Personal Finance: Canadian Millennials show significant interest in using 'robo-advisors' in the future

Older Canadians more likely to value relationship with a single financial advisor over alternatives

March 1, 2019 – Canadians may not be saving as much as economists would like, but those who invest are doing so in a changing landscape.

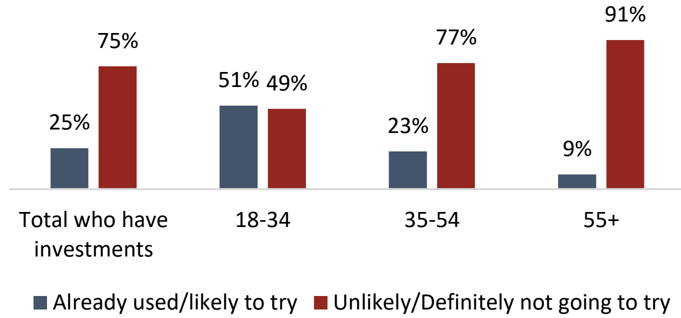
A new study from the non-profit Angus Reid Institute finds Canadians between the ages of 18 and 34 – both investors and non-investors alike – twice as likely as older generations to have used or be willing to use robo-advisors to help build their financial portfolios.

The aspects underpinning this trend are are multifold. Millennials are far less likely to use, or in the case of those who haven't entered the investment market, want to use, one designated financial advisor than their older peers. This younger group shows a higher inclination to purchase online, or to manage their investments themselves.

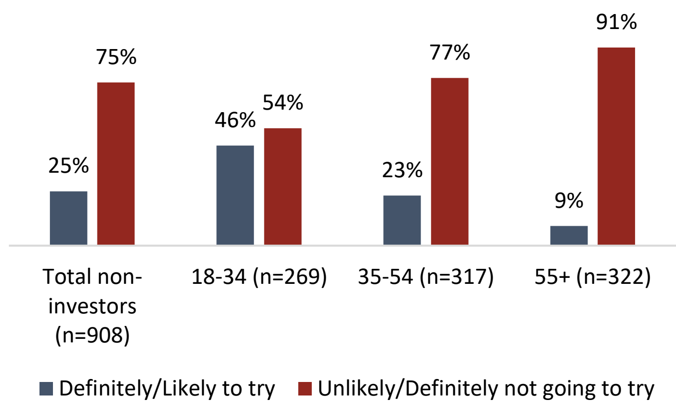
Further motivating this strategy of eschewing the traditional one-on-one relationship with a financial advisor are levels of satisfaction with that industry.

Canadians over 35 voice much higher satisfaction when it comes to both the quality of time spent with and the overall cost of their financial advisor, compared to Millennials.

How likely are you to try out the services of a robo-advisor?
(Asked of investors, n=592)



(Asked of non-investors, n=908)



METHODOLOGY:

The Angus Reid Institute conducted an online survey from September 27 – 30, 2018, among a representative randomized sample of 1,500 Canadian adults who are members of the Angus Reid Forum. For comparison purposes only, a probability sample of this size would carry a margin of error of +/- 2.5 percentage points, 19 times out of 20. Discrepancies in or between totals are due to rounding. The survey was conducted in partnership with The Globe and Mail and paid for by ARI. Detailed tables are found at the end of this release.

More Key Findings:

- Canadian investors ages 55 and older say they are more likely than their older peers to purchase investments online (35% versus 21% and 13% for 35-54 and 55-plus age groups, respectively)
- Canadians give their financial advisors good marks overall, with two-thirds saying the fees they pay are fair and that they have trust in their advisor to offer sound, unbiased advice

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About ARI

*The **Angus Reid Institute (ARI)** was founded in October 2014 by pollster and sociologist, Dr. Angus Reid. ARI is a national, not-for-profit, non-partisan public opinion research foundation established to advance education by commissioning, conducting and disseminating to the public accessible and impartial statistical data, research and policy analysis on economics, political science, philanthropy, public administration, domestic and international affairs and other socio-economic issues of importance to Canada and its world.*

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Part 1: The Canadian investment landscape

Younger investors are more likely to buy online, shop around

One of the trends for traditional financial advisors to contend with – or perhaps take advantage of – is a movement toward online purchases of investments. While most investors in 2019 still say they are purchasing their securities through their personal financial advisor, one-in-five now say they usually do their own buying; and do so online. The propensity to purchase online is significantly higher for Canadians between the ages of 18 and 34:

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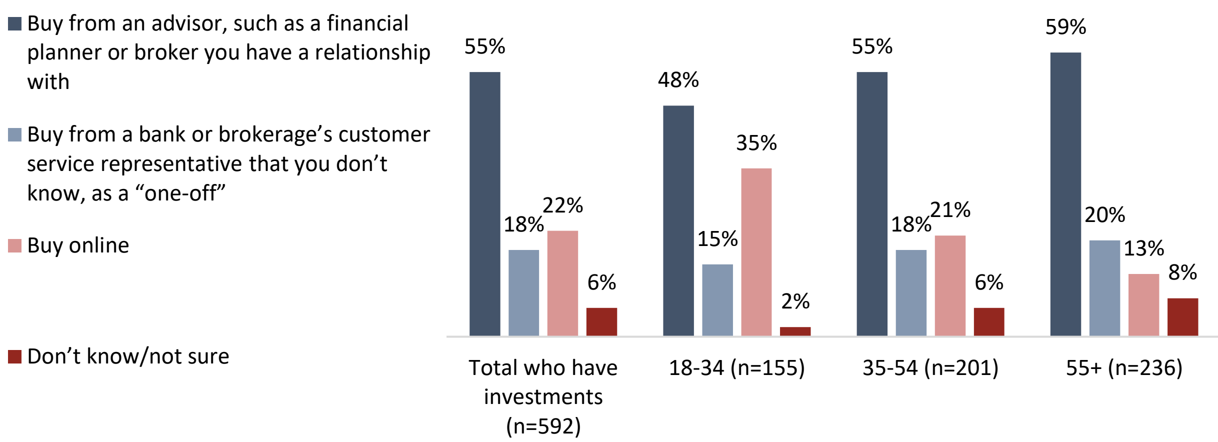
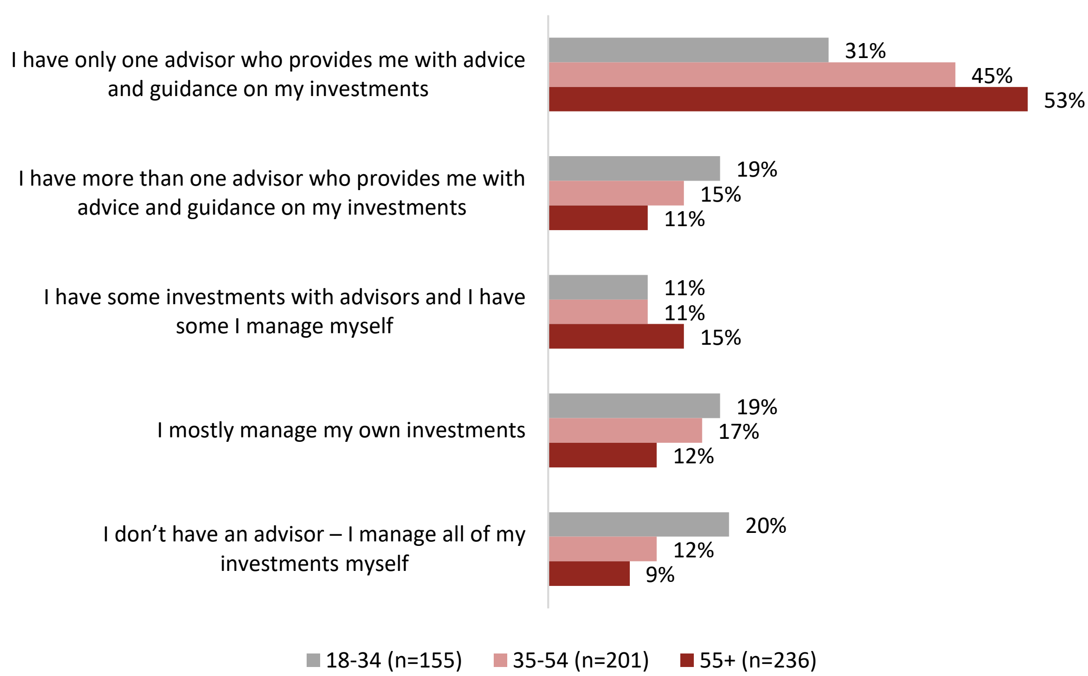
**Thinking about how you most often buy these types of products, do you usually ...
(Asked of investors, n=592)**



Likewise, younger investors say are less likely to rely on a single advisor for their financial decisions. One-in-five don't have any advisors (20%), and a further one-in-five say they have more than one (19%). Those in the 55-plus age group are significantly more likely to say they have a relationship with just one advisor:

And, regardless of how you usually buy your investment products, which statement best describes you? (Asked of investors, n=592)



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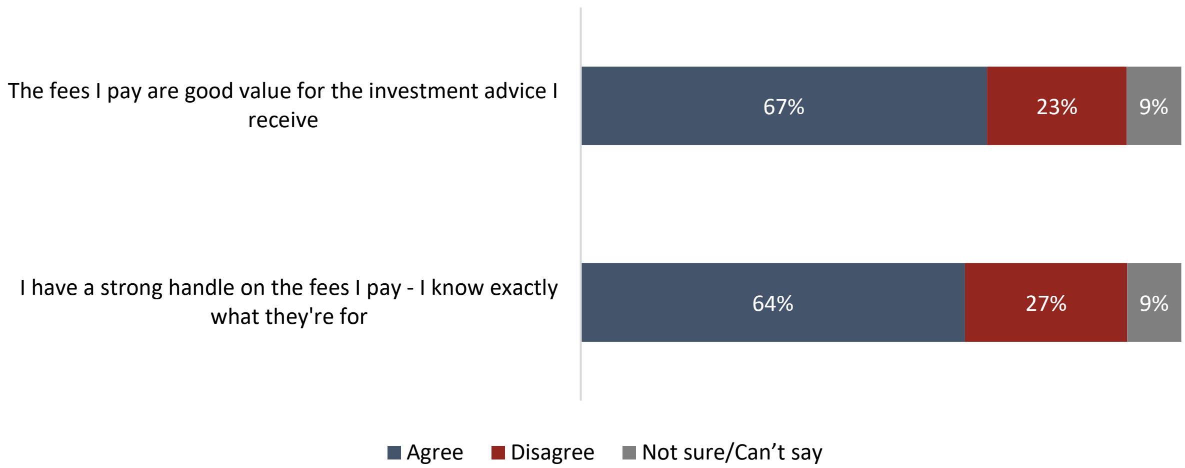
Mostly positive marks for financial advisors

Canadian investors who use financial advisors generally feel pretty good about them, though there appears to be room for improvement. Overall, two-thirds of Canadian investors (67%) say that the fees they pay are a good value for the investment advice they receive in return. Close to the same number (64%) feel comfortable with the fees they pay.

The investment industry in Canada came under fire in 2016 when several large institutions, including BMO, CIBC and Scotiabank repaid millions of dollars in excess fees as a result of an Ontario Securities Exchange investigation. More recently, Raymond James was fined $125,000 for inadvertently overcharging more than 6,000 customers.

Roughly one-quarter of investors disagree that they are receiving good advice and value currently:

Do you agree or disagree with each of the following statements?
(Asked of those who use at least one financial advisor, n=421)



Investors' satisfaction with the attention they receive and the honesty they perceive from their financial advisors is similarly high. More than six-in-ten say they are getting what they need, though one-in-three say they would like their advisor to pay more attention to their own individual needs and portfolio:

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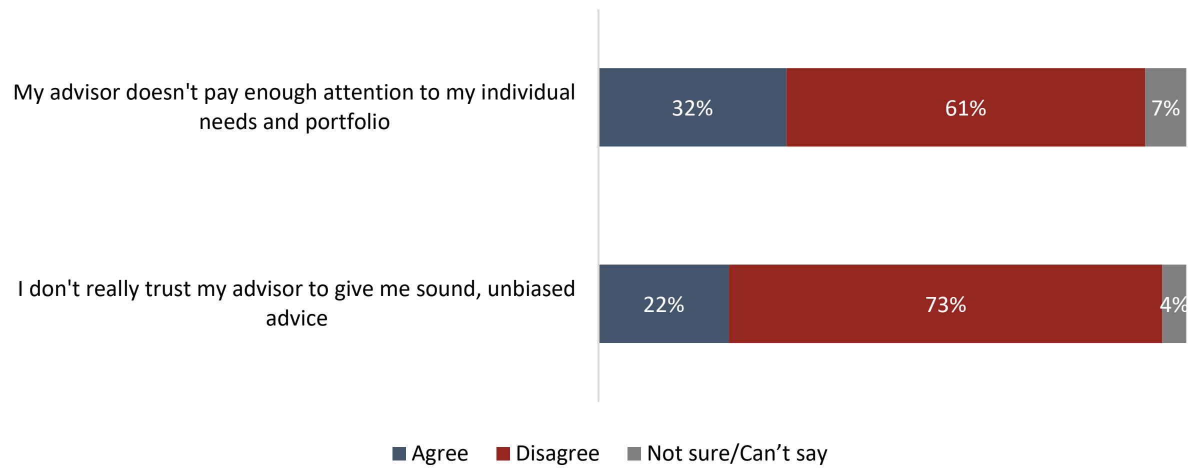
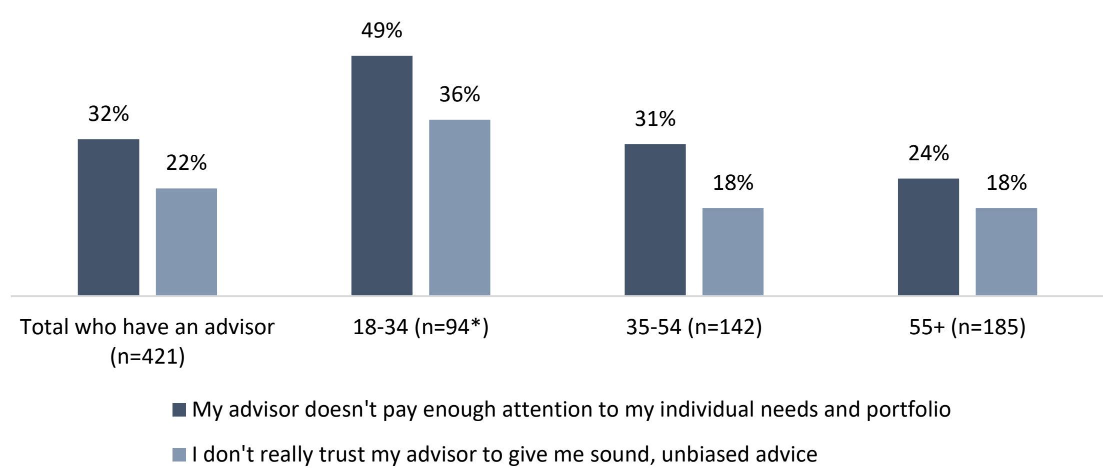


Younger investors are more skeptical of financial advisors. Half of those under the age of 35 agree that they are not currently receiving the amount of attention they require:

Percentage who agree with each statement
(Asked of those who use at least one financial advisor, n=421)

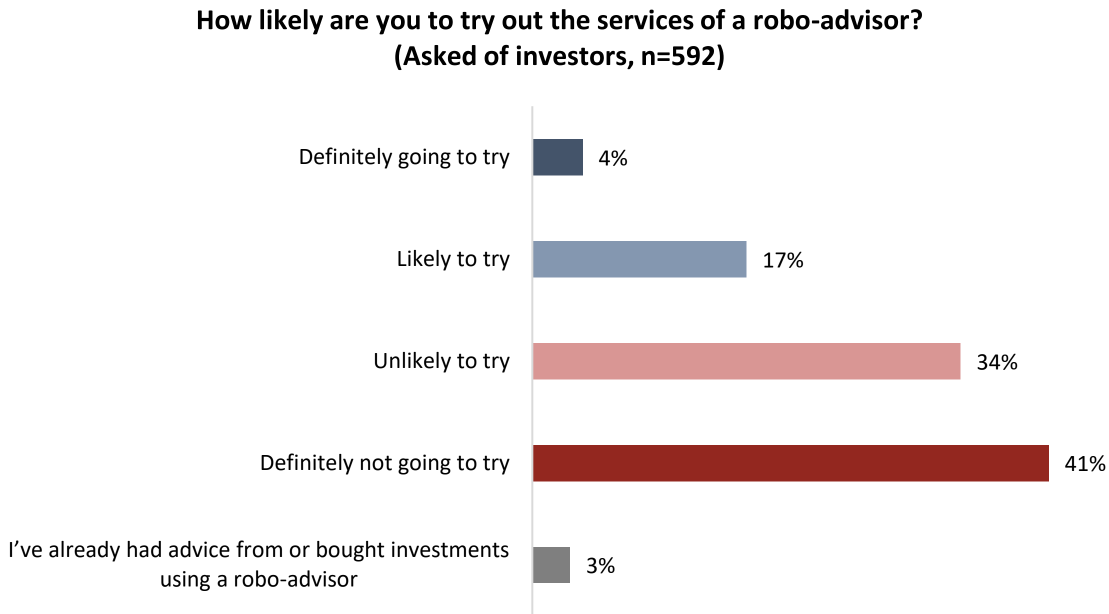


***small sample**

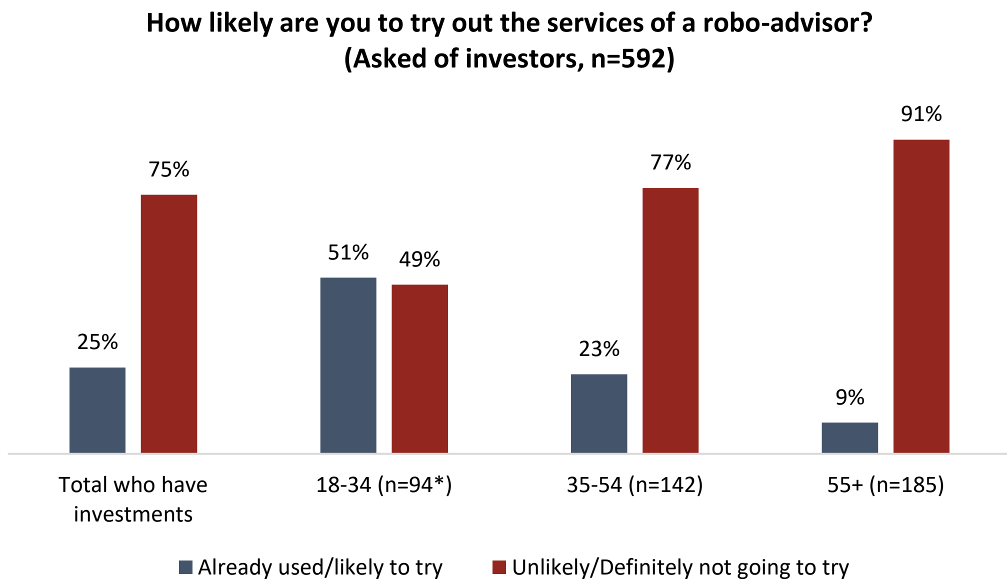
Growing interest in automated advisors

Another emerging aspect of the investment market in recent years is so called “robo-advisors”. These are software products that perform investment management with low levels of human involvement, making decisions based on algorithms to optimize growth for the investor.

For a large proportion of the population, this is a no-go. Four-in-ten Canadian investors say the would rule out using a robo-advisor completely, while one-third say they're unlikely to try it. A smaller portion however, say they have either used one already (3%) or are open to trying it in the future (21%):



This issue appears to cut largely along generational lines. Half of 18-34-year-olds (51%) say they would use an automated investment advisory service, while that willingness drops precipitously, to one-quarter (23%) among 35-54-year-olds, and one-in-ten (9%) among those 55 and older.



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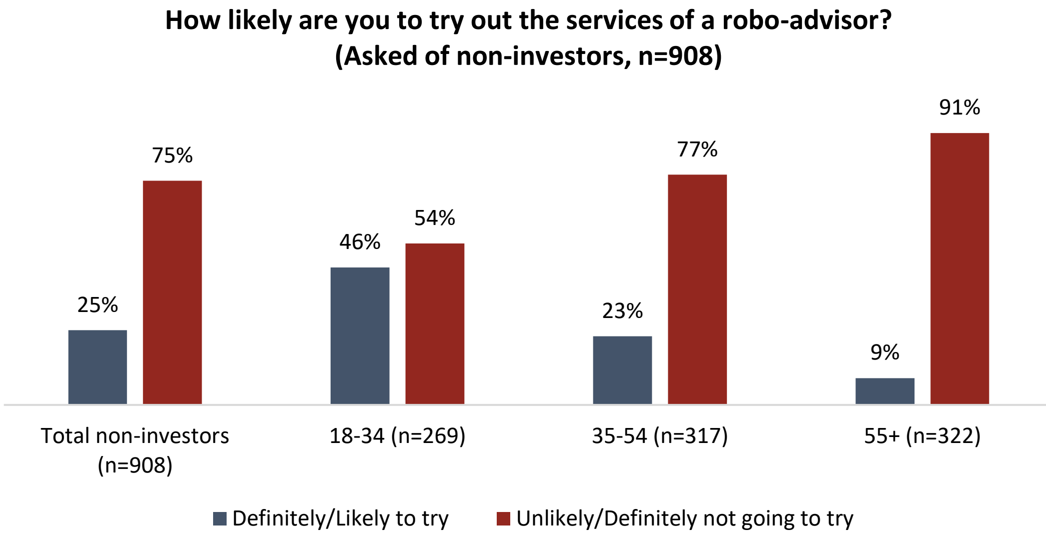
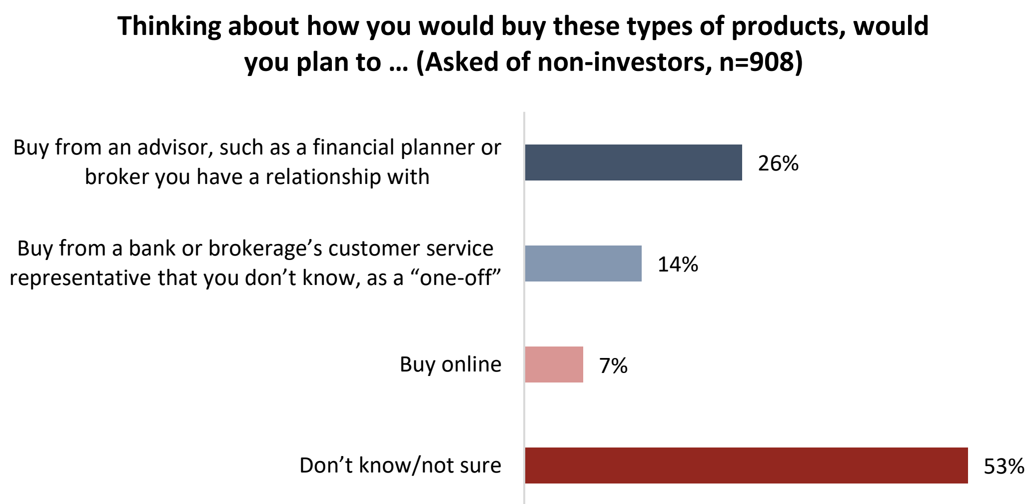
Part 2: Perspectives from those not currently in the market

Many non-investors willing to try a 'robo-advisor'

This study also canvassed the views of non-investors, including their perceptions of the investment industry and their willingness to engage with it in various ways in the future. On robo-advisors, the same age pattern seen among investors can be seen among those not currently in the market:



Overall, non-investors are fairly uncertain about how they would approach investing if and when they got into it. When asked which avenue they would follow if they wanted to purchase securities, one-in-four say they would consult an advisor to form a relationship, while half say they simply aren't sure yet:



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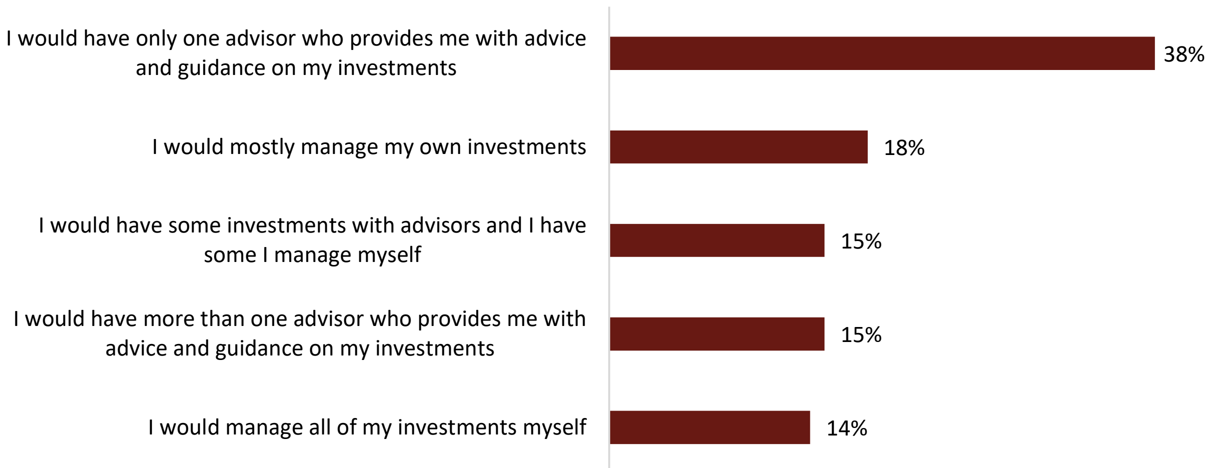
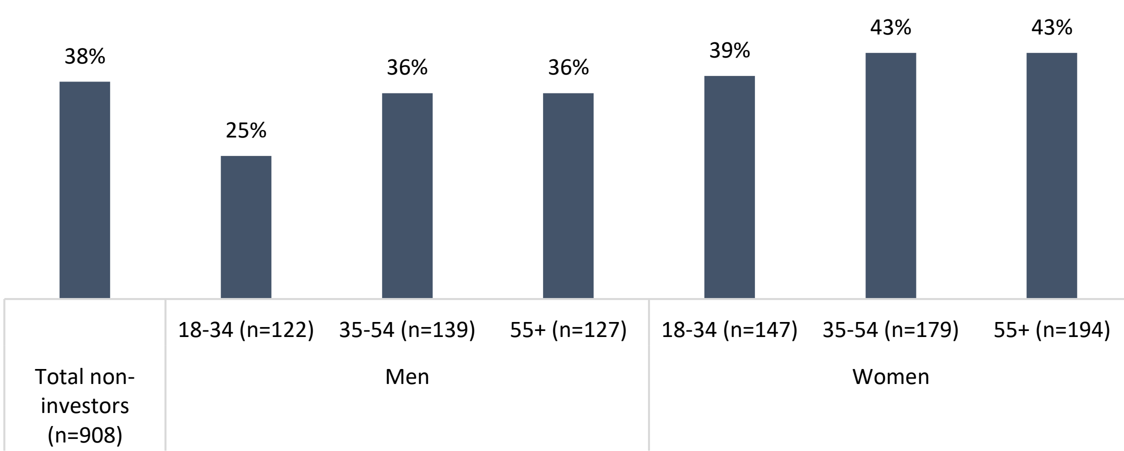
Asked which approach they would take to managing their investments overall, four-in-ten say they would have only one advisor, while 18 per cent say they would mostly manage their own investments and 14 per cent would manager their portfolio entirely themselves:

Assuming you were to invest in such products one day, which statement best describes the approach you would take? (Asked of non-investors, n=908)



Again, younger non-investors are less likely to say they would stick with a single advisor, and more likely to favour a diversity of sources for financial management compared to their older peers. Young men, notably, are least likely to say this across age and gender groups:

Percentage of non-investors (n=908) saying "I would have only one advisor who provides me with advice and guidance on my investments"



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For detailed results by age, gender, region, education, and other demographics, click here.

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