

Public Opinion Research ▶▶

National Investment Fraud Vulnerability Report



National Investment Fraud Vulnerability Report

These materials are intended for use as general information to understand investment fraud vulnerability in Canada. They are not intended to provide specific investment, tax, legal, or accounting advice and should not be relied on for that purpose.

The conclusions drawn and opinions stated are those of the publisher. The data is current as of January 2012.

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About this Study

The **British Columbia Securities Commission** (BCSC) engaged **Innovative Research Group Inc.** to benchmark fraud vulnerability among Canadians aged 50+ (“older Canadians”).

Previous research tells us that anyone can fall victim to investment fraud. Much of it comes down to trust – the way in which fraudsters get to their victims. Young or old, rich or poor, financially literate or not, the power of trust transcends all barriers when it comes to the likelihood of falling victim to investment fraud.

This study looks past trust and sets out to determine who is most vulnerable to fraudulent investment offers and what triggers would motivate someone to invest in one. A key goal of the study is to assess Canadians’ understanding of the relationship between risk and return. Having unrealistic expectations of market returns and not understanding the relationship between risk and reward may lead people to make the costly mistake of falling into investment fraud.

Fraud awareness means having the knowledge and mindset that enable one to spot scams and avoid them. Avoiding scams involves resisting the lure of “too-good-to-be-true” investments that do not correspond to the basic principle of risk-and-return and, instead, making informed and sound financial decisions.

A key component of the BCSC’s mandate is to protect and promote the public interest by fostering a securities market that is fair and warrants public confidence. Having a better understanding of Canadians’ vulnerability to investment fraud helps the BCSC provide more targeted and effective investor protection programs.

Key Highlights

The *National Investment Fraud Vulnerability Report* reveals that those older Canadians who have unrealistic expectations about market returns, who do not understand the relationship between risk and reward, who expose themselves to risky sales situations, and who have a lack of basic investment knowledge are more likely to fall victim to a fraudulent investment offer. Fear of running out of money in retirement drives vulnerability to investment fraud even further.

Testing vulnerability: This study tested how older Canadians would react to a clearly fraudulent investment offer. Survey respondents were asked: *If a friend or a colleague approached you with an investment opportunity that guaranteed a 14–25% monthly return and no risk, how would you react?* The survey found that nearly 1-in-5 (19%) demonstrated signs of vulnerability by saying they would look into the fraudulent investment opportunity. Those most vulnerable to this fraudulent offer generally tended to be on the younger end of the sample (50 to 64 years of age) and pre-retired.

Why would individuals be interested in a fraudulent investment offer? The BCSC wanted to understand why this clearly fraudulent offer appealed to the nearly 1-in-5 Canadians who would look into it further. The most commonly cited reasons were the desire to make money (28%) and that the investment seemed worth investigating (27%). Other reasons included good rate of return, lack of risk, and recommendation by a friend.

What's driving vulnerability to fraudulent investment offers?

Using advanced statistical analysis, the following characteristics, behaviours, and attitudes help explain some of the reasons why certain Canadians are more vulnerable than others:

- 1. Understanding the trade-off between risk and return:** Individuals who don't understand the fundamental relationship between investment risk and return are more vulnerable to fraudulent offers. The higher an investment's rate of return, the greater the associated risk. This is a basic investment principle that 43% of older Canadians don't understand. The study shows that pre-retiree Canadians in their 50s are more vulnerable than older Canadians. This suggests that there is a higher likelihood of making irrational investment decisions in the 10 to 15 years before retirement.
- 2. Older Canadians most concerned about rates of return:** One-in-five (21%) with savings cited "low rates of return" as their primary concern as an investor. Their next greatest concern was the economy (10%), capital preservation (9%), market volatility (9%), and retirement income (8%). When combined with other vulnerability factors identified in the survey, these worries can cloud investors' judgment, making it much harder to recognize fraudulent investment offers.
- 3. Unrealistic expectations of market returns:** Individuals are more vulnerable to fraudulent investment offers if they have an unrealistic expectation of the current market rate of return. Only 25% of older Canadians have a realistic expectation of current returns (that is, annual returns of less than 4%^{*}). Over a third (35%) of those surveyed have unrealistic expectations of current market return, while 40% have no idea. Not knowing what to expect from the market makes one more vulnerable to someone who promises unrealistic returns, especially when the offer comes -with the promise of low or no risk.

^{*} The 5-year average nominal return on money market assets, all Canadians bonds, and the TSX Composite between 2007 and 2011 was 4.1%. However, in 2011 the average nominal rate of return was 0.6% (source: BCSC). For the purposes of this study, a "reasonable" market rate of return today was considered as anything less than 4%.

What's driving vulnerability to fraudulent investment offers?

- 4. Exposure to risky sales situations:** The survey reveals that more than half (53%) of older Canadians regularly involve themselves in risky sales situations. Unfortunately, those who do so are more vulnerable to fraudulent offers than those who stay away. Risky sales situations include attending sales presentations, listening to entire sales pitches when someone tries to sell you something over the phone, giving away personal information in exchange for free promotional materials seen advertised, and reading unsolicited emails or other forms of social media.
- 5. Saving for the future:** Individuals with little or no savings are more likely to be vulnerable to a fraudulent investment offer. A troubling finding in the survey is that 30% of older Canadians currently have no savings set aside for the future. This puts them most at risk of losing what little money they have to scams.
- 6. Poor investment advice:** The survey finds that 1-in-5 (20%) older Canadians regularly consult with friends and family about an investment and those who do are more vulnerable to fraudulent offers. This suggests that individuals aren't taking responsibility for their own due diligence when it comes to investment decisions, instead relying on people who potentially aren't qualified to give investment advice when they should seek advice from a registered investment advisor, or other qualified professional.
- 7. The financial fear factor:** Finally, the study reveals that the fear of running out of money in retirement is a strong indicator that one could be vulnerable to a fraudulent offer. Nearly half (49%) of older Canadians say they are afraid of running out of money during their retirement. Another 42% say they find it difficult to make ends meet and this proportion is significantly higher among those who are vulnerable to fraud.

Other Findings

Past Experience with Fraud: This study also looked at past experience with fraud by asking older Canadians if they had ever been victimized. Nearly 1-in-5 (17%) of respondents believe they have been a victim of investment fraud at some point in their lives. Regionally, BC and Alberta residents are most likely to believe they have been victims of fraud at least once in their life. This is particularly true of males (24%) and active investors (29%).

BC Focus: One-in-seven (14%) British Columbians say that they have been victims of fraud one time, while almost one-in-ten (8%) say they have been victims of fraud multiple times. On average, BC residents are more likely to have been victims of fraud once (14% vs. 10%) and are about -as likely as Canadians in other provinces to have been victims of fraud multiple times (8% vs. 6%).

Regional Experience with Fraud:

	BC	Alberta	Prairies	Ontario	Quebec	Atlantic	National
Yes	23%	23%	17%	19%	8%	15%	17%
Yes (once)	14%	12%	13%	11%	6%	8%	10%
Yes (more than once)	8%	11%	5%	8%	2%	7%	6%
No	72%	74%	79%	77%	87%	83%	79%
Don't know	5%	3%	3%	4%	5%	3%	4%

Characteristics of Those Most Susceptible to Fraudulent Offers: The study also looked at other common characteristics of those who are most vulnerable to investment fraud. It found that those Canadians who are easily persuaded through risky sales situations, do not take steps to protect themselves before making an investment, and who have lower levels of investment knowledge are more vulnerable than others to investment fraud offers.

Methodology and Approach

Methodology and Approach

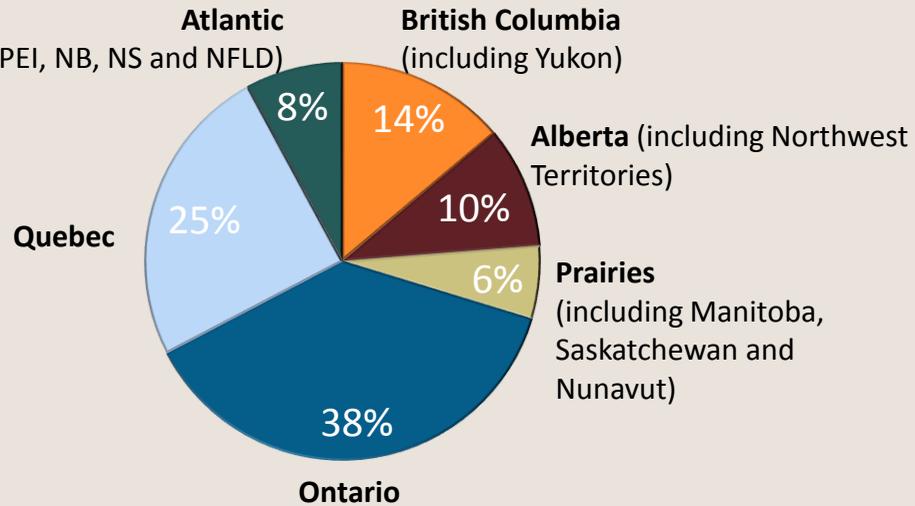
The *National Investment Fraud Vulnerability Report* was conducted by Innovative Research Group Inc. (INNOVATIVE) using a mixed methodology that combined a random digit dialing telephone survey with an in-depth online survey.

- The online survey consisted of a representative sample of 2,461 Canadians aged 50+. This survey was used to develop a profile of older investors and their vulnerabilities to scams.
- The online survey was conducted using INNOVATIVE's national research panel, Canada 20/20™ between January 11th and 23rd, 2012 in both French and English.
- The Canada 20/20 Panel is recruited from a wide variety of sources to reflect the age, gender, region and language characteristics of the country as a whole. Each survey is administered to a series of randomly selected samples from the panel and weighted to ensure that the overall sample's composition reflects that of the actual target population according to Census data to provide results that are intended to approximate a probability sample. INNOVATIVE provides each panellist with a unique URL via an email invitation so that only invited panel members are able to complete the survey. Panel members can only complete a particular survey once.
- Prior to fielding the online survey, the questionnaire was pre-tested among Francophone and Anglophone panelists. Testers were given instructions to complete the survey independently, and then complete the survey once again with an interviewer. With the interviewer, testers went through the survey question-by-question, providing feedback on comprehensiveness, completeness, and whether the questions were ordered logically.
- The online sample has been weighted by age, gender, and region using the latest available Statistics Canada Census data to reflect the actual demographic composition of Canadians 50+.
- The online sample was also weighted by the results of a January 2012 national telephone survey of 1,000 Canadians, 50 years of age or older, which provided the incidence rates for particular investment behaviours.
- A probability sample of this size would have an estimated margin of error of +/-2.0 percentage points, 19 times out of 20. The estimated margin of error will be larger within each sub-grouping of the sample.

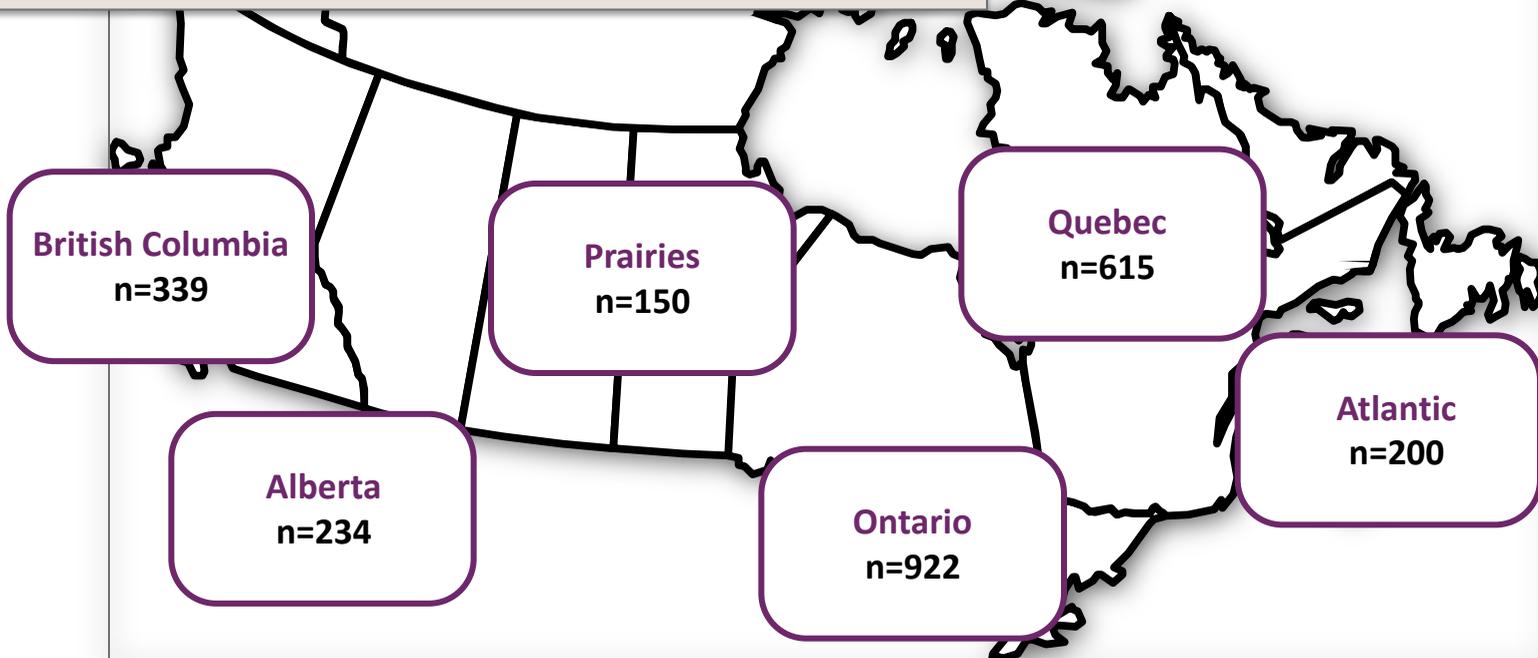
Note: *Graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers.*

Regional Segmentation

Sample Distribution of Canadians 50+:

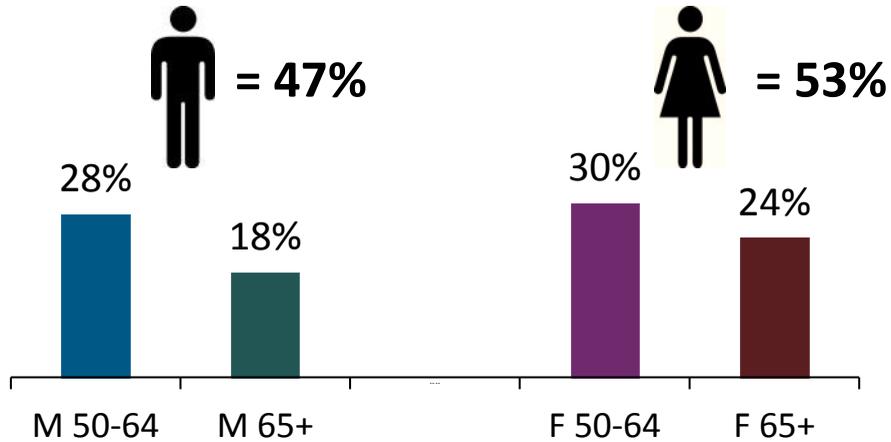


National
n = 2,461

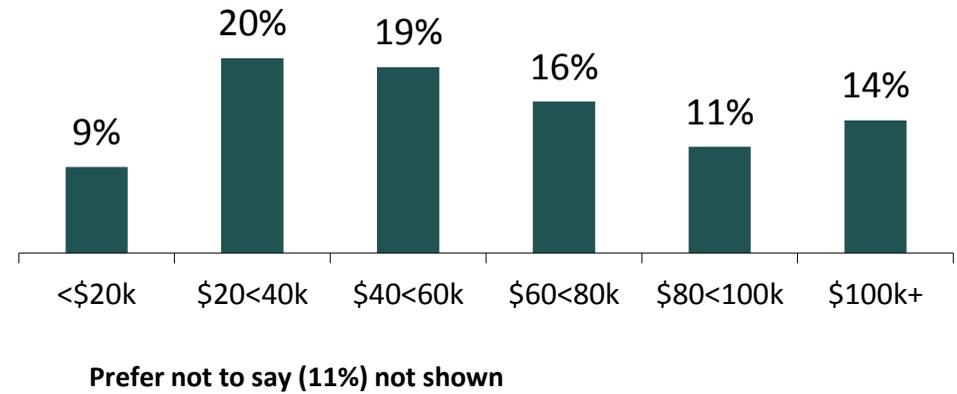


Demographic Segmentation

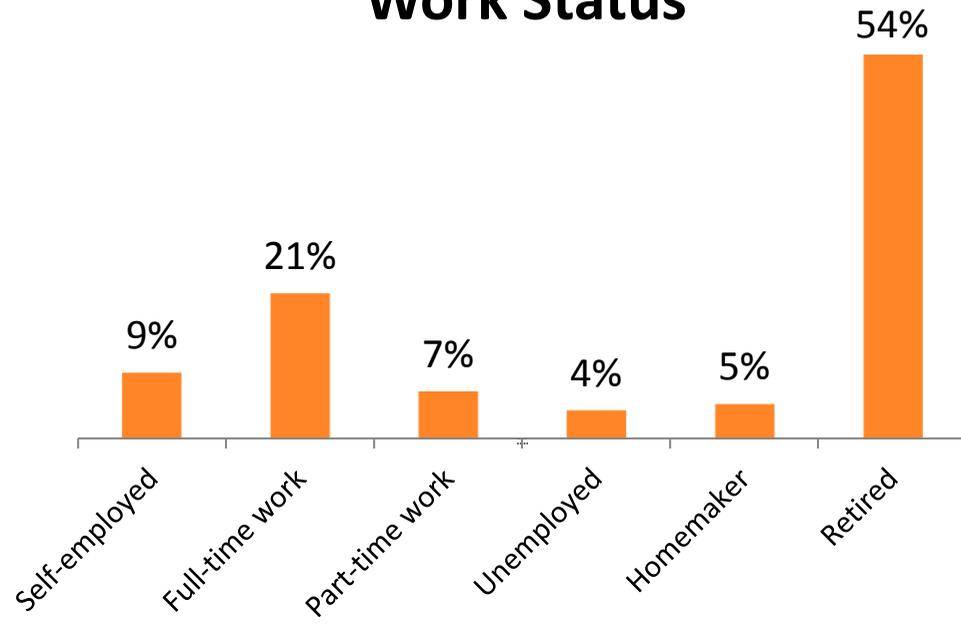
Age-Gender



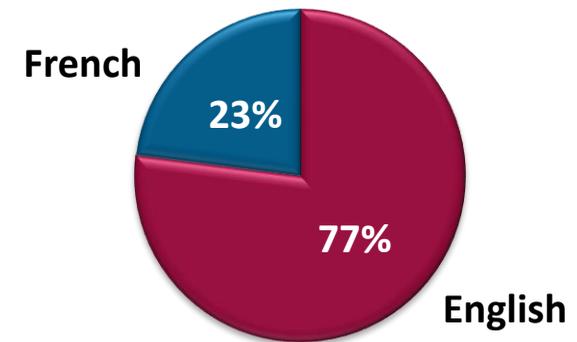
Household Income



Work Status

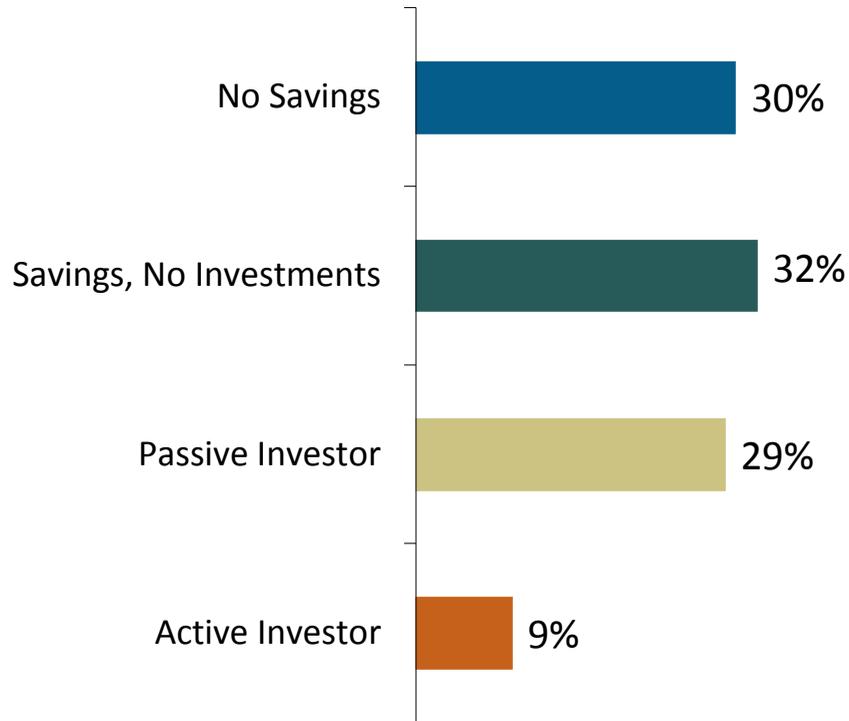


Mother Language



Financial Segmentation

30% of Canadians 50+ have no savings set aside for their retirement.



No Savings: those who currently do not have any savings or investments set aside for the future.

Savings, Non-investor: those who have savings, but do not own stocks, bonds, or mutual funds outside a company pension plan.

Passive Investors: those who own stocks, bonds, and/or mutual funds, but adjust their investment portfolios no more than once or twice a year.

Active Investors: those who own stocks, bonds, and/or mutual funds AND adjust their investment portfolios at least once a quarter.

Throughout the *National Investment Fraud Vulnerability Report*, these four segments will be referenced to better understand how Canadians with various investment behaviours differ from one another.

Vulnerability to Investment Fraud

Vulnerability: 19% of respondents would look into an investment opportunity that is clearly fraudulent

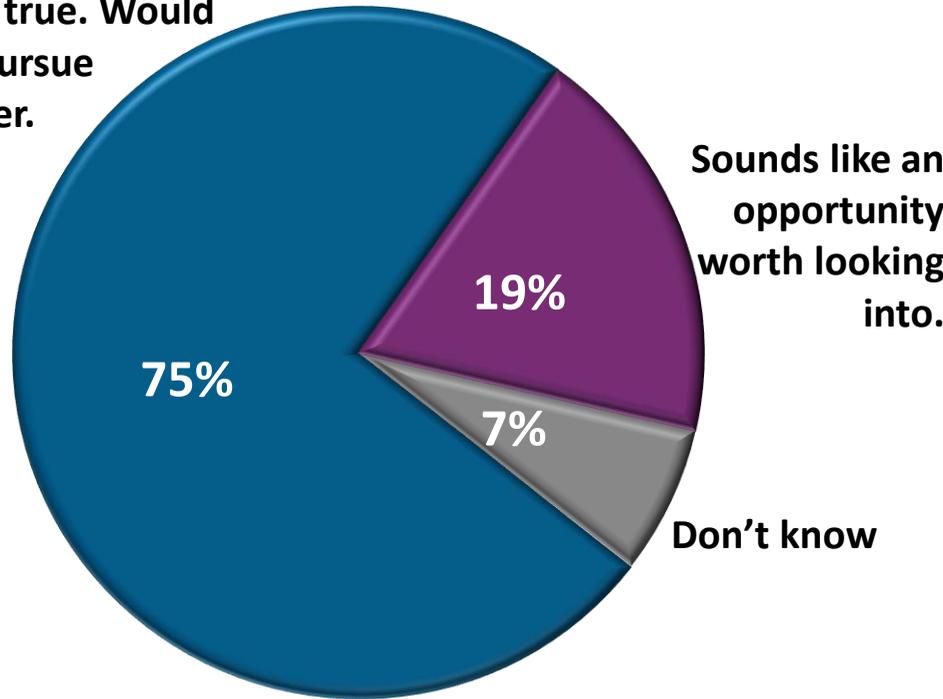


If a friend or a colleague approached you with an investment opportunity that guarantees 14 – 25% monthly and no risk, how do you think you would react?
 (asked of all 2,461 respondents)

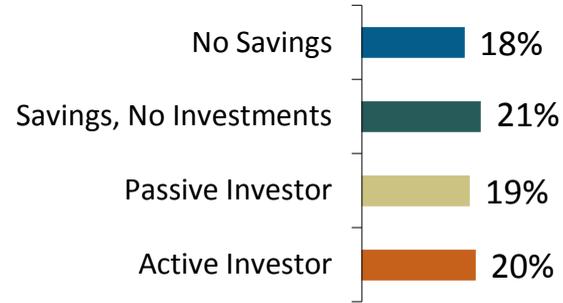
Segmentation

(those who say such an “opportunity is worth looking into”)

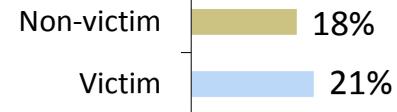
Sounds too good to be true. Would not pursue further.



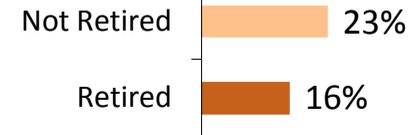
Financial Segments



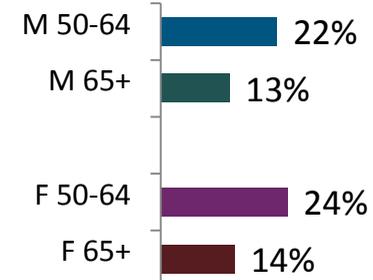
Past Experience with Investment Fraud



Work Status



Age-Gender



18%

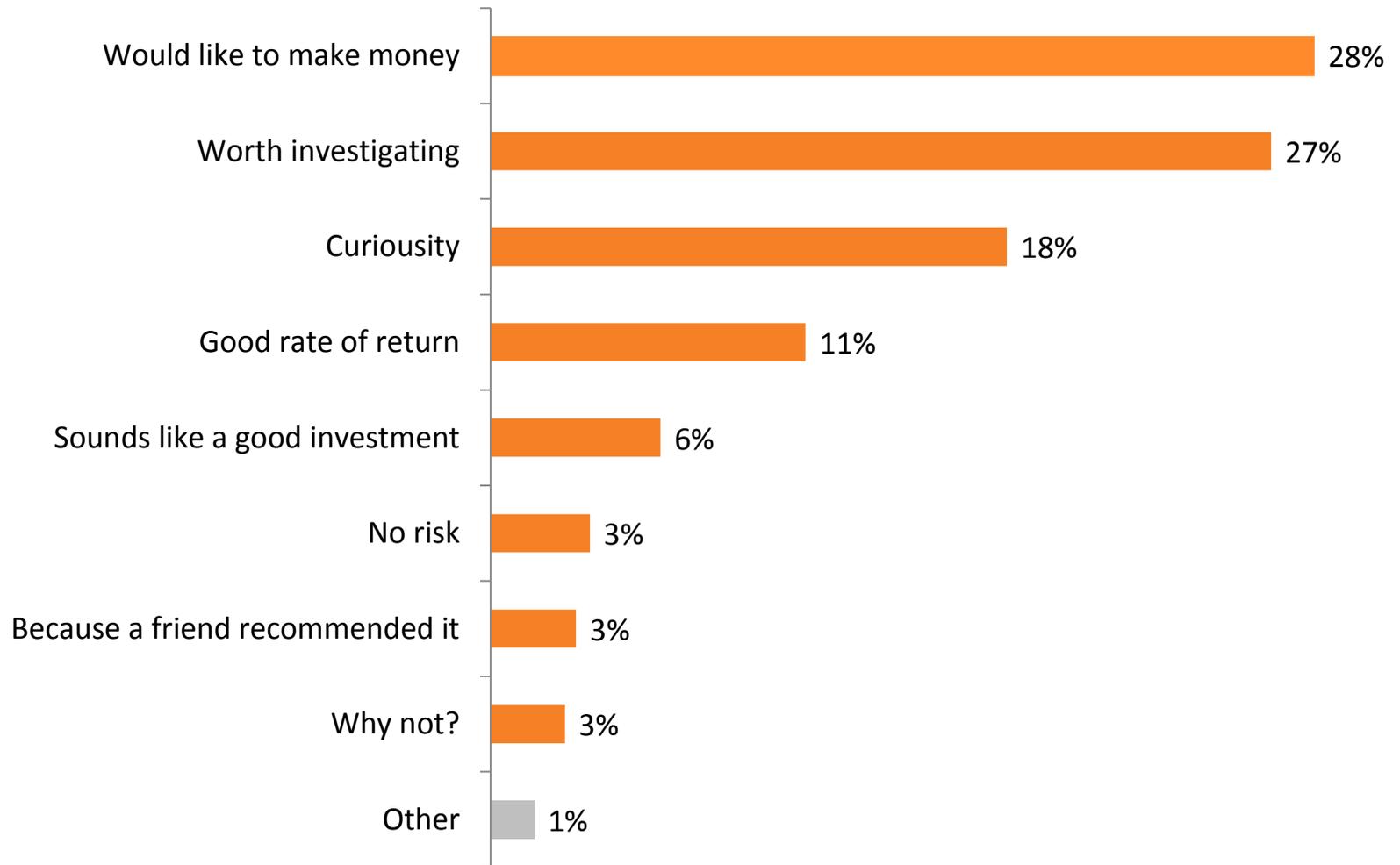
20%

Appeal of Fraudulent Offer: most commonly cited reasons were desire to make money and seemed worth investigating



And why are you interested in finding out more about this opportunity?

(asked only of those who are interested in finding out more about the investment opportunity: n=467)



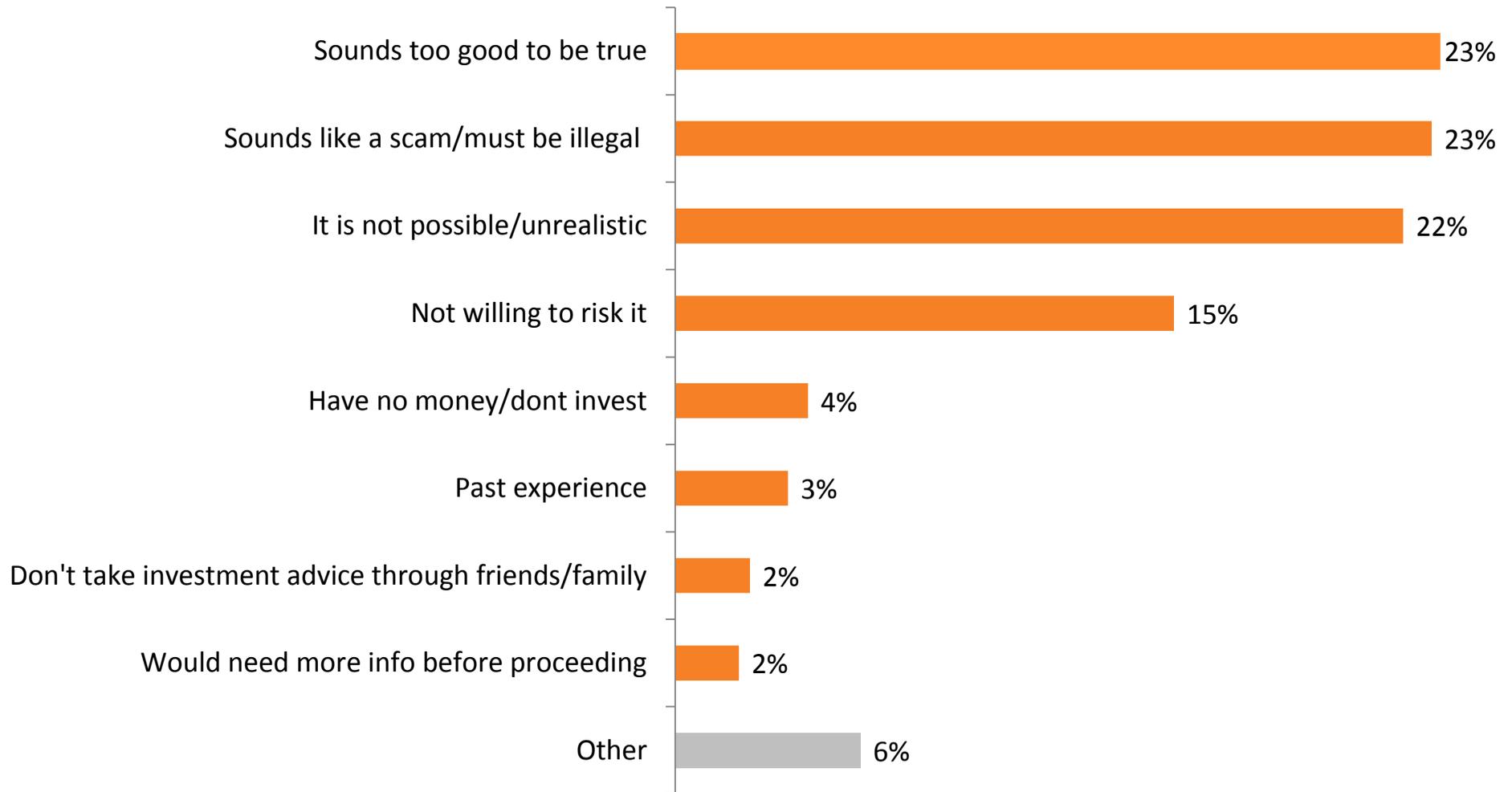
Note: "Don't Know" (<1%) not shown

The most commonly cited reason for not pursuing the offer was “too good to be true / sounds like a scam / unrealistic.”



And why would you **not** pursue this opportunity further?

(asked of those who would not pursue the investment opportunity further: n=1,994)



Note: “Don’t Know” (<1%) not shown

What's Driving Vulnerability to Fraud

What's Driving Vulnerability?

The *National Investment Fraud Vulnerability Report* is designed to ask not only how many Canadians are vulnerable to fraudulent investment offers but also what underlying attitudes, skills, and characteristics appear to be driving vulnerability.

What is Regression Analysis?

Regressions are another means of determining importance.

- A regression allows us to take all the questions that may explain a key questions we are interested in and see which of these is the most important. Regressions do this by holding all the likely suspects constant and varying one questions at a time to see which questions (explanatory variables) have the greatest impact on the key question (dependent variable).
- In this study, we use regression to help explain *why* some individuals are more vulnerable to fraudulent offers than others.

What drives vulnerability to fraudulent offers?

Key drivers of vulnerability to fraudulent offers:

- #1 **[KNOWLEDGE]** Individuals are MORE vulnerable if they don't understand the trade off between investment risk and return.
- #2 **[EDUCATION]** MORE vulnerable with lower level of education.
- #3 **[AGE]** Younger 50+ Canadians (i.e. those closer to 50 years of age) are MORE vulnerable than older Canadians (i.e. those over 65 years of age).
- #4 **[SALES EXPOSURE]** Individuals who regularly send away for free information (via telephone, online or mail) are MORE vulnerable.
- #5 **[SALES EXPOSURE]** Individuals who regularly attends sales presentation for an investment opportunity where a free meal or gift is offered are MORE vulnerable.
- #6 **[SAVINGS]** Individuals with little or no savings are MORE vulnerable.
- #7 **[PREVENTATIVE MEASURES]** Individuals who regularly consult with friends and family about investment opportunities are MORE vulnerable than others.
- #8 **[ECONOMIC REALITY]** Individuals are MORE vulnerable if they have an unreasonable expectation of what the market rate of return on investments is today.
- #9 **[EMOTIONAL MEASURES]** Individuals are MORE vulnerable the less upset they would be if they suddenly lost money.
- #10 **[FEAR FACTOR]** Individuals are MORE vulnerable if they are afraid of running out of money during their retirement.

Dependent Variable

Vulnerability to fraudulent investment offers

Adjusted R² = 0.141

The model explains 14% of the variance in vulnerability to fraudulent investment offers.

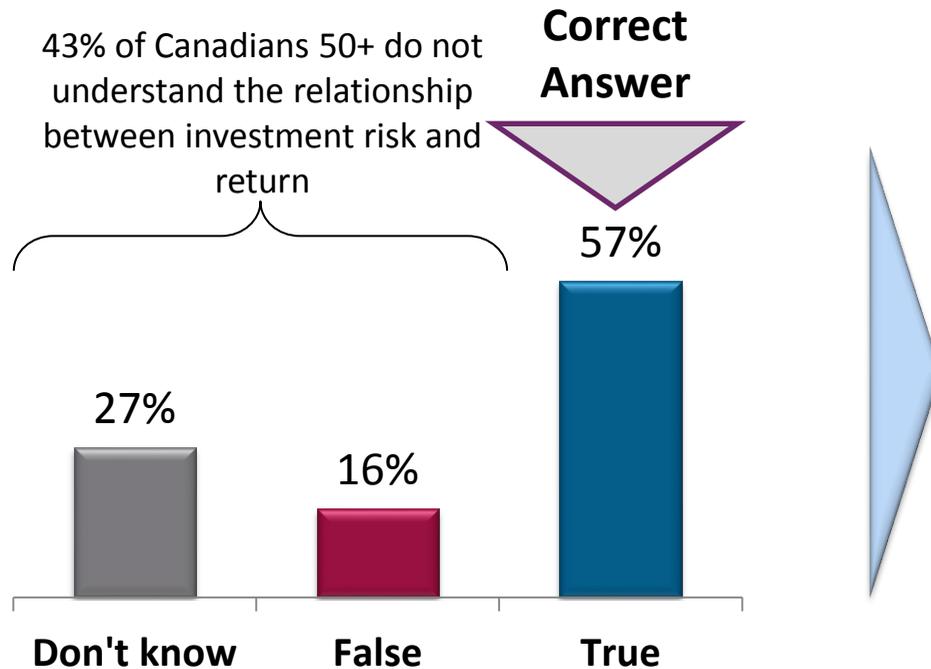
Risk & Return: 43% of Canadians 50+ do not understand the fundamental trade off between risk and return



Are the following statements true or false?

Investments that offer a higher-than-market rate of return and little to no risk are almost always fraudulent

(asked of all 2,461 respondents)



Individuals who don't understand the fundamental relationship between investment risk and return are more vulnerable to fraudulent offers. The higher an investment's rate of return, the greater the associated risk. This is a basic investment principle that 43% of older Canadians don't understand. The study shows that pre-retiree Canadians in their 50s are more vulnerable than older Canadians. This suggests that there is higher likelihood of making irrational investment decisions in the 10 to 15 years before retirement.

Segmentation

(those who answered incorrectly: "don't know" or "false")

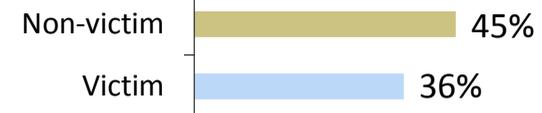
Financial Segments



Fraudulent Offer



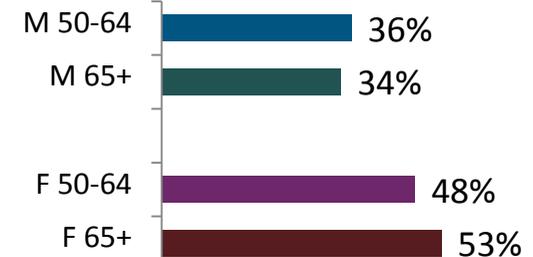
Past Experience with Investment Fraud



Work Status



Age-Gender



35%

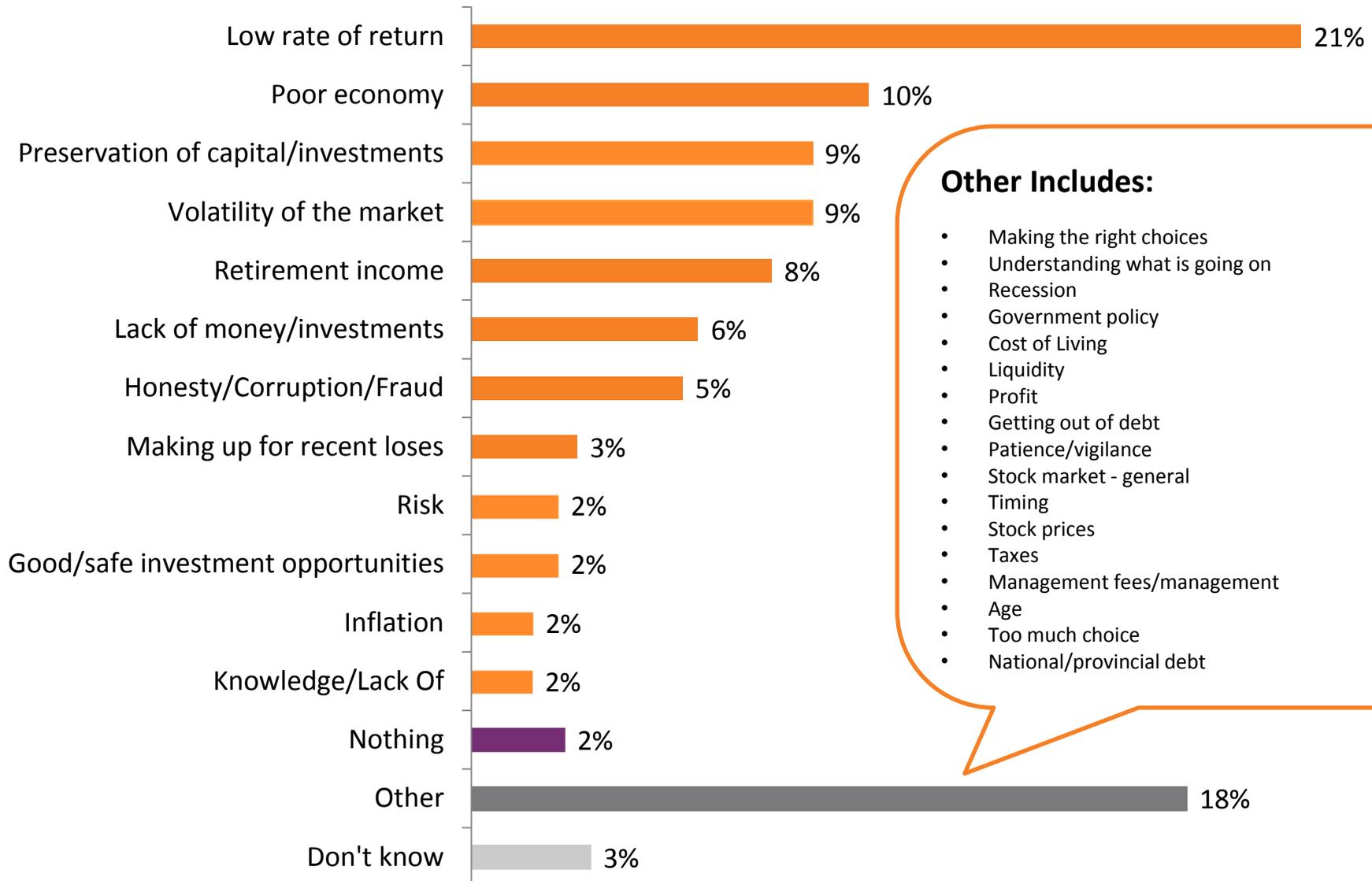
50%

What's keeping investors up at night?



What is the most important issue facing you as an investor today?

(asked only of those who have savings or investments set aside for the future: n=1,784)

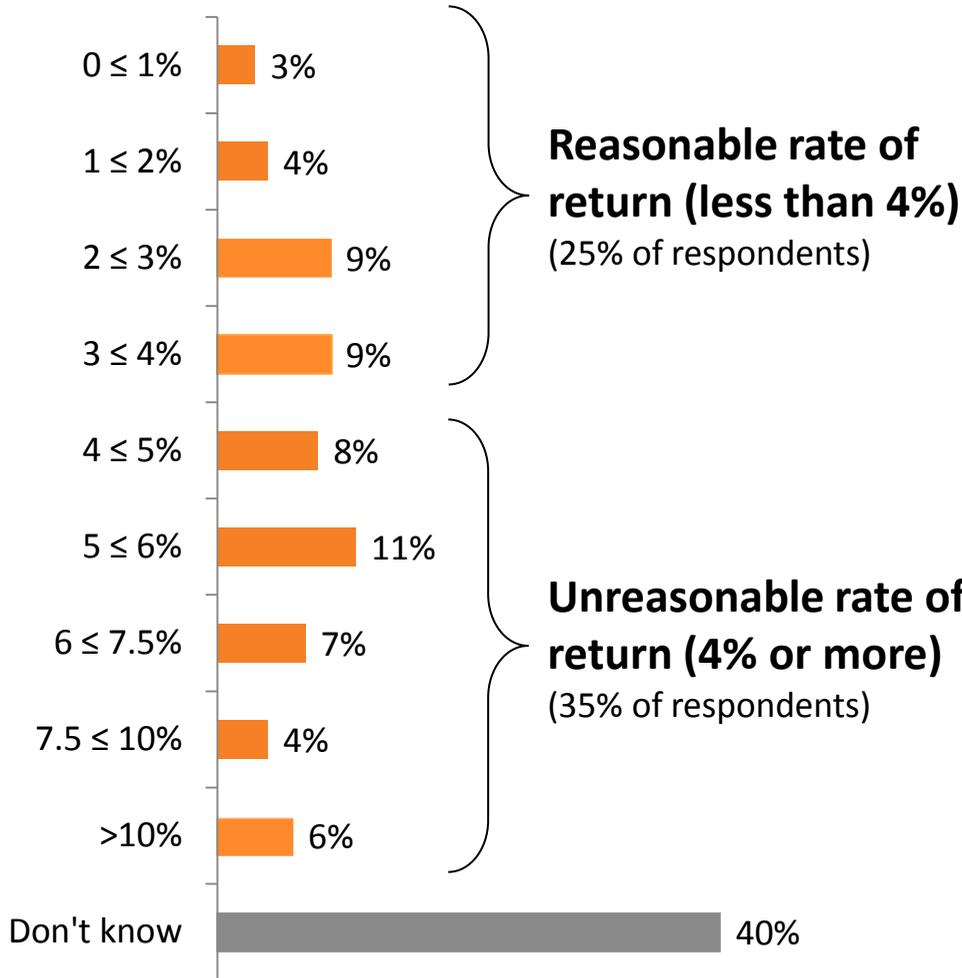


Investment Portfolio Returns: Only 25% of respondents have a reasonable expectation of annual returns on investments



What do you think is the annual rate of return today on the average investment portfolio?

(asked of all 2,461 respondents)

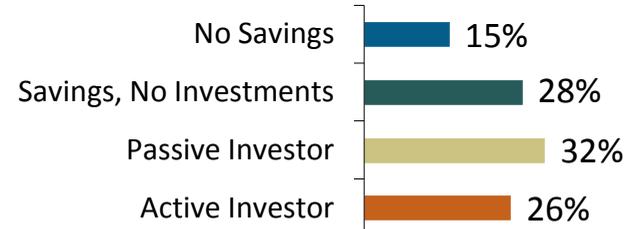


Average Expected Rate of Return: 4.66%

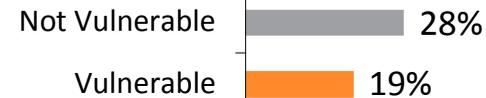
Segmentation

(those who have a reasonable expectation of annual returns)

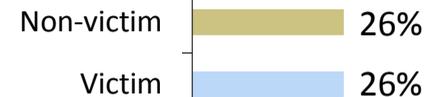
Financial Segments



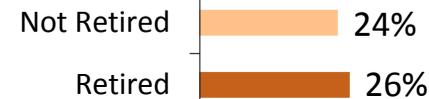
Fraud Investment Test



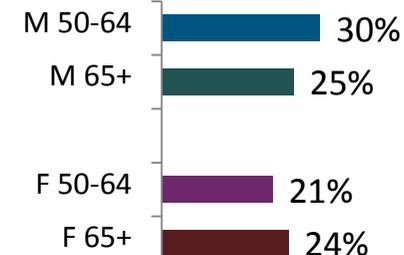
Past Experience with Investment Fraud



Work Status



Age-Gender



28%

22%

Calculating Portfolio Returns

The 5-year average nominal return on money market assets, all Canadians bonds, and the TSX Composite between 2007 and 2011 was 4.1%.

However, in 2011 the average nominal rate of return was 0.6%. For the purposes of this study, a “reasonable” market rate of return today was considered as anything less than 4%.

‘Nominal’ Return

	2007	2008	2009	2010	2011	5 year average
Money Market	4.3%	2.8%	0.5%	0.5%	0.9%	1.8%
All Canadian Bonds	3.7%	6.4%	5.4%	6.7%	9.7%	6.4%
TSX Composite	9.8%	-33.0%	35.1%	17.6%	-8.7%	4.2%
Equal weighted average across asset classes	5.9%	-7.9%	13.7%	8.3%	0.6%	4.1%

Source: BCSC

Note: Nominal is the stated return, while real is stated return minus inflation rate.

The BCSC looked at the nominal rate of return for 3 common investment types – 3-month T-bills, Canadian bonds, and Canadian equities. 2011 mutual fund returns were not included in this calculation as they were not available at the time the *National Investment Fraud Vulnerability Report* was released.

Exposure to Sales Situations Index: highly exposed Canadians more susceptible to fraud and vulnerability

The survey reveals that more than half (53%) of older Canadians involve themselves – to some extent – in risky sales situations. Unfortunately, those who do so are more vulnerable to fraudulent offers than those who stay away. Risky sales situations include attending sales presentations, listening to entire sales pitches when someone tries to sell you something over the phone, giving away personal information in exchange for free promotional materials seen advertised, and reading unsolicited emails or other forms of social media.

53% of older Canadians have some exposure to risky sales situations

	Fraudulent Offer		
	National	Not Vulnerable	Vulnerable
Very high exposure	3%	2%	5%
High exposure	4%	3%	6%
Moderate exposure	19%	15%	30%
Low exposure	28%	28%	27%
Very low exposure	47%	51%	33%

Those vulnerable to fraudulent investment offers are more exposed to risky sales situations than those who are not vulnerable (68% vs. 53% respectively)

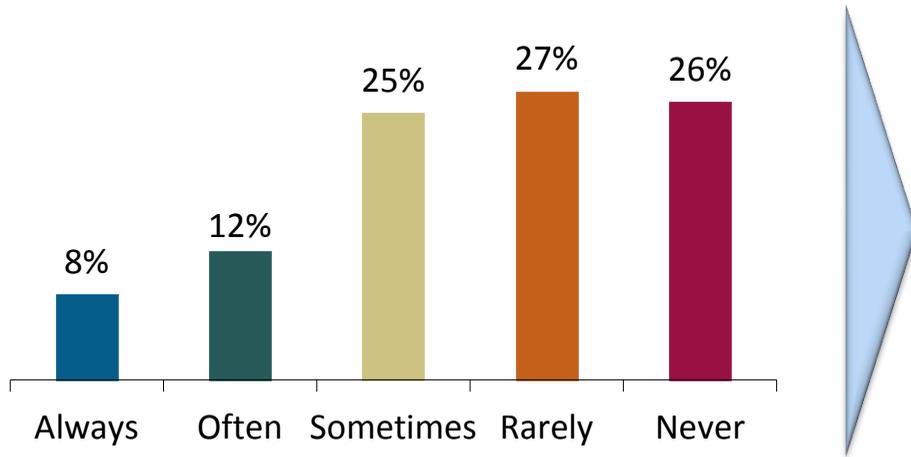
Consult Friends and Family: 20% say they always or often consult with friends and family before making an investment



How often do you take the following steps to ensure that an investment you've been offered is suitable for you and your risk profile?

Consult with friends and family

(asked of all 2,461 respondents)



Note: "Don't Know" (1%) not shown

The survey finds that 1-in-5 (20%) older Canadians regularly consult with friends and family about an investment and those who do are more vulnerable to fraudulent offers. This suggests that individuals aren't taking responsibility for their own due diligence when it comes to investment decisions, instead relying on people who potentially aren't qualified to give investment advice when they should seek advice from a registered investment advisor, or other qualified professional.

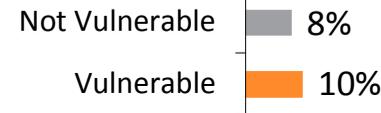
Segmentation

(those who **always** consult friends and family)

Financial Segments



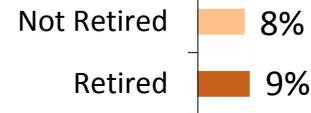
Fraudulent Offer



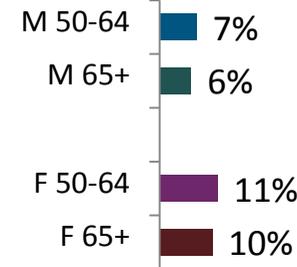
Past Experience with Investment Fraud



Work Status



Age-Gender



6%

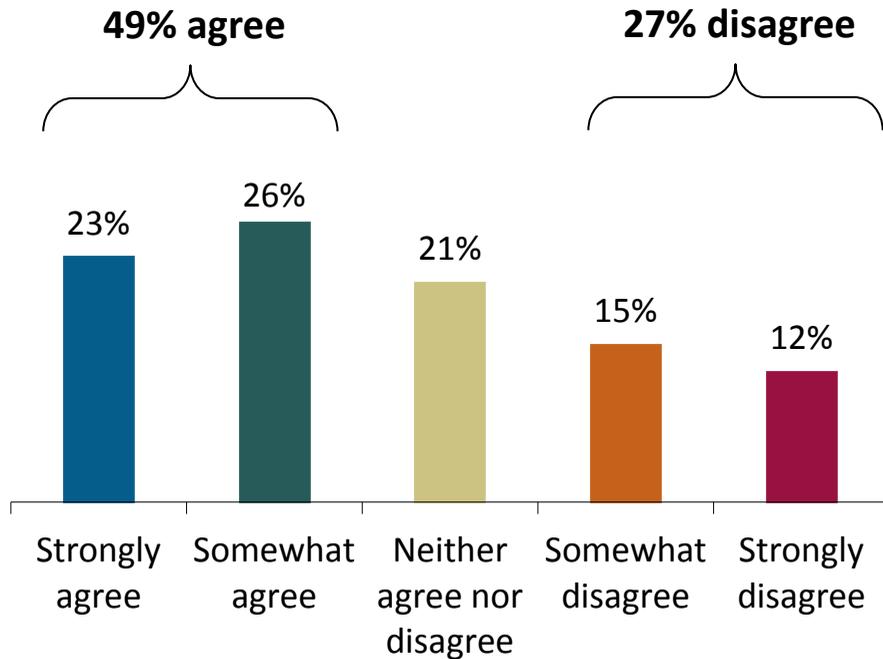
10%

Retirement Savings: Nearly half of Canadians over 50 (49%) are afraid of running out of money during retirement



Do you agree or disagree with the following statement? ***I am afraid of running out of money during my retirement***

(asked of all 2,461 respondents)



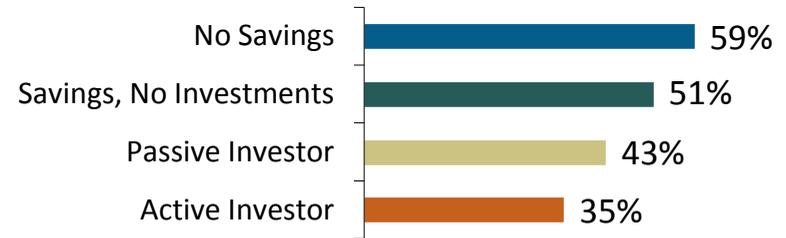
Note: "Don't Know" (2%) not shown

The study reveals that the fear of running out of money in retirement is a strong indicator that one could be vulnerable to a fraudulent offer. Nearly half (49%) of older Canadians say they are afraid of running out of money during their retirement. Another 42% say they find it difficult to make ends meet and this proportion is significantly higher among those who are vulnerable to fraud.

Segmentation

(those who are afraid of running out of money in retirement)

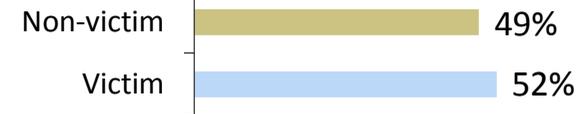
Financial Segments



Fraudulent Offer



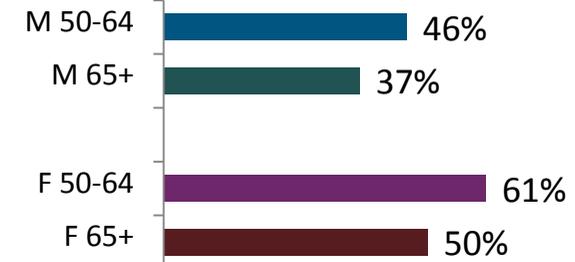
Past Experience with Investment Fraud



Work Status



Age-Gender



43%

56%

Victims of Investment Fraud

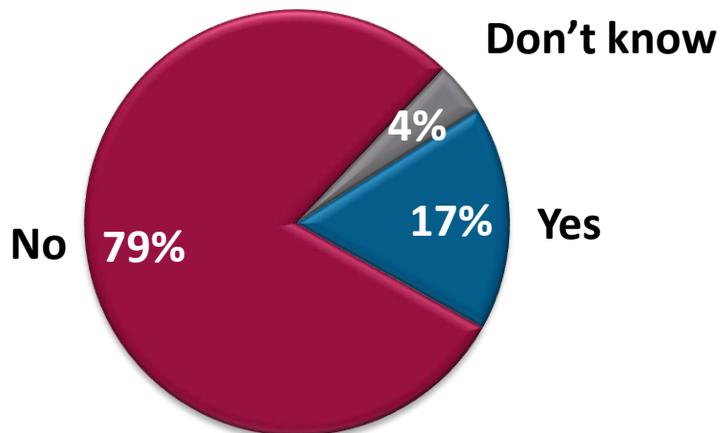
Investment Fraud: Nearly 1-in-5 (17%) of respondents believe they have been a victim of investment fraud



Investors gain and lose money all the time in financial markets for a variety of legitimate reasons. However, the following question is about investment fraud – that is, where someone knowingly misleads an investor on the basis of false information OR in violation of the securities laws.

So, in this case, we mean a “fraud” occurs when someone intentionally gives you false information to encourage you to make an investment. Do you think you have ever invested money in a fraudulent investment?

(asked of all 2,461 respondents)



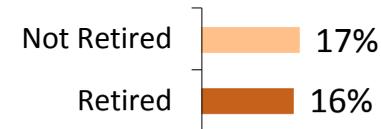
Segmentation

(those who believe they've been victims of investment fraud)

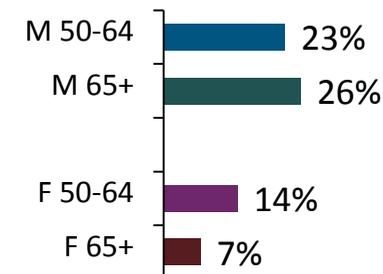
Financial Segments



Work Status



Age-Gender



Males



Females

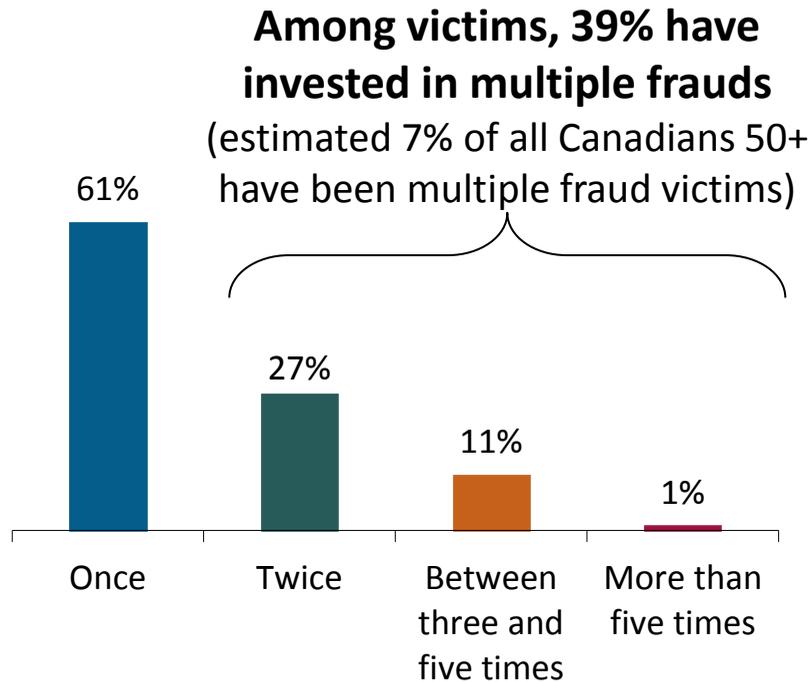
Males (24%) and active investors (29%) most likely to say they've been victims of investment fraud at some point in their life.

Victims of Investment Fraud: 39% of victims have been defrauded multiple times



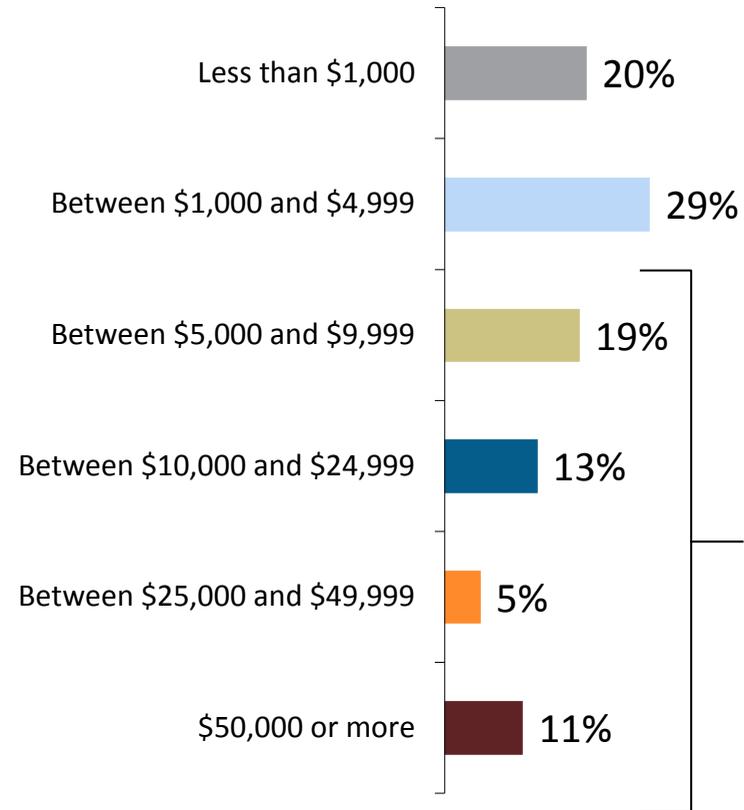
How many times have you been a victim of investment fraud?

(asked only of those who think they have invested in a fraudulent investment before; n=415)



How much money did you invest in this [respondents victimized more than once asked "the most recent"] investment fraud?

(asked only of those who think they have invested in a fraudulent investment before; n= 415)



Note: "Don't Know" (3%) not shown

Among those who believe they have been victims of investment fraud, almost half (48%) lost over \$5,000 (on their most recent investment fraud).

Victims of Investment Fraud: older Canadians in BC & Alberta most likely to believe they've been victims of fraud (23%)

This study also looked at past experience with fraud by asking older Canadians if they had ever been victimized. Nearly 1-in-5 (17%) of respondents believe they have been a victim of investment fraud at some point in their lives. Regionally, BC and Alberta residents are most likely to believe they have been victims of fraud at least once in their life. This is particularly true of males (24%) and active investors (29%).

One-in-seven (14%) British Columbians say that they have been victims of fraud one time, a proportion that is higher than for all of Canada (10%). However, BC residents are just as likely as Canadians in other provinces to have been victims of fraud multiple times (8% vs. 6% respectively).

Regional Experience with Fraud: *Do you think you have ever invested money in a fraudulent investment?*

	BC	Alberta	Prairies	Ontario	Quebec	Atlantic	National
Yes	23%	23%	17%	19%	8%	15%	17%
Yes (once)	14%	12%	13%	11%	6%	8%	10%
Yes (more than once)	8%	11%	5%	8%	2%	7%	6%
No	72%	74%	79%	77%	87%	83%	79%
Don't know	5%	3%	3%	4%	5%	3%	4%

Link to Economic Situation

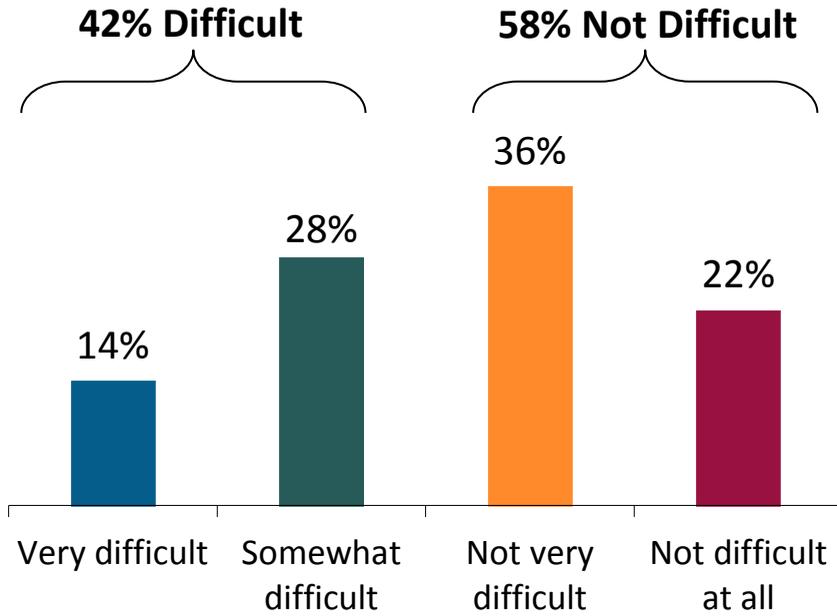
Making Ends Meet: 42% say it's difficult to make ends meet, significantly higher among those vulnerable to fraud appeals



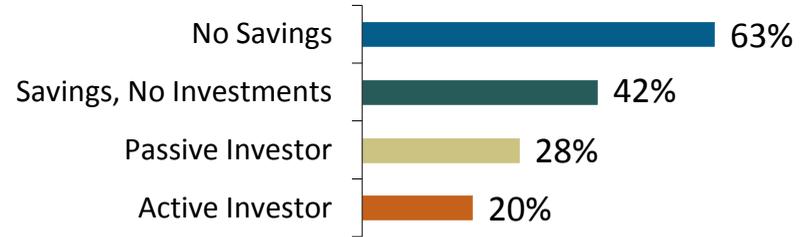
Thinking about your monthly bills and expenses, how difficult is it for you to make ends meet?
(asked of all 2,461 respondents)

Segmentation

(those who find it difficult to *make ends meet*)



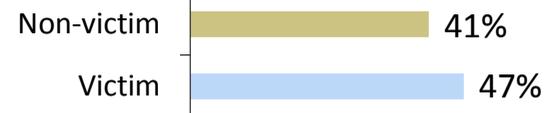
Financial Segments



Fraud Investment Test



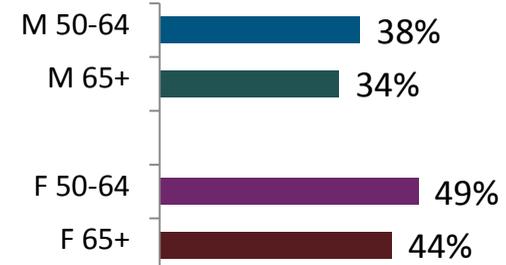
Past Experience with Investment Fraud



Work Status



Age-Gender



37%

47%

Note: "Don't Know" (1%) not shown

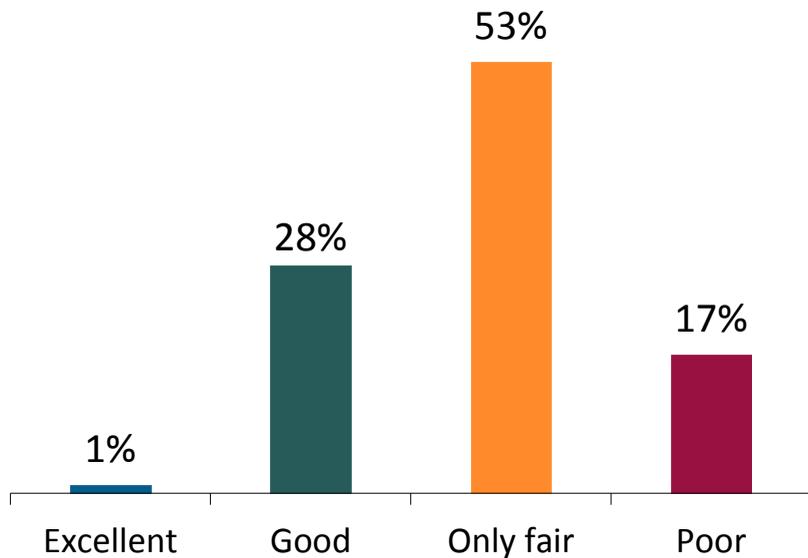
Economic Outlook: Canadians 50+ are rather pessimistic; only 29% describe the economy as excellent or good



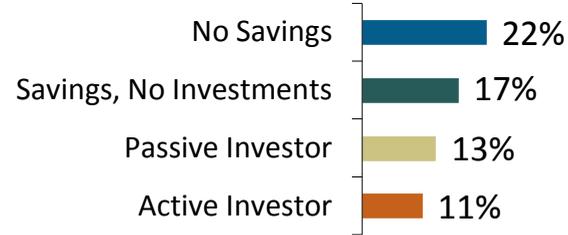
How would you describe Canada's economy today?
(asked of all 2,461 respondents)

Segmentation

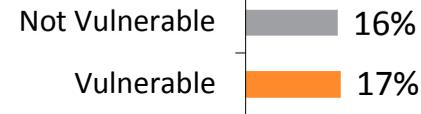
(those who feel the Canadian economy is poor)



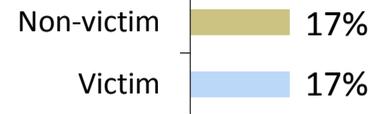
Financial Segments



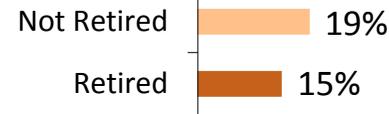
Fraud Investment Test



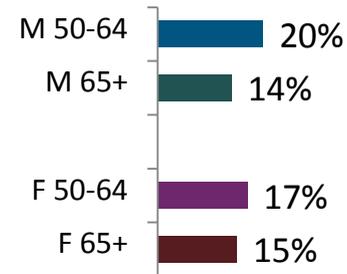
Past Experience with Investment Fraud



Work Status



Age-Gender



18%

16%

Note: "Don't Know" (2%) not shown

Investment Environment: just over a quarter are optimistic about the investment environment over the next 12 months



Thinking forward, how do you feel about the overall investment environment in Canada over the next 12 months?

(asked of all 2,461 respondents)

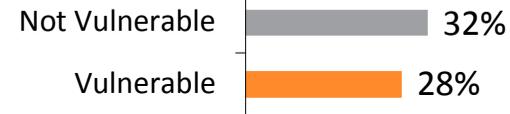
Segmentation

(those who are feel **pessimistic** towards the investment environment)

Financial Segments



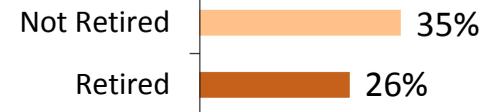
Fraud Investment Test



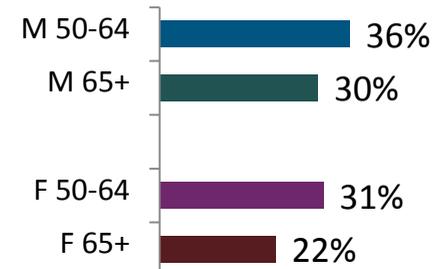
Past Experience with Investment Fraud



Work Status



Age-Gender

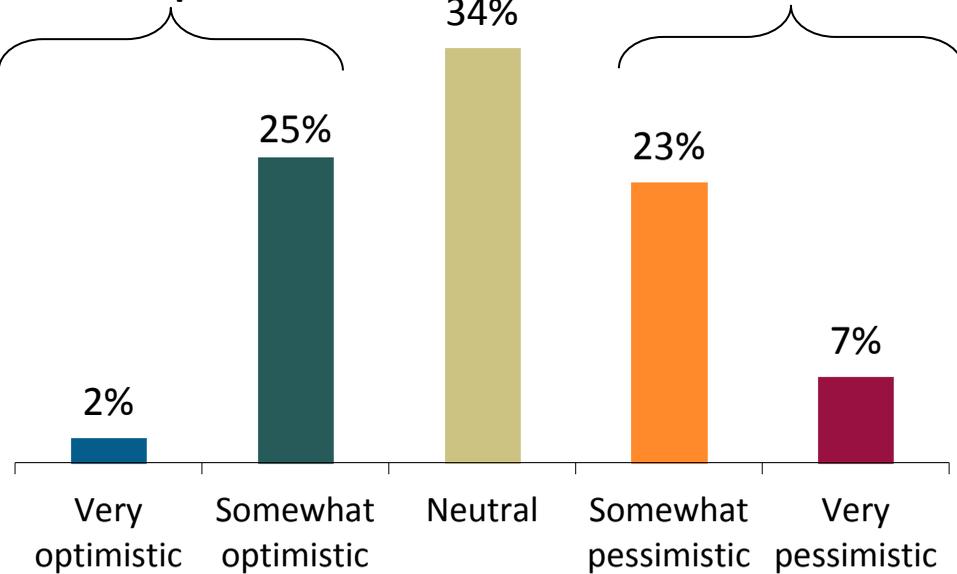


34%

27%

27% Optimistic

30% Pessimistic



Note: "Don't Know" (8%) not shown

Indices

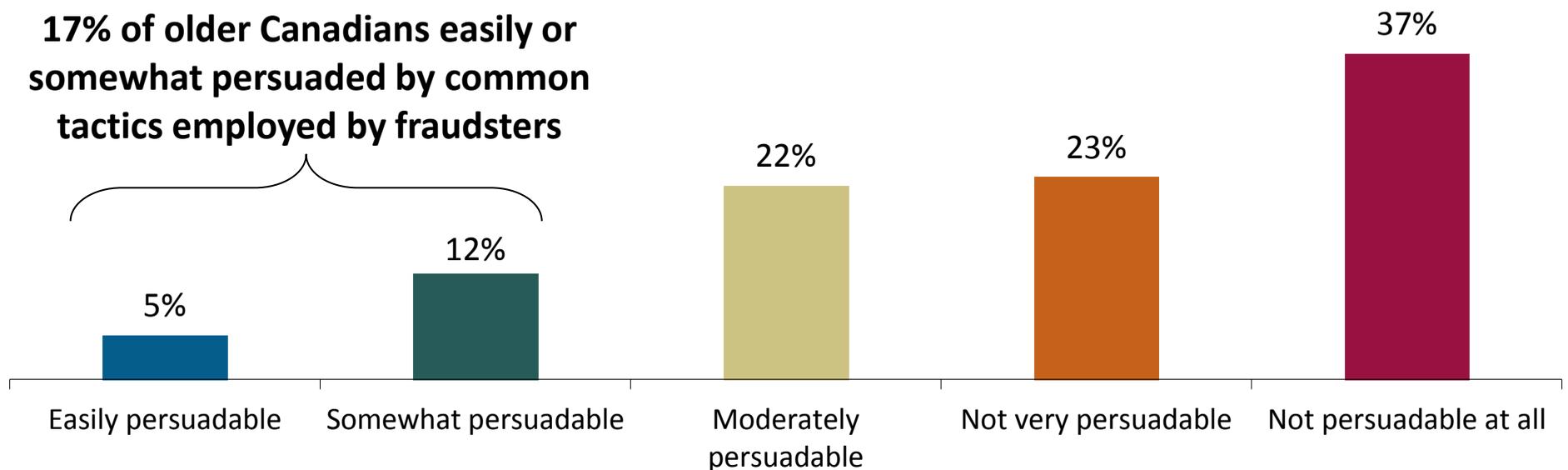
Persuasion Tactics Index: 17% of Canadians are easily or somewhat persuaded by the most common fraud tactics

Respondents were asked a series of questions about their interest in various persuasion tactics commonly used by fraudsters. A number of these questions build upon the *AARP Foundation National Fraud Victim Study* which was conducted in the US in 2011. The answers to these questions were then combined to create an index of “Persuasion Tactics”. This allows us to assess how respondents who are easily persuaded differ from those who are not.

Persuasion Tactics Index was compiled from the following 5 questions:

1. Our company has been in business for over 20 years and is a member in good standing of the Better Business Bureau (*The “Source Credibility” Tactic*)
2. This investment will generate a guaranteed return of at least 25% in the first year (*The “Phantom Riches” Tactic*)
3. Your friends and family are talking about this investment opportunity and may have already profited from this money-making venture (*The “Social Consensus” Tactic*)
4. The new *iRead G5 tablet* is the latest development in modern technology and will revolutionize the way consumers get information. Only a select few can get in on the initial public offering (*The “Scarcity” Tactic*)
5. This investment is tax free and leverages the benefits of an offshore bank that does not fall under the jurisdiction of the Canada Revenue Agency (*The “Tax Free” Tactic*)

17% of older Canadians easily or somewhat persuaded by common tactics employed by fraudsters



Exposure to Sales Situations: 53% of Canadians are exposed in some capacity to risky sales situations

Respondents were asked a series of questions about their exposure to sales situation. These answers were then combined to create an index of “Sales Exposure”. This allows us to assess how respondents who are exposed to sales situations differ from those who shelter themselves from various sales situations.

The **Sales Exposure Index** was compiled from the following 5 questions:

1. When someone calls to sell you something, how often do you refuse to listen to the entire presentation?
2. When someone you don't know sends you an unsolicited message by email or social media (such as Facebook or LinkedIn), how frequently do you read the entire message?
3. How often do you attend sales presentations for an investment opportunity where you are offered a free meal or a special gift in return?
4. How often do you call toll-free numbers, mail-away, or go online to order free information such as CDs, books, or other promotional materials you see or hear advertised?
5. Have you ever signed up online for a free practice trading account for investment products such as foreign exchange, commodities, or derivatives?
6. [If yes] Did you then open an online trading investment account?

53% of older Canadians exposed to risky sales situations



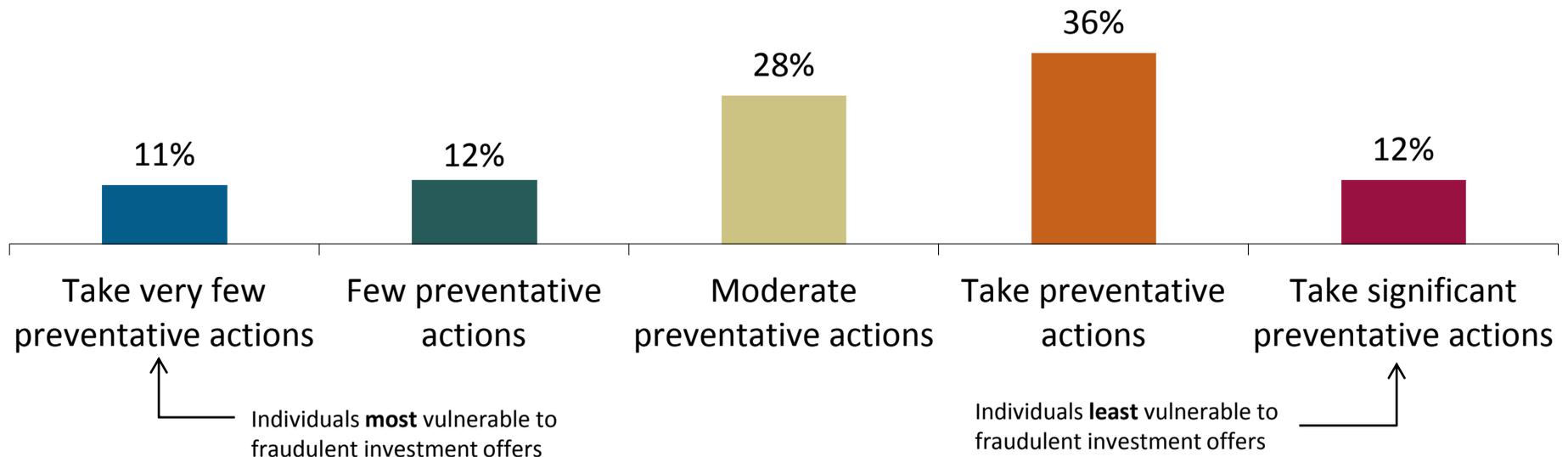
Preventative Action: 23% of Canadian investors take relatively few preventative actions before investing

Respondents were asked a series of questions about the due diligence they make before making an investment. These answers were then combined to create an index of “Preventative Actions”. This allows us to assess how respondents who take due diligence steps before investing differ from those who do not.

Preventative Action Index was compiled from the following 9 questions:

How often do you take the following steps to ensure that an investment you’ve been offered is suitable for you and your risk profile?

1. Conduct independent research.
2. Ask your advisor questions about their fees and/or the investment’s suitability for your risk tolerance and portfolio mix.
3. Refer to your financial plan.
4. Assess how the investment supports your financial goals.
5. Consult with 3rd parties such as an accountant, lawyer, or banker not related to the investment.
6. Take the time to understand the investment enough that you could explain its risks and benefits to someone else.
7. Wait a day or more before deciding to invest.
8. Do you have a regular financial advisor and if so, how long have you had your current advisor? [*length of time with regular advisor*]
9. Do you have an up-to-date, written financial plan that sets out how you will manage your finances in retirement? [*Yes/No*]



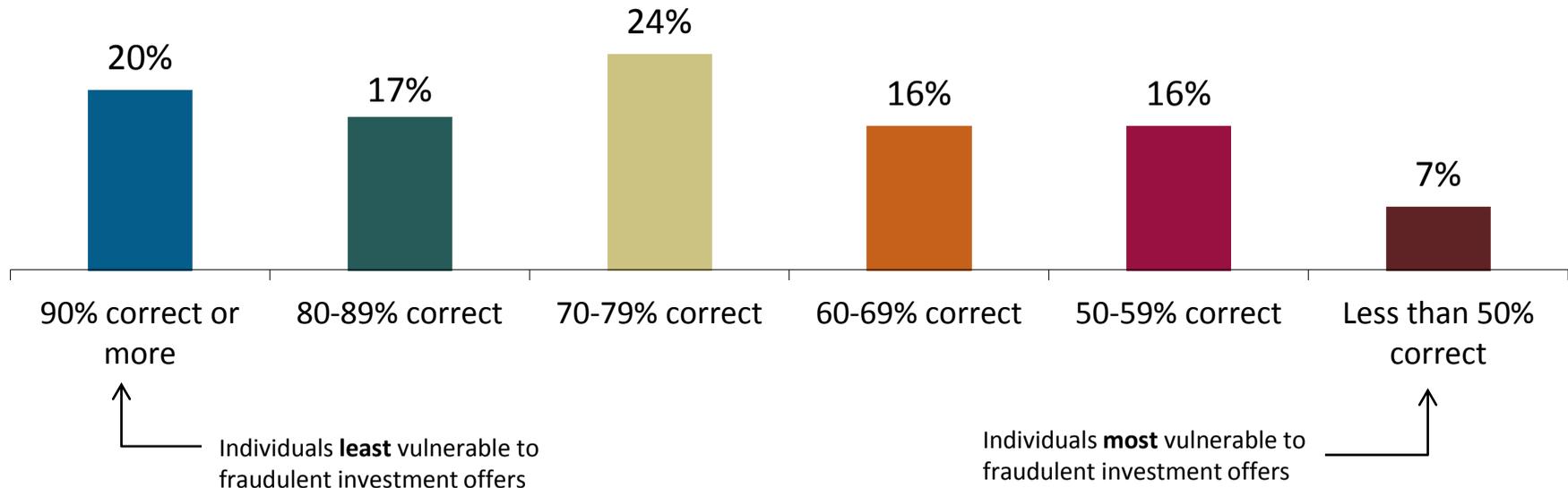
Note: “Not Applicable” removed from calculations; n=1,649

Investment Knowledge: financial literacy helps protect individuals from fraudulent investment offers

Respondents were asked a series of investment knowledge questions to obtain a more objective picture of financial literacy among Canadians 50+. These answers were then combined to create an index of “Investment Knowledge”.

Investment Knowledge Index was compiled from the following 6 questions:

- Which of the following are investment risks? [Select all that apply]
 - The possibility of losing some or all of the money you have invested.*
 - Not being able to sell an investment when you want to.*
 - The interest rate on your investment doesn't keep pace with inflation.*
 - When making foreign investments, the value of the foreign currency changes against the value of the Canadian dollar.*
 - All of the above.*
 - None of the above.*
- Mutual funds pay a guaranteed rate of return. (true/false)
- Bond prices go up when interest rates go down. (true/false)
- When an investor diversifies his or her investments, the risk of losing money increases. (true/false)
- Investments that offer a higher-than-market rate of return and little to no risk are almost always fraudulent. (true/false)
- A stock involves lending money to a company or government in exchange for a definite interest rate to be paid on definite date. (true/false)



1-in-10 (11%) respondents answered every question correctly.

British Columbia Securities Commission



www.bcsc.bc.ca

The BC Securities Commission mission is to protect and promote the public interest by fostering:

- A securities market that is fair and warrants public confidence
- A dynamic and competitive securities industry that provides investment opportunities and access to capital

InvestRight



InvestRight.org

A key goal of the BC Securities Commission is to help investors protect their financial interests. Our website, InvestRight.org, provides investors with the tools to research and assess potential investments in order to protect people from unsuitable or fraudulent investments.

Innovative Research Group



Innovative Research Group Inc. is a national public opinion research and strategy firm with offices in Toronto and Vancouver.

We provide critical information needed to assess and overcome public affairs and corporate communications challenges, identify and evaluate potential solutions, and monitor outcomes.

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