

**CARP Financial Report
November 16, 2012**

KEY FINDINGS

Fraud

While members pride themselves on their investing acumen and say their fraud detectors are acute, one tenth have been victims of fraud, either fraud by an adviser or someone else in trust or a phoney investment scheme. One tenth have also experienced demands for money from family or children who had no intention of paying it back.

Many members would like to see a National Investor Protection Agency with real investigative and prosecutorial powers as a way of limiting fraud, and all think banks should have a legal duty to report suspected fraud.

While few think they will fall victim to fraud, all would report it, and most would have no reservations about doing so. Those who did would mostly be worried nothing would result. Members are enthusiastic about most aspects of a National Investor Protection Agency proposed by CARP

Financial Advisers

Despite the fact they invest conservatively, and are becoming more conservative, one third of members have suffered a loss from an investment that was unsuitable for them and, among those who had a financial adviser, the vast majority say the adviser encouraged the poor investment.

A substantial minority of members think most financial fraud originates with financial advisers

Despite this, one third of members find their advisers extremely trustworthy or more, and none find them less than trustworthy

A substantial minority check the backgrounds of their advisers, but just as many leave it to the employer or the professional designation.

Two thirds of those with advisers know how much they pay them.

Power of Attorney

Power of attorney arrangements are common among CARP members, mostly because a spouse, child or adviser takes care of their finances.

Close to one fifth have been victimized, or know someone who has been victimized through their power of attorney agreement, and many think abuse of power of attorney by family members is common in Canada.

One tenth have been refused power of attorney service because they couldn't get to the bank. Thus, abuse of power of attorney, or denial of service, maybe common to as many as a quarter of all those who use it.

Most would not include a disinterested third party in their power of attorney arrangements.

Electoral Preference

While the Conservatives remain in first place, the Liberals have lost the "Trudeau Bounce" and have retreated to third place, behind the NDP.

DETAILED FINDINGS - FRAUD

One half of members describe their investing style as conservative (52%), primarily looking for safety (41%). Just one tenth say their style is aggressive (9%).

How would you describe your investment style?

AGGRESSIVE	9%
Very aggressive, high returns	1%
Aggressive, returns	8%
Neither aggressive nor conservative	33%
CONSERVATIVE	52%
Conservative, safety	41%
Very conservative, only safety	11%
DON'T INVEST	7%

More than one half of members say their investment style has become even more conservative as they have aged (55%)

Have you changed your investment style as you aged?

YES	58%
More conservative	55%
More aggressive	4%
Haven't changed	36%
DON'T INVEST	7%

More than half of members believe they are more knowledgeable than the average investor, although just one tenth say they are "much more knowledgeable" (8%).

How would you compare your knowledge of investing with that of the average investor

MORE	56%
Much more	8%
Somewhat more	48%
LESS	30%
Not quite	21%
Not nearly as knowledgeable	9%
DON'T KNOW	9%
DON'T INVEST	5%

More than three quarters of members describe their internal fraud detectors as acute (78%), but the wide majority say acute (70%) rather than very acute (8%).

How would you describe your own internal “fraud detector”?

ACUTE	78%
Very acute, nothing gets by me	8%
Acute, I’m pretty sharp	70%
NOT ACUTE	22%
Not very acute, should pay more attention	21%
Not at all acute, have been defrauded	1%

Three-in-ten members have been, or know someone who has been defrauded (31%), and one tenth are members (10%).

Have you or has anyone you know been the victim of financial fraud?

YES	31%
Yes, me	10%
Yes, someone I know	21%
No	69%

In most cases, fraud was by a person in trust, like an adviser (31%) or was a phoney investment scheme (25%).

What form did this fraud take?

Fraud by adviser/lawyer/banker/person in trust	31%
Phoney investment scheme	25%
Goods/services sold/not delivered	14%
Family embezzling/demanding money	11%
Abuse of power of attorney	3%
OTHER	16%

Three-in-ten members have had, or know someone who has had family or children make financial demands which they didn't intend to pay back (30%), and in a tenth of cases, it was the member (12%).

Have you, or has anyone you know ever been in a situation where children or grandchildren made financial demands that they didn't expect to pay back?

YES	30%
Yes, me	12%
Yes, someone I know	18%
No	71%

One half of members would call police if they were defrauded (48%), while one tenth would confront the perpetrator (9%).

If you were the victim of financial fraud, to whom would you report this first?

Police	48%
Confront perpetrator	9%
Lawyer	7%
Provincial Securities Commission	7%
Anti-fraud hotline	6%
Perpetrator's employer/sponsor	4%
Consumer & Corporate Affairs	2%
Better Business Bureau	2%
OTHER	2%
DON'T KNOW	14%

Many members agree a National Investor Protection Agency with prosecution, enforcement and restitution powers is the best tool against fraud (28%), followed by stiffer sentencing for perpetrators (19%) and a 1-800 hotline (15%).

What one step would provide the most protection to investors from fraud?

Investor Protection Agency with teeth	28%
Stiffer sentencing for perpetrators	19%
1-800 hotline for reporting/information	15%
More rigorous licensing of advisers	11%
National Securities Regulator	8%
Fewer, better regulated adviser designations	6%
OTHER	2%
DON'T KNOW	11%

The majority of members think banks have a legal duty to report suspected fraud (57%), but a substantial minority don't know if this is the case (34%).

As far as you know, do financial institutions have a duty to report suspected fraud?

Yes	57%
No	10%
DON'T KNOW	34%

All members agree banks should have a legal responsibility to report suspected fraud (98%), and the vast majority agree strongly (79%).

Do you agree or disagree financial institutions should have a legislated duty to report to authorities when they suspect fraud?

AGREE	98%
Agree strongly	79%
Agree	19%
DISAGREE	2%
Disagree	1%
Disagree strongly	*
DON'T KNOW	1%

A significant minority of members feel they could be vulnerable to fraud (16%), but very few think it very likely (2%).

How likely is it that you could become the victim of fraud?

LIKELY	16%
Very likely	2%
Somewhat likely	14%
NOT LIKELY	81%
Not very likely	59%
Not at all likely	22%
DON'T KNOW	4%

All members say they are likely to report fraud to the authorities (96%) and almost all say they are very likely (85%).

If you were a victim of fraud, how likely are you to report it to authorities?

LIKELY	96%
Very likely	85%
Somewhat likely	11%
NOT LIKELY	2%
Not very likely	1%
Not at all likely	1%
DON'T KNOW	2%

Most members would have no reservations about reporting fraud (39%), and most expressed reservations are about the lack of recourse (wouldn't get caught - 20%, laws are toothless - 14%, wouldn't get money back - 12%).

What reservations would you have about reporting fraud?

NO RESERVATIONS	39%
Perpetrator wouldn't be caught/charged	20%
Laws are toothless	14%
Would not get money back	12%
More trouble than it's worth	9%
Embarrassed in public	2%
Questioned endlessly	1%
OTHER	1%
DON'T KNOW	3%

Members believe only fraud that targets seniors constitutes elder financial abuse (targets older investors - 39%, victim must be senior - 27%).

What distinguishes elder financial abuse from everyday fraud?

Targets only older investors	39%
Victim must be a senior	27%
Must depend on age of victim to work	9%
Victim must be over 50	6%
Victim must have dementia/incapacitation	5%
OTHER	2%
DON'T KNOW	14%

While the single most common source of fraud is seen to be phone pitches (23%) or e-mail spam (16%), recommendations are common (32% in total), especially recommendations from a financial adviser (12%).

Where do you think most fraudulent schemes originate?

Unsolicited telephone pitches	23%
E-mail spam	16%
Recommended by financial adviser	12%
Recommendation from friend/family	10%
Recommendation from acquaintance	10%
Door-to-door pitches	5%
Internet spam	3%
OTHER	2%
DON'T KNOW	21%

Members are mixed in terms of which aspect of a National Investor Protection Agency would be most valuable, and they select special investigation teams (18%), being independent from the financial services industry (17%), having authority to order restitution (13%), charge perpetrators (13%) and revoke contracts and transactions (12%).

CARP has advocated for a National Investor Protection Agency with enforcement and restitution powers. Which one aspect of this agency would you find the most helpful in preventing fraud?

Special investigation/prosecution teams	18%
Independent from industry	17%
Authority to order restitution	13%
Authority to charge perpetrators	13%
Authority to revoke contracts/undo transactions	12%
1-800 hotline to report fraud/get information	10%
Compensation fund to pay restitution	6%
Offices across the country/easily accessible	2%
OTHER	1%
DON'T KNOW	8%

FINANCIAL ADVISERS

One third of members find their adviser to be extremely trustworthy or more (33% in total), while 4-in-10 find him or her trustworthy or very trustworthy (38% in total). In this context, one quarter of members claim not to have an adviser (24%).

How much trust do you have in your financial adviser?

Trust absolutely	10%
Extremely trustworthy	23%
Very trustworthy	19%
Trustworthy	19%
OTHER	3%
DON'T KNOW	2%
DON'T HAVE ADVISER	24%

Four-in-ten members have checked into the background of their adviser (40%), mostly through due diligence (18%). A similar proportion has not checked (37%), primarily because they believe the employer takes care of this (18%).

Have you ever checked into or researched the background of your financial adviser

YES	40%
Due diligence	18%
Asked friends/family	9%
OTHER	14
NO	37%
Employer vets	18%
Professional designation is enough	13%
(OTHER)	7%
DON'T HAVE ADVISER	22%

One half know how much they pay their adviser (51%), about one quarter exactly (22%) while a quarter don't know (24%). A quarter don't have advisers (24%).

Do you know how much you have paid your financial adviser in fees and other amounts in the past year?

YES	51%
Approximately	29%
Exactly	22%
Spouse handles this	2%
DON'T KNOW	24%
DON'T HAVE ADVISER	24%

Close to 6-in-10 members have suffered losses from an investment not suitable for them, or know someone who has (58%), in one third of case, the member (34%).

Did you or anyone you know ever lose money on an investment because it was wrong for your or their particular circumstances?

YES	58%
Yes, me	34%
Yes, someone I know	24%
No	42%

One half claim not to have an adviser (48%), but almost all those who suffered a poor investment and had an adviser said the adviser encouraged it (41%).

What was the role of the financial adviser in this loss?

Adviser encouraged it	41%
Adviser was neutral	9%
Adviser was against it	2%
No adviser involved	48%

More than a half took more than a year to recover (24%) or have not recovered yet (35%).

How long did it take to recover from this investment?

Haven't recovered/substantial loss	35%
A year or more/quite a bit lost	24%
Not long/not much lost	19%
DON'T KNOW	21%

POWER OF ATTORNEY

Three-in-ten CARP members have power of attorney placed with someone else (31%).

Does someone else have power of attorney over your affairs?

Yes	31%
No	69%

Among those with power of attorney, the most common stated reason is that a child, spouse or adviser handles their finances (22%). More than half have reasons other than those we listed (58%).

Why have you assigned power of attorney?

Spouse/adviser/child takes care of finances	22%
I'm often away	8%
Children suggested/requested it	5%
I have mobility problems	2%
I'm an invalid/in care	1%
Can't be bothered	*
OTHER	58%
DON'T KNOW	3%

One-in-eight CARP members have been, or know someone who has been victimized by abuse of power of attorney (16%).

Have you or has anyone you know been victimized or abused by someone using power of attorney?

Yes	16%
No	84%

More than 4-in-10 members think abuse of power of attorney in families is common (42%).

How common do you think abuse of power of attorney by family members is in Canada?

COMMON	42%
Very common	8%
Somewhat common	34%
NOT COMMON	40%
Not very common	35%
Not at all common	5%
DON'T KNOW	19%

One tenth of members have been refused power of attorney service because they (or someone they knew) couldn't make it to the bank (8%).

Have you or has anyone you know been refused service by a bank because they wouldn't accept power of attorney and you or your friend were incapable of going in to the bank in person?

Yes	8%
No	92%

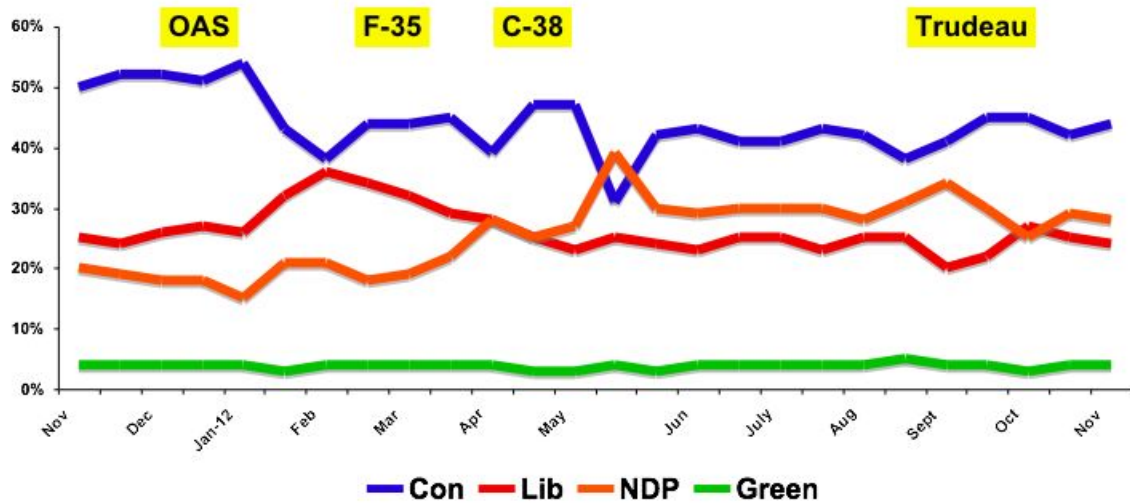
Most CARP members would not include a disinterested third party in their power of attorney agreement (31%), but some would include this person as an adviser (14%) or have them review the agreement (19%). Just one tenth would include a third party as a participant in power of attorney (11%).

It has been suggested that abuse of power of attorney can be prevented by including a disinterested third party in the arrangement, such as an adviser, banker or a lawyer. If you were assigning power of attorney, would you...?

Not include a third party	31%
Have third party review agreement	19%
Have third party as adviser to agreement	14%
Include third party in agreement	11%
OTHER	5%
DON'T KNOW	21%

Electoral Preference

The Conservatives have gained steam since the last poll (and still firmly in first with 44%). The Liberals have lost the “Trudeau Bounce” and are now back in third place with 24% to the NDP’s 28%.



One quarter of members will vote NDP because of leader Mulcair’s promise to reverse the changes to OAS (25%), and this is very similar to the proportion above who say they will vote NDP if the election were held tomorrow (28%). This would indicate that, of our members who will vote NDP, about half are new to supporting the party.

NDP leader Tom Mulcair has promised an NDP government would return the age of eligibility for OAS to 65 from 67 in its first year in office. Does this make you more likely, less likely or neither more nor less likely to vote NDP in the next federal election?

WILL VOTE NDP	25%
More likely to vote NDP	14%
Already voting NDP	11%
Neither more nor less likely to vote NDP	49%
Less likely to vote NDP	23%
DON'T KNOW	4%

More than 1900 CARP Poll™ panel members responded to this poll between November 2 and 5. The margin of error for a probability sample this size is plus or minus 2.3%, 19 times out of 20. That is, if you asked all members of the CARP Poll™ panel the identical questions, their responses would be within 2%, either up or down, of the results shown here, 95% of the time