

Medium Income Quebec Consumers and Financial Management: Who to Turn to?

Executive summary
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Quebec consumers currently have a wide variety of complex and constantly changing financial products to choose from. Instead of relying on professionals of that sector for advice on sound management, consumers usually choose to obtain financial advice piecemeal, according to the products and services they acquire. And yet, an assessment of an individual's overall personal finances and objectives is often necessary for giving him good advice on a given aspect of his finances, such as an investment choice.

It requires substantial financial expertise to assess a need in relation to an individual's overall financial management, to understand the short and long term impacts of a financial decision, and to know the different options and the most appropriate one in the individual's context and taking into account his objectives. Also required is knowledge of insurance, estate management, or taxation. In addition, the professional must be impartial in his recommendations, so that the consumer may rely on an expertise he does not have himself.

Our research sought to verify if such an offer of advice exists and if it is accessible to medium income Quebecers.

After putting this issue in context – the growing complexity of personal finances, the sector's deregulation, and the problem of household debt – our report demonstrates how a financial advisor can strengthen an individual's finances. To balance financial needs with the offer of financial advice, it first determines the decisions for which the individual would need advice from a financial professional, in relation to the main events in his life. Second, we paint an exhaustive portrait of professionals who might offer financial advice in Quebec, by analysing their qualifications, responsibilities and methods of remuneration, as well as the regulation of their services. Consumers were polled on their perception of financial advisors in order to evaluate their understanding of that sector, of their own needs, and of their propensity to obtain professional assistance in various financial matters. We also present an overview of the different initiatives adopted outside Canada that aim to give medium income consumers access to an offer of general financial advice.

Our research demonstrates that medium income households generally have the same needs as Quebec households as a whole. The major difference is rather that this clientele has limited financial means, so that poor decisions or missed opportunities may more adversely affect their current and future financial security.

Although a range of professionals offer financial advice, our study demonstrates that only independent financial planners could adequately provide advice integrating the various aspects of personal finances. These professionals are regulated in Quebec so that certain standards in terms of training, responsibility toward their clients, and preventing conflicts of interest are guaranteed.

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Our research also demonstrates that while the expertise of financial planners can provide modest income households with general financial advice, the latter is not accessible to this clientele. Indeed, these people do not have the financial means to pay for such services, and are not the clientele targeted by this type of professional.

The poll's results confirmed that these households would happily avail themselves of that kind of services if they could.

In our recommendations, we emphasize the necessity of establishing mechanisms guaranteeing the independence of financial advisors. We also focus on the duty of government authorities to standardize the various professions offering individuals financial advice, and to take necessary measures for giving modest income consumers access to neutral and objective financial advice.

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