



Demand-based Investor Education Study:

*What Canadian Investors want to know
and how they want to learn*

Summary of Findings:
***Comparative Review of Learning and Key Events for
Age 20 to 34 and Age 35+***

Prepared for
Investor Education Fund

by
The Brondesbury Group, Toronto, ON
February 20010

HIGHLIGHTS: LEARNING & KEY EVENTS

The Investor Education Fund contracted The Brondesbury Group to investigate how people learn about financial matters at different stages in their adult life. This brief report summarizes the findings of two waves of research, one focused on 20-34 year olds and the other on Canadians age 35 and older. Each wave of research began with qualitative work to get in-depth information about online learning and general self-learning practices. We then moved to a broader internet-based survey to further investigate and quantify findings on key issues identified in the qualitative work.

The research discussed here is based on some 1600 people. Two hundred people from Ontario participated in the qualitative research. This included nine online focus groups (87 people), three face-to-face focus groups (28 people) and 84 one-on-one interviews with randomly selected people intercepted in shopping malls and coffee shops in London (ON) and Toronto. The 1400 people in the online panel surveys were drawn from across Canada with the number from each province proportional to the number of Canadians in the target age group in each province.

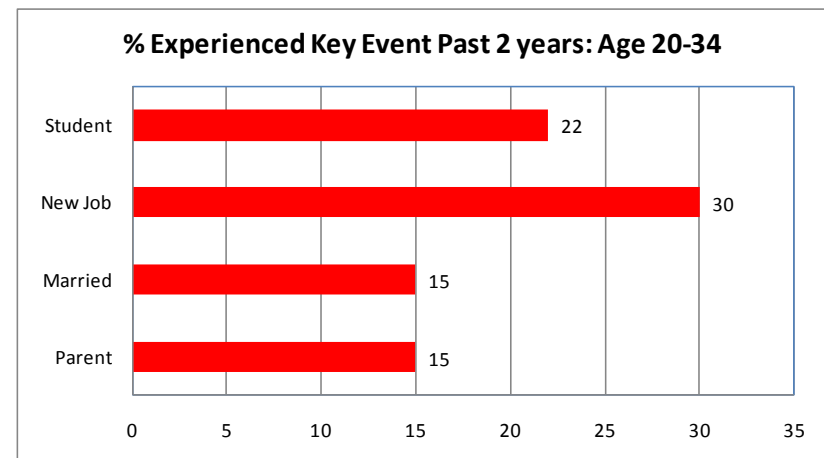
The online panel surveys were built around key life events. Previous research for the Investor Education Fund and others has shown that key life events are the times when people are most receptive to learning about financial matters. Among 20-34 year olds we focused on four life events with 200 people per event: attending college or university, getting a new job, getting married and having children. The life events that shaped the work with the older Canadians often stemmed from their own decisions and include: Having a retirement plan, Setting a retirement date (in the next five years), and Retiring. The 20-34 year old had to experience their life

event within the past 2 years, while the older Canadians had a 5-year span consistent with the wider age range of those interviews.

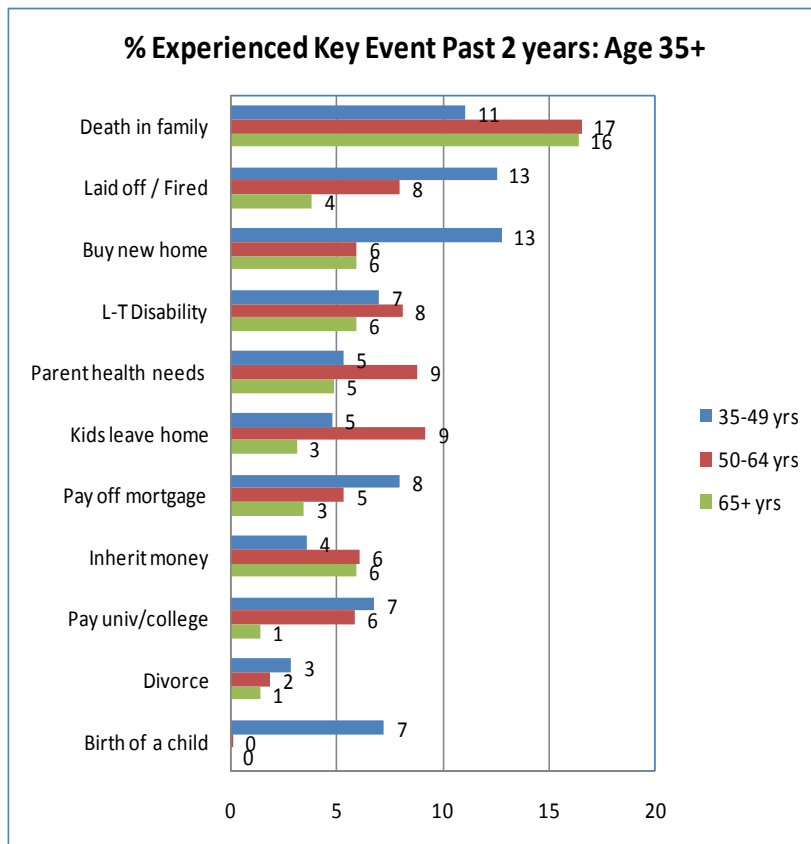
It is important to recognize that the quantitative surveys were done online. Every respondent had to be an active internet user. Among 20-49 year olds, this only excludes 5-6% of the total population. This increases to 15% in the 50-64 age group and 45% for age 65+. It is also important to know that all of the research (except students) required a minimum of \$15,000 personal income or \$25,000 family income to be eligible for participation. In very rough terms, this is the bottom 20% of the income distribution.

HOW COMMON ARE KEY LIFE EVENTS

Among 20-34 year olds, nearly half have not experienced any of the key life events within the past two years. More than half of those who experienced one event, also experienced a second event. If we used a 5-year time span as we did with older Canadians, it is likely that nearly everyone would experience these events.

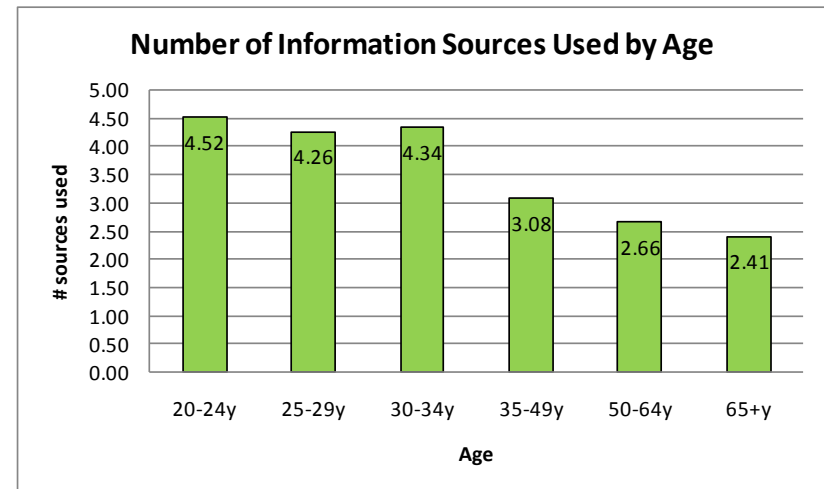


With those 35 and older, the key events we used were largely aimed at getting three different age groups: Recently retired (60-75), Set a retirement date in the next five years (50-64); and Have a retirement plan (35-55). This reflected the focus on retirement in the current research among age 35+. To give a broader sense of key events that might prod people to learn about financial matters, however, we asked some additional questions about their recent experiences. While we asked about the past five years, we have scaled responses back to two years to improve comparability with the preceding exhibit.



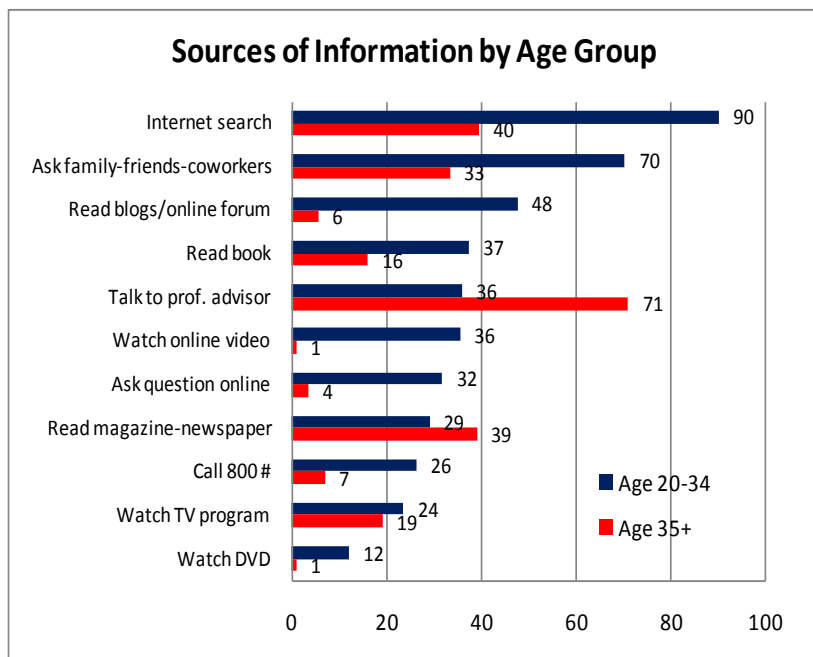
INFORMATION SOURCES USED

One of the critical issues in learning about financial information is the sources of information that people rely on to make financial decisions. Those over 35 use far fewer sources of information than the 20-34 age group and the number of sources falls off with age.

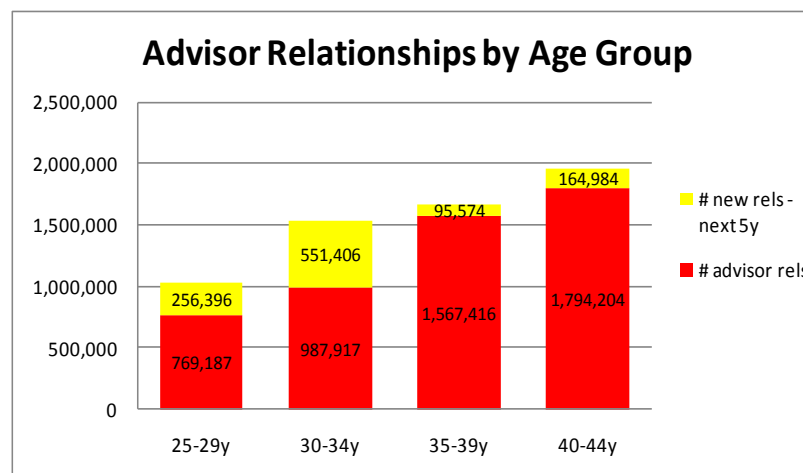


The sources of information that are used change with age. Under 35's make far more use of the internet as a source of financial information. They also talk widely to family, friends and co-workers. Under-35's are more peer-oriented seeking out the views of like-minded people in blogs and forums, but even more to the point, they make extensive use of social media. With 5 out of 6 using Facebook, it is a critical part of how they gather opinions from their peers. And the under-35's are skeptics too, comparing a range of sources and inferring the truth by finding the common ground among different sources. As part of their internet usage strategy, under-35's typically start seeking information using a search engine while older internet users go right to their favourite websites.

The 35 and over group seeks out professional expertise. They talk to advisors and they seek out articles in newspapers and magazines. Even though all of our sample are internet users, the internet is not the primary vehicle for information that it is for the under-35's.



Three of the most prominent elements in this exhibit merit a closer look: use of advisors, talking with family and the internet. First, we note the difference in use of professional advisors with 36% of the under-35's going to an advisor versus 71% of the age 35+ group. This finding on use of advisors is consistent with other research but it also points to the likely growth in the number of advisor relationships over the next five years among the younger group. Using StatCan population estimates and data from this research, The Bondesbury Group estimates that some 800,000 new advisor relationships will be formed over the next five years.

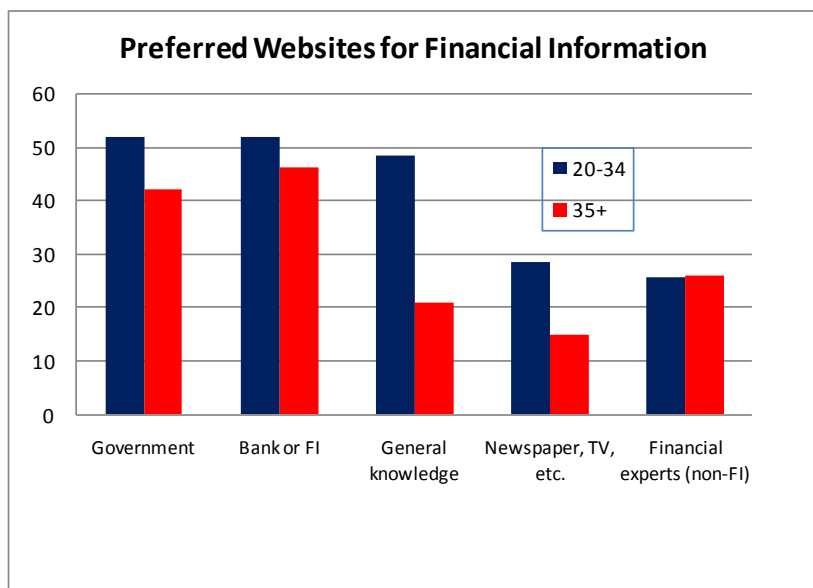


While people are building advisor relationships, they are also maintaining traditional relationships. Some 40-50% of adult children typically discuss financial matters with their parents over a six-month span. Some 1 out of 8 parents reports they gave financial advice to their adult children over the past six months, but this is not surprising. What is surprising is that 1 out of 6 parents reported that they got financial advice or information from their children over the past six months.

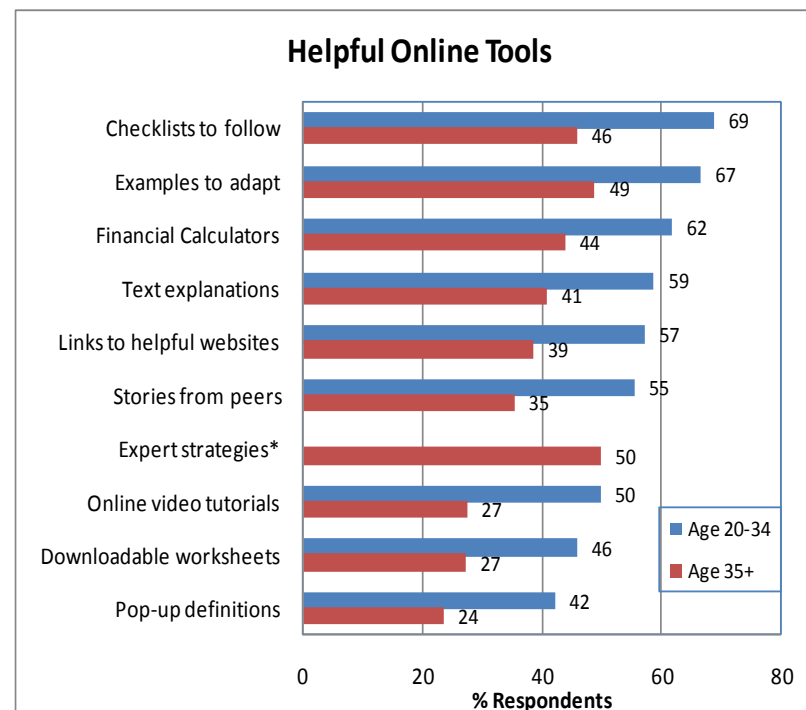
Older parents are generally more knowledgeable about financial matters than their children, but their information-seeking skills and literacy are lower. They have built their knowledge over time but have difficulty keeping up-to-date. Their adult children are more skilled at finding information about new products or changes in the marketplace. We believe this is the basis for the exchange of knowledge between the generations. This exchange has tremendous potential. Older adults who don't use the internet can potentially be reached by encouraging their adult children to become conduits for information. Responses from parents with adult children indicate that more than 6 out of 10 are receptive.

USING THE INTERNET

While the internet may be a more central vehicle for getting financial information among younger people, it is ultimately used by everyone in our survey. When we looked at the websites that they favour to learn financial information, we found that both age groups look to government and banks/financial institutions (banks/FIs) as the top website choices. Under 35's rely almost equally on general knowledge websites like Wikipedia, while older internet users are less likely to use Wiki because the accuracy of the material is uncertain. The 20-34 age group just compare what Wiki says to other sites.



When people are looking for financial information to help make decisions, they often seek out online tools. We asked people which tools they find most helpful. Checklists that provide step-by-step guidance about “how to get things done” and Examples that people can adapt to their own circumstances are popular with all age groups. Financial calculators follow close behind, but the kinds of calculators people want changes dramatically with age and events.



* Expert strategies was only asked for age 35+ based on qualitative work.

For the age 35+ group, websites that tell them about strategies suggested by financial experts take top place for being helpful, reflecting the “expert-oriented” focus of the older age group. The age 20-34 group would rather get text explanations or links to helpful websites.

WHAT PEOPLE WANT TO KNOW

Just as there are a variety of methods and sources for finding information, there are also a variety of questions that people want answered. The questions are quite different for each life event. We show the top questions here but note that there are typically 2-3 other issues that are nearly as high in the top questions.

In the 20-34 age group, we note that the questions become much more future-focused when we reach the new parents. Before that we see a concern with debt (and other issues) at each stage.

Students
How to get started investing
How to manage student loans after graduation
What are the costs of living on my own after graduation
New Job
Building a good credit rating
Long-term saving and investing
Balancing spending and debt
Recently Married
Paying down or consolidating debt
Getting and paying for a mortgage
Saving for a down payment on a house
New Parents
Putting away money for the future
Saving for a child's education (including RESP)
Running a house on a tighter budget

For those over 35 with a retirement plan, the questions become more focused on financial instruments and as we move forward issues focus on getting the most from savings and investment. For those who are retired, learning to live on a fixed income is a critical issue.

Has a Retirement Plan
RRSPs - types, benefits, strategies
Investment risk & return - choosing a mix
Pension plans - types, benefits, strategies
Set a Retirement Date
How to reduce taxes in retirement
Withdrawing RRSP money - choice & implication
Converting savings and investment into income
Recently Retired
Strategies for living on a fixed income
Leaving money & property to your family
Applying for a pension

BARRIERS TO ACTING ON ANSWERS

The barriers to acting on the information you get are the same for all age groups: time; money; lack of the right information at the right time; and unforeseen events. It takes time to make money, time to save money and time to pay off debt. Cash flow for day-to-day living versus putting away money is always a challenge.

The changing state of the economy is a challenge as are unforeseen events tied to the economy (e.g., job loss). As people get older, unforeseen personal events (e.g., divorce, disability, family deaths, etc.) become more common barriers to action in financial matters.

ATTITUDES & PSYCHOGRAPHICS

In addition to the barriers to action we just mentioned, the concerns that people have and the ways that they choose to act on those concerns typically stem from underlying attitudes. The research shows that these attitudes have nothing much to do with personal wealth or gender. They just reflect differences in how people think about and respond to the world around them.

Two psychographic groups that cut across the age groups are risk-taking and control.

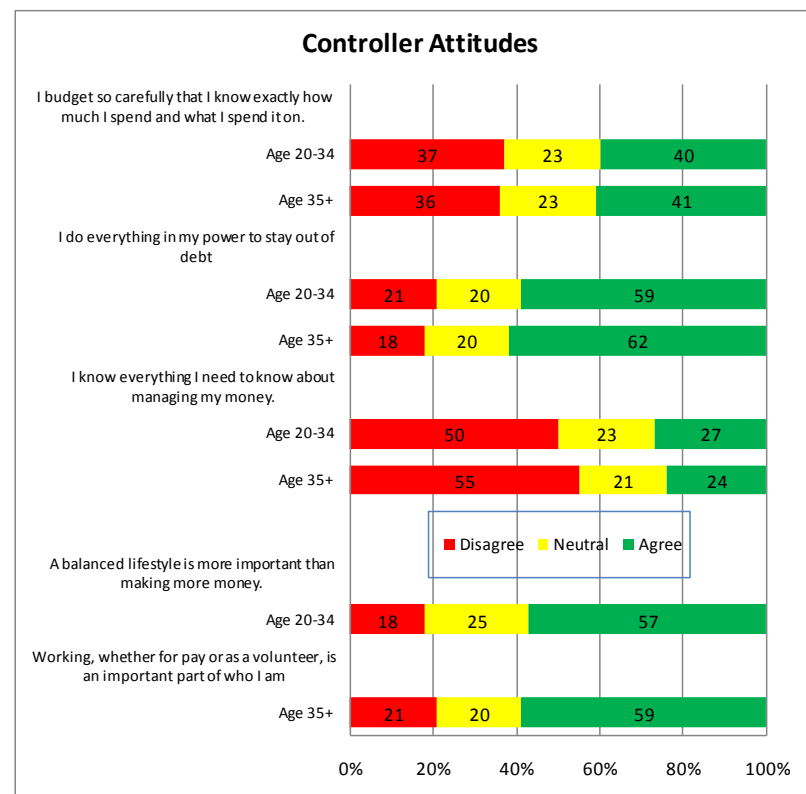
Risk-takers are obviously more willing to risk losing money to make money faster. They also view themselves, whether rightly or wrongly, as knowledgeable about financial matters. Budgeting is not something that risk-takers really think about. Risk-takers are roughly one-third of the population under age 50 and this drops to one-quarter afterwards. Men outnumber women by 3-to-2.

The Control-oriented group likes to keep control of their finances. They have a strong desire to stay out of debt and they aim to balance lifestyle with spending and debt. The proportion of 'Controllers' in the 20-34 age group is not dramatically different from those over 35 (36% versus 45%).

Two other psychographic groups are age-related. About half of the under-35 group are high 'Comfort'. They are comfortable with their own financial practices. They have positive attitudes about saving, budgeting, avoiding debt and talking to an advisor.

Not surprisingly, just over one-third of the 35-and-over group have concerns with retirement income. They are not sure they can save enough money and they worry about their debt. This group is not sure they will ever fully retire. Some are embarrassed about talking

to a financial advisor, although they probably need advice more than most others.



Regardless of attitudes and concerns, the research makes it clear that people need financial information when they make decisions. Finding information they can trust is one of the fundamental elements of their search. In our qualitative work, it was certainly clear that an organization like the Investor Education Fund can be a valued source of unbiased information that helps people get better information in a more timely manner.

