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National Survey Results Reveal Canadians Overwhelmingly Confident in their Investment Advisor

Two-thirds of clients say they receive high value relative to fees paid

Toronto, January 31, 2013 – Results of a national survey of investors confirm the relationship between Canadian investors and investment advisors is overwhelmingly positive, despite four years of unprecedented market volatility and an extended period of depressed market conditions.

Results of *The Economics of Loyalty*, a survey commissioned by the Investment Industry Association of Canada (IIAC) and conducted by Advisor Impact, were unveiled by Ian Russell, IIAC President and CEO, at a keynote address to the Empire Club of Canada today.

When asked to measure their overall level of satisfaction with their investment advisor on a scale of one to 10, 86 per cent of respondents rate their satisfaction at seven or higher, while 72 per cent rate it at eight or higher.

“The survey results are a positive verdict on the quality of service that advisors in the investment industry provide their clients and the level of trust they inspire,” Russell said.

“Some Canadians will be surprised to learn that investors have so much confidence in their advisors. The conventional wisdom is that people have lost confidence in advisors and in the investment process. Clearly, the opposite is true.”

On the issue of value relative to fees paid, the survey results are again good news for the industry. Almost two-thirds of clients (63 per cent) say they receive high or very high value relative to fees paid. Further, Canadian investors recognize that an advisor’s value to them goes beyond investment returns. More than three out of four investors (78 per cent) agree that their primary advisor adds value above and beyond market performance.

“One of the primary reasons the IIAC decided to partner with Advisor Impact on this study was to determine whether there is any truth to the common perception that Canadian investors lack confidence in their advisors,” explained Russell.

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“The facts are that we have seen a perfect storm, composed of market turbulence, low returns, and a few high-profile scandals. But no one has taken the time and expense to drill down, and get a clear read on investors’ views of their advisors. What we found is that most Canadian investors are not only pleased with their advisors, but understand the high value, relative to fees paid, that investment advisors are bringing to the table.”

The survey points out that as advisors deepen their relationships with their clients through interactive dialogue and family-wide financial planning, the client is a more active participant in the marketplace, contributing to a stronger savings-investment process that leads to improved growth and job creation.

“The study not only measures investor sentiment and the quality of the client experience, but helps advisors to understand and focus on the drivers of client engagement, be that multi-generational planning or asking clients for their input on the level of service provided, adds Julie Littlechild, CEO of Advisor Impact. “The support for the research across dealers and advisors demonstrates a real commitment to continuous improvement.”

Despite the good news, there is one negative result that stands out. The results show a high level of trust in their advisors, but only 32 per cent of Canadian investors trust the investment industry as a whole.

“That was one of the relatively few discordant notes in the survey,” Russell said. “It is also puzzling. After all, if five out of every six investors trust their advisor, and three out of every four investors trust the firm their advisor works for, it is puzzling that only one in three trust the industry as a whole.

“When it comes to assessing their own advisor and their own advisor’s firm, investors base their opinion on personal experience. But when they are asked to rate the industry as a whole, they fall back on the only reference points they have – the media, Internet, and other sources of second-hand information. So not surprisingly, that gives them a negative impression.”

The *Economics of Loyalty* examines input from 1,018 investors across Canada, gathered between September and October 2012. The sample includes investors who work with a financial advisor, make or contribute to the financial decisions in their household and meet specific household asset criteria. Advisor Impact has been studying the *Economics of Loyalty* in the client-advisor relationship for many years, in several countries. The firm initiated the *Economics of Loyalty* study in the United States in 2008, and replicated it there in 2010 and 2012. They conducted it in both Canada and the U.K. in 2011 and 2012.

A copy of Ian Russell’s speech and Advisor Impact’s report, *Economics of Loyalty: Summary of Results*, are available at iiac.ca.

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The IIAC – Leadership for Canada’s Investment Industry

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 171 IIROC-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets.

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