



American Express Canadian Small Business Monitor

Quarterly Tracking Survey - Wave 6

August 2010

www.visioncritical.com/arpo



Methodology

- From August 11 - 19, 2010, Angus Reid Public Opinion conducted an online survey among a randomly selected, representative sample of 555 Canadian small business owners who currently employ between two and 100 employees. The margin of error for the total sample is +/- 4.2%, 19 times out of 20. The results have been statistically weighted according to the Statistics Canada Business Register's most current business size and region to ensure a representative sample of the entire population of small business owners in Canada. Discrepancies in or between totals are due to rounding.
- In addition, sample boosts were obtained in national major markets to facilitate isolated investigations in each of these areas. Total samples in these major markets include: Toronto (100 completes), Vancouver (81 completes), and Montreal (39 completes).
- Angus Reid Public Opinion polls are conducted using the Angus Reid Forum online panel (www.angusreidforum.com), which is recruited via an industry-leading process that incorporates a randomized, widespread invitation approach and a triple opt-in screening procedure. The panel is maintained through state-of-the-art sampling techniques and frequent verifications of personal identity, contact information, and demographic characteristics.
- Angus Reid Public Opinion is a North American full-service polling and market research firm which is a leader in the use of the Internet and rich media technology to collect high-quality, in-depth insights for a wide array of clients. Dr. Angus Reid and the Angus Reid Public Opinion team are pioneers in online research methodologies, and have been conducting online surveys since 1995.

AMEX Small Business Index

- Based on a series of measures designed to gauge confidence, performance and attitudes of Canadian small business owners, Angus Reid Public Opinion and AMEX Canada have developed the AMEX Small Business Index. The AMEX Small Business Index is a grade given to the overall environment in which small business owners in Canada must operate.
- The AMEX Small Business Index for Q3 2010 is 64%, or “C”.
- This index score is a two (2) point decrease from the previous quarter, and a three (3) point improvement compared to the Q1 result in March 2009 when the AMEX Small Business Index was 61% (C-).
- While the following slides demonstrate a leveling of financial position and outlook since the previous quarter, and even a slight decline in some measures, business owners continue to show optimism in their future. More business owners are seeing an overall improvement in their business than in 2009. Additionally, a greater proportion of business owners are hopeful about the future and their overall stress is lower than in 2009. Most business owners remain confident that their business will grow in the next six months.

Small Business Hot Topic: Retirement

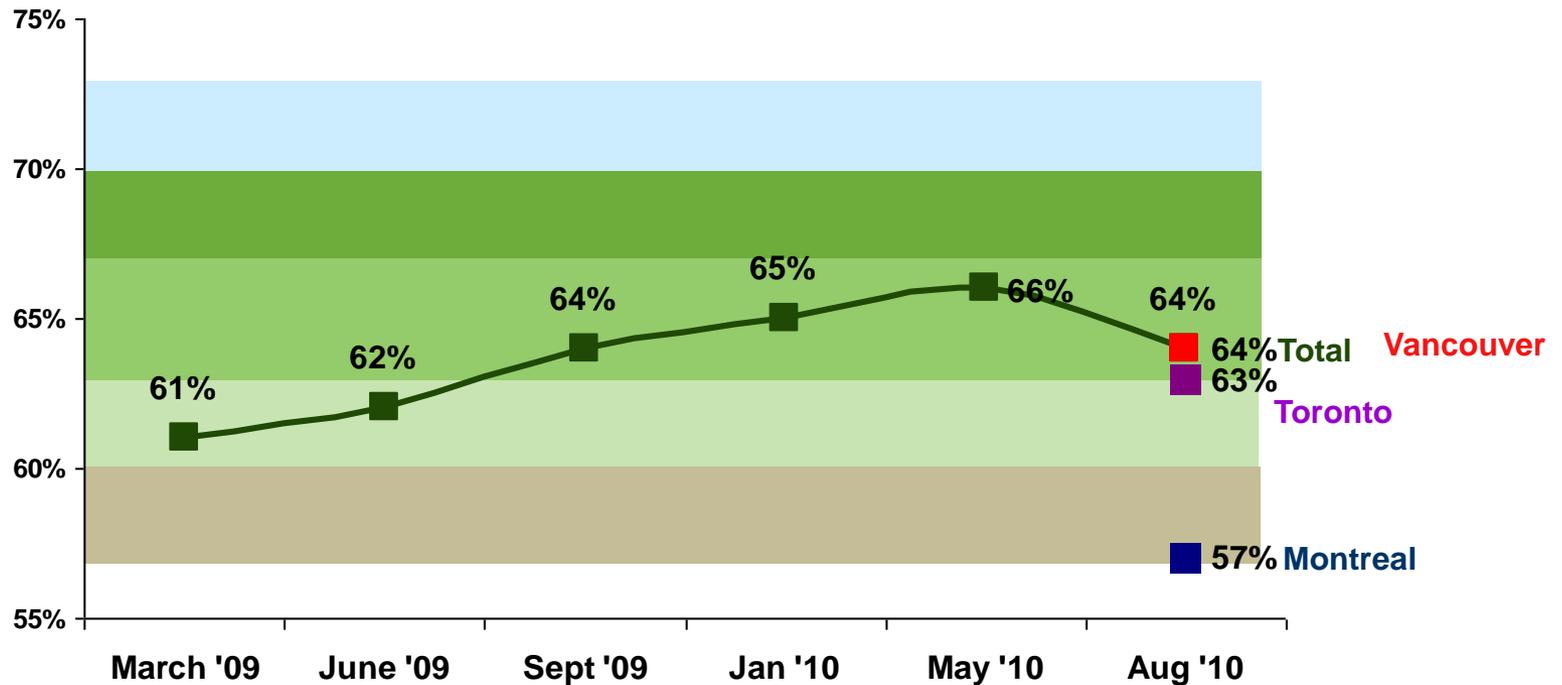
- While almost three-quarters (72%) of business owners are either thinking about retirement or have it on their "to-do" list, only one-in-five (22%) have a formal plan in place.
- Two-in-five (42%) business owners either do not plan on retiring or will retire after the age of 65. In general, as the age of business owners increases, so does the proportion who plan on working after the age of 65.
- Small business owners see their businesses as a key component of their retirement plan: 30% of business owners plan to obtain income by maintaining ownership of the business after retirement, and 27% plan to sell their business in order to acquire retirement income.
- While one-half (50%) of business owners wish they could retire tomorrow, an even greater proportion (70%) envision a role for themselves in their business after retirement.
- Although a minority (33%) agree that they will retire sooner than their friends who aren't self-employed, over one-half (54%) of business owners agree that they will be in better financial position in retirement as a result of their business than friends who do not own their own business.
- Two-in-five (40%) business owners report that as a result of the recent economic downturn they will have to wait longer to retire. A similar proportion (42%) believe that retirement will require a more modest lifestyle than what they currently experience.

Section A: *Quarterly Tracking*



Index Tracking

The Small Business Index dropped two points in the latest quarter, the first drop since the Index's inception. The movement of this index has been very gradual in the past year, on an upwards trend. Index scores in Montreal, Toronto and Vancouver (57%, 63% and 64%, respectively) are consistent with the national index.



Letter grade thresholds highlighted:

- B- = 70-72%
- C+ = 67-69%
- C = 63-66%
- C- = 60-62%
- D+ = 57-59%

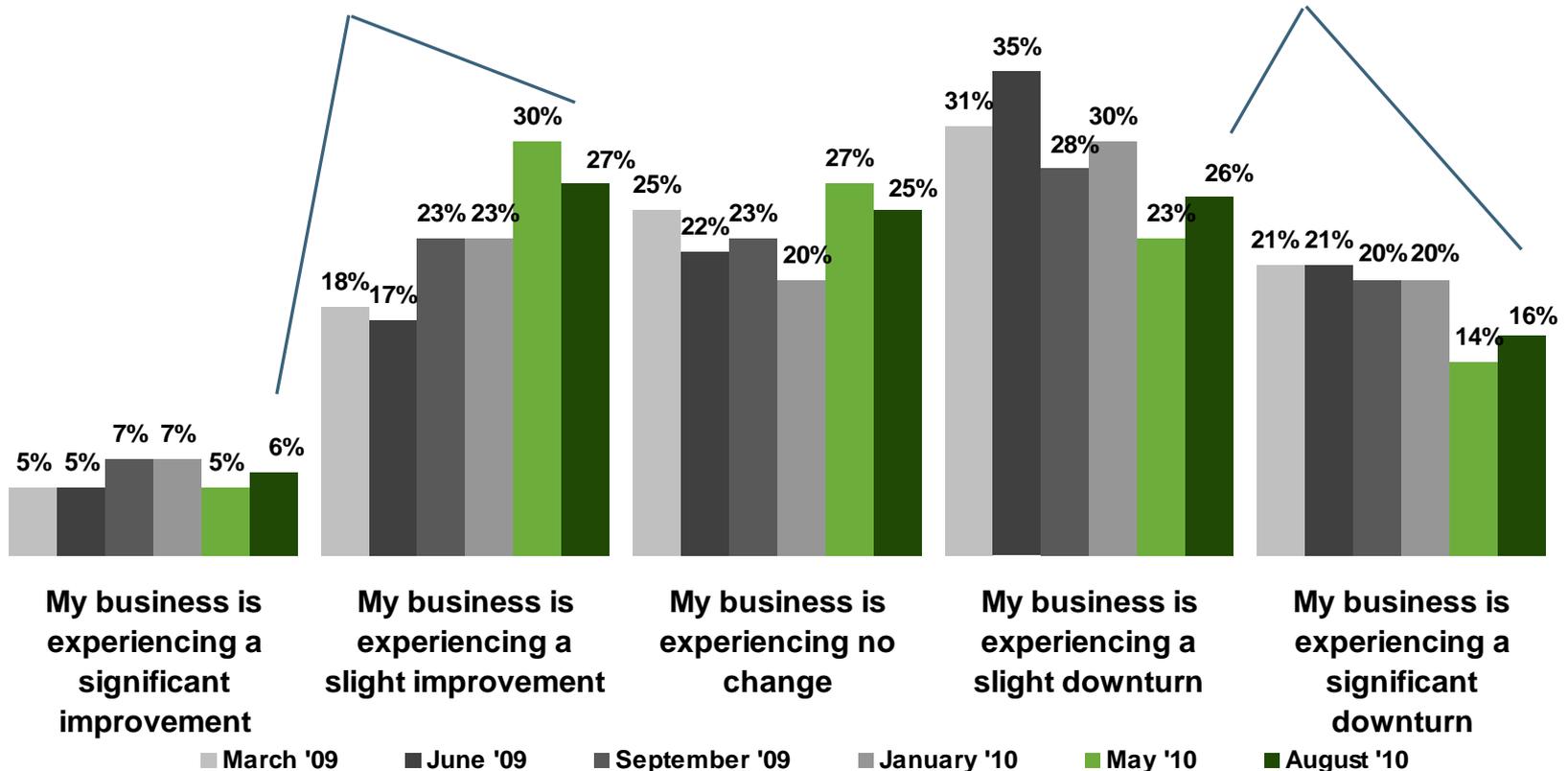
Note: Small sample size for Montreal and Toronto

Current Financial Position Remains Stable in 2010

The percentage of small business owners citing a downturn has increased marginally in August 2010 (up 5 points to 42%). However, business owners' financial position remains more positive than what was reported from March 2009 to January 2010.

33% Improvement (-2 pts)

42% Downturn (+5 pts)

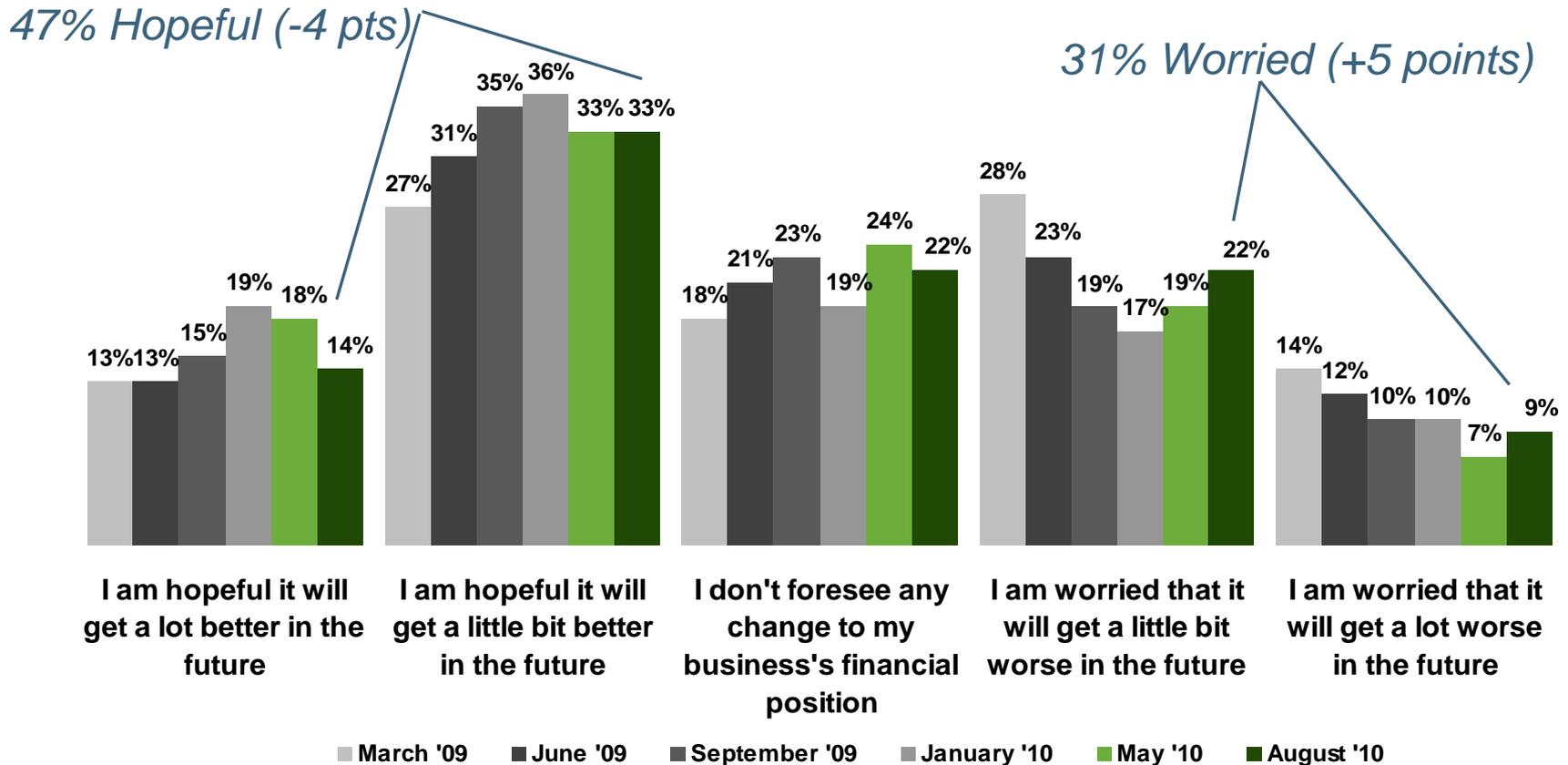


Question: "When thinking about your business's current financial position (e.g., revenue, profitability, etc.), which of the following statements best describes how you feel right now?" [n=555]

Slight Decrease in Optimism for Future Financial Outlook

Business owners are slightly more worried (+5 pts) for their business's future financial position than they were in May 2010. Business owners between 18 and 34 years of age tend to express more hope in their financial outlook than their older counterparts (62% hopeful among 18-34 yrs vs. 29% 35+ yrs).

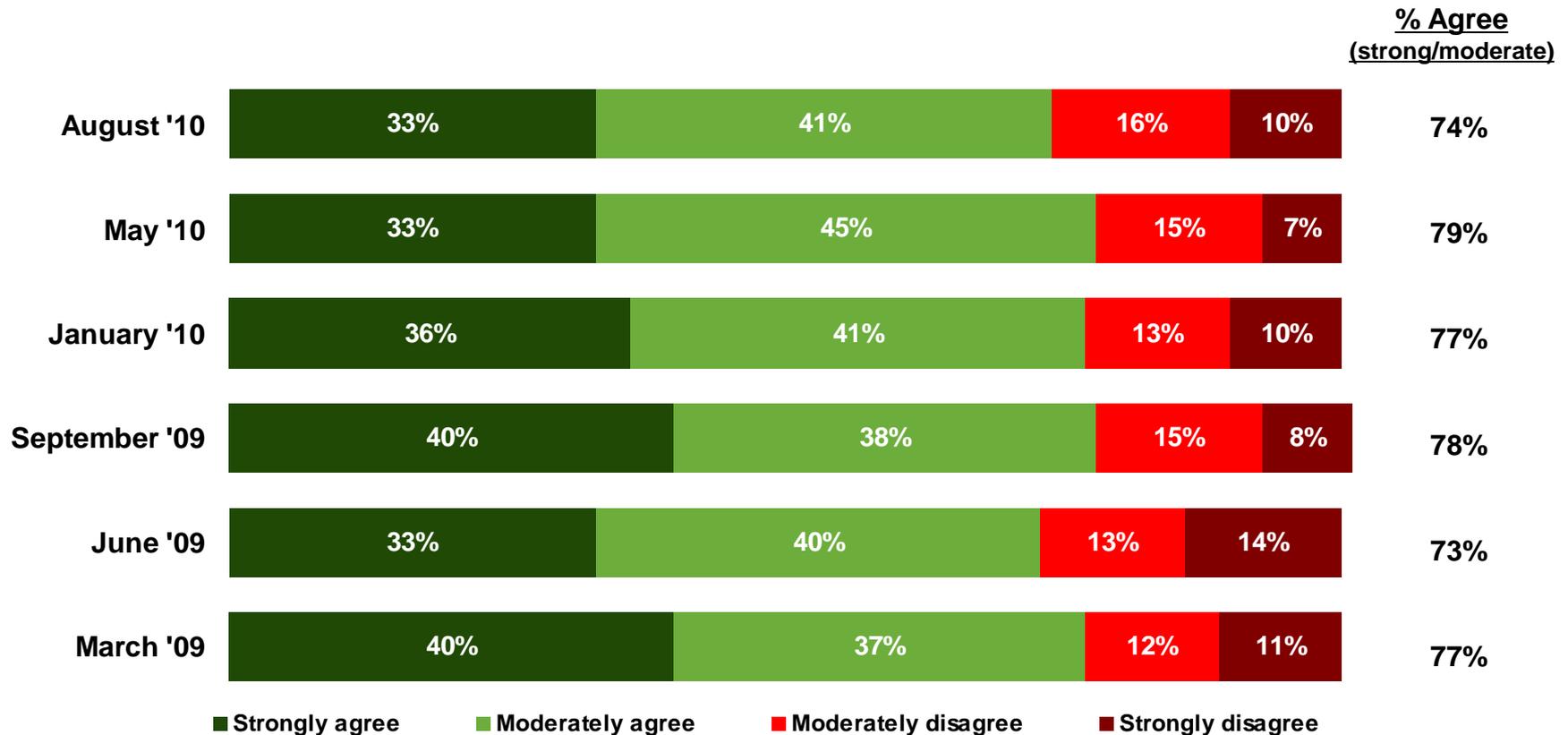
	Hopeful	No change	Worried
Toronto	47%	12%	41%
Vancouver	43%	18%	39%
Montreal	34%	29%	37%



Question: "When thinking about your outlook for your business's future financial position (e.g., revenue, profitability, etc.), which of the following statements best describes how you feel right now?" [n=555]

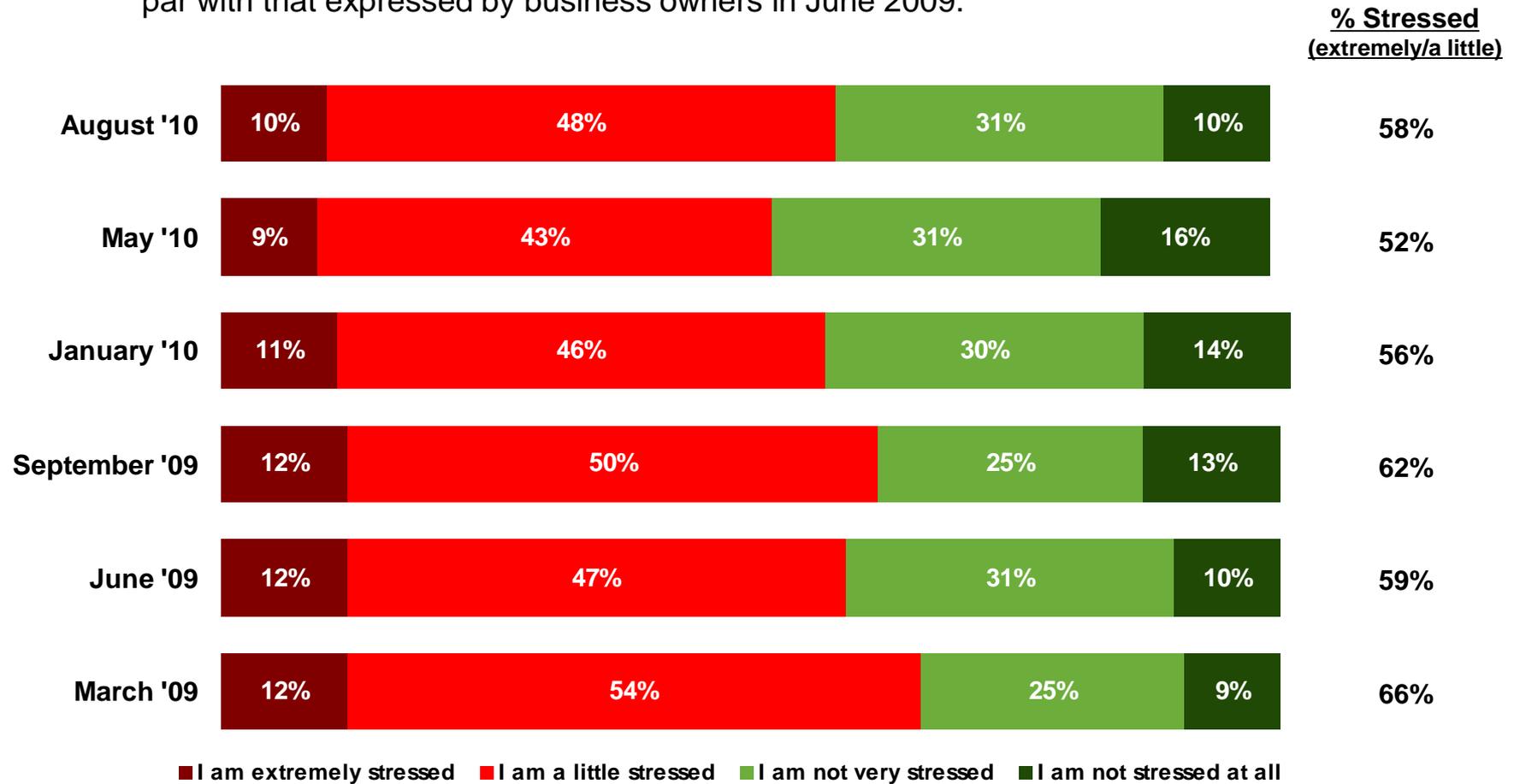
Business Owners Continue to Agree That Reward and Opportunity Outweigh Risks and Challenges, but Agreement is Waning

Since the previous quarter, agreement that the rewards and opportunities of running a business outweigh the risks and challenges has decreased (from 79% in May 2010 to 74% in August 2010). Business owners 35 years and older are more likely than their younger cohorts to agree that rewards and opportunity of running a business outweighs risk and challenge (75% vs. 57%, respectively).



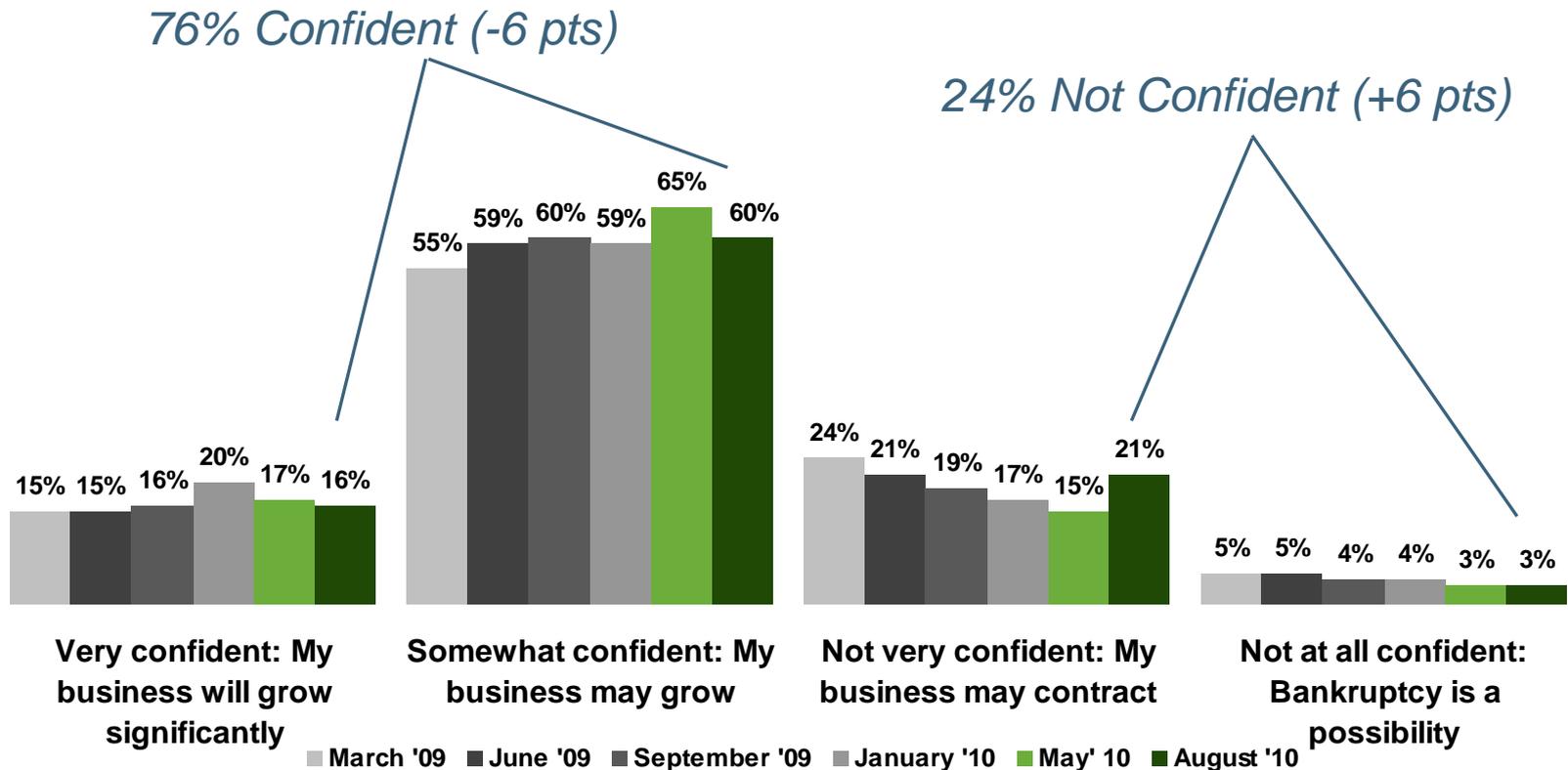
The Economy Continues to Create Stress for Three-in-Five Business Owners

Since the previous quarter, more business owners report that they are stressed (from 52% in May 2010 to 58% in August 2010), achieving a rate which is on-par with that expressed by business owners in June 2009.



Downturn in Small Business Confidence

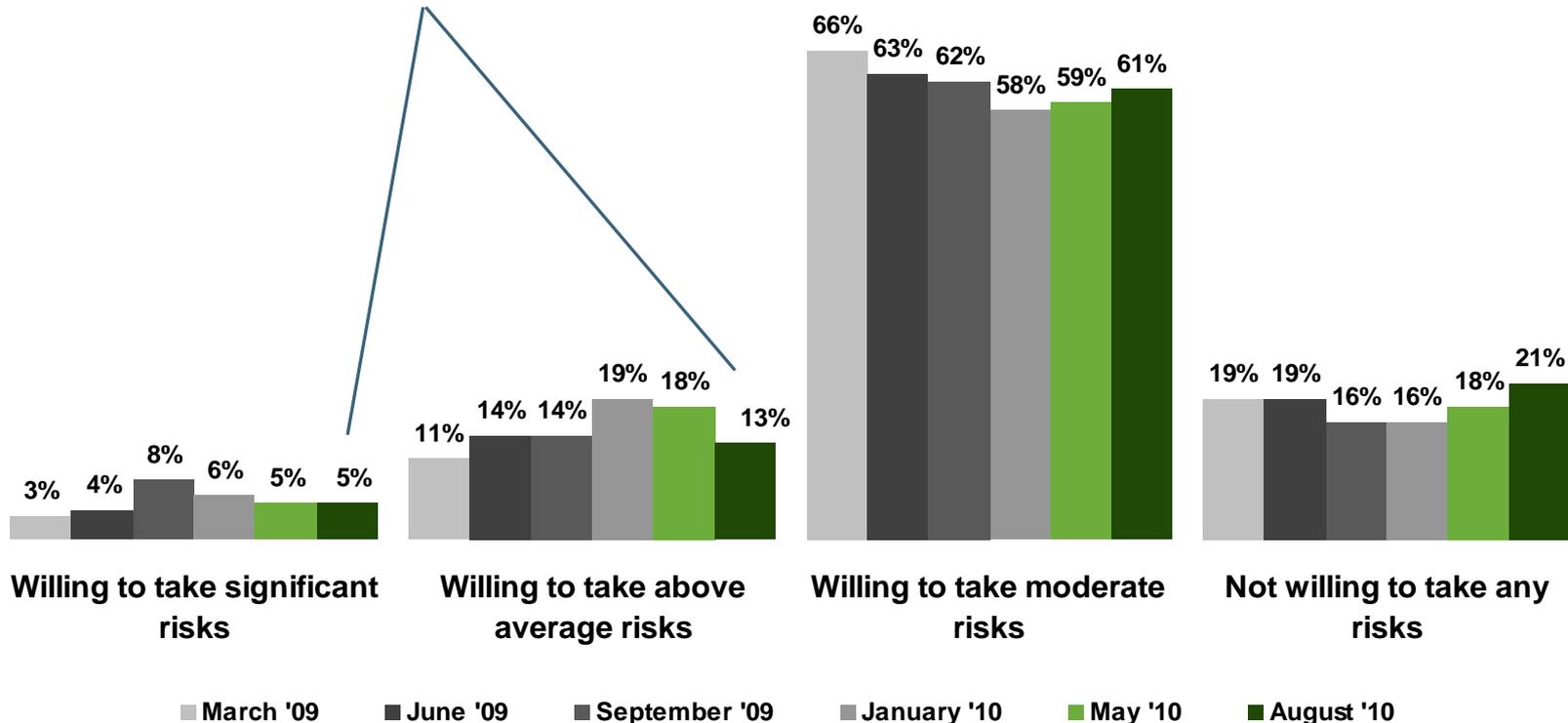
The number of business owners who say they are confident about their business prospects over the next six months has decreased back to the levels reported in January 2010.



Business Owners Now More Risk Adverse

Only one-in-five (18%) business owners are willing to take above average or significant risks with their business. This represents a five (5) point drop since May 2010.

18% Significant/Above Average Risk Takers (-5 pts)



Increased Willingness to Take Specific Financial Risks

Among business owners who are willing to take a risk, almost one-half (48%) are willing to invest in new equipment or other capital expenditures in the next six months – a five point increase since last quarter. There is a decreased willingness to use a line of credit to pay creditors (-6 pts).

		Net Change Since May	Vancouver (n=31*)	Toronto (n=72)	Montreal (n=65)
Invest in new equipment or other capital expenditures	48%	+5%	54%	59%	39%
Use of personal assets to cover costs	32%	=	22%	36%	37%
Use of a line of credit or bank loan to pay creditors	24%	-6%	18%	28%	15%
Extend payment terms for customers	21%	+3%	16%	32%	21%
Devote additional capital to salaries	14%	-1%	8%	19%	12%
Relax certain credit requirements for business prospects	7%	-2%	5%	6%	9%
None of these	12%	-2%	15%	5%	3%
Don't know	7%	-2%	8%	5%	9%

* Caution small base size

Question: "Specifically, which of the following financial risks are you willing to take over the next six months for your business?" [Base: Willing to take risks, n=439]

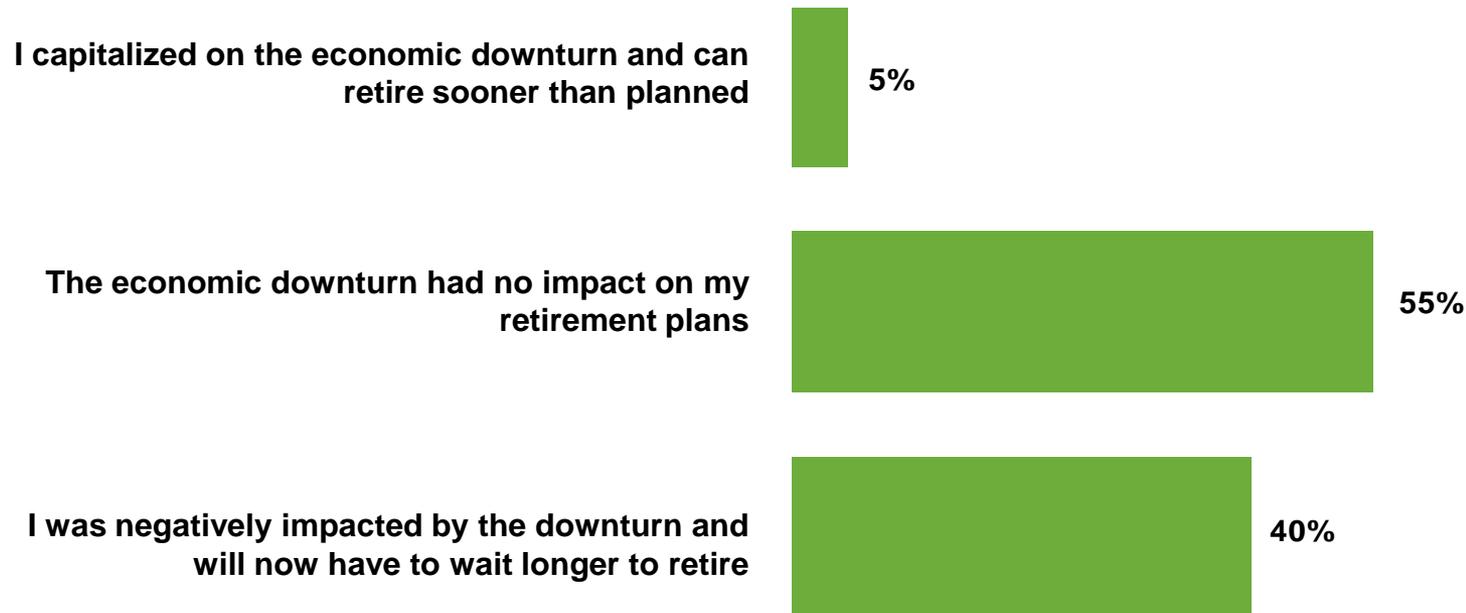
Section B: *Hot Topic Analysis*



The Economic Downturn Hurt Retirement Plans for Many...

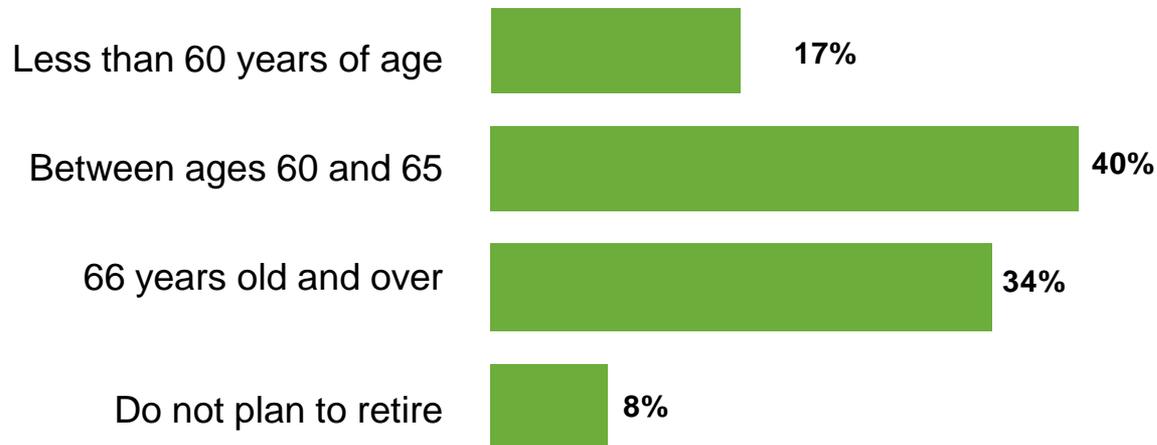
The economic downturn has negatively impacted two-in-five (40%) business owners who will now have to wait longer to retire.

Not surprisingly, business owners 35 years and older are more likely than their younger counterparts to say that they were negatively impacted by the economic downturn and will have to wait longer to retire as a result (41% vs. 15%, respectively).



Still, a Majority Plan on Retiring by the age of 65

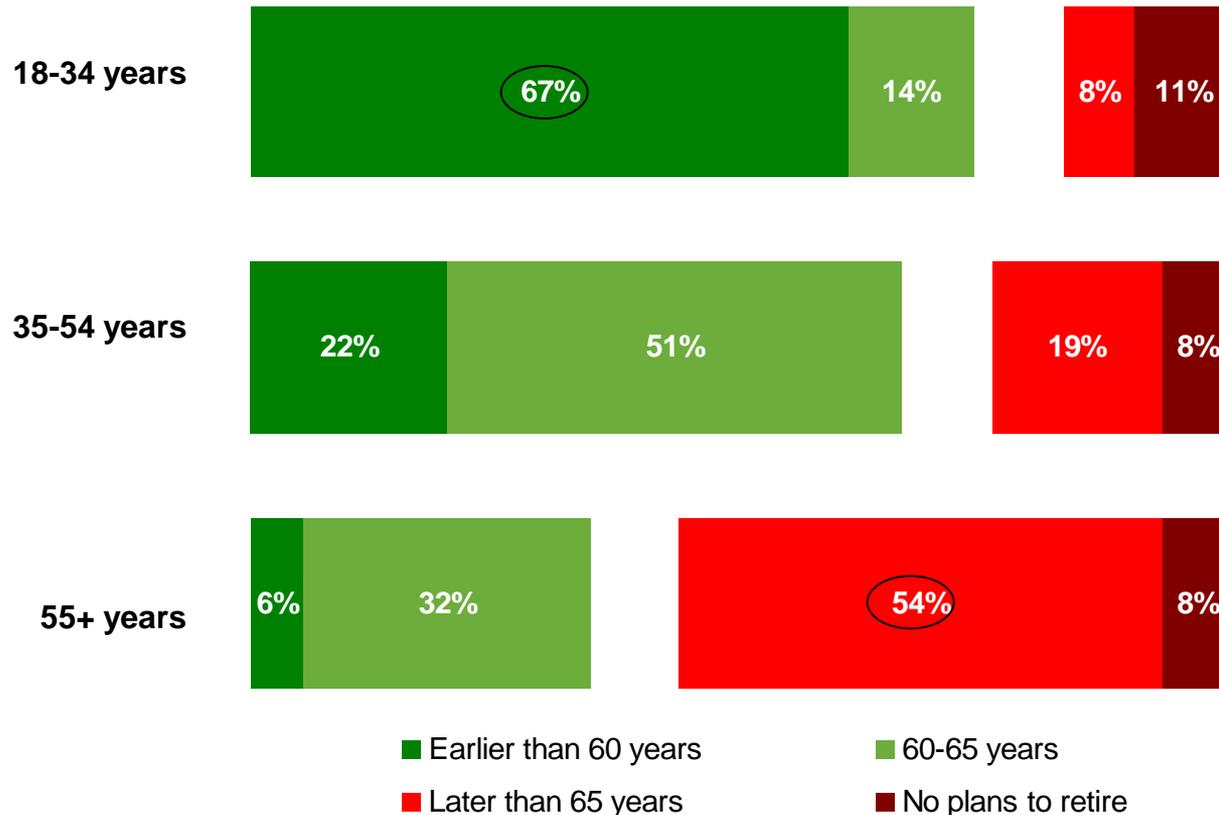
According to the 2008 Canadian Labour Force Survey conducted by Statistics Canada, the average Canadian retires at age 62*. By comparison, three-in-five (57%) small business owners plan on retiring by the age of 65, while eight per cent of business owners do not plan to retire at all. One third (34%) of business owners will retire later than the average Canadian.



* <http://www.statcan.gc.ca/pub/11-008-x/2008002/article/10666-eng.htm>
Question: "At approximately what age do you plan to retire?" [n=555]

Younger Plan for Freedom, While Older Business Owners Push Back Retirement

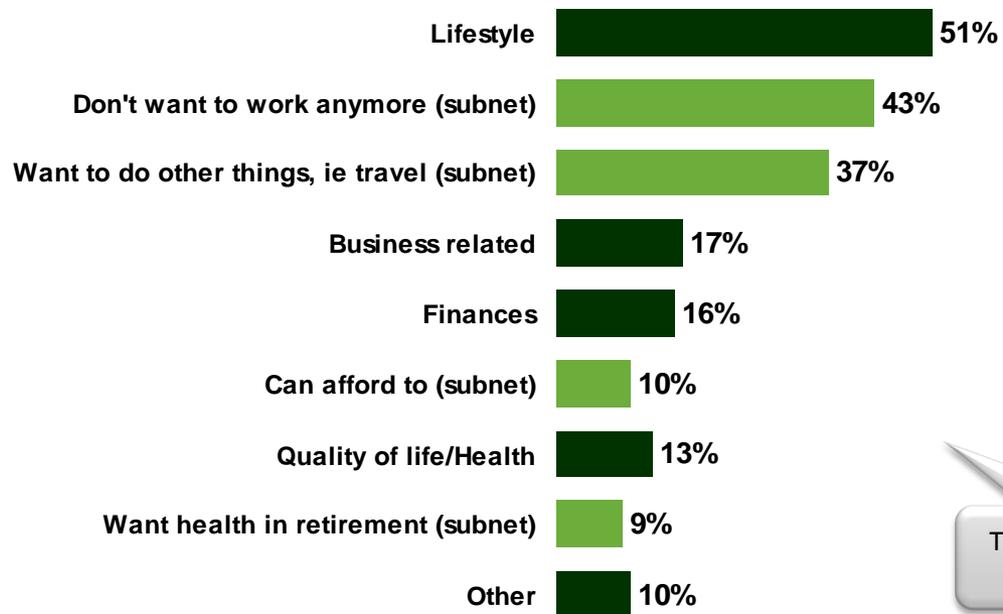
As business owners age, they plan for a later retirement. Younger business owners are more likely than older business owners to plan on retiring before the age of 60. Conversely, business owners 55 years and older are more likely than their younger counterparts to plan on retiring after the age of 65.



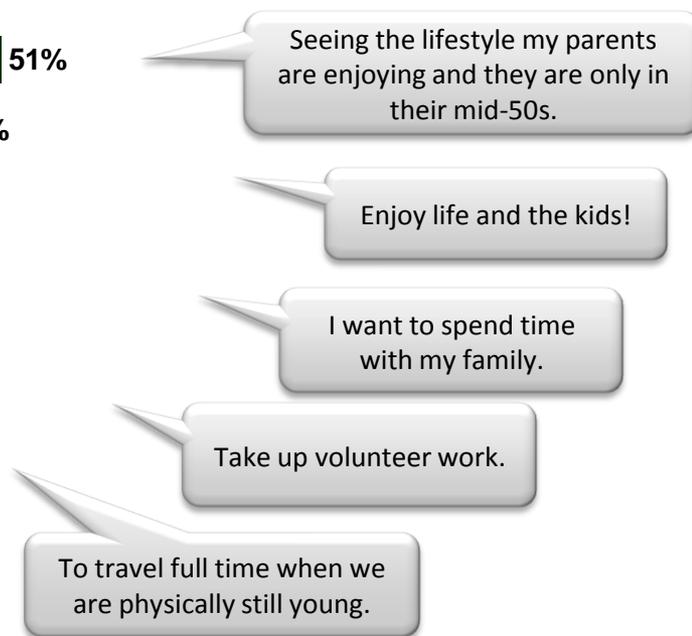
* <http://www.statcan.gc.ca/pub/11-008-x/2008002/article/10666-eng.htm>
 Question: "At approximately what age do you plan to retire?" [n=555]

Retirement Lifestyle is Motivation to Retire Before Age 60

Retire Before 60



Selection of Business Owners' Responses:



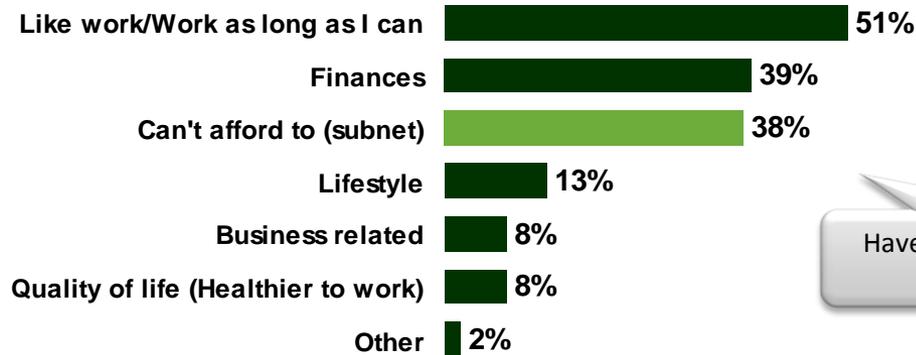
Base: Retire before 60: n=87 (note small base size)

Responses <5% are not shown.

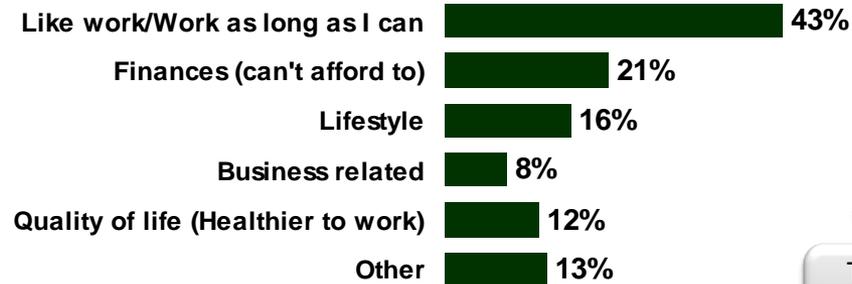
Question: On average, Canadians retire between the ages of 60 and 65. You indicated that you plan to retire [earlier/later]. What is the main reason for this choice? Not at all: You indicated that you do not plan to retire. What is the main reason for this choice?

Enjoying Work and Financial Need are Motivation to Retire after Age 65 or Not at All

Retire After 65



No Plans to Retire



Selection of Business Owners' Responses:

I like what I'm doing too much and can do it as long as my health holds.

Because I enjoy working and my investments have not panned out.

Have no money invested to be able to retire at 60-65.

I enjoy what I do; will cut down, but will not stop working altogether.

Even if I can [afford to], I would still want to work and be active.

I can't afford to retire as all my retirement funds have been used to float my business. At this point I will work until my death.

The Wall St. collapse destroyed a significant portion of my RRSP and other investments, and the recession ...makes it impossible to rebuild retirement savings because business is too slow.

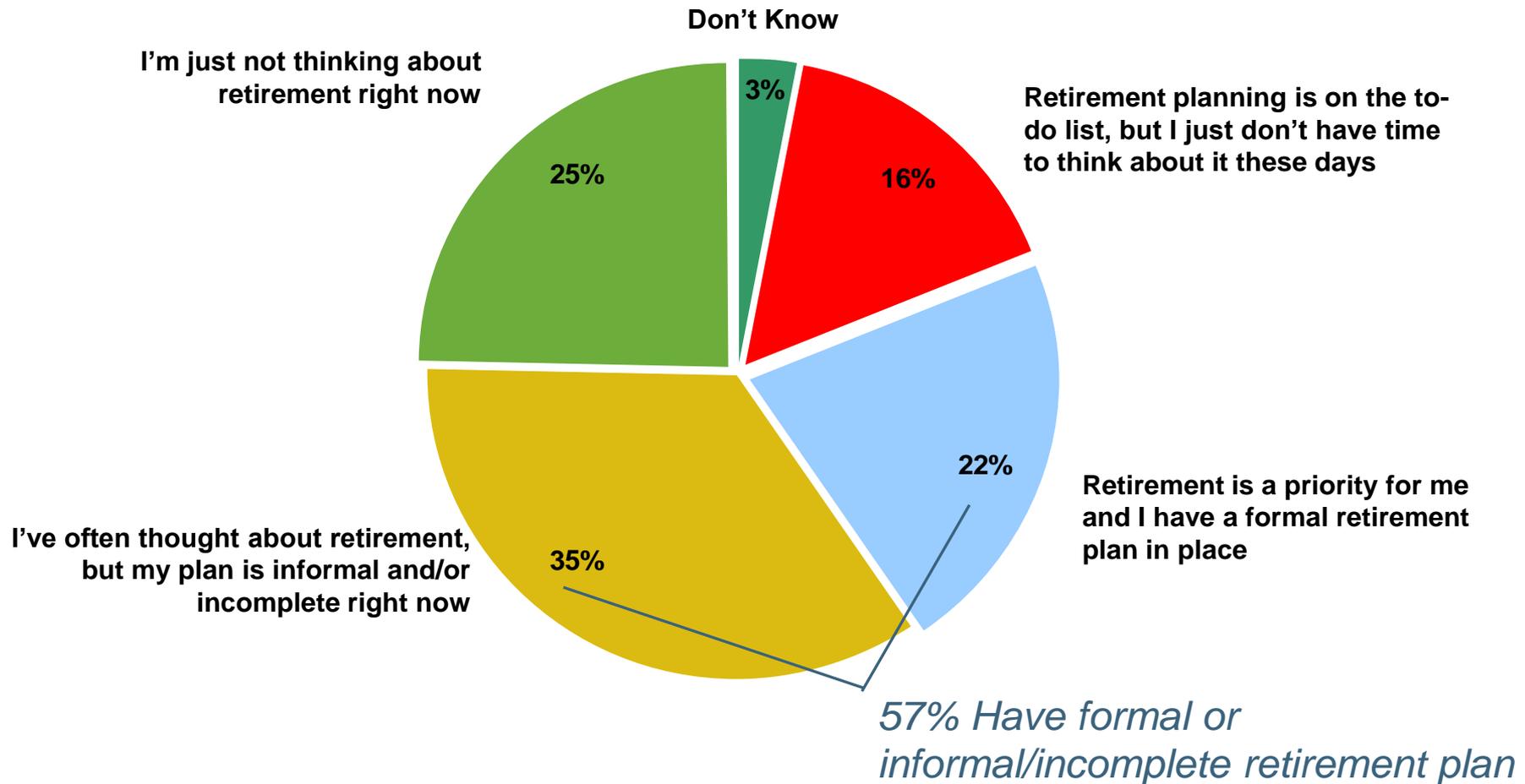
Base: Retire after 65: n=202; No Plans to Retire: n=48 (note small base size).

Responses <5% are not shown.

Question: On average, Canadians retire between the ages of 60 and 65. You indicated that you plan to retire [earlier/later]. What is the main reason for this choice? Not at all: You indicated that you do not plan to retire. What is the main reason for this choice?

While Retirement is a Priority for Some, Few Have a Formal Plan

Only one-in-five (22%) small business owners have a formal retirement plan in place. Three-in-five (57%) business owners prioritize retirement by having either a formal or informal/incomplete retirement plan.

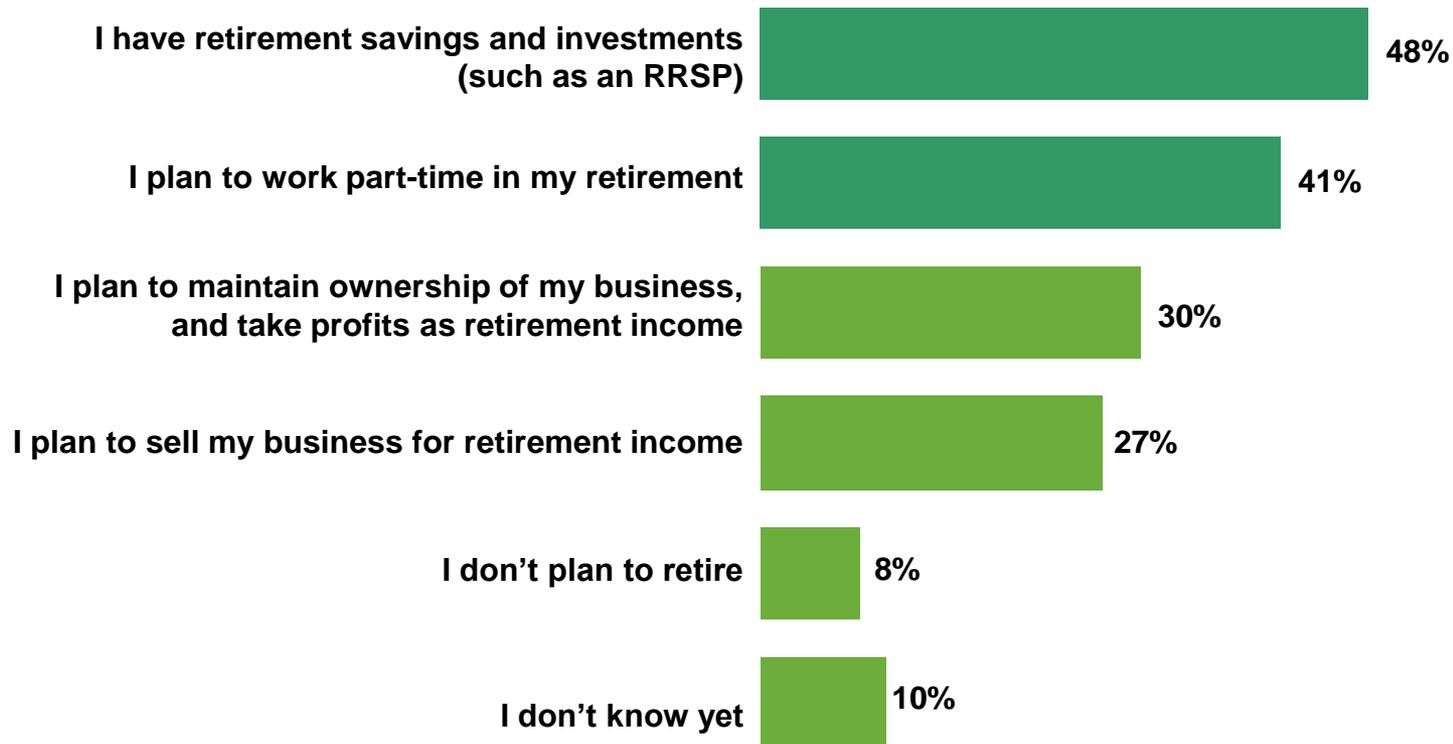


Question: "Thinking about where you are currently in your career as a small business owner, please select the statement that best applies to you when you think about retirement." [n=555]

Savings and Working Part-Time During Retirement are Most Common Retirement Income Plans

For more than half of business owners, their business is a factor in their retirement plan; 30% state they plan to maintain ownership of their business and use profits as retirement income while 27% are planning to sell their business for retirement income.

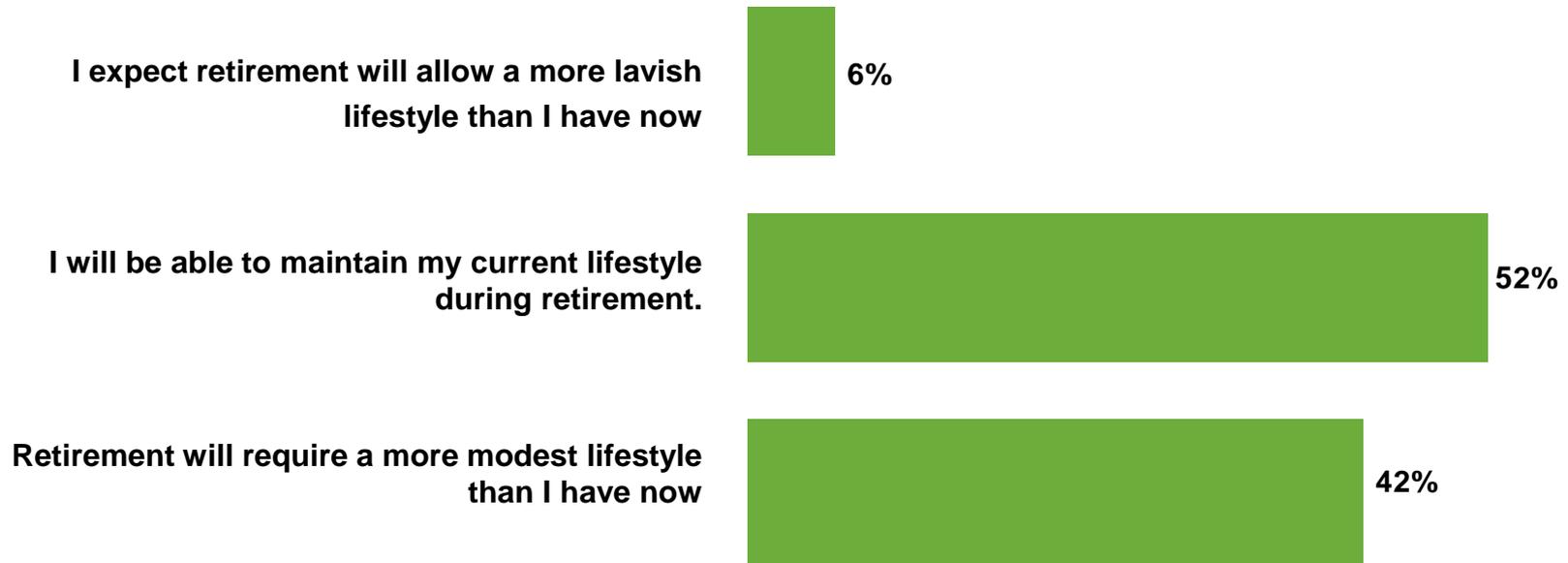
Business owners between 18 and 34 years are much less likely than their older counterparts to plan on working part-time during their retirement (13% vs. 42% respectively).



Question: "How do you envision you will fund or financially support your retirement? Please select all that apply."
[n=555]

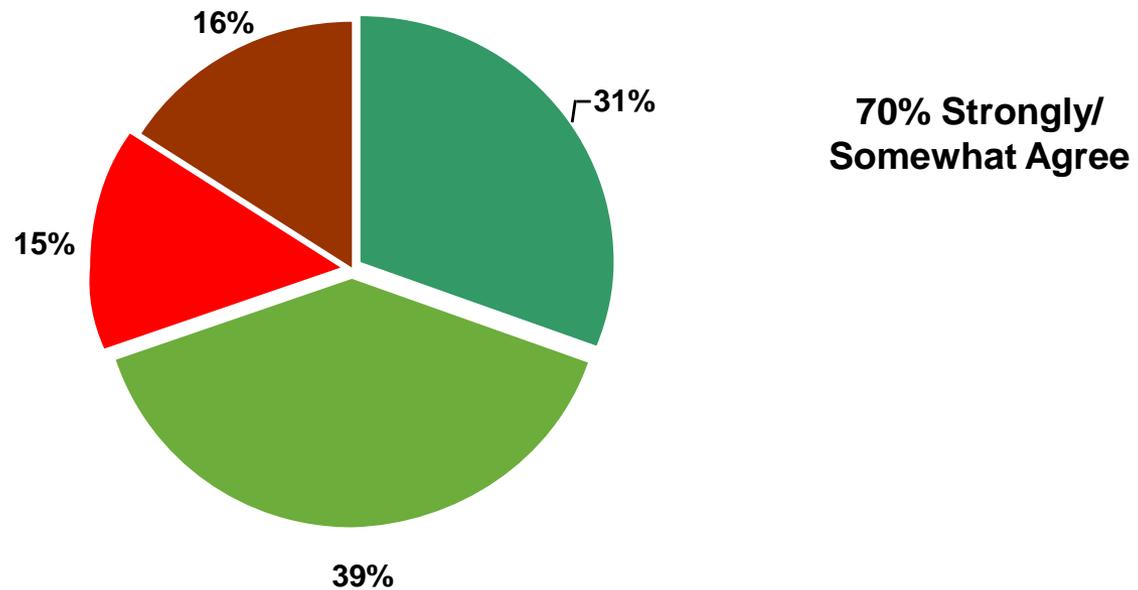
More than Half of Small Business Owners Expect to Maintain Current Lifestyle in Retirement

While one-half (52%) of business owners expect to be able to maintain their current lifestyle during retirement, two-in-five (42%) expect that retirement will require a more modest lifestyle than they have now.



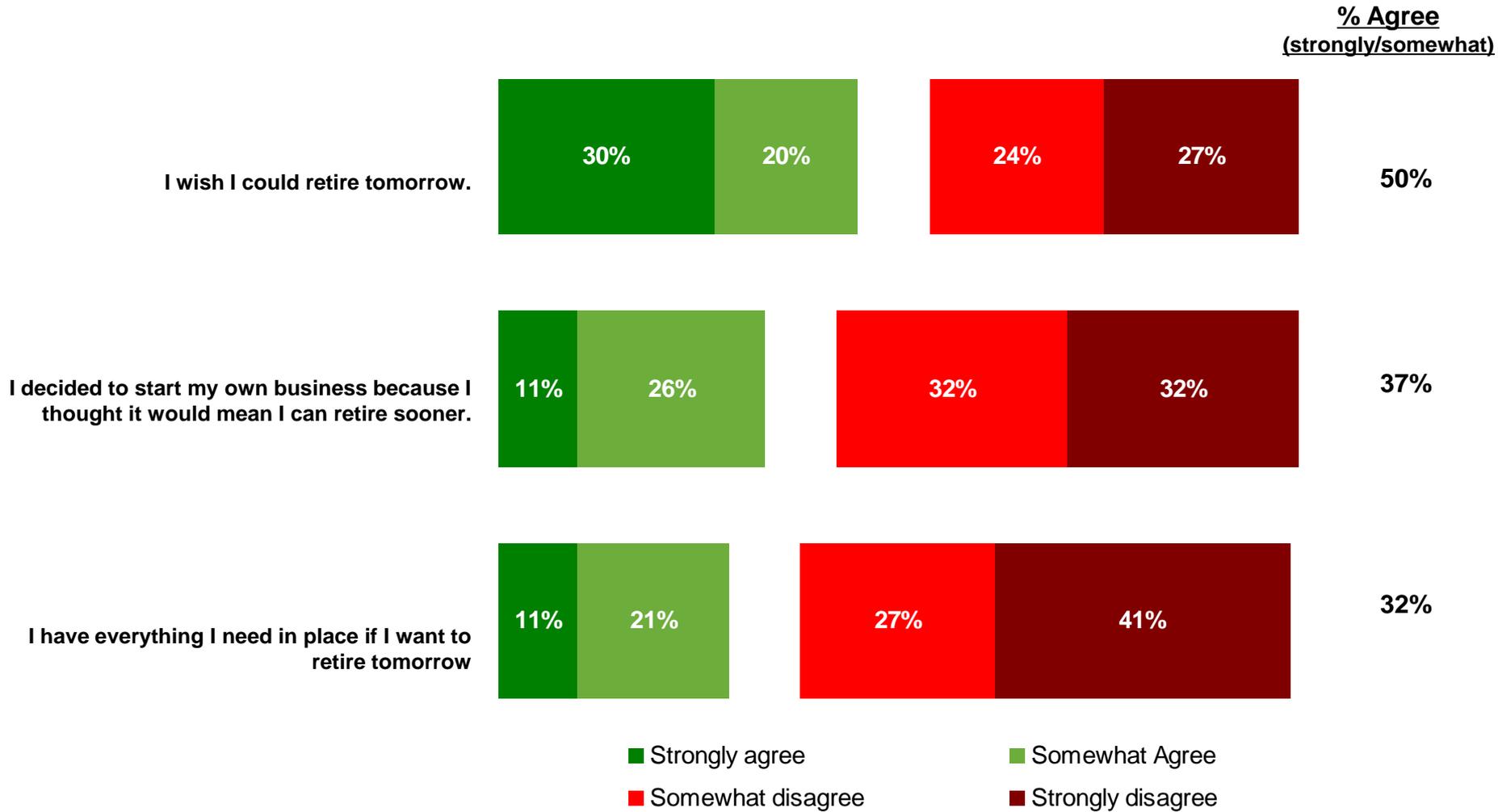
“Retirement” for a Majority of Business Owners Means Maintaining a Role in Business

Even when I retire, I will still have a role in my business.



■ Strongly agree ■ Somewhat Agree ■ Somewhat disagree ■ Stongly disagree

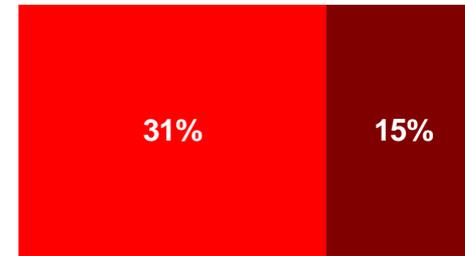
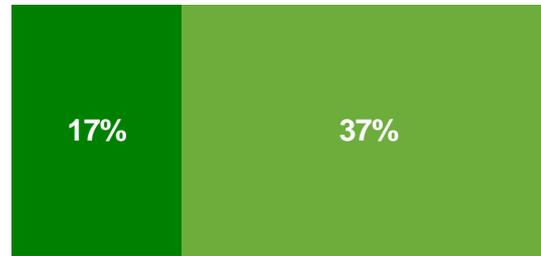
While Half of Small Business Owners Wish They Could Retire Tomorrow, Only One-Third Feel Prepared to Do So



Business Ownership Means Entrepreneurs Will Retire in Better Financial Stead but not Sooner than Friends Who don't Own Business

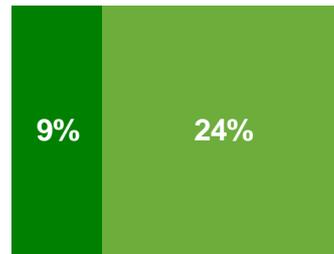
**% Agree
(strongly/somewhat)**

I will retire in a better financial position than my friends who do not own their own business



54%

I will retire before my friends who do not own their own businesses



33%

■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree