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INVESTORS VS. SAVERS

Attitudes Towards Investing
A Survey of Canadians

September
2022





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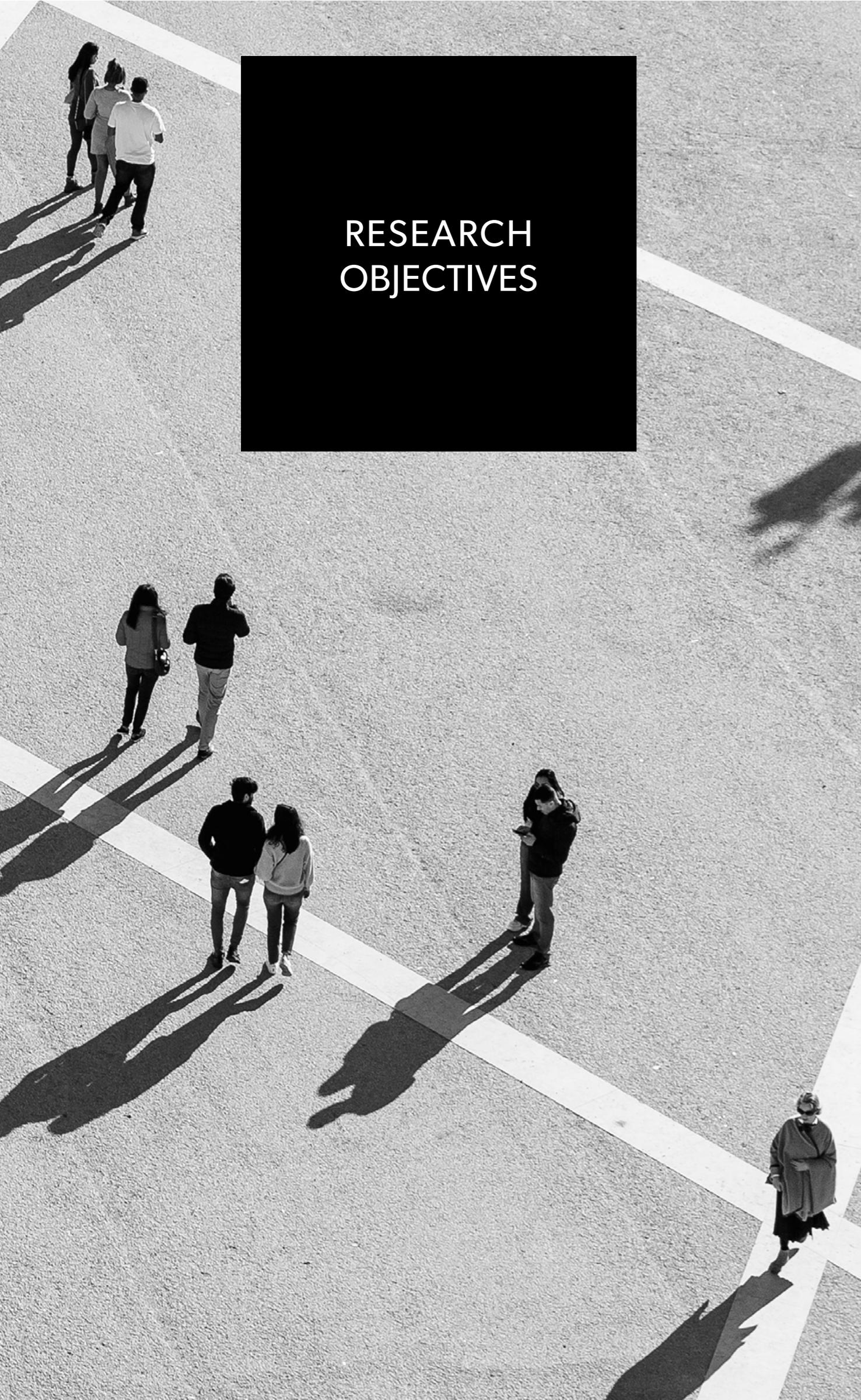
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EXECUTIVE SUMMARY





RESEARCH OBJECTIVES

This study explored individuals' attitudes and beliefs about our capital markets. It is important for the Ontario Securities Commission (OSC) to have information on people's confidence in our capital markets as we perform our responsibilities.

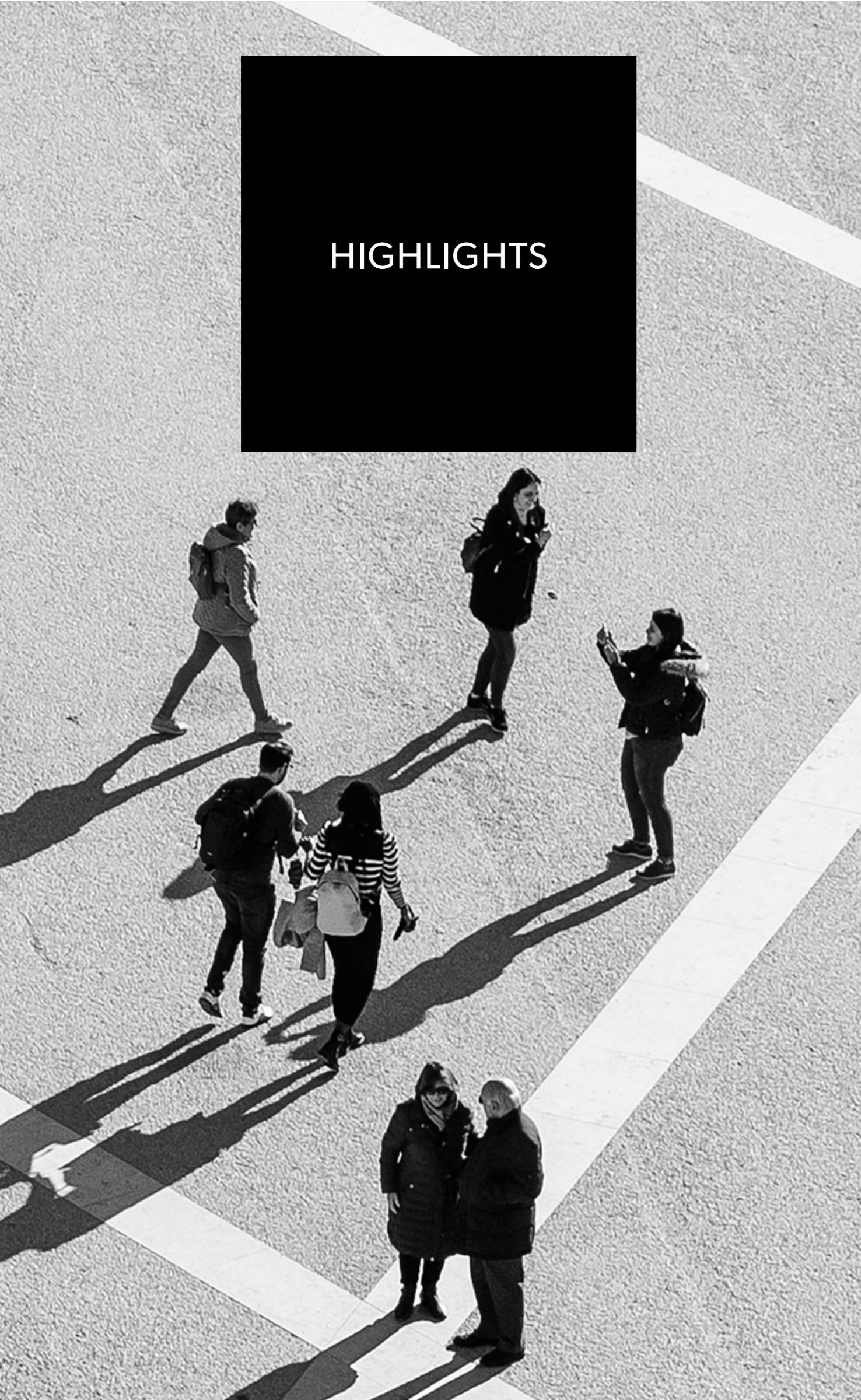
It is also necessary to try to understand individuals' attitudes and beliefs about the capital markets as they form the basis for their participation or avoidance of capital markets, with the result people may miss out on investment earnings.

In particular, this study compared the attitudes and beliefs of Investors¹ versus Savers². We encourage you to focus on the differences in the responses of Investors versus Savers when reviewing the findings.

This study was in field from January 17–February 9, 2021 and took place at a unique point in time: the GameStop saga occurred during the second half of our data collection and was in many news headlines.

¹ Those who hold one of the following investment products: Individual stocks, mutual funds, ETFs, REITs, Bonds or notes other than Canada Savings Bonds, other securities or derivatives.

² Those who have at least \$5,000 in either cash savings, Canada Savings Bonds, or Guaranteed Investment Certificates (GICs).

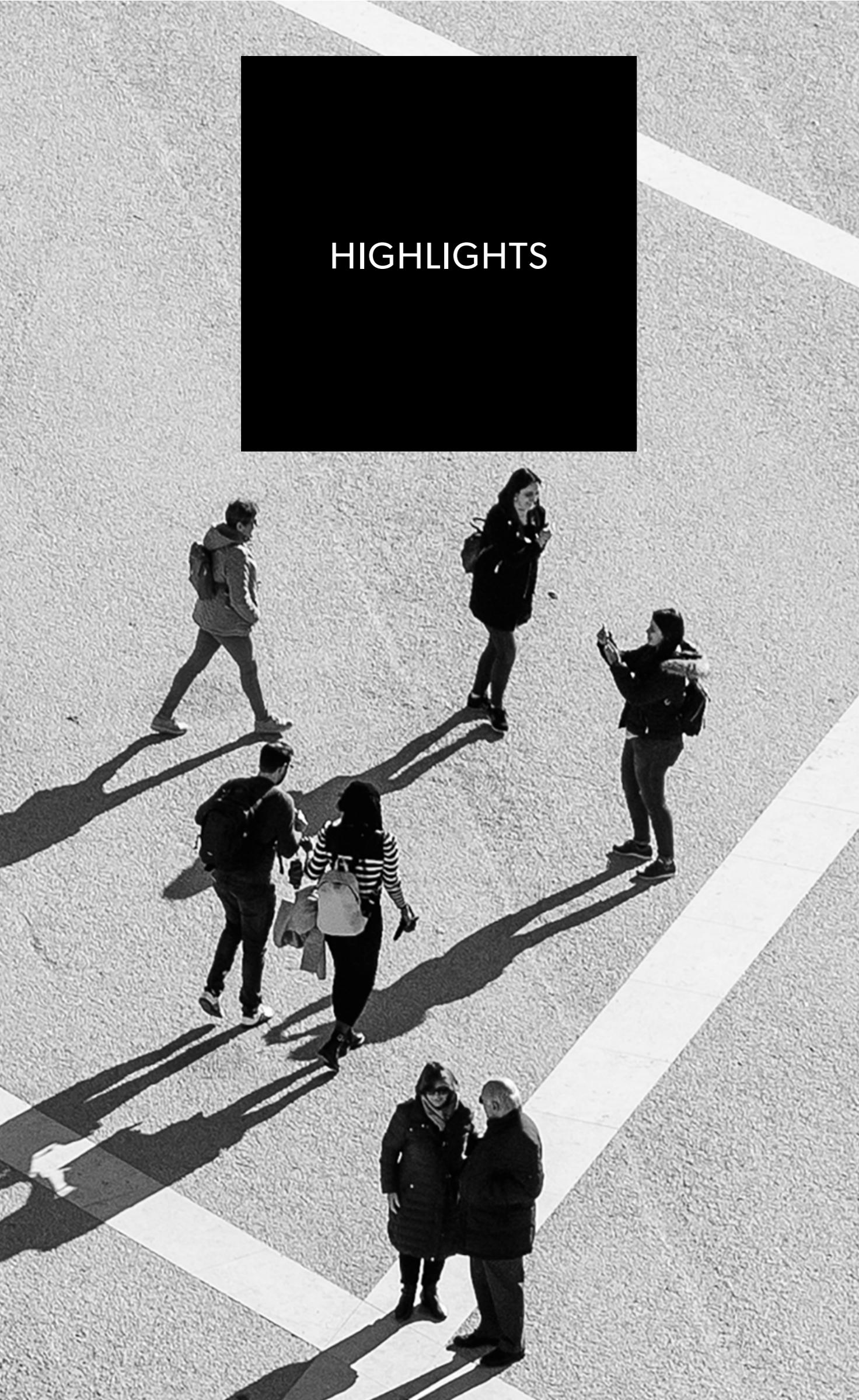


The study found significant differences between Investors' and Savers' attitudes and beliefs in all four thematic areas along with some similarities:

WEALTH CREATION

Our study found Investors were more likely than Savers to agree with most statements about the importance of capital markets for wealth creation.

However, both Investors and Savers underappreciated the risk to their ability to grow their wealth if they do not participate in the capital markets.

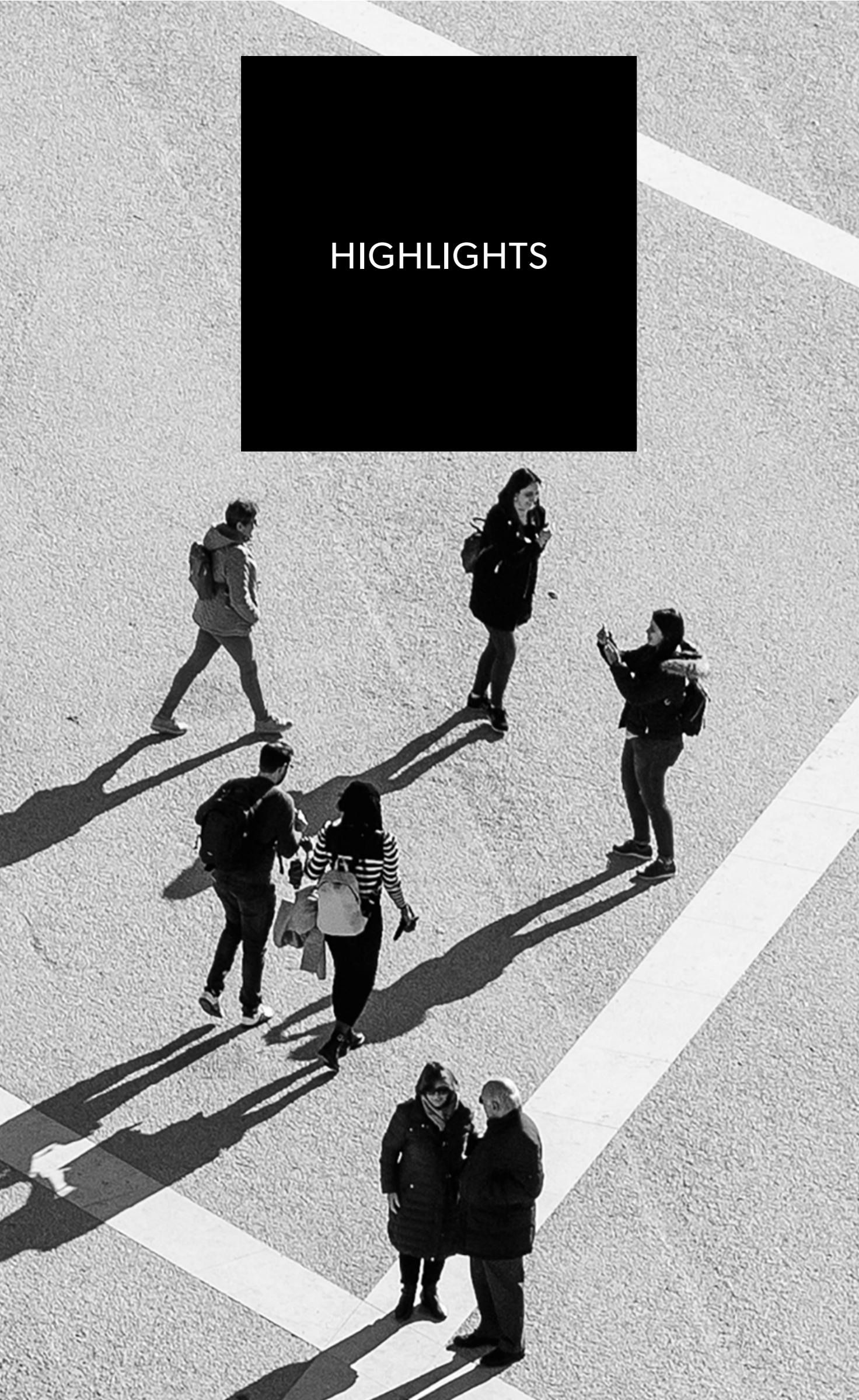


HIGHLIGHTS

FAIRNESS OF CAPITAL MARKETS

Investors and Savers had significant differences in their opinions about the fairness of the stock markets. While the majority of both Investors (65%) and Savers (59%) agreed with the statement: “The stock market is controlled by large (institutional) Investors”, Investors were significantly more likely to disagree with bold, negative statements about the stock market compared to Savers.

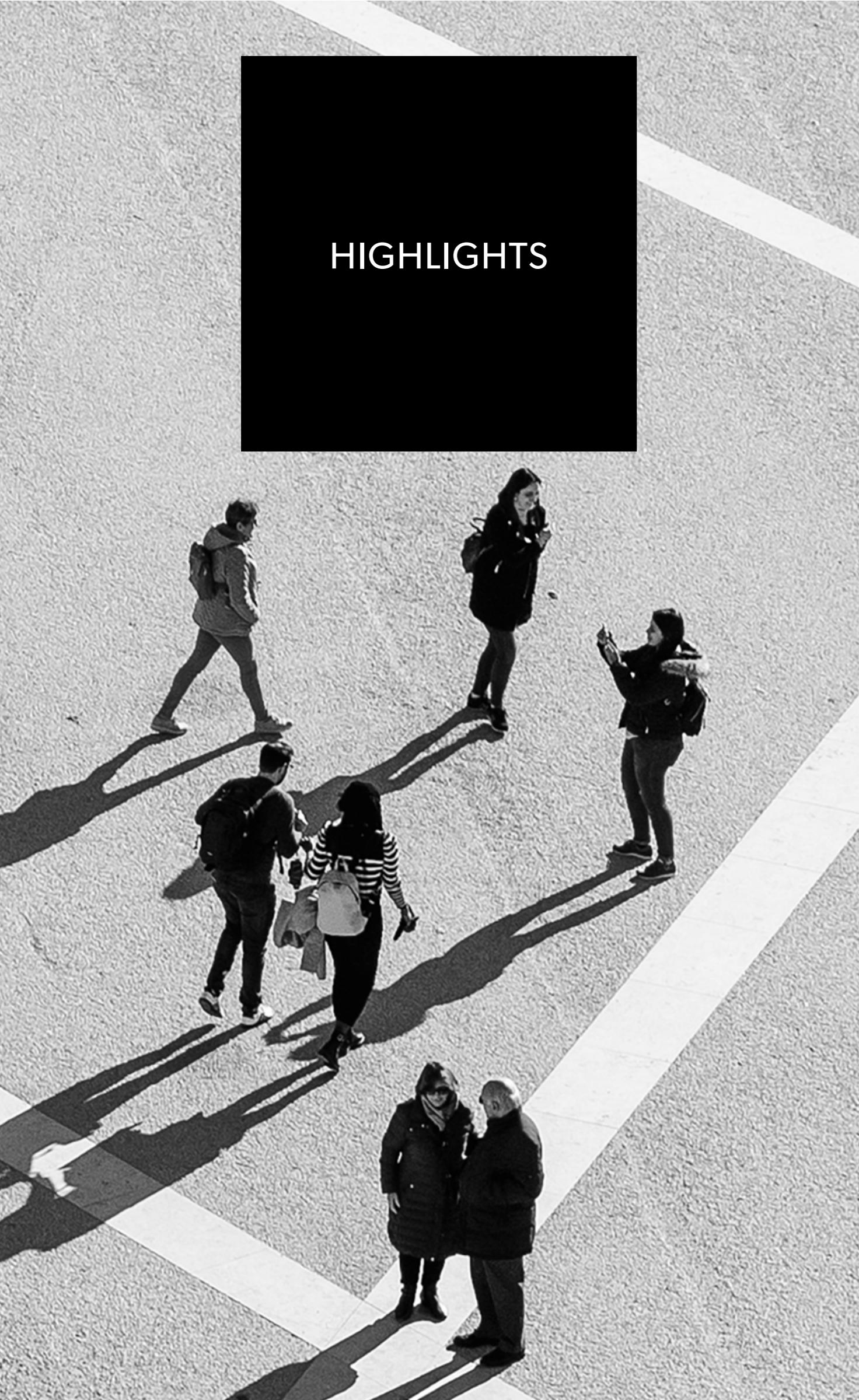
Those who view markets more favourably are more likely to participate in the markets. However, this difference may also be driven by Investors’ existing participation in the stock markets. Those who are already investing in the markets may view the stock market more positively in order to help justify their participation in the markets.



HIGHLIGHTS

EFFECTIVENESS OF REGULATION

Investors were significantly more likely to agree with positive statements about the role of financial services professionals than Savers. This may be reflective of their direct and personal experience in working with financial services professionals. Investors are also more likely to agree with positive statements about the effectiveness of regulation, however, both groups' confidence level in regulation could be strengthened.



HIGHLIGHTS

ECONOMIC IMPORTANCE OF CAPITAL MARKETS

Investors had more positive attitudes and beliefs towards stock markets' importance and role in our economy compared to Savers.

Savers were less likely to believe there is a relationship between the stock market and the economy.

Both Investors and Savers could benefit from a greater understanding of the role of stock markets in fostering capital formation and economic growth, and how participating in equity investing can help individuals accumulate wealth over a longer time period.

A black and white aerial photograph of a city street. Several people are walking across the frame, casting long shadows on the asphalt. The street has a crosswalk with white diagonal lines.

IMPLICATIONS

Uncovering differences in people's attitudes and beliefs about the markets can help the OSC's Investor Office better target outreach and educational efforts to help people start their investing journey and meet their financial goals. These attitudes and beliefs are also important for the OSC's mandate as they can help us identify areas where we may need to do more to address attitudes and beliefs, and inform Canadians about the soundness of our capital markets.



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INTRODUCTION





INTRODUCTION

The Ontario Securities Commission contributes to the health and performance of the province's economy by using our rulemaking and enforcement powers to:

- help safeguard investors,
- deter financial misconduct, and
- regulate participants involved in capital markets in Ontario.

Our statutory mandate is to provide protection to investors from unfair, improper or fraudulent practices, and to foster fair, efficient and competitive capital markets and confidence in the capital markets, to foster capital formation, as well as to contribute to the stability of the financial system and the reduction of systemic risk.

People's confidence in capital markets is based on perception, attitudes, and beliefs of:

- the amount of protection investors receive,
- the fairness of capital markets, and
- the stability of the financial system.

Learning why people participate or avoid capital markets is relevant to the OSC and all Canadians.



INTRODUCTION

Many people have savings, but they are not participating in our capital markets. Canadians continue to need to be more self-reliant on savings for their own retirement or other financial goals because:

- life expectancy continues to increase, and
- pension plans provided by employers continue to decline

That means growing wealth in traditional ways, such as savings accounts or through Guaranteed Investment Certificates (GICs), may not lead to enough growth for people to meet their goals.

Furthermore, saving more to overcome low returns is not always an option for people since there are many demands on their budget.

A World Bank report estimated that people in Canada will outlive their savings by:

- 9.9 years for men.
- 12.6 years for women.

Thus, it is critical for people to optimize investing their savings for a financially healthy retirement.



PURPOSE

Our study presented 30 statements, and asked Investors and Savers to indicate on 7-point Likert scale the extent to which they agreed or disagreed with the statement.

We report these findings by breaking down the responses into four themes:

1. Importance of investing for creating wealth
2. Fairness of capital markets
3. Effectiveness of capital markets regulation
4. Economic importance of capital markets

We know attitudes and beliefs are strong predictors of behaviours. In fact, attitudes and beliefs are most aligned with individuals' behaviours when attitudes and beliefs are strongly held, and when there are minimal external influences.



PURPOSE

If attitudes and beliefs towards investing are negative, then people will likely not engage in investing—especially on their own. This means these negative attitudes and beliefs will be barriers to investing—and the person will miss out on potential investment earnings.

Understanding people's perceptions about capital markets can help us identify biases towards the markets and provide us with insights on overcoming these biases. Thus, uncovering people's differences in perceptions, attitudes, and beliefs can help us focus our outreach and educational efforts. We can target messages to help change attitudes and beliefs towards investing, which should help people build confidence and be more comfortable when starting their investing journey.



UNDERSTANDING THE FINDINGS

This survey featured 30 statements divided between the following sections:

1. Importance of Investing for Wealth Creation – 9 Statements
2. Fairness of Capital Markets – 8 Statements
3. Effectiveness of Capital Markets Regulation – 8 Statements
4. Economic Importance of Capital Markets – 5 Statements

Respondents were presented with statements and then had to indicate on a 7-point Likert scale the extent to which they agreed or disagreed. For simplicity, we have grouped responses as either agree, disagree, or neutral.

The absolute scores for the results may be influenced by the particular wording of the statements. However, comparisons across the groups (between Investors and Savers) hold true.

The results of each question are presented in this report. The title of each page contains the statement that respondents were presented with, and the graph shows the breakdown of the responses. The responses of Investors and Savers are presented separately to facilitate comparison.



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KEY FINDINGS





KEY FINDINGS

Wealth Creation:

Investors were more likely than Savers to agree with most statements about the importance of the stock market to wealth creation.

The risk to individual wealth creation through non-participation in the capital markets is underappreciated by both Investors and Savers.

Fairness:

Investors and Savers had significant differences in their opinions about the fairness of the stock market. While the majority of both segments agreed that the stock market is controlled by large (institutional) Investors, only a minority of Investors and Savers agreed with more bold and negative statements such as the stock market is corrupt and the stock market is fair for all Investors. Savers were more likely to hold such negative sentiments.

WEALTH CREATION

If one is serious about building wealth, the stock market as an investment vehicle cannot be ignored.

INVESTORS SAVERS

76%* 49%

The greater financial risk is being out of the stock market rather than being in it.

33%* 19%

The odds are in favor of the individual investor making money in the stock market.

25%* 17%

FAIRNESS

INVESTORS SAVERS

The stock market is controlled by large (institutional) Investors.

65%* 59%

The stock market is corrupt.

26% 34%*

The stock market is fair for all Investors.

24%* 18%

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*significantly higher



KEY FINDINGS

Regulatory Environment:
About two-thirds of Investors agreed that financial services professionals provide good information to help make investment decisions compared to one-half of Savers. Less than half of Savers think they are trustworthy and honest, and, in general, have the Investors' best interests in mind while just over half of Investors agree.

Economic Importance:
The majority of Investors believe the stock market plays an important role in the economy and that it is a measuring stick of the health of the economy. Savers are less convinced and are more likely to believe the gains and losses on the stock market is a matter of chance.

| REGULATION | INVESTORS | SAVERS |
|--|-----------|--------|
| In general, financial services professionals provide good information to help make investment decisions. | 64%* | 52% |
| In general, financial services professionals are trustworthy and honest. | 57%* | 44% |
| In general, financial services professionals have the best interest of Investors in mind. | 51%* | 41% |

| ECONOMIC IMPORTANCE | INVESTORS | SAVERS |
|---|-----------|--------|
| The stock market plays an important role in supporting the growth of the economy. | 73%* | 57% |
| The stock market is a measuring stick of the healthy economy. | 65%* | 47% |
| Losses and gains in the stock market are just a matter of chance. | 28% | 35%* |

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INVESTING FOR
WEALTH CREATION





INVESTING FOR WEALTH CREATION

With life expectancy continuing to edge upwards and with the increasing decline of pension plans provided by employers, individual Canadians are increasingly reliant on saving for their own retirement or other financial goals. Individuals are responsible for accumulating enough wealth to help them be financially secure in their retirement or in order to achieve other goals such as saving for a home or for their childrens' education.

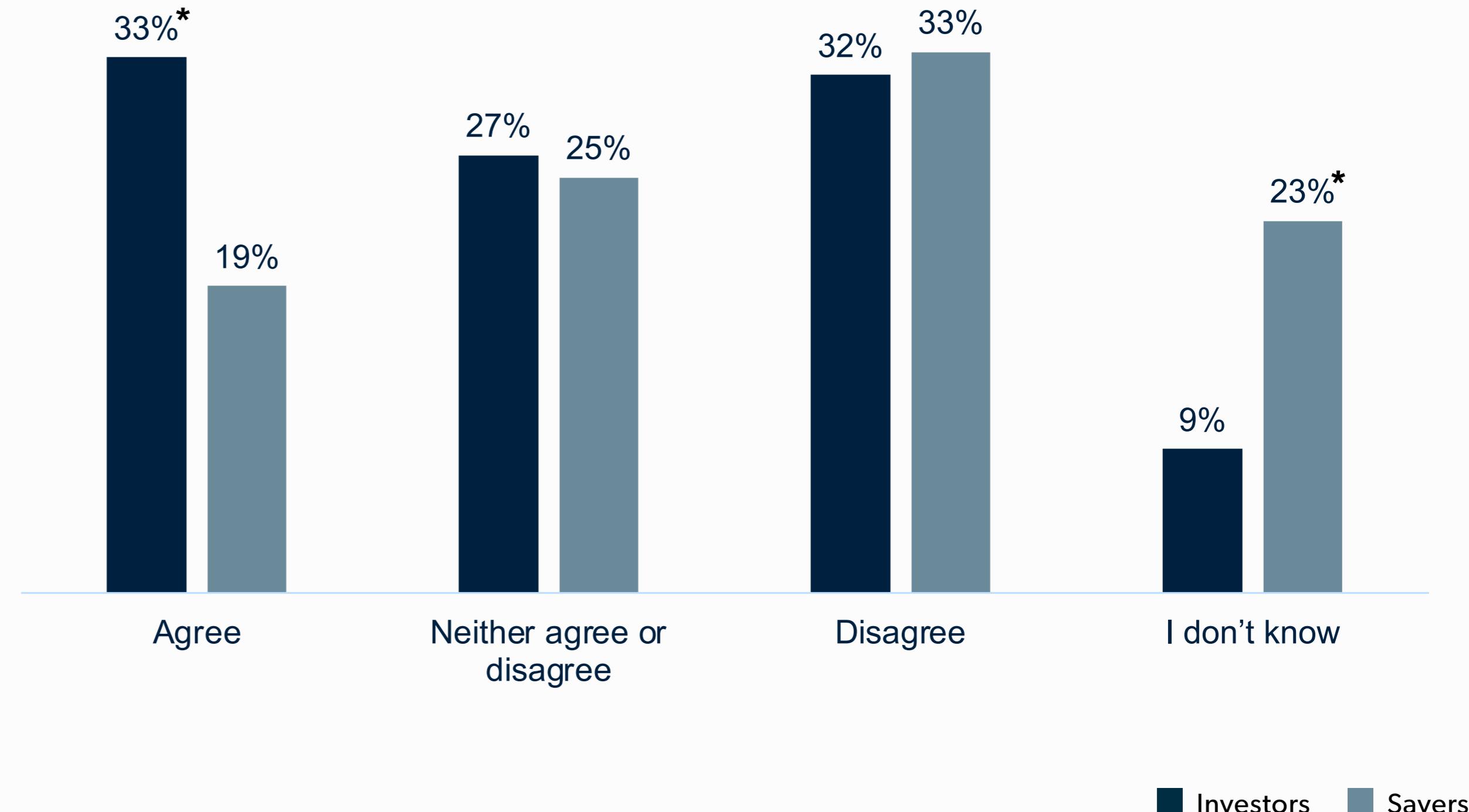
Accumulating wealth through saving in traditional ways such as savings accounts at banks, credit unions or other financial institutions, or through Canada Savings Bonds or Guaranteed Investment Certificates (GICs), may not allow for sufficient growth for individuals to meet their goals, even if they can and do increase the amount they put away for the future. A much greater proportion of Canadians invest in the capital markets than ever before – whether through investment funds, individual stocks, bonds, or other types of securities. However, some individuals are reluctant to do so.

Individual attitudes and beliefs as to the role of the stock market in building their wealth are very important – both to individuals for their potential financial returns over the long term and to us as regulators given our mandate.



INVESTING FOR WEALTH CREATION

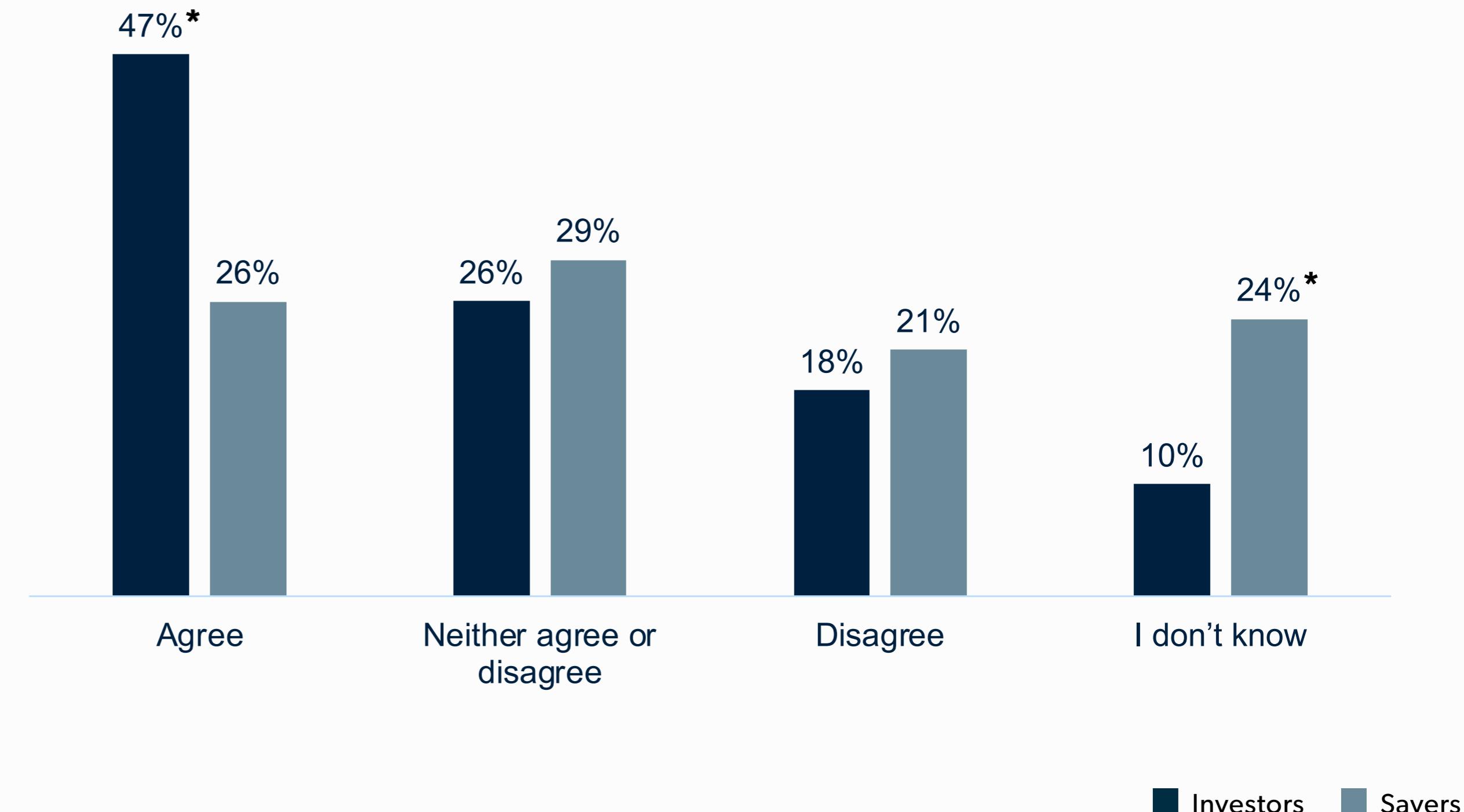
"The greater financial risk is being out of the stock market rather than being in it":





INVESTING FOR WEALTH CREATION

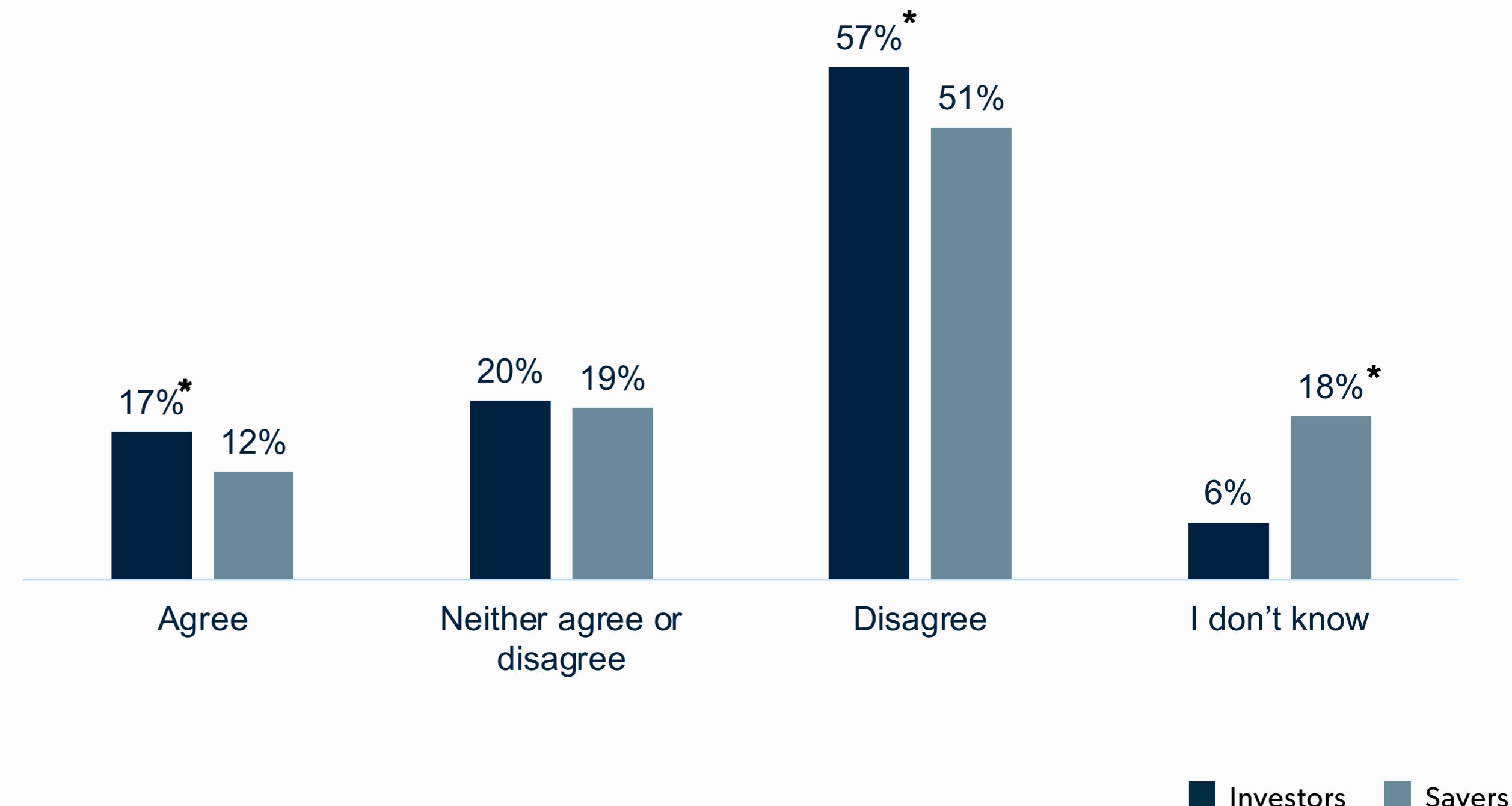
The benefits of investing in the stock market outweigh the costs:





INVESTING FOR WEALTH CREATION

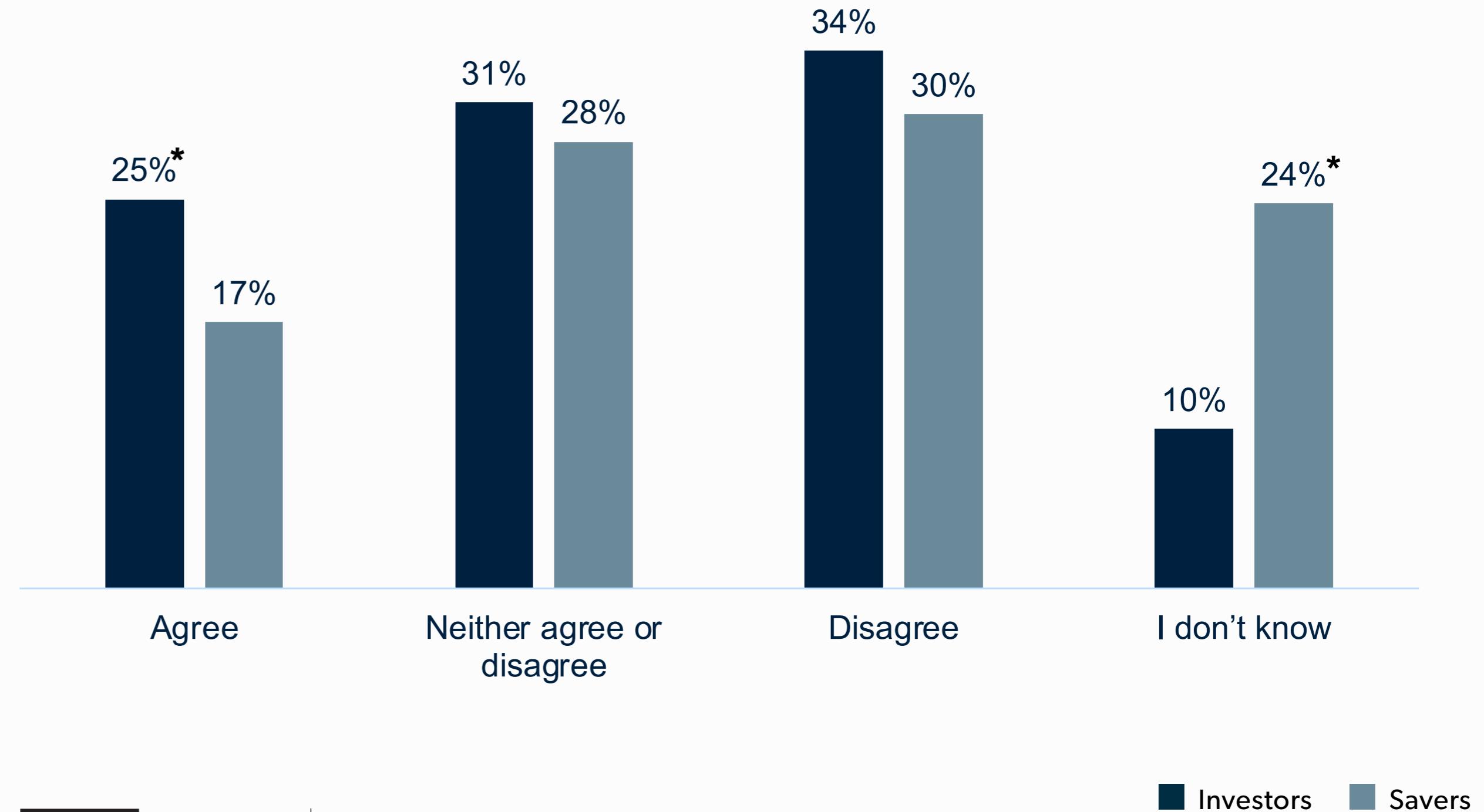
"Investing in the stock market is one of the safest investments an investor can make":





INVESTING FOR WEALTH CREATION

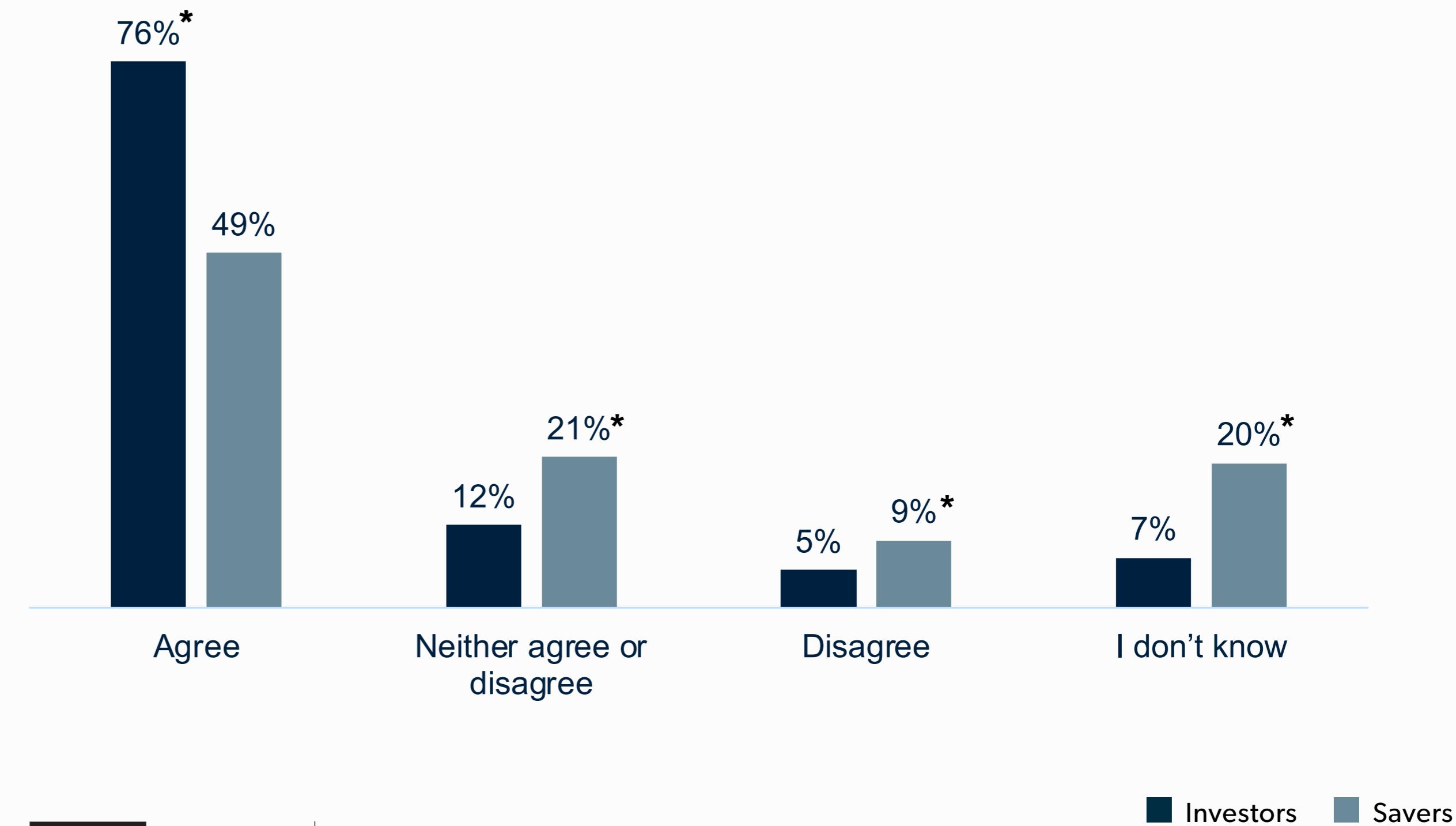
"The odds are in favor of the individual investor making money in the stock market":





INVESTING FOR WEALTH CREATION

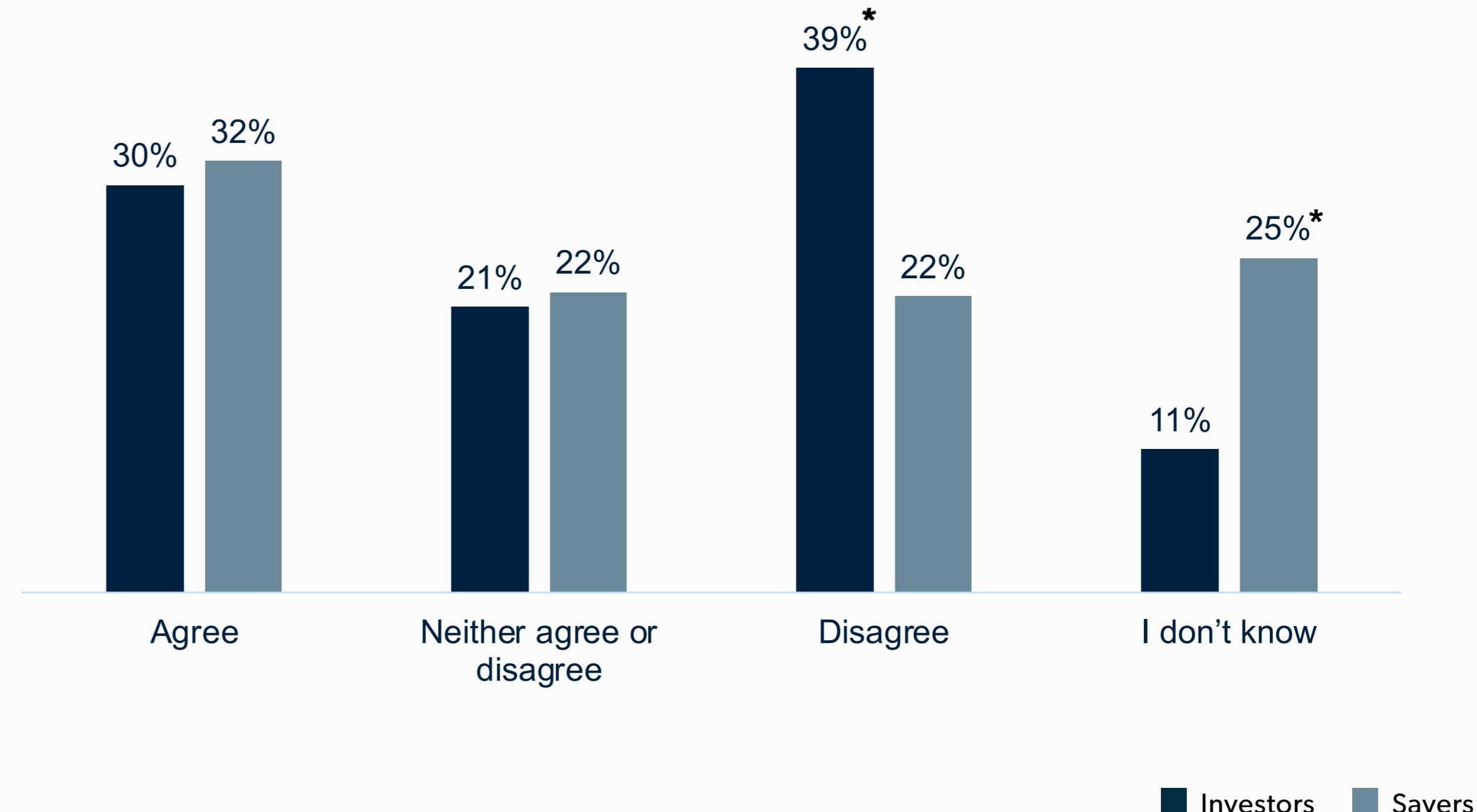
"If one is serious about building wealth, the stock market as an investment vehicle cannot be ignored":





INVESTING FOR WEALTH CREATION

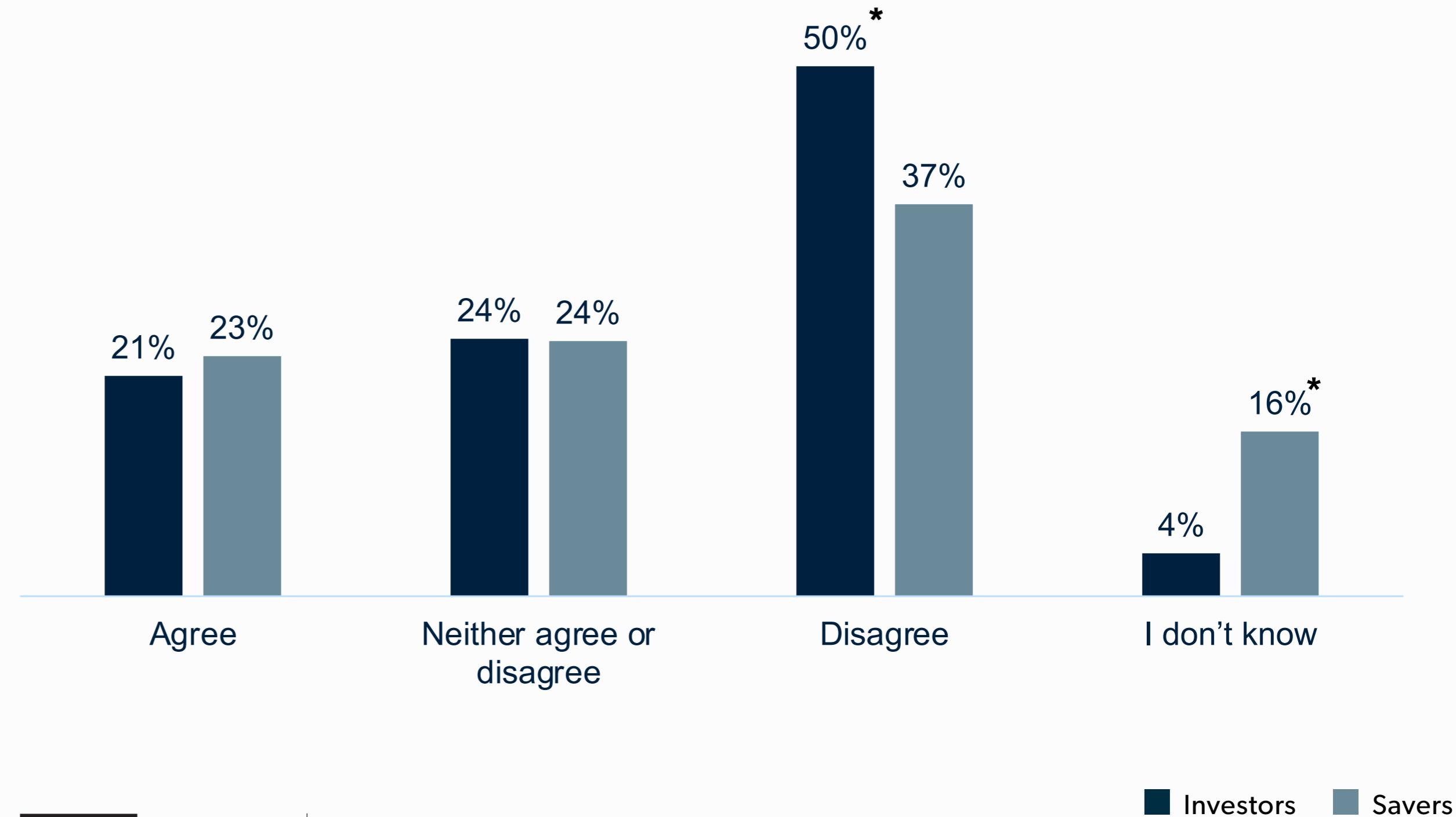
"The key to successful stock market investing is hot tips":





INVESTING FOR WEALTH CREATION

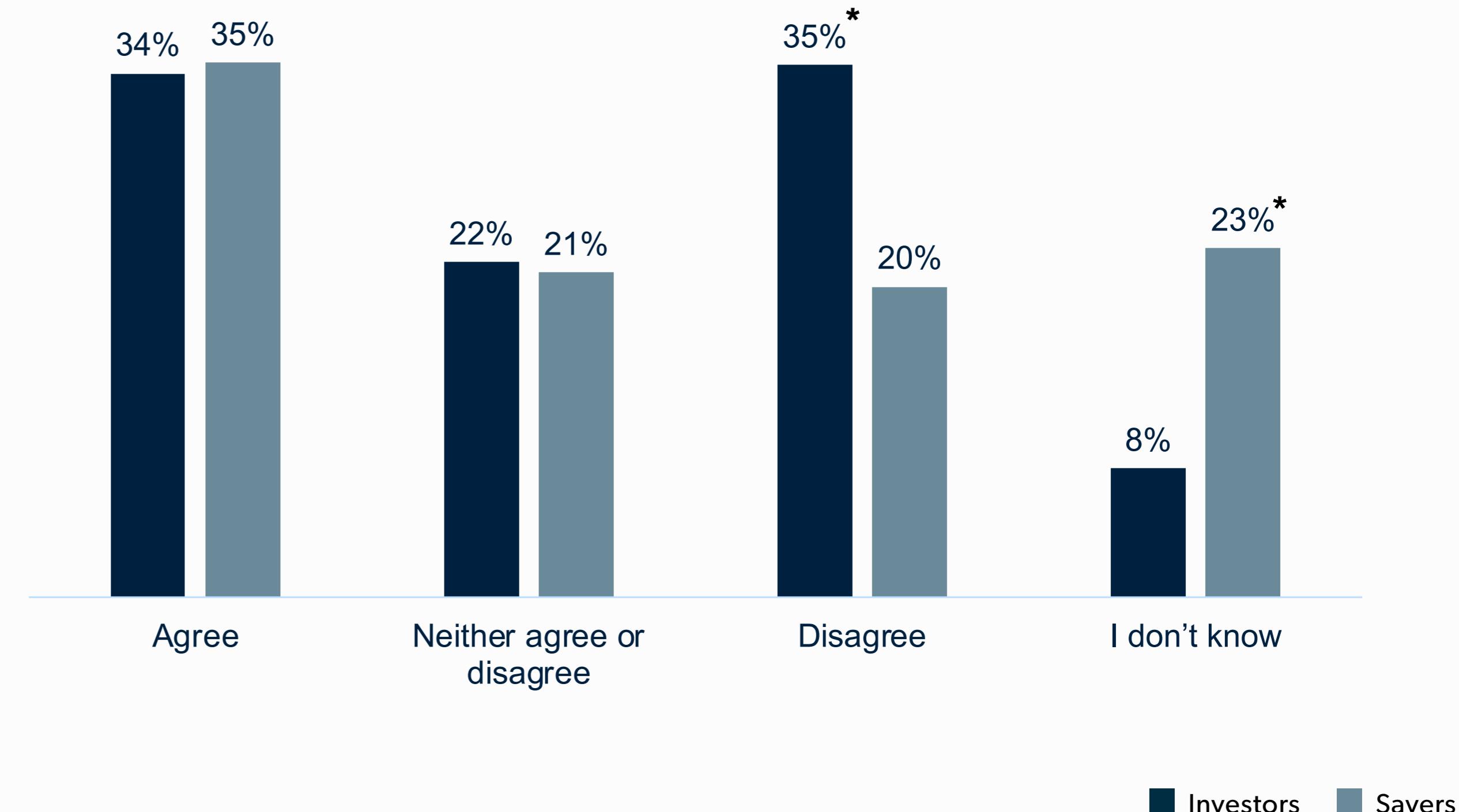
"Investing in the stock market is a way to make money easily and quickly":





INVESTING FOR WEALTH CREATION

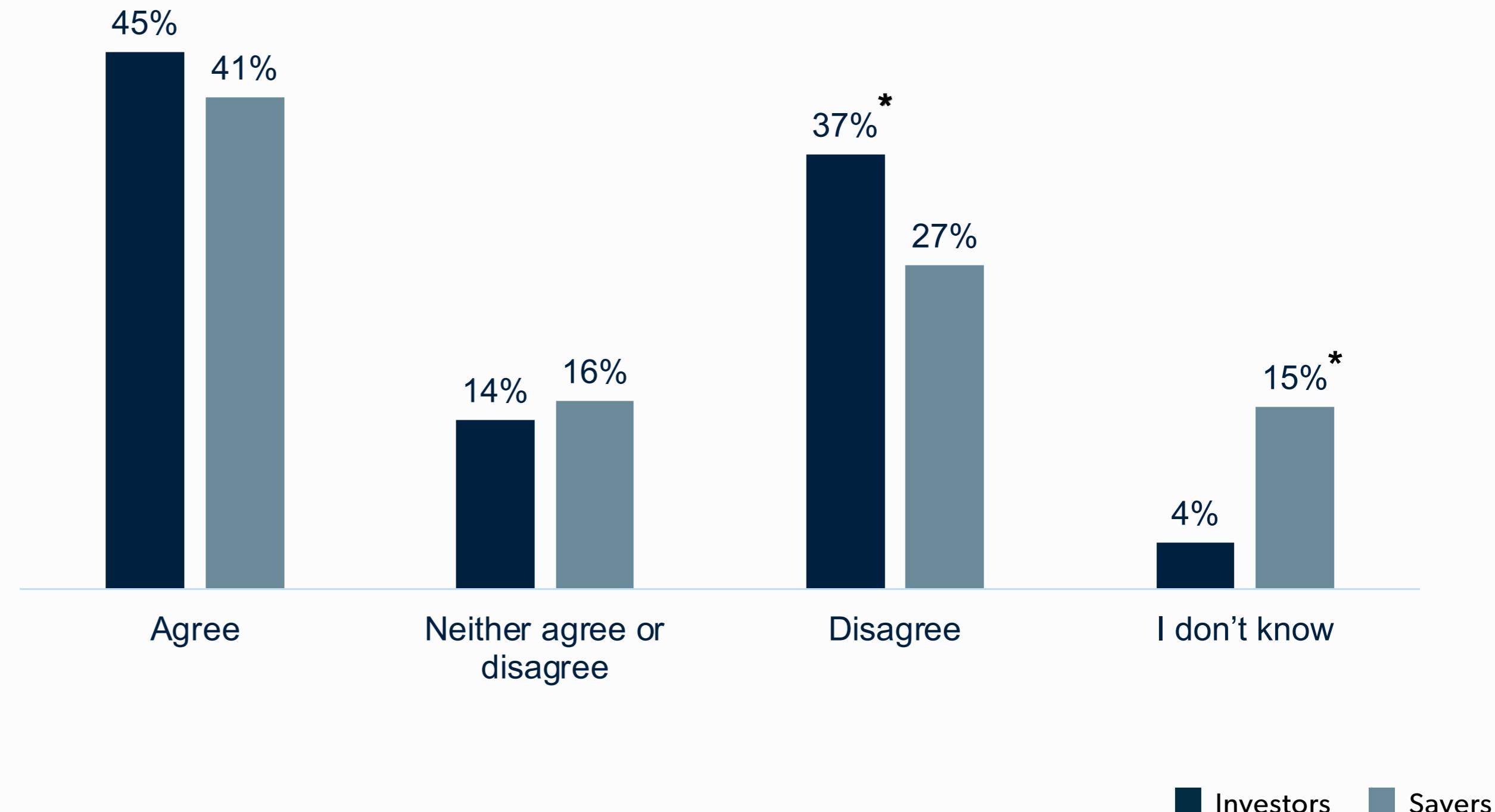
"If you are smart, it is easy to pick individual stocks that will have better than average returns":





INVESTING FOR WEALTH CREATION

"Only highly skilled investors can consistently make money in the stock market":



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FAIRNESS OF STOCK MARKETS





FAIRNESS OF STOCK MARKET

Our survey asked respondents a number of questions to assess their attitudes and beliefs as to the fairness of the capital markets.

The Ontario Securities Commission's mandate includes providing protection to investors from unfair, improper or fraudulent practices, and fostering fair, efficient and competitive capital markets and confidence in the capital markets.

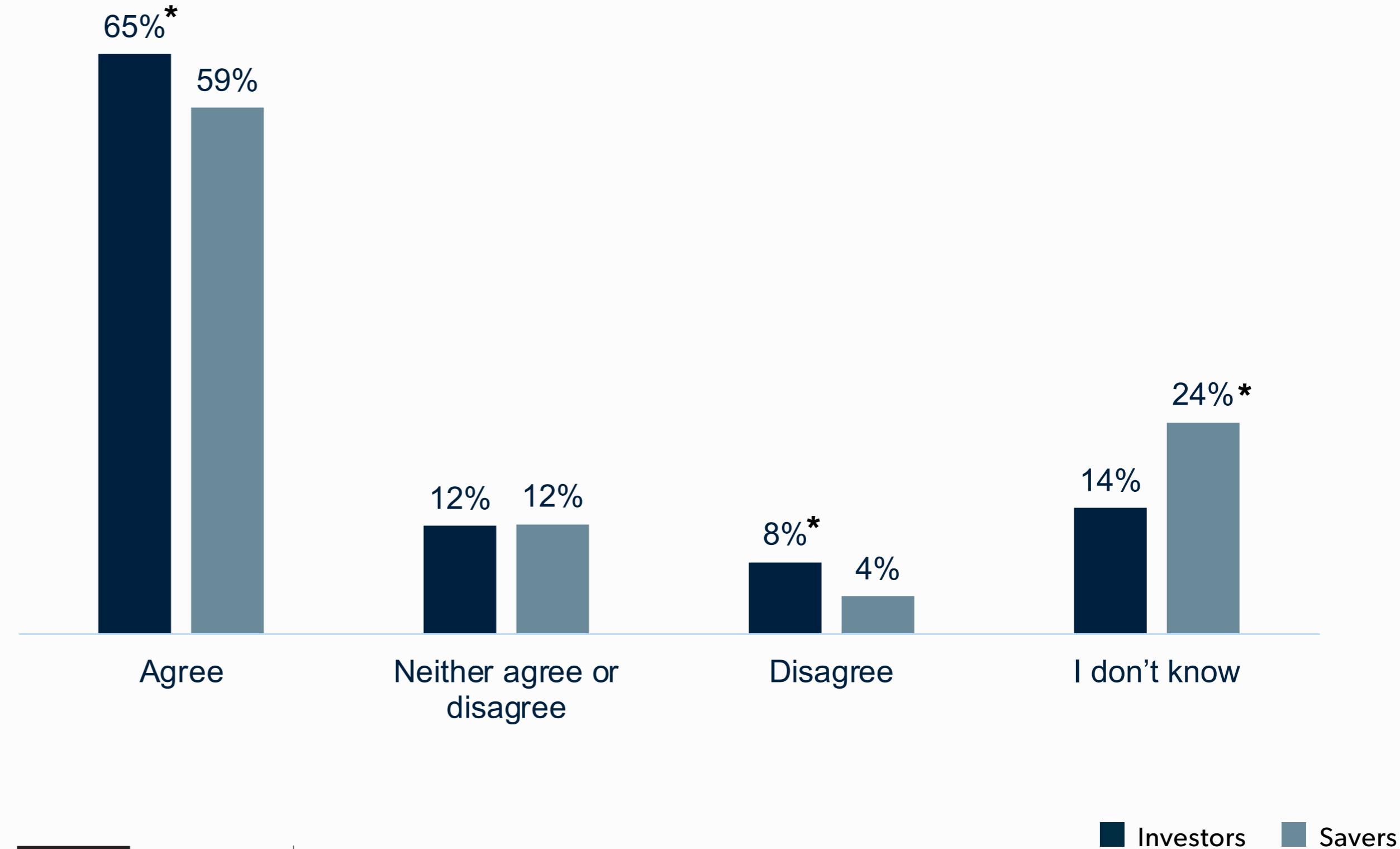
Fostering fair and efficient markets and protecting investors from unfair, improper or fraudulent practices are requisites for investors to have confidence in our capital markets and be willing to place their capital in the capital markets. If markets are not perceived to be fair, individuals will not invest.

We explored if Savers attitudes and beliefs towards the fairness of the capital markets differed from that of Investors and investigate what those attitudes and beliefs are.



FAIRNESS OF STOCK MARKET

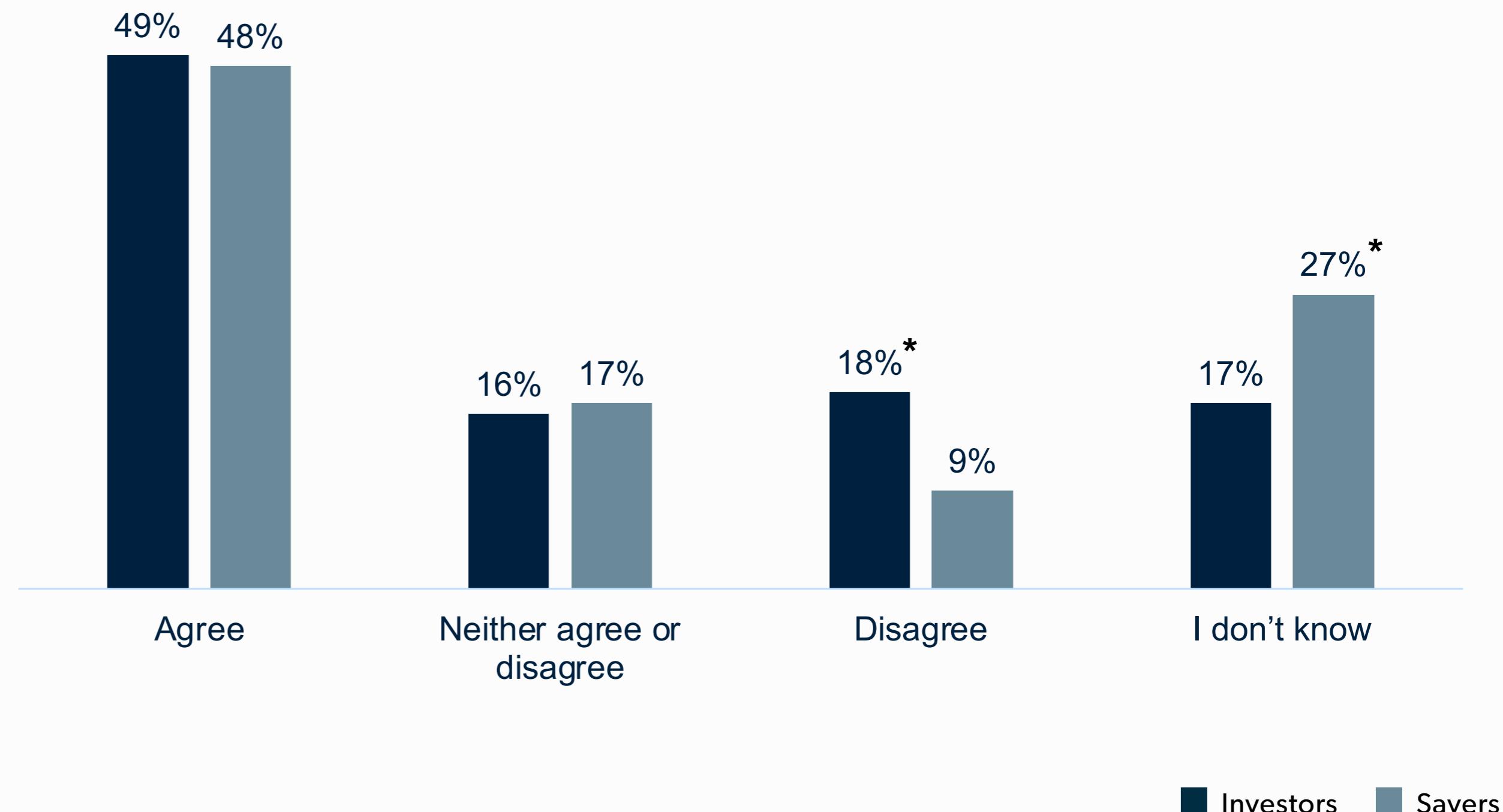
"The stock market is controlled by large (institutional) Investors":





FAIRNESS OF STOCK MARKET

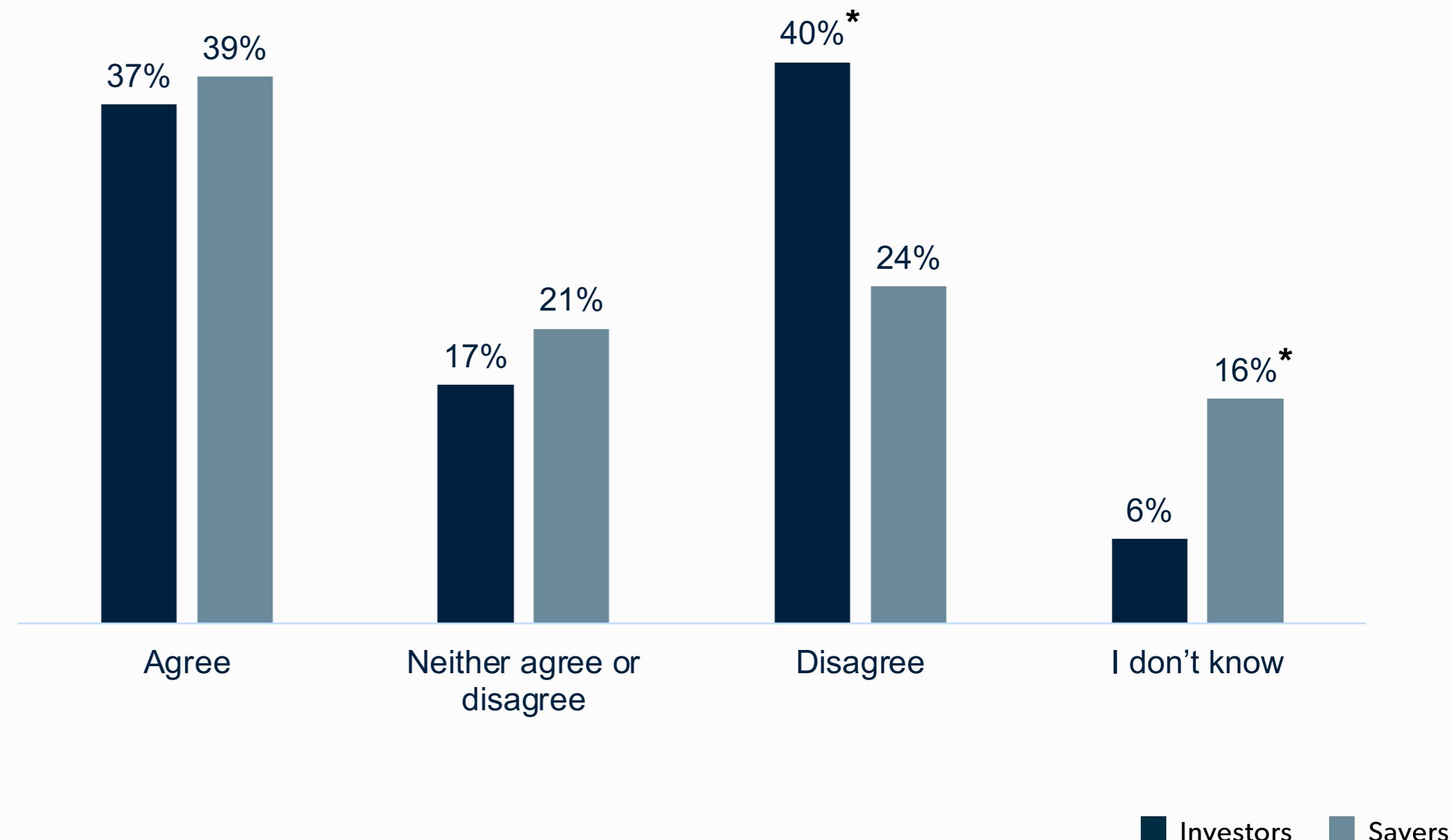
"Use of insider information is common in the stock market":





FAIRNESS OF STOCK MARKET

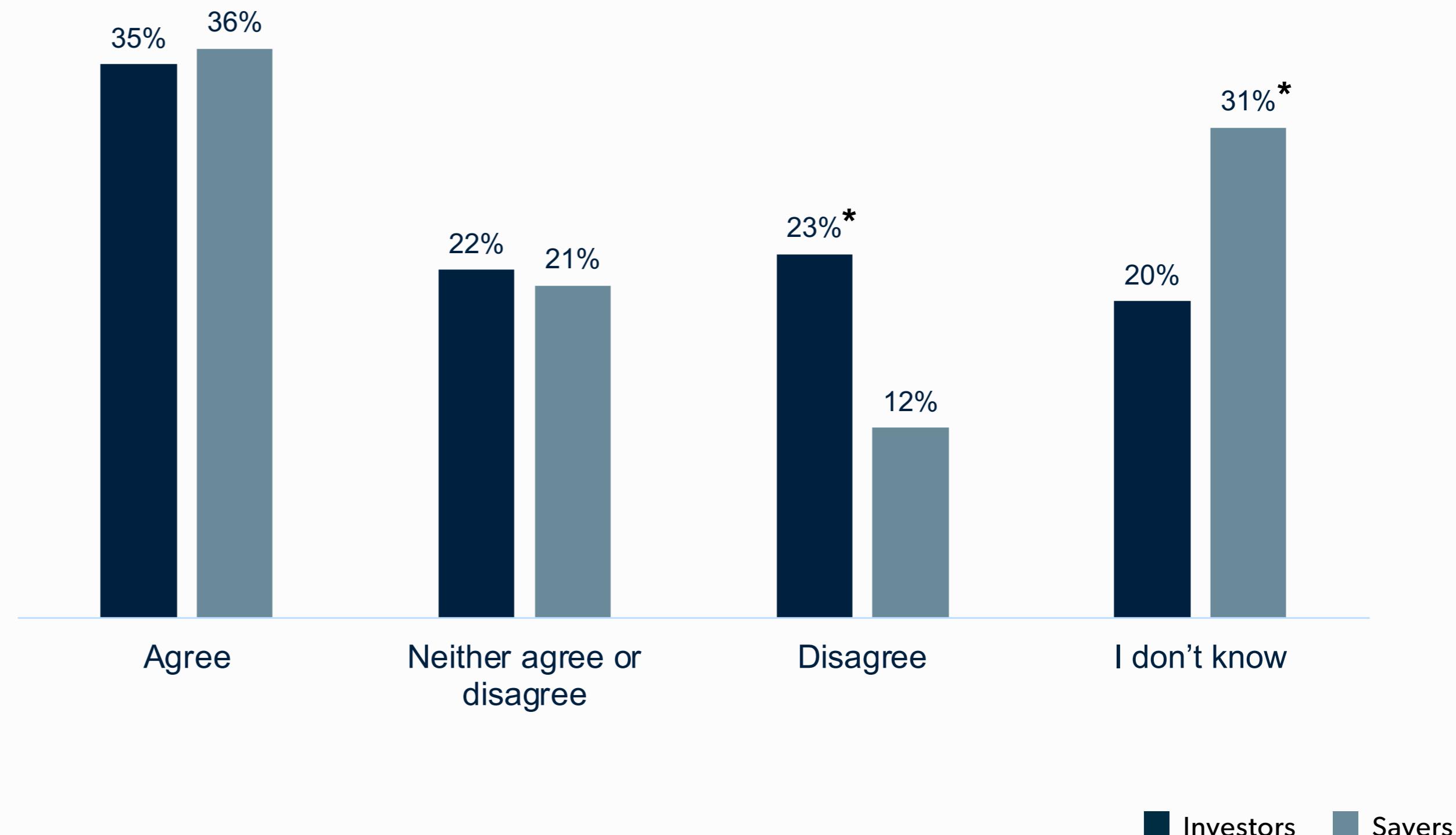
"It is difficult for small Investors to make money in the stock market":





FAIRNESS OF STOCK MARKET

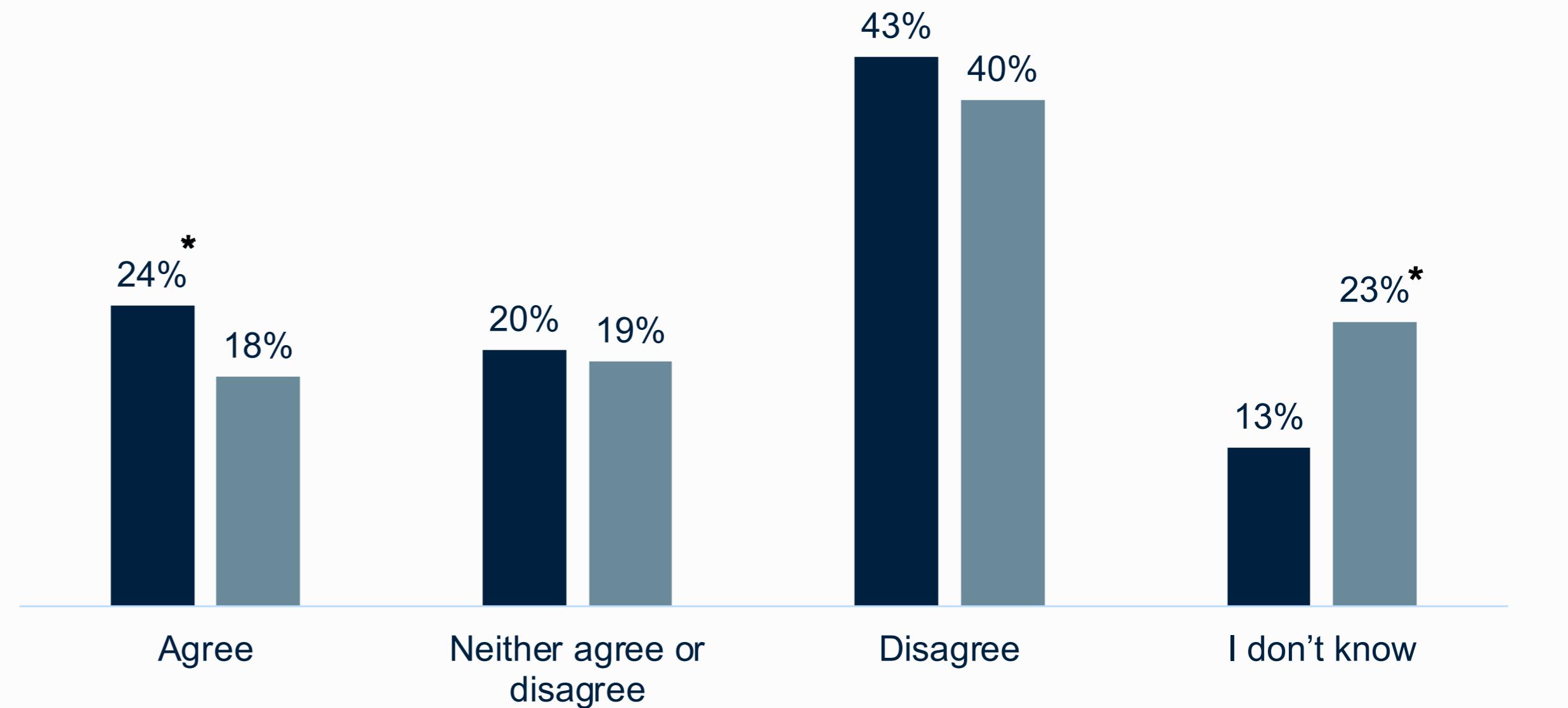
"The stock market is under-regulated":





FAIRNESS OF STOCK MARKET

"The stock market is fair for all investors"³:

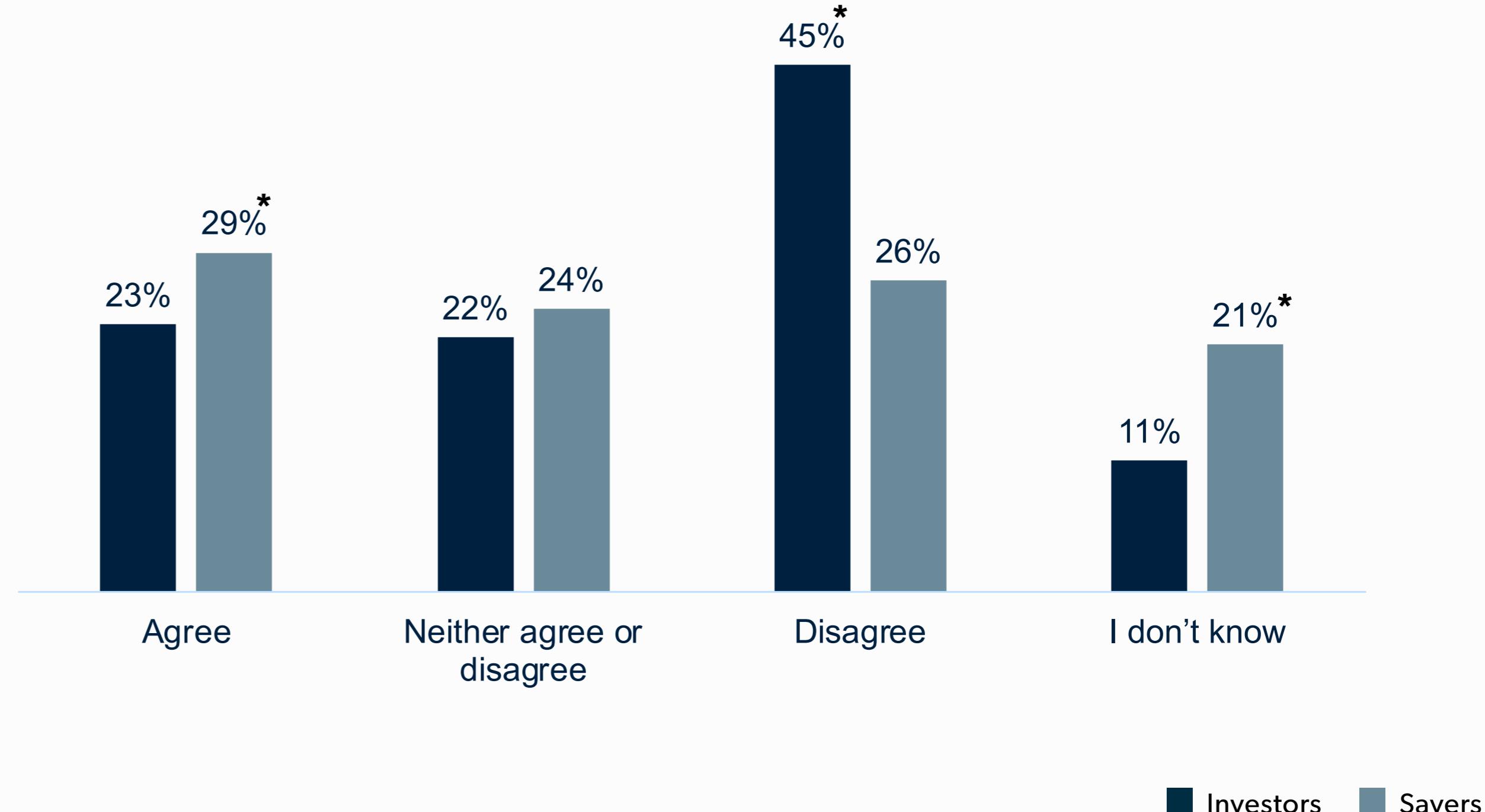


³The absolute scores for the results may be influenced by the particular wording of the statements, however, comparisons across the groups (between Investors and Savers) hold true. In this case the wording is "all investors", rather than simply "fair for investors" or another formulation which may have altered the responses.



FAIRNESS OF STOCK MARKET

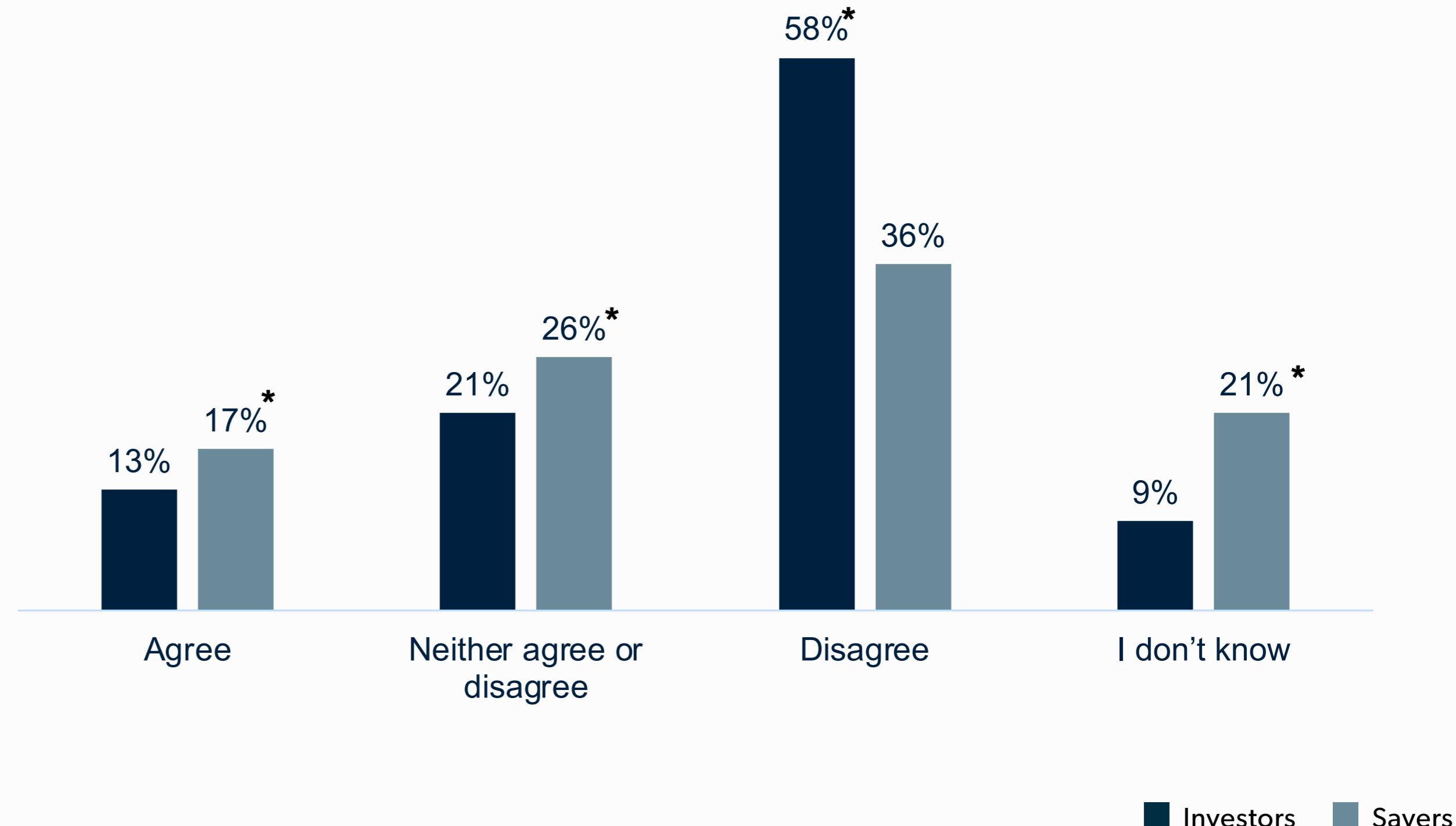
"The stock market is rigged":





FAIRNESS OF STOCK MARKET

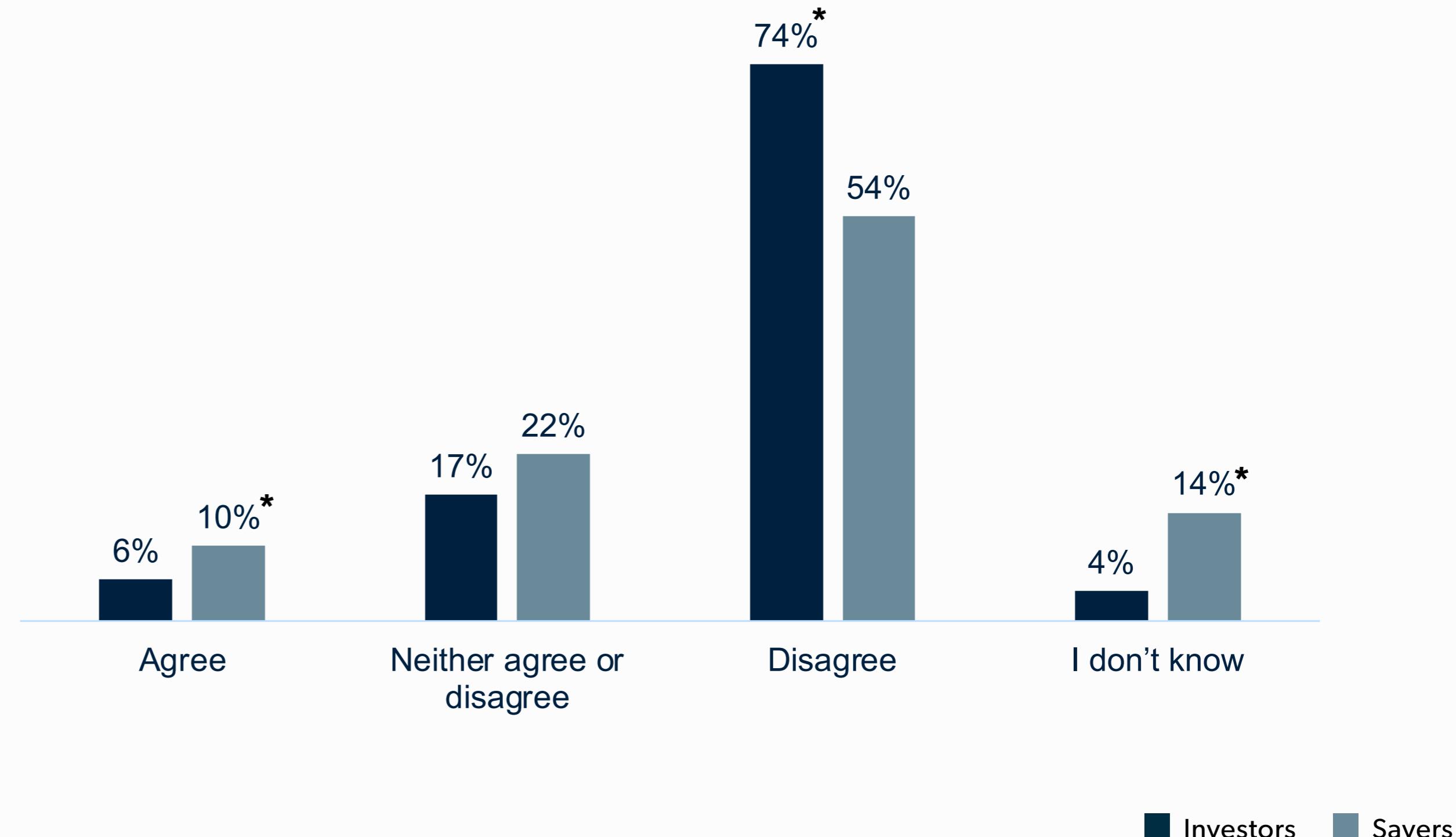
"The stock market is harmful to society as a whole":





FAIRNESS OF STOCK MARKET

"Investing in the stock market is for suckers":



EFFECTIVENESS OF REGULATION





EFFECTIVENESS OF REGULATION

The willingness of investors to invest in our capital markets is dependent on their perception of the fairness and adequacy of securities regulation.

Regulation of our capital markets, including oversight of financial services providers, dealers, investment fund managers, reporting issuers, exchanges and trading platforms, is necessary for investor protection, fair and efficient markets and market confidence. The OSC, the securities regulator in Ontario, is an independent Crown corporation that:

- provides protection to investors from unfair, improper or fraudulent practices and fosters fair and efficient capital markets and confidence in capital markets.
- uses its rule-making and enforcement powers to help safeguard investors, deter misconduct and regulate participants in Ontario's capital markets.
- regulates firms and individuals who sell securities and provide advice in Ontario, as well as public companies, investment funds and marketplaces, such as the Toronto Stock Exchange.
- gets its power from the Securities Act (Ontario) the Commodity Futures Act (Ontario) and certain provisions of the Business Corporations Act (Ontario).
- is funded by fees paid by public companies and intermediaries.



EFFECTIVENESS OF REGULATION

Many retail investors interact with individual registrants – a person or company that is registered with the securities regulator so they can legally sell securities or offer investment advice.

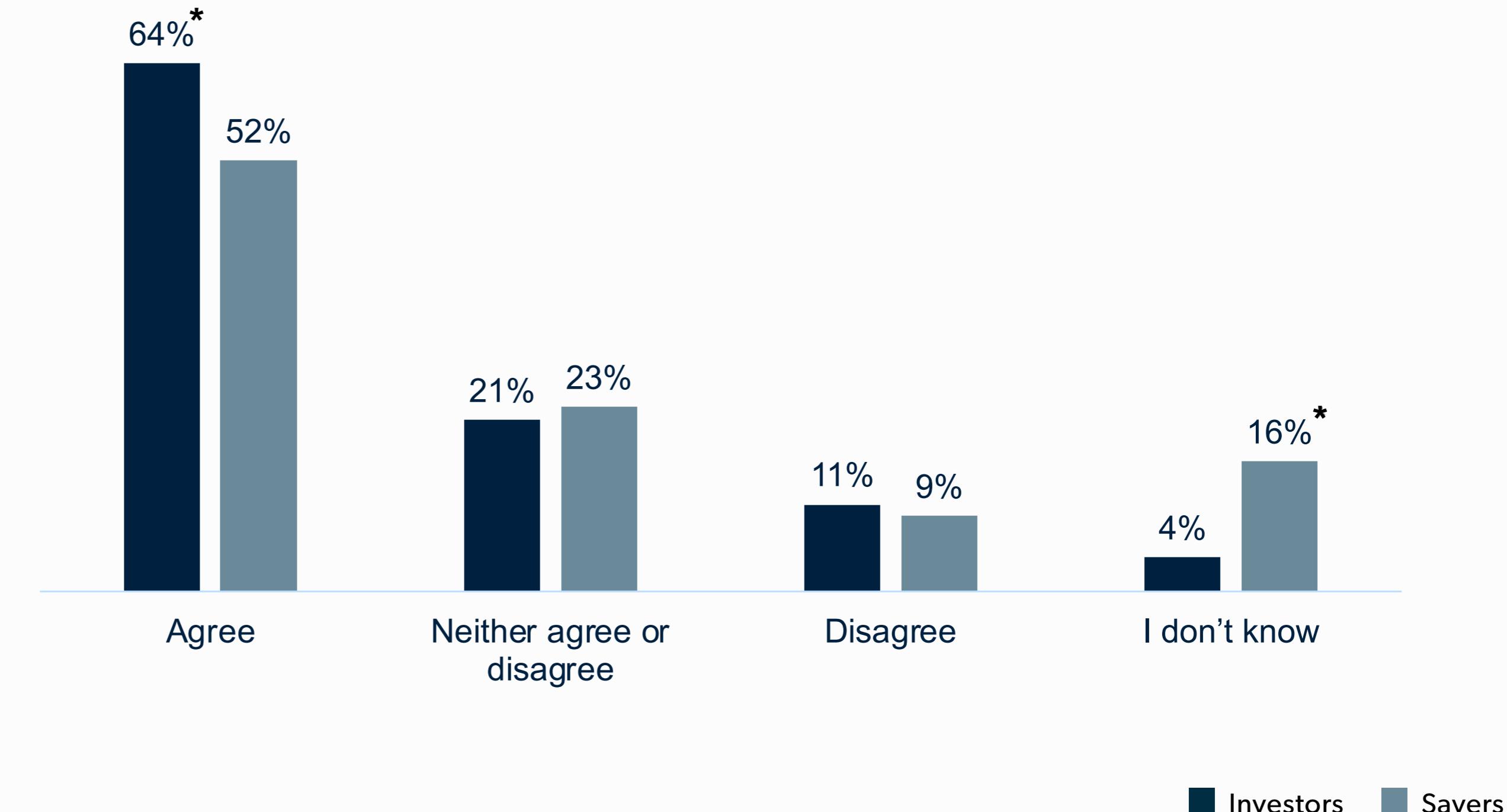
Registrants have several obligations under securities regulations including:

- acting fairly, honestly and in good faith towards clients;
- determining the suitability of investments and addressing material conflicts of interest in the best interest of the client;
- taking reasonable steps to understand the securities that they purchase, sell or recommend to a client sufficient to enable them to make a recommendation as to what is suitable;
- providing clear and complete disclosure to clients of all charges and registrant compensation associated with the investment products and services they receive, and meaningful reporting on how their investments perform; and
- making reasonable efforts to achieve best execution when acting for clients.



EFFECTIVENESS OF REGULATION

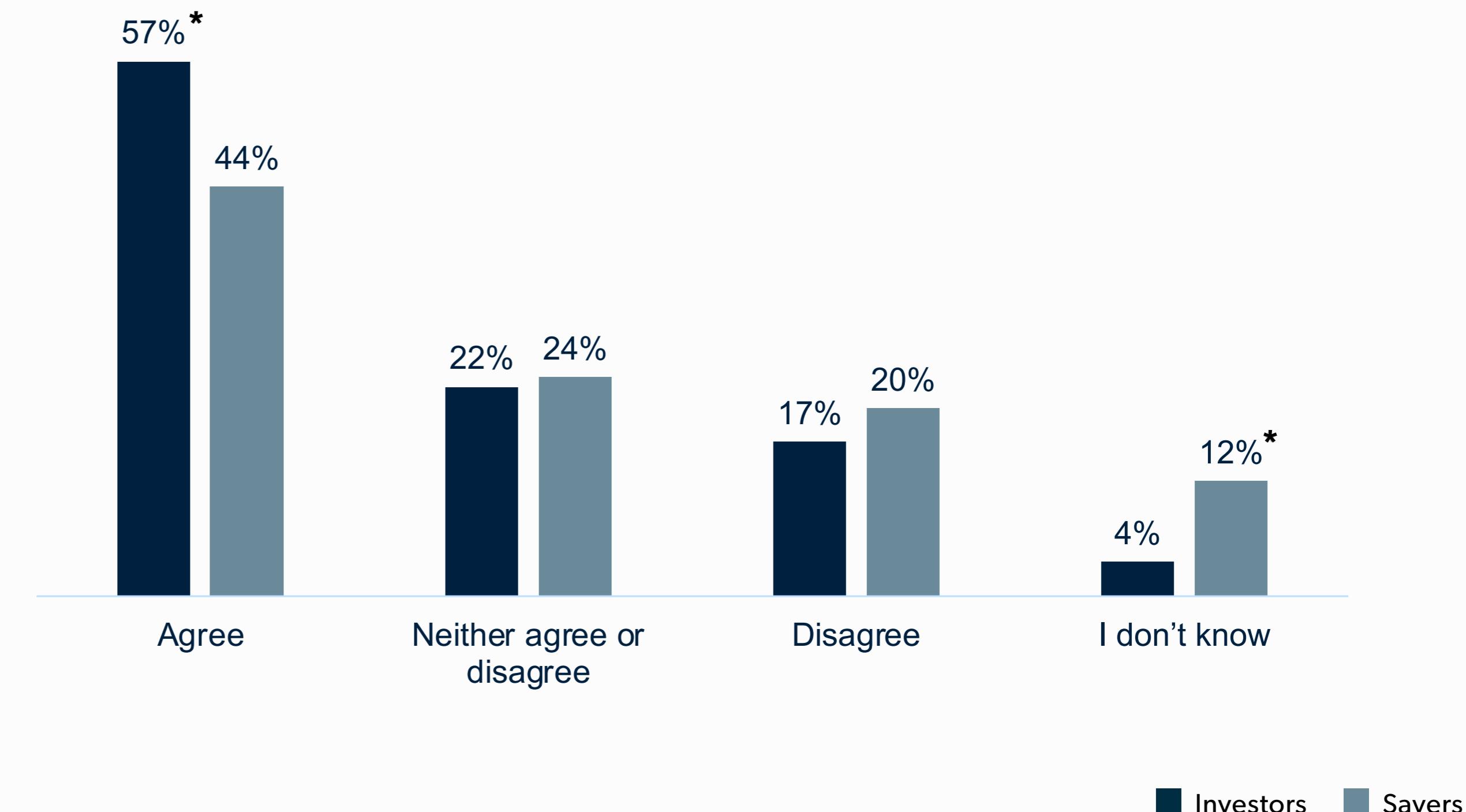
"In general, financial services professionals (e.g., financial advisors, stock brokers) provide good information to help make investment decisions":





EFFECTIVENESS OF REGULATION

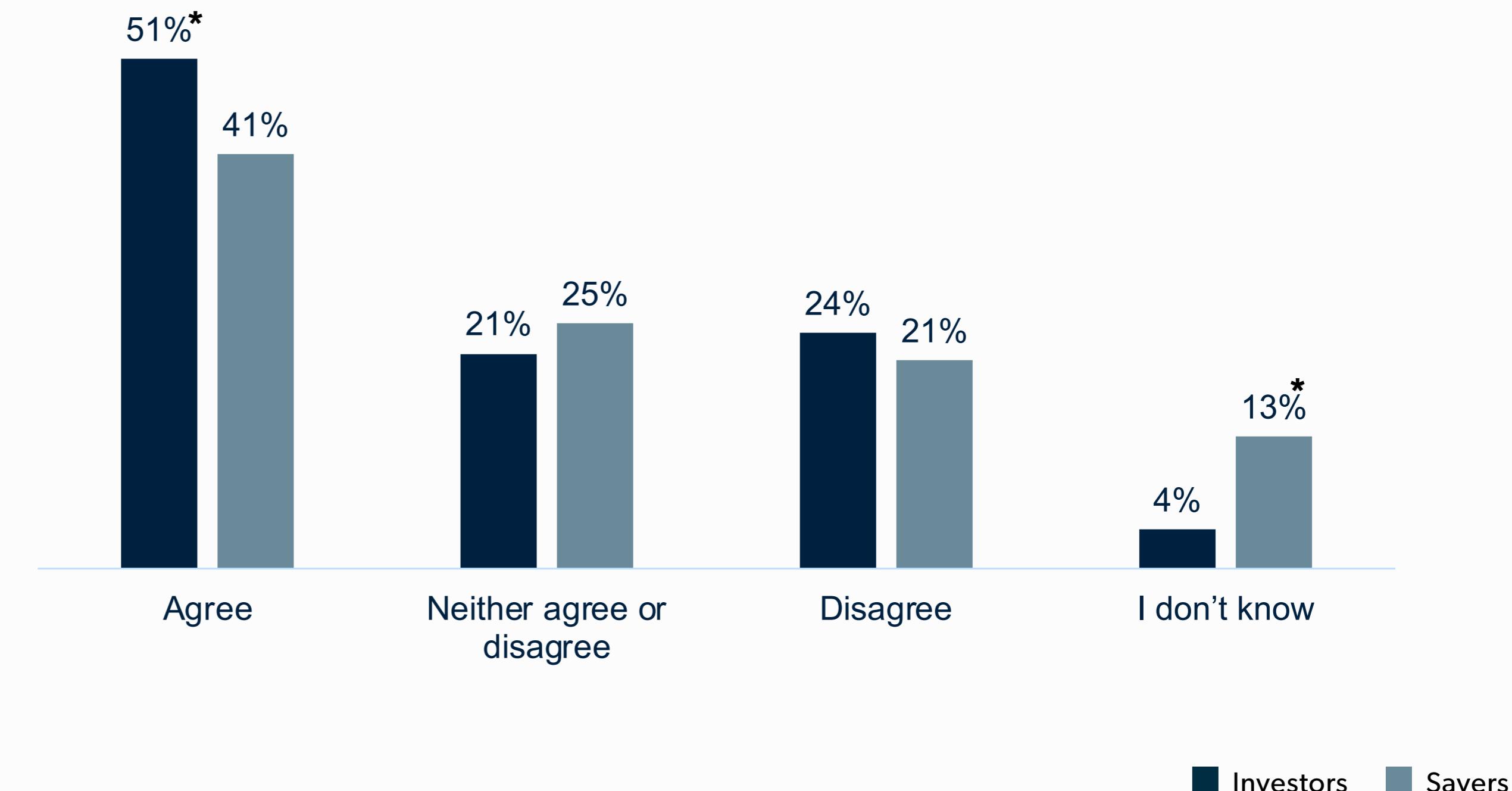
"In general, financial services professionals (e.g., financial advisors, stock brokers) are trustworthy and honest":





EFFECTIVENESS OF REGULATION

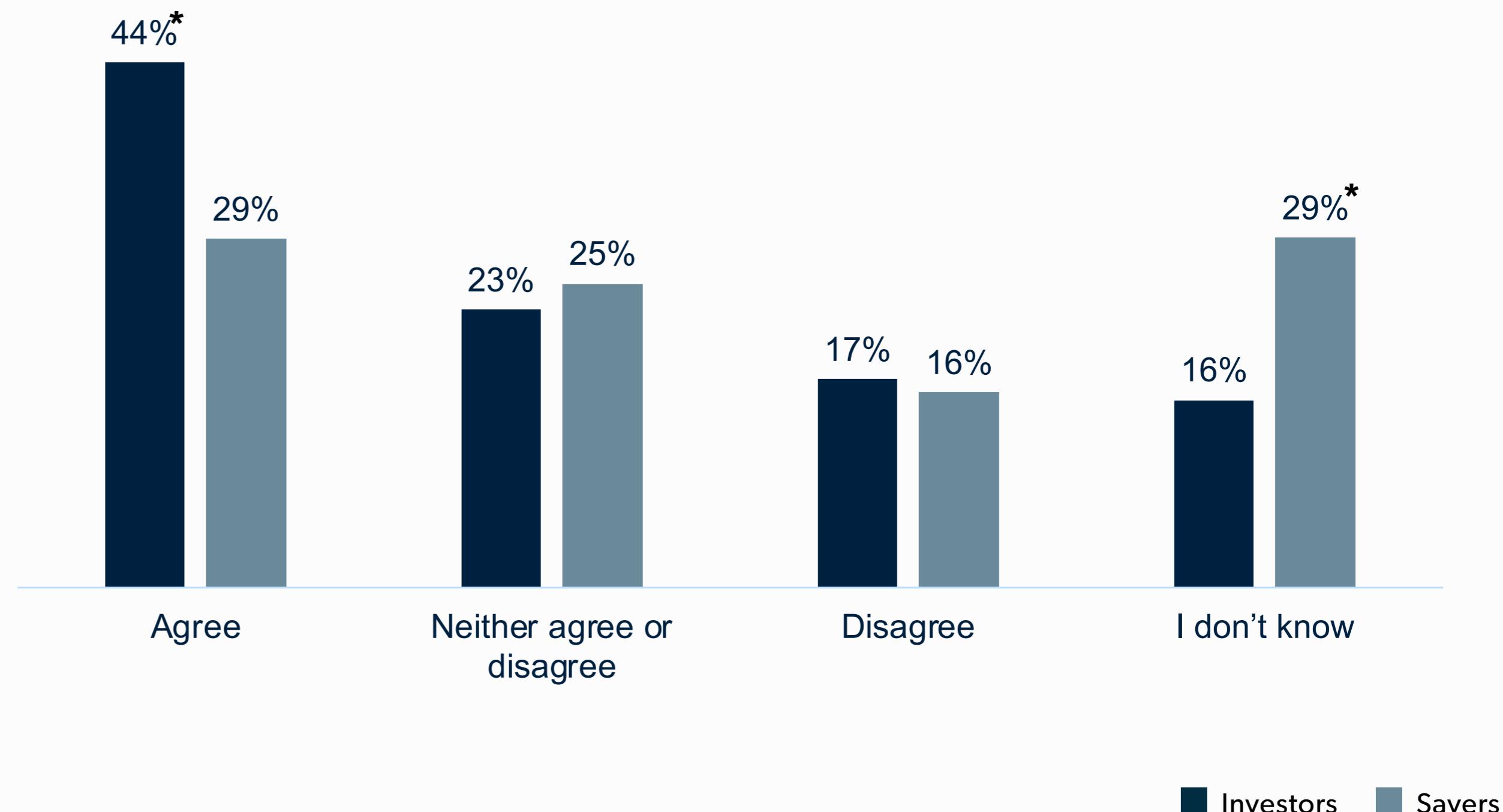
"In general, financial services professionals (e.g., financial advisors, stock brokers) have the best interests of investors in mind":





EFFECTIVENESS OF REGULATION

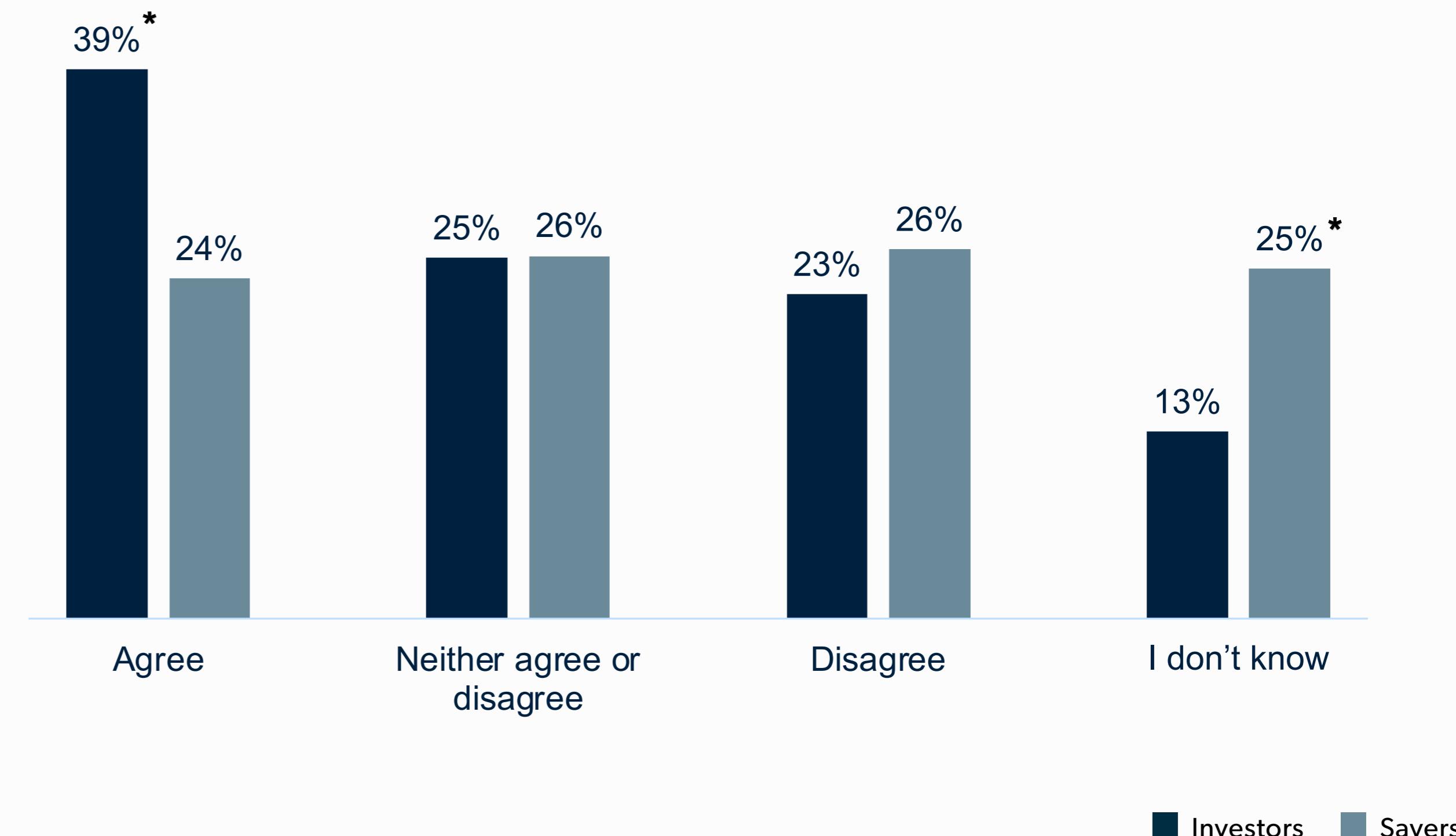
"Stock market regulators do a good job of safeguarding investor interests":





EFFECTIVENESS OF REGULATION

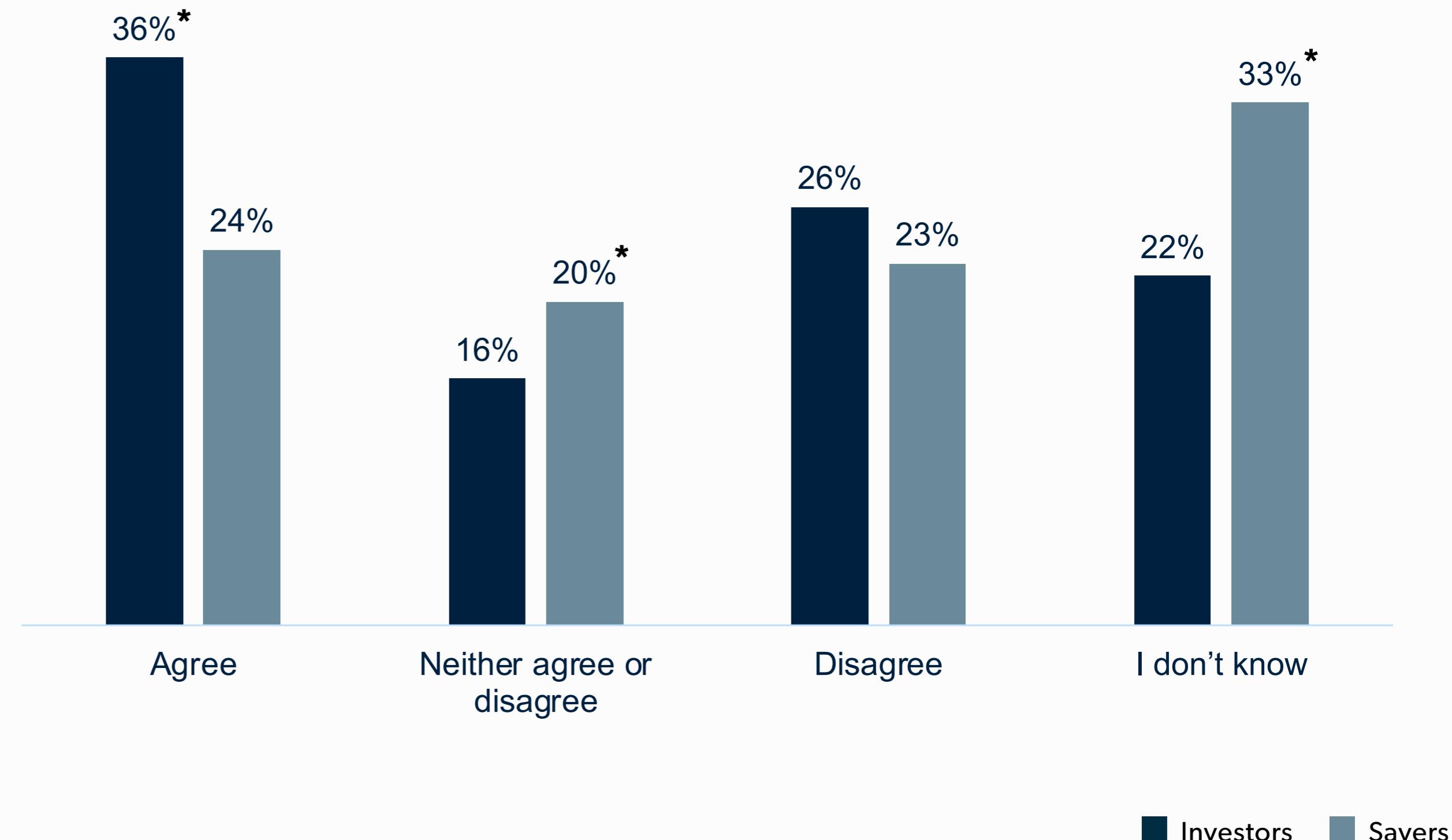
"The financial information that publicly traded companies disclose is straightforward and honest":





EFFECTIVENESS OF REGULATION

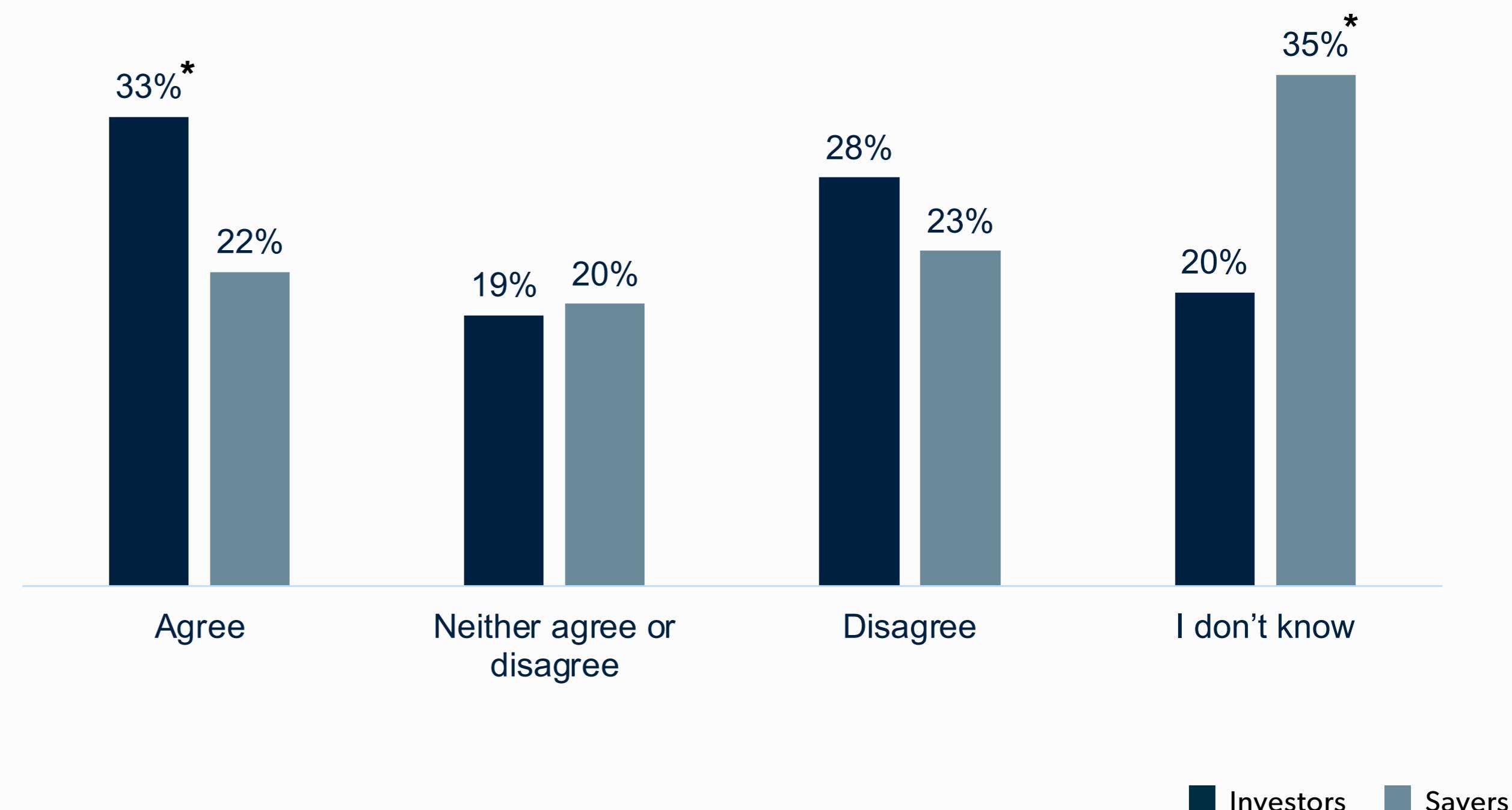
"Regulation of insider trading is effective":





EFFECTIVENESS OF REGULATION

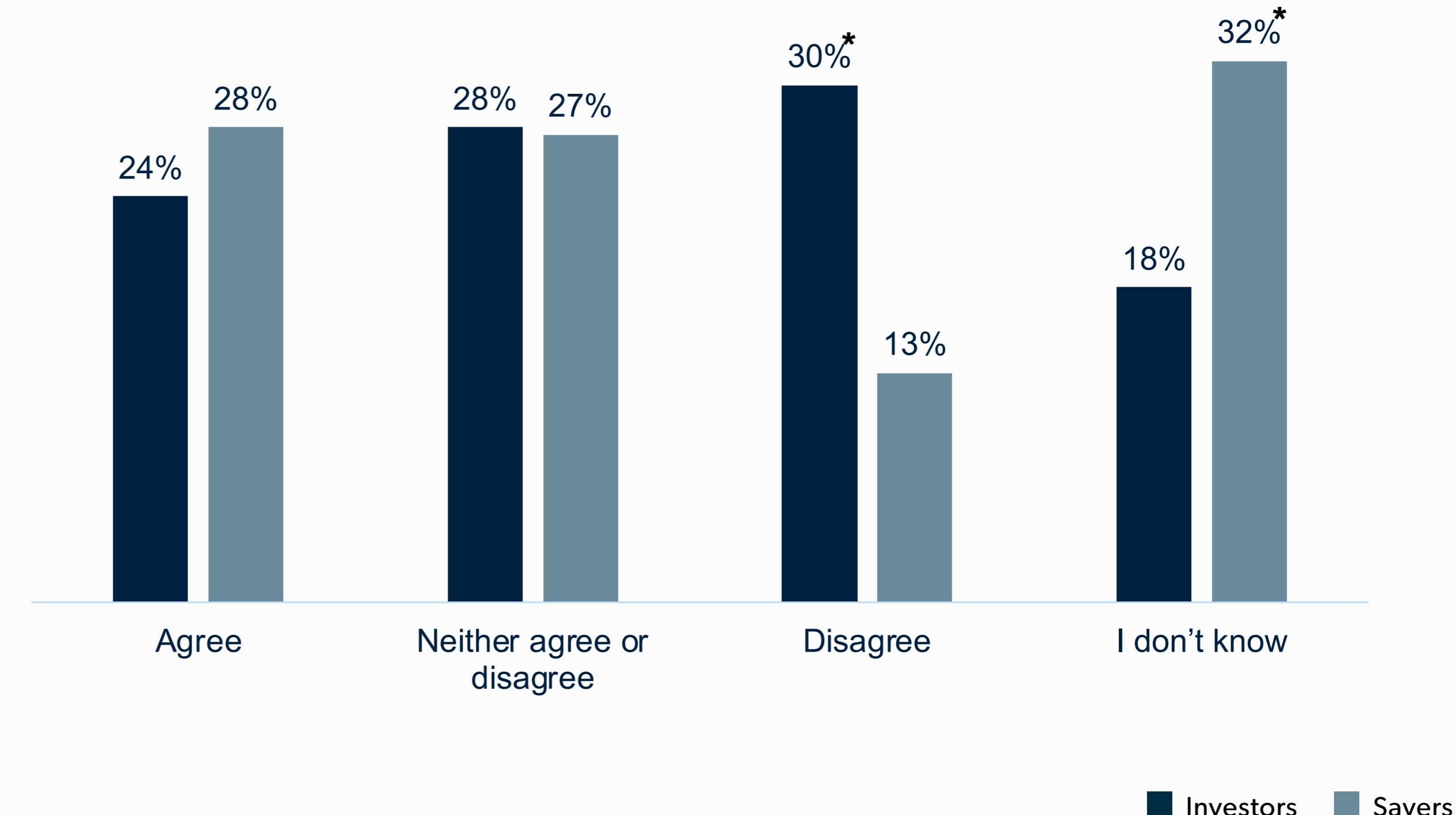
"Disclosure rules adequately protect investors from fraud":





EFFECTIVENESS OF REGULATION

"In their ongoing publicity efforts, publicly traded corporations commonly mislead investors":



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ECONOMIC IMPORTANCE OF CAPITAL MARKETS





ECONOMIC IMPORTANCE OF CAPITAL MARKETS

Businesses underpin our economy and society by providing employment and creating growth and prosperity. Capital markets play a vital role providing finance to businesses.

Financial markets are important to our economy as they perform several essential functions:

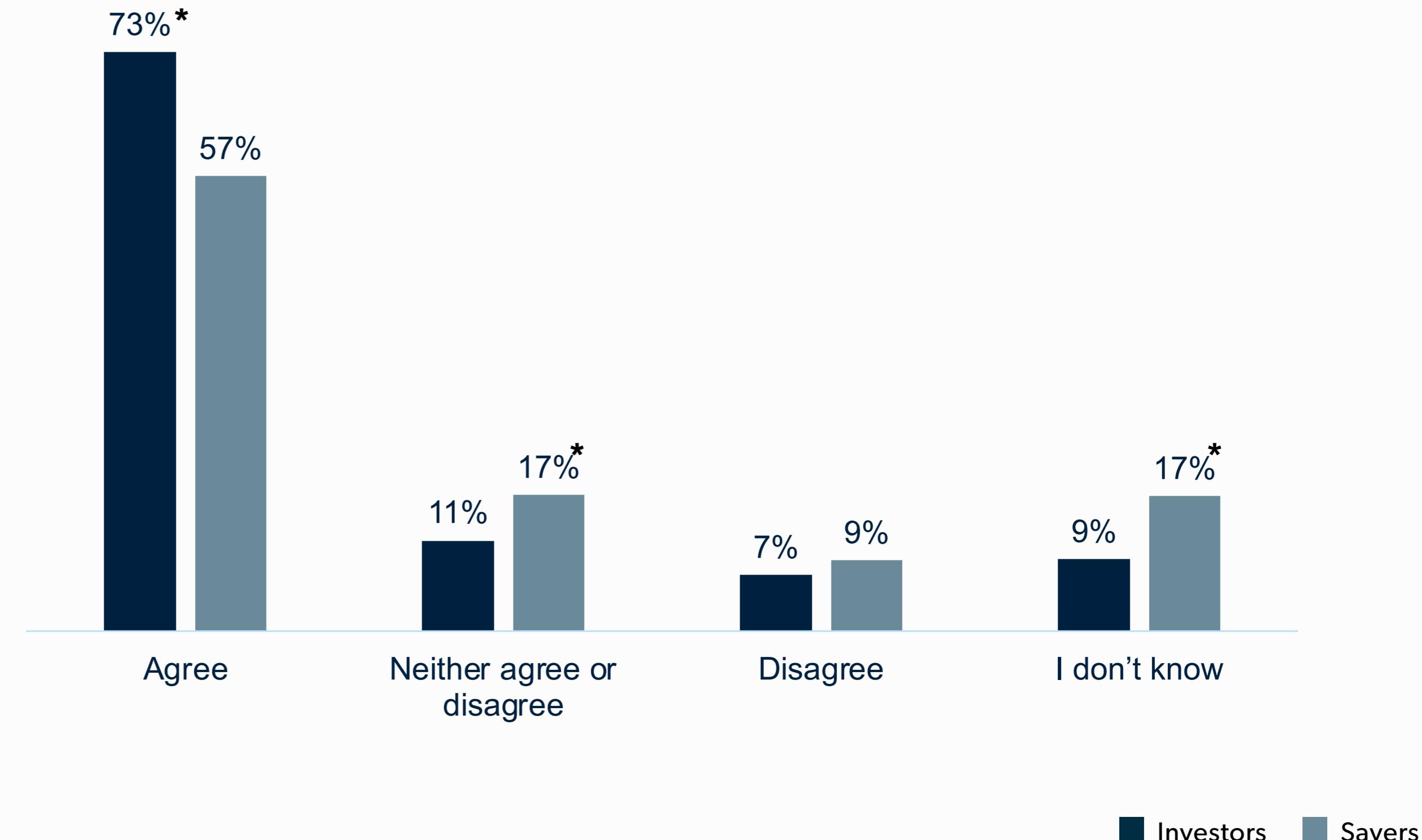
- Enabling businesses to access capital,
- Allowing investors to invest and access their savings,
- Facilitating the management and hedging of risk,
- Providing price discovery by absorbing information about companies, our economies, government actions and other events, and
- Maintaining confidence in our capital markets.

Marketplaces are where the buying and selling of certain publicly traded securities (e.g., stocks, bonds, investment funds, derivatives, futures, etc.) takes place. Canadian stock exchanges (also known as “stock markets”) include the Canadian National Stock Exchange (CNSX), the Montreal Exchange, NEO Exchange, the TSX Venture Exchange and the Toronto Stock Exchange. Canadian ATSs include Chi-X Canada, MATCH Now, and Omega ATS.



ECONOMIC IMPORTANCE OF CAPITAL MARKETS

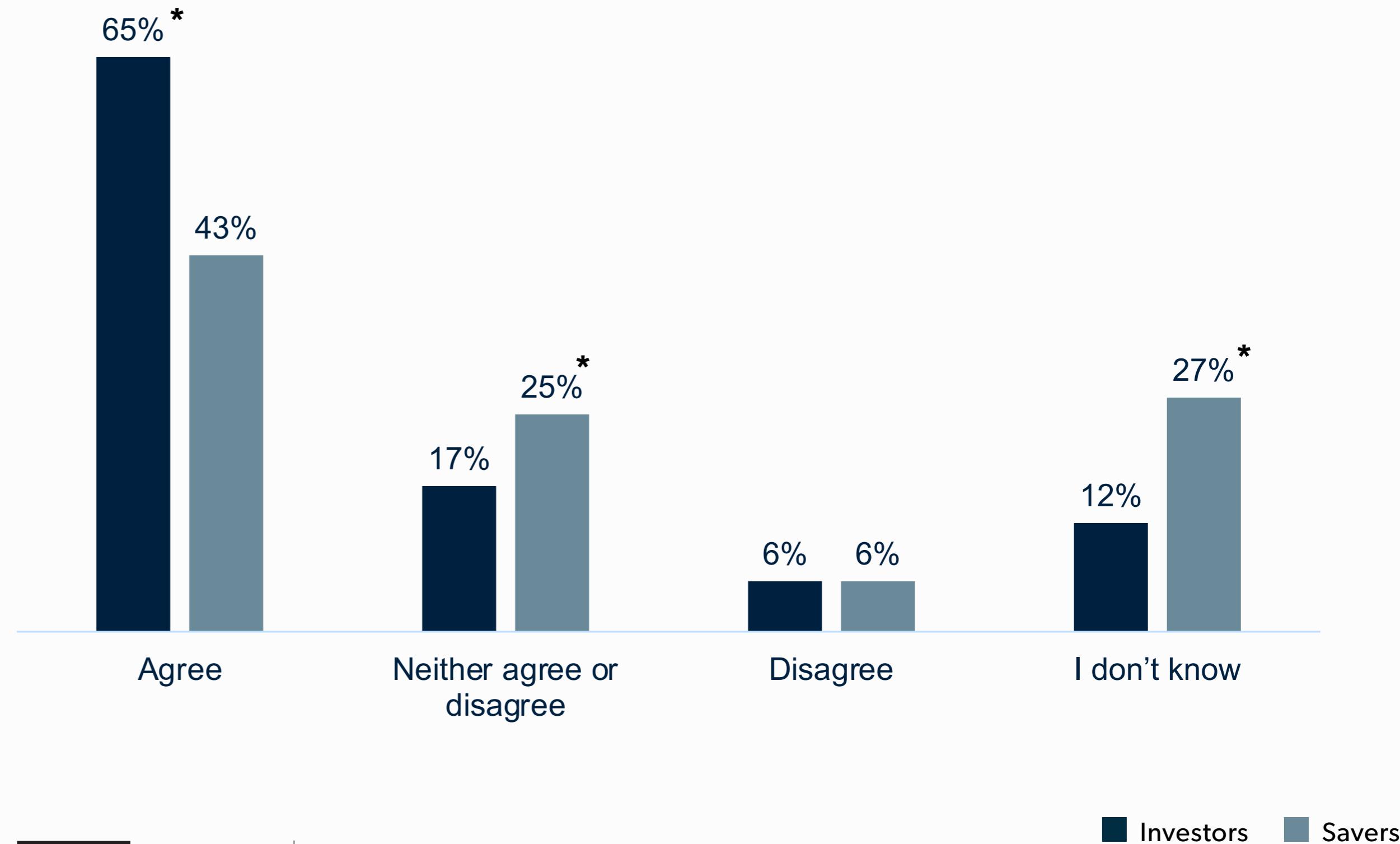
"The stock market plays an important role in supporting the growth of the economy":





ECONOMIC IMPORTANCE OF CAPITAL MARKETS

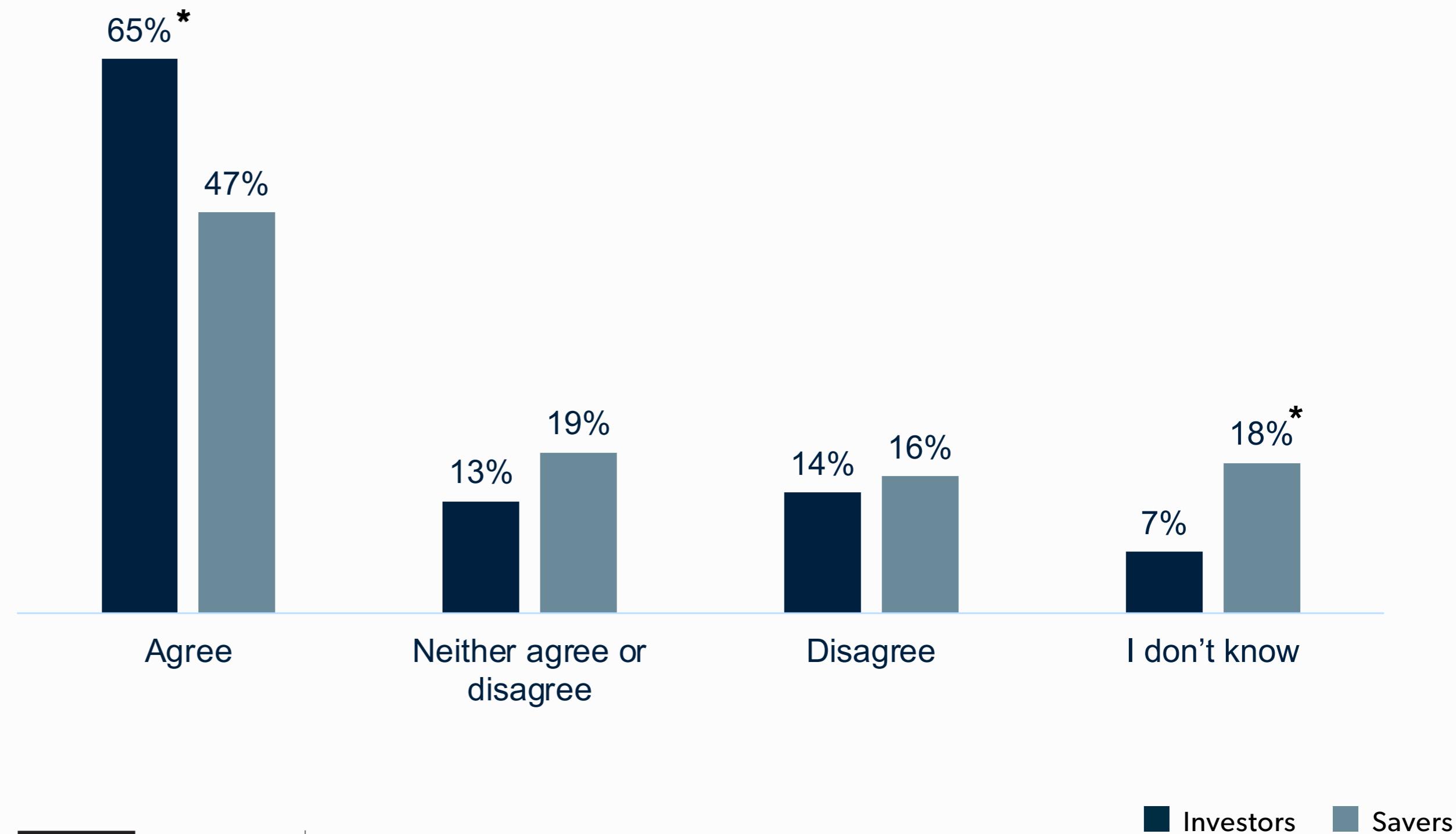
"There are enough good quality investment opportunities in the stock market":





ECONOMIC IMPORTANCE OF CAPITAL MARKETS

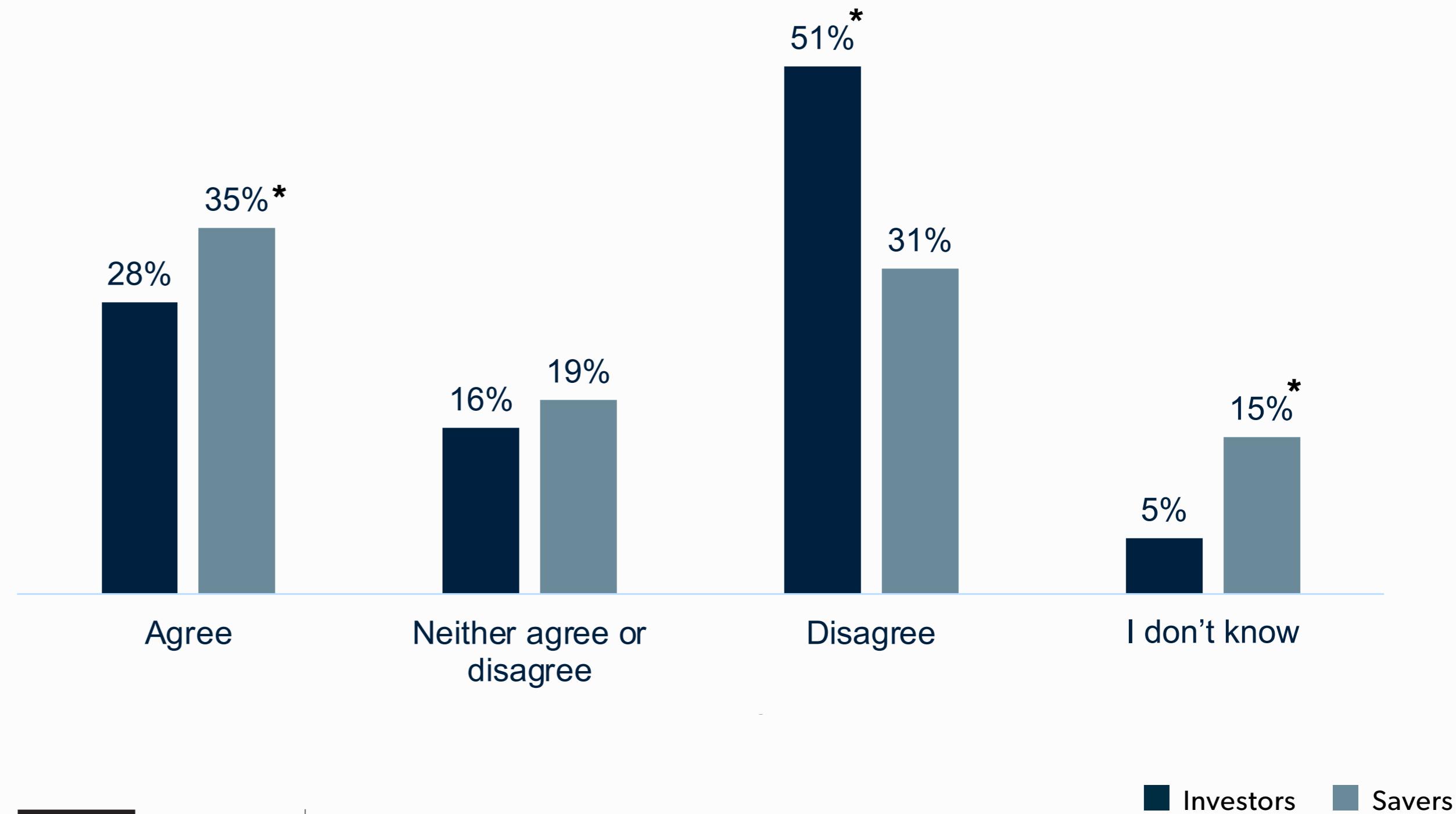
"The stock market is a measuring stick of the health of the economy":





ECONOMIC IMPORTANCE OF CAPITAL MARKETS

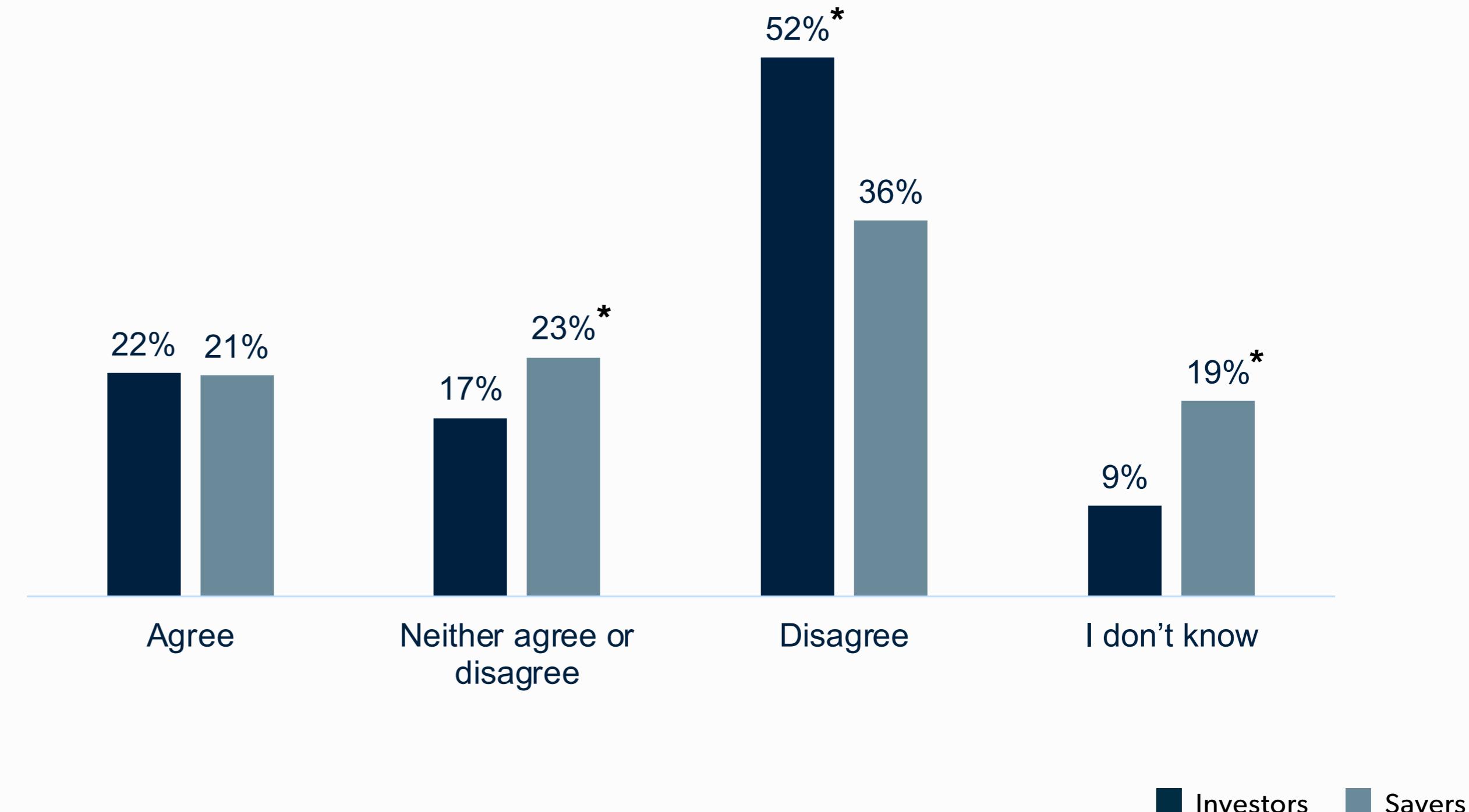
"Losses and gains in the stock market are just a matter of chance":





ECONOMIC IMPORTANCE OF CAPITAL MARKETS

"The stock market has little relevance to real economic activity":



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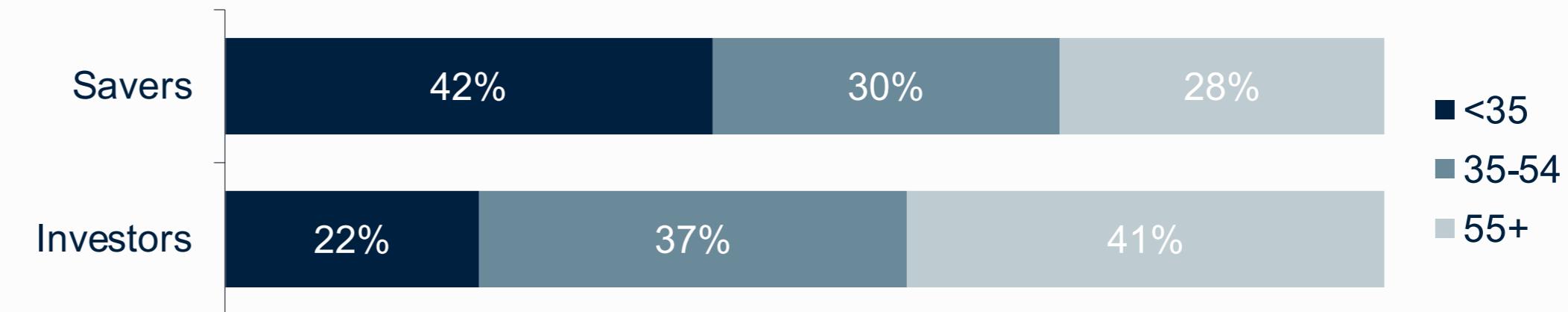
RESPONDENT PROFILE



AGE & GENDER

AGE

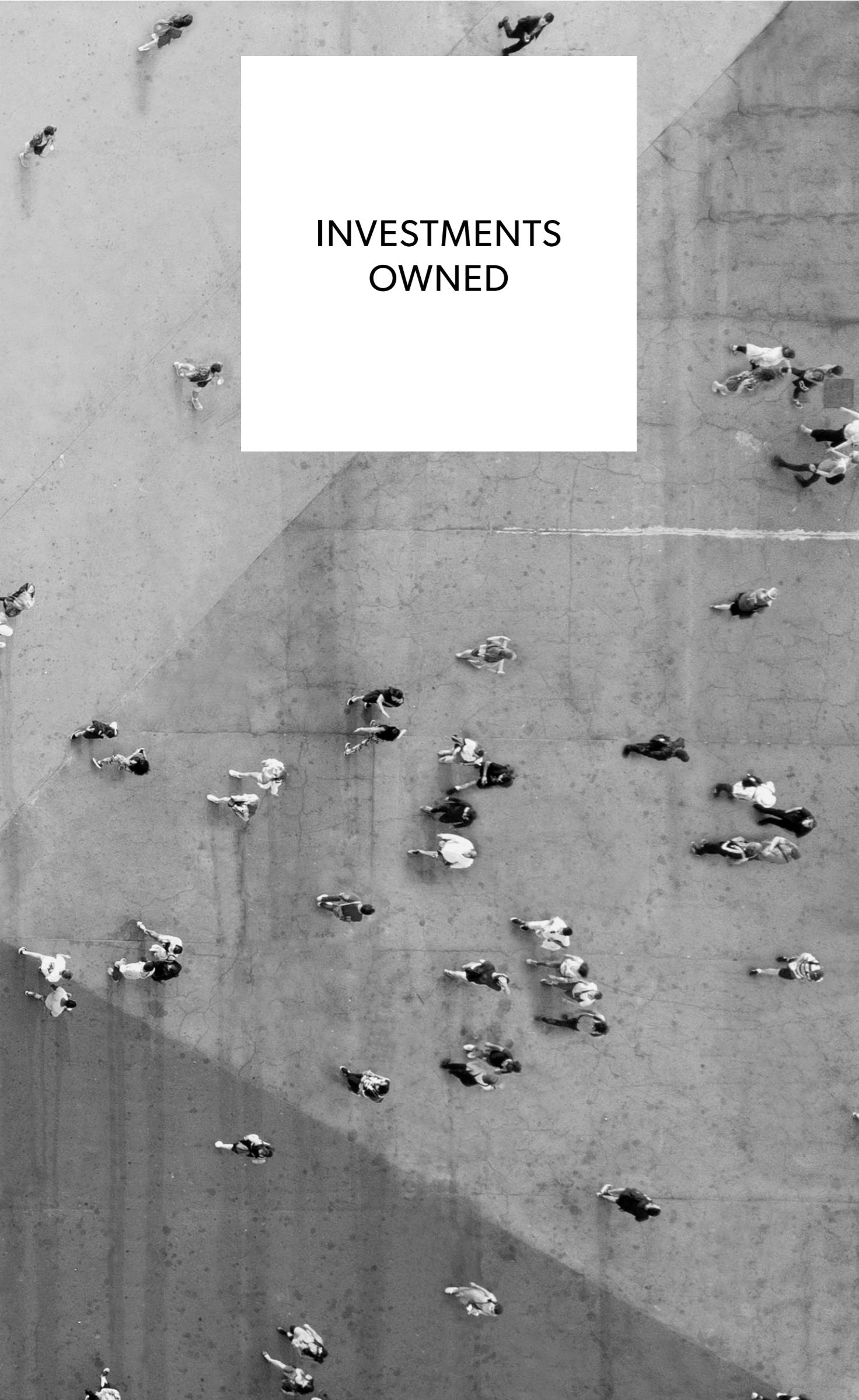
Canadians are more likely to become Investors as they age.



GENDER

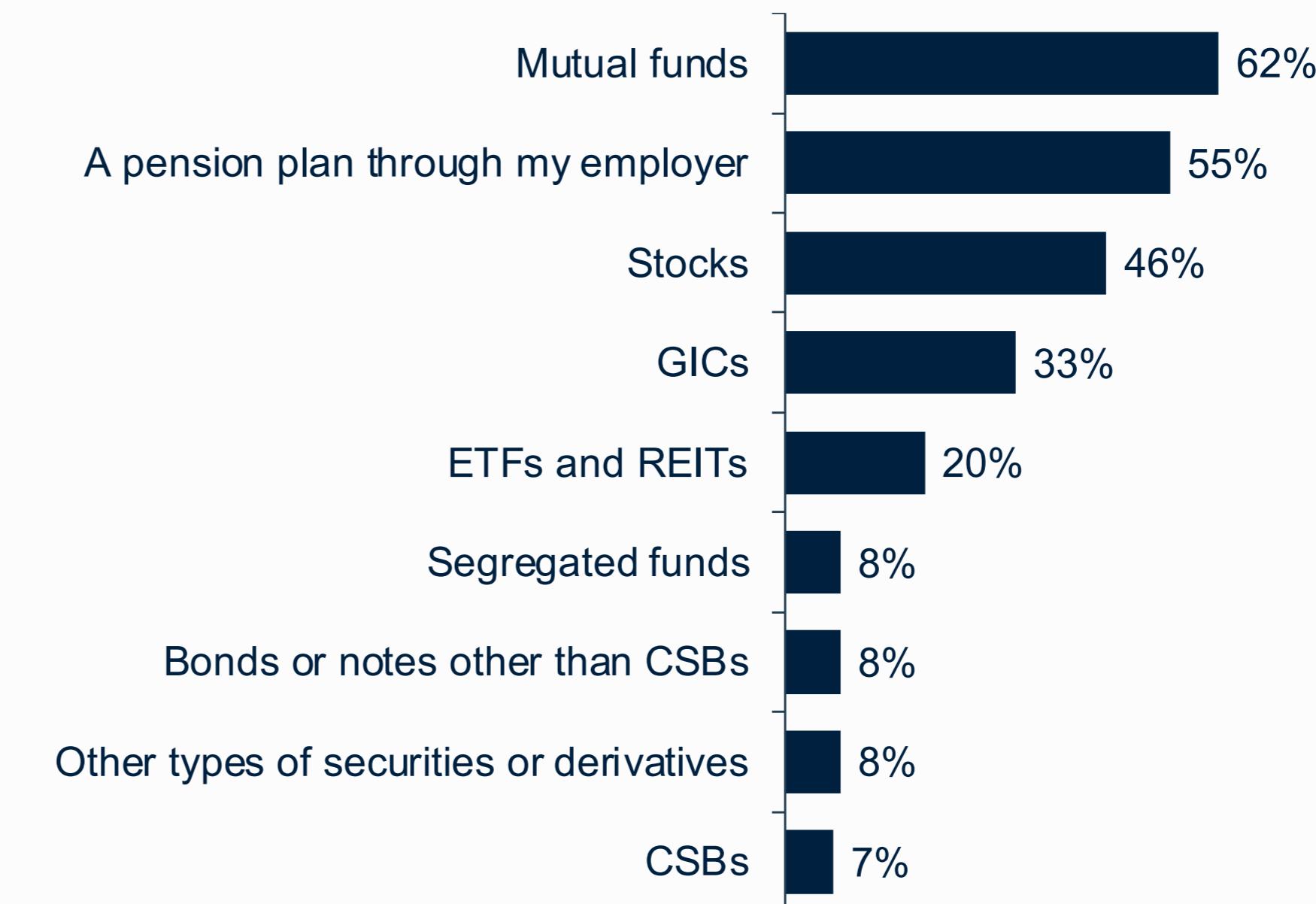
Women are more likely to be Savers.

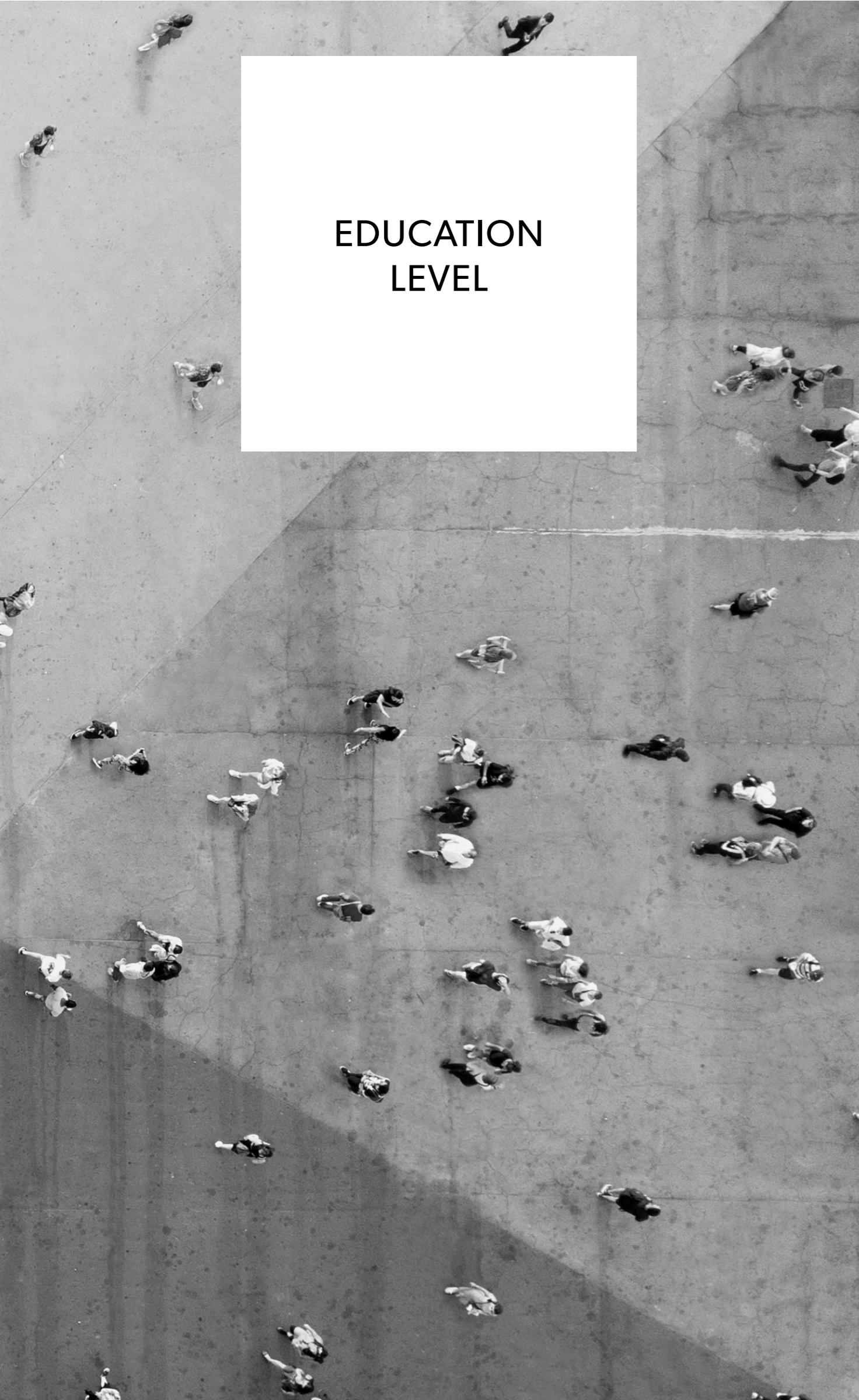




INVESTMENTS OWNED

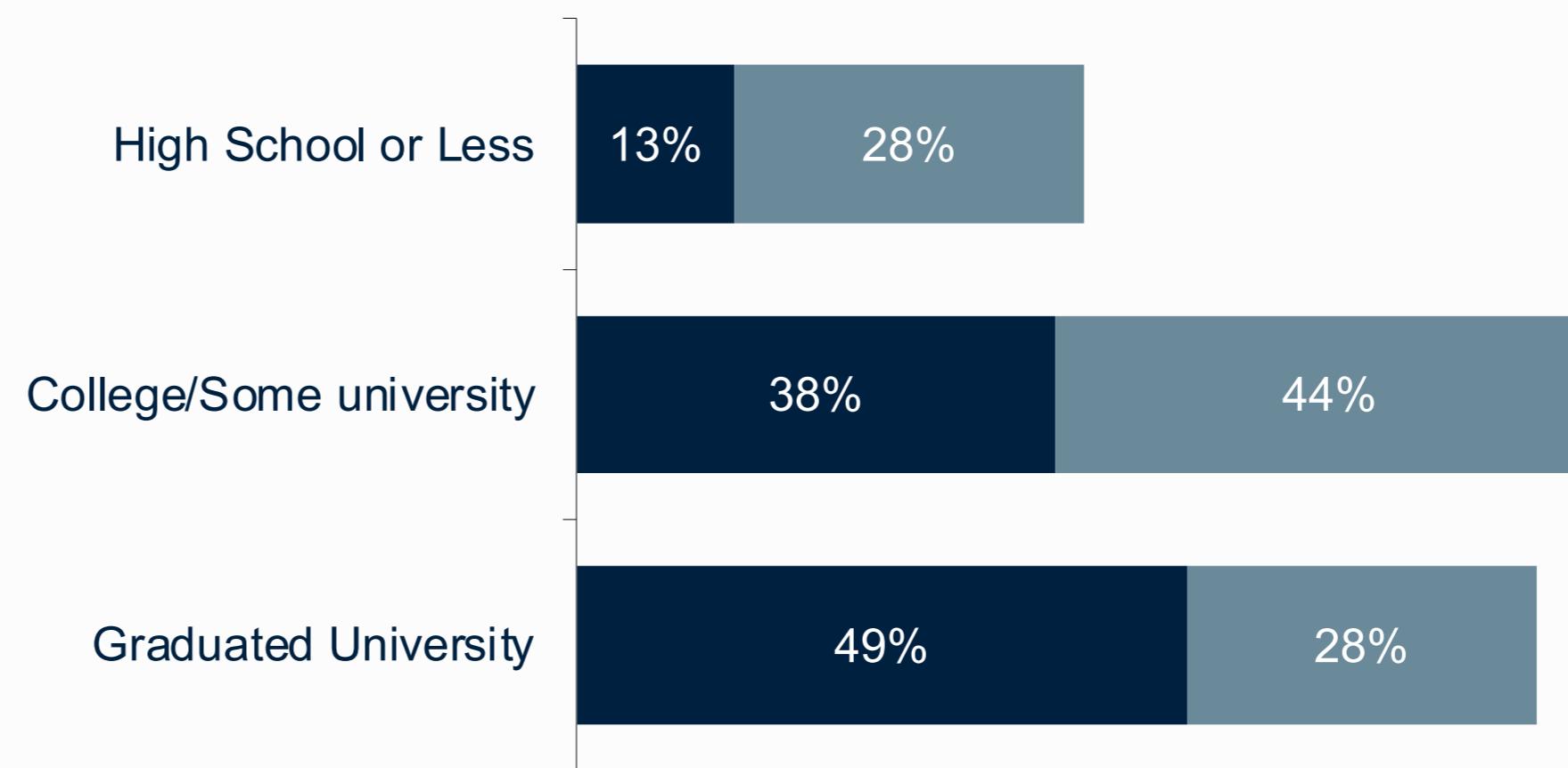
Among Investors, the most commonly held type of investment was mutual funds (62%) followed by having a pension plan through their employer (55%) and then individual stocks (46%):





EDUCATION LEVEL

Investors are more likely to have graduated university than Savers:

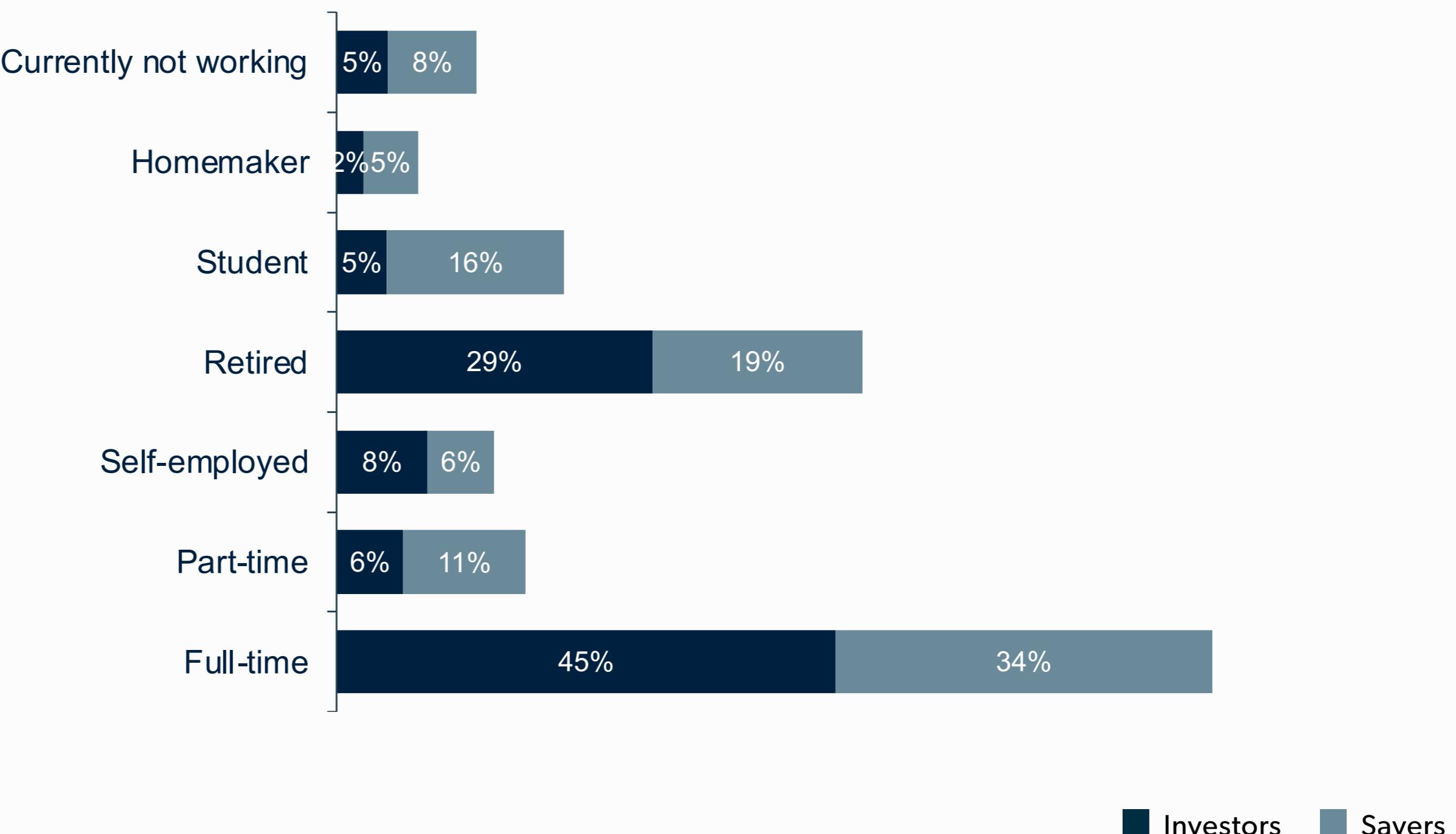


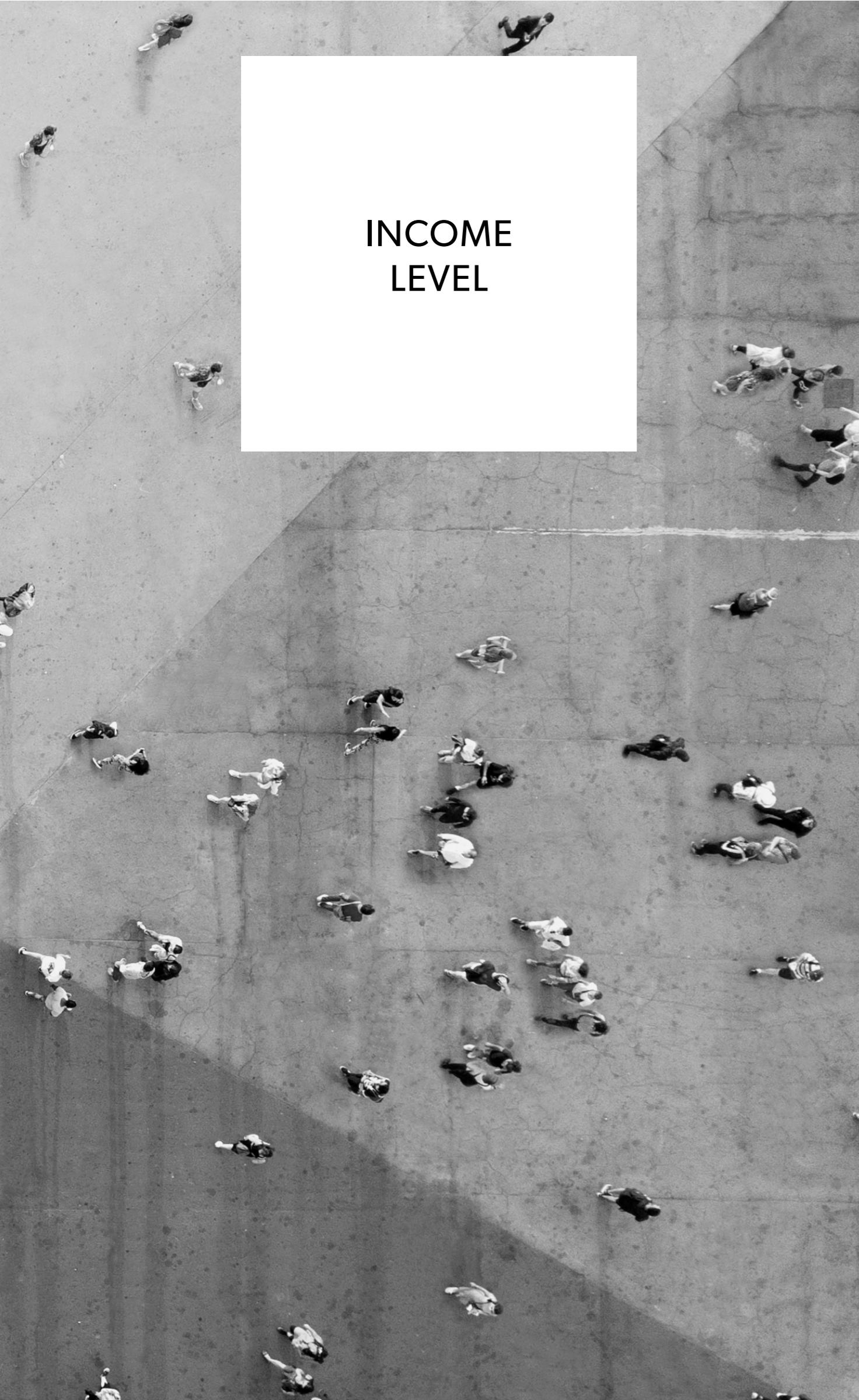
■ Investors ■ Savers



EMPLOYMENT STATUS

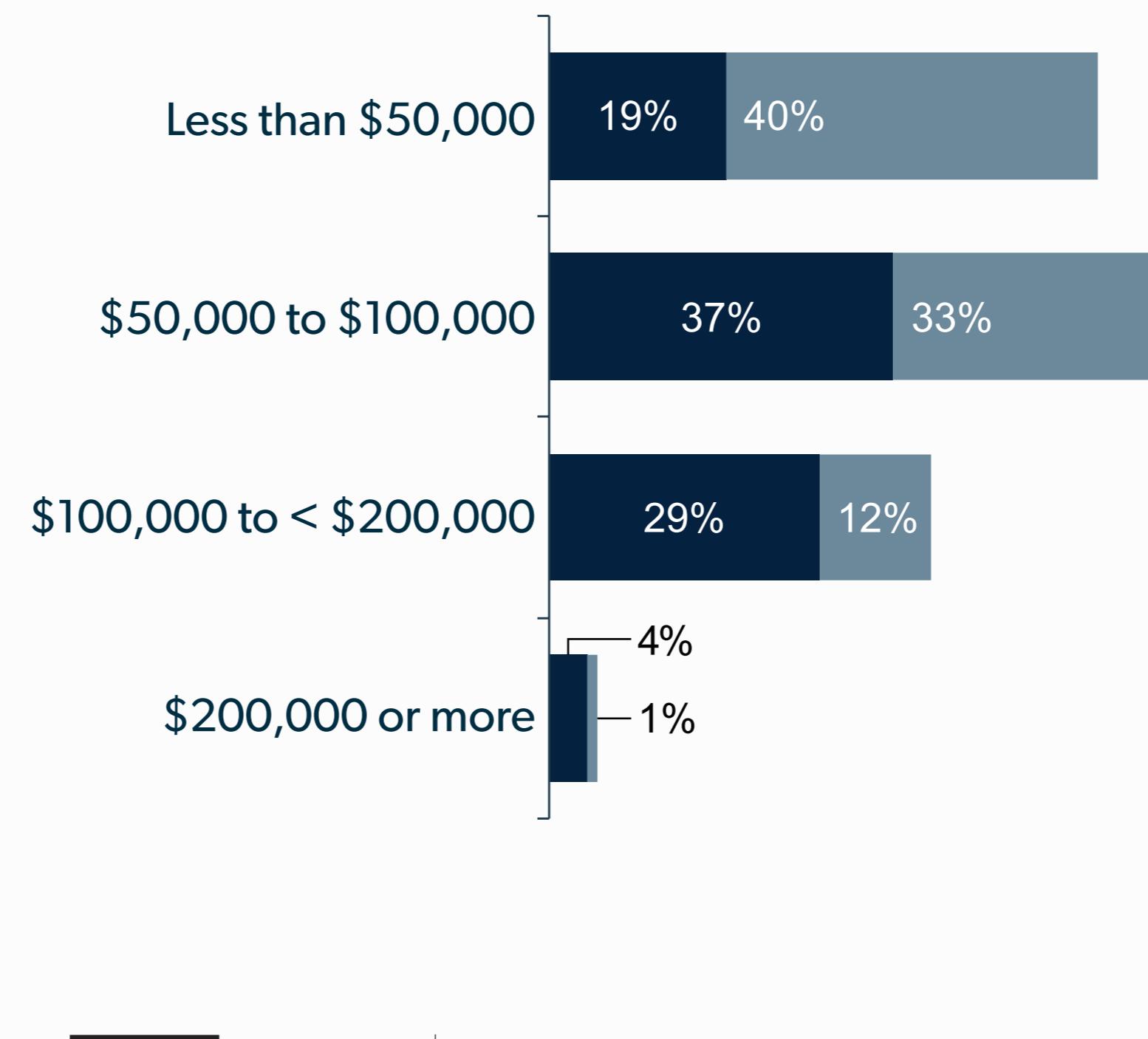
Almost half of Investors are employed full-time, while almost a third (29%) are retired. A third of Savers (34%) are employed full-time, while 19% are retired and 16% are students.

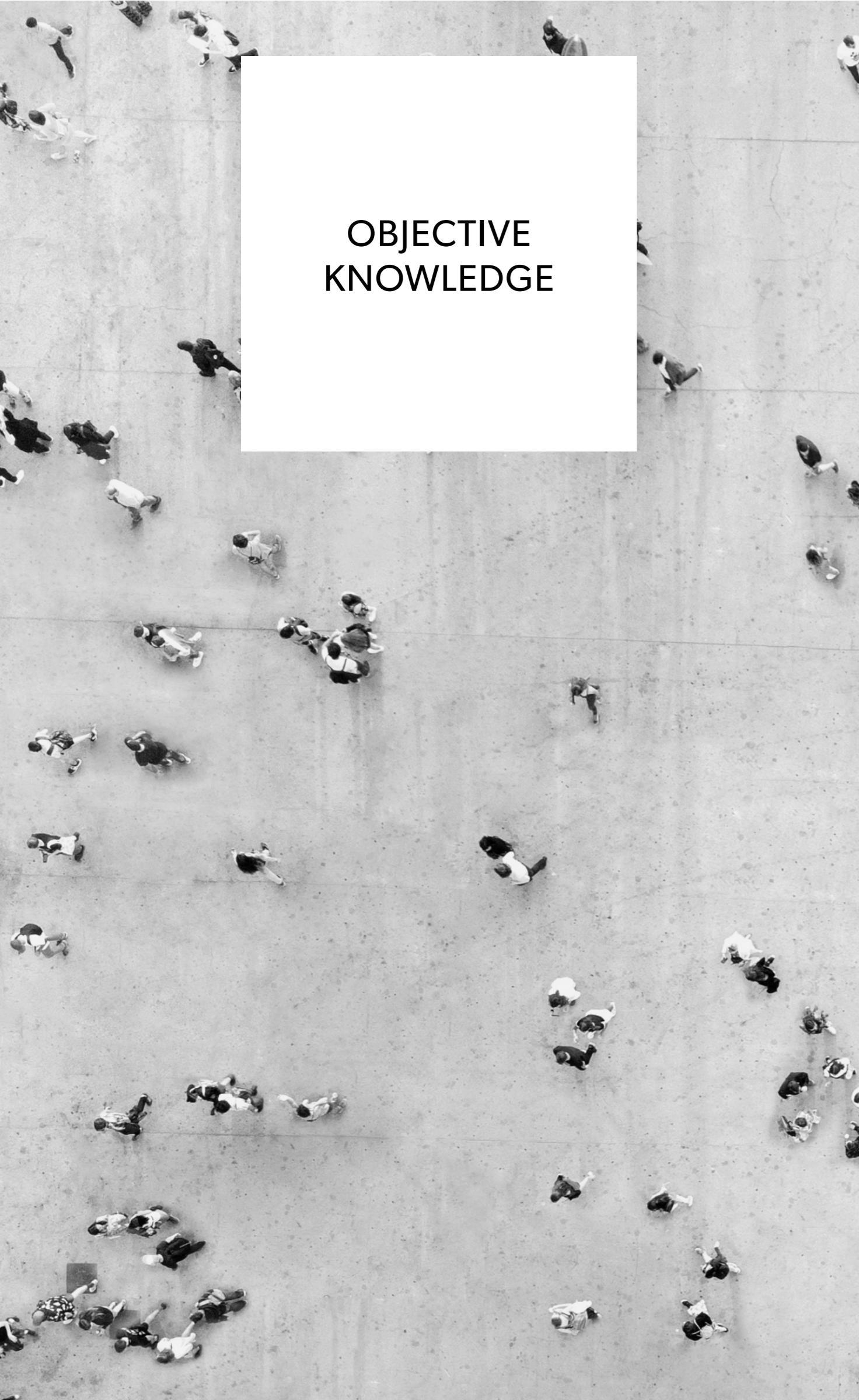




INCOME LEVEL

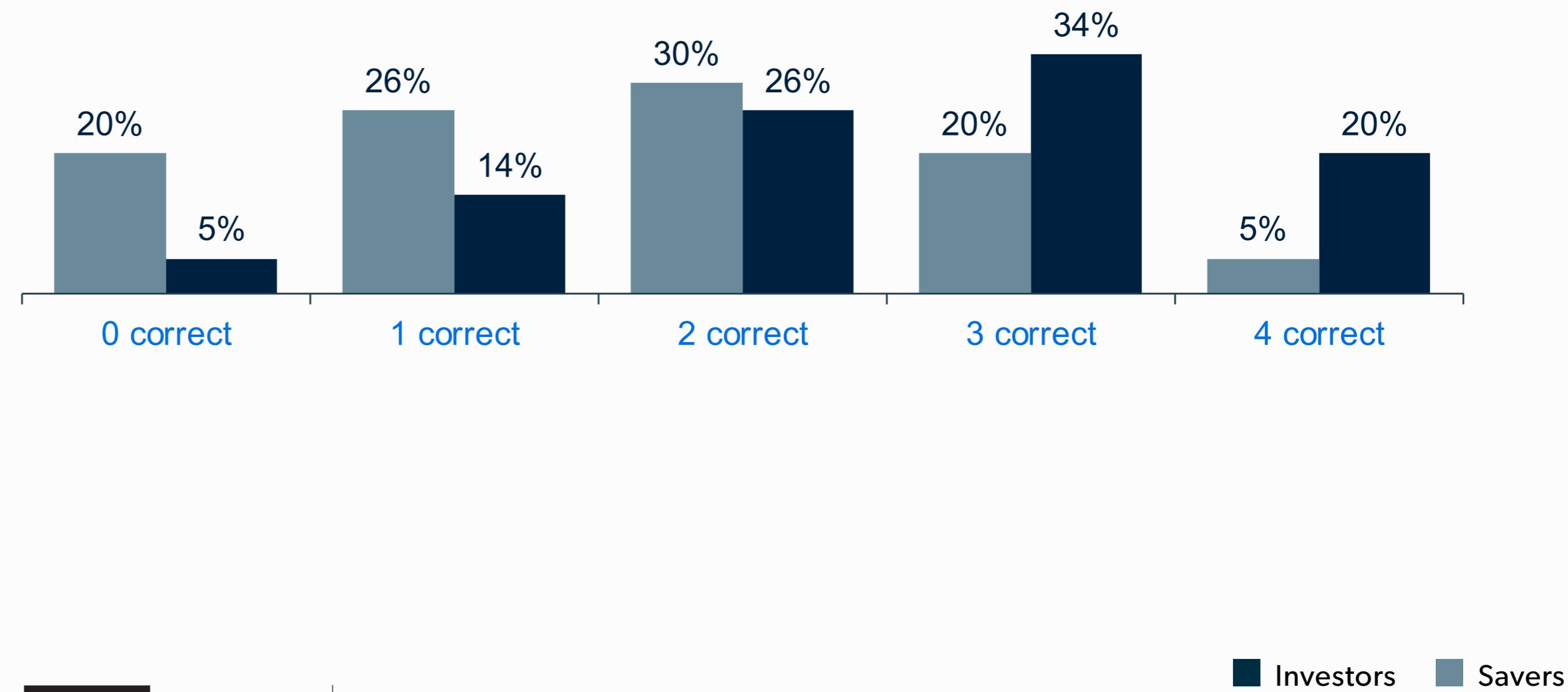
Savers tended to have lower incomes than Investors with 40% making less than \$50,000 per year:

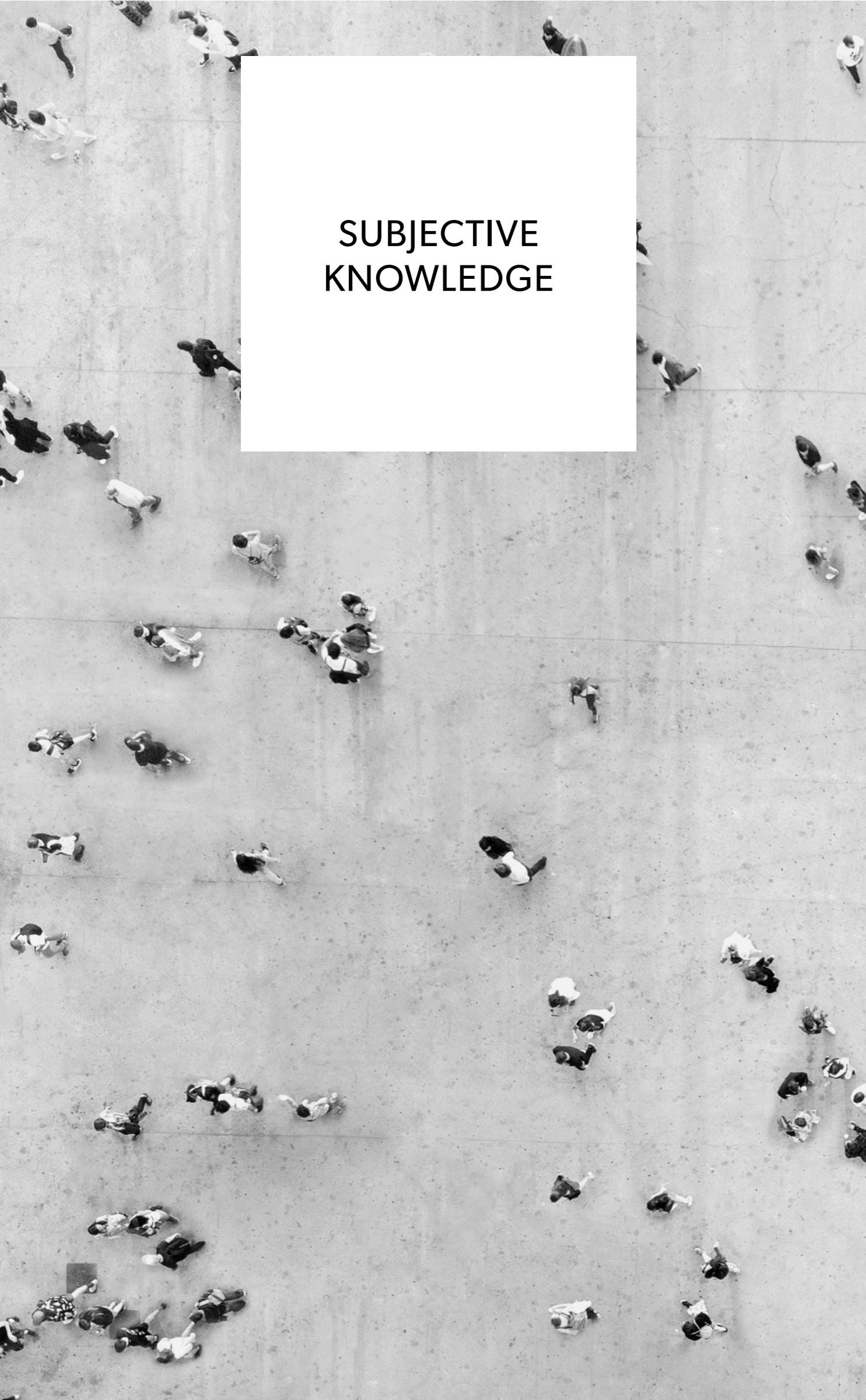




OBJECTIVE KNOWLEDGE

We measured respondent knowledge of investing by asking four test questions that covered investing basics such as diversification, risk, inflation and compounding. Savers tended to have lower knowledge and only 20% of Investors were able to answer all questions correctly.

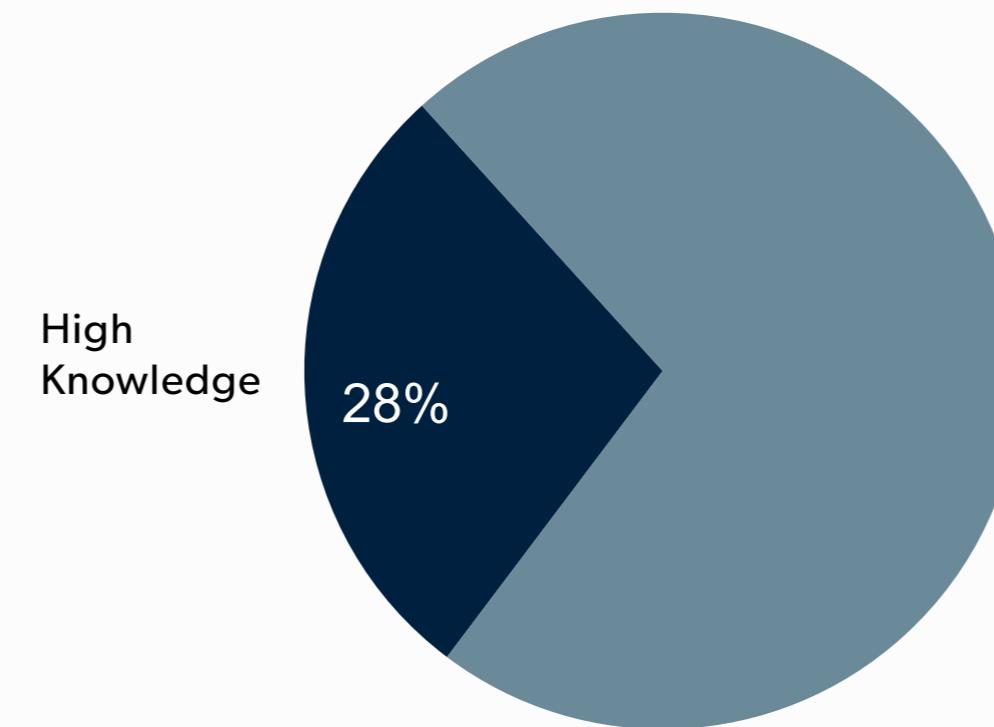




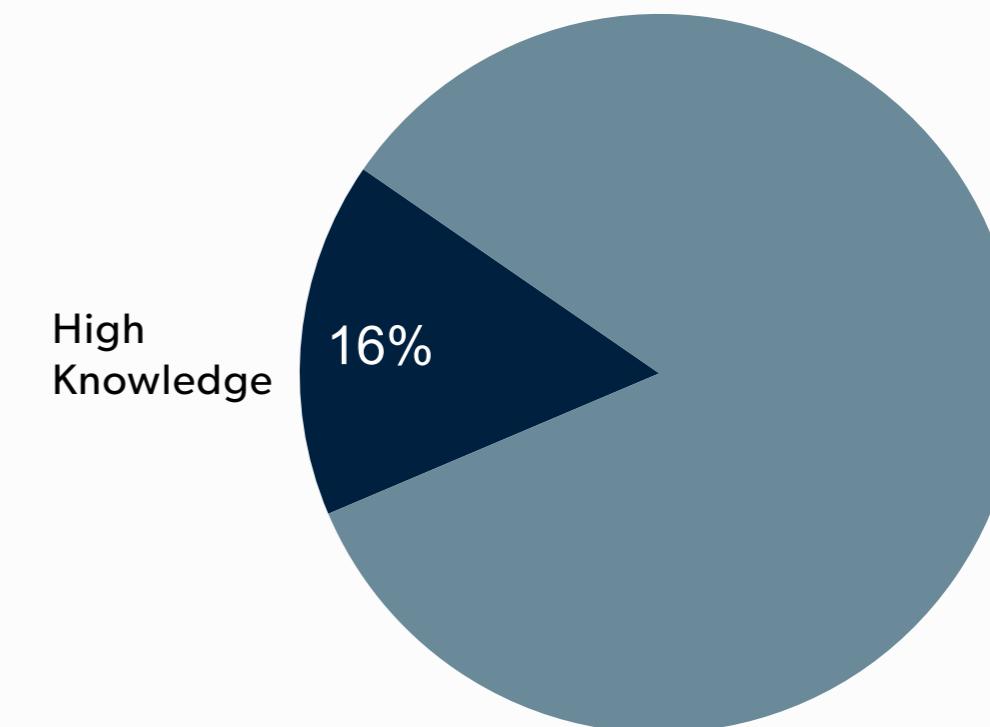
SUBJECTIVE KNOWLEDGE

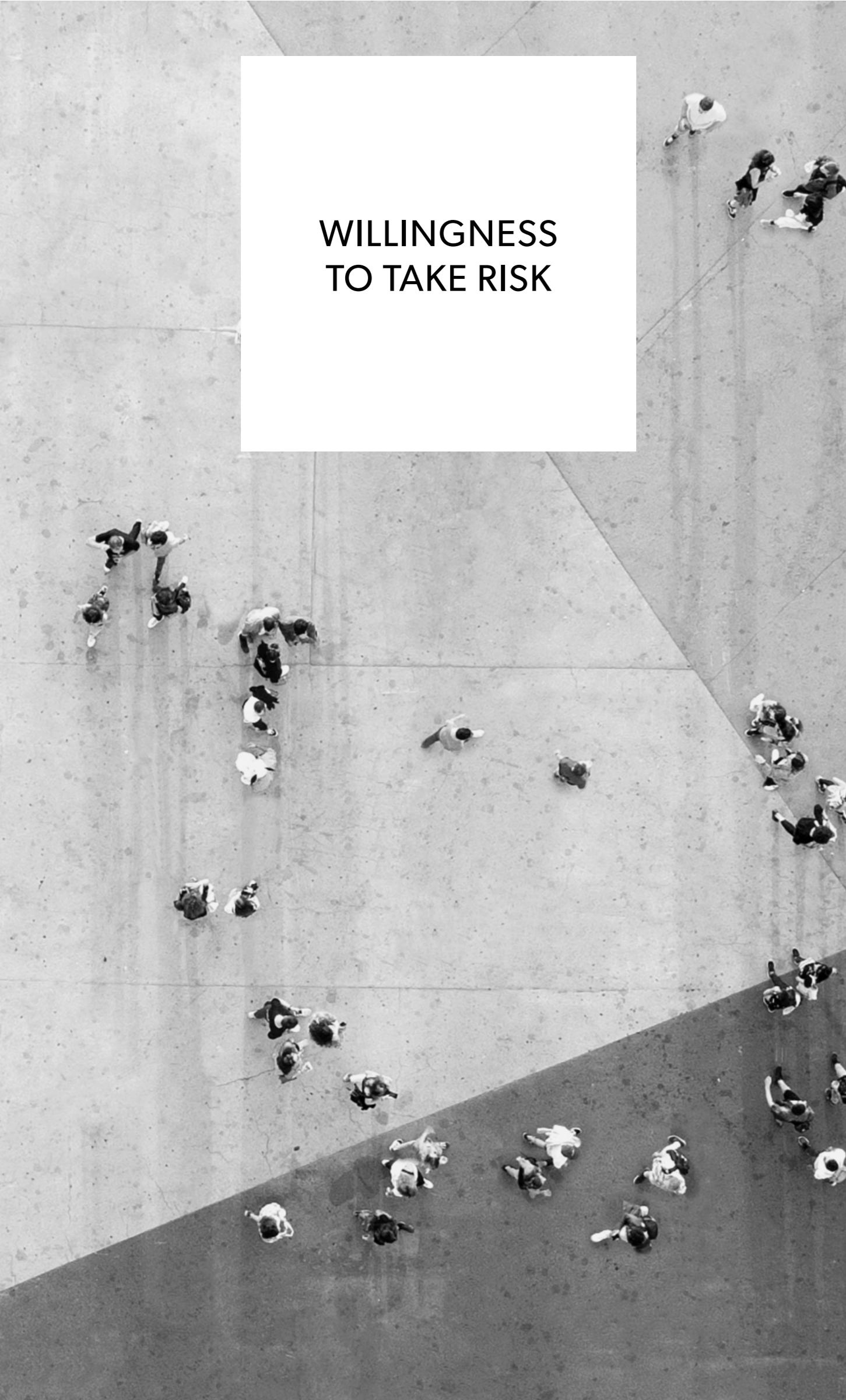
More Investors believe they have high knowledge as compared to Savers.

INVESTORS
SELF-ASSESSED KNOWLEDGE:



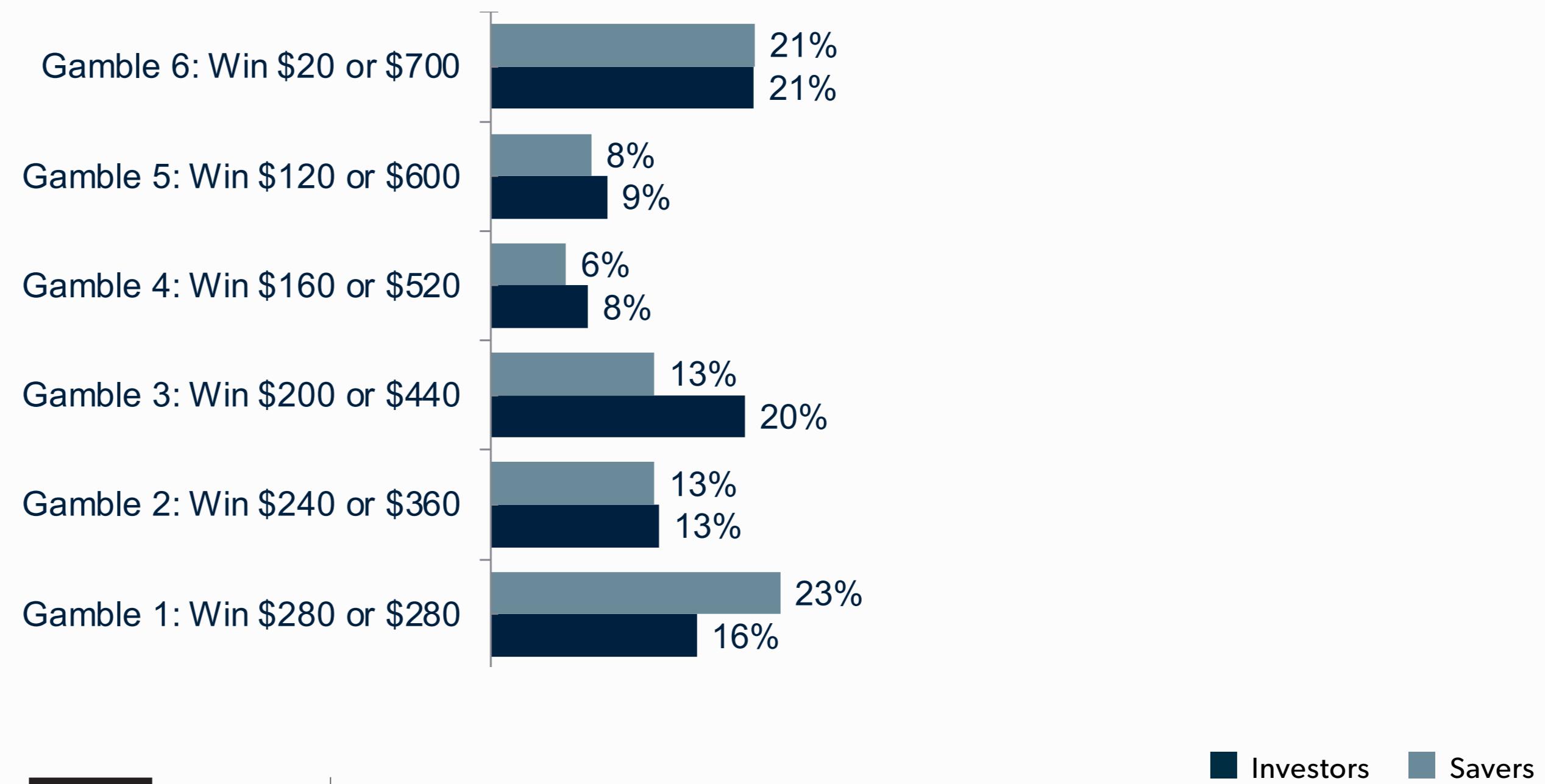
SAVERS
SELF-ASSESSED KNOWLEDGE:





WILLINGNESS TO TAKE RISK

To assess the level of risk that respondents were comfortable with, we offered them a series of gambles to see which they would choose. About one in five Investors and Savers were willing to take riskiest option but Savers were more likely to take the no-risk option.

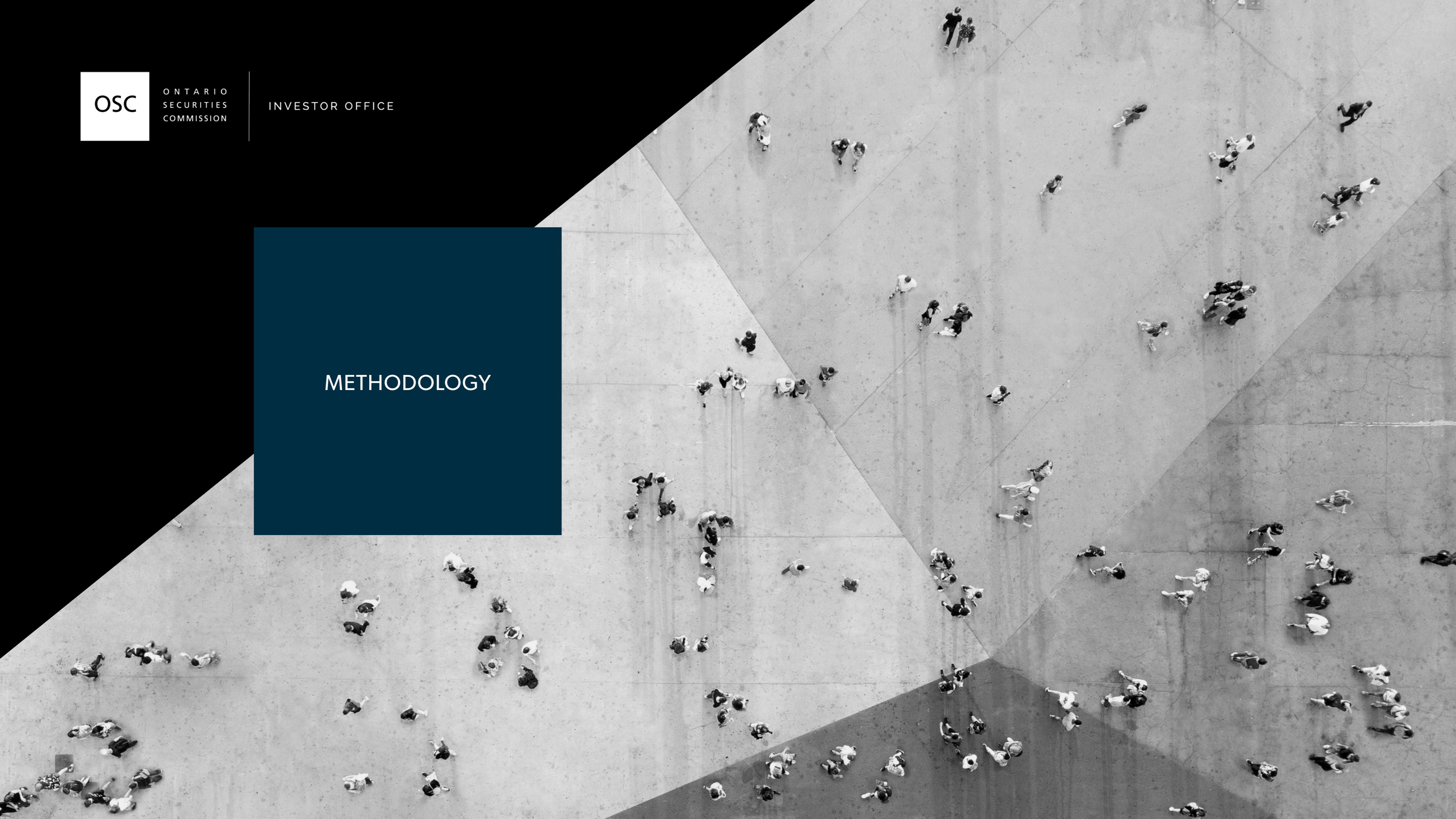


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METHODOLOGY





METHODOLOGY

Research Approach:

This work was undertaken with Leger Marketing Inc. We recruited a sample of over 2000 Canadians to measure their attitudes and beliefs about the capital markets.

Questionnaire Design:

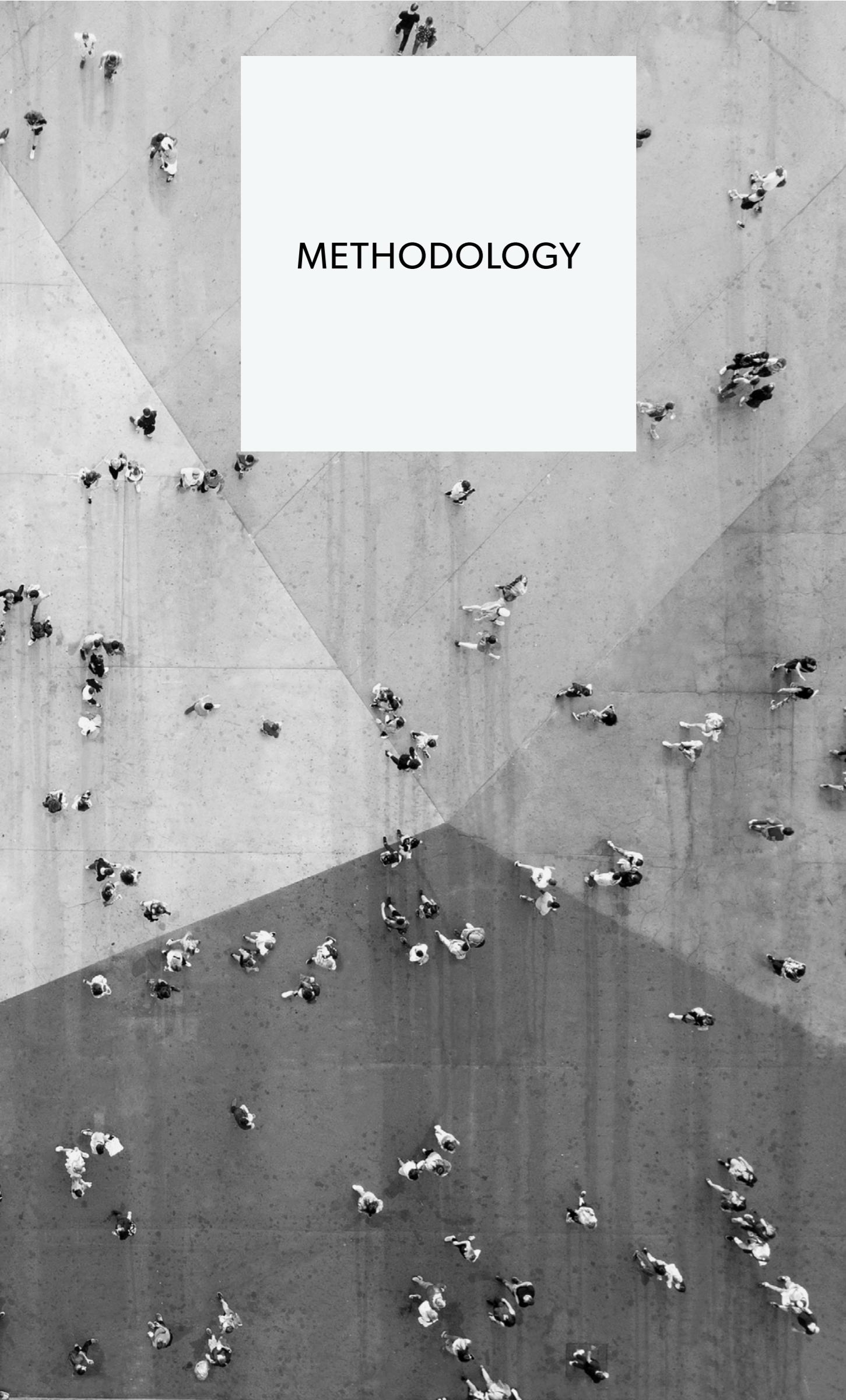
The questionnaire used for this experiment incorporated elements from the stock market image scale developed by Dobni and Racine (2015) and the money attitude scale developed by Keller and Siegrist (2010). Respondents were presented with a series of statements about the capital markets and then asked to indicate the degree to which they agreed or disagreed.

Sample:

The sample consisted of 1000 Canadians who held investment products (Investors) and 1000 respondents who have savings of at least \$5,000 but do not hold investment products (Savers).

Timing:

Fieldwork was conducted between January 17 and February 9, 2021.



METHODOLOGY

LEGER'S METHODOLOGY

To qualify as an Investor, respondents must have had at least one of the following investment products:

| | |
|--|--|
| Individually held stocks | Bonds or notes other than Canada Savings Bonds |
| Exchange-traded units (ETFs and REITs) | Mutual funds |
| Other types of securities or derivatives | |

Non-investors (what we will call Savers) were classified by those who have at least \$5,000 in either:

| | |
|--------------|---|
| Cash savings | Guaranteed Investment Certificates (GICs) or Canada Savings Bonds |
|--------------|---|



METHODOLOGY

The data was weighted using the following steps:

1. All qualified, terminated and incomplete respondents were weighted by a matrix of age, gender, and region.
2. Data was filtered by those who qualified (both completes and incompletes) to see their distribution by age, gender and region.
3. Final weighting based on this distribution was applied to the qualified completed respondents.
4. For comparative purposes, a probability sample of 2005 respondents would have a margin of error of $\pm 2.0\%$, 19 times out of 20.

Quality Control:

Stringent quality assurance measures allow Leger to achieve the high-quality standards set by the company. As a result, its methods of data collection and storage outperform the norms set by WAPOR (The World Association for Public Opinion Research).

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