

# CSA Summary Report

## 2016-2019 Investor Research Findings on the Impact of CRM2 and POS on Investor Knowledge, Attitudes, and Behaviour

### I. Introduction and Purpose

The Canadian Securities Administrators (CSA) engaged in a multi-year research project to measure the impacts of requirements introduced by Phase 2 of the Client Relationship Model (CRM2) and the Point of Sale (POS) amendments on investors and the industry. One part of the project relates to an investor research that involves a series of surveys—conducted semi-annually between 2017 and 2019, with one survey conducted in 2016 to provide a baseline measurement—in order to measure investor knowledge, attitudes, and behaviour. The CSA identified eight outcomes to measure during this project (e.g., “Understanding fees”), and this report presents the results for each of these eight outcomes. Results are presented at the national level, as well as by province, and by advisor relationship segment.

#### Background – Research Design

The research design involved creating a self-administered questionnaire for investors to complete online, and collecting responses to the survey in seven waves.<sup>1</sup> A baseline survey was conducted in September 2016 to establish investors’ knowledge, attitude, and behaviour on numerous topics before they were exposed to the information in the annual costs and performance reports.<sup>2</sup> Six follow-up surveys were conducted each March and September between 2017 and 2019. The surveys provided data to measure how investors’ knowledge, attitude, and behaviour changed since the implementation of the annual costs and performance reports, and the pre-sale delivery of Fund Facts.

We caution readers from drawing conclusions that these changes are caused by the annual costs and performance reports and/or the pre-sale delivery of Fund Facts. The investor surveys are observational studies, and it would require additional data and analysis to attempt to determine cause and effect. It is possible that other factors<sup>3</sup>, which we could not practically account for in our surveys, are also contributing to the changes we are highlighting.

We are publishing the multi-year results at one time to ensure that any changes we were witnessing remained stable over time, avoiding the risk of drawing conclusions too quickly.

The findings we discuss are statistically significant unless indicated otherwise. For example, when we note an increase, it is a statistically significant increase. **When we say there was no change over the study period, we mean that while there were changes in the results these changes were not statistically significant.** What we mean by statistically significant is that we have strong supporting evidence<sup>4</sup> that the survey data we collected in 2019 was different from the data we collected in 2016, and that this difference was real and not merely due to random chance. See Appendix 2 for a summary of statistical significance over time.

<sup>1</sup> The online respondents were recruited through a panel that assured no individual took the survey more than one time.

<sup>2</sup> On July 15, 2013, the Client Relationship Model – Phase 2 (CRM2) amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* came into effect. Among other things, these amendments required annual cost reports and performance reports that provide clear and complete disclosure of the performance of a client’s investments and all fees associated with their account, including registrant compensation.

<sup>3</sup> These include: advertising by firms competing on fees; local and national news stories focused on fees, cost-effective investments, and the best interest discussion in Canada; and increasing investor interest in passive investment funds and online advisors.

<sup>4</sup> At the 95% level of significance.

## II. Key Findings by Outcome

### 1. Understanding fees

Change in investors' understanding of the different types of fees charged to them, at the investment and account levels, and how these fees impact investment returns

1. Both the percentage of investors who reported knowing the amount of fees they pay and the percentage of investors who were aware they paid fees<sup>5</sup> have been increasing since 2016. This upward trend varied across provinces and advisor relationship segments.
2. There was an increase in the proportion of investors who considered it important to monitor the amount of fees charged.
3. Investors reported having a better understanding of the impact of fees on investment returns in 2019 as compared to 2016, while there was a particularly strong improvement in reported understanding of impact of fees on investment returns.
4. Familiarity with different<sup>6</sup> types of fees has generally been increasing since 2016. However, the percentage of respondents who reported seeing anything about indirect fees on their annual statement in 2019 is only 42%. While this represents an improvement over the 29% who reported the same in 2016, the fact remains that over half of investors did not report seeing information about indirect fees on their annual statement.
5. Readership of statements has remained unchanged since 2016.

### 2. Understanding performance

Change in investors' understanding and monitoring of the performance of their investments, including understanding of benchmarks, assessing whether their investments are on track to achieve their financial goals, and their attitudes on the value of monitoring the performance of their investments

6. A greater proportion of investors recalled seeing information about performance in their costs and performance statements in 2019 than they did in 2016.
7. Between 2016 and 2019, there was an increase in the percentage of investors who considered it important to monitor the overall return on investments, investment performance against financial goals, and comparison of returns with similar types of investments. In all three areas, importance increased in 2017 and was sustained through to 2019.
8. Between 2016 and 2019, there was an increase in the number of investors who reported having a good understanding of how benchmarks are used to measure investment performance.

<sup>5</sup> This refers both to fees for buying, holding or selling investments or fees for operation, management and administration

<sup>6</sup> This includes:

- Fees for buying or selling a stock, bond or ETF
- Fees for buying and selling a mutual fund
- Commissions paid to advisor as long as you hold the mutual fund (e.g. trailer fee)
- Fees based on value of investments (asset-based fees)
- Management and redemption fee for mutual funds
- Fees based on the performance of investment

9. There was an increase in investor confidence in monitoring the change in the value of their investments over time, and assessing whether their investments are on track to reach their financial goals.
10. While nearly 9/10 of investors reported having a good understanding of the return on their investments, this does not represent an increase from 2016.

### **3. Value of advice**

Change in investors' attitudes on the value of the advice and services they receive from their advisor and their firms, given their understanding of the returns on their investments and the different types of fees charged to them, at the investment and account levels

11. There was a decline between 2016 and 2019 in how satisfied investors were with their relationship with their advisors.
12. More investors reported being likely to change their firm in 2019 compared to 2016, and in some provinces, more investors reported being likely to change their advisor. However, both of these numbers were lower than what we observed in 2018.
13. There was no increase in the percentage of investors who reported being more likely to change their fee arrangements.

### **4. Conversations with advisors**

Change in the frequency and quality of conversations between investors and their representatives about fees, costs, and performance of their investments

14. Our survey asked investors to report what topics their advisors had discussed with them in the previous 12 months. Each surveyed topic was covered more often in 2019 than 2016.
15. In 2019, more investors reported discussing fees associated with their investment with their advisor in the previous 12 months as compared to 2016.
16. Our survey asked investors about whether their advisors discussed the impact of fees on returns. We saw no improvement at the national level between 2016 and 2019.

### **5. Advisor management of conflicts**

**5A.** Change in representatives' management of conflicts by proactively disclosing and explaining to clients about what various fees, charges, and other compensation are for and what value those costs represent

**5B.** Change in representatives' recommendation of cost-effective investment options to clients when multiple suitable investment products are available for meeting the clients' needs

17. (5A) In both 2017 and 2018, there was an increase in the proportion of investors who reported that their advisor discussed fees with them before an investment purchase. However, we saw a regression in 2019 and cannot conclude such discussion has sustained over the survey period.

18. (5B) We did not find evidence that advisors were increasingly recommending investment changes when lower cost options were available.

## **6. Importance of investment product characteristics, advisor advice, and written disclosure in the investment purchase decision**

Change in investors' attitude on the importance of the investment performance, risks, fees, and costs, representatives' advice, and disclosure documents, including Fund Facts, in making an investment decision

19. We asked investors to gauge how important various factors were in making a purchasing decision. We observed that a greater proportion of investors reported that both performance against broad indices and issuer materials (i.e. Fund Facts) were very important or somewhat important in 2019.
20. Almost every section of Fund Facts was considered important by investors, which has been consistent over the study period.

## **7. Advisor use of Fund Facts in the sales process and investors view of Fund Facts**

**7A.** Change in the use of Fund Facts among representatives as a tool to communicate potential benefits, costs, and risks of new investments to their clients before the transaction (at point of sale)

**7B.** Investor views of tools not available in Fund Facts that, if available, would help them make more informed investment decisions

21. (7A) Advisors are most likely to use Fund Facts to explain the features of a mutual fund during the sales process, and were more likely to use Fund Facts in 2019 than they were in 2016.
22. (7B) Nearly all investors (93%) were not seeking additional information to be included in Fund Facts to help them make informed investment decisions.

## **8. Investment planning**

Change in representatives' practice in holding account specific investment planning discussions with clients to understand their financial goals and priorities, development investment plans and strategies to achieve these goals, and review clients' investment plan and portfolio regularly to assess progress

23. We saw an increase in the proportion of investors who reported having a written investment plan in 2018, but by 2019, this increase had regressed to 2016 levels.
24. We asked investors whether advisors had discussed topics such as financial goals and progress towards those goals, and different strategies to reach those goals, as well as risk tolerance, and found no increases between 2016 and 2019.
25. Comparing 2016 to 2019, we observed no statistically significant improvements in the percentage of investors who reported receiving statements about performance and cost of investments.
26. We asked investors whether their advisor had helped them develop an investment plan and reviewed that plan in the last 12 months. We found, in 2019, that nearly all (95%) of investors

reported having their advisor help develop an investment plan, and 84% of investors reported reviewing that plan with their advisor in the last 12 months. These levels had not changed from 2016.

### III. Detailed Discussion of Findings

#### 1. Understanding fees

Change in investors' understanding of the different types of fees charged to them, at the investment and account levels, and how these charges impact investment returns

- 1. Both the percentage of investors who reported knowing the amount of fees they pay and the percentage of investors who were aware they paid fees<sup>7</sup> have been increasing since 2016. This upward trend varied across provinces and advisor relationship segments.<sup>8</sup>**

#### National

This finding covers five questions. Three of the questions asked all investors to rate their level of agreement with the following statements related to their knowledge and attitude of fees:

- I know the amount of fees I paid to my firm for my investments in the last 12 months (direct fees<sup>9</sup>).
- I know the amount of fees paid by third party firms to my firm as a consequence of investments I purchased or held in the last 12 months (indirect fees<sup>10</sup>).
- Having a better understanding of the different types of fees on my investments and my account would help me make more informed investing decisions.

Throughout the study period, knowledge of fees paid by third parties was lower than knowledge of fees paid directly.<sup>11</sup> The results for these three questions are shown in figure 1.

For the two remaining questions, we saw improvements in the percentage of investors who responded “yes” to questions about product and account fees:

- Awareness of paying fees to buy, hold or sell investments in their account: 48% in 2016, 51% in 2019 (product fees).
- Awareness of paying fees for the management, operation and/or administration of their account: 43% in 2016, 51% in 2019 (account fees).

Comparing the results from these questions collectively, we observe a disconnect between investors' objective<sup>12</sup> and subjective<sup>13</sup> knowledge of fees. A greater proportion of investors reported knowing the amount of fees they paid than knowing that product and account fees existed (see the first four columns in figure 1).

<sup>7</sup> This refers both to fees for buying, holding or selling investments or fees for operation, management and administration.

<sup>8</sup> This finding discusses survey results for questions 20, 21, 25 and 26. Both questions 20 and 21 were Yes/No questions and questions 25 and 26 discussed three items related to fees, meaning we looked at five questions in total. The questionnaire text for this question and all other questions can be found in Appendix 1.

<sup>9</sup> Direct fees are fees that investors pay directly to their firms for their investments.

<sup>10</sup> Indirect fees are fees that investors pay to third parties, and which the third party then pays to the investors' firm. An example of this would mutual fund trailing commissions.

<sup>11</sup> For the percentage of respondents who answered “strongly agree/agree” to the statements.

<sup>12</sup> Questions 20 and 21 were designed to measure respondents' objective understanding of fees, i.e., their actual knowledge of the existence of product and account fees.

<sup>13</sup> Questions 25 and 26 were designed to measure respondents' subjective understanding of product and account fees.

**Investor awareness, perceived understanding, and attitude on fees**

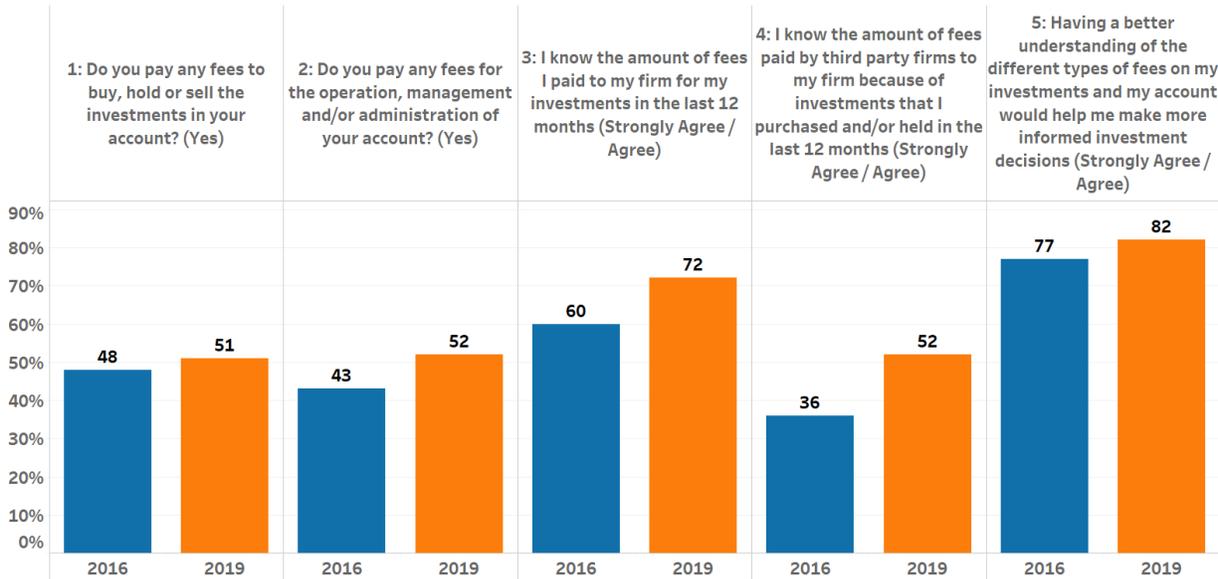


Figure 1. In this chart we look at measures of objective knowledge of product and account fees (columns 1 and 2), subjective knowledge of direct and indirect fees (columns 3 and 4), and attitude about fee knowledge on investment decision-making (column 5). Note the gap between the third column and the first two columns, which shows the subjective-objective knowledge gap discussed.

Although we do not know with certainty what causes this gap, we will offer a hypothesis based in behavioural economics research. Numerous results from behavioural economics indicate<sup>14,15,16</sup> a tendency for individuals to answer overconfidently for subjective questions such as “Do you know the amount of fees you are paying?”. However, for a question such as “Do you pay fees?”, which is more of a measure of objective knowledge, this is not the case, and we could potentially expect a more unbiased response, explaining the gap.

This disconnect could also be the result of a social desirability bias in respondents’ answer choices; specifically, their desire to present themselves engaging in behaviour or holding views that are socially deemed to be good.

**Provincial**

Regarding subjective knowledge of product and account fees (columns 1 and 2 of figure 1), investors in three provinces—British Columbia, Ontario, and Saskatchewan—showed improvements in awareness of product fees, while investors in four provinces—Alberta, British Columbia, Manitoba, and Ontario—showed improvements in awareness of account fees.

Regarding objective knowledge of direct and indirect fees (columns 3 and 4 of figure 1), the increase in the proportion of respondents who agreed or strongly agreed was found across most provinces. In 2019, Manitoba, Nova Scotia, and Atlantic Canada were all lower than the national average for the first two questions (knowing fees paid to firm and fees paid to third parties).

<sup>14</sup> Barber, Brad M. and Odean, Terrance, Boys Will Be Boys: Gender, Overconfidence, and Common Stock Investment (November 1998, QJE). Available at SSRN: <https://ssrn.com/abstract=139415> or <http://dx.doi.org/10.2139/ssrn.139415>

<sup>15</sup> Oskamp, Stuart, “Overconfidence in Case-study Judgments,” Journal of Consulting Psychology, XXIX (1965) 261-265.

<sup>16</sup> Prelec, D. “A Bayesian truth serum for subjective data.” Science, 2004, 306, 462-466.

Regarding attitude towards fee knowledge on investment decision-making (column 5 of figure 1), the only improvements were found in Ontario (83% in 2019, 75% in 2016), New Brunswick (87% in 2019, 78% in 2016), and the Atlantic provinces<sup>17</sup> (84% in 2019, 78% in 2016).

### Advisor Relationship Segment

For this part of our analysis, investors were categorized into four segments:

- Not advised (investors who don't have an advisor)
- Advised without discretionary authority (Investors with an advisor who does not have discretionary authority)
- Advised with discretionary authority (Investors with an advisor who has discretionary authority)
- Advised with discretionary authority, PM model (Investors who have their primary account at a portfolio management company)

Looking at the two questions regarding direct and indirect fees, it is noteworthy to observe how differently investors respond to these statements (see figure 2).

Awareness of fees by advisor relationship



Figure 2. Each column represents an advisor relationship segment, and for each advisor relationship segment we display the percentage of investors in both 2016 and 2019 who strongly agreed or agreed that they were aware of direct (orange) and indirect (blue) fees. The “step up” that we see for all of the dots between 2016 and 2019 shows increasing awareness for both direct and indirect fees. Notice across all advisor relationship segments that awareness of indirect fees is lower than that of direct fees (the blue dot is lower than the orange dot). In both questions shown in this figure, investors who were advised with discretionary (disc.) authority (PM model) start from a low 2016 level compared to investors advised with discretionary authority, but show big gains by 2019, even surpassing investors advised with discretionary authority in awareness of fees paid directly to their firm.

Agreement with the other three questions (columns 3, 4, and 5 of figure 1) showed increases among investors without an advisor and investors advised without discretionary authority, although investors advised without discretionary authority still showed 2019 awareness levels that were below the national average.

<sup>17</sup> The Atlantic provinces are defined here and throughout the report as Prince Edward Island and Newfoundland.

Investors who were advised with discretionary authority (PM model) reported increased agreement with the first two questions (80% for direct fees and 53% for indirect fees). We didn't see any increases over the study period for investors who were advised with discretionary authority, but this group started with high baseline levels of agreement compared to the national average.<sup>18</sup>

Agreement with the three understanding questions showed increases among investors without an advisor and investors advised without discretionary authority. Investors advised without discretionary authority in 2019 still reported percentages below the national average for awareness of direct or indirect fees paid. Investors who were advised with discretionary authority (PM model) reported increased agreement with the two questions (80% for direct fees and 53% for indirect fees). We didn't see any increases between 2016 and 2019 for investors who were advised with discretionary authority, but this group started with a higher level of baseline knowledge and understanding compared to the national average.<sup>19</sup>

**2. There was an increase in the proportion of investors who considered it important to monitor the amount of fees charged.<sup>20</sup>**

**National**

We asked all investors how important it was to monitor the amount of fees they were charged. In 2019, 89% believed that this was very or somewhat important, which was an increase over the 84% who held the same sentiment in 2016.

**Provincial**

Only Ontario (90% in 2019, 83% in 2016) and Saskatchewan (92% in 2019, 83% in 2016) saw statistically significant increases in the percentage of investors who viewed the fees they were charged as important to monitor.

Amount of fees charged is important to monitor

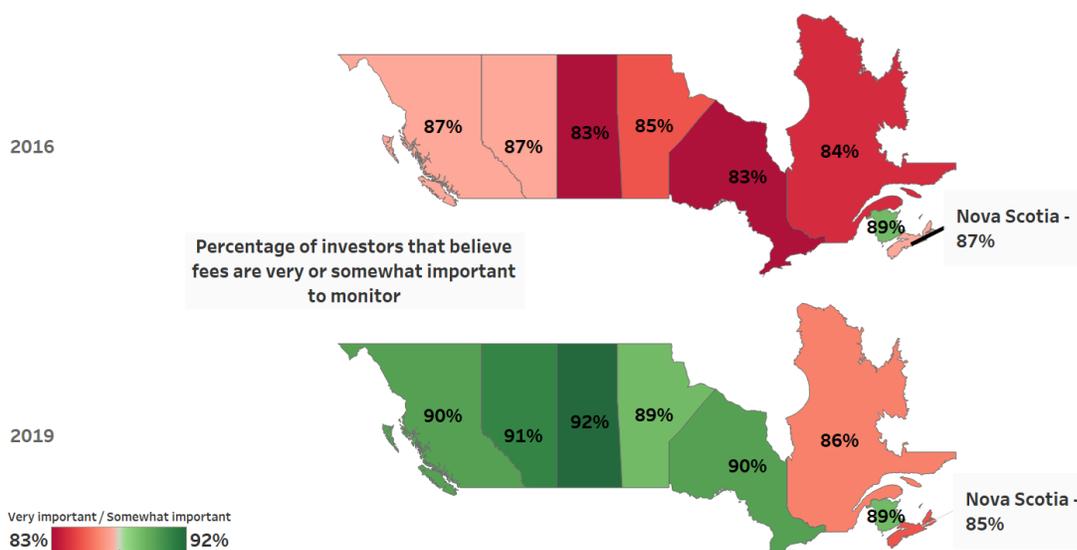


Figure 3. We can see that an increased proportion of investors throughout Canada have the view that it is important to monitor fees, with particularly big jumps in both Saskatchewan and Ontario.

<sup>18</sup> In two out of the three statements we have statistical evidence that the baseline level of agreement was higher than the national average.

<sup>19</sup> The national average encompasses all three advisor segments and the not advised segment.

<sup>20</sup> This finding discusses results for question 15e, which is a single item.

**Note on map graphics:** We use maps to display findings at a province level. Throughout this report, dark red indicates that a province reported a relatively low positive percentage response while dark green indicates a province reported a relatively high positive response. In the context of this figure, where we measure the percentage of investors who have the view that fees are very or somewhat important to monitor, the shift from red to green shows that investors are placing increased importance on monitoring fees. The coloring on these figures applies both **across years and provinces**<sup>21</sup> – meaning that, if you took all of the 2016 and 2019 provincial responses in a set, dark green would indicate the highest values in that set and dark red would indicate the lowest values in that set.

### **Advisor Relationship Segment**

Investors who were advised without discretionary authority placed more importance on monitoring fees by the end of our study (90% in 2019, up from 81% in 2016).

### **3. Investors reported having a better understanding of the impact of fees on investment returns in 2019 as compared to 2016, while there was a particularly strong improvement in reported understanding of impact of fees on investment returns.<sup>22</sup>**

#### **National**

We saw increases in all three survey questions about knowledge and understanding of the impact of fees on investment returns.

- We asked investors if the fees associated with their investments or account had an impact on their returns (51% answered yes in 2019, up from 41% in 2016)
- We asked investors if they understood the impact of *all* fees on their investments (39% reported that they did in 2019, up from 33% in 2016)
- We asked investors to rate their level of agreement that they had a good understanding of how fees were impacting their investment returns (80% reported that they agree/strongly agree with the statement in 2019, up from 75% in 2016)

Comparing these results, we see that while 80% of investors reported having a good understanding of how fees impact investment returns, only 51% of investors reported having objective knowledge that fees have an impact on returns. It is possible that this subjective-objective knowledge gap could be related to the drawbacks of data gathered from self-assessments, or a social desirability bias, both of which were discussed above.

Another contributing factor could be respondents' acquiring objective knowledge or confirming their lack of knowledge of these topics as they proceeded through the survey<sup>23</sup>. We asked investors whether "have a good understanding of how fees impact investment return" question at the start of the survey. The purpose of this question was to establish a baseline of investors' subjective knowledge before they were exposed to our survey topics. The objective knowledge question was asked after a series of questions on investment costs, investment performance, and the cost and performance information contained in the annual costs and performance reports.

#### **Provincial**

<sup>21</sup> This includes P.E.I. and Newfoundland despite the fact that they are not shown on the map. The exclusion is because their data was consolidated into an "Atlantic Canada" category to make sampling feasible.

<sup>22</sup> This finding discusses results for questions 7D,23 and 24. Each of these three questions contained only a single item.

<sup>23</sup> To reduce measurement errors in our surveys, we provided explanations and/or definitions for terms that through our focus group testing we found respondents did not understand or have a common interpretation of the term. An outcome of this approach is that respondents may acquire knowledge about the survey topics as they progress through the survey.

When asked if they have a good understanding of how fees impact the returns on their investments, Manitoba had the lowest proportion of investors who strongly agreed or agreed with the statement in 2016 (70%) and the highest proportion of investors who strongly agreed or agreed with the statement in 2019 (82%). This was not accompanied by any significant improvements in their objective knowledge that fees have an impact on returns (in 2019, 45% of investors answered yes to this question, 43% did so in 2016).

Saskatchewan investors did not report a significant increase in their understanding of how fees impact investment returns (77% in 2019, 75% in 2016). However, there was a substantial increase in the proportion of investors who had objective knowledge that fees have an impact on returns (52% in 2019 compared to 34% in 2016, which was the lowest level nationally). The 18 percentage point increase was the biggest increase we observed for this question.

- 4. Familiarity with different<sup>24</sup> types of fees has generally been increasing since 2016. However, the percentage of respondents who reported seeing anything about indirect fees on their annual statement in 2019 is only 42%. While this represents an improvement over the 29% who reported the same in 2016, the fact remains that over half of investors did not report seeing information about indirect fees on their annual statement.<sup>25</sup>**

### **National**

We asked all investors how familiar they were with various types of fees<sup>26</sup> that could be associated with their account or investments. We saw increases in familiarity for all nine types of fees that we surveyed but only seven of these increases were statistically significant (the average increase for these seven fees was 6.3 percentage points). Additionally, for each of the nine fee types, less than 70% of investors reported their level of awareness as very familiar or somewhat familiar. Investors continue to be the least familiar with performance based fees (47% in 2016, 54% in 2019).

We also asked investors who reported receiving an annual cost and performance statement, and read at least some of it, whether they recalled seeing information about direct and indirect fees on their statements. Both direct fees (65% in 2019, 52% in 2016) and indirect fees (42% in 2019, 29% in 2016) were recalled by more investors in 2019 than in 2016, although indirect fees were still recalled by less than half of respondents.

### **Provincial**

Some of the improvements we saw nationally in investors' familiarity with different types of fees were due to large increases in a few provinces. For example, in Alberta and British Columbia, familiarity with different types of fees in 2016 was relatively high compared to the rest of Canada. However, neither Alberta nor British Columbia showed much improvement in familiarity by 2019.<sup>27</sup> Meanwhile, in Saskatchewan and Manitoba, where familiarity in 2016 was relatively low compared to the rest of Canada, there were considerable improvements by 2019, ranging from two to fifteen percentage points.

### **Advisor Relationship Segment**

The results in investors' familiarity with different types of fees show similar patterns that we saw provincially, with increases driven primarily by a few advisor segments. The improvement came mostly from investors without advisors and those whose advisor does not have discretionary authority. These two advisor segments started with lower levels of familiarity in 2016. By 2019, their reported level of familiarity across all fee types increased but on average was still 6.5 percentage points below investors who had an advisor with discretionary authority.

Investors whose advisor have discretionary authority had relatively higher levels of familiarity with fees in 2016, compared to investors in the other advisor segments (for eight of the nine fees we surveyed, they reported familiarity which exceeded the national average). This advisor segment, however, reported minimal increases in levels of familiarity in 2019, and, for four types of fees, awareness decreased by one to four percentage points.

<sup>24</sup> This includes:

- Fees for buying or selling a stock, bond or ETF
- Fees for buying and selling a mutual fund
- Commissions paid to advisor as long as you hold the mutual fund (e.g. trailer fee)
- Fees based on value of investments (asset-based fees)
- Management and redemption fee for mutual funds
- Fees based on the performance of investment

<sup>25</sup> This finding discusses results for questions 14 k, l and 22. Question 22 contained eight items, and k and l are two items from question 14, meaning we looked at ten questions in this finding.

<sup>26</sup> The four categories of fees that were surveyed were mutual fund fees, transaction fees, account fees, and performance fees. Footnote 27 lists the fees that we surveyed for each category.

<sup>27</sup> The level of familiarity decreased for four fees for investors in British Columbia and one fee for investors in Alberta. In British Columbia the four fees were: fees to buy or sell a securities other than a mutual fund, fees to buy or sell a mutual fund, mutual fund switching fee, and mutual fund management fee. In Alberta familiarity decreased for mutual fund management fee.

There were differences across advisor segments in the recall of information about direct and indirect fees. The proportion of investors who recalled seeing information about direct fees across the unadvised investors, investors advised with discretionary authority, investors advised without discretionary authority, and investors advised with discretionary authority (PM) segments showed less variance than recall of information about indirect fees (64%, 69%, 62%, and 73% respectively for direct fees) (39%, 53%, 37%, 44% respectively for indirect fees).

## **5. Readership of statements has remained unchanged since 2016.<sup>28</sup>**

### **National**

We asked investors who recalled receiving statements if they read all, most, some or none of those statements. In 2016, 70% reported reading most or all of the statements, while in 2019 this was 69%. This small change was statistically insignificant.

### **Advisor Relationship Segment**

Investors who were advised with discretionary authority (PM model) were less likely to report reading most or all of their statements in 2019 (69% did so, which also happened to be the national average) compared to 2016 (79%). However, this 2016 number was high relative to the national average (which was 70%).

## **2. Understanding performance**

Change in investors' understanding and monitoring of the performance of their investments, including understanding of benchmarks, assessing whether their investments are on track to achieve their financial goals, and their attitudes on the value of monitoring the performance of their investments

## **6. A greater proportion of investors recalled seeing information about performance in their costs and performance statements in 2019 than they did in 2016.<sup>29</sup>**

### **National**

We asked investors who had reported receiving costs and performance statements (and reading at least some of them) what they recalled seeing on the statements. They were asked to respond "Yes" or "No" to a list of ten performance-related items (such as the market value of investment accounts, the change in the market value of investments, rates of return over various lengths of time, and records of deposits and withdraws) that are mandated by regulation.<sup>30</sup>

In 2016, recollection of some performance-related items was high. For example, over 85% of respondents recalled seeing information about the market value of their investment account for the beginning and the end of the calendar year.

In 2019, a greater proportion of investors recalled seeing seven performance-related items in their statements. Specifically they recalled seeing information about the market value of their investment accounts at the beginning of the year, the change in the market value of their investment accounts since account open, and the rates of return on their overall investments for different time periods.

<sup>28</sup> This finding discusses results for question 13, which contained a single item.

<sup>29</sup> This finding discusses results for question 14. Because this question asked about multiple items, this finding discusses ten questions that relate to performance.

<sup>30</sup> National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

## **Provincial**

While the shifts in provincial-level results were largely positive, recall of performance-related information among investors in Manitoba decreased in some areas. For example, recollection of market value at the end of the calendar year and records of deposits and withdrawals was worse in 2019 than 2016 (87% from 92%, and 82% from 90%, respectively).

Ontario saw the greatest number of improvements, with seven out of ten items showing increased investor recall.

## **Advisor Relationship Segment**

We found some differences across advisor segments, with increases seen primarily in the segment of investors who were not advised or whose advisor does not have discretionary authority. These segments, however, had lower baseline levels than investors whose advisor has discretionary authority. In particular, investors who were not advised had lower baseline levels for each of the performance-related items compared to the national average. By contrast, investors who were advised with discretionary authority reported higher baseline levels for eight of the 10 performance related items compared to the national average.

- 7. Between 2016 and 2019, there was an increase in the percentage of investors who considered it important to monitor the overall return on investments, investment performance against financial goals, and comparison of returns with similar types of investments. In all three areas, importance increased in 2017 and was sustained through to 2019.<sup>31</sup>**

## **National**

We asked investors how important it was to monitor the following four items: change in value of each of their investments, how their investment returns compare to the returns on similar types of investments, the overall return of all their investments, and how their investments are performing against their financial goals. In 2016 there was already a high level of agreement on the importance of monitoring these items, with between 79% and 91% of investors reporting these items to be very important or somewhat important to monitor. The level of agreement increased by 2019 for all items except for monitoring the change in value of each investments (92% in 2019 and 91% in 2016, increase not statistically significant).

## **Provincial**

The item with the biggest increase in the proportion of positive responses asked how important it was to compare investment returns to returns on similar types of investments. For this item, we saw particularly big jumps in Alberta, New Brunswick (both increased from 80% in 2016 to 88% in 2019), and Atlantic Canada (79% in 2016, 86% in 2019).

## **Advisor Relationship Segment**

Investors who were advised without discretionary authority saw the most improvement among the advisor relationship segments. By 2019, a greater proportion of these investors reported placing more importance on all four items listed.

<sup>31</sup> This finding discusses results for question 15. Because this question asked about multiple items, this finding discusses four questions that relate to performance.

8. Between 2016 and 2019, there was an increase in the number of investors who reported having a good understanding of how benchmarks are used to measure investment performance.<sup>32</sup>

### National

We asked investors to rate their understanding of benchmarks used to measure the performance of their investments. In 2016, 69% of investors reported having a good or very good understanding benchmarks and this figure rose to 72% by 2019.

### Provincial

This result was driven mostly by increases in a few provinces and was not uniform across the country (see figure 4).

#### Understanding of benchmarks

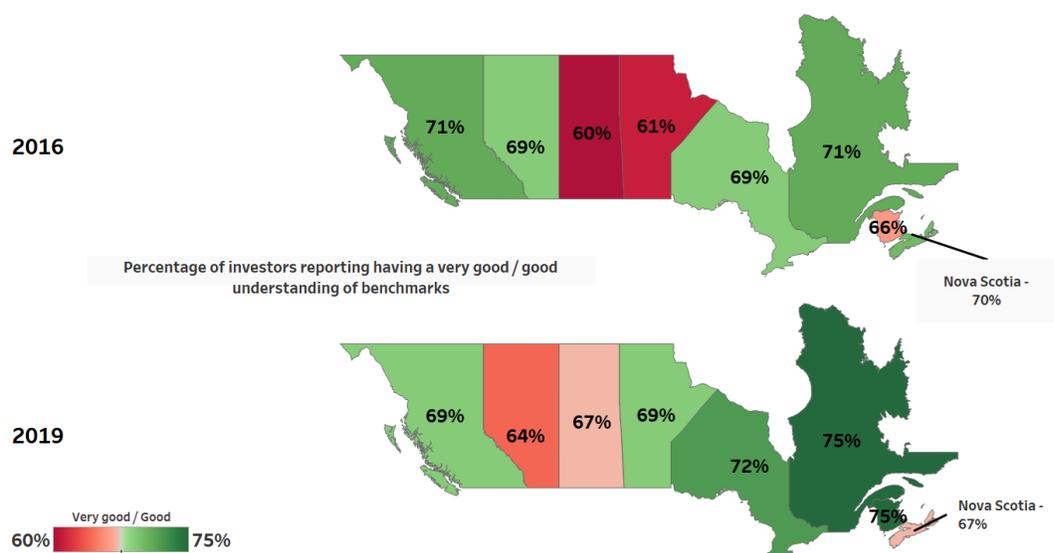


Figure 4. A greater percentage of investors in both Saskatchewan and Manitoba reported having a good or very good understanding of benchmarks in 2019 than in 2016. New Brunswick—where reported knowledge jumped from 66% to 75%—recorded the largest increase.

### Advisor Relationship Segment

Investors who were advised without discretionary authority had a relatively lower level of understanding of benchmarks by the end of our study (68% compared to the national average of 72%).

9. There was an increase in investor confidence in monitoring the change in the value of their investments over time, and assessing whether their investments are on track to reach their financial goals.<sup>33</sup>

### National

We asked investors how confident they were in monitoring the change in value of their investments over time and in assessing whether their investments were on track to reach their financial goals. Increases in the percentage of investors who reported being very or somewhat confident were seen in both items. Investor's confidence in monitoring the change in the value of their investments increased from 80% in

<sup>32</sup> This finding discusses results for question 7b2. This question had a single item related to benchmarks.

<sup>33</sup> This finding discusses results for question 19. This question contained two items.

2016 to 86% in 2019. Investor's confidence in assessing whether their investments were on track to reach their financial goals rose from 76% in 2016 to 82% in 2019.

### **Provincial**

The increases seen nationally for these two items were largely attributable to the increases in Ontario. In 2016, investors in Ontario had the lowest confidence levels for both items. By 2019, the percentage of investors in Ontario who reported being confident in monitoring the change in value of their investments over time was tied for the highest in Canada (rising from 77% to 87%), and those who reported being confident in assessing whether their investments were on track to reach their financial goals rose from 72% to 81%.

### **Advisor Relationship Segment**

Investors who were advised without discretionary authority reported the lowest levels of confidence for both items in 2016. By 2019, reported confidence had jumped seven percentage points in both items, to equal the national average.

The proportion of investors who were advised with discretionary authority saw a similar increase in reported confidence to those who were advised without discretionary authority when it came to monitoring the change in the value of their investments over time.

## **10. While nearly 9/10 of investors reported having a good understanding of the return on their investments, this does not represent an increase from 2016.<sup>34</sup>**

### **National**

We asked all investors to rate their level of agreement with the statement that they had a good understanding of the return on their investments. The change in the percentage of investors who agreed with this statement between 2016 and 2019 was not statistically significant (86% in 2016, 88% in 2019).

## **3. Value of advice**

Change in investors' attitudes on the value of the advice and services they receive from their advisor and their firms, given their understanding of the returns on their investments and the different types of fees charged to them, at the investment and account levels

## **11. There was a decline between 2016 and 2019 in how satisfied investors were with their relationship with their advisors.<sup>35</sup>**

### **National**

We asked respondents about their satisfaction with the relationship they have with their advisor (for all respondents who reported having an advisor). Eighty-eight percent (88%) of investors reported that they were very satisfied or satisfied with the relationship in 2016. Satisfaction levels declined to 84% in 2017, and remained around this level until the end of the study (83% in 2019). The five percentage point drop in advisor satisfaction was offset by a five percentage point gain in respondents who were neither satisfied nor dissatisfied with their advisors (9% in 2016, 14% in 2019).

### **Provincial**

The five percentage point national decrease was not uniform across the country, as seen in figure 5. Two provinces showed declines to this question. Quebec results declined from 90% to 84% and Ontario from 89% to 81%.

<sup>34</sup> This finding discusses results for question 7A.

<sup>35</sup> This finding discusses results for question 31.

Satisfaction increased in three places—Manitoba, Nova Scotia, and Atlantic Canada. Three places also showed statistically higher results in 2019 than the national average of 83%—Nova Scotia and New Brunswick at 89%, and Atlantic Canada at 88%.

#### Satisfaction with advisor relationship

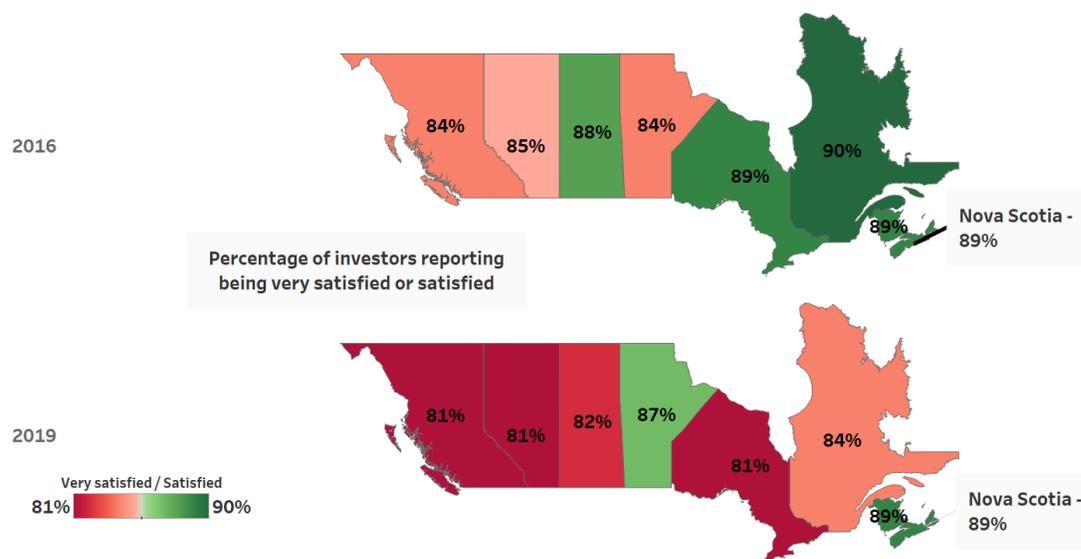


Figure 5. Investors in many places in Canada reported lower levels of satisfaction with their advisor relationship. Investors in both Quebec and Ontario grew more dissatisfied by 2019. In contrast, Nova Scotia and New Brunswick saw 89% of respondents reporting that they were satisfied in both 2016 and 2019—well above the 2019 national average of 83%.

#### Advisor Relationship Segment

Of the three advisor relationship segments, only investors whose advisor has discretionary authority showed a statistically significant decline in advisor satisfaction levels (93% in 2016, 86% in 2019).

The baseline satisfaction level for investors advised without discretionary authority, at 83%, was lower than the national baseline. Investor satisfaction dropped to 79% in 2019, and this decrease contributed to the lower national average.

**12. More investors reported being likely to change their firm in 2019 compared to 2016, and in some provinces, more investors reported being likely to change their advisor. However, both of these numbers were lower than what we observed in 2018.<sup>36</sup>**

#### National

We asked investors who were advised how likely they were to change their advisor or firm based on their understanding of the performance and fees of their account. In 2016, 19% of investors reported having already changed or being very likely or somewhat likely to change firms based on this understanding, and by 2019 this figure had risen to 23%. A quarter of investors reported having already changed their advisor or being likely to change their advisor in 2019. This was a non-statistically significant increase from the 22% of investors who reported the same sentiment in 2016.

<sup>36</sup> This finding discusses results for questions 32 and 33, both of which contained a single item.

## Provincial

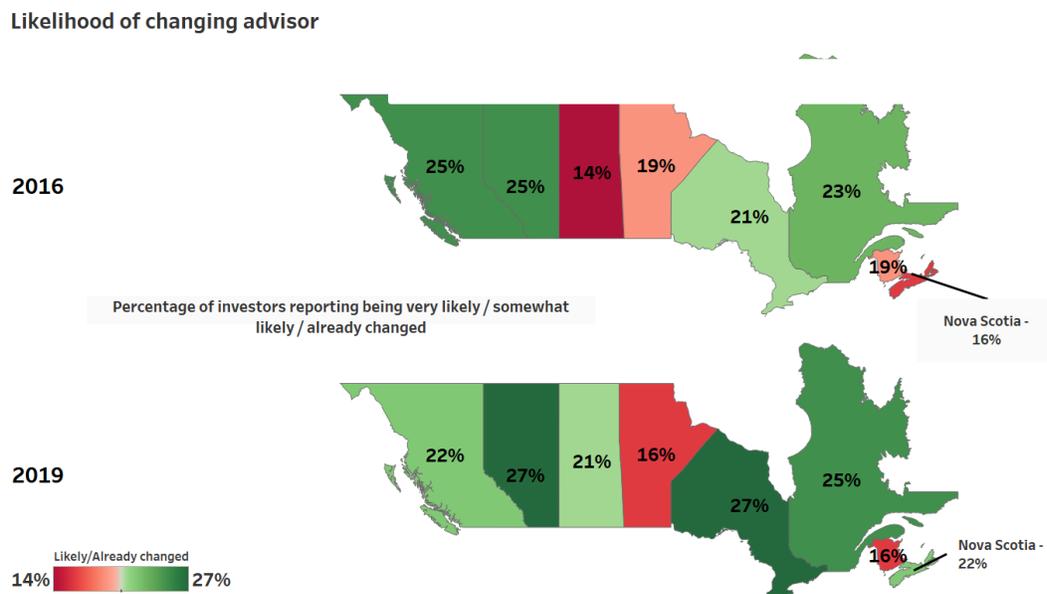
Investors in both Saskatchewan and Ontario both reported increases in the likelihood to switch firms or advisors.

Only 15% of investors in Saskatchewan reported having already changed or being likely to change their firm in 2016. By 2019, this number had increased to 22%. In Ontario we saw an increase from 18% to 25% for the same time period. The changes in these two provinces were instrumental in driving the increase nationally as the other provinces did not experience similar levels of movement.

Similar trends were seen in Saskatchewan and Ontario in investor intent to change their advisors.

Investors in Saskatchewan reported the lowest likelihood of changing their advisor in 2016 (14%). This figure rose to 21% in 2019. In Ontario the percent of investors who had already changed or were likely to change their advisor increased from 21% in 2016 to 27% in 2019.

Figure 6 graphically depicts investors' likelihood of changing their advisors in 2016 and 2019, by province.



*Figure 6. Investors in many provinces reported being more likely to change advisors, if they had not already done so. The increases in both Saskatchewan and Ontario can be seen above. Manitoba and New Brunswick—both of whom saw the percentage reporting this sentiment decline from 19% to 16% over our study period—had results that were well below the national average of 25%.*

## Advisor Relationship Segment

In both 2016 and 2019, 35% of investors whose advisor has discretionary authority reported having already changed or were likely to change their advisors. In comparison, 14% of investors whose advisor has discretionary authority (PM model) expressed the same sentiment in 2016. This had increased to 22% by 2019 (see figure 7).

We observed a similar trend in the likelihood of changing firms for these two advisor segments. In 2016 and 2019, 32% and 33% of investors whose advisor has discretionary authority reported having already changed or were likely to change their firms. For investors whose advisor has discretionary authority (PM model), 13% and 24% of them reported having this view in 2016 and 2019, respectively.

Likelihood of changing advisor (% responding Very likely / Somewhat likely / Already changed)

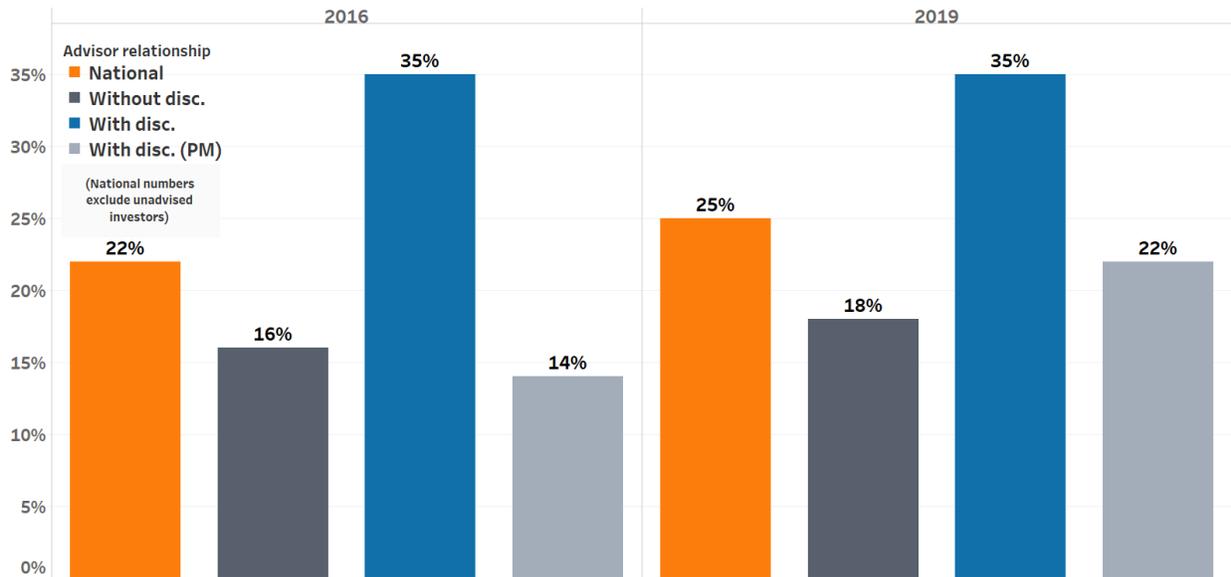


Figure 7. Note the difference between investors in the two advised with discretionary authority segments (the third and fourth columns). The PM category (light grey) reported a considerably lower percentage in both 2016 and 2019, although the gap did shrink slightly by the end of our study.

**13. There was no increase in the percentage of investors who reported being more likely to change their fee arrangements.<sup>37</sup>**

**National, Provincial, and Advisor Relationship Segment**

There were no increases nationally or provincially in the percentage of investors who have already changed or were likely to change the fee arrangement they have with their firm based on their understanding of the performance and costs of their account. While the increase in investors reporting this sentiment was large enough in 2018 to register as statistically significant, this was no longer the case by 2019 (23% in 2016, 25% in 2019).

Two advisor segments saw increases: investors who were not advised (18% in 2016, 25% in 2019) and those whose advisor has discretionary authority (PM model) (13% in 2016, 23% in 2019).

<sup>37</sup> This finding discusses results for question 34.

#### **4. Conversations with advisors**

Change in the frequency and quality of conversations between investors and their representatives about fees, costs, and performance of their investments

**14. Our survey asked investors to report what topics their advisors had discussed with them in the previous 12 months. Each surveyed topic was more likely to be discussed in 2019 than 2016.<sup>38</sup>**

##### **National**

We asked investors who communicated at least once a year with their advisor what were the topics of discussion. These eight topics were: overall performance of investments individually and at portfolio level; performance against benchmarks; how performance is tracking against financial goals; and recommending changes to investments holdings due to reasons related to performance; current financial situation; future financial goals; and risk tolerance. In each of the eight topics that we surveyed, the proportion of investors who reported that they had a discussion of some or all these topics increased. The average percentage point increase for all topics was around seven percent (7%).

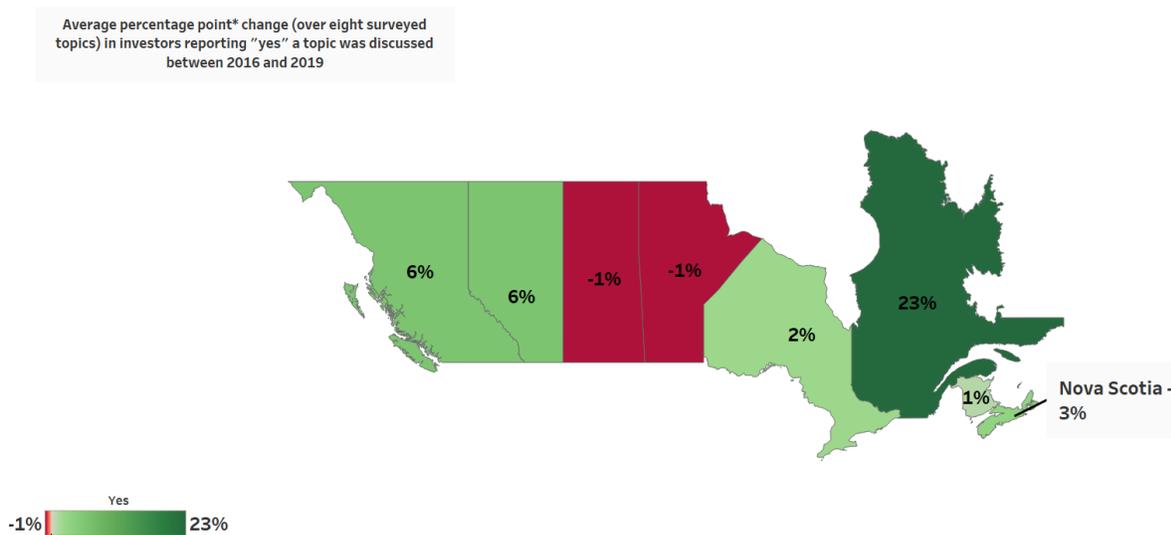
##### **Provincial**

Large increases in Quebec were the driving force behind the increases seen at the national level.

The proportion of Quebec investors who reported having a discussion of these topics was the lowest in Canada in 2016. For example, we asked investors if their advisor had discussed the overall performance of the investments in their account in the last twelve months. Just over half (53%) of investors indicated that their advisor had discussed this topic. In comparison, over 83% of investors in the other provinces reported that such a discussion occurred. By 2019, the percentage of investors in Quebec who reported having a discussion of the overall performance of their investments increased to 86%. This is a trend which repeats throughout this question—national increases driven primarily by Quebec moving towards the national average.

<sup>38</sup> This finding discusses results for question 18. Because this question asked about multiple items, this finding discusses eight questions that relate to conversations with advisors.

## Change in topics discussed with advisor between 2016 and 2019



*Figure 8. \*This figure shows the arithmetic average of the change between 2016 and 2019 across the eight topics surveyed. The change in Quebec was considerably larger than anywhere else in Canada. In part, this is because the proportion investors in Quebec who reported having discussions of these topics was lower than the national average for each of the eight surveyed topics, and therefore had more room to increase.*

### Advisor Relationship Segment

We also saw increases in the segment of investors who were advised without discretionary authority, although not to the same magnitude as what we discussed above in the provincial section.

#### **15. In 2019, more investors reported discussing fees associated with their investment with their advisor in the previous 12 months as compared to 2016.<sup>39</sup>**

### National

We asked investors who had advisors whether, in the previous 12 months, their advisor had discussed fees with them. In 2016, 38% of investors reported that their advisor had done so, and this number rose to 43% in 2019.

### Provincial

Increases in the discussion of fees occurred mainly from Manitoba and westward to British Columbia. In 2016, only 29% of investors in Manitoba reported that they had discussed fees with their advisor in the last 12 months, and this was the lowest in Canada—by 2019, reported discussion of fees had risen to 40% (see figure 10). British Columbia also saw a sizeable increase (44% in 2019, up from 34% in 2016). Meanwhile, both New Brunswick (35%) and Atlantic Canada (37%) reported 2019 numbers which were lower than the national average at the end of the study period.

<sup>39</sup> This finding discusses results from question 27.

### Changing discussions on fees between 2016 and 2019

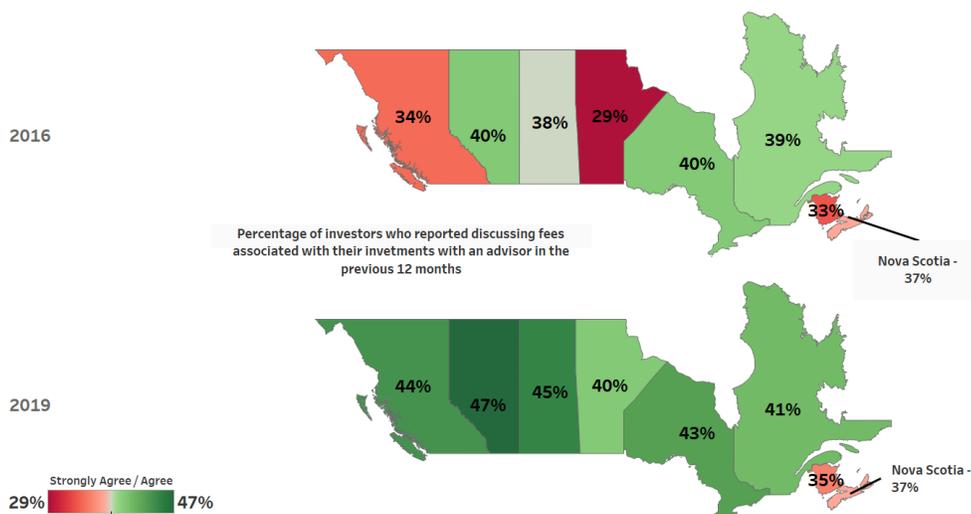


Figure 9. Across Canada, investors were having more discussions about fees with their advisor by 2019. The exception was the east coast—both New Brunswick and Atlantic Canada reported percentages lower than the national average in 2019.

### Advisor Relationship Segment

The proportion of investors who were advised without discretionary authority and who reported having a discussion about fees with their advisor had the lowest baseline results of the three advised segments, at 27%. By 2019, the results for this segment was still lower than the national average, at 38%, despite a 12 percentage point gain.

### 16. Our survey asked investors about whether their advisors discussed the impact of fees on returns. We saw no improvement at the national level between 2016 and 2019.<sup>40</sup>

#### National

We asked a series of questions to those investors who, in the previous twelve month, had discussed account-related fees with their advisor. These questions asked investors to rate their level of agreement on specific topics covered in the fee conversation. The list below provides results for the percentage of investors who replied that they strongly agreed or agreed with these statements. None of the movements between 2016 and 2019 were statistically significant.

- Overall fees for investments in their account (92% in 2016, 90% in 2019)
- Fees for each investment in their account (79% 2016, 80% 2019)
- Fees for their investments relative to comparable investments (76% in both 2016 and 2019)
- How fees impacted their investment returns (78% 2016, 79% 2019)
- Whether advisor had suggested changes to investments when lower cost options were available (68% 2016, 72% 2019)

#### Provincial

The small shifts in the national results mask improvements seen in some provinces, notably Saskatchewan and Nova Scotia (see figure 10). Saskatchewan started with the lowest baseline levels among provinces, in 2016, with 66% of investors reporting having a discussion with their advisor of how

<sup>40</sup> This finding discusses results for question 28, which contained four items.

fees impact returns. By 2019, Saskatchewan, at 81%, surpassed the national average of 79%. Compared with Saskatchewan, investors in Nova Scotia started with a higher baseline level in 2016 (78%) and also saw considerable improvement by 2019 (89%). The incidence of this type of discussion in other provinces showed no statistically significant movements, and Alberta, British Columbia, and New Brunswick saw decreases.

### Advisor Relationship Segment

There was no statistically significant change in any of the advisor relationship segments.

#### Discussing the impact of fees on returns

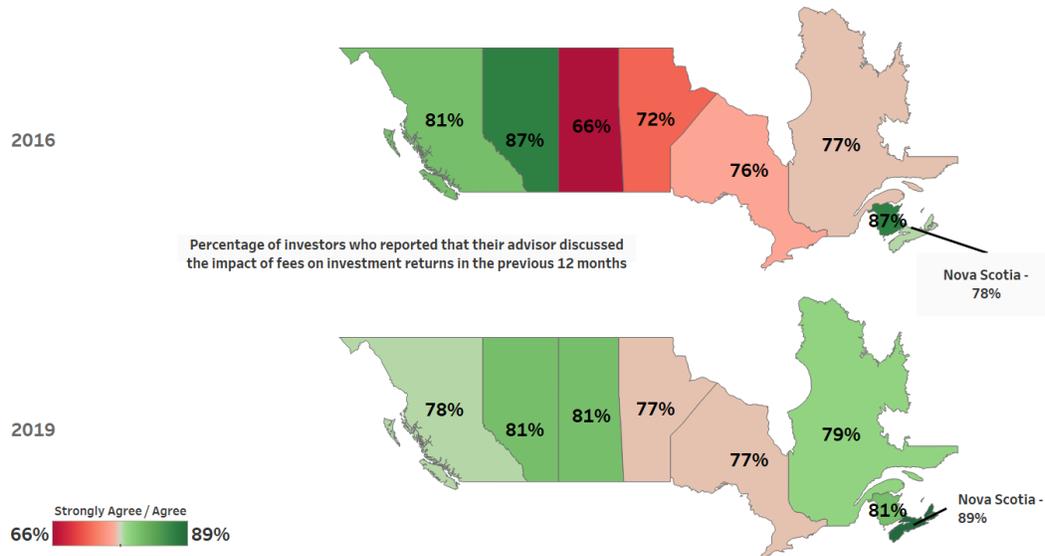


Figure 10. A greater percentage of investors in both Saskatchewan and Nova Scotia reported discussing with their advisor the impacts that fees had on returns by 2019, with Nova Scotia reporting the highest percentage in Canada.

## 5. Advisor management of conflicts

5A. Change in representatives' management of conflicts by proactively disclosing and explaining to clients about what various fees, charges, and other compensation are for and what value those costs represent

5B. Change in representatives' recommendation of cost-effective investment options to clients when multiple suitable investment products are available for meeting the clients' needs

**17. (5A) In both 2017 and 2018, there was an increase in the proportion of investors who reported that their advisor discussed fees with them before an investment purchase. However, we saw a regression in 2019 and cannot conclude such discussion has sustained over the survey period.<sup>41</sup>**

### National

We asked investors<sup>42</sup> who had made an investment purchase in the previous 12 months whether their advisor had discussed fees with them prior to their purchase. In 2019, 44% reported that this was the case. There was no statistically significant change between the baseline and 2019, although the increases for 2017 and 2018<sup>43</sup> were statistically significantly higher than the baseline.

### Provincial

While we didn't observe any movements at the national level, there was a notable jump in reported fee discussions before a purchase from Ontario respondents, rising from 31% in 2016 to 45% in 2019, which represents a movement from among the lowest to the highest provincial numbers. The province with the highest 2019 results, however, was Alberta, which saw 56% of investors who reported discussing fees with their advisor before a purchase.

**18. (5B) We did not find evidence that advisors were increasingly recommending investment changes when lower cost options were available.<sup>44</sup>**

### National

We asked advised investors who had discussed fees with their advisor in the previous 12 months whether their adviser had recommended changes to their investments when lower cost options were available. In 2019, 72% strongly agreed or agreed that this was the case. There was no statistically significant increase in investors who responded positively over the study period.

### Provincial

Saskatchewan was the only province where the increase between the baseline and 2019 results was statistically significant (60% in 2016, 75% in 2019). Saskatchewan's 2019 results ties with Alberta for the province with the highest proportion of investors who reported that their advisor recommended changes to their investments when lower cost options are available.

### Advisor Relationship Segment

Investors who were advised with discretionary authority reported numbers that were higher than the national results in both the baseline (78%) and 2019 (81%). Investors who were advised with

<sup>41</sup> This finding discusses results for question 38.

<sup>42</sup> We only asked this question to one of the advisor relationship segments—investors advised with no discretionary authority.

<sup>43</sup> In 2017 and 2018, 49% and 50% of investors reported that their advisor discussed the fees associated with the investment options available to them before they made a purchase.

<sup>44</sup> This finding discusses results for one of the items for question 28.

discretionary authority (PM model) reported numbers that were lower than the national results in both the baseline (49%) and 2019 (59%).

## **6. Importance of investment product characteristics, advisor advice, and written disclosure in the investment purchase decision**

Change in investors' attitude on the importance of the investment performance, risks, fees, and costs, representatives' advice, and disclosure documents, including Fund Facts, in making an investment decision

**19. We asked investors to gauge how important various factors were in making a purchasing decision. We observed that a greater proportion of investors reported that both performance against broad indices and issuer materials (i.e. Fund Facts) were very important or somewhat important in 2019.<sup>45</sup>**

### **National**

This finding reports on results to the question that asked investor how important a list of 10 items were in helping them make a purchase decision.<sup>46</sup> It was only asked of investors that were unadvised or had advisors with no discretionary authority. Further, it was only asked of that subset of investors who reported making an investment purchase in the last twelve months.

Only two items showed statistically significant changes in the percentage of respondents who found it very or somewhat important to a purchase decision. Performance against broad indices saw an increase from 71% to 77%. Issuer materials, that were illustrated by the examples of prospectuses, annual reports, and Fund Facts, saw an increase from 58% to 65%, although this item had the lowest importance rating of the ten listed items.

At this point, it is worth a moment to look at three questions across outcomes that relates to benchmarks:

- In outcome 2, we saw that a greater proportion of investors felt it was important to monitor how the return on their investment compares to the return on other similar types of investments (from 79% to 85%)
- In outcome 3, we saw that a greater proportion of investors had a good understanding of benchmarks (from 69% to 72%)
- In this outcome, we saw that a greater proportion of investors felt that performance against broad indices was important to helping them make a purchase decision (from 71% to 77%)

While the benchmark-related questions saw increases in the four years of the study, they did so at somewhat different rates.

### **Provincial**

The survey results showed increases for five provinces on at least one item's assessed importance to help with a purchase decision. Only three of the provincial increases contributed to the two items that saw a national change. Quebec and New Brunswick both registered changes of over ten percentage points for the item of performance against broad indices (Quebec 82% and New Brunswick 75% in 2019, both up 13 percentage points). Ontario registered an eleven point increase for the item of issuer materials (54% to 65%).

<sup>45</sup> This finding discusses results for question 37. Because this question asked about multiple items, this finding discusses ten items overall.

<sup>46</sup> The list of ten items are: Historical performance of the investment, Performance against investments with similar features or objectives, Performance against broad indices, Dollar amount of fees, Fees and charges relative to investments with similar features or objectives, Riskiness of investment relative to own risk tolerance, How the investment fits into financial goals, How the investment fits into current investment portfolio, The advice of an advisor, Issuer materials (e.g., Fund Facts).

While not impacting the national results, Manitoba was the only province to see any (statistically significant) decreases in the reported importance of various purchase decision criteria, specifically for the following four items:

- How the investment fits into my financial goals (84% in 2019, down 11 percentage points)
- Historical performance of the investment (79%, down 11 percentage points)
- How the investment fits into the existing asset allocation of my portfolio (79%, down 12 percentage points)
- Performance against investments with similar investment objectives or investment features (66%, down 14 percentage points)

### **Advisor Relationship Segment**

As only two advisor relationship segments contribute to the national average, one or both would have needed to change to see the two changes to national results. While both segments saw increases in the two items surveyed, the unadvised investor segment saw statistically significant increases that drove both of the national changes:

- For the importance of performance against broad indices in helping investors make a purchase decision, unadvised investor results increased from 66% to 77%
- For the importance of issuer materials in helping investors make a purchase decision, unadvised investor results increase from 54% to 64%

## **20. Almost every section of Fund Facts was considered important by investors, which has been consistent over the study period.<sup>47</sup>**

### **National**

We asked investors who were advised without discretionary authority and who had been exposed to Fund Facts during a mutual fund purchase how important various<sup>48</sup> sections of Fund Facts were in helping them make a purchase decision.

Nearly all elements were considered helpful. We witnessed two elements which were perceived as more helpful<sup>49</sup> in 2019 than in 2016. The first was Quick Facts (found helpful by 84% of respondents in 2016 and 95% in 2019) and the second was Investor's rights (found helpful by 75% of respondents in 2016 and 84% in 2019). Other elements, such as what the fund invests in, the risk rating of the fund and how the fund has performed were considered helpful by nearly all (greater than 96% in all cases) of respondents in both 2016 and 2019.

### **Provincial**

In New Brunswick, only 83% of investors in 2016 found the risk rating of the fund helpful (compared with a national average of 97%), but by 2019 this had risen to 100%. We noted above that a greater proportion of investors found Quick Facts and Investor's rights helpful in 2019 than they did in 2016, but these changes were only seen in Ontario when we look at the data by province.

<sup>47</sup> This finding discusses results for question 41. Because this question asked about multiple items, this finding discusses seven items overall.

<sup>48</sup> Quick Facts, What the fund invests in, Risk rating of fund, How the fund has performed, Who the fund is for, How much the fund costs, Investors rights.

<sup>49</sup> Only includes investors who answered very important or somewhat important.

## **7. Advisor use of Fund Facts in the sales process and investors view of Fund Facts**

7A. Change in the use of Fund Facts among representatives as a tool to communicate potential benefits, costs, and risks of new investments to their clients before the transaction (at point of sale)

7B. Investor views of tools not available in Fund Facts that, if available, would help them make more informed investment decisions

### **21. (7A) Advisors are most likely to use Fund Facts to explain the features of a mutual fund during the sales process, and were more likely to use Fund Facts in 2019 than they were in 2016.<sup>50</sup>**

#### **National**

We asked investors who were advised without discretionary authority and who had purchased a mutual fund in the last twelve months what material their advisor had used to explain the features of the mutual fund in the pre-purchase discussion. In both 2016 and 2019 the material which was used most often was Fund Facts, with 58% of investors in 2016 and 69% of investors in 2019 reporting it being used. The second most popular material was the fund profile, with 40% of investors in 2016 and 34% of investors in 2019 reporting that it was used (although this decline was not statistically significant). The prospectus was seen by 21% of investors in 2016 and 20% of investors in 2019.

#### **Provincial**

Results were quite different across Canada. Alberta, British Columbia, and Manitoba showed no increases (in fact both B.C. and Alberta showed statistically insignificant declines) but they started from high baseline levels compared to the national average. Saskatchewan, Ontario, Quebec, and Nova Scotia showed large increases but started from lower baseline levels. National results were driven by provinces starting from lower baseline levels and closing the gap to the national average.

### **22. (7B) Nearly all investors (93%) were not seeking additional information to be included in Fund Facts to help them make informed investment decisions.<sup>51</sup>**

#### **National**

We asked investors who were advised without discretionary authority and who had been exposed to Fund Facts when they purchased a mutual fund in the previous 12 months if there was information which was not contained in Fund Facts that would be useful in making an informed investment decision. In 2016, 88% replied that there was “nothing to add” and this rose to 93% by 2019 (although this change was not statistically significant). By 2019, the most frequently cited additional information which was desired was regarding fees/costs/commissions – while this was only noted by 2% of respondents. It’s worth noting that this question also had an open ended component where respondents were able to write additional feedback; there was a significant portion of this feedback that expressed a desire for more clarity about fees and costs.

<sup>50</sup> This finding discusses results for question 40. Because this question contained multiple parts, this finding discusses five questions overall.

<sup>51</sup> This finding discusses results for question 43, which was an open-ended question.

## 8. Investment planning

Change in representatives' practice in holding account specific investment planning discussions with clients to understand their financial goals and priorities, development investment plans and strategies to achieve these goals, and review clients' investment plan and portfolio regularly to assess progress

### 23. We saw an increase in the proportion of investors who reported having a written investment plan in 2018, but by 2019, this increase had regressed to 2016 levels.<sup>52</sup>

#### National

We asked investors whether they have an investment plan in place. The answer choices to this question were yes, no, or don't know. While the percentage of respondents agreeing climbed in the first two years of the study (38% to 42%) to the point that the 2018 result was statistically higher than the baseline, the final year of surveying showed a decline to 41%, which was no longer statistically significant.

#### Provincial

While the national average showed no statistically significant increase between the baseline and 2019, both Alberta and Atlantic Canada showed increases in 2019 that moved their results to statistically significant (Alberta from 36% to 45%; Atlantic Canada from 39% to 44%).

#### Advisor Relationship Segment

While there were no statistically significant increases within any specific advisor segments over the study period, it is important to note how differently investors respond to this question based on their advisor relationship, as seen in figure 11. Only investors advised without discretionary authority look like the national average.

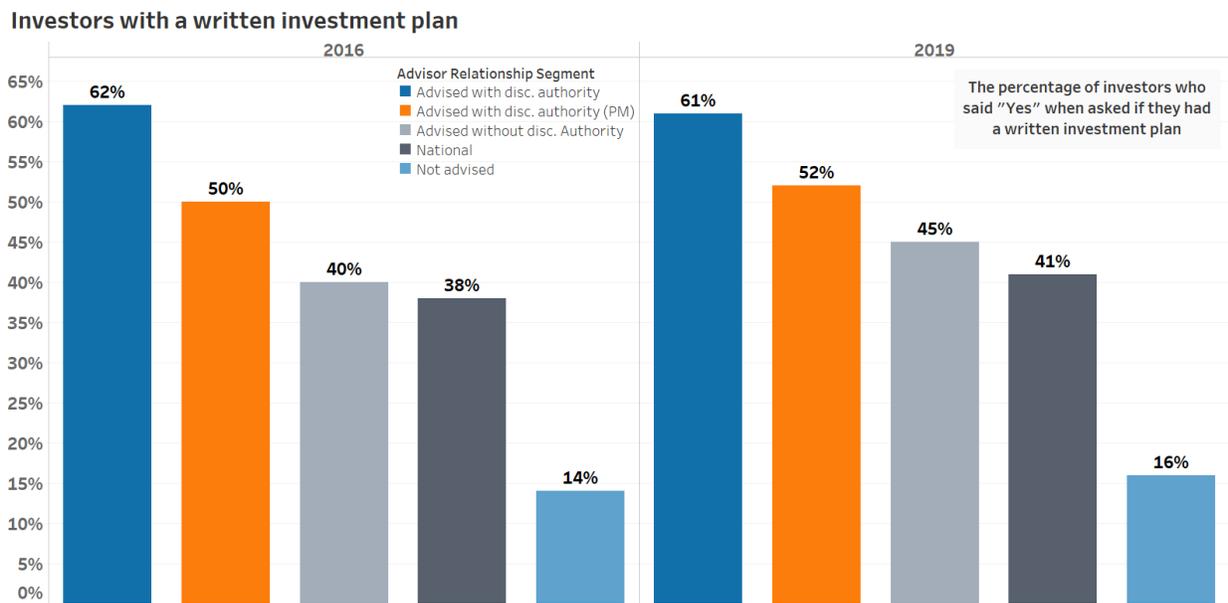


Figure 11. This figure looks at the proportion of investors who reported having a written investment plan. While investors advised without discretionary authority reported similar numbers to the national average (third and fourth columns, light grey and dark grey bars), investors who were advised with discretionary authority (columns one and two) reported considerably higher numbers, and those who were unadvised (column 5) reported considerably lower numbers.

<sup>52</sup> This finding discusses results for question 8.

**24. We asked investors whether advisors had discussed topics such as financial goals and progress towards those goals, and different strategies to reach those goals, as well as risk tolerance, and found no increases between 2016 and 2019.<sup>53</sup>**

**National**

We asked investors whether advisors had discussed the following topics: financial goals and progress towards those goals, different strategies to reach financial goals, and risk tolerance. This question was only asked of investors with both an advisor and an investment plan. The proportion of investors who answered strongly agree or agree to these statements ranged from 91% to 95% in the baseline and in 2019, and there were no statistically significant changes.

**Provincial**

There was only one statistically significant change for these questions by province. In British Columbia, 97% of investors reported discussing their risk tolerance with their advisor as part of reviewing their investment plan, up from 91% in the baseline.

**Advisor Relationship Segment**

Increases were seen for all segments and all three topics but none of the changes were statistically significant.

**25. Comparing 2016 to 2019, we observed no statistically significant improvements in the percentage of investors who reported receiving statements about performance and cost of investments.<sup>54</sup>**

**National**

We asked all investors whether their firms provide statements about the performance and costs of their investments. In 2016, 89% reported receiving at least one of these reports. By 2019, as seen in figure 12, 35% of investors stated that they receive statements about both the performance *and* the costs of their investments<sup>55</sup>.

<sup>53</sup> This finding discusses results for question 11. Because this question asked about multiple items, this finding discusses three questions overall.

<sup>54</sup> This finding discusses results for question 12.

<sup>55</sup> After analyzing the baseline results in 2016, the answer choices for question 12 were reworked to enable us to differentiate between cost and performance report delivery. The modified answer choices, which allows for multiple mentions, were used for the last three years of the study.

## Receiving statements about cost and performance

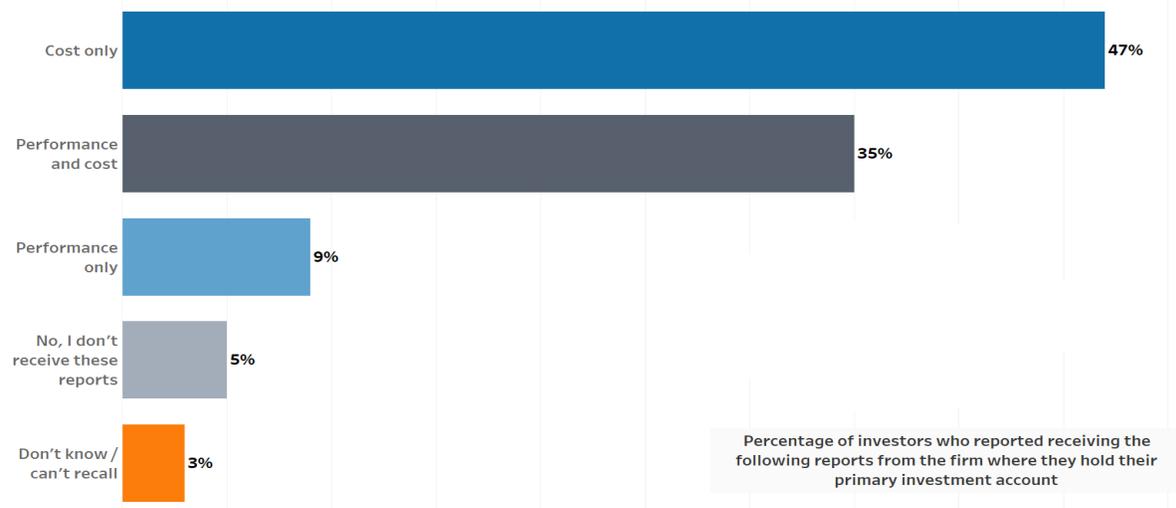


Figure 12. More investors reported receiving statements about cost only (47%) than about both cost and performance (35%).

### Provincial

Alberta was the only province where the proportion of investors who reported receiving these statements increased (from 85% in 2016 to 92% in 2019).

### Advisor Relationship Segment

The unadvised investor segment was the only advisor segment to show a statistically significant increase in investors' recall of whether they received costs or performance statements. Eighty-five percent (85%) of investors in the unadvised segment reported receiving at least one of these statements, up from the baseline of level 80% but still lower than the national average of 91%. The lower average in this segment brought the 2019 national average down by 3 percentage points.

**26. In 2019 nearly all surveyed investors (95%) reported their advisor helped develop an investment plan and 84% of investors reported reviewing that plan with their advisor in the last 12 months. These results did not change from 2016.**

### National

We asked two questions specific to the advisor's role in written investment plans: did the advisor help the investor write the plan, and did the advisor review the plan with the investor in the last 12 months. This question was only asked of investors with both an advisor and an investment plan.

There was no statistically significant change over the study period for either question, but both results had higher baseline levels. In both 2016 and 2019, 95% of relevant investors said their advisor helped them develop their investment plan, and in 2019 84% reported that their advisor had reviewed the plan with them in the last 12 months.

### Provincial

There are no noteworthy provincial differences or changes for this question, either intra-provincially or compared to the national average.

### Advisor Relationship Segment

There are no noteworthy advisor segment differences or changes for this question. All three advised segments had similar results for the question about investment plan development.

## Appendix 1: Survey Questionnaire

1a. Do you own any investment products, such as stocks, bonds, exchange-traded funds (ETFs), or mutual funds, either inside or outside of an RRSP, RESP, RRIF, or TFSA.

- 01 Yes, IN an RRSP, RESP, RRIF, or TFSA
- 02 Yes, OUTSIDE an RRSP, RESP, RRIF, or TFSA
- 03 Yes, both in AND outside an RRSP, RESP, RRIF, or TFSA
- 04 Currently do not own any investment products

1. Which of the following investment products do you hold? **(CHECK ALL THAT APPLY)**

- 01 Stocks
- 02 Exchange-traded units, including exchange-traded funds (ETFs) and real estate investment trusts (REITs)
- 03 Canada Savings Bonds
- 04 Bonds or notes other than Canada Savings Bonds
- 05 Mutual funds
- 06 Segregated funds (funds sold by an insurance company that offer protection against investment losses)
- 07 Other types of securities or derivatives (e.g. stock options, contract for difference)
- 97 None of the above
- 98 Don't know

2. Not including investments you may have that are part of your employer's pension plan, what type of investment account(s) do you have (i.e., account(s) that hold stocks, ETFs, REITs, bonds, notes, mutual funds, or other types of securities or derivatives)? **(CHECK ALL THAT APPLY)**

- 01 Commission-based, where I work with an advisor and pay for services in part through transaction fees
- 02 Fee-based, where I work with an advisor and pay for services as a percent of the assets they manage
- 03 Discount brokerage, where I do not work with an advisor and I manage my own investments
- 88 Other **(PLEASE SPECIFY)** \_\_\_\_\_
- 04 Only have investments through my employer's pension plan
- 05 I don't have an investment account that holds any of the above investments
- 98 Don't know

3. What type of account is your **primary** investment account (i.e., an account that holds stocks, ETFs, REITs, bonds, notes, mutual funds, or other types of securities or derivatives)? **(CHECK ONE ONLY)**

- 01 Commission-based, where I work with an advisor and pay for services in part through transaction fees
- 02 Fee-based, where I work with an advisor and pay for services as a percent of the assets they manage
- 03 Discount brokerage, where I do not work with an advisor and I manage my own investments
- 88 Other **(PLEASE SPECIFY)** \_\_\_\_\_
- 98 Don't know

4. What type of firm holds your **primary** investment account?

- 01 a bank, including bank owned wealth management/brokerage companies
- 02 a mutual fund company, not owned by a bank
- 03 an independent dealer, not owned by a bank
- 04 a portfolio management company, not owned by a bank
- 05 a credit union or caisse populaire
- 06 an insurance company
- 98 Don't know

4a. What is the name of the firm that holds your primary investment account?

- 97 Prefer not to say

5. How long have you held your **primary** investment account?

- 01 Less than one year
- 02 One to less than three years
- 03 Three to less than five years
- 04 Five to less than ten years
- 05 Ten years or longer

6a. Do you have an advisor for your primary investment account who can give you specific recommendations about investments in securities?

- 01 Yes, I have an advisor
- 02 No, I manage my own investments
- 98 Don't know

6b. Have you given your advisor discretionary authority over your account? When your advisor has discretionary authority, your advisor – not you – is the one who makes investment decisions for your account. Your advisor therefore buys and sells investments in your account without your prior approval.

- 01 Yes
- 02 No
- 98 Don't know

The next few questions are about your satisfaction with the advisor of your primary investment account and the firm where you hold your primary investment account. *Please consider the performance and fees of your primary investment account when answering these questions.*

Performance of your account refers to the return of the investments in your account.

Fees of your account include any fees you pay to buy, hold, or sell the investments in your account, as well as any fees for the operation, management, and/or administration of your account.

The next few questions are about your satisfaction with the firm where you hold your primary investment

account. *Please consider the performance and fees of your primary investment account when answering these questions.*

Performance of your account refers to the return of the investments in your account.

Fees of your account include any fees you pay to buy, hold, or sell the investments in your account, as well as any fees for the operation, management, and/or administration of your account.

31. How satisfied are you with the relationship you have with your advisor?

- 01 Very satisfied
- 02 Satisfied
- 03 Neither satisfied nor dissatisfied
- 04 Dissatisfied
- 05 Very dissatisfied
- 98 Don't know/Not sure

32. Based on your understanding of the performance and fees of your account, how likely are you to change your **advisor**?

- 01 I have already made a change in the last 12 months
- 02 Very likely
- 03 Somewhat likely
- 04 Somewhat unlikely
- 05 Very unlikely
- 98 Don't know

33. Based on your understanding of the performance and fees of your account, how likely are you to change your **firm**?

- 01 I have already made a change in the last 12 months
- 02 Very likely
- 03 Somewhat likely
- 04 Somewhat unlikely
- 05 Very unlikely
- 98 Don't know

34. Based on your understanding of the performance and fees of your account, how likely are you to change the **fee arrangement** you have with your firm?

- 01 I have already made a change in the last 12 months
- 02 Very likely
- 03 Somewhat likely
- 04 Somewhat unlikely
- 05 Very unlikely
- 98 Don't know

7. Please rate your level of agreement with each of the following statements.

|   | 01<br>Strongly Agree     | 02<br>Agree              | 03<br>Disagree           | 04<br>Strongly Disagree  | 98<br>Don't Know         |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a. I have a good understanding of the return on my investments  | <input type="checkbox"/> |
| b. I have a good understanding of the dollar value of fees I am being charged on my investments           | <input type="checkbox"/> |
| c. I have a good understanding of the types of fees I am being charged on my investments                  | <input type="checkbox"/> |
| d. I have a good understanding of how fees are impacting the return of my investments                     | <input type="checkbox"/> |
| e. I have the information needed to make informed decisions about my investments                          | <input type="checkbox"/> |
| f. I am satisfied with the frequency of conversations I have with my advisor regarding fees               | <input type="checkbox"/> |
| g. I am satisfied with the frequency of conversations I have with my advisor regarding investment returns | <input type="checkbox"/> |
| h. I have a good understanding of the value of professional advice I receive                              | <input type="checkbox"/> |
| i. I have a good understanding of the potential benefits and risks of my investments                      | <input type="checkbox"/> |

7b. A benchmark is a unit of measurement, such as an interest rate or a grouping of stock or bond prices. A benchmark is used as a standard against which to measure the performance of a mutual fund or a portfolio of stocks. How would you rate your understanding of benchmarks used to measure the performance of your investments; would you say you have a:

- 01 Very good understanding
- 02 Good understanding
- 03 Poor understanding
- 04 Very poor understanding
- 98 Not aware of the concept

## INVESTMENT PLANNING

The next few questions are about **investment plans**. An investment plan refers to a written plan for your account that, over time, lays out how you plan to invest to meet a financial goal, such as saving for retirement. *If you have more than one, please think of your **primary** investment account when answering the following questions.*

8. Do you have a written investment plan?

- 01 Yes
- 02 No
- 98 Don't know/Can't recall

9. Did your advisor help develop your investment plan?

- 01 Yes
- 02 No
- 98 Don't know/Can't recall

10. Has your advisor reviewed your investment plan with you in the last 12 months?

- 01 Yes
- 02 No
- 98 Don't know/Can't recall

11. Thinking of the **last** time your advisor reviewed your investment plan with you, please rate your level of agreement with each of the following statements.

|   | 01<br>Strongly Agree     | 02<br>Agree              | 03<br>Disagree           | 04<br>Strongly Disagree  | 98<br>Can't Recall       |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a. My advisor discussed my financial goals and the progress towards those goals | <input type="checkbox"/> |
| b. My advisor discussed my risk tolerance                                       | <input type="checkbox"/> |
| c. My advisor discussed different strategies for reaching my financial goals    | <input type="checkbox"/> |

## INVESTMENT REPORTS

12. Does the firm where you hold your **primary** investment account provide you with any of the following statements about your investments and their performance and costs? **(CHECK ALL THAT APPLY)**

- 01 Yes, I receive statements about the performance of my investments
- 02 Yes, I receive statements about the costs of my investments
- 03 No, I do not receive these statements
- 98 Don't know/Can't recall

13. When you receive a statement about the performance or costs of your investments, do you generally read all, most, some or none of that statement?

- 01 All
- 02 Most
- 03 Some
- 04 None
- 98 Don't know/Can't recall

13a. Please rate your level of **understanding** of each of the following information included in your costs or performance statements.

|   | 01<br>Excellent          | 02<br>Good               | 03<br>Average            | 04<br>Fair               | 05<br>Poor               | 98<br>Don't Know/<br>Not Sure |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|
| a. The market value of my investment account  | <input type="checkbox"/>      |
| b. Overall rate of return on my investments   | <input type="checkbox"/>      |
| c. Records of transactions in my investment account                                   | <input type="checkbox"/>      |
| d. Fees my firm receives from me and from third parties as a result of my investments | <input type="checkbox"/>      |

14. To the best of your knowledge, which of the following information is included in the **annual** statements?

- 01 Yes
- 02 No
- 98 Don't know

- a. The market value of my investment account at the beginning of the calendar year
- b. The market value of my investment account at the end of the calendar year
- c. The change in market value of my investment account since the start of the calendar year
- d. The change in market value of my investment account since the account was opened
- e. Records of deposits and withdrawals from my investment account over the calendar year
- f. The overall rate of return on my investments since I opened my account
- g. The overall rate of return on my investments over the calendar year
- h. The overall rate of return on my investments over a three year period
- i. The overall rate of return on my investments over a five year period
- j. The overall rate of return on my investments over a ten year period
- k. The fees I paid directly to my firm over the past calendar year
- l. The fees my firm received through third parties as a result of my investments (e.g. trailer fee) over the past calendar year

14b. To the best of your knowledge, which of the following information is included in the **monthly or quarterly** statements?

- 01 Yes
- 02 No
- 98 Don't know

- a. The current market value of my investment account
- b. A list of the investments in my account and the market value of each investment
- c. The rate of return for each investment in my account
- d. Records of transactions in my account since the last statement

15. How important is it to you to monitor the following aspects of your investments?

|  | 01<br>Very Important     | 02<br>Somewhat Important | 03<br>Not Very Important | 04<br>Not Important At All | 98<br>Don't Know         |
|--|--------------------------|--------------------------|--------------------------|----------------------------|--------------------------|
| a. The change in value of each of my investments   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| b. How the return on my investments compares to the return on other similar types of investments | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| c. The overall return of all investments   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| d. How my investments are performing against my financial goals                                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| e. The amount of fees I am charged   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |

**INVESTMENT PERFORMANCE**

The next few questions are about the **performance** of your investments. The performance of your investments refers to the return on your investments.

16. How often do you communicate in person, by phone, or by email with your advisor to discuss the performance of your investments?

- 01 At least once per quarter
- 02 Twice a year
- 03 Once a year
- 04 Less than once a year
- 05 Only when the performance of my investments is not as expected
- 06 Only when my financial situation changes
- 07 I have not communicated with my advisor since establishing my account

17. When you communicate with your advisor, does he or she generally initiate the discussion or do you?

- 01 My advisor generally initiates the discussion
- 02 I generally initiate the discussion
- 98 Can't recall

18. Thinking of any discussions you had with your advisor in the last 12 months, did your advisor do each of the following?

|   | 01<br>Yes                | 02<br>No                 | 98<br>Don't know         |
|---|--------------------------|--------------------------|--------------------------|
| a. My advisor discussed the overall performance of the investments in my account                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. My advisor discussed the performance of each of my investments   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c. My advisor compared the performance of my investments against the performance of a benchmark           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d. My advisor explained how the performance of my investments is tracking against my financial goals      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| e. My advisor recommended changes to my investments for reasons related to their performance              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| f. My advisor recommended changes to my investments for reasons related to my current financial situation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| g. My advisor recommended changes to my investments for reasons related to my future financial goals      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| h. My advisor recommended changes to my investments for reasons related to my risk tolerance              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

19. How confident are you in undertaking each the following activities?

|  | 01<br>Very Confident     | 02<br>Somewhat Confident | 03<br>Not Very Confident | 04<br>Not Confident At All | 98<br>Don't Know         |
|--|--------------------------|--------------------------|--------------------------|----------------------------|--------------------------|
| a. Monitoring the change in value of my investments over time                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| b. Assessing whether my investments are on track to reach my financial goals | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |

**COST OF INVESTMENTS**

20. Thinking of your **primary** investment account, do you pay any fees to buy, hold or sell the investments in your account?

- 01 Yes
- 02 No
- 98 Don't know/Not sure

21. Do you pay any fees for the operation, management and/or administration of your account?

- 01 Yes
- 02 No
- 98 Don't know/Not sure

22. How familiar are you with the following types of fees that could be associated with your account or investments?

|   | 01<br>Very Familiar      | 02<br>Somewhat Familiar  | 03<br>Not Very Familiar  | 04<br>Not Familiar At All |
|---|--------------------------|--------------------------|--------------------------|---------------------------|
| a. Fee for buying or selling a stock, bond, or exchange-traded funds (ETFs)   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  |
| b. Fee for buying and selling a mutual fund   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  |
| c. Commissions paid to your advisor for as long as you hold a mutual fund you invested in through your advisor (i.e. trailer fee) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  |
| d. Fee for switching from one mutual fund to another mutual fund  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  |
| e. Fees based on the value of the investments you invested with your advisor (asset-based fees)                                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  |
| f. Management fee for a mutual fund   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  |
| g. Redemption fee for a mutual fund   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  |
| h. Administration fees for having an account with your firm   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  |
| i. Fees based on the performance of an investment   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  |

23. Do the fees that are associated with your account or investments have an impact on the return on your investments?

- 01 Yes
- 02 No
- 98 Don't know/Not sure

24. Which of the following statements **best** describes your understanding of the impact of fees on your investments?

- 01 I understand the impact of **all** fees on the return on my investments
- 02 I understand the impact of **some** fees on the return on my investments
- 03 I do not understand the impact of fees on the return on my investments

25. Please rate your level of agreement with each of the following statements.

- |   | 01<br>Strongly Agree     | 02<br>Agree              | 03<br>Disagree           | 04<br>Strongly Disagree  |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| a. I know the amount of fees I paid to my firm for my investments in the last 12 months   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. I know the amount of fees paid by third party firms to my firm because of investments that I purchased and/or held in the last 12 months | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

26. Please rate your level of agreement with the following statement.

- |  | 01<br>Strongly Agree     | 02<br>Agree              | 03<br>Disagree           | 04<br>Strongly Disagree  | 98<br>Don't Know         |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a. Having a better understanding of the different types of fees on my investments and my account would help me make more informed investment decisions | <input type="checkbox"/> |

27. In the last 12 months, did your advisor discuss the fees associated with your investments with you?

- 01 Yes
- 02 No
- 98 Can't recall
- 99 Did not talk to my advisor in the last 12 months

28. Thinking of when your advisor discussed the fees associated with your investments in the last 12 months, please rate your level of agreement with each of the following statements?

|  | 01<br>Strongly Agree     | 02<br>Agree              | 03<br>Disagree           | 04<br>Strongly Disagree  | 98<br>Can't Recall       |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a. My advisor discussed the overall fees on the investments in my account                            | <input type="checkbox"/> |
| b. My advisor discussed the fees on each of my investments   | <input type="checkbox"/> |
| c. My advisor discussed the fees on my investments relative to similar investments                   | <input type="checkbox"/> |
| d. My advisor discussed the impact of fees on the return on my investments                           | <input type="checkbox"/> |
| e. My advisor recommended changes to my investments when lower cost investment options are available | <input type="checkbox"/> |

29. In the last 12 months, did you open a new investment account or make any material changes to an existing account, such as a significant increase in investment or change in asset allocation?

- 01 Yes, I opened a new investment account
- 02 Yes, I made material changes to an existing investment account
- 03 None of the above
- 98 Don't know/Can't recall

30. When you opened a new investment account/made material changes to an existing investment account, did your advisor disclose or explain any of the following information to you?

|   | 01<br>Yes                | 02<br>No                 | 98<br>Can't Recall       |
|---|--------------------------|--------------------------|--------------------------|
| a. The way he/she is compensated for activity in my account   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Any referral arrangements he/she receives as a result of my purchase and ownership of an investment ( <i>a referral arrangement is where your advisor is paid or pays a fee for the referral of a client to or from another person</i> ) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Any other benefits (e.g. trips) he/she receives as a result of my purchase and ownership of an investment  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

## PURCHASING NEW INVESTMENTS

35. How often do you, or your advisor on your behalf, generally buy or sell investments such as stocks, bonds, mutual funds, and/or exchange-traded funds (ETFs)?

- 01 Weekly
- 02 Monthly
- 03 Quarterly (every three months)
- 04 Once or twice a year
- 05 Less than once a year
- 98 Don't know/Not sure

36. Have you purchased any of the following in the last 12 months? **(CHECK ALL THAT APPLY)**

- 01 Stocks
- 02 Exchange-traded units, including exchange-traded funds (ETFs) and real estate investment trusts (REITs)
- 03 Bonds or notes other than Canada Savings Bonds
- 04 Mutual funds
- 05 None of the above
- 98 Don't know/Can't recall

37. Before purchasing these/any of these investments in the last 12 months, how important was each of the following criteria in helping you make your purchase decision?

|  | 01<br>Very Important     | 02<br>Somewhat           | 03<br>Not Very Important | 04<br>Not Important At All | 97<br>Not Applicable     | 98<br>Don't Know         |
|--|--------------------------|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|
| a. Historical performance of the investment  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Performance against investments with similar investment objectives or investment features (e.g. company size, investment style, credit quality)   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Performance against broad indices   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Dollar amount of fees   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| e. Fees and charges relative to other investments with similar investment objectives or investment features (e.g. company size, investment style, credit quality)  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| f. Riskiness of the investment relative to my own risk tolerance   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| g. How the investment fits into my financial goals   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| h. How the investment fits into the existing asset allocation of my portfolio  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| i. The advice of my advisor  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| j. Issuer materials (i.e. prospectus, annual reports, <i>Fund Facts</i> ) <b>Prospectus</b> is a document that provides details about an investment offering for sale to the public. <b>Fund Facts</b> is a document that highlights the potential benefits, risks, and costs of investing in a mutual fund. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |

38. Thinking of any of the investments you purchased in the last 12 months, did your advisor discuss the fees associated with the investment options available to you before you made a purchase?

- 01 Yes
- 02 No
- 98 Don't know/Can't recall

39. Thinking of any of the investments you purchased in the last 12 months, did your advisor compare the historical performance of the investment against the performance of a benchmark?

- 01 Yes
- 02 No
- 98 Don't know/Can't recall

40. Before you purchased a mutual fund, did your advisor use any of the following to explain the features of the mutual fund to you? **(CHECK ALL THAT APPLY)**

- 01 Fund Facts (a document that highlights the potential benefits, risks, and costs of investing in a mutual fund) - to see the full document, click [here](#)
- 02 Other materials that describe the benefits, risks, and costs of a mutual fund (e.g. a “fund profile” or “fund highlights” document)
- 03 Prospectus (a document that provides details about an investment offering for sale to the public)
- 88 Other **(PLEASE SPECIFY)**

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98 Don't know/Can't recall

41. Please rate the **importance** of each of the following sections of *Fund Facts* in helping you make a decision to purchase a mutual fund?

|                               | 01<br>Very Important     | 02<br>Somewhat Important | 03<br>Not Very Important | 04<br>Not Important At All | 98<br>Don't Know         |
|-------------------------------|--------------------------|--------------------------|--------------------------|----------------------------|--------------------------|
| a. Quick Facts                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| b. What the fund invests in   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| c. Risk rating of the fund    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| d. How the fund has performed | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| e. Who the fund is for        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| f. How much the fund costs    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |
| g. Investor's rights          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> |

42. Please rate your level of **understanding** of each of the following sections of the *Fund Facts*.

|                               | 01<br>Excellent          | 02<br>Good               | 03<br>Average            | 04<br>Fair               | 05<br>Poor               | 98<br>Don't Know/<br>Not Sure |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|
| a. Quick Facts                | <input type="checkbox"/>      |
| b. What the fund invests in   | <input type="checkbox"/>      |
| c. Risk rating of the fund    | <input type="checkbox"/>      |
| d. How the fund has performed | <input type="checkbox"/>      |
| e. Who the fund is for        | <input type="checkbox"/>      |
| f. How much the fund costs    | <input type="checkbox"/>      |
| g. Investor's rights          | <input type="checkbox"/>      |

43. What information that was not contained in *Fund Facts* would you have found useful in helping you make a more informed investment decision?

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98      Nothing to add

## DEMOGRAPHICS

The following questions are for classification purposes only.

44. What is your gender?

- 01      Male
- 02      Female
- 97      Prefer not to answer

45. What is your age?

- 01      Under 35
- 02      35 to 44
- 03      45 to 54
- 04      55 to 64
- 05      65 or older
- 97      Prefer not to answer

46. What is the highest level of education you have completed?

- 01      Some high school or less
- 02      Graduated high school
- 03      Vocational/college/technical
- 04      Some university
- 05      Graduated university

47. What is your marital status?

- 01      Single
- 02      Married/Common-law
- 03      Separated/Divorced
- 04      Widowed

48. Which of the following best describes your current household?

- 01      Single with no children at home
  - 02      A couple with no children at home
  - 03      A family with children under 18 at home (this includes single parent household)
  - 04      A family with adult children only at home (this includes single parent household)
  - 88      Other (**PLEASE SPECIFY**)
-

49. How would you best describe your employment status?

- 01 Self-employed
- 02 Working at an employer's business full-time
- 03 Working at an employer's business part-time
- 04 Currently unemployed
- 05 Student
- 06 Retired
- 07 Homemaker

50. What is the current value of all your investment accounts?

- 01 Less than \$50,000
- 02 \$50,000 to \$99,999
- 03 \$100,000 to \$249,999
- 04 \$250,000 to \$499,999
- 05 \$500,000 to \$1,000,000
- 06 Greater than \$1,000,000

51. What is your total annual household income, before taxes?

- 01 Less than \$25,000
- 02 \$25,000 to less than \$50,000
- 03 \$50,000 to less than \$75,000
- 04 \$75,000 to less than \$100,000
- 05 \$100,000 to less than \$150,000
- 06 \$150,000 to less than \$200,000
- 07 \$200,000 or more

## Appendix 2: Summary of Statistical Significance over Time

The following tables documents changes for all questions within a category relative to the baseline in 2016. These changes could be increases or decreases. The six columns are to be read as follows, using national results across all 153 data points as an example:

- 31% of the data points were first statistically significant in 2017, and remained so for the rest of the study
- 9% of the data points were first statistically significant in 2018, and remained so for the rest of the study
- 5% of the data points were first statistically significant in 2019, the final year of the study
- In all, 45% of the data points were statistically significant changes from the baseline
- 12% of the data points were significant in 2018 but lost significance between 2018 and 2019
- The remaining 43% of the data points showed no significant shift in the study period.

### Overview across the three views discussed in report

| Category                     | Total 2019 data points | % first SS in 2017 | % first SS in 2018 | % first SS in 2019 | % of all SS in 2019 | % that lost significance between 2018 and 2019 | % no significant shift in the study period |
|------------------------------|------------------------|--------------------|--------------------|--------------------|---------------------|--|--|
| National                     | 153                    | 31%                | 9%                 | 5%                 | 45%                 | 12%  | 43%  |
| Provincial                   | 1377                   | 8%                 | 5%                 | 6%                 | 19%                 | 12%  | 69%  |
| Advisor Relationship Segment | 397                    | 18%                | 5%                 | 6%                 | 29%                 | 11%  | 60%  |

### National summary by outcome

| Outcome | Total 2019 data points | % first SS in 2017 | % first SS in 2018 | % first SS in 2019 | % of all SS in 2019 | % that lost significance between 2018 and 2019 | % no significant shift in the study period |
|---------|------------------------|--------------------|--------------------|--------------------|---------------------|--|--|
| 1       | 20                     | 55%                | 30%                | 0%                 | 85%                 | 5%   | 10%  |
| 2       | 30                     | 40%                | 10%                | 7%                 | 57%                 | 10%  | 33%  |
| 3       | 8                      | 13%                | 25%                | 0%                 | 38%                 | 50%  | 13%  |
| 4       | 20                     | 40%                | 0%                 | 5%                 | 45%                 | 10%  | 45%  |
| 5       | 4                      | 0%                 | 0%                 | 25%                | 25%                 | 25%  | 50%  |
| 5a      | 3                      | 0%                 | 0%                 | 33%                | 33%                 | 0%   | 67%  |
| 5b      | 1                      | 0%                 | 0%                 | 0%                 | 0%                  | 100%   | 0%   |
| 6       | 24                     | 17%                | 0%                 | 8%                 | 25%                 | 13%  | 63%  |
| 7       | 5                      | 0%                 | 0%                 | 20%                | 20%                 | 0%   | 80%  |
| 7a      | 5                      | 0%                 | 0%                 | 20%                | 20%                 | 0%   | 80%  |
| 7b      | 0                      | 0%                 | 0%                 | 0%                 | 0%                  | 0%   | 0%   |
| 8       | 7                      | 14%                | 0%                 | 0%                 | 14%                 | 29%  | 57%  |
| n/a     | 25                     | 36%                | 8%                 | 4%                 | 48%                 | 8%   | 44%  |
| F       | 10                     | 10%                | 10%                | 0%                 | 20%                 | 0%   | 80%  |

## Provincial summary

| Category | Total 2019 data points | % first SS in 2017 | % first SS in 2018 | % first SS in 2019 | % of all SS in 2019 | % that lost significance between 2018 and 2019 | % no significant shift in the study period |
|----------|------------------------|--------------------|--------------------|--------------------|---------------------|--|--|
| BC       | 153                    | 3%                 | 6%                 | 7%                 | 16%                 | 9%   | 75%  |
| AB       | 153                    | 5%                 | 5%                 | 6%                 | 16%                 | 11%  | 73%  |
| SK       | 153                    | 7%                 | 11%                | 5%                 | 23%                 | 20%  | 58%  |
| MB       | 153                    | 9%                 | 2%                 | 8%                 | 20%                 | 14%  | 66%  |
| ON       | 153                    | 17%                | 8%                 | 6%                 | 31%                 | 12%  | 56%  |
| QC       | 153                    | 18%                | 5%                 | 2%                 | 25%                 | 12%  | 63%  |
| NS       | 153                    | 4%                 | 1%                 | 7%                 | 11%                 | 5%   | 84%  |
| NB       | 153                    | 2%                 | 3%                 | 6%                 | 10%                 | 10%  | 80%  |
| ATL      | 153                    | 6%                 | 4%                 | 8%                 | 18%                 | 11%  | 71%  |

## Advisor relationship segment summary

| Category  | Total 2019 data points | % first SS in 2017 | % first SS in 2018 | % first SS in 2019 | % of all SS in 2019 | % that lost significance between 2018 and 2019 | % no significant shift in the study period |
|---|------------------------|--------------------|--------------------|--------------------|---------------------|--|--|
| Not Advised                                     | 83                     | 31%                | 8%                 | 4%                 | 43%                 | 19%  | 37%  |
| Advised without discretionary authority         | 116                    | 29%                | 3%                 | 7%                 | 40%                 | 9%   | 52%  |
| Advised with discretionary authority            | 99                     | 4%                 | 0%                 | 8%                 | 12%                 | 8%   | 80%  |
| Advised with discretionary authority (PM Model) | 99                     | 6%                 | 9%                 | 6%                 | 21%                 | 11%  | 68%  |

### Notes:

- In the breakdown by outcome, F signifies filtering questions that were used to route survey logic, and n/a signifies questions that do not relate to an Outcome.
- Question 2 (a filtering question), asking about the type of account held, was not included because we do not have the data for rows "Other" and "Don't Know" in the 2017 annual report
- Some rows may not add up to 100% due to rounding