TD Wealth

Exploring Wealth Personality

TD Wealth Behavioural Finance Industry Report

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It's just math, right?

Think back to when you were in high school, let's say grade 12. You are 17 years old and you are in that precarious position of having to answer the inescapable coming-of-age question: What are you going to do next? Did you have an answer? Did your parents have an answer? And, if they did, was it an answer that reflected their value system, wants and needs ... but not yours?

My recollection is that the vast majority of my graduating classmates were going to be one of the following: accountant, engineer, doctor, lawyer, teacher, businessperson, investment manager or tradesperson. Now think back on the discussions that may have been happening at the time in living rooms, guidance counsellor offices and at "meet the teacher" nights:

"Billy is good at math and he keeps his room organized and clean. He would make a good accountant."

"Susan has a real knack for science — her project at the science fair was incredible! She's going to be an engineer."

"Stan is so good at sciences, and his parents are doctors, so he's going to be a doctor."

And then there was Barbara. ... "She's good at English and social sciences. I suppose she'll take that at university. Maybe become a teacher or a lawyer."

Ten years later, at the reunion, no one has followed their preordained path, except for Stan, who followed in the footsteps of his parents and became a doctor. Billy became a lighting technician at a small theatre company. Susan is a feng shui consultant, and Barbara is managing a multi-strategy hedge fund worth billions of dollars on Wall Street.

But how can that be? Now, Susan, you can see she was killer at math, or Stan ... but Barbara? She was no math prodigy. She wasn't the kid with the Casio calculator watch that you thought for sure was going into business or investment management. I mean, Barbara?! Wasn't she always reading novels? Wasn't she always taking classes like psychology and sociology? It's just math, right?

The above thought experiment is an example of the "representativeness heuristic" — or, in other words, the tendency to make predictions based on how representative something is (similarity), rather than on relative base-rate information (probability). It's one of many findings made in the early 1970s by two pioneers in behavioural economics, Amos Tversky and Daniel Kahneman[1].

Economists once believed that investors, given the right information, acted rationally in pursuit of their own interests. With the help of behavioural economics, however, we now know that this is a gross oversimplification. Many investment decisions can be instinctive, with no basis in logic, and many more may only make sense once you understand the unique perspective underlying that decision.

Perhaps famed investor Charlie Munger said it best when, during a 1996 commencement address to the Harvard Law School entitled "The Psychology of Human Misjudgment," he rhetorically asked the crowd, "How could economics not be behavioural? If it isn't behavioural, what the hell is it?"[2]

We couldn't agree more. At TD Wealth, we believe that, to truly serve our clients, we need to go beyond financial goals and risk profiles. A poorly managed wealth plan can potentially compromise the well-being of investors for generations. Success can start with the foundational stuff: seeking to grow net worth, implementing tax-efficient strategies, protecting what matters and leaving a legacy.

To help make this happen, we need to understand what drives decision-making at a fundamental level. As such, we've committed significant resources to conduct research and become leaders in the application of behavioural finance in the wealth management industry, the subset of behavioural economics that deals specifically with money-related decisions.

Our focus on the client is what helps us to provide personal wealth management services that are tailored to our clients' wealth personalities. The reality is that, when it comes to managing money, we all have strengths, weaknesses and even blind spots. Understanding these aspects of our clients' wealth personalities is the first step to help create a plan that works for them as individuals.

We're not saying math doesn't matter; it is incredibly important, but it's not the only thing. The founders of modern finance — Paul Samuelson from the economic side, Markowitz, Sharpe, Fama, French, Black and Scholes — constructed a world where everything could be nicely explained by math, a world that is a closed system. Predictable.

We believe that the world is an open, complex system and in a constant state of change. The world is made up of humans who have diverse experiences and behaviours, and these humans are always adapting to their surroundings and, in doing so, they are constantly changing outcomes. This complexity colours our decision-making, whether it comes to career planning or wealth management.

Here at TD Wealth, our investment thinking is guided by an investment philosophy called Risk Priority Management. It has seven principles, and the first three (Innovate and look forward; Invest like an owner; Embrace human behaviour) are at their core about human behaviour and its potential impact on the immediate wealth circumstances of a client. The seventh principle (Provide for lifetimes over market cycles) is about the need to see beyond index benchmarking (math) to a broader scope of client goals and needs (math plus human inputs).

Please find our inaugural TD Wealth Behavioural Finance Report. It is the first of many as we dig in to the brave study of very human investors to help gain a better grasp of the motivations that underpin financial and investment decisions.

Brad Simpson

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[1]Lewis, Michael. The Undoing Project. W.W. Norton & Co.: 2016
[2]Munger, Charles T. On Success. Donning Co. Publishers: 2009

Introduction

Since 2014, TD Wealth has been on a journey, with the vision to become the most client-centric wealth management firm in Canada, led by our ability to discover and help achieve for our clients what truly matters to them.

A key component has been harnessing the capabilities of behavioural economics to both understand our clients more fully and to also help them understand themselves at a much deeper level. This includes the motivations for their financial goals and why they make the decisions they do with respect to their money. One of the primary applications of behavioural economics at TD Wealth has been the development of a Wealth Personality assessment as a pivotal step of getting to know our clients.

We believe that robust research uncovers valuable insights that will help to better serve our clients so they can reach their financial goals and, as such, TD Wealth has committed to conducting a consumer research study every year to aid in this task. This report includes the results from our very first research study, along with our analysis and possible implications. Our objective was to determine if and how personality impacts financial planning and investing behaviours. Primarily we have drawn our interpretations from the data that compare and contrast the following cohorts: gender, age, affluence and relationship status. We are not seeking to imply any causality in either direction. Personality may be the cause or the outcome of financial behaviours.

We are also pleased to share the results of this research with those who might find it useful in their ongoing work, including those in the financial services industry, partners and academics in the field of behavioural economics.

TD Wealth does not wish to claim expertise in the field of behavioural economics or behavioural finance, but only to share findings from the data that shed light on possible behavioural patterns that may lead to financial and investment decision-making.

Important caveats when reviewing insights in the report:

1. The cohorts outlined in the report are meant to highlight significant contrasts and correlations in the data and are not intended to create or reinforce stereotypes.
2. Insights are based upon observed behaviour of a cohort on average and do not apply to every individual that identifies with that cohort.
3. People cannot be singularly viewed through the lens of one cohort. This report has not made observations or conclusions on intersecting identities across multiple cohorts.

Methodology

In 2017, TD Wealth conducted an online quantitative study with the aim of collecting market data to better understand the financial behaviours of affluent Canadians. Maru Group Canada fielded the English and French online study and provided the research panels of consumers with geographic distribution across Canada. TD Wealth analyzed the data. The study was not longitudinal, tracking changes over time in the respondents, but was rather a quantitative study of reported behaviours at a single point in time. No conclusions can be drawn regarding the movement through life stages and its implication for wealth or financial behaviours.

The sample of respondents engaged in the survey (n=1,682) included the following categories, in base sizes large enough to report (responses are self-reported):

- **Age**
  - Young Investors (18-34 years old)
  - Middle Aged Investors (35-54 years old)
  - Older Investors (55 years old and up)
- **Gender***
  - Female
  - Male
- **Affluence & Emerging Affluence:**
  - Mass Affluent ($100,000 to $749,999 investable assets)
  - High-Net-Worth ($750,000+ investable assets)
  - Emerging Affluent (25-34 years old w/ household income $100,000+)
- **Marital status**
  - Singles (single, divorced, widowed)
  - Couples (no children, married or living with partner)
  - Parents (with children either single or coupled)

Selected questions and tables from the research questionnaire are included in Appendix 1. Statistically significant findings are highlighted in the tables.

All respondents completed five questions to help estimate financial literacy sourced from the TD FinLit Barometer 2014[1] and StatsCan Financial Capability Survey 2014.[2] The five financial literacy questions used in this study are provided in Appendix 2. For the purposes of this study only, a score of 5/5 on these questions is considered very high financial literacy.

All respondents also completed the 50 questions of the Five Factor Model of Personality[3], an evaluative psychological framework that assesses five dimensions of personality: Conscientiousness, Agreeableness, Reactiveness, Extraversion and Openness. The Five Factor Model is also used at TD Wealth as part of the Wealth Personality Assessment.

For our purposes, and for this study, scores for each dimension were calculated out of 100. In order to follow the analysis, note that a Low score is 0-33, a Medium score is 34-66 and a High score is 67-100. A scaled response was not used.

*With respect to Gender, respondents were asked the following question: What gender do you most identify with? (Female/Male). As such, the researchers recognize and would like to highlight the limitations of the data to provide behavioural finance commentary or analysis with respect to gender identity.

BIG FIVE
personality traits

CONSCIENTIOUSNESS

High conscientiousness is characterized by short-term sacrifice in pursuit of long-term goals. Low conscientiousness is associated with short-term compromise.

LOW ● ● ● ● ● ● ● ● ● ● ● **HIGH**

In the moment — *Self-disciplined*

AGREEABLENESS

High agreeableness suggests a more trusting and cooperative personality. Low agreeableness suggests a more inquisitive and challenging personality.

LOW ● ● ● ● ● ● ● ● ● ● ● **HIGH**

Questioning — *Amenable*

REACTIVENESS

High reactiveness suggests a tendency to respond to emotional stress. Low reactiveness is characterized by calmness and emotional stability.

LOW ● ● ● ● ● ● ● ● ● ● ● **HIGH**

Calm under pressure — *Quick to react*

EXTRAVERSION

High extraversion is characterized by an outgoing nature and the tendency to seek attention. Low extraversion is indicative of a more reserved, reflective personality.

LOW ● ● ● ● ● ● ● ● ● ● ● **HIGH**

Reflective — *Spontaneous*

OPENNESS

High openness indicates a willingness to experiment in pursuit of ideals or higher ambitions. Low openness is indicative of a safer, more pragmatic personality.

LOW ● ● ● ● ● ● ● ● ● ● ● **HIGH**

Conventional — *Innovative*

Key findings

General Findings

While this report focuses mainly on differences between cohorts, there were a number of overall thought-provoking findings in the data.

Those with low conscientiousness tend to plan less: 45% of those in this study did not have a goals-based financial plan, and this was strongly associated with lower scores on the Conscientiousness dimension of personality.

Those with goals-based plans tend to feel more ready for retirement: Having a goals-based financial plan was also strongly linked with feelings of financial satisfaction and retirement readiness. In fact, those in the study who had a financial plan with an advisor were 52% more likely to be very satisfied with their retirement readiness compared to those with no plan at all. By comparison those who had created a financial plan on their own were only 28% more likely to be satisfied with their retirement readiness compared to those with no plan at all.

People tend to count on personal savings for retirement: When it comes to expected sources of their retirement income, 47% of those in the study expected that their personal savings would contribute all or most of their retirement income, while 37% predicted the same for pension and only 7% for their home.

Cohort Findings

Men and women may perceive investing differently: Women are more likely to be self-disciplined (46% high conscientiousness, 39% men) and amenable (31% high agreeableness, 14% men), but they're also more likely to react to initial market fluctuations. Men tend to be calmer under pressure (45% low reactiveness, 35% women), but shorter-term in their thinking and less confident in the abilities of their advisor.

Across age groups, people tend to differ in their approach to investing: Age may be one of the strongest indicators of personality type and investing behaviour, with younger investors tending to be less confident in their advisor (37% of those under 35 were very confident in their advisor, compared to 64% for those 55 and up). Young people were also more likely to be nervous about initial market declines, with those under 35 nearly twice as likely as those over 55 to report feeling nervous at the first sign of loss.

Younger investors are more likely to risk going it alone: Only 19% of those under 35 have a financial plan with an advisor, compared to 49% of those 55 and up. But younger investors are also less disciplined (33% high conscientiousness, 44% for 55+), less financially literate and more likely to react to market fluctuations (53% high reactiveness, 27% for 55+).

The emerging affluent tend to place more faith in real estate: 17% of investors in the emerging affluent cohort believed that their real estate equity would contribute most or all of their retirement income, compared to 7% of mass affluent investors and 3% of high-net-worth investors. This may speak to the past decade's historic rise in real estate prices.

Parents with young kids may struggle to stay on track: Families with dependent children report a severe drop in their feelings of retirement readiness, as competing pressures — which can include busy working lives and the needs of elderly parents — take the emphasis off retirement. Only 26% of men and 18% of women who are parents reported "very high" satisfaction with their retirement readiness, compared to 38% for couples without children and approximately 36% for single women and 31% for single men.

Older, affluent clients seem to be the most satisfied: Older investors in this study were more confident in their advisors (if they had one), more satisfied with their retirement readiness and were generally more relaxed than younger investors: 41% of investors 55 and up reported that their advisor was "worth every dollar" they were paid (35% middle-aged, 20% younger); and 39% of older investors reported being very satisfied with their financial position for retirement (21% middle-aged, 20% younger).

Advisors may be missing the clients who are most in need: The type and amount of communication between clients and their wealth managers varied dramatically depending on age, gender and wealth. Wealth managers, however, may not be reaching out to the clients who are most in need, particularly younger clients and those with young children. Younger investors reported only 7.7 total contacts per year (email, phone and in person) between advisor and client (12.8 middle-aged, 10.4 older). Parents, meanwhile, suffer lower satisfaction with financial retirement readiness, which may suggest a greater need for professional wealth planning.

Findings by gender

Note: The report is not intended to create or reinforce stereotypes, but instead to report the data collected from our robust survey. With respect to gender, respondents were asked the following question: "What gender do you most identify with? (Female/Male)." As such, the researchers recognize and would like to highlight the limitations of the data to provide behavioural finance commentary or analysis with respect to gender identity.

Women: Self-disciplined and amenable

A larger proportion of the women we surveyed, when compared to men, were self-disciplined and longer-term in their thinking (46% high conscientiousness, 39% for men), which is a trait that can be commonly associated with goal-related planning.[4,5] This forward-looking focus suggests that women may be more dedicated to a vision for retirement.

The tendency of women to prioritize long-term security may be evident in the financial dissatisfaction reported by women with children (see "Findings by relationship status"). While parents, irrespective of their gender, reported greater dissatisfaction with their retirement readiness — likely stemming from the higher costs of parenthood — women with children reported more intense levels of dissatisfaction than fathers: Only 18% of women with children said they were "very satisfied" with their retirement readiness, compared to 26% of men with children.

A propensity for self-discipline may also suggest that women are better at saving and other activities that require a steady commitment, such as regularly reviewing financial plans and meeting savings milestones. Dedication to a long-term goal, however, does not translate into a focus on everyday details. Women were slightly less likely to "look closely at each investment on their statement" (36%, 42% for men), which suggests that women may be more interested in big-picture planning than how individual securities may be doing in the short term.

A lower percentage of women, when compared to men, tested high on the five financial literacy questions on the survey (16% answered all five questions correctly, 26% for men). They also reported lower confidence in their investment acumen (10% considered themselves "extremely knowledgeable," 18% men) and more confidence in the abilities of their wealth manager (62% very confident, 53% for men). The trust that women place in the judgment of professional advisors may be a reflection of the more amenable personality traits that they tend to exhibit (31% high agreeableness, 14% for men).

An emphasis on self-discipline and a willingness to follow professional advice bode well for long-term planning.[4,5] However, a larger percentage of the women we surveyed, when compared to men, reported a low tolerance for initial market declines (15% expressed nervousness at the first sign of decline, 6% for men) and were quicker to react overall (35% high reactiveness, 24% for men). Younger women in the emerging affluent group were the most sensitive in this regard and are therefore more likely to react at the first sign of an investment loss (26% for emerging affluent women, 6% for emerging affluent men).

Men: Questioning, calm under pressure and 'in the moment'

A greater proportion of the men we surveyed, when compared to women, reported personality traits consistent with being "in the moment" (25% low conscientiousness, 18% for women). As such, they may be more likely to focus on short-term risks and rewards and could be more willing to compromise their long-term plans in order to do what seems to make sense at the time.

While men seem less interested in long-term planning, they are also more interested in how their individual investments are doing in the short term. Male respondents reported a greater tendency to "closely review each individual investment on their statements" (42%, 36% for women), which may suggest a focus on current conditions.

This focus on the here and now, however, should not be misconstrued for "reactiveness." Men are more likely to be calm under pressure than women (45% low reactiveness, 35% for women). Men were 60% less likely to express nervousness at the first sign of an investment loss than women, and therefore might be less likely to react hastily to market events.

The ability to withstand initial market turbulence may be attributable in part to a greater sense of financial self-confidence: 18% of men believed that they were "extremely knowledgeable" about financial matters, compared to 10% for women, and to some extent, this belief can be borne out by this study's findings, which show men answered 5/5 on the financial literacy questions more often than women.

A larger number of men in the study, when compared to women, were found to be questioning and skeptical (52% low agreeableness, 31% for women). Men, as a result, may be less inclined in some cases to express confidence in their advisors' abilities (53% reported high levels of confidence, 62% for women). This questioning nature may have an impact on the strength of the advisory relationship. Men who were more skeptical also reported weaker relationships with their wealth managers.

Men may benefit from their tendency to remain calm under pressure. However, this trait may be offset in some cases by higher potential for overconfidence, and a greater tendency to deviate from the financial plan.

Findings by gender

How advisors can help

Self-disciplined clients may need less encouragement when it comes to saving money, reviewing financial plans or staying on top of their retirement goals. In general, being able to see the big picture is a good thing when it comes to planning for the future. Focusing only on the long term, however, might lead to frustration when things don't go according to plan.

Regardless of the client's personality, unexpected life events — a change in career, family or health — may require compromises. Advisors who want to get ahead of this issue may consider challenging their clients to review "what if" scenarios and create contingency plans to consider how their retirement goals might change if unforeseen circumstances required them to make sacrifices.

Planning for the unexpected may be one of the challenges for clients who are "in the moment." For these clients, a proper appreciation for financial planning may be the challenge in and of itself. Clients with a highly questioning nature (low agreeableness), however, might be less likely to be confident in the advice of a professional, so advisors may need persuasive evidence to back up their recommendations. That said, advisors should be prepared to deliver a well-researched plan for any type of client.

Advisors serving couples may also benefit from having both spouses at the table during planning discussions. The personality traits of individual spouses may complement each other, or they may clash, but the process of building a plan together can lay the foundation for mutual understanding and, ultimately, a financial plan supported by both partners.

Findings by age

Younger Investors (18 to 34): Questioning, 'in the moment' and quick to react

Compared to older generations, fewer young investors in the study were found to be self-disciplined (33% high conscientiousness, 43% middle-aged, 44% older). This lower conscientious score may mean that they are less concerned with long-term retirement goals. However, even among those who do have a plan, younger investors are more likely to have created that plan on their own, without the help of an advisor: Only 19% of those 18-34 reported having a plan with a wealth manager (36% middle-aged, 49% older).

Younger people who do have an advisor are also the least likely to hear from that person. Respondents under 35 reported the fewest total contacts (email, phone and in person) between advisor and client (7.7 per year, 12.8 middle-aged, 10.4 older), and the contacts they did report were much more likely to come in the form of email (64%, 45% middle-aged, 42% older) and least likely to be delivered in person. This may indicate a client preference for online communication; however, wealth managers should ask their younger clients what type of communication they, as individuals, prefer.

The irony is that, while young investors are in less contact with their wealth managers, they may be most in need of guidance. Those under 35 are much quicker to react to market events (53% high reactiveness, 30% middle-aged, 27% older), which may negate one of their key advantages: time. With a longer runway to retirement, younger investors can be better positioned to take on risk. But their tendency to react hastily to market events — by selling prematurely, for example — may prevent them from reaping the rewards that may come from weathering a higher-risk strategy.

Middle-aged Investors (35 to 54): Questioning, reflective and calm under pressure

The questioning nature of younger investors can also be seen in middle-aged respondents, but not to the same extent (51% low agreeableness, 57% younger, 38% older). Middle-aged investors, who may have already gone through a few market corrections, tend to be calmer under pressure than younger investors (37% low reactiveness, 20% younger, 43% older), and they are also more likely to report a high level of confidence in their advisor, if they have one (49%, 37% younger).

Middle-aged respondents score more often between younger and older respondents along the spectra of personality traits. However, middle-aged investors were actually found to be more reflective than any other demographic in our study (61% low extraversion, 53% younger, 50% older).

Satisfaction with financial readiness for retirement is lower for this group: Only 21% of middle-aged investors reported a high degree of satisfaction with retirement readiness, compared to 39% for older investors. This raises an important question: Could it be that middle-aged investors — who may be dealing with busy careers, young children and elderly parents — are more likely to put their retirement ambitions be on the back burner?

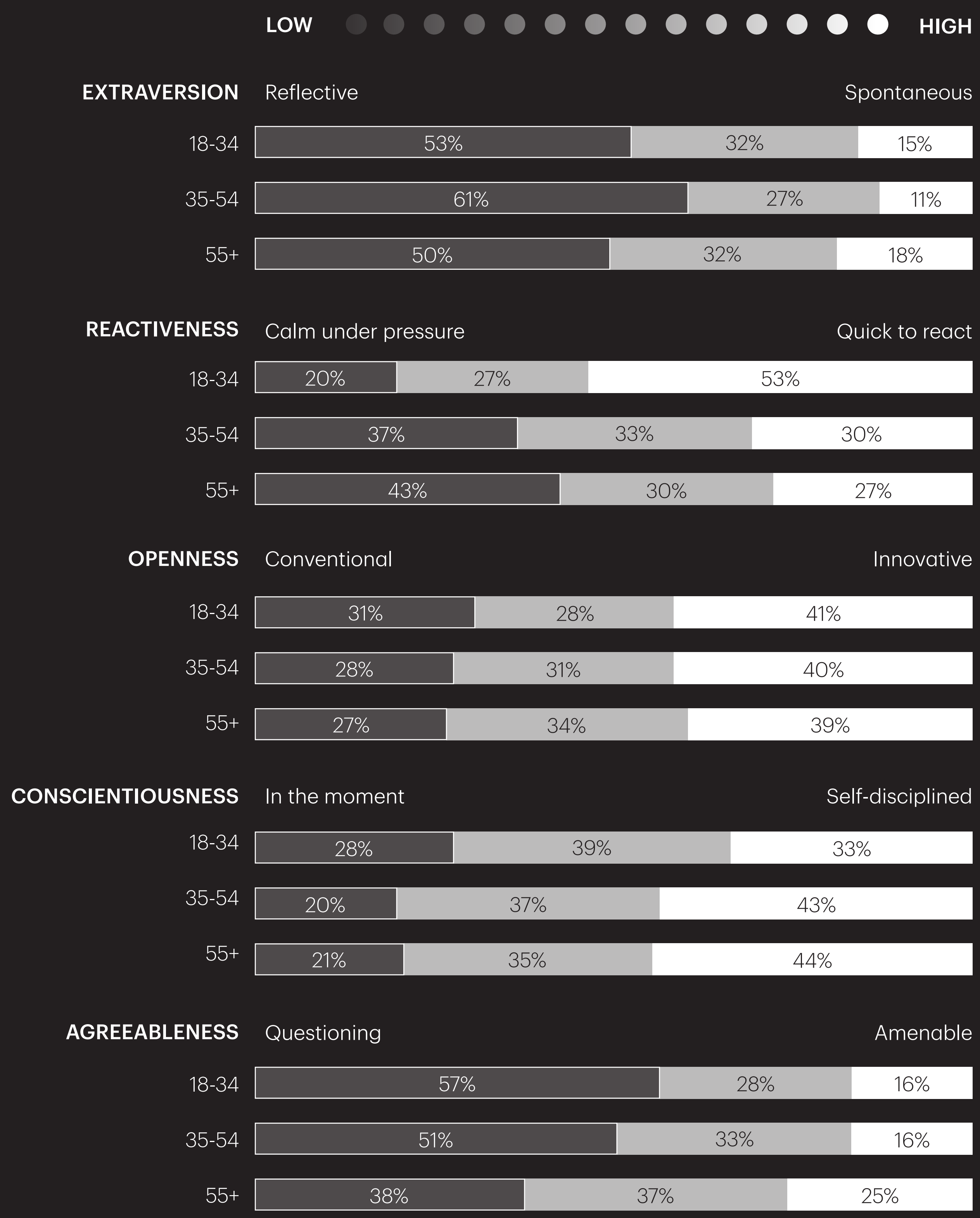
Middle-aged investors were also more likely to have contact with their advisor over the phone (46% of total contacts) than younger investors (15%), perhaps suggesting a perception, correctly or incorrectly, that a phone call is more time-efficient than an in-person meeting. Even for those without children, middle age represents the core of their busy working lives.

Older Investors (55 and up): Amenable and confident

Respondents who were 55 and up were more likely to be amenable (25% high agreeableness, 16% middle-aged, 16% younger), suggesting a greater inclination to express confidence in their advisor. Indeed, older investors were not only more likely to have a plan with an advisor (49%, 36% middle-aged, 19% younger), they were also more likely to report that their wealth manager was "worth every dollar" they were paid (41%, 35% middle-aged, 20% younger). This is noteworthy, given that fewer than half of respondents reported that their advisor was "worth every dollar," suggesting that advisors may need to do a better job of communicating their value proposition.

A greater percentage of older affluent investors in the study were financially confident. This may be a result of having lived through numerous market ups and downs, perhaps making them more comfortable navigating financial issues. Older, affluent investors also have higher levels of personal satisfaction and advisor confidence: 64% of older investors reported a high degree of confidence in their wealth managers' abilities (49% middle-aged, 37% younger).

Findings by age



How advisors can help

The traits commonly associated with youth, as identified in this report, are also the ones most likely to stand in the way of long-term financial success: reactiveness, skepticism and short-term thinking. Younger investors may not realize that they need a wealth manager, but it's precisely in these early years — when seemingly small decisions can lead to major consequences — that they can benefit most from having advice.

Younger investors may not yet understand their own risk profile, for instance, leading them to wade into treacherous waters without the ability to withstand the volatility. Advisors can help them know what they're getting into and provide guidance when an unsettling market dip provokes a knee-jerk reaction.

For advisors, younger investors can represent a significant opportunity, but only if they can be presented with the merits and value of professional advice. Younger investors may decide at some point to add the services of their parents' wealth manager. Advisors can begin to the lay the groundwork for that transition by answering questions from their younger prospective clients and helping them avoid pitfalls.

Advisors may want to consider using newer communication technology, such as video conferencing, to connect with younger clients. Email may be a convenient and even preferred method of communication for them, but supplementing email with face-to-face videoconferencing technology may help advisors get to know their clients at a deeper level, uncover potential blind spots and develop strategies to help them reach their financial goals. The right guidance early on can be good for a client and lead to a lifelong advisory relationship.

Many middle-aged investors, meanwhile, are dealing with a perfect storm of financial, career and family challenges. All these priorities may seem to be in competition, which can generate a lot of stress. Advisors can help by preparing middle-aged investors for any adjustments that may be required, and by integrating new priorities into the financial plan as they emerge.

Advisors can also help middle-aged investors by giving them something they don't have a lot of: time. Advisors should understand that investors with busy careers, elderly parents and those with young kids may not have the luxury of being able to sit down for long ruminations on their financial options. Respecting the client's time by making conversations efficient, relevant and using a variety of communication methods that suit them may help middle-aged clients balance their complicated life and wealth management demands. Anything to help during these busiest of years will no doubt be appreciated.

Wealthy and older clients, by contrast, may be relatively at ease with their financial situation. They tend to be confident, comfortable and financially literate. But wealth managers should make sure they don't get too comfortable. According to a February 2018 paper by TD Economics[6], U.S. and Canadian markets have already benefited from the second-longest expansion in modern history, and while "expansions do not die of old age ... the passage of time may expose economies to imbalances as pent-up demand is exhausted," so vigilance may not be a bad thing.

Also, whereas younger investors may place an overabundance of faith on technology, older investors may need a little help when it comes to taking full advantage of online tools that can help them manage their finances and plan for the future.

Findings by net worth & emerging affluence

Note: The Emerging Affluent cohort is not defined by net worth (see "Methodology"), but instead by age and income group, which may indicate future affluence.

Emerging affluent (25-34, $100K+ in household income): Going it alone

Similar to younger investors, a greater proportion of emerging affluent respondents, compared to other wealth cohorts, reported personality traits that could be described as "in the moment" (35% high conscientiousness, 43% mass affluent, 43% high-net-worth), questioning (56% low agreeableness, 41% mass affluent, 44% high-net-worth) and quick to react (43% high reactiveness, 27% mass affluent, 31% high-net-worth).

Of course, the flip side of being in the moment is that emerging affluent investors tend to be less disciplined than other wealth cohorts. They were least likely to report having a financial plan with a wealth manager (18%, 41% mass affluent, 52% high-net-worth), and were also least likely to "closely review each individual investment on their statements" (33%, 40% mass affluent, 40% high-net-worth).

The emerging affluent were also more likely to take matters into their own hands. One-third reported owning a direct investing account, and of these, 67% used their direct investing account for most or all of their personal investing. Those who did make use of an advisor, meanwhile, were less likely to be "very confident" in their advisor's abilities (35%, 55% mass affluent, 69% high-net-worth).

When it comes to their own abilities, emerging affluent investors tend to be financially confident. Asked to assess their own financial literacy, 16% considered themselves to be "extremely knowledgeable," compared to 12% of mass affluent respondents. This self-assessment, however, does not line up with lower results to the five financial literacy questions asked in the study. Only 16% of emerging affluent answered all five literacy questions correctly, compared to 21% of mass affluent. This confidence exists despite a tendency to feel anxious during market events. Emerging affluent investors were twice as likely as mass affluent investors to experience nervousness at the first sign of an investment loss.

One curious finding: The emerging affluent were more likely to believe that real estate equity would be a significant source of their retirement income: 17% believed that the value of their home would contribute most or all of their retirement income, compared to 7% for mass affluent investors and 3% for high-net-worth investors. There are many possible explanations, but this may have something to do with the unusually rapid rise in home prices over the past decade that, for younger investors, may seem normal. Also, emerging affluent investors may not have yet developed sentimental attachments to their homes or a desire to bequeath a legacy to children.

Despite an abundance of confidence in their own financial knowledge, emerging affluent investors also report the greatest dissatisfaction with their financial position: Only 19% reported very high satisfaction with their retirement readiness, compared to 26% of mass affluent and 57% for high-net-worth investors. This dissatisfaction may represent an opportunity for wealth managers to help these younger investors with their financial plan.

Mass affluent ($100K to $750K in investable assets): More amenable

When it comes to personality traits, the mass affluent — those with $100,000 to $749,999 in investible assets — tend to land between emerging affluent clients and high-net-worth clients. Based on results, for example, from the survey's five-question financial literacy test (see "Methodology"), mass affluent respondents scored better (21% answered 5/5 correctly) than emerging affluent (16%), but not as well as high-net-worth respondents (25%). Mass affluent investors seem to underestimate their financial knowledge.

The mass affluent cohort may be slightly more amenable (23% high agreeableness) than emerging affluent (17%). They were, for example, more likely to say they were greatly influenced by advisor recommendations (21%, 14% emerging affluent).

Despite their relatively amenable nature, 47% of mass affluent investors had no goals-based financial plan at all (with either an advisor or on their own), compared to 33% of high-net-worth investors. Perhaps not surprisingly, without a plan they also reported lower satisfaction with their retirement readiness (23% very satisfied) than those having a plan with an advisor (30% very satisfied).

With nearly half of mass affluent investors without a plan — and with many feeling unprepared financially for retirement — this group may be at risk of failing to reach their retirement goals. And while younger emerging affluent investors report a greater reliance on real estate equity to pull them through retirement, mass affluent investors report a higher reliance on their pensions than either emerging affluent or high-net-worth investors.

High-net-worth ($750K+ investable assets): More questioning

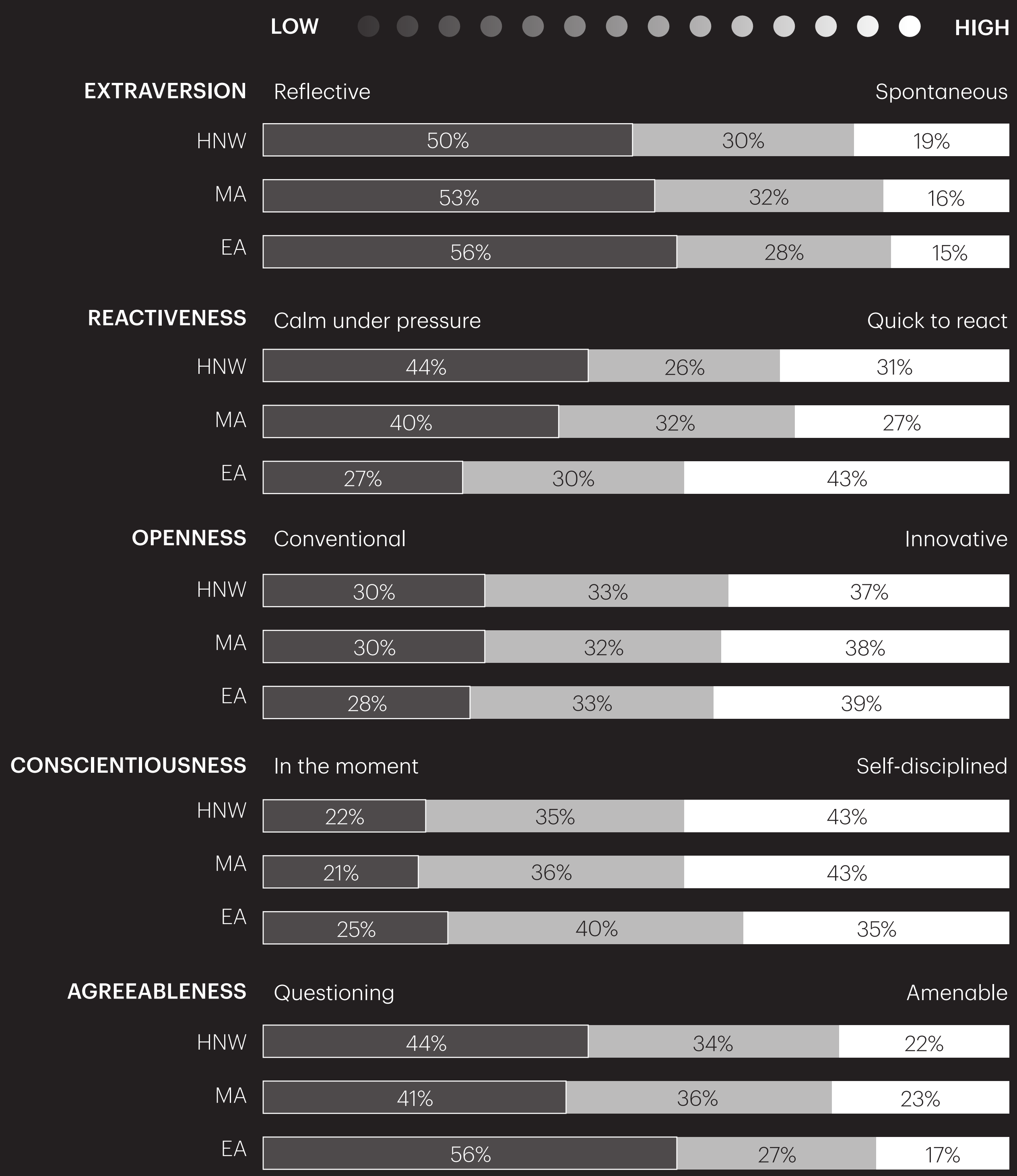
The tendencies of high-net-worth investors — those with more than $750,000 in investible assets — overlap to some extent with those of older investors (see "Findings by Age"). High-net-worth investors, for instance, are more likely to have a plan with a wealth advisor (52%, 41% mass affluent, 18% emerging affluent). And those who do have a wealth advisor are more likely to have a strong relationship with them.

On the other hand, high-net-worth investors tend to be questioning (44% low agreeableness). Despite this more questioning nature, high-net-worth investors are more likely to be "very confident" in their wealth advisor's abilities (69%, 55% mass affluent, 35% emerging affluent) and are more likely to say their advisor is worth "every dollar" they're paid (51%, 35% mass affluent, 19% emerging affluent).

There is a striking difference between high-net-worth, mass affluent and emerging affluent cohorts in this study when it comes to their communication frequency with advisors (including email, phone and in-person). Those in the high-net-worth category received far more total contacts (15.6) than either mass affluent (9.1) or emerging affluent investors (7.9). This may suggest advisors are spending more time serving wealthier clients, who may have more complex needs.

Perhaps not surprisingly, high-net-worth investors were far more likely (57%) than the emerging affluent (19%) to report "very high" satisfaction with their retirement readiness. High-net-worth investors were more reliant on their personal investments: 69% believed that most or all of their retirement funds would come from personal investments, compared to only 39% for mass affluent, and 58% for emerging affluent.

Findings by net worth & emerging affluence



How advisors can help

While age and net worth often overlap in this survey — with older clients' tending to be wealthier — net worth on its own is not a strong indicator of personality type. For advisors, therefore, the challenge may come from clients who fall outside the norm: younger clients with extravagant wealth, for example, or older clients with barely enough for retirement. High-net-worth clients in their mid-30s may be in an even more precarious position. They tend to retain all the personality traits of younger people (in the moment, quick to react, questioning), but may have more financially at stake.

For the emerging affluent cohort, meanwhile — who only have a decade or so of investment experience — a look at history might be advantageous. Their perceptions may have been skewed by their early disruptive experience with the 2008 financial crisis, compared to the relatively smooth rise in real estate prices over the past 10 years. Investors who believe real estate equity will account for most of their retirement income may not understand the normally slow and steady pace of real estate appreciation, or the devastation of a crash. Younger investors may also be unable to fathom a future in which they are bound by sentimental attachments to their home.

Advisors, meanwhile, should be careful not to spend all their time serving wealthier clients at the expense of the emerging affluent. Those inheriting wealth may have been referred to their parents' advisors, but many emerging affluent have never spoken to a professional money manager. These investors can represent a significant opportunity, but they may not be easy to win over, especially if they feel they've been neglected. Given their highly questioning nature and ease with online investment platforms, they may find, upon reaching high-net-worth status, that they're not interested in including an advisor in their wealth planning.

A starting point for advisors seeking to help the emerging and mass affluent investors may be in their relatively low levels of financial satisfaction in their retirement readiness. Providing hard data, with comparable performance metrics, may help them identify the potential benefits of having a professional in their corner.

Findings by relationship status

Singles (single, divorced, widowed): Different depending on gender, age

Along the spectrum of financial retirement readiness, singles tend to fall somewhere between couples, who are most satisfied with their position, and those who are parents with children, who are least satisfied: 36% of women and 31% of men who were single reported being "very satisfied" with their retirement readiness, compared to 38% for couples, 26% for male parents and 18% for female parents. Singles may enjoy lower costs of living, but not the benefit of dual incomes or shared living expenses.

What's most striking about the traits of single investors is the gap that exists between single men and single women. Gender-based personality traits (see "Findings by gender") seem to reflect the same patterns within this group. Single women, for instance, are more amenable than single men. More of them report having a plan with a advisor (48%, 37% single men), and more of them reported greater confidence in the abilities of their advisor (75%, 51% single men). Single women were also slightly more likely to report high levels of satisfaction with their financial position and readiness for retirement (36%, 31% single men).

Oddly enough, however, single women — despite being relatively open to investment advice — have less contact with their wealth manager (9.3 total contacts per year, 12.5 for single men). This may suggest a number of things, including the possibility that single women may feel uncomfortable reaching out to their advisor, or that advisors may be more comfortable talking to single men, or that wealth management firms may not yet have the tools and resources to fit single women's particular needs.

Couples (no children, married or living with partner): Tend to be more supportive of each other

Couples are generally calmer under pressure than singles. They may benefit from the financial and emotional support of their partner. Some of the benefit that comes from joint decision-making, however, is offset by a tendency to "delegate" roles, including in some cases financial-planning responsibilities. A recent paper by Ward & Lynch[7] suggests that couples may distribute responsibility for knowledge and decision-making to each other. It found that high levels of financial literacy, for instance, was associated with high levels of financial decision-making, suggesting also that people in couples tend to learn information on a "need to know" basis.

Within couples, men and women's personality traits are similar to those of singles (see "Findings by gender"), but their interactions with advisors were quite different, according to our study. For instance, 75% of single women reported great confidence in the abilities of their advisor, compared to 51% of single men. But that number drops to 58% for married women. Meanwhile, married men were more likely than single men to have a plan with an advisor (40%, 37% single) and more likely to report high levels of financial satisfaction in their retirement readiness (38%, 31% single).

Parents (with children, either single or coupled): Tend to be reflective, less satisfied with retirement readiness

There is a striking difference between childless couples and those who are parents in our study, and it's no surprise. Couples may have more disposable income and they're more comfortable with their retirement outlook. Couples are also more likely to have a financial plan with a wealth professional. Parents, conversely, are even less likely than single people to have a plan with an advisor (48% women and 37% men who are single, 41% women and 40% men in couples, 39% women and 33% men who are parents). It's possible that the distractions and financial pressures of parenthood come into play, keeping them from connecting with their advisor more often.

Mothers, in particular, report far lower satisfaction in their retirement readiness. Single women report higher levels of financial satisfaction with their retirement readiness (36%), and this actually rises for women in relationships (to 38%) as a couple may enjoy the benefits of shared expenses. But financial satisfaction drops precipitously for women with children (to 18%). The same pattern is evident for men, but not the same extent (31% single, 38% couples, 26% married).

The reduced financial satisfaction for retirement that mothers experience may stem from the higher levels of self-discipline that women are likely to possess (46% high conscientiousness, 39% men; see "Findings by Gender.") For self-disciplined investors who are dedicated to a vision for retirement, the need to scale down due to competing financial pressures may feel like a discouraging setback.

Child-rearing also coincides with middle age (see "Findings by age"), when investors can be more reflective (61% low extraversion, 53% younger, 50% older). The less satisfied profile of parents may present an opportunity for advisors, if they can suggest a path to security in retirement.

Findings by relationship status

Men

LOW ● ● ● ● ● ● ● ● ● HIGH

EXTRAVERSION

	Reflective		Spontaneous
Single	58%	30%	13%
Couple	46%	36%	18%
Parent	57%	29%	14%

REACTIVENESS

	Calm under pressure		Quick to react
Single	44%	32%	24%
Couple	46%	29%	25%
Parent	46%	28%	25%

OPENNESS

	Conventional		Innovative
Single	28%	32%	40%
Couple	31%	39%	30%
Parent	24%	34%	41%

CONSCIENTIOUSNESS

	In the moment		Self-disciplined
Single	29%	35%	36%
Couple	20%	36%	43%
Parent	30%	33%	36%

AGREEABLENESS

	Questioning		Amenable
Single	54%	31%	16%
Couple	52%	35%	13%
Parent	49%	37%	13%

Women

LOW ● ● ● ● ● ● ● ● ● HIGH

EXTRAVERSION

	Reflective		Spontaneous
Single	56%	25%	18%
Couple	51%	31%	18%
Parent	55%	29%	16%

REACTIVENESS

	Calm under pressure		Quick to react
Single	41%	31%	27%
Couple	33%	29%	38%
Parent	29%	32%	39%

OPENNESS

	Conventional		Innovative
Single	32%	29%	39%
Couple	32%	29%	39%
Parent	27%	25%	48%

CONSCIENTIOUSNESS

	In the moment		Self-disciplined
Single	13%	43%	44%
Couple	17%	32%	52%
Parent	23%	39%	38%

AGREEABLENESS

	Questioning		Amenable
Single	34%	33%	33%
Couple	31%	39%	30%
Parent	27%	42%	31%

How advisors can help

Major life events — like getting married or having kids — may have an impact on personality traits and associated behaviours, although it should be noted that our findings are based on a survey of clients, not a longitudinal study that tracks changes over time (see "Methodology"). A client's relationship status on its own should not be considered a primary indicator of personality type.

Indeed, investors in each relationship cohort were found to vary widely, depending on age and gender. Singles varied by age and gender. Couples varied by whether they had children or not. Parents also varied widely by gender. And while this study focuses on these cohorts in general, advisors ultimately need to know their clients as individuals before taking their relationship status into account.

That being said, our survey did uncover some interesting contrasts. The significantly less contact that single women have with their advisors, for example, can suggest a huge missed opportunity.

Single women tend to be more interested in getting investment advice than single men, which may provide an opening for advisors looking to build relationships earlier on. Should the single female client enter into a relationship, meanwhile, that advisory relationship could lead to better financial management for the couple.

Advisors may want to consider paying closer attention to parents who have been highly disciplined about saving and investing, since these clients may be more likely to be dissatisfied with their retirement planning during their parenting years, when various distractions and costs can take the focus off retirement. Parental distractions aside, advisors may want to consider a recommendation to their clients to continue saving for retirement — even if it's just a small amount — in order to take advantage of compound interest during key years.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Appendix 1

Data Tables & Questions

Findings By Gender

			Women	Men
1.	**Five Factor Model (Low/High)**			
	Conscientiousness	Low	18%	25%
		Medium	36%	35%
		High	46%	39%
	Agreeableness	Low	31%	52%
		Medium	37%	34%
		High	31%	14%
	Reactiveness	Low	35%	45%
		Medium	30%	31%
		High	35%	24%
	Openness	Low	31%	29%
		Medium	28%	36%
		High	41%	35%
	Extraversion	Low	53%	52%
		Medium	30%	32%
		High	18%	16%
2.	**Having a Plan**			
		Yes, with an advisor	43%	39%
		Yes, on my own	12%	15%
		No	45%	46%
3.	**Financial Satisfaction with Readiness for Retirement** (Very Satisfied)		31%	31%
4.	**Value of Advisor** (Worth every dollar in fees)		39%	36%
5.	**Confidence in Advisor** (Very Confident)		62%	53%
6.	**Nervousness at First Sign of Decline**		15%	6%
7.	**Statement Review**			
		Closely look at each investment	36%	42%
		Look at overall, then each investment if something looks odd	25%	25%

Statistically significant difference between men and women

Findings By Age

			18-34	35-54	55+
1.	**Five Factor Model (Low/High)**				
	Conscientiousness	Low	28%	20%	21%
		Medium	39%	37%	35%
		High	33%	43%	44%
	Agreeableness	Low	57%	51%	38%
		Medium	28%	33%	37%
		High	16%	16%	25%
	Reactiveness	Low	20%	37%	43%
		Medium	27%	33%	30%
		High	53%	30%	27%
	Openness	Low	31%	28%	27%
		Medium	28%	31%	34%
		High	41%	40%	39%
	Extraversion	Low	53%	61%	50%
		Medium	32%	27%	32%
		High	15%	11%	18%
2.	**Having a Plan**				
		Yes, with an advisor	19%	36%	49%
		Yes, on my own	25%	15%	10%
		No	56%	49%	41%
3.	**Financial Satisfaction with Readiness for Retirement** (Very Satisfied)		20%	21%	39%
4.	**Value of Advisor** (Worth every dollar in fees)		20%	35%	41%
5.	**Confidence in Advisor** (Very Confident)		37%	49%	64%
6.	**Nervousness at First Sign of Decline**		18%	6%	11%
7.	**Statement Review**				
		Closely look at each investment	32%	41%	40%
		Look at overall, then each investment if something looks odd	20%	20%	28%

Significantly lower than comparison group

Significantly higher than comparison group

Findings By Net Worth and Emerging Affluence

			Emerging Affluent	Mass Affluent	High-Net-Worth
1.	**Five Factor Model (Low/High)**				
	Conscientiousness	Low	25%	21%	22%
		Medium	40%	36%	35%
		High	35%	43%	43%
	Agreeableness	Low	56%	41%	44%
		Medium	27%	36%	34%
		High	17%	23%	22%
	Reactiveness	Low	27%	40%	44%
		Medium	30%	32%	26%
		High	43%	27%	31%
	Openness	Low	28%	30%	30%
		Medium	33%	32%	33%
		High	39%	38%	37%
	Extraversion	Low	56%	53%	50%
		Medium	28%	32%	30%
		High	15%	16%	19%
2.	**Having a Plan**				
		Yes, with an advisor	18%	41%	52%
		Yes, on my own	25%	13%	15%
		No	57%	47%	33%
3.	**Financial Satisfaction with Readiness for Retirement** (Very Satisfied)		19%	26%	57%
4.	**Value of Advisor** (Worth every dollar in fees)		19%	35%	51%
5.	**Confidence in Advisor** (Very Confident)		35%	55%	69%
6.	**Nervousness at First Sign of Decline**		18%	10%	6%
7.	**Statement Review**				
		Closely look at each investment	33%	40%	40%
		Look at overall, then each investment if something looks odd	21%	24%	30%

Significantly lower than comparison group

Significantly higher than comparison group

Findings By Relationship Status

		Single		Couple		Parent	
		Women	Men	Women	Men	Women	Men
1.	**Five Factor Model (Low/High)**						
	Conscientiousness Low	13%	29%	17%	20%	23%	30%
	Medium	43%	35%	32%	36%	39%	33%
	High	44%	36%	52%	43%	38%	36%
	Agreeableness Low	34%	54%	31%	52%	27%	49%
	Medium	33%	31%	39%	35%	42%	37%
	High	33%	16%	30%	13%	31%	13%
	Reactiveness Low	41%	44%	33%	46%	29%	46%
	Medium	31%	32%	29%	29%	32%	28%
	High	27%	24%	38%	25%	39%	25%
	Openness Low	32%	28%	32%	31%	27%	24%
	Medium	29%	32%	29%	39%	25%	34%
	High	39%	40%	39%	30%	**48%**	41%
	Extraversion Low	56%	58%	51%	46%	55%	57%
	Medium	25%	30%	31%	36%	29%	29%
	High	18%	13%	18%	18%	16%	14%
2.	**Having a Plan**						
	Yes, with an advisor	**48%**	37%	41%	40%	39%	33%
	Yes, on my own	9%	14%	14%	16%	14%	21%
	No	43%	50%	45%	44%	47%	46%
3.	**Financial Satisfaction with Readiness for Retirement** (Very Satisfied)	36%	31%	38%	38%	18%	26%
4.	**Value of Advisor** (Worth every dollar in fees)	45%	37%	40%	36%	34%	30%
5.	**Confidence in Advisor** (Very Confident)	**75%**	51%	58%	55%	55%	55%
6.	**Nervousness at First Sign of Decline**	15%	7%	15%	7%	12%	5%
7.	**Statement Review**						
	Closely look at each investment	35%	39%	36%	43%	34%	42%
	Look at overall, then each investment if something looks odd	23%	26%	25%	25%	24%	19%

Statistically significant difference between men and women

% Significantly lower than comparison group

% Significantly higher than comparison group

Selected Questions from the Survey

(correspond to data tables)

1. Five Factor Model of Personality

Below is a list of short statements describing people's behaviour. For each statement, indicate the point on the scale that best describes you as you are now, not as you wish to be in the future. Describe yourself as you honestly see yourself, in relation to other people you know of the same gender as you, and roughly the same age. Please read each statement carefully.

- ❑ Very accurate
- ❑ Somewhat accurate
- ❑ Neither
- ❑ Somewhat inaccurate
- ❑ Very inaccurate

- Am always known at social gatherings
- Feel little concern for others
- Am always prepared
- Get stressed out easily
- Have a rich vocabulary
- Don't talk a lot
- Am interested in people
- Leave my belongings around
- Am relaxed most of the time
- Have difficulty understanding abstract ideas
- Feel comfortable around people
- Point out mistakes people make in blunt terms
- Pay attention to details
- Worry about things
- Have a vivid imagination
- Keep in the background
- Sympathize with other's feelings
- Make a mess of things
- Seldom feel sad
- Am not interested in abstract ideas
- Start conversations
- Am not interested in other people's problems
- Get chores done right away
- Am easily disturbed
- Have excellent ideas
- Have little to say
- Have a soft heart
- Often forget to put things back in their proper place
- Get upset easily
- Do not have a good imagination
- Talk to a lot of different people at parties
- Am not really interested in others
- Like order
- Change my mood a lot
- Am quick to understand things
- Don't like to draw attention to myself
- Take time out for others
- Avoid tasks when I don't want to complete them
- Have frequent mood swings
- Use difficult words
- Don't mind being the centre of attention
- Feel others' emotions
- Follow a schedule
- Get irritated easily
- Spend time reflecting on things
- Am quiet around strangers
- Make people feel at ease
- Am exacting in my work
- Often feel sad
- Am full of ideas

2. Do you have a detailed written plan which specifies the personal financial goals you want to achieve and the actions you should take to achieve your goals?

- ❑ Yes, a plan I developed with the help of an advisor
- ❑ Yes, a plan I developed on my own without the help of an advisor
- ❑ No, I do not have a detailed written personal financial plan

3. With respect to saving for your retirement years, how satisfied are you with the financial position you presently are in?

- ❑ Very satisfied
- ❑ Somewhat satisfied
- ❑ Not very satisfied
- ❑ Not at all satisfied

4. Over the entire length of your relationship with your advisor, would you say that the value of the advice your advisor has provided to you has been… ?

- ❑ Worth every dollar in fees you have paid
- ❑ Worth some of the fees you have paid
- ❑ Worth none of the fees you have paid
- ❑ I don't pay my advisor
- ❑ I don't know how my advisor gets paid

5. How would you describe your level of confidence in your advisors abilities?

- ❑ Very confident
- ❑ Somewhat confident
- ❑ Not very confident
- ❑ Not confident at all

6. How likely would you be to make some changes to your personal investment portfolio if its total value declined by [First sign of decline; 1%; 5%; 10%; 15%)? Would you be…

- ❑ Very likely
- ❑ Somewhat likely
- ❑ Not very likely
- ❑ Not at all likely

7. When you receive your investment statement, or you see it online, do you usually…?

- ❑ Take a very close look at the performance of each of your investments
- ❑ Take a look at the performance of all your investments combined, but not at the performance of each investment
- ❑ Take a look at the performance of all your investments combined, then only look at the performance of each investment if something seems odd
- ❑ Not look at your investment statement at all

Appendix 2

Sources of Financial Literacy Questions

*TD developed the TD Financial Literacy Barometer, to annually test the level of Canadians' true financial understanding. The Barometer not only measures financial knowledge but also practical applications. The TD Financial Literacy Barometer, developed in conjunction with research firm The Brondesbury Group, consists of 32 questions divided into four content domains — Planning Ahead; Choosing Products; Staying informed; and Money Management and Control.

**Statistics Canada Survey methodology and sample http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=5159

Question	Source
[INTEREST RATE] Q1. If you have a credit card debt of $2000 and your card charges 2% per month interest, roughly how long will it take you to pay off your debt at $50 per month? ❑ 3 years ❑ 5 years ❑ 7 years (correct response)	TD Financial Literacy Barometer 2014*
[INFLATION] Q2. If the inflation rate was 3% and the interest rate on your savings was 2%, would your savings have at least as much buying power one year from now? ❑ Yes ❑ No (correct response)	Statistics Canada Financial Capability Survey 2014**
[BOND PRICE] Q3. Over a span of 20-30 years, what type of investment is likely to earn the most money for you? ❑ Stocks (correct response) ❑ Bonds ❑ Term deposits	TD Financial Literacy Barometer 2014
[MORTGAGE] Q4. Two mortgages have the same interest rate. One is a 20-year mortgage; the other is a 25-year mortgage. The 20-year mortgage requires one to make higher monthly payments than the 25-year mortgage. Thinking about the total amount in interest one would pay over the lifetime of the mortgage, which mortgage would end up costing more? ❑ 20-year mortgage would cost more ❑ 25-year mortgage would cost more (correct response) ❑ Both mortgages would cost same total amount in interest	TD Financial Literacy Barometer 2014
[RISK] Q5. If you were concerned that inflation could increase suddenly, which type of investment would best protect the purchasing power of the money you have saved? ❑ A 25-year corporate bond ❑ A house financed with a fixed-rate mortgage (correct response) ❑ A 10-year bond issued by a corporation ❑ A certificate of deposit at a bank	Statistics Canada Financial Capability Survey 2014

[1] TD Financial Literacy Barometer. 2014

[2] Statistics Canada, Canadian Financial Capability Survey. 2014

[3] Tupes, E.C., & Christal, R.E., Recurrent Personality Factors Based on Trait Ratings. Techincal Report ASD-TR-61-97, Lackland Air Force Base. TX: Personnel Laboratory. Air Force Systems Command. 1961

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[7] Ward, Adrian F., Lynch, John G.; On a Need-to-Know Basis: how the Distribution of Responsibility Between Couples Shapes Financial Literacy and Financial outcomes. Journal of Consumer Research. 2018