



CIRANO

Allier savoir et décision

More on the Value of Financial Advisors

CLAUDE MONTMARQUETTE

ALEXANDRE PRUD'HOMME

2020RP-04
RAPPORT DE PROJET

RP

CIRANO

Le CIRANO est un organisme sans but lucratif constitué en vertu de la Loi des compagnies du Québec.

CIRANO is a private non-profit organization incorporated under the Québec Companies Act.

Les partenaires du CIRANO

Partenaires corporatifs

Autorité des marchés financiers
Banque de développement du Canada
Banque du Canada
Banque Laurentienne
Banque Nationale du Canada
Bell Canada
BMO Groupe financier
Caisse de dépôt et placement du Québec
Canada Manuvie
Énergir
Hydro-Québec
Innovation, Sciences et Développement économique Canada
Intact Corporation Financière
Investissements PSP
Ministère de l'Économie, de la Science et de l'Innovation
Ministère des Finances du Québec
Mouvement Desjardins
Power Corporation du Canada
Rio Tinto
Ville de Montréal

Partenaires universitaires

École de technologie supérieure
École nationale d'administration publique
HEC Montréal
Institut national de la recherche scientifique
Polytechnique Montréal
Université Concordia
Université de Montréal
Université de Sherbrooke
Université du Québec
Université du Québec à Montréal
Université Laval
Université McGill

Le CIRANO collabore avec de nombreux centres et chaires de recherche universitaires dont on peut consulter la liste sur son site web.

ISSN 1499-8629 (Version en ligne)

© 2020 Claude Montmarquette, Alexandre Prud'Homme. Tous droits réservés. *All rights reserved.* Reproduction partielle permise avec citation du document source, incluant la notice ©. *Short sections may be quoted without explicit permission, if full credit, including © notice, is given to the source.*



Centre interuniversitaire de recherche en analyse des organisations

Table of Contents

1. Introduction	3
2. Updated results	6
2.1 Sample description	6
2.2 Descriptive statistics.....	7
2.3 Determinants of having a financial advisor.....	10
2.4 Impact of a financial advisor on asset values.....	13
3. Types of financial advisors.....	25
3.1 Descriptive statistics.....	25
3.2 Determinants of having a financial advisor by type of financial advisor	27
3.3 Impact of each type of financial advisor on asset values (ln)	35
4. Financial advisors and annual household income.....	40
4.1 Descriptive statistics.....	40
4.2 Determinants of having a financial advisor by annual household income	42
4.3 Impact of a financial advisor on asset values (ln) by annual household income.....	45
5. Impact of initial investment (accumulated savings) at the time a household began working with an FA on its 2018 value of assets	48
6. Comparison between 2014 and 2018 respondents to both surveys (the survival principal)	52
7. Has increased fee transparency (CRM) in recent years affected the use of a financial advisor?	56
8. Conclusion.....	58

1. Introduction

Over the years, inquiring about the role of financial advisors and their value has led to numerous studies that have somehow produced conflicting results. The industry generally has a more positive viewpoint than most academic papers do. Along with the increased visibility of advisors' fees made mandatory by regulatory authorities, the recent focus on gamma factors rather than the usual alpha and beta benchmarks has, nonetheless, contributed to a more positive assessment of the profession of financial advisor.

A report from the Investment Funds Institute of Canada highlights that, on average, investors who work with financial advisors have nearly three times the net worth and four times the investable assets of those who do not. This observation holds across all age groups and income levels. When asked, 61% of advised investors strongly agreed that their advisor had a positive impact on the value of their investments and their investment returns.

An econometric analysis of the data gleaned from a major, original Canadian survey carried out in 2009–2010 showed that a financial advisor added significant value to a household's financial assets relative to a comparable household having no financial advisor. Two key elements underlie this positive effect: financial advisors raise households' savings rates and encourage households to behave in a more disciplined manner when the stock market drops significantly.

That study has received extensive exposure in general and specialized media. It has been presented at numerous conferences, and an academic version has been published (see Montmarquette & Viennot-Briot, 2015).¹

A second Canadian survey, conducted in 2013–14, confirmed the previous results. This second survey avoided the problem of causality in this type of study, that is, determining whether wealth attracts advisers or whether financial advisors affect the financial wealth of households. As in our previous study, the discipline imposed by a financial advisor on the financial behavior of households, and the increase in their savings rates are the dominant factors that help increase the value of their assets relative to comparable households without an advisor. Also, focusing on a subset of participants in both surveys, we found that the loss of a financial advisor between 2010 and 2014 was costly: households that retained their advisor saw the value of their assets increase by 16.4%, versus only 1.7% for the assets of households that abandoned

¹ Montmarquette C., & Viennot-Briot N. (2015). "The Value of Financial Advice," *Annals of Economics and Finance*, 16(1), p.69–94.

their advisor during this period. Thus, the value of financial advice far exceeds the traditional alpha and beta measurements discussed in the literature. This study has also been widely distributed by the industry and has been published in the same scientific journal as the previous study: Montmarquette & Viennot-Briot (2019).²

In the two previous studies, we emphasized a potential limitation on the estimation of the extent of the financial advisor's effect. Although we control for many factors, we have recognized that the positive effect of a financial advisor's services, notably on additional savings, may be overestimated due to the lack of measurable characteristics regarding a household's desire to save and invest.

A third survey, 2017–2018, conducted under similar conditions as the previous ones, afforded us another opportunity to validate the robustness of our initial results in a new financial and economic context. Furthermore, new questions helped us to gain a better understanding of the intrinsic willingness of survey respondents to invest with or without the help of a financial advisor. In short, we hoped to correct any potential bias described in the previous paragraph.

Associated topics on the use of a financial advisor and its impact were also studied:

1. The determinants of choosing a specific type of advisor and evaluating the impact differentially on wealth due to the different types of financial advice (advice in a bank branch vs. broker vs. individual advisor vs. automated advisor, etc.).
2. The determinants of choosing a financial advisor and the impact on the value of assets by the level (broad category) of annual household income.
3. Does a financial advisor's impact depend on the level of initial financial wealth?
4. From a subset of respondents who replied to both the 2014 and 2018 surveys, how did changing the household situation concerning the involvement or not of an FA affect the value of the household's financial assets (referred to as the survival principle in the 2014 survey). For example, was there a difference in asset values between households who retained their advisor relative to households who dropped their advisor over that period?

² Montmarquette C., & Viennot-Briot N. (2019). "The Gamma Factor and the Value of Financial Advice," *Annals of Economics and Finance*, 20–1, p.391–415.

5. Has increased fee transparency (CRM2 - Client-Consumer Relationship Model regulation) in recent years affected the use of a financial advisor?

We refer readers to our previous studies for an exhaustive review of the literature on the impact of a financial advisor in general. Further references will be added as we proceed with the current study.

The associated topics mentioned earlier should be regarded as breaking new ground in the literature on financial advice, as was the case of the survival principle in the second study.

Following the introduction, Section 2 discusses the 2018 survey and presents the updated results (the determinants of having a financial advisor and the impact of a financial advisor on the value of assets). In Section 3, we replicate in part the analysis of Section 2 by type of financial advisor. We follow a similar pattern in Section 4 by examining the impact of a financial advisor by level of annual household income. In Section 5, we investigate the impact of the initial investment (financial wealth) at the time the household began working with an FA on the 2018 value of assets held by households. In Section 6, we revisit the survival principle by looking at household investment behavior and the consequences of respondents' use or not of the services of a financial advisor between 2014 and 2018. In Section 7, we explore whether an increase in fee transparency (client-customer relationship model regulation, or CRM2) in recent years has affected the use of a financial advisor. Section 8 sets out our conclusions.

In short, households in all income groups benefit from having a financial advisor. The impacts of FA involvement depend on the economic and financial contexts. Gamma factors continue to play their role.

2. Updated results

2.1 Sample description

The database used for the analysis presented in this document is derived from the data cleaning performed by a team at the Retirement and Savings Institute (HEC Montréal) using the filters set out below. The following criteria were used for inclusion in the database:

- I. Household with at least \$1,000 in financial assets
- II. Annual income of less than \$250,000
- III. Savings rate of under 90%
- IV. Retired individuals receiving less than \$26,000 from government transfers

Of the 2,675 respondents who were not screened out by the selection filters, 189 individuals who had been directly approached by a financial advisor were excluded. The final number used for the 2018 data analysis was therefore 2,486 (2,675 – 189). So, in this report, the term “advised” means “advised but not approached.”

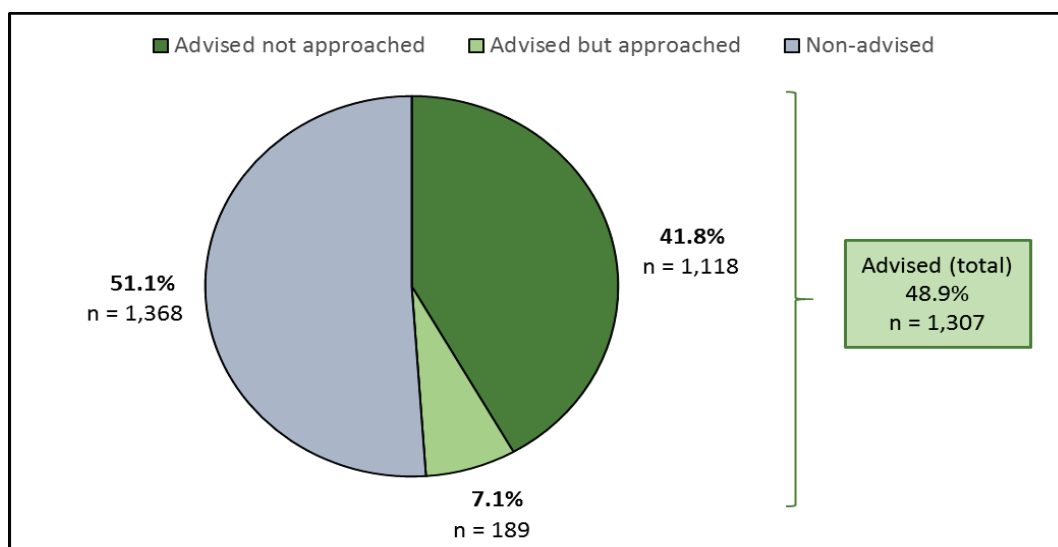


Figure 1. Proportion of households having a financial advisor (FA), whether they had been approached or not, 2018

In the full sample, 48.9% of the households were advised households.³ To avoid a causality issue, the proportion of advised households retained in our analyses was 41.8%.

2.2 Descriptive statistics

Table 1. Descriptive statistics on the value of financial assets, 2010, 2014 and 2018

	2010		2014		2018	
	Advised	Non-Advised	Advised	Non-Advised	Advised	Non-Advised
Observations	1,785	1,825	487	1,097	1,118	1,368
Median (\$)	101,000	24,000	135,000	25,000	320,000	169,050
Mean (\$)	193,772	93,384	273,091	79,634	531,238	315,804
SD (\$)	281,874	264,005	427,866	173,901	748,267	560,240

Table 1 suggests substantial differences among the three surveys. The percentage of advised households in 2018 is closer to the 2010 survey than the 2014 one.⁴

In 2018, the median and mean values of respondents' financial assets were substantially higher for all the survey participants than in the previous years, with a wider distribution in asset values (standard deviation: SD).⁵

For 2014, the median value of the financial assets of advised respondents was 5.4 times the median value of the assets of non-advised respondents, compared with 4.21 in 2010. In contrast, the equivalent factor was only 1.89 times in 2018. Essentially, the relationship was the same for the mean values of assets between advised and non-advised respondents.

³ A 2017 survey conducted by the Innovative Research Group Inc., estimated that 42% of Canadians have a financial advisor. Investor Research Group, Inc. (2017), "2017 Investor Index." Report prepared for the Canadian Securities Administrator, Investor Education Committee

⁴ In the 2010 survey, however, there was no way of distinguishing between households who were approached by a financial advisor as opposed to those that had chosen their own advisor. Also, in 2010, respondents were restricted to the 25-to-65 age group.

⁵ Financial assets include RRSPs (Registered Retirement Savings Plans) excluding any Group RRSP assets; TFSAs (Tax Free Savings Accounts) excluding any Group TFSA assets; other registered savings plans (for instance, Registered Education Savings Plan (RESP), Registered Disability Savings Plan (RDSP), Locked-In Retirement Account (LIRA), Registered Retirement Income Fund (RRIF), Locked-In Retirement Income Fund (LRIF), Life Income Funds (LIF)); and other savings/investments not included previously (cash, bank accounts, non-registered investment accounts, etc.)

There are good grounds for questioning the 2018 sample, in light of the major increases observed in financial wealth, although the sample was set on the same basis as before and with the same survey firm (Ipsos Reid).⁶

This increase in financial wealth is supported by Figure 2, showing significant rises in the Canadian and U.S. stock market indices over the last decade.

⁶ In 2018, many households with or without a financial advisor declared financial assets of more than \$3 million. The data filtering and the sampling procedure used made it impossible to consider the sample to be representative of the Canadian population, even after many trials with different weightings were run.



Source: <https://tradingeconomics.com>

Figure 2. Change in Canadian and U.S. stock market indices, 2009 to 2019

Also, a recent study (Baldwin, 2019) has shown that over the period from 1999 to 2016, the wealth (net worth and total assets) of Canadians approaching retirement who were in the middle range of the wealth distribution grew quite strongly in constant dollars.⁷ The author points out that the growth in wealth was notably stronger than income growth over the same period, driven in part by the increasing value of primary residences. He notes that other forms of wealth also grew strongly, including retirement wealth.

Figure 3 shows the distribution of the value of assets for 2018 that would prompt a household to seek financial advice. Households start FA relationships with only modest asset levels (the median initial investment is \$11,000), while non-advised households believe they need more assets to seek advice. Among the non-advised, almost half (47.1%) feel they need \$50,000 plus to qualify, and 46.9% of non-advised households declared that no amount of assets would make them seek advice. Those statistics are comparable to 2014.

⁷ Baldwin B. (2019). The Evolving Wealth of Canadians Approaching Retirement, C.D. Howe Institute, working paper.

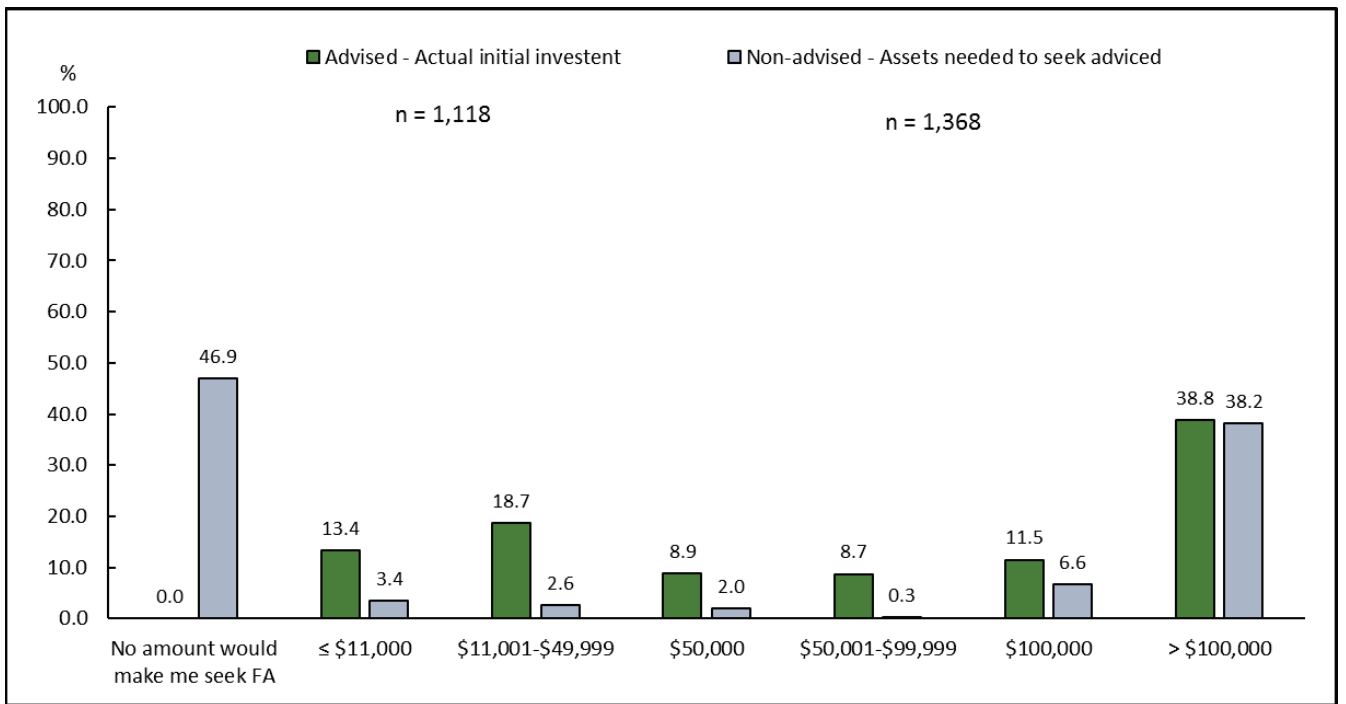


Figure 3. Proportion of households who seek or would be prompted to seek financial advice, based on asset values, 2018

With a probit regression (with the observed value = 1, if the answer is no amount would make me seek an FA; 0 otherwise), we find that households with annual savings between \$3,000 and \$10,000, with workplace pension, carrying life insurance, being financially literate, and from British Columbia are less likely to be among this group. However, those who declared being suspicious of individuals and having a preference for the present are more likely to declare that no amount will make them seek an advisor (see Table A1 in Appendix).

2.3 Determinants of having a financial advisor

People who have a financial advisor derive a positive utility from this decision, as having an advisor has a financial cost:

$$U_i^* = X_i\beta + \eta_i \quad (1)$$

where

X_i is a set of explanatory variables and η_i an error term.

This utility is not directly observed, but the observable counterpart variable of this latent variable comes from our survey asking respondents to report whether they have an advisor or not. A respondent i having an advisor is coded as $FA_i = 1$; $FA_i = 0$, otherwise.

Assuming that η_i is a standardized normal function, the determinants of having a financial advisor are estimated by a binary probit.

Table 2. Determinants of having a financial advisor, 2018

Probit model and post-estimation margins		
Non-Advised (n = 1,368) vs. Advised (n = 1,118)	Coefficient	Margins
Household's annual income before taxes (Ref.: <\$35,000)		
\$35,000–\$59,999	0.209	0.082
\$60,000–\$89,999	0.337***	0.133***
≥\$90,000	0.463***	0.183***
Savings (Ref.: \$0)		
\$1–\$3,000	-0.140	-0.054
\$3,001–\$10,000	0.052	0.021
>\$10,000	0.252***	0.100***
Wage (Ref.: No wages and salaries)		
Has wages and salaries	-0.035	-0.015
Workplace pension (Ref.: No workplace pension)		
Has workplace pension	0.034	0.012
Work situation (Ref.: Other)		
Full time	-0.262***	-0.103***
Retirement (Ref.: Not retired)		
Fully retired	0.038	0.013
Life insurance (Ref.: No individual life insurance)		
Has individual life insurance	0.176***	0.068***
Mistrust of individuals (Ref.: Is not suspicious of individuals)		
Is suspicious of individuals	-0.172***	-0.068***
Financial literacy (Ref.: Wrong answer)		
Right answer	0.255***	0.101***
Economic literacy (Ref.: Wrong answer)		
Right answer	0.032	0.013
Numeracy (Ref.: No right answer out of 3)		
1 right answer out of 3	-0.084	-0.054**
2 right answers out of 3	-0.166**	-0.010
3 right answers out of 3	-0.245***	-0.038
Gender (Ref.: Female)		
Male	-0.181***	-0.072***
Educational level (Ref.: Does not have post-secondary diploma)		
Has post-secondary diploma	0.118	0.048
Age (Ref.: Under 45)		
45–54	0.346***	0.135***
55–65	0.608***	0.239***
65 or over	0.671***	0.264***
Income earners (Ref.: 1)		
2	-0.068	-0.028
3 or more	0.090	0.035

Table 2 (cont'd)

	Coefficient	Margins
Family situation (Ref.: Single individual)		
Couple with no children	-0.061	-0.024
Couple with children	-0.145	-0.057
Single parent	0.259*	0.104*
Other family types	0.004	0.002
Regions (Ref.: Atlantic)		
Quebec	-0.182	-0.071
Ontario	-0.100	-0.039
Manitoba and Saskatchewan	-0.016	-0.006
Alberta	-0.132	-0.051
British Columbia	-0.075	-0.030
Constant	-0.783***	-
*** p < 0.01 ** p < 0.05 * p < 0.100	Observations	2,486
	Pseudo r2	0.067

a) Financial literacy: Do you think that the following statement is true or false? “Buying a single company stock usually provides a safer return than a stock mutual fund.” True, buying a single company stock usually provides a safer return than a stock mutual fund; False, buying a stock mutual fund usually provides a safer return than a single company stock; I do not know; I’d rather not answer.
b) Economic literacy: Suppose you had \$100 in a savings account, and the interest rate was 2% a year. After 5 years, how much do you expect your account to contain if you let the money grow during this time?
More than \$110; Exactly \$110; Less than \$110; I do not know; I prefer not to answer.
c) Numeracy: 1) A stick and a ball cost \$1.10 in total. The stick costs \$1.00 more than the ball. How much does the ball cost? 2) If it takes 5 minutes for 5 machines to make 5 gadgets, how long would it take 100 machines to make 100 gadgets? 3) In a lake, there is a water lily area. Every day the area doubles in size. If it takes 48 days for the area to cover the entire lake, how many days would it take to cover half of the lake?

In Table 2, the first numerical column gives the coefficient estimates of the probit model, as done in our previous papers (Montmarquette & Viennot-Briot, 2015, 2019). The results in terms of the variables that are statistically significant, and the size of the coefficient estimates are generally similar. However, the goodness-of-fit measure (pseudo r2 = 0.067) is lower in 2018. In numerical column 2, we have computed the increase in percentage points on the probability of having an advisor associated with all the explanatory variables of the model. For example, a household with an annual income before taxes of greater than \$90,000 is 18.3 percentage points more likely to have a financial advisor, relative to a household with an annual income before taxes of less than \$35,000 (the reference income variable). Better financial literacy increases this probability by 10.1 percentage points and by 10.4 for single parents.⁸ Survey respondents older than age 44 had a significantly higher probability of having a

⁸Charitha K.L. (2018). “Review of Impact of Financial Literacy and Self-confidence on Customer Decision of Accepting Financial Advisory Services,” *International Journal of Advancements in Research & Technology*, 7(7), p.218–224. In his review paper (Montmarquette and Viennot-Briot, 2015, is quoted), Charitha found that people with higher financial literacy were more likely to seek financial advice. At the same time, he noted that some studies showed that less literate people also sought financial advisory services as a substitute for financial literacy. He also observed that most studies showed that less self-confidence in financial matters (i.e., less self-financial literacy) was a reason for greater demand for financial advice. One important conclusion that Charitha’s paper draws is that the impact of financial literacy and self-confidence on financial advice is different in different contexts.

financial advisor: around 25 percentage points higher for those 55 and over relative to respondents aged 45 or under. In relation to females, males are 7.2 percentage points less likely to declare using the services of a financial advisor.

2.4 Impact of a financial advisor on asset values

To assess the impact of a financial advisor on the value of assets, consider the linear equation (2) that follows the probit model of having an advisor or not in a two-equation recursive model:

$$\ln A_i = y_i\theta + \alpha_0 FA_i + \alpha_1 FA * 4\text{ to }6\text{ years} + \alpha_2 FA * 7\text{ to }14\text{ years} + \alpha_3 FA * 15\text{ years or more} + \varepsilon_i$$

(2)

In equation (2), the effect of the financial advisor, FA, on the level of assets (expressed in logarithmic terms), $\ln A$, is also influenced by the length of time a household has had a financial advisor.⁹ Positive and statistically significant parameter estimates for the α coefficients suggest that a financial advisor adds to a household's financial assets, depending on the amount of time the household has had a financial advisor. In the equation, y is a set of other explanatory variables, and ε is the error term.

In this configuration, the choice of having an advisor, FA, is endogenous and therefore predicted using the parameter estimates of the probit regression above. Substituting the predicted value for FA, the OLS estimation results of equation (2) are given in Table 3 for the three surveys.

⁹ To be part of the sample, households needed at least \$1,000 in assets. To obtain a normal distribution for the error term, a semi-logarithmic equation is used.

Table 3. Determinants of the value of assets (ln), 2010, 2014 and 2018

Linear regression ^T (Dep.: ln of the value of assets)	2010	2014	2018
^T Using <u>predicted</u> values for FA	Coefficient	Coefficient	Coefficient
Financial advisor (Ref.: Non-Advised)			
Advised	-0.123	0.468***	0.583***
Financial advisor X Tenure (Ref.: Advised < 4 years)			
Advised X 4 to 6 years	0.456***	0.837***	0.073
Advised X 7 to 14 years	0.687***	0.504**	0.181**
Advised X 15 years or more	1.006***	0.894***	0.257***
Household's annual income before taxes (Ref.: <\$35,000)			
\$35,000–\$59,999	0.482***	0.041	0.571***
\$60,000–\$89,999	1.081***	0.504***	1.057***
≥\$90,000	1.682***	1.277***	1.521***
Wage (Ref.: No wages and salaries)			
Has wages and salaries	-0.040	-0.867***	-0.408***
Workplace pension (Ref.: No workplace pension)			
Has workplace pension	-0.026	-0.029	-0.115
Work situation (Ref.: Other)			
Full time	-0.059	0.040	0.036
Retirement (Ref.: Not retired)			
Fully retired	0.387***	-0.193	0.412***
Life insurance (Ref.: No individual life insurance)			
Has individual life insurance	NA	-0.127	-0.133**
Financial literacy (Ref.: Wrong answer)			
Right answer	0.288***	0.463***	0.207***
Economic literacy (Ref.: Wrong answer)			
Right answer	NA	NA	0.186*
Numeracy (Ref.: No right answer out of 3)			
1 right answer out of 3	NA	NA	0.117*
2 right answers out of 3	NA	NA	0.280***
3 right answers out of 3	NA	NA	0.274***
Preference for the present: amount (%) required to wait 4 months^a (Ref.: \$500–\$575 (0–15%))			
\$576–\$750 (16–50%)	NA	NA	-0.124
\$751–\$1,000 (51–100%)	NA	NA	-0.330***
No amount is sufficient: Take \$500 after 1 month	NA	NA	-0.214***
Gender (Ref.: Female)			
Male	0.196***	0.297***	0.097*
Educational level (Ref.: Does not have post-secondary diploma)			
Has post-secondary-diploma	0.047	0.152	0.288***
Age (Ref.: Under 45)			
45–54	0.586**	0.551***	0.276***
55–65	0.950***	0.891***	0.512***
65 or over	NA	0.406	0.567***

Table 3 (cont'd)

	2010	2014	2018
	Coefficient	Coefficient	Coefficient
Income earners (Ref.: 1)			
2	-0.216***	-0.090	-0.082
3 or more	-0.379***	-0.096	-0.156
Family situation (Ref.: Single individual)			
Couple with no children	-0.084	0.001	0.075
Couple with children	0.009	-0.052	-0.103
Single parent	-0.277*	-0.052	-0.180
Other family types	-0.057	0.205	0.174
Regions (Ref.: Atlantic)			
Quebec	0.030	0.055	-0.128
Ontario	0.295***	0.272*	0.101
Manitoba and Saskatchewan	0.214*	0.166	-0.068
Alberta	0.424***	0.048	0.187
British Columbia	0.395***	0.278	0.116
Constant	8.947***	9.821***	10.149***

*** p < 0.01 ** p < 0.05 * p < 0.100.

Observations	3,610	1,584	2,486
r2	0.393	0.320	0.268

a: Preference: Suppose you have the choice between an amount of \$500 made available to you in a month or a higher amount made available to you in 4 months. What is the amount of money you would expect in 4 months to compensate for the \$500 not received by the end of the first month? Box: [ENTER NUMBER – RANGE \$500 TO \$1000] Or: No amount of money later could compensate for me not getting \$500 one month from now.¹⁰

As for the previous surveys, a financial advisor has a positive impact on the value of assets for households with a financial advisor relative to households without an advisor, after all the other factors that might affect the respondents’ financial assets have been controlled for.

From the coefficient estimates of Table 4 for all the variables involving FA, we computed the percentage increase in asset size associated with a financial advisor and compared the results for the three surveys.¹¹

¹⁰The distribution of answers: 24% would require between \$500 and \$575; 13% would require between \$576 and \$750; 14% would require between \$751 and \$1,000; **49% declared that no amount would be enough and would take the \$500 after 1 month.**

¹¹ From the estimated coefficients of equation (2), we predicted the \ln of assets of a household that had had a financial advisor for less than 4 years, that is $FA = 1$, with the following equation: $\ln A_i = y_i \hat{\theta} + \alpha_0$

Without a financial advisor, $FA = 0$: $\ln A_j = y_j \hat{\theta}$.

The difference in the \ln of assets for the same household or a comparable household in all respects (same income, age, etc.) except for the involvement of a financial advisor is:

$\ln A_i - \ln A_j = \alpha_0$. Rising to the exponential on both sides: $A_i / A_j = \exp(\alpha_0)$. For example, for 2018, with $\alpha_0 = 0.583$, the expected ratio of assets is equal to 1.791. In percentage terms, a household with an advisor for less than 4 years benefited from a 79.0% increase in its asset size relative to a “comparable” household without an advisor. Similar computations were performed for the other cases.

Table 4. Percentage increase (%) in asset size associated with a financial advisor, 2010, 2014 and 2018

Tenure with a financial advisor	2010	2014	2018
<4 years	0.0	60.0	79.0
4 to 6 years	58.0	268.0	79.0
7 to 14 years	99.0	164.0	114.0
15 years or more	173.0	290.0	131.0

The impact of a financial advisor is significant and robust but varies from year to year, ranging from no impact for an FA of less than 4 years in 2010 to a high in 2014 for households having an FA for 15 years or more. The economic situation played a role in explaining the results, along with some sampling issues discussed previously. The 2014 results underscore the major recovery from the 2008 financial crisis that particularly benefited households that had an advisor throughout the tenure years. In all the surveys, the significant impact of the financial discipline associated with the involvement of an advisor again manifested itself for households who had an advisor for 7 years or more.

Other variables have coefficient estimates with positive, statistically significant effects on the logarithm of the value of assets. Notable variables include households with income levels above \$60,000, households where the respondent exhibits financial literacy, and households where the respondent is older than 45 and male.

In 2018, we added a numeracy variable (see definition at the bottom of Table 1) that had a significant positive impact on the size of the assets of households whose respondents demonstrated a good-to-excellent level of numeracy.

In discussing the results of the 2014 survey (see Montmarquette & Viennot-Briot, 2019), we recognized the shortcoming (which also applies to the 2010 survey) of the difficulty of controlling for respondents' willingness to invest. Without this control, we attributed to the financial advisor the higher level of savings by households with a financial advisor relative to comparable households without an FA. Higher savings was a gamma factor that explained the impact of the FA on asset values.

To address this shortcoming, in the 2018 survey we introduced a variable to measure respondents' preference for investing, that is, to postpone present consumption against a financial return (see the definition of the variable "preference for the present" at the end of Table 3.

In Table 3, we note that the coefficient estimates of the variable “preference for the present” significantly explain the higher value of assets for a respondent willing to postpone direct consumption for a small financial return. However, it does not affect the coefficient estimates of the financial advisor variables when excluded from the regression: the coefficients of all the financial advisor variables (including the tenure variables) remain almost the same with or without this “preference for the present” variable in the regression.¹²

Finally, level of education plays a positive role in explaining the higher value of assets among respondents.

In previous studies, along with the discipline factor, we discussed how the savings rate is a primary means of increasing assets. We also noted that one strategy for improving portfolio performance is diversification of financial investments, which are associated with studies of the ratio of non-cash over total investments. Finally, we conjectured that a strategy that minimizes tax impact could also increase the value of one’s assets. In this regard, the ratios of RRSP (Registered Retirement Savings Plan) and TFSA (Tax Free Savings Account) investments over total investments were analysed.

Figure 4 shows respondents’ observed savings rates and asset allocations in the 2014 and 2018 surveys. Statistically, significant differences emerged between non-advised and advised respondents’ savings rates and allocation of assets into non-cash investments. When we combined the tax-reduction strategies of RRSPs and TSFAs, the difference in ratios between advised and non-advised households was not significant. However, the difference in the savings rates between advised and non-advised households was lower in 2018, with a difference of only 1.9 percentage points compared with 4.8 in 2014.

¹² The negative coefficient estimates for the respondents asking more money to accept waiting 4 months have p-value < 0.01. Also the R² decreases from 0.268 when included to 0.263 when the “preference for the present” variable is excluded from the regression.

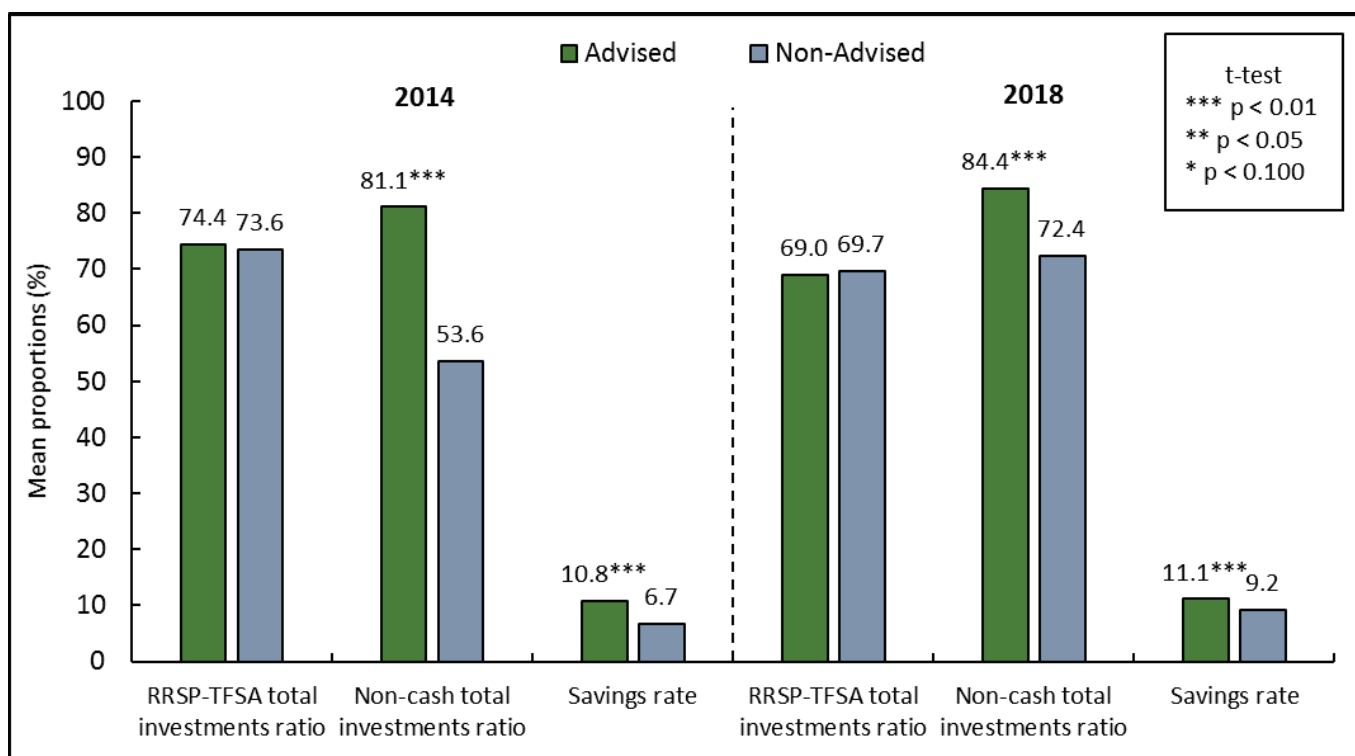


Figure 4. Savings discipline and mean asset allocation, 2014 and 2018

The determinants of these ratios were measured with Type II Tobit models. The results are presented in the first six columns of Table 5.¹³ For each ratio, the probit regression concerns the probability of a positive ratio (point estimates). The regression relates to the determinants of the value of each ratio conditional on a positive ratio.¹⁴ In all regressions, along with other explanatory variables serving as controlled variables, the variable of interest is the involvement of advisors. This latter variable is predicted from the regression of Table 2.

The advisor-predicted variable increases the probability of a positive savings rate, but, contrary to the previous surveys, the value of the savings rate when positive is unaffected.¹⁵ Also, in 2018, the advisor-predicted variable increases the probability of a positive ratio of non-cash investments over total investments. The value of the proportion of tax-related strategic investments over total investments is insignificant with the involvement of a financial advisor. Given the influence of financial advice on some

¹³The Tobit model involved censored variables. For all ratios, there was an important mass point of observations at zero.

¹⁴Selection bias is therefore accounted for with the inverse Mills ratio in Heckman's two-step estimation procedure.

¹⁵Burke and Hung (2015) raise the issue of the direction of causality between advisors and savings: advisors increase savings, but individuals with greater savings are more likely to seek out financial advice. Our study accounts for this endogeneity question by instrumenting the financial advisor variable in the saving equations from the probit model of Table 2, where saving appears as an explanatory variable.

of these ratios, the next step was to determine whether the predicted values of these ratios help explain asset levels.¹⁶

The semi-logarithmic regressions reported in the final column of Table 5 indicate positive and statistically significant elasticity estimates for the savings rate and the non-cash to total investment ratio. Thus, a one percentage point increase in the savings rate and the non-cash to total investment ratio increased the level of assets by 2.94% and 5.74% respectively in 2018.¹⁷ Negative but not statistically significant elasticity estimates were observed for the tax-reduction investments to total investment ratios.

¹⁶ While many variables show their expected coefficients (has wages and salaries, works full time, level of numeracy), it can be seen that contrary to our hypothesis, the variable “preference for the present” has no impact on the savings rate. A possible explanation for this variable increasing the value of assets, as seen in Table 3, for the respondents showing more patience, may be associated with them not rushing their decision when the stock market falls, or the economic situation deteriorated. Possibly, another expression of the discipline gamma factor discussed before. Other variables yield new results: for example, a household’s income before taxes negatively affects the savings rate when positive; it was insignificant in the previous surveys.

¹⁷This is the most parsimonious regression. The first ratio remains statistically significant, but not the non-cash to total investment ratio when 31 controlled variables are added. Collinearity issues might account for this result. Note that with the full model, the adjusted R-squared shifts from 0.153 to 0.227.

Table 5. Determinants of savings rate, non-cash to total investments ratio, RRSP to total investments ratio and logarithm of financial assets (Type II Tobit models and conditional least squares)

	Savings rates		Non-cash over total investments		RRSP/TFSA over total investments		Assets (ln)
	Has savings	Savings rates	Has non-cash	Non-cash ratio over total investment	Has RRSP/TFSA	RRSP/TFSA ratio over total investment	
	Probit	Regression	Probit	Regression	Probit	Regression	Regression
Savings rate (P)							2.939***
Non-cash over total investments (P)							5.741***
RRSP/TFSA over total investments (P)							-0.245
Financial advisor (P) (Ref.: Non-Advised)							
Advised	1.272***	-0.018	0.317**	-0.024	0.268*	-0.038	
Household's annual income before taxes (Ref.: <\$35,000)							
\$35,000–\$59,999	-0.027	-0.125***	0.297*	0.053*	0.099	-0.067*	
\$60,000–\$89,999	0.058	-0.147***	0.537***	0.094**	0.556***	-0.081	
≥\$90,000	0.132	-0.207***	0.580***	0.117***	0.706***	-0.110*	
Wage (Ref.: No wages and salaries)							
Has wages and salaries	0.545***	-0.041	-0.324*	-0.021	-0.066	0.179***	
Workplace pension (Ref.: No workplace pension)							
Has workplace pension	-0.042	-0.019	0.011	-0.033	0.451*	0.042	
Work situation (Ref.: Other)							
Full time	0.320***	-0.024	0.297**	-0.023	0.148	-0.003	
Life insurance (Ref.: No individual life insurance)							
Has individual life insurance	-0.157***	-0.010	-0.077	0.004	-0.020	0.026*	
Mistrust of individuals (Ref.: Is not suspicious of individuals)							
Is suspicious of individuals	0.230***	-0.008	-0.079	-0.022**	0.076	-0.029**	
Financial literacy (Ref.: Wrong answer)							
Right answer	-0.216***	0.007	0.310***	0.043**	0.268**	-0.040*	
Economic literacy (Ref.: Wrong answer)							
Right answer	0.093	-0.028	0.284**	0.033	-0.139	-0.001	

Numeracy (Ref.: No right answer out of 3)						
1 right answer out of 3	0.233***	-0.016	-0.011	-0.002	-0.102	-0.019
2 right answers out of 3	0.321***	-0.018	0.148	0.005	-0.083	-0.008
3 right answers out of 3	0.547***	-0.015	0.271**	-0.005	0.098	-0.052***
Preference for the present: the amount of money you would expect in 4 months^a (Ref.: \$500–\$575 (0–15%))						
\$576–\$750 (16–50%)	-0.092	-0.001	-0.027	0.015	0.087	0.010
\$751–\$1,000 (51–100%)	0.046	-0.006	-0.031	-0.003	-0.055	0.002
No amount sufficient: Take \$500 after 1 month	-0.112	-0.001	-0.126	-0.005	-0.054	0.022
Gender (Ref.: Female)						
Male	0.237***	-0.004	-0.188**	-0.013	0.097	0.006
Educational level (Ref.: Does not have post-secondary diploma)						
Has post- secondary diploma	-0.209**	-0.004	0.015	0.003	0.261**	-0.055**
Age (Ref.: Under 45)						
45–54	-0.461***	-0.006	0.435***	0.082***	0.061	-0.014
55–65	-0.677***	0.009	0.383***	0.109***	-0.117	-0.013
65 or over	-1.019***	0.024	0.505***	0.150***	-0.311	-0.068*
Income earners (Ref.: 1)						
2	0.066	-0.012	0.085	-0.014	-0.081	0.027
3 or more	-0.295**	-0.010	-0.141	-0.001	-0.020	0.050*
Family situation (Ref.: Single individual)						
Couple with no children	-0.054	-0.009	0.008	-0.014	0.058	0.030
Couple with children	0.079	-0.027	-0.024	-0.027	-0.056	-0.013
Single parent	-0.546***	0.007	-0.455**	-0.004	0.122	-0.027
Other family types	0.124	-0.011	-0.128	-0.015	0.267	-0.035

Regions (Ref.: Atlantic)							
Quebec	0.134	-0.007	0.007	-0.010	-0.090	0.050	
Ontario	0.015	0.014	0.127	-0.030	0.233	-0.005	
Manitoba and Saskatchewan	0.059	-0.004	0.241	-0.033	0.048	-0.009	
Alberta	0.098	0.020	0.119	-0.058***	0.477*	-0.041	
British Columbia	-0.127	0.028	0.008	-0.039*	0.408*	-0.045	
Constant	-0.739***	0.589***	0.434	0.697***	0.742**	0.790***	7.543***
Inverse of Mills ratio		-0.152		0.102		-0.313	
Observations		2,486		2,486		2,486	2,486
R-Squared							0.152

Standard errors in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

a: Preference: Suppose you have the choice between an amount of \$500 made available to you in a month or a higher amount made available to you in 4 months. What is the amount of money you would expect in 4 months to compensate for the \$500 not received by the end of the first month? Box: [ENTER NUMBER – RANGE \$500 TO \$1000] Or: No amount of money later could compensate for me not getting \$500 one month from now.

From the results of Table 5, the effect of having a financial advisor on the level of financial assets can be isolated from the predicted values of those ratios. First, consider the savings rate variable. The effect of having a financial advisor on the predicted expected savings rate can be computed. With P the probability of a positive savings rate, then the expected value of the savings rate SR is given by:

$E(SR) = P(SR > 0) + (1 - P)0 = P(SR > 0)$, as the savings rate is either positive or zero. Taken at mean values, differentiating this last equation (in a discrete form) with respect to the financial advisor variable, FA, yields equation (3):

$$\frac{\Delta E(SR)}{\Delta FA} = \frac{\Delta P}{\Delta FA} (\overline{S > 0}) + \bar{P} \frac{\Delta(SR > 0)}{\Delta FA}. \quad (3)$$

Where,

$\frac{\Delta P}{\Delta FA}$ is the marginal effect of having a financial advisor on the probability of a positive savings rate;

$(\overline{S > 0})$ is the mean savings rate of all the respondents;

\bar{P} is the mean probability of a positive savings rate of all respondents;

$\frac{\Delta(SR > 0)}{\Delta FA}$ is the effect of having a financial advisor on the value of a positive savings rate.

To illustrate, from the probit regression, the marginal effect of having a financial advisor on the probability of a positive savings rate is estimated to be 47.0 percentage points. Specifically, a respondent having an advisor increases the probability of having a positive savings rate by 47.0 percentage points above a “comparable” non-advised respondent.¹⁸ However, from Table 5, the effect of having a financial advisor on the value of a positive savings rate is nil (the coefficient estimate is statistically not significant).

Solving for equation (3) with $S > 0$ and a mean value of 19.9% (the second term of the equation is zero, as the effect of an advisor on the value of a positive savings rate is statistically not different from zero) indicates that the effect of having an advisor on the expected savings rate (holding everything else

¹⁸ Using a probit model to obtain the marginal effect of a variable x , it is necessary to differentiate $\int_{-x/\delta}^{\infty} \frac{1}{\sqrt{2\pi}} \exp\left(-\frac{1}{2}x^2\right) ds$ with respect to x . Here x is having a financial advisor.

constant) is a 9.35 (= 0.47*19.9%) percentage point increase in the expected savings rate.¹⁹ This impact is considerably lower than the one found in the 2014 survey (20.04), which was considered unusually large. Repeating the exercise for the expected non-cash ratio suggests that having an FA increases this ratio by 3.05 (= 0.036*84.7%) percentage points (it was nil in 2014).²⁰ Another difference is the effect of an FA on the expected “Registered Retirement Savings Plan + Tax Free Savings Account” ratio: it was negligible in 2018, but negative in 2014 (-5.38 percentage points).

From these numbers and using statistically significant coefficient estimates of the last column of Table 5, it can be inferred that for two “comparable respondents,” the one with a financial advisor will have on average 57% more financial assets than, or 1.57 times the level of financial assets of, the non-advised respondent.²¹ As far as we can tell, this relatively low percentage from the three surveys reflects the fact that in 2018, the average savings rate between advised and non-advised narrowed over that period. Compared with Table 4, this value is lower than the lowest percentage increase in asset size associated with a financial advisor for 4 years or less in 2018. To explain the difference, we might examine new gamma factors (tax-related issues will be one area to look at) or show that the advisor did better in terms of alpha and beta factors.

¹⁹ Only the coefficient estimates statistically different from zero are considered.

²⁰ Interestingly, Foerster S., Linnainmaa J., Melzer B., and Previtero A., in their working paper of January 2018 on Financial Advisors and Risk-Taking, found using the Canadian Financial Monitor (CFM) survey of households (2010, but this date is not directly specified in their paper) that advisors facilitate greater stock market participation and risk-taking. Specifically according to the authors: “Advisors’ influence on stock market participation largely accounts for the increase in the share of risky assets. A household’s likelihood of owning any risky assets (stocks and mutual funds) increases by 59 percentage points by having an advisor. The likelihood of having investments in chequing, savings and money market accounts falls by 28 percentage points.” These 28 percentage points are large compared with our observed data: on average, the difference is 8.8 percentage points between advised and non-advised households.

²¹ For identical households, i with a financial advisor and j without, the difference in the logarithms of assets is a function of the incremental values of the savings and non-cash ratios due to having an advisor (non-statistically significant coefficient estimates of the

RRSP ratio were not considered). Thus: $\ln A_i - \ln A_j = \ln \left(\frac{A_i}{A_j} \right) = 2.939 * 0.0935 + 5.741 * 0.0305 = 0.45$

Raising to the exponential on both sides: $\frac{A_i}{A_j} = 1.57$.

3. Types of financial advisors

In this section, five questions are investigated: (1) What type of financial advisor was chosen by the survey respondents who reported having a financial advisor? (2) What were the determinants of choosing each specific type of advisor relative to those who did not choose any? (3) When an advisor was chosen, what factors distinguished a household choosing one type relative to others? (4) Were investors better off with any type of financial advisor relative to those survey respondents who preferred not to have an advisor? (5) What type of financial advisor was more efficient in terms of positively impacting the value of investors' assets?

3.1 Descriptive statistics

Table 6 lists the 13 types of advisors reported by our respondents who said they used the services of a financial advisor. However, bank branch advisor, bank affiliated broker and an FA not affiliated with a bank or insurance company accounted for 78.5% of all types of financial advisors identified by the 1,118 advised participants in the 2018 survey.

Table 6. Distribution of respondents by specific type of financial advisor, 2018

	n	%
Total	1,118	100.0
1. Bank branch advisor	257	23.0
2. Bank affiliated broker	320	28.6
3. Private banking*	45	4.0
4. FA affiliated with an insurance company	85	7.6
5. FA not affiliated with a bank or an insurance company	301	26.9
6. Private investment advisor*	29	2.6
7. Robot advisor*	1	0.1
8. Discount brokerage*	11	1.0
9. Employer/Workplace pension provider*	5	0.4
10. Accountant*	6	0.5
12. Family and friends*	43	3.8
13. Other type of advisor*	15	1.3

*Groups with less than 5% of observations

For analytical purposes, some of the categories were regrouped, as shown in Table 7.

Table 7. Distribution of respondents by type of financial advisor (regrouped), 2018

	n	%
Total	1,118	100.0
1. Bank branch advisor (1)	257	23.0
2. Bank affiliated broker (2)	320	28.6
3. Private banking (3) or private investment advisor (6)	74	6.6
4. FA affiliated with an insurance company (4)	85	7.6
5. FA not affiliated with a bank or an insurance company (5)	301	26.9
6. Other types of advisors (7, 8, 9, 10, 12, 13)	81	7.2

Table 8 presents descriptive statistics on the value of assets by type of FA, and for respondents without an FA.

Table 8. Descriptive statistics on value of financial assets by type of FA, and for respondents without an FA, 2018

	Observations	Median (\$)	Mean (\$)	SD (\$)
Non-advised	1,368	169,050	315,804	560,240
Advised	1,118	320,000	531,237	748,267
Bank branch advisor	257	225,000	386,968	764,766
Bank affiliated broker	320	412,500	681,155	926,829
Private banking or private investment advisor	74	342,500	636,891	605,447
FA affiliated with an insurance company	85	280,000	406,345	449,692
FA not affiliated with a bank or an insurance company	301	312,500	532,193	653,746
Other types of advisor	81	300,000	427,697	420,389

Respondents associated with a bank affiliated broker stood out with higher assets in dollar terms (median and mean). The distribution of asset values was also higher relative to the other types of FA. In contrast, respondents with a bank branch advisor had lower asset values, though with a wide range of values.

3.2 Determinants of having a financial advisor by type of financial advisor

Table 9 replicates the probit model of Table 2, examining the determinants of having an FA or not (with the full sample) but for each type of FA (as regrouped in the previous section). The question of interest here is: What are the determinants of choosing a specific type of advisor relative to those not choosing any FA? The results should be interpreted with caution, as for certain specific types of financial advisor, the proportion of advised respondents over all non-advised respondents was less than 6%; namely, this was the situation for private banking or private investment advisors, for FAs affiliated with an insurance company and for other types of financial advisors.

The results of Table 9 show that the determinants vary among the different types of advisors, and identify which types drive the aggregate results of Table 2. For example, annual household income influences the probability of having a bank affiliated broker, a private banking or private investment

advisor or an FA not affiliated with a bank or an insurance company. Households with an annual income of \$90,000 or more have a 14.8% percentage point likelihood of choosing a bank affiliated broker relative to not having any advisor. There is no income effect from choosing a bank branch advisor, an FA affiliated with an insurance company or other types of advisors. Annual savings of \$10,000 or more slightly increase the probability of choosing only three types of advisors. Mistrust of individuals decreases the probability of choosing a bank affiliated broker or an FA not affiliated with a bank or an insurance company. Financial literacy plays a positive role in choosing a bank affiliated broker or an FA not affiliated with a bank or an insurance company. Respondents with a very good level of numeracy are not interested in using any financial advisor. Respondents with a post-secondary diploma are more likely to choose a private banking or private investment advisor, or an FA not affiliated with a bank or an insurance company. Older respondents are more likely to have an FA, in particular a bank affiliated broker or an FA not affiliated with a bank or an insurance company.

Table 9. Determinants of having a specific type of financial advisor, 2018*

*Probit model (post-estimation margins)

Type of FA (= 1) vs. Non-Advised (n = 1,368) = 0	Bank branch advisor	Bank affiliated broker	Private banking or private investment advisor	FA affiliated with an insurance co.	FA not affiliated with a bank or an insurance co.	Other type
	Margins	Margins	Margins	Margins	Margins	Margins
Household's annual income before taxes (Ref.: <\$35,000)						
\$35,000–\$59,999	-0.010	0.048*	0.024**	-0.014	0.067**	0.007
\$60,000–\$89,999	-0.018	0.118***	0.028***	0.019	0.091***	-0.005
≥\$90,000	-0.003	0.148***	0.048***	0.012	0.123***	0.021
Savings (Ref.: \$0)						
1\$–\$3,000	-0.026	-0.052*	-0.009	0.025	-0.029	0.001
\$3,001–\$10,000	0.019	0.011	-0.005	0.021	0.008	-0.011
>\$10,000	0.047**	0.045*	0.018	0.035***	0.066***	0.021
Wage (Ref.: No wages and salaries)						
Has wages and salaries	0.045	-0.037	-0.001	0.015	-0.060*	0.020
Workplace pension (Ref.: No workplace pension)						
Has workplace pension	-0.003	0.021	0.007	-0.045	0.015	-0.022
Work situation (Ref.: Other)						
Full time	-0.057*	-0.058*	-0.038***	0.002	-0.073**	-0.020
Retirement (Ref.: Not retired)						
Fully retired	0.019	0.019	0.022	0.042	-0.020	-0.032
Life insurance (Ref.: No individual life insurance)						
Has individual life insurance	0.038**	0.031	-0.009	0.017*	0.040**	0.028**
Mistrust of individuals (Ref.: Is not suspicious of individuals)						
Is suspicious of individuals	0.004	-0.075***	-0.010	-0.012	-0.051***	0.002
Financial literacy (Ref.: Wrong answer)						
Right answer	0.011	0.051**	0.009	0.026**	0.103***	0.008
Economic literacy (Ref.: Wrong answer)						
Right answer	-0.049*	0.061*	0.024	0.005	0.019	-0.012

Table 9 (cont'd)

	Bank branch advisor	Bank affiliated broker	Private banking or private investment advisor	FA affiliated with an insurance co.	FA not affiliated with an insurance co.	Other types	
	Margins	Margins	Margins	Margins	Margins	Margins	
Numeracy (Ref.: No right answer out of 3)							
1 right answer out of 3	-0.047**	-0.015	0.001	-0.017	-0.028	0.028*	
2 right answers out of 3	-0.061**	-0.039	-0.016	-0.019	-0.010	0.002	
3 right answers out of 3	-0.054**	-0.065**	-0.011	-0.030**	-0.050*	-0.0005	
Gender (Ref.: Female)							
Male	-0.006	-0.061***	0.001	-0.018*	-0.055***	-0.010	
Educational level (Ref.: Does not have post-sec. diploma)							
Has post-secondary diploma	0.016	0.031	0.053***	-0.015	0.058**	0.002	
Age (Ref.: Under 45)							
45–54	0.046**	0.093***	-0.002	0.032***	0.054**	0.017	
55–65	0.109***	0.150***	0.025*	0.052***	0.122***	0.017	
65 or over	0.107***	0.186***	0.032	0.044*	0.113***	0.063**	
Income earners (Ref.: 1)							
2	-0.043	-0.014	-0.015	0.016	-0.008	-0.001	
3 or more	-0.043	0.001	-0.006	0.030	0.074	0.013	
Family situation (Ref.: Single individual)							
Couple with no children	0.033	-0.045	-0.011	0.017	-0.062*	-0.006	
Couple with children	0.020	-0.058	-0.019	0.028	-0.092***	-0.014	
Single parent	0.023	0.013	0.060	0.065*	0.062	0.043	
Other family types	0.031	0.004	-	0.025	-0.052	-0.007	
Regions (Ref.: Atlantic)							
Quebec	-0.055	0.002	-0.014	0.018	-0.096**	0.001	
Ontario	-0.089**	-0.010	0.010	0.020	-0.037	0.030	
Manitoba and Saskatchewan	-0.078	-0.022	0.025	0.023	0.027	0.028	
Alberta	-0.082*	-0.036	0.009	0.020	-0.025	0.020	
British Columbia	-0.104**	-0.004	0.012	0.004	0.008	0.022	
*** p < 0.01 ** p < 0.05 * p < 0.100	Observations	1,625	1,688	1,396	1,453	1,669	1,449
	Pseudo R2	0.051	0.090	0.112	0.124	0.101	0.059

In Table 9A, we address the question: When an advisor was chosen, what factors distinguished a household choosing one type relative to others? We used a multinomial logit model restricted to the sample of 1,118 respondents with an FA. Having an FA not affiliated with a bank or an insurance company was the reference to the other choices of an FA.²² The results are presented in terms of the relative risk ratio, RRR (the relative risk is a ratio of two probabilities).

For example, households with an annual income of \$60,000 or over have about one third the probability of choosing a bank branch advisor relative to an FA not affiliated with a bank or an insurance company. Respondents with good financial and economic literacy have a significantly higher probability of choosing the reference FA than a bank branch advisor (RRR of 0.473 and 0.535, respectively). However, respondents that in general mistrust individuals have a 1.479 times greater probability of choosing a bank branch advisor than an FA not affiliated with a bank or an insurance company; the probability is twice as great for respondents with wages and salaries, and 1.496 times greater for males relative to female respondents. Bank affiliated brokers attract respondents between 45 and 54 substantially more than the reference FA does (RRR = 1.799). This is also the case for respondents from Quebec (RRR = 2.308). Private banking or private investment advisors are only half as likely to recruit respondents with life insurance. Respondents aged between 45 and 54, couples with children, respondents from other family types and those living in Quebec have a substantially higher probability of choosing an FA affiliated with an insurance company than an FA not affiliated with a bank or an insurance company. The situation is the reverse for respondents with a post-secondary diploma. Respondents with good financial literacy avoid the other types of FA relative to the reference FA.

²² One well-known restriction of the multinomial logit model is the independent irrelevant alternatives assumption. The IIA property holds that for a specific individual, the ratio of the choice probabilities of any two alternatives is entirely unaffected by the systematic utilities of any other alternatives. This could be restrictive in our situation. The multinomial probit model (MNP) with correlated error terms among alternatives avoids this restriction, but its implementation is difficult.

Table 9A. Determinants of choosing a specific type of financial advisor relative to choosing an FA not affiliated with an insurance company, 2018*

* Multinomial logit regression (excluding resp. without an FA) / RRR = relative risk ratio					
FA not affiliated with a bank or an insurance co. (n = 301) vs. Each type of FA	Bank branch advisor	Bank affiliated broker	Private banking or private inv. advisor	FA affiliated with an insurance co.	Other types of FA
	RRR	RRR	RRR	RRR	RRR
Household's annual income before taxes (Ref.: <\$35,000)					
\$35,000–\$59,999	0.504	0.990	1.525	0.433	0.685
\$60,000–\$89,999	0.382**	1.291	1.383	0.702	0.388
≥\$90,000	0.358**	1.298	2.083	0.462	0.558
Savings (Ref.: \$0)					
\$1–\$3,000	1.132	0.830	0.744	2.341*	1.348
\$3,001–\$10,000	1.210	1.134	0.829	1.842	0.669
>\$10,000	0.957	0.824	0.886	1.580	0.930
Wage (Ref.: No wages and salaries)					
Has wages and salaries	2.099**	1.198	1.684	2.334	2.118
Workplace pension (Ref.: No workplace pension)					
Has workplace pension	0.996	1.128	1.425	0.268	0.611
Work situation (Ref.: Other)					
Full time	0.911	1.166	0.755	1.319	0.955
Retirement (Ref.: Not retired)					
Fully retired	1.288	1.173	1.922	3.344	0.432
Life insurance (Ref.: No individual life insurance)					
Has individual life insurance	0.970	0.810	0.501**	1.213	1.189
Mistrust of individuals (Ref.: Is not suspicious of individuals)					
Is suspicious of individuals	1.479**	0.862	1.065	1.012	1.497
Financial literacy (Ref.: Wrong answer)					
Right answer	0.473***	0.693*	0.602	0.854	0.557**
Economic literacy (Ref.: Wrong answer)					
Right answer	0.535**	1.265	1.831	0.914	0.640

Table 9A (cont'd)

	Bank branch advisor RRR	Bank affiliated broker RRR	Private banking or private inv. advisor RRR	FA affiliated with an insurance co. RRR	Other type of FA RRR
Numeracy (Ref.: No right answer out of 3)					
1 right answer out of 3	0.830	1.039	1.243	0.829	2.012**
2 right answers out of 3	0.614*	0.789	0.652	0.616	1.075
3 right answers out of 3	0.837	0.824	1.205	0.650	1.581
Gender (Ref.: Female)					
Male	1.496**	1.091	1.624	1.026	1.210
Educational level (Ref.: Does not have post-secondary diploma)					
Has post-secondary diploma	0.738	0.849	3.165*	0.456**	0.726
Age (Ref.: Under 45)					
45–54	1.237	1.799**	0.599	2.431**	1.075
55–65	1.107	1.532	0.767	1.997	0.701
65 or over	1.002	1.910*	0.918	1.782	1.203
Income earners (Ref.: 1)					
2	0.770	0.912	0.813	1.717	1.073
3 or more	0.362	0.526*	0.602	1.139	0.861
Family situation (Ref.: Single individual)					
Couple with no children	1.634	1.111	1.333	2.153	1.171
Couple with children	1.903*	1.354	1.227	3.596**	1.140
Single parent	0.710	0.713	2.249	2.427	1.282
Other family types	2.110	2.072	0.000	4.743**	1.006
Regions (Ref.: Atlantic)					
Quebec	1.670	2.308**	1.416	3.412*	2.043
Ontario	0.562*	1.066	2.159	1.580	2.146
Manitoba and Saskatchewan	0.435*	0.829	2.219	1.411	1.143
Alberta	0.609	0.862	1.902	1.637	1.920
British Columbia	0.374	0.798	1.595	0.841	1.337
Constant	3.868	0.682	0.019	0.044	0.217
*** p < 0.01 ** p < 0.05 * p < 0.100	Observations	1 118			
	Pseudo R2	0.069			

In Table A2 in the Appendix, the same analysis is repeated with an FA associated with an insurance company as the reference category. Few coefficient estimates are statistically significant, and it is unclear how some (such as family situation) should be interpreted. There are two notable exceptions when comparing with private banking or private investment advisors: respondents with life insurance have a lower probability of choosing this type of FA relative to an FA associated with an insurance company (RRR = 0.413), while respondents with post-secondary education are seven times more likely to choose a PB/PIA than the reference FA category (RRR = 6.945).

3.3 Impact of each type of financial advisor on asset values (ln)

In this section, we address the question: Are investors better off with any type of financial advisor relative to those survey respondents who chose not to have a financial advisor?

There are some econometric difficulties here owing to the small number of observations for some types of advisors. For example, the endogeneity issue cannot be resolved, and the use of the tenure variable by type of advisor is problematic: With a lower proportion of observations for each type of FA, the predictions of the probit model yield too few positive observations of households with an FA.

Table 10 presents two specifications. In the first column, results are distinguished by type of advisor, but the tenure variable is aggregated. In other words, tenure is not associated with each type of advisor. The column 1 results indicate that the largest impact of having an advisor occurs with a bank affiliated broker or a private banking or private investment advisor. It seems that for a bank branch advisor or an FA affiliated with an insurance company to have a positive impact, more time is needed than for other types of advisors. The regression of column 2, when the tenure variable is ignored, confirms those results. It can be seen that all types of advisors increase the value of their clients' assets relative to a "comparable" household without an advisor. Again, advice from a bank affiliated broker or a private banking or private investment advisor leads the way.

Table 10. Determinants of asset values (ln) by type of financial advisor, 2018

Linear regression ^T (Dep.: ln of asset values)		
	Tenure included	Tenure excluded
	Coefficient	Coefficient
^T Using <u>non-predicted</u> values for FA [¥]		
Type of financial advisor (Ref.: Non-Advised)		
Advised by bank branch advisor	0.152	0.473***
Advised by bank affiliated broker	0.498***	0.867***
Advised by private banking or private inv. advisor	0.430***	0.773***
Advised by FA affiliated with an insurance company	0.165	0.522***
Advised by FA not affiliated with a bank or an insurance company	0.270**	0.656***
Advised by other type of FA	0.272*	0.573***
Financial advisor X Tenure (Ref.: Advised < 4 years)		
Advised X 4 to 6 years	0.153	-
Advised X 7 to 14 years	0.380***	-
Advised X 15 years or more	0.528***	-

Household's annual income before taxes (Ref.: <\$35,000)		
\$35,000–\$59,999	0.593***	0.590***
\$60,000–\$89,999	1.066***	1.069***
≥\$90,000	1.543***	1.548***
Wage (Ref.: No wages and salaries)		
Has wages and salaries	-0.394***	-0.405***
Workplace pension (Ref.: No workplace pension)		
Has workplace pension	-0.127	-0.114
Work situation (Ref.: Other)		
Full time	0.016	0.017
Retirement (Ref.: Not retired)		
Fully retired	0.414***	0.407***
Life insurance (Ref.: No individual life insurance)		
Has individual life insurance	-0.114**	-0.114**
Financial literacy (Ref.: Wrong answer)		
Right answer	0.223***	0.230***
Economic literacy (Ref.: Wrong answer)		
Right answer	0.183*	0.167*
Numeracy (Ref.: No right answer out of 3)		
1 right answer out of 3	0.107	0.106
2 right answers out of 3	0.263***	0.265***
3 right answers out of 3	0.260***	0.257***
Preference for the present: amount (%) required to wait 4 months^a (Ref.: \$500–\$575 (0–15%))		
\$576–\$750 (16–50%)	-0.107	-0.123
\$751–\$1,000 (51–100%)	-0.310***	-0.322***
No amount is sufficient: Take \$500 after 1 month	-0.197***	-0.215***
Gender (Ref.: Female)		
Male	0.084	0.089
Educational level (Ref.: Does not have post-secondary diploma)		
Has post-secondary diploma	0.295***	0.295***
Age (Ref.: Under 45)		
45–54	0.256***	0.290***
55–65	0.514***	0.555***
65 or over	0.561***	0.616***

Income earners (Ref.: 1)			
2		-0.085	-0.084
3 or more		-0.158	-0.151
Family situation (Ref.: Single individual)			
Couple with no children		0.075	0.071
Couple with children		-0.11	-0.112
Single parent		-0.159	-0.150
Other family types		0.182	0.166
Regions (Ref.: Atlantic)			
Quebec		-0.158	-0.145
Ontario		0.084	0.084
Manitoba and Saskatchewan		-0.08	-0.074
Alberta		0.183	0.177
British Columbia		0.092	0.105
Constant		10.133***	10.127***
*** p < 0.01 ** p < 0.05 * p < 0.100	Obs.	2,486	2,486
	r2	0.278	0.271

‡ For the probability of having an advisor by type of financial advisor, observed values are used. The probit predicted values, for all types of FA, rarely exceeded the threshold of 0.5, generating too few positive observations.

a: see Table 3.

The results set out in Table 10A confirm and clarify earlier results on the impact of different types of financial advisors on asset values. In this table, only two variables for tenure are considered: less than 15 years (the reference variable), and 15 years or more. Each type of advisor had a positive effect on asset values within 14 years. Advice from a bank affiliated broker or an FA not affiliated with a bank or insurance company had a substantial impact on having an FA with a tenure of 15 years or more. The highest overall impact was achieved by bank affiliated brokers.

Table 10A. Determinants of the value of assets (ln) when comparing different types of financial advisor, 2018

Linear regression [†] (Dep.: ln of asset values)	Bank branch advisor	Bank affiliated broker	FA affiliated with an insurance co.	FA not affiliated with a bank or insurance co.
[†] Using <u>non-predicted</u> values for FA [‡]	Coefficient	Coefficient	Coefficient	Coefficient
Financial advisor (Ref.: Non-Advised)				
Advised by....	0.439***	0.642***	0.513***	0.516***
Financial advisor X Tenure (Ref.: Advised <15 years)				
Advised X 15 years or more	0.153	0.483***	0.133	0.239**
Household's annual income before taxes (Ref.: <\$35,000)				
\$35,000–\$59,999	0.596***	0.599***	0.687***	0.733***
\$60,000–\$89,999	1.212***	1.155***	1.324***	1.227***
≥\$90,000	1.672***	1.648***	1.800***	1.714***
Wage (Ref.: No wages and salaries)				
Has wages and salaries	-0.507***	-0.608***	-0.690***	-0.657***
Workplace pension (Ref.: No workplace pension)				
Has workplace pension	-0.149	-0.136	-0.188	-0.100
Work situation (Ref.: Other)				
Full time	0.063	0.069	0.053	0.009
Retirement (Ref.: Not retired)				
Fully retired	0.491**	0.333	0.474**	0.394*
Life insurance (Ref.: No individual life insurance)				
Has individual life insurance	-0.087	-0.097	-0.090	-0.089
Financial literacy (Ref.: Wrong answer)				
Right answer	0.257***	0.237***	0.252***	0.282***
Economic literacy (Ref.: Wrong answer)				
Right answer	0.129	0.211	0.172	0.185
Numeracy (Ref.: No right answer out of 3)				
1 right answer out of 3	0.153	0.139	0.137	0.096
2 right answers out of 3	0.303***	0.280***	0.290***	0.263***
3 right answers out of 3	0.328***	0.300***	0.326***	0.281***
Preference for the present: amount (%) required to wait 4 months^a (Ref.: \$500–\$575 (0–15%))				
\$576–\$750 (16–50%)	-0.155	-0.130	-0.078	-0.119
\$751–\$1,000 (51–100%)	-0.297**	-0.256**	-0.269**	-0.277**
No amount is sufficient: Take \$500 after 1 month	-0.248***	-0.262***	-0.192*	-0.194**
Gender (Ref.: Female)				
Male	0.092	0.127*	0.169*	0.122*
Educational level (Ref.: Does not have post-secondary diploma)				
Has post-secondary diploma	0.439***	0.430***	0.488***	0.478***

Table 10A (cont'd)

	Bank branch advisor	Bank affiliated broker	FA affiliated with an insurance co.	FA not affiliated with a bank or insurance co.
	Coefficient	Coefficient	Coefficient	Coefficient
Age (Ref.: Under 45)				
45–54	0.183**	0.210**	0.105	0.219***
55–65	0.504***	0.463***	0.475***	0.455***
65 or over	0.557***	0.442***	0.398***	0.381***
Income earners (Ref.: 1)				
2	-0.099	-0.068	-0.084	-0.040
3 or more	-0.314*	-0.275*	-0.274	-0.184
Family situation (Ref.: Single individual)				
Couple with no children	0.081	0.156	0.131	0.077
Couple with children	-0.106	-0.063	-0.104	-0.131
Single parent	-0.442**	-0.316	-0.438**	-0.354**
Other family types	0.152	0.388*	0.252	0.364*
Regions (Ref.: Atlantic)				
Quebec	-0.234	-0.204	-0.254	-0.274
Ontario	0.046	0.007	-0.021	0.012
Manitoba and Saskatchewan	-0.048	-0.131	-0.076	-0.115
Alberta	0.073	0.098	0.045	0.106
British Columbia	0.104	0.121	0.099	0.066
Constant	10.077***	10.107***	10.041***	10.085***
*** p < 0.01 ** p < 0.05 * p < 0.100	Obs.	1,625	1,688	1,453
	r2	0.220	0.285	0.226
				0.250

‡: For the probability of having an advisor by type of financial advisor, observed values are used. The probit predicted values, for all types of FA, rarely exceeded the threshold of 0.5, generating too few positive observations.

a: see Table 3.

4. Financial advisors and annual household income

We have shown that households with higher annual incomes have a higher probability of having a financial advisor and benefitting from his or her advice.

In this section, we look at the impact of a financial advisor by category of annual household income.

4.1 Descriptive statistics

Tables 11 and 13 confirm, as shown earlier, that the proportion of households with an FA increases with income. A greater value of financial assets is also correlated with higher incomes. Table 12 suggests that for the tenure variables, the proportions of households do not differ much by category of annual household income, except for the 15 years and over tenure with household income over \$60K. One shortcoming of our data by annual household income is the low number of observations for some categories.

Table 11. Proportion of households having a financial advisor by annual household income, 2018

	Annual household income							
	<\$35K		\$35K–\$59K		\$60K–\$89K		≥\$90K	
	n	%	n	%	n	%	n	%
Non-Advised	117	63.9	225	61.1	317	55.9	709	51.8
Advised	66	36.1	143	38.9	250	44.1	659	48.2
Total	183	100.0	368	100.0	567	100.0	1,368	100.0

Table 12. Proportion of households having a financial advisor by tenure and annual household income, 2018

	Annual household income							
	<\$35K		\$35K–\$59K		\$60K–\$89K		≥\$90K	
	n	%	n	%	n	%	n	%
Non-Advised	117	63.9	225	61.1	317	55.9	709	51.8
Advised X < 4 years	5	2.7	23	6.3	25	4.4	83	6.1
Advised X 4–6 years	10	5.5	16	4.3	44	7.8	98	7.2
Advised X 7–14 years	22	12.0	48	13.0	66	11.6	205	15.0
Advised X 15 years or more	29	15.8	56	15.2	115	20.3	273	20.0
Total	183	100.0	368	100.0	567	100.0	1,368	100.0

Table 13. Descriptive statistics on the value of financial assets by annual household income, 2018

	Observations	Median (\$)	Mean (\$)	SD (\$)
<\$35K	183	119,000	201,059	260,048
\$35K–\$59K	368	125,000	250,204	417,959
\$60K–\$89K	567	200,000	338,905	420,321
≥\$90K	1,368	296,250	515,289	798,321

We noted for Table 1 that the median value of the financial assets of all advised respondents was 1.89 times the median value of the assets of all non-advised respondents in 2018 (lower than the previous surveys). In Table 14, it can be seen that this ratio corresponds to the \$60K–\$89K income group. It is 2.35 in the \$35K–\$59K group. The highest ratio is for the lowest income group, with 2.82, and the lowest is 1.70 for the \$90K-and-over category.

Table 14. Descriptive statistics on the value of financial assets by annual household income and having a financial advisor or not, 2018

	Observations		Median (\$)		Mean (\$)		SD (\$)	
	No FA	FA	No FA	FA	No FA	FA	No FA	FA
<\$35K	117	66	70,000	197,500	160,744	272,526	234,425	288,382
\$35K–\$59K	225	143	100,000	235,000	202,246	325,662	440,384	369,023
\$60K–\$89K	317	250	150,000	282,767	261,499	437,056	364,524	464,386
≥\$90K	709	659	225,000	382,000	401,709	637,486	677,911	894,812

4.2 Determinants of having a financial advisor by annual household income

Table 15 presents the factors influencing the decision to engage a financial advisor, by category of annual household income. The marginal effects are indicated, which are the direct effect of the variable on the probability of having an FA. To illustrate for the \$90K-and-over income category, households with savings of \$10K and over were 12.8 percentage points more likely to have an FA, compared with households with the same income category but with lower annual savings (keeping all other factors constant).

The probit regressions show that results for the whole sample (see Table 2) are driven by the annual household income category of \$90K and over. This is not surprising, given that this category makes up 55% of the survey population. For example, a high level of savings and the life insurance variables (statistically significant in Table 2) are only statistically significant for that income category. This is also the case for respondents with a high level of numeracy. However, mistrust of individuals essentially affects the \$35K and lower category. Age is not a factor for the \$35K–\$59K income level (most likely due to a smaller variability in that income category), but a couple with children had a statistically significant negative coefficient only for that category of income. It is also only in this same category that some differences among the provinces regarding the probability of having an FA can be seen: higher in Manitoba and Saskatchewan and the Atlantic provinces relative to Quebec, Ontario and British Columbia.

Table 15. Determinants of having a financial advisor by annual household income, 2018*

* Probit model (post-estimation margins)	<\$35K	\$35K–\$59K	\$60K–\$89K	≥\$90K
Non-Advised vs. Advised (by AHI category)	Margins	Margins	Margins	Margins
Savings (Ref.: \$0)				
\$1–\$3,000	-0.121	-0.147**	-0.012	0.004
\$3,001–\$10,000	0.011	0.096	-0.060	0.064
>\$10,000	0.040	0.172*	0.065	0.128***
Wage (Ref.: No wages and salaries)				
Has wages and salaries	-0.054	0.061	0.039	-0.089
Workplace pension (Ref.: No workplace pension)				
Has workplace pension	0.034	0.067	-0.009	-0.004
Work situation (Ref.: Other)				
Full time	0.171	-0.224***	-0.088	-0.100*
Retirement (Ref.: Not retired)				
Fully retired	-0.015	0.051	0.191	0.068
Life insurance (Ref.: No individual life insurance)				
Has individual life insurance	-0.112	0.056	0.024	0.104***
Mistrust of individuals (Ref.: Is not suspicious of individuals)				
Is suspicious of individuals	-0.269***	-0.071	-0.050	-0.064**
Financial literacy (Ref.: Wrong answer)				
Right answer	0.142	0.155***	0.098**	0.091***
Economic literacy (Ref.: Wrong answer)				
Right answer	-0.089	-0.043	0.030	0.021
Numeracy (Ref.: No right answer out of 3)				
1 right answer out of 3	-0.130	0.085	-0.0385	-0.032
2 right answers out of 3	-0.128	-0.004	-0.122**	-0.058
3 right answers out of 3	-0.104	-0.024	-0.010	-0.137***
Gender (Ref.: Female)				
Male	-0.214**	-0.117**	-0.057	-0.600**
Educational level (Ref.: Does not have post-secondary diploma)				
Has post-secondary diploma	0.007	0.005	0.064	0.069
Age (Ref.: Under 45)				
45–54	0.289**	-0.012	0.133**	0.166***
55–65	0.249***	0.070	0.315***	0.233***
65 or over	0.335***	0.077	0.228***	0.321***
Income earners (Ref.: 1)				
2	0.261**	-0.162**	-0.009	-0.022
3 or more	-0.111	0.070	0.083	0.023

Table 15 (cont'd)

	< \$35K Margins	\$35K - \$59K Margins	\$60K - \$89K Margins	≥ \$90K Margins	
Family situation (Ref.: Single individual)					
Couple with no children	-0.045	0.075	0.002	-0.060	
Couple with children	-0.001	-0.265***	-0.069	-0.054	
Single parent	-0.202	0.085	0.157	0.070	
Other family types	0.303*	-0.011	-0.043	-0.138	
Regions (Ref.: Atlantic)					
Quebec	-0.180	-0.344***	0.032	-0.030	
Ontario	0.014	-0.285***	0.110	-0.052	
Manitoba and Saskatchewan	-0.211	-0.122	-0.074	0.092	
Alberta	0.269	-0.365***	0.093	-0.051	
British Columbia	-0.139	-0.287**	0.093	-0.010	
Constant					
*** p < 0.01 ** p < 0.05 * p < 0.100	Observations	183	368	567	1,368
	Pseudo r2	0.163	0.148	0.088	0.076

4.3 Impact of a financial advisor on asset values (ln) by annual household income

Table 16 uses linear regression to assess the impact of having a financial advisor on the value of assets (ln) by annual household income category. As for the situation with the regressions by category of financial advisor, owing to the small number of observations, the observed values rather than the predicted values of having an FA or not were used.

As before, results for the whole sample (see Table 3) concerning the impact of an advisor on the value of assets depend largely on the \$90K-and-over annual household income category. All the tenure effects on the value of assets appear to be due to this income category alone. The question of the number of observations must be kept in mind when seeking to reach a final conclusion on this specific point. Not only is this a question of sample size, but also households with higher incomes are likely to be older, meaning that there will be fewer observations of long tenure with an FA for respondents in income categories below \$90K.

One interesting result is that the highest impact on the value of assets associated with the involvement of an FA was seen for the \$35K–\$59K income category without a statistically significant tenure effect. In percentage terms, a household in this income category with an advisor benefited from a 167.0% increase in its asset size relative to a comparable household without an advisor (see footnote 11 for details of the computation). It is also worth noting that for this income category, a strong preference among some households for immediate consumption plays a major role in reducing the value of their assets. Insofar as an FA was found to increase a household's savings rate, this result is consistent with the major effect of having an FA for this category of household income relative to households with no FA.

The factors good level of financial literacy and numeracy have a particularly strong positive impact on the value of assets in the \$90K-and-over income category.

Table 16. Determinants of the value of assets (ln) by annual household income category, 2018

Linear regression [†] (Dep.: ln of value of assets)	<\$35K	\$35K–\$59K	\$60K–\$89K	≥\$90K
[†] Using <u>non-predicted</u> values for FA [‡]	Coefficient	Coefficient	Coefficient	Coefficient
Financial advisor (Ref.: Non-Advised)				
Advised	1.157*	0.982***	0.326	0.075
Financial advisor X Tenure (Ref.: Advised < 4 years)				
Advised X 4 to 6 years	-0.325	0.006	-0.126	0.331**
Advised X 7 to 14 years	-0.245	0.143	0.419	0.422***
Advised X 15 years or more	0.136	0.019	0.434	0.638***
Wage (Ref.: No wages and salaries)				
Has wages and salaries	-0.928**	-0.650**	-0.109	-0.437***
Workplace pension (Ref.: No workplace pension)				
Has workplace pension	0.245	-0.162	-0.479	-0.052
Work situation (Ref.: Other)				
Full time	-0.267	-0.283	-0.135	0.185
Retirement (Ref.: Not retired)				
Fully retired	0.065	0.397	0.537*	0.586
Life insurance (Ref.: No individual life insurance)				
Has individual life insurance	-0.166	-0.113	-0.255**	-0.025
Financial literacy (Ref.: Wrong answer)				
Right answer	0.315	-0.077	0.138	0.322***
Economic literacy (Ref.: Wrong answer)				
Right answer	-0.043	-0.215	0.602***	0.174
Numeracy (Ref.: No right answer out of 3)				
1 right answer out of 3	-0.194	0.304	-0.038	0.162*
2 right answers out of 3	-0.048	0.476**	0.164	0.240***
3 right answers out of 3	-0.069	0.304	0.109	0.291***
Preference for the present: amount (%) required to wait 4 months^a (Ref.: \$500–\$575 (0–15%))				
\$576–\$750 (16–50%)	0.644	-0.427	0.048	-0.160
\$751–\$1,000 (51–100%)	-0.915*	-0.406	-0.477**	-0.200*
No amount is sufficient: Take \$500 after 1 month	0.171	-0.598***	-0.250*	-0.132
Gender (Ref.: Female)				
Male	0.075	0.075	0.167	0.075
Educational level (Ref.: Does not have post-secondary diploma)				
Has post-secondary diploma	0.599**	0.176	0.080	0.425***

Table 16 (cont'd)

	< 35K\$ Coefficient	35K\$ - 59K\$ Coefficient	60K\$ - 89K\$ Coefficient	≥ 90K\$ Coefficient	
Age (Ref.: Under 45)					
45–54	0.846	-0.139	0.141	0.398***	
55–65	0.571	-0.193	0.507***	0.699***	
65 or over	-0.094	0.212	0.465**	0.862***	
Income earners (Ref.: 1)					
2	0.057	-0.135	-0.325**	0.069	
3 or more	-0.236	0.381	-0.354	-0.138	
Family situation (Ref.: Single individual)					
Couple with no children	0.143	-0.097	0.097	0.059	
Couple with children	0.800	-0.256	-0.237	-0.052	
Single parent	0.137	0.243	-0.143	-0.300	
Other family types	-0.105	0.143	0.616**	-0.315	
Regions (Ref.: Atlantic)					
Quebec	-0.548	0.032	-0.369	-0.041	
Ontario	-0.101	0.009	-0.178	0.230*	
Manitoba and Saskatchewan	0.229	-0.005	-0.264	-0.009	
Alberta	0.510	0.942**	-0.432	0.241	
British Columbia	0.351	-0.133	-0.293	0.256*	
Constant	10.424***	12.146***	11.518***	11.103***	
*** p < 0.01 ** p < 0.05 * p < 0.100	Observations	183	368	567	1,368
	r2	0.163	0.148	0.087	0.076

¥: For the probability of having an advisor by type of financial advisor, observed values are used. The probit predicted values, for all types of FA, rarely exceeded the threshold of 0.5, generating too few positive observations.

a: see Table 3.

5. Impact of initial investment (accumulated savings) at the time a household began working with an FA on its 2018 value of assets

Figure 3 of Section 2.1 showed that of the surveyed households who began working with an FA, 41% had an initial investment of \$50K or less, while 38.8% had more than \$100K. In this section, we assess how the initial investment at the time a household engaged an FA impacted its 2018 value of assets.

The coefficient estimates given in Table 17 of the variable \ln of the initial investment (accumulated savings) at the time the household began working with an FA indicate that an initial larger dollar amount matters. Basically (ignoring tenure), a 10% increase in the initial amount invested increases the value of assets by 2.26% (a 50% increase by 11.3%).²³ This relatively low elasticity associated with the impact of the initial accumulated savings on the 2018 value of assets confirms the importance of an FA through the gamma factors of discipline and savings, and in particular, in explaining the current value of assets for households with an FA.

It is interesting to note that the other variables with statistically significant coefficient estimates have values that would be expected, based on the results of Table 3.

²³ As both the dependent and independent variables concerned are expressed in \ln terms, the coefficient estimate from the regression is the elasticity of the value of assets with respect to the initial amount of the financial investment.

Table 17. Determinants of the value of assets (ln), including the value of accumulated savings (ln) at the time a household began working with an FA, 2018

Linear regression (Dep.: ln of the value of assets) among participants having an FA	
qf10 = ln of accumulated savings at the time a household began working with an FA	Coefficient
ln of accumulated savings at the time the household began working with an FA	0.226***
qf10 X Tenure (Ref.: Less than 4 years)	
4–6 years	0.012
7–14 years	0.039***
15 years or more	0.069***
Household’s annual income before taxes (Ref.: <\$35,000)	
\$35,000–\$59,999	0.433***
\$60,000–\$89,999	0.689***
≥\$90,000	1.110***
Wage (Ref.: No wages and salaries)	
Has wages and salaries	-0.099
Workplace pension (Ref.: No workplace pension)	
Has a workplace pension	0.052
Work situation (Ref.: Other)	
Full time	-0.032
Retirement (Ref.: Not retired)	
Fully retired	0.235
Life insurance (Ref.: No individual life insurance)	
Has individual life insurance	-0.138**
Financial literacy (Ref.: Wrong answer)	
Right answer	0.152**
Economic literacy (Ref.: Wrong answer)	
Right answer	0.227*
Numeracy (Ref.: No right answer out of 3)	
1 right answer out of 3	0.101
2 right answers out of 3	0.249***
3 right answers out of 3	0.086
Preference for the present: amount (%) required to wait 4 months:^a (Ref.: \$500–\$575)	
(0–15%)	
\$576–\$750 (16–50%)	-0.135
\$751–\$1,000 (51–100%)	-0.372***
No amount is sufficient: Take \$500 after 1 month	-0.186**

Table 17 (cont'd)

	Coefficient
Gender (Ref.: Female)	
Male	-0.038
Educational level (Ref.: Does not have post-secondary diploma)	
Has post-secondary diploma	-0.044
Age (Ref.: Under 45)	
45–54	0.345***
55–65	0.443***
65 or over	0.502***
Income earners (Ref.: 1)	
2	-0.131
3 or more	-0.034
Family situation (Ref.: Single individual)	
Couple with no children	0.006
Couple with children	-0.092
Single parent	0.114
Other family types	-0.060
Regions (Ref.: Atlantic)	
Quebec	-0.146
Ontario	0.034
Manitoba and Saskatchewan	-0.034
Alberta	0.258**
British Columbia	0.001
Constant	8.435***
*** p < 0.01 ** p < 0.05 * p < 0.100	Observations
a: see Table 3.	1,118
	r2
	0.338

6. Comparison between 2014 and 2018 respondents to both surveys (the survival principal)

An exciting feature of the 2014 survey was the possibility to match households that had also responded to the 2010 survey. This matching is also possible with the 2018 survey.

Households could differ in using the services of a financial advisor in two ways. A household did not have an advisor in 2014 but declared having one in 2018 (households found their advisors). Alternatively, a household may have reported having a financial advisor in 2014 but not in 2018.

The questions to be addressed are these:

- 1) How does the value of household assets for respondents *without* an advisor in 2014 and 2018 compare with the value of household assets for respondents *without* an advisor in 2014 but which reported having one in 2018?
- 2) How does the value of household assets for respondents *with* a financial adviser in 2014 and 2018 compare with the value of household assets for respondents *with* an advisor in 2014 but which declared *not* having one in 2018?

One problem with this comparison is that some households in all categories reported considerable changes in their asset values. The reasons for those changes were unknown. They could have occurred, for example, as a result of a windfall gain from an inheritance or a sudden loss because of a switch from financial assets to real estate property or a business venture. To deal with this issue, we excluded the 2.5% of respondents who saw the biggest gains in asset values between 2014 and 2018, and the same percentage from those who lost the most. We were left with 459 observations.²⁴

The four-year period between the two surveys was relatively short. Figure 5 shows that 82% of our respondents did not report any change in whether or not they had a financial advisor. We likewise did not expect any major changes in their socioeconomic situations.

²⁴ In 2014, to deal with those outliers, we restricted the sample to the observed differences in the log of asset values between -0.5 and +0.5 (corresponding to the ratio of asset values of 2013 over 2009 of 0.61 and 1.65 respectively). The drawback was a loss of observations of more than 40%. Applying the same restriction to the 2018 survey entailed a loss of 50.4% of the initial sample of 482 observations, leading to a corresponding reduction in the statistical power of our tests.

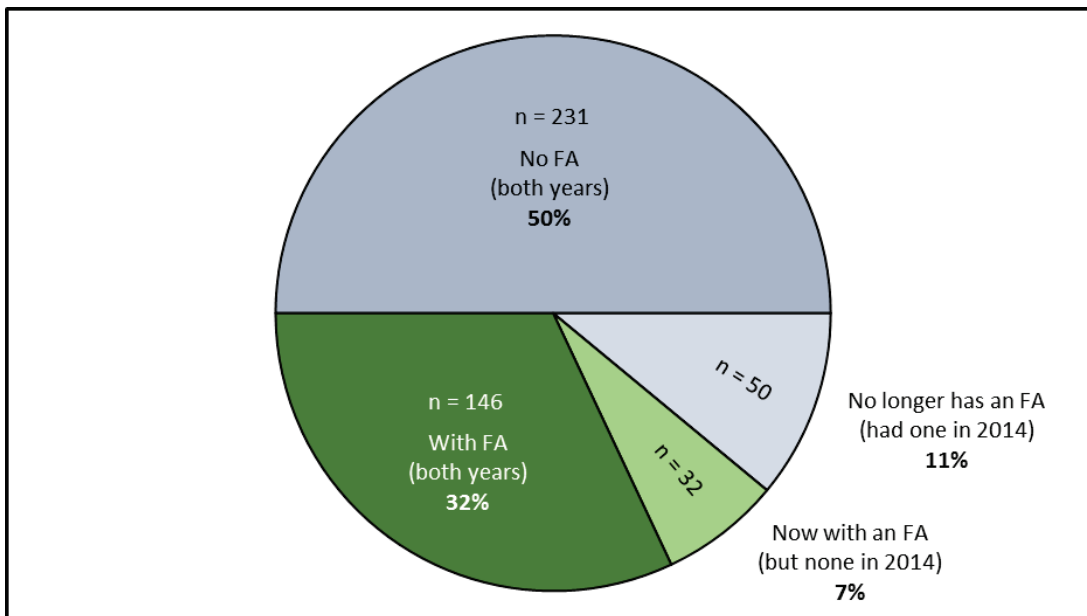


Figure 5. Household financial advisor situation, comparing 2014 and 2018

Figure 6 shows that 27% of households saw their asset values decline, while 71% enjoyed an increase in their asset values. For 10.7% of households, the increases were substantial (more than 500%).

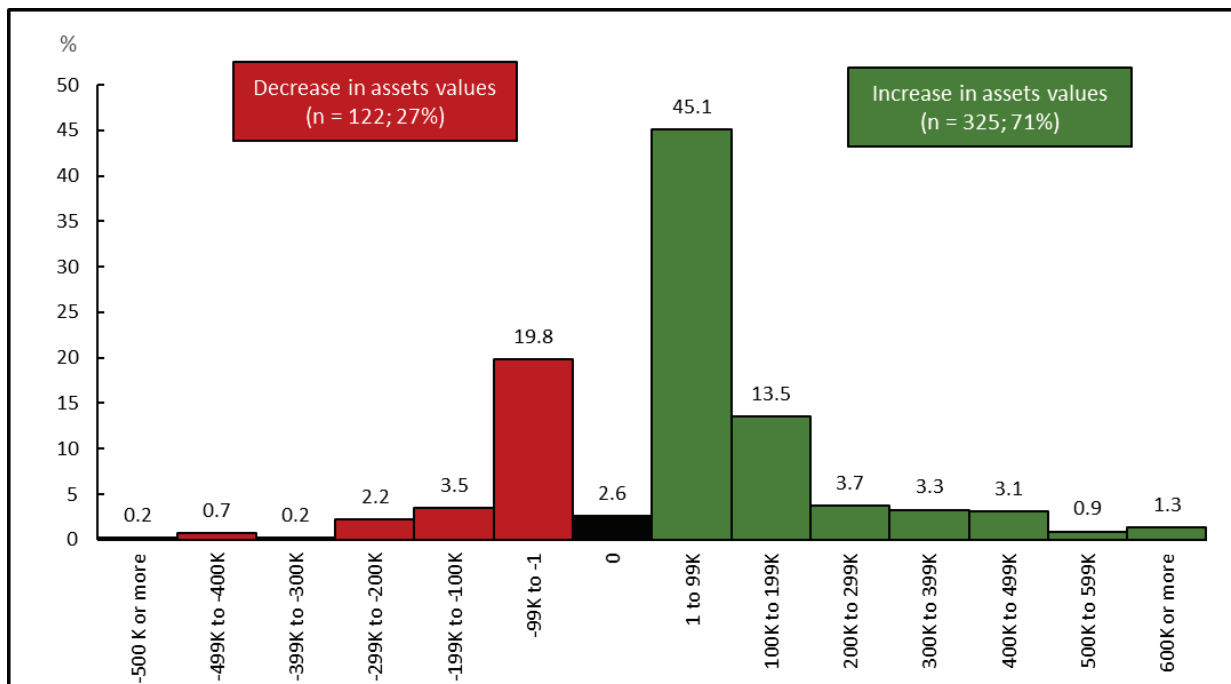


Figure 6. Distribution of differences in asset values between 2014 and 2018

Figure 7 sets out the differences in mean asset values according to households' changing situation with respect to financial advice during the period from 2014 to 2018. On average, gains can be seen in all situations, a result likely associated with the significant number of households who experienced an increase of more than 500% in the value of their assets.

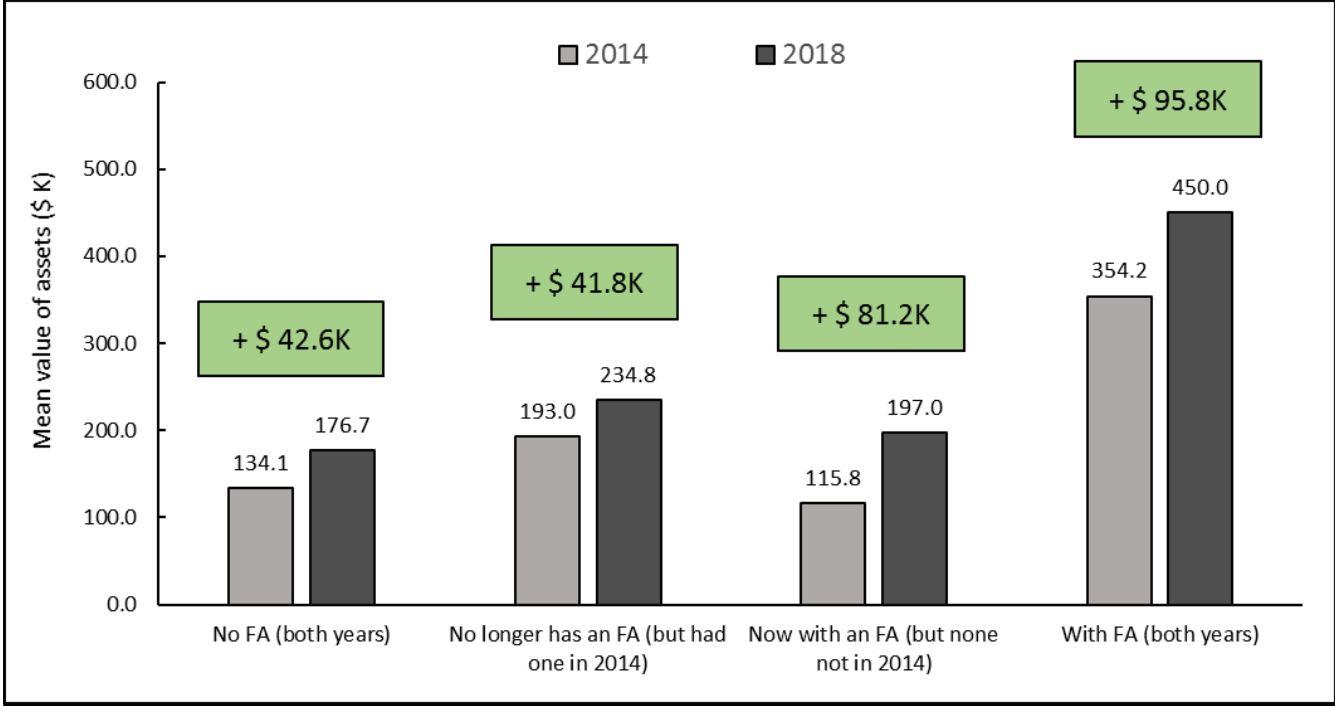


Figure 7. Differences in mean asset values according to households' changing situation with respect to financial advice from 2014 to 2018

Table 18 looks at whether the differences in asset values were statistically significant (t-tests) for situations where changes occurred regarding financial advice.

Table 18. T-tests of the difference in means for asset values, by category of households concerned

Group (At last FA)	Obs.	Mean	SE	SD		CI 95%
No FA (both years)	231	42,616	8,754	133,052	25,367	59,865
Now with an FA (but not in 2014)	32	81,192	33,291	188,321	13,295	149,089
Combined	263	47,310	8,698	141,055	30,183	64,436
Difference		-38,576	26,550		-90,856	13,704
Difference = mean(0) - mean(1)	231	42,616	8,754	133,052	25,367	59,865
H0: diff < 0 Pr(T < t)	0.07					

Group (No more FA)	Obs.	Mean	SE	SD		CI 95%
With FA (both years)	146	95,853	14,944	180,565	66,317	125,388
No longer has an FA (but had one in 2014)	50	41,783	21,170	149,695	-760	84,326
Combined	196	82,059	12,461	174,451	57,484	106,635
Difference		54,069	28,395		-1,932	110,071
Difference = mean(0) - mean(1)						
H0: diff < 0 Pr(T < t) = 0.03						

Households without an FA in 2014 but with one in 2018 benefited from an average increase of \$38,576 in their asset values relative to households who still had no advisor in 2018. The difference was statistically significant at a confidence level of 7%. Households with an FA in both 2014 and 2018 saw an average increase of \$54,069 in their asset values relative to households who no longer had an advisor in 2018. The difference was statistically significant at a confidence level of 3%.

While informative, these statistics are essentially descriptive and do not prove a causal effect attributable to the involvement of an advisor. Evaluating the impact of keeping or dropping an advisor is examined in Table 19 by means of regressions in the differences in asset values (ln) for each household in the sample survey, taking into account changes in their socioeconomic characteristics or status that might have occurred since 2010.²⁵

²⁵ The differences in the logarithms of the value of assets follow the specification used in Table 3, leading to a difference-in-difference specification that is as close as possible.

The results show no statistically significant effect of keeping or adding an FA relative to a status quo situation between the two years. The differences in the asset values for most households appear to result from changes in household income between 2014 and 2018.²⁶

This survival question is an important issue, and the results here differ from the 2010-to-2014 comparison. Our results indicate that dropping an advisor between 2010 and 2014 was costly: on average, households who kept their advisor saw the value of their assets increase by 16.4%, while households who dropped their advisor made a gain of just 1.7%.

Future surveys should directly ask households about the reasons for the differences in asset values between periods. For example, the following question should be considered: What explains the changes, if any, in asset values? And specific answers could be proposed: selling or buying a house, money from an inheritance, increased savings, and so forth.

Table 19. Determinants associated with differences in asset values (ln) between 2014 and 2018

	All Coefficient	No advisor in 2014 Coefficient	Advisor in 2014 Coefficient
No longer has a FA	-0.091	-	-0.031
Now with a FA	0.121	0.113	-
Income difference	9.7E-06***	-1.30E-05**	8.99E-06***
Income difference (squared)	-1.3E-11***	-2.83E-11	-1.17E-11**
No more wages	-0.037	-0.328	0.306
At last wages	0.187	0.172	0.146
No more work pension	0.089	0.067	0.161
Now with a work pension	0.323	-0.023	0.430
No more work full time	0.207	0.311	0.100
Now work full time	0.310	0.266	0.398
No more fully retired	-0.185	-0.150	-
Now fully retired	0.555*	0.791*	0.009
Change in composition of household (Ref.: Same)			
Fewer earners	0.025	0.081	-0.080
More earners	-0.109	-0.156	-0.021
Move to another province	0.481	0.493	0.383
Constant	0.262***	0.294***	0.172
*** p<0.01, ** p<0.05, * p<0.100	Obs.	459	263
	r2	0.059	0.066
			196
			0.064

²⁶ If 8.2% of households saw a 100%+ increase in their income from additional workers in the household, for example, the additional workers could not explain all the increase in the values of assets over the four-year period.

While descriptive statistics suggest that households without an FA in 2014 but with one in 2018 benefited from an average increase of \$38,576 in their asset values relative to households who still had no advisor in 2018 and that households with an FA in both 2014 and 2018 saw an average increase of \$54,069 in their asset values relative to households who no longer had an advisor in 2018, econometric regressions accounting for other changes in a household's situation (for example, in household income) showed that none of the changes in a household's situation with regard to retaining or hiring a financial advisor was statistically significant. Given the previous results, the survival principle may well depend on the general economic situation. In future surveys, the sources of the differences in asset values between periods will need to be investigated.

7. Has increased fee transparency (CRM2) in recent years affected the use of a financial advisor?

The degree of effectiveness of the CRM2 (client-customer relationship model) regulation is a difficult question to answer with survey data at this time. What we learned from the 2010 survey was that 44.6% of respondents with an FA did not even know what fees they were paying for financial advice. Probit models aimed at identifying those respondents indicate that very few variables are statistically significant, suggesting that a wide range of respondents do not know the cost of having a financial advisor. However, the probability of not knowing FA fees was higher for advised respondents with income between \$35K and \$90K.

The 2010 survey also asked the question: "Which of the following methods of compensation for a financial advisor would your household prefer most? Please select 1 only.

- 1 \$ Commissions
- 2 Percent of your total investment's value
- 3 \$ Fee for service

\$ Fee for service was the preferred choice of the advised respondents (50.2%) and of up to 71.2% of the non-advised.

In 2018, a similar question was asked. The results are given in Table 20.

Table 20. Preferred methods of compensation for a financial advisor, by household

	Non-advised		Advised		Total	
	n	%	n	%	n	%
Commissions (amount \$)	85	6.2	100	8.9	185	7.4
Commissions (% of total value of investments)	52	3.8	128	11.4	180	7.2
Fees for service (amount \$)	134	9.8	193	17.3	327	13.2
Fees for service (% of total value of investments)	63	4.6	243	21.7	306	12.3
Fixed fees	194	14.2	84	7.5	278	11.2
I wouldn't pay for advice	612	44.7	145	13.0	757	30.5
I don't know	228	16.7	225	20.1	453	18.2
Total	1,368	100	1,118	100	2,486	100

Although a comparison with 2010 is difficult, given that more options were available in 2018, the fee for service option (in dollar terms or as a % of the total value of investments) was still the preferred method for advised households. The most surprising findings in this table are that 20.1% of advised households do not know what they prefer and that 13% said they would not pay for advice! The results of a probit model (with, I would not pay for advice = 1; 0 otherwise) indicate that respondents with a branch bank advisor have a higher probability of declaring that they would not pay for advice; those with a private banking or private investment advisor are the least likely to be in this category. Furthermore, respondents who consult their FA once a month are less likely to be in the category of would not pay for advice. Single parents, however, are in that category. Note that the level of assets held by a household does not play any role (see Table A3 for the results of the probit model).

Also, in 2010, a solid majority of respondents with an FA said they trusted their FA, and they were 28 percentage points more likely to trust an FA than similar non-advised respondents. In the 2018 survey, the question regarding trust concerned all individuals, not just FAs.

Will the increased fee transparency associated with CRM2 eventually lead to a greater proportion of households hiring a financial advisor? Only time will tell, but it may be difficult to isolate the specific effect of CRM2 from all other determinants of having a financial advisor. It will also be interesting to see whether the policy reduces the percentage of advised who say they would not pay for advice! Similarly, will greater fee transparency increase the percentage of respondents who say they trust an FA and raise the general level of confidence in FAs?

8. Conclusion

In comparison with the 2014 survey, the 2018 survey results showed an increase in average asset values for all respondents. The difference in the ratio of asset values between advised and non-advised households declined. However, the 2018 results confirmed the positive impact of having a financial advisor: for example, the average household with an FA for 15 years or more had asset values 131% higher than an average “comparable” household without a financial advisor. The financial discipline provided by an FA and the related efforts to increase household savings were the main gamma factors explaining this difference. In 2018, the non-cash to total investment ratio—a proxy for portfolio diversification and encouragement for risk-taking—was also an explanatory factor for the differing results.

In the 2018 survey, a new variable was introduced in the econometric model with the “Preference for the present” variable. With this variable, a respondent willing to postpone consumption for a small financial return measures her ‘willingness to invest’. Those requiring a huge financial return to postpone consumption shows a present-bias behavior. As expected, the “preference for the present” variable is associated with a higher value of assets for a respondent willing to postpone direct consumption. However, it does not affect the coefficient estimates of the financial advisor variables when excluded from the regression: the coefficients of all the financial advisor variables (including the tenure variables) remain almost the same with or without this “preference for the present” variable in the regression. Also, without this control variable, we were concerned in the previous surveys (see Montmarquette & Viennot-Briot, 2019) to attribute to the financial advisor the higher level of savings by households with a financial advisor relative to ‘comparable’ households without an FA. We were surprised that contrary to our hypothesis, the variable “preference for the present” has no impact on the savings rate of respondents. A possible explanation for this variable increasing the value of assets, as seen in Table 3, for the respondents showing more patience, may be associated with them not rushing their decision when the stock market falls, or the economic situation deteriorated. Possibly, another expression of the discipline gamma factor discussed before.

We innovated by repeating the analysis of the determinants of having a financial advisor and its impact on asset values by type of financial advisor. We found that the determinants varied from one type of advisor to the next and were able to identify which types of advisors were primarily responsible for selected variables that explain the general results of the preceding section. Here are some examples: Households with an annual income of \$90,000 or over are 14.8 percentage points more likely to choose a

bank affiliated broker relative to a household that have no advisor at all. . There is no income effect from choosing a bank branch advisor, an FA affiliated with an insurance company or other types of advisors. Annual savings of \$10,000 or more slightly increase the probability of choosing only three types of advisors. Mistrust of individuals reduces the probability of choosing a bank affiliated broker or an FA not affiliated with a bank or an insurance company. Financial literacy plays a positive role in choosing a bank affiliated broker or an FA not affiliated with a bank or an insurance company.

Also, one question examined was what factors distinguished households choosing one type of advisor over others, among those who chose an advisor? Generally, the results, while not entirely expected, are not too surprising. For example, using an FA not affiliated with a bank or an insurance company as the reference category:

- Households with an annual income of \$60,000 or over have about one third the probability of choosing a bank branch advisor relative to choosing an FA not affiliated with a bank or an insurance company.
- Respondents with good financial and economic literacy have a significantly higher probability of choosing an FA not affiliated with a bank or an insurance company rather than a bank branch advisor.
- However, respondents that generally mistrust individuals are 1.479 times more likely to opt for a bank branch advisor than an FA not affiliated with a bank or an insurance company.
- Bank affiliated brokers attract respondents aged 45–54 substantially more than the reference FA does (relative risk ratio = 1.799).
- Further results are reported in Table 9A, while Table A2 in the Appendix shows results for an FA associated with an insurance company as the reference category. In this case, when comparing with the private banking or private investment advisor option, respondents with life insurance are less likely to choose this type of FA relative to an FA associated with an insurance company (RRR = 0.413), but respondents with a post-secondary education are seven times more likely to choose a private banking or private investment advisor than the reference FA category (RRR = 6.945).

When the impacts of different types of financial advisors (relative to no advisor) were compared, it was found that:

- Each type of advisor has a positive effect on the value of assets within 14 years.
- Advice from a bank affiliated broker or an FA not affiliated with a bank or insurance company has a substantial impact on the finances of households who have had an FA for 15 years or more.
- Bank affiliated brokers have the highest overall impact.

Next, **we studied the determinants of having a financial advisor and its impact on asset values by category of annual household income.** To put it differently: To what degree is financial advice spread across all income levels?

The probit regressions on the determinants of having an FA or not by category of annual household income show that results for the whole sample (see Table 2) are driven by the annual household income category of \$90K and over (note that this category makes up 55% of the survey population). For example, a high level of savings and the life insurance variables (statistically significant in Table 2) are only statistically significant for that income category. This is also the case for respondents with a high level of numeracy. However, mistrust of individuals essentially affects the \$35K and lower category.

As before, results for the whole sample (see Table 3) regarding **the impact of an advisor on the value of assets** depend largely on the \$90K-and-over income category. All tenure effects on the value of assets appear to be attributable to this income category alone. The highest impact on the value of assets associated with the involvement of an FA is observed for the \$35K–\$59K category.

Figure 2 of Section 2.1 highlighted the fact that 41% of households began working with an FA with an initial investment of \$50K or less, while 38.8% had more than \$100K. **What is the importance of starting with a greater initial investment (accumulated savings) at the time the household begins working with an FA?** Controlling for the usual factors, we found that an initial larger dollar amount matters but not that much. To illustrate in elasticity terms, a 10% increase in the initial amount invested increases the value of assets by 2.26%. This relatively low elasticity confirms the importance of an FA, through the gamma factors of discipline and savings, when it comes to explaining the current value of assets in 2018 for those with an FA.

While descriptive statistics suggest that households without an FA in 2014 but with one in 2018 benefited from an average increase of \$38,576 in their asset values relative to households who still had no advisor in 2018 and that households with an FA in both 2014 and 2018 saw an average increase of \$54,069 in their

asset values relative to households who no longer had an advisor in 2018, econometric regressions accounting for other changes in a household's situation (for example, in household income) showed that none of the changes in a household's situation with regard to retaining or hiring a financial advisor was statistically significant. Given the previous results, **the survival principle may well depend on the general economic situation**. In future surveys, the sources of the differences in the values of assets between periods will need to be investigated.

It is still too early to determine whether **the Client-Customer Relationship Model regulation** will lead to a greater proportion of households hiring a financial advisor. It will definitely be a challenge to isolate the specific effect of CRM2 from all other determinants of having a financial advisor. It will also be interesting to see whether greater fee transparency will increase trust and confidence in FAs, and whether the policy will reduce the percentage of advised respondents (13% in 2018) who said they would not pay for advice.

Appendix

Table A1. Determinants of stating that "No amount would make me seek an FA," 2018

*Probit model & Post-estimation margins among non-advised households		
No amount would make me seek a financial advisor = 1 (n = 641); 0 otherwise (n = 727)	Coefficient	Margins
Household's annual income before taxes (Ref.: <\$35,000)		
\$35,000–\$59,999	-0.170	-0.068
\$60,000–\$89,999	0.106	0.042
≥\$90,000	0.099	0.039
Savings (Ref.: \$0)		
\$1\$–\$3,000	-0.235*	-0.093*
\$3,001–\$10,000	-0.232**	-0.092**
>\$10,000	-0.082	-0.033
Wage (Ref.: No wages and salaries)		
Has wages and salaries	-0.318**	-0.126**
Workplace pension (Ref.: No workplace pension)		
Has workplace pension	-0.537***	-0.214***
Work situation (Ref.: Other)		
Full time	0.065	0.026
Retirement (Ref.: Not retired)		
Fully retired	-0.095	-0.038
Life insurance (Ref.: No individual life insurance)		
Has individual life insurance	-0.199***	-0.079***
Mistrust of individuals (Ref.: Is not suspicious of individuals)		
Is suspicious of individuals	0.181**	0.072**
Financial Literacy (Ref.: Wrong answer)		
Right answer	0.012	0.005
Economic literacy (Ref.: Wrong answer)		
Right answer	0.412***	-0.164***
Numeracy (Ref.: No right answer out of 3)		
1 right answer out of 3	0.063	0.025
2 right answers out of 3	-0.007	-0.003
3 right answers out of 3	0.073	0.029
Preference for the present: amount (%) required to wait 4 months^a (Ref.: \$500–\$575 (0–15%))		

\$576–\$750 (16–50%)	0.015	0.006
\$751–\$1,000 (51–100%)	-0.024	-0.009
No amount is sufficient: Take \$500 after 1 month	0.251***	0.100***
Gender (Ref.: Female)		
Male	0.028	0.011
Educational level (Ref.: Does not have post-secondary diploma)		
Has post-secondary diploma	0.043	0.017
Age (Ref.: Under 45)		
45–54	0.072	0.029
55–65	0.090	0.036
65 or over	0.201	0.080
Income earners (Ref.: 1)		
2	-0.06	-0.024
3 or more	0.081	0.032
Family situation (Ref.: Single individual)		
Couple with no children	0.117	0.047
Couple with children	0.157	0.062
Single parent	-0.029	-0.012
Other family types	-0.050	-0.020
Regions (Ref.: Atlantic)		
Quebec	-0.003	-0.001
Ontario	-0.117	-0.047
Manitoba & Saskatchewan	-0.335	-0.133
Alberta	-0.185	-0.073
British Columbia	-0.403**	-0.160**
Constant	0.392	
*** p < 0.01 ** p < 0.05 * p < 0.100	Observations	2,486
	Pseudo r2	0.278
		0.271

‡ For the probability of having an advisor by type of financial advisor, observed values are used. The probit predicted values, for all types of FA, rarely exceeded the threshold of 0.5, generating too few positive observations.
a: see Table 3.

Table A2. Determinants of choosing a specific type of financial advisor relative to choosing an FA affiliated with an insurance company, 2018*

Multinomial logit regression (excluding resp. without an FA) / RRR = relative risk ratio					
FA affiliated with an insurance co. (n = 85) vs. Each type of FA	Bank branch advisor	Bank affiliated broker	Private banking or private inv. advisor	FA not affiliated with a bank or an insurance co.	Other types of FA
	RRR	RRR	RRR	RRR	RRR
Household's annual income before taxes (Ref.: <\$35,000)					
\$35,000–\$59,999	1.165	2.288	3.523	2.310	1.582
\$60,000–\$89,999	0.544	1.839	1.969	1.424	0.553
≥\$90,000	0.775	2.806	4.504	2.162	1.206
Savings (Ref.: \$0)					
\$1–\$3,000	0.483	0.354**	0.318*	0.427**	0.576
\$3,001–\$10,000	0.657	0.615	0.450	0.543	0.363**
>\$10,000	0.606	0.522**	0.561	0.633	0.589
Wage (Ref.: No wages and salaries)					
Has wages and salaries	0.899	0.513	0.721	0.428	0.907
Workplace pension (Ref.: No workplace pension)					
Has workplace pension	3.722	4.216	5.324	3.737	2.284
Work situation (Ref.: Other)					
Full time	0.690	0.884	0.572	0.758	0.723
Retirement (Ref.: Not retired)					
Fully retired	0.385	0.351	0.575	0.299	0.129*
Life insurance (Ref.: No individual life insurance)					
Has individual life insurance	0.800	0.668	0.413**	0.825	0.980
Mistrust of individuals (Ref.: Is not suspicious of individuals)					
Is suspicious of individuals	1.462	0.853	1.052	0.989	1.480
Financial literacy (Ref.: Wrong answer)					
Right answer	0.555*	0.812	0.705	1.172	0.653
Economic literacy (Ref.: Wrong answer)					
Right answer	0.585	1.383	2.003	1.094	0.700

Table A2 (cont'd)

	Bank branch advisor	Bank affiliated broker	Private banking or private inv. advisor	FA not affiliated with a bank or an insurance co.	Other types of FA
	RRR	RRR	RRR	RRR	RRR
Numeracy (Ref.: No right answer out of 3)					
1 right answer out of 3	1.002	1.254	1.500	1.207	2.429**
2 right answers out of 3	0.997	1.282	1.060	1.625	1.747
3 right answers out of 3	1.288	1.267	1.853	1.538	2.432*
Gender (Ref.: Female)					
Male	1.457	1.063	1.582	0.974	1.179
Educational level (Ref.: Does not have post-secondary diploma)					
Has post-secondary diploma	1.620	1.863*	6.945***	2.194**	1.593
Age (Ref.: Under 45)					
45–54	0.509	0.740	0.247**	0.411**	0.442
55–65	0.554	0.767	0.384*	0.501	0.351**
65 or over	0.563	1.072	0.515	0.561	0.675
Income earners (Ref.: 1)					
2					
3 or more					
Family situation (Ref.: Single individual)					
Couple with no children	0.759	0.516	0.619	0.464	0.544
Couple with children	0.529	0.376*	0.341	0.278**	0.317*
Single parent	0.292*	0.294**	0.927	0.412	0.528
Other family types	0.445	0.437	0.000	0.211**	0.212
Regions (Ref.: Atlantic)					
Quebec	0.489	0.676	0.415	0.293*	0.599
Ontario	0.356	0.675	1.367	0.633	1.358
Manitoba and Saskatchewan	0.308	0.588	1.573	0.709	0.810
Alberta	0.372	0.527	1.162	0.611	1.173
British Columbia	0.444	0.949	1.897	1.189	1.590
Constant	88.053	15.518	0.428	22.765	4.945
*** p < 0.01 ** p < 0.05 * p < 0.100	Obs.	1,118			
	Pseudo R2	0.069			

Table A3. Determinants of stating that “Would not pay for advice” but declared using an FA

Probit model & Post-estimation margins among advised households Would not pay for advice = 1 (n = 145); 0 otherwise (n = 973)	Probit	Margins
Type of Financial Advisor (Ref.: Bank branch advisor)		
Bank affiliated broker	-0.461***	-0.082***
Private banking or private investment advisor	-0.792***	-0.140***
Affiliated with an insurance company	-0.676***	-0.120***
Not affiliated with a bank or an insurance company	-0.645***	-0.114***
Other type	-0.020	-0.004
Tenure (Ref.: Less than 4 years)		
4–6 years	-0.082	-0.015
7–14 years	-0.061	-0.011
15 years or more	0.073	0.013
Frequency of consultation of financial advisor (Ref.: Less than once a month)		
Once a month	-0.997**	-0.176***
Once every three months	-0.411	-0.073
Once every six months	-0.422	-0.075
Once a year	-0.275	-0.049
Less than once a year	0.398	0.07
Total assets (ln)	0.032	0.006
Household’s annual income before taxes (Ref.: <\$35,000)		
\$35,000–\$59,999	0.022	0.004
\$60,000–\$89,999	-0.222	-0.039
≥\$90,000	-0.325	-0.058
Wage (Ref.: No wages and salaries)		
Has wages and salaries	0.105	0.019
Workplace pension (Ref.: No workplace pension)		
Has workplace pension	-0.055	-0.010
Work situation (Ref.: Other)		
Full time	-0.131	-0.023
Retirement (Ref.: Not retired)		
Fully retired	-0.423	-0.075
Life insurance (Ref.: No individual life insurance)		
Has individual life insurance	-0.117	-0.021
Mistrust of individuals (Ref.: Is not suspicious of individuals)		
Is suspicious of individuals	0.101	0.018
Financial literacy (Ref.: Wrong answer)		

Right answer	0.076	0.013
Economic literacy (Ref.: Wrong answer)		
Right answer	-0.018	-0.003
Numeracy (Ref.: No right answer out of 3)		
1 right answer out of 3	0.066	0.012
2 right answers out of 3	-0.091	-0.016
3 right answers out of 3	-0.014	-0.002
Preference for the present: amount (%) required to wait 4 months^a (Ref.: \$500–\$575 (0–15%))		
\$576–\$750 (16–50%)	0.095	0.017
\$751–\$1,000 (51–100%)	0.264	0.047
No amount sufficient: Take \$500 after 1 month	0.21	0.037
Gender (Ref.: Female)		
Male	-0.123	-0.022
Educational level (Ref.: Does not have post-secondary diploma)		
Has post-secondary diploma	0.031	0.005
Age (Ref.: Under 45)		
45–54	-0.201	-0.036
55–65	-0.198	-0.035
65 or over	-0.334*	-0.059*
Income earners (Ref.: 1)		
2	0.035	0.006
3 or more	0.152	0.027
Family situation (Ref.: Single individual)		
Couple with no children	0.013	0.002
Couple with children	0.107	0.019
Single parent	0.436**	0.077**
Other family types	-0.807*	-0.143*
Regions (Ref.: Atlantic)		
Quebec	0.058	0.010
Ontario	0.340	0.060
Manitoba & Saskatchewan	0.237	0.042
Alberta	0.247	0.044
British Columbia	-0.183	-0.032
Constant	-0.815	

*** p < 0.01 ** p < 0.05 * p < 0.100

Observations 1,118

Pseudo r2 0.116

a: see Table 3.