



## Financial Literacy

POLLARA 

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# Table of Contents

<b>Methodology</b>	<b>3</b>
<b>Key Findings</b>	<b>4</b>
<b>Detailed Findings</b>	
<b>Financial Knowledge</b>	<b>6</b>
<b>Financial Literacy Quiz</b>	
<b>13</b>	
<b>Sources of Advice</b>	<b>19</b>

# Methodology

- Survey results cited in this report are from online interviews with a random sample of 1,000 Canadians 18 years of age and older, conducted between October 25<sup>th</sup> to October 29<sup>th</sup>, 2012.
- As a guideline, a probability sample of this size would yield results accurate to  $\pm 3.1\%$ , 19 times out of 20. The margin of error for sub-populations increases as the sample size decreases:

Region	Number of interviews	Margin of error
Atlantic Canada	100	$\pm 9.8\%$
Quebec	200	$\pm 6.9\%$
Ontario	300	$\pm 5.7\%$
Prairies ( <i>Manitoba &amp; Saskatchewan</i> )	100	$\pm 9.8\%$
Alberta	125	$\pm 8.8\%$
British Columbia	175	$\pm 7.4\%$
Canada	<b>1,000</b>	<b><math>\pm 3.1\%</math></b>

- Data has been weighted by region, gender, and age, based on the most recent Census figures, so that it is representative of all adult Canadians.
- In some instances, questions have been tracked against a similar online survey conducted between November 21<sup>st</sup> and November 24<sup>th</sup>, 2011 with 1,520 Canadians.

# Key Findings

## **Knowledge: Canadians Confident in their Level of Financial Knowledge**

- Canadians are relatively confident in their level of financial literacy, with most giving themselves an “A” (10%), “B” (41%), or “C” (33%) grade.
- Canadians feel they are most knowledgeable about RRSPs (79% knowledgeable) and TFSAs (72%). At least half claim to be knowledgeable about all other terms tested except for DRIP (25%), ETF (24%), and RDSP (23%).
- Half (50%) say their knowledge of financial concepts has improved since the economic downturn, with only 6% feeling it has worsened.

## **Financial Literacy Quiz: Under Half Answer All Three Questions Correct**

- Under half (45%) of respondents answered all three basic financial literacy questions correct, earning a mean score of 2.1 out of 3.
  - Canadians self-professed knowledge about RRSPs is born out on the quiz, with eight-in-ten (80%) knowing that you only pay taxes on RRSP investments when they are withdrawn.
  - Two-in-three (68%) Canadians recognize someone who pays their mortgage payments weekly will pay down their mortgage faster than someone who makes less frequent payments.
  - Just over half (57%) of Canadians recognize they benefit when interest is compounded more frequently.

# Key Findings

## **Younger Canadians Less Familiar With Financial Concepts**

- Success on the financial literacy quiz is tied to age, increasing from a mean score of 1.4 out of 3 among Canadians under 30, up to 2.5 out of 3 among those 65 and over. Indeed, the majority (54%) of those under 30 receive a failing grade, getting over half the questions wrong.
- Nine-in-ten (87%) of those under 30 feel they would benefit from an introductory course on personal finance.

## **Many Over-Estimate Their Level of Financial Knowledge**

- Many over-estimate their financial knowledge, with one-in-four (24%) of those who give themselves an “A” for their level of financial literacy posting a failing grade on the quiz.
  - Three-in-ten (31%) who claim to be knowledgeable about compound interest answer that question incorrectly.
- At the same time, three-in-four (73%) feel they would benefit from an introductory course on the basics of personal finance, an increase of 12 percentage points from last year.

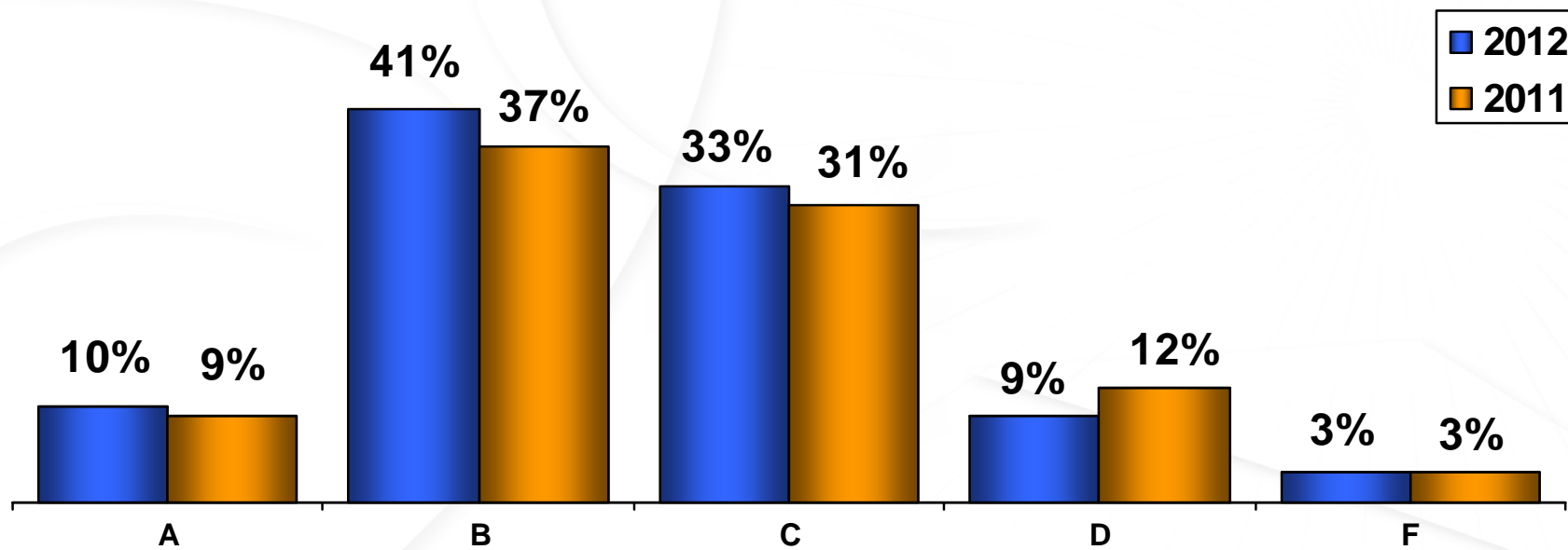
## **Canadians Less Likely to Turn to Media Sources to Answer Financial Questions**

- Canadians are more likely to bring financial questions to their bank (56%), financial advisor (47%), or friends and family (39%) than they are to turn to media sources such as financial websites (31%), online news articles and blogs (24%), newspapers and magazines (16%), or social media (6%).
  - Older Canadians rely heavily on their financial advisors, with younger Canadians more likely to look to their bank, friends and family, and online information sites.

# Financial Knowledge

# Most Canadians Give Themselves a Passing Grade When It Comes to Financial Knowledge

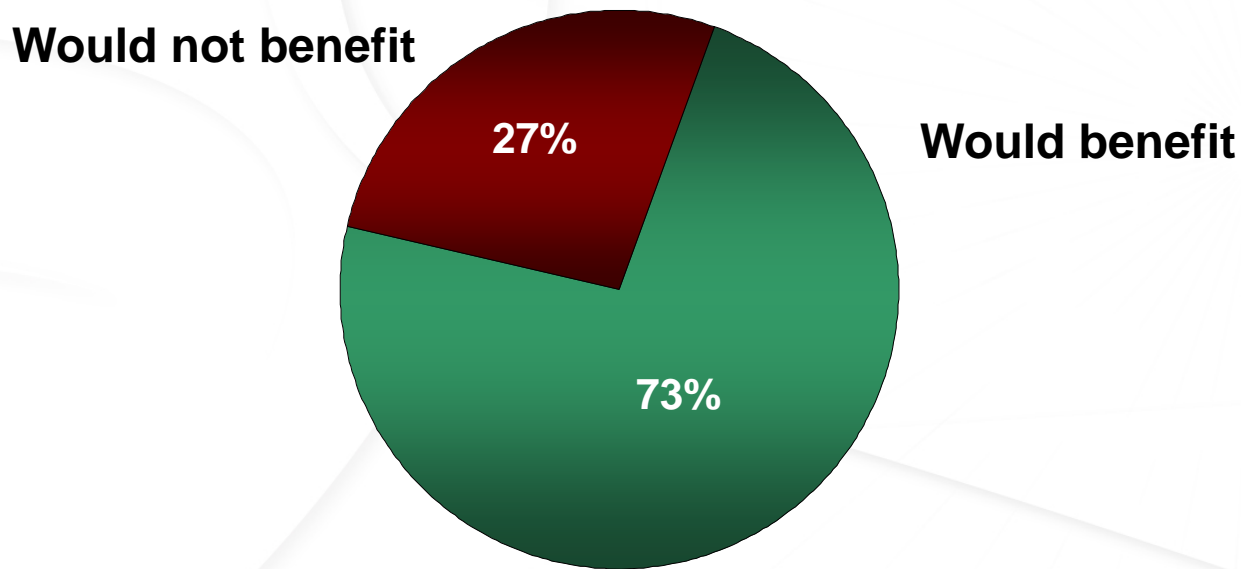
- Similar to 2011, one-in-ten (10%) Canadians give themselves an “A” when it comes to their level of knowledge about personal finances, with 41% giving themselves a “B” and 33% giving themselves a “C”. Just 3% give themselves a failing grade.
- Men are more likely than women to give themselves an A or B (56% vs. 47%).
- Albertans are the most likely to give themselves an A or B (59%) with Atlantic Canadians the least likely to (41%).



Q5. When it comes to your knowledge about personal finances, what grade would you give yourself?  
[BASE: All respondents; n = 1000]

# Increasing Number of Canadians Feel They Would Benefit From An Introductory Course on Personal Finances

- Three-in-four (73%) Canadians feel they would benefit from an introductory course on the basics of personal finance, an increase of 12 percentage points from last year.
- Men (72%) and women (73%) are equally likely to feel they would benefit, with 87% of those under 30 feeling they would benefit.
- Among those who posted a failing grade on the 3-question financial literacy test, 79% feel they would benefit from an introductory course on the basics of personal finance.

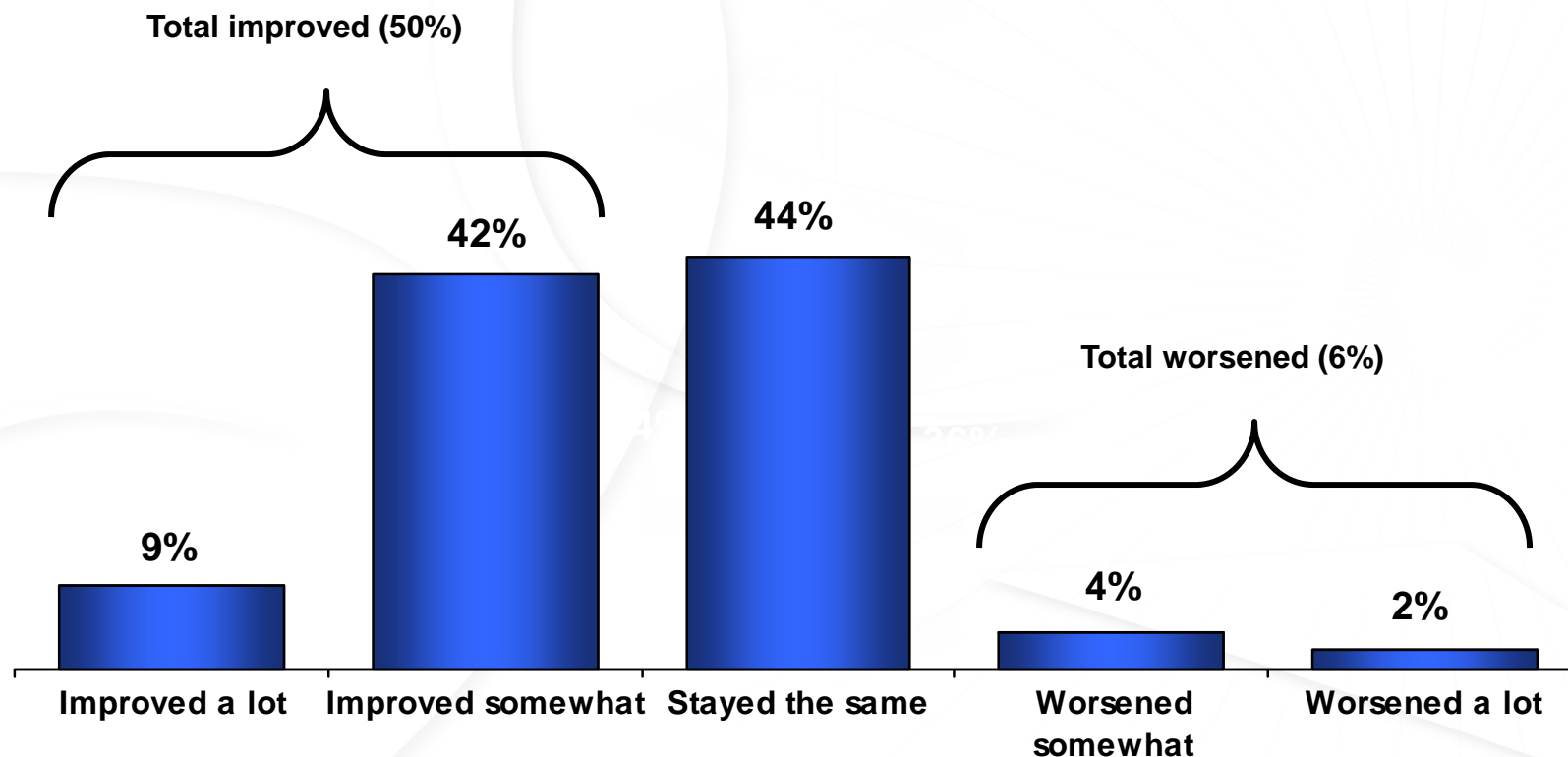


Q7. Do you think you would benefit from an introductory course which goes over the basics of personal finances?  
[BASE: All respondents; n = 1000]



# Half (50%) of Canadians Say Their Knowledge of Financial Concepts Has Improved Since the Downturn

- Half (50%) of Canadians say they knowledge of financial concepts has improved since the downturn, with 6% feeling it has worsened.
- Men (50%) and women (51%) are equally likely to feel their knowledge of financial concepts has improved.

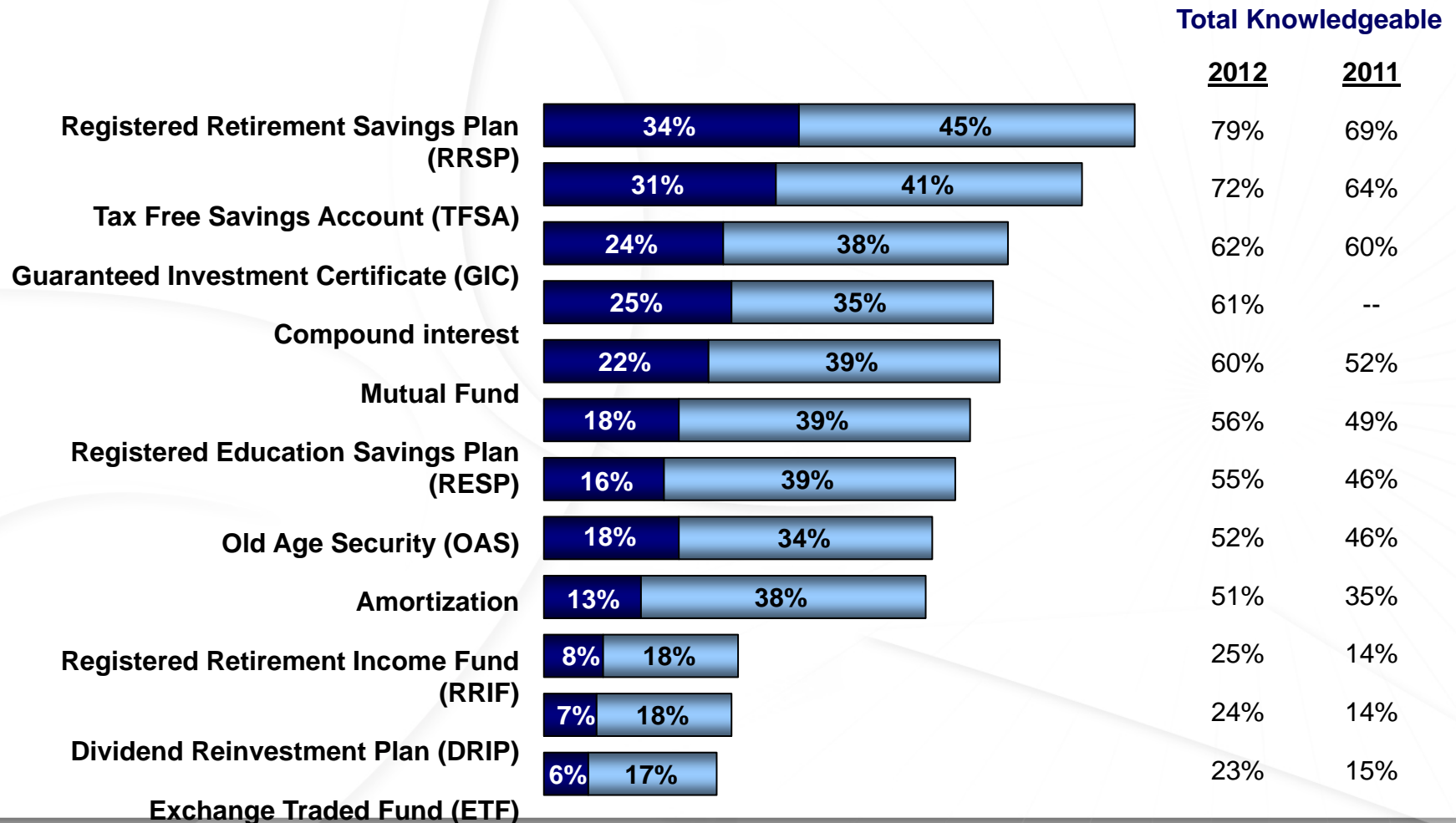


Q6. Since the financial downturn of 2008 would you say your knowledge of financial concepts has improved, stayed the same, or worsened?

[BASE: All respondents; n = 1000]

# Canadians Believe They Are Most Knowledgeable About RRSP and TFSA, Less So About RDSP, ETF, DRIP

- Canadians feel they are more knowledgeable about all financial terms tested, compared to last year, most notably for retirement-related investments, such as RRIFs (+16), RRSPs (+10), and Old Age Security (+9).



Q1. Please indicate your level of knowledge for each of the following financial products/programs/terms  
 [BASE: All respondents; n = 1000]

# Knowledge of Terms, by Region: *Ontarians Tend to Consider Themselves Most Knowledgeable of Terms*

	Canada	Region					
		ATL	QC	ON	MB/SK	AB	BC
Registered Retirement Savings Plan (RRSP)	79%	63%	74%	86%	79%	83%	79%
Tax Free Savings Account (TFSA)	72%	64%	61%	79%	75%	78%	72%
Guaranteed Investment Certificate (GIC)	62%	48%	56%	70%	59%	67%	56%
Compound interest	61%	48%	46%	71%	59%	66%	61%
Mutual Fund	60%	50%	43%	70%	65%	71%	60%
Registered Education Savings Plan (RESP)	56%	48%	47%	61%	63%	64%	58%
Old Age Security (OAS)	55%	59%	46%	61%	52%	54%	53%
Amortization	52%	35%	39%	62%	48%	55%	53%
Registered Retirement Income Fund (RRIF)	51%	46%	42%	61%	45%	52%	45%
Dividend Reinvestment Plan (DRIP)	25%	21%	22%	31%	15%	26%	23%
Exchange Traded Fund (ETF)	24%	23%	22%	30%	19%	25%	17%
Registered Disability Savings Plan (RDSP)	23%	28%	23%	26%	22%	21%	16%

Any regions 10 percentage points above average shaded green, those 10 percentage points below average shaded red

# Knowledge of Terms, by Gender and Age: Men, Older Canadians Consider Themselves More Knowledgeable of Most Terms

	Canada	Age					Gender	
		18-29	30-39	40-49	50-64	65+	Men	Women
Registered Retirement Savings Plan (RRSP)	79%	69%	77%	78%	82%	95%	82%	77%
Tax Free Savings Account (TFSA)	72%	75%	71%	63%	69%	91%	74%	71%
Guaranteed Investment Certificate (GIC)	62%	54%	58%	59%	64%	82%	67%	58%
Compound interest	61%	60%	55%	57%	64%	69%	69%	53%
Mutual Fund	60%	58%	61%	62%	62%	57%	68%	53%
Registered Education Savings Plan (RESP)	56%	65%	60%	61%	51%	45%	57%	56%
Old Age Security (OAS)	55%	47%	39%	45%	61%	92%	57%	53%
Amortization	52%	50%	45%	50%	53%	62%	57%	46%
Registered Retirement Income Fund (RRIF)	51%	44%	38%	41%	55%	87%	55%	47%
Dividend Reinvestment Plan (DRIP)	25%	31%	24%	28%	21%	25%	31%	20%
Exchange Traded Fund (ETF)	24%	38%	28%	24%	16%	20%	32%	18%
Registered Disability Savings Plan (RDSP)	23%	39%	23%	21%	17%	22%	28%	19%

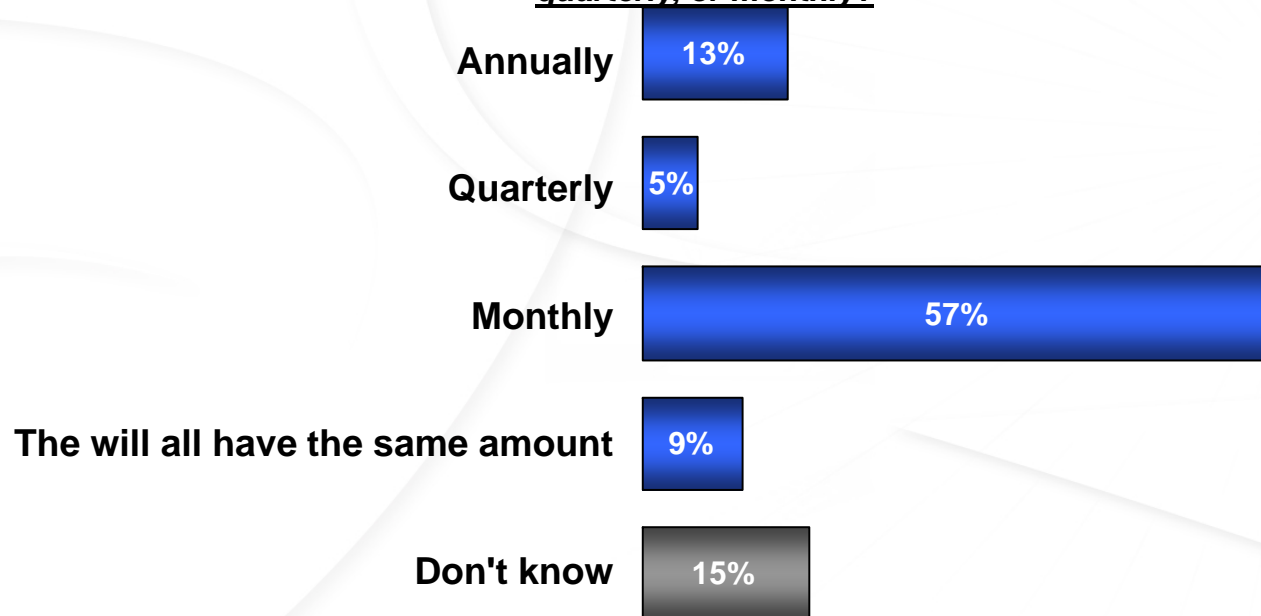
Any groups 10 percentage points above average shaded green, those 10 percentage points below average shaded red

# Financial Literacy Quiz

# Just Over Half (57%) Correctly Answer Compound Interest Question

- Just over half (57%) of Canadians correctly answer a basic multiple choice question on compound interest.
- Men are more likely than women to answer correctly (61% vs. 54%), with the success rate increasing from 41% among those under 30, up to 70% among those 65 and over.
- Three-in-ten (31%) who claim to be knowledgeable about compound interest answered the question incorrectly, as do one-in-three (33%) who give themselves an “A” for their level of financial knowledge.

***If you invest \$1,000 in a savings account, will you have more money after one year if interest on the account is compounded annually, quarterly, or monthly?***

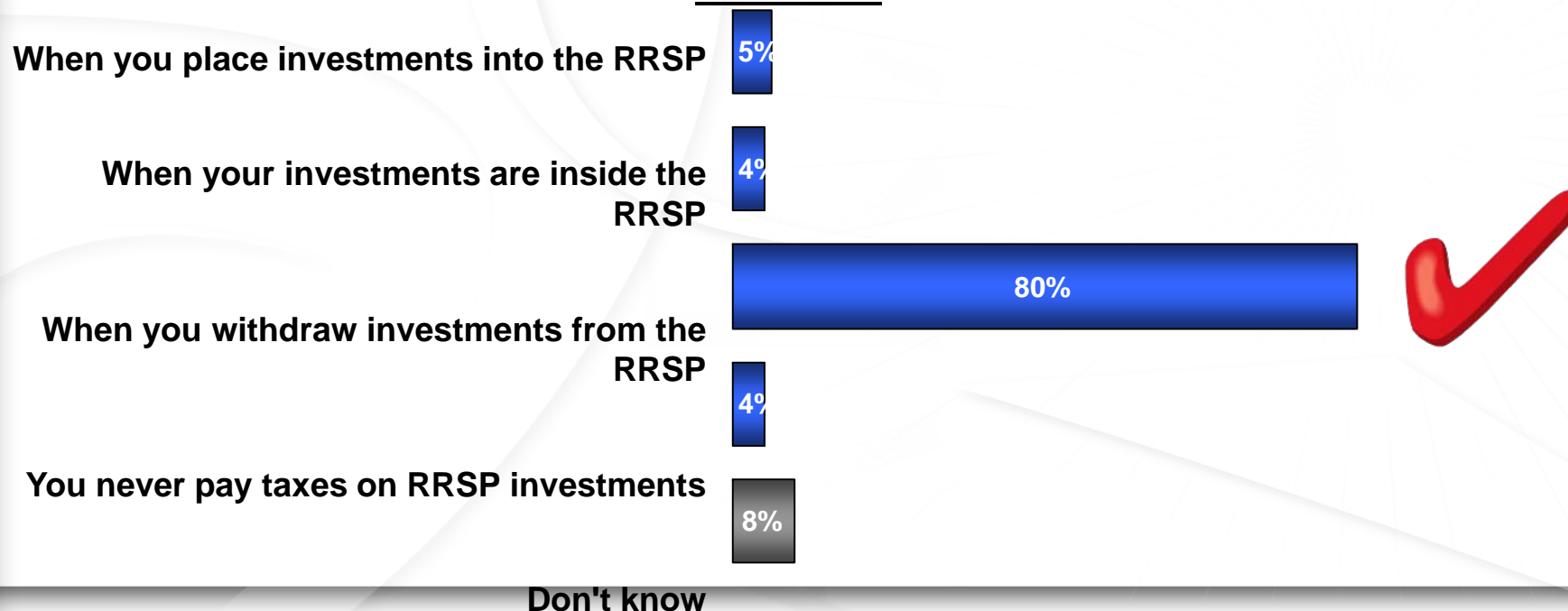


Q2. If you invest \$1,000 in a savings account, will you have more money after one year if interest on the account is compounded annually, quarterly, or monthly?  
[BASE: All respondents; n = 1000]

# Eight-in-Ten (80%) Correctly Answer RRSP Question

- Eight-in-ten (80%) Canadians know that you only pay taxes on RRSP investments when they are withdrawn from the account.
- Women are more likely than men to answer correctly (83% vs. 76%), with the success rate increasing from 51% among those under 30, up to 95% among those 65 and over.
- One-in-five (20%) who give themselves an “A” for the level of financial knowledge answer the question incorrectly, as do 15% who say they are knowledgeable about RRSPs.

## Generally speaking, when do you have to pay taxes on your RRSP investments?

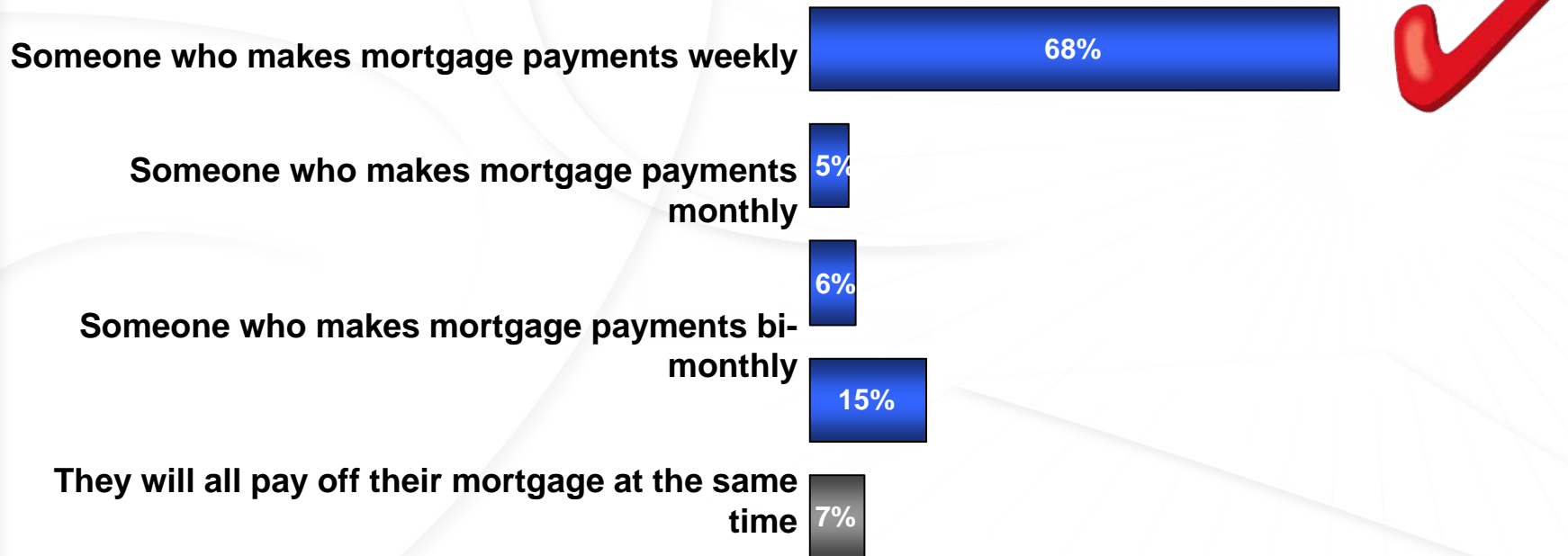


Q3. Generally speaking, when do you have to pay taxes on your RRSP investments?  
[BASE: All respondents; n = 1000]

# Two-in-Three (68%) Correctly Answer Mortgage Question

- Two-in-three (68%) Canadians recognize someone who pays their mortgage payments weekly will pay down their mortgage before someone who makes monthly or bi-monthly payments.
- Women and men are equally likely to answer correctly (67% vs. 69%), with the success rate increasing from 48% among those under 30, up to 82% among those 65 and over.
- One-in-five (21%) who give themselves an “A” for the level of financial knowledge answer the question incorrectly, as do 22% who say they are knowledgeable about amortization.

## Who will pay off their mortgage payment first?



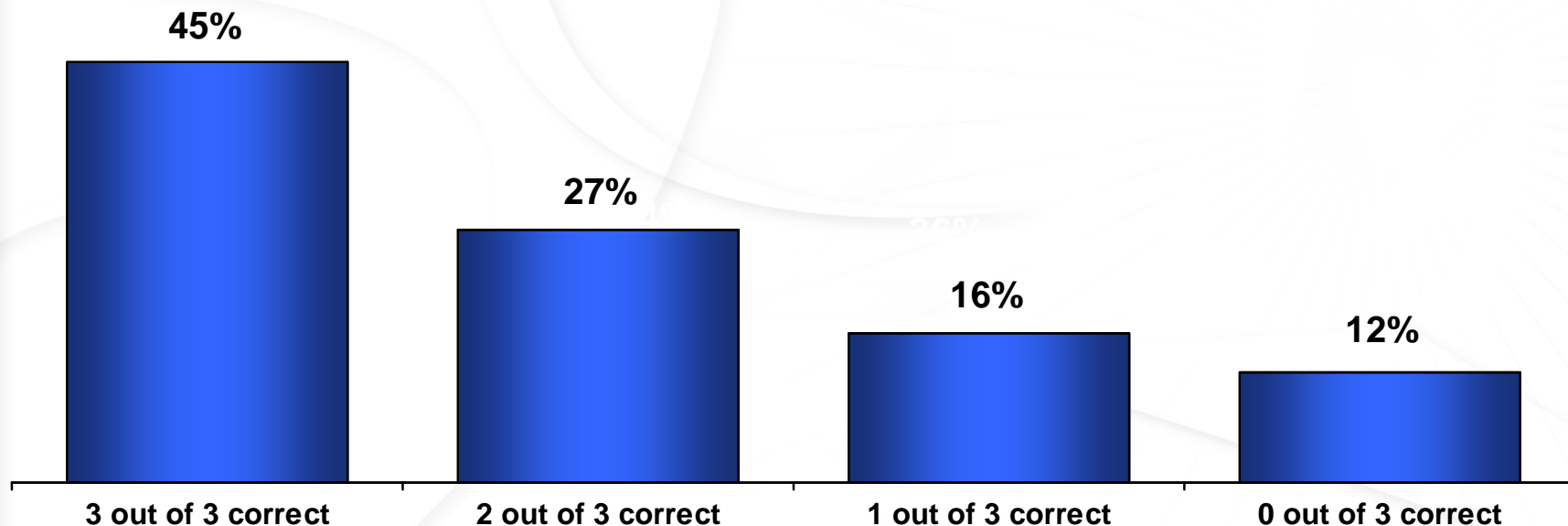
Q4. Who will pay off their mortgage payment first?  
[BASE: All respondents; n = 1000]

Don't know



# Financial Quiz Summary: *Under Half (45%) Answer All Three Questions Correctly*

- Canadians answer an average of 2.1 out of the 3 basic financial literacy questions correct.
  - Albertans and Ontarians post the highest mean score (2.2), with Atlantic Canadians and Quebecers scoring lowest (1.9).
- Men (2.1) and women (2.0) answer a similar number of questions correctly, with scores increasing steadily with age, from 1.4 among those under 30 to 2.5 among those 65 and over. Indeed, over half (54%) of those under 30 post a failing grade, answering no more than 1 out of the 3 questions correct.
- Six-of-ten (59%) who give themselves an “A” for financial literacy answer all three questions correctly, but one-in-four (24%) post a failing grade.



# Financial Literacy Quiz - Summary: *Canadians 65 and Older Perform Significantly Better Than Those Under 30*

	Canada	Region					
		ATL	QC	ON	MB/SK	AB	BC
Answer compound interest question correct (Q2)	57%	54%	47%	63%	60%	62%	59%
Answer RRSP question correct (Q3)	80%	72%	76%	80%	87%	83%	83%
Answer mortgage question correct (Q4)	68%	62%	66%	72%	59%	71%	65%
Answer all 3 correct	45%	39%	38%	51%	45%	47%	42%
Mean score	2.1	1.9	1.9	2.2	2.1	2.2	2.1

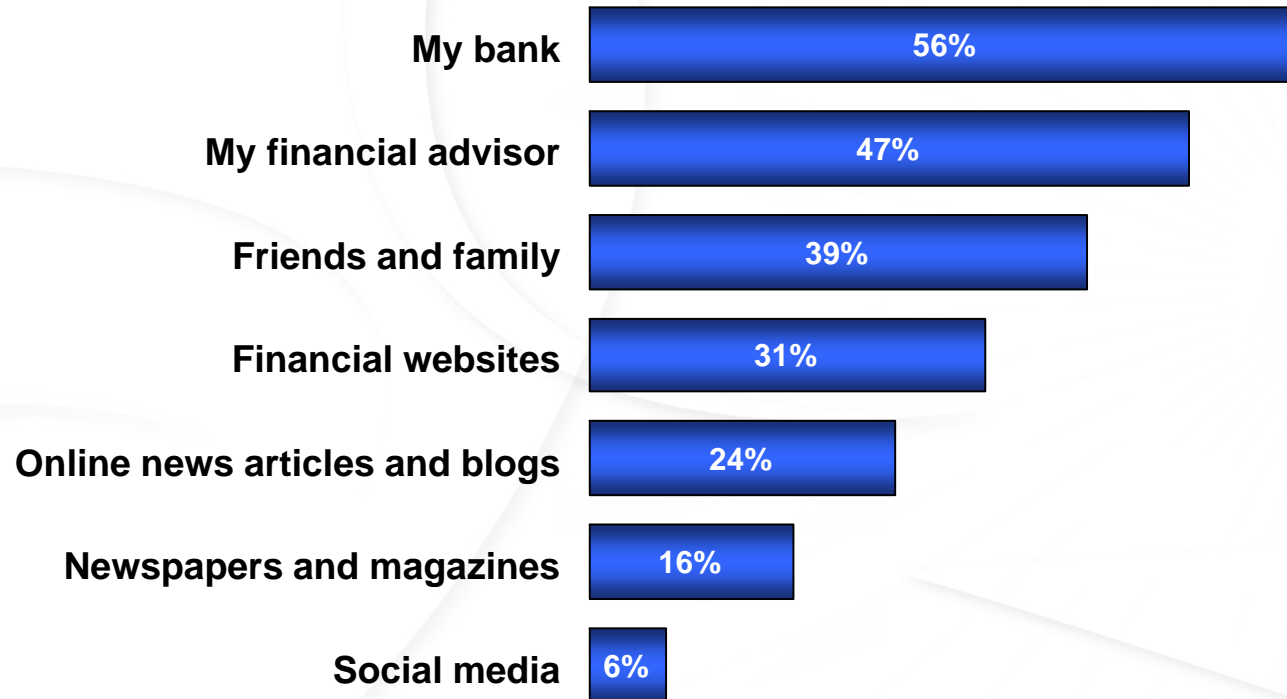
	Canada	Age					Gender	
		18-29	30-39	40-49	50-64	65+	Men	Women
Answer compound interest question correct (Q2)	57%	41%	56%	62%	61%	70%	61%	54%
Answer RRSP question correct (Q3)	80%	51%	77%	84%	89%	95%	76%	83%
Answer mortgage question correct (Q4)	68%	48%	64%	72%	74%	82%	69%	67%
Answer all 3 correct	45%	24%	38%	50%	51%	64%	47%	43%
Mean score	2.1	1.4	2.0	2.2	2.2	2.5	2.1	2.0

Any groups 10 percentage points above average shaded green, those 10 percentage points below average shaded red

# Sources of Advice

# Canadians Most Likely to Turn to their Bank or Financial Advisor for Financial Questions

- Canadians are more likely to turn to their bank (56%), financial advisor (47%), or friends and family (39%) with financial questions than they are to turn to media sources such as financial websites (31%), online news articles and blogs (24%), newspapers and magazines (16%), or social media (6%).
- Older Canadians are more likely to turn to their financial advisor, while younger Canadians look to their bank, friends and family, and online.



Q8. Where do you go to look for advice when you have questions about financial concepts, programs, or terms? Check all that apply.

[BASE: All respondents; n = 1000]

# Sources of Financial Advice - Summary: *Older Canadians More Reliant on Their Financial Advisors*

	Canada	Region					
		ATL	QC	ON	MB/SK	AB	BC
<b>My bank</b>	56%	62%	54%	52%	59%	64%	61%
<b>My Financial Advisor</b>	47%	31%	46%	53%	48%	46%	45%
<b>Friends and family</b>	39%	44%	26%	41%	50%	47%	45%
<b>Financial websites</b>	31%	30%	24%	35%	29%	41%	31%
<b>Online news articles and blogs</b>	24%	30%	8%	31%	24%	33%	25%
<b>Newspaper and magazines</b>	16%	14%	12%	17%	22%	20%	17%
<b>Social media</b>	6%	7%	4%	8%	2%	4%	6%

	Canada	Age					Gender	
		18-29	30-39	40-49	50-64	65+	Men	Women
<b>My bank</b>	56%	63%	62%	54%	55%	44%	57%	56%
<b>My Financial Advisor</b>	47%	38%	40%	46%	52%	64%	47%	48%
<b>Friends and family</b>	39%	61%	51%	38%	30%	14%	35%	43%
<b>Financial websites</b>	31%	39%	39%	37%	26%	13%	31%	32%
<b>Online news articles and blogs</b>	24%	30%	34%	26%	18%	13%	23%	25%
<b>Newspaper and magazines</b>	16%	18%	17%	19%	11%	21%	16%	16%
<b>Social media</b>	6%	15%	8%	6%	2%	<1%	7%	5%

Any groups 10 percentage points above average shaded green, those 10 percentage points below average shaded red

*For questions or additional information, please contact:*

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