



**TOWARD A NATIONAL STRATEGY FOR FINANCIAL LITERACY  
PHASE 2: PRIORITY GROUPS**

**Consultation Response**

December 10, 2014

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## **Acknowledgements**

*We would like to thank the following people who contributed their expertise and insights to this paper: Louise Simbandumwe, Donna McBride, Joanne Currie, Jennifer Bogoch, Lynne Woolcott, Jennifer Robson, David Rothwell, Kate Martin, Jerry Buckland, Zanna Joyce, Catherine Ludgate, Liz Mulholland, and Rachel Slade who are all members of the ABLE Policy and Research Action Group.*

*Thank you also to the ABLE Steering Committee for their comments on the initial draft, and Prosper Canada for writing this submission.*

*Lastly, we would like to thank Vancity for generously sponsoring this submission.*

# 1. INTRODUCTION

The **Asset Building Learning Exchange (ABLE)** is a national coalition of community practitioners, financial institutions, researchers, policymakers and funders committed to advancing financial empowerment approaches to improve the financial capability and wellbeing of Canadians living in, or at high risk, of poverty.

Originally focused on the use of asset building approaches to reduce poverty, ABLE broadened its focus in 2013 to include a wider range of financial empowerment initiatives, recognizing the need for, and proven impact of, a more comprehensive approach to building financial capability and wellbeing.

The financial empowerment approach aims to ensure the following supports are available to all low-income and vulnerable Canadians in their communities:

- Unbiased, relevant, and accessible financial information, education and counselling
- Help accessing income boosting government benefits and tax credits
- Safe and affordable financial products and services
- Savings and asset building opportunities
- Consumer education and protection.

At the 2013 ABLE conference, participants endorsed the establishment of a Steering Committee to encourage and coordinate the exchange of information, knowledge and expertise across a growing community of practice. The ABLE Steering Committee was launched in April 2014 and consists of 15 members from communities across Canada (see Appendix 1 for a list of ABLE Steering Committee members).

This submission was prepared by the ABLE Steering Committee<sup>1</sup> and seeks to:

- Situate financial literacy within a more comprehensive approach to building financial wellbeing
- Identify the three key challenges to meeting the financial literacy needs of vulnerable Canadians
- Recommend solutions (with examples) that will enable us to overcome these challenges
- Provide detailed feedback in response to the consultation questions.

The paper that follows is structured in three parts. In the first part (Sections 2 -6), we respond to the national strategy as a whole. In the second part (Sections 7- 10), we respond to the questions posed in the government's consultation document on helping people to: plan ahead; manage their financial affairs; improve their understanding of, and access to, public and private benefits; and protect themselves from fraud and financial abuse. In the final part (Section 11), we respond to the government's questions on measuring progress.

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<sup>1</sup> This paper was endorsed by the FLANO-RALFO (Financial Literacy Action Network of Ottawa-Réseau d'action en littératie financière d'Ottawa) through the consultation process.

## 2. TERMINOLOGY

In this paper, we understand financial literacy supports to include a diverse range of interventions designed to provide high quality, unbiased financial education, information and advice that is tailored to effectively meet the needs of priority groups and other financially vulnerable populations.

As ABLE members, our work is focused on supporting people living in, or at high risk of poverty. In this paper we use the term ‘financially vulnerable’ to mean people with low incomes, low or no financial assets, and low or negative net worth. This includes many members of the priority groups identified by the government in its consultation paper, as well as other financially vulnerable groups, such as people with disabilities, women in transition from situations of domestic abuse, out of school youth, and people with low literacy and numeracy skills.

Finally, use of the term “Canadians” in this paper refers to all people living in Canada, rather than citizens alone. This includes all newcomers who are permanent residents, have immigration visas, have applied for recognized status (e.g., humanitarian and refugee status), or are undocumented.

## 3. SITUATING FINANCIAL LITERACY WITH RESPECT TO OTHER FINANCIAL EMPOWERMENT APPROACHES

ABLE members are committed to financial education as a critical component of broader efforts to build the financial wellbeing of people who are financially vulnerable. In order to set personal and household financial goals, and build and successfully implement plans to achieve those goals, all Canadians require a basic level of financial knowledge, skills and confidence.

However, our experience working directly with priority and other vulnerable groups has shown us time and again that financial literacy *alone* will not enable many members of these groups to tangibly improve their financial wellbeing. Research evidence and feedback from our members indicates that additional supports are needed to overcome systemic and other barriers typically experienced by these groups.<sup>1</sup> These barriers vary from person to person, but may include and are not limited to:

- Public policies/programs that impede positive financial behaviours by people living in low-income (e.g., savings and asset restrictions for social assistance and disability benefit recipients) or fail in aggregate to incentivize them to the same extent as other citizens
- Mainstream financial information, products/services, and advice that don’t meet their needs
- Reliance on unstable, low-wage jobs and other forms of precarious employment
- Reluctance to access mainstream financial institutions by those who have had negative experiences with financial institutions, either in Canada or in their country of origin
- Reluctance to access mainstream financial institutions due to past financial mistakes
- Poor or no local access to mainstream financial services, particularly in rural/remote communities

- Complicated application procedures or lack of clear messaging about eligibility requirements for tax credits and other public benefits to which they are entitled
- Low levels of literacy and/or numeracy; and
- Limited knowledge of English and/or French.

These and other barriers prevent many members of priority and other vulnerable groups from building the financial stability and assets they need to pursue proven routes to financial wellbeing (e.g., education, employment, and entrepreneurship). Moreover, there are few sources of tailored financial education and advice, including one-on-one financial counselling, available to them.

No one sector is currently well equipped to address this issue. Frontline government and non-profit service providers frequently lack the mandate, resources, knowledge and skills to deal with the causes of financial vulnerability in low-income households. Mainstream financial institutions are also challenged to deliver effective products/services to these groups because of the specialized knowledge and additional effort required. They also tend not to view financially vulnerable groups as a profitable market segment. Consequently, financial products and services are largely tailored for middle- and higher-income clients. Some credit unions may be more predisposed to offer products and services suited to low-income members, but this is not universally true.

ABLE members are encouraged by the federal government's desire to address the particular needs of priority and other vulnerable groups in its national financial literacy strategy and are pleased to contribute our feedback and suggestions in this submission.

We believe it is equally important, however, that the government recognize other fundamental barriers to financial capability and wellbeing for priority and other vulnerable groups, and undertake parallel measures to address these by:

- Introducing changes to the regulatory system governing financial institutions, products and services
- Removing policy barriers to financial inclusion
- Integrating other financial empowerment approaches (see p.1 above) into relevant government policies and programs
- Encouraging stakeholders in other governments and sectors to do the same.

While research on the comparative effectiveness of different financial literacy interventions is still in its early stages, there is compelling evidence to suggest that accompanying financial information and education with other complementary financial supports (such as the financial empowerment approaches listed on page 1), can lead to improved financial outcomes for low-income and other vulnerable groups.<sup>2</sup> This includes evidence of the value of personal assistance when it comes to financial planning, accessing benefits<sup>2</sup>, and asset building.<sup>3</sup>

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<sup>2</sup> Financial information and education are key components in the design of financial empowerment supports, such as financial counselling and asset building programs, which are increasingly being integrated into the social services delivered by leading American cities. For an example, see NYC Department of Consumer Affairs, Office of Financial Empowerment, "Municipal Financial Empowerment: A Supervitamin for Public Programs," (2011), <http://www.nyc.gov/html/dca/downloads/pdf/SupervitaminReport.pdf>

We are confident that by taking this more comprehensive approach, and by situating Canada’s forthcoming national financial literacy strategy as one part of broader government efforts to enable Canadians to build their financial wellbeing, we can enhance the impact of efforts by all stakeholders and accelerate progress toward our shared goal of greater financial wellbeing for all Canadians.

## 4. DEFINING PRIORITY GROUPS

There is no “one-size-fits-all” approach to improving financial literacy among priority groups and other financially vulnerable populations. The financial literacy needs of priority groups are highly varied – not only across these groups, but also within each group. Furthermore, membership in one group does not preclude membership in another, as most Canadians have multiple, overlapping identities. People may also move in and out of priority groups intermittently over their lifetime, as their employment circumstances change, or they experience illness, disability or mental health challenges.

It is also important to recognize that membership in a priority or other financially vulnerable group, does not necessarily preclude people from possessing average or even superior financial knowledge and skills. Like all Canadians, members of these groups are diverse and each individual has their own strengths and weaknesses when it comes to financial literacy.

**For people living on low-incomes**, research suggests that the myriad, small, day-to-day financial decisions that must be made, and the associated stress of dealing with insufficient resources, can “consume mental resources, leaving less for other tasks.”<sup>4</sup> This not only leaves people with less “cognitive band-width” to deal with complex financial tasks, but the added social stigma of poverty can also deter them from reaching out for advice.

In these cases, professional financial advice is typically unaffordable and much of the mainstream information that is within the reach of people living in poverty is not tailored to their needs. Expanded access to unbiased, clear, reliable and accurate information can make it easier for people living in low-income to get help with their finances and to learn more about how they can access other supports they may need.

Among people living on low-incomes, some may have additional challenges that make it even more difficult to find relevant financial information and advice. Some examples include:

- Social assistance beneficiaries who need information on the potential impact of increased income and savings on their benefits
- People living with disabilities seeking information on how to access relevant government benefits and savings programs like the RDSP
- Caregivers in need of specific financial information and advice to help them manage someone else’s financial affairs
- Youth in care who need access to information and support on a range of topics, from money management and banking, to education/training financing and planning, as they transition out of care.

**Aboriginal peoples** face multiple socioeconomic barriers to their financial inclusion in the Canadian economy. Although some of these barriers may be similar to those experienced by other financially vulnerable Canadians, colonization and residential schools have had lasting negative impacts on Aboriginal individuals, families, and communities. Establishing a relationship of trust between Aboriginal communities and the federal government and financial institutions is critical to the effectiveness of any future national financial literacy strategy. Broader availability of culturally appropriate financial information and supports will also be critical to building financial literacy skills amongst Aboriginal peoples.<sup>5</sup>

Financial literacy barriers experienced by some Aboriginal community members include, but are not limited to:

- Cultural beliefs and values on financial matters that differ from the values typically associated with a market economy – e.g., the use of non-cash transactions in what is often referred to as the ‘gift economy,’ and the prioritization of family and community wellbeing over individual financial wellness.<sup>6</sup>
- Legal consequences of living on- or off-reserve that can affect the relevance and impact of government programs and the planning of wills and estates
- Geographic barriers to accessing mainstream banking services
- Discrimination, low-income, disproportionate rates of homelessness, and lower levels of educational attainment compared to the Canadian population overall
- High energy and food costs in remote communities that make it hard to save and meet basic needs.

**Newcomers to Canada** arrive with varying levels of financial literacy. However, they all face the challenge of learning new financial and taxation systems when they arrive in Canada. Their early experiences in this regard can have a significant impact on key decisions related to saving money, building productive assets and managing debt.

Some of the particular financial literacy barriers newcomers may face include:

- Limited French and/or English language skills
- Cultural differences and values with respect to individual financial decision-making, including gendered roles around family finances, which can limit access to financial products and advice
- Mistrust of financial institutions based on negative prior experiences in other jurisdictions
- Failure to recognize prior credit histories established outside of Canada
- Lack of awareness of entitlement to government tax benefits and credits.

Newcomers may also experience particular financial pressures, including:

- Financial responsibility for family members in Canada and/or their country of origin
- Failure to recognize foreign credentials, leading to difficulty securing adequate employment



- The financial burden of repaying refugee transportation loans, relative to typically low levels of income experienced during the first years of settlement.

## 5. CHALLENGES TO MEETING THE FINANCIAL LITERACY NEEDS OF PRIORITY GROUPS

There are three fundamental challenges to meeting the financial literacy needs of the priority groups identified by the Financial Consumer Agency of Canada (FCAC) and of other financially vulnerable Canadians:

- **How can we effectively tailor financial literacy initiatives to successfully meet the specific needs of so many diverse groups?** – Financial literacy educators have increasingly found that it is essential to meet people “where they are at” with resources that are non-judgemental, use plain language, and are relevant to learners’ life contexts. More research is needed though, on the distinct needs and preferences of diverse groups, on the barriers to financial inclusion and wellbeing they are likely to experience, and the specific approaches that are most effective at addressing these needs and barriers. This includes research into their financial contexts, behaviours, experiences, attitudes and life events, and by recognizing the diversity of needs that exist within any one group.
- **How can we reach *all* those who require financial literacy support in a sustainable way?** – Governments do not have the resources to create large-scale new programs, and community organizations lack the capacity to provide effective new programs and supports to these populations without new resources. The current efforts of the many community organizations already involved in providing financial education to members of priority groups tend to be small relative to the scale of the overall need. Currently, these efforts are largely supported by small, one-time grants. Once these grants end, there are few other sources of funding for this work. Most frontline service providers (public, private and community sector) also lack the knowledge, skills and mandate to provide effective financial literacy supports to low-income and vulnerable clients. Meanwhile, although some financial institutions are investing in financial education for Canadians, the efforts of this sector as a whole are uncoordinated and fall far short of meeting actual needs. Without coordinated efforts to address these gaps, it is unlikely providers will be able to play an effective role in supporting vulnerable Canadians to build their financial literacy and capability.
- **How can we ensure financial education efforts actually lead to greater financial wellbeing?** – Knowledge alone is rarely the primary determinant of human behaviour. Therefore, we need to understand more about the relationship between financial literacy and financial wellbeing, what methods have proven most effective at advancing financial wellbeing through financial education, and what complementary supports are required to support positive changes in financial behaviour. More formal program evaluation and research are also needed to transform valuable frontline practitioner insights into evidence that can be used to further strengthen the content, design, and delivery of financial information, education and advice to vulnerable populations.

## 6. RECOMMENDED SOLUTIONS

To address these challenges, we recommend that the federal government and its partners in all sectors pursue the following strategies outlined below. Where possible, we have provided illustrative examples.

### Recommendation 1

**Through research, establish the relationship between financial literacy and financial wellbeing for priority and other financially vulnerable groups, i.e., what financial literacy can reasonably do and its limitations with respect to enabling people to overcome systemic barriers to financial inclusion and wellbeing.** While the national financial literacy strategy alone will not be able to address systemic barriers, the FCAC should establish a transparent process for capturing and sharing feedback on barriers and recommended solutions with appropriate audiences, including relevant federal government and non-government actors. Where appropriate, FCAC should use this information to facilitate cross-government, and cross-sectoral processes to develop responses.

### Recommendation 2

**Invest in research and knowledge exchange to better understand the specific financial literacy needs of different priority and other vulnerable groups, and best practices with respect to addressing these needs.**

- *AFOA Canada's (formerly the Aboriginal Financial Officers Association of Canada), "Literature Review of Indigenous Financial Literacy in Australia, Canada, New Zealand and the United States," is being used to inform the development of an Aboriginal financial literacy framework for Canada.*
- *Promoting Education and Community Health (PEACH) and the York University Community Finance Project's literature review, "Engaging Marginalized Youth in Financial Literacy Programs," helped shape a pilot financial literacy initiative for youth.*

### Recommendation 3

**Assess relevant federal policy and program frameworks to identify those that evidence suggests can be improved by integrating financial literacy, and amend them accordingly.** In relation to program funding frameworks, financial education and related supports for financial wellbeing should be made eligible or required program activities and taken into consideration in assessment of funding applications.

- *Recognizing that newcomers to Canada need to understand how to navigate Canada's financial services system in order to settle and integrate successfully, **Citizenship and Immigration Canada (CIC) amended the list of eligible activities under its national Settlement Program to include financial education.** This has enabled frontline settlement workers with the appropriate training and tools to begin integrating financial information and education into the counselling sessions they deliver to tens of thousands of newcomers annually.*

#### **Recommendation 4**

**Encourage large (national and regional) business, government, and non-profit service systems with stable infrastructure, resources and reach into financially vulnerable populations to integrate financial literacy into their existing programs and services - where this can be done sustainably, and will advance their organization's objectives, and measurably improve the financial wellbeing of their financially vulnerable clients.** Some examples of potential service systems include: national financial institutions, regional credit unions, provincial social assistance and disability benefit programs, municipal employment and social services, federal and provincial student financial aid programs, non-profit settlement service providers, large municipal social housing corporations, etc.

- ***The City of Toronto Employment and Social Services Division has trained staff in 19 neighbourhood Employment Centres to deliver financial education tailored to the needs of low-income Canadians. Financial literacy workshops are available to all new social assistance recipients, as well as other visitors to the centres which serve 75,000 residents annually.***
- ***The Toronto Public Library offers free financial education classes for adults and teens at branches across the Greater Toronto Area on a host of financial literacy topics from money management and consumer and debtor rights to fraud protection and tax filing.***
- ***In New York City, financial education and counselling were integrated into a wide array of social services delivered by the city government once evaluations showed that this significantly improved program outcomes such as income, employment and housing. More U.S. cities are adopting this approach, and a formal technical assistance program has been set up to assist them through the national Cities for Financial Empowerment Fund.***
- ***Vancity credit union has trained 250+ frontline staff across its service area (Metro Vancouver and Capital Regional District) to offer community financial workshops on basic financial literacy topics. Staff members are selected for language and cultural competencies to ensure they are able to meet workshop learners "where they are at" and provide learning opportunities that are relevant to participants.***
- ***The TD Bank Group created Money Matters, a free workshop on personal finances for adult learners including newcomers to Canada, Aboriginal peoples, single parents and low-income families. The program is delivered by TD volunteer-tutors in community centres across the country.***

#### **Recommendation 5**

**Invest in coordinated strategies to build the capacity of large-scale service systems in all sectors that are willing to integrate financial education for financially vulnerable groups into their programs and services.** Strategies should include: research on the financial literacy needs of specific target groups and best practices with respect to meeting these needs; the development and testing of program methodologies, training, and tools and resources for broad dissemination across service systems; and the establishment of mechanisms and tools for ongoing evaluation of programs and the improvement of interventions through knowledge exchange.

- ***The Money Management Tool for Newcomers is an online financial information tool, created by Prosper Canada with support from Citizenship and Immigration Canada. The tool was developed in consultation with community settlement agencies, settlement counsellors, and the Ontario Council of Agencies Serving Immigrants (OCASI) to provide frontline settlement workers across Canada with an easy way to quickly access simple, clear, reliable financial information tailored for newcomers that***

they can use in one-on-one counselling sessions with their clients. This tool eliminates the need for costly training that needs to be repeated when frontline staff turnover and can be updated and improved annually by Prosper Canada.

- The **Financial Literacy Evaluation Resource Kit** was developed in consultation with 80 leading financial literacy practitioners and researchers, with support from the Investment Industry Regulatory Organization of Canada and Prosper Canada. This comprehensive toolkit is used by community financial educators to plan, implement, assess, and report on the impact of their programs.
- In BC, “**First Nations Financial Fitness: Your Guide for Getting Healthy, Wealthy, and Wise,**” was created by the Aboriginal Financial Officers Association (AFOA) of BC and the Aboriginal Financial Literacy Committee, who worked with various stakeholders to design an online handbook on financial literacy for Aboriginal families. The workbook uses culturally appropriate and relevant historical references about money and finances to support Aboriginal families to create positive change and become “financially fit”.

### **Recommendation 6**

**Work with cross-sectoral stakeholders to establish a source of funding for community-based financial literacy education tailored for priority and other vulnerable groups.** While it will be necessary to integrate financial education into large service systems and other established government programs to achieve real reach and scale, it is important not to overlook the critical role of the diverse community-based organizations that have led the development and delivery of tailored financial literacy initiatives for vulnerable Canadians. These organizations are currently the leading source of knowledge, skills and expertise in this field. Many of them have only been able to implement programs through funding from a five-year national granting program established by the TD Bank Group that is scheduled to sunset in December 2015. There are currently no other significant funding sources for the delivery of community financial literacy programs for vulnerable populations in Canada. Without the establishment of new funding sources – public and/or private sector – for these programs, there is a strong likelihood that much of the current programming, and the accompanying experimentation and knowledge generation will end in 2015.

### **Recommendation 7**

**Facilitate positive financial behaviours in priority groups and other vulnerable populations by making it easier for them to access relevant financial information, benefits, and services through a range of channels that meet their needs, including the availability of personal assistance.** Some members of these groups experience significant barriers (e.g., literacy, numeracy, disability, language, mobility, and geographic) to accessing financial information, benefits and services – barriers that no amount of financial education can overcome. Governments, financial institutions and other intermediaries involved in the delivery of critical financial information, benefits and services, should audit key delivery channels from the perspective of diverse financially vulnerable users to identify and implement service improvements. Where appropriate, new technologies should be employed, however, the inevitable need of some individuals for personalized assistance should also be recognized. Solutions should be rooted in human-centred design<sup>3</sup> to ensure they are user-friendly and accessible to priority and other

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<sup>3</sup> **Human centred design** is a process in which the needs, wants, and limitations of the end users of a product, service, interface or process are given extensive attention at each stage of the design process. It is a multi-stage problem-solving process that not

vulnerable groups, particularly people with disabilities. This includes the application of adult learning principles for Canadians with low literacy and English as a second language.

- *The design firm Bridgeable, collaborated with Peel Children and Youth Services, the Royal Bank of Canada, Prosper Canada and low-income families to analyze barriers to opening Registered Education Savings Plans (RESPs) and to develop a simple, highly visual, **online RESP tool** to guide people through the necessary steps to open an RESP and obtain the Canada Learning Bond – a \$500 federal grant for a child’s education. The guide includes key obstacles they are likely to encounter and information on how to overcome these, as well as a worksheet they can use to plan all the steps they need to take to achieve success.*

Community development approaches based on collaboration with community agencies can work to develop and deliver customized financial literacy education and advice through trusted service providers to reach more people at locations they already frequent, and expand access in areas where there is a current unmet need.

- *SEED Winnipeg, in partnership with Mount Carmel Clinic, created the **Strengthening Families in Canada Financial Literacy Project**. This program supports the economic and social integration of newcomer families from war-affected communities. Using a train-the-trainer approach, Community Based Educators (CBEs) who are newcomers themselves enhance and adapt SEED’s financial literacy curriculum to ensure that the learning materials are relevant and culturally appropriate for their community members. During the pilot project, 26 CBEs delivered over 128 customized workshops to 623 newcomers in 11 languages.*
- *Doctors in Manitoba and Ontario are experimenting with a **clinical poverty and benefits screening tool** to identify patients who are low-income and may be eligible for government benefits they are not currently accessing. Patients are then directed to relevant government websites and offices to make an application or to local community agencies or social workers that will help them complete their application.*
- *AFOA Canada has developed **Dollars and Sense**, a financial literacy program for Aboriginal children and youth with three age-appropriate modules. The Secondary School Module (grades 11 and 12) covers topics like tracking spending, goal setting, budgeting, consumer awareness and spending, smart phone, and careers in finance. The Middle School Module covers topics such as needs and wants, establishing personal goals, group goals, ways to save and use money, consumer decision making, banking that’s right for you, and financial priorities. The Elementary School Module covers financial goal setting, ways to earn money, prioritizing your money, smart shopping, creating a budget, advertisements, smart banking tools, and writing a cheque. AFOA Canada oversees the training of facilitators who deliver the program modules in the classroom, working in collaboration with TD Bank Group, AFOA chapters, corporate partners, and Aboriginal organizations across Canada.*

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only requires designers to analyze and foresee how users are likely to use a product, but also to test the validity of their assumptions with regard to user behaviour in real world tests with actual users. Testing is necessary, as it is often very difficult for product/service designers to understand intuitively what a first-time user of their design experiences, and what each user’s learning curve may be. The chief difference from other product design philosophies is that user-centred design tries to optimize the product so users can and *want* to use it, rather than forcing users to change their behaviour to *accommodate* the product. For information on the use of human-centred design approaches when working with low-income communities, see the *HCD Toolkit* by IDEO, <http://www.designkit.org/resources/1/>

## **Recommendation 8**

**Further facilitate positive financial choices by improving choice architecture with respect to key public benefits programs and financial products and services and making use of other “nudging” mechanisms that can dramatically improve behaviour** – e.g., making benefits ‘opt out’ instead of ‘opt in’ and requiring federally regulated employers to do the same; offering families a default simple investment option for all registered savings plans that is possible to ‘opt out’ from at any time. Behavioural research has found that providing people with better choices often results in better outcomes, and that making it much easier to adopt positive behaviours is more effective than trying to motivate individuals to undertake difficult and complex tasks.<sup>7</sup> This approach has the potential to significantly increase uptake of savings vehicles and incentives for education, the needs of people with disabilities, and retirement.

## **7. HELPING PEOPLE PLAN AHEAD**

### **7.1 Barriers to planning ahead**

According to the 2009 Canadian Financial Capability Survey, members of the government’s designated priority groups, as well as many young adults and single adults, struggle to plan ahead.<sup>8</sup> Among these, are many people with low incomes and low or no financial assets, for whom day-to-day financial pressures can make it seem impossible to save even small amounts for emergencies, let alone for longer term goals. Young people, particularly, find it challenging to imagine and plan for the long term, while people on income assistance programs are discouraged from putting resources aside for future goals, even when this is possible (e.g., due to small monthly economies or windfalls), because of limits placed on savings and asset.

Our experience training and working with frontline financial education providers and working directly with financially vulnerable Canadians has helped us to identify the following barriers they face to planning ahead:

- **Complexity** – Managing personal finances and navigating today’s expanding range of financial products and services is a complex undertaking. The sheer range of choices and the difficulty involved in understanding and weighing different options can be overwhelming, leading to paralysis of choice and postponement of decision-making. For example, social assistance recipients contend with an added layer of complexity to make sure they comply with the rules and requirements related to managing their finances, including those related to financial assets and employment.
- **Poor access to unbiased, relevant financial advice** – Some people have complex financial challenges they cannot solve on their own. In these cases, they need advice. However, most people living in poverty or on modest incomes have very few, if any, trusted sources of affordable, unbiased, relevant financial advice available to them. Most free advice provided by financial institutions or agents is designed to promote the sale of products – products which may or may not be in the best interests of the client. Because credit unions are directly accountable to their members who are also their customers, they arguably have a stronger interest in promoting their members’ best interests, but there is no guarantee that this principle is universally or evenly applied to all members by individual credit unions. Because the advice most financial advisors offer assumes a middle- or

higher-income client, it can be inappropriate or even financially detrimental for low-income individuals whose financial circumstances, needs and priorities are often very different. Some jurisdictions have solved the problem of quality financial advice for low- and modest-income households by establishing free, community-based, financial counselling/coaching programs designed to fill this critical market gap.<sup>9</sup>

- **Cognitive and behavioural biases** – There is strong evidence from behavioural research that all people have cognitive difficulty planning for events that are far in the future. The very act of saving requires people to reduce short-term consumption to meet long-term goals, which can be a significant challenge for many.<sup>10</sup> Recent research also suggests strongly that poverty (scarcity of financial resources) imposes an additional cognitive load that exacerbates short-term thinking and creates a tunnel-like focus on meeting immediate financial needs – sometimes at the expense of longer-term financial wellbeing.<sup>11</sup>
- **Low income** – People with low incomes are frequently challenged to meet their day-to-day basic needs and, consequently, often find it hard to save for the future. While there is strong evidence that people with low-incomes can and do save with appropriate supports and incentives, for those with very low incomes, saving for the long term may not be an appropriate choice until they can find some means to boost their income.<sup>12</sup> In these cases, the accumulation of more modest savings for short-term emergencies may be a more appropriate goal for some individuals.
- **Appropriateness of support** – People in each of the priority groups often receive information that is not relevant to their personal circumstances or accessible to them, due to geographic, cultural, language, or disability barriers. Financial literacy programs are often geared towards a general audience and overlook the fact that people have diverse cultural beliefs, worldviews, and life circumstances when it comes to financial matters. Some examples include:
  - Budgeting templates that overlook typical expenditure categories for remote communities (e.g., budgeting for firewood) or include categories that are completely irrelevant (e.g., for public transportation where none is available).
  - Instructing people to open a bank account when the nearest bank is 400 km away by plane.
  - Financial education activities that rely on written exercises, instead of interactive group learning that is more inclusive of people with literacy and visual barriers.
  - Failure to recognize that, in some cultures, it is more desirable to share today than to save for tomorrow.
  - Poorly tailored financial education activities and resources can further marginalize groups who are already experiencing barriers by reinforcing that their experience does not “fit the norm” established by other Canadians. When it comes to planning ahead, financial planning tools and resources that assume homogeneous life trajectories and events can have the same effect, leaving the individual feeling as if financial planning tools and resources – and planning itself – are not for “people like them.”



- **Disincentives to save** – People receiving social assistance or disability benefits are prevented from saving due to claw backs in most provinces. For example, individuals who become disabled later in their career are required to spend down their RRSPs before they can become eligible for provincial disability benefits.

## 7.2 Examples of initiatives that address these barriers

- *Federal government savings incentives, like the **Canada Education Savings Grant** and the **Canada Learning Bond**, that are linked to RESPs, help increase the likelihood that children from low-income households will enroll in post-secondary education.*
- *Credit Union Central of Canada’s **Matched Savings Program Toolkit** is designed to help credit unions create incentivized savings programs for their members, making it easier and more rewarding for them to save for the future.*
- ***Savings Circles**, a matched savings program operated by Momentum in Calgary, is designed for adults living on very low incomes, many of whom are in transition towards a more stable income, better housing or employment and/or have limited ability to build assets on their own. Graduates of the program are able to use their savings to establish a Resiliency Fund which provides a much needed cushion in the event of unexpected financial challenges.*
- *The **RDSP Calculator**, co-designed by Plan Canada and Prosper Canada, walks people through a few simple questions to help them assess the potential of opening and contributing to a Registered Disability Savings Plan (RDSP). The tool estimates the future value of contributions to an RDSP and helps users calculate the approximate value of future withdrawal payments.*
- *The **Manitoba Asset Builders Partnership’s program** helps low-income people to meet their savings goals through money management and matched savings credits. Over 2,000 participants have saved over \$1.7 million with matched funds of over \$2.8 million since the program began in 2000.<sup>13</sup>*

## 7.3 Other recommended solutions

- **Explore automatic enrolment in the Canada Education Savings Grant to expand uptake** of this incentivized savings mechanism and help more families save for their children’s post-secondary education.
- **Equip frontline workers delivering social programs targeted to priority groups and other vulnerable Canadians with the tools and information they need to connect clients to income and benefits for which they are eligible.** Examples of programs that could be leveraged in this way include but are not limited to: social assistance; disability benefits; social, supportive and transitional housing; settlement services; employment; and entrepreneurship. Boosting incomes through benefits can help some low-income people build emergency savings.
- **Make saving easier for Canadians by allowing them to use their tax forms to designate all or a portion of their refund into more than one type of savings vehicle** – e.g. RRSP, Tax Free Savings



Account, RESP, RDSP, etc. Also provide options to save benefits and credits, such as the Working Income Tax Benefit and GST credit.

## 8. HELPING CANADIANS MANAGE THEIR FINANCIAL AFFAIRS

### 8.1 Barriers to managing one's financial affairs

Members of priority and other financially vulnerable groups frequently have difficulty finding safe and affordable financial products and services, and places to turn to for unbiased, accurate and relevant financial information, education and advice.

In an investment market place focused on quarterly share price and profits, many financial institutions are not focused on the potential longer-term financial advantage of assisting low and modest-income clients to build their wealth and offer them products and services to meet their needs. Despite the large and growing array of financial services and products on the market, few are designed to meet the needs of financially vulnerable individuals. In addition, many vulnerable Canadians living in rural, remote and inner city communities have no access to local mainstream financial services at all.

Financial planners and financial institutions are often unaware of the particular needs of financially vulnerable groups, and may try to sell products and services to clients that they do not understand, need or simply cannot afford. Clients in these cases can leave feeling confused, pressured and frustrated by the lack of products, services, and people that are available to meet *their* needs. Some members of priority and other vulnerable groups may also experience negative or discriminatory comments or treatment in their dealings with financial institutions, which can leave them feeling poorly served and demeaned.

These systemic barriers make it challenging for members of priority and vulnerable groups to manage their finances effectively and to get help when they need it to make financial decisions. It is not surprising then that many are turning to the predatory fringe financial services that are increasingly ubiquitous in communities with high numbers of financially vulnerable residents. These businesses go out of their way to offer a positive customer experience and products tailored to the short-term needs of vulnerable clients – albeit at a cost that many find later they cannot truly afford.

Currently, few, frontline community organizations and government service providers have the mandate or capacity (knowledge, training, tools, and funding) to address the underlying causes and symptoms of financial vulnerability among priority and other vulnerable groups, or to equip members of these groups with the knowledge, skills and confidence they need to take greater control of their financial lives. These circumstances leave many financially vulnerable people reliant on family, friends and informal networks when in need of financial information and advice.

### 8.2 Examples of initiatives that help address these barriers

- *West Neighbourhood House, a neighbourhood multi-service organization in Toronto, provides community-based financial counselling through its **Financial Advocacy and Problem Solving (FAPS) program**. FAPS helps newcomers and people living in low-income to resolve urgent financial*

problems, reduce debt, and boost their incomes through tax filing and accessing benefits. In 2012, the organization helped 2,050 people access \$3.9 million in government benefits.

- SEED Winnipeg delivers **Money Stories: Grounding Youth in the Lessons of their Elders**, an intergenerational financial literacy program developed in collaboration with the Aboriginal Seniors Resource Centre and Children of the Earth High School. Money Stories offers after-school, money management training to Aboriginal youth drawing on traditional cultural teachings and support from Aboriginal elders. Program graduates can further develop their financial literacy and leadership skills by becoming Junior Facilitators at SEED and helping to deliver intergenerational workshops in Aboriginal communities.
- **Mutual Assistance Fund**, a program offered by the Desjardins Group (a large federation of local credit unions), provides budgeting consultations and loans for people in financial difficulty. The average loan is \$500 and interest-free. Since the establishment of the program, over 64,000 individuals have received financial counselling and over \$3.4 million in loans have been granted, with an average repayment rate of over 85 per cent.
- The BC Association of Native Friendship Centres and the Native Friendship Centres of Prince George and Victoria launched the **Financial Literacy Partnership** early in 2014. This program provides vulnerable urban Aboriginal people with individual financial coaching and follow-up. The curriculum explores participants' relationship with money using an Aboriginal lens to foster positive financial behaviours.<sup>14</sup>
- Affinity Credit Union and Read Saskatoon work together to **help vulnerable populations with access to financial services**. Read Saskatoon prepares individuals to interact with financial institutions and refers them to employees at Affinity who are most skilled at working with financially vulnerable individuals.
- Momentum, a Calgary-based community economic development organization, worked with local financial institutions, community agencies, Downstage Theatre, and participants experiencing barriers to banking to create **Mutual Fun**, an experiential training tool designed to help frontline financial institution staff understand the barriers that people living on low incomes may face. First Calgary Financial participated in the development of Mutual Fun and has since fully incorporated the training into their new hire orientations. Mutual Fun is available to financial institutions across Canada and non-profits working in financial empowerment.
- The **Transportations Loan Repayment Pilot Project** is a local program established to reduce the financial stress refugees experience with regard to paying off their transportation loans. Delivered by SEED Winnipeg and the Immigrant and Refugee Community Organization of Manitoba, the program is modelled on SEED's other successful matched saving programs. Program supports include family-based financial literacy group sessions, as well as individual financial education sessions, to help individuals and their families with budgeting and developing a transportation loan repayment plan.

### 8.3 Other recommended solutions

- **Expand access to free financial coaching/ counselling<sup>4</sup> for people living with low- and modest-incomes who need individualized advice to solve complex financial problems.** Regular financial coaching/ counselling sessions can help clients by providing financial information, helping them to set financial goals, and supporting them to develop and follow a financial plan to achieve their goals. In the U.S., the integration of financial coaching into municipal social services has been shown to significantly increase employment rates, average salaries, and income one year later for participants in the coaching programs, relative to their peers who did not.<sup>15</sup> Other jurisdictions, like the United Kingdom<sup>16</sup> and Australia<sup>17</sup>, have established national financial advice programs to expand access to unbiased, free information and advice. In Canada, ABLE members, in partnership with the public and private sectors, are exploring models to mobilize and train professional financial planners to serve as volunteer financial coaches/counsellors for vulnerable Canadians, as well as models for training and supporting community social service providers to provide financial counselling to vulnerable clients.

## 9. IMPROVING UNDERSTANDING OF, AND ACCESS TO, PUBLIC AND PRIVATE BENEFITS

### 9.1 Barriers to understanding and accessing public and private benefits

Over the last three decades, self-employment and other forms of precarious employment have increased significantly in Canada. While not everyone who is precariously employed is a member of a priority or vulnerable group, low-income Canadians (including a disproportionate percentage of Canada's newcomers, Aboriginal peoples, and people with disabilities) are much more likely than Canadians overall to experience precarious employment.

Although some workplaces offer an ideal opportunity to provide financial information and education on employer and public benefit programs, people who are self-employed or employed in low-wage, casual part-time or irregular jobs are not likely to benefit from such initiatives as they rarely enjoy any employer benefits at all. For this reason, other means are necessary to expand their understanding of, and access to, public benefits.

Tax filing assistance is often a more appropriate and effective way to connect members of priority and vulnerable groups with the benefits for which they are eligible, as governments are choosing increasingly to deliver benefits directly through the income tax system, or to determine eligibility for other non-tax benefits through the tax filing process. Many low-income people do not currently file their taxes because they are not eligible to pay tax and are unaware of the tax benefits available to them. Others may be aware, but have difficulty navigating the tax filing process. Others are worried that, if they file, monies may be seized from them to settle outstanding debts. As a result, many financially

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<sup>4</sup> **Financial coaching** focuses on helping clients to identify personal financial goals and develop and follow a plan to achieve them. It does not include the direct provision of financial advice. For more information see, Collins, J. M. 2013: Moving to Financial Capability through Financial Coaching, [http://fyi.uwex.edu/financialcoaching/files/2010/07/Collins\\_NFCC\\_2013.pdf](http://fyi.uwex.edu/financialcoaching/files/2010/07/Collins_NFCC_2013.pdf). **Financial counselling** is also designed to help clients set goals, and develop and follow a financial plan, but includes the provision of direct advice to clients by counsellors who have specialized financial knowledge and training with respect to issues like debt, credit, and bankruptcy.

vulnerable Canadians are missing out on important benefits that could boost their incomes significantly – in some cases by as much as 40 per cent. Among seniors alone, approximately 160,000 of Canada’s poorest seniors are currently not accessing their Guaranteed Income Supplement (GIS) when eligible to receive Old Age Security (OAS) benefits.<sup>18</sup>

Not all benefits are delivered through the tax system, however, and members of priority and other vulnerable groups often experience barriers to accessing these benefits as well. Relying on informal information sources, many people are not aware of or are misinformed about prospective benefits. Programs that seem “too good to be true” are sometimes not trusted as a result. Others may not seem ‘worthwhile’ due to the time and trouble involved to access them (e.g., Canada Learning Bond). Social assistance recipients are often unaware of supplementary benefits available to them for employment (e.g., training and other job related expenses), medication, dietary requirements, and shelter costs.

Complex application processes, ‘opt-in’ requirements for some benefit programs, the time, difficulty, and cost of visiting government offices to secure necessary documentation and apply in person for benefits; and negative experiences with government service providers (whether in Canada or a previous country of residence), are just some of the reasons that people fail to access their benefits. For people with mobility challenges, the need to travel long distances to government offices to apply for benefits or obtain necessary government identification can be a significant obstacle. It can also create costs that are hard to manage without time to plan and save for them – costs such as transportation, foregone wages from time off work, fees for government documents or doctors’ notes, and child care.

Finally, some people face language, literacy, and numeracy barriers that can make it even harder to navigate tax and other benefit systems without personal assistance or other tailored supports.

## 9.2 Examples of initiatives that help address these barriers

- ***Drop-in legal clinics** held in collaboration with credit unions and government help people to obtain the basic identification necessary to access many government programs and services within their own communities.*
- *Healthcare Providers Against Poverty has developed a **clinical poverty and benefits screening tool** to work with low-income patients to find benefits programs for which they qualify and help them address issues related to poverty. The Ontario College of Family Physicians has endorsed the screener, which can serve as a model for other front line health and social service providers.<sup>19</sup>*
- *There are several public and private sector initiatives to expand the availability of **free community tax clinics**, including those offered by the Certified General Accountants Association of Ontario, the City of Toronto in all 19 of its Employment Centres, and by community organizations that use the Canada Revenue Agency’s Citizen Volunteer Income Tax Program. The Ministry of Social Services in Ontario has analyzed its caseloads for social assistance and income supports to assist people who have not filed their taxes and are eligible for additional supports. Through this initiative the Ministry is also seeking ways to expand access to tax clinics.*
- *The Omega Foundation’s **SmartSAVER** marketing campaign promoted the Registered Education Savings Plan, the Canada Education Savings Grant and the Canada Learning Bond, engaging almost*

1,000 service providers, as well as local government and school boards. The campaign resulted in significantly increased take-up rates – e.g., Canada Learning Bond enrollments in Toronto tripled to over 7,000 families in 90 days.<sup>20</sup>

### 9.3 Other recommended solutions

- **Expand community tax clinics in locations that people already frequent to help them access benefits delivered through the tax system.** Private sector volunteers can be highly effective at providing the required support when mobilized to deliver the CRA’s Community Volunteer Income Tax Program tax clinic model. City of Toronto Employment Centres provide an example of integrating tax clinics into existing social and employment service locations.
- **Reduce barriers to accessing benefits by making online access more streamlined, more visually appealing, and easier to understand and navigate.** For example, the Ontario benefit transformation project is looking at ways to streamline access to provincial benefits through simplified online access and application procedures.
- **Make the RDSP more accessible by permitting people with a disability whose condition is terminal to withdraw funds sooner, eliminating claw backs on earned and un-earned income, and expanding promotion of the program to reach more of the people who are eligible.**
- **Expand eligibility for the Disability Tax Credit to include people with severe intermittent mental health issues and people with mild developmental disabilities.**

## 10. HELPING INDIVIDUALS PROTECT THEMSELVES FROM FRAUD AND FINANCIAL ABUSE

### 10.1 Barriers to protection from fraud and financial abuse

The current financial system is based on the understanding that all people in Canada are on an even playing field in terms of navigating and understanding the huge array of financial products and services on offer; however, in reality, this is not the case. While many Canadians may find navigating financial choices in today’s marketplace to be challenging, it can be overwhelming for Canadians with cognitive, language, literacy, and numeracy limitations. Ensuring these individuals are protected from financial fraud and abuse requires a comprehensive approach that includes consumer education, but also effective regulation, improved business practices by financial institutions, and a commitment by all financial actors to create safer options for consumers – particularly those who may be vulnerable to fraud or abuse. Coordinated efforts to improve access to unbiased, relevant, high quality financial education and advice, as discussed earlier in this paper, are also critical to minimizing opportunities for fraud and abuse to occur through informal networks, including personal relationships.

Given the continued proliferation of fringe and predatory financial services in Canada, a systemic initiative to enhance access to safe and affordable mainstream financial services and products for the unbanked and under-banked, and regulation and enforcement to curb predatory practices by fringe

financial services, is also needed. While the regulatory dimension may fall within provincial jurisdiction, the federal government and national stakeholders can play a role in convening a broader national effort in which interested provincial governments can participate.

Within the investment sector, the current commission-based remuneration system for many financial advisors can incentivize some to work in their own interests at the expense of their clients'. Financial planners and advisors also frequently lack an understanding of the financial context and needs of members of priority and vulnerable groups that can result in them giving advice that is irrelevant or even financially detrimental to these clients.

Finally, caregivers who are responsible for managing dependents' financial affairs also require clear information, education and guidelines to help them manage this challenging task effectively and to avoid actions that constitute, or could be construed to be fraud or financial abuse.

## 10.2 Examples of initiatives that help address these barriers

- *San Francisco's Mission Asset Fund is the innovator behind the **Financial Facts label for credit products**. The label highlights important loan information in a clear, transparent, and easy to understand format so borrowers can make healthy financial decisions. Financial Facts is modelled on the Nutritional Facts labels developed by the US Food and Drug Administration to inform consumers about the nutritional content in food. In the same way that Nutritional Facts labels revolutionized nutritional awareness, this label can reveal hidden fees and interest rates and other associated costs and help people avoid predatory loans, and in turn, build credit histories and financial security.<sup>21</sup>*

## 10.3 Other recommended solutions

- *Through the FCAC, create tools to compare a wide range of financial products by developing a clear and easy to understand labelling system for consumers, and encourage the provinces to do the same.*
- *Develop a set of simple "rules of thumb" that people can follow to recognize signs of fraud and financial abuse, and know where to turn for reliable and trustworthy advice. Research has shown that giving people clear, simple rules of thumb, rather than complex detailed information, is more effective at changing behaviour<sup>22</sup>. Simple rules on how we can all protect ourselves from fraud can be very effective, if communicated by all sectors consistently.*
- *Clarify financial information for financial professionals that provides advice to caregivers and their dependents and creates clear guidelines for caregivers and their dependents on the management of finances; including advice for individuals on how to identify fraud and abuse and what action to take.*

## 11. MEASURING PROGRESS

### 11.1 Suggested ways to measure progress

Measuring the progress of the government's financial literacy strategy will require well-coordinated research and evaluation efforts to build an understanding of how to effectively tailor financial literacy initiatives to meet the needs of financially vulnerable populations. This includes the development of common approaches to documenting the work carried out by financial literacy initiatives across all sectors, measuring their progress, disseminating their learning, and investing in approaches that are proven to work.

Currently, there are a variety of programs being evaluated across Canada, and often, they are using different outcomes, indicators, and evaluation methodologies. This makes it very challenging to compare effectiveness across initiatives and geographies. Many programs also experience limitations in terms of capacity and funding to carry out evaluation work. Measuring progress will involve looking into systematic ways to benchmark outcomes and integrate evaluation into programs at different levels - from the community level to the national level - to really make progress towards enhancing the financial literacy and capability of Canadians.

Assessing progress in terms of outputs (whether the federal government or other parties have taken actions aimed at improving outcomes) is not enough. While it will be important to ensure accountability for delivery against plans and commitments, the ultimate gauge of the strategy's success must be its impact on the financial lives of members of priority groups and vulnerable populations.

Wherever possible, success measures and performance indicators should be expressed in terms of the experience and perceptions of members of financially vulnerable populations themselves, as to whether their financial literacy, inclusion and wellbeing have improved.

The use of clear SMART goals – specific, measurable, action oriented, realistic and time based - can help clarify roles for collaborative efforts across sectors in an effort to measure progress. Since the strategy is still in the early stages of development, and the roles and responsibilities are not yet defined, we hope that clear timelines and deliverables will become apparent overtime. Vague goals and objectives can risk being interpreted as a lack of commitment on the part of government and discourage other actors from dedicating their energies and resources to the strategy. It can also make it challenging for other actors to identify how they can contribute. SMART goals help measure progress and provide opportunities to course correct if initiatives are not having the desired effects.

### 11.2 Examples of initiatives to measure progress

- *The Financial Education Network of New Brunswick is a knowledge exchange platform that builds on the existing capacities of network members to expand financial literacy resources and programs to reach vulnerable populations.*
- *NYU Wagner's Financial Access Initiative (FAI) and the Center for Financial Services Innovation (CFSI) conducted the U.S. Financial Diaries study to track over 200 low- and moderate-income households over a one-year period to better understand how families manage day-to-day finances. The*

*information collected from the diaries will help design policies and financial products and services that are more responsive to the needs of American families.<sup>23</sup>*

- *Prosper Canada has developed a **Financial Literacy Evaluation Toolkit** that managers and practitioners can use to evaluate and measure the effectiveness of their financial literacy programs.<sup>24</sup>*

### **11.3 Other recommended solutions**

- ***Revise the objectives and goals for the strategy to meet SMART criteria and, wherever possible, measure success in terms of the experience of people in priority and other financially vulnerable populations, rather than simply the activities undertaken by the government and other partners. Outcomes should focus as much as possible on positive or improved financial behaviours and wellbeing.***
- ***Work with relevant stakeholders to identify ways to measure the effectiveness of financial literacy initiatives for priority groups by developing and applying common indicators and outcomes.***
- ***Build and make available high quality evaluation tools, resources, training and supports that can enable organizations to develop and implement their own customized program evaluation.***



## **APPENDIX 1 - ABLE STEERING COMMITTEE**

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### **Catherine Ludgate**

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### **Hélène C. Ménard**

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### **Joanne Currie**

Director, Financial Stability and Independence  
United Way of the Alberta Capital Region

### **Keri Chambers**

Occupational Therapist  
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### **Louise Simbandumwe**

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### **Lynne Woolcott**

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### **Mack Rogers**

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