# FOCUS GROUPS – UNDERSTANDING CANADIAN INVESTORS

JANUARY 2024

FAIR Canada

Canada's Investor Rights Advocate

Promoteur des droits des investisseurs

THE STRATEGIC COUNSEL

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# ABOUT THE RESEARCH

# Background and Objectives of the Research

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FAIR Canada engaged The Strategic Counsel (TSC), a national market research firm, to undertake focus groups to better understand Canadian investors.

The overall purpose of this research is to provide a broad portrait of Canadian investors including their knowledge, attitudes, behaviours, and approach to investing.

More specifically, the research objectives included the following:

- To explore investors' knowledge levels regarding investments;
- To identify their level of engagement with investing as well as the amount of time spent on investing (including frequency of new investments and time allocated to reviewing existing investments);
- To identify the drivers of trust in advisors and/or banks regarding investments;
- To understand similarities and differences by investment channel; and
- To understand investors’ definition of ‘fairness’ when it comes to investing.

# About the Approach

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The research focused on four distinct investing channels based on whether the investor worked with an advisor or whether they were a do-it-yourself (DIY) investor.

The focus groups with advisors were further divided into three distinct groups:

1) Investors with full-brokerage firms;

2) Investors with independent advisors; and

3) Investors who invest through their bank branch.

To qualify for the focus groups and identify the appropriate group, a team of professional focus group recruiters asked potential participants a number of questions. To qualify, investors had to have made at least one qualifying investment. Furthermore, there were a set of qualifications that guided the placement of potential participants into the appropriate group.

TSC conducted two groups among each of the four distinct investing channels. Each focus group was 1.5 hours long and participants were paid an honorarium for their time. The focus groups were conducted online with an independent moderator who asked participants a variety of questions about investing.

The following slide provides an overview of investors in the eight groups for each of the four channels.

# About the Approach Cont'd

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| Advisor Channel | Number of Groups | Investment Type | Minimum Investment | Recency of Purchase |
|---|---|---|---|---|
| **Bank Branch Advisor ("local" bank branch including online banks)** | **2** | Mutual Funds | Mix of $10k+ | Within last 2 years |
| **Full-Service Brokerage Firm** | **2** | Any; Min 2 with equities, plus any | Mix of $250k+ | Within last 12 months |
| **Independent Advisor** | **2** | Any | Max 3 $100k-$250k; Mix of $250k+ | Within last 12 months |
| **DIY Channel** | **Number of Groups** | **Investment Type** | **Minimum Investment** | **Recency of Purchase** |
| **DIY (online direct investment platforms)** | **2** | Any; Min 2 with equities, plus any | Max 2 $10k-$25k; Mix of $25k+ | Within last 12 months |

# A Caution

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- The research conducted was qualitative in nature. As such, the results provide an indication of participants' views on the issues explored but cannot be generalized to the full population of investors. Rather, the findings from this research provide themes and direction. The findings cannot be used to estimate the numeric proportion or number of individuals in the population who hold a particular opinion because they are not statistically projectable.

# KEY FINDINGS

KEY FINDINGS

1

LEVEL OF INTEREST IN INVESTING

# Investing is a 'low interest' activity for most people using advisors. DIY investors express more interest about investing.

- The task of investing is not an activity that engenders a lot interest and engagement despite its importance to their household finances. They prefer to allocate more of their personal time to other areas – working, children, recreational activities, among others.
- Most find investing difficult to both comprehend and learn. They perceive the terminology and language of the industry as hard to understand. They find that the investment documents are not easy to review. As a result, they focus on the other priorities in their personal household even though they acknowledge that their investments are a very important part of their finances.
- Given this, they feel compelled to delegate the investing of their money to advisors or bank representatives.

KEY FINDINGS

# 2

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INVESTMENT KNOWLEDGE

## Most participating investors had low levels of knowledge regarding investing.

- Some overtly admitted that they had very little investment knowledge. Others believed that they had average/intermediate knowledge but revealed a lack of knowledge through their inability to answer basic questions such as the types of investments they hold.
- Due to their low overall interest in investing, few expressed a desire to spend additional time and effort acquiring knowledge in this area. Many believed that it was preferable to rely on the knowledge and advice of industry professionals rather than learning about investing on their own.
- Many reported feeling overwhelmed by the amount of information available regarding investing. Apart from information related to their return on investment (ROI), participants were uncertain of what information they should digest.
- Moreover, many expressed facing difficulties discerning between sources of information that were reliable and of high quality and which were less trustworthy. This perspective was particularly evident among DIY investors.

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LEVEL OF TRUST IN INVESTMENT ADVISORS

# The participants place high levels of trust in their advisors, investment firms, and/or banks.

- Key factors driving trust with advisors and/or institutions are:
  - A strong level of trust in the brand reputations of banks and investment firms. Investors using a bank for their investments typically expressed confidence that their investments would be responsibly managed by a financial institution;
  - Long standing relationships with advisors;
  - A consistent and positive ROI; and
  - Advisors who are highly client focused. Many spoke positively of advisors who establish personal dialogues with clients to help build trust, particularly amidst challenging investment climates.
- Much of the trust was not necessarily earned by the advisors but rather given to them by their clients. Many investors seemed to have '*blind trust'* in their advisor. As discussed elsewhere, many reported having discretionary accounts which enabled their advisors to make investment decisions on their behalf without being required to consult with them.
- While still generally considering their advisors trustworthy, a small portion of participants reported actively monitoring the performance of their investments to ensure that they were being properly managed.

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KEY FINDINGS

4

IMPORTANCE OF ADVISORS’ CREDENTIALS

# While most participants did not know or understand their advisor’s credentials, they viewed them as important.

- Many were of the impression that advisors required certain credentials to become licensed to provide investment advice or professionally manage investments.
- Participants generally felt that having a stronger understanding of investment advisors’ various credentials would increase their confidence and trust in them.

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ACCESS EQUALS DELIVERY

# Most non-DIY participants opposed the idea of Access Equals Delivery.

- Non-DIY investors were opposed to this idea because:
  - It assumes that they are paying attention to these types of news announcements. They expressed very low interest in following this type of news;
  - It presumes that they subscribe to the media outlets that publish this information; and
  - It is dependent on the media actually publishing these announcements.
- Most felt that their chances of seeing investment news were low. They believed this method equated to a "*lack of transparency*."
- Even though most admitted that they did not read the documents that their advisors sent them, there was strong opposition to the notion of not receiving these documents. There is a sense that advisors are being more transparent and accountable to their clients when they send them these documents directly.
- In contrast, DIY investors were more open to access equals delivery, feeling that they would likely see this news regardless. These participants expressed a preference for digesting investment information and news on their own terms.

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FAIR INVESTING

# When it comes to what fairness means for them as investors, participants defined it in different ways.

- For some, it meant an advisor that recommends investments that are in the interests of the client or valuing and respecting their client’s interests.
- Others described it as acting in a client-centric manner.
- Some focused on whether the advisor was transparent about why they were recommending a certain product, and how they were compensated.
- Being honest, competent, and knowledgeable and a proactive advisor were also viewed as being “fair.”
- Others explained that fairness meant providing solid investment advice consistent with the client’s risk tolerance and communicating the right information at the right time.
- Using terminology that is easy for them to understand, and showing a willingness to help and guide them were also viewed as important elements of fairness.

# 7



DISCRETIONARY VERSUS NON-DISCRETIONARY ACCOUNTS

## Some investors expressed a preference for "discretionary" accounts, while others were concerned about the lack of control and trust

- There were a number of reasons for preferring a discretionary account:
  - A recognition they were not able to make or comfortable making investment decisions;
  - The belief that the person they were paying to manage their portfolio was a professional;
  - Their lack of interest or desire to get engaged with their investments;
  - Their busy schedule not allowing them to acquire investment knowledge and, as result, feeling that they would not offer any value to the process;
  - An unwillingness to be consulted on every investment decision; and
  - They placed a high degree of trust in their advisor, and believed their advisor had their interests at heart.
- There were a few participants who maintain non-discretionary accounts because they want more control and engagement with their investment portfolio. They also noted they did not fully trust their advisor.
- Some investors appeared to prefer having discretionary accounts because they did not like the added pressure of having to be consulted when a trade was made.

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# 8

# Based on the focus groups, investors can be divided into four broad segments.

### Highly dependent on advisors

- Follow the advice of the advisors at their respective banks or investment firms.
- Rarely spend time thinking about their investments and are largely uninterested in acquiring information and knowledge.
- Place trust in their advisors regardless of their professional credentials.

**Most participants tended to belong to this segment.**

### Dependent/trusting but somewhat engaged investors

- Similar to the 'highly dependent' segment in many regards. Highly trusting of advisors.
- Spend a greater amount of time and effort monitoring their investments.
- Likely to review the performance of their investments on a semi-regular basis.
- A few are very active in managing their investments and see their advisors as partners.
- A few also have a DIY account.

### Early/young investors

- Comprised of investors who are younger and/or who are just beginning to invest.
- Curious about the potential financial benefits of investing.
- Likely to use DIY platforms. This is largely due to the impression that they do not have sufficient funds to warrant using an advisor.

### Cowboy Investors

- Highly confident and ambitious in their investment decisions.
- Tend to believe they have a high level of investment knowledge. More likely to actively seek out new information.
- Several thought that while advisors can provide good counsel, they are often not worth the cost.
- Primarily use online investing platforms.

**Potential Vulnerabilities:** For those working with an advisor at an investment firm, at a bank branch, or that works independently, the quality, knowledge, capabilities, honesty and trustworthiness of the advisor are potential vulnerabilities. For DIY investors, there are potential vulnerabilities as they struggle to identify quality information.

# DETAILED FINDINGS

# LEVEL OF ENGAGEMENT WITH INVESTING

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# Most investors in the bank channel have a low level of engagement.

**Level of Engagement with Investing**

- Most of those who reported investing using a bank readily acknowledged that they spent very little time personally overseeing their investments. While some might sporadically review their investments to see how things are going, a larger number reported rarely or never doing so.
- They expressed a higher level of trust in the brand reputation of their bank than in the skills of their specific account representatives.
- Some reported meeting with their representatives roughly once a year either online or in-person. Participants expressed a strong preference for engaging with account representatives in-person.
- A few reported meeting with their account representatives on a less frequent basis since the onset of the COVID-19 pandemic.
- Some reported making increasing use of their bank’s online tools to coordinate their investments. Several spoke positively of what they viewed as the relative ease of these tools.

*“I went to the branch because I like dealing in person. They said that they had a couple of those advisors there, and I guess it was whichever advisor happened to be there that day.”*

*“I did feel like I was getting more of my dollar value [before the pandemic when meeting my advisor in person]… I [was] getting more expert advice.”*

*“[In terms of how often I speak with my advisor] I'd say annually since I've switched to him. But, really, it's just a chit chat. He's always professional and asks if I'm interested in changing anything. And I say, Do you recommend it? And he says, No, and I haven't done anything.”*

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# Overall, investors working with non-bank advisors reported slightly higher levels of engagement. Most, however, continued to rely heavily on their advisors to manage their investments.

**Level of Engagement with Investing**

- Most investors (including those with significant investments) who dealt with an investment firm did not report extensive engagement with their advisors. A number only dealt with their investment advisors via emails or through virtual meetings.
- Some reported rarely or never looking at their investment account statements, while others looked at them sporadically to check on how they were progressing and their "*balances*".
- Those who were less engaged generally cited a lack of available time as the primary reason they did not communicate with their advisor more often.
- Investors reported little to no communication with their investment advisors regarding individual trades.
- A small number of investors reported having established close working relationships with their advisors. These investors typically had extensive communications and meetings with their advisors and tended to have larger investment portfolios.
- Some would spend 30 minutes to an hour reading reports, others looked only at their monthly statements, and a number did not even engage at this level.
- A few commented that they had interacted with their advisor on a less frequent basis in the wake of the COVID-19 pandemic. This was largely seen as a detriment due to a general preference for in-person interactions with their advisors.

*"He never reaches out. I get a monthly statement through [my dealer]. It's all been generated and I don't necessarily like that."*

*"As I said, quarterly, we have this meeting and we go through the report."*

*"I would say that once a year we take a look at what's been happening throughout the year."*

*"We have the option of in person, or online. But, since things have opened up again, we generally prefer in person."*

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# Most participants – regardless of the investing channel – lacked the interest to devote much time and attention to their investments, other than maybe those with larger portfolios.

**Level of Time and Attention Spent on Investments**

- The level of participants' interest in investing largely determined the time and attention they spent monitoring their investments.
- Those with low levels of interest reported spending little time monitoring their investments. While this low degree of interest is particularly prevalent among bank branch investors, it is also evident among those working with independent advisors or those using an investment firm. For the most part, participants were unlikely to look at their account statements, while others might look at them sporadically.
  - Generally, participants engaged with information about the investment world at varying levels. Some participants read newsletters and reports during the week. Others only reviewed their monthly statements, and some did not even look at those.
  - Those who were more involved typically consulted news and reports from major institutions such as RBC and BMO.
- Participants with higher levels of interest in investing recalled looking at their investment account statements with greater frequency and tended to pay more attention to investment news in general.
- A small group of investors were highly engaged with their advisors and portfolios. Among these participants, the client-advisor relationship was seen as highly important towards growing their investments. These clients tended to be those with larger portfolios overall.

*"Life happens and I don't have time [to research investments]."*

*"I've chosen this person to do all of the thinking so that I don't have to."*

*"I feel so detached from my investments. I don't really have a personal feeling or emotion attached to it, but that says something about the kind of investor you are as well."*

*"I look at the balance and don't really look at the fine details. But, there is a list of fine details."*

*"Over time, I realized that I maybe didn't do as good a job as I thought. I missed opportunities, made mistakes, and so I decided to focus on rate of savings and I started to work with an advisor."*

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# Compared to other groups, DIY investors are by far the most engaged group in the management of their portfolios.

- Unsurprisingly, DIY investors reported higher levels of engagement with their investment portfolios compared to those who worked with an advisor.
- Some cited the ease of online investment tools as the primary reason they used DIY platforms, while others mentioned the perceived difficulty in engaging with advisors. Younger individuals were more likely to prefer online options.
- DIY investors expressed a strong preference to engage with investment materials and information on their own terms. Most tended to be only interested in digesting information via digital channels.
- A segment of DIY investors were highly active in the management of their investments. A few checked their investments as frequently as twice a day – both before the markets opened and after they closed. A small number spent even more time, devoting a significant portion of their day to the management of their investments. A few of these more active investors recalled spending considerable time researching different investment options prior to deciding to invest in a specific asset.
  - These investors were generally more dismissive of advisors and the value they provided.
- Many of the DIY participants were young adults who were just beginning to learn about investing. They were generally keen to learn and a few reported having taken classes and purchasing books related to investing to learn more.

*“I’m really trying to learn more about how to evaluate stocks.”*

*“You find this wealth of information [in company reports] but it’s hard to sift through.”*

*“All the information that I would need is there, I just have to go and find it.”*

*“I'm mostly doing it myself, because I don't have that much to invest.”*

# LEVEL OF INVESTOR KNOWLEDGE AND USE OF INFORMATION

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# Most participants possessed little knowledge about investing. As a result, they were highly dependent on their advisor to manage their investments and paid little attention to fees.

**Level of Investment Knowledge**

- This lack of knowledge became evident when those who reported dealing with an advisor struggled to recall the types of accounts they had and the types of investments they held within these accounts. Many would mix up the types of accounts and investments they owned. Generally, these would be lumped together (e.g. *"I have RRSPs, a TFSA, a savings account, GICs, mutual funds, and stocks."*).
- Many participants could not distinguish between different types of accounts, and many were uncertain as to whether they had a discretionary or non-discretionary account arrangement.
- Participants also expressed a lack of understanding regarding the compensation model of their advisors and/or the bank staff responsible for selling investments.
- While they accepted their advisor should get paid, participants did not understand how their advisor was compensated or what types of fees they were being charged.
- Most seemed unaware of the amount of fees they were paying.

*"I didn't know anything about [investing], I went back and said [ethical and low risk] is what I want and they said these are good matches and so off we went."*

*"It works in an investment within the branch that I already use. So, because it's a relationship that I'm comfortable, not knowing the right terms and not having all of the knowledge, somebody that I can sound stupid in front of them. Feel comfortable. I did no go shopping around, no comparison just trusted him."*

*"I am assuming it is through the profit of the investments they've made on my behalf."*

*"Nothing was ever explained about how do they make money. And, I really never thought about it until now."*

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# Most participants did not know or understand their advisor’s credentials or qualifications, even though they were considered important for enhancing confidence in their advisor.

**Level of Awareness of Advisor Certifications**

- Participants generally had limited or no knowledge regarding the various types of credentials or qualifications their advisors could have. Only a very small number were able to spontaneously identify a credential their advisor holds.
- Participants largely lacked an understanding of what different credentials or qualifications implied about the knowledge, capabilities, and skills of their advisors.
- That said, having different credentials and qualifications enhanced the confidence and trust they placed in their advisors. Participants felt that their advisors having attained certifications implied a higher degree of competence regarding their ability to manage investments.

*“I saw that they did have some certificates. But, I couldn't tell you what they were.”*

*“I don’t know what the designations are… the association maybe [should] tell everyone what it means so we are better informed.”*

*“In the office [there were] diplomas and certificates of different courses… it assures me that they really do have the training.”*

*“I don't know his qualifications. I think he might have told me.”*

*“I just trusted that the bank would use somebody reputable and knowledgeable.”*

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# Some DIY investors expressed much higher levels of knowledge about investments. They were more interested in investing, and more willing to devote time and attention to investing.

**Level of Investment Knowledge**

- Some DIY participants had higher levels of confidence in their investment knowledge. They expressed a high level of interest in personally managing their investments, which influenced their desire to learn more about different investment products and opportunities.
- Virtually all DIY investors reported allocating more time and attention to the task of investing compared to those who dealt with an advisor.
- The desire to acquire a higher level of knowledge was based on the belief it would positively impact their ability to grow their investments.
- Other DIY participants, particularly younger ones who were new to investing, stated they were using DIY platforms to learn about investing. These participants readily acknowledged that they knew very little about investing.
- Some DIY investors reported they wanted to avoid making repeat mistakes. A few had previously lost money on investments that they had not properly understood and had begun to teach themselves to avoid making the same mistakes.
- Only a few believed they had a strong understanding of how DIY platforms made money from their users. Those who did believed this was primarily through fees or interest on the holdings in people’s accounts.

*“I kind of learned how to research the stocks I buy and not just buy companies I like.”*

*“I’ve taken a couple finance courses and went to the bookstore and bought investing for dummies for Canadians.”*

*“I'd also probably characterize it as intermediate trying to learn more as I go along.”*

*“I reorganized my portfolio and learned a bit more and learned how to read the charts and whatnot. It's improved, but I haven't quite recovered all the money from the first couple of years of investing.”*

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# DIY investors were more active in gathering information and researching potential investment opportunities, compared to those working with an advisor.

**Amount of Investment Information**

- Participants discussed how they typically go about researching potential investments before purchasing them. Compared to those working with an advisor, DIY investors spent more time researching potential investments.
- The general view held by participants, however, was that if they wanted to learn more about a specific investment or company, they would do the research on their own.
- Many participants, however, expressed frustration with the channels used to disseminate information about their investments or potential investment opportunities.
- Many believed that the amount of information available online was overwhelming at times and that it was easy to get tricked by "*illegitimate*" sources of information.
- Many mentioned websites and newsletters produced by prominent brands, such as Yahoo Finance, as their primary sources of information.
- Participants largely believed that, as their investment knowledge had increased, they had gotten better at discerning what information was reliable.

*"It can be overwhelming. I found there's a lot of click bait type articles trying to be sensational."*

*"I think there's such a wealth of information out there that I've been able to access."*

*"There's a comfort in having a certified advisor, but I feel like the information is publicly available. There's no magic."*

*"You can create a low-cost portfolio diversified portfolio. Cheaper and fairly simply. You don't need an advisor for that."*

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# DIY investors were also largely unaware or unsure about different types of advisors, or their credentials and qualifications. Nonetheless, some were confident they could do a better job investing than an advisor.

*"I'm actually very confused about the designations. I think I heard somewhere that sometimes people who work for banks, they are not fully 100% on your side, and they advise you on the bank's products. But, there are more independent financial advisors that work for different companies that are supposed to have your best interests."*

**Level of Awareness of Advisor Certifications**

- DIY investors generally were largely unaware of the different types of advisor credentials and qualifications. Several were of the impression that all advisors had the same credentials and qualifications.
- Interestingly, there were some DIY investors who thought there was a distinct benefit in retaining an advisor to help manage their investments, including the greater likelihood of avoiding risky investments. It was felt that an advisor would be more competent in managing their investments and would likely produce a higher ROI. These DIY investors opted not to use an advisor for reasons described on page 32.
- Some DIY investors were much more skeptical. Among these participants, there was a general perception that they could do as good a job or better at managing their investments compared to an advisor.

# KEY DRIVERS OF TRUST IN INVESTMENT ADVISORS

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# Most participants generally trusted their advisor and/or the institution they worked for. Only a small number were somewhat cautious regarding their advisor's capabilities.

- Many recalled having found their advisors through personal connections, which had provided them with an initial level of trust. Personal connections ranged from being neighbours/friends with their advisor, to having their advisor recommended by family/friends, to hearing about their advisor through a colleague or other work connection.
- Others cited their trust in the institution they were with, whether it was their bank or a full-service firm, as the key reason for placing their trust in the advisor.
- Producing consistent and positive ROI significantly aided in the development of a trusting relationship between investors and their advisors.
- While participants were generally not heavily engaged with their investments, most believed that regular communication with their advisor was important. A few felt that even with a high ROI, a lack of frequent interactions with their advisor might cause them to look elsewhere for investment advice.
- The vast majority of participants who held discretionary investing accounts indicated a high level of trust in their advisors. Those who had consistently experienced investment gains during their time with their advisor typically reported higher levels of trust.

*"And how I chose that particular broker? Just happen to be on Instagram and they advertise a half hour information session so register. I was very impressed. That and meeting with them personally. I felt like we're on the same wavelength."*

*"I don't feel reliance on the guy who's investing my money, but [the firm] yes."*

*Well, we met our advisor through my brother-in-law."*

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# Most investors believe their advisor – whether working at a bank or an investment firm or working independently – is acting in their best interests.

- Generally, participants assumed that their advisors were acting in their best interests.
  - Some reported this trust being primarily due to their impression that their advisors' interests were directly linked to providing them with the highest returns possible.
- While participants generally did not know anything about the credentials available to advisors and what these represented, they reported greater confidence in advisors that held them.
- Some felt that increasing awareness and clarification among investors regarding these different credentials would improve the ability of investors to make educated decisions about selecting an advisor.
- Furthermore, several participants were unsure of how to find an investment advisor. Many indicated that they found an advisor through their personal networks and connections.
- When asked to share their biggest learning from investing, a number cited the importance of establishing trust and performing due diligence when selecting an advisor.

*"The bottom line is, it's their business. They're making income. So, they're looking out for themselves. But, in doing so, if they look out for you, they'll make better business."*

*"I just assumed you know, he's a financial person at the bank, and he's going to recommend what's best for me. I didn't ask if he was licensed, or what qualifications he had for investing."*

*"It assures me that they really do have the training and education and are really current."*

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# DIY participants expressed significant trust in online investment platforms. A number placed a great deal of trust in their own skills and knowledge, while others were more open to working with an advisor.

- Most DIY participants expressed a great deal of trust and comfort with their DIY platforms. When asked about potential issues with the platform going down periodically, participants felt that these issues were typically out of the hands of the platform and were inevitable.
- Some had a great deal of self-confidence and trust in their own abilities to manage their investment portfolio. These participants expressed the opinion that it is far more affordable to rely on their own knowledge compared to consulting an advisor.
- Some DIY investors felt that they did not have adequate investments to warrant an advisor. They acknowledged, however, that advisors could be useful in avoiding bad investments, maintaining and slowly growing current holdings, and allowing the client to focus their time and attention elsewhere. A few expected they would make use of an advisor once they had a larger portfolio and were more established in their professional career.
- Some cited logistics as a key factor holding them back from working with an advisor. These participants liked working on their own schedule, doing research, and investing in what they wanted to invest in and believed that having an advisor would restrict this.
- A few expressed specific concerns related to finding the time to meet with an advisor to discuss investment opportunities that they were interested in.

*"I feel like it's pretty hard for them to guarantee that there's never going to be a tech issue… the consumer has to accept that there is a certain level of risk."*

*"I think that if you were to invest in one of these platforms, you should choose one of the platforms that is reliable and has a reputation for being reliable in a technological standpoint. So, I think that in that sense it would fall to the consumer."*

*"I've bought a lot of duds over the years so an advisor should say [buy this, don't buy this]."*

*"Going in the bank is cumbersome and time consuming when you can go online and find the tools that you want, and then make trades even after hours, anytime. Then, it's all about ease and access."*

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# Several DIY participants viewed credentials as a key factor if they were to work with an advisor.

- Some DIY participants viewed credentials in a very positive light.  Among these participants, it was felt that if they were going to hire an advisor, credentials would have a major impact on determining which advisor they selected.
- A few reported having attempted to become registered advisors themselves and, as a result, had gained a newfound respect for the level of rigour involved in the registration process.

*"I've learned that it's pretty hard to get some of them (certifications)… The certifications would make me feel safer."*

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# Most investors were not aware of and did not understand the difference between a 'discretionary' and 'non-discretionary' account. Those who were able to, however, preferred using discretionary accounts.

**Motivations for 'Discretionary' Account**

- Many indicated a preference for a 'discretionary' account in that it allowed the advisor to fully manage their investments while requiring very little to no input from them personally. Some seemed relieved with being able to delegate responsibility for their investments to someone else.
- Participants expressed this preference for a host of reasons:
  - A lack of desire to be consulted on every investment decision;
  - They believed they were paying a professional to manage their investments;
  - A high degree of trust in their advisor, and the prevailing belief that their advisors had their interests at heart.
  - Their lack of interest in engaging with their investments; and
  - Their busy schedule not allowing them to acquire investment knowledge and, as result, feeling that they would not offer any value to the process.
- Those investors with discretionary accounts also tended to believe that the returns on their portfolio over time had vindicated their decision to delegate the management of their investments to their advisor.

*"Well, we're basically paying them for their expertise. So, they know what they're doing. I don't. So that's the benefit."*

*"If they were calling you for every single transaction, you just may not be able to improve. Yeah, it makes it more difficult."*

*"The reason we did was when they phoned every time. We were in non-discretionary, and every time they would call and ask if we wanted to do this or that. It was just stressful because we felt we had to do research."*

*"He's been doing it all for me. I trust him like. That's his career. I trust him as a person. I know him as a person, so I let him do it, and everything's been good so far."*

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# Some investors were less interested in ‘discretionary’ account arrangements, particularly if they felt more confident in their investment knowledge or lacked trust.

**Motivations for ‘Non-Discretionary’ Accounts**

- A few investors held ‘non-discretionary’ accounts and expressed that they did not wish to have a discretionary account due to a lack of trust and confidence in advisors and/or the desire to have at least some regular involvement in the management of their investments.
- These investors were more skeptical of advisors. They cited a variety of reasons for not having ‘discretionary’ account arrangements. These included:
  - A high degree of interest in the management of their investments;
  - The desire to maintain a healthy level of oversight of their advisor;
  - An enjoyment working alongside their advisor and wanting to be engaged in the process;
  - Previous negative experiences with advisors; and
  - A desire for control over how their money would be managed.

*“I rely on their expertise. So, if they want to buy something, if they want to purchase something, I expect them to tell me that. Okay, we need to purchase this and give me all the stats for it, you know.”*

*“I ask them obviously, for some research on the current product and the performance. And then why? Why I'd be moving it to another one and look at the basis of that performance as well.”*

# PERCEIVED RISK TOLERANCE OF INVESTORS

FAIR Canada

# Most participants expressed a strong aversion to making risky investments and seemed to have little tolerance for risk generally. Most expressed their risk tolerance as being low.

- Participants pointed to a variety of reasons for their conservative approach to investing:
  - Not wishing to take risks or gamble with their money;
  - Increasing household expenses;
  - Planning to make changes to their lives;
  - A lack of knowledge about investing;
  - A desire to maintain their current financial assets; and
  - Worries about having sufficient financial assets in their retirement years.
- Older investors expressed a more conservative preference than those who were younger. Younger participants generally indicated that they were willing to take more risks with their investments as they believed they had a longer time horizon to recover losses.
- Participants generally knew what the term 'risk tolerance' meant but were less aware of what 'risk appetite' was. When provided the definition of 'risk appetite', participants were generally able to understand the difference between the two.
- Some participants described how the experiences of others had shaped their own risk tolerance. Seeing peers and elders struggle with debt and tight retirement budgets had impacted their willingness to take risks. This experience, however, is also the reason they became investors in the first place, as many reported a desire to better support their children financially and not burden them financially when they retired.
- Participants' level of risk tolerance was unlikely to impact their level of engagement with advisors.

*"I'm not gambling."*

*"Because of my age I have to be safe."*

*"My parents instilled in me to save money for retirement and to invest it."*

*"Now that I'm getting older, I am re-evaluating if I should be a little less aggressive."*

*"I tend to lean more towards high risk, because I'm not looking to retire now… when I'm ready to retire or close [to it] I would probably change my way."*

FAIR Canada

# DIY investors also described themselves as risk averse and reported that they would “*buy and hold*” their investments over several years. Only a few expressed a willingness to take a more aggressive approach.

- While participants said that they were generally risk averse, many indicated they initially took bigger risks when they first got into investing.
- These bigger risks were generally described as “*mistakes*” and had in some cases resulted in large financial losses. This initial shock seemed to have persuaded many to do more research and take a less risky approach to investing.
- While participants were generally risk averse, several indicated that they had dedicated a certain percentage of their portfolio to high risk/high reward stocks. Participants were typically willing to lose some or all of this money, as this was generally a relatively small portion of their portfolio.
- A few DIY participants identified that the use of an advisor would help them avoid making mistakes and could potentially provide them with insightful information and advice regarding high-risk investments.
- Advisors were also seen as being very useful in maintaining and slowly growing holdings.

*“When I started, I used to be more high risk, but now I’m kind of more in a transitory phase where I’m trying to go for lower risk stuff.”*

*“I would say for myself, it would be fairly low for the majority of my portfolio, but I do dedicate a smaller portion that I would even feel more comfortable losing amount of money. So that's how I sort of segment it, you know.”*

*“I am seeing that I'm doing things that are a little bit too high risk for me. One of the companies I invested in went bankrupt.”*

# PERCEPTIONS TOWARD ACCESS EQUALS DELIVERY

FAIR Canada

# Most of the non-DIY investors were opposed to the 'access equals delivery' concept.

- The non-DIY investors opposed the 'access equals delivery' concept because they did not want to spend time and effort in monitoring investment announcements in the news media.
- In fact, they might not even subscribe to the media publications where this information might be published and the chances of seeing the information were perceived to be small and random. There was some confusion as to whether they could even access this information.
  - Moreover, they did not like the idea that the media would have to choose to publish this information.
  - Participants did not like the idea of a news release, believing that they would not likely be able to understand the implications of the news.
- Most did not regularly read the documents that accompany investment account statements. Participants primarily relied on advisors to bring these announcements to their attention.
- The proposal was perceived as having a *"lack of transparency."*
- Some of the non-DIY investors wanted information only provided via digital channels. However, others still preferred paper documents delivered by mail.

*"We don't have a lot of time to be looking at press releases and things like that. So, I don't think I would receive it in time. Perhaps. So, I think it's better to send it by the mail or email."*

*"If it's just coming [via] press release and it's not being conveyed by my investment advisor, I'm not happy about that… I don't check press releases from every company."*

*"I feel like the statement is a little bit vague when it comes to a press release. Is it a one-time commercial on CTV or is it something that's going to reach people?"*

*"I'm comfortable with that concept, that they're just not sending it. Saving paper."*

*"If they are sending [the fund's information] to me, it's going in the recycling."*

FAIR Canada

# In contrast, DIY investors were more accepting of ‘access equals delivery’ due to their preference to search for and consume information on their own terms.

- DIY investors were more accepting of the concept of ‘access equals delivery.’
- Their motivation for being keener on the concept was primarily driven by a desire to access information on their own terms. Moreover, these participants felt confident that they would see the information if it was released to the general media.
- Similarly, participants liked the idea of press releases being published online and having the ability to opt-in to receive more information if they wished.
- Participants did not wish to receive random emails about their investments or correspondence regarding corporate annual meetings and other notifications.

*“It’s (searching for information) better than getting random emails all the time.”*

*““I get a lot of the annual general meeting in the mail, and I think it’s a bit wasteful.”*

# DEFINING 'FAIRNESS' IN INVESTING

FAIR Canada

# Across the eight groups, investors identified a multitude of factors that represented ‘fairness’ in the context of investing in Canada.

- Across the groups, participants identified a wide range of considerations that define ‘fair investing’:
  - Advisor Accountability – recommending investments that are in the interests of the client
  - Guiding strong and solid investments consistent with the client’s level of risk tolerance
  - Transparency and openness regarding advisors’ motivations for selling specific investments
  - Providing clarity regarding advisor compensation models
  - Valuing and respecting the client and their interests
  - Honesty, competence, knowledge, and proactivity of advisors
  - Communicating with clients using terminology that is easy to understand
  - Willingness to help and guide small investors
  - Communicating the right information at the right time
  - Acting in a client-centric manner

*“At the end of the year understand exactly what the dollar amount that we paid for it so we can sort of answer that value question.”*

*“[The advisor] explains why she’s doing something. She explains what the market is doing.”*

*“Concise, clear explanations of fees.”*

*“Why they’re choosing to invest in certain things… Maybe they’re getting more of a commission in picking something over another.”*