Investor
Education Fund
GetSmarterAboutMoney.ca

Demand-based Investor Education Study:

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

Summary of Findings:

Learning and Key Events for Age 35+

Prepared for

Investor Education Fund

by

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Introduction

- This report presents the results of several related studies designed to assess how individuals learn in an online environment, especially how they learn what they need to know about retirement. The studies include face-to-face interviews, online focus groups, in-person focus groups, and an extensive online survey. The studies looked at retirement planning at different points in the life cycle from age 35 onwards, namely: Having a retirement plan; Setting a date for retirement; and Retiring. Studies were carried out between September-November 2009.

- Individuals in the bottom quintile (20%) of income were excluded from the study, since they are typically unable to save or invest. The qualifying questions showed that among those who have not retired or set a retirement date, 56% did not have any kind of financial plan to help figure out how to save for retirement.

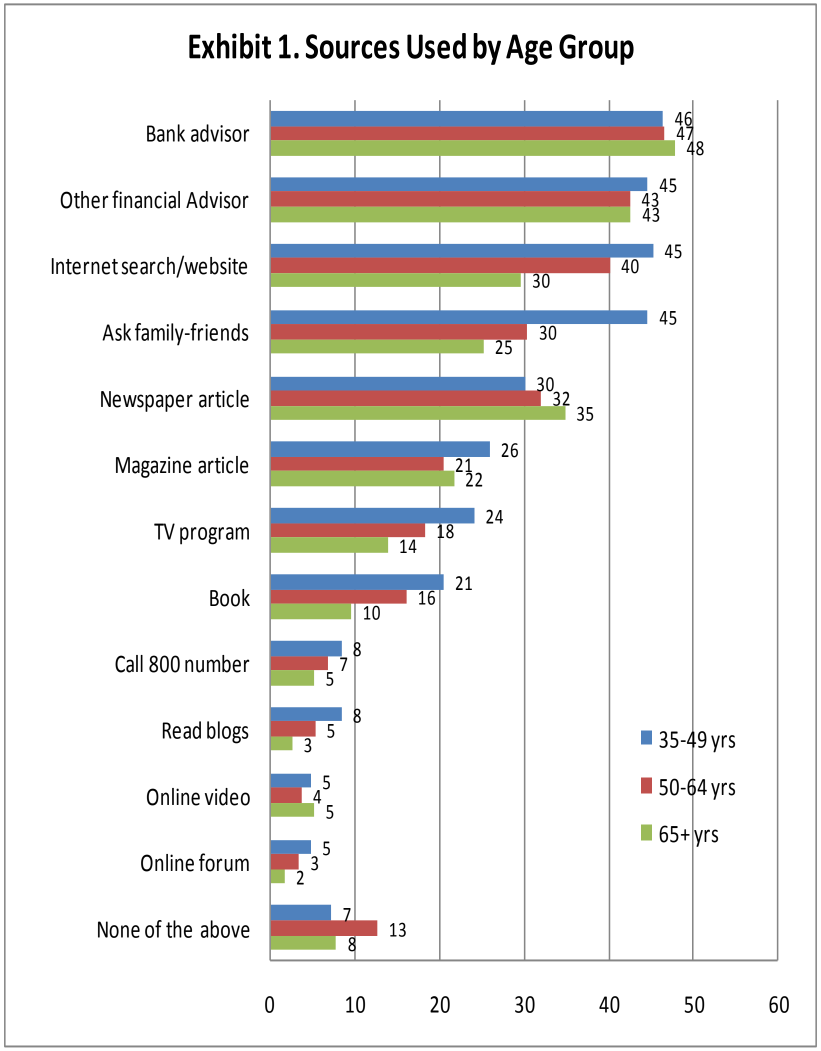
General Learning Practices

- With some thirteen potential choices for where people get information they need (see Exhibit 1), the typical respondent in all three age groups (35 to 49 yrs , 50 to 64, 65+ yrs. of age) select advisors (whether bank advisors or from other financial institutions) as the preferred source of information about financial matters. Some 70% select advisors as an information source between banks and others.

- Only 40% of the internet panel group (~30% of the general population) use internet searches as a source of financial information

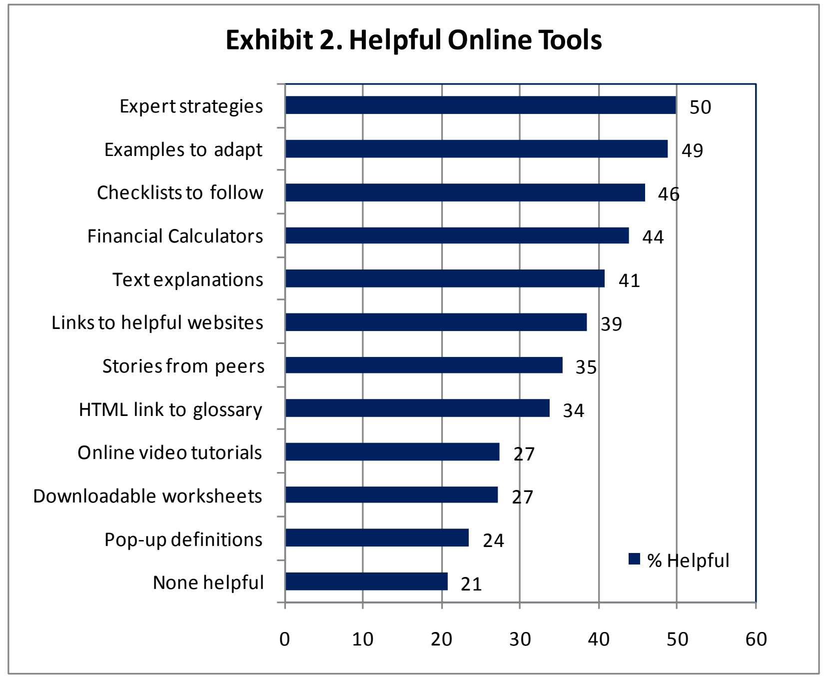
- Search skills and strategies are not "subject dependent". People will use the same methods for research regardless of topic and interest level. Users compare information from online sources with information received from their advisors (or vice versa) to cross-validate information and gauge credibility.

- Excluding transmittal of information via advisors and the internet, newspapers (32%) are the best place to reach the over 35 group.



stages (having a retirement plan, setting a retirement date, and retiring) and where they typically go to seek out online information.

- Experts discussing strategies (50%) is cited as the most helpful online tool, followed by examples that can be adapted (49%), checklists to follow (46%), financial calculators (44%) and text pages that give full explanations (41%). All types of online information become less popular the older the age group. This is especially true of financial calculators (58% for age 35-49, 25% for age 65+).



Online Learning for Financial Matters

- This section deals with online learning for financial matters. We first look at the online tools that are most helpful. Then we look at the key questions asked by people in each of the life

- **Bank/Financial Institution (46%) and government (42%) websites are by far the most favored sources for financial information** *(see Exhibit 3)*. Only 15% consider media websites one of their top choices and *The Globe & Mail* website is the choice for more than half of this group.

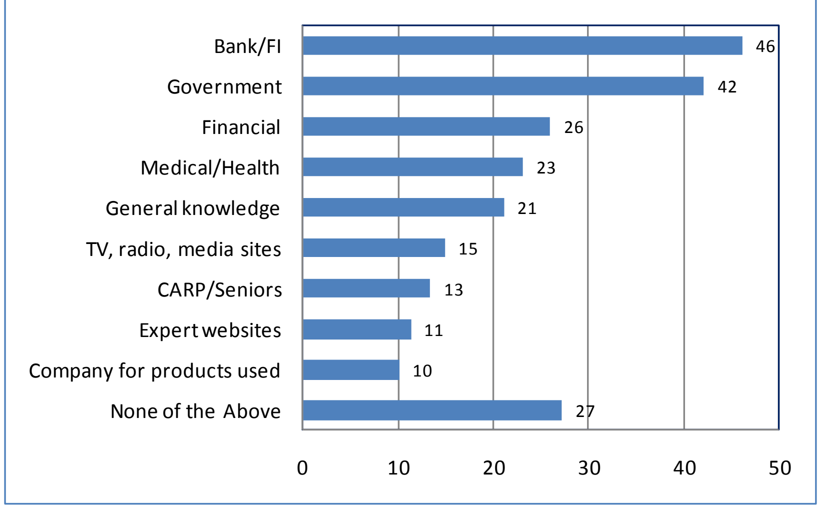


Exhibit 3. Favoured Websites

- While there is overall alignment about how the 35+ age group learn about financial information, where they go and who they talk to, the top three topics that they want to know about are different for each life stage.
- Exhibit 4 shows the topics of greatest interest for groups in each life stage. The labels on each topic are severely truncated forms of the actual topics shown on the survey. The top topics for each group are:
  - **Has A Plan (33-39%):** RRSPs; Investment risks and returns; Pension Plans;
  - **Set Retirement Date (36-58%):** How to reduce taxes in retirement; Withdrawing RRSP money; Converting savings and investment into a steady income; and
  - **Recently Retired (31-46%):** Strategies for living on a fixed income; Will & Estate Planning; Applying for a pension.

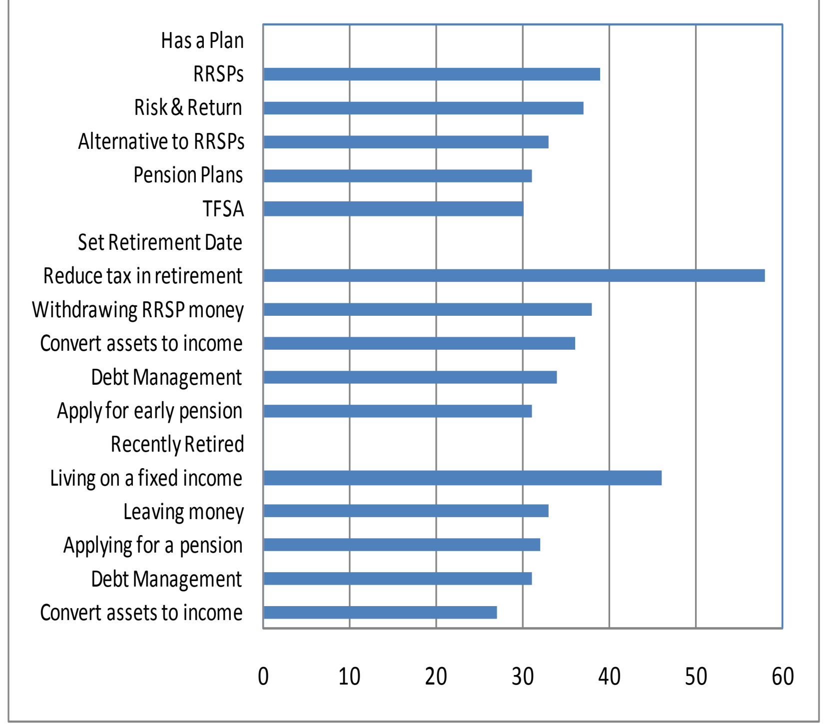


Exhibit 4. Common Questions

Barriers To Action

- The qualitative portion of the study explored, in depth, that which stops people from acting on good information when they find it. **Time, Money and unforeseen events are the main barriers to making informed decisions.** Even when good financial information is found, there can be barriers that stand in the way of acting on the information. A major barrier for the 35+ age group is time—in terms of both:
  - time to build capital; and
  - time to find the right information and learn it.

- Other major barriers to action include :
  - State of the economy and unpredictability of the market;
  - Competing demands on money and any available funds, especially in the planning to retire group (competing demands include RESP contributions; mortgages; everyday cost of living, juggling debt and savings);
  - Among self-employed, lack of regular predictable income; and
  - Unplanned life events that strongly impact retirement planning including disability, divorce, recent job loss and unemployment

Psychographic Segments

- **Attitude statements allowed us to define three psychographic segments in the 35+ market:**
  - People concerned with having enough income for retirement;
  - Those focused on taking control of their finances; and
  - Risk-takers.

- Roughly 36% of respondents show strong income concern. Low and medium income concerns are each about 32% of respondents. Controllers are 45% of respondents. Only 7% are low control in this age. Risk-takers are only 14% of respondents with men outnumbering women by 3-to-2.

- Getting laid off, divorce and disability have the biggest negative impact on savings for retirement. Inheriting money and kids leaving home have the biggest positive impact.

What does Retirement Mean?

- At a very early stage in the qualitative work, it became apparent that the meaning of retirement is changing. We added the question "what does retirement mean to you" during the online and face-to-face focus groups. There was a sense that the concept of retirement is changing with "financial freedom" giving way to a more primary concern about "financial security".

- While financial freedom may be less critical, the idea of "freedom" to choose how you spend your time is really the heart of what retirement means. Three-quarters of respondents agreed that "The thing I like best about retirement is that I get to decide what I do with my time".

- As retirees decide what to do with their time, few think about sitting around. First, some 40% said they don't think they will ever retire. Part time work is very likely for many in retirement – some as a temporary measure if needed, others as a means to keep busy and productive.

- The need to work is not just financial. Some 6 out of 10 say that "working, whether for pay or as a volunteer, is an important part of who I am". In fact, labour force participation rates have been increasing, but even more, many seniors are opting for self-employment allowing them to continue to work when they want. (Source: Statistics Canada, Labour Force Survey)