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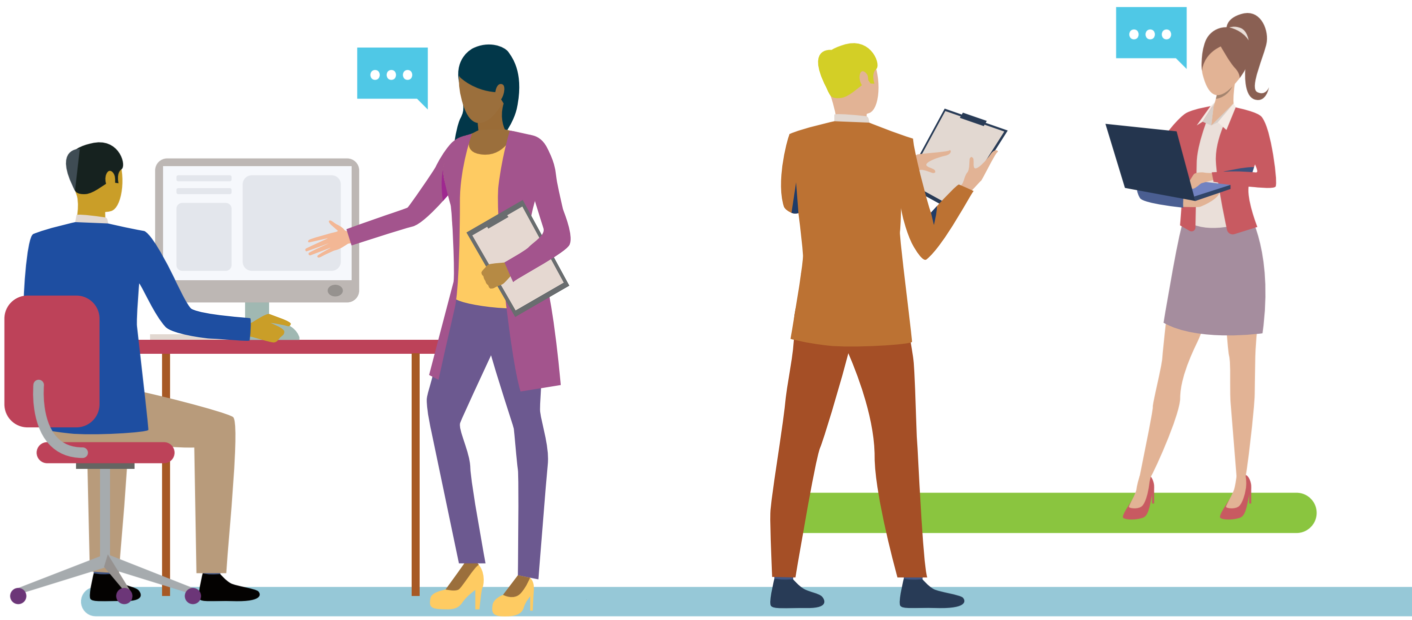
Financial Planning Insights

Research insights from the FP Canada Research Foundation™



November 2021

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Fondation pour la recherche FP Canada®/MC Research Foundation

From the Executive Director's Desk

Financial planning is more important to Canadians today than ever before, helping them navigate unprecedented challenges, stay on track to meet their short-term and long-term goals, and achieve financial wellbeing.

As the financial planning profession continues to evolve amid shifting consumer needs and growth in digital technologies, research informs organizations and equips professional financial planners with insights and strategies they can use to help clients achieve the best possible outcomes.

The FP Canada Research Foundation™ is an independent registered charity dedicated to funding research in financial planning with the aim of enhancing the wellbeing of all Canadians.

The Foundation fulfils its mandate by funding, promoting and disseminating research and partnering with independent researchers and academic partners to publish ground-breaking technical, behavioural as well as societal research. The topics of research are guided by deliberations and an exhaustive evaluation process, undertaken by the Research Committee and the Foundation Board of Directors, which comprises financial planners and individuals with relevant research and academic backgrounds. Our research projects examine and challenge current practices in financial planning, assess the impact of human behaviour on effective financial planning and uncover the benefits of financial planning on society as a whole.

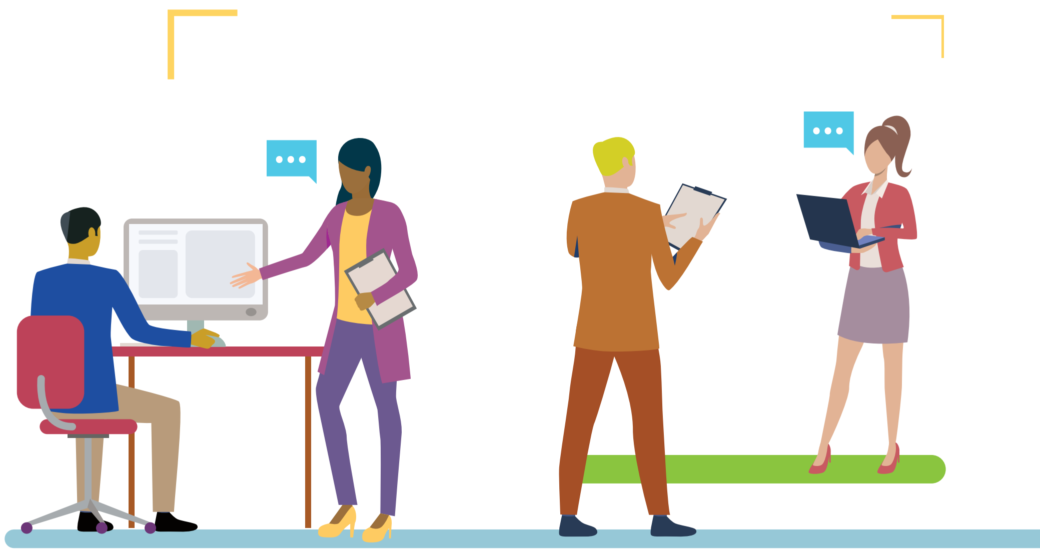
We are pleased to share with you a compendium of research resources, packed with actionable insights.

Thank you for the support you've shown to us thus far and I look forward to the continued support from industry stakeholders and financial planners to help drive the delivery of future financial planning research.

Sincerely,

Joan Yudelson, CFP®
Executive Director
FP Canada Research Foundation

Values & Priorities of Millennials in Canada



The FP Canada Research Foundation™ and The Decision Lab released new research Values & Priorities of Millennials in Canada. Authored by Dr. Brooke Struck (Research Director, The Decision Lab) the research sheds light on the attitudes, perspectives and values of the generation that accounts for over a quarter of the Canadian population. The research unlocks insights that can help financial planners effectively engage with Millennial clients and drive stronger outcomes for their clients.

Executive Summary

Fondation pour la recherche FP Canada Research Foundation

Values & Priorities of Millennials in Canada

Executive Summary

November 2021

Research conducted by:

THE DECISION LAB

This report provides an in-depth profile of the financial experiences of Canadian Millennials. A distilled summary of the most pertinent findings is presented here. This material is not presented to answer questions about Millennial clients, but rather to help financial planners understand which questions to ask in order to really get to know their Millennial clients.

In general, the increase in indebtedness and the increasingly precarious finances of many Millennials are important drivers that help to understand broad patterns. Many Millennials are attempting to follow the recipe for success handed to them by their parents and wider society: get a good education, get a stable job, get married, buy a house, start a family, save, retire. However, Millennials have been met with notable challenges.

This highly educated cohort graduated with higher levels of debt than previous generations, and emerged into one of the hardest job markets in a century. Trying to fill the gap, many Millennials have turned to part-time and contract work, as well as the gig economy. These forms of employment create much more erratic income streams, leave workers vulnerable to shocks, and make it hard to pay down accumulated debt. Additionally, with the chronically low interest rates since the Great Recession, debt has become socially normalized.

This group of Millennials live with their parents longer, start their careers later, and defer traditional life milestones such as marriage, home ownership and childrearing. They have little savings and their appetite for risk is low because they do not know if or when they might need those savings to bridge gaps in cashflow. Accordingly, their savings do not grow quickly either, leaving them further behind in saving towards big goals such as home ownership and retirement.

They are anxious about their money and feel that their finances control their lives, rather than the other way around. They feel alienated from the traditional arc of "the good life:" the middle class dream of the middle of the 20th century. Feeling that the material trappings of that life might be beyond their reach, and not just temporarily, many Millennials are defining new markers of success, charting a course for themselves that looks quite different from the ideals of previous generations.

The increasing elusiveness of the middle class dream is having wider effects, even on consumer segments for whom that narrative is still quite accessible. For example, Millennials have shifted their focus away from material possessions (more characteristic of Boomers and Gen X) and towards experiences, ephemeral moments. Millennials also have a strong sense of social responsibility, seeking to have their purchasing decisions, employment, and investments reflect their values of equality, justice, and ecological responsibility. These are all pathways towards self-actualization.

Along with questioning the traditional markers of success, Millennials are also questioning the institutions (both economic and social) that were once considered the bulwark of society. Millennials are disillusioned with banks and other financial institutions, which they view as at the root of the Great Recession. Misalignment between actions and words—any perceived inauthenticity—is very salient for this generation, which prefers smaller, local, more grassroots organizations and businesses.

Their trusted sources of information are primarily their friends and family. They are also very comfortable in a digital environment. Active on social media (where they will also gather information to reach decisions), they engage effortlessly with new mobile technologies. Their experiences with platforms such as Uber have helped them grow accustomed to very smooth, effortless digital interactions. They are used to a digital ecosystem in which they—the consumer—are placed at the centre. They see an important place for human-delivered services, but their expectations about smooth delivery carry over from the digital ecosystem. So, they expect human service to be effortless also, and integrated into the digital ecosystem.

Finally, this generation has already begun inheriting the largest inter-generational wealth transfer in history. Early activity in this transfer can already be seen in inter vivos gifts—namely, gifts from parents to their children around the time when the children buy their first home. This trend is expected to accelerate and will have a huge impact on the distribution of wealth (and the life outcomes) within the Millennial generation.

In terms of delivering high-quality service to this cohort, planners should first and foremost be aware of the unique challenges this generation is facing and the different set of objectives they're looking to achieve with their money. Practically speaking, this includes probing for markers of professional and financial precarity, along with the downstream effects these dynamics can have on financial confidence and perceived financial control. It's important to start from a solid foundation of financial confidence and stability, before building towards bigger, longer-term goals.

Many of the supports traditionally available to long-term, permanent employees are not available to gig workers (and other temporary contractors), and so custom solutions may be required to ensure that workers are protected by a robust safety net. These solutions for financial management and risk & insurance planning are typically not the major focus of financial planning for older cohorts and wealthier consumer segments. Previously normal expectations are also being challenged, and planners should be ready to build recommendations to support renting (in place of homeownership) as well as progressive retirement (instead of transitioning into full retirement overnight). Planners will also need to take inheritance into more serious consideration than they do with other clients.

Finally, in supporting implementation, planners can take advantage of digital tools to offer higher-value service to their clients. These tools represent valuable complementary components throughout the financial planning engagement. For example, digital tools can greatly improve a planner's service offering during the implementation phase. Beyond the operational support that makes implementation easier, there are many opportunities for planners to help their clients stay motivated during implementation, such as demonstrating improvements in the client's money mindset, helping them to feel confident in taking on bigger financial goals once the foundation is shored up, and demonstrating to them the social impact of their investments. There are
many concrete suggestions throughout the report to help planners accomplish these objectives.

Want more information?

Additional materials on this topic and other research projects are available for you to download at:

www.fpcanadaresearchfoundation.ca

Research Paper

Executive Summary

Identifying and Removing Psychological Barriers to Seeking Financial Advice

FP Canada Research Foundation and Smith School of Business at Queen's University released the Identifying and Removing Psychological Barriers To Seeking Financial Advice, research. Authored by Dr. Lynette Purda and Dr. Laurence Ashworth, it examines barriers that impact consumer behaviour, affecting their tendency to seek professional financial planning advice.

Executive Summary

Practice Notes

Identifying and Removing Psychological Barriers to Seeking Financial Advice

Executive Summary

June 2021

Research conducted by:

Smith School of Business, Queen's University

Working with a financial planner has been researched and documented to provide tangible psychological and financial wellness benefits. In a 3-year longitudinal study of Canadians, research found that individuals with comprehensive plans feel:

- More on track with their financial goals and retirement plans
- More confident that they can deal with financial challenges in life
- Better able to indulge in their discretionary spending goals
- More on track with financial affairs
- More able to save in the last five years

Yet, research also shows that many individuals – especially those most in need of assistance, frequently fail to obtain the advice they need. Financial advisors are seen as more geared to individuals that are richer, older and more experienced investors.

The question is why more individuals are not engaging with professional financial planners? What are the main barriers?

At a summary level, the research by Dr. Purda and Dr. Ashworth points to three main barriers:

Consumer confusion about what financial planning is and who is qualified to provide it: Consumers are generally ill-informed about the various financial professionals they interact with, the services they provide and the obligations they are bound to. Consumers surveyed knew very little about different financial titles used to describe financial professionals. As well, consumers did not appear to understand all the elements of a financial plan or the full range of services offered by financial planners.

Consumer attitudes toward planner use: Consumers who have negative attitudes toward financial planner use will be less inclined to engage in financial planning. Attitude is impacted most positively by consumer perceptions about the benefits of financial planning relative to the perceived costs and whether these professionals are deemed to be trustworthy or operating with an ulterior motive outside the client's best interests. Where perceived benefits relative to costs and trustworthiness are high, attitudes toward working with a financial professional are more favorable. Interestingly, as individuals become more confident in their financial know-how, they may be less favorably pre-disposed to seeking professional assistance.

Financial Advice Seeking Efficacy (FASSE): Consumers who don't believe they have "what it takes" to engage with a financial professional will not tend to do so. That is, where consumers don't believe they have sufficient knowledge or experience or resources to work with a financial professional won't tend to engage one. Similarly, consumers who are not certain about where to get good financial advice or feel unable to judge the quality of the financial advice they receive won't tend to engage in planning. FASSE is also impacted most positively by perceptions that financial planners are trustworthy, without ulterior motives.

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Research Paper

Practice Notes

Fondation pour la recherche FP Canada®/MC Research Foundation

Identifying and Removing Psychological Barriers to Seeking Financial Advice

Practice Notes

June 2021

Research conducted by:

Smith School of Business | Queen's University

Practice Tips for Addressing Key Barriers to Financial Planner Engagement

The researchers experimented with a number of possible interventions to address the key barriers to client engagement and concluded with the following key finding to address consumer confusion and positively impact both consumer attitude and FASSE (which measures how confident and comfortable an individual is in their ability to successfully seek out, identify and engage with a qualified financial professional).

Develop a Value Proposition that is Customized to Your Client

Be clear about:

- Your services and how they will address the client's biggest interests, needs, priorities and concerns;
- Your qualifications and most specifically what they mean in terms of the standards that guide you and your practice and your obligations to your clients (i.e., the duty of care and loyalty you owe to every client).

Leverage Consumer Financial Wellness Guide to enhance Consumer Attitude and FASSE:

The research indicates that consumers propensity to seek financial planning advice is negatively impacted, in part, when they don't have confidence in their financial knowledge and when they believe that advisors have ulterior motives and not their best interests at heart.

Online Financial Wellness Guide

FP Canada Research Foundation sponsored research by CPA Canada that included the development and delivery of a Financial Wellness Guide, a self-assessment questionnaire that helps consumers understand the strengths and gaps in their own financial situations. Provide the link to the Financial Wellness Guide to your clients to help build their confidence in their financial knowledge and build trust.
The self-assessment tool is an opportunity for your clients to better understand their financial position from the comfort of their own home and increase their readiness to speak with you. You can offer to follow up or be a sounding board as they may wish to discuss aspects of the questionnaire or questionnaire results – a great opportunity to influence clients' attitudes toward financial planning and you, as a financial planner, as well as their confidence in their ability to work with you.

Of note: The researchers tested different fee structures to assess the effect on attitude and FASSE of different models, in particular the impact of different models on clients' perceptions of financial planner trustworthiness.

They found that differences in fee structure (commissions, fees based on assets under management or fee-for-service) made little difference to consumer perceptions. The key is that clients understand and appreciate the benefits of planner services and professionalism relative to the fees charged.

Want more information?

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www.fpcanadaresearchfoundation.ca

Executive Summary

Research Paper

The Implementation Gap

The FP Canada Research Foundation has funded a study that seeks to uncover barriers to the implementation of financial plans delivered to Canadians by professional financial planners. Many financial planners note that their clients do not always take action on the plans they deliver and discuss with their clients. This is referred as the Implementation Gap—the gap between advice provided and action taken by the client.

Executive Summary

Practice Notes

Fondation pour la recherche FP Canada®/MC Research Foundation

Executive Summary

October 2020

Why is it that some clients engage in financial planning yet fail to follow through and implement the advice provided? This is referred to as the "Implementation Gap" – the gap between the advice financial planners provide their clients and the action that clients take based on that advice.

The FP Canada Research Foundation™ funded a research initiative to better understand and recommend ways to overcome the Implementation Gap.

The research considered the financial planner- client journey starting with the initial meeting right through to discussing the recommendations and the financial plan and implementing the recommendations.

BEworks conducted interviews with a small group of CFP® professionals and then, developed and distributed a broad-based survey to CFP professionals across Canada and individuals holding the Pl. Fin. designation in Quebec. Another survey was distributed to Canadians who work with CFP professionals and Pl. Fins.

The responses make clear that there are fundamental differences in thinking between planners and clients as to the root of the problem:

Financial planners perceive that the problem centers on the client – specifically, their state of mind, motivations and understanding – things like:

- Client procrastination
- The plan is too complicated for the client
- A strong relationship with the client was not built
- Client doesn't understand the value of a financial plan

Clients agreed with planners about their tendencies toward procrastination. However, they also attributed a lack of implementation to:

- Differing expectations between themselves and planner, i.e., a mismatch between the advice delivered and what the client expected from the planner; and
- The licensing effect, that is, the feeling that the financial plan is an important end and important accomplishment, in and of itself, which impacts clients' impetus to move to implementation.

Additional survey findings

FP Canada Research Foundation examined the results of both the client and financial planner surveys in detail and surfaced the following additional findings:

- Despite the fact that almost half of clients surveyed rated their knowledge and confidence in financial matters between eight and ten out of ten, there is still confusion on what financial planning is and what a financial plan consists of 92% of clients survey said they had a "Financial Plan" but the majority indicated Retirement (80.3%) and Investment (76.5%) as the priority focus areas of their plan Further, when asked to define financial planning in their own words, almost 40% defined financial planning in the context of investment, retirement and/or wealth accumulation, whereas only 10% included other areas like financial management, tax and insurance in their definitions.
- The majority of clients surveyed identified retirement savings and investments as their main interest and motivator in seeking out a financial planner (64%). Financial Planners surveyed support this notion, indicating that most clients, when they first come, are specifically interested in just two or three areas of planning; however, those same financial planners said that on average most financial plans typically cover four to six financial planning areas.
- None of the financial planners surveyed indicated that asking questions to uncover prospective clients' aspirations and concerns was a typical way of engaging new clients; rather, they indicated focusing on explaining the financial planning process, the nature of their business, their qualifications and the benefits of working with them and their firm.
- Less than half of clients surveyed said that their financial planner took the time to understand their wants and needs and who they are as a person.
- Only 30% of financial planners surveyed said that financial planners always walk clients through the terms of the engagement, including the scope of services they're proposing to provide.
- Despite the fact that the majority of clients surveyed had been working with their planners for over five years, almost 40% indicated that they may not be fully truthful or forthcoming with their financial planner, despite their long-standing relationships.
- Only 39% of client surveyed agreed or strongly agreed that the plan was discussed with them in a way they understood, with just 38% agreeing or strongly agreeing that the level of detail in the plan was appropriate for their understanding.
- Only 18% of clients surveyed agreed or strongly agreed that following through with financial planning recommendations requires substantial work on their end. 68% indicated that it was valuable to have the support of their financial planner in implementing the recommendations.
- Only 26% of financial planners surveyed strongly agreed that they should play a role in helping their clients implement the action steps set out in the financial plan.
- Only 38% of financial planners agreed or strongly agreed that where implementation is part of the terms of the engagement, it is the financial planner's role to set up meetings and appointments with lawyers and other third parties (where appropriate) as part of the implementation process. Further, just 45% agreed or strongly agreed that where implementation is part of the terms of the engagement, it is the financial planner's role to sit in on meetings and appointments with lawyers and other third parties as part of the implementation process.

Want more information?

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www.fpcanadaresearchfoundation.ca

Research Paper

Practice Notes

October 2020

The Implementation Gap

Research summary

This study explored why some clients who engage in financial planning fail to follow through and implement the advice provided. This is referred to as the "Implementation Gap" – the gap between the advice financial planners provide their clients and the action that clients take based on that advice.

Practice Tips

The following tips and strategies can help you overcoming the barriers to implementation and improve your client outcomes:

1. **Enhance your client engagement to avoid a mismatch in expectations between you and your clients**.

   Right from the initial meeting, engage clients or prospective clients in financial planning by relaying your value proposition in a way that aligns your services to the "jobs" your client wants to achieve or the concerns they want to overcome. Focusing on your client is key as opposed to focusing on the financial planning process or yourself. A focus on how you can help your client will enhance their understanding and appreciation of the value of holistic financial planning as a means to help them achieve what matters most to them.

   Frame the terms of engagement discussion as an opportunity to ensure your clients understanding to your proposed services and how they will help the client achieve their priorities. Take the time to discuss and explain what the services entail and how they will help the client and invite your client to ask questions and become comfortable with services they may not have originally contemplated or felt they required. Review and discuss the associated fees and other disclosures required and discuss to ensure understanding.

   Time taken at this stage of the financial planning process will help prevent misunderstandings or surprises down the road as to what your recommendations and financial plan include and help prevent implementation challenges by clients who weren't expected what you delivered. It will also serve to build a trusting relationship as clients see you as a professional delivering a professional service in their best interests.

   Effectively delivering your value proposition and taking the time to discuss the terms of your engagement will also help ensure that your client is more forthcoming during the discovery process as they should better understand the rationale for your questions.

2. **Right-size your recommendation and financial plans**

   Ensure that the recommendations and financial plan you develop are specifically linked to clients' priorities and concerns and include only information that specifically aligned to what matters to them and improving their future outcomes and confidence. "Less is more" in a plan as a plan that is too heavy, involved or complex may cause overload, confusion and create implementation challenges.

   Focus your financial plan discussion on only those elements that allow your client to clearly see how your recommendations and plan will help enhance their future prospects and achieve their priorities. The detailed analysis or alternate scenarios can be set aside for discussion in response to questions your client may have or requests for further information. This will allow greater understanding and appreciation of your recommendations, prevent overwhelm and help motivate clients to action.

3. **Support implementation process to avoid licensing effect and procrastination**

   Important steps to motivate action in clients' best interests include:

   - help clients commit or set an intention to take action (the plan is not an end in itself; it won't move the client closer to their goals);
   - set specific, short-term implementation goals, which helps to increase their self-efficacy (i.e., specifying the when, where and how of actions will lead to implementation);
   - facilitate the process of implementation by supporting clients in setting up meetings or joining clients in meetings with third parties, where appropriate and desired,
   - check on clients' progress and how they are managing with implementations steps that are assigned to them, and
   - provide positive reinforcement for steps taken.

Want more information?

Additional materials on this topic and other research projects are available for you to download at:

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Research Paper

Executive Summary

Understanding the Importance of Risk for Financial Planning

This study, conducted by Dr. Bonnie-Jeanne MacDonald of Ryerson University, explored the sources of risk in retirement planning, how these should be addressed and the degree to which individuals can improve financial outcomes by adjusting factors they can control.

Executive Summary

Practice Notes

Fondation pour la recherche FP Canada®/MC Research Foundation

Understanding the Importance of Risk for Financial Planning

Executive Summary

March 2018

Research conducted by:

Bonnie-Jeanne MacDonald, PhD FSA,
Senior Research Fellow
at the National Institute on Ageing
(Ryerson University) and
Resident scholar at Eckler Ltd.

Marvin Avery,
Chief Software Architect,
Employment and Social
Development Canada (ESDC) *(retired)*

Richard J. Morrison, PhD,
Senior Methodologist, ESDC *(retired)*

Retirement financial security has become critically important with an aging population. As the shift away from defined benefit pension plans continues, it is becoming increasingly important (and necessary) for workers to be engaged in their own retirement income planning and for you to help clients manage the inherent risks in retirement income planning to help meet their retirement planning goals.

The findings from this research reveal the significant risks inherent in retirement income planning based on a number of factors, which can impact clients' ability to maintain their desired lifestyle over their retirements or provide assurance of sufficient funds to avoid outliving their savings.

These factors include:

- Investment returns
- Unexpected expenses
- The passing of a loved one
- Changing tax eligibilities
- Changing goals
- Changing inflation rates
- Changing life expectancy

While these risks are not limited to clients' retirement years, they are perhaps more significant in retirement. While younger, healthier seniors are generally better able to absorb financial risks by adjusting spending, or even returning to the workforce to supplement any income shortfalls, seniors at later ages are more likely to be more financially, mentally, and physically vulnerable to income shortfalls. For example, it is at advanced ages (e.g. 85 and beyond) that inflation has eroded any nominally fixed pension income by nearly a third (2 percent compounded over 20 years), increased frailty and skills attrition has reduced the possibility of returning to the workforce, and cognitive declines expose vulnerable seniors to financial decision-making mistakes. In addition, the advanced-aged elderly are much more likely to experience the impacts of financial shocks associated with the onset of chronic health conditions, which creates fixed and ongoing health care costs that cannot be postponed without impact. With the population aging and a decline in secure employer pension plan income, more and more Canadians will face this reality.

This research supports the practice of regularly reviewing and adjusting recommended withdrawal rates and financial strategies based on emerging information, including the above factors any other material changes in the client's circumstances (including divorce, widowhood or needed home renovations to accommodate clients in retirement).

The research also reinforces the importance of considering the risk implications of key decision opportunities that can have significant impact on client's future well-being and are either non-reversible decisions or reversible at significant cost.

These include decisions as to:

- when to take Canada Pension Plan (CPP)/Québec Pension Plan (QPP) and Old Age Security (OAS);
- whether to choose the pension or commuted value of a pension;
- whether to tap into home equity to help fund retirement;
- whether to direct funds to reducing debt and/or savings;
- renting versus owning primary residence; or
- converting retirement savings to an annuity and/or RRIF.

The impact of these decisions can have significant life-long implications for clients. Lack of information or guidance or misinformation can be the difference between a client feeling confident in their futures and significant concern for seniors who do not have adequate secure retirement income. While younger seniors generally prefer financial flexibility, advanced age seniors often require financial security – and unfortunately, "risk" operates in precisely opposite terms, as the elapse of time enables risk to have greater opportunity to generate significant, interacting, cumulative impacts.

All else equal, financial strategies that ignore risk are progressively more likely to fail with time. As a result, an elderly senior is increasingly more likely to deplete financial savings as they advance in years.

Some seniors choose not to use their savings to protect against future risks. This precautionary behaviour, however, leads to significant unspent savings at the time of death and an unnecessarily reduced lifestyle.

Rather than not spend and benefit from their savings in retirement, you can help your clients manage the risk by:

- choosing withdrawal strategies that respond to risk. Known as "variable" drawdown strategies, this requires adjusting annual payments each year to reflect financial market performance and other changes that may have taken place in the client's life; and
- taking full advantage of key decision opportunities and events both leading up to and in retirement.

Want more information?

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Research Paper

Practice Notes

Fondation pour la recherche FP Canada®/MC Research Foundation

Using Research Findings to Enhance Client Outcomes

Practice Notes

March 2018

Research conducted by:

Bonnie-Jeanne MacDonald, PhD FSA,
Senior Research Fellow
at the National Institute on Ageing
(Ryerson University) and
Resident scholar at Eckler Ltd.

Marvin Avery,
Chief Software Architect,
Employment and Social
Development Canada (ESDC) *(retired)*

Richard J. Morrison, PhD,
Senior Methodologist, ESDC *(retired)*

Understanding the Importance of Risk for Financial Planning

Research summary

This study, conducted by Dr. Bonnie-Jeanne MacDonald of Ryerson University, explored the sources of risk in retirement planning, how these should be addressed and the degree to which individuals can improve financial outcomes by adjusting factors they can control.

Practice Tips

Here are tips on how to use this research with your clients or prospects:

1. **Proactively engaging in retirement income planning** with your clients who are approaching retirement in the next 5 years.

   This provides opportunity to understand client's planned lifestyle and income needs and avoid missing key decision opportunities where clients will inevitably require sound financial advice from a professional, including timing of taking Canada Pension Plan (CPP)/Québec Pension Plan (QPP) and Old Age Security (OAS), retirement income solutions and possible decisions related to home ownership.

2. **Discuss the importance of reviewing your clients' retirement income plans regularly and set up regular follow ups**

   A common challenge is that people who depend on financial planners may not return year after year to revisit their strategies nor check in with financial planners when making key decisions that can impact their retirement income for the rest of their lives.

   It is incumbent on your to be proactive in following up with clients and impress on them the significance of professional advice and regular review to help ensure they continue to have confidence in their financial futures.

It is important to follow up with clients annually at a minimum or when their circumstances may change as to health or the health of loved ones or the onset of unexpected expenses. This could be the difference between a comfortable retirement or one where clients are struggling at times when they can least afford to be.

3) **Proactively advise clients on key, one-time, decisions** that will have significant impacts on their financial well-being in retirement, including when to take CPP/QPP and OAS, whether to convert assets to an annuity for predictable cash flow in retirement, homeownership decisions and money transfer or gifting decisions.

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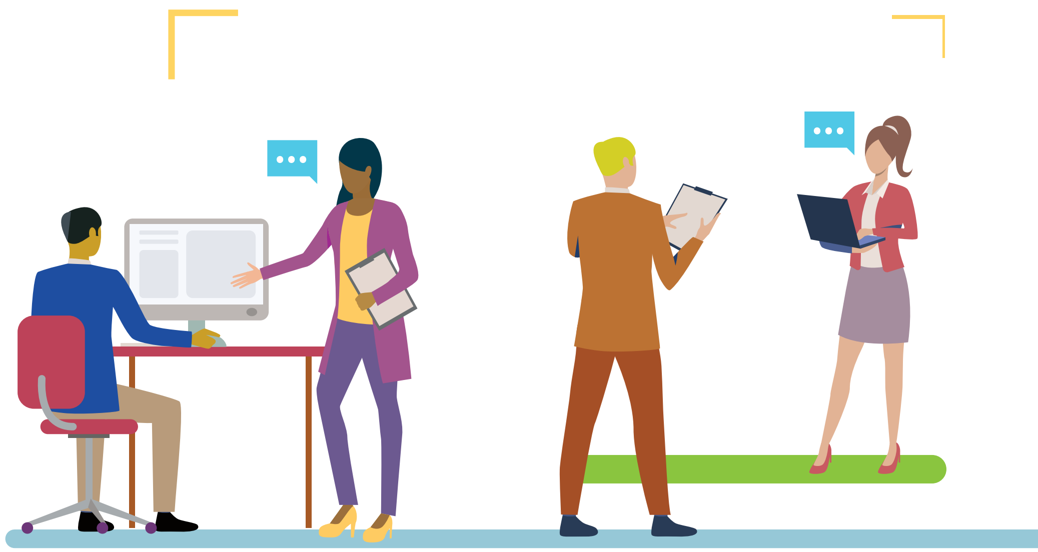
Research Paper

Executive Summary

Financial Wellness Study



This study, conducted by CPA Canada, with the financial support of the FP Canada Research Foundation, helps Canadians assess, articulate and ultimately improve their degree of financial wellness. The study showed that by framing their view of financial wellness and what it means to them, Canadians can better identify gaps between their current and desired state of well-being and more effectively communicate with the financial planners who can help them reach their goals.

Executive Summary | **Practice Notes**

Fondation pour la recherche FP Canada®/MC Research Foundation

Financial Wellness Study

Executive Summary

January 2018

Research conducted by:

CPA CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

With support by the Financial Planning Foundation (renamed, the FP Canada Research Foundation) CPA Canada a financial wellness study intended to enhance Canadians' financial wellness.

The culmination of the study was the development of a **Financial Wellness Guide** (the "Guide") – an online tool to help Canadians:

- **39 questions that explore the participant's current financial position:** Because the questionnaire is filtered, each participant's specific responses determine the series of questions they are asked (so, for example, a participant indicating no dependent children would not be asked further questions regarding RESPs.) Most participants will be asked about 20 questions.
- **Plain language definitions** of key concepts: Throughout the questionnaire, all key concepts offer rollover definitions, allowing participants to review the definition of any concept with which they are unfamiliar or for which they require additional clarity, while not being slowed down by definitions of concepts with which they are already familiar.
- **Information "tidbits":** To keep participants engaged and encourage them to complete the questionnaire, interesting "did you know?" facts pop up throughout the questionnaire, that contextualize the participant's responses. So for example, if an individual responds that they make minimum payments on their credit cards, they will receive a pop up that says: Did you know? Making minimum payments may cost you a lot more in interest payments. The average interest rate on Canadian credit cards is 19.99%. Some department store cards have rates as high as 30%. This is money better spent securing your financial future. These tidbits draw from current publicly available data and behavioural economics theory.
- **Report database:** Underlying the questionnaire is a database with a specific piece of information and/or recommended next step for every possible answer to every question in the questionnaire. Once the participant has completed the questionnaire, the tool generates a report that compiles all responses and groups them into themes, publishing only what is relevant to their particular responses. To help participants manage the size of the report, they may choose to see the whole report, or only specific sections (for example "tax" or "budgeting").

The questionnaire should take most people 10 to 15 minutes to complete. The target audience is Canadians aged 24 to 49.

Background for Study

The idea for the Financial Wellness Guide was based on the unfamiliarity of Canadians with financial terms and their discomfort talking about money and finance in general. These challenges are well researched by the Financial Consumer Agency of Canada (FCAC), the Organization for Economic Cooperation and Development (OECD), and many others.

While there are some tools on the market for financial planning, most are either not specifically Canadian, are tied to a specific financial service provider or are fee-based. The gaol of this project was to create something universally available to all Canadians and available at no cost.

Summary of Study

CPA Canada commissioned Neilsen to undertake an online research study to evaluate what the concept "financial wellness" means in plain language terms that Canadians could relate to. The study was done with 600 CPA Canada members and 200 CFP professionals.

Descriptions of financial wellness were categorized thematically. The dominant emerging themes of financial wellness generally focused on financial planning and living within ones means, and evoked the emotional benefits of empowerment, peace of mind and being in control of one's life.

A joint CPA Canada/FP Foundation working group was established to study the findings of the research and develop a self-assessment tool that could help Canadians understand where they currently stand financially in order to help take steps to fill gaps and prepare for conversations with financial planners.

Focus Groups:

The questions and the questionnaire concept proposed by the working group were fleshed out and a draft tool was developed for testing with a sample of Canadians.

Testing was conducted in a series of eight qualitative focus groups of two-hours duration, with two held in each of these four centres: Toronto, Winnipeg, Calgary and Montreal. Participants in seven of the eight sessions were aged 20 to 54; the eighth session was a pre-retired and retired group aged 50 to 69. Participants were recruited with a household income over $40,000 ($30,000 for students) who were interested in improving their financial knowledge. Groups were formed to reflect gender mix, participants with and without children, and at various life stages.

Most participants valued online delivery (with no one trying to "sell" them anything) and being able to complete the questionnaire and learn in private rather than have to ask someone in person. The questionnaire was largely thought to be comprehensive, with a few exceptions. The one group that felt the guide was not really for them (though they thought it valuable for younger people) was the pre-retired and retired group, who had more specific needs.

The culmination of this study was a Financial Wellness Guide, in plain language terms, that consumers may use and that planners may use with their clients as a starting point to help engage clients in financial planning in a gentle, non-threatening manner that helps clients feel more comfortable with financial matters and terms, and more understanding of their own financial situation and priorities.

Want more information?

Additional materials on this topic and other research projects are available for you to download at:

www.fpcanadaresearchfoundation.ca

Practice Notes

Online Financial Wellness Guide

Fondation pour la recherche FP Canada®/MC Research Foundation

Practice Notes

January 2018

Research conducted by:

CPA CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

Financial Wellness Study

Research summary

This study, conducted by CPA Canada help Canadians assess, articulate and ultimately improve their degree of financial wellness. The study showed that by framing their view of financial wellness and what it means to them, Canadians can better identify gaps between their current and desired state of well-being and more effectively communicate with the financial planners who can help them reach their goals.

Based on the Financial Wellness Study and with the financial support of the FP Canada Research Foundation, CPA Canada developed the Financial Wellness Guide, an interactive questionnaire that helps Canadians understand money basics and how to apply learnings to improve their own lives.

Practice Tips

Some Canadians may have feelings of anxiety, embarrassment or shame as it relates to their finances, which may create hesitation to engage in financial planning or with a professional. They may also lack trust in financial advisors if they feel that advisors may not have their best interests at heart or they may not want to reveal their lack of financial literacy. They may also not feel comfortable sharing private or intimate details of their financial situation with a stranger.

As a result, many Canadians may not be getting the financial planning help they need.

The Financial Wellness Guide provide an easy way for clients or prospective clients to get started in exploring their finances, without the anxiety or intimidation they may have in meeting with a professional. It provides a warm up exercise for the client and a way to engage clients in planning.

Where the client is comfortable sharing the results with you, it can also facilitate your discovery process as both you and the client will be armed with equal information about what is important to the client and where they may have financial concerns.

Here are a few suggested steps for using the Financial Wellness Guide with your clients or prospects:

1. Provide your prospects/clients with the link to the Guide. Indicate that it should take about 10 – 15 minutes to complete.
2. Let them know its purpose – to allow them to better understand their current situation and to help identify areas where they may feel confident and less confident and areas where they may want guidance or advice from a professional financial planner, like you.
3. Ask them if you can follow up with them in a week to see if they may have any questions or to discuss the results
4. Maintain your commitment to follow up and when you do, ask open ended questions, such as:
    - Being more effective in engaging them in financial planning;
    - Helping to ensure their ongoing engagement throughout the financial planning process; and ultimately,
    - Motivating your clients to take action based on your recommendations.

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Executive Summary

Online Financial Wellness Guide

Predicting a Person's Likelihood to Seek Professional Financial Help–Financial Stress & Self-Efficacy

This study, conducted by researchers Jodi Letkiewicz, Chris Robinson and Dale Domian of York University, examined the behavioural aspects of financial planning. The researchers focused specifically on two behavioural experiences or traits—financial stress and self-efficacy (the belief in one's own ability to succeed)—and analyzed how both traits predict a person's likelihood to seek professional financial help. Planners can apply the findings of this research to increase the likelihood that clients will both seek your professional financial planning advice and implement that advice.

Executive Summary **Practice Notes**

Fondation pour la recherche FP Canada®/MC Research Foundation

Predicting a Person's Likelihood to Seek Professional Financial Help – Financial Stress and Self-Efficacy

Executive Summary

2016

Research conducted by:

Jodi Letkiewicz, PhD
Chris Robinson, Ph.D., CFP,
Dale Domian, Ph.D., CFP,
School of Administrative Studies,
York University,
Toronto, Ontario, Canada M3J 1P3

FP Canada's Value of Financial Planning study revealed that Canadians with financial plans feel they are saving more, living well, and experiencing higher levels of overall contentment in their lives. Despite these positive findings, the unanswered question is why more people are not seeking out a professional to develop a financial plan. Understanding these factors may allow more Canadians to experience the benefits identified in the study.

The Financial Planning Foundation (recently, renamed FP Canada Research Foundation) funded a study, conducted by researchers Jodi Letkiewicz, Chris Robinson and Dale Domian of York University, to look at the behavioural aspects of financial planning. This study was motivated by interest in the types of factors – aside from wealth and income – that lead people to seek help.

The researchers focused specifically on two behavioural experiences or traits – financial stress and self-efficacy (the belief in one's own ability to succeed) – and analyzed how both traits predict a person's likelihood to seek professional financial help. The research concluded that financial stress alone is not enough for people to seek financial help. Instead, it is self-efficacy that is a consistent and strong predictor of help-seeking behaviour. In fact, financial stress without self-efficacy tended to decrease the likelihood that one would seek the help they need. Those who believe they can succeed are more likely to seek the help they need to succeed.

Want more information?

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Research Paper

Practice Notes

Research conducted by:

Jodi Letkiewicz, PhD
Chris Robinson, Ph.D., CFP,
Dale Domian, Ph.D., CFP,
School of Administrative Studies,
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Predicting a Person's Likelihood to Seek Professional Financial Help – Financial Stress and Self-Efficacy

Research summary

This study, conducted by researchers Jodi Letkiewicz, Chris Robinson and Dale Domian of York University, examined the behavioural aspects of financial planning. The researchers focused specifically on two behavioural experiences or traits—financial stress and self-efficacy (the belief in one's own ability to succeed)—and analyzed how both traits predict a person's likelihood to seek professional financial help. Planners can apply the findings of this research to increase the likelihood that clients will both seek your professional financial planning advice and implement that advice.

Practice Tips

Helping to increase clients' self-efficacy can help to enhance your outcomes with clients by:

- Being more effective in engaging them in financial planning;
- Helping to ensure their ongoing engagement throughout the financial planning process; and ultimately,
- Motivating your clients to take action based on your recommendations.

There are 4 ways for you to increase your clients' self-efficacy:

1. **Vicarious Experiences**
   – Let Your Clients or Prospects Know You Serve Others Like Them

   Vicarious Experiences occur when you observe someone like yourself succeeding at a task.

   Communications and advertising can highlight success stories to appeal to a diverse audience and provide valuable information and guidance to help people get started.

   You can encourage prospects or clients to engage in financial planning by letting them know that you regularly work with clients like them, with similar needs, priorities or concerns and who, like them, may have been initially hesitant to discuss their finances with a professional, but who have now made great strides, with many increasingly confident in their futures.

2. **Performance Accomplishments – Give Your Clients a Sense of Accomplishment**

You can help your clients feel a sense of accomplishment by setting simple tasks toward achieving their goals as a start -- for example, paying off their credit card debt by a certain deadline or setting aside a small amount each month for emergencies. Another example would be to discuss and put a plan in place to address a single priority. These tasks require a measure self-discipline but they are relatively modest and readily achievable goals.

The philosophy applies equally to personal finance as it is for diet or exercise – the more we feel good about what we have accomplished, the more motivated we will be to continue on a positive course and set larger goals for ourselves that will enhance our well-being.

As it pertains to financial planning, setting micro-tasks is a good way to motivate clients to take on more advanced tasks, such as engaging in a fulsome discovery process to help address their goals more holistically or developing a budget to satisfy both current and future lifestyle needs.

3. **Verbal Persuasion – Be Your Clients' Cheerleader!**

You have opportunity to be your clients' cheerleader! Encourage your clients by providing constructive feedback to build and maintain their confidence. Congratulate them for their efforts and achievements, even when they may appear relatively small. This helps to build self-efficacy.

A little belief in someone can go a long way. Using the fitness analogy, a big reason why people use personal trainers is for their role as personal champions and supporters! Similarly, a big reason why people use diet clinics is for their ability to support and encourage.

You have opportunity to play a similar role with your clients — in particular those who may not be comfortable with personal financial matters or who may feel badly about the progress they have made toward their goals to date.

4. **Physiological States – Help your Clients Take Action in their Best Interests**

Extremely nervous or anxious people tend to doubt themselves and may therefore have a weak sense of self-efficacy. This is in line with the research findings that stress can either paralyze or mobilize someone to seek financial help.

One way to reduce stress and anxiety about personal finances is to keep things simple and connect to what's important to your clients. This can be done in the following ways:

a) Keep your discussions with clients focused on what matters most to them - you can do that by connecting every conversation back to your client's priorities. As an example, during your discovery meetings, tie your questions directly to the client's interests and concerns. When discussing your recommendations and plan, keep the details to the side and focus on an Executive Summary with the clients' priorities front and centre.

b) Break down implementation plans into small bite-size pieces – this will reduce anxiety and help develop your clients' confidence in their ability to take on the steps you are recommending more efficiently

c) Facilitate the implementation of your recommendations – you can do this by offering to set up meetings with counterparts and other experts who may need to be involved in the implementation, offering to join your clients in meetings with specialists and offering to help your clients in tasks that are delegated to them.

You have an important role to play in helping to increase your clients' self-efficacy so that they seek your professional financial planning advice and then, implement your advice to effect positive client outcomes for you and your clients over the long term.

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Research Paper

Executive Summary

Fondation pour la recherche FP Canada®/MD Research Foundation

Commitment to Accessibility

FP Canada is committed to ensuring equal access and participation for people with disabilities. We are committed to treating people with disabilities in a way that allows them to maintain their dignity and independence. We believe in integration and we are committed to meeting the needs of people with disabilities in a timely manner. We will do so by removing and preventing barriers to accessibility and meeting our accessibility requirements under the Accessibility for Ontarians with Disabilities Act, 2005 and Ontario's accessibility laws.

Commitment to Inclusion and Diversity

FP Canada values inclusion and diversity, and different perspectives and experiences; and we are committed to working towards an inclusive and diverse organization, reflective of Canada's population.

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902-375 University Ave. Toronto, ON M5G 2J5 • fpcanadaresearchfoundation.ca • 416-593-8587 • Toll Free: 1-800-305-9886

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