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Canadians aim to focus on stability and paying down debt in 2009: Manulife Investor Sentiment Index

Waterloo - Canadians say they're turning to financial safety and paying down debts as economic troubles continue, according to a national poll for Manulife Financial, Canada's leading insurance and wealth management company.

More than a third of Canadians (35 per cent), the largest group, said their top financial priority for 2009 is paying down debts and reducing their mortgages.

"Many Canadians have been unsettled by recent market and economic turmoil and feel it's time to seek a safe haven," said Paul Rooney, President and CEO, Manulife Canada. "We always encourage investors to work closely with their own advisors, particularly given short-term changes in the economy and markets."

"Working with an advisor and sticking to a plan can help investors stay focused on their goals, plus help balance their guaranteed versus variable investments."

Manulife serves more than one in five Canadians with a wide range of financial services and products and one of our key goals is to help them make better financial decisions, added Mr. Rooney.

In its latest national survey of Canadians, the 40th quarterly Manulife Investor Sentiment Index fell back three points in December to reach +5, its lowest point since the survey began in 1999.

The national telephone poll of 1,000 Canadians by Acrobat Research in December found only two among 10 investment categories and vehicles gained ground slightly from the previous October survey.

Better off than five years ago

Responding to separate questions, half of Canadians polled (51 per cent) said they're financially better off now than five years ago. That's down from a year ago when 60 per cent said their finances had improved in the past five years.

Another 27 per cent said they're in the same financial spot as in 2003 (up from 23 per cent in late 2007), while 22 per cent feel worse off than five years earlier (compared to 16 per cent a year earlier).

When asked about financial goals for 2009, the top priority is to pay down their debts. Twenty-four per cent chose overall consumer debts as their top concern, up from 20 per cent a year ago. Another 11 per cent want to reduce their mortgage as their top priority. Sticking with real estate, five per cent said saving to buy a home is their top target for 2009, down from seven per cent a year ago.

Saving for retirement continues to be a focus, with 14 per cent choosing this as their top priority as sagging equity markets impact pensions and RRSPs.

Saving for big-ticket item other than a home was chosen by eight per cent as their top financial priority for 2009, while eight per cent said their top concern is ensuring they

have enough money if they become disabled or ill.

When it comes to investing, almost three-quarters of those surveyed (72 per cent) said they have not changed their approach as a result of recent market conditions while one in ten (10 per cent), however, said they have permanently changed how they invest.

Overall index

Since its launch in 1999, the Manulife Investor Sentiment Index has remained in positive territory overall. It peaked at +35 in early 2000, but fell to +11, in December 2001. During the past two years, the index had generally remained near six-year highs, above +20, before dropping sharply in October.

The quarterly index monitors how Canadians say they feel about investing in 10 different categories and vehicles. The index reflects the percentage of those who say they believe it is a good or very good time to invest minus those who feel the opposite.

Two investment categories gain ground

Only investment real estate and stocks gained slightly in the latest national survey, while fixed income investments and putting money in their own homes took hard hits from Canadians.

Principal residences still remain the most popular investment category - yet are now only nine points ahead of cash – which had historically been the lowest destination for investors in the past. Investment property registered the biggest gain in December, rising five points, but still remains in negative overall territory after dropping a combined 37 percentage points in June and October.

Highlights

The Manulife Investor Sentiment Index is determined by the following six investment categories, shown by order of their overall ranking in the survey.

- Investing in their own homes (either through renovations or paying down the mortgage) remains the most popular place for Canadians to put their money – a consistent finding since 1999. The index for investing in their own home fell eight points in December to +35. The index reflects 54 per cent of those surveyed who said it's a good or very good time to invest in their own residence -- minus 19 per cent who believe it's a bad or very bad time.
- Cash (including savings accounts) remained unchanged this quarter, but now ranks as the second most favourite place to put money at +26. Since 1999, cash had been the least favourite place named by Canadians to leave their money, but it overtook fixed investments this quarter and now ranks higher than balanced funds, investment real estate and equities.
- Fixed income investments (including GICs and annuities) fell back to third place among most popular categories, losing 16 points from October. At +10, the index is approaching its low of +4 hit in mid-2004.
- Investment real estate gained five points in December, after quickly falling from its second-place rank last March. At -4, investment real estate ranked in negative territory for only the second time since the survey began.
- Balanced funds fell to fifth place among the most-popular investment targets, losing three points in December on the heels of a 33-point decline in October. Resting at -11, the index reflects 29 per cent who felt balanced funds are a good or very good place to invest, compared to 40 per cent who said the opposite in October.

- After dropping back 27 points in October, equities gained three points to rest at -25 in December. The stocks index reflects 24 per cent who said it's a good or very good time to invest in stocks, either directly or via mutual funds, while 49 per cent saw equities as a bad or very bad choice. Another 11 per cent felt it's neither a good or bad time to buy shares.

Investment Vehicles

As well as evaluating the six investment categories, the same question was asked of four investment vehicles.

- Registered Education Savings Plans held onto the top spot among favourite vehicles in December, despite falling 18 points to reach +30 in the latest poll. Some 49 per cent of those surveyed said now is a good time to invest, compared to 19 per cent who disagreed.
- Among Canadians' traditional favourite investment vehicles, Registered Retirement Savings Plans showed another significant drop of 11 points in December, after losing 18 points in October. At +27, the latest results for RRSPs reflect 49 per cent of respondents who feel it's a good or very good time to put money into an RRSP, while 19 per cent said they feel it is a bad or very bad time.
- After showing strong stability in October, segregated funds fell back 22 points in December, yet still held a slight lead over mutual funds at -2.
- At -12, the index for mutual funds fell three points in December, following a 31-point drop in October. The latest mutual fund index reflects 30 per cent who said now is a good or very good time to invest in mutual funds, while 42 per cent said it was a bad or very bad time. Another 13 per cent answered that it was neither a good or bad time for funds.

The poll by Omnitel, a division of Acrobat Research, was conducted with 1,000 Canadians aged 18 and older between December 4 and 10, 2008. The results have a margin of error of +/- three percentage points, 19 times out of 20.

About Manulife Financial

Manulife Financial is a leading Canadian-based financial services group serving millions of customers in 19 countries and territories worldwide. Operating as Manulife Financial in Canada and Asia, and primarily through John Hancock in the United States, the Company offers clients a diverse range of financial protection products and wealth management services through its extensive network of employees, agents and distribution partners. Funds under management by Manulife Financial and its subsidiaries were Cdn\$385.3 billion (US\$363.5 billion) as at September 30, 2008.

Manulife Financial is one of two publicly traded life insurance companies in the world whose rated life insurance subsidiaries hold Standard & Poor's Rating Services' highest "AAA" rating.

Manulife Financial Corporation trades as 'MFC' on the TSX, NYSE and PSE, and under '0945' on the SEHK. Manulife Financial can be found on the Internet at www.manulife.com.

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