Morningstar Investor Perspectives Canadian Financial Advisors

4 Trends Shaping Client Relationships

How to build trust and show value featuring insights from our latest survey across Canada.



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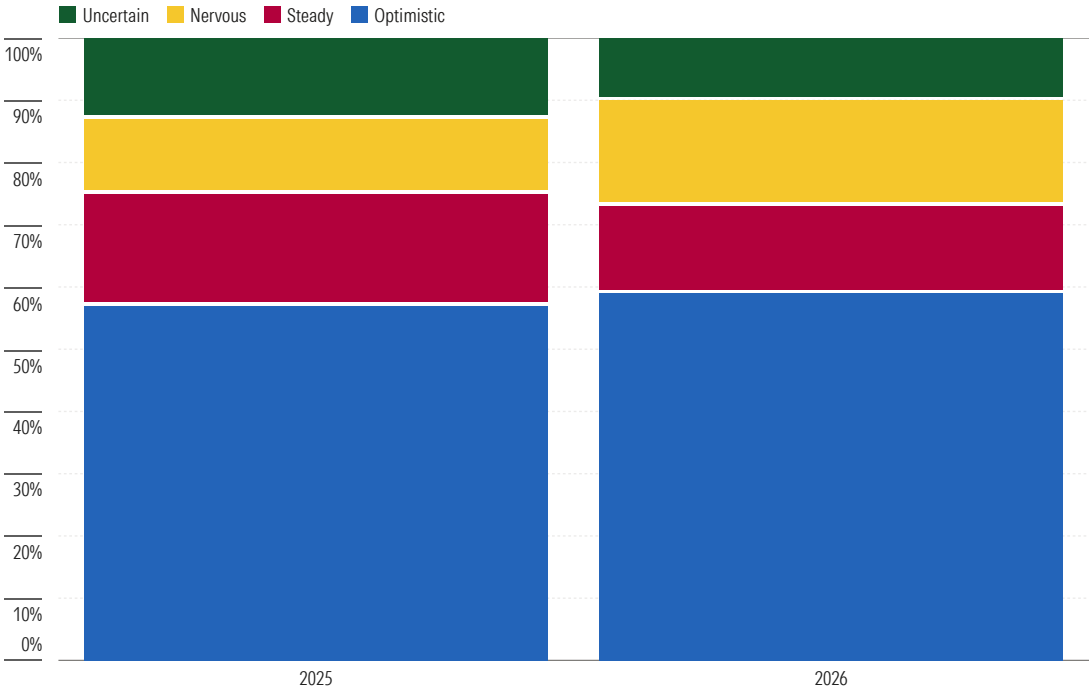
Executive Summary

As client expectations and investment opportunities evolve, Canadian financial advisors are expected to adapt to a reality shaped by artificial intelligence and more engaged clients.

And they're aware of these shifts: More than half (62%) of advisor respondents agree that AI will have a significant impact on the financial advisory industry. At the same time, 71% say that competition among advisors is extremely fierce.

Still, this development has not translated into broader market negativity. Only 26% of advisors reported feeling uncertain or nervous about the current market—that is, they think there's too much volatility to make any decisions or it seems risky right now.

Canadian Advisors' Feelings About the Market



Source: Morningstar. Data as of 2026.

Yet advisors aren't fully confident, either.

Although they remain largely positive about the market, advisors are navigating a more complex environment with several top market concerns becoming more pronounced in 2026:

- Market volatility (40% versus 31% in 2025)
- Inflation (34% versus 30% in 2025)
- Tariffs/trade policy (32% versus 22% in 2025)

Our *Morningstar Investor Perspectives: Financial Advisors* survey reveals that providing financial advice alone isn't enough. Advisor priorities are reflecting this change: Although the overall data tells us they spend roughly the amount of time they want on client-focused activities (39% versus an ideal of 40%), more than one-third (36%) want to focus additional time on these efforts.

This focus on client engagement is even more crucial as investors become interested in understanding advisor fees and the value they receive in return. Plus, emerging trends such as AI and private markets are creating opportunities and challenges for advisors.

Together, these trends suggest that advisors may need to balance technology innovation with human elements like transparency and education in order to truly meet client needs. By strengthening relationships and offering clarity, advisors can differentiate themselves while helping clients reach their long-term goals.

Methodology Overview

The Morningstar Investor Perspectives: Financial Advisors survey provides unique insights on the wide-ranging attitudes, behaviours, and preferences of advisors.

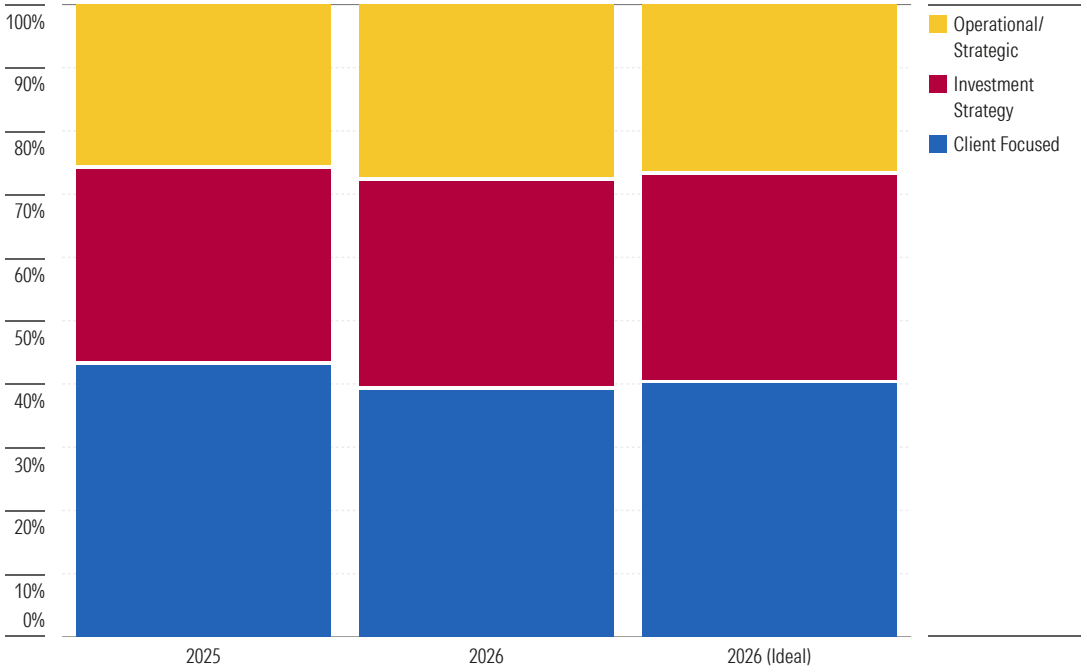
Our findings were based on a total of 300 online responses collected across Canada between July 21 and August 16, 2026.

The large and diverse sample allowed us to gather information from different subgroups and deepen our analysis and insights.

Client Engagement Remains Central to Advisor Success

Changing client needs are shaping advisor priorities. The time that advisors spend on client-focused activities, such as customizing an investment strategy to a client's goals, is roughly the amount of time that they want to spend in 2026 (39% versus an ideal of 40%).

Canadian Advisors' Time Spent in Activity Areas



Source: Morningstar. Data as of 2026.

Even so, more than one-third (36%) of advisors still want to focus more time on these efforts, suggesting that advisors view direct client engagement as one of the clearest ways to deliver value.

Advisors who want to spend more time with clients feel they add more value than other advisors around tailoring financial plans (37%) and fostering trust (28%). This may reflect their belief that having a deeper understanding of client needs can contribute to greater client satisfaction.

Still, top barriers that stand in the way of advisors providing clients with their desired level of advice and service include administrative work (31%), lack of time (30%), and regulatory/compliance burden (30%).

Thirty percent also cited client behaviour/emotional decision-making as a key factor that impacted their ability to deliver advice. By leaning into behavioural coaching, such as providing a second opinion or acting as a financial teacher, advisors can help clients manage their emotions and stay focused on their goals.

When asked on an open-ended basis, advisors said they would like to remove administrative paperwork burdens (18%) and investment research and diligence (18%) from their workload to create additional time for clients.

31%

Percentage of Canadian advisors who indicate administrative/operational work as the top barrier to more client engagement.

Although every advisor's approach is different, they highlight common areas where they add the most value to their client relationships, including:

- Managing investments with expertise, optimizing for growth and risk management (38%)
- Tailoring financial plans to unique needs and goals (31%)
- Educating clients on financial concepts and investment options (30%)

In other words, advisors continue to recognize that their value goes beyond investment outcomes.

While these areas have remained relatively flat from 2025 to 2026, some exceptions exist. The percentage of advisors who identified educating clients on financial concepts and investment options has increased from 25% to 30%, bringing it closer to the second-highest value-add from the client perspective (35%).

Conversely, advising on strategies to manage or reduce debt in a financially efficient manner decreased from 34% to 29%.

Key actions for advisors:

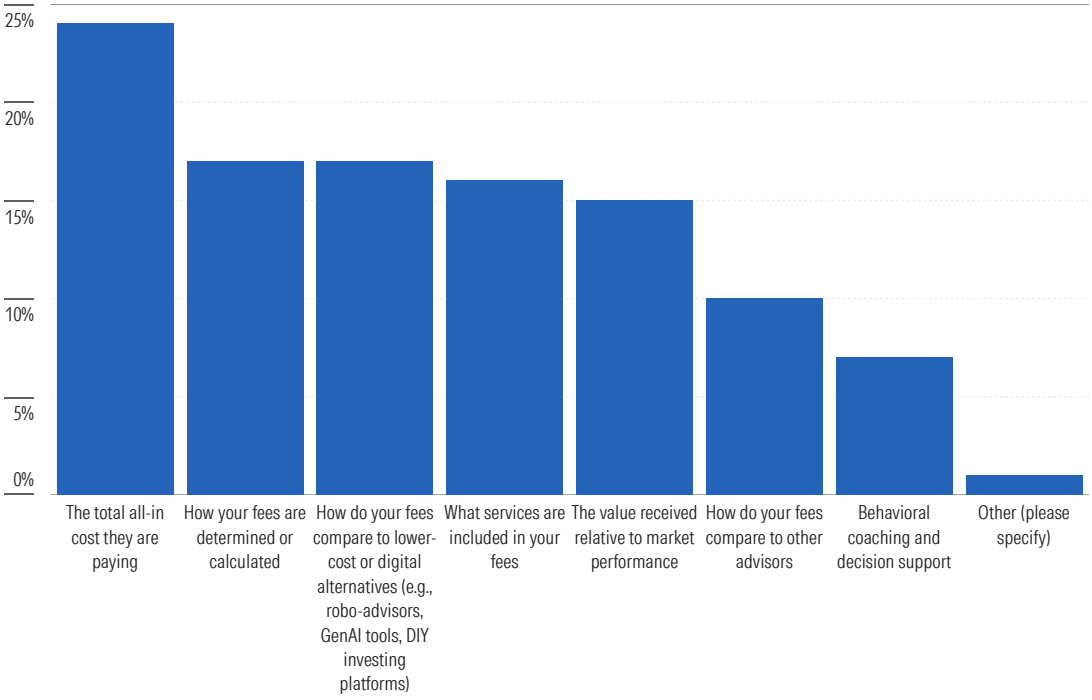
- Reduce administrative burdens where possible to create more time for client-focused activities.
- Use behavioural coaching techniques to help clients navigate market volatility and decision-making.
- Lead with both financial expertise and educational support to deepen client relationships.

Fee Transparency Influences Client Trust

Understanding how advisors are compensated remains an important part of the client relationship, especially as investors become more engaged in evaluating the type and level of service they receive.

Sixty-two percent of advisors continue to discuss fees with their clients at least quarterly, a decrease from 67% in 2025.

Fee-Related Topics Canadian Clients Raise Most Often



Source: Morningstar. Data as of 2026.

The Total Cost Reporting, or TCR, initiative is meant to provide even more fee transparency. Beginning in 2027, annual reports will include detailed breakouts of investment costs, including one-time fees, commissions paid to advisors, and amounts paid to fund managers.

This means advisors should be prepared to clearly justify their fee schedules and highlight the value provided to investors. In fact, more than half (54%) indicated their clients ask about fees frequently or almost every meeting.

When clients do raise questions, focus tends to be on the total all-in cost they're paying (24%), how fees are determined or calculated (17%), and how fees compare to lower-cost digital alternatives like robo-advisors (17%).

This implies that investors want to understand what they're paying for and the ways that those services contribute to their financial outcomes.

If transparency is what clients seek, advisors must provide clarity on fees in order to build trust and create smoother, more informed conversations.

Put simply, fee conversations may not only be about cost—they may also be a way for advisors to demonstrate value through expertise and guidance.

62%

Percentage of Canadian advisors who discuss fees with their clients at least quarterly.

The most effective ways for advisors to show their value when compared to fees include:

- Investment performance and portfolio outcomes (25%)
- Long-term relationship and trust (21%)
- Financial planning expertise (17%)
- Personalized service and responsiveness (12%)

In other words, both portfolio performance and client relationships are top of mind for advisors in terms of how they justify their clients to spend on them.

Clear communication plays a major role in building client trust as well. More than one-third of advisors (34%) cited fee transparency and explanations (as in, clear fee disclosures and trust in fee transparency) as the top impact on client relationships and behaviour.

At the same time, not adequately explaining fees is one of the most common unintended advisor mistakes. By preparing to answer questions around fee structures and recommendations, advisors can provide clarity that builds trust and leads to smoother, more informed conversations.

Key actions for advisors:

- Proactively communicate fee structures and services, even when clients don't ask.
- Connect fees to specific outcomes like personalized planning and ongoing guidance.
- Use transparency to build client trust.

AI Adoption Increases Among Advisors

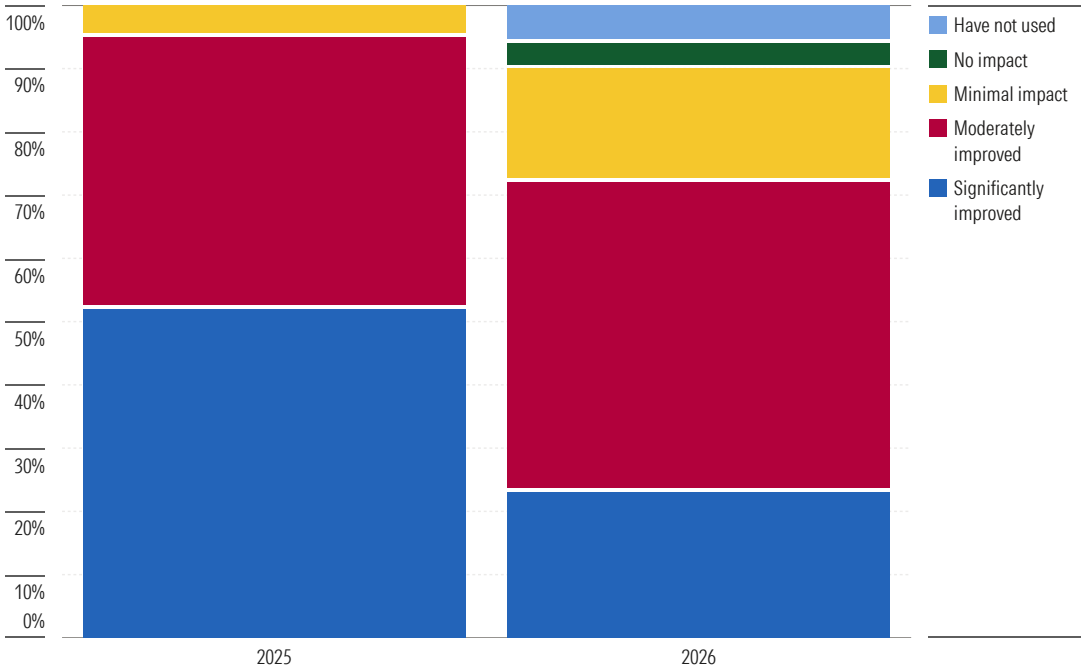
AI is quickly becoming a standard part of how advisors work. Advisors are turning to AI more for their own productivity gains and less for client-facing efforts this year.

The top areas where advisors are using AI include:

- Idea generation or brainstorming (43%)
- Internal productivity like meeting summaries and email drafts (41%)
- Marketing and content creation (39%)

While advisors also noted that the tool has significantly or moderately improved their efficiency, this percent has fallen from 94% in 2025 to 72% in 2026.

AI Impact on Canadian Advisors' Efficiency



Source: Morningstar. Data as of 2026.

Although there is still positivity around AI, perceptions have shifted since 2025. Those who view it as a threat increased from 16% to 40% in 2026, while advisors who see the tool as a help declined from 66% to 39% in 2026.

For advisors who view it as a threat, their top reasons center on workforce and professional impact (36%), AI capabilities and information (30%), and market dynamics and commercial impact (19%).

Concerns are understandable: Investors may be less willing to pay an advisor using AI the same rate as one not using it.

Advisors can address this challenge by highlighting the ways AI helps free up time for client services and explaining their procedures in place to review AI output and ensure quality.

These tools also offer clients the ability to conduct their own research and ask more detailed questions. But AI can generate noise. This means it's crucial for advisors to understand how clients are using the tool and help them make sense of the information they receive while maintaining alignment with their long-term goals.

Forty-two percent of advisors reported the most positive impact of AI was improving efficiency in client communications, by facilitating tasks such as summarizing notes and generating follow-ups.

This suggests that advisors see the functional benefits of AI and are also prioritizing its use in areas that can strengthen client engagement.

Looking ahead, nearly half (49%) of advisors noted that AI and advisory work, such as more efficient advisor decision-making and AI in client advisory services, will have the most significant impact on the financial advisory industry over the next three years.

43%

Percentage of Canadian advisors who use AI for idea generation or brainstorming.

As adoption continues to grow, the question for advisors may shift from using the tool to applying it more efficiently. Morningstar's latest framework helps advisors examine where AI can fit into their workflow and how its value stacks up against its costs.

Key actions for advisors:

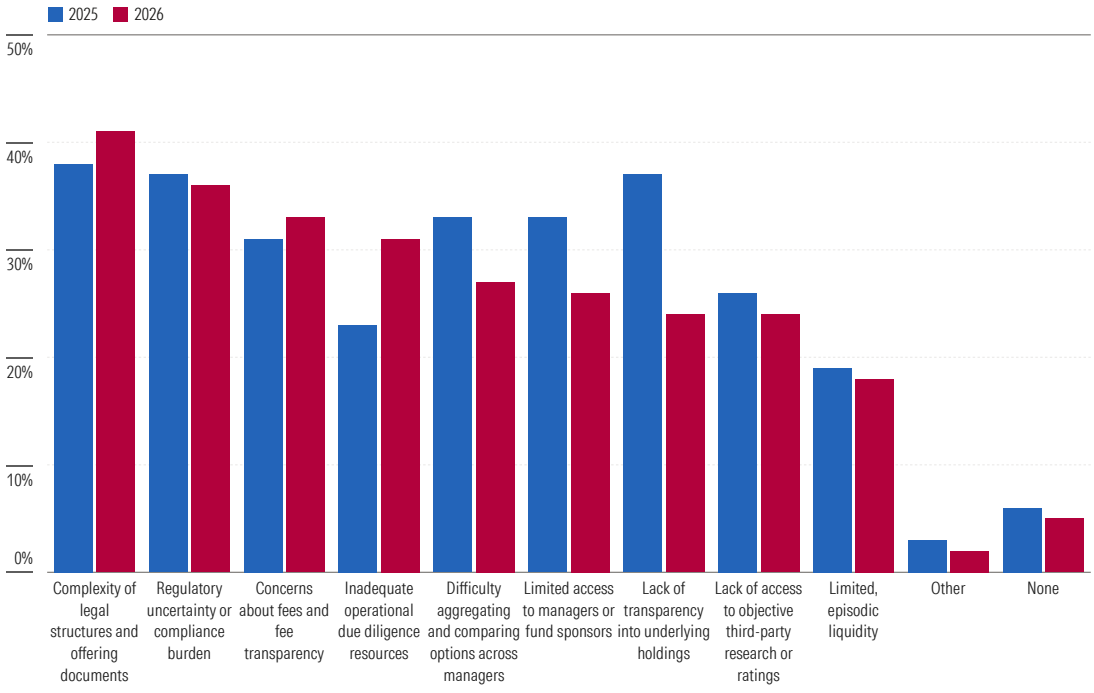
- Identify routine tasks that can be streamlined with AI.
- Establish clear review processes to ensure AI-generated content is accurate and aligns with client needs.
- Focus AI use cases on improving workflows and client communications rather than replacing human interaction.

Private Market Demand Grows Despite Challenges

Private markets continue to grow in both size and influence. As of October 2026, 1,782 private companies worldwide qualified as "unicorns," meaning their valuations exceeded $1 billion.

This trend reflects the expanding presence of private investments in portfolios and creates a need for advisor guidance on where these investments may fit within a client's broader financial plan.

Top Private Market Due Diligence Challenges



Source: Morningstar. Data as of 2026.

But challenges with these investments persist, and in some cases have become more pronounced since last year.

The top barriers for advisors to conducting private market due diligence include:

- Complexity of legal structures and offering documents (38% in 2025 and 41% in 2026)
- Regulatory uncertainty or compliance burden (37% in 2025 and 36% in 2026)
- Concerns about fees and fee transparency (31% in 2025 and 33% in 2026)

These findings suggest that success isn't only about understanding private markets—advisors must know how to evaluate and communicate opportunities.

Yet factors like liquidity constraints, unclear product selection, and inconsistent valuation can add complexity when assessing private markets.

That's not all: Less than one-fifth (19%) of investors say they understand how private market investments work. In other words, education may be just as important as investment selection when discussing private markets with clients.

However, this lack of confidence around private markets may not extend to advisors. Eighty-seven percent of advisors reported feeling somewhat comfortable or extremely comfortable explaining the private investments they offer to clients compared to 91% in 2025.

This slight decline suggests that more discussion around private markets is amplifying the challenges faced by advisors.

Despite these issues, the percentage of advisors offering private markets to their clients increased from 46% in 2025 to 50% in 2026.

Meanwhile, advisors who offer private market investments anticipate client allocation to remain the same (37%) or increase to some degree (57%).

87%

Percentage of Canadian advisors who feel somewhat or extremely comfortable explaining private investments.

Private markets are becoming a more established part of client conversations, increasing the importance of advisor expertise, due diligence, and client education when evaluating where these investments fit within portfolios.

Key actions for advisors:

- Evaluate private investments with a focus on fees, liquidity, and transparency.
- Communicate the role that private markets may play within a broader portfolio.
- Offer education around how private market investments work.

Key Takeaways

- Client engagement: Advisors view spending time with clients as a clear way to deliver value—more than one-third (36%) want to focus more time on these efforts.
- AI adoption: AI is becoming a standard part of advisor workflows, and 72% of advisors report it has significantly or moderately improved their efficiency.
- Private markets: Interest in private markets continues to grow despite a slight decline in advisor confidence, with 87% of advisors feeling comfortable or extremely comfortable explaining private investments to clients compared to 91% in 2025.

Deepen Client Trust With Confidence

Today's advisors need to deliver more than good financial advice—they must also meet investors' needs and provide clarity on emerging trends. Our findings from the Morningstar Investor Perspectives: Financial Advisors survey highlight key opportunities for advisors to strengthen client trust and adapt to a shifting market.

Morningstar supports advisors and their goals. With Morningstar Direct Advisory Suite, advisors can address these top areas of concern through a unified investment workflow that combines research, portfolio construction, and practice support in one experience.