AMF INDEX OF FINANCIAL AWARENESS IN QUÉBEC

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THE 2012 AMF INDEX SURVEY

- Conducted by CROP, via web panels

- Data collected between April 18 and May 11, 2012

- 1,500 respondents (responsible for financial management)

- Based on the respondent's experience with the financial products or services in question

- Developed in conjunction with the "consumer financial awareness" issue in the 2012-2017 Strategic Plan

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THE 2012 AMF INDEX SURVEY

• The questionnaire includes three sections:

→ **The AMF Index**, made up of 40 questions

→ **A quiz**, based on financial knowledge (FINRA)

→ **Blocks of questions**, based on Quebeckers' interest in financial education

THE AMF INDEX

- 40 questions making up the Global Index

- 10 thematic subindexes

- Screening questions about the products a person owns, reflecting their "financial experience"

- Answers measuring the relevance or usefulness of knowledgeable behaviour as well as the adoption of such behaviour

THE AMF INDEX AND SUBINDEXES

1. Personal finance (budget and 3-month cushion)

2. Credit management (debt and credit card payments)

3. Interest and indebtedness (provide for increases and negotiation of rates)

4. Investments (investor profile, anticipated return, risk, reading of documentation, diversification, tax issues)

5. Representative (consult more than one, verification with regulatory agency, how the representative is paid, fees charged, etc.)

THE AMF INDEX AND SUBINDEXES

6. Life insurance (evaluating needs, comparing plans, reading documentation, difference in premiums)

7. Automobile insurance (reading documentation, comparing plans)

8. Home insurance (necessary, evaluating needs, comparing plans)

9. Fraud prevention (information via e-mail or social media, fraud indicators, reporting)

10. Retirement planning (inflation, life expectancy, tax applied to sums used during retirement, evaluation of needs)

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WHAT THE AMF INDEX MEASURES

- The AMF Index percentage shows how Quebeckers scored for a set of 40 questions for which they were eligible (based on experience) to answer

- The success rate refers to the fact that the respondent recognizes the usefulness or relevance of a certain behaviour and regularly adopts it

- To what extent Quebeckers recognize the relevance or usefulness of a set of knowledgeable behaviours out of basic behaviours

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SAMPLE QUESTION AND CHOICE OF ANSWERS

Before doing business with an advisor to make an investment, do you think it is advisable to ensure with a regulatory agency whether this person is authorized to sell you the financial product ?

- Yes, and I do so (considered the correct answer in the Index)

- Yes, but I don't do so (usually)

- No, because I don't think it is necessary

- I have never asked myself that question

THE AMF INDEX RESULTS

58.5%
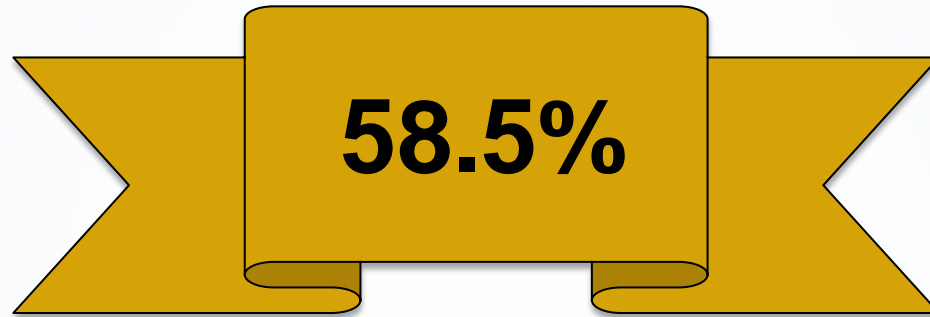
The AMF Index shows that, on average, Quebeckers scored 58.5% on all questions for which they were eligible to answer

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THE AMF INDEX, STRONG POINTS

- Home insurance: **(74.6%)**

- Automobile insurance: **(70.6%)**

- Life insurance: **(66.3%)**

- Investments: **(65.5%)**

- Fraud prevention: **(64.0%)**

THE AMF INDEX, WEAK POINTS

- Relationship with a representative: **(42.3%)**

- Management of personal finances: **(45.2%)**

- Retirement planning: **(48.7%)**

THE FOLLOWING HAVE A HIGHER INDEX:

- The most affluent households, $100,000 or more: **(65.5%)**

- Retirees: **(64.5%)**

- Age 55 or over: **(64.3%)**

- People who hold investment products: **(63.0%)**

- Homeowners: **(62.6%)**

- Individuals who have a relationship
  with a representative: **(61.3%)**

- Active population: **(61.0%)**

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THE FOLLOWING HAVE A HIGHER INDEX (cont.)

- Individuals with a good level of theoretical knowledge **(63.9%)**
- Individuals who find the management of personal finances easy **(61.6%)**
- Individuals interested in learning about finance **(61.6%)**
- Individuals who have a relationship with a representative **(61.3%)**

THE FOLLOWING HAVE A LOWER INDEX

- People who don't have a relationship
with a representative **(49.5%)**

- Students **(50.0%)**

- People who rent their home **(51.7%)**

- 18-34 year-olds **(52.3%)**

- The least affluent households, $40,000 or less **(54.1%)**

REPRESENTATIVES: A PARADOX

The "relationship with a representative" subindex is the weakest link in the AMF Index. It is the topic about which Quebeckers seem to be the least aware.

Paradoxically, the fact that a person has a relationship with a representative considerably increases the AMF Index average.

Quebeckers who have a relationship with a representative have an average AMF Index of 61.3% compared with 49.5% for those who do not.

AGE AND FAMILY INCOME HAVE AN IMPACT

Although the survey was designed according to the principle of experience with financial products and services, young people (18-34 year-olds) have noticeable weaknesses for most of the subindexes.

Also, the higher the gross family income, the higher the AMF Index tends to be.

MEN v. WOMEN

Men and women can be distinguished in at least two ways:

Women have a higher "investment" subindex than men, whereas they have a lower result for the "relationship with a representative" subindex.

A THREE-PRONGED TYPOLOGY

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A factor analysis allowed us to group Quebeckers into three broad categories, or typical profiles, of consumers of financial products and services:

KNOWLEDGEABLE CONSUMERS	AMBIVALENT CONSUMERS	INDIFFERENT CONSUMERS
• They responded in the greatest proportion **"Yes, and I do so"** or **"Yes, and I consider it"**	• They responded in the greatest proportion **"Yes, but I don't do so (usually)"**	• They responded in the greatest proportion "**No, because I don't think it is necessary**" and "**I have never asked myself that question**"

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KNOWLEDGEABLE CONSUMERS

- They have extensive behavioural knowledge and tend to put it into practice.

- They represent half (50%) of Québec's population.

- They have an average AMF Index of 73.6%.

- They excel in "investments" and "insurance" but perform less well in "personal finance" (59%) and "relationship with a representative" (55.5%).

- They are "average" in terms of fraud prevention.

- They are primarily aged 55 or over, retirees, anglophone, with a university education, high-income earners and homeowners.

AMBIVALENT CONSUMERS

- They have good behavioural knowledge but they tend not to apply it. They represent approximately one third (30%) of Quebeckers.

- They have an average AMF Index of 44.1%.

- Their weaknesses are primarily in personal finance, relationship with a representative and retirement planning.

- They tend to manage their finances themselves, ask their family and friends for financial information, live in Montréal and are single, tenants and under age 55.

INDIFFERENT CONSUMERS

- They have relatively little financial knowledge and do not adopt the behaviours of knowledgeable consumers. They represent 20% of Quebeckers.

- They have an average AMF Index of 40.1%.

- Their weaknesses are primarily in retirement planning, relationship with a representative, investments and personal finance.

- They are mainly in the 18-24 and 75 or older age range, earn a low income and have a low level of education.

KNOWLEDGEABLE V. AMBIVALENT

- A proportionately higher number of **knowledgeable consumers** manage their finances **as a couple** and turn to their **representative/institution** for information.

- A proportionately higher number of **ambivalent consumers** manage their personal finances **themselves** (even if they are part of a couple) and ask their **friends and family** for information.

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EQUAL SCORES FOR FRAUD

- Whether a consumer is **knowledgeable**, **ambivalent** or **indifferent** doesn't seem to influence vulnerability to financial fraud.

- "Fraud prevention" subindex:

  Knowledgeable: **65.5%**
  Ambivalent: **62.8%**
  Indifferent: **62.3%**

SOME THOUGHTS ABOUT COMMUNICATION STRATEGIES

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- 3 separate segments call for tailor-made approaches.

- Knowledgeable consumers are the least worrisome segment.

- Indifferent consumers are an almost unreachable segment and are less at risk since they are less "financially active."

- However, 18-24 year-olds are strongly represented. The Tesaffaires.com campaign is an educational initiative specifically designed for this subsegment.

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SOME THOUGHTS ABOUT COMMUNICATION STRATEGIES (cont.)

- Ambivalent consumers are **the** most promising segment in terms of increasing the AMF Index.

- They are already aware about knowledgeable behaviours, but they just need to start adopting them.

- Two paths could be explored:

  - Emphasize the consequences of not adopting knowledgeable behaviours;

  - Emphasize the advantages of adopting knowledgeable behaviours.

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SOME THOUGHTS ABOUT COMMUNICATION STRATEGIES (cont.)

- Two themes stand out as being "universal" and always appropriate:

  - The relationship with a representative

  - Fraud prevention

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THANK YOU