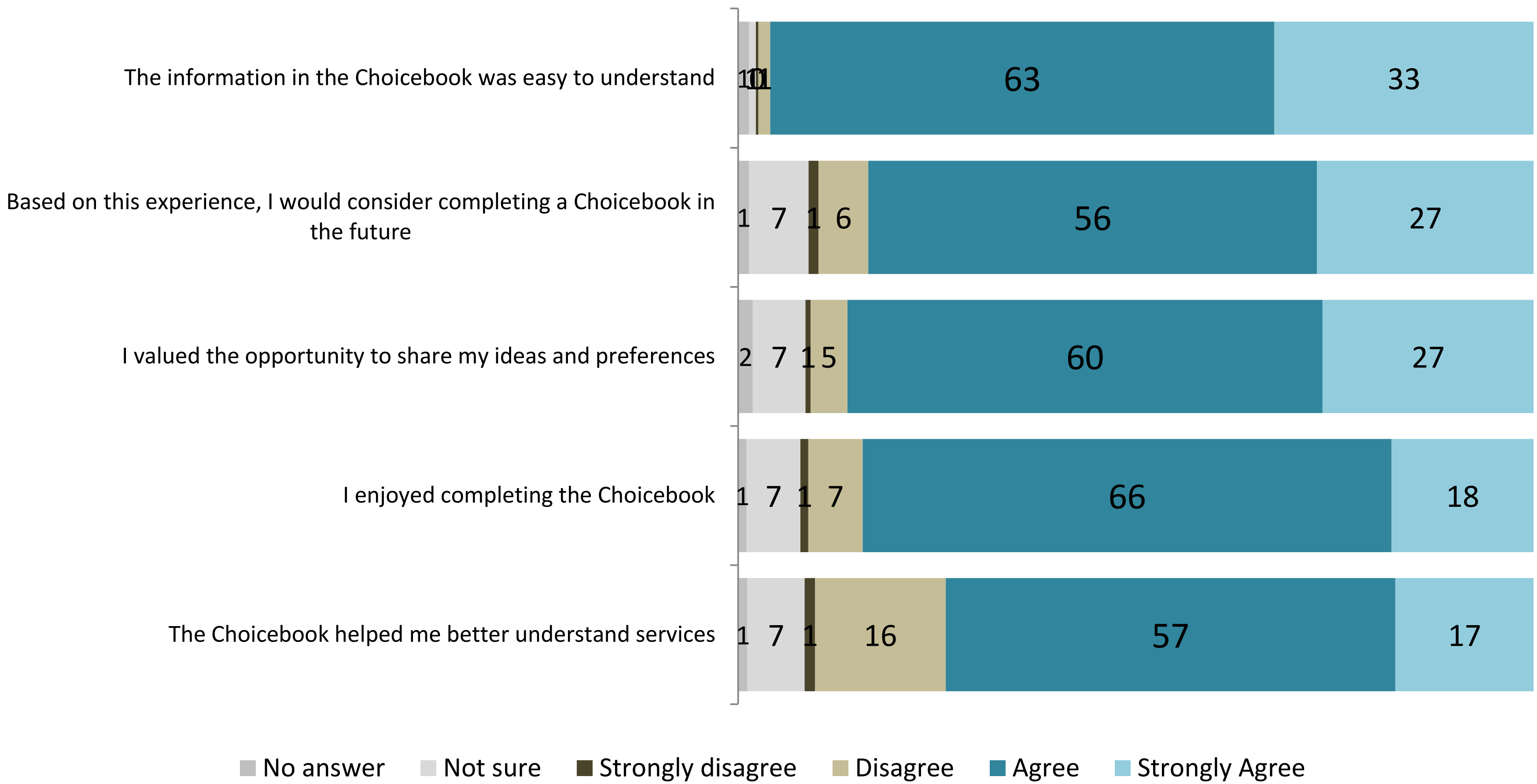


Overall, 39% of investors are willing to spend less than 30 minutes and 61% are willing to spend more than 30 minutes.

- Men are more than twice as willing as women (20% vs. 9%) to spend more than 2 hours per month.
- Willingness to spend time is also related to age. Older investors (over 65) are much more willing to spend time.
- People with larger portfolios and those who are confident in their own knowledge are much more willing to spend time. For example, 31% of those who are very confident are willing to spend more than 2 hours compared with only 7% of those who are not confident.

Evaluation

Q. "Please indicate your level of agreement or disagreement with each of the following statements"



Public Data n=2030

Ontario General Public Retail Investors Survey

Online Choicebook – Screening Questions
November 6, 2012

Goal: a representative sample (2,000) of retail investors in Ontario.

INTRO1
Probit is working with Ascentum Inc. on a study with residents of Ontario. This survey is voluntary and will take no longer than 5 minutes to complete.

Q1
Do you work in or have you ever worked in the financial services sector, including as a financial adviser? This is defined as the activity of financial institutions that offer money management services such as banking, investment, stock brokerage, and insurance.

No – screen them into the pool

Yes – screen them out of the pool

Prefer not to answer – screen them out of the pool

Q2
Do you or have you ever worked for a securities regulator such as the Ontario Securities Commission, Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association?

No – screen into the pool.

Yes – screen them out of pool

Q3
Do you own investments, such as stocks, bonds, and mutual funds?

Yes - screen them into the pool
No - screen them out of the pool ....
Prefer to not answer - screen them out of the pool ....

Q4
Do you have an immediate family member (mother, father, brother, sister, son, daughter, spouse) who works in financial adviser services?

Yes - screen them OUT of the pool
No - screen them into the pool
Prefer to not answer - screen them out of the pool

Q5

Do you enlist the services of someone (such as a financial adviser) to help you with your investments? This could include someone at your bank or credit union.

Yes - screen them into the pool
No - screen them out of the pool
Prefer to not answer - screen them out of the pool

Strengthening Investor Protection in Ontario - Speaking with Ontarians

Appendix B – In-Person Dialogues

Agenda at a Glance

Time	Item
9:00 – 9:45	Opening Context-Setting: Investor Protection in Ontario
9:45 – 10:40	Issue 1: Investor-Adviser Relationship – Learning & Discussion
10:40 – 10:55	*Health Break*
10:55 – 11:25	Issue 1: Investor-Adviser Relationship – Learning & Discussion
11:25 – 12:00	Case Study 1: Investor-Adviser Relationship – Table Work
12:00 – 12:45	*Lunch*
12:45 – 1:25	Case Study 1: Investor-Adviser Relationship – Report Back & Discussion
1:25 – 2:10	Issue 2: Investment Product Information – Learning & Discussion
2:10 – 2:25	*Health Break*
2:25 – 3:00	Case Study 2: Investment Product Information – Table Work
3:00 – 3:40	Case Study 2: Investment Production Information – Report Back & Discussion
3:40 – 3:50	Other Issues of Concern
3:50 – 4:00	Closing

Engaging and Protecting Investors in Ontario

Investor Forum Dialogue Guide

Fall 2012

Welcome!

Thank you for agreeing to participate in this Investor Forum!

We have invited you and other retail investors from across the province to Toronto to learn from your experience and to solicit your ideas on how to strengthen investor protection in Ontario. This forum has been designed to provide you with a meaningful opportunity for dialogue on this very important issue.

You are participating in 1 of 2 Investor Forums being held in Toronto this fall. In addition, we will seek input from investors through a complementary online process. All the feedback we gather will be essential for addressing the key issues facing retail investors in Ontario.

About us

Investor Advisory Panel (IAP)

We represent the interests of retail investors in Ontario. We seek your input on a set of issues that we are examining. We consider your input in our written submissions to the Ontario Securities Commission (OSC) – the agency responsible for securities regulation in Ontario.

Check out http://www.osc.gov.on.ca/en/Investors_advisory-panel_index.htm to learn more about what we do.

Investor Education Fund (IEF)

Our goal is financial literacy – we develop and promote independent, unbiased information, programs and tools to help Canadians make smarter financial decisions. Our research delves deep into what Canadians know and how they want to learn about financial matters.

Please visit www.getsmarteraboutmoney.ca to get a better sense of our products and services.

Our commitment

We want to represent your interests as retail investors. We will examine current regulation and explore how it might be altered.

Through the Investor Forum, we will:

Provide a **learning opportunity** for retail investors in Ontario

→

Gather **informed input** on key issues relating to investor protection

→

Use your input to **inform our future recommendations** to strengthen investor protection

In focus

In recent years, recurring themes have emerged from our discussions with investors and in our submissions to the OSC. We will explore two of these today:

Investor-adviser relationship

Investment product information

This dialogue guide is designed to help you think through both of these issue areas and share your perspectives.

Following the in-person sessions and the online process, we will present you with a summary of the results and prepare a formal submission to the OSC.

Ground rules for today's dialogue

To ensure that we all have a positive and productive day, please:

- **Respect** all points of view
- **Listen** openly and carefully to others
- **Suspend judgment** – there are no "wrong" opinions
- **Test** your own assumptions
- Express **disagreement with ideas**, not personalities
- Work together and **have FUN**!

Context setting: Investor protection in Ontario

Today's dialogue is about protecting you – the retail investor. As an individual, you invest your own money to achieve financial goals and financial security at various phases in your life.

As a retail investor, you make much smaller investments (and trade less frequently) than "institutional investors." These are typically organizations with large portfolios, such as banks, insurance companies, and mutual funds, that invest money on behalf of their clients.

One of the ***Ontario Securities Commission's*** objectives is to protect retail investors in the investment process.

Investor-adviser relationship

Role of the financial adviser

A financial adviser's role is to be the interface between you and the investment world.

You

Financial Adviser

Investment World

She or he can help you navigate through all the stocks, bonds, mutual funds and other types of investments available and make recommendations to you about your investments.

Role of the financial adviser

There is a range of services that an adviser can provide. Some of the key services include:

Finance and Risk Assessment	Assess your financial situation and tolerance for risk
	Help you develop short- and long-term financial goals
	Clarify the risks involved with investments they recommend
Recommendations and Management	Make clear and specific recommendations for investing your money
	Manage a portfolio by making investment decisions on your behalf
Ongoing Monitoring and Assistance	Provide you with regular account statements and updates
	Answer your questions around investment products and strategies

Role of the financial adviser

Anyone selling investment products or offering financial advice must be registered with the regulator in their province or territory.

But keep in mind…

People who provide financial advice can call themselves many things, such as ‘adviser,’ ‘dealer,’ ‘representative,’ or ‘salesperson.’ However, these titles may not be accurate – while some may have credible experience or relevant qualifications (obtained through formal education, certification or accreditation programs), others may not.

Role of the financial adviser

Consider your own adviser's experience and background, as well as the role she or he plays in your investment decisions…

Financial advisers' duties

Many professionals, such as lawyers and doctors, are obligated to act in the best interest of their clients. This means more than just being honest and straightforward with you – it's about putting your interest first, even before their own financial gain.

Currently in Canada, other than for investment fund managers, it is not clear whether the "best interest duty" applies to financial advisers.

The OSC, like other securities regulators around the world, is studying whether this duty should be put into law explicitly in order to protect investors.

Did you know?

70% of investors believe that there is a "best interest duty" in Ontario.

This is not currently the case.

Relationship

Consider the relationship with your financial adviser and how it might play a role in the investment decisions you make…

How advisers are paid

When conflicts of interest emerge, they can undermine the investor-adviser relationship. *For example, when an adviser recommends an investment that pays a big commission but has lower returns or higher risks than a low-cost alternative.*

The line between what's best for the investor and what's best for the adviser is blurred. Often in these situations, money is at the centre of the conflict of interest.

Financial advisers can be paid in different ways. The money they receive can come from the company they work for, as well as the companies whose products they are selling (for example, a mutual fund company). As an investor, you may pay fees that can either be owed separately or can be hidden in the cost of the investment.

How advisers are paid

An adviser’s payment can include:

Service fees, usually based on a set percentage of your investments with them

Sales/trailing commissions*, usually based on how much they sell and are paid out every year that you own the investment

Annual salary

Combination of commission and fees

** Trailing commissions are an ongoing commission paid by mutual funds to adviser firms to compensate them for the ongoing services their advisers provide to investors after the mutual fund purchase.*

How advisers are paid

Why is adviser pay important? *Consider how an adviser's pay could affect the advice you receive:*

Example 1: A mutual fund company might pay your adviser twice as much commission if you invest in one product over another, even if this choice is a higher risk investment ***or*** a higher cost product.

Example 2: A brokerage firm could offer your adviser more commission if you make new investments with them, even if this unnecessarily increases the fees you pay to your adviser.

How advisers are paid

Consider the different ways that financial advisers can be paid and what you know about how your own adviser is paid...

Case Study: Paul's story

In this Dialogue Guide, we present two short scenarios to demonstrate how investor protection can impact you.

Meet Paul – he's in his early 30's and works at a software company in Waterloo. Over the past two years, he has been working with a financial adviser to help him plan his financial future and make the right investments.

However, Paul is unsure about his current financial adviser. He's a bit concerned that his adviser is too risk averse, or perhaps not as knowledgeable as he thought. Most of the friends he's spoken to have made more money than he has with their investments. A few have even suggested investments that his adviser told him to stay away from! Paul is also challenged by the fact that most of the high-fee funds he owns haven't been performing well.

Moving forward, Paul really wants to think about whether his current adviser is serving his needs, which includes his long-term financial goals for retirement.

Discussion: Paul's story

If you were in Paul's situation, what would give you greater confidence and comfort in your financial adviser? Would it help to know how Paul's adviser was paid?

What information would you need to decide whether or not Paul's adviser should be replaced? Where would you look for this information? Who might you consult?

Jot down your thoughts or take notes here:

Investment product information

At a glance

Investment product information is available to help inform your investment decisions. Retail investors are often challenged with knowing what is ***available***, what is ***important*** and ***understanding*** the information.

The right investment product information can help you better understand your investment and how it works:

How will it make money?

What fees are involved?

What are the risks involved?

Is this right for me?

Information on mutual funds

Mutual funds often make up a big part of a retail investor's portfolio. They are popular investment products since they offer diversification, are professionally managed and are supervised by a self-regulatory organization overseen by securities regulators. (Note that the government does not regulate mutual funds.)

On the flip side, mutual funds come with fees (which are sometimes quite high), it is hard to know the risks involved, and investors often purchase funds based on past performance rather than whether or not they meet their investment needs.

Information on mutual funds

Investment product information is one way to help you understand more about the mutual funds you are investing in. In particular it can provide information on:

Type of mutual fund
(i.e. money market, bond, stock, etc...)

Investment **objectives, approach** or **focus** of the fund

Fees associated with the mutual fund

Top investments in the fund
(i.e. companies, types of bonds, etc...)

In focus: Fund Facts

Mutual fund companies are now required to prepare ***Fund Facts*** for each of their mutual funds. These are posted to their website, filed with the securities regulator in each province, and provided to you free of charge upon request.

Fund Facts are designed to be a brief summary of most of the key information on a mutual fund, such as its total value and costs, the list of investments, its performance, and the risks involved. It also outlines how advisers are paid.

As an investor, this is a key resource for understanding your mutual funds. It is short in length, written in plain language and readily available. At this time, there is no requirement to provide it at point of sale.

Information about individual companies

Those investors who choose to invest directly in individual company stocks or bonds can benefit from lots of available information. This information can give you a better idea of a company's performance and track record, major business opportunities and risks, and financial condition. Available documents include, but are not limited to:

Financial statements: Financial records (often audited by outside accountants) of the company's recent financial activities

Prospectuses:
A legal document when companies issue new stocks or debt, with lots of detailed financial and other information

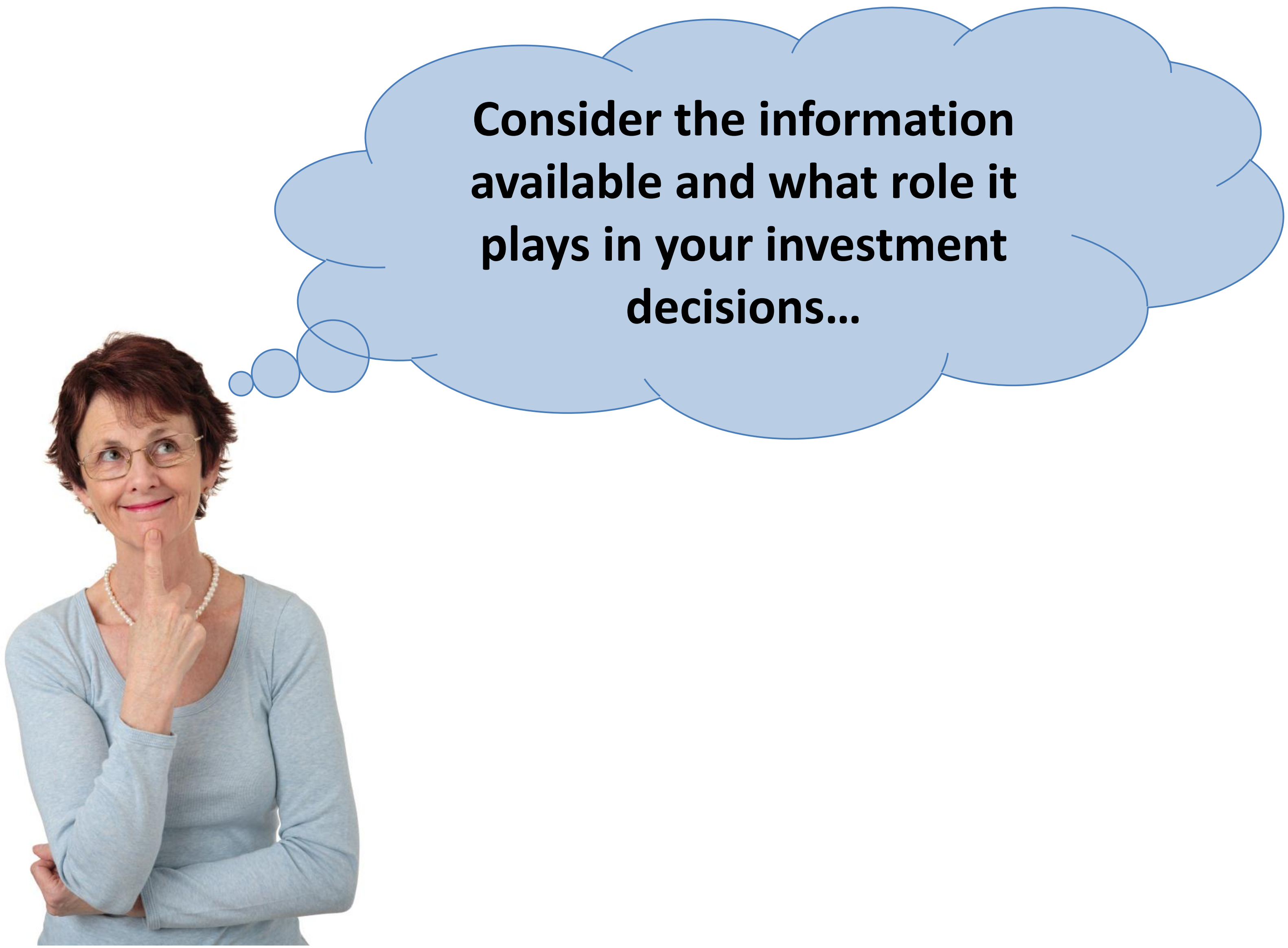
Management discussion and analyses:
Management's analysis and explanation of the company's performance

Analyst reports:
Analysis by investment dealers or other organizations examining the business and recommending their securities

Financial media
Business journalists (print, radio and TV) who analyze individual companies, interview company management and make recommendations

Food for thought: As a retail investor, when was the last time you read through one of these documents? When was the last time you read your account statement? What changes are needed to encourage you to regularly review your account statements?

Investment product information



Case Study: Jennifer’s story

Meet Jennifer – she is in her mid-40s and is a full-time working mother with two school-aged children. She is the office manager of an interior design firm in Kingston. Like many people, Jennifer thinks about the future and gets nervous about her finances. She knows that balancing her current expenses will continue to get harder as she saves for her children’s education and her retirement.

To help plan for the future, Jennifer has worked with a financial adviser for the past five years to make a variety of investments. But with the recession, these have not returned as much profit as Jennifer hoped. With little improvement over the last year, she has gotten very discouraged and stopped opening her monthly statements, which were hard to understand to begin with.

However, Jennifer knows that this isn’t the answer. She needs to do a better job of understanding her investments and pay more attention. Jennifer feels she needs help finding information she can understand and be confident with.

Discussion: Jennifer's story

If you were in Jennifer's situation, what would make investment product information more useful and understandable for you? (e.g. type, format, access)

How much time are you prepared to devote to understanding your financial position and investment results?

Jot down your thoughts or take notes here:

Other comments?

We want to make sure that we don't miss anything important during the Investor Forum. Please take the time to reflect on this question and use the space provided below to jot down your thoughts.

Do you have any other issues, concerns or ideas around strengthening investor protection in Ontario?

We’re very grateful that you decided to participate in the Investor Forum.

This event is very important to the IAP and IEF. Thank you for sharing your thoughts about the key issues and challenges facing investors in Ontario, as well as what’s needed to ensure there’s a strong system in place to protect people when they’re making investments.

Thank you!

General Public Retail Investors Survey

In-Person Dialogue Sessions – Screening Questions

September 26, 2012

INTRO1

Probit is working with Ascentum Inc. on a study with residents of Ontario. This survey is voluntary and will take no longer than 5 minutes to complete.

Q1

Are you a retail investor? A retail investor is defined as an individual who invests in the market but is not doing so on behalf of an institution or corporation:

Yes	1	
No	2	->Demographics
Prefer to not answer	9	->thank and terminate

Q2

Do you enlist the services of someone (such as a financial adviser) to help you with your investments?

Yes	1
No	2
Prefer to not answer	9

Q2B

Can you describe the role of this individual (i.e., the organization they work for and the services they perform for you)

Response	1
Prefer to not answer	9

Q3

Do you have an immediate family member (mother, father, brother, sister, son, daughter, spouse) who provides financial adviser services?

Yes	1
No	2
Prefer to not answer	9

Keypad Data:
In-person Sessions

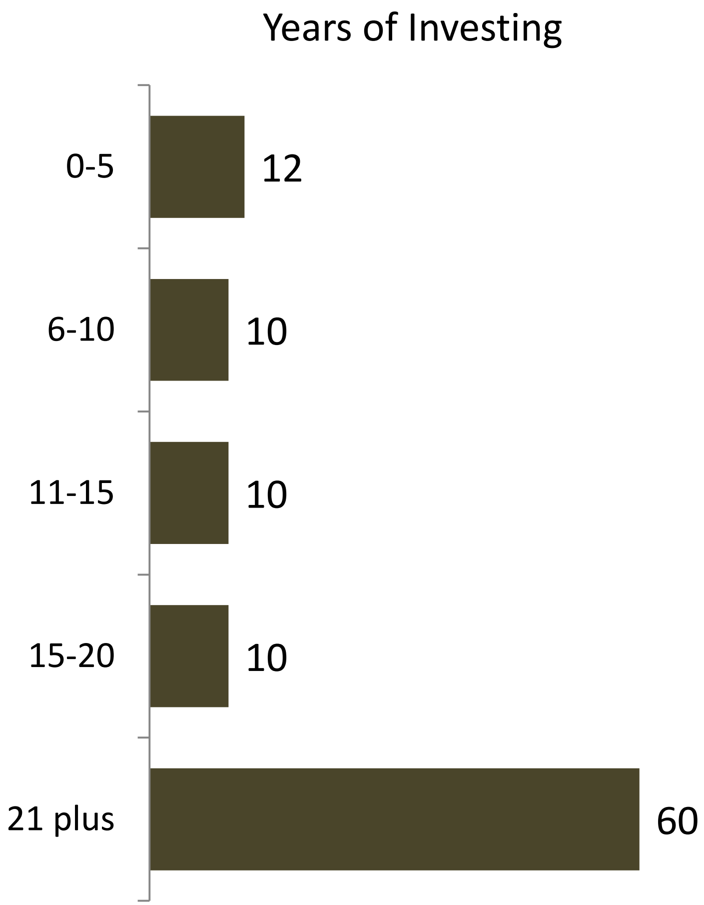
Prepared by
Richard W. Jenkins Ph.D.

Jenkins Research

December 2012

Investor Profile

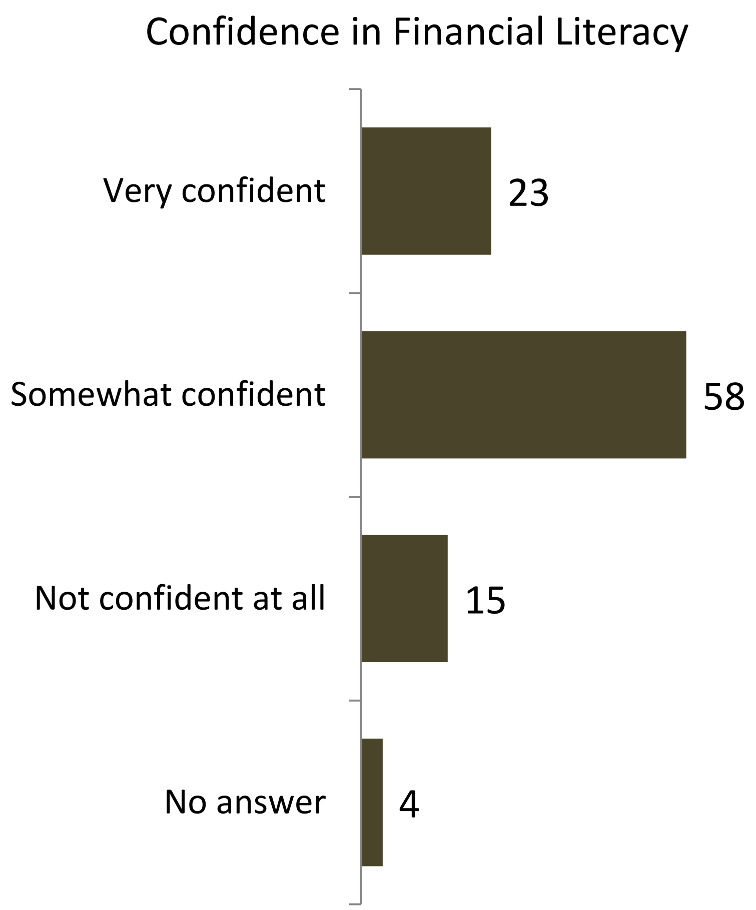
Q. How many years have you been investing?



Keypad Data n=52

Financial Literacy

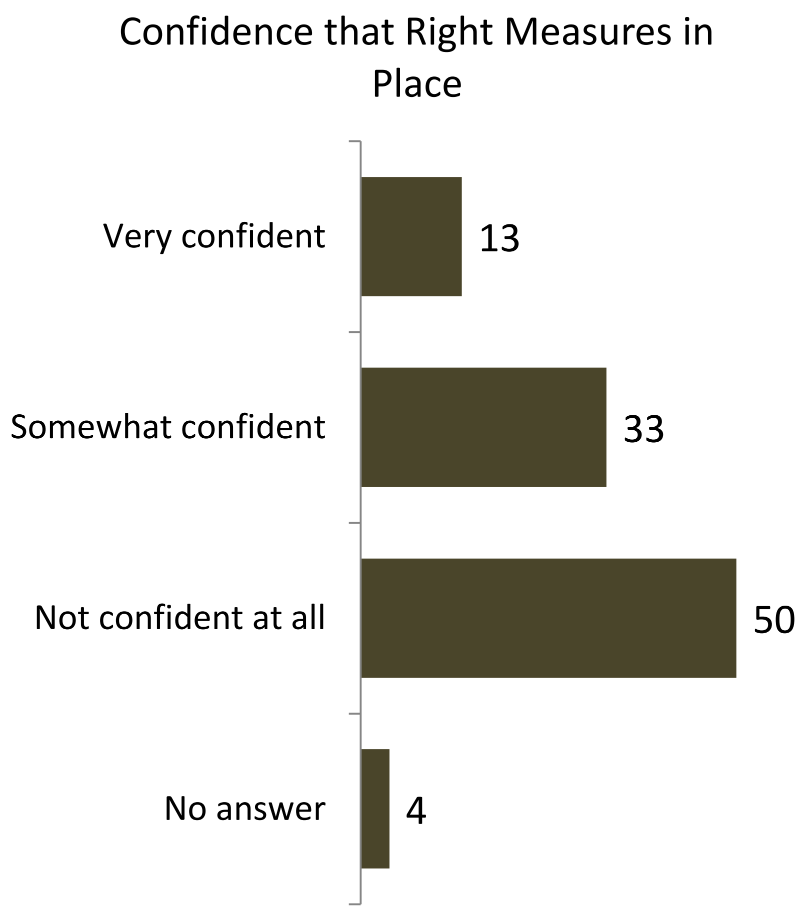
Q. As an investor and consumer, how confident are you in your own financial and investment knowledge (i.e. your financial literacy)?



Keypad Data n=52

Confidence in Protection

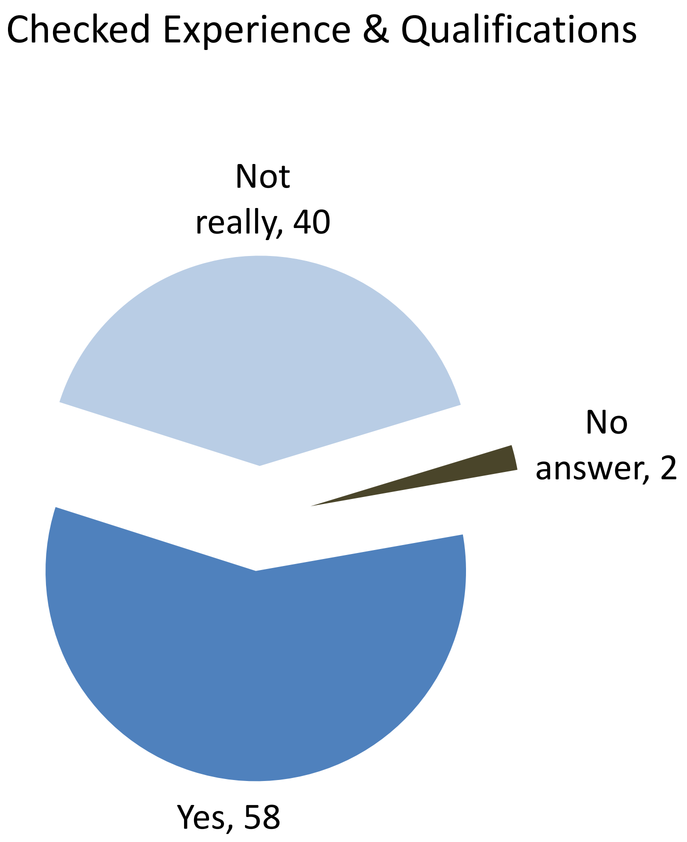
Q. As an investor and consumer, how confident are you that the right measures are in place to protect you and your investments?



Keypad Data n=52

Due Diligence Regarding Adviser

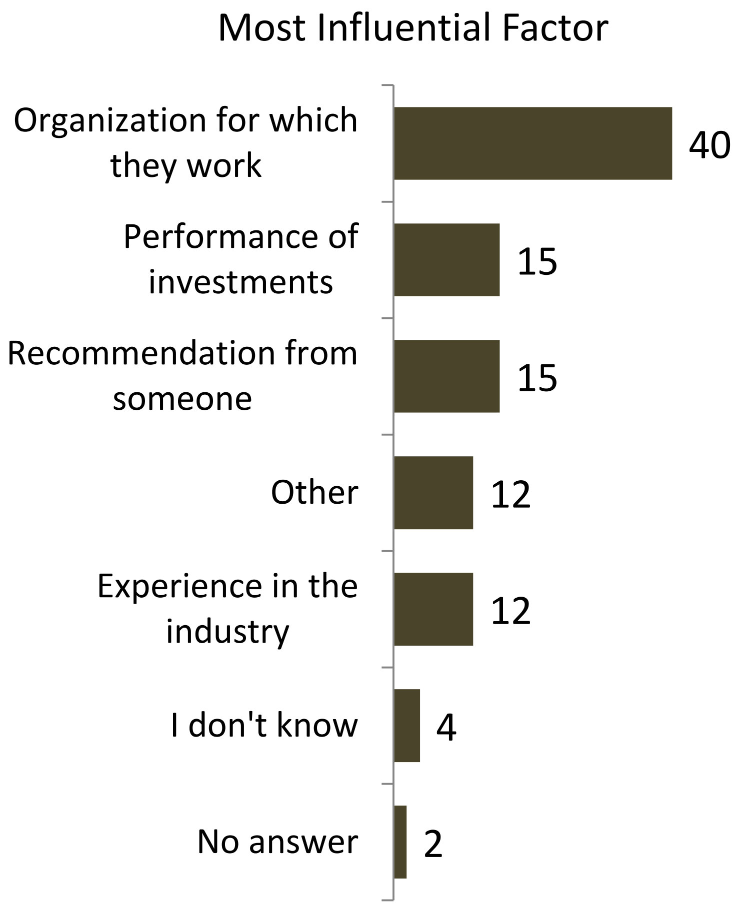
Q. Before hiring my financial adviser, I checked his or her experience and qualifications?



Keypad Data n=52

Factors Influencing Selection of Financial Adviser

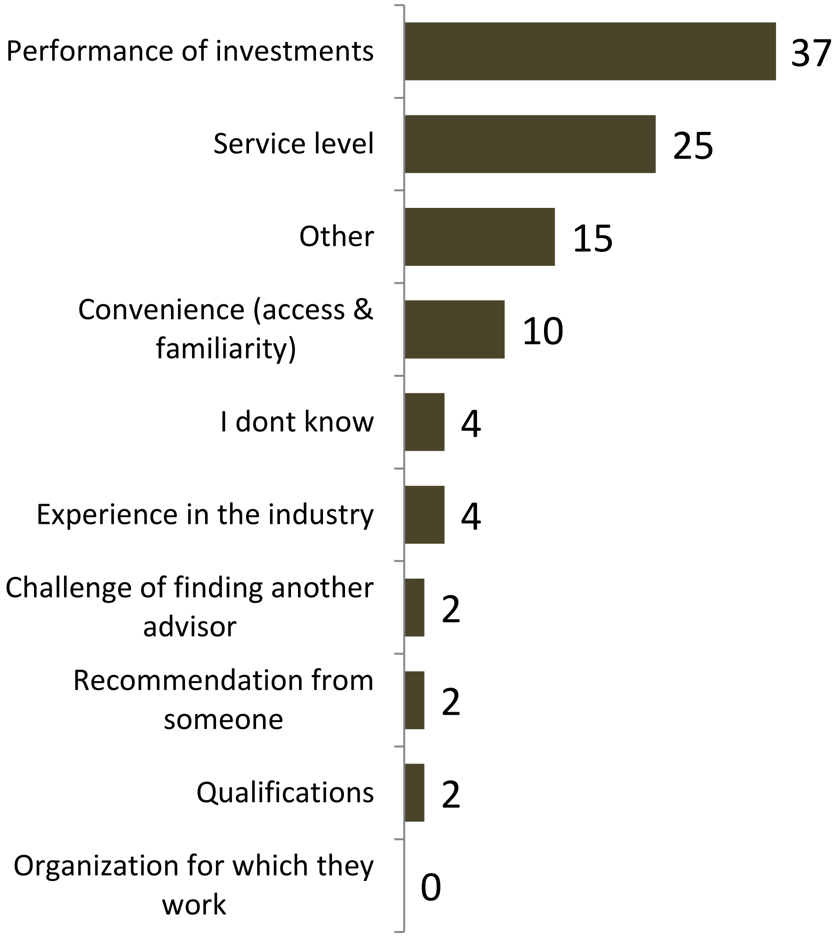
Q. Which factor has the most influence on your decision to select a financial adviser?



Keypad Data n=52

Factors Influencing Decision to Keep Financial Adviser

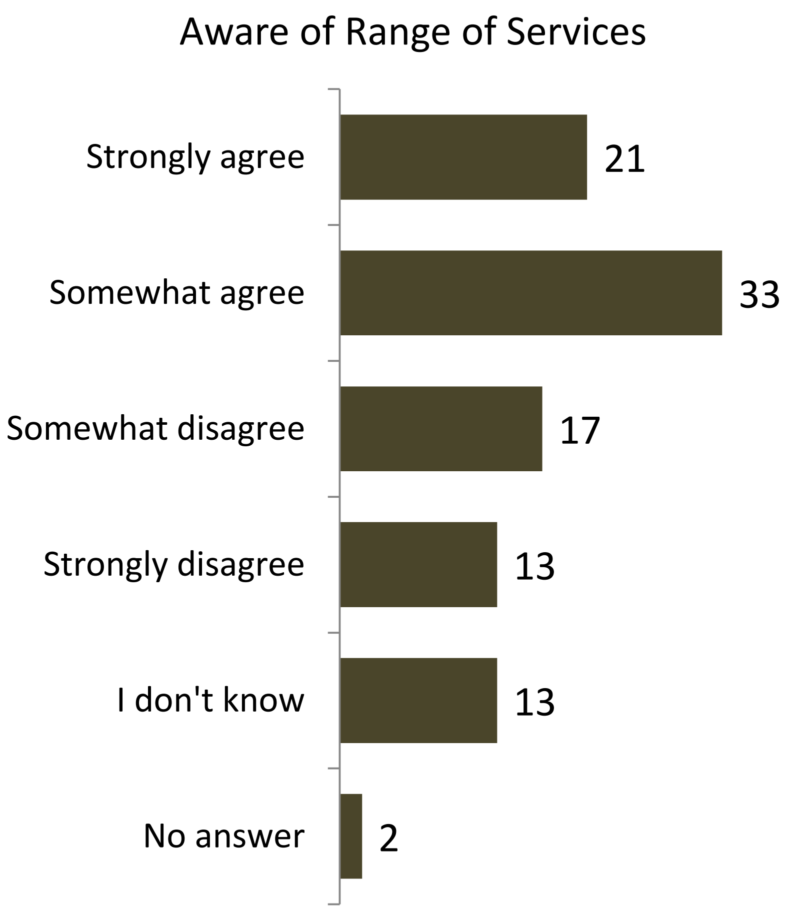
Q. Which factor has the most influence on your decision to keep working with your financial adviser?



Keypad Data n=52

Awareness of Ranges of Services Offered

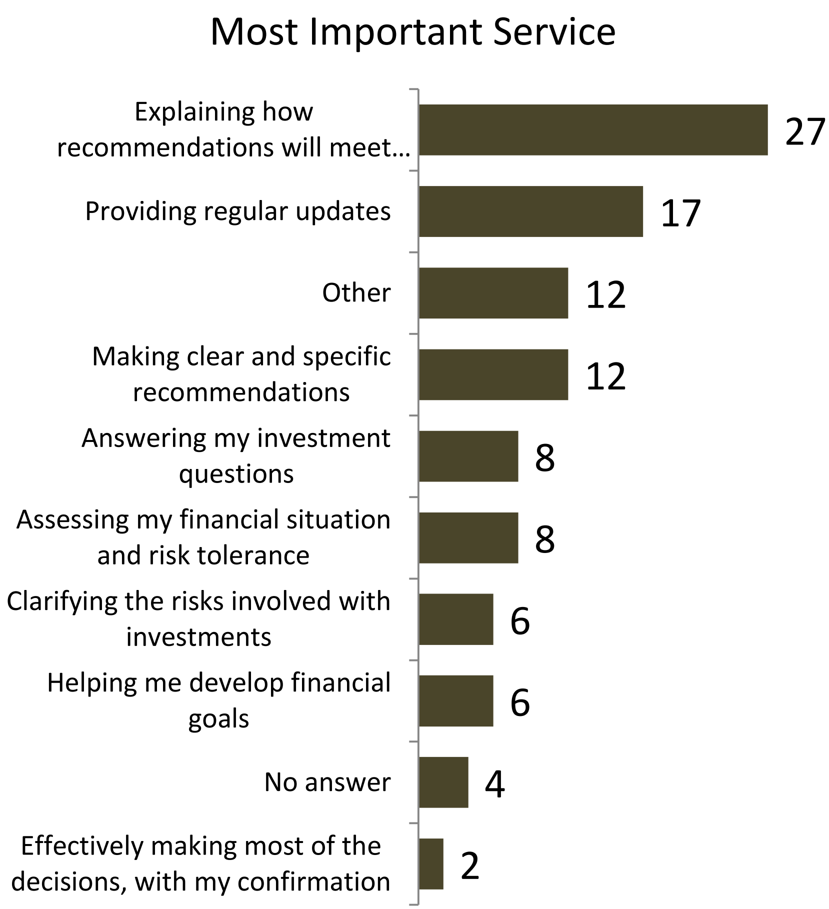
Q. Indicate your level of agreement with the following statement: "When I was choosing a financial adviser, I was aware of the range of services advisers provide"



Keypad Data n=52

Most Important Services

Q. Which services are most important to you as an investor? Select the most important:

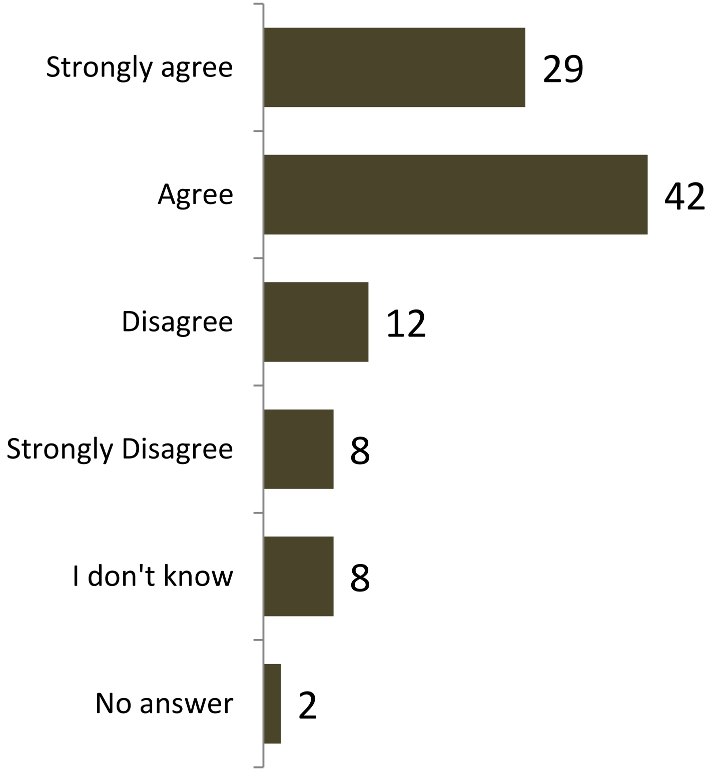


Keypad Data n=52

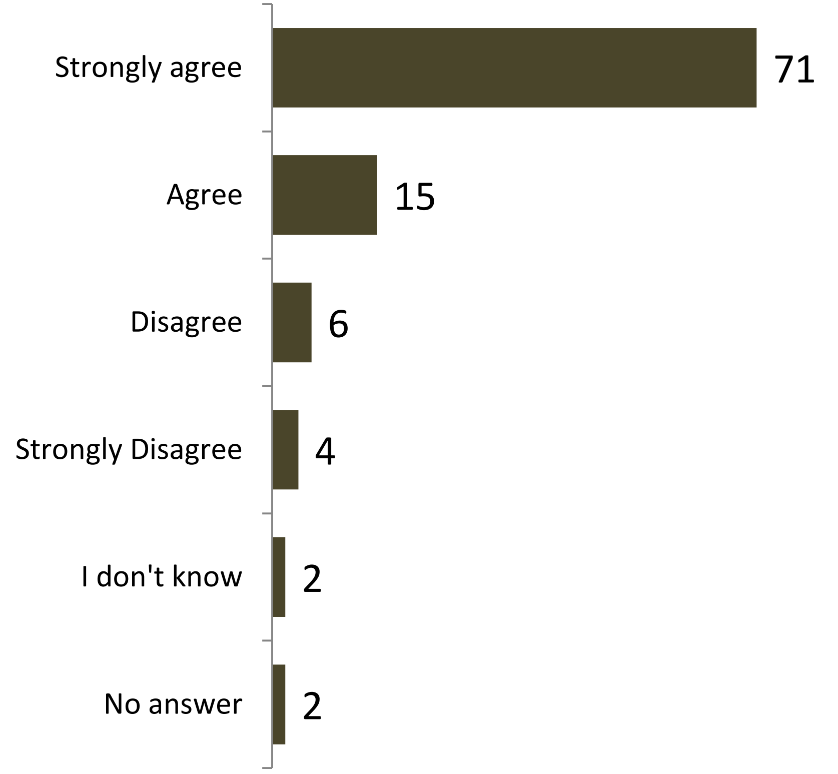
Duties of Adviser

Q. Level of agreement: “I generally trust the advice I receive from my financial adviser”.
Q. Level of agreement: “I think that a ‘best interest duty’ is needed to protect retail investors”.

I generally trust the advice I receive from my financial adviser

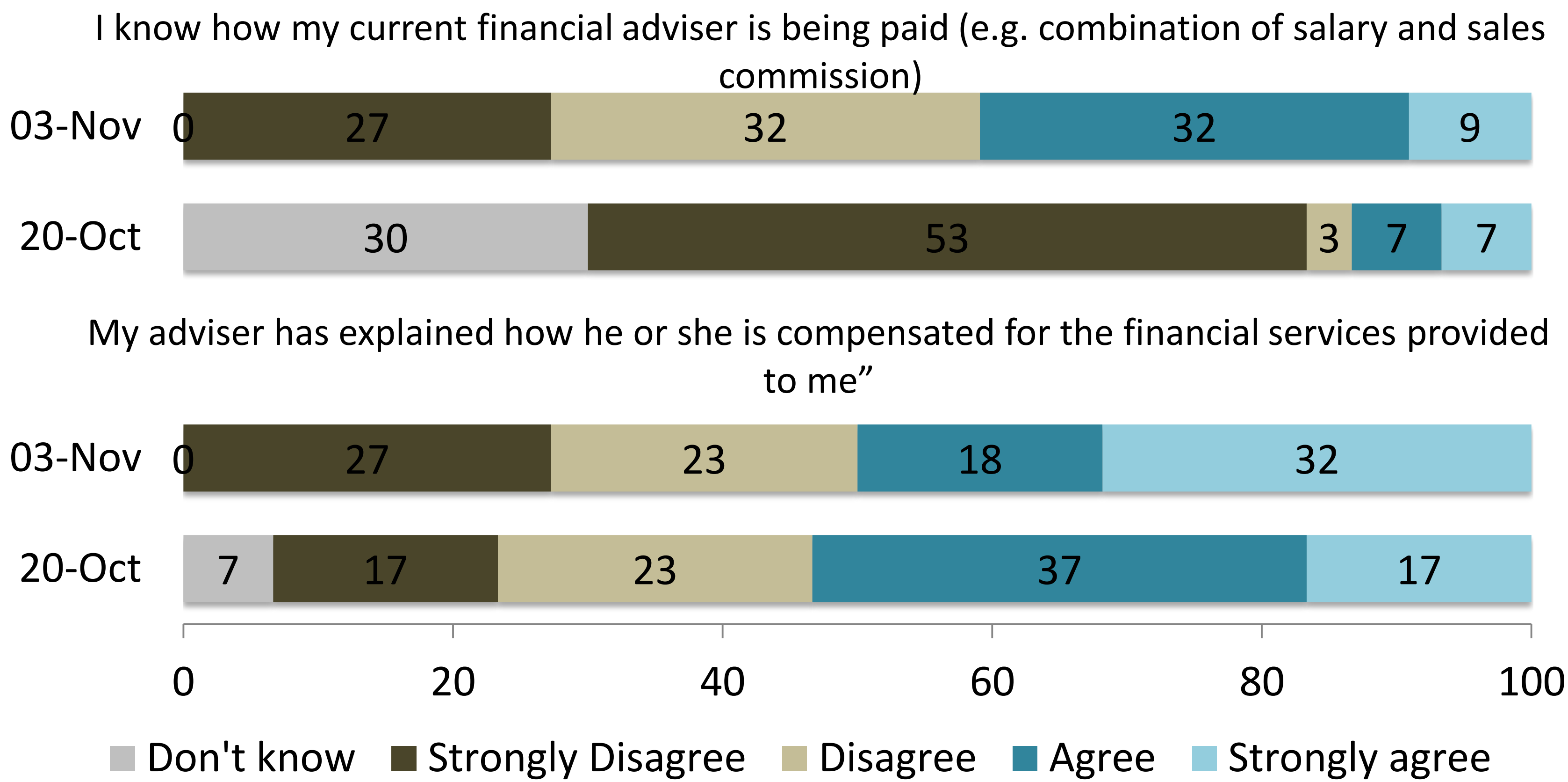


I think that a ‘best interest duty’ is needed to protect retail investors



Knowledge of Compensation

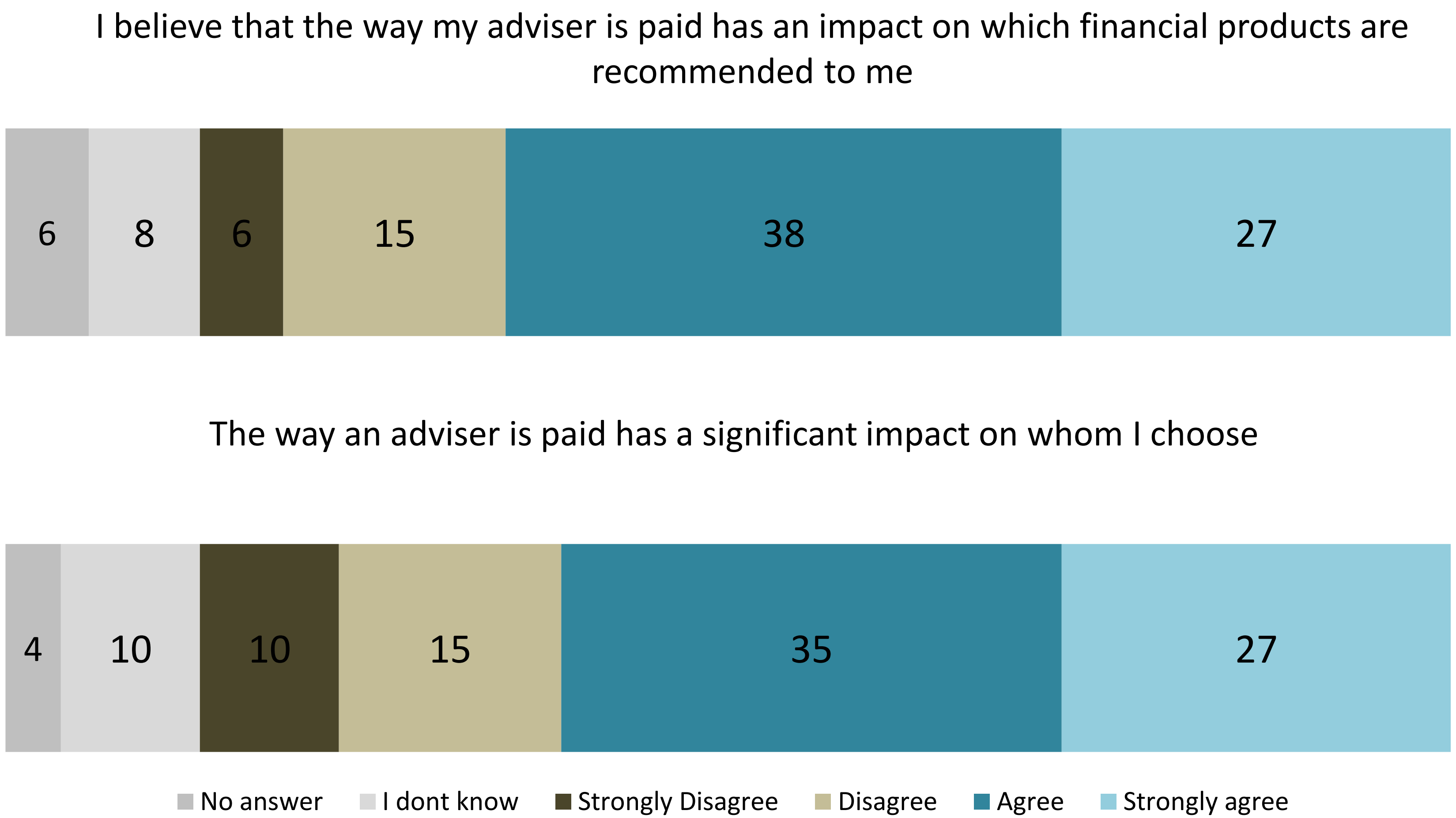
Q. Level of agreement: “I know how my current financial adviser is being paid (e.g. combination of salary and sales commission)”
Q. Level of agreement: “My adviser has explained how he or she is compensated for the financial services provided to me”



Keypad Data n=52

Impact of Compensation Mode

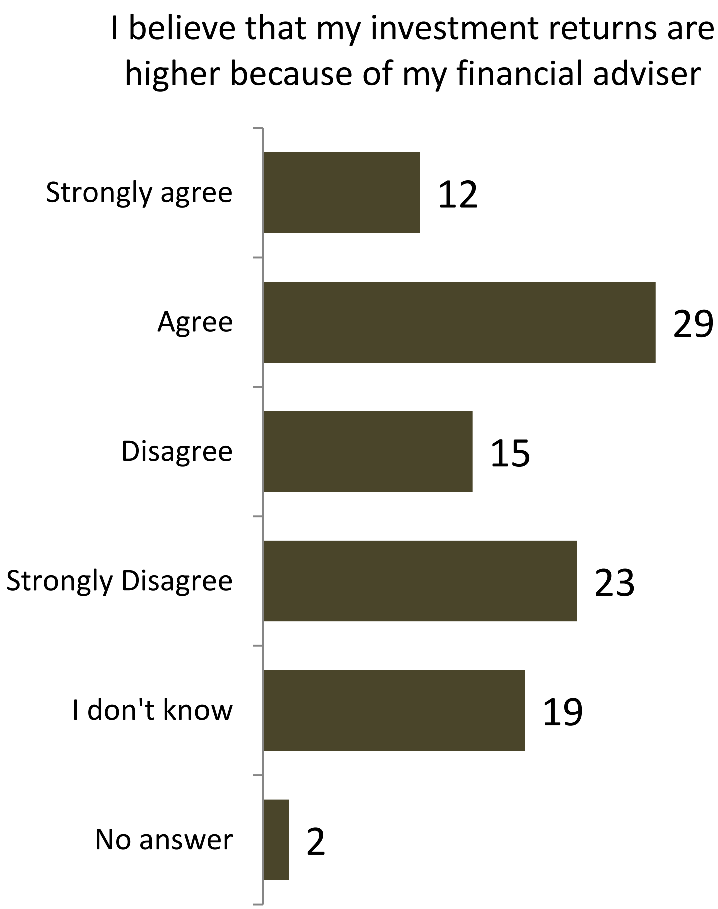
Q. Level of agreement: "The way an adviser is paid has a significant impact on whom I choose"
Q. Level of agreement: "I believe that the way my adviser is paid has an impact on which financial products are recommended to me"

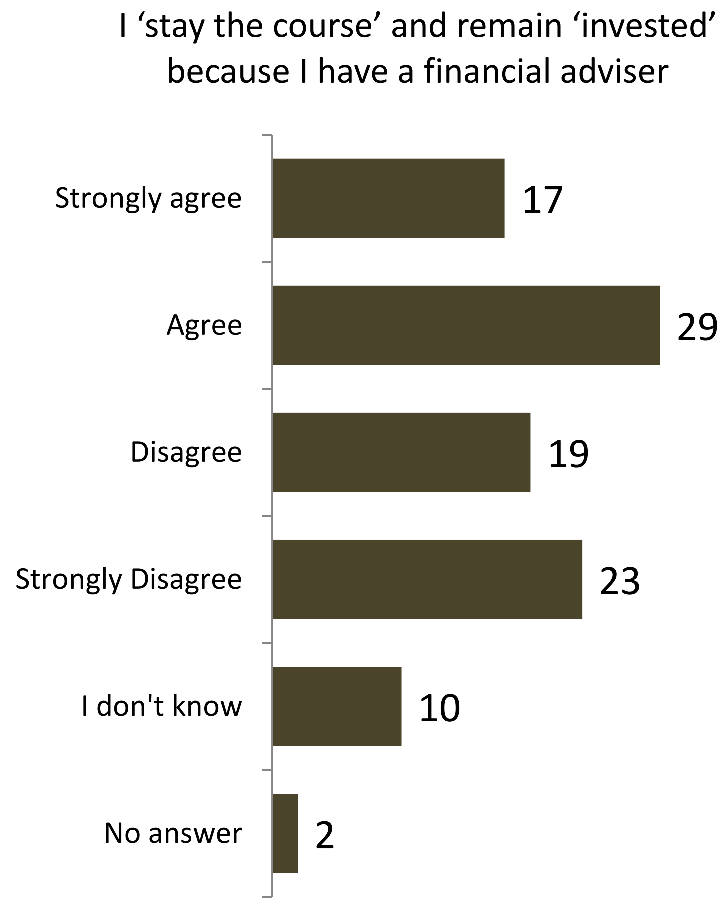


Keypad Data n=52

Impact of Adviser

Q. Level of agreement: “I believe that my investment returns are higher because of my financial adviser”
Q. Level of agreement: “I ‘stay the course’ and remain ‘invested’ because I have a financial adviser”



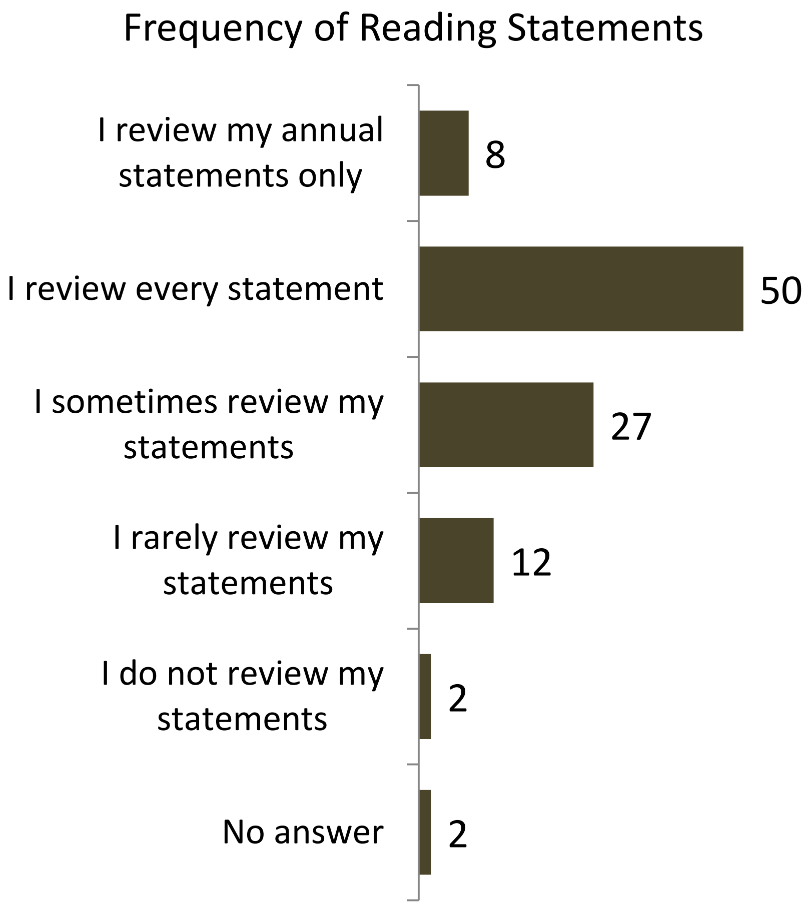


ascentum

Keypad Data n=52

Engagement with Information

Q. "How often do you read your account statements?"

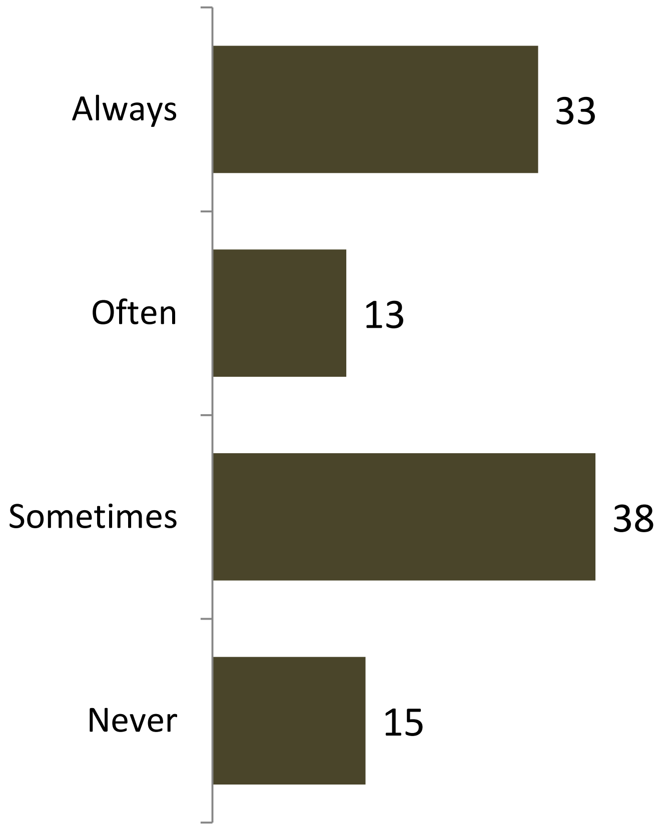


Keypad Data n=52

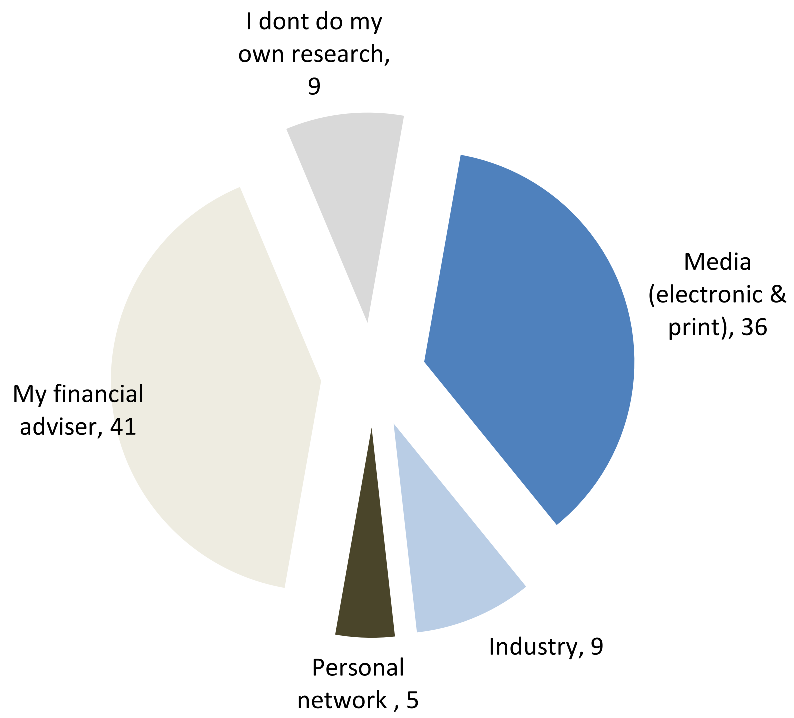
Doing Research

Q. "When making an investment decision, how often do you do your own research?"
Q. "What is your main source of information on investments?" (only asked on November 3)

Frequency of Doing Research



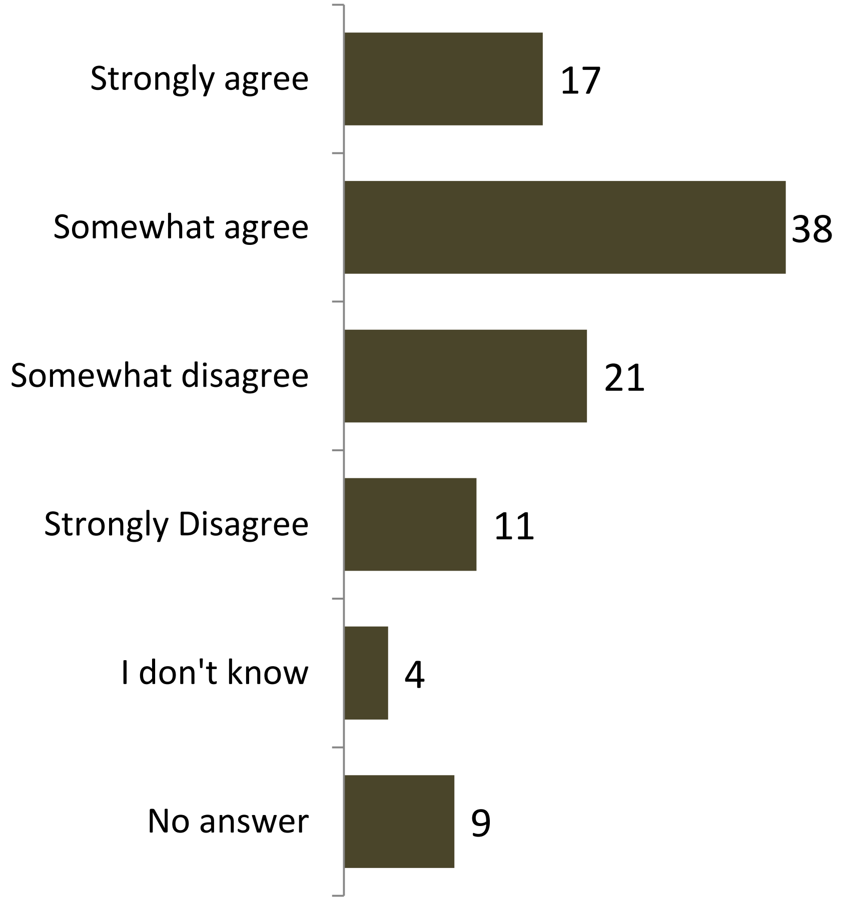
Main Source of Information on Investments



Keypad Data n=52, n=22

Financial Adviser Provides Sufficient Information

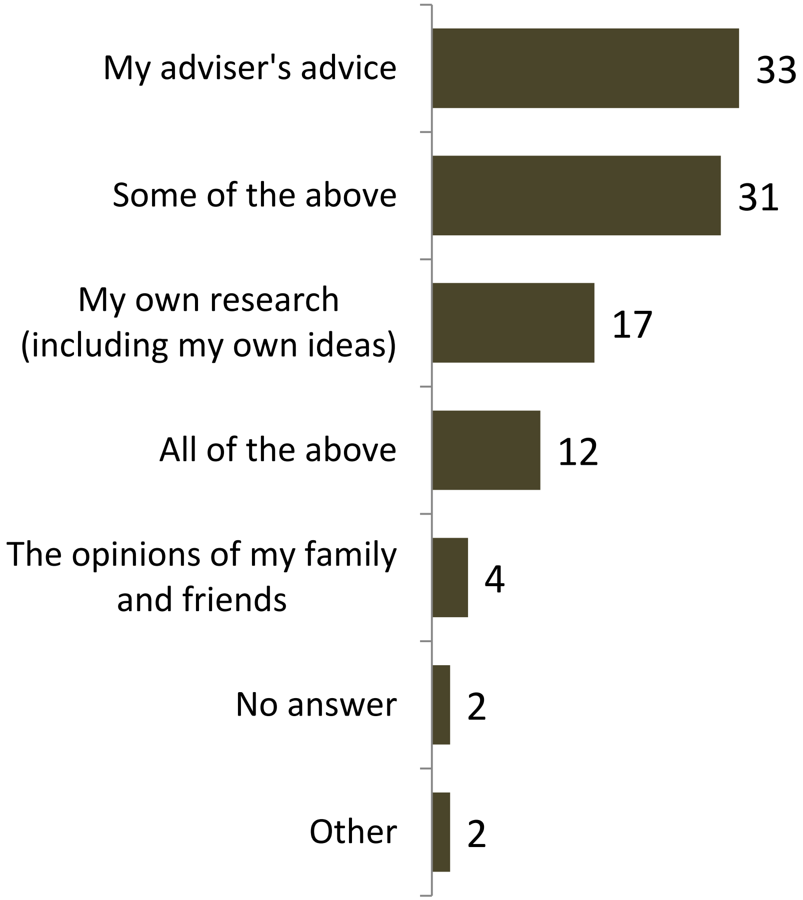
Q. Level of agreement: “My financial adviser provides me with sufficient information to make investment decisions”



Keypad Data n=52

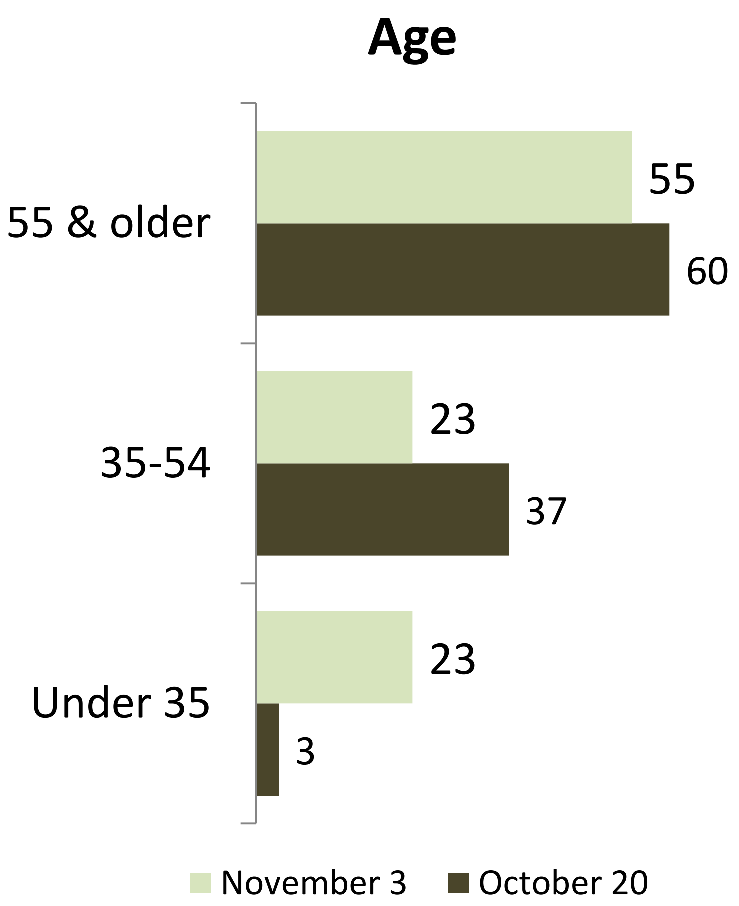
Where One Starts When Deciding on Investments

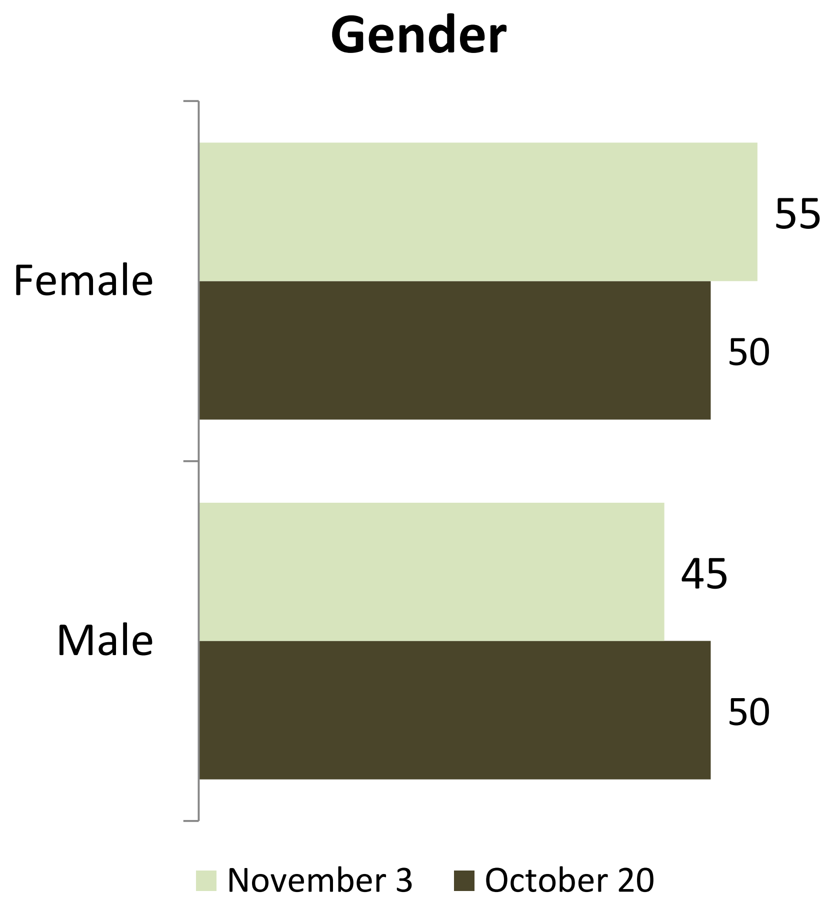
Q. “Where do you start first when deciding on investments?”



Keypad Data n=52

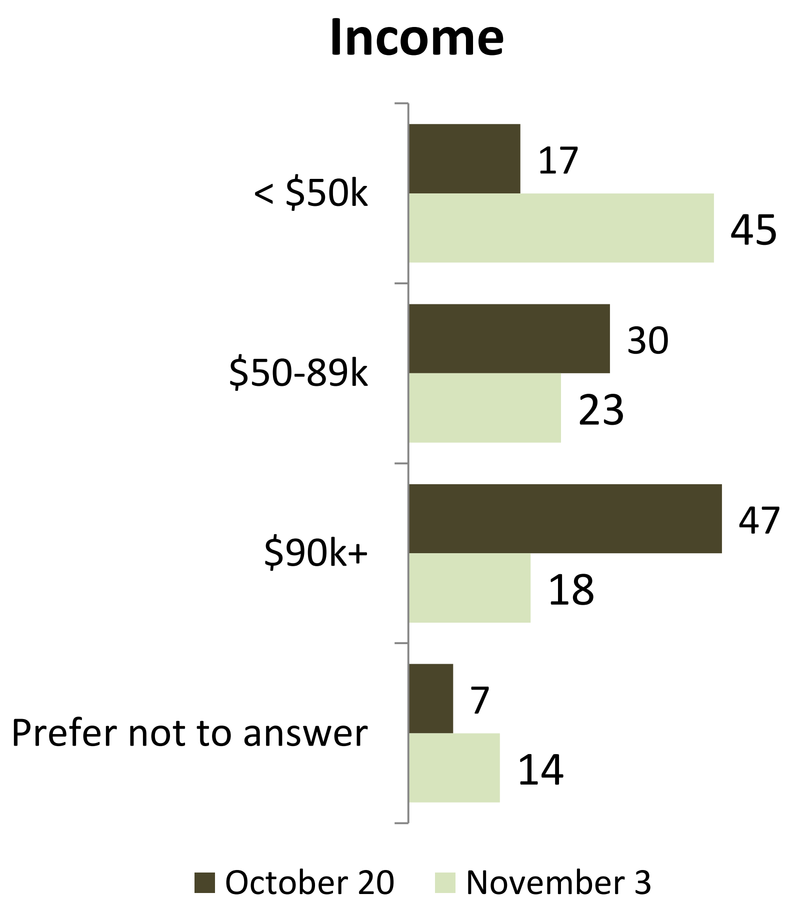
Age and Gender

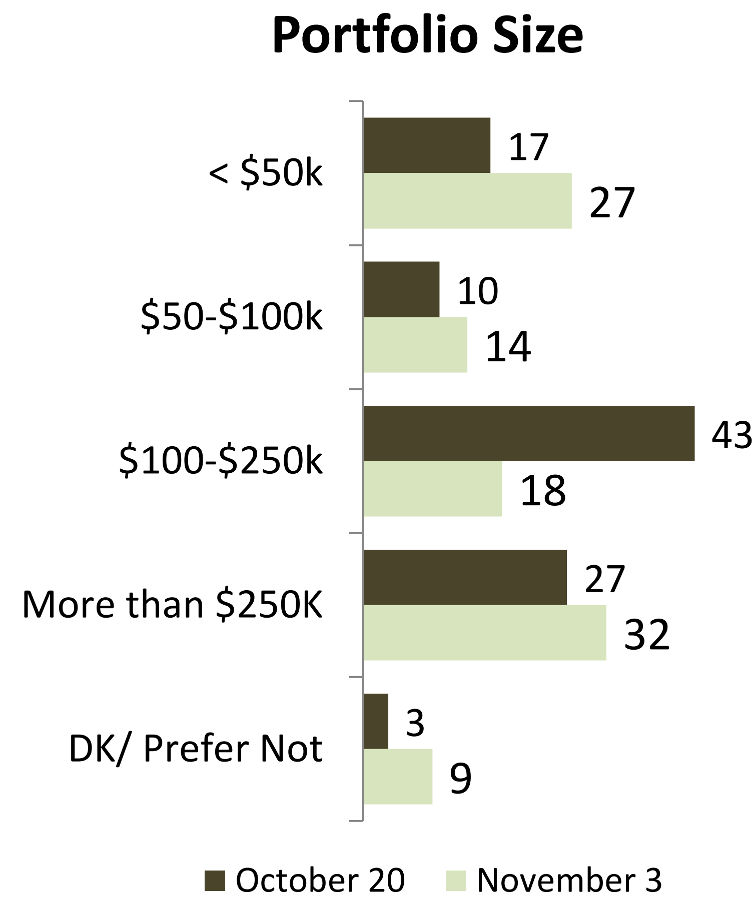




Keypad Data n=52

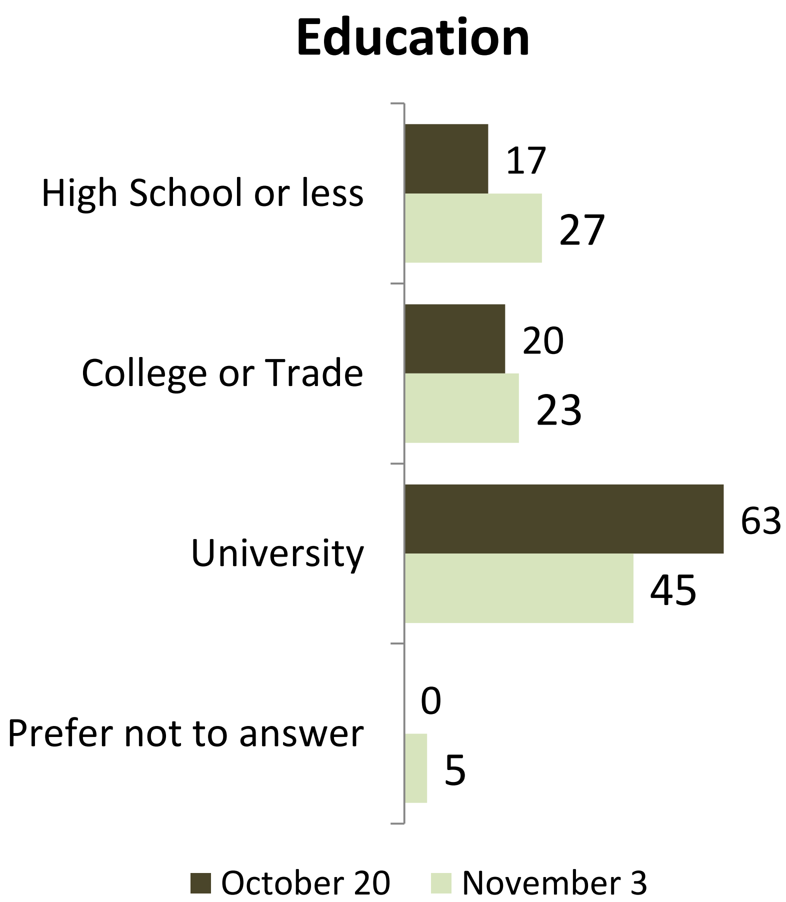
Income and Portfolio Size

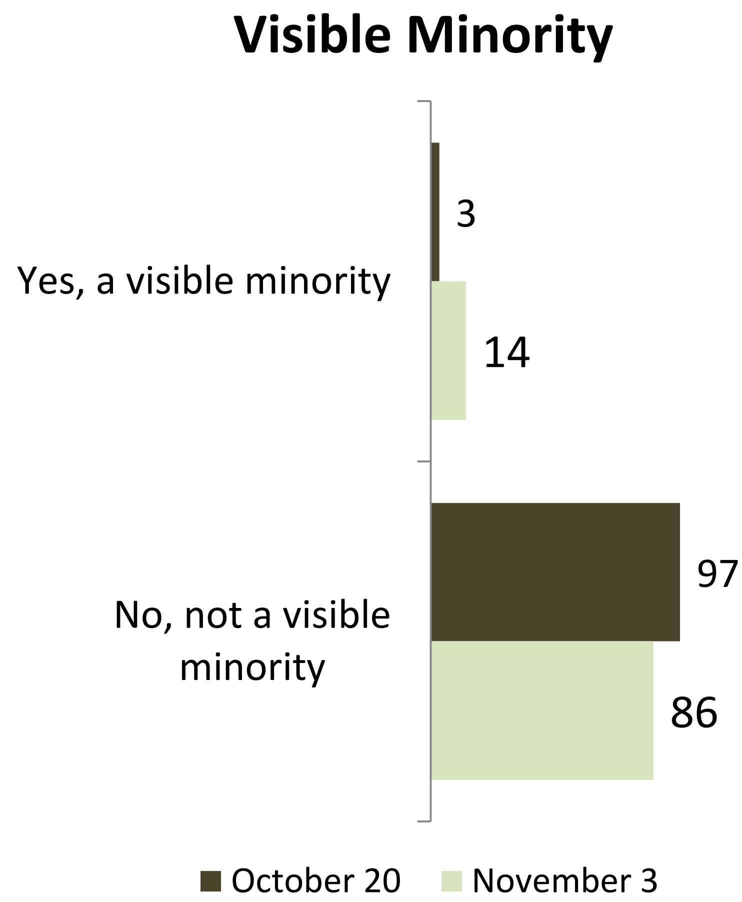




Keypad Data n=52

Education and Visible Minority Status





Keypad Data n=52

Investor Advisory Panel – Investor Education Fund
Retail Investors' Forum

Consolidated In-Person Participant Evaluation Results

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree	N/A
1. Format / Venue						
The case study exercises used during the forum were useful.	12 (27%)	29 (64%)	2 (4%)	2 (4%)		1
1 day was the right length for the forum.	21 (43%)	24 (49%)	1 (2%)	3 (6%)		
The facilitator was effective (respectful, fair, clear, kept session on track).	31 (63%)	18 (37%)				
The assistance I received regarding travel and accommodation was good.	26 (62%)	13 (31%)	1 (2%)	2 (5%)		6
The forum venue/facilities were appropriate.	23 (48%)	24 (50%)		2 (2%)		

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
2. Content					
The agenda was relevant (focused on the right topics).	14 (29%)	30 (63%)	4 (8%)		
There was enough time for informed discussion on issue 1 (investor-adviser relationship).	17 (35%)	27 (55%)	4 (8%)	1 (2%)	
There was enough time for informed discussion on issue 2 (investment product information).	16 (33%)	29 (59%)	1 (2%)	3 (6%)	
The keypad questions were helpful.	25 (53%)	21 (45%)		1 (2%)	
The dialogue guide sent in advance was helpful in preparing for the session.	25 (53%)	19 (40%)	3 (6%)		

Investor Advisory Panel – Investor Education Fund
Retail Investors' Forum

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
3. Your Experience					
I felt I could express my views freely.	32 (67%)	16 (33%)			
There was good diversity of perspectives in the room.	31 (63%)	14 (29%)	2 (4%)	2 (4%)	
I value this opportunity to contribute to a stronger retail investor protection system in Ontario.	35 (71%)	13 (27%)	1 (2%)		
I enjoyed participating in this forum.	37 (76%)	11 (22%)	1 2%		