



Innovative Research Group, Inc.

Toronto • Vancouver

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Executive Summary

2020 CSA Investor Index

Prepared for:

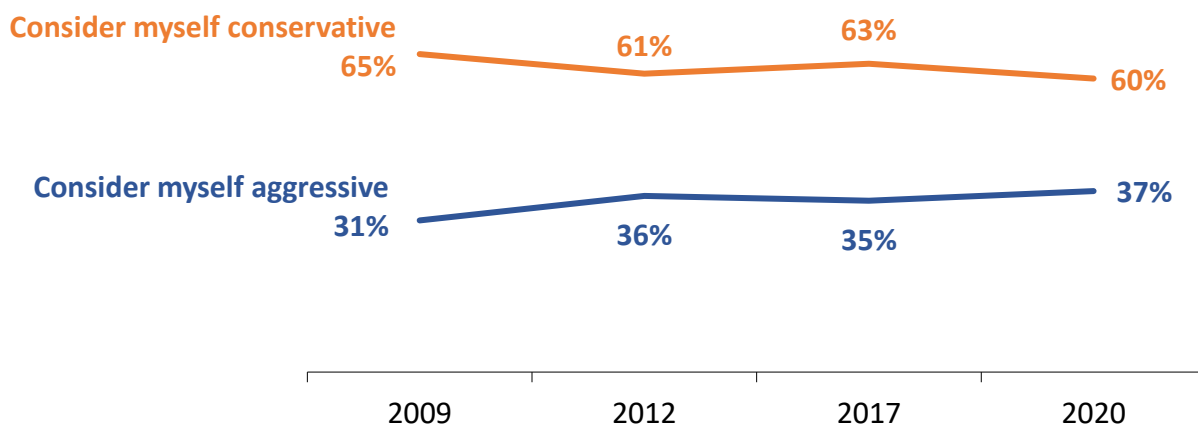


**Canadian Securities
Administrators**

**Autorités canadiennes
en valeurs mobilières**

Canadian Investors’ Risk Tolerance is Steady in 2020

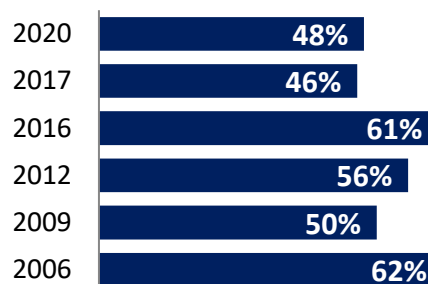
Since the onset of the COVID-19 pandemic, there has been extensive discussion of the potential impacts on Canadian’s household finances, employment, and – of course – investments. A new study, conducted for the Canadian Securities Administrators (CSA) by INNOVATIVE Research Group shows that despite these changes, Canadian investors’ risk tolerance has remained unchanged this year.



Question: Which of the following best describes your investment style?¹

In 2017, 63% of Canadian investors reported they are fairly or very conservative when it comes to their investment style, which decreased only slightly to 60% in 2020. On the flip side, 37% reported they are fairly or very aggressive, compared to 35% in 2017.

Over the same period of time, investors have become less and less likely to say that they have reviewed their level of risk tolerance within the last year.



■ Within the last year

Question: When was the last time you or your financial adviser thoroughly reviewed the level of risk you’re willing to take with your investments?

About This Report

This report summarizes key results from the Canadian Securities Administrator’s 2020 Investor Index, an in-depth online survey conducted by INNOVATIVE Research Group.

This is the sixth investor index conducted since 2006 and provides important information on investment knowledge, investor behaviour, and the incidence of investment fraud among Canadians.

¹ Available response options are: I consider myself very aggressive; I am willing to take a fair amount of risk to achieve above-average returns; I consider myself fairly aggressive; I am willing to take some risk to achieve above-average returns; I consider myself fairly conservative; I will take only a little bit of risk; I consider myself very conservative; I only purchase the least risky investments; and Don't know.

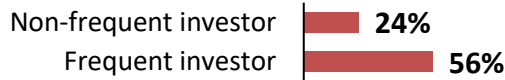
This steadiness in reported risk tolerance is consistent across demographic groups and different types of investors.

The main exception to this trend is among investors who do not work with an adviser. These ‘DIY’ investors reported a 7-point increase in an “Aggressive” investing style, putting them on par with advised investors, who had previously reported being slightly more aggressive than their DIY counterparts.

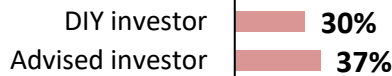
2017: Investors who say “aggressive”

2020: Investors who say “aggressive”

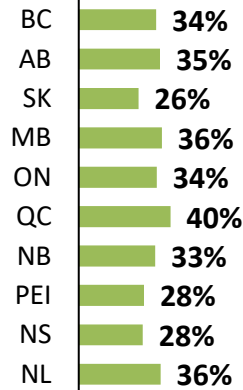
Investor Segments



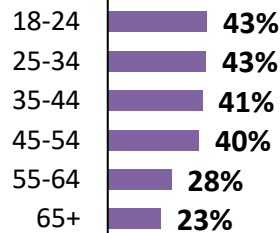
Advised Segments



Province



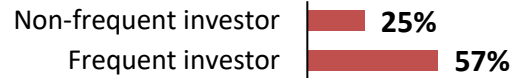
Age



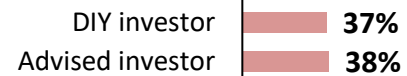
Gender



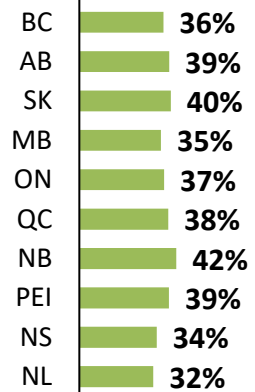
Investor Segments



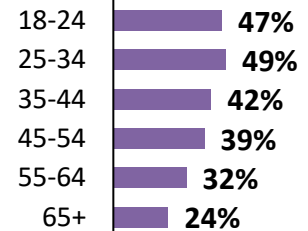
Advised Segments



Province



Age



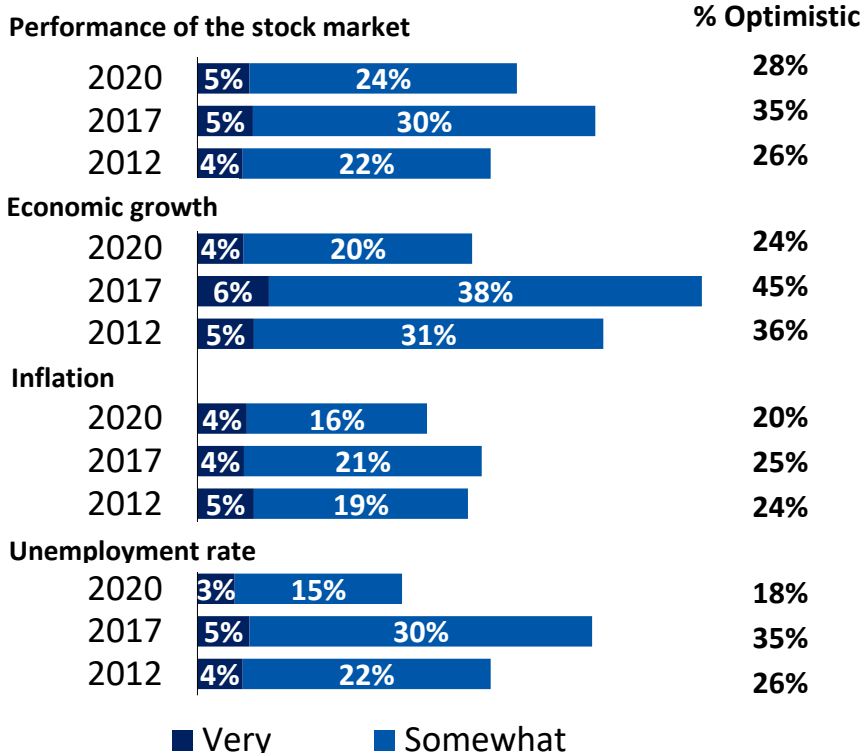
Gender



Economic Optimism Has Declined

The reported steadiness in risk tolerance is observed in spite of the expected reaction to the impact of COVID-19 on the economy. Investors are less optimistic about all aspects of the economy in general compared to 3 years ago. However, in many cases, they are no less optimistic now than they were in 2012 when this battery of questions was first added to the index.

The largest declines have been in optimism about economic growth and the unemployment rate. Optimism about economic growth is at just 24% in 2020, down from 45% in 2017 and 36% in 2012. Optimism about unemployment is just 18%, down 17-points from 35% in 2017 and from 26% in 2012.



Question: As far as the general condition of the economy is concerned, how would you rate the following over the next 12 months?
 [Results shown among savers and investors only]

When it comes to investors’ optimism about their own investment portfolios, we see that over 12 months the pattern is similar to their views of the stock market as a whole:

- 45% of investors are optimistic they will be able to achieve their investment targets over the next 12 months while 21% are pessimistic. Optimism is down from 53% in 2017 but was just 42% in 2012.
- Over the next 5 years, 60% are optimistic about meeting their investment targets with just 11% pessimistic. This is steady from 59% optimistic in 2017 and 57% in 2012.

Most Canadians Still Don't Check Their Adviser's Background or Know How Much They Pay

The 2017 index measured an increase in the number of investors with a financial adviser who say they know how much they pay for that advice, but a decrease in the number who say they have ever checked into their adviser's background.

In 2020:

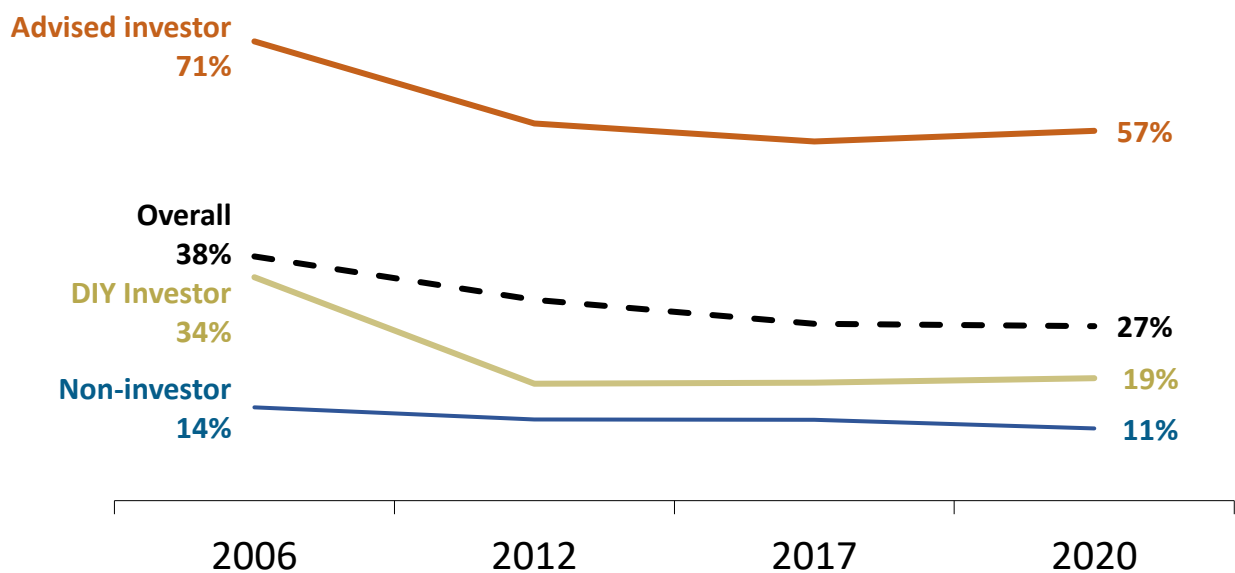


These numbers are all on par with what we saw in 2017 where 66% said they had not checked their adviser's background and 50% agreed they know how much they paid. However, in both instances there was a notable shift from 2012 to 2017. In 2012 just 57% said they had not checked their adviser's background and just 44% agreed they knew how much they had paid.

Over Half of Advised Investors Have a Written Financial Plan

When it comes to financial planning, there was a drop off after 2006 in the number of Canadians reporting that they have a written financial plan. Overall, 38% said so in 2006, compared to just 25% in 2009 and 27% by 2020.

% with a written financial plan



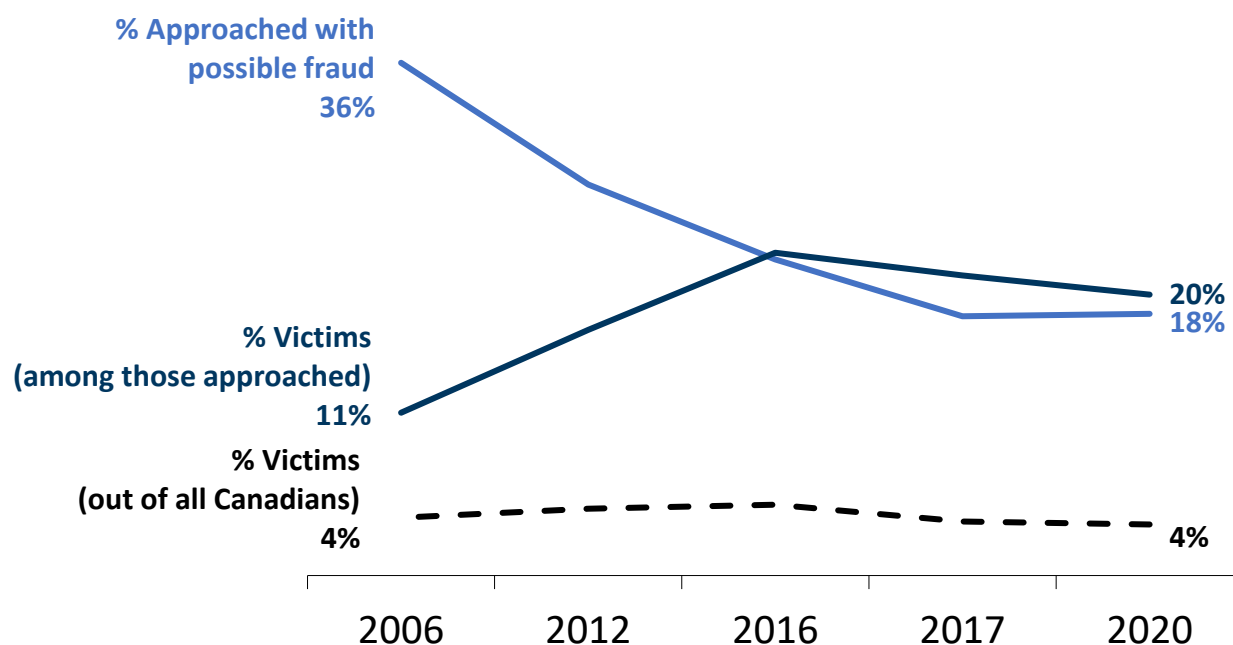
Question: Do you have a formal, written financial plan that includes clear investment goals?

When we break the results out by whether someone is an investor working with an adviser, an investor without an adviser (DIY), or a non-investor, we see that over half of advised investors report they have a written financial plan, but fewer than 1-in-5 DIY investors say the same.

DIY and advised investors have both seen declines since 2006 of 15-points and 14-points respectively, with the largest portion of that decline happening from 2006 to 2012.²

Investment Fraud is Steady, but the Profile of Victims is Changing

Since tracking began in 2006, we have seen consistently that about 4% of Canadians report they have been the victim of an investment fraud. However, over time, fewer Canadians report being approached with potential frauds – but more of those who are approached say they have fallen victim.



Approach question: Do you think anyone has ever approached you with a possible fraudulent investment?

Victim question: Have you ever invested money in what turned out to be a fraudulent investment?

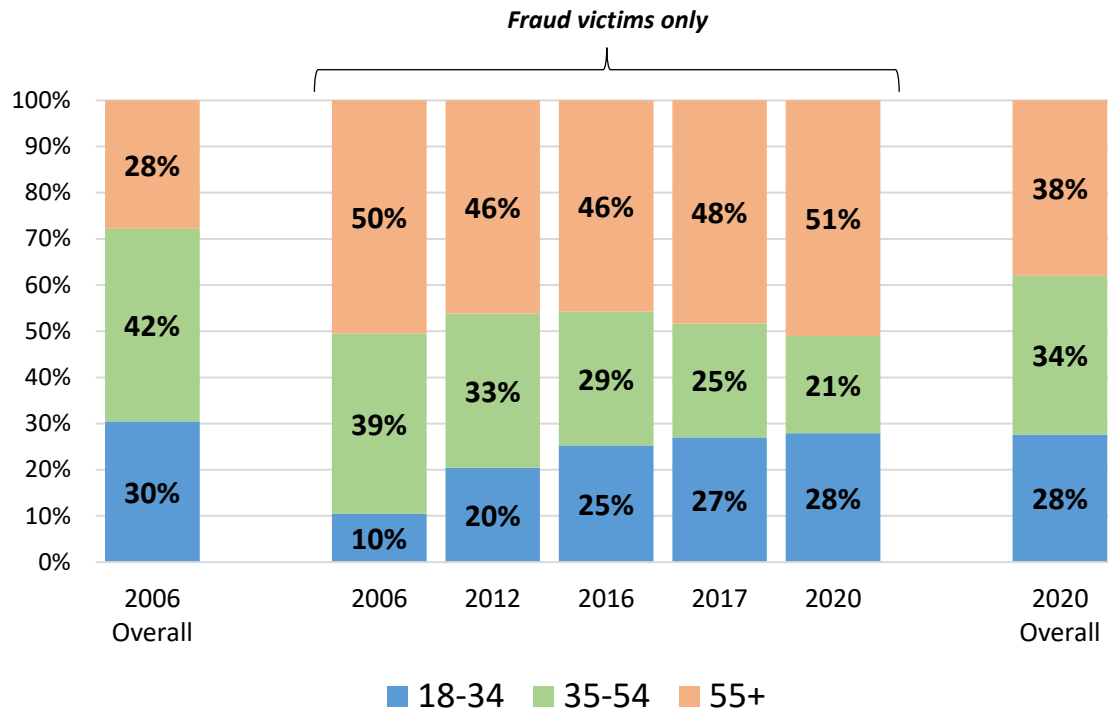
[only asked of those who have been approached]

One consequence of this increasingly targeted nature of investment fraud is that more and more people report that they had some degree of trust in the last person who approached them with a potential investment fraud. In 2006 just 8% of those approached with a possible fraud reported they had a 'Somewhat Strong' or 'Very Strong' level of trust in the person who most recently approached them. In 2020 16% said the same – twice as high. The increase is almost entirely concentrated among more frequent investors who went from 7% reporting a trusting relationship to 32% since 2006.

² In 2009 25% reported that they had a written investment plan, but data broken out by investor types is not available.

The age composition of fraud victims is also changing. In 2006, victims of fraud were disproportionately older Canadians. 28% of all Canadians were 55+, compared to 50% of fraud victims. 30% were under 35, compared to just 10% of fraud victims.

Age distribution, fraud victims VS. All Canadians



By 2020 this distribution has shifted. In 2020, 28% of Canadians were under 35, and exactly the same amount of fraud victims fell into that age range. 51% of victims were 55+, on par with 2006, but not in keeping with the overall growth in that age range to 38% of all Canadians.

The share of fraud victims 35-54 has also shrunk over time, from being on par with the general population (39% of victims compared to 42% overall) to well below it (21% of victims, versus 34% overall).

About the 2020 CSA Investor Index

The *2020 CSA Investor Index Study* is the sixth survey on investment knowledge, investor behaviour, and incidence of investment fraud among Canadians conducted by the Canadian Securities Administrators (CSA). The previous five surveys were conducted in 2006, 2009, 2012, 2016, and 2017. The information and analysis from these surveys are intended to help the CSA Investor Education Committee develop and deliver programs to help investors make appropriate investment decisions and recognize, avoid, and report suspected fraudulent investments.

The CSA commissioned Innovative Research Group (INNOVATIVE) to design and conduct the *2020 CSA Investor Index*. The CSA's *Investor Index* survey is designed to track key benchmarks on investor knowledge, confidence, risk orientation, behaviours, use of information, and investment fraud. The full index has been conducted previously in 2006, 2009, 2012, and 2017; along with a shorter version of the survey in 2016. Each investor index has also included special topics sections focusing on emerging or important issues for that year.

Special Topics

In 2017, we added a new module on **robo-advisers**. With their increasing popularity, the new special topic explored investors' familiarity with robo-advisers, their prevalence, and the perceptions surrounding these services. The *2020 Investor Index* includes this special topic again, providing tracking on prevalence and key attitudes related to robo-advisers.

One change from 2017 on this topic is around the language used to discuss robo-advisers. While in 2017 we referred to them as "automated advisers", this language has been updated to "online investment advisers". All specific changes in question text are indicated throughout this report where applicable.

Methodology

The *2020 CSA Investor Index* was conducted by Innovative Research Group Inc. (INNOVATIVE) using a mixed methodology that combined a random digit dialing telephone survey with an in-depth online survey.

The online survey consisted of a representative sample of 7,537 Canadians, 18 years or older, and was conducted between August 24th and September 8th, 2020 in both French and English. The online sample was recruited from a wide variety of sources to reflect the age, gender, region and language characteristics of the country as a whole. The online sample has been weighted by age, gender, and province using 2016 Statistics Canada Census data to reflect the actual demographic composition of the population. To ensure a proportionate representation of Canadians, while not over-estimating the reliability of the sample in any region of the country, the sample was weighted down to n=5,000.

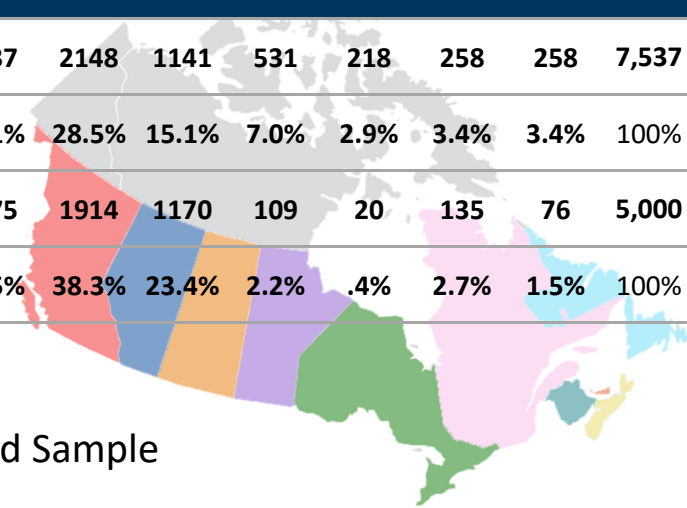
In addition to weights derived from Statistics Canada Census data, the online sample was also weighted by the results of an August 2020 national telephone survey of 1,223 Canadians, 18 years of age or older. The telephone survey was used to verify distributions of the four primary investor segments in the online survey to ensure a balance of respondents from each group.

	BC	AB	SK	MB	ON	QC	NB	PEI	NS	NL	Total
Unweighted (n)	822	1108	501	537	2148	1141	531	218	258	258	7,537
Unweighted (%)	10.9%	14.7%	6.6%	7.1%	28.5%	15.1%	7.0%	2.9%	3.4%	3.4%	100%
Weighted (n)	677	559	150	175	1914	1170	109	20	135	76	5,000
Weighted (%)	13.5%	11.2%	3.0%	3.5%	38.3%	23.4%	2.2%	.4%	2.7%	1.5%	100%



n=5,000

National Weighted Sample



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

About the Canadian Securities Administrators

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

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

About Innovative Research Group

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

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

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

The conclusions drawn and opinions stated are those of the authors. Research for this study was conducted in August and September of 2020.

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