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Executive Summary

2017 CSA Investor Index

Prepared for:



**Canadian Securities
Administrators**

**Autorités canadiennes
en valeurs mobilières**

2017 CSA Investor Index

These materials are intended for use as general information to understand investor behaviour and the estimated incidence of investment fraud in Canada. They are not intended to provide specific investment, tax, legal, or accounting advice and should not be relied on for that purpose.

The conclusions drawn and opinions stated are those of the authors. Research for this study was conducted in September 2017.

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This report has been prepared by Innovative Research Group Inc. for the Canadian Securities Administrators, Investor Education Committee.

About the 2017 CSA Investor Index

The *2017 CSA Investor Index Study* is the fifth survey on investment knowledge, investor behaviour, and incidence of investment fraud among Canadians conducted by the Canadian Securities Administrators (CSA). The previous four surveys were conducted in 2006, 2009, 2012 and 2016. The information and analysis from these surveys are intended to help the CSA Investor Education Committee develop and deliver programs to help investors make appropriate investment decisions and recognize, avoid, and report suspected fraudulent investments.

The CSA commissioned Innovative Research Group (INNOVATIVE) to design and conduct the *2017 CSA Investor Index*. The CSA's Investor Index survey is designed to track key benchmarks on investor knowledge, confidence, risk orientation, behaviours, use of information, and investment fraud. The full index has been conducted previously in 2006, 2009, and 2012; along with a shorter version of the survey in 2016. Each investor index has also included special topics sections focusing on emerging or important issues for that year.

Special Topics

The 2017 survey includes new questions in the following areas:

- **The impact of CRM2 on investors:** With new disclosure requirements on costs and performance recently coming into effect, the study takes a closer look at whether investors recall receiving a CRM2 report, their perceptions of the report and whether they have taken any action in light of it.
- **Robo-advisers:** With the increasing popularity of robo-advisers, this study explores investors' familiarity with robo-advisers, their prevalence, and the perceptions surrounding these services.

Methodology

The *2017 CSA Investor Index* was conducted by Innovative Research Group Inc. (INNOVATIVE) using a mixed methodology that combined a random digit dialing telephone survey with an in-depth online survey.

The online survey consisted of a representative sample of 7,271 Canadians, 18 years or older, and was conducted between August 28th and October 2nd, 2017 in both French and English. The online sample was recruited from a wide variety of sources to reflect the age, gender, region and language characteristics of the country as a whole. The online sample has been weighted by age, gender, and province using 2016 Statistics Canada Census data to reflect the actual demographic composition of the population. To ensure a proportionate representation of Canadians, while not over-estimating the reliability of the sample in any region of the country, the sample was weighted down to n=5,000.

In addition to weights derived from Statistics Canada Census data, the online sample was also weighted by the results of an August-September 2017 national telephone survey of 1,330 Canadians, 18 years of age or older. The telephone survey was used to verify distributions of the four primary investor segments in the online survey to ensure a balance of respondents from each group.

Province/Territory	Actual Sample	Weighted Sample
Newfoundland and Labrador	222	80
Prince Edward Island	228	22
Nova Scotia	234	142
New Brunswick	574	118
Quebec	1,519	1,213
Ontario	2,009	1,868
Manitoba	529	182
Saskatchewan	206	151
Alberta	1,019	556
British Columbia	710	653
Territories: Yukon, NWT, Nunavut	21	15
National	7,271	5,000

This is a representative sample. We have set targets to ensure we properly reflect key regional and demographic distributions and then used weights to ensure we reflect the country properly. However, since the online survey was not a random probability-based sample, a margin of error cannot be calculated. The Marketing Research and Intelligence Association prohibits statements about margins of sampling error or population estimates with regard to most online panels.

A full version of the report can be found at: [\[INSERT LINK HERE WHEN AVAILABLE\]](#)

Key Findings

Fewer Canadians are being approached with investment fraud and attitudes about fraud have improved, but victimization remains steady.

Year over year, fewer respondents report being approached with a fraudulent investment opportunity (18% down from 22% in 2016 and 27% in 2012). Moreover, more people believe they are as likely as anyone else to be the victims of fraud (61% up from 50% in 2009 and 2006). At the same time, fewer respondents think reporting fraud is more trouble than it is worth (18% agree, down from 24% in 2016 and 23% in 2012). While people see fewer approaches and more have recognized they are at risk, just as many are falling victim; the level of fraud victimization remains steady at 4%.

Optimism about the economy and personal economic futures is on the rise.

More than half of investors are optimistic about meeting their investment targets over the next 12 months (53%), and even more are optimistic about achieving these goals in the next five years (59%). Optimism about the economy in general is up between 5-points (inflation) and 14 points (performance of the stock market) over 2012 levels. Optimism is higher among men, younger respondents, those with more investment knowledge, and Frequent Investors.

Use of social media for investing information is up.

There has been an 8-point increase, from 35% in 2012 to 43% in 2017, in the number who say they've used some form of social media for investing information. The most prominent increases are in the portion saying they've used Facebook (22% up from 16%) and YouTube (20% up from 14%).

Few use robo-advisers because investors are unfamiliar with them and are largely happy with their current adviser. However, there is significant potential for future growth.

Among all respondents, just 16% say they are familiar with robo-advisers. One-in-ten investors currently use a robo-adviser, but only 3% have their primary account with one. Those who don't use robo advisers say they are unfamiliar with the service (26%) or don't use one because they are happy with their adviser relationship and have not considered alternatives (21%). Far fewer say they don't use a robo-adviser because they prefer an in-person service (17%) or because they don't trust investing over the internet (15%). With 23% of Canadians saying they would be likely to use a robo-adviser if they were opening a new account, the use of robo-advisers has potential to grow.

Investment Fraud

Canadians are still being approached with fraudulent investment opportunities, but the number is decreasing.

- 18% say they think they've been approached with a fraudulent investment opportunity, down from 22% in 2016 and 27% in 2012.
- Young Canadians 18-24 (24%) are the most likely to say they have been approached with a fraudulent investment.
- Email remains was the most common way respondents were introduced to the fraudulent opportunity (44% in 2017, 45% in 2016 and 49% in 2012).



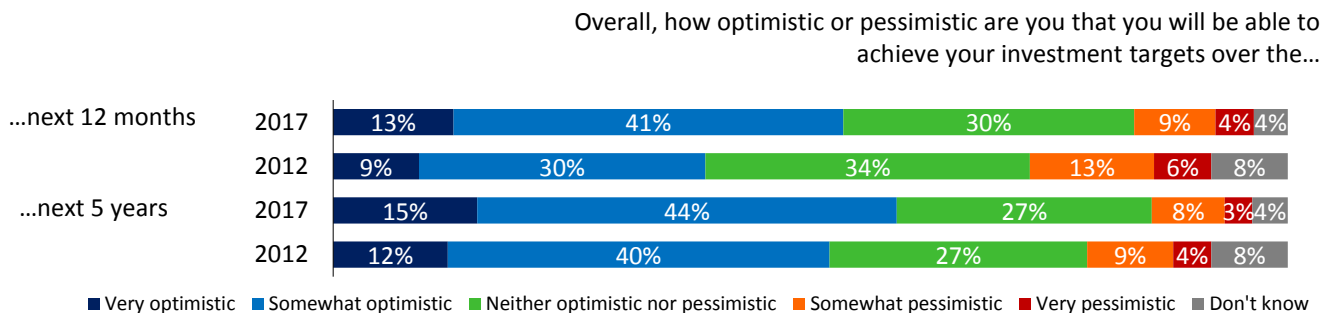
Despite this, the number of fraud victims remains steady at 4% and few Canadians recognize the warning signs of fraud.

- Just more than 1-in-3 (36%) could identify that an investment with higher than market rate of return and little to no risk is almost always fraudulent.
- The proportion of Canadians who have been a victim of investment fraud has remained steady at 4% (flat since 2006).

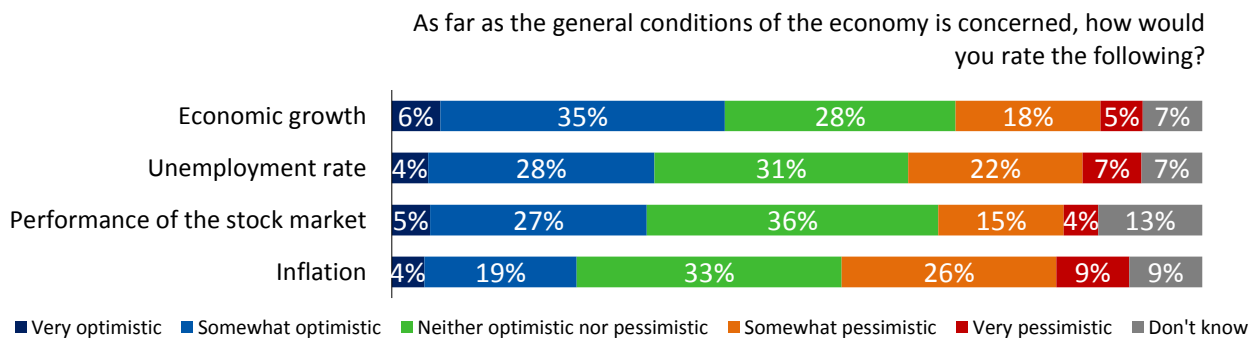
Optimism on Markets and Individual Economic Futures

Investors are optimistic about the Canadian economy and their own economic futures.

- More than half of investors are optimistic about achieving their investment targets over the next 12 months (53%), and even more are optimistic about achieving these goals in the next five years (59%). Levels of optimism are notably higher than they were just five years ago



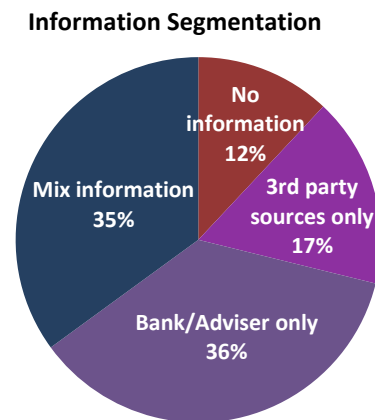
- 41% say they are optimistic about economic growth, and fewer than 1-in-4 (23%) say they are pessimistic. Among investors, this represents a notable increase in optimism over 2012.¹



Sources of Information

Financial advisers are the most common source of recent information.

- Just over half (51%) say they turned to a financial adviser when they last looked for information on investing.
- Other recent sources of information include a bank or financial institution’s website (38%, up from 26% in 2016), family and friends (28%), and the media (20%, down from 27% in 2016).
- A third of investors turned **only** to a financial adviser or bank when they last looked for investing information (36%), another third relied on a mix of information from 3rd parties and their adviser/bank (35%). A smaller group relied only on 3rd party information (17%).



The Role of Social Media

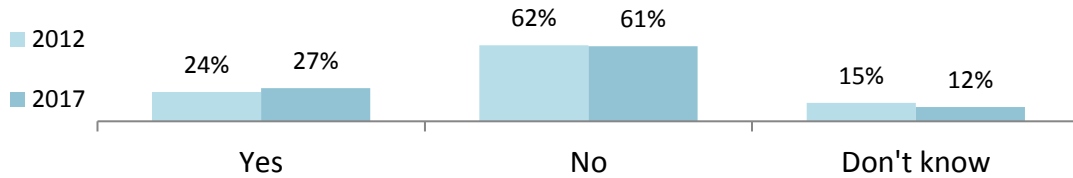
Use of social media is on the rise.

- More than four-in-ten (43%) say they use at least one social media service or website to find information on investing. This represents an eight-point increase over 2012.
- The most prominent increases are in the proportion who say they use Facebook (up from 16% in 2012 to 22% in 2017) and in the proportion using YouTube (up to 20% from 14% in 2012)
- The youngest age group, 18-24-year-olds, are the most likely to use social media to find information about investing (63%)

¹ In 2012 only investors were asked about market optimism

Investment opportunities on social media are steady.

- Overall, 27% say they have seen investment opportunities advertised on social media, up just slightly from 2012 (24%). Younger Canadians 18-24 (44%) and 25-34 (36%) are more likely to have seen these opportunities.



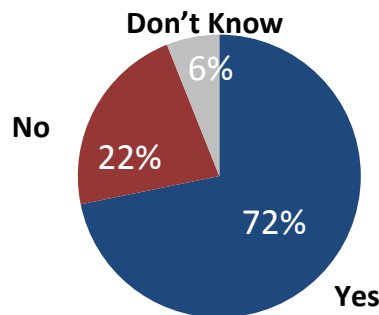
Receiving a CRM2 Statement

The objective of the Investor Index is to gather meaningful data to identify trends and knowledge gaps to be used by the CSA Investor Education Committee in the development and delivery of investor education programs to help investors make appropriate informed investment decisions, and recognize, avoid and report suspected fraudulent investments. For information about CSA’s research measuring the impacts of requirements introduced by Phase 2 of the Client Relationship Model (CRM2) and the Point of Sale (POS) amendments, refer to this news release about the [CSA’s multi-year research project](#).

72% report receiving an annual statement covering fees and performance.

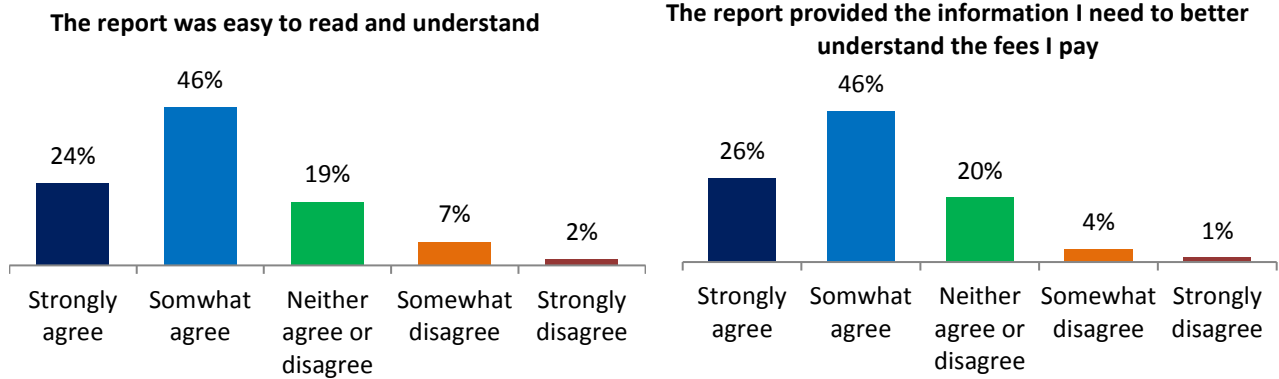
- Older respondents and those with a high level of investment knowledge were also more likely to say yes.
- Aided recall – specifying the CRM2 statement by name – was slightly lower. Nearly 6-in-10 (59%) stated they had received a CRM2 statement.

Since this past January, 2017, have you received an annual report from your adviser outlining the performance of your investments and the fees you paid in 2016?



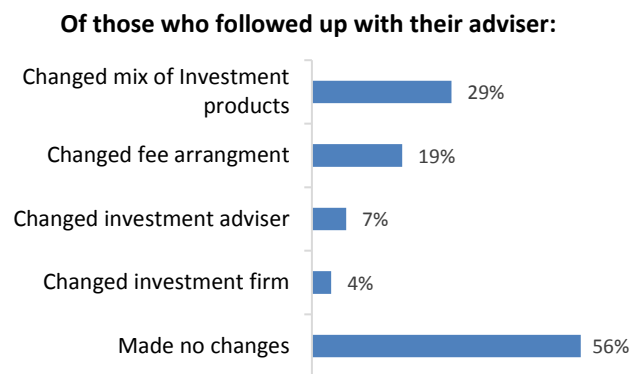
Those who recall receiving a CRM2 report, found it easy to understand (71% agree) and agree that the report helped them understand the fees they pay (72%).

- Agreement was high across the country, and even those with low levels of investment knowledge found the report easy to understand (66%) and say it helped them understand their fees (64%).



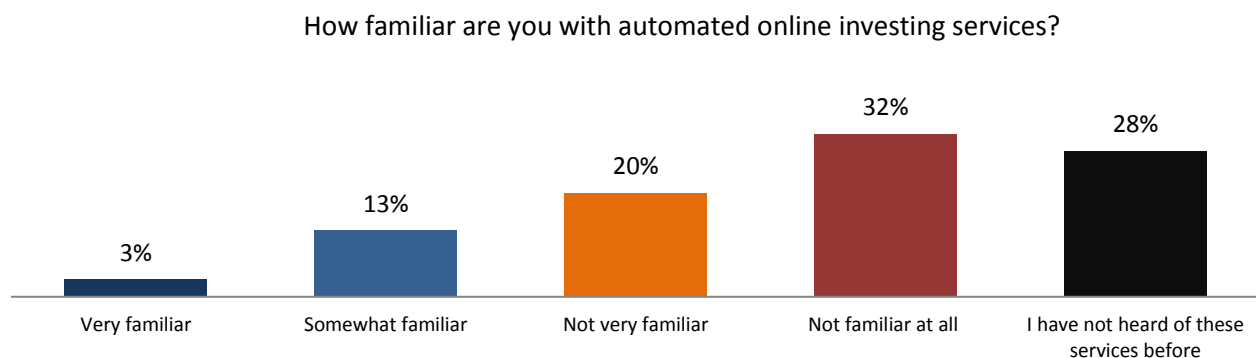
Most did not speak to their adviser after reviewing their report (63%), although more than one third (35%) did.

- A majority (56%) of those who spoke to their adviser made no changes to their account.
- Those with low knowledge were the most likely to talk to their adviser (42% compared to 30% of those with high knowledge). They were also more likely to make substantive changes.



Robo-Advisers: Use and Familiarity

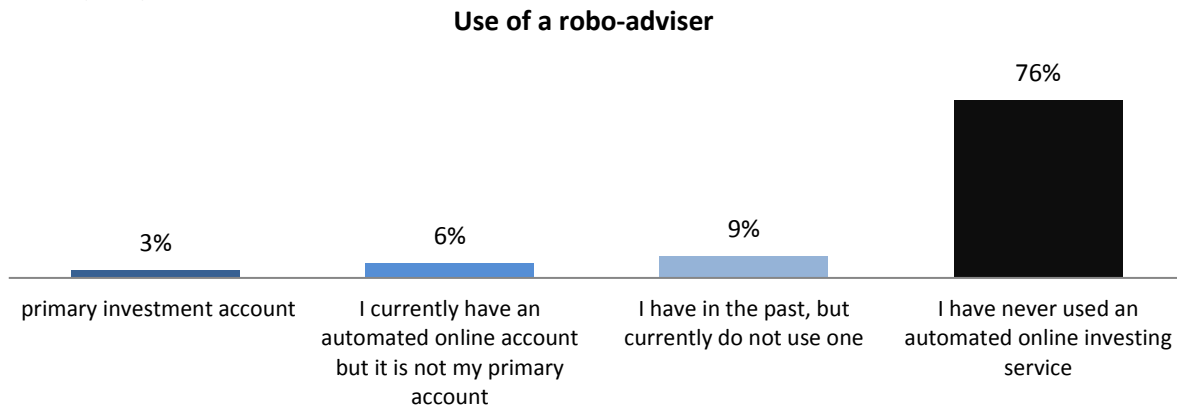
Familiarity with robo-advisers is low – just 1-in-6 (16%) say they are familiar with automated online investing services.



- Knowledge about robo-advisers is also low. A plurality say that they “**Don’t know**” when asked whether they agree or disagree that there are fewer rules for robo-advisers (44% Don’t Know) or whether robo-advisers charge lower fees (49% Don’t Know).

One-in-ten currently use a robo-advisor, another 9% have used one in the past.

- Just 3% have a robo-advisor as their primary account. Current use is most common among those under 35 (19%) and among Frequent Investors (17%). Convenience (44%) and lower fees (24%) are the most important reason for using a robo-advisor and most who use service are satisfied (60%).



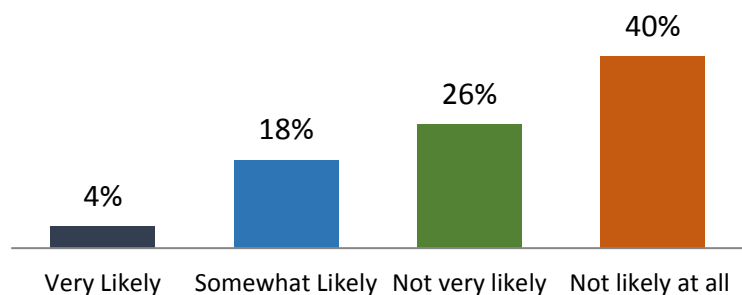
There does not appear to be a fundamental barrier to the adoption of robo-advisors, instead people are unfamiliar with them (26%) and are happy with their current arrangements (21%).

- Fewer than 1-in-5 said they do not use an online service because it is important for them to meet in person (17%) or that they do not trust investing through the internet (15%).

Use of robo-advisors has the potential to increase.

- With familiarity seeming to be the main barrier and most current customers satisfied with their robo-advisor service, use is likely to grow in the future.
- Nearly 1-in-4 (23%) say they are likely to use a robo-advisor if they were to open a new account. Although a strong plurality (40%) continue to say not likely at all.

If you were planning to open a new investment account - or to move an existing account - how likely would you be to use an automated online service for that account, rather than a traditional in-person adviser



About the Canadian Securities Administrators

The Canadian Securities Administrators (CSA), the council of securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets. The CSA protects Canadian investors from unfair, improper, or fraudulent practices and fosters fair and efficient capital markets. Part of this protection is educating investors about the risk, responsibilities and rewards of investing. Through its Investor Education Committee, the CSA works to facilitate access to objective investment information and to help retail investors make informed investment decisions.

To learn more about the CSA, visit www.securities-administrators.ca.

About Innovative Research Group

Innovative Research Group, Inc. (INNOVATIVE) is a national public opinion research and strategy firm with offices in Toronto and Vancouver. The firm provides critical information needed to assess and overcome public affairs and corporate communications challenges, identify and evaluate potential solutions, and monitor outcomes.

To learn more about INNOVATIVE, visit www.innovativeresearch.ca.