

Research confirms Canadian financial advisors are reliable barometers for broader economy

Toronto, February 12, 2019 – Canadian financial advisors are remarkably attuned to changes across a wide range of broad economic indicators – from GDP and inflation to employment and housing prices – according to five years of data from the Advocis Financial Advisors Index (FAI) compiled by Western University and Advocis, the Financial Advisors Association of Canada.

“Our analysis revealed intriguing and statistically robust correlations,” explained Dr. Matt Davison, Dean of Science at Western University. “The results exceeded our expectations and renewed our confidence in the value of the Financial Advisors Index as a solid, statistical indicator for the Canadian economy and corresponding investor behaviour.”

Launched in 2013, the FAI is a monthly survey of 1,000 Canadian financial advisors that measures advisor confidence, defined as the degree of optimism about the state of the economy expressed by advisors and their clients through their savings, investing and risk protection activities. A historical analysis assessing the data against 20 general economic indicators over the same period yielded impressive results, finding more than 190 data points with strong correlations between the FAI survey and general economic indicators, as well as over 60 data points with strong causation values.

“While academic studies have consistently shown that those who receive financial advice accumulate more wealth than those who don’t, the FAI data demonstrates that financial advisors have a unique vantage point on the overall direction of the economy,” said Greg Pollock, President of Advocis. “Amid all the speculation about the impact of robo-advisors on our industry, these findings demonstrate that financial advisors offer the advantage of seeing the bigger economic picture when helping their clients plan for their future financial wellbeing.”

In October and November 2018, investors experienced particularly volatile markets, driven by oil prices, interest rate uncertainty, and trade war with China. A lead indicator for key investor behaviors, the FAI suggests that constant on-the-ground interactions with clients gives advisors a privileged perspective, keeping them ahead of the curve and allowing them to take proactive measures under the most diverse market conditions.

“From its inception, we were hopeful that Financial Advisors Index would prove to be a reliable economic benchmark,” said Chuck Grace, Finance Faculty, Ivey Business School. “We knew that professional advisors meet with hundreds, even thousands, of clients every year and because of that they have a unique insight into how Canadians are reacting to the economy in real time. To see that hypothesis confirmed in the numbers is very exciting.”

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About Advocis

Advocis, The Financial Advisors Association of Canada, is the association of choice for financial advisors and planners. With more than 13,000 members in 40 chapters across the country, Advocis is the definitive voice of the profession, advocating for professionalism and consumer protection. Advocis works with decision-makers and the public, stressing the value of financial advice and working toward an environment in which all Canadians have access to the advice they need.

About Western

Western University delivers an academic experience second to none. Since 1878, The Western Experience has combined academic excellence with life-long opportunities for intellectual, social and cultural growth in order to better serve our communities. Our research excellence expands knowledge and drives discovery with real-world application. Western attracts individuals with a broad worldview, seeking to study, influence and lead in the international community.

For further information and to arrange interviews, contact:

Julie Martini
Vice-President, Public Affairs and Marketing
416 302-9856
jmartini@advocis.ca