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Current Economy Continues to Shape Canadian Investor Behaviour: Scotiabank Study

TORONTO, Jan. 4 /CNW/ - Slow economic recovery is influencing Canadian investor behaviour in a number of ways, according to a recent Scotiabank study assessing Canadian investors' attitudes toward investing. More than half of those surveyed (55 per cent) have a neutral view on the economy, suggesting a high level of lingering uncertainty.

According to the study, two-in-five (41 per cent) of investors surveyed are holding their investments entirely within a Registered Savings Plan, compared to 29 per cent last year. This increase is largely driven by a corresponding 14 per cent decrease in investors who hold their investments in both registered and non-registered savings.

"Considering the sharp portfolio losses many Canadians experienced in 2008-09, it's not surprising to see a shift towards registered investments such as RRSPs and TFSAs," said Andrew Pyle, Wealth Advisor, ScotiaMcLeod. "To help restore their nest eggs, many investors are opting to take advantage of the tax benefits offered by registered plans."

The study also found that mutual funds remain the most widely held investment vehicle by Canadian investors (54 per cent), even after an 11 per cent decrease in popularity since last year. Savings accounts, on the other hand, have increased in popularity by six per cent, making them a close second (50 per cent) to mutual funds.

"The movement towards savings accounts is a trend that began surfacing last year as Canadian investors have become more conservative in their risk tolerance, and are perhaps waiting for an opportune time to lock in their money," said Mr. Pyle.

It isn't surprising that Canadian investors continue to keep a close eye on their investments. Thirty-seven per cent of those surveyed indicate that they are paying more attention to their investments as a result of the current economy.

While the proportion of Canadian investors who have taken money out of their investments to pay for something other than what they're saving for has only increased slightly in the past year (41 per cent in 2009 vs. 37 per cent in 2008), their reasons for doing so have shifted. Those paying off a mortgage and other debts increased to 25 per cent, up from 19 per cent the previous year. In 2008, the top reason for taking money out was to pay for day-to-day living expenses (24 per cent in 2009 vs. 29 per cent in 2008). Buying a new home remains third.

Interestingly, despite economic uncertainty and investment losses, the percentage of investors who say they plan to retire before age 65 actually increased in 2009 to 49 per cent from 43 per cent the previous year.

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