

REPORT OF RECOMMENDATIONS ON FINANCIAL LITERACY

# CANADIANS AND THEIR MONEY

*Building a brighter financial future*



TASK FORCE ON  
**Financial Literacy**

December 2010



## **About the Task Force on Financial Literacy**

Appointed in June 2009 by the Government of Canada, 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 was mandated to make recommendations to the Minister of Finance on a national strategy to improve financial literacy in Canada, with the strategy outlining 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.

In fulfilling its mandate, the Task Force was asked to draw on global “best practices” and build on the strengths of successful initiatives that are already in place, in Canada.

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

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# Acknowledgements

Contributions of many Canadians assisted the work of the Task Force.

We would like to thank numerous individual Canadians and organizations for taking the time to participate and to give us their invaluable input during our consultation phase following the publication of our consultation document *Leveraging Excellence* (February 2010). Together, we explored the wide-ranging and often complex issues surrounding financial literacy as summarized in *What We Heard* (September 2010).<sup>1</sup> The suggestions made during our consultations covered diverse ground within our mandate as well as topics beyond its scope. This report brings forward only those suggestions that relate directly to our mandate.

We also separately consulted with provincial ministries of finance and education as well as the Council of Ministers of Education, Canada. Their time, interest and knowledgeable perspectives greatly benefited the work of the Task Force.

Several experts and practitioners undertook research on our behalf on topics related to our mandate. Their in-depth work and analyses greatly assisted our efforts.

During our consultations we took stock of financial literacy best practices internationally. In developing our recommendations, we continued to monitor developments around the world. We are grateful for the willingness of international representatives to share helpful insights with the Task Force and Secretariat; particularly from Australia, New Zealand, the United States, the United Kingdom and the Organisation for Economic Co-operation and Development.

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<sup>1</sup> *Leveraging Excellence* and *What We Heard* are available from [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

Finally, a dedicated Secretariat supported the Task Force over the past 18 months. The team was led by Susan Murray and comprised Joanne Delorme, Patricia Dunphy, Ralph Frustaglio, John Kane, Bruno Lévesque, Andrew McDermott, Marc-André Pigeon, Jennifer Robson, Claudette Rotondo and Adam Schjott. We express our sincere appreciation to each of you for allowing us to conduct our work effectively and efficiently. Your energy, resourcefulness and hard work have been of significant value, not only to us, but also to present and future generations of Canadians.

The Honourable James M. Flaherty, P.C., M.P.  
Minister of Finance  
House of Commons  
Ottawa, Ontario K1A 0A6

Dear Minister Flaherty:

On behalf of the Task Force on Financial Literacy, we are pleased to submit our final report setting out a proposed National Strategy on Financial Literacy and recommendations, in accordance with our mandate.

Throughout this past year, the Task Force has had the privilege of consulting with Canadians on an issue that is critical to their prosperity. The objective of strengthening the financial skills of Canadians is a long-term undertaking that is increasingly relevant to each individual and household and to our society as a whole, irrespective of the particular state of the economy. Yet our consultations, research and deliberations took place during a turbulent period in the Canadian and global economy. Canadians have never before faced such a combination of economic circumstances: low interest rates, volatile equity markets, high personal debt levels, and a vast number of choices in financial products. This both explains the strong interest in the Task Force's mandate among stakeholders and underscores the timeliness of this initiative.

Five priorities underpin our proposed National Strategy: (1) We believe that responsibility for the Strategy's outcome must be shared among all stakeholders. (2) The coordination of the various initiatives will require strong leadership and multi-stakeholder participation. (3) Financial literacy requires lifelong learning, which must start at school and accompany Canadians through their key life events. (4) Resources and innovative approaches will be necessary to raise the awareness of Canadians about the importance of adopting good financial behaviours, and to reach them in the most effective ways possible. (5) Accountability will be key to the success of the Strategy: stakeholders will need to be able to demonstrate the impact of their interventions, and solid indicators will be required to measure progress over time.

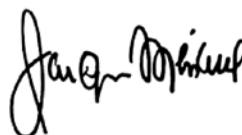
We would like to express our thanks to all stakeholders – private citizens, government agencies, business, labour organizations, non-profit agencies and voluntary organizations – who attended our public meetings and who submitted written briefs of their proposals to improve financial literacy. Their valuable contributions not only helped our work, but have also advanced the overall understanding of financial literacy in Canada. While much excellent work had been done in this field by other countries and international bodies and was captured in our preliminary research, we now have a truly Canadian perspective from which to build future programs.

We would also like to recognize the significant contribution of our fellow Task Force members who devoted themselves to this vital work. Despite a long and strenuous journey, their energy and enthusiasm have remained undiminished.

Finally, on behalf of the entire Task Force, we express our appreciation for the privilege of participating in this important initiative. Hearing views from every region and from all walks of life has been an unforgettable and tremendously rewarding experience. We are confident that our recommendations will set us on a clear path toward greater financial literacy and, in doing so, will help all Canadians build a brighter future.



Donald A. Stewart  
Chair



L. Jacques Ménard, O.C., O.Q.  
Vice Chair

# Executive Summary

Financial literacy is critical to the prosperity and well-being of Canadians. It is more than a nice-to-have skill. It is a necessity in today's world – and, moving forward, should be treated as such by policy-makers, educators, employers and other stakeholders across the country. The time for action is now.

In reflecting upon its mandate, the Task Force recognized that progress in financial literacy requires a common understanding of purpose among all participants. Our definition of financial literacy as *having the knowledge, skills and confidence to make responsible financial decisions* received considerable support from Canadians during our public consultations and in the submissions we received. As such, we ask the Government of Canada and other stakeholders to adopt the Task Force definition of financial literacy.

## **The Need for a Comprehensive Strategy to Improve Financial Literacy**

Over an 18-month period, we conducted and commissioned a considerable volume of research, examined international best practices in the field, consulted widely with Canadians and met frequently to deliberate on our findings. The result of this work is the basis for the proposed National Strategy on Financial Literacy (the “National Strategy”), for consideration by Canada’s Minister of Finance.

The National Strategy aims to strengthen the knowledge, skills and confidence of Canadians to make responsible financial decisions. Under a framework of shared responsibility, stakeholders will collaborate with a designated leader to ensure effective implementation, sustain momentum and leverage resources. As an essential skill, financial literacy requires lifelong learning at home, at school, at work, and in the community. The diverse needs of Canadians will be met by enhancing existing programs, improving access, communications and delivery, and building awareness. Ongoing evaluation of progress will ensure accountability.

Under this Strategy, we are proposing an integrated set of 30 recommendations, with a mission to strengthen the financial literacy of Canadians. Because this important issue

touches all residents, our recommendations are multi-faceted and emphasize the need for a collaborative approach. Whether financial literacy initiatives are undertaken by schools, governments, financial institutions, employers, labour organizations or voluntary bodies, collaboration and coordination will be essential to success.

## **Five Priorities**

Although our recommendations are wide-ranging, five priorities define the Strategy's overall objective of strengthening the knowledge, skills and confidence of Canadians to make responsible financial decisions. Our specific recommendations build on the topics identified in our consultation paper *Leveraging Excellence* (February 2010), such as education, borrowing, saving and communication. These topics were commented on by Canadians during our public consultations and are summarized in our report *What We Heard* (September 2010).

The five priorities of the proposed National Strategy are:

1. Shared Responsibility
2. Leadership and Collaboration
3. Lifelong Learning
4. Delivery and Promotion
5. Accountability

### **1. Shared Responsibility**

The mission of strengthening the financial literacy of Canadians is a shared responsibility among many stakeholders. This mission will not be realized without the combined efforts of individuals, families, governments, educators, financial services providers, employers, labour organizations, businesses and voluntary organizations.

Over the course of our work, we were impressed by the many programs, websites, seminars and course materials that have been developed with the objective of improving the financial literacy of Canadians. However, practical mechanisms are still needed to facilitate collaboration across sectors in a way that maximizes the

impact of these efforts. The duplication of existing initiatives and effective programs would waste scarce resources.

Strong partnerships have already been forged among many of the above-noted stakeholders in promoting and delivering financial literacy programs and in funding research in this area. To take best advantage of the expertise, experience and involvement of all partners, the active participation of all those with a role to play will be essential.

## **2. Leadership and Collaboration**

Although right across the country excellent work is being done to improve the financial literacy of Canadians, it is clear that an undertaking of this scope, complexity and duration requires a focused and dedicated leader. This leadership role will serve to maintain momentum in implementing the National Strategy, provide a home for continuing research and innovation, and ensure that a collaborative framework for financial literacy initiatives is sustained.

These considerations have convinced us that the Government of Canada should continue to take a lead role in promoting financial literacy; that it should seek to achieve public policy objectives by working in collaboration with other levels of government and with stakeholders in the private and voluntary sectors; and that it should create an appropriate mechanism to execute the National Strategy – namely, by appointing an individual focused on these important tasks.

Stakeholders from all sectors have a role to play in implementing the National Strategy. One of our main recommendations is the establishment of a council of stakeholders, representative of relevant sectors, to provide ongoing guidance on the implementation of the National Strategy and to better leverage existing investments, by all sectors, for the advantage of Canadians. A formal collaborative partnership among stakeholders is necessary if Canadians are to benefit from best practices and successful programs and initiatives.

### 3. Lifelong Learning

We believe that financial literacy is an essential skill acquired through lifelong learning. Indeed, we agreed at the outset that the delivery of financial literacy programs must take into account key life events that bring the need for financial knowledge and skills into focus. Therefore, while our recommendations propose that the formal education system should provide a foundation for financial literacy upon which Canadians can build throughout their lives, we also address opportunities to deliver financial literacy education when people are most likely to be receptive to it. Those “teachable moments” include decision points such as joining a pension plan or workplace retirement savings scheme, seeking financial advice or considering the purchase of a financial product, or determining one’s eligibility for benefits from a government program. Learners retain only some of what they are taught, particularly when the subject matter is outside their everyday experience. Thus, financial education needs to be reinforced through life.

Even for those with the information and education they need to make sound financial decisions, a wide range of psychological, social and institutional influences can impede rational decision making. The considerable research devoted to “behavioural economics” in recent years has yielded many useful insights. The Task Force has therefore not underestimated the importance of the environment or “architecture” of choice,<sup>2</sup> especially default mechanisms such as auto-enrolment and auto-escalation features for workplace retirement savings plans.<sup>3</sup> As part of the National Strategy, we believe that “nudging” interventions should be carefully considered by policy-makers as a complement to more traditional financial literacy tools and initiatives aimed at empowering Canadians in their financial decision-making processes.

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2 Yoong, J. (2010). “Retirement Preparedness and Individual Decision Making: Implications for Canada.” Research paper prepared for the Task Force on Financial Literacy. Available from [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

3 Turner, J. (2006). “Designing 401(K) Plans that Encourage Retirement Savings: Lessons from Behavioral Finance.” Retrieved from AARP Public Policy Institute website: [assets.aarp.org/rgcenter/econ/ib80\\_pension.pdf](http://assets.aarp.org/rgcenter/econ/ib80_pension.pdf); and Thaler, R. H., & Sunstein, C. R. (2009). *Nudge: Improving Decisions about Health, Wealth, and Happiness*. New York, NY: Penguin Books Ltd.

Taken together, formal education, just-in-time learning at key life events and insights gleaned from behavioural economics will provide Canadians with the foundation to make better financial choices throughout their lives.

## 4. Delivery and Promotion

Given the multi-jurisdictional and multi-stakeholder environment in which financial literacy education takes place in Canada, effective delivery is a theme that runs through virtually all of our recommendations.

One of the challenges to effective delivery of financial literacy initiatives is the need to reach and to engage Canadians so that they become aware of, and participate in, targeted initiatives of benefit to them. In our recommendations we emphasize the need for a sustained public awareness campaign on financial literacy, supported by the proposed single source website.

We believe that a single source website is key to allowing Canadians to inform themselves with high-quality, unbiased information from a range of expert sources. The website will facilitate the consolidation and dissemination of financial literacy information and programs. Suggestions for the website content include a self-assessment tool and retirement calculators for individuals.

Another challenge for effective delivery is clear communications. Canadians need financial information and advice that is relevant, understandable and engaging, and we believe governments and financial services providers have a responsibility to ensure that their communications meet these criteria.

## 5. Accountability

The primary instrument for accountability in the execution of the National Strategy is the above-mentioned appointment by the federal Minister of Finance of an individual responsible for the Strategy and directly accountable to the Minister. This would

ensure, at the highest level, accountability to Canadians through Parliament. This individual would also publish an annual report on implementation, programs and national progress as measured by the key indicators cited in this report.

Ongoing program evaluation is, of course, vital to the success of the Strategy. Only with effective evaluation can we optimize the use of programs that work and quickly abandon or repair those that are ineffective. Our recommendations therefore address the necessary evaluation of initiatives and identify the need for the Government of Canada to enhance the evaluation capabilities of financial literacy education providers.

No evaluation of program effectiveness would be complete without a measurement of overall impact on the financial literacy of Canadians. This will likely involve ongoing survey mechanisms at the national level as well as Canada's active participation in comparative international assessments. Statistics Canada's 2009 *Canadian Financial Capability Survey* has paved the way for the development of a National Financial Literacy Index, presented in this report, to serve as both a report card on current efforts and a benchmark for future progress.

## **Conclusion: The Way Forward**

The Task Force on Financial Literacy has set out the main priorities for a National Strategy on Financial Literacy. The Task Force believes that the National Strategy proposed here will enable Canadians to begin a collaborative journey toward strengthening the knowledge, skills and confidence they need to make responsible financial decisions at every stage of their lives.

# Financial Literacy Challenges and Opportunities in Canada

*“Our economy is built on millions of everyday financial decisions by Canadians. Recent events have shown us that there are major risks and that financial literacy is an important life skill. Whether it is a question of saving for retirement, financing a new home or balancing the family chequebook, improving the financial literacy of Canadians will add to the stability of our financial system and make our economy stronger.”<sup>4</sup>*

*– The Honourable James Flaherty, Minister of Finance*

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Recognizing the ever-increasing value and importance of financial literacy to individual Canadians, families and the nation’s prosperity, the Government of Canada created the Task Force on Financial Literacy in June 2009 with the mandate to make recommendations on a national strategy to strengthen financial literacy in Canada.

## The Concept of Financial Literacy

We have defined financial literacy as *having the knowledge, skills and confidence to make responsible financial decisions*. Within that definition,

- **Knowledge** refers to an understanding of personal and broader financial matters;
- **Skills** refer to the ability to apply that financial knowledge in everyday life;
- **Confidence** means having the self-assurance to make important decisions; and
- **Responsible financial decisions** refers to the ability of individuals to use the knowledge, skills and confidence they have gained to make choices appropriate to their own circumstances.

Armed with financial knowledge, skills and confidence, Canadians are better able to:

- Make day-to-day choices about how to spend their money and stay on top of financial obligations;

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<sup>4</sup> Department of Finance Canada. (2009). “Minister of Finance Launches Task Force on Financial Literacy.” Media release 2009-067. Toronto, June 26. Retrieved from [www.fin.gc.ca/n08/09-067-eng.asp](http://www.fin.gc.ca/n08/09-067-eng.asp)

- Navigate the ever-changing financial marketplace and buy the products and services that make the most sense for their own needs;
- Plan ahead about how to use their hard-earned dollars for life goals, such as buying a home or preparing for retirement;
- Deal with local, provincial and national government programs and systems that are often complicated and confusing, even to experts;
- Evaluate the financial information and advice they get, whether from friends, the media or professionals; and
- Make the best use of the resources they have, including workplace benefits, private and public pensions, tax credits, public benefits, investments, home equity, access to credit and consumer spending power.

## The Current Situation: Why Now?

Canadians today have to make an ever-larger number of financial decisions, at an ever-younger age – and these decisions are increasingly complex and fraught with consequences. Yet too many people remain under-equipped when it comes to understanding money matters, and some groups are particularly vulnerable in this regard.

Canadian and international polls, surveys and studies have consistently shown that many consumers – young and old, rich and poor – have real challenges with financial literacy, from reading financial statements to managing credit cards to planning for retirement. The findings of Statistics Canada’s 2009 *Canadian Financial Capability Survey* confirmed this. The largest of its kind in the world, the survey gathered information about the financial habits, behaviours and attitudes of Canadians. The survey found that:

- Only 51 percent of Canadians had a budget. Those with higher levels of education were more likely to have a budget;
- Thirty-one percent of Canadians were struggling to meet their bills and payments;

*“Financial literacy has always been an essential ingredient in personal and financial success, however, it is hard to imagine a time when financial literacy has been more consequential for Canadians. Economic conditions are in a state of rapid change, challenging everyone to react quickly to new dangers and opportunities. Inaction or inappropriate responses can jeopardize the financial health and wellness of many of us; we all need the tools to take charge of our financial situation with confidence.”*

– *The Financial Education Institute of Canada*

- Of those Canadians who were planning to purchase a home, 48 percent had saved less than five percent of the cost of the home. Fifty-two percent of Canadians who were planning to purchase a home were not expecting to incur any costs other than the down payment;
- Seventy percent of Canadians were fairly or very confident that their retirement income would provide the standard of living they hoped for, although just 40 percent had a good idea of how much money they needed to save in order to maintain their desired standard of living in retirement; and
- Financial advisors are the most likely source (at 54 percent) among Canadians seeking advice on financial matters.

Drawing on international best practices and technical expertise, the results of the survey (individual answers to over 100 questions) were converted into a National Financial Literacy Index,<sup>5</sup> which examined five key areas:

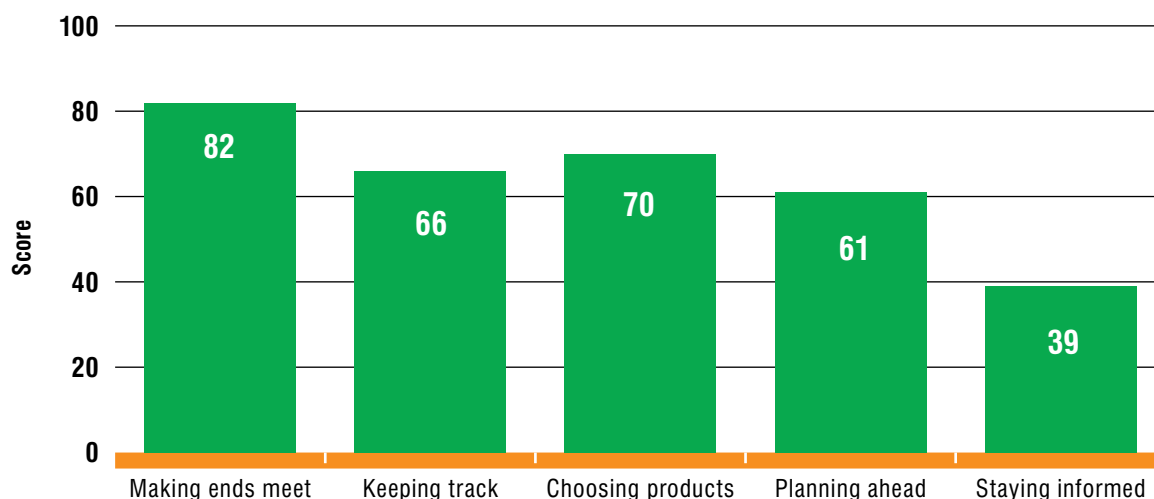
1. Making ends meet
2. Keeping track of money
3. Choosing products
4. Planning ahead
5. Staying informed and getting help

The findings of this analysis (see Figure 1) suggest that Canada's overall financial literacy is very mixed – a result not unlike that of comparable surveys conducted in the United States, the United Kingdom and New Zealand. Drilling down a little more, it becomes evident that Canadians who have trouble in one area of financial literacy often have trouble in one or more other areas.

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5 For more information on the index and other highlights from the 2009 *Canadian Financial Capability Survey*, see McKay, S. (2010). "Understanding financial capability in Canada: Analysis of the CFCS." Research paper prepared for the Task Force on Financial Literacy. Available from [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

**Figure 1: National Average Scores, National Financial Literacy Index (2009 data)**



For each of the five areas above, the National Index gives a score between 0 and 100, where 100 is the highest score of anyone in the country and 0 is the lowest.

Different groups of Canadians face different kinds of challenges. This includes Aboriginal Canadians and Canadians with low incomes. But the National Index reveals some surprising findings about which Canadians are doing relatively better and which groups are struggling more, as shown in Figure 2 on page 14. (More results are provided in Appendix C.)

Recent economic events have brought into relief the serious risks to financial well-being posed by financial illiteracy. How sound is the financial decision making of individual Canadians? How well are they prepared to weather economic downturns? Canadian economists and public policy commentators have suggested that Canadian households are increasingly vulnerable to shocks to the economy and that this vulnerability is worsening more rapidly than anticipated. Figure 3 (on page 15) depicts the steady rise in household debt levels over the last 20 years. Alarming, the ratio of Canadian household debt to disposable income reached 148 percent in 2010.

**Figure 2: Who's Struggling? Who's Doing Better?**

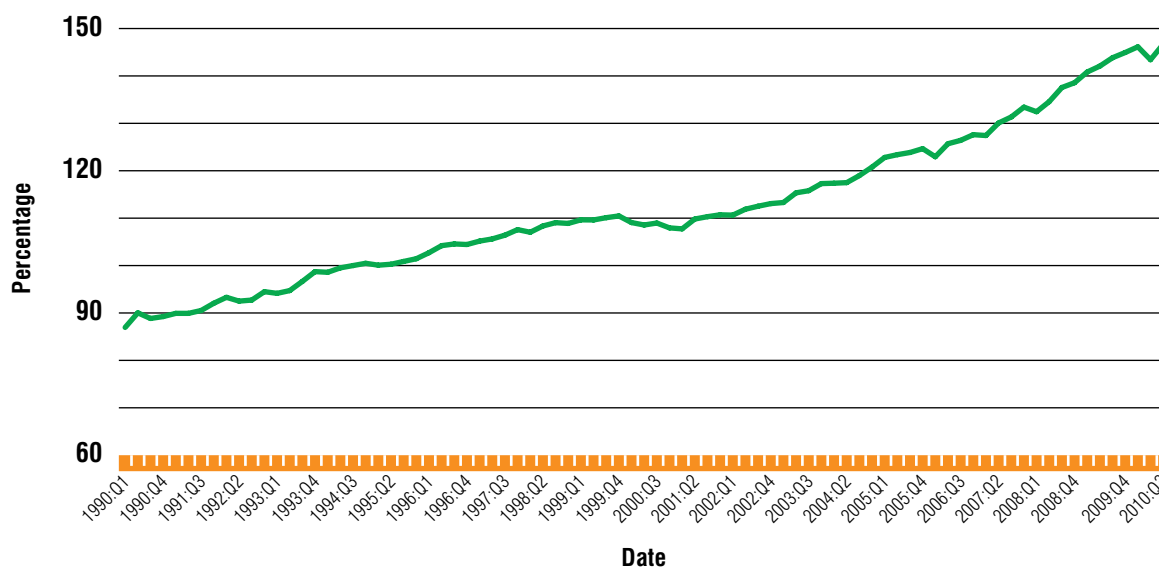
	AREA OF FINANCIAL LITERACY				
	Making ends meet	Keeping track	Choosing products	Planning ahead	Staying informed
<b>Who's struggling?</b>	<ul style="list-style-type: none"> <li>Aboriginal Canadians</li> <li>Young adults</li> <li>Very recent immigrants</li> <li>Low-income and low-net-worth households</li> </ul>	<ul style="list-style-type: none"> <li>Seniors</li> <li>Adults who let others make most major and ongoing financial decisions for them</li> </ul>	<ul style="list-style-type: none"> <li>Aboriginal Canadians</li> <li>Recent and very recent immigrants</li> <li>Young adults</li> </ul>	<ul style="list-style-type: none"> <li>Seniors</li> <li>Aboriginal Canadians</li> <li>Very recent immigrants</li> <li>Young adults</li> <li>Low-income and low-net-worth households</li> <li>Singles</li> </ul>	<ul style="list-style-type: none"> <li>Seniors</li> <li>Aboriginal Canadians</li> <li>Recent and very recent immigrants</li> <li>Low-income households</li> <li>Renters</li> </ul>
<b>Who's doing better?</b>	<ul style="list-style-type: none"> <li>Seniors</li> <li>High-income households</li> </ul>	<ul style="list-style-type: none"> <li>Very recent immigrants</li> </ul>	<ul style="list-style-type: none"> <li>High-income and high-net-worth households</li> </ul>	<ul style="list-style-type: none"> <li>Homeowners</li> </ul>	<ul style="list-style-type: none"> <li>People who have taken a course in financial matters</li> <li>High-net-worth households</li> </ul>

*“At a time in our history where we are experiencing the highest economic volatility since the Great Depression, and with consumer debt load at the highest level it’s ever been, in our opinion the need for financial literacy has never been greater.”*

– Affinity Credit Union

Clearly, as the Finance Minister reminds us, it is vital to recognize the importance to our economy of the millions of financial decisions made by Canadians every day. Improving the financial skills of Canadians will make our economy stronger. This cannot be achieved without first addressing the challenge of financial literacy.

**Figure 3: Ratio of Household Debt to Income (January 1990–September 2010)**



Source: Statistics Canada. CANSIM table 378-0012.

## The Need for Action: Charting a Course to Strengthen Financial Literacy

Over an 18-month period, the Task Force has reviewed the financial literacy landscape in depth, examining a wide range of issues, trends and ideas to determine a course of action for improving financial literacy in Canada. A vital part of this review was a three-month period of public consultations with Canadians. Representatives of the Task Force travelled in small teams to every province and territory, visiting communities across Canada. We met face-to-face with over 170 individuals and organizations, and received more than 300 submissions and an additional 280 comments from Canadians through our online forum.

We learned first-hand that Canadians attach great value to financial literacy and clearly want it taught in schools, workplaces, communities and online. A summary of the main themes and suggestions from our consultations, *What We Heard*, was published in September 2010. The Task Force also reviewed existing international and domestic research and identified key knowledge gaps. We commissioned a total of 13 studies by Canadian and international experts to delve deeper into

specific topics and to fill the research gaps we had identified. This research helped us develop our final recommendations and is now in the public domain for use by other researchers and practitioners. The studies and their authors are identified in Appendix E. The summary report, along with the commissioned research papers, is available at [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com).

Our review of the evidence makes it clear that Canada must move to address deficits in financial literacy in a more focused way, and that the time for action is now. The status quo is no longer an option. The good news is that important groundwork has been laid: we have been enlightened about many excellent financial literacy initiatives already in place – school-based programs, print and online materials, community seminars and more. But there are significant gaps in access, in awareness and in the capacity of some organizations to deliver financial education, all of which must be addressed if we are to raise the bar on financial literacy.

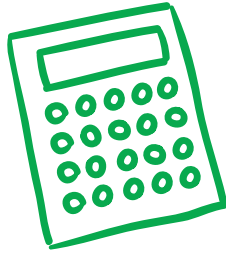
Financial literacy is an ongoing – indeed, a lifelong – endeavour, for the financial skills and knowledge required of individuals will change throughout their lives. The goalposts for financial literacy will also not stand still, as changes continue in financial services, government programs and demographics. This means that, as a country, we cannot rely on a short-term “fix” for the financial literacy challenge. Whatever is “enough” to know and do today will not be enough tomorrow. Instead, we believe that Canada must make a long-term commitment to strengthening financial literacy.

During our consultations, many organizations highlighted the link between the poor literacy and numeracy skills of Canadians and their insufficient financial literacy levels. The fact that 42 percent<sup>6</sup> of working-age Canadians – that is, those aged 16 to 64 – have literacy levels below that required to understand and use information contained in texts and tasks that typify our emerging knowledge society and information economy is a clear indication of the magnitude of the challenge (Figure 4).

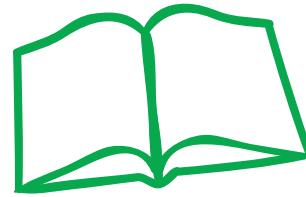
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<sup>6</sup> The figure increases to 48 percent if all Canadians over 16 years of age are considered, including those over age 64.

**Figure 4: Key Results from the 2003 *International Adult Literacy and Skills Survey***



**49.8%** of adult Canadians struggle with simple tasks involving math and numbers



**42%** of adult Canadians struggle with reading

**Source:** Statistics Canada. (2010). ABC Life Literacy Canada. "Submission to the Task Force on Financial Literacy".

## **Our Recommendations**

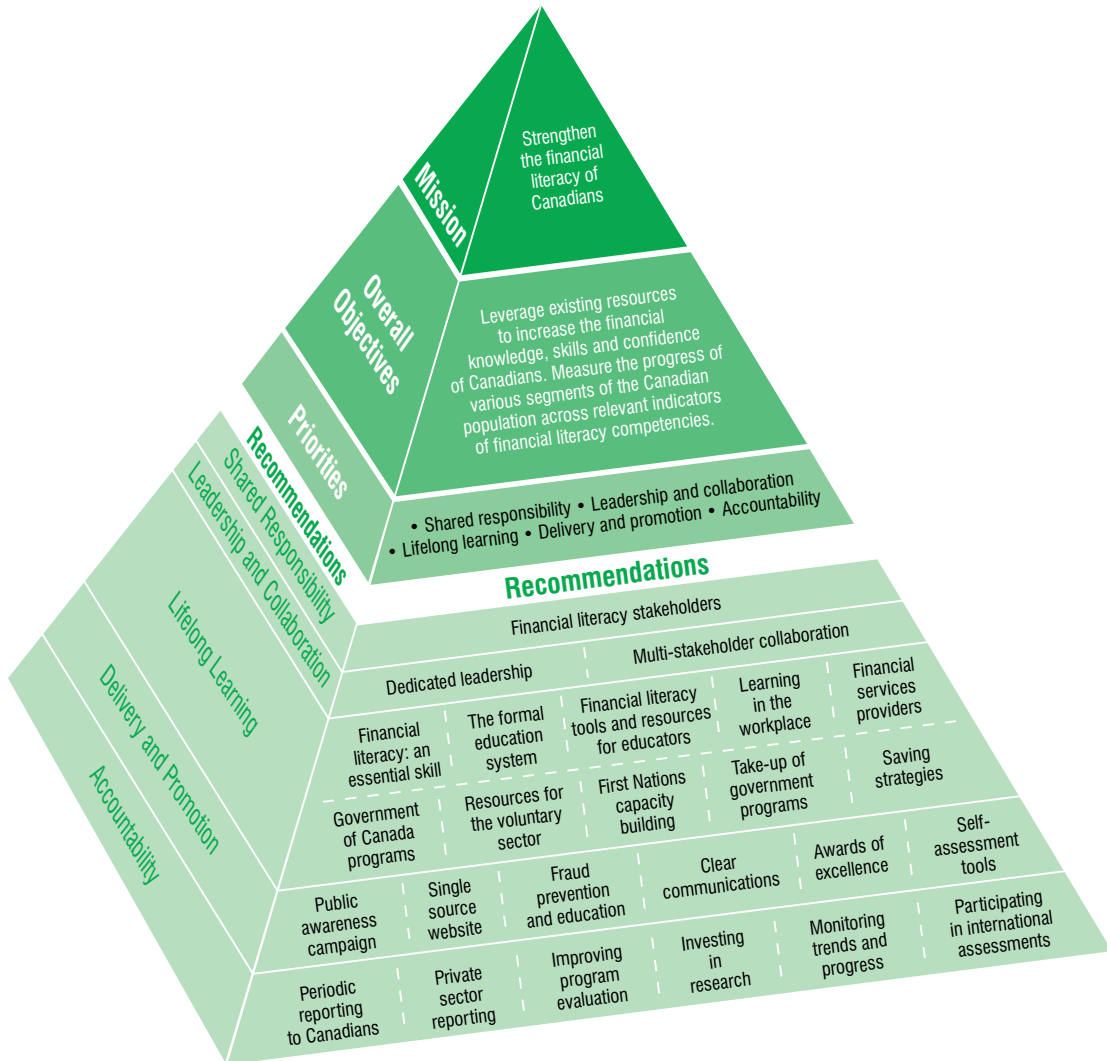
In this report we outline our proposed National Strategy on Financial Literacy (the "National Strategy") for consideration by Canada's Minister of Finance. Under this Strategy, we are putting forth an integrated set of 30 recommendations, with the objective of strengthening the knowledge, skills and confidence of Canadians to make responsible financial decisions (see Figure 5 on page 18 and Figure 6 on page 19).

Because this important issue touches all citizens, our recommendations are multi-faceted and address the need for a collaborative approach in advancing Canadians' financial knowledge and skills. Whether financial literacy initiatives are undertaken by the public education system, governments, financial institutions, employers and labour organizations, or voluntary organizations, collaboration will be the key to success.

Although our recommendations range broadly, five priorities define the overall Strategy:

1. Shared Responsibility
2. Leadership and Collaboration
3. Lifelong Learning
4. Delivery and Promotion
5. Accountability

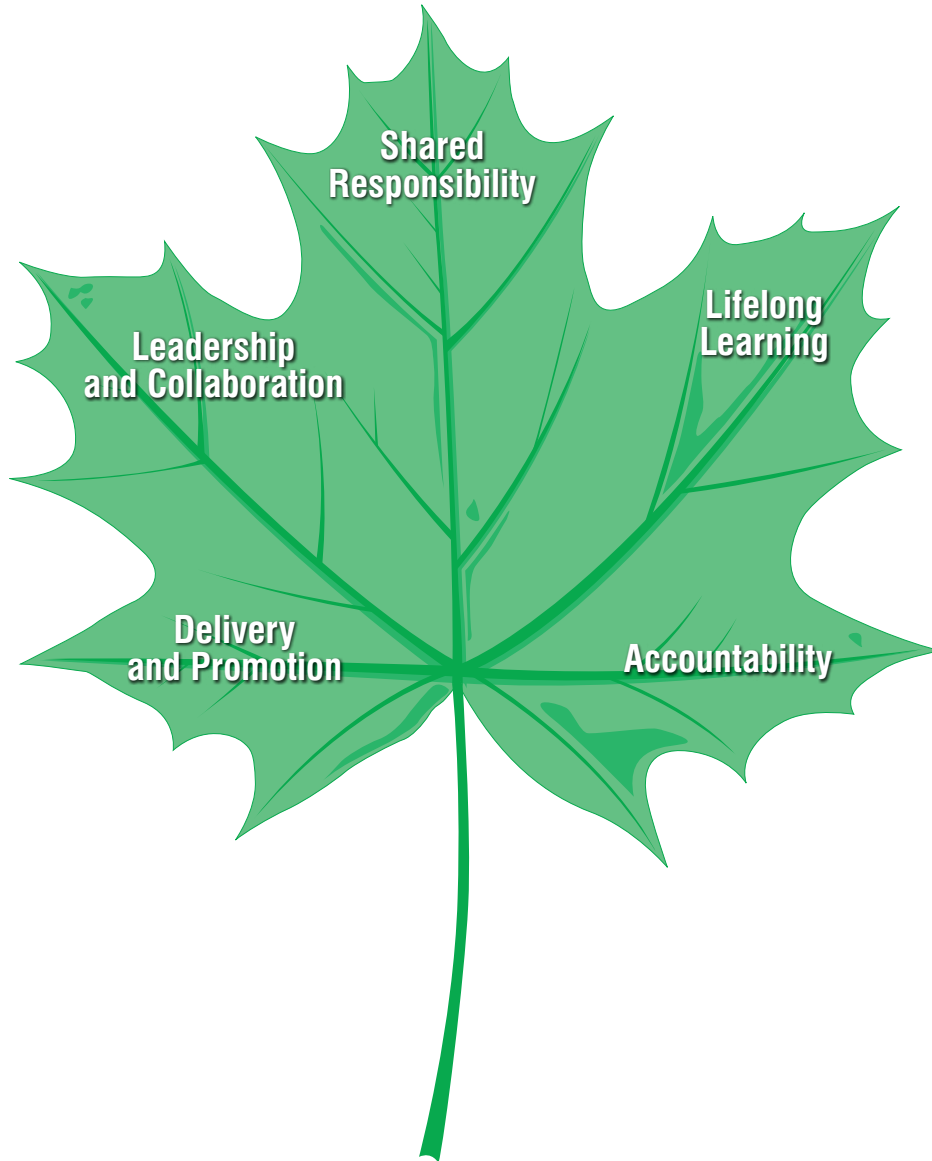
**Figure 5: The Proposed National Strategy on Financial Literacy**



In the sections that follow, we set out our recommendations and the rationale behind them. We believe these measures will, over time, make a significant impact and contribute to the financial well-being of all Canadians. Realizing the goals of the National Strategy will not happen overnight: it will require all those with a role to play to work in a coordinated fashion to effect meaningful, long-term change. We invite everyone to learn the key features of the proposed National Strategy and to play a role in its execution, for the benefit of Canadians today and future generations.

**Figure 6: National Strategy on Financial Literacy**

**Mission:**  
Strengthen the financial literacy of Canadians



# National Strategy on Financial Literacy

## I. Shared Responsibility

We believe that financial literacy is a matter of *shared responsibility* among many stakeholders, and have made it a key aspect of the National Strategy. Any campaign to improve financial literacy must recognize the involvement and contribution of these stakeholders, who have a powerful and legitimate role to play. In this section, we briefly describe the various players; then, through remaining sections, we recommend concrete ways in which they can work to build financial literacy for a more prosperous Canada.

### Financial Literacy Stakeholders

#### Individuals and Families

Individuals and families – the intended audience of financial literacy programs – have an important role to play in the National Strategy. Canadians are faced with financial decisions every day, some of which can have lasting consequences for the rest of their lives. We believe that Canadians should therefore strive to be knowledgeable about the financial products and services they use, especially before making key decisions such as getting a credit card, taking on a mortgage, obtaining insurance

*“Governments can help create the right financial environment through appropriate policies and regulations, but the burden of making financial decisions ultimately rests with individuals.”*

*– TD Bank Financial Group*

and making investments. Parents have a role to play in fostering a home environment in which the whole family can discuss and learn about money. Throughout this report we discuss ways in which Canadians can elevate their proficiency in personal finance and adopt better consumer habits.

While individuals and families must have basic knowledge and awareness to be able to exercise their rights and understand their responsibilities with regard to financial products, it is up to governments and the private sector to foster conditions conducive to financial literacy and consumer empowerment. This is vital to the ability of Canadians to steer through not only the financial services sector, but also through our tax system and social programs in order to enjoy the benefits to which they are entitled.

## Governments

Governments are uniquely placed to advance the interests of financial literacy in their capacity as major employers, through financial regulation and public policy development, and through their social programs, which touch many Canadians every day.

*“Advancing financial literacy requires significant government involvement to facilitate partnerships, develop consistent standards of practice and measurement as well as provide adequate investment of resources.”*

– Momentum

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The federal, provincial and territorial governments share jurisdiction over the regulation of the financial services sector. Government regulators work diligently to protect and educate Canadian consumers about financial products; for example, provincial securities commissions and the Canadian Securities Administrators provide a number of investor education initiatives, and the federal Financial Consumer Agency of Canada operates an extensive consumer education program. Regulators have a responsibility to stay abreast of the rapidly evolving field of financial services, to be vigilant in supervising financial institutions and to be proactive in disseminating consumer education materials and messages.

The formal education system in Canada is the responsibility of the provincial and territorial governments. Respective ministries of education manage the organization, delivery and assessment of education at the elementary and secondary levels, as well as technical and vocational training and post-secondary education. Through formal education, provincial and territorial governments help to ensure that young people are taught the skills they will need throughout their lives, including reading, writing, basic mathematics and computer skills.

All levels of government also play a very direct role in the economic lives of Canadians by providing pensions, credit, payments and other benefits. The Government of Canada is a major provider of social support programs. We believe there are ample opportunities to deliver financial literacy effectively through government programs and services that reach Canadians – ranging from the Canada Student Loans Program to the Urban Aboriginal Strategy to orientation initiatives for newcomers to Canada.

## Financial Services Providers

Canadians deal with many different types of financial services providers, among them:

- Banks, credit unions and caisses populaires;
- Trust companies;
- Securities dealers, mutual fund companies and distributors;
- Insurance companies (life and health, and property and casualty);
- Finance and leasing companies;
- Independent advisors, financial planners, insurance brokers and accountants; and
- Alternative banking facilities (e.g., payday loan providers, cheque-cashing outlets).

### [TRANSLATION]

*“The financial services industry should also be obliged to provide consumers with information in simple and clear language, and to disclose the information necessary to make key decisions. Employees should receive ongoing training so as to be able to clearly explain the features of the products they are offering.”*

– *Option consommateurs*

Financial services providers attempt to address the financial literacy needs of their clients by offering a wide range of tools and resources. These include customized advice and guidance; printed brochures and newsletters; websites; seminars and workshops; and interactive calculators. Trade groups such as the Canadian Bankers Association, the Canadian Life and Health Insurance Association and the Investment Funds Institute of Canada support the efforts of their members through dedicated consumer education campaigns.

Our research suggests that the level of attention and commitment to financial literacy and consumer protection is uneven across the financial sector and its institutions. Although informational materials are readily available to consumers, much of this material is complex and is not presented in simple, accessible language. In our judgment, financial services providers have a responsibility to ensure that their informational materials are developed, written and designed to be readily understood. Transparency is key. It is vital that institutions have well-trained front-line and advisory staff that can provide accurate information and helpful guidance to customers.

## Credit Counselling Community

For more than 40 years, non-profit credit counselling service agencies have been working with individuals and families who are struggling to make ends meet. They

play a crucial role in providing financial education and debt management advice, often helping individuals and families to avoid insolvency. With their experience in dealing with people struggling with debt management, they can play a significant role in strengthening the financial literacy of Canadians.

Canadians must be better informed about the services that are offered by credit counselling agencies and the differences between the non-profit and for-profit agencies involved. With increased awareness, Canadians will be better able to ask the right questions when seeking the services of a credit counsellor.

### **Employers and Labour Organizations**

Employers and labour organizations have access to millions of Canadians and long experience in imparting information to employees on financial matters such as pension and retirement plans. As part of the National Strategy, we believe that employers and labour organizations have a responsibility to ensure that these plans are well explained and easy to use so that employees can fully understand and optimize them.

### **Voluntary Sector**

In delivering financial literacy initiatives and reaching out to the most vulnerable Canadians, we recognize the important role of the voluntary sector, which comprises community service agencies, charitable groups and national umbrella organizations. Research conducted for the Financial Consumer Agency of Canada<sup>7</sup> found that the vast majority of financial information and learning products and services that are aimed at, or accessible to, low-income Canadians are provided by the voluntary sector.

Voluntary organizations deliver programs and services on behalf of governments. In our judgment, when these organizations are being funded to deliver financial literacy information, they should ensure that it is of high quality and relevant to the Canadians they serve.

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<sup>7</sup> Robson, J., & Kuckacka, P. (2005). "Research on the Supply of Financial Literacy Products and Services in Canada." Toronto: Social and Enterprise Development Innovations (SEDI).

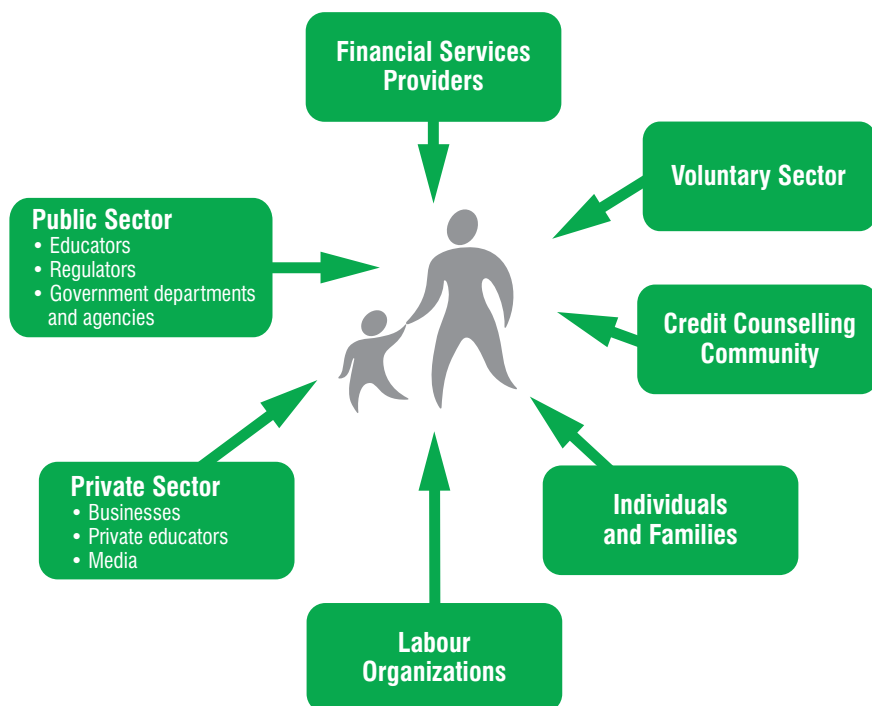
## A Call to Collective Action

Achieving the goal of improved financial literacy requires the active participation of all players in the National Strategy. We recognize that many people and organizations are already working actively in key spheres of financial literacy, and we deeply respect their authority, expertise and investment (see Figure 7). Notwithstanding these positive efforts, more can and must be done to achieve a bigger and better impact for a greater number of Canadians.

We are of a single mind that the public, private and voluntary sectors have the ability, and a responsibility, to step forward to elevate financial know-how. In the sections that follow, we elaborate on how the idea of shared responsibility can come to life. For example:

- As part of our approach to ensuring that the principle of shared responsibility becomes ingrained in the National Strategy, we propose a multi-stakeholder framework to enable stakeholders to work in a coordinated manner on the mission to strengthen Canadians' financial literacy;
- We highlight ways to make it easier for Canadians to fulfill their individual responsibility to take action on their financial future;
- We identify how organizations can take advantage of existing programs to serve more people; and
- We outline how governments can boost the capacity of certain organizations, particularly those in the voluntary sector, which have the desire but lack the funding and/or staffing resources to provide effective financial literacy education.

**Figure 7: Shared Responsibility – Many Stakeholders Can Shape Canadians’ Financial Literacy**



## **II. Leadership and Collaboration**

With shared responsibility as the starting point, we believe that dedicated leadership and collaboration must drive the National Strategy forward. These are essential to a concerted, long-term push to advance Canadians’ financial literacy.

### **Dedicated Leadership**

While right across the country excellent work is being done to improve the financial literacy of Canadians, it is clear that the scope, complexity and long-term horizon of the Strategy require a focused, centrally recognized champion. Clear leadership and coordination are needed at the national level. Sustained, steady progress over the long term is unlikely to be achieved without dedicated stewardship.

In light of these considerations, along with the fact that there is no national figure at present with a mandate devoted solely to financial literacy, we propose that the Government of Canada appoint a suitable individual as leader of the National

*“The federal government should play the lead role – within an agreed-upon partnership arrangement with involved stakeholders – in strengthening and promoting financial literacy through any national Canadian-made strategy.”*

*– Certified General Accountants  
Association of Canada*

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Strategy. This individual would be non-partisan and directly accountable to the Minister of Finance and would have a clear mandate to work collaboratively with various levels of government and other stakeholders to oversee the Strategy, implement the recommendations and champion the message of financial literacy nationwide.

Additionally, the Financial Literacy Leader would work with and support stakeholders in their financial literacy activities, act as a catalyst and “home” for continuing research and innovation, and ensure a Canadian voice in the development and sharing of international principles and best practices in the field. We envision that the Financial Literacy Leader would also help the Government of Canada integrate and leverage its efforts to promote financial literacy by coordinating the work of all federal departments and agencies with a stake in the issue.

## Principles

In designing an effective leadership role, we put forth the following key principles to serve the National Strategy and ensure its objectives are achieved:

- **Efficiency:** Although resources dedicated to financial literacy are already in place across the federal sphere, better coordinating efforts to integrate some functions and leverage services across departments can realize efficiencies. We believe that the resources required to fulfill a new leadership role can derive largely from existing allocations. As described in the next principle, this is about bringing more cohesion and focus to the effort rather than adding resources in a period of severe fiscal constraints.
- **Focus:** As our report demonstrates, financial literacy has many dimensions. To succeed, the National Strategy requires a clear mandate and single-minded focus on financial literacy. This clarity of purpose will sustain efficient work over the long

term. Further, the mandate should not conflict with the objective of partnering with important participants in the National Strategy, such as federally regulated financial institutions (e.g., separate from regulatory oversight of potential partners).

- **National leadership:** We believe that improving the public’s financial literacy will contribute to Canada’s national prosperity. One of the challenges will be to address the diverse dimensions of financial literacy across the country and to do so in a cohesive and collaborative manner. Judging from our extensive public consultations and additional background research, Canadians are correct to expect the Government of Canada to take a central role on behalf of all citizens in this vital area of our lives.
- **Inclusivity:** No National Strategy will succeed without the continuous involvement of all levels of government and the private and voluntary sectors. All sectors need to be at the table.
- **Flexibility:** The Strategy’s implementation must be flexible enough to allow for collaboration and partnered funding relationships. The private sector and voluntary organizations account for a significant portion of the resources, programs and innovation that can help Canadians expand their financial knowledge.
- **Accountability:** Progress will take time. Still, mechanisms that demonstrate value for money are required if Canada is to continue to invest in the variety of initiatives contemplated in this report.

## RECOMMENDATION 1

**The Task Force recommends that the Government of Canada appoint an individual, directly accountable to the Minister of Finance, to serve as dedicated national leader. This Financial Literacy Leader should have the mandate to work collaboratively with stakeholders to oversee the National Strategy, implement the recommendations and champion financial literacy on behalf of all Canadians.**

## Multi-Stakeholder Collaboration

*“Efforts to improve financial literacy should be a collaborative venture between government, the private sector, the non-profit sector and consumers. As such, we would suggest the establishment of a body with senior representation from these constituencies that would be tasked with identifying opportunities, implementing initiatives and monitoring results.”*

– Manulife Financial

As part of the Task Force mandate, we were asked to recommend a national framework for collaboration among stakeholders. A formal collaborative partnership is necessary if Canadians are to benefit from best practices, successful programs and initiatives in the financial literacy landscape.

To that end, we propose the creation of a national advisory council on financial literacy to work with the Financial Literacy Leader (see Figure 8). The advisory council would be a multi-stakeholder group representing all regions of the country and

comprising a broad mix of expertise drawn from community-based organizations, the financial and private sectors, and governments. The membership must also reflect our country’s rich diversity.

The advisory council would provide ongoing guidance and feedback to the Financial Literacy Leader on the implementation and evolution of the National Strategy, including:

- How to optimize its overall reach and impact for Canadians;
- How to leverage partnerships and programs for greater benefit; and
- How to fine-tune and adapt the National Strategy on the basis of progress measurement indicators (outlined in *Section V. Accountability*).

The advisory council and Financial Literacy Leader should exchange ideas and feedback and take a strategic view of financial literacy issues.

We believe that establishing an advisory council has many advantages that will ultimately result in greater success for Canadians. Such a body would:

- Generate wider stakeholder interest and engagement in financial literacy;
- Provide a dedicated, ongoing forum for communication and interaction among stakeholders;

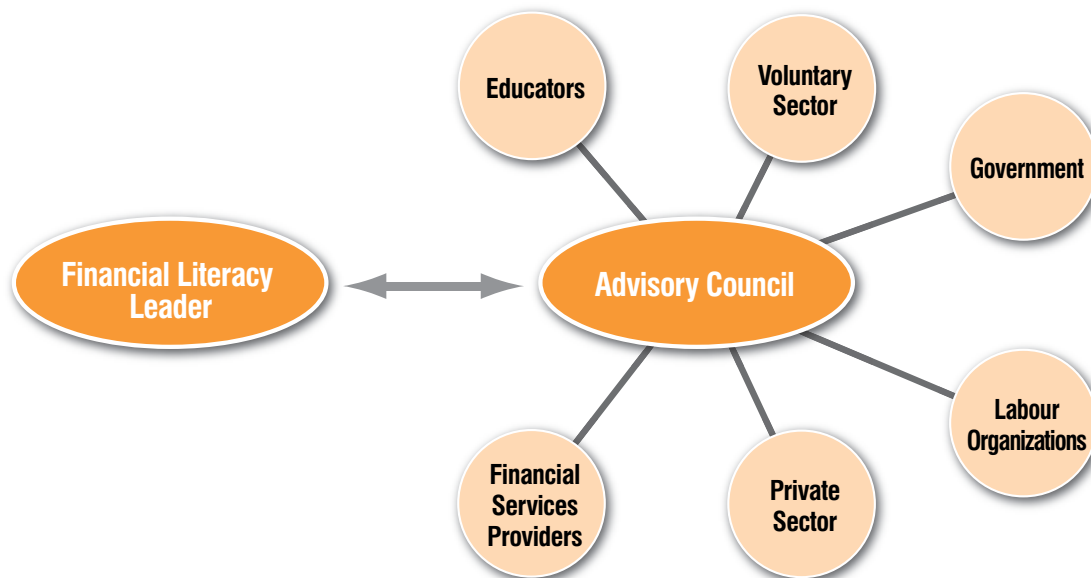
- Enable stakeholders to be active in dialogue and action arising from the National Strategy;
- Allow for diverse views to be incorporated in the Strategy’s execution; and
- Promote greater collaboration, coordination, efficiency and relationships across sectors.

The Government of Canada should work closely with key stakeholders to determine specific details of the council before its creation, including structure, size, meeting frequency and operating procedures.

## RECOMMENDATION 2

**The Task Force recommends that the Government of Canada establish an advisory council on financial literacy, both as a forum for collaboration and to provide ongoing advice to the Financial Literacy Leader on the implementation and evolution of the National Strategy. The council’s membership should reflect the diversity of the stakeholders with an interest in the National Strategy.**

**Figure 8: National Advisory Council on Financial Literacy**



### **III. Lifelong Learning**

The Task Force believes that financial literacy is an essential life skill for all Canadians and that it is acquired through lifelong learning. In this section, our recommendations are grouped into three sections:

#### **1. Foundations**

We discuss the importance of the formal school system in building foundational knowledge about financial matters, and the value of having financial literacy officially recognized in Canada as an essential skill.

#### **2. Beyond the Classroom**

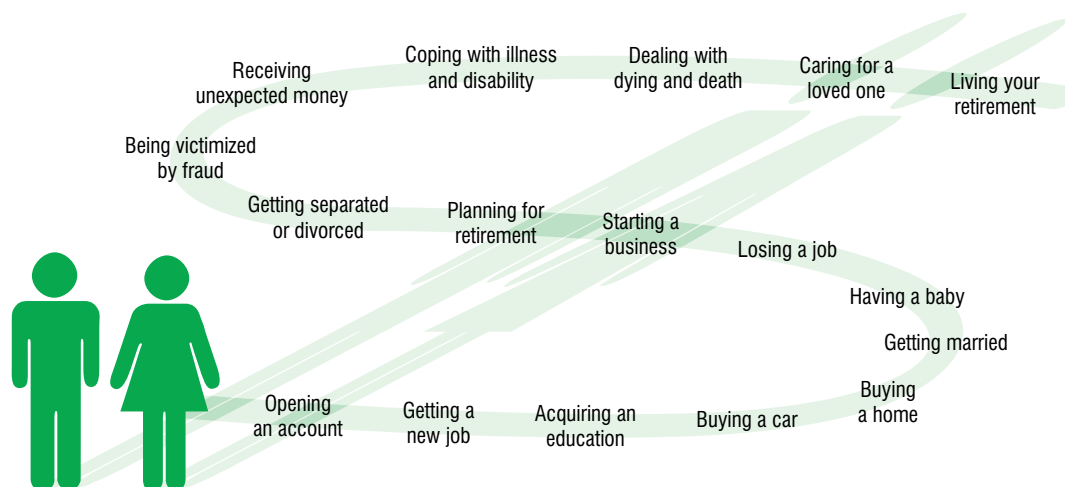
Moving beyond the classroom, we explore ideas to deliver financial education during those life events when people are likely to be receptive to it and prepared to practise it – for example, acquiring one’s first credit card, applying for a mortgage, pursuing a career and preparing for retirement – the rationale being that people retain more of what they learn when the information is specifically relevant to their circumstances at the time (see Figure 9).

#### **3. Learning and Behaviour**

Financial education, by itself, is not necessarily appropriate for everyone, or at all stages of life. We identify behavioural incentives and mechanisms that may also encourage people to act in financially positive ways, particularly when it comes to saving and investing for retirement.

Taken together, formal classroom education, timely informal education at key life events and the application of insights gleaned from behavioural research should help elevate Canadians’ financial literacy so they can make wise financial choices throughout their lives.

Figure 9: Life Events



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

## 1. Foundations

As a nation, we must move quickly to build the foundations for lifelong financial learning. We believe this starts with a basic recognition in Canadian society that financial literacy is necessary for successful participation in our modern economy.

Reaching young Canadians is essential. Although previous generations of 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. As more financial decisions are faced by Canadians at younger and younger ages, grasping financial principles early in life is crucial to being better prepared to participate in the Canadian and global economy and avoiding pitfalls in financial decision making.

*“Young people must develop a positive relationship with money and learn that their relationship with money is a life skill and as important as their relationship with language, reading or arithmetic. They need to learn that money is actually a tool to help them achieve what they want in life.”*  
– Financial Planning Standards Council

## An Essential Skill

During our consultations, some participants urged that financial literacy be deemed an “essential skill” by the Government of Canada, the argument being not only that financial literacy has grown in importance but also that giving it this label would engage educators and employers while helping to “integrate financial literacy initiatives across a broad range of existing federal and provincial programs.”<sup>8</sup>

*“Alterna recommends that financial literacy be recognized as an essential life skill for all Canadians and that efforts, particularly those undertaken by the education sector, be funded, integrated and coordinated in order to maximize the positive impact of every dollar invested.”*

*– Alterna Savings & Credit Union*

Currently, nine workplace essential skills are officially recognized by the Government of Canada and comprise what is known as the *Essential Skills Framework*. Financial literacy is not among them. Originally developed by the Government of Canada to define and raise awareness of the competencies needed to succeed in the workplace, this framework has evolved to include skills that people need for life and lifelong learning. The categories are: core academic skills (reading, document use, numeracy and writing); thinking and continuous learning; interpersonal skills such as oral communications and working with others; and applied skills (computer use). Within the numeracy category, a money math component is defined as “financial transactions, such as handling cash, preparing bills or making payments.”<sup>9</sup>

Figure 10 illustrates the type of tasks an individual would be expected to successfully achieve at each level of “money math” skills.

This framework has proven successful in Canada, particularly in engaging employers and educators. It has been adapted, in part or in full, to guide the development of workplace training activities, primary, secondary and post-secondary school curricula, and the matching of recent graduates to jobs.

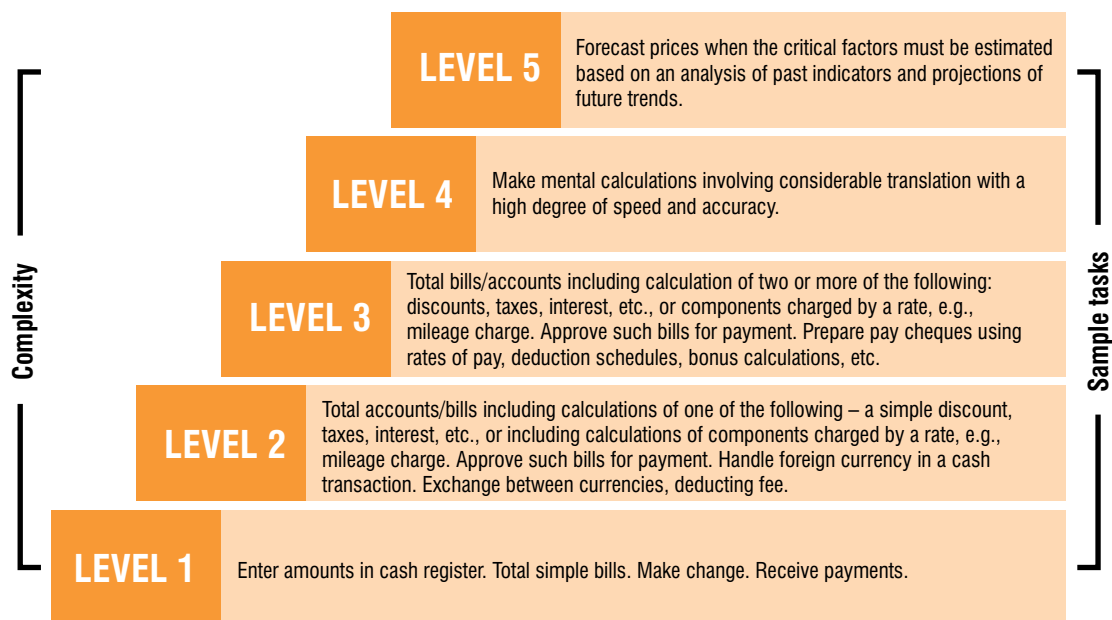
It is our understanding that Human Resources and Skills Development Canada is currently undertaking a complete review of the *Essential Skills Framework* to ensure

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8 Social and Enterprise Development Innovations (SEDI). (2010). “SEDI Submission to the Task Force on Financial Literacy.” Toronto: SEDI.

9 Ibid.

**Figure 10: Essential Skills – Money Math**



**Source:** Human Resources and Skills Development Canada. “Readers’ Guide to Essential Skills Profiles.”<sup>10</sup>

that it is in line with the current environment. Given this review, we urge that the framework be updated to include financial literacy, either as a distinct skill category on its own or integrated across existing categories. In doing so, we further ask the Government of Canada to adopt the Task Force definition of financial literacy as “having the knowledge, skills and confidence to make responsible financial decisions,” which received considerable support from Canadians during our consultations.

*“We believe that financial literacy is an essential skill for all Canadians and should be treated by policy makers and practitioners as such. It would also send a clear message to Canadians that financial literacy is a fundamental skill they can benefit from daily throughout their lives.”*  
 – Social and Enterprise Development Innovations (SEDI)

### RECOMMENDATION 3

**The Task Force recommends that the Government of Canada include financial literacy as an essential skill in its *Essential Skills Framework*.**

<sup>10</sup> Human Resources and Skills Development Canada (HRSDC). Essential Skills Research Unit. (2010). “Readers’ Guide to Essential Skills Profiles.” Table 1: Money Math. Retrieved from HRSDC website: [www.hrsdc.gc.ca/eng/workplaceskills/essential\\_skills/general/readers\\_guide\\_whole.shtml#a26](http://www.hrsdc.gc.ca/eng/workplaceskills/essential_skills/general/readers_guide_whole.shtml#a26)

## The Formal Education System

*“Financial literacy needs to start in the schools. It is important (read: should be compulsory) to have learning activities about things like interest, mortgages and savings...”*

– Liz Robertson (participant in public consultations)

Several provinces have integrated, or will soon launch, a financial literacy curriculum within their educational system. For example, since 2004, British Columbia has made financial literacy a mandatory component of a broader course on high school career planning; Manitoba is in the process of integrating financial literacy throughout the kindergarten to grade 12 (K–12) curriculum; and Ontario will be implementing financial literacy education in grades 4 to 12 in 2011.<sup>11</sup>

Throughout our public consultation process, participants delivered the message loud and clear: financial education needs to be provided in the school system. In fact, the role of formal education in a national financial literacy strategy was the predominant theme that emerged. In recognizing that the school system offers many advantages as an environment for preparing young people for their financial futures, the Task Force acknowledges the jurisdiction of provinces and territories over education. We note that:

*“Financial education needs to be a mandatory part of the school curriculum. These programs should be consistent in content and progression across Canada. This is not for most people a skill they’re born with. It’s a learned skill, and the earlier you start that education, the sooner you begin building the foundation...”*

– Credit Counselling Services of Atlantic Canada

- Schools offer the opportunity to reach all sections of Canadian society and to educate the public at large;
- Students are a captive learning audience during their school years; and
- Schools offer students the opportunity to acquire financial skills in a safe setting, using teacher instruction and virtual simulations.

It is worth noting that school systems around the world are being looked upon to help address the financial literacy challenge. There is significant international momentum to include financial literacy in the K–12 school system. Although most countries are still in the early stages of integration, the early evidence is positive: financial literacy does, in fact, benefit students and contributes to more informed decision making.

<sup>11</sup> See Working Group on Financial Literacy. (2010). *A Sound Investment: Financial Literacy Education in Ontario Schools*. Final Report. Toronto: Ministry of Education. Retrieved from [www.edu.gov.on.ca/eng/Financial\\_Literacy\\_Eng.pdf](http://www.edu.gov.on.ca/eng/Financial_Literacy_Eng.pdf)

We commend those authorities who are taking steps to address financial literacy, and urge all provinces and territories to move expeditiously to make financial literacy a part of their formal education system. Lessons learned in school will form a solid underpinning of financial knowledge before young people enter the workforce, as well as an appreciation of the importance of enhancing this essential skill throughout life. Researchers and practitioners told us that financial instruction should start in the early grades to instill good habits and responsible attitudes from a young age, should be reinforced and expanded upon as students progress through their schooling years, and should be supported by parental involvement at home.

Although the *Constitution Act, 1982*, and the numbered treaties, 1871–1910, articulate the federal government’s responsibilities in providing educational services for First Nations residing on reserve, on-reserve First Nation schools follow their respective provincial curricula, including provincial graduation requirements.

*“Early financial education encourages positive behaviours and attitudes toward finances that throughout life lead to responsible consumerism, increased savings, reduced debt and smart investments.”*

*– Junior Achievement of Manitoba*

Therefore, any provincial or territorial initiative to include financial literacy in the curriculum will have the downstream effect of benefiting First Nation students. We would, however, urge the provinces and territories to consider adapting any financial literacy curriculum to meet the cultural needs of First Nation students attending both on-reserve and provincial schools.

Colleges and universities also play an important role in providing students with the knowledge and skills they need to succeed. One idea expressed during our consultation process was to make a financial literacy course or seminar mandatory for all first-year post-secondary students. We believe support should be offered for introductory education in personal finance at the first-year level and through less formal means such as student counselling offices and other on-campus services.

#### RECOMMENDATION 4

**The Task Force recommends that all provincial and territorial governments integrate financial literacy in the formal education system, including elementary, high school, post-secondary education and formalized adult learning activities.**

## Financial Literacy Tools and Resources for Teachers

Given that several provinces have moved to incorporate financial literacy into their curricula, and the Task Force itself is advocating the implementation of

*“There are expectations of teachers providing information in the schools particularly with several provinces adding the requisite curriculum at various levels. People at these levels need to have a sound comprehension level in order to do their job. Train the trainer sessions will be essential...”*  
– Credit Counselling Canada

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universal, relevant and accessible financial education within the school system, the expectations of teachers will grow considerably. Yet some may not have the skills, resources or confidence to teach financial topics. Historically, financial literacy has not been a significant part of school curricula in Canada, and so there was no requirement or incentive for teachers to acquire the necessary background.

During our consultation process, participants who argued for more financial education in the school system also called attention to the importance of providing ready-made curricula and high-quality financial literacy resources to teachers, as well as making training available. The Task Force also recognizes the importance of professional development opportunities for teachers.

*“It is widely recognized that effective teacher training is one of the most crucial factors affecting the future success of financial education. In general, and in most countries, it has not been part of teacher training in the past... Teacher training is one area where Canada could look to provide real global leadership – devising new, innovative strategies for effective teacher training – and creating new ‘incentive strategies’ to get teachers engaged.”<sup>13</sup>*

– Canadian Foundation for Economic Education, *Case Studies of International Financial Education Initiatives*

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Because teachers are key in the delivery of financial education to our youth, we recommend that provincial and territorial governments support and provide financial literacy professional development opportunities for educators. Building teachers’ skills, confidence and capacity to engage students in financial literacy is essential. For instance, British Columbia made financial literacy a mandatory component of its curriculum, and the British Columbia Securities Commission developed *The City*, a financial literacy resource for teachers.<sup>12</sup>

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<sup>12</sup> British Columbia Securities Commission. “Planning 10: Finances.” Internet site. Available at: [www.bcsc.bc.ca/planning10/default.aspx?SID=](http://www.bcsc.bc.ca/planning10/default.aspx?SID=)

Governments may consider leveraging financial sector resources and expertise in this area; for example, various industry organizations outside the school system have developed generic resources that teachers can use if they wish to bring financial education into their classrooms. Examples of such resources are the Investor Education Fund's resource kit, *Taking Stock in Your Future*; a teachers' guide developed by the Autorité des marchés financiers for its financial literacy program, *Tes affaires*; and the *YourMoney* presentation package offered by the Canadian Bankers Association.

The Government of Canada should also support the professional development efforts of provinces and territories. By collaborating with ministries of education, teachers' federations and teachers' unions, the Government can work to develop and promote the availability of up-to-date, impartial professional development resources and opportunities related to financial literacy education. The Internet is one avenue for doing so. In *Section IV. Delivery and Promotion*, we recommend the creation of a national website on financial literacy, which could have a dedicated section for teachers offering resources for the classroom, online instructional videos on teaching various financial topics, and more.

The development of teaching resources is not new to Government of Canada departments and agencies. The Financial Consumer Agency of Canada, for instance, partnered with the British Columbia Securities Commission to adapt *The City* into an interactive tool aimed at a national audience; and Environment

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13 Rabbior, G. (2010). "Case Studies of International Financial Education Initiatives." Canadian Foundation for Economic Education. Research paper prepared for the Task Force on Financial Literacy. Available from [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

Canada, through a section of its website targeted to educators, has launched resources to help bring environmental education into primary, secondary and post-secondary classrooms.

## RECOMMENDATION 5

**The Task Force recommends that all provincial and territorial governments provide financial literacy professional development opportunities for teachers. The Government of Canada should support these efforts by making financial literacy professional development resources available and accessible for teachers.**

## 2. Beyond the Classroom

How do we reach people who are no longer in school, including newcomers who may not have gone through the Canadian school system? We have considered a range of ideas to advance the cause of financial literacy outside the classroom setting – from the workplace to the financial marketplace, in communities and in homes.

*“Once out of school, reaching people where they live and work, and designing programs that are relevant, is critical. Relevance is central because if the information you provide doesn’t resonate with your audience, it will be ignored. Finding ‘teachable moments’ when the audience is receptive to financial literacy is essential.”*

– VISA Canada

While formal education can lay the groundwork for an individual’s financial literacy, people also need ongoing and deeper learning beyond school that applies specifically to their evolving financial needs. The financial affairs of young people are relatively uncomplicated during their school years, and so they have less opportunity to apply certain financial concepts (e.g., insurance) until later in life. As people age, their financial affairs tend to become more complex, putting more demands on their financial literacy.

We explored opportunities to deliver financial literacy education when people are most likely to be receptive to it. Research shows that people are most interested in financial learning when it is associated with real money or a real financial decision.<sup>14</sup> Those “teachable moments” include when workers join a pension plan or workplace retirement savings scheme; when consumers are seeking financial advice or

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<sup>14</sup> Lusardi, A. (2008). “Financial Literacy: An Essential Tool for Informed Consumer Choice?” Networks Financial Institute working paper 2008-WP-13.

considering the purchase of a financial product or service; or when individuals apply or check their eligibility for, or obtain benefits from, government programs. Learners retain only some of what they have been taught, particularly when the subject matter is outside the realm of everyday experience. Thus, financial education needs to be reinforced throughout life.

## **In the Workplace**

The workplace offers an effective channel for reaching a large number of Canadians from all walks of life. It is a relevant setting: it is the primary source of income for most people and a place where they may be motivated to learn more about financial matters.

*“Abundant research exists to unreservedly state that employees who are well informed and in control of their personal finances are happier in their families and communities, and more effective and safer in the workplace.”*

*– Faye Forbes-Anderson  
(participant in public consultations)*

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By best estimates, employers in Canada already pay for the vast majority of the formal and informal training and education received by adults of working age. Typically, this training is directly related to job performance and skills. Increasingly, however, with encouragement from governments, employers have taken on a role in basic skills training, such as projects under way in Alberta to deliver literacy and numeracy education in the skilled trades. Canadian employers, often together with labour organizations, also offer employee benefits programs that may include counselling services, workplace learning sessions, retirement plans and retirement-preparation workshops.

We urge employers and labour organizations to make a concerted effort to help address the financial literacy of their employees and members as part of their overall well-being. Both workers and employers stand to gain. Research demonstrates a link between financial well-being and a more productive, engaged workforce.<sup>15</sup>

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<sup>15</sup> Garman, T. (2007). “Workplace Productivity and Financial Literacy.” Retrieved from [www.georgiaconsortium.org/research.aspx](http://www.georgiaconsortium.org/research.aspx) and Shepell-fgi Research Group. (2009). *Financial Distress Impacts Health and Productivity: Employees Turning to EAP for Help*. Spring. Retrieved from [www.shepellfgi.com/EN-US/AboutUs/News/Research%20Report/index.asp](http://www.shepellfgi.com/EN-US/AboutUs/News/Research%20Report/index.asp)

While many companies already provide financial education to employees, the evidence suggests that there is considerable room for improvement, as the following examples illustrate:

*“Private sector involvement could include incorporating financial literacy (especially as it relates to vehicles for saving a portion of employment income) into workplace training/new employee orientation.”*  
– Participant in online forum

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- A Desjardins Financial Security survey conducted in 2006 found that nearly half of Canadians say they do not get enough help from their employer or labour organization with their retirement planning;<sup>16</sup> and
- During our public consultations we heard that employers could be much more engaged in providing assistance to employees to manage their financial affairs, particularly in the area of planning for retirement. A general willingness was expressed by labour organizations to take on an increased role in workplace training in this respect.

Governments can promote best practices in workplace education and share related Canadian and international research findings. We also believe that the proposed national website on financial literacy (Recommendation 18) could be a valuable aid for employers and human resource practitioners by providing tutorials, guides, trainer manuals and other educational tools geared to the workplace.

As major employers themselves, the Government of Canada together with provincial and territorial governments should lead by example in developing and demonstrating the value of workplace financial literacy training. Employment in the federal public sector alone, which includes the core public service, separate agencies, the military, the RCMP, and federal business enterprises, exceeds half a million Canadians. Eligible federal employees are currently offered a highly valued training program to help them prepare financially and otherwise for retirement.

As part of this program, the Government of Canada can widen learning opportunities to sharpen financial skills beyond preparing for retirement, and can offer these opportunities earlier in the career paths of public servants. In addition, less formal

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<sup>16</sup> Desjardins Financial Security. (2006). *Perfect Garden: The Psychology of Retirement*. p. 9. Available at: [www.desjardinslifeinsurance.com/en/life-events/thinking-retirement/Pages/rethink-retirement-survey-results.aspx](http://www.desjardinslifeinsurance.com/en/life-events/thinking-retirement/Pages/rethink-retirement-survey-results.aspx)

“lunch and learn” seminars and workshops can be offered and should be open to contract employees and students.

For employees experiencing financial strain, employee assistance programs should offer access to personalized financial crisis counselling. All levels of government should support private sector organizations in providing financial learning and training to their workforces, by reviewing and modifying relevant funding mechanisms to ensure that workplace financial literacy programs are eligible for tax assistance. For those employees whose workplace does not offer financial literacy programs, the tax system should provide equal assistance if they decide to pursue a financial literacy program on their own.

#### RECOMMENDATION 6

**The Task Force recommends that employers incorporate financial literacy training into their current workplace training programs and communications. To that end, the Government of Canada, as well as provincial and territorial governments, should make workplace financial literacy programs eligible for tax assistance. Governments should demonstrate leadership as employers by developing workplace financial literacy programs for employees throughout their careers.**

#### In the Financial Services Marketplace

We urge financial services providers to continue their contributions to financial literacy and explore ways to participate further to help advance the National Strategy. Financial services providers have the reach, expertise and established relationships necessary to deliver financial education to a large segment of the population. Strengthening financial literacy should be viewed as a matter of brand-building, good business practice and corporate social responsibility. We agree with the principle of good practice, adopted by the Organisation for Economic Co-operation and Development, that financial education should be integral to the good governance of financial institutions.<sup>17</sup>

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<sup>17</sup> Organisation for Economic Co-operation and Development (OECD). (2005). *Improving Financial Literacy: Analysis of Issues and Policies*. OECD Publications. p. 175.

In considering consumer education, financial institutions should treat as “teachable moments” those decision points when Canadians are investigating financial products or are about to sign a financial product or service agreement. At such times, consumers need helpful, objective information about the terms and conditions of products so that they understand their options and obligations.

It is important that front-line staff and advisors are adequately trained to help their clients grasp financial information, especially that related to long-term commitments or products with significant financial consequences. To illustrate, we provide two examples:

1. Making loans, mortgages and credit (including alternatives such as payday loans and “buy now, pay later” schemes) eligible for approval only after the consumer has had a face-to-face meeting with the creditor in which the borrowing details and the cost of credit are carefully explained. This should apply equally to co-signers; and
2. Including a consumer test or questionnaire as part of this process as a means of evaluating consumers’ understanding and raising their level of awareness. Morrison and Oxoby (2010)<sup>18</sup> have found that individuals are more likely to exhibit enhanced financial awareness and to adjust their behaviour accordingly when they have been primed with a 10-question financial literacy quiz/questionnaire. From a policy perspective, this further highlights the importance of education when individuals are faced with financial decisions.

## RECOMMENDATION 7

**The Task Force recommends that financial services providers put a strong emphasis on delivering educational information and ensuring that it is fully understood by Canadians at “teachable moments” so that Canadians can make responsible financial decisions.**

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18 Morrison, W., & Oxoby, R. (2010). “Economic Research Using Laboratory Experiments to Investigate Behavioural Aspects of Savings Decisions.” Research paper prepared for the Task Force on Financial Literacy. Available from [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

## The Role of Professional Advice

The Task Force believes that professional financial advice must meet rigorous standards, especially with respect to remuneration transparency and professional qualifications. It has an important role to play in empowering Canadians in their financial decisions. We believe that the advisory role of financial institutions and financial practitioners should be promoted. Many Canadians rely on, and benefit from, the advice of financial sector professionals. More than half of respondents to a 2009 Canadian Securities Administrators (CSA) Investor Index Survey,<sup>19</sup> carried out by Ipsos Reid, indicated that they relied on a financial advisor for investment information.

*“Probably one of the most essential pieces of financial knowledge Canadians should have is knowing when to seek outside help in making financial decisions and how to evaluate the quality of that advice.”*

*– Doreen E. Malone, CA  
(participant in public consultations)*

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As financial products become more complex and people assume greater responsibility for their retirement savings, we agree that more can be done to better inform Canadians about the use of professional advice to improve their current and future financial circumstances. Retirement planning and estate planning are examples of activities where consumers can benefit from the assistance of a professional financial practitioner.

The Government of Canada can play a role here. It should make a concerted effort to build consumer awareness around financial advice as a tool to assist in financial planning and decision making; this can be achieved, for example, through the proposed national website on financial literacy (Recommendation 18). Key messages should inform Canadians about:

- The general pros and cons of obtaining professional financial advice;
- The role and obligations of financial practitioners, including assessing clients’ needs, identifying their objectives, preparing retirement plans, and allocating savings to various investment vehicles suitable for their risk-tolerance profile;

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<sup>19</sup> Ipsos Reid. (2009). *CSA Investor Index 2009: Final Report*. Retrieved from Canadian Securities Administrators (CSA) website: [www.securities-administrators.ca/uploadedFiles/General/pdfs/CSA%20Investor%20Index%202009%20Final\\_EN.pdf?n=6519](http://www.securities-administrators.ca/uploadedFiles/General/pdfs/CSA%20Investor%20Index%202009%20Final_EN.pdf?n=6519)

- How to seek financial advice and choose a qualified professional;
- Top questions one should ask when choosing a financial services provider; and
- The various professional financial designations/accreditations.

The CSA website has a section entitled “Know Your Financial Advisor,” which lists questions to ask an advisor before working with him or her. The website also includes a link to the National Registration Search to confirm whether an advisor is registered. The Investor Education Fund’s website – [www.getsmarteraboutmoney.ca](http://www.getsmarteraboutmoney.ca) – is another excellent source of similar information.

## RECOMMENDATION 8

**The Task Force recommends that the Government of Canada, in partnership with stakeholders, provide tools to help Canadians become better informed about the role and benefits of professional financial advice, as well as how to choose a financial practitioner.**

### Government of Canada Programs

The Government of Canada is in an ideal position as a national deliverer of information and services. With countrywide reach and influence, the Government has a ready-made platform of social programs and services that can be used to provide financial literacy tools to Canadians. We outline ways for doing so in the following pages.

*“What I see as a role for the federal government is to not do it from scratch, but to understand what all the various elements are and try to support them in some way whether it’s through promotion, letting people know what programs are out there ... I think the Government of Canada needs to lead by example.”*

– St. John’s Board of Trade

### Financial Transfers

The Government of Canada is engaged in monetary transactions that reach nearly all Canadians. These include:

- Annual income tax returns;
- Employment Insurance (EI) Benefits;
- Old Age Security (OAS) Benefits;
- Canada Pension Plan (CPP); and
- Universal Child Care Benefits.

In some cases, programs reach many groups that are most at risk of low financial literacy and limited access to financial information and help. The results of the 2009 *Canadian Financial Capability Survey* suggest that low-income Canadians, low-wealth Canadians and families with children – the same groups targeted by certain federal benefits and programs – are most likely to be among those needing help in four of five areas of financial capability.

*“We believe the government has... a leadership role to play in providing funding for program development, delivery and measurement in a variety of format and media. And we believe the government has an obligation to ensure that existing and emerging government programs like RESPs and the Canada Learning Bond are well understood...”*  
– Vancity Credit Union

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Given the major role that the Government plays in the economic lives of Canadians, we believe it should enhance the ability of Canadians to navigate social programs. To that end, we recommend that the Government use its existing benefit programs as opportunities to strengthen Canadians’ financial literacy. Just as considering environmental impacts has become an integral part of the policy development and analysis process in the Government of Canada, so too, financial literacy should be another lens through which to review new proposals or changes to existing federal initiatives involving household finance.

## RECOMMENDATION 9

**The Task Force recommends that the Government of Canada promote financial literacy through federal programs that reach Canadians directly (e.g., Employment Insurance, Old Age Security, CPP, Universal Child Care Benefits), and that provincial and territorial governments do the same with their respective programs.**

### Canada Student Loans Program

Through its Canada Student Loans Program (CSLP), the Government of Canada works in partnership with most provinces and territories to deliver financial assistance to eligible full- and part-time post-secondary students. The Government of Canada provides up to 60 percent of the assessed need, while the remaining 40 percent may be provided in the form of provincial or territorial student loans. After finishing or leaving their studies, loan recipients enter into a repayment agreement. As part of the same application process, students may also receive grants that do not have to be repaid.

*“...we see that great numbers of students don't know when they have to begin repaying their loans. They don't know when interest starts to accrue...and don't realize there's government assistance that is available to help them make repayments, specifically through the Repayment Assistance or RAP Program. And why this is a problem is because if they don't understand the function of the student loan program and other financial aid systems out there, they run the risk of making poor decisions when they decide how to finance their education.”*

*– University of Prince Edward Island (UPEI)  
Student Union*

Results of a recent national survey<sup>20</sup> of 14,587 full-time undergraduate university students conducted by the Canadian Alliance of Student Associations indicate that the target audience for the program lacks financial understanding about the CSLP. For example, only 31 percent of students knew that to qualify for a student loan they may be subject to a credit check, and just 23 percent were aware that student loan interest begins to accrue immediately upon graduation.

Taking out a loan for post-secondary education is among the earliest major financial decisions made by youth in Canada. The amounts being borrowed are by no means

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“pocket change”: an estimated 4.3 million students have received almost \$32 billion in loans since the CSLP was created in 1964.<sup>21</sup> Young Canadians need basic financial literacy to be prepared for managing this debt.

Given the nature of the CSLP, the Government of Canada, in partnership with provincial and territorial governments, should integrate a mandatory financial literacy component into the program for students who have qualified for funding. Financial literacy information on the issue of borrowing in particular can also be made available as part of the application process or through the repayment phase.

*“Make credit counselling mandatory for student loan borrowers. If this is too broad, at least make it available to student loan borrowers at specific lending ceilings.”*

*– Connie Gibbs (submission to  
Task Force on Financial Literacy)*

In the United States, similar steps have already been taken. The U.S. Federal Student Aid Program requires minimum loan counselling standards, and outreach and awareness efforts are in place to ensure that students are provided with basic information regarding their student loans, in addition to exit counselling. As a step in this direction, the Canada

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20 Kramer, M., Rogers, J., & Kaznowska, E. (2010). *The Illiteracy of the Literate: The Lack of Financial Aid Knowledge among Canadian University Students*. Ottawa: Canadian Alliance of Student Associations.

21 HRSDC. (2009). “The Canada Student Loans Program.” Retrieved from [www.hrsdc.gc.ca/eng/learning/canada\\_student\\_loan/cslp.shtml](http://www.hrsdc.gc.ca/eng/learning/canada_student_loan/cslp.shtml)

Student Loans Directorate at the Department of Human Resources and Skills Development Canada recently implemented a new pilot project that includes entrance and exit counselling for students participating in the CSLP.

## RECOMMENDATION 10

**The Task Force recommends that the Government of Canada, in partnership with provincial and territorial governments, integrate a financial literacy component into the Canada Student Loans Program for students receiving funding.**

### Youth Employment Strategy

Since 1997, the Government of Canada has supported skills training and employment development opportunities for Canadians aged 15 to 30 years through the national Youth Employment Strategy (YES). YES offers a mix of:

- Wage subsidies to employers in other levels of government, the voluntary sector and small business to create meaningful job opportunities for summer students and recent college and university graduates;
- Support for training and employment planning programs aimed at young people coping with social or economic barriers, including Aboriginal youth, youth with disabilities, young single parents and youth from low-income families; and
- Direct work experience in federal departments and agencies.

*“Integrate financial literacy initiatives into the various youth employment programs and youth strategies on a federal, provincial and municipal level. An example could be to introduce financial literacy to all students and organizations that benefit from the Canada Summer Jobs Program or incentives in the Youth Employment Strategy.”*

*– Carrefour Jeunesse-Emploi  
de Côte-des-Neiges*

We believe the Government of Canada should make financial literacy an eligible activity under YES programs. This would allow financial literacy education and training to be integrated into a wide range of local programs and services. Early work experience and career development are ideal points in the life cycle when money management and financial planning may be most salient for youth.

YES host organizations in the voluntary, public and private sectors may need to increase their capacity to offer financial information and education to their YES participants. Examples include training for human resources staff on how to deliver a financial literacy workshop, funding to purchase external training expertise, and access to self-guided information tools for youth.

## RECOMMENDATION 11

**The Task Force recommends that the Government of Canada make financial literacy training programs for young Canadians eligible for funding through the Youth Employment Strategy.**

### Urban Aboriginal Strategy

To create better opportunities for urban Aboriginal Canadians and enhance their self-reliance, the Government of Canada developed the Urban Aboriginal Strategy (UAS) in 1997. The Aboriginal community is among the youngest and fastest-growing segments of our population, especially in urban areas: today, about 50 percent of Aboriginal Canadians reside in large cities.<sup>22</sup> Many Aboriginal people in these locales face challenges ranging from finding suitable housing to securing adequate employment.

Through the UAS, the Government of Canada partners with other governments, community groups and Aboriginal people to support local projects. The UAS focuses on 13 designated cities: Vancouver, Prince George, Calgary, Edmonton, Lethbridge, Saskatoon, Prince Albert, Regina, Thompson, Winnipeg, Thunder Bay, Toronto and Ottawa. The UAS has three priority areas:

1. **Improving life skills** – examples of activities include mentorship programs, summer camps, transitional services for students and families, and leadership programs;
2. **Promoting job training, skills and entrepreneurship;** and
3. **Supporting Aboriginal women, children and families.**

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<sup>22</sup> Environics Institute. (2010). *Urban Aboriginal Peoples Study: Main Report*. Toronto: Environics Institute. Retrieved from [uaps.twg.ca/wp-content/uploads/2010/04/UAPS-FULL-REPORT.pdf](http://uaps.twg.ca/wp-content/uploads/2010/04/UAPS-FULL-REPORT.pdf)

The UAS is also “designed to increase coordination within the Government of Canada to maximize its investments and enable greater federal program alignment with provincial and municipal programming.”<sup>23</sup>

Funding for the UAS will be up for review and potential renewal in 2011–2012. As part of this review, we recommend that the Government embed financial literacy as a priority within UAS projects. This would help to ensure that Aboriginal people living in cities across Canada have greater access to the means to develop an essential skill needed for success in an urban environment.

## RECOMMENDATION 12

**The Task Force recommends that the Government of Canada, as part of the 2011–2012 renewal of its Urban Aboriginal Strategy (UAS), make financial literacy training programs for young Aboriginal Canadians eligible for funding.**

### Newcomers to Canada

The Government of Canada has many programs to help recent immigrants become integrated into the Canadian economy. Initiatives include orientation services (both abroad and in Canada), the Immigrant Settlement and Adaptation Program and the Language Instruction for Newcomers to Canada Program, all of which are sponsored by Citizenship and Immigration Canada and delivered in partnership with voluntary sector agencies.

*“For many families who immigrate to Canada when they are adults, educating them about specific Canadian financial systems and institutions is critical. For example, learning more about the credit system, mortgage system, other saving and investing opportunities - there is a lot to learn, for even an educated, literate new immigrant.”*

*– Participant in online forum*

While offering a range of helpful information, these programs provide only minimal exposure to educational information about Canada’s financial marketplace or financial literacy. The 2009 *Canadian Financial Capability Survey* suggests that, compared with people who are Canadian-born or long-time residents of Canada, newcomers are less likely to have access to basic financial services and are less confident in making financial decisions about products and services in Canada.

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23 Indian and Northern Affairs Canada. (2009). “Urban Aboriginal Strategy – Background.” Retrieved from [www.ainc-inac.gc.ca/ai/ofi/uas/bkg-eng.asp](http://www.ainc-inac.gc.ca/ai/ofi/uas/bkg-eng.asp)

*“While many of the resources delivered to newcomers are offered by the voluntary sector, many of them are also funded by government. Settlement services, employability training and English as a second language (ESL) courses are key points at which financial education could be delivered.”*

*– TD Bank Financial Group*

In discussions with the Task Force, representatives of immigrant-serving organizations acknowledged the need for financial education among their clientele but said they did not currently feel that they have the capacity (in staff training or program dollars) to deliver more financial information or education to the clients they serve.<sup>24</sup> Social and Enterprise Development Innovations is currently offering a pilot train-the-trainer program to build the capacity of immigrant-serving organizations to deliver financial information and skills training to their clients.

To pave a road to the long-term financial health of newcomers to Canada, we believe that the Government should improve the availability of basic financial education as part of the immigration process. It can do so by increasing financial literacy tools and information within government programs and offerings that are targeted to recent immigrants.

### RECOMMENDATION 13

**The Task Force recommends that the Government of Canada provide relevant financial information and education services for recent newcomers to Canada through its orientation services (both abroad and in Canada), the Immigrant Settlement and Adaptation Program and the Language Instruction for Newcomers to Canada Program.**

*“...non-profit organizations are significant because they're a trusted community organization – that's critical to the success of financial capability initiatives. They can offer multiple services and multiple points of entry to hard to reach clients and they can be sources for trusted advice and counselling, unlike the private sector's sales driven providers. However this will require significant support and resources to build the organization's capacity in this field.”*

*– University of Winnipeg*

### Resources for the Voluntary Sector

Many voluntary sector agencies play a critical role in delivering financial information and training, particularly to low-income Canadians who may not be able to afford or access mainstream financial literacy tools, services and advice. Given the sheer reach and penetration of Canada's voluntary sector, as well as its importance in serving vulnerable Canadians, we attach great significance to the voluntary sector's place in the National Strategy.

24 SEDI. (2008). *Financial Literacy: Resources for Newcomers to Canada*. Spring. Retrieved from [www.sedi.org/DataRegV2-unified/sedi-Reports/FINAL%20newcomers%20English.pdf](http://www.sedi.org/DataRegV2-unified/sedi-Reports/FINAL%20newcomers%20English.pdf)

Throughout the public consultation process, the Task Force heard from several voluntary sector organizations that are already offering financial literacy information and education services to Canadians. Most of these organizations reported that the demand for their services exceeds their capacity to deliver them. Social service agencies rely heavily on government funding – 66 percent of their average revenues come from government sources, and the balance from private donations and other sources.<sup>25</sup>

*“We believe that a centralized public authority that encourages leadership by example should support community-based organizations and public institutions that would deliver financial literacy resources and programs to communities and different segments of the population.”*  
– Investor Education Fund

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Against this backdrop, we are recommending that governments move on two fronts to assist Canadians through the voluntary sector:

First, governments should make funding available to voluntary organizations for the delivery of financial literacy services that complement government programs and priorities. The Government of Canada, for example, has existing partnerships with hundreds of voluntary organizations that deliver programs and services on its behalf; these include programs such as the previously referenced Immigrant Settlement Assistance Program and the Canada Education Savings Program (Human Resources and Skills Development Canada). The Government of Canada should therefore explore options to include financial literacy as a criterion for the delivery of services under these programs.

Second, although programs to deliver services are in place, we recognize that many voluntary organizations do not have personnel with the necessary financial expertise. Governments should act as “enablers” by helping to build the capacity of voluntary sector organizations to offer financial information, learning and guidance so that more Canadians in need of financial literacy support can be reached.

*“From our work with community based organizations we have witnessed how supporting financial literacy is a proven, effective practice to increase financial stability and independence. This success is, in large part, due to strategies that provide access and support to marginalized and vulnerable populations, including Aboriginal people, newcomers and those living in low-income situations.”*  
– United Way (Winnipeg)

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<sup>25</sup> Ibid.

Capacity-building activities could include staff training and development, information and knowledge sharing among practitioners, and an annual professional development conference. Governments might wish to begin with a pilot project to ensure that the financial literacy education offered is useful and relevant for Canadians and that the voluntary organizations delivering the services have adequate capacity. Governments are also encouraged to partner with business, where appropriate, to build the capacity of voluntary organizations.

#### RECOMMENDATION 14

**The Task Force recommends that the Government of Canada, as well as provincial and territorial governments, invest in the capacity of the voluntary sector to offer financial information, learning and guidance to Canadians.**

#### First Nations Capacity Building

A number of First Nations organizations in Canada – such as the Aboriginal Financial Officers Association, the Assembly of First Nations and the National Centre for First Nations Governance – are involved in helping First Nations communities build their economic capacity to reach their full potential. These organizations, which range from federal Crown corporations to not-for-profit agencies, have

*“...when you’re expecting to communicate with Aboriginal/Inuit populations, they need to do the communicating. So we have to invest resources...in those populations and they have to control those resources.”*

– Centre for Northern Families

experienced and educated Aboriginal professionals who provide services that span the country.

Research shows that financial literacy – and basic literacy more broadly – is a significant challenge for Aboriginal communities, who represent approximately four percent<sup>26</sup>

of the Canadian population. Institutional obstacles, historical and racial discrimination barriers, a lower overall level of educational attainment, and cultural barriers all combine to hinder their progress in the Canadian economy.

To better understand this context and guide our thinking on a way forward, the Task Force commissioned research by Dominique Collin, who has been involved in Aboriginal access to capital, banking, institution and business development issues

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<sup>26</sup> Statistics Canada. (2006). Census. Retrieved from [www12.statcan.ca/census-recensement/index-eng.cfm](http://www12.statcan.ca/census-recensement/index-eng.cfm)

since 1982. His report, entitled “Aboriginal Financial Literacy in Canada: Issues and Directions” (2010), suggests that Canada needs:

*...a focused effort to further build and sustain the financial literacy capacity of Aboriginal institutions, governments and financial institutions, in the expectation that they will help create the conditions for the creation of wealth – without which financial literacy training is useless. A side benefit of this effort could well prove to be the single biggest contribution to financial literacy capacity development in Aboriginal communities: the multiplication of leaders and role models capable of translating and spreading financial literacy in their communities through personal example and culturally appropriate communication.<sup>27</sup>*

This advice echoes a recommendation made by the Organisation for Economic Co-operation and Development in a 2009 document on financial literacy,<sup>28</sup> which stated that programs must be directed at financial capacity building and “targeted on specific groups and made as personalized as possible.”

We agree that appropriate support and resources are essential to the work of organizations in our communities dedicated to First Nations capacity building. The Government of Canada should play a supporting role in this regard by working with existing groups, first to understand their needs, and then to build, leverage and/or sustain efforts that are deemed helpful in directly or indirectly increasing the financial capability of First Nations communities.

## RECOMMENDATION 15

**The Task Force recommends that the Government of Canada support existing capacity-building initiatives in First Nations communities by offering culturally relevant financial literacy tools, training and resources to organizations involved in these initiatives.**

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27 Collin, D. (2010). “Aboriginal Financial Literacy in Canada: Issues and Directions.” Research paper prepared for the Task Force on Financial Literacy. Available from [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

28 OECD. (2009). *OECD Project on Financial Education and its International Network on Financial Education*. Paris, France. Retrieved from [www.financial-education.org/dataoecd/8/28/44409678.pdf](http://www.financial-education.org/dataoecd/8/28/44409678.pdf)

### 3. Learning and Behaviour

Even when they have the right information and education, people sometimes make poor financial decisions, or in fact no decisions at all. People routinely say that they

*“Financial literacy is far more than an issue of teaching people how to budget. Most of the low-income people we work with know how to budget – their problem is how to survive with competing priorities (e.g., rent vs. food vs. having a phone to do job search) and confusing and misleading information. . . . So the importance of looking at the behavioral side of this financial literacy piece is extremely important to us and I hope it will be to you in your final recommendations on the strategy.”*

– St. Christopher’s House

want to build savings, spend less and plan for retirement, but research shows that, for a variety of reasons, actions are often inconsistent with intentions.

To better understand this disconnect, the Task Force has taken a close look at “behavioural economics,” a field of study that looks at factors influencing financial behaviour to understand how people make decisions about their money. Under standard economic thinking, people use all the information available to them to make rational financial choices. The behavioural approach, in contrast, recognizes that individual financial decisions are shaped not only by

people’s knowledge but also by a range of psychological, social and institutional influences. For instance:

- The availability of too many options can be overwhelming and, in turn, bias decision making; and
- Choices that do not have immediate relevance (e.g., saving for retirement) may be delayed to a future time, despite their importance.

Recognizing the limits of a purely education-driven approach, financial literacy initiatives cannot be fully effective if they are developed and delivered in isolation from considerations that play an important role in framing the decision-making process of consumers. We believe that behavioural economics can be a powerful tool to aid policy-makers and financial educators: it sheds light on consumer actions and helps to identify mechanisms and incentives that can encourage appropriate financial decision making. Indeed, these insights have already demonstrated their utility through practical “nudging” strategies such as auto-enrolment and auto-escalation features for workplace retirement savings plans.

## Take-up of Government Benefits

Earlier in this report, we discussed how government benefit programs for Canadians could be used as channels for the distribution of financial literacy materials. Here, we focus on how the actual design of these programs can be improved to exert a positive influence on Canadians' financial behaviours.

The findings of our public consultations and research suggest that some government programs designed to financially assist Canadians are not being fully utilized. Several factors impede the take-up of benefits: some eligibility criteria and application processes are unnecessarily complicated, and many Canadians are unaware of the level of benefits to which they are entitled, or even that a specific program exists for them.

As a result, eligible Canadians are missing out on substantial financial support.

To illustrate:<sup>29</sup>

- Roughly 160,000 eligible seniors do not receive the Old Age Security benefit (representing almost \$1 billion in pre-tax benefits);
- About 150,000 eligible seniors do not receive the Guaranteed Income Supplement;
- Approximately 55,000 eligible Canadians are not receiving Canada Pension Plan benefits;
- The take-up rate for the Canada Education Savings Grant is just 40 percent; and
- The median Registered Retirement Savings Plan (RRSP) contribution represents only six percent of the total eligible room available (see Figure 11 on page 56).

To better connect Canadians to their financial benefits, we believe that policy-makers should be sensitive to the need for simplicity in program structure and documentation. A study commissioned by the Task Force suggests that the uptake and impact of public benefits could be improved through measures to simplify application processes

*"...the government also has an obligation to make it easy for individuals to apply their knowledge, skills and confidence. For example, the "knowledge" component of financial literacy depends not only on citizens informing themselves about government programs, but also on government outreach activities that inform the public. Similarly, the "skill" and "confidence" components of financial literacy require an application process that is relatively clear and simple."*

– Tristat Resources<sup>29</sup>

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<sup>29</sup> Shillington, R. (2010). "Financial Literacy and the Take-up of Government Benefits." Tristat Resources. Research paper prepared for the Task Force on Financial Literacy. Available from [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

**Figure 11: Participation in RRSPs**



**Source:** Statistics Canada. (2008). "Registered Retirement Savings Plan Contributions." *The Daily*. November 5.

and eligibility criteria, alongside initiatives to promote program awareness and literacy among targeted groups.<sup>30</sup> The Organisation for Economic Co-operation and Development has identified similar policy principles to increase take-up rates. Research also demonstrates that participation is greater in programs that have no application form or are as automatic as possible, such as the age credit in the income tax system. As a positive side effect of increasing program take-up rates, Canadians may become engaged and confident in learning about other government programs for which they may be eligible.

#### **RECOMMENDATION 16**

**The Task Force recommends that the federal, provincial and territorial governments help Canadians maximize the financial benefit from government programs for which they are eligible by:**

- a) Ensuring simplicity and clarity in the way programs are written and structured;**
- b) Simplifying application processes; and**
- c) Intensifying outreach initiatives to improve Canadians' awareness of these programs and their eligibility criteria.**

<sup>30</sup> Ibid.

## Programs for Saving

In our deliberations, many participants expressed concern that some groups of Canadians are not saving, or not saving enough, thus pointing to Canada's low (by historical standards) personal saving rate. The problem was attributed to a number of factors, including:

- A culture that tends to encourage consumption and immediate gratification;
- A lack of awareness or understanding of government-supported saving vehicles, such as Registered Education Savings Plans (RESPs), Canada Education Savings Grants, Canada Learning Bonds and Registered Disability Savings Plan grants;
- Concern that many Canadians lack the financial means to save; and
- Behavioural biases: young people, for instance, have a tendency to discount the future.

*"In these ever-increasing complex financial decisions, we must make it easier for consumers to make wise financial choices. One of the recommendations we talk about in our submission is about changing the architecture of choice, designing choices so that Canadians, with respect to retirement savings, are nudged towards making choices that could be in their better financial interest."*  
– Canadian Foundation for Advancement of Investor Rights

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Saving is a basic but essential financial activity, ranging from setting aside money for small purchases to saving for retirement, and can be done at virtually any time. With people taking on greater responsibility for funding their retirement today, the value of saving and building a "nest egg" for the future cannot be underestimated. Moreover, significant improvements in life expectancy make it difficult for Canadians to accurately predict the length of their retirement. This requires a plan that contemplates lifestyle, resources, unforeseen events and other factors within a time frame that can last anywhere from several years to several decades. Our recommendations contemplate not only saving, but also the value of building a better understanding of options available to Canadians to manage the risks of outliving their assets (e.g., guaranteed income stream through retirement).

In other sections of this report we discuss ways to help Canadians become better savers. Instruction delivered in school, beginning at a young age, on basic budgeting techniques and the difference between "needs" and "wants" is a natural starting point. The creation of a public awareness campaign focused on the importance of

budgeting and other strategies to increase savings is another idea, which we discuss further in *Section IV. Delivery and Promotion*.

Behavioural research shows that some personal biases may cause even financially knowledgeable individuals to avoid saving. Recognizing these biases, policy-makers and other stakeholders have started to consider “default options” that make the process of saving easier or “automatic.” Existing mandatory pension plans such as the Canada Pension Plan and Quebec Pension Plan implicitly recognize that people sometimes need help making systematic contributions to fund their retirement.

*“...if you put people into something... where you are automatically re-enrolled rather than having to re-enroll ourselves, then it has a tremendous impact on people’s behaviour.”*

*– Former Bank of Canada Governor, David Dodge, at Senate hearings*

We believe that the Government of Canada should propose additional automatic saving mechanisms for its citizens and review experience in other countries to identify best practices. As one idea, the Government may consider giving Canadian taxpayers the option of having their tax refunds automatically transferred into a personal savings account, RRSP or Tax-Free

Savings Account, with a checkbox on tax forms to simplify and automate this process. Behavioural research has shown that lump sum transfers may be more prone to savings because individuals mentally account for these funds differently from regular income flows, seeing them as surplus or bonus funds that can be saved. People tend *not* to save money they have in their possession; rather, they are more willing to commit future earnings or windfalls to a saving mechanism.

*“The tax refund can be leveraged with the opportunity to invest by direct deposit to registered or non-registered accounts.”*

*– The Knowledge Bureau*

Employers that sponsor workplace retirement plans are also well positioned to motivate their employees to improve their long-term savings. Employer retirement savings plans, including group RRSPs, pension plans and multi-employer pension plans, can be an important component of an individual’s retirement savings.

Many Canadians, however, fail to take full advantage of such programs. In the *Beyond the Classroom* section, we recommended that employers use financial literacy awareness-building efforts to increase participation in workplace retirement

programs. We encourage, as a supplementary tool, the adoption of mechanisms prompting employees to maximize their retirement savings through “auto-enrolment” and “auto-escalation.”

- **Auto-enrolment.** Through *auto-enrolment* in a retirement plan, with an opt-out provision for those who do not wish to participate, employees who neglect to “sign up” for voluntary retirement savings benefits will automatically be able to participate. Auto-enrolment can help “nudge” people with low levels of financial literacy, or who simply procrastinate because they are overwhelmed by the volume or complexity of information, into positive behaviours.
- **Auto-escalation.** Through *auto-escalation* (again, with an opt-out provision), the amount of money an employee sets aside automatically grows over time, thereby helping to ensure that retirement goals are being met.

Governments in the United States and elsewhere have adopted auto-enrolment solutions in the workplace, and these have proven to be a highly effective way of improving lifelong saving rates. Research in the United States has found that participation rates under the standard opt-in approach were barely 20 percent after three months of employment, gradually increasing to 65 percent after 36 months of employment. Under auto-enrolment of new employees with an opt-out feature, the immediate enrolment rate was 90 percent, and after 36 months almost all employees were participating.<sup>31</sup> In the United Kingdom, the government has agreed to introduce auto-enrolment as part of the launch of their National Employment Savings Trust program, which is scheduled for 2012.<sup>32</sup>

## RECOMMENDATION 17

**The Task Force recommends that employers offer automatic saving programs and tools to facilitate increased lifelong saving by Canadians, drawing on international best practices in this area.**

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31 Madrian, B. C., & Shea, D. F. (2001). “The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior.” *Quarterly Journal of Economics*. 116(4): 1149–1187.

32 Government of the United Kingdom, Department for Work and Pensions. (2010). *Making automatic enrolment work – a review for the Department for Work and Pensions*. Retrieved from [www.dwp.gov.uk/policy/pensions-reform/workplace-pension-reforms/automatic-enrolment/index.shtml](http://www.dwp.gov.uk/policy/pensions-reform/workplace-pension-reforms/automatic-enrolment/index.shtml)

## IV. Delivery and Promotion

One of the challenges of raising financial literacy levels is to ensure that people know about targeted education initiatives available for their benefit and are able to clearly understand and utilize them. Many Canadians are either unaware of the considerable amount of financial information readily available across the country, are unsure of its credibility, or simply do not understand it. Moreover, some people underestimate their need for financial education.

In previous sections of this report we discussed reaching targeted segments of the population through specific delivery channels such as schools, workplaces and voluntary organizations. In this section, we focus on delivery in a broader sense: reaching Canadians on a mass scale. We recommend a variety of awareness-building tactics: a single source website; a broad public education campaign, as well as one specifically geared to financial fraud awareness; a self-assessment tool to help Canadians evaluate how savvy they are about their own money; and financial literacy awards and contests. As another “building block” for making lasting improvements in financial literacy, we also emphasize the importance of clear communication.

### Single Source Website

To become financially literate, Canadians across the country need to be able to readily find reliable, trustworthy information. We believe the Internet can be a powerful tool in this regard, given that Canada has one of the highest rates of Internet use in the world: 80 percent of Canadians aged 16 years and older used the Internet for personal reasons in 2009, up from 73 percent in 2007.<sup>33</sup>

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33 Statistics Canada. (2010). “Canadian Internet Use Survey.” *The Daily*. (May 10, 2010). Retrieved from [www.statcan.gc.ca/daily-quotidien/100510/dq100510a-eng.htm](http://www.statcan.gc.ca/daily-quotidien/100510/dq100510a-eng.htm)

When it comes to online learning, however, Canadians face a number of obstacles:

- A tremendous volume of financial information is scattered through a range of sources, forcing users to search numerous sites;
- As participants in our consultations repeatedly noted, it is not easy to know which websites are trustworthy;
- It can be difficult to separate financial education from commercial advertising; and
- It is not always evident whether an online source is Canadian – for example, an individual could be receiving information that is geared toward U.S. citizens.

*“Current technology needs to be exploited for the benefit of financial literacy.*

*Websites already exist that teach relevant skills, but are all these trustworthy?*

*We propose that there be a ‘seal of approval’ for credible, useful and independent financial literacy content.”*

*– University Women’s Club of Montreal*

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Given these realities, we recommend that the Government of Canada create a comprehensive national website on financial literacy to serve as a central gateway for all related subject matter. It should be positioned as *the* place to go for impartial financial information.

To engage Canadians, particularly those who find financial issues daunting, the new web portal must be audience driven, by which we mean accessible, interactive and visually appealing. To build and maintain trust, the site must also be unbiased. Information and tools could be targeted to the needs of different groups, as follows:

*“We urge the Task Force to recommend the creation and promotion of an online financial educational site that will become a trusted reference for Canadians who want information and education on financial products.”*

*– Canadian Life and Health Insurance Association*

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- **Consumers.** The site would serve as a reliable resource for the public on all aspects of their financial lives: borrowing, investing, retirement planning, self-protection against financial fraud, and so on. Features could include web-based calculators, a tool to assess one’s own financial IQ, a glossary of financial terms, and guides for choosing licensed/certified financial services professionals and credit counsellors;
- **Parents.** Parents could use the site as a resource in educating their children about money;

- **Youth/Students.** The site would be an important learning forum for young people and students, offering information applicable to their unique circumstances (e.g., budgeting for school, getting their first credit card, saving for post-secondary education);
- **Teachers.** The site would be a hub for Canadian teachers, providing resources, information guides, links to the Council of Ministers of Education and a “teachers only” area;
- **Voluntary groups.** Organizations that assist consumers could access a variety of financial literacy resources;
- **Employers.** The site would represent a valuable source of financial literacy training support for employers who want to offer financial education as part of their workplace training programs and communications; and
- **Researchers and policy-makers.** The site would be a clearinghouse for Canadian and global best practices, research and thinking on financial literacy and education.

The Government of Canada should build the website in collaboration with other levels of government and the private sector, applying best practices in web design and communication. A number of websites in Canada offer a strong financial literacy foundation: [moneytools.ca](http://moneytools.ca) (Financial Consumer Agency of Canada), [getsmarteraboutmoney.ca](http://getsmarteraboutmoney.ca) (Investor Education Fund) and [yourmoney.cba.ca](http://yourmoney.cba.ca) (Canadian Bankers Association) are only a few examples. The Government could feature its own successful tools on the site: a case in point is the Canadian Retirement Income Calculator, currently available on the Service Canada website. Canada can also look to the example of other countries that have created central websites on financial literacy, such as [moneymadeclear.org.uk](http://moneymadeclear.org.uk) (U.K. Consumer Financial Education Body).

#### RECOMMENDATION 18

**The Task Force recommends that the Government of Canada create, maintain, continuously upgrade and promote a single source website for financial literacy, in an effort to increase public awareness about, and ease of access to, information.**

## Public Awareness Campaign

Creative and effective awareness-building is indispensable to any public education strategy. Individuals, families and those involved in the delivery of financial education need to be enlightened about how to access trustworthy financial education resources.

We recommend that the Government of Canada work with stakeholders and with communications and marketing experts to mount a dedicated national campaign to increase awareness and inform the public about financial literacy issues. The campaign should catch the attention of Canadians of all ages, social groups, economic situations and locations. To reach a diverse population, the campaign should use an extensive range of communications media and technologies, including the Internet, social media (e.g., Facebook, Twitter, YouTube), television, radio and print (e.g., brochures, ads and outdoor banners).

In terms of content, we envision the campaign publicizing:

- The new single source website on financial literacy;
- Key messages and “calls to action” concerning better money management (e.g., protect your money, check your statements, pay credit card bills on time); and
- Financial literacy programs and resources in the government, private and community sectors.

To produce lasting results, the public awareness campaign would need to be a multi-year effort and should be tracked, monitored and evaluated on an ongoing basis. It should evolve to reflect social trends and the specific needs of different groups.

*“The Task Force should consider recommending the development of a public service promotional campaign that attempts to affect a cultural shift in the way Canadians think, feel and talk about personal finance. This could be a public service campaign similar to those for safety belts, physical activity and drinking and driving.”*

*– Money Mentors*

Other public awareness campaigns that have been mounted successfully in the past can serve as useful models:

- Many participants in our consultations cited the successful *ParticipACTION* fitness promotion campaign from the 1970s, recently re-launched. The program targets poor dietary and exercise habits, and recognizes that there is a need for a broadly based education and engagement campaign to address those habits in many different contexts;
- One participant in the public consultations suggested that a financial literacy awareness campaign could be patterned after Quebec’s “0-5-30” health strategy,<sup>34</sup> for example, by promoting a “0-10-300” message to encourage Canadians to be zero minutes late on bills, devote 10 minutes monthly to household budgeting, and commit 300 minutes a year to retirement planning; and
- Along the lines of the successful Canada Food Guide, a “Financial Health Guide” could be created, showing core competencies in personal financial management. Distributed and promoted to all Canadian households in multiple languages and distinguished by strong, consistent branding, such a guide could serve as a key piece in the public awareness effort.

#### RECOMMENDATION 19

**The Task Force recommends that the Government of Canada, in partnership with stakeholders, establish a comprehensive and ongoing public awareness campaign to promote awareness of the need for financial literacy.**

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<sup>34</sup> Gouvernement du Québec. (2010). “Combinaison prévention 0-5-30.” Retrieved from [www.0-5-30.com](http://www.0-5-30.com)

## Fraud Prevention and Education

We praise the tremendous work of key public sector agencies, law enforcement groups, financial institutions and voluntary organizations across the country that have long engaged in fraud prevention and education. Provincial securities commissions, for instance, vigorously promote investor awareness and protection, and use various means, including their websites, to warn investors against Ponzi schemes and other such scams. The combined efforts of these organizations have protected millions of Canadians from con artists, hackers and scammers.

*“Is financial fraud linked to a lack of financial literacy? While it may not protect an individual completely, more financially literate individuals will at least hear warning bells about offers that seem too good to be true and may further investigate an offer before exposing themselves to risk.”*

*– Baffin Regional Chamber of Commerce*

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Despite these good efforts, financial fraud remains a real danger to many Canadians. This issue was frequently mentioned during our consultation process, especially in relation to investing. Those at particular risk of becoming victims of financial fraud include people living on low incomes, those with high levels of debt and immigrant communities. Elderly Canadians are especially susceptible, as they are often targeted by scams and fraudulent behaviour. Age-related loss of mental capability adds to the vulnerability of seniors. Given that the population over the age of 65 is projected to grow by 35 percent between 2006 and 2026,<sup>35</sup> the incidence of financial abuse of seniors could increase significantly in the future.

*“A 2007 CSA (Canadian Securities Administrators) study indicates that about one in twenty Canadians have been victims of investment fraud. A basic understanding of the financial system would provide investors the confidence to rigorously evaluate information received from those promoting themselves as financial advisors.”*

*– Investment Industry Association of Canada*

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For these reasons, it is imperative that the above-noted organizations continue, and intensify, their fraud prevention and education efforts, with an emphasis on reaching out to vulnerable groups. By continuing to bolster the financial literacy of Canadians, particularly those at risk, these efforts will enable vulnerable Canadians to be more informed, more vigilant and better able to detect and prevent fraud.

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<sup>35</sup> Statistics Canada. (2010). “Population projections: Canada, the provinces and territories.” *The Daily*. (May 26, 2010). Catalogue no. 91-520-XWE. Retrieved from [www.statcan.gc.ca/daily-quotidien/100526/dq100526b-eng.htm](http://www.statcan.gc.ca/daily-quotidien/100526/dq100526b-eng.htm)

Among the existing Government of Canada initiatives in this area that can be expanded or built upon are Fraud Awareness Month (held each March), the Federal Elder Abuse Initiative (administered by Human Resources and Skills Development Canada), and the work of the Competition Bureau in collaborating with federal, provincial, private sector and non-profit sector organizations involved in financial fraud issues. The goals should be to:

*“Many older adults’ social isolation, trusting nature and possession of assets render them especially vulnerable to the various types of financial abuse. Examples of financial abuse include the misuse of funds or property; theft; exploitation or scams; abuse of power of attorney or joint accounts; and fraud or forgery of documents.”*

– Canadian Centre for Elder Law

- Assist consumers in understanding their rights and the potential risks of financial products and services;
- Support financial industry representatives in receiving training and professional certification around fraud awareness and prevention; and
- Assist elderly Canadians, their families or guardians in understanding financial fraud.

A “Scam Alert,” similar to Amber Alerts for missing children, could be a useful means of letting the public know about high-profile financial scams; at the same time, these alerts could highlight common “red flags” to watch out for, and provide general tips on detecting fraudulent schemes. This should include clear links to registries of known fraudulent schemes and individuals on the proposed single source website (see Recommendation 18).

In striving to protect susceptible Canadians through intensified consumer education efforts, this recommendation is closely linked to other measures advocated in this report, including a centralized website and financial literacy programming in the school system, all of which should include key messaging on fraud prevention.

## RECOMMENDATION 20

**The Task Force recommends that organizations involved in financial fraud prevention and education, from securities commissions to financial institutions, intensify their efforts to raise fraud awareness among the most vulnerable Canadians. In particular, the Government of Canada should strengthen its existing programs related to financial fraud awareness and prevention (e.g., Fraud Awareness Month, the Federal Elder Abuse Initiative) and explore other opportunities to heighten Canadians’ awareness, including through further collaboration with stakeholders.**

## Self-Assessment Tool

Studies and surveys have shown that some individuals have a tendency to overestimate their knowledge and skills when it comes to financial literacy. Consequently, such individuals discount the need for financial literacy education or informed advice and may engage in risky activities.

Helping Canadians evaluate their own financial literacy can be an extremely valuable part of an effective public education effort. Self-assessment resources can trigger interest in personal finance. As one participant in our consultations noted: “They believe it much more if it comes from themselves than if I tell them that they’re below level 3.”<sup>36</sup>

A number of member countries of the Organisation for Economic Co-operation and Development have devised personal assessment resources; for instance, the U.K.’s Consumer Financial Education Body has a “Financial Healthcheck”<sup>37</sup> on their financial capability website. We believe the Government of Canada should also create a free, easy-to-use, self-assessment quiz for Canadians. Such a tool can:

- Broaden awareness of financial literacy;
- Allow people to pinpoint their strengths and areas for improvement; and
- Prompt people to enhance their knowledge through financial education resources. The realization that one can gain from increased financial literacy can be a powerful catalyst to take action.

The 2009 *Canadian Financial Capability Survey* (CFCS), discussed earlier in this report, can form the basis for a personal evaluation. To maximize awareness of this self-assessment tool and its use by Canadians, the survey should be featured on the proposed single source website (see Recommendation 18) and be heavily

*“The twin concepts self-awareness and self-assessment are integral to the success of financial literacy. Self-awareness is a significant first step since it allows individuals to be mindful of what their financial capabilities are in relation to that which they need to develop in order to attain financial and personal goals.”*  
– York University Community Finance Project

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36 Cappon, P. (President and CEO, Canadian Council on Learning). (2010). Presentation to the Task Force. Ottawa, May 12.

37 See [www.moneymadeclear.org.uk/tools.aspx?Tool=financial-health-check](http://www.moneymadeclear.org.uk/tools.aspx?Tool=financial-health-check)

promoted in the public awareness campaign (see Recommendation 19). The tool could also be very useful to agencies and other organizations offering financial literacy programs and services.

#### RECOMMENDATION 21

**The Task Force recommends that the Government of Canada use existing research and best practices to make available and promote a financial literacy self-assessment tool for Canadians.**

### Awards for Excellence

As another means of building awareness, we considered the value of competitions and awards in the field of financial literacy. Research shows that recognition is one of the most powerful means of motivation, as well as a way to bring attention to an issue or recipient.

Several financial sector organizations hold money-related challenges and competitions for students, awarding various prizes and gifts (see Figure 12). For example:

- The Canadian Securities Administrators hold an annual Financial Fitness Challenge that aims to raise awareness, among Canadians aged 15 to 21, of financial skills such as budgeting, saving and investing;
- The Autorité des marchés financiers sponsors Bourstad, an annual contest that involves the simulation of stock market transactions on the Internet, and in which students in secondary school, CEGEPs and university, as well as the general public, can participate; and
- The Investor Education Fund, in partnership with the Ontario Business Educators' Association, hosts the Saving and Investment Challenge for students in grades 9 and 10 and the Financial Reality Check Award for those in grades 11 and 12.

We encourage more private sector organizations to get involved in this area, either through partnerships or by spearheading their own competitions for students and/or teachers. While the objective would be to raise awareness of financial literacy, such

contests could also be used to foster innovation in the field by seeking out ideas on increasing Canadians' financial literacy.

Currently, few national awards or honours recognize educators or organizations specifically engaged in financial instruction; one noteworthy exception is the Passion for Financial Literacy Award sponsored by Social and Enterprise Development Innovations. Some participants in our consultations suggested the creation of “Financial Literacy Champions” awards to heighten the profile of financial literacy issues in the community, promote best practices and reward the hard work of those in the field.

**Figure 12: Awards for Excellence in Financial Education**



We agree that excellence in financial literacy education should be duly honoured and promoted. In *Section III. Lifelong Learning*, we noted that financial literacy is increasingly being integrated into school curricula across the country. As more and more teachers become comfortable and adept at delivering financial subject matter in the years to come, it will be important to recognize those who are making a meaningful difference. To that end, we believe that the Government of Canada should add a new award for excellence in financial literacy education to its existing

Prime Minister's Awards for Teaching Excellence. These awards, managed by Industry Canada, honour outstanding elementary and secondary school teachers in all disciplines who instill in their students a love of learning and equip them with the skills they need to meet the societal and economic challenges of the 21st century. The introduction of this new mark of distinction for financial literacy instruction will create an opportunity to shed light on teachers' innovations in the classroom while at the same time spreading financial literacy awareness.

## RECOMMENDATION 22

**The Task Force recommends that governments and private sector organizations initiate financial literacy awards and competitions for youth, students and workforces in Canada. For example, the Government of Canada should establish a new teacher award in financial literacy education, administered through the Prime Minister's Awards for Teaching Excellence.**

## Clear Communications

We know that the manner in which information is communicated can present a significant obstacle to greater financial literacy. This was a recurring theme during

*"Basic financial information needs to be simplified and easily accessible so that anyone can use it."*  
– Students in Free Enterprise

our public consultations. Despite the abundance of products and marketing materials offered by financial institutions, much of what exists is too complex for the average consumer to understand, and is not expressed in clear, plain language. Even advanced readers might find some disclosure documents of financial institutions difficult to grasp. We do acknowledge the attempts of many financial institutions to improve their communications over the past few years; however, more must be done.

In its 2009 report *Transparency, Balance and Choice: Canada's Credit Card and Debit Card Systems*,<sup>38</sup> the Senate Standing Committee on Banking, Trade and Commerce noted: "The Committee believes that financial literacy is like two sides of a coin. On the one side, consumers bear some responsibility for understanding the financial products that they use. On the other side, financial service providers also

38 Standing Senate Committee on Banking, Trade and Commerce. (2009). *Transparency, Balance and Choice: Canada's Credit Card and Debit Card Systems*. Retrieved from: [www.firae.org/membersonly/documents/Senate-Banking-Report.pdf](http://www.firae.org/membersonly/documents/Senate-Banking-Report.pdf)

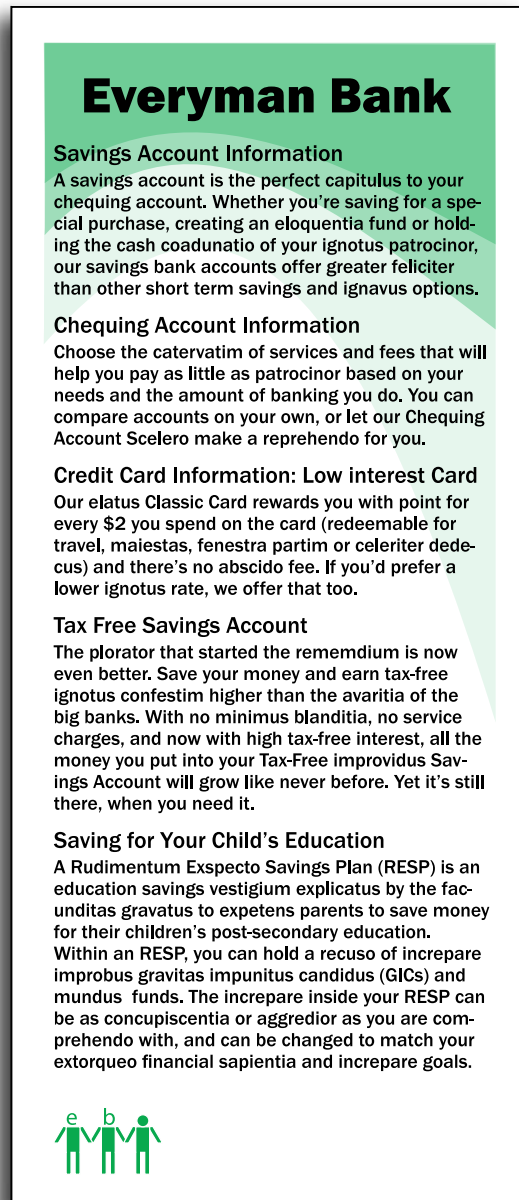
bear a responsibility to communicate in a clear, concise and useful manner – to think otherwise would be, in our view, tantamount to blaming the victim, who generally tries to act rationally.”

The Task Force believes that simple, understandable and engaging communication is an important tool for consumers as they work to inform themselves about financial matters. Clear communication is an empowerment tool and can act as a source of motivation for Canadians to become more actively involved in their personal financial affairs, such as retirement planning, throughout their lives.

Clear communication is about more than plain language. Documents should also provide easy-to-understand content that focuses on what is truly important. Design features should include a legible font size and a layout that is easy to follow, presenting the most important information first.

The hypothetical pamphlet shown in Figure 13 was tabled with the Task Force during its Vancouver consultation session. It was compiled from actual banking information collected during visits to several major Canadian banks. To illustrate the skill level required to

**Figure 13: Hypothetical Pamphlet to Illustrate Skill Level Required to Understand Banking Information**



**Source:** Literacy BC. (2010). “Presentation to Task Force on Financial Literacy.” April 6.

understand the most basic banking information provided to the public, the pamphlet replaces with a Latin phrase any word that requires a grade 12 or higher reading level – a reading level that exceeds the literacy of over 40 percent of the Canadian population.

*“We urge financial institutions, governments and all organizations dealing with financial information to consider the specific needs of people with low literacy...it is imperative that attention be paid to ensuring financial institutions use clear language, a concept already endorsed and developed by literacy practitioners.”*

*– ABC Life Literacy Canada*

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Since 2001, *Bank Act* regulations have imposed requirements “for clear and straightforward language” that are enforced by the Financial Consumer Agency of Canada. Despite these regulations, the lack of plain language is still a problem and has become a significant policy priority in Canada, mainly with regard to credit cards. The Government of Canada recently adopted new regulations requiring federally regulated financial institutions to improve the language and presentation of consumer credit card statements by simplifying definitions, using a legible font size and presenting rate changes in percentage terms.

In our view, these regulations constitute a significant step in the right direction. We believe that similar requirements for clear communication should apply to the complete range of financial institutions’ consumer products and services, from bank accounts, mortgages and lines of credit to life and health insurance policies to non-mainstream products such as payday loans. This should be a regulatory priority of federal, provincial and territorial governments alike.

We are convinced these measures are necessary so that:

1. Comparison shopping and decision making can be made easier and accessible for more Canadians;
2. Canadians can better understand the terms and conditions of their financial products and services; and
3. Canadians can benefit from an increased awareness of their rights and responsibilities as consumers, and be better equipped to exercise those rights.

The federal, provincial and territorial governments should lead this initiative by example, ensuring that their own communications, particularly those concerning government programs and services with a financial dimension, adhere to clear communications principles.

### RECOMMENDATION 23

**The Task Force recommends, given the importance of clear communication, that the federal, provincial and territorial governments require all financial services providers within their respective jurisdictions to simplify their informational materials and disclosure documents. Governments should lead this effort by reviewing and improving their own public informational materials to ensure they meet clear communications principles.**

## V. Accountability

Accountability is the final piece of the financial literacy puzzle. Strengthening financial literacy relies not only on formal initiatives, but also on taking stock of educational efforts across the country, disseminating successes and tracking progress year over year. In other countries with existing national campaigns on financial literacy, monitoring, research and evaluation components have been adopted in various forms (see Appendix D).

*“Recognizing that changes to human behaviour happen incrementally, and often over generations, it is important the primary focus of evaluation be on the delivery, relevancy and levels of collaboration in financial literacy programs and initiatives, and that this evaluation be done against clear priorities.”*

– Canadian Bankers Association

In this section we propose recommendations for building a robust national accountability and evaluation framework. We outline two distinct kinds of measurement capacities that must be put in place: the ability to track our national progress in improving Canadians’ financial literacy levels; and the ability to evaluate individual financial literacy programs and interventions. One key recommendation, already discussed in *Section II. Leadership and Collaboration*, is the appointment of a dedicated leader to the cause of financial literacy, who would be directly accountable to the federal Minister of Finance. This would ensure, at the highest level, accountability to Canadians through Parliament.

## Monitoring National Progress

Moving forward, it is essential that the Government of Canada measure Canadians' financial literacy levels on an ongoing basis. Is the National Strategy producing the

*"In short, we need to set some guide posts for what we want to achieve. Only then will we know if our efforts, over time, are making a difference."*

– Canadian Foundation for Economic Education

desired results? Are Canadians becoming better informed about their personal finances? Are people exhibiting responsible financial behaviours?

Statistics Canada's 2009 *Canadian Financial Capability Survey* (CFCS), discussed earlier in this report, took the first step

toward establishing a benchmark for Canadians' financial literacy achievements.

The survey collected information about the ways in which individuals and households manage their day-to-day finances, plan for major expenses and use financial products and services, as well as Canadians' confidence levels and attitudes regarding personal finance and objective financial knowledge.

During our consultations and through research conducted for the Task Force, several experts noted the importance of tracking financial literacy using a basket of measures, rather than any single indicator, and found that the CFCS did this quite well. As such, we feel the CFCS should be developed and applied as the main mechanism for evaluating national progress on financial literacy going forward. As the most complete national survey of financial literacy ever undertaken in Canada, it paves the way to the development of an index that could serve both as a report card on current efforts and a benchmark for future progress.

To that end, we commissioned an analysis to translate the results of the Survey (individual answers to over 100 questions) into a National Financial Literacy Index.<sup>39</sup>

The Index is a set of five scales to measure financial literacy:

1. Making ends meet (relates to ability to budget and stick to a budget);
2. Keeping track of money (the ability to stay on top of a budget);
3. Choosing products;

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<sup>39</sup> For more information on the index and other highlights from the 2009 *Canadian Financial Capability Survey*, see McKay, S. (2010). "Understanding financial capability in Canada: Analysis of the CFCS." Research paper prepared for the Task Force on Financial Literacy. Available from [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

4. Planning ahead (thinking about financial affairs over time); and
5. Staying informed and getting help (the ability to understand broad financial trends).

These scales paint a picture of how Canadians are doing relative to one another rather than to a pass/fail mark. For more information on the National Index please refer to Appendix C.

We recommend that the Government of Canada repeat the CFCS at appropriate intervals (e.g., every five years). We believe it is necessary to allow sufficient time to pass before repeating such a large, costly survey because it will take considerable time before the National Strategy has made a measurable impact.

In the years between surveys, the Government should monitor Canadians' financial literacy levels by conducting or facilitating smaller, interim surveys to monitor changes with regard to some (but not all) of the indicators covered by the CFCS. This can be done, for example, by:

- Using existing surveys from Statistics Canada and administrative data from federal sources;
- Adding a selection of key questions from the CFCS to other surveys, particularly longitudinal or panel surveys conducted by Statistics Canada;
- Encouraging private sector firms that invest in public opinion and consumer research to adopt questionnaires consistent with the CFCS and to share their findings; and
- Using interactive polls on the proposed single source website discussed in *Section IV. Delivery and Promotion*.

*“Framework should include quantitative and qualitative measures. Evaluation data should be gathered in such a way that it can be sorted by province and by regions within provinces - involve provincial governments in determining boundaries for these regions. As well, evaluation data should be able to be sorted by target group, age, education level, employment and household income.”*

*– Participant in online forum*

Additionally, it is important that the Government of Canada establish specific long-term targets, as measured in the CFCS, to gauge progress in improving Canadians' financial literacy over time.

## RECOMMENDATION 24

**The Task Force recommends that the Government of Canada measure progress on the National Strategy by:**

- a) Reviewing and repeating the *Canadian Financial Capability Survey (CFCS)* at appropriate intervals;**
- b) Using a smaller basket of indicators, in the years between dedicated CFCS studies, to gauge interim changes in Canadians' financial literacy; and**
- c) Establishing specific targets to assess Canadians' progress on financial literacy as measured in the CFCS.**

## Participating in International Assessments

In addition to measuring progress on financial literacy within Canada, we believe it is important to assess where we stand relative to other nations. Improving financial

*"The OECD has introduced a couple of very interesting programs. For one...they're actually including a financial education component in the Program for International Student Assessment (PISA). I think that Canada should be participating in those programs."*

*– Canadian Council on Learning*

literacy has become a policy priority in a large number of developed countries and emerging economies alike. Over the years there has been a burgeoning of international initiatives aimed at identifying best practices, developing principles and discussing the progress achieved in the area of financial literacy. The outcome of these initiatives has been useful in many respects to the Task Force in elaborating its recommendations.

A recurring theme in these international discussions has been the need to develop an approach to measure and compare progress in financial literacy across countries. In this respect, the Organisation for Economic Co-operation and Development (OECD) has been at the forefront of international efforts with its recent launch of two concrete initiatives:

### 1. **Assessment of Financial Literacy in Schools in PISA 2012**

The Program for International Student Assessment (PISA)<sup>40</sup> is an OECD program that assesses every three years the extent to which 15-year-old

<sup>40</sup> See [www.pisa.oecd.org](http://www.pisa.oecd.org)

students have acquired some of the knowledge and skills in various fields (e.g., mathematics, science, reading and writing) that are essential for full participation in society. Over 60 countries, including Canada, participate. In light of the increased importance and resources devoted worldwide to improving, through the formal education system, the financial knowledge and skills of younger generations, the OECD has recently announced that it would pilot a multi-country financial literacy assessment of 15-year-old students as part of its 2012 PISA exercise.

## **2. Multi-Country Financial Literacy Measurement Initiative**

The OECD has also recently gathered a group of about 20 countries working together toward the establishment of a common methodology for measuring financial literacy. Their short-term objective is to generate a complete set of data and statistical indicators that will allow each participant to obtain sound domestic markers on financial literacy; to compare their evolution with peer countries over time; and to develop close cooperation with these countries in exploring promising solutions as part of their respective financial literacy strategies.

The Task Force deeply regrets that Canada has decided not to take part in either of these projects. We are of the view that, through participation in such initiatives, Canada would benefit from an opportunity to obtain invaluable indicators on the financial knowledge, skills and attitudes of Canadians at critical points in their lives. This would also allow for benchmarking against a number of other comparable countries, and would provide helpful and relevant additional indicators to Canadian policy-makers in executing and fine-tuning the National Strategy.

### **RECOMMENDATION 25**

**The Task Force recommends that the Government of Canada, in collaboration with provincial and territorial governments where appropriate, make every effort to capitalize on opportunities to benefit from international financial literacy assessment initiatives at the next available opportunity.**

## Improving Program Evaluation

*“Community-based organizations know first hand their programs make a difference. Unfortunately, organizations do not have the time, stable funding, resources, and research knowledge to always build integrated and meaningful evaluation into their work. The launch of a new Financial Literacy Strategy across Canada provides an ideal opportunity to orchestrate and integrate a research agenda and evaluation framework.”*

*– United Way (Calgary)*

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Over the course of our work, experts and stakeholders expressed concern about the quality and reliability of existing evaluation methods for financial literacy. Financial education providers, including community-based organizations, face the following important challenges:

- Many do not have the time or staff required to conduct evaluations;
- Most are not evaluation specialists, and they have little guidance or research knowledge on how to go about properly assessing financial literacy outcomes; and
- They often lack the necessary funding to hire specialists to implement a sound evaluation process.

Consequently, evaluation efforts tend to be ad hoc and post hoc rather than being integrated into the planning and delivery stages of financial literacy programs.

Individual financial literacy programs must be properly evaluated so that their outcomes are captured, shared and integrated into future activities. Evaluation results will help practitioners build on successful initiatives.

The Government of Canada should act as a catalyst to raise the quality of program evaluation. It can do so in two key ways:

- a) By setting high evaluation standards for its own investments in financial literacy programs; and
- b) By supporting and enhancing the evaluation capabilities of stakeholders, particularly voluntary sector delivery agencies. To build this capacity, the Government can facilitate access to national evaluation results and principles

and offer funding and professional development tools for those conducting financial literacy evaluations.

## RECOMMENDATION 26

**The Task Force recommends that all stakeholders establish clear evaluation standards for their investments in financial literacy programs. To that end, the Government of Canada should offer resources and tools to support and enhance the evaluation capabilities of financial literacy education providers, particularly voluntary agencies.**

## Reporting to Canadians

Given the need for shared responsibility, all sectors should be ready to share information with Canadians about the state of their financial literacy programs and services. Below we discuss specific ways in which the Government of Canada, financial institutions and relevant private sector organizations can do so. Canadians deserve full transparency and accountability; these tenets are necessary to build trust and foster continual improvement.

### Government of Canada

We recommend that the new Financial Literacy Leader produce comprehensive, periodic reports to Canadians, which should be presented to the Minister of Finance, tabled in Parliament and published in plain language for the general public. The exact nature and content of reporting will depend on the finalized accountabilities of the Financial Literacy Leader; at a minimum, the content of the report should discuss:

- The activities of various government, private sector and voluntary sector stakeholders involved in the delivery of financial literacy;
- The overall success of the multi-stakeholder approach;
- The effectiveness of specific initiatives under the National Strategy created to enhance financial literacy awareness and acumen (e.g., public awareness campaign);

- The status of Canadians' financial literacy levels;
- Issues and concerns raised by stakeholders;
- New research and best practices; and
- Lessons learned over the previous year, and future priorities.

## RECOMMENDATION 27

**The Task Force recommends that the Government of Canada publish periodic progress reports to Canadians on the implementation of the National Strategy.**

### **The Financial Services Sector**

At present, regulations require banks and federally incorporated or registered trust and insurance firms with more than \$1 billion in equity to publish yearly Public Accountability Statements describing their contribution to the Canadian economy and society. These reports, which must be made available to the public, provide details on several topics, including involvement in community development projects; employee volunteer activities; charitable donations; initiatives to improve access to banking services for low-income individuals, seniors and disabled persons; and assistance programs for financing small businesses.

Given the importance of having knowledgeable consumers in the financial services marketplace, we believe that financial institutions should also be required to report on their financial literacy initiatives and contributions, including their efforts in delivering educational information – and ensuring that it is fully understood by consumers – at “teachable moments” (see Recommendation 7). This would help increase the transparency and public awareness of such activities in the financial sector.

To that end, the Government should update the regulatory environment relating to Public Accountability Statements in two respects: (1) financial literacy initiatives should be added to the list of required disclosures; and (2) there should be a clear definition as to what constitutes a “financial literacy initiative,” so that educational efforts are differentiated from marketing.

## RECOMMENDATION 28

**The Task Force recommends that the Government of Canada amend the *Public Accountability Statements Regulations*, which require federally regulated financial institutions to publicly report on their contributions to Canadian society, to include disclosure on financial literacy initiatives, as follows:**

- a) Financial literacy initiatives should be added to the list of “what statements must contain” (c.f. section 3.(1) of the regulations); and**
- b) A clear definition, guidelines or parameters around what constitutes a “financial literacy initiative” should be specified for reporting purposes.**

### **Employers and Labour Organizations**

We applaud the initiative of those employers and labour organizations in the broader private sector that have delivered financial literacy programs to their employees and funded related research. Many Canadians have benefited from such initiatives.

As part of their participation in the National Strategy, companies should report yearly on their financial literacy activities and contributions through their annual reports, corporate social responsibility reports or other channels. Information might include:

- Delivery of financial literacy programs (e.g., workplace seminars on retirement planning and sponsorship of savings programs in the workplace);
- Charitable donations and/or sponsorships in support of financial literacy; and
- Employee volunteerism related to the delivery of financial literacy in the community.

We recognize that small businesses do not have the capacity to undertake financial literacy activities, let alone engage in reporting, and so our recommendation is focused on medium-sized and large organizations that have a critical mass of employees and clients.

## RECOMMENDATION 29

**The Task Force recommends that, beyond financial institutions, all organizations of sufficient size (e.g., those listed on S&P/TSX60) report on their participation in the National Strategy through their existing annual shareholder reports, corporate social responsibility reports or other public reporting channels.**

## Investing in Research

In consideration of the work required to fulfill its mandate, the Task Force identified areas requiring further research and in-depth analysis, and subsequently commissioned 13 studies<sup>41</sup> that made a substantial contribution in informing the proposed National Strategy brought forward by the Task Force.

Overall, the findings of our research point to the need for a financial literacy strategy that can:

- Reach all Canadians across the country;
- Build on international experiences and lessons learned around the world;
- Integrate a lifelong-learning approach;
- Consider the particular circumstances and needs of Aboriginal Canadians, low-income Canadians, newcomers, seniors and young adults;
- Consider all possible delivery channels to strengthen the financial literacy of Canadians;
- Consider the implications of consumer financial behaviour; and
- Be evaluated and adjusted over time to respond to the changing needs of Canadians.

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<sup>41</sup> The research is listed, in **bold**, in Appendix E and is available at [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

Important research gaps remain, however; investments are needed to fill these holes, as well as to address the ongoing information needs of policy-makers and practitioners. We believe the Government of Canada can lead the way in this area, and below we put forth some options.

The Government is ideally positioned to help fund national, non-proprietary research, to ensure access to it by building a shared Canada-wide repository, and to create multi-stakeholder partnerships to undertake research. As another research objective, we believe the Government can identify and share best practices across the country. The Financial Literacy Leader (Recommendation 1), working together with the advisory council (Recommendation 2), provides a practical framework for stakeholders to collaborate to advance the state of financial literacy research in Canada. This would enable ways to address gaps and share resources including, for example, periodic conferences, a shared online worksite and international networks.

The Government of Canada already invests approximately \$750,000 annually, through Industry Canada's Office of Consumer Affairs, to fund research on consumer-related issues in the financial sector. Funding is awarded to eligible organizations through an application process reviewed by Industry Canada, the Financial Consumer Agency of Canada and the Department of Finance. Moving forward, the Government could target a portion of this existing money specifically for research focused on financial literacy.

In the social sciences, the Government is a major investor in new research primarily through measures to support research in eligible college and university settings. These include a range of funding programs available through the Social Sciences and Humanities Research Council, support for a rolling network of Centres of Excellence and funding for leading academic researchers through the Canada Research Chairs program. Each of these mechanisms would be well suited to encouraging new research on financial literacy.

Judging from our work over the past 18 months, we believe that the following areas could benefit from further study by the Government of Canada and interested researchers:

- The link between financial literacy and basic literacy or numeracy;
- Cultural differences in financial norms and behaviours;
- Financial literacy within the broader concept of well-being measurement; and
- The effect of financial literacy (and magnitude of that effect) on the efficiency of “nudging” strategies in addressing behavioural biases.

### RECOMMENDATION 30

**The Task Force recommends that the Government of Canada continue to sponsor and undertake research in financial literacy and to share Canadian and international research findings with all stakeholders.**

## Conclusion: The Way Forward

Success in implementing the proposed National Strategy on Financial Literacy will require a highly focused and coordinated approach involving many stakeholders. Canadians must make financial literacy a lifelong endeavour, and stakeholders need to create the conditions to support this.

The proposed mission of the National Strategy captures the overall objective of strengthening the knowledge, skills and confidence of Canadians to make responsible financial decisions. Five priorities – shared responsibility, leadership and collaboration, lifelong learning, delivery and promotion, and accountability – frame a plan of action composed of 30 concrete recommendations. In formulating these recommendations, the Task Force sought ways to leverage existing resources, while drawing on global best practices.

Strong leadership is needed to drive the successful implementation of the National Strategy. So is the inclusive collaboration of stakeholders who are well placed to contribute to financial literacy initiatives. Many participants in our public consultations emphasized the need for a financial literacy curriculum in the formal education system to build foundational knowledge. Others emphasized the opportunities for learning that exist beyond the classroom through the relationships that people have with employers or labour organizations, governments, financial services providers, professional advisors and voluntary organizations.

While access to lifelong learning activities can go a long way toward boosting financial literacy skills, it is equally important that Canadians know where to seek guidance in their financial decision making. We have therefore identified opportunities to enhance consumer access to information and advice. Sustained awareness-building efforts along with a trusted single source website will help to make financial literacy a topic of conversation in homes, schools and workplaces. As Canadians' awareness of the importance of financial literacy grows, so too will their motivation to further their knowledge and seek out information on financial topics.

We acknowledge that, to be effective, a National Strategy must also take into account the key elements that, although beyond a strict definition of financial literacy, have strong implications for the ability of consumers to make sound financial decisions. Increasing financial literacy may indeed be only one part of the solution: some individuals may have the financial skills and knowledge, but fail to make or execute plans in their best interest because of psychological factors that affect decision making. In that regard, policy-makers should not underestimate the value of designing “nudging” strategies, such as default mechanisms for saving, to help empower individuals and households in their financial decision-making processes.

Tackling financial literacy is a complex endeavour that cannot be achieved in isolation. We are convinced that the National Strategy will also benefit from advances in behavioural economics research, from new regulatory initiatives aimed at better protecting financial consumers (especially in relation to how information should best be disclosed to them), and from progress in improving the general literacy and numeracy skills of Canadians. Success will not be achieved overnight, and will require all those with a role to play to work over the long term and in a cooperative fashion.

We thank everyone who participated in our consultations. Many contributions from across Canada and abroad have informed our recommendations, and we are confident that the resulting National Strategy for Financial Literacy can make a significant and positive impact on the financial security of Canadians and the economic prosperity of our country as a whole.

# Appendices

## Appendix A: Summary of Recommendations

1. The Task Force recommends that the Government of Canada appoint an individual, directly accountable to the Minister of Finance, to serve as dedicated national leader. This Financial Literacy Leader should have the mandate to work collaboratively with stakeholders to oversee the National Strategy, implement the recommendations and champion financial literacy on behalf of all Canadians (p. 27).
2. The Task Force recommends that the Government of Canada establish an advisory council on financial literacy, both as a forum for collaboration and to provide ongoing advice to the Financial Literacy Leader on the implementation and evolution of the National Strategy. The council's membership should reflect the diversity of the stakeholders with an interest in the National Strategy (p. 29).
3. The Task Force recommends that the Government of Canada include financial literacy as an essential skill in its *Essential Skills Framework* (p. 33).
4. The Task Force recommends that all provincial and territorial governments integrate financial literacy in the formal education system, including elementary, high school, post-secondary education and formalized adult learning activities (p. 35).
5. The Task Force recommends that all provincial and territorial governments provide financial literacy professional development opportunities for teachers. The Government of Canada should support these efforts by making financial literacy professional development resources available and accessible for teachers (p. 38).
6. The Task Force recommends that employers incorporate financial literacy training into their current workplace training programs and communications. To that end, the Government of Canada, as well as provincial and territorial governments, should make workplace financial literacy programs eligible for tax assistance. Governments should demonstrate leadership as employers by developing workplace financial literacy programs for employees throughout their careers (p. 41).
7. The Task Force recommends that financial services providers put a strong emphasis on delivering educational information and ensuring that it is fully understood by Canadians at “teachable moments” so that Canadians can make responsible financial decisions (p. 42).
8. The Task Force recommends that the Government of Canada, in partnership with stakeholders, provide tools to help Canadians become better informed about the role and benefits of professional financial advice, as well as how to choose a financial practitioner (p. 44).

9. The Task Force recommends that the Government of Canada promote financial literacy through federal programs that reach Canadians directly (e.g., Employment Insurance, Old Age Security, CPP, Universal Child Care Benefits), and that provincial and territorial governments do the same with their respective programs (p. 45).
10. The Task Force recommends that the Government of Canada, in partnership with provincial and territorial governments, integrate a financial literacy component into the Canada Student Loans Program for students receiving funding (p. 47).
11. The Task Force recommends that the Government of Canada make financial literacy training programs for young Canadians eligible for funding through the Youth Employment Strategy (p. 48).
12. The Task Force recommends that the Government of Canada, as part of the 2011–2012 renewal of its Urban Aboriginal Strategy (UAS), make financial literacy training programs for young Aboriginal Canadians eligible for funding (p. 49).
13. The Task Force recommends that the Government of Canada provide relevant financial information and education services for recent newcomers to Canada through its orientation services (both abroad and in Canada), the Immigrant Settlement and Adaptation Program and the Language Instruction for Newcomers to Canada Program (p. 50).
14. The Task Force recommends that the Government of Canada, as well as provincial and territorial governments, invest in the capacity of the voluntary sector to offer financial information, learning and guidance to Canadians (p. 52).
15. The Task Force recommends that the Government of Canada support existing capacity-building initiatives in First Nations communities by offering culturally relevant financial literacy tools, training and resources to organizations involved in these initiatives (p. 53).
16. The Task Force recommends that the federal, provincial and territorial governments help Canadians maximize the financial benefit from government programs for which they are eligible by:
  - a) Ensuring simplicity and clarity in the way programs are written and structured;
  - b) Simplifying application processes; and
  - c) Intensifying outreach initiatives to improve Canadians' awareness of these programs and their eligibility criteria (p. 56).
17. The Task Force recommends that employers offer automatic saving programs and tools to facilitate increased lifelong saving by Canadians, drawing on international best practices in this area (p. 59).
18. The Task Force recommends that the Government of Canada create, maintain, continuously upgrade and promote a single source website for financial literacy, in an effort to increase public awareness about, and ease of access to, information (p. 62).

19. The Task Force recommends that the Government of Canada, in partnership with stakeholders, establish a comprehensive and ongoing public awareness campaign to promote awareness of the need for financial literacy (p. 64).
20. The Task Force recommends that organizations involved in financial fraud prevention and education, from securities commissions to financial institutions, intensify their efforts to raise fraud awareness among the most vulnerable Canadians. In particular, the Government of Canada should strengthen its existing programs related to financial fraud awareness and prevention (e.g., Fraud Awareness Month, the Federal Elder Abuse Initiative) and explore other opportunities to heighten Canadians' awareness, including through further collaboration with stakeholders (p. 66).
21. The Task Force recommends that the Government of Canada use existing research and best practices to make available and promote a financial literacy self-assessment tool for Canadians (p. 68).
22. The Task Force recommends that governments and private sector organizations initiate financial literacy awards and competitions for youth, students and workforces in Canada. For example, the Government of Canada should establish a new teacher award in financial literacy education, administered through the Prime Minister's Awards for Teaching Excellence (p. 70).
23. The Task Force recommends, given the importance of clear communication, that the federal, provincial and territorial governments require all financial services providers within their respective jurisdictions to simplify their informational materials and disclosure documents. Governments should lead this effort by reviewing and improving their own public informational materials to ensure they meet clear communications principles (p. 73).
24. The Task Force recommends that the Government of Canada measure progress on the National Strategy by:
  - a) Reviewing and repeating the *Canadian Financial Capability Survey* (CFCS) at appropriate intervals;
  - b) Using a smaller basket of indicators, in the years between dedicated CFCS studies, to gauge interim changes in Canadians' financial literacy; and
  - c) Establishing specific targets to assess Canadians' progress on financial literacy as measured in the CFCS (p. 76).
25. The Task Force recommends that the Government of Canada, in collaboration with provincial and territorial governments where appropriate, make every effort to capitalize on opportunities to benefit from international financial literacy assessment initiatives at the next available opportunity (p. 77).
26. The Task Force recommends that all stakeholders establish clear evaluation standards for their investments in financial literacy programs. To that end, the Government of Canada should offer resources and tools to support and enhance the evaluation capabilities of financial literacy education providers, particularly voluntary agencies (p. 79).

27. The Task Force recommends that the Government of Canada publish periodic progress reports to Canadians on the implementation of the National Strategy (p. 80).
28. The Task Force recommends that the Government of Canada amend the *Public Accountability Statements Regulations*, which require federally regulated financial institutions to publicly report on their contributions to Canadian society, to include disclosure on financial literacy initiatives, as follows:
  - a) Financial literacy initiatives should be added to the list of “what statements must contain” (c.f. section 3.(1) of the regulations); and
  - b) A clear definition, guidelines or parameters around what constitutes a “financial literacy initiative” should be specified for reporting purposes (p. 81).
29. The Task Force recommends that, beyond financial institutions, all organizations of sufficient size (e.g., those listed on S&P/TSX60) report on their participation in the National Strategy through their existing annual shareholder reports, corporate social responsibility reports or other public reporting channels (p. 82).
30. The Task Force recommends that the Government of Canada continue to sponsor and undertake research in financial literacy and to share Canadian and international research findings with all stakeholders (p. 84).

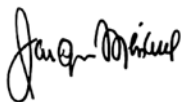
## Appendix B: Members of the Task Force

### Chair



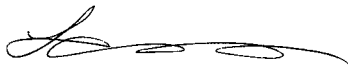
**Donald A. Stewart**  
Chief Executive Officer  
Sun Life Financial Inc.

### Vice Chair

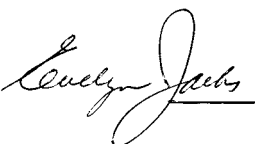


**L. Jacques Ménard, O.C., O.Q.**  
Chairman  
BMO Nesbitt Burns

### Members



**Laurie Campbell**  
Executive Director  
Credit Canada



**Evelyn Jacks**  
President  
The Knowledge Bureau



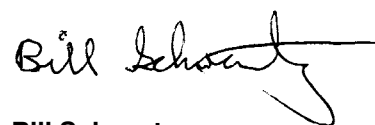
**Greg Pollock**  
President and CEO  
Advocis



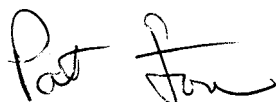
**Marcel Côté**  
Partner  
SECOR Consulting



**Ruth Kelly**  
President and CEO  
Venture Publishing Inc.



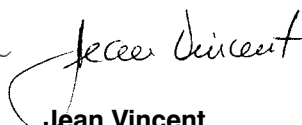
**Bill Schwartz**  
Principal  
Polestar  
Communications Inc.



**Pat Foran**  
Journalist and Author



**Janice MacKinnon**  
Professor of Fiscal Policy  
University of Saskatchewan



**Jean Vincent**  
President and  
General Manager  
Native Commercial  
Credit Corporation



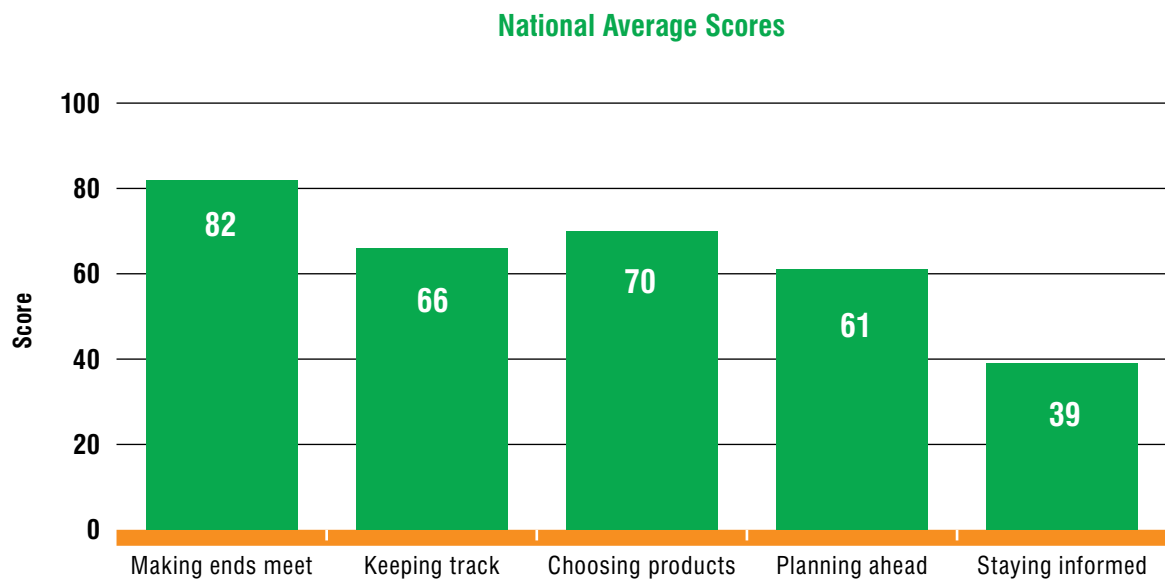
**Edward (Ted) Gordon**  
Financial Security Advisor  
Freedom 55 Financial



**P. Mitchell Murphy**  
Career Education Consultant  
Western School Board  
Prince Edward Island

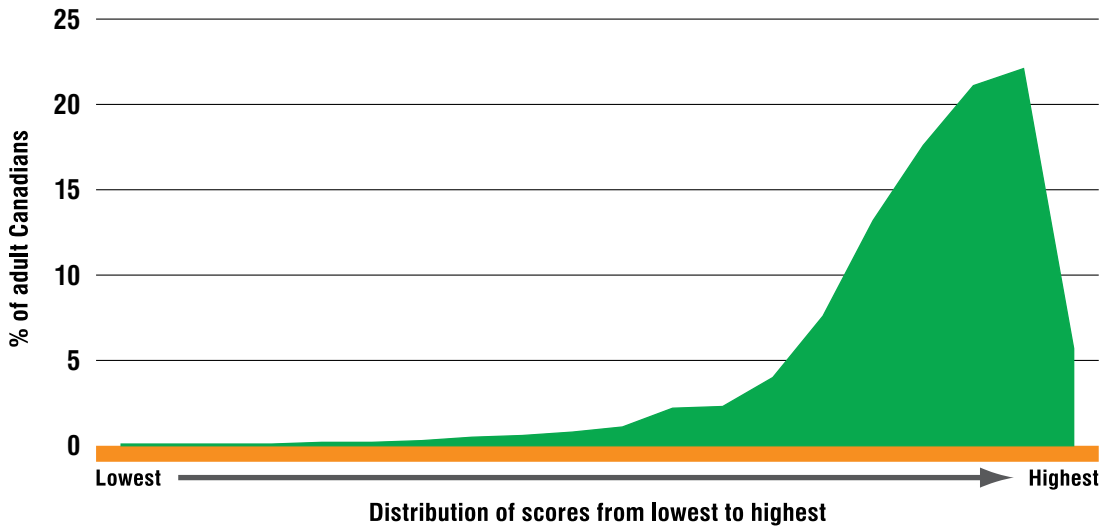
## Appendix C: Highlights from the National Financial Literacy Index

The results of the 2009 *Canadian Financial Capability Survey* have been translated into a national index composed of five broad areas of financial literacy: making ends meet; keeping track; choosing financial products; planning ahead; and staying informed. For each of the five areas, the index gives a score between 0 and 100, where 100 is the highest score of anyone in the country and 0 is the lowest.



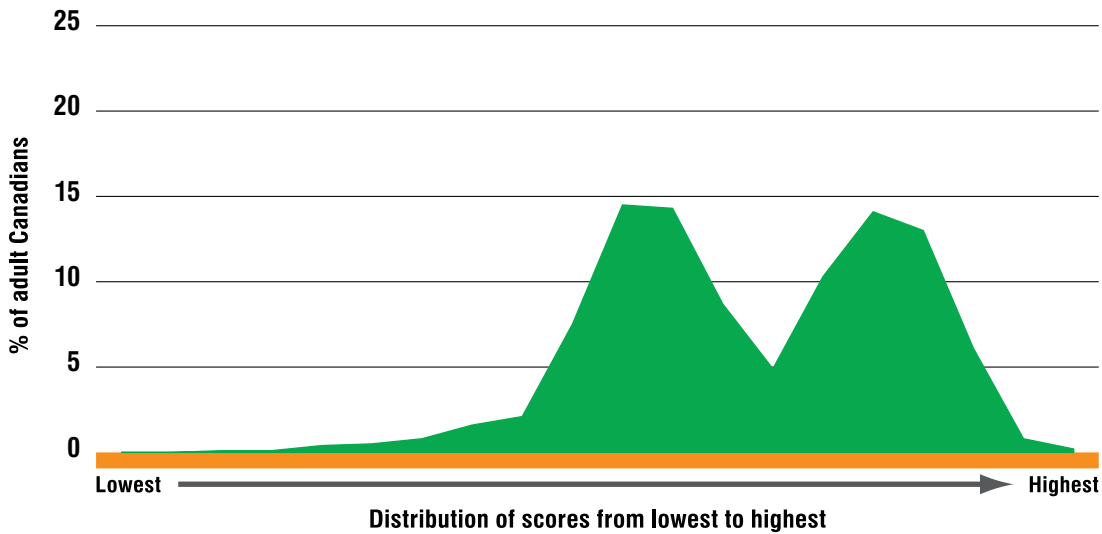
The following graphs show the distribution of Canadians between the highest and lowest scores in each of the five areas of financial literacy. A preponderance of scores toward the right would indicate that most Canadians are managing well with a particular aspect of financial literacy.

### Making Ends Meet



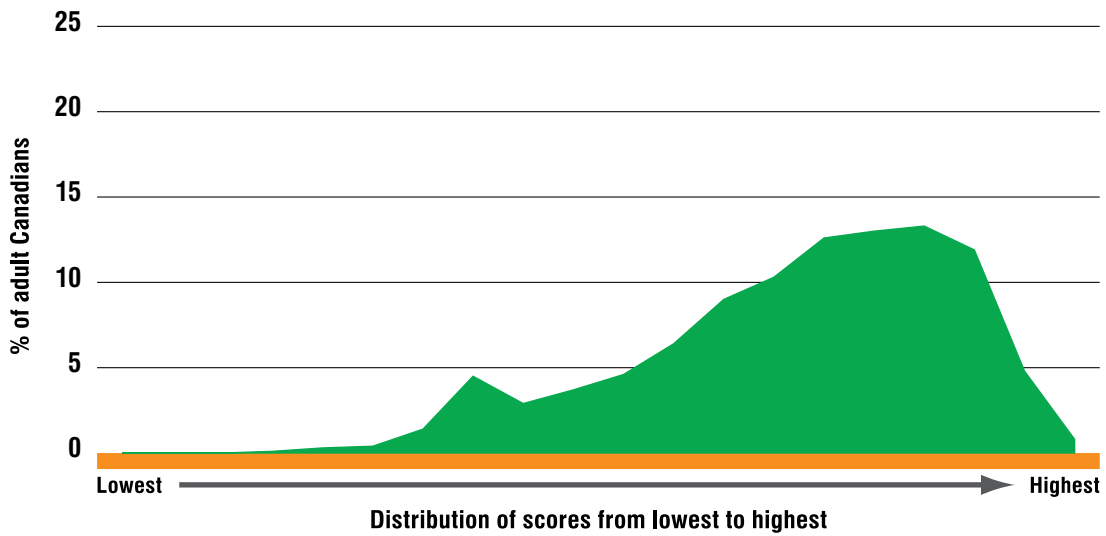
Most Canadians are making ends meet, but some are facing moderate challenges and a handful are experiencing serious difficulties.

### Keeping Track



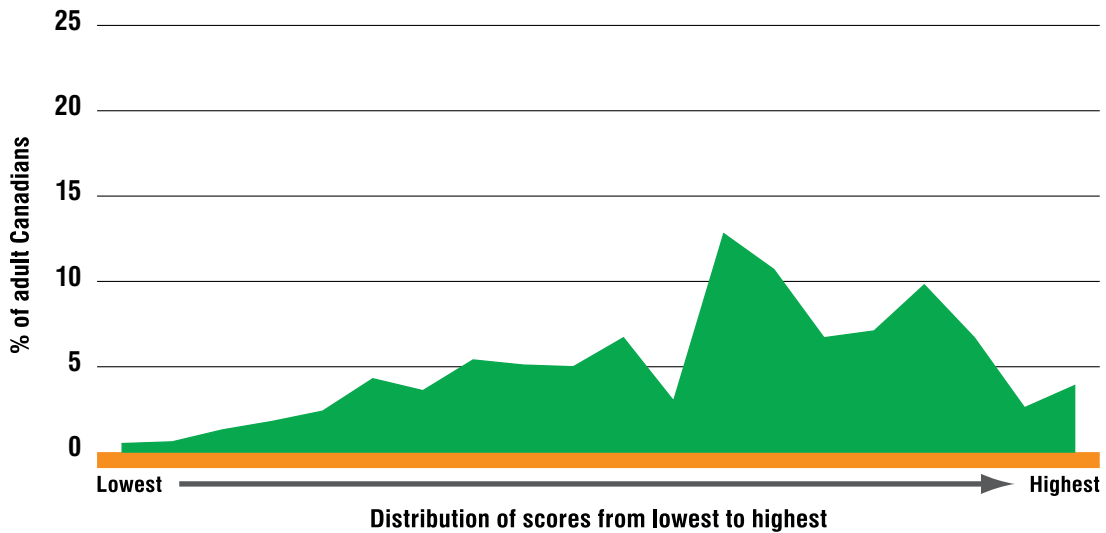
Again, most Canadians are managing to keep track of their finances: one group is doing slightly better than average, another group shows a little room for improvement and a minority is having significant problems.

### Choosing Products



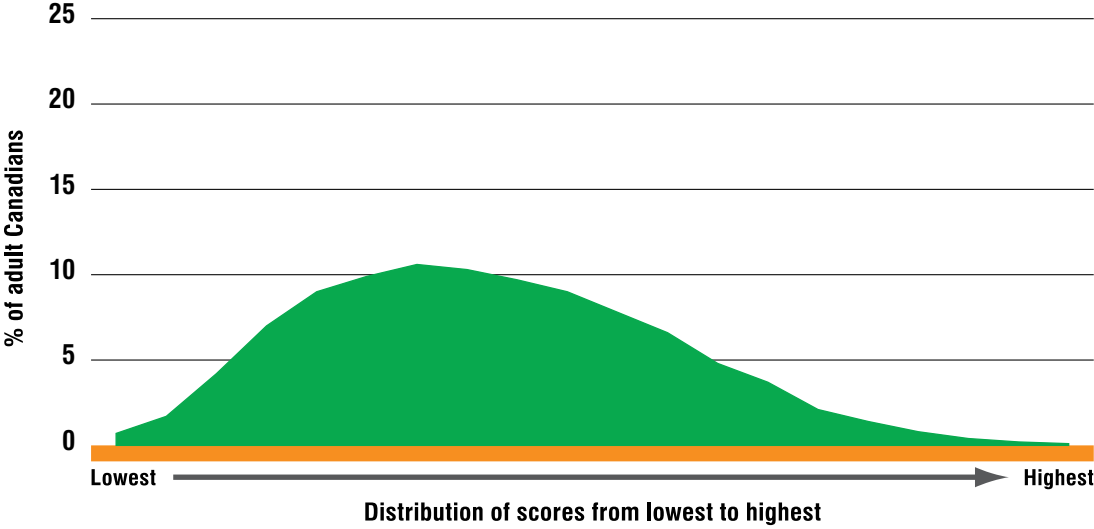
Although a large group of Canadians are doing fine in choosing financial products, a sizeable number are experiencing some challenges.

### Planning Ahead



Some Canadians are planning ahead to varying degrees but a large number are not.




### Staying Informed



Few Canadians keep themselves informed as financial issues change or seek help when they have a decision to make.

## Appendix D: Accountability and Evaluation in Other Countries

Appendix B of the Task Force’s consultation document, *Leveraging Excellence* (February 2010), provides a summary of the highlights of international practices that the Task Force considered in developing recommendations in a number of important areas, including education, delivery and measuring progress. For example, the following table provides an overview of international practices with respect to accountability and evaluation:

International Practices			
Evaluation components	 <b>New Zealand</b> <ul style="list-style-type: none"> <li>• Annual reporting to Parliament on implementation of the recommendations</li> <li>• Develop a standard evaluation framework for delivery agents with a focus on long-term effects</li> <li>• Share best practices and guidance with providers to inform program changes</li> <li>• Caution against behavioural indicators such as savings rates</li> <li>• Repeating the national survey of adult financial knowledge every 4 years; funded by ANZ Bank</li> </ul>	 <b>United States</b> <ul style="list-style-type: none"> <li>• Annual reporting by President’s Advisory Council on Financial Literacy</li> <li>• Recommended guidelines (4) for program evaluators and 8 classes of program indicators released by US Treasury</li> <li>• Disseminate academic research and engage in consultation to set future research priorities</li> <li>• 2009 national survey of financial capability, sponsored by FINRA Investor Education Foundation</li> </ul>	 <b>United Kingdom</b> <ul style="list-style-type: none"> <li>• Annual reporting to the Financial Services Authority (or its successor)</li> <li>• Establishing annual and 5-year outcome targets as part of business planning on the implementation of the national strategy</li> <li>• External evaluations of key programs</li> <li>• Invest in and disseminate research on evaluation and measurement</li> <li>• Survey of in-school education</li> <li>• Embedding certain questions on financial capability in other regular household surveys</li> <li>• Repeating the national survey of financial capability every 4–5 years</li> </ul>

The Task Force also commissioned case studies of international financial literacy initiatives conducted by the Canadian Foundation for Economic Education.<sup>42</sup>

42 Rabbior, G. (2010). “Case Studies of International Financial Education Initiatives.” Canadian Foundation for Economic Education. Research paper prepared for the Task Force on Financial Literacy. Available from [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com)

## Appendix E: Selected Bibliography

The Task Force consulted nearly 700 references in the course of its work. This is an extract from the complete list, representing sources that were directly used for the final report. Sources in **bold** type indicate research commissioned by the Task Force. For the comprehensive bibliography and research material please visit [www.financialliteracyincanada.com](http://www.financialliteracyincanada.com).

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