

INVESTING AND THE COVID-19 PANDEMIC

Survey of Canadian Investors

OSC

ONTARIO
SECURITIES
COMMISSION

INVESTOR OFFICE

April 2021

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EXECUTIVE SUMMARY

Objectives and Methodology

Key Findings

1

Research Objectives

The Ontario Securities Commission's (OSC) is closely monitoring the impact of the COVID-19 pandemic on retail investors and commissioned Ipsos to conduct an online survey among Canadian investors.

The purpose of the survey was to gain a better understanding of the how the pandemic is affecting the preferences, beliefs, attitudes, and financial situation of Canadian investors.

The survey addressed several topics including:

- Financial preparedness
- Financial goals and commitments
- Buying and selling behaviour during COVID-19
- Attitudes towards investing and risk
- Beliefs about personal wealth and the economy
- Financial literacy
- Investment profile

A large survey sample was sought in order to have the ability to analyze sub-groups of the Canadian investor population.



Survey Methodology



Online survey among **2,000 Canadian investors**

Respondents qualified if they have at least one investment product either inside or outside of an RRSP, RESP, RRIF, or TFSA. See Appendix for list of investment products.



Fieldwork from **September 25 to October 5, 2020**



Weighted by gender, age, region, and household income to reflect the composition of Canadian investors



Results are **accurate to within ± 2.5 percentage points** of what the results would have been had every Canadian investor been polled. Credibility intervals will be wider among subgroups of the sample.

For more information on Ipsos's use of credibility intervals, please consult [the following document](#).



Key Findings (1/4)

Canadian investors are not financially prepared for emergencies

Three in ten (31%) Canadian investors said they would be unable to afford an unexpected expense of \$5,000 within their current cash flow (i.e., by using the money in their bank accounts or using a credit card and paying the balance in full). Among those who would turn to selling assets or borrowing in order to meet this expense, most would turn to a bank loan or line of credit, withdraw from their investment account, or carry a balance on their credit card. **Nearly one in ten Canadian investors reported having faced an unexpected expense** of \$5,000 or more due to COVID-19, and another one in ten expected to face it if the pandemic were to continue until April 2021.

Two in ten Canadian investors were worried about their ability to pay their monthly expenses. Relatedly, one in ten Canadian investors had either already sold some investments to cover their monthly expense (4%) or were considering doing so (8%).

Half of Canadian investors stopped contributing to a savings goal.

Nearly half (45%) of Canadian investors who were putting money towards a financial or personal goal (ranging from travel/vacation to retirement) **stopped contributing** toward their goal(s) during COVID-19. This represents about 35% of all Canadians.

Savings for travel and large purchases such as an automobile were hit hardest (51% of those saving for travel have stopped and 37% of those saving for a large purchase have stopped), but more concerningly, one-third stopped saving for their education (35%) or for a house (30%). However, over 8 in 10 of those saving towards goals like their children's education or retirement continued to make progress towards these goals.



Key Findings (2/4)

Most Canadian investors are pessimistic about prospects for the economy.

Half (53%) of investors believe the COVID-19 pandemic will have a negative effect on the Canadian economy that will past March 2022 (pessimists), while nearly four in ten (37%) thought the negative effects will not last that long (optimists).

Pessimists are preparing for longer-term disruption, focused on cutting back on spending and are more likely to be **'passive investors'** during the pandemic, meaning that they have neither bought nor sold.

Optimists are more likely to be confident that things will turn around quickly for both the country and themselves and to be active in buying/selling, seeing the pandemic as an opportunity to invest.

Half of Canadian investors have been 'active' in terms of investing during COVID-19.

While half (52%) of Canadian investors have been passive investors during the pandemic, the **other half (48%) can be classified as being 'active investors'**, meaning that they bought and/or sold investments during this time.

Two in ten (22%) investors sold at least some of their investments during the pandemic (half of whom sold 20% or less of their total portfolio) and were motivated by three primary reasons: to pay for expenses (29%), minimize losses (21%), and to realize profits (17%).

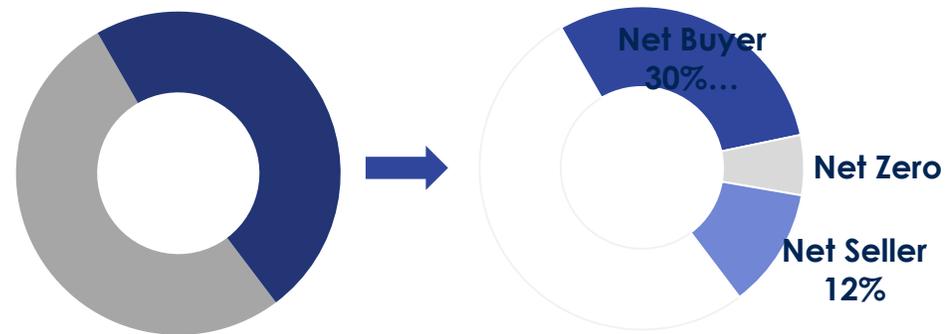
Four in ten (40%) Canadian investors bought investments during the pandemic (most bought 20% or less of their portfolio). The majority (70%) of which were reacting to the market, as opposed to sticking to their regular contribution patterns (30%), motivated primarily by a belief that assets were undervalued (28%).



Key Findings (3/4)

Among active investors, most saw an opportunity to grow their portfolio; however, those who sold did so because they needed the money.

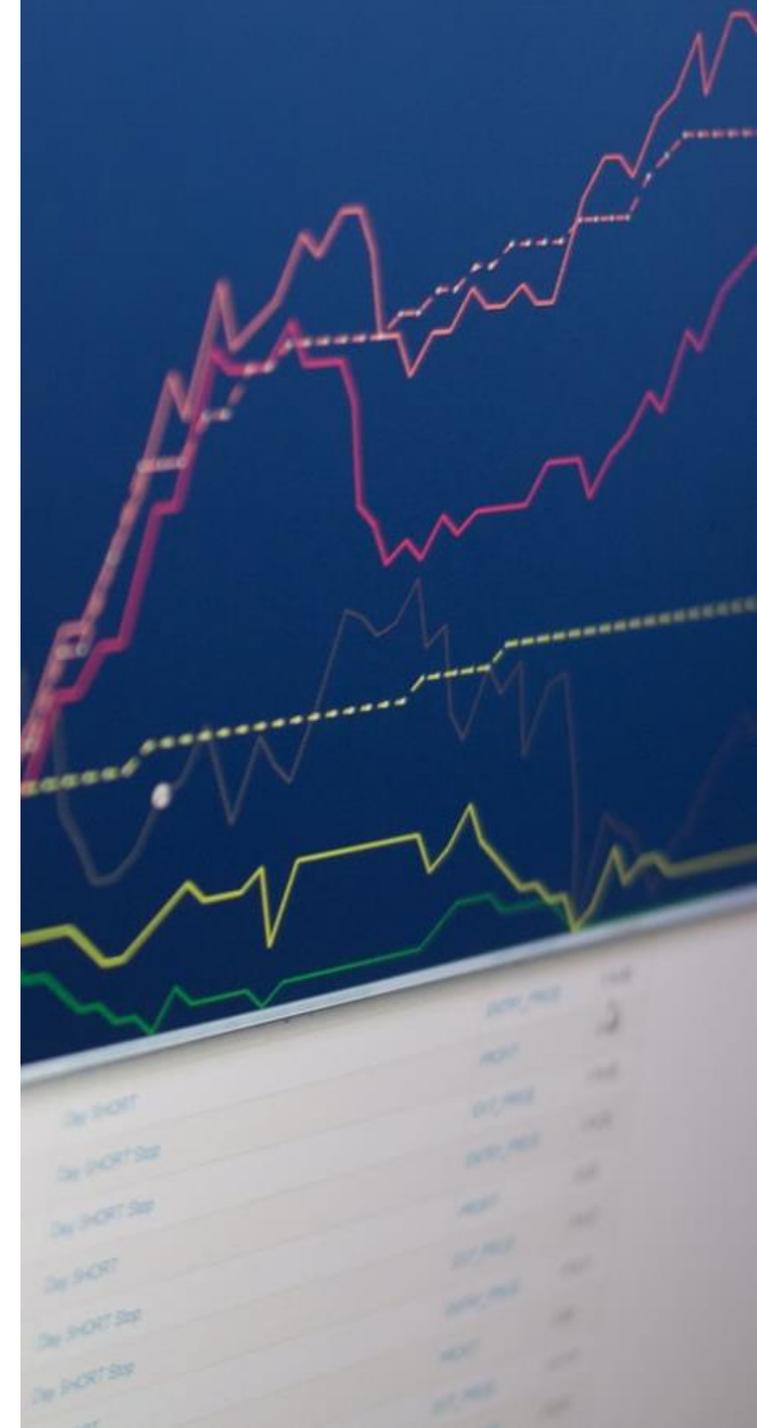
Active investors, who were buying and selling during the pandemic, can be further dissected into 'net buyers', 'net sellers' and 'net zero' investors.



In general, active investors were more likely to be male, younger, have children in the household, and have higher household incomes. They were motivated to invest in part by a more optimistic outlook for the economy, but also to address their immediate financial needs. Active investors were generally more likely to feel their financial situation is worse off than a year ago (September 2019). This was particularly true for net sellers, who were in a selling position to cover expenses.

Net buyers, on the other hand, were more likely than both passive investors and net sellers to say their financial situation is better.

Passive investors were more likely to say their financial situation has been unaffected by the pandemic but have not yet invested, the reason for which can be at least partially attributed to pessimism over the state of the economy.



Key Findings (4/4)

Higher investment stress tends toward selling, while lower stress tends toward buying

Three in ten investors have become more stressed about their investments during the pandemic. Those age 35-54 were disproportionately affected, with this group comprising half (49%) of those who describe their stress level as “high” or “very high”. Highly-stressed investors were more likely to be net sellers (28% vs. 18% net buyers), while less-stressed investors were more likely to be net buyers (31% vs. 5% net sellers).

Highly stressed investors were 10 times more likely to have been approached with an investment opportunity promising high returns with low risk due to COVID-19 (however, they were no more likely to have responded to the opportunity).

Almost half of Canadian investors have high financial knowledge; However, even these investors still want a better understanding of their financial situation.

At least **seven in ten** answered correctly to a given financial knowledge question and **nearly half** were able to correctly answer all three questions. **Knowledge was consistently higher among older investors, men, those with more education, those with more than \$500k in investments, and those who have been active investors.**

Interestingly, the data does not appear to show a connection between investors' level of financial knowledge and the degree to which they were satisfied with their level of understanding of their financial situation. Despite having a good understanding of the fundamentals, high-knowledge investors are as likely as those with less knowledge to say they need a better understanding of their financial situation (45% vs. 49%).



FINANCIAL PREPAREDNESS

2

FINANCIAL PREPAREDNESS

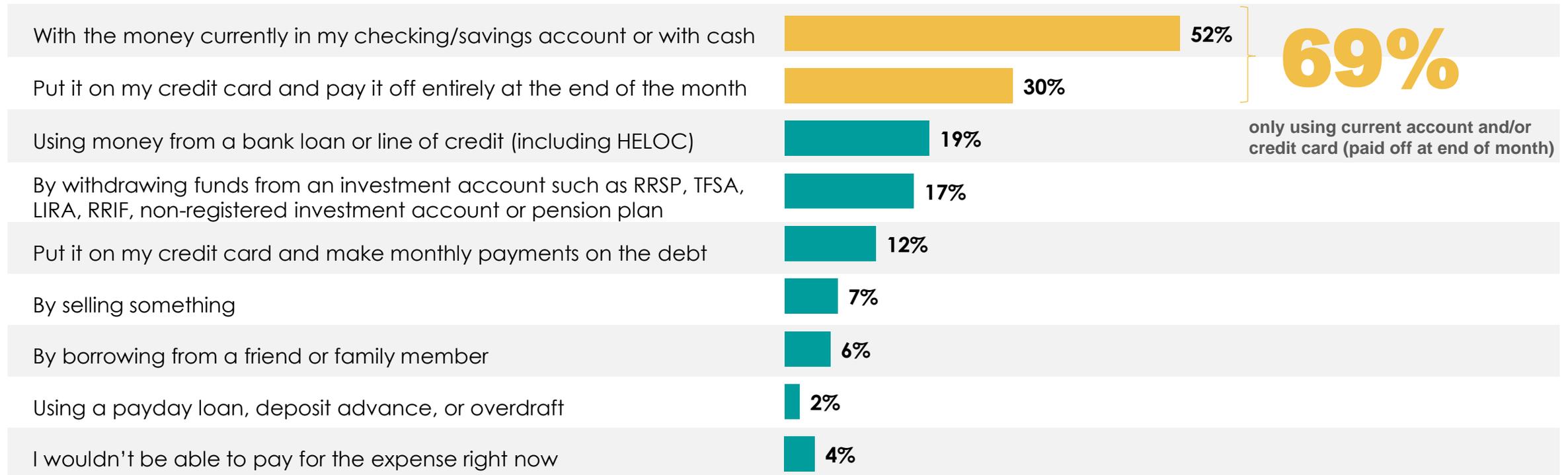
- Three in ten (31%) Canadian investors reported that they would not be able to afford an unexpected expense of \$5,000 within their current cash flow (i.e., using the cash in their bank accounts and/or using a credit card whose balance would be paid in full at the end of the month). Men and older Canadians were more likely to say that they could meet this expense.
- The most common ways in which Canadian investors without sufficient cash said they would meet this expense were putting in on their credit card, using a bank loan, or withdrawing funds from an investment account.
- Interestingly, there was no difference among households of different income levels regarding their ability to pay for the unexpected expense. Furthermore, those with kids in the household were less likely to say they could cover the expense with just their existing cash flow (26% v. 33% for those without children).
- Households with kids and those under 55 years are more likely to have had an unexpected expense of \$5,000 because of the pandemic. More than one in ten within each of these groups has already had to deal with such an expense.



Preparedness to Manage Unexpected Expenses

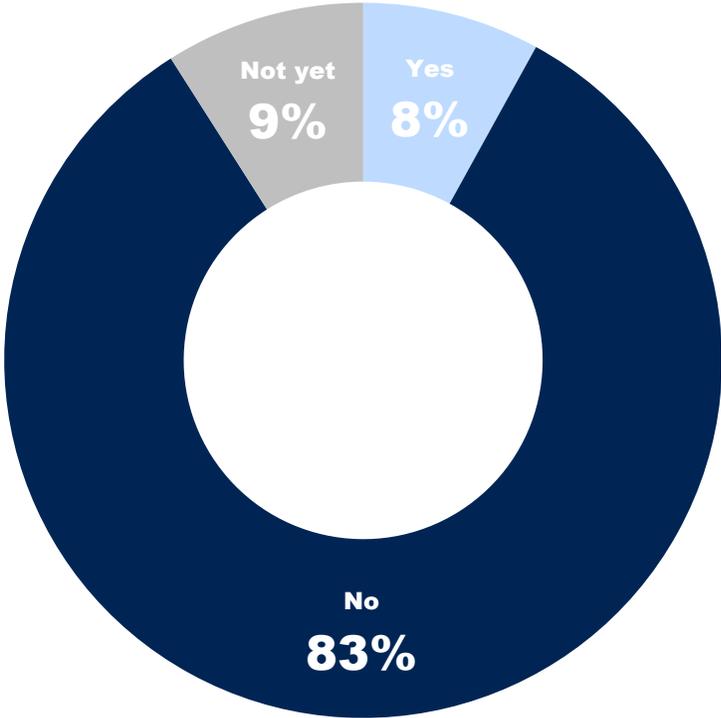
Seven in ten (69%) Canadian investors said that they would be able to pay for an unexpected expense of \$5,000 within their current cash flow (i.e., using the current money in their checking/savings account and/or put on a credit card with the balance fully paid at the end of the month). Men were more likely to say that they could meet the expense without taking on additional debt (72% v. 66%), as were older Canadians (78% among 55+ years, 59% among 35-54 years, 65% among 18-34 years).

As for the remaining 31% who would have to take on some kind of debt, substantial minorities would incur additional costs/losses in covering the emergency through means such as accessing their line of credit or a bank loan, withdrawing funds from investments, or incurring credit card debt.



Q6. Suppose that an emergency causes unexpected expenses of \$5,000. Based on your current financial situation, how would you pay for these expenses? Please select all that apply.
Base: All respondents (n=2001)

Likelihood to Experience Unexpected Expenses



Nearly one in ten Canadian investors reported having faced an unexpected expense of \$5,000 or more due to COVID-19, and another one in ten expected it to happen if the pandemic were to continue until April 2021. With little sign of the pandemic abating in the immediate future, almost 2 in 10 (17%) of Canadians could find themselves with a large unexpected expense by early summer 2021.

The impact was greater among those under 55 years (12% among 18-34 years, 11% among 35-54 years, 4% among 55+ years) and those with kids (13% among those with kids vs. 6% among those without).

Q7. Has the COVID-19 pandemic caused unexpected expenses of \$5,000 or more? Please select one only.
Base: All respondents (n=2001)

FINANCIAL GOALS

3

FINANCIAL GOALS

Nearly half (45%) of Canadian investors who were saving money for a financial or personal goal (ranging from travel to retirement) have stopped contributing towards these goals during COVID-19. This represents about 35% of all Canadians.

Savings for travel and large purchases, such as an automobile, were hit the hardest (51% of those saving for travel have stopped and 37% of those saving for a large purchase have stopped), but more concerningly, one-third have stopped saving for their education (35%) or for a house (30%). However, over 8 in 10 of those saving towards goals like their children's education or retirement have continued to make progress towards these goals.

Lower-income households have been the hardest hit (with 58% having stopped saving). Understandably, worries about one's monthly expenses weighed heavily on the decision to stop saving. For instance, those who have stopped saving were twice as likely to be worried about their current ability to pay their monthly expenses than those who continued saving (34% vs. 15%).

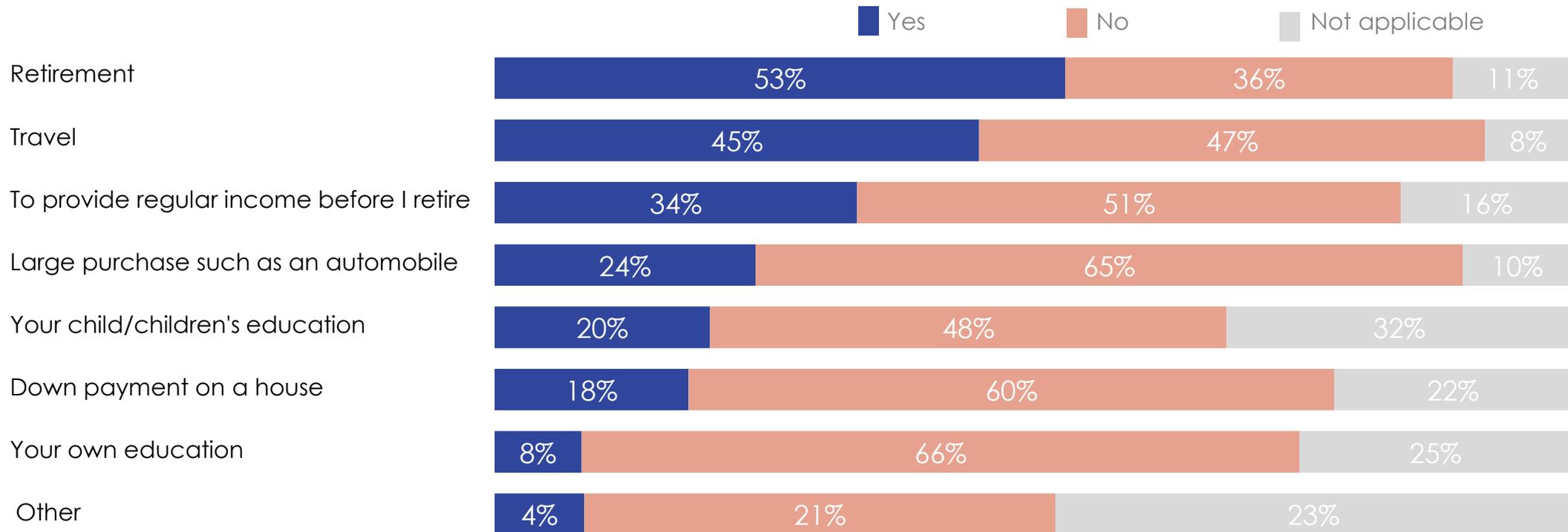
Knowledge of one's personal financial situation also appears to have played a role in these savings behaviours. Those who have continued saving indicated a better understanding of their financial situation (24% 'strongly disagree' that they need a better understanding of my financial situation vs. 17% among those who stopped saving).

Interestingly, those who stopped saving were more inclined to believe their finances will be impacted by COVID-19 until at least October 2021 to March 2022 than those who continued saving (31% vs. 22%). Furthermore, those who are continuing to save were more likely to be unsure than those who stopped saving about when they will no longer be impacted by COVID-19 (32% vs. 19%).



Canadians' Savings Goals

Prior to COVID-19, eight in ten (79%) Canadian investors were contributing to at least one savings goal, a proportion that was as high as 91% among those under 55 years. Most investors were saving for retirement, followed by travel, pre-retirement income, and large purchases such as an automobile. More women than men reported having a savings goal prior to COVID-19 (84% vs. 75%).

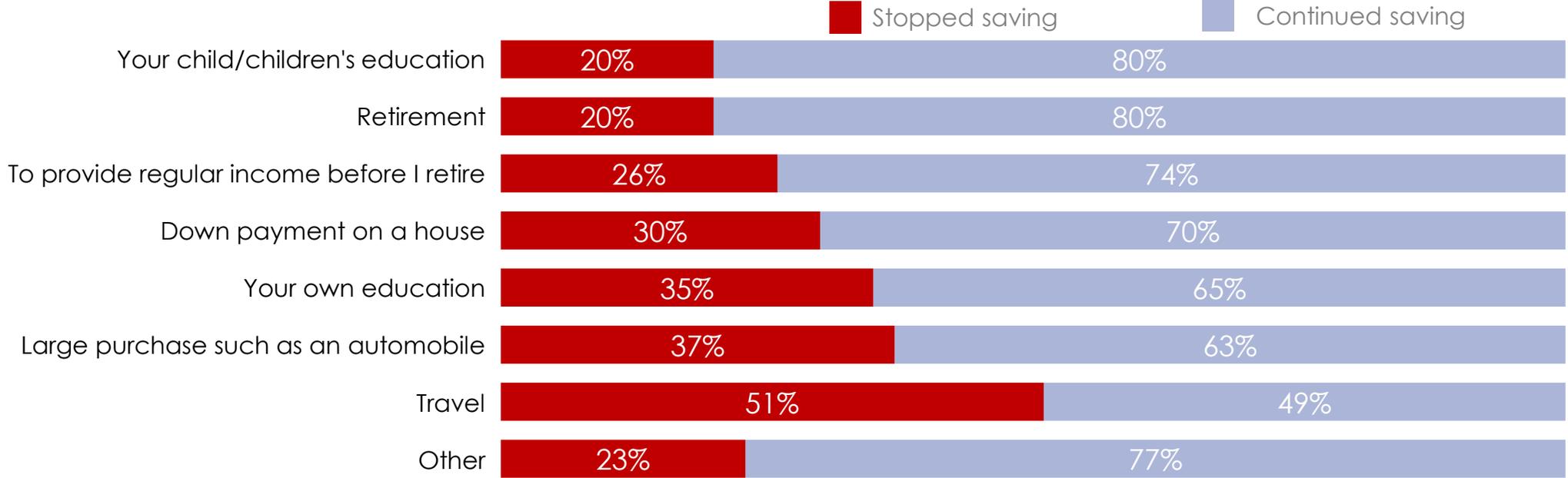


Q8. Prior to COVID-19, were you making contributions to any of these savings goals?
Base: All respondents (n=2001)

Savings Goals Stopped Due to the COVID-19 Pandemic

During COVID-19, nearly half of investors (45%) stopped contributing to a savings goal, with travel being the goal for which the most people have stopped saving. Substantial proportions also stopped saving for things such as their own education or a large purchase such as an automobile. Even more concerning, nearly one in three stopped saving for a down payment on a house, one-quarter for pre-retirement income, and two in ten for retirement or their children's education.

More women than men have stopped saving towards their goals in general (49% vs. 41%). Furthermore, lower income households were more likely to have stopped saving (58% with household income <\$50K). This is understandable, given the uneven impact the pandemic has had on women and lower earning more modest incomes.

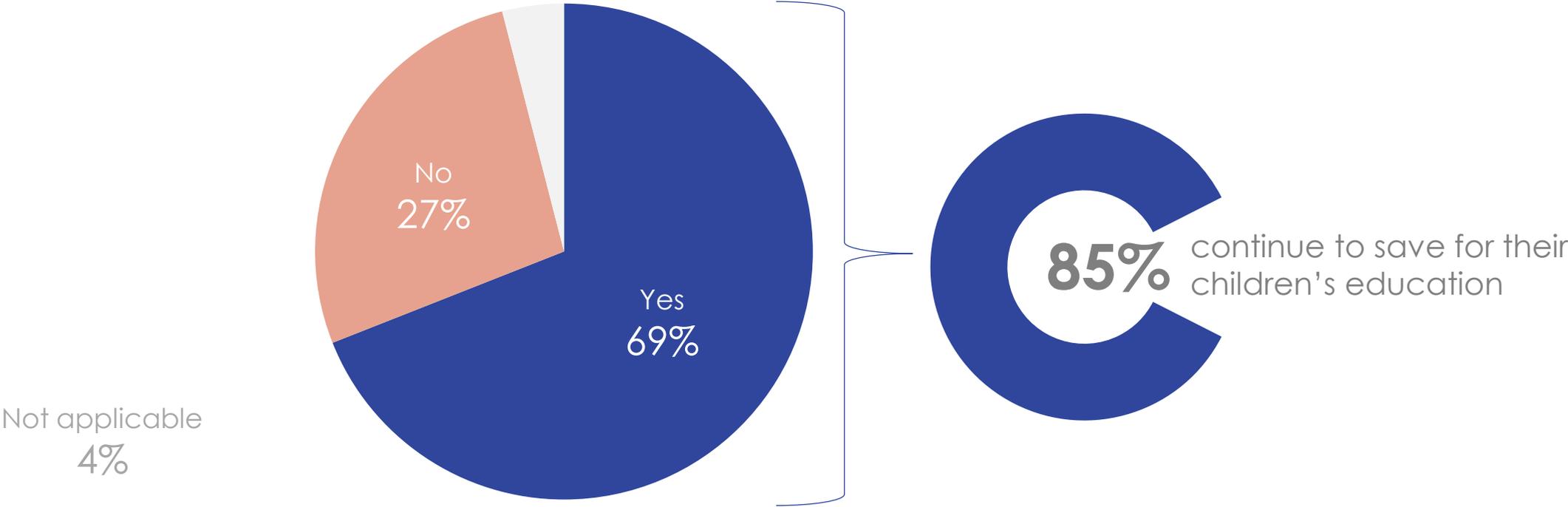


55%
continue to save for **all** their goals

Q9. Have you continued to make contributions to these savings goals during the COVID-19 pandemic?
Base: Those who were making contributions to savings goals pre-pandemic (n=varies)

Saving for Children's Education

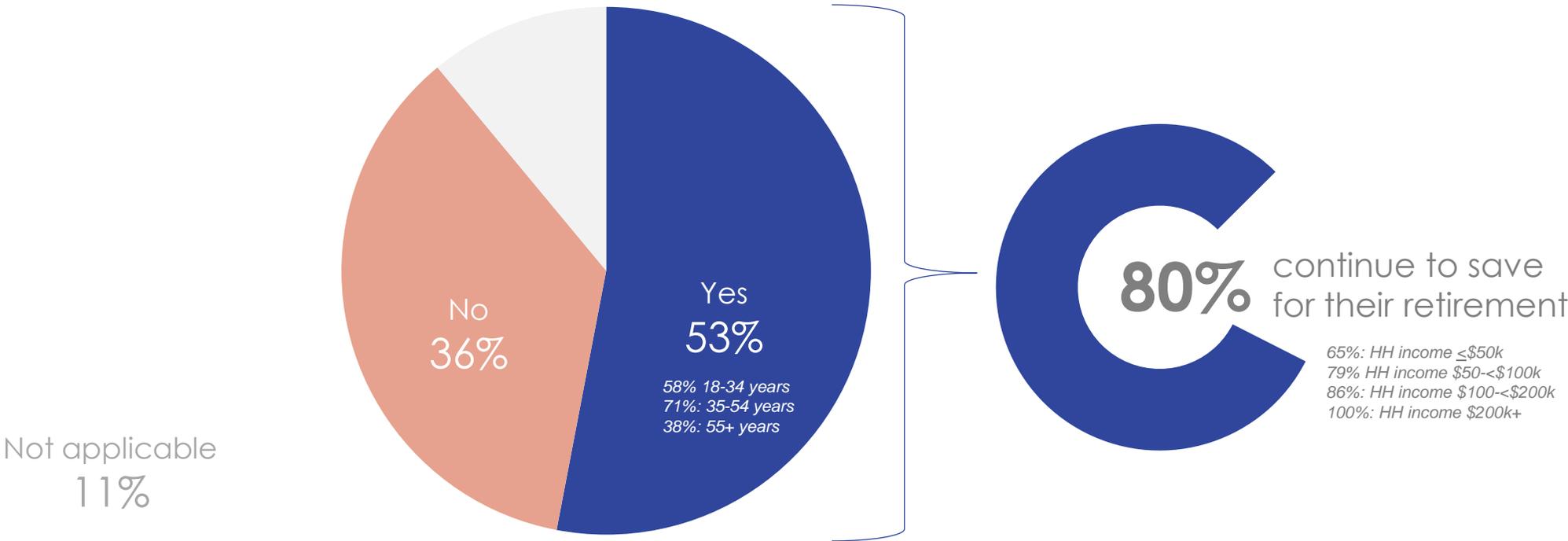
Focusing more specifically on those with children under 18 years of age in the household, seven in ten (69%) said that they were saving for their child/children's education pre-pandemic. Eight months into the pandemic (as of end of September, early October 2020), parents were mostly continuing to put money aside for their children's education; 85% said they are still saving towards this goal in some way.



Q8. Prior to COVID-19, were you making contributions to any of these savings goals?
Base: Those with children under 18 years in the household (n=359)
Q9. Have you continued to make contributions to these savings goals during the COVID-19 pandemic?
Base: Those with children under 18 years in the household who were saving for their children's education pre-pandemic (n=235)

Saving for Retirement

As for saving for retirement, half (53%) of Canadian investors say that they were saving for this goal pre-pandemic. This proportion was much higher among those of prime working age: 35-54 years (71%). Of those originally saving for retirement, 8 in 10 said they have continued to make contributions to this goal. While there was not much difference in terms of age among those who have continued to save, those earning \$50k or less were more likely to say they've stopped making contributions to this goal during the pandemic.



Q8. Prior to COVID-19, were you making contributions to any of these savings goals?
 Base: All respondents (n=2001)
 Q9. Have you continued to make contributions to these savings goals during the COVID-19 pandemic?
 Base: Those who were saving for retirement pre-pandemic (n=1029)

FINANCIAL COMMITMENTS

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FINANCIAL COMMITMENTS

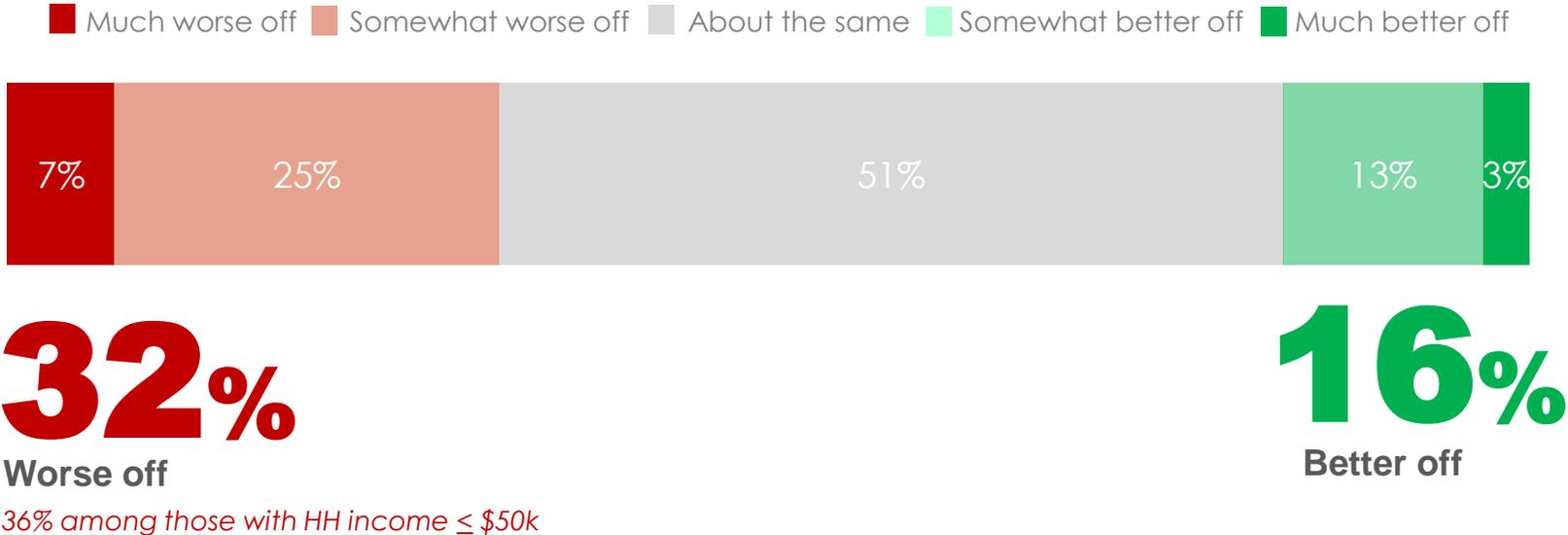
- Three in ten (32%) Canadian investors said their current financial situation is worse than it was in September 2019, twice the number who said that their current financial situation is better than it was in September 2019 (16%).
- Two in ten Canadian investors said they were worried about their ability to pay their monthly expenses.
- One in ten (12%) Canadian investors have either already sold some investments to cover their monthly expense (4%) or are considering doing so (8%).
- Half of Canadian investors said they believe the COVID-19 pandemic will have a negative effect on the Canadian economy that will last past March 2022. Three in ten (29%) said they think the impact will last until August 2021 to April 2022. Only 9% believed the Canadian economy will be impacted until October 2021 or less.
- Four in ten (42%) Canadian investors felt it will take at least until October 2021, if not longer, for their household to get back to the same financial position before COVID-19, and an additional 4% said they think they'll never get back there.



Impact of COVID-19 Pandemic On Financial Situations

Three in ten (32%) Canadian investors said their current financial situation is worse than it was in September 2019, twice the number who said that their current financial situation is better than in September 2019 (16%).

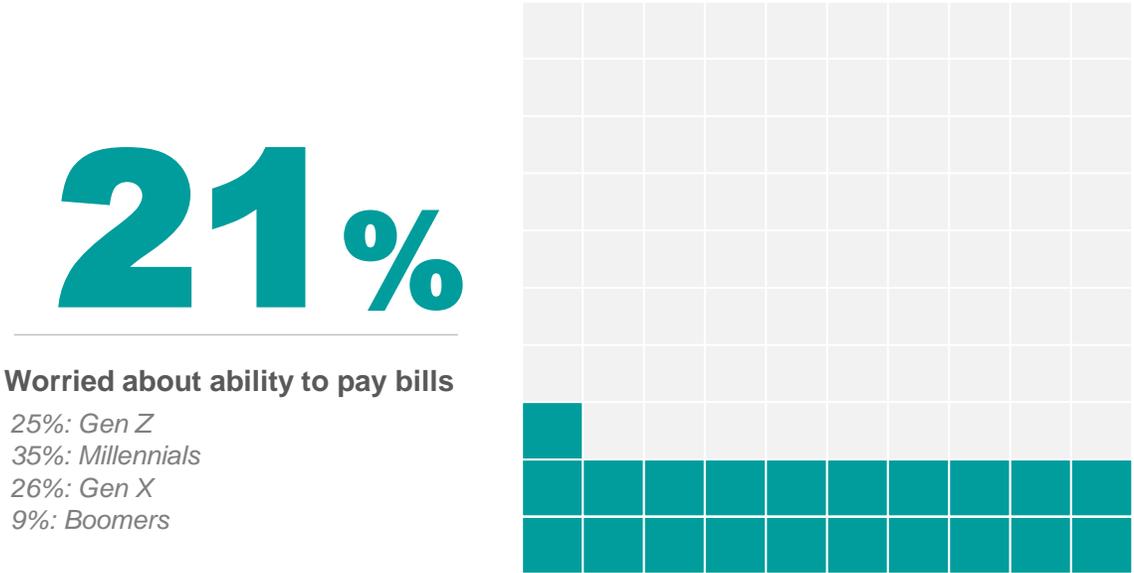
While there was no statistically significant difference among income groups when it comes to who says they are better off now, those in households earning less than \$50,000 a year were a little more likely to say they are worse off, thereby giving further clues as to the extent to which the pandemic has disproportionately affected those with lower incomes (alongside other groups).



Q10.How does your financial situation compare to 12 months ago? much better off, somewhat better off, about the same, somewhat worse off, much worse off, don't know.
Base: All respondents (n=2001)

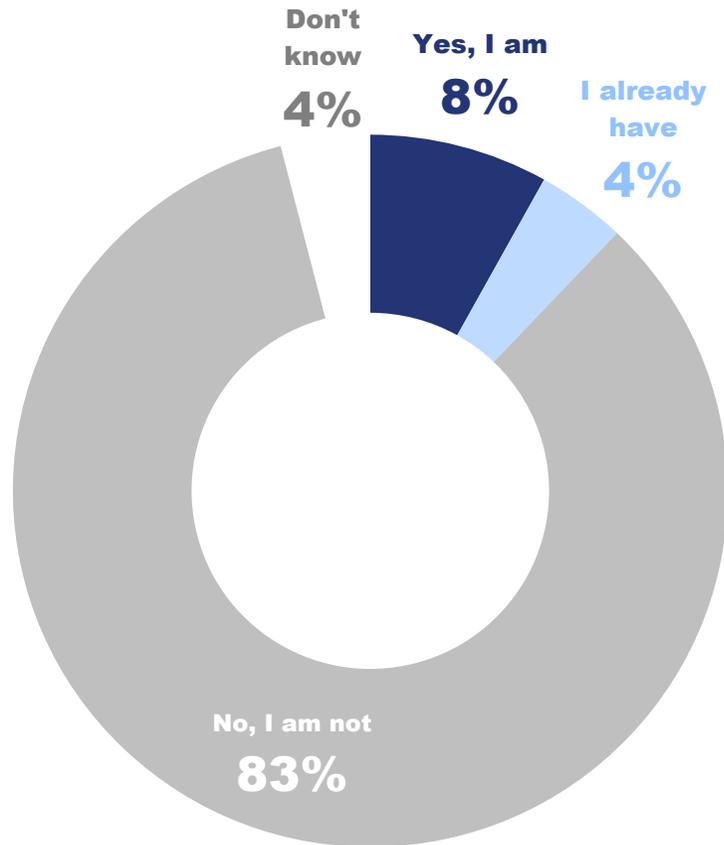
Worry About Current Monthly Expenses

Two in ten Canadian investors were worried about their ability to pay their monthly expenses, with Millennial investors slightly more worried than other age groups about meeting their monthly debt obligations. Women were also more worried when compared to men (23% vs. 19%).



Q11. Are you worried about your current ability to pay your monthly expenses such as food, rent, utilities, credit cards, loan and mortgage payments?
Base: All respondents (n=2001)

Selling Investments to Cover Monthly Expenses



About one in ten (12%) Canadian investors have either already sold some investments to cover their monthly expenses (4%) or are considering doing so (8%). More specifically:

- Younger investors were the most likely to consider selling investments (15% among 18-34 years, 11% among 35-54 years, 4% among 55+ years).
- Those with kids in the household were twice as likely to consider selling (15% vs. 7%).
- Those without an investment portfolio manager or advisor were also twice as likely to consider selling (11% vs. 5%).
- Leveraged investors (those who borrowed money to buy any of their investments during or before COVID-19) were 7 times more likely to sell to cover their current monthly expenses (35% vs. 5%).
- Those who feel their financial situation is worse than it was in September 2019 were 4-6 times more likely to consider selling than those who thought it is better or the same.

Q12. Are you considering selling some or all of your investments to pay your monthly expenses such as food, rent, utilities, credit cards, loan and mortgage payments?
Base: All respondents (n=2001)

FINANCIAL ATTITUDES AND BELIEFS

5

CHANGING ATTITUDES AND BELIEFS

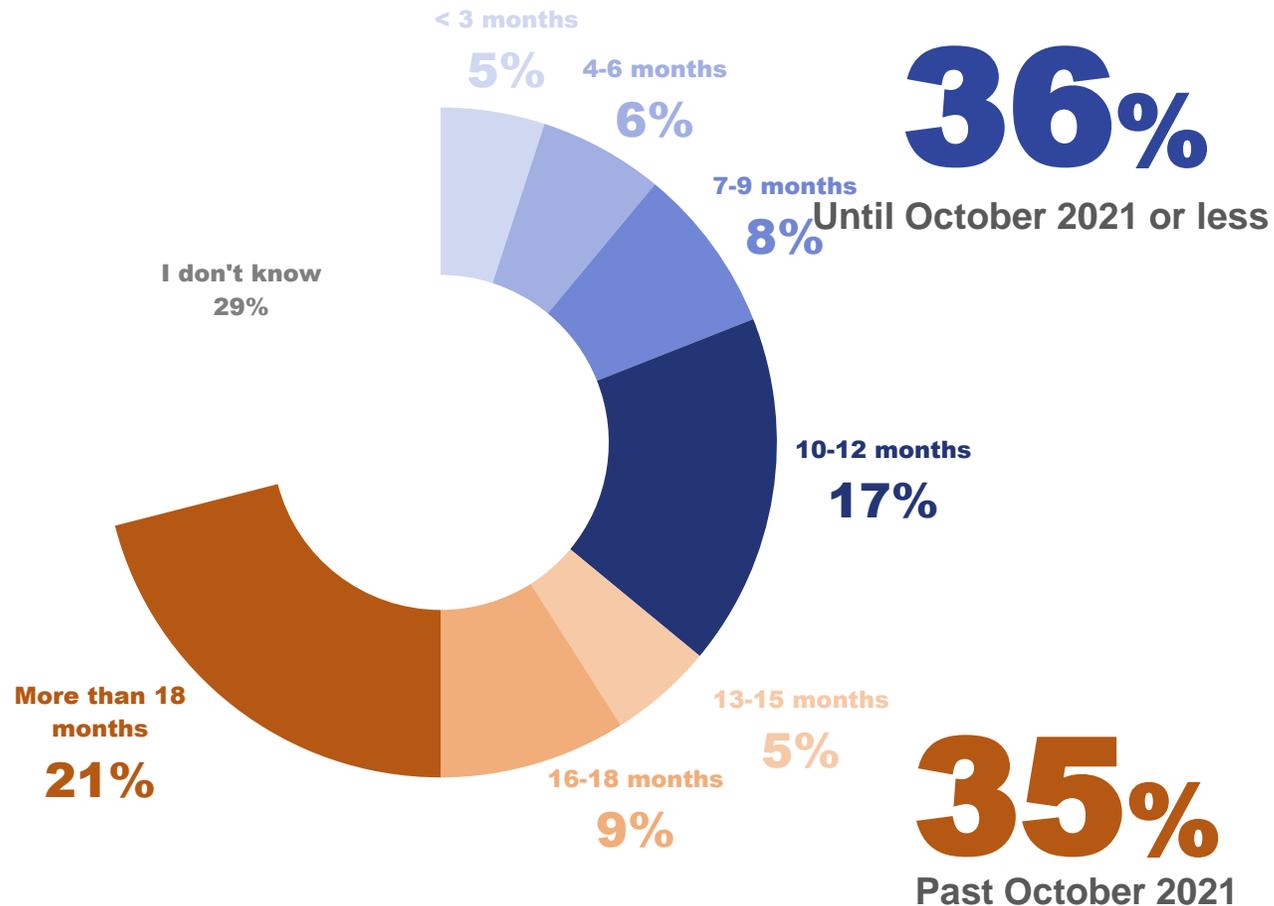
The pandemic has led many Canadian investors to sit up and pay attention to their financial situation. With many affected by the pandemic in some way through job loss, salary reductions, or lay offs, investors are looking for ways to weather the storm. Canadian investors said that as a result of the pandemic, they'd like to start focusing on saving for future emergencies (73%), paying off their debt (73%), and watching their overall spending (70%). It has also contributed to a large minority (38%) wishing to have a better understanding of their financial situation.

Understandably, one-third of investors said that they have become more stressed about their investments during the pandemic. Those aged 35-54 years were disproportionately affected, with this group comprising half (49%) of those who describe their stress level as either 'high' or 'very high'. Perhaps not surprisingly, investors with fewer investments (<\$100K: 22%) were the most stressed, while those with the most investments were the least stressed (>\$500K: 9%).

Those having reported a higher level of stress over their investments were more likely to have sold some investments, while those who reported a lower level of stress were more likely to have bought investments. This is perhaps a troubling sign of the oft-mentioned uneven recovery – those who are in immediate need of cash to pay expenses end up selling their investments (and end up poorer in the long-run), while those who can afford to weather the storm increase the size of their portfolio (thereby setting themselves up for even more success later on). As the pandemic drags on, these trends risk being magnified, as more investors may find themselves in need of cash to meet immediate, unexpected expenses.



How Much Longer COVID-19 Will Impact Personal Finances



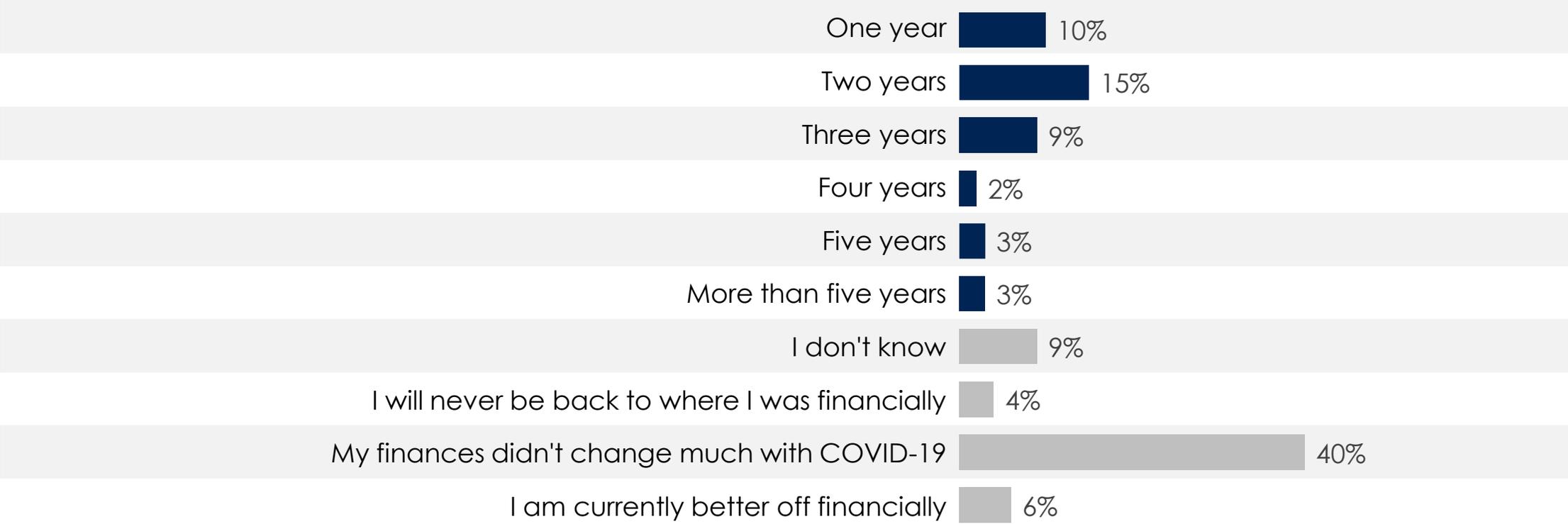
Canadian investors were split on whether COVID-19 will be affecting their financial situation past October 2021, with 36% saying it will affect them up to October 2021 and 35% saying it will affect them for past October 2021. Three in ten were uncertain as to how long COVID-19 will impact them financially.

- Younger investors were most likely to believe their financial situation will be affected for a time period up to October 2021.
- Women were more likely to say they are uncertain as to how long the pandemic will affect their personal finances (35% vs. 23% among men). Men were more likely to offer an estimate – 28% said May-October 2021, 38% said November 2021 or longer.

Q13. How much longer do you think the COVID-19 pandemic will affect your financial situation?
Base: All respondents (n=2001)

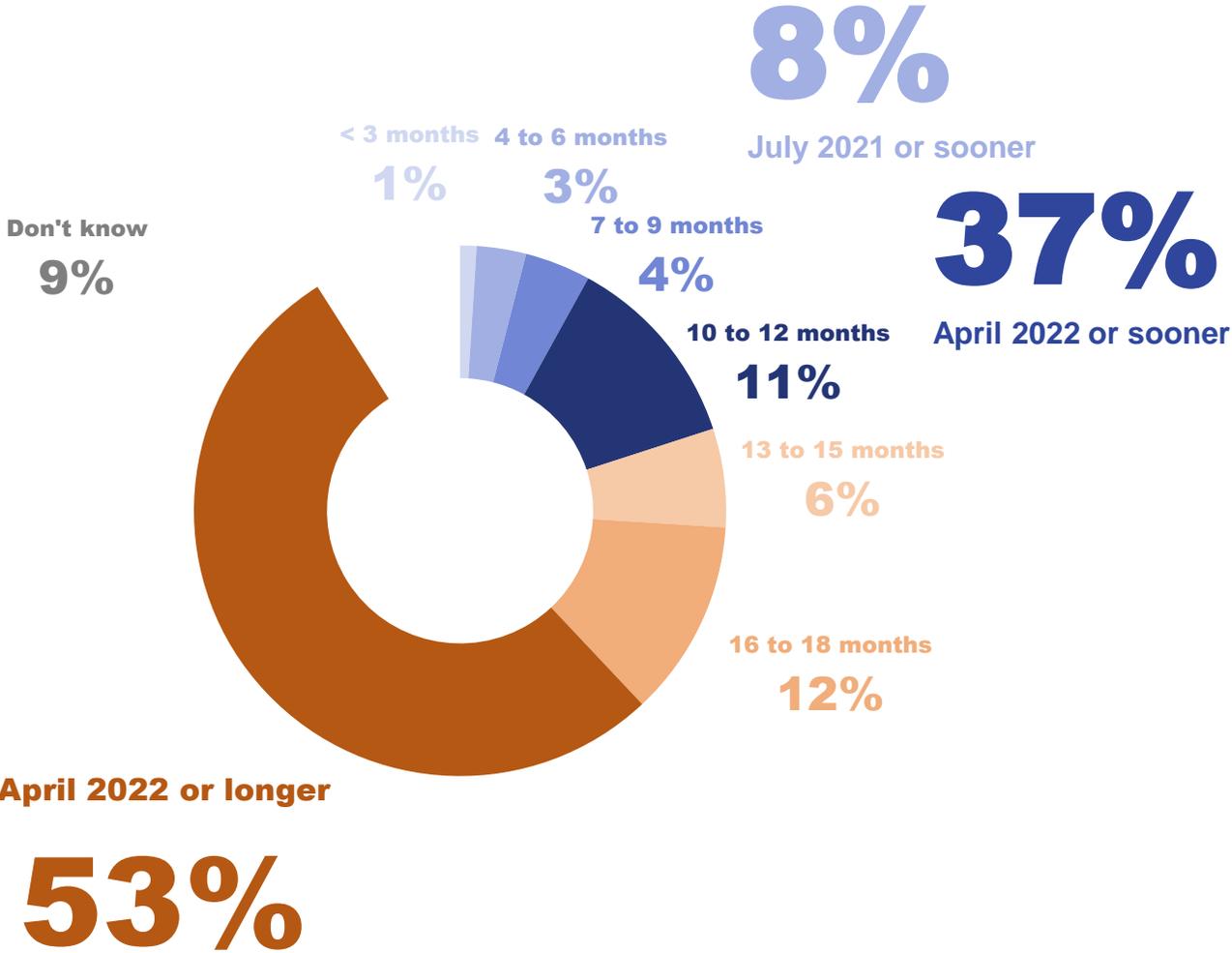
How Long It Will Take Households to Recover

Four in ten (42%) Canadian investors felt it will take at least a year, if not longer, for their household to get back to the same financial position as before COVID-19, and an additional 4% thought they'll never get back there. Only 40% say their finances didn't change much and a very small percentage believe they are currently in a better position financially.



Q14. When do you think you (and your family living in your household) will be back to where you were financially before the COVID-19 pandemic began? Please select one only.
Base: All respondents (n=2001)

How Much Longer COVID-19 Will Impact Our Economy



Half of Canadian investors believed that COVID-19 will have a negative effect on the Canadian economy lasting until April 2022 or longer. Three in ten (29%) thought that the impact will last until somewhere between August 2021 to April 2022. Only 8% believed the Canadian economy will be impacted until July 2021 or less.

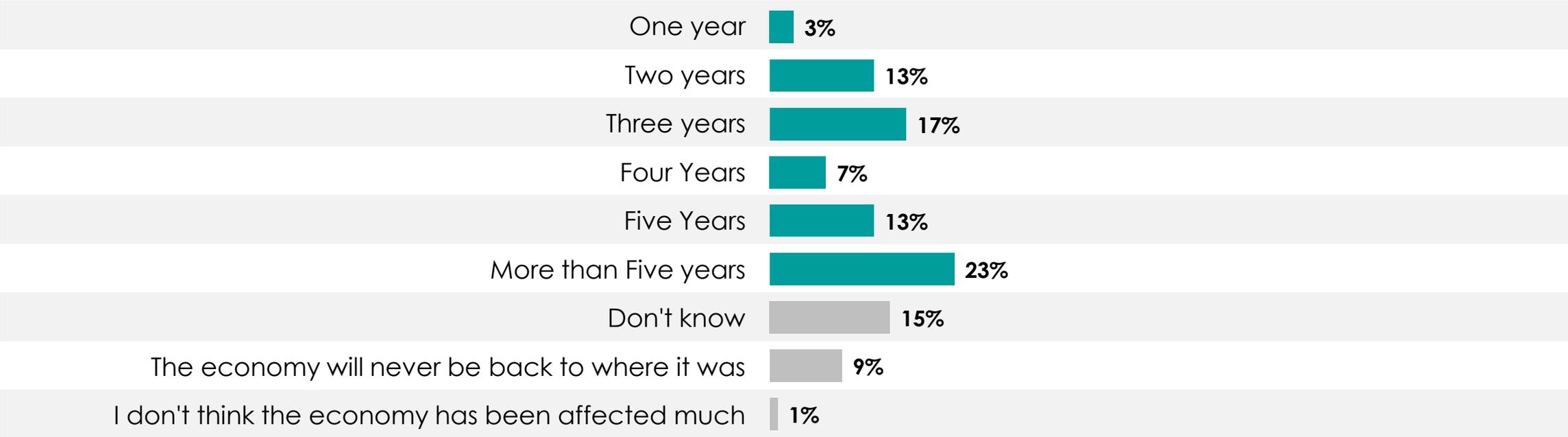
- Women were more likely than men to think the Canadian economy will be affected for until April 2022 or longer (57% vs. 49%).
- Perceptions of length increased with age – 55% of those 55+ years thought it will be until April 2022 or longer (vs. 53% among 35-54 years and 45% among 18-34 years).

Q15. How much longer do you think the COVID-19 pandemic will have a negative effect on the Canadian economy?
 Base: All respondents (n=2001). Those responding "I don't think the economy has been affected much" have been excluded from the chart (1%).

How Long It Will Take the Economy to Recover

While most Canadian investors agreed it will be at least a year before for the Canadian economy will be as strong as it was before the pandemic, investors were quite divided on how much longer it will be. While about half of investors thought it will return to pre-COVID strength within five years (October 2025), one in ten (9%) believed that the Canadian economy will never get back to where it was.

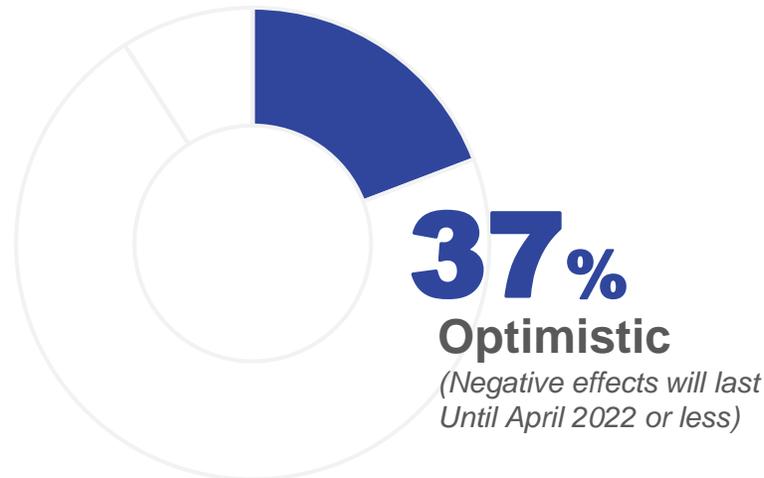
Pessimists (those who think the pandemic will have negative impact on the Canadian economy past April 2022) thought it will take much longer for the economy to be as strong as it was before the pandemic (50% believed it will take until 2025 or longer vs. 22% of optimists) or that it will never be as strong (13% vs. 2% of optimists).



Q16. When do you think the Canadian economy will be as strong as it was before the pandemic?
Base: All respondents (n=2001)

Those Optimistic about How Much Longer the Economy Will Be Impacted More Likely to be Confident and Active Investors

Optimists, defined as those who believe that the pandemic's negative effects will last until April 2022 or less, were more likely to be:



- **Active in buying/selling, seeing the pandemic as an opportunity to invest**

- Adopt more risky investment strategies during the pandemic
- Want to invest more money in the stock market
- Be open to buying real estate as an investment
- Have sold investments during the pandemic
- More likely to be leveraged, having borrowed money to buy investments (either before or during the pandemic)

- **Confident that things will turn around quickly for both the country and themselves**

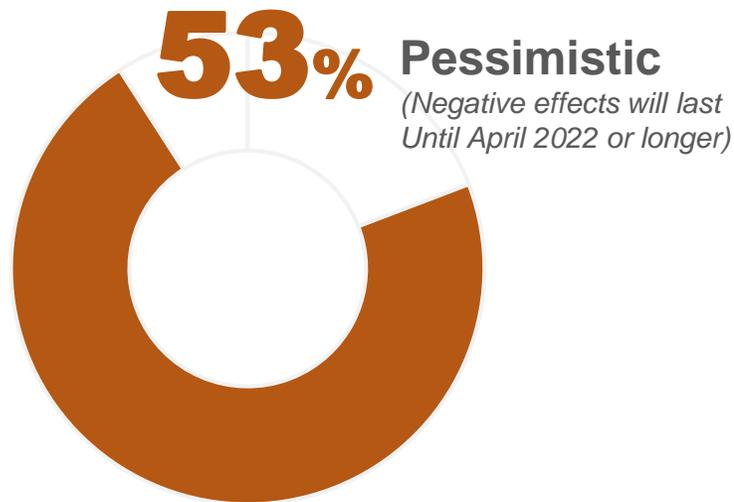
- Believe the Great Financial Crisis of 2007-8 was worse than COVID
- Think Canadian economy will rebound within 5 years
- Think their personal financial situation will be affected a year or less and that their household will be back to where it was financially within 1-2 years

Demographically, optimists were more likely to be:

- Male (51% v. 43% for women)
- Aged between 18-34 years (55% vs. 47% for 35-54 years and 45% for 55+ years)

Pessimists about How Much Longer Our Economy Will Be Impacted Hunkering Down Financially

Pessimists, defined as those who believe that the pandemic's negative effects will last until April 2022 or longer, were more likely to be:



- **Preparing for longer-term disruption**

- Think their personal financial situation will continue to be affected past April 2022
- Think the larger Canadian economy won't rebound for another 5 or more years (or not at all)
- Believe that the fall-out from the pandemic will be worse than the Great Financial Crisis of 2007-8

- **Cutting back**

- Want to focus on decreasing their spending
- Want to invest less money in the stock market
- Less likely to be leveraged

- **Staying put**

- Have neither bought nor sold investments during the pandemic
- Have not changed investment strategy during the pandemic
- Less likely to adopt risky investment strategies during the pandemic
- Have not sold investments during the pandemic

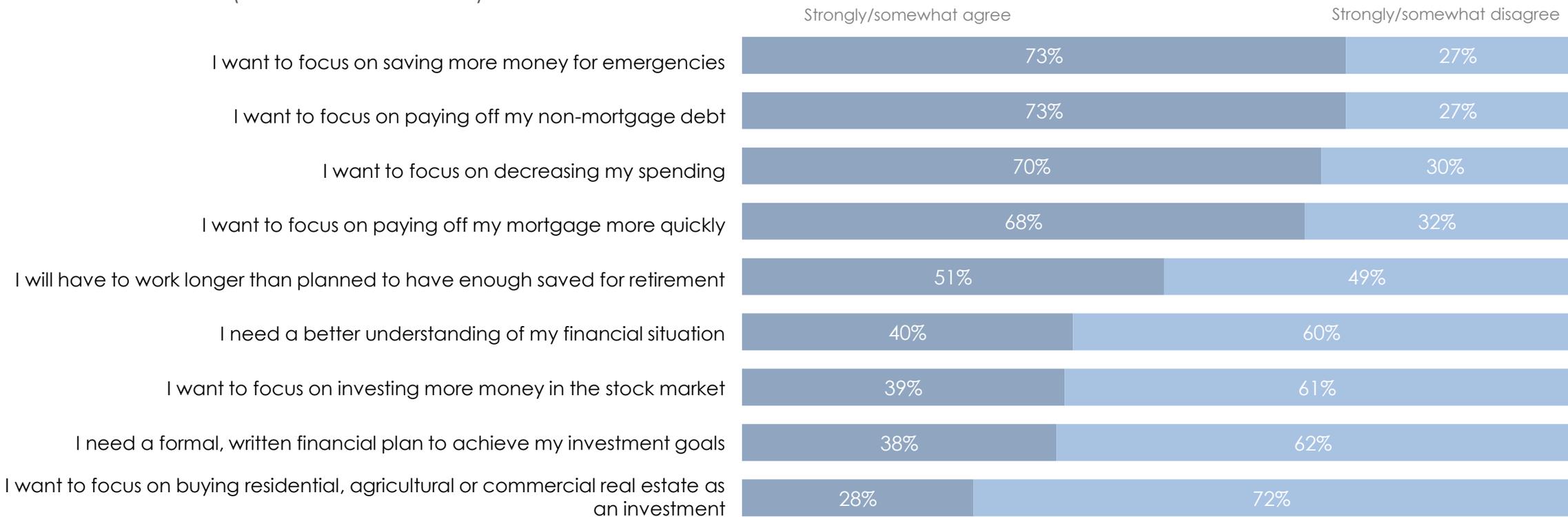
Demographically, pessimists were more likely to be:

- Women (57% v. 49% for men)
- Over 35 years of age (45% for 35-54 years and 53% for 35-54 years, vs. 55% for 55+)

Changing Financial Attitudes

A strong majority of Canadian investors agreed that as a result of the pandemic, they wanted to focus on saving more money for emergencies (73%), decreasing their spending (70%), and among those with debt (either mortgage or non-mortgage), paying it off (68%, 73%). Furthermore, nearly half of those still working (51%) felt they will have to work longer than planned to save for retirement.

- Younger Canadians were more likely to agree to all statements.
- Women were more likely to agree they want to decrease spending (75% vs. 64% of men), save more for emergencies (78% vs. 69%), pay off non-mortgage debt (77% vs. 71%), and understand their financial situation better (44% vs. 36%). Men were more likely to want to focus on investing in the stock market (44% vs. 34% of women)

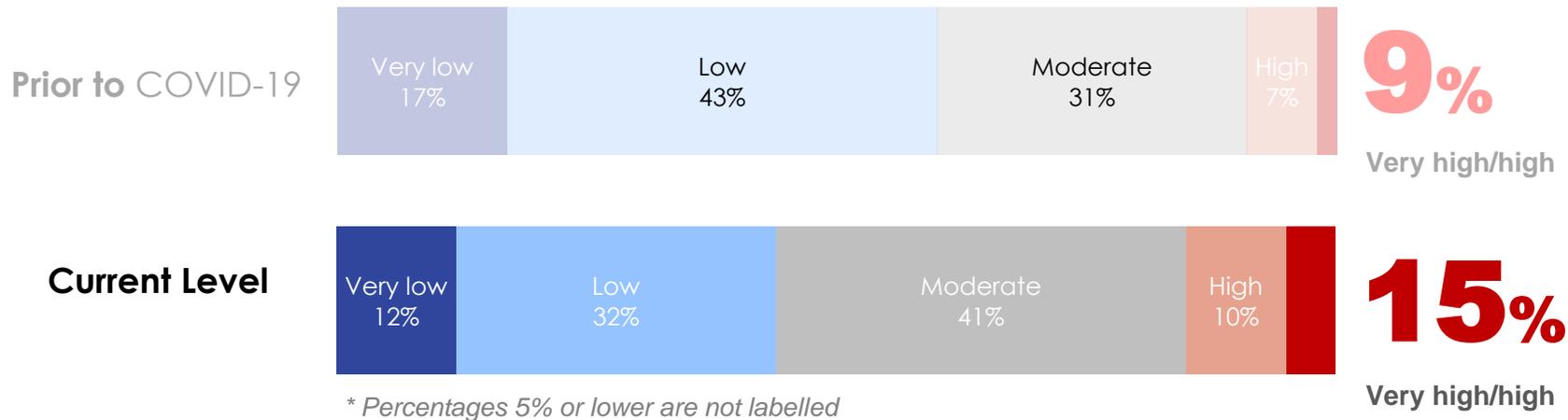


Q17. As a result of COVID-19, please indicate your position towards the following statements.
 Base: All respondents (n=2001). Those answering "Not applicable" were excluded.

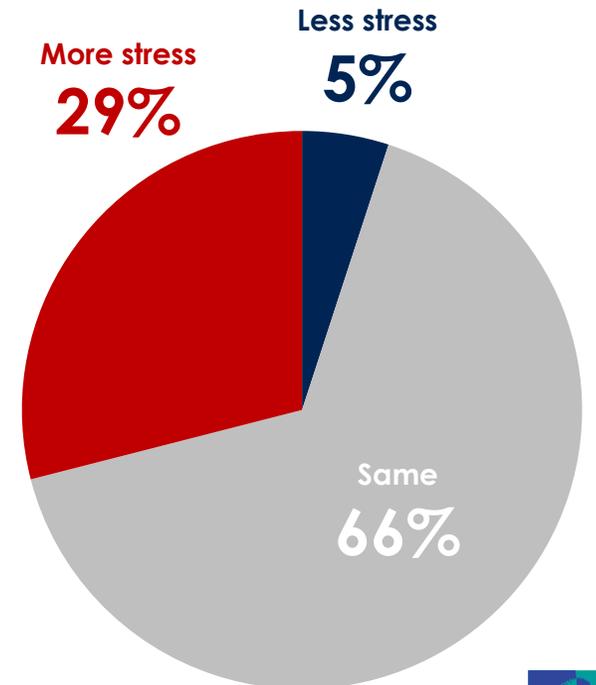
Level of Stress Re: Investments

Just over four in ten (44%) Canadian investors rated their current level of stress regarding their investments as “low” or “very low”, while slightly fewer said they have a “moderate” level of stress (41%), and 15% reported their current level of stress as “high” or “very high”. Six in ten (60%) said their level of stress when thinking about their investments prior to the pandemic was “low” or “very low”. Three in ten said it was “moderate” (31%) pre-pandemic, and 9% “high” or “very high”.

Since the start of the pandemic, three in ten (29%) Canadian investors said they feel more stress now than they did prior to COVID-19, while two-thirds (66%) said they have the same level of stress, and 5% said they feel less stress.



Shift vs. Pre-pandemic



Q18. When thinking about your investments, what is your current level of stress?
 Q19. When thinking about your investments prior to the COVID-19 pandemic, what was your level of stress?
 Base: All respondents (n=2001)

Level of Stress Re: Investments - Profile of Current Level

- Some Canadian investors reported feeling more stressed than others. For instance, those who rated their current level of stress as “high” were more likely to be younger investors (under 55 years), while those who rated their current level of stress with regard to their investments as “low” tended to be older investors (over 55 years).
- Nearly a quarter (25%) of stressed investors said that the pandemic has caused them unexpected expenses and that nearly two-thirds (63%) said they are worried about their ability to pay their monthly expenses. Stressed investors reported being more likely to consider selling investments to pay expenses.

	CURRENT LEVEL OF STRESS	HIGH	MODERATE	LOW
AGE				
	18-34	29%	19%	15%
	35-54	49%	35%	28%
	55+	22%	46%	57%
COVID CAUSED UNEXPECTED EXPENSES				
	Yes	25%	7%	2%
WORRIED ABOUT PAYING MONTHLY EXPENSES				
	Yes	63%	22%	5%
CONSIDERING SELLING TO PAY EXPENSES				
	Yes, I am	30%	7%	2%
SELLING/BUYING BEHAVIOUR				
	Net seller	28%	12%	5%
	Net buyer	18%	26%	31%

Q18. When thinking about your investments, what is your current level of stress?
Base: All respondents (n=2001)

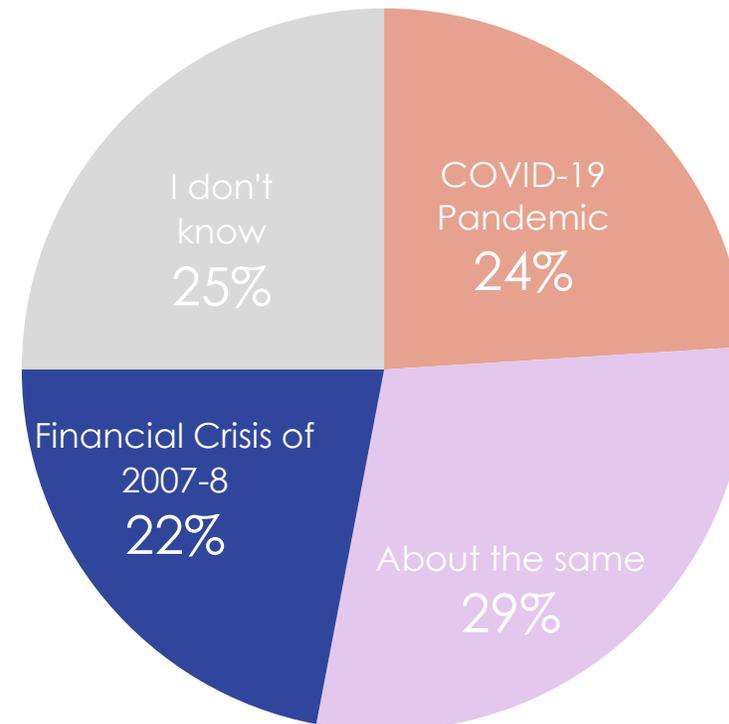
Reminder: Bolding is used for statistical significance at the 95% level. **Green bolding** means that a percentage is higher than all the other columns; **red bolding** means that the percentage is lower than all the other columns.

Comparison of COVID vs. Financial Crisis 2007-08

The COVID-19 pandemic has caused volatility that had not been experienced since the financial crisis of 2007-08. We wanted to know what crisis investors believed will be worse for them as an investor.

Canadian investors under 35 years were equally split in terms of whether the COVID-19 or Financial Crisis of 2007-2008 will be worse for them as investors. Two in ten (20%) felt the COVID-19 pandemic is worse, while slightly fewer (18%) felt the Financial Crisis was worse. One-quarter (24%) felt it will be about the same, while two in ten either said that they didn't know (21%) or were not investors in 2007-2008 (18%).

- Investors 35-54 were more likely to think COVID-19 will be worse (25%), while those 55+ felt the Financial Crisis will be worse (22%).
- Those with children in the household were more likely to think COVID-19 will be worse (25% vs. 18%), while those without felt the Financial Crisis of 2007-8 was worse (19% vs. 14%).
- These perceptions were also linked to action taken on investments. For instance, those who think the Financial Crisis of 2007-8 was worse than the current pandemic were more likely to be active investors (22%) than passive investors (15%). Those who were on the fence and aren't sure which crisis is worse were more likely to play it safe and be passive investors (25%) rather than active (14%) ones.



Q29. Which crisis will be worse for you as an investor?
Base: Those aged 35 and older (n=1718)

THE EFFECTS OF MARKET VOLATILITY

6

THE EFFECTS OF MARKET VOLATILITY (1/2)

Half of Canadian investors (52%) were what can be classified as **'passive investors'** during the pandemic – **they chose to neither buy nor sell during this time.**

The remaining 48% could be classified as **'active investors'**, **having bought or sold investments** during the pandemic. These investors were generally more likely to be male, younger, have a higher household income, and have a child in their household.

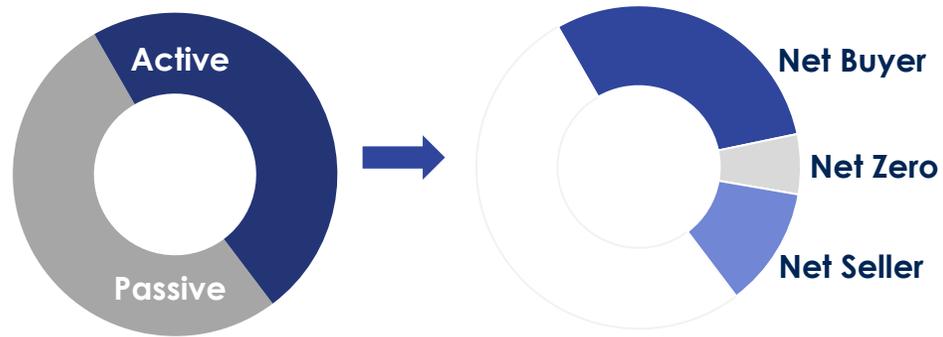
The pandemic has led **2 in 10 (22%) Canadian investors to sell** at least some of their investments, with about half of them selling 20% or less of their portfolio. Motivations for selling fall into three general categories: selling to pay for expenses, selling for “defensive” reasons (e.g., minimizing losses or to invest in lower risk/lower return products), and selling for “proactive” reasons (e.g., to realize profits from increased market prices or to invest in higher return/higher risk products).

At the same time, **4 in 10 (40%) Canadian investors bought** investments during the pandemic. Of them, most say they bought 20% or less of their current investments during this time. Interestingly, the majority of those who bought indicated they were reacting to the market, as opposed sticking to their regular contribution patterns (30%). Overall, 10% of Canadian investors said they saw a buying opportunity because assets were undervalued and took it.



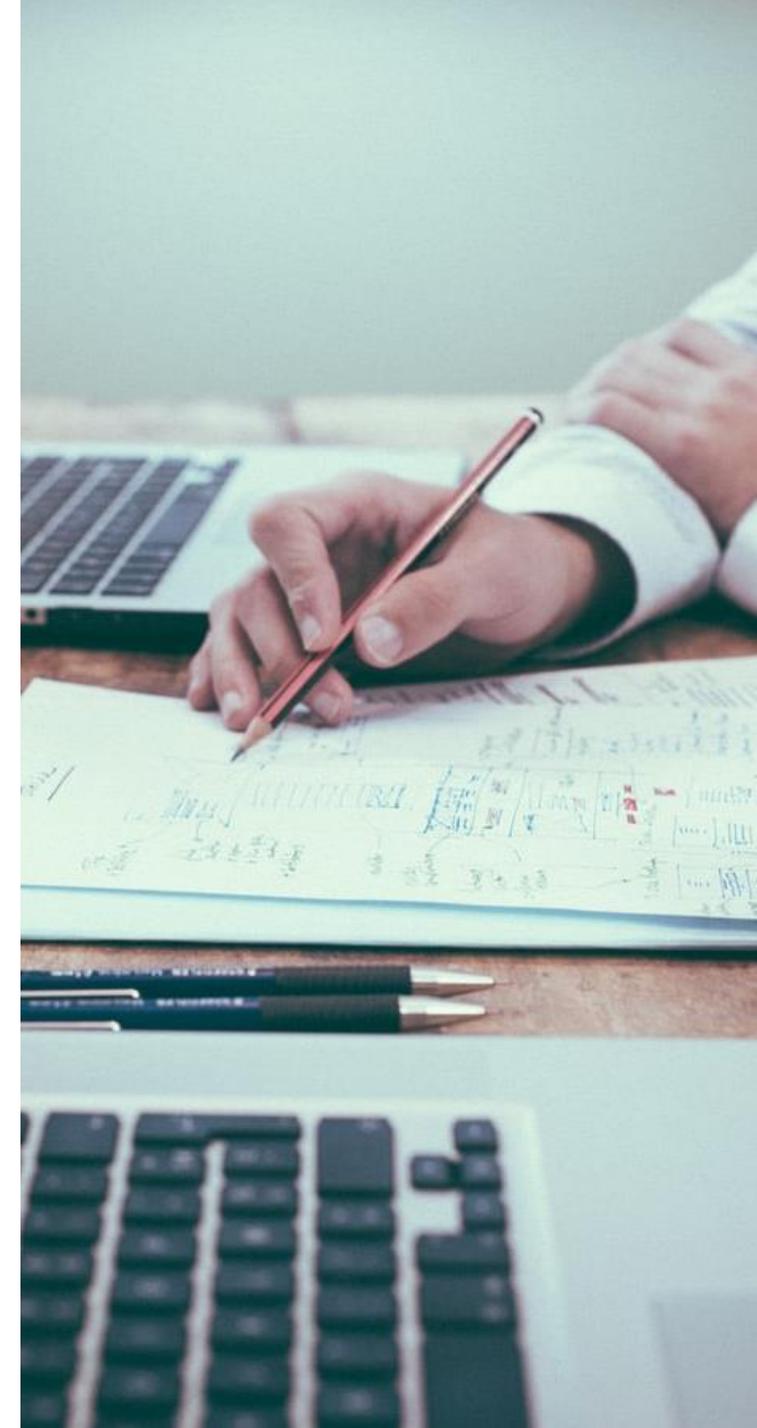
THE EFFECTS OF MARKET VOLATILITY (2/2)

Those who were actively investing during the COVID-19 pandemic, can be further divided into **'net sellers'** (who sold more than they bought), **'net buyers'** (who bought more than they sold) and **'net zero'** (who bought and sold in similar proportions). Among active investors, net buyers were more prevalent (30%) than net sellers (12%) or net zero investors (5%).



Those who were net buyers had a more positive assessment of the current situation, as they were more likely to say their current financial situation is better than it was in September 2019. Net sellers, on the other hand, seemed to be doing less well during the pandemic. They were more likely to say that the pandemic had caused them unexpected expenses, that their financial situation now is worse than it was in September 2019, and that they were worried about the ability to pay their monthly expenses.

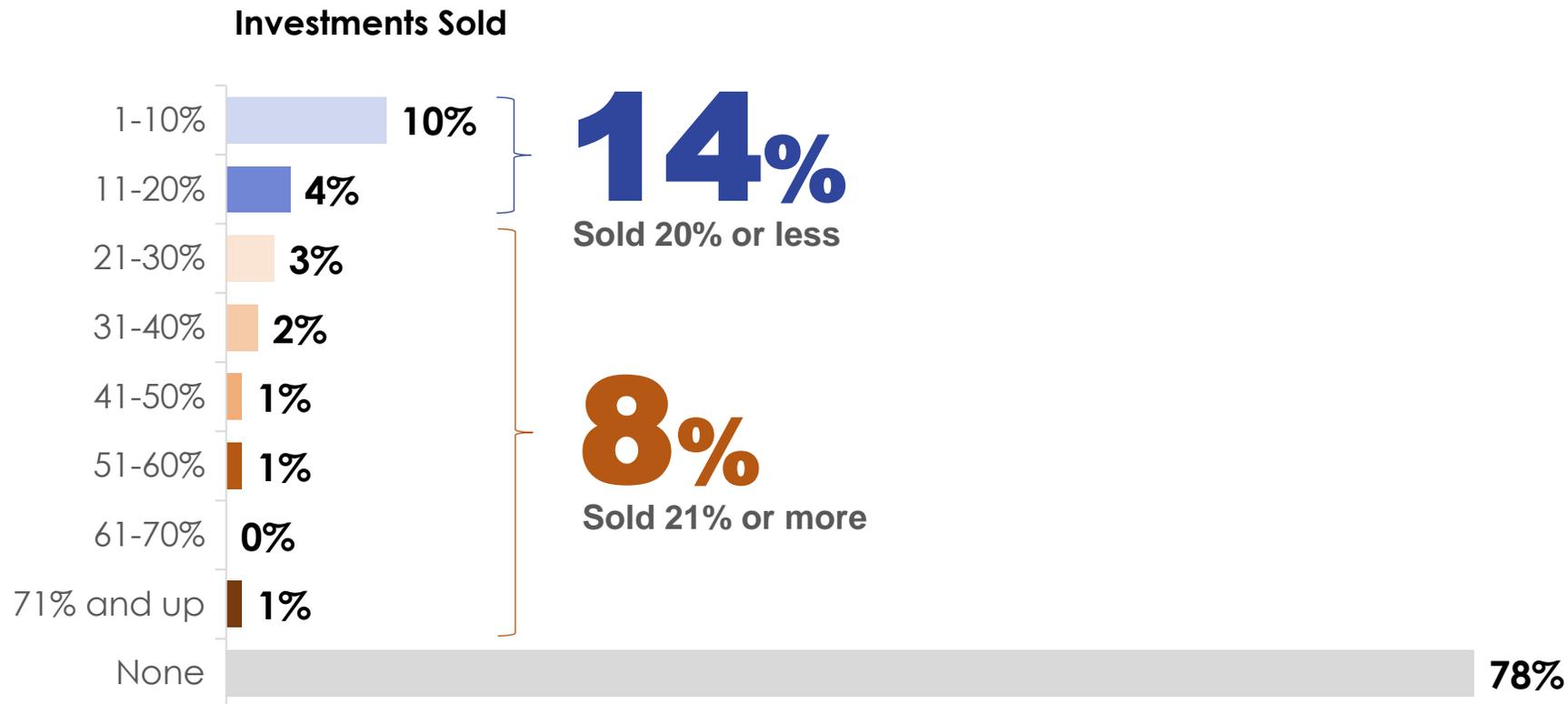
Interestingly, only 9% of net buyers said they took on a riskier mindset for investing during the pandemic, and nearly half (45%) of net buyers say that they say they were either "very conservative" or "conservative" in their investment decision-making during the pandemic.



Investments Sold During Pandemic

Canadian investors mostly seem to be staying put during the pandemic when it comes to investing.

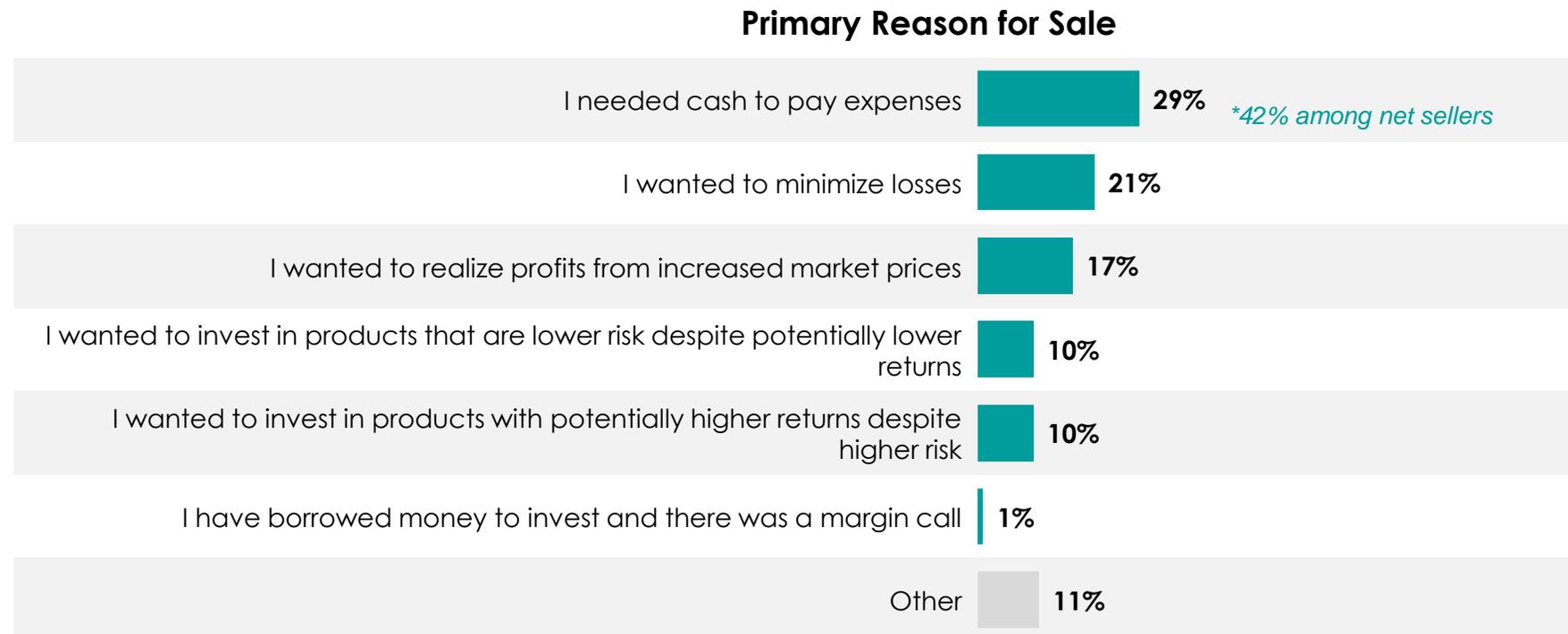
Eight in ten (78%) said they have not sold any investments during the pandemic. Women were more likely than men to say that they haven't sold any investments (82% for women v. 74% for men), and older investors were more likely to say they did not sell (67% among 18-34, 78% among 35-54, and 82% among 55+). Over 1 in 10 (14%) said they have sold 20% or less of their total investments, whereas the remaining 8% say they've sold more than 20%.



Q20. Have you sold any investments during the COVID-19 pandemic? If so, how much of your investments have you sold?
Base: All respondents (n=2001), those with only pensions plans through their employers (n=265) were excluded.

Rationale for Selling Investments During Pandemic

Among the 22% of Canadian investors who sold at least part of their investments, the primary reason for selling was to pay for expenses (29%), a proportion that rose to 42% among those who were net sellers during the pandemic. Other reasons for selling investments include the desire to minimize losses (21%) and wanting to realize profits from increased market prices (17%).



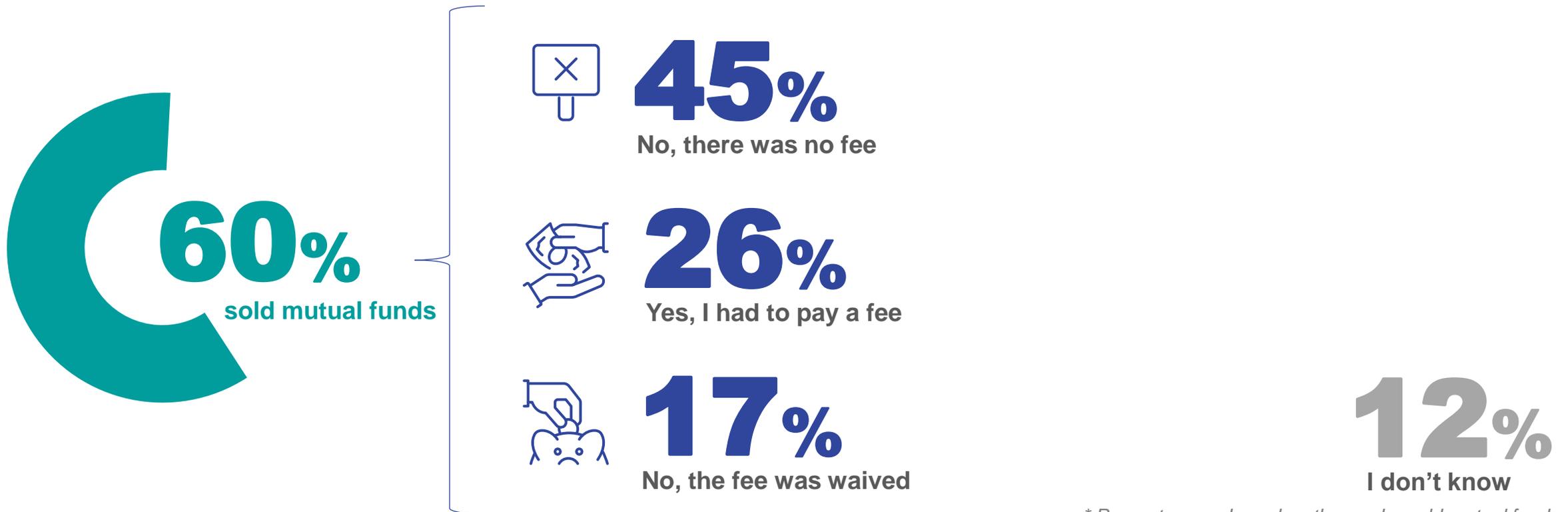
Q21. What was the primary reason for the sale of these investments? Please select one only.

Base: Those who sold investments during the pandemic (n=392), those with only pensions plans through their employers (n=21) were excluded.

Payment of Fee for Selling Mutual Funds

Among those who sold investments during the pandemic, 60% said they sold mutual funds.

Of those who said they sold mutual funds during the pandemic, just under three in ten (26%) reported that they had to pay a fee for withdrawing early. Almost half indicated that when they sold their mutual funds there was no fee (45%), and under two in ten (17%) said the fee was waived.



* Percentages rebased on those who sold mutual funds

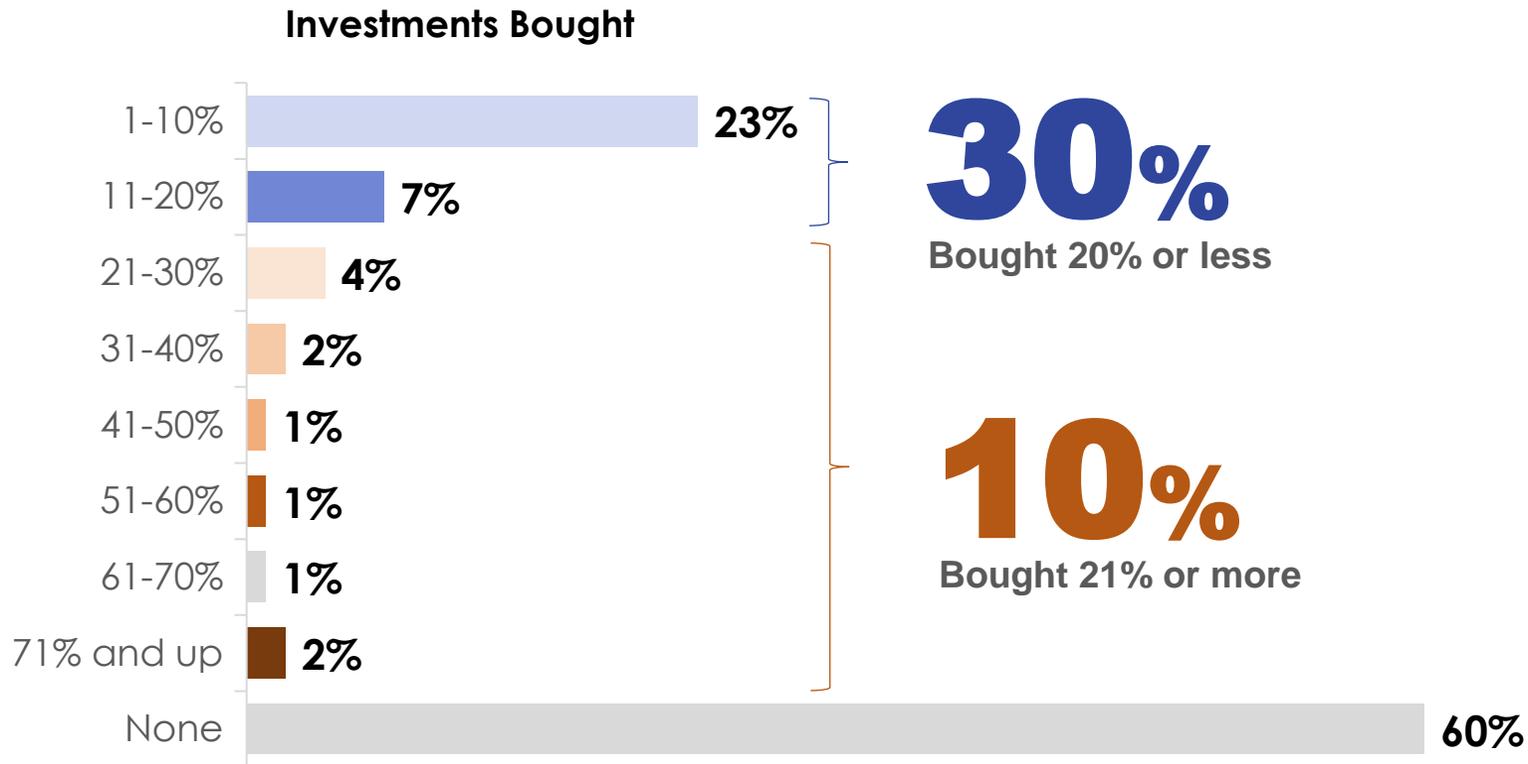
Q22. If you sold any mutual funds, did you have to pay a fee for withdrawing early?

Base: Those who sold investments during the pandemic (n=392), those with only pensions plans through their employers (n=21) were excluded.

Bought Investments During Pandemic

While many Canadian investors aren't selling their investments in large numbers, they are not necessarily buying in large numbers either. Six in ten (60%) said they have not bought any investments during the pandemic. Women were more likely to say they haven't bought any investments during the pandemic (68% for women v. 53% for men), as were older Canadians (70% among 55+ years, 55% among 35-54 years, 42% among 18-34 years).

However, Canadian investors in the aggregate were slightly more active when it comes to buying rather than selling investments during this time. Over a quarter of Canadian investors (30%) have bought less than 20% of their total investments, while 10% have bought more than 20%.



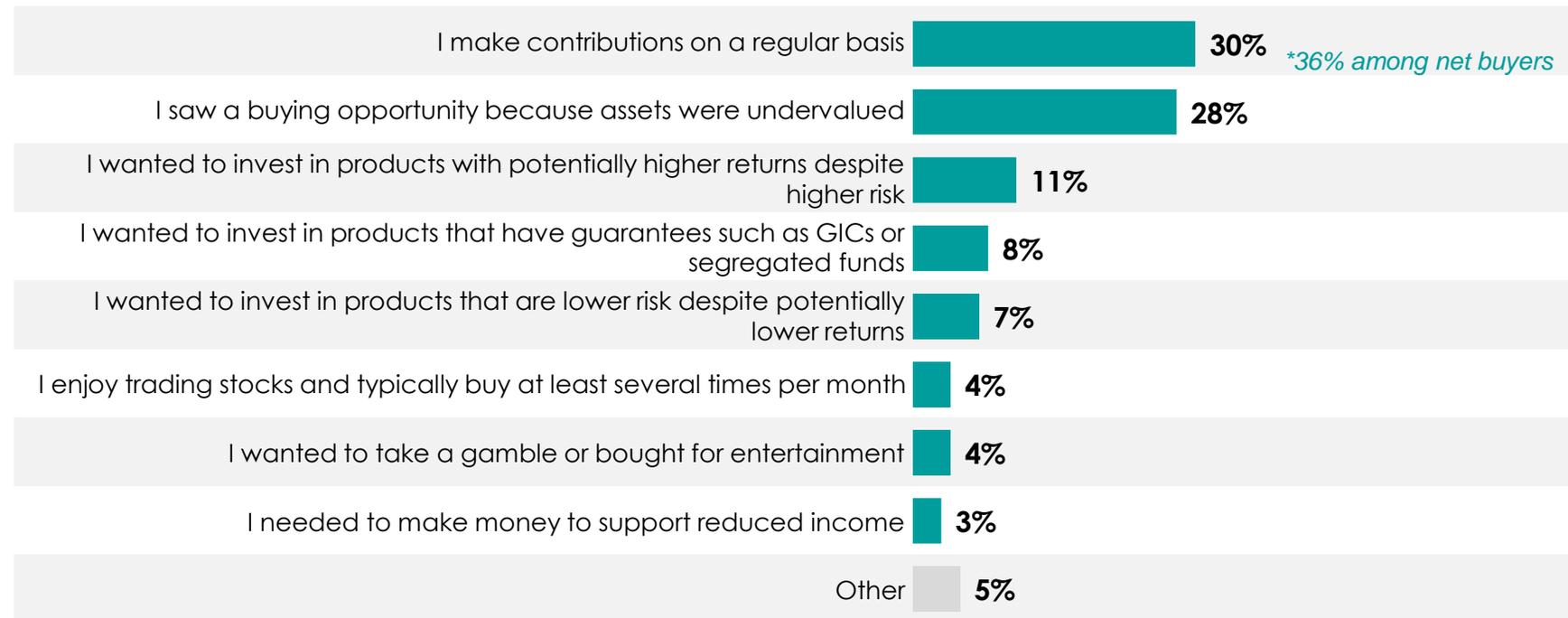
Q23. Have you bought any investments during the COVID-19 pandemic? If so, how much of your investments have you bought during the pandemic? Base: All respondents (n=2001), those with only pensions plans through their employers (n=266) were excluded.

Rationale for Buying Investments During Pandemic

Among the 40% of Canadian investors who bought investments during the pandemic, the primary reason for doing so was that they were already making regular contributions (30%), a proportion that rose to 36% among those who were net buyers. Other reasons to buy during this time included seeing an opportunity to acquire undervalued assets (28%), wanting to invest in products with potentially higher returns (11%), and wanting to invest in products with guarantees (8%).

40%
bought investments
during the pandemic

Primary Reason for Purchase

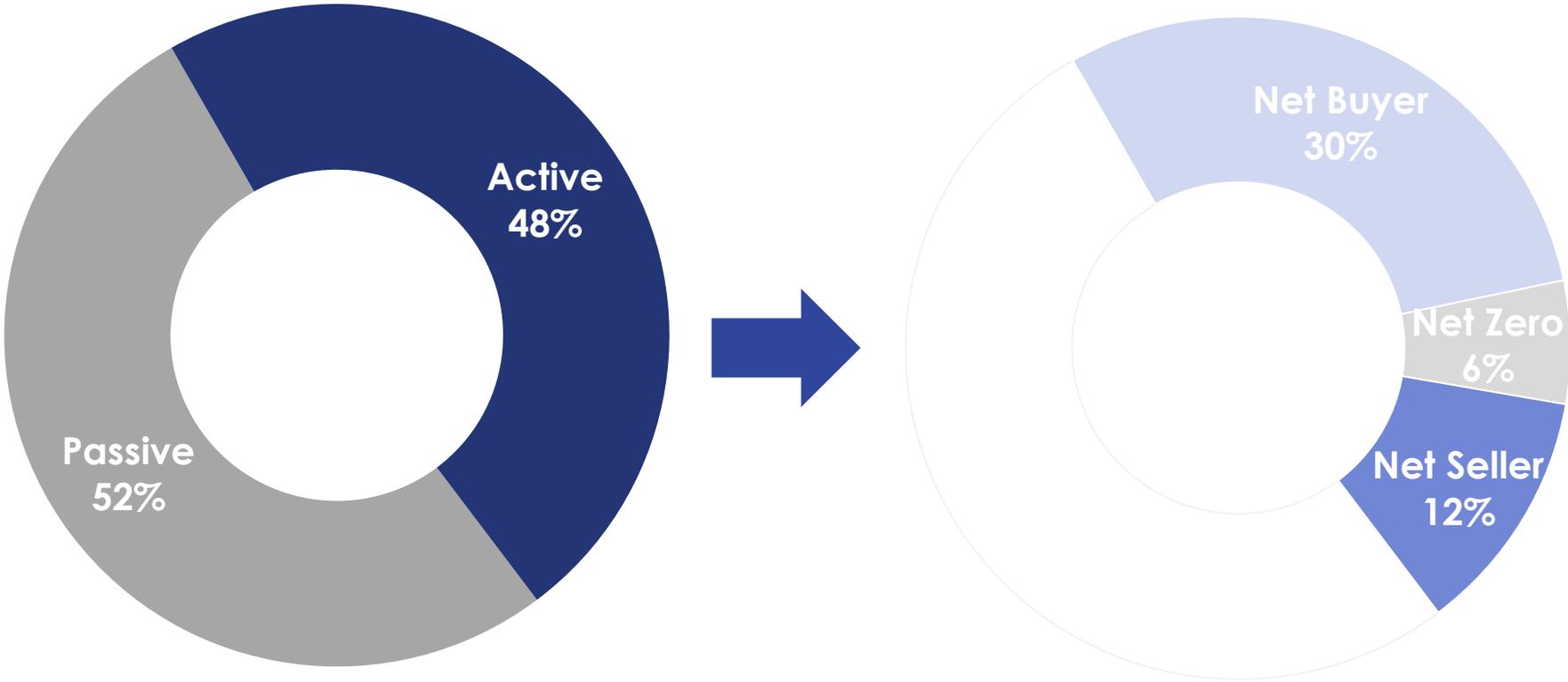


Q24. What was the primary reason for the purchase of these investments? Please select one only.

Base: Those who purchased investments during the pandemic (n=627), those with only pensions plans through their employers (n=19) were excluded.

Passive vs. Active Investors During Pandemic

Half of investors (52%) were “passive” during the pandemic, meaning that they neither sold nor bought any investments. The other half (48%) were “active investors”, in that they bought or sold investments in some way. However, not all investors can be considered active in the same way. Of these active investors, nearly two-thirds (63%) were “net buyers” (meaning they bought more than they sold), 25% were “net sellers” (meaning they sold more than they bought) and 13% are “net zero” (meaning they bought and sold in equal proportions).

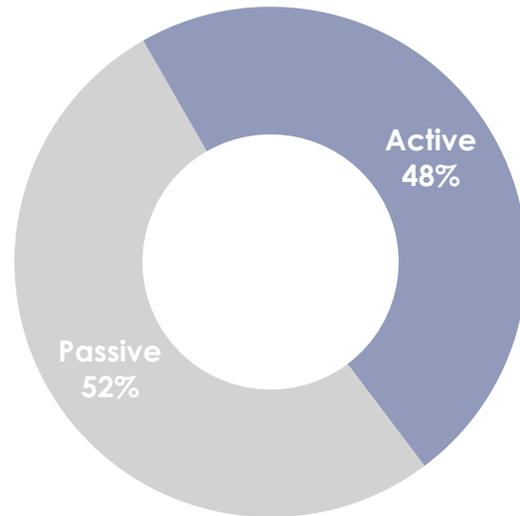


Q20. Have you sold any investments during the COVID-19 pandemic? If so, how much of your investments have you sold? Base: All respondents (n=2001)

Q23. Have you bought any investments during the COVID-19 pandemic? If so, how much of your investments have you bought during the pandemic? Base: All respondents (n=2001)

Passive vs. Active Investors During Pandemic

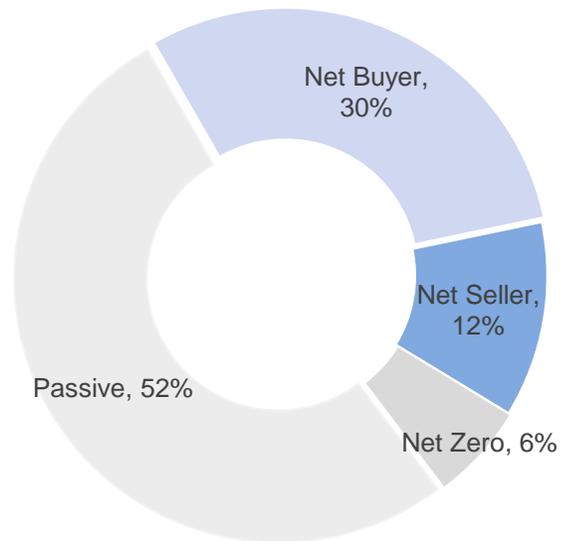
- Active investors were more likely to be male, younger, have a higher household income, and have a kid under 18 years in the household while passive investors were more likely to be female, over 55 years old, have a lower household income, and not have children in the household.
- Active investors were also more likely to say they've seen a deterioration in their financial situation over the last year.



	Passive	Active
GENDER		
Male	47%	61%
Female	53%	39%
AGE		
18-34	14%	24%
35-54	32%	37%
55+	54%	39%
INCOME		
<\$50k	23%	14%
\$50K-\$100K	47%	41%
\$100K-\$150K	29%	39%
\$200K+	1%	6%
FINANCIAL SITUATION CHANGE		
% worse than in September 2019	28%	38%

Net Buyers and Sellers During Pandemic

- While there were distinct sociodemographic characteristics that differentiated active investors from passive investors, upon looking more closely on the types of active investors ('net buyers' and 'net sellers' specifically), there were not many demographic characteristics that differentiated within active investors.
- However, net buyers and net sellers diverged across other dimensions. For instance, net sellers were more likely to say that the pandemic had caused them unexpected expenses, that their financial situation now is worse than it was in September 2019, and that they were worried about the ability to pay their monthly expenses.
- Net sellers were also more likely to believe that their own financial situation will be negatively impacted for more than a year, perhaps highlighting the need to sell investments to be able to weather the storm over the long run.

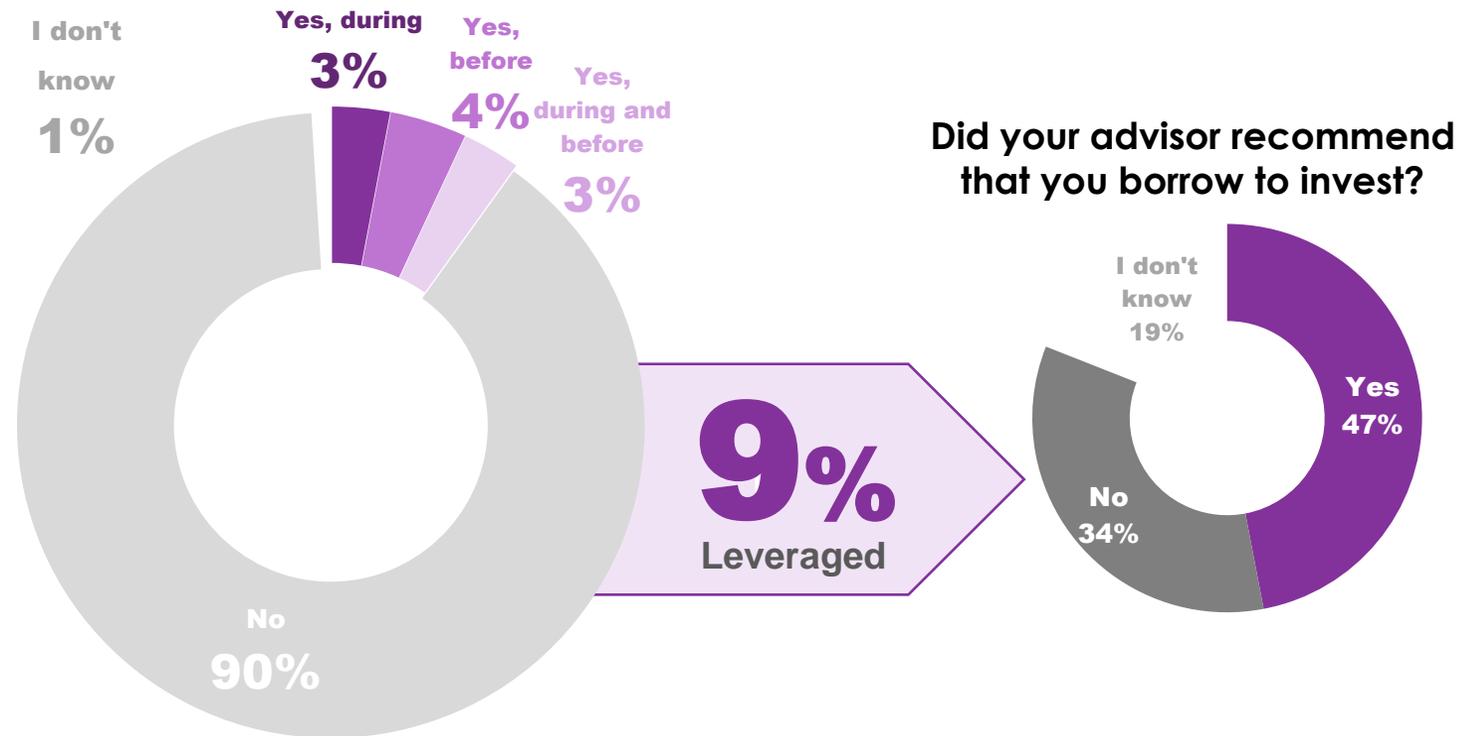


	Net Buyer	Net Seller
PANDEMIC HAS CAUSED UNEXPECTED EXPENSES		
Yes	6%	21%
FINANCIAL SITUATION NOW VS. SEPTEMBER 2019		
% worse	26%	62%
% better	23%	8%
ANTICIPATED NEGATIVE IMPACT ON OWN FINANCES		
More than a year	31%	46%
WORRIED ABOUT ABILITY TO PAY MONTHLY EXPENSES		
Yes	15%	50%

Borrowed Money to Buy Investments

Among those who bought investments either before or during the pandemic, 1 in 10 (9%) said they borrowed money to do so. Of those who borrowed and use a financial advisor, half (47%) did so based on their advisor's recommendation.

Younger investors were more likely to have borrowed to fund investments (21% among 18-34 years, 11% among 35-54 years, 4% among 55+ years), as were men when compared to women (12% vs. 7%).



Q25. Have you used borrowed money to buy any of your investments during or before COVID-19? Base: Those who purchased investments during the pandemic (n=2001)

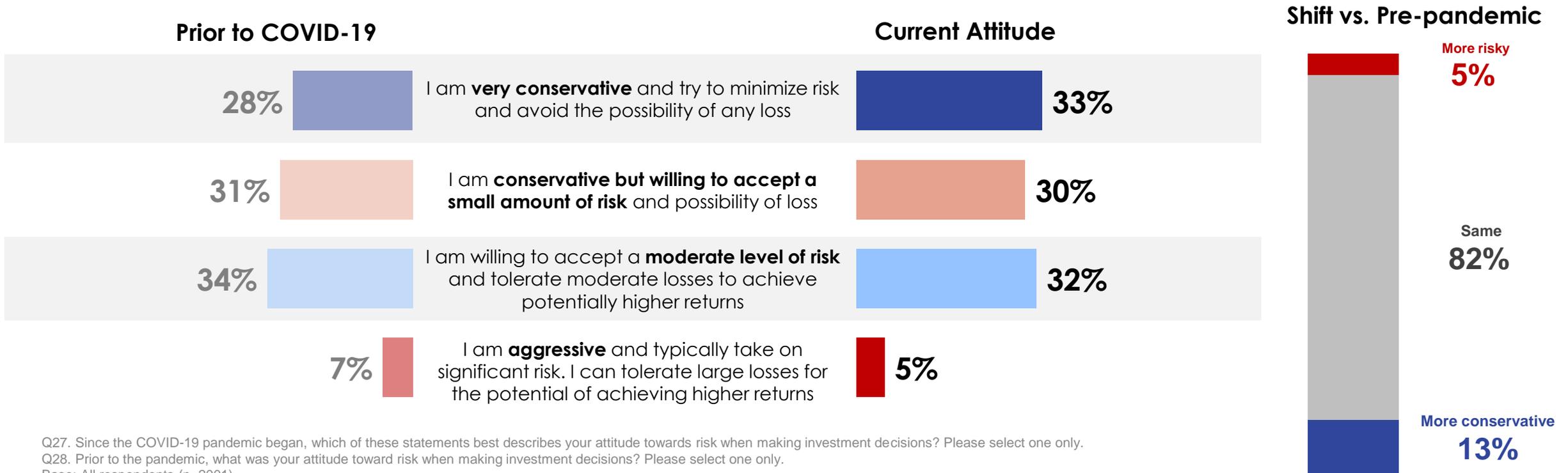
Q26. Did your advisor recommend that you borrow to invest? Base: Those who use an advisor or portfolio manager and borrowed money to buy investments during or before the pandemic (n=58)

Attitude Toward Investing

Canadian investors were divided in terms of their current attitude towards investing, but generally more conservative than risky in their approach. One-third were very conservative (33%) and generally try to minimize risk, while another 30% said they were conservative in their attitude towards investing, but still willing to accept a small amount of risk. A further 32% said they had more of an appetite for risk. Only 5% reported having the biggest appetite for risk, saying they are generally aggressive in their investment decisions.

Those who said they currently have a very conservative attitude towards their investments were more likely to be either passive investors (42%) or net sellers (35%). Net buyers tended to be either those who accepted some moderate risk (44%) or were aggressive in their investment attitudes (11%).

Compared to their attitudes before the pandemic, most investors had not changed their attitude towards risk when making investment decisions. Those who did change their attitude tended towards a more conservative approach.



Q27. Since the COVID-19 pandemic began, which of these statements best describes your attitude towards risk when making investment decisions? Please select one only.

Q28. Prior to the pandemic, what was your attitude toward risk when making investment decisions? Please select one only.

Base: All respondents (n=2001)

COVID-19 AND INVESTMENT SCAMS

7

Investment Scam

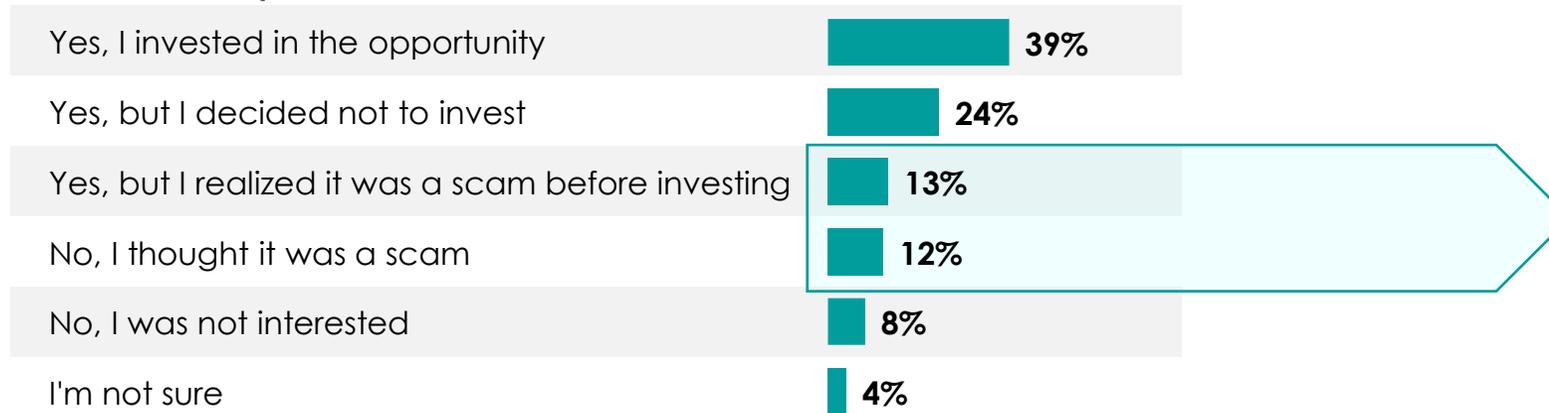
Only 6% of Canadian investors reported that they were approached with an investment opportunity promising high returns with low risk due to COVID-19 such as a cure, treatment or other product that will benefit from the public health crisis.

Among those approached, four in ten invested in the opportunity (39%), one-quarter responded but decided not to invest (24%), 13% responded but realized it was a scam before investing, 12% did not respond because they thought it was scam, and 8% did not respond. Of those who believed it was a scam, half reported it to the authorities.

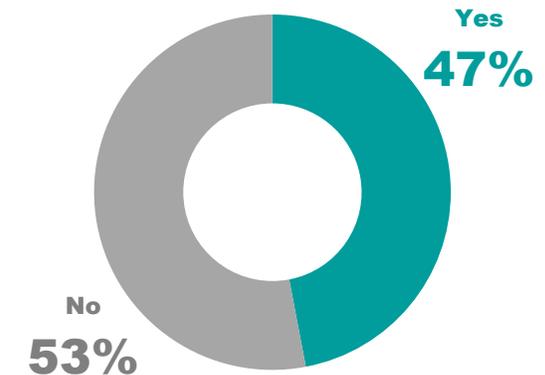
6%

- Younger investors were more likely to have been approached (16% among 18-34 years, 6% among 35-54 years, 2% among 55+ years).
- Men are more likely than women to have been approached (8 vs. 4%).

Approached with investment opportunity – Did investor respond?



Did you report the fraud or scam to the authorities?



Q30. Since the beginning of the pandemic, have you been approached with an investment opportunity promising high returns with low risk due to COVID-19? Such as a cure, treatment, or other product that will benefit from the public health crisis.

Base: All respondents (n=2001)

Q31. Did you respond to the opportunity? Base: Those who were approached with an investment scam (n=101)

Q32. Did you report the fraud or scam to the authorities such as the police, RCMP, Canadian Anti-Fraud Centre, or the securities regulator? Base: Those who were approached with an investment scam and realized it was a scam (n=30)

FINANCIAL KNOWLEDGE

8

FINANCIAL KNOWLEDGE

Most Canadian investors were able to correctly answer questions intended to gauge their financial knowledge. However, less than half of investors got every question right; there is still opportunity for the OSC to help build Canadians' knowledge about investing as these questions are foundational. This could then have the effect of giving both investors and non-investors more confidence in managing their finances.

Knowledge was highest regarding the impact of interest and inflation, where three-quarters answered correctly (77%), followed by seven in ten regarding the impact of interest (71%) and how diversification affects investment risk (70%). Almost a quarter of Canadian investors responded "I don't know" to the latter question, suggesting that even those who are currently investing have gaps in their financial knowledge.

Across the three questions, financial knowledge was consistently higher among older investors, men, those with more formal education, and those with more than \$500k in investments.



Financial Knowledge

We measured financial knowledge by asking respondents three questions about investing. These questions covered compounding, inflation and diversification. Across three financial knowledge questions, roughly three-quarters of Canadian investors were able to answer any given question correctly.

Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

71% gave correct answer
(5% don't know)

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy...?

77% gave correct answer
(10% don't know)

Buying a single company's stock usually provides a safer return than a mutual fund.

70% gave correct answer
(24% don't know)

Q3. Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

Q4. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy...?

Q5. Please answer true or false to the following question: "Buying a single company's stock usually provides a safer return than a mutual fund?"

In calculating each respondents' scores, any "I don't know" answers were treated as incorrect.

Base: All respondents (n=2001)

Financial Knowledge

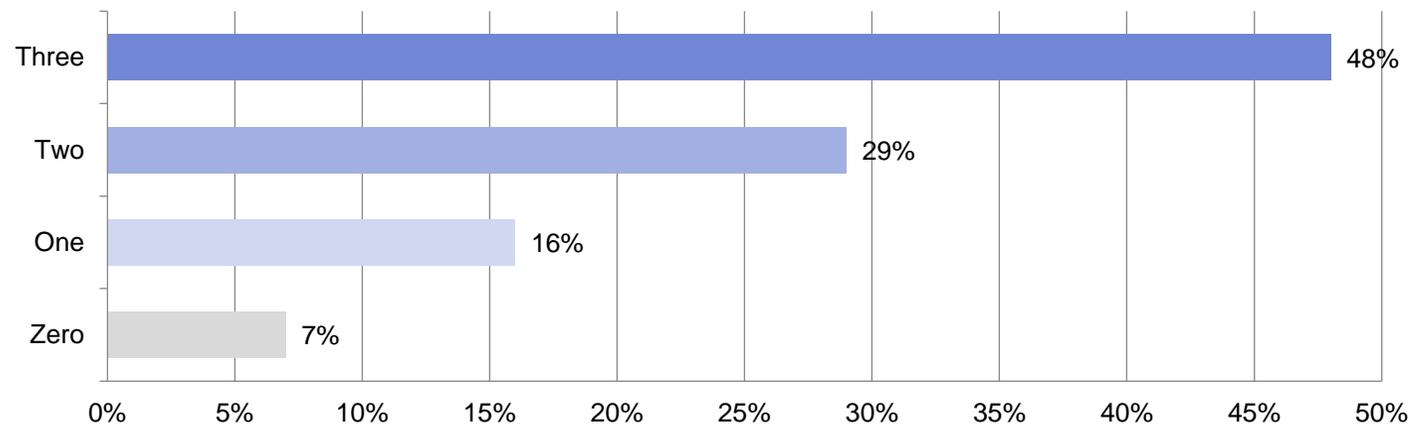
Number of Correct Answers

Just under half (48%) were able to answer all three questions correctly. Perhaps more troubling is the fact that nearly 1 in 10 (7%) investors got zero answers correct. Furthermore, a quarter of Canadian investors say they didn't know whether buying a single company's stock provides a safer return than a mutual fund.

Who was most likely to get a perfect score?

- **Men** (61%) were more likely to score 3 out of 3 than women (34%)
- **Older investors** were more likely to get a perfect score (57% among 55+ vs. 44% among 35-54 and 35% among 18-34).
- Those with **more formal education** were more likely to answer the three questions correctly (<High school 32%, High school 43%, Post-Secondary 41%, University grad 56%).
- **Active investors** were more likely to answer all financial knowledge questions correctly (58% vs. 41% among passive investors)

Number of Correct Answers



Q3. Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

Q4. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy...?

Q5. Please answer true or false to the following question: "Buying a single company's stock usually provides a safer return than a mutual fund?"

In calculating each respondents' scores, any "I don't know" answers were treated as incorrect.

Base: All respondents (n=2001)

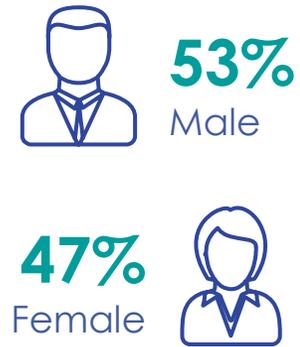
APPENDIX

9

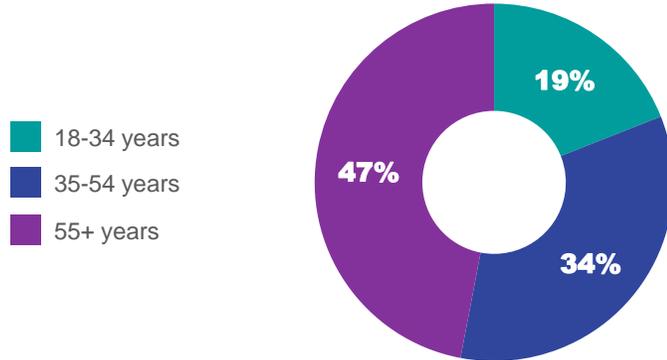
Additional Information on Survey Respondents

Demographics

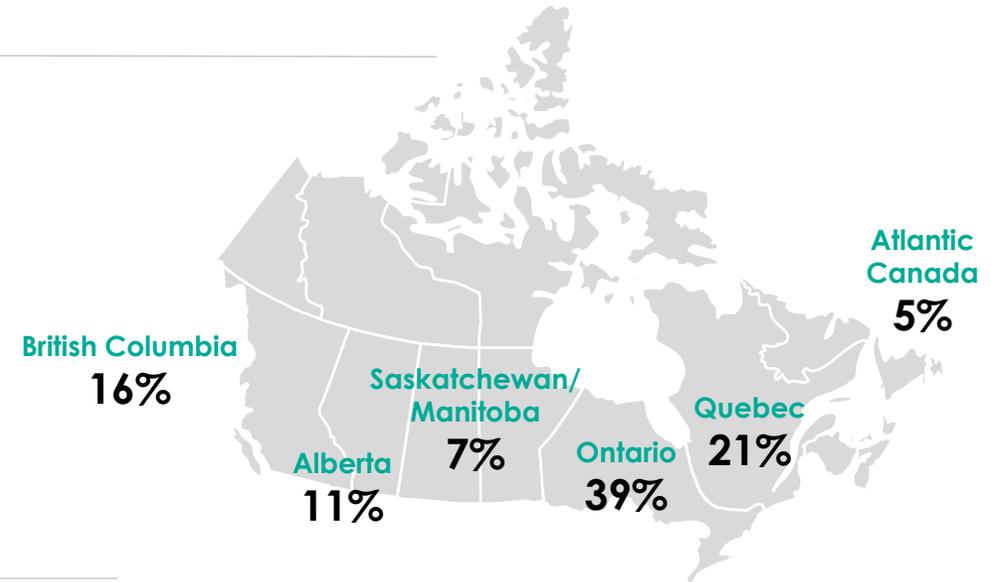
Gender



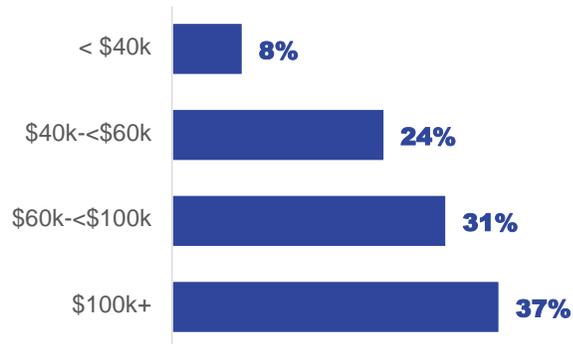
Age



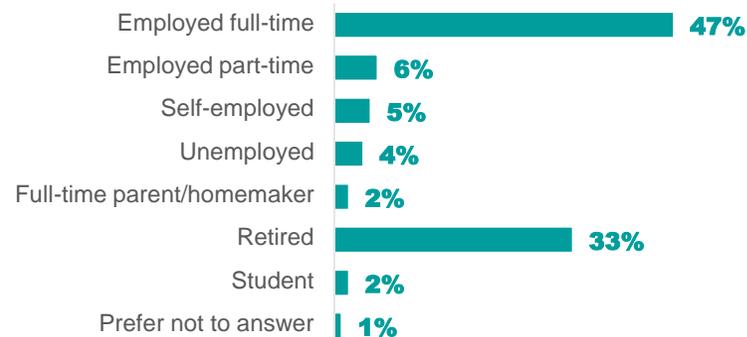
Region



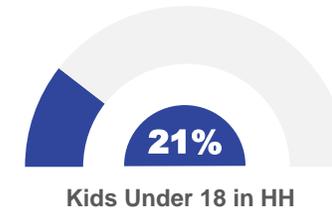
Income



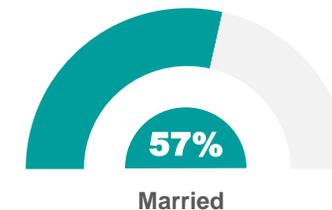
Employment Status



Household Composition



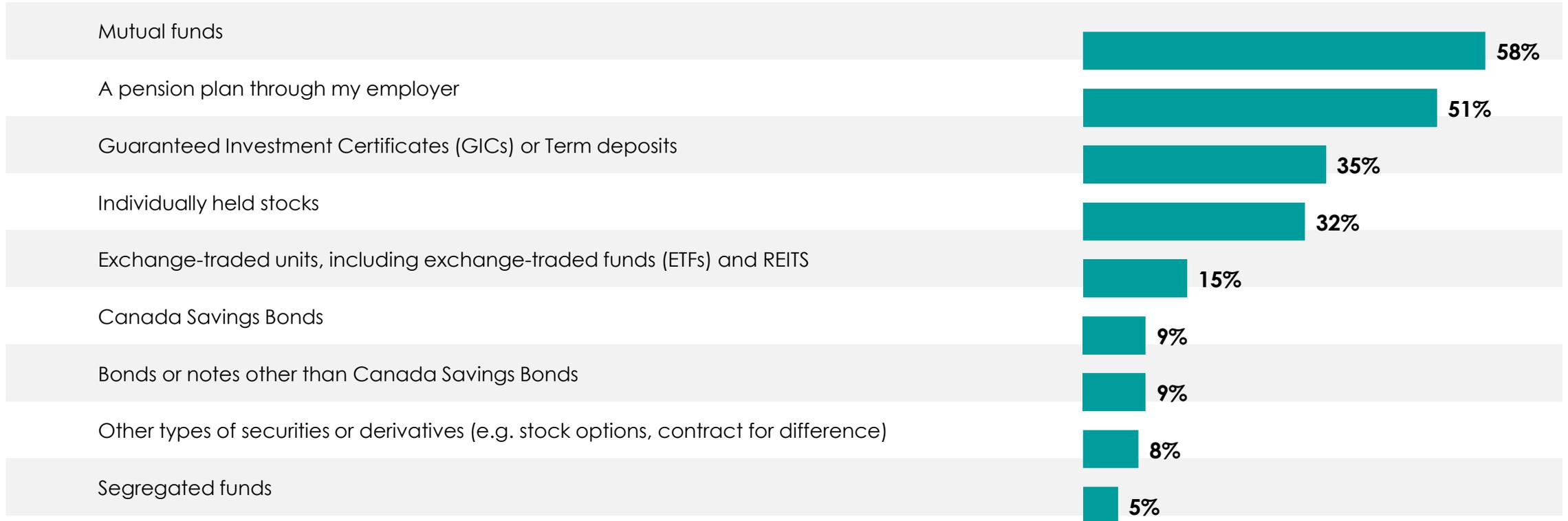
Marital Status



Education



Investment Products Owned



Q1. Do you own any of the following investment products either inside or outside of an RRSP, RESP, RRIF, or TFSA? Please select all that apply.
Base: All respondents (n=2001)

Management of Primary Investment Account



Q2. Not including investments that are part of your pension plan through your employer, how do you manage your **primary** investment account (i.e., an account that holds stocks, ETFs, REITs, bonds, notes, mutual funds, or other types of securities or derivatives)? Please select one only.
Base: All respondents (n=2001)

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