



The value of financial advice is more than just dollars and cents

Is there an actual cost associated with making emotional investment decisions? This is a complex subject, difficult to attribute a solid number and it's a topic that impacts investors in different ways. The short answer is yes.

The research we do each quarter for Investor Beat helps us better understand the mindset of Albertans to ensure we're providing advice investors need to make smart and informed investment decisions. In volume seven, we introduced the ATB Investor Beat Optimism Index, which helps us gauge how investors are feeling, what might be impacting (positively or negatively) their investment optimism, and how investors might be tempted by emotional investing behaviours.

While overall optimism hasn't trended down since our last survey and oil prices have held steady, we would be remiss in not acknowledging that there is uncertainty surrounding what's happening with our North American Free Trade Agreement (NAFTA) with the US and Mexico. There's so much information coming at us every day, how do savvy investors avoid getting caught up in media hype, falling into either fear- or euphoria-based decision-making?

For investors that are building their assets rather than drawing them down, there are general strategies that tend to work well. One such strategy maybe setting up a pre-authorized contribution (PAC) to your long-term investment account, that is made at regular, predetermined intervals such as monthly or bi-weekly. Another is to diversify your portfolio to help manage individual market fluctuations that may affect your portfolio.

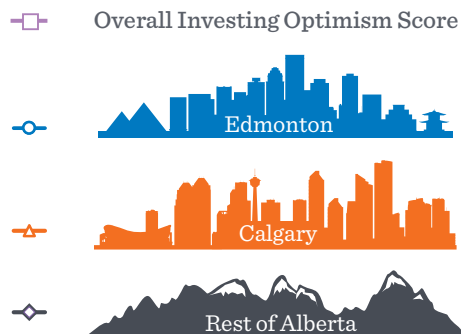
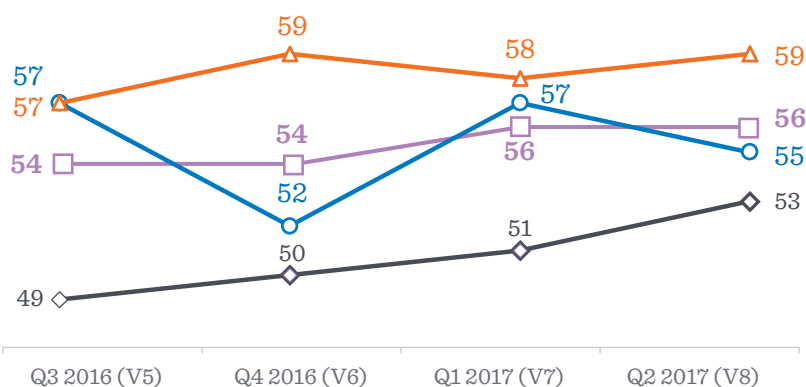
But perhaps the surest way to avoid "buying at the top and selling at the bottom" is to engage the expertise of a financial advisor who has spent time getting to know you, has helped create an investment plan based on your financial goals, and is willing to guide you during times of stress by helping you stay the course when emotions may get the better of you and your investments.

That is the true value of advice.

The optimism index

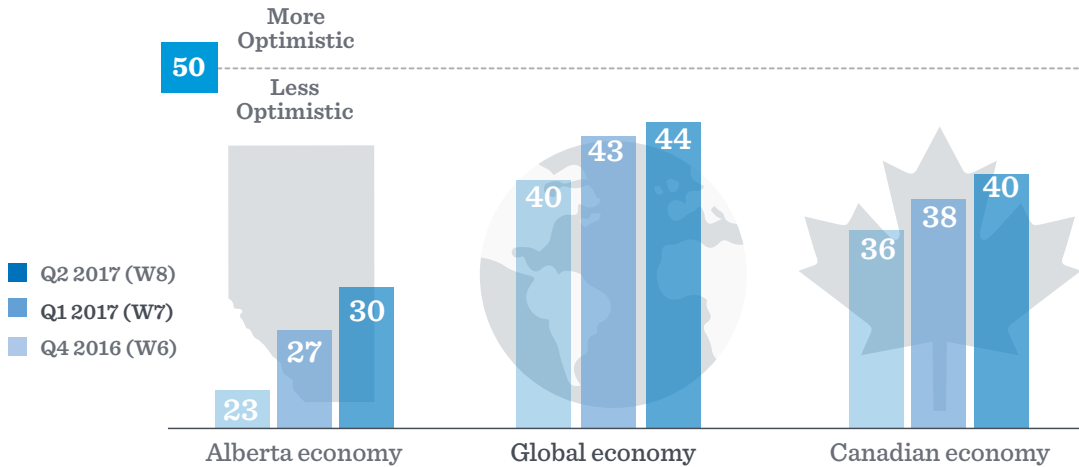
Investor optimism stayed consistent over the last quarter, with men generally being more optimistic towards investing than women. Those living in Calgary continue to have the most optimistic outlook towards investing. The number of Albertans holding cash and bond investments has declined over the quarter, with Millennials feeling more positive holding cash than Gen-Xers or Boomers. Sentiment towards investment in real estate saw the greatest increase, with Calgary residents feeling most positive.

The Investor Beat Optimism Index is based on a representative sample of Albertans who rate their optimism towards investing, different investment products and economic factors. The ratings are based on a net positive score, which is then rescaled to fit an index ranging from 0 to 100.



The economy according to Albertans

Not surprisingly, this correlates to the number of Albertans who have an increasingly optimistic view of our province's economy. It also correlates to the number of Albertans who feel more optimistic about job opportunities, which has risen steadily over the past three quarters.

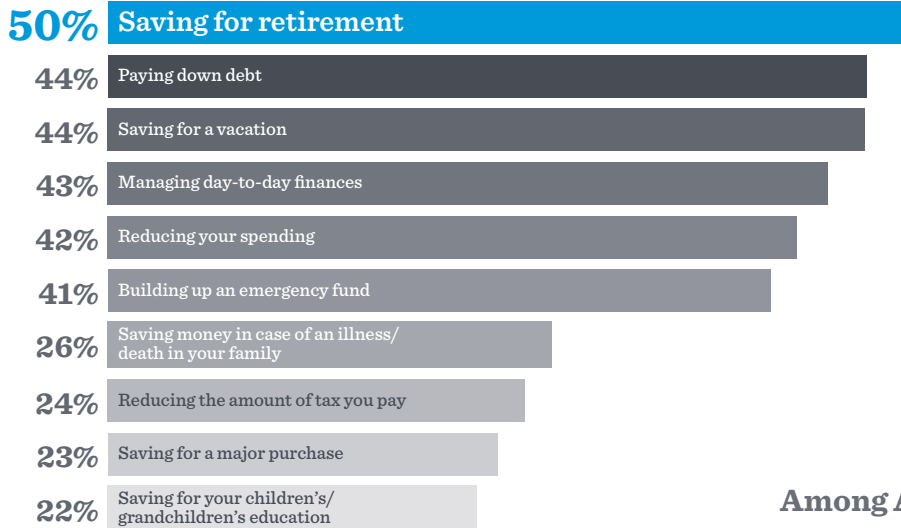


52%
Albertans report being impacted by the drop in oil prices, significantly lower than last quarter.


Cost of living remains the top reason for Albertans who are feeling financially pinched.

Home is where the heart is...

Top 10 Personal Finance Goals



As job prospects improve and optimism along with it, paying down debt is still a top priority. Millennials however, have partially turned their sights towards home purchases and saving for vacation. Gen-Xers remain focused on saving for retirement.

Among Albertans who selected these goals;

Building an emergency fund is a top financial goal for Albertans, yet it remains the most elusive, with 60 per cent of Albertans reporting they are behind, (up a full 10 per cent from the same time last year). Saving for a house is a close second, with 59 per cent (up 11 per cent from last year) reporting they are behind in saving for their first home.

60%
of Albertans are behind on building an emergency fund.

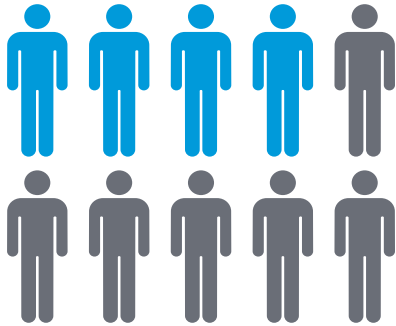
59%
of Albertans are behind on saving for a home.

INSIGHT

Overspending and poor planning are cited as some of the top reasons for not being on top of financial goals. Unlike the cost of living, these are obstacles you can overcome with a solid financial plan and clear savings goals.

Fees: a riddle, wrapped in a mystery, inside an enigma

4 in 10 Albertans who own mutual funds, stocks and/or bonds are aware they pay fees.



In volume seven we talked about the Client Relationship Model – Phase 2 (CRM2), a regulatory change in which the goal was to enhance performance reporting to investors and increase transparency on the investment fees paid by investors. While more information is now readily available, Albertans are reporting greater confusion about the fees they pay. This implies that while fees are being explained (42 per cent have had fees explained to them this quarter, compared to 35 per cent last quarter), they are not being explained well.

Among Albertans who are aware they pay fees for their investments;

46% of Albertans are aware of CRM2 compared to 39% last quarter.

31% believe their advisor pays their fees.

Our declaration to Albertans

From a regulator’s perspective, a perfect scenario involves impeccably informed, highly-educated investors making rational, fact-based decisions all the time. While this may seem like a lofty goal, we have made a declaration to Albertans to make investing simple and transparent. Ask us the tough questions and while it may never be perfect, together we can change the wealth management industry for the good of all investors.

Spending more on investment fees doesn’t necessarily equate to higher returns. Unlike buying a car or a home where spending more typically means higher quality or more space, higher investment fees generally translate into lower returns.

INSIGHT

Investments that boast the lowest fees may not provide the greatest value.

We believe the best approach is a balance between low fees and great advice – not one or the other. Proper portfolio construction and asset allocation balanced by helping clients manage the emotional side of investing is something we have committed to since our inception 15 years ago. Great investment advice and outstanding service will never be free (neither is your dentist), but the value you receive should outweigh the cost.

Rather than focus on low vs high fees, wise investors focus on investments and advisors who provide the greatest value.

INSIGHT

Bright economy, bold investors

Compared to the same time last year, the number of Albertans seeking investment advice from friends and family declined. But rather than seek the advice of a financial advisor, a healthy number of Albertans report managing their investments solo, most often online.

Reasons for not seeking professional advice include not having enough money to invest or they feel confident in their ability to DIY.



For more information on this report or the next ATB Investor Beat edition, please write us at investorbeat@atb.com.

You can also visit atb.com/investorbeat to be included on the mailing list.

About ATB Investor Services

ATB Investor Services is the wealth management arm of ATB Financial. Our goal is to sort through the clutter and make investing easier to understand so our clients can focus on the things that really matter in life.

To learn more about ways our investing philosophy is helping Albertans, please contact **Chris Turchansky**, President of ATB Investor Services at christurchansky@atb.com



Who did we talk to?

Ipsos (www.ipsos-na.com) is the third largest market research company in the global industry providing a full range of market research services. In North America, Ipsos has more than 2,100 research professionals and support staff located in 33 offices, with eight offices in Canada.

These findings are from an online survey conducted from April 3 - 13, 2017 using Ipsos' i-Say panel. The 1008 respondents are representative of Albertans 18 years of age and older based on age, gender and region. Using a Bayesian credibility interval the survey is considered accurate to within +/- 3.5 percentage points had all adults in Alberta been polled.

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