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Why Financial Capability Matters

Synthesis Report on Canadians and Their Money: A National Symposium on Financial Capability held on June 9-10, 2005 in Ottawa

A collaboration of:

Government of Canada | Gouvernement du Canada
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SEDI

Canada

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PRI Project

New Approaches for Addressing Poverty and Exclusion

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About this Report

The PRI contributes to the Government of Canada's medium-term policy planning by conducting cross-cutting research projects, and by harnessing knowledge and expertise from within the federal government and from universities and research organizations. However, conclusions and proposals contained in PRI reports do not necessarily represent the views of the Government of Canada or participating departments and agencies.

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Executive Summary

The ability to make informed financial decisions is essential for basic functioning in Canadian society. These decisions have impacts on the financial security, well-being, and prosperity of individuals and families. Policy makers and financial service providers have often assumed that all individuals are equipped or have access to resources to help them make these important financial decisions on their own. Research in other OECD countries and some preliminary Canadian data do not support these assumptions.

In June 2005, Social and Enterprise Development Innovations (SEDI), the Policy Research Initiative (PRI), and the Financial Consumer Agency of Canada (FCAC) organized Canadians and Their Money: A National Symposium on Financial Capability. The conference stemmed from an initial examination by SEDI of the linkage between financial capability and poverty, a project conducted in the context of PRI's horizontal policy research on poverty and exclusion. It brought together about 150 senior government representatives, scholars, social policy experts, and community representatives from Canada, the United States, and Europe, to learn about existing research, policy, and practice in the area, and to assess the relevance of financial capability for social policy, consumer protection, and financial services in Canada. This conference received financial or in-kind support from the Canada Deposit and Insurance Corporation, Canada Mortgage and Housing Corporation, Human Resources and Skills Development Canada, the Investor Education Fund, the National Secretariat on Homelessness, Social Development Canada, and Statistics Canada.

The conference had four core objectives. First, it set out to determine what is meant by financial capability and to evaluate the potential implication of low levels of financial understanding. Second, it wanted to assess the impacts financial capability training may have and whether there are groups or individuals at risk as a result of low levels of financial understanding. Third, it sought to inform policy makers about other national approaches and policy frameworks that deal with financial capability and assess what might be required in Canada to move forward in this area. Finally, it provided a key opportunity for stakeholders to meet from across the country to establish broader networks and discover opportunities for partnerships in the area.

While there is no agreed definition of financial capability in Canada, this paper proposes that an enabling environment for financial capability would ensure that all Canadians *develop the skills and confidence to be aware of financial opportunities, to know where to go for help, to make informed choices, and to take effective action to improve their financial well-being.* Financial capability training, information, and advice seeks to help individuals make informed and confident decisions about all aspects of their financial lives, including budgeting, financial product use, investing, planning, saving, and their use of financial and government services. Canadians with low financial capability may pay higher costs for basic banking transactions and short-term credit, face increased exposure to unregulated and predatory practices, be vulnerable to uninsured risks and may not take up, use, or benefit from government services. Access to financial services provide gateways to advantageous services and opportunities; individuals who face barriers to participation may lose access to low-cost banking services, to accounts for building assets through registered savings vehicles, to opportunities to establish, improve, or repair credit histories, and to capital lending offerings like mortgages. Ultimately, this lack of access to government and financial services may result in financial and social exclusion.

This paper provides evidence that financial capability may have positive impacts on priorities shared by Canadians. Namely, measures highlighted in this paper to promote financial capability could contribute to three key policy areas: social inclusion, increased economic efficiency, and increased government program effectiveness.

Social Inclusion: Increasing financial capability may promote social inclusion by increasing basic banking coverage, reducing personal financial barriers, promoting positive life-course decision making, and building assets.

Increased Economic Efficiency: Adequate financial understanding may result in better consumer choices, a larger and more dynamic market for financial sector services, and greater participation in capital markets.

Increased Government Program Effectiveness: A financially capable population may increase the efficacy of program delivery, increase the chances of program success, and provide programming options for reducing the use of certain government benefits.

Evidence has shown that programs, information, and advice that improve financial understanding will increase confidence and the quality of financial decisions of individuals. Further research is necessary and will help further refine the knowledge of the effects of such interventions, and under what circumstances they are most effective.

Several sources provide information about the financial capability of Canadians. Statistics Canada's analytical work on household finances in Canada has provided some insightful information, but the agency does not explicitly collect information about financial capability. Basic skills surveys evaluate skills that may be important to financial capability, but this relationship has yet to be evaluated properly. At the local level, several not-for-profit organizations in Canada have gained important community-based insights into the dynamics of financial capability including St. Christopher's House in Toronto, the Mennonite Central Committee Employment Development in Calgary, Social and Enterprise Development Innovations nationally, and SEED Winnipeg.

Two national approaches to collecting information and designing national programs on financial capability were presented at the conference. In the United States, the Federal Reserve Bank provides data that have informed institutional and legislative responses. The Financial Services Authority in the United Kingdom has developed an effective survey instrument and is also testing delivery approaches through pilot projects. In both countries, a clear conceptual understanding of the problem informs and improves the government response.

If financial capability is a critical set of life skills for all of us, then the end goal should be to ensure that all Canadians have access to adequate financial capability information, education, and advice. In creating this enabling environment, governments, the private sector, the community/voluntary sector, and individual Canadians all have a role to play. This report provides several recommendations to explore.

1. **A research agenda needs to be established.** While enough is known to determine that this is an important policy issue and to identify potential responses, to respond effectively and establish a framework for action, further research is required to:
   - expand our understanding of the current state of financial capability in Canada, both on the demand and supply side;
   - explore the relationship between financial capability and basic literacy, financial inclusion, and financial security; and
   - find ways to improve accessibility to, and the effectiveness of, financial capability education, information, and advice.
2. **Improved and co-ordinated public policy is required around financial capability.** The improvement of financial capability for all Canadians requires that governments at all levels make it an integral part of the policy and programs they develop and deliver. The role of government is not to take on the full responsibility of increasing financial capability in Canada but to help provide a framework to move the agenda forward. The role of governments in relation to financial capability should be threefold:
   - facilitate an effective multi-stakeholder dialogue on the topic;
   - support research and innovation in the area; and
   - integrate financial capability in government policy making and program delivery.
3. **A role for the private sector.** In Canada, the private sector needs to continue to move toward the role of an active and engaged stakeholder in the dialogue and action on financial capability. The financial services sector needs to look at ways to expand the financial information, training, and advice they already provide to traditionally underserved client groups. In other sectors, employers (including small, medium, and large) can invest in financial capability through workplace-based learning and services to their employees.
4. **A role for the community/voluntary sector.** The third sector in Canada, including community and voluntary organizations, is uniquely placed to reach and respond to the hardest-to-serve and most disadvantaged groups of citizens in Canada who are likely most at risk when it comes to financial capability. These organizations will need adequate resources to fulfill this role, as well as developing better networks among their own memberships to share best practices and resources.

This synthesis of the Symposium is intended as a starting point for a new stage of discussion on financial capability in Canada. There appears to be sufficient consensus that financial capability is a real and pressing issue and that more needs to be done by governments, by the private and third sectors and by individual Canadians themselves. The next step is action, starting with a new dialogue and informed by innovation and evidence.

What is Financial Capability and Why Does it Matter?

The ability to make informed financial decisions is essential for basic functioning in Canadian society. These decisions range from simple daily spending and budgeting to choices of insurance, banking, or investment products, to saving for retirement, home ownership, and post-secondary education. They have profound implications on the financial security, well-being, and prosperity of individuals and families. Policy makers and financial service providers have often assumed that all individuals are equipped or have access to resources to help them make these important financial decisions on their own. Research in other OECD countries and some preliminary survey data in Canada, however, has demonstrated that there are low levels of general financial knowledge and that actual patterns of behaviour and confidence do not support these assumptions.[1]

Little comprehensive work on financial capability has been completed to fully assess or address this problem in Canada. A notable exception to this observation is a PRI discussion paper on this topic which explored many conceptual matters and identified who is currently doing what both in Canada and elsewhere. Nevertheless, this paper concluded that many issues, such as actual levels of financial capability and demand for financial services, remain to be more fully explored if consensus is to be achieved, objectives set and roles identified for future work in this policy area (SEDI, 2004).

The ability to function with confidence in the financial marketplace may have direct and specific impacts on individual and family financial security. As will be described in this report, both market and government activities now require individuals to be able to make informed decisions. This results in increased risks and greater responsibilities for ensuring financial well-being. The financial services sector has seen an increase in the number and complexity of financial products. As the federal government moves toward the use of the income tax system as a means to deliver social policy programs, in particular account-based and individually co-financed benefits, citizens are expected to be increasingly self-reliant in understanding the benefits they are entitled to and making informed choices.

More financially capable citizens would be better equipped to take advantage of opportunities and would both increase their access to, and make more informed judgments about, goods and services provided by financial institutions and governments. Adequate financial information, training, and advice may result in better consumer choices in the marketplace, a larger and more dynamic market for financial sector services, and greater participation in capital markets. Financial capability may also increase or help facilitate social inclusion and self-sufficiency among at-risk groups in society. A financially capable population may increase the efficacy of government program delivery and improve the chances of program success by increasing the appropriate use of government benefits. As will be seen, good evidence suggests that higher levels of financial understanding do have positive benefits on individual behaviour.

For the purpose of this paper, we agreed to a definition of financial capability and believe that it can be used as a point of reference for future discussions. We propose that an enabling environment for financial capability in Canada would ensure that all Canadians develop the skills and confidence to be aware of financial opportunities, to know where to go for help, to make informed choices, and to take effective action to improve their financial well-being.

In creating this enabling environment, governments, the private sector, the voluntary sector, and individual Canadians all have a role to play. As discussed in the following section, financial capability is both an outcome and an input. It is a laudable goal for public policy and private investment in its own right, but it might also positively impact several other priorities shared by Canadians collectively, other policy goals and, in a very immediate sense, the day-to-day lives of individuals. While financial capability may manifest itself differently depending on the situation, there is likely a set of core competencies that is transferable across situations. It is a moving target – as the current context and pressures continue to evolve, so too will financial capability in both form and function. But it must also be a measurable target if stakeholders are going to make any headway in evaluating the current state of financial capability and in benchmarking future progress over the long term. Additionally, although measurement tools will almost certainly focus on collective levels of financial capability, policy and interventions must be aimed at individual Canadians. Interventions can take a range of forms and might include, for example, just-in-time delivery of financial information and advice, more proactive and preventive financial capability training, capacity-building and knowledge-sharing exercises to enhance service delivery, or even measures to simplify programs, systems, and services so they are easier to navigate for persons with lower levels of financial capability.

Defining Financial Capability

There is no single agreed upon definition or terminology surrounding financial information, education/training, and advice in Canada or internationally. As discussed in the PRI's previous paper on the topic (SEDI, 2004), a variety of terms are currently in use to describe these activities and initiatives. Differences in definitions and terminology are rooted in underlying assumptions about the nature of the problem as well as the context in which it is being used. The aim must be to find and adopt a vocabulary that offers the most accurate and fulsome description and that makes sense equally for policy makers, practitioners, and the public. Based on earlier analysis, the conference had selected financial capability as the working term, but heard from speakers who used various terms including "financial literacy," "economic literacy," and "economic capability," all intended to capture the same general concept.

The main conceptual debate internationally within the field has been between definitions of financial literacy and financial capability. The distinction between capability and literacy is subtle but significant. Definitions of financial literacy tend to emphasize objective knowledge on specific topics related to money, economics, or financial matters, and subjective measures of self-reported confidence.

By contrast, financial capability is generally understood to be a concept with three different components: financial knowledge and understanding, financial skills and competence, and financial responsibility.

- **Financial knowledge and understanding:** The ability to make sense of and manipulate money in its different forms, uses, and functions, including the ability to deal with everyday financial matters and make the right choices for one's own needs.
- **Financial skills and competence:** The ability to apply knowledge and understanding across a range of contexts including both predictable and unexpected situations and also including the ability to manage and resolve any financial problems or opportunities.
- **Financial responsibility:** The ability to appreciate the wider impact of financial decisions on personal circumstances, the family, and the broader community, and to understand rights, responsibilities, and sources of advice or guidance.

As argued by SEDI (2004), financial capability, as a concept, may offer several advantages over financial literacy. First, it enables a discussion that moves beyond objective and subjective knowledge to include responsible and informed behaviour. Second, it regards financial learning as a lifelong endeavour that is relevant to all Canadians, regardless of background. Third, it is less directive about either the content or methodology required to build financial knowledge, confidence and foster positive financial behaviour and, instead, starts with a more flexible and responsive orientation. Fourth, it is clearly related to many other current and critical policy issues including essential skills and lifelong learning, social inclusion, and the accessibility of government programs and services.

Putting the conceptual definition of financial capability into an operational one is more challenging and, as noted by Paul Worrall (2005) of the UK Basic Skills Agency in his remarks to the conference, it raises several issues about the purpose, relevance, and assumptions behind the vocabulary used to discuss this topic. For example, says Worrall, do we expect financial capability to be:

- **Objective or situational?** Does capability in one situation necessarily mean capability in all other situations, or are capabilities more closely linked to environmental factors?
- **An outcome or an input?** Is financial capability the end goal in itself or rather an input into other policy goals like financial inclusion?
- **Measurable?** Are there indicators that might be used to evaluate capability at micro and macro-levels and at points in time or longitudinally?
- **Static or dynamic?** Is financial capability a constantly moving target that changes as financial services, government policies, and even technology change or is there a constant and unchanging benchmark for financial capability?

- **Collective or individual?** Should we primarily think of financial capability in population-wide terms or in highly individualized terms?
- **Absolute or relative?** Is there a basic minimum level of financial capability to which all citizens should aspire or be expected to attain, or is it better viewed as a continuum (perhaps even several parallel continuums) along which citizens will move upward (or downward) depending on life events, personal or public resources, and individual engagement?

To stimulate future discussion and provide a base for future debate, we developed a definition that we believe appropriately balances and responds to these conceptual questions.

Economic Capability

At the conference, Garry Rabbior (2005), President of the Canadian Foundation for Economic Education, defined economic capability as "developing the knowledge and skills, relevant to one's society that enables a person to undertake life's economic decisions and actions with confidence and competence." While personal financial management remains a core component of this approach, economic capability also includes notions of economic citizenship and reference to the need for a better understanding of how macro-economic and micro-economic forces and the labour market relate to daily life and decisions. The idea of economic citizenship was expressed at the conference by Robert Duvall (2005), President of the National Council on Economic Education (United States), using a simple definition of capability as "the ability to read and understand the front page of the newspaper." In a more expansive form, David Dodge (2003), Governor of the Bank of Canada, has stated that economic education can result in "better citizens, capable of making reasonable judgments on public policy issues that have a bearing on their personal prospects and those of the nation." Economic capability programs usually aim to improve and expand economic education through the primary and secondary school system.

A Scottish Approach

At the conference, Paul Worrall described a variety of definitions of financial capability being used in the United Kingdom. One that garnered much interest was proposed by the Scottish Council Federation: "wisdom and caution in the management of money" (McCormick et al., 2005). It created this definition with reference to the image of Scottish people as "thrifty" and opposing what the authors view as a "distaste for consumer spending" in other definitions. The Federation argued that plain language with reference to local customs and traditions might create more positive awareness of the short- and longer-term consequences of personal financial decisions.

FINANCIAL EXCLUSION

Without financial understanding, knowledge, and confidence, individuals may be at risk of financial exclusion. Financial exclusion is a term used to describe individuals who do not have adequate access to, or information about, the basic goods and services provided by the financial services sector and by governments.

To date, most of the literature focuses on exclusion and low take-up of goods and services provided by the financial services sector. It describes financial exclusion as a result of a variety of, often interrelated, factors. The literature commonly refers to five dimensions of financial exclusion:

- restrictions to access through the processes of risk assessment and other bank procedures;
- exclusion due to conditions and rules for financial products (like credit scoring, minimum balances, and overdraft) that make it difficult or inappropriate for the needs of certain subgroups;
- exclusion based on the actual cost of owning a financial product or providing service to specific subgroups;
- targeted marketing and sales that do not seek to gain business from certain subgroups; and
- self-exclusion based on the unwillingness to access financial products or a belief that products are not appropriate for their circumstance (Connolly and Hajaj, 2001).

At the conference, an additional concept of geographic exclusion as a result of branch closures in rural or low-income communities was also raised as another cause of exclusion.

Financial exclusion describes individuals who are un-banked, those who do not have any relationship at all with a mainstream financial institution. But it also describes the under-banked, that is, those whose engagement with mainstream financial services is very limited or tenuous. Finally, there is also a broad group that is inadequately or improperly banked. These individuals have access to financial products, but lack the understanding and ability to take advantage of broader services and opportunities that can be accessed through the financial services sector.

Consequences of financial exclusion include higher costs for basic banking transactions and short-term credit, increased exposure to unregulated and predatory practices, a vulnerability to uninsured risks, and reduced take-up, use, and benefit from government services and benefits. Conversely, financial services also provide gateways to advantageous services and opportunities. These include access to low-cost banking services, to accounts for building assets through registered savings vehicles, such as a Registered Retirement Savings Plan (RRSP) or Registered Education Savings Plan (RESP), to opportunities to establish, improve, or repair credit histories, and to capital lending offerings like mortgages.

Another dimension of financial exclusion that has, until recently, not been explored in detail is access to government benefits delivered through the tax system. The federal government has increased the use of the tax system as a means of delivering services and benefits to promote financial security. Consequently, individuals who do not file returns or file them incorrectly lose access to these benefits. Susan Pigott, Executive Director of St. Christopher's House in Toronto, indicated at the conference that through her organization's preparation of tax returns for low-income individuals, they found that many low-income people are not aware or do not understand how to access benefits they are entitled to under the tax system. This raises the concern that individuals for whom these benefits are intended are most at risk of not obtaining them. For the purpose of this paper, the definition of financial exclusion includes a lack of access to government benefits and services.

Low income may result in individuals being at greater risk of experiencing the effects of financial exclusion. While many middle and upper income individuals have the ability to pay for or are provided with financial capability services and advice in the workplace or through social networks, few organizations or individuals provide financial advice and aid to low-income groups (Ferguson and Ferguson, 2004). While it is wrong to assume that low-income individuals or other groups necessarily have low financial understanding, they may not have access to comparable resources as a result of not having the money to pay. As well, low-income individuals may have multiple non-financial barriers to obtaining financial information, like low literacy, cultural and linguistic factors, and inadequate access to on-line resources.

Financial Capability is Becoming Increasingly Important

Without basic financial skills and understanding, individuals are left without the knowledge or confidence to take full advantage of financial sector services and government benefits. The recent evolution of market and government activities increase the need to improve the general level of financial understanding of the general population. These pressures result in greater risks and responsibilities born by individuals for ensuring their financial well-being. The balance between individual and government responsibility has been shifting toward greater personal responsibility, and a developing challenge must be to ensure that all individuals are equipped to take advantage of available opportunities. These pressures affect all Canadians, and improved financial understanding may mitigate or reduce the potential disruptions caused by these changes. While each change may not by itself be cause for alarm, taken together or exacerbated by broader economic trends, they may result in a reduction in the financial security of the general population.

Growing Consumer Debt and Reduced Household Savings

Recent changes in the market for debt and credit have increased access to personal credit. This has been described as the democratization of credit and has resulted in changes in the savings, spending, and borrowing habits of Canadians, notably with regards to credit cards and new mortgage instruments. Debt has been made much easier to obtain through better risk modelling by financial institutions and through new financing products, like home equity loans, that allow homeowners to tap into their equity at will.

Between 1982 and 2001, debt per capita doubled, stemming from dramatic increases in both mortgage and consumer debt. The average household debt as of 2002 was equal to 121 percent of disposable income, compared to 86 percent in 1980.[2] This may put added pressure on low- and middle-income Canadians who may not be able to sustain some of these debt loads in the event of a job loss, or prolonged illness or injury. Low-income individuals tend to have significantly fewer assets and middle-income individuals tend to have their wealth tied up in a relatively illiquid asset, their house (Kerstetter, 2002).

A concurrent and related trend in Canada has been a reduction in the amount of savings by families and individuals. Almost one half or 47 percent of all households were spending more than their pre-tax income in 2001, up from 39 percent in 1982. This is especially prevalent among low-income families of whom 66 percent of households with an annual income of less than $20,000 spent more than their pre-tax income (Chawla, 2005).

It is clear that this is an issue and that it warrants attention, but there are serious data gaps. Data on consumer debt are only available at the aggregate level, which means we are unable to distinguish between individuals who have assets to cover all or part of their debt from those who assume the full burden of the debt. In addition, aggregate data may be hiding more serious systemic or regional concerns.[3]

Reduced Pension and Retirement Coverage

In the current labour market and income security environment, many individuals must be proactive in their financial affairs. Both general pension coverage and defined benefit pension coverage have been declining in Canada. The trend from defined benefit pensions, which guarantee a specific monthly benefit at retirement, to defined contributions, where investment risks and investment rewards are assumed by each individual, places more responsibility on employees to manage their contribution levels and investment choices in their pension fund. Canadian workers now generally should expect to hold more than one job in the course of their career and, among other consequences, are now individually more responsible for ensuring adequate income in retirement. Self-employment remains an important segment of the work force, comprising approximately 15 percent of the working population. These workers do not have the same level of access to insurance and other benefits as other employees. Low-paid workers also remain particularly vulnerable as they tend to have poor access to non-wage benefits, more precarious work arrangements, less access to employer-sponsored training, and relatively low union coverage (Saunders, 2005).

This labour market tension may be reflected in retirement savings. In 2001, 45 percent of households in the pre-retirement years (45 to 64) outspent their income (Chawla, 2005). This has resulted in more individuals who are not adequately preparing for retirement. Overall, 38 percent of adult Canadians say their income and investments will be very inadequate, inadequate, or barely adequate to maintain their standard of living in retirement. These concerns were especially pronounced among individuals with family incomes under $20,000 and among recent immigrants, many of whom exhaust their savings during the integration process, who are less likely to enjoy or maintain good employment with benefits and have less time in Canada to accumulate retirement capital through the Canadian Pension Plan or private registered retirement savings.

Low Levels of Literacy and Basic Skills

Research from the Adult Literacy and Life Skills Survey, an international joint study that tested 23,000 Canadians, demonstrated that Canadians have low levels of literacy and basic skills. Though there were regional variations, it determined that 42 percent of Canadians do not have the basic literacy and life skills to cope with the demands of our knowledge society and economy (Clermont et al., 2005). As outlined by Scott Murray at the conference, approximately one out of every seven individuals between the ages of 16 and 65, representing well over three million adults, scored at the lowest performance level.

Work done for the McKay Task Force Report on the Future of Canadian Financial Services Sector in 1998 tested automated teller machines (ATMs), insurance, and loan disclosure documents using the Flesch-Kincaid readability test, a test designed to indicate how difficult a reading passage is to understand (Kerton, 1998, 2005). A desirable score on this test indicating general readability is between grades 6 and 10. The documents tested had scores between grades 15 and 20 suggesting that sources of financial information may be difficult to understand for most Canadians. A report prepared for the Investor Education Fund (TOWES, 2002) supported this finding and argued that disclosure documents continue to exceed many investors' levels of basic literacy.

Low levels of literacy and basic skills are also detrimental to the ability of many individuals to participate fully in society and in the economy more generally (Clermont et al., 2005). There are correlations between literacy and basic skill levels and employability, duration of unemployment, and income. Literacy and basic skill levels have impacts on the ability of individuals to take advantage of information technology. Individuals with lower literacy levels are less likely to use the computer for task-oriented purposes that could include electronic banking and the use of on-line government services (Clermont et al., 2005).

Changes in the Marketing and Delivery of Financial Services

The financial services sector has seen technological and regulatory changes in the past decade that have resulted in a more expansive marketplace for financial services and products. While creating greater and more convenient access for most Canadians, it requires individuals to be more technically proficient and more informed consumers to control their finances.

Technological innovation has altered relations between consumers and their financial institutions. Technological advances have transformed the marketing, development, and delivery of financial products and services. This has resulted in many new products that are better targeted and offer new choices in regard to the product structure and their terms and conditions. These changes include the emphasis on self-directed banking over the telephone, ATMs, and the Internet. As well, as a result of better risk modelling, credit cards and mortgage products are now offered through direct mail and other selling techniques. A base level of financial understanding, the ability to determine and understand the benefits of various competing products, and the ability to differentiate between competing products is required in this new and more complicated financial environment.

Increased Reliance on Alternative Financial Services

Many individuals, living pay cheque to pay cheque with few assets, may have difficulty maintaining minimum balances in their bank accounts, dealing with overdrafts and handling credit card repayments. Instead of relying on more conventional forms of credit and basic banking, many Canadians increasingly rely on the services provided by the alternative financial sector. As of 2001, alternative financial service providers are estimated to have served between one million and 1.4 million Canadians at least once in the last three years, and the market for their services is growing annually (Lott, 2005). The institutions in question include:

- **Payday loan companies** provide single-payment, short-term loans (for usually between 30 and 50 percent of an individual's biweekly salary) based on personal cheques held for future deposit (often postdated) or on electronic access to personal chequing accounts.
- **Cheque cashing outlets** cash third-party cheques immediately with adequate personal identification and for a fee (usually a per cheque fee and a percentage of the face value of the cheque).
- **Pawnshops** provide small secured loans for a fee and usually require a resalable item worth more than the loan as a deposit.[4]

There are concerns about the fees, costs, and practices of these institutions. Annual effective interest rates on payday loans are frequently between 300 and 900 percent and sometimes in excess of 1,000 percent.[5] There are also problems with individuals entering into greater debt as a result of the practice of rolling over loans on a biweekly basis, increasing both the fees on the loan and the interest owed. For individuals using cheque cashers, especially those living on fixed incomes or receiving government benefits, take home pay is reduced by four percent plus the fee for processing the cheque. This reduces money available for housing, food, and other basic necessities. As a result of jurisdictional conflict and legal questions, this second tier of financial services remains unregulated with few mechanisms for consumer protection.[6]

Changes in the Delivery of Government Services and Benefits

In the past decade, there has been a shift in how social policy programs are delivered in Canada. The federal government has moved to use the income tax system as the primary means of direct transfers to individuals. The use of the tax system allows the government to assess need and deliver benefits. Several of these programs are intended to supplement income and provide directed benefits for low-income and at-risk populations (Child Tax Benefit and the Child Tax Credit, the Canadian Education Savings Grant, and deductions in the tax system for people with disabilities.) Current program design and delivery largely place the onus on individual Canadians to determine which benefits they may be entitled to and to apply for these programs either through filing an income tax statement or through a supplemental application. Once enrolled, beneficiaries have to navigate through additional program benefits and requirements. As well, account-based and individually co-financed systems are increasingly used to promote savings through tax deferral incentives for retirement, home purchase, post-secondary education, and lifelong learning. These programs rely on individuals having basic skills like literacy, numeracy, and problem solving, and adequate, appropriately targeted information.

The delivery of government services has also been dramatically altered by changes in technology and new approaches to service delivery. Technological changes include e-filing of taxes, single source web sites like <canadabenefits.gc.ca> and <servicecanada.gc.ca>, and single access telephone numbers (1-800-OCANADA) are designed to direct information to individuals about government benefits and services. Like the financial services sector, automation of government services provides improved service, benefits, and information to the majority of Canadians. For those individuals with low literacy levels and low information and communication technology access, however, this self-directed provision of services may create further barriers to inclusion.

The Benefits of Increasing Financial Capability

Measures to increase financial understanding may yield benefits in three key areas: social inclusion, economic benefits of financial capability, and more effective government programming.

Preventing Social Exclusion

Increasing financial capability may prevent social exclusion by increasing basic banking coverage, reducing personal financial barriers, promoting positive life-course decision making, and by helping individuals build assets. Programs to promote financial capability seek to provide individuals with the tools and supports to allow for greater personal financial security and to plan for the future. While increased financial capability cannot remove or mitigate all personal or societal risk, it would better prepare individuals to face these challenges and lead to greater self-sufficiency.

Enhancing financial capability may increase the take-up of basic banking services among underserved populations. Recent changes in banking regulations attempted to create clear, defined, and enforceable rules for account opening and an agreement between the federal government and the banks recently renewed the latter's commitment to low-cost accounts.[7] As stated earlier in the paper, basic accounts are important, because they can reduce the cost of financial service transactions, reduce the risk of fraud and predatory practices, and improve access to other advantageous financial and government services. Nevertheless, the availability of these accounts means little unless those who are currently underbanked or unbanked have the skills and confidence to fully utilize available services.

Financial capability programming can reduce or eliminate other barriers to individual self-sufficiency. These barriers would include bad credit ratings, debt-related demands on personal finances, and financial behaviours, like the use of cheque cashers, payday loan vendors, and pawnshops that reduce individual net worth. These behaviours slow transitions out of poverty and may reduce the effectiveness of government benefits and supports. Increasing the financial aptitude of these individuals may alleviate some of these concerns and increase control and comfort with financial resources and products.

Increased financial capability may also improve financial decisions over the life-course. Many short- and long-term financial decisions require sound financial planning. These decisions include saving for home ownership, post-secondary education, retirement, starting a small business, or changing employment. These decisions often have positive impacts on future financial security and are often supported by public programs. Improved financial understanding and confidence may increase the use of these programs and the likelihood of individuals achieving these goals.

Financial capability may help individuals build assets. Asset building addresses poverty by providing access to savings opportunities and by facilitating human capital investments. Savings and assets can leverage new income, facilitate long-term planning, and cushion against sudden income losses. Asset building often involves existing financial services and government infrastructure to provide opportunities to save and invest. These include either universal programs, like the RRSPs and RESPs, and those that target low-income groups, like the Canada Learning Bond and other human capital investment approaches based on individual development accounts (IDAs). Asset-building proponents also contend that there is a virtuous cycle between financial capability and asset accumulation and maintenance (Sherraden, 1991). As individuals increase their financial capability, they are better able to accumulate assets. As argued at the conference by Georges Ohana, a learn$ave program co-ordinator at the YMCA in Montréal, financial capability training may be aided by matched savings programs by providing a focus and defined goals related to increasing personal financial aptitude.

Increased Economic Efficiency

The market for financial products and services is complex, and making informed decisions in this area can be significantly more challenging than other consumer choices. Adequate financial understanding may result in better consumer choices, a larger and more dynamic market for financial sector services, and greater participation in capital markets.

For individuals who are under-banked, increased education could increase their use of basic banking services and the number and types of products they are willing to consider. A lack of financial understanding may result in low levels of product ownership, especially for insurance and investment services. With changes to the “pillar” approach to financial services regulation, firms can provide a broad array of services to customers including banking, insurance, and investment advice. Increasing consumer confidence and knowledge may result in more opportunities for cross-promotion in the financial services sector. As argued by Jean Hogarth, Director of Consumer Education and Research for the Federal Reserve Board, Washington, experience with financial products is a good indicator of overall financial decision-making ability (Hogarth and Hilgert, 2002). Programs that increase the participation of individuals in the financial services market may result in increased comfort with other financial products and services. The provision or sponsoring of objective financial capability services that aims to inform but not sell products by a financial service provider may deepen consumer relationships and create trust between disadvantaged consumers and the sponsoring business. Bill Curry, a principal at Deloitte Inc. in Toronto, argued that though there may not be an equal return on this investment, it may be a potential avenue for strategic philanthropy. This new avenue for philanthropy requires a forward-looking business rationale, beyond public relations, for social investments. Financial capability is one such investment (Curry, 2005).

Limited financial understanding may reduce the willingness of consumers to purchase new financial products or to search and compare between competing options. The ability to gain market share with new financial products requires a vibrant market. Within the Canadian domestic retail banking, insurance, and investment product markets, market share growth requires a population that is able to assess needs and be willing to switch between financial service providers based on personal interest. Financial capability training may increase the number of entrants into this market and the number of consumers who are willing and able to shop actively. By demanding products more responsive to their needs, informed consumers may encourage providers to develop new products and services, thereby facilitating product innovation and improvements in quality.

With an increase in the number of individuals entering capital markets, there is a need for reliable and factual generic investor information. The increase in defined contribution pension plans means that employees have additional resources and opportunity to make investment choices. Terri Williams, Manager of Investor Education at the Ontario Securities Commission, argued that a similar segment of the Canadian population is financially stable and has adequate income to become involved, but lack the know-how to use investment products. Without information and sources of advice, they may choose not to become involved or limit their participation. At the conference, Terri Williams described the five key hindrances in Canada to greater participation in capital markets as:

- investor apathy;
- a lack of time willing to commit to education;
- noise from competing sources of financial information;
- a lack of trust of available information; and
- materials written above the literacy levels of many Canadians.

Better-informed investors would increase active participation in the market, thereby reducing risks and increasing market capitalization. More knowledgeable investors are also less susceptible and vulnerable to fraud and other market risks.

More Effective Government Programming

A financially capable population should reduce the cost of program delivery, increase the chances of program success and provide opportunities for reducing the use of certain government benefits.

More informed citizens, aware of their rights and responsibilities, will be better able to assess their eligibility for public programs and benefits. Financially capable individuals are better able to access the necessary information and the required documentation, are equipped to understand the intent and their entitlements within benefits and programs, and understand their responsibilities. Currently, many benefits are available to individuals through the tax system and there is concern that a reduced take-up results from a lack of knowledge about these benefits. Other benefits, like provincial social assistance and Employment Insurance, involve complicated application forms with supporting documentation. Additional savings may also be found in reduced costs for social marketing, program outreach, and case management associated with program delivery.

Enhancing financial capability will better equip recipients of public benefits to participate in administrative systems that are less costly. This increases bank account coverage, improves the net benefit to individuals and reduces dependence on fringe financial services. As more governments move toward direct deposit, they will achieve efficiency gains and a reduction in cheque production cost and problems.

Governments in Canada, as in other developed countries, are moving toward more account-based and individually co-financed systems of delivering benefits. The federal government uses registered savings vehicles as savings incentives and for promoting and subsidizing asset building. Participation in these programs requires high levels of financial understanding. For example, participating in an RRSP requires both access to mainstream financial services and adequate understanding to make decisions regarding the range of RRSP options among providers, planning contribution and withdrawal levels, and managing potential impacts on other sources of retirement income (such as the Guaranteed Income Supplement). For low-income populations, Lenore Burton stated at the conference that one of the limiting factors for uptake of the Canadian Education Savings Grant and, potentially, the Canada Learning Bond, is the widespread and incorrect assumption among low-income parents about fees, requirements for opening accounts and penalties for making unplanned RESP deductions. This lack of information and understanding reduces the efficacy and the reach of these government programs.

Financially capable citizens may also increase the success of new programs and increase the effectiveness of new methods for program delivery. Programs are only successful if the benefits and requirements are understood and easily accessible. As suggested by Jean-Pierre Voyer, Executive Director of the PRI, the APPORT (Aide aux parents pour leurs revenus de travail) program, an income supplement for individuals on welfare in Quebec, was considered a sound and well-designed program, but was initially unsuccessful because it was not well understood by its target population. The conference keynote speaker, Edlar Shafir, stated that behavioural factors are often not fully considered when designing programs and research has shown that program presentation and simple changes in program design have dramatic effects on take up and use. To this effect, behavioural factors must be considered as relevant and pertinent in program design.

The issue of financial capability is not limited to the delivery of programs to low-income individuals. Other programs that rely on a certain level of financial capability for their success include the former Net Income Stabilization Account program and the current Canadian Agricultural Income Stabilization Program provided by Agriculture and Agri-Food Canada, the settlement of residential school survivors' claims paid to Aboriginal people, as well as treaty and resource royalty payments to First Nations through Indian and Northern Affairs Canada.

Finally, enhanced financial capability may reduce the use of some government benefits, notably provincial social assistance. Financial capability training incorporated into social assistance programs could improve financial decision making and may allow individuals to progress out of welfare more efficiently, improve the likelihood of long-term self-sufficiency and reduce the number of times that individuals access the social assistance system.

Current Knowledge about Financial Capability

What Works? The Evaluated Impacts of Financial Capability

It is assumed that programs, information, and advice that improve financial understanding will increase aptitude and confidence and therefore improve the financial decisions and behaviours of individuals. From the evaluation and research work that has been done to date, this appears to be true, but questions remain about establishing clear links of causality.

Jean Hogarth, Director of Consumer Education and Research for the Federal Reserve Board, Washington, presented work at the conference from the United States. It demonstrated that when comparing individual financial practices to individual financial knowledge in the areas of cash-flow management, credit management, saving, and investment, those who have greater knowledge tended to have more sound and astute financial practices. While financial knowledge is important, Hogarth suggested that it is wrong to assume from available research findings that financial knowledge can always correlate with informed financial behaviour. An equally important correlation is between experience and behaviour. She stated that along with improving financial knowledge, programs that assist or provide positive experiences with financial products and services may be important as well.

Other programs and pilot programs have evaluated some of the effects of financial capability training, mainly in relation to asset building including public or private programs that assist in retirement preparedness and home ownership.

- Evaluations of workplace programs in the United States show that employer-provided financial capability education and seminars increase participation in and contributions to voluntary savings plans, with more profound effects with low-wage workers (11.5 percent increase) than with higher-wage employees (a 6.4 percent increase) (Bayer et al., 1996).
- The largest and most rigorous evaluation of an individual development account project was conducted by the Center for Social Development (CSD) as part of the American Dream Downpayment (ADD) demonstration project. It tested the efficacy of financial education programs and found that participants were "more aware of financial opportunities, choices and possible consequences. In particular, financial education may help individuals develop skills to accumulate savings" (Clancy et al., 2001). Program participants who took financial literacy courses increased both the amount and rate of saving.
- An American study of 40,000 Freddie Mac Affordable Gold mortgages issued since 1993 found "statistical evidence that appropriate counseling does, in fact, effectively mitigate risk." The study identified the best delivery methods for home ownership counselling to be individual and class instruction and, compared with other mortgage holders, delinquency rates were between 23 and 41 percent lower for participants who had undergone these methods of financial capability training (Hirad and Zorn, 2001).
- Recently, a large randomized field experiment, carried out in St. Louis by the Brookings Institute with H&R Block offered matching incentives for retirement contributions at the time of income tax preparation. It found significant differences between the take-up of the offer of these matched credits and the use of the federal Saver's Credit, despite providing similar benefits. This demonstrates that government program incentives, combined with just-in-time delivery of information, can have significant effects on the retirement savings behaviour of individuals (Duflo et al., 2005).

While this available information does not constitute a definitive body of research, it does demonstrate that financial capability information, training, and advice can influence financial behaviour. Further research is necessary and may help refine the knowledge of the effects of such interventions, and under what circumstances they are most effective.

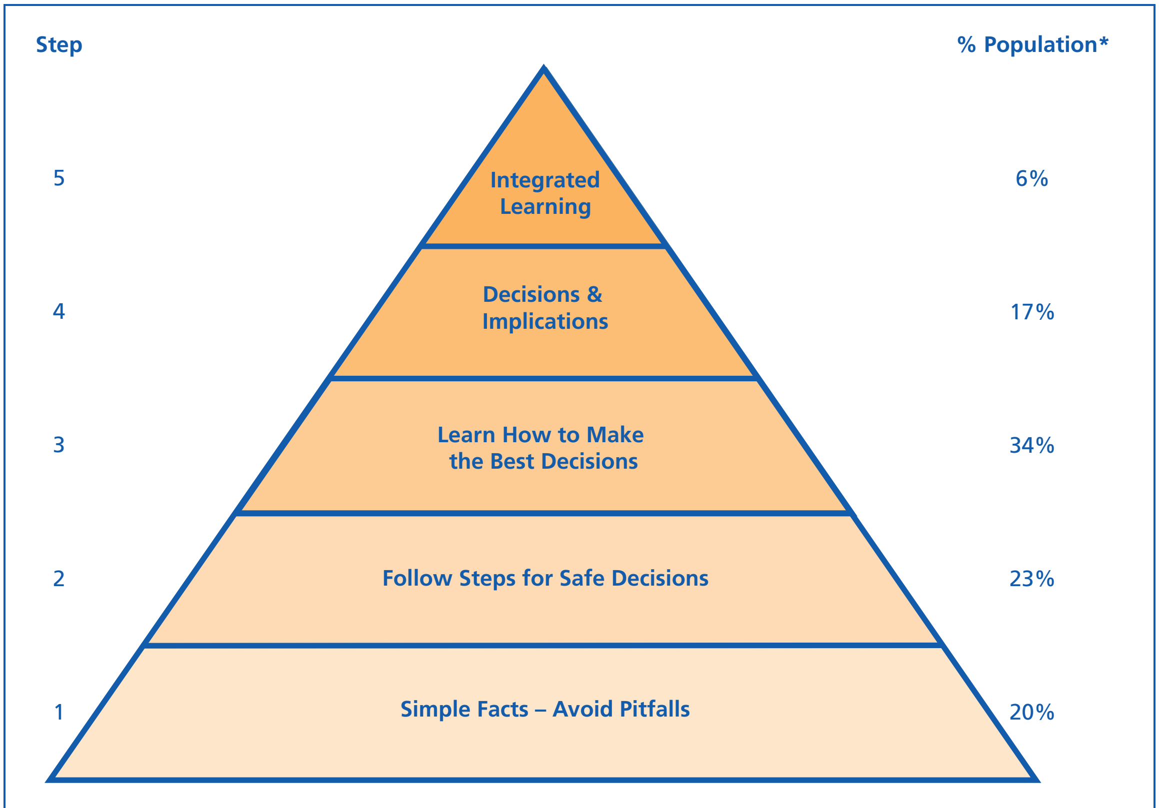
Sources of Information about Financial Capability in Canada

There are several sources of information relevant to financial capability in Canada. Though there has not been a concerted national effort to collect data specifically on this topic, available information clearly identifies the issue as a policy problem and may provide some indication as to its scope.

Most Canadian survey research has focused on financial understanding and knowledge about investments. A national investment literacy test found that two thirds of Canadians are functionally illiterate when it comes to investment knowledge (Chevreau, 2002). Other surveys of financial literacy found that only one in five Canadians are confident in their own knowledge and abilities (Stow, 2002). The Investors Education Fund of the Ontario Securities Commission sought to do more detailed work in attempting to quantify the numbers of individuals who are most at risk of low levels of financial understanding about investments (Williams, 2005). This research is used as the basis for their work to help people make effective use of financial information and be able to apply this know-how to their investment goals. Based on information taken from the International Adult Literacy Survey in 1995, they roughly quantified the levels of understanding based on literacy and skills levels. They have defined this as the learning pyramid.

According to this breakdown, 43 percent of the population requires more intensive services to be able to participate at a basic level in the investment market. Another one third of Canadians require some selected interventions. Nevertheless, while informative, this study does not provide a clear picture of the general financial understanding of the population and may be less relevant for low-income or other at-risk groups that may be more concerned with basic financial transactions.

Learning Pyramid



* Source: International Adult Literacy.

Statistics Canada does analytical work to determine the state of household finances among Canadians. They are able to compile and gain information from annual tax files, census data and surveys about specific aspects of individual and family life. From these sources, they can determine income levels, the use and take-up of certain benefits, the use of different tax expenditures and provisions and more detailed information about aspects of household finances unavailable through either census or tax data like expenditures, assets, debts, and financial product ownership. These surveys provide general understanding of what households consume and how they use their money. They do not explicitly seek to provide information on the behavioural motivations or the basis for financial decision making. Although they do not explicitly attempt to collect information about financial capability, some work may provide indications of the breadth of the problem.

- The 2002 General Social Survey and the Census dedicated a few questions to retirement preparedness and sources of financial advice among recent and near retirees. It asked: "From whom do you typically get financial advice (if anyone), including advice about retirement planning and programs?" It found that one quarter of near retirees had received no retirement advice. Immigration status, education and household income are correlated with the likelihood of not getting financial advice. Almost 40 percent of immigrants and individuals with lower incomes and education receive no information or advice. In relation to retirement income, recent retirees without pensions were half as likely to have received financial information prior to retirement.
- The Survey of Approaches to Educational Planning (SAEP) 2002 collected information from parents with children under 18 about their perceptions of post-secondary education, parental aspirations for their children, the academic performance of their children, and their financial planning. It showed that 50 percent of families in Canada were actively saving for their child's education. The types of accounts and plans used by families varied based on income, with low-income families relying more heavily on bank accounts for savings and less on RESPs. With increases in family income, the level of RESP use rises and the use of bank accounts decreases. Access to information is also important. Knowledge of the Canadian Education Savings Grant resulted in over $2,000 more in personal savings compared to families who were unaware of the grant.

The data sets that may have more direct bearing on assessing relative levels of financial understanding may be the Adult Literacy and Life Skills (ALL) survey, and the International Adult Literacy Survey (IALS). Studies based on these sources explore the social and economic determinants of objectively assessed skill levels and correlate them with demographics, education, civic engagement, and skill demand. They provide comprehensive information about literacy, numeracy, and basic skills levels in Canada. An underlying assumption of these studies is a belief that basic skills are required to manage and respond effectively to the demands of diverse situations in Canadian society. They provide information about relative levels of those skills needed to cope with day-to-day challenges. Skills, therefore, may be key to facilitating financial security and aptitude. For example, a medium- or high-skilled individual is more than twice as likely to earn investment income as a low-skilled individual even after adjusting for age, gender, educational attainment, and total personal income. As suggested by Scott Murray at the conference, it may be possible to create a composite indicator that could serve as a proxy for low financial capability. Those individuals who do not have sufficient skills to function fully in Canadian society may also have difficulty in the financial marketplace. While this cannot stand in for actual detailed information about behaviour, it could be an interesting indication of the numbers of individuals who may be at risk. More conceptual work around the link between basic skill levels and financial aptitude is required.

At the local level, several organizations and pilot projects have gained important insights into the dynamics of financial capability. SEED Winnipeg, Lutherwood CODA in Kitchener, and the Mennonite Central Committee in Calgary are not-for-profit organizations that have incorporated financial capability training into their mandate and offer services to different low-income populations, usually in concert with matched savings programs. They have developed and delivered curriculums for a variety of target audiences within their communities. St. Christopher House in Toronto provides financial problem solving and assistance in preparing tax returns for its clients. Through this work, it has developed some concrete policy recommendations with its Community Understanding Social Policy (CUSP) program. This has resulted in several informative and innovative social policy papers by Richard Shillington and John Stapleton.[8] Social and Enterprise Development Innovations is testing, with the Social Research and Demonstration

Corporation, the effectiveness of financial capability training in the learn$ave project, an asset-building micro-enterprise and adult education pilot funded by Human Resources and Skills Development Canada. Ten sites across Canada have trained financial capability facilitators as a result of this project. This work has allowed SEDI to develop new curriculums for application to different marginalized groups. Currently, SEDI is training trainers to deliver financial capability programs for youth at risk across Canada. As well, the Independent Living Account Project, outlined at the conference by Ashique Biswas (2005) of the National Secretariat on Homelessness, is delivering programs to men, women, and youth in transitional housing in Edmonton, Toronto, and Fredericton. With funding from the Levi-Strauss Foundation, SEDI is attempting to collect these best practices and community learning to inform its national policy work in the area.

On a national level, for persons in immediate financial crisis, there is Credit Counselling Canada, a network of not-for-profit organizations that offer financial counselling and credit repair advice to eligible clients, and some money management training and services. It does not keep comprehensive statistics on the number of Canadians it serves or the problems they face. The Financial Consumer Agency of Canada (FCAC) maintains a toll-free consumer help line and an on-line clearinghouse of publications on a range of topics, such as access to financial services, credit cards, mortgages, and insurance. The FCAC also produces brochures and publications to deliver consumer information on topics, such as understanding consumer rights, the cost of banking and credit products, and banking regulations. Other organizations, such as the Canadian Bankers Association (CBA), the Canadian Foundation for Economic Education, Investor Education Fund, and the various securities commissions across Canada, have focused their efforts on developing general educational resources, such as school curriculums, brochures, and Web-based tools. Many resources are aimed at students in public schools or adult learners who have some pre-existing knowledge and the ability to access information through general media like the Internet or brochures in bank branches.[9]

Examples of Government Programs Incorporating Financial Capability

Under-Subscription of the Guaranteed Income Supplement Paid to Eligible Low-Income Seniors

The Guaranteed Income Supplement (GIS) is a monthly benefit paid to residents of Canada who receive full or partial Old Age Security pensions and who have little or no other income. Many seniors either fail to file a tax return, because they have no taxable income or because of health, mental, or physical problems, file their taxes late or are unaware of their eligibility as a result of the varying income cut-offs and other information required. Others are unaware that they are eligible for the benefit or are unsure of their eligibility as a result of the wording on their tax form. It was estimated that several hundred thousand seniors were eligible for but not receiving the GIS. (Statistics Canada, 2005)

In an attempt to remedy this, the federal government moved to target potentially eligible individuals. Social Development Canada now mails out completed application forms to potentially eligible individuals. The Department estimates that 50 percent of those individuals contacted signed up for the program.[10] Efforts are also underway to target non-filers, including homeless individuals, individuals in institutionalized care, and Aboriginal people.

This is a step in the right direction, but some problems could be resolved by simplifying the program even further. For example, the tax return could be considered a completed application. Other questions include whether similar actions are being taken for the widow's benefit, Canadian Pension Plan eligibility, and other government retirement benefits.

Learning Bond and Financial Capability Outreach

Since 1998, the Government of Canada has been providing a grant to families to save toward their children's post-secondary education. To eligible RESP holders, the government contributes 20 cents on every dollar deposited in the plan up to a $400 grant per year or $7,200 over the child's lifetime. Evaluations of the Canadian Education Savings Grant found that the majority of beneficiaries come from families with incomes of $80,000 or more. By the Government of Canada's own definition, these are high-income families. Statistics Canada surveys found that over 83 percent of children from these families would likely attend some form of post-secondary education anyway.

The Canada Learning Bond went into effect in 2004. Children from low-income families born in 2004 and thereafter are eligible to receive a one-time savings bond of $500 for post-secondary education, including university, college, and vocational training. The government will also pay annual top-ups of $100 for post-secondary education savings to eligible low-income children. The bond and the top-ups will be paid into an RESP offered by financial service providers including banks, trusts, and credit unions.

To supplement this new program and ensure that it reaches its intended audience, the legislation required Human Resources and Skills Development Canada (HRSDC) to invest in a community outreach strategy to support financial capability around the bond and grant. Lenore Burton, Director General of the National Literacy Program, stated at the conference that this was recognition that the success of this program will depend on the ability of the target population to understand the benefits and be able to open and use an RESP. The Department determined that community sector organizations were regarded as the best intermediaries able to reach the target population.

International Efforts and Mechanisms for Building National Financial Capability Strategies

In Canada, the responsibility for ensuring easy access to financial services falls under both federal and provincial agencies responsible for consumer protection. The Financial Consumer Agency of Canada and the Competition Bureau have legislated responsibilities in the area covering entities under federal jurisdiction. Within the federal government, Industry Canada's Office of Consumer Affairs runs the Consumer Connection web site that provides links to general information, legislation, consumer protection information from other departments, and consumer research. Through its research funding, it provides money for not-for-profit organizations to do research on pertinent consumer rights issues usually related to developing legislative priorities or new legislation.

Provincial governments have broader consumer protection responsibilities. All provinces have consumer protection legislation and offices or departments that handle complaints. There are differences in the availability and effectiveness of complaint mechanisms available from province to province and levels of political support for this area.

While both proponents of financial capability and consumer protection agree that legal and regulatory mechanisms are needed to ensure that consumers are not abused, financial capability proponents argue that additional programming is required to ensure that individuals are equipped to handle the complexities of financial and government services. The conference heard from speakers from both the United States and the United Kingdom about the roles of government agencies in co-ordinating government research and policy responses to issues around financial capability.

International Approaches

At the conference, participants heard about national approaches to collecting information on financial capability. First, the work done to date by the Federal Reserve Bank in the United States is an example of how good data collection can increase knowledge about a problem and inform institutional and legislative responses. Second, the Financial Services Authority in the United Kingdom has developed a survey instrument that effectively captures relative levels of financial capability. In both cases, they demonstrate that it is important to have a clear conceptual understanding of the problem to develop a survey instrument that provides data that are policy relevant.

United States

In the United States, the Federal Reserve Bank uses the Survey of Consumer Finances and the University of Michigan's Survey of Consumers to examine the link between financial experiences, knowledge, and financial behaviour.[11] This has provided researchers with a body of knowledge that is statistically valid, comprehensive, and national in scope. They focus on being able to identify specific financial behaviours, characteristics of households exhibiting these behaviours, and the learning preferences of the households. To do so, they track the understanding of financial concepts and how this knowledge is applied to the actual use of financial products. The survey assesses knowledge and use from very basic money management skills, like tracking expenses and bill payment, to more sophisticated ones like diversifying investments. They also seek to define how individuals learn about financial issues by tracking the sources of financial information used.

These data can then be used to explore patterns of financial behaviour and understanding. Researchers are able to connect financial understanding and financial behaviour with determinants like income, education, home ownership, age, race/ethnicity, marital status, and gender. They are then able to create financial behaviour indexes that segment the questions and behaviours into different areas of financial management. These behaviours are ranked in terms of complexity with basic cash flow management as the most basic, followed by savings, and investments as the most advanced. They are then able to segment households into clusters by the types of information they need and the preferred learning strategies. These data allow researchers to determine the relative need for information by subgroup, the relationship between levels of objective financial knowledge and product use in these households, and the effectiveness of different learning preferences and program delivery methods.

United Kingdom

The British financial services regulator, the Financial Service Authority (FSA), recently commissioned a "comprehensive baseline survey to establish the current state of financial capability in the UK."[12] It is an attempt to produce a reliable survey instrument based on a sound conceptual model.

This follows from earlier quantitative and qualitative work commissioned by the FSA that demonstrated relatively low levels of financial capability among consumers. Previous quantitative surveys covered specific areas of financial capability like perceived understanding, sources of advice, and product use and misuse but did not provide a larger picture. Earlier qualitative research attempted to understand how individuals connect their financial behaviour to the financial world around them. However, neither set of studies was able to provide a general measure of financial capability.

Working with the Personal Finance Research Centre at Bristol University, the FSA began initial consultations in the summer of 2004 on the scope and methodology for a new survey tool. Following the consultations, a review of existing research on financial capability and a proposal for a new baseline study was prepared and presented to an expert reference group. The survey was then tested with focus groups in both low- and high-income communities and individual in-depth interviews. This was supplemented with focus groups and interviews that specifically targeted ethno-cultural minority communities. They tested different methods of gaining information and different variants of a survey.[13]

The final survey has questions regarding four domains, including questions within each area relating to knowledge and understanding, skills and confidence, and attitudes.

- **Managing money:** Ability to live within one's means.
- **Planning ahead:** Coping with unexpected events and making provision for the long term.
- **Making choices:** Awareness of financial products and services on offer and being able to select the most appropriate.
- **Getting help:** Gathering information oneself or through third parties.

The survey was conducted in 2005 and results are expected in 2006.

National Strategies for Improving Financial Capability

If Canada decides that financial capability is an important public policy issue, it will be important to look to other countries to see how they have proceeded in beginning to define, design, and structure supports and programs. National case studies provide examples of different mechanisms for generating these strategies and increasing public, private, and citizen engagement.

United States

Financial knowledge and understanding has been an active issue in the United States for several decades, mainly in the area of economic education. Recently, it has gained higher profile as a legislative issue at both the federal and the state level. This legislative work is supported by extensive policy-relevant research by the Federal Reserve Bank.

The 2003 *Fair and Accurate Credit Transaction Act* established the Congressional Financial Literacy and Education Commission, an interagency group of 20 federal departments and agencies, which is chaired by the US Secretary of the Treasury. The Office of Financial Education in the US Treasury Department supports the functions of the Commission. Its mandate is to encourage government and private sector efforts to promote financial literacy, to co-ordinate financial education efforts of the federal government, and to develop a national strategy to promote financial literacy among all American consumers.

The Commission's goal is to provide Americans with access to financial education programs that help them obtain practical knowledge and skills to make informed financial choices throughout their lives (Iannicola, 2005). The group has endorsed a strategy to collaborate with existing financial literacy providers outside government and provide better co-ordination and support for these initiatives.

To that end, they have attempted to provide guidelines for successful financial education programs as they relate to content, delivery, impact, and sustainability. To do so, it is developing principles and practices that will allow financial education programs to be easily replicated, have a broad impact, and be sustainable.

The Commission has called for programs to be delivered through local organizations to make effective use of community resources and contacts, resulting in more effective delivery of programming.

In terms of content, the Commission has identified four key areas for financial education: basic savings, credit management, home ownership, and retirement planning. These function as the four basic building blocks for financial security. Programs should also be tailored to their target audience, taking into account language, culture, age, and experience.

To evaluate and ensure success, the Commission advises financial education programs to follow up with participants to reinforce messages and ensure that participants are able to apply the skills taught. A central part of this evaluation strategy rests on the development of measures to demonstrate a positive impact on participants' attitudes, knowledge, or behaviour through testing, surveys, or other objective evaluation.

Finally, greater support for financial education programming through continued financial support, legislative backing, or integration into an established course of school instruction is required to fulfill their mandate.

At the conference, Dan Iannicola Jr., Deputy Assistant Secretary for Financial Education, highlighted the launch of a toll-free number and web site[14] as first steps in co-ordinating federal financial education outreach. The purpose of these portals is to provide easily accessible resources and co-ordinate the presentation of educational materials from across the spectrum of federal agencies that deal with financial issues and markets.

There is no indication yet as to whether financial education will receive the additional federal legislative and financial support required to create broad training and advice opportunities for all Americans that has been recommended by the Commission.

Also of interest is the new and broadening focus at the state government level on financial education. As argued by Matthew Fellowes of the Brookings Institution, state legislatures are experimenting more with policy and market innovations to increase the chances of financial security for low-income individuals. Financial education has become a means to equip citizens to deal with the economic and social pressures they face. The number of state financial education bills increased from no bills in 1990 to 29 in 2004 (Fellowes, 2005). Whether or how these state actions cohere or complement the new national efforts in this area has yet to be seen.

The US federal government has moved toward creating a framework for a broad national financial education system using existing community-based programs as the foundation. Curriculum, learning, and best practices, with evaluation and follow-up, from these programs are expected to provide the basis for a broader-reaching financial education strategy. Further thought could be given as to how a similar approach might be adopted in Canada.

United Kingdom

Financial capability in the United Kingdom has been supported in government policy and more recently championed by the Financial Services Authority. In 2003, the Authority published a report intended to launch a national strategy on financial capability (FSA, 2003) and since then has introduced a series of projects to put the strategy into action. These projects include the baseline survey discussed earlier in this report as well as a series of pilot projects in communities across the United Kingdom. The entire strategy is led by a national steering group chaired by the FSA's chief executive and made up of diverse stakeholders from government, the private sector, and the voluntary sector.

The first activity of the national steering committee was to conduct an environmental scan to find existing sources of financial capability information, training and advice in the United Kingdom. The steering committee then set two goals: uncover how to get better impact from existing financial capability sources in the United Kingdom, and find ways to increase overall investment in financial capability resources in the United Kingdom.

In response to the gaps and opportunities identified as part of the first exercise, the steering committee established seven priorities to guide current and future initiatives on financial capability, including pilot projects to evaluate new intervention models.

- Use schools as a location for the delivery of financial capability information to students through national curriculums. The sense is that there is a lot of information already available on what works well in this area and that the real challenge is more about raising the profile of curriculum elements and sharing best practices.
- Target young adults as they enter post-secondary education and the labour market. Enable youth to better negotiate the transition and manage new financial responsibilities.
- Educate families about programs including, but not limited to, education about the universal asset-building Child Trust Fund, and provide supports to parents with particular emphasis on lone-parent and low-income families.
- In the workplace, focus on how to deliver financial capability, particularly as many employers are moving from defined-benefit schemes to more flexible account-based systems for employer-sponsored benefits.
- Examine retirement, an area led by the Department for Work and Pensions and again connected to pension reform and the phasing-out of defined-benefit workplace schemes.
- Ensure consumers are better informed and prepared to use credit, in various forms (mortgages, credit cards, personal loans) and develop an objective debt test to predict financial crisis in individual consumers before it happens.
- Provide generic advice. Led by the FSA, look at the role of policy in ensuring consumers have access to free, unbiased advice outside the financial services sector.

Combined with the results of the FSA's baseline survey, a public report of this phase of the national Financial Capability Strategy is expected early in 2006. That report will set out the direction for the next phase of the strategy and propose new institutional structures to support it.

In several cases, these pilot projects have been funded by the FSA; however, other stakeholders including government departments and at least one major private financial sector institution have contributed toward the costs of the pilots which are expected to report, first to the various working groups and ultimately to the national steering committee later in 2005.

The Canadian context is obviously very different from that in the United Kingdom. For example, the jurisdictional issues between federal and provincial governments are far more complex. The resources available in Canada, from both public and private sources, to support such an ambitious and multi-faceted strategy may also not be comparable. However, the UK strategy offers a worthwhile model for Canada. It has successfully engaged all sectors of stakeholders in a meaningful and productive way. It has also established priority areas and invested strategic resources to achieve results in each of these priorities. But perhaps most crucially, it has established financial capability as an issue of national importance in the United Kingdom over the long term and put in place structures and processes to continue to direct progress.

Next Steps: Toward a Financial Capability Strategy for Canada

If, as this paper has suggested, financial capability is a critical set of life skills for all of us, then the end goal should be to ensure that all Canadians have access to adequate financial capability information, education, and advice. Research will be needed to describe and diagnose more accurately the problems in need of fixing. Institutional structures will need to support innovation that can generate and test solutions in a way that informs sustainable policy. In creating this enabling environment, governments, the private sector, the voluntary sector, and individual Canadians all have a role to play.

Establishing a Research Agenda

To better understand the nature and the scope of the problem of inadequate financial capability in Canada, further research is required. Research should be threefold.

- Assess the current state of financial capability in Canada, both on the demand and supply side.
- Examine the relationship between financial capability and related areas (including basic literacy, financial inclusion, and financial security) and document gender differences and particularities.
- Support innovation through investment in finding ways to improve accessibility and effectiveness of financial capability education, information, and advice.

Data Gaps on Consumer Need, Demand, and Preferences

Statistics Canada already collects information about household finances and might further assess the state of financial capability in Canada. A handful of other organizations in the private and voluntary sectors have variously tried to assess aspects of financial knowledge and confidence among some groups of Canadian consumers, but there remains a need for a reliable and unbiased source of information on consumer financial capability in Canada.

Closing the data gap could be achieved in at least one of three ways.

- A composite picture might be put together from existing studies and surveys including the Adult Literacy and Lifeskills Survey, the Survey of Financial Security, the Survey of Household Spending, and others. However, this approach may not be sufficient, because of the types of variables excluded and because it may not be able to identify important differences in financial capability among sub-populations.
- It may also be possible to add questions to existing and future surveys that touch on financial capability. For example, in the next iteration of the Survey of Financial Security, it may be desirable to ask questions about access to financial information and patterns in financial decision making and confidence.
- The UK baseline survey developed for the FSA provides a useful model that can be replicated in Canada. The FSA signalled its willingness to share the survey model with interested parties, which might significantly reduce the investment needed to develop a completely new survey tool for use in Canada. This is another option worth consideration. Other federal bodies, such as the Financial Consumer Agency of Canada and the federal Office of Consumer Affairs, may have a role to play.

Whatever the method, the information needs of policy makers, researchers, and practitioners will only be filled with a pool of data that is sufficiently broad to look at all three dimensions of financial capability across the population, sufficiently detailed to allow analysis by population subgroups (including age, income, wealth, education, region, etc.), and that can be repeated periodically to analyze changes following policy and program interventions.

Outside the large-scale Statistics Canada surveys, research should build on the limited but compelling base of evidence developed by the small network of community practitioners who have addressed key questions that go beyond uncovering the “who” and “how much” of financial capability in Canada to look at:

- patterns of consumer understanding about the value of financial capability;

- patterns of consumer preference in the delivery of financial information, training and advice, with the aim of better understanding differences by media type, life stage or events, topic, and other factors that can influence the uptake of financial capability services;
- the current (and future) distribution of service delivery of financial capability information, training, and advice, with the aim of identifying gaps as well as highlighting innovation;
- the relationship between financial capability and other sets of basic skills, including numeracy and literacy, and shedding light on whether the definition of literacy should be expanded to include financial matters;
- evaluating the impacts of different types of intervention in the delivery of financial information, training, and advice, including (but not limited to) community learning networks, school-based learning, self-directed and just-in-time delivery models;
- cataloguing and sharing best practices in program design and delivery, with particular attention to hard-to-serve groups where community-based learning may be particularly suitable; and
- reviewing existing evidence from research and practice in (primarily OECD) countries such as the United Kingdom, France, Australia, and the United States, with the aim of informing Canadian policy makers and participating in a growing international information exchange and dialogue.

In supporting this ambitious agenda for future research, several stakeholders have a role to play. Among the key players are government and arm's length bodies, such as the National Literacy Secretariat, Industry Canada, the Social Sciences and Humanities Research Council (SSHRC), and the Financial Consumer Agency of Canada, as well as provincial governments, and philanthropic and private sector funders. Voluntary sector organizations should be actively engaged in promoting and participating in this research agenda, particularly where it is most directly connected to their capacity for community innovation and community learning. Finally, if meaningful progress to enhance financial capability is to be achieved in Canada it must mean moving beyond research to informed, effective, and sustainable policy.

Public Policy and Programming Agenda

Reaching the goal of improved financial capability for all Canadians requires that governments at all levels make it an integral part of the policy and programs they develop and deliver. The role of government is not to take on the full responsibility of increasing financial capability in Canada; that responsibility is shared across governments, the private sector, the voluntary sector, and individual Canadians themselves who must be willing to invest in their own development. Instead, the role of government in relation to financial capability should be threefold.

1. Lead an effective dialogue that puts financial capability on "the map" – just as basic literacy has been previously – and use the weight and capacity of government and arm's length bodies to bring the private and voluntary sectors to the table. This could be achieved by replicating the example of the United States' Congressional Commission or, perhaps preferably, the United Kingdom's National Financial Capability Steering Group and its various subordinate working groups. Governments (federal, provincial, territorial, and local) should create a sustainable forum for meaningful dialogue to build consensus among stakeholders on the nature and salience of the challenge and to share ideas about how best to address it.
2. Supporting research and innovation, as discussed above.
3. Integrate financial capability into the daily business of government policy making and program delivery.

There are several concrete opportunities for governments to act to improve the financial capability supports available to Canadians.

The Role of the Federal Government

- Seize opportunities and imperatives to make its own programs and services more accessible and understandable to all Canadians. The recent launch of Service Canada, the newly integrated single-window service and information delivery network for many federal programs represents one such opportunity. The federal government has committed to delivering personalized service and easy-to-understand information on a diverse range of programs from federal income support benefits, to employment programs and even the delivery of the National Homelessness Initiative. Service delivery and information should take into account variations in the levels of financial capability among the Canadians they are intended to serve and enable the delivery of basic and transferable financial information to provide learning opportunities for clients. The outreach strategy for the Canada Learning Bond is one example that may be worth replicating in other areas.

- For the 2006 mandatory review of financial institutions legislation in Canada, the Department of Finance has already signaled that enhancing the interests of consumers will be a priority. While disclosure requirements, already highlighted in the pre-consultation document, are an important part of consumer protection, there is equally a need to prepare consumers beforehand so they can fully understand the disclosure of information by financial institutions and make informed, responsible, and confident decisions about products and services. Consumer readiness might also be another avenue to protect consumers from predatory and as yet unregulated fringe financial services.

The Role of Provincial Governments

- Recommit to universal financial capability education in the public curriculum so all children learn the knowledge and develop the skills and confidence they will need to navigate their future financial lives. While many provinces do note some reference to financial and economic subjects in their curriculums at the secondary level, provinces may want to assign it greater priority and integrate it into the curriculum, in a developmentally relevant way, from much earlier ages, with adequate resources and supports for teachers.
- Integrate financial capability support (either through direct service delivery or referral to outside agencies) for interested social assistance recipients to help them plan for and reach the goal of sustainable self-sufficiency.

A Role for all Governments

- New programs and direct transfers to Canadians should, like the Canada Learning Bond and the Alberta Centennial Education Savings Plan, include strategies for outreach that will ensure more Canadians know they are eligible for the program and have adequate information and confidence to access and use it. The approach employed by the Canada Learning Bond of mobilizing community-based agencies is particularly noteworthy and will inform future program design.
- Reviewing, revising, and co-coordinating the information delivered to Canadians on government programs, services, and benefits should not substitute for fair and coherent program rules, but would start to make existing programs and services more understandable to more Canadians, including those with greater financial capability challenges. The aim would be to make existing government programs easier to navigate even where clients lack significant financial capability while recognizing that even the simplest of programs will require some basic level of financial capability among clients. The federal government should also use this exercise to identify the programs and services that Canadians have the greatest difficulty understanding and effectively using, and feed this information back into its own policy and program design to ensure that the responsibility is truly shared between individual Canadians and the governments that serve them.
- Reviewing, revising, and coordinating the financial capability information already made available to Canadians from government and arm's length sources to assess coverage and accessibility. Several government and quasi-government agencies already provide some basic financial information for consumers. These include the Financial Consumer Agency of Canada, provincial consumer affairs ministries, the Office of Consumer Protection at Industry Canada, Citizenship and Immigration Canada, just to name a few. However, a cursory review of the existing government sources suggests that the information may frequently be repetitive, may not be very accessible (due to literacy, technological, or other barriers) and may be too passive. Ideally, these public sources of financial capability information should more proactively engage citizens at the moments in their life course where financial capability becomes more salient (e.g., becoming unemployed, planning higher education, buying a home or having a child) with the aim of avoiding a financial crisis, and deliver the information in a wider range of methods to reach a broader swath of the population. An interdepartmental commission similar to the Congressional Financial Literacy and Education Commission might be a model.

A Role for the Private Sector

The conference heard from several private sector speakers about the value to their bottom line of more financially capable consumers, as well as the value-added they can bring to measures to improve financial capability. It is also worth noting that the UK private sector has invested large sums of its own money to pilot innovation in financial capability service delivery. Here too in Canada, the private sector needs to continue to move toward a role as an active and engaged stakeholder in the dialogue and action on financial capability.

- In the highly specialized financial services and financial advice sector, this includes, but is not limited to, looking at ways to expand the financial information, training, and advice they already provide to their clients so traditionally underserved client groups can be reached. This could be done by direct business service delivery but to really reach underserved groups will necessitate partnerships with public and voluntary sector organizations.
- In other sectors, employers (small, medium, and large) can invest in financial capability through workplace-based learning and services to their employees (and possibly even employees' families). Measures to support self-employed and small business in this regard will be needed and again emphasize the need for public-private and voluntary sector collaboration.

A Role for the Community/ Voluntary Sector

The community/voluntary sector in Canada is uniquely placed to reach and respond to the hardest-to-serve and most disadvantaged groups of citizens in Canada who are likely most at risk when it comes to financial capability. There are already a handful of voluntary sector organizations with the capacity to deliver financial information, training, and advice, including St. Christopher House in Toronto, the Mennonite Central Committee in Calgary, and SEED Winnipeg. This capacity needs to be harnessed, developed, and shared so a larger network of organizations can reach more Canadians in the communities where they live. The role of the voluntary sector in financial capability should be primarily as community-based delivery agents with the ability to innovate and inform research, policy, and practice. These organizations will need adequate resources to fulfill this role, as well as developing better networks among their own memberships to share best practices and resources. As noted by Susan Pigott at the conference, the objective should be to create a system for the delivery of financial information, training, and advice that is as responsive, sophisticated, and comprehensive as the private fee-for-service advisers, but that is accessible to all Canadians. The UK national network of Citizens' Advice Bureau is one example worth further consideration in reaching that goal.

Conclusion

This report, and the Symposium it reflects, is intended as a starting point for a new stage of discussion on financial capability in Canada. There appears to be sufficient consensus that financial capability is a real and pressing issue and that more needs to be done by governments, the private and third sectors, and by individual Canadians themselves. The next step is action, starting with a new dialogue and informed by innovation and evidence. This report is intended to set out some suggested directions for the future.

NOTES

1 See Braunstein and Welch (2002); Hilgert and Hogarth (2003). For the OECD, see Smith (2005).

2 For graphs and other details on household expenditures, see Chawla (2005). All statistics were taken from Statistics Canada (2005) using the same survey data.

3 An excellent discussion about data gaps and consumer information has been produced by Industry Canada and is available at <http://strategis.ic.gc.ca/epic/internet/inoca-bc.nsf/en/ca02091e.html>. Industry Canada states that 'consumers are a diverse group and it is difficult to make generalizations about them. Their wants, needs and capabilities are often dramatically different, depending on their age, gender, social circumstances, place of residence and income.' Data on consumer preference, debt, and expenditure should aim to reflect these different variations.

4 Definitions were taken from Buckland and Thibault (2005).

5 For an actuarial analysis of effective interest rates, see ACORN (2004).

6 For a review of current jurisdictional issues and problems around regulating the sector, see Lawford. (2003: 39-46).

7 For details on the agreement on low-cost accounts, see Department of Finance (2003).

8 For a complete listing of their work in this area, see <www.stchrishouse.org/get-involved/community-dev/community-social-policy/>.

9 A survey of these projects and programs, prepared by Deloitte Inc.

10 Personal communication with Social Development Canada, Ottawa, Ontario.

11 For survey results and a more detailed methodological review see Hogarth et al. (2003).

12 See UK FSA (2005a).

13 More information on the survey methodology, see UK FSA (2005b).

14 1 888.MyMoney and <www.mymoney.gov>.

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Note: All URLs confirmed as of January 19, 2006.

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Appendix 1: Conference Program

Canadians and Their Money: A National Symposium on Financial Capability

June 9-10, 2005

Thursday, June 9, 2005

9:00-9:15	Opening Remarks		
	Moderator	**James D. Hughes,** *Old Brewery Mission*	
	Speakers	**Peter Nares,** *SEDI*	
		Jean-Pierre Voyer, *Policy Research Initiative*	
		Bill Knight, *Financial Consumer Agency of Canada*	
9:15-10:30	What's in a Name? Concepts and Issues		
	Speakers	**Robert Duvall,** *National Council for Economic Education, United States*	
		Garry Rabbior, *Canadian Foundation for Economic Education*	
		Paul Worrall, *Financial Literacy, Basic Skills Agency, United Kingdom*	
	Commentator	**Peter Hicks,** *Social Development Canada*	
10:30-10:45	Refreshment Break		
10:45-12:15	What do we Know? Evidence on Financial Capability		
	Speakers	**T. Scott Murray,** *UNESCO Institute for Statistics*	
		Terri Williams, *Investor Education Fund, Ontario Securities Commission*	
		Jeanne Hogarth, *Federal Reserve Board, United States*	
	Commentator	**Jennifer Robson-Haddow,** *SEDI*	
12:15-2:00	Lunch and Keynote Address "The Human Factor in Economic Decision Making"		
	Speaker	**Eldar Shafir,** *Princeton University, New Jersey*	
2:00-3:00	Impacts of Financial Capability		
	Speakers	**Georges Ohana,** *YMCA Montreal*	
		Robert Kerton, *University of Waterloo*	
		Richard Shillington, *Tristat Resources*	
3:00-3:15	Refreshment Break		

3:15-4:30	Overcoming Barriers to Financial Inclusion	
	Speakers	**Sue Lott,** *Public Interest Advocacy Centre*
		Jerry Buckland, *University of Winnipeg*
		Ashique Biswas, *National Secretariat of Homelessness*
	Commentator	**Jacques St-Amant,** *Option consommateurs*
4:30-5:00	Keynote Address	
	Speaker	**The Honourable Claudette Bradshaw,** *Minister of State (Human Resources Development), Government of Canada*

Friday, June 10, 2005

9:00-10:20	Policies to Support Financial Capability: International Perspectives	
	Speakers	**Barbara Smith,** *Organization for Economic Cooperation and Development*
		Gill Hind, *Consumer Education, Financial Services Authority, United Kingdom*
		Dan Iannicola Jr., *US Department of the Treasury*
10:20-10:35	Refreshment Break	
10:35-11:55	Canadian Perspectives on Financial Capability	
	Speakers	**Sue Pigott,** *St. Christopher's House*
		Lenore Burton, *Human Resources and Social Development Canada*
		Bill Currie, *Deloitte Inc.*
11:55-12:15	Closing Remarks	
	Speakers	**Peter Nares,** *SEDI*
		Jean-Pierre Voyer, *Policy Research Initiative*
		Bill Knight, *Financial Consumer Agency of Canada*

APPENDIX 2

Bill Curry of Deloitte & Touche presented the financial capability programs and services provided by financial service providers and the government, private and not for profit sectors in Canada.

Many Financial Institutions Have Financial Capability Building Initiatives in Place

RBC	Lifeskills Seminar Scholarship Program	School children from grades 4-12
	Youth.com and The A Game	
CIBC	Canadian Youth Business Foundation	Students in secondary school
	Banking 101	Students that are beginning their banking experiences
BMO	Entrepreneurial Adventure Program	Students from kindergarten to grade 9
	Sponsorship of Junior Achievement of Canada	Student from elementary to secondary school
TD	Building A Better Understanding Program	Small businesses and students
Scotiabank	Frontier College	Targets mainly illiterate and disabled people with some focus on the poor
Investors Group	Money and Youth Resource Book	Targeted primarily to students in addition to others
	Consultants	Students and schools
	Investing Basics	Targeted to investors with some basic/limited knowledge

Financial Sector Involvement in Financial Capability

At present all three sectors participate in the provision of financial capability-building resources.

	Organization	Content / Format	Target Audience
Governmental	Financial Consumer Agency of Canada	• Toll-free consumer helpline • Online resources and brochures	General population
	Securities Commissions	• On-line self-directed learning materials	General population
	Public schools	• Basic financial literacy education	Youth
	Investor Education Fund	• Online resources and learning material	Investors
Private Sector	Canadian Chartered banks	• Online resources and learning • In-branch personalized advice	Bank customers and general population
	Canadian Investment companies	• Online self-directed learning materials	General population and investors
	Canadian Bankers' Association	• Online self-directed learning • High-school seminars	General population and high school students
Non-profit / Community-based Organizations	Canadian Foundation for Economic Education	• Educational resources and curriculum support	General & public school students
	Learn$ave, Fair Gains, SEED Winnipeg	• Individual development account initiatives supported by FLT	Low-income
	St. Christopher House	• FLT seminars • Individual consultations	Low-income
	SEDI – Metro Credit Union	• Financial management training seminars	Credit union members
Source: SEDI, *Financial Capability and Poverty.* Company research and web site review.			