TD Wealth | Ready to help you move forward

Wealth Confidence™

How wealthy do you feel?

TD Wealth Behavioural Finance Industry Report, 2023

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How *a client reaches*
their goal
is just as important as
reaching it.

A research report by:

Anthony Damtsis, Deputy Head of Behavioural Finance, TD Wealth

Acknowledgements:

Lisa Brenneman, Head of Behavioural Finance, TD Wealth
Renay Russell, Manager, Customer Insights, TD Bank Financial Group
Dilip Soman, Canada Research Chair in Behavioural Science and Economics, Director of the Behavioural Economics in Action Research Centre at Rotman (BEAR)
Paul Dolan, Professor of Behavioural Science, London School of Economics
Our behavioural science collaborators from around the world who challenged and validated our thinking

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Preface

TD Wealth has been a consistent leader in the intersection of behavioural finance and wealth management for over half a decade. During this time, we have extended the breadth and depth of understanding of what drives financial decision making and evolved our practice into three branches: using the Wealth Personality™ assessment to help better understand our clients and what drives their financial decisions, harnessing the power of behavioural science to help optimize systems and processes for our clients and advisors, and conducting research that explores new frontiers in the application of behavioural finance to wealth management.

This report marks the fourth major research study we have conducted (see our last research study Behavioural Finance & Sustainable Investing). In this new report we ask two fundamental questions. The first is what does it mean to feel wealthy? To answer this question, we developed a compound metric that we have called Wealth Confidence™. The second question is what makes people feel wealthy (*i.e.*, the factors are associated with having a high Wealth Confidence™)? To answer this question, we conducted an extensive data-driven econometric analysis of more than 2,000 affluent Canadians from across the country who responded to our survey in September 2021.

Measuring Wealth Confidence™ and identifying the factors that drive it, represents a step forward in understanding the subjective financial well-being (SFWB) of affluent Canadians. This report contributes to the wider SFWB literature by taking a multi-faceted view of it and adapting it to focus on affluent individuals rather than those in precarious financial positions. We hope you find the results interesting and helpful.

Important caveats when reviewing this report:

- Personality and other variables may or may not be the cause of Wealth Confidence™. Our analysis only reports on correlations between variables and Wealth Confidence™.
- This research was conducted on affluent and emerging affluent Canadians (see Methodology for details) and findings should not be applied to the general Canadian population.
- This study is not longitudinal and therefore no conclusions can be drawn regarding how Wealth Confidence™ changes as people age.

The 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

Agreeableness

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

LOW HIGH

Reactiveness

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

LOW HIGH

Extraversion

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

LOW HIGH

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

Introduction

Do you feel wealthy?

This is a question people often contemplate. If you do, congratulations, but know that you are part of the minority. If you do not, take comfort in knowing that you are not alone. According to a 2019 survey, only 13% of millionaires consider themselves wealthy.[1] When one considers that in the same year, having $936,430 USD (~1,242,000 CAD[2]) would put that individual in the global 1%, the thought of a millionaire not feeling rich seems even more surprising because objectively, they are.[3] Clearly, the answer to the question of whether one feels wealthy (or not) is more complex than we might initially think.

Does having more money = feeling wealthier?

The answer is generally yes, but with some interesting exceptions and nuances that will be discussed later in this paper. This general truth rightly acts as the basis for the wealth management industry's focus on increasing client assets to make their clients feel wealthier. However, many of the broad array of services offered by the wealth management industry also contribute to feelings of wealth without contributing assets. For example, having an estate plan does not make the assets in a client's portfolio grow. But as our research indicates, having an estate plan does have a positive effect on Wealth Confidence™.

So instead of using assets as a proxy to estimate how wealthy a client feels, why not use Wealth Confidence™? A major contribution of this report is that we have found a way to quantify how the services offered by the wealth management industry can contribute to feeling wealthier, that using assets alone cannot. We show that objective measures of wealth (*i.e.*, assets) are only part of the equation and demonstrate how our personality can shape our perceptions of objective reality. Moreover, by understanding what makes people feel wealthy, we can prioritize the behaviours and services that lead to feeling wealthier.

The remainder of the report is structured in two parts:

Part 1

The first defines Wealth Confidence™ and explores the similarities and differences between it and SFWB. We conduct a literature review of the SFWB research, which provides a foundation for our definition and construction of Wealth Confidence™. We also review the literature around the Big 5 Personality traits, which puts Wealth Confidence™ in context with TD Wealth's expertise in Wealth Personality™.

Part 2

The second part of the report presents our findings from our analysis of the factors that could contribute to Wealth Confidence™. We also discuss the possible reasons for our findings, as well as their implications for the industry and advisors.

1 Ameriprise Financial, 2019.
2 Average USD-CAD exchange rate in 2019. (www.exchangerates.org)
3 Global Wealth Databook 2019. Credit Suisse.

Key Findings

01

Personality is by far the largest driver of Wealth Confidence™

02

Assets, income, and debt have impacts on our Wealth Confidence™, but the relationships are complex

03

Individuals who have an advisor are 2x more likely to have a high Wealth Confidence™ compared to those who do not have an advisor

Survey Methodology

TD Wealth conducted an online survey of 2056 affluent Canadians from across the country throughout September 2021 that was fielded by Maru/Matchbox in both English and French.[4]

Gender*		
	Male	56%
	Female	44%
	Other[5]	0.1%
Affluence		
	EA	6%
	MA	60%
	HNW	24%
	DIY Only	10%
Region		
	West	28%
	Central	9%
	East	56%
	Atlantic	6%

TD Wealth groups affluent Canadians into three categories:

Emerging Affluent ('EA'), Mass Affluent ('MA'), and High Net Worth ('HNW').

EA consists of individuals between the ages of 25 and 34, and who have household incomes above $100,000 per year.

MA are individuals who have between $100,000 and $750,000 in investable assets.

HNW is anyone who has investable assets greater than $750,000.

All respondents completed the 50-item International Personality Item Pool (IPIP) representation of the markers for the Big 5 factor structure, an evaluative psychological framework that assesses five dimensions of personality: Conscientiousness, Agreeableness, Neuroticism (Reactiveness), Extraversion, and Openness. The Five Factor Model questionnaire is also used at TD Wealth as part of the Wealth Personality™ assessment.

4 n=2056
5 We have chosen not to round down to provide visibility to individuals who do not identify as male or female

Part 1: Defining Wealth Confidence™

The concept of SFWB has been in the literature since the 1970s and is the basis for our conception of Wealth Confidence™. SFWB is defined as how people evaluate their feelings of financial security.[6] Traditionally, SFWB is measured as the ability for an individual to maintain their current lifestyle.[7] For instance, the ability to afford household expenditures, pay rent, and keep the house warm are all included as questions in traditional SFWB surveys. While this is an important area of research, it does not adequately address the issues that affect more affluent individuals.

Our research on the other hand focuses exclusively on affluent Canadians. We consulted academic and industry literature as well as experts around the world to help us identify three dimensions of SFWB that are more relevant to affluent individuals and when combined, may provide a clearer picture of what makes these individuals feel wealthier. Each of the factors are described in more detail below.

Overall Well-Being

Overall well-being consists of both cognitive and emotional constructs. Life satisfaction is the cognitive evaluation of one's life and experiences and captures the degree to which our goals and aspirations are met.[8,9], Happiness is an emotion-based measure of well-being that relates to our positivity in moods and feelings.[10] An important difference between these two aspects of overall well-being is the temporal aspect, where happiness is momentary and life satisfaction is long-term.[11]

Although overall SFWB is highly correlated to overall well-being, additional factors need to be considered to arrive at our definition of Wealth Confidence™.[12] In a simple assessment of SFWB, such as asking an individual's current satisfaction with their financial situation, the nuances in the relationship between the cognitive and emotional aspects of overall well-being are hidden. For instance, our sense of purpose, which is a cognitive construct, may influence how we choose to prioritize financial goals, whereas identifying what motivates us to achieve those goals or our resiliency to financial stress are emotionally driven. Moreover, demographic factors can moderate the impact one's financial situation has on their overall well-being and so must be controlled for in the final analysis.[13]

We have therefore separated the emotional and cognitive aspects of SFWB in the construction of Wealth Confidence™ in addition to including overall well-being and SFWB.

6 Campbell, A. et al. (1976)
7 Arber., S. et al. (2013)
8 DeNeve et al. (1998)
9 Veenhove, R. (2012)
10 ibid
11 Kahneman D. et al. (2005)
12 Vlaev, I. et al. (2014)
13 Foong, H.F. et al. (2021)

Social Comparisons

The second factor of Wealth Confidence™ we used is social comparisons, or more colloquially known as "keeping up with the Joneses". Peer comparisons are a key factor in determining our sense of well-being, in part because we tend to compare our income or assets with others. Moreover, these comparisons are natural and generally upward facing – meaning people rarely compare their salary to those making less.[14]

Comparisons to peers can motivate behaviour, and when it does, behavioural scientists call it herding. Herding becomes especially powerful when an individual is similar to the group that they are comparing themselves to. Consequently, identifying the right reference group is critical. A recent analysis of Google search terms around the word 'wealth', reveals that Canadians often ask if they are "wealthy relative to others my age" and "am I wealthy compared to other Canadians".[15] It is notable that those two searches rank above searches that measure objective levels of wealth, such as "how much money is considered wealthy".[16] Accordingly, it is important to understand whether individuals feel wealthier than people they consider their peers, especially at a time where social media makes it so easy and where people only share the best moments of their lives.

Outlook sentiment

The third facet of Wealth Confidence™ is consumer sentiment, which is defined as the degree of positivity people feel about various aspects of their financial situation now and in the future. Traditionally, consumer sentiment is used to help predict households' consumption and savings activity.

In subjective well-being research, positive expectations of the future can influence current well-being.[17] In other words, our optimism (or pessimism) about the future affects how we feel in the present. However, it has not yet been included in SFWB research to our knowledge. We decided to include it in our construction of Wealth Confidence™ as represents a new area to explore within the SFWB research domain.

14 Payne, K. (2017)
15 Results generated from www.answerthepublic.com
16 Ibid
17 Dusunen, A. (2011)

Personality and well-being literature review

The Big 5 personality traits (openness to experience, conscientiousness, extraversion, agreeableness, and reactiveness) have a well-established relationship to well-being and are widely recognized as a critical component of well-being.[18] Researchers have categorized traits as either dispositional traits or instrument traits because of their respective roles how they shape well-being.[19] Dispositional traits tend to have a direct impact on well-being because they tend to influence one's character and perspective, while instrumental traits tend to have an indirect role on well-being because they tend to influence how people react to specific situations.

It is important to note that though personality is a major factor in the prediction of well-being, it's not the only factor. Variables such as age, health, level of education, employment status, and even the length of your commute to work can influence well-being.[20]

Dispositional Traits

- Extraversion
- Reactiveness

Instrumental Traits

- Agreeableness
- Conscientiousness

Figure 1: Dispositional and Instrumental Traits

Extraversion

Extraversion is associated with feeling positive emotions. Like all the Big 5 traits, extraversion is multifaceted. The facets of extraversion are activity, assertiveness, excitement-seeking, gregariousness, positive emotion, and warmth. Various studies have concluded that specific facets of extraversion are more associated with well-being than others.

In one meta-analysis, positive emotionality was identified as a facet of extraversion that served as a predictor of well-being, where positive emotional experiences tend to stem from connections with others.[21] Other studies point to the facet of activity as a primary driver of well-being. Assertiveness and sociability, while positively correlated to well-being, may be indirectly influencing extraversion through activity.

18 DeNeve, K. M., & Cooper, H. (1998)
19 McCrae, R. R., & Costa, P. T. (1991)
20 Dolan, P. (2014).
21 McCrae, R. R., & Costa, P. T. (1991)

Reactiveness

Whereas extraversion and agreeableness are correlated with positive emotionality, reactiveness (called neuroticism in the literature) is associated with negative emotionality, which are feelings that occur when we are not satisfied with our current life situation or if we fail to achieve a goal.[22,23] Reactiveness may influence the way people perceive situations and methods of coping that may lead to negative emotionality.[24] This further supports the notion that reactiveness is a dispositional trait rather than an instrumental one.

Agreeableness

Agreeableness is positively correlated to well-being and is the trait most often associated with having interpersonal relationships. In studies that examine the facets of agreeableness, (altruism, tendermindedness, and trust) all are positively associated with well-being. The theoretical foundations support the empirical findings that positive feelings which stem from social behaviour are associated with stronger feelings of well-being.

Conscientiousness

Conscientiousness tends to have a strong positive correlation to life satisfaction. This correlation stems from the tendency for high conscientiousness individuals to engage in goal directed activity, have a feeling of mastery over one's work, have social support, a strong identity, and a sense of purpose.[25]

The feeling of mastery over one's work and sense of purpose are particularly related to life satisfaction. These two feelings are commonly associated to the psychological experience of 'flow', which occurs when an individual is deeply engaged in a challenging task that they have the skills to work through.[26] Flow states are associated with an improvement in the quality of one's life and happiness.[27,28]

22 www.apa.org
23 DeNeve, K. M., & Cooper, H. (1998)
24 Diener, E., & Diener, C. (1996)
25 Myers, D. G., & Diener, E. (1995)
26 Csikszentmihalyi, Mihaly. (1990)
27 Mcrae, R.R., & Costa, P.T. (1991)
28 Ullen, F., et al. (2011)

Openness

Openness to experience is not included in the table above because it is the most complex and controversial trait. Researchers have found it has a net neutral impact on well-being, but pre-disposes individuals to feel both ends of the emotional spectrum more deeply.[29] In meta-analyses, openness is found to have the lowest level of correlation to well-being compared to the other traits and the theoretical basis for the relationship between the two is not well established.

Construction of Wealth Confidence™

To create the Wealth Confidence™ metric, we asked questions that captured overall well-being, social comparisons, and outlook sentiment. To confirm that our questions captured what we intended, we completed a robust factor analysis using the responses to the questions.

Our procedure for the factor analysis was as follows. First, we conducted Bartlett's Test of Sphericity to determine if our data were suitable for factor analysis. The p-value of this test was 0.00, meaning that the correlation matrix is sufficiently different than the identity matrix of the input variables (*i.e.*, questions in our survey). The results from the Kaiser-Meyer-Olkin factor adequacy test suggested the number of factors was three, the root mean square of the residuals is 0.02, and the Tucker Lewis Index of factoring reliability is 0.948. Consequently, we concluded that the questions we chose accurately represent the factors of overall life satisfaction, social comparisons, and outlook sentiment. Wealth Confidence™ is a score using a combination of these three factors and is thus a good measure of what it means to feel wealthy.

29 ibid

Part 2: What makes people feel wealthy?

We addressed this question by examining how variables typically associated with feeling wealthy were correlated with Wealth Confidence™. Modelling inputs to Wealth Confidence™ has significant real-world implications for the wealth management industry and for client outcomes. When advisors focus on aspects of wealth management that do not just include management of assets, they may be able to improve clients' Wealth Confidence™ more efficiently.

We ran multivariate linear models to calculate correlation between an array of variables and Wealth Confidence™. We have reported findings with heteroskedasticity robust standard errors at the α=95% confidence level. We used standardized betas for comparing the correlations between variables. Where we modelled individual variables as inputs to Wealth Confidence™, we used non-parametric techniques.

Findings and Discussion

Point 1: Our personality is by far the largest driver of Wealth Confidence™

I

The personality traits that influence Wealth Confidence™ the most are: reactiveness, conscientiousness, and extraversion.

II

Low reactiveness is associated with high Wealth Confidence™, whereas high reactiveness is associated with low Wealth Confidence™.

III

High conscientiousness and extraversion are associated with high Wealth Confidence™, whereas low conscientiousness and extraversion are correlated with low Wealth Confidence™.

Our findings were, for the most part, consistent with previous research (see page 15). Three of the five dimensions of personality, reactiveness, extraversion, and conscientiousness together are more predictive of Wealth Confidence™ than investable assets and household income combined. In other words, personality is so important that it can bend perception of objective measures of wealth to the point that people may feel less wealthy than they objectively are. This result reinforces TD Wealth's belief that an individual's unique personality plays an important role in providing exceptional wealth management services.

Reactiveness is the personality trait that is most correlated with Wealth Confidence™. Our findings suggest a strong inverse relationship between Wealth Confidence™ and reactiveness, which means that the more reactive an individual is, the more likely they are to have lower Wealth Confidence™.

Conscientiousness and extraversion are the second and third most correlated personality traits with Wealth Confidence™, respectively. Their relationship with Wealth Confidence™ is positive, meaning that an increase in conscientiousness or extraversion is correlated with higher Wealth Confidence™.

How each of these personality traits influence the facets of Wealth Confidence™ (overall satisfaction, social comparisons, and outlook sentiment) is also noteworthy. Conscientiousness and extraversion do not seem to strongly influence outlook sentiment. This is a surprising result. Given past research around the dispositional tendencies of extraversion, we would have expected highly extraversion individuals to be more optimistic.

Trait	Effect on Wealth Confidence™	Overall Satisfaction	Social Comparisons	Outlook Sentiment
Reactiveness	Negative (-)	Negative (-)	Negative (-)	Negative (-)
Conscientiousness	Positive (+)	Positive (+)	Positive (+)	Flat
Extraversion	Positive (+)	Positive (+)	Positive (+)	Flat

Figure 3: Summary of Traits on Factors of Wealth Confidence™

These results suggest that the greatest opportunity to help improve affluent people's feelings of Wealth Confidence™ may be to tailor advice to match their innate personality. However, this does not mean simply telling them what they want to hear. Advice that is tailored to personality can create positive and meaningful behaviour change because it accounts for the behavioural biases associated with those traits by framing the advice in a way that is resonant with that individual. Moreover, when an advisor understands a client's personality, they can be in a better position to help clients find a path that leads to achieving their financial goals. For instance, our analysis showed that personality moderates how different wealth management services affect Wealth Confidence™. When advisors understand which services to prioritize based on a client's personality, clients may come away with stronger feelings of security, comfort, and goal attainment.

Point 2: Assets, income, and debt have impacts on our Wealth Confidence™, but the relationships are complex

I

Wealth Confidence™ increases with assets up until ~$3.5 million, then it declines as assets rise.

II

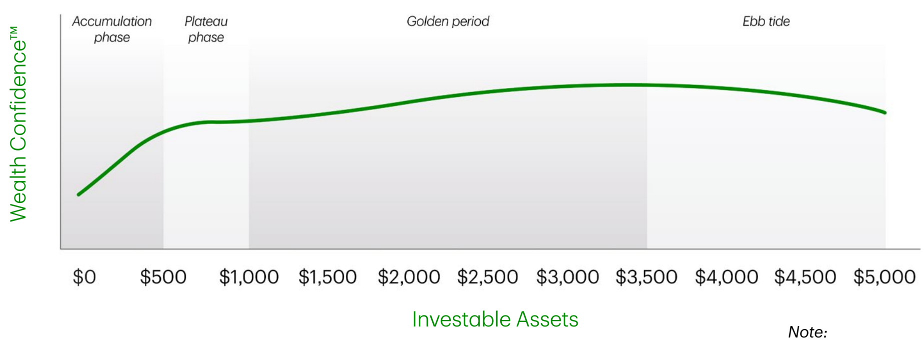
Wealth Confidence™ rises with income, but the rate of increase decreases after ~$200,000 per year.

III

Wealth Confidence™ decreases as personal debt increases, but wealth to grow debt is positively correlated with Wealth Confidence™ at levels above $50,000.

Assets

It may seem at first that our study contradicts the traditional economic dictum that "more is more", but in fact our study is mostly complimentary to this view. As we have alluded to earlier in this report, this dictum does not hold true at all asset levels. Rather, our results suggest that the relationship between Wealth Confidence™ and assets is not linear and may be both positively and negatively correlated. We can think about the correlation between investable assets and Wealth Confidence™ as tiered.



Note: This graph is an approximation

Figure 4: Assets Have a Complex Relationship with Wealth Confidence™ ('000s)

The first tier – the accumulation phase – where investable assets are between $100,000 and $500,000, assets have a strong positive correlation with Wealth Confidence™. The second tier – the plateau phase – where investable assets are between the $500,000 and $1 million mark, assets have little correlation with Wealth Confidence™. The third tier – golden period – occurs once people reach $1 million in assets, assets have a wpositive correlation with Wealth Confidence™ up to around $3.5 million, but it's much weaker than that first $500,000 (*i.e.*, the slope is less steep). The fourth tier – the ebb tide – where investable assets are above $3.5 million, additional assets have a negative correlation with Wealth Confidence™. This fourth tier should be surprising if you are a student of economics! But for people who believe that human behaviour is messy and that it deviates from the predictions economics makes, perhaps this is not surprising at all.

Assets *(con't)*

For fans of HBO's *Succession*, there is a quote that sums up the ebb tide phase nicely. Connor, the first son of multi-billionaire Logan Roy says, "You can't do anything with five [million]...five's a nightmare: you can't retire, not worth it to work...poorest rich person in America".[30] We might speculate that something similar is happening in Canada around the $3 million mark. This hypothesis bears out in the data when looking at the social comparisons facet of Wealth Confidence™. We see that the social comparisons factor declines dramatically after an individual accumulates more than $3.5 million in assets. So, though overall well-being and outlook sentiment may rise as assets rise, our human tendency to compare ourselves to others effectively steals the joy of being wealthy for many individuals.

Household Income

The correlation between household income and Wealth Confidence™ can also be examined in tiers. The first tier is where individuals make less than $100,000 per year. Income and Wealth Confidence™ is highly correlated. The second tier is where individuals make between $100,000 and $200,000 per year. Here, Wealth Confidence™ is high, but remains relatively flat compared to income. The last tier is where individuals make more than $200,000 per year. The positive correlation between the two variables once again turns positive, but the slope of the line is shallower than the first tier.[31] This finding is generally in line with what researchers have found in the past.[32]

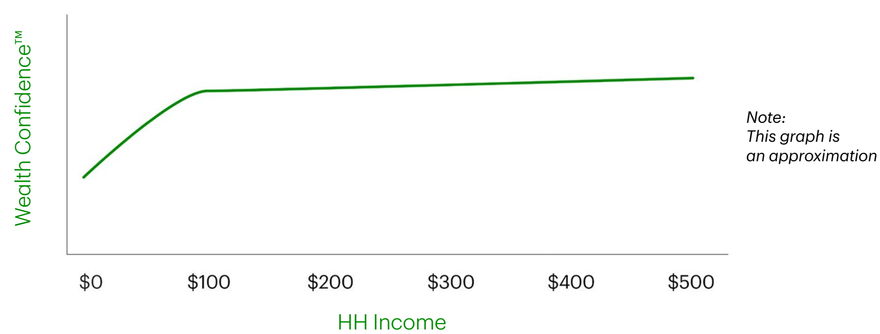


Figure 5: Income Over $200,000/year has marginal effects on Wealth Confidence™ ('000s)

One conclusion we draw from this data is that there may be more effective ways of increasing Wealth Confidence™ than by simply trying to increase income once the $200,000 threshold has been reached. This makes sense because as salaries increase, so do work responsibilities which necessitate tradeoffs between work and time spent with family, travel, etc.

30 Succession. Season 2, Episode 9, "DC"
31 A 2023 paper by Killingsworth, Kahneman, and Mellers used a quantile regression technique to model the relationship between log(income) and happiness. Our study differs from theirs in several ways, including using a different construct of well-being (ours is Wealth Confidence™ and theirs is happiness), we modeled the relationship non-parametrically, which allows for local maxima, minima, and plateaus whereas a linear quantile model would not, and our data only included affluent individuals whereas theirs did not.
32 Kahneman, D., Deason. A. (2010)

Debts

Like assets, debt also plays an important role in our perceptions of wealth, but not in the way you might initially think.

We categorized debt into three categories:

- personal debt (*e.g.*, credit card debt);
- regular debt (*i.e.*, mortgage); and
- debt used to grow wealth (*i.e.*, borrowing money to invest).

In our multivariate analysis, personal debt had a statistically significant negative influence on Wealth Confidence™, all else equal. This finding is not too surprising since personal debt is typically associated with lower financial well-being and worse physical and mental health outcomes.[33]

We found regular debt does not have a strong correlation with Wealth Confidence™. That is to say, the amount of regular debt someone has does not have a meaningful effect on how wealthy they feel. A possible explanation for this is that people may view regular debt as 'good' debt because it is being used to finance durable goods, which may appreciate in value. They also may be more comfortable with this kind of debt because it is more socially acceptable to carry a mortgage or car loan than credit card debt.

Interestingly, debt used to grow wealth has a dynamic influence on Wealth Confidence™. We see debts up to $50,000 have a negative influence on Wealth Confidence™. However, debts between $50,000 and $100,000 have a positive influence on Wealth Confidence™. After $100,000 Wealth Confidence™ decreases as debts rise.

This finding could have several explanations, but one that seems plausible is that debt that is used to invest is not deployed all at once, but rather deployed incrementally. For instance, people may choose to borrow $10,000 to invest in the market. A few months later, they may choose to borrow another $10,000 to invest in the market. In this hypothetical scenario, the first time the person borrows the money, they may feel nervous, but by the time they borrow the second sum, they may feel more comfortable and thus believe they are making a good decision.

This above example is an illustration of ego effects, which is the phenomenon where our thoughts and opinions follow our actions. As we see in the data, when debts rise above $100,000, the correlation between debt and Wealth Confidence™ turns negative. This figure ($100,000) may act as a mental inflection point where people realize that they could be in over their heads with debt.

33 TD Financial Health Index 2019

Point 3: Individuals who have an advisor are 2x more likely to have a high Wealth Confidence™ compared to those who do not have an advisor

The last key finding is an important one. Unlike other studies that have examined the value of advice and tried to quantify it in terms of basis points, our analysis looks at it from an entirely new perspective. We find that there is a strong positive correlation between having an advisor and having high Wealth Confidence™. We see this in our multi-variate analysis as well as in odds ratios that capture a multi-faceted perspective of the value advisors can add.

I

Clients with High Wealth Confidence™ were 7x more likely to say their advisor was **worth every dollar** in fees compared with those clients with low Wealth Confidence™ and who said their advisor was worth none of the fees they paid.

II

Clients with high Wealth Confidence™ are 4x more likely to be **satisfied with their advisor** versus those with low Wealth Confidence™.

III

Clients with high Wealth Confidence™ are 3x more likely to have **confidence in their advisor's ability** than those with low Wealth Confidence™.

There are plenty of explanations for these findings, but one that seems likely is that advisors can help clients implement strategies that create lasting positive behaviour change that may otherwise require a herculean level of discipline if attempted alone. The presence of an advisor can help keep clients on track to reach their goals, much like a personal trainer might keep someone on track to reach their fitness goals. However, advisors cannot expect their mere presence to drastically improve their clients' Wealth Confidence™.

Guidance for Advisors: Use Wealth Confidence™ to Deepen Relationships

Advisors should never be complacent when it comes to their client relationships. An implication of our research is that *how* a client reaches their goal is just as important as reaching it. This means advisors should focus on supporting their clients with all the services that wealth management offers, like estate planning or philanthropic giving. Doing so can help clients feel more comfortable as they progress on their journey to reach their goals. Here are a few practical tips that advisors can use to improve their clients' Wealth Confidence™.

Tailor advice to the person behind the numbers

This study has shown that personality is a top driver of Wealth Confidence™. For advisors, this means that sound financial advice may not be enough to help deliver an exceptional client experience. Advisors also need to understand how their clients make money decisions and so they can provide advice in a way that resonates best with their clients.

Words matter. Crafting the right message can drastically improve the effectiveness of an advisor's advice. For instance, if advisors need to provide the same piece of advice to two different clients (*e.g.*, using a pre-authorized savings plan to save for retirement) they may need to frame it differently for each client. For one of these clients, they may want to frame the message in a way that highlights what the client will do when they reach retirement. For the other client, they may respond better to phrases that speak more to how easy it is to contribute a specific amount every month to a retirement savings account. While the action is the same (a pre-authorized savings plan), the advice is tailored to the client's unique disposition.

Tailor advice to the person behind the numbers *(con't)*

So how do advisors know which message to use with their client? At TD Wealth, advisors are able to customize their approach to each client. The TD Wealth Personality™ assessment enables TD Wealth advisors to understand how their clients make money decisions. This robust understanding of their clients, beyond that achieved through regular conversations, aids them in crafting conversations that are truly relevant to their client's unique personality.

Additionally, advisors should learn more about behavioural biases and how to help their clients overcome them. Even understanding a few basic human tendencies can go a long way to help determine the best way to approach each client individually.

Take a comprehensive approach to wealth management

The value of an advisor goes far beyond managing your clients' investments and clients may expect more than just good returns. Focusing exclusively on investments effectively trains clients to believe that is all advisors do and as a result they may not realize they may need additional advice to create a comprehensive approach to building wealth.

Advisors should focus on aspects of wealth beyond the dollar value of the portfolio. Having wealth is more than just having money. It is about taking a comprehensive approach to maximizing the enjoyment money can bring to one's life (or minimizing the worry accompanied with the feeling of not having enough). Advisors should examine what makes them feel confident or what worries them about their financial future. For some it could be passing on wealth to the next generation, or about leaving a philanthropic legacy for a cause important to them.

Create a financial plan

Clients with financial plan are 2x more likely to have a high Wealth Confidence™ than those who do not have a plan. Completing a goals-based plan is the foundation from which the path toward reaching goals is built. A goals-based plan also has a way of putting structure around the client and the advisor's recommendations. It is the rock that the advisor can anchor on when clients are making great progress on their goals and even when they are not. It is particularly important anchor when markets are turbulent because it can help keep the client focused on a long-term view of their goals instead of the month to month or day to day ups and downs of the market. It can help keep clients focused on what matters most to them.

Here are a few places to start:

Does your client have a will?
You may not be able to provide one, but you can highlight the need and help them get started.

Has your client thought about philanthropic giving?
Ask your firm if they have the resources to help.

Does your client have a contingency plan in place should they die, or worse, be incapacitated and not have a power of attorney?
Many advisors fail to address this important aspect of advising their clients because they may be uncomfortable discussing it. As a society, we avoid discussing death, but it is an important component of a client's plan. The likelihood that a client will bring up the topic is low, so it is up to the advisor to discuss it. For example, "I know this feels uncomfortable to talk about, but I'm confident you are going to feel really positive about our discussion when we're done".

Conclusion

The typical economic model of well-being would suggest that more wealth means more Wealth Confidence™. Though this thinking is not wrong, the reality is more nuanced and less straightforward than typical economic models predict. For example, using only a traditional economic model to maximize Wealth Confidence™ would lead people towards rather obvious solutions: save more, avoid consumer debt, do not buy lattes or the dreaded avocado toast! And while these things probably will lead to having more money, as we have shown, that does not necessarily lead to more Wealth Confidence™.

Our study suggests that objective measures of wealth are only part of the picture. Our analysis accounts for the messy human behaviour typical economic models do not. Our model values the journey to objective wealth as much as the final goal itself. Moreover, our analysis suggests that choosing the right path to reach an objective financial goal may be as important as the goal itself. This path will be different for every person because of their innate personality traits, circumstance, and needs – there is no one size fits all solution.

Our study paints a vibrant, complex picture of wealth. One that shows that how wealthy we feel is determined by an array of factors. So, to simply answer the two questions we asked at the beginning of this report: what does it mean to feel wealthy? – It means having a high Wealth Confidence™; what makes people feel wealthy? – personality, their investable assets (up to a point), household income, and debt, and the decision to hire a great advisor.

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