

**2nd Edition
2014**



**AUTORITÉ
DES MARCHÉS
FINANCIERS**

AMF INDEX OF FINANCIAL AWARENESS IN QUÉBEC

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ABOUT THE AMF QUÉBEC

- The Autorité des marchés financiers (AMF Québec) is the body mandated by the government of Québec to regulate the province's financial markets and provide assistance to consumers of financial products and services
- Being an integrated regulator of the Québec financial sector, notably in the areas of insurance, securities and deposit institutions (other than Canadian chartered banks), the AMF has a 360 degrees Financial Education approach

ASSISTANCE TO CONSUMERS AT THE AMF QUÉBEC

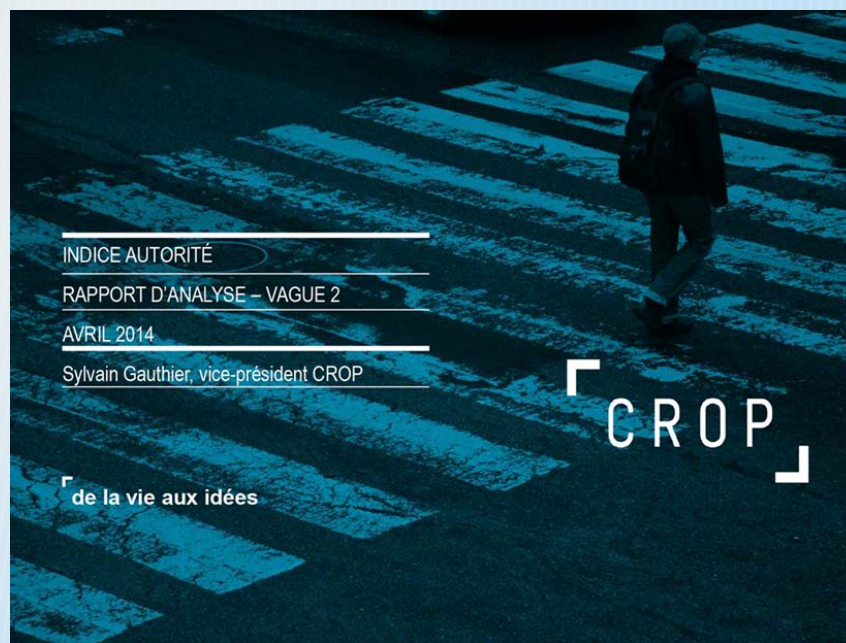
Assistance to consumers takes many shapes and forms:

- Financial Education
- An Information Center
- A Complaints Department
- A Compensation Fund

FINANCIAL EDUCATION AT THE AMF QUÉBEC

- The AMF Québec Financial Education Department has a team of 4 professionals, including an actuary and economist
- The Financial Education Team is part of the Communications Department
- The AMF Québec *Education and Good Governance Fund* supports projects focusing on investor protection and education, the promotion of good governance and the advancement of knowledge in all areas associated with the AMF's mission. Since its inception in 2004, the EGGF has allocated over \$25 million to 156 projects. It is mainly financed from fines and penalties

The AMF-Q Financial Awareness Index 2014



THE 2014 AMF-Q FINANCIAL AWARENESS INDEX

- Developed by the Financial Education Department in conjunction with the “consumer financial awareness” issue in the AMF-Q 2012-2017 Strategic Plan
- Conducted by CROP Research, via web panels
- Data collected between February 11 – 18, 2014
- 1,500 respondents (responsible for financial management)
- Based on the respondent’s experience with the financial products or services in question

THE AMF-Q FINANCIAL AWARENESS INDEX

- The questionnaire includes three sections:



The AMF Quebec Financial awareness Index,
made up of 40 questions



A quiz, based on financial knowledge
(FINRA Financial capability Quiz)



Blocks of questions, based on Quebecers'
interest in financial education

THE AMF-Q FINANCIAL AWARENESS INDEX

- 40 questions making up the Global Index
- These 40 questions refer to an “ideal set” of financial behaviors corresponding to our main messages to consumers
- Answers measuring the relevance or usefulness of financial behavior as well as the adoption of such behavior
- 10 thematic sub indexes
- Screening questions about the products a person owns, reflecting their “financial experience”



THE AMF-Q FINANCIAL AWARENESS INDEX AND ITS 10 THEMATIC SUB INDEXES

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 documentation, diversification, tax issues)
5. Financial advisor (consult more than one, checking with a regulatory agency, how the representative is paid, fees charged, etc.)

THE AMF-Q FINANCIAL AWARENESS INDEX AND ITS 10 THEMATIC SUB INDEXES

6. Life insurance (needs assessment, comparing plans, reading documentation, difference in premiums)
7. Automobile insurance (reading documentation, comparing plans)
8. Home insurance (necessary, needs assessment, 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, needs assessment)

WHAT THE AMF-Q INDEX MEASURES

- The AMF Financial Awareness Index percentage shows how Quebecers 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 behavior and regularly adopts it**
- To what extent Quebecers recognize the relevance or usefulness of a set of knowledgeable behaviors out of basic behaviors

SAMPLE QUESTION AND CHOICE OF ANSWERS (1/2)

Before doing business with an advisor to invest, do you think it is advisable to check 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

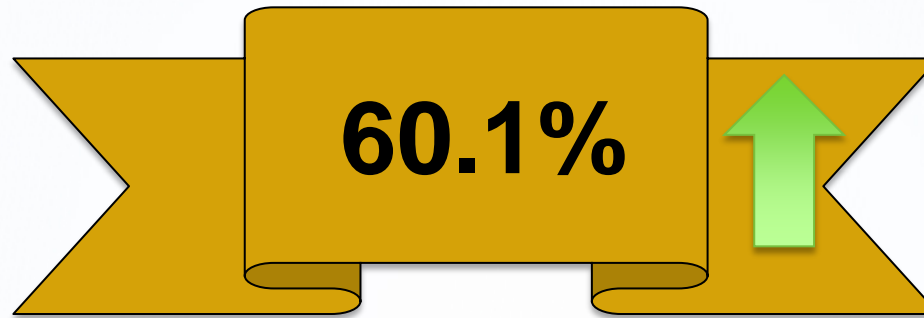
SAMPLE QUESTION AND CHOICE OF ANSWERS 2/2

Regarding financial planning for your retirement, do you think it's necessary to consider the following aspect? Your life expectancy and the possibility of living longer than average :

- Yes, and I consider it (**correct answer in the Index**)
- Yes, but I don't consider it (usually)
- No, I don't think it's necessary
- I have never asked myself that question

Main results : 2014


THE AMF-Q FINANCIAL AWARENESS INDEX RESULTS :



The 2014 AMF-Q Financial Awareness Index shows that, on average, Quebeckers scored 60.1% on all questions for which they were eligible to answer.

This is a significant improvement from 2012 (58.5 %)

THE AMF-Q INDEX, STRONG POINTS

- Home insurance: **(74.4%)**
- Automobile insurance: **(73.1%)**
- Credit Management : **(68.7%)** 
- Life insurance: **(68.4%)**
- Investments: **(67.8%)**
- Fraud prevention: **(63.1%)**



THE AMF-Q INDEX, WEAK POINTS

- Relationship with a financial advisor: **(40.6%)**
- Management of personal finances: **(52.4%)** ↑
- Retirement planning: **(52.5%)** ↑
- Interest and Indebtedness **(57.1%)**



THE FOLLOWING HAVE A HIGHER INDEX:

- Retirees: **(64.5%)**
- Age 55 or over: **(66.2%)**
- The most affluent households, \$100,000 or more: **(64.7%)**
- People who hold investment products: **(64.1%)**
- Homeowners: **(63.1%)**

THE FOLLOWING HAVE A HIGHER INDEX (cont.)

- Individuals with a good level of theoretical knowledge* **(63.5%)**
- Individuals who feel that managing their personal finances is easy **(62.9%)**
- Individuals who have a relationship with a financial advisor: **(62.0%)**

* Answered correctly to all three questions explored by Annamaria Lusardi et al.



THE FOLLOWING HAVE A LOWER INDEX

- Individuals who feel that managing their personal finances is difficult **(52.1%)**
- Individuals who don't have a relationship with a financial advisor **(52.9%)**
- 18-34 year-olds **(53.0%)**
- People who rent their home **(54.3%)**
- The least affluent households, \$40,000 or less **(55.2%)**



FINANCIAL ADVISOR : STILL THE SAME PARADOX

As in 2012, the “relationship with a financial advisor” sub index is the weakest link in the AMF-Q Index. It seems to be Quebecers’ “weak spot”

Ironically, 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



A THREE-PRONGED TYPOLOGY

A THREE-PRONGED TYPOLOGY

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

KNOWLEDGEABLE CONSUMERS

- They responded in the greatest proportion **“Yes, and I do so”** or **“Yes, and I consider it”**



AMBIVALENT CONSUMERS

- They responded in the greatest proportion **“Yes, but I don’t do so (usually)”**

INDIFFERENT CONSUMERS

- They responded in the greatest proportion **“No, because I don't think it is necessary”** and **“I have never asked myself that question”**


KNOWLEDGEABLE CONSUMERS

- They have extensive behavioural knowledge and tend to put it into practice.
- They now represent more than half (55%)  of Québec's population (50% in 2012).
- They have an average AMF-Q Index of 74.8%.
- They excel in “investments” and “insurance” but perform less in “relationship with a financial advisor” (51.5%) .
- They are “average” in terms of fraud prevention.
- They are primarily aged 55 or over, retirees, with a university education, high-income earners and homeowners.

AMBIVALENT CONSUMERS

- They have good behavioral knowledge but they tend not to apply it. They represent approximately one third (31%) of Quebeckers
- They have an average AMF-Q Index of 43.4%
- Their weaknesses are primarily in “relationship with a financial advisor”, “retirement planning”, “personal finance” and “investment”
- They scored less than knowledgeable and even indifferent consumers for sub index “fraud prevention”
- They tend to manage their finances themselves, ask their family and friends for financial information, are tenants and under age 45

INDIFFERENT CONSUMERS

- They have relatively little financial knowledge and do not adopt the behaviors of knowledgeable consumers. They represent 14%  of Quebecers (2012 : 20%)
- They have an average AMF Index of 37.9%
- Their weaknesses are primarily in “retirement planning”, “relationship with a financial advisor”, “investments” and “interest and indebtedness”
- They are mainly women, tenants, earn a low income and have a low level of education

KNOWLEDGEABLE V. AMBIVALENT

- A proportionately higher number of **knowledgeable consumers** turn to **their financial advisor/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



If we summarize...



What is up in 2014 compared to 2012

- The global AMF-Q Financial Awareness Index increases slightly but significantly from 58.5% to 60.1%
- “Retirement planning” increased significantly
- “Credit management” increased significantly
- “Personal finance” increased significantly

NO SUB INDEX DECREASED SIGNIFICANTLY



What is up and down in 2014 compared to 2012

- The proportion of **KNOWLEDGEABLE** consumers is now at 55% compared to 50% in 2012 
- The proportion of **INDIFFERENT** consumers is now at 14% compared to 20% in 2012 



Quite the same challenges for years to come

- Individuals in relationship with a financial advisor scored much higher than those who aren't... But still too many don't know how to turn this relationship to their advantage. They don't know how to behave or work with their financial advisor
- Too many still don't know basic elements of retirement planning such as inflation, life expectancy, etc.
- Important progress could be done simply convincing people to adopt a “*questioner or inquiring attitude*”





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THANK YOU !

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