

The Conference
Board of Canada

Funding the Future

The Economic Impact of Canada's Investment Funds Industry



Contents

3

Key findings

4

The role of investment funds

5

About the industry

11

Economic impact

15

Conclusion

16

Appendix A

Data and methodology

17

Appendix B

Additional tables

19

Appendix C

Glossary of terms

20

Appendix D

Bibliography

Key findings

- More than half of Canadians with savings or investments own mutual funds and 25 per cent own exchange-traded funds (ETFs). In 2023, net assets for mutual funds totalled \$1.936 trillion, while ETFs totalled \$382 billion.
- Mutual fund and ETF assets managed by the investment funds industry have grown substantially over the past decade and represent one-third of all privately held financial wealth. Investment fund assets are roughly equal in size to the total assets held in Canadian trustee pension funds.
- Over the past decade, the industry's contribution to Canada's gross domestic product (GDP) increased by 82 per cent, compared to 23 per cent growth for the overall Canadian economy. At the same time, the industry achieved large productivity gains and, as a result, wages in the investment funds industry increased by 46 per cent, compared to 35 per cent across all industries.
- The investment funds industry added \$48.1 billion to Canada's GDP in 2023, accounting for 2.1 per cent of the country's total gross domestic product. With a GDP multiplier of 1.13, the industry ranks among the top 30 per cent of all industries in Canada.
- The investment funds industry supported 415,320 jobs in 2023, including 121,259 jobs within their industry, with an annual average income, including benefits, of \$96,000.
- The industry generated \$21.7 billion in government revenues, including \$10.2 billion in federal taxes, \$8.7 billion in provincial taxes, and \$2.8 billion in municipal taxes.
- Canadians are increasingly investing in ETFs, with the number of ETFs more than tripling from 340, in 2014, to 1,126, in 2023, and their net assets quadrupling from \$77 billion to \$382 billion over the period.
- The share of investors with financial advisors fell from 69 per cent, in 2020, to 61 per cent, in 2024. At the same time, there has been a rise in do-it-yourself (DIY) investors, with 45 per cent of all investors now having a DIY investment account.
- Canadians are becoming increasingly interested in responsible investing. Net assets in responsible investments in mutual funds and ETFs in Canada grew from less than \$7 billion to over \$56 billion between 2014 and 2023.



The role of investment funds

The investment funds industry has become increasingly important as more Canadians rely on its products and services to generate savings, especially for retirement.

For Canadians over 65 years of age, private retirement income accounts for a growing share of their total income, rising from 18 per cent in 1990 to 33 per cent in 2022.^{1,2} By comparison, the share of income from Old Age Security (OAS), the Guaranteed Income Supplement (GIS), Canada Pension Plan (CPP), and the Quebec Pension Plan (QPP) has decreased, dropping from 46 per cent to 33 per cent over the same period.³ Additionally, as the proportion of workers covered by registered pension plans continues to decrease, personal savings are becoming more vital for Canadians' financial future.⁴

Investments managed by the investment funds industry have grown substantially over the past decade. Mutual funds' net assets have increased 60 per cent, from \$1.141 trillion, in 2014, to \$1.936 trillion, in 2023, while exchange-traded funds (ETFs) have quadrupled, in value, from \$77 billion to \$382 billion over the same period.⁵ (See Chart 1.) Combined, this represents one-third of all privately held financial wealth in Canada⁶ and is roughly equal in size to the value of the assets held in trustee pension funds.⁷ Overall, the investment funds industry contributed \$48.1 billion to Canada's gross domestic product in 2023 and supported 415,320 jobs.⁸



What is the investment funds industry?

Canada's investment funds industry is the portion of our financial sector devoted to selling and managing mutual funds and exchange-traded funds (ETFs). The selling of these funds is part of wealth management and involves providing investment advice and services to Canadians, while the management and administration of these funds is categorized as asset management.

1 Private retirement income is income received from employers or personal retirement pensions, benefits, or savings plans. Statistics Canada, "Dictionary, Census of Population, 2021."

2 Statistics Canada, "Table 11-10-0239-01 Income of individuals by age group, sex and income source, Canada, provinces and selected census metropolitan areas."

3 Ibid.

4 Statistics Canada, "Percentage of paid workers covered by a registered pension plan."

5 Investment Funds Institute of Canada, The, "Investment Funds Report 2023."

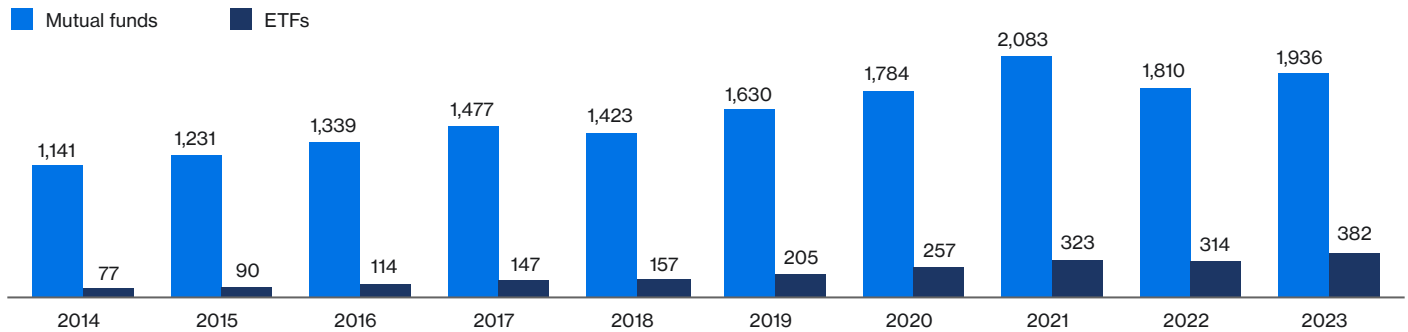
6 Statistics Canada, "Table 36-10-0661-01 Distributions of household economic accounts, wealth, Canada, regions and provinces, quarterly (x 1,000,000)."

7 Statistics Canada, "Table 11-10-0084-01 Trustee pension funds, value of assets by sector, quarterly (x 1,000,000)."

8 Based on results from The Conference Board of Canada's Economic Impact Assessment model.

Chart 1

Investment funds industry grew substantially over the past decade
(net assets in mutual funds and ETFs, \$ billions)



Sources: The Investment Funds Institute of Canada, "Investment Funds Report 2023"; The Conference Board of Canada.

About the industry

How the investment funds industry functions

The investment funds industry offers Canadians the chance to invest in professionally managed mutual funds and ETFs. Within the industry, fund managers create and manage these funds, while investment dealers (financial advisors) provide advice and distribute these funds to the public. In return for these services, management and advice fees are applied to these investments.

Mutual funds and ETFs are distributed through advised or do-it-yourself (DIY) channels. Advised channels include full-service brokerages, insurance companies, banks, and independents. Canadians typically purchase investment funds through financial advisors, with 62 per cent of mutual fund investors and 33 per cent of ETF investors using a financial advisor in 2023.⁹ There are currently around 111,000 financial advisors regulated by the Canadian Investment Regulatory Organization.¹⁰

Over half (53 per cent) of Canadians with savings or investments own mutual funds and 25 per cent own ETFs.¹¹ In 2023, Canadians had a total of \$1.936 trillion invested in mutual funds and \$382 billion invested in ETFs.¹² Around half (51 per cent) of these investment funds are held in non-registered (taxable) accounts, while the other half are in registered (tax-sheltered) accounts, with 27 per cent in registered retirement savings plans (RRSPs), 10 per cent in tax-free savings accounts (TFSAs), 9 per cent in registered retirement income funds (RRIFs), 2 per cent in registered education savings plans (RESPs), and 1 per cent in registered disability savings plans (RDSPs).¹³

The investment funds industry offers savings opportunities for Canadians and provides essential capital to support Canadian business activities. In 2023, the industry invested \$525 billion in Canadian public companies, \$237 billion in Canadian corporate bonds, and \$246 billion in Canadian government bonds.¹⁴

9 Pollara Strategic Insights, "Canadian Mutual Fund & Exchange Traded Fund Investor Survey 2023."

10 Canadian Investment Regulatory Organization, "Annual Report 2022-2023."

11 Canadian Securities Administrators, "2024 CSA Investor Index."

12 Investment Funds Institute of Canada, The, "Investment Funds Report 2023."

13 ISS MI Investor Economics, custom request.

14 Investment Funds Institute of Canada, The, "Investment Funds Report 2023."

Economic performance of the industry

The investment funds industry in Canada has grown strongly over the past decade. (See Chart 2.) Between 2012 and 2023, the industry’s gross domestic product (GDP) grew by 82 per cent, compared with 23 per cent for the Canadian economy overall.¹⁵ Employment in the investment funds industry grew by 12 per cent, compared with the Canadian average of 18 per cent.¹⁶ With output growing much faster than employment and average hours worked remaining relatively flat, the industry has achieved large productivity gains over the past decade. As a result, labour income grew by a remarkable 46 per cent, compared to 35 per cent across all industries.¹⁷

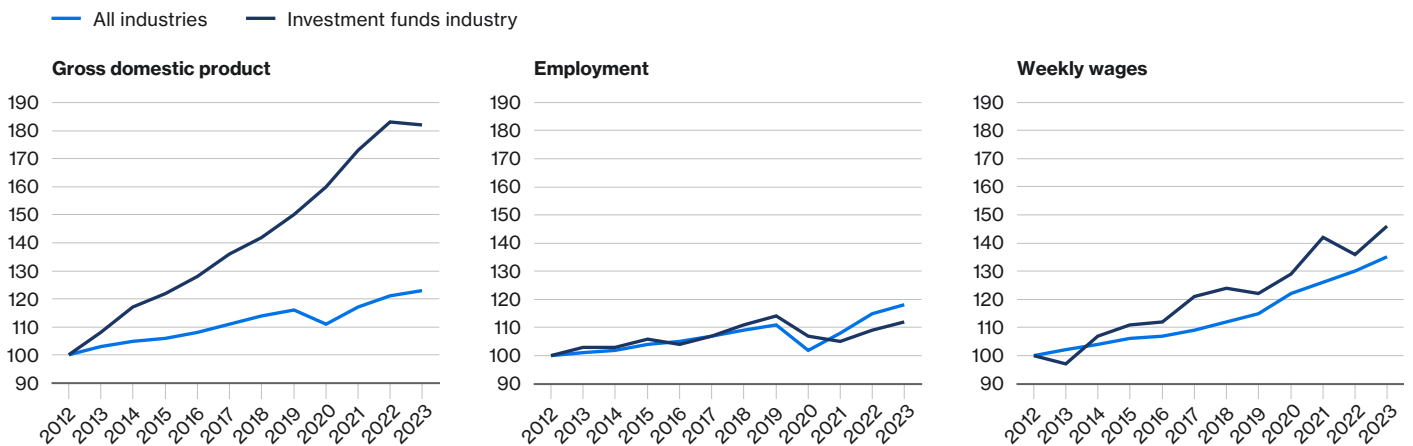
What are mutual funds and exchange-traded funds?

Mutual funds are professionally managed investment vehicles that pool money from multiple investors to purchase diversified portfolios of stocks, bonds, or other securities, based on a fund manager’s investment strategy. There are also passive (index tracking) mutual funds, but they make up a small share of total assets.

ETFs are similar to mutual funds as they also pool money from multiple investors and are professionally managed. Unlike mutual funds, ETFs are traded on stock exchanges, so they can be bought and sold throughout the trading day, much like individual stocks, providing investors with more flexibility to react to short-term market fluctuations. ETFs typically follow a more passive investment strategy that matches an existing exchange or portfolio mix.

Chart 2

Investment funds industry outperforms Canadian economy (2012 = 100)



Sources: Statistics Canada; The Conference Board of Canada.

15 Statistics Canada, “Table 36-10-0434-03 Gross domestic product (GDP) at basic prices, by industry, annual average (x 1,000,000).”

16 Statistics Canada, “Table 14-10-0202-01 Employment by industry, annual.”

17 Statistics Canada, “Table 14-10-0204-01 Average weekly earnings by industry, annual.”

The rise of exchange-traded funds

Canadians are increasingly investing in ETFs, which offer several unique features compared to mutual funds. ETFs can be bought and sold throughout the trading day, offering flexibility, and their passive (index-tracked) investment strategy typically results in lower management fees. Net assets in ETFs have quadrupled from \$77 billion, in 2014, to \$382 billion, in 2023.¹⁸ The number of ETFs more than tripled, from 340 to 1,126, over the same period, but still remains much lower than the 3,384 mutual funds currently available to investors.¹⁹ Similarly, the number of companies offering ETFs almost quadrupled, from nine to 41, between 2014 and 2023, while the number of companies with mutual funds only increased by 13 per cent (from 106 to 120).²⁰ Actively managed ETFs, which allow fund managers to adjust holdings based on market conditions, are growing in popularity and now account for around one-third of all ETFs.²¹



DIY investing expands with social media influence

A growing number of Canadians are managing their investments without advisors. The share of investors with financial advisors dropped from 69 per cent, in 2020, to 61 per cent, in 2024.²² At the same time, there has been an increase in do-it-yourself (DIY) investors who manage their portfolios without professional help, particularly among younger age groups. Almost half (45 per cent) of all investors have a DIY investment account and 30 per cent of these accounts were opened within the last two years.²³ Among investors aged 18–24, 57 per cent have a DIY account.²⁴ ETFs are especially popular with DIY investors, with 31 per cent holding ETFs compared to 24 per cent of all investors.^{25,26}

Social media is increasingly influencing investment decisions, particularly among younger Canadians. Currently, more than half (53 per cent) of Canadians use social media for investment information, up from 35 per cent four years ago.²⁷ This figure rises to 82 per cent for those aged 18–24 and 75 per cent for those aged 25–34.²⁸ Additionally, 46 per cent of Canadians viewed investment opportunities on social media in 2024, an increase from 29 per cent in 2020.²⁹

18 Investment Funds Institute of Canada, The, "Investment Funds Report 2023."

19 Ibid.

20 Ibid.

21 Tam, "Canada's best actively-managed ETFs."

22 Canadian Securities Administrators, "2024 CSA Investor Index."

23 Ibid.

24 Ibid.

25 Ontario Securities Commission, "Self-Directed Investors: Insights and Experiences."

26 Pollara Strategic Insights, "Canadian Mutual Fund & Exchange Traded Fund Investor Survey 2023."

27 Canadian Securities Administrators, "2024 CSA Investor Index."

28 Ibid.

29 Ibid.

Financing the industry

The investment funds industry primarily generates its revenues through a fee called the management expense ratio (MER), which is calculated as a percentage of the investment’s value. For a bundled or commission-based fund, the MER covers the fee for advice/service (also called the trailing commission), the investment management cost, operating expenses, and taxes. For an unbundled or fee-based fund, the MER covers the investment management cost, operating expenses, and taxes, and a separate dealer fee is charged for the advice/service. In total, the MERs and the dealer fees equalled \$38.6 billion for mutual funds and \$2.8 billion for ETFs in 2023. The dealer fees (advice/service) for ETFs include both Canadian-listed and U.S.-listed ETFs.³⁰

In addition to MERs, some funds incur trading fees, which cover the brokerage commissions paid by fund managers when they buy or sell equities (stocks) within a fund. These fees are measured by the trading expense ratio (TER) and accounted for 3 per cent of revenues for mutual funds and 5 per cent for ETFs in 2023.³¹ (See Chart 3.)

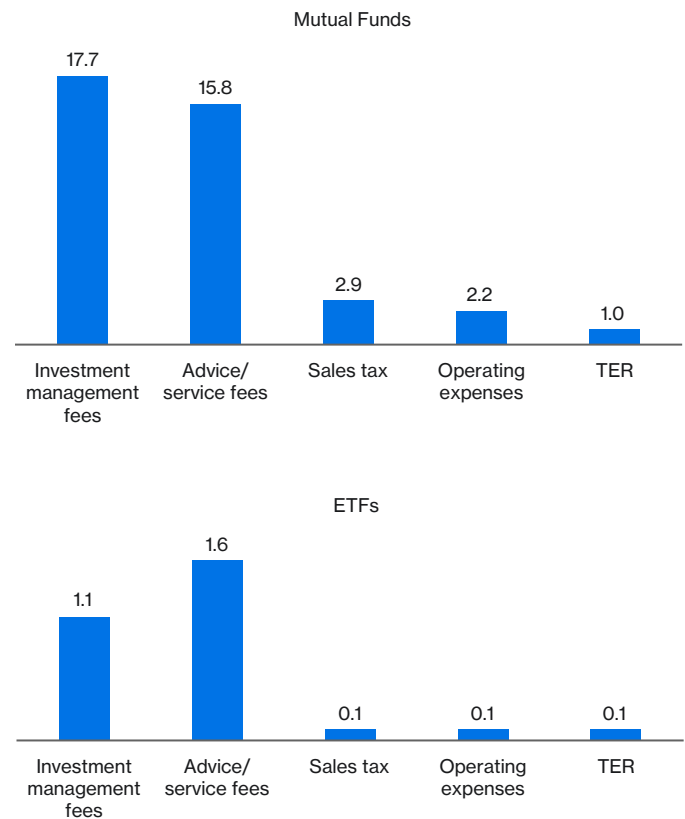
For investors, the MER is critical because it directly reduces their investment gains.³² Over the past decade, the average asset-weighted mutual fund MER in Canada, for long-term funds and all series, declined from 2.06 per cent to 1.47 between 2013 and 2023.^{33,34} This was primarily due to reductions in management fees and investors shifting to lower-cost funds. The average asset-weighted MER for long-term Canadian-listed ETFs was 0.32 per cent in 2023.³⁵

There is little variation among average MERs across the country, with clients paying essentially the same fee for the same funds, no matter which province or territory they reside in.

Chart 3

Fees for management and advice account for most of the revenue

(industry revenue breakdown by type, \$ billions, 2023)



Sources: The Investment Funds Institute of Canada; The Conference Board of Canada.

30 Investment Funds Institute of Canada, The, custom data.

31 Ibid.

32 For example, if the investment gain is 8 per cent and a firm’s MER is 1.47 per cent, the client receives 6.53 per cent of their investment gain, due to the firm’s management fees, taxes paid, and operating expenses.

33 Investor Economics, *Insight Investment Funds Report—June 2024*.

34 For mutual funds where the cost of advice and distribution is not included in the MER (fee-based fund), MERs decreased from 1.05 per cent in 2013 to 0.89 per cent in 2023. Fee-based MERs are most comparable to ETF MERs, since, in both cases, there are no embedded fees for advice and distribution.

35 Investment Funds Institute of Canada, The, custom data.

Navigating the pandemic and inflation

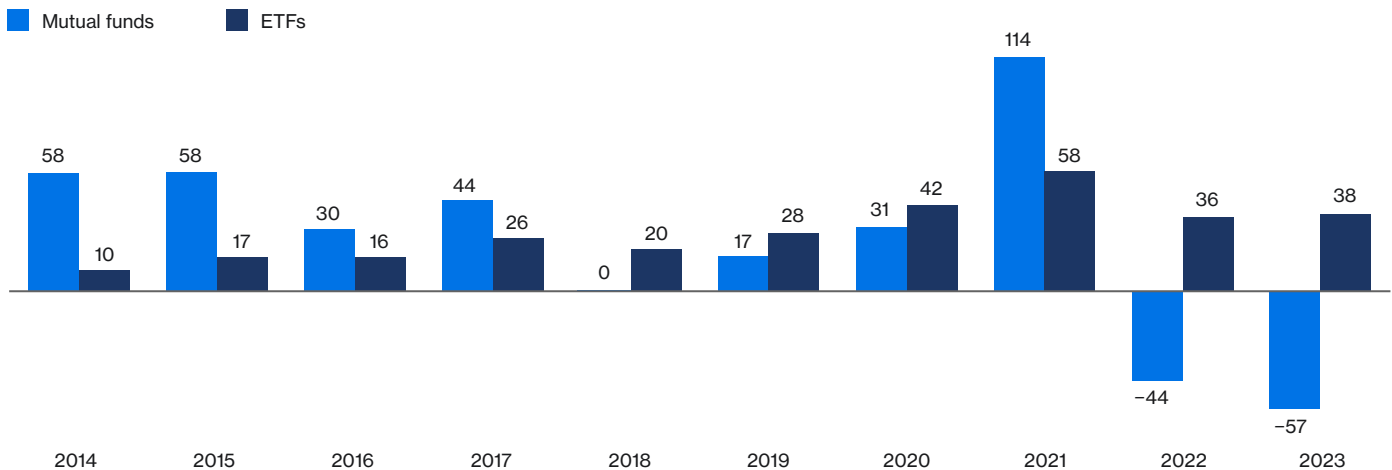
Thirty-two per cent of mutual fund investors and 36 per cent ETF investors reported saving more in 2021 because of the pandemic.³⁶ This drove net sales of mutual funds and ETFs to a historic high of \$170 billion, of which \$113.6 billion were invested in mutual funds and \$58 billion in ETFs.³⁷ (See Chart 4.)

Following 2021's record year for savings, net sales of mutual funds and ETFs fell. Market volatility, economic uncertainty, rising inflation, and higher interest rates contributed to higher debt-servicing costs and declining savings rates in 2022. This trend continued in 2023, with 44 per cent of mutual fund investors and 39 per cent of ETF investors indicating they would be investing less than usual, that year, due to inflation.³⁸

Indeed, this sentiment was reflected in the industry, as mutual fund net redemptions totalled \$57.1 billion in 2023, the largest annual net redemptions on record.³⁹ Similarly, ETF net sales were \$37.6 billion in 2023, significantly less than the \$58.3 billion in 2021, though slightly up from \$36.1 billion in 2022.⁴⁰ Nevertheless, total net assets increased in 2023 and are only slightly below their 2021 level.

Chart 4

Due to the pandemic, net sales of mutual funds and ETFs reached an all-time high in 2021 (net sales of mutual funds and ETFs, \$ billions)



Sources: The Investment Funds Institute of Canada, "Investment Funds Report 2023"; The Conference Board of Canada.

36 Pollara Strategic Insights, "Canadian Mutual Fund & Exchange Traded Fund Investor Survey 2022."

37 Investment Funds Institute of Canada, The, "Investment Funds Report 2023."

38 Pollara Strategic Insights, "Canadian Mutual Fund & Exchange Traded Fund Investor Survey 2023."

39 Investment Funds Institute of Canada, The, "Investment Funds Report 2023."

40 Ibid.

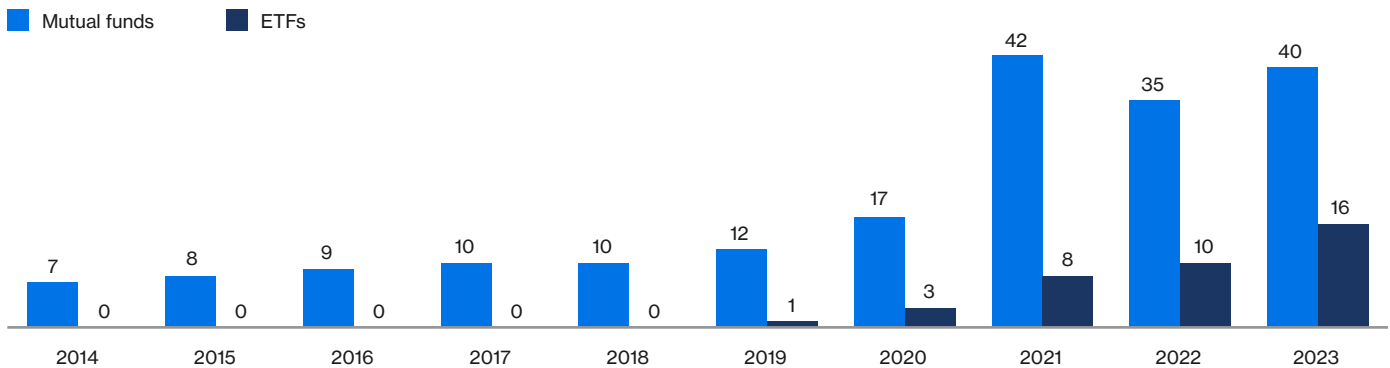
Growing importance of responsible investing

In addition to their financial performance, Canadians are becoming increasingly interested in the social impact of their investments. In 2023, one-third of ETF investors and one-fifth of mutual fund investors chose to include responsible investments in their portfolios.⁴¹ Investors are choosing to make responsible investments because of their financial performance, alignment with personal values, and their positive impact on the world.⁴² Responsible investments refer to investment strategies that integrate environmental, social, and governance (ESG) factors.⁴³ According to a 2023 survey by the Responsible Investment Association, the top three ESG factors considered in investment decisions were greenhouse gas emissions, board diversity and inclusion, and climate change mitigation.⁴⁴ Net assets in responsible investments in mutual funds and ETFs in Canada have grown from less than \$7 billion, in 2014, to over \$56 billion, in 2023.⁴⁵ (See Chart 5.)

Investment fund managers are increasingly incorporating ESG factors into their investment decisions, to align with investor demand. Looking ahead, 59 per cent of ETF investors and 53 per cent of mutual fund investors expect to include responsible investments in their portfolios over the next couple of years.⁴⁶ This trend is driving higher allocations to companies that score well on ESG metrics and divestments from those that do not. In this way, the investment funds industry is enabling investors to play an active role in addressing ESG issues like climate change.

Chart 5

Responsible investments skyrocketed over the past five years
(responsible Investment Net assets in mutual funds and ETFs, \$ billions)



Sources: Investment Funds Institute of Canada; The Conference Board of Canada.

41 Pollara Strategic Insights, “Canadian Mutual Fund & Exchange Traded Fund Investor Survey 2023.”

42 Ibid.

43 Responsible Investment Association, “Intro to Responsible Investment (RI).”

44 Responsible Investment Association, “2023 Canadian Responsible Investment Trends Report.”

45 Investment Funds Institute of Canada, The, “Investment Funds Report 2023”; “Investment Funds Report 2022”; “Investment Funds Report 2021”; “Investment Funds Report 2020”; “Investment Funds Report 2019.”

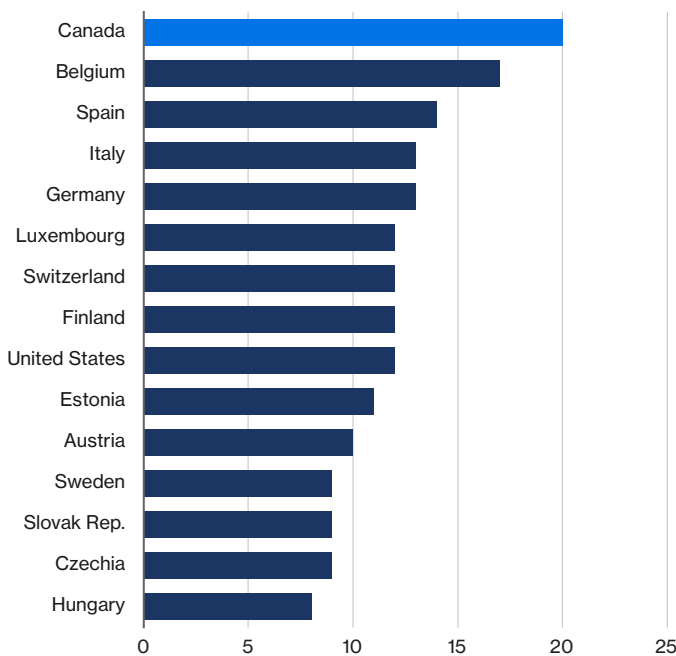
46 Pollara Strategic Insights, “Canadian Mutual Fund & Exchange Traded Fund Investor Survey 2023.”

International comparison

The global investment funds industry’s worldwide assets equalled US\$74 trillion at the end of 2023, up from US\$65 trillion at the end of 2022.⁴⁷ Most of these assets were in equities (46 per cent), followed by bonds (19 per cent), funds traded in money markets (15 per cent), and mixed funds (11 per cent).⁴⁸ In 2023, mutual fund and ETF assets under management in Canada accounted for over 2 per cent of global assets. Comparatively speaking, Canadians hold the highest proportion (20 per cent) of their financial assets in mutual funds. (See Chart 6.)

Chart 6

Canadian households hold the largest share of mutual funds
(mutual fund shares, percentage of total financial assets, 2022)



Source: OECD, “Households’ Financial Assets.”

Economic impact

Using The Conference Board of Canada’s Economic Impact Assessment model, we estimate the total, direct, indirect, and induced impacts of the investment funds industry across four economic variables: gross domestic product (GDP), employment, labour income, and government revenues (i.e., taxes). (See Appendix A for the detailed methodology employed.) The economic impacts are based on industry revenues and tax data provided by the Investment Funds Institute of Canada.

What are the direct, indirect, and induced impacts?

The **direct impact** measures the value added to the economy that is directly attributed to the investment funds industry. For example, these measures include the GDP generated by the industry, the number of jobs created, and the salaries paid to industry employees.

The **indirect impact** (or supply-chain impact) measures the value added when investment funds businesses purchase intermediate inputs and support services. For example, the investment funds industry uses accounting and legal services, resulting in higher GDP and employment and generating wages in and government revenues from the professional, scientific, and technical services industry.

The **induced impact** measures the impacts when employees from the investment funds industry and indirect industries spend their earnings and business owners spend their profits. For example, financial advisors will spend some of their wages on entertainment, resulting in higher GDP and employment and generating wages and government revenues in the entertainment industry.

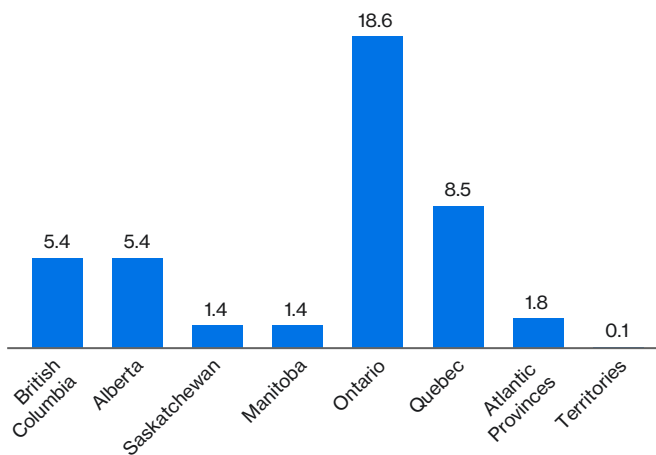
47 International Investment Funds Association, “Worldwide regulated open-end fund assets and flows Fourth Quarter 2023.”

48 Ibid.

The investment funds industry earned \$42.6 billion in revenues in 2023, with Ontario accounting for 44 per cent and Quebec accounting for 20 per cent, that year. (See Chart 7.) Of these revenues, \$30.8 billion were earned from the MERs paid on mutual funds and ETFs, \$10.7 billion from the fees paid directly to fund dealers, and \$1.1 billion from trading fees.

Chart 7

Two-thirds of industry revenues are generated in Ontario and Quebec (revenues, \$ billions, 2023)



Sources: Investment Funds Institute of Canada; The Conference Board of Canada.

Gross domestic product

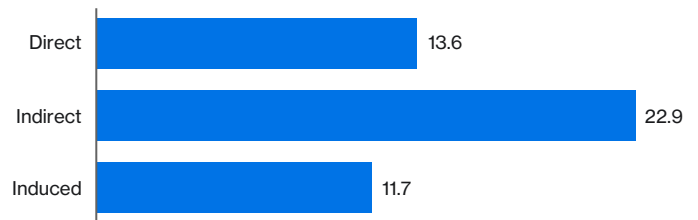
In 2023, the investment funds industry added \$48.1 billion to Canada’s GDP, accounting for 2.1 per cent of the country’s total GDP. Over two-fifths of the impact on GDP (\$21.3 billion) was generated in Ontario, followed by \$9.6 billion in Quebec, \$6.3 billion in Alberta, and \$6.1 billion in British Columbia.

The investment funds industry’s direct contribution to GDP amounted to \$13.6 billion in 2023, which included wages and salaries paid to employees, taxes paid to the government, fees paid to regulators, and profits earned. This figure captures investment-fund-related economic activity at both the dealer and fund management levels.

The industry’s indirect supply chain impacts last year amounted to \$22.9 billion. (See Chart 8.) The investment funds industry’s largest supply chain impacts come from financial services,⁴⁹ followed by professional, scientific, and technical services, and administrative and support services. Additionally, the induced impact on GDP equalled \$11.7 billion in 2023, with a large share of the impact coming from employees spending their wages on housing and retail.

Chart 8

Investment funds industry added \$48.1 billion to GDP in Canada (GDP contributions, \$ billions, 2023)



For the provincial breakdown, see Table 1 in Appendix B. Source: The Conference Board of Canada.

Overall, the investment funds industry had a total economic multiplier of 1.13, implying that, on average, each dollar of revenue in the industry contributed \$1.13 to Canada’s GDP last year. The industry’s multiplier was higher than the average multiplier of 1.05 for all industries in Canada, which indicates that investment funds industry activities generated more economic value-added per dollar spent.⁵⁰ This industry ranks among the top 30 per cent of industries, in Canada, for its GDP multiplier.

49 Financial services encompass a wide range of financial transactions, including real estate, consumer finance, banking, insurance, and rental and leasing.

50 Statistics Canada, “Table 36-10-0013-01 Input-output multipliers, summary level.”

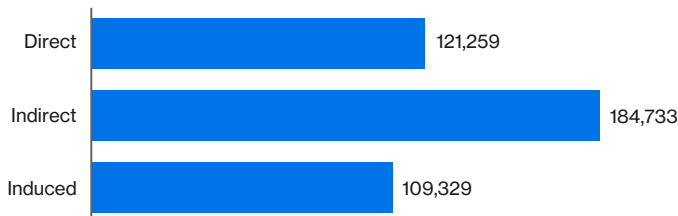
Employment

In 2023, the investment funds industry in Canada directly supported 121,259 full-time, full-year jobs. (See Chart 9.) Our Economic Impact Assessment model measures employment in “person-years,” which represents the number of full-time jobs in a one-year period. In real terms, this could be one person working for a full year or four people working for three months. Jobs in this sector are concentrated in Ontario and Quebec, where the headquarters of most investment fund companies are located.

The industry supported an additional 294,062 jobs through its indirect supply chain and induced spending. (See Chart 10.) This includes an additional 110,645 jobs in the financial services and 29,447 additional jobs in the professional services sectors due to increased demand for financial, accounting, legal, and other professional services. Induced spending helped sustain 30,351 jobs in the retail sector and 18,051 jobs in the accommodation and food services sector.

Chart 9

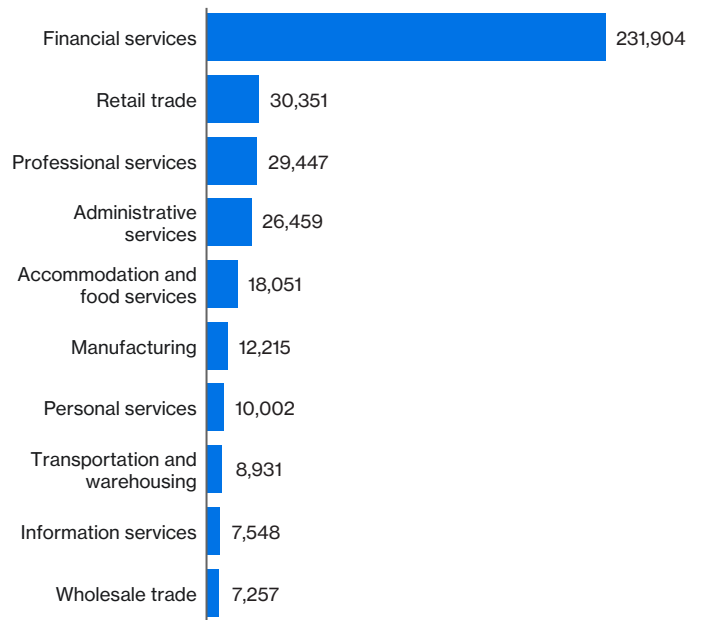
Investment funds industry added 415,320 jobs in Canada (employment contributions, full-time, full-year jobs, 2023)



For the provincial breakdown, see Table 2 in Appendix B. Source: The Conference Board of Canada.

Chart 10

Over half of the jobs generated are in the financial sector (total employment contributions,* full-time, full-year jobs, 2023)



*Includes direct, indirect, and induced impacts. Source: The Conference Board of Canada.



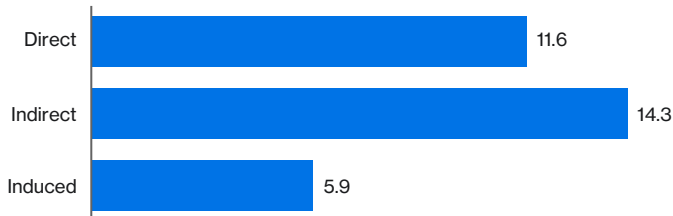
Labour income

The industry generated \$11.6 billion in labour income, including wages and benefits, for direct employees. (See Chart 11.) Given that the industry supports 121,259 full-time, full-year jobs, this equates to almost \$96,000 in annual labour income per full-time worker. Due to the labour intensity of the investment funds industry, 86 per cent of the direct GDP contribution comes from labour compensation, compared with the national average of 49 per cent.⁵¹

The industry indirectly generated \$14.3 billion in labour income for employees along the supply chain, with \$8.7 billion going to financial services, \$1.9 billion to professional, scientific, and technical services, and \$0.9 billion to administrative and support services. The investment funds industry's induced impact on labour income totalled \$5.9 billion, in 2023, of which \$1.0 billion went to the retail sector.

Chart 11

Investment funds industry generated \$31.8 billion in labour income
(labour income contributions, \$ billions, 2023)



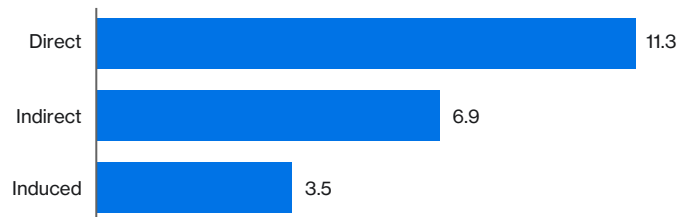
For the provincial breakdown, see Table 3 in Appendix B.
Source: The Conference Board of Canada.

Government revenue

The investment funds industry generates significant direct, indirect, and induced tax revenues for all three levels of government in Canada. (See Chart 12.) Our model estimates that, last year, nearly \$10.2 billion were added to federal taxes, \$8.7 billion to provincial taxes, and \$2.8 billion to municipal taxes. (See Chart 13.)

Chart 12

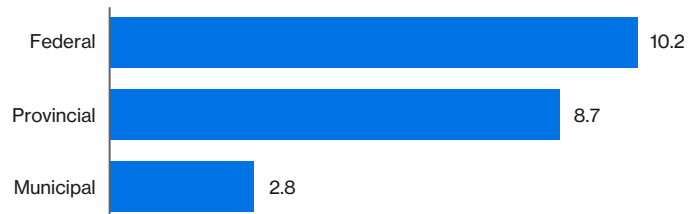
Investment funds industry generated \$21.7 billion in government revenue
(government revenue contributions, \$ billions, 2023)



For the provincial breakdown, see Table 4 in Appendix B.
Source: The Conference Board of Canada.

Chart 13

Almost half of government revenues go to the federal government
(government revenue contributions,* \$ billions, 2023)



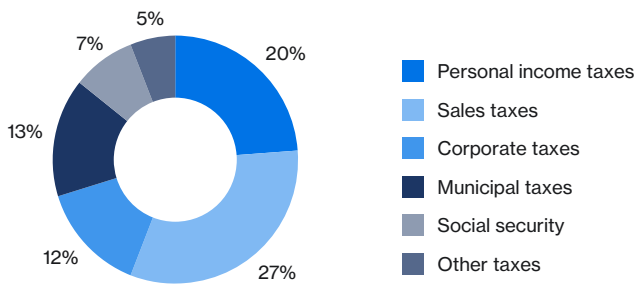
*Includes direct, indirect, and induced impacts.
For the provincial breakdown, see Table 5 in Appendix B.
Source: The Conference Board of Canada.

51 Conference Board of Canada, The, Statistics Canada, "Table 36-10-0434-03 Gross domestic product (GDP) at basic prices, by industry, annual average (x 1,000,000)."

A breakdown of the total fiscal effects of the investment funds industry in Canada shows that personal income taxes and sales taxes were the primary contributors to government revenue in 2023. (See Chart 14.)

Chart 14

Income taxes account for 31 per cent of government revenues
(total government revenues generated by the investment funds industry,* per cent)

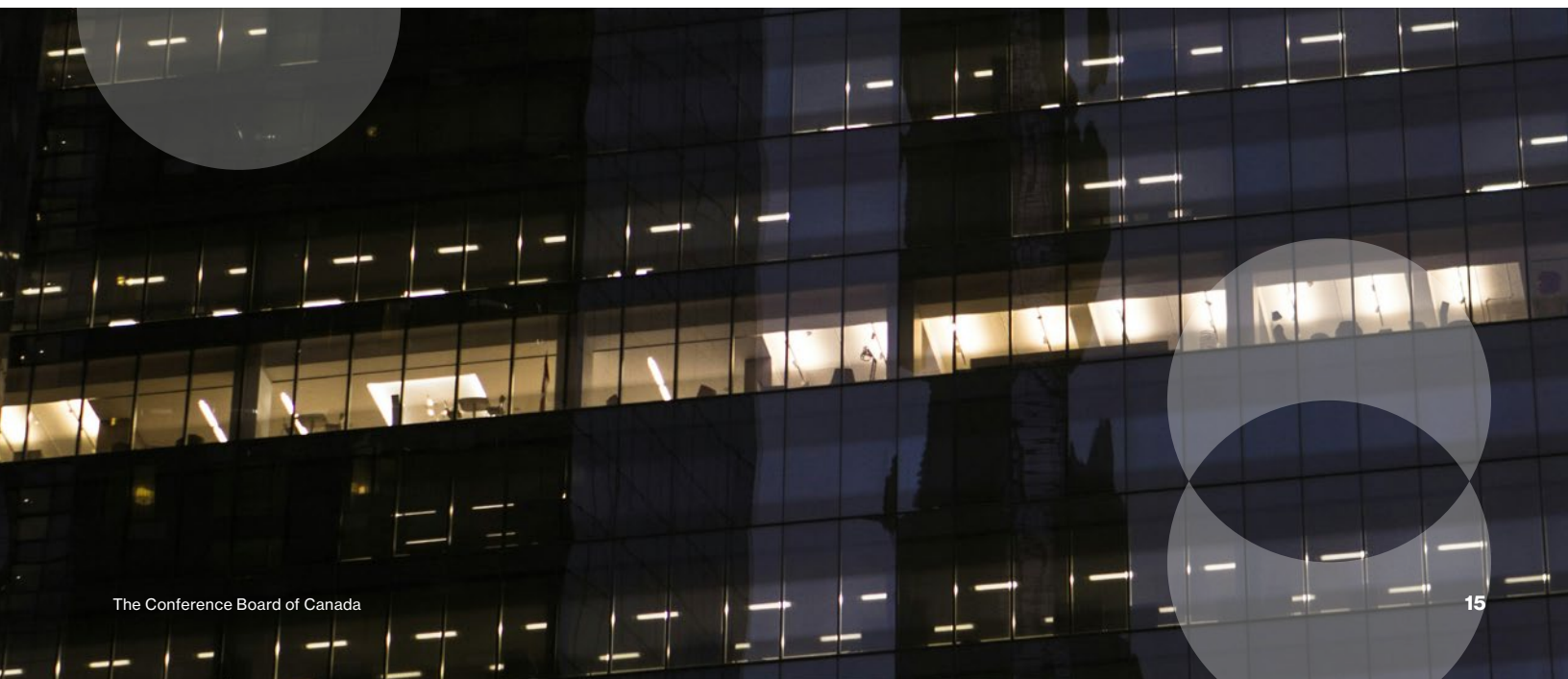


*Includes direct, indirect, and induced impacts.
Source: The Conference Board of Canada.

Conclusion

The investment funds industry generated \$42.6 billion in revenues in 2023. The Conference Board of Canada estimates that the industry directly contributed \$13.6 billion to GDP and supported 121,259 jobs. When considering supply chain and induced spending, the industry’s total economic footprint amounted to \$48.1 billion in GDP, supporting 415,320 jobs, and contributing \$21.7 billion in government revenues.

The industry continues to evolve with changing trends. Consumer preferences for ETFs and DIY investing are transforming industry operations and revenue streams, while the rise of responsible investing is altering the asset mix in investment funds. The industry’s adaptability will continue to drive growth in the coming years.



Appendix A

Data and methodology

This study employs the Conference Board's Economic Impact Assessment (EIA) model, at the national, provincial, and regional levels, to measure the impacts of the investment funds industry, based on industry revenue and tax data from The Investment Funds Institute of Canada.

The investment funds industry falls within the "finance and insurance" sector as defined in the North American Industry Classification System (NAICS 52).

In this analysis, an industry's economic impact is its direct, indirect, and induced contribution to the Canadian economy. The economic impacts are based on revenues generated by the investment funds industry in each province and its payments to government(s) through sales taxes and corporate taxes.

Direct impacts: These are the economic impacts directly associated with the investment funds industry, based on the industry's revenues. The Investment Funds Institute of Canada collected revenue data. Direct impacts include the industry's contributions to GDP, employment, wages, and government revenues (through taxes).

Indirect impacts: The indirect, or supply-chain, impacts measure the additional value the investment funds industry creates through its demand for intermediate inputs and support services. These impacts measure the contribution to GDP, employment, wages, and government revenues associated with the industry's direct spending on intermediate inputs and support services. For example, the investment funds industry uses accounting and legal services from the professional, scientific, and technical services industry, resulting in higher GDP and employment and generating wages and government revenues in that industry.

Induced impacts: Induced impacts are derived when employees of the (directly and indirectly) affected industries spend their earnings and owners spend their profits. These purchases contribute to GDP, employment, wages, and tax revenues, and are typically felt across a wide array of consumer-oriented industries. For example, financial advisors employed in the investment funds industry will spend some of their wages on food, resulting in higher GDP and employment and generating wages and government revenues in the food services industry.

We use economic impact models at the national and provincial levels to produce robust and reliable economic impact results. This project utilizes Statistics Canada's 2019 detailed input-output tables and multipliers. The most recent multipliers are for 2020. Since 2020 marked the start of the COVID-19 pandemic, we used the 2019 multipliers, as they better reflect current economic structures during non-pandemic years.

Appendix B

Additional tables

Table 1

Economic impact of the investment funds industry on GDP, 2023
(\$ millions)

Impact	Canada	Alberta	Atlantic	British Columbia	Manitoba	Ontario	Quebec	Saskatchewan	Territories
Direct	13,603.4	1,639.0	616.8	1,664.4	484.1	5,719.7	3,006.7	444.9	27.9
Indirect	22,867.5	3,073.0	837.8	2,847.2	672.4	10,355.8	4,393.8	648.5	39.0
Induced	11,659.8	1,534.0	426.7	1,614.3	361.1	5,194.6	2,169.5	337.2	22.4
Total	48,130.6	6,246.0	1,881.3	6,125.8	1,517.6	21,270.0	9,570.0	1,430.6	89.3

Source: The Conference Board of Canada.

Table 2

Economic impact of the investment funds industry on employment, 2023
(full-time, full-year jobs)

Impact	Canada	Alberta	Atlantic	British Columbia	Manitoba	Ontario	Quebec	Saskatchewan	Territories
Direct	121,259	11,655	7,856	15,635	4,051	50,997	26,815	4,018	233
Indirect	184,733	19,756	7,647	24,338	5,958	83,838	37,756	5,150	290
Induced	109,329	10,792	5,199	15,748	3,335	48,545	22,687	2,832	192
Total	415,320	42,202	20,702	55,720	13,344	183,381	87,258	11,999	714

Source: The Conference Board of Canada.

Table 3

Economic impact of the investment funds industry on labour income, 2023
(\$ millions)

Impact	Canada	Alberta	Atlantic	British Columbia	Manitoba	Ontario	Quebec	Saskatchewan	Territories
Direct	11,633.0	1,470.2	458.1	1,553.6	340.5	5,199.6	2,294.6	302.4	14.2
Indirect	14,297.8	1,888.5	488.7	1,853.5	407.5	6,452.3	2,812.8	374.3	20.2
Induced	5,890.7	709.3	234.1	804.0	168.8	2,671.5	1,144.2	148.1	10.7
Total	31,821.6	4,068.0	1,180.8	4,211.0	916.8	14,323.4	6,251.6	824.8	45.1

Source: The Conference Board of Canada.

Table 4

Economic impact of the investment funds industry on government revenues, 2023

(\$ millions)

Impact	Canada	Alberta	Atlantic	British Columbia	Manitoba	Ontario	Quebec	Saskatchewan	Territories
Direct	11,264.7	1,316.2	469.7	1,310.4	359.8	4,799.7	2,645.3	322.0	41.6
Indirect	6,925.4	781.4	252.4	724.9	190.6	3,059.9	1,719.2	155.9	41.2
Induced	3,550.7	388.3	130.1	388.0	99.7	1,617.1	826.5	84.2	16.8
Total	21,740.8	2,485.9	852.2	2,423.3	650.1	9,476.6	5,190.9	562.2	99.5

Source: The Conference Board of Canada.

Table 5

Economic impact of the investment funds industry on government revenues, 2023

(\$ millions)

Impact	Canada	Alberta	Atlantic	British Columbia	Manitoba	Ontario	Quebec	Saskatchewan	Territories
Federal	10,186.6	1,645.9	349.5	1,369.9	304.4	4,331.2	1,809.3	309.5	66.9
Provincial	8,739.9	637.8	401.2	854.3	255.8	3,816.0	2,545.2	199.2	30.3
Municipal	2,814.3	202.2	101.5	199.1	90.0	1,329.4	836.4	53.5	2.4
Total	21,740.8	2,485.9	852.2	2,423.3	650.1	9,476.6	5,190.9	562.2	99.5

Source: The Conference Board of Canada.

Appendix C

Glossary of terms

Gross domestic product (GDP): This is a measure of an economy's overall economic activity (final value of goods and services produced). It is a value-added measure of economic activity, expressed in terms of the actual prices a purchaser pays after taxes.

Management expense ratio (MER): This is a fee calculated as a percentage of the investment's value. The MER covers a firm's annual management costs, taxes, and operating expenses, and provides a desired profit level.

Trading expense ratio (TER): This is a trading fee covering the brokerage commissions paid by fund managers when they buy or sell equities (stocks) within a given fund.

Direct impacts: These are the economic impacts directly resulting from investment funds industry activity in Canada.

Indirect impacts: Indirect impacts measure the value added in the "direct impacts" firms generate through their demand for intermediate inputs or other support services.

Induced impacts: Induced impacts are derived when employees of (directly and indirectly) affected industries spend their earnings and owners spend their profits. These purchases lead to another round of employment, wages, income, and tax revenues, and are typically felt across a wide array of consumer-oriented industries.

GDP multiplier: The GDP multiplier captures the net economic impact of total revenue. It is the ratio between Canada's total GDP impact and the corresponding revenue generated in the investment funds industry. It is calculated as the GDP generated from \$1 of revenue.

Industry output: This is the amount of goods and services produced by a firm or individual.

Sales tax: These are taxes collected by federal and provincial governments on the purchase of goods and services.

Municipal taxes: These are the taxes collected from firms and individuals by the municipality where they reside (e.g., property taxes).

Corporate taxes: These are the taxes collected by federal and provincial governments on the profits of corporations and other similar legal entities.

Personal income taxes: These are the taxes collected by federal and provincial governments on individuals' income.

Wages: These are monetary compensation to wage and salary earners. Wages are presented in gross terms before taxes and other deductions.

Appendix D

Bibliography

Canadian Investment Regulatory Organization. "Annual Report 2022-2023" *Canadian Investment Regulatory Organization*. 2023. <https://www.ciro.ca/media/1041/download?inline>.

Canadian Securities Administrators. "2024 CSA Investor Index." *Canadian Securities Administrators*. April 2024. <https://www.securities-administrators.ca/wp-content/uploads/2024/06/CSA-2024-Investor-Index-Full-Report-ENG.pdf>.

International Investment Funds Association. "Worldwide regulated open-end fund assets and flows Fourth Quarter 2023." *International Investment Funds Association*, March 22, 2024. https://cdn.ymaws.com/iifa.ca/resource/collection/C06F1A28-8CDB-4D7E-AE9B-3649173EFBE6/Worldwide_Press_Release_Q4_2023.pdf.

Investment Funds Institute of Canada, The. "Investment Funds Report 2023." *The Investment Funds Institute of Canada*. 2024. https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=28966&lang=en_CA.

–. "Investment Funds Report 2022." *The Investment Funds Institute of Canada*. 2023. https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=28046&lang=en_CA.

–. "Investment Funds Report 2021." *The Investment Funds Institute of Canada*. 2022. https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=26917&lang=en_CA.

–. "Investment Funds Report 2020." *The Investment Funds Institute of Canada*. 2021. https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=26761&lang=en_CA.

–. "Investment Funds Report 2019." *The Investment Funds Institute of Canada*. 2020. https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=26762&lang=en_CA.

–. "Our Industry." *The Investment Funds Institute of Canada*. Accessed June 06, 2024. <https://www.ific.ca/en/articles/who-we-are-our-industry/>.

Investor Economics. *Insight Investment Funds Report—June 2024*. Toronto: ISS Market Intelligence, June 28, 2024. <https://www.investoreconomics.com/reports/insight-investment-funds-report-june-2024/>.

OECD. "Households' Financial Assets." OECD. Accessed July 5, 2024. https://www.oecd.org/en/data/indicators/household-financial-assets.html?oecdcontrol-d6a9ff2c20-var6=MFSH&oecdcontrol-9781bf9cc5-var8=PC_HHFA.

Ontario Securities Commission. "Self-Directed Investors: Insights and Experiences." *Ontario Securities Commission*. April 2021. https://www.osc.ca/sites/default/files/2021-04/inv_research_20210421_self-directed-investor-survey.pdf.

Pollara Strategic Insights, "Canadian Mutual Fund & Exchange Traded Fund Investor Survey 2023." *Pollara Strategic Insights*. 2023. https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=28669&lang=en_CA.

Responsible Investment Association. "2023 Canadian Responsible Investment Trends Report." *Responsible Investment Association*. October 2023. <https://www.riacanada.ca/research/2023-canadian-ri-trends-report/>.

Responsible Investment Association. "Intro to Responsible Investment (RI)." *Responsible Investment Association*. Accessed June 06, 2024. <https://www.riacanada.ca/responsible-investment/>.

Statistics Canada. "Dictionary, Census of Population, 2021." *Statistics Canada*. Accessed June 06, 2024. <https://www12.statcan.gc.ca/census-recensement/2021/ref/dict/az/definition-eng.cfm?ID=pop194#:-:text=Definition,pensions%2C%20benefits%20or%20savings%20plans>.

–. "Percentage of paid workers covered by a registered pension plan." *Statistics Canada*. Accessed June 06, 2024. <https://www150.statcan.gc.ca/n1/daily-quotidien/230623/t002b-eng.htm>.

–. "Recent trends in families' contributions to three registered savings accounts." *Statistics Canada*. October 17, 2023. <https://www150.statcan.gc.ca/n1/pub/75f0002m/75f0002m2023008-eng.htm>.

–. "Table 11-10-0084-01 Trusteed pension funds, value of assets by sector, quarterly (x 1,000,000)." *Statistics Canada*. Accessed June 06, 2024. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110008401>.

–. "Table 11-10-0239-01 Income of individuals by age group, sex and income source, Canada, provinces and selected census metropolitan areas." *Statistics Canada*. Accessed June 06, 2024. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110023901>.

–. “Table 14-10-0202-01 Employment by industry, annual.” *Statistics Canada*. Accessed June 06, 2024. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410020201>.

–. “Table 14-10-0204-01 Average weekly earnings by industry, annual.” *Statistics Canada*. Accessed June 06, 2024. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410020401>.

–. “Table 36-10-0013-01 Input-output multipliers, summary level.” *Statistics Canada*. Accessed June 12, 2024. <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610001301>.

–. “Table 36-10-0434-03 Gross domestic product (GDP) at basic prices, by industry, annual average (x 1,000,000).” *Statistics Canada*. Accessed June 06, 2024. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610043403>.

–. “Table 36-10-0661-01 Distributions of household economic accounts, wealth, Canada, regions and provinces, quarterly (x 1,000,000).” *Statistics Canada*. Accessed June 06, 2024. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610066101>.

Tam, Ian. “Canada’s best actively-managed ETFs.” *Morningstar*. February 05, 2020. <https://www.morningstar.ca/ca/news/199287/canadas-best-actively-managed-etfs.aspx>.

Acknowledgements

This impact paper was prepared with financial support and data from the Investment Funds Institute of Canada.

Many Conference Board of Canada colleagues collaborated to bring this research to life. Alan Chaffe, Senior Manager, PhD, provided oversight throughout the research process. Elise Nelson, Lead Economist, MA; Anthony Landry, Economist, MA; and Alishba Rasheed, Economist, MSc, executed the research. Michael Burt, Vice-President, and Bryan Gormley, Principal Economist, provided feedback on early drafts. This impact paper was designed by the Conference Board's Design Services team.

Funding the Future: The Economic Impact of Canada's Investment Funds Industry

Elise Nelson, Alan Chaffe, Anthony Landry, and Alishba Rasheed

To cite this research: Nelson, Elise, Alan Chaffe, Anthony Landry, and Alishba Rasheed. *Funding the Future: The Economic Impact of Canada's Investment Funds Industry*. Ottawa: The Conference Board of Canada, 2024.

Forecasts and research often involve numerous assumptions and data sources, and are subject to inherent risks and uncertainties. This information is not intended as specific investment, accounting, legal, or tax advice. The responsibility for the findings and conclusions of this research rests entirely with The Conference Board of Canada.

An accessible version of this document for the visually impaired is available upon request.

Accessibility Officer, The Conference Board of Canada
Tel.: 613-526-3280 or 1-866-711-2262
Email: accessibility@conferenceboard.ca

Published in Canada | All rights reserved | Agreement No. 40063028



**The Conference
Board of Canada**



AERIC Inc. is an independent Canadian registered charity operating as The Conference Board of Canada, a trademark licensed from The Conference Board, Inc.



Where insights
meet impact