



Toward a National Strategy for Financial Literacy Phase 2: Priority Groups



***Toward a National Strategy
for Financial Literacy***

***Phase 2:
Priority Groups***

A consultation paper

Fall 2014

Public Consultation

The Government of Canada is leading the development of a national strategy on financial literacy, with the goal of strengthening Canadians' knowledge, skills and confidence to make sound financial decisions throughout their lives.

This public consultation process seeks the views of interested parties as we develop this national strategy for financial literacy.

Please give us your comments on the questions we pose throughout this paper, and indicate whether you are responding on behalf of an organization or as an individual.

Invitation to comment

We encourage readers to send comments electronically by December 10, 2014 to consult@fcac.gc.ca. You may also send written comments before that date to:

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FCAC may wish to quote from or summarize your comments in its public documents and post them in whole or in part on its website. Please indicate clearly if you would like FCAC to:

- withhold your identity when posting, summarizing or quoting from your comments, or
- withhold all or part of your comments from its public documents.

All comments received by FCAC will be subject to the *Access to Information Act* and may be disclosed in accordance with its provisions.

A number of ways are being proposed to engage Canadians and organizations in shaping and implementing the national strategy:

- The Financial Literacy Leader, appointed by the Government of Canada in April 2014, is working with interested organizations and individuals to discuss and coordinate financial literacy activities.
- A National Steering Committee on Financial Literacy has been established. It brings together experts and leaders who will help develop and implement the national strategy and engage broad audiences in contributing to its goals and objectives.

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Introduction

“Financial literacy means having the knowledge, skills and confidence to make responsible financial decisions. We want all Canadians to have the skills they need to make solid financial choices that benefit them.”

The Honourable Kevin Sorenson, Minister of State (Finance)

“Financial literacy is a critical life skill for all Canadians, regardless of age or financial circumstance. It is important that we develop a national strategy that is inclusive, relevant and accessible for all Canadians.”

Jane Rooney, Financial Literacy Leader

Canadians are faced with a constantly evolving financial and economic world, with increasingly complex financial choices and decisions, whether these relate to day-to-day money management, planning for the future, finding and accessing the right financial products and services, or protecting themselves from fraud. Offering opportunities for all Canadians to learn and incorporate relevant financial knowledge and skills into their daily lives can have a profound impact on their financial well-being and success.

Developing a national strategy

Strengthening the financial literacy of Canadians is a long-term endeavour that will need engagement from a variety of stakeholders. The Government of Canada has made financial literacy a priority. It has already moved forward on many of the recommendations made by the Task Force on Financial Literacy—for example, naming the Financial Literacy Leader, creating a National Steering Committee on Financial Literacy and boosting investments in federal financial literacy programming. With support from the National Steering Committee members and through input received from consulting with Canadians and interested groups, the Government is developing a national strategy for financial literacy for all Canadians. In developing the strategy, we want to ensure that it is inclusive, relevant and accessible for all Canadians and is taking into consideration ways to meet the needs of those who may have different financial literacy needs. The responses to the questions in this paper will be considered in the development of the strategy.

The 2009 Canadian Financial Capability Survey found that low-income Canadians, newcomers and Aboriginal peoples could benefit from further strengthening in at least three of the five areas that make up the Financial Literacy Index. These include making ends meet, planning ahead, and staying informed about developments in the financial marketplace. Other research has shown that the low-income population includes disproportionate numbers of people with disabilities, women and single adults. For this reason, these groups have been identified as priority groups.

The Government would like to identify the needs of those in the priority groups in order to improve their financial literacy. We invite you to provide your comments by responding to the questions you will find throughout the paper.

Consultation process

In developing the national strategy for financial literacy, the Government wants to ensure that it is inclusive, relevant and accessible for all Canadians.

Input received on this consultation paper will help identify ways to build on the considerable work already underway, while helping to foster increased cooperation and accountability in this area, and improve the financial well-being of all Canadians.

Overall consultation paper questions

- What are some examples of financial literacy needs of these priority groups that are different from those of the broader Canadian population?
- Can you suggest effective ways for these needs to be addressed?
- What successful or promising financial literacy initiatives are you aware of that might be tried by others to meet these needs?

How can we strengthen financial literacy?

Financial literacy is having the knowledge, skills and confidence to make sound financial decisions. To strengthen their abilities, Canadians could be encouraged to:

- plan ahead for short and long-term financial goals
- manage their financial affairs, including helping them to choose suitable financial products and services
- increase their understanding of, and access to, public and private benefits
- expand their awareness of how to protect themselves from fraud and financial abuse.

Today's financial literacy landscape

Financial literacy is a priority in Canada. To direct the development and implementation of a national strategy on financial literacy that is inclusive, relevant and accessible for all Canadians, the Government appointed Canada's first Financial Literacy Leader in April 2014. This is the first such position in any country. The role of the Leader is to work with public, private and non-profit organizations, and to coordinate their efforts, to enhance the financial knowledge, skills and confidence of Canadians to help them make sound financial decisions.

In July, the Financial Literacy Leader and the Minister of State (Finance) appointed a National Steering Committee on Financial Literacy, with 15 members drawn from a broad range of public, private and non-profit organizations across Canada. Steering Committee members will provide leadership and promote participation in financial literacy initiatives within the sectors they represent, and help to ensure an effective and collaborative approach is used in implementing the national strategy.

There is no lack of information or effort when it comes to improving financial literacy. Many organizations are actively working to deliver financial information, education and guidance to priority groups, such as Aboriginal peoples, newcomers to Canada and low-income Canadians, as well as people with disabilities and some women with specific needs within the population.

Initiatives underway

- E4C in Edmonton is one of many non-profit organizations offering free tax-preparation services to low-income Canadians. E4C's program, *Make Tax Time Pay*, helped over 4,400 low-income residents in Edmonton to file their income tax returns in 2012, enabling them to secure over \$1.7 million in additional income.
- AFOA Canada (formerly the Aboriginal Financial Officers Association of Canada) has developed *Dollars and Sense*, a financial literacy program for Aboriginal children and youth with three age-appropriate modules that cover tracking spending, goal setting, budgeting, needs and wants, ways to save and use money, banking that's right for you and financial priorities. AFOA Canada oversees the training of facilitators who deliver the program modules in the classroom.
- The Canadian Foundation for Economic Education (CFEE) produced the CFEE Dayplanner for newcomers to Canada. This free planner has information on banking and other key financial matters, and provides newcomers with direct links to reliable resources on topics such as debt management, mortgages and investments.
- SEED Winnipeg delivers *Money Stories: Grounding Youth in the Lessons of their Elders*, an intergenerational financial literacy program developed in collaboration with the Aboriginal Seniors Resource Centre and Children of the Earth High School. *Money Stories* offers after-school money

management training to Aboriginal youth, using traditional cultural teachings and support from Aboriginal elders.

- Prosper Canada has launched the *Financial Literacy for Newcomers Program* in partnership with six community organizations across the country. The program will train almost 200 front-line staff to deliver financial literacy workshops in their communities, reaching over 1,100 newcomers. An online tool also helps front-line staff provide high-quality financial information that is relevant to the settlement needs of newcomers in Canada.
- In May 2014, Canada's largest banks announced a commitment to enhance low-cost bank accounts and offer no-cost accounts with the same features as low-cost accounts to a wider range of eligible consumers, some of whom may be in the priority groups. No-cost accounts will be available to youth, students, seniors qualifying for the Guaranteed Income Supplement, and Registered Disability Savings Plan beneficiaries. Banks have committed to bringing the voluntary guidelines into force by January 15, 2015.
- Citizenship and Immigration Canada has developed the *Welcome to Canada* guide, which includes a "Money and Finances" section, created in collaboration with FCAC. It covers

information on the cost of living in Canada, obtaining credit and loans, accessing banking services, and taxation.

- A national financial literacy resource database will be launched by the Financial Consumer Agency of Canada in fall 2014. This interactive tool on FCAC's website will be a one-stop shop and will list materials and resources offered by organizations throughout Canada. Users will be able to select from menus to find resources for low-income Canadians, Aboriginal peoples, newcomers, Canadians with disabilities, seniors and others. The tool will also allow organizations that offer financial literacy services to identify resources and partnerships that might enhance their own financial literacy programs.
- FCAC will launch a new online resource in its Life Event series called "*Living with a Disability*" in November 2014. This will provide consumers with disabilities, or those who are caring for someone with a disability, with information and tips on how to handle the financial impact of disability.

Strengthening financial literacy

Helping people plan ahead

Financial literacy is a lifelong endeavour of continuous learning, skill development and use of these skills. Many Canadians can and do save and build assets, knowing that even modest savings can provide a critical financial cushion against unexpected costs and protect them from further hardship. However, recent statistics on savings rates and debt levels show that more needs to be done to improve the financial well-being of Canadians. Providing accurate, relevant and easy-to-understand information is one important way to help Canadians budget, plan and save in a way that best suits their needs.

We can help people plan ahead by:

- working with the industry to promote awareness of, and access to, resources and tools that help those in the priority groups plan, save and prepare for the future
- encouraging those who develop financial planning resources to make information clear and easy to understand.

Potential initiatives

In addition to the many initiatives and efforts already underway, the Financial Literacy Leader could work with stakeholders to do the following:

- encourage the financial sector and financial planning industry to develop programs and evaluate their existing resources to ensure that they provide relevant financial advice specific to the needs of the priority groups
- consult with employers, human resources professionals, pension plan service providers and workers who participate in federal apprenticeship and youth employment strategy programs on how best to implement workplace financial learning
- promote awareness of the opportunities available to those in the priority groups to engage in affordable or free financial learning through online resources listed in FCAC's financial literacy resource database.

Questions on how to do this:

1. Do you know of other initiatives that can help serve as best practices for any of the priority groups?
2. What solutions can you offer to any barriers that might deter people from planning ahead?

Helping Canadians manage their financial affairs

Many individuals in the priority groups do not access the financial management resources available to them because they do not know about them, or

because the resources aren't accessible, or they do not meet their needs.

We can help people manage their financial affairs by:

- encouraging organizations and financial professionals to use clear, transparent and user-friendly information and forms that are tailored to the diverse needs of those in the priority groups
- working with industry to increase awareness and promote access to resources and tools that help

Canadians in the priority groups manage their financial affairs

- developing and promoting tools that help those in the priority groups choose the financial products that best meet their needs
- seeking new ways to reach those in the priority groups.

Potential initiatives

In addition to the many initiatives and efforts already underway, the Financial Literacy Leader could work with stakeholders to do the following:

- explore options at the federal government level to integrate financial education messages into selected federal programs and benefits that reach many Canadians in the priority groups
- encourage the financial sector to look at their financial tools for these priority groups to ensure they promote effective budgeting and debt management strategies as well as the appropriate sale of investment products to achieve key life goals (e.g. housing, entrepreneurship, education/training, retirement)
- use existing networks to promote and share currently available resources that Canadians may not be aware of
- explore the expansion of current community-based outreach activities, such as “train-the-trainer” programs that build the capacity of staff and volunteers of organizations to develop and deliver culturally appropriate and relevant financial literacy information and education in the first language of residents within their communities.

Questions on how to do this:

1. Can you give examples of the types of materials, tools, information, programs and services you would like to see to help you better manage your money?
 2. How would you like to access such services?
 3. What solutions can you offer to any barriers that might affect your access to these services?
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Helping improve understanding of, and access to, public and private benefits

Many Canadians do not understand the details of programs that are available to them. For example, the Canada Learning Bond (CLB) may provide up to \$2,000 for a child's Registered Education Savings Plan without any other money contributed. The Child Tax Benefit is a tax-free monthly payment made to eligible families to help them with the cost of raising children under the age of 18. Some

health, dental and death benefits are available through both government and workplaces, and are available to some low-income Canadians, Aboriginal peoples, newcomers and others. Understanding these benefits and being able to access them are important to easing the financial burden that many in these priority groups may face.

We can improve understanding of benefits by:

- working with public, private and non-profit organizations to promote awareness of, and access to, public and private benefits
- raising awareness of the importance of filing taxes returns as a means of gaining access to certain benefits
- trying to find more ways to reach those in the priority groups so that we can raise their awareness of hands-on tools and educational resources that already exist

Potential initiatives

In addition to the many initiatives and efforts already underway, the Financial Literacy Leader could work with stakeholders to do the following:

- enhance access to clear information on the income and other benefits that might be available for those in priority groups from the Government, which could include information on eligibility
- simplify communications and application processes to reduce barriers to programs for those in the priority groups
- promote awareness of the Canada Revenue Agency (CRA) Community Volunteer Income Tax Program, and the benefits of tax filing for all Canadians
- explore opportunities to enhance awareness of organizations participating in this Tax Program of accessible financial literacy resources that might meet the needs of those in the priority groups.

Questions on how to do this:

1. How can we promote understanding through employers, pension plan service providers and governments of the full range of benefits and retirement income supports, including participation in workplace savings programs, public pension plans and seniors' benefits?
2. What are the most effective ways to help you understand the government and private benefits available to you?
3. What barriers make it difficult to access these benefits?
4. What solutions would you propose to overcome these barriers?

Helping individuals in the priority groups increase their knowledge of how to protect themselves from fraud and financial abuse

Financial abuse often involves the misuse of someone's money or belongings by a trusted person. Fraud occurs when someone takes your funds by deception for their personal gain. Financial abuse and fraud can happen to anyone, but the consequences can be especially devastating for

those in these priority groups if they have limited resources, or if the fraud or abuse has been committed by someone in their family, or someone they trust. For some, language barriers and mistrust of the system or of people in positions of authority can prevent people from reporting fraud.

We can help individuals learn how to protect themselves by:

- identifying new points of contact with those in the priority groups, and then sharing tips on how to protect oneself against fraud
- raising awareness of the resources that are currently available to those in the priority groups
- to identify and prevent financial abuse, and how to report it if it occurs
- better understanding the types of financial abuse and fraud that are taking place, and promoting effective fraud prevention techniques.

Potential initiatives

In addition to the many initiatives and efforts already underway, the Financial Literacy Leader could work with stakeholders to do the following:

- promote awareness of how to identify, report and stop financial abuse and fraud, which could include activities targeted to members of the priority groups during Fraud Prevention Month and Cyber Security Awareness Month
- encourage those in the public, private and non-profit sectors to develop and adapt material on the prevention of fraud and financial abuse that is targeted to those in the priority groups.

Questions on how to do this:

1. What kind of information might help you ensure that you don't fall victim to financial abuse?
2. How can governments and others raise awareness about fraud, scams and financial abuse?
3. Can you provide an example of fraud or financial abuse that has been targeted at those in the priority groups, and what steps would you recommend be taken to prevent this happening again?

Measuring progress

To know how well the strategy is working, we need to measure progress. We need to be able to evaluate the strategy's impact on:

- levels of financial literacy among all Canadians including those in the priority groups
- the overall financial well-being of Canadians.

We will develop indicators to track progress against our key goals. We can draw on the considerable international research on financial literacy measurement and evaluation to create appropriate assessment and progress indicators for Canada.

Challenges to success

There is no easy or quick fix for improving the financial literacy of all people in Canada, including the priority groups. Removing barriers, changing habits and fostering a culture of financial well-being will take a collaborative effort over many years, if not decades.

Financial literacy is a significant, complex issue with many facets. For example:

- Financial education has limits and does not always translate into positive financial behaviours or outcomes.
- Canadians are dealing with increasingly complex lives and may find it challenging to access the right supports to help them improve their finances. This can be particularly true for those in the priority groups identified in this paper.
- Individuals require the right incentives, tools and supports to take charge of their financial situation. The diverse needs, backgrounds and interests of our citizens present a challenge. What works for some Canadians may not work for others.
- Reducing financial strain and promoting financial well-being can only partially be addressed through greater financial literacy.

Measuring progress questions

1. Are there any distinct means of measuring progress on improving financial literacy for these priority groups, either in addition to, or instead of, measures to be used for the broader Canadian population?
2. If yes, please identify proposed measures and reasons for suggesting them.

Despite the challenges, financial literacy has the potential to be a powerful force in people's lives. We hope that interested individuals and organizations embrace the potential activities included in this consultation paper and help to identify ways to further enhance the financial literacy of those in the priority groups. By working together, we can develop a national strategy that is inclusive, relevant and accessible to all Canadians.