

Special Report: Canada Must Preserve Access to Financial Advice, Avoid Unintended Consequences of Financial Reforms

Policymakers should seize unique opportunity to learn from other countries where regulatory barriers turned advice into a privilege for high-net-worth households

TORONTO--(BUSINESS WIRE)-- Primerica, Inc. (NYSE: PRI), a leading provider of financial services in Canada and the United States, released a special report titled "[Balancing Act: Enhancing Regulation without Compromising Financial Access in Canada](#)."

Researched and written by Amy Crews Cutts, Ph.D., CBE®, economic consultant to Primerica, the report examines the potential impact of regulations on the financial services industry's ability to continue to provide advice to the middle class.

While some initiatives such as banning unfair and deceptive practices, better disclosure of products and fair treatment of customers reduce risk and increase the financial security of Canadian households, some others can lead to reduced choice. Costly compliance and licensing requirements and compensation restrictions can come at a high cost to investors and disproportionately impact middle-income households.

"The extensive research laid out in this report shows that these types of proposals have the potential to hinder the ability of middle-income households to build wealth and reach their financial goals — the opposite outcome that regulators hope to achieve," said Crews Cutts. "Canada has a unique opportunity to use the lessons learned from the implementation of similar measures in the UK and other nations to avoid these unintended consequences."

Changes in the UK's financial regulatory system highlight the potential pitfalls in the current Canadian proposals related to compensation restrictions. As presented in the white paper, significant changes to rules governing financial advisors in the UK over the past 10 years have led to higher overall fees for investors and a significant increase in the minimum portfolio size needed for clients to get advice, causing millions of smaller and potential investors to lose access to financial advice.

"Canadians who access financial advice fare better not only in investments but in their overall financial habits, such as saving regularly, having life insurance coverage and paying off high interest debts," said John Adams, CEO of Primerica Canada. "It is critical that a range of financial advice remains accessible to Canadians, no matter their level of wealth."

Key White Paper Findings

- **The importance of financial advisors.** Canadians who seek advice from a financial

advisor are better at saving, managing volatile markets and building wealth. However, many families don't fully understand the importance of financial advice or how to find someone who is qualified to provide it.

- **Canadian households underinvest their assets.** Balances in cash and other low-return deposit accounts grew by 62% between 2015 and 2022 and remain the single largest class of investment funds at just over \$2 trillion. Absent financial advice, Canadian households will continue to over-save in low return accounts instead of investing in accounts with potentially higher returns.
- **Robo-advisors are not for everyone.** Some advocates for greater financial regulation believe that investors who can't access advice can be served by robo-advisors instead. However, comments from investors in response to the survey show that these platforms are not trusted nor particularly liked by most investors, and they fail to provide the most important aspects of financial advisor-client relationships: coaching investors to have the confidence to invest or save more, educating them on how to invest for the future, explaining the benefits of staying the course, and generally providing guidance to build long term financial success.

About Primerica, Inc.

Primerica, Inc., is a leading provider of financial services to middle-income households in North America. Independent licensed representatives educate Primerica clients about how to better prepare for a more secure financial future by assessing their needs and providing appropriate solutions through term life insurance, which we underwrite, and mutual funds, annuities and other financial products, which we distribute primarily on behalf of third parties. We insured over 5.7 million lives and had over 2.8 million client investment accounts on December 31, 2022. Primerica, through its insurance company subsidiaries, was the #3 issuer of Term Life insurance coverage in the United States and Canada in 2022. Primerica stock is included in the S&P MidCap 400 and the Russell 1000 stock indices and is traded on The New York Stock Exchange under the symbol "PRI".

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