



Backgrounder

Research Highlights

Many B.C. investors do not know how or how much they pay their advisor:

- 28% of investors are not sure how their investment advisor is paid while 36% are not familiar with the types of fees on their investment accounts.
- Most investors surveyed (83%) said that they know whether the value of their portfolio went up or down over the last year. However, only 51% of investors said they know the total amount of direct fees they paid over the last 12 months and only 34% said they know how much their advisor has received in indirect fees from third parties based on the products they own.
- Generally speaking, there are two broad categories that fees fall into: direct and indirect. Direct fees are fees paid by you to your advisor to operate and administer your account. Indirect fees may include fees that your advisor receives from other companies for the investments you hold. These are taken from your investments and thus reduce your returns.

Investors with portfolios under \$50,000 (20% of people surveyed) tend to be less informed, less satisfied and less likely to communicate with their advisors.

- Investors with these smaller portfolios are more likely to not know how their advisor is paid (50% vs. 28% overall).
- These investors were also less likely to be satisfied with their advisor relationship – 62% reported being satisfied vs. 79% overall.

Investors under 35 years of age are a conflicted group:

- Young investors appear more aware and more involved in their investments. 79% of male investors and 57% of female investors (the largest percentages in their respective gender groups) said they were familiar with the fees they pay on their primary account.
- However, young investors are the most likely to agree that a 1% increase in fees would not make much difference to their returns over time – 45% of men and 34% of women agree with that statement.

The *Investor Readiness for Better Investing Study* is a three-part longitudinal study conducted by Innovative Research Group Inc. on behalf of the BCSC. The BCSC commissioned the study of B.C. investors who hold securities and invest through an advisor to understand and explain the impacts of new information provided through the Client Relationship Model, Phase 2 (CRM2) on key knowledge, attitude, and behaviour measures of investors.



**British Columbia
Securities Commission**

CRM2

The Client Relationship Model, Phase 2 (CRM2) is an initiative by the Canadian Securities Administrators designed to provide investors with information to allow them to make informed decisions and to know the cost and performance of their investments, as well as their advisor's compensation.

Under CRM2, advisors must provide to their clients:

- enhanced relationship disclosure information,
- pre-trade disclosure of advisor fees and other charges,
- expanded account statements,
- annual reports on investment performance, and
- annual reports on charges and compensation.

The annual reports on investment performance and on charges and compensation are the most recent requirements to come into effect. Many firms will begin sending out their reports in January and February 2017. All firms have until July 2017 to provide their clients with the new reports.

Campaign Tools

The BCSC launched the Take a Look campaign in October 2016. To help investors better understand investment fees, the BCSC created new tools, which are available on its investor education website InvestRight.org:

- [Investment Fee Quiz](#) – the quiz was designed to test investor knowledge of investment fees and dispel some common misconceptions about fees.
- [Investment Fee Calculator](#) – the first tool of its kind, the calculator is a user-friendly web page that makes it fun and easy for investors to compare different fees side by side and see their impact on returns over time.
- [Fee Guide](#) – the eight-page guide explains key information, like the types of fees and when your advisor should discuss fees, and provides a sample of the annual charges and compensation reports that investors will begin receiving this year.