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Canadians still not putting investing knowledge into practice, national study reveals

Montréal – Canadians express greater confidence and optimism, and believe that they are knowledgeable and responsible about investing, according to research commissioned by the Canadian Securities Administrators (CSA). Yet, their behaviour indicates otherwise.

In 2006, the CSA conducted an inaugural Investor Index, designed to understand Canadians' knowledge about investments and experience with fraud attempts, and to provide a baseline for measurement. A partial follow-up study was conducted in 2007 and published as the CSA Investor Study, with this full follow-up in 2009.

According to the 2009 CSA Investor Index, most Canadians (85 per cent) believe that it is important to build up their own personal savings and investments. However, one-in-three (35 per cent) do not have any savings or investments, an increase of eight percent from 2006. Further, six-in-ten (60 per cent) Canadians worry that they do not have enough savings to meet their financial needs. Despite the current economic situation, half of Canadians are reasonably optimistic about their personal situation. One-in-ten (10 per cent) agree strongly that 2010 will be a good year for them, while a further four-in-ten (38 per cent) agree somewhat.

These are just some of the findings of the Index, released today to mark the launch of Investor Education Month in October. Conducted by Ipsos Reid on behalf of the CSA, the study asked more than 6,300 Canadians about their investment knowledge, their understanding of and experience with fraud, and their awareness of securities regulators. In addition, the 2009 Index includes a new set of questions focused on educating young people about personal finances and investing. The CSA uses this research to develop new programs and enhance existing ones based on the needs of Canadian investors.

“This research clearly shows that Canadians are not doing all they can to make informed investment decisions,” says Jean St-Gelais, Chair of the CSA. “The CSA continues to provide Canadians with unbiased information and tools to help investors make these important decisions.”

Canadians agree that it is their responsibility to acquire the skills they need to make sound investment decisions and recognize the need for reliable unbiased information about investing (84 per cent). However, only 31 per cent of Canadians have actually sought information about investing. And although anyone can be a victim of investment fraud, the research indicates certain predictors can lead to someone becoming victim: being over-confident, making decisions without consulting with others and being a frequent trader.

Other findings include:

- Only one-in-four (24 per cent) Canadians have a formal written financial plan that includes clear investment goals, despite the fact that two-thirds (64 per cent) agree that having one is important.
- Just under four-in-ten Canadians (38 per cent) have been approached with a fraudulent investment and four per cent of Canadians have invested money in what turned out to be an investment fraud.
- The top three ways Canadians were most recently approached with investment fraud have not changed since 2006: via email (33 per cent), by a stranger on the telephone (28 per cent), or through a friend, family member, neighbour or co-worker (18 per cent). The results also show that those approached with a suspected fraudulent investment are more likely to describe their level of trust with the person approaching them as either very or somewhat strong (12% this year compared to 5% in 2007).
- Fraud victims are more likely to agree that the riskier the investment, the greater the reward (48%, compared to 38% on average), that most people can be trusted (46%, compared to 40% on average) and that if you don't act immediately you may miss a good opportunity (30%, compared to 23%).
- Young Canadians aged 18 to 34 are less confident than other age groups about making investment decisions (48% are very or somewhat confident compared to 56% on average) and are significantly less likely to know where to go for information about investing (67% compared to 75% on average).
- A majority of parents (78 per cent) agree that teaching children financial skills is among the most important things a parent can do for their child. Yet, only 46 per cent of Canadian parents have taught their children about finances and investing, and only one in five (20 per cent) consider a parent to be the most responsible for teaching young people about personal finances and investing (compared to 51% who consider a financial advisor to be most responsible).

In addition, the study highlights regional data across Canada:

Alberta

- Over half of Albertans (53 per cent) personally research their investments and 61 per cent report being familiar with and can explain the risks and benefits of their most recent investment.
- 30 per cent of Albertans approached with a possible fraudulent investment have reported the fraud to the authorities (as compared with 26 per cent nationally), up from only 12 per cent in 2006.

British Columbia

- 48 per cent of people in B.C. say that they have been approached with a fraudulent investment compared to the national average of 38 per cent.
- British Columbians are most likely to say they have an aggressive investment style, with 38 per cent of B.C. respondents agreeing this was the case.

Manitoba

- 74 per cent of Manitobans are confident in their ability to teach their children about personal finances and investing, while only 54 per cent have actually done so.
- Manitobans are most worried (65 per cent) that they do not have enough savings to meet all their financial needs. More than one in four currently do not have any savings or investments set aside for their future.

New Brunswick

- Telephone attempts are the most common way for New Brunswickers to be approached with a fraud, with 40 per cent of attempts coming from a stranger calling over the phone (compared to 28 per cent nationally).
- A relatively low percentage of New Brunswickers actually invested in a fraudulent investment scam (1 per cent compared to 4 per cent among all Canadians) and invested an average of \$4,214, the lowest across the country.

Newfoundland

- Newfoundland & Labrador has the lowest incidence of selecting all correct indicators of investment fraud.
- 37 per cent of Newfoundlanders reported familiarity with their provincial regulator, highest in Canada.

Nova Scotia

- 45 per cent of Nova Scotians have a financial advisor. They are more likely to stick with an advisor long term, with 14 per cent claiming to have worked with their current advisor for 10 years or more. 61 per cent heard of their most recent investment from their financial advisor.
- Nova Scotians are more likely than other Canadians (48 per cent) to agree that, “in general, people can be trusted.”

Ontario

- 36 per cent of Ontarians currently do not have any savings set aside for the future, and 62 per cent of Ontarians worry that they do not have enough to meet their future financial needs, slightly above the national averages.
- 78 per cent of Ontarians believe it is their responsibility to acquire the skills they need to make sound investment decisions. Yet, only 36 per cent have looked for investing information in the past year, and only 45 per cent work with an adviser.

Prince Edward Island

- Investors in PEI are most likely (50 per cent) to have worked with a financial advisor to create a formal risk assessment.
- Islanders are the least optimistic about their financial outlook for 2010, with only 42 per cent agreeing that it will be a good year for them.

Quebec

- A majority of Quebecers (83 per cent), the highest in the country, agree that it is their responsibility to acquire the skills they need to make sound investment decisions. However, 78 per cent have not looked for information about investing within the last 12 months.
- 81 per cent of Quebecers agree that it is important to report even the suspicion that someone has approached them with an investment fraud, and 46 per cent know that there is a securities regulator in the province.

Saskatchewan

- 51 per cent agree that 2010 will be a good year financially for them and 35 per cent plan to make investments in the next 12 months.
- 57 per cent are confident when it comes to making investment decisions and are most likely (40 per cent) to have looked for information on investing during the last year (as compared to 31 per cent nationally).

The full 2009 Index is available online in English on the CSA website www.securities-administrators.ca.

The CSA Investor Index is a mixed methodology study combining a telephone study with an in-depth online study. Ipsos Reid interviewed 6,319 Canadian adults online, in July, 2009. Separately, Ipsos Reid asked several questions in a national telephone survey of 1,000 Canadian adults to weight the online sample to make it representative of the Canadian population.

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

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