



# Leveraging Excellence

Charting a course of action  
to strengthen financial literacy in Canada



## TASK FORCE ON Financial Literacy

A public consultation document  
February 2010

# About the Task Force on Financial Literacy

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In its 2009 budget, the Government of Canada announced its intention to establish a national task force dedicated to the issue of financial literacy. Appointed in June 2009, the Task Force on Financial Literacy is comprised of 13 members, drawn from the business and education sectors, community organizations and academia.

The Task Force on Financial Literacy will provide advice and recommendations to the federal Minister of Finance on a national strategy to strengthen the financial literacy of Canadians. This strategy will outline the following:

- the overall objectives, as well as a focused, concrete plan of action for strengthening the financial literacy of various segments of the population;
- ways to leverage existing resources to enhance financial literacy in Canada;
- the best means of promoting financial literacy in Canada;
- a framework for collaboration among all stakeholders – including government organizations at all levels – which would maximize financial literacy efforts in Canada and reduce duplication;
- ways in which the different stakeholders should collaborate to advance the state of financial literacy research in Canada; and
- methods of assessing the progress made in implementing a national strategy, including identifying appropriate timelines and milestones for achievement.

The Task Force will draw on global “best practices” and build on the strengths of successful initiatives that are already in place, in Canada. The Task Force will submit a final report by the end of 2010 that recommends to the federal Minister of Finance a national strategy on financial literacy. The Task Force will make its report available to the public, as well as research it has commissioned to develop its recommendations.

Information on the work of the Task Force is available at the following web address:  
[www.financialliteracyincanada.com](http://www.financialliteracyincanada.com).

*Financial literacy means having the knowledge, skills and confidence to make responsible financial decisions.*

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# Message from the Chair

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Financial literacy is an essential and relevant matter for all Canadians. It can empower each of us to improve our life circumstances and achieve our dreams, while also making Canada strong, competitive and successful.

Having worked in the financial services sector for more than 40 years, I believe deeply in the principle of financial literacy. When individuals gain financial knowledge and skills, they are better equipped to plan for the future, to weather economic downturns and to navigate major life events.

A clear consensus has emerged that, if we want to fulfill our society's potential in the 21st century, we must strengthen financial literacy across Canada. Demographic, social and economic changes mean that Canadians are assuming increasing responsibility for their financial future. At the same time, the financial marketplace is becoming more complex, which means that Canadians must try to make sense of increasingly sophisticated financial products.

The recent economic downturn — and its impact on Canadians' financial security — has highlighted the need for personal financial savvy. Even in a stable economic environment, individuals, every day, have to make financial decisions — both routine and major — that require increased financial knowledge, skills and confidence.

## **Developing the first-ever national strategy on financial literacy**

Last year the Government of Canada established the Task Force on Financial Literacy, which has a challenging mandate: to make recommendations on a national strategy to strengthen financial literacy across the country. Once formulated, this strategy will be the first of its kind in Canada.

Fortunately, many elements of such a strategy already exist. Likewise, many organizations are working actively to address this issue. These include provincial governments, which are responsible for delivering financial education throughout the school system. Their work to date has produced an impressive range of programs to foster financial literacy.

The primary focus of the Task Force is to find ways for Canada to leverage the variety of programs and resources that currently exist, for the benefit of *all* Canadians. Our goal is to identify opportunities for greater collaboration and to “connect the dots”, in order to share or build on existing expertise and approaches. We will develop a national action plan that engages both the public and private sectors in a coordinated mission to improve Canadians' financial knowledge.

## **Share your thoughts to create a Canadian-made solution**

Since our recommendations must reflect the experiences, insights and values of Canadians from all backgrounds, and from all parts of Canada, we ask for your help in designing the national strategy on financial literacy. As a country, we have the potential to become a financial literacy leader among nations, but we must engage all Canadians in this challenge. On behalf of my Task Force colleagues, I look forward to consulting with you on how we can build a stronger, more prosperous Canada through financial literacy. We urge you to add your voice to this exchange of ideas, and to contribute to this important work, which will benefit Canadians for generations to come.

Donald A. Stewart  
*Chair, Task Force on Financial Literacy*

# Reaching out to Canadians

Financial literacy is recognized as a vital and pressing issue for Canadians. There is a broad consensus among the private, public and non-profit sectors that financial literacy in Canada needs to improve. By acquiring additional knowledge, skills and confidence in the financial area, Canadians will be better equipped to make responsible financial decisions in our complex, fast-changing world. It is against this backdrop that the Task Force on Financial Literacy was created. Our mandate is ambitious: to provide recommendations to the federal Minister of Finance on a national strategy for strengthening financial literacy.

## Your input matters

To succeed in our mandate, we need your help. As part of our deliberations, we will be undertaking an extensive consultation process. We encourage you to participate in these consultations, and to share your thoughts and perspectives with us on ways to improve financial literacy in Canada.

Our national strategy must reflect the diversity and values of Canadians from every region, as well as from all walks of life. It must be based on the needs of individuals and families and offer solutions that Canadians can readily adopt and engrain in their daily lives, as they make decisions to achieve lifelong financial security. This is why we want to hear from you.

## How you can participate

To guide our consultations, this document identifies the issues and questions we would like to present for your consideration. Task Force members will visit communities from coast to coast to coast this spring, and meet with Canadians face to face. We also invite you to provide us with your submissions and suggestions in writing. Our final report to the federal Minister of Finance will reflect your comments and suggestions, as well as our research findings and a review of “best practices” at home and abroad. You will find consultation questions, on which we would like your feedback, in a box at the beginning of each of the consultation topics discussed in this document. We encourage you to provide your input on one or more of the consultation questions, through any of the following methods:



### By participating in our on-line forum.

We will post the dates for the forum on our website.



**By registering for one of the public sessions, to be held across Canada in April and May of this year.** We will post the locations and dates of these sessions on our website. We will also publicize them in the news media.

**By sending a formal written submission to the Task Force** through one of the following means by **Friday, April 30, 2010** :



### By e-mailing us at:

[info@financialliteracyincanada.com](mailto:info@financialliteracyincanada.com)



**By faxing us at:** 613-946-4172



### By mailing us at:

Task Force on Financial Literacy  
255 Albert Street, 11th Floor  
Ottawa, ON K1A 0G5

# Executive summary

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Barely a day goes by that Canadians do not have to make a financial decision of some kind or other. Some decisions are routine, such as what groceries to buy or whether to pay by cash or by credit card. However, others are more momentous, such as deciding to open a savings account, or to go away to college or university, to take out a first mortgage or to get married. To make decisions, people draw on their existing knowledge in a particular situation and apply it in such a way that is appropriate to their circumstances. In so doing, they are applying their financial literacy ability.

With this in mind, the Task Force on Financial Literacy was created with the ambitious mandate of providing recommendations to the federal Minister of Finance, by the end of 2010, on a national strategy to strengthen Canadians' financial literacy. The present consultation document, and the questions it poses with regard to key consultation topics, is an attempt to initiate a national conversation on financial literacy, to assist the Task Force in developing its key recommendations.

## **Why now?**

The work of the Task Force is taking place against a backdrop of profound social, demographic and economic change that poses complex challenges for society. In this context, the benefits of financial literacy are clear. Greater financial capability will help Canadians make major financial decisions throughout their lifetime; make sense of a broad variety of financial products and services; and encourage smart attitudes and habits. A financially educated population will be better able to weather economic downturns, as well as benefit from periods of growth.

## **The financial literacy landscape**

Since many public, private and non-government organizations in Canada already provide a wide range of financial literacy programs, one of the key challenges of the Task Force is to recommend a *framework* for collaboration, so that those already involved in financial literacy can work together more effectively. Our objective is to create a made-in-Canada solution that builds on our current resources and affords opportunities for new players and initiatives, to enhance these efforts.

In building this framework, we are asking the following questions:

*What financial knowledge and skills are essential for all Canadians?*

*What would you recommend to improve and/or build on existing financial literacy programs and initiatives in Canada?*

*What initiatives could be put in place to encourage more collaboration among the public, private and non-profit sectors?*

### **The learning foundation**

Learning about money at an early age can improve an individual's financial literacy. Several provinces have integrated, or will soon launch, a financial literacy curriculum in their educational system. This formal education will help provide a foundation for Canadians for financial decision-making throughout their lifetime. The Task Force is therefore seeking to act as a catalyst, to increase Canadians' — and particularly young Canadians' — access to financial literacy learning.

In order to do this, we are asking the following questions:

*What do we need to do to make financial education universal, relevant and accessible to all Canadians?*

*What other efforts would improve financial literacy education in Canada?*

*What parties should contribute to financial literacy education in Canada, and what roles should the following participants perform?*

- parents/family
- colleges and universities
- the private sector
- non-government organizations (NGOs)
- other

### **Understanding financial behaviour**

A central challenge in helping Canadians make better financial choices is closing the gap between what individuals say they will do, and what they *actually* do. While formal education can lay the groundwork, people may still require programs and public policies that are designed specifically for their needs — particularly when it comes to saving and investing for retirement.

We are asking the following questions:

*What initiatives might encourage people to stop procrastinating and start making, and sticking with, a financial plan?*

*What can we do to counteract people's inclination to "live for today" instead of planning for tomorrow?*

*What strategies would you recommend to help consumers who are overwhelmed by the number and type of financial products that are available to them?*

### **Borrowing and debt**

Taking on debt can be beneficial for Canadians at certain points in their lives. To purchase a home or a car, or start a business or invest in an education, most Canadians need to borrow. If this is done wisely — and they borrow at competitive rates and pay their debt off promptly — debt can be a sound financial choice. On the other hand, there is a "downside" to debt — if people take on more than they can manage.

We are asking the following questions:

*What options could be considered to help more Canadians understand the difference between good and bad debt?*

*What appropriate initiatives might help people with financial challenges before they become insolvent?*

*What changes do you believe could be made to help people make more informed choices when it comes to debt and borrowing?*

### **Saving and investing**

Canada's personal saving rate has dropped since its post-war high in the 1980s. Without a nest egg, Canadians may be poorly equipped to face unexpected expenses such as if they fall sick or lose their job. Canadians who do manage to save are faced with a bewildering choice of investment options, and may have a hard time understanding the risks and rewards involved. Helping Canadians become better savers and more engaged, astute investors has positive implications for the country as a whole.

We are asking the following questions:

*What motivates people to save?*

*What kind of information do people need to make good saving and investment decisions for their particular circumstances?*

*What else might help Canadians improve their saving and investing practices?*

### **Planning for retirement**

Many people are taking on greater responsibility and developing a lifelong strategy to ensure they have an adequate retirement income. At the same time, planning for retirement is a significant challenge for some Canadians. While Canada's retirement system is performing well overall, new initiatives and modifications may be needed to ensure that more working Canadians have enough money saved for their retirement. Also, while many Canadians could undoubtedly benefit from more financial education, certain behavioural changes may help them overcome any psychological barriers they have with respect to saving for their retirement and help them enjoy a more secure financial future.

We are asking the following questions:

*What can be done to encourage Canadians to plan and prepare for retirement at an earlier age?*

*What, from a financial literacy perspective, can be done to encourage Canadians to participate more fully in their workplace pension plan and/or a retirement plan (e.g., RRSPs)?*

*What other initiatives or incentives related to financial literacy should the Task Force consider to help promote the retirement security of Canadians?*

### **Protecting against financial fraud**

Financial fraud is a significant global problem. Greater financial literacy skills could help Canadians become more vigilant with respect to fraud and identity theft, and make them more likely to report fraudulent activities when they occur.

We offer the following questions for consideration on this topic:

*Is financial fraud linked to a lack of financial literacy? If so, how?*

*What kind of information could improve Canadians' vigilance with respect to financial fraud? How should this information be presented, and who should deliver it to Canadians?*

*Are there groups that are more susceptible than others to financial fraud and, if so, how could financial literacy help them?*

### **Communications and technology**

Financial information should be understandable; should encourage reflection and learning; and should be provided in a timely, convenient manner. For an increasing number of Canadians — especially younger Canadians — this means reaching people through interactive information materials and digital communications vehicles.

Here are the questions we are asking:

*How can financial information be best presented and communicated, in order to reach all Canadians?*

*How can we make Canadians aware of the financial information that is available, and capture their attention and interest?*

*What organizations would you trust to deliver credible and objective information over the Internet and using other new technologies?*

### **Evaluating national progress on financial literacy**

No financial literacy strategy would be complete without having some way of evaluating whether — once it is put in place — the strategy will actually produce the desired results. Statistics Canada's 2009 *Canadian Financial Capability Survey* took the first step to establish a benchmark for measuring Canadians' financial literacy achievements. The Task Force will build on international research standards to ensure that the strategy is evaluated effectively — and will adjust its method of evaluation accordingly.

We therefore ask the following questions:

*What elements should be included in a national evaluation framework to gauge progress on financial literacy?*

*To what extent can Canada use existing methods to gather data on financial literacy?*

*To what extent will new methods be required?*

*As well as assessing how financial literacy programs have improved Canadians' knowledge of financial issues, the Task Force would also like to assess how people's attitudes and behaviour have changed. Do you have suggestions about how to assess changes in attitudes and behaviour with respect to financial decisions?*

### **Conclusion**

The Task Force recognizes that much work needs to be done to develop a strategy and make recommendations for strengthening the financial literacy of Canadians. Although our task may appear daunting, the Task Force is confident that many of the answers already exist — waiting to be heard, waiting to be shared by organizations and individual Canadians who, day in, day out, make thousands of financial decisions. We hope that you will be part of this process by thinking about the topics and questions outlined in this consultation document.

# Introduction

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## Defining financial literacy

Financial literacy is an issue that affects all Canadians. But what, exactly, is financial literacy? Before beginning its mandate, the Task Force agreed on a common meaning for the term “financial literacy” to guide its efforts and discussions with Canadians. We looked at various definitions and terms that exist currently, and decided to blend the key ideas into the following broad definition:

*Financial literacy means having the knowledge, skills and confidence to make responsible financial decisions.*

We can summarize the various parts of the definition for financial literacy as follows:

- “Knowledge” means understanding personal and broader financial matters.
- “Skills” are the ability to apply that knowledge in everyday life.
- “Confidence” means feeling self-assured enough to make important decisions. This is often a key factor in galvanizing people into action.
- By “responsible financial decisions”, we mean that people will be able to use the knowledge, skills and confidence they have gained to make choices that are appropriate to their own circumstances.

# Why now?

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Barely a day goes by that people do not have to make a financial decision of some kind or other. Some decisions are routine, such as what groceries to buy or whether to pay in cash or by credit card. However, others are more momentous, such as deciding to go away to college or university, take out a first mortgage, obtain financing for a new car or get married.

For each of these decisions and at each of these moments, individuals have to draw on their current knowledge and apply it in a skillful, confident way that is appropriate to their own particular circumstances. In other words, they have to tap into their financial literacy.

While people have always had to make *some* difficult financial decisions, the challenge today, compared with the past, is that there are so many more decisions to make — each seemingly more complex and urgent than the last, and each with long-term consequences, both for the individual and for society as a whole.

Forty years ago, the situation was different. Credit cards were a luxury item, not widely used; payment cards did not exist; 25-year mortgages were the norm; and many Canadians had seemingly secure lifelong employment, with predictable pensions. Today, credit and debit cards are commonplace; 35-year mortgages are readily available; and job change is the norm, not the exception.

These trends have taken place against a backdrop of social, demographic and economic change that poses profound challenges to society. Among these challenges is an aging baby-boomer population that will soon be reaching retirement age, and an economy that is increasingly integrated into the world economy and subject to its whims — as we witnessed all too vividly, in the fall of 2008, when overextended financial and household sectors in the U.S. challenged the stability of the global financial system.

There is some evidence that these and other changes have posed a challenge for some Canadians. In April 2009, Statistics Canada conducted the first-ever, nation-wide survey on financial capability. Based on results from the survey and guided by similar research in Great Britain,<sup>1</sup> Statistics Canada conducted research for the Task Force that assessed financial capability in terms of six different scales.<sup>2</sup> The scales were designed to gauge the extent to which people balanced their home budgets (Making Ends Meet); kept track of their finances (Keeping Track); chose suitable financial products (Choosing Products); planned ahead for large purchases and retirement (Planning Ahead); stayed informed about matters related to their personal finances (Staying Informed); and answered some knowledge-based questions about financial matters (Objective Quiz). While doing well in one or more of these activities does not necessarily provide a clear indication of financial capability, some of the findings of this research work point to some potential problem areas, as do the results from the *2009 Canadian Financial Capability Survey* on which the research was based.

1 Adele Atkinson, Stephen McKay, Elaine Kempson and Sharon Collard, "Levels of Financial Capability in the UK: Results of a Baseline Survey", *Financial Services Authority Consumer Research 47*, March 2006. Available at: <http://www.fsa.gov.uk/pubs/consumer-research/crpr47.pdf>

2 Stephen Arrowsmith and Jean Pignal, "Canadian Financial Capability" (Working Paper – Draft Copy), Statistics Canada *Special Surveys*, January 2010. The Task Force will post the final version of this document on its website as soon as it is available.

For example:

- Nearly one-quarter of Canadians were found to be weak in three key areas of financial capability; namely, keeping track of their finances, planning ahead, and staying informed about financial matters; another 8 per cent were weak in all of the above-mentioned areas, as well as in making ends meet.
- More than one-third of Canadians said they were either struggling, or unable, to keep up with their finances.
- While 70 per cent of Canadians said they were preparing their finances for retirement, 30 per cent were not.
- About one-third of Canadians did not know the answer to, or answered incorrectly, a question in the Objective Quiz about what happens to their buying power when the inflation rate is higher than the interest they are earning on an investment.
- Only 35 per cent of Canadians knew that their investments in the stock market are not insured.
- Some 57 per cent of Canadians did not know the answer to, or answered incorrectly, a question in the Objective Quiz about the content of a credit report.

### **Enhanced financial literacy brings many benefits**

In a sophisticated and ever-changing marketplace, there are significant benefits to being able to manage money prudently. Increased financial literacy can help people do the following:

- cope with major financial decisions related to life events such as: post-secondary education; home ownership; marriage and divorce; children; aging parents; incapacity; longevity; death; wills;
- make sense of the financial products they already own or are considering purchasing, so they can decide if these are appropriate for their financial goals, or for their current situation;
- adopt smart attitudes and habits, including asking questions before they make decisions and doing comparison shopping for financial products ranging from credit cards, mortgages and lines of credit to insurance and a variety of investments, within a suitable portfolio;
- recognize and be less susceptible to fraud, unregulated financial products or unethical practices that can lead to financial loss;
- be aware of their own behaviour, as investors, including the principles of risk and reward in making investment decisions;
- understand interest rates and the fees associated with saving, investment and debt; and
- understand the personal tax system better to take advantage of social benefits and tax incentives such as Registered Education Savings plans (RESPs), Tax Free Savings accounts (TFSA) and Registered Retirement Savings plans (RRSPs).

A financially literate population may also benefit the overall economy by:

- promoting self-sufficiency and financial independence;
- reducing the pressure on social programs;
- enhancing economic stability;
- strengthening competitiveness; and
- contributing to stronger public markets.

### **The work of the Task Force on Financial Literacy**

Based on the information it obtains from extensive consultations with stakeholders, solid research and an examination of domestic and international best practices, the Task Force will make concrete recommendations for improving Canadians' ability to apply their knowledge and skills, so that they can make responsible decisions that are appropriate for their circumstances, throughout their lifetime.

Taking into careful consideration that the provinces and territories are taking the lead in key areas of exclusive and shared jurisdiction, the Task Force welcomes the opportunity to work closely with all of the provinces and territories to better understand the potential for building on what already exists, and strengthen the financial literacy of Canadians.

# Consultation topics

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We have chosen to focus on topics related to various aspects of financial literacy. In each of the following nine sections, there are a number of consultation questions for your consideration, along with background information and context for the specific topics. Since the individual sections are not “self-contained”, and many of the topics or issues in one section relate to those in other sections, we would ask you to look at all of the topics as a “whole”.

We encourage you to explore the issues we have outlined, and to communicate your thoughts to us. Your input is crucial to this initiative, and will greatly assist us in making recommendations for improving financial literacy in Canada.

## **About the consultation questions**

It is not a requirement to answer *all* of the consultation questions put forward in each of the following sections. Please answer those questions that are relevant to you or to your organization. We are also interested in receiving feedback, from all Canadians, on other related issues where you think the Task Force should make recommendations.

The questions included in this document are intended as a guide only, and are not meant to be exhaustive. You may also present information outside of the scope of these questions that you or your organization feel is important to the discussion of financial literacy in Canada. The Task Force will consider all of the comments that are submitted to it.

## **Confidentiality**

As the Task Force may wish to quote from submissions in its public documents and on its website, we ask that individuals making submissions clearly indicate if they wish us to keep their submission or their name confidential. If you make a submission, please clearly indicate if you would like the Task Force to:

- withhold your name when quoting from your submission, or
- withhold your entire submission from its public documents.

Persons making submissions should also be aware that their submissions could be accessible to individuals making requests for information under the *Access to Information Act*. Individuals making submissions should indicate clearly whether they would like their personal information to be withheld. If you request this, we will protect your information to the extent allowed under the law.

# 1 The financial literacy landscape

For Canadians interested in improving their financial literacy, there is a lot of educational material and a substantial number of programs available to them, from a wide range of sources.

In this section, we look at the financial literacy landscape to get a sense of the stakeholders involved and the audiences that may benefit from additional financial literacy efforts.

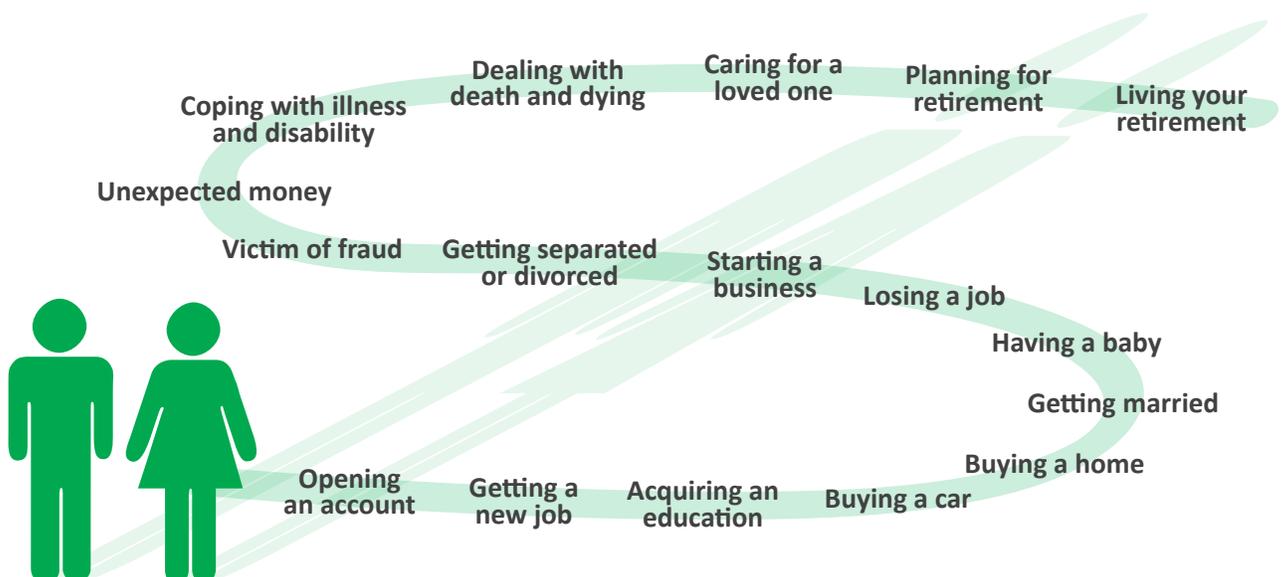
## Consultation questions — The financial literacy landscape

1. What financial knowledge and skills are essential for all Canadians?
2. What would you recommend to improve and/or build on existing financial literacy programs and initiatives in Canada?
3. What initiatives could be put in place to encourage more collaboration among the public, private and non-profit sectors?

## Issues, needs and trends

There is a broad consensus, in Canada and abroad, that financial literacy is both a life skill and a lifelong journey, from childhood to our twilight years. Canadians make decisions throughout their lifetime, and these vary in nature and context. People tend to be more engaged, and more willing to learn about new financial matters and responsibilities, when approaching or entering a new stage in their life.

Both private enterprise and non-government organizations (NGOs) now seem to be leaning towards a “life events” approach to delivering financial information on consumer products and services.



Based upon information from Investor Education Fund: [www.GetSmarterAboutMoney.ca](http://www.GetSmarterAboutMoney.ca)

**Financial literacy for whom?**

While most people may benefit from more financial literacy, we recognize that a “one size fits all” approach is not realistic. Not all Canadians have the same financial literacy needs. There are important regional and local differences that must be respected, and some population groups may require special consideration because they face specific challenges.

Many organizations have undertaken extensive research on, and designed programs specifically for, vulnerable populations. As we think about various approaches, modes of delivery and overall recommendations, we will pay close attention to the challenges and requirements of different segments of society. However, the gaps in financial literacy among those segments may have causes that are more fundamental, and more intractable, than a simple lack of financial skills (due to poverty, illiteracy or innumeracy, for example).

**Existing financial literacy initiatives**

Public, private and non-government organizations in Canada have all shown leadership with respect to financial literacy. They have attempted to address the financial literacy needs of Canadians by offering a wide range of tools and resources, including the following:

- brochures, websites and other resources designed to inform people about the financial products and services provided by all levels of government, public agencies, private-sector financial institutions and NGOs;
- widely available Internet access, making it possible to conduct on-line research on bank accounts, government assistance and tax credit programs, savings vehicles, mortgages, lines of credit and investments; and
- media outlets that focus on providing up-to-date financial information, including newspapers, magazines, on-line media, and television and radio stations.

However, since few organizations are national in reach, consumers must deal with a complex maze of regulators, jurisdictions and financial providers to obtain information.

Canada is by no means alone in wrestling with financial literacy. Around the world, policymakers have been working to address the broader challenges of financial literacy among their citizens. These global experiences have provided us with a good starting point. For example, some countries, including Australia, New Zealand and the United Kingdom, have developed a central website on financial literacy.

**Different approaches: the educational approach and the behavioural approach**

Financial literacy initiatives aim to increase people's financial knowledge, with the ultimate goal of changing their financial behaviour. There is, however, considerable evidence that increased financial knowledge alone is not enough to produce these results. There are limits to being able to provide information: some people are not able to access the information that is available; some do not pay any attention to it; and others do not even know it exists. Education, by itself, is not necessarily appropriate for everyone, nor for all stages in life.

The Task Force has taken a close look at behavioural economics, in order to understand why people's behaviour is often inconsistent with their intentions. The behavioural approach recognizes that individual financial decisions are shaped not only by people's knowledge but also by a range of psychological, social and institutional influences. As a result, behavioural incentives and other influences may also be required to encourage people to make more appropriate decisions. Both of these factors (education and behaviour) are discussed further on in this document.

**Opportunities to strengthen financial literacy**

As outlined in its mandate, the Task Force is seeking to create a framework for collaboration among all Canadian stakeholders, to build on the strengths of successful initiatives that are already in place. With the aim of bolstering Canadians' financial "know-how", the Task Force is closely reviewing the existing body of financial literacy initiatives, with a view to achieving the following:

- improving on current financial literacy efforts;
- ensuring that what is available in one location is offered in as many locations as possible;
- bringing the different pieces together;
- making use of best practices; and
- putting a structure in place to ensure continuous improvement.

# 2 The learning foundation

*Canada's educational system plays a vital role in teaching young people the essential skills that they will need throughout their lives. From reading and writing to basic mathematics and computer skills, schools try to provide students with a balanced curriculum.*

*As outlined below, the Task Force has observed that there has been more emphasis placed on teaching financial matters in schools. Financial literacy has become an increasingly vital skill for young people today, and an important learning tool for Canadians throughout their adult life. Financial literacy education in the school system is something that we can support and build on together.*

## Consultation questions — The learning foundation

- 1. What do we need to do to make financial education universal, relevant and accessible to all Canadians?**
- 2. What other efforts would improve financial literacy education in Canada?**
- 3. What parties should contribute to financial literacy education in Canada, and what roles should the following participants perform?**
  - parents/family
  - colleges and universities
  - the private sector
  - non-government organizations
  - other

To address this need, a number of financial education initiatives, listed below, are currently underway throughout Canada:

- British Columbia has made financial literacy a mandatory requirement in high school. Their *Planning 10* course addresses this need. Likewise, the British Columbia Securities Commission (BCSC) has developed a supplementary resource for this program entitled *The City: Life Skills for Planning 10*.
- Manitoba recently announced its *Building Futures Project*, which will integrate economic and financial capability, knowledge, skills and abilities into the compulsory provincial curriculum.
- Ontario has also announced that it will incorporate financial literacy into its existing Grade 4 to 12 curriculum by September 2011.
- Prince Edward Island has added a financial literacy component to a new pilot course, at the Grade 10 level, which focuses on career planning.

## Issues, needs and trends

### Increased financial pressure on youth

Children and teenagers are eager to participate in today's economy. They do this, for the most part, on a trial-and-error basis — bombarded with sophisticated marketing pitches and subject to complex consumer regulations, fees and penalties. From a young age, they become active consumers and avid shoppers, with credit, debit and payment cards, and countless options for spending online. Borrowing for post-secondary studies has resulted in a large debt burden for many young Canadians.

Although previous generations of young Canadians usually learned their financial lessons outside the classroom — as they joined the workforce and assumed the responsibilities of adulthood — the challenge, in today's society, is much greater. The marketplace is now much more sophisticated, and people have new and complex financial choices and obligations, which affect them at a younger age, with the following results:

- 60 per cent of 18- to 29-year-olds have some type of debt, with the most common being credit card debt.
- One-third owe more than \$10,000, and one-fifth in excess of \$20,000.
- Half of young people feel that their debt is as much, or more, than they can handle.<sup>3</sup>

A 2009 Investor Education Fund study revealed that while 64 per cent of students said it is important to understand money management, only 38 per cent feel prepared to manage their money after graduation.<sup>4</sup>

### The formal education system

In Canada's federal system of shared legislative powers, the Constitution provides that each province has exclusive authority to make laws with respect to education. Our 10 provincial and three territorial departments or ministries of education are responsible for the organization, delivery and assessment of education at the elementary and secondary levels, as well as for technical and vocational education, and for post-secondary education.

Any meaningful public discussion of financial literacy education must include the role of public education. The Task Force is sensitive to, and respectful of, the constitutional responsibility of the provinces and territories for education. We expect that Canadians will provide many insights regarding financial literacy that will undoubtedly assist the provinces and territories, as they continue to chart a course on financial literacy in public education.

<sup>3</sup> Environics Research Group, "Youth Financial Literacy Study", August 2008, p. iv of the Executive Summary. Prepared for the Financial Consumer Agency of Canada and available at: [http://www.fcac-acfc.gc.ca/eng/publications/surveystudy/youthfinlit2008/youthfinlit2008\\_toc-eng.asp](http://www.fcac-acfc.gc.ca/eng/publications/surveystudy/youthfinlit2008/youthfinlit2008_toc-eng.asp)

<sup>4</sup> Youthography, "Youth Financial Literacy Landscape", May 2009, p. 27 of Powerpoint presentation. Commissioned by the Investor Education Fund. Available at: <http://www.getsmarteraboutmoney.ca/investor-research/Documents/ief-youth-financial-literacy-landscape.pdf>

To help us better understand what programs currently exist in the educational system with respect to financial literacy, the Task Force conducted a high-level review of the financial education programs offered by schools in Canada. Its findings are as follows:

- The provinces and territories generally achieve comparable, good academic results, in two main areas:
  - developing students' numeracy skills, and their ability to use arithmetic, and
  - improving their ability to manage their personal affairs, and make responsible financial decisions as consumers.
- Most financial literacy courses are optional, or are integrated into mathematics courses, and cover topics such as taxation and investments, but in limited depth.
- Financial instruction varies from one province and territory to the other.

Research among both students and parents suggests that both groups would like to see more financial instruction in schools. In a study by the Investor Education Fund, 57 per cent of students stated it was important that schools provide information on managing money and personal finances; yet, just 18 per cent thought that their school was doing well in this area.<sup>5</sup> Most Canadian adults believe that children should be at least junior- or middle-school age (28 per cent), or high-school age (44 per cent), when it comes to learning about personal finances and investing.<sup>6</sup>

### **Optional resources to assist teachers**

Research shows that many educators benefit from support on financial literacy. Various organizations outside the school system have developed optional resources that teachers can use if they wish to bring financial education into their classrooms. Some examples include the following:

- The Canadian Bankers Association offers *YourMoney*, a presentation package delivered at schools by volunteer bankers.
- The Canadian Securities Administrators have placed teacher support materials, including the *Financial Fitness Challenge*, on their website.
- The Investor Education Fund has a resource kit *Taking Stock in Your Future*.
- The British Columbia Securities Commission (BCSC) and the Financial Consumer Agency of Canada (FCAC) co-designed *The City*, an interactive, web-based set of financial literacy resources for teachers, modelled on BCSC's resource of the same name but adapted for use across the country.
- The *Autorité des marchés financiers* provides a teacher's guide for its financial literacy program *Tes affaires*.

<sup>5</sup> *Idem*.

<sup>6</sup> Ipsos Reid, "CSA Investor Index 2009", October 2009, p. 85. Prepared for Canadian Securities Administrators. Available at: [http://www.bsc.bc.ca/uploadedFiles/news/publications/CSA\\_Investor\\_Index\\_2009.pdf](http://www.bsc.bc.ca/uploadedFiles/news/publications/CSA_Investor_Index_2009.pdf)

### **Seeking consensus on a model for financial education**

There is no clear consensus among educational experts and key stakeholders on the best model for delivering financial literacy training to students; that is, at what age financial literacy education should be introduced to be most effective — in primary school or in secondary school — and whether it should be taught as a stand-alone class or integrated into existing classes.

### **Opportunities to strengthen financial literacy**

In its 2005 report entitled *Improving Financial Literacy: Analysis of Issues and Policies*, the Organization for Economic Co-operation and Development (OECD) emphasized the instrumental role that schools can play as a “springboard” for financial learning. The school setting offers advantages as an environment for preparing young people for the next stage in their financial lives. For example, during their high-school years, many students take on part-time jobs; make independent buying decisions; and save for goals ranging from buying their first car to saving for post-secondary education. Basic financial knowledge, at this stage in their lives, may help them make sound choices.

There may be a need to increase the amount of financial education offered to students in Canada’s school system. Some provinces have already been addressing this demand. Canadians may also learn from initiatives undertaken in other countries. For instance, Australia has incorporated curriculum guidelines into its National Consumer and Financial Literacy Framework, which provides guidance to states and territories for developing curricula from Kindergarten to Grade 10. It also offers guidance for developers of support materials and the professional development of teachers of consumer and financial literacy. Similarly, in the U.K., the Financial Services Authority has integrated financial education into the national curriculum, and provides financial literacy training to teachers. Likewise, many states in the U.S. have developed and mandated specific financial literacy courses at the secondary level.

As we think about the opportunities for Canada, it may be worth considering the development of solid, age-specific standards for financial skills and knowledge, to serve as a basic foundation for children and young people. By so doing, young people may be better prepared to participate in the Canadian and global economy, and hopefully avoid the pitfalls of making unwise financial decisions.

# 3 Understanding financial behaviour

*Increasing young Canadians' exposure to financial concepts can help improve their overall financial knowledge. However, formal education and the availability of information may not be enough. Financial instruction does not mean that people will automatically become more financially astute. The recent global financial crisis has shown that even "experts" can make unwise financial decisions, or act irresponsibly.*

*The study of behavioural economics shows that psychological, social and institutional factors matter in the decision-making process. Even if people know and understand the facts, they may still not make very good decisions.*

## Consultation questions — Understanding financial behaviour

1. What initiatives might encourage people to stop procrastinating and start making, and sticking with, a financial plan?
2. What can we do to counteract people's inclination to "live for today" instead of planning for tomorrow?
3. What strategies would you recommend to help consumers who are overwhelmed by the number and type of financial products that are available to them?

## Issues, needs and trends

The study of human behaviour suggests that a key factor in helping people make better choices is closing the gap between what people say they will do and what they actually do.<sup>7</sup> People routinely say that they want to build savings, spend less and plan for retirement, but research shows that, for a variety of reasons, their behaviour rarely reflects such good intentions. While we go into greater detail on this later in this document, the point we are trying to make here is that how we act is often inconsistent with what we learn.

A number of factors, such as the following, can prevent good financial decision-making:

- procrastination: postponing important decisions such as retirement planning;
- maintaining the status quo: allowing inertia to guide our decisions;
- choice overload: consumers being overwhelmed by the number of options offered to them, resulting in a loss of motivation to make any decision at all; and
- over-confidence or optimism: in a number of surveys and focus groups, Canadians have indicated that they feel "somewhat confident" in dealing with economic and financial matters. However, most display only a limited knowledge — especially regarding broad economic issues.<sup>8</sup>

<sup>7</sup> Mike Dixon, "Rethinking Financial Capability: Lessons from Economic Psychology and Behavioural Finance", London, 2006, p. 2. Available at: [http://www.ippr.org/members/download.asp?f=/ecomm/files/financial\\_capabilities.pdf&a=skip](http://www.ippr.org/members/download.asp?f=/ecomm/files/financial_capabilities.pdf&a=skip)

<sup>8</sup> The Strategic Counsel, "Canadian National Survey on Economic and Financial Capability", 2008, p. 7. Prepared for the Canadian Foundation for Economic Education. Available at: <http://www.oecd.org/dataoecd/10/11/41847779.pdf>

Moreover, it is challenging to become “money-wise” in our consumer-oriented, “live for today” culture, in which Canadians are constantly bombarded with advertising about the latest fashions, gadgets and must-have products. Budgeting may be one way of resisting these temptations. Statistics Canada’s *2009 Canadian Financial Capability Survey* found, however, that only 51 per cent of Canadians indicated they had a household budget.

International experience suggests that simply improving knowledge may not be sufficient to improve financial decision-making. Therefore, some academics are now trying to close the gap between people’s intentions and their actions by:

- providing advice to those who want it, *when* they want it (for example, at key life stages such as buying a home), the rationale being that people only learn when they are *ready* to learn, and
- providing decision-making structures to make it easier for people to act in more financially capable ways.<sup>9</sup> The Government of Canada’s new credit card regulations are one example. Card holders must now provide their consent for any credit limit increase rather than being defaulted into such an increase, as was the case previously.

### Opportunities to strengthen financial literacy

The Task Force is examining research into human behaviour, to better understand how Canadians act as consumers, savers, borrowers and investors. What we have learned so far is that a two-track approach — a combination of education and behavioural interventions — may be needed, since people’s financial decisions are shaped not only by knowledge, but also by a wide range of other influences.

<sup>9</sup> Mike Dixon, “Rethinking Financial Capability: Lessons from Economic Psychology and Behavioural Finance”, London, 2006, p. 2.  
Available at: [http://www.ippr.org/members/download.asp?f=/ecomm/files/financial\\_capabilities.pdf&a=skip](http://www.ippr.org/members/download.asp?f=/ecomm/files/financial_capabilities.pdf&a=skip)

# 4 Borrowing and debt

*Taking on debt is a normal — and, some would argue, essential — activity for Canadians. Most people, at some time or another, need to borrow money — whether it be to buy a home or a car, to start a business or to invest in an education. If this is done wisely — at competitive rates of interest, and paid off quickly — debt can be an intelligent strategy. “Good debt” has a number of benefits, including helping to build wealth, assets and credit ratings.*

## Consultation questions — Borrowing and debt

1. What options could be considered to help more Canadians understand the difference between good and bad debt?
2. What appropriate initiatives might help people with financial challenges before they become insolvent?
3. What changes do you believe could be made to help people make more informed choices when it comes to debt and borrowing?

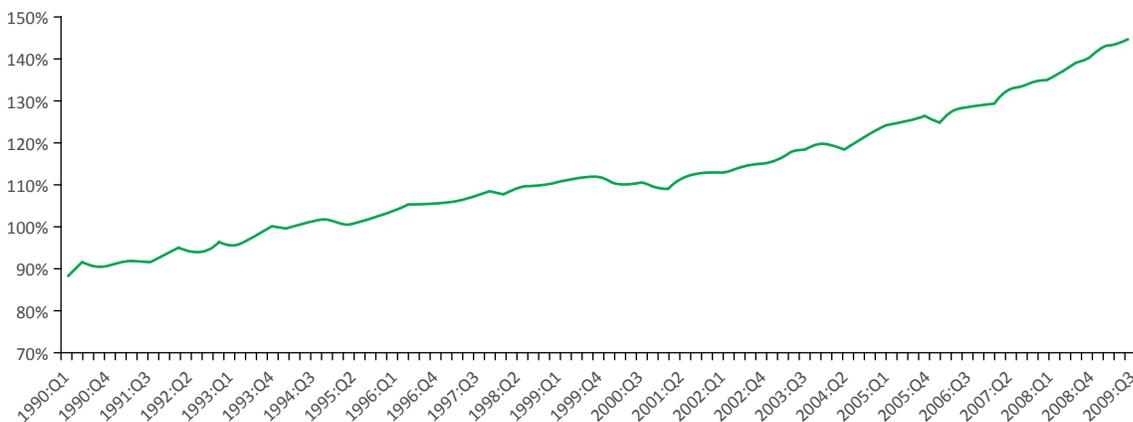
In contrast, there is what some would call “bad debt”: when people take on more debt than they can comfortably manage, don’t understand the key features of lending products, and make unwise borrowing decisions. Unfortunately this type of scenario is becoming all too common among Canadians, who have liabilities ranging from mortgages, leases and lines of credit, to credit-card balances.

## Issues, needs and trends

### Rising levels of household debt

A significant number of Canadians are concerned about their growing level of debt. One in five Canadians report feeling that they are in “over their heads” and no longer able to manage their debtload, and 65 per cent feel that debt is limiting their ability to achieve their financial goals.<sup>10</sup> Although the recent

**Figure 4-1: Ratio of Household Debt to Household Income**

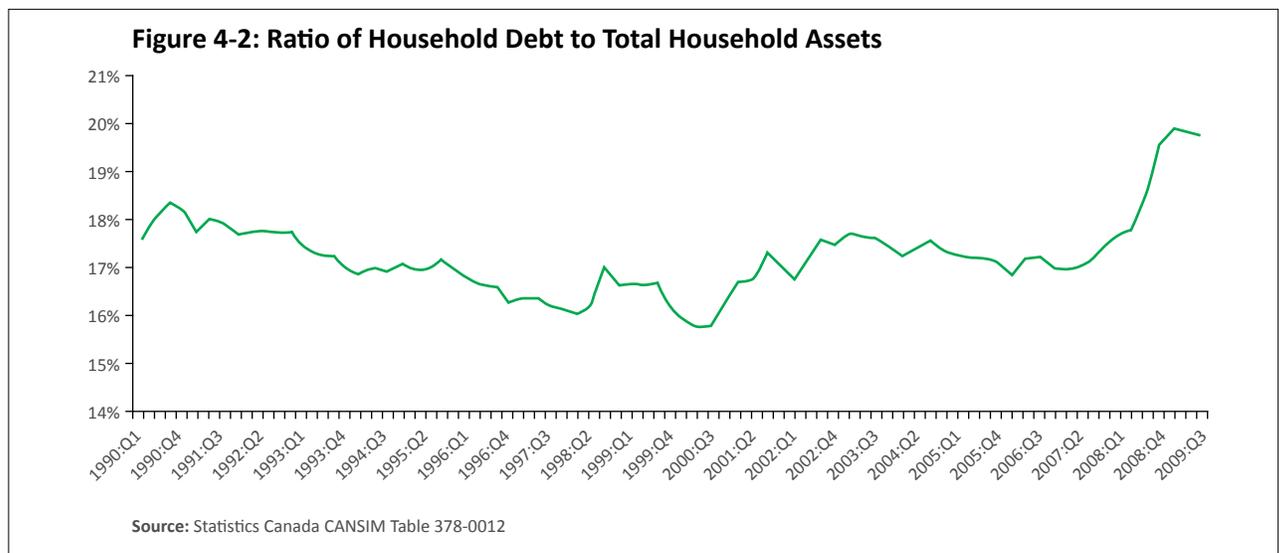


Source: Statistics Canada CANSIM Table 378-0012

<sup>10</sup> Certified General Accountants, “Where Has the Money Gone: The State of Canadian Household Debt in a Stumbling Economy”, 2008, pp. 84 and 17, respectively. Available at: [http://www.cga-canada.org/en-ca/ResearchReports/ca\\_rep\\_2009-05\\_debt-consumption.pdf](http://www.cga-canada.org/en-ca/ResearchReports/ca_rep_2009-05_debt-consumption.pdf)

economic downturn, which has been characterized by higher unemployment, has undoubtedly worsened the effects of debt, recent economic conditions have only accentuated — but have not caused — this problem.

Household debt relative to income has climbed dramatically over the past two decades (see Figure 4.1). Between 1990 and 2008 household spending grew twice as fast as increases in household income, and household debt grew more than six times faster.<sup>11</sup> Because Canadians are accumulating and carrying a significantly larger debtload than ever before, they are more vulnerable to job loss or a drop in income, due to the current economic downturn. Statistics Canada's *Canadian Financial Capability Survey* of 2009 found that 12 per cent of Canadians were behind on one or more of their payments (for bills, mortgages or loans), by two or more consecutive months in the 12 months prior to the survey. The survey also found that of those Canadians planning to purchase a home in the next five years, more than two-thirds had saved less than 10 per cent of the anticipated purchase price of their new home.

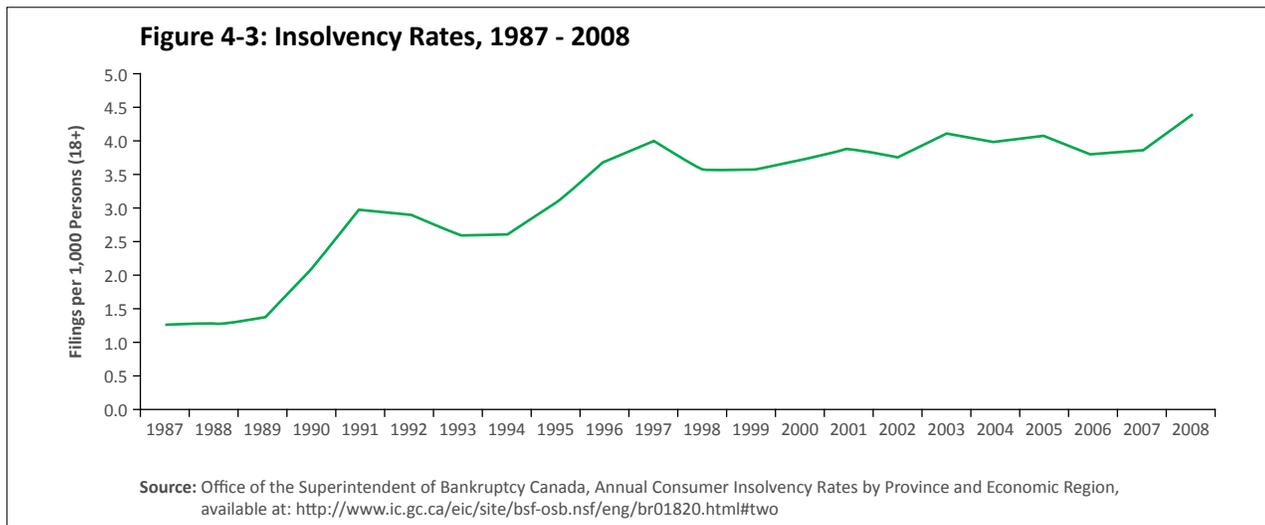


Household debt data can also be depicted as a share of household assets. Figure 4-2 shows that for most of the last 20 years, the ratio of household debt to assets was relatively stable, although recent increases may be cause for concern.

### Easy access to credit

People are supporting their lifestyles through borrowing. There are many reasons for this, such as: a greater use of general-purpose credit cards; the rapid development in consumer and mortgage loan products and services; a considerable rise in home ownership; a more diverse range of potentially costly financing options, including “buy now, pay later” plans and payday lenders; and attractive advertising that urges consumers to use credit and a consumer culture of overspending.

<sup>11</sup> Vanier Institute of the Family, “Annual Report on Family Finances”, 2008, p. 5. Available at: <http://www.vifamily.ca/library/wealth/famfin08.pdf>



Credit cards offer a particularly seductive form of credit, since they give cardholders *instant* access to credit. While this easy access does not appear to be a problem for the 70 per cent of Canadians who say they usually pay their monthly bills in full,<sup>12</sup> it is a cause of concern for the 30 per cent who say they do not. According to Statistics Canada's *2009 Canadian Financial Capability Survey*, more than 88 per cent of Canadians have a credit card. Likewise, a 2006 survey, commissioned by the Financial Consumer Agency of Canada, found that 58 per cent have *more than one card*.<sup>13</sup>

### Rising delinquency and insolvency rates

In addition to debt levels increasing, of even more concern is people's inability to pay down this debt. Insolvency rates have also grown over the last 20 years (see Figure 4-3). Between 1988 and 1998, there was an increase in insolvency rates across all population groups, with the largest increase occurring in the 55-and-over age category.<sup>14</sup> Between 1998 and 2008, insolvency rates fell or were stable for population cohorts in the 18 to 24 and 25 to 34 age range; however, insolvency rates increased for all other population segments.<sup>15</sup>

12 Canadian Bankers Association, "Backgrounder: Credit Cards", May 2009.

Available at: [http://www.cba.ca/index.php?option=com\\_content&view=article&catid=50&id=123&Itemid=56&lang=en](http://www.cba.ca/index.php?option=com_content&view=article&catid=50&id=123&Itemid=56&lang=en)

13 Les Études de marché Créatec, "General Survey on Consumers' Financial Awareness, Attitudes and Behaviour", December 2006, p. 5. Commissioned by the Financial Consumer Agency of Canada. Available at: [http://www.fcac-acfc.gc.ca/eng/publications/SurveyStudy/AttBehav2006/AttBehav2006\\_toc-eng.asp](http://www.fcac-acfc.gc.ca/eng/publications/SurveyStudy/AttBehav2006/AttBehav2006_toc-eng.asp)

14 Office of the Superintendent of Bankruptcy Canada, "Insolvency Trends: Presentation to the Management Advisory Board" (document provided to the Task Force on Financial Literacy), July 12, 2009.

15 *Idem*.

**Skills gap**

There is no shortage of information and advice in the marketplace on the use of smart credit or budgeting. Despite this, a sizeable segment of Canadian consumers remain unclear about interest rates, interest calculations and other key aspects of borrowing. A study of Canadian consumers, conducted in 2006 for the Financial Consumer Agency of Canada, showed that:

- 31 per cent of Canadians did not know what the interest rate was on their credit cards;
- 50 per cent did not know the factors that determine an individual's credit rating;
- only 24 per cent knew what their credit rating was; and
- only 15 per cent had ever requested a copy of their credit report.<sup>16</sup>

**Collateral damage: the human dimension**

Excessive debt can have serious consequences for individuals. A 2005 study found, for example, that debt causes an increased level of psychological distress in people, and unsecured debt has an even more serious influence on psychological well-being than secured (mortgage) debt.<sup>17</sup> From anecdotal evidence, we also know that financial distress can lead to, as well as result in, divorce and contribute to a negative spiral of drug and alcohol abuse, sleeping problems and depression.

**Opportunities to strengthen financial literacy**

The preceding discussion highlights the fact that there may be a need to improve people's understanding of — and encourage them to take responsibility for — their financial affairs. Developing a national strategy on financial literacy, with a comprehensive component on credit and debt, gives us an opportunity to help Canadians make more informed choices and become better borrowers.

Although there is an extensive amount of information available in Canada about lending products, services and financial advice, a strategic, coordinated, consistent approach to providing this type of information to the public is worthy of consideration.

<sup>16</sup> Les Études de marché Créatec, "General Survey on Consumers' Financial Awareness, Attitudes and Behaviour", December 2006, pp. 9 and 12, respectively. Commissioned by the Financial Consumer Agency of Canada. Available at: [http://www.fcac-acfc.gc.ca/eng/publications/SurveyStudy/AttBehav2006/AttBehav2006\\_toc-eng.asp](http://www.fcac-acfc.gc.ca/eng/publications/SurveyStudy/AttBehav2006/AttBehav2006_toc-eng.asp)

<sup>17</sup> Sarah Brown, Karl Taylor and Stephen Wheley Price, "Debt and Distress: Evaluating the Psychological Cost of Credit", *Journal of Economic Psychology*, Volume 26, 2005.

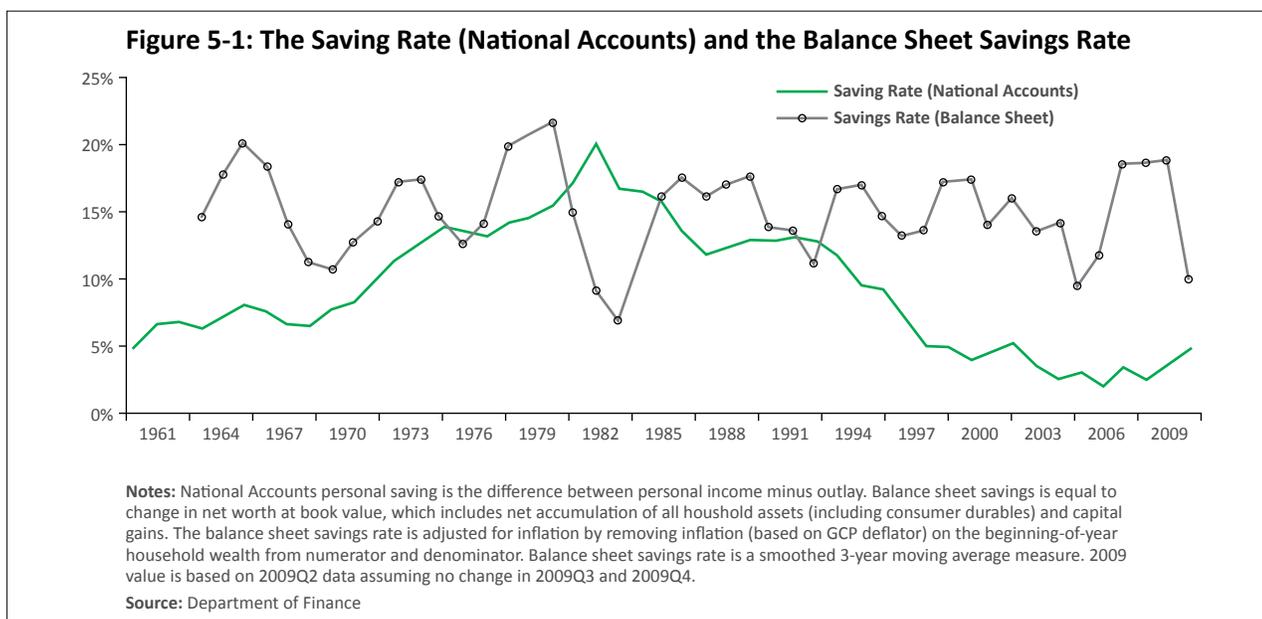
# 5 Saving and investing

*Saving and investing are core financial activities that people can undertake at virtually any time of their lives. These activities are related, yet distinct. “Saving” means putting money aside for future use — such as in a chequing or a savings account. “Investing” occurs when people actively use the money they have set aside to try to build more wealth: such as buying real estate, stocks and bonds, or government certificates.*

## Consultation questions — Saving and investing

1. What motivates people to save?
2. What kind of information do people need to make good saving and investment decisions for their particular circumstances?
3. What else might help Canadians improve their saving and investing habits?

## Issues, needs and trends



### The saving rate

One of the most common ways used to measure people’s behaviour with respect to saving is called the “personal saving rate”. It looks at saving<sup>18</sup> as a share of after-tax income.<sup>19</sup> It therefore provides some insight into how Canadians, in general, manage their ongoing expenses, relative to income. As the preceding Figure 5-1 shows, Canada’s personal saving rate (see “Saving Rate [National Accounts]”) — around 5 per cent in the third quarter of 2009 — has fallen sharply from a post-war peak of 20 per cent in the early 1980s, although the recent economic downturn has coincided with an upturn in the saving rate.

<sup>18</sup> Saving is defined as the difference between after-tax income and expenditures.

<sup>19</sup> Income includes income from wages and salary, and income from investments (dividends and interest payments), as well as government transfers; expenditures include spending on goods and services, and tax payments and other transfers to governments and corporations. Finally, disposable income is technically defined as “personal income, less current transfers to government”.

While this long-term trend might be a cause for concern, Canada's federal, provincial and territorial Research Working Group on Retirement Income Adequacy has argued that a truer picture of saving incorporates not just the flow of money into savings but also the changes in the value of those savings. Due to substantial capital gains from existing assets over the last few decades, this "balance sheet savings rate" is, on average, higher than the National Accounts saving rate and exhibits no clear upward or downward trend.<sup>20</sup>

### **Uninformed investment decisions**

Once people develop the necessary budgeting habits to save money, they face another challenge — how to increase their savings through careful investing. When it comes to investing, some Canadians seek out the advice of a professional financial advisor, while others invest on their own. In both cases, it is important for people to know what questions to ask and have the tools to make the right choices.

Based on the findings of a recent survey by the Canadian Securities Administrators (CSA), a majority of Canadians say they know that information about investing exists. They also indicate that they know where to obtain this information. In spite of their stated views, the Canadian public is not accessing this information. While 84 per cent of Canadians identified a need for reliable, unbiased information about investing, only 32 per cent had actually sought it out in the 12 months prior to the CSA survey. Similarly, while 64 per cent of Canadians said they agreed or strongly agreed that a formal written financial plan is important, only 25 per cent of Canadians had such a plan.<sup>21</sup> For those who do access investment information and advice, their number one source is financial advisors. According to Statistics Canada's *2009 Canadian Financial Capability Survey*, 54 per cent of Canadians said that financial advisors influenced their financial investments most, followed by 43 per cent who said that friends or family were the most influential.

### **Teaching complex investment concepts**

While the principles of saving are relatively straightforward, investing money — if it is to be successful — requires research, thought, skill, knowledge and active involvement by the investor. People must take into account a number of variables when it comes to their investment needs. Are they investing for a short-term, a medium-term or a long-term goal? They must then decide how they want to allocate their assets, and balance their earnings goals against their individual tolerance for risk, and their own personal circumstances.

Another challenge that people face when it comes to investment decision-making is how to assess the future economic context. Where are interest rates headed? What impact will inflation have? What will the economic situation be like two, five or 10 years down the road?

## **Opportunities to strengthen financial literacy**

Helping Canadians become better savers and more engaged, astute investors may seem like a lofty goal, but the implications for our country are significant. In developing a strategy for financial literacy, the Task Force must examine a number of important issues, including how to improve information delivery, how to address public behaviour issues and how to encourage greater dialogue on these complex issues, through communications activities.

<sup>20</sup> For a discussion on this topic, see: Keith Horner, "Retirement Saving by Canadian Households: Report to the Research Working Group on Retirement Income Adequacy", December 1, 2009, pp. 7-9. Available at: <http://www.fin.gc.ca/activity/pubs/pension/ref-bib/horner-eng.asp>

<sup>21</sup> Ipsos Reid, "CSA Investor Index 2009", October 2009, pp. 50-51. Prepared for Canadian Securities Administrators. Available at: [http://www.bcsc.bc.ca/uploadedFiles/news/publications/CSA\\_Investor\\_Index\\_2009.pdf](http://www.bcsc.bc.ca/uploadedFiles/news/publications/CSA_Investor_Index_2009.pdf)

# 6 Planning for retirement

*The Task Force recognizes the importance of strengthening Canadians' retirement planning skills. People are taking on more responsibility for developing a lifelong strategy to ensure that they have an adequate retirement income.*

## Consultation questions — Planning for retirement

1. What can be done to encourage Canadians to plan and prepare for retirement at an earlier age?
2. What, from a financial literacy perspective, can be done to encourage Canadians to participate more fully in their workplace pension plan and/or a retirement plan (e.g., RRSPs)?
3. What other initiatives or incentives related to financial literacy should the Task Force consider to help promote the retirement security of Canadians?

At the same time, planning for retirement is a significant challenge for some Canadians due to the following factors:

- their lack of awareness about the importance of saving for the future;
- their lack of understanding of the public and private pension systems;
- the multitude and complexity of retirement savings vehicles, and of pension plan features and products;
- the challenges of accurately estimating life expectancy and, therefore, retirement income needs; and
- behavioural factors such as procrastination, which may prevent them from taking appropriate action sooner.

## Issues, needs and trends

### Overview of Canada's retirement system

Canada has a retirement savings system comprised of three pillars. There are two public components (Pillar 1 and Pillar 2) and one private component (Pillar 3), as outlined below:

- Pillar 1 is composed of the Old Age Security benefit and the Guaranteed Income Supplement.
- Pillar 2 is the Canada Pension Plan (CPP) and its Quebec counterpart, the Quebec Pension Plan (QPP).
- Pillar 3 consists of private retirement savings, and includes voluntary, tax-assisted programs such as individual retirement savings plans, and employer- or company-sponsored savings plans (e.g., defined-benefit plans, defined-contribution plans and group RRSPs).

Some Canadians may not understand these pillars, nor how they all work together. The public pension components (Pillars 1 and 2) are generally considered strong and stable. Together, they provide full coverage and high income-replacement rates for low-income Canadians. However, some middle- and higher-income earners may require additional Pillar 3 pension income to maintain their pre-retirement standard of living in retirement.

In May 2009, federal, provincial and territorial finance ministers struck a Research Working Group on Retirement Income Adequacy to undertake a critical assessment of retirement income adequacy in Canada. That assessment, completed in December 2009, identified both the strengths and shortfalls of Canada's retirement income system. Specifically, the Research Working Group found that the Canadian retirement system is performing well overall, and providing most Canadians with an adequate standard of living on retirement. There are some segments of Canada's working population, however, that may not have enough savings for their retirement.

### **Evolving retirement landscape**

The retirement landscape has changed markedly, compared with that of previous generations. Two key demographic trends — an aging baby-boomer generation and continual increases in life expectancy — mean that many people have to plan for a longer retirement period and may, therefore, need more retirement resources than in the past, from which they can draw income.

Many employers are now shifting away from defined-benefit plans, and moving towards defined-contribution plans. Consequently, there seems to be a greater onus on *individuals* to adequately manage their retirement savings.<sup>22</sup> Some Canadians feel they do not have an adequate financial background or sufficient understanding to cope with this change. A Desjardins Financial Security survey, from 2006, found that nearly one in two Canadians say they do not get enough help from their employer or union with their retirement planning.<sup>23</sup> At the same time, the financial crisis of 2008 exposed the vulnerability of some company defined-benefit pension plans, with employees at bankrupt firms suddenly, and unexpectedly, finding themselves without a pension.

### **Product and information overload**

When thinking about their retirement plans, Canadians are having to deal with:

- a growing number of retirement products to choose from;
- a dizzying array of product information, as well as of retirement savings options and strategies; and
- a broad range of financial specialists — such as financial advisors, planners and brokers — who have different kinds of accreditation and offer different types of products and services for diverse customer needs.

22 Morley Gunderson and Thomas Wilson, "Encouraging Small and Medium Sized Firms to Participate in Pension Plans", September 2009, pp. 2-6. Prepared for Advocis. Available at: <http://link.advocis.ca/pdf/Pension-Study-se11-09.pdf>

23 Desjardins Financial Security, "Perfect Garden: The Psychology of Retirement", October 2006, p. 9. Available at: [http://www.dsf-dfs.com/NR/rdonlyres/835788DF-6D5D-41DE-A121-0231BFF79727/0/PerfectGardenBookletDFS\\_opt.pdf](http://www.dsf-dfs.com/NR/rdonlyres/835788DF-6D5D-41DE-A121-0231BFF79727/0/PerfectGardenBookletDFS_opt.pdf)

While financial institutions and other sources provide *some* educational information on retirement planning, this information may not be available to everyone, or may not be useful for specific, underserved groups. The information may also be in a form that is not easy to understand, and people may have difficulty assessing the quality, credibility or biases of the information. It is therefore not surprising that some Canadians are confused about how to plan for retirement.

It should also be noted that many Canadians do not seek out retirement planning advice. According to a 2009 survey by HSBC Insurance, 44 per cent of the Canadians surveyed indicated that they had not sought financial guidance.<sup>24</sup>

### Retirement income adequacy

Generally, people require less income during retirement. The suggested pre-tax income for middle- and high-income Canadians is between 50 and 60 per cent of their pre-retirement earnings. Low-income Canadians need a higher level of replacement rates.<sup>25</sup> The Canada Pension Plan (CPP) provides 25 per cent income replacement on earnings up to the average wage, but this increases to approximately 40 per cent when combined with government guaranteed supplements (Old Age Security and Government Income Supplement),<sup>26</sup> which are designed to deliver modest levels of income to individuals in lower income brackets.

For middle- and higher-income Canadians especially, attaining their desired standard of living means drawing on pension plan income and/or savings they have accumulated in their RRSPs, TFSAs, equity in a home and/or business and non-sheltered savings. Together, these Pillar 3 components can be substantial and provide significant support in retirement. There are, however, challenges with respect to each of these forms of retirement wealth. For example, only 35 per cent of all Canadian workers have the benefit of participating in an occupational pension plan.<sup>27</sup> While, for many Canadians, the value of their home exceeds the value of their pension and financial assets combined,<sup>28</sup> there is also a tendency among Canadians of not regarding, or using, their home equity for retirement income purposes. There are also indications that many Canadians are not taking full advantage of the tax-assisted savings vehicles that are available to them. For example, in 2007, only 31 per cent of eligible taxpayers made use of their RRSP contribution room, with a median contribution of approximately \$2,780 — representing only about six per cent of the total eligible room available.<sup>29</sup> Statistics Canada's *2009 Canadian Financial Capability Survey* found that, of those not yet retired, about 30 per cent said they were not very confident or not at all confident that their retirement income would provide the standard of living they hoped for.

24 HSBC Insurance, "The Future of Retirement Planning: It's Time to Prepare", January 2009, p. 33.

Available at: [http://www.hsbc.com/1/PA\\_1\\_1\\_S5/content/assets/retirement/2009\\_for\\_report\\_en.pdf](http://www.hsbc.com/1/PA_1_1_S5/content/assets/retirement/2009_for_report_en.pdf)

25 Jack M. Mintz, "Summary Report on Retirement Income Adequacy Report", December 18, 2009, pp. 8 and 26. Prepared for the Research Working Group on Retirement Income Adequacy of Federal-Provincial-Territorial Ministers of Finance.

26 Canadian Institute of Actuaries, "Planning for Retirement: Are Canadians Saving Enough?", June 2007, p. 11.

Available at: [http://www.actuaires.ca/members/publications/2007/FINAL%20CIA\\_Retirement\\_E.pdf](http://www.actuaires.ca/members/publications/2007/FINAL%20CIA_Retirement_E.pdf)

27 James Pierlot, "A Pension In Every Pot", *C.D. Howe Institute Commentary*, No. 275, November 2008, Table 2. Available at: [http://www.cdhowe.org/pdf/Commentary\\_275.pdf](http://www.cdhowe.org/pdf/Commentary_275.pdf).

28 Michael Baker and Kevin Milligan, "Government and Retirement Incomes in Canada", November 25, 2009, p. 21. Prepared for the Research Working Group on Retirement Income Adequacy in support of the Council of Federal, Provincial and Territorial Finance Ministers.

29 Statistics Canada, "Registered Retirement Savings Plan Contributions", *The Daily*, November 5, 2008.

Available at: <http://www.statcan.gc.ca/daily-quotidien/081105/dq081105a-eng.htm>

## Opportunities to strengthen financial literacy

While Canada's "three-pillar" retirement income system performs very well — judged by international standards — in providing Canadians with an adequate income,<sup>30</sup> some survey evidence suggests that financial literacy training could enhance this success. For example, Desjardins' Financial Security Survey found that more than one-third of Canadians do not have a retirement savings plan.<sup>31</sup> Also, many Canadians fail to take full advantage of their occupational pension plans, despite the added economic incentive of receiving full or partial matching contributions from their employer.

A national financial literacy strategy should therefore include an action plan for retirement planning — which is an important lifelong activity that involves careful and complex decision-making and requires people to think seriously about their long-term goals, far removed from their normal day-to-day priorities.

Educational initiatives are another component of financial literacy that the Task Force will explore. Canadians need consistent, engaging and easy-to-understand information from government, business and non-profit organizations. Without an adequate understanding of the products available, the changing retirement environment, the need to save and how much to save for a comfortable retirement, Canadians are putting their financial future at risk.

Any assessment of measures to enhance financial literacy also needs to reflect the insights of behavioural economics, which suggests there can be psychological and other barriers that might impair people's ability to act in their own best interests with regard to retirement planning decisions. Existing mandatory pension plans such as the CPP and QPP implicitly recognize that people sometimes need help making systematic contributions to fund their retirement. The private sector could also play a role in encouraging working Canadians to overcome psychological barriers. In the U.S., employers have the option of using an automatic enrolment and an automatic escalation of contributions. These, however, are subject to opting-out provisions for employees who do not want to contribute at all, or who only want to contribute at a minimum level, or have their contributions increase gradually. While Canada's mix of mandatory and voluntary savings vehicles provides a solid foundation for many working Canadians, the main responsibility for saving for retirement still lies with the individual.

30 A 2009 paper by the Organization for Economic Co-operation and Development (OECD) notes, for example, that Canada's poverty rate among seniors, in the middle of this century, was 4.4 per cent, which is one of the lowest poverty rates for seniors in the OECD. See "Pensions at a Glance 2009 - Retirement Income Systems in OECD Countries", Paris, 2009. Available at: [http://www.oecd.org/document/49/0,3343,en\\_2649\\_34757\\_42992113\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/49/0,3343,en_2649_34757_42992113_1_1_1_1,00.html)

31 Desjardins Financial Security, "Perfect Garden: The Psychology of Retirement", October 2006, p. 13. Available at: [http://www.dsf-dfs.com/NR/rdonlyres/835788DF-6D5D-41DE-A121-0231BFF79727/0/PerfectGardenBookletDFS\\_opt.pdf](http://www.dsf-dfs.com/NR/rdonlyres/835788DF-6D5D-41DE-A121-0231BFF79727/0/PerfectGardenBookletDFS_opt.pdf)

# 7 Protecting against financial fraud

*Financial fraud is a significant global problem, particularly as our financial world grows more complex, and technology wields an even greater influence on our daily lives. While technology brings greater convenience, it also exposes Canadians to the risk of fraud by telephone, on the Internet or through the use of credit or debit cards — including the possibility of identity theft.*

*Canadians need to know how to protect their money. By providing Canadians with the right advice and tools to safeguard their finances, they may become more empowered to make prudent financial decisions.*

## Consultation questions — Protecting against financial fraud

1. Is financial fraud linked to a lack of financial literacy? If so, how?
2. What kind of information could improve Canadians' vigilance with respect to financial fraud? How should this information be presented, and who should deliver it to Canadians?
3. Are there groups that are more susceptible than others to financial fraud and, if so, how could financial literacy help them?

## Issues, needs and trends

### Awareness campaigns

Key public sector departments and agencies, such as the following, have a number of programs in place to alert consumers and investors to the perils of financial fraud:

- Provincial securities commissions vigorously promote investor awareness and protection, and use various means, including their websites, to warn investors against Ponzi schemes and other such scams. The securities commissions also ensure regulatory compliance with regulations, and use surveillance and enforcement as fraud-prevention measures.
- The Competition Bureau organizes “Fraud Prevention Month” every year, in March, and uses its website as a portal to allow Canadians to gain access to various public- and private-sector information sites on fraud, including that of the Royal Canadian Mounted Police and the Investor Education Fund.
- The Canada Revenue Agency has a website dedicated to identity theft, charity-related fraud and tax-preparer fraud.

While such initiatives heighten public awareness and help protect consumers and investors, financial fraud remains a serious matter.

### Investment fraud

According to the Canadian Securities Administrators, an estimated one million adult Canadians have been the victims of investment fraud. Aside from e-mail spam, one in five Canadians say they have been approached with what they believe to be a fraudulent investment scheme in the past three years.<sup>32</sup> Among the victims of fraud, only 24 per cent reported the fraud.<sup>33</sup> In addition to depriving people of their hard-earned savings and potential investment gains, investment fraud leads to a loss of trust between the victims and those close to them, as well as a loss of confidence in the financial system as a whole. The financial ramifications for the victims are significant. Victims frequently report feeling anger, depression and isolation as a result of fraud.<sup>34</sup>

### Privacy and identity theft

According to the Office of the Privacy Commissioner of Canada (OPCC), identity theft is one of the fastest growing crimes in Canada. Identity theft occurs when a criminal appropriates someone's personal information to commit fraud. Identity theft can negatively affect an individual's credit record and can result in debts that may or may not be covered by insurance. According to a recent OPCC survey, one in six Canadians has been the victim of identity theft.<sup>35</sup> In 2008 alone, 1.7 million Canadians were affected by identity theft, with more than 45 per cent of cases involving the use of the Internet.<sup>36</sup>

### Credit and debit card fraud

Credit card counterfeiters use the latest in technology to read, modify and implant magnetic strip information on counterfeit credit cards. Fraud committed *without* the actual use of a card accounts for 31 per cent of credit card losses.<sup>37</sup> Deceptive telemarketers and fraudulent Internet websites obtain specific card details from their victims when promoting the sale of exaggerated or fictitious goods and services. This, in turn, results in fraudulent charges against the victims' accounts. Debit card fraud is a similar problem. According to the Interac Association, the number of dollars lost to debit-card fraud jumped by 74 per cent between 2004 and 2008, from \$60 million to \$104.5 million.<sup>38</sup>

## Opportunities to strengthen financial literacy

While no one is immune to financial fraud, certain groups seem to be more vulnerable, such as: those with high levels of debt; seniors; young people; and individuals with low income. By increasing Canadians' financial literacy, these groups may:

- be less susceptible to fraud;
- be more likely to report fraud when it occurs; and
- have more confidence in the financial markets, or the financial system.

The public consultation process will help the Task Force better understand the issues related to financial fraud.

32 Innovative Research, "Canadian Securities Administrators Investor Study: Understanding the Social Impact of Investment Fraud", October 2007, p. 4 of Executive Summary. Available at: [http://www.securities-administrators.ca/uploadedFiles/General/pdfs/2007InvestorStudy\\_ExecSummary-English.pdf](http://www.securities-administrators.ca/uploadedFiles/General/pdfs/2007InvestorStudy_ExecSummary-English.pdf)

33 *Idem*.

34 *Ibid*, p. 1.

35 Ekos Research Associates, "Canadians and Privacy", March 2009, p. vi. Commissioned by the Office of the Privacy Commissioner of Canada. Available at: [http://www.priv.gc.ca/information/survey/2009/ekos\\_2009\\_01\\_e.pdf](http://www.priv.gc.ca/information/survey/2009/ekos_2009_01_e.pdf)

36 Benoît Dupont and Louis Guillaume, "Les voleurs d'identité : profil d'une délinquance ordinaire", note de recherche no. 2, Chair de recherche du Canada en sécurité, identité et technologie, 2009, p. 3. Available at: <http://www.mapageweb.umontreal.ca/dupontb/articlesandpapers/DupontLouisprofilvid.pdf>

37 RCMP, "Counterfeiting and Credit Card Fraud", 2009. Available at: [www.rcmp-grc.gc.ca/count-contre/cccf-ccp-eng.htm](http://www.rcmp-grc.gc.ca/count-contre/cccf-ccp-eng.htm)

38 Interac Association, "2008 Statistics: Fraud". Available at: <http://www.interac.ca/media/stats.php>

# 8 Communications and technology

*This section looks at the important role that communications and technology can play in improving financial literacy.*

*Communications and technology go hand in hand, since they both relate to how information is presented and delivered. We need to ensure that financial communications are presented effectively, and in ways that are accessible to different audiences.*

## Consultation questions — Communications and technology

1. How can financial information be best presented and communicated, in order to reach all Canadians?
2. How can we make Canadians aware of the financial information that is available, and capture their attention and interest?
3. What organizations would you trust to deliver credible and objective information over the Internet and using other new technologies?

## Issues, needs and trends

### Content and presentation

Canadians have a hard time understanding financial matters and identifying credible, reliable sources of financial information.

Even though there is a lot of financial information available to Canadians from a variety of sources, there are a number of problems associated with it:

- Much of the information is complex, and it is not always expressed in clear, plain language.
- Many communication formats are not interactive but text-based (for example, brochures or books).
- While the Internet is a key distribution channel for organizations involved in financial education, few of these organizations use the media, or marketing tools, to promote their materials.
- Limitations with respect to distribution mean that, at the present time, many segments of the Canadian population may not be served, including those without any access to the web, and those with lower levels of literacy.

For communication to be successful, it must be presented in a format and in language that is easily understood by Canadians. We have to adapt our communications and delivery methods, and use different methods for different target groups, who reflect the diversity of our country.

### **Technology and financial literacy**

Technology plays a significant role in the financial sector and is an integral part of the lives of many Canadians. Technology has the potential to enhance the development of financial literacy, both as a delivery channel (e.g., the Internet) and as an intrinsic part of the learning process (e.g., instructional computer and video games). Technology can also provide greater access to Canadians with disabilities, and bridge distances for those living in rural and remote communities.

It is important to note the technological trends, such as the following, that have emerged in Canada, in recent years:

- Social media are becoming one of the most powerful communications channels. Facebook currently has more than 13.4 million Canadian users, of which more than 53 per cent are between the ages of 18 and 34.<sup>39</sup> Twitter is another important phenomenon: after the U.S. and the U.K., Canada has the third-largest number of people using Twitter of any country in the world.<sup>40</sup>
- The popularity of smart phones increases the use of financial applications. For example, Mint is a popular iPhone application that enables users to add their bank, credit card, loan and investment accounts to it, and manage their finances “on the go”.
- On-line and interactive games can also teach financial concepts, through simulation.

### **Opportunities to strengthen financial literacy**

We can use communications and technology in many ways to engage and empower Canadians in the area of financial literacy. Recognizing that people receive, learn and digest information in different ways, the Task Force is interested in hearing from Canadians on what financial information they need, and how it should be presented.

We must explore all possible avenues of communication, to determine the best way of capturing people’s attention and interest. While handing out a brochure about a financial product may be useful for some Canadians, for others, experiential, interactive formats — ranging from mobile applications, simulation games and text messaging to seminars and one-on-one counselling — may be more effective ways of influencing behaviour.

<sup>39</sup> Facebook, “Advertise on Facebook”, 2009. Available at: <http://www.facebook.com/ads/create>

<sup>40</sup> Sysomos Inc., “Inside Twitter: An In-Depth Look Inside Twitter World”, June 2009. Available at: <http://www.sysomos.com/insidetwitter/>

# 9 Evaluating national progress on financial literacy

*Canadians are demanding transparency and accountability from all sectors — from governments, from non-profit organizations and from private enterprise. This means that these sectors must be ready to share information with Canadians about the state of financial literacy in this country, and report to them on the effectiveness of any proposed national strategy.*

*The Task Force will carefully consider the best ways to measure and evaluate the strategies and programs that are put in place to improve the financial literacy of Canadians.*

## Consultation questions — Evaluating national progress on financial literacy

- 1. What elements should be included in a national evaluation framework to gauge progress on financial literacy?**
- 2. To what extent can Canada use existing methods to gather data on financial literacy? To what extent will new methods be required?**
- 3. As well as assessing how financial literacy programs have improved Canadians' knowledge of financial issues, the Task Force would also like to assess how people's attitudes and behaviour have changed. Do you have suggestions about how to assess changes in attitudes and behaviour with respect to financial decisions?**

Early research suggests that there is a need for improved research and evaluation on financial literacy, worldwide. Currently, most recommendations for improvement are based on the general principles of evaluation that apply to any area of study. In this regard, the OECD is looking at formally adopting the following five-step framework:<sup>41</sup>

- Need – What objectives does the program address?
- Accountability – How much is the program used, and how much does it cost?
- Fine-tuning – How could it be improved?
- Micro impact – How effective is the program in relation to its objectives?
- Macro impact – What impact does it have relative to the “big picture”?

<sup>41</sup> Alison O'Connell, “Evaluating the Effectiveness of Financial Education”, International Conference on Financial Education, Washington, D.C., May 7-8, 2008. Available at: [http://www.oecd.org/document/60/0,3343,en\\_39665975\\_39667139\\_39762748\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/60/0,3343,en_39665975_39667139_39762748_1_1_1_1,00.html)

The Task Force may also need to look at two very distinct kinds of measurement capacities:

- the ability to evaluate individual financial literacy programs and interventions, and
- the ability to track our progress in improving Canadians' financial literacy levels.

Evaluating financial literacy programs could involve studying how the programs were implemented, as well as measuring their impact and effectiveness. The Task Force may also want to investigate the development of a framework, to help organizations assess the effectiveness of their programs.

As we develop a national financial literacy strategy, we will need to determine our overall goals, so that we can track Canada's progress.

# Conclusion

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More and more, Canadians must deal with the new realities of an evolving financial marketplace. Demographic, social and economic trends increase the importance of a financially literate population.

But how do we get financial literacy right in Canada? With governments around the world developing policies and programs to improve financial literacy among their citizens, the Task Force is reflecting on how to help Canadians make the best possible financial decisions.

We know there is much work to be done to strengthen financial literacy in Canada. There is no single program or “one size fits all” solution that can do the job. A multi-faceted, multi-audience, multi-year strategy is required, with strategic partnerships and collaboration as its cornerstones.

Our collective task may seem daunting, since we must deal with an extremely broad range of subjects, which vary from accessing information to individual attitudes, income levels and cultural backgrounds. The issues — and our challenges — are complex. That being said, creative ideas and clever thinking can be brought to the table to generate innovative solutions. We already have a solid foundation, since much of the groundwork has already been laid. Excellent programs and initiatives are already in place at the provincial and local levels. Now, we need to determine how to build on these efforts and synthesize them, to achieve a bigger and better impact, so that *all* Canadians across the country can benefit from them.

Addressing financial literacy is an exciting and important endeavour. Since the potential benefits are substantial, this is all the more reason to participate in our consultation process. Over the coming months, the Task Force will consult with a large number of individual citizens and a broad variety of organizations from across Canada. We look forward to hearing your opinions. Our job, as a Task Force, is to listen to and attempt to weave the varying interests into our recommendations.

It is clear that there is an urgent need for a national financial literacy strategy. Together, we can seize this opportunity to help Canadians, now and in the future, to strengthen their ability to manage their economic affairs, and achieve lifelong financial security.

# Appendixes

## Appendix A: Task Force members

### Chair

**Donald A. Stewart**

Chief Executive Officer  
Sun Life Financial Inc.

### Vice Chair

**L. Jacques Menard, O.C.**

Chairman  
BMO Nesbitt Burns

### Members

**Laurie Campbell**

Executive Director  
Credit Canada

**Marcel Côté**

Partner  
SECOR Consulting

**Pat Foran**

Journalist and Author

**Edward (Ted) Gordon**

Financial Security Advisor  
Freedom 55 Financial

**Evelyn Jacks**

President  
The Knowledge Bureau

**Ruth Kelly**

President and CEO  
Venture Publishing Inc.

**Janice MacKinnon**

Professor of Fiscal Policy  
University of Saskatchewan

**P. Mitchell Murphy**

Career Education Consultant  
Western School Board  
Prince Edward Island

**Greg Pollock**

President and CEO  
Advocis

**Bill Schwartz**

Principal  
Polestar Communications Inc.

**Jean Vincent**

President and General Manager  
Native Commercial Credit Corporation



### More on the web

For biographical information on the members of the Task Force, go to:  
[www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

## Appendix B: The Canadian and the international experience

### The Canadian experience

A wide range of stakeholders, listed below, provide financial education and information to Canadians:

- provincial securities regulators;
- federal organizations, such as the Financial Consumer Agency of Canada, the Bank of Canada, the Canada Deposit Insurance Corporation and Canada Investment and Savings;
- credit counselling agencies, such as Credit Canada;
- community organizations, such as YMCA Canada;
- trade associations, such as Advocis, the Canadian Life and Health Insurance Association, the Canadians Bankers Association and the Investment Funds Institute of Canada;
- financial services firms, as well as professional advisors;
- business and financial journalists, as well as the general news media; and
- private financial educators and publishers, such as The Knowledge Bureau and Gordon Pape Enterprises, who specialize in providing instruction on taxes, and wealth management skills.

Because the provinces and federal government, in Canada, share responsibility for regulating the financial services sector, in the public arena different levels and different branches of government, outlined below, are active providers of financial information:

- The federal government regulates all banks and all federally incorporated or registered insurance, trust and loan companies, retail associations, fraternal benefit societies and cooperative credit associations.
- The provinces regulate investment firms, including mutual funds, as well as provincially incorporated or registered insurance, trust and loan companies, retail associations, fraternal benefit societies and cooperative credit associations.

At the grassroots level, community agencies across the country work with private-sector partners and public-sector funding organizations to deliver practical financial advice and experience to low-income Canadians. Some examples are as follows:

- *Dollar\$ and \$ense* — The Vancouver City Savings Credit Union (VanCity), in partnership with Family Services of Vancouver, helps adults who are on limited incomes to build the skills they need to effectively manage money and plan for the future.
- Money Management Training — Supporting Employment and Economic Development (SEED) offers a 10-week program for people living in Winnipeg's North End.

- Financial Advocacy and Problem Solving — St. Christopher's House in Toronto provides free advice to low-income individuals, helping them to untangle complex financial situations, so that they can make sound financial decisions. St. Christopher's House has also worked with The Canadian Foundation for Economic Education, as well as the Virtual Advisor, to provide on-line resources for community members and front-line workers.
- *The Money School* — Carrefour jeunesse emploi de l'Outaouais (CJEO) is designed for young people who have not yet entered the job market. *Money for Couples* is intended to help young people, who are involved in their first relationship, deal with money issues.

Many other organizations are also active in the research area. Groups such as the Canadian Foundation for Economic Education, the Canadian Policy Research Networks (CPRN), the Canadian Securities Administrators, the Public Interest Advocacy Centre, the Consumers Council of Canada, Social and Enterprise Development Innovations and Statistics Canada have all conducted research studies to support financial literacy initiatives.

### **The international experience**

Several countries, as follows, most of whom are members of the Organization for Economic Co-operation and Development (OECD), have developed and implemented national strategies on financial literacy.

**Australia:** In 2005, the government established the Financial Literacy Foundation (FLF) to implement a national literacy strategy. The creation of FLF was a key recommendation put forth a year earlier by the country's Consumer and Financial Literacy Task Force.

The FLF worked to integrate financial literacy into the educational system; to develop resources and support for teachers; and to provide financial literacy materials for the workplace.

In July of 2008, all of FLF's functions were transferred to the Australian Securities and Investments Commission, in order to consolidate the Australian government's financial literacy response under the Commission and to strengthen its role in safeguarding Australia's economic reputation and well-being.<sup>42</sup>

**Ireland:** In 2007, the country's Financial Regulator embarked on a major study to assess the financial capability of Irish consumers. Largely based on the U.K. Financial Services Authority's survey, the face-to-face Irish survey took place between October 2007 and January 2008.

Although they were still in the early stages of their work, the regulator issued a *Preliminary Report on Financial Capability in Ireland*<sup>43</sup> in June 2008. The final report has not yet been published. The broad objective of this work is to establish a baseline measure for financial capability, against which future research in this area can be compared.

Concurrently, under the supervision of their National Steering Group on Financial Education, Ireland has developed a Financial Competency Framework.

<sup>42</sup> For information on this initiative, go to the following web address: <http://www.understandingmoney.gov.au/Content/Consumer/About/>

<sup>43</sup> For more information on this, go to the following website: <http://www.financialregulator.ie/publications/Documents/Preliminary%20Report%20on%20Financial%20Capability.pdf>

**The Netherlands:** Under the working title CentiQ, *wijzer in geldzaken* (Sensible with Money), around 40 partners from the financial sector, the government, information and consumer organizations and science, signed an agreement, in 2006, to work together on financial education. Together, the partners will carry out a strategic agenda that includes programs and projects aimed at improving the financial knowledge and skills of consumers and stimulating an active attitude, so that consumers can make conscious financial choices and become financially competent.

In 2007 and 2008, CentiQ carried out a number of studies and inventories in order to form a basis for the strategic agenda and the CentiQ Action Plan. All CentiQ programs are based on several strategic starting points, including:

- Household finances – These form the basis for all of the programs.
- Prevention is better than correction.
- The program is based on easily accessible and practical resources.

**New Zealand:** A Crown agency, the Retirement Commission, led the development of New Zealand's National Strategy for Financial Literacy, in 2008. The agency has also undertaken comprehensive "financial knowledge surveys", with the most recent being completed in 2009.

The New Zealand Retirement Commission also created Sorted (<http://www.sorted.org.nz>), an independent government-funded organization dedicated to helping New Zealanders manage their personal finances, throughout their lives. In 2009 the Ministry of Education also took over all responsibilities for financial education in schools.<sup>44</sup>

**Singapore:** The national financial education program, MoneySENSE, was launched in October 2003 to bring together industry and public sector initiatives in financial education, to create a long-term, sustainable program to enhance the basic financial literacy of Singaporeans.

The first National Financial Literacy Survey was conducted in March 2005. The survey found that, in general, Singaporeans have fairly healthy attitudes towards basic money management, financial planning and investment matters. Through its national MoneySENSE program, the Government of Singapore continues to support initiatives that enhance the basic financial literacy of consumers.

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**Australia**

<http://www.understandingmoney.gov.au/>

**Ireland**

<http://www.financialcapability.ie/>

**The Netherlands**

<http://www.wijzeringeldzaken.nl/>

**New Zealand**

<http://www.financialliteracy.org.nz/>

**Singapore\***

<http://www.moneysense.gov.sg/>

**The United Kingdom**

[http://www.fsa.gov.uk/financial\\_capability/](http://www.fsa.gov.uk/financial_capability/)

**The United States**

<http://mymoney.gov/>

**The OECD**

<http://www.oecd.org/>

\* Not a member of the OECD

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<sup>44</sup> For more information, go to the following web address:

<http://www.financialliteracy.org.nz/news/presentations-and-speeches/oecd-international-conferences-financial-education/paris-may-2009>

**The United Kingdom:** The Financial Services Authority adopted a National Strategy for Financial Capability in 2003. This strategy included a long-term, complex plan to target young people through new curricula, and savings accounts, to provide generic advice to the population at large, and to create new public programs for retirement savings.

Under the awareness portion of its National Strategy, the Authority has reached 8.4 million people, as of November 2009.<sup>45</sup>

**The United States:** In 2006, the Financial Literacy and Education Commission created “Taking Ownership of the Future: The National Strategy for Financial Literacy”. In addition to the 26 “calls to action” it published in its 2006 Strategy, the following year the Commission developed six new calls to action, where it wishes to concentrate its efforts.<sup>46</sup>

In 2008, the President’s Advisory Council on Financial Literacy was formed. In December 2009, the Departments of Treasury and Education outlined the first step in their efforts to promote financial capability among the nation’s youth. Based on the findings of a new national financial capability survey, the National Financial Capability Challenge (<http://www.challenge.treas.gov>) was created. This is a national award program, which aims to encourage financial education in schools across the country and recognize high-performing teachers, students and schools.

**The OECD:** In 2005, this 30-member group of countries published the first major international study on financial literacy.<sup>47</sup> The study defined financial education, outlined the benefits of increased financial literacy and identified a life cycle of key decisions. In 2008, the OECD launched the International Gateway for Financial Education, which serves as the first global clearinghouse on financial education. It seeks to raise awareness; ensure a wide dissemination of research, best practices and guidelines; and build a worldwide network of government stakeholders on financial education.

*The Task Force is taking a close look at countries that have recently adopted a life-stage approach, offering financial literacy training in schools, post-secondary institutions, community centres, workplaces and retirement facilities. The experiences of these countries will be particularly helpful to us, as we build a “made-in-Canada” solution to financial illiteracy.*

45 For more information, go to the following web address: [http://www.fsa.gov.uk/financial\\_capability/about\\_us/history/](http://www.fsa.gov.uk/financial_capability/about_us/history/)

46 For more information, go to the following web address: <http://mymoney.gov/pdfs/add07strategy.pdf>

47 Organization for Economic Co-operation and Development (OECD), “Improving Financial Literacy: Analysis of Issues and Policies”, 2005. Available at: [http://www.oecd.org/document/2/0,3343,en\\_2649\\_15251491\\_35802524\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/2/0,3343,en_2649_15251491_35802524_1_1_1_1,00.html)